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Cautiously optimistic after a weak year

Billerud ended 2023 with a healthy balance sheet despite significant market headwinds. Heading into 2024, we have defined three key priorities for profitable growth.

The year in brief

2023 was without doubt a challenging year for Billerud, especially compared to an extremely successful 2022 with record-high financial performance. Early in 2023, our entire industry faced unusually high inventory levels throughout the value chain and it is only recently that we are seeing signs that destocking is phasing out. We adapted to the situation by carrying out production curtailments which resulted in dramatically lower sales volumes. Organic and currency-neutral net sales decreased by 7% in 2023. EBITDA declined on the back of low sales, high input costs and pricing pressures in several of our product categories.

Nonetheless, we maintained strong focus on those items we were able to control in this difficult market, and I am proud of how we performed. Within our efficiency enhancement program, we accomplished meaningful efficiency

gains by working across company functions. We thereby overdelivered on the ingoing 2023 program target. We also kept tight control on our working capital items such as our inventories, resulting in an outstanding cash conversion of 99% for the year.

This enabled a continued healthy financial position and a net debt/EBITDA ratio at year-end well below our target. The Board of Directors proposes a dividend for 2024 of SEK 2.00 per share, corresponding to 65% of the adjusted net profit, which is fully in line with our dividend policy.

Key highlights

We made important progress in several areas in 2023. We implemented a new organization with a clear operating model for our two regions – Europe and North America. We have already seen positive signs of how this new structure provides good conditions for agile, clearer and faster decision-making.

We are continually raising our sustainability ambitions. We have updated our greenhouse gas reduction targets to include our recently acquired North American operations. These targets are aligned with the Paris Agreement goals and are to be validated by the Science Based Targets initiative. Billerud is also a signatory member of the UN Global Compact.

A new recovery boiler was installed at the Frövi mill that will ensure continued long-term and competitive production of high-quality cartonboard. We are particularly pleased that the project to build the recovery boiler was delivered on time and within budget despite plenty of external challenges during construction. Once again, our ability to manage and carry out large and complex capital investments has been successfully proven.



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“Entering 2024, we are cautiously optimistic that our sales volumes will start to recover. We see clear indications that customers’ inventories are returning to normal levels, which should boost our sales.”

Safety first

Health and Safety is our top priority. This is not least noticeable by the fact that the injury frequency rate in Region Europe was record low in 2023. This is a signal that our systematic safety work throughout the organization is going in the right direction. But despite this, last year there was a tragic accident in which an appreciated employee in Frövi died. The news of this incident was received with sadness by all of us at Billerud. To ensure that something like this will never happen again, we have further deepened our preventive safety work in close dialogue with our employees.

We also had an outbreak of blastomycosis infection at the Escanaba mill in the first half of the year. Although we have not found a direct link to the worksite, many fell ill and we are deeply saddened by the death of a person who worked as a contractor at the mill. As a matter of precaution and in close conjunction with health experts and authorities, we took swift action and idled the mill for deep cleaning across the mill. We invited the US National Institute for Occupational Safety and Health (NIOSH) to investigate and are awaiting their final report. However, to date, no

blastomycosis spores have been found and this appears to have been a one-time event.

Priorities for 2024

Going into 2024, we are mobilizing the company around three main priorities:

- 1) Proceed with the preparations for our strategic investment projects
- 2) Update the strategy for Region Europe
- 3) Continue to deliver EBITDA uplifts from our efficiency enhancement program

1. Strategic investment projects

We remain convinced about the opportunities with converting some of our graphic paper assets to board production in the US, but the transformation must deliver strong shareholder value. We continue to fine-tune the scope of the project and remain in close dialogue with suppliers. Meanwhile, we are strengthening our market position for paperboard in North America through exports from Europe. Our plans to start bleached chemi-thermomechanical pulp (BCTMP) production together with Viken Skog in Norway is also proceeding. We have completed the feasibility study and submitted the application for the necessary environmental permit.

2. Strategy for Region Europe

In 2024 we will update the strategy for Region Europe as we must be agile to face the new reality of structurally higher input prices, particularly for Nordic and Baltic pulpwood, which is our largest raw material cost. Prices are expected to remain elevated compared to historical levels. We aim to improve profitability and maintain positive cash generation across all production units. We are determined to make bold moves to secure the sourcing of cost competitive fiber by entering new partnerships, applying technical improvements to reduce fiber consumption, and increasing our field wood purchasing. We also see substantial potential for improved efficiency in the way we work and operate our mills.

3. Efficiency enhancements

We have several sizable building blocks for 2024 within our efficiency enhancement program. For example, we will rearrange and optimize our outbound logistics structure in Europe. The process to reduce our workforce by 350 positions is ongoing and will provide structural savings already this year. The efficiency enhancement program is in total expected to deliver



an additional EBITDA uplift of SEK 700 million by the end of 2024.

Outlook

Entering 2024, we are cautiously optimistic that our sales volumes will start to recover. We see clear indications that customers’ inventories are returning to normal levels, which should boost our sales. However, consumption in certain categories will likely be negatively impacted by continued geopolitical and macroeconomic uncertainties. We will remain focused on those areas within our control and will execute plans to realize efficiencies. We are optimistic about the strategic investment opportunities that will be decisive for Billerud's future direction.

I want to conclude by thanking our shareholders and customers for your

trust, and employees for your hard work and commitment. I am honored to be given the task to lead this fantastic company going forward. Billerud has a proud history of 150 years of engineering and innovation excellence, talented employees, a customer-focused corporate culture, and not the least, high-performance packaging materials that can make the world more sustainable. I look forward to continuing with the work to realize Billerud's full potential.

Ivar Vatne
President and CEO

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