



BILLERUDKORSNÄS

Interim report January–June 2020

Resilient performance in uncertain times

Q2 2020

KEY HIGHLIGHTS

- Continued sales volume increase
- Relatively limited impact from Covid-19
- KM7 ramp-up progress as planned
- Earnings continued to be affected by lower market prices
- On track to deliver our cost- and efficiency program

QUARTERLY DATA

- Net sales declined by 2% to SEK 6 156 million (6 293)
- Sales volumes grew by 4% compared to second quarter last year
- Adjusted EBITDA* was SEK 774 million (539)
- Operating profit was SEK 245 million (194)
- Net profit was SEK 202 million (182)
- Earnings per share amounted to SEK 0.98 (0.88)

Q3 OUTLOOK

- Uncertainty related to Covid-19 remains
- Somewhat more challenging market conditions for most segments. Exceptions being products designated to Food & Beverages and Medical & Hygiene, where we expect a more stable situation
- Several planned maintenance stops
- Raw material costs expected to decline marginally

KEY FIGURES*

	Q2 2020	Q2 2019	Change	Jan-Jun 2020	Jan-Jun 2019	Change
SEKm						
Net sales	6 156	6 293	-2%	12 520	12 797	-2%
Adjusted EBITDA*	774	539	44%	1 565	1 574	-1%
Operating profit	245	194	26%	525	834	-37%
Adjusted operating profit	284	154	84%	589	807	-27%
Net profit	202	182	11%	366	633	-42%
Adjusted EBITDA, %	13%	9%		13%	12%	
Adjusted operating profit margin, %	5%	2%		5%	6%	
Adjusted ROCE, %	4%	8%		4%	8%	
Operating cash flow after operative investments	156	-477		-282	-571	
Net debt/adjusted EBITDA, multiple	2.4	3.9		2.4	3.9	

*For key figures and a reconciliation of alternative performance measures including adjusted EBITDA, adjusted operating profit, adjusted EBITDA margin, adjusted operating profit margin, adjusted ROCE and net debt/adjusted EBITDA, see pages 21-23 and page 8 for operating cash flow after operative investments.

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COMMENTS BY CEO



SEK 6 156 million

Net sales

SEK 774 million

Adjusted EBITDA

13%

Adjusted EBITDA margin

The year 2020 is for sure a year we never will forget. It started off in a rather normal fashion but that soon changed as we started to learn the meaning of Covid-19. In BillerudKorsnäs measures were taken early to safeguard our employees and operations. Now, half a year later, I am proud that BillerudKorsnäs' operations and business overall has continued to function without interruptions and still does. The decisive measures we took early on have enabled us to keep our business running as close to normal as possible, supporting our customers through a difficult period.

The financial effects on our company of Covid-19 have been, so far, relatively limited. Additional costs have incurred, but are partly offset by incremental cost cutting actions. The main effects are indirect and related to a weaker market for a number of our packaging paper grades. Overall, we have managed to keep the negative financial impact under control, but the pandemic is far from over so we must maintain full alert. Our focus areas for 2020 remain; ramping up our new board machine at Gruvön (KM7), ensuring a safe and stable production and delivering on our cost and efficiency program – all to be dealt with in a Covid-19 impacted environment doing our utmost to protect employees and customers.

In the second quarter the demand for our products was relatively stable. We managed to deliver a sales volume growth, but Covid-19 impacted negatively certain segments with lower demand, mainly within Division Paper. Division Board continued to deliver higher sales in all segments while Division Solutions struggled with significantly lower demand from North American based brand owners. Positive contributions came from a good progress on KM7 and efficiency measures taken throughout the company. All in all, I can conclude that we – despite a challenging environment – delivered a solid result with improved margins.

The ramp-up of KM7 is progressing as planned with a recent milestone being successful production of our most technical advanced product CrownBoard Prestige®. KM7 is gradually increasing its output of prime material. The process to certify materials for liquid packaging board continues, but at a slower pace than planned due to testing limitations at our customers as a consequence of Covid-19.

Production has been acceptable in the quarter, despite some challenges. We had a breakdown of the continuous digester in Skärblacka in April and we have had to take downtime on a few of our paper machines due to a weaker demand. This situation can be expected to continue into the third quarter as we are taking steps to adjust production to a slower demand. The third quarter will also be negatively affected by planned maintenance stops at Gävle, Karlsborg and Gruvön in August and September.

Our cost and efficiency program delivered structural savings of SEK 90 million in the quarter and we are progressing well to deliver a positive impact of SEK 250 million in 2020. Additional and more temporary cost cutting measures to mitigate the Covid-19 impact have been taken. Furthermore, a renegotiated pulp, steam and electricity supply agreement for our mill in Pietarsaari is expected to reduce our raw material sourcing costs going forward.

In line with our focus on performance and efficiency we have announced our intention to implement a new organization structure as from 1 August. The new organization is built along the business flow and it will enable us to drive a process of streamlining our way of working, enhancing efficiency and our ability to adapt to changes.

For the coming quarter, the overall uncertainty related to Covid-19 is expected to remain. Market conditions are not expected to improve due to some ongoing downstream destocking, combined with a continued relatively slow demand for several of our products segments.

It is impossible to predict for how long the Covid-19 will last, but I do feel that BillerudKorsnäs, together with its devoted and able employees and solid customers, will get through and come out as an even stronger company. We have been through tough periods before and the long-term demand for fibre-based materials and sustainable packaging solutions is growing. We are well positioned for the future!

Lennart Holm
Acting President and CEO



Covid-19 impact

The Covid-19 pandemic is impacting societies and economies around the globe. BillerudKorsnäs is carefully monitoring the development and the constantly changing situation makes it difficult to predict the short- and long-term impact of the pandemic.

Business continues with precautions

BillerudKorsnäs has since the Covid-19 outbreak continued to run its operations without any major disruptions. Measures have been taken to safeguard the health of our employees, secure deliveries and support our customers, develop contingency plans with regard to critical resources and implement stricter cost control. We follow the respective country's recommendations.

Postponed maintenance

Due to Covid-19 and to ensure the safety of our employees and suppliers, the maintenance stops scheduled at our mills during the first half of the year were postponed to the second half of the year. The short notice of rescheduling of the maintenance at Gruvön caused a negative financial effect of around SEK 40 million in the first quarter. Furthermore, this action was assessed to imply an increased negative ramp-up effect of KM7 of SEK 100 million in 2020. The postponement of the maintenance stops at Gävle, Skärblacka and Pietarsaari is estimated to have a negative effect of SEK 35 million in the third quarter.

Impact on demand depending on end market

Demand for some of our products have been negatively impacted by Covid-19. Lower demand in some segment is noticeable, mainly for products in the industrial segments together with consumer segments such as paper for food service as well as fashion carrier bags. Demand for packaging solutions from apparel and footwear retailers has also declined. For other segments, Covid-19 has had a slight positive effect. This has been the case for materials for liquid packaging board as well as paper for home cooking, medical, hygiene and DIY.

Logistical challenges

BillerudKorsnäs has faced outbound logistical challenges due to Covid-19 but they have to a large extent been overcome without any significant impact. Currently, the situation is rather stable with a close to normalized access to overseas transports and possibilities to ship goods across national borders.

BillerudKorsnäs is stable

Overall, the financial effects of Covid-19 on BillerudKorsnäs have been limited. Our customer base of around 2 000 companies is well diversified. Since the outbreak of the pandemic there has been no increases of credit losses. The Group's financial position remains solid and our strong position in relatively resilient market segments provides a certain degree of stability.

The quarter in review

SALES AND RESULTS

Net sales for the second quarter declined by 2% to SEK 6 156 million (6 293). Higher sales volumes were primarily offset by significantly lower sales prices compared to last year in Division Paper. Net sales for the quarter were positively impacted by currency effects by 1%.

Adjusted EBITDA increased to SEK 774 million (539), mainly as a result of lower maintenance costs compared with last year, lower fibre costs, reduced KM7 start-up impact and cost savings.

Costs affecting comparability, reported under Other, amounted to SEK 39 million (-40) and included a provision related to a new supply agreement of SEK 160 million, a value change of biological assets of SEK -132 million and restructuring costs related to severance pay of SEK 11 million.



The EBITDA margin improved, positively affected by maintenance timing, raw material cost reduction and KM7 ramp-up improvement

Adjusted EBITDA margin

Target level >17%



MARKET DEVELOPMENT AND OUTLOOK

During the second quarter, market conditions were stable for most of our board and some paper products. However, the demand for some products and services were affected by Covid-19, mainly within Division Paper and Managed Packaging. In general, the market segments Food & Beverage and Medical & Hygiene had stable market conditions (liquid packaging board and relevant niches of containerboard, kraft and sack paper), Consumer & Luxury Goods had more challenging conditions (cartonboard and relevant niches of containerboard, sack and kraft paper) and the Industry segment had weak conditions (relevant niches of sack and kraft paper and containerboard).

For the third quarter, somewhat more challenging market conditions due to Covid-19 are expected. The demand for our products designated to Food & Beverages and Medical & Hygiene are however estimated to remain stable. Products designated for Consumer & Luxury Goods and the Industrial segment conditions are expected to meet more challenging market conditions.

EVENTS IN THE QUARTER

In April, the maintenance stops that were scheduled for the second quarter at Gävle, Skärblacka and Pietarsaari were postponed to the second half of the year due to the circumstances with Covid-19. The financial effects of the postponed maintenance stops are estimated to SEK 35 million in the third quarter. See page 24 for more information about the maintenance stops.

A mechanical failure in a digester at Skärblacka caused lost production in the first half of April with a negative financial impact of around SEK 30 million.

On 29 May, BillerudKorsnäs announced that it had entered into an agreement with UPM that will extend UPM's supply of pulp, steam and electricity for the production at BillerudKorsnäs' mill in Pietarsaari. The new agreement is based on market conditions and effective as of June 2020. As part of the agreement, BillerudKorsnäs will pay a compensation of EUR 15 million to UPM in three instalments. A provision of SEK 160 million was made in the second quarter results.

On 17 June, BillerudKorsnäs announced that it will implement a new organizational structure in order to create conditions for improved efficiency. The new organization, effective from 1 August 2020, will have three functional areas: Wood Supply, Operations and Commercial. The resources in sustainability and innovation will be grouped into a new function. Following the introduction of the new organization, the Executive Management Team will comprise of: Lennart Holm, acting CEO, Ivar Vatne, CFO, Helene Biström, EVP Commercial, Tor Lundqvist, EVP Operations, Uno Brinnen, acting EVP Wood Supply, Ulf Eliasson, EVP Sustainability & Strategic Development and Paulina Ekvall, EVP HR. As a consequence of the reorganization, Mikael Andersson, EVP Division Board, and Magnus Wikström, EVP Innovation, will leave the company.

In June, BillerudKorsnäs launched Pure Performance, a white top kraftliner that combines high strength, excellent printability and purity in one material. It offers packaging material reduction thanks to its 3-ply construction, is produced on the new board machine KM7 at Gruvön and received great appraisal from customers.

EVENTS AFTER THE QUARTER

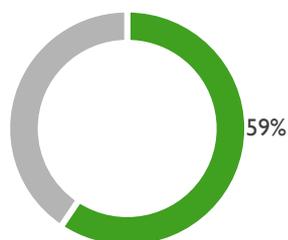
On 3 July, BillerudKorsnäs announced that it had changed the accounting method for valuing forest land assets and had made a valuation of around 36 000 hectares of forest assets, of which around 18 000 hectares are productive forests, in which the biological assets are valued according to IAS 41. The value change related to biological assets of SEK 132 million has been recognized in the income statement in the second quarter and as an item affecting comparability in the second quarter results. The value change related to the forest land of SEK 148 million has been recognized in Other Comprehensive Income. See pages 10 and 19 for more information.



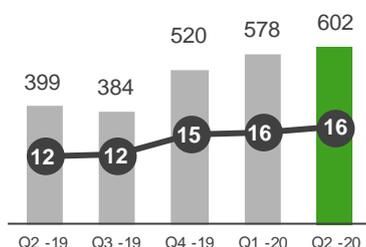
Division Board

Another solid quarter with volume growth in all segments. Our new board machine at Gruvön, KM7, is gradually improving its product mix.

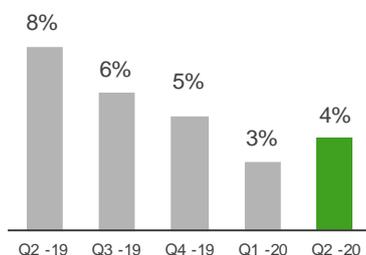
Share of Group's net sales
Q2 2020



EBITDA



ROCE



KEY FIGURES

SEKm	Quarter		Jan-Jun		Full year
	Q2 -20	Q2 -19	2020	2019	2019
Net sales	3 656	3 463	7 368	6 999	13 692
of which liquid packaging board	2 077	1 860	4 137	3 849	7 583
of which cartonboard	431	373	830	719	1 467
of which fluting & liner	1 009	961	2 026	1 914	3 626
Net operating expenses	-3 054	-3 064	-6 188	-5 917	-11 706
EBITDA	602	399	1 180	1 082	1 986
EBITDA, %	16%	12%	16%	15%	15%
Operating profit/loss	254	155	486	596	811
Operating margin, %	7%	4%	7%	9%	6%
ROCE, %	4%	8%	4%	8%	5%
Sales volumes, ktonnes	490	457	1 005	911	1 815

SALES AND RESULTS

Net sales for the second quarter increased by 6% to SEK 3 656 million (3 463), driven mainly by higher sales volumes in all segments due to improved availability at all mills and the production ramp-up of the new board machine, KM7, at Gruvön.

EBITDA increased to SEK 602 million (399), mainly as a result of lower maintenance costs, reduced start-up effects of KM7 and a reduced cost level.

See page 9 for more information about KM7 and the Next generation programme.

MARKET DEVELOPMENT

In the second quarter, market conditions were relatively stable for all of our board grades. Some products as liquid packaging board were slightly positively impacted by Covid-19, while containerboard products experienced a slightly negative impact. Prices for our core markets and products remained unchanged.

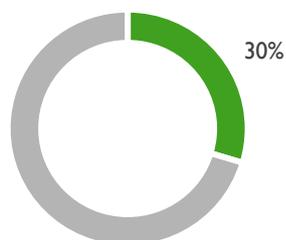
About Division Board

Division Board manufactures liquid packaging board, cartonboard as well as fluting and liner. All customers demand high quality and expect materials and services solutions that add value. The mills at Gävle, Gruvön and Frövi/Rockhammar belong to this division. At Gruvön, BillerudKorsnäs has made a strategic investment under the Next generation programme in a state-of-the-art board machine. The KM7 board machine will have an annual production capacity of 550 000 tonnes of premium material.

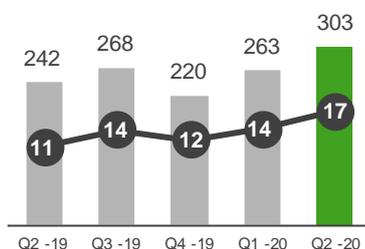
Division Paper

Demand for some product segments have been impacted by the Covid-19 pandemic. We continue to focus on efficiency measures and adjust production based on market conditions.

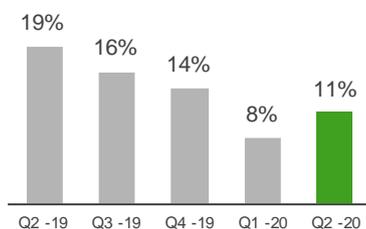
Share of Group's net sales
Q2 2020



EBITDA



ROCE



About Division Paper

Division Paper manufactures and sells high-performance, premium-grade kraft and sack paper to selected segments in the manufacturing, medical equipment and consumer segments. The division also sells surplus paper pulp on the open market. The mills at Skärblacka, Karlsborg, Pietarsaari and Beetham belong to this division.

KEY FIGURES

SEKm	Quarter		Jan-Jun		Full year
	Q2 -20	Q2 -19	2020	2019	2019
Net sales	1 825	2 129	3 705	4 434	8 142
of which sack paper	633	794	1 266	1 730	2 918
of which kraft paper	861	895	1 739	1 826	3 504
Net operating expenses	-1 522	-1 887	-3 139	-3 726	-6 946
EBITDA	303	242	566	708	1 196
EBITDA, %	17%	11%	15%	16%	15%
Operating profit/loss	193	132	346	488	752
Operating margin, %	11%	6%	9%	11%	9%
ROCE, %	11%	19%	11%	19%	14%
Sales volumes, ktonnes	212	223	439	456	882

SALES AND RESULTS

Net sales for the second quarter declined by 14% to SEK 1 825 million (2 129). The decline was mainly driven by significantly lower prices compared to last year. Lost production volumes in Skärblacka also had a negative impact. The lower prices were primarily in sack paper, while kraft paper prices held up better.

EBITDA increased to SEK 303 million (242), mainly as a result of lower maintenance costs, reduced raw material costs and cost savings, which more than offset lower prices.

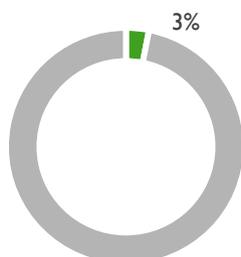
MARKET DEVELOPMENT

In the second quarter, demand for sack and kraft paper declined as a consequence of Covid-19. The effect varied depending on the end market, with minor impact for construction and increased demand for food, medical and hygiene products, whereas demand for consumer products such as paper for food service and fashion carrier bags reduced significantly. Prices for brown sack paper stabilized during the quarter, and prices for our other products were generally unchanged.

Division Solutions

In the short term we focus on reducing costs to mitigate the lower demand from brand owners due to Covid-19. Long term our growth ambition remains.

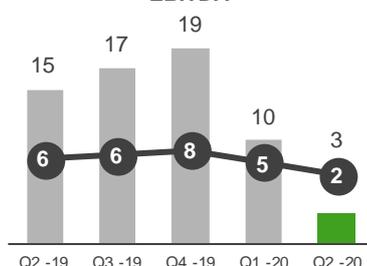
Share of Group's net sales
Q2 2020



KEY FIGURES

SEKm	Quarter		Jan-Jun		Full year
	Q2 -20	Q2 -19	2020	2019	2019
Net sales	190	268	395	474	990
of which Managed Packaging	151	229	298	404	822
of which Solutions Other	39	38	97	70	168
Net operating expenses	-187	-253	-382	-446	-926
EBITDA	3	15	13	28	64
EBITDA, %	2%	6%	3%	6%	6%
Operating profit	1	14	9	25	54
Operating margin, %	1%	5%	2%	5%	5%

EBITDA



SALES AND RESULTS

Net sales for the second quarter declined by 29% to SEK 190 million (268) due to weaker demand for Managed Packaging's services as a consequence of Covid-19.

EBITDA declined to SEK 3 million (15) due to the lower sales. Earnings were supported by strict cost control in Managed Packaging. Net operating expenses declined by 26%.

MARKET DEVELOPMENT

In the second quarter, demand for Division Solutions' services weakened due to lock-downs, store closures as well as changed consumer behavior in Europe and the US on the back of the Covid-19. Market conditions for FibreForm® weakened somewhat, with customers focusing on re-balancing inventory.

In a normalized market the potential for Division Solution's service offering continues to be significant and the sales pipeline supports growth.

About Division Solutions

Division Solutions meets brand owners' growing demand for sustainable and effective packaging solutions and systems. The division has two business units, the largest of which is Managed Packaging, which helps brand owners take control of their packaging needs in Asia.

Other operations

Net sales for Other in the second quarter 2020 amounted to SEK 562 million (471) and comprised of sales of fibre and related services to third parties.

Adjusted EBITDA for Other amounted to SEK -58 million (-79). The higher result was mainly due to a lower cost level in Group-common functions.

January – June, consolidated

SALES AND RESULTS

Net sales for the first six months declined by 2% to SEK 12 520 million (12 797), mainly due to lower sales prices. Net sales increased in Division Board and decreased in Division Paper and Division Solutions.

Adjusted EBITDA decreased by 1% to SEK 1 565 million (1 574). Lower market prices and higher KM7 ramp-up effects during the first half year were partly offset by lower costs for raw materials, cost savings and positive currency effects. Lower maintenance costs in the first half-year due to rescheduling of activities as a consequence of Covid-19 had a positive effect on costs.

Costs affecting comparability amounted to SEK 64 million (-27) and were reported under Other.

Cash flow and financial position

SUMMARISED CASH FLOW STATEMENT

SEKm	Quarter		Jan-Jun	
	Q2 -20	Q2 -19	2020	2019
Operating surplus, etc.	529	445	1 254	1 429
Change in working capital, etc.	94	-1	-696	-335
Net financial items, taxes, etc.	-75	-77	-166	-3
Cash flow from operating activities	548	367	392	1 091
Operative investments	-392	-844	-674	-1 662
Operating cash flow after operative investments	156	-477	-282	-571

Operating cash flow after operative investments amounted to SEK 156 million (-477) for the second quarter and SEK -282 million (-571) for the first half of 2020. The increased cash flow is mainly due to the decrease in operative investments that is linked to lower KM7 investments in 2020. Operating cash after operative investments include all gross investments in property, plant and equipment, and intangible assets. The measure has a new definition starting in 2020, and shows cash flow generated in the operating business, which provides the amount of cash flows available to repay debt, acquire and invest in other businesses and pay dividends to the shareholders.

In first half of 2020, the negative change in operating cash flow was mainly due to a collateral deposit for negative value of electricity derivatives of SEK 260 million (purchased for hedging purposes) and seasonal changes in working capital. In addition, net financial items included a tax refund in 2019.



FINANCING

At 30 June 2020, interest-bearing debt amounted to SEK 7 399 million (15 808). Interest-bearing debt decreased with SEK 440 million compared to previous quarter as SEK 400 million in bond loans and SEK 40 million in term loans were repaid during the quarter.

Debt portfolio and maturity profile at 30 June 2020

Loan	Limit, SEKm	Maturity, years			Total utilised
		0-1	1-2	2-	
Syndicated credit facilities	5 500				-
Term loans		93	93	1 313	1 499
Bond loans within MTN program	7 000	800	1 700	1 800	4 300
Other bond loans				1 600	1 600
Commercial paper	4 000				-
Group total		893	1 793	4 713	7 399

Interest-bearing net debt at 30 June 2020 amounted to SEK 6 710 million (12 667, excluding discontinued operations).

The Group's net interest-bearing debt in relation to EBITDA at the end of the period was 2.5 (3.9, excluding discontinued operations). The ratio of net interest-bearing debt to adjusted EBITDA was 2.4 (3.9, excluding discontinued operations).

INVESTMENTS AND CAPITAL EMPLOYED

Operative investments in property, plant, equipment and intangible assets amounted to SEK 674 million (1 662) for the first half of 2020. A large part of the investments in 2019 was related to the new board machine at Gruvön.

Capital employed at 30 June 2020 amounted to SEK 25 589 million (23 499). Return on capital employed (ROCE) for the last 12-month period, amounted to 3% (8). ROCE calculated using adjusted operating profit amounted to 4% (8).

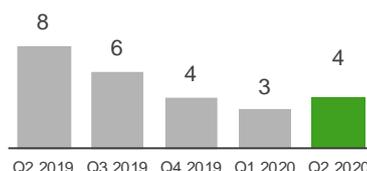
Return on equity was 36% (9) over 12 months. The increase in the return on equity was due to the sale of Bergvik Skog Öst AB in August 2019.

Net debt/Adjusted EBITDA
target level <2.5



¹ Excluding discontinued operations

Adjusted return on capital employed
Target level >13%



Next generation programme (KM7)

The ramp-up of BillerudKorsnäs' new board machine at Gruvön, KM7, started in the second quarter 2019. As KM7 was brought online, three machines with a total production capacity of 215 000 tonnes per year, were closed. KM7 is expected to be fully ramped up in 2023 and over the course of the ramp-up process, its premium output will be gradually increasing. When fully ramped up in 2023, it is expected to produce 550 000 tonnes per year.

The negative KM7 ramp-up effect in 2020, compared with the base year 2018, is assessed to be in the higher end of the range SEK 350-450 million. During the first half year, the ramp-up resulted in a negative impact of SEK 320 million, whereof SEK 200 million in the first quarter and SEK 120 million in the second quarter. The majority of the remaining negative effect is expected in the third quarter. From 2021, the KM7 investment is expected to have a positive effect on EBITDA.

Out of the total investment for KM7 of around SEK 7 950 million includes a deduction of around SEK 200 million related to withheld payments to a supplier in the project. The supplier has raised claims against BillerudKorsnäs for the withheld payments. BillerudKorsnäs has raised claims against the supplier exceeding the withheld payments. The dispute will be tried in legal proceedings.

Valuation of forest land

In the second quarter, BillerudKorsnäs made a valuation of around 36 000 hectares of forest assets, of which approximately 18 000 hectares productive forests, in which the biological assets were valued according to IAS 41. At the same time, the company changed the accounting method for valuing forest land assets from acquisition cost to the revaluation model based on fair value, mainly based on transaction prices for forest properties in comparable areas.

Most of the forests are located in mountain areas in Jämtland and Dalarna, where the productivity of the forests is relatively low. About 2 000 hectares, of which 1 000 are productive, are located near the Group's production facilities in Sweden. According to current market statistics, the average price for the forest assets are estimated to around SEK 10 900 per hectare. Based on this, the forest assets were valued at SEK 393 million.

This fair value exceeded the previously recognized book value by SEK 280 million. The value change related to biological assets of SEK 132 million was recognized in the income statement presented as an item affecting comparability in the second quarter results. The value change related to the forest land of SEK 148 million was recognized in Other Comprehensive Income.

BillerudKorsnäs expects to own another 15 400 hectares of forest assets as a result of the transactions with Bergvik Skog Öst AB during 2019, of which around 5 500 hectares are productive forest land, when the cadastral processes for these properties are finalized. These forest assets will be recognized at that time.

Cost and efficiency programme

To ensure long-term efficiency and profitability BillerudKorsnäs introduced a cost and efficiency programme in the third quarter 2019. The programme, with measures including personnel reductions, purchasing savings and efficiency improvements throughout the business, is expected to have a run-rate of around SEK 600 million by the end of 2021, of which approximately SEK 250 million will affect the result in 2020.

During the second quarter, the cost and efficiency programme generated savings of SEK 90 million. The savings were mainly related to activities within operational efficiencies and procurement, but there was also a sizable contribution from reduced external services, employee reductions and a generally lower level of SG&A activity.

Currency hedging

Currency hedging had a net sales impact of SEK 51 million (-52) in the second quarter of 2020 and SEK -62 million (-132) for the first half of 2020 compared with no currency hedging.

Outstanding forward exchange contracts at 30 June 2020 had a market value of SEK 91 million, SEK 8 million of which is the portion of the contracts matched by trade receivables that affected earnings in the second quarter. Accordingly, other contracts had a market value of SEK 83 million.

Hedged portion of forecast currency flows for EUR, USD and GBP and exchange rates against SEK (30 June 2020).

Currency	Q3-20	Q4-20	Q1-21	Q2-21	Q3-21	Total 15 months
EUR Share of net flow	81%	80%	85%	82%	73%	80%
Rate	10.73	10.76	10.66	10.80	10.69	10.73
USD Share of net flow	79%	70%	65%	59%	28%	60%
Rate	9.27	9.42	9.35	9.73	9.69	9.46
GBP Share of net flow	31%	-	-	-	-	6%
Rate	11.71	-	-	-	-	11.71
Market value of currency contracts*	12	21	10	33	15	91

*At 30 June 2020.

Taxes

The tax cost for the first half year of 2020 amounted to SEK 73 million (199), equal to approximately 16% (23) of profit before tax. The low tax rate was mainly due to revaluation of deferred tax receivables in Finland.

Parent company

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

Operating profit/loss for the first half of 2020 was SEK -98 million (-136). The operating result includes 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 -62 million (-132) for the first half year 2020.

The average number of employees at 30 June 2020 was 135 (129).

Cash and bank balances, and short-term investments amounted to SEK 1 610 million (96).

Sustainability

Sustainability KPIs, rolling 12 months (R12M)

	Q2 -20	Q1 -20	2020 target
Energy efficiency ¹	5.27	5.29	<5.20
Fossil-free production ²	35.4	35.3	<30.0
Gender equality ³	23.8	23.9	>25.0

¹ Defined as preliminary energy consumption (MWh/tonne product), R12M.

² Defined as preliminary 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. In the last twelve months, fossil CO2-emissions in production amounted to 35.4 kg/tonne and the energy consumption was 5.27 MWh/tonne. The positive trend in energy efficiency was a result of a stable production and measures to reduce energy consumption.

GENDER EQUALITY

BillerudKorsnäs' aims to increase the share of women, both overall in the Group and at managerial level. This is challenging in an industry that is traditionally dominated by men. BillerudKorsnäs has undertaken several initiatives aimed at addressing the under-representation of women in operational activities and at senior levels. The share of female employees was 23.8% during the past twelve months.

QUARTERLY HIGHLIGHTS

In May, BillerudKorsnäs introduced a digital tool for evaluation of the environmental impact of packaging within Managed Packaging. It contains an extensive database on packaging materials and calculates the life cycle impact of different packaging solutions for carbon dioxide emissions and water consumption. The new life cycle assessment tool received a warm welcome by customers and brand owners.

Transfer of treasury shares

During the second quarter, BillerudKorsnäs transferred 42 140 shares under a long-term incentive programme resolved by the 2017 Annual General Meeting. The amount of treasury shares was 1 430 062 at 31 March, and at the end of June, the holding of treasury shares was 1 387 922. At 30 June, the total amount of shares in BillerudKorsnäs was 208 219 834 and the number of shares on the market was 206 831 912.

The 2020 Annual General Meeting mandated the Board of Directors to decide on the acquisition of own shares via Nasdaq Stockholm to an extent that the company's treasury holding does not at any time exceed 10% of all the shares in the company. The buy-back authorization can be used for cancellation of shares through a reduction of the share capital, but also for delivering shares to participants in the long-term share based incentive programs.



Long-term incentive programme

The 2020 Annual General Meeting resolved to introduce a long-term incentive programme ("LTIP 2020"), based on the same base structure as the long-term incentive programmes adopted at previous Annual General Meetings and comprising up to 100 persons, including Executive Leadership Team members and other key personnel and talents in the BillerudKorsnäs Group.

The main objective with LTIP 2020 is to strengthen BillerudKorsnäs' ability to attract, motivate and retain the best individuals for key leadership positions. The aim is further that executive officers as well as other key personnel and talents within the BillerudKorsnäs group shall be given an incentive to increased efforts by aligning their incentives with the shareholders' interests.

A condition for participation in LTIP 2020 is that the participants must own BillerudKorsnäs shares. The participants will after a three year vesting period that ends in connection with the publication of BillerudKorsnäs' interim report for the period January-March 2023, be allotted BillerudKorsnäs shares, free of charge, provided that the program's conditions are fulfilled, and to the extent that the relevant performance conditions have been achieved during the financial years 2020-2022.

Risks and uncertainties

BillerudKorsnäs' products are generally dependent on the business cycle, in terms of both price development and potential sales volumes. The Group is exposed to currency fluctuations, since most revenues are invoiced in foreign currency, while a large part of operating expenses are in SEK. A more detailed description of risks and a sensitivity analysis is provided on pages 74-81 of the 2019 Annual and Sustainability Report.

Covid-19 has a large impact on business activities, consumer behaviour and the overall economy. Depending on how the pandemic develops, it may lead to lower demand for BillerudKorsnäs products and services which would affect the Group's sales, results and cash flow. However, political initiatives are being taken to support economic growth and affected industries in many countries. The largest direct risks for BillerudKorsnäs due to Covid-19 are related to supply chain disruptions, affecting our possibility to manufacture and supply products to customers, and to local outbreaks near our production sites, which would lead to production issues or that it becomes impossible to perform necessary repair and maintenance work. On top of this, there is an indirect risk that there will be a weakening demand for some of our product segments. BillerudKorsnäs is following the development closely and has taken measures to follow the authorities' recommendations and to minimize the exposure to infection. Contingency plans have been created and are regularly being updated.

BillerudKorsnäs has been working on measures to mitigate possible negative effects of different Brexit scenarios. Based on accumulated sales in 2019 the Group's net sales exposed to Brexit amount to approximately SEK 1 250 million from the EU to the UK and SEK 200 million from the UK to the EU.

In the EU countries, the EU Directive on Single Use Plastic will result in a changed regulatory landscape for packaging. Changes in legislation and its implications for BillerudKorsnäs are monitored closely.



Related-party transactions

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

Financial calendar

Q3 2020 report – 22 October 2020



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

Solna, 17 July 2020

BillerudKorsnäs AB (publ)

Jan Åström
Chairman of the Board

Michael M.F. Kaufmann
Board member

Andrea Gisle Joosen
Board member

Bengt Hammar
Board member

Kristina Schauman
Board member

Tobias Auchli
Board member

Victoria van Camp
Board member

Jan Svensson
Board member

Gunnevi Lehtinen Johansson
Board member

Nicklas Johansson
Board member

Lennart Holm
Acting President and CEO

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



SUMMARISED INCOME STATEMENT

SEKm	Quarter		Jan-Jun		Full year
	Q2 -20	Q2 -19	2020	2019	2019
Net sales	6 156	6 293	12 520	12 797	24 445
Other income	61	35	105	73	169
Operating income	6 217	6 328	12 625	12 870	24 614
Change in inventories	14	-205	-53	-211	-169
Raw materials and consumables	-3 390	-3 195	-6 691	-6 616	-12 887
Other external costs	-1 259	-1 338	-2 565	-2 501	-5 061
Employee benefits expense	-978	-1 011	-1 959	-1 939	-3 650
Depreciation and impairment of non-current assets	-490	-385	-976	-767	-1 744
Change in value of biological assets	132	-	132	-	-
Profit/Loss from participations in associated companies	-1	-	12	-2	-17
Operating expenses	-5 972	-6 134	-12 100	-12 036	-23 528
Operating profit/loss	245	194	525	834	1 086
Financial income and expenses*	8	50	-70	16	179
Profit/Loss before tax	253	244	455	850	1 265
Taxes	-35	-44	-73	-199	-254
Profit/Loss from continuing operations	218	200	382	651	1 011
Discontinued operations **					
Profit/loss from discontinued operations, net of tax	-16	-18	-16	-18	5 709
Profit/loss for the period	202	182	366	633	6 720
Profit/Loss attributable to:					
Owners of the parent company	202	182	366	633	6 720
Non-controlling interests	-	-	-	-	-
Net profit/loss for the period	202	182	366	633	6 720
Earnings per share, SEK	0.98	0.88	1.77	3.06	32.50
Diluted earnings per share, SEK	0.97	0.88	1.76	3.06	32.47

*Includes dividend from Bergvik Skog AB of SEK 91 million in Q2 2019 and SEK 352 million in full year 2019.

** Discontinued operations include the operations from Bergvik Skog Öst June 1 - August 30, 2019, and a capital gain of the sale of Bergvik Skog Öst of SEK 5 694 million in 2019. SEK -16 million in Q2 2020 is a decrease of the capital gain.

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

SEKm	Quarter		Jan-Jun		Full year
	Q2 -20	Q2 -19	2020	2019	2019
Net profit/loss for the period	202	182	366	633	6 720
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of forest land *	148	-	148	-	-
Actuarial gains or losses on defined benefit pension plans	-	-	-	-61	-114
Change in fair value of shareholding in Other holdings	-	-167	-21	-148	-421
Tax attributable to items not to be reclassified to profit or loss	-30	-	-30	13	24
Total items never reclassified to profit or loss	118	-167	97	-196	-511
Items that have been or may be reclassified subsequently to profit or loss					
Differences arising from the translation of foreign operations' accounts	-75	12	-3	37	28
Change in fair value of cash flow hedges	473	-73	-199	-353	-307
Tax attributable to items that have been or may be reclassified subsequently to profit or loss	-102	15	42	75	65
Total items that have been or may be reclassified subsequently to profit or loss	296	-46	-160	-241	-214
Total comprehensive income for the period	616	-31	303	196	5 995
Attributable to:					
Owners of the parent company	616	-31	303	196	5 995
Non-controlling interests	-	-	-	-	-
Total comprehensive income for the period	616	-31	303	196	5 995

* Effect of changed accounting principles regarding forest land, see Note 1 for more information.

SUMMARISED BALANCE SHEET

SEKm	30 Jun	30 Jun	31 Dec
	2020	2019	2019
Intangible assets	1 995	2 218	2 096
Property, plant and equipment, including Right of use assets	23 310	23 437	23 137
Other non-current assets	1 204	4 523	1 205
Total non-current assets	26 509	30 178	26 438
Inventories	3 711	3 562	3 572
Accounts receivable	2 749	2 786	2 408
Other current assets	1 719	929	1 056
Assets classified as held for sale	-	8 524	-
Cash and cash equivalents	1 799	328	3 450
Total current assets	9 978	16 129	10 486
Total assets	36 487	46 307	36 924
Equity attributable to owners of the parent company	18 879	13 660	19 462
Non-controlling interests	-	9	-
Total equity	18 879	13 669	19 462
Interest-bearing liabilities	6 671	13 720	7 493
Provisions for pensions	867	843	871
Other liabilities and provisions	222	272	131
Deferred tax liabilities	3 634	3 573	3 614
Total non-current liabilities	11 394	18 408	12 109
Interest-bearing liabilities	990	2 338	583
Accounts payables	3 277	3 577	2 937
Other liabilities and provisions	1 947	2 629	1 833
Liabilities associated with assets held for sale	-	5 686	-
Total current liabilities	6 214	14 230	5 353
Total equity and liabilities	36 487	46 307	36 924



SUMMARISED STATEMENT OF CHANGES IN EQUITY

SEKm	Jan-Jun		Full year
	2020	2019	2019
Opening balance	19 462	14 355	14 355
Changed accounting principles due to IFRS 16	-	-5	-5
Comprehensive income for the period	303	196	5 995
Share-based payment to be settled in equity instruments	3	3	6
Dividend to owners of the parent company	-889	-889	-889
Non-controlling interest through acquisition	-	9	-
Closing balance	18 879	13 669	19 462
Equity attributable to:			
Owners of the parent company	18 879	13 660	19 462
Non-controlling interests	-	9	-
Closing balance	18 879	13 669	19 462

SUMMARISED CASH FLOW STATEMENT, INCLUDING DISCONTINUED OPERATIONS

SEKm	Quarter		Jan-Jun		Full year
	Q2 -20	Q2 -19	2020	2019	2019
Operating surplus, etc. *	529	445	1 254	1 429	2 674
Net financial items, taxes, etc.	-75	-77	-166	-3	108
Change in working capital, etc.	94	-1	-696	-335	-463
Cash flow from operating activities	548	367	392	1 091	2 319
Investments in intangible assets, property, plant and equipment	-392	-844	-674	-1 662	-2 868
Acquisition of financial assets / contribution associated companies	-	-	-2	-2	-58
Disposal/repayment of financial assets/other holdings **	24	935	24	948	955
Sale of subsidiary ***	-	-	-	-	7 708
Acquisition of subsidiary ***	-	-3 734	-	-3 779	-3 774
Dividend from associated companies	4	-	4	-	-
Disposal of property, plant and equipment	-	-	-	7	8
Cash flow from investing activities	-364	-3 643	-648	-4 488	1 971
Change in interest-bearing receivables	-1	-	-	-	-
Change in interest-bearing liabilities	-424	3 748	-502	4 088	-421
Dividend to owners of the parent company	-889	-445	-889	-445	-889
Cash flow from financing activities	-1 314	3 303	-1 391	3 643	-1 310
Total cash flow (=change in cash and cash equivalents)	-1 130	27	-1 647	246	2 980
Cash and cash equivalents at start of period	2 963	687	3 450	456	456
Translation differences in cash and cash equivalents	-34	4	-4	16	14
Cash and cash equivalents at the end of the period	1 799	718	1 799	718	3 450

** Includes dividend from Bergvik Skog AB of SEK 24 million in the second quarter 2020 and cash proceeds of SEK 935 million from divestment of Bergvik Skog Väst AB in second quarter of 2019.

*** Mainly the acquisition and sale of Bergvik Skog Öst in 2019.

*RECONCILIATION OF OPERATING SURPLUS

SEKm	Quarter		Jan-Jun		Full year
	Q2 -20	Q2 -19	2020	2019	2019
Operating profit	245	194	525	834	1 086
Reversed depreciation	490	385	976	767	1 744
Earnings from associated companies	1	-	-12	2	17
Pension liabilities	-9	-13	-13	-12	-44
Other provisions	-4	-78	8	-96	-168
Net of produced and sold electricity certificates and sold emission rights	-63	-31	-101	-47	10
Incentive programmes	1	4	3	3	6
Sale/Scrapping of fixed assets	-	-1	-	-7	8
Discontinued operations	-	-15	-	-15	15
Revaluation of biological assets	-132	-	-132	-	-
Operating surplus, etc	529	445	1 254	1 429	2 674



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 2019, except for changed application of IAS 16 regarding forest land, which is described below, see pages 90-96 and page 138 for definitions of key figures. The interim report for the parent company is prepared in accordance with the Swedish Annual Accounts Act.

Forest assets

Forest assets include two parts, growing trees that are recognized as biological assets in accordance with IAS 41 – Agriculture, and forest land that is recognized in accordance with IAS 16 – Property, Plant and Equipment. From 30 June 2020 BillerudKorsnäs has changed the recognition of forest land from acquisition cost to fair value (the revaluation method). It implies that both biological assets and forest land are recognised at fair value.

The Group's forest assets are recognised at fair value mainly based on the transaction prices for forest properties in those areas where the Group has forests. Fair value measurement is based on measurement level 3. The total value of the forest assets is allocated across growing trees, which are recognised as biological assets, and forest land. Biological assets are recognised according to IAS41. The value allocated to the biological assets is established by calculating the present value of expected cash flows, less selling costs but before tax, from harvesting those trees currently growing. Calculation of present value uses a discount rate before tax of 5%. The value of the forest land is calculated as the difference between the total value of the forest assets and the biological assets. Changes in the fair value of biological assets are recognised in profit/loss. Changes in the fair value of forest land are recognised in other comprehensive income and accumulated in a separate component of equity, the revaluation surplus. If the fair value of forest land, however were to be less than cost, the difference would be recognised in profit/loss as an impairment loss.

Revaluation before tax in the second quarter of biological assets in the profit and loss has been recognized as an income amounting to SEK 132 million and revaluation of forest land have had a positive effect of SEK 148 million in other comprehensive income. The total forest assets are valued at SEK 393 million as of 30 June 2020.

NOTE 2 FINANCIAL ASSETS AND LIABILITIES

	Fair value through profit or loss - hedge accounting	Amortised cost	Fair value through other compre- hensive income	Financial liabilities measured at amortised costs	Total carrying amount	Fair value
<i>Valuation classification</i>	<i>Level 2</i>		<i>Level 3</i>			
Group 30 June 2020						
Other shares and participations	-	-	115	-	115	115
Long-term receivables	-	25	-	-	25	25
Accounts receivable	-	2 749	-	-	2 749	2 749
Other receivables	111	748	-	-	859	859
Cash and cash equivalents	-	1 799	-	-	1 799	1 799
Total	111	5 321	115	-	5 547	5 547
Non-current interest-bearing liabilities	-	-	-	6 671	6 671	6 685
Current interest-bearing liabilities	-	-	-	990	990	991
Accounts payables	-	-	-	3 277	3 277	3 277
Other liabilities	202	-	-	276	478	478
Total	202	-	-	11 214	11 416	11 431

	Fair value through profit or loss - hedge accounting	Amortised cost	Fair value through other compre- hensive income	Financial liabilities measured at amortised costs	Total carrying amount	Fair value
<i>Valuation classification</i>	<i>Level 2</i>		<i>Level 3</i>			
Group 31 December 2019						
Other shares and participations	-	-	160	-	160	160
Long-term receivables	16	27	-	-	43	43
Accounts receivable	-	2 408	-	-	2 408	2 408
Other receivables	105	407	-	-	512	512
Cash and cash equivalents	-	3 450	-	-	3 450	3 450
Total	121	6 292	160	-	6 573	6 573
Non-current interest-bearing liabilities	-	-	-	7 493	7 493	7 519
Current interest-bearing liabilities	-	-	-	582	582	582
Accounts payables	-	-	-	2 937	2 937	2 937
Other liabilities	33	-	-	286	319	319
Total	33	-	-	11 298	11 331	11 357

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 divisions/segments can be found on pages 5-7, information regarding financing on page 9, seasonal effects on page 24 and events after the end of the quarter on page 4.

KEY FIGURES

	Jan-Jun		Full year
	2020	2019	2019
Margins			
EBITDA, %	12	13	12
Operating margin, %	4	7	4
Return (rolling 12 months)			
Return on capital employed, %	3	8	4
Return on equity, %	36	9	41
Capital structure at end of period			
Capital employed, SEKm	25 589	23 499	24 938
Working capital, SEKm	2 835	1 034	2 159
Equity attributable to owners of the parent company, SEKm	18 879	13 660	19 462
Interest-bearing net debt, SEKm*	6 710	12 667	5 476
Net debt/equity ratio*	0.36	0.93	0.28
Interest-bearing net debt / EBITDA, multiple*	2.5	3.9	1.9
Key figures per share			
Earnings per share, SEK	1.77	3.06	32.50
Dividend (for the financial year) per share, SEK	-	-	4.30
Other key figures			
Working capital as percentage of net sales, %	10	8	8
Operative investments, SEKm	674	1 662	2 868
Average number of employees	4 495	4 622	4 596

*Key figures refer to continuing operations. Including the discontinued operations Interest-bearing net debt amounts to SEK 16 163 million, Net debt/equity ratio to 1.18 and Interest-bearing net debt/EBITDA 4.9 at June 30 2019.



RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

	Quarter			Jan-Jun		Full year
	Q2 - 20	Q1 - 20	Q2 - 19	2020	2019	2019
Adjusted EBITDA, SEKm						
Operating profit	245	280	194	525	834	1 086
Depreciation and impairment of non-current assets	490	486	385	976	767	1 744
EBITDA	735	766	579	1 501	1 601	2 830
Items affecting comparability	39	25	-40	64	-27	1
Adjusted EBITDA	774	791	539	1 565	1 574	2 831
Adjusted Operating profit, SEKm						
Operating profit	245	280	194	525	834	1 086
Items affecting comparability	39	25	-40	64	-27	1
Adjusted Operating profit	284	305	154	589	807	1 087
Adjusted earnings per share, SEK						
Profit attributed to owners of the parent company, SEKm	202	164	182	366	633	6 720
Items affecting comparability, attributed to owners of the parent company, SEKm *	32	20	-32	52	-22	-5 708
Adjusted profit attributed to owners of the parent company, SEKm	234	184	150	418	611	1 012
Weighted number of outstanding shares, thousands	206 809	206 790	206 763	206 799	206 732	206 761
Adjusted earnings per share	1.13	0.89	0.73	2.02	2.96	4.89
Adjusted Return on capital employed (ROCE), SEKm						
Adjusted Operating profit over 12 months **	869	739	1 790	869	1 790	1 087
Average capital employed over 12 months	24 790	24 553	23 128	24 790	23 128	24 270
Adjusted Return on capital employed	4%	3%	8%	4%	8%	4%
Interest-bearing net debt / Adjusted EBITDA, multiple						
Interest-bearing net debt	6 710	5 951	12 667	6 710	12 667	5 476
Adjusted EBITDA over 12 months**	2 822	2 587	3 276	2 822	3 276	2 831
Interest-bearing net debt / Adjusted EBITDA	2.4	2.3	3.9	2.4	3.9	1.9
Items affecting comparability, SEKm						
New board machine in Gruvön - additional costs (Operating expenses)	-	-	14	-	31	40
New board machine in Gruvön - restructuring (Operating expenses)	-	-	-20	-	-20	-50
Restructuring (Operating expenses)	11	25	-	36	-	49
Workplace environment (Operating expenses)	-	-	-32	-	-32	-32
Revaluation of biological assets (Change in value of biological assets)	-132	-	-	-132	-	-
UPM - compensation (Raw materials and consumables)	160	-	-	160	-	-
Acquisition costs Bergvik	-	-	-2	-	-	-
Other (Operating expenses)	-	-	-	-	-6	-6
Items affecting comparability	39	25	-40	64	-27	1

*Includes Profit from discontinued operations in 2019.

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



RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES (CONT.)

	30 Jun 2020	30 Jun 2019	31 Dec 2019
Capital employed, SEKm			
Total assets	36 487	46 307	36 923
Assets classified as held for sale	-	-8 524	-
Accounts payables	-3 277	-3 577	-2 937
Other liabilities and provisions	-2 169	-2 901	-1 964
Deferred tax liabilities	-3 634	-3 573	-3 614
Interest-bearing non-current assets	-19	-3 905	-20
Cash and Cash equivalents	-1 799	-328	-3 450
Capital employed	25 589	23 499	24 938
Working capital, SEKm			
Inventories	3 711	3 562	3 572
Accounts receivables	2 749	2 786	2 408
Other operating receivables	1 719	929	1 056
Accounts payables	-3 277	-3 577	-2 937
Other operating liabilities (excl provisions)	-1 873	-2 585	-1 743
Tax liabilities	-194	-81	-197
Working capital	2 835	1 034	2 159
Interest-bearing net debt, SEKm			
Interest bearing provisions	867	843	871
Interest bearing non-current liabilities	6 671	13 720	7 493
Interest bearing current liabilities	990	2 337	582
Interest-bearing non-current assets	-19	-3 905	-20
Cash and Cash equivalents	-1 799	-328	-3 450
Interest-bearing net debt	6 710	12 667	5 476

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.

No planned maintenance shutdowns were carried out in the first six months of 2020. Due to the Covid-19, all planned maintenance shutdowns during the second quarter were postponed until the second half of 2020.

ESTIMATED MAINTENANCE SHUTDOWN COST

Production units	Estimated shutdown cost ¹	Estimated breakdown of shutdown cost by division			Planned dates of maintenance shutdown		
	SEKm	Division Board	Division Paper	Division Solution	2020	2019	2018
Gävle	~ 150	100%			Q3	Q2	Q3
Gruvön	~ 155	~ 95%	~ 2%	~ 3%	Q3	Q3	Q2
Frövi	~ 110	100%			Q4	Q4	Q4
Skärblacka	~ 150	~ 10%	~ 90%		Q4	Q2	Q2
Karlsborg	~ 55		~ 98%	~ 2%	Q3	Q3	Q3
Pietarsaari	~ 15		100%		Q4	-	Q4
Rockhammar	~ 15	100%			Q4	Q4	Q4

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

Definitions

ADJUSTED KEY FIGURES

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

ADJUSTED EBITDA

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

ADJUSTED EARNINGS PER SHARE

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

ADJUSTED OPERATING PROFIT

Operating profit adjusted for items affecting comparability.

CAPITAL EMPLOYED

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

EARNINGS PER SHARE

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

EQUITY

Equity at the end of the period.

EBITDA

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

EBITDA, %

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

INTEREST-BEARING NET DEBT

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

INTEREST-BEARING NET DEBT/ EBITDA

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

INTEREST-BEARING NET DEBT/ADJUSTED EBITDA

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

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 AFTER OPERATIVE INVESTMENTS

Cash flow from the operating activities, including gross investments in property, plant and equipment, and intangible assets. The measure shows cash flow generated in the operating business, which provides the amount of cash flows available to repay debt, acquire and invest in other businesses and pay dividends to the shareholders.

OPERATING MARGIN

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

RETURN ON CAPITAL EMPLOYED (ROCE)

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

RETURN ON EQUITY

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

WORKING CAPITAL

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

WORKING CAPITAL AS PERCENTAGE OF NET SALES

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



Parent company

SUMMARISED INCOME STATEMENT

SEKm	Quarter		Jan-Jun		Full Year
	Q2 -20	Q2 -19	2020	2019	2019
Operating income*	41	83	183	124	205
Operating expenses	-143	-141	-281	-260	-526
Operating profit/loss	-102	-58	-98	-136	-321
Financial income and expenses**	26	-43	-53	-94	1 847
Profit/Loss after financial income and expenses	-76	-101	-151	-230	1 526
Appropriations	-	-	-	-	679
Profit/loss before tax	-76	-101	-151	-230	2 205
Taxes	17	22	35	49	-40
Net profit/loss for the period	-59	-79	-116	-181	2 165

* Including currency hedging etc.

** Financial income includes an anticipated dividend from BillerudKorsnäs Skog & Industri AB of SEK 2 000 million in 2019.

SUMMARISED BALANCE SHEET

SEKm	30 Jun	30 Jun	31 Dec
	2020	2019	2019
Non-current assets	10 689	10 668	10 688
Current assets	17 395	18 970	20 042
Total assets	28 084	29 638	30 730
Shareholders' equity	7 535	6 189	8 537
Untaxed reserves	1 512	1 526	1 512
Provisions	239	201	238
Liabilities	18 798	21 722	20 443
Total equity and liabilities	28 084	29 638	30 730



QUARTERLY DATA

The Group's business is managed and reported according to BillerudKorsnäs' three divisions. Other includes results from wood supply, Scandfibre Logistics AB, rental operations, tech centres, logistics, parts of strategic and project purchasing, dormant companies, income from the sale of businesses, items affecting comparability and costs due to increased investments in the production structure. Other also includes Group-wide functions, Group eliminations (including IFRS 16 starting in Q1 2019) 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 accounts receivables and payments from customers. The part of the currency exposure that relates to changes in exchange rates for invoicing is included in the division's profit/loss.

Quarterly net sales per division and for the Group

SEKm	2020		2019				2018		2020	2019
	Q2 -20	Q1 -20	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Jan-Jun	Jan-Jun
Division Board	3 656	3 712	3 414	3 279	3 463	3 536	3 178	3 268	7 368	6 999
Division Paper	1 825	1 880	1 776	1 932	2 129	2 305	2 048	2 244	3 705	4 434
Division Solutions	190	205	250	266	268	206	257	256	395	474
Other	562	551	447	376	471	485	436	383	1 113	956
Currency hedging, etc.	-77	16	-72	-20	-38	-28	-76	-97	-61	-66
Total Group	6 156	6 364	5 815	5 833	6 293	6 504	5 843	6 054	12 520	12 797

Quarterly EBITDA per division and for the Group

SEKm	2020		2019				2018		2020	2019
	Q2 -20	Q1 -20	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Jan-Jun	Jan-Jun
Division Board	602	578	520	384	399	683	629	608	1 180	1 082
Division Paper	303	263	220	268	242	466	359	431	566	708
Division Solutions	3	10	19	17	15	13	14	-7	13	28
Other	-97	-100	-92	-14	-39	-112	-133	-53	-197	-151
Currency hedging, etc.	-76	15	-73	-20	-38	-28	-75	-98	-61	-66
Total Group	735	766	594	635	579	1 022	794	881	1 501	1 601

Quarterly EBITDA margin per division and for the Group

%	2020		2019				2018		2020	2019
	Q2 -20	Q1 -20	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Jan-Jun	Jan-Jun
Division Board	16	16	15	12	12	19	20	19	16	15
Division Paper	17	14	12	14	11	20	18	19	15	16
Division Solutions	2	5	8	6	6	6	5	-3	3	6
Group	12	12	10	11	9	16	14	15	12	13

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

SEKm	2020		2019				2018		2020	2019
	Q2 -20	Q1 -20	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Jan-Jun	Jan-Jun
Division Board	602	578	646	521	567	683	763	757	1 180	1 250
Division Paper	303	263	220	324	382	466	373	490	566	848
Division Solutions	3	10	19	18	15	13	14	-7	13	28
Other	-58	-75	-68	-10	-79	-99	-117	-41	-133	-178
Currency hedging, etc.	-76	15	-73	-20	-38	-28	-75	-98	-61	-66
Total Group	774	791	744	833	847	1 035	958	1 101	1 565	1 882
Costs for maint. shutdowns	-	-	-126	-194	-308	-	-148	-208	-	-308
Items affecting comparability	-39	-25	-24	-4	40	-13	-16	-12	-64	27
EBITDA	735	766	594	635	579	1 022	794	881	1 501	1 601

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

%	2020		2019				2018		2020	2019
	Q2 -20	Q1 -20	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Jan-Jun	Jan-Jun
Division Board	16	16	19	16	16	19	24	23	16	18
Division Paper	17	14	12	17	18	20	18	22	15	19
Division Solutions	2	5	8	7	6	6	5	-3	3	6
Total Group	13	12	13	14	13	16	16	18	13	15



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

SEKm	2020		2019				2018		2020	2019
	Q2 -20	Q1 -20	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Jan-Jun	Jan-Jun
Division Board	254	232	174	41	155	441	383	367	486	596
Division Paper	193	153	107	157	132	356	248	320	346	488
Division Solutions	1	8	16	13	14	11	11	-10	9	25
Other	-126	-129	-121	-42	-69	-140	-152	-67	-255	-209
Currency hedging, etc.	-77	16	-73	-20	-38	-28	-76	-97	-61	-66
Total Group	245	280	103	149	194	640	414	513	525	834

Quarterly operating margin per division and for the group

%	2020		2019				2018		2020	2019
	Q2 -20	Q1 -20	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Jan-Jun	Jan-Jun
Division Board	7	6	5	1	4	12	12	11	7	9
Division Paper	11	8	6	8	6	15	12	14	9	11
Division Solutions	1	4	6	5	5	5	4	-4	2	5
Total Group	4	4	2	3	3	10	7	8	4	7

Quarterly sales volumes per division

ktonnes	2020		2019				2018		2020	2019
	Q2 -20	Q1 -20	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Jan-Jun	Jan-Jun
Division Board	490	515	456	448	457	454	426	437	1 005	911
Division Paper	212	227	205	221	223	233	214	243	439	456
Other (intra group volume sales elimination)	1	-1	-5	-10	-4	-6	-4	-5	-	-10
Total Group	703	741	656	659	676	681	636	675	1 444	1 357

This is BillerudKorsnäs

BillerudKorsnäs' mission is to **challenge conventional packaging for a sustainable future**. As one of the world's leading suppliers of innovative packaging solutions and high-quality packaging material based on renewable raw material, sustainability forms the foundation for continued profitable growth. Our wood raw material comes from sustainable managed forests and manufacturing takes place at resource-efficient, integrated production units.

Our customers are packaging manufacturers, brand owners and large retail and supermarket chains. Through close collaboration with customers and partners all over the world, we are able to offer a customised and broad product portfolio that features a high degree of innovation and a clear sustainability focus.

Demand is driven by global megatrends, particularly a significantly greater awareness of sustainability, rising urbanisation and changing consumption patterns. Consumer segments, account for about three-quarters of sales. While Europe is the core market, BillerudKorsnäs is gradually strengthening its presence in the leading growth markets of Asia, as well as in the Americas.

Innovative packaging solutions and renewable packaging materials from BillerudKorsnäs reduce the impact on the climate, cut the use of resources along the whole value chain and contribute to a sustainable future.

BUSINESS MODEL

Our business model is based on high-performance materials from forests in the north, advice, service and the collective knowledge held by a global network of machine suppliers, packaging manufacturers, researchers and design agencies. Innovative and sustainable packaging solutions are developed in close collaboration with customers all over the world that demand the highest standards of quality, performance and sustainability.

STRATEGIC FOCUS

BillerudKorsnäs' overall objective is sustainable and profitable growth. Our strategy is based on four priorities: **Drive performance, Drive profitable growth by creating customer value, Accelerate speed in innovation and Expand our value chain**. In addition we view our employees as our most important resource in terms of driving change and realising our strategy and vision.

VALUE DRIVERS

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

Find out more at billerudkorsnas.com

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