



1ST QUARTER 2020

Sarpsborg, 29 April 2020

Agenda



- Per A Sørli, President & CEO
 - New business segments
 - Highlights
 - The coronavirus situation
 - Business segments
 - Outlook
- Per Bjarne Lyngstad, CFO
 - Financial performance

New business segments

- Alignment with value chains in production and internal reporting structures
- BioSolutions
 - All lignin-based products (biopolymers and biovanillin) organised under one management
 - Consists of the previous Performance Chemicals and the Ingredients part of Other Businesses
- BioMaterials
 - Products utilising wood fibres as the main raw material
 - Includes the speciality cellulose and cellulose fibrils businesses
- Fine Chemicals
 - Pharma intermediates (mainly used for diagnostics) and bioethanol (mainly for biofuel)
- Corporate overhead and certain other costs allocated to the three new business segments
 - Previously reported under Other Businesses

Highlights – 1st quarter 2020



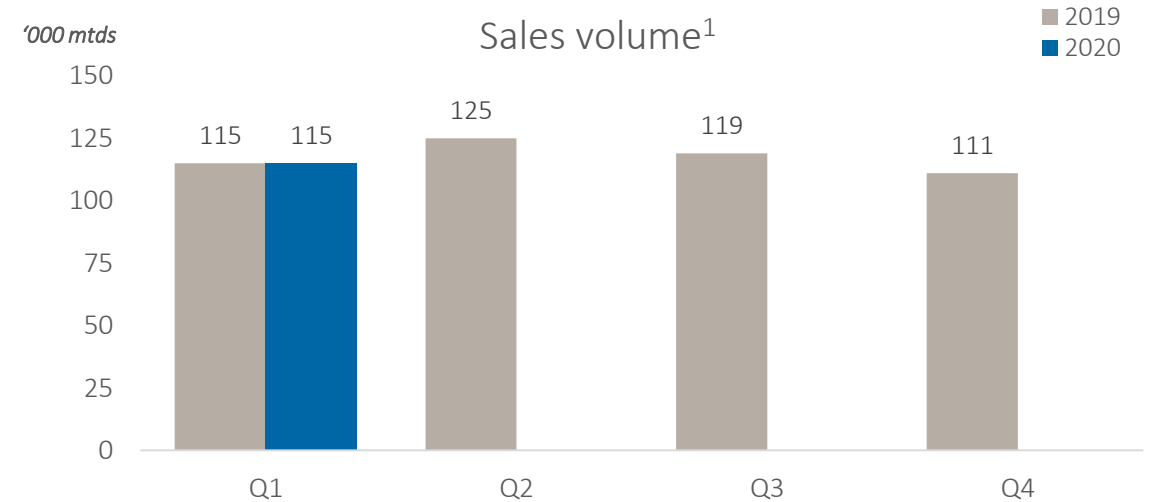
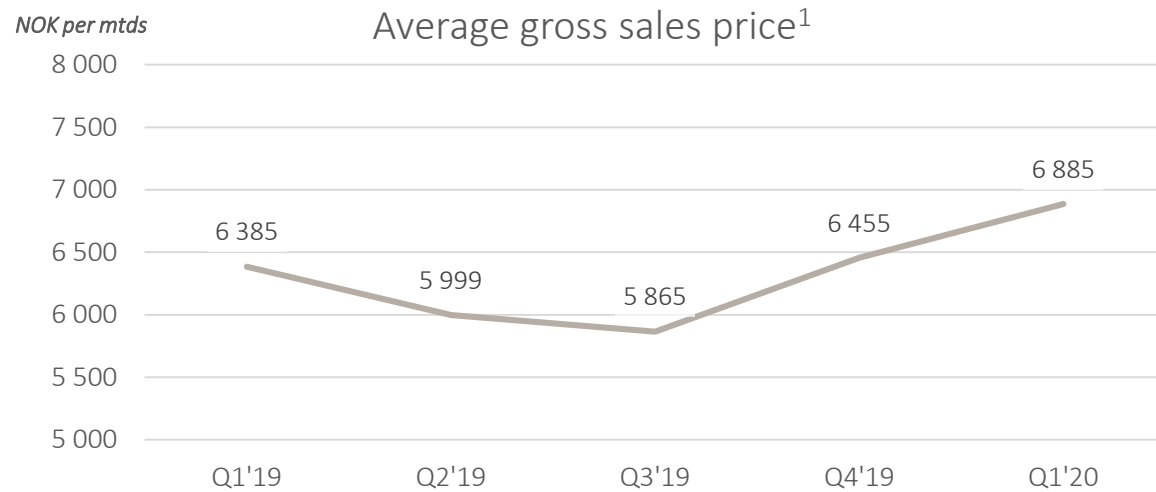
- EBITDA¹ 242 mNOK (255 mNOK)
- Positive development for Specialities in BioSolutions
- Unfavourable product mix in BioMaterials and Fine Chemicals
- Higher distribution, maintenance and IT transition costs, gradual reduction in wood costs
- Positive net currency impact on EBITDA¹, negative impact on equity and NIBD¹ from weakened NOK
- Marginal impact from the coronavirus situation

¹ Alternative performance measure, see Appendix for definition

The coronavirus situation

- Safety and health first
 - Emergency measures established and procedures implemented to limit the risk of infection throughout the organisation
- No material impact in Q1
 - Logistical and other practical challenges have been managed without significant adverse effects on deliveries and production
- Production at LignoTech South Africa temporarily stopped
 - Supply of lignin raw material interrupted
 - Lignin production stopped until raw material supply is resumed

BioSolutions markets – Q1

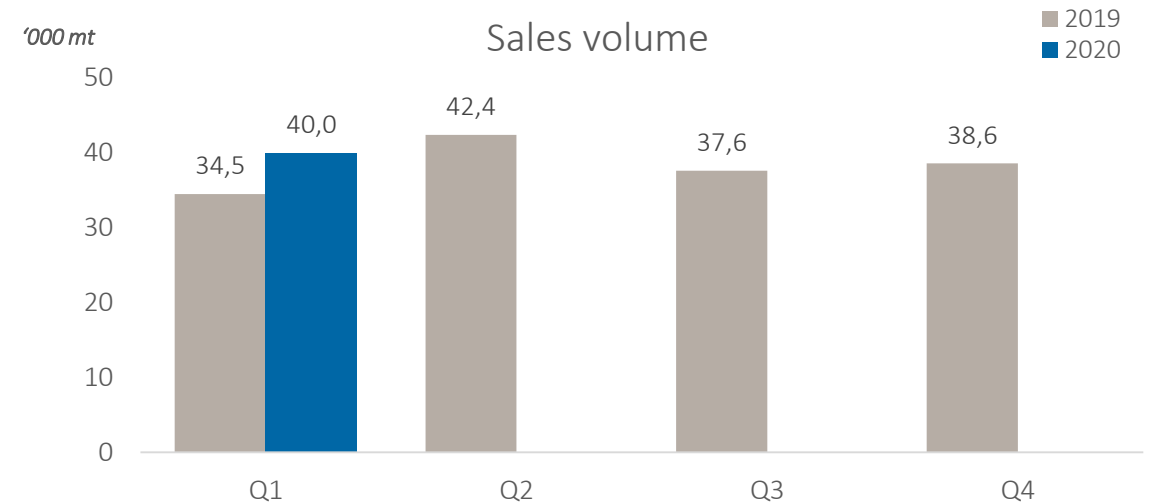
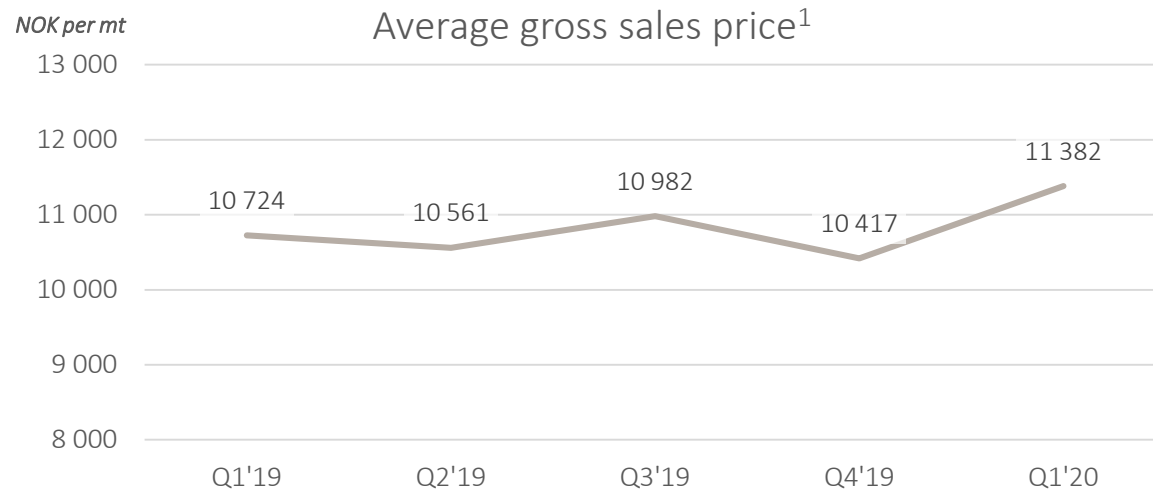


Sales price and sales volume include lignin-based biopolymers and biovanillin

- Average price in sales currency 1% lower compared with Q1-19
 - Continued strong competition and price pressure for biopolymers to concrete admixtures and certain low value Industrial applications
 - Favourable product mix within Specialities
- Sales volume in line with Q1-19, Specialities and Construction volumes increased, lower Industrial volumes
- Supply of raw material to LignoTech Ibérica discontinued in February, the supplier Sniace filed for liquidation
- Positive FX effects

¹ Includes 100% of sales volume from the J/V in South Africa.
Average sales price is calculated using actual FX rates, excluding hedging impact.

BioMaterials markets – Q1

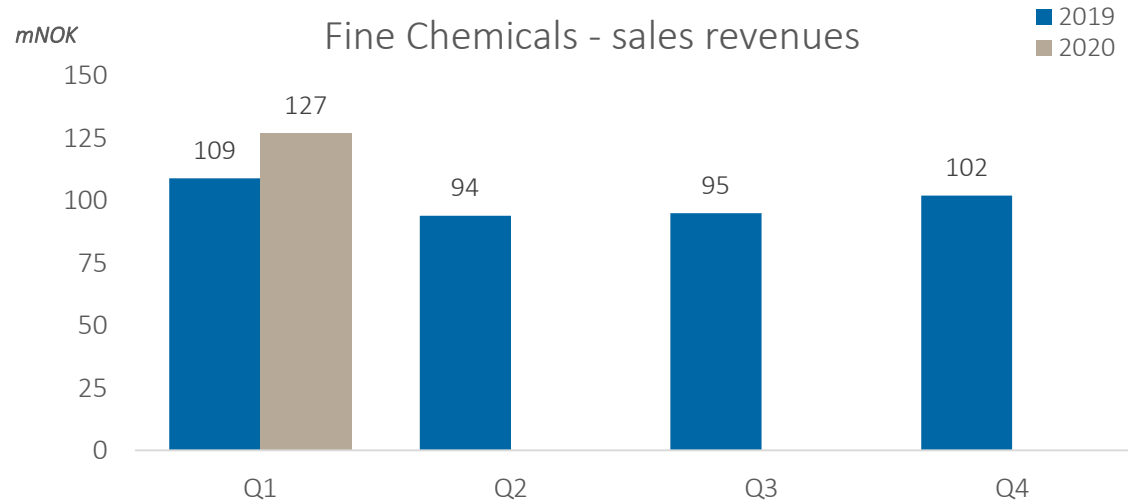


Sales price and sales volume include speciality cellulose and cellulose fibrils

- 3% lower average price in sales currency vs Q1'19
 - Unfavourable product mix
- High sales volume for speciality cellulose
- Increased sales for cellulose fibrils, but still at a low level
- Positive 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

- Fine Chemicals
 - Higher sales revenues in bioethanol
 - Unfavourable product mix for pharma intermediates

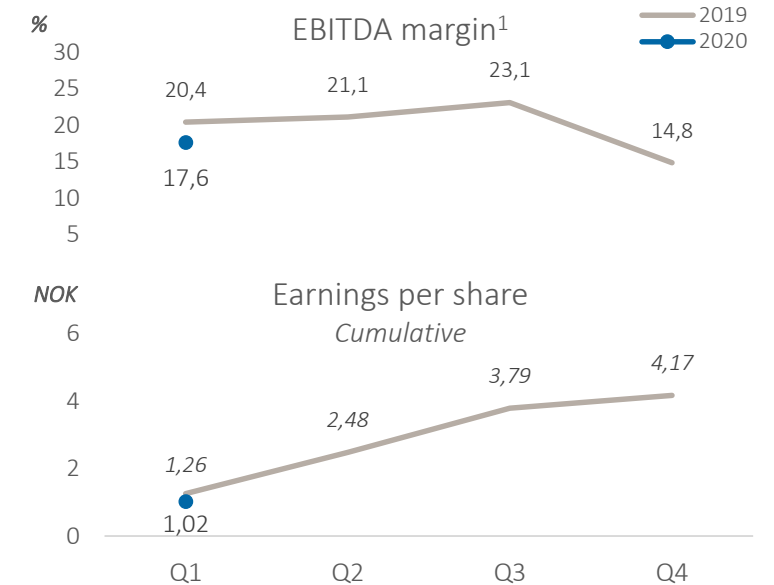
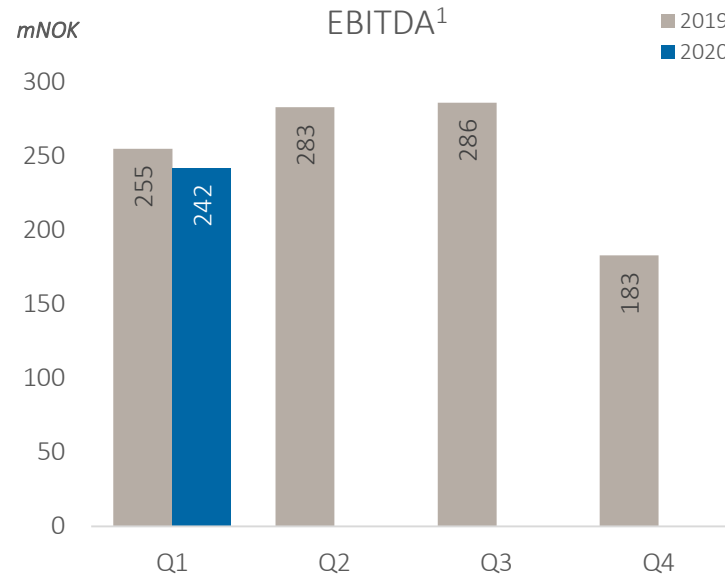
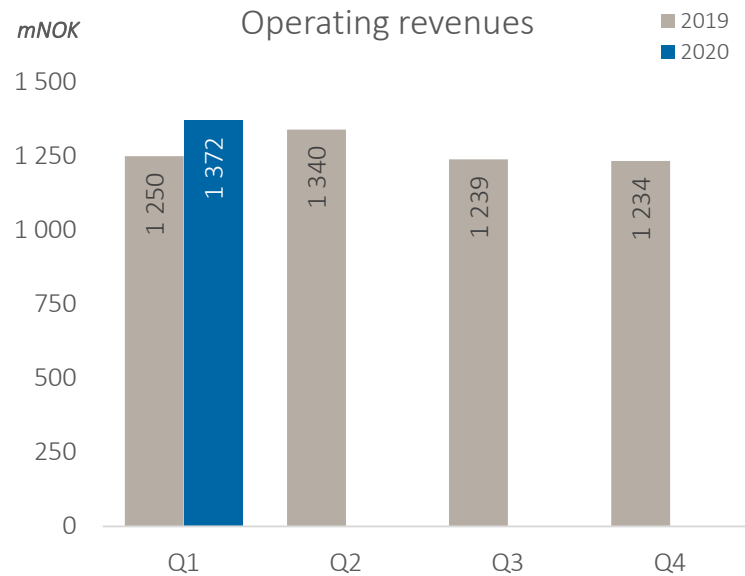
Outlook

- Coronavirus situation
 - Interrupted raw material supply to LignoTech South Africa
 - Some orders in certain biopolymers sectors, mainly Construction, cancelled or postponed
 - Demand expected to be higher than supply as long as LignoTech South Africa is out of operation
 - Possibility for lower growth in world economy and indirect consequences from affected suppliers, business partners or infrastructure
 - Focus on closely monitoring the situation and maintaining sufficient financial capacity to mitigate any potential effects
- BioSolutions
 - Total sales volume for 2020 forecast to decrease by 5-15%, depending on raw material supply to LignoTech South Africa
 - Cost savings in Norway and Germany expected to continue as planned
 - The ongoing capacity expansion for biovanillin will be gradually realised in 2020 with full effect from H2-21
- BioMaterials
 - Average price in sales currency expected to increase 2% in 2020, mainly from improved product mix
 - Sales volume in Q2 expected to be lower vs Q2-19, with similar product mix
 - Wood costs in Q2 forecast to be 10-15 mNOK lower vs Q2-19
 - EU Horizon 2020¹ grant in cellulose fibrils will end in April 2020
- Fine Chemicals
 - No major changes expected in the market conditions for pharma intermediates
 - For bioethanol, increased demand in disinfectants expected to more than compensate for effects of reduced deliveries to biofuel



FINANCIAL PERFORMANCE Q1-20

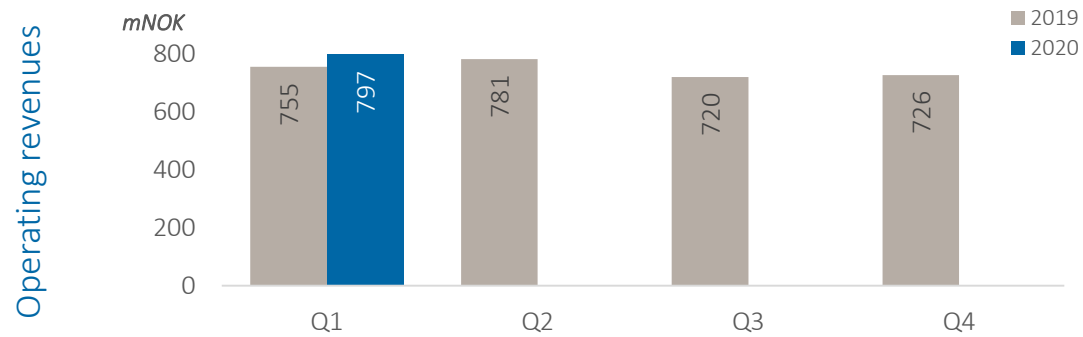
Borregaard key figures – Q1



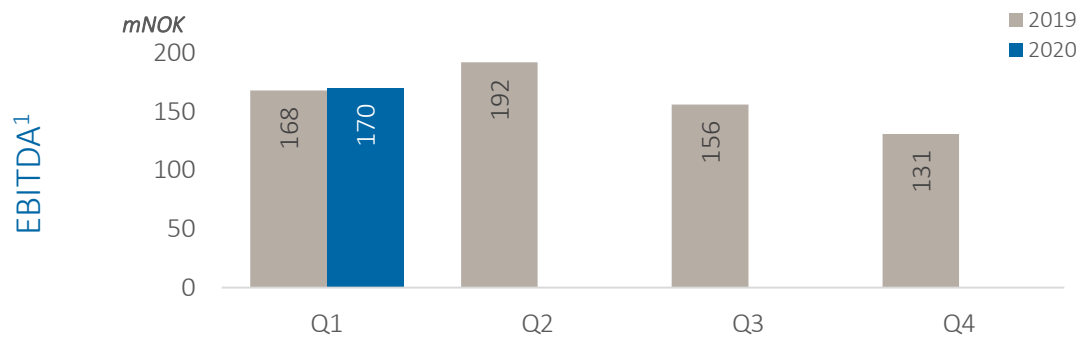
- Revenues 10% above Q1-19
- EBITDA¹ 242 mNOK for the Group
 - Positive development for Specialities in BioSolutions
 - Unfavourable product mix in BioMaterials and Fine Chemicals
 - Higher distribution, maintenance and IT transition costs, gradual reduction in wood costs
 - Positive FX effects on EBITDA¹
- EPS at NOK 1.02 (NOK 1.26)

¹ Alternative performance measure, see Appendix for definition

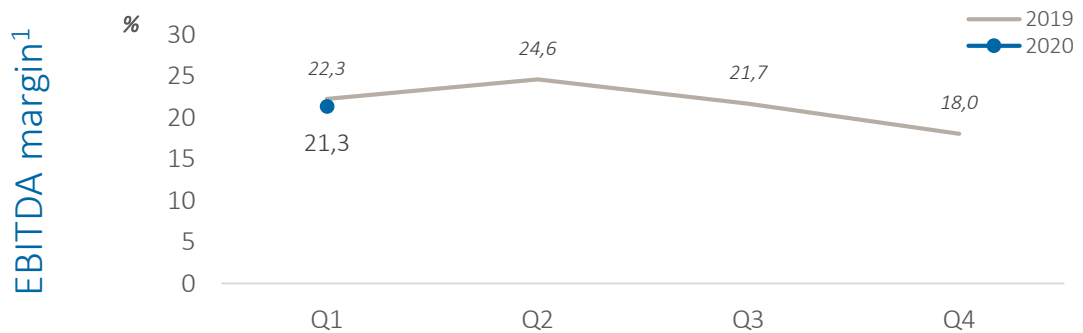
BioSolutions key figures – Q1



- Revenues 6% above Q1-19
- Sales volume in line with Q1-19
- Average price in sales currency 1% lower
- Positive net FX impact



- Favourable product mix within Specialities
- Cost reductions in Norway and Germany
- Higher distribution and other operating costs
- Positive net FX impact

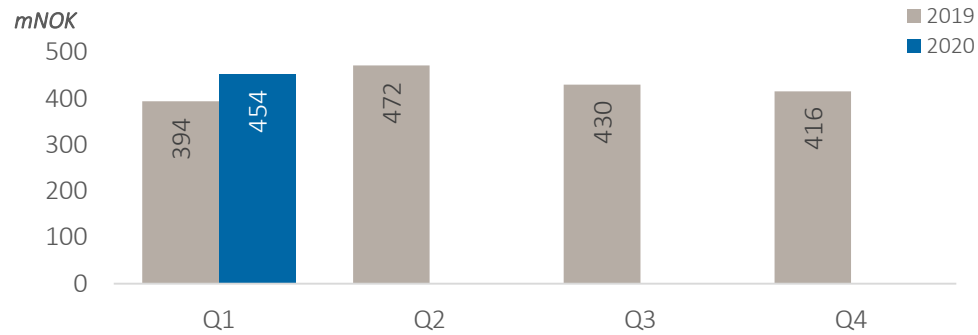


- EBITDA margin¹ below Q1-19

¹ Alternative performance measure, see Appendix for definition

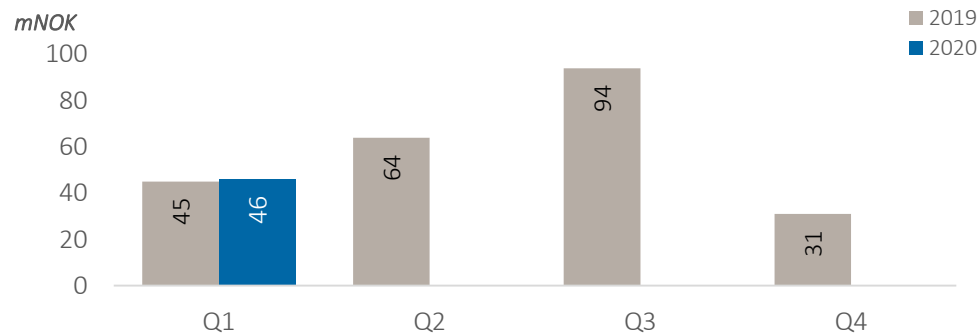
BioMaterials key figures – Q1

Operating revenues



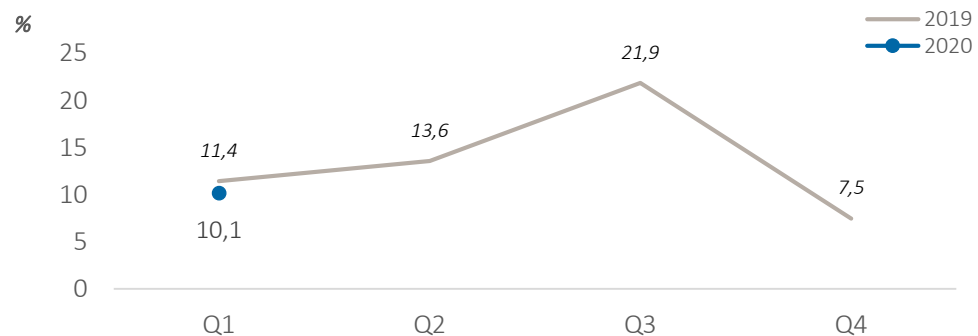
- Revenues 15% above Q1-19
- High sales volume
- Positive FX effects

EBITDA¹



- High sales volume, but unfavourable product mix
- Higher fixed costs
- Wood costs reduced, but less than expected
- For cellulose fibrils, higher sales and cost reductions compensated for reduced cost coverage
- Positive net FX impact

EBITDA margin¹

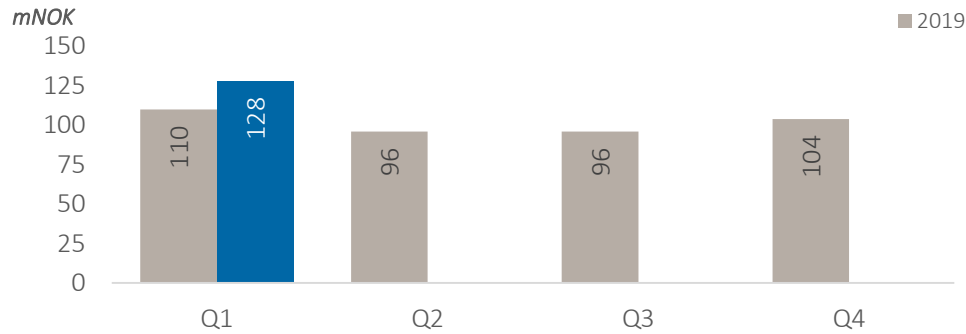


- EBITDA margin¹ below Q1-19

¹ Alternative performance measure, see Appendix for definition

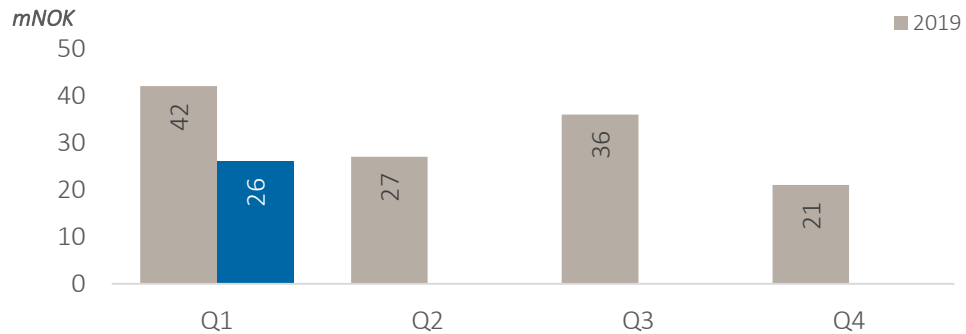
Fine Chemicals key figures – Q1

Operating revenues



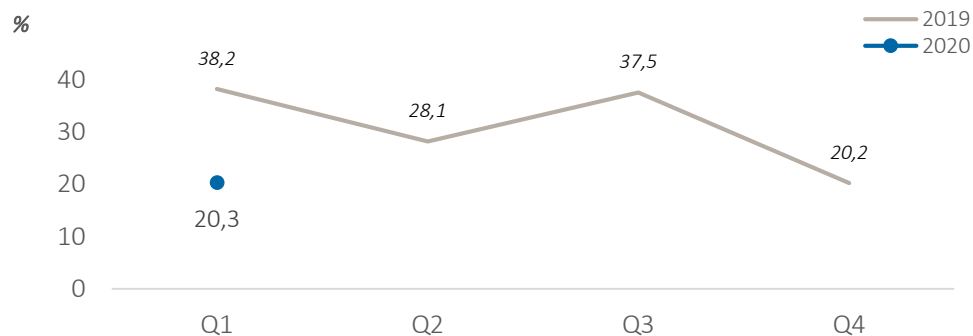
- Revenues 16% above Q1-19
- Higher sales in bioethanol

EBITDA¹



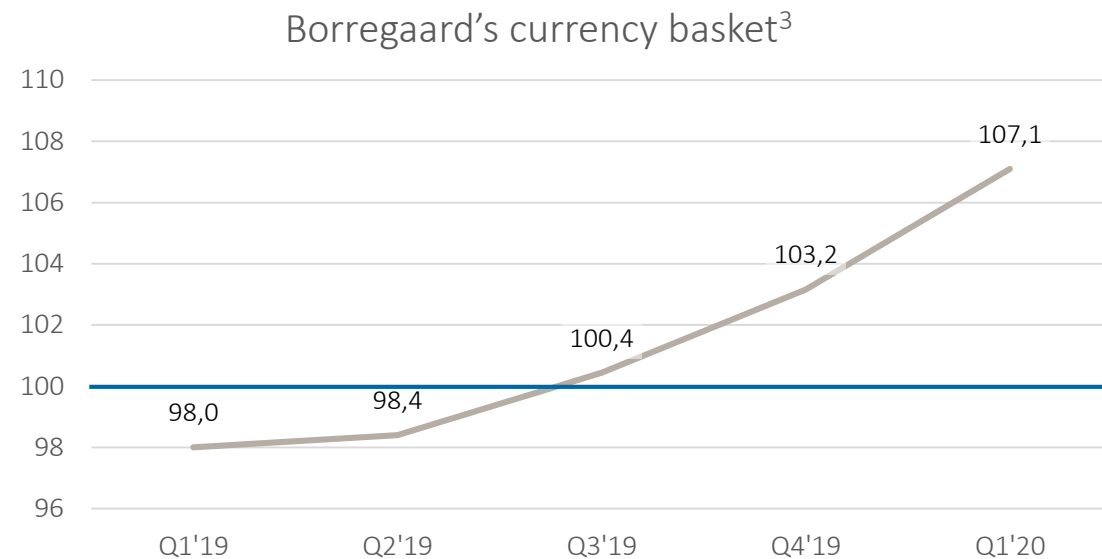
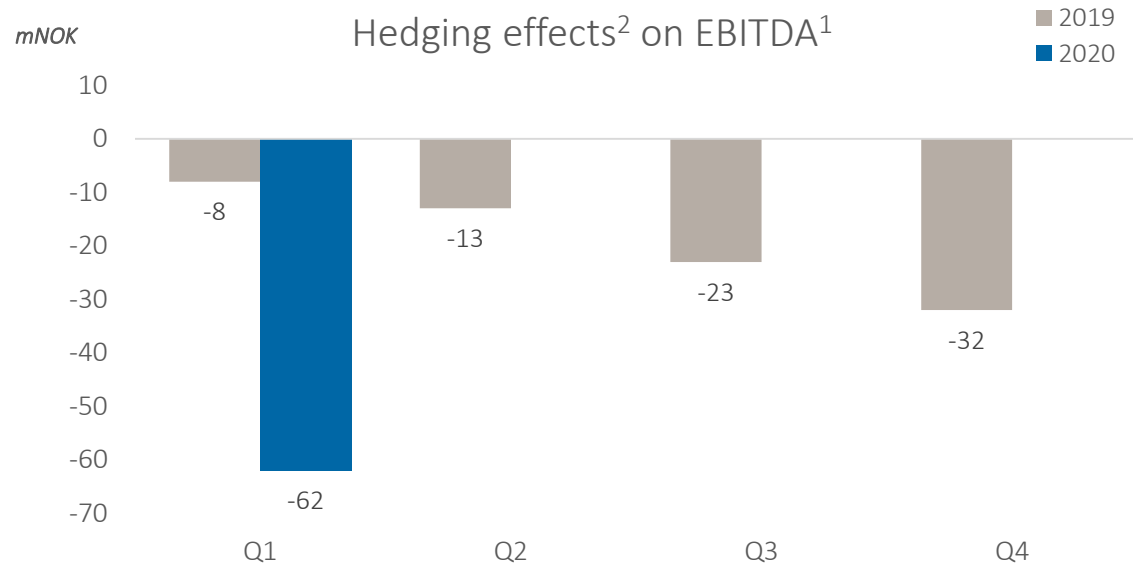
- Unfavourable product mix for pharma intermediates
- Bioethanol result improved vs Q1-19
- Insignificant net FX effects

EBITDA margin¹



- EBITDA margin¹ significantly below Q1-19

Currency impact



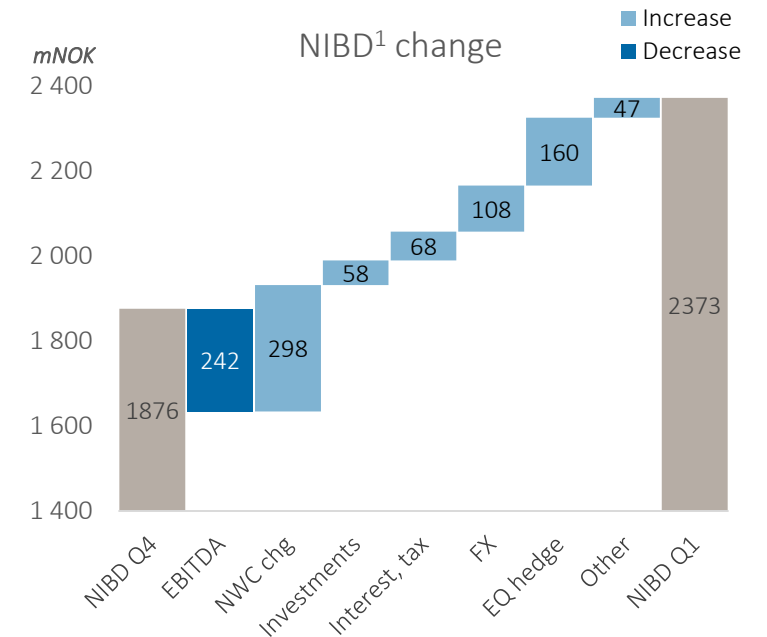
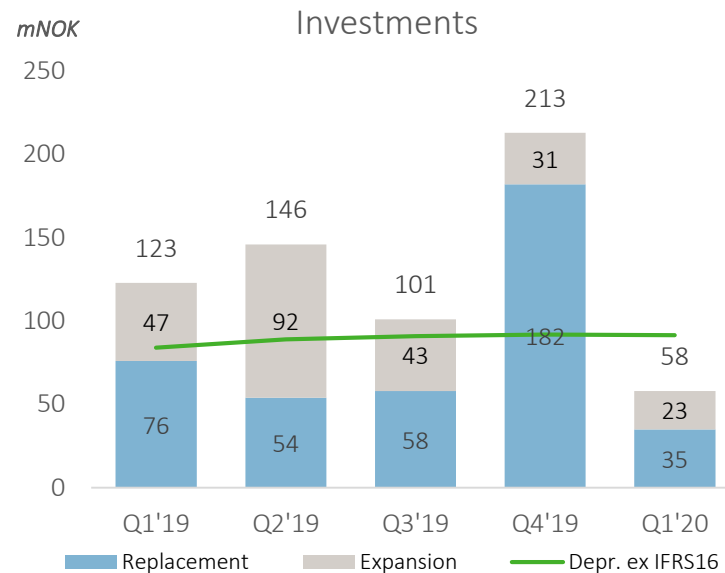
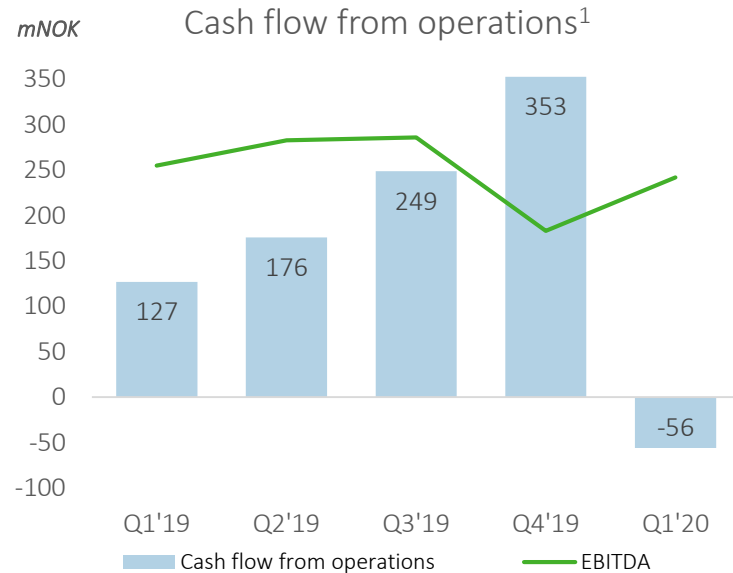
- Net FX EBITDA¹ impact +10 mNOK vs Q1-19
 - Includes change in hedging effects and based on estimated FX exposure
- Net FX EBITDA¹ impact in 2020 estimated to be +95 mNOK vs 2019
 - Assuming rates as of 28 April (USD 10.37 and EUR 11.28) on expected FX exposure
 - Net FX EBITDA¹ impact in Q2 estimated to be +35 mNOK vs Q2-19
- 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 2019 (=100): USD 65% (approx. 203 mUSD), EUR 35% (approx. 98 mEUR), Other 0% (GBP, BRL, JPY, SEK, ZAR).

Cash flow, investments and NIBD



- Negative cash flow from operations¹ in Q1
 - Significant increase in net working capital, mainly from higher accounts receivable (FX and high sales late in Q1)
- Low investments
- Significant FX impact on NIBD¹ and equity ratio¹
 - NIBD¹ increased by 497 mNOK in Q1, ≈270 mNOK related to currency effects
 - Leverage ratio¹ 2.39 vs 1.86 at year-end (including IFRS 16 Leases)
 - Equity ratio¹ 38.3% vs 51.4% at year-end, negative impact of -10.7%-p from change in unrealised hedging losses
 - Borregaard's sales are primarily in USD and EUR, and a weakening of the NOK will over time be positive for the Group's competitive position

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	Q1-2020	Q1-2019	Change
Operating revenues	1 372	1 250	10 %
EBITDA¹	242	255	-5 %
Depreciations and write-downs of property, plant and equipment	-109	-98	
Amortisation intangible assets	-1	-1	
Other income and expenses ¹	0	0	
Operating profit	132	156	-15 %
Financial items, net	-21	-15	
Profit before taxes	111	141	-21 %
Income tax expenses	-27	-33	
Profit for the period	84	108	-22 %
Profit attributable to non-controlling interests	-18	-18	
Profit attributable to owners of the parent	102	126	
Cash flow from operating activities (IFRS)	-125	44	
Earnings per share	1,02	1,26	-19 %
EBITDA margin¹	17,6 %	20,4 %	

¹ Alternative performance measure, see Appendix for definition

Operating revenues and EBITDA¹ per segment

Amounts in NOK million

Operating revenues	Q1-2020	Q1-2019	Change
Borregaard	1 372	1 250	10 %
BioSolutions	797	755	6 %
BioMaterials	454	394	15 %
Fine Chemicals	128	110	16 %
Eliminations	-7	-9	

Amounts in NOK million

EBITDA ¹	Q1-2020	Q1-2019	Change
Borregaard	242	255	-5 %
BioSolutions	170	168	1 %
BioMaterials	46	45	2 %
Fine Chemicals	26	42	-38 %

¹ Alternative performance measure, see Appendix for definition

Cash flow

Amounts in NOK million	Q1-2020	Q1-2019	FY-2019
Amounts in NOK million			
Profit before taxes	111	141	467
Amortisation, depreciation and impairment charges	110	99	432
Change in net working capital, etc	-298	-128	-85
Dividend (share of profit) from JV	-1	0	5
Taxes paid	-47	-68	-122
Cash flow from operating activities	-125	44	697
Investments property, plant and equipment and intangible assets *	-58	-123	-583
Other capital transactions	2	9	29
Cash flow from Investing activities	-56	-114	-554
Dividends	0	0	-224
Proceeds from exercise of options/shares to employees	28	19	35
Buy-back of shares	-50	-27	-60
Gain/(loss) on hedges for net investments in subsidiaries	-160	4	-26
Net paid to/from shareholders	-182	-4	-275
Proceeds from interest-bearing liabilities	650	347	2 100
Repayment from interest-bearing liabilities	-585	-216	-1 971
Change in interest-bearing receivables/other liabilities	40	-8	-3
Change in net interest-bearing liabilities	105	123	126
Cash flow from financing activities	-77	119	-149
Change in cash and cash equivalents	-258	49	-6
Cash and cash equivalents at beginning of period	81	86	86
Change in cash and cash equivalents	-258	49	-6
Currency effects cash and cash equivalents	6	-1	1
Cash and cash equivalents at the end of the period	-171	134	81
* Investment by category			
Replacement Investments	35	76	370
Expansion investments ¹	23	47	213

¹ Alternative performance measure, see Appendix for definition

Balance sheet

Amounts in NOK million	31.3.2020	31.12.2019
Assets:		
Intangible assets	98	93
Property, plant and equipment	3 984	3 852
Right-of-use assets	396	380
Other assets	398	251
Investment in joint venture	94	99
Non-current assets	4 970	4 675
Inventories	942	931
Receivables	1 368	991
Cash and cash deposits	61	147
Current assets	2 371	2 069
Total assets	7 341	6 744
Equity and liabilities:		
Group equity	2 641	3 306
Non-controlling interests	169	158
Equity	2 810	3 464
Provisions and other liabilities	813	294
Interest-bearing liabilities	1 820	1 419
Non-current liabilities	2 633	1 713
Interest-bearing liabilities	617	608
Other current liabilities	1 281	959
Current liabilities	1 898	1 567
Equity and liabilities	7 341	6 744
Equity ratio ¹ (%):	38,3 %	51,4 %

Net financial items & net interest-bearing debt¹

Amounts in NOK million

Net financial items	Q1-2020	Q1-2019
Net interest expenses	-20	-13
Currency gain/loss	0	-2
Other financial items, net	-1	0
Net financial items	-21	-15

Amounts in NOK million

Net interest-bearing debt ¹ (NIBD)	31.3.2020	31.12.2019
Non-current interest-bearing liabilities	1 820	1 419
Current interest-bearing liabilities including overdraft facilities	617	608
Non-current interest-bearing receivables (included in "Other Assets")	-3	-4
Cash and cash deposits	-61	-147
Net interest-bearing debt¹ (NIBD)	2 373	1 876
- of which impact from IFRS 16 leases	405	387

Financial objectives update

- From 2020, all key figures include the impact from IFRS 16 Leases
 - ROCE¹
 - Impact from IFRS 16 \approx -0.5%, Borregaard's target unchanged
 - Leverage ratio¹
 - Impact from IFRS 16 \approx +0.25, Borregaard's targeted interval adjusted to between 1.0 and 2.25 (previously between 1.0 and 2.0)
 - No impact on the other financial objectives
- Financial objectives from 2020
 - ROCE¹ >15% pre-tax over a business cycle
 - IRR >15% pre-tax for expansion capex
 - Average net working capital at 20% of operating revenues
 - Replacement capex at depreciation (excl. IFRS 16 impact) level
 - Maintain key financial ratios corresponding to an investment grade rated company
 - **Leverage ratio¹ targeted between 1.0 and 2.25 over time**



Currency hedging strategy

Purpose is to delay effects of currency fluctuations and secure competitiveness

- Hedging based on expected EBITDA impact¹
 - **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; effective rate above 8.50
USD; gradually at effective rates between 7.50 and 8.50
 - **Contracts**²: 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 28.04.20)

	USD million	USD rate	EUR million	EUR rate
Q2-2020	35	8.42	24	9.85
Q3-2020	36	8.26	23	9.83
Q4-2020	35	8.30	23	10.06
RoY 2020	106	8.33	70	9.91
2021	142	8.38	94	10.17
2022	110	8.87	72	10.55
2023	31	9.71	21	11.23

Hedging effects by segment

NOK million	Q1-20	Q1-19
BioSolutions	-26	-4
BioMaterials	-30	-3
Fine Chemicals	-6	-1
Borregaard	-62	-8

¹ Hedging done mainly in the Norwegian company

² 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**

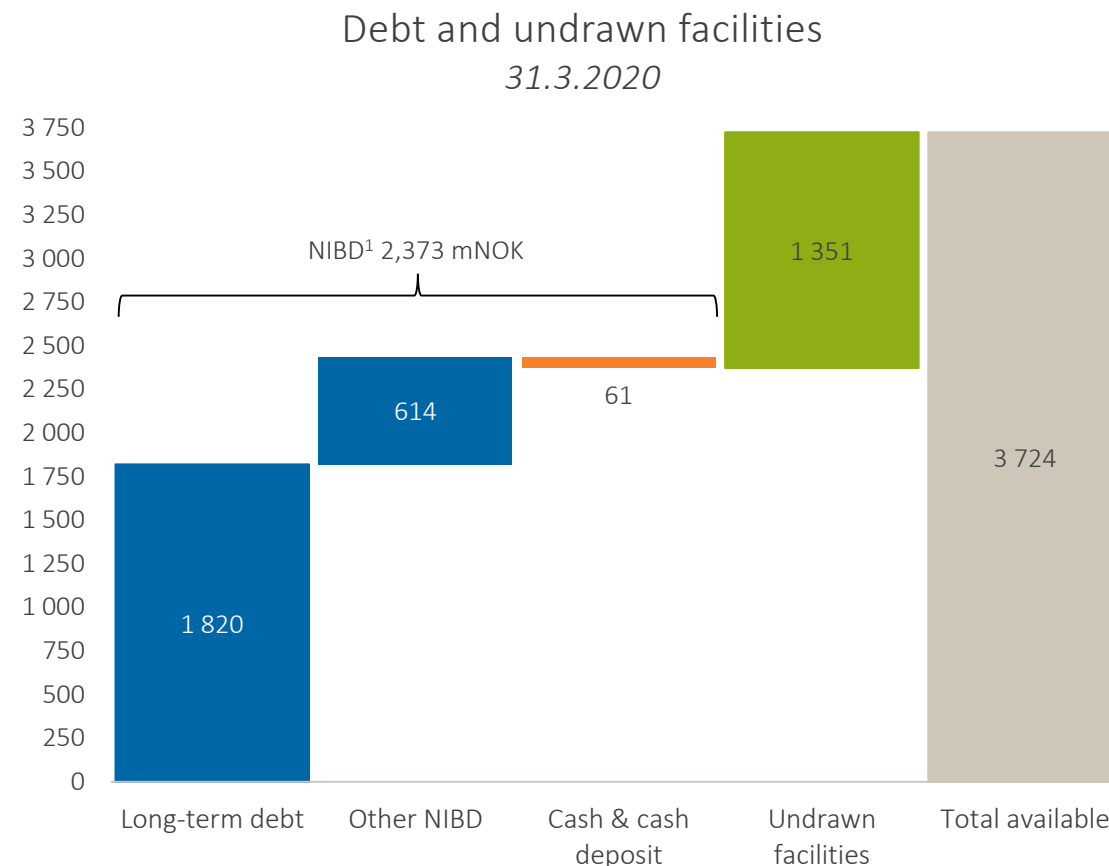
- 1,500 mNOK revolving credit facilities, maturity 2021
- 400 mNOK 5-year bond issue, maturity 2023
- 40 mEUR 10-year loan, maturity 2024
- 60 mUSD term loan for LT Florida, tenor 8.5 years from completion

- **Short-term credit facilities**

- 225 mNOK overdraft facilities
- 15 mUSD overdraft facility in LignoTech Florida
- 200 mNOK commercial paper

- **Solidity (covenants)**

- Equity ratio¹ 38.3% (> 25%)
- Leverage ratio¹ LTM 2.39 (< 3.25²)



¹ Alternative performance measure, see Appendix for definition

² Leverage ratio¹ covenant is pre IFRS 16 Leases, and the actual leverage ratio¹ is restated to pre IFRS 16 for compliance calculations

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 non-GAAP 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 non-GAAP measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

- **Cash flow from operations:** Cash flow from operating activities (IFRS) + tax paid +/- net financial items +/- dividend (share of profit) from JV.
- **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 (see slides 23 and 26).
- **Return on capital employed (ROCE):** Last twelve months' (LTM) 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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