



Borregaard

INTERIM REPORT  
4<sup>TH</sup> QUARTER 2022

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# Q4 2022



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

- EBITDA<sup>1</sup> NOK 364 million (NOK 263 million)<sup>2</sup>
- Significant improvement in BioMaterials and Fine Chemicals
- Reduced margin and volume for traded vanillin products in BioSolutions
- Increased sales prices offset cost increases
- Positive net currency effects

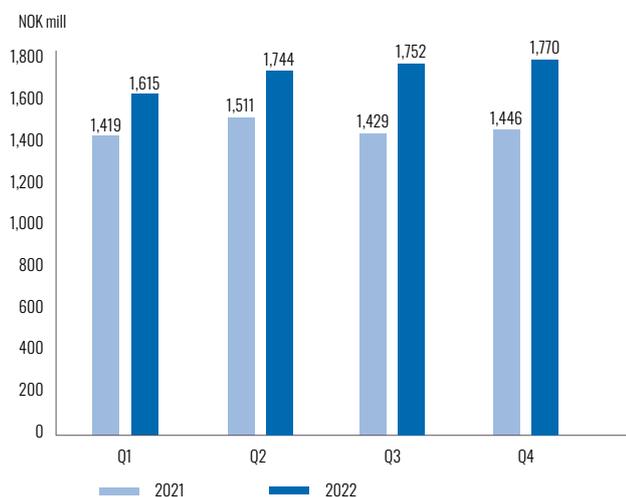
<sup>1</sup> Alternative performance measure, see page 23 for definition.

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

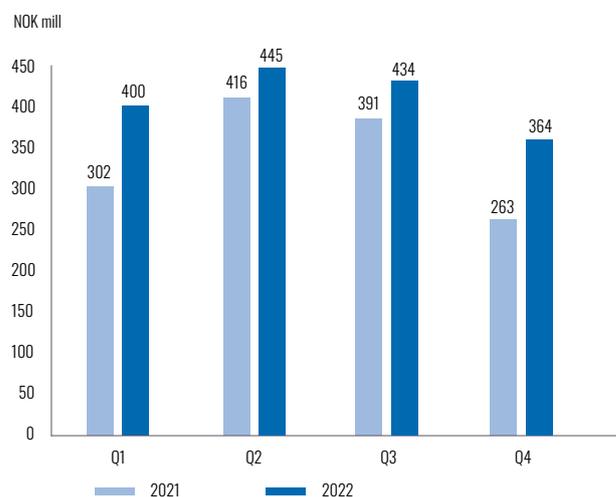
# THE GROUP

Amounts in NOK million	Note	1.10 - 31.12		1.1 - 31.12	
		2022	2021	2022	2021
Operating revenues	2	1,770	1,446	6,881	5,805
EBITDA <sup>1</sup>		364	263	1,643	1,372
Operating profit		228	156	1,186	952
Profit/loss before taxes	2	210	132	1,118	873
Earnings per share (NOK)		1.85	1.02	8.95	6.95
Net interest-bearing debt <sup>1</sup>	11	1,836	1,417	1,836	1,417
Equity ratio <sup>1</sup> (%)		54.8	60.1	54.8	60.1
Leverage ratio <sup>1</sup>		1.12	1.03	1.12	1.03
Return on capital employed <sup>1</sup> (%)		18.1	16.1	18.1	16.1

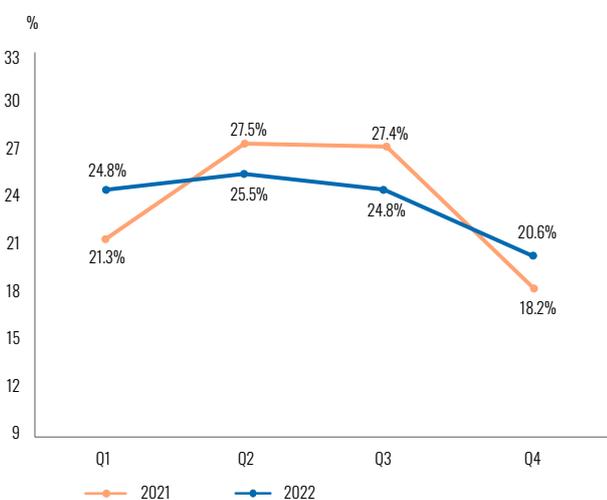
## OPERATING REVENUES



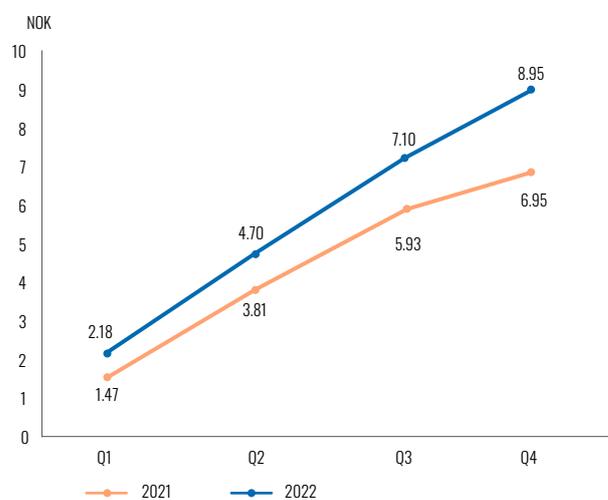
## EBITDA<sup>1</sup>



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



## EARNINGS PER SHARE CUMULATIVE



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

## FOURTH QUARTER

Borregaard's operating revenues reached NOK 1,770 million (NOK 1,446 million)<sup>2</sup> in the 4<sup>th</sup> quarter of 2022. EBITDA<sup>1</sup> increased to NOK 364 million (NOK 263 million). BioMaterials and Fine Chemicals had significant result improvements while BioSolutions had a decrease. The net currency impact on EBITDA<sup>1</sup> was positive compared with the 4<sup>th</sup> quarter of 2021.

Increased sales prices in addition to a higher volume and a favourable product mix were the main reasons for the EBITDA<sup>1</sup> improvement in BioMaterials. The result improvement in Fine Chemicals was due to increased sales prices and a higher bioethanol sales volume. Reduced margin and volume for traded vanillin products were the main reasons for the EBITDA<sup>1</sup> decrease in BioSolutions. Cost increases affected all business areas.

Other income and expenses<sup>1</sup> were NOK -20 million in the 4<sup>th</sup> quarter of 2022. This was due to an accrual for precautionary measures related to ground conditions at the site in Norway.

Operating profit reached NOK 228 million (NOK 156 million). Net financial items were NOK -18 million (NOK -24 million). Profit before tax was NOK 210 million (NOK 132 million). Tax expense of NOK -47 million (NOK -39 million) gave a tax rate of 22% (30%) in the quarter.

Earnings per share were NOK 1.85 (NOK 1.02).

Cash flow from operating activities was NOK 313 million (NOK 356 million). The decline was mainly due to a less favourable development in net working capital compared with the 4<sup>th</sup> quarter of 2021, partly offset by the positive cash effect of an increased EBITDA<sup>1</sup>.

## FULL YEAR

Borregaard's operating revenues increased to NOK 6,881 million (NOK 5,805 million) in 2022. EBITDA<sup>1</sup> increased to an all-time high of NOK 1,643 million (NOK 1,372 million). The result improved in all business areas. The net currency impact on EBITDA<sup>1</sup> was positive.

In BioSolutions and BioMaterials, higher sales prices and an improved product mix were the main reasons for the EBITDA<sup>1</sup> increase. In Fine Chemicals, the result improvement was due to increased sales prices and a higher bioethanol sales volume. Substantial cost increases affected all business areas.

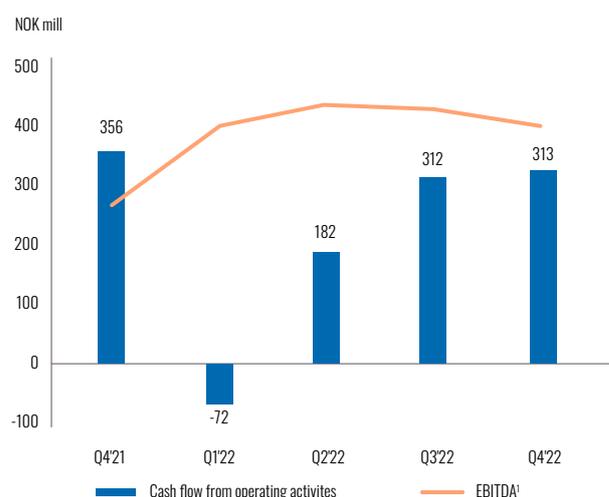
Other income and expenses<sup>1</sup> were NOK -8 million in 2022. NOK -20 million was an accrual for precautionary measures related to ground conditions at the site in Norway and NOK 12 million was mainly related to sale of assets in the closed lignin operation in South Africa.

Operating profit was NOK 1,186 million (NOK 952 million). Net financial items amounted to NOK -68 million (NOK -79 million). Profit before tax was NOK 1,118 million (NOK 873 million). Tax expense was NOK -267 million (NOK -213 million) giving a tax rate of 24% (24%).

Earnings per share were NOK 8.95 (NOK 6.95). Return on capital employed<sup>1</sup> was 18.1% (16.1%), well above the targeted level of minimum 15% pre-tax.

In 2022, cash flow from operating activities was NOK 735 million (NOK 1,431 million). The cash flow was negatively affected by a significant increase in net working capital. This increase was due to higher inventory values related to volume and cost increases, and higher sales prices, affecting accounts receivable.

## 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	1.10 - 31.12		1.1 - 31.12	
	2022	2021	2022	2021
Operating revenues	997	934	4,050	3,469
EBITDA <sup>1</sup>	159	214	986	942
EBITDA margin <sup>1</sup> (%)	15.9	22.9	24.3	27.2

### FOURTH QUARTER

BioSolutions' operating revenues reached NOK 997 million (NOK 934 million). EBITDA<sup>1</sup> was NOK 159 million (NOK 214 million).

The EBITDA<sup>1</sup> decrease was mainly due to reduced margin and volume for traded vanillin products. Increased global supply and a significant price decline for synthetic vanillin and ethyl vanillin affected Borregaard's sales volumes and margins for these traded products negatively. Deliveries of wood-based vanillin were strong in the quarter. For lignin-based biopolymers, higher sales prices and positive currency effects offset increased costs.

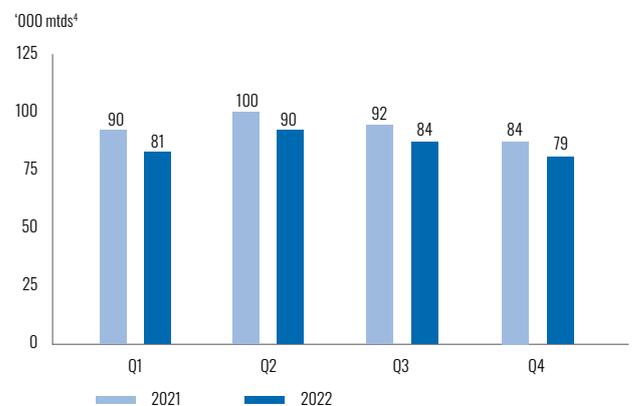
The average price in sales currency was 7% higher than in the same quarter of 2021. There was a positive development for applications within oilfield chemicals and construction. In the 4<sup>th</sup> quarter of 2021, the average price in sales currency was positively influenced by extraordinarily high deliveries of wood-based vanillin.

The total sales volume was 6% lower than in the corresponding quarter in 2021 and in line with the outlook for the 4<sup>th</sup> quarter.

### 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.

## FULL YEAR

BioSolutions' operating revenues reached NOK 4,050 million (NOK 3,469 million). EBITDA<sup>1</sup> improved to NOK 986 million (NOK 942 million). Increased sales prices, positive net currency effects and a slightly improved product mix were the main reasons for the EBITDA<sup>1</sup> improvement, partly offset by substantial cost increases.

Demand for lignin-based biopolymers was generally strong. The market introduction of the new wood-based vanillin capacity was on track in 2022. Demand for wood-based vanillin was partly influenced by a temporarily tight supply situation for synthetic vanillin

and ethyl vanillin in the 1<sup>st</sup> half of 2022. Borregaard's trading of synthetic vanillin and ethyl vanillin peaked during this period with higher sales prices and margins. These markets weakened towards the end of 2022.

The average price in sales currency was 20% higher than in 2021 mainly due to price increases and optimisation of product mix.

Total sales volume was 9% lower than in 2021, mainly due to lower raw material supply in 2022 and sales from inventories in 2021. In addition, volumes were optimised based on value within all market segments.

## BIOMATERIALS

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2022	2021	2022	2021
Operating revenues	620	405	2,250	1,878
EBITDA <sup>1</sup>	138	27	427	284
EBITDA margin <sup>1</sup> (%)	22.3	6.7	19.0	15.1

### FOURTH QUARTER

Operating revenues in BioMaterials increased to NOK 620 million (NOK 405 million) in the 4<sup>th</sup> quarter. EBITDA<sup>1</sup> reached NOK 138 million (NOK 27 million).

The significant EBITDA<sup>1</sup> improvement was mainly due to increased sales prices. In addition, net currency effects, a higher volume and a favourable product mix contributed positively. The positive effects were partly offset by higher raw material and energy costs. The annual maintenance stop went according to plan and maintenance costs were lower than in the same quarter of 2021. Production output was significantly higher compared with the corresponding quarter in 2021, which was affected by an extended maintenance stop. Both sales volume and sales prices increased for cellulose fibrils compared to the corresponding quarter in 2021.

The average price in sales currency increased 39%, mainly as a result of price increases and surcharges for speciality cellulose. In total, demand was strong in the quarter. However, there was a slight slowdown in orders from the construction market for cellulose ethers.

### FULL YEAR

Operating revenues in 2022 reached NOK 2,250 million (NOK 1,878 million). EBITDA<sup>1</sup> increased to NOK 427 million (NOK 284 million).

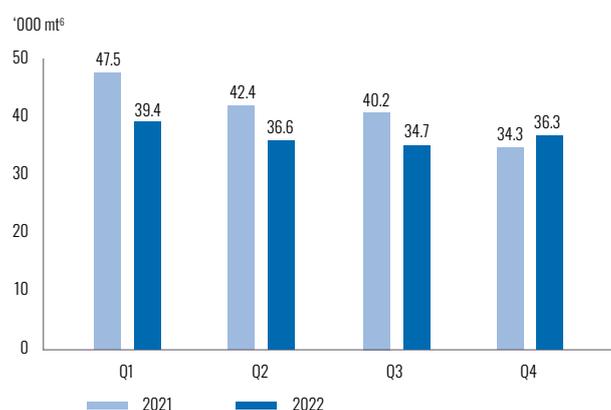
The significant EBITDA<sup>1</sup> improvement was due to increased sales prices, higher production and an improved product mix for speciality cellulose. These effects were partly offset by lower deliveries and increased energy and raw material costs. Both sales volume and prices increased for cellulose fibrils. Net currency effects were positive.

The average price in sales currency increased 28% due to price adjustments, surcharges and an improved product mix. The sales volume was significantly lower than in 2021, when sales volume exceeded production output due to a considerable inventory reduction. Inventories increased from a low level in 2021. Demand for speciality cellulose has been strong in 2022. However, there was a slight slowdown in orders from the construction market for cellulose ethers towards the end of the year.

### 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	1.10 - 31.12		1.1 - 31.12	
	2022	2021	2022	2021
Operating revenues	170	114	632	491
EBITDA <sup>1</sup>	67	22	230	146
EBITDA margin <sup>1</sup> (%)	39.4	19.3	36.4	29.7

### FOURTH QUARTER

Fine Chemicals' operating revenues reached NOK 170 million (NOK 114 million). EBITDA<sup>1</sup> improved to NOK 67 million (NOK 22 million).

The significant EBITDA<sup>1</sup> improvement was due to increased sales prices and a higher bioethanol sales volume, partly offset by increased costs.

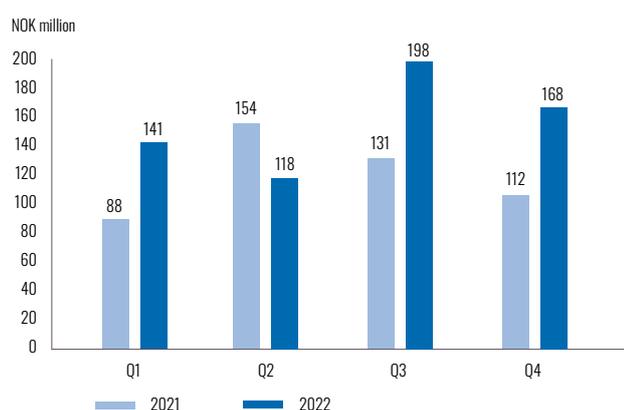
The result for fine chemical intermediates improved due to increased sales prices and a high production output, partly offset by increased raw material costs. For bioethanol, both sales volume and sales prices were higher compared with the 4<sup>th</sup> quarter of 2021.

### FULL YEAR

Operating revenues in Fine Chemicals increased to NOK 632 million (NOK 491 million). EBITDA<sup>1</sup> reached NOK 230 million (NOK 146 million).

The improved EBITDA<sup>1</sup> for bioethanol was due to increased sales prices and a higher sales volume, partly offset by increased costs. Bioethanol sales were mainly to biofuels. The result for fine chemical intermediates improved due to increased sales prices and a high production output, partly offset by increased costs. The net currency impact was positive.

### 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 4<sup>th</sup> quarter of 2021, the net impact of foreign exchange on EBITDA<sup>1</sup>, including hedging effects, was NOK 55 million. Hedging effects were NOK -34 million (NOK 6 million) in the quarter.

In 2022, the net impact of foreign exchange on EBITDA<sup>1</sup>, including hedging effects, was NOK 195

million compared with 2021. Hedging effects were NOK -50 million (NOK -29 million).

Assuming currency rates as of 1 February 2023 (USD 9.97 and EUR 10.86) and based on currency exposure forecasts, Borregaard expects a net impact of foreign exchange on EBITDA<sup>1</sup> of approximately NOK 50 million in the 1<sup>st</sup> quarter of 2023 and NOK 135 million for the full year of 2023, compared with the corresponding periods in 2022.

## CASH FLOW AND FINANCIAL SITUATION

### FOURTH QUARTER

Cash flow from operating activities in the 4<sup>th</sup> quarter was NOK 313 million (NOK 356 million). The decline was mainly due to a less favourable development in net working capital compared with the 4<sup>th</sup> quarter of 2021, partly offset by the positive cash effect of an increased EBITDA<sup>1</sup>.

Investments amounted to NOK 212 million (NOK 262 million). Expansion investments<sup>1</sup> totalled NOK 40 million (NOK 72 million).

### FULL YEAR

In 2022, cash flow from operating activities was NOK 735 million (NOK 1,431 million). The cash flow was negatively affected by a significant increase in net working capital. This was due to higher inventory values related to volume and cost increases, and higher sales prices affecting accounts receivable. The cash effect of an improved EBITDA<sup>1</sup> was partly offset by higher tax payments compared with 2021.

Investments amounted to NOK 464 million (NOK 701 million). Replacement investments were NOK 359 million (NOK 398 million). Expansion investments<sup>1</sup>

totalled NOK 105 million (NOK 303 million), and were mainly related to specialisation projects within BioSolutions.

Dividend of NOK 499 million (NOK 249 million) was paid out in the 2<sup>nd</sup> quarter. The Group has sold and repurchased treasury shares with net proceeds of NOK -27 million (NOK -59 million). Realised effect of hedging of net investments in subsidiaries was NOK -79 million (NOK -14 million).

On 31 December 2022, the Group had net interest-bearing debt<sup>1</sup> totalling NOK 1,836 million (NOK 1,417 million), an increase of NOK 419 million from year-end 2021.

At the end of December, the Group was well capitalised with an equity ratio<sup>1</sup> of 54.8% (60.1%) and a leverage ratio<sup>1</sup> of 1.12 (1.03).

<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 2022 of NOK 3.25 (NOK 2.75) per share to the General Meeting, corresponding to 36%

of net profit. Dividend payment is estimated at NOK 324 million. The exact amount will depend on the number of treasury shares held at the date of the General Meeting.

## SUSTAINABILITY

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

Greenhouse gas emissions (GHG, scope 1 and 2) and emissions of organic material (COD) were slightly lower than in 2021. The total recordable injuries per million hours worked (TRIF, rolling 12 months) were 4.9 (3.5). There were no fatal or high consequence work-related injuries in 2022.

Sick leave increased to 4.3% (3.7%) mainly due to Covid-19 related absence.

The table below shows key sustainability measures and targets. Further details will be disclosed in the Sustainability and corporate responsibility chapter in Borregaard's 2022 Annual Report, which will be published 28 March 2023.

	31.12.2022	31.12.2021	Target 2022	Long term (2030)
Greenhouse gas emissions (Scope 1 and 2, '000 tonnes)*	215	218	N/A	42% reduction from 2020
COD (organic material) in process water discharged (t/day)	54	55	55	40
Total recordable injuries per million hours worked, rolling 12 months (TRIF)	4.9	3.5	0	0
Sick leave %	4.3 %	3.7 %	3.5 %	3.0 %

\* Emission figures as of 31.12.2022 are based on best estimate at the time of reporting.

## SHARE INFORMATION

In the 4<sup>th</sup> quarter of 2022, Borregaard repurchased a total of 200,000 treasury shares at an average price of NOK 147.85 in a share buy-back programme. In addition, Borregaard repurchased 96,539 treasury shares at an average price of NOK 155.04 when share options were exercised.

During the 4<sup>th</sup> quarter, 95,555 share options were exercised at a strike price of NOK 65.95 per share

and 10,000 share options were exercised at a strike price of NOK 70.30 per share. Total number of shares outstanding on 31 December 2022 was 100 million, including 434,553 treasury shares. Total number of shareholders was 8,248. Borregaard ASA's share price was NOK 152.00 at the end of 2022 compared with NOK 128.60 at the end of the 3<sup>rd</sup> quarter of 2022 and NOK 222.00 at the end of 2021.

## OTHER MATTERS AND SUBSEQUENT EVENTS

### INVESTMENT TO REDUCE CO<sub>2</sub> EMISSIONS AND INCREASE FLEXIBILITY AT THE BIOREFINERY IN NORWAY

Borregaard will invest NOK 230 million to cut CO<sub>2</sub> emissions and increase energy flexibility at the biorefinery in Norway. This investment is part of the environmental investment plan of NOK 650-850 million for the period 2023 to 2025, announced at the Capital Markets Day in September 2022.

Once completed in the 1<sup>st</sup> half of 2024, this investment will allow for a 30,000 tonnes annual reduction of CO<sub>2</sub>

emissions by replacing liquified natural gas (LNG) with electricity and by improved energy efficiency. In addition to reduced emissions and enhanced energy efficiency, there is a significant cost reduction potential by removing absolute dependency on LNG and introducing more options to switch between alternative energy sources.

## OUTLOOK

In 2023, the total sales volume for BioSolutions is forecast to be approximately 350,000 tonnes, depending on raw material supply and global economic development. Sales volume in the 1<sup>st</sup> quarter of 2023 is expected to be in line with the 4<sup>th</sup> quarter of 2022. The portfolio optimisation within biopolymer applications will continue. The market for synthetic vanillin and ethyl vanillin is expected to normalise in 2023.

For BioMaterials, the total sales volume is forecast to be higher than the production output. Sales volume of highly specialised grades is expected to be higher than in 2022. In the 1<sup>st</sup> quarter of 2023, the average price in sales currency is expected to be largely in line with the 4<sup>th</sup> quarter of 2022. 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. 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 1<sup>st</sup> quarter of 2023, energy and other raw material costs are expected to be slightly lower compared with the 4<sup>th</sup> quarter of 2022. Energy spot prices will continue to represent the largest uncertainty. However, Borregaard will benefit from its ability to switch between electricity, LNG and light oil to minimise energy costs at the site in Norway.

Cost inflation and consequences of the war in Ukraine may impact the global economy and Borregaard's markets. Borregaard will continue to closely monitor cost inflation and market development and implement relevant measures if required.

Sarpsborg, 1 February 2023  
*The Board of Directors of Borregaard ASA*

## THE GROUP'S INTERIM CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	1.10 - 31.12		1.1 - 31.12	
		2022	2021	2022	2021
<b>Operating revenues</b>	2	1,770	1,446	6,881	5,805
Operating expenses		-1,406	-1,183	-5,238	-4,433
Depreciation property, plant and equipment		-114	-106	-444	-416
Amortisation intangible assets		-2	-1	-5	-4
Other income and expenses <sup>1</sup>	3	-20	-	-8	-
<b>Operating profit</b>		228	156	1,186	952
Financial items, net	4	-18	-24	-68	-79
<b>Profit before taxes</b>		210	132	1,118	873
Income tax expense	5	-47	-39	-267	-213
<b>Profit for the period</b>		163	93	851	660
Profit attributable to non-controlling interests		-21	-9	-41	-32
Profit attributable to owners of the parent		184	102	892	692
<b>EBITDA<sup>1</sup></b>		364	263	1,643	1,372

## INTERIM EARNINGS PER SHARE

Amounts in NOK		1.10 - 31.12		1.1 - 31.12	
		2022	2021	2022	2021
Earnings per share (100 mill. shares)	6	1.85	1.02	8.95	6.95
Diluted earnings per share	6	1.84	1.02	8.92	6.94

## THE GROUP'S INTERIM CONDENSED COMPREHENSIVE INCOME STATEMENT

Amounts in NOK million	Note	1.10 - 31.12		1.1 - 31.12	
		2022	2021	2022	2021
<b>Profit for the period</b>		163	93	851	660
<b>Items not to be reclassified to P&amp;L</b>		-	-	-	-
Actuarial gains and losses (after tax)		1	55	1	55
<b>Total</b>		1	55	1	55
<b>Items to be reclassified to P&amp;L</b>					
Change in hedging-reserve after tax (cash flow)	8	338	37	-253	86
Change in hedging-reserve after tax (net investment in subsidiaries)	8	63	-	-70	-9
Translation effects		-93	6	118	25
<b>Total</b>		308	43	-205	102
<b>The Group's comprehensive income</b>		472	191	647	817
Comprehensive income non-controlling interests		-28	-8	-33	-28
Comprehensive income owners of the parent		500	199	680	845

<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	31.12.2022	31.12.2021
Intangible assets	13	82	89
Property, plant and equipment	13	4,371	4,191
Right-of-use assets		345	351
Other assets	9	254	339
Investments in joint venture/associate company	4	142	173
<b>Non-current assets</b>		<b>5,194</b>	<b>5,143</b>
Inventories		1,299	792
Receivables	9	1,387	1,107
Cash and cash deposits	11	234	124
<b>Current assets</b>		<b>2,920</b>	<b>2,023</b>
<b>Total assets</b>		<b>8,114</b>	<b>7,166</b>
Group equity	10	4,394	4,222
Non-controlling interests		51	84
<b>Equity</b>		<b>4,445</b>	<b>4,306</b>
Provisions and other liabilities		295	257
Interest-bearing liabilities	9, 11	1,370	1,320
<b>Non-current liabilities</b>		<b>1,665</b>	<b>1,577</b>
Interest-bearing liabilities	9, 11	702	224
Other current liabilities	9	1,302	1,059
<b>Current liabilities</b>		<b>2,004</b>	<b>1,283</b>
<b>Equity and liabilities</b>		<b>8,114</b>	<b>7,166</b>
Equity ratio <sup>1</sup>		54.8 %	60.1 %

## INTERIM CONDENSED CHANGES IN EQUITY

Amounts in NOK million	Note	1.1 - 31.12.2022			1.1 - 31.12.2021		
		Controlling interests	Non-controlling interests	Total equity	Controlling interests	Non-controlling interests	Total equity
Equity 1 January		4,222	84	4,306	3,668	110	3,778
<b>Profit/loss for the period</b>		<b>892</b>	<b>-41</b>	<b>851</b>	<b>692</b>	<b>-32</b>	<b>660</b>
Items in Comprehensive Income	8	-212	8	-204	153	4	157
<b>The Group's Comprehensive income</b>	<b>8</b>	<b>680</b>	<b>-33</b>	<b>647</b>	<b>845</b>	<b>-28</b>	<b>817</b>
Paid dividend		-499	-	-499	-249	-	-249
Buy-back of treasury shares		-68	-	-68	-118	-	-118
Exercise of share options		16	-	16	38	-	38
Reduced tax payable of exercised share options		3	-	3	-	-	-
Shares to employees		33	-	33	28	-	28
Option costs (share based payment)		10	-	10	10	-	10
Transactions with non-controlling interests		-	-	-	-	2	2
<b>Equity at the end of the period</b>		<b>4,394</b>	<b>51</b>	<b>4,445</b>	<b>4,222</b>	<b>84</b>	<b>4,306</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	1.10 - 31.12		1.1 - 31.12	
		2022	2021	2022	2021
Profit before taxes		210	132	1,118	873
Amortisation, depreciation and impairment charges		116	107	449	420
Changes in net working capital, etc.		55	174	-658	256
Dividend/share of profit from JV & associate company	4	3	6	34	6
Taxes paid		-71	-63	-208	-124
<b>Cash flow from operating activities</b>		<b>313</b>	<b>356</b>	<b>735</b>	<b>1,431</b>
Investments property, plant and equipment and intangible assets *		-212	-227	-464	-556
Investment in associate company	4	-	-35	-	-145
Other capital transactions		4	4	9	9
<b>Cash flow from investing activities</b>		<b>-208</b>	<b>-258</b>	<b>-455</b>	<b>-692</b>
Dividends		-	-	-499	-249
Proceeds from exercise of options/shares to employees	10	7	4	41	59
Buy-back of treasury shares	7	-45	-7	-68	-118
Gain/(loss) on hedges for net investments in subsidiaries		77	-25	-79	-14
<b>Net paid to/from shareholders</b>		<b>39</b>	<b>-28</b>	<b>-605</b>	<b>-322</b>
Proceeds from interest-bearing liabilities	11	-	-	837	300
Repayment from interest-bearing liabilities	11	-43	-146	-512	-814
Change in interest-bearing receivables/other liabilities	11	-41	4	78	-1
<b>Change in net interest-bearing liabilities</b>		<b>-84</b>	<b>-142</b>	<b>403</b>	<b>-515</b>
<b>Cash flow from financing activities</b>		<b>-45</b>	<b>-170</b>	<b>-202</b>	<b>-837</b>
<b>Change in cash and cash equivalents</b>		<b>60</b>	<b>-72</b>	<b>78</b>	<b>-98</b>
Cash and cash equivalents at beginning of period		76	76	5	96
Change in cash and cash equivalents		60	-72	78	-98
Currency effects cash and cash equivalents		-25	1	28	7
<b>Cash and cash equivalents at the close of the period</b>	11	<b>111</b>	<b>5</b>	<b>111</b>	<b>5</b>
<b>*Investment by category</b>					
Replacement investments		172	190	359	398
Expansion investments <sup>1</sup> including investment in associate company		40	72	105	303
Total investments including investment in associate company		212	262	464	701

<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 2021 for the Borregaard Group.

### Use of estimates

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

## NOTE 02 Segments

### OPERATING REVENUES

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2022	2021	2022	2021
<b>Borregaard</b>	<b>1,770</b>	<b>1,446</b>	<b>6,881</b>	<b>5,805</b>
BioSolutions	997	934	4,050	3,469
BioMaterials	620	405	2,250	1,878
Fine Chemicals	170	114	632	491
Eliminations	-17	-7	-51	-33

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

*cont. next page*

## cont. NOTE 02 Segments

EBITDA<sup>1</sup>

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2022	2021	2022	2021
<b>Borregaard</b>	<b>364</b>	<b>263</b>	<b>1,643</b>	<b>1,372</b>
BioSolutions	159	214	986	942
BioMaterials	138	27	427	284
Fine Chemicals	67	22	230	146
<b>Reconciliation against operating profit &amp; profit before tax</b>				
<b>EBITDA<sup>1</sup></b>	<b>364</b>	<b>263</b>	<b>1,643</b>	<b>1,372</b>
Depreciations and write downs	-114	-106	-444	-416
Amortisation intangible assets	-2	-1	-5	-4
Other income and expenses <sup>1</sup>	-20	-	-8	-
<b>Operating profit</b>	<b>228</b>	<b>156</b>	<b>1,186</b>	<b>952</b>
Financial items, net	-18	-24	-68	-79
<b>Profit before taxes</b>	<b>210</b>	<b>132</b>	<b>1,118</b>	<b>873</b>

## SALES REVENUES

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2022	2021	2022	2021
<b>Borregaard</b>	<b>1,742</b>	<b>1,424</b>	<b>6,776</b>	<b>5,715</b>
BioSolutions	966	915	3,946	3,392
BioMaterials	608	398	2,205	1,840
Fine Chemicals	168	112	625	485
Eliminations	-	-1	-	-2

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

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

Other income and expenses<sup>1</sup> was NOK -20 million in the 4<sup>th</sup> quarter of 2022. This was due to an accrual for precautionary measures related to ground conditions at the site in Norway. In the 2<sup>nd</sup> quarter of 2022, Other

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

<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	
	2022	2021	2022	2021
Net interest expenses	-26	-13	-76	-59
Currency gain/loss	10	-7	6	-8
Share of profit/-loss from an associate	-	-2	-3	-2
Other financial items, net	-2	-2	5	-10
<b>Net financial items</b>	<b>-18</b>	<b>-24</b>	<b>-68</b>	<b>-79</b>

Borregaard holds 25% of the shares in Alginor ASA as of 31 December 2022.

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

## NOTE 05 Income tax expense

The tax rate of 23.9% (24.4%) for 2022 is a compilation of the tax rates in the various countries in which Borregaard operates and has taxable income. The corporate income tax rate in Norway is 22%.

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

Group, whereas the tax expense is calculated based on Borregaard's 55% ownership. Consequently, profit attributable to non-controlling interests for LignoTech Florida (45%) is calculated on profit before tax. Share of profit after tax from the joint venture, LignoTech South Africa, 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 434,553 treasury shares. As of 31 December 2022, there are 99,752,815 diluted shares

(99,742,686 as of 31 December 2021). Earnings per diluted share were NOK 1.84 in the 4<sup>th</sup> quarter (NOK 1.02 in the 4<sup>th</sup> quarter of 2021).

## NOTE 07 Stock options

During the 4<sup>th</sup> quarter, 95,555 share options were exercised at a strike price of NOK 65.95 per share and 10,000 share options were exercised at a strike price of NOK 70.30 per share.

The Group Executive Management and other key employees hold a total of 1,196,500 stock options in five different share option programmes in Borregaard.

Stock options	Issued 2018	Issued 2019	Issued 2020	Issued 2021	Issued 2022
Number of stock options	20,500	327,000	400,000	249,000	200,000
Strike price (NOK)*	65.95	70.30	94.60	175.70	223.75
Vesting period	3 years	3 years	3 years	3 years	3 years
Expiry date	7 February 2023	6 February 2024	13 February 2025	16 February 2026	17 February 2027

\* Strike prices as at 31 December 2022 have been adjusted for dividend paid since issuance of stock options.

## NOTE 08 Statement of comprehensive income

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

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

Amounts in NOK million	31.12.2022		31.12.2021	
	Cash flow hedges	Hedges of net investments in subsidiaries	Cash flow hedges	Hedges of net investments in subsidiaries
Tax effect year-to-date	-33	-65	39	-45
Hedging reserve after tax	-116	-196	137	-126

## NOTE 09 Fair value hierarchy

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

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

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

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

There were no transfers from one level to another in the measurement hierarchy from 2021 to the 4<sup>th</sup> quarter of 2022. Borregaard has no items defined as level 1. The bond is determined as measurement level 3. The fair value of the bond is deemed to equal its book value.

Set out below is a comparison of the carrying amount and the fair value of financial instruments as of 31 December 2022:

*cont. next page*

## cont. NOTE 09 Fair value hierarchy

### FINANCIAL ASSETS

Amounts in NOK million	Level	31.12.2022		31.12.2021	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial receivables	2	194	194	188	188
Non-current derivatives	2	46	46	136	136
Current derivatives	2	49	49	116	116
<b>Total financial assets</b>		<b>289</b>	<b>289</b>	<b>440</b>	<b>440</b>

### FINANCIAL LIABILITIES

Non-current financial liabilities	2, 3	1,372	1,372	1,322	1,322
Non-current derivatives	2	144	144	30	30
Current financial liabilities	2	702	702	224	224
Current derivatives	2	102	102	32	32
<b>Total financial liabilities</b>		<b>2,320</b>	<b>2,320</b>	<b>1,608</b>	<b>1,608</b>

### FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Amounts in NOK million		Level 1	Level 2	Level 3
Financial instruments 31.12.2022	-2,031	-	-1,631	-400
Financial instruments 31.12.2021	-1,168	-	-768	-400

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

## NOTE 10 Compilation of Equity

Amounts in NOK million	31.12.2022	31.12.2021
Share capital	100	100
Treasury shares	-	-
Share premium	1,346	1,346
Other paid-in capital	881	822
Translation effects	208	98
Hedging reserve (after tax)	-312	11
Actuarial gains/Losses	42	41
Retained earnings	2,129	1,804
<b>Group equity (controlling interests)</b>	<b>4,394</b>	<b>4,222</b>

As of 31 December 2022, the company held 434,553 treasury shares at an average cost of NOK 162.01.

**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	31.12.2022	31.12.2021
Non-current interest-bearing liabilities	1,370	1,320
Current interest-bearing liabilities including overdraft of cashpool	702	224
Non-current interest-bearing receivables (included in "Other Assets")	-2	-3
Cash and cash deposits	-234	-124
<b>Net interest-bearing debt<sup>1</sup></b>	<b>1,836</b>	<b>1,417</b>
- of which impact of IFRS 16 Leases	371	371

**NOTE 12** Related parties

The members of the Group Executive Management of Borregaard held a total of 588,700 stock options in the Company as of 31 December 2022.

**NOTE 13** Assessments relating to impairment

No impairment indicators have been identified in the Borregaard Group's property, plant and equipment or intangible assets in the 4<sup>th</sup> quarter of 2022.

**NOTE 14** Other matters and subsequent events

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

<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.

	1.10 - 31.12		1.1 - 31.12	
	2022	2021	2022	2021
<b>EBITDA</b>				
Operating profit	228	156	1,186	952
Other income and expenses	20	-	8	-
Amortisation intangible assets	2	1	5	4
Depreciation and impairment property, plant and equipment	114	106	444	416
<b>EBITDA</b>	<b>364</b>	<b>263</b>	<b>1,643</b>	<b>1,372</b>

	1.10 - 31.12		1.1 - 31.12	
	2022	2021	2022	2021
<b>EBITDA MARGIN</b>				
EBITDA	364	263	1,643	1,372
Operating revenues	1,770	1,446	6,881	5,805
<b>EBITDA margin (%) (EBITDA/operating revenues)</b>	<b>20.6</b>	<b>18.2</b>	<b>23.9</b>	<b>23.6</b>

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

<b>EQUITY RATIO</b>	31.12.2022	31.12.2021
Total equity	4,445	4,306
Equity & liabilities	8,114	7,166
<b>Equity ratio (%) (total equity/equity &amp; liabilities)</b>	<b>54.8</b>	<b>60.1</b>

MEASURE	DESCRIPTION	REASON FOR INCLUDING
<b>EXPANSION INVESTMENTS</b>	Borregaard's investments are either categorised as replacement or expansion. Expansion investments is defined by Borregaard as investments made in order to expand production capacity, produce new products or to improve the performance of existing products. Such investments include business acquisitions, pilot plants, capitalised research and development costs and new distribution set-ups. In 2022, the expansion investments were mainly related to specialisation projects within BioSolutions.	Borregaard's strategic priorities are specialisation and diversification, increase value added from the biorefinery, develop business areas and to continue emphasis on ESG along the entire value chain. To be able to deliver on those priorities, expansion investments are needed. As such, expansion investments are important information for investors. One of Borregaard's financial objectives is to have an internal rate of return >15% pre-tax for expansion investments.

	1.10 - 31.12		1.1 - 31.12	
EXPANSION INVESTMENTS	2022	2021	2022	2021
Total investments including investment in associate company	212	262	464	701
Replacement investments	-172	-190	-359	-398
Expansion investments including investment in associate company	40	72	105	303

MEASURE	DESCRIPTION	REASON FOR INCLUDING
<b>OTHER INCOME AND EXPENSES</b>	Other income and expenses is defined by Borregaard as non-recurring items or items related to other periods or to a discontinued business or activity. These items are not viewed as reliable indicators of future earnings based on the business areas' normal operations. These items will be included in the Group's operating profit.	To be able to compare the EBITDA from year to year, significant non-recurring items not directly related to operating activities, are included in Other income and expenses.

	1.10 - 31.12		1.1 - 31.12	
OTHER INCOME & EXPENSES	2022	2021	2022	2021
Other income & expenses	-20	-	-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	31.12.2022	31.12.2021
Non-current interest-bearing liabilities	1,370	1,320
Current interest-bearing liabilities including overdraft of cashpool	702	224
Non-current interest-bearing receivables (included in "Other assets")	-2	-3
Cash and cash equivalents	-234	-124
<b>Net interest-bearing debt</b>	<b>1,836</b>	<b>1,417</b>

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

LEVERAGE RATIO	31.12.2022	31.12.2021
Net interest-bearing debt	1,836	1,417
EBITDA	1643	1,372
<b>Leverage ratio (net interest-bearing debt/EBITDA)</b>	<b>1.12</b>	<b>1.03</b>

MEASURE	DESCRIPTION	REASON FOR INCLUDING
<b>CAPITAL EMPLOYED</b>	Capital employed is defined by Borregaard as the total of net working capital, intangible assets, property, plant and equipment, right-of-use assets minus net pension liabilities.	Borregaard uses capital employed as basis for calculating ROCE.

CAPITAL EMPLOYED (END OF YEAR)	31.12.2022	31.12.2021
Capital employed (end of year)	6,802	6,043

MEASURE	DESCRIPTION	REASON FOR INCLUDING
<b>RETURN ON CAPITAL EMPLOYED (ROCE)</b>	Return on capital employed (ROCE) is defined by Borregaard as last twelve months' (LTM) capital contribution (operating profit before amortisation and other income and expenses) divided by average capital employed based on the ending balance of the last five quarters.	ROCE is an important financial ratio to assess Borregaard's profitability and capital efficiency. One of Borregaard's financial objectives is to have ROCE >15% pre-tax over a business cycle.

RETURN ON CAPITAL EMPLOYED (ROCE)	31.12.2022	31.12.2021
Capital employed end of:		
Q4, 2020		5,904
Q1, 2021		5,884
Q2, 2021		5,854
Q3, 2021		5,991
Q4, 2021	6,043	6,043
Q1, 2022	6,421	
Q2, 2022	6,779	
Q3, 2022	7,015	
Q4, 2022	6,802	
Average capital employed	6,612	5,935
<b>EBITA</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
EBITDA	1,643	1,372
Depreciation and impairment property, plant and equipment	-444	-416
EBITA	1,199	956
<b>RETURN ON CAPITAL EMPLOYED (ROCE)</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
EBITA	1,199	956
Average capital employed	6,612	5,935
Return on capital employed (ROCE) (%) (EBITA/average capital employed)	18.1	16.1



Q4 2022

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**Borregaard**

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