



BILLERUDKORSNÄS



Q3

January–September 2018

INTERIM REPORT JANUARY–SEPTEMBER 2018

Quarterly data

- Net sales were SEK 6 054 million (5 544), an increase of 9% mainly as a result of increased sales prices and positive currency effects.
- EBITDA was SEK 881 million (1 051), a decrease of 16% mainly as a result of increased raw material costs.
- Adjusted EBITDA was SEK 893 million (1 080), a decrease of 17%.
- The adjusted operating margin was 9% (13%).
- Adjusted operating profit was SEK 540 million (717), a decrease of 25%.
- Earnings per share amounted to SEK 1.76 (2.48).

Key highlights

- Solid sales performance in all business areas.
- Positive effects from increased sales prices and currency.
- Continued headwinds from higher raw material costs.
- Strategic investments progressing according to plan.

Outlook Q4

- Strong demand within all business areas is expected to continue.
- Limited possibilities for further sales price increases.
- Sharp increase in wood costs expected to continue.

KEY FIGURES

| SEKm | Q3 2018 | Q3 2017 | Change | Jan-Sep 2018 | Jan-Sep 2017 | Change |
|---|------------|------------|--------|-----------------|-----------------|--------|
| Net sales | 6 054 | 5 544 | 9% | 17 849 | 16 780 | 6% |
| EBITDA | 881 | 1 051 | -16% | 2 149 | 2 837 | -24% |
| EBITDA, % | 15% | 19% | | 12% | 17% | |
| Adjusted EBITDA | 893 | 1 080 | -17% | 2 666 | 2 900 | -8% |
| Adjusted EBITDA, % | 15% | 19% | | 15% | 17% | |
| Operating profit | 513 | 681 | -25% | 1 016 | 1 720 | -41% |
| Operating margin, % | 8% | 12% | | 6% | 10% | |
| Adjusted operating profit | 540 | 717 | -25% | 1 578 | 1 804 | -13% |
| Adjusted operating margin, % | 9% | 13% | | 9% | 11% | |
| Net profit/loss for the period | 363 | 513 | -29% | 728 | 1 270 | -43% |
| Earnings per share, SEK | 1.76 | 2.48 | -29% | 3.52 | 6.13 | -43% |
| Adjusted earnings per share, SEK | 1.85 | 2.61 | -29% | 5.63 | 6.45 | -13% |
| Operating cash flow | -350 | -202 | | -1 867 | -182 | |
| ROCE, % | N/A | N/A | | 7% | 11% | |
| Adjusted ROCE, % | N/A | N/A | | 11% | 13% | |
| Interest-bearing net debt / EBITDA, multiple | 2.77 | 1.41 | | 2.77 | 1.41 | |
| Interest-bearing net debt / Adjusted EBITDA, multiple | 2.36 | 1.31 | | 2.36 | 1.31 | |

For key figures and a reconciliation of alternative performance measures, see pages 22-24.

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COMMENTS BY CEO

Solid sales performance across all business areas



Petra Einarsson,
President and CEO

SEK 6 054 million

Net sales

SEK 881 million

EBITDA

15%

EBITDA margin

“The strong demand for innovative and sustainable packaging continues, resulting in positive sales performance in all business areas. Revenues in the third quarter increased with 9% compared to the same period last year, fuelled by increased sales prices. However, headwinds from increasing raw material costs and start-up performance, continue to put pressure on our operating results.

We are proceeding on schedule towards the start-up of the new KM7 board machine in March-April 2019. Our current focus is to prepare for a stable and successful ramp-up. With the completion of our Next Generation investment programme, we will be in an excellent position to grasp the market opportunities and meet the strong demand for sustainable packaging.

A key enabler to unlock our potential is our new organisational structure, consisting of three business divisions with full profitability responsibility, effective as of October 1. Our new structure will increase speed, accountability and customer focus, and pave the way for the continued successful implementation of our strategy.”

The result

EBITDA for the quarter amounted to SEK 881 million, a decrease of 16% compared to the same period last year owing mainly to higher costs for pulpwood and chemicals. Fibre costs account for more than one-third of our total operating costs, which is why we are focusing on improving the sourcing balance.

Another main priority is production availability; we expect to see increased stability during 2019 and onwards measured by overall equipment efficiency (OEE).

The result was also affected by comparatively high prices on the pulp supply to our non-integrated mill in Jakobstad, due to a fixed rebate in the long-term pulp supply agreement. At current pulp prices, this gives a quarterly negative effect of approx. SEK 75 million compared to general market levels.

Market outlook

Strong demand within all business areas is expected to continue over the next quarters. We will continue to increase sales prices where possible but at a slower pace than in previous quarters. Wood costs are expected to increase further while the wood supply situation has improved significantly.

Strategy

We will continue to pursue our strategy for sustainable solutions and profitable growth. To unlock our full potential, we have implemented an agenda of prioritised activities aimed at securing the successful ramp-up of KM7, safeguarding the wood supply, stabilising production, enhancing effectiveness, and accelerating innovation and solutions.

Innovation is a key component of our strategy. We aim to improve our new product ratio and introduce new materials with increased efforts throughout the organisation. By establishing a division entirely focused on solutions, we intend to grow current packaging solutions and business models as well as innovating new ones.

Sales and results

EBITDA increased following lower costs for maintenance shutdowns and Q2 provision.

EBITDA was negatively impacted by increased costs for wood and chemicals

Q3 2018 compared with Q2 2018

Market conditions remained good across the board and net sales were 3% higher than last quarter. Improved prices mainly for sack and kraft paper as well as pulp mitigated the somewhat negative currency effect.

Sales volumes increased with 5% compared with the previous quarter. The main reason for the increase relates to the planned maintenance shutdowns at Gävle and Karlsborg, which showed lower volume shortfalls, than those carried out at Gruvön and Skärblacka in the previous quarter.

The wood supply situation has improved compared to Q2. The total impact on earnings from the wood shortage in the third quarter was approximately SEK 40 million relating to additional logistics costs, compared with the SEK 100 million in volume losses for the previous quarter.

EBITDA increased by SEK 678 million, from SEK 203 million to SEK 881 million. The increase was mainly related to the SEK 452 million provision the Group made in Q2 primarily for workplace efficiency and environmental initiatives as well as for an acceleration of the ongoing implementation of unified accounting principles on spare parts and consumables.

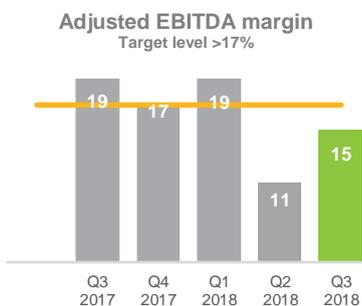
The negative earnings effect of the planned maintenance shutdowns was SEK 208 million as compared to SEK 401 million in the previous quarter, although the ramp-up at Gävle after the maintenance shutdown took longer than expected. An additional positive effect, besides the lower cost for wood shortage, came from the seasonally lower personnel related costs over the summer holiday period.

Q3 2018 compared with Q3 2017

Net sales for the third quarter were 9% higher than the same quarter last year. The improvements were due to favourable price development in Packaging Paper and Corrugated Solutions, combined with positive currency effects. This was offset to some extent by lower sales volumes than in the same quarter last year, mainly related to start-up issues at Gävle. Managed Packaging continued to show healthy growth.

EBITDA was negatively impacted by increased costs for wood and chemicals following strong market demand and weather-related wood shortage. The total impact from planned maintenance shutdowns amounted to SEK 208 million, compared with SEK 215 million in the corresponding quarter last year. The result was also affected by comparatively high prices on the pulp supply to our non-integrated mill in Jakobstad, due to a fixed rebate in the long-term pulp supply agreement. At current pulp prices, this gives a quarterly negative effect of approx. SEK 75 million compared to general market levels.

Fixed costs are affected by the start-up of PM10 at Skärblacka as well as inflation-driven cost increases. The negative development was offset by strong price increases and favourable currency movements.



Change in EBITDA for Q3 2018 compared with Q3 2017, SEK million



*Effects of exchange rate fluctuations totalling SEK 204 million comprise the following components: change in spot rates of SEK 336 million, currency hedging of SEK -122 million and currency effects from the revaluation of trade receivables and payments from customers of SEK -10 million.

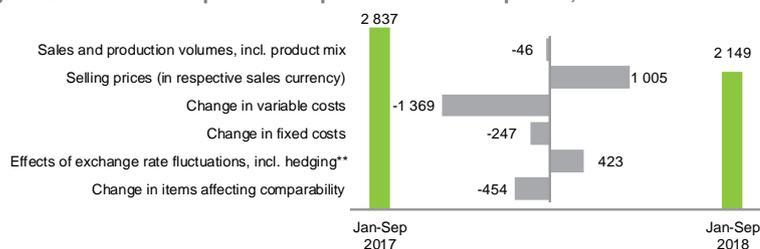
Wood related cost increases and the Q2 2018 provision were partly offset by higher sales prices and an improved currency situation

Jan-Sep 2018 compared with Jan-Sep 2017

Net sales for the first nine months of 2018 were 6% higher than for the same period last year, driven by increased sales prices with strong positive effects on Packaging Paper and Corrugated Solutions combined with positive currency effects. Prices for Consumer Board remained flat due to long-term customer contracts. Sales volumes decreased by 5% despite good market conditions across all segments. Packaging Paper was impacted by additional effects from planned maintenance shutdowns and the wood shortage situation, which mostly affected pulp. In line with this, Corrugated Solutions saw a substantial effect on fluting production on PM 6 at Gruvön. The negative impact was to some extent mitigated by continued good growth for Managed Packaging.

EBITDA decreased by SEK 688 million, following the provision of SEK 452 million in Q2 2018, substantial wood and chemicals cost increases, impact from the wood shortage and increased costs for maintenance shutdowns. On the positive side we see strong price increases as well as currency tail wind.

Change in EBITDA Jan-Sep 2018 compared with Jan-Sep 2017, SEK million



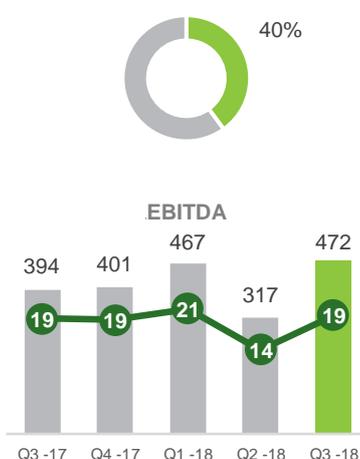
**Effects of exchange rate fluctuations totalling SEK 423 million comprise the following components: change in spot rates of SEK 559 million, currency hedging of SEK -261 million and currency effects from the revaluation of trade receivables and payments from customers of SEK 125 million.

Packaging Paper business area

KRAFT AND SACK PAPER FOR CUSTOMERS WITH TOUGH DEMANDS

Packaging Paper offers premium-quality kraft and sack paper, plus smart solutions for customers in the industrial, medical equipment and consumer segments. The business area also sells any surplus of pulp that BillerudKorsnäs does not use in its own production. The Group's net exposure in market pulp is estimated to approximately 100 ktonnes for 2018, 100 ktonnes for 2019 and 0 ktonnes in 2021.

Share of Group's net sales for Q3 2018



KEY FIGURES

| SEKm | Quarter | | Jan-Sep | | Full year |
|-------------------------------|------------|------------|--------------|--------------|--------------|
| | Q3 -18 | Q3 -17 | 2018 | 2017 | 2017 |
| Net sales | 2 424 | 2 090 | 6 992 | 6 382 | 8 529 |
| of which kraft paper | 978 | 899 | 2 849 | 2 792 | 3 685 |
| of which sack paper | 889 | 648 | 2 484 | 1 948 | 2 631 |
| Net operating expenses, other | -1 952 | -1 696 | -5 736 | -5 284 | -7 030 |
| EBITDA | 472 | 394 | 1 256 | 1 098 | 1 499 |
| EBITDA, % | 19% | 19% | 18% | 17% | 18% |
| Operating profit/loss | 346 | 278 | 902 | 750 | 1 035 |
| Operating margin, % | 14% | 13% | 13% | 12% | 12% |
| Sales volumes, ktonnes | 269 | 289 | 804 | 870 | 1 152 |

Q3 2018 compared with Q3 2017

Net sales in the third quarter of 2018 were 16 % higher than in the same quarter of 2017 as a result of improved sales prices, a better sales mix and favourable currency effects.

EBITDA increased by 20 % compared with the corresponding quarter last year, due to higher sales prices and a favourable product mix despite lower sales volumes.

Jan-Sep 2018 compared with Jan-Sep 2017

Net sales for the first nine months of 2018 increased by 10 % compared with the first nine months of 2017 as a result of a favourable sales mix, higher prices in local currency and favourable currency effects. Sales volumes were lower than the corresponding period due to the wood shortage and a change in product mix at Gruvön.

EBITDA increased by 14 % compared with the same period last year, due to a better sales mix, higher prices and favourable currency effects.

Market development

Market conditions were strong during the quarter. Compared with the previous quarter, the market remained favourable for all sack and kraft papers. Prices in local currencies increased slightly for both sack papers and kraft papers.

The market for NBSK pulp remained positive, as in previous quarters. Prices were around USD 1 230 per tonne at the end of the quarter compared with USD 1 190 at the end of the previous quarter. At the end of the third quarter of 2017 the price was USD 910 per tonne.

Outlook

The market for kraft and sack paper is expected to remain strong with possibilities for limited price increases.

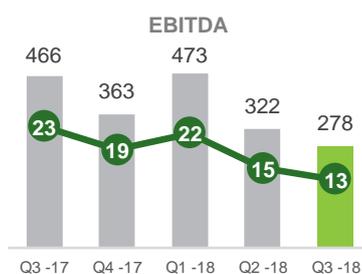
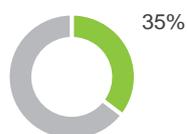


Consumer Board business area

LIQUID PACKAGING BOARD AND CARTONBOARD WITH UNIQUE PROPERTIES

Consumer Board delivers packaging materials in high-quality board made from primary fibre for beverages, food products and various other consumer goods. Smart solutions in terms of function, design and material selection create added value for customers.

Share of Group's net sales
Q3 2018



KEY FIGURES

| SEKm | Quarter | | Jan-Sep | | Full year |
|---------------------------------|------------|------------|--------------|--------------|--------------|
| | Q3 -18 | Q3 -17 | 2018 | 2017 | 2017 |
| Net sales | 2 145 | 2 019 | 6 441 | 6 246 | 8 189 |
| of which liquid packaging board | 1 773 | 1 681 | 5 359 | 5 303 | 6 936 |
| of which cartonboard | 368 | 335 | 1 070 | 936 | 1 245 |
| Net operating expenses, other | -1 867 | -1 553 | -5 368 | -4 842 | -6 422 |
| EBITDA | 278 | 466 | 1 073 | 1 404 | 1 767 |
| EBITDA, % | 13% | 23% | 17% | 22% | 22% |
| Operating profit/loss | 95 | 270 | 493 | 815 | 983 |
| Operating margin, % | 4% | 13% | 8% | 13% | 12% |
| Sales volumes, ktonnes | 274 | 265 | 830 | 829 | 1 081 |

Q3 2018 compared with Q3 2017

Compared with the third quarter of 2017, net sales increased with 6%. Demand is still strong, but price levels are largely unchanged, which is due to long-term agreements with major customers; together with increased raw material prices, this is putting pressure on margins.

EBITDA decreased with 40% compared with the third quarter of 2017. The decrease was mainly due to higher prices for wood and externally purchased pulp. The quarter was affected by the yearly maintenance shutdown at Gävle with a cost slightly above the level of Q3 2017.

Jan-Sep 2018 compared with Jan-Sep 2017

Net sales increased by 3% compared with the first nine months of 2017. The increase was mainly due to a more favourable product mix and positive currency effects.

EBITDA decreased by 24% compared with the first half of 2017. The decrease was mainly due to the higher cost of wood and externally purchased pulp.

Market development

Market conditions were strong during the quarter. Prices in local currency were largely unchanged compared with the previous quarter.

Outlook

The market for Consumer Board is expected to remain stable with normal seasonal variations.

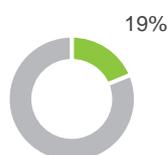


Corrugated Solutions business area

FLUTING AND LINER ADD VALUE

Corrugated Solutions supplies materials to corrugated board manufacturers and packaging solutions to brand owners. The strong and light materials – fluting and liner – are used in corrugated boxes for fragile goods and demanding distribution systems. Smart packaging is delivered via the Managed Packaging concept, which provides supply chain solutions and packaging optimisation for brand owners, with a view to challenging conventional solutions.

Share of Group's net sales
Q3 2018



EBITDA



KEY FIGURES

| SEKm | Quarter | | Jan-Sep | | Full year |
|-------------------------------|------------|------------|------------|------------|------------|
| | Q3 -18 | Q3 -17 | 2018 | 2017 | 2017 |
| Net sales | 1 135 | 1 012 | 3 090 | 2 845 | 3 856 |
| of which fluting | 498 | 475 | 1 364 | 1 320 | 1 779 |
| of which liner | 397 | 363 | 1 059 | 1 051 | 1 389 |
| of which Managed Packaging | 219 | 172 | 614 | 464 | 662 |
| Net operating expenses, other | -869 | -743 | -2 494 | -2 223 | -3 022 |
| EBITDA | 266 | 269 | 596 | 622 | 834 |
| EBITDA, % | 23% | 27% | 19% | 22% | 22% |
| Operating profit/loss | 219 | 226 | 463 | 488 | 656 |
| Operating margin, % | 19% | 22% | 15% | 17% | 17% |
| Sales volumes, ktonnes | 132 | 145 | 371 | 410 | 542 |

Q3 2018 compared with Q3 2017

Net sales increased by 12% compared to the corresponding quarter in 2017 as a result of improved prices in local currency, positive currency effects and strong sales within Managed Packaging. Together this offset the effect from lower sales volumes.

EBITDA decreased with 1% compared to the third quarter of 2017. Higher sales prices and favourable currency effects almost compensated for lower sales volumes, higher raw material costs as well as higher costs in Managed Packaging.

Jan-Sep 2018 compared with Jan-Sep 2017

Net sales increased in the first nine months of 2018 with 9% compared to the same period in 2017 owing to stronger sales in Managed Packaging and higher prices in local currency.

EBITDA decreased by 4% as a result of higher variable costs linked to wood costs and lower sales and production volumes owing to the wood shortage and additional maintenance shutdowns. This was offset by higher sales prices, and improved Managed Packaging earnings.

Market development

The liner and fluting market remained good with stable prices and high demand in the third quarter, particularly in Europe but also on other markets. Managed Packaging continued to deliver strong sales growth in the quarter compared to last year but seasonally lower than in the previous quarter.

Outlook

Order levels for fluting and liner are expected to remain stable at a high level. Managed Packaging is expected to continue delivering strong growth.



Sustainability

SUSTAINABILITY KPIs, rolling 12 months (R12M)

| | Q3 -18 | Q2 -18 | 2017 | 2020 target |
|-------------------------------------|--------|--------|------|-------------|
| Energy efficiency ¹ | 5.3 | 5.3 | 5.3 | 5.1 |
| Fossil-free production ² | 36.3 | 34.2 | 30.6 | 25.0 |
| Gender equality ³ | 22.9 | 22.0 | 22.1 | 23.0 |

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 amounted to 36.3 kg/tonne in the manufacturing process over the past 12 months, and energy consumption was 5.31 MWh/tonne. The increasing levels of CO₂-emissions is mainly a result of the wood shortage which led to increased usage of fossil fuels.

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 therefore undertaken several initiatives aimed at rectifying the under-representation of women in operational activities and at senior levels within the Group. The percentage of female employees was 22.9% at the end of the quarter.

Quarterly highlights

BillerudKorsnäs sustainability work focuses on three areas: a responsible value chain, increasing customer value and contributing to a sustainable and bio-based society. Based on the mission "We challenge conventional packaging for a sustainable future", the Group has made progress in several areas during the quarter.

In July, BillerudKorsnäs announced that it has taken an important step towards the future's paper batteries together with Uppsala University. In the long term, the paper battery creates possibilities for developing packaging that is both smart and more sustainable. Small paper batteries with sensors could in the future make it possible for packaging to be traced throughout the entire transportation chain. This includes packaging that measures temperature or position in real time and provides information on the status of an item during transport.

In September, it was announced that BillerudKorsnäs is strengthening its leading position in the Dow Jones Sustainability Index and is leading the container and packaging industry based on its total sustainability score in 2018. The index includes the top 10 percent most sustainable companies in the world.

After the end of the quarter, BillerudKorsnäs' material won the "Carton of the Year" and "Save the Planet" categories at Carton Excellence Award 2018.

Industry leader in the category
Containers & Packaging

Currency hedging

SEK -77 million impact on net sales for the quarter.

Currency hedging had a net sales impact of SEK -77 million (45) in the third quarter and SEK -238 million (22) for the first three quarters of 2018 (compared with no currency hedging).

Outstanding forward exchange contracts at 30 September 2018 had a market value of SEK -137 million, SEK -54 million of which is the portion of the contracts matched by trade receivables that affected earnings in the third quarter. Accordingly, other contracts had a market value of SEK -83 million.

Hedged portion of forecast currency flows** for EUR, USD and GBP and exchange rates against SEK (30 September 2018).

| Currency | Q4-18 | Q1-19 | Q2-19 | Q3-19 | Q4-19 | Total 15 months | Q1-20 | Q2-20 |
|--|------------|------------|------------|----------|----------|-----------------|----------|----------|
| EUR Share of net flow | 80% | 81% | 80% | 80% | 78% | 80% | 79% | 53% |
| Rate | 9.34 | 9.66 | 9.91 | 10.35 | 10.35 | 9.92 | 10.38 | 10.38 |
| USD Share of net flow | 64% | 65% | 68% | 47% | - | 51% | - | - |
| Rate | 8.41 | 8.56 | 8.63 | 8.79 | - | 8.58 | - | - |
| GBP Share of net flow | 26% | - | - | - | - | 5% | - | - |
| Rate | 11.67 | - | - | - | - | 11.67 | - | - |
| Market value of currency contracts* | -82 | -49 | -28 | 8 | 3 | -148 | 7 | 4 |

*At 30 September 2018.

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

The currency hedging policy is to hedge 0–80% of net flows over the next 15 months. During the year, BillerudKorsnäs' Board of Directors approved an extension of the EUR/SEK hedging horizon to May 2020.

Adjusted return on capital employed Target level >13%



Investments and capital employed

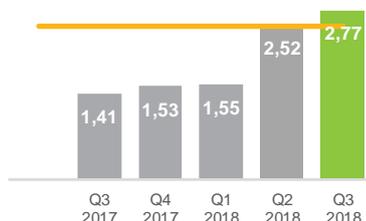
Gross investments amounted to SEK 1 444 million (1 343) for the third quarter and SEK 4 109 million (2 802) for the first nine month of 2018. The investments mainly relate to the new board machine at Gruvön.

Capital employed at 30 September 2018 amounted to SEK 22 451 million (18 466). Return on capital employed (ROCE), calculated over the last 12-month period, amounted to 7% (11%). ROCE calculated using adjusted operating profit amounted to 11% (13%).

Return on equity was 8% (11%).

Cash flow and financial position

Net debt/EBITDA
target level <2.5



Summary cash flow statement

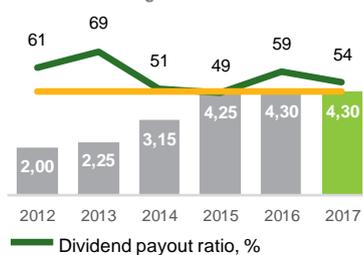
| SEKm | Quarter | | Jan-Sep | |
|--|--------------|--------------|---------------|--------------|
| | Q3 -18 | Q3 -17 | 2018 | 2017 |
| Operating surplus, etc. | 840 | 1 022 | 2 449 | 2 754 |
| Change in working capital, etc. | 305 | 201 | 82 | 174 |
| Net financial items, taxes, etc. | -52 | -83 | -296 | -310 |
| Cash flow from operating activities | 1 093 | 1 140 | 2 235 | 2 618 |
| Current net investments | -1 443 | -1 342 | -4 102 | -2 800 |
| Operating cash flow | -350 | -202 | -1 867 | -182 |

Operating cash flow amounted to SEK – 350 million (-202) in the third quarter and SEK -1 867 million (-182) in the first nine months of 2018. Changes in cash flow were mainly due to the investments at Gruvön. Working capital in relation to sales was 8% for the quarter, which was a decrease from 9% in the second quarter of 2018.

Interest-bearing net debt at 30 September 2018 amounted to SEK 8 520 million (4 982). The Group's net interest-bearing debt in relation to EBITDA at the end of the period was 2.77 (1.41). If adjusted EBITDA were used in the calculation, the ratio would be 2.36. The target is to have a ratio below 2.5.

Financing

Dividend policy
Target level 50%



On 30 September 2018, interest-bearing debt amounted to SEK 8 131 million, an increase of SEK 385 million compared with the previous quarter. The change was mainly due to the additional issue of SEK 400 million in commercial papers.

Compared with the same period last year, interest-bearing debt increased by SEK 3 003 million.

| Loan | Limit, SEKm | Maturity, years | | | Total utilised |
|-------------------------------|-------------|-----------------|------------|--------------|----------------|
| | | 0-1 | 1-2 | 2- | |
| Syndicated credit facilities | 5 500 | | | | - |
| Term loans | | 228 | 256 | 1 489 | 1 973 |
| Bond loans within MTN program | 7 000 | | 400 | 4 300 | 4 700 |
| Commercial paper | 3 000 | 1 000 | | | 1 000 |
| Term loan, Bomhus Energi AB | | 47 | 46 | 365 | 458 |
| Group total | | 1 275 | 702 | 6 154 | 8 131 |

Taxes

The tax cost for the first nine months of 2018 amounted to SEK 186 million (345), equal to approximately 20% (21%) of profit before tax.

Parent company

The parent company BillerudKorsnäs AB includes the sales organisation for the Nordic market and markets outside Europe, and head office functions.

Operating loss for the first nine months of 2018 was SEK -284 million compared with SEK -95 million for the first nine months of 2017. 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 -238 million (22) for the first nine months.

The average number of employees was 114 (107). Cash and bank balances, and short-term investments amounted to SEK 192 million (726).

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 third quarter of 2018 planned maintenance shutdowns were carried out at Gävle and Karlsborg. The total cost amounted to approximately SEK 208 million, which was SEK 13 million more than estimated.

Estimated maintenance shutdown cost

| Production units | Estimated shutdown cost ¹ | Estimated breakdown of shutdown cost by business area | | | Planned dates of maintenance shutdown | | |
|------------------|--------------------------------------|---|-----------------|----------------|---------------------------------------|------|------|
| | | SEKm | Packaging Paper | Consumer Board | Corrugated Solutions | 2019 | 2018 |
| Gävle** | ~ 140 | ~ 5% | ~ 80% | ~ 15% | Q2 | Q3 | Q3 |
| Gruvön* | ~ 140 | ~ 40% | ~ 10% | ~ 50% | Q3 | Q2 | Q2 |
| Frövi | ~ 90 | 0% | 100% | 0% | Q4 | Q4 | Q4 |
| Skärblacka | ~ 150 | ~ 85% | 0% | ~ 15% | Q2 | Q2 | Q2 |
| Skärblacka | ~ 20 | 100% | 0% | 0% | - | - | Q3 |
| Karlsborg | ~ 55 | 100% | 0% | 0% | Q3 | Q3 | Q3 |
| Pietarsaari | ~ 15 | 100% | 0% | 0% | - | Q4 | Q2 |
| Rockhammar | ~ 15 | 0% | 100% | 0% | Q4 | Q4 | Q4 |

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

*In addition to the planned maintenance shutdown at Gruvön in 2018, a prolonged maintenance shutdown due to rebuilds in connection with the new KM7 board machine was carried out at an estimated cost of SEK 75 million.

**Maintenance shutdown in Gävle 2019 has an estimated cost of SEK 150 million.

Largest shareholders

BillerudKorsnäs' 10 largest shareholders (30 September 2018)

| Shareholder | Number of shares | Number of votes, % |
|---|--------------------|--------------------|
| FRAPAG Beteiligungsholding AG | 31 300 000 | 15.1 |
| AMF Insurance & Funds | 20 224 371 | 9.8 |
| Fourth Swedish National Pension Fund | 12 569 771 | 6.1 |
| Swedbank Robur Funds | 12 192 005 | 5.9 |
| AllianceBernstein | 10 517 178 | 5.1 |
| Schroders | 10 207 037 | 4.9 |
| Alecta | 7 266 200 | 3.5 |
| Vanguard | 4 562 497 | 2.2 |
| Nordea Funds | 4 234 957 | 2.1 |
| Dimensional Fund Advisors | 3 707 842 | 1.8 |
| Total 10 largest shareholders | 116 781 858 | 56.5 |
| Total number of shares in the market | 207 035 643 | 100.0 |

Distribution of shares

Distribution of shares (30 September 2018)

| | |
|---|--------------------|
| Registered number of shares | 208 219 834 |
| Bought back shares | -1 184 191 |
| Total number of shares in the market | 207 035 643 |

Significant 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 68-75 of the 2017 Annual and Sustainability Report.

Related-party transactions

No transactions took place between BillerudKorsnäs and related parties that significantly affected the Group's position and earnings.

Events after the end of the quarter

On October 8, BillerudKorsnäs announced that Helene Biström has been appointed Senior Vice President for Paper, one of the company's three divisions in the new organisation that came into effect on 1 October. Helene Biström will start at the latest during April 2019.

2019 Annual General Meeting

The Annual General Meeting will be held in Stockholm on 9 May 2019. Shareholders wishing to have matters considered at the Annual General Meeting should submit their proposals in writing to BillerudKorsnäs AB (publ), Att: Andreas Mattsson, General Counsel, Box 703, 169 27 Solna, Sweden, at least seven weeks before the Annual General Meeting, to ensure the matter can be included in the convening notice for the Meeting. Notified matters can be included on the agenda of the Annual General Meeting only if they are suitable for decision by the Meeting and if notification is provided in due time. Further details on how and when to provide notification of participation at the Annual General Meeting will be published in advance of the Meeting.

Financial calendar

Q4 2018 – 29 January 2019

Q1 2019 – 17 April 2019

Q2 2019 – 16 July 2019

Q3 2019 – 17 October 2019

Solna, 16 October 2018
BillerudKorsnäs AB (publ)

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.



Translation of the Swedish original

Review report

To the Board of Directors of BillerudKorsnäs AB (publ)
Corp. id. 556025-5001

Introduction

We have reviewed the summary interim financial information (interim report) of BillerudKorsnäs AB (publ) as of 30 September 2018 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm 16 October 2018

KPMG AB

Ingrid Hornberg Román
Authorized Public Accountant

Group

Summarised income statement

| SEKm | Quarter | | | Jan-Sep | | Full year |
|---|---------------|---------------|---------------|----------------|----------------|----------------|
| | Q3 -18 | Q2 -18 | Q3 -17 | 2018 | 2017 | 2017 |
| Net sales | 6 054 | 5 898 | 5 544 | 17 849 | 16 780 | 22 345 |
| Other income | 37 | 77 | 39 | 164 | 146 | 220 |
| Operating income | 6 091 | 5 975 | 5 583 | 18 013 | 16 926 | 22 565 |
| Change in inventories | 68 | 16 | -91 | 203 | -333 | -182 |
| Raw materials and consumables | -3 058 | -3 222 | -2 556 | -9 264 | -7 808 | -10 567 |
| Other external costs | -1 414 | -1 588 | -1 117 | -4 131 | -3 412 | -4 626 |
| Employee benefits expense | -806 | -978 | -767 | -2 684 | -2 532 | -3 423 |
| Depreciation and impairment of non-current assets | -368 | -377 | -370 | -1 133 | -1 117 | -1 519 |
| Profit/Loss from participations in associated companies | - | - | -1 | 12 | -4 | -7 |
| Operating expenses | -5 578 | -6 149 | -4 902 | -16 997 | -15 206 | -20 324 |
| Operating profit/loss | 513 | -174 | 681 | 1 016 | 1 720 | 2 241 |
| Financial income and expenses* | -16 | -46 | -22 | -102 | -105 | -138 |
| Profit/Loss before tax | 497 | -220 | 659 | 914 | 1 615 | 2 103 |
| Taxes | -134 | 87 | -146 | -186 | -345 | -465 |
| Net profit/loss for the period | 363 | -133 | 513 | 728 | 1 270 | 1 638 |
| Profit/Loss attributable to: | | | | | | |
| Owners of the parent company | 363 | -133 | 513 | 728 | 1 270 | 1 638 |
| Non-controlling interests | - | - | - | - | - | - |
| Net profit/loss for the period | 363 | -133 | 513 | 728 | 1 270 | 1 638 |
| Earnings per share, SEK | 1.76 | -0.64 | 2.48 | 3.52 | 6.13 | 7.91 |
| Diluted earnings per share, SEK | 1.75 | -0.64 | 2.47 | 3.51 | 6.12 | 7.90 |

Summarised statement of comprehensive income

| SEKm | Quarter | | | Jan-Sep | | Full year |
|--|------------|-------------|------------|--------------|--------------|--------------|
| | Q3 -18 | Q2 -18 | Q3 -17 | 2018 | 2017 | 2017 |
| Net profit/loss for the period | 363 | -133 | 513 | 728 | 1 270 | 1 638 |
| Other comprehensive income | | | | | | |
| Items that will not be reclassified to profit or loss | | | | | | |
| Actuarial gains or losses on defined benefit pension plans | - | - | - | - | - | -29 |
| Change in fair value of shareholding in Bergvik Skog** | 41 | - | 8 | 44 | 18 | 43 |
| Tax attributable to items not to be reclassified to profit or loss | - | - | - | - | - | 6 |
| Total items never reclassified to profit or loss | 41 | - | 8 | 44 | 18 | 20 |
| Items that have been or may be reclassified subsequently to profit or loss | | | | | | |
| Differences arising from the translation of foreign operations' accounts | -21 | 17 | -16 | 63 | -11 | 32 |
| Change in fair value of cash flow hedges | 149 | 151 | 84 | 213 | 139 | 28 |
| Tax attributable to items that have been or may be reclassified subsequently to profit or loss | -31 | -33 | -19 | -45 | -31 | -6 |
| Total items that have been or may be reclassified subsequently to profit or loss | 97 | 135 | 49 | 231 | 97 | 54 |
| Total comprehensive income for the period | 501 | 2 | 570 | 1 003 | 1 385 | 1 712 |
| Attributable to: | | | | | | |
| Owners of the parent company | 501 | 2 | 570 | 1 003 | 1 385 | 1 712 |
| Non-controlling interests | - | - | - | - | - | - |
| Total comprehensive income for the period | 501 | 2 | 570 | 1 003 | 1 385 | 1 712 |

*Includes write-down of other holdings of SEK 35 million in Q2 2018.

**The classification has been changed from Items that have been or may be reclassified subsequently to profit or loss, to Items that will not be reclassified to profit or loss, as a result of the implementation of IFRS 9.



Summarised balance sheet

| SEKm | 30 Sep 2018 | 30 Sep 2017 | 31 Dec 2017 |
|---|----------------|----------------|----------------|
| Intangible assets | 2 201 | 2 273 | 2 248 |
| Property, plant and equipment | 20 768 | 16 594 | 17 690 |
| Other non-current assets | 1 598 | 1 533 | 1 566 |
| Total non-current assets | 24 567 | 20 400 | 21 504 |
| Inventories | 3 132 | 2 754 | 2 912 |
| Accounts receivable | 2 918 | 2 684 | 2 713 |
| Other current assets | 1 459 | 925 | 899 |
| Cash and cash equivalents | 371 | 899 | 168 |
| Total current assets | 7 880 | 7 262 | 6 692 |
| Total assets | 32 447 | 27 662 | 28 196 |
| Equity attributable to owners of the parent company | 13 931 | 13 484 | 13 811 |
| Non-controlling interests | - | - | - |
| Total equity | 13 931 | 13 484 | 13 811 |
| Interest-bearing liabilities | 6 856 | 3 584 | 3 586 |
| Provisions for pensions | 780 | 768 | 784 |
| Other liabilities and provisions | 312 | 245 | 227 |
| Deferred tax liabilities | 3 397 | 3 415 | 3 392 |
| Total non-current liabilities | 11 345 | 8 012 | 7 989 |
| Interest-bearing liabilities | 1 275 | 1 544 | 1 551 |
| Accounts payables | 3 964 | 3 215 | 3 294 |
| Other liabilities and provisions | 1 932 | 1 407 | 1 551 |
| Total current liabilities | 7 171 | 6 166 | 6 396 |
| Total equity and liabilities | 32 447 | 27 662 | 28 196 |

Summarised statement of changes in equity

| SEKm | Jan-Sep | | Full year |
|---|---------------|---------------|---------------|
| | 2018 | 2017 | 2017 |
| Opening balance | 13 811 | 13 022 | 13 022 |
| Comprehensive income for the period | 1 003 | 1 385 | 1 712 |
| Share-based payment to be settled in equity instruments | 7 | 10 | 10 |
| Buyback of own shares | - | -41 | -41 |
| Dividend to owners of the parent company | -890 | -891 | -891 |
| Dividend to non-controlling interests | - | -1 | -1 |
| Closing balance | 13 931 | 13 484 | 13 811 |
| Equity attributable to: | | | |
| Owners of the parent company | 13 931 | 13 484 | 13 811 |
| Non-controlling interests | - | - | - |
| Closing balance | 13 931 | 13 484 | 13 811 |

Summarised cash flow statement

| SEKm | Quarter | | | Jan-Sep | Full year | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| | Q3 -18 | Q2 -18 | Q3 -17 | 2018 | 2017 | 2017 |
| Operating surplus, etc.* | 840 | 559 | 1 022 | 2 449 | 2 754 | 3 650 |
| Change in working capital, etc. | 305 | -140 | 201 | 82 | 174 | 242 |
| Net financial items, taxes, etc. | -52 | -83 | -83 | -296 | -310 | -576 |
| Cash flow from operating activities | 1 093 | 336 | 1 140 | 2 235 | 2 618 | 3 316 |
| Investments in intangible assets, property, plant and equipment | -1 444 | -1 527 | -1 314 | -4 093 | -2 739 | -4 196 |
| Acquisition of financial assets / contribution associated companies | - | -6 | -29 | -16 | -63 | -65 |
| Disposal of financial assets | - | 5 | - | 5 | - | - |
| Sale of subsidiary | - | - | - | - | 15 | 15 |
| Acquisition of subsidiary | - | -36 | - | -36 | - | - |
| Disposal of property, plant and equipment | 1 | 1 | 1 | 2 | 2 | 2 |
| Cash flow from investing activities | -1 443 | -1 563 | -1 342 | -4 138 | -2 785 | -4 244 |
| Change in interest-bearing receivables | -3 | - | -1 | -3 | -1 | - |
| Change in interest-bearing liabilities | 387 | 1 389 | 419 | 2 970 | 1 300 | 1 308 |
| Buy-back of own shares | - | - | -41 | - | -41 | -41 |
| Dividend to owners of the parent company | - | -890 | - | -890 | -891 | -891 |
| Dividend to non-controlling interests | - | - | -1 | - | -1 | -1 |
| Cash flow from financing activities | 384 | 499 | 376 | 2 077 | 366 | 375 |
| Total cash flow (=change in cash and cash equivalents) | 34 | -728 | 174 | 174 | 199 | -553 |
| Cash and cash equivalents at start of period | 349 | 1 068 | 732 | 168 | 708 | 708 |
| Translation differences in cash and cash equivalents | -12 | 9 | -7 | 29 | -8 | 13 |
| Cash and cash equivalents at the end of the period | 371 | 349 | 899 | 371 | 899 | 168 |

*The amount for the period January–September 2018 takes into account operating profit of SEK 1 016 million, reversed depreciation of SEK 1 133 million, earnings from associated companies of SEK -12 million, decrease in pension liabilities of SEK -19 million, increase in other provisions of SEK 190, unified accounting principles regarding spare parts and consumables of SEK 177 million, net of produced and sold electricity certificates and sold emission rights of SEK -50 million, incentive programmes of SEK 7 million, scrapping of fixed assets of SEK 35 million, revaluation of current holdings related to business combinations of SEK -30 million, capital loss from sales of business of SEK 2 million. The amount for the period January–September 2017 takes into account operating profit of SEK 1 720 million, reversed depreciation of SEK 1 117 million, earnings from the sale of businesses of SEK -5 million, earnings from sales of fixed assets of SEK 6 million, earnings from associated companies SEK 4, decrease in pension liabilities of SEK -25 million, other provisions of SEK -46 million, net of produced and sold electricity certificates and sold emission rights of SEK -27 million and incentive programmes of SEK 10 million.



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 2017, except for IFRS 9 and IFRS 15 which are described below, see pages 84-90 and page 127 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 9 Financial Instruments

BillerudKorsnäs applies IFRS 9 - *Financial Instruments* from January 1 2018. The new accounting standard involves changes to how financial assets are classified and measured, the new classification are presented in Note 2 Financial assets and liabilities. IFRS 9 has also implied that an impairment model based on expected credit losses is to be introduced instead of losses incurred and changes to hedge accounting policies, in part to simplify and increase consistency with companies' internal risk management strategies. The implementation of IFRS 9 has not had any significant effect on BillerudKorsnäs financial reports.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* is a comprehensive standard for determining how revenues should be recognised and when such revenues should be recognised. BillerudKorsnäs applies IFRS 15 from January 1 2018. The new accounting standard has not had any effects in the Group or the parent company's earnings or financial position, so a choice of transition method is not applicable.

The performance obligation in a contract mainly consists of providing goods and the revenues from sales of products are recognised when the performance obligation is fulfilled and control over the product is transferred to the customer. The revenue is recognised at the amount to which BillerudKorsnäs expects to be entitled in exchange for the transfer of goods.

BillerudKorsnäs have chosen to disclose revenues for larger product groups and the information is presented on page 5-7 where the business areas are described.

IFRS 16 Leases

This standard will replace IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, with application from the financial year starting 1 January 2019. For lessees this means that all contracts that meet the definition in this standard of a lease must be recognised as an asset and liability in the balance sheet, with recognition of amortisation and interest expense in profit and loss, with a few exceptions. During 2018, BillerudKorsnäs continues to analyse existing leasing contracts to determine which contracts should be converted by IFRS 16, and is implementing system support for accounting of lease contracts. No updated assessment has yet been made of the impact of the introduction of this standard in terms of amount.

Note 2 Financial assets and liabilities

| | Fair value through profit or loss | 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 September 2018 | | | | | | |
| Other shares and participations | - | - | 1 437 | - | 1 437 | 1 437 |
| Long-term receivables | 188 | 25 | - | - | 213 | 213 |
| Accounts receivable | - | 2 918 | - | - | 2 918 | 2 918 |
| Other receivables | 222 | 735 | - | - | 957 | 957 |
| Cash and cash equivalents ¹ | - | 371 | - | - | 371 | 371 |
| Total | 410 | 4 049 | 1 437 | - | 5 896 | 5 896 |
| Non-current interest-bearing liabilities | - | - | - | 6 856 | 6 856 | 6 874 |
| Current interest-bearing liabilities | - | - | - | 1 275 | 1 275 | 1 275 |
| Accounts payables | - | - | - | 3 964 | 3 964 | 3 964 |
| Other liabilities | 225 | - | - | 239 | 464 | 464 |
| Total | 225 | - | - | 12 334 | 12 559 | 12 577 |

| | Fair value through profit or loss | 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 2017 | | | | | | |
| Other shares and participations | - | - | 1 429 | - | 1 429 | 1 429 |
| Long-term receivables | - | 22 | - | - | 22 | 22 |
| Accounts receivable | - | 2 713 | - | - | 2 713 | 2 713 |
| Other receivables | 150 | 449 | - | - | 599 | 599 |
| Cash and cash equivalents ¹ | - | 168 | - | - | 168 | 168 |
| Total | 150 | 3 352 | 1 429 | - | 4 931 | 4 931 |
| Non-current interest-bearing liabilities | - | - | - | 3 586 | 3 586 | 3 594 |
| Current interest-bearing liabilities | - | - | - | 1 551 | 1 551 | 1 573 |
| Accounts payables | - | - | - | 3 294 | 3 294 | 3 294 |
| Other liabilities | 115 | - | - | 142 | 257 | 257 |
| Total | 115 | - | - | 8 573 | 8 688 | 8 718 |

¹ Short-term investments are classified as 'Cash and cash equivalents' where the duration is less than three months and exposure is only to insignificant risk of fluctuations in value.

Note 3 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 business areas/segments can be found on pages 5–7, information regarding financing on page 10, seasonal effects on page 12 and events after the end of the quarter on page 14.



Key figures

| | Jan-Sep | | Full year |
|--|---------|--------|-----------|
| | 2018 | 2017 | 2017 |
| Margins | | | |
| EBITDA, % | 12 | 17 | 17 |
| Operating margin, % | 6 | 10 | 10 |
| Return (rolling 12 months) | | | |
| Return on capital employed, % | 7 | 11 | 12 |
| Return on equity, % | 8 | 11 | 12 |
| Capital structure at end of period | | | |
| Capital employed, SEKm | 22 451 | 18 466 | 19 548 |
| Working capital, SEKm | 1 775 | 1 962 | 1 760 |
| Equity, SEKm | 13 931 | 13 484 | 13 811 |
| Interest-bearing net debt, SEKm | 8 520 | 4 982 | 5 737 |
| Net debt/equity ratio | 0.61 | 0.37 | 0.42 |
| Interest-bearing net debt / EBITDA, multiple | 2.77 | 1.41 | 1.53 |
| Key figures per share | | | |
| Earnings per share, SEK | 3.52 | 6.13 | 7.91 |
| 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 | 4 109 | 2 802 | 4 261 |
| Average number of employees | 4 482 | 4 376 | 4 395 |

Reconciliation of alternative performance measures

| Adjusted EBITDA, SEKm | Quarter | | | Jan-Sep | Full year | |
|--|-------------|-------------|--------------|--------------|--------------|--------------|
| | Q3 - 18 | Q2 - 18 | Q3 - 17 | 2018 | 2017 | 2017 |
| Operating profit | 513 | -174 | 681 | 1 016 | 1 720 | 2 241 |
| Depreciation and impairment of non-current assets | 368 | 377 | 370 | 1 133 | 1 117 | 1 519 |
| EBITDA | 881 | 203 | 1 051 | 2 149 | 2 837 | 3 760 |
| Items affecting comparability | 12 | 468 | 29 | 517 | 63 | 90 |
| Adjusted EBITDA | 893 | 671 | 1 080 | 2 666 | 2 900 | 3 850 |
| Adjusted Operating profit, SEKm | | | | | | |
| Operating profit | 513 | -174 | 681 | 1 016 | 1 720 | 2 241 |
| Items affecting comparability | 27 | 483 | 36 | 562 | 84 | 150 |
| Adjusted Operating profit | 540 | 309 | 717 | 1 578 | 1 804 | 2 391 |
| Adjusted earnings per share, SEK | | | | | | |
| Profit attributed to owners of the parent company, SEKm | 363 | -133 | 513 | 728 | 1 270 | 1 638 |
| Items affecting comparability, attributed to owners of the parent company, SEKm | 21 | 377 | 28 | 438 | 66 | 117 |
| Adjusted profit attributed to owners of the parent company, SEKm | 384 | 244 | 541 | 1 166 | 1 336 | 1 755 |
| Weighted number of outstanding shares, thousands | 207 036 | 207 011 | 207 218 | 207 001 | 207 167 | 207 114 |
| Adjusted earnings per share | 1,85 | 1,18 | 2,61 | 5,63 | 6,45 | 8,48 |
| Adjusted Return on capital employed (ROCE), SEKm | | | | | | |
| Adjusted Operating profit over 12 months * | 2 164 | 2 342 | 2 343 | 2 164 | 2 343 | 2 391 |
| Average capital employed over 12 months | 20 486 | 19 533 | 17 586 | 20 486 | 17 586 | 18 038 |
| Adjusted Return on capital employed | 11% | 12% | 13% | 11% | 13% | 13% |
| Interest-bearing net debt / Adjusted EBITDA, multiple | | | | | | |
| Interest-bearing net debt | 8 520 | 8 166 | 4 982 | 8 520 | 4 982 | 5 737 |
| Adjusted EBITDA over 12 months* | 3 617 | 3 803 | 3 798 | 3 617 | 3 798 | 3 850 |
| Interest-bearing net debt / Adjusted EBITDA | 2,36 | 2,15 | 1,31 | 2,36 | 1,31 | 1,49 |
| Items affecting comparability, SEKm | | | | | | |
| MG Investment in Skärblacka (Operating expenses) | - | - | 20 | 3 | 40 | 74 |
| New board machine in Gruvön - additional costs (Operating expenses) | 12 | 16 | 9 | 43 | 23 | 36 |
| New board machine in Gruvön - restructuring (Operating expenses) | - | - | - | - | - | -20 |
| New board machine in Gruvön - depreciation and impairment of existing non-current assets (Depreciation and Impairment of non-current assets) | 15 | 15 | 7 | 45 | 21 | 60 |
| Restructuring (Operating expenses) | - | - | - | 19 | - | - |
| Workplace environment (Operating expenses) | - | 159 | - | 159 | - | - |
| Unification of accounting principles - Spare parts and consumables (Operating expenses) | - | 177 | - | 177 | - | - |
| Other (Operating expenses) ** | - | 116 | - | 116 | - | - |
| Items affecting comparability | 27 | 483 | 36 | 562 | 84 | 150 |

*12 months is calculated by adding accumulated amounts for the current year plus full previous year, minus prior year's amounts for periods exceeding 12 months from the balance sheet date.

**Based on comprehensive review of balance sheet items



Reconciliation of alternative performance measures (cont.)

| | 30 Sep 2018 | 30 Sep 2017 | 31 Dec 2017 |
|---|----------------|----------------|----------------|
| Capital employed, SEKm | | | |
| Total assets | 32 447 | 27 662 | 28 196 |
| Accounts payables | -3 964 | -3 215 | -3 294 |
| Other liabilities and provisions | -2 244 | -1 652 | -1 778 |
| Deferred tax liabilities | -3 397 | -3 415 | -3 392 |
| Interest-bearing non-current assets | -20 | -15 | -16 |
| Cash and Cash equivalents | -371 | -899 | -168 |
| Capital employed | 22 451 | 18 466 | 19 548 |
| | | | |
| Working capital, SEKm | | | |
| Inventories | 3 132 | 2 754 | 2 912 |
| Accounts receivables | 2 918 | 2 684 | 2 713 |
| Other operating receivables | 1 459 | 925 | 899 |
| Accounts payables | -3 964 | -3 215 | -3 294 |
| Other operating liabilities (excl provisions) | -1 802 | -1 358 | -1 527 |
| Tax liabilities | 32 | 172 | 57 |
| Working capital | 1 775 | 1 962 | 1 760 |
| | | | |
| Interest-bearing net debt, SEKm | | | |
| Interest bearing provisions | 780 | 768 | 784 |
| Interest bearing non-current liabilities | 6 856 | 3 584 | 3 586 |
| Interest bearing current liabilities | 1 275 | 1 544 | 1 551 |
| Interest-bearing non-current assets | -20 | -15 | -16 |
| Cash and Cash equivalents | -371 | -899 | -168 |
| Interest-bearing net debt | 8 520 | 4 982 | 5 737 |

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 include additional project costs for major projects, as well as 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 operating cash flow.

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

Cash flow from operating activities including net investments in property, plant and equipment, intangible assets and acquisition of financial assets. The measure shows cash flow generated in the operating business, which provides the amount of cash flows available to repay debt 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-Sep | | Full Year |
|--|-------------|-----------|-------------|-------------|--------------|
| | Q3 -18 | Q3 -17 | 2018 | 2017 | 2017 |
| Operating income* | -8 | 115 | 165 | 282 | 402 |
| Operating expenses | -154 | -111 | -449 | -377 | -523 |
| Operating profit/loss | -162 | 4 | -284 | -95 | -121 |
| Financial income and expenses | -13 | 25 | -162 | -64 | -123 |
| Profit/Loss after financial income and expenses | -175 | 29 | -446 | -159 | -244 |
| Appropriations | - | - | - | - | 2 635 |
| Profit/loss before tax | -175 | 29 | -446 | -159 | 2 391 |
| Taxes | 41 | 7 | 89 | 50 | -511 |
| Net profit/loss for the period | -134 | 36 | -357 | -109 | 1 880 |

Summarised balance sheet

| SEKm | 30 Sep 2018 | 30 Sep 2017 | 31 Dec 2017 |
|-------------------------------------|----------------|----------------|----------------|
| Non-current assets | 10 743 | 10 744 | 10 748 |
| Current assets | 10 105 | 7 030 | 10 358 |
| Total assets | 20 848 | 17 774 | 21 106 |
| Shareholders' equity | 7 011 | 6 262 | 8 251 |
| Untaxed reserves | 1 586 | 1 031 | 1 586 |
| Provisions | 259 | 199 | 208 |
| Liabilities | 11 992 | 10 282 | 11 061 |
| Total equity and liabilities | 20 848 | 17 774 | 21 106 |

*Includes Currency hedging, etc.

Quarterly data

The Group's business is managed and reported according to BillerudKorsnäs' three business areas. Other include results from wood supply, Nine AB (until Q4-17), Scandfibre Logistics AB, rental operations, dormant companies, result of sale of businesses, items affecting comparability and costs due to larger investments in the production structure. Other also include group-wide functions, Group eliminations 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 part of the currency exposure that relates to changes in exchange rates for invoicing is included in the business area's profit/loss.

Net sales quarterly per business area and for the Group

| SEKm | Q3 -18 | Q2 -18 | Q1 -18 | Q4 -17 | Q3 -17 | Q2 -17 | Q1 -17 | Q4 -16 | Jan-Sep 2018 | Jan-Sep 2017 |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Packaging Paper | 2 424 | 2 292 | 2 276 | 2 147 | 2 090 | 2 151 | 2 141 | 2 067 | 6 992 | 6 382 |
| Consumer Board | 2 145 | 2 132 | 2 164 | 1 943 | 2 019 | 2 099 | 2 128 | 1 988 | 6 441 | 6 246 |
| Corrugated Solutions | 1 135 | 1 002 | 953 | 1 011 | 1 012 | 902 | 931 | 989 | 3 090 | 2 845 |
| Other | 447 | 510 | 502 | 437 | 422 | 483 | 465 | 463 | 1 459 | 1 370 |
| Currency hedging, etc. | -97 | -38 | 2 | 27 | 1 | -35 | -29 | -39 | -133 | -63 |
| Total Group | 6 054 | 5 898 | 5 897 | 5 565 | 5 544 | 5 600 | 5 636 | 5 468 | 17 849 | 16 780 |

EBITDA quarterly per business area and for the Group

| SEKm | Q3 -18 | Q2 -18 | Q1 -18 | Q4 -17 | Q3 -17 | Q2 -17 | Q1 -17 | Q4 -16 | Jan-Sep 2018 | Jan-Sep 2017 |
|------------------------|------------|------------|--------------|------------|--------------|------------|------------|------------|--------------|--------------|
| Packaging Paper | 472 | 317 | 467 | 401 | 394 | 312 | 392 | 421 | 1 256 | 1 098 |
| Consumer Board | 278 | 322 | 473 | 363 | 466 | 498 | 440 | 336 | 1 073 | 1 404 |
| Corrugated Solutions | 266 | 120 | 210 | 212 | 269 | 163 | 190 | 241 | 596 | 622 |
| Other | -37 | -517 | -87 | -78 | -80 | -75 | -70 | -267 | -641 | -225 |
| Currency hedging, etc. | -98 | -39 | 2 | 25 | 2 | -35 | -29 | -38 | -135 | -62 |
| Total Group | 881 | 203 | 1 065 | 923 | 1 051 | 863 | 923 | 693 | 2 149 | 2 837 |

EBITDA¹ quarterly per business area and for the Group

| SEKm | Q3 -18 | Q2 -18 | Q1 -18 | Q4 -17 | Q3 -17 | Q2 -17 | Q1 -17 | Q4 -16 | Jan-Sep 2018 | Jan-Sep 2017 |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Packaging Paper | 531 | 534 | 467 | 428 | 469 | 482 | 420 | 421 | 1 532 | 1 371 |
| Consumer Board | 412 | 347 | 473 | 478 | 596 | 506 | 446 | 471 | 1 232 | 1 548 |
| Corrugated Solutions | 281 | 279 | 210 | 212 | 284 | 212 | 231 | 241 | 770 | 727 |
| Other | -25 | -49 | -50 | -53 | -56 | -56 | -55 | -62 | -124 | -167 |
| Currency hedging, etc. | -98 | -39 | 2 | 25 | 2 | -35 | -29 | -38 | -135 | -62 |
| Total Group | 1 101 | 1 072 | 1 102 | 1 090 | 1 295 | 1 109 | 1 013 | 1 033 | 3 275 | 3 417 |
| Costs for maint. shutdowns | -208 | -401 | - | -140 | -215 | -227 | -75 | -135 | -609 | -517 |
| Items affecting comparability | -12 | -468 | -37 | -27 | -29 | -19 | -15 | -205 | -517 | -63 |
| EBITDA | 881 | 203 | 1 065 | 923 | 1 051 | 863 | 923 | 693 | 2 149 | 2 837 |

EBITDA-margin¹ quarterly per business area and for the Group

| % | Q3 -18 | Q2 -18 | Q1 -18 | Q4 -17 | Q3 -17 | Q2 -17 | Q1 -17 | Q4 -16 | Jan-Sep 2018 | Jan-Sep 2017 |
|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|--------------|
| Packaging Paper | 22 | 23 | 21 | 20 | 22 | 22 | 20 | 20 | 22 | 21 |
| Consumer Board | 19 | 16 | 22 | 25 | 30 | 24 | 21 | 24 | 19 | 25 |
| Corrugated Solutions | 25 | 28 | 22 | 21 | 28 | 24 | 25 | 24 | 25 | 26 |
| Group | 18 | 18 | 19 | 20 | 23 | 20 | 18 | 19 | 18 | 20 |

Sales volumes quarterly per business area and for the Group

| ktonne | Q3 -18 | Q2 -18 | Q1 -18 | Q4 -17 | Q3 -17 | Q2 -17 | Q1 -17 | Q4 -16 | Jan-Sep 2018 | Jan-Sep 2017 |
|----------------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|--------------|
| Packaging Paper | 269 | 257 | 278 | 282 | 289 | 288 | 293 | 285 | 804 | 870 |
| Consumer Board | 274 | 275 | 281 | 252 | 265 | 279 | 285 | 257 | 830 | 829 |
| Corrugated Solutions | 132 | 112 | 127 | 132 | 145 | 121 | 144 | 147 | 371 | 410 |
| Total Group | 675 | 644 | 686 | 666 | 699 | 688 | 722 | 689 | 2 005 | 2 109 |

¹ EBITDA and margin are adjusted for the effects of periodical maintenance shutdowns and for items affecting comparability.

This is BillerudKorsnäs

BillerudKorsnäs is one of the **world's leading suppliers of high-quality, packaging materials** based on renewable raw material. 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.

Demand is driven by global megatrends, particularly rising urbanisation, a greater focus on sustainability and changing consumption patterns. Consumer segments, primarily food and beverages, account for 76% of sales. While Europe is the core market, BillerudKorsnäs is gradually strengthening its presence in the leading growth markets of Asia.

Smart packaging solutions using paper or board 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 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 five areas that all interact: **Position, Innovation, Sustainability, Efficiency and Employees**. Find out more at billerudkorsnas.com

VALUE DRIVERS

High-performance materials based on renewable raw material from responsibly managed forests. Smarter solutions that optimise our customers' business. Leading positions in the growing global packaging market. A holistic approach to the entire packaging value chain from raw material all the way to the end-customer and recycling.



BILLERUDKORSNÄS

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