

A milestone year with record financial results

In 2022, we delivered a record financial performance and advanced our growth plans for cartonboard. Among the notable highlights for Billerud was our entry into North America.

Billerud's net sales increased to SEK 42.6 billion and the organic and currency-neutral sales growth was 16%. The Group's EBITDA margin improved to 19%. Earnings per share increased to more than SEK 20, substantially supported by our newly acquired North American operations. The Board of Directors proposes an ordinary dividend of SEK 5.50 per share and an extraordinary dividend of SEK 2.00 per share.

Market conditions were strong for most of the year, with improved market prices across categories and customers building up inventory in the aftermath of the COVID-19 pandemic. Consequences of the war in Ukraine caused higher costs for wood, energy and chemicals, particularly in Europe, which we were able to offset by way of price rises and mix improvements. During the fourth quarter we started to meet more normalised

market conditions. The market conditions for most product categories weakened at the end of the year, driven by customer destocking and expectations of an economic slowdown.

Successful acquisition and integration

The acquisition of Verso marked the start of Billerud's growth journey in North America. Verso was renamed Billerud North America upon completion of the acquisition at the end of March 2022 and has since then been successfully integrated into the company. The Billerud Group has become a larger, more international and diversified company, with around 1,700 more employees, three more mills and a strong US customer base. Our North American operations, consisting mainly of three production facilities in Michigan and Wisconsin for the production and sheeting of graphic and speciality paper, delivered

strong earnings and cash flow. We also changed our company name from BillerudKorsnäs to the internationally more viable Billerud.

Advanced plans for capacity growth

Billerud has a clear growth agenda for cartonboard in North America. We have the right product portfolio and know-how to take an active part in shifting the US packaging market towards stronger and thinner board materials with better sustainability specifications. North America is a growing board market with limited domestic capacity for the type of cartonboard that we produce. We are intensifying our sales activities in the US and during 2022 our cartonboard sales in North America, with deliveries from Europe, more than doubled compared to the previous year.

We are currently running two strategic projects to support our international

cartonboard expansion. The first project aims to convert at least one paper machine in Escanaba to a cartonboard machine. The second project is our intention to start producing bleached chemi-thermomechanical pulp (BCTMP), which is a key ingredient for our cartonboard material, in Norway together with the forest association Viken Skog.

In terms of investment decisions, we will first turn to the project in the USA. We are making progress in getting the business, the products and the Escanaba mill ready for the transformation and technical options are being analysed. By the time we plan to start board production at the Escanaba mill, our target is to have sales of over 200 ktonnes cartonboard in the US, to ensure a rapid commercial ramp-up. Our employees support these plans and a sizable investment support from the State of Michigan has been approved for our planned transformation

of the mill. The current CO₂/tonne gap between our European and US mills represents a major potential. With our know-how we plan to drastically reduce Escanaba's fossil emissions as part of the transformation project. This will make us a cost and CO₂ footprint leader in the US market.

The project in Norway is also progressing. Part of our partnership with Viken Skog involves a long-term supply agreement that will ensure availability of cost-competitive pulp and pulpwood. A potential investment decision for this project is planned for later in 2023.

Strong financial position and resilience

Billerud is in a good position to embark on capacity investments over the coming years. Our financial position is strong. The proceeds from the rights issue carried out in 2022 were used to



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repay debt raised to finance the acquisition of Verso. At year-end the net debt to EBITDA ratio was as low as 0.6.

In terms of the business' sensitivity to cyclical economic fluctuations and inflation, over 40% of the Group's sales are attributed to material for the packaging of food and beverages, which has proven to be a very resilient segment. We have a more diversified geographic exposure than before and in the North American graphic paper market we have a cost-leading position which provides long-term advantages.

Sustainability is the driving force

Sustainability is not only an integral part of our business model, it is the driving force that is boosting the demand for our renewable and recyclable materials which replace fossil alternatives. We support the UN's Global Compact and adapt our strategies to societal and environmental trends and regulations. We use wood fibres efficiently and source from responsibly managed and growing forests. During 2023 we will update the Group's science-based targets, including our newly acquired North American operations, with a commitment to reach net zero emissions by 2050 at the latest.

We are also investigating bioenergy carbon capture and storage (Bio-CCS) opportunities.

Our foremost priority is the health and safety of individuals. To bring down the injury rate in our manufacturing facilities we are increasing the number of risk observations, safety walks and key safety performance audits.

Efficiency improvements

At the end of the year, we closed the cost and efficiency programme that has been running for the past three years and which delivered structural savings amounting to SEK 270 million in 2022. We are now taking the next step to advance efficiency by launching a new three-year efficiency enhancement programme. This programme entails efficiency initiatives across functions predominantly in our European operations. For us to safeguard productivity and competitiveness we must streamline our ways of working and business processes. We know that we have room for improvement in, for example, mix and inventory management and shortened delivery times. The target for the efficiency enhancement programme is an EBITDA uplift of SEK 1.5 billion by

the end of 2025. For 2023 we estimate that these initiatives will have a positive impact of SEK 400 million.

Outlook

In 2023, we see more challenging market conditions than last year for most product categories and continued cost inflation, particularly in Europe. The geopolitical and macroeconomic environment remains uncertain. To mitigate the negative effects, we are continuously focusing on price and mix management. In parallel, we will continue to execute on our strategic agenda that will create profitable growth opportunities for Billerud for the next ten years and beyond.

I would like to thank our shareholders, customers, employees, and all other stakeholders for your support in 2022, and am looking forward to a successful 2023.



Christoph Michalski
President and CEO

