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Interim report January-June 2023

Navigating challenging market conditions

20th of July 2023

Christoph Michalski, CEO & Ivar Vatne, CFO

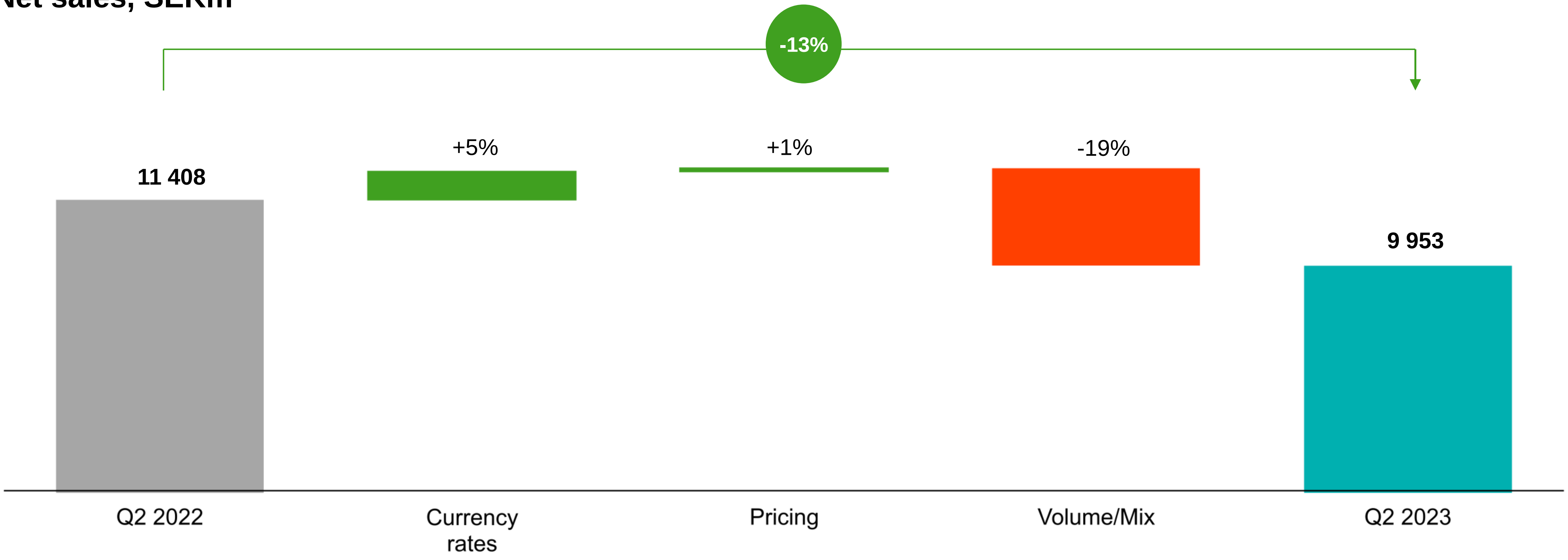
Performance and key highlights Q2 2023

- Low volumes due to continued customer inventory destocking and soft end market demand
- Stable sales prices in North America, price deterioration in Europe in some categories from record 2022 levels
- Lower input costs did not offset price deterioration
- Escanaba mill resumed operations on May 8th after three weeks idling for deep cleaning due to blastomycosis outbreak
- Revaluation of inventory impacted EBITDA
- Positive cash flow for the quarter with tight control on inventories
- Raised ambition of efficiency enhancement program to SEK 600 million

SEKm	Q2-23	Change vs Q2 2022
Net sales	9,953	-13%
Adjusted EBITDA	188	-92%
% of net sales	*2%*	*-18 ppt*
Operating profit – EBIT	-496	-131%
% of net sales	*-5%*	*-19 ppt*
Operating cash flow before capex	331	-87%
EPS	-1.94	-128%

Q2’23: Unprecedented soft volume sends net sales into decline

Net sales, SEKm



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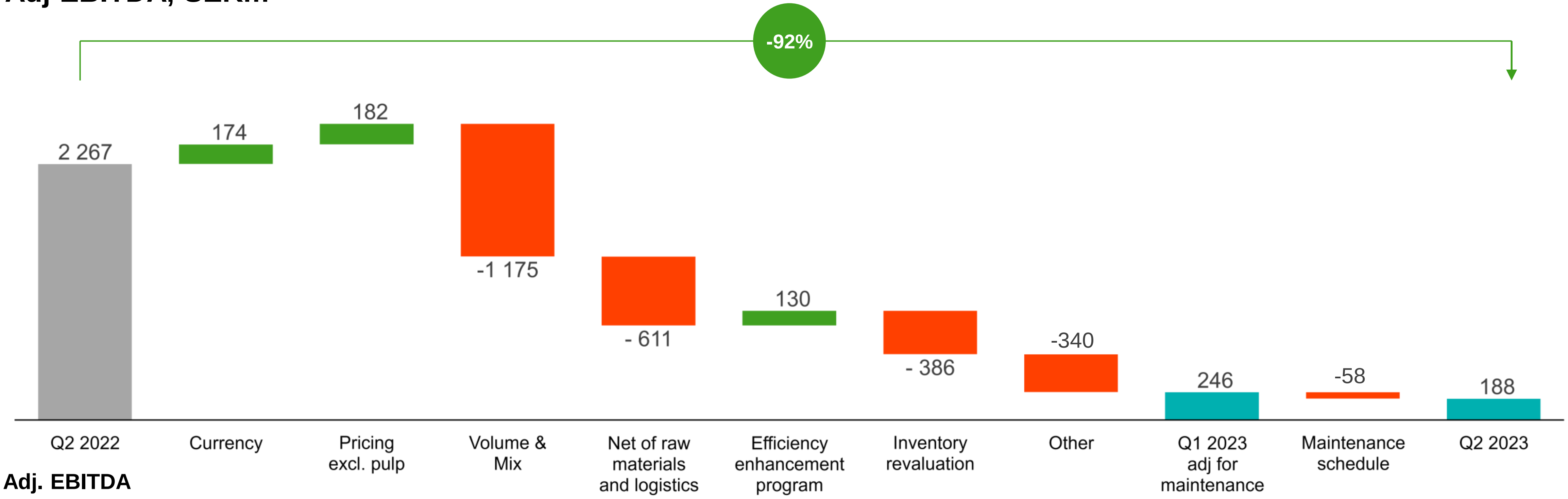
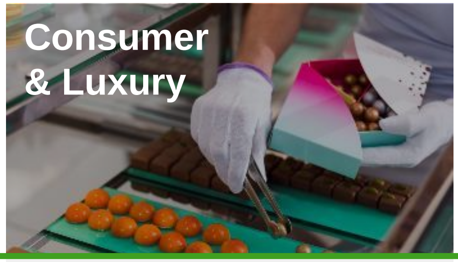
Q2’23: Volume loss and cost inflation wipe out most of the profitability. Only partly off-set by pricing, efficiency enhancement program and FX

Adj EBITDA, SEKm



Adj. EBITDA	Q2 2022	Q1 2023 adj for maintenance	Q2 2023
	20%	2%	2%

Highly challenging market conditions during the quarter
Not expecting improved conditions going into Q3

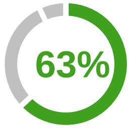

Sales split, %[1]	Food & Drink	Printing & Publishing Papers	Consumer & Luxury	Industrial
LPB (8.6bn)	**100%**			
Cartonboard (3.5bn)	**25%**		**75%**	
Containerboard (5.5bn)	**80%**		**10%**	**10%**
Kraft & Speciality Paper (5.2bn)[2]	**50%**		**30%**	**10%**
Sack Paper (3.9bn)	**15%**			**85%**
Graphical Paper (8.6bn)		**100%**		
Share of Group Net Sales[3]	~40%	~20%	~10%	~10%
Billerud Market status Q2'23	Stable / Challenging	Challenging	Challenging	Challenging
Billerud Market trend outlook	Stable / Challenging	Challenging	Challenging	Challenging

[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

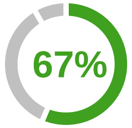
New reporting structure from Q2’ 23 to capture our operating model

Region Europe

Net sales



EBITDA



6 production units in Sweden
1 production unit in Finland

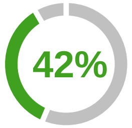
Annual production capacity
3.1 million tonnes

Products
Liquid Packaging Board
Cartonboard
Containerboard
Kraft and speciality paper
Sack paper
Pulp

Region North America

Net sales

EBITDA



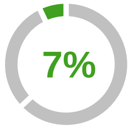
2 production units in USA
1 sheeting facility in USA

Annual production capacity
1.3 million tonnes

Products
Graphic paper
Speciality paper
Pulp

Solutions & Other[1]

Net sales



EBITDA

Includes[2]
Procurement & Wood supply
Group-wide functions
Group eliminations
Currency hedging
Managed Packaging
Scandfibre Logistics
Consolidated Water Power Company
Idle and dormant assets

[1] Solutions & Other including Currency hedging etc. [2] For detailed description of Solutions & Other and Currency hedging etc please refer to p. 20 in January - June 2023 interim report

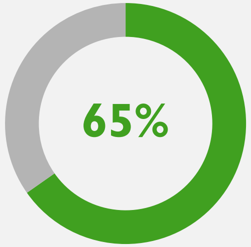
Net sales & EBITDA R12M Q2-23

General

Region

Europe

Region
Europe



Share of net sales
Q2 2023

SEKm	Q2-23	Q2-22	Change
Net sales	6,495	6,766	-4%
Liquid packaging board	*2,242*	*2,108*	*+6%*
Containerboard	*1,227*	*1,275*	*-4%*
Kraft and specialty paper	*936*	*862*	*+9%*
Sack paper	*714*	*902*	*-21%*
Cartonboard	*677*	*954*	*-29%*
Pulp	*634*	*582*	*+9%*
Net operating expenses	-6,379	-5,167	+23%
EBITDA	116	1,599	-93%
EBITDA margin	2%	24%	-22 ppt

- Highly challenging quarter
- Soft demand – market curtailment in most mills
- Massive input cost inflation – first and foremost on fiber / pulpwood
- Negative sales mix from higher relative pulp sales
- Flat pricing, support from FX and efficiency enhancement program

Decreasing input costs in Europe with exception being fiber
Expects further input cost help going into Q3

Higher cost for fiber

Increased pricelists in Sweden driving fiber cost

Lower cost for chemicals

Price decline on the back of lower demand and energy costs

Lower energy cost

67% of electricity consumption for 2023 hedged

Stable logistics cost

New overseas freight agreement yielding savings in Q3

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Region

North America

Region

North America

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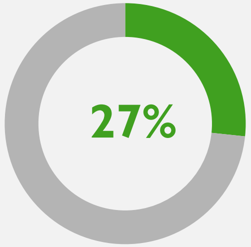

Share of net sales
Q2 2023

- Highly challenging quarter
- Very soft volume – mills operating at 50-60% of capacity
- Escanaba restored production after Blastomycosis idling as per plan
- Underlying profitability robust

SEKm	**Q2-23**	**Q2-22**	**Change**
Net sales	2,655	3,738	-29%
Graphic paper	*1,914*	*2,823*	*-32%*
Kraft and specialty paper	*380*	*615*	*-38%*
Pulp	*361*	*300*	*+20%*
Net operating expenses	-2,450	-2,978	-18%
EBITDA	205	760	-73%
EBITDA margin	8%	20%	-12 ppt

Stable cost situation in North America during Q2
Expects relatively flat situation going into Q3

Stable cost for fiber

Stable cost for chemicals

Slightly lower energy cost

78% of natural gas consumption hedged for 2023

Slightly lower logistics cost

Lower costs on the back of lower volumes

Inventory reduction and focus on working capital helped operating cash performance in the quarter

- Strong cash flow conversion through continued diligent focus on inventory reduction
- Dividend pay-out of SEK 1.9 billion
- Healthy financial position with Net Debt / EBITDA of 1.3 – well below target of <2.5
- New syndicated credit facility of SEK 5.5 billion secured

Unchanged CAPEX guidance for 2023:

- ~ SEK 2.9 bn
  - Base CAPEX SEK 2.0 bn (1.5 Europe // 0.5 NA)
  - Frövi recovery boiler SEK 0.9 bn

SEK m	Q2-23	Q2-22
Profit before tax	-558	1,804
Adjustments for non-cash items	595	312
Taxes paid	-169	-43
Cash flow from changes in working capital	464	411
Cash flow from operating activities	**331**	**2,484**
Investments in tangible and intangible assets	-798	-815
Operating cash flow after investments in tangible and intangible assets	**-467**	**1,669**

SEK m	Q2-23	Q2-22
Net debt	7,965	6,593
Net debt / adjusted EBITDA	1.3	1.1
Adjusted ROCE %	9%	15%

Profit and efficiency enhancement program on track to meet 2023 raised ambition

- Positive program effect and mobilization seen across organization
- Program delivery accelerated to improve profitability
- Raised ambition from 400M to 600M SEK EBITDA impact in 2023
- 225M SEK EBITDA impact during first 6 months
- Continuously identifying activities to build pipeline for 2024-2025

Highlighted initiatives with impact in Q2

- Wood supply: Increase share of field wood purchases to improve cost levels
- Mix: Optimize customer and product mix to drive increased profitability
- Procurement: Engage with suppliers to jointly identify efforts to reduce variable costs
- Operations: Optimize consumption rates of high-cost chemicals to minimize production costs

Blastomycosis: Escanaba back to normal production

Timeline

- 3rd of March first cases of Blastomycosis were recorded in Escanaba mill
- Company engaged with local, state and federal health experts and government agencies and have implemented the recommendations
- 14th of April mill temporarily closure was announced to perform deep cleaning
- On 8th of May the mill resumed normal operations

Testing and Sampling by NIOSH under analysis

- 608 employees and contractors participated in NIOSH survey and testing
- 477 environmental samples were taken and are being analyzed. Results to date have not detected any blastomyces fungus.
- Full report will be published and made publicly available in due course

Total Q2 impact around 85m SEK

Good progress on all critical capital projects

Frövi recovery boiler will start up ahead of time and marginally under budget

- Biofuel recovery boiler enters operation in September, four months ahead of schedule
- Marginal capex savings despite increase scope for fossil-free operation
- Excellent project execution despite Swedish cement crisis and Covid disruptions

USA Transformation project progressing well

- Scope includes: Carton board machine, new wood yard, BCTMP plant, and significant upgrades across the mill for cost effective operation and significant sustainability improvement
- Future mill infrastructure will be able to accommodate additional carton board machine in the future
- Project significance requires more time to reach the necessary project planning quality before ordering of equipment can take place, expected towards the end of the year
- Grant and tax support agreement signed with the Michigan state government

BCTMP JV and wood supply agreement with Viken Skog on track

- Project focuses on establishing a BCTMP plant in Follum, Norway, and a long-term purchase agreement for wood to Billerud
- Deal to be closed with the finalization of the feasibility phase and positive CAPEX decision by both parties

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Focus on core and packaging material as per strategy – Divestments of non-core assets during the quarter

Divestment of Managed Packaging announced early July

- Closing expected during Q3
- Managed Packaging net sales of SEK 770m and EBITDA margin of ~5%*
- Result effect of transaction approx. SEK 20m, will be reported as an item affecting comparability in Q3

Ownership in Kezzler AS (venture) divested early July

- Marginal impact from transaction

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

*2022 actuals

Outlook for Q3 2023

- Weak demand expected to continue
- Continued production curtailments
- Negative mix impact and some price reductions, only partly offset by lower input costs
- Accelerated delivery of the efficiency enhancement program

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