



DELIVERING SUSTAINABLE PROFITABLE GROWTH

SEB Nordic Seminar | January 2014

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BILLERUDKORSNÄS IN FACTS & FIGURES

COMBINED NET
SALES (2012)

20

Billion SEK

COMBINED
OPERATING PROFIT
(2012)

1.3

Billion SEK

8

PRODUCTION UNITS

(packaging paper, consumer board,
containerboard and pulp)

Beetham
Frövi/Rockhammar
Gruvön
Gävle
Karlsborg
Pietarsaari
Skärblacka
Tervasaari

BUSINESS AREAS

39%

PACKAGING PAPER

Share of combined net sales
(2012)

34%

CONSUMER BOARD

Share of combined net sales
(2012)

16%

CONTAINERBOARD

Share of combined net sales
(2012)

A STRONGER PLATFORM
FOR GROWTH AND
PROFITABILITY

WITH A FOCUS ON
CUSTOMER VALUE,
INNOVATION AND
SUSTAINABILITY

CREATING NETWORKS
WITH AN OPEN MIND

4 400

NUMBER OF EMPLOYEES
IN 13 COUNTRIES

FOCUSING ON PRIMARY FIBRE-BASED PACKAGING MATERIALS



- High performance packaging materials
 - Target customer segments requiring strong, light and/or pure packaging



- Smarter solutions
 - Focus on value added to customers rather than price



- 75% of sales going to consumer sectors
 - Food & Beverages is largest market segment with ~60% of sales



- Sustainable innovation is key
 - Consumers prefer paper over plastics*

*IPSOS, 2007.

LEADING POSITIONS IN GROWING MARKETS

PACKAGING PAPER



BA market: CAGR 0-4%

Kraft paper:
#1 – Europe

Sack paper:
#2 – Europe
#2 – Globally*

CONSUMER BOARD



CAGR: 4-5%

Liquid packaging board –
Aseptic packages:
#1 – Europe
#1 – Globally

Liquid packaging board –
All package types:
#2 – Europe
#2 – Globally

CONTAINERBOARD



CAGR: 2-4%

NSSC Fluting:
#1 – Europe

Pure white liner:
#1 – Europe

Coated white top liner:
#2 – Europe

*For high porosity sack paper.



OUR MARKETS ARE GROWING FASTER THAN THE AVERAGE PACKAGING MARKET

BILLERUDKORSNÄS MARKETS GLOBAL MARKET

Liquid packaging board

➤ CAGR **5%**

Cartonboard

➤ CAGR **5%**

Brown sack paper (premium grade)

➤ CAGR **4%**

Containerboard

➤ CAGR **3%**

Packaging

➤ CAGR **3%**

Paper and Board

➤ CAGR **3%**



OUR ROAD MAP TO SUSTAINABLE PROFITABLE GROWTH

GROW IN LINE WITH THE MARKET

Building a strong platform for growth

Using innovation to drive competitiveness

Accelerating growth through strategic investments

15-20% organic growth by 2018





ACHIEVING 15-20% ORGANIC GROWTH BY 2018

CONTAINERBOARD



BA market CAGR

2-4% CAGR

- Value growth
 - Increase margins on existing portfolio

PACKAGING PAPER



0-4% CAGR

- Selective growth
 - Target growth in selected segments, balancing additional capacity

CONSUMER BOARD



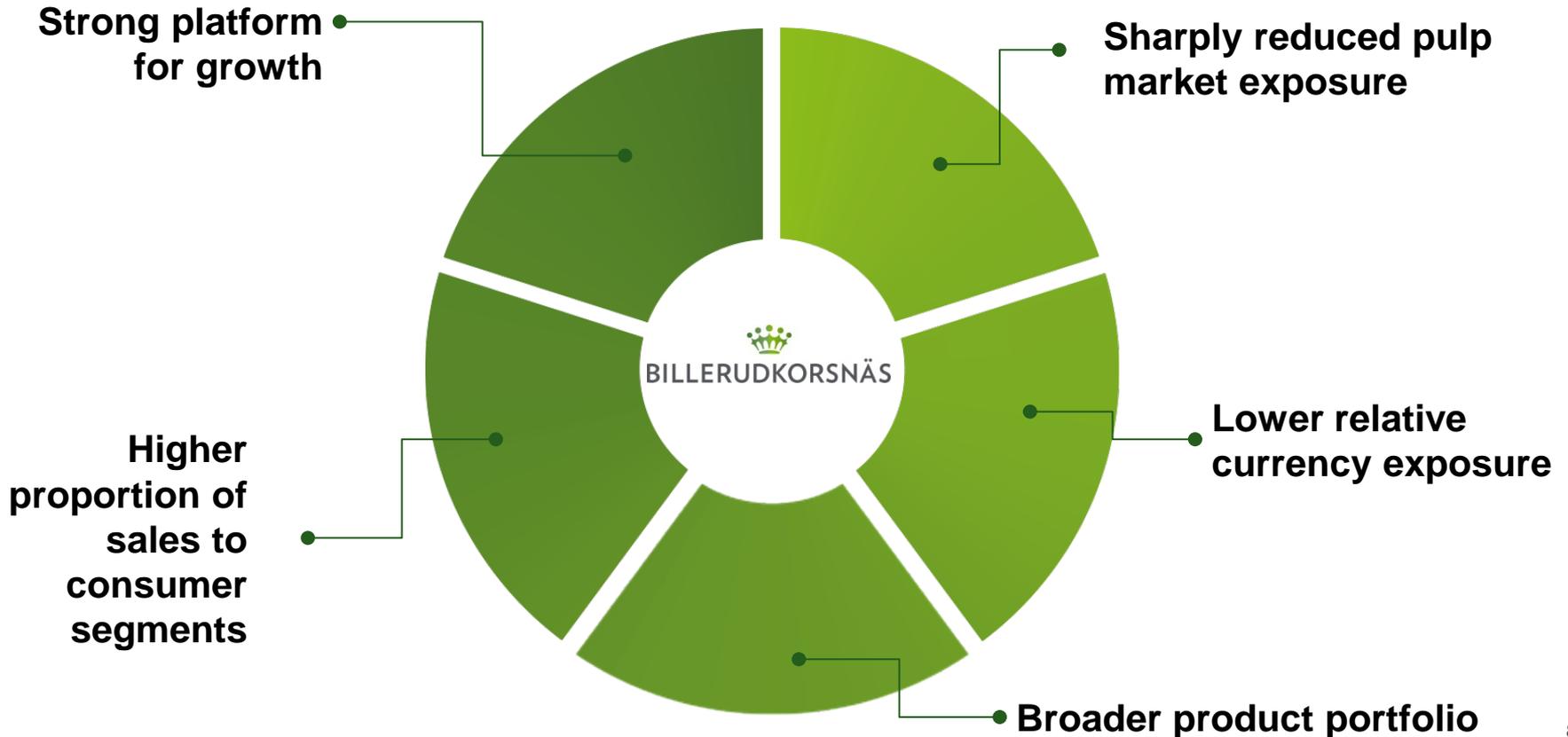
4-5% CAGR

- Volume growth
 - Increase volume in key markets



CREATING A STABLE AND STRONGER COMPANY

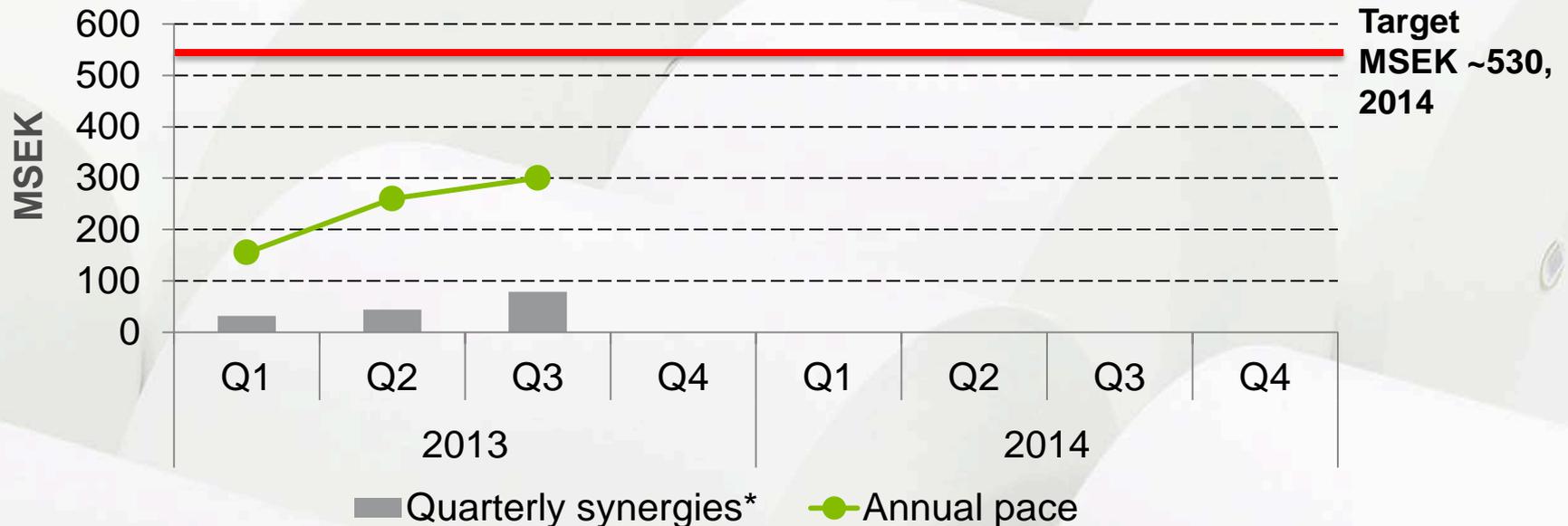
- 2 major acquisitions in 2012
 - 1 June 2012 UPM's packaging paper operation in Finland was acquired. Sales of MEUR ~220
 - 29 November 2012 merger with Korsnäs. Sales of SEK ~9bn





ON TRACK TO REACH SYNERGY TARGETS AHEAD OF PLAN

ANNUAL PACE OF MSEK ~300 AS PER END OF Q3 2013



- Synergies derived from
 - Sourcing
 - Sales, admin and general costs
 - Production optimisation
- ~200 milestones for synergy and savings realisation identified
 - Whereof half achieved as per 30 September 2013

*Synergies and savings realised in the quarter, compared to if the synergy and savings programme had not been initiated.

WE CHALLENGE CONVENTIONAL PACKAGING FOR A SUSTAINABLE FUTURE





INNOVATION – AT HEART OF OUR SKILL SET

Success stories

Understanding customers' needs and meeting changing demands and requirements



Product innovation – FibreForm, Tetra Recart, SoliQ, QuickFill, etc



Business innovation – Bosch packaging concept, FibreForm Packaging, etc

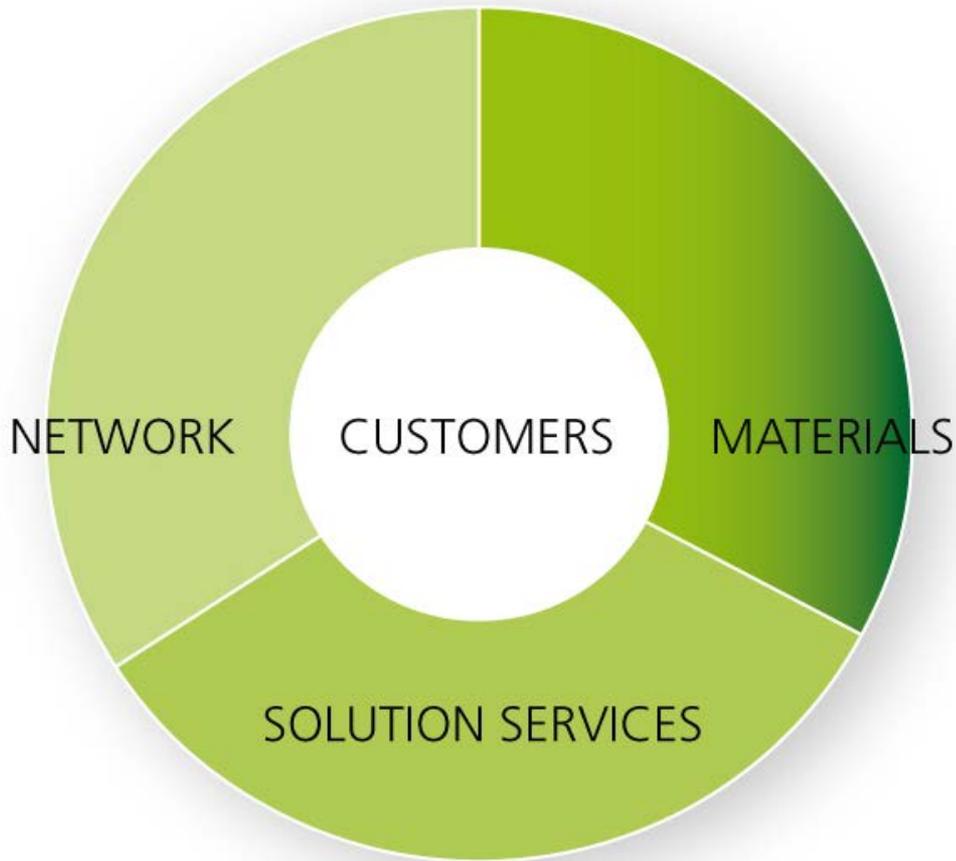


Service innovation – Box Lab, Sack Lab, Design Center, etc



BUSINESS MODEL

A HOLISTIC APPROACH TO CUSTOMER NEEDS



MATERIAL



SOLUTION SERVICES



GLOBAL NETWORK



WORLD-CLASS PACKAGING MATERIALS



MATERIAL

PACKAGING PAPER

Kraft paper



Sack paper



CONSUMER BOARD

Liquid Packaging Board



Cartonboard



CONTAINERBOARD

Fluting



Liner





MOVING CLOSER TO THE END-CUSTOMER



BILLERUDKORSNÄS



Brand owners



Packaging material
2–5% of the cost



Consumers



**Packaging
manufacturers**

Packaging material
50–85% of the cost

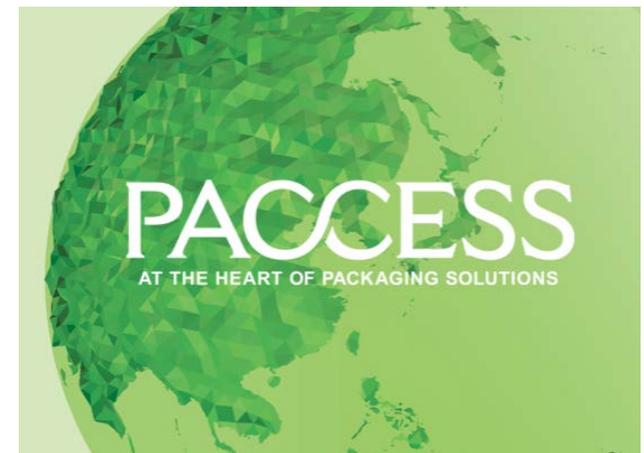


SOLUTION SERVICES



SOLUTION
SERVICES

- Comprehensive knowledge of the whole value chain
- Strong technical knowledge of packaging design
 - Expert assistance in the areas of packaging optimisation, print support and conversion support



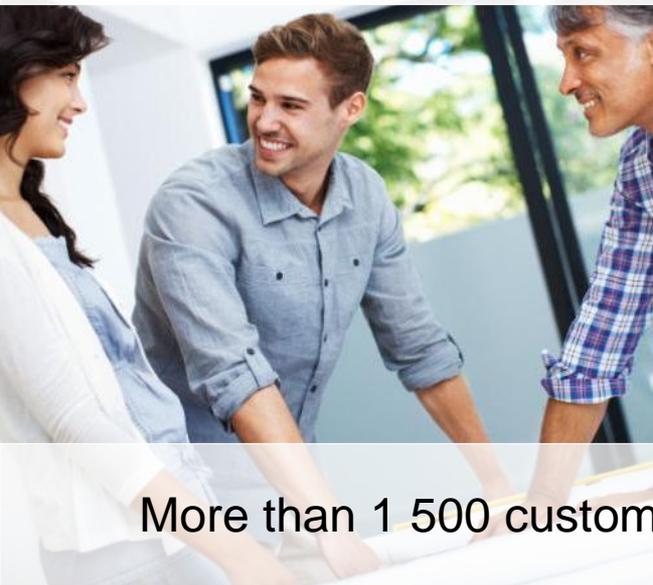


GLOBAL NETWORK



GLOBAL
NETWORK

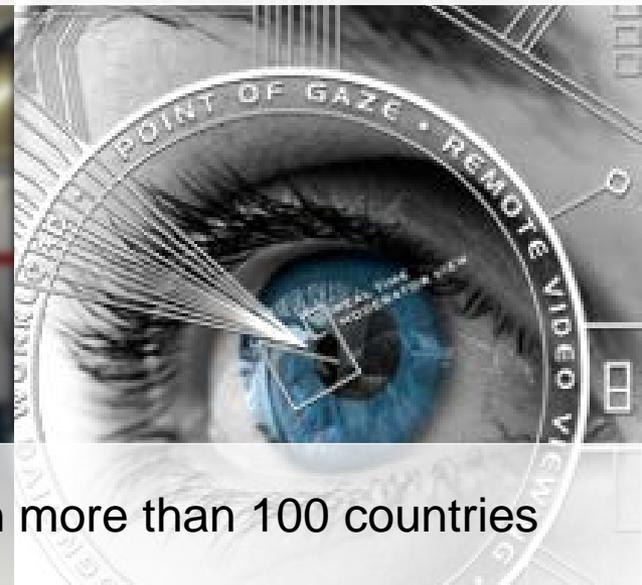
Packaging manufacturers



Machine manufacturers



Research institutes



More than 1 500 customers and packaging partners in more than 100 countries



FOUR FINANCIAL TARGETS

Operating margin $> 10\%^*$

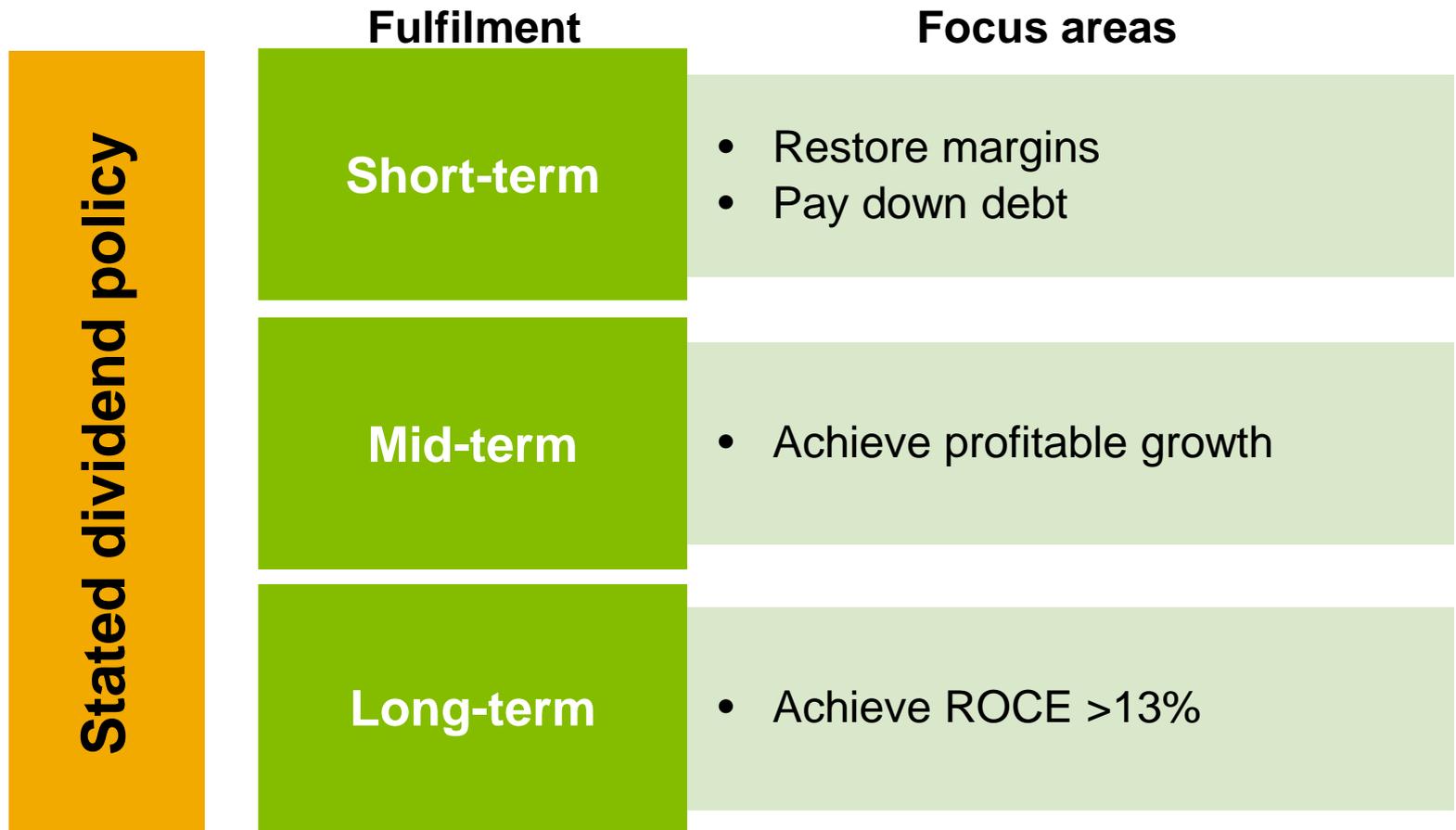
Return on Capital
Employed $> 13\%^*$

Net debt/Equity ratio
 < 0.9

Dividend policy:
50% of net profit*



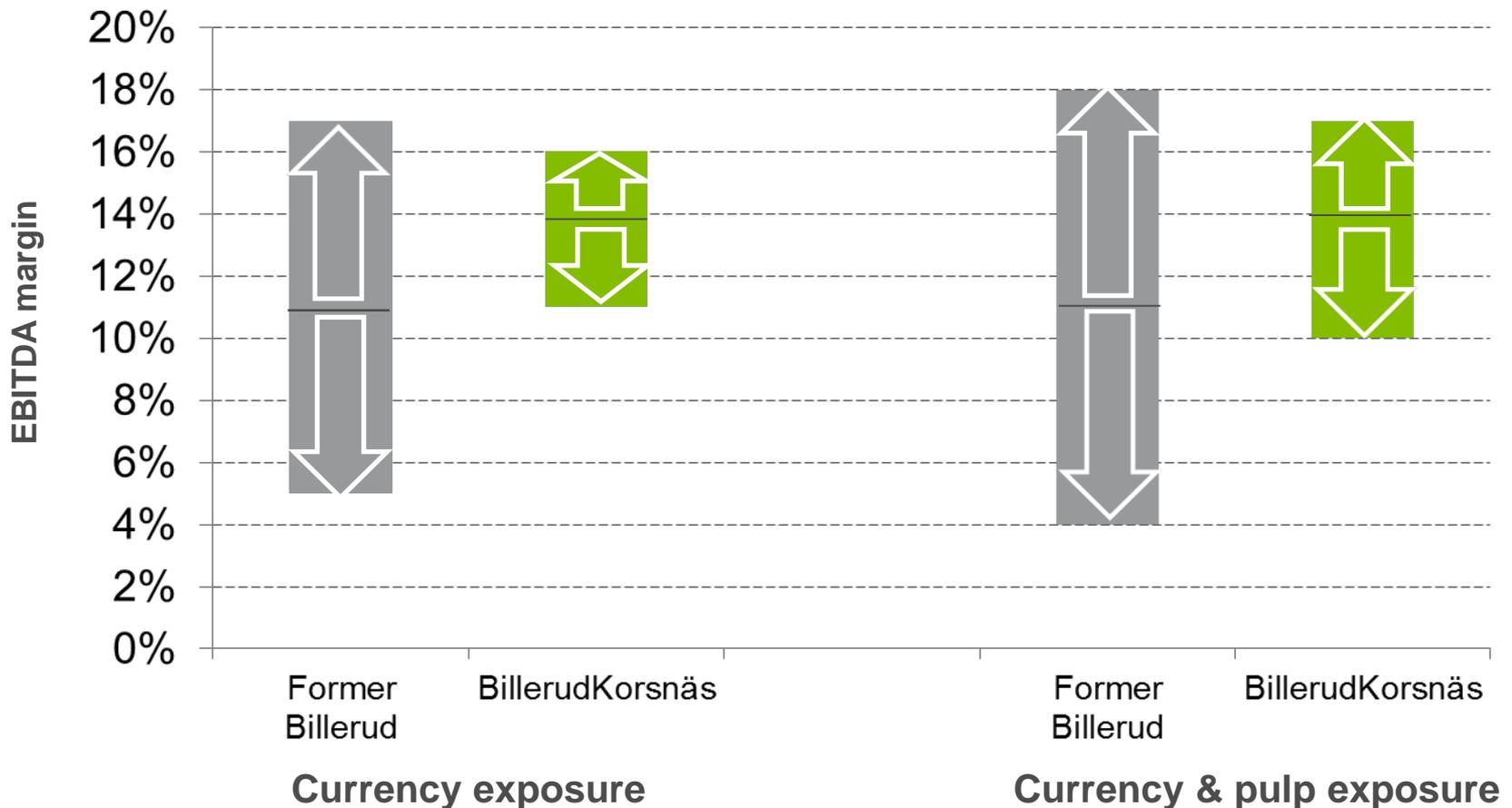
OUR COMMITMENT TO LONG-TERM SHAREHOLDER VALUE





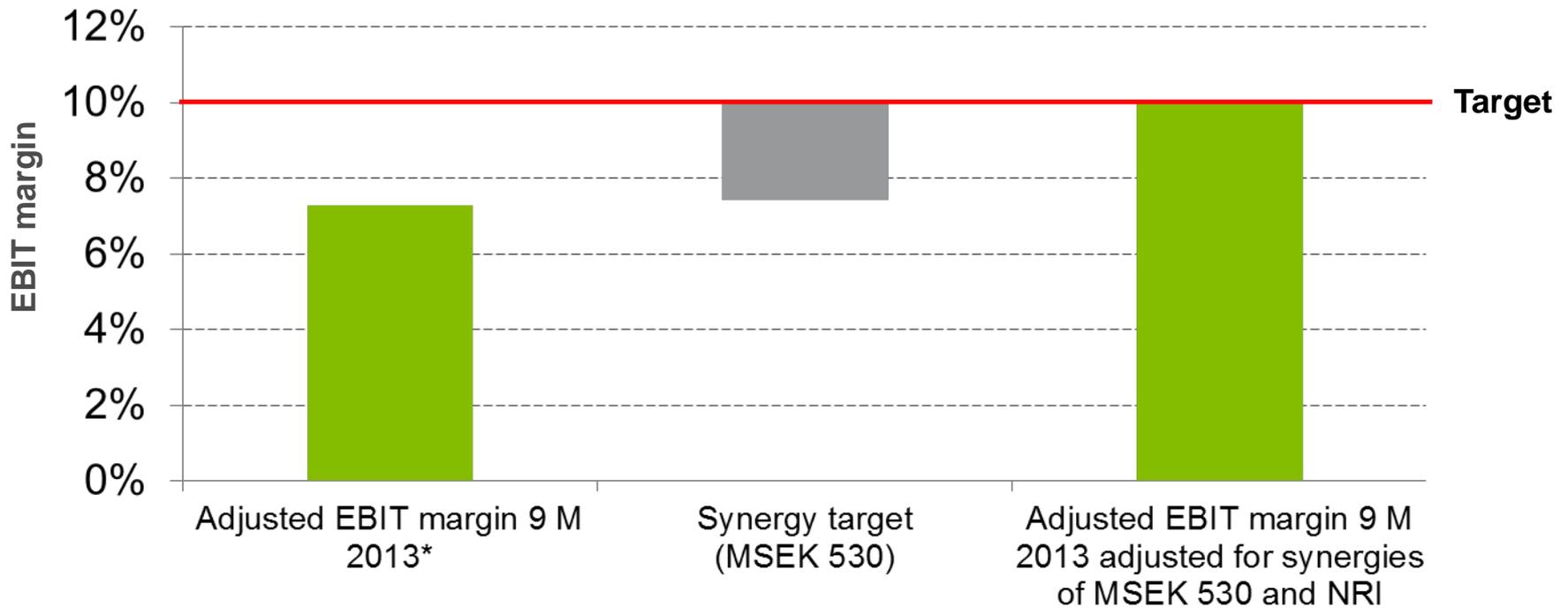
A STRONG PLATFORM WITH INCREASED STABILITY

THE TWO ACQUISITIONS IN 2012 RESULTED IN SIGNIFICANTLY REDUCED MARKET PULP EXPOSURE AND LOWER RELATIVE CURRENCY EXPOSURE





ON TRACK TO ACHIEVE EBIT MARGIN TARGET OF >10%



* Adjusted for NRI of MSEK 165



DELIVERING SUSTAINABLE PROFITABLE GROWTH

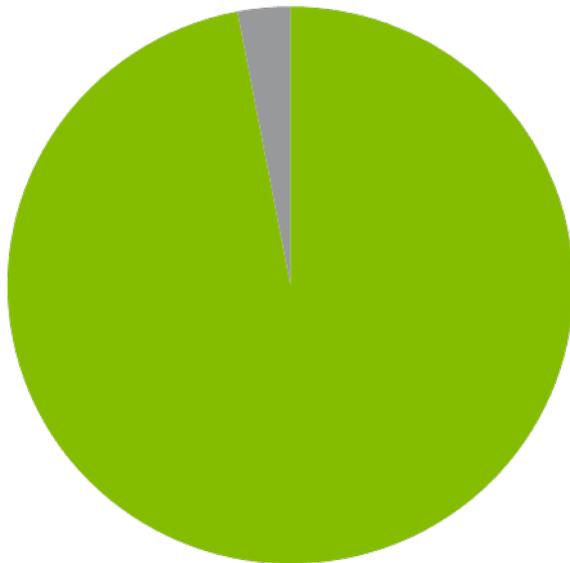


Q
&
A



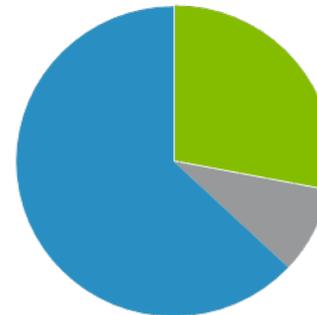
PURE PLAY PACKAGING MATERIALS COMPANY

BillerudKorsnäs

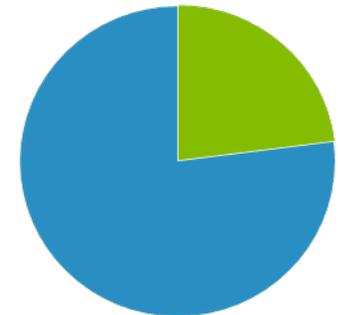


- Sales of SEK 20 bn
- 1 500 customers in 100 countries
- Europe main market

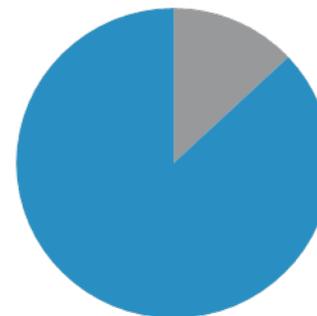
Stora Enso



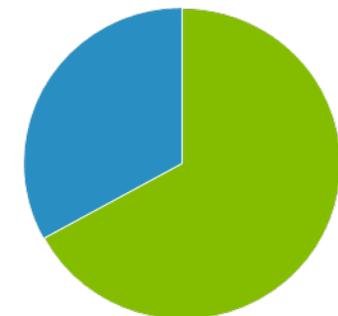
Holmen



UPM

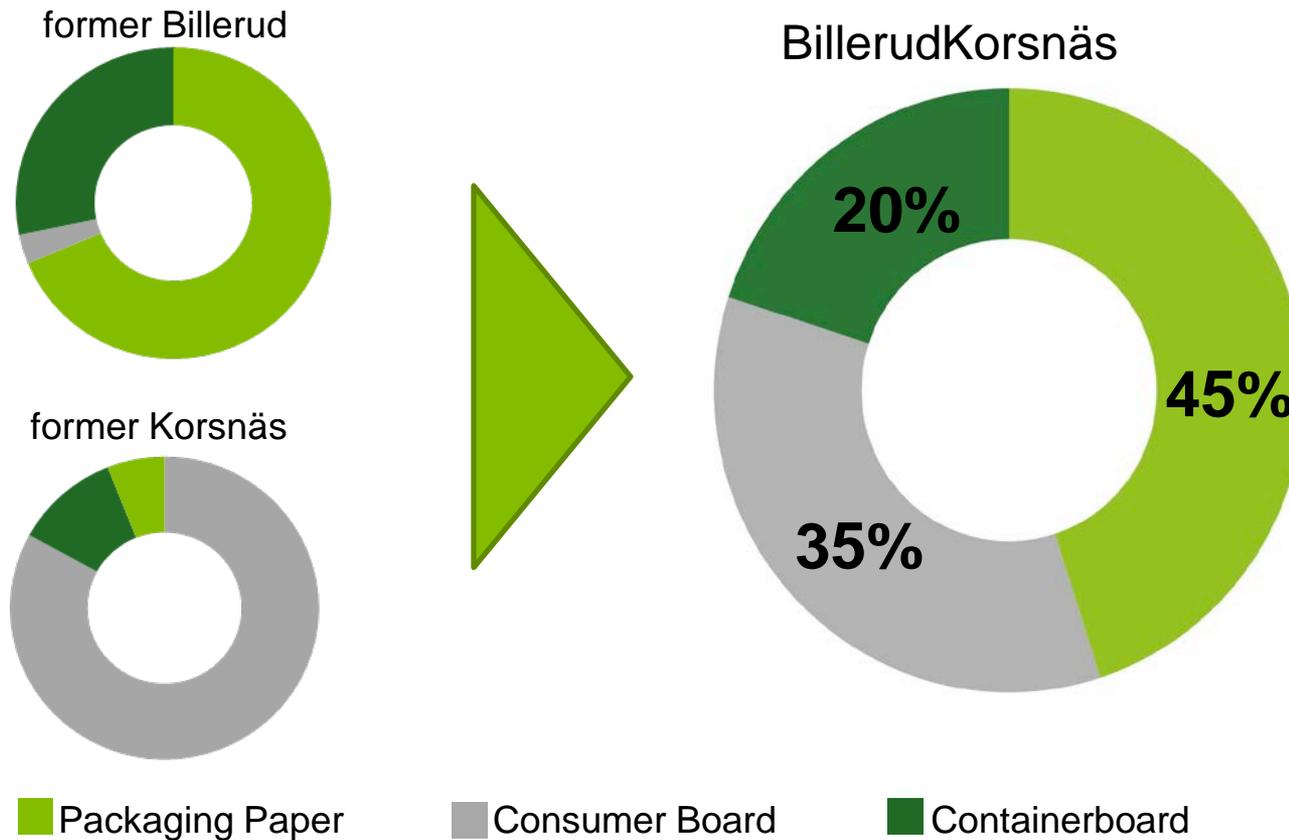


Mondi



■ Packaging ■ Pulp
■ Publication & Writing

WIDENED AND IMPROVED OFFERING



Note: Graphs show breakdown of sales volume per business area.



INCREASED FOCUS ON CONSUMER SECTORS



**Food &
Beverages**

57%



Industrial

26%



**Consumer &
Luxury Goods**

11%



**Medical &
Hygiene**

6%

Billerud pre transaction

40%

41%

7%

12%



INNOVATING TO DRIVE GROWTH AND HIGHER MARGINS

R&D

Product development

New business lab

Next generation of packaging

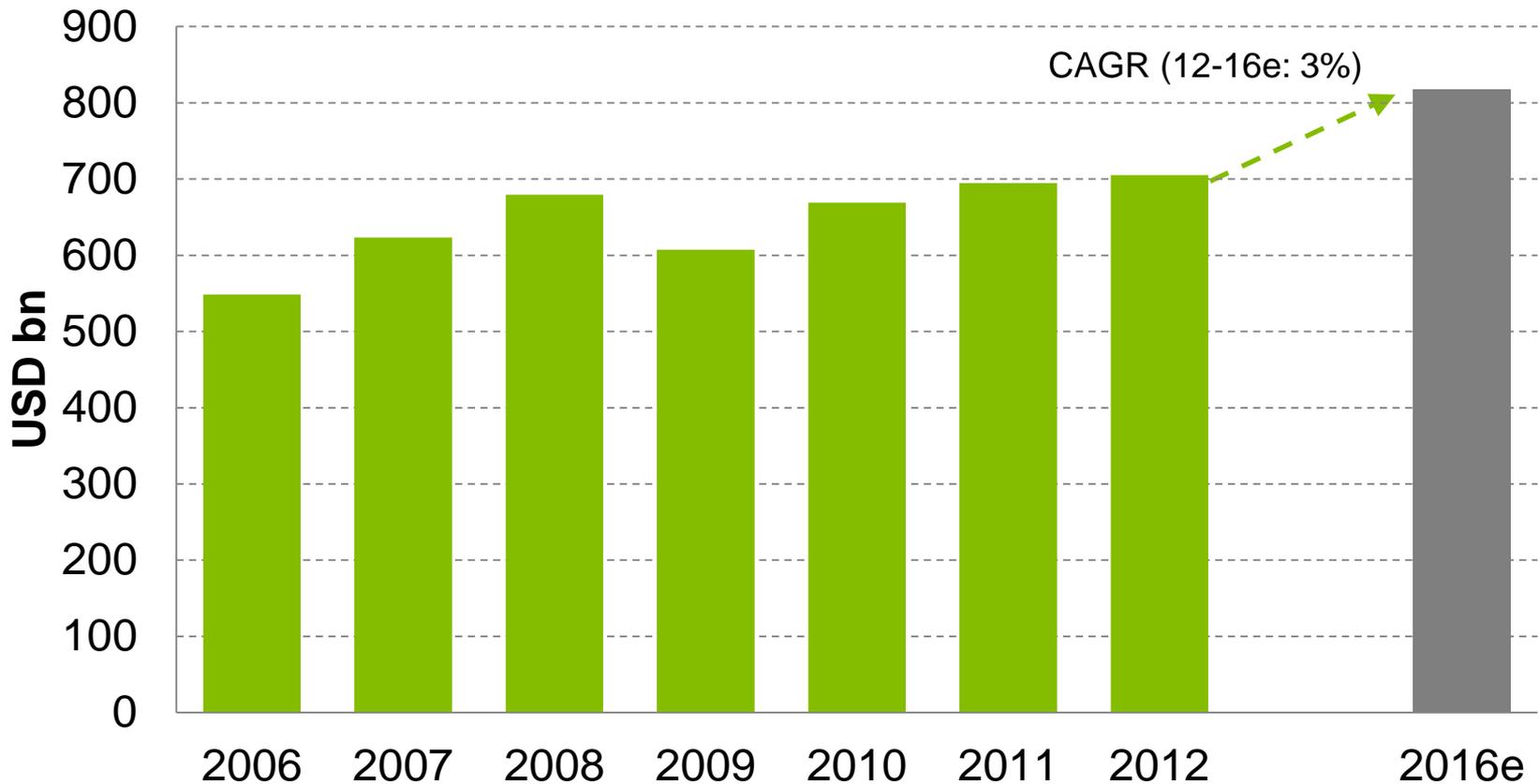
Business applications

- FTE growing more than 60% during 2013
- Building an innovation culture
- Focusing both on short-term and long-term innovation
- Innovation enables growth faster than market
- Creating long-term, profitable differentiation
- Strengthening market positions



STEADY GROWTH FOR PACKAGING

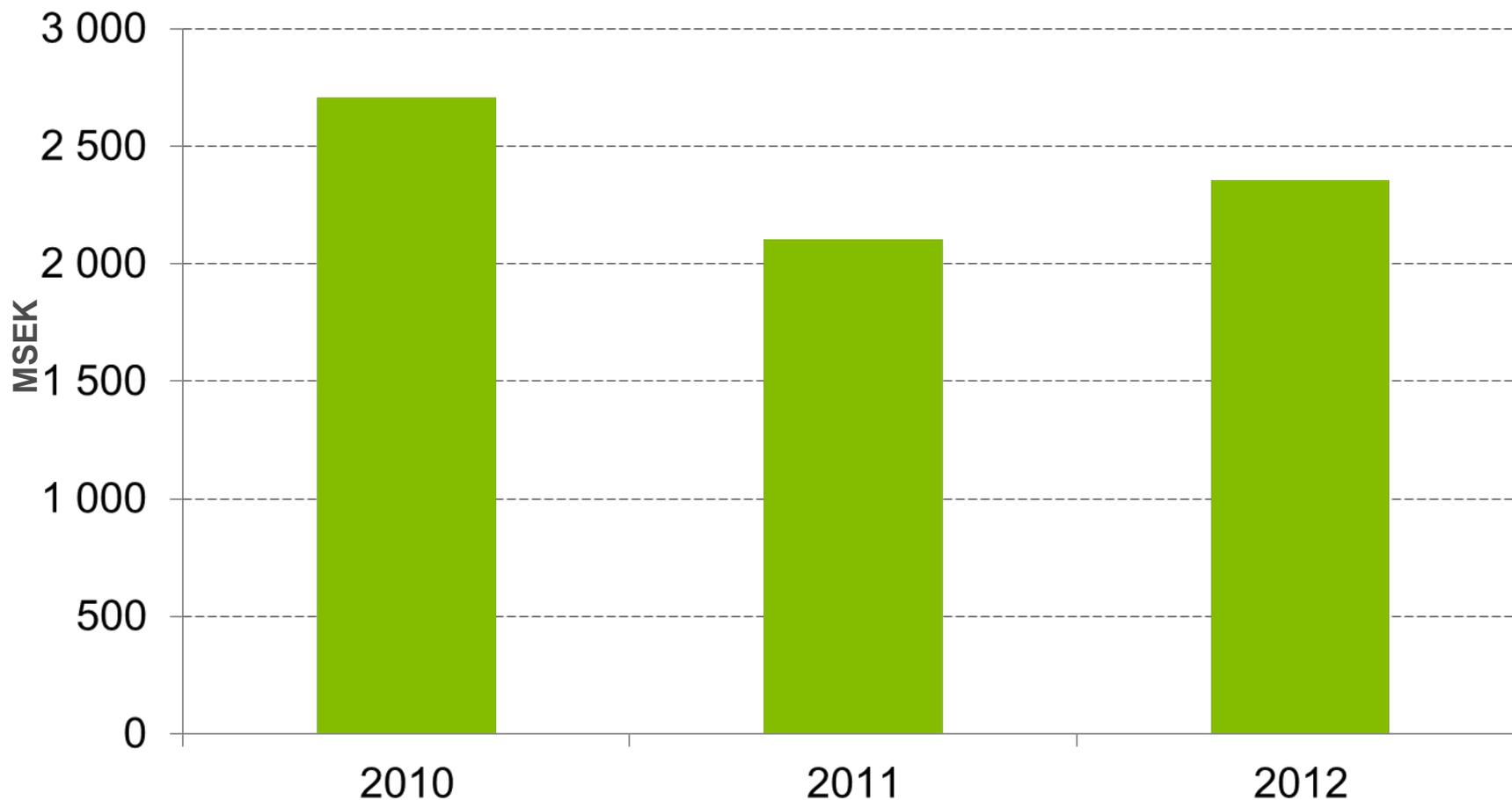
GLOBAL PACKAGING MARKET





CASH-FLOW GENERATIVE BUSINESS

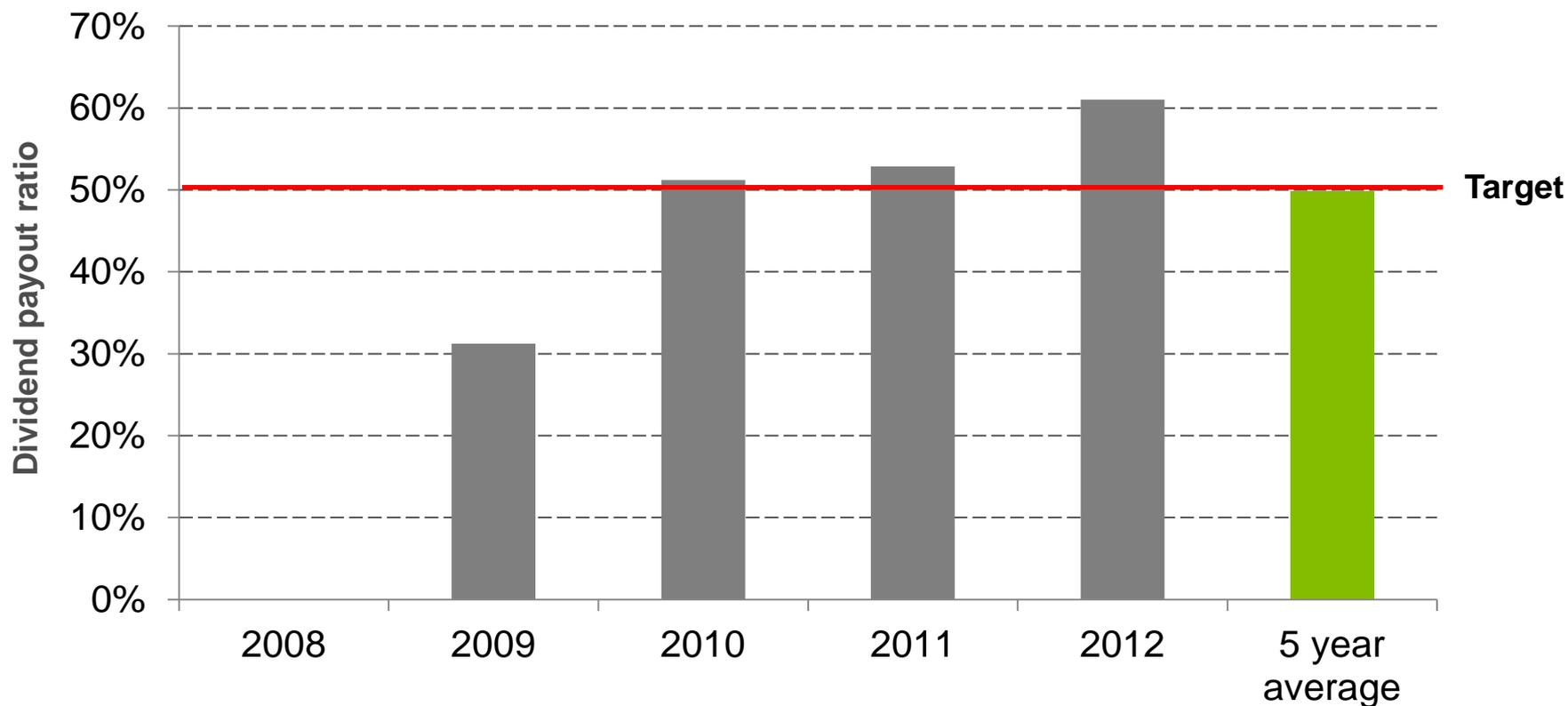
CASH-FLOW FROM OPERATING ACTIVITIES





SUPPORTING THE DIVIDEND...

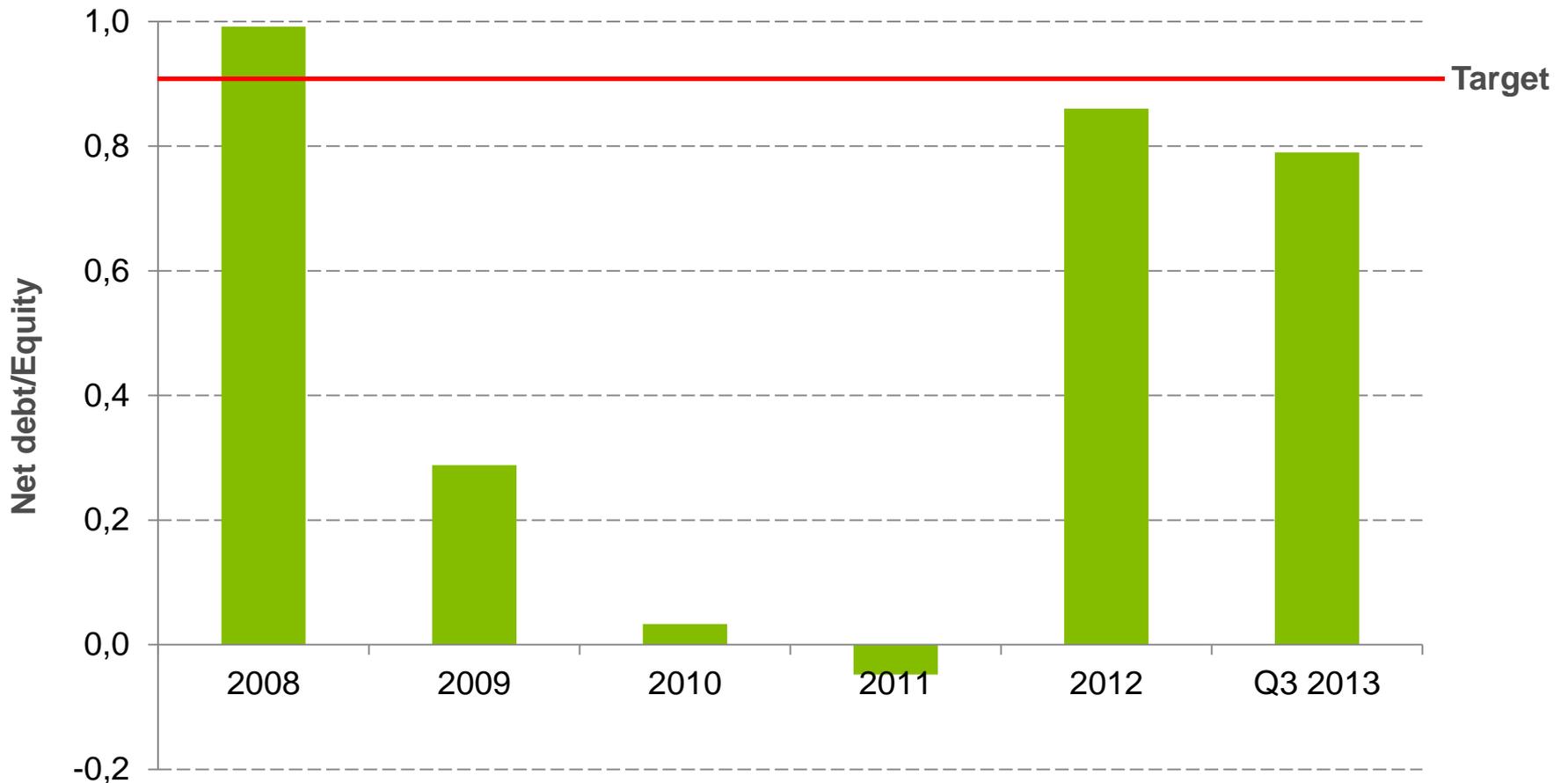
DIVIDEND POLICY TO PAY 50% OF NET PROFIT OVER A BUSINESS CYCLE





... AND PAYING DOWN DEBT

AMBITION TO FIND AN OPTIMAL LONG-TERM CAPITAL STRUCTURE





ACTIONS TO IMPROVE ROCE

Short-term

1

Capital management

- › Target 10% working capital/net sales
 - › As per 30/9-2013 15%
- › Capital expenditure in existing structure in line with depreciation & amortisation
 - › Maintenance investments
 - › De-bottlenecking
 - › Quality enhancement investments

2

Asset review

Long-term

3

Profitable growth through investments in fixed assets with ROI > 13%

THREE BUSINESS AREAS

PACKAGING PAPER *Kraft and sack paper*



Net sales: SEK 7.8 billion
 EBIT: SEK 0.4 billion

Net sales



CONSUMER BOARD *Liquid packaging board, cartonboard and Cup Stock*



Net sales: SEK 6.7 billion
 EBIT: SEK 0.6 billion

EBIT



CONTAINERBOARD *Fluting and liner*



Net sales: SEK 3.2 billion
 EBIT: SEK 0.3 billion

Sales volumes



■ Packaging Paper
 ■ Consumer Board
 ■ Containerboard



BUSINESS AREA PACKAGING PAPER

Q3 2013

- Normal market situation for most products.
Lower than normal for white sack paper
- Net sales MSEK 1 820
- Operating profit MSEK -1
- Operating margin 0%
- Key take-away
 - Q3 earnings negatively impacted by two planned maintenance shutdowns (MSEK 188)
 - Slight price erosion in Q3 due to mix
 - Additional competing capacity in 2014



BUSINESS AREA CONSUMER BOARD

Q3 2013

- Stable and satisfactory market situation with normal seasonal variances
- Net sales MSEK 1 716
- Operating profit MSEK 244
- Operating margin 14%
- Key take-away
 - Reached long-term agreements with major customers
 - +10% capacity investment decided for 2014 within the liquid packaging board area (MSEK ~220)
 - Stable demand and continued global growth





BUSINESS AREA CONTAINERBOARD

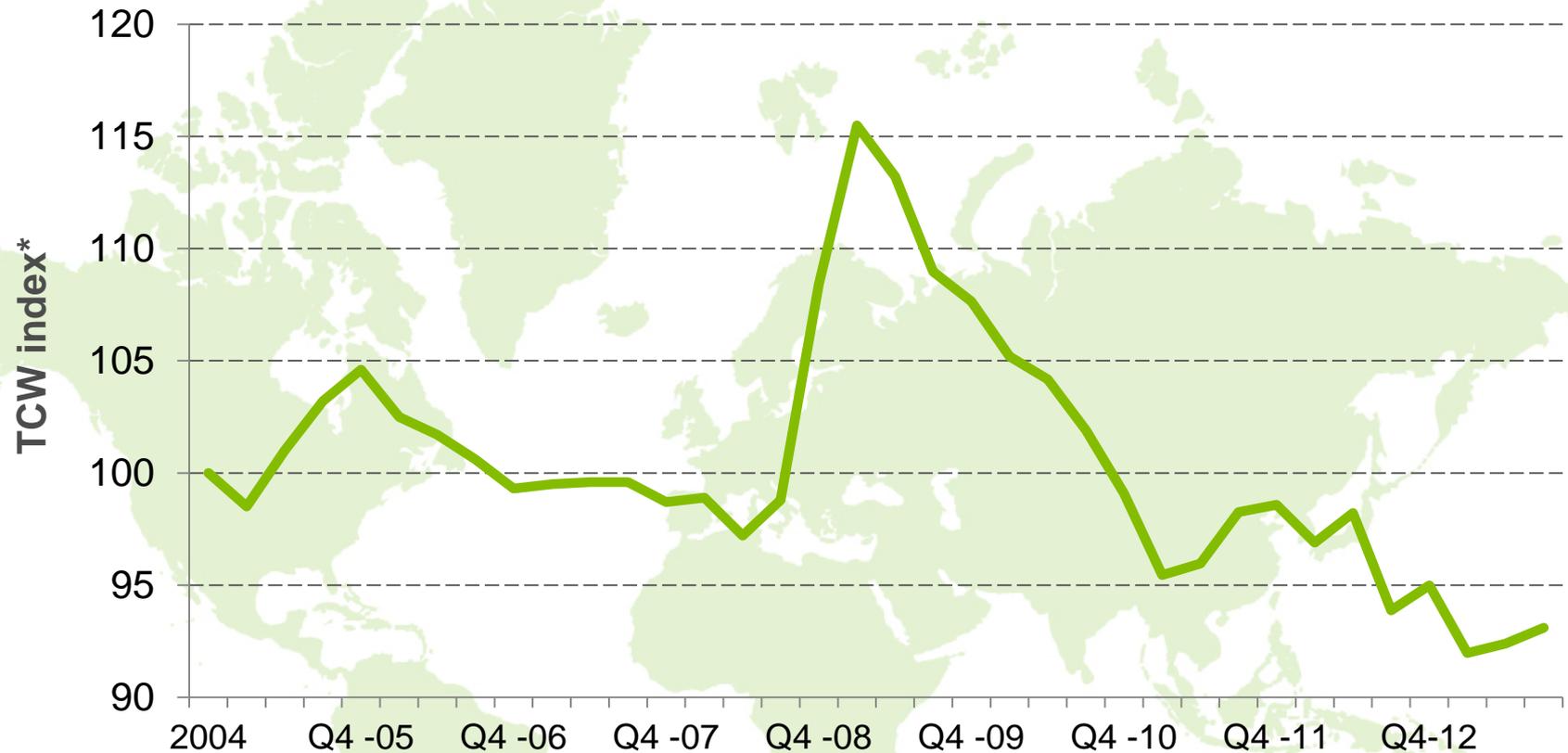
Q3 2013

- Stable market situation
- Net sales MSEK 755
- Operating profit MSEK 89
- Operating margin 12%
- Key take-away
 - Mainly stable prices in local currency
 - Remaining 70% of PACCESS acquired in Q3





STRONG SEK STILL CHALLENGING



Source: Riksbanken *Total Competitiveness Weights Index



RESPONDING TO A CHANGING MARKET FOR SMARTER PACKAGING



Packaging without boundaries



Packaging that lowers transport costs



Packaging that increases productivity



Packaging that boosts brands and attracts consumers

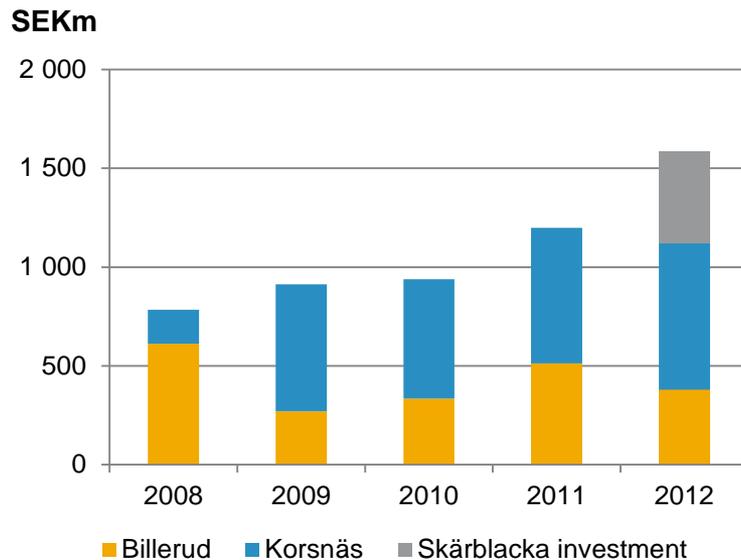


Packaging that reduces environmental impact

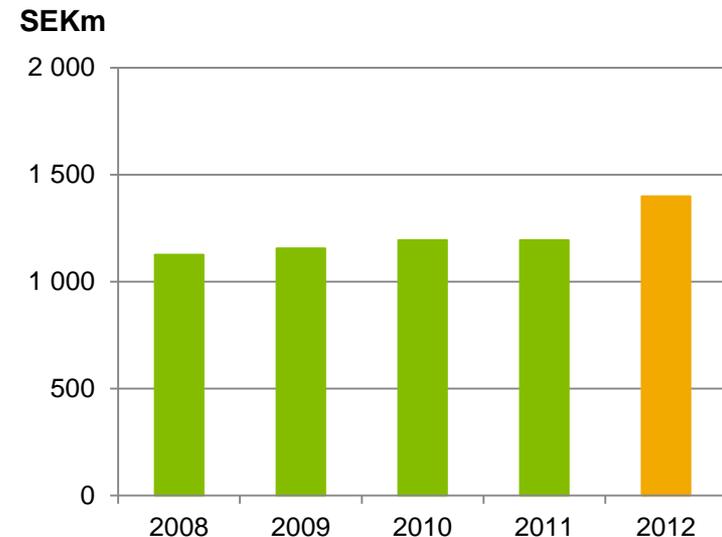


BILLERUD & KORSNÄS CAPEX 2008-2012¹

COMBINED CAPEX



COMBINED DEPRECIATION/AMORTISATION OF PPE



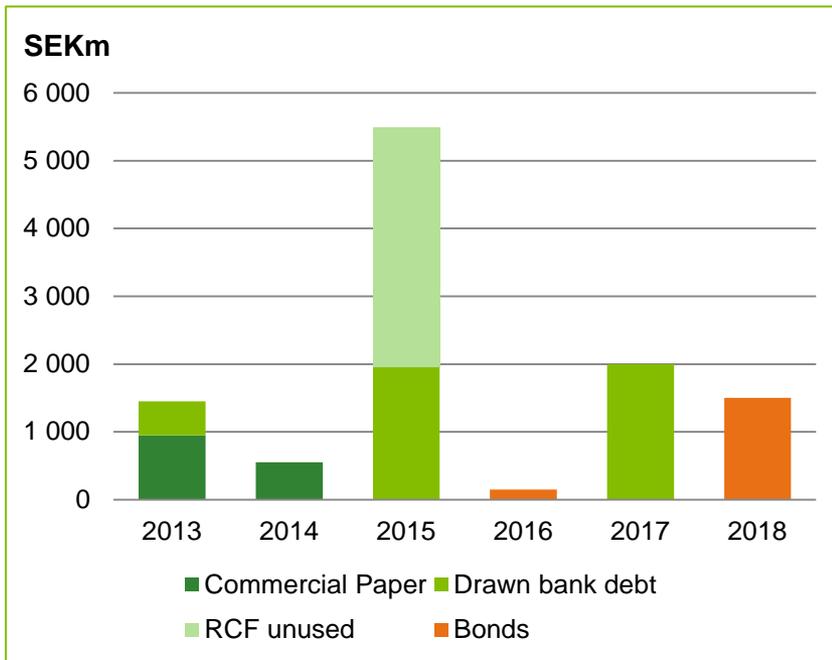
- CAPEX varies over time but over time guided to be in line with depreciation/amortisation of PPE
- Minimum CAPEX invested in Billerud SEK 271m (2009) and Korsnäs SEK 171m (2008) during financial crisis
- CAPEX 2012 impacted by environmental and energy investment at Skärblacka of SEK 463m

1) Based on combination of figures from Billerud and Korsnäs Annual Reports 2008-2012. CAPEX from Finnish assets and Latgran not included



FUNDING

Debt maturity profile (SEKm)



Funding

- **Syndicated credit facilities**
 - > SEK 5,500m RCF maturing November 2, 2015
 - > SEK 500m term loan facilities maturing Dec 13, 2013
 - **Bilateral credit agreements**
 - > SEK 800m term loan facility maturing July 12, 2017
 - > Two SEK 600m term loan facilities with separate lenders with Korsnäs AB as borrower, maturing June 13, 2017
 - **Bonds**
 - > Three bond loans with an aggregate amount of SEK 1650m, whereof SEK 1500m maturing March 27, 2018
 - **Financial covenants**
 - > Net Debt / Equity <1.20 → Sep 30, 2013 at 0,80
 - > EBITDA / Net financial expenses >3.00 → Sep 30, 2013 at 8,48
 - **Operating lease commitments payable within one year SEK 73 million and total commitment of SEK 242 million (as per 31/12-2012)**
-
- **Financial target Net Debt / Equity < 0.90**
 - **Diversified funding sources and an even maturity profile**



BILLERUDKORSNÄS

