



Borregaard

INTERIM REPORT

4TH QUARTER 2020



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Q4 2020

4TH QUARTER IN BRIEF

- EBITDA¹ NOK 263 million (NOK 183 million)²
- Improved result in all business areas
- Improved product mix for biopolymers and lower costs in BioSolutions
- Lower wood and energy costs and high deliveries in BioMaterials
- Favourable product mix in pharma intermediates and higher bioethanol sales
- Strong cash flow
- All-time high EBITDA¹ for the full year

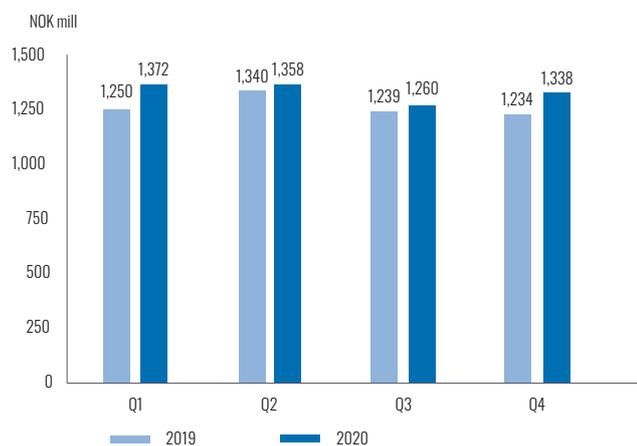
¹ Alternative performance measure, see page 23 for definition.

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

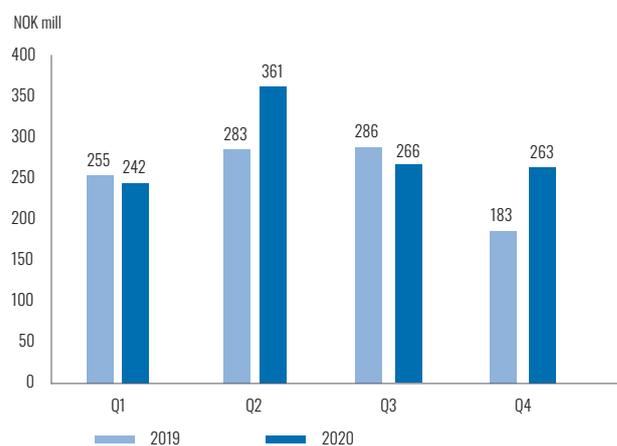
THE GROUP

Amounts in NOK million	Note	1.10 - 31.12		1.1 - 31.12	
		2020	2019	2020	2019
Operating revenues	2	1,338	1,234	5,328	5,063
EBITDA ¹		263	183	1,132	1,007
Operating profit		131	61	568	558
Profit/loss before taxes	2	119	30	496	467
Earnings per share (NOK)		1.21	0.38	4.36	4.17
Net interest-bearing debt ¹	11	1,794	1,876	1,794	1,876
Equity ratio ¹ (%)		53.9	51.4	53.9	51.4
Leverage ratio ¹		1.58	1.86	1.58	1.86
Return on capital employed ¹ (%)		11.4	10.5	11.4	10.5

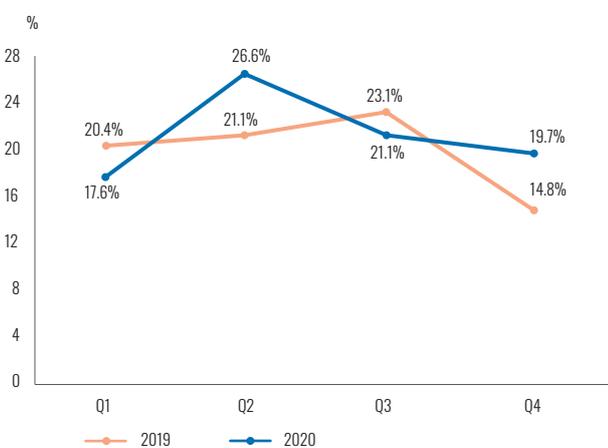
OPERATING REVENUES



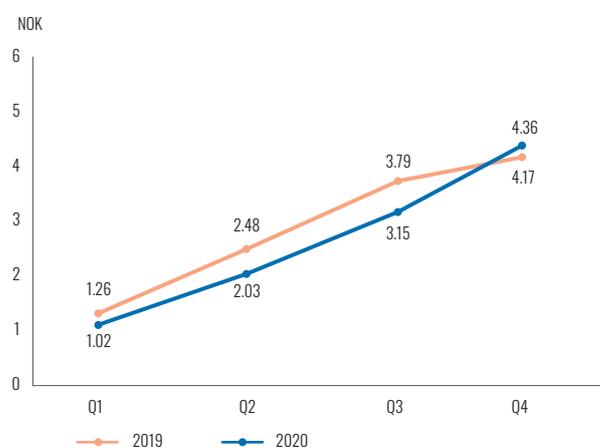
EBITDA¹



EBITDA MARGIN¹



EARNINGS PER SHARE CUMULATIVE



¹ Alternative performance measure, see page 23 for definition.

FOURTH QUARTER

Borregaard's operating revenues reached NOK 1,338 million (NOK 1,234 million)² in the 4th quarter of 2020. EBITDA¹ increased to NOK 263 million (NOK 183 million). All business areas improved their result compared with the corresponding quarter in 2019. The total net currency impact on EBITDA¹ was slightly negative compared with the 4th quarter of 2019.

In BioSolutions, EBITDA¹ increased due to improved product mix for biopolymers and lower operating expenses. BioMaterials had lower wood and energy costs and high deliveries compared with the weak result in the 4th quarter of 2019, which was impacted by operational incidents at the Sarpsborg site. A favourable product mix for pharma intermediates and higher sales volume for bioethanol were the main reasons for an improved result in Fine Chemicals.

Other income and expenses¹ were NOK -20 million (NOK -11 million) in the 4th quarter due to environmental accruals for preventive measures related to former operations at the Sarpsborg site.

Operating profit was NOK 131 million (NOK 61 million). Net financial items were NOK -12 million (NOK -31 million). Profit before tax was NOK 119 million (NOK 30 million). Tax expense was NOK -8 million (NOK -12 million), giving an extraordinary low tax rate in the quarter.

Earnings per share were NOK 1.21 (NOK 0.38).

Cash flow from operating activities in the 4th quarter was NOK 416 million (NOK 288 million). The strong cash flow was due to a significant reduction in net working capital, the cash effect from an improved EBITDA¹ as well as reduced tax payments.

FULL YEAR

Borregaard's operating revenues reached NOK 5,328 million (NOK 5,063 million) in 2020. EBITDA¹ increased to an all-time high of NOK 1,132 million (NOK 1,007 million). BioMaterials and Fine Chemicals had improved results, whereas BioSolutions had a decline compared with 2019.

In BioSolutions, the negative EBITDA¹ effect of reduced raw material supply and lower sales volume in certain biopolymers applications as well as higher distribution costs were partly offset by an improved product mix, cost reductions and favourable net currency effects. For BioMaterials, EBITDA¹ improved due to lower wood and energy costs, higher production volume, improved product mix and a positive net currency impact. In Fine Chemicals, the result for bioethanol improved significantly in 2020 due to higher sales and production volume, increased product mix and an extraordinary demand from the disinfectants market in the 2nd quarter. The result for pharma intermediates was in line with 2019. The total net currency impact on EBITDA¹ was approximately NOK 30 million compared with 2019.

Other income and expenses¹ were NOK -116 million (NOK -27 million) due to impairment of assets and restructuring costs mainly related to LignoTech South Africa and LignoTech Ibérica and environmental accruals for preventive measures related to former operations at the Sarpsborg site.

Operating profit was NOK 568 million (NOK 558 million). Net financial items amounted to NOK -72 million (NOK -91 million). Profit before tax was NOK 496 million (NOK 467 million). Tax expense was NOK -117 million (NOK -116 million), giving a tax rate of 24% (25%).

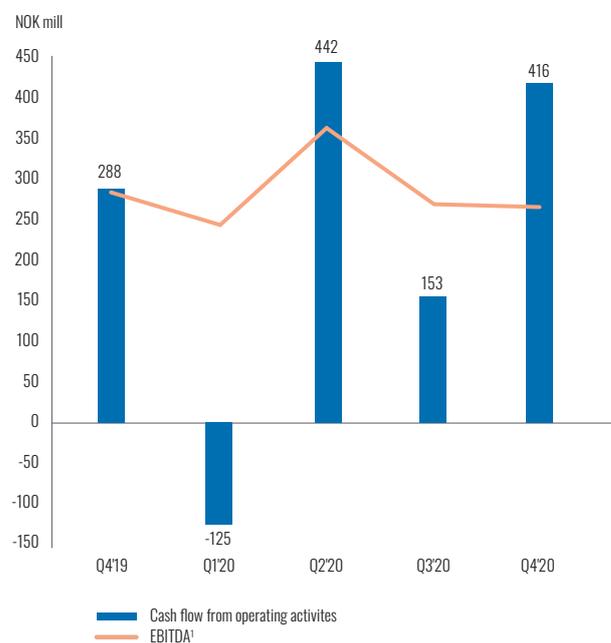
Earnings per share were NOK 4.36 (NOK 4.17).

¹ Alternative performance measure, see page 23 for definition.

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

In 2020, cash flow from operating activities was NOK 886 million (NOK 697 million). The improvement was due to a positive cash effect of an increased EBITDA¹, a less unfavourable development in net working capital and lower tax payments.

CASH FLOW FROM OPERATING ACTIVITIES



¹ Alternative performance measure, see page 23 for definition.

BUSINESS AREAS

BIO SOLUTIONS

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2020	2019	2020	2019
Operating revenues	733	726	3,082	2,982
EBITDA ¹	137	131	632	647
EBITDA margin ¹ (%)	18.7	18.0	20.5	21.7

FOURTH QUARTER

BioSolutions' operating revenues were NOK 733 million (NOK 726 million). EBITDA¹ increased to NOK 137 million (NOK 131 million).

The improved EBITDA¹ was mainly due to lower operating costs and improved product mix for biopolymers, partly offset by negative net currency effects. Lower operating costs were mainly related to the upgrade of the biopolymers operation in Norway and the restructuring in Germany.

Sales volume was reduced by 14%. Discontinued raw material supply from Sappi Saiccor was partly offset by increased sales volume from the Florida plant and reduced inventory. Sales of biopolymers to concrete admixtures and low-value industrial applications were particularly affected by the reduced supply.

Demand continued to be low in oil field chemicals, whereas sales to agriculture and batteries increased.

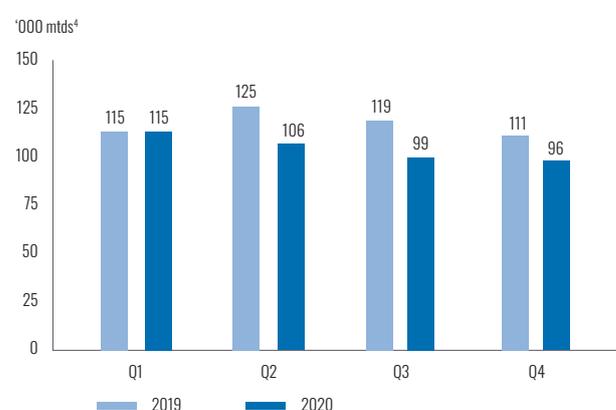
The average price in sales currency was 4% higher than in the 4th quarter of 2019. Improved product mix due to reduced share of concrete admixtures and low-value industrial applications were the main reasons for the average price increase.

In October, the owners of LignoTech South Africa, Borregaard and the Sappi Group, decided to permanently close the lignin production facility mid-2021 and to terminate the cooperation agreement (see Other matters and subsequent events on page 12).

AVERAGE GROSS SALES PRICE³



SALES VOLUME³



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

¹ Alternative performance measure, see page 23 for definition.

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

³ Includes 100% of sales volume from the J/V in South Africa. Average sales price is calculated using actual FX rates, excluding hedging impact.

⁴ Metric tonne dry solid.

FULL YEAR

BioSolutions' operating revenues reached NOK 3,082 million (NOK 2,982 million) in 2020. EBITDA¹ was NOK 632 million (NOK 647 million). Higher distribution costs were partly offset by improved product mix for biopolymers, cost reductions and favourable net currency effects.

Discontinued raw material supply from Sappi Saiccor, Sniace and reduced supply from Park Falls (former Flambeau) were the main reasons for an 11% lower sales volume in 2020 compared with 2019. Consequently, sales to concrete admixtures and certain low-value industrial applications have

been reduced. Sales to oil field chemicals dropped significantly as a result of reduced demand. The average price in sales currency was 6% higher than in 2019, mainly due to an improved product mix.

Sales volume from the Florida plant continued to increase in accordance with the ramp-up plan, and the financial result improved in 2020. However, the result is still unsatisfactory, and measures are taken to improve product mix and reduce costs.

¹ Alternative performance measure, see page 23 for definition.

BIOMATERIALS

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2020	2019	2020	2019
Operating revenues	458	416	1,732	1,712
EBITDA ¹	80	31	318	234
EBITDA margin ¹ (%)	17.5	7.5	18.4	13.7

FOURTH QUARTER

Operating revenues for BioMaterials were NOK 458 million (NOK 416 million). EBITDA¹ increased to NOK 80 million (NOK 31 million). The 4th quarter of 2019 was negatively affected by operational incidents at the Sarpsborg site.

The result improved mainly due to lower wood and energy costs as well as high deliveries of speciality cellulose. The high sales volume was partly a result of actions to balance inventories.

The average price in sales currency was 3% higher than in the same period in 2019, which was influenced by sales of declassified products.

Demand growth for cellulose ethers to construction applications continued at a lower rate due to the Covid-19 pandemic. Sales to food and pharma applications continued to show strong growth.

AVERAGE GROSS SALES PRICE⁶



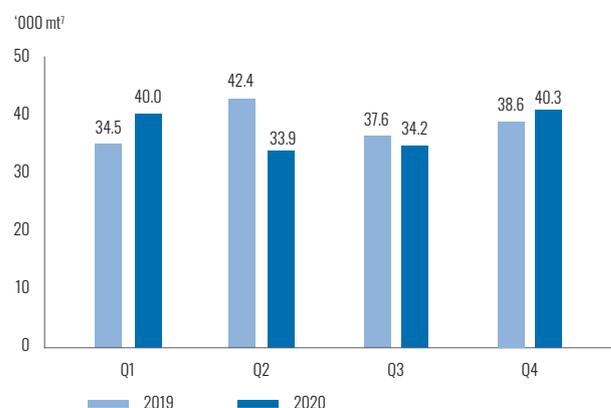
FULL YEAR

Operating revenues were NOK 1,732 million (NOK 1,712 million) for the full year of 2020. EBITDA¹ increased to NOK 318 million (NOK 234 million).

The increased EBITDA¹ was due to lower wood and energy costs, higher production volume, improved product mix, a positive net currency impact and the operational incidents at the Sarpsborg site in 2019. Sales of cellulose fibrils were growing, and higher sales volume and cost reductions compensated for the reduced EU Horizon 2020⁵ grant, which ended 30 April.

The average price in sales currency for BioMaterials was 1% higher than in 2019. Highly specialised grades increased to 77% (73%) of sold volume. Demand growth for cellulose ethers to construction applications were at a lower rate due to the Covid-19 pandemic. Sales to food and pharma applications continued to show strong growth. The impact of low prices for textile cellulose was limited due to reduced exposure to this market.

SALES VOLUME



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

¹ Alternative performance measure, see page 23 for definition.

⁵ 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

⁶ Average sales price is calculated using actual FX rates, excluding hedging impact.

⁷ Metric tonne.

FINE CHEMICALS

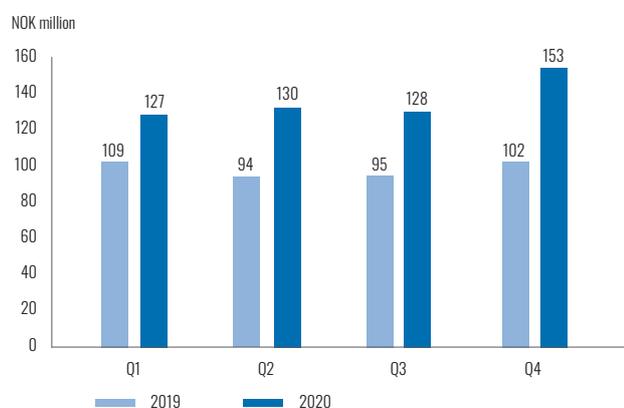
Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2020	2019	2020	2019
Operating revenues	153	104	543	406
EBITDA ¹	46	21	182	126
EBITDA margin ¹ (%)	30.1	20.2	33.5	31.0

FOURTH QUARTER

Fine Chemicals' operating revenues reached NOK 153 million (NOK 104 million). EBITDA¹ increased to NOK 46 million (NOK 21 million).

The EBITDA¹ improvement was a result of a favourable product mix and high deliveries for pharma intermediates, as well as higher sales volume and reduced variable costs for bioethanol. The net currency impact in Fine Chemicals was negligible.

FINE CHEMICALS – SALES REVENUES



Sales revenues include pharma intermediates and bioethanol.

FULL YEAR

Operating revenues in Fine Chemicals were NOK 543 million (NOK 406 million) for the full year of 2020. EBITDA¹ reached NOK 182 million (NOK 126 million).

The result for bioethanol improved significantly in 2020. An extraordinary demand from the disinfectants market in the 2nd quarter contributed to higher sales volume and improved product mix. In the 2nd half of 2020, bioethanol deliveries were mainly to the biofuel segment, as demand was normalised after the Covid-19 related reduction in the 2nd quarter. Increased production volume of bioethanol contributed to higher sales and result. The result for pharma intermediates was in line with 2019.

¹ 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 4th quarter of 2019, the net impact of foreign exchange on EBITDA¹, including hedging effects, was NOK -5 million. Hedging effects were NOK -44 million (NOK -32 million) in the quarter.

In 2020, the net impact of foreign exchange on EBITDA¹, including hedging effects, was NOK 30 million

when compared with 2019. Hedging effects were NOK -241 million (NOK -76 million).

Assuming currency rates as of 2 February 2021 (USD 8.59 and EUR 10.35) and based on currency exposure forecasts, Borregaard expects a net impact of foreign exchange on EBITDA¹ of approximately NOK -10 million in the 1st quarter of 2021 and NOK -10 million for the full year of 2021.

CASH FLOW AND FINANCIAL SITUATION

FOURTH QUARTER

Cash flow from operating activities in the 4th quarter was NOK 413 million (NOK 288 million). The strong cash flow was due to a significant reduction in net working capital, the cash effect from an improved EBITDA¹ as well as reduced tax payments.

Investments amounted to NOK 191 million (NOK 213 million). Expansion investments¹ totalled NOK 38 million (NOK 31 million), where the largest expenditure was related to the biovanillin capacity expansion.

FULL YEAR

Cash flow from operating activities was NOK 883 million (NOK 697 million). The improvement was due to a positive cash effect of an increased EBITDA¹, a less unfavourable development in net working capital and lower tax payments.

Investments amounted to NOK 503 million (NOK 583 million). Replacement investments were NOK 344

million (NOK 370 million). Expansion investments¹ totalled NOK 159 million (NOK 213 million), where the largest expenditure was related to the biovanillin capacity expansion.

Dividend of NOK 229 million (NOK 224 million) was paid out in the 2nd quarter. Realised effect of hedging of net investments in subsidiaries was NOK 10 million (NOK -26 million) in 2020. The Group has sold and repurchased treasury shares with a net payment of NOK 27 million (NOK 25 million).

On 31 December 2020, the Group had net interest-bearing debt¹ totalling NOK 1,794 million (NOK 1,876 million), a decrease of NOK 82 million from year-end 2019.

At the end of December, the Group was well capitalised with an equity ratio¹ of 53.9% (51.4%) and a leverage ratio¹ of 1.58 (1.86).

¹ Alternative performance measure, see page 23 for definition.

DIVIDEND

The Board of Directors of Borregaard ASA will propose a dividend for 2020 of NOK 2.50 (NOK 2.30) per share to the Annual General Meeting. This corresponds to 57% of net profit. Dividend payment is estimated at

NOK 249 million. The exact amount will depend on the number of treasury shares held at the date of the General Meeting.

SHARE INFORMATION

During the 4th quarter of 2020, 12,000 share options were exercised at a strike price of NOK 94.06 per share. In the quarter, Borregaard repurchased 12,000 treasury shares at an average price of NOK 132.80.

Borregaard ASA's share price was NOK 141.80 at the end of 2020 compared with NOK 142.80 at the end of the 3rd quarter of 2020 and NOK 95.00 at the end of 2019.

Total number of shares outstanding on 31 December 2020 was 100 million, including 384,678 treasury shares. Total number of shareholders was 7,175.

OTHER MATTERS AND SUBSEQUENT EVENTS

New employment contract with President and CEO, Per A. Sørli

Borregaard has entered into a new employment contract with President and CEO, Per A. Sørli (born 1957).

The retirement age has been adjusted from currently 65 to 68 years. See notification to the Oslo Stock Exchange on 3 December 2020.

Permanent closure of lignin production in South Africa

The owners of LignoTech South Africa, Borregaard and the Sappi Group, have decided to permanently close the lignin production facility and to terminate the

cooperation agreement. The closure is a consequence of Sappi's decision to convert their calcium sulphite pulp line, which is the source of lignin raw material, to magnesium technology. After the conversion, the spent liquor from the pulping process will be burnt, and the energy and chemicals will be recovered. The conversion of the pulp line will be completed mid-2021. In the interim period, the calcium sulphite pulp line will be operated to some extent, resulting in limited production of liquid lignin by LignoTech South Africa until the permanent closure comes into effect. See notifications to the Oslo Stock Exchange on 23 October, 8 May and 2 April 2020.

OUTLOOK

Total sales volume for BioSolutions in 2021 is forecast to decrease by approximately 10%, mainly depending on raw material supply. The reduced raw material supply and hence lower sales volume will have a positive effect on product mix and average price in sales currency. However, reduced demand in certain speciality applications, particularly oil field chemicals, is expected to continue in markets affected by the Covid-19 pandemic. The market conditions for biovanillin are expected to be unchanged, and the ongoing biovanillin capacity expansion will be completed mid-2021. The full effect of cost savings from the upgrade of the lignin operation in Norway will be realised from 2021.

In BioMaterials, the average price in sales currency is expected to be 2-3% below the 2020 level, mainly related to markets affected by the Covid-19 pandemic. However, total sales volume and volume of highly specialised grades are expected to increase in 2021. In the 1st quarter of 2021, total sales volume for BioMaterials is expected to be higher than in the

corresponding quarter of 2020 with similar product mix. In the first half of 2021, wood costs will be lower but energy costs and freight rates are expected to increase. Sales growth will continue for cellulose fibrils, but new development and customer trials will be delayed due to the Covid-19 pandemic.

No major changes are expected in the market conditions for Fine Chemicals. Bioethanol sales are mainly expected to be in the biofuel segment in 2021.

Borregaard, as a global supplier of products, may be affected by possible further consequences of the Covid-19 pandemic. Borregaard will continue to focus on maintaining sufficient financial capacity to responsibly manage and mitigate any potential effects from the Covid-19 pandemic and will closely monitor the situation in the coming weeks and months.

Sarpsborg, 2 February 2021
The Board of Directors of Borregaard ASA

THE GROUP'S CONDENSED INCOME STATEMENT

INTERIM CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	1.10 - 31.12		1.1 - 31.12	
		2020	2019	2020	2019
Operating revenues	2	1,338	1,234	5,328	5,063
Operating expenses		-1,075	-1,051	-4,196	-4,056
Depreciation property, plant and equipment		-110	-110	-443	-418
Amortisation intangible assets		-2	-1	-5	-4
Other income and expenses ¹	3	-20	-11	-116	-27
Operating profit		131	61	568	558
Financial items, net	4	-12	-31	-72	-91
Profit before taxes		119	30	496	467
Income tax expense	5	-8	-12	-117	-116
Profit for the period		111	18	379	351
Profit attributable to non-controlling interests		-10	-20	-57	-66
Profit attributable to owners of the parent		121	38	436	417
EBITDA¹		263	183	1,132	1,007

EARNINGS PER SHARE

INTERIM EARNINGS PER SHARE

Amounts in NOK		1.10 - 31.12		1.1 - 31.12	
		2020	2019	2020	2019
Earnings per share (100 mill. shares)	6	1.21	0.38	4.36	4.17
Diluted earnings per share	6	1.21	0.38	4.37	4.18

THE GROUP'S CONDENSED COMPREHENSIVE INCOME STATEMENT

INTERIM CONDENSED COMPREHENSIVE INCOME STATEMENT

Amounts in NOK million		1.10 - 31.12		1.1 - 31.12	
		2020	2019	2020	2019
Profit for the period		111	18	379	351
Items not to be reclassified to P&L					
Actuarial gains and losses (after tax)		7	-4	7	-4
Total		7	-4	7	-4
Items to be reclassified to P&L					
Change in hedging-reserve after tax (cash flow)	8	444	125	180	9
Change in hedging-reserve after tax (net investment in subsidiaries)	8	50	15	5	-12
Translation effects		-80	-20	-24	11
Total		414	120	161	8
The Group's comprehensive income		532	134	547	359
Comprehensive income non-controlling interests		-22	-26	-56	-64
Comprehensive income owners of the parent		554	160	603	419

¹ 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	31.12.2020	31.12.2019
Intangible assets	13	86	93
Property, plant and equipment	13	3,973	3,852
Right-of-use assets		381	380
Other assets	9	380	251
Investments in joint venture		38	99
Non-current assets		4,858	4,675
Inventories		887	931
Receivables	9	1,051	991
Cash and cash deposits	11	207	147
Current assets		2,145	2,069
Total assets		7,003	6,744
Group equity	10	3,668	3,306
Non-controlling interests		110	158
Equity		3,778	3,464
Provisions and other liabilities		291	294
Interest-bearing liabilities	9, 11	1,381	1,419
Non-current liabilities		1,672	1,713
Interest-bearing liabilities	9, 11	623	608
Other current liabilities	9	930	959
Current liabilities		1,553	1,567
Equity and liabilities		7,003	6,744
Equity ratio ¹		53.9 %	51.4 %

CHANGES IN EQUITY

INTERIM CONDENSED CHANGE IN EQUITY

Amounts in NOK million	Note	1.1 - 31.12.2020			1.1 - 31.12.2019		
		Controlling interests	Non-controlling interests	Total equity	Controlling interests	Non-controlling interests	Total equity
Equity 1 January		3,306	158	3,464	3,123	198	3,321
Profit/loss for the period		436	-57	379	417	-66	351
Items in Comprehensive Income	8	167	1	168	2	2	4
The Group's Comprehensive income	8	603	-56	547	419	-64	355
Paid dividend		-229	-	-229	-224	-	-224
Buy-back of treasury shares		-62	-	-62	-60	-	-60
Exercise of share options		16	-	16	18	-	18
Reduced tax payable of exercised share options		-	-	-	2	-	2
Shares to employees		25	-	25	23	-	23
Option costs (share based payment)		9	-	9	8	-	8
Transactions with non-controlling interests		-	8	8	-3	24	21
Equity at the end of the period		3,668	110	3,778	3,306	158	3,464

¹ 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	
		2020	2019	2020	2019
Profit before taxes		119	30	496	467
Amortisation, depreciation and impairment charges		113	121	449	432
Changes in net working capital, etc.		200	171	-21	-85
Dividend (share of profit) from JV		-12	2	51	5
Taxes paid		-4	-36	-89	-122
Cash flow from operating activities		416	288	886	697
Investments property, plant and equipment and intangible assets *		-191	-213	-503	-583
Other capital transactions		12	8	14	29
Cash flow from investing activities		-179	-205	-489	-554
Dividends		-	-	-229	-224
Proceeds from exercise of options/shares to employees	10	1	1	35	35
Buy-back of shares	7	-1	-4	-62	-60
Gain/(loss) on hedges for net investments in subsidiaries		59	5	10	-26
Net paid to/from shareholders		59	2	-246	-275
Proceeds from interest-bearing liabilities	11	200	402	1,550	2,100
Repayment from interest-bearing liabilities	11	-257	-493	-1,703	-1,971
Change in interest-bearing receivables/other liabilities	11	-12	-1	18	-3
Change in net interest-bearing liabilities		-69	-92	-135	126
Cash flow from financing activities		-10	-90	-381	-149
Change in cash and cash equivalents		227	-7	16	-6
Cash and cash equivalents at beginning of period		-127	92	81	86
Change in cash and cash equivalents		227	-7	16	-6
Currency effects cash and cash equivalents		-4	-4	-1	1
Cash and cash equivalents at the close of the period	11	96	81	96	81
*Investment by category					
Replacement investments		153	182	344	370
Expansion investments ¹		38	31	159	213

¹ 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 2019 for the Borregaard Group.

Use of estimates

The same use of estimates has been applied as in the Consolidated Financial Statements for 2019.

NOTE 02 Segments

OPERATING REVENUES

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2020	2019	2020	2019
Borregaard	1,338	1,234	5,328	5,063
BioSolutions	733	726	3,082	2,982
BioMaterials	458	416	1,732	1,712
Fine Chemicals	153	104	543	406
Eliminations	-6	-12	-29	-37

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

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cont. NOTE 02 Segments

EBITDA¹

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2020	2019	2020	2019
Borregaard	263	183	1,132	1,007
BioSolutions	137	131	632	647
BioMaterials	80	31	318	234
Fine Chemicals	46	21	182	126
Reconciliation against operating profit & profit before tax				
EBITDA¹	263	183	1,132	1 007
Depreciations and write downs	-110	-110	-443	-418
Amortisation intangible assets	-2	-1	-5	-4
Other income and expenses	-20	-11	-116	-27
Operating profit	131	61	568	558
Financial items, net	-12	-31	-72	-91
Profit before taxes	119	30	496	467

SALES REVENUES

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2020	2019	2020	2019
Borregaard	1,314	1,204	5,227	4,951
BioSolutions	714	695	2,995	2,873
BioMaterials	448	407	1,695	1,679
Fine Chemicals	153	102	538	400
Eliminations	-1	-	-1	-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 expenses¹

Other income and expenses of NOK -20 million (NOK -11 million) in the 4th quarter of 2020 relates to an environmental accrual for preventive measures to reduce the risk of emissions to water from an old landfill and areas with polluted soil from former operations at the Sarpsborg site.

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

For the full year, Other income and expenses¹ were NOK -116 million (NOK -27 million) due to impairment of assets and restructuring costs mainly related to

¹ 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	
	2020	2019	2020	2019
Net interest expenses	-17	-19	-76	-69
Currency gain/loss	6	-3	7	-12
Other financial items, net	-1	-9	-3	-10
Net financial items	-12	-31	-72	-91

NOTE 05 Income tax expense

The tax rate of 23.6% (24.8%) for 2020 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). As such, the additional costs related to the discontinued operation does not reduce the tax expense and tax rate. 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 384,678 treasury shares. As of 31 December 2020, there are 99,712,283 diluted shares (99,807,055 as of 31 December 2019). Earnings per

diluted share were NOK 1.21 in the 4th quarter (NOK 0.38 in the 4th quarter of 2019).

NOTE 07 Stock options

During the 4th quarter of 2020, 12,000 share options were exercised at a strike price of NOK 94.06.

The Group Executive Management and other key employees hold a total of 1,428,000 stock options in

four different share option programmes in Borregaard. On 27 October 2020, 16,053 stock options issued in 2015 were forfeited as they expired.

Stock options	Issued 2017	Issued 2018	Issued 2019	Issued 2020
Number of stock options	288,000	370,000	370,000	400,000
Strike price (NOK)*	94.06	73.45	77.80	102.10
Vesting period	3 years	3 years	3 years	3 years
Expiry date	17 February 2022	7 February 2023	6 February 2024	13 February 2025

* 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	31.12.2020		31.12.2019	
	Cash flow hedges	Hedges of net investments in subsidiaries	Cash flow hedges	Hedges of net investments in subsidiaries
Tax effect year-to-date	15	-40	-37	-44
Hedging reserve after tax	51	-117	-129	-122

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 2019 to the 4th quarter of 2020. 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 2020:

FINANCIAL ASSETS

Amounts in NOK million	Level	31.12.2020		31.12.2019	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial receivables	2	195	195	211	211
Non-current derivatives	2	165	165	29	29
Current derivatives	2	35	35	27	27
Total financial assets		395	395	267	267

FINANCIAL LIABILITIES

Non-current financial liabilities	2, 3	1,383	1,383	1,421	1,421
Non-current derivatives	2	29	29	111	111
Current financial liabilities	2	623	623	608	608
Current derivatives	2	93	93	95	95
Total financial liabilities		2,128	2,128	2,235	2,235

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Amounts in NOK million		Level 1	Level 2	Level 3
Financial instruments 31.12.2020		-1,733	-	-400
Financial instruments 31.12.2019		-1,968	-	-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	31.12.2020	31.12.2019
Share capital	100	100
Treasury shares	-	-
Share premium	1,346	1,346
Other paid-in capital	746	696
Translation effects	77	102
Hedging reserve (after tax)	-66	-251
Actuarial gains/Losses	-14	-21
Retained earnings	1,479	1,334
Group equity (controlling interests)	3,668	3,306

As of 31 December 2020, the company held 384,678 treasury shares at an average cost of NOK 102.53.

¹ Alternative performance measure, see page 23 for definition.

NOTE 11 Net interest-bearing debt¹

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

Amounts in NOK million	31.12.2020	31.12.2019
Non-current interest-bearing liabilities	1,381	1,419
Current interest-bearing liabilities including overdraft of cashpool	623	608
Non-current interest-bearing receivables (included in "Other Assets")	-3	-4
Cash and cash deposits	-207	-147
Net interest-bearing debt¹	1,794	1,876
- of which impact of IFRS 16 Leases	396	387

NOTE 12 Related parties

The members of the Group Executive Management of Borregaard held a total of 714,000 stock options in the

Company as of 31 December 2020.

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 4th quarter of 2020.

NOTE 14 Other matters and subsequent events**New employment contract with President and CEO, Per A. Sørli**

Borregaard has entered into a new employment contract with President and CEO, Per A. Sørli (born 1957). The retirement age has been adjusted from currently 65 to 68 years.

See notification to the Oslo Stock Exchange on 3 December 2020.

Permanent closure of lignin production in South Africa

The owners of LignoTech South Africa, Borregaard and the Sappi Group, have decided to permanently close the lignin production facility and to terminate the cooperation agreement. The closure is a consequence of Sappi's decision to convert their calcium sulphite pulp line, which is the source of lignin raw material, to

magnesium technology. After the conversion, the spent liquor from the pulping process will be burnt, and the energy and chemicals will be recovered.

The conversion of the pulp line will be completed mid-2021. In the interim period, the calcium sulphite pulp line will be operated to some extent, resulting in limited production of liquid lignin by LignoTech South Africa until the permanent closure comes into effect.

See notifications to the Oslo Stock Exchange on 23 October, 8 May and 2 April 2020.

Other matters

There have been no 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 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	2020	2019
Q4, 2018		4,937
Q1, 2019		5,498
Q2, 2019		5,817
Q3, 2019		5,938
Q4, 2019	5,815	5,815
Q1, 2020	6,371	
Q2, 2020	6,091	
Q3, 2020	6,103	
Q4, 2020	5,904	
Average	6,057	5,601
Capital contribution (LTM)	689	589
ROCE (%)	11.4	10.5



Q4 2020



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