

A person wearing a brown beanie, a dark green quilted jacket with a fur-lined hood, and a brown backpack is seen from behind, looking out over a vast, snow-covered mountain landscape under a clear blue sky. The scene is bright and sunny, with long shadows cast across the snow.

4th Quarter 2023

Oslo, 31 January 2024

Agenda

Per A Sørli, President & CEO

- Highlights
- Proposed dividend
- Business segments
- Investments in bio-based start-ups
- Outlook

Per Bjarne Lyngstad, CFO

- Financial performance



Highlights – 4th quarter 2023

- EBITDA¹ NOK 327 million (NOK 364 million)
- Operational issues at the Sarpsborg site
- Lower sales volumes within certain applications
- Reduced costs for energy, certain basic chemicals and freight
- Positive net currency effects
- Strong cash flow
- Investments in bio-based start-ups



¹ Alternative performance measure, see Appendix for definition

Highlights – full year 2023

- All-time high EBITDA¹ 1,781 mNOK (1,643mNOK)
- Higher sales prices for key products
- Reduced costs for energy and several raw materials, but higher wood costs and cost inflation
- Lower sales volume within certain applications
- Lower contribution from traded vanillin products
- Positive net FX impact
- Strong cash flow
- Investments in reduced emissions, specialisation and bio-based start-ups
- ROCE¹ 18.3% pre-tax (18.1%)



¹ Alternative performance measure, see Appendix for definition

Dividend proposal for 2023

Borregaard's dividend policy

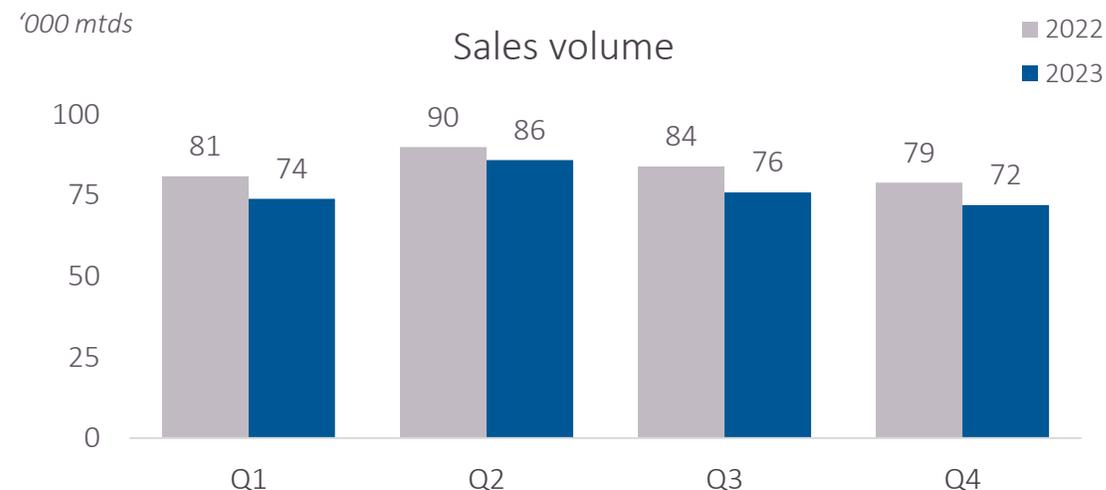
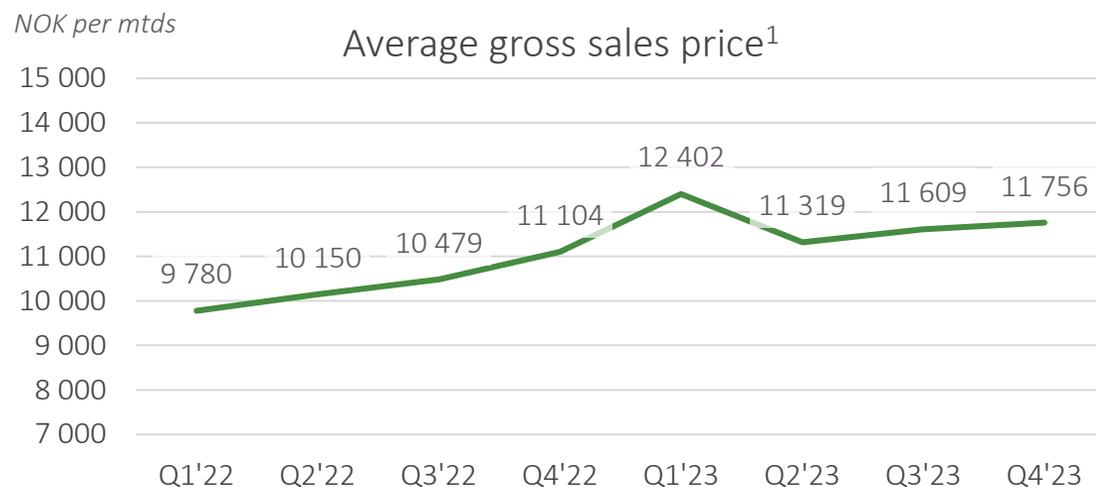
- To pay regular and progressive dividends reflecting expected long-term earnings and cash flows
- Dividend targeted between 30% and 50% of net profit

A dividend proposal of NOK 3.75 per share proposed by the Board of Directors

- NOK 0.50 increase in ordinary dividend (+15%)
- 43% of net earnings
- Dividend yield of 2.2% (share price at year-end)
- Total dividend payment of 373 mNOK



BioSolutions markets – Q4



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

Average price in sales currency 2% below Q4-22

- Slightly higher prices for lignin-based biopolymers
- Weaker product mix mainly due to lower sales of biovanillin

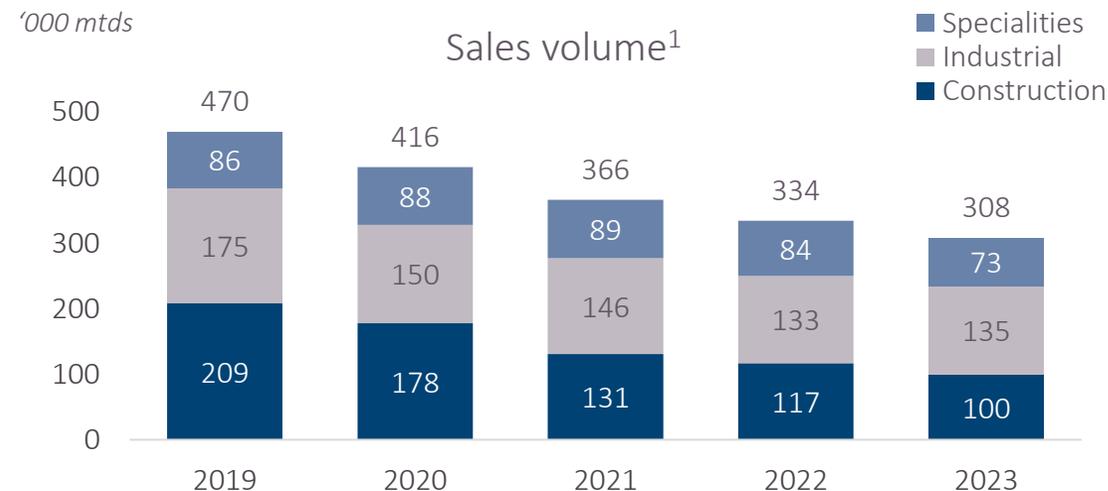
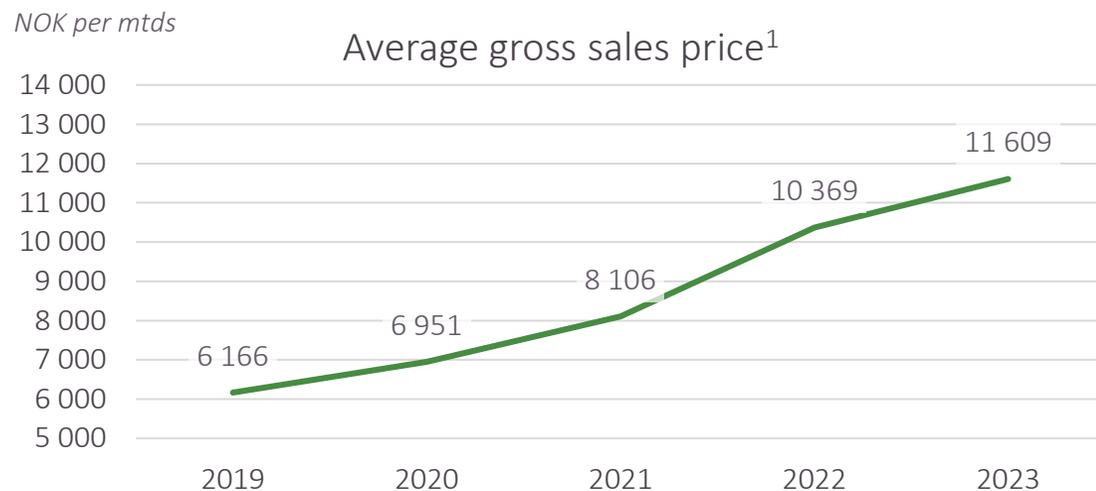
Sales volume 9% lower vs Q4-22

- 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

BioSolutions markets – full year



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

Average price in sales currency 3% above 2022

- Price increases for lignin-based biopolymers
- Partly offset by changes in product mix

Sales volume 8% lower vs 2022

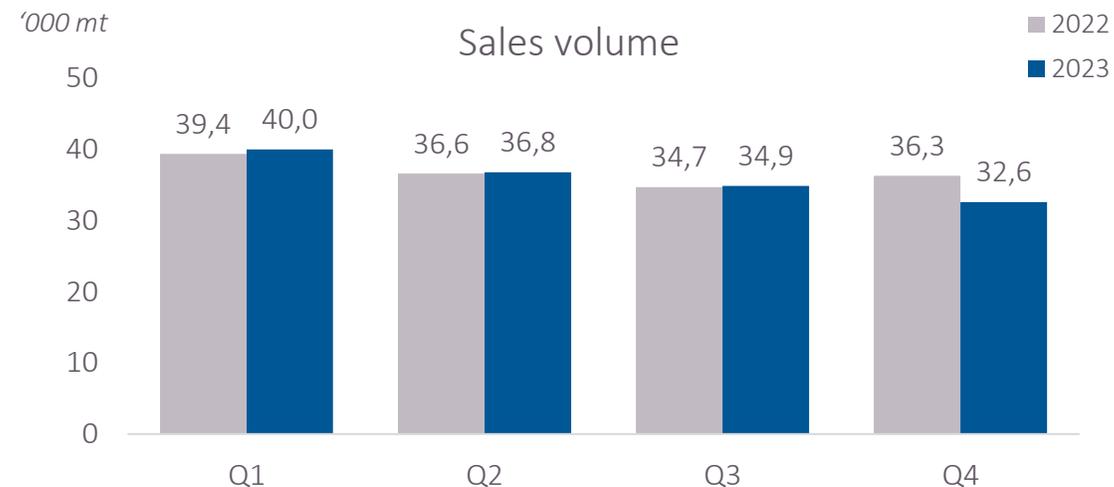
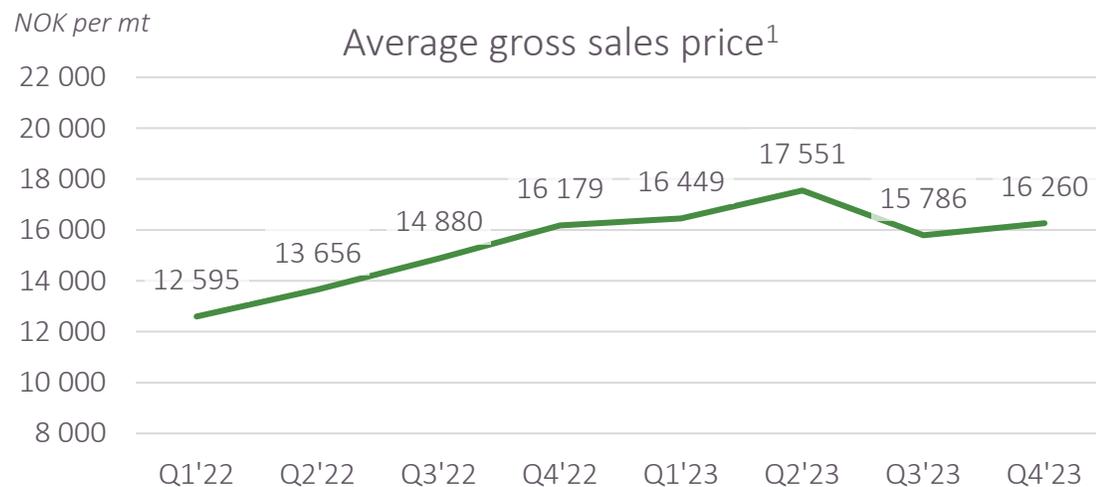
- Demand for most lignin-based biopolymers was good
- Strong sales within several industrial applications partly compensated for lower deliveries to other applications

Reduced contribution from traded vanillin products due to increased global supply of synthetic vanillin products

- Demand for and sales volume of biovanillin affected towards the end of the year

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

BioMaterials markets – Q4



Sales price and sales volume include speciality cellulose and cellulose fibrils

Average price in sales currency 9% below Q4-22

- Lower sales prices
- Weaker product mix due to reduced deliveries of highly specialised cellulose grades

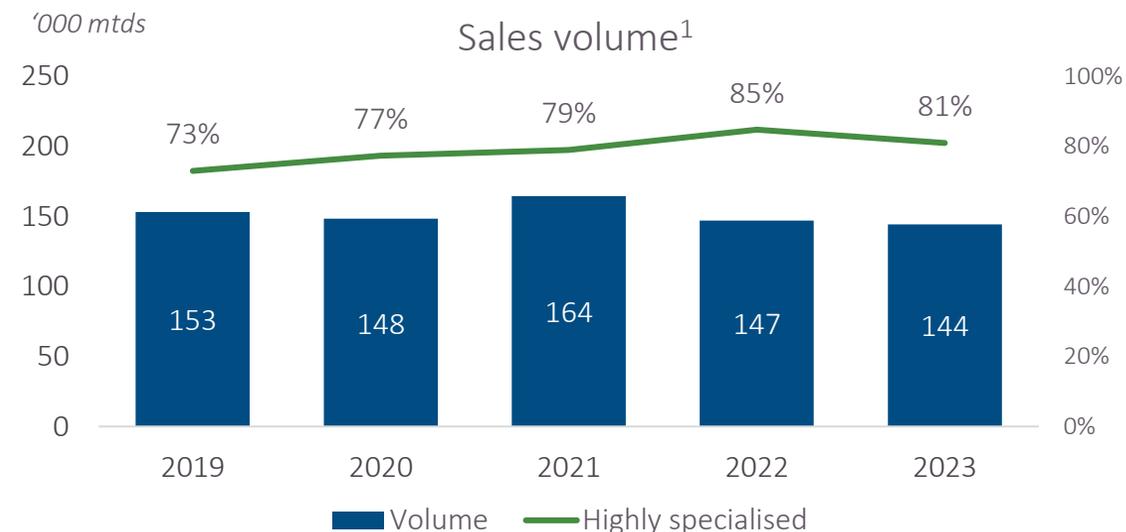
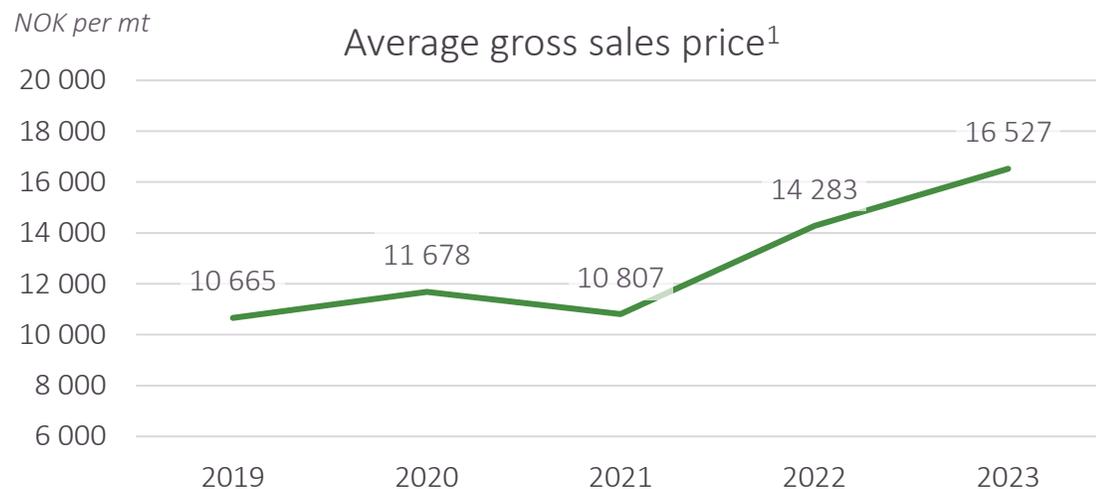
Sales volume 10% below Q4-22

- Reduced volume mainly a consequence of operational issues

Positive FX impact

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

BioMaterials markets – full year



Sales price and sales volume include speciality cellulose and cellulose fibrils

Average price in sales currency 4% above 2022

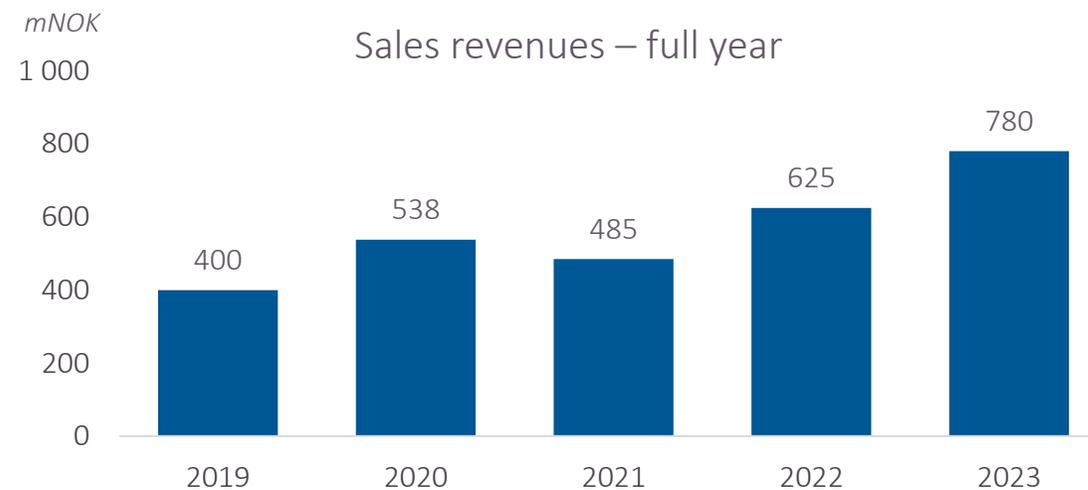
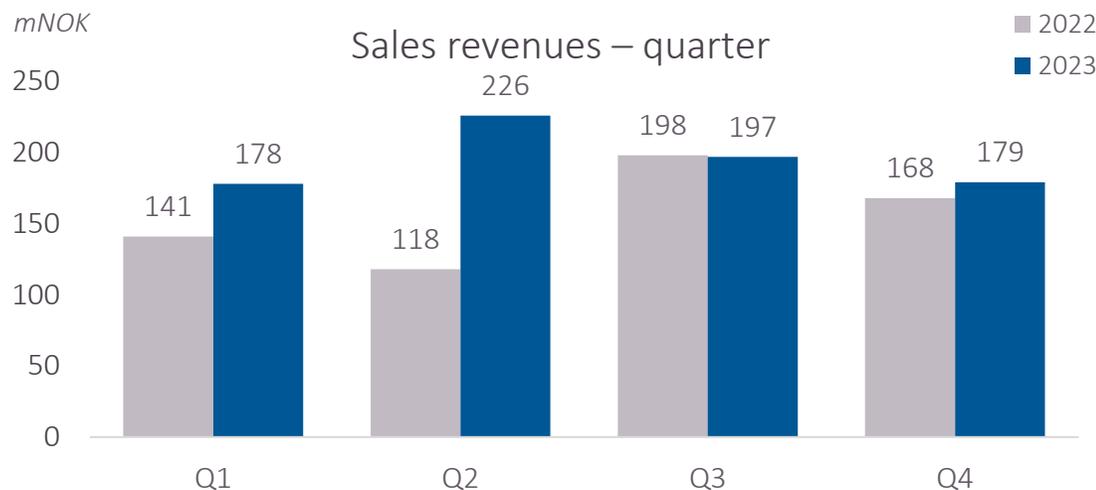
- Higher sales prices for speciality cellulose
- Weaker product mix due to lower sales to the construction market for cellulose ethers

Lower sales volume to construction were largely compensated by sales to other applications

Positive net currency effects

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

Fine Chemicals markets – Q4 & full year



Sales revenues include fine chemical intermediates and bioethanol

4th quarter

- Lower sales prices for fine chemical intermediates
- Higher sales prices offset by lower deliveries for bioethanol
- FX impact insignificant

Full year

- Higher sales prices for bioethanol main reason for revenue growth
- Strong demand for advanced bioethanol to biofuel in several European countries
- Stable volumes and product mix for fine chemical intermediates
- Positive net FX impact

Investments in bio-based start-ups

About the company

Borregaard's engagement in the company



Harvesting and biorefining of macroalgae to ingredients for pharmaceutical and nutraceutical applications (*Norway*)

- 35% ownership fully diluted
- Total investment ≈268 mNOK



Biorefining of spent coffee grounds to ingredients within personal care, human nutrition and agriculture (*Denmark*)

- 12% ownership fully diluted with 3 mEUR investment
- Option to increase ownership to 34% by January 2026 with additional 9.25 mEUR investment



Processing of technical lignins from biorefineries for use in personal care as well as industrial applications (*Austria*)

- 12% ownership
- Total investment 1 mEUR



Biorefining of farmed macroalgae to ingredients within food, health & wellness, skincare and materials (*Scotland*)

- 1% ownership
- Total investment 0.15 mUSD

Outlook

BioSolutions

- The diversified market strategy expected to continue to mitigate effects of a slowdown in certain end-markets
- Sales volume in 2024 forecast to be ≈330,000 tonnes, depending on the global economic development
- Sales volume in Q1 expected to be 75-80,000 tonnes
- Demand for biovanillin expected to be lower due to increased global supply of synthetic vanillin products

BioMaterials

- Sales volume in 2024 is forecast to be higher than the production output, highly specialised grades expected to be higher vs 2023
- In Q1, the average price in sales currency is expected to be largely in line with Q4-23
- Development in the construction market for cellulose ethers main uncertainty for 2024, other applications expected to largely compensate

Fine Chemicals

- Sales volume for fine chemical intermediates is expected to increase vs 2023
- Market conditions for advanced biofuels continue to be favourable in several countries, sales prices expected largely in line with 2023

Costs development and impact from investment

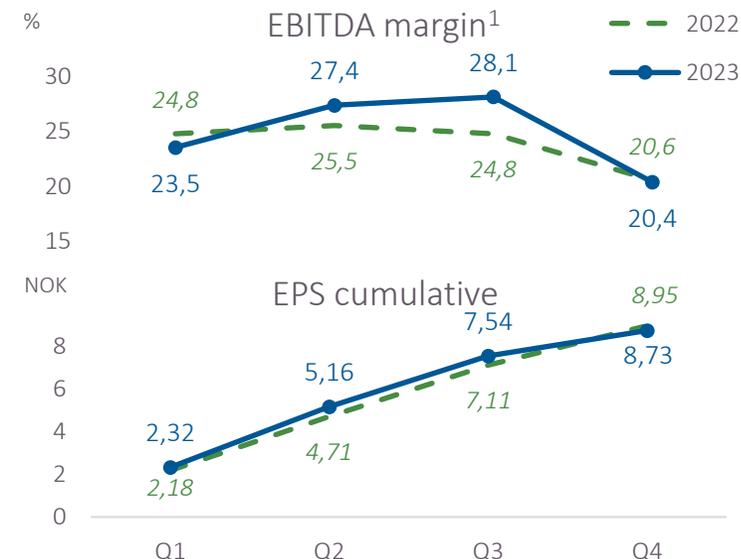
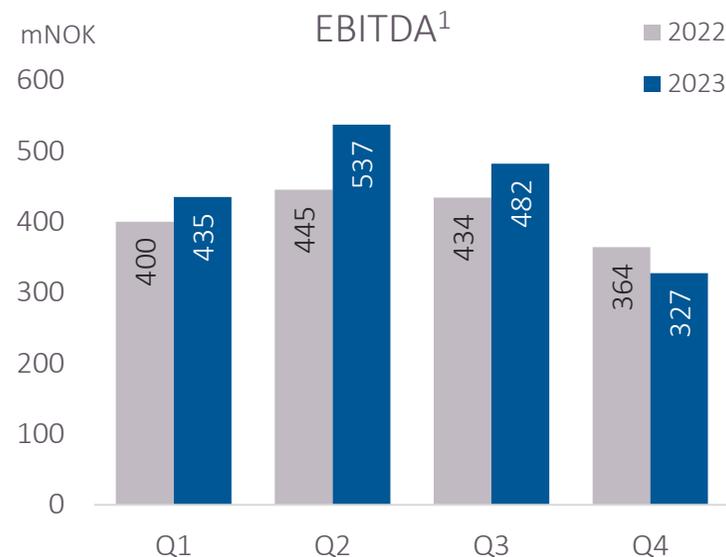
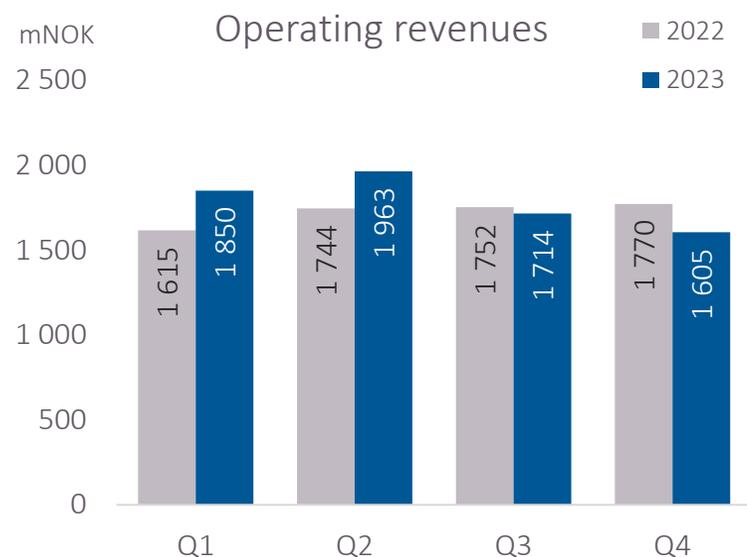
- Wood costs will increase ≈10% in H1-24 vs H2-23
- Energy and other raw material costs expected largely in line with H2-23, energy spot prices continue to represent largest uncertainty
- Benefits from the investment to reduce CO₂ emissions and improve energy efficiency and flexibility will gradually materialise in H1-24

Wars and conflicts as well as uncertainty in the global economy may impact Borregaard's markets and costs

Financial performance Q4-23



Borregaard key figures – Q4



Revenues 9% below Q4-22

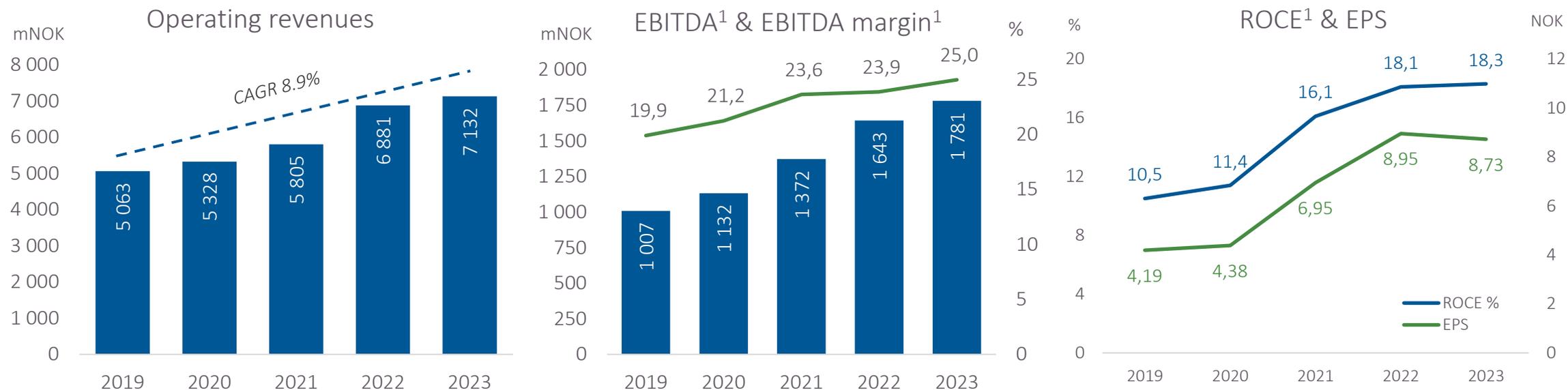
EBITDA¹ 327 mNOK for the Group

- Result improved in BioSolutions, lower results in BioMaterials and Fine Chemicals
- Reduced costs for energy, certain basic chemicals and freight and positive FX impact
- Operational issues at the Sarpsborg site and reduced demand for biovanillin had a total impact of ≈80 mNOK

Earnings per share (EPS) NOK 1.20 (NOK 1.85)

¹ Alternative performance measure, see Appendix for definition

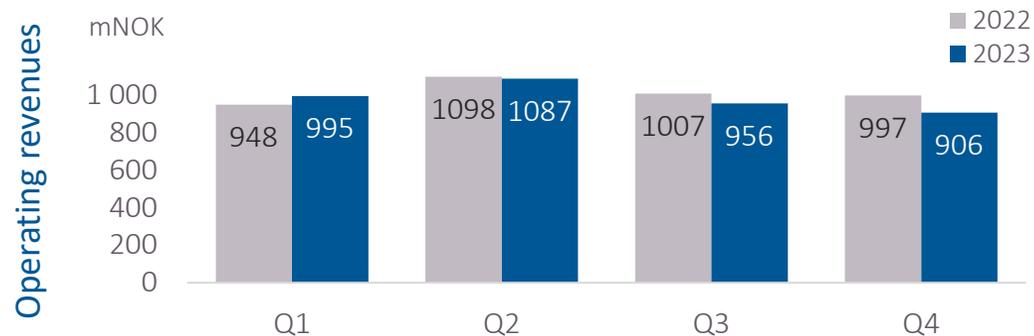
Borregaard key figures – full year



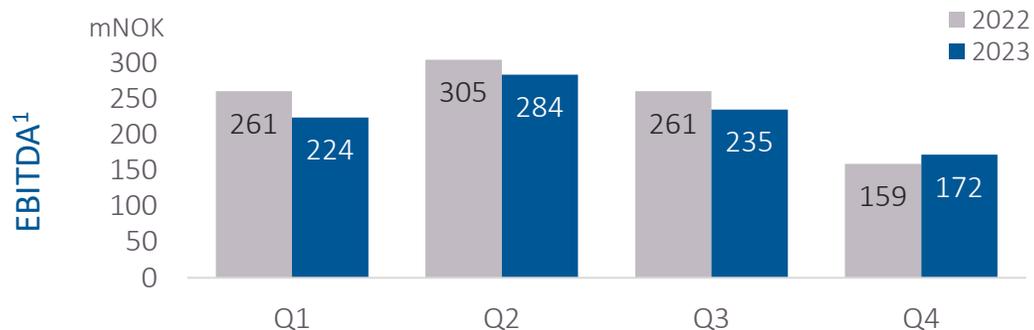
- Revenues increased by 4% vs 2022
- All-time high EBITDA¹ of 1,781 mNOK for the Group
 - Significant improvement for BioMaterials and Fine Chemicals, lower result in BioSolutions
 - Higher sales prices for key product groups, reduced energy and raw material costs, positive net FX impact
 - Higher wood costs, cost inflation and lower sales volume within certain applications
- Earnings per share NOK 8.73
- ROCE¹ 18.3% pre-tax, well above target level

¹ Alternative performance measure, see Appendix for definition

BioSolutions key figures – Q4



- Revenues 9% below Q4-22
- Reduced sales volume
- Positive FX impact
- *Full year decrease 3%*



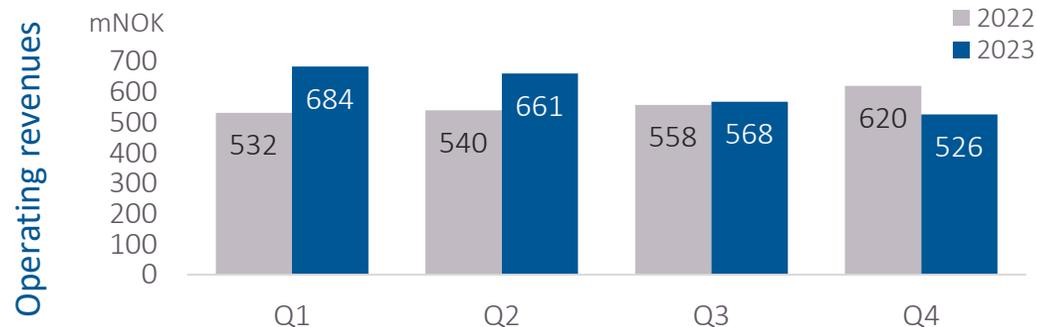
- Reduced energy costs partly offset by cost inflation
- Higher sales prices for lignin-based biopolymers
- Lower sales volume, demand for biovanillin impacted by increased global supply of synthetic vanillin products
- Positive net FX impact
- *Full year EBITDA¹ 915 mNOK (986 mNOK)*



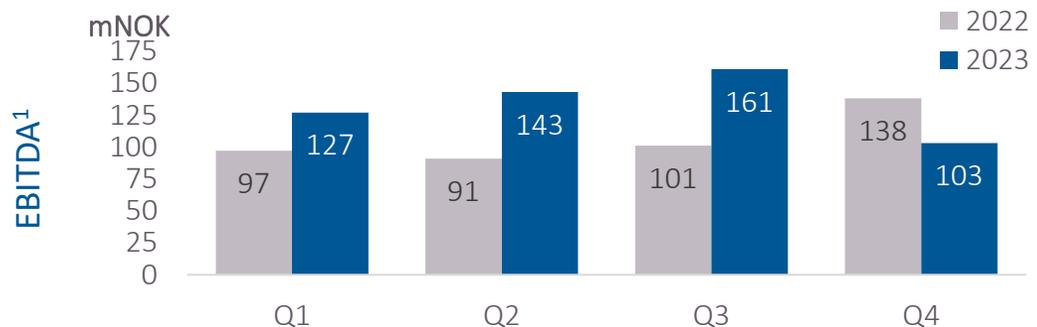
- EBITDA margin¹ 3%-points above Q4-22
- *Full year EBITDA¹ margin 23.2% (24.3%)*

¹ Alternative performance measure, see Appendix for definition

BioMaterials key figures – Q4



- Revenues 15% below Q4-22
- Lower sales volume and prices
- Positive FX impact
- *Full year growth 8%*



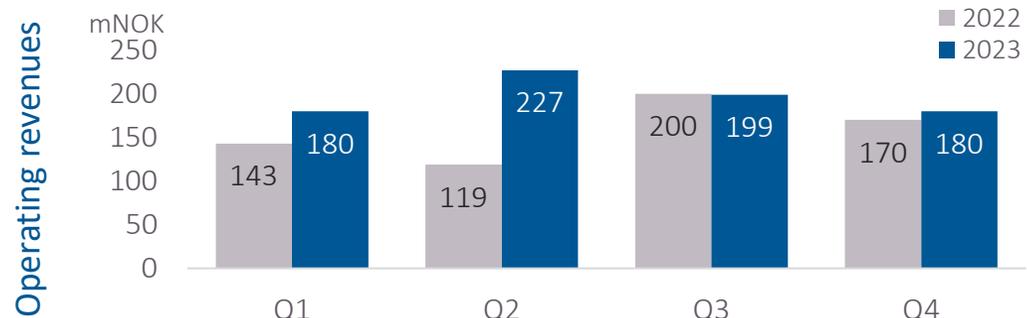
- Lower sales volume and prices, weaker product mix
- Reduced energy and freight costs
- Higher wood costs offset by reduced prices for certain basic chemicals
- Operational issues affected BioMaterials in particular
- Positive net FX impact
- *Full year EBITDA¹ 534 mNOK (427 mNOK)*



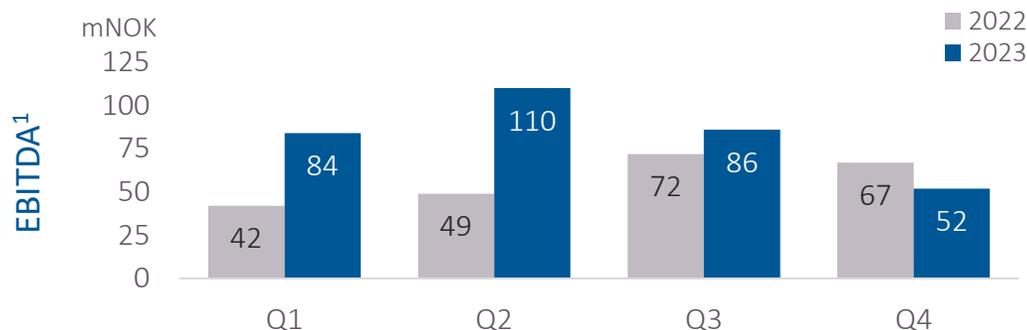
- EBITDA margin¹ 2.7%-points below Q4-22
- *Full year EBITDA¹ margin 21.9% (19.0%)*

¹ Alternative performance measure, see Appendix for definition

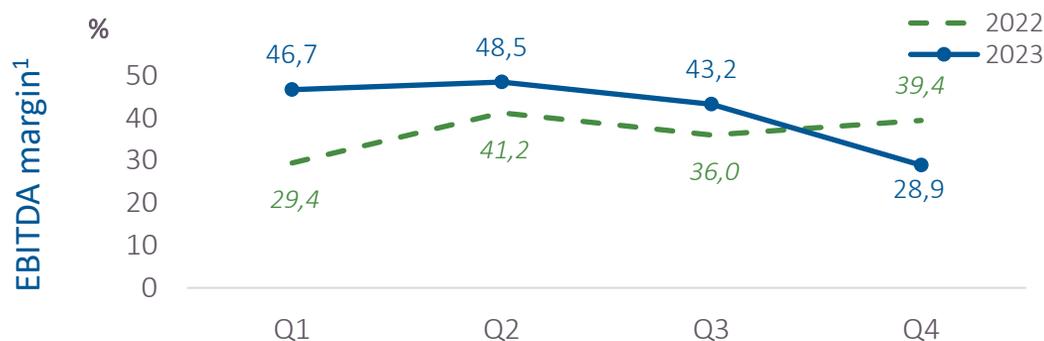
Fine Chemicals key figures – Q4



- Revenues 6% above Q4-22
- Higher sales prices for bioethanol
- *Full year increase 24%*



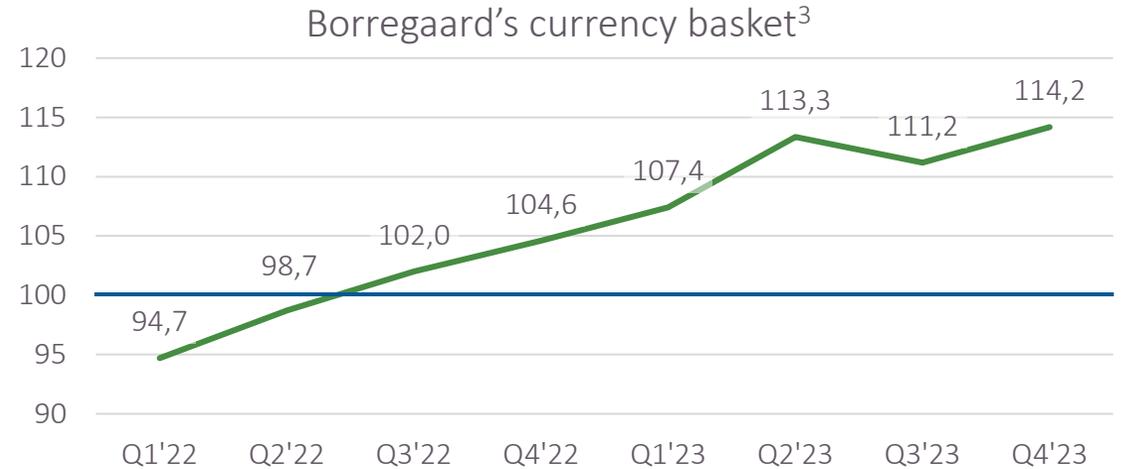
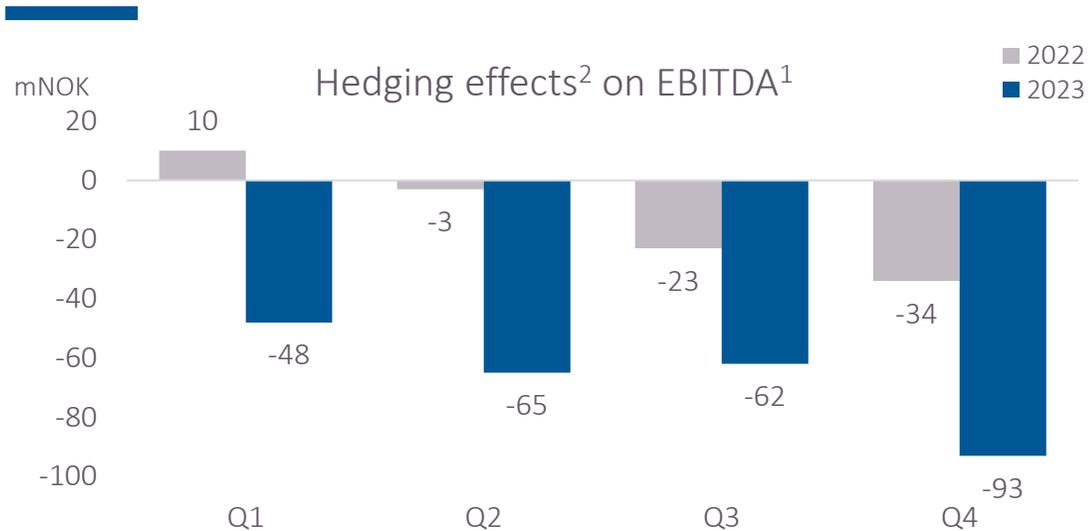
- *Fine chemical intermediates*: Lower production volume, mainly due to operational issues, lower sales prices and weaker product mix
- *Bioethanol*: Higher sales prices offset by lower deliveries
- Net FX impact insignificant
- *Full year EBITDA¹ 332 mNOK (230 mNOK)*



- EBITDA margin¹ 10%-points below Q4-22
- *Full year EBITDA¹ margin 42.2% (36.4%)*

¹ Alternative performance measure, see Appendix for definition

Currency impact



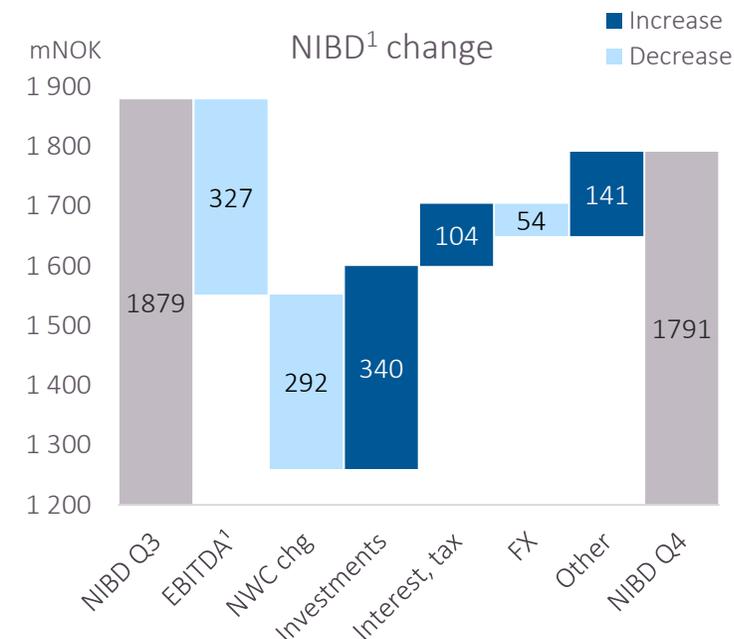
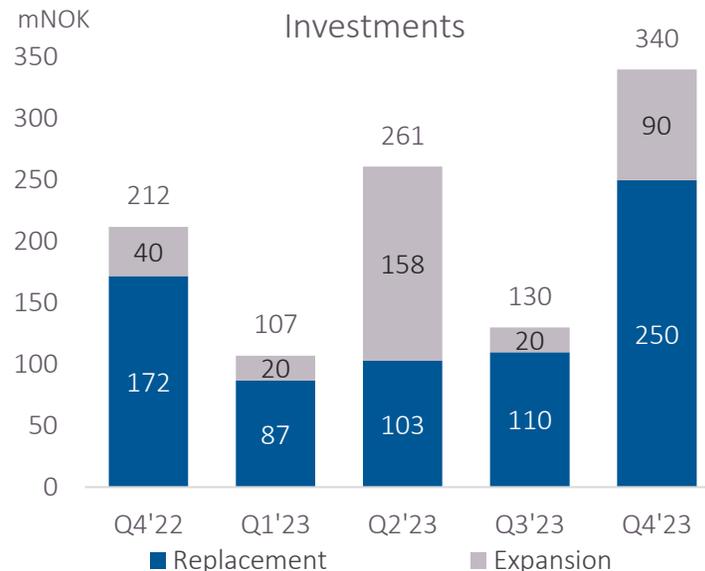
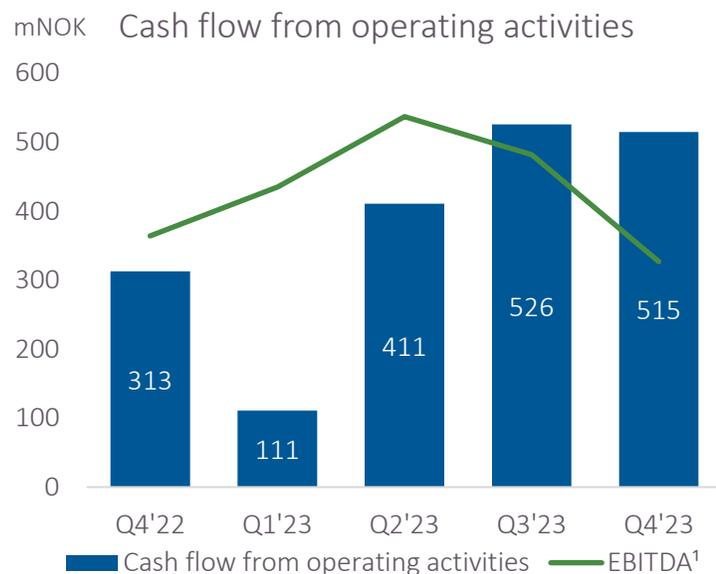
- Net FX EBITDA¹ impact ≈20 mNOK vs Q4-22
 - Includes change in hedging effects and based on estimated FX exposure
 - Net FX EBITDA¹ impact YTD ≈ 215 mNOK
- Net FX EBITDA¹ impact in 2024 estimated to be ≈-55 mNOK vs 2023
 - Assuming rates as of 30 January (USD 10.45 and EUR 11.34) on expected FX exposure
 - Net FX EBITDA¹ impact in Q1 estimated to be ≈0 mNOK vs Q1-23
- 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 Q4

- Significant decrease in net working capital and lower tax payments partly offset by financial items and lower EBITDA¹

Total investments 340 mNOK

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

NIBD¹ decreased 88 mNOK in Q4

- Leverage ratio¹ 1.01 (1.12)

Equity ratio¹ 54% (55%)

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	Q4-23	Q4-22	Change	FY-23	FY-22	Change
Operating revenues	1 605	1 770	-9 %	7 132	6 881	4 %
EBITDA ¹	327	364	-10 %	1 781	1 643	8 %
Depreciation property, plant and equipment	-134	-114		-485	-444	
Amortisation intangible assets	-1	-2		-5	-5	
Other income and expenses ¹	0	-20		0	-8	
Operating profit	192	228	-16 %	1 291	1 186	9 %
Financial items, net	-57	-18		-167	-68	
Profit before taxes	135	210	-36 %	1 124	1 118	1 %
Income tax expenses	-30	-47		-268	-267	
Profit for the period	105	163	-36 %	856	851	1 %
Profit attributable to non-controlling interests	-14	-21		-14	-41	
Profit attributable to owners of the parent	119	184		870	892	
Cash flow from operating activities (IFRS)	515	313		1 563	735	
Earnings per share	1,20	1,85	-35 %	8,73	8,95	-2 %
EBITDA margin ¹	20,4 %	20,6 %		25,0 %	23,9 %	

¹ Alternative performance measure, see Appendix for definition

Operating revenues and EBITDA¹ per segment

Amounts in NOK million

Operating revenues	Q4-23	Q4-22	Change
Borregaard	1 605	1 770	-9 %
BioSolutions	906	997	-9 %
BioMaterials	526	620	-15 %
Fine Chemicals	180	170	6 %
Eliminations	-7	-17	

Amounts in NOK million

EBITDA ¹	Q4-23	Q4-22	Change
Borregaard	327	364	-10 %
BioSolutions	172	159	8 %
BioMaterials	103	138	-25 %
Fine Chemicals	52	67	-22 %

Amounts in NOK million

Operating revenues	FY-23	FY-22	Change
Borregaard	7 132	6 881	4 %
BioSolutions	3 944	4 050	-3 %
BioMaterials	2 439	2 250	8 %
Fine Chemicals	786	632	24 %
Eliminations	-37	-51	

Amounts in NOK million

EBITDA ¹	FY-23	FY-22	Change
Borregaard	1781	1643	8 %
BioSolutions	915	986	-7 %
BioMaterials	534	427	25 %
Fine Chemicals	332	230	44 %

¹ Alternative performance measure, see Appendix for definition

Balance sheet

Amounts in NOK million	31.12.2023	30.09.2023	31.12.2022
Assets:			
Intangible assets	84	84	82
Property, plant and equipment	4 661	4 513	4 371
Right-of-use assets	527	457	345
Other assets	437	234	254
Investments in joint venture/associate company	289	257	142
Non-current assets	5 998	5 545	5 194
Inventories	1 447	1 393	1 299
Receivables	1 201	1 400	1 387
Cash and cash deposits	469	707	234
Current assets	3 117	3 500	2 920
Total assets	9 115	9 045	8 114
Equity and liabilities:			
Group equity	4 855	4 520	4 394
Non-controlling interests	39	55	51
Equity	4 894	4 575	4 445
Provisions and other liabilities	401	362	295
Interest-bearing liabilities	2 016	2 008	1 370
Non-current liabilities	2 417	2 370	1 665
Interest-bearing liabilities	246	580	702
Other current liabilities	1 558	1 520	1 302
Current liabilities	1 804	2 100	2 004
Equity and liabilities	9 115	9 045	8 114
Equity ratio ¹ (%):	53,7 %	50,6 %	54,8 %

¹ Alternative performance measure, see Appendix for definition

Cash flow

Amounts in NOK million	Q4-23	Q4-22	FY-23	FY-22
Amounts in NOK million				
Profit before taxes	135	210	1 124	1 118
Amortisation, depreciation and impairment charges	135	116	490	449
Change in net working capital, etc	292	55	205	-658
Dividend/share of profit from JV & associate company	-	3	9	34
Taxes paid	-47	-71	-265	-208
Cash flow from operating activities	515	313	1 563	735
Investments property, plant and equipment and intangible assets *	-293	-212	-667	-464
Investment in associate companies & bio-based start-ups	-47	-	-171	-
Other capital transactions	2	4	9	9
Cash flow from Investing activities	-338	-208	-829	-455
Dividends	-	-	-324	-499
Proceeds from exercise of options/shares to employees	4	7	49	41
Buy-back of treasury shares	-43	-45	-92	-68
Gain/(loss) on hedges for net investments in subsidiaries	38	77	-38	-79
Net paid to/from shareholders	-1	39	-405	-605
Proceeds from interest-bearing liabilities	-	-	800	837
Repayment from interest-bearing liabilities	-355	-43	-843	-512
Change in interest-bearing receivables/other liabilities	-18	-41	33	78
Change in net interest-bearing liabilities	-373	-84	-10	403
Cash flow from financing activities	-374	-45	-415	-202
Change in cash and cash equivalents	-197	60	319	78
Cash and cash equivalents at beginning of period	645	76	111	5
Change in cash and cash equivalents	-197	60	319	78
Currency effects cash and cash equivalents	-19	-25	-1	28
Cash and cash equivalents at the close of the period	429	111	429	111
* Investment by category				
Replacement Investments	250	172	550	359
Expansion investments including investment in associate companies and bio-based start-ups	90	40	288	105
Total investments including investment in associate companies and bio-based start-ups	340	212	838	464

¹ Alternative performance measure, see Appendix for definition

Net financial items & net interest-bearing debt¹

Amounts in NOK million

Net financial items	Q4-23	Q4-22	FY-23	FY-22
Net interest expenses	-40	-26	-141	-76
Currency gain/loss	-16	10	-15	6
Share of profit/-loss from an associate	-4	0	-9	-3
Other financial items, net	3	-2	-2	5
Net financial items	-57	-18	-167	-68

Amounts in NOK million

Net interest-bearing debt ¹ (NIBD)	31.12.2023	30.09.2023	31.12.2022
Non-current interest-bearing liabilities	2 016	2 008	1 370
Current interest-bearing liabilities including overdraft of cashpool	246	580	702
Non-current interest-bearing receivables (included in "Other Assets")	-2	-2	-2
Cash and cash deposits	-469	-707	-234
Net interest-bearing debt¹ (NIBD)	1 791	1 879	1 836
- of which impact from IFRS 16 leases	563	490	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 30.01.24)

	USD million	USD rate	EUR million	EUR rate
Q1-2024	42	9.06	31	10.53
Q2-2024	42	9.16	30	10.53
Q3-2024	42	9.47	30	10.66
Q4-2024	41	9.46	31	10.58
2024	167	9.29	122	10.57
2025	158	9.92	125	10.90
2026	110	10.36	87	11.66
2027	9	10.33	7	11.72

Hedging effects by segment

NOK million	FY-23	FY-22	Q4-23	Q4-22
BioSolutions	-129	-44	-44	-23
BioMaterials	-104	-7	-37	-9
Fine Chemicals	-35	1	-12	-2
Borregaard	-268	-50	-93	-34

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

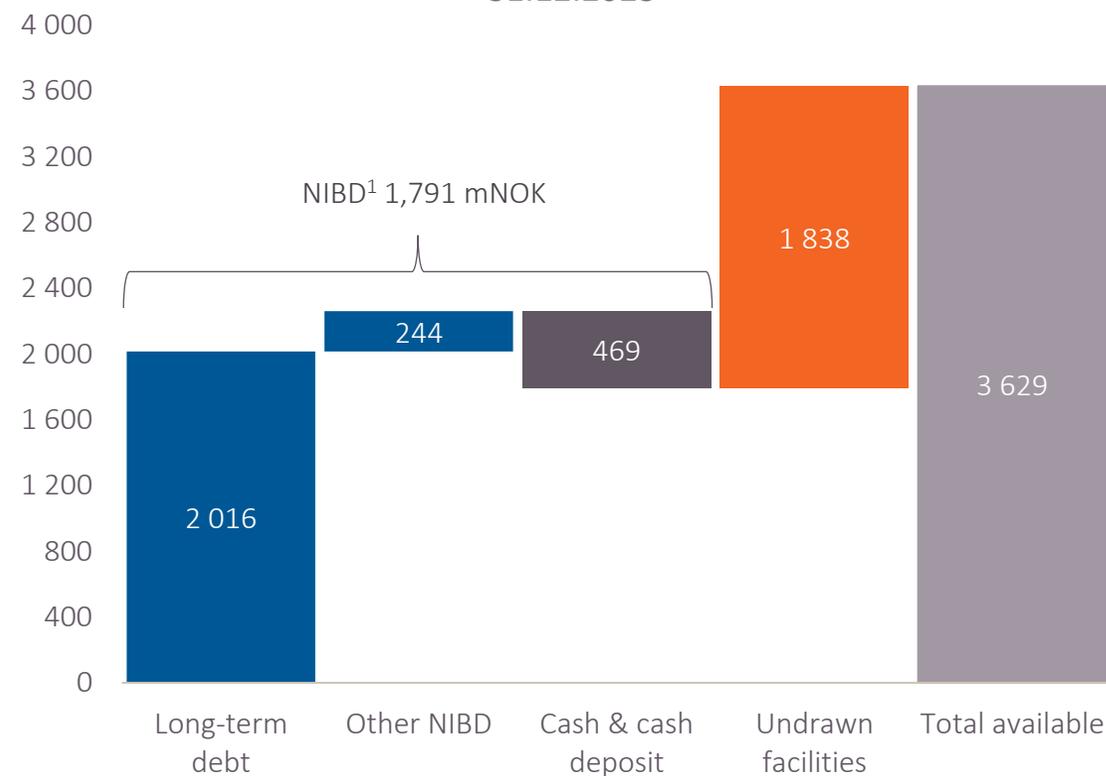
- 225 mNOK overdraft facilities
- 15 mUSD overdraft facility in LignoTech Florida

Solidity

- Equity ratio¹ 53.7%
- Leverage ratio¹ LTM 1.01 (covenant < 3.50)

Debt and undrawn facilities

31.12.2023



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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