



Borregaard

INTERIM REPORT
3RD QUARTER 2023



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Q3 2023

3RD QUARTER IN BRIEF

- EBITDA¹ of NOK 482 million (NOK 434 million)²
- Increased sales prices in all business areas
- Reduced energy costs, partly offset by increased wood and labour costs
- Lower sales volumes within certain applications
- Positive net currency effects
- Strong cash flow

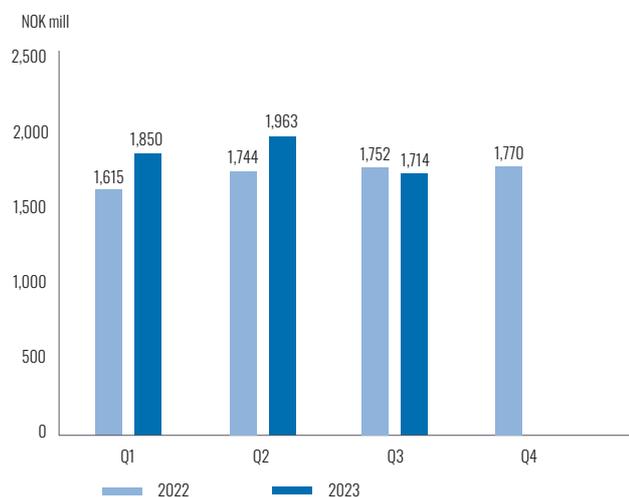
¹ Alternative performance measure, see page 23 for definition.

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

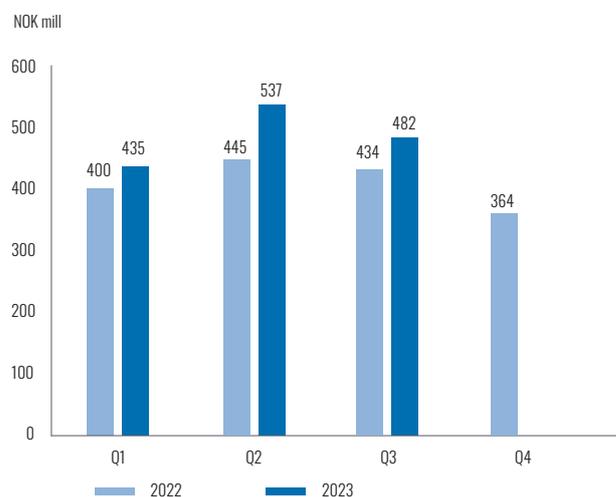
THE GROUP

Amounts in NOK million	Note	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2023	2022	2023	2022	2022
Operating revenues	2	1,714	1,752	5,527	5,111	6,881
EBITDA ¹		482	434	1,454	1,279	1,643
Operating profit		360	321	1,099	958	1,186
Profit/loss before taxes	2	318	309	989	908	1,118
Earnings per share (NOK)		2.38	2.40	7.54	7.11	8.96
Net interest-bearing debt ¹	11	1,879	1,994	1,879	1,994	1,836
Equity ratio ¹ (%)		50.6	49.9	50.6	49.9	54.8
Leverage ratio ¹		1.03	1.29	1.03	1.29	1.12
Return on capital employed ¹ (%)		19.1	17.1	19.1	17.1	18.1

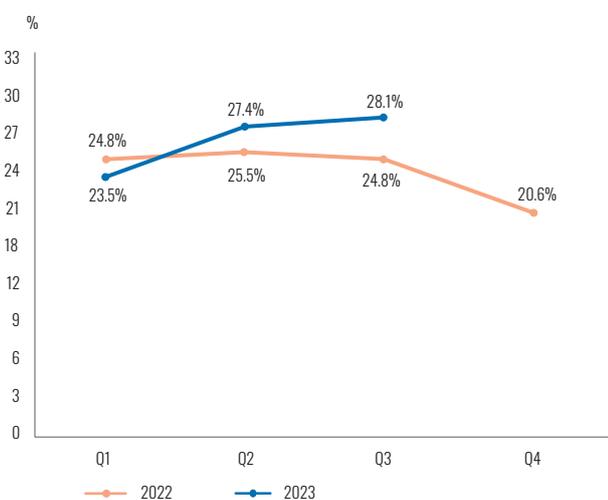
OPERATING REVENUES



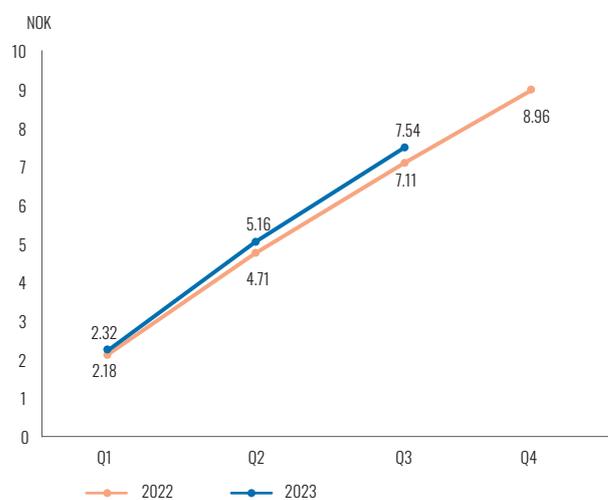
EBITDA¹



EBITDA MARGIN¹



EARNINGS PER SHARE CUMULATIVE



¹ Alternative performance measure, see page 23 for definition.

THIRD QUARTER

Operating revenues were NOK 1,714 million (NOK 1,752 million)² in the 3rd quarter of 2023. EBITDA¹ increased to NOK 482 million (NOK 434 million). BioMaterials and Fine Chemicals had result improvements while BioSolutions had a decrease compared with the 3rd quarter of 2022.

In BioSolutions, higher sales prices and reduced energy costs were more than offset by reduced sales volume, lower contribution from traded vanillin products and cost inflation in general. Lower energy costs and higher sales prices were the main reasons for the EBITDA¹ improvement in BioMaterials. The increased result in Fine Chemicals was mainly due to increased sales prices for bioethanol. The net currency effects were positive in all areas.

The proposed reduction in the Norwegian CO₂ compensation scheme will impact Borregaard's EBITDA¹ for 2023 by approximately NOK -25 million compared with the previously calculated compensation. The reduction for the first three quarters of 2023 is reflected in the 3rd quarter results (see Other matters).

Operating profit reached NOK 360 million (NOK 321 million). Net financial items were NOK -42 million (NOK -12 million). Profit before tax was NOK 318 million (NOK 309 million). Tax expense of NOK 76 million (NOK 74 million) gave a tax rate of 24% (24%) in the quarter.

Earnings per share were NOK 2.38 (NOK 2.40).

Cash flow from operating activities was NOK 526 million (NOK 312 million). The strong cash flow was positively affected by a decrease in net working capital.

YEAR-TO-DATE (1.1-30.9)

Borregaard's operating revenues increased to NOK 5,527 million (NOK 5,111 million) in the first nine months of 2023. EBITDA¹ increased to NOK 1,454 million (NOK 1,279 million). The result increased in BioMaterials and Fine Chemicals while BioSolutions had a decrease compared with the first nine months of 2022.

In BioSolutions, higher sales prices, reduced energy costs and positive net currency effects were more than offset by reduced contribution from traded vanillin products, lower sales volume, general cost inflation and changes in product mix. Higher sales prices for speciality cellulose and positive net currency effects were the main reasons for the EBITDA¹ improvement in BioMaterials. Fine Chemicals' EBITDA¹ improved mainly due to higher sales prices for bioethanol and net positive currency effects.

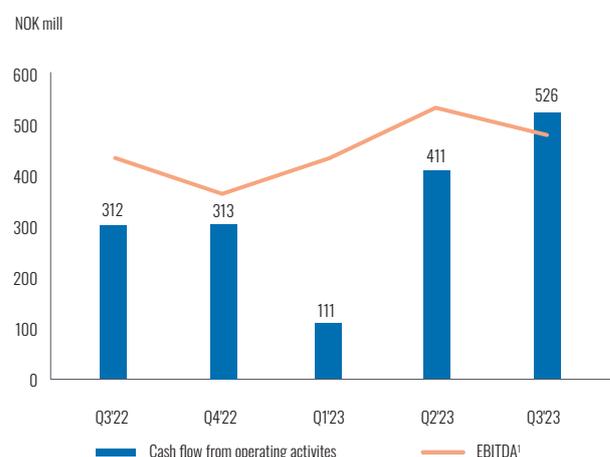
Other income and expenses¹ were NOK 0 million (NOK 12 million).

Operating profit was NOK 1,099 million (NOK 958 million). Net financial items amounted to NOK -110 million (NOK -50 million). Profit before tax was NOK 989 million (NOK 908 million). Tax expense was NOK 238 million (NOK 220 million), giving a tax rate of 24% (24%).

Earnings per share were NOK 7.54 (NOK 7.11).

In the first nine months of 2023, cash flow from operating activities was NOK 1,048 million (NOK 422 million). The significant improvement was mainly due to a more favourable development in net working capital. In addition, the cash effect from a higher EBITDA¹ contributed to the improvement. Interest expenses and tax payments were higher compared with the first nine months of 2022.

CASH FLOW FROM OPERATING ACTIVITIES



¹ Alternative performance measure, see page 23 for definition.

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

BUSINESS AREAS

BIO SOLUTIONS

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2023	2022	2023	2022	2022
Operating revenues	956	1,007	3,038	3,053	4,050
EBITDA ¹	235	261	743	827	986
EBITDA margin ¹ (%)	24.6	25.9	24.5	27.1	24.3

THIRD QUARTER

Operating revenues in BioSolutions were NOK 956 million (NOK 1,007 million). EBITDA¹ was NOK 235 million (NOK 261 million).

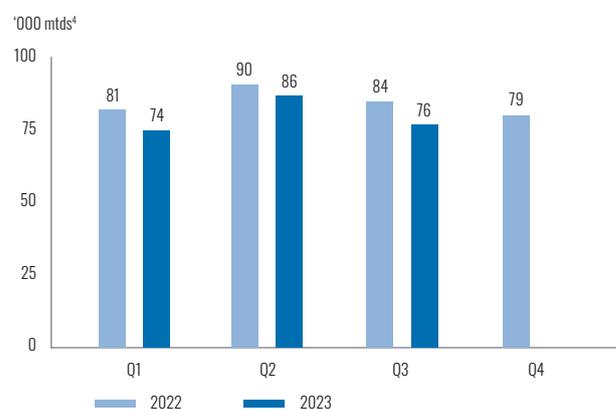
Higher sales prices and reduced energy costs were more than offset by reduced sales volume, lower contribution from traded vanillin products and cost inflation in general. The net currency effects were positive.

The average price in sales currency was 3% higher than in the same quarter in 2022. The total sales volume was 10% lower than in the corresponding quarter in 2022, negatively affected by lower deliveries to construction and certain industrial and speciality applications.

AVERAGE GROSS SALES PRICE³



SALES VOLUME



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

¹ Alternative performance measure, see page 23 for definition.

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

⁴ Metric tonne dry solid.

YEAR-TO-DATE (1.1-30.9)

BioSolutions' had operating revenues of NOK 3,038 million (NOK 3,053 million) in the first nine months of 2023. EBITDA¹ was NOK 743 million (NOK 827 million).

Higher sales prices, reduced energy costs and positive net currency effects were more than offset by reduced contribution from traded vanillin products, lower sales volume, general cost inflation and changes in product mix.

The average price in sales currency was 4% higher than in the same period in 2022 due to price increases, partly offset by changes in product mix. Total sales volume was 7% lower than in the same period last year. Strong sales within several industrial applications partly compensated for lower deliveries to other applications.



¹ Alternative performance measure, see page 23 for definition.

BIOMATERIALS

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2023	2022	2023	2022	2022
Operating revenues	568	558	1,913	1,630	2,250
EBITDA ¹	161	101	431	289	427
EBITDA margin ¹ (%)	28.3	18.1	22.5	17.7	19.0

THIRD QUARTER

BioMaterials' operating revenues were NOK 568 million (NOK 558 million). EBITDA¹ increased to NOK 161 million (NOK 101 million).

Lower energy costs, positive net currency effects and higher sales prices were the main reasons for the EBITDA¹ improvement. Higher wood costs, a weaker product mix and cost inflation in general were more than offset by reduced energy costs.

The average price in sales currency decreased by 4% compared with the 3rd quarter of 2022 due to a weaker product mix, mainly as a result of lower sales to the construction market for cellulose ethers.

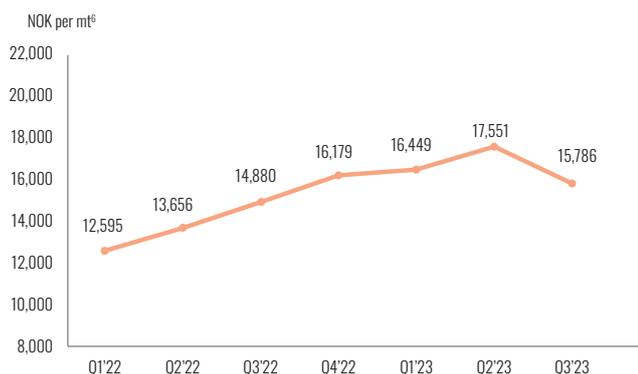
YEAR-TO-DATE (1.1-30.9)

Operating revenues reached NOK 1,913 million (NOK 1,630 million) in the first nine months of 2023. EBITDA¹ increased to NOK 431 million (NOK 289 million).

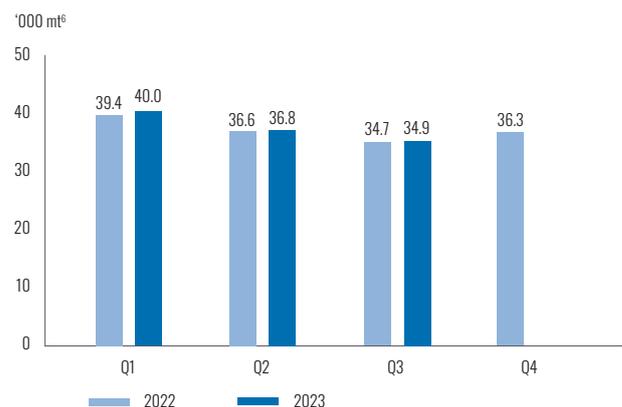
Higher sales prices for speciality cellulose and positive net currency effects were the main reasons for the EBITDA¹ improvement. The product mix was weaker due to lower sales to the construction market for cellulose ethers. Total costs increased compared with the first nine months of 2022 as higher wood costs and general cost inflation more than offset lower energy costs.

The average price in sales currency was 9% higher than in the same period last year.

AVERAGE GROSS SALES PRICE⁵



SALES VOLUME



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

¹ Alternative performance measure, see page 23 for definition.

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

⁶ Metric tonne.

FINE CHEMICALS

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2023	2022	2023	2022	2022
Operating revenues	199	200	606	462	632
EBITDA ¹	86	72	280	163	230
EBITDA margin ¹ (%)	43.2	36.0	46.2	35.3	36.4

THIRD QUARTER

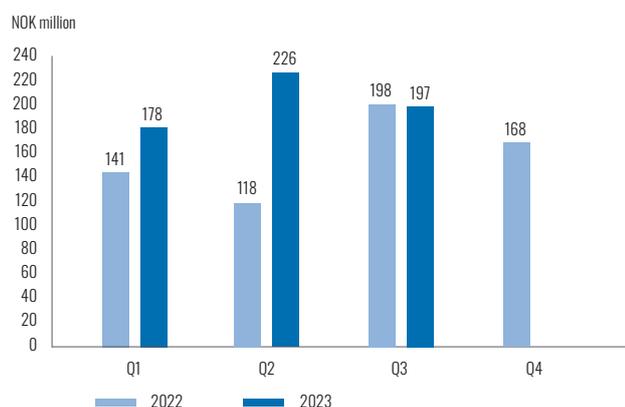
Operating revenues in Fine Chemicals were NOK 199 million (NOK 200 million). EBITDA¹ increased to NOK 86 million (NOK 72 million).

The EBITDA¹ improvement was due to increased sales prices for bioethanol partly offset by a weaker result for fine chemical intermediates. The result for fine chemical intermediates decreased due to a weaker product mix and lower deliveries partly offset by reduced raw material costs. The net currency impact was positive in the business area.

YEAR-TO-DATE (1.1-30.9)

Operating revenues in Fine Chemicals reached NOK 606 million (NOK 462 million). EBITDA¹ increased to NOK 280 million (NOK 163 million). EBITDA¹ improved mainly due to higher sales prices for bioethanol and positive net currency effects.

FINE CHEMICALS – SALES REVENUES



Sales revenues include fine chemical intermediates and bioethanol.

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 strategy.

Compared with the 3rd quarter of 2022, the net impact of foreign exchange on EBITDA¹, including hedging effects, was NOK 40 million. Hedging effects were NOK -62 million (NOK -23 million) in the quarter.

Compared with the first nine months of 2022, the net impact of foreign exchange on EBITDA¹, including

hedging effects, was NOK 195 million. Hedging effects were NOK -175 million (NOK -16 million) in the first nine months.

Assuming currency rates as of 23 October 2023 (USD 11.13 and EUR 11.80) and based on currency exposure forecasts, Borregaard expects a net impact of foreign exchange on EBITDA¹ of approximately NOK 35 million in the 4th quarter of 2023 and NOK 230 million for the full year of 2023, compared with the corresponding periods last year.

CASH FLOW AND FINANCIAL SITUATION

THIRD QUARTER

Cash flow from operating activities in the 3rd quarter was NOK 526 million (NOK 312 million). The strong cash flow was positively affected by a decrease in net working capital.

Investments amounted to NOK 130 million (NOK 84 million). Expansion investments¹ totalled NOK 20 million (NOK 25 million).

YEAR-TO-DATE (1.1-30.9)

In the first nine months of 2023, cash flow from operating activities was NOK 1,048 million (NOK 422 million). The significant improvement was mainly due to a more favourable development in net working capital. In addition, the cash effect from a higher EBITDA¹ contributed to the improvement. Interest expenses and tax payments were higher compared with the first nine months of 2022.

Investments amounted to NOK 498 million (NOK 252 million). Replacement investments were NOK 300 million (NOK 187 million), where the largest expenditures were related to investments to reduce

CO₂ emissions and improve energy flexibility and efficiency at the biorefinery in Norway. Expansion investments¹ totalled NOK 198 million (NOK 65 million), where the largest expenditures were related to the increased ownership in Alginor ASA and specialisation projects within BioSolutions.

Dividend of NOK 324 million (NOK 499 million) was paid out in the 2nd quarter. In the first nine months of 2023, the Group has sold and repurchased treasury shares with net proceeds of NOK -4 million (NOK 11 million). Realised effect of hedging of net investments in subsidiaries was NOK -76 million (NOK -156 million).

On 30 September 2023, the Group had net interest-bearing debt¹ totalling NOK 1,879 million (NOK 1,994 million), an increase of NOK 43 million from year-end 2022.

At the end of September, the Group was well capitalised with an equity ratio¹ of 50.6% (49.9%) and a leverage ratio¹ of 1.03 (1.29).

¹ Alternative performance measure, see page 23 for definition.

SHARE INFORMATION

No share options have been exercised during the 3rd quarter of 2023.

Total number of shares outstanding on 30 September 2023 was 100 million, including 243,604 treasury shares. Total number of shareholders was 8,713.

Borregaard ASA's share price was NOK 158.00 at the end of the 3rd quarter (NOK 158.80 at the end of the 2nd quarter of 2023 and NOK 152.00 at the end of 2022).

OTHER MATTERS AND SUBSEQUENT EVENTS

CO₂ COMPENSATION

Borregaard will be negatively affected by a change in the CO₂ compensation scheme for 2023 following the proposed Norwegian National Budget for 2024. The impact on Borregaard's EBITDA¹ for 2023 will be approximately NOK -25 million compared with the previously calculated compensation. The reduction in the CO₂ compensation for the first three quarters of 2023 is reflected in the 3rd quarter results.

The CO₂ compensation is an EU initiative which can be implemented at the discretion of each individual member country. The scheme is designed to mitigate the impact of high CO₂ allowance (EUA) prices on electricity costs. The purpose of the CO₂ compensation

scheme is to create a level playing field with other countries and to avoid carbon leakage, i.e. to avoid transfer of energy intensive industries to countries with less strict climate policies outside the EU.

NEW SUPPLY CONTRACT FOR ELECTRIC POWER WITH Å ENERGI

Borregaard and the Norwegian hydropower producer Å Energi have entered into a new long-term power purchase agreement for the period 2024 to 2033. The annual contract volume is 88 GWh, representing 10-15% of the Sarpsborg site's annual consumption. See notification to the Oslo Stock Exchange on 18 October 2023.

¹ Alternative performance measure, see page 23 for definition.

OUTLOOK

In BioSolutions, the diversified market strategy for lignin-based biopolymers is expected to mitigate effects of slowdown in certain end-markets. The total sales volume in the 4th quarter is expected to be in the range of 70-75,000 tonnes.

For BioMaterials, the total sales volume in the 4th quarter is expected to be in line with the 4th quarter of 2022. Sales volume of highly specialised grades is expected to be slightly higher compared with the 3rd quarter of 2023.

In Fine Chemicals, sales prices for advanced bioethanol in the 4th quarter are expected to remain at the same level as in the 3rd quarter of 2023. For fine chemical intermediates, higher deliveries and an improved product mix are expected in the 4th quarter compared with the 3rd quarter of 2023.

In the 4th quarter, energy prices and energy related raw material prices are expected to seasonally increase compared with the 3rd quarter of 2023. In addition, the 4th quarter is normally Borregaard's weakest quarter due to the annual maintenance stop at the Sarpsborg site as well as higher energy consumption and labour costs.

Cost inflation, interest rates and uncertainty in the global economy may impact Borregaard's markets. Borregaard will continue to closely monitor cost inflation and market development and implement relevant measures if required.

Sarpsborg, 23 October 2023
The Board of Directors of Borregaard ASA



THE GROUP'S INTERIM CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2023	2022	2023	2022	2022
Operating revenues	2	1,714	1,752	5,527	5,111	6,881
Operating expenses		-1,232	-1,318	-4,073	-3,832	-5,238
Depreciation property, plant and equipment		-121	-112	-351	-330	-444
Amortisation intangible assets		-1	-1	-4	-3	-5
Other income and expenses ¹	3	-	-	-	12	-8
Operating profit		360	321	1,099	958	1,186
Financial items, net	4	-42	-12	-110	-50	-68
Profit before taxes		318	309	989	908	1,118
Income tax expense	5	-76	-74	-238	-220	-267
Profit for the period		242	235	751	688	851
Profit attributable to non-controlling interests		5	-4	-	-20	-41
Profit attributable to owners of the parent		237	239	751	708	892
EBITDA¹		482	434	1,454	1,279	1,643

INTERIM EARNINGS PER SHARE

Amounts in NOK		1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2023	2022	2023	2022	2022
Earnings per share (100 mill. shares)	6	2.38	2.40	7.54	7.11	8.96
Diluted earnings per share	6	2.37	2.39	7.51	7.08	8.92

THE GROUP'S INTERIM CONDENSED COMPREHENSIVE INCOME STATEMENT

Amounts in NOK million	Note	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2023	2022	2023	2022	2022
Profit for the period		242	235	751	688	851
Items not to be reclassified to P&L		-	-	-	-	-
Actuarial gains and losses (after tax)		-	-	-	-	1
Total		-	-	-	-	1
Items to be reclassified to P&L						
Change in hedging-reserve after tax (cash flow)	8	214	-229	-343	-591	-253
Change in hedging-reserve after tax (net investment in subsidiaries)	8	13	-64	-56	-133	-70
Translation effects		-30	89	92	211	118
Total		197	-204	-307	-513	-205
The Group's comprehensive income		439	31	444	175	647
Comprehensive income non-controlling interests		4	3	4	-5	-33
Comprehensive income owners of the parent		435	28	440	180	680

¹ Alternative performance measure, see page 23 for definition.

THE GROUP'S INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in NOK million	Note	30.9.2023	31.12.2022
Intangible assets	13	84	82
Property, plant and equipment	13	4,513	4,371
Right-of-use assets		457	345
Other assets	9	234	254
Investments in joint venture/associate company	4	257	142
Non-current assets		5,545	5,194
Inventories		1,393	1,299
Receivables	9	1,400	1,387
Cash and cash deposits	11	707	234
Current assets		3,500	2,920
Total assets		9,045	8,114
Group equity	10	4,520	4,394
Non-controlling interests		55	51
Equity		4,575	4,445
Provisions and other liabilities		362	295
Interest-bearing liabilities	9, 11	2,008	1,370
Non-current liabilities		2,370	1,665
Interest-bearing liabilities	9, 11	580	702
Other current liabilities	9	1,520	1,302
Current liabilities		2,100	2,004
Equity and liabilities		9,045	8,114
Equity ratio ¹		50.6 %	54.8 %

INTERIM CONDENSED CHANGES IN EQUITY

Amounts in NOK million	Note	1.1 - 30.9.2023			1.1 - 31.12.2022		
		Controlling interests	Non-controlling interests	Total equity	Controlling interests	Non-controlling interests	Total equity
Equity 1 January		4,394	51	4,445	4,222	84	4,306
Profit/loss for the period		751	-	751	892	-41	851
Items in Comprehensive Income	8	-311	4	-307	-212	8	-204
The Group's Comprehensive income	8	440	4	444	680	-33	647
Paid dividend		-324	-	-324	-499	-	-499
Buy-back of treasury shares		-49	-	-49	-68	-	-68
Exercise of share options		22	-	22	16	-	16
Reduced tax payable of exercised share options		-	-	-	-	-	-
Shares to employees		30	-	30	33	-	33
Option costs (share based payment)		7	-	7	10	-	10
Transactions with non-controlling interests		-	-	-	-	-	-
Equity at the end of the period		4,520	55	4,575	4,394	51	4,445

¹ Alternative performance measure, see page 23 for definition.

THE GROUP'S INTERIM CONDENSED CASH FLOW STATEMENT

Amounts in NOK million	Note	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2023	2022	2023	2022	2022
Profit before taxes		318	309	989	908	1,118
Amortisation, depreciation and impairment charges		122	113	355	333	449
Changes in net working capital, etc.		87	-111	-87	-713	-658
Dividend/share of profit from JV & associate company	4	1	-	9	31	34
Taxes paid		-2	1	-218	-137	-208
Cash flow from operating activities		526	312	1,048	422	735
Investments property, plant and equipment and intangible assets *		-130	-84	-374	-252	-464
Investment in associate company	4	-	-	-124	-	-
Other capital transactions		2	-1	7	5	9
Cash flow from investing activities		-128	-85	-491	-247	-455
Dividends		-	-	-324	-499	-499
Proceeds from exercise of options/shares to employees	10	-	-	45	34	41
Buy-back of treasury shares	7	-	-	-49	-23	-68
Gain/(loss) on hedges for net investments in subsidiaries		12	-76	-76	-156	-79
Net paid to/from shareholders		12	-76	-404	-644	-605
Proceeds from interest-bearing liabilities	11	-	-	800	837	837
Repayment from interest-bearing liabilities	11	-28	-116	-488	-469	-512
Change in interest-bearing receivables/other liabilities	11	-9	51	51	119	78
Change in net interest-bearing liabilities		-37	-65	363	487	403
Cash flow from financing activities		-25	-141	-41	-157	-202
Change in cash and cash equivalents		373	86	516	18	78
Cash and cash equivalents at beginning of period		278	-38	111	5	5
Change in cash and cash equivalents		373	86	516	18	78
Currency effects cash and cash equivalents		-6	28	18	53	28
Cash and cash equivalents at the close of the period	11	645	76	645	76	111
*Investment by category						
Replacement investments		110	59	300	187	359
Expansion investments ¹ including investment in associate company		20	25	198	65	105
Total investments including investment in associate company		130	84	498	252	464

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.

Basis for preparation

These unaudited Interim Condensed Consolidated Financial Statements are prepared in accordance with IAS 34 Interim Financial Reporting. Borregaard ASA is the parent company of the Borregaard Group presented in these Interim Condensed Consolidated Financial Statements.

The same accounting principles and methods of calculation have been applied as in the Consolidated Financial Statements for 2022 for the Borregaard Group.

Use of estimates

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

NOTE 02 Segments

OPERATING REVENUES

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2023	2022	2023	2022	2022
Borregaard	1,714	1,752	5,527	5,111	6,881
BioSolutions	956	1,007	3,038	3,053	4,050
BioMaterials	568	558	1,913	1,630	2,250
Fine Chemicals	199	200	606	462	632
Eliminations	-9	-13	-30	-34	-51

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	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2023	2022	2023	2022	2022
Borregaard	482	434	1,454	1,279	1,643
BioSolutions	235	261	743	827	986
BioMaterials	161	101	431	289	427
Fine Chemicals	86	72	280	163	230
Reconciliation against operating profit & profit before tax					
EBITDA¹	482	434	1,454	1,279	1,643
Depreciations and write downs	-121	-112	-351	-330	-444
Amortisation intangible assets	-1	-1	-4	-3	-5
Other income and expenses ¹	-	-	-	12	-8
Operating profit	360	321	1,099	958	1,186
Financial items, net	-42	-12	-110	-50	-68
Profit before taxes	318	309	989	908	1,118

SALES REVENUES

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2023	2022	2023	2022	2022
Borregaard	1,688	1,723	5,450	5,034	6,776
BioSolutions	934	979	2,969	2,980	3,946
BioMaterials	557	546	1,880	1,597	2,205
Fine Chemicals	197	198	601	457	625
Eliminations	-	-	-	-	-

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

NOTE 03 Other income and expenses¹

There were no Other income and expenses¹ in the 3rd quarter of 2023.

¹ Alternative performance measure, see page 23 for definition.

NOTE 04 Financial items**NET FINANCIAL ITEMS**

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2023	2022	2023	2022	2022
Net interest expenses	-37	-21	-101	-50	-76
Currency gain/loss	-4	2	1	-4	6
Share of profit/-loss from an associate	-2	-2	-5	-3	-3
Other financial items, net	1	9	-5	7	5
Net financial items	-42	-12	-110	-50	-68

Borregaard holds 35% of the shares in Alginor ASA on a fully diluted basis as of 30 September 2023. Other financial items, net includes changes in committed return on the Group's unfunded pension plan.

NOTE 05 Income tax expense

The tax rate of 24.1% (24.2%) for the first nine months of 2023 is a compilation of the tax rates in the various countries in which Borregaard operates and has taxable income. The corporate income tax rate in Norway is 22%.

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

in the Borregaard Group, whereas the tax expense is calculated based on Borregaard's 55% ownership. Consequently, profit attributable to non-controlling interests for LignoTech Florida (45%) is calculated on profit before tax. Share of profit after tax from the joint venture, LignoTech South Africa, and from the associated company, Alginor ASA, is accounted for as part of operating profit and profit before tax. There are carry forward losses in the Group which will not be recognised as deferred tax assets, and hence increase the Group's tax rate.

NOTE 06 Earnings per share (EPS)

The share capital consists of 100 million shares. The company holds 243,604 treasury shares. As of 30 September 2023, there are 99,962,913 diluted shares

(99,752,815 as of 31 December 2022). Earnings per diluted share were NOK 2.37 in the 3rd quarter (NOK 2.39 in the 3rd quarter of 2022).

NOTE 07 Stock options

No share options have been exercised during the 3rd quarter of 2023.

The Group Executive Management and other key employees hold a total of 1,150,450 stock options in five different share option programmes in Borregaard.

Stock options	Issued 2019	Issued 2020	Issued 2021	Issued 2022	Issued 2023
Number of stock options	104,550	346,900	249,000	200,000	250,000
Strike price (NOK)*	67.05	91.35	172.45	220.50	190.75
Vesting period	3 years	3 years	3 years	3 years	3 years
Expiry date	6 February 2024	13 February 2025	16 February 2026	17 February 2027	1 March 2023

* Strike prices as at 30 September 2023 have been adjusted for dividend paid since issuance of stock options.

NOTE 08 Statement of comprehensive income

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

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

Amounts in NOK million	30.9.2023		30.9.2022		31.12.2022	
	Cash flow hedges	Hedges of net investments in subsidiaries	Cash flow hedges	Hedges of net investments in subsidiaries	Cash flow hedges	Hedges of net investments in subsidiaries
Tax effect year-to-date	-130	-80	-129	-82	-33	-65
Hedging reserve after tax	-459	-252	-454	-259	-116	-196

NOTE 09 Fair value hierarchy

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

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

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

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

There were no transfers from one level to another in the measurement hierarchy from 2022 to the 3rd quarter of 2023. Borregaard has no items defined as level 1. The bond is determined as measurement level 3. The fair value of the bond is deemed to equal its book value.

Set out below is a comparison of the carrying amount and the fair value of financial instruments as of 30 September 2023:

cont. NOTE 09 Fair value hierarchy

FINANCIAL ASSETS

Amounts in NOK million	Level	30.9.2023		31.12.2022	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial receivables	2	196	196	194	194
Non-current derivatives	2	23	23	46	46
Current derivatives	2	14	14	49	49
Total financial assets		233	233	289	289

FINANCIAL LIABILITIES

Non-current financial liabilities	2, 3	2,011	2,011	1,372	1,372
Non-current derivatives	2	298	298	144	144
Current financial liabilities	2	580	580	702	702
Current derivatives	2	322	322	102	102
Total financial liabilities		3,211	3,211	2,320	2,320

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Amounts in NOK million		Level 1	Level 2	Level 3
Financial instruments 30.9.2023	-2,978	-	-2,478	-500
Financial instruments 31.12.2022	-2,031	-	-1,631	-400

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

NOTE 10 Compilation of Equity

Amounts in NOK million	30.9.2023	31.12.2022
Share capital	100	100
Treasury shares	-	-
Share premium	1,346	1,346
Other paid-in capital	940	881
Translation effects	296	208
Hedging reserve (after tax)	-711	-312
Actuarial gains/Losses	42	42
Retained earnings	2,507	2,129
Group equity (controlling interests)	4,520	4,394

As of 30 September 2023, the company held 243,604 treasury shares at an average cost of NOK 180.39.

NOTE 11 Net interest-bearing debt¹

The various elements of net interest-bearing debt¹ are shown in the following table:

Amounts in NOK million	30.9.2023	31.12.2022
Non-current interest-bearing liabilities	2,008	1,370
Current interest-bearing liabilities including overdraft of cashpool	580	702
Non-current interest-bearing receivables (included in "Other Assets")	-2	-2
Cash and cash deposits	-707	-234
Net interest-bearing debt¹	1,879	1,836
- of which impact of IFRS 16 Leases	490	371

NOTE 12 Related parties

The members of the Group Executive Management of Borregaard held a total of 560,450 stock options in the Company as of 30 September 2023.

NOTE 13 Assessments relating to impairment

No impairment indicators have been identified in the Borregaard Group's property, plant and equipment or intangible assets in the 3rd quarter of 2023.

NOTE 14 Other matters and subsequent events

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

¹ Alternative performance measure, see page 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
EBITDA	EBITDA is defined by Borregaard as operating profit before depreciation, amortisation and other income and expenses.	Shows performance regardless of capital structure, tax situation and adjusted for income and expenses related transactions and events not considered by management to be part of operating activities. Management believes the measure enables an evaluation of operating performance.
EBITDA MARGIN	EBITDA margin is defined by Borregaard as EBITDA divided by operating revenues.	Shows the operations' performance regardless of capital structure and tax situation as a ratio to operating revenue.

	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
EBITDA	2023	2022	2023	2022	2022
Operating profit	360	321	1,099	958	1,186
Other income and expenses	-	-	-	-12	8
Amortisation intangible assets	1	1	4	3	5
Depreciation and impairment property, plant and equipment	121	112	351	330	444
EBITDA	482	434	1,454	1,279	1,643

	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
EBITDA MARGIN	2023	2022	2023	2022	2022
EBITDA	482	434	1,454	1,279	1,643
Operating revenues	1,714	1,752	5,527	5,111	6,881
EBITDA margin (%) (EBITDA/operating revenues)	28.1	24.8	26.3	25.0	23.9

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

EQUITY RATIO	30.9.2023	30.9.2022	31.12.2022
Total equity	4,575	4,008	4,445
Equity & liabilities	9,045	8,040	8,114
Equity ratio (%) (total equity/equity & liabilities)	50.6	49.9	54.8

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

	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
EXPANSION INVESTMENTS	2023	2022	2023	2022	2022
Total investments including investment in associate company	130	84	498	252	464
Replacement investments	-110	-59	-300	-187	-359
Expansion investments including investment in associate company	20	25	198	65	105

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

	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
OTHER INCOME AND EXPENSES	2023	2022	2023	2022	2022
Other income and expenses	-	-	-	12	-8

MEASURE	DESCRIPTION	REASON FOR INCLUDING
NET INTEREST-BEARING DEBT	Net interest-bearing debt is defined by Borregaard as interest-bearing liabilities minus interest-bearing assets.	Net interest-bearing debt provides an indicator of the net indebtedness and an indicator of the overall strength of the statement of financial position. Net interest-bearing debt is part of Borregaard's financial covenants (leverage ratio) and is important in understanding the capital structure.

NET INTEREST-BEARING DEBT	30.9.2023	30.9.2022	31.12.2022
Non-current interest-bearing liabilities	2,008	1,523	1,370
Current interest-bearing liabilities including overdraft of cashpool	580	641	702
Non-current interest-bearing receivables (included in "Other assets")	-2	-3	-2
Cash and cash deposits	-707	-167	-234
Net interest-bearing debt	1,879	1,994	1,836

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

LEVERAGE RATIO	30.9.2023	30.9.2022	31.12.2022
Net interest-bearing debt	1,879	1,994	1,836
EBITDA	1,818	1,542	1,643
Leverage ratio (net interest-bearing debt/EBITDA)	1.03	1.29	1.12

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

CAPITAL EMPLOYED (END OF PERIOD)	30.9.2023	30.9.2022	31.12.2022
Capital employed (end of period)	7,191	7,015	6,802

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

RETURN ON CAPITAL EMPLOYED (ROCE)	30.9.2023	30.9.2022	31.12.2022
Capital employed end of:			
Q3, 2021		5,991	
Q4, 2021		6,043	6,043
Q1, 2022		6,421	6,421
Q2, 2022		6,779	6,779
Q3, 2022	7,015	7,015	7,015
Q4, 2022	6,802		6,802
Q1, 2023	7,142		
Q2, 2023	7,216		
Q3, 2023	7,191		
Average capital employed	7,073	6,450	6,612
CAPITAL CONTRIBUTION	30.9.2023	30.9.2022	31.12.2022
Operating profit	1,327	1,114	1,186
Other income and expenses	20	-12	8
Amortisation intangible assets	6	4	5
Capital contribution	1,353	1,106	1,199
RETURN ON CAPITAL EMPLOYED (ROCE)	30.9.2023	30.9.2022	31.12.2022
Capital contribution	1,353	1,106	1,199
Average capital employed	7,073	6,450	6,612
Return on capital employed (ROCE) (%) (capital contribution/average capital employed)	19.1	17.1	18.1





Q3 2023



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