



Borregaard

INTERIM REPORT
3RD QUARTER 2022



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Q3 2022

3RD QUARTER IN BRIEF

- EBITDA¹ NOK 434 million (NOK 391 million)²
- Improvement in all business areas
- Increased sales prices and strong product mix in BioSolutions and BioMaterials
- Increased sales prices and higher volume in Fine Chemicals
- Higher energy, raw material and freight costs
- Positive net currency impact
- Cash flow affected by increase in net working capital



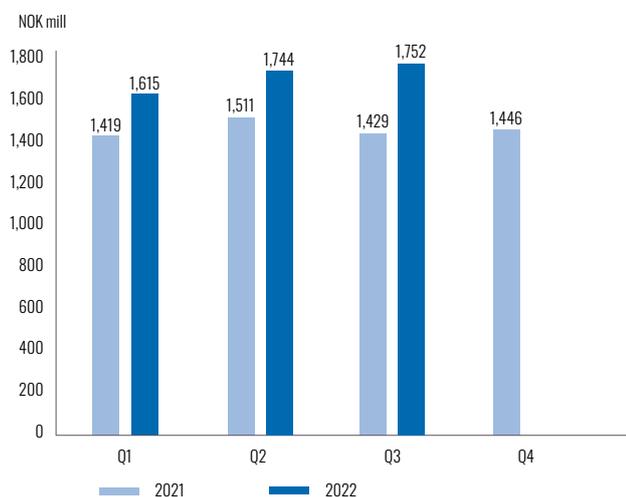
¹ Alternative performance measure, see page 20 for definition.

² Figures in parentheses are for the corresponding period in the previous year.

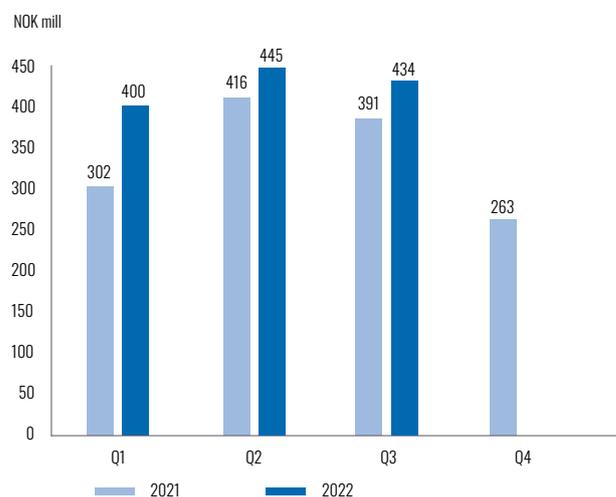
THE GROUP

Amounts in NOK million	Note	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2022	2021	2022	2021	2021
Operating revenues	2	1,752	1,429	5,111	4,359	5,805
EBITDA ¹		434	391	1,279	1,109	1,372
Operating profit		321	287	958	796	952
Profit/loss before taxes	2	309	269	908	741	873
Earnings per share (NOK)		2.40	2.12	7.10	5.93	6.95
Net interest-bearing debt ¹	11	1,994	1,477	1,994	1,477	1,417
Equity ratio ¹ (%)		49.9	58.1	49.9	58.1	60.1
Leverage ratio ¹		1.29	1.08	1.29	1.08	1.03
Return on capital employed ¹ (%)		17.1	16.0	17.1	16.0	16.1

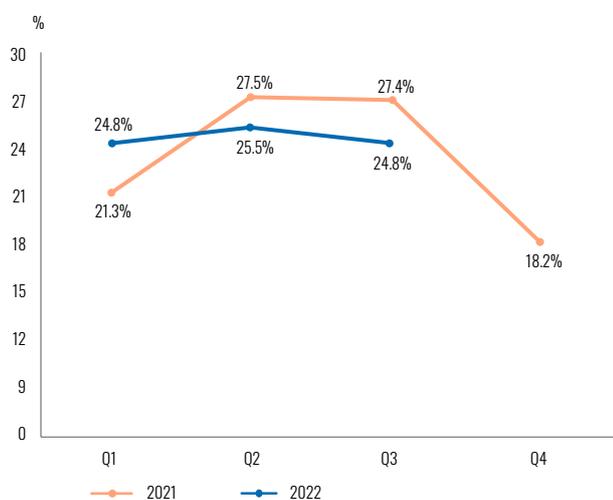
OPERATING REVENUES



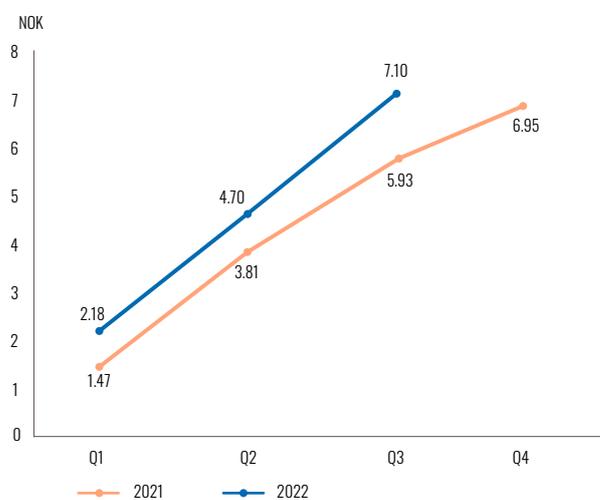
EBITDA¹



EBITDA MARGIN¹



EARNINGS PER SHARE CUMULATIVE



¹ Alternative performance measure, see page 20 for definition.

THIRD QUARTER

Borregaard's operating revenues reached NOK 1,752 million (NOK 1,429 million)² in the 3rd quarter of 2022. EBITDA¹ increased to NOK 434 million (NOK 391 million). The result improved in all business areas. The net currency impact on EBITDA¹ was positive compared with the 3rd quarter of 2021.

Increased sales prices and a strong product mix were the main reasons for the EBITDA¹ improvement in BioSolutions and BioMaterials. For Fine Chemicals, the result improvement was due to increased sales prices and higher volume. Cost increases affected all business areas. The net currency impact on EBITDA¹ was positive. In the quarter, Borregaard benefitted from its ability to switch between electricity, LNG and light oil to minimise energy costs.

Operating profit reached NOK 321 million (NOK 287 million). Net financial items were NOK -12 million (NOK -18 million). Profit before tax was NOK 309 million (NOK 269 million). Tax expense of NOK -74 million (NOK -64 million), gave a tax rate of 24% (24%) in the quarter.

Earnings per share was NOK 2.40 (NOK 2.12).

Cash flow from operating activities was NOK 312 million (NOK 378 million). The cash flow was negatively affected by an increase in net working capital.

Borregaard will increase the production capacity for highly specialised lignin-based biopolymers. The project has a total cost of NOK 70 million and the volume expansion will be achieved through debottlenecking of existing facilities at the Sarpsborg biorefinery. The targeted area is mainly within batteries, but applications will also include oilfield chemicals, agrochemicals, pigments and dyes.

YEAR-TO-DATE (1.1 – 30.9)

Borregaard's operating revenues increased to NOK 5,111 million (NOK 4,359 million) in the first nine months of 2022. EBITDA¹ increased to NOK 1,279 million (NOK 1,109 million). The result improved in all business areas. The net currency impact on EBITDA¹ was positive.

In BioSolutions and BioMaterials, higher sales prices and a strong product mix were the main reasons for the EBITDA¹ improvement. The result improvement in Fine Chemicals was due to increased sales prices and higher volume. Cost increases affected all business areas. The net currency impact on EBITDA¹ was positive.

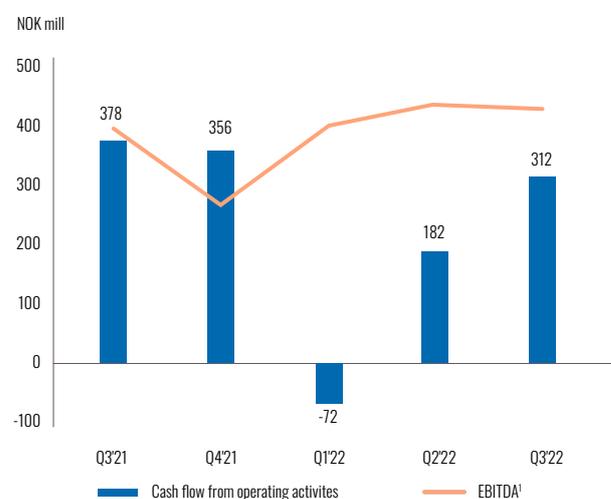
Other income and expenses¹ were NOK 12 million net positive in the first nine months of 2022. This was mainly related to sale of assets in the closed lignin operation in South Africa.

Operating profit was NOK 958 million (NOK 796 million). Net financial items amounted to NOK -50 million (NOK -55 million). Profit before tax was NOK 908 million (NOK 741 million). Tax expense was NOK -220 million (NOK -174 million), giving a tax rate of 24% (23%).

Earnings per share was NOK 7.10 (NOK 5.93).

In the first nine months of 2022, cash flow from operating activities was NOK 422 million (NOK 1,075 million). The cash flow was negatively affected by a significant increase in net working capital. The increase in net working capital was mainly due to increased sales prices affecting accounts receivable, and higher inventory values partly related to cost increases.

CASH FLOW FROM OPERATING ACTIVITIES



¹ Alternative performance measure, see page 20 for definition.

² Figures in parentheses are for the corresponding period in the previous year.

BUSINESS AREAS

BIO SOLUTIONS

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2022	2021	2022	2021	2021
Operating revenues	1,007	838	3,053	2,535	3,469
EBITDA ¹	261	251	827	728	942
EBITDA margin ¹ (%)	25.9	30.0	27.1	28.7	27.2

THIRD QUARTER

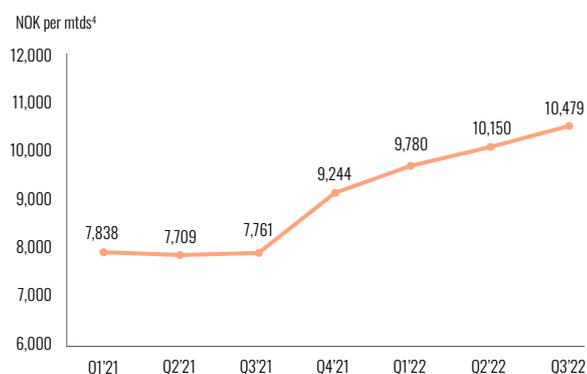
BioSolutions' operating revenues reached NOK 1,007 million (NOK 838 million). EBITDA¹ increased to NOK 261 million (NOK 251 million).

The EBITDA¹ improvement was mainly due to increased sales prices, stronger product mix and positive net currency effects, largely offset by cost increases (energy, raw materials and freight).

The average price in sales currency was 27% higher than in the 3rd quarter of 2021. There was a positive development for applications within oilfield chemicals, batteries, construction and agriculture. The total sales volume was 9% lower than in the corresponding quarter last year, mainly due to lower raw material supply which affected deliveries to low-value markets.

The market balance for synthetic vanillin and ethyl vanillin was affected by increased supply from Asia in the 3rd quarter.

AVERAGE GROSS SALES PRICE³



YEAR-TO-DATE (1.1 – 30.9)

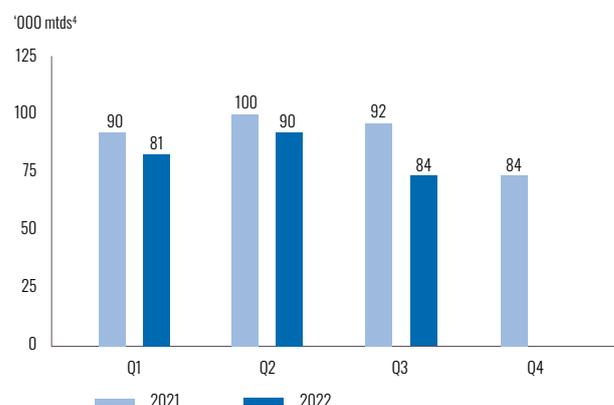
BioSolutions had operating revenues of NOK 3,053 million (NOK 2,535 million). EBITDA¹ increased to NOK 827 million (NOK 728 million).

Increased sales prices, a stronger product mix and positive net currency effects were the main reasons for the EBITDA¹ improvement, partly offset by substantial cost increases.

The average price in sales currency was 24% higher than in the same period in 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 the same period last year mainly 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.

¹ Alternative performance measure, see page 20 for definition.

² Figures in parentheses are for the corresponding period in the previous year.

³ Average sales price is calculated using actual FX rates, excluding hedging impact.

⁴ Metric tonne dry solid.

BIOMATERIALS

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2022	2021	2022	2021	2021
Operating revenues	558	468	1,630	1,473	1,878
EBITDA ¹	101	91	289	257	284
EBITDA margin ¹ (%)	18.1	19.4	17.7	17.4	15.1

THIRD QUARTER

Operating revenues in BioMaterials were NOK 558 million (NOK 468 million) in the 3rd quarter. EBITDA¹ increased to NOK 101 million (NOK 91 million).

EBITDA¹ was positively affected by increased sales prices, improved product mix and positive net currency effects. The positive effects were largely offset by higher raw material, energy and maintenance costs. Lower deliveries were due to timing of shipments in the quarter and inventory adjustments from a low level.

The average price in sales currency increased by 32%, mainly as a result of price increases and surcharges. Demand for speciality cellulose was strong in the quarter.

YEAR-TO-DATE (1.1 – 30.9)

Operating revenues were NOK 1,630 million (NOK 1,473 million). EBITDA¹ was NOK 289 million (NOK 257 million).

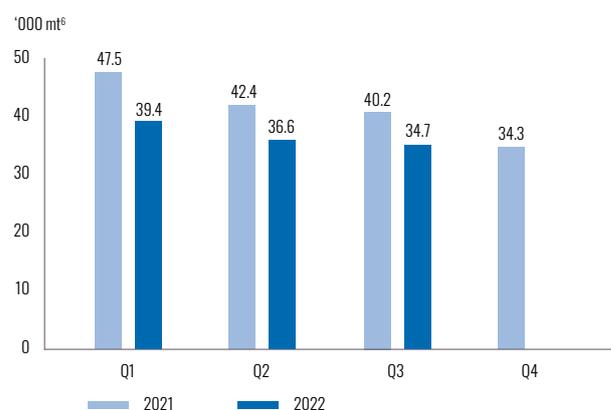
The EBITDA¹ improvement was due to higher sales prices for speciality cellulose, an improved product mix and positive net currency effects, largely offset by lower deliveries and increased energy and raw material costs.

The average price in sales currency was 24% higher than in the same period last year. The high sales volume in the first nine months of 2021 was due to a significant inventory reduction.

AVERAGE GROSS SALES PRICE⁵



SALES VOLUME



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

¹ Alternative performance measure, see page 20 for definition.

⁵ Average sales price is calculated using actual FX rates, excluding hedging impact.

⁶ Metric tonne.

FINE CHEMICALS

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2022	2021	2022	2021	2021
Operating revenues	200	132	462	377	491
EBITDA ¹	72	49	163	124	146
EBITDA margin ¹ (%)	36.0	37.1	35.3	32.9	29.7

THIRD QUARTER

Fine Chemicals' operating revenues were NOK 200 million (NOK 132 million). EBITDA¹ increased to NOK 72 million (NOK 49 million).

EBITDA¹ improved due to increased sales prices and higher deliveries, partly offset by increased costs. The net currency impact was positive.

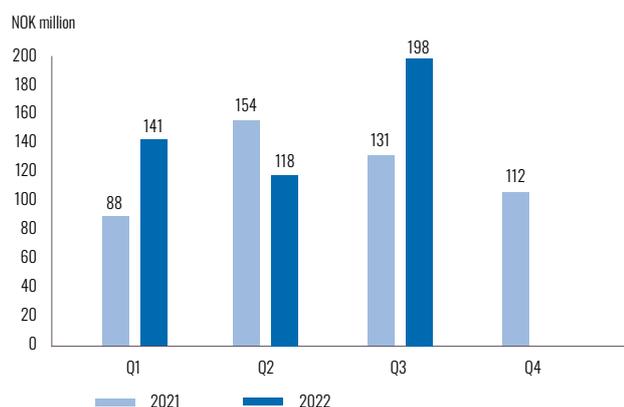
The result for fine chemical intermediates improved due to increased sales prices and higher deliveries, partly offset by increased raw material costs. Prices for bioethanol increased significantly compared with the 3rd quarter of 2021.

YEAR-TO-DATE (1.1 – 30.9)

Operating revenues in Fine Chemicals were NOK 462 million (NOK 377 million). EBITDA¹ was NOK 163 million (NOK 124 million).

EBITDA¹ in the first nine months improved due to increased sales prices, partly offset by increased costs. The net currency impact was positive.

FINE CHEMICALS – SALES REVENUES



Sales revenues include fine chemical intermediates and bioethanol.

¹ Alternative performance measure, see page 20 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 3rd quarter of 2021, the net impact of foreign exchange on EBITDA¹, including hedging effects, was NOK 50 million. Hedging effects were NOK -23 million (NOK -16 million) in the quarter.

Compared with the first nine months of 2021, the net impact of foreign exchange on EBITDA¹, including

hedging effects, was NOK 140 million. Hedging effects were NOK -16 million (NOK -35 million) in the first nine months.

Assuming currency rates as of 20 October 2022 (USD 10.60 and EUR 10.40) and based on currency exposure forecasts, Borregaard expects a net impact of foreign exchange on EBITDA¹ of approximately NOK 70 million in the 4th quarter of 2022 and NOK 210 million for the full year of 2022, compared with the corresponding periods last year.

CASH FLOW AND FINANCIAL SITUATION

THIRD QUARTER

Cash flow from operating activities in the 3rd quarter was NOK 312 million (NOK 378 million). The cash flow was negatively affected by an increase in net working capital. The increase was mainly due to higher inventory values, partly related to cost increases.

Investments amounted to NOK 84 million (NOK 219 million). Expansion investments¹ totalled NOK 25 million (NOK 163 million).

YEAR-TO-DATE (1.1 - 30.9)

In the first nine months of 2022, cash flow from operating activities was NOK 422 million (NOK 1,075 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 partly related to cost increases.

The cash effect from an improved EBITDA¹ was partly offset by higher tax payments compared with the first nine months of 2021.

Investments amounted to NOK 252 million (NOK 439 million). Replacement investments were NOK 187 million (NOK 208 million). Expansion investments¹ totalled NOK 65 million (NOK 231 million).

Dividend of NOK 499 million (NOK 249 million) was paid out in the 2nd quarter. The Group has sold and repurchased treasury shares with net proceeds of NOK 11 million (NOK -56 million). Realised effect of hedging of net investments in subsidiaries was NOK -156 million (NOK 11 million).

On 30 September 2022, the Group had net interest-bearing debt¹ totalling NOK 1,994 million (NOK 1,477 million), an increase of NOK 577 million from year-end 2021.

At the end of September, the Group was well capitalised with an equity ratio¹ of 49.9% (58.1%) and a leverage ratio¹ of 1.29 (1.08).

¹ Alternative performance measure, see page 20 for definition.

SHARE INFORMATION

No share options have been exercised in the 3rd quarter of 2022. Total number of shares outstanding on 30 September 2022 was 100 million, including 243,569 treasury shares. Total number of shareholders was

8,209. Borregaard ASA's share price was NOK 128.60 at the end of the 3rd quarter compared with NOK 160.20 at the end of the 2nd quarter of 2022 and NOK 222.00 at the end of 2021.

OTHER MATTERS AND SUBSEQUENT EVENTS

SPECIALISATION INVESTMENT IN BIOSOLUTIONS

Borregaard will increase the production capacity for highly specialised lignin-based biopolymers. The project has a total cost of NOK 70 million. The volume expansion will be achieved through debottlenecking of existing facilities at the Sarpsborg biorefinery and use of known technology to Borregaard, making it a low-risk investment. In addition, an upgrade of the production process will lead to reduced CO₂ emissions.

The project will be completed in the 1st half of 2024 and the new capacity will gradually be phased into attractive niche markets. The targeted area is mainly within batteries, but applications will also include oilfield chemicals, agrochemicals, pigments and dyes.

For more information on Borregaard's product portfolio of high-performing battery additives, see <https://www.borregaard.com/markets/batteries/>

OUTLOOK

The positive market development for BioSolutions is expected to continue in the 4th quarter despite indications of reduced demand, primarily within construction. The market balance for synthetic vanillin and ethyl vanillin will continue to be affected by increased supply from Asia. For BioSolutions, the average price in sales currency in the 4th quarter is expected to be in line with the 3rd quarter of 2022. The total sales volume is expected to be approximately 80,000 tonnes.

In BioMaterials, the average price in sales currency is expected to increase 4-6% in the 4th quarter compared with the 3rd quarter as a result of an additional surcharge for increased costs. Sales volume in the 4th quarter is expected to be slightly higher than the same quarter last year. Sales growth is expected to continue for cellulose fibrils.

of 2022 with a weaker product mix. Bioethanol sales volume is expected to be lower in the 4th quarter than in the 3rd quarter of 2022.

Energy and raw material costs are expected to remain high in the 4th quarter. While energy spot prices represent the largest uncertainty for the rest of the year, Borregaard will benefit from its ability to switch between electricity, LNG and light oil to minimise energy costs.

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.

Deliveries of fine chemical intermediates in the 4th quarter is expected to be in line with the 3rd quarter

Sarpsborg, 20 October 2022
The Board of Directors of Borregaard ASA

THE GROUP'S INTERIM CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2022	2021	2022	2021	2021
Operating revenues	2	1,752	1,429	5,111	4,359	5,805
Operating expenses		-1,318	-1,038	-3,832	-3,250	-4,433
Depreciation property, plant and equipment		-112	-103	-330	-310	-416
Amortisation intangible assets		-1	-1	-3	-3	-4
Other income and expenses ¹	3	-	-	12	-	-
Operating profit		321	287	958	796	952
Financial items, net	4	-12	-18	-50	-55	-79
Profit before taxes		309	269	908	741	873
Income tax expense	5	-74	-64	-220	-174	-213
Profit for the period		235	205	688	567	660
Profit attributable to non-controlling interests		-4	-6	-20	-23	-32
Profit attributable to owners of the parent		239	211	708	590	692
EBITDA¹		434	391	1,279	1,109	1,372

INTERIM EARNINGS PER SHARE

Amounts in NOK		1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2022	2021	2022	2021	2021
Earnings per share (100 mill. shares)	6	2.40	2.12	7.10	5.93	6.95
Diluted earnings per share	6	2.39	2.12	7.08	5.92	6.94

THE GROUP'S INTERIM CONDENSED COMPREHENSIVE INCOME STATEMENT

Amounts in NOK million	Note	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2022	2021	2022	2021	2021
Profit for the period		235	205	688	567	660
Items not to be reclassified to P&L						
Actuarial gains and losses (after tax)		-	-	-	-	55
Total		-	-	-	-	55
Items to be reclassified to P&L						
Change in hedging-reserve after tax (cash flow)	8	-229	-53	-591	49	86
Change in hedging-reserve after tax (net investment in subsidiaries)	8	-64	-12	-133	-9	-9
Translation effects		89	16	211	19	25
Total		-204	-49	-513	59	102
The Group's comprehensive income		31	156	175	626	817
Comprehensive income non-controlling interests		3	-4	-5	-20	-28
Comprehensive income owners of the parent		28	160	180	646	845

¹ Alternative performance measure, see page 20 for definition.

THE GROUP'S INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in NOK million	Note	30.9.2022	31.12.2021
Intangible assets	13	84	89
Property, plant and equipment	13	4,339	4,191
Right-of-use assets		342	351
Other assets	9	240	339
Investments in joint venture/associate company	4	143	173
Non-current assets		5,148	5,143
Inventories		1,230	792
Receivables	9	1,495	1,107
Cash and cash deposits	11	167	124
Current assets		2,892	2,023
Total assets		8,040	7,166
Group equity	10	3,929	4,222
Non-controlling interests		79	84
Equity		4,008	4,306
Provisions and other liabilities		438	257
Interest-bearing liabilities	9, 11	1,523	1,320
Non-current liabilities		1,961	1,577
Interest-bearing liabilities	9, 11	641	224
Other current liabilities	9	1,430	1,059
Current liabilities		2,071	1,283
Equity and liabilities		8,040	7,166
Equity ratio ¹		49.9 %	60.1 %

INTERIM CONDENSED CHANGES IN EQUITY

Amounts in NOK million	Note	1.1 - 30.9.2022			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
Profit/loss for the period		708	-20	688	692	-32	660
Items in Comprehensive Income	8	-528	15	-513	153	4	157
The Group's Comprehensive income	8	180	-5	175	845	-28	817
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		-	-	--	-	-	-
Shares to employees		33	-	33	28	-	28
Option costs (share based payment)		7	-	7	10	-	10
Transactions with non-controlling interests		-	-	-	-	2	2
Equity at the end of the period		3,929	79	4,008	4,222	84	4,306

¹ Alternative performance measure, see page 20 for definition.

THE GROUP'S INTERIM CONDENSED CASH FLOW STATEMENT

Amounts in NOK million	Note	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2022	2021	2022	2021	2021
Profit before taxes		309	269	908	741	873
Amortisation, depreciation and impairment charges		113	104	333	313	420
Changes in net working capital, etc.		-111	8	-713	82	256
Dividend/share of profit from JV & associate company	4	-	-	31	-	6
Taxes paid		1	-3	-137	-61	-124
Cash flow from operating activities		312	378	422	1,075	1,431
Investments property, plant and equipment and intangible assets *		-84	-109	-252	-329	-556
Investment in associate company	4	-	-110	-	-110	-145
Other capital transactions		-1	2	5	5	9
Cash flow from investing activities		-85	-217	-247	-434	-692
Dividends		-	-	-499	-249	-249
Proceeds from exercise of options/shares to employees	10	-	9	34	55	59
Buy-back of treasury shares	7	-	-23	-23	-111	-118
Gain/(loss) on hedges for net investments in subsidiaries		-76	-6	-156	11	-14
Net paid to/from shareholders		-76	-20	-644	-294	-322
Proceeds from interest-bearing liabilities	11	-	-	837	300	300
Repayment from interest-bearing liabilities	11	-116	-212	-469	-668	-814
Change in interest-bearing receivables/other liabilities	11	51	1	119	-5	-1
Change in net interest-bearing liabilities		-65	-211	487	-373	-515
Cash flow from financing activities		-141	-231	-157	-667	-837
Change in cash and cash equivalents		86	-70	18	-26	-98
Cash and cash equivalents at beginning of period		-38	143	5	96	96
Change in cash and cash equivalents		86	-70	18	-26	-98
Currency effects cash and cash equivalents		28	3	53	6	7
Cash and cash equivalents at the close of the period	11	76	76	76	76	5
*Investment by category						
Replacement investments		59	56	187	208	398
Expansion investments ¹ including investment in associate company		25	163	65	231	303
Total investments including investment in associate company		84	219	252	439	701

¹ Alternative performance measure, see page 20 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	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2022	2021	2022	2021	2021
Borregaard	1,752	1,429	5,111	4,359	5,805
BioSolutions	1,007	838	3,053	2,535	3,469
BioMaterials	558	468	1,630	1,473	1,878
Fine Chemicals	200	132	462	377	491
Eliminations	-13	-9	-34	-26	-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

EBITDA¹

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2022	2021	2022	2021	2021
Borregaard	434	391	1,279	1,109	1,372
BioSolutions	261	251	827	728	942
BioMaterials	101	91	289	257	284
Fine Chemicals	72	49	163	124	146
Reconciliation against operating profit & profit before tax					
EBITDA¹	434	391	1,279	1,109	1,372
Depreciations and write downs	-112	-103	-330	-310	-416
Amortisation intangible assets	-1	-1	-3	-3	-4
Other income and expenses ¹	-	-	12	-	-
Operating profit	321	287	958	796	952
Financial items, net	-12	-18	-50	-55	-79
Profit before taxes	309	269	908	741	873

SALES REVENUES

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2022	2021	2022	2021	2021
Borregaard	1,723	1,406	5,034	4,291	5,715
BioSolutions	979	819	2,980	2,477	3,392
BioMaterials	546	457	1,597	1,442	1,840
Fine Chemicals	198	131	457	373	485
Eliminations	-	-1	-	-1	-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 expenses¹

There are no Other income and expenses¹ in the 3rd quarter of 2022. In the 2nd quarter of 2022, Other income and expenses¹ of NOK 12 million 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.

¹ Alternative performance measure, see page 20 for definition.

NOTE 04 Financial items**NET FINANCIAL ITEMS**

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2022	2021	2022	2021	2021
Net interest expenses	-21	-15	-50	-46	-59
Currency gain/loss	2	-2	-4	-1	-8
Share of profit/-loss from an associate	-2	-	-3	-	-2
Other financial items, net	9	-1	7	-8	-10
Net financial items	-12	-18	-50	-55	-79

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

Other financial items, net includes changes in committed return on the Group's unfunded pension plan.

NOTE 05 Income tax expense

The tax rate of 24.2% (23.5%) for the first nine 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 243,569 treasury shares. As of 30 September 2022, there are 99,965,746 diluted shares

(99,742,686 as of 31 December 2021). Earnings per diluted share were NOK 2.39 in the 3rd quarter (NOK 2.12 in the 3rd quarter of 2021).

NOTE 07 Stock options

No share options have been exercised in the 3rd quarter of 2022.

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 September 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	30.9.2022		30.9.2021		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	-128	-83	29	-45	39	-45
Hedging reserve after tax	-454	-259	100	-126	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 3rd 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 September 2022:

cont. next page

cont. NOTE 09 Fair value hierarchy

FINANCIAL ASSETS

Amounts in NOK million	Level	30.9.2022		31.12.2021	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial receivables	2	217	217	188	188
Non-current derivatives	2	7	7	136	136
Current derivatives	2	34	34	116	116
Total financial assets		258	258	440	440

FINANCIAL LIABILITIES

Non-current financial liabilities	2, 3	1,525	1,525	1,322	1,322
Non-current derivatives	2	389	389	30	30
Current financial liabilities	2	641	641	224	224
Current derivatives	2	243	243	32	32
Total financial liabilities		2,798	2,798	1,608	1,608

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Amounts in NOK million		Level 1	Level 2	Level 3
Financial instruments 30.9.2022	-2,540	-	-2,140	-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	30.9.2022	31.12.2021
Share capital	100	100
Treasury shares	-	-
Share premium	1,346	1,346
Other paid-in capital	871	822
Translation effects	294	98
Hedging reserve (after tax)	-713	11
Actuarial gains/Losses	41	41
Retained earnings	1,990	1,804
Group equity (controlling interests)	3,929	4,222

As of 30 September 2022, the company held 243,569 treasury shares at an average cost of NOK 200.93.

NOTE 11 Net interest-bearing debt¹

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

Amounts in NOK million	30.9.2022	31.12.2021
Non-current interest-bearing liabilities	1,523	1,320
Current interest-bearing liabilities including overdraft of cashpool	641	224
Non-current interest-bearing receivables (included in "Other Assets")	-3	-3
Cash and cash deposits	-167	-124
Net interest-bearing debt¹	1,994	1,417
- of which impact of IFRS 16 Leases	367	371

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 September 2022.

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 3rd quarter of 2022.

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.

¹ Alternative performance measure, see page 20 for definition.

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
EBITDA	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.
EBITDA MARGIN	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.

	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2022	2021	2022	2021	2021
EBITDA					
Operating profit	321	287	958	796	952
Other income and expenses	-	-	-12	-	-
Amortisation intangible assets	1	1	3	3	4
Depreciation and impairment property, plant and equipment	112	103	330	310	416
EBITDA	434	391	1,279	1,109	1,372

	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2022	2021	2022	2021	2021
EBITDA MARGIN					
EBITDA	434	391	1,279	1,109	1,372
Operating revenues	1,752	1,429	5,111	4,359	5,805
EBITDA margin (%) (EBITDA/operating revenues)	24.8	27.4	25.0	25.4	23.6

MEASURE	DESCRIPTION	REASON FOR INCLUDING
EQUITY RATIO	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

EQUITY RATIO	30.9.2022	30.9.2021	31.12.2021
Total equity	4,008	4,115	4,306
Equity & liabilities	8,040	7,087	7,166
Equity ratio (%) (total equity/equity & liabilities)	49.9	58.1	60.1

MEASURE	DESCRIPTION	REASON FOR INCLUDING
EXPANSION INVESTMENTS	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.

	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
EXPANSION INVESTMENTS	2022	2021	2022	2021	2021
Total investments including investment in associate company	84	109	252	329	701
Replacement investments	-59	-56	-187	-208	-398
Expansion investments including investment in associate company	25	53	65	121	303

MEASURE	DESCRIPTION	REASON FOR INCLUDING
OTHER INCOME AND EXPENSES	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.

	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
OTHER INCOME & EXPENSES	2022	2021	2022	2021	2021
Other income & expenses	-	-	12	-	-

MEASURE	DESCRIPTION	REASON FOR INCLUDING
NET INTEREST-BEARING DEBT	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	30.9.2022	30.9.2021	31.12.2021
Non-current interest-bearing liabilities	1,523	1,351	1,320
Current interest-bearing liabilities including overdraft of cashpool	641	313	224
Non-current interest-bearing receivables (included in "Other assets")	-3	-3	-3
Cash and cash equivalents	-167	-184	-124
Net interest-bearing debt	1,994	1,477	1,417

MEASURE	DESCRIPTION	REASON FOR INCLUDING
LEVERAGE RATIO	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	30.9.2022	30.9.2021	31.12.2021
Net interest-bearing debt	1,994	1,477	1,417
EBITDA	1,542	1,372	1,372
Leverage ratio (net interest-bearing debt/EBITDA)	1.29	1.08	1.03

MEASURE	DESCRIPTION	REASON FOR INCLUDING
CAPITAL EMPLOYED	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)	30.9.2022	30.9.2021	31.12.2021
Capital employed (end of year)	7,015	5,991	6,043

MEASURE	DESCRIPTION	REASON FOR INCLUDING
RETURN ON CAPITAL EMPLOYED (ROCE)	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)	30.9.2022	30.9.2021	31.12.2021
Capital employed end of:			
Q3, 2020		6,103	
Q4, 2020		5,904	5,904
Q1, 2021		5,884	5,884
Q2, 2021		5,854	5,854
Q3, 2021	5,991	5,991	5,991
Q4, 2021	6,043		6,043
Q1, 2022	6,421		
Q2, 2022	6,779		
Q3, 2022	7,015		
Average capital employed	6,450	5,947	5,935
EBITA	30.9.2022	30.9.2021	31.12.2021
EBITDA	1,542	1,372	1,372
Depreciation and impairment property, plant and equipment	-436	-420	-416
EBITA	1,106	952	956
RETURN ON CAPITAL EMPLOYED (ROCE)	30.9.2022	30.9.2021	31.12.2021
EBITA	1,106	952	956
Average capital employed	6,450	5,947	5,935
Return on capital employed (ROCE) (%) (EBITA/average capital employed)	17.1	16.0	16.1



Battery
ENERGY STORAGE

Q3 2022



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