

1st Quarter 2023

Oslo, 3 May 2023

Agenda

Per A Sørli, President & CEO

- Highlights
- Business segments
- Expansion investments
- Outlook

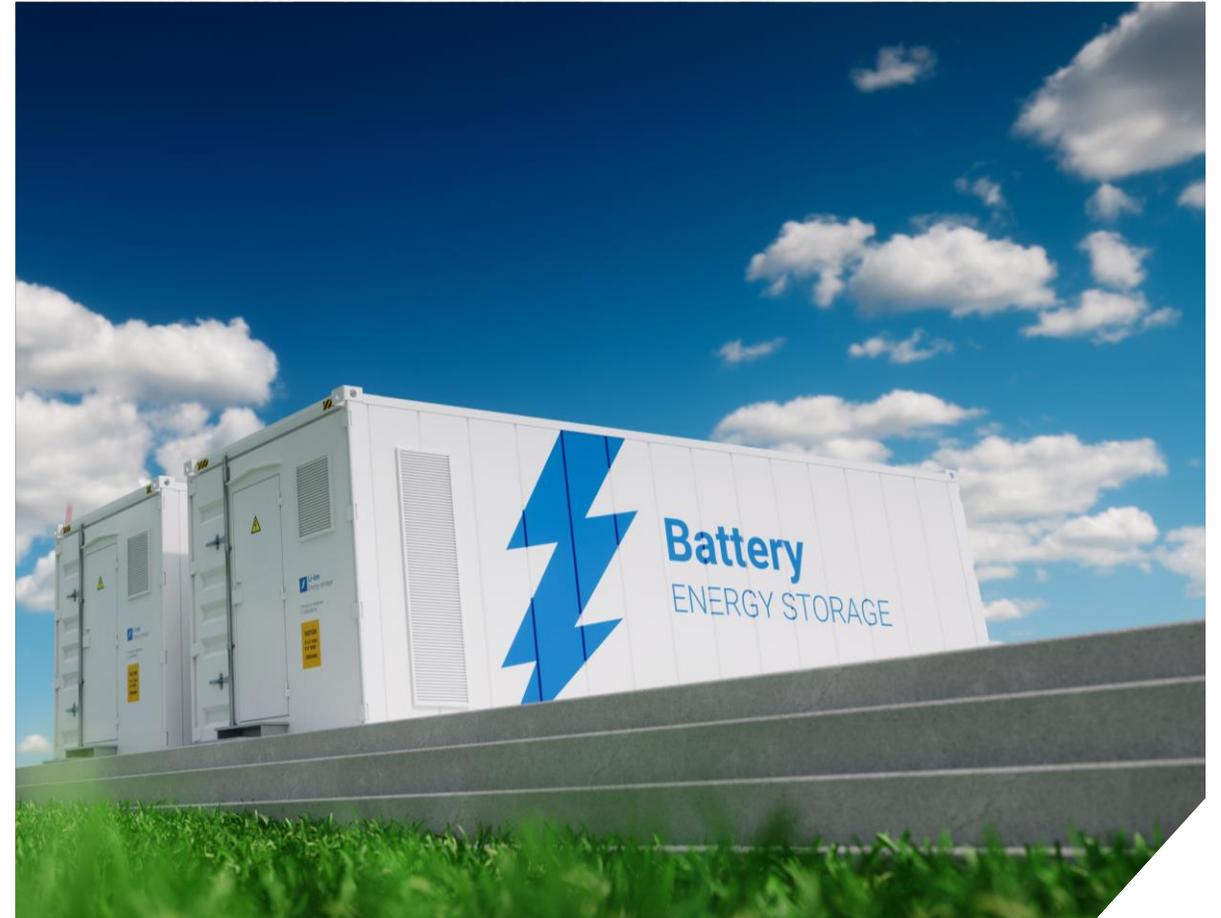
Per Bjarne Lyngstad, CFO

- Financial performance



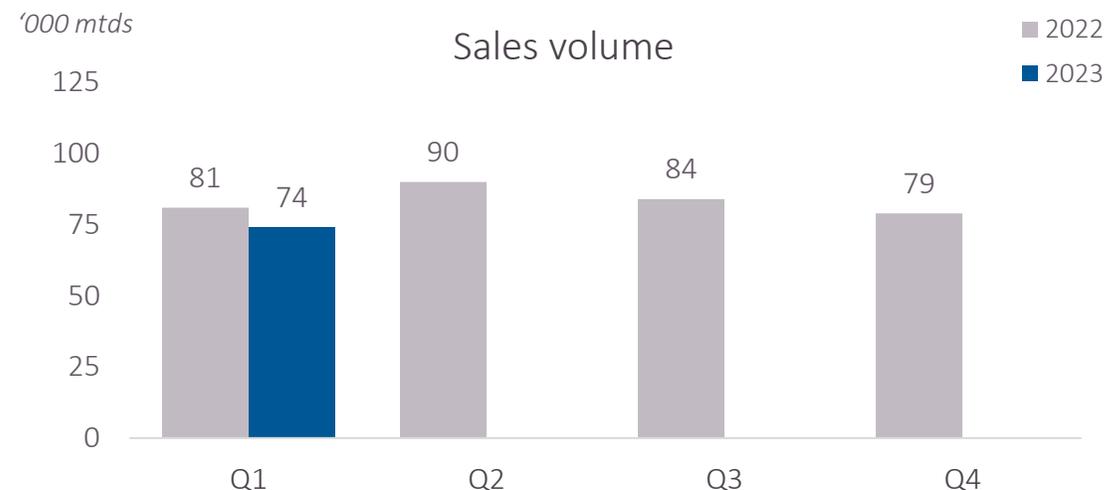
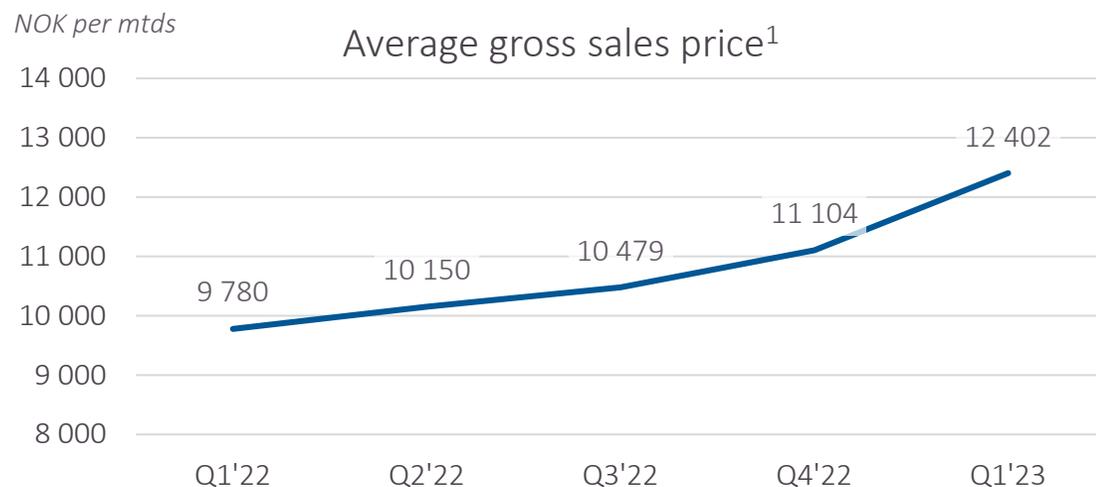
Highlights – 1st quarter 2023

- EBITDA¹ NOK 435 million (NOK 400 million)
- Positive development for agriculture and batteries in BioSolutions
- Increased sales prices in BioMaterials
- Increased sales prices and high production output in Fine Chemicals
- Reduced margin and volume for traded vanillin products
- Cost inflation affected all business areas
- Positive net currency effects



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 13% above Q1-22

- Higher sales prices and continued portfolio optimisation for biopolymer applications
- Positive development for agriculture and batteries

Sales volume 9% lower vs Q1-22

- Mainly due to lower demand within construction

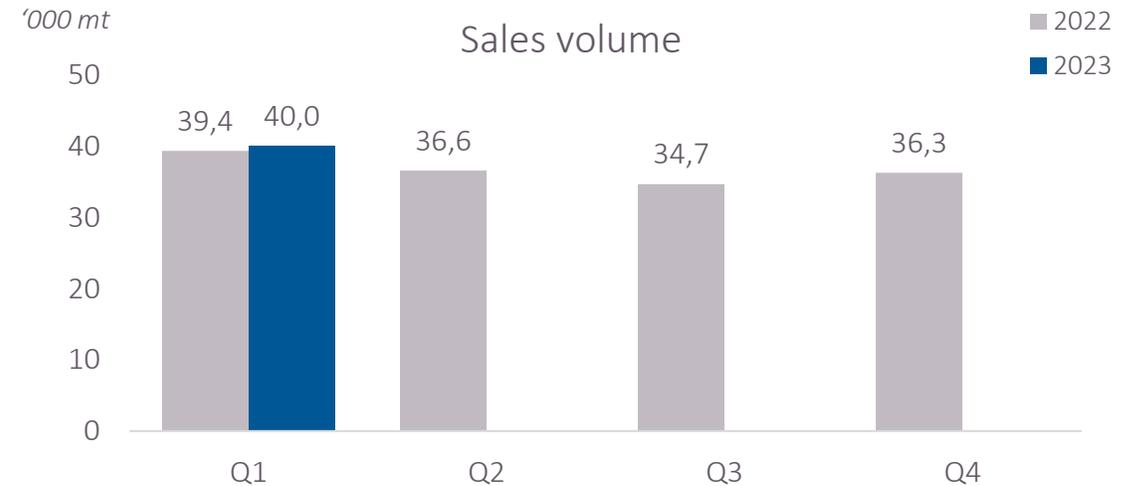
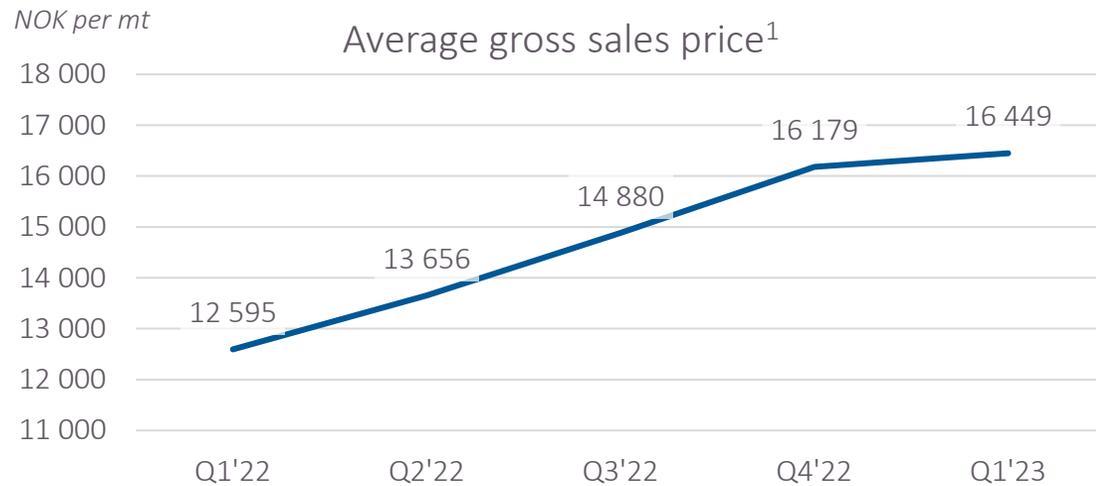
Reduced margin and volume for traded vanillin products

- Deliveries of wood-based vanillin in line with Q1-22

Positive FX effects

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 18% higher than Q1-22

- Prices in sales currency in line with Q4-22

Sales volume in line with Q1-22

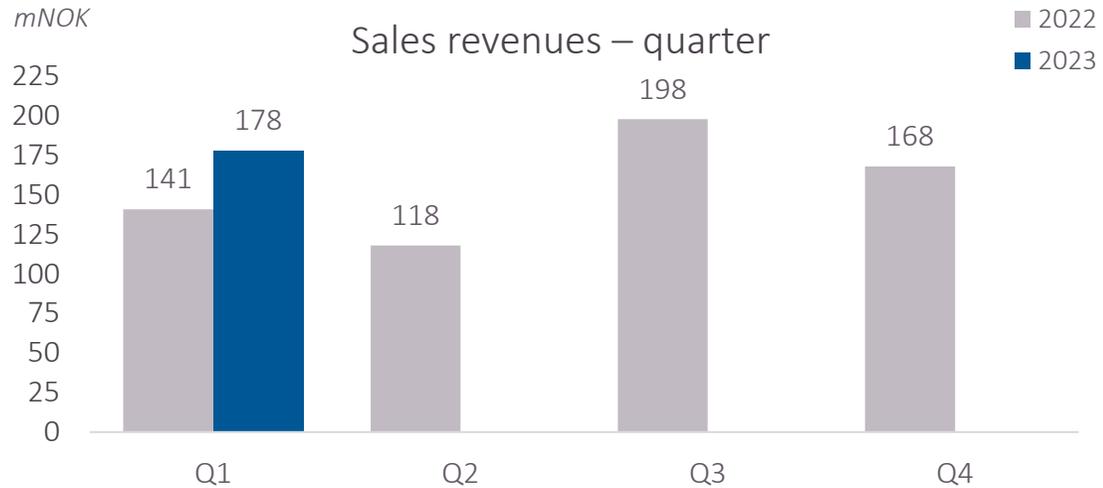
- In total, strong demand in the quarter
- Slowdown in sales to the construction market for cellulose ethers compensated by sales of other highly specialised grades

Slight improvement in volume and sales prices for cellulose fibrils

Positive FX impact

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

- Increased sales prices and high production output
- Favourable market conditions for advanced bioethanol to biofuels in several European countries
- Strong product mix for fine chemical intermediates
- Positive FX impact

Specialisation investment in BioSolutions

100 mNOK expansion investment

- 1,000 tonnes/year demonstration plant at Sarpsborg biorefinery
- Completion mid-2025, gradual start-up from H2-24

New green technology platform for high-end applications

- Next generation lignin-based biopolymers
- Granulation¹ of existing and new products

Targeted application areas

- Home care applications like detergents, laundry and cosmetics
- Industrial cleaners and water treatment
- Agriculture



¹ Granulation is a method of making free-flowing granules from liquids

Increased ownership in Alginor – a «blue» biorefinery

Alginor

- Marine biotech company in development phase based in Haugesund, Norway
- Core technology: Sustainable harvesting and biorefining of kelp
- High-value ingredients to global markets for pharmaceutical and nutraceutical applications

Borregaard's engagement in Alginor

- 124 mNOK invested in April
- Will facilitate investments to shorten time-to-market for commercial volumes of the key product; alginate
- 35% ownership fully diluted
- Total investment ≈268 mNOK



Outlook

BioSolutions

- Portfolio optimisation within biopolymer applications will continue
- Total sales volume forecast to be largely in line with 2022, depending on global economic development and the construction market in particular
- Sales volume in Q2-23 expected to be in the range of 80,000 to 85,000 tonnes
- Margins for traded synthetic vanillin and ethyl vanillin expected to normalise in H2-23

BioMaterials

- Total sales volume for 2023 forecast to be higher than production output
- Sales volume of highly specialised grades expected to increase
- In Q2-23, the average price in sales currency expected to be in line with Q1-23
- Construction market for cellulose ethers the main uncertainty, other applications expected to largely compensate for a potential slowdown
- Sales growth will continue for cellulose fibrils

Fine Chemicals

- Sales volume and product mix for fine chemical intermediates expected to improve vs 2022
- Favourable market conditions for advanced biofuels in several European countries, sales prices for bioethanol expected to increase vs 2022

Raw material and energy costs

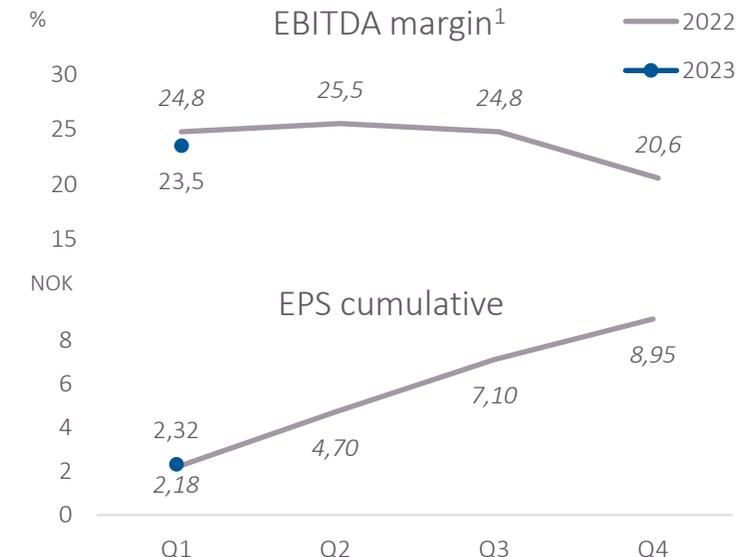
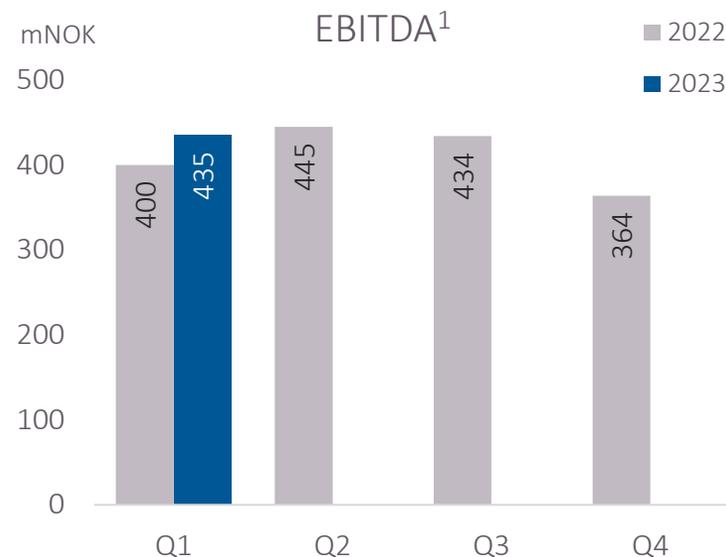
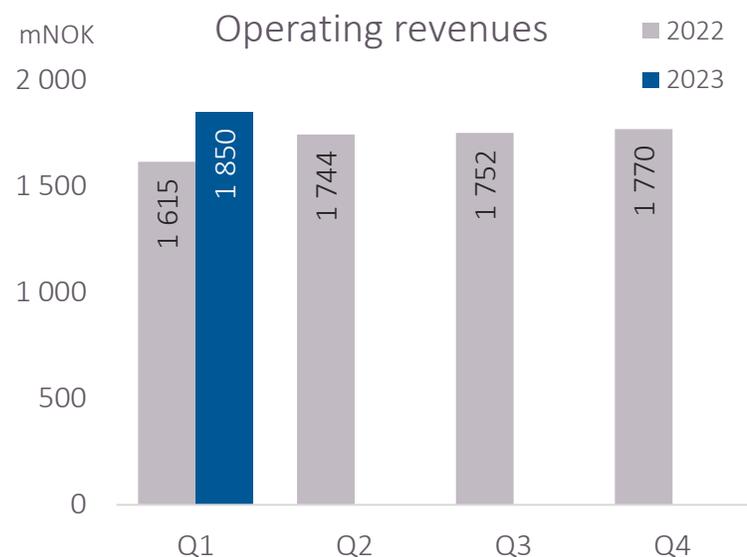
- Wood costs will increase 10-15% in H1-23 vs H2-22
- In Q2-23, energy and other raw material costs expected to be lower than in Q1-23

Cost inflation, the Russian invasion in Ukraine and financial market disturbances may impact the global economy

Financial performance Q1-23



Borregaard key figures – Q1



Revenues 15% above Q1-22

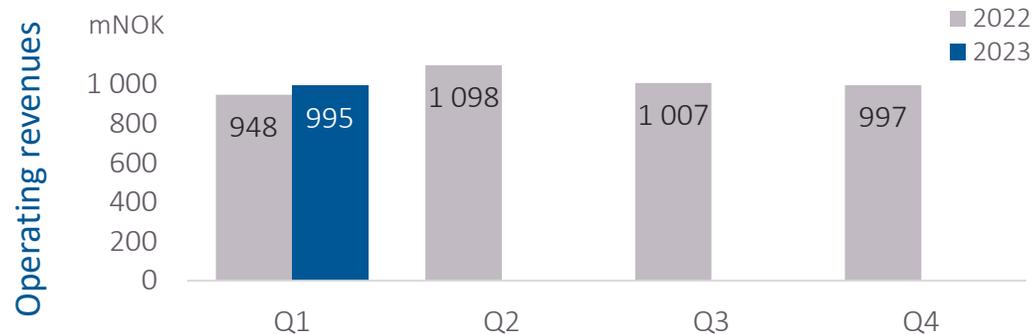
EBITDA¹ 435 mNOK for the Group

- Fine Chemicals and BioMaterials had result improvements while BioSolutions had a decrease
- Increased sales prices and positive net FX effects more than offset cost inflation and reduced margin and volume for traded vanillin products
- EBITDA¹ margin slightly below Q1-22

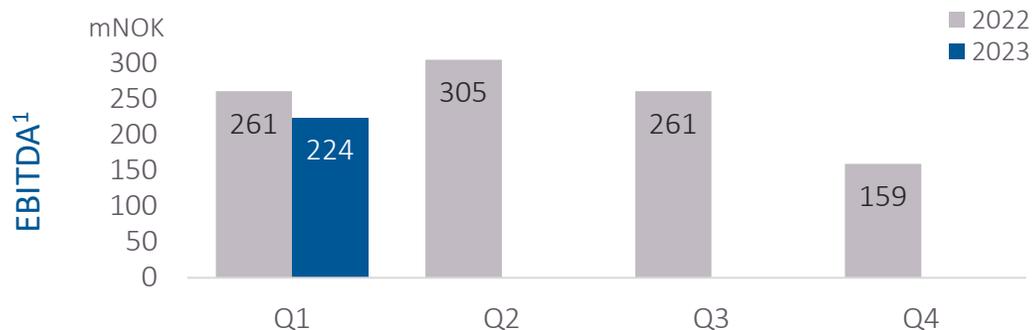
Earnings per share (EPS) NOK 2.32 (NOK 2.18)

¹ Alternative performance measure, see Appendix for definition

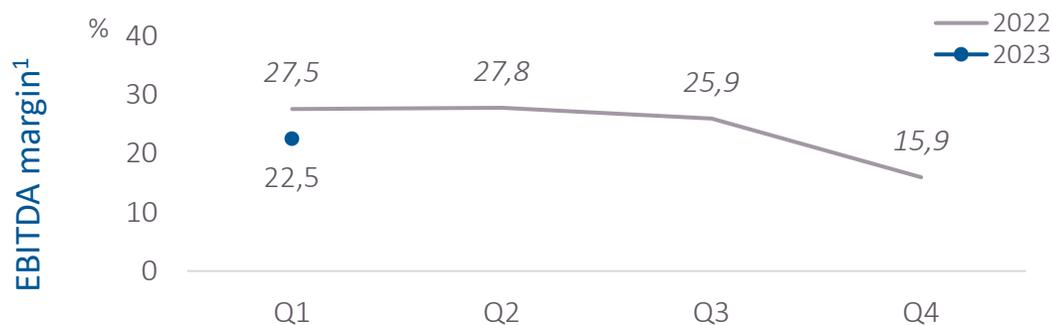
BioSolutions key figures – Q1



- Revenues 5% above Q1-22
- Increased sales prices and positive FX impact
- Lower sales volume



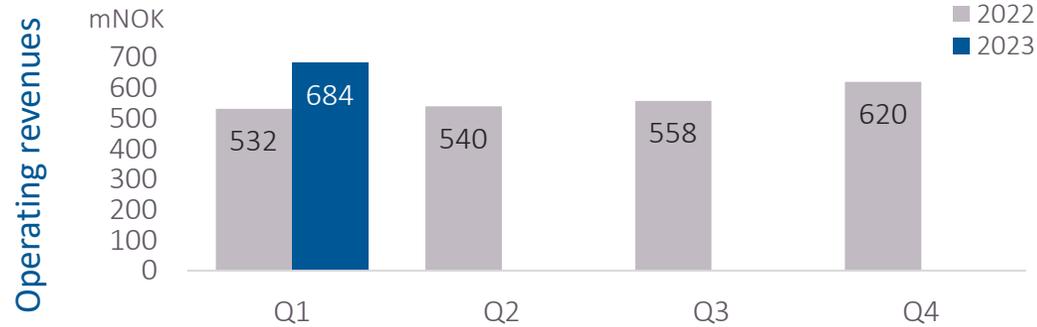
- Reduced margin and volume for traded vanillin products
- Increased sales prices for biopolymers
- Increased costs and lower sales volume
- Positive net FX impact



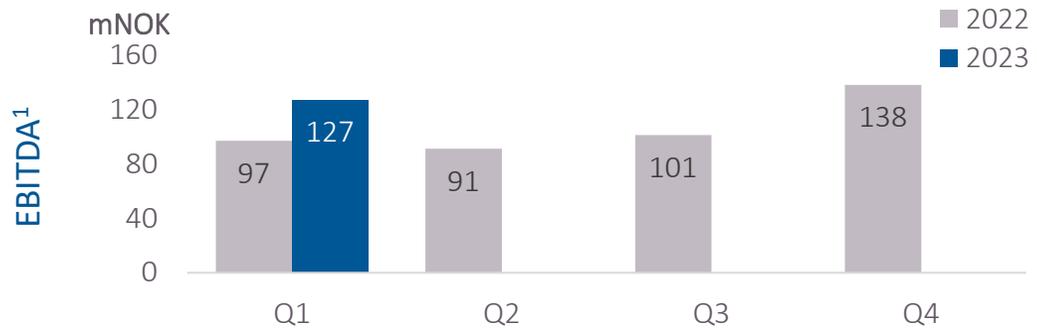
- Lower EBITDA margin¹ vs Q1-22

¹ Alternative performance measure, see Appendix for definition

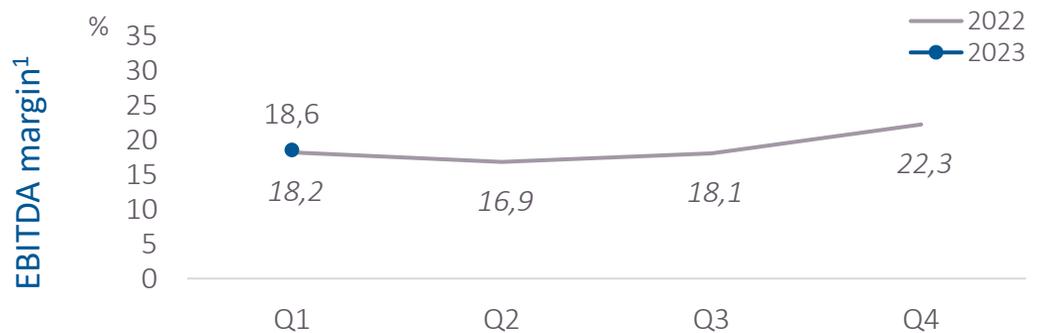
BioMaterials key figures – Q1



- Revenues increased 29% vs Q1-22
- Higher sales prices for speciality cellulose
- Positive FX impact



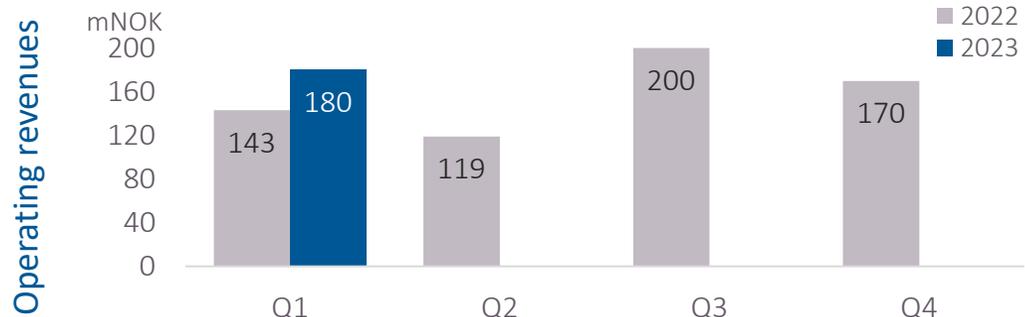
- Increased sales prices
- Higher wood costs and other operating expenses
- Positive net FX impact



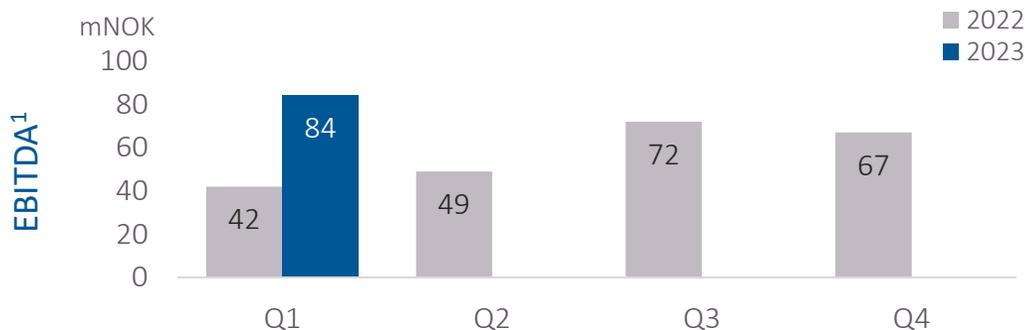
- EBITDA margin¹ slightly above Q1-22

¹ Alternative performance measure, see Appendix for definition

Fine Chemicals key figures – Q1



- Revenues increased 26% vs Q1-22
- Increased sales prices



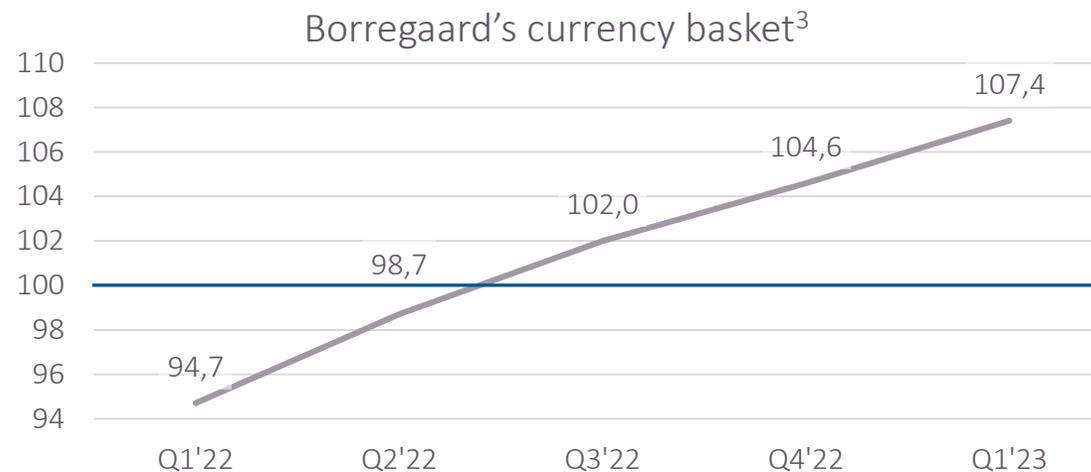
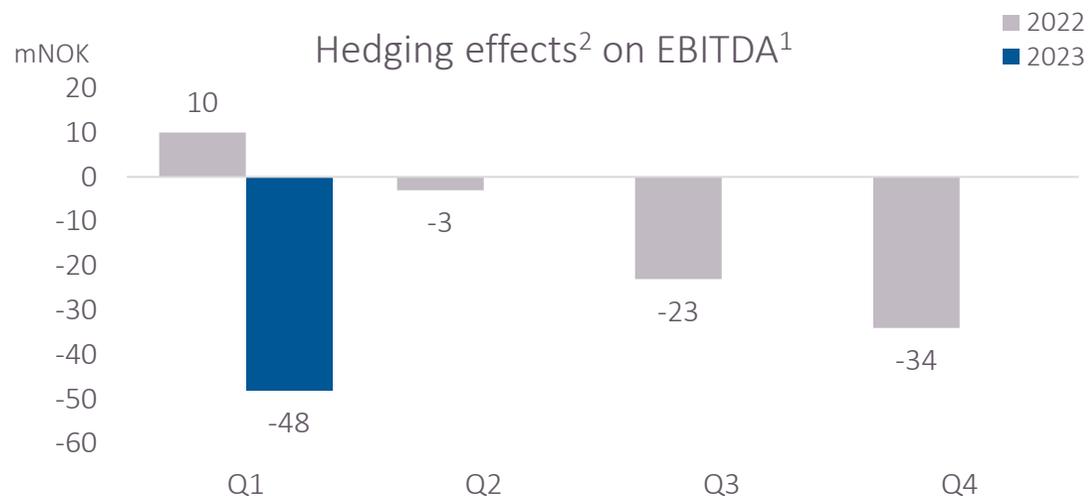
- Increased sales prices and high production output
- Strong product mix for fine chemical intermediates
- Lower deliveries and higher costs
- Positive net FX impact



- EBITDA margin¹ significantly above Q1-22

¹ Alternative performance measure, see Appendix for definition

Currency impact



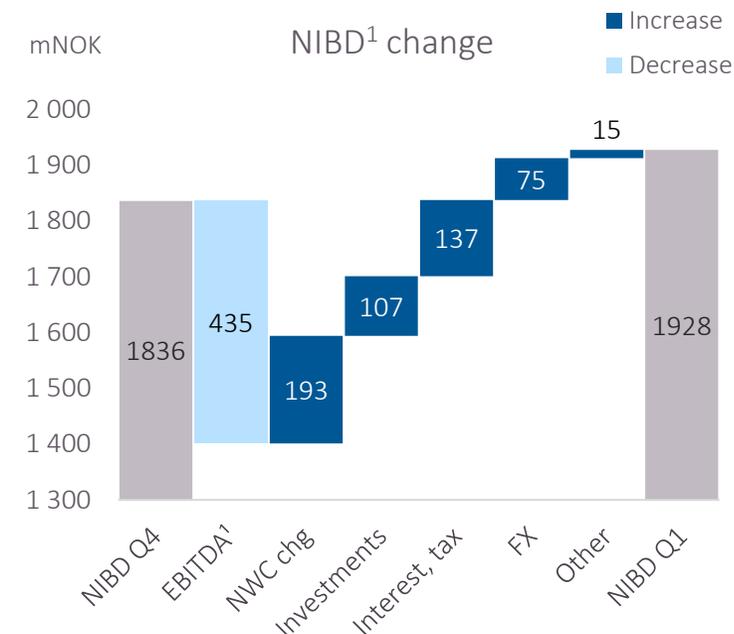
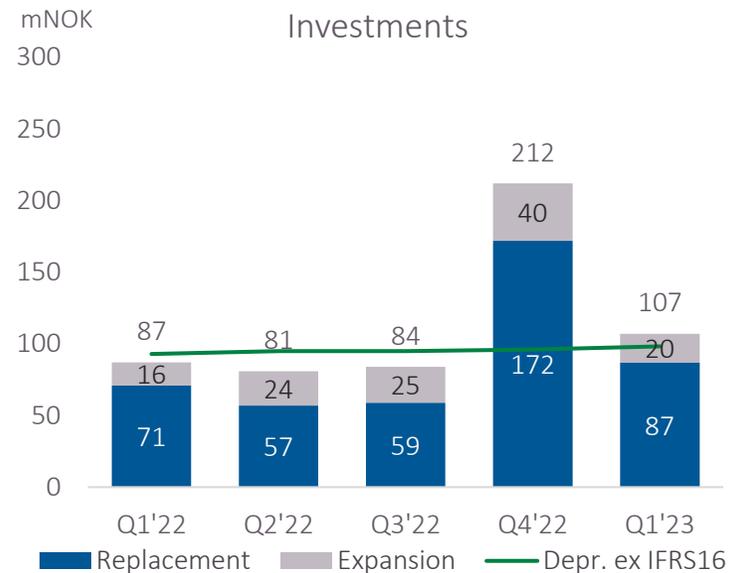
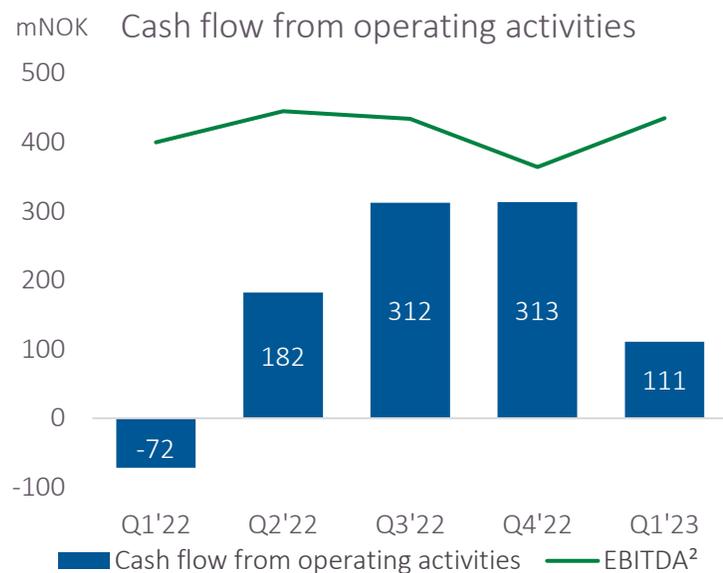
- Net FX EBITDA¹ impact ≈75 mNOK vs Q1-22
 - Includes change in hedging effects and based on estimated FX exposure
- Net FX EBITDA¹ impact in 2023 estimated to be ≈210 mNOK vs 2022
 - Assuming rates as of 2 May (USD 10.73 and EUR 11.76) on expected FX exposure
 - Net FX EBITDA¹ impact in Q2 estimated to be ≈70 mNOK vs Q2-22
- 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 2022 (=100): USD 53% (≈197 mUSD), EUR 42% (≈147 mEUR), Other 5% (GBP, BRL, JPY, SEK)

Cash flow, investments and NIBD



Positive cash flow in Q1

- High deliveries and increased accounts receivable affected net working capital negatively towards the end of the quarter
- Tax payments were higher vs Q1-22

Total investments 107 mNOK

NIBD¹ increased 92 mNOK in Q1

- Leverage ratio¹ 1.15 (1.04)

Equity ratio¹ 51% (62%)

¹ Alternative performance measure, see Appendix for definition

Questions?

Per A Sørli, President & CEO

Per Bjarne Lyngstad, CFO

Please note that you can submit questions online during the webcast



Appendix



Borregaard – key figures

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, see Appendix for definition

Operating revenues and EBITDA¹ per segment

Amounts in NOK million

Operating revenues	Q1-23	Q1-22	Change
Borregaard	1 850	1 615	15 %
BioSolutions	995	948	5 %
BioMaterials	684	532	29 %
Fine Chemicals	180	143	26 %
Eliminations	-9	-8	

Amounts in NOK million

EBITDA ¹	Q1-23	Q1-22	Change
Borregaard	435	400	9 %
BioSolutions	224	261	-14 %
BioMaterials	127	97	31 %
Fine Chemicals	84	42	100 %

¹ Alternative performance measure, see Appendix for definition

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, see Appendix for definition

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, see Appendix for definition

Net financial items & net interest-bearing debt¹

Amounts in NOK million

Net financial items	Q1-23	Q1-22
Net interest expenses	-29	-13
Currency gain/loss	6	1
Share of profit/-loss from an associate	-2	-1
Other financial items, net	-3	-1
Net financial items	-28	-14

Amounts in NOK million

Net interest-bearing debt ¹ (NIBD)	31.3.2023	31.12.2022
Non-current interest-bearing liabilities	1 490	1 370
Current interest-bearing liabilities including overdraft of cashpool	657	702
Non-current interest-bearing receivables (included in "Other Assets")	-2	-2
Cash and cash deposits	-217	-234
Net interest-bearing debt¹ (NIBD)	1 928	1 836
- of which impact from IFRS 16 leases	379	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 02.05.23)

	USD million	USD rate	EUR million	EUR rate
Q2-2023	36	9.55	36	10.81
Q3-2023	36	9.15	35	10.76
Q4-2023	36	8.97	35	10.71
2023	108	9.22	106	10.76
2024	142	9.00	124	10.57
2025	108	9.63	100	10.68
2026	31	10.06	28	11.26

Hedging effects by segment

NOK million	Q1-23	Q1-22
BioSolutions	-25	3
BioMaterials	-19	5
Fine Chemicals	-4	2
Borregaard	-48	10

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 2025 and 2027, 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, maturity 2027

Short-term credit facilities

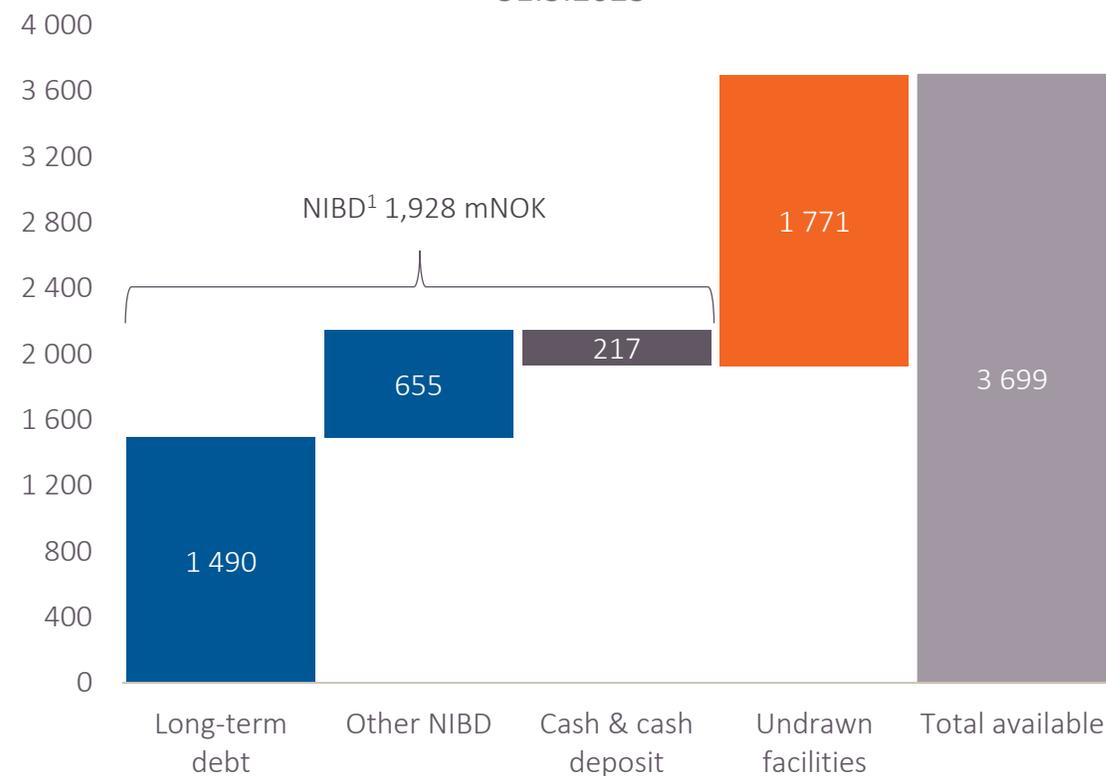
- 225 mNOK overdraft facilities
- 15 mUSD overdraft facility in LignoTech Florida

Solidity

- Equity ratio¹ 51%
- Leverage ratio¹ LTM 1.15 (covenant < 3.50)

Debt and undrawn facilities

31.3.2023



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 minus net pension liabilities.

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