



BILLERUDKORSNÄS

Interim report Jan–Jun 2022

Record financial results in a milestone quarter

Q2
2022

20 July 2022



Christoph Michalski, CEO and Ivar Vatne, CFO



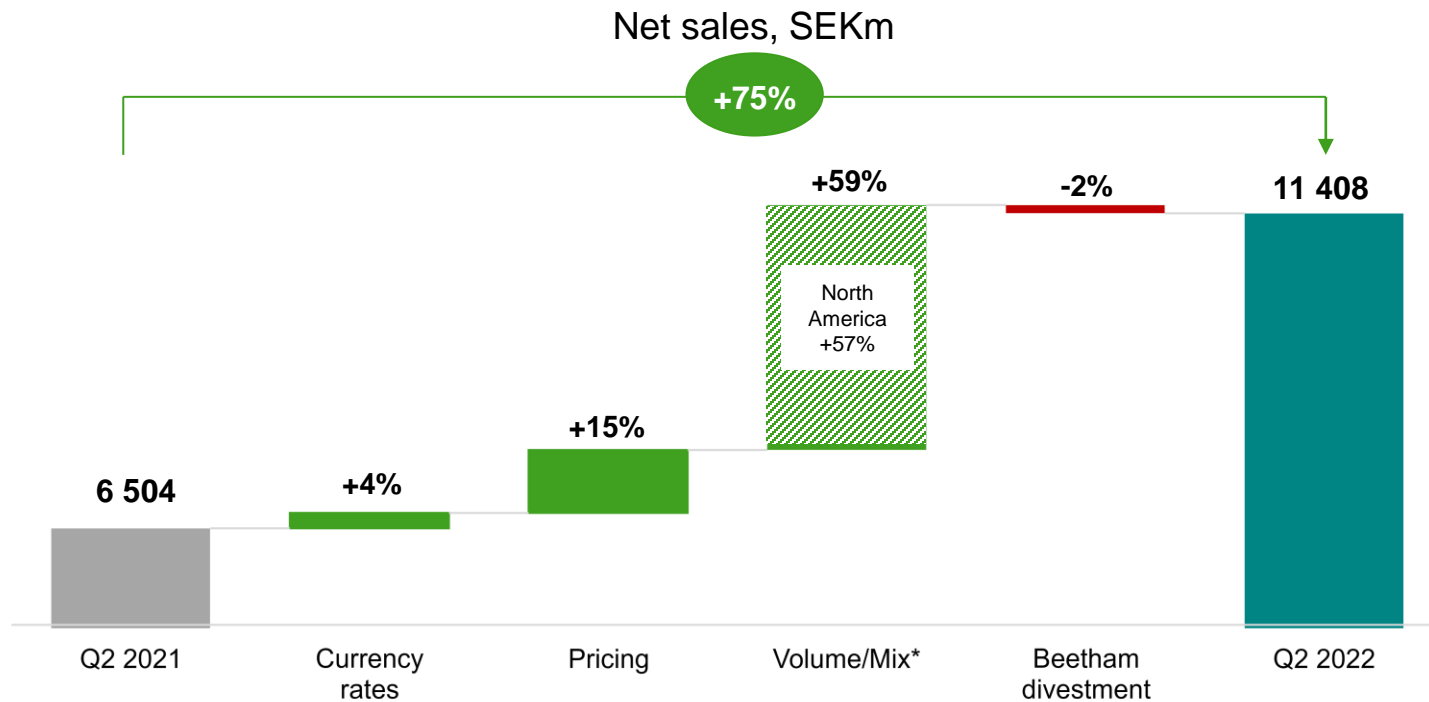
Performance and key highlights Q2 2022

- ⤵ First quarter with Verso included – net sales +75%
- ⤵ Strong organic growth, both in Europe +17% and North America +19%
- ⤵ All-time-high EBITDA and operating cash flow. EPS up more than 4x vs LY
- ⤵ Price and mix improvements more than offset cost inflation
- ⤵ Excellent cash delivery and strong balance sheet position

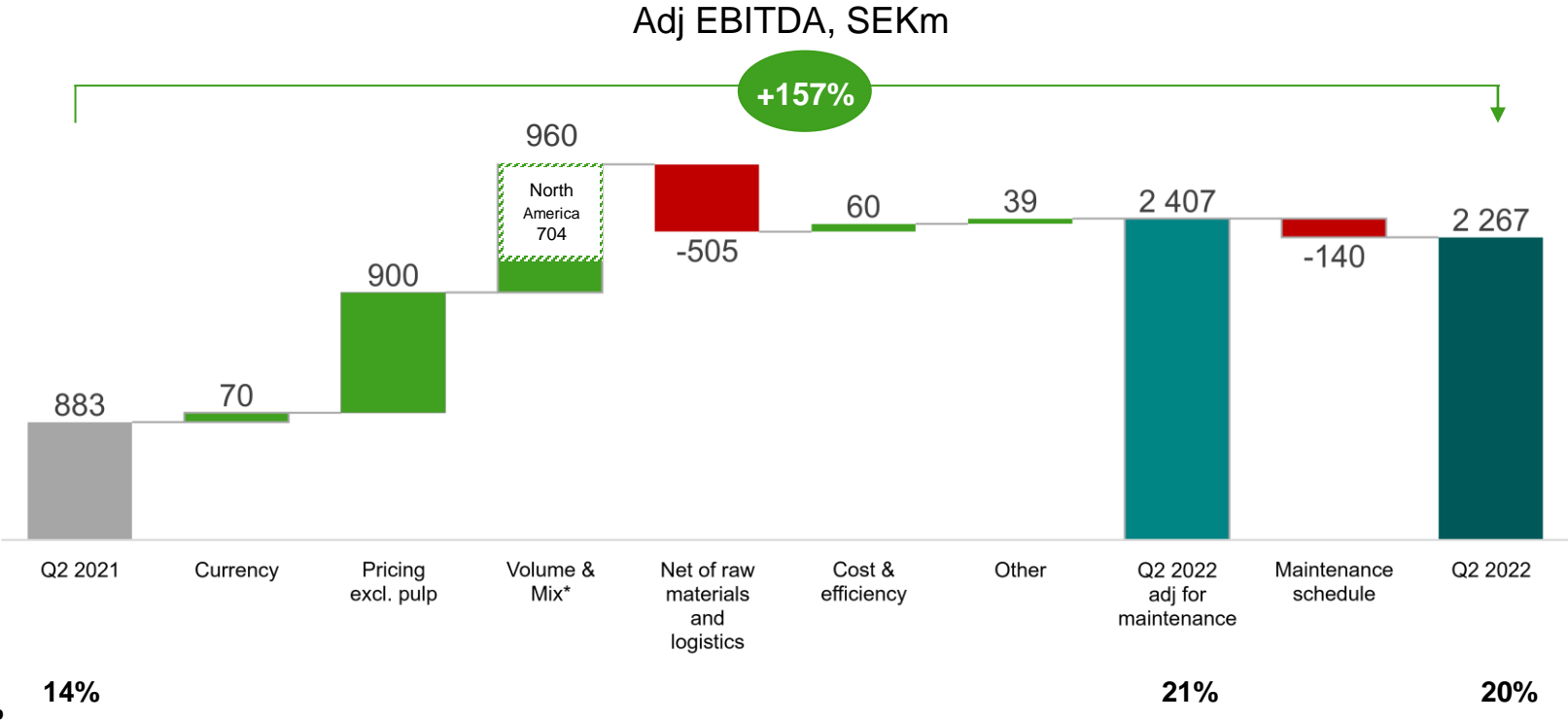
KEY FIGURES

SEKm	Q2-22	Change vs Q1-21
Net sales	11 408	+75%
Adjusted EBITDA	2 267	+157%
<i>% of net sales</i>	<i>20%</i>	<i>+6 pp</i>
Operating profit – EBIT	1 609	+298%
<i>% of net sales</i>	<i>14%</i>	<i>+8 pp</i>
Operating cash flow after capex	1 669	96%
EPS	6.83	+455%

Outstanding sales growth through focus on price management and mix improvement – for both Europe and North America



EBITDA more than doubled in the wake of continued strong market momentum and adding profitable North America region



Adj EBITDA % 14%

*Consolidation of Verso

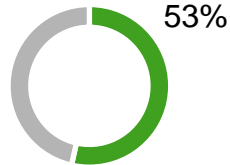


Product area Paper

KEY FIGURES

Including Billerud North America from 1 April, 2022

Share of net sales
Q2 2022



SEKm	Q2-22	Q2-21	Change
Net sales	6 094	2 039	199%
<i>of which graphic paper</i>	2 823	–	–
<i>of which kraft and speciality paper</i>	1 477	920	61%
<i>of which sack paper</i>	902	630	43%
<i>of which pulp</i>	882	480	84%
Net operating expenses	-4 743	-1 674	183%
EBITDA	1 351	365	270%
EBITDA margin	22%	18%	4 pp

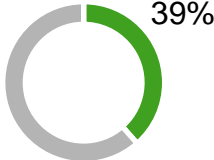
- ⌚ All categories performing well - double digit topline growth across all segments. Organic growth +18% (excl Beetham // North America)
- ⌚ EBITDA almost tripled and margin expansion due to price management, driving positive mix, benefits from our cost and efficiency programme and adding North America



Product area Board

KEY FIGURES

Share of net sales
Q2 2022



SEKm	Q2-22	Q2-21	Change
Net sales	4 410	3 642	21%
<i>of which liquid packaging board</i>	2 108	2 009	5%
<i>of which cartonboard</i>	1 275	984	30%
<i>of which cartonboard</i>	954	554	72%
Net operating expenses	-3 402	-3 086	10%
EBITDA	1 008	556	81%
EBITDA margin	23%	15%	8 pp

- ⦿ Strong net sales growth. Excl FX +18% vs LY
- ⦿ All categories delivered solid growth
- ⦿ EBITDA almost doubled and margin expansion due to price management, driving positive mix and benefits from our cost and efficiency programme

Intensified cost inflation in Q2 and expected further price pressure going forward in Q3 - in particular for European pulpwood

Higher cost for fibre



European wood market strongly impacted by Russian import stop. Europe and North America affected by fuel inflation

Higher cost for chemicals



Sharp price inflation during Q2. Starting to stabilize, but strong correlation with energy prices

Higher energy cost



Two thirds of electricity consumption hedged. Volatile high prices for fossil fuels.

Higher logistics cost



Challenge in global logistics: availability and reliability impact cost

Strong operating cash flow and successful rights issue significantly reducing debt leverage

- ⦿ Excellent cash flow conversion driven by positive WC help
- ⦿ Net debt / adj EBITDA ratio significantly reduced through positive cash flow and our successful rights issue
- ⦿ Dividend of SEK 890 m distributed

CAPEX outlook 2022 remains unchanged:

- ⦿ Base CAPEX (incl Verso) SEK 2.2 bn
- ⦿ Frövi recovery boiler SEK 1.1 bn

SEK m	Q2-22	Q2-21
Operating surplus	2 162	769
Change in working capital	411	560
Net financial items, taxes, etc.	-89	-28
Operating Cash Flow (OCF)	2 484	1 301
Operative investments	-815	-451
Operating cash flow after operative investments	1 669	850









SEK m	Q2-22	Q2-21
Net debt	6 593	5 290
Net debt / adjusted EBITDA	1.1	1.7

Transformation program - status

- ④ Concept study completed confirming ingoing (business case) assumptions
- ④ Pre-feasibility started in June – expected completion during 1H'23
- ④ Program leader reporting to CEO and project team being established
- ④ Project areas clearly defined
 - > Technology readiness
 - > Product readiness
 - > Mill readiness
 - > Business readiness
- ④ Project milestones:
 - > CAPEX approval: end 1H'23
 - > Expected machine downtime: 2025
 - > Expected machine start-up: end 2025 // early 2026



Business status and market outlook continue to look positive

				
Sales split, % ¹	Food & Drink	Printing and Publishing Papers	Consumer & Luxury	Industrial
LPB (7.9bn)	100%			
Cartonboard (2.2bn)	25%		75%	
Containerboard (4.4bn)	80%		10%	10%
Kraft & Speciality Paper (5.4bn) ²	50%		30%	10%
Sack Paper (2.6bn)	15%			85%
Graphical Paper (7.5bn)		100%		
Share of Group Net Sales³	40%	20%	10%	10%
BK Market status Q2'22	Stable	More positive	More positive	More positive
BK Market trend outlook				

¹ 2021 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

Positive outlook for Q3 across the whole business

- ④ Continued strong demand across all market segments and all regions
- ④ Price management, driving profitable mix and cost management to off-set cost inflation
- ④ Maintenance and upgrade stops planned for Q3:
 - *Gävle, Karlsborg and Escanaba maintenance stops (P/L impact accumulated SEK 435m)*
 - *Quinnesec maintenance and upgrade (P/L impact SEK 400M)*
 - *Higher grammage upgrade and operational flexibility of Q41*
 - *Increased pulp production 30K tons yearly*
 - *Pulp expected downtime 37 days // machine downtime 14 days*
 - *Expected additional yearly benefits SEK 70-100M*
- ④ Continuous economic uncertainty due to inflationary pressures and war in Ukraine – *unlikely to significantly impact our business*



Priorities 2H'22 and 2023

- ⦿ Deliver on strategic objectives of sales growth, productivity and cost savings
-
- ⦿ Market outlook in our segments remains attractive
- ⦿ Strategic projects and programs well on track
 - › Frövi recovery boiler (expected start-up end'23)
 - › Norway BCTMP pre-feasibility
 - › Integration Billerud North America well underway
 - › Transformation entering pre-feasibility





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