



Borregaard

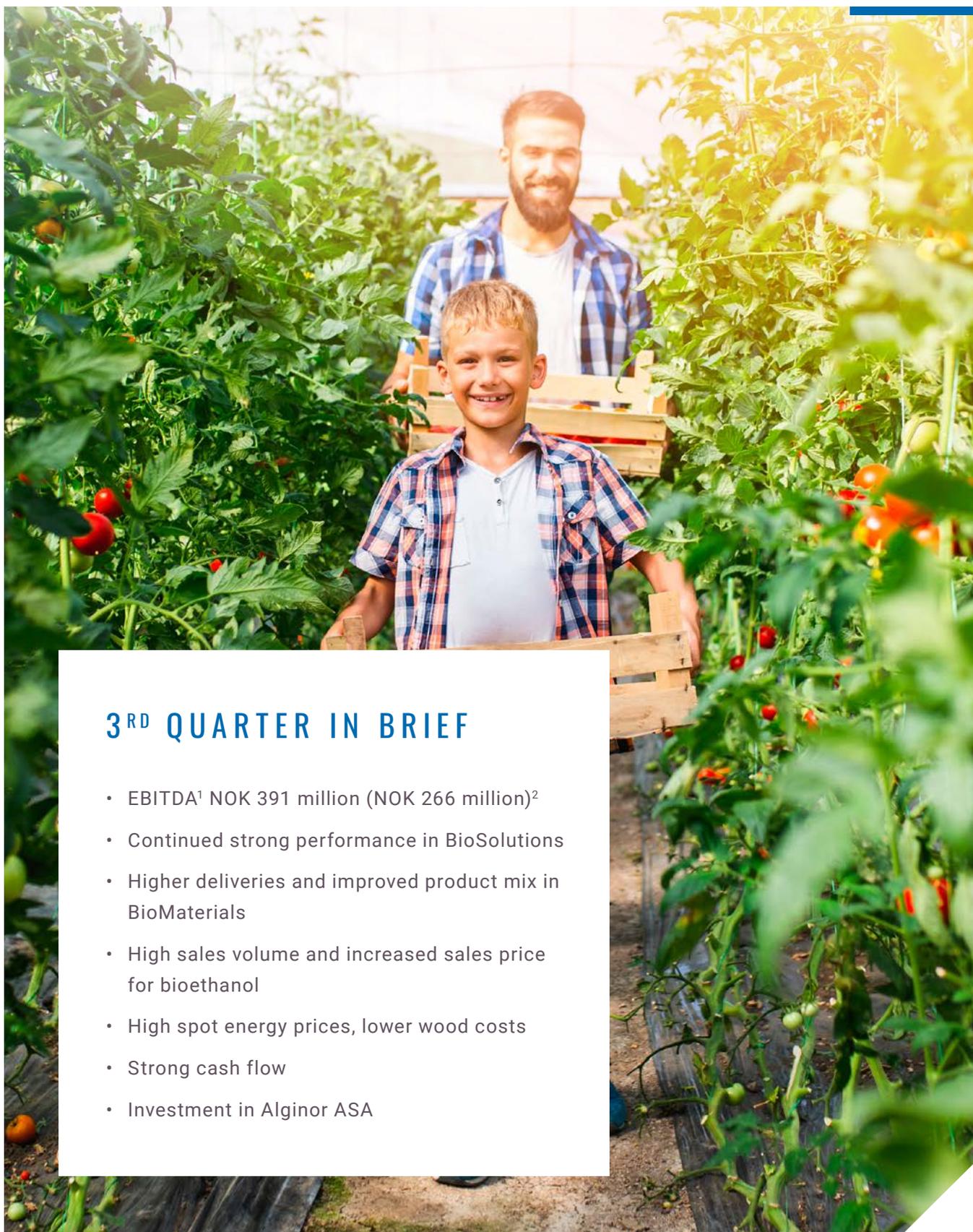
INTERIM REPORT
3RD QUARTER 2021



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Q3 2021



3RD QUARTER IN BRIEF

- EBITDA¹ NOK 391 million (NOK 266 million)²
- Continued strong performance in BioSolutions
- Higher deliveries and improved product mix in BioMaterials
- High sales volume and increased sales price for bioethanol
- High spot energy prices, lower wood costs
- Strong cash flow
- Investment in Alginor ASA

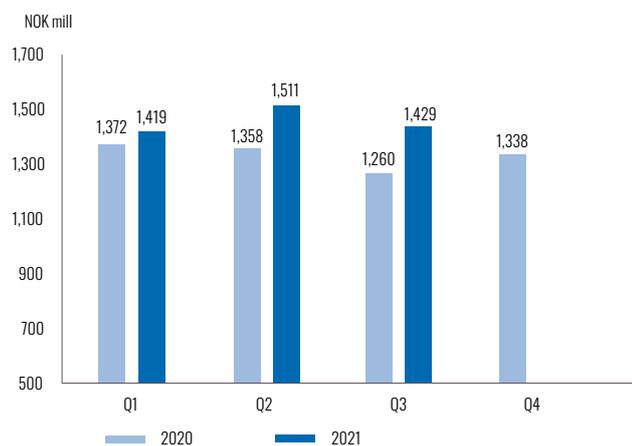
¹ Alternative performance measure, see page 21 for definition.

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

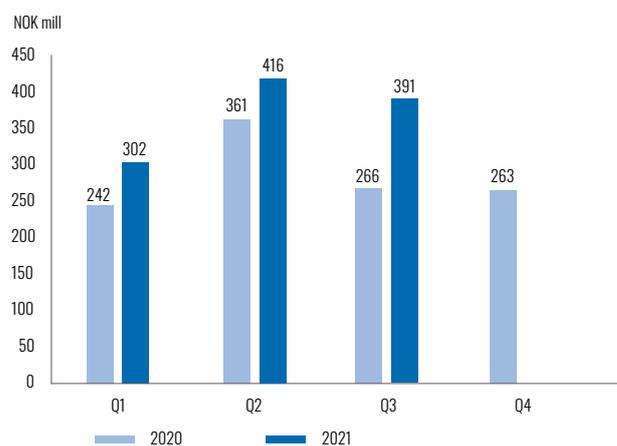
THE GROUP

Amounts in NOK million	Note	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2021	2020	2021	2020	2020
Operating revenues	2	1,429	1,260	4,359	3,990	5,328
EBITDA ¹		391	266	1,109	869	1,132
Operating profit		287	153	796	437	568
Profit/loss before taxes	2	269	133	741	377	496
Earnings per share (NOK)		2.12	1.12	5.93	3.15	4.36
Net interest-bearing debt ¹	11	1,477	2,114	1,477	2,114	1,794
Equity ratio ¹ (%)		58.1	47.5	58.1	47.5	53.9
Leverage ratio ¹		1.08	2.01	1.08	2.01	1.58
Return on capital employed ¹ (%)		16.0	10.0	16.0	10.0	11.4

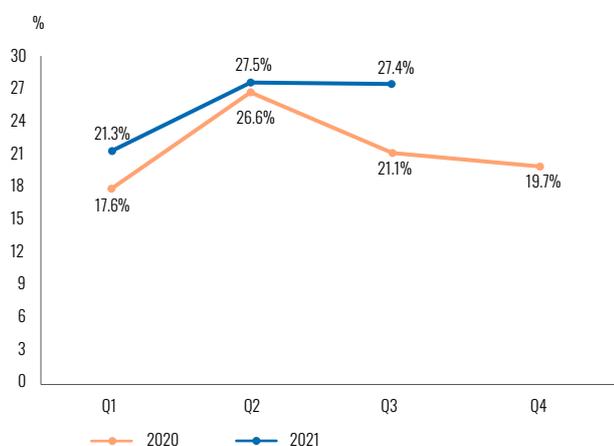
OPERATING REVENUES



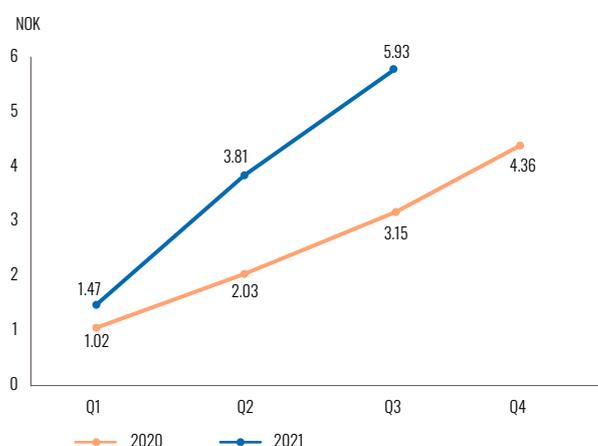
EBITDA¹



EBITDA MARGIN¹



EARNINGS PER SHARE CUMULATIVE



¹ Alternative performance measure, see page 21 for definition.

THIRD QUARTER

Borregaard's operating revenues reached NOK 1,429 million (NOK 1,260 million)² in the 3rd quarter of 2021. EBITDA¹ increased to NOK 391 million (NOK 266 million). BioSolutions' result improved significantly. Fine Chemicals also improved, whereas BioMaterials had a result in line with last year. The net currency impact on EBITDA¹ was slightly positive compared with the 3rd quarter of 2020.

The continued impact from increased sales prices and a favourable product mix were the main reasons for the EBITDA¹ improvement in BioSolutions. For BioMaterials, high deliveries and reduced wood costs compensated for reduced sales prices and increased energy costs. High sales volume and increased sales price for bioethanol contributed to the improvement in Fine Chemicals. High spot prices for liquefied natural gas and electricity led to increased energy costs in all business areas.

Operating profit reached NOK 287 million (NOK 153 million). Net financial items were NOK -18 million (NOK -20 million). Profit before tax was NOK 269 million (NOK 133 million). Tax expense of NOK -64 million (NOK -34 million), gave a tax rate of 24% (26%) in the quarter.

Earnings per share was NOK 2.12 (NOK 1.12).

Cash flow from operating activities amounted to NOK 378 million (NOK 153 million). The strong cash flow in the quarter was due to an increased EBITDA¹ and low tax payments.

In August, Borregaard invested NOK 109 million to acquire 24.99% of the shares in the marine biotech company Alginor ASA. There are many similarities between Borregaard's business model and the biorefinery concept under development by Alginor. Borregaard has relevant expertise from development, scale-up, manufacturing and sales of similar products in global markets.

YEAR-TO-DATE (1.1 – 30.9)

Borregaard's operating revenues increased to NOK 4,359 million (NOK 3,990 million) in the first nine months of 2021. EBITDA¹ increased to NOK 1,109 million (NOK 869 million).

BioSolutions and BioMaterials had improved results compared with the first nine months of 2020, whereas Fine Chemicals had a weaker result. The net currency impact on EBITDA¹ was negative compared with the first nine months of 2020.

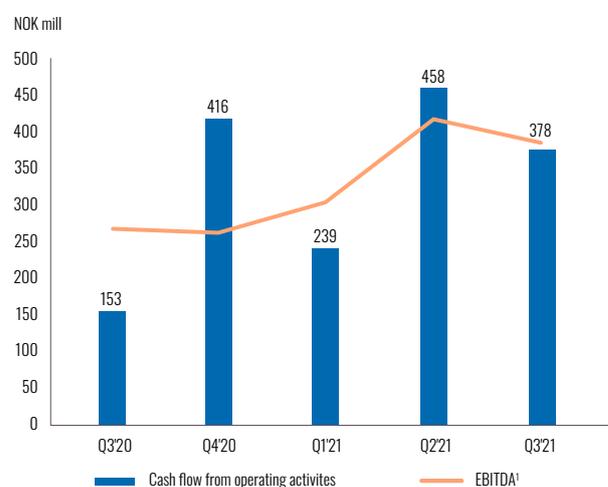
Price increases and a favourable product mix were the main reasons for the strong improvement in BioSolutions. The result in BioMaterials improved, mainly due to high sales volume of speciality cellulose and an improved product mix, which more than compensated for reduced sales prices. Non-recurring bioethanol sales to disinfectants in the 2nd quarter last year was the main reason for the decline in Fine Chemicals.

Operating profit increased to NOK 796 million (NOK 437 million). Net financial items amounted to NOK -55 million (NOK -60 million). Profit before tax was NOK 741 million (NOK 377 million). Tax expense of NOK -174 million (NOK -109 million), gave a tax rate of 23% (29%).

Earnings per share was NOK 5.93 (NOK 3.15).

In the first nine months of 2021, cash flow from operating activities amounted to NOK 1,075 million (NOK 470 million). The strong cash flow was due to an increased EBITDA¹ and a reduction in net working capital.

CASH FLOW FROM OPERATING ACTIVITIES



¹ Alternative performance measure, see page 21 for definition.

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

BUSINESS AREAS

BIOSOLUTIONS

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2021	2020	2021	2020	2020
Operating revenues	838	733	2,535	2,349	3,082
EBITDA ¹	251	132	728	495	632
EBITDA margin ¹ (%)	30.0	18.0	28.7	21.1	20.5

THIRD QUARTER

BioSolutions' operating revenues reached NOK 838 million (NOK 733 million). EBITDA¹ increased to NOK 251 million (NOK 132 million).

The continued impact from increased sales prices and a favourable product mix were the main reasons for the significant EBITDA¹ improvement, partly offset by increased energy costs. Net currency effects were slightly positive in BioSolutions.

The sales volume was reduced by 7%. The effect of a reduced raw material base was partly compensated by increased volume from the Florida plant. The volume reduction mainly affected low-value Construction applications. The average price in sales currency for BioSolutions was 19% higher than in the 3rd quarter of 2020 due to price increases, the effect of reduced sales volume to low-value applications and a favourable product mix.

YEAR-TO-DATE (1.1 – 30.9)

In the first nine months of 2021, BioSolutions had operating revenues of NOK 2,535 million (NOK 2,349 million). EBITDA¹ was NOK 728 million (NOK 495 million). The EBITDA¹ improvement was due to price increases and a favourable product mix, partly offset by negative net currency effects.

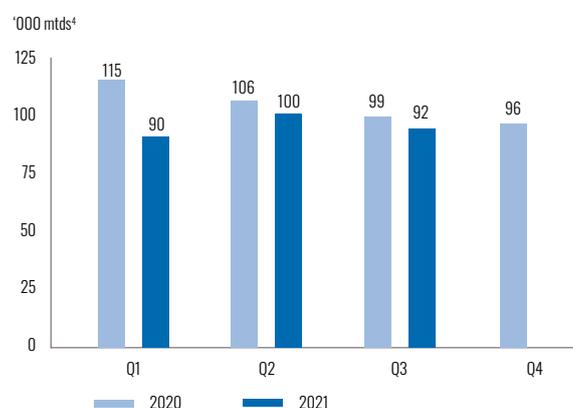
Total sales volume was 12% lower than in the first nine months of 2020. Discontinued raw material supply in South Africa and Spain was partly offset by increased sales volume from the Florida plant and inventory reductions. There have been no raw material deliveries from Park Falls, Wisconsin, since the 1st quarter.

The average price in sales currency was 19% higher than in the first nine months of 2020 due to price increases, the effect of reduced sales volume to low-value applications and a favourable product mix.

AVERAGE GROSS SALES PRICE³



SALES VOLUME³



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

¹ Alternative performance measure, see page 21 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 for the two first quarters of 2020. Average sales price is calculated using actual FX rates, excluding hedging impact.

⁴ Metric tonne dry solid.

BIOMATERIALS

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2021	2020	2021	2020	2020
Operating revenues	468	403	1,473	1,274	1,732
EBITDA ¹	91	91	257	238	318
EBITDA margin ¹ (%)	19.4	22.6	17.4	18.7	18.4

THIRD QUARTER

Operating revenues in BioMaterials increased to NOK 468 million (NOK 403 million). EBITDA¹ was NOK 91 million (NOK 91 million).

Higher deliveries of speciality cellulose and reduced wood costs compensated for reduced sales prices and increased spot energy prices. The net currency impact in BioMaterials was slightly positive.

The average price in sales currency was 3% lower compared with the same period last year.

YEAR-TO-DATE (1.1 – 30.9)

Operating revenues in the first nine months of 2021 were NOK 1,473 million (NOK 1,274 million). EBITDA¹ increased to NOK 257 million (NOK 238 million).

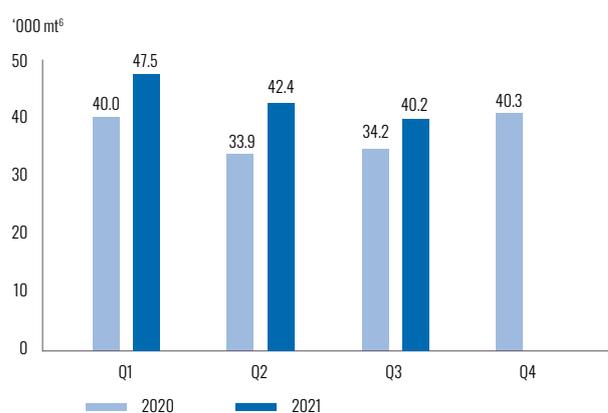
The improved EBITDA¹ was mainly due to high deliveries of speciality cellulose and an improved product mix, which more than compensated for reduced sales prices compared with the first nine months of 2020. The effect of higher energy costs was offset by lower wood costs. The net currency impact was negative.

The average price in sales currency for BioMaterials was 2% lower than in the same period last year. Speciality cellulose inventory has been significantly reduced year-to-date.

AVERAGE GROSS SALES PRICE⁵



SALES VOLUME



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

¹ Alternative performance measure, see page 21 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
	2021	2020	2021	2020	2020
Operating revenues	132	131	377	390	543
EBITDA ¹	49	43	124	136	182
EBITDA margin ¹ (%)	37.1	32.8	32.9	34.9	33.5

THIRD QUARTER

Fine Chemicals' operating revenues were NOK 132 million (NOK 131 million). EBITDA¹ increased to NOK 49 million (NOK 43 million).

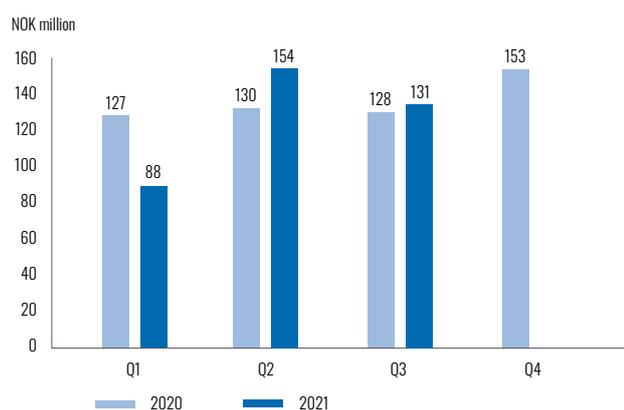
The EBITDA¹ improvement was mainly due to high sales volume and increased sales price for bioethanol. Bioethanol production volume continued at a high level with improved yield and lower costs. Fine chemical intermediates had a result in line with the 3rd quarter last year. The net currency impact in Fine Chemicals was insignificant.

YEAR-TO-DATE (1.1 – 30.9)

Operating revenues in Fine Chemicals were NOK 377 million (NOK 390 million) in the first nine months of 2021. EBITDA¹ was NOK 124 million (NOK 136 million). In 2020, EBITDA¹ was positively affected by high bioethanol sales to disinfectants.

Fine chemical intermediates had a result in line with the first nine months of 2020. Bioethanol had higher sales and production volume with improved yield and lower costs. The net currency impact in Fine Chemicals was slightly negative.

FINE CHEMICALS – SALES REVENUES



Sales revenues include fine chemical intermediates and bioethanol.

¹ Alternative performance measure, see page 21 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 3rd quarter of 2020, the net impact of foreign exchange on EBITDA¹, including hedging effects, was NOK 5 million. Hedging effects were NOK -16 million (NOK -51 million) in the quarter.

Compared with the first nine months of 2020, the net impact of foreign exchange on EBITDA¹, including

hedging effects, was NOK -65 million. Hedging effects were NOK -35 million (NOK -197 million) in the first nine months.

Assuming currency rates as of 20 October 2021 (USD 8.38 and EUR 9.74) and based on currency exposure forecasts, Borregaard expects a net impact of foreign exchange on EBITDA¹ of NOK 0 million in the 4th quarter of 2021 and NOK -65 million for the full year of 2021.

CASH FLOW AND FINANCIAL SITUATION

THIRD QUARTER

Cash flow from operating activities in the 3rd quarter was NOK 378 million (NOK 153 million). The strong cash flow in the quarter was due to the cash effect from an increased EBITDA¹ and low tax payments.

Investments amounted to NOK 219 million (NOK 99 million). Expansion investments¹ totalled NOK 163 million (NOK 47 million). The main expenditure was related to the investment in Alginor ASA (see Other matters and subsequent events and Note 4 and 14).

YEAR-TO-DATE (1.1 – 30.9)

In the first nine months of 2021, cash flow from operating activities was NOK 1,075 million (NOK 470 million). The strong cash flow was due to the cash effect from an increased EBITDA¹ and a reduction in net working capital.

Investments amounted to NOK 439 million (NOK 312 million). Replacement investments were NOK 208 million (NOK 191 million). Expansion investments¹

totalled NOK 231 million (NOK 121 million), where the largest expenditure was related to the biovanillin capacity expansion and the investment in Alginor ASA.

Dividend of NOK 249 million (NOK 229 million) was paid out in the 2nd quarter. In the first nine months of 2021, the Group has sold and repurchased treasury shares with a net payment of NOK 56 million (NOK 27 million). Realised effect of hedging of net investments in subsidiaries was NOK 11 million (NOK -49 million).

On 30 September 2021, the Group had net interest-bearing debt¹ totalling NOK 1,477 million (NOK 2,114 million), a decrease of NOK 317 million from year-end 2020.

At the end of June, the Group was well capitalised with an equity ratio¹ of 58.1% and a leverage ratio¹ of 1.08.

¹ Alternative performance measure, see page 21 for definition.

SHARE INFORMATION

In the 3rd quarter of 2021, Borregaard repurchased a total of 105,424 treasury shares at an average price of NOK 220.08.

During the 3rd quarter, 58,693 share options were exercised at a strike price of NOK 91.56 per share and 61,649 share options were exercised at a strike price of NOK 70.95.

Total number of shares outstanding on 30 September 2021 was 100 million, including 425,876 treasury shares. Total number of shareholders was 7,787. Borregaard ASA's share price was NOK 212.50 at the end of the 3rd quarter compared with NOK 188.00 at the end of the 2nd quarter of 2021 and NOK 141.80 at the end of 2020.

OTHER MATTERS AND SUBSEQUENT EVENTS

INVESTMENT IN ALGINOR ASA

In August, Borregaard co-invested with the European Innovation Council Fund (EIC Fund) and the Hatteland Group in a direct offering of new shares in the marine biotech company Alginor ASA. The direct offering will be executed in two tranches, and the second tranche will be executed before the end of May 2022.

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

Alginor also carried out a public equity issue that closed on 7 October 2021.

As of 20 October 2021, Borregaard holds 21.53% of the shares in Alginor.

After completion of the above-mentioned transactions, including the second tranche of the direct offering, Borregaard will hold 24.99% of the shares in Alginor. This represents a total investment of NOK 144 million.

Between May 2022 and end of April 2024, Alginor will execute an additional direct equity issue exclusively to Borregaard. This equity issue will bring Borregaard's ownership in Alginor up to 35% and bring another

NOK 126 million in equity to Alginor. If Borregaard does not fully subscribe to this direct offering, Borregaard will pay a break fee of NOK 6 million. Through the described equity transactions, Alginor has secured the necessary funding to scale up its biorefinery concept in the Haugesund area.

Alginor is a Norwegian marine biotech company based in the Haugesund region of Southwestern Norway. The company is developing a fully integrated and sustainable value chain based on harvesting and biorefining of the brown kelp *Laminaria hyperborea* – a renewable marine resource growing in abundance along the Norwegian coastline. Alginor will target global markets for pharmaceutical and nutraceutical applications.

There are many similarities between Borregaard's business model and the biorefinery concept under development by Alginor. Both strategies are built on full utilisation of unique and sustainable raw materials for high-value products to global market niches. Borregaard has relevant experience from development, scale-up, manufacturing and sales of products according to cGMP principles and food-grade quality.

See notification to the Oslo Stock Exchange on 23 July 2021.

OUTLOOK

Total sales volume for BioSolutions in the 4th quarter is expected to be between 85,000 and 90,000 tonnes. The new biovanillin capacity will be gradually phased into the market.

In BioMaterials, the average price in sales currency is expected to be 2-3% below the 2020 level for the full year. Sales volume in the 4th quarter will be significantly lower than in the same quarter last year.

The sales mix in fine chemical intermediates is expected to be weaker than in the 3rd quarter of 2021.

An extended annual maintenance stop at the Sarpsborg site, partly due to the installation of new equipment, will result in lower production output in the 4th quarter.

In the 4th quarter, high spot prices for liquefied natural gas and electricity will further increase energy costs in all business areas compared with the 3rd quarter of 2021.

Sarpsborg, 20 October 2021
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
		2021	2020	2021	2020	2020
Operating revenues	2	1,429	1,260	4,359	3,990	5,328
Operating expenses		-1,038	-994	-3,250	-3,121	-4,196
Depreciation property, plant and equipment		-103	-112	-310	-333	-443
Amortisation intangible assets		-1	-1	-3	-3	-5
Other income and expenses ¹	3	-	-	-	-96	-116
Operating profit		287	153	796	437	568
Financial items, net	4	-18	-20	-55	-60	-72
Profit before taxes		269	133	741	377	496
Income tax expense	5	-64	-34	-174	-109	-117
Profit for the period		205	99	567	268	379
Profit attributable to non-controlling interests		-6	-13	-23	-47	-57
Profit attributable to owners of the parent		211	112	590	315	436
EBITDA¹		391	266	1,109	869	1,132

INTERIM EARNINGS PER SHARE

Amounts in NOK		1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2021	2020	2021	2020	2020
Earnings per share (100 mill. shares)	6	2.12	1.12	5.93	3.15	4.36
Diluted earnings per share	6	2.12	1.12	5.91	3.16	4.37

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
		2021	2020	2021	2020	2020
Profit for the period		205	99	567	268	379
Items not to be reclassified to P&L						
Actuarial gains and losses (after tax)		-	-	-	-	7
Total		-	-	-	-	7
Items to be reclassified to P&L						
Change in hedging-reserve after tax (cash flow)	8	-53	82	49	-264	180
Change in hedging-reserve after tax (net investment in subsidiaries)	8	-12	12	-9	-45	5
Translation effects		16	-20	19	56	-24
Total		-49	74	59	-253	161
The Group's comprehensive income		156	173	626	15	547
Comprehensive income non-controlling interests		-4	-17	-20	-34	-56
Comprehensive income owners of the parent		160	190	646	49	603

¹ Alternative performance measure, see page 21 for definition.

THE GROUP'S INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in NOK million	Note	30.9.2021	31.12.2020
Intangible assets	13	90	86
Property, plant and equipment	13	4,052	3,973
Right-of-use assets		358	381
Other assets	9	277	380
Investments in joint venture and associate company	4, 14	147	38
Non-current assets		4,924	4,858
Inventories		799	887
Receivables	9	1,180	1,051
Cash and cash deposits	11	184	207
Current assets		2,163	2,145
Total assets		7,087	7,003
Group equity	10	4,023	3,668
Non-controlling interests		92	110
Equity		4,115	3,778
Provisions and other liabilities		305	291
Interest-bearing liabilities	9, 11	1,351	1,381
Non-current liabilities		1,656	1,672
Interest-bearing liabilities	9, 11	313	623
Other current liabilities	9	1,003	930
Current liabilities		1,316	1,553
Equity and liabilities		7,087	7,003
Equity ratio ¹		58.1 %	53.9%

INTERIM CONDENSED CHANGES IN EQUITY

Amounts in NOK million	Note	1.1 - 30.9.2021			1.1 - 31.12.2020		
		Controlling interests	Non-controlling interests	Total equity	Controlling interests	Non-controlling interests	Total equity
Equity 1 January		3,668	110	3,778	3,306	158	3,464
Profit/loss for the period		590	-23	567	436	-57	379
Items in Comprehensive Income	8	56	3	59	167	1	168
The Group's Comprehensive income	8	646	-20	626	603	-56	547
Paid dividend		-249	-	-249	-229	-	-229
Buy-back of treasury shares		-111	-	-111	-62	-	-62
Exercise of share options		34	-	34	16	-	16
Reduced tax payable of exercised share options		-	-	-	-	-	-
Shares to employees		28	-	28	25	-	25
Option costs (share based payment)		7	-	7	9	-	9
Transactions with non-controlling interests		-	2	2	-	8	8
Equity at the end of the period		4,023	92	4,115	3,668	110	3,778

¹ Alternative performance measure, see page 21 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
		2021	2020	2021	2020	2020
Profit before taxes		269	133	741	377	496
Amortisation, depreciation and impairment charges		104	113	313	336	449
Changes in net working capital, etc.		8	-57	82	-221	-21
Dividend (share of profit) from JV		-	-	-	63	51
Taxes paid		-3	-36	-61	-85	-89
Cash flow from operating activities		378	153	1,075	470	886
Investments property, plant and equipment and intangible assets *		-219	-99	-439	-312	-503
Other capital transactions		2	-3	5	2	14
Cash flow from investing activities		-217	-102	-434	-310	-489
Dividends		-	-	-249	-229	-229
Proceeds from exercise of options/shares to employees	10	9	5	55	34	35
Buy-back of shares	7	-23	-11	-111	-61	-62
Gain/(loss) on hedges for net investments in subsidiaries		-6	-2	11	-49	10
Net paid to/from shareholders		-20	-8	-294	-305	-246
Proceeds from interest-bearing liabilities	11	-	400	300	1,350	1,550
Repayment from interest-bearing liabilities	11	-212	-516	-668	-1,446	-1,703
Change in interest-bearing receivables/other liabilities	11	1	4	-5	30	18
Change in net interest-bearing liabilities		-211	-112	-373	-66	-135
Cash flow from financing activities		-231	-120	-667	-371	-381
Change in cash and cash equivalents		-70	-69	-26	-211	16
Cash and cash equivalents at beginning of period		143	-59	96	81	81
Change in cash and cash equivalents		-70	-69	-26	-211	16
Currency effects cash and cash equivalents		3	1	6	3	-1
Cash and cash equivalents at the close of the period	11	76	-127	76	-127	96
*Investment by category						
Replacement investments		56	52	208	191	344
Expansion investments ¹		163	47	231	121	159

¹ Alternative performance measure, see page 21 for definition.

NOTES

NOTE 01 Organisation and basis for preparation

GENERAL INFORMATION

Borregaard ASA is incorporated and domiciled in Norway. The address of its registered office is Hjalmar Wessels vei 6, Sarpsborg.

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

Basis for preparation

These unaudited Interim Condensed Consolidated Financial Statements are prepared in accordance with IAS 34 Interim Financial Reporting. Borregaard

ASA is the parent company of the Borregaard Group presented in these Interim Condensed Consolidated Financial Statements.

The same accounting principles and methods of calculation have been applied as in the Consolidated Financial Statements for 2020 for the Borregaard Group.

Use of estimates

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

NOTE 02 Segments

OPERATING REVENUES

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2021	2020	2021	2020	2020
Borregaard	1,429	1,260	4,359	3,990	5,328
BioSolutions	838	733	2,535	2,349	3,082
BioMaterials	468	403	1,473	1,274	1,732
Fine Chemicals	132	131	377	390	543
Eliminations	-9	-7	-26	-23	-29

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
	2021	2020	2021	2020	2020
Borregaard	391	266	1,109	869	1,132
BioSolutions	251	132	728	495	632
BioMaterials	91	91	257	238	318
Fine Chemicals	49	43	124	136	182
Reconciliation against operating profit & profit before tax					
EBITDA¹	391	266	1,109	869	1,132
Depreciations and write downs	-103	-112	-310	-333	-443
Amortisation intangible assets	-1	-1	-3	-3	-5
Other income and expenses	-	-	-	-96	-116
Operating profit	287	153	796	437	568
Financial items, net	-18	-20	-55	-60	-72
Profit before taxes	269	133	741	377	496

SALES REVENUES

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2021	2020	2021	2020	2020
Borregaard	1,406	1,229	4,291	3,913	5,227
BioSolutions	819	706	2,477	2,281	2,995
BioMaterials	457	395	1,442	1,247	1,695
Fine Chemicals	131	128	373	385	538
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

There are no other income and expenses in the 3rd quarter of 2021. In the 2nd quarter of 2020, Other income and expenses of NOK -96 million were related to impairment of assets and restructuring of the operation in South

Africa, restructuring costs in LignoTech Ibérica and an additional accrual related to cleaning and deposition of polluted soil at the Sarpsborg site.

NOTE 04 Financial items

NET FINANCIAL ITEMS

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2021	2020	2021	2020	2020
Net interest expenses	-15	-18	-46	-59	-76
Currency gain/loss	-2	-1	-1	1	7
Share of profit/-loss from an associate	-	-	-	-	-
Other financial items, net	-1	-1	-8	-2	-3
Net financial items	-18	-20	-55	-60	-72

Borregaard invested in an associate company, Alginor ASA, in the 3rd quarter of 2021 and holds 24,99% of the shares as of 30 September 2021. The purchase price allocation is not yet finalised. For more information, see Note 14.

¹ Alternative performance measure, see page 21 for definition.

NOTE 05 Income tax expense

The tax rate of 23.5% (28.9%) for the first nine months of 2021 is a compilation of the tax rates in the various countries in which Borregaard operates and has taxable income. The corporate income tax rate in Norway is 22%.

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

in the Borregaard Group, whereas the tax expense is calculated based on Borregaard's 55% ownership. Consequently, profit attributable to non-controlling interests for LignoTech Florida (45%) is calculated on profit before tax. Share of profit after tax from the joint venture, LignoTech South Africa, is accounted for as part of operating profit and profit before tax (due to IFRS 11). 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 425,876 treasury shares. As of 30 September 2021, there are 99,747,995 diluted shares

(99,712,283 as of 31 December 2020). Earnings per diluted share were NOK 2.12 in the 3rd quarter (NOK 1.12 in the 3rd quarter of 2020).

NOTE 07 Stock options

During the 3rd quarter of 2021, 58,693 share options were exercised at a strike price of NOK 91.56 and 61,649 share options were exercised at a strike price of NOK 70.95.

The Group Executive Management and other key employees hold a total of 1,280,794 stock options in five different share option programmes in Borregaard.

Stock options	Issued 2017	Issued 2018	Issued 2019	Issued 2020	Issued 2021
Number of stock options outstanding	5,307	256,487	370,000	400,000	249,000
Strike price (NOK)*	91.56	70.95	75.3	99.60	180.70
Vesting period	3 years	3 years	3 years	3 years	3 years
Expiry date	17 February 2022	7 February 2023	6 February 2024	13 February 2025	16 February 2026

* Strike prices have been adjusted for dividend paid since issuance of stock options.

NOTE 08 Statement of comprehensive income

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

hedges and hedges of net investments in subsidiaries (hedging reserve). These figures are presented after tax.

Amounts in NOK million	30.9.2021		30.9.2020		31.12.2020	
	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	29	-45	-111	-55	15	-40
Hedging reserve after tax	100	-126	-393	-167	51	-117

NOTE 09 Fair value hierarchy

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

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

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

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

There were no transfers from one level to another in the measurement hierarchy from 2020 to the 3rd quarter of 2021. Borregaard has no items defined as level 1. The bond is determined as measurement level 3. The fair value of the bond is deemed to equal its book value.

Set out below is a comparison of the carrying amount and the fair value of financial instruments as of 30 September 2021:

FINANCIAL ASSETS

Amounts in NOK million	Level	30.9.2021		31.12.2020	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial receivables	2	190	190	195	195
Non-current derivatives	2	66	66	165	165
Current derivatives	2	134	134	35	35
Total financial assets		390	390	395	395

FINANCIAL LIABILITIES

Non-current financial liabilities	2, 3	1,353	1,353	1,383	1,383
Non-current derivatives	2	31	31	29	29
Current financial liabilities	2	313	313	623	623
Current derivatives	2	59	59	93	93
Total financial liabilities		1,756	1,756	2,128	2,128

cont. NOTE 09 Fair value hierarchy

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Amounts in NOK million		Level 1	Level 2	Level 3
Financial instruments 30.09.2021	-1,366	-	-966	-400
Financial instruments 31.12.2020	-1,733	-	-1,333	-400

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

NOTE 10 Compilation of Equity

Amounts in NOK million	30.9.2021	31.12.2020
Share capital	100	100
Treasury shares	-	-
Share premium	1,346	1,346
Other paid-in capital	815	746
Translation effects	93	77
Hedging reserve (after tax)	-26	-66
Actuarial gains/Losses	-14	-14
Retained earnings	1,709	1,479
Group equity (controlling interests)	4,023	3,668

As of 30 September 2021, the company held 425,876 treasury shares at an average cost of NOK 188.48

NOTE 11 Net interest-bearing debt¹

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

Amounts in NOK million	30.9.2021	31.12.2020
Non-current interest-bearing liabilities	1,351	1,381
Current interest-bearing liabilities including overdraft of cashpool	313	623
Non-current interest-bearing receivables (included in "Other Assets")	-3	-3
Cash and cash deposits	-184	-207
Net interest-bearing debt¹	1,477	1,794
- of which impact of IFRS 16 Leases	377	396

¹ Alternative performance measure, see page 21 for definition.

NOTE 12 Related parties

The members of the Group Executive Management of Borregaard held a total of 640,661 stock options in the

Company as of 30 September 2021.

NOTE 13 Assessments relating to impairment

No impairment indicators have been identified in the Borregaard Group's property, plant and equipment or

intangible assets in the 3rd quarter of 2021.

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

In August, Borregaard co-invested with the European Innovation Council Fund (EIC Fund) and the Hatteland Group in a direct offering of new shares in the marine biotech company Alginor ASA. The direct offering will be executed in two tranches, and the second tranche will be executed before the end of May 2022.

In August, Borregaard also acquired shares in Alginor from a company controlled by founder and CEO, Thorleif Thormodsen, representing 25% of his shareholding. Borregaard has paid NOK 109 million for its investment in Alginor as of 30 September 2021.

Alginor also carried out a public equity issue that closed on 7 October 2021.

As of 20 October 2021, Borregaard holds 21.53% of the shares in Alginor.

After completion of the above mentioned transactions, including the second tranche of the direct offering, Borregaard will hold 24.99% of the shares in Alginor. This represents a total investment of NOK 144 million. Between May 2022 and end of April 2024, Alginor will execute an additional direct equity issue exclusively to Borregaard. This equity issue will bring Borregaard's ownership in Alginor up to 35% and bring another NOK 126 million in equity to Alginor. If Borregaard does not fully subscribe to this direct offering, Borregaard will pay a break fee of NOK 6 million. Through the described

equity transactions, Alginor has secured the necessary funding to scale up its biorefinery concept in the Haugesund area.

Alginor is a Norwegian marine biotech company based in the Haugesund region of Southwestern Norway. The company is developing a fully integrated and sustainable value chain based on harvesting and biorefining of the brown kelp *Laminaria hyperborea* – a renewable marine resource growing in abundance along the Norwegian coastline. Alginor will target global markets for pharmaceutical and nutraceutical applications.

There are many similarities between Borregaard's business model and the biorefinery concept under development by Alginor. Both strategies are built on full utilisation of unique and sustainable raw materials for high-value products to global market niches. Borregaard has relevant experience from development, scale-up, manufacturing and sales of products according to cGMP principles and food-grade quality.

See notification to the Oslo Stock Exchange on 23 July 2021.

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

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 - 30.9	1.1 - 31.12	
Capital employed end of	2021	2020	2020
Q3, 2019		5,938	
Q4, 2019		5,815	5,815
Q1, 2020		6,371	6,371
Q2, 2020		6,091	6,091
Q3, 2020	6,103	6,103	6,103
Q4, 2020	5,904		5,904
Q1, 2021	5,884		
Q2, 2021	5,854		
Q3, 2021	5,991		
Average	5,947	6,064	6,057
EBITA (LTM)	952	609	689
ROCE (%)	16.0	10.0	11.4



Q3 2021



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