ABGSC Nordic Materials 2023

Ivar Vatne, CFO and Deputy CEO
Billerud in brief

Net sales

42.6 SEK bn

Sales volume

3.6 million tonnes

Production units

Gruvön
Gävle
Frövi/Rockhammar
Skärblacka
Karlsborg
Pietarsaari
Escanaba
Quinnesec
Wisconsin Rapid

6,100 employees

Share of net sales

51%
Product area Paper

42%
Product area Board

7%
Solutions & Other
High-quality packaging material of virgin fibre

PRODUCT AREA BOARD ~ 40% of total Net Sales
- Fluting
- Liner
- 3D Paper
- Cartonboard
- Liquid Packaging Board

PRODUCT AREA PAPER ~55% of total Net Sales
- Graphic Paper
- Sack Paper
- Kraft paper (speciality paper)
- Kraft Paper (bags)
- Kraft Paper (medical)
Sustainability at the core of our business

1. Wood from sustainably managed forests
2. Most production run on biofuels and the process creates green energy
3. Products that replace less sustainable alternatives
4. Biodegradable material
5. Recycling creates new products

Wood fibres – the entire tree is used

Human capital: 6,100 employees
Manufacturing capital: 10 mills
Natural capital: 15 million m$^3$ raw material

Production
- Energy
- Heat
- Biofuel

Customers

Consumers

Recycling
Trends affecting our industry and fuels positive category growth

- Need for higher sustainability and circularity
- Increased need for packaged goods
- Digitalisation offer opportunities
- Focus on health and safety
- Forest as a valuable resource
9 production sites in Nordics and US

- **Gruvön**: 870 kt/year*  Approxf. 790 employees
- **Frövi/ Rockhammar**: 500 kt/year  Approxf. 540 employees
- **Gävle**: 755 kt/year  Approxf. 710 employees
- **Karlsborg**: 335 kt/year  Approxf. 380 employees
- **Pietarsaari**: 200 kt/year  Approxf. 120 employees
- **Skärblacka**: 460 kt/year  Approxf. 630 employees
- **Escanaba**: 700 kt/year  Approxf. 830 employees
- **Quinnesec**: 400 kt/year (paper)  Approxf. 420 employees
- **Wisconsin Rapids**: (Sheeting)

*Production capacity per year*
Macro-economic uncertainty in the aftermath of the pandemic
## 2022

Excellent financial results

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic and currency-neutral growth</td>
<td>16%</td>
</tr>
<tr>
<td>EBITDA, SEK bn</td>
<td>8.2</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>19%</td>
</tr>
<tr>
<td>Interest-bearing net debt/EBITDA</td>
<td>0.6</td>
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</tbody>
</table>
2022

Key events during the year

Joint Venture with Viken Skog

Acquisition of Verso

Name change
Proposed shareholder dividend

- Ordinary dividend: SEK 5.50 and extraordinary dividend: SEK 2.00

- 174% increase compared with 2021
- 28% increase of ordinary dividend

Graph showing dividend rates from 2018 to 2022:
- 2018: SEK 4.30
- 2019: SEK 8.60
- 2020: SEK 4.30
- 2021: SEK 4.30
- 2022: SEK 7.50

Legend:
- Green: Ordinary dividend
- Orange: Extraordinary dividend
Strategy for a sustainable, profitable growth

COMMERCIAL
- **Paperboard**: Drive the powerhouse in Europe and deliver growth ambition in North America
- **Liquid packaging board**: Long-term profitable growth with select customers
- **Sack and kraft paper**: Improve mix by growing share of target applications
- **Innovation**: Step up impact led innovation

OPERATIONS
- Improve efficiency to best in class across all mills with one operating framework
- Accelerate KM7 to capacity and release true potential across the three board mills
- Develop and execute the transformation in North America
- Build factory of the future pilot in Norway

WOOD SUPPLY
- Optimise fibre consumption
- Build long-term partnerships
- Secure competitive fibre availability
- Develop lean, green and flexible wood supply chain

SHAPE A SUSTAINABLE FUTURE
WIN WITH OUR PEOPLE
ONE BILLERUD
A new recovery boiler in Frövi will improve environmental performance and provide opportunities for enhanced efficiency.

The project is proceeding in line with budget and schedule.

Investment amounts to around SEK 2.6 bn, whereof around SEK 900 million during 2023.

Planned to be in operation by the end of 2023.
Joint venture med 
Viken Skog

- Billerud and Viken Skog explore possibilities for joint production of BCTMP at the Follum mill in Norway
- The site has much of the infrastructure needed for such production
- Competitive wood supply and good transports to Billerud’s board mills
- Estimated capacity 200 ktonnes per year
Expansion in North America

➢ The acquisition of Verso was the starting point for an expansion in the attractive American market. Creates growth opportunities to 2030 and beyond

➢ Leading cost position in graphic and speciality paper

➢ Abundant and competitive wood raw material

➢ Large and growing market for cartonboard made of virgin fibre

➢ Billerud’s board sales in the US is growing with deliveries from Europe

➢ Pre-feasibility about the conversion of at least one paper machine to a board machine in Escanaba
Challenging with soft demand and all-time high input costs
### Q1

**Weak demand and high raw material costs**

<table>
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<th>EBITDA, SEK bn</th>
<th>EBITDA margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>6%</td>
<td>1.5</td>
<td>13%</td>
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</tbody>
</table>

Interest-bearing net debt/EBITDA

0.7
Q1

The positive impact from price, volume and mix were not enough to offset higher costs

EBITDA, SEK bn

Q1, 2022 | Currency | Price | Volume and mix* | Material & logistics | Efficiency program | Other | Maintenance | Q1, 2023

1.7

+0.6

+0.6

-1.3

1.5

*Inklusive Billerud North America
The Escanaba mill was temporarily idled on 14 April to perform additional deep cleaning.

On 8 May resumption of operations started.

Our top priority is protecting the health and safety of our employees and contractors.

We continue to work closely with and follow the recommendations of local, state and federal health experts.

Blastomycosis outbreak - the worst is behind us
Q2 result will be weak

- Continued weak market conditions – very slow demand. Customers’ destocking still ongoing
- Some help from raw materials prices coming down, but we see as well sales prices coming down in certain categories
- Escanaba mill back in production after idling for 3 weeks
- Annual shuts in Gruvön and Skärblacka completed
- Expect to land EBITDA SEK 100-200M
Priorities for the rest of 2023

- Deliver and accelerate our efficiency enhancement programme - Raised the ambition to 600M SEK delivery for 2023
- Selective curtailments in combination with a focus on price and mix management
- Cash flow conversion with tight control on working capital
- Tough choices on cost and investments may result in postponed activities

Strategiska projekt på god väg

- Frövi recovery boiler, expected start-up Q3
- Norway BCTMP feasibility study, ready Q3
- US conversion pre-feasibility, ready later in 2023 defining overall capex needs and timing