

3rd Quarter 2022

Oslo, 21 October 2022



Agenda

Per A Sørli, President & CEO

- Highlights
- Business segments
- Specialisation investment
- Cost mitigation and resilient specialisation strategy
- Outlook

Per Bjarne Lyngstad, CFO

- Financial performance



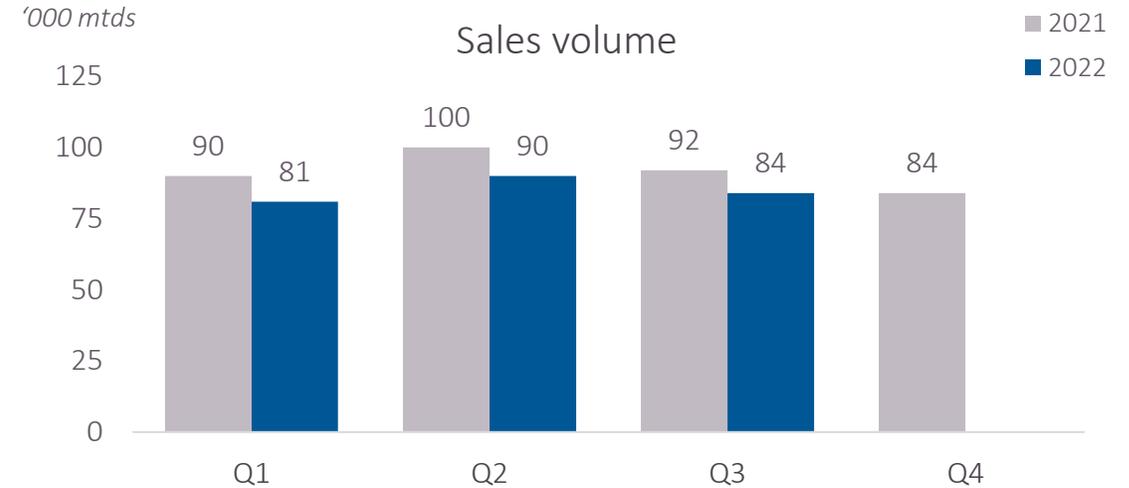
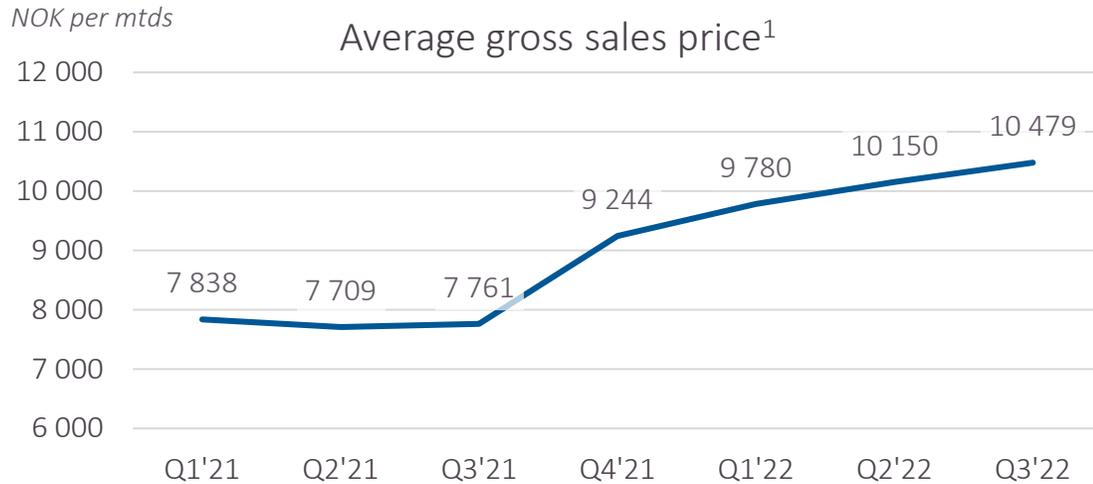
Highlights – 3rd quarter 2022

- EBITDA¹ NOK 434 million (NOK 391 million)
- Improvement in all business areas
- Increased sales prices and strong product mix in BioSolutions and BioMaterials
- Increased sales prices and higher volume in Fine Chemicals
- Higher energy, raw material and freight costs
- Positive net currency impact
- Cash flow affected by increase in net working capital



¹ Alternative performance measure, see Appendix for definition

BioSolutions markets – Q3



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

Average price in sales currency 27% above Q3-21

- Increased sales prices and stronger product mix
- Positive development for applications within oilfield chemicals, batteries, construction and agriculture
- Positive FX impact

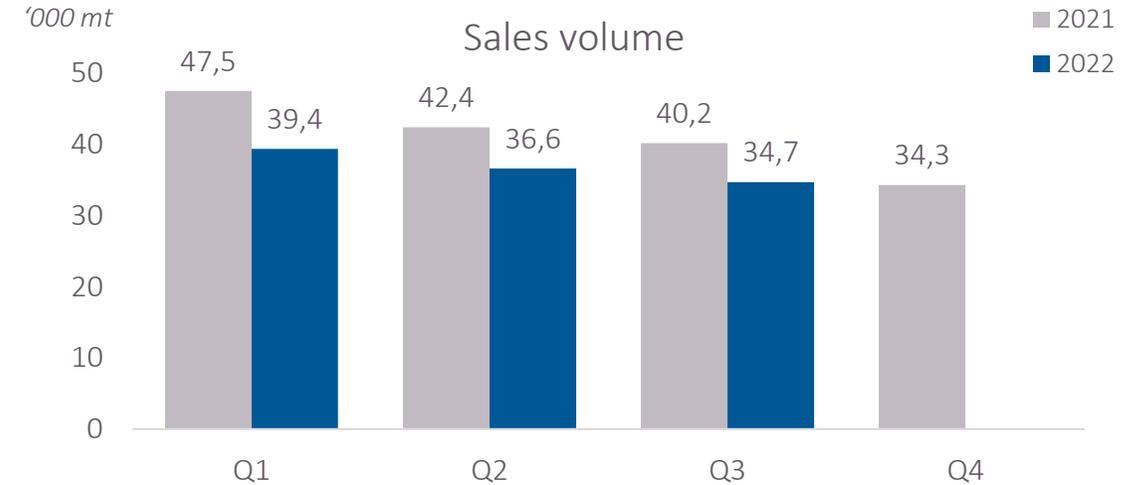
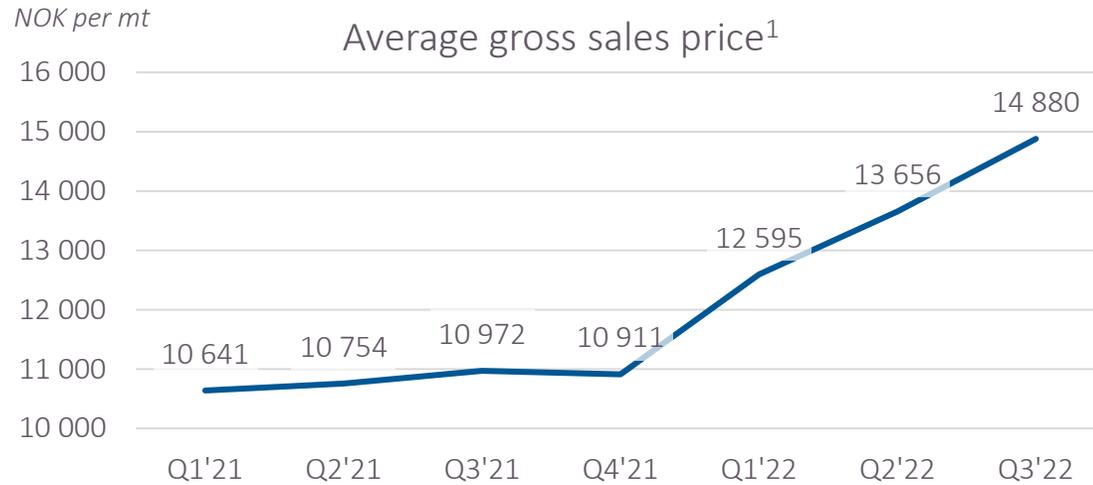
Sales volume 9% lower vs Q3-21

- Lower raw material supply affected deliveries to low-value markets

Market balance for synthetic vanillin and ethyl vanillin affected by increased supply from Asia in Q3

¹ 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

Average price in sales currency 32% higher than Q3-21

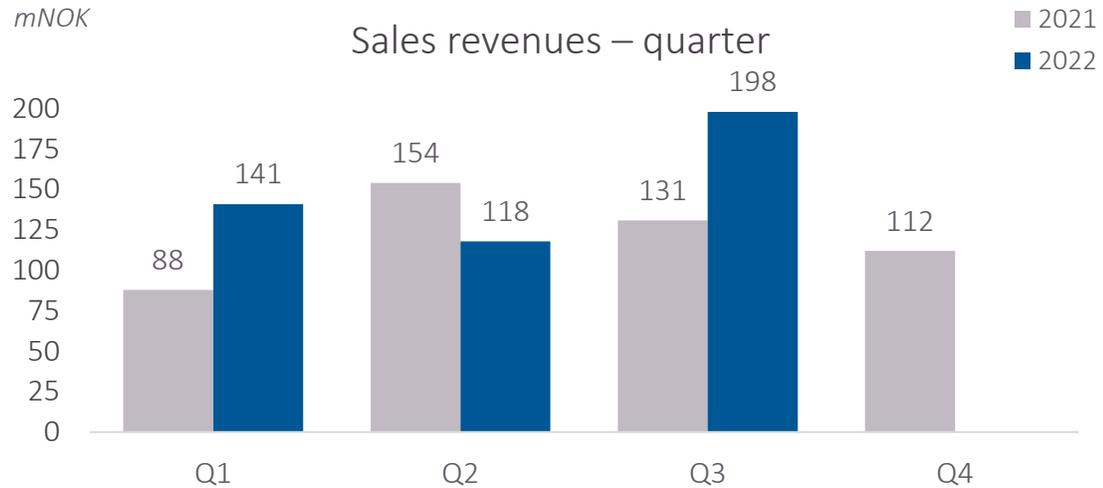
- Strong demand for speciality cellulose
- Increased sales prices and surcharges
- Improved product mix
- Positive FX impact

Lower deliveries of speciality cellulose

- Timing of shipments
- Inventory adjustments from a low level

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

Fine Chemicals markets – Q3



Sales revenues include fine chemical intermediates and bioethanol

Increased sales prices and higher volume for fine chemical intermediates vs Q3-21

Prices for bioethanol increased significantly

Significant potential for further specialisation and value growth

- Continuous specialisation and product mix improvements
- Innovation portfolio and sustainability offering new opportunities
- Exploit full potential of previously completed expansion investments
- Additional expansion opportunities at the Sarpsborg biorefinery
 - Further specialisation of lignin-based biopolymers
 - Increased flexibility in the integrated production
 - Volume expansion through debottlenecking for speciality cellulose, lignin-based biopolymers and bioethanol
 - Preliminary investment estimate 650-900 mNOK for 2023 to 2025, mainly medium size projects
- Further development of the Sarpsborg site is a low-risk investment and raises barriers to entry



Specialisation investment in BioSolutions

70 mNOK expansion investment in lignin-based biopolymers

- Debottlenecking of existing facilities at the Sarpsborg biorefinery
- Volume expansion for highly specialised products
- Low-risk investment with known technology to Borregaard
- Reduction in CO₂ emissions¹⁾

New capacity will gradually be phased into attractive niche markets

- Completion in H1-24

Targeted application areas

- Batteries²⁾
- Oilfield chemicals, agrochemicals, pigments and dyes



¹ Scope 1 emissions

² For more information on Borregaard's product portfolio of high-performing battery additives: <https://www.borregaard.com/markets/batteries/>

Lead batteries – energy storage systems

Batteries play a crucial role in decarbonisation

- Electrification of the transportation sector
- Energy storage systems (ESS) for renewable energy
 - *+200%¹⁾ growth in period 2020-2030*

ESS – a growth opportunity for lead batteries

- Need for alternative technologies to Li-ion
- Lead batteries well suited for ESS
 - *High degree of safety, low cost, high recycling rate (99%)*
- Significant industry efforts to meet ESS requirements for energy density and life

Sustainability offering new opportunities

Borregaard lignin-based expanders

– key enabler for lead batteries in ESS



1) Estimated market volume (MWh), source: AVICENNE Energy

Mitigation of significant cost inflation

Significant cost inflation mainly driven by energy prices

- >20% cost increase in H1-22 vs H1-21, excluding volume impact
- Energy and raw material costs will increase further in H2-22
- Energy spot prices the largest uncertainty

Measures to mitigate the effect of additional cost increases

- Further price increases and surcharges
- Positive effect from recently completed energy conservation investment and capacity increase for sodium hydroxide
- Exploit flexibility in heat energy production (electricity, LNG or light oil)



Resilient specialisation strategy in the face of a potential recession

Specialised products less exposed to cyclicity

Reduced exposure to cyclical markets over time

- Sales to concrete admixtures reduced by >50%
- Fully specialised cellulose business

A recession will affect demand in general

Diversified market strategy

- 800 products to numerous applications
- Global presence
- Takes risk out of integrated operations



Outlook

BioSolutions

- The positive market development expected to continue in Q4 despite indications of reduced demand, primarily within construction
- The market balance for synthetic vanillin and ethyl vanillin will continue to be affected by increased supply from Asia
- The average price in sales currency in Q4 expected to be in line with Q3-22
- Total sales volume expected to be approx. 80,000 tonnes

BioMaterials

- Average price in sales currency expected to increase 4-6% in Q4 vs Q3-22 as a result of an additional surcharge for increased costs
- Sales volume in Q4 expected to be slightly higher than Q4-21
- Sales growth expected to continue for cellulose fibrils

Fine Chemicals

- Deliveries of fine chemical intermediates in Q4 expected to be in line with Q3-22 with a weaker product mix
- Bioethanol sales volume expected to be lower in Q4 vs Q3-22

Energy and raw material costs expected to remain high in Q4

- Energy spot prices represent the largest uncertainty for the rest of the year
- Borregaard will benefit from its ability to switch between electricity, LNG and light oil to minimise energy costs

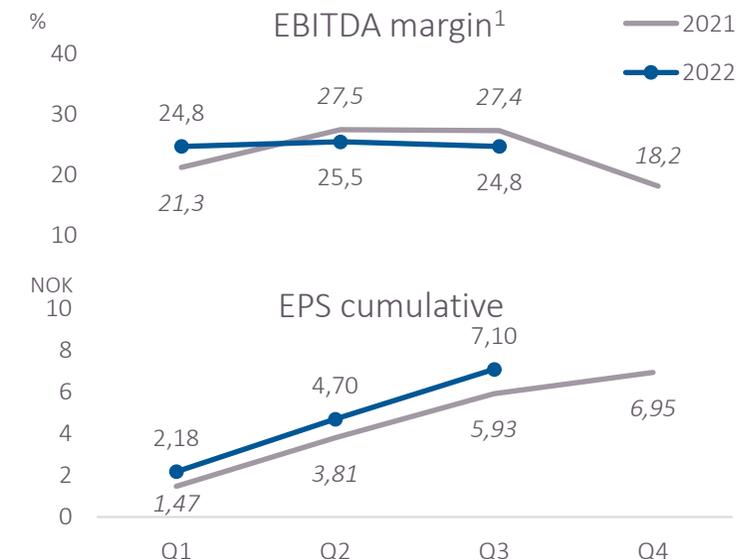
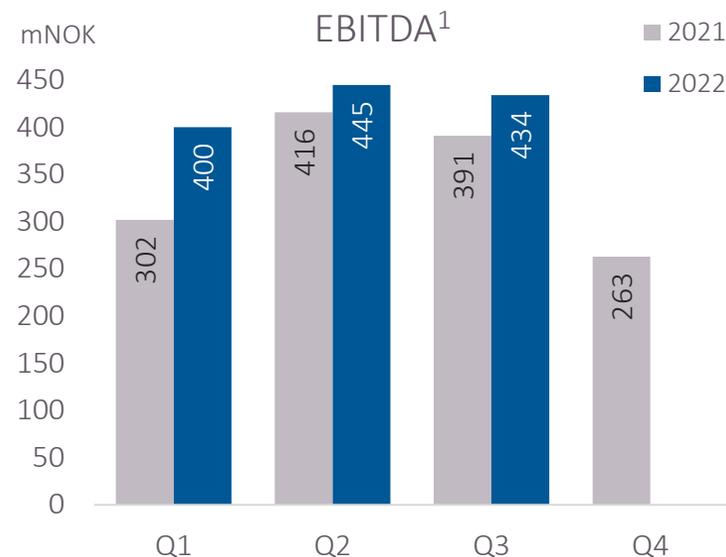
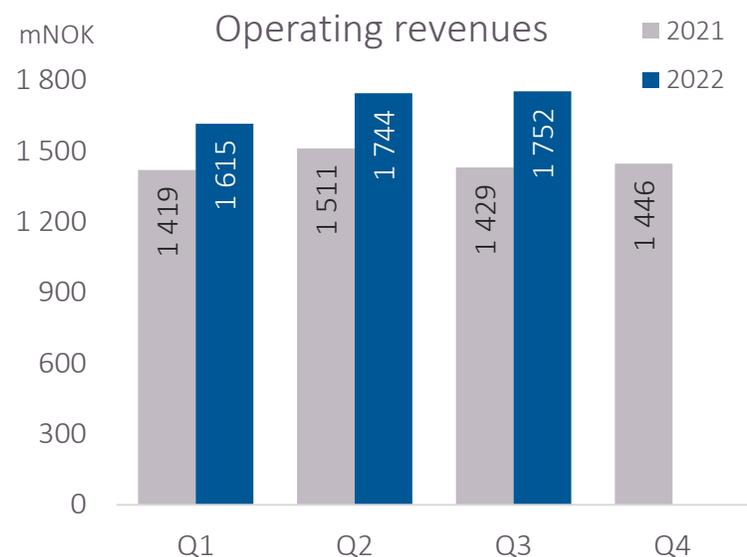
Cost inflation and consequences of the war in Ukraine may impact the global economy and Borregaard's markets

- Borregaard will continue to closely monitor cost inflation and market development and implement relevant measures if required

Financial performance Q3-22



Borregaard key figures – Q3



Revenues 23% above Q3-21

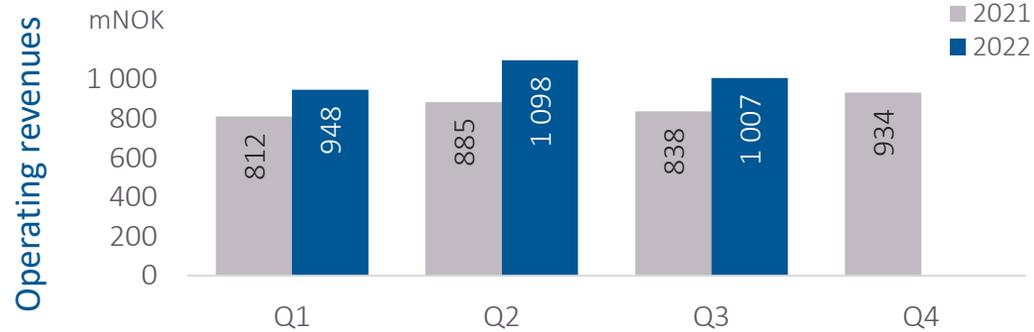
EBITDA¹ 434 mNOK for the Group

- Improved result in all business areas
- Price increases, improved product mix and positive net FX effect more than offset cost increases
- EBITDA¹ margin in line with 2021 year-to-date

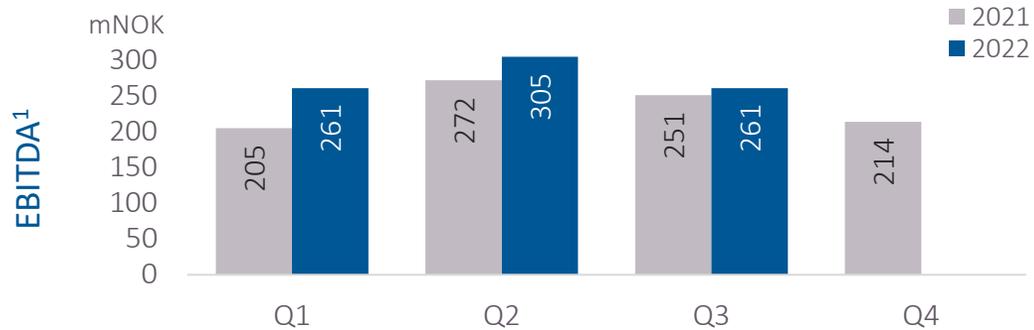
Earnings per share (EPS) NOK 2.40 (NOK 2.12)

¹ Alternative performance measure, see Appendix for definition

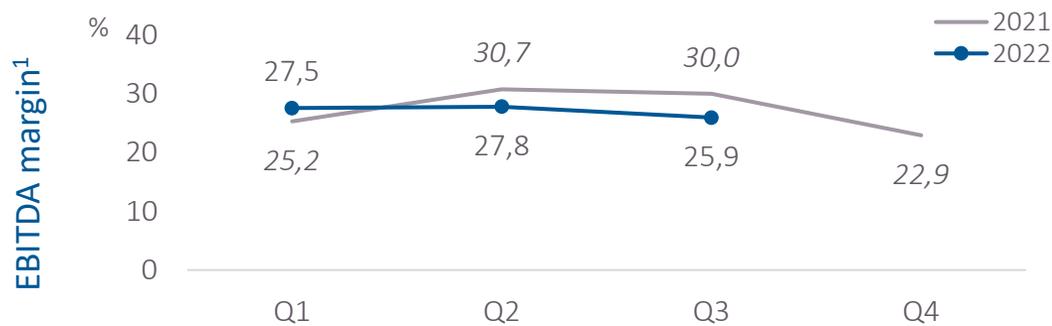
BioSolutions key figures – Q3



- Revenues 20% above Q3-21
- Increased sales prices and strong product mix
- Lower sales volume
- Positive FX impact



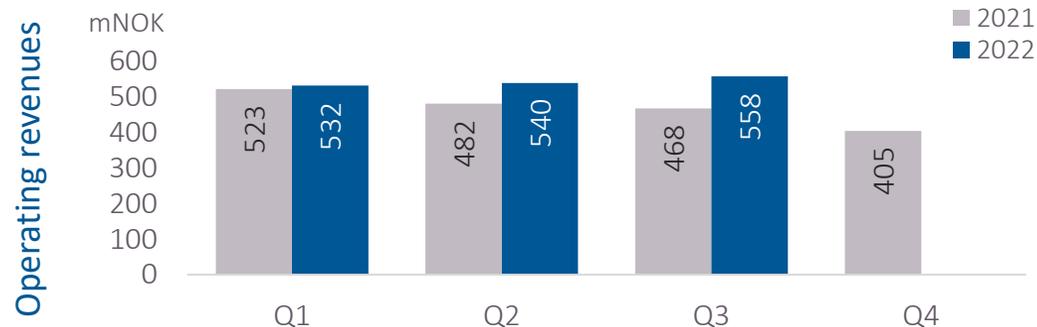
- Increased sales prices and strong product mix
- Cost increases for energy, raw materials and freight
- Positive net FX effects



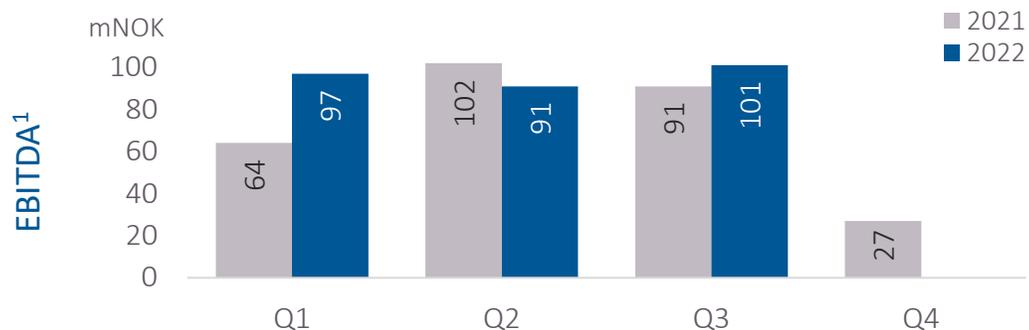
- Lower EBITDA margin¹ vs Q3-21

¹ Alternative performance measure, see Appendix for definition

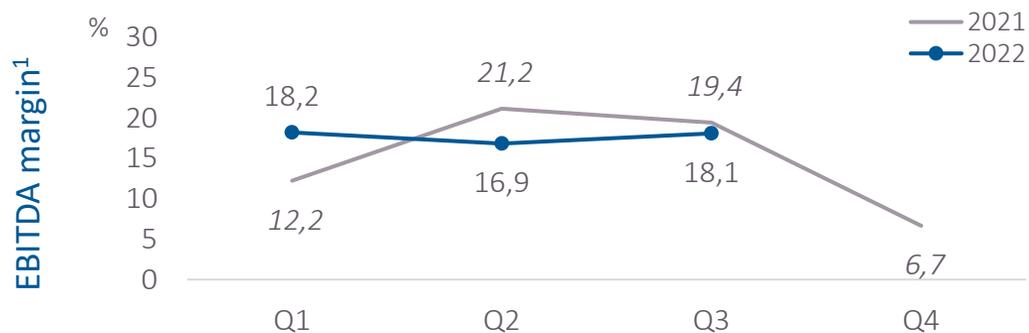
BioMaterials key figures – Q3



- Revenues increased by 19% vs Q3-21
- Increased sales prices for speciality cellulose
- Lower deliveries
- Positive FX impact



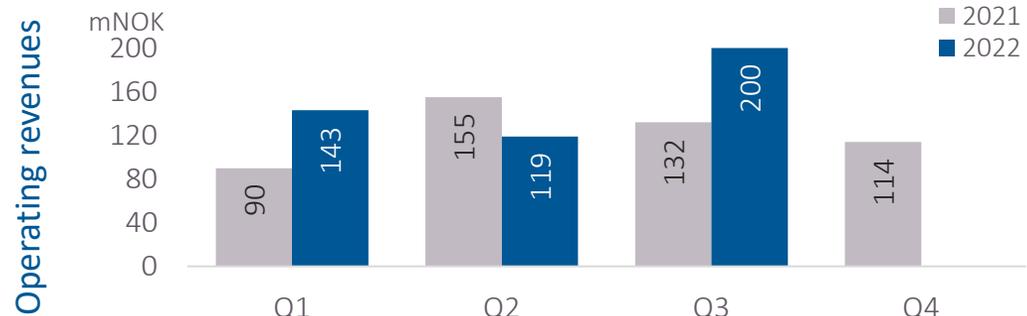
- Increased sales prices and surcharges
- Lower deliveries
- Higher energy, raw material and maintenance costs
- Positive net FX impact



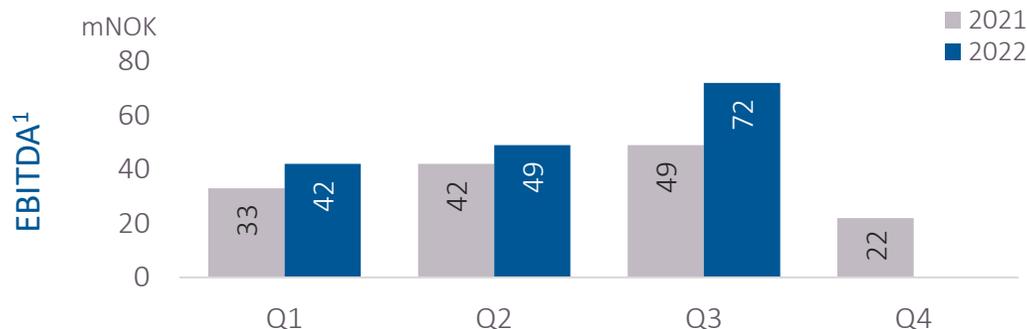
- EBITDA margin¹ slightly below Q3-21

¹ Alternative performance measure, see Appendix for definition

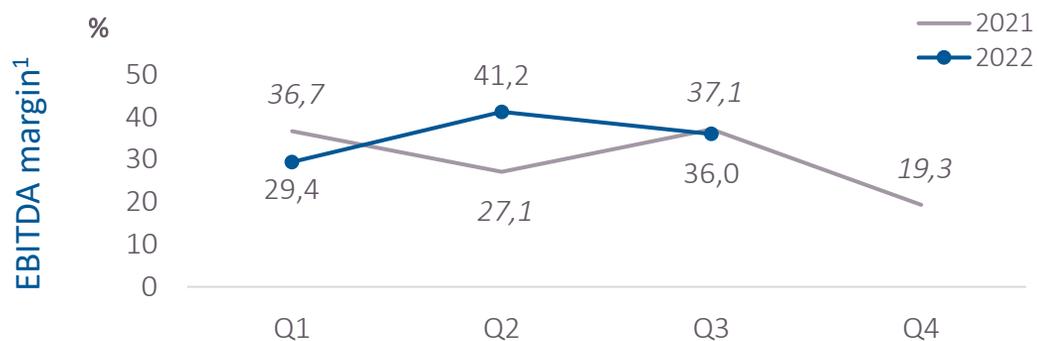
Fine Chemicals key figures – Q3



- Revenues increased by 52% vs Q3-21
- Increased sales prices and higher deliveries



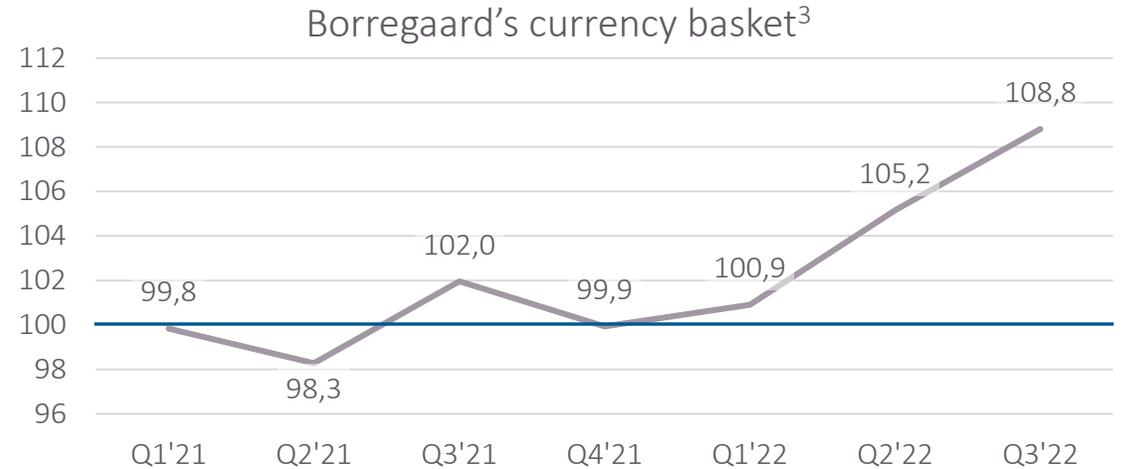
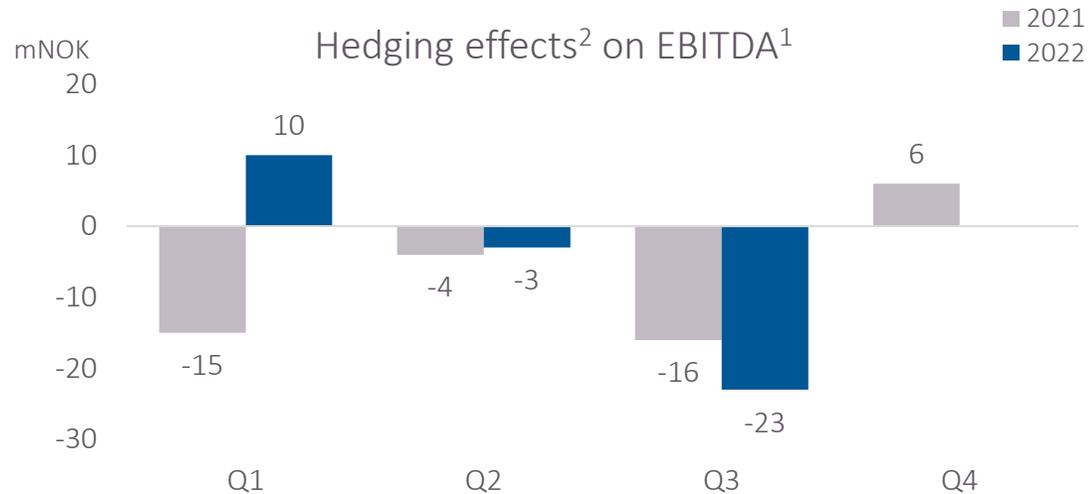
- Improved result for fine chemical intermediates vs Q3-21
 - Increased sales prices and higher deliveries
 - Higher raw material costs
- Bioethanol's result improved
 - Significantly higher sales price vs Q3-21
- Positive net FX effects



- EBITDA margin¹ slightly below Q3-21

¹ Alternative performance measure, see Appendix for definition

Currency impact



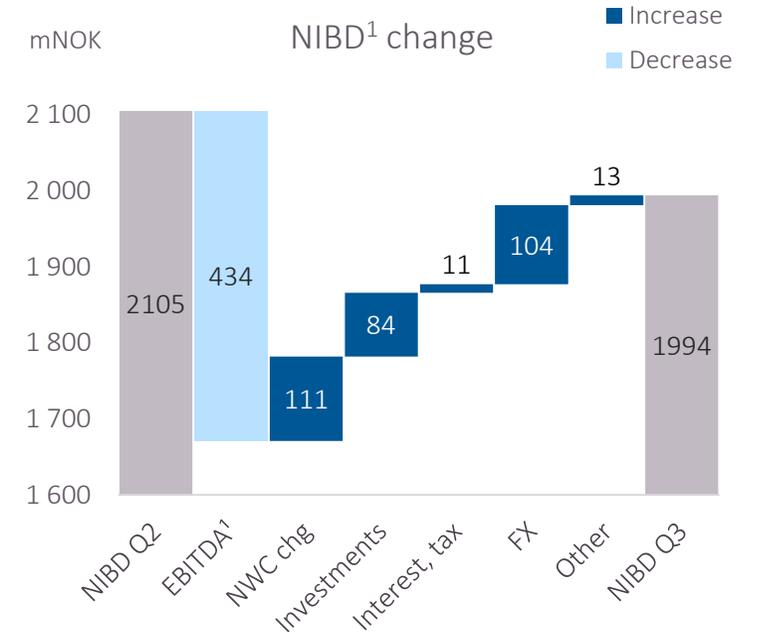
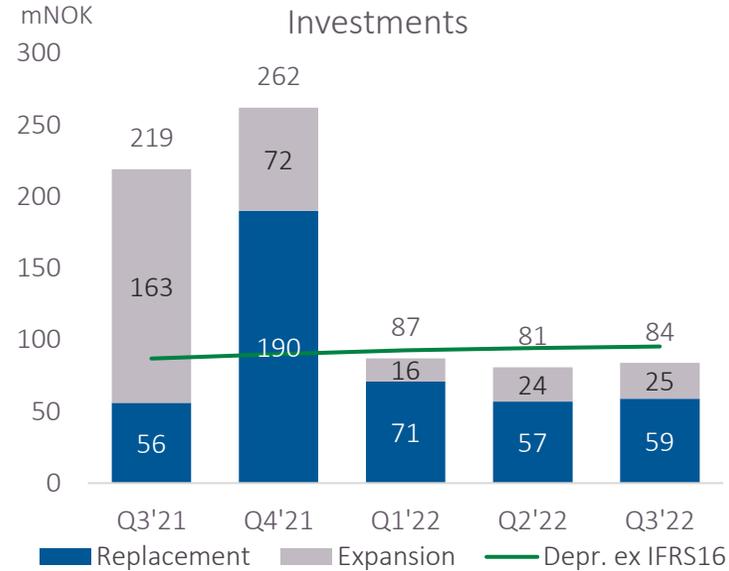
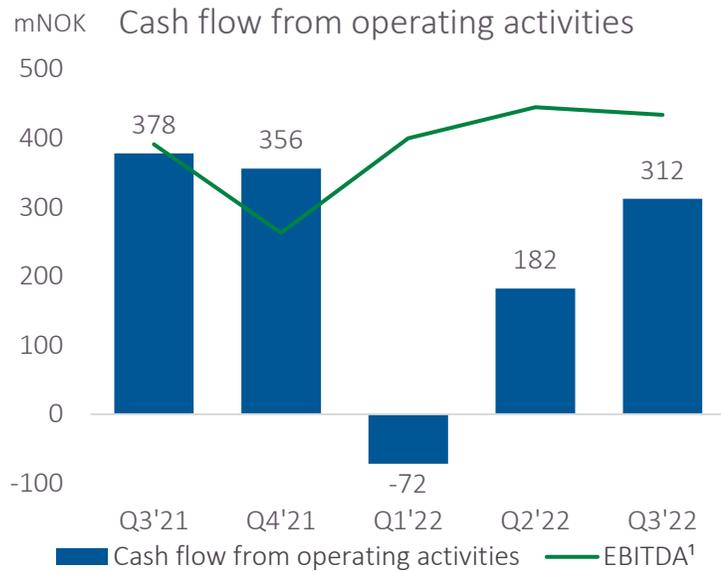
- Net FX EBITDA¹ impact ≈50 mNOK vs Q3-21
 - Includes change in hedging effects and based on estimated FX exposure
- Net FX EBITDA¹ impact in 2022 estimated to be ≈210 mNOK vs 2021
 - Assuming rates as of 20 October (USD 10.60 and EUR 10.40) on expected FX exposure
 - Net FX EBITDA¹ impact in Q4 estimated to be ≈70 mNOK vs Q4-21
- 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 2021 (=100): USD 53% (≈198 mUSD), EUR 44% (≈139 mEUR), Other 3% (GBP, BRL, JPY, SEK)

Cash flow, investments and NIBD



Improved cash flow vs H1-22

- Cash flow in Q3 affected by increase in net working capital due to higher inventory values partly related to cost increases

Investments at a low level year-to-date

- Installation of new equipment planned during the annual maintenance stop in October

NIBD¹ decreased by 111 mNOK in Q3

- Leverage ratio¹ 1.29 (1.08)

Equity ratio¹ 50% (58%)

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 through the webcast solution



Appendix



Borregaard – key figures

Amounts in NOK million	Q3-22	Q3-21	Change	YTD-22	YTD-21	Change
Operating revenues	1 752	1 429	23 %	5 111	4 359	17 %
EBITDA ¹	434	391	11 %	1 279	1 109	15 %
Depreciation property, plant and equipment	-112	-103		-330	-310	
Amortisation intangible assets	-1	-1		-3	-3	
Other income and expenses ¹	0	0		12	0	
Operating profit	321	287	12 %	958	796	20 %
Financial items, net	-12	-18		-50	-55	
Profit before taxes	309	269	15 %	908	741	23 %
Income tax expenses	-74	-64		-220	-174	
Profit for the period	235	205	15 %	688	567	21 %
Profit attributable to non-controlling interests	-4	-6		-20	-23	
Profit attributable to owners of the parent	239	211		708	590	
Cash flow from operating activities (IFRS)	312	378		422	1 075	
Earnings per share	2,40	2,12	13 %	7,10	5,93	20 %
EBITDA margin ¹	24,8 %	27,4 %		25,0 %	25,4 %	

¹ Alternative performance measure, see Appendix for definition

Operating revenues and EBITDA¹ per segment

Amounts in NOK million

Operating revenues	Q3-22	Q3-21	Change
Borregaard	1 752	1 429	23 %
BioSolutions	1007	838	20 %
BioMaterials	558	468	19 %
Fine Chemicals	200	132	52 %
Eliminations	-13	-9	

Amounts in NOK million

EBITDA ¹	Q3-22	Q3-21	Change
Borregaard	434	391	11 %
BioSolutions	261	251	4 %
BioMaterials	101	91	11 %
Fine Chemicals	72	49	47 %

Amounts in NOK million

Operating revenues	YTD-22	YTD-21	Change
Borregaard	5 111	4 359	17 %
BioSolutions	3 053	2 535	20 %
BioMaterials	1 630	1 473	11 %
Fine Chemicals	462	377	23 %
Eliminations	-34	-26	

Amounts in NOK million

EBITDA ¹	YTD-22	YTD-21	Change
Borregaard	1279	1109	15 %
BioSolutions	827	728	14 %
BioMaterials	289	257	12 %
Fine Chemicals	163	124	31 %

¹ Alternative performance measure, see Appendix for definition

Cash flow

Amounts in NOK million	Q3-22	Q3-21	YTD-22	YTD-21	FY-2021
Amounts in NOK million					
Profit before taxes	309	269	908	741	873
Amortisation, depreciation and impairment charges	113	104	333	313	420
Change in net working capital, etc	-111	8	-713	82	256
Dividend/share of profit from JV & associate company	-	-	31	-	6
Taxes paid	1	-3	-137	-61	-124
Cash flow from operating activities	312	378	422	1 075	1 431
Investments property, plant and equipment and intangible assets *	-84	-109	-252	-329	-556
Investment in associate company	-	-110	-	-110	-145
Other capital transactions	-1	2	5	5	9
Cash flow from Investing activities	-85	-217	-247	-434	-692
Dividends	-	-	-499	-249	-249
Proceeds from exercise of options/shares to employees	-	9	34	55	59
Buy-back of shares	-	-23	-23	-111	-118
Gain/(loss) on hedges for net investments in subsidiaries	-76	-6	-156	11	-14
Net paid to/from shareholders	-76	-20	-644	-294	-322
Proceeds from interest-bearing liabilities	-	-	837	300	300
Repayment from interest-bearing liabilities	-116	-212	-469	-668	-814
Change in interest-bearing receivables/other liabilities	51	1	119	-5	-1
Change in net interest-bearing liabilities	-65	-211	487	-373	-515
Cash flow from financing activities	-141	-231	-157	-667	-837
Change in cash and cash equivalents	86	-70	18	-26	-98
Cash and cash equivalents at beginning of period	-38	143	5	96	96
Change in cash and cash equivalents	86	-70	18	-26	-98
Currency effects cash and cash equivalents	28	3	53	6	7
Cash and cash equivalents at the end of the period	76	76	76	76	5
* Investment by category					
Replacement Investments	59	56	187	208	398
Expansion investments ¹ including investment in associate company	25	163	65	231	303
Total investments including investment in associate company	84	219	252	439	701

¹ Alternative performance measure, see Appendix for definition

Balance sheet

Amounts in NOK million	30.09.2022	30.06.2022	31.12.2021
Assets:			
Intangible assets	84	86	89
Property, plant and equipment	4 339	4 273	4 191
Right-of-use assets	342	345	351
Other assets	240	237	339
Investments in joint venture/associate company	143	144	173
Non-current assets	5 148	5 085	5 143
Inventories	1 230	1 035	792
Receivables	1 495	1 469	1 107
Cash and cash deposits	167	90	124
Current assets	2 892	2 594	2 023
Total assets	8 040	7 679	7 166
Equity and liabilities:			
Group equity	3 929	3 899	4 222
Non-controlling interests	79	76	84
Equity	4 008	3 975	4 306
Provisions and other liabilities	438	361	257
Interest-bearing liabilities	1 523	1 926	1 320
Non-current liabilities	1 961	2 287	1 577
Interest-bearing liabilities	641	272	224
Other current liabilities	1 430	1 145	1 059
Current liabilities	2 071	1 417	1 283
Equity and liabilities	8 040	7 679	7 166
Equity ratio ¹ (%):	49,9 %	51,8 %	60,1 %

¹ Alternative performance measure, see Appendix for definition

Net financial items & net interest-bearing debt¹

Amounts in NOK million

Net financial items	Q3-22	Q3-21	YTD-22	YTD-21
Net interest expenses	-21	-15	-50	-46
Currency gain/loss	2	-2	-4	-1
Share of profit/-loss from an associate	-2	0	-3	0
Other financial items, net	9	-1	7	-8
Net financial items	-12	-18	-50	-55

Amounts in NOK million

Net interest-bearing debt ¹ (NIBD)	30.09.2022	30.06.2022	31.12.2021
Non-current interest-bearing liabilities	1 523	1 926	1 320
Current interest-bearing liabilities including overdraft of cashpool	641	272	224
Non-current interest-bearing receivables (included in "Other Assets")	-3	-3	-3
Cash and cash deposits	-167	-90	-124
Net interest-bearing debt¹ (NIBD)	1 994	2 105	1 417
- of which impact from IFRS 16 leases	367	369	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 20.10.22)

	USD million	USD rate	EUR million	EUR rate
Q4-2022	35	9.07	34	10.65
2023	142	9.20	112	10.82
2024	134	9.00	107	10.58
2025	78	9.55	67	10.61

Hedging effects by segment

NOK million	YTD-22	YTD-21	Q3-22	Q3-21
BioSolutions	-21	-12	-19	-6
BioMaterials	2	-19	-4	-8
Fine Chemicals	3	-4	0	-2
Borregaard	-16	-35	-23	-16

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 2024 and 2026, margin linked to sustainability targets
- 400 mNOK 5-year bond issue, maturity 2023
- 40 mEUR 10-year loan, maturity 2024
- 50 mUSD 10-year loan, maturity 2032 (drawn in April 2022)
- 60 mUSD term loan for LT Florida, tenor 8.5 years from completion

Short-term credit facilities

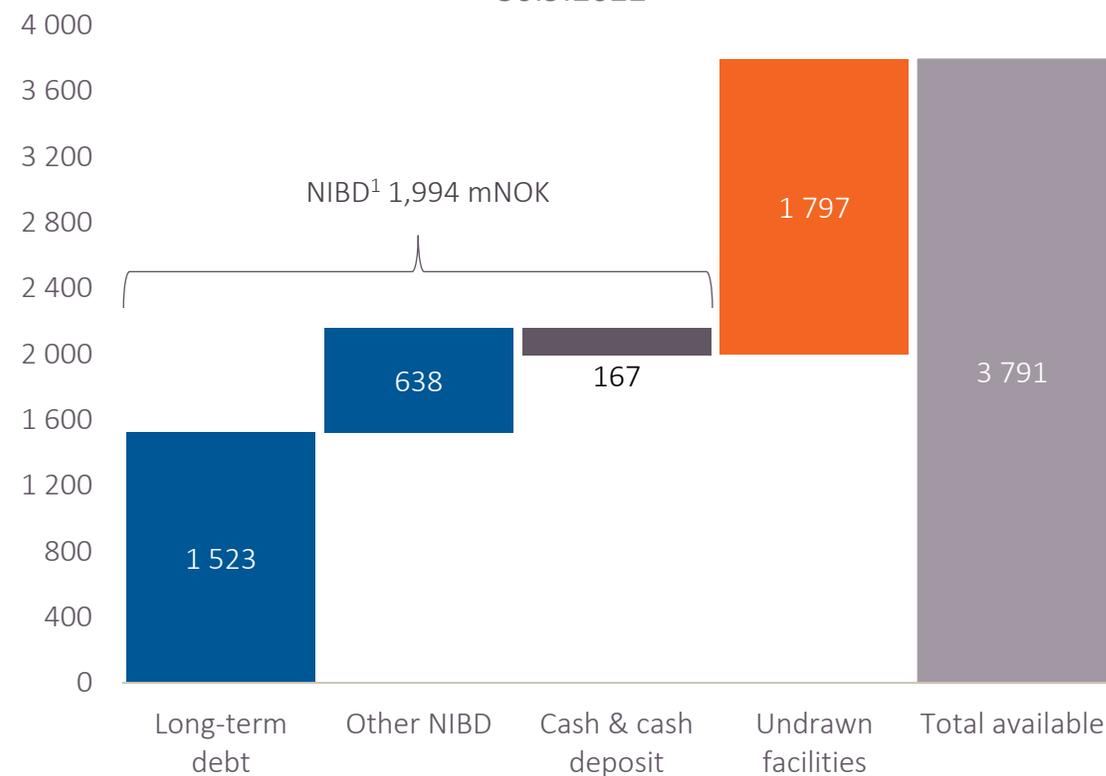
- 225 mNOK overdraft facilities
- 15 mUSD overdraft facility in LignoTech Florida

Solidity

- Equity ratio¹ 50%
- Leverage ratio¹ LTM 1.29 (covenant < 3.50)

Debt and undrawn facilities

30.9.2022



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 and investment in joint venture minus net pension liabilities.

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