

A photograph of three young women enjoying a sunny day outdoors. They are all smiling and wearing sunglasses. The woman in the center is holding a large ice cream cone with three scoops: pink, light green, and white. She is also wearing a grey t-shirt and a white daisy bracelet. The woman on the right is wearing a white lace top and blue denim overalls. The woman on the left is wearing a light-colored top. The background is a bright, sunny outdoor setting with a clear sky.

2nd Quarter 2021

Sarpsborg, 15 July 2021

Agenda

Per A Sørli, President & CEO

- Highlights
- Business segments
- Outlook

Per Bjarne Lyngstad, CFO

- Financial performance



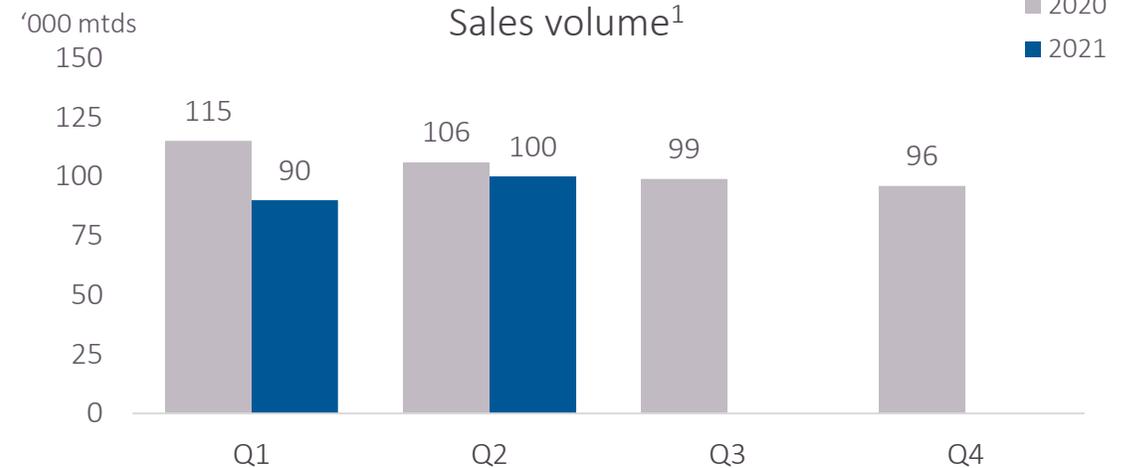
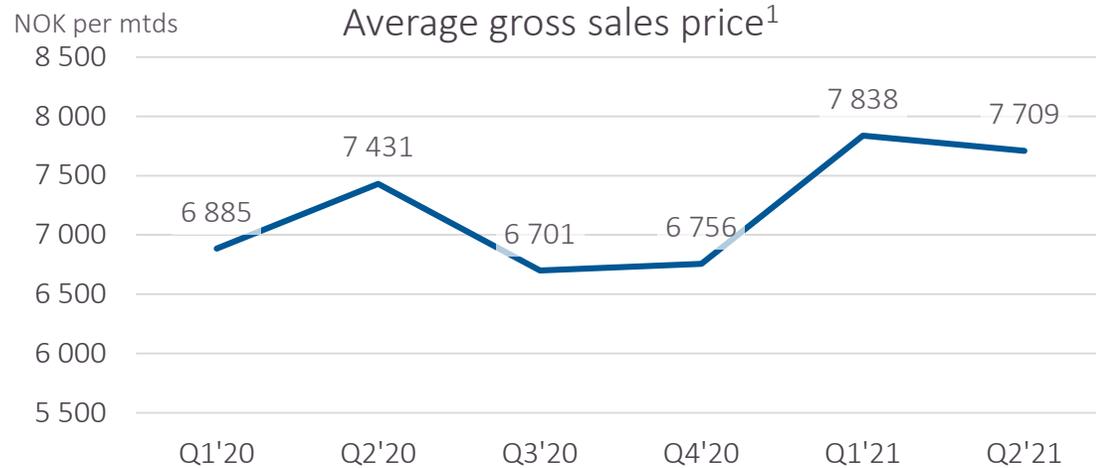
Highlights – 2nd quarter 2021

- All-time high EBITDA¹ of NOK 416 million (NOK 361 million)
- Strong performance in BioSolutions
- Improved product mix and high deliveries in BioMaterials
- Negative net currency impact
- Strong cash flow
- Increased biovanillin capacity in operation



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 18% above Q2-20

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

Sales volume 6% lower vs Q2-20

- Discontinued raw material supply, partly offset by increased volume from Florida and inventory reductions
- No raw material deliveries from Park Falls in Q2

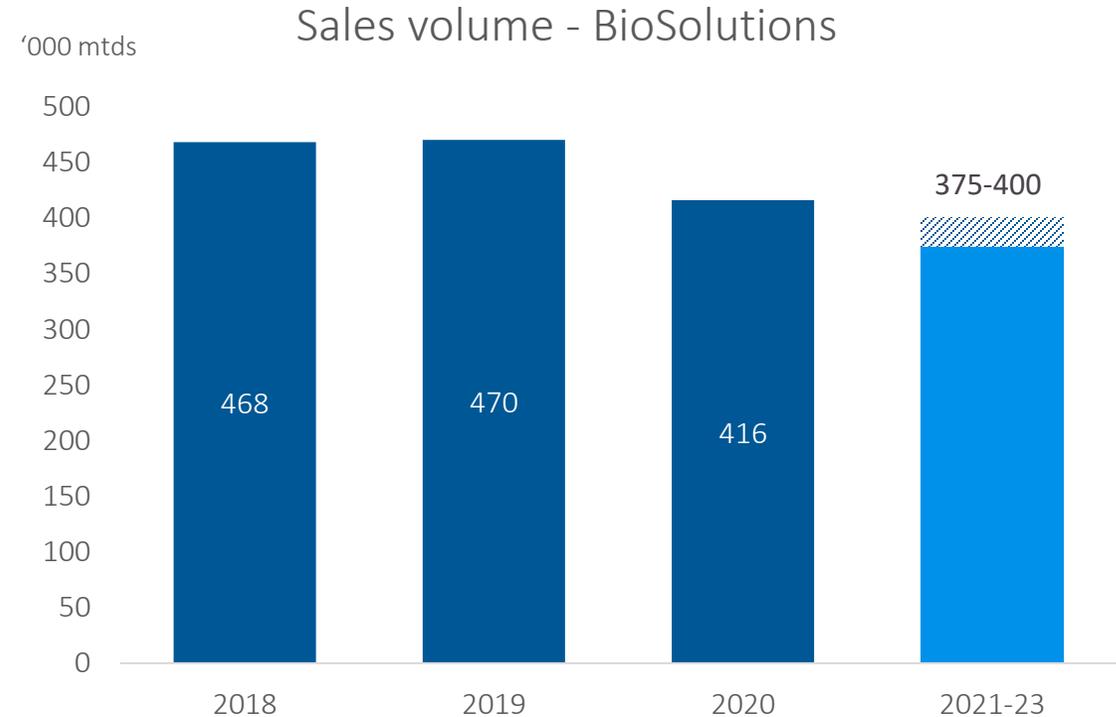
Negative FX impact

¹ 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.

Strategic priorities - BioSolutions

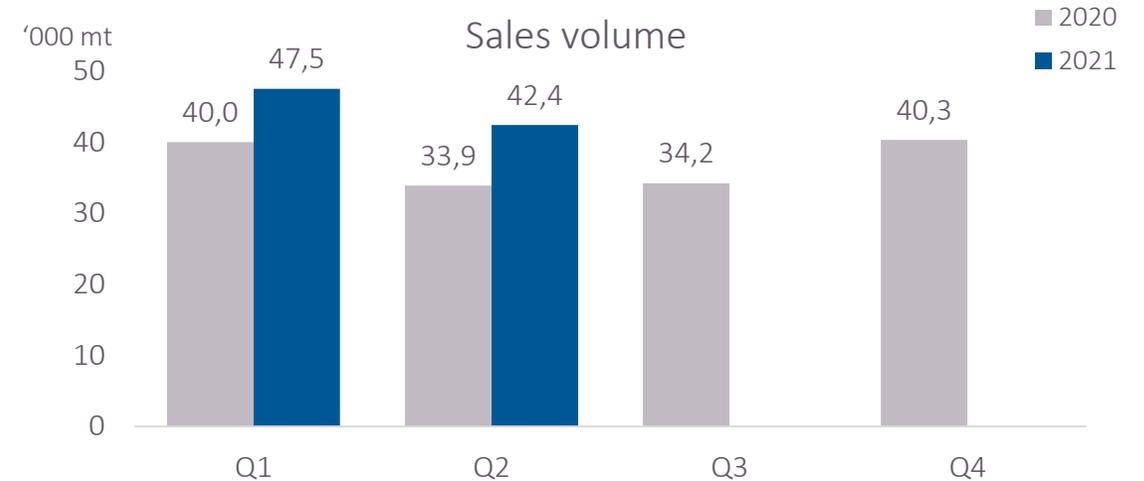
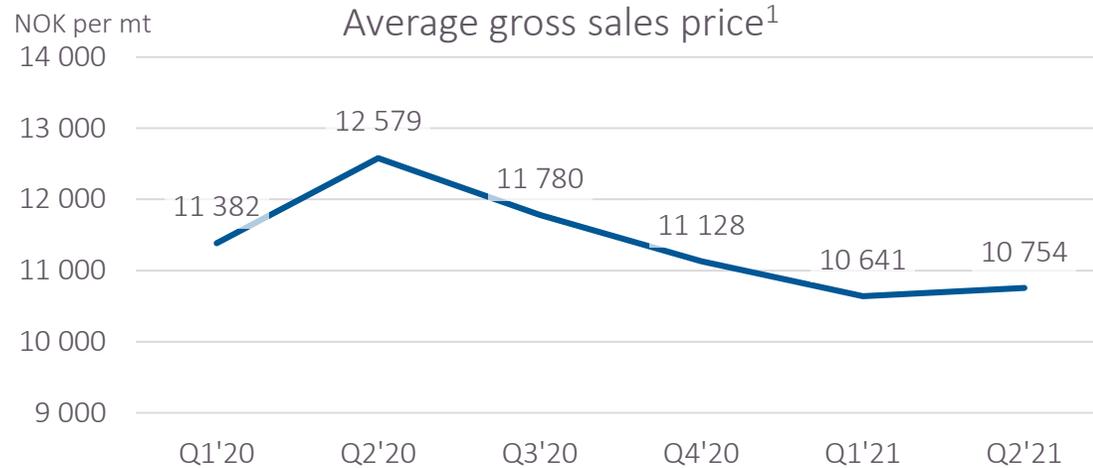
New supply situation - an opportunity to sharpen the strategy

- Specialisation through innovation and market development
 - Drive value growth based on expertise and sustainable solutions with unique performance
- Balance market risk through diversification of the product portfolio
 - Focus on advanced applications with high value-added, stable growth and preference for sustainable solutions
 - Reduce exposure to low-end and cyclical markets
- Increased value added from the unique Sarpsborg biorefinery
 - Leverage the high-value lignin raw material, unique technology and increased specialisation capacity
- Successful market introduction of increased biovanillin capacity



¹ Includes 100% of sales volume from the J/V in South Africa for 2018 to 2020.

BioMaterials markets – Q2



Sales price and sales volume include speciality cellulose and cellulose fibrils

High deliveries of speciality cellulose

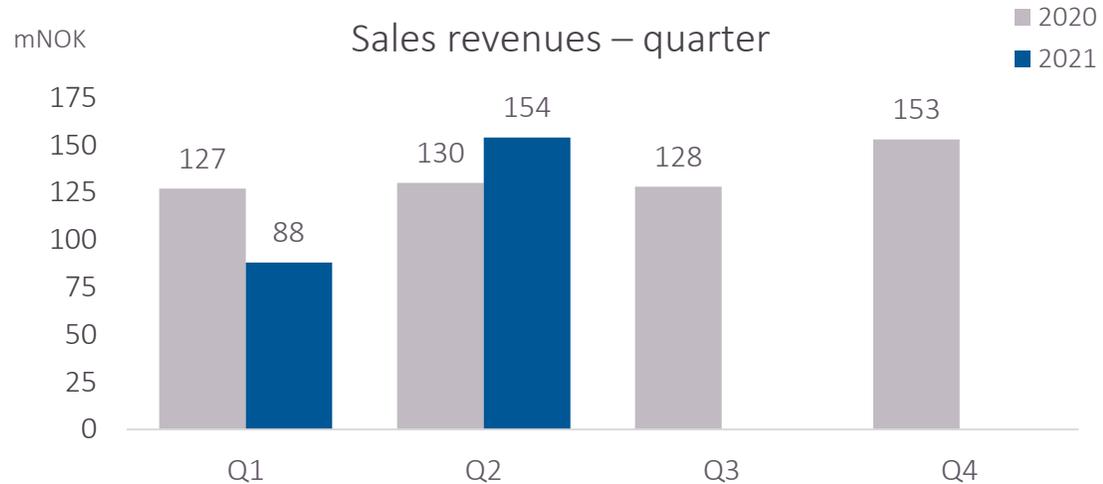
Improved product mix largely compensated for reduced sales prices for certain grades

Average price in sales currency 3% lower than Q2-20

Negative 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

Weaker product mix for fine chemical intermediates

Bioethanol sales volume increased

- Strong demand and slightly higher prices to the biofuel market
- Q2-20 positively affected by high bioethanol sales to disinfectants

Outlook

BioSolutions

- Sales volume in 2021 forecast to decrease by 10-15%, mainly depending on raw material supply
 - Sales volume in H2-21 expected to be lower vs H1-21
- 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
- Full year sales volume expected to increase from 2020, due to high deliveries and inventory reduction in H1-21
- Share of highly specialised grades will be higher than last year, implying higher manufacturing costs
- Continued lower wood costs expected to compensate for higher energy costs and freight rates in H2-21
- Sales growth will continue for cellulose fibrils, new business development and customer trials expected to increase

Fine Chemicals

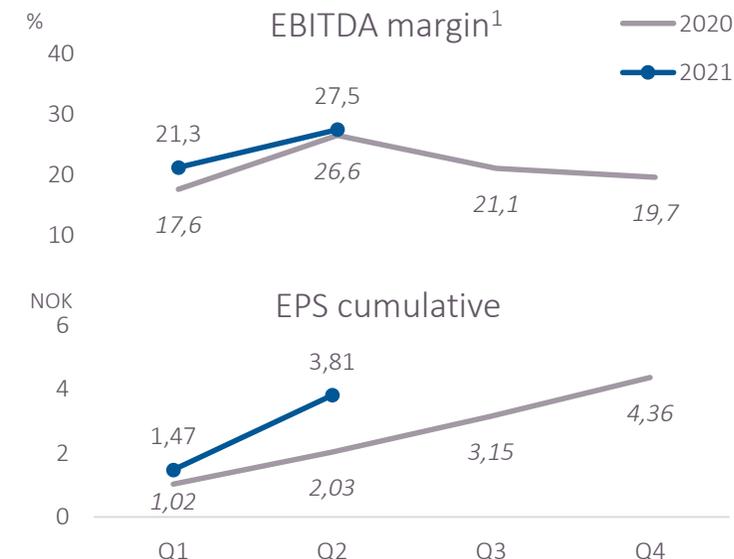
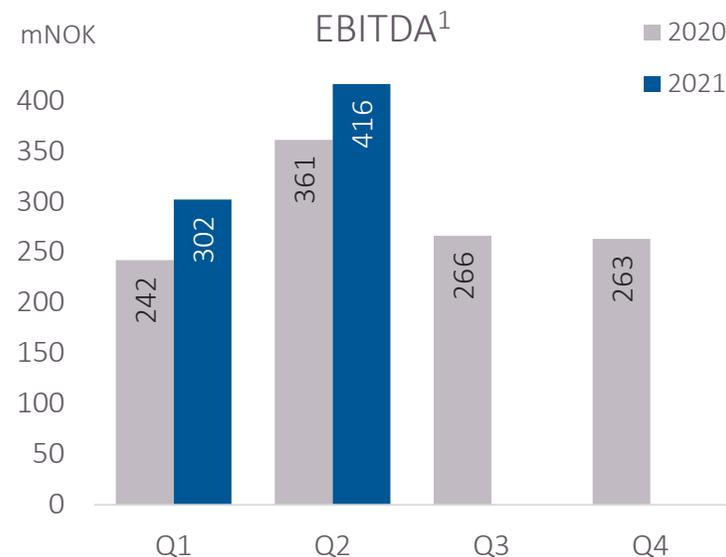
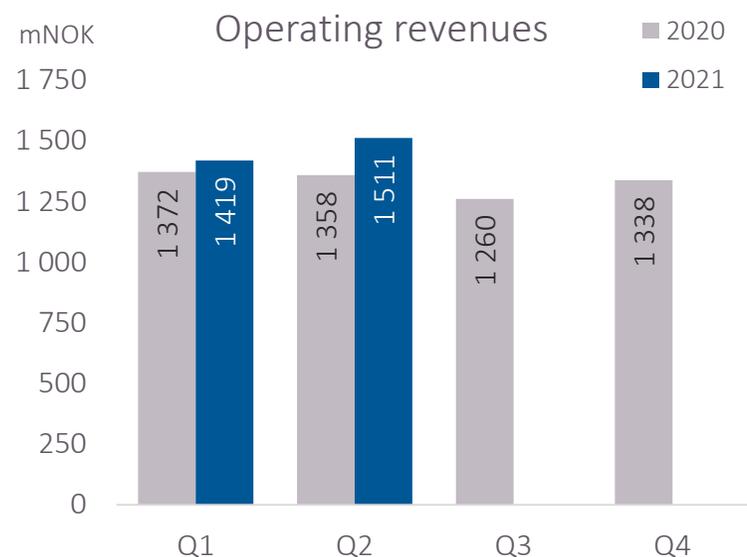
- No major changes are expected in the market conditions for Fine Chemicals

Possible further consequences of the Covid-19 pandemic may affect Borregaard's business

Financial performance Q2-21



Borregaard key figures – Q2



Revenues 11% above Q2-20

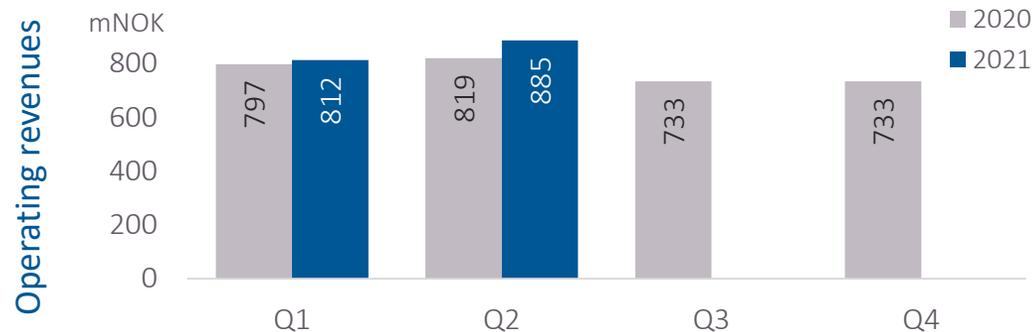
EBITDA¹ 416 mNOK for the Group

- Significant improvement in BioSolutions, BioMaterials in line with Q2-20 and decline in Fine Chemicals
- Strong production output at the Sarpsborg site
- Negative net FX effect on EBITDA¹

Earnings per share (EPS) NOK 2.34 (NOK 1.01)

¹ Alternative performance measure, see Appendix for definition

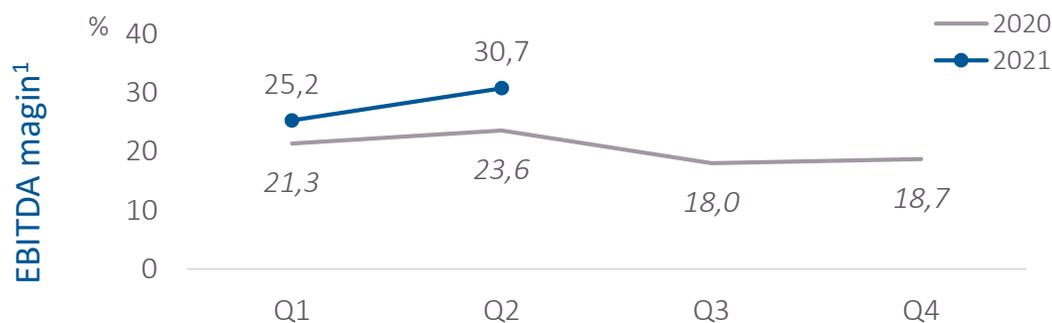
BioSolutions key figures – Q2



- Revenues 8% above Q2-20²
- Price increases and favourable mix more than compensated for 6% lower sales volume



- Significant improvement vs Q2-20
- Price increases and a favourable product mix
- Negative net FX effects



- Strong EBITDA margin¹ in Q2

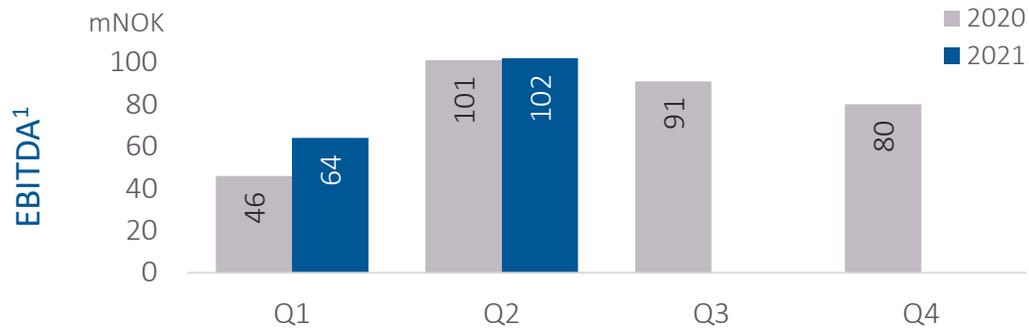
¹ Alternative performance measure, see Appendix for definition

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

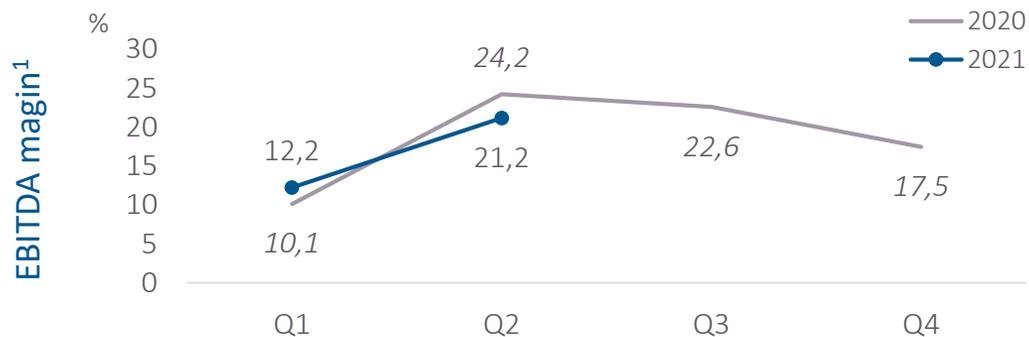
BioMaterials key figures – Q2



- Revenues increased by 16% vs Q2-20
- High deliveries of speciality cellulose



- High deliveries and improved product mix
- 3% lower average price in sales currency
- Lower wood costs largely offset by higher energy costs and increased freight rates
- Negative net FX impact



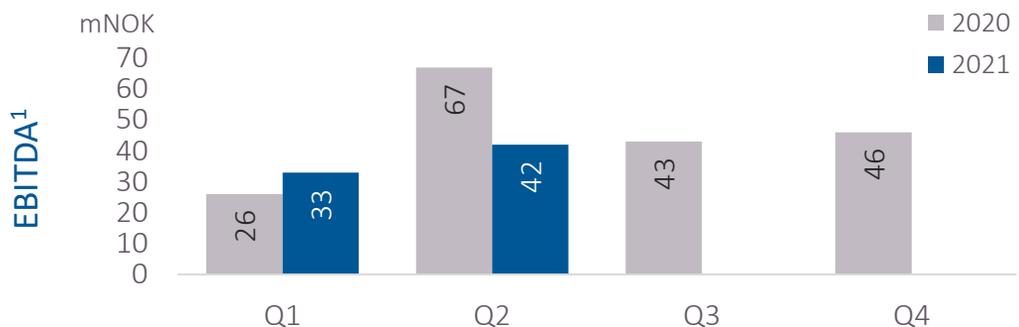
- EBITDA margin¹ below Q2-20

1) Alternative performance measure, see Appendix for definition

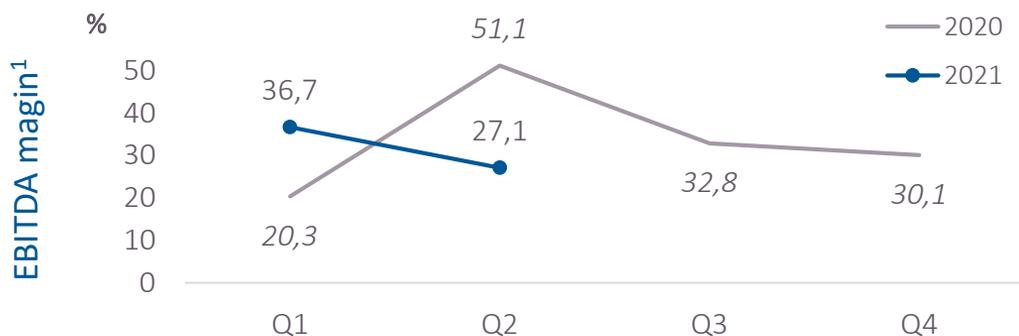
Fine Chemicals key figures – Q2



- Revenues 18% above Q2-20
- Higher sales volume



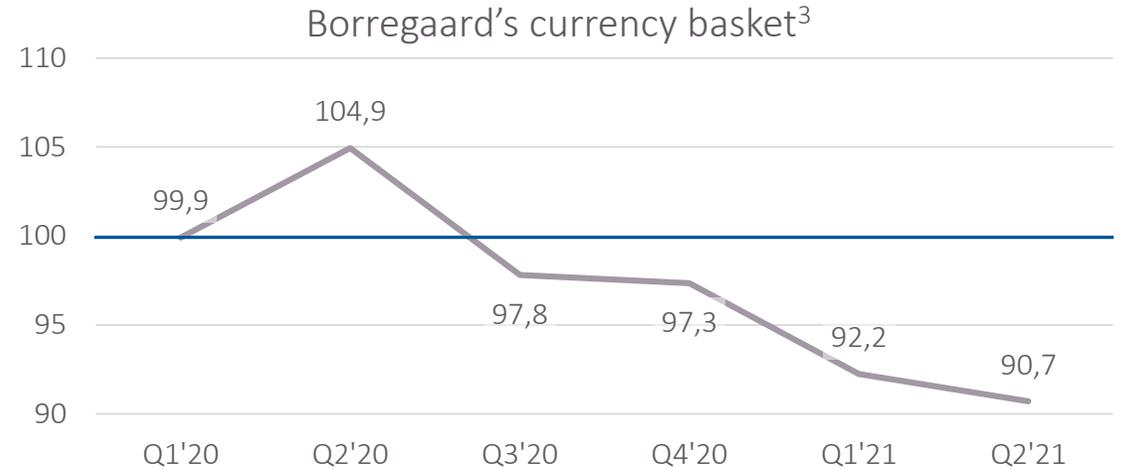
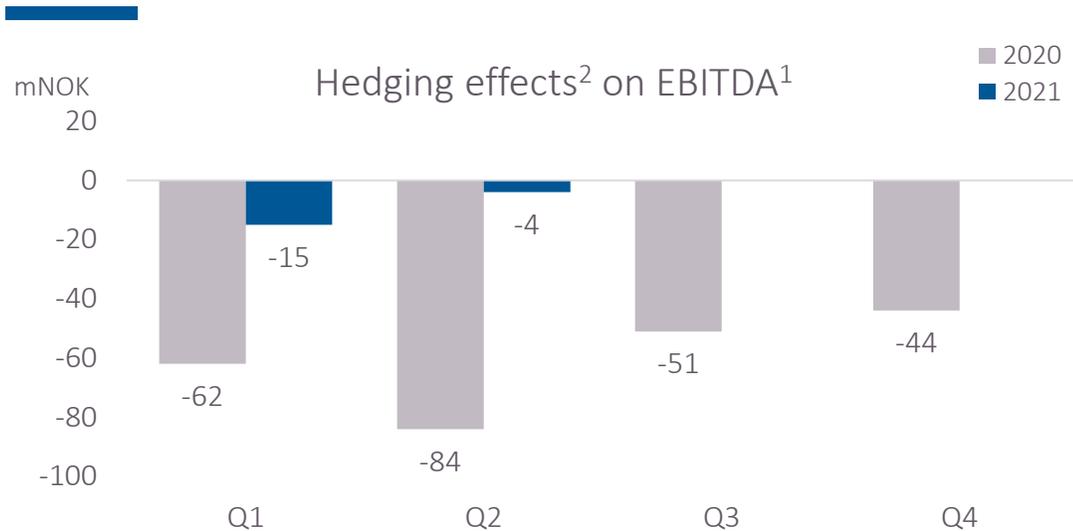
- Q2-20 positively affected by high bioethanol sales to disinfectants
- Weaker product mix and higher raw material and energy costs for fine chemical intermediates
- Increased bioethanol sales volume, continued high bioethanol production volume with improved yield and lower costs
- Insignificant net FX effects



- Lower EBITDA margin¹ vs Q2-20

1) Alternative performance measure, see Appendix for definition

Currency impact



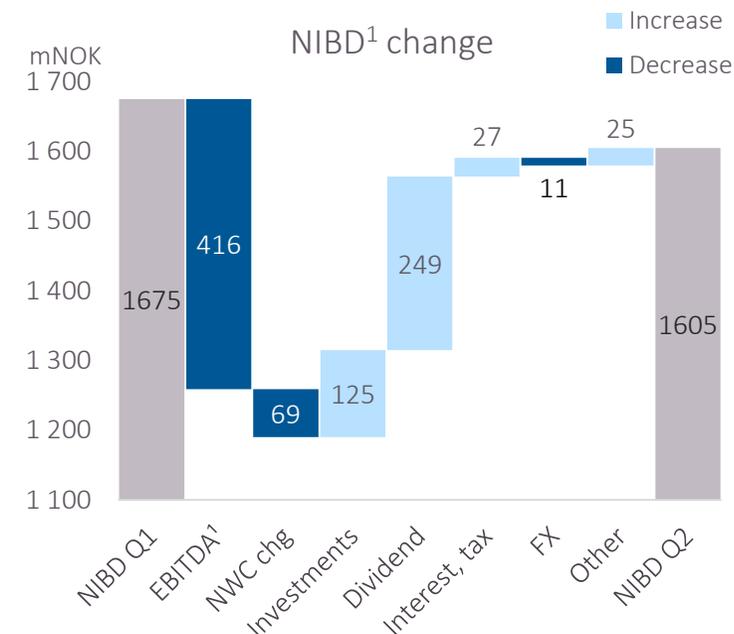
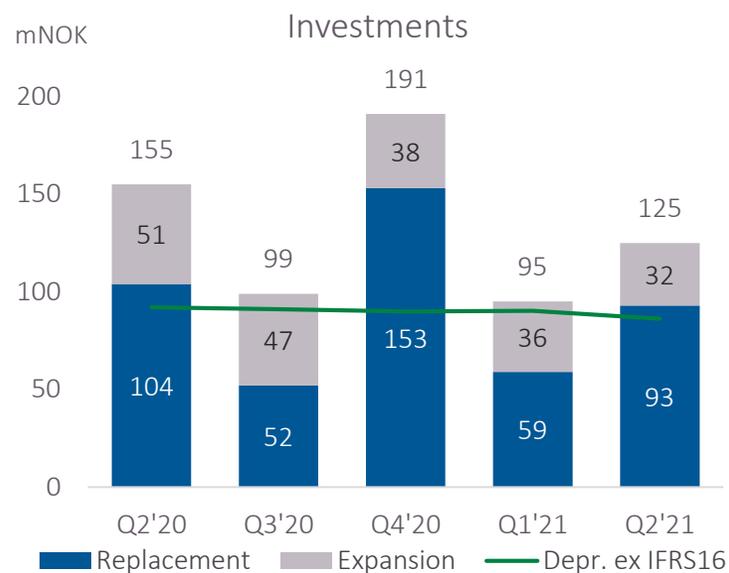
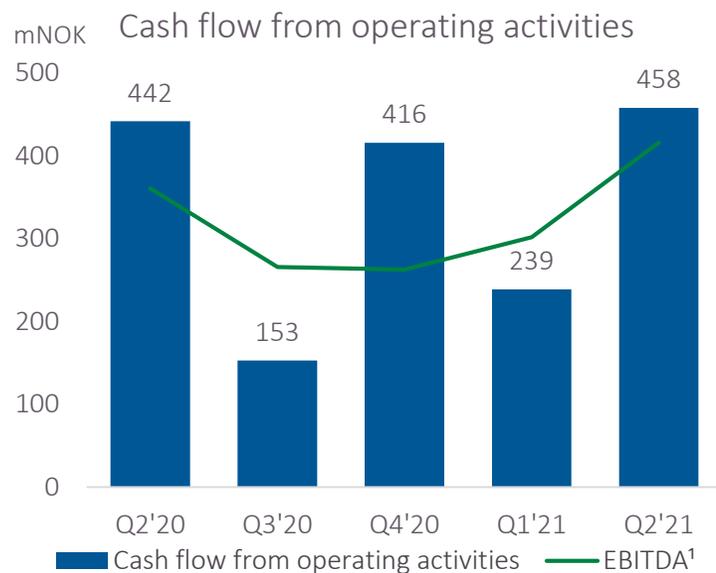
- Net FX EBITDA¹ impact ≈-45 mNOK vs Q2-20
 - Includes change in hedging effects and based on estimated FX exposure
 - Net FX EBITDA¹ impact YTD ≈-70 mNOK
- Net FX EBITDA¹ impact in 2021 estimated to be ≈-50 mNOK vs 2020
 - Assuming rates as of 14 July (USD 8.75 and EUR 10.33) on expected FX exposure
 - Net FX EBITDA¹ impact in Q3 estimated to be ≈5 mNOK vs Q3-20
- 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 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 Q2

- Cash effect from all-time high EBITDA¹ and reduction in net working capital

Investments below Q2-20

NIBD¹ decreased by 70 mNOK in Q2

- Dividend payment of 249 mNOK
- Leverage ratio¹ 1.29 (2.01)

Equity ratio¹ 56.2% (44.2%)

¹ Alternative performance measure, see Appendix for definition

Questions?

- For questions, please contact Borregaard's Investor Relations by phone or email

See:

<https://www.borregaard.com/Investor-Relations>



Appendix



Borregaard – key figures

Amounts in NOK million	Q2-21	Q2-20	Change	YTD-21	YTD-20	Change
Operating revenues	1 511	1 358	11 %	2 930	2 730	7 %
EBITDA ¹	416	361	15 %	718	603	19 %
Depreciation property, plant and equipment	-101	-112		-207	-221	
Amortisation intangible assets	-1	-1		-2	-2	
Other income and expenses ¹	0	-96		0	-96	
Operating profit	314	152	107 %	509	284	79 %
Financial items, net	-18	-19		-37	-40	
Profit before taxes	296	133	123 %	472	244	93 %
Income tax expenses	-67	-48		-110	-75	
Profit for the period	229	85	169 %	362	169	114 %
Profit attributable to non-controlling interests	-4	-16		-17	-34	
Profit attributable to owners of the parent	233	101		379	203	
Cash flow from operating activities (IFRS)	458	442		697	317	
Earnings per share	2,34	1,01	132 %	3,81	2,03	88 %
EBITDA margin ¹	27,5 %	26,6 %		24,5 %	22,1 %	

¹ Alternative performance measure, see Appendix for definition

Operating revenues and EBITDA¹ per segment

Amounts in NOK million

Operating revenues	Q2-21	Q2-20	Change
Borregaard	1 511	1 358	11 %
BioSolutions	885	819	8 %
BioMaterials	482	417	16 %
Fine Chemicals	155	131	18 %
Eliminations	-11	-9	

Amounts in NOK million

EBITDA ¹	Q2-21	Q2-20	Change
Borregaard	416	361	15 %
BioSolutions	272	193	41 %
BioMaterials	102	101	1 %
Fine Chemicals	42	67	-37 %

Amounts in NOK million

Operating revenues	YTD-21	YTD-20	Change
Borregaard	2 930	2 730	7 %
BioSolutions	1 697	1 616	5 %
BioMaterials	1 005	871	15 %
Fine Chemicals	245	259	-5 %
Eliminations	-17	-16	

Amounts in NOK million

EBITDA ¹	YTD-21	YTD-20	Change
Borregaard	718	603	19 %
BioSolutions	477	363	31 %
BioMaterials	166	147	13 %
Fine Chemicals	75	93	-19 %

Cash flow

Amounts in NOK million	Q2-21	Q2-20	YTD-21	YTD-20	FY-2020
Amounts in NOK million					
Profit before taxes	296	133	472	244	496
Amortisation, depreciation and impairment charges	102	113	209	223	449
Change in net working capital, etc	69	134	74	-164	-21
Dividend (share of profit) from JV	-	64	-	63	51
Taxes paid	-9	-2	-58	-49	-89
Cash flow from operating activities	458	442	697	317	886
Investments property, plant and equipment and intangible assets *	-125	-155	-220	-213	-503
Other capital transactions	-1	3	3	5	14
Cash flow from Investing activities	-126	-152	-217	-208	-489
Dividends	-249	-229	-249	-229	-229
Proceeds from exercise of options/shares to employees	17	1	46	29	35
Buy-back of shares	-32	-	-88	-50	-62
Gain/(loss) on hedges for net investments in subsidiaries	8	113	17	-47	10
Net paid to/from shareholders	-256	-115	-274	-297	-246
Proceeds from interest-bearing liabilities	200	300	300	950	1 550
Repayment from interest-bearing liabilities	-239	-345	-456	-930	-1 703
Change in interest-bearing receivables/other liabilities	2	-14	-6	26	18
Change in net interest-bearing liabilities	-37	-59	-162	46	-135
Cash flow from financing activities	-293	-174	-436	-251	-381
Change in cash and cash equivalents	39	116	44	-142	16
Cash and cash equivalents at beginning of period	100	-171	96	81	81
Change in cash and cash equivalents	39	116	44	-142	16
Currency effects cash and cash equivalents	4	-4	3	2	-1
Cash and cash equivalents at the end of the period	143	-59	143	-59	96
* Investment by category					
Replacement Investments	93	104	152	139	344
Expansion investments ¹	32	51	68	74	159

¹ Alternative performance measure, see Appendix for definition

Balance sheet

Amounts in NOK million	30.06.2021	31.03.2021	31.12.2020
Assets:			
Intangible assets	93	81	86
Property, plant and equipment	4 009	3 978	3 973
Right-of-use assets	369	377	381
Other assets	272	440	380
Investment in joint venture	39	38	38
Non-current assets	4 782	4 914	4 858
Inventories	769	822	887
Receivables	1 273	1 131	1 051
Cash and cash deposits	246	213	207
Current assets	2 288	2 166	2 145
Total assets	7 070	7 080	7 003
Equity and liabilities:			
Group equity	3 875	3 927	3 668
Non-controlling interests	96	100	110
Equity	3 971	4 027	3 778
Provisions and other liabilities	321	315	291
Interest-bearing liabilities	1 346	1 374	1 381
Non-current liabilities	1 667	1 689	1 672
Interest-bearing liabilities	508	517	623
Other current liabilities	924	847	930
Current liabilities	1 432	1 364	1 553
Equity and liabilities	7 070	7 080	7 003
Equity ratio ¹ (%):	56,2 %	56,9 %	53,9 %

¹ Alternative performance measure, see Appendix for definition

Net financial items & net interest-bearing debt¹

Amounts in NOK million

Net financial items	Q2-21	Q2-20	YTD-21	YTD-20
Net interest expenses	-15	-21	-31	-41
Currency gain/loss	0	2	1	2
Other financial items, net	-3	0	-7	-1
Net financial items	-18	-19	-37	-40

Amounts in NOK million

Net interest-bearing debt ¹ (NIBD)	30.06.2021	31.03.2021	31.12.2020
Non-current interest-bearing liabilities	1 346	1 374	1 381
Current interest-bearing liabilities including overdraft facilities	508	517	623
Non-current interest-bearing receivables (included in "Other Assets")	-3	-3	-3
Cash and cash deposits	-246	-213	-207
Net interest-bearing debt¹ (NIBD)	1 605	1 675	1 794
- of which impact from IFRS 16 leases	386	396	396

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 14.07.21)

	USD million	USD rate	EUR million	EUR rate
Q3-2021	37	8.42	24	10.21
Q4-2021	36	8.58	24	10.36
RoY 2021	73	8.50	48	10.28
2022	137	8.92	101	10.65
2023	113	9.26	87	10.95
2024	50	8.64	40	10.65

Hedging effects by segment

NOK million	Q2-21	Q2-20	YTD-21	YTD-20
BioSolutions	-1	-38	-6	-64
BioMaterials	-3	-39	-11	-69
Fine Chemicals	0	-7	-2	-13
Borregaard	-4	-84	-19	-146

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
- 60 mUSD term loan for LT Florida, tenor 8.5 years from completion

Short-term credit facilities

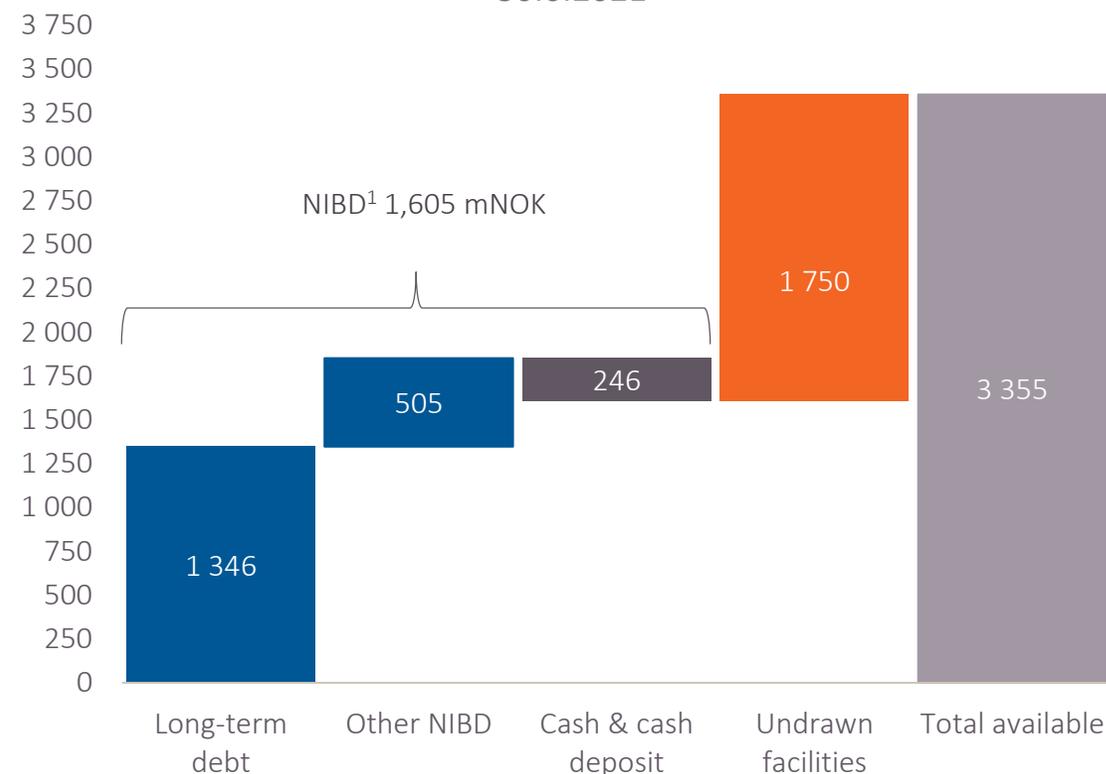
- 225 mNOK overdraft facilities
- 15 mUSD overdraft facility in LignoTech Florida
- 300 mNOK commercial paper

Solidity

- Equity ratio¹ 56.2%
- Leverage ratio¹ LTM 1.29 (covenant < 3.50)

¹ Alternative performance measure, see Appendix for definition

Debt and undrawn facilities
30.6.2021



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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