



Borregaard

INTERIM REPORT

2<sup>ND</sup> QUARTER 2022

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# Q2 2022

## 2<sup>ND</sup> QUARTER IN BRIEF

- All-time high EBITDA<sup>1</sup> of NOK 445 million (NOK 416 million)<sup>2</sup>
- Increased sales prices and strong product mix in BioSolutions
- Higher sales prices but lower deliveries in BioMaterials and Fine Chemicals
- Higher energy, raw material and freight costs
- Positive net currency impact
- Cash flow negatively affected by significant increase in net working capital

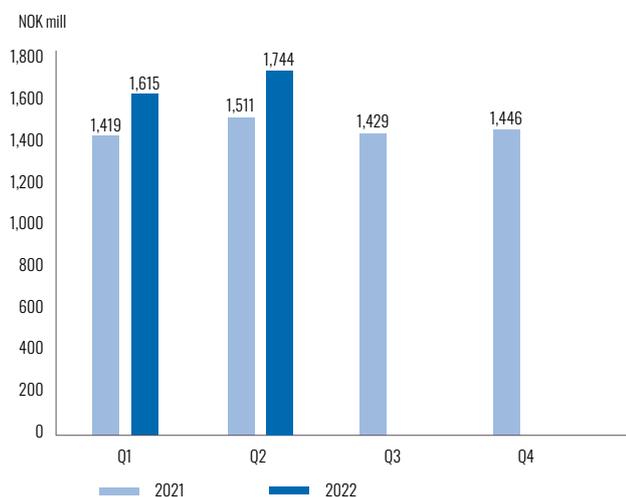
<sup>1</sup> Alternative performance measure, see page 22 for definition.

<sup>2</sup> Figures in parentheses are for the corresponding period in the previous year.

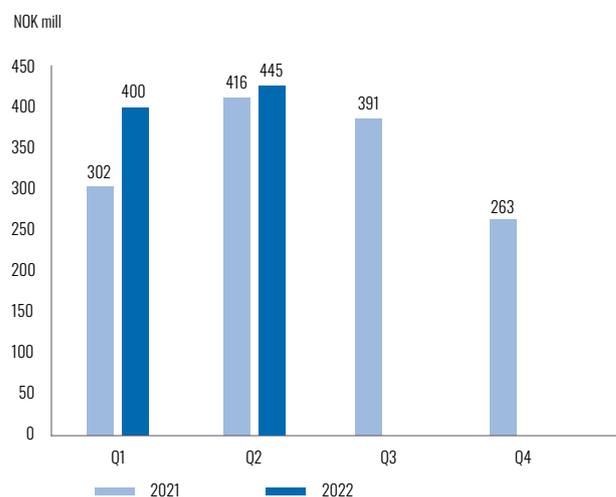
# THE GROUP

Amounts in NOK million	Note	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
		2022	2021	2022	2021	2021
Operating revenues	2	1,744	1,511	3,359	2,930	5,805
EBITDA <sup>1</sup>		445	416	845	718	1,372
Operating profit		346	314	637	509	952
Profit/loss before taxes	2	322	296	599	472	873
Earnings per share (NOK)		2.52	2.34	4.70	3.81	6.95
Net interest-bearing debt <sup>1</sup>	11	2,105	1,605	2,105	1,605	1,417
Equity ratio <sup>1</sup> (%)		51.8	56.2	51.8	56.2	60.1
Leverage ratio <sup>1</sup>		1.40	1.29	1.40	1.29	1.03
Return on capital employed <sup>1</sup> (%)		17.2	13.7	17.2	13.7	16.1

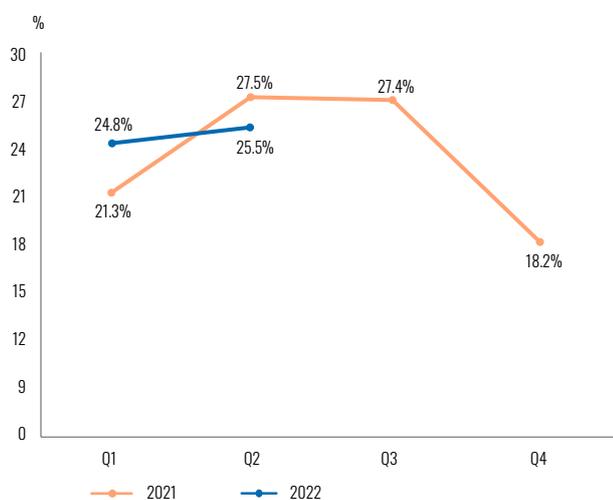
## OPERATING REVENUES



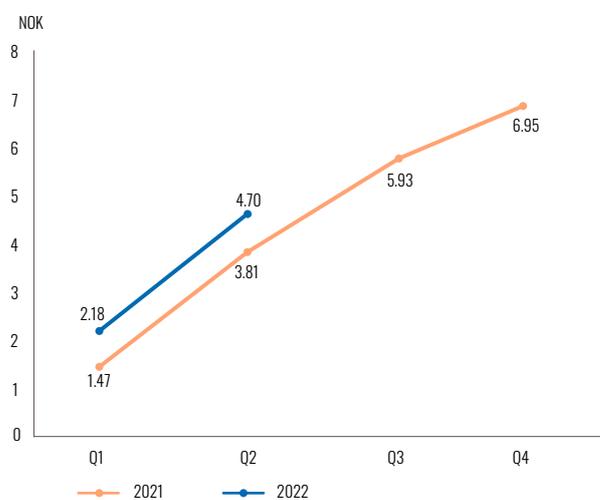
## EBITDA<sup>1</sup>



## EBITDA MARGIN<sup>1</sup>



## EARNINGS PER SHARE CUMULATIVE



<sup>1</sup> Alternative performance measure, see page 22 for definition.

## SECOND QUARTER

Borregaard's operating revenues reached NOK 1,744 million (NOK 1,511 million)<sup>2</sup> in the 2<sup>nd</sup> quarter of 2022. EBITDA<sup>1</sup> increased to NOK 445 million (NOK 416 million), an all-time high quarterly result for the Group. The result increased in BioSolutions and Fine Chemicals while there was a decrease in BioMaterials. The net currency impact on EBITDA<sup>1</sup> was positive compared with the 2<sup>nd</sup> quarter of 2021.

Higher sales prices and a strong product mix, partly offset by cost increases, were the main reasons for the EBITDA<sup>1</sup> improvement in BioSolutions. Higher sales prices did not fully compensate for increased energy and raw material costs and lower deliveries in BioMaterials. For Fine Chemicals, the EBITDA<sup>1</sup> increase was due to increased sales prices, partly offset by lower deliveries and increased costs.

Other income and expenses<sup>1</sup> were NOK 12 million net positive in the 2<sup>nd</sup> quarter of 2022. This was mainly related to sale of assets in the closed lignin operation in South Africa. The realised value was higher than the provision made in 2020.

Operating profit reached NOK 346 million (NOK 314 million). Net financial items were NOK -24 million (NOK -18 million). Profit before tax was NOK 322 million (NOK 296 million). Tax expense of NOK -78 million (NOK -67 million), gave a tax rate of 24% (23%) in the quarter.

Earnings per share was NOK 2.52 (NOK 2.34).

Cash flow from operating activities was NOK 182 million (NOK 458 million). The cash flow was negatively affected by a significant increase in net working capital. This was mainly due to increased sales prices, affecting accounts receivable, and higher inventory values.

Dividend of NOK 499 million (NOK 249 million) was paid in the 2<sup>nd</sup> quarter, of which NOK 224 million was related to an extraordinary dividend.

## FIRST HALF

Borregaard's operating revenues increased to NOK 3,359 million (NOK 2,930 million) in the 1<sup>st</sup> half of 2022. EBITDA<sup>1</sup> increased to NOK 845 million (NOK 718 million). The result increased in all business areas compared with the

1<sup>st</sup> half of 2021. The net currency impact on EBITDA<sup>1</sup> was positive compared with the 1<sup>st</sup> half of 2021.

BioSolutions' EBITDA<sup>1</sup> improved due to higher sales prices and a strong product mix, partly offset by substantial cost increases. The improved result in BioMaterials was mainly due to higher sales prices for speciality cellulose and an improved product mix, which more than compensated for lower deliveries, increased energy spot prices and higher raw material costs. The improvement in Fine Chemicals was due to higher sales prices, partly offset by lower deliveries and increased costs.

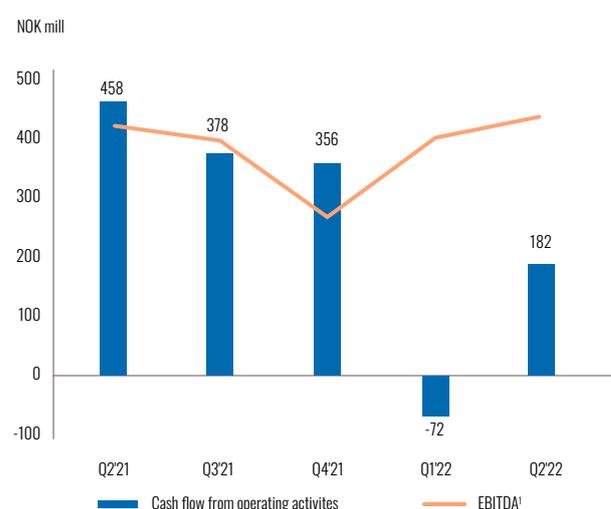
Other income and expenses<sup>1</sup> were NOK 12 million net positive in the 1<sup>st</sup> half of 2022. This was mainly related to sale of assets in the closed lignin operation in South Africa.

Operating profit was NOK 637 million (NOK 509 million). Net financial items amounted to NOK -38 million (NOK -37 million). Profit before tax was NOK 599 million (NOK 472 million). Tax expense was NOK -146 million (NOK -110 million), giving a tax rate of 24% (23%).

Earnings per share was NOK 4.70 (NOK 3.81).

In the 1<sup>st</sup> half of 2022, cash flow from operating activities was NOK 110 million (NOK 697 million). The cash flow was negatively affected by a significant increase in net working capital. This was mainly due to increased sales prices, affecting accounts receivable, and higher inventory values.

## CASH FLOW FROM OPERATING ACTIVITIES



<sup>1</sup> Alternative performance measure, see page 22 for definition.

<sup>2</sup> Figures in parentheses are for the corresponding period in the previous year.

# BUSINESS AREAS

## BIOSOLUTIONS

Amounts in NOK million	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2022	2021	2022	2021	2021
Operating revenues	1,098	885	2,046	1,697	3,469
EBITDA <sup>1</sup>	305	272	566	477	942
EBITDA margin <sup>1</sup> (%)	27.8	30.7	27.7	28.1	27.2

### SECOND QUARTER

BioSolutions' operating revenues reached NOK 1,098 million (NOK 885 million). EBITDA<sup>1</sup> increased to NOK 305 million (NOK 272 million).

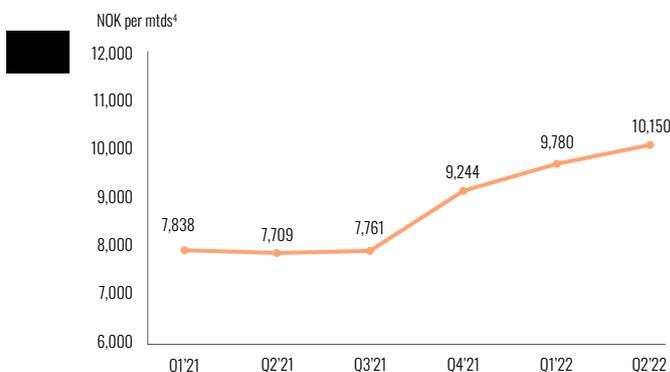
The EBITDA<sup>1</sup> improvement was mainly due to higher sales prices and a strong product mix, partly offset by cost increases (energy, raw materials and freight). Net currency effects were positive.

The average price in sales currency was 23% higher than in the 2<sup>nd</sup> quarter of 2021. In particular, there was a positive development for applications within agriculture, construction, oilfield chemicals and batteries.

A tight market for synthetic vanillin and ethyl vanillin continued to have a positive impact.

The sales volume was 10% lower compared with the same quarter last year. The 2<sup>nd</sup> quarter of 2021 was positively affected by sales from inventories.

### AVERAGE GROSS SALES PRICE<sup>3</sup>



### FIRST HALF

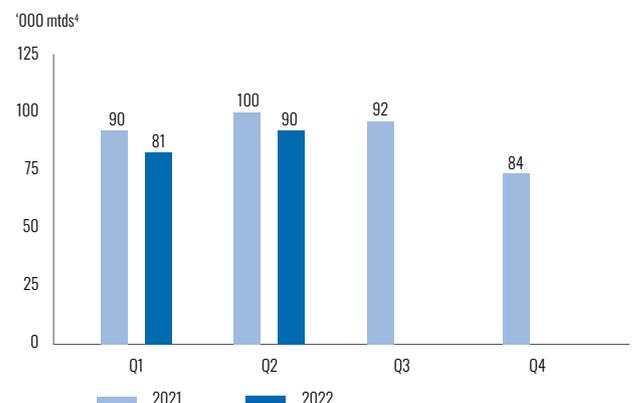
In the 1<sup>st</sup> half of 2022, BioSolutions had operating revenues of NOK 2,046 million (NOK 1,697 million). EBITDA<sup>1</sup> increased to NOK 566 million (NOK 477 million).

Higher sales prices and a strong product mix were the main reasons for the EBITDA<sup>1</sup> improvement, partly offset by substantial cost increases (energy, raw materials and freight). Net currency effects were positive.

The average price in sales currency was 23% higher than in the 1<sup>st</sup> half of 2021 due to price increases, an improved product mix and the effect of reduced sales volume to low-value markets.

Total sales volume was 10% lower than in the 1<sup>st</sup> half of 2021 due to lower raw material supply in 2022 and sales from inventories in 2021.

### SALES VOLUME



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

<sup>1</sup> Alternative performance measure, see page 22 for definition.

<sup>2</sup> Figures in parentheses are for the corresponding period in the previous year.

<sup>3</sup> Average sales price is calculated using actual FX rates, excluding hedging impact.

<sup>4</sup> Metric tonne dry solid.

## BIOMATERIALS

Amounts in NOK million	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2022	2021	2022	2021	2021
Operating revenues	540	482	1,072	1,005	1,878
EBITDA <sup>1</sup>	91	102	188	166	284
EBITDA margin <sup>1</sup> (%)	16.9	21.2	17.5	16.5	15.1

### SECOND QUARTER

Operating revenues in BioMaterials were NOK 540 million (NOK 482 million) in the 2<sup>nd</sup> quarter. EBITDA<sup>1</sup> was NOK 91 million (NOK 102 million).

EBITDA<sup>1</sup> was negatively affected by lower deliveries and increased energy and raw material costs, partly compensated by higher sales prices and net currency effects. Lower deliveries were due to timing of shipments in the quarter and sales from inventory in the 2<sup>nd</sup> quarter of 2021.

The average price in sales currency increased by 23%, mainly as a result of price increases. The specialty cellulose market continued to be tight with strong demand.

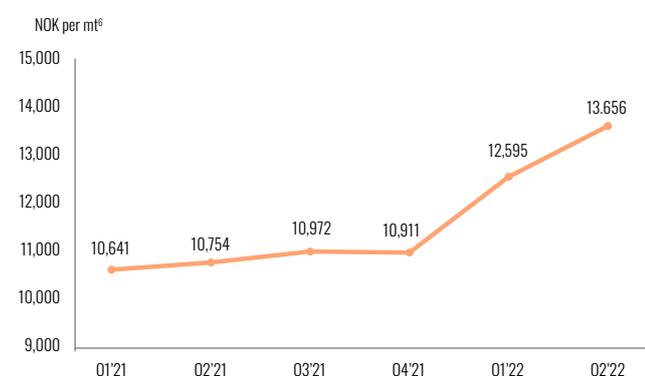
### FIRST HALF

Operating revenues were NOK 1,072 million (NOK 1,005 million). EBITDA<sup>1</sup> was NOK 188 million (NOK 166 million).

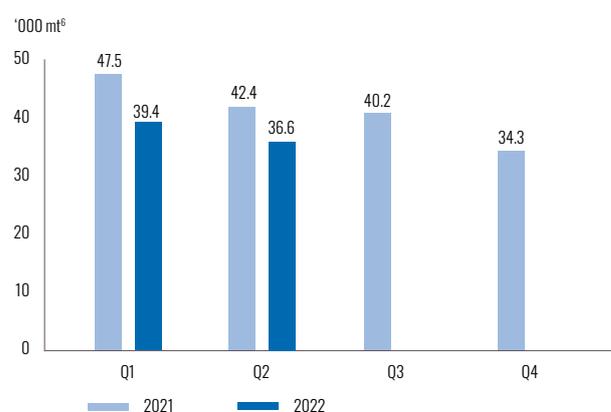
Higher sales prices for speciality cellulose and an improved product mix more than compensated for increased energy spot prices, higher raw material costs and lower deliveries compared with the 1<sup>st</sup> half of 2021. The net currency impact was positive.

The average price in sales currency was 21% higher than in the same period last year. The high sales volume in the 1<sup>st</sup> half of 2021 was due to a significant inventory reduction.

### AVERAGE GROSS SALES PRICE<sup>5</sup>



### SALES VOLUME



Sales price and sales volume include speciality cellulose and cellulose fibrils.

<sup>1</sup> Alternative performance measure, see page 22 for definition.

<sup>5</sup> Average sales price is calculated using actual FX rates, excluding hedging impact.

<sup>6</sup> Metric tonne.

## FINE CHEMICALS

Amounts in NOK million	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2022	2021	2022	2021	2021
Operating revenues	119	155	262	245	491
EBITDA <sup>1</sup>	49	42	91	75	146
EBITDA margin <sup>1</sup> (%)	41.2	27.1	34.7	30.6	29.7

### SECOND QUARTER

Fine Chemicals' operating revenues were NOK 119 million (NOK 155 million). EBITDA<sup>1</sup> increased to NOK 49 million (NOK 42 million).

EBITDA<sup>1</sup> improved due to higher sales prices and a favourable product mix, partly offset by lower deliveries and increased costs. The net currency impact was slightly positive.

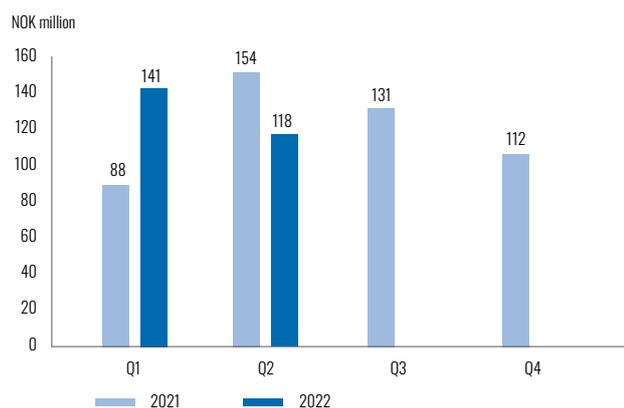
Fine chemical intermediates had a favourable product mix and high production volume. Raw material costs have increased substantially, driven by energy prices.

Prices for bioethanol increased compared with the 2<sup>nd</sup> quarter of 2021.

### FIRST HALF

Operating revenues in Fine Chemicals were NOK 262 million (NOK 245 million). EBITDA<sup>1</sup> was NOK 91 million (NOK 75 million). EBITDA<sup>1</sup> in the 1<sup>st</sup> half improved due to higher sales prices, partly offset by lower deliveries and increased costs. The net currency impact was positive.

### FINE CHEMICALS – SALES REVENUES



Sales revenues include pharma intermediates and bioethanol.

<sup>1</sup> Alternative performance measure, see page 22 for definition.

## FOREIGN EXCHANGE AND HEDGING

Borregaard has a significant currency exposure which is hedged according to the company's hedging strategy. The impact of currency rate fluctuations will be delayed as a result of the currency hedging strategy. Compared with the 2<sup>nd</sup> quarter of 2021, the net impact of foreign exchange on EBITDA<sup>1</sup>, including hedging effects, was NOK 60 million. Hedging effects were NOK -3 million (NOK -4 million) in the quarter.

Compared with the 1<sup>st</sup> half of 2021, the net impact of foreign exchange on EBITDA<sup>1</sup>, including hedging

effects, was NOK 90 million. Hedging effects were NOK 7 million (NOK -19 million) in the 1<sup>st</sup> half.

Assuming currency rates as of 14 July 2022 (USD 10.25 and EUR 10.25) and based on currency exposure forecasts, Borregaard expects a net impact of foreign exchange on EBITDA<sup>1</sup> of approximately NOK 60 million in the 3<sup>rd</sup> quarter of 2022 and NOK 215 million for the full year, compared with the corresponding periods last year.

## CASH FLOW AND FINANCIAL SITUATION

### SECOND QUARTER

Cash flow from operating activities in the 2<sup>nd</sup> quarter was NOK 182 million (NOK 458 million). The cash flow was negatively affected by a significant increase in net working capital. This was mainly due to increased sales prices, affecting accounts receivable, and higher inventory values related to cost increases and timing of shipments. Tax payments was higher than in the 2<sup>nd</sup> quarter of 2021.

Investments amounted to NOK 81 million (NOK 125 million). Expansion investments<sup>1</sup> totalled NOK 24 million (NOK 32 million).

### FIRST HALF

In the 1<sup>st</sup> half of 2022, cash flow from operating activities was NOK 110 million (NOK 697 million). The cash flow was negatively affected by a significant increase in net working capital. This was mainly due to increased sales prices, affecting accounts receivable, and higher inventory values related to cost increases and timing of shipments.

The cash effect from an improved EBITDA<sup>1</sup> was partly offset by higher tax payments compared with the 1<sup>st</sup> half of 2021.

Investments amounted to NOK 168 million (NOK 220 million). Replacement investments were NOK 128 million (NOK 152 million). Expansion investments<sup>1</sup> totalled NOK 40 million (NOK 68 million).

Dividend of NOK 499 million (NOK 249 million) was paid out in the 2<sup>nd</sup> quarter, of which NOK 224 million was related to an extraordinary dividend. In the 1<sup>st</sup> half of 2022, the Group has sold and repurchased treasury shares with a net proceed of NOK 11 million (NOK -42 million). Realised effect of hedging of net investments in subsidiaries was NOK -80 million (NOK 17 million).

On 30 June 2022, the Group had net interest-bearing debt<sup>1</sup> totalling NOK 2,105 million (NOK 1,605 million), an increase of NOK 688 million from year-end 2021.

At the end of June, the Group was well capitalised with an equity ratio<sup>1</sup> of 51.8% (56.2%) and a leverage ratio<sup>1</sup> of 1.40 (1.29).

<sup>1</sup> Alternative performance measure, see page 22 for definition.

## SUSTAINABILITY

Environment, health and safety (EHS) are integral parts of Borregaard's business model.

Greenhouse gas emissions (GHG, scope 1 and 2) and emissions of organic material (COD) were in line with the 1<sup>st</sup> half of 2021. The total recordable injuries per million hours worked (TRIF, rolling 12 months) were 4.0 (4.5). The number of days of absence due to injuries decreased compared with the same period last year.

Sick leave increased to 4.3% (3.4%) mainly due to Covid-19 related absence.

The table below shows key sustainability measures and targets. For further details on parameters and targets, see the Sustainability and corporate responsibility chapter in Borregaard's 2021 Annual Report, pages 54, 60, 65 and 78.

	30.6.2022	30.6.2021	31.12.2021	Target 2022	Long term (2030)
Greenhouse gas emissions (Scope 1, '000 tonnes) *	79	78	153	N/A	42% reduction from 2020
Greenhouse gas emissions (Scope 2, '000 tonnes) *	31	33	65		
COD (organic material) in process water discharged	58 t/day	58 t/day	55 t/day	55 t/day	40 t/day
Total recordable injuries per million hours worked, rolling 12 months (TRIF)	4.0	4.5	3.5	0	0
Sick leave %	4.3 %	3.4 %	3.7 %	3.5 %	3.0 %

\* Emission figures as of 30.6.2022 are based on best estimate at the time of reporting.

## SHARE INFORMATION

In the 2<sup>nd</sup> quarter, 95,412 share options were exercised at a strike price of NOK 65.95 per share, and 13,000 share options were exercised at a strike price of NOK 70.30 per share.

In the 2<sup>nd</sup> quarter, Borregaard repurchased a total of 103,667 treasury shares at an average price of NOK 183.49.

Total number of shares outstanding on 30 June 2022 was 100 million, including 243,120 treasury shares.

Total number of shareholders was 8,024. Borregaard ASA's share price was NOK 160.20 at the end of the 2<sup>nd</sup> quarter compared with NOK 174.40 at the end of the 1<sup>st</sup> quarter of 2022 and NOK 222.00 at the end of 2021.

The share was traded ex dividend on 8 April and dividend was paid out on 21 April 2022.

## OUTLOOK

The positive market development for BioSolutions is expected to continue in the 2<sup>nd</sup> half of 2022, and additional price increases have been implemented from 1 July. In 2022, the total sales volume is expected to be slightly below the 2021 volume. The new biovanillin capacity will continue to be gradually phased into the market. The market balance for synthetic vanillin and ethyl vanillin is expected to be affected by increased supply in the 2<sup>nd</sup> half.

In BioMaterials, the average price in sales currency will be approximately 30% above the 2021 level in the 3<sup>rd</sup> quarter of 2022, following an additional 10% price increase related to a surcharge for increased costs. Total sales volume for the full year is expected to be lower than in 2021, and aligned with the production volume. However, the volume of highly specialised grades is expected to be in line with 2021. Sales growth is expected to continue for cellulose fibrils.

The market conditions for biofuel in several EU countries are favourable with increased sales prices. Bioethanol sales will mainly be into these markets in 2022. Deliveries of fine chemical intermediates and bioethanol is expected to be higher in the 2<sup>nd</sup> half of 2022 than in the 1<sup>st</sup> half.

Energy and raw material costs will increase further in the 2<sup>nd</sup> half of 2022 compared with the 1<sup>st</sup> half of 2022. Energy spot prices represent the largest uncertainty for the rest of the year. Wood costs will increase by 25-30% in the 2<sup>nd</sup> half of 2022 compared with the 1<sup>st</sup> half. The cost inflation in western economies and consequences of the war in Ukraine may impact the global economy and Borregaard's markets. Borregaard will continue to closely monitor cost inflation and market development and implement relevant measures if required.

<sup>1</sup> Alternative performance measure, see page 22 for definition.

<sup>2</sup> Figures in parentheses are for the corresponding period in the previous year.

<sup>3</sup> Metric tonne dry solid

## STATEMENT BY THE BOARD OF DIRECTORS

We confirm that, to the best of our knowledge, the unaudited interim condensed financial statements for the period 1 January to 30 June 2022, have been prepared in accordance with IAS 34 Interim Financial Reporting, and that the information in the financial statements gives a true and fair view of the business

of the Group and the Group's assets, liabilities, financial position and overall results, and that the half year report provides a fair overview of the information set out in the Norwegian Securities Trading Act section 5-6, fourth paragraph.

Sarpsborg, 14 July 2022

The Board of Directors of Borregaard ASA

*Signed*

**HELGE AASEN**

*Chair*

*Signed*

**TERJE ANDERSEN**

*Signed*

**TOVE ANDERSEN**

*Signed*

**MARGRETHE HAUGE**

*Signed*

**JOHN ARNE ULVAN**

*Signed*

**RAGNHILD ANKER EIDE**

*Signed*

**ARUNDEL KRISTIANSEN**

*Signed*

**PER A. SØRLIE**

*President and CEO*

## THE GROUP'S INTERIM CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
		2022	2021	2022	2021	2021
<b>Operating revenues</b>	2	1,744	1,511	3,359	2,930	5,805
Operating expenses		-1,299	-1,095	-2,514	-2,212	-4,433
Depreciation property, plant and equipment		-110	-101	-218	-207	-416
Amortisation intangible assets		-1	-1	-2	-2	-4
Other income and expenses <sup>1</sup>	3	12	-	12	-	-
<b>Operating profit</b>		346	314	637	509	952
Financial items, net	4	-24	-18	-38	-37	-79
<b>Profit before taxes</b>		322	296	599	472	873
Income tax expense	5	-78	-67	-146	-110	-213
<b>Profit for the period</b>		244	229	453	362	660
Profit attributable to non-controlling interests		-8	-4	-16	-17	-32
Profit attributable to owners of the parent		252	233	469	379	692
<b>EBITDA<sup>1</sup></b>		445	416	845	718	1,372

## INTERIM EARNINGS PER SHARE

Amounts in NOK		1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
		2022	2021	2022	2021	2021
Earnings per share (100 mill. shares)	6	2.52	2.34	4.70	3.81	6.95
Diluted earnings per share	6	2.52	2.34	4.69	3.80	6.94

## THE GROUP'S INTERIM CONDENSED COMPREHENSIVE INCOME STATEMENT

Amounts in NOK million	Note	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
		2022	2021	2022	2021	2021
<b>Profit for the period</b>		244	229	453	362	660
<b>Items not to be reclassified to P&amp;L</b>						
Actuarial gains and losses (after tax)		-	-	-	-	55
<b>Total</b>		-	-	-	-	55
<b>Items to be reclassified to P&amp;L</b>						
Change in hedging-reserve after tax (cash flow)	8	-486	-34	-362	102	86
Change in hedging-reserve after tax (net investment in subsidiaries)	8	-78	-2	-69	3	-9
Translation effects		126	12	122	3	25
<b>Total</b>		-438	-24	-309	108	102
<b>The Group's comprehensive income</b>		-194	205	144	470	817
Comprehensive income non-controlling interests		1	-4	-8	-16	-28
Comprehensive income owners of the parent		-195	209	152	486	845

<sup>1</sup> Alternative performance measure, see page 22 for definition.

## THE GROUP'S INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in NOK million	Note	30.6.2022	31.12.2021
Intangible assets	13	86	89
Property, plant and equipment	13	4,273	4,191
Right-of-use assets		345	351
Other assets	9	237	339
Investments in joint venture/associate company	4	144	173
<b>Non-current assets</b>		<b>5,085</b>	<b>5,143</b>
Inventories		1,035	792
Receivables	9	1,469	1,107
Cash and cash deposits	11	90	124
<b>Current assets</b>		<b>2,594</b>	<b>2,023</b>
<b>Total assets</b>		<b>7,679</b>	<b>7,166</b>
Group equity	10	3,899	4,222
Non-controlling interests		76	84
<b>Equity</b>		<b>3,975</b>	<b>4,306</b>
Provisions and other liabilities		361	257
Interest-bearing liabilities	9, 11	1,926	1,320
<b>Non-current liabilities</b>		<b>2,287</b>	<b>1,577</b>
Interest-bearing liabilities	9, 11	272	224
Other current liabilities	9	1,145	1,059
<b>Current liabilities</b>		<b>1,417</b>	<b>1,283</b>
<b>Equity and liabilities</b>		<b>7,679</b>	<b>7,166</b>
Equity ratio <sup>1</sup>		51.8 %	60.1 %

## INTERIM CONDENSED CHANGES IN EQUITY

Amounts in NOK million	Note	1.1 - 30.6.2022			1.1 - 31.12.2021		
		Controlling interests	Non-controlling interests	Total equity	Controlling interests	Non-controlling interests	Total equity
Equity 1 January		4,222	84	4,306	3,668	110	3,778
<b>Profit/loss for the period</b>		<b>469</b>	<b>-16</b>	<b>453</b>	<b>692</b>	<b>-32</b>	<b>660</b>
Items in Comprehensive Income	8	-317	8	-309	153	4	157
<b>The Group's Comprehensive income</b>	<b>8</b>	<b>152</b>	<b>-8</b>	<b>144</b>	<b>845</b>	<b>-28</b>	<b>817</b>
Paid dividend		-499	-	-499	-249	-	-249
Buy-back of treasury shares		-23	-	-23	-118	-	-118
Exercise of share options		9	-	9	38	-	38
Reduced tax payable of exercised share options		-	-	-	-	-	0
Shares to employees		33	-	33	28	-	28
Option costs (share based payment)		5	-	5	10	-	10
Transactions with non-controlling interests		-	-	-	-	2	2
<b>Equity at the end of the period</b>		<b>3,899</b>	<b>76</b>	<b>3,975</b>	<b>4,222</b>	<b>84</b>	<b>4,306</b>

<sup>1</sup> Alternative performance measure, see page 22 for definition.

## THE GROUP'S INTERIM CONDENSED CASH FLOW STATEMENT

Amounts in NOK million	Note	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
		2022	2021	2022	2021	2021
Profit before taxes		322	296	599	472	873
Amortisation, depreciation and impairment charges		111	102	220	209	420
Changes in net working capital, etc.		-221	69	-602	74	256
Dividend/share of profit from JV & associate company	4	31	-	31	-	6
Taxes paid		-61	-9	-138	-58	-124
<b>Cash flow from operating activities</b>		<b>182</b>	<b>458</b>	<b>110</b>	<b>697</b>	<b>1,431</b>
Investments property, plant and equipment and intangible assets *		-81	-125	-168	-220	-556
Investment in associate company	4	-	-	-	-	-145
Other capital transactions		4	-1	6	3	9
<b>Cash flow from investing activities</b>		<b>-77</b>	<b>-126</b>	<b>-162</b>	<b>-217</b>	<b>-692</b>
Dividends		-499	-249	-499	-249	-249
Proceeds from exercise of options/shares to employees	10	7	17	34	46	59
Buy-back of treasury shares	7	-19	-32	-23	-88	-118
Gain/(loss) on hedges for net investments in subsidiaries		-111	8	-80	17	-14
<b>Net paid to/from shareholders</b>		<b>-622</b>	<b>-256</b>	<b>-568</b>	<b>-274</b>	<b>-322</b>
Proceeds from interest-bearing liabilities	11	737	200	837	300	300
Repayment from interest-bearing liabilities	11	-339	-239	-353	-456	-814
Change in interest-bearing receivables/other liabilities	11	70	2	68	-6	-1
<b>Change in net interest-bearing liabilities</b>		<b>468</b>	<b>-37</b>	<b>552</b>	<b>-162</b>	<b>-515</b>
<b>Cash flow from financing activities</b>		<b>-154</b>	<b>-293</b>	<b>-16</b>	<b>-436</b>	<b>-837</b>
<b>Change in cash and cash equivalents</b>		<b>-49</b>	<b>39</b>	<b>-68</b>	<b>44</b>	<b>-98</b>
Cash and cash equivalents at beginning of period		-16	100	5	96	96
Change in cash and cash equivalents		-49	39	-68	44	-98
Currency effects cash and cash equivalents		27	4	25	3	7
<b>Cash and cash equivalents at the close of the period</b>	11	<b>-38</b>	<b>143</b>	<b>-38</b>	<b>143</b>	<b>5</b>
<b>*Investment by category</b>						
Replacement investments		57	93	128	152	398
Expansion investments <sup>1</sup>		24	32	40	68	303

<sup>1</sup> Alternative performance measure, see page 22 for definition.

# NOTES

## NOTE 01 Organisation and basis for preparation

### GENERAL INFORMATION

Borregaard ASA is incorporated and domiciled in Norway. The address of its registered office is Hjalmar Wessels vei 6, Sarpsborg.

### Basis for preparation

These unaudited Interim Condensed Consolidated Financial Statements are prepared in accordance with IAS 34 Interim Financial Reporting. Borregaard ASA is the parent company of the Borregaard Group presented in these Interim Condensed Consolidated Financial Statements.

The same accounting principles and methods of calculation have been applied as in the Consolidated Financial Statements for 2021 for the Borregaard Group.

### Use of estimates

The same use of estimates has been applied as in the Consolidated Financial Statements for 2021.

## NOTE 02 Segments

### OPERATING REVENUES

Amounts in NOK million	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2022	2021	2022	2021	2021
<b>Borregaard</b>	<b>1,744</b>	<b>1,511</b>	<b>3,359</b>	<b>2,930</b>	<b>5,805</b>
BioSolutions	1,098	885	2,046	1,697	3,469
BioMaterials	540	482	1,072	1,005	1,878
Fine Chemicals	119	155	262	245	491
Eliminations	-13	-11	-21	-17	-33

There is limited intercompany sales between the different segments and eliminations consist essentially of allocations from the corporate headquarter.

*cont. next page*

## cont. NOTE 02 Segments

EBITDA<sup>1</sup>

Amounts in NOK million	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2022	2021	2022	2021	2021
<b>Borregaard</b>	<b>445</b>	<b>416</b>	<b>845</b>	<b>718</b>	<b>1,372</b>
BioSolutions	305	272	566	477	942
BioMaterials	91	102	188	166	284
Fine Chemicals	49	42	91	75	146
<b>Reconciliation against operating profit &amp; profit before tax</b>					
<b>EBITDA<sup>1</sup></b>	<b>445</b>	<b>416</b>	<b>845</b>	<b>718</b>	<b>1,372</b>
Depreciations and write downs	-110	-101	-218	-207	-416
Amortisation intangible assets	-1	-1	-2	-2	-4
Other income and expenses	12	-	12	-	-
<b>Operating profit</b>	<b>346</b>	<b>314</b>	<b>637</b>	<b>509</b>	<b>952</b>
Financial items, net	-24	-18	-38	-37	-79
<b>Profit before taxes</b>	<b>322</b>	<b>296</b>	<b>599</b>	<b>472</b>	<b>873</b>

## SALES REVENUES

Amounts in NOK million	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2022	2021	2022	2021	2021
<b>Borregaard</b>	<b>1,720</b>	<b>1,491</b>	<b>3,311</b>	<b>2,885</b>	<b>5,715</b>
BioSolutions	1,072	865	2,001	1,658	3,392
BioMaterials	530	472	1,051	985	1,840
Fine Chemicals	118	154	259	242	485
Eliminations	-	-	-	-	-2

Operating revenues consist of sales revenues and other revenues such as commissions, revenues from waste received for incineration etc.

NOTE 03 Other income and expenses<sup>1</sup>

Other income and expenses<sup>1</sup> of NOK 12 million in the 2<sup>nd</sup> quarter of 2022 are mainly related to sale of assets in the closed lignin operation in South Africa. The realised value was higher than the provision made in 2020.

## NOTE 04 Financial items

## NET FINANCIAL ITEMS

Amounts in NOK million	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2022	2021	2022	2021	2021
Net interest expenses	-16	-15	-29	-31	-59
Currency gain/loss	-7	-	-6	1	-8
Share of profit/-loss from an associate	-	-	-1	-	-2
Other financial items, net	-1	-3	-2	-7	-10
<b>Net financial items</b>	<b>-24</b>	<b>-18</b>	<b>-38</b>	<b>-37</b>	<b>-79</b>

Borregaard holds 25% of the shares in Alginor ASA as of 30 June 2022.

<sup>1</sup> Alternative performance measure, see page 22 for definition.

## NOTE 05 Income tax expense

The tax rate of 24.4% (23.3%) for the first six months of 2022 is a compilation of the tax rates in the various countries in which Borregaard operates and has taxable income. The corporate income tax rate in Norway is 22%.

In addition to the compilation of the tax rates in the various countries in which Borregaard operates and has taxable income, the income tax rate for the Group is also impacted by the following: LignoTech Florida is a limited liability company (LLC) which is taxed on the owners' hand. Profit before tax is 100% consolidated

in the Borregaard Group, whereas the tax expense is calculated based on Borregaard's 55% ownership. Consequently, profit attributable to non-controlling interests for LignoTech Florida (45%) is calculated on profit before tax. Share of profit after tax from the joint venture, LignoTech South Africa, is accounted for as part of operating profit and profit before tax (due to IFRS 11). There are carry forward losses in the Group which will not be recognised as deferred tax assets, and hence increase the Group's tax rate.

## NOTE 06 Earnings per share (EPS)

The share capital consists of 100 million shares. The company holds 243,120 treasury shares. As of 30 June 2022, there are 100,014,274 diluted shares (99,742,686

as of 31 December 2021). Earnings per diluted share were NOK 2.52 in the 2<sup>nd</sup> quarter (NOK 2.34 in the 2<sup>nd</sup> quarter of 2021).

## NOTE 07 Stock options

During the 2<sup>nd</sup> quarter of 2022, 95,412 share options were exercised at a strike price of NOK 65.95 and 13,000 share options were exercised at a strike price of NOK 70.30 per share.

The Group Executive Management and other key employees hold a total of 1,302,055 stock options in five different share option programmes in Borregaard.

Stock options	Issued 2018	Issued 2019	Issued 2020	Issued 2021	Issued 2022
Number of stock options	116,055	337,000	400,000	249,000	200,000
Strike price (NOK)*	65.95	70.3	94.6	175.70	223.75
Vesting period	3 years	3 years	3 years	3 years	3 years
Expiry date	7 February 2023	6 February 2024	13 February 2025	16 February 2026	17 February 2027

\* Strike prices as at 30 June 2022 have been adjusted for dividend paid since issuance of stock options.

## NOTE 08 Statement of comprehensive income

The statement of comprehensive income shows changes in the value of hedging instruments, both cash flow hedges and hedges of net investments

in subsidiaries (hedging reserve). These figures are presented after tax.

Amounts in NOK million	30.6.2022		30.6.2021		31.12.2021	
	Cash flow hedges	Hedges of net investments in subsidiaries	Cash flow hedges	Hedges of net investments in subsidiaries	Cash flow hedges	Hedges of net investments in subsidiaries
Tax effect year-to-date	-63	-65	41	-41	39	-45
Hedging reserve after tax	-225	-195	153	-114	137	-126

## NOTE 09 Fair value hierarchy

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

The following measurement levels are used for determining the fair value of financial instruments:

- Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities
- Level 2 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)

- Level 3 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

There were no transfers from one level to another in the measurement hierarchy from 2021 to the 2<sup>nd</sup> quarter of 2022. Borregaard has no items defined as level 1. The bond is determined as measurement level 3. The fair value of the bond is deemed to equal its book value.

Set out below is a comparison of the carrying amount and the fair value of financial instruments as of 30 June 2022:

### FINANCIAL ASSETS

Amounts in NOK million	Level	30.6.2022		31.12.2021	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial receivables	2	203	203	188	188
Non-current derivatives	2	18	18	136	136
Current derivatives	2	60	60	116	116
<b>Total financial assets</b>		<b>281</b>	<b>281</b>	<b>440</b>	<b>440</b>

### FINANCIAL LIABILITIES

Non-current financial liabilities	2, 3	1,928	1,928	1,322	1,322
Non-current derivatives	2	237	237	30	30
Current financial liabilities	2	272	272	224	224
Current derivatives	2	125	125	32	32
<b>Total financial liabilities</b>		<b>2,562</b>	<b>2,562</b>	<b>1,608</b>	<b>1,608</b>

**cont. NOTE 09** Fair value hierarchy**FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE**

Amounts in NOK million		Level 1	Level 2	Level 3
Financial instruments 30.6.2022	-2,281	-	-1,881	-400
Financial instruments 31.12.2021	-1,168	-	-768	-400

The financial instruments are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies.

**NOTE 10** Compilation of Equity

Amounts in NOK million	30.6.2022	31.12.2021
Share capital	100	100
Treasury shares	-	-
Share premium	1,346	1,346
Other paid-in capital	869	822
Translation effects	212	98
Hedging reserve (after tax)	-420	11
Actuarial gains/Losses	41	41
Retained earnings	1,751	1,804
<b>Group equity (controlling interests)</b>	<b>3,899</b>	<b>4,222</b>

As of 30 June 2022, the company held 243,120 treasury shares at an average cost of NOK 200.97.

**NOTE 11** Net interest-bearing debt<sup>1</sup>

The various elements of net interest-bearing debt are shown in the following table:

Amounts in NOK million	30.6.2022	31.12.2021
Non-current interest-bearing liabilities	1,926	1,320
Current interest-bearing liabilities including overdraft of cashpool	272	224
Non-current interest-bearing receivables (included in "Other Assets")	-3	-3
Cash and cash deposits	-90	-124
<b>Net interest-bearing debt<sup>1</sup></b>	<b>2,105</b>	<b>1,417</b>
- of which impact of IFRS 16 Leases	369	371

<sup>1</sup> Alternative performance measure, see page 22 for definition.

**NOTE 12** Related parties

The members of the Group Executive Management of Borregaard held a total of 633,475 stock options in the Company as of 30 June 2022.

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**NOTE 13** Assessments relating to impairment

No impairment indicators have been identified in the Borregaard Group's property, plant and equipment or intangible assets in the 2<sup>nd</sup> quarter of 2022.

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**NOTE 14** Other matters and subsequent events

There have been no other events after the balance sheet date that would have had a material impact on the financial statements, or the assessments carried out.

## 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.

MEASURE	DESCRIPTION	REASON FOR INCLUDING
<b>EBITDA</b>	EBITDA is defined by Borregaard as operating profit before depreciation, amortisation and other income and expenses.	Shows performance regardless of capital structure, tax situation and adjusted for income and expenses related transactions and events not considered by management to be part of operating activities. Management believes the measure enables an evaluation of operating performance.
<b>EBITDA MARGIN</b>	EBITDA margin is defined by Borregaard as EBITDA divided by operating revenues.	Shows the operations' performance regardless of capital structure and tax situation as a ratio to operating revenue.

	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2022	2021	2022	2021	2021
<b>EBITDA</b>					
Operating profit	346	314	637	509	952
Other income and expenses	-12	-	-12	-	-
Amortisation intangible assets	1	1	2	2	4
Depreciation and impairment property, plant and equipment	110	101	218	207	416
<b>EBITDA</b>	<b>445</b>	<b>416</b>	<b>845</b>	<b>718</b>	<b>1,372</b>

	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2022	2021	2022	2021	2021
<b>EBITDA MARGIN</b>					
EBITDA	445	416	845	718	1,372
Operating revenues	1,744	1,511	3,359	2,930	5,805
<b>EBITDA margin (%) (EBITDA/operating revenues)</b>	<b>25.5</b>	<b>27.5</b>	<b>25.2</b>	<b>24.5</b>	<b>23.6</b>

MEASURE	DESCRIPTION	REASON FOR INCLUDING
<b>EQUITY RATIO</b>	Equity ratio is defined by Borregaard as equity (including non-controlling interests) divided by equity and liabilities.	Equity ratio is an important measure in describing the capital structure

<b>EQUITY RATIO</b>	30.6.2022	30.6.2021	31.12.2021
Total equity	3,975	3,971	4,306
Equity & liabilities	7,679	7,070	7,166
<b>Equity ratio (%) (total equity/equity &amp; liabilities)</b>	<b>51.8</b>	<b>56.2</b>	<b>60.1</b>

MEASURE	DESCRIPTION	REASON FOR INCLUDING
<b>EXPANSION INVESTMENTS</b>	Borregaard's investments are either categorised as replacement or expansion. Expansion investments is defined by Borregaard as 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 research and development costs and new distribution set-ups. In 2021, the major expansion investments in Borregaard were related to the investment in Alginor ASA and the biovanillin capacity expansion.	Borregaard's strategic priorities are specialisation and diversification, increase value added from the biorefinery, develop business areas and to continue emphasis on ESG along the entire value chain. To be able to deliver on those priorities, expansion investments are needed. As such, expansion investments are important information for investors. One of Borregaard's financial objectives is to have an internal rate of return >15% pre-tax for expansion investments.

	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
EXPANSION INVESTMENTS	2022	2021	2022	2021	2021
Investments property, plant and equipment and intangible assets	81	125	168	220	701
Replacement investments	-57	-93	-128	-152	-398
Expansion investments	24	32	40	68	303

MEASURE	DESCRIPTION	REASON FOR INCLUDING
<b>OTHER INCOME AND EXPENSES</b>	Other income and expenses is defined by Borregaard as 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.	To be able to compare the EBITDA from year to year, significant non-recurring items not directly related to operating activities, are included in Other income and expenses.

	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
OTHER INCOME & EXPENSES	2022	2021	2022	2021	2021
Other income & expenses	12	-	12	-	-

MEASURE	DESCRIPTION	REASON FOR INCLUDING
<b>NET INTEREST-BEARING DEBT</b>	Net interest-bearing debt is defined by Borregaard as interest-bearing liabilities minus interest-bearing assets.	Net interest-bearing debt provides an indicator of the net indebtedness and an indicator of the overall strength of the statement of financial position. Net interest-bearing debt is part of Borregaard's financial covenants (leverage ratio) and is important in understanding the capital structure.

NET INTEREST-BEARING DEBT	30.6.2022	30.6.2021	31.12.2021
Total non-current interest-bearing liabilities	1,926	1,346	1,320
Total current interest-bearing liabilities including overdraft of cashpool	272	508	224
Non-current interest-bearing receivables (included in "Other assets")	-3	-3	-3
Cash and cash equivalents	-90	-246	-124
<b>Net interest-bearing debt</b>	<b>2,105</b>	<b>1,605</b>	<b>1,417</b>

MEASURE	DESCRIPTION	REASON FOR INCLUDING
<b>LEVERAGE RATIO</b>	Leverage ratio is defined by Borregaard as net interest bearing debt divided by last twelve months' (LTM) EBITDA.	Leverage ratio is an indicator of the overall strength of the statement of financial position. Borregaard has a targeted leverage ratio between 1.0 and 2.25 over time. Leverage ratio is one of Borregaard's financial covenants on long-term credit facilities.

LEVERAGE RATIO	30.6.2022	30.6.2021	31.12.2021
Net interest-bearing debt	2,105	1,605	1,417
EBITDA	1,499	1,247	1,372
<b>Leverage ratio (net interest-bearing debt/EBITDA)</b>	<b>1.40</b>	<b>1.29</b>	<b>1.03</b>

MEASURE	DESCRIPTION	REASON FOR INCLUDING
<b>CAPITAL EMPLOYED</b>	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 and associate company minus net pension liabilities.	Borregaard uses capital employed as basis for calculating ROCE.

CAPITAL EMPLOYED (END OF YEAR)	30.6.2022	30.6.2021	31.12.2021
Capital employed (end of year)	6,779	5,854	6,043

MEASURE	DESCRIPTION	REASON FOR INCLUDING
<b>RETURN ON CAPITAL EMPLOYED (ROCE)</b>	Return on capital employed (ROCE) is defined by Borregaard as 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.	ROCE is an important financial ratio to assess Borregaard's profitability and capital efficiency. One of Borregaard's financial objectives is to have ROCE >15% pre-tax over a business cycle.

RETURN ON CAPITAL EMPLOYED (ROCE)	30.6.2022	30.6.2021	31.12.2021
<b>Capital employed end of:</b>			
Q2, 2020		6,091	
Q3, 2020		6,103	
Q4, 2020		5,904	5,904
Q1, 2021		5,884	5,884
Q2, 2021	5,854	5,854	5,854
Q3, 2021	5,991		5,991
Q4, 2021	6,043		6,043
Q1, 2022	6,421		
Q2, 2022	6,779		
<b>Average capital employed</b>	<b>6,218</b>	<b>5,967</b>	<b>5,935</b>
<b>EBITA</b>	<b>30.6.2022</b>	<b>30.6.2021</b>	<b>31.12.2021</b>
EBITDA	1,499	1,247	1,372
Depreciation and impairment property, plant and equipment	-427	-429	-416
<b>EBITA</b>	<b>1,072</b>	<b>818</b>	<b>956</b>
<b>RETURN ON CAPITAL EMPLOYED (ROCE)</b>	<b>30.6.2022</b>	<b>30.6.2021</b>	<b>31.12.2021</b>
EBITA	1,072	818	956
Average capital employed	6,218	5,967	5,935
<b>Return on capital employed (ROCE) (%) (EBITA/average capital employed)</b>	<b>17.2</b>	<b>13.7</b>	<b>16.1</b>







Q2 2022

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Borregaard

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