



BILLERUD

Q3 2022

Another quarter with excellent growth,
profitability and cash flow delivery

2022-10-25

Christoph Michalski, CEO & Ivar Vatne, CFO



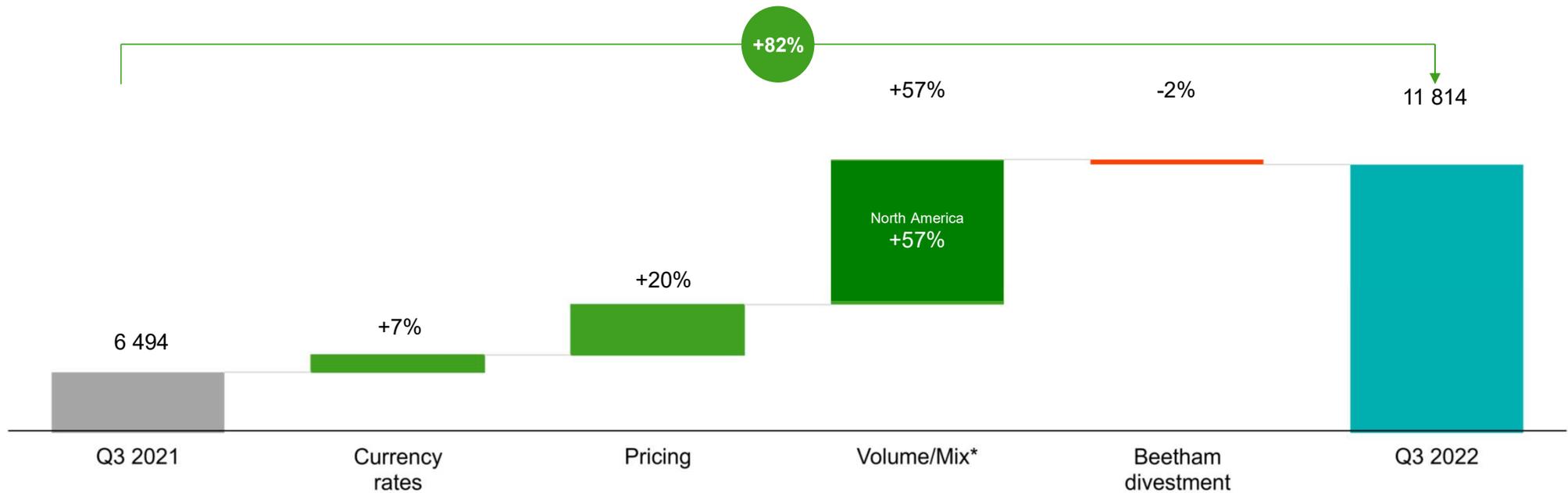
Performance and key highlights Q3 2022

- Strong organic and FX neutral net sales growth of 20% vs last year.
- Record underlying EBITDA performance
- Price and mix improvements more than offset cost inflation
- EPS more than doubled vs last year
- Excellent cash delivery and all-time-low net debt leverage

SEKm	Q3-22	Change vs Q3-21
Net sales	11,814	+82%
Adjusted EBITDA	2,196	+97%
<i>% of net sales</i>	19%	+2 pp
Operating profit – EBIT	1,536	+140%
<i>% of net sales</i>	13%	+3 pp
Operating cash flow before capex	1,899	+77%
EPS	5.42	+135%

Net Sales almost doubled through inclusion of our North American business and continued strong focus on price and mix management

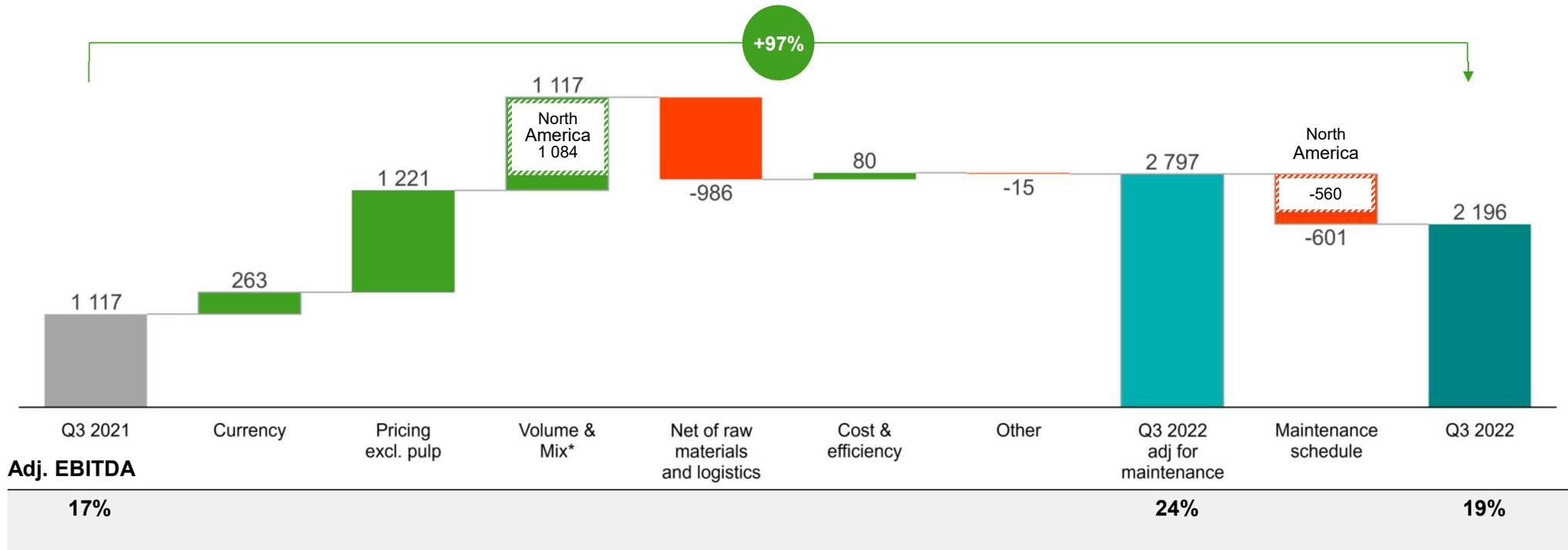
Net sales, SEKm



*Consolidation of Verso

All-time-high profit (excl maintenance) with excellent progress on price mgt, driving profitable mix and our cost- and efficiency program

Adj EBITDA, SEKm



*Consolidation of Verso

Business status and market outlook still strong, but starting to see signs of a more gradual change towards normalized conditions

				
<i>Sales split, %¹</i>				
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 Q3'22	Stable	More positive	Stable	Stable
BK Market trend outlook	Stable	Stable	Less positive	Less positive

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

European cost inflation accelerating in Q3 and will continue to increase towards end of year. Situation more moderate in US

Higher cost for fibre



European wood market continues to be impacted by Russian import stop and high energy prices.

Higher cost for chemicals



Continued sharp price inflation in Europe driven by high energy prices.

Higher energy cost



Majority of electricity consumption hedged. Volatile and high prices for fossil fuels impacting US business.

Stable logistics cost



Stable freight rates with uncertainty in fuel prices.

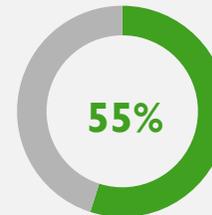
Product area

Paper



Product area
Paper

- Net Sales more than tripled – mainly result of inclusion of our North American business
- Organic and FX neutral net sales growth +34% vs previous year
- High double-digit sales growth across all categories
- Despite heavy maintenance quarter in our two North American mills, profitability more than tripled
- Margin expansion through inclusion of our North American business, continued focus on price management, driving profitable mix and persistent delivery of our cost- and efficiency program



Share of net sales
Q3 2022

SEKm	Q3-22	Q3-21	Change
Net sales	6,486	2,047	217%
<i>of which graphic paper</i>	2,834	–	–
<i>of which kraft and speciality paper</i>	1,592	901	77%
<i>of which sack paper</i>	1,122	712	58%
<i>of which pulp</i>	929	432	115%
Net operating expenses	-5,113	-1,633	213%
EBITDA	1,373	414	232%
EBITDA margin	21%	20%	1 pp

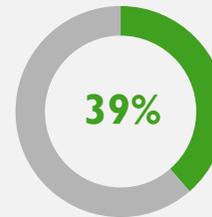
Product area

Board



Product area
Board

- Strong sales growth +25% vs previous year.
- FX neutral sales growth +18% vs previous year
- Solid growth across all categories
- Cartonboard more than doubled net sales in less than 2 years
- Profit improvement through continued focus on price management, driving profitable mix and delivery of our cost- and efficiency program



Share of net sales
Q3 2022

SEKm	Q3-22	Q3-21	Change
Net sales	4,563	3,663	25%
<i>of which liquid packaging board</i>	<i>2,041</i>	<i>1,903</i>	<i>7%</i>
<i>of which containerboard</i>	<i>1,462</i>	<i>1,110</i>	<i>32%</i>
<i>of which cartonboard</i>	<i>973</i>	<i>552</i>	<i>76%</i>
Net operating expenses	-3,648	-2,985	22%
EBITDA	915	678	35%
EBITDA margin	20%	19%	1 pp

Outstanding cash flow delivery enables all-time-low net debt leverage

- Excellent Operating Cash Flow conversion (86%)
- Net debt / adj EBITDA ratio significantly reduced through positive cash flow and successful rights issue
- Net Debt of Adj EBITDA ratio of 0.7x is all-time-low and significantly below target

CAPEX outlook

- 2022: ~ SEK 3.4 bn
 - Base CAPEX (incl Verso) SEK 2.2 bn
 - Frövi recovery boiler SEK 1.2 bn
- 2023: ~ SEK 3.0 bn
 - Base CAPEX (incl Verso) SEK 2.2 bn
 - Frövi recovery boiler SEK 0.8 bn

SEK m	Q3-22	Q3-21
Operating surplus	2,069	1,049
Change in working capital	-113	69
Net financial items, taxes, etc.	-57	-46
Operating Cash Flow (OCF)	1,899	1,072
Operative investments	-969	-403
Operating cash flow after operative investments	930	669

SEK m	Q3-22	Q3-21
Net debt	5,096	4,662
Net debt / adjusted EBITDA	0.7	1.3
Adj ROCE %	17%	7%

Our North American business is contributing significantly to both sales and earnings growth

- ✓ Q2' and Q3'22 with excellent sales and profit performance for both Graphic- and Speciality Paper
- ✓ Our North American business adds ~1/3 of additional net sales and significant profit contribution to Group and create favorable geographical diversification
- ✓ Successful maintenance and upgrade of Quinnesec mill completed. Increased pulp capacity and operational flexibility on Q41 machine enabling SEK 70-100M of annualized EBITDA upside
- ✓ Integration progressing well and on-track

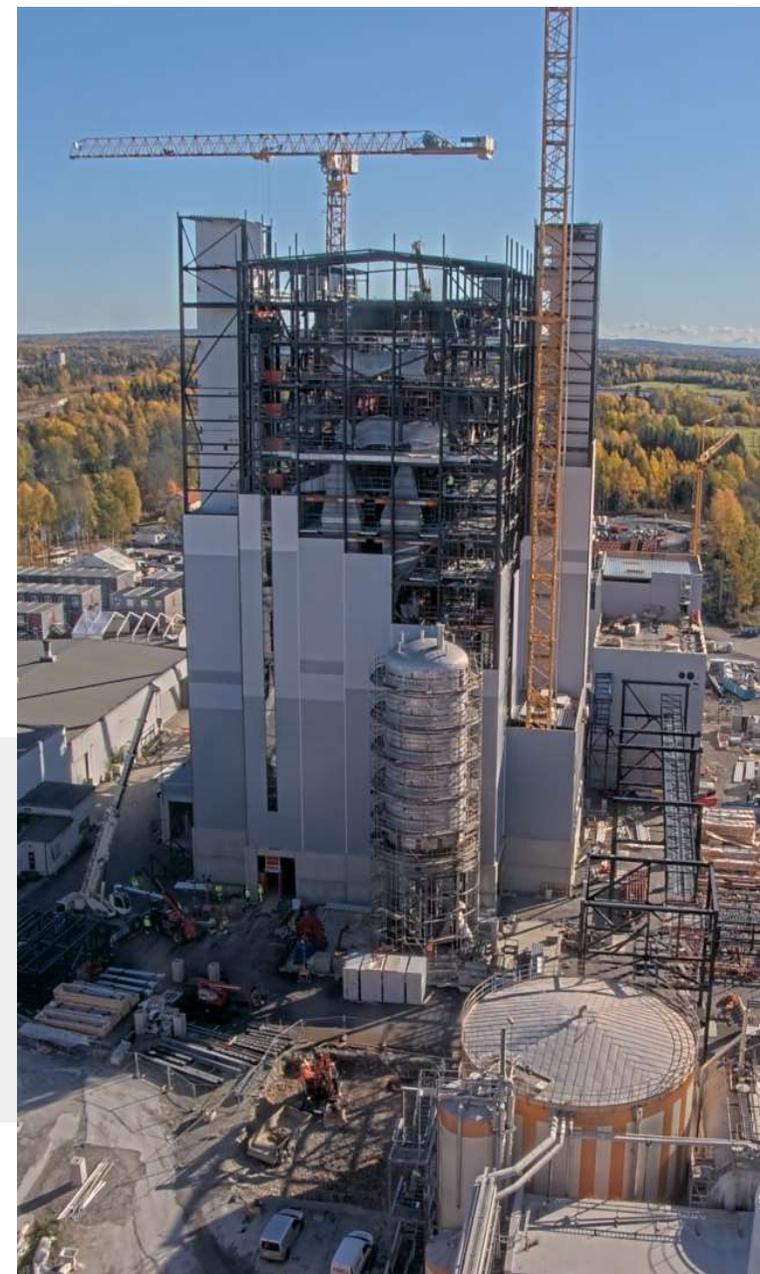


Priorities Q4'22 and throughout 2023

- ✓ Deliver on strategic objectives of sales growth through continuous focus on sustainable packaging opportunities and innovation
- ✓ Deliver on our strategic profitability goals through focus on mix, price management and rigorous cost discipline
- ✓ Develop new efficiency program for 2023 and beyond by focusing on those areas that are in our control

Strategic projects and programs well on track

- > Frövi recovery boiler (expected start-up end'23)
- > Norway BCTMP pre-feasibility
- > US conversion pre-feasibility
- > Key aspects of integration Billerud North America to be completed by end of 2022



Outlook for Q4 2022

- ✓ Still solid demand for our products, but sentiment is changing towards being less favorable in Europe; stability in North America
- ✓ Accelerated cost inflation in Europe with higher costs for wood and chemicals. Flat costs in North America
- ✓ Continued focus on price and mix management to mitigate cost inflation

