



Borregaard

INTERIM REPORT  
4<sup>TH</sup> QUARTER 2021

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# Q4 2021

## 4<sup>TH</sup> QUARTER IN BRIEF

- EBITDA<sup>1</sup> NOK 263 million (NOK 263 million)<sup>2</sup>
- Favourable product mix in BioSolutions
- Lower deliveries in BioMaterials and Fine Chemicals
- High energy spot prices
- Below normal production levels at the Sarpsborg site
- Strong cash flow

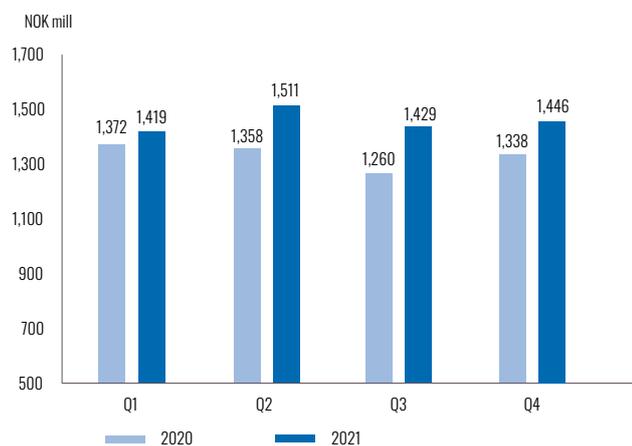
<sup>1</sup> Alternative performance measure, see page 23 for definition.

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

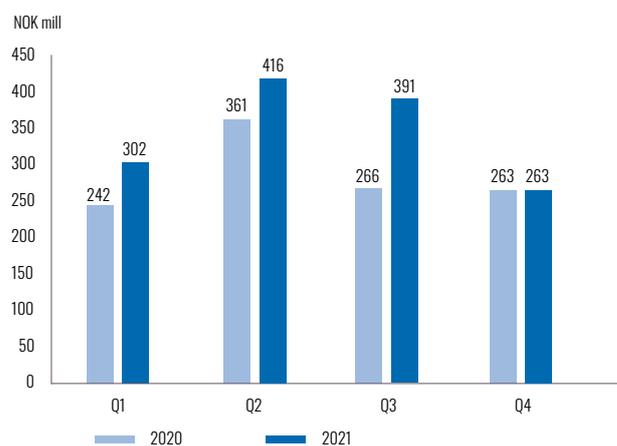
# THE GROUP

Amounts in NOK million	Note	1.10 - 31.12		1.1 - 31.12	
		2021	2020	2021	2020
Operating revenues	2	1,446	1,338	5,805	5,328
EBITDA <sup>1</sup>		263	263	1,372	1,132
Operating profit		156	131	952	568
Profit/loss before taxes	2	132	119	873	496
Earnings per share (NOK)		1.02	1.22	6.95	4.38
Net interest-bearing debt <sup>1</sup>	11	1,417	1,794	1,417	1,794
Equity ratio <sup>1</sup> (%)		60.1	53.9	60.1	53.9
Leverage ratio <sup>1</sup>		1.03	1.58	1.03	1.58
Return on capital employed <sup>1</sup> (%)		16.1	11.4	16.1	11.4

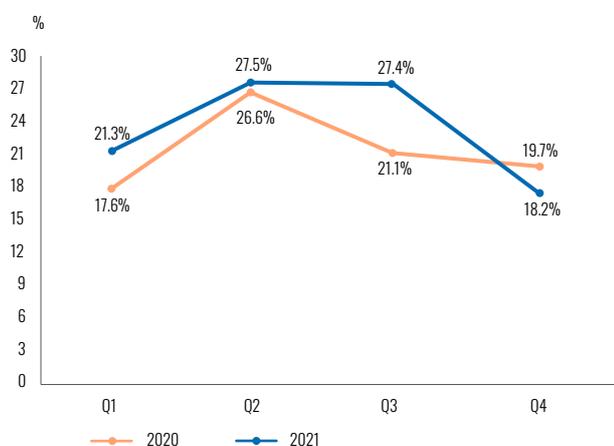
## OPERATING REVENUES



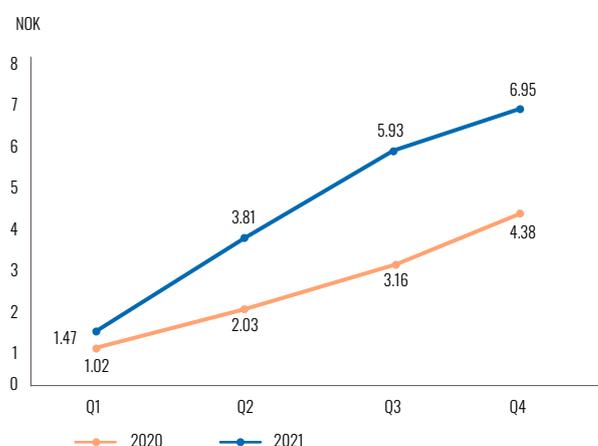
## EBITDA<sup>1</sup>



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



## EARNINGS PER SHARE CUMULATIVE



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

## FOURTH QUARTER

Borregaard's operating revenues reached NOK 1,446 million (NOK 1,338 million)<sup>2</sup> in the 4<sup>th</sup> quarter of 2021. EBITDA<sup>1</sup> was NOK 263 million (NOK 263 million). BioSolutions' result improved significantly, while BioMaterials and Fine Chemicals had weaker results. The net currency impact on EBITDA<sup>1</sup> was slightly positive compared with the 4<sup>th</sup> quarter of 2020.

A favourable product mix was the main reason for the significant EBITDA<sup>1</sup> improvement in BioSolutions. Lower deliveries of speciality cellulose and increased energy spot prices affected BioMaterials negatively. For Fine Chemicals, the EBITDA<sup>1</sup> decrease was due to lower deliveries, weaker product mix and increased raw material costs for fine chemical intermediates. High spot prices for liquefied natural gas and electricity led to increased energy costs in all business areas. Production output from the Sarpsborg site was below normal levels, partly due to an extended annual maintenance stop, which also affected manufacturing costs negatively.

Operating profit reached NOK 156 million (NOK 131 million). Net financial items were NOK -24 million (NOK -12 million). Profit before tax was NOK 132 million (NOK 119 million). Tax expense of NOK -39 million (NOK -8 million), gave a tax rate of 30% (7%) in the quarter.

Earnings per share was NOK 1.02 (NOK 1.22).

Cash flow from operating activities in the 4<sup>th</sup> quarter was NOK 356 million (NOK 416 million). Net working

capital was significantly reduced in the quarter. The cash effect from EBITDA<sup>1</sup> was in line with the same quarter in 2020. The reduced cash flow was mainly due to higher tax payments.

## FULL YEAR

Borregaard's operating revenues increased to NOK 5,805 million (NOK 5,328 million) in 2021. EBITDA<sup>1</sup> increased to an all-time high of NOK 1,372 million (NOK 1,132 million). BioSolutions had a significantly improved result compared with 2020, whereas BioMaterials and Fine Chemicals had slightly weaker results. The net currency impact on EBITDA<sup>1</sup> was negative compared with 2020.

In BioSolutions, the EBITDA<sup>1</sup> improvement was due to price increases and a favourable product mix, partly offset by increased energy costs. The result in BioMaterials decreased, mainly due to lower sales prices and higher energy spot prices. A weaker product mix and increased raw material costs for fine chemical intermediates and non-recurring bioethanol sales to disinfectants in 2020 were the main reasons for the decline in Fine Chemicals.

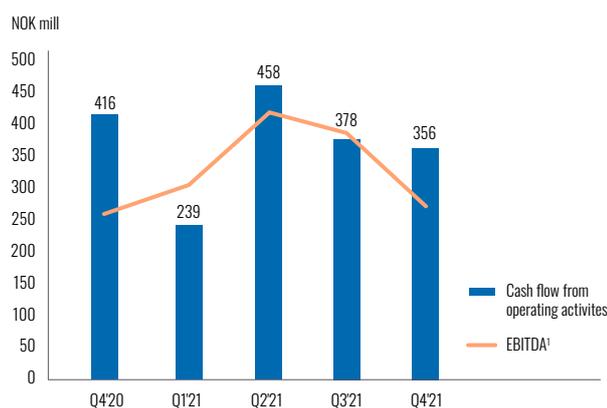
Operating profit increased to NOK 952 million (NOK 568 million). Net financial items amounted to NOK -79 million (NOK -72 million). Profit before tax was NOK 873 million (NOK 496 million). Tax expense of NOK -213 million (NOK -117 million), gave a tax rate of 24% (24%).

Earnings per share was NOK 6.95 (NOK 4.38).

In 2021, cash flow from operating activities was NOK 1,431 million (NOK 886 million). The strong cash flow was due to the cash effect of an increased EBITDA<sup>1</sup> and a substantial reduction in net working capital, partly offset by higher tax payments.

In the 2<sup>nd</sup> half of 2021, Borregaard invested NOK 144 million to acquire 25% of the shares in the marine biotech company Alginor ASA.

## 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

## BIO SOLUTIONS

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2021	2020	2021	2020
Operating revenues	934	733	3,469	3,082
EBITDA <sup>1</sup>	214	137	942	632
EBITDA margin <sup>1</sup> (%)	22.9	18.7	27.2	20.5

### FOURTH QUARTER

BioSolutions' operating revenues reached NOK 934 million (NOK 733 million). EBITDA<sup>1</sup> increased to NOK 214 million (NOK 137 million).

A favourable product mix and increased sales prices were the main reasons for the significant EBITDA<sup>1</sup> improvement, partly offset by substantially increased energy costs. Net currency effects were slightly negative in BioSolutions.

The sales volume was reduced by 13%. The effect of a reduced raw material supply was partly compensated by increased volume from the Florida

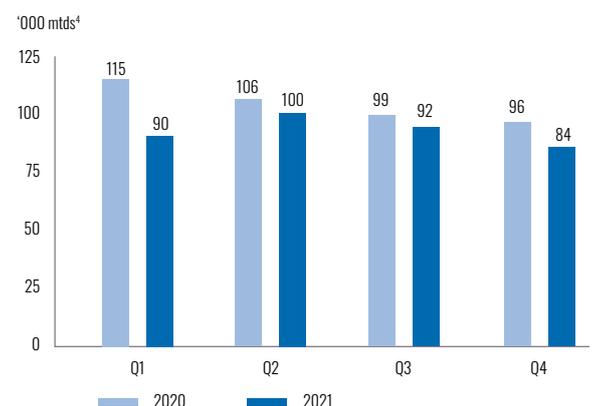
plant. The volume reduction mainly affected low-value applications.

The average price in sales currency for BioSolutions was 41% higher than in the 4<sup>th</sup> quarter of 2020 due to a strong product mix improvement with high deliveries of Specialities, price increases and the effect of reduced sales volume to low-value applications. Solid demand led to extraordinarily high deliveries of biovanillin in the quarter. This was partly influenced by reduced global supply of synthetic vanillin and ethyl vanillin following downtime among Chinese producers.

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



### SALES VOLUME<sup>3</sup>



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

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

## FULL YEAR

BioSolutions operating revenues reached NOK 3,469 million (NOK 3,082 million) in 2021. EBITDA<sup>1</sup> increased to NOK 942 million (NOK 632 million). The EBITDA<sup>1</sup> improvement was due to price increases and a favourable product mix, partly offset by increased energy costs and negative net currency effects.

Total sales volume was 12% lower than in 2020. Discontinued raw material supply in South Africa and Spain was partly offset by increased sales volume from the Florida plant and inventory reductions. Raw material deliveries from the pulp mill in Park Falls, Wisconsin, ceased in the 1<sup>st</sup> quarter of 2021, and the pulp mill is in liquidation.

The average price in sales currency was 24% higher than in 2020 due to price increases, a favourable product mix and the effect of reduced sales volume to low-value applications. Demand for lignin-based biopolymers was strong, and the increase in the average price was a result of optimisation and diversification of the product portfolio into more advanced applications with high value-added, stable growth and preference for sustainable solutions. The market introduction of the new biovanillin capacity is ahead of target. Solid demand for biovanillin was partly influenced by reduced global supply of synthetic vanillin and ethyl vanillin following downtime among Chinese producers.

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

## BIOMATERIALS

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2021	2020	2021	2020
Operating revenues	405	458	1,878	1,732
EBITDA <sup>1</sup>	27	80	284	318
EBITDA margin <sup>1</sup> (%)	6.7	17.5	15.1	18.4

### FOURTH QUARTER

Operating revenues in BioMaterials ended at NOK 405 million (NOK 458 million) in the 4<sup>th</sup> quarter. EBITDA<sup>1</sup> was NOK 27 million (NOK 80 million).

Lower deliveries of speciality cellulose as well as increased energy spot prices were partly offset by reduced wood costs and a favourable product mix. Production of speciality cellulose was below normal levels, partly due to an extended annual maintenance stop, which also affected manufacturing costs negatively. The net currency impact in BioMaterials was positive. The average price in sales currency was 4% higher compared with the 4<sup>th</sup> quarter of 2020 due to a favourable product mix.

### FULL YEAR

Operating revenues in 2021 increased to NOK 1,878 million (NOK 1,732 million). EBITDA<sup>1</sup> was NOK 284 million (NOK 318 million).

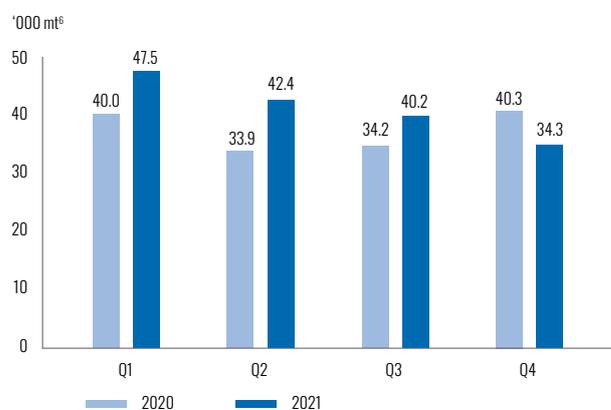
The weaker EBITDA<sup>1</sup> was mainly due to lower sales prices and higher energy spot prices partly offset by reduced wood costs, an improved product mix and high deliveries of speciality cellulose compared with 2020. The net currency impact was slightly negative.

The average price in sales currency for BioMaterials was 1% lower than in 2020. Demand was strong for most speciality cellulose grades in 2021, and deliveries were higher than production, resulting in a considerable inventory reduction. Demand was particularly strong for cellulose ethers to the construction, food and pharma markets. The sales of cellulose fibrils continued to grow.

### 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> The Exilva project has received funding from the Bio-Based Industries Joint Undertaking (BBI) under the European Union's Horizon 2020 research and innovation programme under grant agreement No 709746

<sup>6</sup> Average sales price is calculated using actual FX rates, excluding hedging impact.

<sup>7</sup> Metric tonne.

## FINE CHEMICALS

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2021	2020	2021	2020
Operating revenues	114	153	491	543
EBITDA <sup>1</sup>	22	46	146	182
EBITDA margin <sup>1</sup> (%)	19.3	30.1	29.7	33.5

### FOURTH QUARTER

Fine Chemicals' operating revenues were NOK 114 million (NOK 153 million). EBITDA<sup>1</sup> ended at NOK 22 million (NOK 46 million).

The EBITDA<sup>1</sup> decrease was due to lower deliveries, weaker product mix and increased raw material costs for fine chemical intermediates. Lower deliveries of bioethanol were offset by the effect of a continued high production volume. The net currency impact in Fine Chemicals was slightly positive.

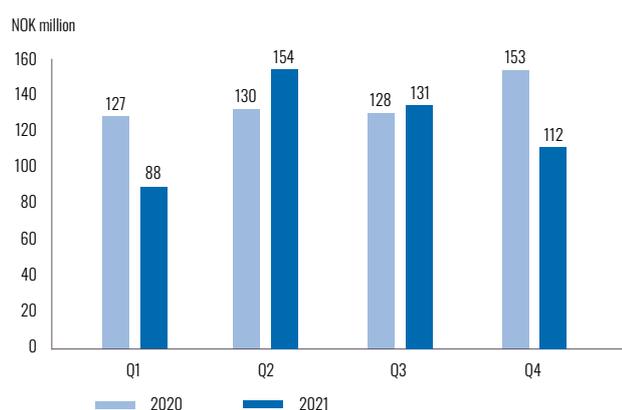
### FULL YEAR

Operating revenues in Fine Chemicals were NOK 491 million (NOK 543 million) in 2021. EBITDA<sup>1</sup> was

NOK 146 million (NOK 182 million). The net currency impact in Fine Chemicals was slightly negative.

The result for fine chemical intermediates decreased in 2021, due to a weaker product mix and increased raw material costs. Deliveries of fine chemical intermediates were stable with full capacity utilisation. Bioethanol had lower sales while production volume increased with improved yield and lower costs. Bioethanol sales were mainly to biofuels in 2021. In 2020, EBITDA<sup>1</sup> was positively affected by non-recurring sales to disinfectants.

## FINE CHEMICALS – SALES REVENUES



*Sales revenues include pharma 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 4<sup>th</sup> quarter of 2020, the net impact of foreign exchange on EBITDA<sup>1</sup>, including hedging effects, was NOK 5 million. Hedging effects were NOK 6 million (NOK -44 million) in the quarter.

In 2021, the net impact of foreign exchange on EBITDA<sup>1</sup>, including hedging effects, was

NOK -60 million when compared with 2020. Hedging effects were NOK -29 million (NOK -241 million).

Assuming currency rates as of 2 February 2022 (USD 8.76 and EUR 9.92) and based on currency exposure forecasts, Borregaard expects a net impact of foreign exchange on EBITDA<sup>1</sup> of approximately NOK 25 million in the 1<sup>st</sup> quarter of 2022 and NOK 130 million for the full year of 2022.

## CASH FLOW AND FINANCIAL SITUATION

### FOURTH QUARTER

Cash flow from operating activities in the 4<sup>th</sup> quarter was NOK 356 million (NOK 416 million). Net working capital was significantly reduced in the quarter. The cash effect from EBITDA<sup>1</sup> was in line with the same quarter in 2020. The reduced cash flow was mainly due to higher tax payments.

Investments amounted to NOK 262 million (NOK 191 million). Expansion investments<sup>1</sup> totalled NOK 72 million (NOK 38 million). The main expenditure was related to the additional investment in Alginor ASA (see Other matters and subsequent events and Note 4 and 14).

### FULL YEAR

In 2021, cash flow from operating activities was NOK 1,431 million (NOK 886 million). The strong cash flow was due to the cash effect of an increased EBITDA<sup>1</sup> and a substantial reduction in net working capital, partly offset by higher tax payments.

Investments amounted to NOK 701 million (NOK 503 million). Replacement investments were

NOK 398 million (NOK 344 million). Expansion investments<sup>1</sup> totalled NOK 303 million (NOK 159 million), where the largest expenditure was related to the investment in Alginor ASA and the biovanillin capacity expansion.

Dividend of NOK 249 million (NOK 229 million) was paid out in the 2<sup>nd</sup> quarter. In 2021, the Group has sold and repurchased treasury shares with a net payment of NOK 59 million (NOK 27 million). Realised effect of hedging of net investments in subsidiaries was NOK -14 million (NOK 10 million).

On 31 December 2021, the Group had net interest-bearing debt<sup>1</sup> totalling NOK 1,417 million (NOK 1,794 million), a decrease of NOK 377 million from year-end 2020.

At the end of December, the Group was well capitalised with an equity ratio<sup>1</sup> of 60.1% (53.9%) and a leverage ratio<sup>1</sup> of 1.03 (1.58).

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

## DIVIDEND

The Board of Directors of Borregaard ASA will propose an ordinary dividend for 2021 of NOK 2.75 (NOK 2.50) per share to the General Meeting, corresponding to 40% of net profit. In addition, the Board has decided to propose an extraordinary dividend of NOK 2.25 per share due to increased earnings and a strong cash

flow. In total, the proposed dividend is NOK 5.00 per share. Dividend payment is estimated at NOK 498 million. The exact amount will depend on the number of treasury shares held at the date of the General Meeting.

## SHARE INFORMATION

In the 4<sup>th</sup> quarter of 2021, Borregaard repurchased a total of 33,506 treasury shares at an average price of NOK 210.13.

During the 4<sup>th</sup> quarter, 29,520 share options were exercised at a strike price of NOK 70.95 per share and 15,000 share options were exercised at a strike price of NOK 75.30.

Total number of shares outstanding on 31 December 2021 was 100 million, including 414,862 treasury shares. Total number of shareholders was 7,846. Borregaard ASA's share price was NOK 222.00 at the end of 2021 compared with NOK 212.50 at the end of the 3<sup>rd</sup> quarter of 2021 and NOK 141.80 at the end of 2020.

## OTHER MATTERS AND SUBSEQUENT EVENTS

### INVESTMENT IN ALGINOR ASA

In August and November, Borregaard co-invested with the European Innovation Council Fund (EIC Fund) and the Hatteland Group in two direct offerings of new shares in the marine biotech company Alginor ASA. In August, Borregaard also acquired shares in Alginor from a company controlled by founder and CEO, Thorleif Thormodsen, representing 25% of

his shareholding. Alginor also carried out a public equity issue that closed on 7 October 2021. As of 31 December 2021, Borregaard holds 25% of the shares in Alginor which represent a total investment of NOK 144 million. See notification to the Oslo Stock Exchange as of 23 July 2021.

## OUTLOOK

In 2022, the total sales volume for BioSolutions is expected to be largely in line with the 2021 volume. The positive market development within several biopolymer applications is expected to continue, improving both product mix and average price in sales currency. The market for biovanillin is expected to remain positive and the new capacity will be phased gradually into the market. Cost increases, primarily driven by freight and energy costs, are expected to largely offset the effect of a positive market development. Energy spot prices represent the largest uncertainty.

In BioMaterials, the average price in sales currency is expected to be approximately 20% above the 2021 level, mainly driven by strong demand and a tight speciality cellulose market balance in general. Total sales volume is expected to be lower in 2022, while

volume of highly specialised grades is expected to be in line with 2021. The positive impact from price increases and improved product mix will be partly offset by increased freight, raw material and energy costs. Sales growth will continue for cellulose fibrils, but new development and customer trials continue to be delayed due to the COVID-19 pandemic. In the 1<sup>st</sup> quarter of 2022, total sales volume for BioMaterials is expected to be lower than in the corresponding quarter of 2021.

The market conditions for biofuel in several EU countries are favourable. Bioethanol sales are expected to be mainly into these markets in 2022. The product mix for fine chemical intermediates is expected to improve, partly offset by increased raw material costs.

Sarpsborg, 2 February 2022  
The Board of Directors of Borregaard ASA

<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> Metric tonne dry solid

## THE GROUP'S CONDENSED INCOME STATEMENT

### INTERIM CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	1.10 - 31.12		1.1 - 31.12	
		2021	2020	2021	2020
<b>Operating revenues</b>	2	<b>1,446</b>	<b>1,338</b>	<b>5,805</b>	<b>5,328</b>
Operating expenses		-1,183	-1,075	-4,433	-4,196
Depreciation property, plant and equipment		-106	-110	-416	-443
Amortisation intangible assets		-1	-2	-4	-5
Other income and expenses <sup>1</sup>	3	-	-20	-	-116
<b>Operating profit</b>		<b>156</b>	<b>131</b>	<b>952</b>	<b>568</b>
Financial items, net	4	-24	-12	-79	-72
<b>Profit before taxes</b>		<b>132</b>	<b>119</b>	<b>873</b>	<b>496</b>
Income tax expense	5	-39	-8	-213	-117
<b>Profit for the period</b>		<b>93</b>	<b>111</b>	<b>660</b>	<b>379</b>
Profit attributable to non-controlling interests		-9	-10	-32	-57
Profit attributable to owners of the parent		102	121	692	436
<b>EBITDA<sup>1</sup></b>		<b>263</b>	<b>263</b>	<b>1,372</b>	<b>1,132</b>

## EARNINGS PER SHARE

### INTERIM EARNINGS PER SHARE

Amounts in NOK		1.10 - 31.12		1.1 - 31.12	
		2021	2020	2021	2020
Earnings per share	6	1.02	1.22	6.95	4.38
Diluted earnings per share	6	1.02	1.21	6.94	4.37

## THE GROUP'S CONDENSED COMPREHENSIVE INCOME STATEMENT

### INTERIM CONDENSED COMPREHENSIVE INCOME STATEMENT

Amounts in NOK million		1.10 - 31.12		1.1 - 31.12	
		2021	2020	2021	2020
<b>Profit for the period</b>		<b>93</b>	<b>111</b>	<b>660</b>	<b>379</b>
<b>Items not to be reclassified to P&amp;L</b>					
Actuarial gains and losses (after tax)		55	7	55	7
<b>Total</b>		<b>55</b>	<b>7</b>	<b>55</b>	<b>7</b>
<b>Items to be reclassified to P&amp;L</b>					
Change in hedging-reserve after tax (cash flow)	8	37	444	86	180
Change in hedging-reserve after tax (net investment in subsidiaries)	8	-	50	-9	5
Translation effects		6	-80	25	-24
<b>Total</b>		<b>43</b>	<b>414</b>	<b>102</b>	<b>161</b>
<b>The Group's comprehensive income</b>		<b>191</b>	<b>532</b>	<b>817</b>	<b>547</b>
Comprehensive income non-controlling interests		-8	-22	-28	-56
Comprehensive income owners of the parent		199	554	845	603

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

## THE GROUP'S CONDENSED BALANCE SHEET

### INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in NOK million	Note	31.12.2021	31.12.2020
Intangible assets	13	89	86
Property, plant and equipment	13	4,191	3,973
Right-of-use assets		351	381
Other assets	9	339	380
Investments in joint venture and associate company	4, 14	173	38
<b>Non-current assets</b>		<b>5,143</b>	<b>4,858</b>
Inventories		792	887
Receivables	9	1,107	1,051
Cash and cash deposits	11	124	207
<b>Current assets</b>		<b>2,023</b>	<b>2,145</b>
<b>Total assets</b>		<b>7,166</b>	<b>7,003</b>
Group equity	10	4,222	3,668
Non-controlling interests		84	110
<b>Equity</b>		<b>4,306</b>	<b>3,778</b>
Provisions and other liabilities		257	291
Interest-bearing liabilities	9, 11	1,320	1,381
<b>Non-current liabilities</b>		<b>1,577</b>	<b>1,672</b>
Interest-bearing liabilities	9, 11	224	623
Other current liabilities	9	1,059	930
<b>Current liabilities</b>		<b>1,283</b>	<b>1,553</b>
<b>Equity and liabilities</b>		<b>7,166</b>	<b>7,003</b>
Equity ratio <sup>1</sup>		60.1 %	53.9 %

## CHANGES IN EQUITY

### INTERIM CONDENSED CHANGE IN EQUITY

Amounts in NOK million	Note	1.1-31.12.2021			1.1-31.12.2020		
		Controlling interests	Non-controlling interests	Total equity	Controlling interests	Non-controlling interests	Total equity
Equity 1 January		3,668	110	3,778	3,306	158	3,464
<b>Profit/loss for the period</b>		<b>692</b>	<b>-32</b>	<b>660</b>	<b>436</b>	<b>-57</b>	<b>379</b>
Items in Comprehensive Income	8	153	4	157	167	1	168
<b>The Group's Comprehensive income</b>	<b>8</b>	<b>845</b>	<b>-28</b>	<b>817</b>	<b>603</b>	<b>-56</b>	<b>547</b>
Paid dividend		-249	-	-249	-229	-	-229
Buy-back of treasury shares		-118	-	-118	-62	-	-62
Exercise of share options		38	-	38	16	-	16
Reduced tax payable of exercised share options		-	-	-	-	-	-
Shares to employees		28	-	28	25	-	25
Option costs (share based payment)		10	-	10	9	-	9
Transactions with non-controlling interests		-	2	2	-	8	8
<b>Equity at the end of the period</b>		<b>4,222</b>	<b>84</b>	<b>4,306</b>	<b>3,668</b>	<b>110</b>	<b>3,778</b>

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

# THE GROUP'S CONDENSED CASH FLOW STATEMENT

## INTERIM CONDENSED CASH FLOW STATEMENT

Amounts in NOK million	Note	1.10 - 31.12		1.1 - 31.12	
		2021	2020	2021	2020
Profit before taxes		132	119	873	496
Amortisation, depreciation and impairment charges		107	113	420	449
Changes in net working capital, etc.		174	200	256	-21
Investments in joint venture and associate company	4, 14	6	-12	6	51
Taxes paid		-63	-4	-124	-89
<b>Cash flow from operating activities</b>		<b>356</b>	<b>416</b>	<b>1,431</b>	<b>886</b>
Investments property, plant and equipment and intangible assets *		-262	-191	-701	-503
Other capital transactions		4	12	9	14
<b>Cash flow from investing activities</b>		<b>-258</b>	<b>-179</b>	<b>-692</b>	<b>-489</b>
Dividends		-	-	-249	-229
Proceeds from exercise of options/shares to employees	10	4	1	59	35
Buy-back of shares	7	-7	-1	-118	-62
Gain/(loss) on hedges for net investments in subsidiaries		-25	59	-14	10
<b>Net paid to/from shareholders</b>		<b>-28</b>	<b>59</b>	<b>-322</b>	<b>-246</b>
Proceeds from interest-bearing liabilities	11	-	200	300	1,550
Repayment from interest-bearing liabilities	11	-146	-257	-814	-1,703
Change in interest-bearing receivables/other liabilities	11	4	-12	-1	18
<b>Change in net interest-bearing liabilities</b>		<b>-142</b>	<b>-69</b>	<b>-515</b>	<b>-135</b>
<b>Cash flow from financing activities</b>		<b>-170</b>	<b>-10</b>	<b>-837</b>	<b>-381</b>
<b>Change in cash and cash equivalents</b>		<b>-72</b>	<b>227</b>	<b>-98</b>	<b>16</b>
Cash and cash equivalents at beginning of period		76	-127	96	81
Change in cash and cash equivalents		-72	227	-98	16
Currency effects cash and cash equivalents		1	-4	7	-1
<b>Cash and cash equivalents at the close of the period</b>	11	<b>5</b>	<b>96</b>	<b>5</b>	<b>96</b>
<b>*Investment by category</b>					
Replacement investments		190	153	398	344
Expansion investments <sup>1</sup>		72	38	303	159

<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.

Borregaard ASA was listed on the Oslo Stock Exchange on 18 October 2012 and was incorporated as a public limited liability company on 22 August 2012.

### 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 2020 for the Borregaard Group.

### Use of estimates

The same use of estimates has been applied as in the Consolidated Financial Statements for 2020.

## NOTE 02 Segments

### OPERATING REVENUES

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2021	2020	2021	2020
<b>Borregaard</b>	<b>1,446</b>	<b>1,338</b>	<b>5,805</b>	<b>5,328</b>
BioSolutions	934	733	3,469	3,082
BioMaterials	405	458	1,878	1,732
Fine Chemicals	114	153	491	543
Eliminations	-7	-6	-33	-29

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	1.10 - 31.12		1.1 - 31.12	
	2021	2020	2021	2020
<b>Borregaard</b>	<b>263</b>	<b>263</b>	<b>1,372</b>	<b>1,132</b>
BioSolutions	214	137	942	632
BioMaterials	27	80	284	318
Fine Chemicals	22	46	146	182
<b>Reconciliation against operating profit &amp; profit before tax</b>				
<b>EBITDA<sup>1</sup></b>	<b>263</b>	<b>263</b>	<b>1,372</b>	<b>1,132</b>
Depreciations and write downs	-106	-110	-416	-443
Amortisation intangible assets	-1	-2	-4	-5
Other income and expenses	-	-20	-	-116
<b>Operating profit</b>	<b>156</b>	<b>131</b>	<b>952</b>	<b>568</b>
Financial items, net	-24	-12	-79	-72
<b>Profit before taxes</b>	<b>132</b>	<b>119</b>	<b>873</b>	<b>496</b>

## SALES REVENUES

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2021	2020	2021	2020
<b>Borregaard</b>	<b>1,424</b>	<b>1,314</b>	<b>5,715</b>	<b>5,227</b>
BioSolutions	915	714	3,392	2,995
BioMaterials	398	448	1,840	1,695
Fine Chemicals	112	153	485	538
Eliminations	-1	-1	-2	-1

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 are no Other income and expenses in 2021. In the 4<sup>th</sup> quarter of 2020, Other income and expenses<sup>1</sup> were NOK -20 million related to environmental accruals.

For the full year of 2020, Other income and expenses<sup>1</sup> were NOK -116 million due to impairment of assets and

restructuring costs mainly related to LignoTech South Africa and LignoTech Ibérica and environmental accruals for preventive measures to reduce the risk of emissions to water at the Sarpsborg site.

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

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

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2021	2020	2021	2020
Net interest expenses	-13	-17	-59	-76
Currency gain/loss	-7	6	-8	7
Share of profit/-loss from an associate	-2	-	-2	-
Other financial items, net	-2	-1	-10	-3
<b>Net financial items</b>	<b>-24</b>	<b>-12</b>	<b>-79</b>	<b>-72</b>

Borregaard invested in an associate company, Alginor ASA, in the 3<sup>rd</sup> and 4<sup>th</sup> quarter of 2021 and holds 25% of the shares as of 31 December 2021. The purchase price allocation is not yet finalised. For more information, see Note 14.

**NOTE 05** Income tax expense

The tax rate of 24.4% (23.6%) for 2021 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 414,862 treasury shares. As of 31 December 2021, there are 99,742,686 diluted shares

(99,712,283 as of 31 December 2020). Earnings per diluted share were NOK 1.02 in the 4<sup>th</sup> quarter (NOK 1.22 in the 4<sup>th</sup> quarter of 2020).

## NOTE 07 Stock options

During the 4<sup>th</sup> quarter of 2021, 29,520 share options were exercised at a strike price of NOK 70.95 and 15,000 share options were exercised at a strike price of NOK 75.30.

The Group Executive Management and other key employees hold a total of 1,236,274 stock options in five different share option programmes in Borregaard.

Stock options	Issued 2017	Issued 2018	Issued 2019	Issued 2020	Issued 2021
Number of stock options	5,307	226,967	355,000	400,000	249,000
Strike price (NOK)*	91.56	70.95	75.3	99.60	180.70
Vesting period	3 years	3 years	3 years	3 years	3 years
Expiry date	17 February 2022	7 February 2023	6 February 2024	13 February 2025	16 February 2026

\* Strike prices 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	31.12.2021		31.12.2020	
	Cash flow hedges	Hedges of net investments in subsidiaries	Cash flow hedges	Hedges of net investments in subsidiaries
Tax effect year-to-date	39	-45	15	-40
Hedging reserve after tax	137	-126	51	-117

## 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 2020 to the 4<sup>th</sup> quarter of 2021. 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 31 December 2021:

**FINANCIAL ASSETS**

Amounts in NOK million	Level	31.12.2021		31.12.2020	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial receivables	2	188	188	195	195
Non-current derivatives	2	136	136	165	165
Current derivatives	2	116	116	35	35
<b>Total financial assets</b>		<b>440</b>	<b>440</b>	<b>395</b>	<b>395</b>

**FINANCIAL LIABILITIES**

Non-current financial liabilities	2, 3	1,322	1,322	1,383	1,383
Non-current derivatives	2	30	30	29	29
Current financial liabilities	2	224	224	623	623
Current derivatives	2	32	32	93	93
<b>Total financial liabilities</b>		<b>1,608</b>	<b>1,608</b>	<b>2,128</b>	<b>2,128</b>

**FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE**

Amounts in NOK million		Level 1	Level 2	Level 3
Financial instruments 31.12.2021		-1,168	-768	-400
Financial instruments 31.12.2020		-1,733	-1,333	-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	31.12.2021	31.12.2020
Share capital	100	100
Treasury shares	-	-
Share premium	1,346	1,346
Other paid-in capital	822	746
Translation effects	98	77
Hedging reserve (after tax)	11	-66
Actuarial gains/Losses	41	-14
Retained earnings	1,804	1,479
<b>Group equity (controlling interests)</b>	<b>4,222</b>	<b>3,668</b>

As of 31 December 2021, the company held 414,862 treasury shares at an average cost of NOK 192.08.

**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	31.12.2021	31.12.2020
Non-current interest-bearing liabilities	1,320	1,381
Current interest-bearing liabilities including overdraft of cashpool	224	623
Non-current interest-bearing receivables (included in "Other Assets")	-3	-3
Cash and cash deposits	-124	-207
<b>Net interest-bearing debt<sup>1</sup></b>	<b>1,417</b>	<b>1,794</b>
- of which impact of IFRS 16 Leases	371	396

**NOTE 12** Related parties

The members of the Group Executive Management of Borregaard held a total of 629,361 stock options in the

Company as of 31 December 2021.

**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 4<sup>th</sup> quarter of 2021.

**NOTE 14** Other matters and subsequent events**INVESTMENT IN ALGINOR**

In August and November 2021, Borregaard co-invested with the European Innovation Council Fund (EIC Fund) and the Hatteland Group in two direct offerings of new shares in the marine biotech company Alginor ASA.

In August 2021, Borregaard also acquired shares in Alginor from a company controlled by founder and CEO, Thorleif Thormodsen, representing 25% of his shareholding.

Alginor also carried out a public equity issue that closed on 7 October 2021. As of 31 December 2021, Borregaard holds 25% of the shares in Alginor which represent a total investment of NOK 144 million. See notification to the Oslo Stock Exchange as of 23 July 2021.

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.

### EBITDA

EBITDA is defined by Borregaard as operating profit before depreciation, amortisation and other income and expenses.

### EBITDA MARGIN

EBITDA margin is defined by Borregaard as EBITDA divided by operating revenues.

### EQUITY RATIO

Equity ratio is defined by Borregaard as equity (including non-controlling interests) divided by equity and liabilities.

### EXPANSION INVESTMENTS

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.

### 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.

### LEVERAGE RATIO

Leverage ratio is defined by Borregaard as net interest bearing debt (see note 11) divided by last twelve months' (LTM) EBITDA.

### NET INTEREST-BEARING DEBT (NIBD)

Net interest-bearing debt is defined by Borregaard as interest-bearing liabilities minus interest-bearing assets (see Note 11).

### 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 minus net pension liabilities.

### 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.

1.1 - 31.12

Capital employed end of	2021	2020
Q1, 2020		6,371
Q2, 2020		6,091
Q3, 2020		6,103
Q4, 2020	5,904	5,904
Q1, 2021	5,884	5,884
Q2, 2021	5,854	
Q3, 2021	5,991	
Q4, 2021	6,043	
<b>Average</b>	<b>5,935</b>	<b>6,057</b>
<b>EBITA (LTM)</b>	<b>956</b>	<b>689</b>
<b>ROCE (%)</b>	<b>16.1</b>	<b>11.4</b>





Q4 2021

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