

An aerial photograph of a winding asphalt road through a lush green valley. The sun is low on the horizon, creating a bright lens flare and casting long shadows across the rolling hills. The landscape is characterized by vibrant green grass and rocky outcrops.

Borregaard - Company presentation

13 June 2023

Per Bjarne Lyngstad, CFO

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Borregaard at a glance

Key financial figures for 2022

- Revenues NOK 6.9 billion
- EBITDA¹ NOK 1.6 billion

Long-standing track record

- History of industrial activity since 1889

Listed on the Oslo Stock Exchange in 2012

- Market capitalisation NOK 18 billion

1,100 FTEs in production plants and sales offices in 13 countries

- Europe, Americas and Asia

Experienced management team

- Per A. Sørli, CEO (33 years)²
- Per Bjarne Lyngstad, CFO (35 years)²

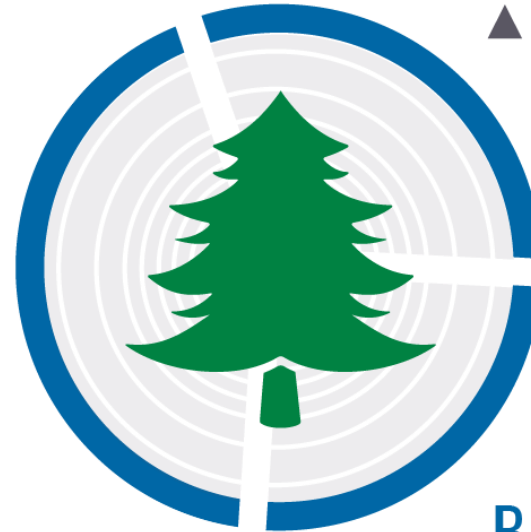


1 Alternative performance measure
2 Years with Borregaard

Borregaard is a global leader in biochemicals

**SPECIALITY
CELLULOSE
& CELLULOSE
FIBRILS**

▲ 45% FIBRES



**BIOPOLYMERS
& BIOVANILLIN**

▲ 30% LIGNIN
(BINDING MATERIAL)

BIOETHANOL

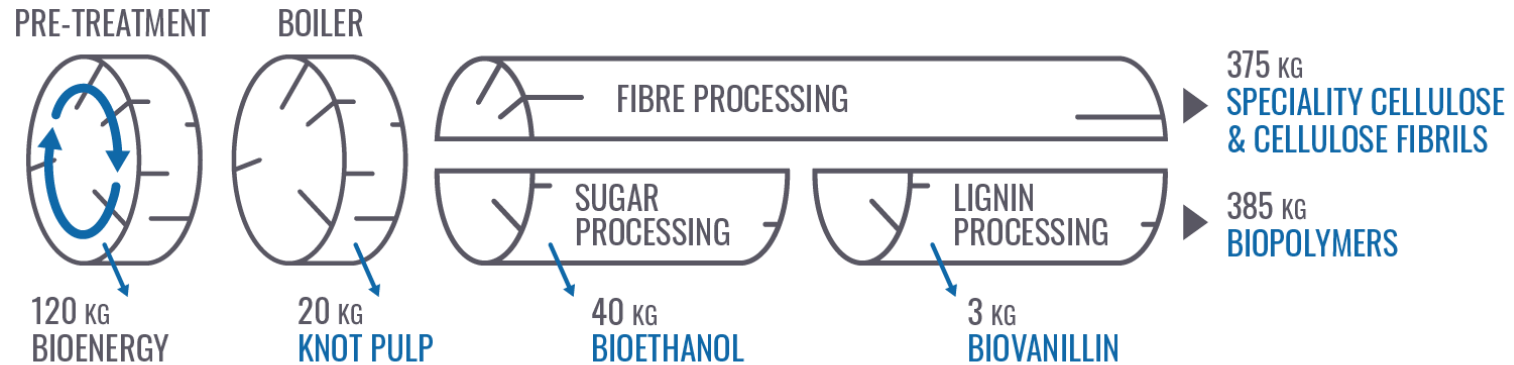
▲ 25% SUGARS

High utilisation of raw materials

1000 KG
WOOD



94%
UTILISATION



BIOPOLYMERS

- Concrete additives
- Animal feed
- Agrochemicals
- Batteries
- Briquetting
- Soil conditioning

BIOVANILLIN

- Food
- Perfumes
- Pharmaceuticals

SPECIALITY CELLULOSE

- Construction materials
- Filters
- Inks and coatings
- Casings
- Food
- Pharma
- Personal care
- Textiles

CELLULOSE FIBRILS

- Adhesives
- Coatings
- Agricultural chemicals
- Personal care
- Home care
- Construction

BIOETHANOL

- Biofuel
- Disinfectants
- Pharmaceutical industry
- Home care
- Personal care
- Paint/varnish
- Car care

Global niche player with a market driven organisation

BioSolutions 58%



- Market and technology leader in lignin-based biopolymers
- Only producer of wood-based biovanillin

BioMaterials 33%



- Leading speciality cellulose supplier
- Pioneer in cellulose fibrils

FineChemicals 9%



- Leading producer of fine chemical intermediates for contrast agents
- Significant producer of advanced bioethanol

The specialisation strategy

Specialisation in global niches

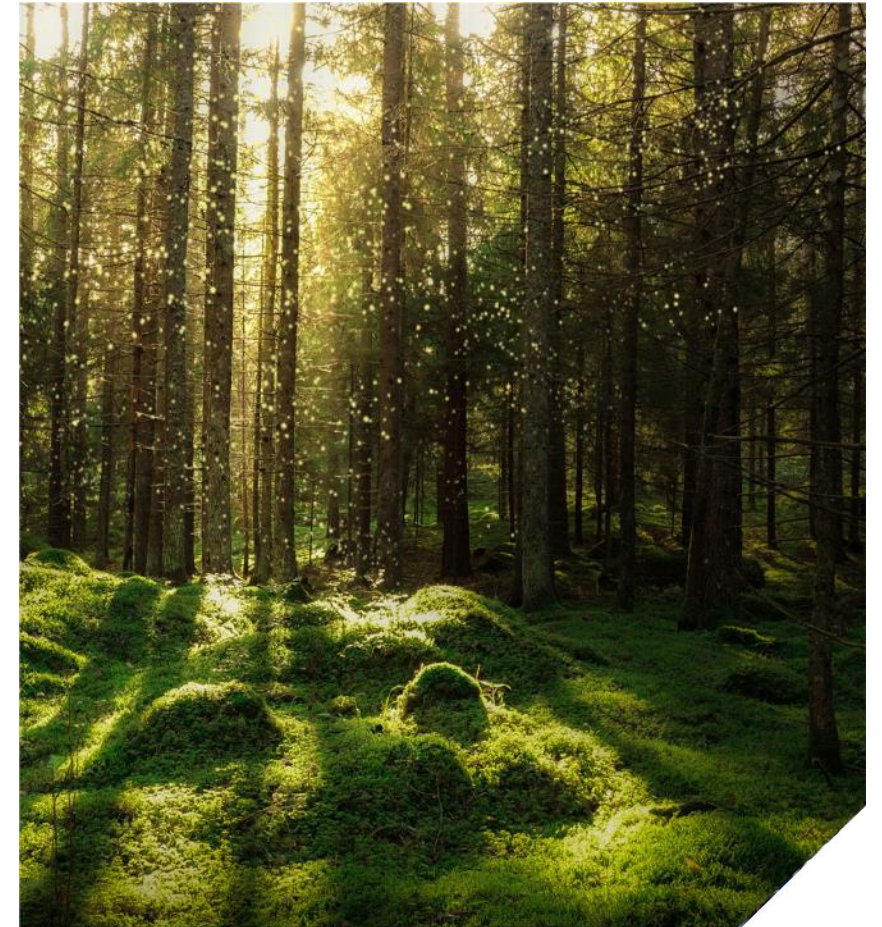
- Markets with high barriers to entry
- Leading market positions through application knowledge and proximity to markets
- Diversified market strategy and global market positions secure maximum flexibility

Strong innovation efforts and continuous improvement

- Business driven innovation model that involves the entire organisation
- Continuous productivity improvement through more efficient organisation, competence development and smart use of technology

Competence is the main competitive advantage

- Competence differentiates Borregaard from the competitors
- Combination of competences in sales & marketing, R&D and production



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



Sustainability integrated in strategy

Borregaard shall provide **sustainable** solutions based on renewable raw materials and unique competence

Sustainability – integral part of market offering

RAW MATERIALS



Natural, renewable, sustainable raw materials

Sustainable and certified wood

- Documentation
- PEFC¹⁾ and FSC¹⁾ standards
- Lignin raw materials from certified or controlled forests
- Non-GMO raw material

PROCESSES



Efficient and sustainable production and value chain

Reduced emissions improve LCA²⁾

- Target based CO₂ reductions
 - Energy conservations
 - New/green energy sources
- Reduced emissions to water and air
- “Greener” logistical solutions

PRODUCTS



Sustainable biochemicals

Products add sustainability value to customers

- Climate: LCA²⁾ shows favourable GHG footprint
- Biobased: Natural raw materials preferred
- EHS³⁾: Non-toxic, harmless products

1) PEFC: Programme for the Endorsement of Forest Certification, FSC: Forest Stewardship Council

2) Life Cycle Analysis

3) Environment, Health and Safety

Climate change and the environment – targets and ratings



Science Based Targets for GHG emissions approved by SBTi

- Targeted reductions in GHG emissions (scope 1 and 2):
 - *42% absolute reduction by 2030 (base year = 2020)*
 - *Net-zero target, 90% absolute reduction by 2050*
- Targets in line with 1.5°C goal in Paris Agreement and Norwegian Climate Law

Highlighted as a global leader in corporate climate action by CDP

- Borregaard among top 20 out of 15,000 reporting companies
 - *A score within Climate Change (5 years in a row) and Forests*
 - *A- score within Water security*

Gold status in EcoVadis Supply Chain

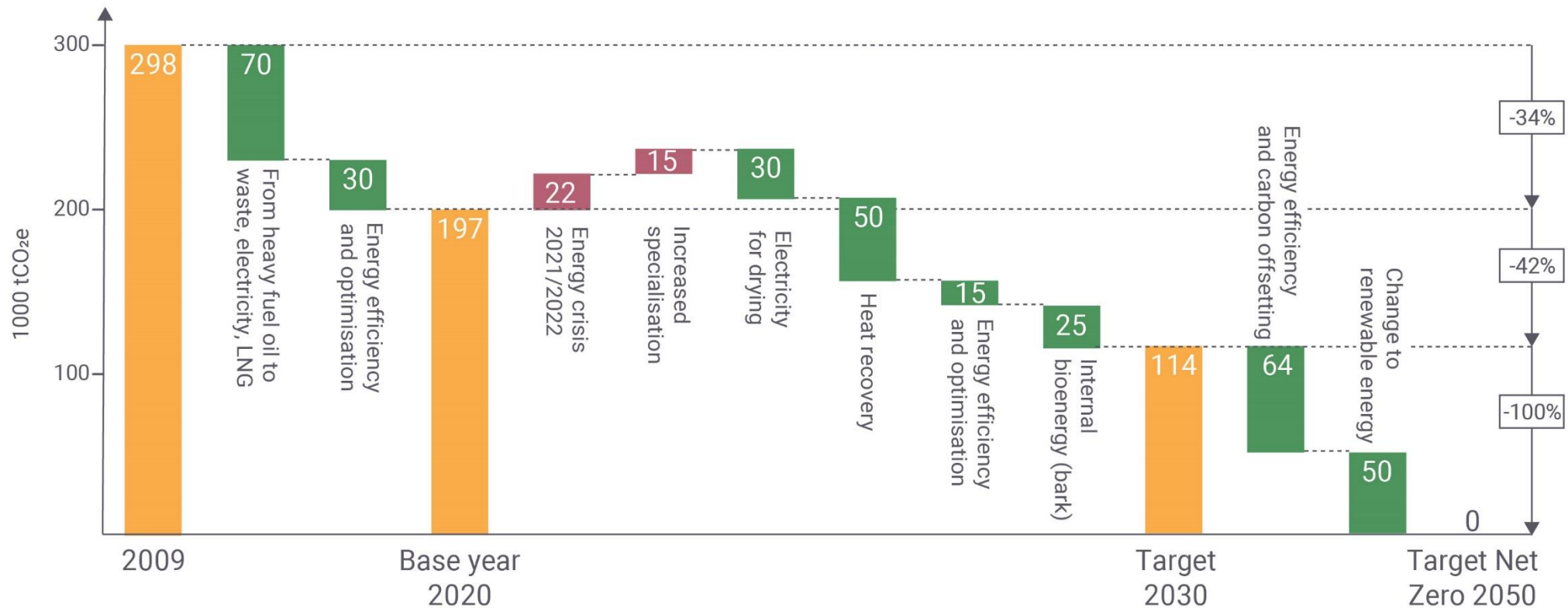
- Top 5% of 100,000+ reporting companies















As a **double A List** company, we are leaders in corporate transparency and action on climate change and deforestation.



Borregaards transition plan to cut scope 1 and 2 GHG emissions

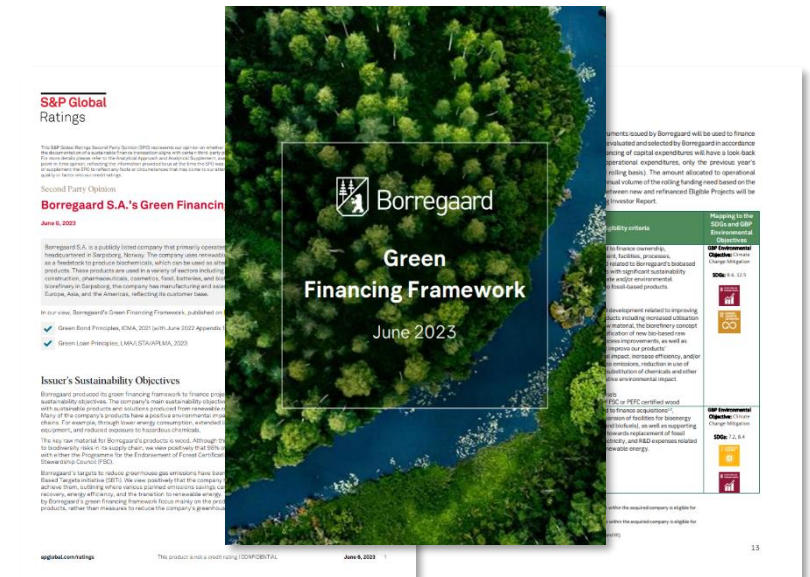


Borregaard has established a Green Financing Framework

Categories	Summarized eligibility criteria	SDGs
Eco-efficient and/or circular economy adapted products, production technologies and processes	<p>Financing related to Borregaard’s biobased products and solutions with significant sustainability benefits or lower climate and/or environmental footprints compared to fossil-based products.</p> <ul style="list-style-type: none"> R&D related to biobased products, the biorefinery concept, process improvements, and solutions to improve products’ environmental impact / efficiency Sourcing of raw materials, e.g. purchasing of FSC or PEFC certified wood 	 
Renewable energy	<p>Financing related to bioenergy production, replacement of fossil energy usage with electricity, and R&D related to enhanced use of renewable energy.</p>	 
Energy efficiency	<p>Financing related to improved energy efficiency and electrification.</p>	  
Pollution prevention and control	<p>Financing related to emissions and discharge reductions to air and water, as well as waste management.</p>	  
Sustainable water and wastewater management	<p>Financing related to sustainable freshwater supply, wastewater treatment facilities, infrastructure, and water efficiency measures.</p>	 

SPO by S&P Global

- ✓ S&P Global finds Borregaard’s Green Financing Framework to be aligned with the Green Bond Principles (ICMA, 2021) and the Green Loan Principles (LMA/LSTA/APLMA, 2023)



Use of proceeds

2030 environmental targets

- Reduction in CO₂ emissions and effluents to water (COD)
 - *Electrification, energy conservation, innovative heat recovery*
 - *Process improvements and wastewater incineration technology*
- Preliminary investment estimate 650-850 mNOK for 2023 to 2025

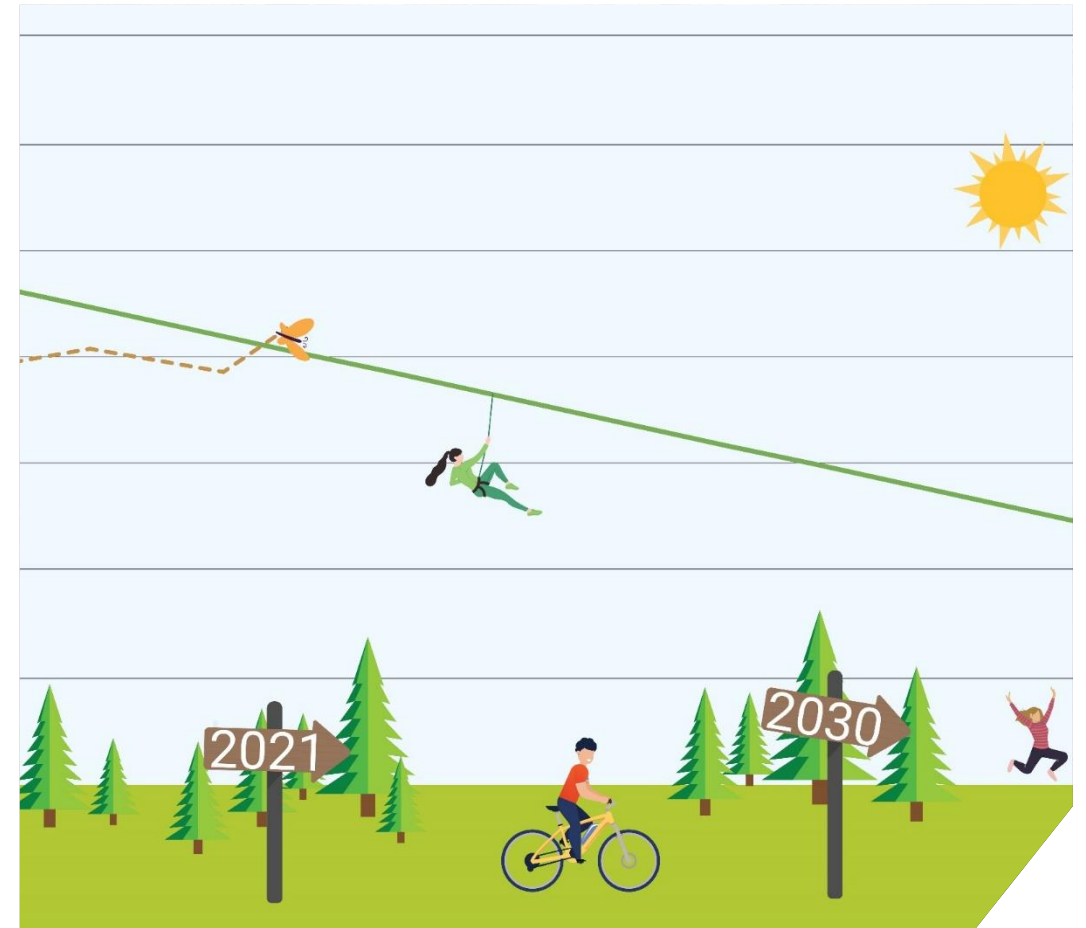
Specialisation and value growth for biobased products

- Additional expansion opportunities at the Sarpsborg biorefinery
 - *Specialisation, increased flexibility and debottlenecking*
- Alginor investment - a “blue” biorefinery concept
- Preliminary investment estimate 650-900 mNOK for 2023 to 2025

R&D and sourcing related to biobased products

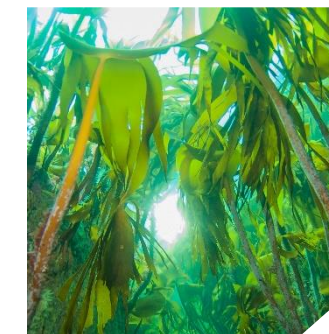
Sustainability offering new opportunities

Environmental investments will improve competitive position



On-going and recently completed investments

Environmental	Specialisation and value growth
<p>Electrification, 230 mNOK, completion H1-24 30,000 t CO₂ reduction increased flexibility and efficiency</p>	<p>Specialisation biopolymers, 170 mNOK, completion 2024/2025 Two projects; (1) volume expansion including CO₂ reduction, (2) new green technology, granulation</p>
<p>Increased utilisation of residuals, NOK 131 mNOK, start-up 2021 Used as bioenergy after removal of water and salts, energy savings up to 34 GWh, reduced CO₂ emissions up to 1,400 t</p>	<p>Capacity increase wood-based vanillin, 130 mNOK, completion 2021 Debottlenecking of existing facility, i>250 t (>20%) increase</p>
<p>Upgrade caustic soda production, NOK 207 mNOK, start-up 2021 Increased production, reduced energy consumption, improved logistics for external sales of co-products</p>	<p>Investment in Alginor, 268 mNOK (2021 & 2023), 35% ownership, Marine biotech company in development phase, sustainable harvesting and biorefining of kelp</p>



Financial objectives and dividend policy

Financial objectives

- ROCE²⁾ >15% pre-tax over a business cycle
- IRR >15% pre-tax for expansion capex
- Average net working capital at 20% of operating revenues
- Replacement capex at depreciation level
- Maintain key financial ratios corresponding to an investment grade rated company
 - Leverage ratio¹⁾ targeted between 1.0 and 2.25 over time
 - First-time issuer rating of A-/Stable from Scope ratings in March 2023

Borregaard's dividend policy

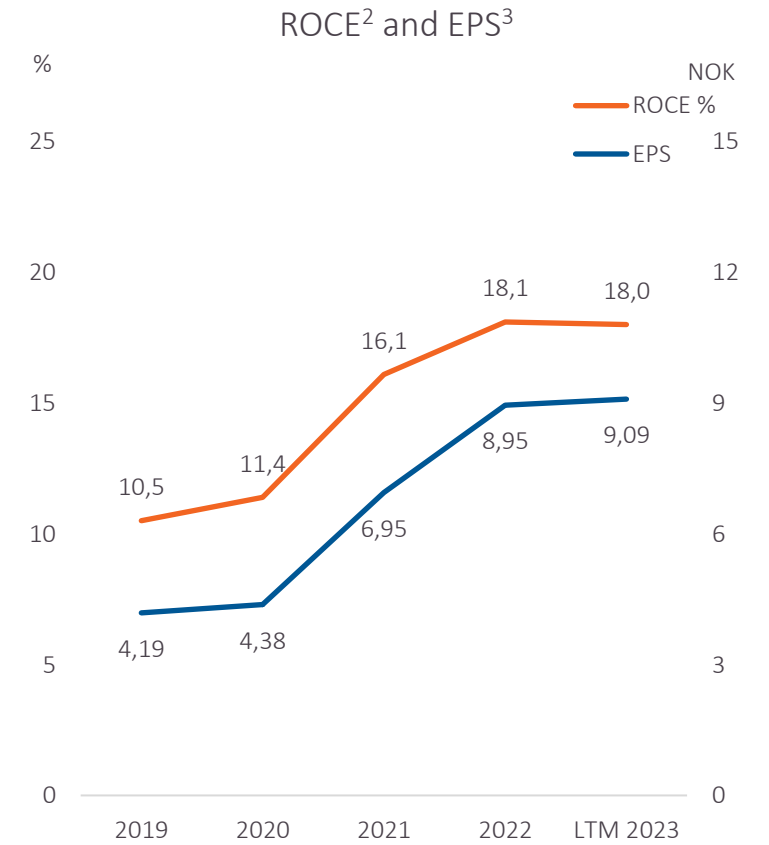
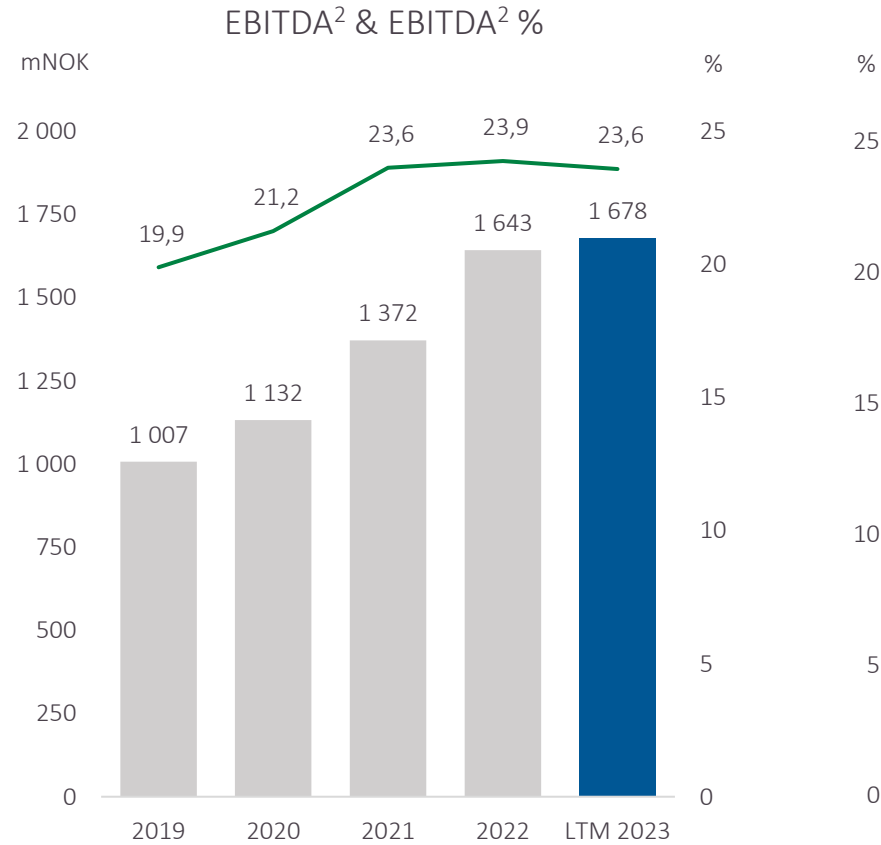
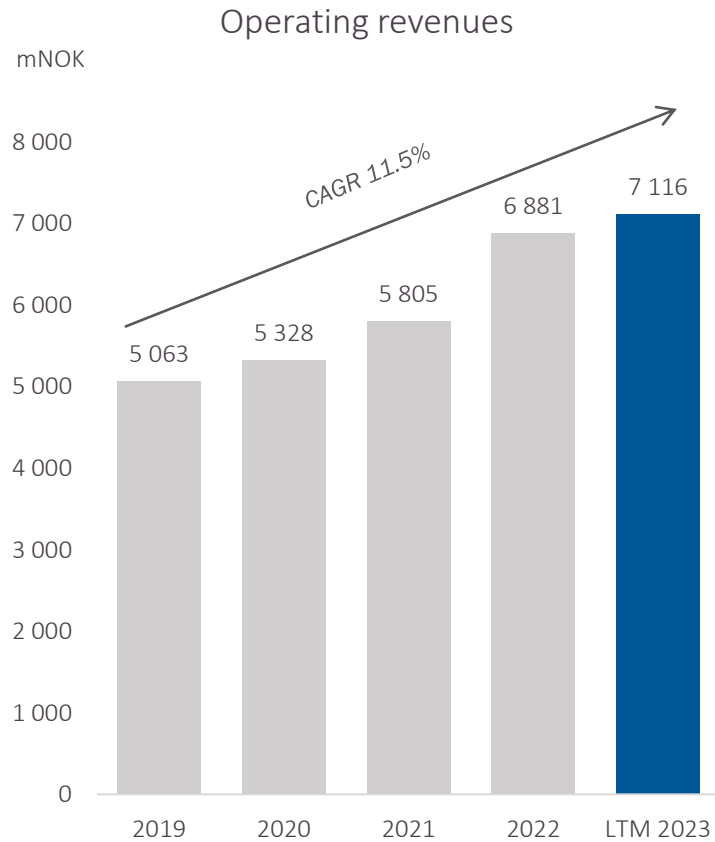
- To pay regular and progressive dividends reflecting Borregaard's expected long term earnings, free cash flows and expansion capex
- Annual dividend is targeted between 30% and 50% of net profit for the preceding fiscal year



1) Net interest-bearing debt divided by last twelve months' EBITDA²⁾

2) Alternative performance measure

Substantial growth under challenging conditions



LTM: Last twelve months as per March 2023

² Alternative performance measures

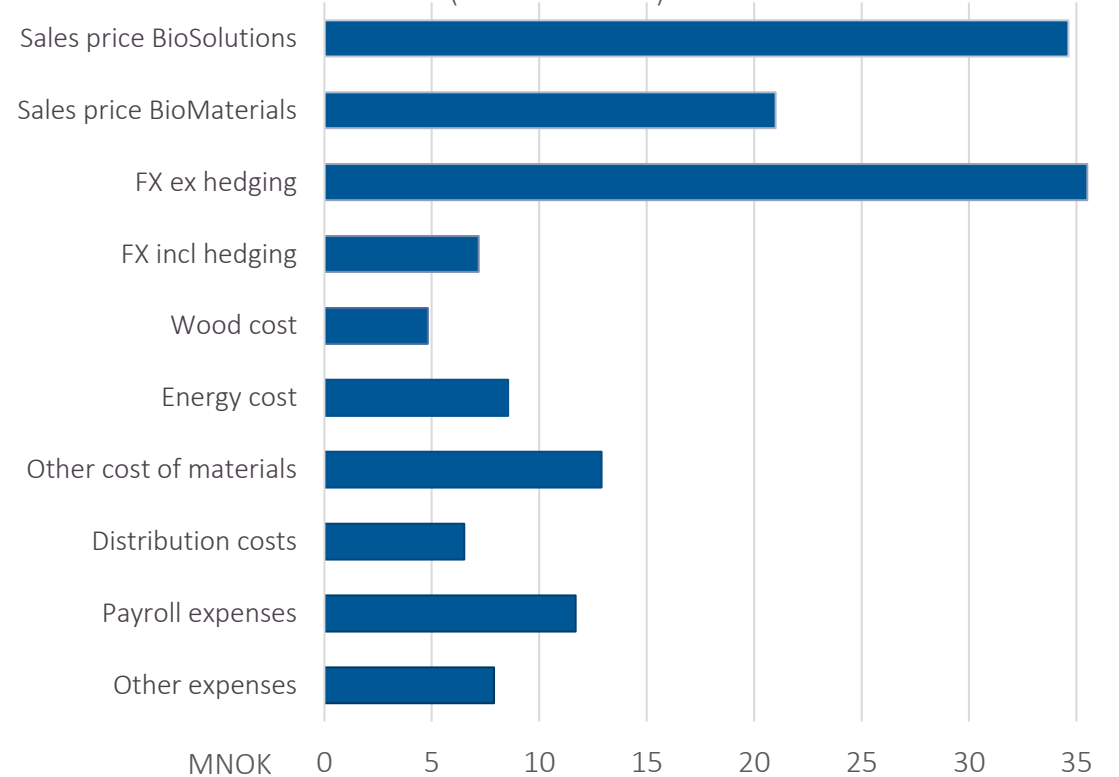
³ Earnings per share

Sensitivity on EBITDA¹⁾

- Global presence, diversified product portfolio and GDP-driven demand reduce market risk
- Oil price affects demand and competition in certain markets, but main effect historically has been on NOK FX rate
- Significant FX exposure, softened by FX hedging²⁾ in the medium term
- No major single component in other cost of materials
- Distribution costs: Most products sold “delivered customer”
- Other expenses are repair and maintenance, external services, rental/leasing etc.

Sensitivity of 1% change

(based on 2022)



1) Alternative performance measure – see appendix

2) Hedging based on expected net cash flow (EBITDA)

- 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 predefined levels

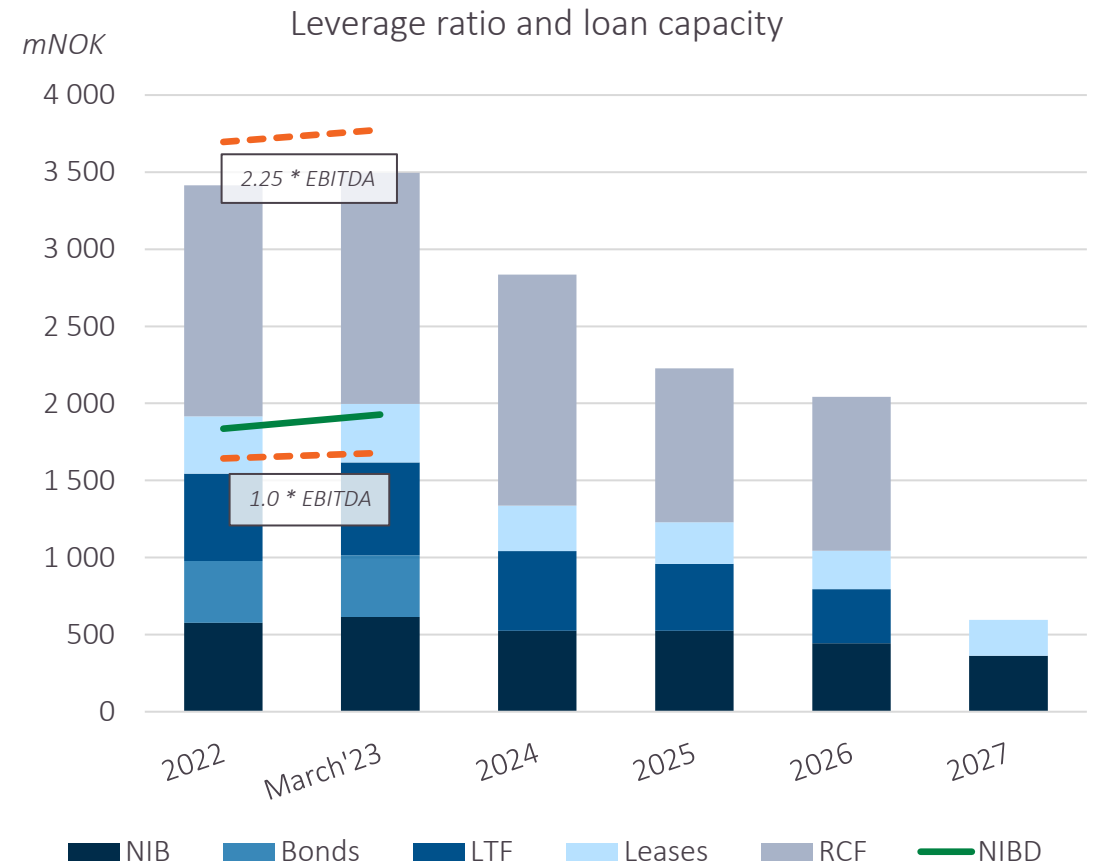
Capital structure – credit facilities and maturities

Long term credit facilities

- New revolving credit facilities (RCF) in July 2020, maturity 2025 and 2027, margin linked to sustainability targets
- 60 mUSD term loan for LignoTech Florida (LTF), maturity 2027
- Bond issues, 400 mNOK, maturity June 2023
- Nordic Investment Bank (NIB) loans; 40 mEUR - maturity 2024, 50 mUSD - maturity 2032

Short term credit facilities

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



Solid financial position

Strong key ratios over time

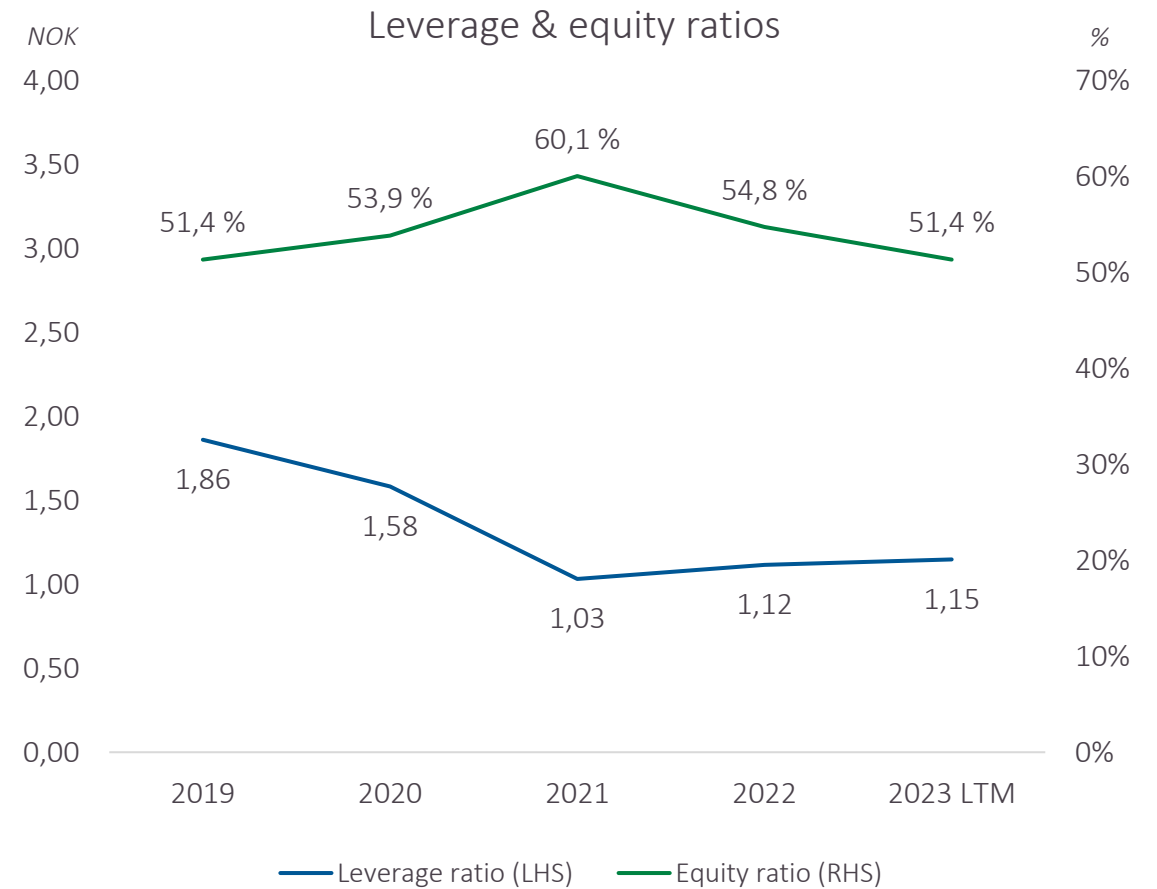
- Equity ratio¹⁾ 51.4% (Q1-23)
- Leverage ratio¹⁾ 1.15 (Q1-23)

Financial objectives

- Maintain key financial ratios corresponding to an investment grade rated company
- Leverage ratio target: Between 1.0 and 2.25

A-/Stable rating

- First-time issuer rating from Scope ratings in March 2023



Questions?

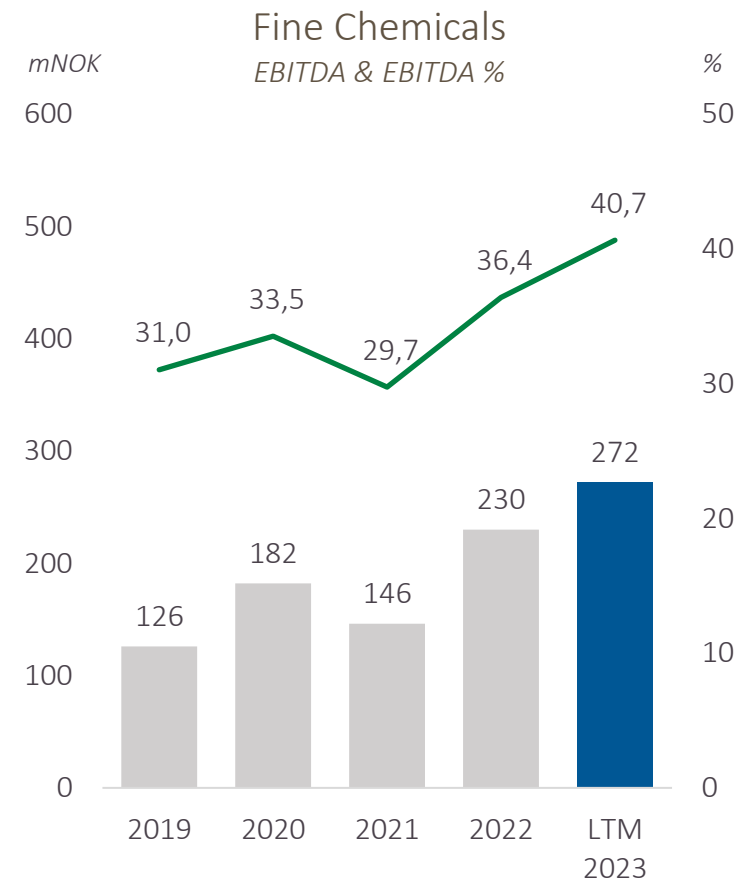
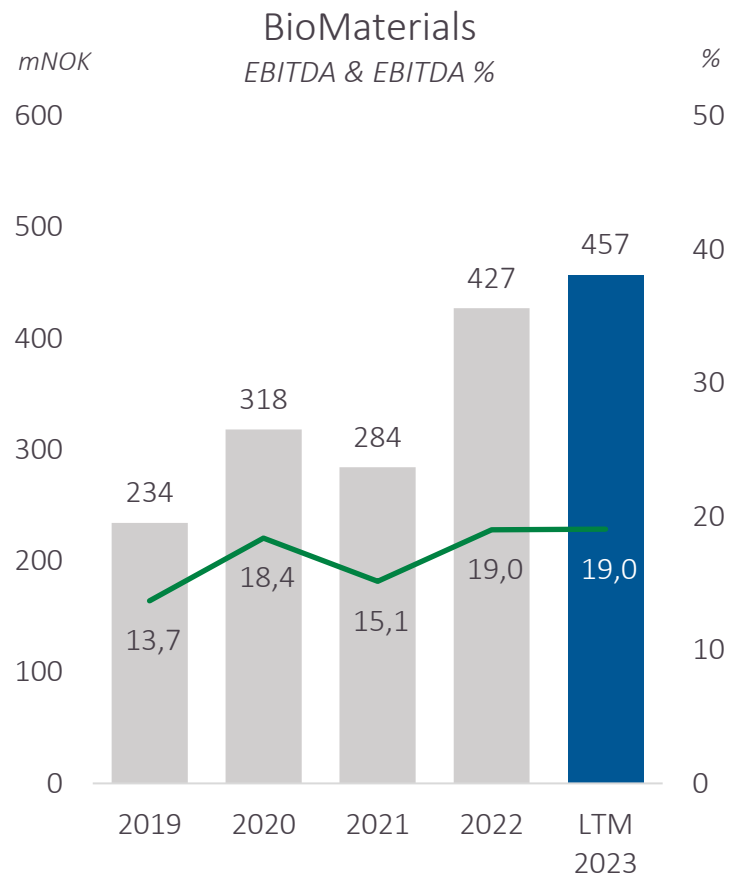
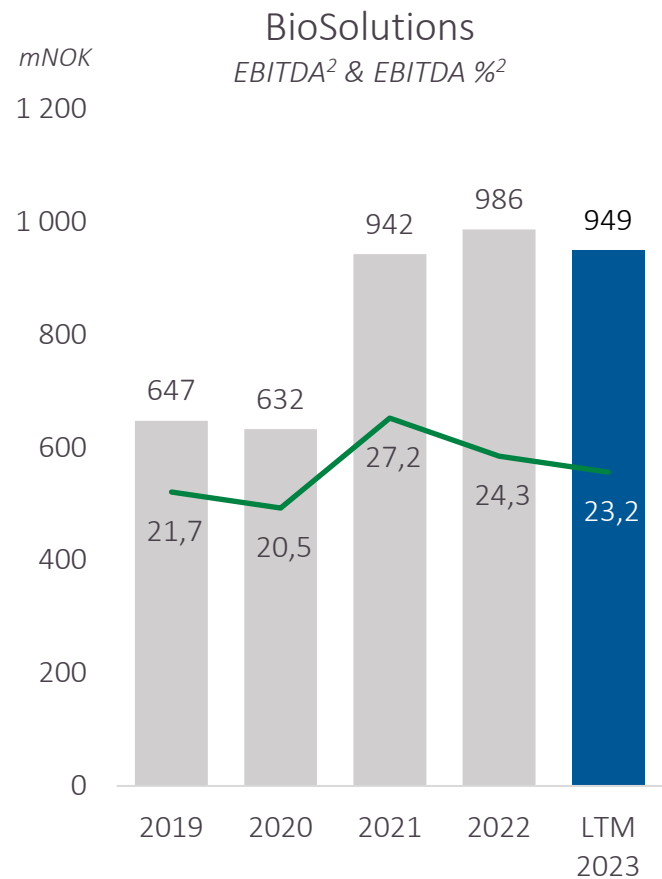
Per Bjarne Lyngstad, CFO

Magnus Hammerstad, Group Treasurer



Appendix

Key segment figures 2019 – 2023 (LTM)¹



1 Last twelve months as per March 2023

2 Alternative performance measures

Income statement

Amounts in NOK million	Q1-23	Q1-22	Change
Operating revenues	1 850	1 615	15 %
EBITDA¹	435	400	9 %
Depreciation property, plant and equipment	-114	-108	
Amortisation intangible assets	-1	-1	
Other income and expenses ¹	0	0	
Operating profit	320	291	10 %
Financial items, net	-28	-14	
Profit before taxes	292	277	5 %
Income tax expenses	-71	-68	
Profit for the period	221	209	6 %
Profit attributable to non-controlling interests	-10	-8	
Profit attributable to owners of the parent	231	217	
Cash flow from operating activities (IFRS)	111	-72	
Earnings per share	2,32	2,18	6 %
EBITDA margin ¹	23,5 %	24,8 %	

¹ Alternative performance measure

Balance sheet

Amounts in NOK million	31.3.2023	31.12.2022
Assets:		
Intangible assets	82	82
Property, plant and equipment	4 436	4 371
Right-of-use assets	350	345
Other assets	217	254
Investments in joint venture/associate company	136	142
Non-current assets	5 221	5 194
Inventories	1 373	1 299
Receivables	1 560	1 387
Cash and cash deposits	217	234
Current assets	3 150	2 920
Total assets	8 371	8 114
Equity and liabilities:		
Group equity	4 260	4 394
Non-controlling interests	44	51
Equity	4 304	4 445
Provisions and other liabilities	435	295
Interest-bearing liabilities	1 490	1 370
Non-current liabilities	1 925	1 665
Interest-bearing liabilities	657	702
Other current liabilities	1 485	1 302
Current liabilities	2 142	2 004
Equity and liabilities	8 371	8 114
Equity ratio ¹ (%):	51,4 %	54,8 %

¹ Alternative performance measure

Cash flow

Amounts in NOK million	Q1-23	Q1-22	FY-2022
Amounts in NOK million			
Profit before taxes	292	277	1 118
Amortisation, depreciation and impairment charges	115	109	449
Change in net working capital, etc	-193	-381	-658
Dividend/share of profit from JV & associate company	6	-	34
Taxes paid	-109	-77	-208
Cash flow from operating activities	111	-72	735
Investments property, plant and equipment and intangible assets *	-107	-87	-464
Investment in associate company	-	-	-
Other capital transactions	2	2	9
Cash flow from Investing activities	-105	-85	-455
Dividends	-	-	-499
Proceeds from exercise of options/shares to employees	41	27	41
Buy-back of shares	-41	-4	-68
Gain/(loss) on hedges for net investments in subsidiaries	-58	31	-79
Net paid to/from shareholders	-58	54	-605
Proceeds from interest-bearing liabilities	-	100	837
Repayment from interest-bearing liabilities	-14	-14	-512
Change in interest-bearing receivables/other liabilities	41	-2	78
Change in net interest-bearing liabilities	27	84	403
Cash flow from financing activities	-31	138	-202
Change in cash and cash equivalents	-25	-19	78
Cash and cash equivalents at beginning of period	111	5	5
Change in cash and cash equivalents	-25	-19	78
Currency effects cash and cash equivalents	19	-2	28
Cash and cash equivalents at the end of the period	105	-16	111
* Investment by category			
Replacement Investments	87	71	359
Expansion investments ¹ including investment in associate company	20	16	105
Total investments including investment in associate company	107	87	464

¹ Alternative performance measure