

Improved profit and cash delivery in continued weak market conditions

| Interim report January-September 2023



Ivar Vatne
Acting CEO



Andrei Krés
Acting CFO



Performance and key highlights

Q3 2023

Higher sales volumes compared to last quarter, offset by negative mix and price deterioration

Sequentially lower input costs and lower than normalized fixed cost

Efficiency enhancement program on track – delivered SEK 175 million in the quarter

Earnings per share positively impacted by recognition of tax credits in the US

Strong operating cash flow with tight control on working capital

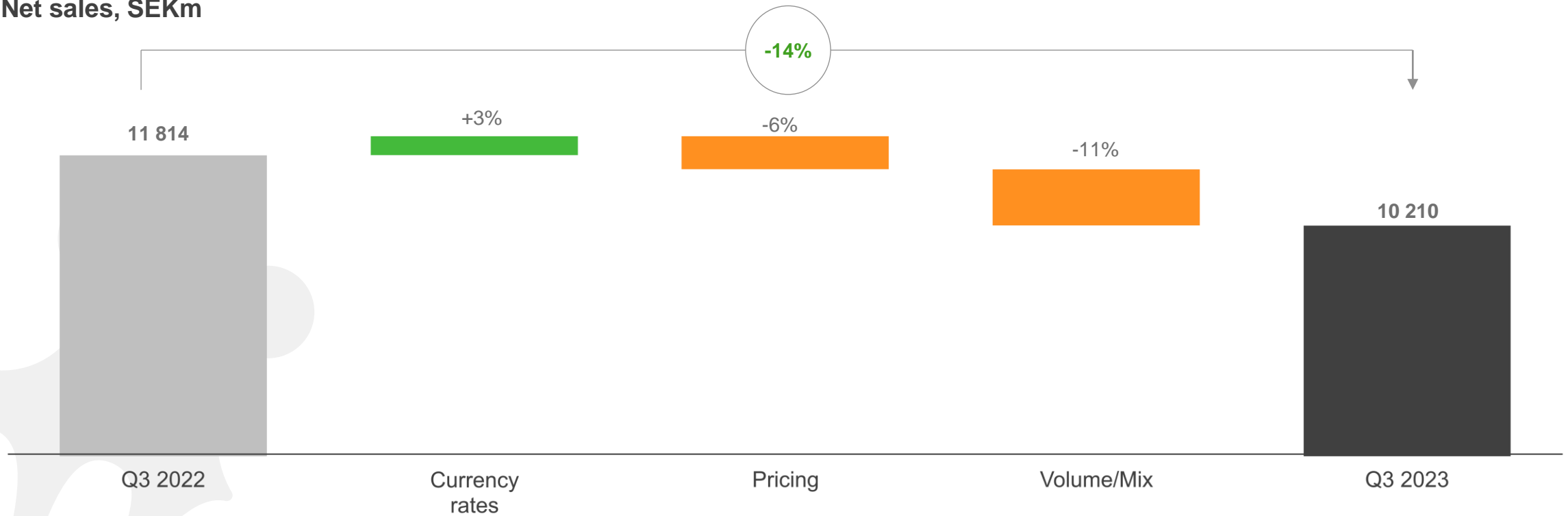
Frövi recovery boiler project completed on time, spec and budget

SEKm	Q3-23	Change vs Q3 2022
Net sales	10,210	-14%
Adjusted EBITDA	1,167	-47%
<i>% of net sales</i>	<i>11%</i>	<i>-8 ppt</i>
Operating profit – EBIT	415	-73%
<i>% of net sales</i>	<i>4%</i>	<i>-9 ppt</i>
Operating cash flow before capex	1,082	-43%
EPS	2.64	-51%

Q3'23:

Net sales declining in the wake of lower pricing & volume and negative mix impact

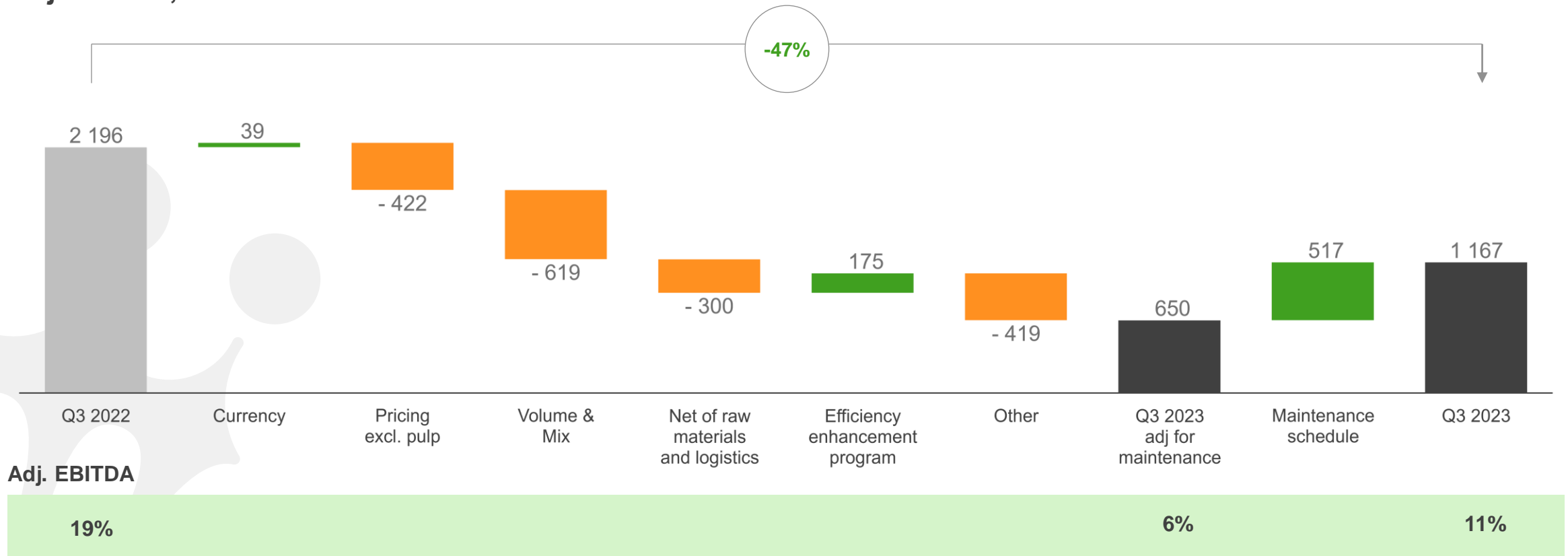
Net sales, SEKm



Q3'23:





Efficiency enhancement program delivery a highlight in weak market conditions

Adj EBITDA, SEKm



General weak market conditions during the quarter

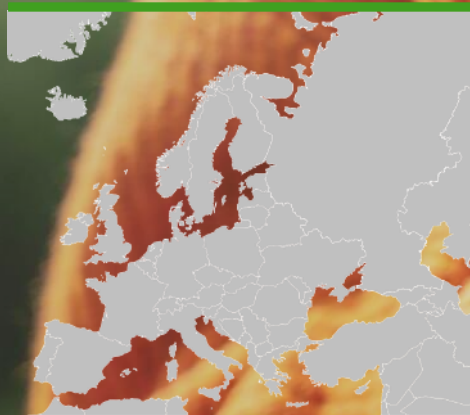
Unchanged conditions expected for Q4

Sales split, % ¹	 Food & Drink	 Printing & Publishing Papers	 Consumer & Luxury	 Industrial
LPB (8.6bn)	100%			
Cartonboard (3.5bn)	25%		75%	
Containerboard (5.5bn)	80%		10%	10%
Kraft & Speciality Paper (5.2bn) ²	50%		30%	10%
Sack Paper (3.9bn)	15%			85%
Graphical Paper (8.6bn)		100%		
Share of Group Net Sales³	~40%	~20%	~10%	~10%
Billerud Market status Q3'23	Normal / Weak	Weak	Weak	Weak
Billerud Market trend outlook	Normal / Weak	Weak	Weak	Weak

1) 2022 Net Sales in bn SEK. 2) Excluding medical paper. 3) Total Group Net Sales include Currency hedging and Solutions & Other, not allocated to end-use segments

REGION

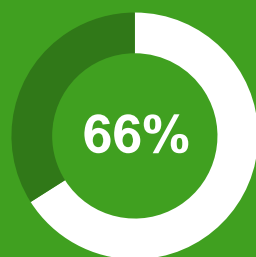
Europe



Region

Europe


- Sequentially improving sales volumes in all categories
- Continued weak conditions for all categories except LPB, which is more normalized
- Broad-based price decline with the exception for LPB
- Lower fixed cost
- Sequential decrease in total input cost



Share of net sales
Q3 2023


SEKm	Q3-23	Q3-22	Change
Net sales	6,765	7,332	-8%
<i>Liquid packaging board</i>	2,415	2,041	+18%
<i>Containerboard</i>	1,392	1,462	-5%
<i>Kraft and specialty paper</i>	908	977	-7%
<i>Sack paper</i>	722	1,122	-36%
<i>Cartonboard</i>	708	973	-27%
<i>Pulp</i>	566	661	-14%
Net operating expenses	-5,863	-5,566	+5%
EBITDA	902	1,766	-49%
EBITDA margin	13%	24%	-11 ppt

Total input costs declined. Fiber costs peaking in the quarter. Further cost relief expected in Q4




**Higher cost
for fiber**

Fiber prices peaking during
the quarter




**Lower cost
for chemicals**

Price decline on the
back of lower demand
and energy costs



**Lower
energy costs**

67% of electricity
consumption for
2023 hedged



**Stable
logistics
costs**

New overseas freight
agreement yielding
savings in Q3

REGION

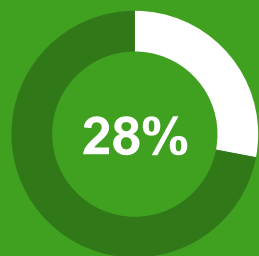
North America



Region

North America

- Sequentially improving sales volumes in a continued weak market
- Stable pricing for graphic paper, lower pricing in specialty and pulp
- Mills operating at <60% of capacity
- Negative mix effect from higher pulp sales



Share of net sales
Q3 2023

SEKm	Q3-23	Q3-22	Change
Net sales	2,839	3,717	-24%
<i>Graphic paper</i>	2,148	2,834	-24%
<i>Specialty paper</i>	364	615	-41%
<i>Pulp</i>	327	268	+22%
Net operating expenses	-2,372	-3,195	-26%
EBITDA	467	522	-11%
EBITDA margin	16%	14%	+2 ppt

Continued stability in North American cost base

Expected to continue into Q4



**Lower
cost for
fiber**

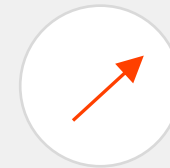


**Lower cost
for chemicals**



**Lower energy
costs**

78% of natural
gas consumption
hedged for 2023



**Higher
logistics
costs**

Higher costs on
the back of
higher volumes

Delivering excellent cash generation through strong focus on working capital

Strong operating cash flow conversion at 93%

Net Debt / EBITDA of 1.4 – well below target of <2.5

North America pension plan fully funded

CAPEX guidance for 2023 slightly modified

~ SEK
3.0 bn

Base CAPEX SEK 2.0 bn
(1.5 Europe // 0.5 NA)

Frövi recovery boiler
SEK 1.0 bn

CAPEX guidance for 2024

~ SEK
2.3 bn

Base CAPEX SEK 2.2 bn
(1.5 Europe // 0.7 NA)

Frövi recovery boiler
SEK 0.1 bn

SEKm	Q3-23	Q3-22
Profit before tax	372	1,743
Adjustments for non-cash items	374	306
Taxes paid	2	-37
Cash flow from changes in working capital	361	-113
Cash flow from operating activities	1,082	1,899
Investments in tangible and intangible assets	-638	-969
Operating cash flow after investments in tangible and intangible assets	444	930

SEKm	Q3-23	Q3-22
Net debt	6,937	5,096
Net debt / adjusted EBITDA	1.4	0.7
Adjusted ROCE %	6%	17%

Further actions to improve efficiency, profitability and long-term competitiveness

Reducing global workforce with up to 350 positions

Staff reductions within all functions in Region Europe, Region North America and Group functions

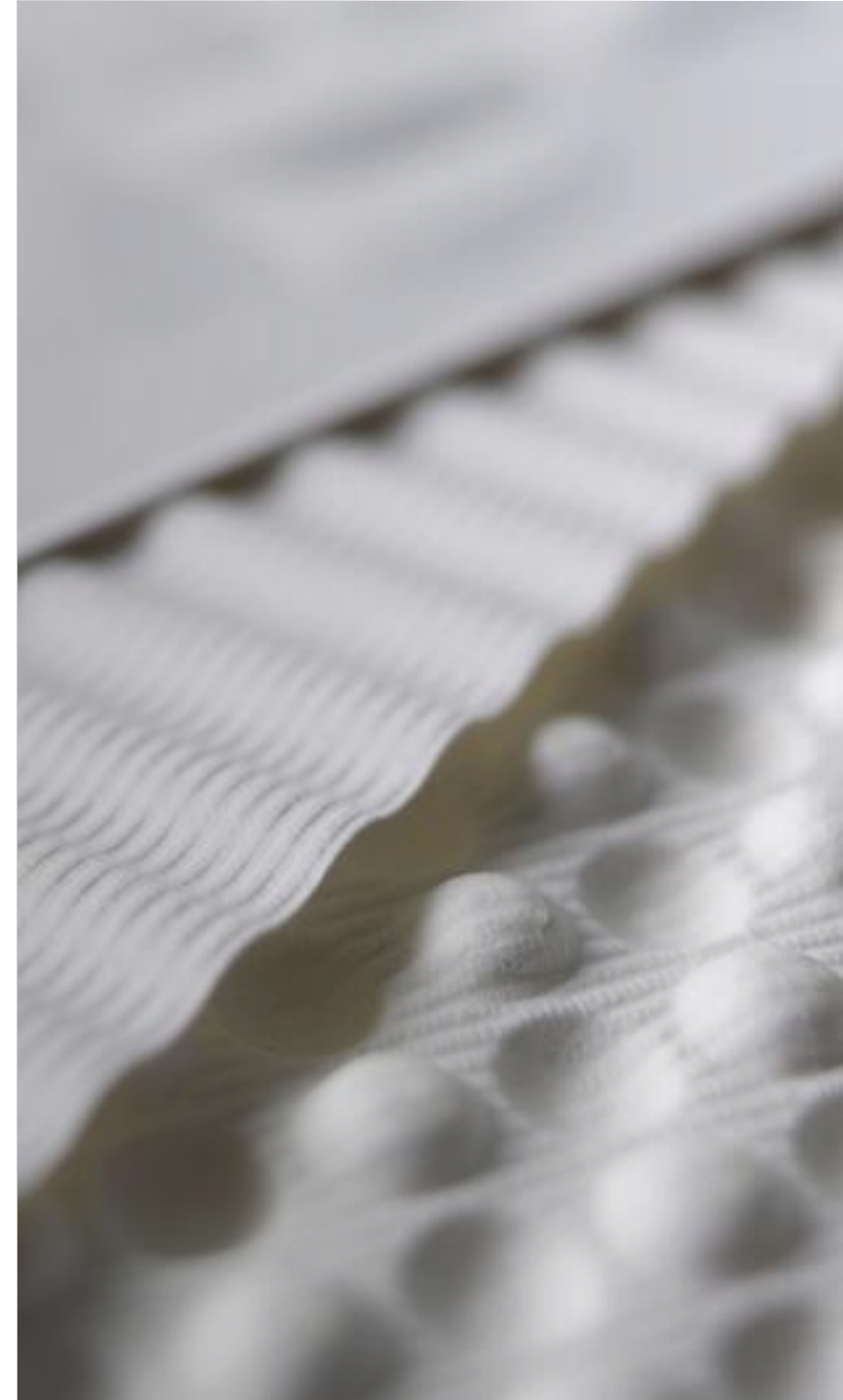
Union involvement / negotiations will commence according to local procedure in each region

300 M SEK

Annualized impact with majority of run-rate savings in 2024

100 M SEK

Estimated restructuring costs recorded as IAC in Q4'23



We challenge
conventional packaging
for a sustainable future



Printed and converted on Billerud Supreme 175 gsm / 8.5 pt liner and B-flute.



Efficiency enhancement program: Accelerated delivery in Q3 and on-track for 2023 ambition. Now preparing for 2024

Accelerated Progress in 2023

- Impact of 175M SEK in Q3
- 400M SEK impact year to date (Q1-Q3)
- Well on track to deliver 600M SEK in 2023

Ambition to deliver additional 700M SEK in 2024 (vs 2023)

- FTE reduction included

Highlighted initiatives with impact in Q3

- Commercial: Charge for overdue inventory to decrease working capital
- Procurement: Cross-qualify suppliers across multiple mills to improve input prices
- Pricing: Restructure contractual setup with major pulp customer to improve contribution
- Operations: Optimize energy consumption and production based on spot price to offset energy cost

175M SEK

Impact in Q3

400M SEK

Impact year to date (Q1 – Q3)

Frövi recovery boiler **completed** – on time and on budget

New recovery boiler has been put into operation

The new fossil-free boiler will enable increased energy efficiency and improved environmental performance

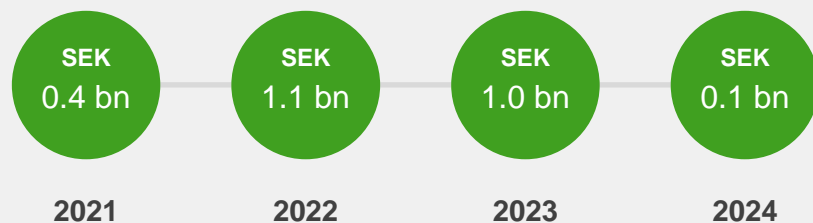
Excellent project management – the project delivered on time and budget, despite external challenges

Capacity will allow for higher pulp production

Total investment,
as planned



SEK
2.6 bn



Decision on our North American transformation investment program is delayed

The business fundamentals and strategic fit for paperboard production in North America continue to be strong

The transformation in US remains Billerud's most important growth opportunity



Economic conditions have changed dramatically over the past two years



Alternatives are being evaluated – scope and phasing



Decision for the complete NA transformation investment program is delayed. Will revert back when ready



Continued execution on strategy by focusing on packaging materials. Additional non-core assets have been divested

Divestment of ownership in Kezzler AS (venture) in Q3

- Marginal impact from transaction

Divestment of Managed Packaging in Q3

- Result effect of SEK 23 million and negative cash flow effect in Q3
- Managed Packaging net sales of SEK 770 million and EBITDA margin of ~5%*

Divestment of ownership in Paboco (JV) in Q4

- Impairment of SEK 52 million in Q3
- Positive cash flow effect of around SEK 80 million in Q4

Process ongoing to divest non-strategic forest land of 9,000 hectares in Sweden

* 2022 Actuals

Outlook for Q4 2023



Customer destocking largely completed, however continued weak demand driven by subdued macroeconomic environment



Negative mix for most categories and lower sales prices for sack and kraft paper, partly offset by lower input costs



Further steps are taken to drive efficiency and long-term competitiveness through reducing up to 350 positions





BILLERUD

