

Interim report January–September 2022

Another quarter with excellent growth, profitability and cash flow delivery

Key highlights Q3

- Strong organic* and currency neutral sales growth of 20%
- Record underlying EBITDA performance
- Price and mix management more than offset cost inflation
- Excellent cash delivery and all-time low leverage

Quarterly data Q3

- Net sales increased by 82% to SEK 11,814 million (6,494), whereof Billerud North America accounted for SEK 3,718 million
- Adjusted EBITDA** increased to SEK 2,196 million (1,117), whereof Billerud North America accounted for SEK 515 million
- The adjusted EBITDA margin was 19% (17%)
- Operating profit was SEK 1,536 million (639)
- Net profit was SEK 1,347 million (477)
- Earnings per share amounted to SEK 5.42 (2.31)

Outlook for Q4

- Still solid demand for our products, but sentiment is changing towards being less favourable 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

Key figures**

SEKm	Q3	Q3	Change	Jan-Sep	Jan-Sep	Change
	2022	2021		2022	2021	
Net sales	11,814	6,494	82%	30,619	19,518	57%
Adjusted EBITDA	2,196	1,117	97%	6,127	3,003	104%
Operating profit	1,536	639	140%	4,334	1,571	176%
Adjusted operating profit	1,536	639	140%	4,334	1,571	176%
Net profit	1,347	477	182%	3,650	1,165	213%
Adjusted EBITDA margin, %	19%	17%		20%	15%	
Adjusted operating profit margin, %	13%	10%		14%	8%	
Adjusted ROCE, %	17%	7%		17%	7%	
Cash flow from operating activities	1,899	1,072		5,137	2,738	
Interest-bearing net debt/adjusted EBITDA	0.7	1.3		0.7	1.3	

* Excluding the acquisition of Verso in 2022 and the divestment of Beetham in 2021.

** For key figures and a reconciliation of alternative performance measures including adjusted EBITDA, adjusted operating profit, adjusted EBITDA margin, adjusted operating profit margin, adjusted ROCE and interest-bearing net debt/adjusted EBITDA, see pages 16-18.

Comments by the CEO

2022 has been an excellent year so far for Billerud, and our third quarter performance was no exception. We delivered strong results for all our key performance indicators. Organic and currency neutral sales grew by 20% compared to last year, with broad-based growth across categories. Reported net sales grew by 82% compared to last year with the inclusion of the acquired North American business and currency tailwind.

Considering that the third quarter was unusually heavy on maintenance, the underlying EBITDA was all time high. We were able to more than offset higher costs in all input categories through continued focus on price management, driving profitable mix and continued delivery of our cost and efficiency program. Despite maintenance and upgrade shutdowns at four mills in the quarter, we delivered an EBITDA margin of 19%. The cash flow generation was outstanding, and our leverage has been reduced to an all-time low net debt to EBITDA ratio of 0.7.

Our North American business is contributing significantly to both earnings and cash flow. A more balanced cost exposure following the acquisition of Verso makes us well positioned to meet more challenging market conditions. With continued North American contribution at current level, the acquisition payback period will be shorter than originally expected.

Our order book remains healthy and prices for deliveries in the end of the year are holding up. We start to see signs of a more gradual change towards normalized market conditions. There are signs of softening demand for some of our kraft and sack papers and some containerboard products, which is a natural effect of the lower consumer confidence in Europe. The demand for most of our products will however be robust even during recessionary conditions, with a proven resilience especially for liquid packaging board. For our graphic and speciality paper, prices are expected to be supported by capacity reductions in the industry.

Inflation phases and cost trends differ between Europe and North America. In Europe, pulpwood prices have increased significantly, mainly driven by lower availability of hardwood since the import stop from Russia. The volatile and high energy prices in Europe drive higher costs for chemicals, while logistics costs are expected to flatten out or decline. In North America, the cost inflation for pulpwood and other inputs is moderate and mainly driven by fuel and general price increases.

For the fourth quarter, we expect continued good demand for our products. In Europe, an accelerated cost inflation is expected with higher costs for wood and chemicals. In North America, the cost development is expected to be flat.

As geopolitical and macro-economic uncertainties are beyond our control, we will focus on what is in our hands to maintain a good performance. We continue to manage pricing to balance our need for cost coverage and the interest of our customers. We are developing new channels for wood sourcing, and we hedge our future energy consumption, which provides predictability. We are also



planning an efficiency improvement programme as a continuation of our existing cost and efficiency programme, which will close in the fourth quarter.

We are currently running two significant pre-feasibility studies: The transformation from graphic paper to cartonboard in the USA and the construction of a bleached chemi-thermomechanical pulp mill together with our joint venture partner Viken Skog in Norway. Both projects are running on track with potential investment decision in 2023. These projects will both support our ambitions to grow in paperboard and have scopes that will provide considerable sustainability benefits.

On 12 October we changed the company name to Billerud. I would like to take this opportunity thank all our employees, customers, and all other stakeholders for the continuous trust in our company.

The name change was a natural step in our strategic journey to simplify and to integrate all our international businesses under One Billerud. Our mission remains the same: to challenge conventional packaging for a sustainable future.

Christoph Michalski
President and CEO

Third quarter

Sales and results

Net sales for the third quarter grew by 82% to SEK 11,814 million (6,494). Net sales excluding currency effects increased by 75%, mainly due to the acquisition of Verso, which was completed on 31 March 2022. Billerud North America (former Verso) had net sales of SEK 3,718 million and sales volumes of 254 ktonnes in the third quarter. Total sales volumes for the Group were 945 ktonnes (695). The organic* and currency neutral net sales growth for the Group was 20%.

Adjusted EBITDA increased to SEK 2,196 million (1,117). The higher result was mainly a result of the acquisition of Verso, higher prices across categories and positive currency effects. Billerud North America contributed an EBITDA of SEK 515 million. The third quarter result was positively affected by an insurance compensation of SEK 75 million for damages that occurred in the Gävle mill in 2019. The result was negatively affected by maintenance stops with a total estimated earnings impact of around SEK 890 million as well as by higher costs for fibres, chemicals, energy and logistics.

The comparison with the third quarter 2021 is affected by the acquisition of Verso 2022, the divestment of Beetham 2021, the changed maintenance schedule and an unplanned production stop at Gävle in 2021.

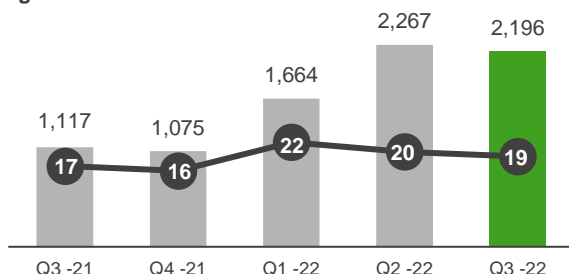
No items classified as items affecting comparability impacted the result for the third quarter (-).

Market development and outlook

During the third quarter of 2022, the market conditions were solid for all product segments. New price increases had effect mainly in the paper segments.

The demand for Billerud's products is expected to be solid in the fourth quarter, despite the macro-economic uncertainty. Market conditions are however expected to gradually change to more normalized conditions. The cost inflation in Europe is expected to accelerate with higher costs for wood and chemicals. In North America, the cost development for inputs is expected to be flat.

Adjusted EBITDA, SEKm and adjusted EBITDA margin, %
Target level >17%



* Excluding the acquisition of Verso in 2022 and the divestment of Beetham in 2021.

Events in the quarter

Scheduled maintenance stops were carried out at Gävle, Karlsborg and Escanaba, and a planned maintenance and major upgrade shutdown was performed at Quinnesec. The total negative impact of the shutdowns in the third quarter amounted to around SEK 890 million, whereof around SEK 705 million was attributed to product area Paper and around SEK 185 million to product area Board. The impact of the shutdowns was higher than estimated mainly due to higher contribution margins than normal for the lost volume.

The scheduled maintenance and upgrade at Quinnesec included an upgrade investment that will increase the annual pulp capacity by around 30 ktonnes and upgrades that will enable production of more premium paper grades. These improvements are expected to have a positive annual earnings impact of around SEK 70-100 million.

On 1 July, the Wood Supply and Purchasing functions were merged into one organisation under the leadership of Anna-Maria Tuominen-Reini, EVP Procurement and Wood Supply. All sourcing tasks are thus coordinated in one organisation to deliver sourcing security and cost savings.

The building of a new recovery boiler at Frövi proceeded as planned during the third quarter. 50% of all activities to be completed before the project is finished were achieved. The new recovery boiler is planned to be in operation by the end of 2023.

Events after the end of the quarter

On 5 October, Billerud announced that it will investigate a relaunch of its OptiLabel™ HB made at the Quinnesec mill. Producing this speciality paper, which is designed for high-end pressure sensitive label applications, not only at the Escanaba mill but also at Quinnesec, will provide more manufacturing flexibility to support the American market.

On 12 October, the company simplified its name to Billerud to cater to its international customers. A new Articles of Association with the name Billerud Aktiebolag (publ) was registered by the Swedish Companies Registration Office in accordance with a resolution made by the 2022 Annual General Meeting. The costs for rebranding activities in the third quarter was around SEK 15 million.

On 24 October, the Board of Directors of Billerud appointed Ivar Vatne to Deputy CEO in addition to his current responsibilities as CFO. Deputy CEO is a newly created position reflecting the increased scope of the Billerud Group.

Product area Paper

Key figures

SEKm	Quarter		Jan-Sep		Full year
	Q3 -22	Q3 -21	2022	2021	2021
Net sales	6,486	2,047	14,799	5,989	8,127
of which graphic paper	2,834	-	5,657	-	-
of which kraft and speciality paper	1,592	901	3,946	2,657	3,511
of which sack paper	1,122	712	2,851	1,970	2,726
of which pulp	929	432	2,315	1,338	1,855
Net operating expenses	-5,113	-1,633	-11,373	-4,947	-6,739
EBITDA	1,373	414	3,426	1,042	1,388
EBITDA margin, %	21%	20%	23%	17%	17%
Operating profit/loss	1,074	293	2,712	682	906
Operating margin, %	17%	14%	18%	11%	11%
Sales volumes, ktonnes	480	229	1,222	729	960

Sales and results

Net sales for the third quarter increased to SEK 6,486 million (2,047). Net sales excluding currency effects grew by 207%, mainly due to the acquisition of Verso on 31 March 2022 but also due to implemented price increases. Billerud North America had sales volumes of 254 ktonnes and net sales of SEK 3,718 million in the third quarter.

The organic* and currency neutral net sales growth was 34%. The Beetham mill, which was divested on 31 October 2021, had net sales of SEK 129 million in the third quarter of 2021.

EBITDA increased to SEK 1,373 million (414), corresponding to an EBITDA margin of 21%. The higher earnings were primarily a consequence of the acquisition of Verso. Billerud North America contributed an EBITDA of SEK 515 million in the quarter. The profit improvement was also driven by implemented price increases in all segments, which more than offset higher costs for raw materials and logistics. The negative effect of the maintenance and upgrades shutdowns was around SEK 705 million in the third quarter.

The comparison with the third quarter 2021 is affected by the acquisition of Verso in 2022, the divestment of Beetham in 2021 and a changed maintenance schedule.

* Excluding the acquisition of Verso in 2022 and the divestment of Beetham in 2021.

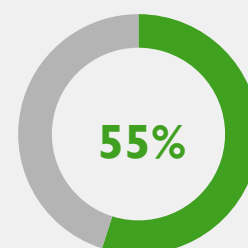
Market development

In the third quarter of 2022, the market conditions for all paper segments were solid and prices on comparatively high levels. New price increases were implemented in many segments and the market price for pulp increased during the quarter.

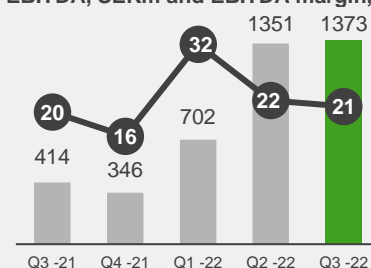
About Product area Paper

The Paper product area includes Graphic paper, mainly used for printed communication, Kraft and Speciality paper, mainly used for packaging of food, medicals, and industrial applications, as well as Sack paper, mainly used for packaging of building materials, chemicals and dry food. Market pulp is also included in the Paper product area. The mills at Skärblacka, Karlsborg, Pietarsaari, Escanaba, Quinnesec and the converting facility at Wisconsin Rapids belong to this product area.

Share of Group's net sales
Q3 2022



EBITDA, SEKm and EBITDA margin, %



Product area Board

Key figures

SEKm	Quarter		Jan-Sep		Full year
	Q3 -22	Q3 -21	2022	2021	2021
Net sales	4,563	3,663	13,348	11,090	14,852
of which liquid packaging board	2,041	1,903	6,367	5,985	7,850
of which containerboard	1,462	1,110	4,033	3,171	4,366
of which cartonboard	973	552	2,702	1,635	2,228
Net operating expenses	-3,648	-2,985	-10,378	-9,151	-12,104
EBITDA	915	678	2,970	1,939	2,748
EBITDA margin, %	20%	19%	22%	17%	19%
Operating profit/loss	593	354	2,005	965	1,451
Operating margin, %	13%	10%	15%	9%	10%
Sales volumes, ktonnes	465	466	1,432	1,461	1,917

Sales and results

Net sales for the third quarter increased by 25% to SEK 4,563 million (3,663). Net sales excluding currency effects grew by 18%, driven by higher prices and an improved product mix with a higher share of cartonboard and coated products. Sales volumes were almost unchanged.

EBITDA improved to SEK 915 million (678), corresponding to an EBITDA margin of 20%. The improved result was mainly a result of price and mix improvements, which more than offset higher costs for raw materials and logistics. The result was positively affected by an insurance compensation of SEK 75 million from damages that occurred at the Gävle mill in 2019.

The comparison with the third quarter 2021 is affected by the unplanned production stop due to the extreme rainfall at Gävle last year, which had a negative earnings impact of around SEK 50 million in the third quarter 2021.

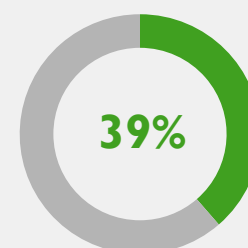
Market development

In the third quarter of 2022, the market conditions for Billerud's containerboard and cartonboard were solid. The conditions for liquid packaging board remained stable.

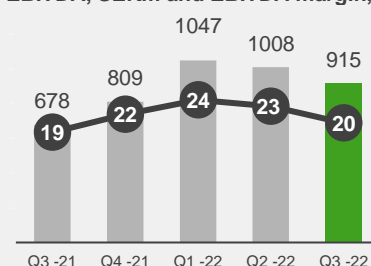
About Product area Board

The Board product area includes Liquid Packaging Board, Cartonboard and Containerboard, which are mainly used to packaging products for liquid food, consumer products and fragile industrial products and food. The mills at Gävle, Gruvön and Frövi/Rockhammar belong to this product area.

Share of Group's net sales
Q3 2022



EBITDA, SEKm and EBITDA margin, %



Solutions and Other

Sales and results

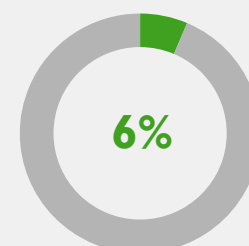
Net sales for the third quarter amounted to SEK 765 million (784). The decrease was mainly due to negative hedging effects. Net sales in Managed Packaging were almost unchanged.

EBITDA amounted to SEK -92 million (25). The decline was mainly due to negative hedging effects and higher costs for Group projects.

Key figures (including currency hedging etc)

SEKm	Quarter		Jan-Sep		Full year
	Q3 -22	Q3 -21	2022	2021	2021
Net sales	765	784	2,472	2,439	3,227
<i>of which Managed Packaging</i>	201	200	600	533	744
Net operating expenses	-857	-759	-2,741	-2,417	-3,462
EBITDA	-92	25	-269	22	-235
Operating profit	-131	-8	-383	-76	-368

Share of Group's net sales
Q3 2022



January–September, consolidated

Sales and results

Net sales for the first nine months increased by 57% to SEK 30,619 million (19,518). The increase was mainly in product area Paper and was primarily due to the acquisition of Verso on 31 March 2022. Net sales excluding currency effects, the acquisition of Verso and the divestment of Beetham grew by 15%.

Adjusted EBITDA improved by 104% to SEK 6,127 million (3,003), mainly due to the acquisition of Verso, but also because of increased prices and improved mix due to the ramp-up of the new board machine at Gruvön. The comparison with the first nine months of 2021 is affected by the changed maintenance schedule.

No items classified as items affecting comparability impacted the result for January–September 2022 (–).

Cash flow and financial position

Operating cash flow after investments in tangible and intangible assets amounted to SEK 930 million (669) for the third quarter of 2022 and to SEK 2,797 (1,684) for the first nine months of 2022. The improved cash flow was mainly driven by the increased operating surplus. The change in working capital had a negative effect on cash flow from operating activities driven by increased accounts receivables and higher inventory values, offset to a large degree by increased accounts payables.

Condensed cash flow statement

SEKm	Quarter		Jan-Sep	
	Q3 -22	Q3 -21	2022	2021
Operating surplus, etc.	2,069	1,049	5,792	2,747
Net financial items, taxes, etc.	-57	-46	-219	-157
Change in working capital, etc.	-113	69	-436	148
Cash flow from operating activities	1,899	1,072	5,137	2,738
Investments in tangible and intangible assets	-969	-403	-2,340	-1,054
Operating cash flow after investments in tangible and intangible assets	930	669	2,797	1,684

Financing

On 30 September, the interest-bearing debt amounted to SEK 7,185 million (6,444). During the third quarter, interest-bearing debt decreased with SEK 37 million (41) due to amortisation of term loan.

Debt portfolio and maturity profile on 30 September 2022

Loan	Limit, SEKm	Maturity, years			Total utilised
		0-1	1-2	2-	
Syndicated credit facilities	5,500				-
Term loans		2,597	497	691	3,785
Bond loans within MTN program	7,000	1,800			1,800
Other bond loans			600	1,000	1,600
Commercial paper	4,000				-
Group total		4,397	1,097	1,691	7,185

The interest-bearing net debt on 30 September 2022 amounted to SEK 5,096 million (4,662).

The net interest-bearing debt in relation to EBITDA (and adjusted EBITDA) at the end of the period was 0.7 (1.3).

Investments and capital employed

Investments in property, plant, equipment, and intangible assets amounted to SEK 2,340 million (1,054) for the first nine months of 2022. The increase was mainly due to investments in the new recovery boiler at Frövi and investments related to operations in North American business.

The investment in a new recovery boiler at the Frövi mill will improve environmental performance and provide opportunities for enhanced efficiency. The assembly phase started in April 2021 and the project is proceeding in line with budget and schedule. The new recovery boiler is planned to be in operation by the end of 2023. The investment is estimated to total SEK 2.6 billion. Capital expenditures for this project were around SEK 400 million in 2021 and are estimated to amount to around SEK 1.2 billion in 2022.

The total investments in tangible and intangible assets during 2022 are estimated to amount to around SEK 3.4 billion. For 2023, the total investments in tangible and intangible assets are expected to amount to around SEK 3.0 billion.

Capital employed on 30 September 2022 amounted to SEK 34,939 million (24,376). Return on capital employed (ROCE) for the last twelve months amounted to 16% (7). Adjusted ROCE amounted to 17% (7).

Return on equity was 17% (7) for the last twelve-months period.

Net debt/Adjusted EBITDA
target level <2.5



Adjusted return on capital employed, %



Other information

The acquisition of Verso

On 31 March 2022, Billerud acquired Verso, a leading producer of coated papers in North America. The acquisition reinforced the strategy to drive profitable and sustainable growth and the ambition to accelerate growth in America.

The purchase price totalled approximately USD 798 million, corresponding to SEK 7,395 million, including settlement of warrants and incentive programs. The transaction was financed by the combination of cash and a bank loan of SEK 6,000 million, whereof around SEK 3,500 million was refinanced by the means of a rights issue in Billerud, carried out in the second quarter 2022.

Verso was renamed Billerud North America and was consolidated in Billerud's balance sheet on 31 March 2022. Its results are from 1 April 2022 reported in Product area Paper. See note 3 for more information.

Billerud plans to convert some of the manufacturing assets in North America into a world-class, sustainable paperboard production. A pre-feasibility study with cost calculations and time schedules is planned to be completed in 2023, after which the Board of Directors will make an investment decision.

Rights issue and share capital

Billerud implemented during the second quarter 2022 a rights issue with the purpose to repay a part of the debt raised to finance the acquisition of Verso. The rights issue was significantly oversubscribed, and no underwriting commitments were utilised. A total of 40,231,816 shares, corresponding to around 97% of the offered shares, were subscribed for with subscription rights. The remaining 1,159,772 shares were allotted to those who subscribed for shares without subscription rights. New shares were registered by the Swedish Companies Registration Office and began trading on Nasdaq Stockholm in July.

Through the rights issue, the total number of shares in Billerud increased to 249,611,422 shares and the share capital increased to SEK 1,843,307,607. The proceeds from the rights issue to Billerud amounted to around SEK 3,498 million before the deduction of costs of SEK 63 million, net of tax.

Cost and efficiency programme

In 2019, Billerud introduced a cost and efficiency programme with measures including employee reductions, purchasing savings and efficiency improvements. By the end of 2021, the programme had delivered SEK 650 million of structural savings and efficiencies.

In the first nine months of 2022, the structural savings from the cost and efficiency programme amounted to SEK 220 million.

The target for the accumulated delivery of the cost and efficiency programme is SEK 900 million by the end of 2022.

Currency hedging

Currency hedging had a net sales impact of SEK -142 million (12) in the third quarter and SEK -306 million (148) for the first nine months compared with no currency hedging.

Outstanding forward exchange contracts on 30 September 2022 had a market value of SEK -417 million, of which SEK -93 million is the portion of the contracts matched by trade receivables that affected earnings in the third quarter. Accordingly, other contracts had a market value of SEK -324 million.

Hedged portion of forecast currency flows

Currency	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Total 15 months
EUR Share*	82%	80%	81%	79%	81%	80%
Rate	10.23	10.42	10.63	10.69	10.82	10.56
USD Share*	69%	67%	67%	57%	64%	65%
Rate	8.86	9.03	9.26	9.77	10.46	9.46
GBP Share*	19%	-	-	-	-	5%
Rate	12.43	-	-	-	-	12.43
Market value of currency contracts**	-130	-110	-89	-59	-29	-417

* Share of net flow.

** On 30 September 2022.

Taxes

The tax cost for the first nine months of 2022 amounted to SEK 1,042 million (311), equal to approximately 22% (21) of profit before tax.

Parent company

The parent company Billerud AB (publ) includes head office and support functions.

Operating profit/loss for the first nine months of 2022 was SEK -249 million (161). The operating result includes the effects of hedging contracts and revaluations of trade receivables.

The parent company hedges both its own and the Group's net currency flows. The parent company's result includes the results of these hedging measures. These effects were SEK -306 million (148) for the first nine months of 2022.

The average number of employees on 30 September 2022 was 139 (140).

Cash and bank balances, and short-term investments amounted to SEK 702 million (2,620).

Transfer of treasury shares

During the second quarter 2022, Billerud transferred 87,156 shares under the long-term incentive programme resolved by the 2019 Annual General Meeting. On 31 March 2022, the amount of treasury shares amounted to 1,349,047 and on 30 June 2022, the holding of treasury shares was 1,261,891. During the third quarter, the holding of own shares was unchanged. On 30 September 2022, the number of own shares was 1,261,891, corresponding to approximately 0.5% of the total amount of shares. The total amount of shares was 249,611,422 and the number of shares in the market was 248,349,531.

Annual General Meeting

The 2023 Annual General Meeting will be held in Stockholm on 24 May 2023. Shareholders wishing to have matters considered at the Annual General Meeting should submit their proposals in writing to Billerud AB (publ), Att: Andreas Mattsson, General Counsel, Box 703, SE-169 27 Solna, Sweden, at least seven weeks before the Annual General Meeting, to ensure the matter can be included in the convening notice for the Meeting. Notified matters can be included in the agenda only if they are suitable for decision by the Meeting and if notification is provided in due time. Further details on how and when to provide notification of participation will be published in advance of the meeting.

Nomination committee

In accordance with the resolution by the Annual General Meeting, the Chairman of the Board of Directors has convened a Nomination Committee for the Annual General Meeting 2023, appointed by the major shareholders in the company.

The Nomination Committee consists of Tomas Risbecker, appointed by AMF Pension & Funds, Michael M.F. Kaufmann, appointed by Frapag Beteiligungs Holding AG, Thomas Wuolikainen, appointed by Fourth Swedish National Pension Fund and Lennart Francke, appointed by Swedbank Robur Funds.

Shareholders wishing to make proposals to the Nomination Committee should submit their proposal in writing via e-mail to valberedningen@billerud.com or by mail to Billerud AB (publ), Att: Valberedningen, Box 703, 169 27 Solna, Sweden.

Risks and uncertainties

Billerud's products are generally dependent on the business cycle, in terms of both price development and potential sales volumes. The Group is exposed to currency fluctuations, since most revenues are invoiced in foreign currency, while a large part of operating expenses is in SEK. A more detailed description of risks and a sensitivity analysis, with estimated profit impact of changed sales volumes and price changes affecting operating costs, is provided on pages 64–68 in the 2021 Annual and Sustainability Report.

Billerud is affected by the war in Ukraine by its effects on the economic development and price developments for wood, energy, chemicals, and fuel. The Group complies with applicable sanctions and regulations and has suspended all sales to Russia. The impact of the war on Billerud's sales is marginal, as Russia and Ukraine accounted for around 1% of the net sales in 2021.

Consequences of the war in Ukraine and further COVID-19 outbreaks entail risks of supply chain disruptions. Billerud continues to monitor the development of COVID-19 and contingency plans are regularly being updated.

In the EU countries, the EU Directive on Single Use Plastic will result in a changed regulatory landscape for packaging. There are also EU policy initiatives that may affect forestry in the member states. Changes in legislation and its implications for Billerud are monitored closely.

Related-party transactions

No transactions took place between Billerud and related parties that significantly affected the Group's position and earnings.

Solna, 25 October 2022

Billerud AB (publ)

Christoph Michalski
President and CEO

Review report

Translation of the Swedish original

To the Board of Directors of Billerud AB (publ)

Corp. id. 556025-5001

Introduction

We have reviewed the condensed interim financial information (interim report) of Billerud AB (publ) as of 30 September 2022 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted

auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, 25 October 2022

KPMG AB

Hök Olov Forsberg

Authorized Public Accountant

Group

Condensed income statement

SEKm	Quarter		Jan-Sep		Full year
	Q3 -22	Q3 -21	2022	2021	2021
Net sales	11,814	6,494	30,619	19,518	26,206
Other operating income	109	22	219	139	211
Change in inventories	244	23	250	-183	296
Raw materials and consumables	-5,624	-3,180	-14,062	-9,555	-13,172
Other external costs	-2,805	-1,335	-6,779	-3,955	-5,856
Employee benefits expense	-1,548	-907	-4,137	-2,959	-3,873
Depreciation, amortization and impairment of non-current assets	-660	-478	-1,793	-1,432	-1,912
Profit/Loss from participations in associated companies	6	-	17	-2	89
Operating profit/loss	1,536	639	4,334	1,571	1,989
Financial net	207	-31	358	-95	-113
Profit/Loss before tax	1,743	608	4,692	1,476	1,876
Taxes	-396	-131	-1,042	-311	-391
Profit/loss for the period	1,347	477	3,650	1,165	1,485
Profit/Loss attributable to:					
Owners of the parent company	1,347	477	3,650	1,165	1,485
Non-controlling interests	-	-	-	-	-
Net profit/loss for the period	1,347	477	3,650	1,165	1,485
Earnings per share, SEK	5.42	2.31	16.50	5.63	7.18
Diluted earnings per share, SEK	5.41	2.30	16.47	5.62	7.17

Condensed statement of comprehensive income

SEKm	Quarter		Jan-Sep		Full year
	Q3 -22	Q3 -21	2022	2021	2021
Net profit/loss for the period	1,347	477	3,650	1,165	1,485
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gains or losses on defined benefit pension plans	347	-	421	-	-17
Change in fair value of shareholding in Other holdings	-	-	-6	-2	-6
Tax attributable to items not to be reclassified to profit or loss	-87	-	-97	-	4
Total items never reclassified to profit or loss	260	-	318	-2	-19
Items that have been or may be reclassified subsequently to profit or loss					
Differences arising from the translation of foreign operations' accounts	558	11	1,138	32	39
Change in fair value of cash flow hedges	806	129	2,672	140	177
Tax attributable to items that have been or may be reclassified subsequently to profit or loss	-166	-27	-533	-29	-53
Total items that have been or may be reclassified subsequently to profit or loss	1,198	113	3,277	143	163
Total comprehensive income for the period	2,805	590	7,245	1,306	1,629
Attributable to:					
Owners of the parent company	2,805	590	7,245	1,306	1,629
Non-controlling interests	-	-	-	-	-
Total comprehensive income for the period	2,805	590	7,245	1,306	1,629

Condensed balance sheet

SEKm	30 Sep 2022	30 Sep 2021	31 Dec 2021
Intangible assets	2,266	1,958	1,957
Tangible assets, including Right of use assets	29,805	22,739	22,689
Other non-current assets	3,320	1,382	1,525
Total non-current assets	35,391	26,079	26,171
Inventories	6,449	3,419	3,836
Accounts receivable	5,251	2,918	3,047
Other current assets	4,453	1,392	1,366
Cash and cash equivalents	3,921	2,887	3,558
Total current assets	20,074	10,616	11,807
Total assets	55,465	36,695	37,978
Equity attributable to owners of the parent company	29,843	19,714	20,041
Non-controlling interests	-	-	-
Total equity	29,843	19,714	20,041
Interest-bearing liabilities	2,788	4,654	4,655
Lease liabilities	258	187	169
Provisions for pensions	1,388	824	816
Other liabilities and provisions	589	93	91
Deferred tax liabilities	4,795	3,651	3,962
Total non-current liabilities	9,818	9,409	9,693
Interest-bearing liabilities	4,397	1,791	1,791
Lease liabilities	188	108	111
Accounts payables	6,049	3,422	3,809
Other liabilities and provisions	5,170	2,251	2,533
Total current liabilities	15,804	7,572	8,244
Total equity and liabilities	55,465	36,695	37,978

Condensed statement of changes in equity

SEKm	Jan-Sep		Full year
	2022	2021	2021
Opening balance	20,041	19,294	19,294
Comprehensive income for the period	7,245	1,306	1,629
Rights issue *	3,435	-	-
Share-based payment to be settled in equity instruments	18	4	7
Hedgingresult transferred to acquisition cost in fixed assets	-6	-	1
Dividend to owners of the parent company	-890	-890	-890
Closing balance	29,843	19,714	20,041
Equity attributable to:			
Owners of the parent company	29,843	19,714	20,041
Non-controlling interests	-	-	-
Closing balance	29,843	19,714	20,041

* Reduced by costs of SEK 63 million, net of tax.



Condensed cash flow statement

SEKm	Quarter		Jan-Sep		Full year
	Q3 -22	Q3 -21	2022	2021	2021
Operating surplus, etc. *	2,069	1,049	5,792	2,747	3,932
Net financial items, taxes, etc.	-57	-46	-219	-157	-237
Change in working capital, etc.	-113	69	-436	148	197
Cash flow from operating activities	1,899	1,072	5,137	2,738	3,892
Investments in tangible and intangible assets	-969	-403	-2,340	-1,054	-1,526
Acquisition of financial assets / contribution associated companies	-	-	-15	-19	-43
Disposal/repayment of financial assets/other holdings	-	-	10	30	30
Sale of subsidiary	-	-	-	-	29
Business combinations, Note 3	-	-	-6,128	-	-
Dividend from associated companies	-	-	12	10	10
Disposal of property, plant and equipment	19	1	30	1	1
Cash flow from investing activities	-950	-402	-8,431	-1,032	-1,499
Change in interest-bearing receivables	3	3	3	6	8
Change in interest-bearing liabilities	-45	-80	628	-984	-1,014
Dividend to owners of the parent company	-	-	-890	-890	-890
Rights issue	-	-	3,419	-	-
Cash flow from financing activities	-42	-77	3,160	-1,868	-1,896
Total cash flow (change in cash and cash equivalents)	907	593	-134	-162	497
Cash and cash equivalents at start of period	2,776	2,289	3,558	3,036	3,036
Translation differences in cash and cash equivalents	239	5	498	13	25
Cash and cash equivalents at the end of the period	3,922	2,887	3,922	2,887	3,558

*Reconciliation of operating surplus

SEKm	Quarter		Jan-Sep		Full year
	Q3 -22	Q3 -21	2022	2021	2021
Operating profit	1,536	639	4,334	1,571	1,989
Reversed depreciation	660	479	1,793	1,433	1,912
Earnings from associated companies	-6	-	-17	2	-89
Pension liabilities	-44	-8	-62	-24	-43
Other provisions	26	61	47	10	13
Net result from electricity certificates and emission rights	-94	-124	-321	-249	20
Incentive programmes	8	2	18	4	7
Scrapping of fixed assets	-17	-	-	-	-
Capital gain/loss from divestment of subsidiary	-	-	-	-	123
Operating surplus, etc	2,069	1,049	5,792	2,747	3,932

Notes

Note 1: Accounting policies

The interim report for the Group is prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The accounting policies applied in this interim report are the same as those used in the most recent

annual report for 2021, see pages 77-83 and page 129 for definitions of key figures. The interim report for the parent company is prepared in accordance with the Swedish Annual Accounts Act.

Note 2: Financial assets and liabilities

<i>Valuation classification</i>	Fair value hedging instruments	Amortised cost	Fair value through other comprehensive income	Financial liabilities measured at amortised costs	Total carrying amount	Fair value
	<i>Level 2</i>		<i>Level 3</i>			
Group 30 September 2022						
Other shares and participations	-	-	54	-	54	54
Long-term receivables *	905	116	-	-	1,021	1,021
Accounts receivable	-	5,251	-	-	5,251	5,251
Other receivables *	2,401	597	-	-	2,998	2,998
Cash and cash equivalents	-	3,921	-	-	3,921	3,921
Total	3,306	9,885	54	-	13,245	13,245
Non-current interest-bearing liabilities	-	-	-	3,046	3,046	3,046
Current interest-bearing liabilities	-	-	-	4,585	4,585	4,586
Accounts payables	-	-	-	6,049	6,049	6,049
Other liabilities	419	-	-	545	964	964
Total	419	-	-	14,225	14,644	14,645

<i>Valuation classification</i>	Fair value hedging instruments	Amortised cost	Fair value through other comprehensive income	Financial liabilities measured at amortised costs	Total carrying amount	Fair value
	<i>Level 2</i>		<i>Level 3</i>			
Group 31 December 2021						
Other shares and participations	-	-	70	-	70	70
Long-term receivables *	94	37	-	-	131	131
Accounts receivable	-	3,047	-	-	3,047	3,047
Other receivables *	363	435	-	-	798	798
Cash and cash equivalents	-	3,558	-	-	3,558	3,558
Total	457	7,077	70	-	7,604	7,604
Non-current interest-bearing liabilities	-	-	-	4,824	4,824	4,844
Current interest-bearing liabilities	-	-	-	1,901	1,901	1,905
Accounts payables	-	-	-	3,809	3,809	3,809
Other liabilities	159	-	-	304	463	463
Total	159	-	-	10,838	10,997	11,021

*Fair value hedging instruments related to electricity represent a value of SEK 884 million (SEK 91 million on Dec 31 2021) classified as Long term receivables and SEK 2,378 million (SEK 353 million on Dec 31 2021) classified as Other receivables

Note 3: Business combinations

On 31 March 2022, Billerud acquired all shares outstanding in Verso Corporation. As a result of the transaction, Verso common stock ceased trading on the New York Stock Exchange.

The purchase price was USD 27.00 on the outstanding shares and the total purchase price was USD 798 million, or SEK 7,395 million, including settlement of warrants and incentive programs. The acquisition was financed by cash and a bank loan of SEK 6,000 million, whereof around SEK 3,500 million has been refinanced by means of a rights issue in Billerud carried out during the second quarter of 2022. The acquisition of Verso was in line with Billerud's strategy to drive profitable growth in paperboard, and the ambition to expand into North America.

At the acquisition of Verso, differences were identified between fair value and the carrying amount for tangible and intangible assets and inventories. Customer contracts have been assessed to have no additional value, since a large part of Verso's operations will be converted into board production.

Since the total purchase consideration exceeded the net value of acquired assets and liabilities, a goodwill of SEK 242 million was recognized, including an adjustment of SEK 35 million in the third quarter. The acquisition had no effect on the first quarter's net sales or profit, due to the fact that the acquisition was made on March 31, 2022. Acquisition costs amounted to SEK 135 million and was accounted for in 2021 as other external costs. No additional acquisition costs have been accounted for during 2022. Verso's balance sheet was included in the consolidated balance sheet of March 31, 2022.

For the first quarter 2022, Verso's pro forma net sales was SEK 2,984 million. Verso's pro forma EBITDA for the first quarter, including effects from the conversion to IFRS and excluding transaction costs and severance payments, was SEK 597 million. Verso's pro forma net profit, including effects from the conversion to IFRS and excluding transaction costs and severance payments, amounted to SEK 340 million for the first quarter.

A preliminary acquisition analysis of the transaction is presented below.

SEKm	
Group	March 31, 2022
Acquired balance sheet	
Goodwill	242
Tangible assets, including Right of use assets	5,293
Deferred tax asset, net	539
Other non-current assets	118
Inventories	1,552
Accounts receivables	973
Other current assets	85
Cash and cash equivalents	1402
Total Assets	10,204
Provisions for pensions	917
Other non-current liabilities	459
Accounts payables	697
Other current liabilities	736
Total liabilities	2,809
Purchase consideration	
Purchase consideration	-7,293
Deferred consideration (settlement of warrants and incentive programs)	-102
Total consideration	-7,395
Acquisition costs	-135
Cash and cash equivalents (acquired)	1402
Net effect on cash and cash equivalents, total	-6,128

Note 4: Other disclosures

Other disclosures in accordance with IAS 34.16A can be found on the pages prior to the income statement and the statement of comprehensive income. Information regarding product areas/segments can be found on pages 4-6,

information regarding financing on page 7 and seasonal effects on page 19. No significant events have occurred after the end of the quarter.



Key figures

	Jan-Sep		Full year
	2022	2021	2021
Margins			
EBITDA margin, %	20	15	15
Adjusted EBITDA margin, %	20	15	16
Operating margin, %	14	8	8
Adjusted operating margin, %	14	8	8
Return (rolling 12 months)			
Return on capital employed, % (ROCE)	16	7	8
Adjusted Return on capital employed, % (adj ROCE)	17	7	9
Return on equity, %	17	7	8
Capital structure at end of period			
Capital employed, SEKm	34,939	24,376	24,008
Working capital, SEKm	6,035	2,422	2,017
Equity attributable to owners of the parent company, SEKm	29,843	19,714	20,041
Interest-bearing net debt, SEKm	5,096	4,662	3,968
Net debt/equity ratio	0.17	0.24	0.20
Interest-bearing net debt / EBITDA	0.7	1.3	1.0
Interest-bearing net debt / Adjusted EBITDA	0.7	1.3	1.0
Key figures per share			
Earnings per share, SEK	16.50	5.63	7.18
Adjusted earnings per share, SEK	16.50	5.63	8.03
Dividend (for the financial year) per share, SEK	-	-	4.30
Other key figures			
Working capital as percentage of net sales, %	11	9	9
Investments in tangible and intangible assets, SEKm	2,340	1,054	1,526
Average number of employees	5,307	4,398	4,370

Reconciliation of alternative performance measures

	Quarter			Jan-Sep		Full year
	Q3 - 22	Q2 - 22	Q3 - 21	2022	2021	2021
Items affecting comparability*, SEKm						
Capital loss from the sale of Beetham (Operating expenses)	-	-	-	-	-	123
Acquisition costs, Verso (Operating expenses)	-	-	-	-	-	135
Revaluation of biological assets in associated companies (Profit from participations in associated companies)	-	-	-	-	-	-81
Items affecting comparability	-	-	-	-	-	177
EBITDA, SEKm and EBITDA margin, %						
Operating profit	1,536	1,609	639	4,334	1,571	1,989
Depreciation and impairment of non-current assets	660	658	478	1,793	1,432	1,912
EBITDA, SEKm	2,196	2,267	1,117	6,127	3,003	3,901
Net sales	11,814	11,408	6,494	30,619	19,518	26,206
EBITDA margin, %	19	20	17	20	15	15
Adjusted EBITDA, SEKm and adjusted EBITDA margin, %						
EBITDA	2,196	2,267	1,117	6,127	3,003	3,901
Items affecting comparability*	-	-	-	-	-	177
Adjusted EBITDA, SEKm	2,196	2,267	1,117	6,127	3,003	4,078
Net sales	11,814	11,408	6,494	30,619	19,518	26,206
Adjusted EBITDA margin, %	19	20	17	20	15	16
Operating margin, %						
Operating profit	1,536	1,609	639	4,334	1,571	1,989
Net sales	11,814	11,408	6,494	30,619	19,518	26,206
Operating margin, %	13	14	10	14	8	8
Adjusted operating profit, SEKm and adjusted operating margin, %						
Operating profit	1,536	1,609	639	4,334	1,571	1,989
Items affecting comparability*	-	-	-	-	-	177
Adjusted operating profit, SEKm	1,536	1,609	639	4,334	1,571	2,166
Net sales	11,814	11,408	6,494	30,619	19,518	26,206
Adjusted operating margin, %	13	14	10	14	8	8
Return on capital employed, %						
Operating profit over 12 months***	4,752	3,855	1,734	4,752	1,734	1,989
Average capital employed over 12 months**	29,830	27,725	24,718	29,830	24,718	24,463
Return on capital employed, %	16	14	7	16	7	8
Adjusted return on capital employed, %						
Adjusted operating profit over 12 months***	4,929	4,032	1,661	4,929	1,661	2,166
Average capital employed over 12 months**	29,830	27,725	24,718	29,830	24,718	24,463
Adjusted return on capital employed, %	17	15	7	17	7	9
Return on equity, %						
Net profit attributed to owners of the parent company over 12 months ***	3,970	3,110	1,407	3,970	1,407	1,485
Average shareholders' equity attributed to owners of the parent company **	23,612	21,468	19,346	23,612	19,346	19,558
Return on equity, %	17	14	7	17	7	8
Net debt/equity ratio						
Interest-bearing net debt	5,096	6,593	4,662	5,096	4,662	3,968
Total equity	29,843	27,014	19,714	29,843	19,714	20,041
Net debt/equity ratio	0.17	0.24	0.24	0.17	0.24	0.20
Interest-bearing net debt / EBITDA, multiple						
Interest-bearing net debt	5,096	6,593	4,662	5,096	4,662	3,968
EBITDA over 12 months***	7,024	5,928	3,644	7,024	3,644	3,901
Interest-bearing net debt / EBITDA, multiple	0.7	1.1	1.3	0.7	1.3	1.0

Reconciliation of alternative performance measures (cont.)

Interest-bearing net debt / Adjusted EBITDA, multiple	Quarter			Jan-Sep		Full year
	Q3 - 22	Q2 - 22	Q3 - 21	2022	2021	2021
Interest-bearing net debt	5,096	6,593	4,662	5,096	4,662	3,968
Adjusted EBITDA over 12 months***	7,201	6,105	3,572	7,201	3,572	4,078
Interest-bearing net debt / Adjusted EBITDA, multiple	0.7	1.1	1.3	0.7	1.3	1.0
Adjusted earnings per share, SEK						
Profit attributed to owners of the parent company, SEKm	1,347	1,419	477	3,650	1,165	1,485
Items affecting comparability, attributed to owners of the parent company, SEKm *	-	-	-	-	-	177
Adj profit attributed to owners of the parent company, SEKm	1,347	1,419	477	3,650	1,165	1,662
Weighted number of outstanding shares, thousands	248,350	207,808	206,871	221,161	206,854	206,858
Adjusted earnings per share, SEK	5.42	6.83	2.31	16.50	5.63	8.03
Working capital as percentage of net sales, %						
Average working capital for the period	5,563	4,824	2,370	4,425	2,442	2,357
Annualized net sales	47,258	45,633	25,972	40,826	26,023	26,206
Working capital as percentage of net sales, %	12	11	9	11	9	9

* Revenue = -, Cost = +

** Average for the five latest quarters.

***12 months is calculated by adding accumulated amounts for the current year plus full previous year, minus prior year's accumulated amounts for periods exceeding 12 months from the balance sheet date.

	30 Sep 2022	30 Sep 2021	31 Dec 2021
Capital employed, SEKm			
Total assets	55,465	36,695	37,978
Accounts payables	-6,049	-3,422	-3,809
Other liabilities and provisions	-5,759	-2,344	-2,626
Deferred tax liabilities	-4,795	-3,651	-3,962
Non-current receivables from associates (interest-bearing)	-2	-15	-15
Cash and Cash equivalents	-3,921	-2,887	-3,558
Capital employed	34,939	24,376	24,008
Working capital, SEKm			
Inventories	6,449	3,419	3,836
Accounts receivables	5,251	2,918	3,047
Other current receivables	4,453	1,392	1,366
Accounts payables	-6,049	-3,422	-3,809
Other current liabilities and provisions	-5,170	-2,251	-2,533
Reduction of provisions	152	102	103
Reduction of tax liabilities/receivables	949	264	7
Working capital	6,035	2,422	2,017
Interest-bearing net debt, SEKm			
Provisions for pensions	1,388	824	816
Interest bearing non-current liabilities	2,788	4,654	4,655
Non-current lease liabilities	258	187	169
Interest bearing current liabilities	4,397	1,791	1,790
Current lease liabilities	188	108	111
Non-current receivables from associates (interest-bearing)	-2	-15	-15
Cash and Cash equivalents	-3,921	-2,887	-3,558
Interest-bearing net debt	5,096	4,662	3,968



Seasonal effects

Billerud's business is subject to seasonal fluctuations to a relatively limited extent. Periodical maintenance shutdowns have the largest impact, as they involve each unit stopping production for around one week. The loss of production results in somewhat lower deliveries over an extended period before, during and after the shutdown. It should also be noted that the Group usually has a somewhat higher cost level in the fourth quarter than in previous quarters.

Planned maintenance shutdowns

In addition to ongoing maintenance during production, Billerud's production units normally also require more extensive maintenance at some time during the year. Maintenance requires the production of pulp, paper and board to stop. The main financial impact from a maintenance shutdown comprises of volume losses arising from the shutdown and increase in fixed costs, mainly maintenance

and overtime costs, as well as a certain portion of variable costs including higher consumption of electricity and wood when production is restarted. The effects of shutdowns on earnings vary depending on the profitability level for the products subject to volume losses, extent of the measures carried out, their nature and the actual length of the shutdown. The estimated earnings impact of a maintenance shutdown is an indicative impact of a normal shutdown performed in average market conditions compared with a quarter during which no periodic maintenance shutdown takes place.

In the third quarter of 2022 planned maintenance was performed at Karlsborg, Quinnesec, Escanaba and Gävle. The negative impact of these maintenance shutdowns amounted to SEK 893 million.

Estimated average earnings impact from maintenance shutdowns

Production units	Estimated average earnings impact	Estimated breakdown of earnings impact		Planned dates of maintenance shutdown		
	SEKm	Board	Paper	2022	2021	2020
Gävle	~ 165	~ 94%	~ 6%	Q3	Q3	Q3
Gruvön	~ 200	~ 97%	~ 3%	Q1-Q2	Q2	Q3
Frövi	~ 115	100%		Q4	Q4	Q4
Skärblacka	~ 130	~ 12%	~ 88%	Q2	Q4	Q4
Karlsborg	~ 90		100%	Q3	Q3	Q3
Pietarsaari	~ 15		100%	Q2	-	Q4
Rockhammar	~ 15	100%		Q4	Q3	Q4
Escanaba	~ 180		100%	Q3	-	-
Quinnesec	~ 400		100%	Q3	-	-

Key Figures – Definitions and purpose

Adjusted key figures	Adjusted key figures on EBITDA, Operating profit, Return on capital employed and Earnings per share provide a better understanding of the underlying business performance and enhance comparability from period to period, when the effect of items affecting comparability are adjusted for. Items affecting comparability can include additional project costs for major projects, major restructuring/write downs /revaluations, litigations, specific impact due to strategic decisions, and significant earnings effects from acquisition and disposals.
EBITDA	Operating profit before depreciation, amortization and impairment. EBITDA is a central measure of operating performance, to assess the performance over time.
EBITDA margin, %	EBITDA as a percentage of net sales. The measure is used in review as well as for benchmarking with peer companies.
Adjusted EBITDA	Operating profit before depreciation and amortization adjusted for items affecting comparability. Adjusted EBITDA is relevant for assessing performance excluding items affecting comparability.
Adjusted EBITDA margin, %	Adjusted EBITDA as a percentage of net sales. The measure is used for assessing profitability excluding items affecting comparability.
Operating margin, %	Operating profit as a percentage of net sales. Operating margin shows the percentage of revenue remaining as operating profit after deducting operating expenses. The measure is used for performance monitoring as well as for benchmarking with peer companies.
Adjusted operating profit	Operating profit adjusted for items affecting comparability. The measure is used for assessing performance excluding items affecting comparability.
Adjusted operating margin, %	Adjusted operating profit as a percentage of net sales. The measure is used for assessing performance excluding items affecting comparability.
Return on capital employed (ROCE)	Operating profit calculated over 12 months as a percentage of average capital employed calculated per quarter for the last 5 quarters. 12 months is calculated by adding accumulated amounts for the current year plus full previous year, minus prior year's accumulated amounts for periods exceeding 12 months from the balance sheet date. The return on capital employed is a measure that shows how effectively total net operating assets are used in order to generate return in the operating business. The measure takes capital invested in the operating activities into account and is used for business performance monitoring and benchmarking with peer companies.
Adjusted Return on capital employed (ROCE)	Adjusted operating profit calculated over 12 months as a percentage of average capital employed calculated per quarter for the last 5 quarters. 12 months is calculated by adding accumulated amounts for the current year plus full previous year, minus prior year's accumulated amounts for periods exceeding 12 months from the balance sheet date. The measure is used for assessing the return on net operating assets excluding items affecting comparability.
Return on equity, %	Profit calculated over 12 months, attributable to owners of the parent company, as a percentage of average shareholders' equity calculated per quarter, attributable to owners of the parent company. 12 months is calculated by adding accumulated amounts for the current year plus full previous year, minus prior year's accumulated amounts for periods exceeding 12 months from the balance sheet date. The measure represents total profitability compared to the equity invested by the parent company's shareholders.
Capital employed	Total assets less accounts payables, other liabilities and provisions, deferred tax liabilities, non-current receivables from associates (interest-bearing) and cash and cash equivalents. Capital employed is used to quantify the net total assets used in the operating business, and is used as a component in measuring operating profitability.
Working capital	Inventories, accounts receivables and other current receivables less accounts payables and other current liabilities. The measure shows the amount of current net assets that is tied up in the business. Together with non-current assets, working capital constitutes the operating capital employed to generate operating returns.
Interest-bearing net debt	The sum of provisions for pensions, interest-bearing liabilities and leasing liabilities less non-current receivables from associates (interest-bearing) and cash and cash equivalents. The measure is used to quantify the debt financing, taken the amount of financial assets into account. The measure is used as a component in measuring financial risk.
Net debt/equity ratio	Interest-bearing net debt divided by equity. The ratio shows the mix between interest-bearing net debt and equity financing. A higher ratio means higher financial leverage and may have positive effects on return on equity but imply a higher financial risk.
Interest-bearing net debt/EBITDA	Interest bearing net debt at the end of the period divided by EBITDA for the last 12 months. 12 months is calculated by adding accumulated amounts for the current year plus full previous year, minus prior year's accumulated amounts for periods exceeding 12 months from the balance sheet date. The measure shows the size of the interest-bearing net debt compared to the repayment capacity. A higher (lower) ratio indicates a higher (lower) risk.



Interest-bearing net debt/adjusted EBITDA	Interest bearing net debt at the end of the period divided by adjusted EBITDA for the last 12 months. 12 months is calculated by adding accumulated amounts for the current year plus full previous year, minus prior year's accumulated amounts for periods exceeding 12 months from the balance sheet date. The measure is used for assessing the repayment capacity excluding items affecting comparability.
Earnings per share	Profit attributable to owners of the parent, divided by the average number of outstanding ordinary shares in the market.
Adjusted earnings per share	Profit attributable to owners of the parent adjusted for items affecting comparability after tax, divided by the average number of outstanding ordinary shares in the market. The measure is used for assessing earnings per share excluding items affecting comparability.
Working capital as percentage of net sales	Average working capital is calculated by using the average of all quarterly periods during the interim period from the beginning of the financial year, divided by annualized net sales. Annual net sales are calculated by dividing the net sales for the most recent interim period from the beginning of the financial year by the number of months in this interim period and multiplying by twelve. Working capital in relation to net sales shows how effectively the working capital is used. A lower percentage means less capital is tied up to generate a given amount of revenue, and an increased ability to internally finance growth and return to shareholders.
Operating cash flow after investments in tangible and intangible assets	Cash flow from the operating activities, including investments in tangible and intangible assets. The measure shows cash flow generated in the operating business, which provides the amount of cash flows available to repay debt, acquire and invest in other businesses and pay dividends to the shareholders.

Parent company

Condensed income statement

SEKm	Quarter		Jan-Sep		Full Year
	Q3 -22	Q3 -21	2022	2021	2021
Operating income*	95	123	331	514	634
Operating expenses	-249	-93	-580	-353	-470
Operating profit/loss	-154	30	-249	161	164
Financial income and expenses	270	-8	513	-44	-143
Profit/Loss after financial income and expenses	116	22	264	117	21
Appropriations	-	-	-	-	289
Profit/loss before tax	116	22	264	117	310
Taxes	-20	-2	-48	-17	-74
Net profit/loss for the period	96	20	216	100	236

* Including currency hedging etc.

Condensed balance sheet

SEKm	30 Sep 2022	30 Sep 2021	31 Dec 2021
Non-current assets	18,505	10,695	10,668
Current assets	12,261	16,733	16,588
Total assets	30,766	27,428	27,256
Shareholders' equity	10,090	7,172	7,309
Untaxed reserves	1,341	1,516	1,341
Provisions	272	223	253
Liabilities	19,063	18,517	18,353
Total equity and liabilities	30,766	27,428	27,256

Quarterly data

The Group's business is organized on the basis of the functional areas Wood Supply, Operations and Commercial and is governed by two product areas Board and Paper.

Solutions and Other includes Wood Supply, Scandfibre Logistics AB, Managed Packaging, rental operations, dormant companies, idle assets, income from the sale of businesses, items affecting comparability and costs due to increased investments in the production structure. Other also

includes Group-wide functions, Group eliminations (including IFRS 16) and profit/loss from participation in associated companies. Currency hedging etc. includes results from hedging of the Group's net currency flows and revaluation of accounts receivables and payments from customers. The part of the currency exposure that relates to changes in exchange rates for invoicing is included in the product area's profit/loss.

Quarterly net sales per product area and for the Group

SEKm	2022			2021				2020	2022	2021
	Q3 -22	Q2 -22	Q1 -22	Q4 -21	Q3 -21	Q2 -21	Q1 -21	Q4 -20	Jan-Sep	Jan-Sep
Product area Paper	6,486	6,094	2,219	2,138	2,047	2,039	1,903	1,777	14,799	5,989
Product area Board	4,563	4,410	4,375	3,762	3,663	3,642	3,785	3,370	13,348	11,090
Solutions & Other	755	852	815	757	725	772	696	667	2,422	2,193
Currency hedging, etc.	10	52	-12	31	59	51	136	-11	50	246
Total Group	11,814	11,408	7,397	6,688	6,494	6,504	6,520	5,803	30,619	19,518

Quarterly EBITDA per product area and for the Group

SEKm	2022			2021				2020	2022	2021
	Q3 -22	Q2 -22	Q1 -22	Q4 -21	Q3 -21	Q2 -21	Q1 -21	Q4 -20	Jan-Sep	Jan-Sep
Product area Paper	1,373	1,351	702	346	414	365	263	165	3,426	1,042
Product area Board	915	1,008	1,047	809	678	556	705	481	2,970	1,939
Solutions & Other	-102	-144	-73	-288	-34	-89	-101	6	-319	-224
Currency hedging, etc.	10	52	-12	31	59	51	136	-11	50	246
Total Group	2,196	2,267	1,664	898	1,117	883	1,003	641	6,127	3,003

Quarterly EBITDA margin per product area and for the Group

%	2022			2021				2020	2022	2021
	Q3 -22	Q2 -22	Q1 -22	Q4 -21	Q3 -21	Q2 -21	Q1 -21	Q4 -20	Jan-Sep	Jan-Sep
Product area Paper	21	22	32	16	20	18	14	9	23	17
Product area Board	20	23	24	22	19	15	19	14	22	17
Group	19	20	22	13	17	14	15	11	20	15

Adjusted quarterly EBITDA, excluding maintenance shutdowns, per product area and for the Group

SEKm	2022			2021				2020	2022	2021
	Q3 -22	Q2 -22	Q1 -22	Q4 -21	Q3 -21	Q2 -21	Q1 -21	Q4 -20	Jan-Sep	Jan-Sep
Product area Paper	2,080	1,505	702	485	525	381	263	296	4,287	1,169
Product area Board	1,101	1,199	1,127	954	859	744	705	645	3,427	2,308
Solutions & Other	-102	-144	-73	-111	-34	-89	-101	-67	-319	-224
Currency hedging, etc.	10	52	-12	31	59	51	136	-11	50	246
Total Group	3,089	2,612	1,744	1,359	1,409	1,087	1,003	863	7,445	3,499
Maintenance shutdowns	-893	-345	-80	-284	-292	-204	-	-295	-1,318	-496
Items affecting comparability	-	-	-	-177	-	-	-	73	-	-
EBITDA	2,196	2,267	1,664	898	1,117	883	1,003	641	6,127	3,003

Adjusted quarterly EBITDA margin, excluding maintenance shutdowns, per product area and for the Group

%	2022			2021				2020	2022	2021
	Q3 -22	Q2 -22	Q1 -22	Q4 -21	Q3 -21	Q2 -21	Q1 -21	Q4 -20	Jan-Sep	Jan-Sep
Product area Paper	32	25	32	23	26	19	14	17	29	20
Product area Board	24	27	26	25	23	20	19	19	26	21
Total Group	26	23	24	20	22	17	15	15	24	18

Quarterly operating profit/loss, per product area and for the group

SEKm	2022			2021				2020	2022	2021
	Q3 -22	Q2 -22	Q1 -22	Q4 -21	Q3 -21	Q2 -21	Q1 -21	Q4 -20	Jan-Sep	Jan-Sep
Product area Paper	1,074	1,055	583	224	293	244	145	51	2,712	682
Product area Board	593	687	725	486	354	231	380	149	2,005	965
Solutions & Other	-141	-185	-107	-323	-67	-122	-133	-26	-433	-322
Currency hedging, etc.	10	52	-12	31	59	51	136	-11	50	246
Total Group	1,536	1,609	1,189	418	639	404	528	163	4,334	1,571

Quarterly operating margin per product area and for the group

%	2022			2021				2020	2022	2021
	Q3 -22	Q2 -22	Q1 -22	Q4 -21	Q3 -21	Q2 -21	Q1 -21	Q4 -20	Jan-Sep	Jan-Sep
Product area Paper	17	17	26	10	14	12	8	3	18	11
Product area Board	13	16	17	13	10	6	10	4	15	9
Total Group	13	14	16	6	10	6	8	3	14	8

Quarterly sales volumes per product area

ktonnes	2022			2021				2020	2022	2021
	Q3 -22	Q2 -22	Q1 -22	Q4 -21	Q3 -21	Q2 -21	Q1 -21	Q4 -20	Jan-Sep	Jan-Sep
Product area Paper	480	523	219	231	229	245	255	227	1,222	729
Product area Board	465	472	495	456	466	474	521	460	1,432	1,461
Total Group	945	995	714	687	695	719	776	687	2,654	2,190

Financial calendar

Q4 2022 report – 27 January 2023

Q1 2023 report – 26 April 2023

Q2 2023 report – 20 July 2023

Q3 2023 report – 25 October 2023

Presentation

The interim report will be presented on Tuesday 25 October at 9:00 CEST in a webcasted telephone conference that can be followed on: <https://edge.media-server.com/mmc/p/w9fjgrei>

To participate via telephone, and thereby be able to ask questions, please register here:

<https://register.vevent.com/register/Bld214f42c11f44187985e46b4a6bd50fc>

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