

A woman wearing a straw hat is holding a large bunch of dark blue grapes in front of her face. The background is a blurred vineyard with green leaves and sunlight filtering through. The image is used as a background for a presentation slide.

1st Quarter 2021

Sarpsborg, 28 April 2021

Agenda

Per A Sørli, President & CEO

- Highlights
- Business segments
- Outlook

Per Bjarne Lyngstad, CFO

- Financial performance



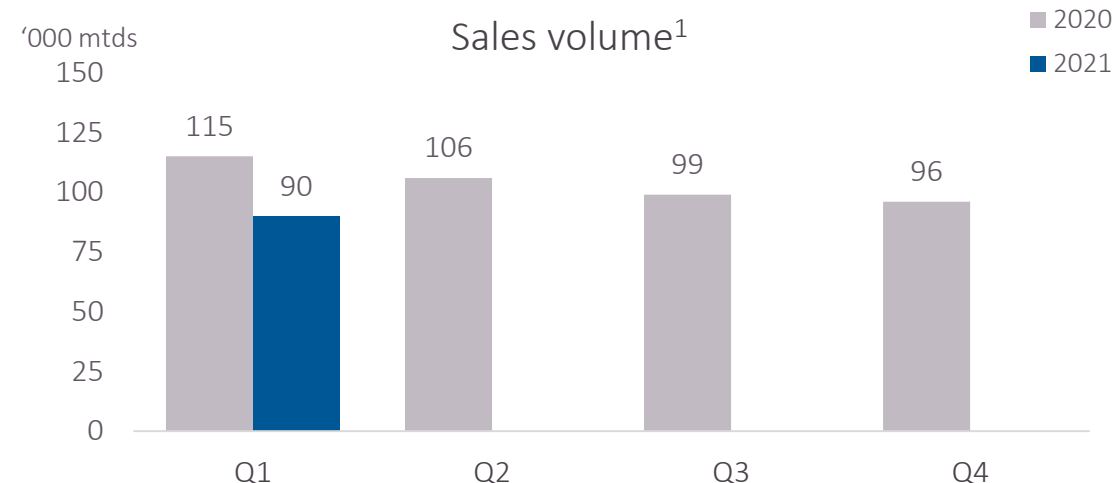
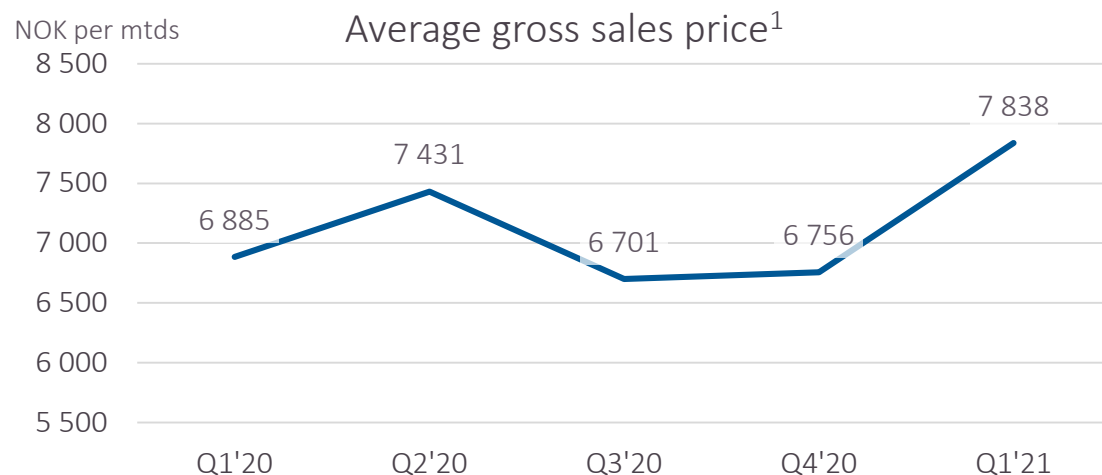
Highlights – 1st quarter 2021

- EBITDA¹ NOK 302 million (NOK 242 million)
- Improved result and product mix in all business areas
- Increased sales prices for biopolymers
- High deliveries of speciality cellulose
- Negative net currency impact



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 22% above Q1-20

- Price increases for certain biopolymer applications
- Reduced sales to low-value applications

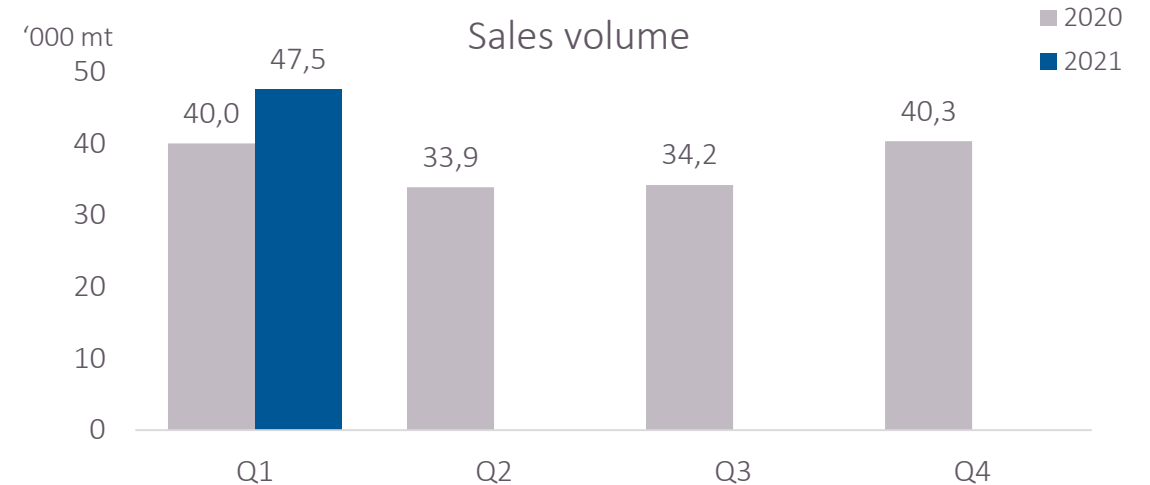
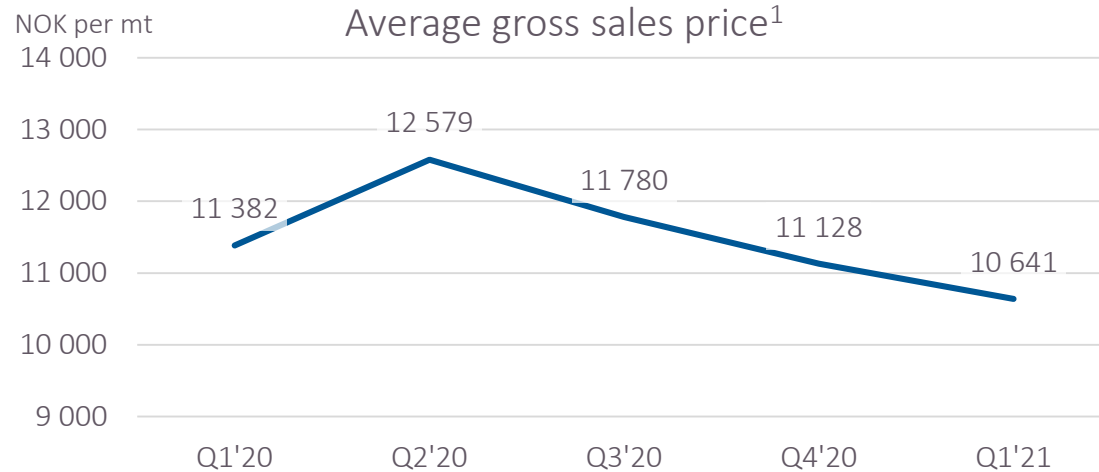
Sales volume 22% lower vs Q1-20

- Discontinued raw material supply, partly offset by increased volume from the Florida plant
- Deliveries from Park Falls below expectations
- Concrete admixtures and low-value industrial applications particularly affected by reduced raw material supply

Negative FX impact

¹ Includes 100% of sales volume from the J/V in South Africa for the two first quarters of 2020
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

High deliveries of speciality cellulose and significant inventory reduction

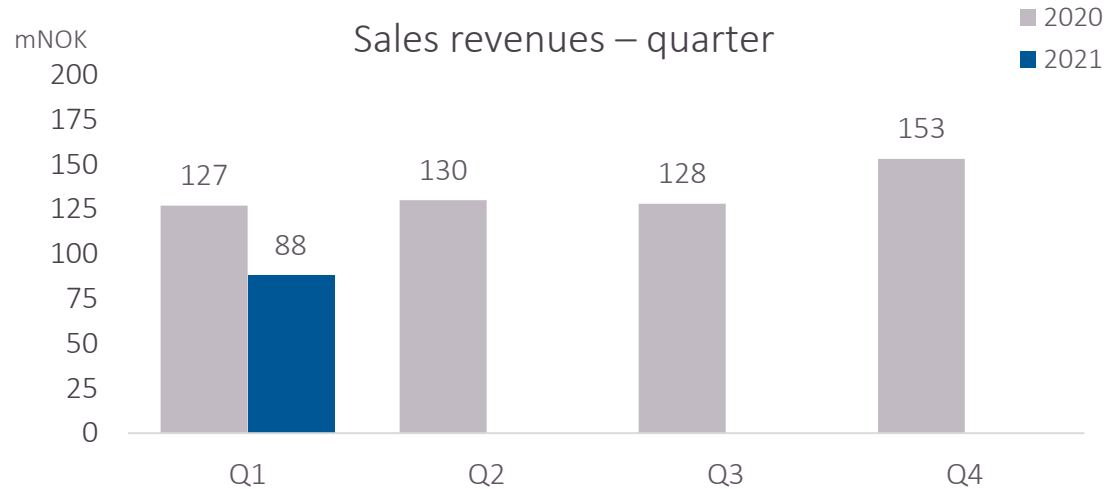
Favourable product mix largely compensated for price reductions

Average price in sales currency 1% lower than Q1-20

Negative FX impact

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

Fine Chemicals markets – Q1



Sales revenues include pharma intermediates and bioethanol

Lower deliveries, but favourable product mix for fine chemical intermediates

Low deliveries of bioethanol

- Deliveries mainly to the biofuel segment

Outlook

BioSolutions

- Sales volume in 2021 forecast to decrease by 10-15%, mainly depending on raw material supply
 - Will have positive effect on product mix and average price in sales currency
- Market conditions for biovanillin expected to be unchanged
 - The ongoing capacity expansion will be completed mid-2021

BioMaterials

- Average price in sales currency expected to be 2-3% below the 2020 level
- Full year sales volume expected to increase from 2020, with high deliveries in H1-21
- Share of highly specialised grades will be higher than last year, implying higher manufacturing costs
- Lower wood costs but increased energy costs and freight rates expected in Q2-21 vs Q2-20
- Sales growth will continue for cellulose fibrils, new business development and customer trials delayed due to Covid-19

Fine Chemicals

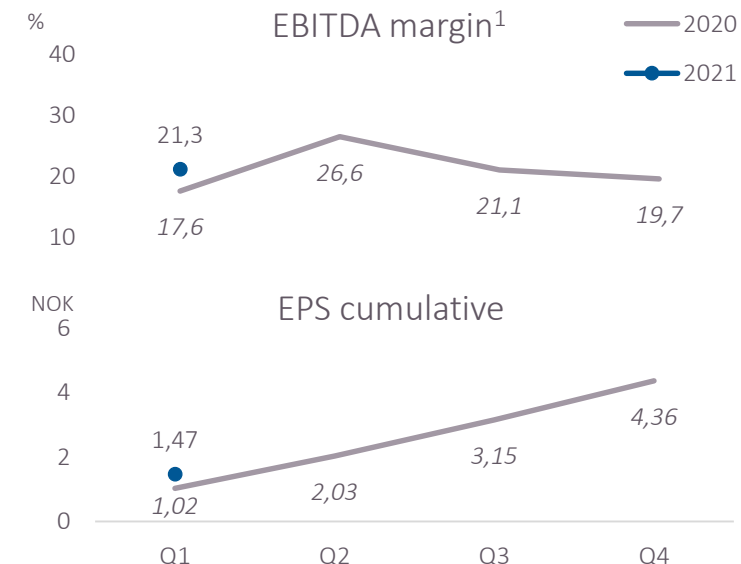
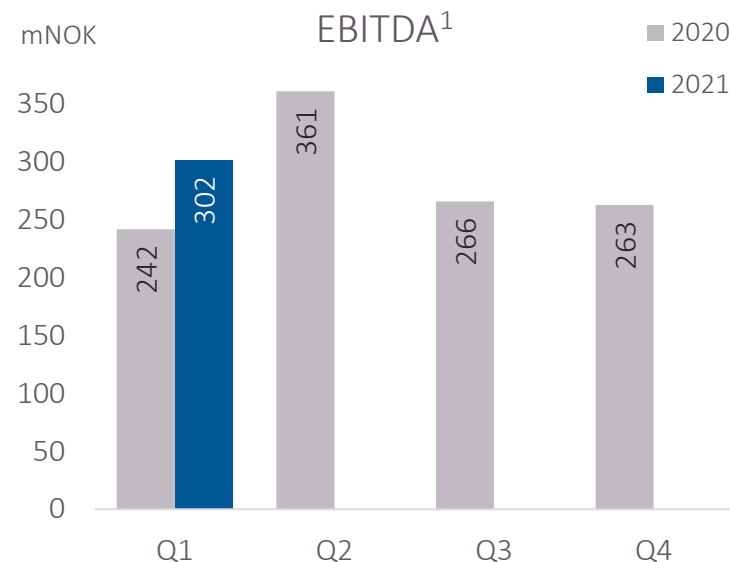
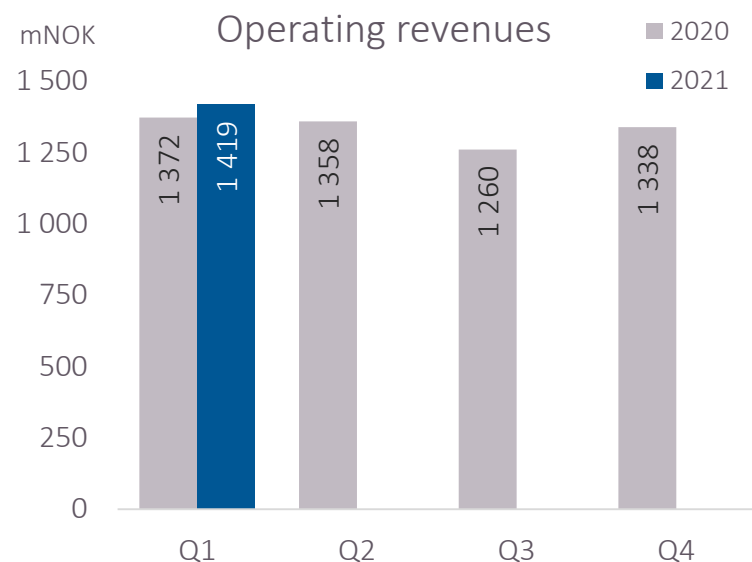
- No major changes are expected in the market conditions for Fine Chemicals
- Bioethanol sales mainly expected to be in the biofuel segment in 2021
 - In Q2-20 the Fine Chemicals result was significantly affected by non-recurring bioethanol sales to disinfectants

Possible further consequences of the Covid-19 pandemic may affect Borregaard's business

Financial performance Q1-21



Borregaard key figures – Q1



Revenues 3% above Q1-20

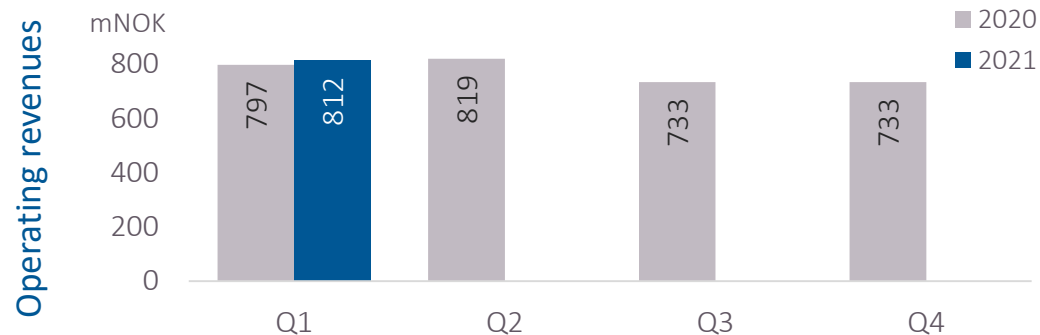
EBITDA¹ 302 mNOK for the Group

- All business areas improved their results
- Negative net FX effect on EBITDA¹

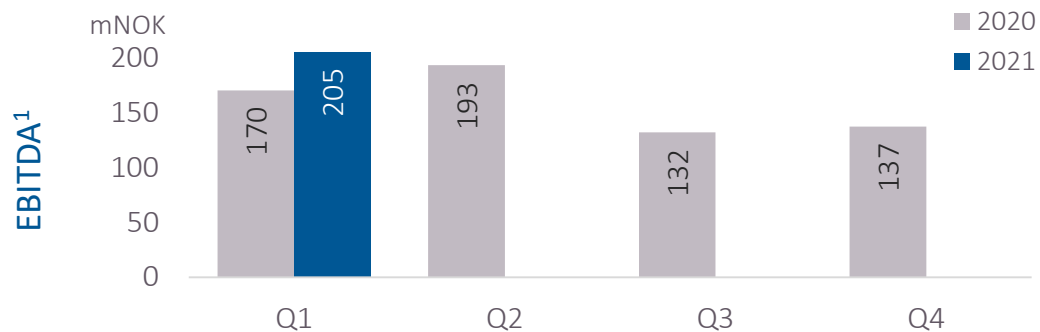
Earnings per share (EPS) NOK 1.47 (NOK 1.02)

¹ Alternative performance measure, see Appendix for definition

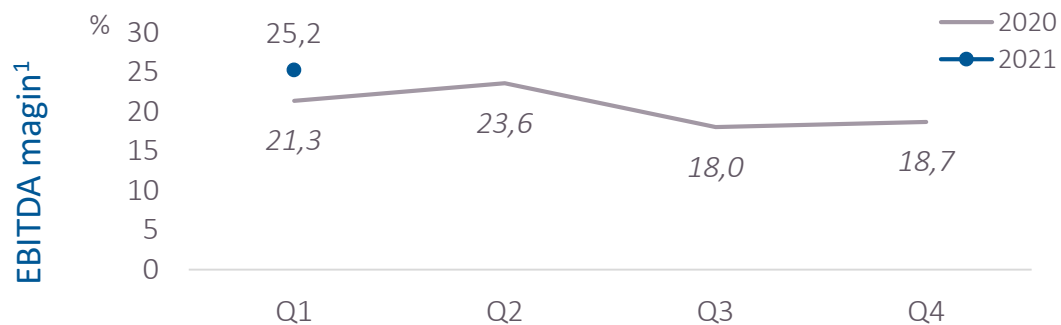
BioSolutions key figures – Q1



- Revenues 2% above Q1-20²
- Reduced raw material supply and 22% lower sales volume



- Price increases for certain biopolymer applications
- Reduced costs
- Negative net FX effects

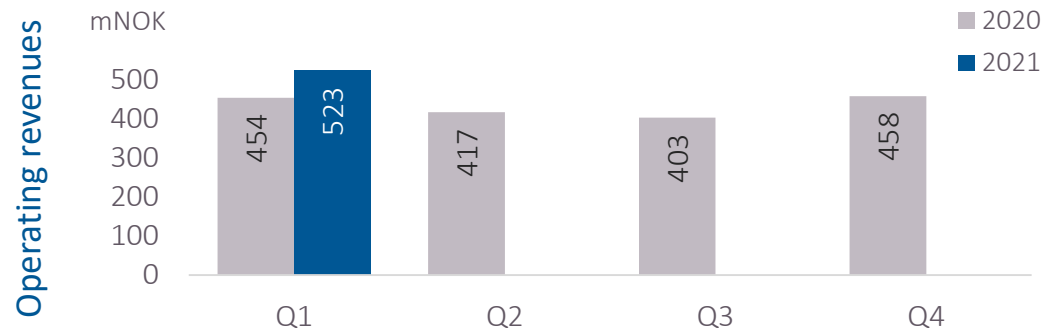


- Improved EBITDA margin¹ in Q1

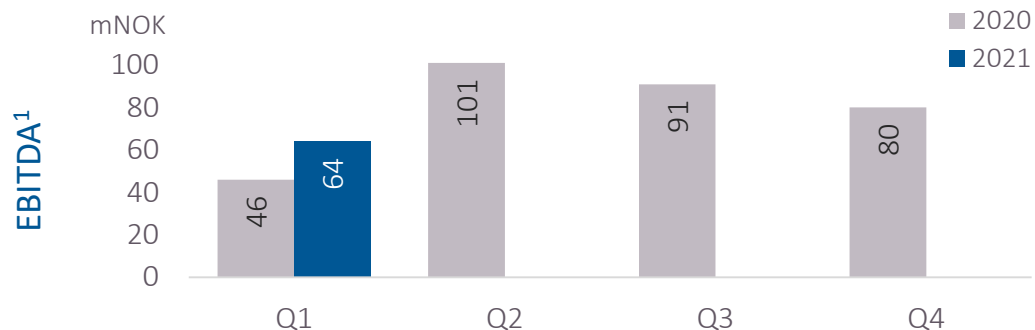
¹ Alternative performance measure, see Appendix for definition

² Reduced sales from South African operation had marginal impact on top-line due to JV accounting (equity method)

BioMaterials key figures – Q1



- Revenues increased by 15% vs Q1-20
- High deliveries of speciality cellulose



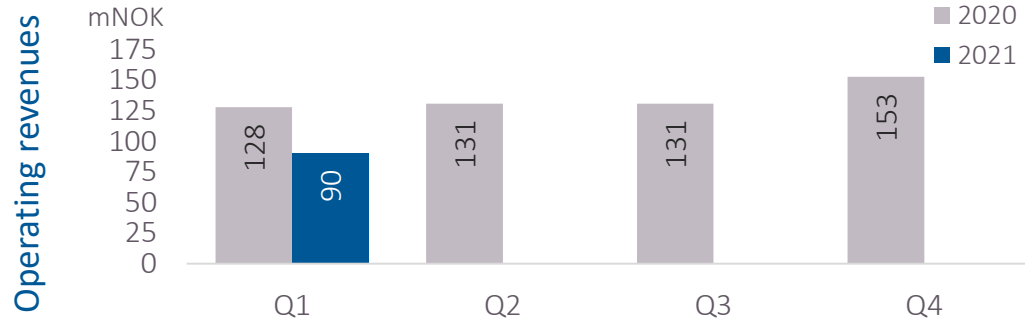
- High deliveries and favourable product mix
- 1% lower average price in sales currency
- Lower wood costs largely offset by higher energy costs and increased freight rates
- Negative net FX impact



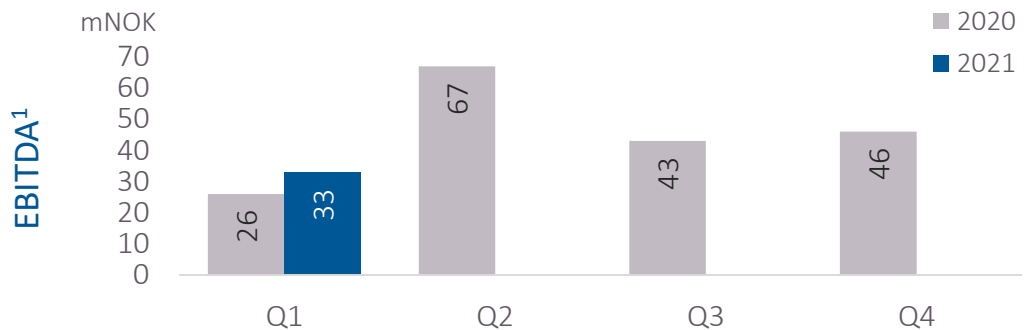
- EBITDA margin¹ slightly above Q1-20

1) Alternative performance measure, see Appendix for definition

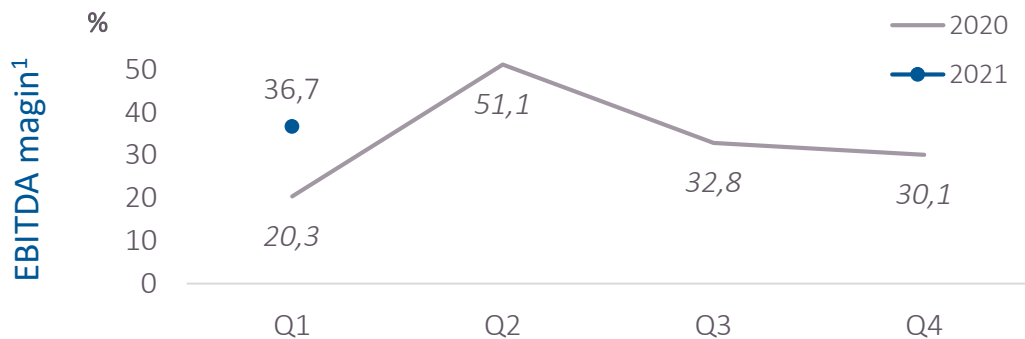
Fine Chemicals key figures – Q1



- Revenues 30% below Q1-20
- Low deliveries



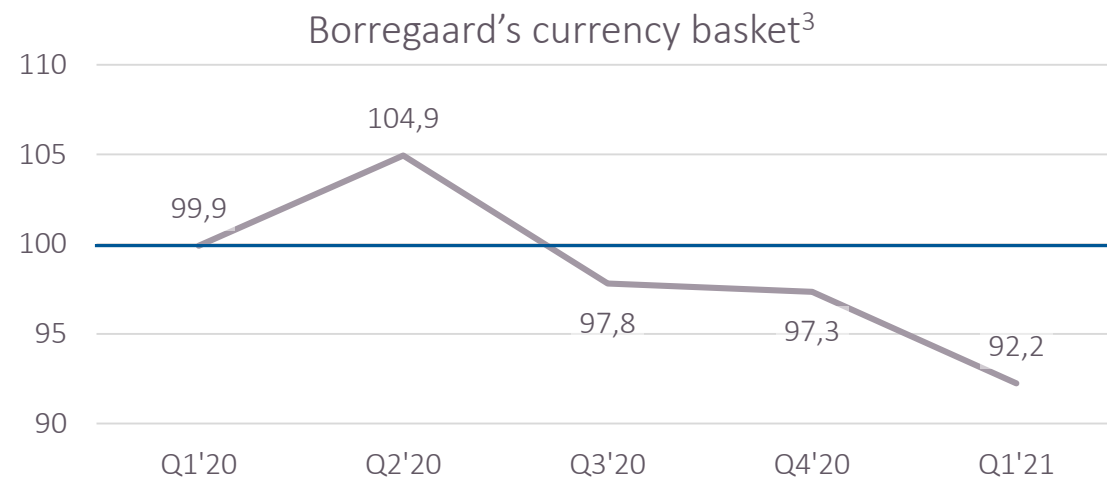
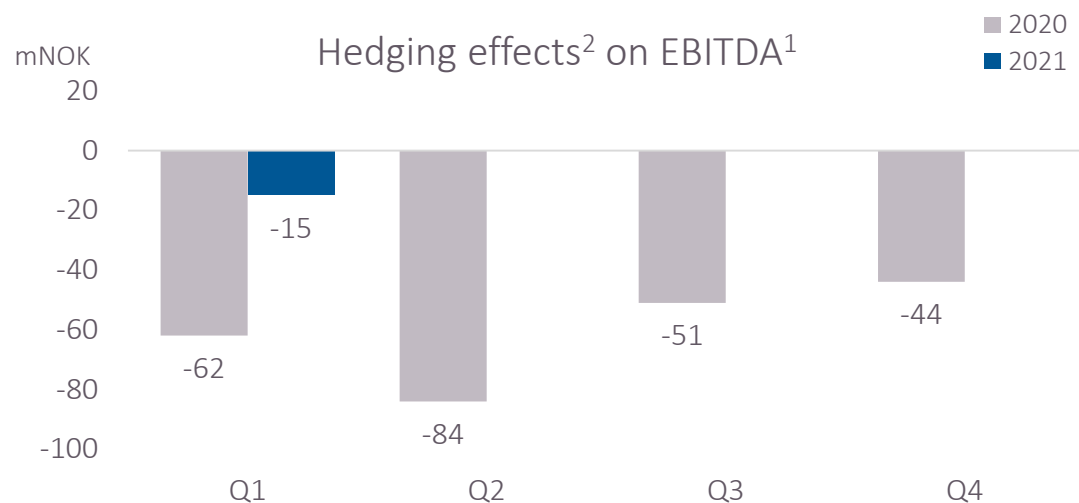
- Favourable product mix for fine chemical intermediates
- High bioethanol production volume with improved yield and lower costs
- Insignificant net FX effects



- Higher EBITDA margin¹ vs Q1-20

1) Alternative performance measure, see Appendix for definition

Currency impact



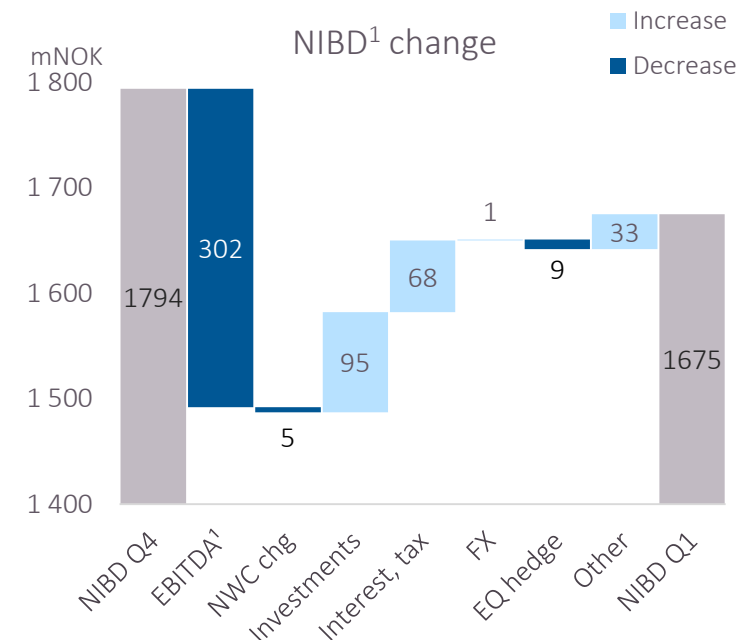
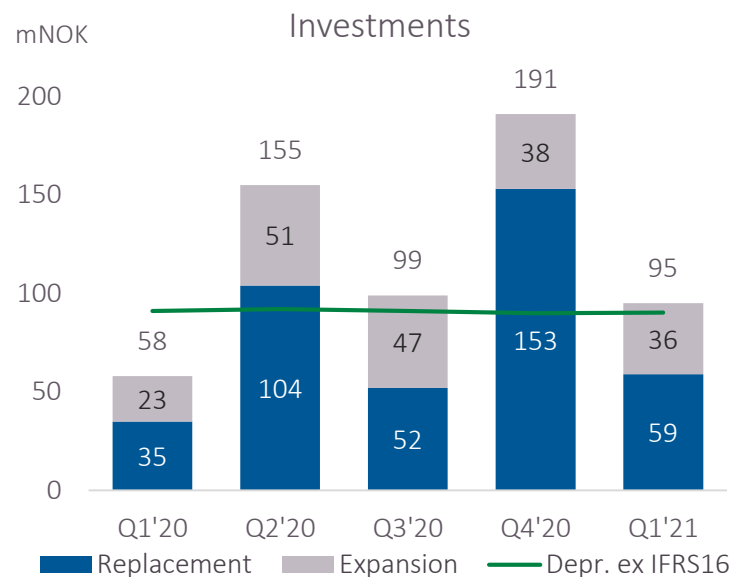
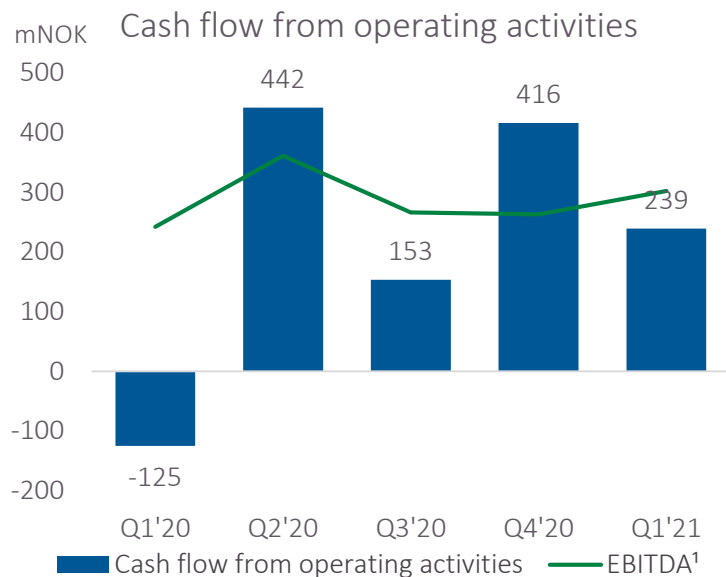
- Net FX EBITDA¹ impact ≈ -25 mNOK vs Q1-20
 - Includes change in hedging effects and based on estimated FX exposure
- Net FX EBITDA¹ impact in 2021 estimated to be ≈ -45 mNOK vs 2020
 - Assuming rates as of 27 April (USD 8.28 and EUR 10.01) on expected FX exposure
 - Net FX EBITDA¹ impact in Q2 estimated to be ≈ -25 mNOK vs Q2-20
- 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 2020 (=100): USD 58% (approx. 177 mUSD), EUR 41% (approx. 112 mEUR), Other 1% (GBP, BRL, JPY, SEK, ZAR).

Cash flow, investments and NIBD



Cash flow improved vs Q1-20

- More favourable development in net working capital vs Q1-20 and cash effect from improved EBITDA¹

Investments above the low Q1-20 level

NIBD¹ decreased by 119 mNOK in Q1

- Leverage ratio¹ 1.41 (2.39)

Equity ratio¹ 56.9% (38.3%)

¹ Alternative performance measure, see Appendix for definition

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	Q1-2021	Q1-2020	Change
Operating revenues	1 419	1 372	3 %
EBITDA ¹	302	242	25 %
Depreciation property, plant and equipment	-106	-109	
Amortisation intangible assets	-1	-1	
Other income and expenses ¹	0	0	
Operating profit	195	132	48 %
Financial items, net	-19	-21	
Profit before taxes	176	111	59 %
Income tax expenses	-43	-27	
Profit for the period	133	84	58 %
Profit attributable to non-controlling interests	-13	-18	
Profit attributable to owners of the parent	146	102	
Cash flow from operating activities (IFRS)	239	-125	
Earnings per share	1,47	1,02	44 %
EBITDA margin ¹	21,3 %	17,6 %	

¹ Alternative performance measure, see Appendix for definition

Operating revenues and EBITDA¹ per segment

Amounts in NOK million

Operating revenues	Q1-2021	Q1-2020	Change
Borregaard	1 419	1 372	3 %
BioSolutions	812	797	2 %
BioMaterials	523	454	15 %
Fine Chemicals	90	128	-30 %
Eliminations	-6	-7	

Amounts in NOK million

EBITDA ¹	Q1-2021	Q1-2020	Change
Borregaard	302	242	25 %
BioSolutions	205	170	21 %
BioMaterials	64	46	39 %
Fine Chemicals	33	26	27 %

Cash flow

Amounts in NOK million	Q1-2021	Q1-2020
Amounts in NOK million		
Profit before taxes	176	111
Amortisation, depreciation and impairment charges	107	110
Change in net working capital, etc	5	-298
Dividend (share of profit) from JV	-	-1
Taxes paid	-49	-47
Cash flow from operating activities	239	-125
Investments property, plant and equipment and intangible assets *	-95	-58
Other capital transactions	4	2
Cash flow from Investing activities	-91	-56
Dividends	-	-
Proceeds from exercise of options/shares to employees	29	28
Buy-back of shares	-56	-50
Gain/(loss) on hedges for net investments in subsidiaries	9	-160
Net paid to/from shareholders	-18	-182
Proceeds from interest-bearing liabilities	100	650
Repayment from interest-bearing liabilities	-217	-585
Change in interest-bearing receivables/other liabilities	-8	40
Change in net interest-bearing liabilities	-125	105
Cash flow from financing activities	-143	-77
Change in cash and cash equivalents	5	-258
Cash and cash equivalents at beginning of period	96	81
Change in cash and cash equivalents	5	-258
Currency effects cash and cash equivalents	-1	6
Cash and cash equivalents at the end of the period	100	-171
* Investment by category		
Replacement Investments	59	35
Expansion investments ¹	36	23

¹ Alternative performance measure, see Appendix for definition

Balance sheet

Amounts in NOK million	31.03.2021	31.12.2020
Assets:		
Intangible assets	81	86
Property, plant and equipment	3 978	3 973
Right-of-use assets	377	381
Other assets	440	380
Investment in joint venture	38	38
Non-current assets	4 914	4 858
Inventories	822	887
Receivables	1 131	1 051
Cash and cash deposits	213	207
Current assets	2 166	2 145
Total assets	7 080	7 003
Equity and liabilities:		
Group equity	3 927	3 668
Non-controlling interests	100	110
Equity	4 027	3 778
Provisions and other liabilities	315	291
Interest-bearing liabilities	1 374	1 381
Non-current liabilities	1 689	1 672
Interest-bearing liabilities	517	623
Other current liabilities	847	930
Current liabilities	1 364	1 553
Equity and liabilities	7 080	7 003
Equity ratio ¹ (%):	56,9 %	53,9 %

¹ Alternative performance measure, see Appendix for definition

Net financial items & net interest-bearing debt¹

Amounts in NOK million

Net financial items	Q1-2021	Q1-2020
Net interest expenses	-16	-20
Currency gain/loss	1	0
Other financial items, net	-4	-1
Net financial items	-19	-21

Amounts in NOK million

Net interest-bearing debt ¹ (NIBD)	31.03.2021	31.12.2020
Non-current interest-bearing liabilities	1 374	1 381
Current interest-bearing liabilities including overdraft facilities	517	623
Non-current interest-bearing receivables (included in "Other Assets")	-3	-3
Cash and cash deposits	-213	-207
Net interest-bearing debt¹ (NIBD)	1 675	1 794
- of which impact from IFRS 16 leases	393	396

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 27.04.21)

	USD million	USD rate	EUR million	EUR rate
Q2-2021	34	8.27	25	10.13
Q3-2021	35	8.41	24	10.21
Q4-2021	34	8.58	24	10.36
RoY 2021	103	8.42	73	10.23
2022	128	8.95	101	10.65
2023	93	9.39	78	11.00
2024	20	8.62	22	10.62

Hedging effects by segment

NOK million	Q1-21	Q1-20
BioSolutions	-5	-26
BioMaterials	-8	-30
Fine Chemicals	-2	-6
Borregaard	-15	-62

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 2023 and 2025, margin linked to sustainability targets
- 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
- 300 mNOK commercial paper

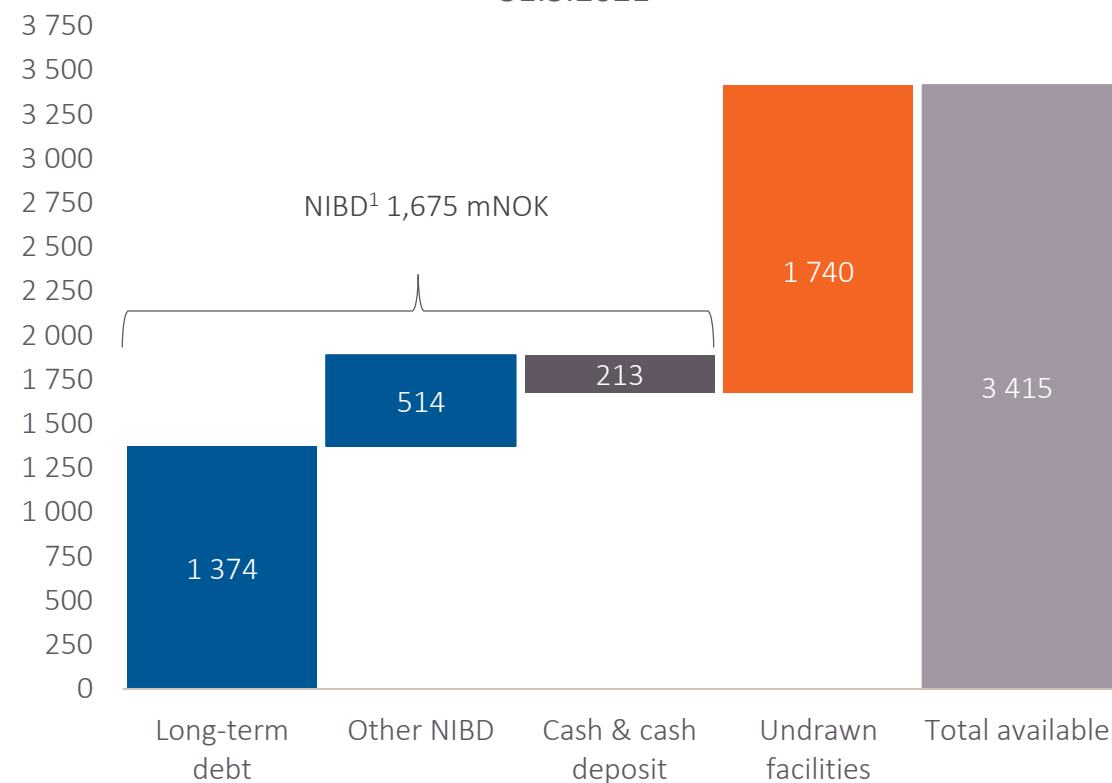
Solidity

- Equity ratio¹ 56.9%
- Leverage ratio¹ LTM 1.41 (covenant < 3.50)

¹ Alternative performance measure, see Appendix for definition

Debt and undrawn facilities

31.3.2021



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 and investment in joint venture minus net pension liabilities.

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