

A photograph of a man and a young boy in a greenhouse. The man, with a beard and wearing a blue and white plaid shirt, is smiling and looking down at a wooden crate. The boy, wearing a red, white, and blue plaid shirt, is focused on picking a tomato from a vine. The greenhouse is filled with rows of tomato plants, some with ripe red tomatoes and others with green ones. The lighting is bright and natural, suggesting a sunny day.

# 3<sup>rd</sup> Quarter 2021

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Oslo, 21 October 2021

# Agenda

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## Per A Sørli, President & CEO

- Highlights
- Business segments
- Investment in Alginor
- Outlook

## Per Bjarne Lyngstad, CFO

- Financial performance



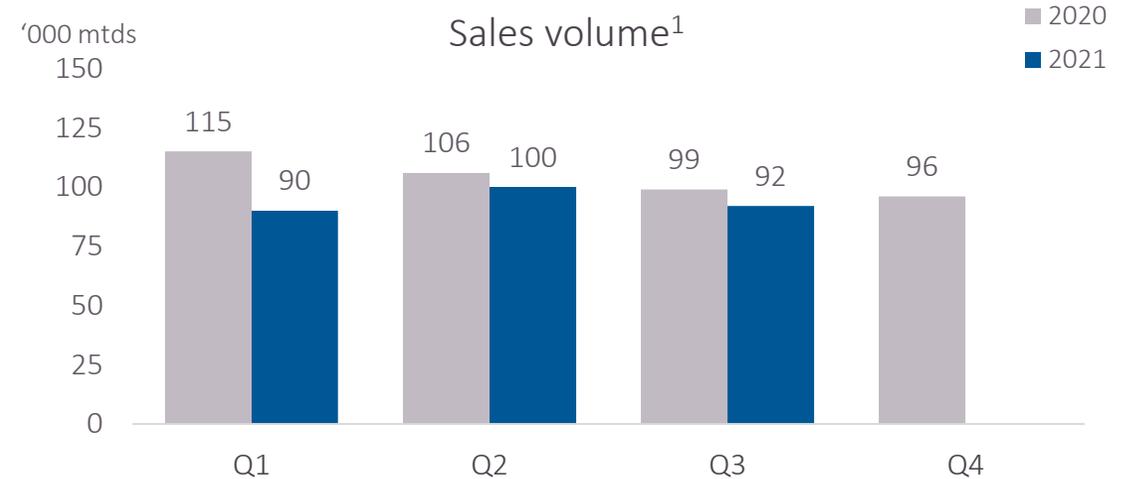
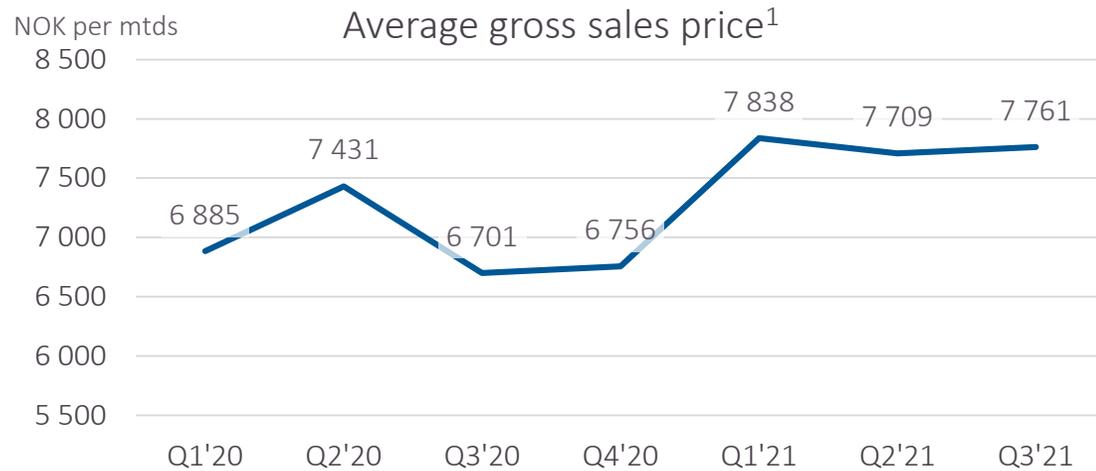
# Highlights – 3<sup>rd</sup> quarter 2021

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- EBITDA<sup>1</sup> NOK 391 million (NOK 266 million)
- Continued strong performance in BioSolutions
- Higher deliveries and improved product mix in BioMaterials
- High sales volume and increased sales price for bioethanol
- High spot energy prices, lower wood costs
- Strong cash flow
- Investment in Alginor ASA



# BioSolutions markets – Q3



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

Average price in sales currency 19% above Q3-20

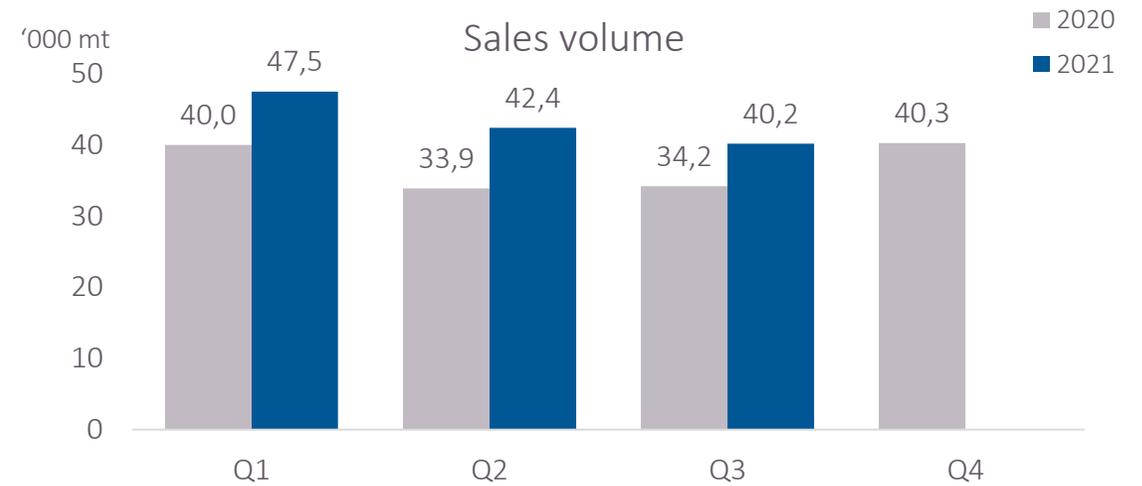
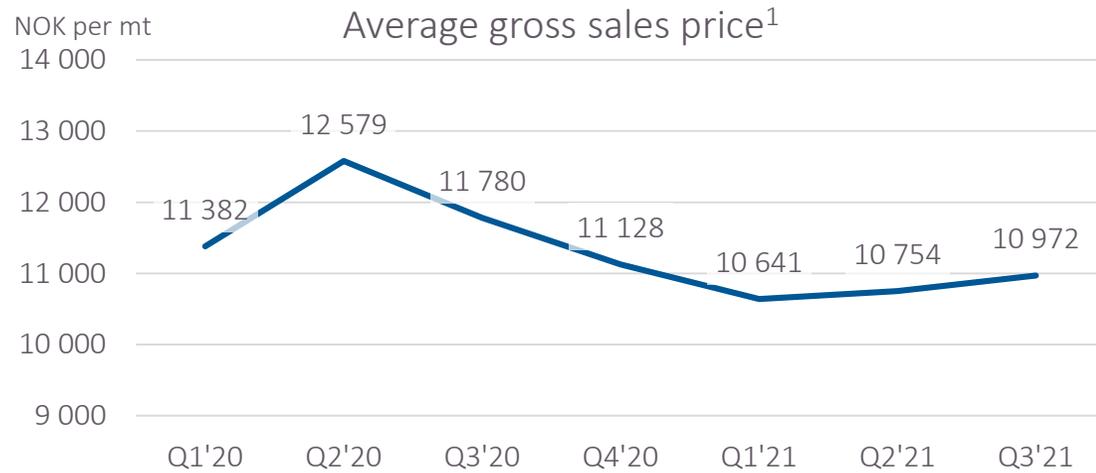
- Price increases, reduced sales volume to low-value applications and favourable product mix

Sales volume 7% lower vs Q3-20 due to reduced raw material base

- Reduced raw material base partly compensated by increased volume from Florida
- Volume reduction mainly in low-value Construction applications

<sup>1</sup> Includes 100% of sales volume from the J/V in South Africa for the two first quarters of 2020  
Average sales price is calculated using actual FX rates, excluding hedging impact.

# BioMaterials markets – Q3



*Sales price and sales volume include speciality cellulose and cellulose fibrils*

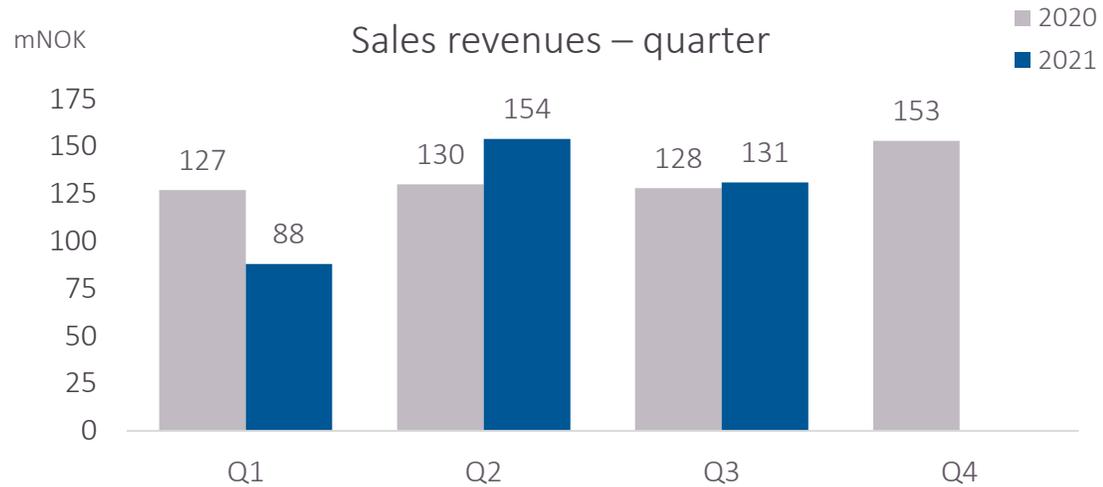
Higher deliveries of speciality cellulose

Reduced sales prices largely offset by improved product mix

- Average price in sales currency 3% lower than Q3-20

<sup>1</sup> Average sales price is calculated using actual FX rates, excluding hedging impact

# Fine Chemicals markets – Q3



*Sales revenues include fine chemical intermediates and bioethanol*

High sales volume and increased price for bioethanol

Slightly lower sales volume for fine chemical intermediates

# Investment in Alginor – a «blue» biorefinery concept

## Alginor

- Marine biotech company in development phase based in Haugesund, Norway
- Core technology: Sustainable harvesting and biorefining of kelp
- High-value ingredients to global markets for pharmaceutical and nutraceutical applications

## Similarities between Borregaard's business model and Alginor's biorefinery concept

- Strategy built on full utilisation of sustainable raw materials for high-value products
- Borregaard has relevant experience from development, scale-up, manufacturing and sales of products according to cGMP principles and food-grade quality

## Borregaard's engagement in Alginor

- Borregaard will acquire shares corresponding to 35% until end of April 2024
  - Total investment approx. NOK 270 million in four transactions
  - A break fee of NOK 6 mill will apply if the last tranche is not fully subscribed
- Borregaard has board representation
- Alginor uses Borregaard's biorefinery demonstration plant for process development



# Outlook

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## BioSolutions

- Sales volume in Q4-21 expected to be between 85,000 and 90,000 tonnes
- The new biovanillin capacity will be gradually phased into the market

## BioMaterials

- Average price in sales currency expected to be 2-3% below the 2020 level for the full year
- Sales volume in Q4-21 will be significantly lower than in Q4-20

## Fine Chemicals

- Weaker sales mix vs Q3-21 for fine chemical intermediates

## Production output and energy costs

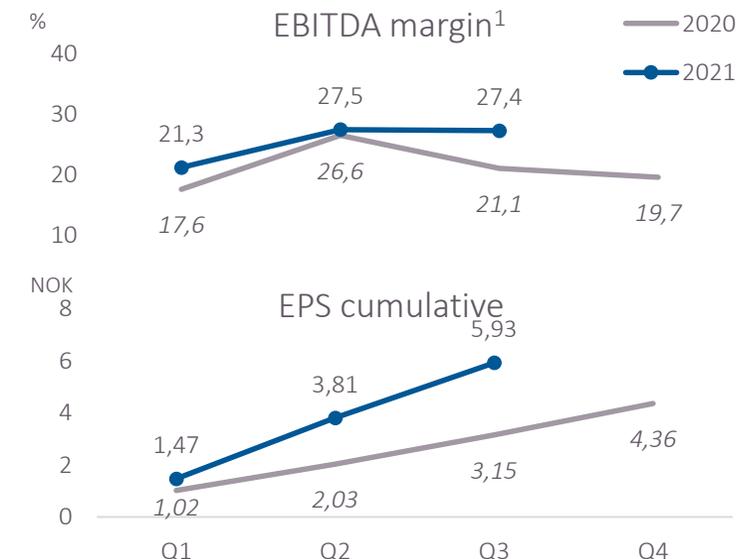
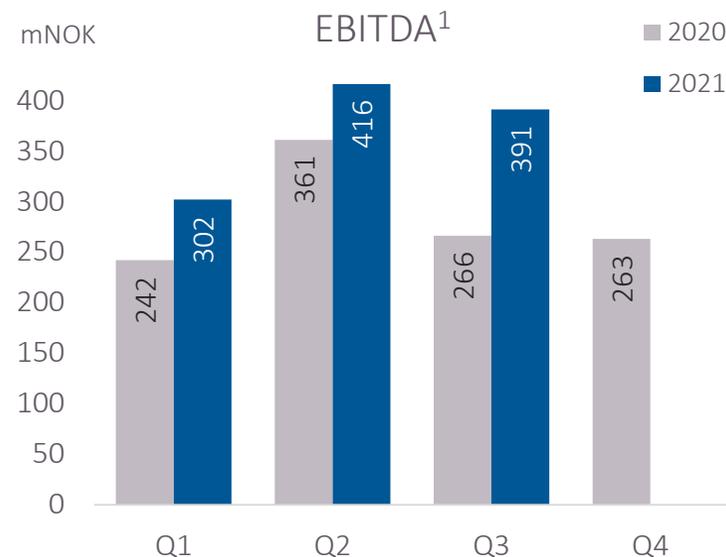
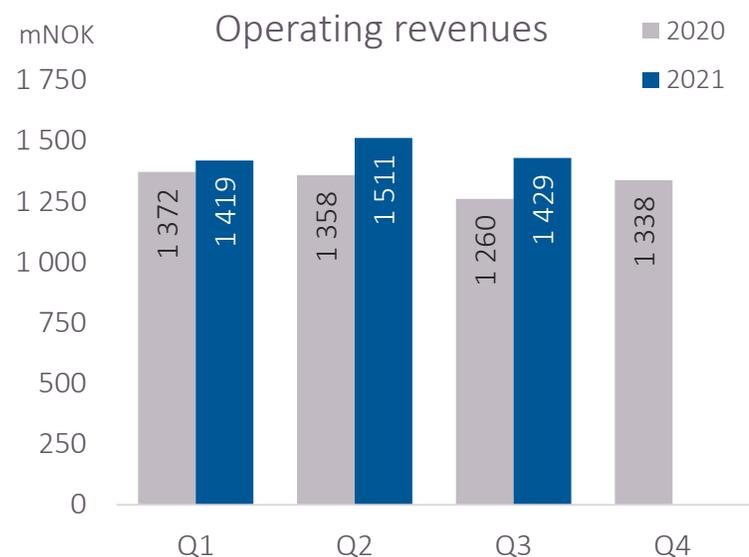
- Extended annual maintenance stop at the Sarpsborg site will result in lower production output in Q4-21
  - Partly due to installation of new equipment
- In Q4, high spot prices for liquefied natural gas and electricity will further increase energy costs in all business areas vs Q3-21

# Financial performance Q3-21

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# Borregaard key figures – Q3



Revenues 13% above Q3-20

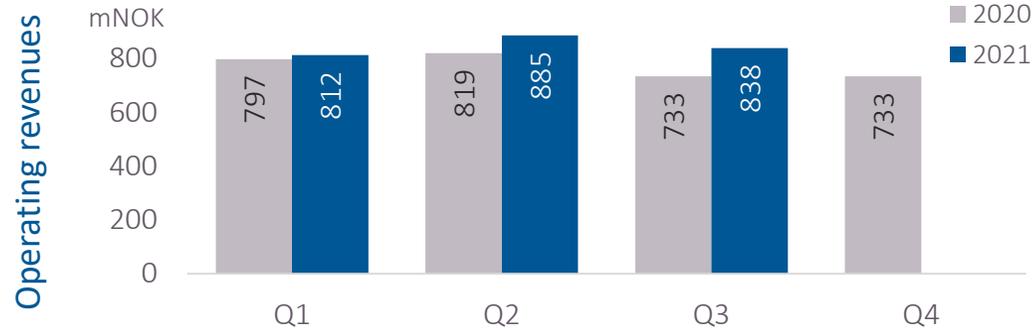
EBITDA¹ 391 mNOK for the Group

- Significant improvement in BioSolutions, increased result in Fine Chemicals and BioMaterials in line with Q3-20
- Increased energy costs from high spot prices for liquefied natural gas and electricity in all business areas
- Slightly positive net FX effect on EBITDA¹

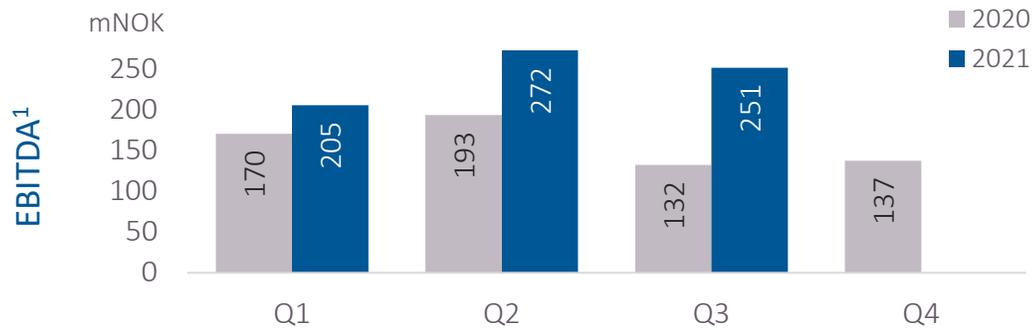
Earnings per share (EPS) NOK 2.12 (NOK 1.12)

¹ Alternative performance measure, see Appendix for definition

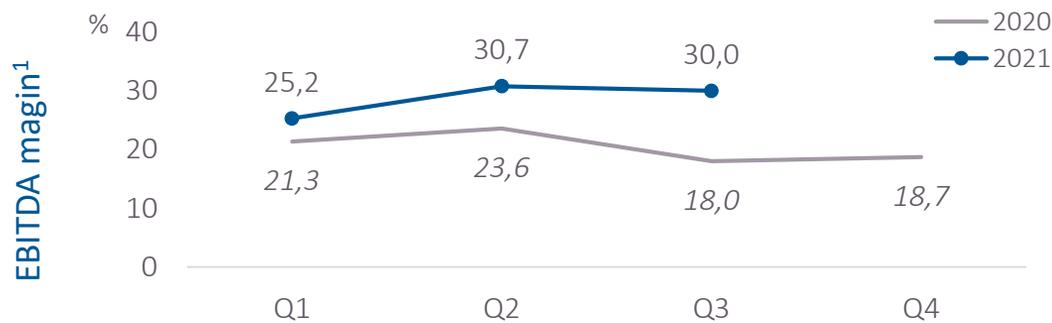
# BioSolutions key figures – Q3



- Revenues 14% above Q3-20<sup>2</sup>
- Price increases and a favourable product mix
- Lower sales volume due to reduced raw material base



- Significant improvement vs Q3-20
- Price increases and a favourable product mix
- Increased energy costs
- Slightly positive net FX effects

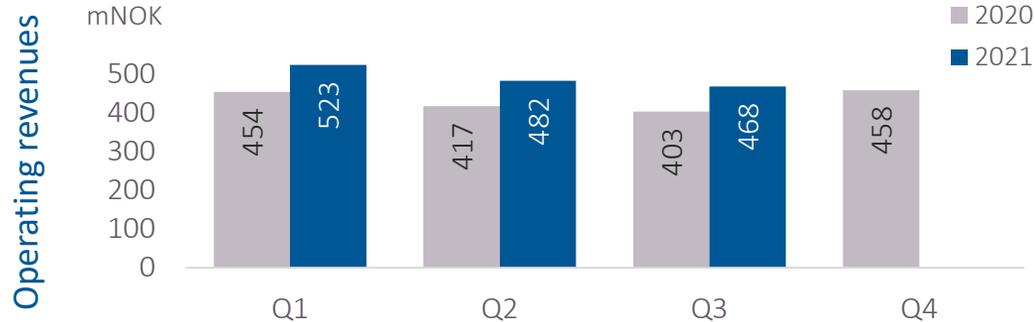


- Strong EBITDA margin<sup>1</sup> also in Q3

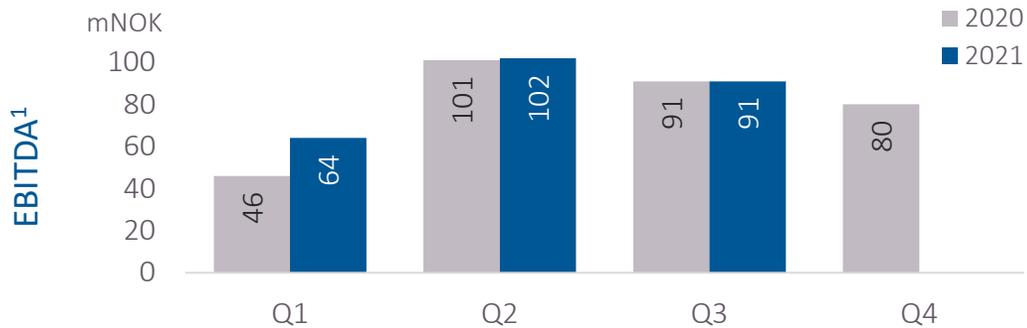
<sup>1</sup> Alternative performance measure, see Appendix for definition

<sup>2</sup> Reduced sales from South African operation had marginal impact on top-line due to JV accounting (equity method)

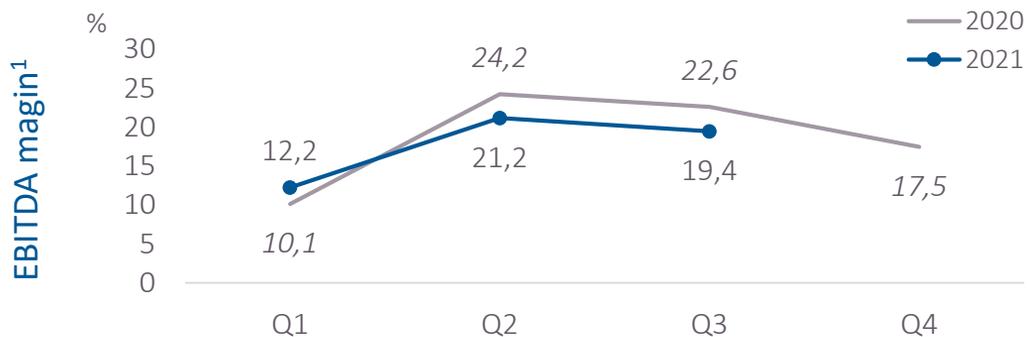
# BioMaterials key figures – Q3



- Revenues increased by 16% vs Q3-20
- Higher deliveries of speciality cellulose



- Higher deliveries and improved product mix
- 3% lower average price in sales currency
- Lower wood costs
- Increased energy costs
- Slightly positive net FX impact



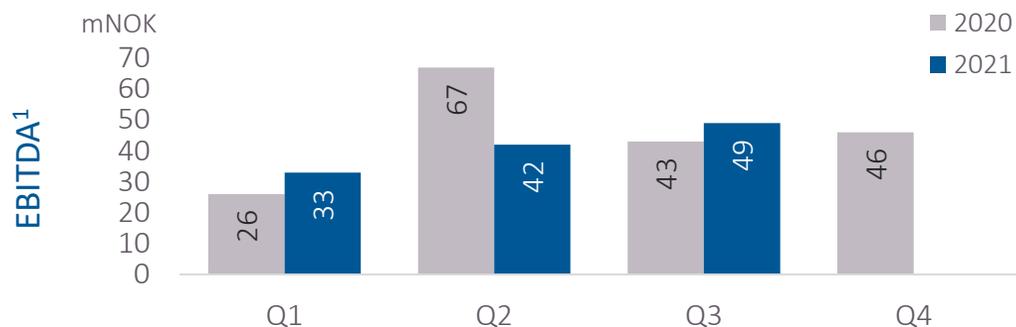
- EBITDA margin<sup>1</sup> ≈3%-p below Q3-20

1) Alternative performance measure, see Appendix for definition

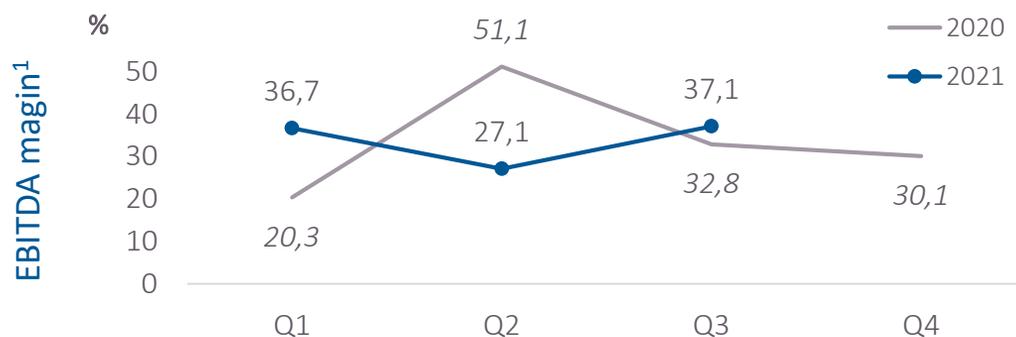
# Fine Chemicals key figures – Q3



- Revenues in line with Q3-20



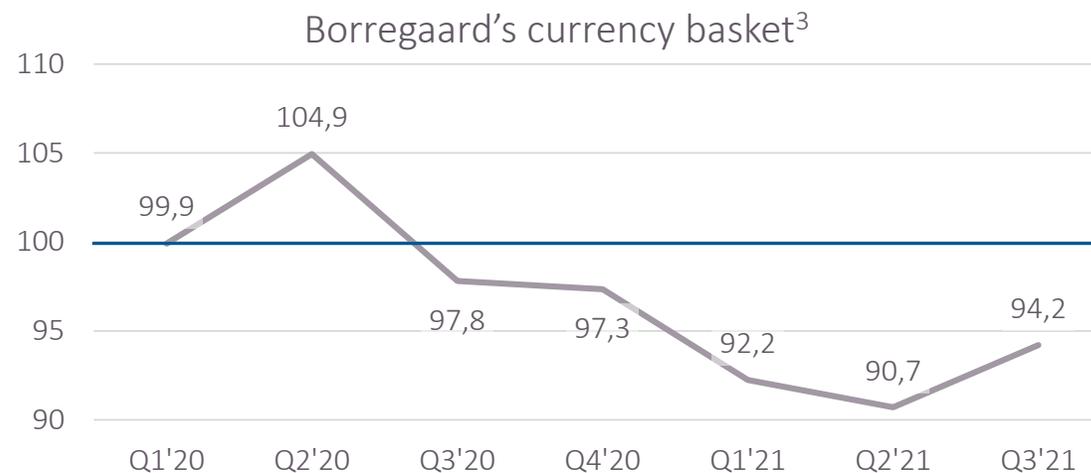
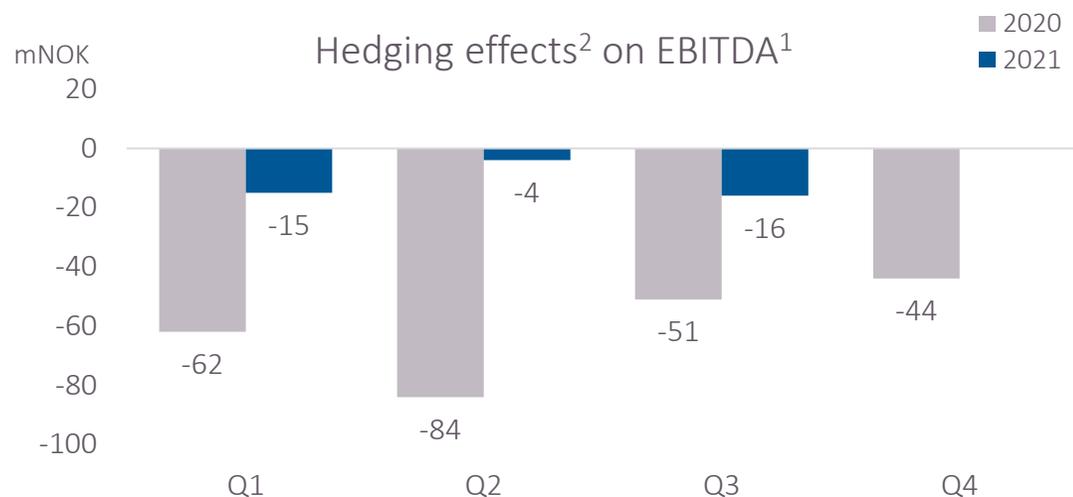
- High sales volume and increased sales price for bioethanol
- The bioethanol production volume continued at a high level with improved yield and lower costs
- Fine chemical intermediates result in line with Q3-20
- Insignificant net FX effects



- EBITDA margin<sup>1</sup> ≈4%-p above Q3-20

1) Alternative performance measure, see Appendix for definition

# Currency impact



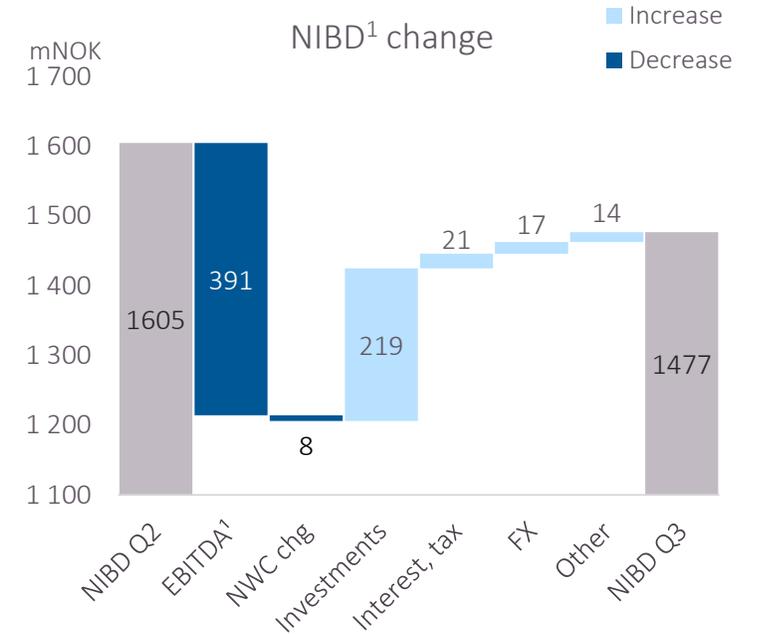
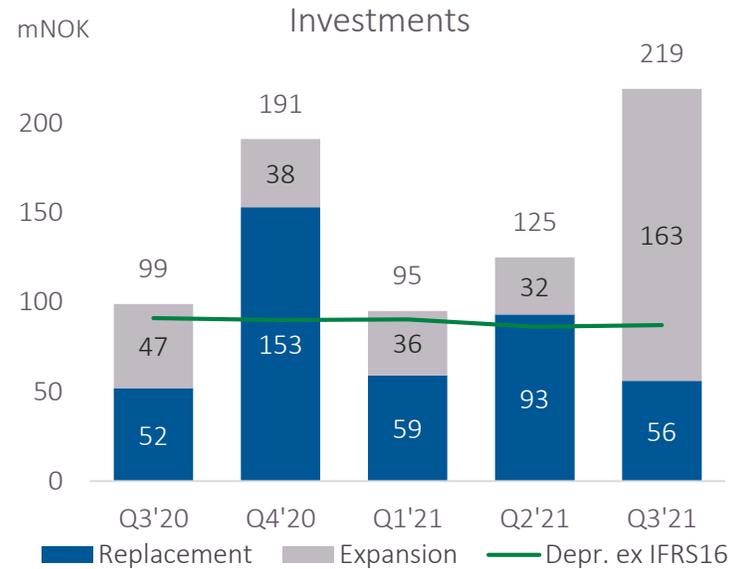
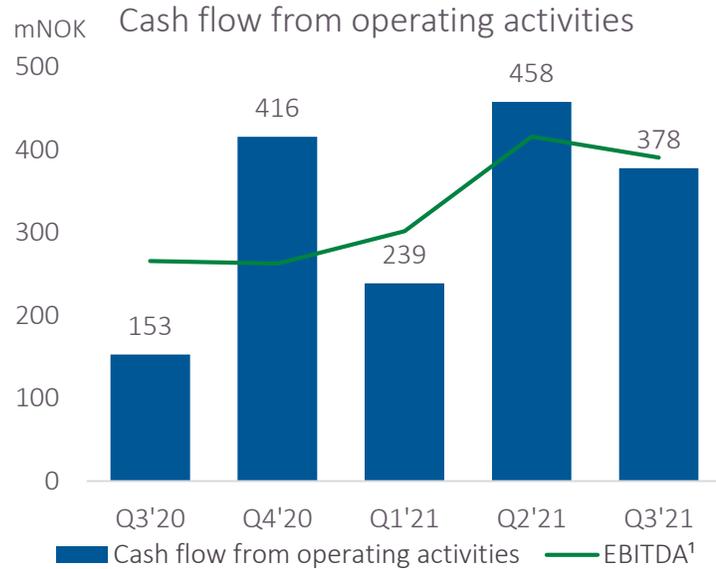
- Net FX EBITDA<sup>1</sup> impact ≈+5 mNOK vs Q3-20
  - Includes change in hedging effects and based on estimated FX exposure
  - Net FX EBITDA<sup>1</sup> impact YTD ≈-65 mNOK
- Net FX EBITDA<sup>1</sup> impact in 2021 estimated to be ≈-65 mNOK vs 2020
  - Assuming rates as of 20 October (USD 8.38 and EUR 9.74) on expected FX exposure
  - Net FX EBITDA<sup>1</sup> impact in Q4 estimated to be ≈0 mNOK vs Q4-20
- Significant FX exposure, but delayed impact of FX rate fluctuations due to hedging policy

<sup>1</sup> Alternative performance measure, see Appendix for definition.

<sup>2</sup> See Appendix for currency hedging strategy, future hedges and hedging effects by segment.

<sup>3</sup> Currency basket based on Borregaard's net exposure on EBITDA<sup>1</sup> in 2020 (=100): USD 58% (approx. 177 mUSD), EUR 41% (approx. 112 mEUR), Other 1% (GBP, BRL, JPY, SEK, ZAR).

# Cash flow, investments and NIBD



## Strong cash flow in Q3

- Cash effect from increased EBITDA<sup>1</sup> and low tax payments

Expansion investments mainly related to the investment in Alginor ASA

NIBD<sup>1</sup> decreased by 128 mNOK in Q3

- Leverage ratio<sup>1</sup> 1.08 (2.01)

Equity ratio<sup>1</sup> 58.1% (47.5%)

# Questions?

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Per A Sørli, President & CEO

Per Bjarne Lyngstad, CFO



# Appendix



# Borregaard – key figures

Amounts in NOK million	Q3-21	Q3-20	Change	YTD-21	YTD-20	Change
Operating revenues	1 429	1 260	13 %	4 359	3 990	9 %
EBITDA <sup>1</sup>	391	266	47 %	1 109	869	28 %
Depreciation property, plant and equipment	-103	-112		-310	-333	
Amortisation intangible assets	-1	-1		-3	-3	
Other income and expenses <sup>1</sup>	0	0		0	-96	
<b>Operating profit</b>	<b>287</b>	<b>153</b>	<b>88 %</b>	<b>796</b>	<b>437</b>	<b>82 %</b>
Financial items, net	-18	-20		-55	-60	
<b>Profit before taxes</b>	<b>269</b>	<b>133</b>	<b>102 %</b>	<b>741</b>	<b>377</b>	<b>97 %</b>
Income tax expenses	-64	-34		-174	-109	
<b>Profit for the period</b>	<b>205</b>	<b>99</b>	<b>107 %</b>	<b>567</b>	<b>268</b>	<b>112 %</b>
Profit attributable to non-controlling interests	-6	-13		-23	-47	
Profit attributable to owners of the parent	211	112		590	315	
<b>Cash flow from operating activities (IFRS)</b>	<b>378</b>	<b>153</b>		<b>1 075</b>	<b>470</b>	
<b>Earnings per share</b>	<b>2,12</b>	<b>1,12</b>	<b>89 %</b>	<b>5,93</b>	<b>3,15</b>	<b>88 %</b>
EBITDA margin <sup>1</sup>	27,4 %	21,1 %		25,4 %	21,8 %	

<sup>1</sup>Alternative performance measure, see Appendix for definition

# Operating revenues and EBITDA<sup>1</sup> per segment

Amounts in NOK million

Operating revenues	Q3-21	Q3-20	Change
Borregaard	1 429	1 260	13 %
BioSolutions	838	733	14 %
BioMaterials	468	403	16 %
Fine Chemicals	132	131	1 %
Eliminations	-9	-7	

Amounts in NOK million

EBITDA <sup>1</sup>	Q3-21	Q3-20	Change
Borregaard	391	266	47 %
BioSolutions	251	132	90 %
BioMaterials	91	91	0 %
Fine Chemicals	49	43	14 %

Amounts in NOK million

Operating revenues	YTD-21	YTD-20	Change
Borregaard	4 359	3 990	9 %
BioSolutions	2 535	2 349	8 %
BioMaterials	1 473	1 274	16 %
Fine Chemicals	377	390	-3 %
Eliminations	-26	-23	

Amounts in NOK million

EBITDA <sup>1</sup>	YTD-21	YTD-20	Change
Borregaard	1109	869	28 %
BioSolutions	728	495	47 %
BioMaterials	257	238	8 %
Fine Chemicals	124	136	-9 %

# Cash flow

Amounts in NOK million	Q3-21	Q3-20	YTD-21	YTD-20	FY-2020
<b>Amounts in NOK million</b>					
Profit before taxes	269	133	741	377	496
Amortisation, depreciation and impairment charges	104	113	313	336	449
Change in net working capital, etc	8	-57	82	-221	-21
Dividend (share of profit) from JV	-	-	-	63	51
Taxes paid	-3	-36	-61	-85	-89
<b>Cash flow from operating activities</b>	<b>378</b>	<b>153</b>	<b>1 075</b>	<b>470</b>	<b>886</b>
Investments property, plant and equipment and intangible assets *	-219	-99	-439	-312	-503
Other capital transactions	2	-3	5	2	14
<b>Cash flow from Investing activities</b>	<b>-217</b>	<b>-102</b>	<b>-434</b>	<b>-310</b>	<b>-489</b>
Dividends	-	-	-249	-229	-229
Proceeds from exercise of options/shares to employees	9	5	55	34	35
Buy-back of shares	-23	-11	-111	-61	-62
Gain/(loss) on hedges for net investments in subsidiaries	-6	-2	11	-49	10
<b>Net paid to/from shareholders</b>	<b>-20</b>	<b>-8</b>	<b>-294</b>	<b>-305</b>	<b>-246</b>
Proceeds from interest-bearing liabilities	-	400	300	1 350	1 550
Repayment from interest-bearing liabilities	-212	-516	-668	-1 446	-1 703
Change in interest-bearing receivables/other liabilities	1	4	-5	30	18
<b>Change in net interest-bearing liabilities</b>	<b>-211</b>	<b>-112</b>	<b>-373</b>	<b>-66</b>	<b>-135</b>
<b>Cash flow from financing activities</b>	<b>-231</b>	<b>-120</b>	<b>-667</b>	<b>-371</b>	<b>-381</b>
<b>Change in cash and cash equivalents</b>	<b>-70</b>	<b>-69</b>	<b>-26</b>	<b>-211</b>	<b>16</b>
Cash and cash equivalents at beginning of period	143	-59	96	81	81
Change in cash and cash equivalents	-70	-69	-26	-211	16
Currency effects cash and cash equivalents	3	1	6	3	-1
<b>Cash and cash equivalents at the end of the period</b>	<b>76</b>	<b>-127</b>	<b>76</b>	<b>-127</b>	<b>96</b>
<b>* Investment by category</b>					
Replacement Investments	56	52	208	191	344
Expansion investments <sup>1</sup>	163	47	231	121	159

<sup>1</sup> Alternative performance measure, see Appendix for definition

# Balance sheet

Amounts in NOK million	30.09.2021	30.06.2021	31.12.2020
<b>Assets:</b>			
Intangible assets	90	93	86
Property, plant and equipment	4 052	4 009	3 973
Right-of-use assets	358	369	381
Other assets	277	272	380
Investment in joint venture and associate company	147	39	38
<b>Non-current assets</b>	<b>4 924</b>	<b>4 782</b>	<b>4 858</b>
Inventories	799	769	887
Receivables	1 180	1 273	1 051
Cash and cash deposits	184	246	207
<b>Current assets</b>	<b>2 163</b>	<b>2 288</b>	<b>2 145</b>
<b>Total assets</b>	<b>7 087</b>	<b>7 070</b>	<b>7 003</b>
<b>Equity and liabilities:</b>			
Group equity	4 023	3 875	3 668
Non-controlling interests	92	96	110
<b>Equity</b>	<b>4 115</b>	<b>3 971</b>	<b>3 778</b>
Provisions and other liabilities	305	321	291
Interest-bearing liabilities	1 351	1 346	1 381
<b>Non-current liabilities</b>	<b>1 656</b>	<b>1 667</b>	<b>1 672</b>
Interest-bearing liabilities	313	508	623
Other current liabilities	1 003	924	930
<b>Current liabilities</b>	<b>1 316</b>	<b>1 432</b>	<b>1 553</b>
<b>Equity and liabilities</b>	<b>7 087</b>	<b>7 070</b>	<b>7 003</b>
Equity ratio <sup>1</sup> (%):	58,1 %	56,2 %	53,9 %

<sup>1</sup> Alternative performance measure, see Appendix for definition

# Net financial items & net interest-bearing debt<sup>1</sup>

Amounts in NOK million

Net financial items	Q3-21	Q3-20	YTD-21	YTD-20
Net interest expenses	-15	-18	-46	-59
Currency gain/loss	-2	-1	-1	1
Share of profit/-loss from an associate	0	0	0	0
Other financial items, net	-1	-1	-8	-2
<b>Net financial items</b>	<b>-18</b>	<b>-20</b>	<b>-55</b>	<b>-60</b>

Amounts in NOK million

Net interest-bearing debt <sup>1</sup> (NIBD)	30.09.2021	30.06.2021	31.12.2020
Non-current interest-bearing liabilities	1 351	1 346	1 381
Current interest-bearing liabilities including overdraft of cashpool	313	508	623
Non-current interest-bearing receivables (included in "Other Assets")	-3	-3	-3
Cash and cash deposits	-184	-246	-207
<b>Net interest-bearing debt<sup>1</sup> (NIBD)</b>	<b>1 477</b>	<b>1 605</b>	<b>1 794</b>
- of which impact from IFRS 16 leases	377	386	396

# Currency hedging strategy

*Purpose is to delay effects of currency fluctuations and secure competitiveness*

Hedging based on expected EBITDA<sup>1</sup> impact<sup>2</sup>

- **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
- **Contracts<sup>3</sup>:** 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 20.10.21)

	USD million	USD rate	EUR million	EUR rate
Q4-2021	37	8.59	24	10.36
2022	139	8.93	101	10.65
2023	125	9.22	97	10.89
2024	74	8.70	57	10.63

Hedging effects by segment

NOK million	Q3-21	Q3-20	YTD-21	YTD-20
BioSolutions	-6	-21	-12	-85
BioMaterials	-8	-25	-19	-94
Fine Chemicals	-2	-5	-4	-18
<b>Borregaard</b>	<b>-16</b>	<b>-51</b>	<b>-35</b>	<b>-197</b>

<sup>1</sup> Alternative performance measure, see Appendix for definition

<sup>2</sup> Hedging done mainly in the Norwegian company

<sup>3</sup> 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 2024 and 2026, margin linked to sustainability targets
- 400 mNOK 5-year bond issue, maturity 2023
- 40 mEUR 10-year loan, maturity 2024
- 60 mUSD term loan for LT Florida, tenor 8.5 years from completion

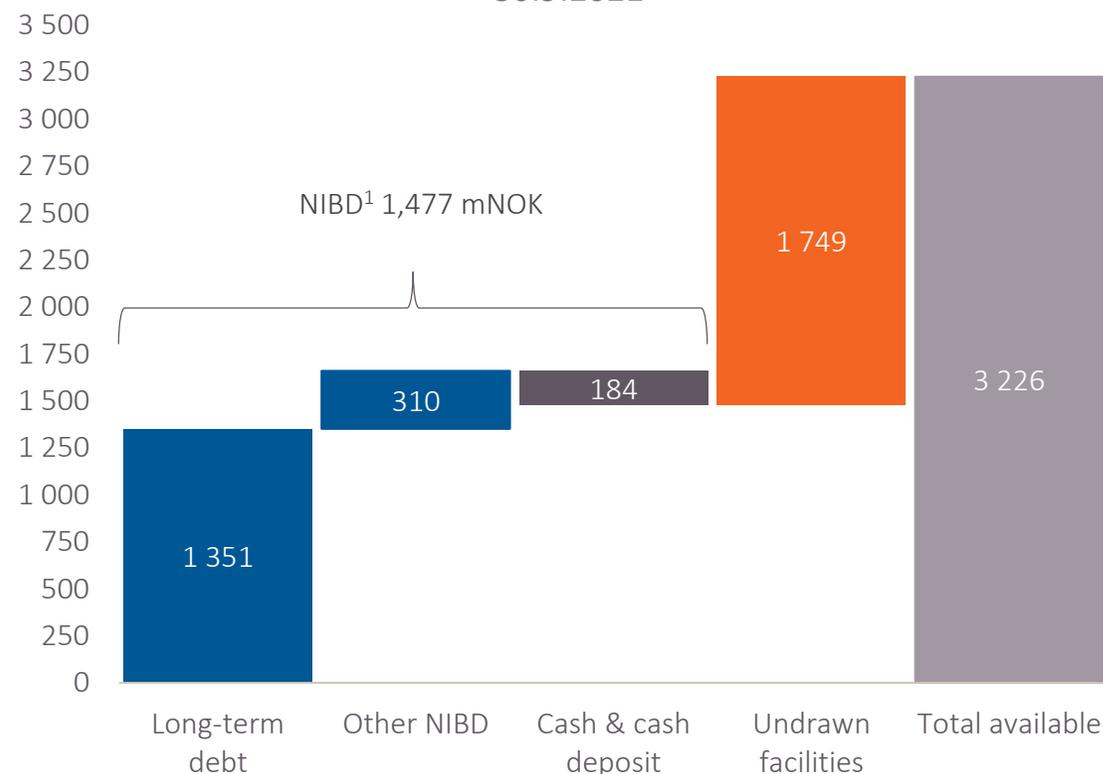
## Short-term credit facilities

- 225 mNOK overdraft facilities
- 15 mUSD overdraft facility in LignoTech Florida
- 100 mNOK commercial paper

## Solidity

- Equity ratio<sup>1</sup> 58.1%
- Leverage ratio<sup>1</sup> LTM 1.08 (covenant < 3.50)

## Debt and undrawn facilities 30.9.2021



<sup>1</sup> Alternative performance measure, see Appendix for definition

# Alternative performance measures

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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 and investment in joint venture minus net pension liabilities.

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