



3rd Quarter 2020

Sarpsborg, 21 October 2020

Agenda

Per A Sørli, President & CEO

- Highlights
- Business segments
- Outlook

Veronica Skevik Frey, VP Finance

- Financial performance

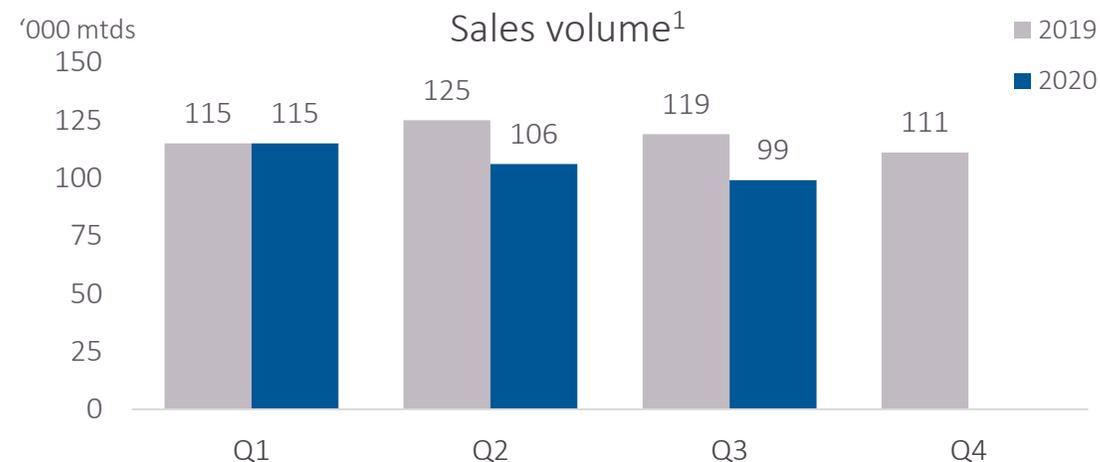
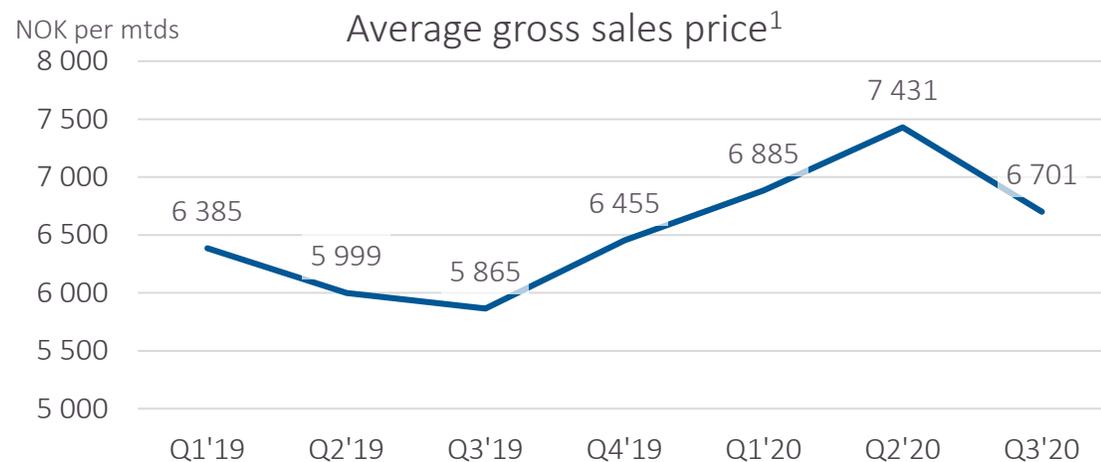


Highlights – 3rd quarter 2020

- EBITDA¹ NOK 266 million (NOK 286 million)
- Negative Covid-19 effects on demand in BioSolutions and BioMaterials
- Reduced lignin raw material supply affected sales to concrete admixtures and low-value industrial applications in BioSolutions
- Effect of reduced sales volume offset by lower wood and energy costs in BioMaterials
- Higher sales volume and prices for bioethanol in Fine Chemicals
- Slightly negative net currency impact on EBITDA¹



BioSolutions markets – Q3



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

Sales volume 17% lower compared with Q3-19

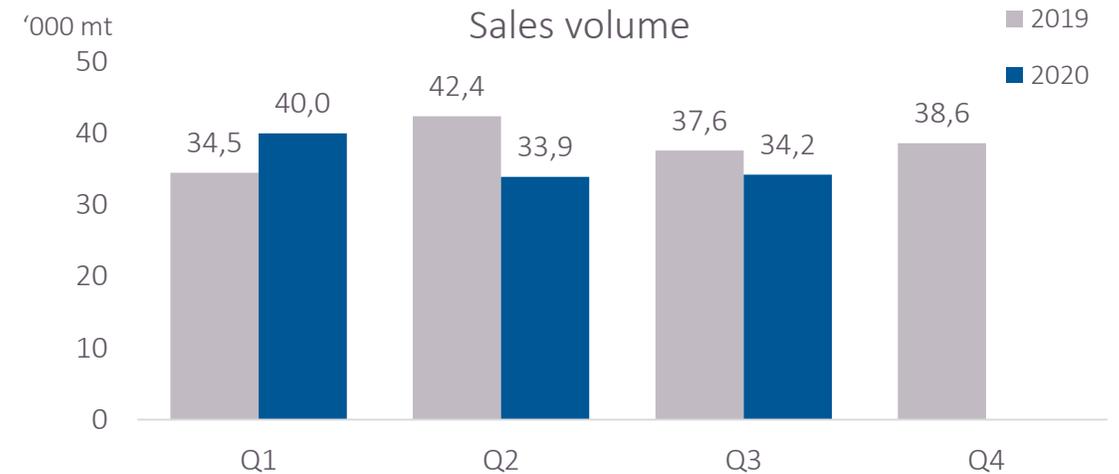
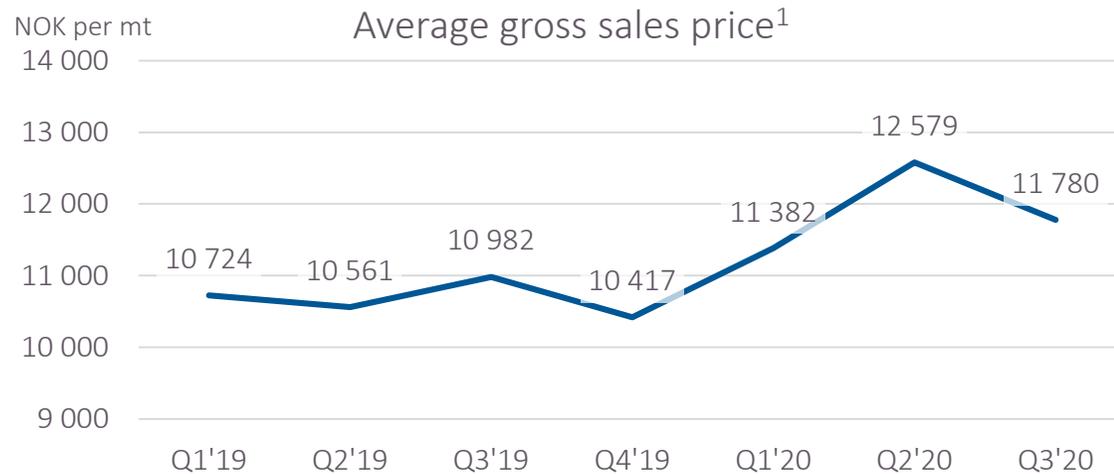
- Discontinued raw material supply partly offset by increased sales volume from Florida and inventory reduction
- Concrete admixtures and low-value industrial applications mainly affected by reduced raw material supply
- Lower sales to oil field chemicals and slightly reduced demand for products to the automotive industry in the US market

Average price in sales currency 10% above Q3-19 due to improved product mix

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

1) 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 – Q3



Sales price and sales volume include speciality cellulose and cellulose fibrils

Reduced sales volume mainly related to Covid-19 effects

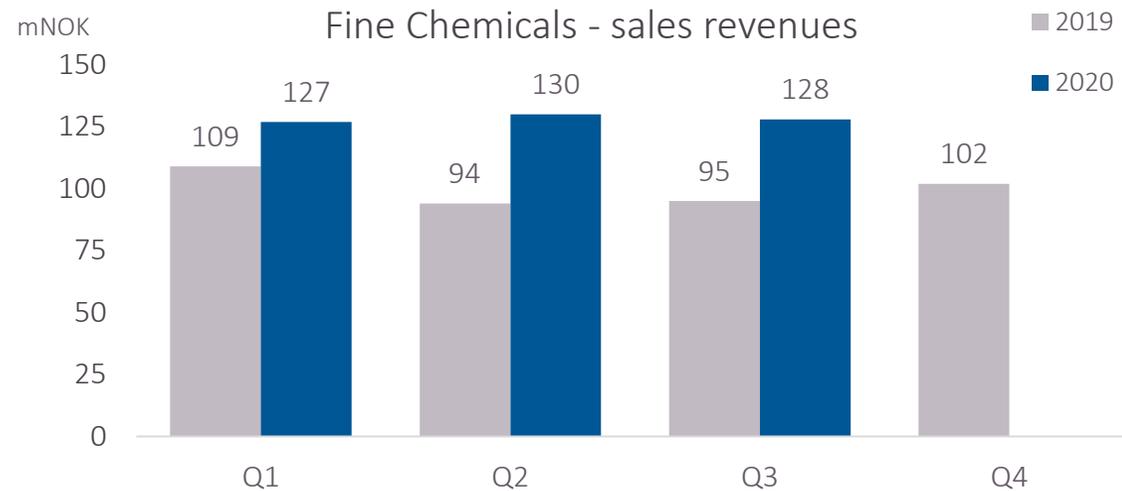
- Lower sales of less specialised grades
- Reduced demand growth for cellulose ethers to construction due to coronavirus situation
- Sales to food and pharma applications continued to show strong growth

Average price in sales currency 1% above Q3-19

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

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

Fine Chemicals markets – Q3



Sales revenues include pharma intermediates and bioethanol

Higher sales volume and sales prices for bioethanol

- Deliveries mainly to the biofuel segment

Pharma intermediates in line with Q3-19



Outlook

BioSolutions

- Total sales volume in Q4-20 expected to be 10-20% lower than in Q4-19
 - Mainly impacting sales to concrete admixtures and low-value industrial applications
 - Positive effect on product mix and average price in sales currency
- In total, demand is expected to be higher than supply in the 4th quarter
- However, reduced demand in certain speciality applications, particularly oil field chemicals and automotive, expected to continue
- Market conditions for biovanillin expected to be unchanged from the 3rd quarter.

BioMaterials

- Average price in sales currency for the full year is expected to be 0-1% above 2019
- Coronavirus effect on economic activity will continue to negatively influence demand for certain speciality cellulose grades
- Cellulose fibrils sales volume expected to continue to grow
- Wood costs in Q4-20 forecast to be 10-15 mNOK lower vs Q4-19

Fine Chemicals

- No major changes expected in the market conditions for pharma intermediates and bioethanol

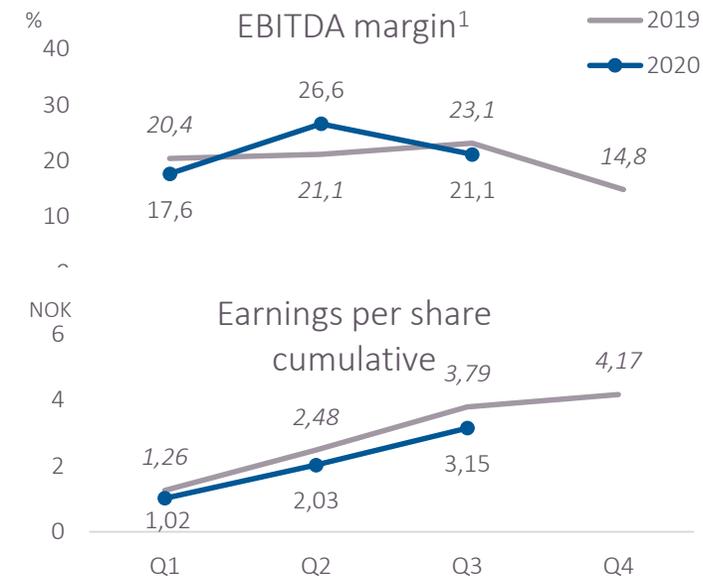
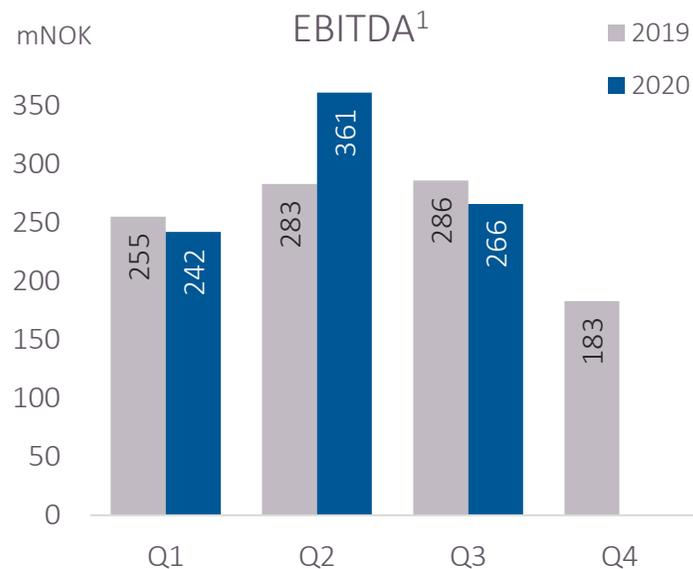
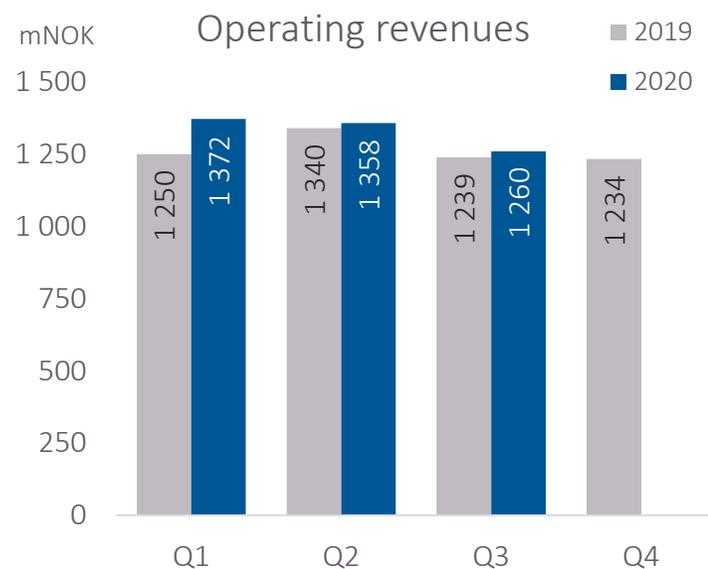
Covid-19 pandemic

- Possible further consequences of the coronavirus situation will affect Borregaard's business
- Continued focus on maintaining sufficient financial capacity and mitigating potential effects

Financial performance Q3-20



Borregaard key figures – Q3



Revenues 2% above Q3-19

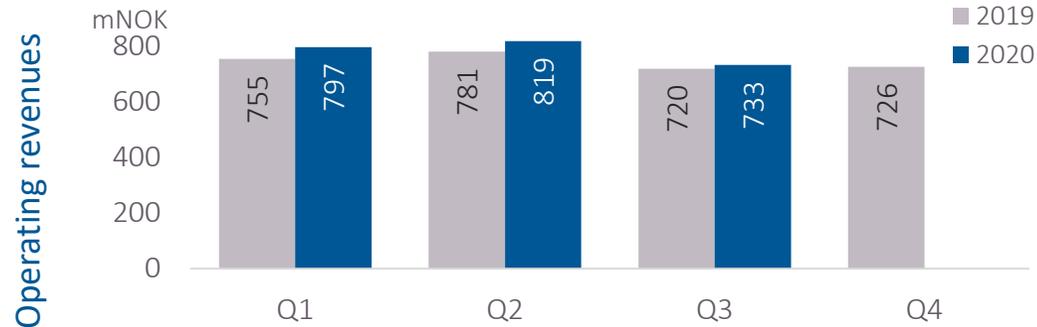
EBITDA¹ 266 mNOK for the Group

- Improved results in Fine Chemicals
- Negative Covid-19 effects in BioMaterials and BioSolutions
- Slightly negative net FX effect on EBITDA¹

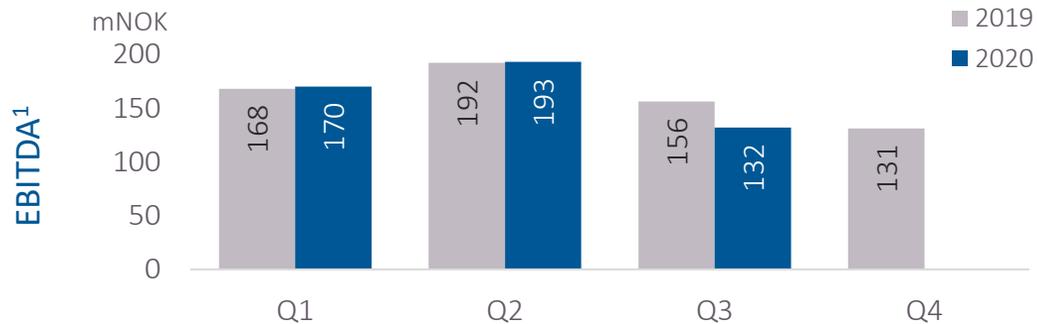
EPS at NOK 1.12 (NOK 1.31)

1) Alternative performance measure, see Appendix for definition

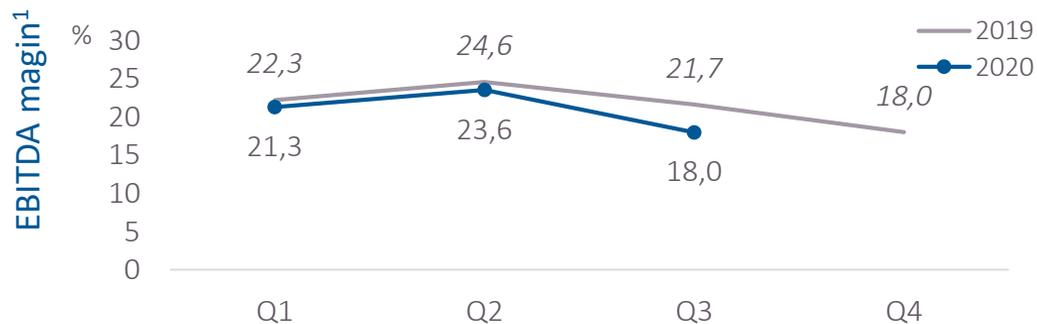
BioSolutions key figures – Q3



- Revenues 2% above Q3-19
- Average price in sales currency 10% above Q3-19 due to improved product mix
- Reduced raw material supply and 17% lower sales volume



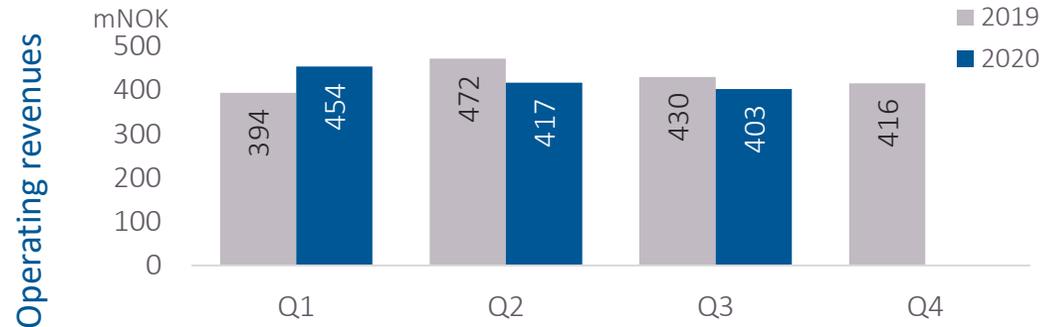
- Covid-19 effects on demand in the US market
- Higher distribution costs related to transatlantic shipments
- Cost reductions from upgrade in Norway and restructuring in Germany
- Negative net FX impact



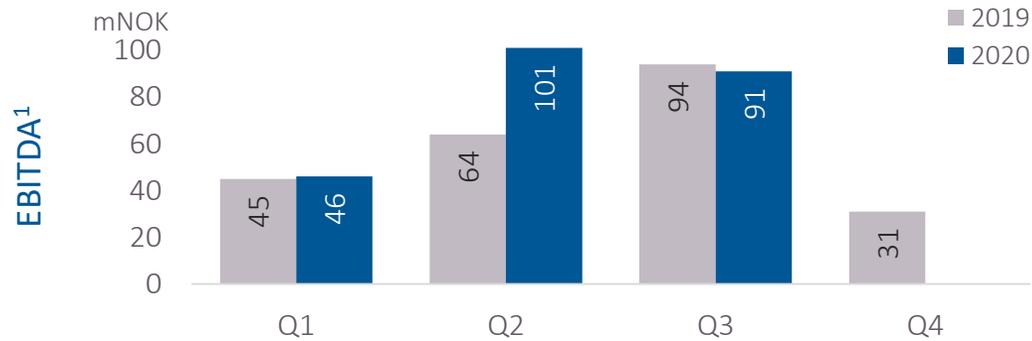
- EBITDA margin¹ below Q3-19

1) Alternative performance measure, see Appendix for definition

BioMaterials key figures – Q3



- Revenues 6% below Q3-19
- Reduced sales volume mainly related to the coronavirus situation



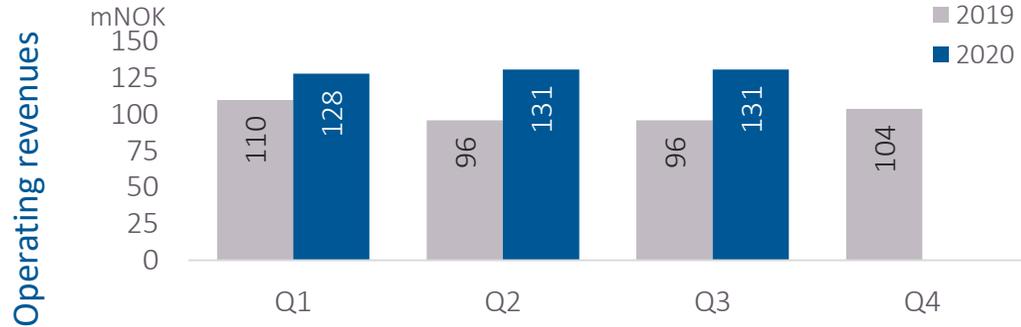
- Average price in sales currency 1% higher vs Q3-19
- Reduced wood and energy costs
- Higher cellulose fibrils sales did not fully compensate for reduced cost coverage from EU grant
- Negligible net FX impact



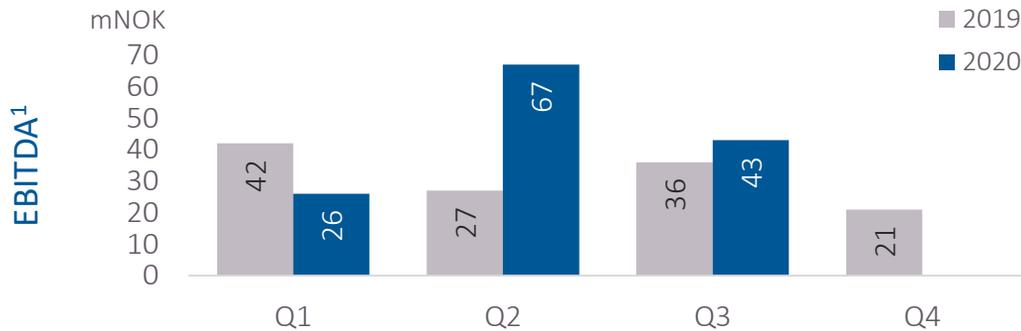
- EBITDA margin¹ above Q3-19

1) Alternative performance measure, see Appendix for definition

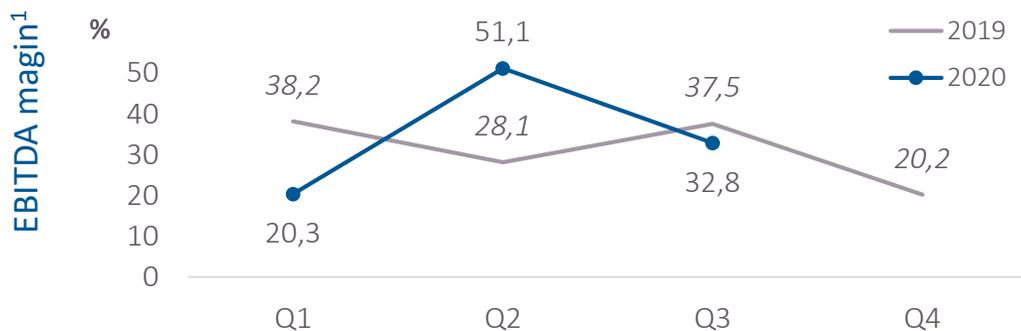
Fine Chemicals key figures – Q3



- Revenues 36% above Q3-19
- Higher prices and sales volume for bioethanol



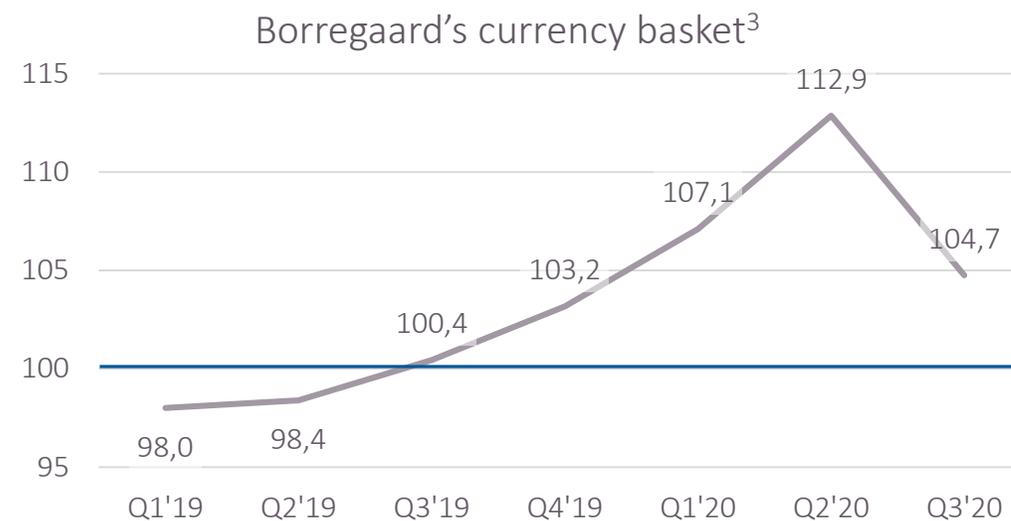
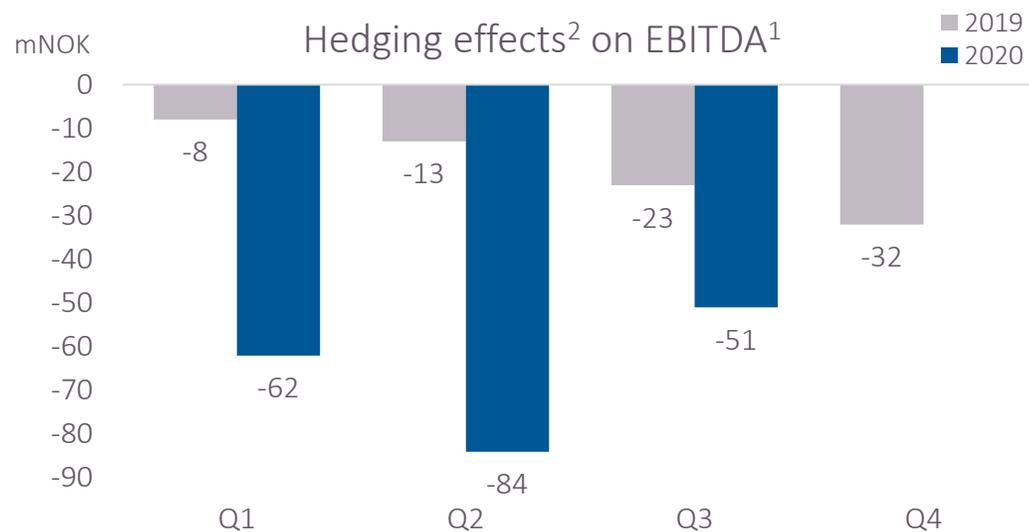
- Bioethanol result improved vs Q3-19
- Pharma intermediates in line with Q3-19
- Insignificant net FX effects



- EBITDA margin¹ below Q3-19

1) Alternative performance measure, see Appendix for definition

Currency impact



Net FX EBITDA¹ impact ≈-5 mNOK vs Q3-19

- Includes change in hedging effects and based on estimated FX exposure
- Net FX EBITDA¹ impact YTD ≈35 mNOK

Net FX EBITDA¹ impact in 2020 estimated to be ≈35 mNOK vs 2019

- Assuming rates as of 20 October (USD 9.29 and EUR 10.97) on expected FX exposure
- Net FX EBITDA¹ impact in Q4 estimated to be ≈0 mNOK vs Q4-19

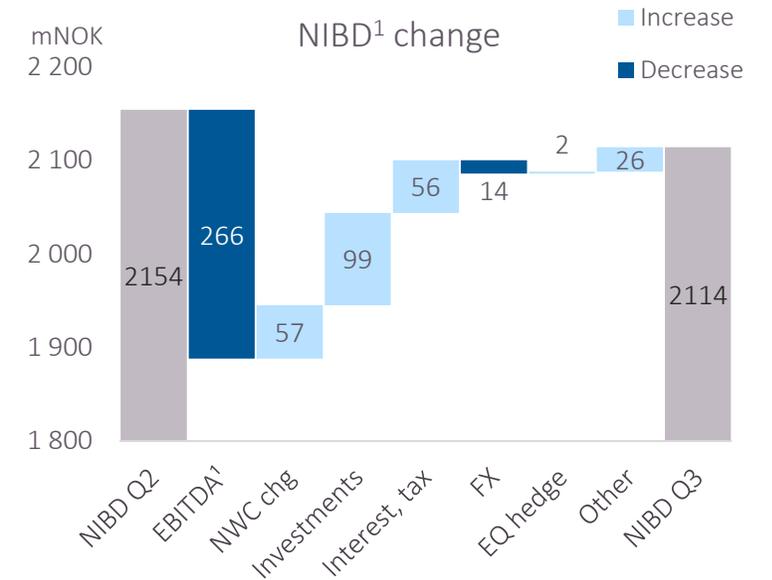
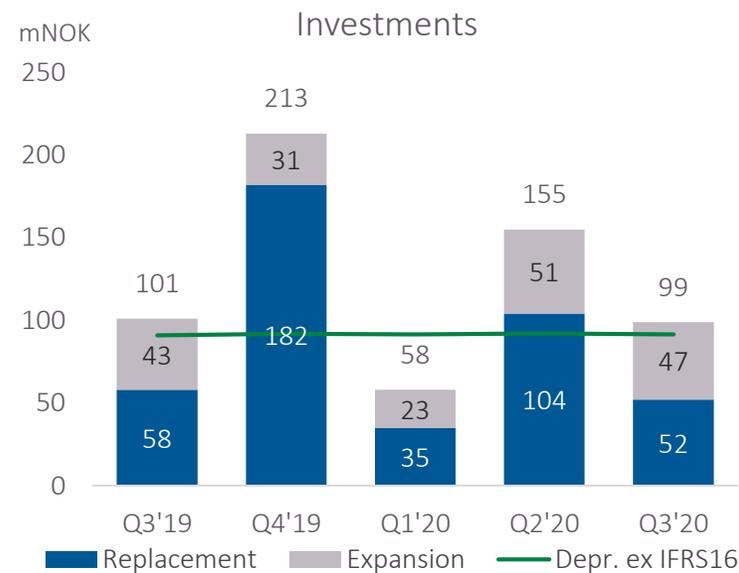
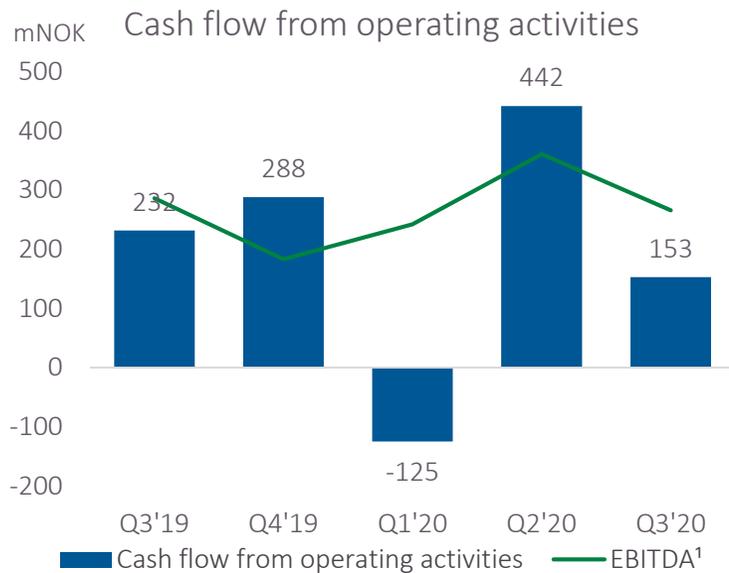
Significant FX exposure, but delayed impact of FX rate fluctuations due to hedging policy

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

Cash flow, investments and NIBD



Weaker cash flow from operating activities compared with Q3-19

- Increase in net working capital, negative cash effect from a decline in EBITDA¹ and higher tax payments in Norway

Investments in line with Q3-19

NIBD¹ decreased by 40 mNOK in Q3

- Leverage ratio¹ 2.01 vs 1.86 at year-end

Equity ratio¹ 47.5% vs 51.4% at year-end

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 | Q3-2020 | Q3-2019 | Change | YTD-2020 | YTD-2019 | Change |
|---|-------------|-------------|--------------|-------------|-------------|--------------|
| Operating revenues | 1 260 | 1 239 | 2 % | 3 990 | 3 829 | 4 % |
| EBITDA ¹ | 266 | 286 | -7 % | 869 | 824 | 5 % |
| Depreciation property, plant and equipment | -112 | -106 | | -333 | -308 | |
| Amortisation intangible assets | -1 | -1 | | -3 | -3 | |
| Other income and expenses ¹ | 0 | 0 | | -96 | -16 | |
| Operating profit | 153 | 179 | -15 % | 437 | 497 | -12 % |
| Financial items, net | -20 | -23 | | -60 | -60 | |
| Profit before taxes | 133 | 156 | -15 % | 377 | 437 | -14 % |
| Income tax expenses | -34 | -38 | | -109 | -104 | |
| Profit for the period | 99 | 118 | -16 % | 268 | 333 | -20 % |
| Profit attributable to non-controlling interests | -13 | -13 | | -47 | -46 | |
| Profit attributable to owners of the parent | 112 | 131 | | 315 | 379 | |
| Cash flow from operating activities (IFRS) | 153 | 232 | | 470 | 409 | |
| Earnings per share | 1,12 | 1,31 | -15 % | 3,15 | 3,79 | -17 % |
| EBITDA margin ¹ | 21,1 % | 23,1 % | | 21,8 % | 21,5 % | |

1) Alternative performance measure, see Appendix for definition

Operating revenues and EBITDA¹ per segment

Amounts in NOK million

| Operating revenues | Q3-2020 | Q3-2019 | Change |
|--------------------|---------|---------|--------|
| Borregaard | 1 260 | 1 239 | 2 % |
| BioSolutions | 733 | 720 | 2 % |
| BioMaterials | 403 | 430 | -6 % |
| Fine Chemicals | 131 | 96 | 36 % |
| Eliminations | -7 | -7 | |

Amounts in NOK million

| EBITDA ¹ | Q3-2020 | Q3-2019 | Change |
|---------------------|---------|---------|--------|
| Borregaard | 266 | 286 | -7 % |
| BioSolutions | 132 | 156 | -15 % |
| BioMaterials | 91 | 94 | -3 % |
| Fine Chemicals | 43 | 36 | 19 % |
| | | | |

Amounts in NOK million

| Operating revenues | YTD-2020 | YTD-2019 | Change |
|--------------------|----------|----------|--------|
| Borregaard | 3 990 | 3 829 | 4 % |
| BioSolutions | 2349 | 2256 | 4 % |
| BioMaterials | 1274 | 1296 | -2 % |
| Fine Chemicals | 390 | 302 | 29 % |
| Eliminations | -23 | -25 | |

Amounts in NOK million

| EBITDA ¹ | YTD-2020 | YTD-2019 | Change |
|---------------------|----------|----------|--------|
| Borregaard | 869 | 824 | 5 % |
| BioSolutions | 495 | 516 | -4 % |
| BioMaterials | 238 | 203 | 17 % |
| Fine Chemicals | 136 | 105 | 30 % |
| | | | |

Cash flow

| Amounts in NOK million | Q3-2020 | Q3-2019 | YTD-2020 | YTD-2019 | FY-2019 |
|---|-------------|-------------|-------------|-------------|-------------|
| Amounts in NOK million | | | | | |
| Profit before taxes | 133 | 156 | 377 | 437 | 467 |
| Amortisation, depreciation and impairment charges | 113 | 107 | 336 | 311 | 432 |
| Change in net working capital, etc | -57 | -37 | -221 | -256 | -85 |
| Dividend (share of profit) from JV | - | 3 | 63 | 3 | 5 |
| Taxes paid | -36 | 3 | -85 | -86 | -122 |
| Cash flow from operating activities | 153 | 232 | 470 | 409 | 697 |
| Investments property, plant and equipment and intangible assets * | -99 | -101 | -312 | -370 | -583 |
| Other capital transactions | -3 | 10 | 2 | 21 | 29 |
| Cash flow from Investing activities | -102 | -91 | -310 | -349 | -554 |
| Dividends | - | - | -229 | -224 | -224 |
| Proceeds from exercise of options/shares to employees | 5 | 4 | 34 | 34 | 35 |
| Buy-back of shares | -11 | -8 | -61 | -56 | -60 |
| Gain/(loss) on hedges for net investments in subsidiaries | -2 | -40 | -49 | -31 | -26 |
| Net paid to/from shareholders | -8 | -44 | -305 | -277 | -275 |
| Proceeds from interest-bearing liabilities | 400 | 351 | 1 350 | 1 698 | 2 100 |
| Repayment from interest-bearing liabilities | -516 | -425 | -1 446 | -1 478 | -1 971 |
| Change in interest-bearing receivables/other liabilities | 4 | 5 | 30 | -2 | -3 |
| Change in net interest-bearing liabilities | -112 | -69 | -66 | 218 | 126 |
| Cash flow from financing activities | -120 | -113 | -371 | -59 | -149 |
| Change in cash and cash equivalents | -69 | 28 | -211 | 1 | -6 |
| Cash and cash equivalents at beginning of period | -59 | 59 | 81 | 86 | 86 |
| Change in cash and cash equivalents | -69 | 28 | -211 | 1 | -6 |
| Currency effects cash and cash equivalents | 1 | 5 | 3 | 5 | 1 |
| Cash and cash equivalents at the end of the period | -127 | 92 | -127 | 92 | 81 |
| * Investment by category | | | | | |
| Replacement Investments | 52 | 58 | 191 | 188 | 370 |
| Expansion investments ¹ | 47 | 43 | 121 | 182 | 213 |

1) Alternative performance measure, see Appendix for definition

Balance sheet

| Amounts in NOK million | 30.09.2020 | 30.06.2020 | 31.12.2019 |
|----------------------------------|--------------|--------------|--------------|
| Assets: | | | |
| Intangible assets | 90 | 94 | 93 |
| Property, plant and equipment | 3 962 | 3 975 | 3 852 |
| Right-of-use assets | 374 | 374 | 380 |
| Other assets | 249 | 284 | 251 |
| Investment in joint venture | 26 | 26 | 99 |
| Non-current assets | 4 701 | 4 753 | 4 675 |
| Inventories | 1 001 | 1 003 | 931 |
| Receivables | 1 055 | 1 120 | 991 |
| Cash and cash deposits | 50 | 67 | 147 |
| Current assets | 2 106 | 2 190 | 2 069 |
| Total assets | 6 807 | 6 943 | 6 744 |
| Equity and liabilities: | | | |
| Group equity | 3 112 | 2 926 | 3 306 |
| Non-controlling interests | 124 | 141 | 158 |
| Equity | 3 236 | 3 067 | 3 464 |
| Provisions and other liabilities | 373 | 444 | 294 |
| Interest-bearing liabilities | 1 480 | 1 530 | 1 419 |
| Non-current liabilities | 1 853 | 1 974 | 1 713 |
| Interest-bearing liabilities | 687 | 694 | 608 |
| Other current liabilities | 1 031 | 1 208 | 959 |
| Current liabilities | 1 718 | 1 902 | 1 567 |
| Equity and liabilities | 6 807 | 6 943 | 6 744 |
| Equity ratio ¹ (%): | 47,5 % | 44,2 % | 51,4 % |

1) Alternative performance measure, see Appendix for definition

Net financial items & net interest-bearing debt¹

Amounts in NOK million

| Net financial items | Q3-2020 | Q3-2019 | YTD-2020 | YTD-2019 |
|----------------------------|------------|------------|------------|------------|
| Net interest expenses | -18 | -18 | -59 | -49 |
| Currency gain/loss | -1 | -4 | 1 | -9 |
| Other financial items, net | -1 | -1 | -2 | -1 |
| Net financial items | -20 | -23 | -60 | -60 |

Amounts in NOK million

| Net interest-bearing debt ¹ (NIBD) | 30.09.2020 | 30.06.2020 | 31.12.2019 |
|---|--------------|--------------|--------------|
| Non-current interest-bearing liabilities | 1 480 | 1 530 | 1 419 |
| Current interest-bearing liabilities including overdraft facilities | 687 | 694 | 608 |
| Non-current interest-bearing receivables (included in "Other Assets") | -3 | -3 | -4 |
| Cash and cash deposits | -50 | -67 | -147 |
| Net interest-bearing debt¹ (NIBD) | 2 114 | 2 154 | 1 876 |
| - of which impact from IFRS 16 leases | 386 | 385 | 387 |

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; effective rate above 8.50
 USD; gradually at effective rates between 7.50 and 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 20.10.20)

| | USD million | USD rate | EUR million | EUR rate |
|---------|-------------|----------|-------------|----------|
| Q4-2020 | 35 | 8.29 | 24 | 10.07 |
| 2021 | 143 | 8.39 | 98 | 10.19 |
| 2022 | 127 | 8.95 | 95 | 10.65 |
| 2023 | 74 | 9.55 | 56 | 11.13 |

Hedging effects by segment

| NOK million | Q3-20 | Q3-19 | YTD-20 | YTD-19 |
|-------------------|------------|------------|-------------|------------|
| BioSolutions | -21 | -9 | -85 | -19 |
| BioMaterials | -25 | -11 | -94 | -21 |
| Fine Chemicals | -5 | -3 | -18 | -4 |
| Borregaard | -51 | -23 | -197 | -44 |

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 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

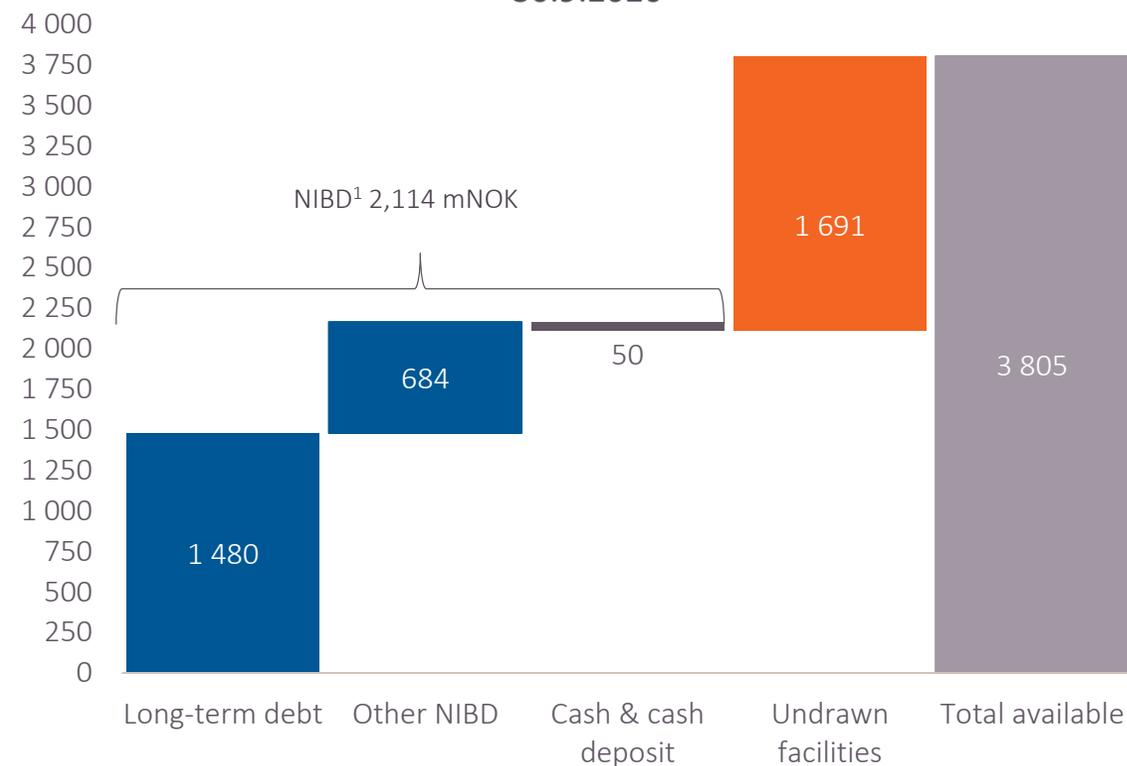
Short-term credit facilities

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

Solidity

- Equity ratio¹ 47.5% (> 25%)
- Leverage ratio¹ LTM 2.01 (< 3.25²) (covenant)

Debt and undrawn facilities
30.9.2020



1) Alternative performance measure, see Appendix for definition

2) Leverage ratio covenant is pre IFRS 16 Leases, and the actual leverage ratio¹ is restated to pre IFRS 16 for compliance calculations

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 (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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