



BILLERUDKORSNÄS

Interim report January–September 2020

Resilient performance with strong cash generation

Q3 2020

KEY HIGHLIGHTS

- Stable sales volumes despite challenging markets
- Successfully accomplished maintenance shutdowns
- Accelerated delivery of the cost and efficiency programme
- Strong operating cash flow generation
- Recyclable Flow Wrap launched

QUARTERLY DATA

- Net sales declined by 5% to SEK 5 561 million (5 833). Excluding currency effects sales declined by 3%
- Adjusted EBITDA* was SEK 570 million (639), negatively affected by timing of annual maintenance shutdowns
- Operating profit was SEK 86 million (149)
- Net profit from continuing operations was SEK 52 million (77)
- Earnings per share amounted to SEK 0.25 (27.83)**

Q4 OUTLOOK

- Unchanged market conditions
- Raw material costs expected to decline slightly
- Several planned maintenance stops
- Continued KM7 ramp-up built on positive customer feedback

KEY FIGURES*

SEKm	Q3	Q3	Change	Jan-Sep	Jan-Sep	Change
	2020	2019		2020	2019	
Net sales	5 561	5 833	-5%	18 081	18 630	-3%
Adjusted EBITDA	570	639	-11%	2 135	2 213	-4%
Operating profit	86	149	-42%	611	983	-38%
Adjusted operating profit	86	153	-44%	675	960	-30%
Net profit from continuing operations	52	77	-32%	434	728	-40%
Adjusted EBITDA, %	10%	11%		12%	12%	
Adjusted operating profit margin, %	2%	3%		4%	5%	
Adjusted ROCE, %	3%	6%		3%	6%	
Operating cash flow after operative investments	420	-461		138	-1 032	
Net debt/adjusted EBITDA, multiple	2.3	1.8		2.3	1.8	

* 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 22-24 and page 8 for operating cash flow after operative investments.

** Earnings per share in the third quarter 2019 included profit from discontinued operations from the divestment of Bergvik Skog Öst.

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COMMENTS BY THE CEO



SEK 5 561 million

Net sales

SEK 570 million

Adjusted EBITDA

10%

Adjusted EBITDA margin

The third quarter was impacted by annual maintenance shutdowns at our mills in Karlsborg, Gävle and Gruvön. These shutdowns were planned for the first half of the year but were rescheduled due to the Covid-19 outbreak. Considering the ongoing pandemic, carrying out these large shutdowns was a challenging task. I am happy to say that they were successfully accomplished as planned and this without compromising the safety of our employees and contractors.

The market continued to be challenging. Mix effects combined with further softening of the market prices, inventory adjustments and slow demand impacted sales and margins negatively. The quarterly result was also heavily affected by maintenance costs. On a positive note, lower raw material costs and further improved performance of our new board machine (KM7) at Gruvön and very strong delivery of our cost- and efficiency programme helped to defend our financial result.

Market conditions were largely unchanged compared with the second quarter. While facing a challenging market situation, we continue to focus our efforts on our three core priority areas; the ramp-up of our new board machine at Gruvön (KM7), ensuring a safe and stable production, and delivering on our cost and efficiency programme.

During the maintenance shutdown at Gruvön certain modifications were made on KM7, these will enable us to move into a new phase of the ramp-up. We have now started to deliver coated material to customers and received very positive feedback. The focus for KM7 is now on the commercial development, finding new homes for incremental volumes and stepwise improving the product mix. In addition to the ongoing required certification process for liquid board, we will expand our premium-quality cartonboard business. KM7 is expected to reach break-even EBITDA during 2021, and will in the coming years deliver a significant profit contribution.

Production in the quarter was affected by the maintenance shutdowns and some related start-up problems in Gävle and Gruvön, which caused a few days of additional unplanned production loss. We also took demand-related downtime on a few of our paper machines. Overall, our continuous efforts to achieve a safe and stable production is making progress and is expected to be further strengthened by the new organization with all mills operating under one leadership.

We continue to make great progress on our cost and efficiency programme, which generated structural savings of SEK 95 million in the quarter. We raise the target for the programme by SEK 50 million to a run-rate positive impact of SEK 650 million by the end of 2021. For 2020 we expect structural savings of SEK 300 million.

The corona crisis is far from over, uncertainty remains and visibility going forward continues to be limited. We don't foresee a fast recovery for the fourth quarter and expect unchanged market conditions. Raw material costs are expected to decline slightly.

Sustainability is a key factor to consider for all businesses and climate change is probably the major issue of our time. Here BillerudKorsnäs has an important role to play. A recent study shows that the net CO₂ emissions into the atmosphere as a consequence of our activities are negative, i.e. we take up more CO₂ than we discharge. Our products make it possible to replace packaging products based on fossil plastics, aluminium and glass. Our recently launched recyclable product Flow-Wrap is the latest in a series of BillerudKorsnäs' innovative solutions that make it possible to substitute plastic with paper packaging.

In a few weeks, I will be handing over the baton to Christoph Michalski, who takes over as President and CEO. Christoph is an inspiring leader who has a very relevant background for the challenges that BillerudKorsnäs faces going forward. The Board of Directors and I are convinced that he will bring valuable skills, experience and new ideas to BillerudKorsnäs, and that he is the right person to lead and continue to develop this fantastic company into the future. It has been an honour for me to serve the company as acting CEO for this last year and very inspiring to interact with all our motivated employees, valued customers and suppliers.

Lennart Holm
Acting President and CEO

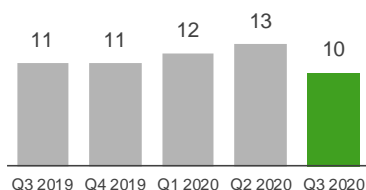


The quarter in review

The EBITDA margin declined, negatively affected by the timing of planned maintenance shutdowns

Adjusted EBITDA margin

Target level >17%



SALES AND RESULTS

Net sales for the third quarter declined by 5% to SEK 5 561 million (5 833). Excluding currency effects the sales decline was 3%, mainly due to lower prices.

Adjusted EBITDA declined to SEK 570 million (639), negatively impacted by lower sales prices and less favourable mix and higher maintenance costs compared with last year, and positively impacted by lower fibre costs, reduced negative KM7 ramp-up impact and cost savings.

No costs affecting comparability impacted the results for the third quarter (4).

MARKET DEVELOPMENT AND OUTLOOK

During the third quarter, market conditions were largely unchanged compared with the second quarter. The demand for some of our products and services continued to be affected by Covid-19, mainly within product area Paper and Managed Packaging. In general, the segments Food & Beverage, Consumer & Luxury Goods and Industry were stable, Medical & Hygiene have worsened.

For the fourth quarter, market conditions are expected to be unchanged. However, uncertainty is high and the market visibility continues to be limited.

EVENTS IN THE QUARTER

BillerudKorsnäs announced on 17 July that Christoph Michalski has been appointed President and CEO of the company and will assume this position as of 1 November 2020. Christoph Michalski has since 2015 been the CEO and Executive Director of Vinda International Holding Ltd, a leading Asian producer of high quality and innovative tissue and hygiene products, publicly listed on the Hong Kong stock exchange. Before that, he held a series of senior executive positions in the SCA Group. Christoph Michalski also has extensive experience from the fast moving consumer goods sector, as he has held executive positions at both Unilever and at the New Zealand dairy company Fonterra. Lennart Holm, who has been acting President and CEO of BillerudKorsnäs since November 2019, will remain in the company until the end of 2020.

In August and September annual maintenance were carried out at Karlsborg, Gävle and Grevön. The total maintenance shutdown costs amounted to SEK 399 million. The higher costs than expected were mainly due to production losses in connection to the maintenance shutdowns at Gävle and Grevön, and more extensive work than planned on the recovery boiler at Karlsborg.

In September, BillerudKorsnäs launched Recyclable Flow Wrap – an innovative paper-based packaging solution that can be applied for many products in the fast moving consumer goods sector. This solution enables a shift from conventional plastics to paper and is suitable for medium to high barrier requirements such as chocolate bars, confectionary and bakery products. BillerudKorsnäs' Flow Wrap can be installed on existing and new flow wrapping machines. A patent application for BillerudKorsnäs Recyclable Flow Wrap is pending.

The Board of Directors of BillerudKorsnäs decided on 10 September not to submit a proposal for an extra dividend for 2019 against the assessment that the uncertainty remains high and the visibility in the market is still limited. The Board's dividend proposal for the current year will as customary be submitted in the year-end report.

From 1 August, BillerudKorsnäs has introduced a more efficient organization which is based on the business flow and with functional areas Wood supply, Operations and Commercial. As a consequence of the organizational changes, a new reporting structure will be implemented. See page 12 for more information.

BillerudKorsnäs announced on 3 July 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. See pages 10 and 20 for more information.

EVENTS AFTER THE QUARTER

There were no significant events after the quarter.



Covid-19 impact

Since the outbreak of Covid-19, BillerudKorsnäs has run its operations without any major disruptions. Precautionary measures have been taken to safeguard the health of individuals, secure deliveries, support customers and develop contingency plans with regard to critical resources. Initially, some outbound logistical challenges were faced, but they have been largely overcome. Currently, the logistic situation is stable with a close to normalized access to overseas transports.

The financial effects of Covid-19 for BillerudKorsnäs are mainly related to lower demand and softening of market prices in some segments, as well as delayed maintenance shutdowns. There has been no increases of credit losses.

IMPACT ON DEMAND

Covid-19 has impacted the demand for fibre-based products depending on their end markets. Lower demand has been noticeable for products in the industrial segments as well as in consumer segments for food service and fashion carrier bags. Demand for packaging solutions from apparel and footwear retailers has also declined. For consumer segments like food retail and DIY, Covid-19 has had a neutral to positive effect.

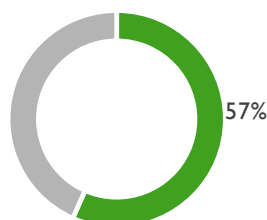
POSTPONED MAINTENANCE

Due to Covid-19, the maintenance shutdowns scheduled in the first half of the year were postponed to the second half of the year. The short notice of rescheduling the maintenance at Grevön caused a negative effect of around SEK 40 million in the first quarter. It was also assessed to imply an increased negative ramp-up effect of KM7 of SEK 100 million in 2020. The delayed maintenance stops at Gävle, Skärblacka and Pietarsaari resulted in a negative effect of SEK 10 million in the third quarter and is expected to have an additional negative effect of SEK 15 million in the fourth quarter.

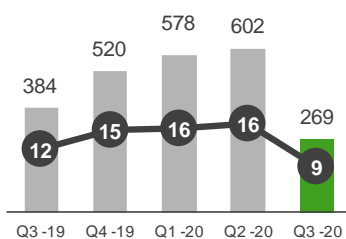
Product area Board

Sales and margins were impacted by maintenance shutdowns and temporarily affected by inventory adjustments at our customers.

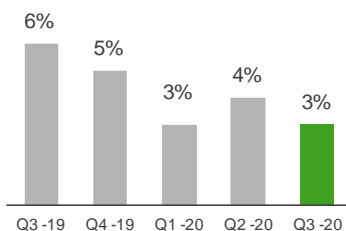
Share of Group's net sales
Q3 2020



EBITDA



ROCE



About Product area Board

Product area 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 product area. 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 has an annual production capacity of 550 000 tonnes.

KEY FIGURES

SEKm	Quarter		Jan-Sep		Full year
	Q3 -20	Q3 -19	2020	2019	2019
Net sales	3 149	3 279	10 517	10 278	13 692
of which liquid packaging board	1 701	1 762	5 838	5 611	7 583
of which cartonboard	393	397	1 223	1 116	1 467
of which fluting & liner	912	834	2 938	2 748	3 626
Net operating expenses	-2 880	-2 895	-9 068	-8 812	-11 706
EBITDA	269	384	1 449	1 466	1 986
EBITDA, %	9%	12%	14%	14%	15%
Operating profit/loss	-73	41	413	637	811
Operating margin, %	-2%	1%	4%	6%	6%
ROCE, %	3%	6%	3%	6%	5%
Sales volumes, ktonnes	441	448	1 446	1 359	1 815

SALES AND RESULTS

Net sales for the third quarter declined by 4% to SEK 3 149 million (3 279). Excluding currency effects the sales decline was 2%, mainly driven by lower volumes due to the maintenance stops at Gävle and Gruvön and inventory adjustments at some customers within liquid packaging board and partly offset by higher KM7 volume.

EBITDA declined to SEK 269 million (384), negatively affected by the different schedule of planned maintenance shutdowns and lower sales prices, and positively affected by the improved development on our new board machine at Gruvön (KM7).

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

MARKET DEVELOPMENT

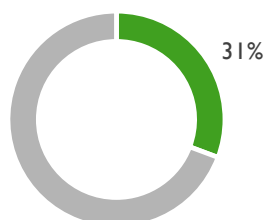
In the third quarter, market conditions were relatively stable for all of our board grades. For liquid packaging board, there was however a temporary demand reduction due to some inventory adjustments at our customers, following the slight positive Covid-19 impact in the second quarter. There were market price reductions for containerboard.



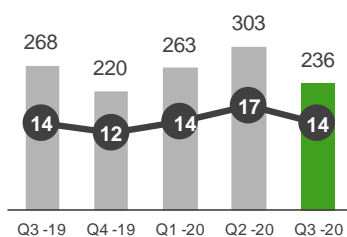
Product area Paper

Growing paper sales volumes, in particular on brown sack, despite continued slow demand. Margins were maintained as a result of efficiency measures.

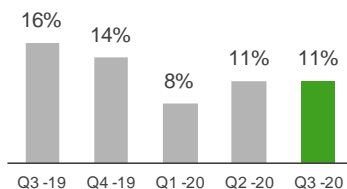
Share of Group's net sales
Q3 2020



EBITDA



ROCE



About Product area Paper

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

KEY FIGURES

SEKm	Quarter		Jan-Sep		Full year
	Q3 -20	Q3 -19	2020	2019	2019
Net sales	1 707	1 932	5 412	6 366	8 142
of which sack paper	605	651	1 871	2 381	2 918
of which kraft paper	773	819	2 512	2 645	3 504
Net operating expenses	-1 471	-1 664	-4 610	-5 390	-6 946
EBITDA	236	268	802	976	1 196
EBITDA, %	14%	14%	15%	15%	15%
Operating profit/loss	127	157	473	645	752
Operating margin, %	7%	8%	9%	10%	9%
ROCE, %	11%	16%	11%	16%	14%
Sales volumes, ktonnes	215	221	654	677	882

SALES AND RESULTS

Net sales for the third quarter declined by 12% to SEK 1 707 million (1 932). Excluding currency effect the sales decline was 9%. The decline was mainly driven by lower market prices across all paper segments. The sales volumes of sack and kraft paper increased compared to last year, despite some market related downtime on a few machines.

EBITDA declined to SEK 236 million (268), negatively affected by lower sales prices and positively affected by lower raw material costs and cost savings.

MARKET DEVELOPMENT

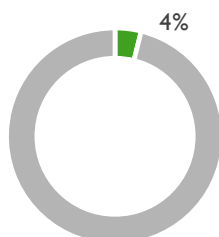
In the third quarter, demand for sack and kraft paper was largely unchanged with relatively low demand for industry and consumer products. However, demand for materials for medical and hygiene purposes worsened. The price pressure in our product segments remained high.



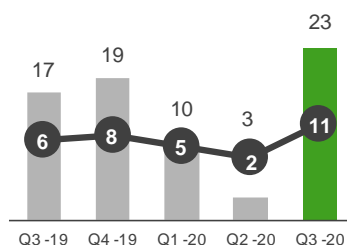
Solutions

Continued market uncertainty but a step towards normalizing demand from brand owners. Long term our growth ambition remains.

Share of Group's net sales
Q3 2020



EBITDA



About Solutions

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

KEY FIGURES

SEK m	Quarter		Jan-Sep		Full year
	Q3 -20	Q3 -19	2020	2019	2019
Net sales	216	266	611	740	990
<i>of which Managed Packaging</i>	169	213	467	617	822
<i>of which Solutions Other</i>	48	53	145	123	168
Net operating expenses	-193	-249	-575	-695	-926
EBITDA	23	17	36	45	64
EBITDA, %	11%	6%	6%	6%	6%
Operating profit	21	13	30	38	54
Operating margin, %	10%	5%	5%	5%	5%

SALES AND RESULTS

Net sales for the third quarter declined by 19% to SEK 216 million (266). Excluding currency effects sales declined by 14%, mainly due to weaker demand for Managed Packaging's services as a consequence of Covid-19.

EBITDA improved to SEK 23 million (17), mainly as a result of a temporarily lower activity level in combination with strict cost control to mitigate the lower demand.

MARKET DEVELOPMENT

In the third quarter, demand for Managed Packaging's services continued to be low due to cautious stance from buyers in Europe and the US on the back of Covid-19. Market conditions for FibreForm® stabilized during the quarter.

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

Other operations

Net sales for Other in the third quarter 2020 amounted to SEK 459 million (376) and comprised of sales of fibre and related services to third parties.

Adjusted EBITDA for Other amounted to SEK 12 million (-10). The improved result was mainly due to a lower cost level in Group-common functions.

January–September, consolidated

SALES AND RESULTS

Net sales for the first nine months declined by 3% to SEK 18 081 million (18 630), mainly due to lower sales prices. Net sales increased in Product area Board and decreased in Product area Paper and in Solutions. Excluding currency effects sales declined by 3%.

Adjusted EBITDA decreased by 4% to SEK 2 135 million (2 213). Lower market prices were only partly offset by lower costs for raw materials and cost savings.

Costs affecting comparability amounted to SEK 64 million (-23) and were reported under Other.

Cash flow and financial position

SUMMARISED CASH FLOW STATEMENT

SEKm	Quarter		Jan-Sep	
	Q3 -20	Q3 -19	2020	2019
Operating surplus, etc.	506	576	1 760	2 005
Change in working capital, etc.	126	-365	-570	-700
Net financial items, taxes, etc.	55	-43	-111	-46
Cash flow from operating activities	687	168	1 079	1 259
Operative investments	-267	-629	-941	-2 291
Operating cash flow after operative investments	420	-461	138	-1 032

Operating cash flow after operative investments strengthened to SEK 420 million (-461) for the third quarter and SEK 138 million (-1 032) for the first nine months of 2020. For both the quarter and the first nine months of 2020, the increased cash flow is mainly due to normalized investment and working capital level after KM7 project.

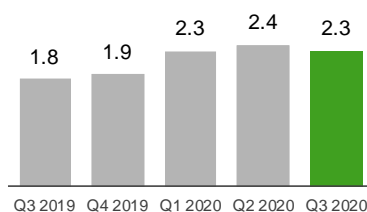
Operating cash after operative investments include all gross investments in property, plant and equipment, and intangible assets. The measure has a new definition starting in 2020, and shows cash flow generated in the operating business, which provides the amount of cash flows available to repay debt, acquire and invest in other businesses and pay dividends to the shareholders.

FINANCING

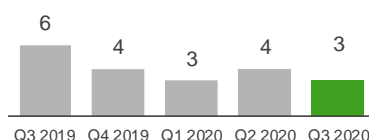
At 30 September 2020, interest-bearing debt amounted to SEK 7 356 million (8 939). Interest-bearing debt decreased with SEK 43 million as part of term loans were repaid during the quarter.



Net debt/Adjusted EBITDA
target level <2.5



Adjusted return on capital employed
Target level >13%



Debt portfolio and maturity profile at 30 September 2020

Loan	Limit, SEKm	Maturity, years			Total utilised
		0-1	1-2	2-	
Syndicated credit facilities	5 500				-
Term loans		94	94	1 268	1 456
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		894	1 794	4 668	7 356

Interest-bearing net debt at 30 September 2020 amounted to SEK 6 305 million (5 522).

The Group's net interest-bearing debt in relation to EBITDA at the end of the period was 2.4 (1.8). The ratio of net interest-bearing debt to adjusted EBITDA was 2.3 (1.8).

INVESTMENTS AND CAPITAL EMPLOYED

Operative investments in property, plant, equipment and intangible assets amounted to SEK 941 million (2 291) for the first nine months of 2020. A large part of the investments in 2019 was related to the new board machine at Gruvön.

An investment decision regarding the recovery boiler at Frövi is expected to be made during the first quarter of 2021.

Capital employed at 30 September 2020 amounted to SEK 25 282 million (24 820). Return on capital employed (ROCE) for the last 12-month period, amounted to 3% (6), which was the same if adjusted operating profit was used in the calculation.

Return on equity was 4% (44) over the last 12 months period. The decrease in the return on equity was due to the sale of Bergvik Skog Öst AB in August 2019.

Next generation programme (KM7)

The ramp-up of the new board machine at Gruvön, KM7, with an annual production capacity of 550 000 tonnes, started in the second quarter of 2019. As it 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.

The negative KM7 ramp-up effect on EBITDA in 2020, compared with the base year 2018, is assessed to approximately SEK 450 million. During January-September 2020, the ramp-up of KM7 resulted in a negative impact of around SEK 400 million, whereof SEK 200 million in the first quarter, SEK 120 million in the second quarter and SEK 80 million in the third quarter.

Significant progress has been made since the machine started. We are now able to produce all intended Board grades (uncoated and coated) within our specifications. Focus is now fully on commercialization. However, a combination of Covid-19 related market effects have slowed down the commercial ramp-up. A range of activities have been in set motion with the clear ambition to counteract. The KM7 investment is expected to reach break-even EBITDA during 2021, and will in the coming years deliver a significant profit distribution.

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.

The 36 000 hectares of forest assets were valued at SEK 393 million. This fair value exceeded the previously recognized book value by SEK 280 million and 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, was expected to have a positive run-rate impact of around SEK 600 million by the end of 2021, whereof SEK 250 million of structural savings during 2020. In October 2020, the target for the programme was raised by SEK 50 million. The cost and efficiency programme is now expected to have a positive run-rate impact of around SEK 650 million by the end of 2021, whereof SEK 300 million of structural savings during 2020.

During the third quarter, the cost and efficiency programme generated structural savings of SEK 95 million. These 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 general SG&A efficiency.

Currency hedging

Currency hedging had a net sales impact of SEK 59 million (-89) in the third quarter of 2020 and SEK -3 million (-220) for the first three quarters of 2020 compared with no currency hedging.

Outstanding forward exchange contracts at 30 September 2020 had a market value of SEK 108 million, SEK 22 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 86 million.

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

Currency	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21	Total 15 months
EUR Share of net flow	86%	86%	84%	84%	57%	80%
Rate	10.76	10.66	10.80	10.68	10.42	10.68
USD Share of net flow	78%	75%	69%	37%	9%	54%
Rate	9.42	9.35	9.71	9.50	9.11	9.47
GBP Share of net flow	34%	-	-	-	-	7%
Rate	11.47	-	-	-	-	11.47
Market value of currency contracts*	32	22	43	17	-6	108

*At 30 September 2020.

Taxes

The tax cost for the first nine months of 2020 amounted to SEK 71 million (223), equal to approximately 14% (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 nine months of 2020 was SEK -73 million (-152). 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 -3 million (-220) for the first nine months of 2020.

The average number of employees at 30 September 2020 was 136 (131).

Cash and bank balances, and short-term investments amounted to SEK 1 909 million (4 300).

Sustainability

Sustainability KPIs, rolling 12 months (R12M)

	Q3 -20	Q2 -20	2020 target
Energy efficiency ¹	5.27	5.27	<5.20
Fossil-free production ²	33.1	35.4	<30.0
Gender equality ³	24.0	23.8	>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 has had a positive trend and amounted to 33.1 kg/tonne. The energy consumption was 5.27 MWh/tonne.

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 24.0% during the past twelve months.

QUARTERLY HIGHLIGHTS

The sustainability analysis company Sustainalytics rated BillerudKorsnäs as having a low ESG risk exposure combined with a strong approach to sustainability issues. BillerudKorsnäs' ESG risk was by Sustainalytics assessed to be lower than in any other packaging, paper and forestry companies included in the evaluation.

BillerudKorsnäs presented a new study showing that the company has a positive climate impact, primarily as a result of the positive effect of replacing plastic, glass and aluminum packaging with fibre-based solutions. The substitution effect has in this study been calculated on the basis on a number of third-party life cycles analyses for comparable packaging solutions. BillerudKorsnäs' total positive climate impact was estimated to 5.4 million tonnes of CO₂ equivalents, when all products, the net sink in BillerudKorsnäs' forest estates (Marma Skog and Bergvik Skog Öst) and the company's fossil emissions were included.

In August, an occupational fatality of a contractor employee occurred in connection with manual felling of trees in Latvia. BillerudKorsnäs investigates the accident and it is also being investigated by the Latvian authorities. Both investigations are to be finalized by the end of October.

Changed operating segments

From 1 October 2020 BillerudKorsnäs will implement a new reporting structure as a consequence of organizational changes. The company is since 1 August 2020 organized on the basis of the functional areas Wood Supply, Operations and Commercial and is governed by two product areas Board and Paper (former Division Board and Division Paper), and Solutions (former Division Solutions).

Going forward the management will review the performance of the business in the two product areas Board and Paper. Product area Board will from 1 October 2020 include liquid packaging board, cartonboard, fluting and liner. Product area Paper will from the same time include sack paper, kraft paper, pulp and Fibreform®, the later was previously part of Solutions. Managed Packaging will be included in Other operations.

Restated figures for the new segment structure for the full year 2019 and the period January-September 2020 with regard to net sales, EBITDA, operating profit and sales volumes will be presented as a press release and on BillerudKorsnäs' website well advance the publication of the year-end report 2020.



Holding 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 number of own shares was 1 430 062 at 31 March, and at the end of June, the holding of treasury shares was 1 387 922. During the third quarter, the holding of own shares was unchanged. At 30 September 2020, the number of own shares amounted to 1 387 922, which corresponds to approximately 0.7% of the total amount of shares. The total amount of shares was 208 219 834 and the number of shares on the market was 206 831 912.

Annual General Meeting

The Annual General Meeting will be held in Stockholm on 5 May 2021.

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, SE-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 in 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.

Nomination committee

In accordance with the resolution by the Annual General Meeting of BillerudKorsnäs, the Chairman of the Board of Directors has convened a nomination committee for the Annual General Meeting 2021, appointed by the major shareholders.

The nomination committee consists of Michael M.F. Kaufmann, appointed by Frapag Beteiligungsholding AG, Tomas Flodén, appointed by AMF Insurance & Funds, Lennart Francke, appointed by Swedbank Robur Funds, and Thomas Wuolikainen, appointed by the Fourth Swedish National Pension Fund.

Shareholders wishing to make proposals the nomination committee should submit their proposal in writing via e-mail to valberedningen@billerudkorsnas.com or by mail to BillerudKorsnäs AB (publ), Att: Valberedningen, Box 703, 169 27 Solna, Sweden.

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 impacts business activities, consumer behaviour and the overall economy. For BillerudKorsnäs, the direct risks of 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 can lead to production issues or that it becomes impossible to perform necessary repair and maintenance work. BillerudKorsnäs monitors the development of the pandemic closely and takes measures to follow the authorities' recommendations. Contingency plans have been created and are regularly being updated. There are also indirect risks due to Covid-19 of lower demand for BillerudKorsnäs' products and services, which has a negative effect on the Group's sales, results and cash flow.

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

Q4 2020 report – 29 January 2021

Q1 2021 report – 27 April 2021

Annual General Meeting – 5 May 2021

Q2 2021 report – 20 July 2021

Q3 2021 report – 22 October 2021

Solna, 22 October 2020

BillerudKorsnäs AB (publ)

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.



Review report

Translation of the Swedish original

To the Board of Directors of BillerudKorsnäs AB (publ)

Corp. id. 556025-5001

Introduction

We have reviewed the condensed interim financial information (interim report) of BillerudKorsnäs AB (publ) as of 30 September 2020 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 22 October 2020

KPMG AB

Ingrid Hornberg Román

Authorized Public Accountant

SUMMARISED INCOME STATEMENT

SEKm	Quarter		Jan-Sep		Full year
	Q3 -20	Q3 -19	2020	2019	2019
Net sales	5 561	5 833	18 081	18 630	24 445
Other income	49	37	154	110	169
Operating income	5 610	5 870	18 235	18 740	24 614
Change in inventories	-112	-140	-165	-351	-169
Raw materials and consumables	-2 888	-3 043	-9 579	-9 659	-12 887
Other external costs	-1 304	-1 247	-3 869	-3 748	-5 061
Employee benefits expense	-741	-799	-2 700	-2 738	-3 650
Depreciation and impairment of non-current assets	-484	-486	-1 460	-1 253	-1 744
Change in value of biological assets	-	-	132	-	-
Profit/Loss from participations in associated companies	5	-6	17	-8	-17
Operating expenses	-5 524	-5 721	-17 624	-17 757	-23 528
Operating profit/loss	86	149	611	983	1 086
Financial income and expenses*	-36	-48	-106	-32	179
Profit/Loss before tax	50	101	505	951	1 265
Taxes	2	-24	-71	-223	-254
Profit/Loss from continuing operations	52	77	434	728	1 011
Discontinued operations **					
Profit/loss from discontinued operations, net of tax	-	5 677	-16	5 659	5 709
Profit/loss for the period	52	5 754	418	6 387	6 720
Profit/Loss attributable to:					
Owners of the parent company	52	5 754	418	6 387	6 720
Non-controlling interests	-	-	-	-	-
Net profit/loss for the period	52	5 754	418	6 387	6 720
Earnings per share, SEK	0.25	27.83	2.02	30.89	32.50
Diluted earnings per share, SEK	0.25	27.79	2.02	30.85	32.47

*Includes dividend from Bergvik Skog AB of SEK 17 million in Q3 2019, SEK 108 million in the first nine months of 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 the first nine months of 2020 is a decrease of the capital gain.

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

SEKm	Quarter		Jan-Sep		Full year
	Q3 -20	Q3 -19	2020	2019	2019
Net profit/loss for the period	52	5 754	418	6 387	6 720
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of forest land *	-	-	148	-	-
Actuarial gains or losses on defined benefit pension plans	-	-50	-	-111	-114
Change in fair value of shareholding in Other holdings	-	-29	-21	-177	-421
Tax attributable to items not to be reclassified to profit or loss	-	10	-30	23	24
Total items never reclassified to profit or loss	-	-69	97	-265	-511
Items that have been or may be reclassified subsequently to profit or loss					
Differences arising from the translation of foreign operations' accounts	5	21	2	58	28
Change in fair value of cash flow hedges	49	-89	-150	-442	-307
Tax attributable to items that have been or may be reclassified subsequently to profit or loss	-10	19	32	94	65
Total items that have been or may be reclassified subsequently to profit or loss	44	-49	-116	-290	-214
Total comprehensive income for the period	96	5 636	399	5 832	5 995
Attributable to:					
Owners of the parent company	96	5 636	399	5 832	5 995
Non-controlling interests	-	-	-	-	-
Total comprehensive income for the period	96	5 636	399	5 832	5 995

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

SUMMARISED BALANCE SHEET

SEKm	30 Sep	30 Sep	31 Dec
	2020	2019	2019
Intangible assets	1 974	2 117	2 096
Property, plant and equipment, including Right of use assets	23 132	23 301	23 137
Other non-current assets	1 203	1 522	1 205
Total non-current assets	26 309	26 940	26 438
Inventories	3 625	3 519	3 572
Accounts receivable	2 479	2 489	2 408
Other current assets	1 650	1 115	1 056
Cash and cash equivalents	2 144	4 523	3 450
Total current assets	9 898	11 646	10 486
Total assets	36 207	38 586	36 924
Equity attributable to owners of the parent company	18 978	19 298	19 462
Non-controlling interests	-	-	-
Total equity	18 978	19 298	19 462
Interest-bearing liabilities	6 618	8 145	7 493
Provisions for pensions	862	888	871
Other liabilities and provisions	206	166	131
Deferred tax liabilities	3 599	3 546	3 614
Total non-current liabilities	11 285	12 745	12 109
Interest-bearing liabilities	987	1 031	583
Accounts payables	3 087	2 804	2 937
Other liabilities and provisions	1 870	2 708	1 833
Total current liabilities	5 944	6 543	5 353
Total equity and liabilities	36 207	38 586	36 924

SUMMARISED STATEMENT OF CHANGES IN EQUITY

SEKm	Jan-Sep		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	399	5 832	5 995
Share-based payment to be settled in equity instruments	6	5	6
Dividend to owners of the parent company	-889	-889	-889
Closing balance	18 978	19 298	19 462
Equity attributable to:			
Owners of the parent company	18 978	19 298	19 462
Non-controlling interests	-	-	-
Closing balance	18 978	19 298	19 462



SUMMARISED CASH FLOW STATEMENT

SEKm	Quarter		Jan-Sep		Full year
	Q3 -20	Q3 -19	2020	2019	2019
Operating surplus, etc. *	506	576	1 760	2 005	2 674
Net financial items, taxes, etc.	55	-43	-111	-46	108
Change in working capital, etc.	126	-365	-570	-700	-463
Cash flow from operating activities	687	168	1 079	1 259	2 319
Investments in intangible assets, property, plant and equipment	-267	-629	-941	-2 291	-2 868
Acquisition of financial assets / contribution associated companies	-	-5	-2	-7	-58
Disposal/repayment of financial assets/other holdings **	-	7	24	955	955
Sale of subsidiary ***	-	7 658	-	7 658	7 708
Acquisition of subsidiary ***	-	5	-	-3 774	-3 774
Dividend from associated companies	-	-	4	-	-
Disposal of property, plant and equipment	3	1	3	8	8
Cash flow from investing activities	-264	7 037	-912	2 549	1 971
Change in interest-bearing receivables	-4	-	-4	-	-
Change in interest-bearing liabilities	-72	-3 411	-574	677	-421
Dividend to owners of the parent company	-	-	-889	-445	-889
Cash flow from financing activities	-76	-3 411	-1 467	232	-1 310
Total cash flow (=change in cash and cash equivalents)	347	3 794	-1 300	4 040	2 980
Cash and cash equivalents at start of period	1 799	718	3 450	456	456
Translation differences in cash and cash equivalents	-2	11	-6	27	14
Cash and cash equivalents at the end of the period	2 144	4 523	2 144	4 523	3 450

** Includes dividend from Bergvik Skog AB of SEK 24 million in the first nine months of 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-Sep		Full year
	Q3 -20	Q3 -19	2020	2019	2019
Operating profit	86	149	611	983	1 086
Reversed depreciation	484	486	1 460	1 253	1 744
Earnings from associated companies	-5	6	-17	8	17
Pension liabilities	-10	-9	-23	-21	-44
Other provisions	-15	-41	-7	-137	-168
Net of produced and sold electricity certificates and sold emission rights	-35	-46	-136	-93	10
Incentive programmes	3	2	6	5	6
Sale/Scrapping of fixed assets	-2	-1	-2	-8	8
Discontinued operations	-	30	-	15	15
Revaluation of biological assets	-	-	-132	-	-
Operating surplus, etc	506	576	1 760	2 005	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 September 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 September 2020						
Other shares and participations	-	-	115	-	115	115
Long-term receivables	-	29	-	-	29	29
Accounts receivable	-	2 479	-	-	2 479	2 479
Other receivables	128	716	-	-	844	844
Cash and cash equivalents	-	2 144	-	-	2 144	2 144
Total	128	5 368	115	-	5 611	5 611
Non-current interest-bearing liabilities	-	-	-	6 618	6 618	6 644
Current interest-bearing liabilities	-	-	-	987	987	990
Accounts payables	-	-	-	3 087	3 087	3 087
Other liabilities	156	-	-	226	382	382
Total	156	-	-	10 918	11 074	11 103

	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 product areas/segments can be found on pages 5-7, information regarding financing on pages 8-9, seasonal effects on page 25 and events after the end of the quarter on page 3.

KEY FIGURES

	Jan-Sep		Full year
	2020	2019	2019
Margins			
EBITDA, %	11	12	12
Operating margin, %	3	5	4
Return (rolling 12 months)			
Return on capital employed, %	3	6	4
Return on equity, %	4	44	41
Capital structure at end of period			
Capital employed, SEKm	25 282	24 820	24 938
Working capital, SEKm	2 792	1 669	2 159
Equity attributable to owners of the parent company, SEKm	18 978	19 298	19 462
Interest-bearing net debt, SEKm	6 305	5 522	5 476
Net debt/equity ratio	0.33	0.29	0.28
Interest-bearing net debt / EBITDA, multiple	2.4	1.8	1.9
Key figures per share			
Earnings per share, SEK	2.02	30.89	32.50
Dividend (for the financial year) per share, SEK	-	-	4.30
Other key figures			
Working capital as percentage of net sales, %	13	7	8
Operative investments, SEKm	941	2 291	2 868
Average number of employees	4 478	4 602	4 596



RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

	Quarter			Jan-Sep		Full year
	Q3 - 20	Q2 - 20	Q3 - 19	2020	2019	2019
Adjusted EBITDA, SEKm						
Operating profit	86	245	149	611	983	1 086
Depreciation and impairment of non-current assets	484	490	486	1 460	1 253	1 744
EBITDA	570	735	635	2 071	2 236	2 830
Items affecting comparability	-	39	4	64	-23	1
Adjusted EBITDA	570	774	639	2 135	2 213	2 831
Adjusted Operating profit, SEKm						
Operating profit	86	245	149	611	983	1 086
Items affecting comparability	-	39	4	64	-23	1
Adjusted Operating profit	86	284	153	675	960	1 087
Adjusted earnings per share, SEK						
Profit attributed to owners of the parent company, SEKm	52	202	5 754	418	6 387	6 720
Items affecting comparability, attributed to owners of the parent company, SEKm *	-	32	-5 655	52	-5 677	-5 708
Adjusted profit attributed to owners of the parent company, SEKm	52	234	99	470	710	1 012
Weighted number of outstanding shares, thousands	206 832	206 809	206 790	206 810	206 751	206 761
Adjusted earnings per share	0.25	1.13	0.48	2.27	3.43	4.89
Adjusted Return on capital employed (ROCE), SEKm						
Adjusted Operating profit over 12 months **	802	869	1 404	802	1 404	1 087
Average capital employed over 12 months	25 146	24 790	23 773	25 146	23 773	24 270
Adjusted Return on capital employed	3%	4%	6%	3%	6%	4%
Interest-bearing net debt / Adjusted EBITDA, multiple						
Interest-bearing net debt	6 305	6 710	5 522	6 305	5 522	5 476
Adjusted EBITDA over 12 months**	2 753	2 822	3 024	2 753	3 024	2 831
Interest-bearing net debt / Adjusted EBITDA	2.3	2.4	1.8	2.3	1.8	1.9
Items affecting comparability, SEKm						
New board machine in Gruvön - additional costs (Operating expenses)	-	-	4	-	35	40
New board machine in Gruvön - restructuring (Operating expenses)	-	-	-30	-	-50	-50
Restructuring (Operating expenses)	-	11	30	36	30	49
Workplace environment (Operating expenses)	-	-	-	-	-32	-32
Revaluation of biological assets (Change in value of biological assets)	-	-132	-	-132	-	-
UPM - compensation (Raw materials and consumables)	-	160	-	160	-	-
Other (Operating expenses)	-	-	-	-	-6	-6
Items affecting comparability	0	39	4	64	-23	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 Sep 2020	30 Sep 2019	31 Dec 2019
Capital employed, SEKm			
Total assets	36 207	38 586	36 923
Accounts payables	-3 087	-2 804	-2 937
Other liabilities and provisions	-2 076	-2 873	-1 964
Deferred tax liabilities	-3 599	-3 546	-3 614
Interest-bearing non-current assets	-19	-20	-20
Cash and Cash equivalents	-2 144	-4 523	-3 450
Capital employed	25 282	24 820	24 938
Working capital, SEKm			
Inventories	3 625	3 519	3 572
Accounts receivables	2 479	2 489	2 408
Other operating receivables	1 650	1 115	1 056
Accounts payables	-3 087	-2 804	-2 937
Other operating liabilities (excl provisions)	-1 795	-2 595	-1 743
Tax liabilities	-80	-55	-197
Working capital	2 792	1 669	2 159
Interest-bearing net debt, SEKm			
Interest bearing provisions	863	888	871
Interest bearing non-current liabilities	6 618	8 145	7 493
Interest bearing current liabilities	987	1 032	582
Interest-bearing non-current assets	-19	-20	-20
Cash and Cash equivalents	-2 144	-4 523	-3 450
Interest-bearing net debt	6 305	5 522	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.

In the third quarter of 2020 planned maintenance shutdowns were carried out in Gävle, Gruvön and Karlsborg. The total cost amounted to approximately SEK 399 million, which was SEK 39 million more than expected. No planned maintenance shutdowns were carried out in the first six months of 2020. Due to the Covid-19, all planned maintenance shutdowns were postponed until the second half of 2020.

ESTIMATED MAINTENANCE SHUTDOWN COST

Production units	Estimated shutdown cost ¹	Estimated breakdown of shutdown cost			Planned dates of maintenance shutdown		
	SEKm	Board	Paper	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-Sep		Full Year
	Q3 -20	Q3 -19	2020	2019	2019
Operating income*	125	80	308	204	205
Operating expenses	-100	-96	-381	-356	-526
Operating profit/loss	25	-16	-73	-152	-321
Financial income and expenses**	-31	-40	-84	-134	1 847
Profit/Loss after financial income and expenses	-6	-56	-157	-286	1 526
Appropriations	-	-	-	-	679
Profit/loss before tax	-6	-56	-157	-286	2 205
Taxes	4	11	39	60	-40
Net profit/loss for the period	-2	-45	-118	-226	2 165

* Including currency hedging etc.

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

SUMMARISED BALANCE SHEET

SEKm	30 Sep	30 Sep	31 Dec
	2020	2019	2019
Non-current assets	10 689	10 666	10 688
Current assets	15 262	18 460	20 042
Total assets	25 951	29 126	30 730
Shareholders' equity	7 536	6 147	8 537
Untaxed reserves	1 512	1 526	1 512
Provisions	232	216	238
Liabilities	16 671	21 237	20 443
Total equity and liabilities	25 951	29 126	30 730



QUARTERLY DATA

The Group's business has been managed and reported according to BillerudKorsnäs' three divisions until July 31, 2020. The Group is since August 1, 2020, organized on the basis of the functional areas Wood Supply, Operations and Commercial and is governed by two product areas Board and Paper (former Division Board and Division Paper), and Solutions (former Division Solutions).

Other includes Wood Supply, Scandifibre 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 product area's profit/loss.

Quarterly net sales per product area and for the Group

SEKm	2020			2019				2018	2020	2019
	Q3 -20	Q2 -20	Q1 -20	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Jan-Sep	Jan-Sep
Product area Board	3 149	3 656	3 712	3 414	3 279	3 463	3 536	3 178	10 517	10 278
Product area Paper	1 707	1 825	1 880	1 776	1 932	2 129	2 305	2 048	5 412	6 366
Solutions	216	190	205	250	266	268	206	257	611	740
Other	459	562	551	447	376	471	485	436	1 572	1 332
Currency hedging, etc.	30	-77	16	-72	-20	-38	-28	-76	-31	-86
Total Group	5 561	6 156	6 364	5 815	5 833	6 293	6 504	5 843	18 081	18 630

Quarterly EBITDA per product area and for the Group

SEKm	2020			2019				2018	2020	2019
	Q3 -20	Q2 -20	Q1 -20	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Jan-Sep	Jan-Sep
Product area Board	269	602	578	520	384	399	683	629	1 449	1 466
Product area Paper	236	303	263	220	268	242	466	359	802	976
Solutions	23	3	10	19	17	15	13	14	36	45
Other	12	-97	-100	-92	-14	-39	-112	-133	-185	-165
Currency hedging, etc.	30	-76	15	-73	-20	-38	-28	-75	-31	-86
Total Group	570	735	766	594	635	579	1 022	794	2 071	2 236

Quarterly EBITDA margin per product area and for the Group

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

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

SEKm	2020			2019				2018	2020	2019
	Q3 -20	Q2 -20	Q1 -20	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Jan-Sep	Jan-Sep
Product area Board	597	602	578	646	521	567	683	763	1 777	1 771
Product area Paper	305	303	263	220	324	382	466	373	871	1 172
Solutions	25	3	10	19	18	15	13	14	38	46
Other	12	-58	-75	-68	-10	-79	-99	-117	-121	-188
Currency hedging, etc.	30	-76	15	-73	-20	-38	-28	-75	-31	-86
Total Group	969	774	791	744	833	847	1 035	958	2 534	2 715
Costs for maint. shutdowns	-399	-	-	-126	-194	-308	-	-148	-399	-502
Items affecting comparability	-	-39	-25	-24	-4	40	-13	-16	-64	23
EBITDA	570	735	766	594	635	579	1 022	794	2 071	2 236



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

	2020			2019				2018	2020	2019
	Q3 -20	Q2 -20	Q1 -20	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Jan-Sep	Jan-Sep
%										
Product area Board	19	16	16	19	16	16	19	24	17	17
Product area Paper	18	17	14	12	17	18	20	18	16	18
Solutions	12	2	5	8	7	6	6	5	6	6
Total Group	17	13	12	13	14	13	16	16	14	15

Quarterly operating profit/loss, per product area and for the group

SEKm	2020			2019				2018	2020	2019
	Q3 -20	Q2 -20	Q1 -20	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Jan-Sep	Jan-Sep
Product area Board	-73	254	232	174	41	155	441	383	413	637
Product area Paper	127	193	153	107	157	132	356	248	473	645
Solutions	21	1	8	16	13	14	11	11	30	38
Other	-19	-126	-129	-121	-42	-69	-140	-152	-274	-251
Currency hedging, etc.	30	-77	16	-73	-20	-38	-28	-76	-31	-86
Total Group	86	245	280	103	149	194	640	414	611	983

Quarterly operating margin per product area and for the group

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

Quarterly sales volumes per product area

ktonnes	2020			2019				2018	2020	2019
	Q3 -20	Q2 -20	Q1 -20	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Jan-Sep	Jan-Sep
Product area Board	441	490	515	456	448	457	454	426	1 446	1 359
Product area Paper	215	212	227	205	221	223	233	214	654	677
Other (intra group volume sales elimination)	1	1	-1	-5	-10	-4	-6	-4	1	-20
Total Group	657	703	741	656	659	676	681	636	2 101	2 016



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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