Carnegie Small & Mid Cap Seminar
Stockholm, 3 September 2019

Per Bjarne Lyngstad, CFO
Borregaard is a global leader in biochemicals

Business model & strategy

High value added through full raw materials utilisation
Borregaard’s biochemicals are sustainable and environmentally friendly substitutes for petrochemicals

SPECIALITY CELLULOSE & CELLULOSE FIBRILS

▲ 45% FIBRES

BIOETHANOL

▲ 25% SUGAR

LIGNIN & VANILLIN

▲ 30% BINDING MATERIAL
Operates the world’s most advanced biorefinery

Integrated production system serving diverse markets

SPECIALITY CELULOSE
Construction materials
Filters
Inks and coatings
Casings
Food/Pharma/
Personal care
Textiles

LIGNIN
Concrete additives
Animal feed
Agrochemicals
Batteries
Briquetting
Soil conditioner

VANILLIN
Food
Perfumes
Pharmaceuticals

BIOETHANOL
Biofuel
Car care products
Household chemicals
Solvents
Food
Personal care
Pharma

CELLULOSE FIBRILS
Adhesives
Coatings
Agricultural chemicals
Personal care
Home care
Construction

Integration models:
Own integrated
Partner integrated
Independent

End markets 2018

- Chemical/Others: 37%
- Food & Pharma: 28%
- Agriculture: 19%
- Construction: 16%
Global niche player with a market driven organisation

- Largest supplier and technology leader in lignin-based products with global market access
- Leading global speciality cellulose supplier, significant producer of 2nd generation bioethanol
- Only producer of wood-based vanillin; largest producer of intermediates for contrast agents, pioneer in cellulose fibrils

Market driven organisation
- ~110 FTEs strong sales/technical service organisation
- Dedicated sales force for each business unit
- ~90% of sales handled through own organisation

Sales distribution (2018)

1) Segment revenue as a % of total revenue 2018
2) USA/Canada: 23%, rest of Americas 5%
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
Sustainability
Integral part of market offering

RAW MATERIALS
Natural, renewable, sustainable raw materials

PROCESSES
Efficient and sustainable production and value chain

PRODUCTS
Sustainable biochemicals

Sustainable and certified wood
- Documentation
- PEFC\(^1\) and FSC\(^1\) standards
- Lignin raw materials from certified forests

Reduced emissions improve LCA\(^2\)
- Target based CO\(_2\)-reductions
  - Energy conservations
  - New/Green energy sources
- Reduced emissions to water and air
- “Greener” logistical solutions

Products add sustainable value to customers
- **Climate**: LCA\(^2\) shows favourable GHG footprint
- **Biobased**: Natural raw materials preferred
- **EHS\(^3\)**: 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
### Other Businesses

**Positive trend for Borregaard’s wood based vanillin**

<table>
<thead>
<tr>
<th>Raw material</th>
<th>Vanilla beans</th>
<th>Plant based vanillin</th>
<th>Oil based vanillin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beans</td>
<td>Beans</td>
<td>Ferulic acid from bran/straw</td>
<td>Guaiacol</td>
</tr>
<tr>
<td>Eugenol from clove</td>
<td>Lignin from wood</td>
<td>Guaiacol from creosote/tar</td>
<td>Guethol</td>
</tr>
</tbody>
</table>

**Key selling points**
- Natural/flavor profile
- Plant based/natural raw material/sustainability /flavor profile
- Price

| Sales volume (MT)\(^1\) | ≈2400\(^2\) | ≈2000 | ≈15 000 | ≈5 000 |
| Indicative price level USD/kg\(^1\) | ≈500 | ≈400 | 25 - 100 | 10 - 15 |
| # of manufacturers\(^1\) | 1000+ | 5 | 4 | 3 |
| Growth\(^1\) | ≈10% | 1 | 1 | 1%

1) Company estimates
2) Cured vanilla pods contain around 1-2% vanillin, corresponding to around 25 – 50 MT on pure vanillin basis
Borregaard portfolio - strategic priorities

- **Specialisation, diversification and growth** within Performance Chemicals
  - Increase sales of high-value lignin products
  - Drive product portfolio diversification
  - Leverage expanded lignin capacity

- **Develop** the unique biorefinery assets in Sarpsborg
  - Leverage high-value raw material base in Performance Chemicals
  - Expand capacity for wood based vanillin
  - Continue specialisation of Speciality Cellulose, Bioethanol and Ingredients
  - Strong focus on innovation and productivity efforts

- **Establish** Cellulose Fibrils as a new business area
  - Based on core competence within wood chemistry and fine chemistry
  - Increased specialisation through high value added
Business model & strategy

Completed and ongoing strategic projects

• Specialisation, diversification and growth within Performance Chemicals
  • Florida plant (1st phase) started up mid 2018
  • Upgrade and increased specialisation in Sarpsborg (2019)
  • Extension of joint venture agreement in South Africa to 2032

• Develop the unique biorefinery asset in Sarpsborg
  • High-end bioethanol expansion started up in Q1-18
  • Ice Bear capacity expansion completed end 2018
  • Lignin upgrade/specialisation in operation from July 2019
  • Wood based vanillin capacity expansion, completion 1H-21

• Establish Cellulose Fibrils as a new business area
  • Commercial-scale production facility completed in Q4-16
  • Exilva market introduction ongoing
Driving specialisation and diversification

Industrial and Specialities targeted to represent 70% of total sales volume by end 2021

Volume split 2009-2018

- Construction
- Industrial
- Specialities

Target

- 20% Industrial
- 50% Specialities
- 35% Construction
- ~550 kmtds

1) Metric tonne dry solid (thousand)
Value creation since IPO

Financials

Share price, including reinvestment of dividend: 30.0%

Enterprise value = market cap + net debt: 22.0%
ROCE$^{1)}$ and profitability objectives

**Profitability objectives**

- ROCE >15% pre-tax over a business cycle
- IRR >15% pre-tax for expansion investments
Dividend policy

• To pay regular and progressive dividends reflecting expected long-term earnings, free cash flow and expansion investments

• Annual dividend is targeted between 30% and 50% of net profit for the preceding fiscal year

1) Earnings per share
2) Total dividend per share divided by earnings per share
Important notice

This presentation is being made only to, and is only directed at, persons to whom such presentation may lawfully be communicated (‘relevant persons’). Any person who is not a relevant person should not act or rely on this presentation or any of its contents.

This presentation does not constitute an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in any company within the Borregaard Group. The release, publication or distribution of this presentation in certain jurisdictions may be restricted by law, and therefore persons in such jurisdictions into which this presentation is released, published or distributed should inform themselves about, and observe, such restrictions.

This presentation includes and is based, inter alia, on forward-looking information and contains statements regarding the future in connection with the Borregaard Group’s growth initiatives, profit figures, outlook, strategies and objectives. All forward-looking information and statements in this presentation are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for the Borregaard Group and its lines of business. These expectations, estimates and projections are generally identifiable by statements containing words such as “expects”, “believes”, “estimates” or similar expressions.

Important factors may lead to actual profits, results and developments deviating substantially from what has been expressed or implied in such statements. Although Borregaard believes that its expectations and the presentation are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in the presentation.

Borregaard is making no representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the presentation, and neither Borregaard nor any of its directors, officers or employees will have any liability to you or any other persons resulting from your use.

Information contained herein will not be updated. The slides should also be read and considered in connection with the information given orally during the presentation.

This presentation is subject to Norwegian law, and any dispute arising in respect of this presentation is subject to the exclusive jurisdiction of Norwegian courts.