



# 4<sup>th</sup> Quarter 2020

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Sarpsborg, 3 February 2021

# Agenda

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## Per A Sørli, President & CEO

- Highlights
- Proposed dividend
- Business segments
- Outlook

## Per Bjarne Lyngstad, CFO

- Financial performance



# Highlights – 4<sup>th</sup> quarter 2020

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- EBITDA<sup>1</sup> NOK 263 million (NOK 183 million)
- Improved result in all business areas
- Improved product mix for biopolymers and lower costs in BioSolutions
- Lower wood and energy costs and high deliveries in BioMaterials
- Favourable product mix in pharma intermediates and higher bioethanol sales volume
- Strong cash flow



# Highlights – full year 2020

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- All-time high EBITDA<sup>1</sup> 1,132 mNOK (1,007 mNOK)
- Improved result for BioMaterials and Fine Chemicals, slight decline for BioSolutions
- Reduced raw material supply and higher distribution costs, partly offset by improved product mix and cost reductions for biopolymers
- Lower wood and energy costs, higher production volume and improved product mix for BioMaterials
- Higher sales volume and prices as well as an extraordinary demand from disinfectants in Q2 for bioethanol
- Positive net currency impact
- Strong cash flow



# Dividend proposal for 2020

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## Borregaard's dividend policy

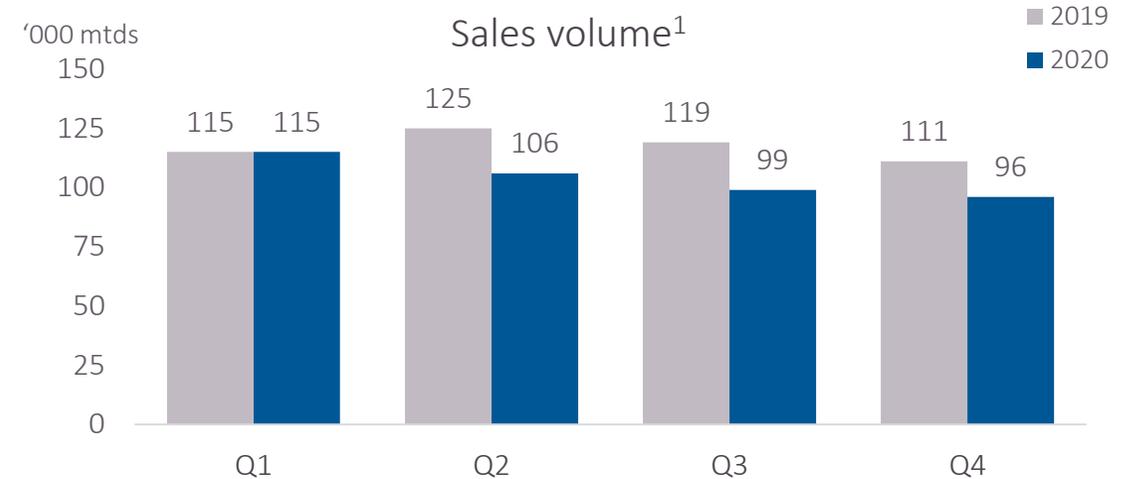
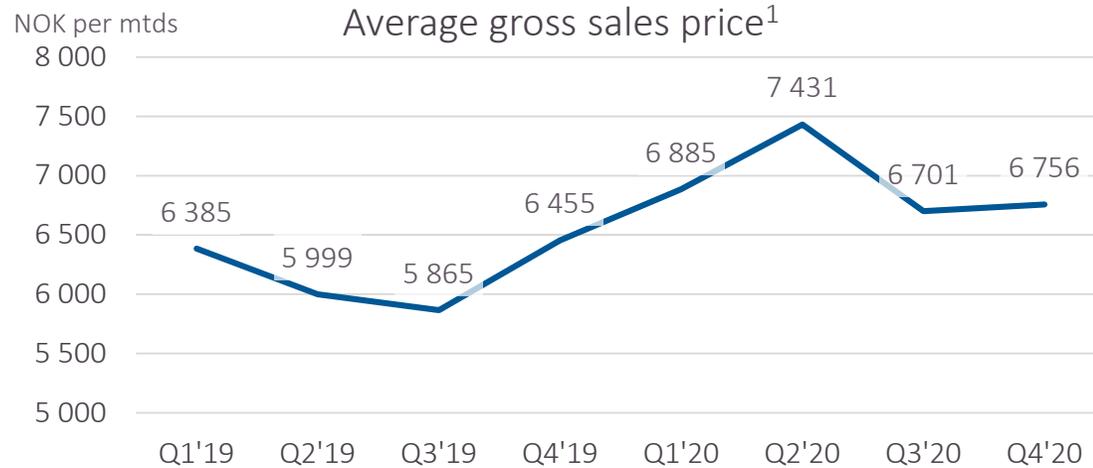
- To pay regular and progressive dividends reflecting the expected long-term earnings and cash flows of the Group
- Annual dividend is targeted between 30% and 50% of net profit

A dividend of NOK 2.50 per share is proposed by the Board of Directors

- 57% of net earnings
- Total dividend payment of 249 mNOK



# BioSolutions markets – Q4



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

## Sales volume 14% lower vs Q4-19

- Discontinued raw material supply partly offset by increased sales volume from Florida and reduced inventory
- Concrete admixtures and low-value industrial applications particularly affected by reduced raw material supply
- Continued low demand in oil field chemicals
- Sales to agriculture and batteries increased

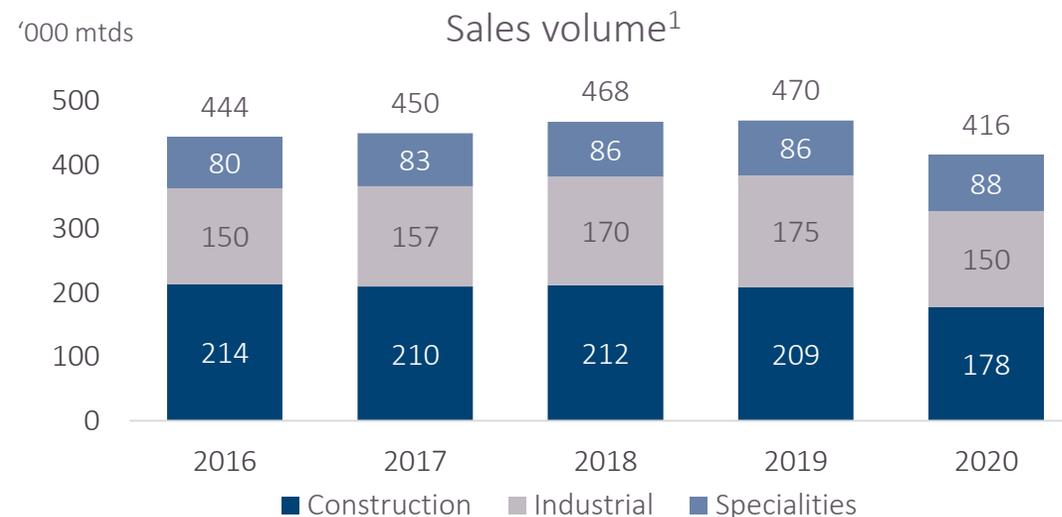
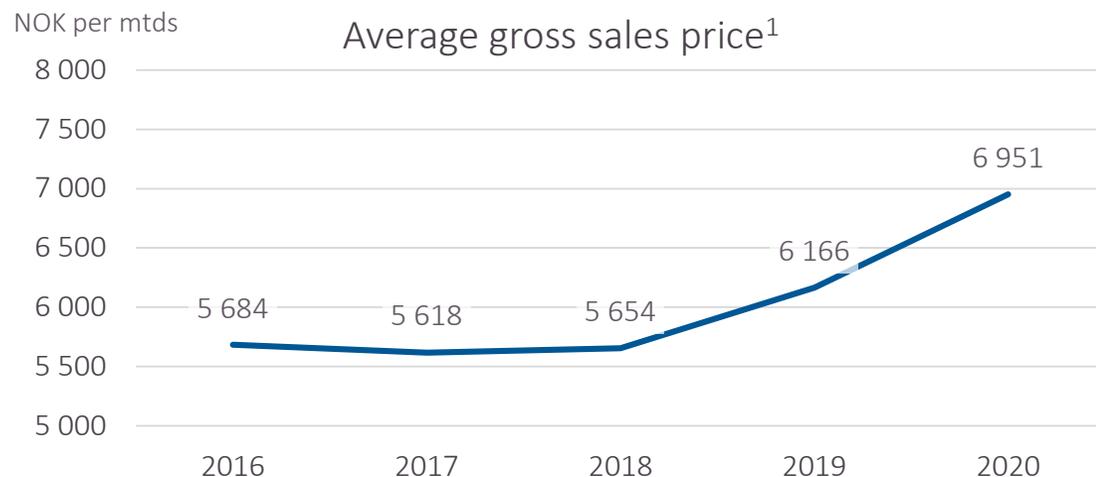
## Average price in sales currency 4% above Q4-19 due to improved product mix

- Reduced sales to concrete admixtures and low-value industrial applications

<sup>1</sup> Includes 100% of sales volume from the J/V in South Africa.

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

# BioSolutions markets – full year



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

## Sales volume 11% lower vs 2019

- Discontinued raw material supply from Sappi Saiccor and Sniace, reduced supply from Park Falls
- Sales to concrete admixtures and low-value industrial applications have been reduced
- In Specialities, sales to oil field chemicals dropped significantly as a result of reduced demand, while sales to several other applications increased
- Florida sales volume continued to increase in accordance with the ramp-up plan, but result is still unsatisfactory

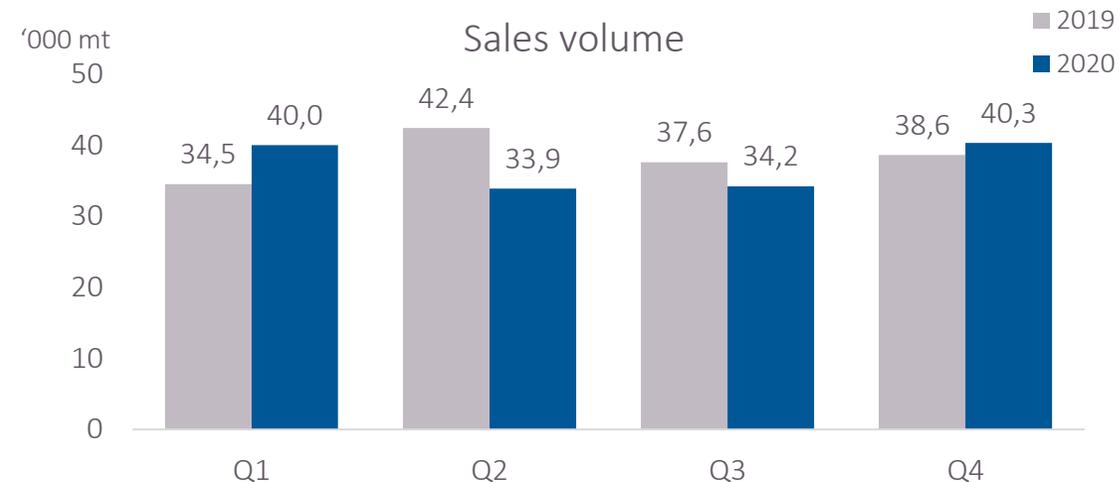
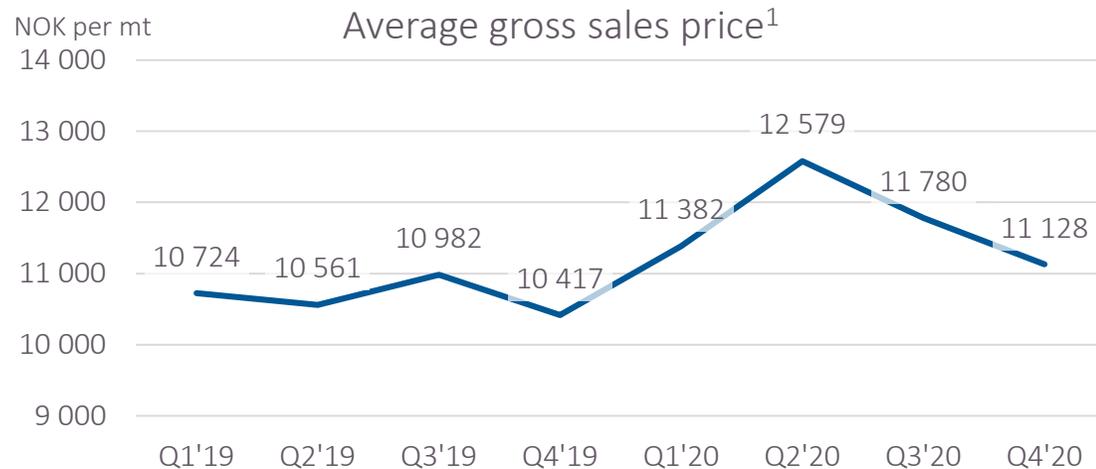
Average price in sales currency 6% above 2019 due to improved product mix

- Reduced sales to concrete admixtures and low-value industrial applications

<sup>1</sup> Includes 100% of sales volume from the J/V in South Africa.

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

# BioMaterials markets – Q4



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

## High deliveries in Q4

- Lower growth rate in demand for cellulose ethers to construction applications due to the Covid-19 pandemic
- Food and pharma applications continued to show strong growth
- Targeted actions to balance inventories

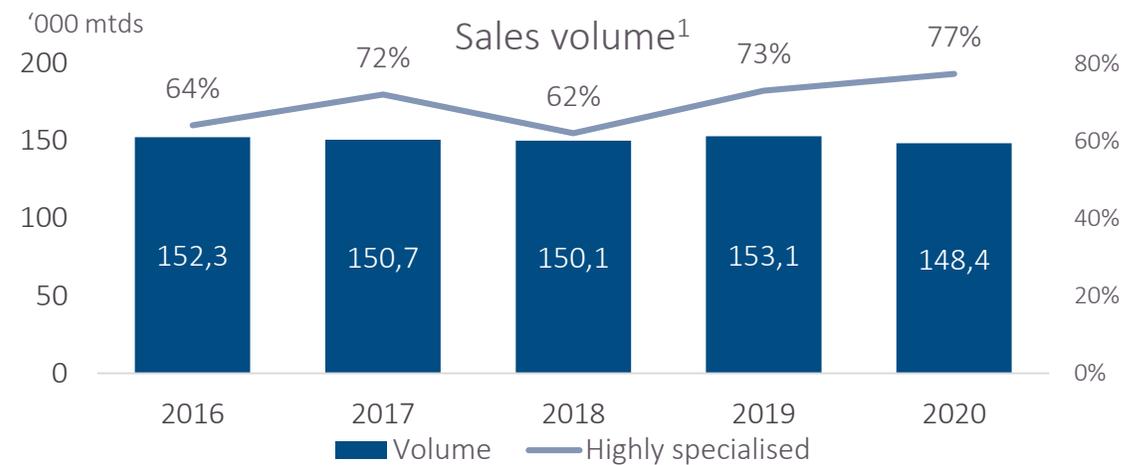
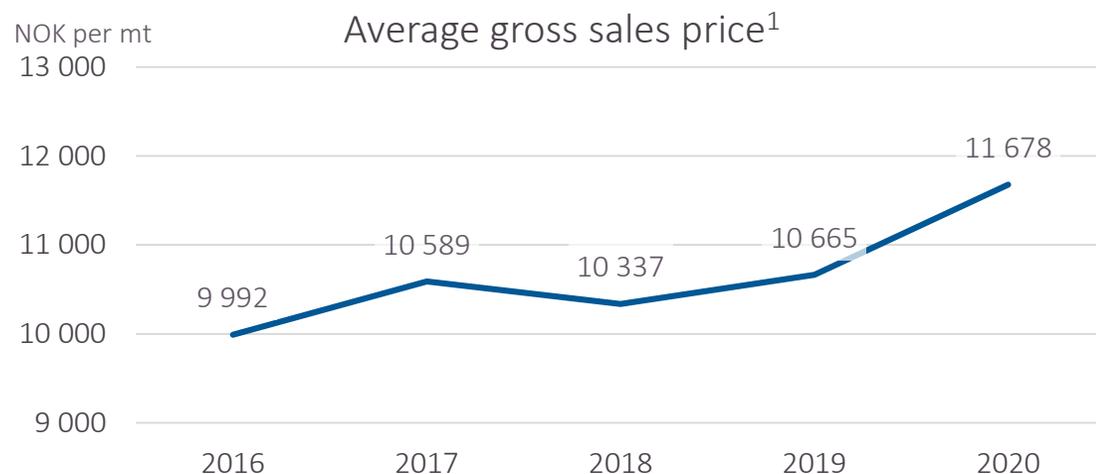
## Average price in sales currency 3% above Q4-19

- Q4-19 sales influenced by sale of declassified products

## Increased sales of cellulose fibrils, but still at a low level

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

# BioMaterials markets – full year



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

## Reduced sales volume mainly related to Covid-19 effects

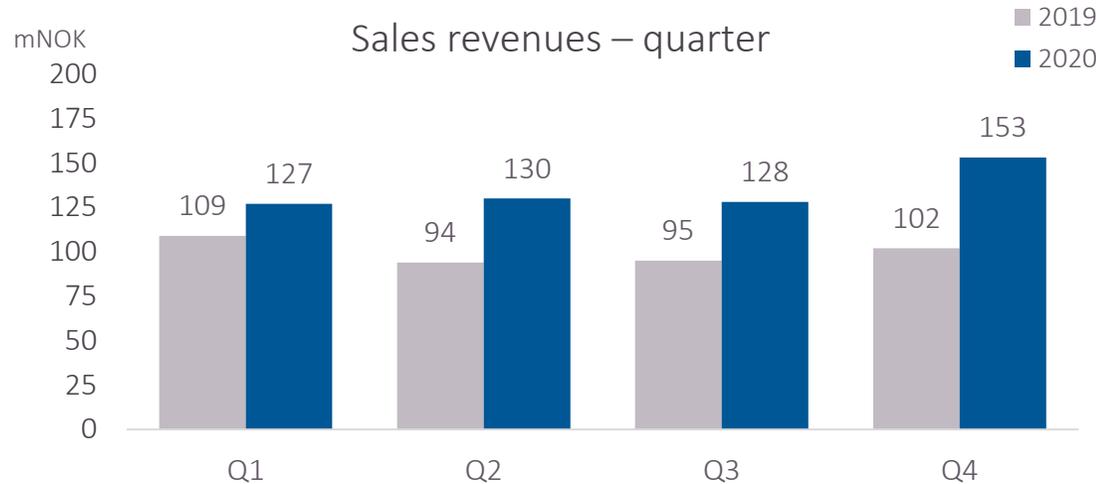
- Improved product mix, sales of highly specialised grades increased to 77% (73%)
- Reduced demand growth for cellulose ethers to construction due to the Covid-19 pandemic
- Food and pharma applications continued to show strong growth
- Impact of low prices for textile cellulose limited due to reduced exposure to this market

Average price in sales currency 1% above 2019 due to improved product mix

Growing sales of cellulose fibrils

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

# Fine Chemicals markets – Q4 & full year

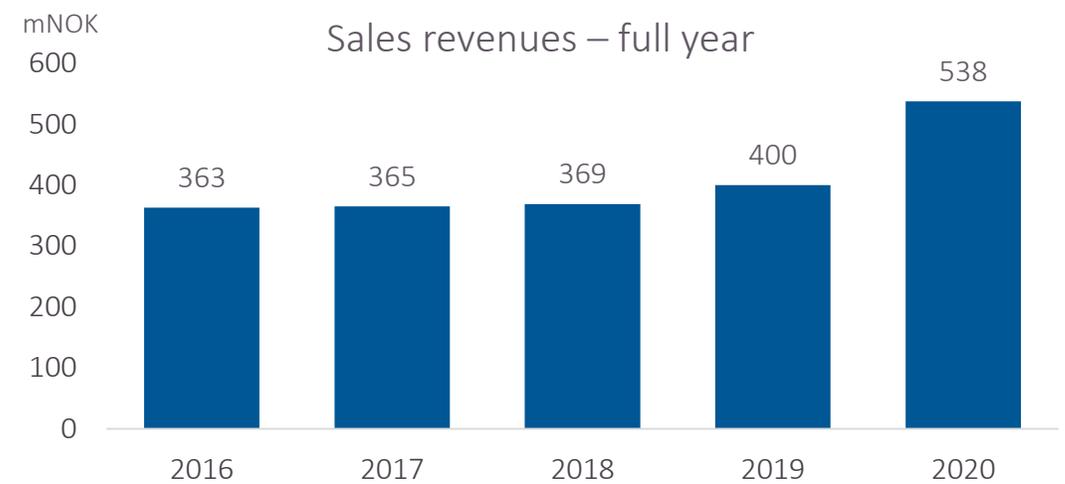


*Sales revenues include pharma intermediates and bioethanol*

Higher sales volume for bioethanol

- Deliveries mainly to the biofuel segment

Favourable product mix and high deliveries for pharma intermediates



*Sales revenues include pharma intermediates and bioethanol*

Extraordinary bioethanol sales to disinfectants in Q2 and increased production volume

- Contributed to higher sales volume and improved product mix
- Deliveries mainly to the biofuel segment in H2, biofuel market normalised after Covid-19 related reduction in Q2

Increased deliveries but weaker product mix for pharma intermediates

# Outlook

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## BioSolutions

- Sales volume in 2021 forecast to decrease by approx. 10%, mainly depending on raw material supply
  - Will have positive effect on product mix and average price in sales currency
  - Reduced demand in certain speciality applications expected to continue in markets affected by the Covid-19 pandemic
- Market conditions for biovanillin expected to be unchanged, the ongoing capacity expansion will be completed mid-2021
- Full effect of cost savings from the upgrade of the lignin operation in Norway from 2021

## BioMaterials

- Average price in sales currency is expected to be 2-3% below the 2020 level, mainly related to markets affected by the Covid-19 pandemic
- Total sales volume and volume of highly specialised grades expected to increase in 2021
- In Q1-21, total sales volume expected to be higher vs Q1-20 with similar product mix
- Lower wood costs but increased energy costs and freight rates expected in H1-21
- Sales growth will continue for cellulose fibrils, but new development and customer trials will be delayed due to the Covid-19 pandemic

## Fine Chemicals

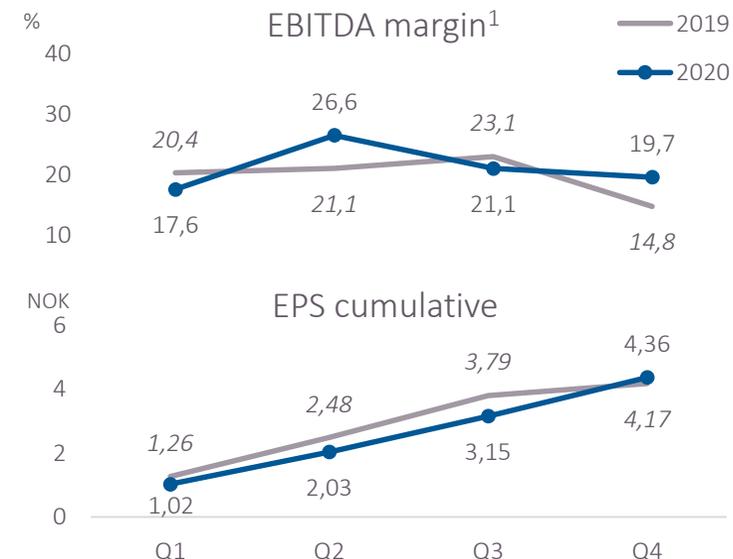
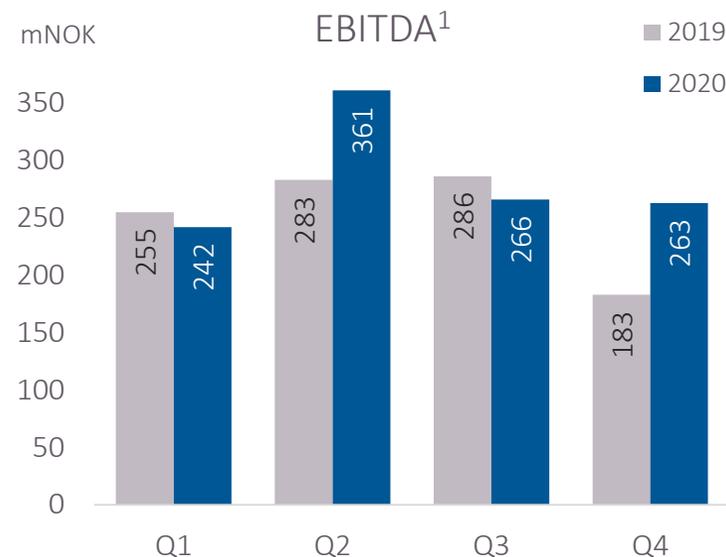
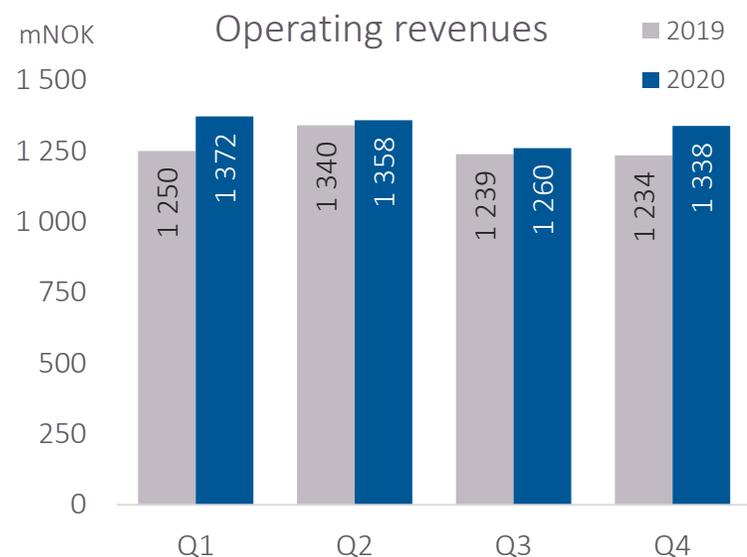
- No major changes are expected in the market conditions for Fine Chemicals
- Bioethanol sales mainly expected to be in the biofuel segment in 2021

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

# Financial performance Q4-20



# Borregaard key figures – Q4



Revenues 8% above Q4-19

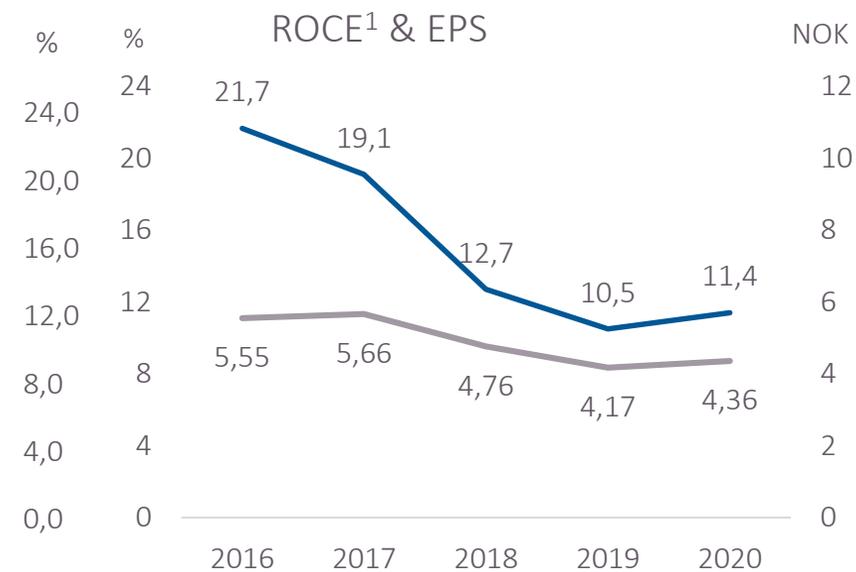
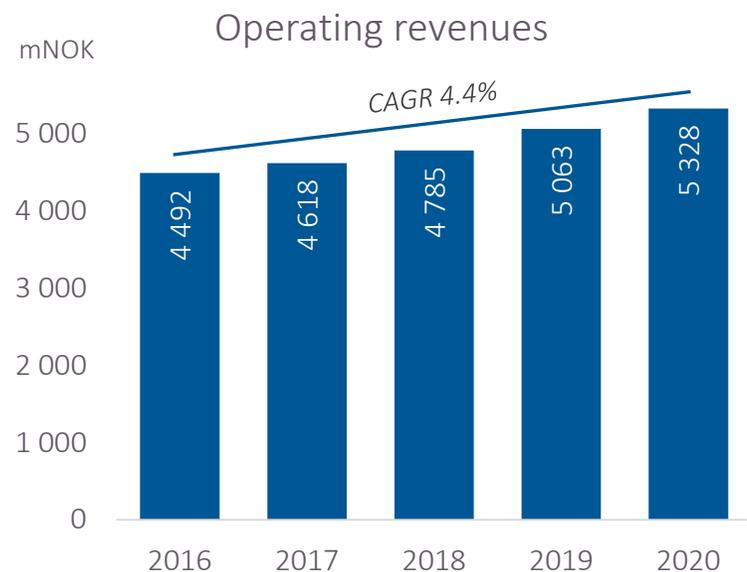
EBITDA<sup>1</sup> 263 mNOK for the Group

- All business areas improved their results
- Slightly negative net FX effect on EBITDA<sup>1</sup>

Earnings per share (EPS) NOK 1.21 (NOK 0.38)

- -20 mNOK in environmental accruals in Other income and expenses

# Borregaard key figures – full year



Revenues increased by 5% vs 2019

All-time high EBITDA<sup>1</sup> 1,132 mNOK for the Group

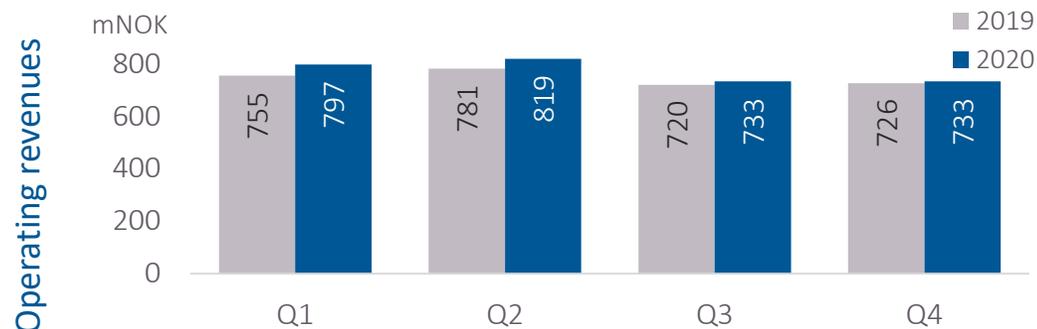
- Improved results for BioMaterials and Fine Chemicals, decline in Bio Solutions
- Positive net FX effect on EBITDA<sup>1</sup>

Earnings per share (EPS) NOK 4.36 (NOK 4.17)

- Impacted by -116 mNOK in Other revenues and expenses

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

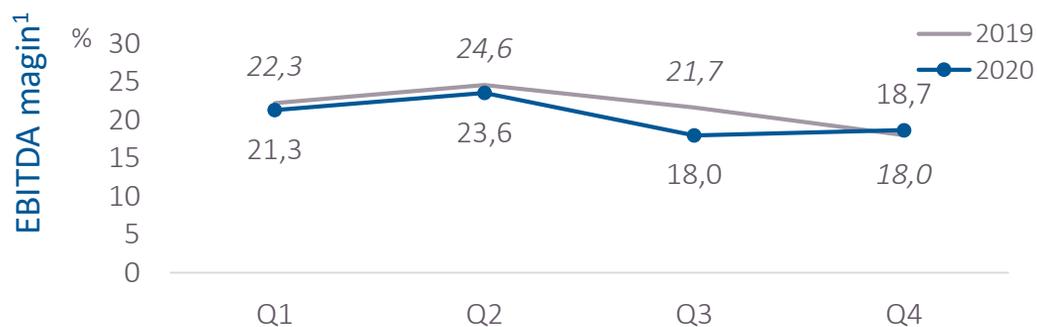
# BioSolutions key figures – Q4



- Revenues 1% above Q4-19
- Reduced raw material supply and 14% lower sales volume
- *Full year growth 3%*
- *Reduced sales from South African operation had marginal impact on top-line due to JV accounting (equity method)*



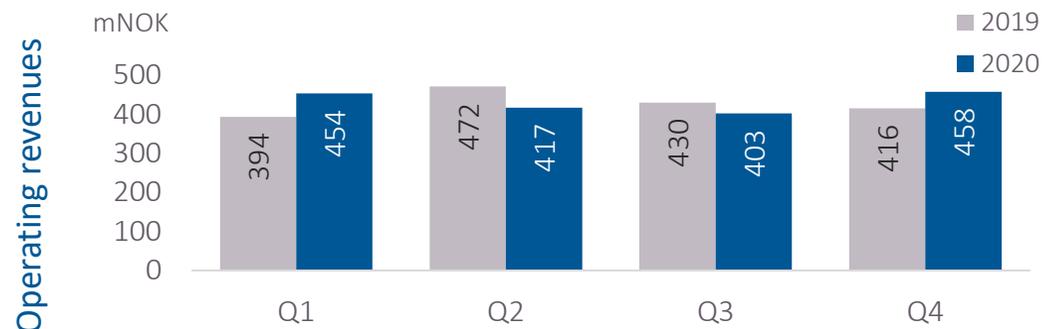
- Lower operating costs and improved product mix for biopolymers
- Negative net FX effects
- *Full year EBITDA¹ 632 mNOK (647 mNOK)*



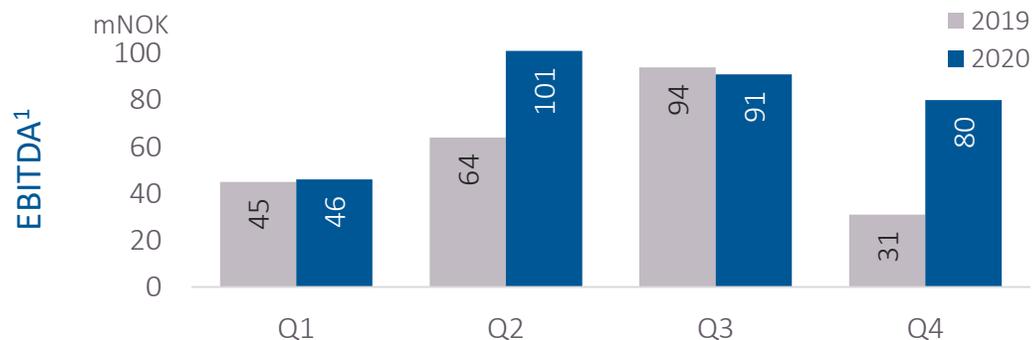
- EBITDA margin¹ slightly above Q4-19
- *Full year EBITDA¹ margin 20.5 (21.7)*

1) Alternative performance measure, see Appendix for definition

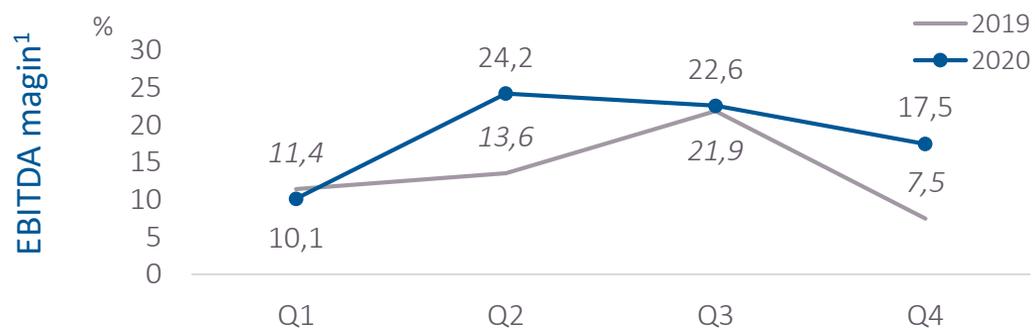
# BioMaterials key figures – Q4



- Revenues increased by 10% vs Q4-19
- High sales volume
- Average price in sales currency increased by 3%
- *Full year growth 1%*



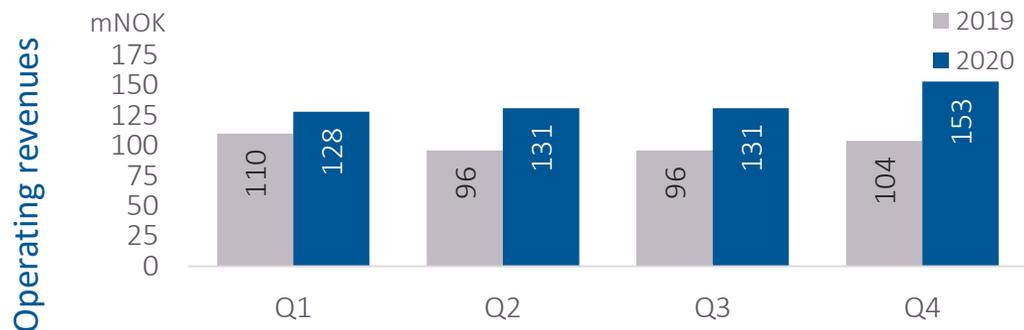
- Q4-19 affected by operational incidents at the Sarpsborg site
- Lower wood and energy costs and higher sales volume for speciality cellulose
- Higher sales, cost reductions and improved result for cellulose fibrils
- Insignificant net FX impact
- *Full year EBITDA<sup>1</sup> 318 mNOK (234 mNOK)*



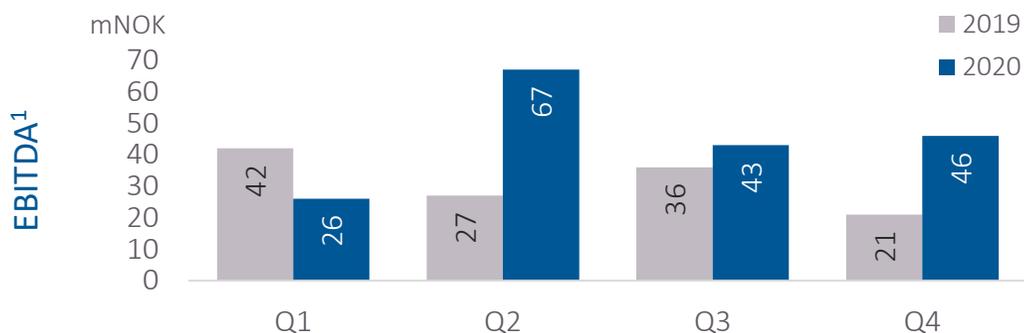
- EBITDA margin<sup>1</sup> significantly above Q4-19
- *Full year EBITDA<sup>1</sup> margin 18.4 (13.7)*

1) Alternative performance measure, see Appendix for definition

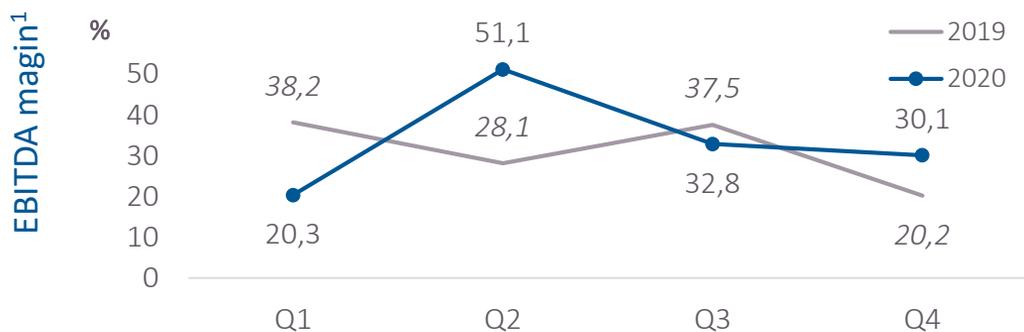
# Fine Chemicals key figures – Q4



- Revenues increased by 47% vs Q4-19
- High sales for both pharma intermediates and bioethanol
- *Full year growth 34%*



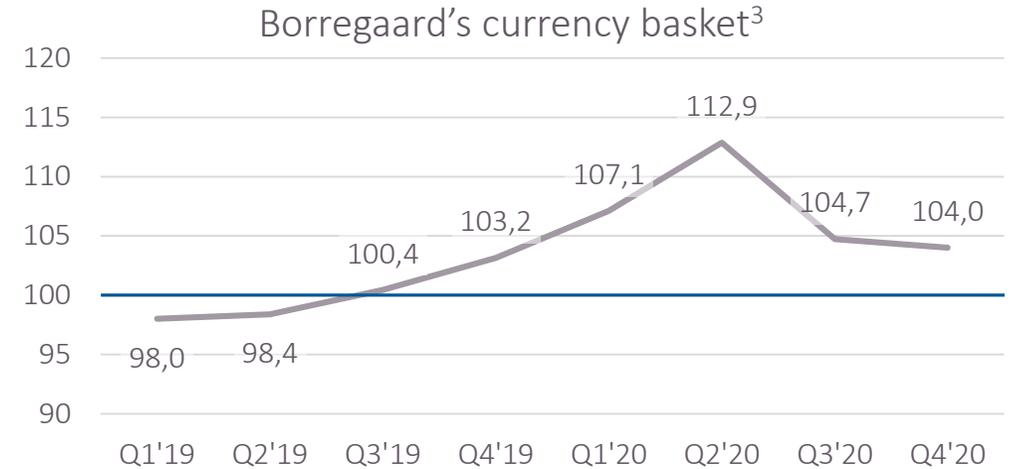
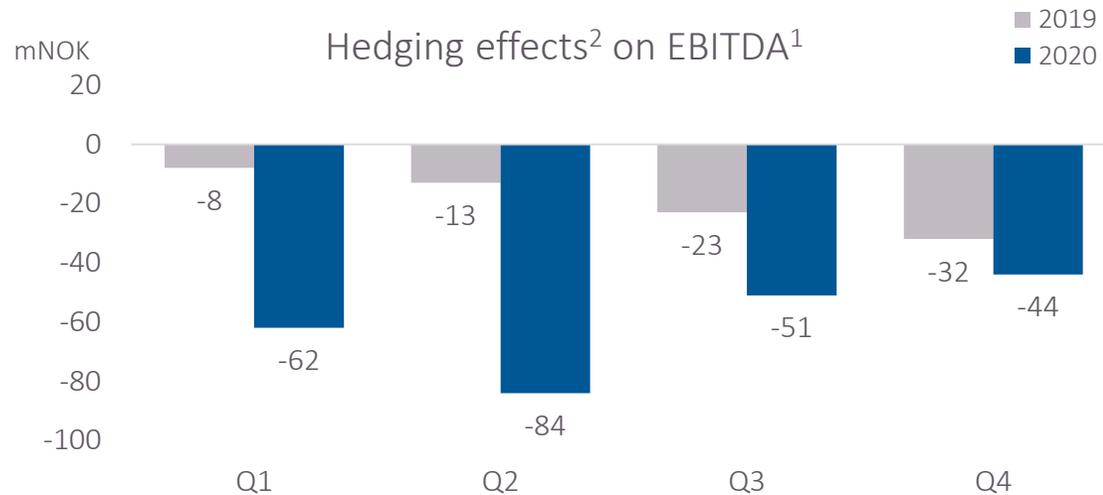
- Favourable product mix and high deliveries for pharma intermediates
- Higher sales and production volume and reduced variable costs for bioethanol
- Negligible net FX impact
- *Full year EBITDA<sup>1</sup> 182 mNOK (126 mNOK)*



- EBITDA margin<sup>1</sup> above Q4-19
- *Full year EBITDA<sup>1</sup> margin 33.5 (31.0)*

1) Alternative performance measure, see Appendix for definition

# Currency impact



- Net FX EBITDA<sup>1</sup> impact ≈-5 mNOK vs Q4-19
  - Includes change in hedging effects and based on estimated FX exposure
  - Net FX EBITDA<sup>1</sup> impact YTD ≈30 mNOK
- Net FX EBITDA<sup>1</sup> impact in 2021 estimated to be ≈-10 mNOK vs 2020
  - Assuming rates as of 2 February (USD 8.59 and EUR 10.35) on expected FX exposure
  - Net FX EBITDA<sup>1</sup> impact in Q1 estimated to be ≈-10 mNOK vs Q1-20
- Significant FX exposure, but delayed impact of FX rate fluctuations due to hedging policy

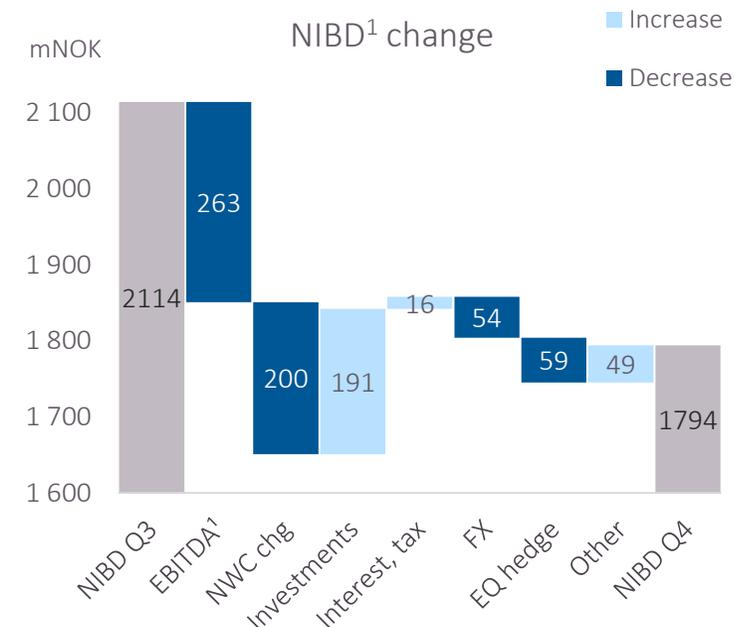
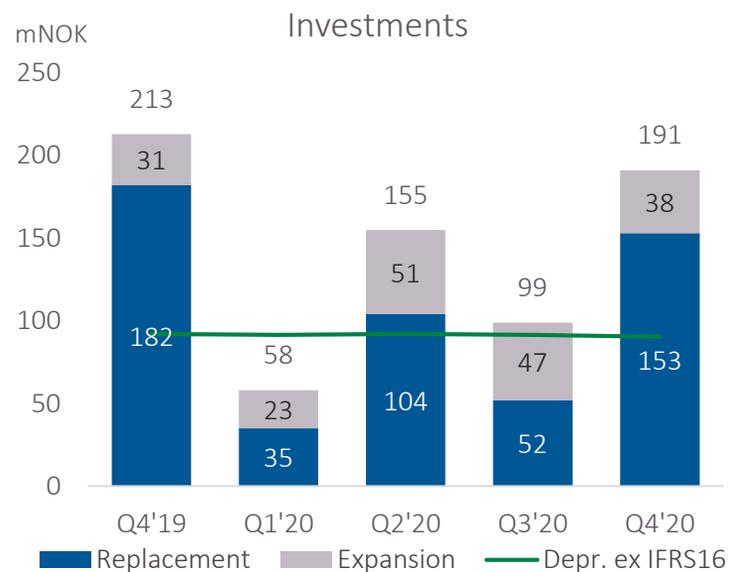
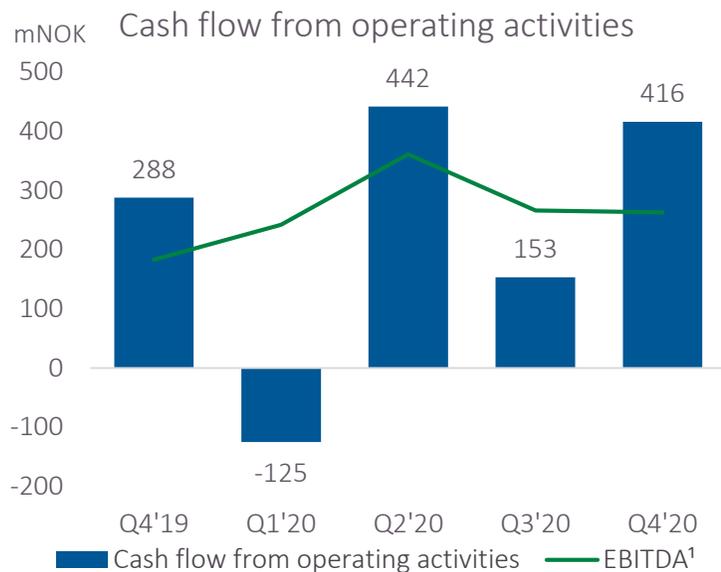
- Revised hurdle rates for extended currency hedging:
  - USDNOK: 8.00 and 8.50
  - EURNOK: 9.25 and 9.75
- Revised due to change in long-term average for USD and EUR

<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 2019 (=100): USD 65% (approx. 203 mUSD), EUR 35% (approx. 98 mEUR), Other 0% (GBP, BRL, JPY, SEK, ZAR).

# Cash flow, investments and NIBD



## Strong cash flow in Q4

- Cash effect from improved EBITDA<sup>1</sup>, reduced tax payments and significant reduction in net working capital

## Investments below Q4-19 and Borregaard's forecast

## NIBD<sup>1</sup> decreased by 320 mNOK in Q4

- Leverage ratio<sup>1</sup> 1.58 (1.86)

## Equity ratio<sup>1</sup> 53.9% (51.4%)

# INVESTMENT FORECAST 2021-2023

## Replacement investments

- Targeted at depreciation level
- Upgrade of caustic soda production facility a major investment in 2020 and 2021

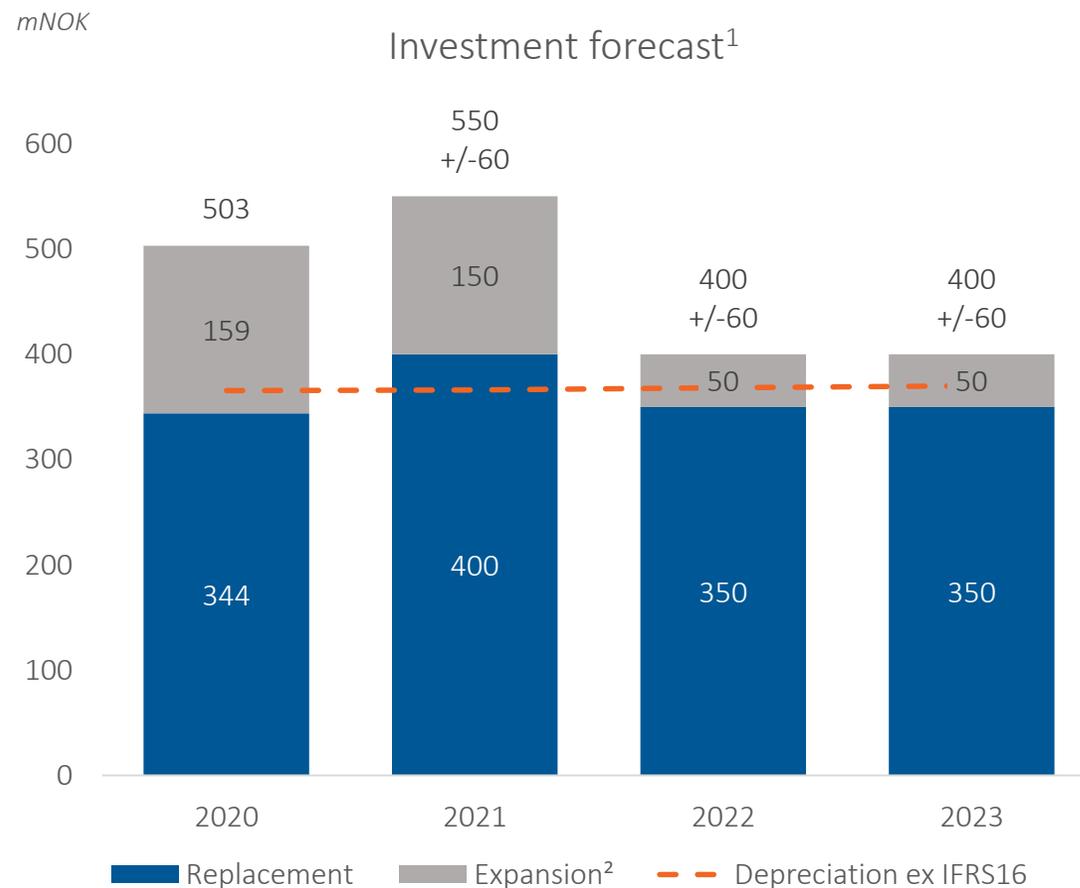
## Expansion<sup>2</sup> investments

- Capacity expansion for wood-based vanillin the main project (130 mNOK, completion mid-2021)
- A few smaller expansion projects are ongoing or planned

## Revised forecast mainly due to carry-over from 2020

- Related to the caustic soda production facility (replacement) and capacity expansion for wood-based vanillin (expansion)

## New projects may lead to additional investments



<sup>1</sup> Uncertainty is related to final investment decisions, timing of investment payments, execution time and risk and unexpected events

<sup>2</sup> Alternative performance measure, see Appendix for definition

# Questions?

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- 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	Q4-2020	Q4-2019	Change	YTD-2020	YTD-2019	Change
Operating revenues	1 338	1 234	8 %	5 328	5 063	5 %
EBITDA <sup>1</sup>	263	183	44 %	1 132	1 007	12 %
Depreciation property, plant and equipment	-110	-110		-443	-418	
Amortisation intangible assets	-2	-1		-5	-4	
Other income and expenses <sup>1</sup>	-20	-11		-116	-27	
<b>Operating profit</b>	<b>131</b>	<b>61</b>	<b>115 %</b>	<b>568</b>	<b>558</b>	<b>2 %</b>
Financial items, net	-12	-31		-72	-91	
<b>Profit before taxes</b>	<b>119</b>	<b>30</b>	<b>297 %</b>	<b>496</b>	<b>467</b>	<b>6 %</b>
Income tax expenses	-8	-12		-117	-116	
<b>Profit for the period</b>	<b>111</b>	<b>18</b>	<b>517 %</b>	<b>379</b>	<b>351</b>	<b>8 %</b>
Profit attributable to non-controlling interests	-10	-20		-57	-66	
Profit attributable to owners of the parent	121	38		436	417	
<b>Cash flow from operating activities (IFRS)</b>	<b>416</b>	<b>288</b>		<b>886</b>	<b>697</b>	
<b>Earnings per share</b>	<b>1,21</b>	<b>0,38</b>	<b>218 %</b>	<b>4,36</b>	<b>4,17</b>	<b>5 %</b>
EBITDA margin <sup>1</sup>	19,7 %	14,8 %		21,2 %	19,9 %	

<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	Q4-2020	Q4-2019	Change
Borregaard	1 338	1 234	8 %
BioSolutions	733	726	1 %
BioMaterials	458	416	10 %
Fine Chemicals	153	104	47 %
Eliminations	-6	-12	

Amounts in NOK million

EBITDA <sup>1</sup>	Q4-2020	Q4-2019	Change
Borregaard	263	183	44 %
BioSolutions	137	131	5 %
BioMaterials	80	31	158 %
Fine Chemicals	46	21	119 %

Amounts in NOK million

Operating revenues	YTD-2020	YTD-2019	Change
Borregaard	5 328	5 063	5 %
BioSolutions	3082	2982	3 %
BioMaterials	1732	1712	1 %
Fine Chemicals	543	406	34 %
Eliminations	-29	-37	

Amounts in NOK million

EBITDA <sup>1</sup>	YTD-2020	YTD-2019	Change
Borregaard	1132	1007	12 %
BioSolutions	632	647	-2 %
BioMaterials	318	234	36 %
Fine Chemicals	182	126	44 %

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

# Cash flow

Amounts in NOK million	Q4-2020	Q4-2019	YTD-2020	YTD-2019
<b>Amounts in NOK million</b>				
Profit before taxes	119	30	496	467
Amortisation, depreciation and impairment charges	113	121	449	432
Change in net working capital, etc	200	171	-21	-85
Dividend (share of profit) from JV	-12	2	51	5
Taxes paid	-4	-36	-89	-122
<b>Cash flow from operating activities</b>	<b>416</b>	<b>288</b>	<b>886</b>	<b>697</b>
Investments property, plant and equipment and intangible assets *	-191	-213	-503	-583
Other capital transactions	12	8	14	29
<b>Cash flow from investing activities</b>	<b>-179</b>	<b>-205</b>	<b>-489</b>	<b>-554</b>
Dividends	-	-	-229	-224
Proceeds from exercise of options/shares to employees	1	1	35	35
Buy-back of shares	-1	-4	-62	-60
Gain/(loss) on hedges for net investments in subsidiaries	59	5	10	-26
<b>Net paid to/from shareholders</b>	<b>59</b>	<b>2</b>	<b>-246</b>	<b>-275</b>
Proceeds from interest-bearing liabilities	200	402	1 550	2 100
Repayment from interest-bearing liabilities	-257	-493	-1 703	-1 971
Change in interest-bearing receivables/other liabilities	-12	-1	18	-3
<b>Change in net interest-bearing liabilities</b>	<b>-69</b>	<b>-92</b>	<b>-135</b>	<b>126</b>
<b>Cash flow from financing activities</b>	<b>-10</b>	<b>-90</b>	<b>-381</b>	<b>-149</b>
<b>Change in cash and cash equivalents</b>	<b>227</b>	<b>-7</b>	<b>16</b>	<b>-6</b>
Cash and cash equivalents at beginning of period	-127	92	81	86
Change in cash and cash equivalents	227	-7	16	-6
Currency effects cash and cash equivalents	-4	-4	-1	1
<b>Cash and cash equivalents at the end of the period</b>	<b>96</b>	<b>81</b>	<b>96</b>	<b>81</b>
<b>* Investment by category</b>				
Replacement Investments	153	182	344	370
Expansion investments <sup>1</sup>	38	31	159	213

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

# Balance sheet

Amounts in NOK million	31.12.2020	30.09.2020	31.12.2019
<b>Assets:</b>			
Intangible assets	86	90	93
Property, plant and equipment	3 973	3 962	3 852
Right-of-use assets	381	374	380
Other assets	380	249	251
Investment in joint venture	38	26	99
<b>Non-current assets</b>	<b>4 858</b>	<b>4 701</b>	<b>4 675</b>
Inventories	887	1 001	931
Receivables	1 051	1 055	991
Cash and cash deposits	207	50	147
<b>Current assets</b>	<b>2 145</b>	<b>2 106</b>	<b>2 069</b>
<b>Total assets</b>	<b>7 003</b>	<b>6 807</b>	<b>6 744</b>
<b>Equity and liabilities:</b>			
Group equity	3 668	3 112	3 306
Non-controlling interests	110	124	158
<b>Equity</b>	<b>3 778</b>	<b>3 236</b>	<b>3 464</b>
Provisions and other liabilities	291	373	294
Interest-bearing liabilities	1 381	1 480	1 419
<b>Non-current liabilities</b>	<b>1 672</b>	<b>1 853</b>	<b>1 713</b>
Interest-bearing liabilities	623	687	608
Other current liabilities	930	1 031	959
<b>Current liabilities</b>	<b>1 553</b>	<b>1 718</b>	<b>1 567</b>
<b>Equity and liabilities</b>	<b>7 003</b>	<b>6 807</b>	<b>6 744</b>
Equity ratio <sup>1</sup> (%):	53,9 %	47,5 %	51,4 %

<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	Q4-2020	Q4-2019	YTD-2020	YTD-2019
Net interest expenses	-17	-20	-76	-69
Currency gain/loss	6	-3	7	-12
Other financial items, net	-1	-8	-3	-10
<b>Net financial items</b>	<b>-12</b>	<b>-31</b>	<b>-72</b>	<b>-91</b>

Amounts in NOK million

Net interest-bearing debt <sup>1</sup> (NIBD)	31.12.2020	30.09.2020	31.12.2019
Non-current interest-bearing liabilities	1 381	1 480	1 419
Current interest-bearing liabilities including overdraft facilities	623	687	608
Non-current interest-bearing receivables (included in "Other Assets")	-3	-3	-4
Cash and cash deposits	-207	-50	-147
<b>Net interest-bearing debt<sup>1</sup> (NIBD)</b>	<b>1 794</b>	<b>2 114</b>	<b>1 876</b>
- of which impact from IFRS 16 leases	396	386	387

# 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 02.02.21)

	USD million	USD rate	EUR million	EUR rate
Q1-2021	34	8.17	26	10.09
Q2-2021	34	8.28	25	10.13
Q3-2021	35	8.42	24	10.21
Q4-2021	33	8.59	24	10.36
2021	136	8.35	99	10.20
2022	128	8.95	101	10.65
2023	90	9.42	70	11.08
2024	7	8.78	6	10.88

Hedging effects by segment

NOK million	Q4-20	Q4-19	YTD-20	YTD-19
BioSolutions	-18	-14	-103	-33
BioMaterials	-22	-16	-116	-37
Fine Chemicals	-4	-2	-22	-6
<b>Borregaard</b>	<b>-44</b>	<b>-32</b>	<b>-214</b>	<b>-76</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 2021  
Facilities refinanced in July, maturity 2023 and 2025
- 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

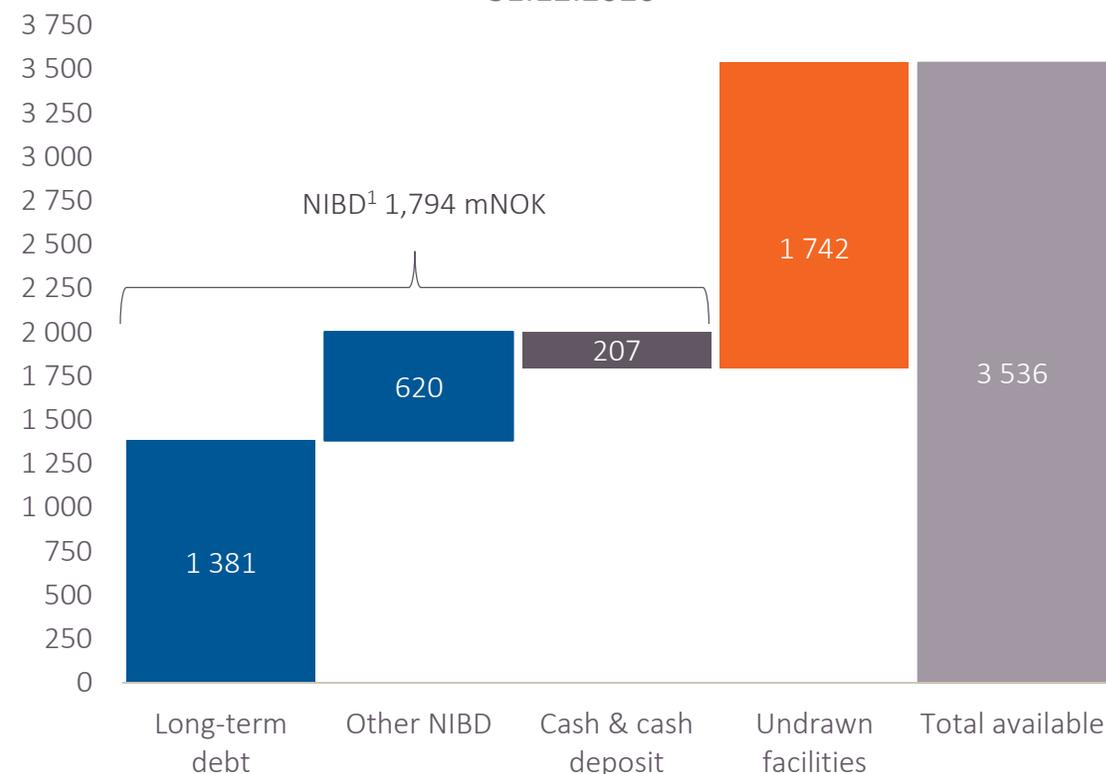
## Short-term credit facilities

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

## Solidity

- Equity ratio<sup>1</sup> 53.9% (> 25%)
- Leverage ratio<sup>1</sup> LTM 1.58 (< 3.25<sup>2</sup>) (covenant)

Debt and undrawn facilities  
31.12.2020



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

<sup>2</sup> Leverage ratio covenant is pre IFRS 16 Leases, and the actual leverage ratio<sup>1</sup> is restated to pre IFRS 16 for compliance calculations

# 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 (see slides 23 and 26).
- **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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