



3rd Quarter 2023

Oslo, 24 October 2023

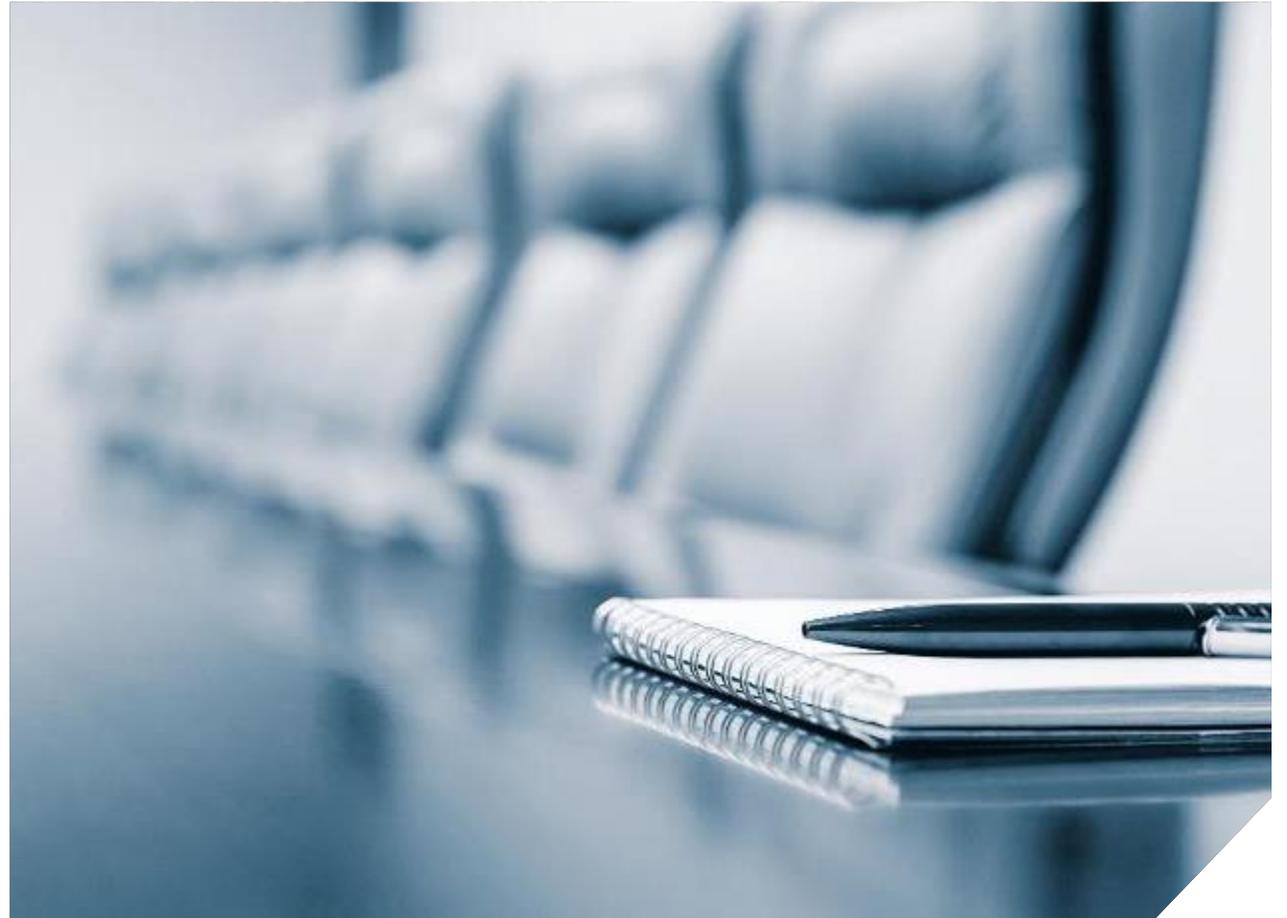
Agenda

Per A Sørli, President & CEO

- Highlights
- Business segments
- Outlook

Per Bjarne Lyngstad, CFO

- Financial performance



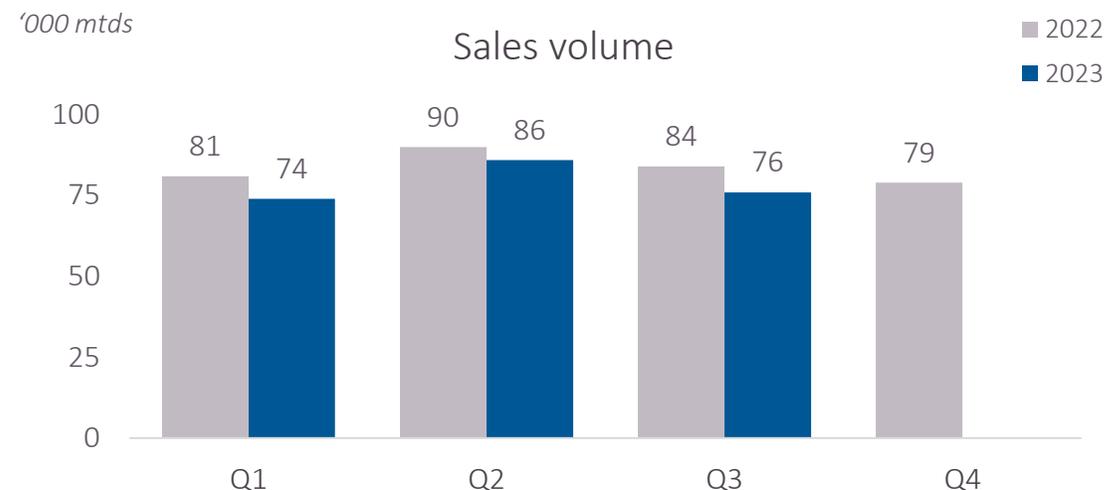
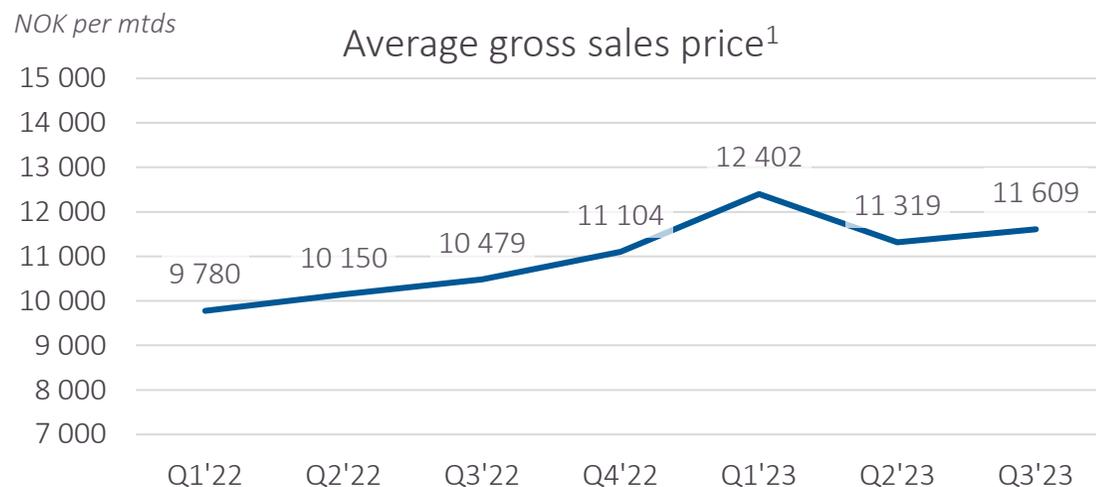
Highlights – 3rd quarter 2023

- EBITDA¹ NOK 482 million (NOK 434 million)
- Increased sales prices in all business areas
- Reduced energy costs, partly offset by increased wood and labour costs
- Lower sales volumes within certain applications
- Positive net currency effects
- Strong cash flow



¹ Alternative performance measure, see Appendix for definition

BioSolutions markets – Q3



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

Average price in sales currency 3% above Q3-22

- Higher sales prices
- Diversified market strategy contributed to a solid EBITDA¹ margin

Sales volume 10% lower vs Q3-22

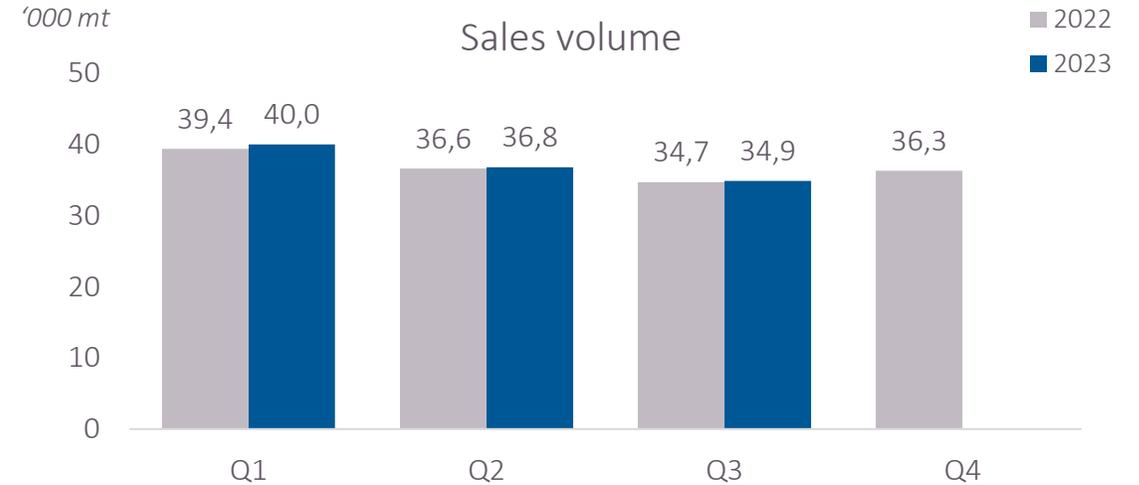
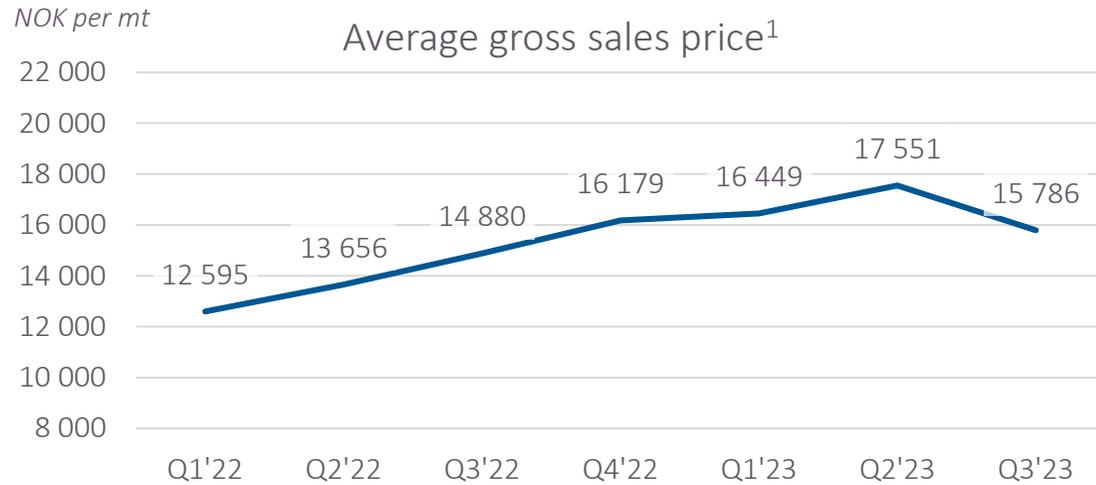
- Lower deliveries to construction and certain industrial and speciality applications

Positive FX effects

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

² Alternative performance measure, see Appendix for definition

BioMaterials markets – Q3



Sales price and sales volume include speciality cellulose and cellulose fibrils

Average price in sales currency 4% below Q3-22

- Higher prices in sales currency vs Q3-22
- Average price reduced due to weaker product mix, mainly as a result of lower sales to the construction market for cellulose ethers

Sales volume in line with Q3-22

- Reduced volume to the construction market for cellulose ethers compensated by sales to other applications

Positive FX impact

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

Closure announcement for Georgia-Pacific's Foley plant

The speciality cellulose market is ≈1.6 million tonnes¹⁾

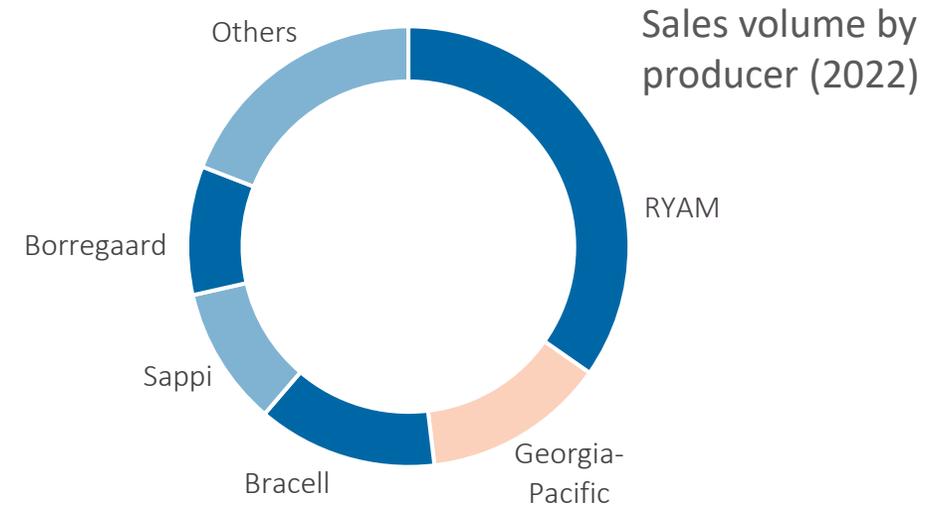
- Top 5 producers have ≈80% market share
 - *Sales from Georgia-Pacific's Foley plant estimated at 150,000 tonnes*
- Kraft or sulphite pulping process
- Hardwood and softwood raw material
- Some cotton linter pulp (CLP) producers

Limited volumes from textile cellulose producers

- High barriers to entry
- Mainly targeting acetate, nitrocellulose and casings

Borregaard production capacity is ≈160,000 tonnes

- Softwood and sulphite process
- Strong market positions in high-end niches in Europe and Asia

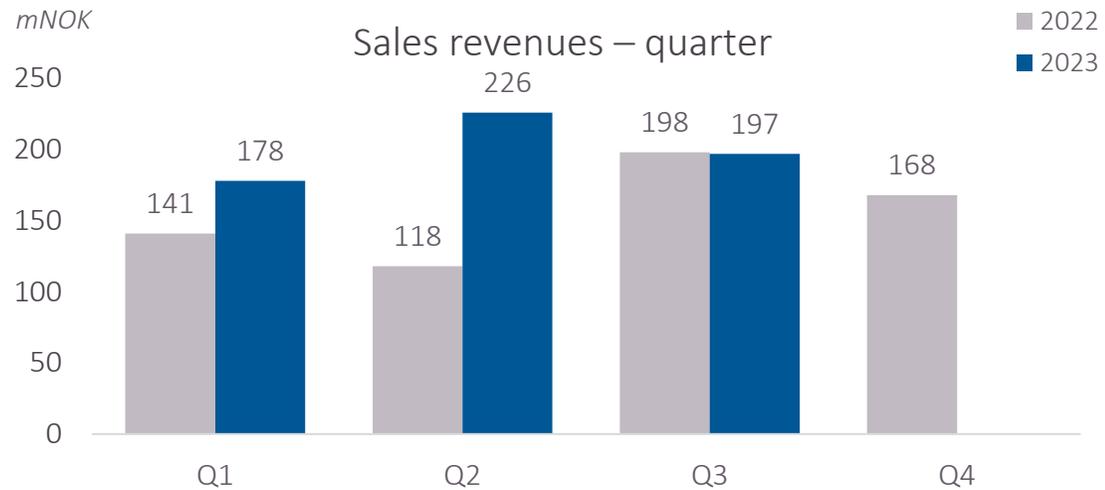


Top 5 speciality producers by wood species and pulping process,

	Hardwood/ kraft	Softwood/ kraft	Hardwood/ sulphite	Softwood/ sulphite
RYAM	✓	✓		✓
Georgia-Pacific		✓		
Bracell	✓			
Sappi			✓	
Borregaard				✓

¹⁾ Source: Borregaard estimates, CelCo

Fine Chemicals markets – Q3



Sales revenues include fine chemical intermediates and bioethanol

- Increased sales prices for bioethanol
- Weaker product mix and lower deliveries for fine chemical intermediates
- Positive FX impact

Outlook

BioSolutions

- The diversified market strategy expected to mitigate effects of slowdown in certain markets
- Sales volume in Q4 expected to be in the range of 70-75,000 tonnes

BioMaterials

- Sales volume in Q4 expected to be in line with Q4-22
- Sales volume of highly specialised grades is expected to be slightly higher vs Q3-23

Fine Chemicals

- Sales prices for advanced bioethanol in Q4 expected to remain at the same level as in Q3-23
- Higher deliveries and an improved product mix for fine chemical intermediates expected in Q4 vs Q3-23

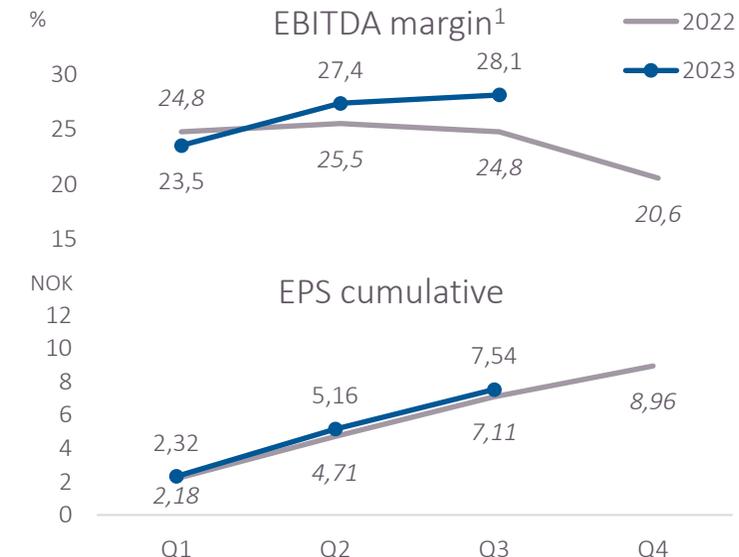
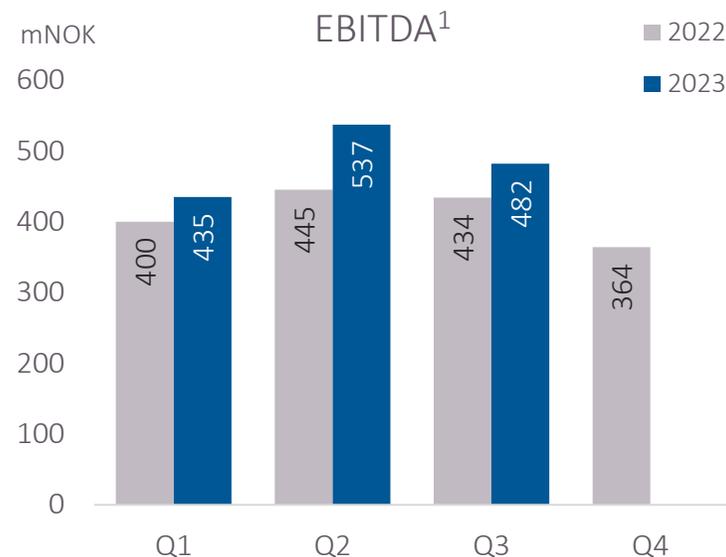
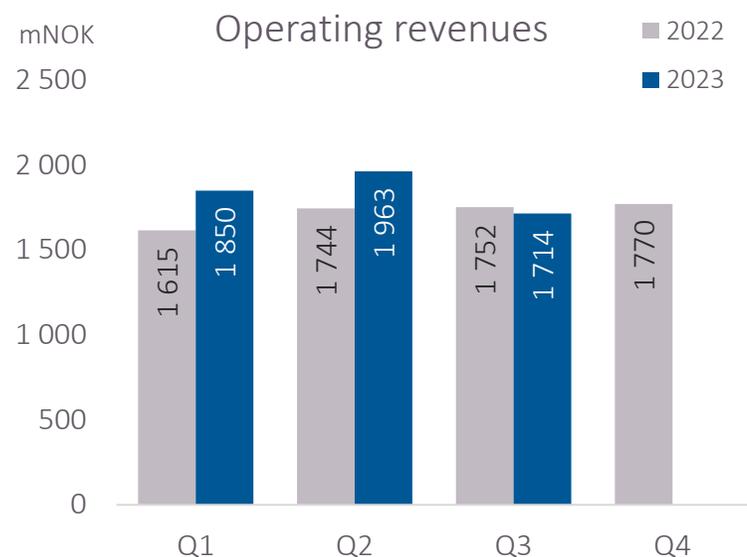
Costs, maintenance stop and seasonality

- Energy prices and energy related raw material prices expected to seasonally increase in Q4 vs Q3-23
- Q4 is normally Borregaard's weakest quarter due to the annual maintenance stop at the Sarpsborg site, higher energy consumption and labour costs
- Cost inflation, interest rates and uncertainty in the global economy may impact Borregaard's markets

Financial performance Q3-23



Borregaard key figures – Q3



Revenues 2% below Q3-22

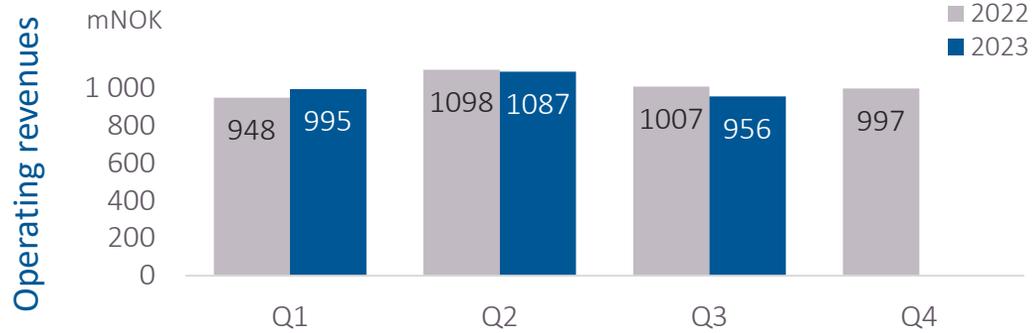
EBITDA¹ 482 mNOK for the Group

- Result improvements in BioMaterials and Fine Chemicals, decrease in BioSolutions
- Higher sales prices, FX and lower energy costs partly offset by increased wood and labour costs and lower sales volume
- Proposed reduction in the Norwegian CO₂ compensation scheme reflected in Q3 result

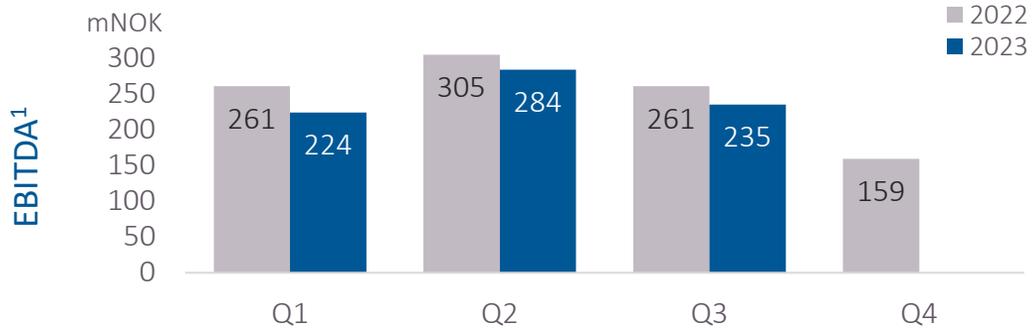
Earnings per share (EPS) NOK 2.38 (NOK 2.40)

¹ Alternative performance measure, see Appendix for definition

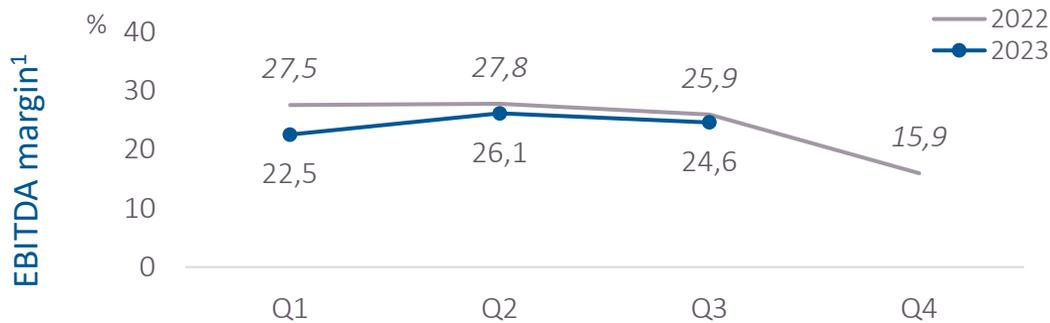
BioSolutions key figures – Q3



- Revenues 5% below Q3-22
- Reduced sales volume
- Positive FX impact



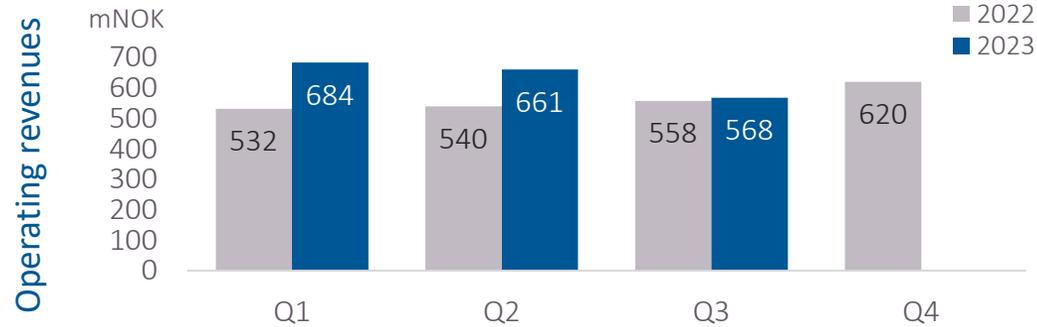
- Higher sales prices
- Lower sales volume
- Reduced energy costs partly offset by cost inflation
- Lower contribution from traded vanillin products
- Positive net FX impact



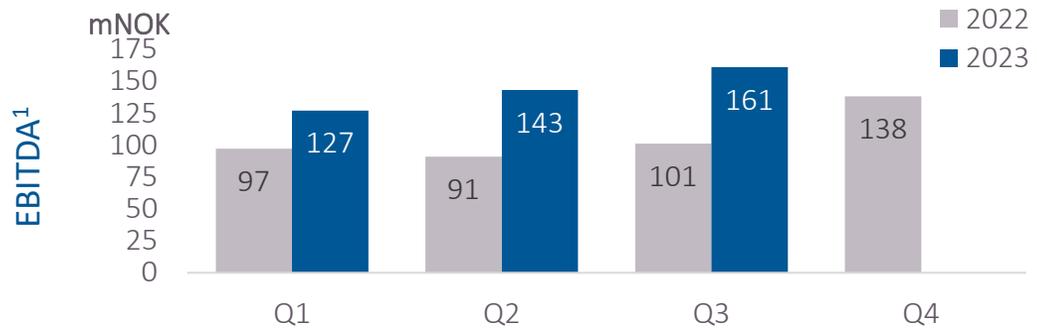
- Solid EBITDA margin¹

¹ Alternative performance measure, see Appendix for definition

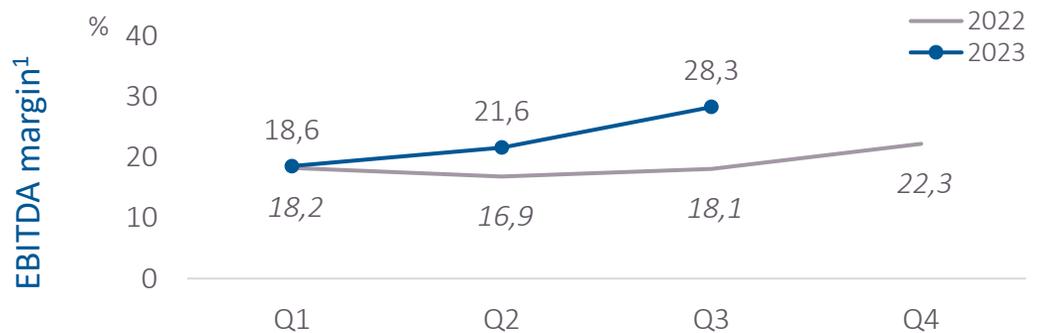
BioMaterials key figures – Q3



- Revenues increased 2% vs Q3-22
- Higher sales prices
- Positive FX impact



- Increased sales prices
- Lower energy costs, partly offset by higher wood costs and cost inflation
- Weaker product mix
- Positive net FX impact



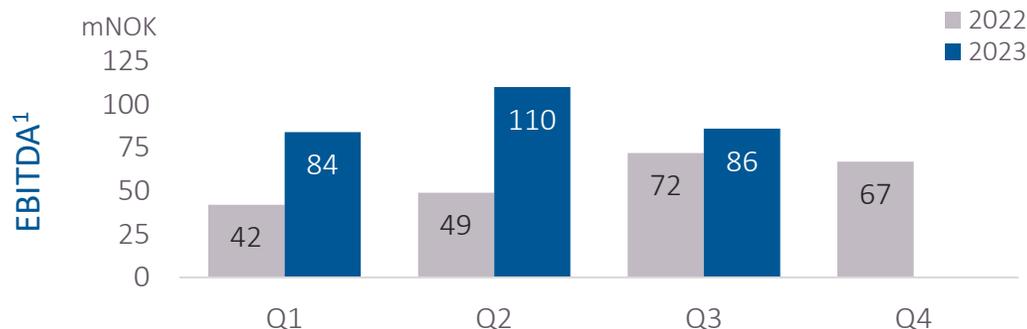
- EBITDA margin¹ significantly above Q3-22

¹ Alternative performance measure, see Appendix for definition

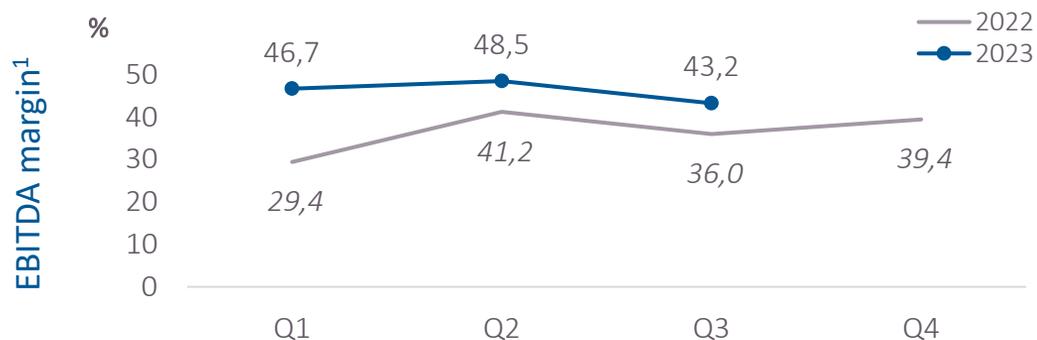
Fine Chemicals key figures – Q3



- Revenues in line with Q3-22



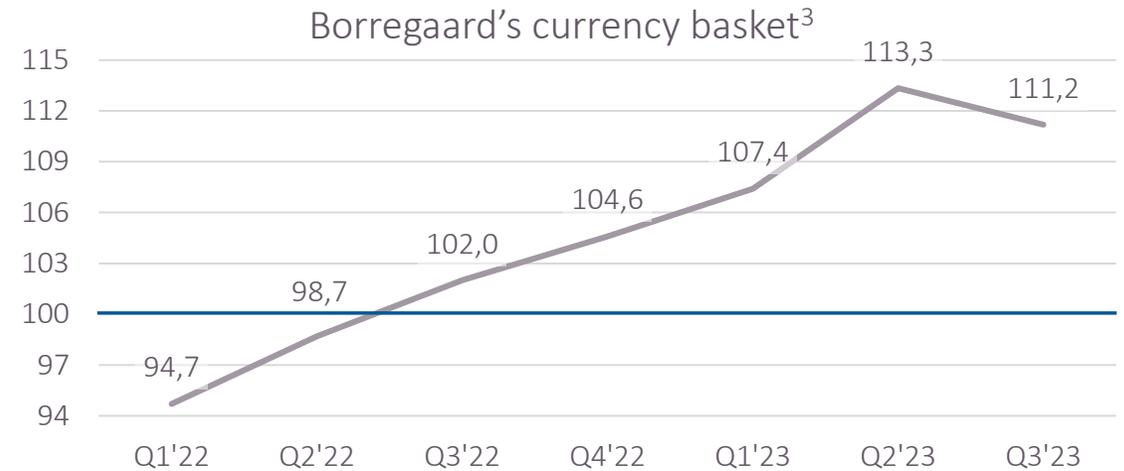
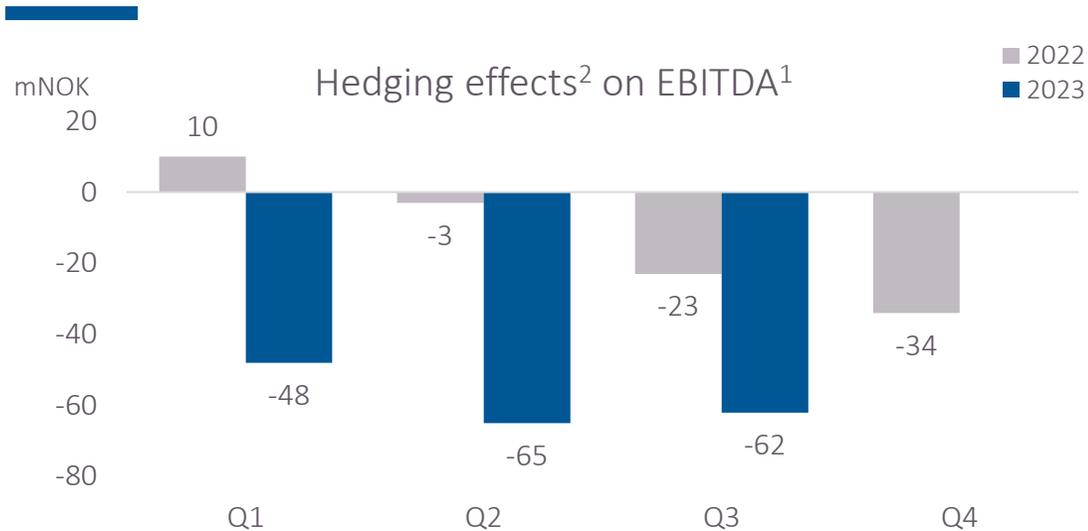
- Increased sales prices for bioethanol
- Lower result for fine chemical intermediates due to weaker product mix and lower deliveries, partly offset by reduced raw material costs
- Positive net FX impact



- Strong EBITDA margin¹

¹ Alternative performance measure, see Appendix for definition

Currency impact



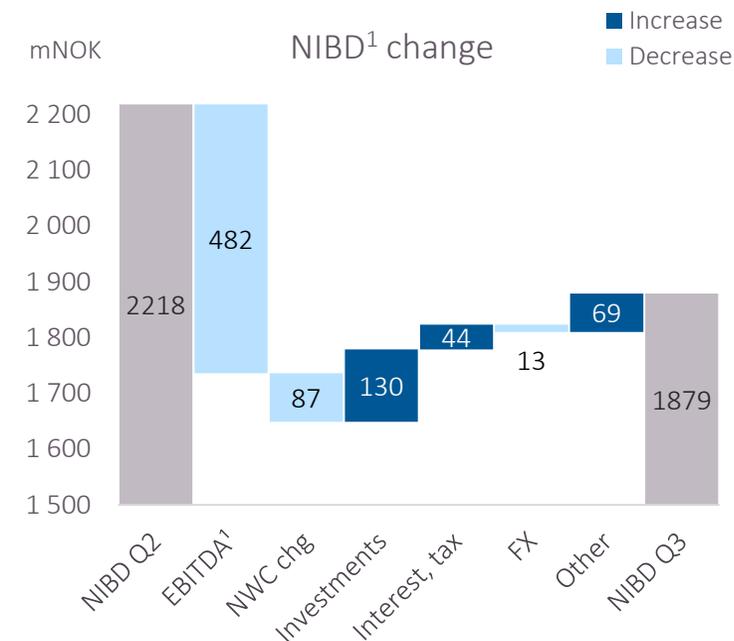
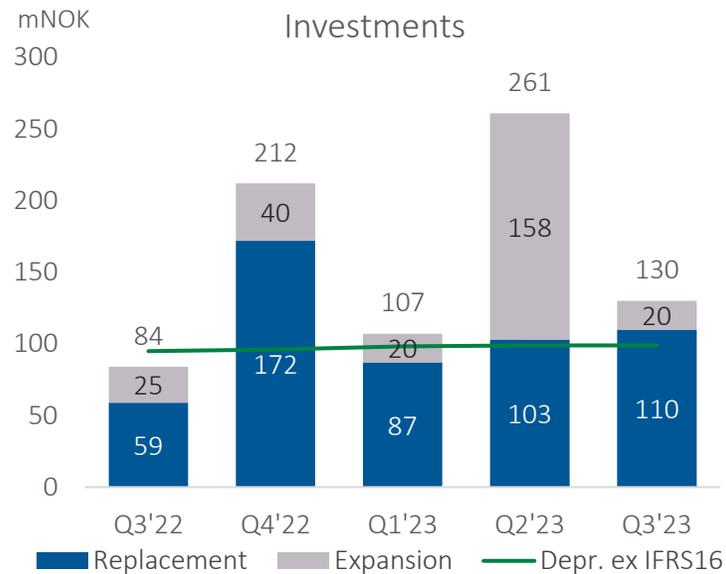
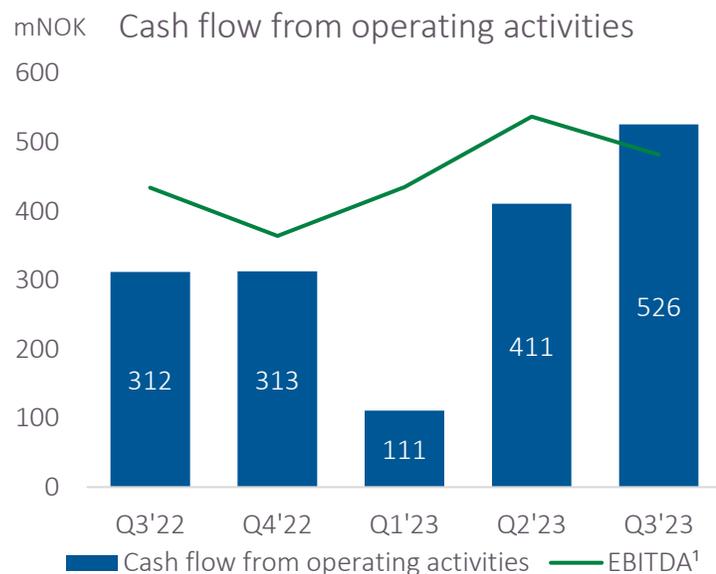
- Net FX EBITDA¹ impact ≈40 mNOK vs Q3-22
 - Includes change in hedging effects and based on estimated FX exposure
- Net FX EBITDA¹ impact in 2023 estimated to be ≈230 mNOK vs 2022
 - Assuming rates as of 23 October (USD 11.13 and EUR 11.80) on expected FX exposure
 - Net FX EBITDA¹ impact in Q4 estimated to be ≈35 mNOK vs Q4-22
- 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



Strong cash flow in Q3

- Decrease in net working capital and higher EBITDA¹ partly offset by increased interest expenses

Total investments 130 mNOK

- Largest expenditures related to reduction of CO₂ emissions, improved energy flexibility and efficiency and specialisation within BioSolutions

NIBD¹ decreased 339 mNOK in Q3

- Leverage ratio¹ 1.03 (1.29)

Equity ratio¹ 51% (50%)

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	Q3-23	Q3-22	Change	YTD-23	YTD-22	Change
Operating revenues	1 714	1 752	-2 %	5 527	5 111	8 %
EBITDA ¹	482	434	11 %	1 454	1 279	14 %
Depreciation property, plant and equipment	-121	-112		-351	-330	
Amortisation intangible assets	-1	-1		-4	-3	
Other income and expenses ¹	0	0		0	12	
Operating profit	360	321	12 %	1 099	958	15 %
Financial items, net	-42	-12		-110	-50	
Profit before taxes	318	309	3 %	989	908	9 %
Income tax expenses	-76	-74		-238	-220	
Profit for the period	242	235	3 %	751	688	9 %
Profit attributable to non-controlling interests	5	-4		0	-20	
Profit attributable to owners of the parent	237	239		751	708	
Cash flow from operating activities (IFRS)	526	312		1 048	422	
Earnings per share	2,38	2,40	-1 %	7,54	7,11	6 %
EBITDA margin ¹	28,1 %	24,8 %		26,3 %	25,0 %	

¹ Alternative performance measure, see Appendix for definition

Operating revenues and EBITDA¹ per segment

Amounts in NOK million

Operating revenues	Q3-23	Q3-22	Change
Borregaard	1 714	1 752	-2 %
BioSolutions	956	1007	-5 %
BioMaterials	568	558	2 %
Fine Chemicals	199	200	-1 %
Eliminations	-9	-13	

Amounts in NOK million

EBITDA ¹	Q3-23	Q3-22	Change
Borregaard	482	434	11 %
BioSolutions	235	261	-10 %
BioMaterials	161	101	59 %
Fine Chemicals	86	72	19 %

Amounts in NOK million

Operating revenues	YTD-23	YTD-22	Change
Borregaard	5 527	5 111	8 %
BioSolutions	3 038	3 053	0 %
BioMaterials	1 913	1 630	17 %
Fine Chemicals	606	462	31 %
Eliminations	-30	-34	

Amounts in NOK million

EBITDA ¹	YTD-23	YTD-22	Change
Borregaard	1454	1279	14 %
BioSolutions	743	827	-10 %
BioMaterials	431	289	49 %
Fine Chemicals	280	163	72 %

¹ Alternative performance measure, see Appendix for definition

Balance sheet

Amounts in NOK million	30.9.2023	30.06.2023	31.12.2022
Assets:			
Intangible assets	84	80	82
Property, plant and equipment	4 513	4 502	4 371
Right-of-use assets	457	403	345
Other assets	234	226	254
Investments in joint venture/associate company	257	258	142
Non-current assets	5 545	5 469	5 194
Inventories	1 393	1 318	1 299
Receivables	1 400	1 576	1 387
Cash and cash deposits	707	365	234
Current assets	3 500	3 259	2 920
Total assets	9 045	8 728	8 114
Equity and liabilities:			
Group equity	4 520	4 083	4 394
Non-controlling interests	55	51	51
Equity	4 575	4 134	4 445
Provisions and other liabilities	362	479	295
Interest-bearing liabilities	2 008	2 038	1 370
Non-current liabilities	2 370	2 517	1 665
Interest-bearing liabilities	580	547	702
Other current liabilities	1 520	1 530	1 302
Current liabilities	2 100	2 077	2 004
Equity and liabilities	9 045	8 728	8 114
Equity ratio ¹ (%):	50,6 %	47,4 %	54,8 %

¹ Alternative performance measure, see Appendix for definition

Cash flow

Amounts in NOK million	Q3-23	Q3-22	YTD-23	YTD-22	FY-2022
Amounts in NOK million					
Profit before taxes	318	309	989	908	1 118
Amortisation, depreciation and impairment charges	122	113	355	333	449
Change in net working capital, etc	87	-111	-87	-713	-658
Dividend/share of profit from JV & associate company	1	-	9	31	34
Taxes paid	-2	1	-218	-137	-208
Cash flow from operating activities	526	312	1 048	422	735
Investments property, plant and equipment and intangible assets *	-130	-84	-374	-252	-464
Investment in associate company	-	-	-124	-	-
Other capital transactions	2	-1	7	5	9
Cash flow from Investing activities	-128	-85	-491	-247	-455
Dividends	-	-	-324	-499	-499
Proceeds from exercise of options/shares to employees	-	-	45	34	41
Buy-back of treasury shares	-	-	-49	-23	-68
Gain/(loss) on hedges for net investments in subsidiaries	12	-76	-76	-156	-79
Net paid to/from shareholders	12	-76	-404	-644	-605
Proceeds from interest-bearing liabilities	-	-	800	837	837
Repayment from interest-bearing liabilities	-28	-116	-488	-469	-512
Change in interest-bearing receivables/other liabilities	-9	51	51	119	78
Change in net interest-bearing liabilities	-37	-65	363	487	403
Cash flow from financing activities	-25	-141	-41	-157	-202
Change in cash and cash equivalents	373	86	516	18	78
Cash and cash equivalents at beginning of period	278	-38	111	5	5
Change in cash and cash equivalents	373	86	516	18	78
Currency effects cash and cash equivalents	-6	28	18	53	28
Cash and cash equivalents at the close of the period	645	76	645	76	111
* Investment by category					
Replacement Investments	110	59	300	187	359
Expansion investments ¹ including investment in associate company	20	25	198	65	105
Total investments including investment in associate company	130	84	498	252	464

¹ Alternative performance measure, see Appendix for definition

Net financial items & net interest-bearing debt¹

Amounts in NOK million

Net financial items	Q3-23	Q3-22	YTD-23	YTD-22
Net interest expenses	-37	-21	-101	-50
Currency gain/loss	-4	2	1	-4
Share of profit/-loss from an associate	-2	-2	-5	-3
Other financial items, net	1	9	-5	7
Net financial items	-42	-12	-110	-50

Amounts in NOK million

Net interest-bearing debt ¹ (NIBD)	30.9.2023	30.06.2023	31.12.2022
Non-current interest-bearing liabilities	2 008	2 038	1 370
Current interest-bearing liabilities including overdraft of cashpool	580	547	702
Non-current interest-bearing receivables (included in "Other Assets")	-2	-2	-2
Cash and cash deposits	-707	-365	-234
Net interest-bearing debt¹ (NIBD)	1 879	2 218	1 836
- of which impact from IFRS 16 leases	490	434	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 10.00 to 10.50
 USD; gradually increased at effective rates from 9.00 to 9.50
- **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 23.10.23)

	USD million	USD rate	EUR million	EUR rate
Q4-2023	43	9.32	35	10.71
2024	142	9.05	124	10.57
2025	133	9.81	120	10.86
2026	82	10.36	70	11.62

Hedging effects by segment

NOK million	YTD-23	YTD-22	Q3-23	Q3-22
BioSolutions	-85	-21	-31	-19
BioMaterials	-67	2	-22	-4
Fine Chemicals	-23	3	-9	0
Borregaard	-175	-16	-62	-23

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
- 500 mNOK 5-year green bonds, maturity 2028 (issued June 2023)
- 40 mEUR 10-year loan, maturity 2024
- 50 mUSD 10-year loan, maturity 2032
- 60 mUSD term loan for LT Florida, maturity 2027

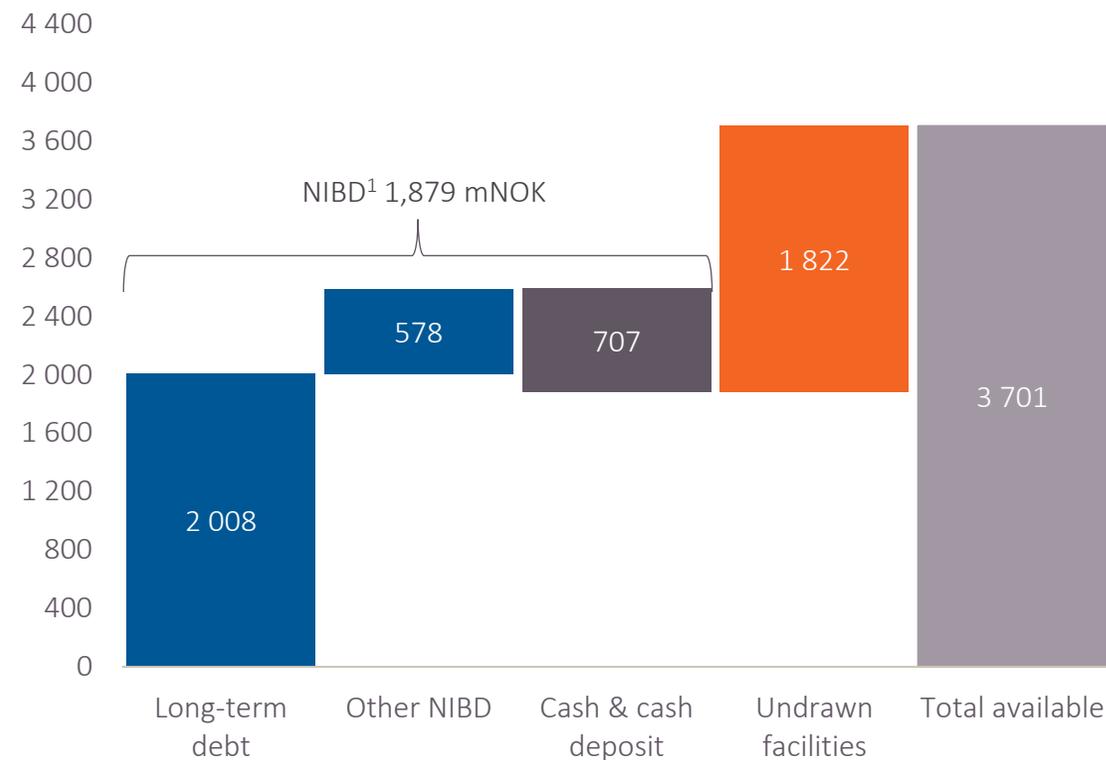
Short-term credit facilities

- 225 mNOK overdraft facilities
- 15 mUSD overdraft facility in LignoTech Florida
- 300 mNOK commercial paper (maturity October 2023)

Solidity

- Equity ratio¹ 51%
- Leverage ratio¹ LTM 1.03 (covenant < 3.50)

Debt and undrawn facilities
30.9.2023



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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