



Borregaard

INTERIM REPORT

1<sup>ST</sup> QUARTER 2023

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# CONTENTS

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03	1 <sup>st</sup> quarter in brief
04	The Group
06	The business areas
06	BioSolutions
08	BioMaterials
08	Fine Chemicals
10	Foreign exchange and hedging
10	Cash flow and financial situation
10	Share information
11	Other matters and subsequent events
12	Outlook
14	The Group's interim condensed income statement
14	Interim earnings per share
14	The Group's interim condensed comprehensive income statement
15	The Group's interim condensed statement of financial position
15	Interim condensed changes in equity
16	The Group's interim condensed cash flow statement
17	Notes
23	Alternative performance measures

Q1 2023

## 1<sup>ST</sup> QUARTER IN BRIEF

- EBITDA<sup>1</sup> NOK 435 million (NOK 400 million)<sup>2</sup>
- Positive development for agriculture and batteries in BioSolutions
- Increased sales prices in BioMaterials
- Increased sales prices and high production output in Fine Chemicals
- Reduced margin and volume for traded vanillin products
- Cost inflation affected all business areas
- Positive net currency effects

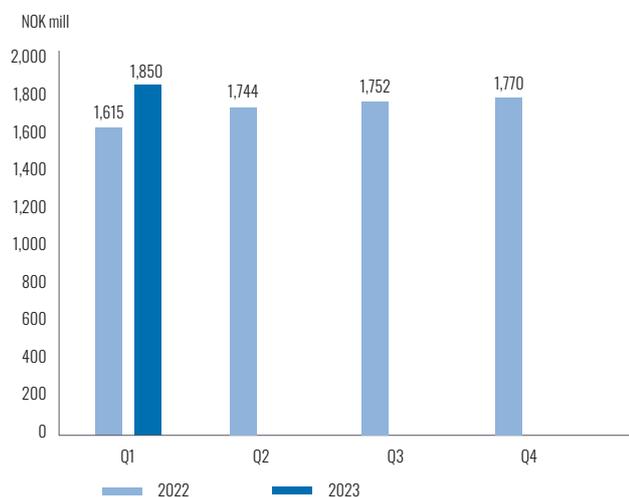
<sup>1</sup> Alternative performance measure, see page 23 for definition.

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

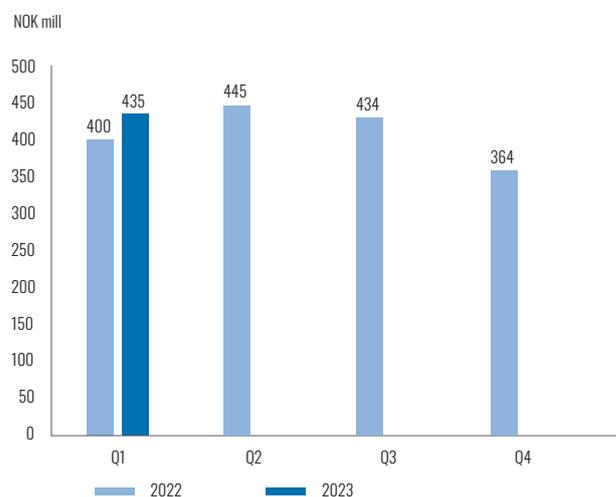
# THE GROUP

Amounts in NOK million	Note	1.1 - 31.3		1.1 - 31.12
		2023	2022	2022
Operating revenues	2	1,850	1,615	6,881
EBITDA <sup>1</sup>		435	400	1,643
Operating profit		320	291	1,186
Profit/loss before taxes	2	292	277	1,118
Earnings per share (NOK)		2.32	2.18	8.95
Net interest-bearing debt <sup>1</sup>	11	1,928	1,535	1,836
Equity ratio <sup>1</sup> (%)		51.4	61.7	54.8
Leverage ratio <sup>1</sup>		1.15	1.04	1.12
Return on capital employed <sup>1</sup> (%)		18.0	17.4	18.1

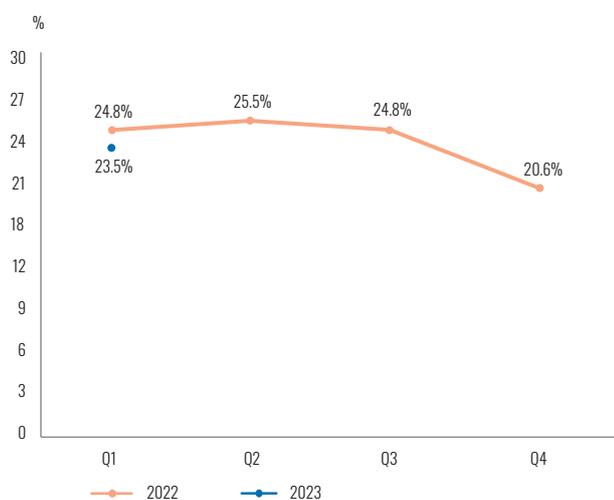
## OPERATING REVENUES



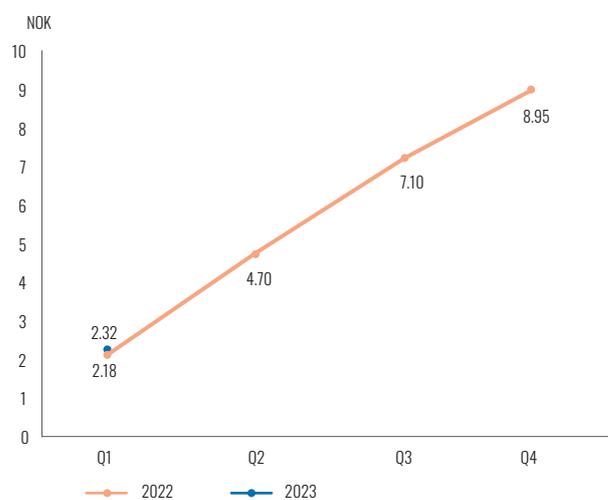
## EBITDA<sup>1</sup>



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



## EARNINGS PER SHARE CUMULATIVE



<sup>1</sup> Alternative performance measure, see page 23 for definition.

## FIRST QUARTER

Operating revenues increased to NOK 1,850 million (NOK 1,615 million)<sup>2</sup>. EBITDA<sup>1</sup> reached NOK 435 million (NOK 400 million). Fine Chemicals and BioMaterials had result improvements while BioSolutions had a decrease. The net currency impact on EBITDA<sup>1</sup> was positive compared with the 1<sup>st</sup> quarter of 2022.

The result improvement in Fine Chemicals was due to increased sales prices, a high production output and improved product mix. The EBITDA<sup>1</sup> improvement in BioMaterials was mainly a result of increased sales prices and positive net currency effects. Reduced margin and volume for traded vanillin products were the main reasons for the EBITDA<sup>1</sup> decrease in BioSolutions. Cost inflation related to wood and other raw materials, maintenance and labour affected all business areas.

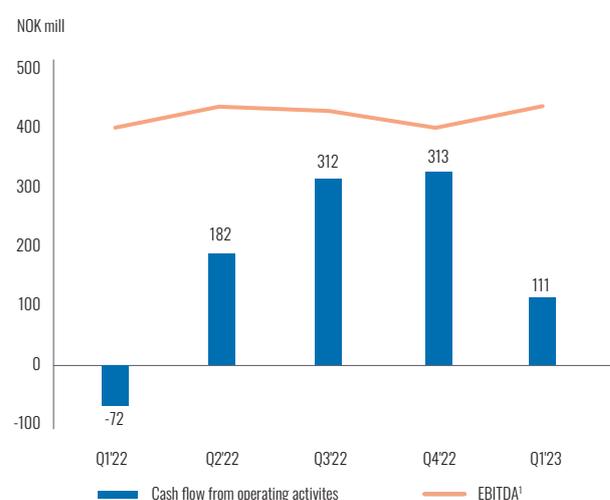
Operating profit reached NOK 320 million (NOK 291 million). Net financial items were NOK -28 million (NOK -14 million). Profit before tax was NOK 292 million (NOK 277 million). Tax expense of NOK -71 million (NOK -68 million) gave a tax rate of 24% (25%) in the quarter.

Earnings per share were NOK 2.32 (NOK 2.18).

Cash flow from operating activities was NOK 111 million (NOK -72 million). The net working capital increased mainly as a result of high deliveries and increased accounts receivable towards the end of the quarter. Tax payments were higher compared with the 1<sup>st</sup> quarter of 2022.

Borregaard will invest NOK 100 million in a new green technology platform and build a commercial scale demonstration plant with an annual capacity of 1,000 tonnes at the Sarpsborg biorefinery. The platform will enable deliveries of next generation lignin-based biopolymers and granulation of existing and new products. Targeted application areas are home care, industrial cleaners, water treatment and agriculture.

## CASH FLOW FROM OPERATING ACTIVITIES



<sup>1</sup> Alternative performance measure, see page 23 for definition.

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

# BUSINESS AREAS

## BIOSOLUTIONS

Amounts in NOK million	1.1 - 31.3		1.1 - 31.12
	2023	2022	2022
Operating revenues	995	948	4,050
EBITDA <sup>1</sup>	224	261	986
EBITDA margin <sup>1</sup> (%)	22.5	27.5	24.3

### FIRST QUARTER

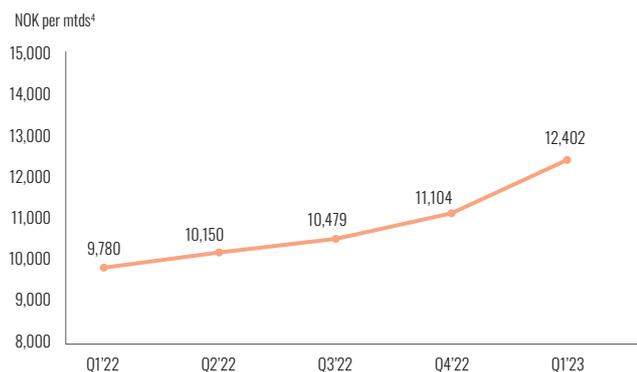
Operating revenues in BioSolutions increased to NOK 995 million (NOK 948 million). EBITDA<sup>1</sup> was NOK 224 million (NOK 261 million).

For lignin-based biopolymers, higher sales prices and positive net currency effects more than compensated for increased costs and lower sales volume. Deliveries of wood-based vanillin were in line with the same quarter in 2022. Reduced margin and volume for traded vanillin products were the main reasons for the EBITDA<sup>1</sup> decrease in BioSolutions.

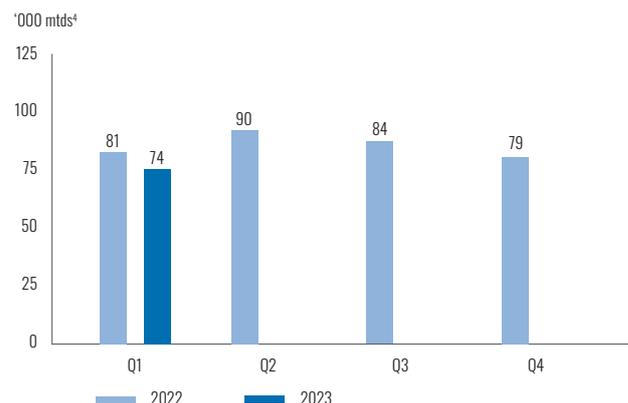
The average price in sales currency was 13% higher than in the same quarter in 2022. There was a positive development for applications within agriculture and batteries.

The total sales volume was 9% lower than in the corresponding quarter in 2022 mainly due to a lower demand within construction.

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



### SALES VOLUME



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

<sup>1</sup> Alternative performance measure, see page 23 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	1.1 - 31.3		1.1 - 31.12
	2023	2022	2022
Operating revenues	684	532	2,250
EBITDA <sup>1</sup>	127	97	427
EBITDA margin <sup>1</sup> (%)	18.6	18.2	19.0

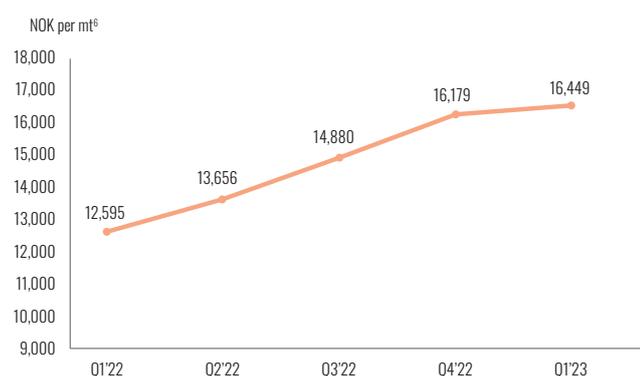
### FIRST QUARTER

BioMaterials' operating revenues reached NOK 684 million (NOK 532 million). EBITDA<sup>1</sup> increased to NOK 127 million (NOK 97 million).

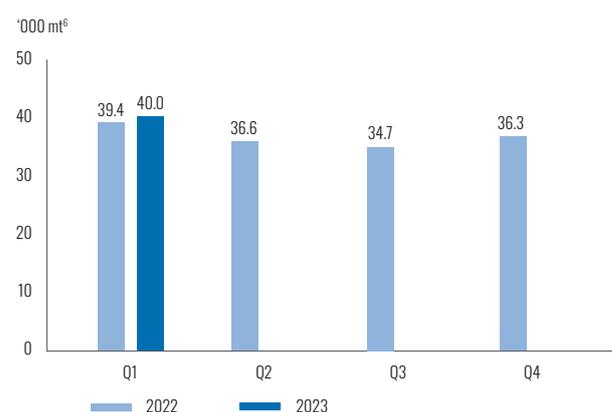
Increased sales prices and positive net currency effects were the main reasons for the EBITDA<sup>1</sup> improvement. The positive effects were partly offset by higher wood costs and other operating expenses. Cellulose fibrils had a slight improvement in volume and sales prices.

The average price in sales currency increased 18%. In total, demand for speciality cellulose was strong in the quarter. Sales of other highly specialised grades largely compensated for a slowdown in the construction market for cellulose ethers.

### 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 23 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	1.1 - 31.3		1.1 - 31.12
	2023	2022	2022
Operating revenues	180	143	632
EBITDA <sup>1</sup>	84	42	230
EBITDA margin <sup>1</sup> (%)	46.7	29.4	36.4

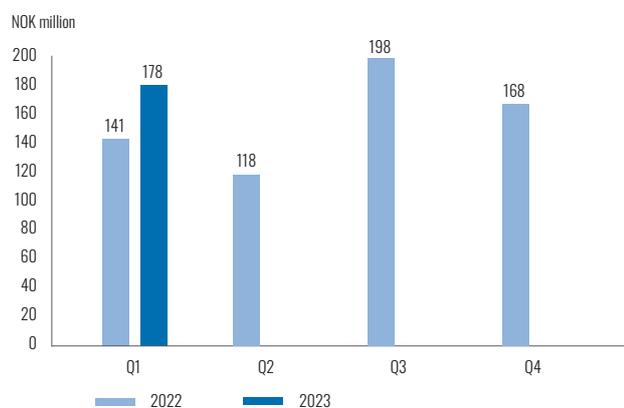
### FIRST QUARTER

Operating revenues in Fine Chemicals increased to NOK 180 million (NOK 143 million). EBITDA<sup>1</sup> reached NOK 84 million (NOK 42 million).

intermediates. The positive effects were partly offset by lower deliveries and higher costs. The net currency impact was positive.

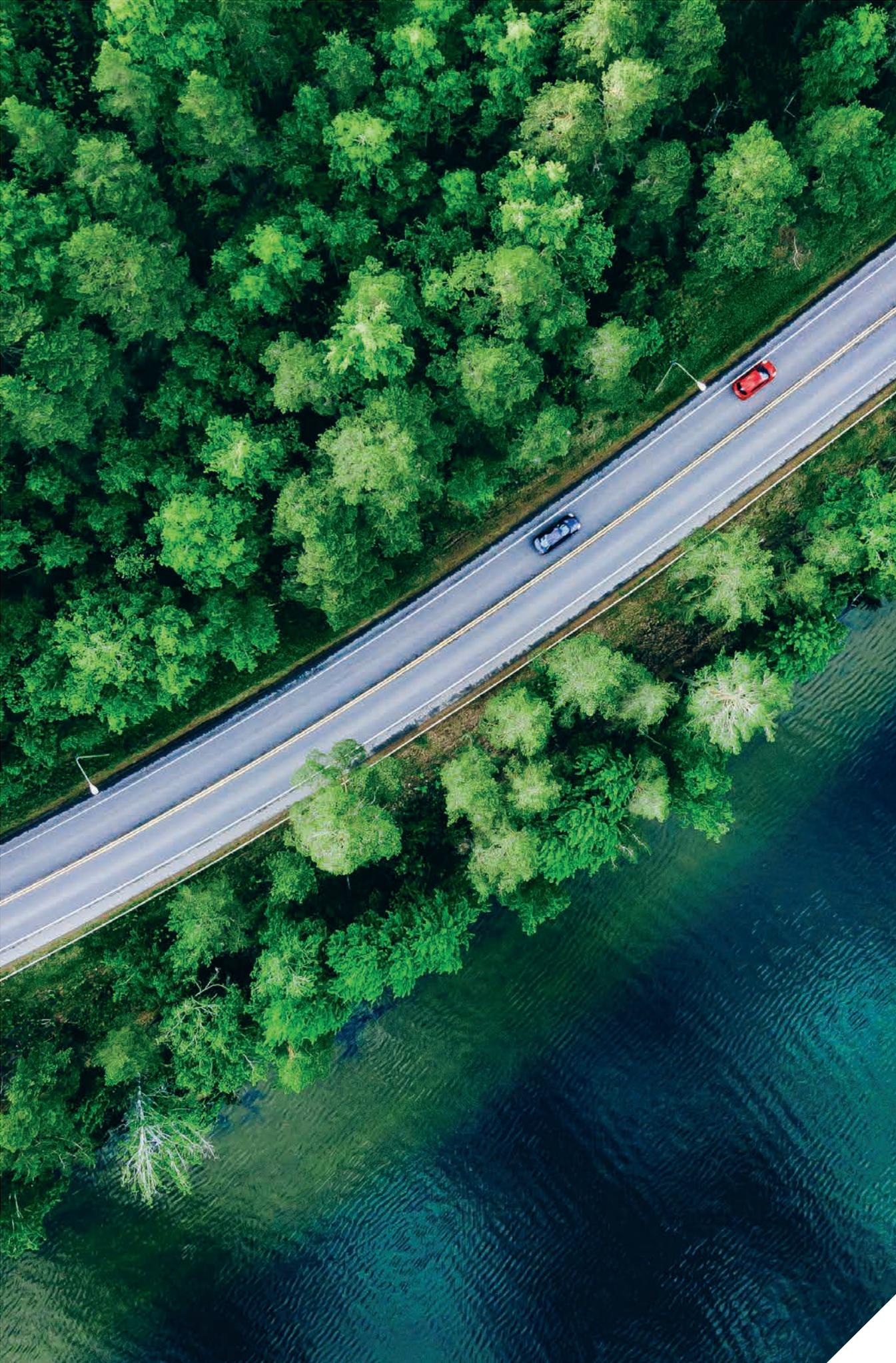
The significant EBITDA<sup>1</sup> improvement was due to increased sales prices and a high production output in the business area. In addition, there was a strong product mix for fine chemical

### FINE CHEMICALS – SALES REVENUES



Sales revenues include fine chemical intermediates and bioethanol.

<sup>1</sup> Alternative performance measure, see page 23 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 1<sup>st</sup> quarter of 2022, the net impact of foreign exchange on EBITDA<sup>1</sup>, including hedging effects, was NOK 75 million. Hedging effects were NOK -48 million (NOK 10 million) in the quarter.

Assuming currency rates as of 2 May 2023 (USD 10.73 and EUR 11.76) and based on currency exposure forecasts, Borregaard expects a net impact of foreign exchange on EBITDA<sup>1</sup> of approximately NOK 70 million in the 2<sup>nd</sup> quarter of 2023 and NOK 210 million for the full year of 2023, compared with the corresponding periods last year.

## CASH FLOW AND FINANCIAL SITUATION

### FIRST QUARTER

Cash flow from operating activities in the 1<sup>st</sup> quarter was NOK 111 million (NOK -72 million). The net working capital increased mainly as a result of high deliveries and increased accounts receivable towards the end of the quarter. Tax payments were higher compared with the 1<sup>st</sup> quarter of 2022.

Total investments amounted to NOK 107 million (NOK 87 million). Expansion investments<sup>1</sup> were NOK 20 million (NOK 16 million).

The Group has sold and repurchased treasury shares with net proceeds of NOK 0 million (NOK 23 million). Realised effect of hedging of net investments in subsidiaries was NOK -58 million (NOK 31 million).

On 31 March 2023, the Group had net interest-bearing debt<sup>1</sup> totalling NOK 1,928 million (NOK 1,535 million), an increase of NOK 92 million from year-end 2022.

At the end of March, the Group was well capitalised with an equity ratio<sup>1</sup> of 51.4% (61.7%) and a leverage ratio<sup>1</sup> of 1.15 (1.04).

## SHARE INFORMATION

In February 2023, 250,000 share options at a strike price of NOK 194.00 were granted under the long-term incentive programme. The options will expire after five years, the vesting period is three years and the options may be exercised during the last two years. For more

details, see notification to the Oslo Stock Exchange on 1 March 2023.

As part of the employee share programme, Borregaard has sold a total of 169,213 shares to employees in

<sup>1</sup> Alternative performance measure, see page 23 for definition.

February 2023. The share price was NOK 132.46 per share after deduction of a 25% discount. For more details, see notifications to the Oslo Stock Exchange on 6 and 13 February and 2 March 2023.

In the 1<sup>st</sup> quarter, 20,500 share options were exercised at a strike price of NOK 65.95 per share, 199,000 share options were exercised at a strike price of NOK 70.30 per share and 30,000 share options were exercised at a strike price of NOK 94.60 per share.

In the 1<sup>st</sup> quarter, Borregaard repurchased a total of 229,640 treasury shares at an average price of NOK 178.58.

Total number of shares outstanding on 31 March 2023 was 100 million, including 245,480 treasury shares. Total number of shareholders was 8,328. Borregaard ASA's share price was NOK 174.80 at the end of the quarter (NOK 152.00 at the end of 2022).

## OTHER MATTERS AND SUBSEQUENT EVENTS

### ANNUAL GENERAL MEETING

Borregaard ASA held its Annual General Meeting on 18 April 2023. The financial statements of Borregaard ASA and the Group, including the proposal to pay an ordinary dividend of NOK 3.25 per share, were approved. The dividend was paid out on 27 April 2023 with a total amount of NOK 324 million.

The Annual General Meeting re-elected Helge Aasen as the chair of the Board of Directors. Terje Andersen, Tove Andersen, Margrethe Hauge and John Arne Ulvan were re-elected as members of the Board. See notice to Oslo Stock Exchange on 18 April 2023.

### BORREGAARD INCREASED ITS OWNERSHIP IN ALGINOR TO 35%

Borregaard has exercised its right to increase ownership in Alginor. The value of the equity transactions was approximately NOK 124 million. After these transactions and considering the company's employee options program, Borregaard holds 35% of the shares in Alginor on a fully diluted basis.

The direct equity issue will facilitate investments that shorten the time to market for commercial volumes of Alginor's key product, alginate. This includes expanding parts of Alginor's demonstration plant to semi-commercial scale and increasing the company's harvesting capacity at an earlier stage.

To date, Borregaard's investments in Alginor total approximately NOK 268 million. See notices to Oslo Stock Exchange on 23 July 2021 and 13 April 2023.

### BORREGAARD ASSIGNED FIRST-TIME ISSUER RATING OF A-/STABLE

Scope Ratings GmbH assigned first-time issuer rating of A-/Stable to Borregaard ASA. The same rating is assigned to the company's senior unsecured debt.

The rating reflects Borregaard's efficient and unique production capabilities, strong positions in key speciality chemicals markets, strong profitability and low financial leverage. See notice to Oslo Stock Exchange on 23 March 2023.

## OUTLOOK

In BioSolutions, the portfolio optimisation within biopolymer applications will continue. The total sales volume for 2023 is forecast to be largely in line with 2022, depending on global economic development and the construction market in particular. Sales volume in the 2<sup>nd</sup> quarter of 2023 is expected to be in the range of 80,000 to 85,000 tonnes. The trading margins for synthetic vanillin and ethyl vanillin are expected to normalise in the 2<sup>nd</sup> half of 2023.

For BioMaterials, the total sales volume for 2023 is forecast to be higher than production output. Sales volume of highly specialised grades is expected to be higher than in 2022. In the 2<sup>nd</sup> quarter of 2023, the average price in sales currency is expected to be in line with the 1<sup>st</sup> quarter of 2023. Development in the construction market for cellulose ethers is the main uncertainty for 2023. However, other applications are expected to largely compensate for a potential slowdown in the construction market. Sales growth will continue for cellulose fibrils.

Sales volume and product mix for fine chemical intermediates are expected to improve in 2023 compared with 2022. In bioethanol, sales prices are

expected to increase whereas sales volume is forecast to be in line with the 2022 level. The market conditions for advanced biofuels are favourable in several European countries. Bioethanol sales are expected to be mainly into these markets in 2023.

Wood costs will increase 10-15% in the 1<sup>st</sup> half of 2023 compared with the 2<sup>nd</sup> half of 2022. In the 2<sup>nd</sup> quarter of 2023, energy and other raw material costs are expected to be lower than in the 1<sup>st</sup> quarter of 2023.

Cost inflation and consequences of the Russian invasion of Ukraine may impact the global economy and Borregaard's markets. Financial market disturbances due to weaknesses at certain banks adds to the uncertainty in the global economy. Borregaard will continue to closely monitor cost inflation and market development and implement relevant measures if required.

Sarpsborg, 2 May 2023  
*The Board of Directors of Borregaard ASA*



## THE GROUP'S INTERIM CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	1.1 - 31.3		1.1 - 31.12
		2023	2022	2022
<b>Operating revenues</b>	2	1,850	1,615	6,881
Operating expenses		-1,415	-1,215	-5,238
Depreciation property, plant and equipment		-114	-108	-444
Amortisation intangible assets		-1	-1	-5
Other income and expenses <sup>1</sup>	3	-	-	-8
<b>Operating profit</b>		320	291	1,186
Financial items, net	4	-28	-14	-68
<b>Profit before taxes</b>		292	277	1,118
Income tax expense	5	-71	-68	-267
<b>Profit for the period</b>		221	209	851
Profit attributable to non-controlling interests		-10	-8	-41
Profit attributable to owners of the parent		231	217	892
<b>EBITDA<sup>1</sup></b>		435	400	1,643

## INTERIM EARNINGS PER SHARE

Amounts in NOK		1.1 - 31.3		1.1 - 31.12
		2023	2022	2022
Earnings per share (100 mill. shares)	6	2.32	2.18	8.95
Diluted earnings per share	6	2.31	2.17	8.92

## THE GROUP'S INTERIM CONDENSED COMPREHENSIVE INCOME STATEMENT

Amounts in NOK million	Note	1.1 - 31.3		1.1 - 31.12
		2023	2022	2022
<b>Profit for the period</b>		221	209	851
<b>Items not to be reclassified to P&amp;L</b>				
Actuarial gains and losses (after tax)		-	-	1
<b>Total</b>		-	-	1
<b>Items to be reclassified to P&amp;L</b>				
Change in hedging-reserve after tax (cash flow)	8	-406	124	-253
Change in hedging-reserve after tax (net investment in subsidiaries)	8	-47	9	-70
Translation effects		82	-4	118
<b>Total</b>		-371	129	-205
<b>The Group's comprehensive income</b>		-150	338	647
Comprehensive income non-controlling interests		-7	-9	-33
Comprehensive income owners of the parent		-143	347	680

<sup>1</sup> Alternative performance measure, see page 23 for definition.

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

Amounts in NOK million	Note	31.3.2023	31.12.2022
Intangible assets	13	82	82
Property, plant and equipment	13	4,436	4,371
Right-of-use assets		350	345
Other assets	9	217	254
Investments in joint venture/associate company	4	136	142
<b>Non-current assets</b>		<b>5,221</b>	<b>5,194</b>
Inventories		1,373	1,299
Receivables	9	1,560	1,387
Cash and cash deposits	11	217	234
<b>Current assets</b>		<b>3,150</b>	<b>2,920</b>
<b>Total assets</b>		<b>8,371</b>	<b>8,114</b>
Group equity	10	4,260	4,394
Non-controlling interests		44	51
<b>Equity</b>		<b>4,304</b>	<b>4,445</b>
Provisions and other liabilities		435	295
Interest-bearing liabilities	9, 11	1,490	1,370
<b>Non-current liabilities</b>		<b>1,925</b>	<b>1,665</b>
Interest-bearing liabilities	9, 11	657	702
Other current liabilities	9	1,485	1,302
<b>Current liabilities</b>		<b>2,142</b>	<b>2,004</b>
<b>Equity and liabilities</b>		<b>8,371</b>	<b>8,114</b>
Equity ratio <sup>1</sup>		51.4 %	54.8 %

## INTERIM CONDENSED CHANGES IN EQUITY

Amounts in NOK million	Note	1.1 - 31.3.2023			1.1 - 31.12.2022		
		Controlling interests	Non-controlling interests	Total equity	Controlling interests	Non-controlling interests	Total equity
Equity 1 January		4,394	51	4,445	4,222	84	4,306
<b>Profit/loss for the period</b>		<b>231</b>	<b>-10</b>	<b>221</b>	<b>892</b>	<b>-41</b>	<b>851</b>
Items in Comprehensive Income	8	-374	3	-371	-212	8	-204
<b>The Group's Comprehensive income</b>	<b>8</b>	<b>-143</b>	<b>-7</b>	<b>-150</b>	<b>680</b>	<b>-33</b>	<b>647</b>
Paid dividend		-	-	-	-499	-	-499
Buy-back of treasury shares		-41	-	-41	-68	-	-68
Exercise of share options		18	-	18	16	-	16
Reduced tax payable of exercised share options		-	-	-	-	-	-
Shares to employees		30	-	30	33	-	33
Option costs (share based payment)		2	-	2	10	-	10
Transactions with non-controlling interests		-	-	-	-	-	-
<b>Equity at the end of the period</b>		<b>4,260</b>	<b>44</b>	<b>4,304</b>	<b>4,394</b>	<b>51</b>	<b>4,445</b>

<sup>1</sup> Alternative performance measure, see page 23 for definition.

## THE GROUP'S INTERIM CONDENSED CASH FLOW STATEMENT

Amounts in NOK million	Note	1.1 - 31.3		1.1 - 31.12
		2023	2022	2022
Profit before taxes		292	277	1,118
Amortisation, depreciation and impairment charges		115	109	449
Changes in net working capital, etc.		-193	-381	-658
Dividend/share of profit from JV & associate company	4	6	-	34
Taxes paid		-109	-77	-208
<b>Cash flow from operating activities</b>		<b>111</b>	<b>-72</b>	<b>735</b>
Investments property, plant and equipment and intangible assets *		-107	-87	-464
Investment in associate company	4	-	-	-
Other capital transactions		2	2	9
<b>Cash flow from investing activities</b>		<b>-105</b>	<b>-85</b>	<b>-455</b>
Dividends		-	-	-499
Proceeds from exercise of options/shares to employees	10	41	27	41
Buy-back of treasury shares	7	-41	-4	-68
Gain/(loss) on hedges for net investments in subsidiaries		-58	31	-79
<b>Net paid to/from shareholders</b>		<b>-58</b>	<b>54</b>	<b>-605</b>
Proceeds from interest-bearing liabilities	11	-	100	837
Repayment from interest-bearing liabilities	11	-14	-14	-512
Change in interest-bearing receivables/other liabilities	11	41	-2	78
<b>Change in net interest-bearing liabilities</b>		<b>27</b>	<b>84</b>	<b>403</b>
<b>Cash flow from financing activities</b>		<b>-31</b>	<b>138</b>	<b>-202</b>
<b>Change in cash and cash equivalents</b>		<b>-25</b>	<b>-19</b>	<b>78</b>
Cash and cash equivalents at beginning of period		111	5	5
Change in cash and cash equivalents		-25	-19	78
Currency effects cash and cash equivalents		19	-2	28
<b>Cash and cash equivalents at the close of the period</b>	11	<b>105</b>	<b>-16</b>	<b>111</b>
<b>*Investment by category</b>				
Replacement investments		87	71	359
Expansion investments <sup>1</sup> including investment in associate company		20	16	105
Total investments including investment in associate company		107	87	464

<sup>1</sup> Alternative performance measure, see page 23 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 2022 for the Borregaard Group.

### Use of estimates

The same use of estimates has been applied as in the Consolidated Financial Statements for 2022.

## NOTE 02 Segments

### OPERATING REVENUES

Amounts in NOK million	1.1 - 31.3		1.1 - 31.12
	2023	2022	2022
<b>Borregaard</b>	<b>1,850</b>	<b>1,615</b>	<b>6,881</b>
BioSolutions	995	948	4,050
BioMaterials	684	532	2,250
Fine Chemicals	180	143	632
Eliminations	-9	-8	-51

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	1.1 - 31.3		1.1 - 31.12
	2023	2022	2022
<b>Borregaard</b>	<b>435</b>	<b>400</b>	<b>1 643</b>
BioSolutions	224	261	986
BioMaterials	127	97	427
Fine Chemicals	84	42	230
<b>Reconciliation against operating profit &amp; profit before tax</b>			
<b>EBITDA<sup>1</sup></b>	<b>435</b>	<b>400</b>	<b>1,643</b>
Depreciations and write downs	-114	-108	-444
Amortisation intangible assets	-1	-1	-5
Other income and expenses <sup>1</sup>	-	-	-8
<b>Operating profit</b>	<b>320</b>	<b>291</b>	<b>1,186</b>
Financial items, net	-28	-14	-68
<b>Profit before taxes</b>	<b>292</b>	<b>277</b>	<b>1,118</b>

## SALES REVENUES

Amounts in NOK million	1.1 - 31.3		1.1 - 31.12
	2023	2022	2022
<b>Borregaard</b>	<b>1,825</b>	<b>1,591</b>	<b>6,776</b>
BioSolutions	973	929	3,946
BioMaterials	674	521	2,205
Fine Chemicals	178	141	625
Eliminations	-	-	-

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>

There were no Other income and expenses<sup>1</sup> in the 1<sup>st</sup> quarter of 2023.

<sup>1</sup> Alternative performance measure, see page 23 for definition.

**NOTE 04** Financial items**NET FINANCIAL ITEMS**

Amounts in NOK million	1.1 - 31.3		1.1 - 31.12
	2023	2022	2022
Net interest expenses	-29	-13	-76
Currency gain/loss	6	1	6
Share of profit/-loss from an associate	-2	-1	-3
Other financial items, net	-3	-1	5
<b>Net financial items</b>	<b>-28</b>	<b>-14</b>	<b>-68</b>

Share of profit/-loss from an associate is related to Alginor ASA. Borregaard holds 25% of the shares in Alginor ASA as of 31 March 2023. See Note 14 for increase of ownership in April 2023.

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 24.3% (24.5%) for the first three months of 2023 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, and from the associated company, Alginor ASA, is accounted for as part of 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 245,480 treasury shares. As of 31 March 2023, there are 100,000,801 diluted shares

(99,752,815 as of 31 December 2022). Earnings per diluted share were NOK 2.31 in the 1<sup>st</sup> quarter (NOK 2.17 in the 1<sup>st</sup> quarter of 2022).

## NOTE 07 Stock options

During the 1<sup>st</sup> quarter of 2023, 20,500 share options were exercised at a strike price of NOK 65.95 per share, 199,000 share options were exercised at a strike price of NOK 70.30 per share and 30,000 share options were exercised at a strike price of NOK 94.60 per share.

The Group Executive Management and other key employees hold a total of 1,197,000 stock options in five different share option programmes in Borregaard.

Stock options	Issued 2019	Issued 2020	Issued 2021	Issued 2022	Issued 2023
Number of stock options	128,000	370,000	249,000	200,000	250,000
Strike price (NOK)*	70.30	94.60	175.70	223.75	194.00
Vesting period	3 years	3 years	3 years	3 years	3 years
Expiry date	6 February 2024	13 February 2025	16 February 2026	17 February 2027	1 March 2028

\* Strike prices as at 31 March 2023 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	31.3.2023		31.3.2022		31.12.2022	
	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	-147	-79	74	-42	-33	-65
Hedging reserve after tax	-522	-243	261	-117	-116	-196

## 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 2022 to the 1<sup>st</sup> quarter of 2023. 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 March 2023:

## cont. NOTE 09 Fair value hierarchy

## FINANCIAL ASSETS

Amounts in NOK million	Level	31.3.2023		31.12.2022	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial receivables	2	200	200	194	194
Non-current derivatives	2	1	1	46	46
Current derivatives	2	10	10	49	49
<b>Total financial assets</b>		<b>211</b>	<b>211</b>	<b>289</b>	<b>289</b>

## FINANCIAL LIABILITIES

Non-current financial liabilities	2, 3	1,492	1,492	1,372	1,372
Non-current derivatives	2	394	394	144	144
Current financial liabilities	2	657	657	702	702
Current derivatives	2	297	297	102	102
<b>Total financial liabilities</b>		<b>2,840</b>	<b>2,840</b>	<b>2,320</b>	<b>2,320</b>

## FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Amounts in NOK million		Level 1	Level 2	Level 3
Financial instruments 31.3.2023	-2,629	-	-2,229	-400
Financial instruments 31.12.2022	-2,031	-	-1,631	-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	31.3.2023	31.12.2022
Share capital	100	100
Treasury shares	-	-
Share premium	1,346	1,346
Other paid-in capital	931	881
Translation effects	287	208
Hedging reserve (after tax)	-765	-312
Actuarial gains/Losses	42	42
Retained earnings	2,319	2,129
<b>Group equity (controlling interests)</b>	<b>4,260</b>	<b>4,394</b>

As of 31 March 2023, the company held 245,480 treasury shares at an average cost of NOK 177.36

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

The various elements of net interest-bearing debt<sup>1</sup> are shown in the following table:

Amounts in NOK million	31.3.2023	31.12.2022
Non-current interest-bearing liabilities	1,490	1,370
Current interest-bearing liabilities including overdraft of cashpool	657	702
Non-current interest-bearing receivables (included in "Other Assets")	-2	-2
Cash and cash deposits	-217	-234
<b>Net interest-bearing debt<sup>1</sup></b>	<b>1,928</b>	<b>1,836</b>
- of which impact of IFRS 16 Leases	379	371

**NOTE 12** Related parties

The members of the Group Executive Management of Borregaard held a total of 584,000 stock options in the Company as of 31 March 2023.

**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 1<sup>st</sup> quarter of 2023.

**NOTE 14** Other matters and subsequent events**BORREGAARD INCREASED ITS OWNERSHIP IN ALGINOR TO 35%**

Borregaard has exercised its right to increase ownership in Alginor. The value of the equity transactions was approximately NOK 124 million. After these transactions and considering the employee share options program, Borregaard holds 35% of the shares in Alginor on a fully diluted basis. The direct equity issue will facilitate investments that shorten the time to market for commercial volumes of Alginor's key product, alginate. This includes expanding parts of Alginor's demonstration plant to semi-commercial

scale and increasing the company's harvesting capacity at an earlier stage. To date, Borregaard's investments in Alginor total approximately NOK 268 million. See notices to Oslo Stock Exchange on 23 July 2021 and 13 April 2023.

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.

<sup>1</sup> Alternative performance measure, see page 23 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
<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.

	1.1 - 31.3		1.1 - 31.12
<b>EBITDA</b>	2023	2022	2022
Operating profit	320	291	1,186
Other income and expenses	-	-	8
Amortisation intangible assets	1	1	5
Depreciation and impairment property, plant and equipment	114	108	444
<b>EBITDA</b>	<b>435</b>	<b>400</b>	<b>1,643</b>

	1.1 - 31.3		1.1 - 31.12
<b>EBITDA MARGIN</b>	2023	2022	2022
EBITDA	435	400	1,643
Operating revenues	1,850	1,615	6,881
<b>EBITDA margin (%) (EBITDA/operating revenues)</b>	<b>23.5</b>	<b>24.8</b>	<b>23.9</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>	31.3.2023	31.3.2022	31.12.2022
Total equity	4,304	4,677	4,445
Equity & liabilities	8,371	7,581	8,114
<b>Equity ratio (%) (total equity/equity &amp; liabilities)</b>	<b>51.4</b>	<b>61.7</b>	<b>54.8</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.	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.

EXPANSION INVESTMENTS	1.1 - 31.3		1.1 - 31.12
	2023	2022	2022
Total investments including investment in associate company	107	87	464
Replacement investments	-87	-71	-359
Expansion investments including investment in associate company	20	16	105

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 of different reporting periods, significant non-recurring items not directly related to operating activities, are included in Other income and expenses.

OTHER INCOME AND EXPENSES	1.1 - 31.3		1.1 - 31.12
	2023	2022	2022
Other income and expenses	-	-	-8

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	31.3.2023	31.3.2022	31.12.2022
Non-current interest-bearing liabilities	1,490	1,418	1,370
Current interest-bearing liabilities including overdraft of cashpool	657	223	702
Non-current interest-bearing receivables (included in "Other assets")	-2	-3	-2
Cash and cash deposits	-217	-103	-234
<b>Net interest-bearing debt</b>	<b>1,928</b>	<b>1,535</b>	<b>1,836</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 Borregaard's financial covenant on long-term credit facilities.

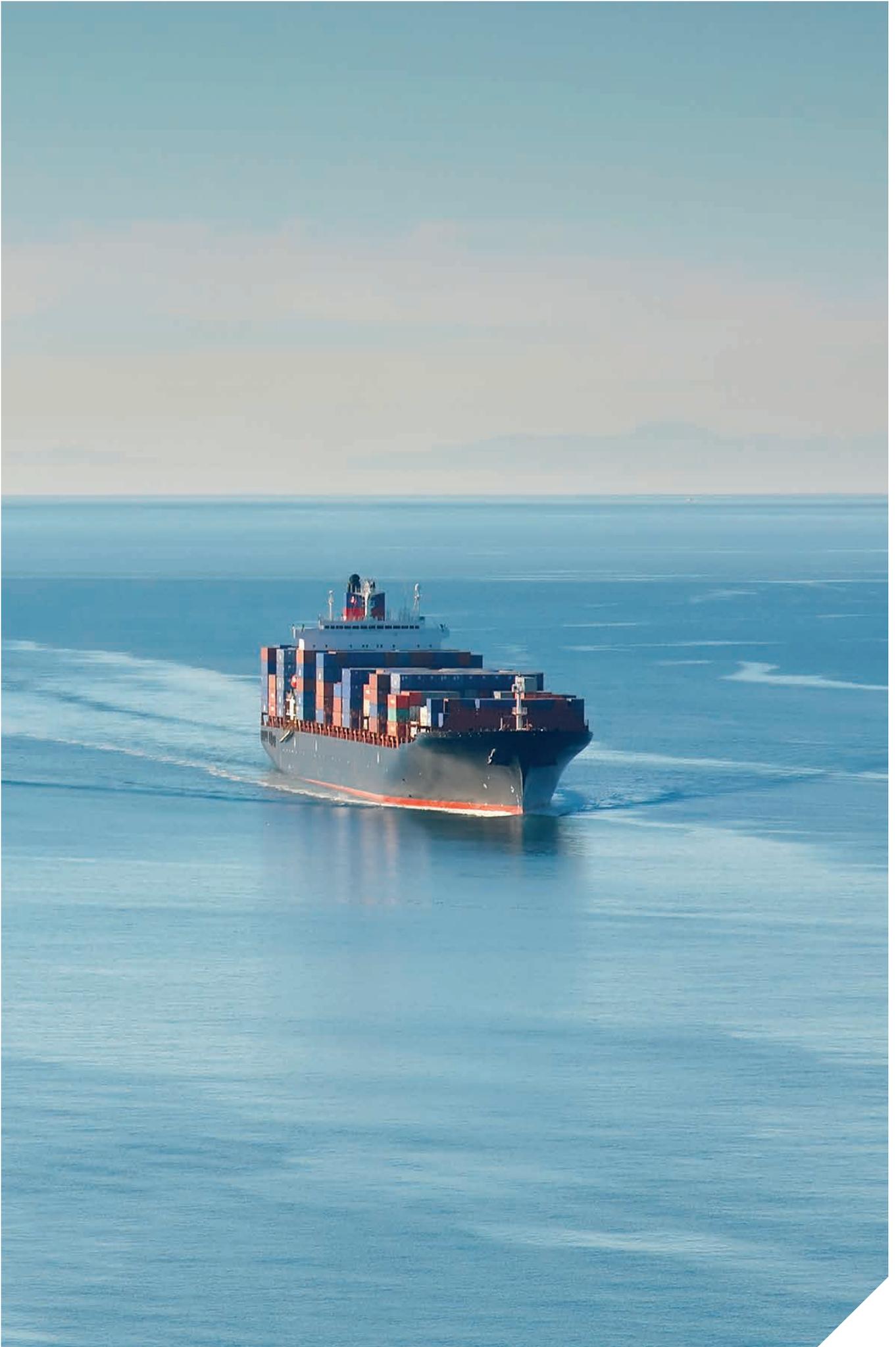
LEVERAGE RATIO	31.3.2023	31.3.2022	31.12.2022
Net interest-bearing debt	1,928	1,535	1,836
EBITDA	1,678	1,470	1,643
<b>Leverage ratio (net interest-bearing debt/EBITDA)</b>	<b>1.15</b>	<b>1.04</b>	<b>1.12</b>

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 minus net pension liabilities.	Borregaard uses capital employed as basis for calculating ROCE.

CAPITAL EMPLOYED (END OF YEAR)	31.3.2023	31.3.2022	31.12.2022
Capital employed (end of year)	7,142	6,421	6,802

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)	31.3.2023	31.3.2022	31.12.2022
<b>Capital employed end of:</b>			
Q1, 2021		5,884	
Q2, 2021		5,854	
Q3, 2021		5,991	
Q4, 2021		6,043	6,043
Q1, 2022	6,421	6,421	6,421
Q2, 2022	6,779		6,779
Q3, 2022	7,015		7,015
Q4, 2022	6,802		6,802
Q1, 2023	7,142		
<b>Average capital employed</b>	<b>6,832</b>	<b>6,039</b>	<b>6,612</b>
<b>CAPITAL CONTRIBUTION</b>	<b>31.3.2023</b>	<b>31.3.2022</b>	<b>31.12.2022</b>
Operating profit	1,215	1,048	1,186
Other income and expenses	8	-	8
Amortisation intangible assets	5	4	5
<b>Capital contribution</b>	<b>1,228</b>	<b>1,052</b>	<b>1,199</b>
<b>RETURN ON CAPITAL EMPLOYED (ROCE)</b>	<b>31.3.2023</b>	<b>31.3.2022</b>	<b>31.12.2022</b>
Capital contribution	1,228	1,052	1,199
Average capital employed	6,832	6,039	6,612
<b>Return on capital employed (ROCE) (%) (capital contribution/average capital employed)</b>	<b>18.0</b>	<b>17.4</b>	<b>18.1</b>





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