



2nd Quarter 2022

Oslo, 15 July 2022

Agenda

Per A Sørli, President & CEO

- Highlights
- Business segments
- Outlook

Per Bjarne Lyngstad, CFO

- Financial performance



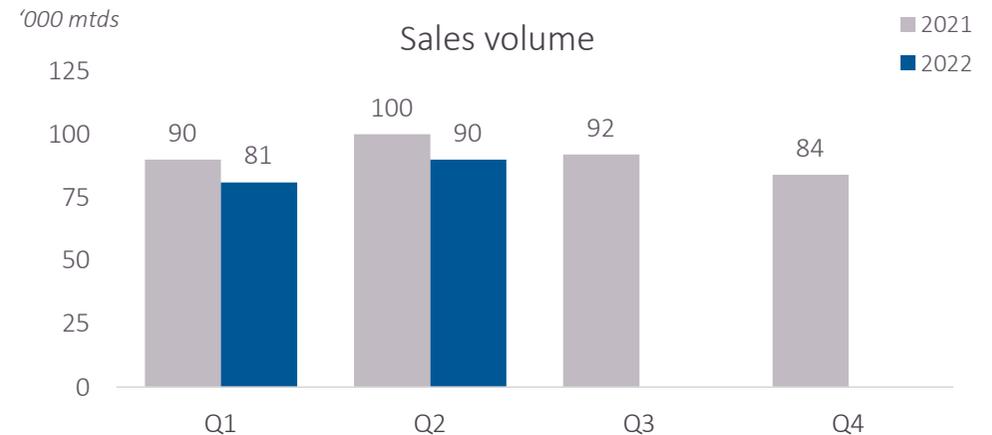
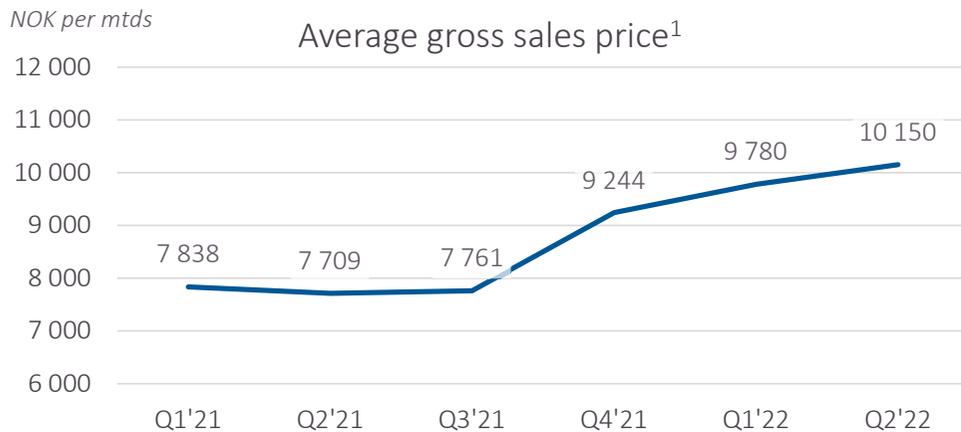
Highlights – 2nd quarter 2022

- All-time high EBITDA¹ NOK 445 million (NOK 416 million)
- Increased sales prices and strong product mix in BioSolutions
- Higher sales prices but lower deliveries in BioMaterials and Fine Chemicals
- Higher energy, raw material and freight costs
- Positive net currency impact
- Cash flow negatively affected by significant increase in net working capital



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 23% above Q2-21

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

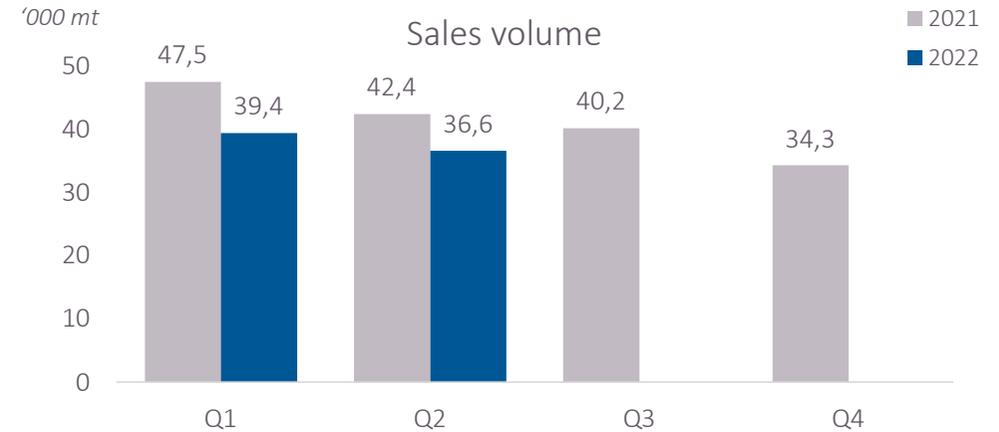
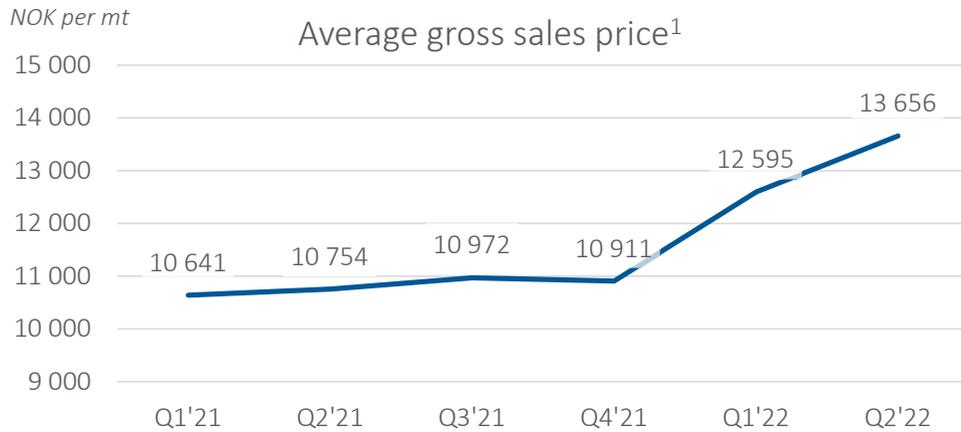
Sales volume 10% lower vs Q2-21

- Q2-21 positively affected by sales from inventories

Tight market for synthetic vanillin and ethyl vanillin continued to have a positive impact

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

BioMaterials markets – Q2



Sales price and sales volume include speciality cellulose and cellulose fibrils

Average price in sales currency 23% higher than Q2-21

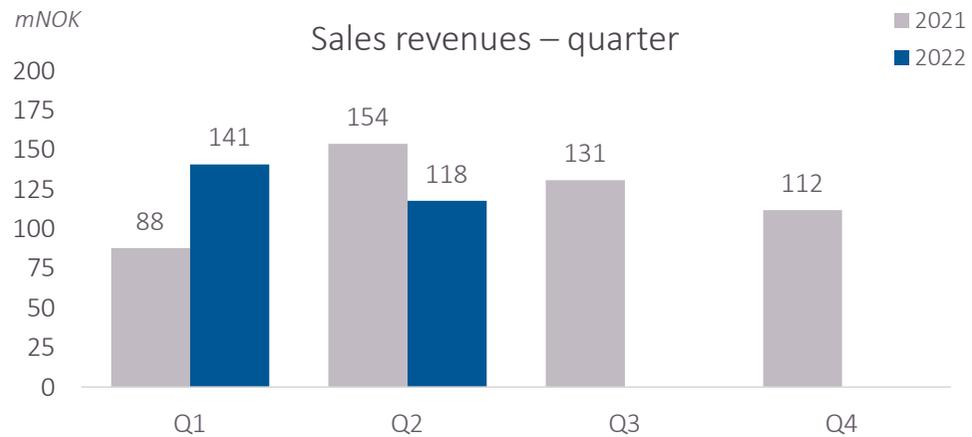
- Higher sales prices
- Speciality cellulose market continued to be tight with strong demand
- Positive FX impact

Lower deliveries of speciality cellulose

- Timing of shipments
- Sales from inventory in Q2-21

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

Favourable product mix for fine chemical intermediates
Higher prices for bioethanol
Lower deliveries

Outlook

BioSolutions

- The positive market development expected to continue in H2, additional price increases implemented from 1 July
- Total sales volume expected to be slightly below the 2021 volume
- The new biovanillin capacity will continue to be gradually phased into the market
- The market balance for synthetic vanillin and ethyl vanillin expected to be affected by increased supply in H2

BioMaterials

- Average price in sales currency will be approximately 30% above the 2021 level in Q3, following additional 10% price increase (surcharge)
- Total sales volume for the full year expected to be lower than in 2021, and aligned with the production volume
- Volume of highly specialised grades expected to be in line with 2021
- Sales growth expected to continue for cellulose fibrils

Fine Chemicals

- Favourable market conditions for biofuel in several EU countries with increased sales prices
- Bioethanol sales will mainly be into these markets in 2022
- Deliveries of fine chemical intermediates and bioethanol expected to be higher in H2 vs H1-22

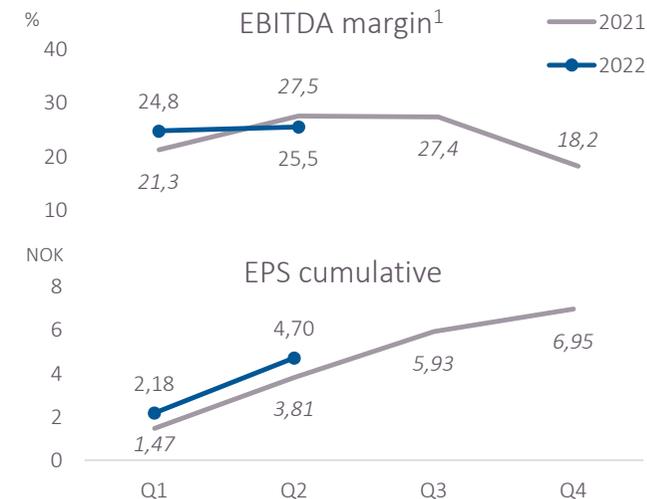
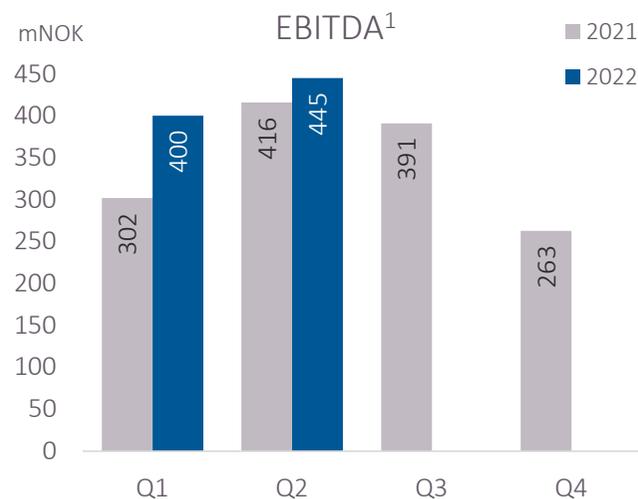
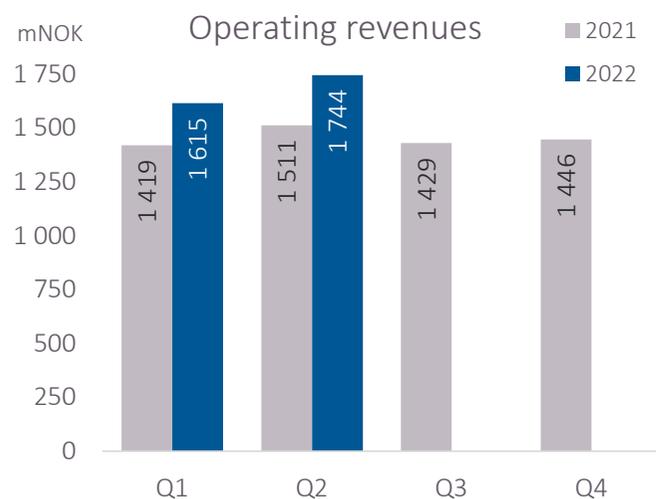
Energy and raw material costs will increase further in H2 vs H1-22

- Energy spot prices represent the largest uncertainty for the rest of the year
- Wood costs will increase by 25-30% in H2 vs H1-22
- 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 Q2-22



Borregaard key figures – Q2



Revenues 15% above Q2-21

All-time high EBITDA¹ 445 mNOK for the Group

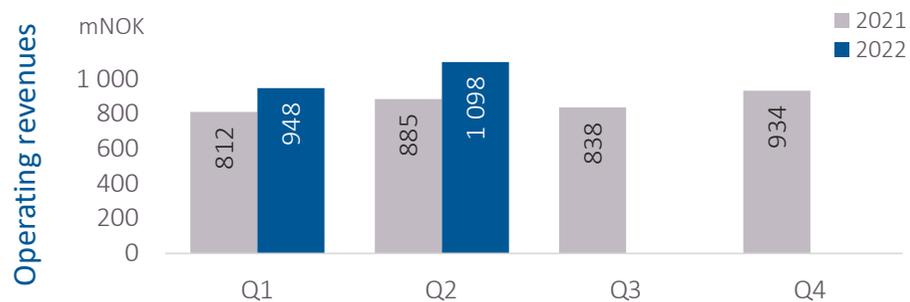
- Increased result in BioSolutions and Fine Chemicals, a decrease in BioMaterials
- Positive net FX effect

Earnings per share (EPS) NOK 2.52 (NOK 2.34)

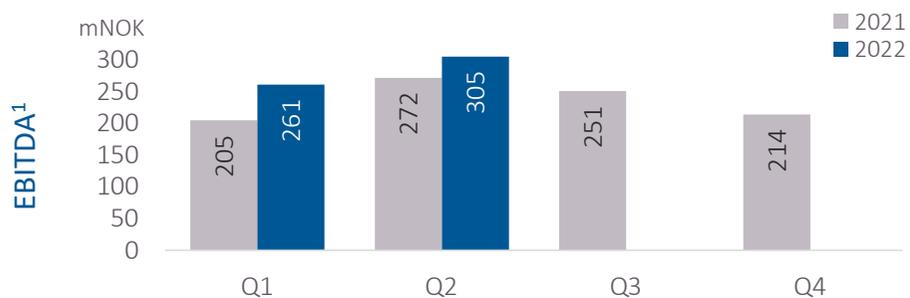
- Other income and expenses +12 mNOK related to sale of assets in the closed lignin operation in South Africa

¹ Alternative performance measure, see Appendix for definition

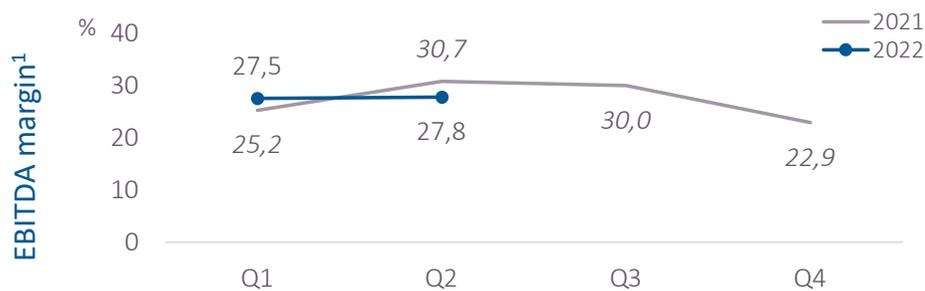
BioSolutions key figures – Q2



- Revenues 24% above Q2-21
- Higher sales prices and a strong product mix
- 10% lower sales volume



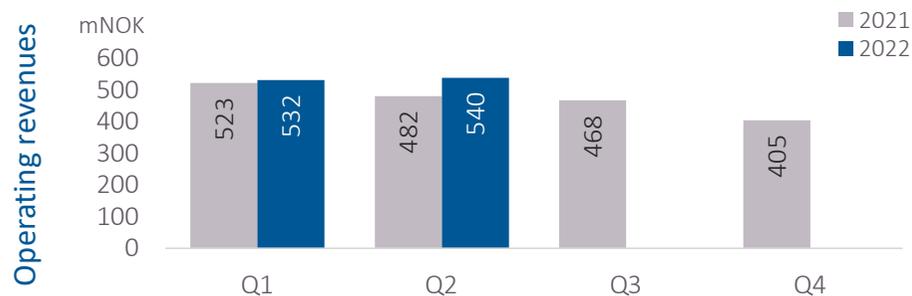
- Increased sales prices and a strong product mix
- Cost increases for energy, raw materials and freight
- Positive net FX effects



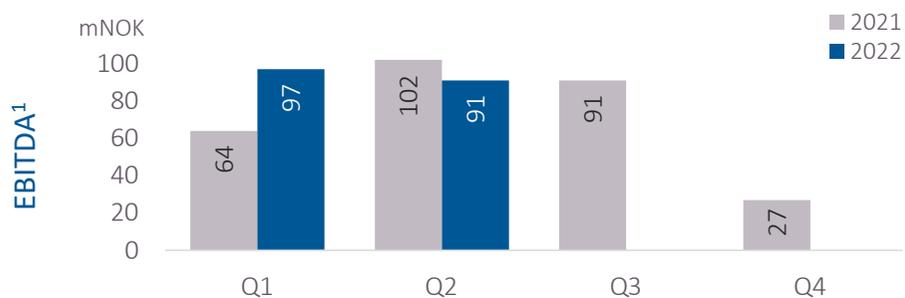
- Lower EBITDA margin¹ vs Q2-21

¹ Alternative performance measure, see Appendix for definition

BioMaterials key figures – Q2



- Revenues increased by 12% vs Q2-21
- Higher sales prices for speciality cellulose
- Lower deliveries



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



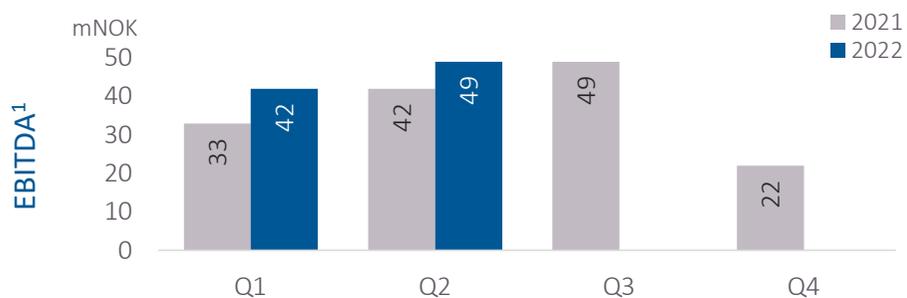
- EBITDA margin¹ 4%-points below Q2-21

¹ Alternative performance measure, see Appendix for definition

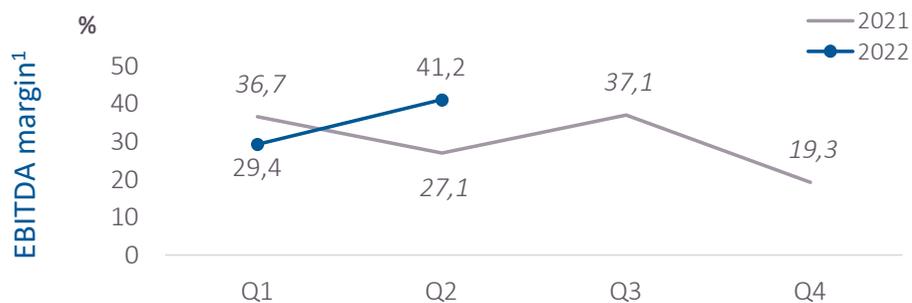
Fine Chemicals key figures – Q2



- Revenues decreased by 23% vs Q2-21
- Lower deliveries



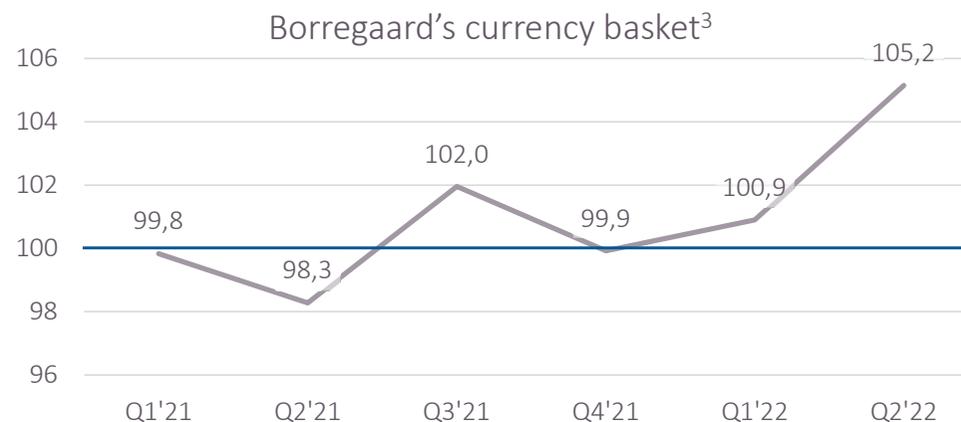
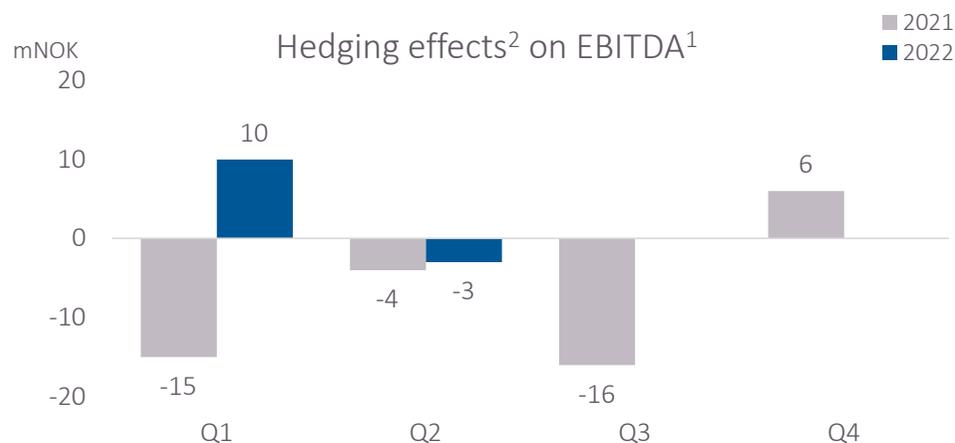
- Fine chemical intermediates, favourable product mix and high production volume, but increased raw material costs
- Prices for bioethanol increased
- Lower deliveries in both product groups
- Slightly positive net FX effects



- EBITDA margin¹ 14%-points above Q2-21

¹ Alternative performance measure, see Appendix for definition

Currency impact



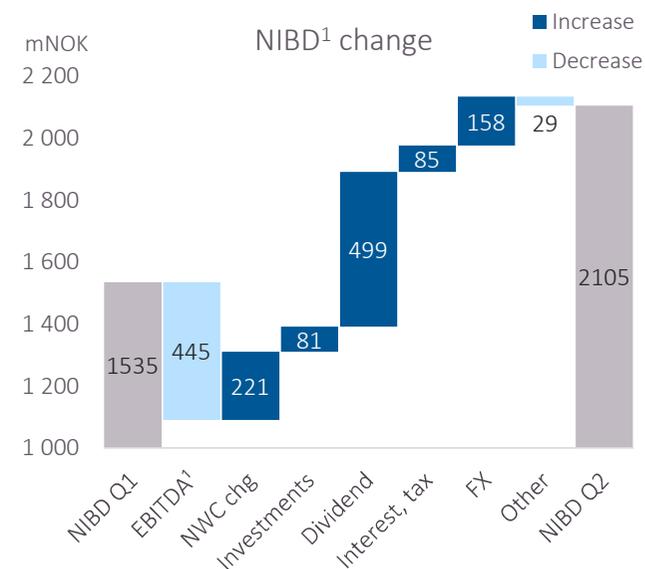
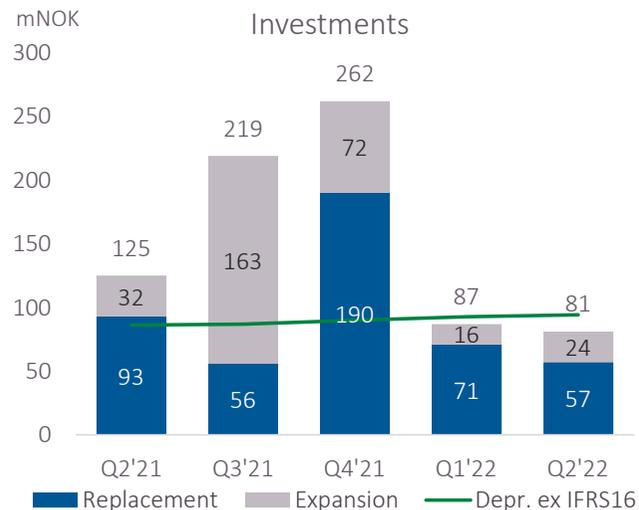
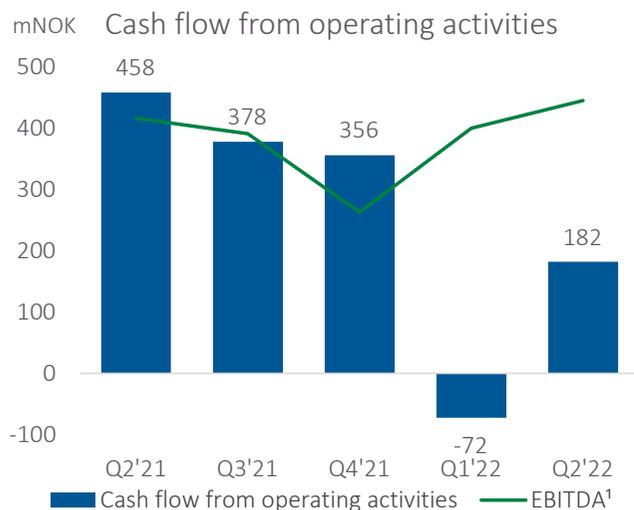
- Net FX EBITDA¹ impact ≈60 mNOK vs Q2-21
 - Includes change in hedging effects and based on estimated FX exposure
- Net FX EBITDA¹ impact in 2022 estimated to be ≈215 mNOK vs 2021
 - Assuming rates as of 14 July (USD 10.25 and EUR 10.25) on expected FX exposure
 - Net FX EBITDA¹ impact in Q3 estimated to be ≈60 mNOK vs Q3-21
- 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



Cash flow negatively affected by increase in net working capital

- Increase in accounts receivable and higher inventory values

Investments below Q2-21

NIBD¹ increased by 570 mNOK in Q2 mainly due to dividend payment of 499 mNOK

- Leverage ratio¹ 1.40 (1.29)

Equity ratio¹ 51.8% (56.2%)

¹ Alternative performance measure, see Appendix for definition

Questions?

Per A Sørli, President & CEO

Per Bjarne Lyngstad, CFO



Borregaard

SAVE THE DATE!

CAPITAL MARKETS DAY | **SEPT 21**
FELIX CONFERENCE CENTER, OSLO | **2022**

Please save the date for Borregaard's Capital Markets Day. An invitation with more details will be sent out and posted on borregaard.com as the date approaches.



Appendix



Borregaard – key figures

| Amounts in NOK million | Q2-22 | Q2-21 | Change | YTD-22 | YTD-21 | Change |
|---|--------|--------|--------|--------|--------|--------|
| Operating revenues | 1 744 | 1 511 | 15 % | 3 359 | 2 930 | 15 % |
| EBITDA¹ | 445 | 416 | 7 % | 845 | 718 | 18 % |
| Depreciation property, plant and equipment | -110 | -101 | | -218 | -207 | |
| Amortisation intangible assets | -1 | -1 | | -2 | -2 | |
| Other income and expenses ¹ | 12 | 0 | | 12 | 0 | |
| Operating profit | 346 | 314 | 10 % | 637 | 509 | 25 % |
| Financial items, net | -24 | -18 | | -38 | -37 | |
| Profit before taxes | 322 | 296 | 9 % | 599 | 472 | 27 % |
| Income tax expenses | -78 | -67 | | -146 | -110 | |
| Profit for the period | 244 | 229 | 7 % | 453 | 362 | 25 % |
| Profit attributable to non-controlling interests | -8 | -4 | | -16 | -17 | |
| Profit attributable to owners of the parent | 252 | 233 | | 469 | 379 | |
| Cash flow from operating activities (IFRS) | 182 | 458 | | 110 | 697 | |
| Earnings per share | 2,52 | 2,34 | 8 % | 4,70 | 3,81 | 23 % |
| EBITDA margin ¹ | 25,5 % | 27,5 % | | 25,2 % | 24,5 % | |

¹ Alternative performance measure, see Appendix for definition

Operating revenues and EBITDA¹ per segment

Amounts in NOK million

| Operating revenues | Q2-22 | Q2-21 | Change |
|--------------------|--------------|--------------|-------------|
| Borregaard | 1 744 | 1 511 | 15 % |
| BioSolutions | 1098 | 885 | 24 % |
| BioMaterials | 540 | 482 | 12 % |
| Fine Chemicals | 119 | 155 | -23 % |
| Eliminations | -13 | -11 | |

Amounts in NOK million

| EBITDA ¹ | Q2-22 | Q2-21 | Change |
|---------------------|------------|------------|------------|
| Borregaard | 445 | 416 | 7 % |
| BioSolutions | 305 | 272 | 12 % |
| BioMaterials | 91 | 102 | -11 % |
| Fine Chemicals | 49 | 42 | 17 % |
| | | | |

Amounts in NOK million

| Operating revenues | YTD-22 | YTD-21 | Change |
|--------------------|--------------|--------------|-------------|
| Borregaard | 3 359 | 2 930 | 15 % |
| BioSolutions | 2 046 | 1 697 | 21 % |
| BioMaterials | 1 072 | 1 005 | 7 % |
| Fine Chemicals | 262 | 245 | 7 % |
| Eliminations | -21 | -17 | |

Amounts in NOK million

| EBITDA ¹ | YTD-22 | YTD-21 | Change |
|---------------------|------------|------------|-------------|
| Borregaard | 845 | 718 | 18 % |
| BioSolutions | 566 | 477 | 19 % |
| BioMaterials | 188 | 166 | 13 % |
| Fine Chemicals | 91 | 75 | 21 % |
| | | | |

¹ Alternative performance measure, see Appendix for definition

Cash flow

| Amounts in NOK million | Q2-22 | Q2-21 | YTD-22 | YTD-21 | FY-2021 |
|---|-------------|-------------|-------------|-------------|--------------|
| Amounts in NOK million | | | | | |
| Profit before taxes | 322 | 296 | 599 | 472 | 873 |
| Amortisation, depreciation and impairment charges | 111 | 102 | 220 | 209 | 420 |
| Change in net working capital, etc | -221 | 69 | -602 | 74 | 256 |
| Dividend/share of profit from JV & associate company | 31 | - | 31 | - | 6 |
| Taxes paid | -61 | -9 | -138 | -58 | -124 |
| Cash flow from operating activities | 182 | 458 | 110 | 697 | 1 431 |
| Investments property, plant and equipment and intangible assets * | -81 | -125 | -168 | -220 | -556 |
| Investment in associate company | - | - | - | - | -145 |
| Other capital transactions | 4 | -1 | 6 | 3 | 9 |
| Cash flow from Investing activities | -77 | -126 | -162 | -217 | -692 |
| Dividends | -499 | -249 | -499 | -249 | -249 |
| Proceeds from exercise of options/shares to employees | 7 | 17 | 34 | 46 | 59 |
| Buy-back of shares | -19 | -32 | -23 | -88 | -118 |
| Gain/(loss) on hedges for net investments in subsidiaries | -111 | 8 | -80 | 17 | -14 |
| Net paid to/from shareholders | -622 | -256 | -568 | -274 | -322 |
| Proceeds from interest-bearing liabilities | 737 | 200 | 837 | 300 | 300 |
| Repayment from interest-bearing liabilities | -339 | -239 | -353 | -456 | -814 |
| Change in interest-bearing receivables/other liabilities | 70 | 2 | 68 | -6 | -1 |
| Change in net interest-bearing liabilities | 468 | -37 | 552 | -162 | -515 |
| Cash flow from financing activities | -154 | -293 | -16 | -436 | -837 |
| Change in cash and cash equivalents | -49 | 39 | -68 | 44 | -98 |
| Cash and cash equivalents at beginning of period | -16 | 100 | 5 | 96 | 96 |
| Change in cash and cash equivalents | -49 | 39 | -68 | 44 | -98 |
| Currency effects cash and cash equivalents | 27 | 4 | 25 | 3 | 7 |
| Cash and cash equivalents at the end of the period | -38 | 143 | -38 | 143 | 5 |
| * Investment by category | | | | | |
| Replacement Investments | 57 | 93 | 128 | 152 | 398 |
| Expansion investments ¹ | 24 | 32 | 40 | 68 | 303 |

¹ Alternative performance measure, see Appendix for definition

Balance sheet

| Amounts in NOK million | 30.06.2022 | 31.03.2022 | 31.12.2021 |
|--|--------------|--------------|--------------|
| Assets: | | | |
| Intangible assets | 86 | 86 | 89 |
| Property, plant and equipment | 4 273 | 4 180 | 4 191 |
| Right-of-use assets | 345 | 351 | 351 |
| Other assets | 237 | 393 | 339 |
| Investments in joint venture/associate company | 144 | 174 | 173 |
| Non-current assets | 5 085 | 5 184 | 5 143 |
| Inventories | 1 035 | 878 | 792 |
| Receivables | 1 469 | 1 416 | 1 107 |
| Cash and cash deposits | 90 | 103 | 124 |
| Current assets | 2 594 | 2 397 | 2 023 |
| Total assets | 7 679 | 7 581 | 7 166 |
| Equity and liabilities: | | | |
| Group equity | 3 899 | 4 602 | 4 222 |
| Non-controlling interests | 76 | 75 | 84 |
| Equity | 3 975 | 4 677 | 4 306 |
| Provisions and other liabilities | 361 | 274 | 257 |
| Interest-bearing liabilities | 1 926 | 1 418 | 1 320 |
| Non-current liabilities | 2 287 | 1 692 | 1 577 |
| Interest-bearing liabilities | 272 | 223 | 224 |
| Other current liabilities | 1 145 | 989 | 1 059 |
| Current liabilities | 1 417 | 1 212 | 1 283 |
| Equity and liabilities | 7 679 | 7 581 | 7 166 |
| Equity ratio ¹ (%): | 51,8 % | 61,7 % | 60,1 % |

¹ Alternative performance measure, see Appendix for definition

Net financial items & net interest-bearing debt¹

Amounts in NOK million

| Net financial items | Q2-22 | Q2-21 | YTD-22 | YTD-21 |
|---|------------|------------|------------|------------|
| Net interest expenses | -16 | -15 | -29 | -31 |
| Currency gain/loss | -7 | 0 | -6 | 1 |
| Share of profit/-loss from an associate | 0 | 0 | -1 | 0 |
| Other financial items, net | -1 | -3 | -2 | -7 |
| Net financial items | -24 | -18 | -38 | -37 |

Amounts in NOK million

| Net interest-bearing debt ¹ (NIBD) | 30.06.2022 | 31.03.2022 | 31.12.2021 |
|---|--------------|--------------|--------------|
| Non-current interest-bearing liabilities | 1 926 | 1 418 | 1 320 |
| Current interest-bearing liabilities including overdraft of cashpool | 272 | 223 | 224 |
| Non-current interest-bearing receivables (included in "Other Assets") | -3 | -3 | -3 |
| Cash and cash deposits | -90 | -103 | -124 |
| Net interest-bearing debt¹ (NIBD) | 2 105 | 1 535 | 1 417 |
| - of which impact from IFRS 16 leases | 369 | 373 | 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 14.07.22)

| | USD million | USD rate | EUR million | EUR rate |
|----------|-------------|----------|-------------|----------|
| Q3-2022 | 37 | 8.97 | 35 | 10.55 |
| Q4-2022 | 35 | 9.07 | 34 | 10.65 |
| RoY 2022 | 72 | 9.02 | 69 | 10.60 |
| 2023 | 142 | 9.20 | 112 | 10.82 |
| 2024 | 122 | 8.89 | 98 | 10.58 |
| 2025 | 55 | 9.28 | 47 | 10.60 |

Hedging effects by segment

| NOK million | YTD- 22 | YTD-21 | Q2-22 | Q2-21 |
|-------------------|----------|------------|-----------|-----------|
| BioSolutions | -2 | -6 | -5 | -1 |
| BioMaterials | 6 | -11 | 1 | -3 |
| Fine Chemicals | 3 | -2 | 1 | 0 |
| Borregaard | 7 | -19 | -3 | -4 |

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

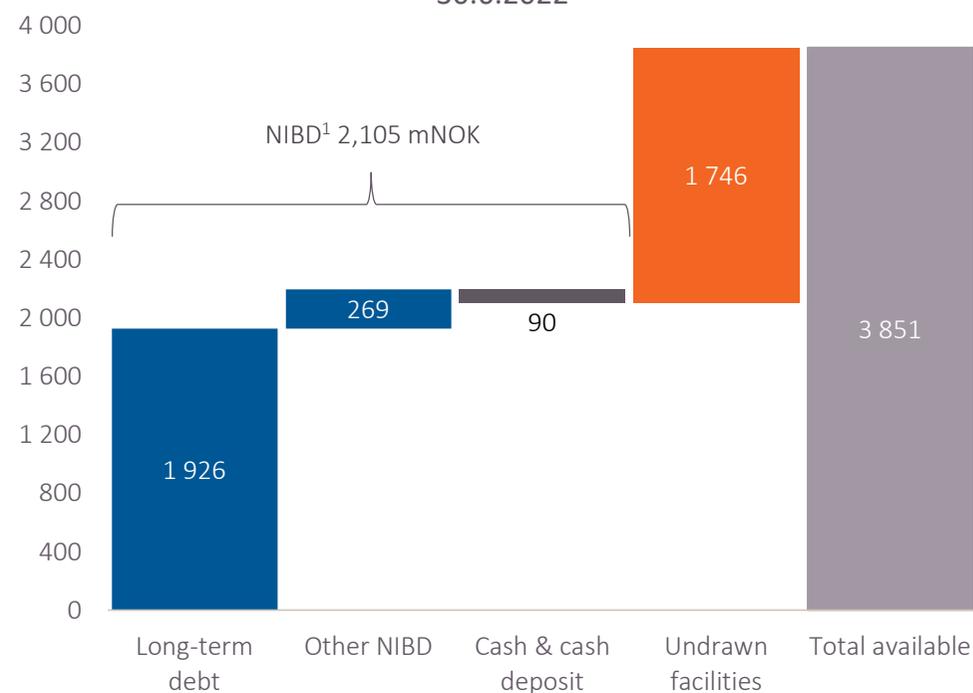
- 225 mNOK overdraft facilities
- 15 mUSD overdraft facility in LignoTech Florida
- 100 mNOK commercial paper

Solidity

- Equity ratio¹ 51.8%
- Leverage ratio¹ LTM 1.40 (covenant < 3.50)

Debt and undrawn facilities

30.6.2022



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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