

2nd Quarter 2023

Sarpsborg, 18 July 2023

Agenda

Per A Sørli, President & CEO

- Highlights
- Business segments
- Outlook

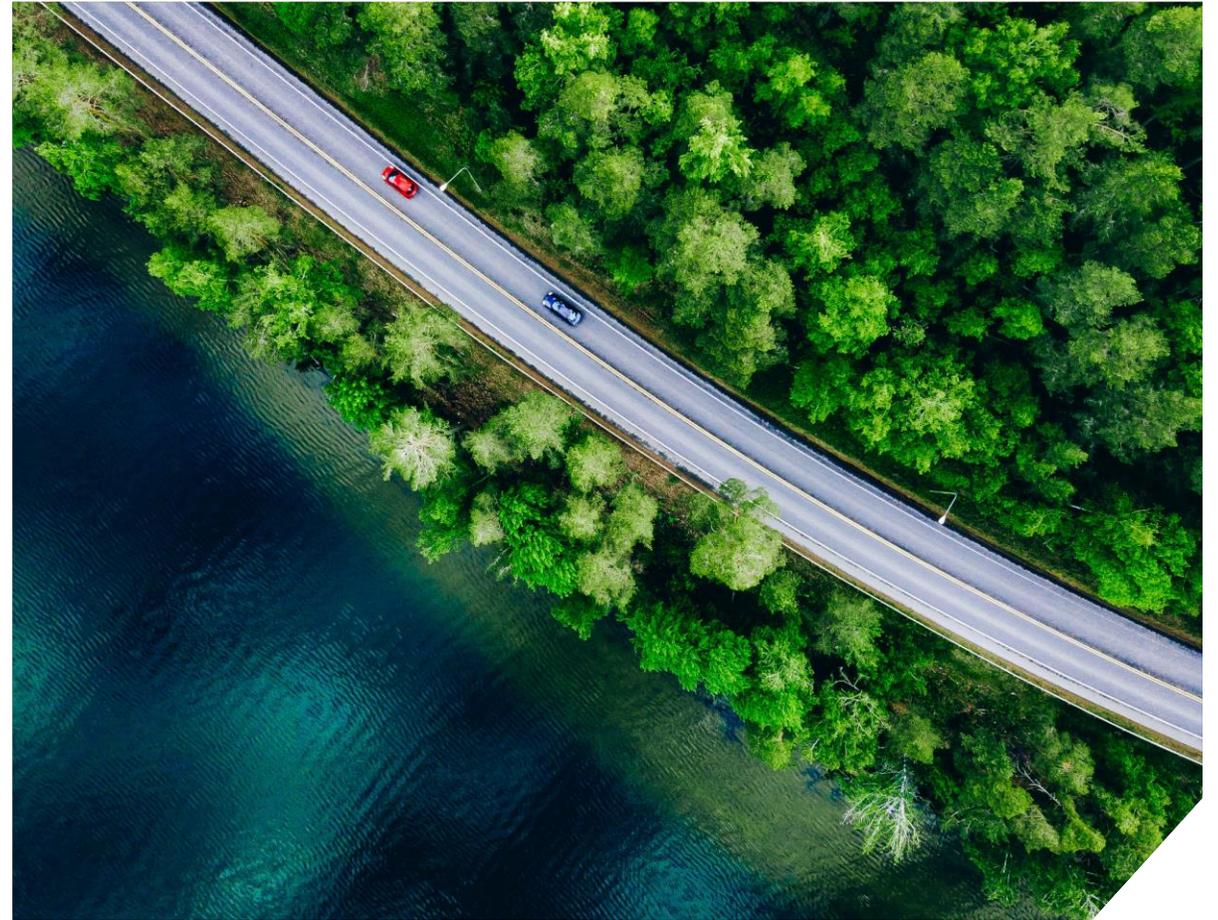
Per Bjarne Lyngstad, CFO

- Financial performance



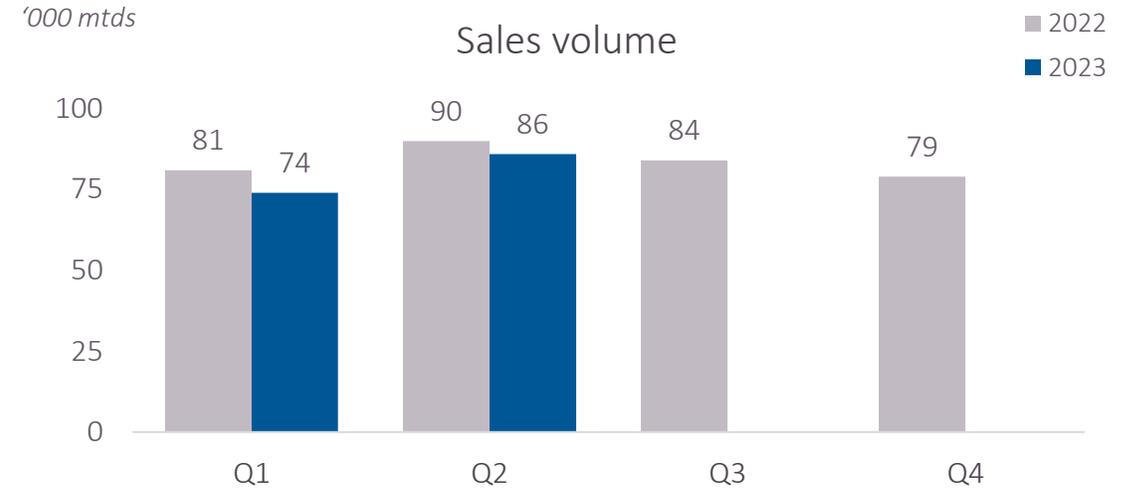
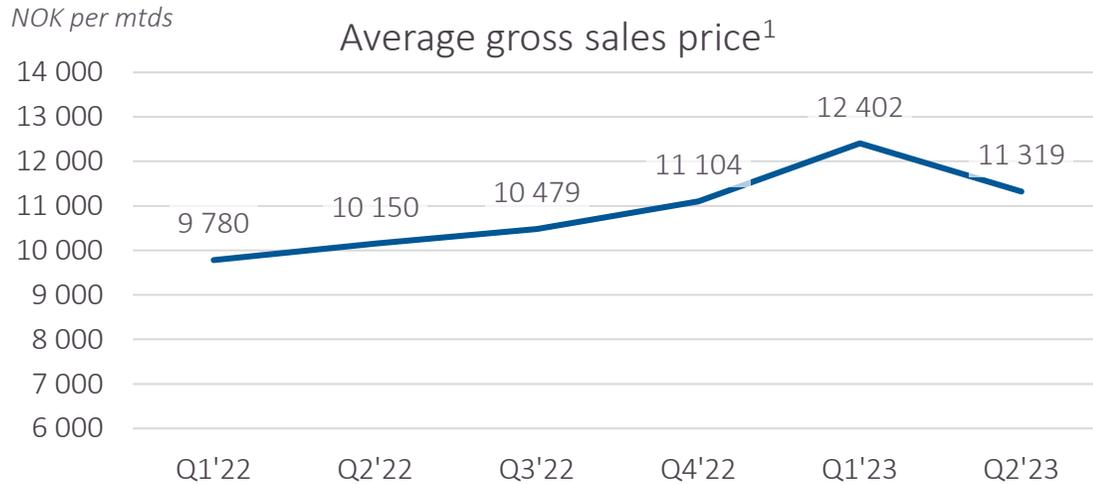
Highlights – 2nd quarter 2023

- All-time high EBITDA¹ NOK 537 million (NOK 445 million)
- Positive impact from diversified market strategy in BioSolutions
- Increased sales prices for BioMaterials
- Increased sales prices and high deliveries in Fine Chemicals
- Reduced margin and volume for traded vanillin products
- Positive net currency effects



¹ Alternative performance measure, see Appendix for definition

BioSolutions markets – Q2



Sales price and sales volume include lignin-based biopolymers and biovanillin

Average price in sales currency -3% below Q2-22

- Sales prices in line with Q1-23
- Increased sales volume to industrial applications and lower deliveries to construction and speciality applications affected average price
- Diversified market strategy contributed to improved EBITDA¹ margin

Sales volume 4% lower vs Q2-22

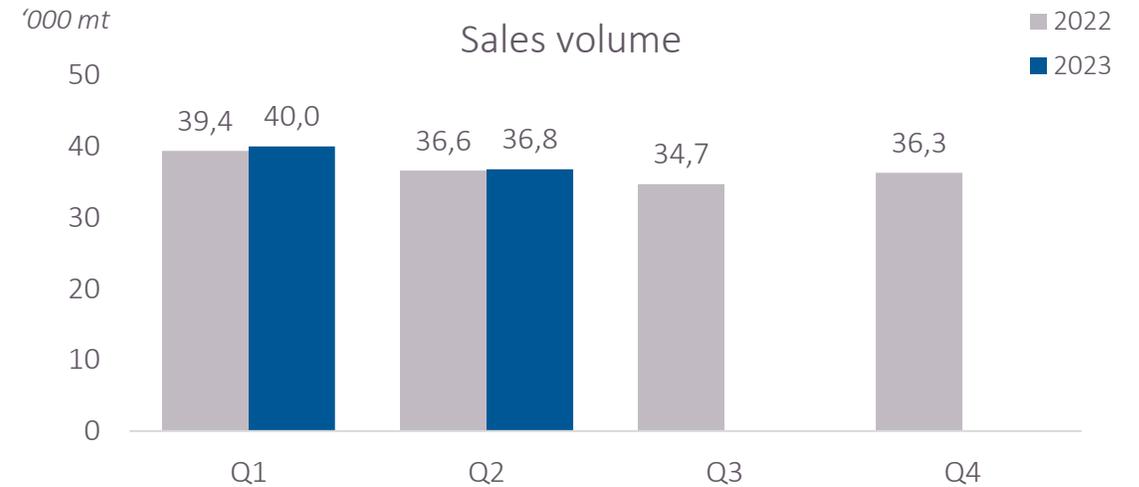
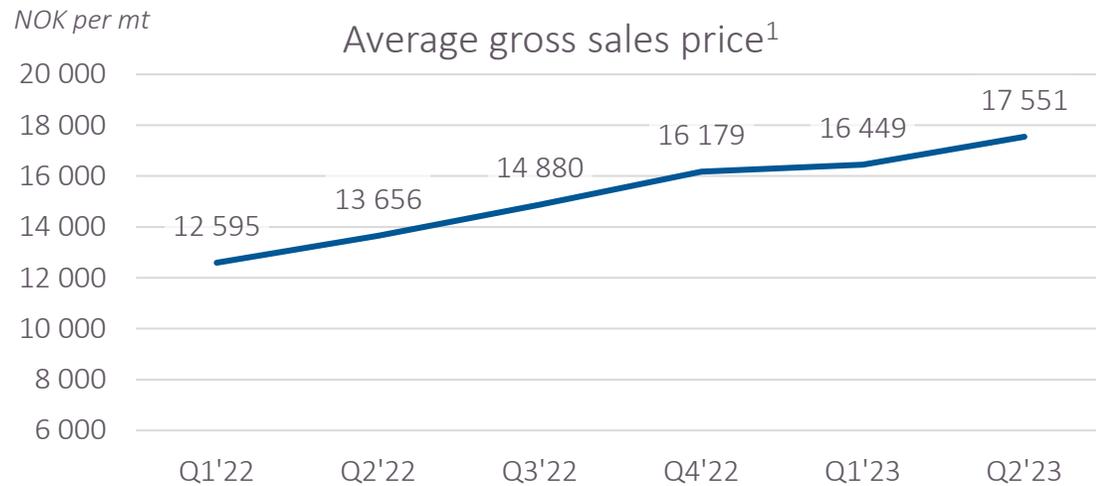
- Strong sales within several industrial applications, lower deliveries to other applications

Positive FX effects

¹ Average sales price is calculated using actual FX rates, excluding hedging impact

² Alternative performance measure, see Appendix for definition

BioMaterials markets – Q2



Sales price and sales volume include speciality cellulose and cellulose fibrils

Average price in sales currency 13% higher than Q2-22

- Prices in sales currency in line with Q1-23

Sales volume in line with Q2-22

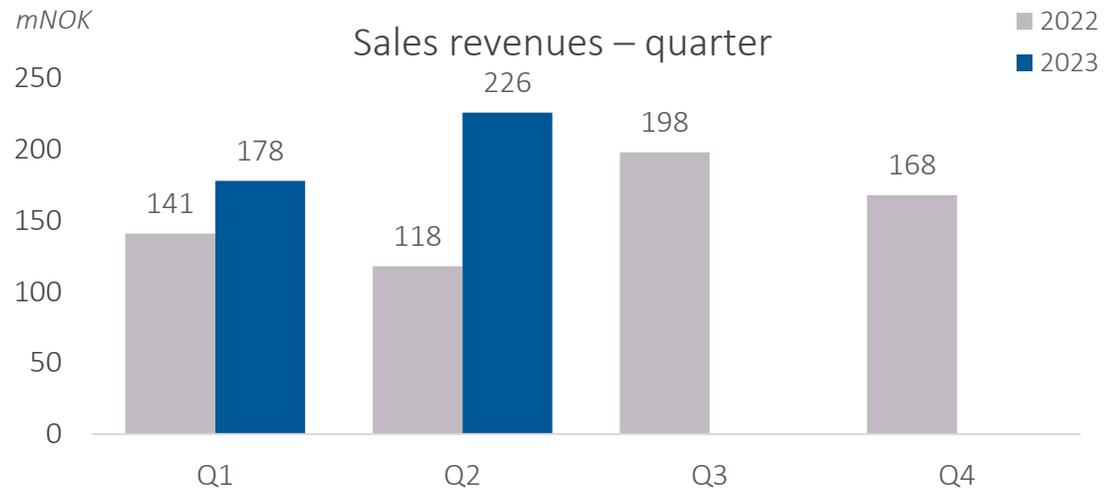
- Lower sales of speciality cellulose to the construction market for cellulose ethers affected product mix
- Higher sales of other specialised products

Sales volume and prices increased for cellulose fibrils

Positive FX impact

¹ Average sales price is calculated using actual FX rates, excluding hedging impact

Fine Chemicals markets – Q2



Sales revenues include fine chemical intermediates and bioethanol

- Increased sales prices and high deliveries
- Strong quarter for bioethanol
- Improved product mix for fine chemical intermediates
- Positive FX impact

Outlook

BioSolutions

- The diversified market strategy expected to mitigate effects of a potential recession
- Total sales volume for 2023 forecast to be slightly below 2022, depending on global economic development and the construction market
- Sales volume in Q3-23 forecast to be largely in line with the same quarter last year

BioMaterials

- Total sales volume for 2023 expected to be in line with 2022
- Sales volume of highly specialised grades expected to be lower than last year due to a further slowdown in the construction market for cellulose ethers
- Sales to other applications expected to partly compensate for the reduced volume to the construction market
- Sales growth will continue for cellulose fibrils

Fine Chemicals

- Sales prices for advanced bioethanol are expected to remain at the same level as in H1-23
- Favourable market conditions for advanced biofuels in several European countries
- In H2-23, lower deliveries and a weaker product mix expected for fine chemical intermediates vs H1-23

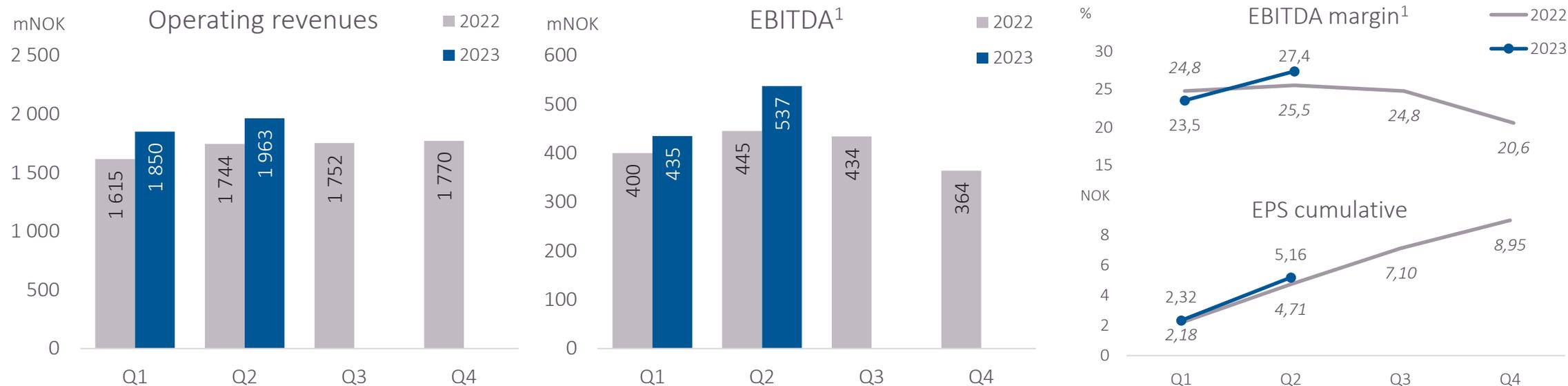
Raw material and energy costs

- Wood costs will increase 4-6% in H2-23 vs H1-23
- In Q3, increased wood and labour costs expected to offset lower energy and other raw material costs vs Q2-23
- Cost inflation, interest rates and uncertainty in the global economy may impact Borregaard's markets

Financial performance Q2-23



Borregaard key figures – Q2



Revenues 13% above Q2-22

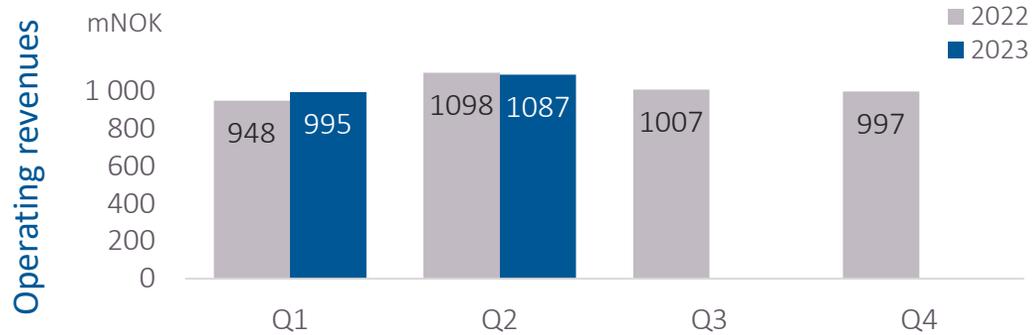
All-time high EBITDA¹ 537 mNOK for the Group

- Fine Chemicals and BioMaterials had result improvements while BioSolutions had a decrease
- Increased sales prices and positive net FX effects the main reasons for the strong result and EBITDA¹ margin
- Reduced energy costs largely offset by increased wood costs and cost inflation in general

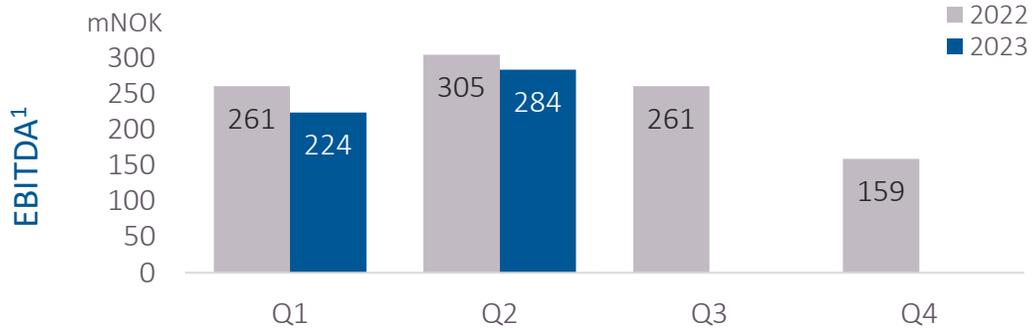
Earnings per share (EPS) NOK 2.84 (NOK 2.53)

¹ Alternative performance measure, see Appendix for definition

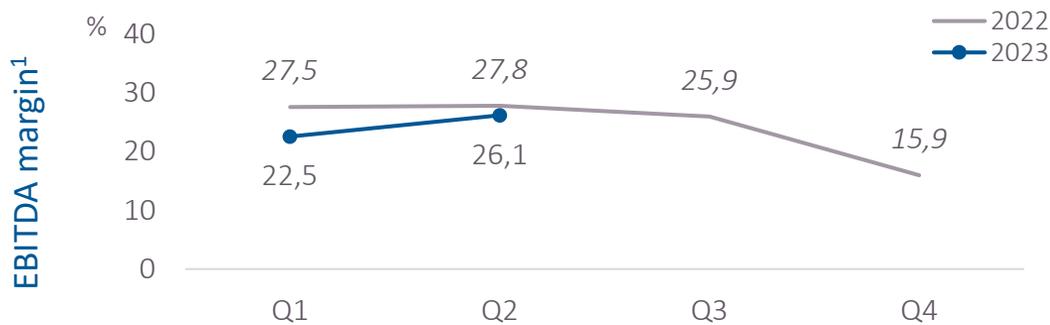
BioSolutions key figures – Q2



- Revenues -1% below Q2-22
- Lower average price and volume
- Positive FX impact



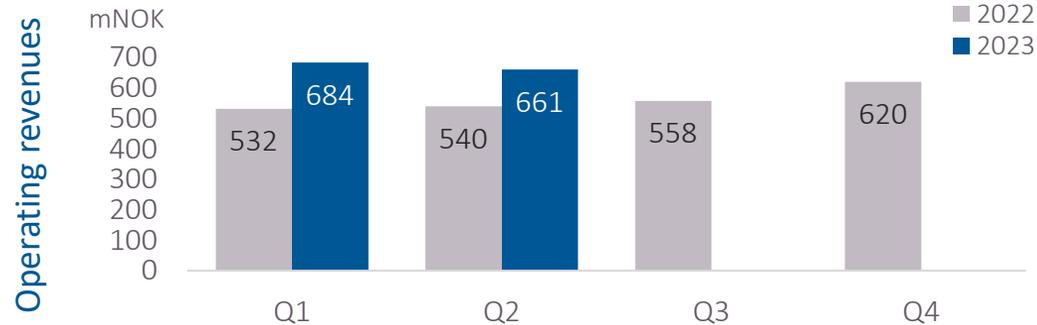
- Higher sales prices
- Average price affected by changes in product mix
- Reduced energy costs partly offset by cost inflation for other operating expenses
- Reduced margin and volume for traded vanillin products
- Positive net FX impact



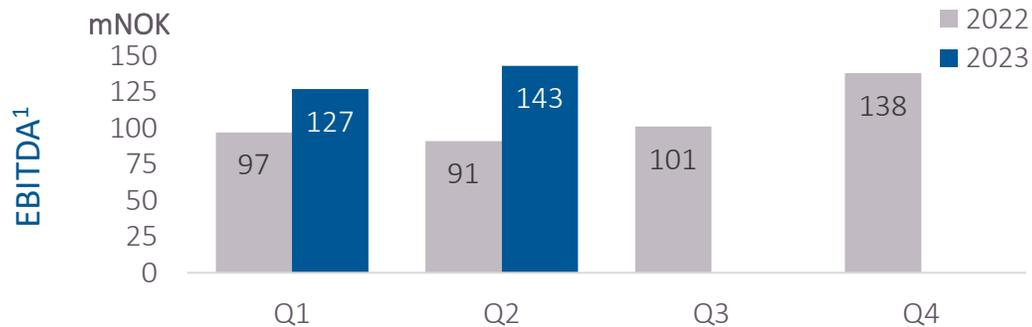
- EBITDA margin¹ close to Q2-22
- Improvement vs previous quarters

¹ Alternative performance measure, see Appendix for definition

BioMaterials key figures – Q2



- Revenues increased 22% vs Q2-22
- Higher sales prices
- Positive FX impact



- Increased sales prices
- Lower energy costs more than offset by higher wood costs and other operating expenses
- Increased sales volume and prices for cellulose fibrils
- Positive net FX impact



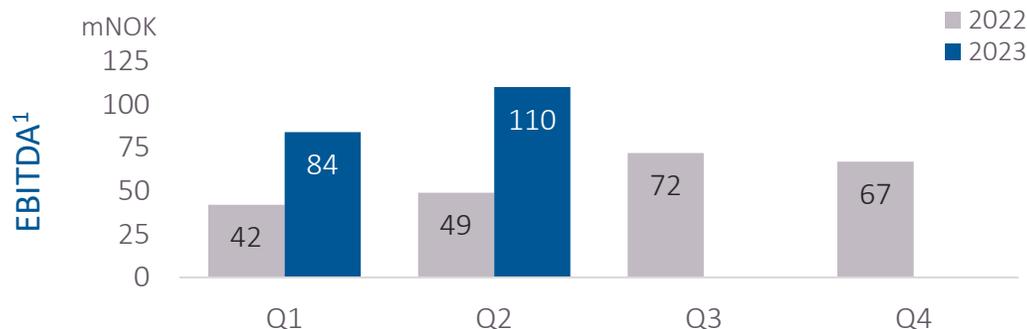
- EBITDA margin¹ significantly above Q2-22

¹ Alternative performance measure, see Appendix for definition

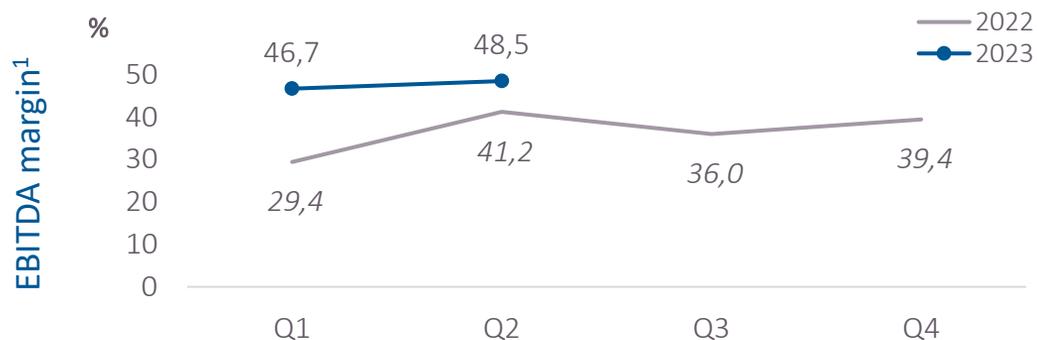
Fine Chemicals key figures – Q2



- Revenues increased 91% vs Q2-22
- Increased sales prices and high deliveries
- Positive FX impact



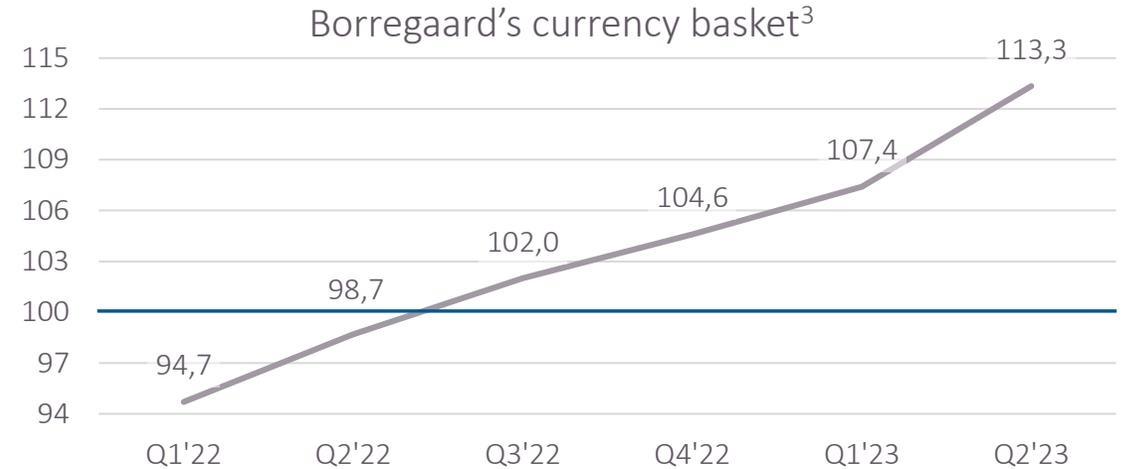
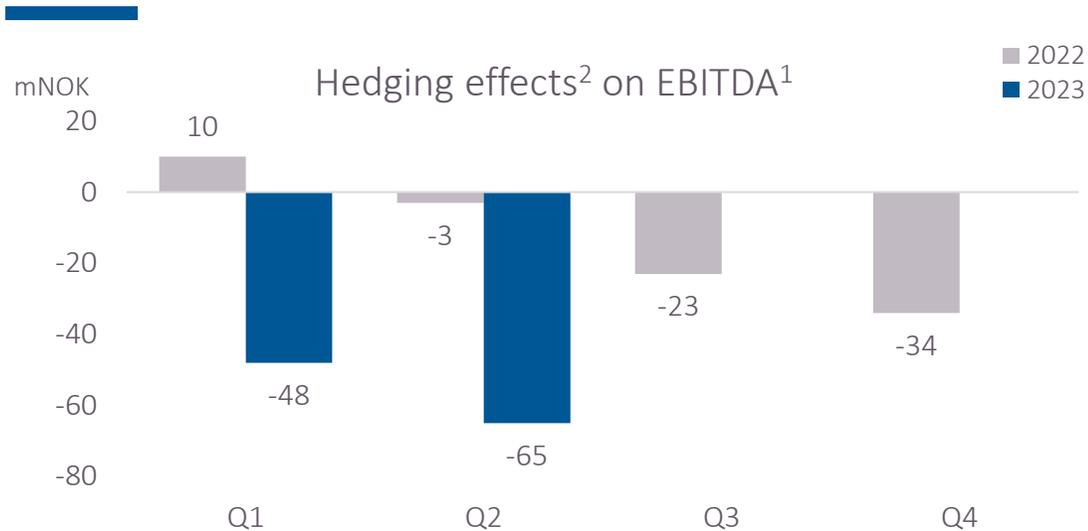
- Increased sales prices and high deliveries
- Particularly strong quarter for bioethanol
- Improved product mix for fine chemical intermediates
- Positive net FX impact



- Strong EBITDA margin¹

¹ Alternative performance measure, see Appendix for definition

Currency impact



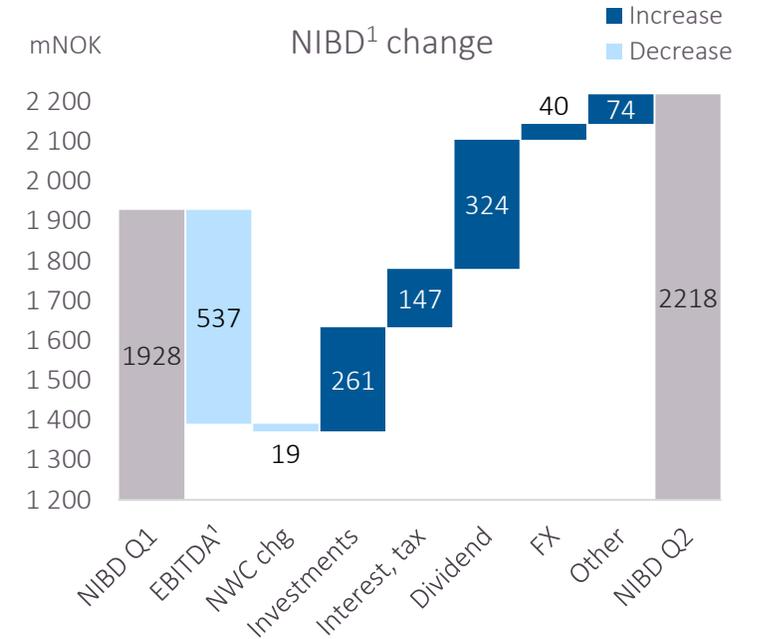
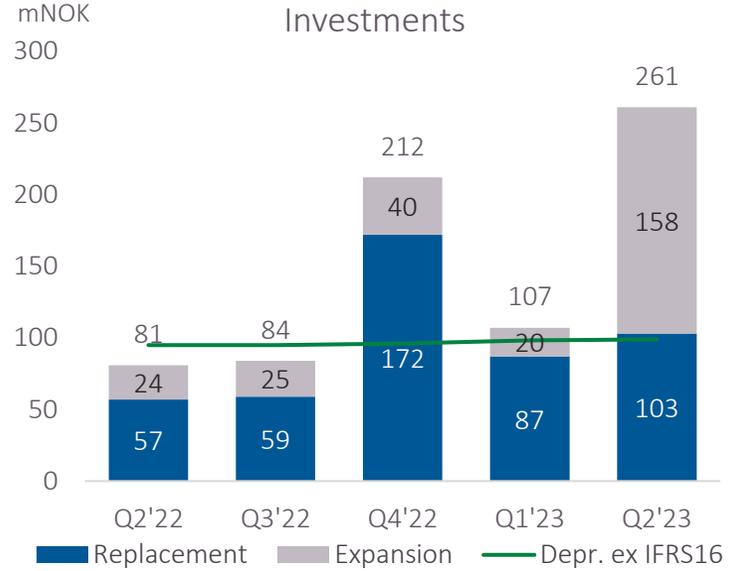
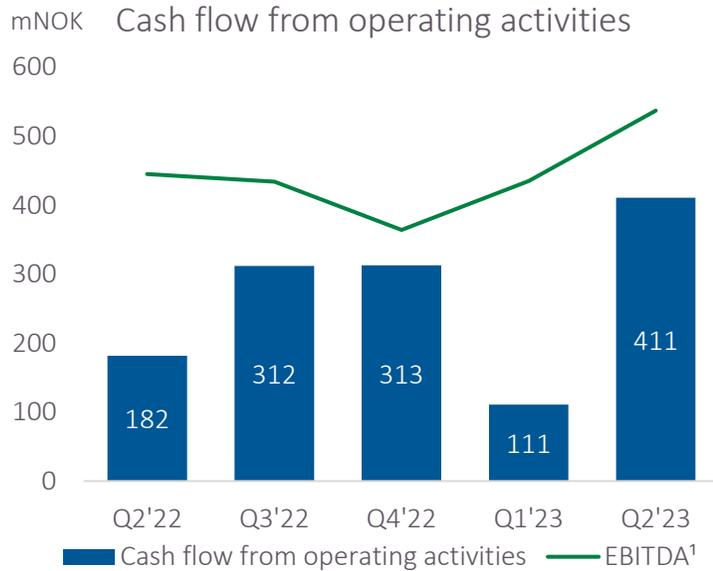
- Net FX EBITDA¹ impact ≈80 mNOK vs Q2-22
 - Includes change in hedging effects and based on estimated FX exposure
- Net FX EBITDA¹ impact in 2023 estimated to be ≈215 mNOK vs 2022
 - Assuming rates as of 17 July (USD 10.01 and EUR 11.24) on expected FX exposure
 - Net FX EBITDA¹ impact in Q2 estimated to be ≈40 mNOK vs Q3-22
- Significant FX exposure, but delayed impact of FX rate fluctuations due to hedging policy

¹ Alternative performance measure, see Appendix for definition

² See Appendix for currency hedging strategy, future hedges and hedging effects by segment

³ Currency basket based on Borregaard's net exposure on EBITDA¹ in 2022 (=100): USD 53% (≈197 mUSD), EUR 42% (≈147 mEUR), Other 5% (GBP, BRL, JPY, SEK)

Cash flow, investments and NIBD



Strong cash flow in Q2

- All-time high EBITDA¹ and slight decrease in net working capital partly offset by increased interest expenses and tax payments

Total investments 261 mNOK

- Increased ownership in Alginor ASA the main expenditure (124 mNOK)

NIBD¹ increased 290 mNOK in Q2, impacted by dividend payment

- Leverage ratio¹ 1.25 (1.40)

Equity ratio¹ 47% (52%)

¹ Alternative performance measure, see Appendix for definition

Questions?

Per A Sørli, President & CEO

Per Bjarne Lyngstad, CFO

Please note that you can submit questions online during the webcast



Appendix



Borregaard – key figures

Amounts in NOK million	Q2-23	Q2-22	Change	FY-23	FY-22	Change
Operating revenues	1 963	1 744	13 %	3 813	3 359	14 %
EBITDA ¹	537	445	21 %	972	845	15 %
Depreciation property, plant and equipment	-116	-110		-230	-218	
Amortisation intangible assets	-2	-1		-3	-2	
Other income and expenses ¹	0	12		0	12	
Operating profit	419	346	21 %	739	637	16 %
Financial items, net	-40	-24		-68	-38	
Profit before taxes	379	322	18 %	671	599	12 %
Income tax expenses	-91	-78		-162	-146	
Profit for the period	288	244	18 %	509	453	12 %
Profit attributable to non-controlling interests	5	-8		-5	-16	
Profit attributable to owners of the parent	283	252		514	469	
Cash flow from operating activities (IFRS)	411	182		522	110	
Earnings per share	2,84	2,53	12 %	5,16	4,71	10 %
EBITDA margin ¹	27,4 %	25,5 %		25,5 %	25,2 %	

¹ Alternative performance measure, see Appendix for definition

Operating revenues and EBITDA¹ per segment

Amounts in NOK million

Operating revenues	Q2-23	Q2-22	Change
Borregaard	1 963	1 744	13 %
BioSolutions	1087	1098	-1 %
BioMaterials	661	540	22 %
Fine Chemicals	227	119	91 %
Eliminations	-12	-13	

Amounts in NOK million

EBITDA ¹	Q2-23	Q2-22	Change
Borregaard	537	445	21 %
BioSolutions	284	305	-7 %
BioMaterials	143	91	57 %
Fine Chemicals	110	49	124 %

Amounts in NOK million

Operating revenues	FY-23	FY-22	Change
Borregaard	3 813	3 359	14 %
BioSolutions	2 082	2 046	2 %
BioMaterials	1 345	1 072	25 %
Fine Chemicals	407	262	55 %
Eliminations	-21	-21	

Amounts in NOK million

EBITDA ¹	FY-23	FY-22	Change
Borregaard	972	845	15 %
BioSolutions	508	566	-10 %
BioMaterials	270	188	44 %
Fine Chemicals	194	91	113 %

¹ Alternative performance measure, see Appendix for definition

Cash flow

Amounts in NOK million	Q2-23	Q2-22	FY-23	FY-22	FY-2022
Amounts in NOK million					
Profit before taxes	379	322	671	599	1 118
Amortisation, depreciation and impairment charges	118	111	233	220	449
Change in net working capital, etc	19	-221	-174	-602	-658
Dividend/share of profit from JV & associate company	2	31	8	31	34
Taxes paid	-107	-61	-216	-138	-208
Cash flow from operating activities	411	182	522	110	735
Investments property, plant and equipment and intangible assets *	-137	-81	-244	-168	-464
Investment in associate company	-124	-	-124	-	-
Other capital transactions	3	4	5	6	9
Cash flow from Investing activities	-258	-77	-363	-162	-455
Dividends	-324	-499	-324	-499	-499
Proceeds from exercise of options/shares to employees	4	7	45	34	41
Buy-back of shares	-8	-19	-49	-23	-68
Gain/(loss) on hedges for net investments in subsidiaries	-30	-111	-88	-80	-79
Net paid to/from shareholders	-358	-622	-416	-568	-605
Proceeds from interest-bearing liabilities	800	737	800	837	837
Repayment from interest-bearing liabilities	-446	-339	-460	-353	-512
Change in interest-bearing receivables/other liabilities	19	70	60	68	78
Change in net interest-bearing liabilities	373	468	400	552	403
Cash flow from financing activities	15	-154	-16	-16	-202
Change in cash and cash equivalents	168	-49	143	-68	78
Cash and cash equivalents at beginning of period	105	-16	111	5	5
Change in cash and cash equivalents	168	-49	143	-68	78
Currency effects cash and cash equivalents	5	27	24	25	28
Cash and cash equivalents at the end of the period	278	-38	278	-38	111
* Investment by category					
Replacement Investments	103	57	190	128	359
Expansion investments ¹ including investment in associate company	158	24	178	40	105
Total investments including investment in associate company	261	81	368	168	464

¹ Alternative performance measure, see Appendix for definition

Balance sheet

Amounts in NOK million	30.6.2023	31.03.2023	31.12.2022
Assets:			
Intangible assets	80	82	82
Property, plant and equipment	4 502	4 436	4 371
Right-of-use assets	403	350	345
Other assets	226	217	254
Investments in joint venture/associate company	258	136	142
Non-current assets	5 469	5 221	5 194
Inventories	1 318	1 373	1 299
Receivables	1 576	1 560	1 387
Cash and cash deposits	365	217	234
Current assets	3 259	3 150	2 920
Total assets	8 728	8 371	8 114
Equity and liabilities:			
Group equity	4 083	4 260	4 394
Non-controlling interests	51	44	51
Equity	4 134	4 304	4 445
Provisions and other liabilities	479	435	295
Interest-bearing liabilities	2 038	1 490	1 370
Non-current liabilities	2 517	1 925	1 665
Interest-bearing liabilities	547	657	702
Other current liabilities	1 530	1 485	1 302
Current liabilities	2 077	2 142	2 004
Equity and liabilities	8 728	8 371	8 114
Equity ratio ¹ (%):	47,4 %	51,4 %	54,8 %

¹ Alternative performance measure, see Appendix for definition

Net financial items & net interest-bearing debt¹

Amounts in NOK million

Net financial items	Q2-23	Q2-22	FY-23	FY-22
Net interest expenses	-35	-16	-64	-29
Currency gain/loss	-1	-7	5	-5
Share of profit/-loss from an associate	-1	0	-3	-1
Other financial items, net	-3	-1	-6	-2
Net financial items	-40	-23	-68	-38

Amounts in NOK million

Net interest-bearing debt ¹ (NIBD)	30.6.2023	31.03.2023	31.12.2022
Non-current interest-bearing liabilities	2 038	1 490	1 370
Current interest-bearing liabilities including overdraft of cashpool	547	657	702
Non-current interest-bearing receivables (included in "Other Assets")	-2	-2	-2
Cash and cash deposits	-365	-217	-234
Net interest-bearing debt¹ (NIBD)	2 218	1 928	1 836
- of which impact from IFRS 16 leases	434	379	371

¹ Alternative performance measure, see Appendix for definition

Currency hedging strategy

Purpose is to delay effects of currency fluctuations and secure competitiveness

Hedging based on expected EBITDA¹ impact²

- **Base hedge:** 75%/50% on a rolling basis for 6/9 months for major currencies
- **Extended hedge:** 75%/50% of the next 24/36 months if USD and EUR are above defined levels
 EUR; gradually increased at effective rates from 9.25 to 9.75
 USD; gradually increased at effective rates from 8.00 to 8.50
- **Contracts³:** 100% hedged

Balance sheet exposure hedged 100%

Net investments in subsidiaries hedged up to 90% of book value in major currencies

Contracted FX hedges with EBITDA impact (as of 17.7.23)

	USD million	USD rate	EUR million	EUR rate
Q3-2023	43	9.49	36	10.76
Q4-2023	43	9.33	35	10.71
2023	86	9.41	71	10.74
2024	142	9.05	124	10.57
2025	121	9.74	110	10.78
2026	55	10.27	49	11.54

Hedging effects by segment

NOK million	YTD-23	YTD-22	Q2-23	Q2-22
BioSolutions	-54	-2	-29	-5
BioMaterials	-45	6	-26	1
Fine Chemicals	-14	3	-10	1
Borregaard	-113	7	-65	-3

¹ Alternative performance measure, see Appendix for definition

² Hedging done mainly in the Norwegian company

³ Strict definition of contracts applied for 100% hedging (mutually binding agreement in which price, currency, volume and time are defined)

Credit facilities, solidity and debt

Long-term credit facilities

- 1,500 mNOK revolving credit facilities, maturity 2025 and 2027, margin linked to sustainability targets
- 500 mNOK 5-year green bonds, maturity 2028 (issued June 2023)
- 40 mEUR 10-year loan, maturity 2024
- 50 mUSD 10-year loan, maturity 2032
- 60 mUSD term loan for LT Florida, maturity 2027

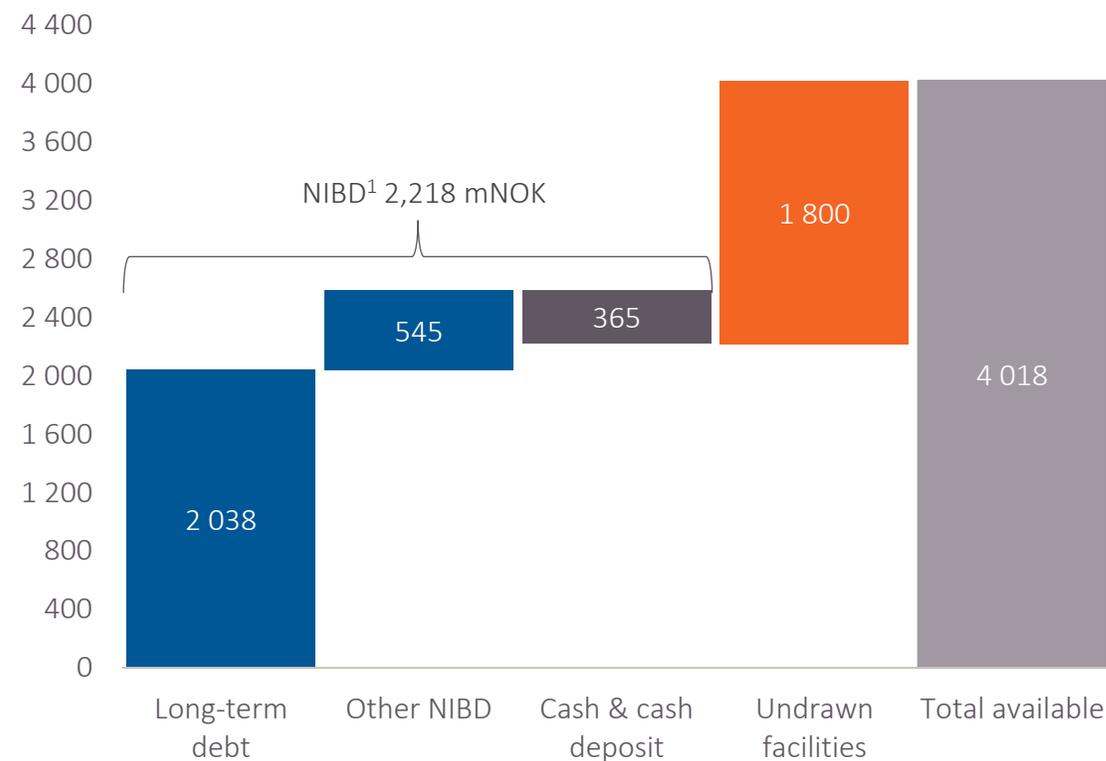
Short-term credit facilities

- 225 mNOK overdraft facilities
- 15 mUSD overdraft facility in LignoTech Florida
- 300 mNOK commercial paper (maturity October 2023)

Solidity

- Equity ratio¹ 47%
- Leverage ratio¹ LTM 1.25 (covenant < 3.50)

Debt and undrawn facilities
30.6.2023



¹ Alternative performance measure, see Appendix for definition

Alternative performance measures

In the discussion of the reported operating results, financial position and cash flows, Borregaard refers to certain measures which are not defined by generally accepted accounting principles (GAAP) such as IFRS. Borregaard management makes regular use of these Alternative performance measures and is of the opinion that this information, along with comparable GAAP measures, is useful to investors who wish to evaluate the company's operating performance, ability to repay debt and capability to pursue new business opportunities. Such Alternative performance measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

- EBITDA: Operating profit before depreciation, amortisation and other income and expenses.
- EBITDA margin: EBITDA divided by operating revenues
- Equity ratio: Equity (including non-controlling interests) divided by equity and liabilities.
- Expansion investments: Investments made in order to expand production capacity, produce new products or to improve the performance of existing products. Such investments include business acquisitions, pilot plants, capitalised R&D costs and new distribution set-ups.
- Other income and expenses: Non-recurring items or items related to other periods or to a discontinued business or activity. These items are not viewed as reliable indicators of future earnings based on the business areas' normal operations. These items will be included in the Group's operating profit.
- Leverage ratio: Net interest-bearing debt divided by last twelve months' (LTM) EBITDA.
- Net interest-bearing debt (NIBD): Interest-bearing liabilities minus interest-bearing assets.
- Return on capital employed (ROCE): Last twelve months' (LTM) capital contribution (operating profit before amortisation and other income and expenses) divided by average capital employed based on the ending balance of the last five quarters. Capital employed is defined by Borregaard as the total of net working capital, intangible assets, property, plant and equipment, right-of-use assets minus net pension liabilities.

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