



Borregaard

INTERIM REPORT

3<sup>RD</sup> QUARTER 2020

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# Q3 2020

## 3<sup>RD</sup> QUARTER IN BRIEF

- EBITDA<sup>1</sup> NOK 266 million (NOK 286 million)<sup>2</sup>
- Negative Covid-19 effects on demand in BioSolutions and BioMaterials
- Reduced lignin raw material supply affected sales to concrete admixtures and low-value industrial applications in BioSolutions
- Effect of reduced sales volume offset by lower wood and energy costs in BioMaterials
- Higher sales volume and prices for bioethanol in Fine Chemicals
- Slightly negative net currency impact on EBITDA<sup>1</sup>

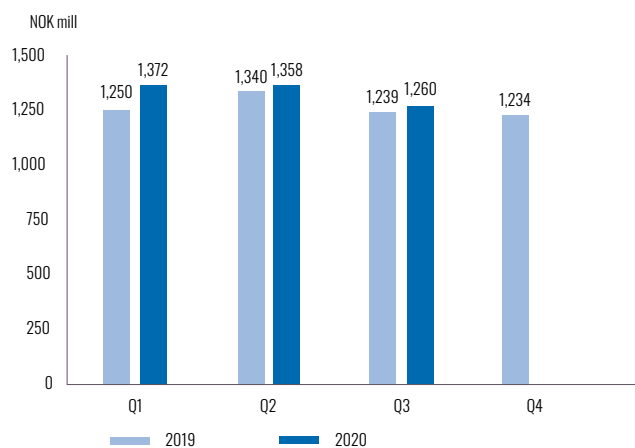
<sup>1</sup> Alternative performance measure, see page 20 for definition.

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

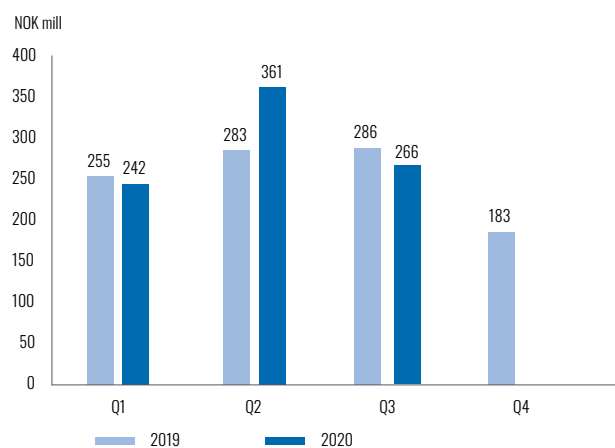
# THE GROUP

Amounts in NOK million	Note	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2020	2019	2020	2019	2019
Operating revenues	2	1,260	1,239	3,990	3,829	5,063
EBITDA <sup>1</sup>		266	286	869	824	1,007
Operating profit		153	179	437	497	558
Profit/loss before taxes	2	133	156	377	437	467
Earnings per share (NOK)		1.12	1.31	3.15	3.79	4.17
Net interest-bearing debt <sup>1</sup>	11	2,114	1,971	2,114	1,971	1,876
Equity ratio <sup>1</sup> (%)		47.5	49.5	47.5	49.5	51.4
Leverage ratio <sup>1</sup>		2.01	1.96	2.01	1.96	1.86
Return on capital employed <sup>1</sup> (%)		10.0	11.4	10.0	11.4	10.5

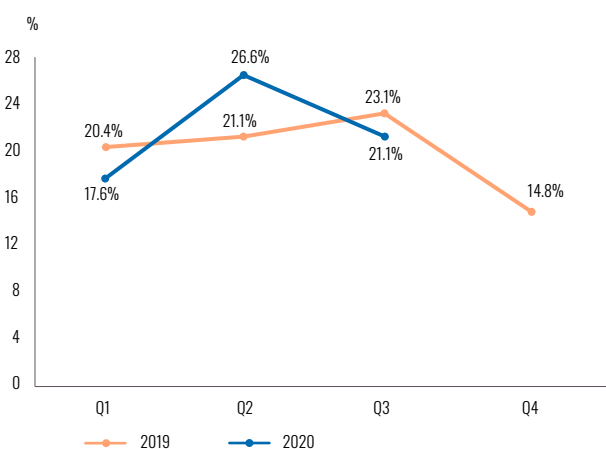
## OPERATING REVENUES



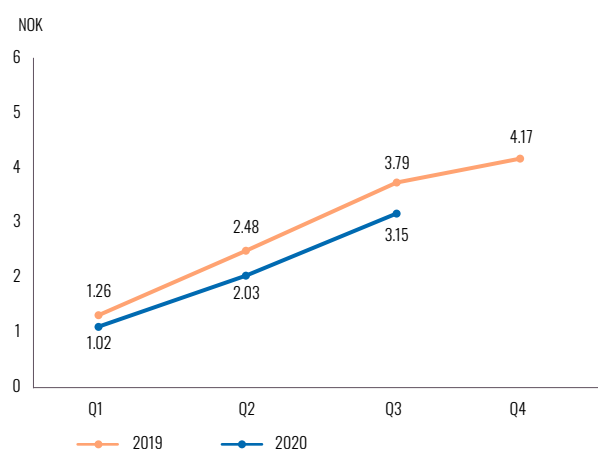
## EBITDA<sup>1</sup>



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



## EARNINGS PER SHARE CUMULATIVE



<sup>1</sup> Alternative performance measure, see page 20 for definition.

### THIRD QUARTER

Borregaard's operating revenues increased to NOK 1,260 million (NOK 1,239 million)<sup>2</sup> in the 3<sup>rd</sup> quarter of 2020. EBITDA<sup>1</sup> was NOK 266 million (NOK 286 million). Fine Chemicals had an improved result, whereas BioSolutions and BioMaterials had weaker results compared with the corresponding quarter in 2019.

During the 3<sup>rd</sup> quarter, Covid-19 affected sales and results. Negative effects on demand for certain biopolymers specialities and less specialised cellulose grades are mainly related to the coronavirus situation.

For BioSolutions, higher costs related to transatlantic shipments and Covid-19 effects on demand in the US market affected the result negatively. In BioMaterials, the effect of a reduced sales volume was offset by lower wood and energy costs. For Fine Chemicals, higher sales volume and prices for bioethanol were the main reasons for the improved result. The total net currency impact on EBITDA<sup>1</sup> was slightly negative compared with the same quarter in 2019.

Operating profit was NOK 153 million (NOK 179 million). Net financial items were NOK -20 million (NOK -23 million). Profit before tax was NOK 133 million (NOK 156 million). Tax expense was NOK -34 million (NOK -38 million), giving a tax rate of 26% (24%) in the quarter.

Earnings per share were NOK 1.12 (NOK 1.31).

Cash flow from operating activities in the 3<sup>rd</sup> quarter was NOK 153 million (NOK 232 million). The decline was due to a negative cash effect of a decreased EBITDA<sup>1</sup>, as well as higher net working capital and taxes paid compared with the same quarter last year. Taxes paid increased due to an extended deadline to 1 September for advance payment of tax in Norway.

### YEAR-TO-DATE (1.1 – 30.9)

Borregaard's operating revenues increased to NOK 3,990 million (NOK 3,829 million) in the first nine months of 2020. EBITDA<sup>1</sup> increased to NOK 869 million (NOK 824 million). BioMaterials and Fine Chemicals had improved results, whereas BioSolutions had a decline compared with the corresponding period last year.

In BioSolutions, the negative effect of discontinued raw material supply and reduced demand in certain biopolymers applications was partly compensated by an improved product mix and favourable net currency effects. The improved result in BioMaterials was due to lower wood and energy costs and higher production volume, partly offset by a reduced sales volume. For Fine Chemicals, high sales of bioethanol to disinfectants in the 2<sup>nd</sup> quarter was the main reason for the improved result. The total net currency impact on EBITDA<sup>1</sup> was approximately NOK 35 million compared with the corresponding period in 2019.

Other income and expenses<sup>1</sup> were NOK -96 million (NOK -16 million) due to impairment of assets and restructuring costs related to LignoTech South Africa, restructuring costs in LignoTech Ibérica and an additional accrual related to cleaning and deposition of contaminated soil at the Sarpsborg site.

Operating profit was NOK 437 million (NOK 497 million). Net financial items amounted to NOK -60 million (NOK -60 million). Profit before tax was NOK 377 million (NOK 437 million). Tax expense was NOK -109 million (NOK -104 million), giving a tax rate of 29% (24%).

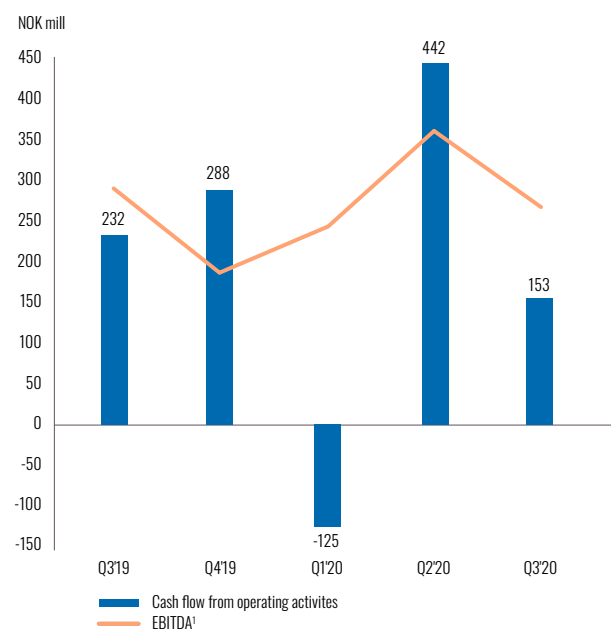
Earnings per share were NOK 3.15 (NOK 3.79).

<sup>1</sup> Alternative performance measure, see page 20 for definition.

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

In the first nine months of 2020, cash flow from operating activities was NOK 470 million (NOK 409 million). The improvement was due to a positive cash effect of an increased EBITDA<sup>1</sup> and a slightly favourable development in net working capital.

### CASH FLOW FROM OPERATING ACTIVITIES



# BUSINESS AREAS

## BIO SOLUTIONS

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2020	2019	2020	2019	2019
Operating revenues	733	720	2,349	2,256	2,982
EBITDA <sup>1</sup>	132	156	495	516	647
EBITDA margin <sup>1</sup> (%)	18.0	21.7	21.1	22.9	21.7

### THIRD QUARTER

Operating revenues in BioSolutions increased to NOK 733 million (NOK 720 million). EBITDA<sup>1</sup> was NOK 132 million (NOK 156 million). The decline in EBITDA<sup>1</sup> was mainly related to transatlantic shipments and Covid-19 effects on demand for certain biopolymers specialities in the US market. Cost reductions from the upgrade in Norway and the restructuring in Germany more than compensated for negative net currency effects.

Discontinued raw material supply from Sappi Saiccor, Sniace and Flambeau was the main reason for a 17% lower sales volume. This was partly offset by inventory reduction and increased sales volume from the Florida plant. The reduced supply particularly affected sales of biopolymers to concrete admixtures and low-value industrial applications. Demand dropped significantly in oil field chemicals, whereas demand for products to the automotive industry was slightly reduced. Raw material deliveries from Park Falls (former Flambeau), Wisconsin, started up towards the end of the quarter.

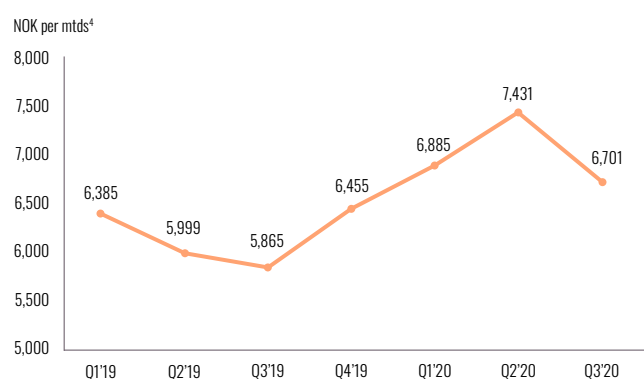
The average price in sales currency was 10% higher than in the 3<sup>rd</sup> quarter of 2019, mainly from an improved product mix due to reduced share of concrete admixtures and low-value industrial applications.

### YEAR-TO-DATE (1.1 – 30.9)

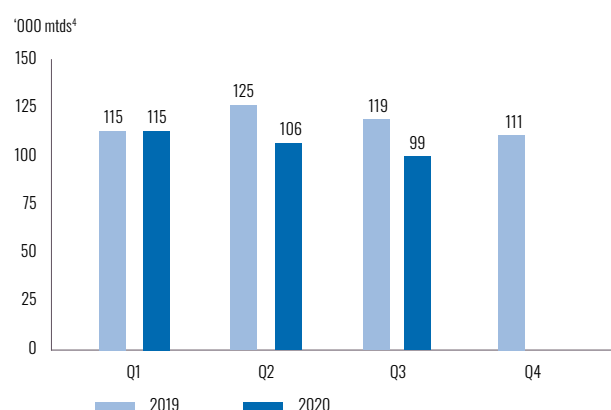
In the first nine months of 2020, BioSolutions had operating revenues of NOK 2,349 million (NOK 2,256 million). EBITDA<sup>1</sup> was NOK 495 million (NOK 516 million). The negative effect of reduced raw material supply and lower sales volume in certain biopolymers applications was partly compensated by an improved product mix, cost reductions and favourable net currency effects.

Total sales volume was 11% lower than in the first nine months of 2019, with a significant reduction in concrete admixtures and certain low-value industrial applications. The average price in sales currency was 6% higher than in the first nine months of 2019 due to an improved product mix.

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



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



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

<sup>1</sup> Alternative performance measure, see page 20 for definition.

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

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

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

## BIOMATERIALS

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2020	2019	2020	2019	2019
Operating revenues	403	430	1,274	1,296	1,712
EBITDA <sup>1</sup>	91	94	238	203	234
EBITDA margin <sup>1</sup> (%)	22.6	21.9	18.7	15.7	13.7

### THIRD QUARTER

Operating revenues in BioMaterials were NOK 403 million (NOK 430 million). EBITDA<sup>1</sup> was NOK 91 million (NOK 94 million).

For speciality cellulose, the effect of a reduced sales volume was offset by lower wood and energy costs. The sales volume reduction was mainly related to Covid-19 effects on demand for less specialised grades. The net currency impact was negligible.

The average price in sales currency was 1% higher than in the same period in 2019 due to a favourable product mix.

Demand growth for cellulose ethers to construction applications has been reduced due to the coronavirus situation. Sales to food and pharma applications continued to show strong growth.

The sales volume for cellulose fibrils continued to grow from a low level. Higher sales and cost reductions did not fully compensate for the reduced EU Horizon 2020<sup>5</sup> grant, which ended 30 April.

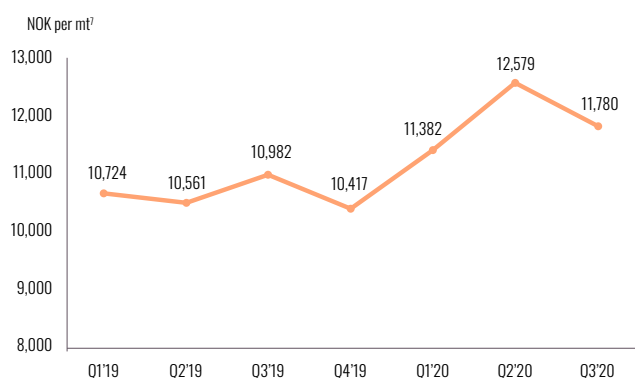
### YEAR-TO-DATE (1.1 – 30.9)

Operating revenues in the first nine months of 2020 were NOK 1,274 million (NOK 1,296 million). EBITDA<sup>1</sup> increased to NOK 238 million (NOK 203 million).

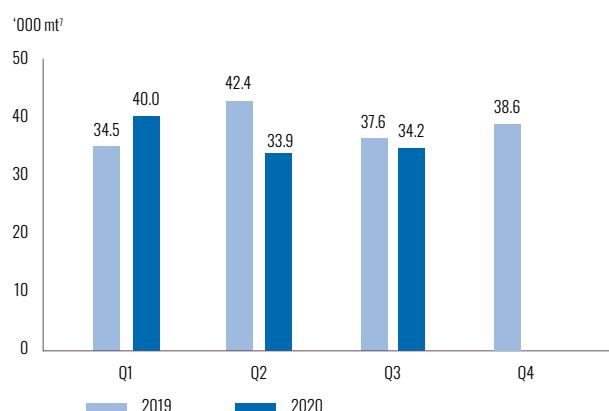
The increased EBITDA<sup>1</sup> was due to lower wood and energy costs, higher production volume and a positive net currency impact. Sales of cellulose fibrils are growing, but did not fully compensate for the reduced EU Horizon 2020<sup>5</sup> grant.

The average price in sales currency for BioMaterials was 1% higher than in the same period in 2019.

### AVERAGE GROSS SALES PRICE<sup>6</sup>



### SALES VOLUME



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

<sup>1</sup> Alternative performance measure, see page 20 for definition.

<sup>5</sup> The Exilva project has received funding from the Bio-Based Industries Joint Undertaking (BBI) under the European Union's Horizon 2020 research and innovation programme under grant agreement No 709746

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

<sup>7</sup> Metric tonne.



## FINE CHEMICALS

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2020	2019	2020	2019	2019
Operating revenues	131	96	390	302	406
EBITDA <sup>1</sup>	43	36	136	105	126
EBITDA margin <sup>1</sup> (%)	32.8	37.5	34.9	34.8	31.0

### THIRD QUARTER

Fine Chemicals' operating revenues reached NOK 131 million (NOK 96 million). EBITDA<sup>1</sup> increased to NOK 43 million (NOK 36 million).

The EBITDA<sup>1</sup> improvement was mainly due to higher sales volume and prices for bioethanol. Bioethanol deliveries were mainly to the biofuel segment, where demand was normalised after the corona-related reduction in the 2<sup>nd</sup> quarter. The result for pharma intermediates was in line with the same quarter last year.

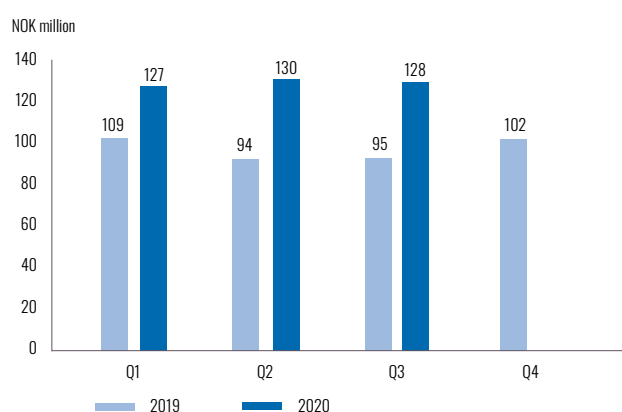
The net currency impact in Fine Chemicals was insignificant.

### YEAR-TO-DATE (1.1 – 30.9)

Operating revenues in Fine Chemicals were NOK 390 million (NOK 302 million) in the first nine months of 2020. EBITDA<sup>1</sup> reached NOK 136 million (NOK 105 million).

The result for bioethanol improved significantly due to a higher sales volume and increased demand from the disinfectants market in the 2<sup>nd</sup> quarter. EBITDA<sup>1</sup> for pharma intermediates was lower compared with the first nine months of 2019 due to a less favourable product mix.

### FINE CHEMICALS – SALES REVENUES



Sales revenues include pharma intermediates and bioethanol.

<sup>1</sup> Alternative performance measure, see page 20 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 3<sup>rd</sup> quarter of 2019, the net impact of foreign exchange on EBITDA<sup>1</sup>, including hedging effects, was NOK -5 million. Hedging effects were NOK -51 million (NOK -23 million) in the quarter.

Compared with the first nine months of 2019, the net impact of foreign exchange on EBITDA<sup>1</sup>, including

hedging effects, was NOK 35 million. Hedging effects were NOK -197 million (NOK -44 million) in the first nine months.

Assuming currency rates as of 20 October 2020 (USD 9.29 and EUR 10.97) and based on currency exposure forecasts, Borregaard expects a net impact of foreign exchange on EBITDA<sup>1</sup> of approximately NOK 0 million in the 4<sup>th</sup> quarter of 2020 and NOK 35 million for the full year of 2020.

## CASH FLOW AND FINANCIAL SITUATION

### THIRD QUARTER

Cash flow from operating activities in the 3<sup>rd</sup> quarter was NOK 153 million (NOK 232 million). The decline was due to a negative cash effect of a decreased EBITDA<sup>1</sup>, as well as higher net working capital and taxes paid compared with the same quarter last year. Taxes paid increased in the quarter due to an extended deadline to 1 September for advance payment of tax in Norway.

Investments amounted to NOK 99 million (NOK 101 million). Expansion investments<sup>1</sup> totalled NOK 47 million (NOK 43 million), where the largest expenditure was related to the biovanillin capacity expansion.

### YEAR-TO-DATE (1.1 – 30.9)

In the first nine months of 2020, cash flow from operating activities was NOK 470 million (NOK 409 million). The improvement was due to a positive cash effect of an increased EBITDA<sup>1</sup> and a slightly favourable development in net working capital.

Investments amounted to NOK 312 million (NOK 370 million). Replacement investments were NOK 191 million (NOK 188 million). Expansion investments<sup>1</sup> totalled NOK 121 million, where the largest expenditure was related to the biovanillin capacity expansion.

Dividend of NOK 229 million (NOK 224 million) was paid out in the 2<sup>nd</sup> quarter. Realised effect of hedging of net investments in subsidiaries was NOK -49 million (NOK -31 million) in the first nine months of 2020. The Group has sold and repurchased treasury shares with a net payment of NOK 27 million (NOK 22 million).

On 30 September 2020, the Group had net interest-bearing debt<sup>1</sup> totalling NOK 2,114 million (NOK 1,971 million), an increase of NOK 238 million from year-end 2019.

At the end of September, the Group was well capitalised with an equity ratio<sup>1</sup> of 47.5% and a leverage ratio<sup>1</sup> of 2.01.

<sup>1</sup> Alternative performance measure, see page 20 for definition.

## SHARE INFORMATION

During the 3<sup>rd</sup> quarter of 2020, 68,154 share options were exercised at a strike price of NOK 39.94 per share and 31,000 share options were exercised at a strike price of NOK 94.06. In the quarter, Borregaard repurchased 77,003 treasury shares at an average price of NOK 133.09.

Total number of shares outstanding on 30 September 2020 was 100 million, including 384,678 treasury shares. Total number of shareholders was 6,589.

Borregaard ASA's share price was NOK 142.80 at the end of the 3<sup>rd</sup> quarter compared with NOK 102.20 at the end of the 2<sup>nd</sup> quarter of 2020 and NOK 95.00 at the end of 2019.

## OUTLOOK

For BioSolutions, total sales volume in the 4<sup>th</sup> quarter is expected to be 10-20% lower than in the 4<sup>th</sup> quarter of 2019. The volume reduction will primarily impact sales to concrete admixtures and low-value industrial applications, which will have a positive effect on product mix and average price in sales currency. In total, demand is expected to be higher than supply in the 4<sup>th</sup> quarter. However, reduced demand in certain speciality applications, particularly oil field chemicals and automotive, is expected to continue. The market conditions for biovanillin are expected to be unchanged from the 3<sup>rd</sup> quarter.

In the 4<sup>th</sup> quarter, the total sales volume in BioMaterials is expected to be at the same level as in the 4<sup>th</sup> quarter of 2019, and with a similar product mix. The average price in sales currency for the full year is expected to be 0-1% above the level in 2019. The coronavirus effect on economic activity will continue to negatively influence demand for certain speciality cellulose grades. Sales

volume is expected to continue to grow for cellulose fibrils. Borregaard's wood costs are forecast to be NOK 10-15 million lower than in the 4<sup>th</sup> quarter of 2019.

In Fine Chemicals, no major changes are expected in the market conditions for pharma intermediates and bioethanol.

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

Sarpsborg, 20 October 2020  
The Board of Directors of Borregaard ASA

## THE GROUP'S CONDENSED INCOME STATEMENT

### INTERIM CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2020	2019	2020	2019	2019
<b>Operating revenues</b>	2	1,260	1,239	3,990	3,829	5,063
Operating expenses		-994	-953	-3,121	-3,005	-4,056
Depreciation property, plant and equipment		-112	-106	-333	-308	-418
Amortisation intangible assets		-1	-1	-3	-3	-4
Other income and expenses <sup>1</sup>	3	-	-	-96	-16	-27
<b>Operating profit</b>		153	179	437	497	558
Financial items, net	4	-20	-23	-60	-60	-91
<b>Profit before taxes</b>		133	156	377	437	467
Income tax expense	5	-34	-38	-109	-104	-116
<b>Profit for the period</b>		99	118	268	333	351
Profit attributable to non-controlling interests		-13	-13	-47	-46	-66
Profit attributable to owners of the parent		112	131	315	379	417
<b>EBITDA<sup>1</sup></b>		266	286	869	824	1,007

## EARNINGS PER SHARE

### INTERIM EARNINGS PER SHARE

Amounts in NOK		1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2020	2019	2020	2019	2019
Earnings per share (100 mill. shares)	6	1.12	1.31	3.15	3.79	4.17
Diluted earnings per share	6	1.12	1.31	3.16	3.79	4.18

## THE GROUP'S CONDENSED COMPREHENSIVE INCOME STATEMENT

### INTERIM CONDENSED COMPREHENSIVE INCOME STATEMENT

Amounts in NOK million		1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2020	2019	2020	2019	2019
<b>Profit for the period</b>		99	118	268	333	351
<b>Items not to be reclassified to P&amp;L</b>						
Actuarial gains and losses (after tax)		-	-	-	-	-4
<b>Total</b>		-	-	-	-	-4
<b>Items to be reclassified to P&amp;L</b>						
Change in hedging-reserve after tax (cash flow)	8	82	-180	-264	-116	9
Change in hedging-reserve after tax (net investment in subsidiaries)	8	12	-33	-45	-27	-12
Translation effects		-20	51	56	31	11
<b>Total</b>		74	-162	-253	-112	8
<b>The Group's comprehensive income</b>		173	-44	15	221	355
Comprehensive income non-controlling interests		-17	-2	-34	-38	-64
Comprehensive income owners of the parent		190	-42	49	259	419

<sup>1</sup> Alternative performance measure, see page 20 for definition.

## THE GROUP'S CONDENSED BALANCE SHEET

### INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in NOK million	Note	30.9.2020	31.12.2019
Intangible assets		90	93
Property, plant and equipment		3,962	3,852
Right-of-use assets		374	380
Other assets	9	249	251
Investments in joint venture		26	99
<b>Non-current assets</b>		<b>4,701</b>	<b>4,675</b>
Inventories		1,001	931
Receivables	9	1,055	991
Cash and cash deposits	11	50	147
<b>Current assets</b>		<b>2,106</b>	<b>2,069</b>
<b>Total assets</b>		<b>6,807</b>	<b>6,744</b>
Group equity	10	3,112	3,306
Non-controlling interests		124	158
<b>Equity</b>		<b>3,236</b>	<b>3,464</b>
Provisions and other liabilities		373	294
Interest-bearing liabilities	9, 11	1,480	1,419
<b>Non-current liabilities</b>		<b>1,853</b>	<b>1,713</b>
Interest-bearing liabilities	9, 11	687	608
Other current liabilities	9	1,031	959
<b>Current liabilities</b>		<b>1,718</b>	<b>1,567</b>
<b>Equity and liabilities</b>		<b>6,807</b>	<b>6,744</b>
Equity ratio <sup>1</sup>		47.5 %	51.4 %

## CHANGES IN EQUITY

### INTERIM CONDENSED CHANGE IN EQUITY

Amounts in NOK million	Note	1.1 - 30.9.2020			1.1 - 31.12.2019		
		Controlling interests	Non-controlling interests	Total equity	Controlling interests	Non-controlling interests	Total equity
Equity 1 January		3,306	158	3,464	3,123	198	3,321
<b>Profit/loss for the period</b>		<b>315</b>	<b>-47</b>	<b>268</b>	<b>417</b>	<b>-66</b>	<b>351</b>
Items in Comprehensive Income	8	-266	13	-253	2	2	4
<b>The Group's Comprehensive income</b>	<b>8</b>	<b>49</b>	<b>-34</b>	<b>15</b>	<b>419</b>	<b>-64</b>	<b>355</b>
Paid dividend		-229	-	-229	-224	-	-224
Buy-back of treasury shares		-61	-	-61	-60	-	-60
Exercise of share options		15	-	15	18	-	18
Reduced tax payable of exercised share options		-	-	-	2	-	2
Shares to employees		25	-	25	23	-	23
Option costs (share based payment)		7	-	7	8	-	8
Transactions with non-controlling interests		-	-	-	-3	24	21
<b>Equity at the end of the period</b>		<b>3,112</b>	<b>124</b>	<b>3,236</b>	<b>3,306</b>	<b>158</b>	<b>3,464</b>

<sup>1</sup> Alternative performance measure, see page 20 for definition.

## THE GROUP'S CONDENSED CASH FLOW STATEMENT

### INTERIM CONDENSED CASH FLOW STATEMENT

Amounts in NOK million	Note	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2020	2019	2020	2019	2019
Profit before taxes		133	156	377	437	467
Amortisation, depreciation and impairment charges		113	107	336	311	432
Changes in net working capital, etc.		-57	-37	-221	-256	-85
Dividend (share of profit) from JV		-	3	63	3	5
Taxes paid		-36	3	-85	-86	-122
<b>Cash flow from operating activities</b>		<b>153</b>	<b>232</b>	<b>470</b>	<b>409</b>	<b>697</b>
Investments property, plant and equipment and intangible assets *		-99	-101	-312	-370	-583
Other capital transactions		-3	10	2	21	29
<b>Cash flow from investing activities</b>		<b>-102</b>	<b>-91</b>	<b>-310</b>	<b>-349</b>	<b>-554</b>
Dividends		-	-	-229	-224	-224
Proceeds from exercise of options/shares to employees	10	5	4	34	34	35
Buy-back of shares	7	-11	-8	-61	-56	-60
Gain/(loss) on hedges for net investments in subsidiaries		-2	-40	-49	-31	-26
<b>Net paid to/from shareholders</b>		<b>-8</b>	<b>-44</b>	<b>-305</b>	<b>-277</b>	<b>-275</b>
Proceeds from interest-bearing liabilities	11	400	351	1,350	1,698	2,100
Repayment from interest-bearing liabilities	11	-516	-425	-1,446	-1,478	-1,971
Change in interest-bearing receivables/other liabilities	11	4	5	30	-2	-3
<b>Change in net interest-bearing liabilities</b>		<b>-112</b>	<b>-69</b>	<b>-66</b>	<b>218</b>	<b>126</b>
<b>Cash flow from financing activities</b>		<b>-120</b>	<b>-113</b>	<b>-371</b>	<b>-59</b>	<b>-149</b>
<b>Change in cash and cash equivalents</b>		<b>-69</b>	<b>28</b>	<b>-211</b>	<b>1</b>	<b>-6</b>
Cash and cash equivalents at beginning of period		-59	59	81	86	86
Change in cash and cash equivalents		-69	28	-211	1	-6
Currency effects cash and cash equivalents		1	5	3	5	1
<b>Cash and cash equivalents at the close of the period</b>	<b>11</b>	<b>-127</b>	<b>92</b>	<b>-127</b>	<b>92</b>	<b>81</b>
<b>*Investment by category</b>						
Replacement investments		52	58	191	188	370
Expansion investments <sup>1</sup>		47	43	121	182	213

<sup>1</sup> Alternative performance measure, see page 20 for definition.

# NOTES

## NOTE 01 Organisation and basis for preparation

### GENERAL INFORMATION

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

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

### Basis for preparation

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

in these Interim Condensed Consolidated Financial Statements.

The same accounting principles and methods of calculation have been applied as in the Consolidated Financial Statements for 2019 for the Borregaard Group.

### Use of estimates

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

## NOTE 02 Segments

### OPERATING REVENUES

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2020	2019	2020	2019	2019
<b>Borregaard</b>	<b>1,260</b>	<b>1,239</b>	<b>3,990</b>	<b>3,829</b>	<b>5,063</b>
BioSolutions	733	720	2,349	2,256	2,982
BioMaterials	403	430	1,274	1,296	1,712
Fine Chemicals	131	96	390	302	406
Eliminations	-7	-7	-23	-25	-37

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	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2020	2019	2020	2019	2019
<b>Borregaard</b>	<b>266</b>	<b>286</b>	<b>869</b>	<b>824</b>	<b>1,007</b>
BioSolutions	132	156	495	516	647
BioMaterials	91	94	238	203	234
Fine Chemicals	43	36	136	105	126
<b>Reconciliation against operating profit &amp; profit before tax</b>					
<b>EBITDA<sup>1</sup></b>	<b>266</b>	<b>286</b>	<b>869</b>	<b>824</b>	<b>1,007</b>
Depreciations and write downs	-112	-106	-333	-308	-418
Amortisation intangible assets	-1	-1	-3	-3	-4
Other income and expenses	-	-	-96	-16	-27
<b>Operating profit</b>	<b>153</b>	<b>179</b>	<b>437</b>	<b>497</b>	<b>558</b>
Financial items, net	-20	-23	-60	-60	-91
<b>Profit before taxes</b>	<b>133</b>	<b>156</b>	<b>377</b>	<b>437</b>	<b>467</b>

## SALES REVENUES

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2020	2019	2020	2019	2019
<b>Borregaard</b>	<b>1,229</b>	<b>1,214</b>	<b>3,913</b>	<b>3,747</b>	<b>4,951</b>
BioSolutions	706	697	2 281	2 178	2 873
BioMaterials	395	422	1 247	1 272	1 679
Fine Chemicals	128	95	385	298	400
BioMaterials	-	-	-	-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 expenses<sup>1</sup>

There are no Other income and expenses in the 3<sup>rd</sup> quarter of 2020.

## NOTE 04 Financial items

## NET FINANCIAL ITEMS

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2020	2019	2020	2019	2019
Net interest expenses	-18	-19	-59	-50	-69
Currency gain/loss	-1	-4	1	-9	-12
Other financial items, net	-1	-	-2	-1	-10
<b>Net financial items</b>	<b>-20</b>	<b>-23</b>	<b>-60</b>	<b>-60</b>	<b>-91</b>

<sup>1</sup> Alternative performance measure, see page 20 for definition.



## NOTE 05 Income tax expense

The tax rate of 28.9% (23.8%) for the first nine months of 2020 is a compilation of the tax rates in the various countries in which Borregaard operates and has taxable income. The corporate income tax rate in Norway is 22%.

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

in the Borregaard Group, whereas the tax expense is calculated based on Borregaard's 55% ownership. Consequently, profit attributable to non-controlling interests for LignoTech Florida (45%) is calculated on profit before tax. Share of profit after tax from the joint venture, LignoTech South Africa, is accounted for as part of operating profit and profit before tax (due to IFRS 11). As such, the additional costs related to the discontinued operation does not reduce the tax expense and tax rate. There are carry forward losses in the Group which will not be recognised as deferred tax assets, and hence increase the Group's tax rate.

## NOTE 06 Earnings per share (EPS)

The share capital consists of 100 million shares. The company holds 384,678 treasury shares. As of 30 September 2020, there are 99,717,717 diluted shares (99,807,055 as of 31 December 2019). Earnings per

diluted share were NOK 1.12 in the 3<sup>rd</sup> quarter (NOK 1.31 in the 3<sup>rd</sup> quarter of 2019 and NOK 0.38 in the 4<sup>th</sup> quarter of 2019).

## NOTE 07 Stock options

During the 3<sup>rd</sup> quarter of 2020, 68,154 share options were exercised at a strike price of NOK 39.94 and 31,000 share options were exercised at a strike price of NOK 94.06.

The Group Executive Management and other key employees hold a total of 1,456,053 stock options in five different share option programmes in Borregaard.

Stock options	Issued 2015	Issued 2017	Issued 2018	Issued 2019	Issued 2020
Number of stock options	16,053	300,000	370,000	370,000	400,000
Strike price (NOK)*	39.94	94.06	73.45	77.80	102.10
Vesting period	3 years	3 years	3 years	3 years	3 years
Expiry date	27 October 2020	17 February 2022	7 February 2023	6 February 2024	13 February 2025

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

The members of the Group Executive Management of Borregaard held a total of 726,422 stock options in the Company as of 30 September 2020.

## 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	30.9.2020		30.9.2019		31.12.2019	
	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	-111	-55	-73	-46	-37	-44
Hedging reserve after tax	-393	-167	-254	-137	-129	-122

## NOTE 09 Fair value hierarchy

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

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

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

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

There were no transfers from one level to another in the measurement hierarchy from 2019 to the 3<sup>rd</sup> quarter of 2020. Borregaard has no items defined as level 1. The bond is determined as measurement level 3. The fair value of the bond is deemed to equal its book value

Set out below is a comparison of the carrying amount and the fair value of financial instruments as of 30 September 2020:

### FINANCIAL ASSETS

Amounts in NOK million	Level	30.9.2020		31.12.2019	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial receivables	2	219	219	211	211
Non-current derivatives	2	23	23	29	29
Current derivatives	2	18	18	27	27
<b>Total financial assets</b>		<b>260</b>	<b>260</b>	<b>267</b>	<b>267</b>

### FINANCIAL LIABILITIES

Non-current financial liabilities	2, 3	1,480	1,480	1,421	1,421
Non-current derivatives	2	251	251	111	111
Current financial liabilities	2	687	687	608	608
Current derivatives	2	303	303	95	95
<b>Total financial liabilities</b>		<b>2,721</b>	<b>2,721</b>	<b>2,235</b>	<b>2,235</b>

### FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Amounts in NOK million	Level 1	Level 2	Level 3
Financial instruments 30.09.2020	-2,461	-	-400
Financial instruments 31.12.2019	-1,968	-	-400

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

## NOTE 10 Compilation of Equity

Amounts in NOK million	30.9.2020	31.12.2019
Share capital	100	100
Treasury shares	-	-
Share premium	1,346	1,346
Other paid-in capital	743	696
Translation effects	145	102
Hedging reserve (after tax)	-560	-251
Actuarial gains/Losses	-21	-21
Retained earnings	1,359	1,334
<b>Group equity (controlling interests)</b>	<b>3,112</b>	<b>3,306</b>

As of 30 September 2020, the company held 384,678 treasury shares at an average cost of NOK 101.56

## NOTE 11 Net interest-bearing debt<sup>1</sup>

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

Amounts in NOK million	30.9.2020	31.12.2019
Non-current interest-bearing liabilities	1,480	1,419
Current interest-bearing liabilities including overdraft of cashpool	687	608
Non-current interest-bearing receivables (included in "Other Assets")	-3	-4
Cash and cash deposits	-50	-147
<b>Net interest-bearing debt<sup>1</sup></b>	<b>2,114</b>	<b>1,876</b>
- of which impact of IFRS 16 Leases	386	387

Per 30 September 2020, the long-term undrawn credit facilities amounted to NOK 1,500 million.

## NOTE 12 Assessments relating to impairment

No impairment indicators have been identified in the Borregaard Group's property, plant and equipment or intangible assets in the 3<sup>rd</sup> quarter of 2020.

## NOTE 13 Other matters and subsequent events

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

<sup>1</sup> Alternative performance measure, see page 20 for definition.

## ALTERNATIVE PERFORMANCE MEASURES

In the discussion of the reported operating results, financial position and cash flows, Borregaard refers to certain measures which are not defined by generally accepted accounting principles (GAAP) such as IFRS. Borregaard management makes regular use of these Alternative Performance Measures and is of the opinion that this information, along with comparable GAAP measures, is useful to investors who wish to evaluate the company's operating performance, ability to repay debt and capability to pursue new business opportunities. Such Alternative Performance Measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

### EBITDA

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

### EBITDA MARGIN

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

### EQUITY RATIO

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

### EXPANSION INVESTMENTS

Expansion investments is defined by Borregaard as investments made in order to expand production capacity, produce new products or to improve the performance of existing products. Such investments include business acquisitions, pilot plants, capitalised research and development costs and new distribution set-ups.

### OTHER INCOME AND EXPENSES

Other income and expenses is defined by Borregaard as non-recurring items or items related to other periods or to a discontinued business or activity. These items are not viewed as reliable indicators of future earnings

based on the business areas' normal operations. These items will be included in the Group's operating profit.

### LEVERAGE RATIO

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

### NET INTEREST-BEARING DEBT (NIBD)

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

### CAPITAL EMPLOYED

Capital employed is defined by Borregaard as the total of net working capital, intangible assets, property, plant and equipment, right-of-use assets and investment in joint venture minus net pension liabilities.

### RETURN ON CAPITAL EMPLOYED (ROCE)

Return on capital employed (ROCE) is defined by Borregaard as last twelve months (LTM) capital contribution (operating profit before amortisation and other income and expenses) divided by average capital employed based on the ending balance of the last five quarters.

	1.1 - 30.9		1.1 - 31.12
	2020	2019	2019
Capital employed end of			
Q3, 2018		4,620	
Q4, 2018		4,937	4,937
Q1, 2019		5,498	5,498
Q2, 2019		5,817	5,817
Q3, 2019	5,938	5,938	5,938
Q4, 2019	5,815		5,815
Q1, 2020	6,371		
Q2, 2020	6,091		
Q3, 2020	6,103		
<b>Average</b>	<b>6,064</b>	<b>5,362</b>	<b>5,601</b>
<b>Capital contribution (LTM)</b>	<b>609</b>	<b>610</b>	<b>589</b>
<b>ROCE (%)</b>	<b>10.0</b>	<b>11.4</b>	<b>10.5</b>









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