Interim Report January – March 2019

Strong sales performance

17 April 2019  |  Petra Einarsson, CEO, Kristina Schauman, CFO

WHAT IF packaging could make a difference?
Key highlights

- Good demand and strong sales performance in all divisions
- Solid result despite high fibre costs
- Ramp-up of KM7 has started and is proceeding according to plan
- Process of finding suitable investors for Bergvik Öst ongoing

10% NET SALES GROWTH Y/Y

16% EBITDA MARGIN*

9% ROCE*

2.90 NET DEBT/EBITDA*

*Adjusted for items affecting comparability
Unlocking the potential

SECURE
Successful ramp-up of KM7
Competitive wood supply

IMPROVE
A safe company is a well-run company
Stabilise production

ACCELERATE
Innovate for growth
Capture new solutions sales
Start-up phase initiated
Ramp-up is proceeding according to plan

Stock on wire

FY 2019 ~240 ktonnes

May-June – Commercial liner
Oct – Certification material

FY 2020 ~390 ktonnes

Ramp-up impact on EBITDA SEK 500m
Ramp-up impact on EBITDA SEK 200m
EBITDA neutral FY 2021
Ramp-up cont.
Process of finding suitable investors ongoing

- In November 2018 BillerudKorsnäs entered into an agreement to acquire Bergvik Skog Öst
- The transaction is expected to be completed in late May, early June
- The strategy to advance in the value chain remains unchanged
- Key focus when evaluating potential ownership partners is:
  - Continue to manage the forest land
  - Long-term wood supply agreement
A paradigm shift in safety

- Cultural changes – never walk by
- All accidents are preventable
- Focus on structure, engagement and predictability
- A safe company is a well-run company

Lost time injury frequency rate*, LTIFR

<table>
<thead>
<tr>
<th>Year</th>
<th>LTIFR</th>
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<tbody>
<tr>
<td>2017</td>
<td>7.7</td>
</tr>
<tr>
<td>2018</td>
<td>7.2</td>
</tr>
<tr>
<td>Q1 2019 R12</td>
<td>8.7</td>
</tr>
<tr>
<td>Next Gen. Q1</td>
<td>3.1</td>
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<tr>
<td>Target 2023</td>
<td>1.5</td>
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</tbody>
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*Number of injuries per 1 000 000 worked hours
Production stability is the key focus

- Production Excellence Programme (PEX) target to improve OEE* with 4 percentage points by 2020
- Programme drives improvements across all mills
  - Stretched mill specific targets defined and committed
  - Focus on loss eradication and track progress
  - Network and standardised way of working
- Full-year production expected to be 2,900 ktonnes

*Overall equipment efficiency
One step closer to a fully biobased paper bottle

- BillerudKorsnäs and ALPLA are joining forces to fulfill the shared vision of developing fully biobased and recyclable paper bottles.
- The plan is to continue the development to launch new generations and then scale up production.
- Subsequent generations will be both fully biobased and have biodegradable barriers thereby fully realising the vision and enabling consumers all over the world to live more sustainably.
Outlook

- Continued good demand for our products
- Increased price pressure is expected – focus on safeguarding current price levels
- Total cost of fibre expected to flatten out at high levels
WHAT IF innovation makes the difference?
Double-digit top-line growth

- Net sales up 10% compared with Q1 2018
- Increased sales prices
- Positive currency effects
- Sales volumes largely unchanged

Net sales, SEKm:
Q1: 5,897
Q1: 6,504

Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4
Continued headwind from raw material costs

- Total cost of fibre continued to increase in Q1
  - WCI expected to flatten out on high level
- Caustic soda flat at high levels
- Negative impact from increased energy prices

Wood Cost Index (WCI), rolling 12 months
Solid result despite full effect from higher fibre costs
Division Board

- Net sales +12% vs Q1-18
  - Higher sales volumes
  - Increased sales prices
  - Positive currency effects

- EBITDA -8% vs Q1-18
  - Higher fibre costs

- Market expected to remain good with normal seasonal variations
  - Signs of weakness in uncoated liner market

3 536
NET SALES SEK MILLION

19%
EBITDA MARGIN

9%
ROCE
Division Paper

- **Net sales +10% vs Q1-18**
  - Increased sales prices
  - Positive currency effects
  - Improved product mix

- **EBITDA +9% vs Q1-18**
  - Increased sales prices
  - Positive currency effects
  - Improved product mix

- **Market expected to remain good with normal seasonal variations**
  - Weaker than last year

**NET SALES SEK MILLION**

- 2,305

**EBITDA MARGIN**

- 20%

**ROCE**

- 20%
Division Solutions

ㄧ Net sales +10% vs Q1-18
  ▶ Positive currency effects
  ▶ New sales

ㄧ EBITDA SEK 13 million
  ▶ Stronger gross margin in Managed Packaging

ㄧ Market expected to remain good
  ▶ Strong growth within division solutions expected to continue during the year
Leverage expected to be in line with target late 2020

- Net debt expected to peak in Q2
  - Total net debt SEK 9 822 (6 056) million
- Well below covenant terms
- Clear focus on regaining positive cash flow and deleveraging

Net debt / EBITDA

- Target: <2.5x

*Adjusted for items affecting comparability
# Long-term financial targets

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<thead>
<tr>
<th>Area</th>
<th>FY target</th>
<th>Q1 2019</th>
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<tbody>
<tr>
<td>Net sales growth</td>
<td>3-4%</td>
<td>10%</td>
</tr>
<tr>
<td>EBITDA margin*</td>
<td>&gt;17%</td>
<td>16%</td>
</tr>
<tr>
<td>ROCE*</td>
<td>&gt;13%</td>
<td>9%</td>
</tr>
<tr>
<td>Net debt/EBITDA*</td>
<td>&lt;2.5</td>
<td>2.90</td>
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<tr>
<td>Dividend policy*</td>
<td>50%</td>
<td>59%*</td>
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*Adjusted for items affecting comparability

** Board’s proposal
Summary

- Good demand and strong sales performance in all divisions
- Solid result despite high fibre costs
- Ramp-up of KM7 has started and is proceeding according to plan
- Process of finding suitable investors for Bergvik Öst ongoing
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