

1st Quarter 2022

Oslo, 3 May 2022



Agenda

Per A Sørli, President & CEO

- Highlights
- Business segments
- Outlook

Per Bjarne Lyngstad, CFO

- Financial performance



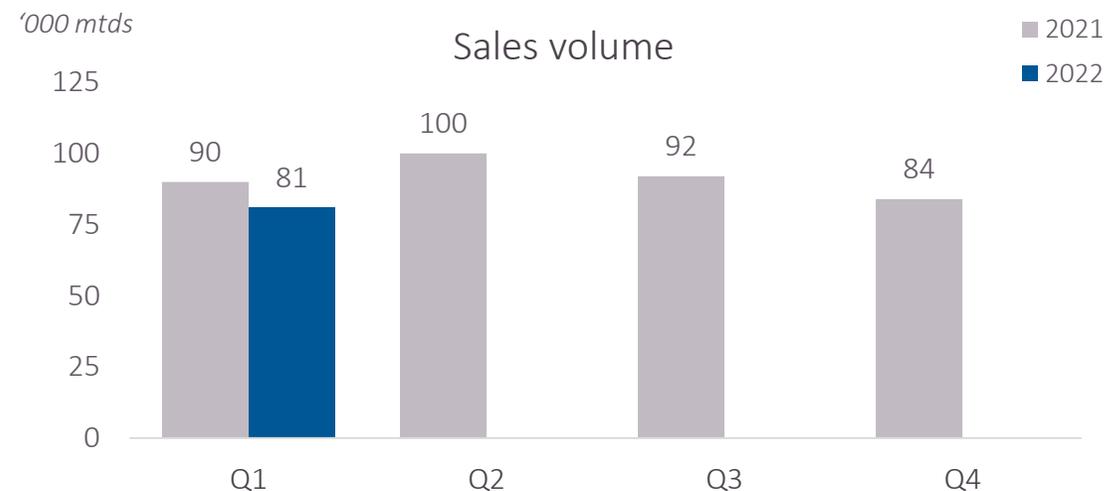
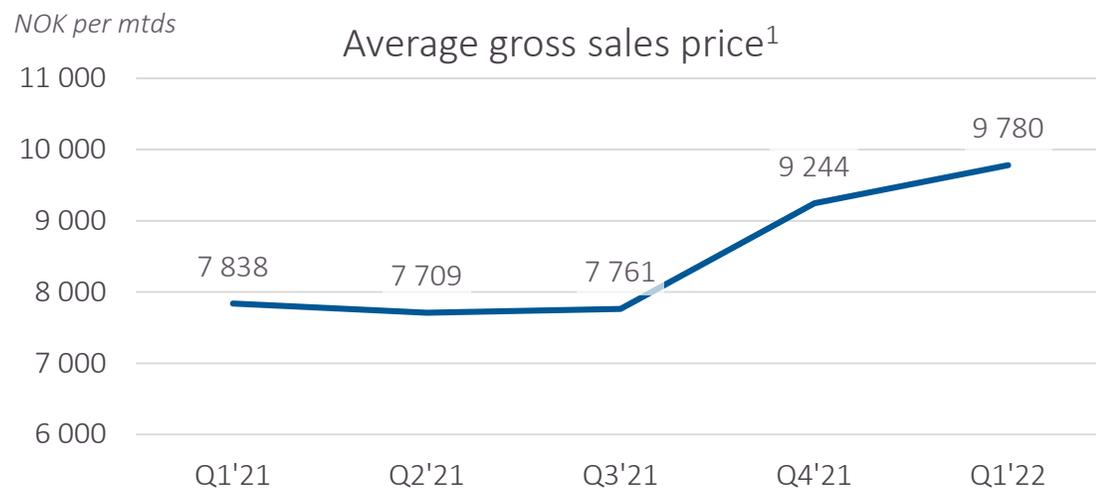
Highlights – 1st quarter 2022

- EBITDA¹ NOK 400 million (NOK 302 million)
- Improved result in all business areas
- Increased sales prices and strong product mix in BioSolutions
- Higher sales prices in BioMaterials
- Increased deliveries and sales prices in Fine Chemicals
- Higher energy, freight and raw material costs
- Cash flow negatively affected by significant increase in net working capital



¹ Alternative performance measure, see Appendix for definition

BioSolutions markets – Q1



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

Average price in sales currency 23% above Q1-21

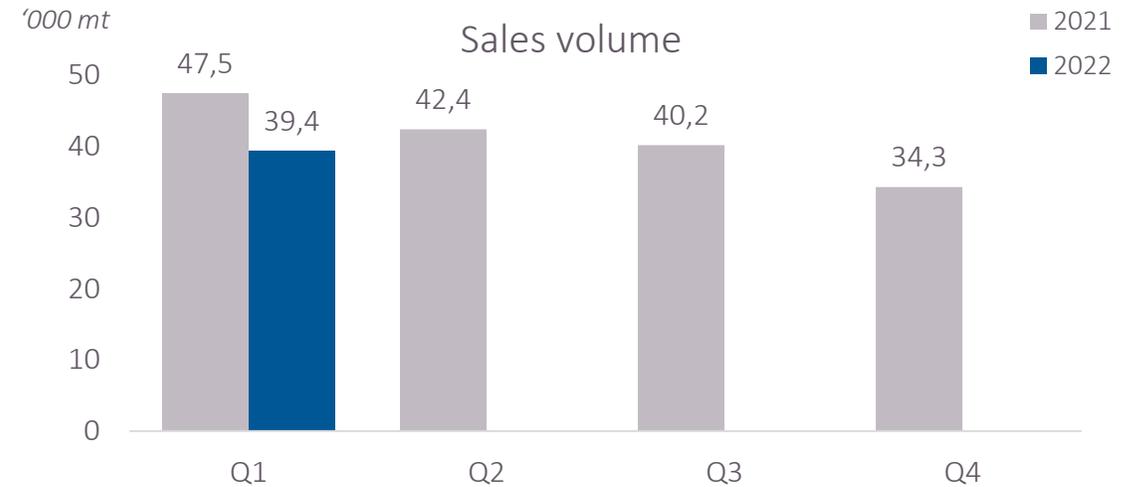
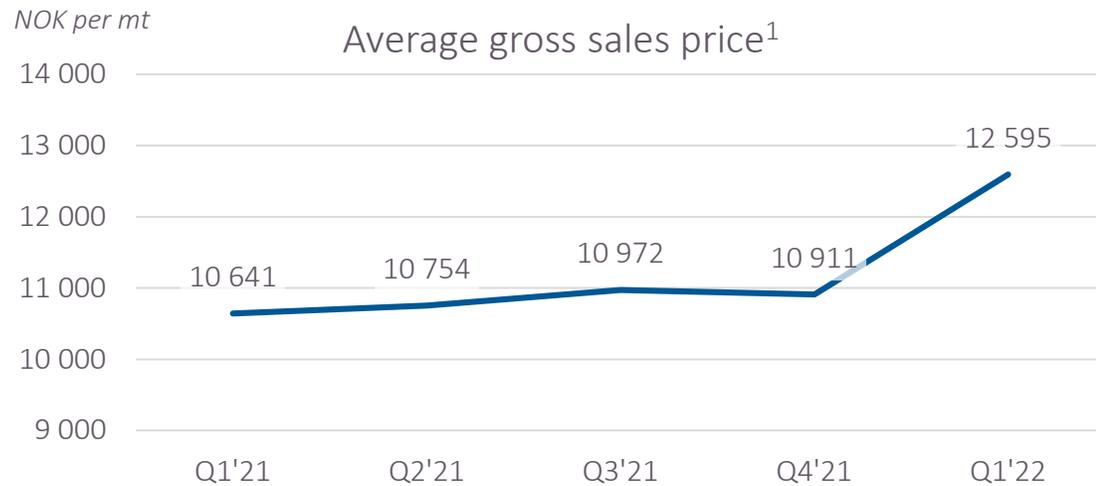
- Price increases and strong product mix
- Increased contribution from applications within agriculture, construction and oilfield chemicals
- Tight market for synthetic vanillin and ethyl vanillin continued to have a positive impact

Sales volume 10% lower vs Q1-21 due to reduced raw material supply in the quarter

- Affected primarily sales to low-value markets

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

BioMaterials markets – Q1



Sales price and sales volume include speciality cellulose and cellulose fibrils

Average price in sales currency 19% higher than Q1-21

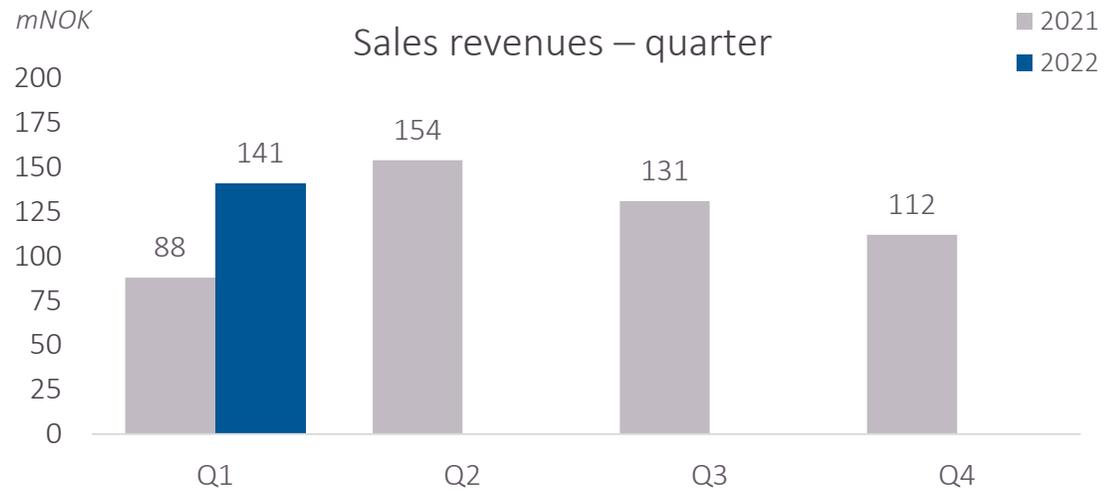
- Strong demand and a tight speciality cellulose market

Lower deliveries of speciality cellulose

- Significant inventory reduction in Q1-21

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

Fine Chemicals markets – Q1



Sales revenues include fine chemical intermediates and bioethanol

- Higher deliveries and increased sales prices for both fine chemical intermediates and bioethanol

Outlook

BioSolutions

- Total sales volume is expected to be slightly below the 2021 volume
- Positive market development for several biopolymer applications are expected to continue, improving product mix and average price in sales currency
- Biovanillin market expected to remain strong and the new capacity will be gradually phased into the market
- For the full year, cost increases are expected to largely offset the effect of a positive market development

BioMaterials

- Average price in sales currency expected to be approximately 20% above the 2021 level
- Total sales volume is expected to be lower than in 2021, and aligned with the production volume
- Volume of highly specialised grades is expected to be in line with 2021
- Positive impact from price increases and product mix will be partly offset by increased energy, raw material and freight costs
- Sales growth is 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
- Improved product mix for fine chemical intermediates not expected to fully compensate for increased raw material costs

Energy and raw material costs will increase in Q2 vs Q1-22

- Energy spot prices represent the largest uncertainty for the rest of the year

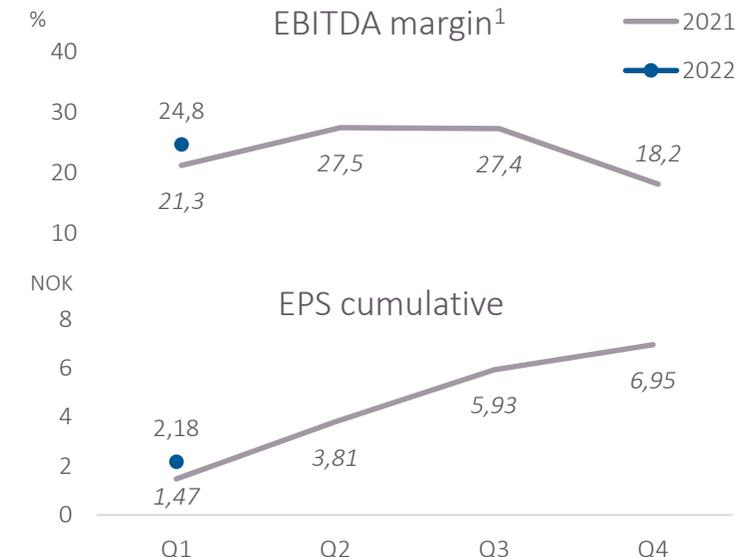
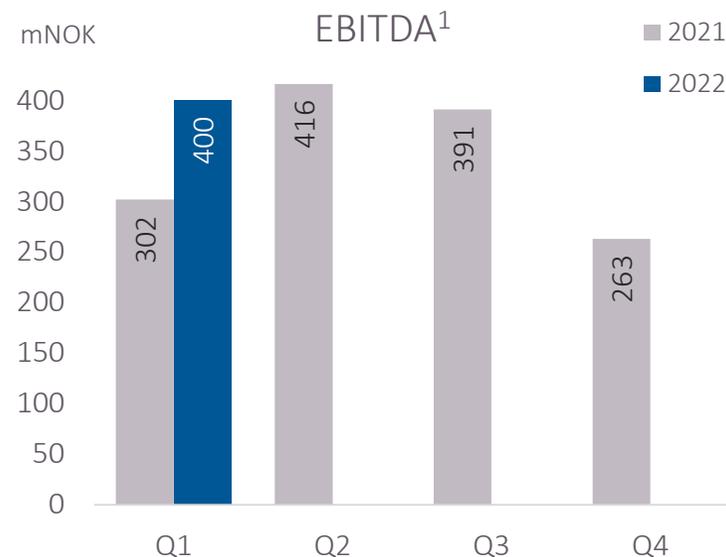
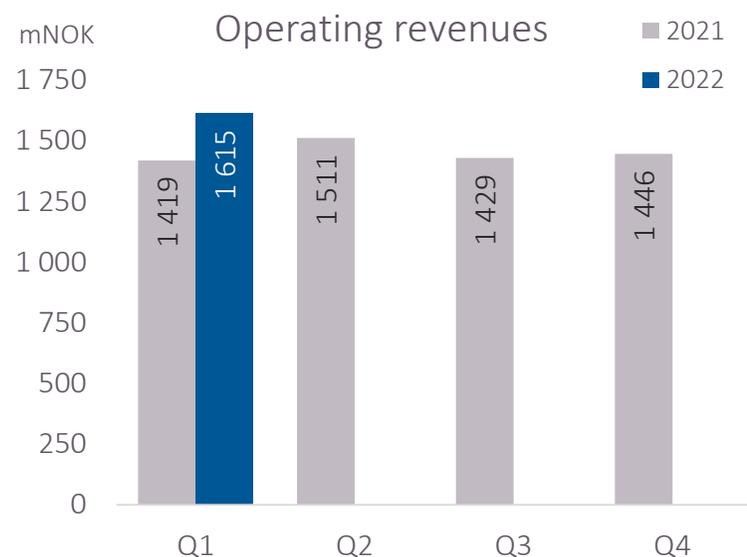
Limited sales to and sourcing from Russia, Belarus and Ukraine prior to the war

- Indirect consequences may occur as a result of potential impact on the global economy

Financial performance Q1-22



Borregaard key figures – Q1



Revenues 14% above Q1-21

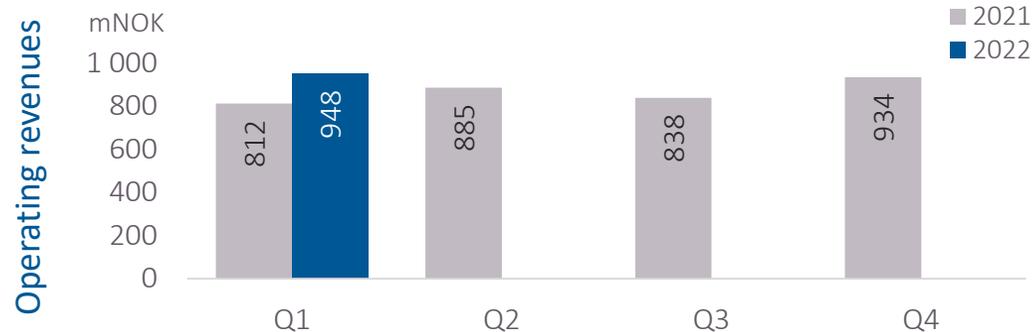
EBITDA¹ 400 mNOK for the Group

- Increased result in all business areas
- Higher sales prices partly offset by increased costs
- Positive net FX effect

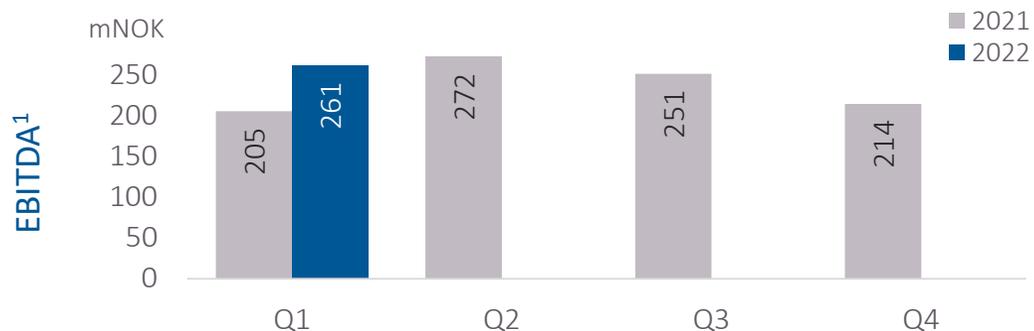
Earnings per share (EPS) NOK 2.18 (NOK 1.47)

¹ Alternative performance measure, see Appendix for definition

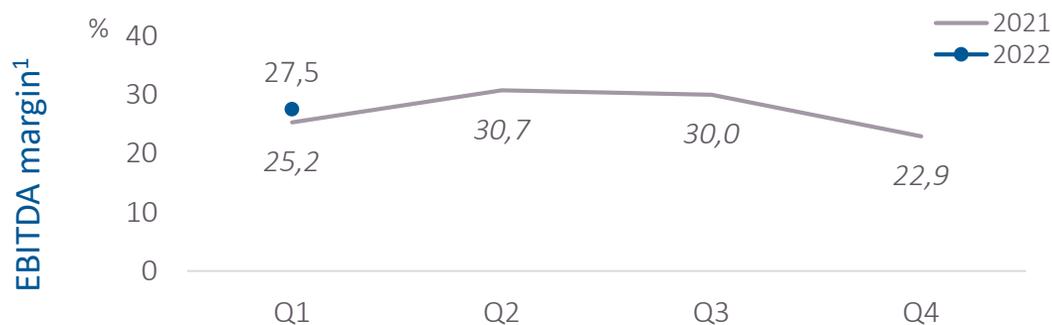
BioSolutions key figures – Q1



- Revenues 17% above Q1-21
- Increased sales prices and a strong product mix
- 10% lower sales volume



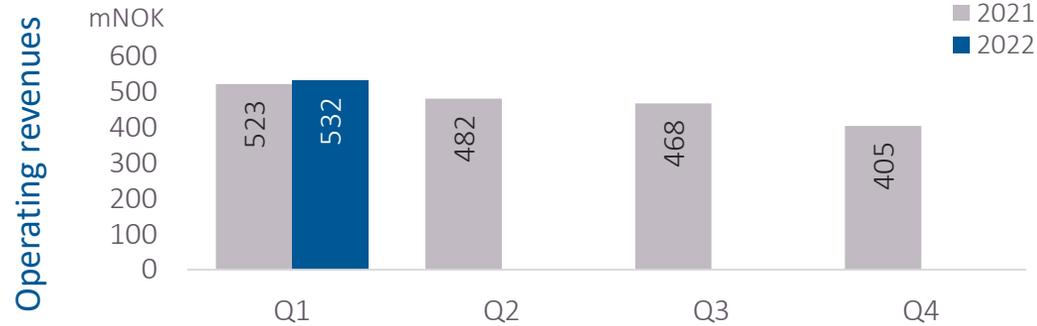
- Higher sales prices and a strong product mix
- Substantial cost increases, primarily for energy and freight
- Positive net FX effects



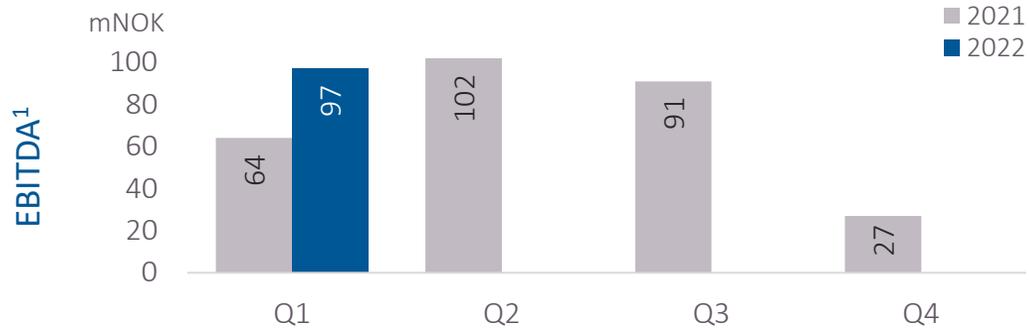
- Improved EBITDA margin¹ vs Q1-21

¹ Alternative performance measure, see Appendix for definition

BioMaterials key figures – Q1



- Revenues increased by 2% vs Q1-21
- Higher sales prices for speciality cellulose
- Lower deliveries



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



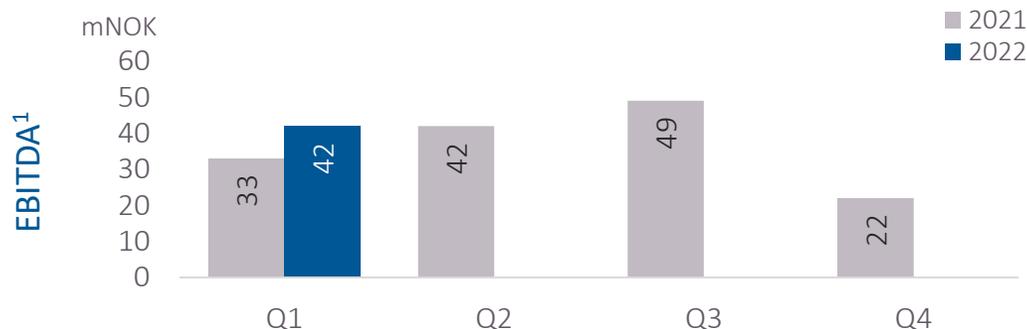
- EBITDA margin¹ 6%-points above Q1-21

¹ Alternative performance measure, see Appendix for definition

Fine Chemicals key figures – Q1



- Revenues increased by 59% vs Q1-21
- Higher deliveries and increased sales prices



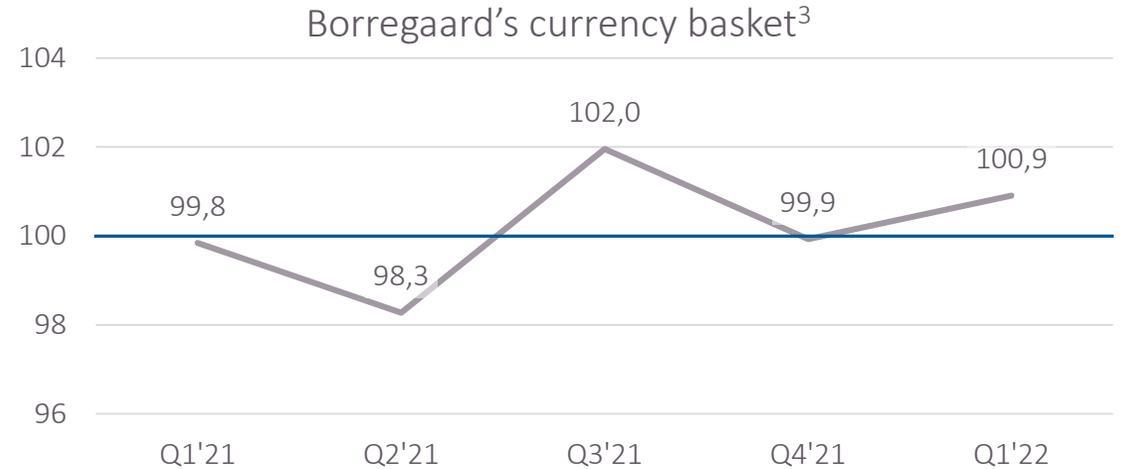
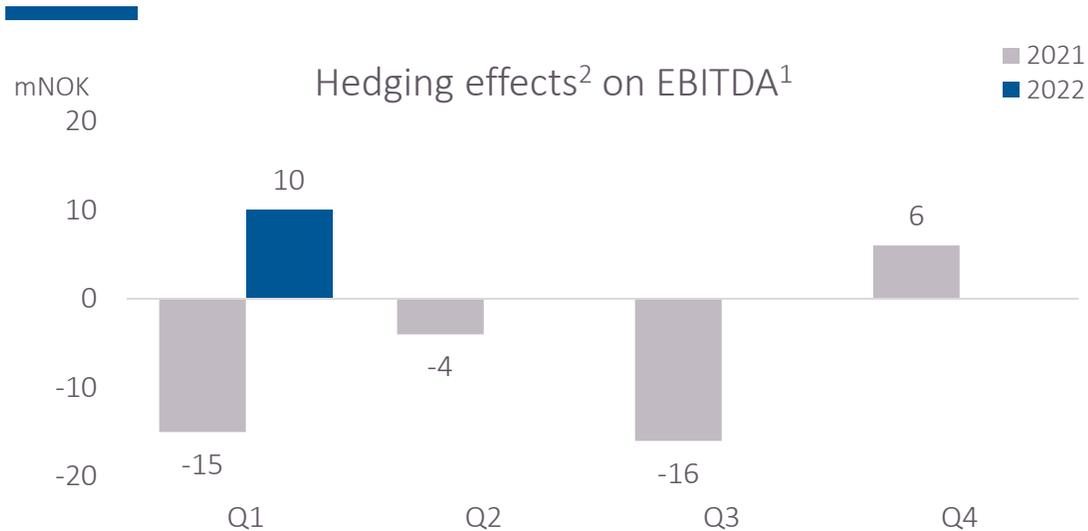
- Higher deliveries and increased sales prices partly offset by increased costs
- Cost of main raw material for fine chemical intermediates has increased substantially, driven by energy prices
- Positive net FX effects



- EBITDA margin¹ 7%-points below Q1-21

¹ Alternative performance measure, see Appendix for definition

Currency impact



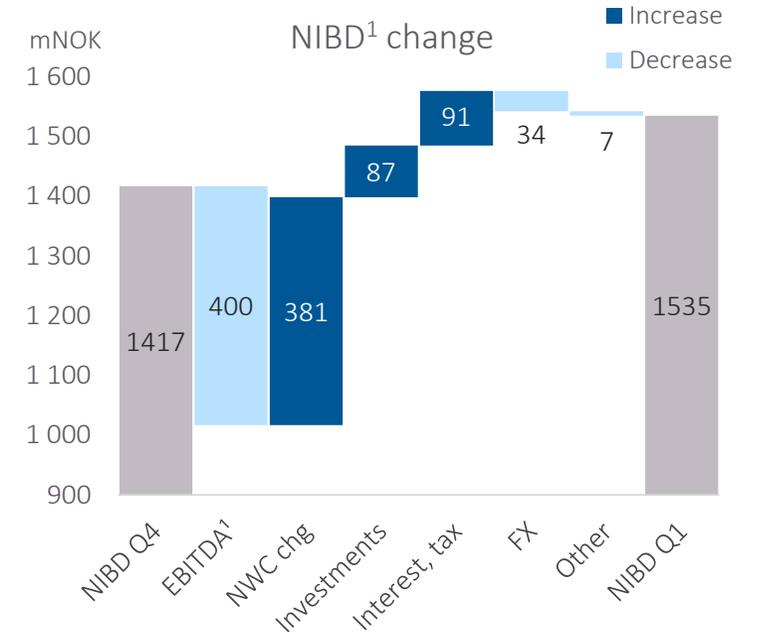
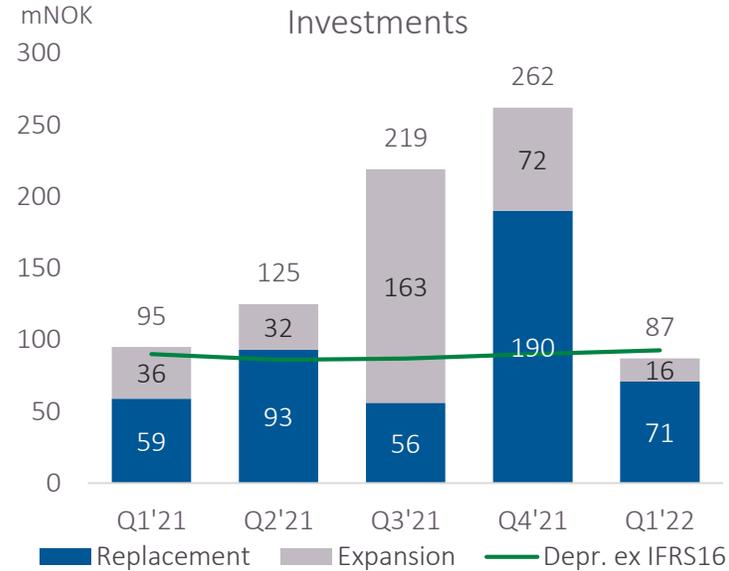
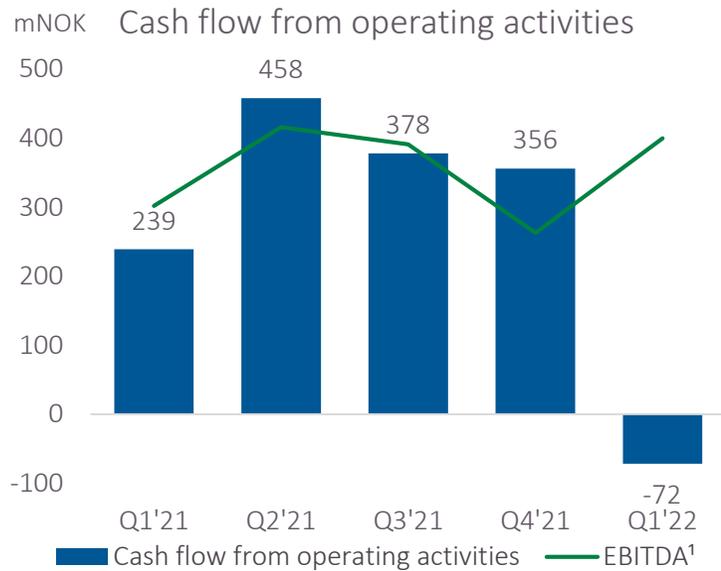
- Net FX EBITDA¹ impact ≈30 mNOK vs Q1-21
 - Includes change in hedging effects and based on estimated FX exposure
- Net FX EBITDA¹ impact in 2022 estimated to be ≈175 mNOK vs 2021
 - Assuming rates as of 2 May (USD 9.43 and EUR 9.92) on expected FX exposure
 - Net FX EBITDA¹ impact in Q2 estimated to be ≈60 mNOK vs Q2-21
- 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



Negative cash flow in Q1

- Significant increase in net working capital, mainly due to an increase in accounts receivable and inventory revaluation

Investments slightly below Q1-21

NIBD¹ increased by 118 mNOK in Q1

- Leverage ratio¹ 1.04 (1.41)

Equity ratio¹ 61.7% (56.9%)

¹ Alternative performance measure, see Appendix for definition

Questions?

Per A Sørli, President & CEO

Per Bjarne Lyngstad, CFO



Appendix



Borregaard – key figures

Amounts in NOK million	Q1-22	Q1-21	Change
Operating revenues	1 615	1 419	14 %
EBITDA ¹	400	302	32 %
Depreciation property, plant and equipment	-108	-106	
Amortisation intangible assets	-1	-1	
Other income and expenses ¹	0	0	
Operating profit	291	195	49 %
Financial items, net	-14	-19	
Profit before taxes	277	176	57 %
Income tax expenses	-68	-43	
Profit for the period	209	133	57 %
Profit attributable to non-controlling interests	-8	-13	
Profit attributable to owners of the parent	217	146	
Cash flow from operating activities (IFRS)	-72	239	
Earnings per share	2,18	1,47	48 %
EBITDA margin ¹	24,8 %	21,3 %	

¹ Alternative performance measure, see Appendix for definition

Operating revenues and EBITDA¹ per segment

Amounts in NOK million

Operating revenues	Q1-22	Q1-21	Change
Borregaard	1 615	1 419	14 %
BioSolutions	948	812	17 %
BioMaterials	532	523	2 %
Fine Chemicals	143	90	59 %
Eliminations	-8	-6	

Amounts in NOK million

EBITDA ¹	Q1-22	Q1-21	Change
Borregaard	400	302	32 %
BioSolutions	261	205	27 %
BioMaterials	97	64	52 %
Fine Chemicals	42	33	27 %

¹ Alternative performance measure, see Appendix for definition

Cash flow

Amounts in NOK million	Q1-22	Q1-21	FY-2021
Amounts in NOK million			
Profit before taxes	277	176	873
Amortisation, depreciation and impairment charges	109	107	420
Change in net working capital, etc	-381	5	256
Dividend/share of profit from JV & associate company	-	-	6
Taxes paid	-77	-49	-124
Cash flow from operating activities	-72	239	1 431
Investments property, plant and equipment and intangible assets *	-87	-95	-556
Investment in associate company	-	-	-145
Other capital transactions	2	4	9
Cash flow from Investing activities	-85	-91	-692
Dividends	-	-	-249
Proceeds from exercise of options/shares to employees	27	29	59
Buy-back of shares	-4	-56	-118
Gain/(loss) on hedges for net investments in subsidiaries	31	9	-14
Net paid to/from shareholders	54	-18	-322
Proceeds from interest-bearing liabilities	100	100	300
Repayment from interest-bearing liabilities	-14	-217	-814
Change in interest-bearing receivables/other liabilities	-2	-8	-1
Change in net interest-bearing liabilities	84	-125	-515
Cash flow from financing activities	138	-143	-837
Change in cash and cash equivalents	-19	5	-98
Cash and cash equivalents at beginning of period	5	96	96
Change in cash and cash equivalents	-19	5	-98
Currency effects cash and cash equivalents	-2	-1	7
Cash and cash equivalents at the end of the period	-16	100	5
* Investment by category			
Replacement Investments	71	59	398
Expansion investments ¹	16	36	303

¹ Alternative performance measure, see Appendix for definition

Balance sheet

Amounts in NOK million	31.03.2022	31.12.2021
Assets:		
Intangible assets	86	89
Property, plant and equipment	4 180	4 191
Right-of-use assets	351	351
Other assets	393	339
Investments in joint venture/associate company	174	173
Non-current assets	5 184	5 143
Inventories	878	792
Receivables	1 416	1 107
Cash and cash deposits	103	124
Current assets	2 397	2 023
Total assets	7 581	7 166
Equity and liabilities:		
Group equity	4 602	4 222
Non-controlling interests	75	84
Equity	4 677	4 306
Provisions and other liabilities	274	257
Interest-bearing liabilities	1 418	1 320
Non-current liabilities	1 692	1 577
Interest-bearing liabilities	223	224
Other current liabilities	989	1 059
Current liabilities	1 212	1 283
Equity and liabilities	7 581	7 166
Equity ratio ¹ (%):	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	Q1-22	Q1-21
Net interest expenses	-13	-16
Currency gain/loss	1	1
Share of profit/-loss from an associate	-1	0
Other financial items, net	-1	-4
Net financial items	-14	-19

Amounts in NOK million

Net interest-bearing debt ¹ (NIBD)	31.03.2022	31.12.2021
Non-current interest-bearing liabilities	1 418	1 320
Current interest-bearing liabilities including overdraft of cashpool	223	224
Non-current interest-bearing receivables (included in "Other Assets")	-3	-3
Cash and cash deposits	-103	-124
Net interest-bearing debt¹ (NIBD)	1 535	1 417
- of which impact from IFRS 16 leases	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 02.05.22)

	USD million	USD rate	EUR million	EUR rate
Q2-2022	37	8.98	34	10.50
Q3-2022	37	8.96	35	10.55
Q4-2022	35	9.06	34	10.65
RoY 2022	109	9.00	103	10.57
2023	142	9.20	112	10.82
2024	111	8.81	88	10.58
2025	31	8.94	27	10.45

Hedging effects by segment

NOK million	Q1-22	Q1-21
BioSolutions	3	-5
BioMaterials	5	-8
Fine Chemicals	2	-2
Borregaard	10	-15

¹ Alternative performance measure, see Appendix for definition

² Hedging done mainly in the Norwegian company

³ Strict definition of contracts applied for 100% hedging (mutually binding agreement in which price, currency, volume and time are defined)

Credit facilities, solidity and debt

Long-term credit facilities

- 1,500 mNOK revolving credit facilities, maturity 2024 and 2026, margin linked to sustainability targets
- 400 mNOK 5-year bond issue, maturity 2023
- 40 mEUR 10-year loan, maturity 2024
- 50 mUSD 10-year loan, maturity 2032 (drawn in April 2022)
- 60 mUSD term loan for LT Florida, tenor 8.5 years from completion

Short-term credit facilities

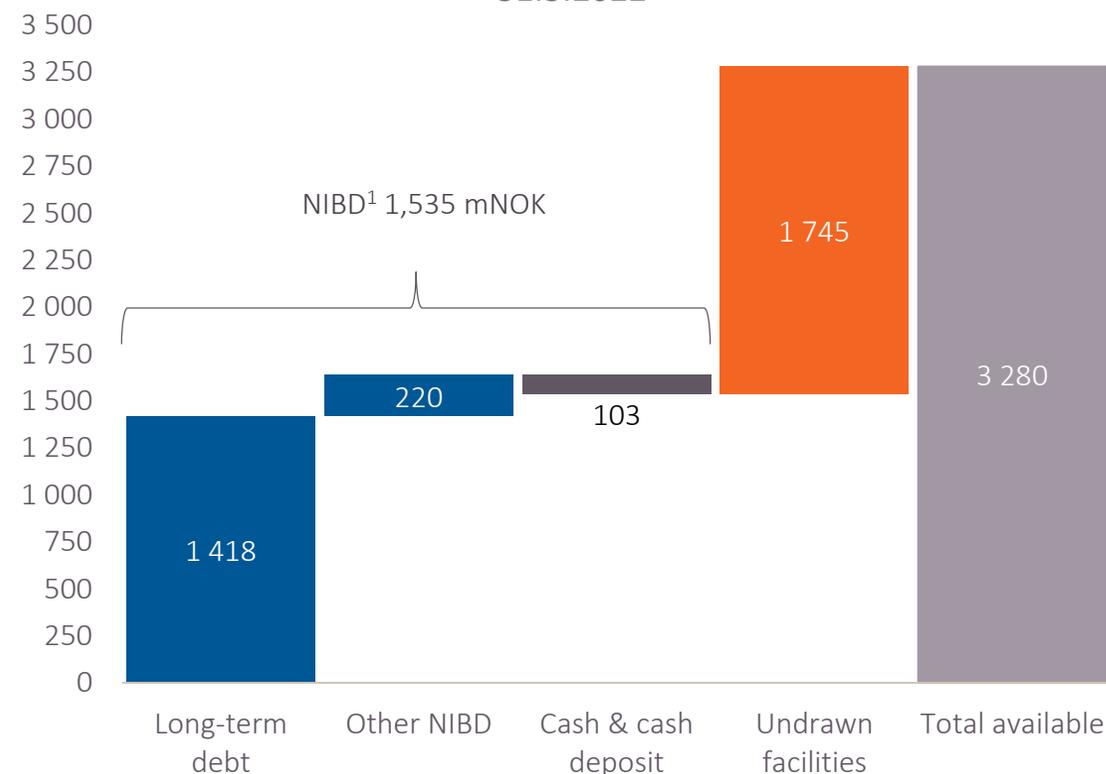
- 225 mNOK overdraft facilities
- 15 mUSD overdraft facility in LignoTech Florida

Solidity

- Equity ratio¹ 61.7%
- Leverage ratio¹ LTM 1.04 (covenant < 3.50)

Debt and undrawn facilities

31.3.2022



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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