

# COMBINATION OF BILLERUD AND KORSNÄS

INFORMATION PRIOR TO EXTRAORDINARY GENERAL MEETING IN BILLERUD ON 14 SEPTEMBER 2012



This presentation is not a prospectus. Its purpose is to serve as information to shareholders in Billerud AB (publ) ("Billerud") regarding the proposed combination between Billerud and Korsnäs AB ("Korsnäs"). This presentation must not be made public, published or distributed, in whole or in part, directly or indirectly, in or into the United States, Canada, Japan, Hong Kong or Australia or in any other country where such publication or distribution would be in breach of applicable laws or regulations or would necessitate further documentation being drawn up or registered, or would necessitate any other action being taken, in addition to the requirements laid down by Swedish law. For further information, please see page 48 of this presentation.

## “THE NATURAL PART IN SMARTER PACKAGING”

**THE  
NATURAL  
PART IN  
SMARTER  
PACKAGING**

We are the natural part in smarter packaging & packaging solution. We produce world-class renewable packaging material. We have skilled people with broad knowledge of packaging performance, manufacturing and choice of material. That combination, together with our global network of converters, is what makes us the natural part in smarter packaging.



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This document is a translation of the original, published in Swedish. In cases of any discrepancies between the Swedish and English versions, or any other, the Swedish original shall have precedence.

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THE TRANSACTION IN BRIEF



## STRONG PLATFORM FOR GROWTH

On 20 June 2012, it was announced that Billerud and Korsnäs are to combine. The combination will create one of the most focused and innovative companies in the packaging world.

The combination encompasses:

- ▶ Expanded offering in primary fibre-based packaging material via a widened product portfolio – a competitive alternative to non-renewable packaging solutions
- ▶ Leading positions in packaging paper, cartonboard and containerboard
- ▶ Good opportunities for cross-selling
- ▶ Increased share of sales to consumer related businesses – more stable earnings and less cyclical profitability
- ▶ Extended knowledge base enables a higher pace of innovation and development of smart packaging solutions
- ▶ A strong platform for growth and international expansion
- ▶ Improved conditions for sustainable profitability
- ▶ Synergies generated in purchasing, raw material supply, production, administration, sales, development and logistics



## BACKGROUND

- ▶ The combination between Billerud and Korsnäs is part of Billerud's strategy to become a world-class packaging materials company. At a stroke, the company will double in size and will acquire a comprehensive and more well-balanced product portfolio
- ▶ Billerud has persistently striven for a higher value-added content and established itself as a leading innovative company in packaging materials and solutions. This has laid down strong conditions for growth and expansion in new geographic markets and new customer categories, and the former dependence on the business cycle for market pulp has been sharply reduced
- ▶ Korsnäs, today owned by Kinnevik, is a highly specialised and well-positioned packaging materials business with annual sales of approximately SEK 9 billion. Korsnäs has a strategic focus on high value-added products especially in consumer packaging, and historically the company has reported high and stable profitability
- ▶ The combination is a natural progression for both companies. The objective is to create one of the most focused and innovative businesses in the packaging world, capable of long-term growth and high profitability, which will establish favourable conditions for increased shareholder value

The focus is on delivering customer value via process efficiency and development of packaging solutions and materials characterised by insight, innovation and sustainability

## **EXTRAORDINARY GENERAL MEETING TO BE HELD ON 14 SEPTEMBER 2012**

The Board of Directors of Billerud has convened an Extraordinary General Meeting and proposes that the shareholders approve the acquisition of Korsnäs (the “Transaction”) and certain other resolutions relating to the Transaction. The notice convening the meeting was published on 13 August 2012 and is available at [www.billerud.com](http://www.billerud.com).

- ▶ An Extraordinary General Meeting will be held at 3.00 p.m on Friday, 14 September 2012 at Grönwaldsalen, Konserthuset, Stockholm, entrance from Kungsgatan 43. The venue will be open from 2.00 p.m. for registration, when coffee will be served
- ▶ Notification of intention to participate must be made by no later than Monday, 10 September 2012, via [www.billerud.com](http://www.billerud.com); by telephone on (+46) (0)8-402 90 62; or by post to Billerud Aktiebolag, “Extra bolagsstämman 2012” (Extraordinary General Meeting 2012), Box 7841, SE-103 98 Stockholm, Sweden. Any such notification must include name, personal/corporate identity number, address, telephone number, number of shares represented and details of any proxies and assistants (maximum of two) who are to attend
  - To be eligible to participate in the meeting, shareholders must also be entered in the share register maintained by Euroclear on Saturday, 8 September 2012. Since the record date is a Saturday, shareholders must ensure that they are listed in the share register on Friday, 7 September 2012
  - Shareholders who have their shares registered in the name of a trustee must also request to have the shares temporarily re-registered in their own name at Euroclear. Any such re-registration, known as voting right registration, must be effected no later than Friday, 7 September 2012
  - Shareholders wishing to participate at the meeting via a proxy can download a proxy form from [www.billerud.com](http://www.billerud.com)

## **RESOLUTIONS FOR DECISION AT THE EXTRAORDINARY GENERAL MEETING<sup>1</sup>**

- To approve the acquisition of Korsnäs
- To authorise the Board of Directors to carry out a new issue of shares to Kinnevik, corresponding to approximately 25% of the shares in Billerud, to be issued as part of the purchase consideration in the acquisition of Korsnäs (the “Directed Issue”)
- To authorise the Board of Directors to carry out a new issue of shares with preferential rights for the shareholders for a total issue consideration of around SEK 2,000 million (the “Rights Issue”)
- To amend the provisions of the Articles of Association regarding the number of shares and the share capital and to change the business name of the company to BillerudKorsnäs AB (publ)
- To elect a new Board of Directors, which according to the proposal to the Extraordinary General Meeting, shall consist of new directors Mia Brunell Livfors, Wilhelm Klingspor, Mikael Larsson and Hannu Ryöppönen, as well as current directors Jan Homan, Lennart Holm, Gunilla Jönson and Michael M.F. Kaufmann. It is proposed that Hannu Ryöppönen should be appointed as new Chairman of the Board

*For further information, see page 21.*

Frapag Beteiligungsholding AG (“Frapag”), currently the largest shareholder in Billerud, has undertaken to vote in favour of the proposals at the Extraordinary General Meeting.

1) For the complete proposals, see the notice convening the meeting, which is available on request from the company and at [www.billerud.com](http://www.billerud.com).

## THE TRANSACTION IN BRIEF

Billerud will acquire Korsnäs AB including its 5% stake in Bergvik Skog<sup>1</sup> and a 75% stake in Latgran Biofuels<sup>2</sup>, from Investment AB Kinnevik. Completion of the Transaction requires approval from competition authorities and approval by the shareholders at the meeting. Following completion of the Transaction, the shareholders will be offered the opportunity to subscribe for new shares in BillerudKorsnäs in the Rights Issue, which is expected to take place in the fourth quarter of 2012. The major shareholders in BillerudKorsnäs after the Rights Issue will be Kinnevik with 25.1% and Frapag with 15.7%.

### Consideration to the seller Kinnevik

- Newly issued shares in Billerud, corresponding to 25.1% (the Directed Issue)
- Cash payment of SEK 3,200 million<sup>3</sup>
- BillerudKorsnäs is to assume the net debt of SEK 5,650 million in Korsnäs as part of the Transaction<sup>4</sup>

### Financing

- Directed issue to Kinnevik (subject to approval at Extraordinary General Meeting)
- SEK 10.5 billion in credit facilities from SEB and Svenska Handelsbanken
- New share issue in BillerudKorsnäs with preferential rights for the shareholders, corresponding to SEK 2,000 million (subject to approval at Extraordinary General Meeting)<sup>5</sup>
  - Kinnevik has undertaken to subscribe for shares corresponding to SEK 500 million, and Frapag corresponding to its share

1) One of Sweden's largest forest owning companies. 2) Production of pellets from forest raw materials. 3) Including SEK 500 million in the form of a Vendor Note. Kinnevik has undertaken to subscribe for shares in the Rights Issue to a value of SEK 500 million. 4) In case that net debt deviates from SEK 5,650 million an adjustment to the cash consideration shall be made. 5) BillerudKorsnäs will use the net proceeds from the share issue to repay parts of the financing raised in connection with the Transaction.

## OFFER TO THE SHAREHOLDERS – RIGHTS ISSUE

Following the Transaction, all shareholders will be offered in the Rights Issue the opportunity to subscribe for new shares in BillerudKorsnäs. This is expected to take place in the fourth quarter of 2012, assuming shareholder approval at the Extraordinary General Meeting.

- ▶ The Board of Directors of Billerud is authorised at the Extraordinary General Meeting to carry out a Rights Issue corresponding to approximately SEK 2,000 million
- ▶ The shareholders will be offered the opportunity to subscribe for new shares in BillerudKorsnäs
- ▶ The subscription price and further details of the Rights Issue will be announced following completion of the Transaction, which is expected to take place in the fourth quarter of 2012
- ▶ A prospectus will be drawn up and published in preparation for the Rights Issue
- ▶ The net proceeds from the issue will be used to repay parts of BillerudKorsnäs' outstanding loans



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**DESCRIPTION OF BILLERUDKORSNÄS**



## STRATEGIC FOCUS

- ▶ BillerudKorsnäs will lead the developments in primary fibre-based packaging materials, with the aim of generating profitable growth
  - This will be achieved by developing smart packaging solutions and new materials, with the focus on customer benefit, innovation and sustainability
- ▶ The focus will initially be on integrating the two organisations and realising synergies to create world-class process efficiency
- ▶ In parallel, the company will merge marketing and development units to strengthen product, service and business development
- ▶ With a strong platform of efficient processes, customer-focused development and renewable materials, the company will improve product and segment mix for increased profitability and international growth



## BILLERUDKORSNÄS – COMPLEMENTARY STRENGTHS

### Billerud's strengths

Leading products in sack and kraft paper as well as corrugated medium for corrugated boxes (fluting)

Leading positions in market segments Food, Industry and Medical & Hygiene

Cost-efficient production in Sweden, Finland and the UK

High commercial and technological development competence in sacks, corrugated boxes and medical packaging

### Korsnäs' strengths

Leading products in liquid packaging board and liner for corrugated boxes (White Top Liner)

Leading positions in market segments Beverages and Consumer

Cost-efficient, fully-integrated production in Sweden  
Forest resources via a 5% stake in Bergvik Skog

High technological development competence in liquid packaging

### BillerudKorsnäs

Comprehensive, well-balanced product portfolio in packaging materials  
Opportunities for cross-selling

Market mix less sensitive to the business cycle, with focus on Food & Beverages

Cost-efficient production structure with geographical and cultural proximity  
Major potential for synergies

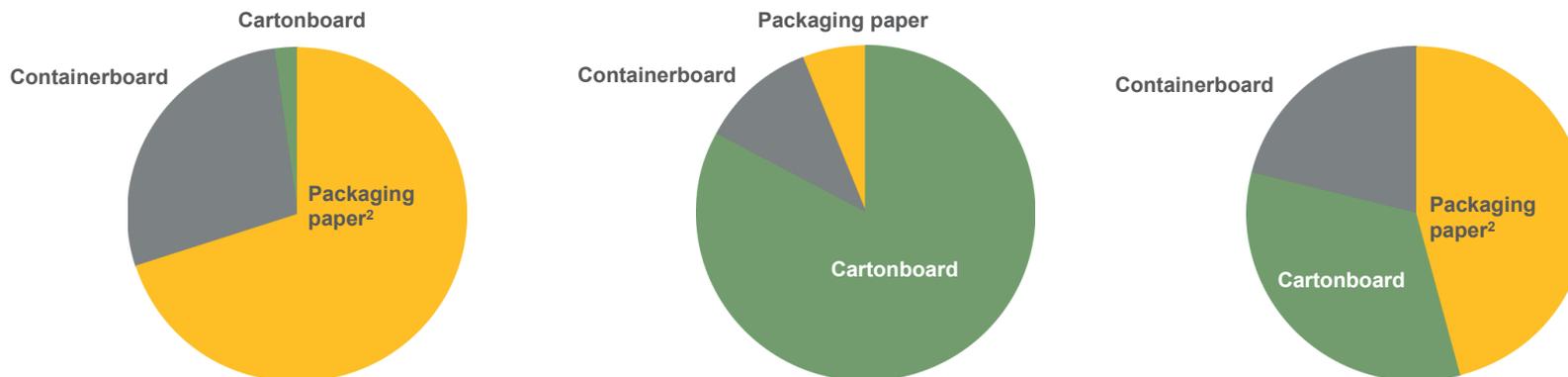
Complementary development agenda  
Considerable combined knowledge base for product and business development

## BILLERUDKORSNÄS

Billerud (incl. acquisition of UPM's packaging paper business)		Korsnäs (incl. Latgran)		BillerudKorsnäs (combined)	
Net sales	EBITDA <sup>1</sup>	Net sales	EBITDA <sup>1</sup>	Net sales	EBITDA <sup>1</sup>
11.36	1.79	8.57	1.56	19.93	3.35

(Figures in SEK billion refer to 2011)

### Sales volumes 2011



The combined financial information on this slide is not financial pro forma information, and has not been audited or otherwise reviewed by the companies' auditors.

1) Operating profit before depreciation/amortisation. 2) Includes sales volumes totalling 343 ktonnes of market pulp.

## THREE BUSINESS AREAS

BillerudKorsnäs will gain a solid and wide product offering in primary fibre-based packaging materials which will be very competitive to non-renewable alternatives. Packaging paper, cartonboard and containerboard will be the three business areas. Korsnäs' strong positions in cartonboard will complement Billerud's containerboard and packaging paper areas.

### PACKAGING PAPER *Sack and kraft paper*



Net sales: SEK 8.5 billion  
Sales volume: 1,200 ktonnes

Billerud's current business area  
Packaging & Speciality Paper and  
Korsnäs' sack and kraft paper

### CARTONBOARD *Liquid packaging board, cartonboard and cup stock*



Net sales: SEK 6.1 billion  
Sales volume: 870 ktonnes

New business area, mainly  
consisting of products from  
Korsnäs, plus liquid packaging  
board and cup stock (carton board  
for paper cups) from Billerud

### CONTAINERBOARD *Fluting and liner*



Net sales: SEK 3.1 billion  
Sales volume: 570 ktonnes

Billerud's current business area  
Packaging Boards, excluding liquid  
packaging board and cup stock, and  
Korsnäs' White Top Liner

The combined financial information on this slide is not financial pro forma information, and has not been audited or otherwise reviewed by the companies' auditors. Combined net sales for BillerudKorsnäs in 2011 includes the packaging paper business of UPM. Other activities include external sales of forest raw material and pellets, as well as currency hedges. Packaging paper includes market pulp, which accounts for approximately SEK 1.8 billion of combined net sales of packaging paper in 2011 and 343 ktonnes of the sales volume.

## MARKET SEGMENTS

Through the Transaction, Billerud will increase the proportion of sales to consumer sectors, reducing its dependence on the business cycle and creating scope for more stable growth and profitability. In 2011, consumer sectors<sup>1</sup> accounted for 75% of combined net sales for BillerudKorsnäs, compared with 59% for Billerud in 2011. Food & Beverages will be the largest market segment for BillerudKorsnäs.

	 <b>FOOD &amp; BEVERAGES</b>	 <b>INDUSTRIAL</b>	 <b>CONSUMER &amp; LUXURY PRODUCTS</b>	 <b>MEDICAL &amp; HYGIENE</b>
<b>BILLERUD<sup>2</sup></b>	<b>40%</b>	<b>41%</b>	<b>7%</b>	<b>12%</b>
<b>BILLERUDKORSNÄS<sup>2</sup></b>	<b>58%</b>	<b>25%</b>	<b>11%</b>	<b>6%</b>
<b>GLOBAL PACKAGING MARKET 2011<sup>3</sup></b>	<ul style="list-style-type: none"> <li>➤ USD 290 billion, corresponding to 42% of the global packaging market</li> <li>➤ Europe is the largest market. Emerging markets such as India and China are expected to grow strongly over the next coming years with approximately 10% annually</li> </ul>	<ul style="list-style-type: none"> <li>➤ USD 275 billion, corresponding to 40% of the global packaging market</li> <li>➤ Asia is the largest market and is expected to see annual growth of just under 7% until 2016</li> </ul>	<ul style="list-style-type: none"> <li>➤ USD 100 billion, corresponding to 14% of the global packaging market</li> <li>➤ Growth regions such as Asia and Africa are expected to see the highest growth in the future</li> </ul>	<ul style="list-style-type: none"> <li>➤ USD 30 billion, corresponding to 4% of the global packaging market</li> <li>➤ Is expected to grow more rapidly than the packaging market overall</li> </ul>

1) Includes Food & Beverage, Consumer & Luxury Products and Medical & Hygiene. 2) Percentage of net sales in 2011. Breakdown of sales for Korsnäs, estimated, excluding Latgran and Korsnäs Skog. Breakdown of sales for Billerud, excluding the packaging paper business of UPM. 3) Pira International (2011).

## VALUE CREATION THROUGH DEVELOPMENT

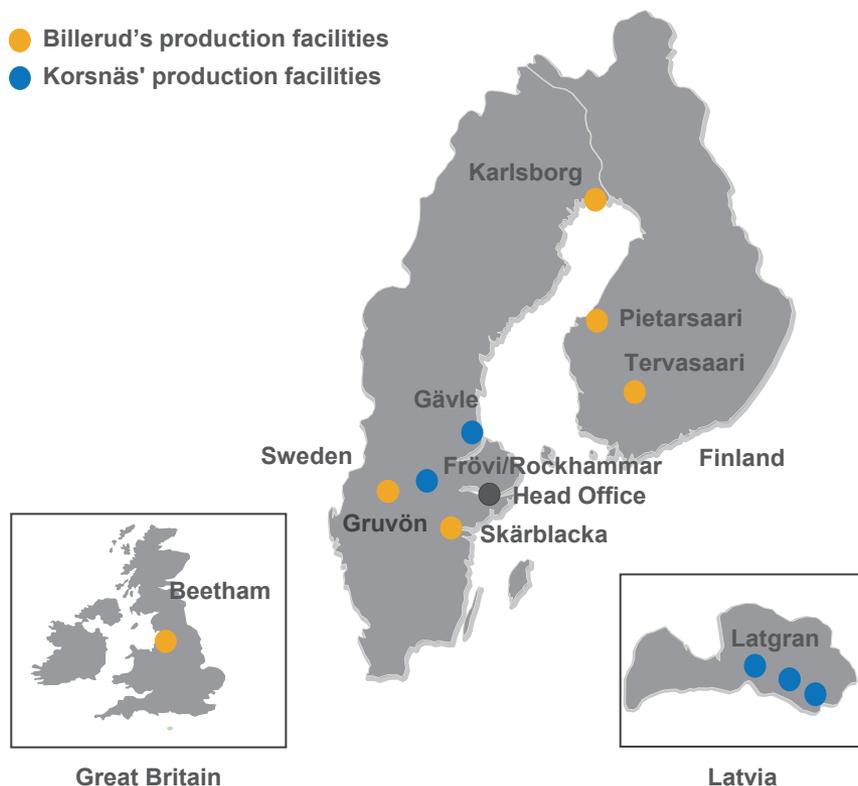
- Continuous development is central to the strategy pursued by both Billerud and Korsnäs, and to the companies' sustainability work
- Innovation applies to technological development as well as to business models and service offerings
- A wider knowledge base enables a higher pace of innovation and development of smart solutions
- Korsnäs, like Billerud, is increasingly involved in customers' development and innovation processes. This work is geared towards both processes and materials and packaging solutions
- Both companies use in-house developed software to aid customers in making their optimal packaging material choice



## PRODUCTION FACILITIES

BillerudKorsnäs will have nine production facilities and three pellet factories. As with several of Billerud's mills, Korsnäs' facilities in Gävle and Frövi are integrated, i.e. incorporate pulp as well as paper and cartonboard production, offering advantages such as full control of the production process, high product quality, high self-sufficiency rate in electricity and lower energy consumption.

- Billerud's production facilities
- Korsnäs' production facilities



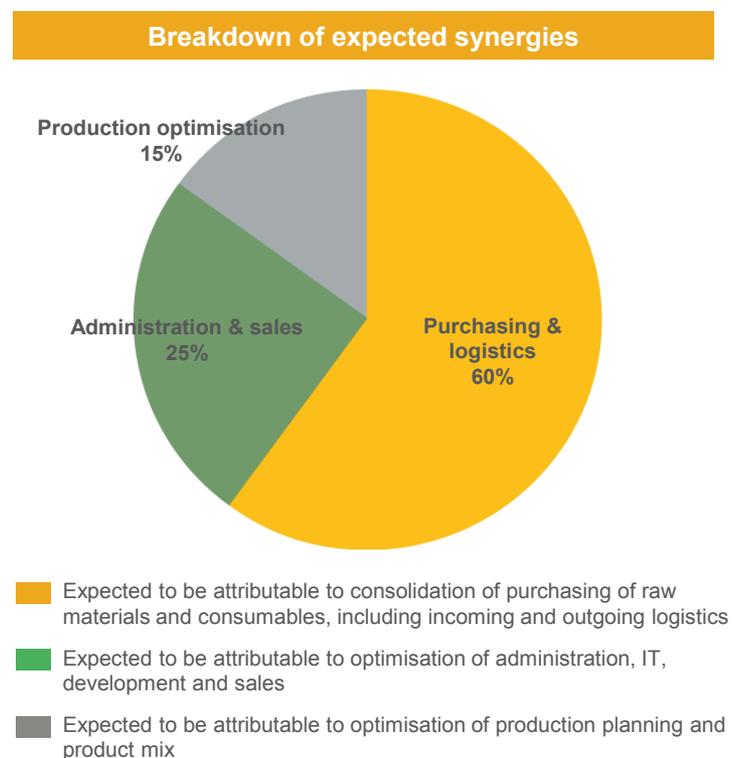
Capacity overview (Billerud)	ktonnes
Billerud Gruvön	685
Billerud Skärblacka	400
Billerud Karlsborg	300
Billerud Beetham	45
Billerud Pietarsaari	} 300
Billerud Tervasaari	
<b>Total</b>	<b>1,730</b>

Capacity overview (Korsnäs)	ktonnes
Korsnäs Gävle	700
Korsnäs Frövi/Rockhammar	430
<b>Total</b>	<b>1,130</b>

## ANNUAL SYNERGIES OF ABOUT SEK 300 MILLION

It is estimated that the full impact of the expected synergies, totalling approximately SEK 300 million annually, will be realised three years after closing of the Transaction; half of the synergies are expected to show through within 18 months.

- ▶ The savings are expected to be made mainly through consolidating the purchasing of raw materials and consumables, as well as optimisation of logistics, production, development and sales
- ▶ The companies' geographical and cultural proximity will ease the integration process
  - The bulk of production is located in central Sweden, which offers advantages in both purchasing and logistics
  - Through past experience, the respective management teams of Billerud and Korsnäs are well informed about each other's companies and market segments



## MANAGEMENT



**PER LINDBERG**

**Born:** 1959

**Position at BillerudKorsnäs:**  
President and CEO

**Current position:**  
President and CEO, Billerud



**CHRISTER SIMRÉN**

**Born:** 1961

**Position at BillerudKorsnäs:**  
Executive Vice President and COO

**Current position:**  
President and CEO, Korsnäs



**SUSANNE LITHANDER**

**Born:** 1961

**Position at BillerudKorsnäs:**  
CFO

**Current position:**  
CFO, Billerud

## BOARD OF DIRECTORS

It is proposed that the Board of Directors of BillerudKorsnäs should be made up of the following eight members, to be elected at the Extraordinary General Meeting on 14 September 2012. For more information on the proposed new members of the Board of Directors – please see the notice convening the Extraordinary General Meeting or [www.billerud.com](http://www.billerud.com).

### PROPOSED NEW DIRECTORS



**Hannu Ryöppönen**

**Born:** 1952

**Proposed role on Board of Directors:** Chairman

**Other appointments:** Chairman of Altor Private Equity-funds and Hakon Invest AB, Board Member of Amer Sport Corporation Oyj, Novo Nordisk A/S, Neste Oil Oyj, Rautaruukki Oyj, Korsnäs AB and Value Creation Investments Limited. Member of Citi Nordic Advisory Board



**Mikael Larsson**

**Born:** 1968

**Other appointments:** Board Member of Transcom WorldWide S.A, Bergvik Skog AB, Latgran Biofuels AB, Vireo Energy AB Relevant Traffic Europe AB and CFO of Investment AB Kinnevik

**Mia Brunell Livfors**

**Born:** 1965

**Other appointments:** Chairman of Metro International S.A., Board Member of Korsnäs AB, Tele2 AB, Millicom International Cellular S.A., Modern Times Group MTG AB, H&M Hennes & Mauritz AB and CDON Group AB. President and CEO of Investment AB Kinnevik



**Wilhelm Klingspor**

**Born:** 1962

**Other appointments:** CEO of Hellekis Säteri AB, Board Member of Investment AB Kinnevik and Korsnäs AB



### CURRENT DIRECTORS<sup>1</sup>



**Michael M.F. Kaufmann**

**Born:** 1948

**Other appointments:** Chairman and CEO of Frapag Beteiligungsholding AG, Board Member of Hirsch Servo AG, Deputy Chairman of Immofinanz Immobilien Anlagen AG



**Lennart Holm**

**Born:** 1960

**Other appointments:** Chairman of Vida AB, Perstorp Holding AB, Nexam Chemical AB, CroViva AB, SI Technology Investments AB and Chamber Tech AB, Board Member of BioMass C Holding AB, Hempel A/S, Lahega Kemi AB, Vigmed AB, Senior Advisor of PAI partners, Deputy Chairman of SOS Barnbyar Sverige (SOS Children's Villages, Sweden)



**Gunilla Jönson**

**Born:** 1943

**Other appointments:** Professor of Packaging Logistics in the Faculty of Engineering at Lund University, Deputy Chairman of Chalmers University of Technology, Board Member of Vinnova, SIK and Blekinge Institute of Technology, etc., Member of the Royal Swedish Academy of Engineering Sciences (IVA)



**Jan Homan**

**Born:** 1947

**Other appointments:** Head of European organisation of the European Aluminium Foil Association and of the Flexible Packaging Association, Chairman of Constantia Flexibles Group, Board Member of Alfred Umdasch Foundation, Allianz Elementar Versicherungs AG, Erste Group Bank AG and CPC Holding Coöperatief U.A. etc.

1) Those persons who currently serve on Billerud's Board of Directors, in addition to those listed above, have declared that they will be resigning from their Board appointments when the new directors take up their appointments.

## OWNERSHIP STRUCTURE

Shareholder	Billerud today <sup>1</sup>	After the Rights Issue <sup>2</sup>
Investment AB Kinnevik	-	25.1%
Frapag Beteiligungsholding AG	21.0%	15.7%
SHB funds	2.8%	2.1%
Swedbank Robur funds	2.3%	1.7%
Government of Norway	2.1%	1.5%
DFA funds	1.8%	1.4%
Fourth Swedish National Pension Fund	1.5%	1.1%
SEB funds	1.1%	0.8%
Evli funds	0.7%	0.5%
Avanza Pension Insurance	0.6%	0.5%

1) As per July 31, 2012 before the Directed Issue to Kinnevik. 2) Assuming that the Rights Issue is fully subscribed and that the shareholders subscribe for their respective pro rata share in the Rights Issue.

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## FINANCIAL PRO FORMA INFORMATION



## ASSUMPTIONS

- ▶ The pro forma information presents:
  - Net sales and earning before interest, tax, depreciation and amortization (“EBITDA”) for 2011 and the first half of 2012 respectively, assuming that the acquisition of Korsnäs occurred on January 1, 2011 and January 1, 2012 respectively
  - The financial position, assuming that the acquisition of Korsnäs and the Rights Issue have been completed and that the new financing has been utilised as of June 30, 2012
- ▶ The information is based on audited financial information for the financial year 2011 for Billerud and Korsnäs and unaudited financial information for the first half of 2012
  - Billerud’s and Korsnäs’ respective balance sheets as of June 30, 2012 includes the packaging paper business acquired from UPM as well as Latgran which were acquired during the first half of 2012
  - Net sales and EBITDA for the first half of 2012 includes effects from the packaging paper business acquired from UPM and Latgran as if the businesses had been acquired on January 1, 2012, corresponding information for 2011 only includes corresponding effects for Latgran. If the packaging paper business acquired from UPM had been included it would have contributed to approximately SEK 2 billion in net sales
- ▶ Note that the final allocation of fair values of acquired assets and liabilities in Korsnäs will be completed at a later stage. This purchase price allocation is expected to primarily affect fixed assets and deferred tax liabilities
- ▶ The combination agreement also include customary conditions that *inter alia* implicate that the purchase price could be adjusted if the working capital in Korsnäs exceeds or fall below a normalised level and/or if Korsnäs investments exceeds or fall below an agreed interval at the time of the combination. The potential adjustment due to working capital is included in the pro forma information, but adjustment due to investments has not been considered in the pro forma balance sheet as of June 30, 2012
- ▶ Future synergy effects are not included in the pro forma information

*The pro forma information describe a hypothetical situation and has been prepared for illustration purposes only. The purpose of the information is not to present the net sales, EBITDA and financial position that the operations would have actually achieved and shall also not be considered to indicate which future results BillerudKorsnäs will generate or its financial position in the future. The pro forma information has not been reviewed by the company’s auditors.*

## GROUP SALES AND EBITDA – PRO FORMA

Jan – Jun 2012 SEK million			(A)	(B)	Pro forma
	Billerud	Korsnäs	Acquisition <sup>1</sup>	Adj.	
Net sales	4,731	4,407	1,216	269	10,623
EBITDA	606	757	153	-138	1,378
<i>EBITDA margin</i>	12.8%	17.2%	12.5%		13.0%

Full year 2011 SEK million			(A)	(B)	Pro forma
	Billerud	Korsnäs	Acquisition <sup>1</sup>	Adj.	
Net sales	9,343	8,254	319	550	18,466
EBITDA	1,592	1,515	47	-107	3,047
<i>EBITDA margin</i>	17.0%	18.4%	14.7%		16.5%

### A. Acquisition<sup>1</sup>

Jan-Jun 2012:

- The packaging paper business acquired from UPM during the first six months of 2012 before the time of the acquisition, June 1.
- Latgran operations during the first six months of 2012

Full year 2011:

- Latgran operations in 2011
- The packaging paper business acquired from UPM is not included in 2011 since the operations was not a separate legal entity within UPM. The unit's net sales amounted to around SEK 2 billion

### B. Adjustments

Net sales:

- Reclassifications made for adjustments of the accounting principles of Korsnäs to Billerud's (SEK +328 million Jan-Jun 2012 and SEK +661 million full year 2011). This relates mainly to freight costs.
- Elimination of internal sales between Korsnäs and Latgran (SEK -59 million Jan-Jun 2012 and SEK -111 million full year 2011)

EBITDA

- Transaction costs (SEK -43 million), one-off effect
- Cost effect of purchase price allocation adjustment of inventory to fair value (SEK -95 million Jan-Jun 2012 and SEK -64 million full year 2011), one-off effect

1) The packaging paper business acquired from UPM and Latgran operations.

## GROUP BALANCE SHEET – PRO FORMA

June 30, 2012 SEK million			(A)	(B)	(C)	Pro forma
	Billerud	Korsnäs	Acq. of Korsnäs	Adj.	Rights Issue	
Fixed assets	5,982	8,131	7,834	-4,502		17,445
Interest bearing receivable on Kinnevik		1,919	-1,919			-
Current assets excl liquid funds	3,382	2,844		33		6,259
Liquid funds	416	80	-43			453
<b>Total assets</b>	<b>9,780</b>	<b>12,974</b>	<b>5,872</b>	<b>-4,469</b>	<b>-</b>	<b>24,157</b>
<i>Shareholders' equity</i>	<i>4,708</i>	<i>5 150</i>	<i>2 165</i>	<i>-5 110</i>	<i>1 989</i>	<i>8,902</i>
Interest bearing debt incl. pension liabilities	1 519	5 305	3 207	56	-1 489	8,598
Interest bearing liability to Kinnevik			500		-500	-
Other liabilities and provisions	3 553	2 519		585		6,657
<i>Total liabilities</i>	<i>5 072</i>	<i>7 824</i>	<i>3 707</i>	<i>641</i>	<i>-1 989</i>	<i>15,255</i>
<b>Total shareholders' equity and liabilities</b>	<b>9,780</b>	<b>12,974</b>	<b>5,872</b>	<b>-4,469</b>	<b>-</b>	<b>24,157</b>
Interest bearing external debt	1,103	5,225	3,250	56	-1,489	8,145
Interest bearing net debt / Equity	23%					91%

### A. Acquisition of Korsnäs (including financing)

The total consideration for the shares of SEK 7,834 million is financed through interest bearing debt of SEK 3,207 million, the Directed Issue of SEK 2,208 million, an amount equivalent to Korsnäs' receivable on Kinnevik of SEK 1,919 million which is to be settled, and a vendor note of SEK 500 million which is to be off set versus Kinnevik's share of the Rights Issue.

The transaction consideration which is financed through interest-bearing debt amounting to SEK 3,207 million is attributable to the agreed cash payment of SEK 2,700 million, adjustment due to the June 30 deviation of SEK 425 million from SEK 5,650 million in external net debt in Korsnäs, SEK 5,225 million, and an adjustment due to the net working capital deviation from the agreed net working capital level of SEK 82 million.

Change in shareholders' equity with SEK 2,165 million consist of the Directed Issue of SEK 2,208 million and reduced with transaction costs of SEK 43 million. The amount for the Directed Issue has been based on 34,628,138 shares and a Billerud share price of SEK 63.75 as at June 30, 2012.

### B. Adjustments

Customary adjustments in accordance with accounting standards for listed companies (IFRS). The adjustments includes elimination of equity in Korsnäs and remeasurement of assets and liabilities

The difference between the acquisition price and the book value of Korsnäs' assets and liabilities has been allocated to fixed assets, inventories and deferred tax liabilities. The adjustments further includes some re-classifications to adapt Korsnäs applied accounting principles to Billerud's, which primarily affect the inventories. The adjustments are preliminary.

### C. The Rights Issue

In connection with the rights issue of SEK 2,000 million (SEK 1,989 million post rights issue costs), which will be completed after the acquisition of Korsnäs, SEK 1,489 million of existing credit facilities are repaid and the vendor note of SEK 500 million versus Kinnevik is off-set.

## COMMENTS TO THE LEVERAGE LEVELS

- ▶ The pro forma leverage defined as interest bearing debt in relation to shareholder equity amounts to 91% as at June 30, 2012. This is slightly above the current financial target of Billerud's of 60 to 90%
- ▶ The demand for Korsnäs' main product liquid packaging board is however stable and less cyclical than other product segments on the paper- and packaging market. This combined with the overall strategy of Korsnäs to focus on highly refined products and the company's longstanding and strong customer relationships has resulted in that Korsnäs, during a long period of time, has been able to demonstrate stable earnings ability and high profitability as well as strong cash flows. The initial pro forma leverage level is therefore considered to be on an acceptable level
- ▶ BillerudKorsnäs intends to communicate long term financial targets of the new company after completion of the Transaction

**4**

**ABOUT THE TRANSACTION**



## STEPS IN TRANSACTION

BillerudKorsnäs uses the net proceeds from the Rights Issue to repay parts of the financing raised in connection with the Transaction

5

The Board of Directors of BillerudKorsnäs carries out the Rights Issue for approximately SEK 2,000 million in order to strengthen the company's capital structure

4

Billerud acquires Korsnäs by paying the purchase consideration for the Transaction  
The new Board of Directors of BillerudKorsnäs takes office

3

The relevant competition authorities approve the Transaction

2

The Extraordinary General Meeting on 14 September 2012 approves the Transaction and authorises the Board of Directors to carry out the Directed Issue and the Rights Issue

1

## CONDITIONS FOR THE TRANSACTION

The Transaction is conditional upon, among others:

- ▶ Approval by the relevant competition authorities
- ▶ That the Extraordinary General Meeting votes to approve the Transaction and authorises the Board of Directors to carry out the Directed Issue and the Rights Issue and to take certain other decisions relating to the Transaction



## PURCHASE CONSIDERATION

The purchase consideration is made up of a cash payment, shares in Billerud and assumption of debts. It has been established via a relative valuation of the businesses of Billerud and Korsnäs respectively. The Board of Directors of Billerud has engaged Erneholm & Haskel, financial advisors, to deliver a statement of opinion on the fairness of the Transaction from the financial point of view to the shareholders in Billerud (the “Fairness Opinion”). Erneholm & Haskel’s opinion is that the Transaction is fair to the shareholders, based on the closing price for Billerud shares on 19 June 2012. The Fairness Opinion is available at [www.billerud.com](http://www.billerud.com).

- Newly issued shares in Billerud, corresponding to 25.1%, through the Directed Issue
- Cash payment of SEK 3,200 million to Kinnevik. Kinnevik has undertaken to subscribe for shares to a value of SEK 500 million in the Rights Issue. The net cash portion of the purchase consideration is therefore SEK 2,700 million net
- BillerudKorsnäs is to assume the net debt of SEK 5,650 million in Korsnäs as part of the Transaction
- In case of discrepancies between net debt and net working capital in Korsnäs and levels agreed upon, an adjustment to the cash consideration will be made
- Kinnevik has provided certain limited warranties regarding Korsnäs and Billerud has provided certain limited warranties regarding its own operations. As a result, the final purchase consideration may be further adjusted

## FINANCING

The financing for the Transaction comprises three components: Loan, Directed Issue and Rights Issue.

- ▶ Credit facilities totalling SEK 10,500 million
  - Of which SEK 1,500 million consists of bridge financing for the portion of the issue payment in the Rights Issue that is attributable to Billerud's current shareholders
  - The lenders are Skandinaviska Enskilda Banken AB (publ) and Svenska Handelsbanken AB (publ)
- ▶ Directed Issue of new shares in Billerud to Kinnevik, corresponding to 25.1%
- ▶ Rights Issue in BillerudKorsnäs totalling approximately SEK 2,000 million, see next page



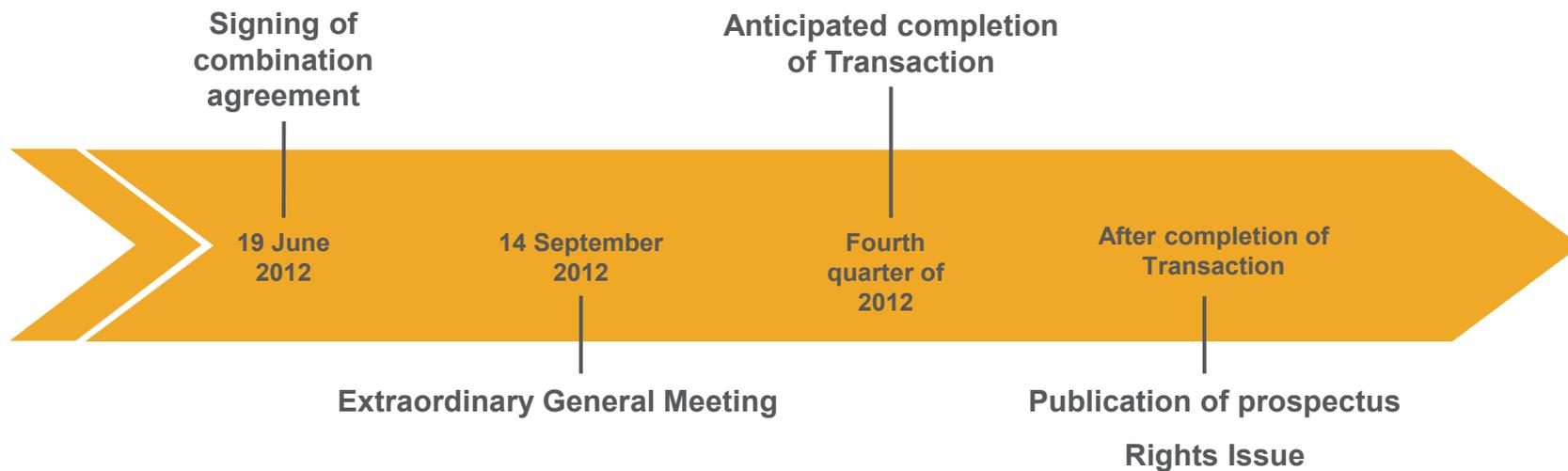
## THE RIGHTS ISSUE

- ▶ The Rights Issue will be carried out as soon as practicable once the Transaction has been concluded
  - The net proceeds from the Rights Issue will be used to repay parts of BillerudKorsnäs' outstanding loans
  - The shareholders will be offered the opportunity to subscribe for new shares in BillerudKorsnäs on a pro rata basis, based on the number of shares held on the record date for the Rights Issue. Subscription for shares will also be possible without preferential rights
- ▶ Since the Directed Issue is to be carried out before the record date for the Rights Issue, Kinnevik will be granted subscription rights in the Rights Issue and Kinnevik has undertaken to subscribe for shares to a value of SEK 500 million
- ▶ Frapag has undertaken to subscribe for shares corresponding to its pro rata share of the Rights Issue
- ▶ The Board of Directors will announce the exact amount by which the company's share capital will be increased, the number of shares that will be issued, the subscription price for new shares in the Rights Issue and the subscription period, as soon as the Board of Directors has passed a resolution on the Rights Issue on the basis of its authorisation
- ▶ After the resolution to carry out the Directed Issue and the Rights Issue, a prospectus will be drawn up and made public on [www.billerud.com](http://www.billerud.com). The prospectus will contain further information about the offer and about BillerudKorsnäs



## TIMETABLE

The anticipated completion of the Transaction will be affected by the timing of decisions from the relevant competition authorities and is therefore subject to change.



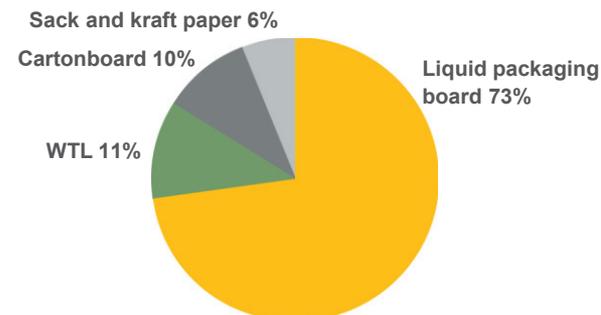
**5** ABOUT KORSNÄS



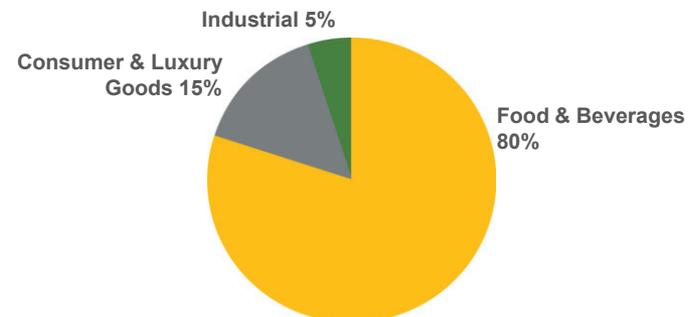
## KORSNÄS

- A leading player in high value-added and primary fibre-based packaging materials and packaging solutions mainly for consumer products
- Net sales of SEK 9 billion
- Historically reported stable and high profitability with strong cash flows
- Commitment to high value-added products and focus on research and development have created leading positions for Korsnäs in several attractive areas, including liquid packaging board, White Top Liner (“WTL”) and cartonboard
- As a result of close collaboration with customers in their development processes, Korsnäs has become one of the leading producers of advanced and innovative packaging solutions, helping customers in saving resources, developing brands and increasing profitability, while at the same time offering consumers an environmentally-friendly choice, improved ease of use and higher product quality

Sales volume per product group<sup>1</sup>



Sales volume per market segment<sup>2</sup>



1) Percentage of total sales volume in 2011. 2) Estimated percentage of total sales volume in 2011.

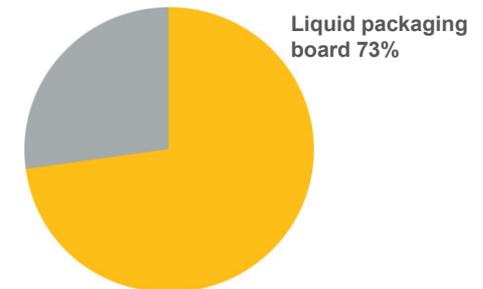
## LIQUID PACKAGING BOARD

Liquid packaging board is the largest product segment. It is used in packaging for dairy products, fruit juices and other beverages.

- ▶ Driving forces:
  - Rising living standards
  - Growing middle class in Asia and South America
  - Rising environmental requirements in consumer sectors favours renewable packaging
- ▶ Market growth:
  - Stable demand
  - Annual growth of 3% globally.<sup>1</sup> Markets in Asia and South America are seeing higher growth
- ▶ Customers:
  - Mainly producers of beverage packaging for dairy products and fruit juices etc.
  - Korsnäs has multi-year agreements with a number of major customers, which has led to a stable capacity for earnings



Percentage of sales volume <sup>2</sup>



1) Korsnäs' estimate. 2) Percentage of total sales volume in 2011.

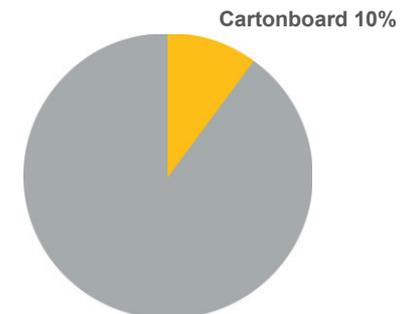
## CARTONBOARD

Korsnäs' cartonboard is mainly used to package products such as cosmetics, luxury beverages and confectionery, as well as frozen food.

- ▶ Driving forces:
  - Changes in consumption patterns are increasing demand for consumer packaging
- ▶ Market growth:
  - Annual growth of 2-3% in Europe<sup>1</sup>
- ▶ Customers:
  - Food companies, producers of luxury perfumes and beverages and the retail sector



Percentage of sales volume <sup>2</sup>



1) Korsnäs' estimate. 2) Percentage of total sales volume in 2011.

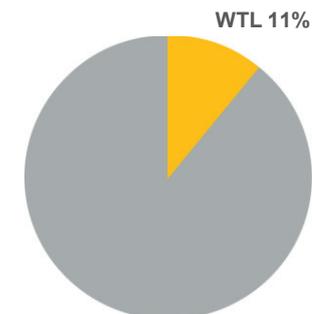
## WTL (White Top Liner)

WTL is used as the outer layer on corrugated box board.

- ▶ Driving forces:
  - Increased awareness of the fact that packaging is an important element of the promotion of products. Printability is a decisive factor
- ▶ Market growth:
  - Annual growth of 2-3% in coated WTL in Europe<sup>1</sup>
- ▶ Customers:
  - Producers of perfumes, luxury beverages and confectionery



Percentage of sales volume <sup>2</sup>



1) Korsnäs' estimate. 2) Percentage of total sales volume in 2011.

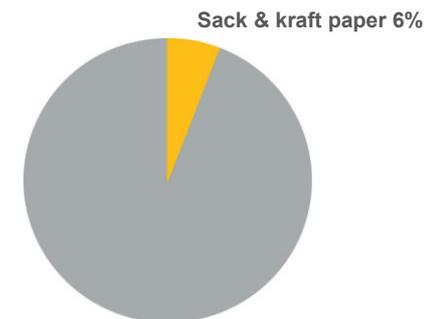
## SACK & KRAFT PAPER

Sack & kraft paper is used for products such as sacks, carrier bags and food packaging.

- ▶ Driving forces:
  - Expansion in the construction industry is fuelling demand for sack paper
  - The important role of packaging in promotion is driving the demand for paper with good printability
  - Increased sustainability focus in the construction and building materials industries as well as in consumer sectors favours renewable packaging
- ▶ Market growth:
  - Stable volumes in Europe while certain emerging markets are expected to exhibit an increase of 5-10% annually<sup>1</sup>
- ▶ Customers:
  - Producers of sacks for building materials, chemicals and foodstuffs, as well as producers of food packaging and carrier bags



Percentage of sales volume <sup>2</sup>

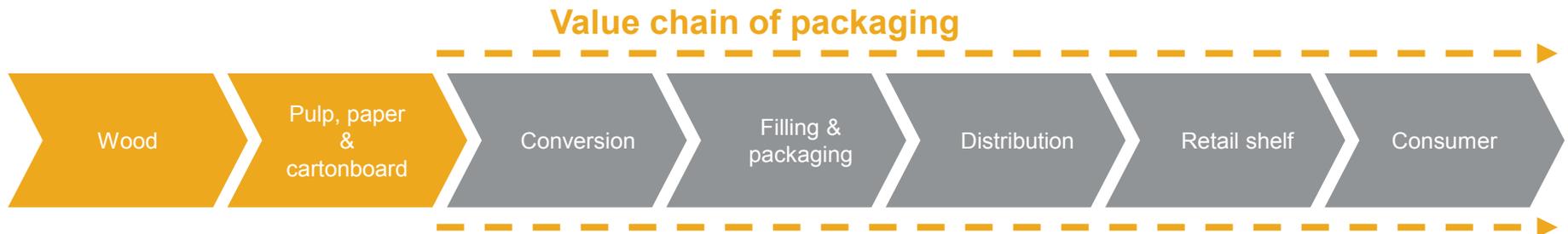


1) Billerud's estimate. 2) Percentage of total sales volume in 2011.

## PRODUCT DEVELOPMENT

Product development at Korsnäs starts from the vision that “all products deserve better packaging”. The objective is to deliver added value to customers in the form of stronger brands and increased profitability, while at the same time consumers are offered improved ease of use, better product quality and an environmentally-friendly choice.

- › Added value is created by technical improvements to the product and by offering knowledge to customers
- › Korsnäs' specialists are increasingly involved in customers' development and innovation processes
- › In many cases, the development work is carried out in cooperation with the customers, with the value chain as the starting-point



## LIGHTER WEIGHT PACKAGING WITH KORSNÄS ARTISAN

- ▶ Marks & Spencer asked for a cartonboard in a rustic style, to be specially designed for a range of “Homestyle” cakes. The board was to be in the premium segment, comply with rigorous environmental requirements, meet the demands of high-quality printing, and be lighter in weight than before
- ▶ Korsnäs Artisan is the result of a two-year collaboration between the companies on developing the optimal packaging suited for communicating the brand of the cakes
- ▶ By using Korsnäs Artisan, Marks & Spencer succeeded in achieving a 5% reduction in the weight of the material, without any loss of quality in the packaging, bringing both cost and environmental gains



**“Our new packaging, for which we use Korsnäs Artisan, not only makes a beautiful display of our cakes for the customers, it is also part of Plan A in our endeavour to reduce the volume of packaging materials that we use. We have already reduced our food packaging by 25% and by using innovative packaging like this, we will be able to make even more reductions”.**

*Anne Harding, head of packaging at Marks & Spencer*

## KORSNÄS' PRODUCTION FACILITIES

### Production capacity (ktonnes/year)

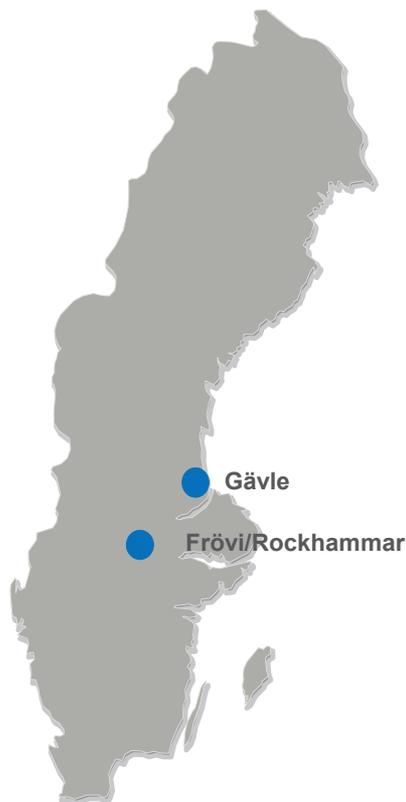
#### Gävle

Pulp	700
Paper and cartonboard	700
Employees <sup>1</sup>	788

#### Frövi/Rockhammar

Pulp <sup>2</sup>	390
Paper and cartonboard	430
Employees <sup>1</sup>	510

#### Latgran<sup>3</sup>



- Korsnäs operates two integrated facilities in Gävle and Frövi for cartonboard and paper production. The facility in Rockhammar provides Frövi with additional pulp supplies<sup>2</sup>
- All facilities are well invested and investments are made continuously to develop and improve the internal processes and the packaging solutions that are offered to customers

1) Number of employees in production on 31 December 2011. 2) Chemi-Thermomechanical Pulp (CTMP) accounts for 90 ktonnes, a high-yield pulp that is used in cartonboard production and can be considered a product halfway between mechanical and chemical pulp. 3) Latgran's three production facilities have an annual production capacity of just under 400 ktonnes. The facilities went into operation in 2005 (Jaunjelgava), 2008 (Jekabpils) and 2011 (Kraslava) respectively.

## WOOD SUPPLY

- ▶ Korsnäs Skog supplies Korsnäs' production facilities with wood raw material from purchased felling rights and external forest raw material. Korsnäs' own forest holdings are minor and are mostly set aside for nature conservation purposes. In addition, felling and forest management is carried out for external customers
  - Korsnäs Skog buys 5.8 million m<sup>3</sup> sub<sup>1</sup> wood raw material annually, of which 4.1 million is used internally within the Group. External customers consist mainly of sawmills and spruce fibre users in central Sweden and Latvia
- ▶ Korsnäs forestry operations are certified under the FSC<sup>2</sup> standard, which sets rigorous requirements to ensure that forestry is conducted in an environmentally-friendly, socially responsible and financially sustainable way. Korsnäs has traceability certification under the FSC and PEFC<sup>3</sup> standards
- ▶ Korsnäs owns 5% of the shares in Bergvik Skog
  - Bergvik Skog is one of the largest forest-owning companies in Sweden, with an annual felling volume of 6.8 million m<sup>3</sup> sub. Its productive forest area totals 1.9 million hectares in Sweden and 58,000 hectares in Latvia. Bergvik Skog owns three forest plant nurseries with an annual production of 52 million seedlings
  - Korsnäs manages forest owned by Bergvik Skog and so conducts extensive forestry activities in central Sweden

## KORSNÄS ENVIRONMENTAL ACTIVITIES

- ▶ Korsnäs' environmental activities are a continuous process aimed at keeping the operations in sustainable balance with nature
  - All products are based on renewable raw materials from the forest. This places demands on environmental care within the operations, both in the forest and in production
- ▶ Korsnäs' operations are conducted under permit from the relevant authorities, subject to conditions regarding impact on the air and water, where compliance is monitored and accounted for on an on-going basis
- ▶ Over the past 20 years, the fossil carbon dioxide burden from the manufacturing process has been sharply reduced. Between 2007 and 2011, fossil carbon dioxide per tonne of end-product fell by 44%. As a result, Korsnäs has already surpassed its climate objectives for 2020, which was to secure a reduction by 25% from 2007 levels
- ▶ Carbon dioxide emissions will decrease further once the new cogeneration plant in Gävle goes into operation in 2013, at which point a new long-term climate target will also be set



## FINANCIAL INFORMATION – KORSNÄS<sup>1</sup>

The following financial information for Korsnäs has been obtained from Korsnäs' audited annual reports and Kinnevik's unaudited interim reports. The information is presented on the basis of Korsnäs' existing accounting principles.

SEK million	Jan-Jun		Full year			
	2012	2011	2011	2010	2009	
Income	4,407	4,179	8,254	8,178	8,039	<b>Comments regarding 2011 in comparison to 2010</b> The operating profit in 2011 included payment of an insurance claim in the amount of SEK 45 million relating to damage to the recovery boiler at Frövi.
<i>Growth</i>	5.5%	0.4%	0.9%	1.7%	8.7%	
Operating profit before depreciation/amortisation	757	745	1,515	1,528	1,462	<b>Comments regarding 2010 in comparison to 2009</b> The increase in profit is mainly attributable to higher selling prices and higher sales volumes (adjusted for the reduced volumes stemming from a labour market conflict), partially offset by exchange rate fluctuations and higher energy costs. The operating profit included compensation of SEK 84 million from the Confederation of Swedish Enterprise, relating to the mentioned labour market conflict.
<i>Operating margin before depreciation/amortisation</i>	17.2%	17.8%	18.4%	18.7%	18.2%	
Operating profit	449	442	907	926	851	<b>Comments regarding 2011 in comparison to 2010</b> Operating profit in 2011 was adversely affected by an operating breakdown of a turbine at Gävle, which is estimated to have resulted in extra costs of approximately SEK 40 million, as well as by higher costs for wood and chemicals, which were not fully compensated by higher selling prices.
<i>Operating margin</i>	10.2%	10.6%	11.0%	11.3%	10.6%	
<i>Return on operating capital</i>	10.6%	11.0%	11.0%	11.9%	10.8%	<b>Comments regarding 2010 in comparison to 2009</b> Despite the negative impact of the operating breakdown of the turbine, energy costs were lower than in 2010 as a result of energy investments carried out at Gävle, as well as lower electricity prices.
Cash flow from operating activities	961	323	832	1,314	1,798	
Cash flow after investing activities	394	10	45	609	1,014	
Investments <sup>2</sup>	-308	-273	-687	-604	-740	
Production volumes, ktonnes	521	534	1,061	1,019	1,025	
Sales volumes, ktonnes	538	509	1,002	1,021	1,034	

1) Latgran has been part of the Korsnäs Group since 14 June 2012. 2) Investments in property, plant and equipment.

## FINANCIAL INFORMATION – LATGRAN<sup>1</sup>

The following financial information for Latgran has been obtained from Kinnevik's audited annual reports and unaudited interim reports. Some information has been retrieved from Kinnevik's reporting system. The information is presented on the basis of Latgran's existing accounting principles.

SEK million	Jan-Jun		Full year		
	2012	2011	2011	2010	2009
Income	273	171	319	299	265
<i>Growth</i>	59.6%		6.8%	12.8%	
Operating profit before depreciation/amortisation	41	29	47	68	51
<i>Operating margin before depreciation/amortisation</i>	14.9%	17.2%	14.7%	22.8%	19.1%
Operating profit	30	23	32	54	36
<i>Operating margin</i>	11.0%	13.2%	9.9%	18.1%	13.7%
Investments <sup>2</sup>	-1	-42	-69	-74	-7
Production volumes, ktonnes	206	128	292	239	213
Sales volumes, ktonnes	230	145	265	237	197

Latgran is engaged in the production of pellets from forest raw material at three facilities in Latvia.

Latgran pellets are used to generate electricity in major power plants and to produce heat and electricity in cogeneration plants. The entire production volume is exported to a number of major industrial customers in Scandinavia and elsewhere in northern Europe.

Korsnäs is one of the larger buyers of wood in Latvia and synergies between Korsnäs' production and Latgran's pellet production are considerable, above all in raw material procurement.

1) Latgran has been part of the Korsnäs Group since 14 June 2012. 2) Investments in property, plant and equipment.

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## EMBRACING THE {GOODS}

We believe in embracing what is important to our customers, our company, our colleagues, and the environment. By always giving back more than we take, we are building a company for future generations.

