



Borregaard

INTERIM REPORT
2ND QUARTER 2021



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Q2 2021

2ND QUARTER IN BRIEF

- All-time high EBITDA¹ of NOK 416 million (NOK 361 million)²
- Strong performance in BioSolutions
- Improved product mix and high deliveries in BioMaterials
- Negative net currency impact
- Strong cash flow
- Increased biovanillin capacity in operation

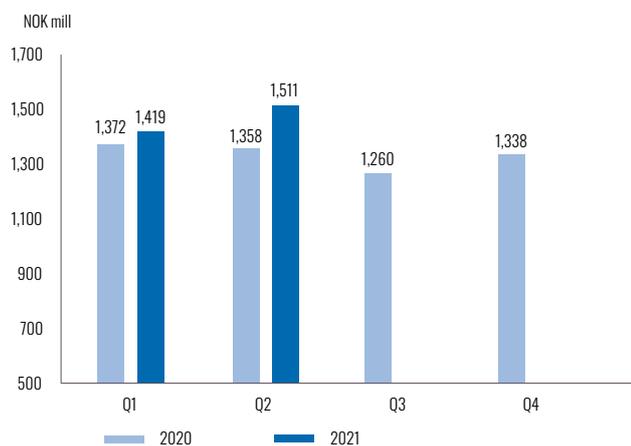
¹ Alternative performance measure, see page 21 for definition.

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

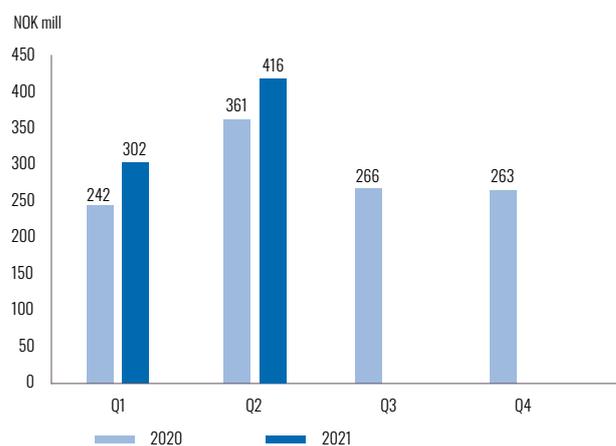
THE GROUP

Amounts in NOK million	Note	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
		2021	2020	2021	2020	2020
Operating revenues	2	1,511	1,358	2,930	2,730	5,328
EBITDA ¹		416	361	718	603	1,132
Operating profit		314	152	509	284	568
Profit/loss before taxes	2	296	133	472	244	496
Earnings per share (NOK)		2.34	1.01	3.81	2.03	4.36
Net interest-bearing debt ¹	11	1,605	2,154	1,605	2,154	1,794
Equity ratio ¹ (%)		56.2	44.2	56.2	44.2	53.9
Leverage ratio ¹		1.29	2.01	1.29	2.01	1.58
Return on capital employed ¹ (%)		13.7	10.6	13.7	10.6	11.4

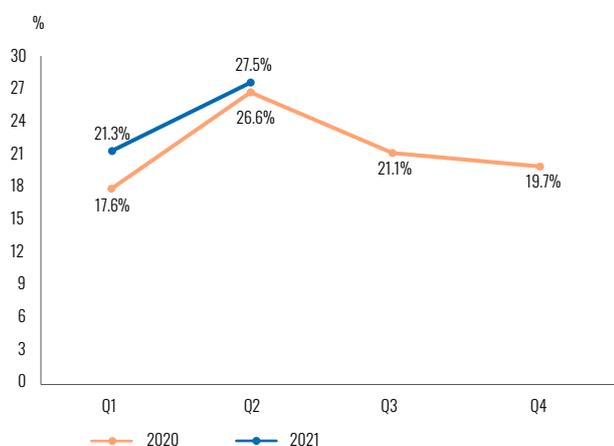
OPERATING REVENUES



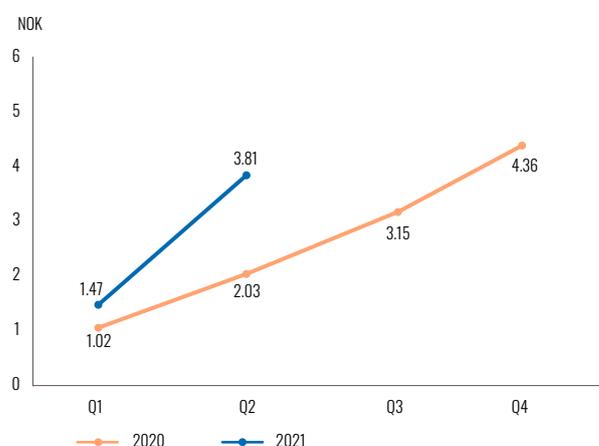
EBITDA¹



EBITDA MARGIN¹



EARNINGS PER SHARE CUMULATIVE



¹ Alternative performance measure, see page 21 for definition.

SECOND QUARTER

Borregaard's operating revenues reached NOK 1,511 million (NOK 1,358 million)² in the 2nd quarter of 2021. EBITDA¹ increased to NOK 416 million (NOK 361 million), an all-time high quarterly result for the Group. BioSolutions' result improved significantly, BioMaterials achieved a result in line with last year, whereas Fine Chemicals had a decline. The net currency impact on EBITDA¹ was negative compared with the 2nd quarter of 2020.

EBITDA¹ in BioSolutions improved, mainly as a result of price increases and a favourable product mix, partly offset by negative net currency effects. For BioMaterials, high deliveries of speciality cellulose and an improved product mix compensated for reduced sales prices for certain grades. The decline in Fine Chemicals was mainly due to non-recurring bioethanol sales to disinfectants in the 2nd quarter last year. A strong production output at the Sarpsborg site had a positive impact on the Group's results.

Operating profit was NOK 314 million (NOK 152 million). Net financial items were NOK -18 million (NOK -19 million). Profit before tax was NOK 296 million (NOK 133 million). Tax expense was NOK -67 million (NOK -48 million), giving a tax rate of 23% (36%) in the quarter.

Earnings per share was NOK 2.34 (NOK 1.01).

Cash flow from operating activities in the 2nd quarter was NOK 458 million (NOK 442 million). The strong cash flow in the quarter was due to the cash effect from an all-time high EBITDA¹ and a reduction in net working capital.

FIRST HALF

Borregaard's operating revenues increased to NOK 2,930 million (NOK 2,730 million) in the 1st half of 2021. EBITDA¹ increased to NOK 718 million (NOK 603 million). BioSolutions and BioMaterials had improved results compared with the 1st half of 2020, whereas Fine

Chemicals had a weaker result. The net currency impact on EBITDA¹ was negative compared with the 1st half of 2020.

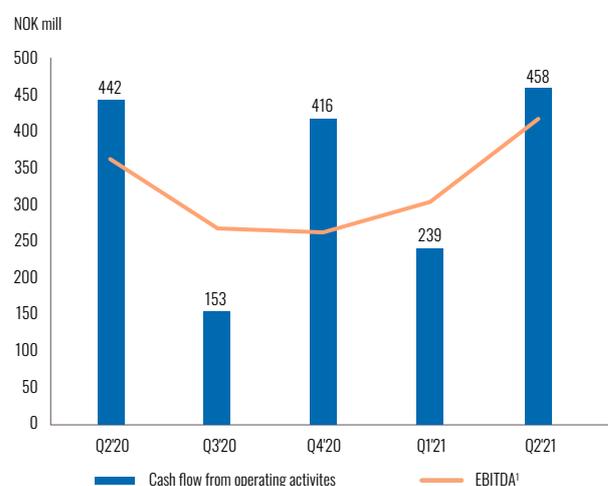
BioSolutions' EBITDA¹ improved due to price increases and a favourable product mix. The improved result in BioMaterials was mainly due to high deliveries of speciality cellulose and an improved product mix, which more than compensated for reduced sales prices for certain grades compared with the 1st half of 2020. The decline in Fine Chemicals was mainly due to non-recurring bioethanol sales to disinfectants in the 2nd quarter last year.

Operating profit was NOK 509 million (NOK 284 million). Net financial items amounted to NOK -37 million (NOK -40 million). Profit before tax was NOK 472 million (NOK 244 million). Tax expense was NOK -110 million (NOK -75 million), giving a tax rate of 23% (31%).

Earnings per share was NOK 3.81 (NOK 2.03).

In the 1st half of 2021, cash flow from operating activities was NOK 697 million (NOK 317 million). The improvement was mainly due to a positive cash effect of an increased EBITDA¹ and a favourable development in net working capital compared with the same period last year.

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	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2021	2020	2021	2020	2020
Operating revenues	885	819	1,697	1,616	3,082
EBITDA ¹	272	193	477	363	632
EBITDA margin ¹ (%)	30.7	23.6	28.1	22.5	20.5

SECOND QUARTER

BioSolutions' operating revenues reached NOK 885 million (NOK 819 million). EBITDA¹ increased to NOK 272 million (NOK 193 million).

The significant EBITDA¹ improvement was mainly due to price increases and a favourable product mix, partly offset by negative net currency effects.

The sales volume was reduced by 6%. Discontinued raw material supply in South Africa and Spain was partly offset by increased sales volume from Florida and inventory reductions. There were no raw material deliveries from Park Falls in the quarter. The average price in sales currency for BioSolutions was 18% higher than in the 2nd quarter of 2020 due to price increases, a favourable product mix and the effect of reduced sales volume to low-value applications.

The capacity increase for biovanillin was in operation by the end of the 2nd quarter, and the additional volumes

will gradually be phased into the market.

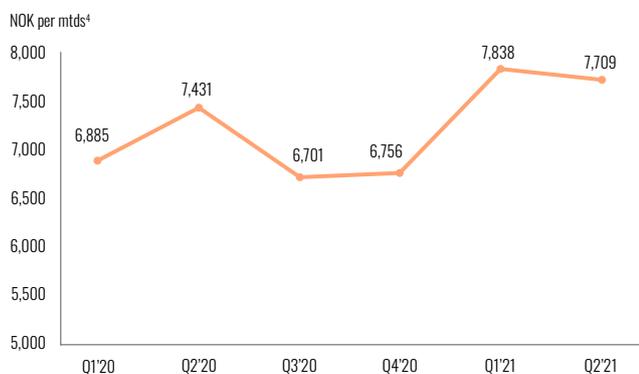
FIRST HALF

In the 1st half of 2021, BioSolutions had operating revenues of NOK 1,697 million (NOK 1,616 million). EBITDA¹ was NOK 477 million (NOK 363 million). The EBITDA¹ improvement was due to price increases and a favourable product mix, partly offset by negative net currency effects.

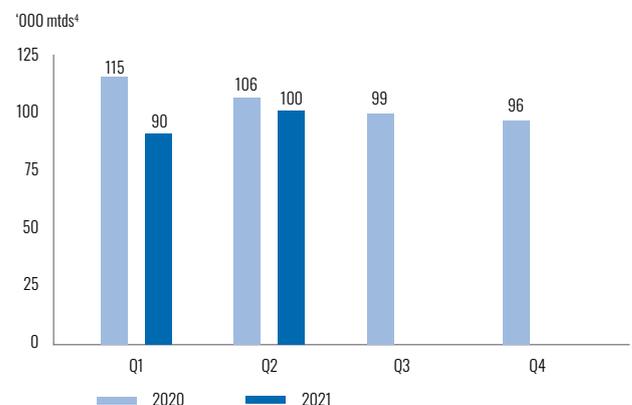
Total sales volume was 14% lower than in the 1st half of 2020. Discontinued raw material supply in South Africa and Spain was partly offset by increased sales volume from the Florida plant and inventory reductions.

The average price in sales currency was 20% higher than in the 1st half 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	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2021	2020	2021	2020	2020
Operating revenues	482	417	1,005	871	1,732
EBITDA ¹	102	101	166	147	318
EBITDA margin ¹ (%)	21.2	24.2	16.5	16.9	18.4

SECOND QUARTER

Operating revenues in BioMaterials increased to NOK 482 million (NOK 417 million). EBITDA¹ was NOK 102 million (NOK 101 million).

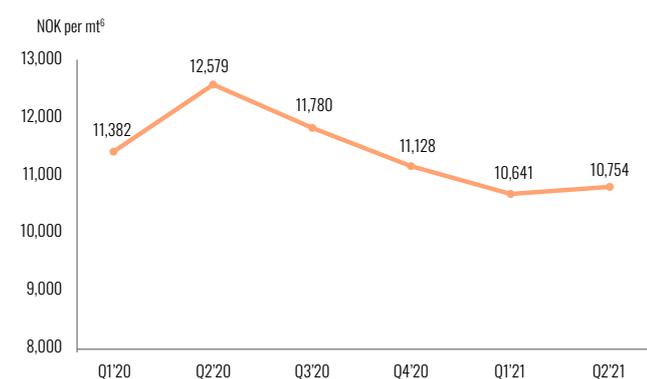
The EBITDA¹ effect of high deliveries of speciality cellulose and an improved product mix compensated for reduced sales prices for certain grades compared with the 2nd quarter of 2020. The average price in sales currency was 3% lower compared with the same period last year. The effect of lower wood costs was largely offset by higher energy costs and increased freight rates. The net currency impact for BioMaterials was negative.

FIRST HALF

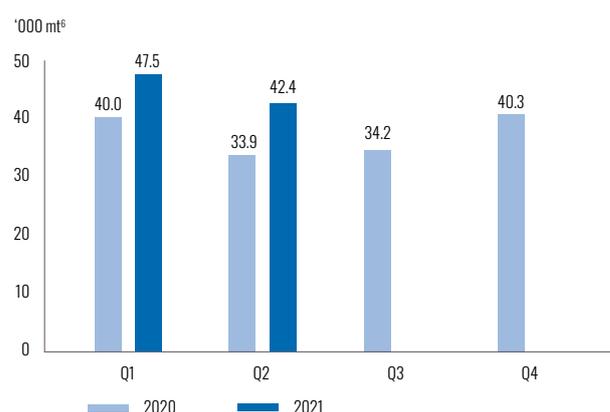
Operating revenues in the 1st half of 2021 were NOK 1,005 million (NOK 871 million). EBITDA¹ was NOK 166 million (NOK 147 million).

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 for certain grades compared with the 1st half of 2020. Speciality cellulose inventory was significantly reduced. The average price in sales currency for BioMaterials was 2% lower than in the same period last year. The effect of lower wood costs was largely offset by higher energy costs and increased freight rates. The net currency impact for BioMaterials was negative.

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	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2021	2020	2021	2020	2020
Operating revenues	155	131	245	259	543
EBITDA ¹	42	67	75	93	182
EBITDA margin ¹ (%)	27.1	51.1	30.6	35.9	33.5

SECOND QUARTER

Fine Chemicals' operating revenues increased to NOK 155 million (NOK 131 million). EBITDA¹ was NOK 42 million (NOK 67 million). EBITDA¹ in the 2nd quarter of last year was positively affected by high bioethanol sales to disinfectants.

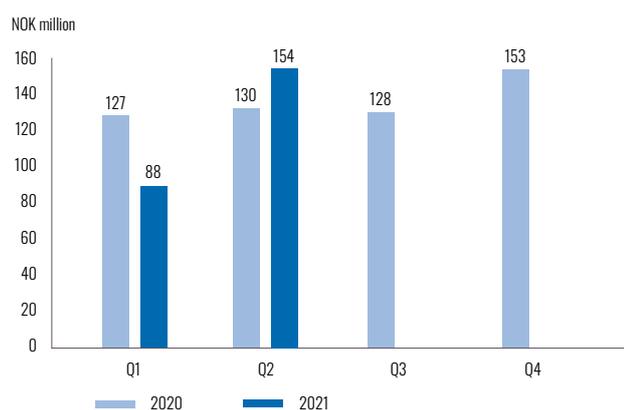
Fine chemical intermediates had weaker product mix and higher raw material and energy costs compared with the same quarter last year. Bioethanol sales volume increased, with strong demand and slightly higher prices to the biofuel market. Bioethanol production volume continued at a high level with improved yield and lower costs. The net currency impact in Fine Chemicals was slightly negative.

FIRST HALF

Operating revenues in Fine Chemicals were NOK 245 million (NOK 259 million) in the 1st half of 2021. EBITDA¹ was NOK 75 million (NOK 93 million). EBITDA¹ in the 1st half of last year was positively affected by high bioethanol sales to disinfectants.

Fine chemical intermediates had higher raw material and energy costs compared with the 1st half of 2020. Bioethanol had a high 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 2nd quarter of 2020, the net impact of foreign exchange on EBITDA¹, including hedging effects, was NOK -45 million. Hedging effects were NOK -4 million (NOK -84 million) in the quarter.

Compared with the 1st half of 2020, the net impact of foreign exchange on EBITDA¹, including hedging

effects, was NOK -70 million. Hedging effects were NOK -19 million (NOK -146 million) in the 1st half.

Assuming currency rates as of 14 July 2021 (USD 8.75 and EUR 10.33) and based on currency exposure forecasts, Borregaard expects a net impact of foreign exchange on EBITDA¹ of approximately NOK 5 million in the 3rd quarter of 2021 and NOK -50 million for the full year of 2021.

CASH FLOW AND FINANCIAL SITUATION

SECOND QUARTER

Cash flow from operating activities in the 2nd quarter was NOK 458 million (NOK 442 million). The strong cash flow in the quarter was due to the cash effect from an all-time high EBITDA¹ and a reduction in net working capital.

Investments amounted to NOK 125 million (NOK 155 million). Expansion investments¹ totalled NOK 32 million (NOK 51 million).

FIRST HALF

In the 1st half of 2021, cash flow from operating activities was NOK 697 million (NOK 317 million). The improvement was mainly due to a positive cash effect of an increased EBITDA¹ and a favourable development in net working capital compared with the same period last year.

Investments amounted to NOK 220 million (NOK 213 million). Replacement investments were NOK 152

million (NOK 139 million). Expansion investments¹ totalled NOK 68 million (NOK 74 million), where the largest expenditure was related to the biovanillin capacity expansion.

Dividend of NOK 249 million (NOK 229 million) was paid out in the 2nd quarter. In the 1st half of 2021, the Group has sold and repurchased treasury shares with a net payment of NOK 42 million (NOK 21 million). Realised effect of hedging of net investments in subsidiaries was NOK 17 million (NOK -47 million).

On 30 June 2021, the Group had net interest-bearing debt¹ totalling NOK 1,605 million (NOK 2,154 million), a decrease of NOK 189 million from year-end 2020.

At the end of June, the Group was well capitalised with an equity ratio¹ of 56.2% and a leverage ratio¹ of 1.29.

¹ Alternative performance measure, see page 21 for definition.

SHARE INFORMATION

In the 2nd quarter of 2021, Borregaard repurchased a total of 175,456 treasury shares at an average price of NOK 181.83.

During the 2nd quarter, 168,000 share options were exercised at a strike price of NOK 91.56 per share and 20,864 share options were exercised at a strike price of NOK 70.95.

Total number of shares outstanding on 30 June 2021 was 100 million, including 440,794 treasury shares.

Total number of shareholders was 7,808. Borregaard ASA's share price was NOK 188.00 at the end of the 2nd quarter compared with NOK 186.20 at the end of the 1st quarter of 2021 and NOK 141.80 at the end of 2020.

The share was traded ex dividend on 15 April and dividend was paid out on 23 April 2021.

OTHER MATTERS AND SUBSEQUENT EVENTS

There were no material other matters or subsequent events in the quarter.

OUTLOOK

Total sales volume for BioSolutions in 2021 is forecast to decrease by 10-15%, mainly depending on raw material supply. Sales volume in the 2nd half of 2021 is expected to be lower than in the 1st half. The new biovanillin capacity will gradually be phased into the market.

In BioMaterials, the average price in sales currency is expected to be 2-3% below the 2020 level. Full year sales volume is expected to increase from 2020, due to high deliveries and inventory reduction in the 1st half of the year. The share of highly specialised grades will be higher than last year, which also implies slightly higher manufacturing costs. Continued lower wood costs are expected to compensate for higher energy costs and freight rates in the 2nd half of 2021. Sales growth

will continue for cellulose fibrils, and new business development and customer plant trials are expected to gradually increase from the slow-down caused by the pandemic.

No major changes are expected in the market conditions for Fine Chemicals.

As a global player, Borregaard may be affected by possible further consequences of the Covid-19 pandemic. Borregaard continues to focus on maintaining sufficient financial capacity to responsibly manage and mitigate any potential effects from the Covid-19 pandemic.

Sarpsborg, 14 July 2021
The Board of Directors of Borregaard ASA

STATEMENT BY THE BOARD OF DIRECTORS

We confirm that, to the best of our knowledge, the unaudited interim condensed financial statements for the period 1 January to 30 June 2021, have been prepared in accordance with IAS 34 Interim Financial Reporting, and that the information in the financial statements gives a true and fair view of the business

of the Group and the Group's assets, liabilities, financial position and overall results, and that the half year report provides a fair overview of the information set out in the Norwegian Securities Trading Act section 5-6, fourth paragraph.

Sarpsborg, 14 July 2021
The Board of Directors of Borregaard ASA

Signed

HELGE AASEN

Chair

Signed

TERJE ANDERSEN

Signed

TOVE ANDERSEN

Signed

MARGRETHE HAUGE

Signed

JOHN ARNE ULVAN

Signed

RAGNHILD ANKER EIDE

Signed

ARUNDEL KRISTIANSEN

Signed

PER A. SØRLIE

President and CEO

THE GROUP'S INTERIM CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
		2021	2020	2021	2020	2020
Operating revenues	2	1,511	1,358	2,930	2,730	5,328
Operating expenses		-1,095	-997	-2,212	-2,127	-4,196
Depreciation property, plant and equipment		-101	-112	-207	-221	-443
Amortisation intangible assets		-1	-1	-2	-2	-5
Other income and expenses ¹	3	-	-96	-	-96	-116
Operating profit		314	152	509	284	568
Financial items, net	4	-18	-19	-37	-40	-72
Profit before taxes		296	133	472	244	496
Income tax expense	5	-67	-48	-110	-75	-117
Profit for the period		229	85	362	169	379
Profit attributable to non-controlling interests		-4	-16	-17	-34	-57
Profit attributable to owners of the parent		233	101	379	203	436
EBITDA¹		416	361	718	603	1,132

INTERIM EARNINGS PER SHARE

Amounts in NOK		1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
		2021	2020	2021	2020	2020
Earnings per share (100 mill. shares)	6	2.34	1.01	3.81	2.03	4.36
Diluted earnings per share	6	2.34	1.02	3.80	2.04	4.37

THE GROUP'S INTERIM CONDENSED COMPREHENSIVE INCOME STATEMENT

Amounts in NOK million	Note	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
		2021	2020	2021	2020	2020
Profit for the period		229	85	362	169	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	-34	437	102	-346	180
Change in hedging-reserve after tax (net investment in subsidiaries)	8	-2	43	3	-57	5
Translation effects		12	-83	3	76	-24
Total		-24	397	108	-327	161
The Group's comprehensive income		205	482	470	-158	547
Comprehensive income non-controlling interests		-4	-28	-16	-17	-56
Comprehensive income owners of the parent		209	510	486	-141	603

¹ Alternative performance measure, see page 21 for definition.

THE GROUP'S INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in NOK million	Note	30.6.2021	31.12.2020
Intangible assets	13	93	86
Property, plant and equipment	13	4,009	3,973
Right-of-use assets		369	381
Other assets	9	272	380
Investments in joint venture		39	38
Non-current assets		4,782	4,858
Inventories		769	887
Receivables	9	1,273	1,051
Cash and cash deposits	11	246	207
Current assets		2,288	2,145
Total assets		7,070	7,003
Group equity	10	3,875	3,668
Non-controlling interests		96	110
Equity		3,971	3,778
Provisions and other liabilities		321	291
Interest-bearing liabilities	9, 11	1,346	1,381
Non-current liabilities		1,667	1,672
Interest-bearing liabilities	9, 11	508	623
Other current liabilities	9	924	930
Current liabilities		1,432	1,553
Equity and liabilities		7,070	7,003
Equity ratio ¹		56.2%	53.9%

INTERIM CONDENSED CHANGES IN EQUITY

Amounts in NOK million	Note	1.1 - 30.6.2021			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		379	-17	362	436	-57	379
Items in Comprehensive Income	8	107	1	108	167	1	168
The Group's Comprehensive income	8	486	-16	470	603	-56	547
Paid dividend		-249	-	-249	-229	-	-229
Buy-back of treasury shares		-88	-	-88	-62	-	-62
Exercise of share options		25	-	25	16	-	16
Reduced tax payable of exercised share options		-	-	-	-	-	-
Shares to employees		28	-	28	25	-	25
Option costs (share based payment)		5	-	5	9	-	9
Transactions with non-controlling interests		-	2	2	-	8	8
Equity at the end of the period		3,875	96	3,971	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	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
		2021	2020	2021	2020	2020
Profit before taxes		296	133	472	244	496
Amortisation, depreciation and impairment charges		102	113	209	223	449
Changes in net working capital, etc.		69	134	74	-164	-21
Dividend (share of profit) from JV		-	64	-	63	51
Taxes paid		-9	-2	-58	-49	-89
Cash flow from operating activities		458	442	697	317	886
Investments property, plant and equipment and intangible assets *		-125	-155	-220	-213	-503
Other capital transactions		-1	3	3	5	14
Cash flow from investing activities		-126	-152	-217	-208	-489
Dividends		-249	-229	-249	-229	-229
Proceeds from exercise of options/shares to employees	10	17	1	46	29	35
Buy-back of shares	7	-32	-	-88	-50	-62
Gain/(loss) on hedges for net investments in subsidiaries		8	113	17	-47	10
Net paid to/from shareholders		-256	-115	-274	-297	-246
Proceeds from interest-bearing liabilities	11	200	300	300	950	1,550
Repayment from interest-bearing liabilities	11	-239	-345	-456	-930	-1,703
Change in interest-bearing receivables/other liabilities	11	2	-14	-6	26	18
Change in net interest-bearing liabilities		-37	-59	-162	46	-135
Cash flow from financing activities		-293	-174	-436	-251	-381
Change in cash and cash equivalents		39	116	44	-142	16
Cash and cash equivalents at beginning of period		100	-171	96	81	81
Change in cash and cash equivalents		39	116	44	-142	16
Currency effects cash and cash equivalents		4	-4	3	2	-1
Cash and cash equivalents at the close of the period	11	143	-59	143	-59	96
*Investment by category						
Replacement investments		93	104	152	139	344
Expansion investments ¹		32	51	68	74	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	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2021	2020	2021	2020	2020
Borregaard	1,511	1,358	2,930	2,730	5,328
BioSolutions	885	819	1,697	1,616	3,082
BioMaterials	482	417	1,005	871	1,732
Fine Chemicals	155	131	245	259	543
Eliminations	-11	-9	-17	-16	-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	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2021	2020	2021	2020	2020
Borregaard	416	361	718	603	1,132
BioSolutions	272	193	477	363	632
BioMaterials	102	101	166	147	318
Fine Chemicals	42	67	75	93	182
Reconciliation against operating profit & profit before tax					
EBITDA¹	416	361	718	603	1,132
Depreciations and write downs	-101	-112	-207	-221	-443
Amortisation intangible assets	-1	-1	-2	-2	-5
Other income and expenses	0	-96	0	-96	-116
Operating profit	314	152	509	284	568
Financial items, net	-18	-19	-37	-40	-72
Profit before taxes	296	133	472	244	496

SALES REVENUES

Amounts in NOK million	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2021	2020	2021	2020	2020
Borregaard	1,491	1,337	2,885	2,684	5,227
BioSolutions	865	800	1,658	1,575	2,995
BioMaterials	472	407	985	852	1,695
Fine Chemicals	154	130	242	257	538
Eliminations	-	-	-	-	-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 2nd 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	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2021	2020	2021	2020	2020
Net interest expenses	-15	-21	-31	-41	-76
Currency gain/loss	-	2	1	2	7
Other financial items, net	-3	-	-7	-1	-3
Net financial items	-18	-19	-37	-40	-72

¹ Alternative performance measure, see page 21 for definition.

NOTE 05 Income tax expense

The tax rate of 23.3% (30.7%) for the first six 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). 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 440,794 treasury shares. As of 30 June 2021, there are 99,790,110 diluted shares

(99,712,283 as of 31 December 2020). Earnings per diluted share were NOK 2.34 in the 2nd quarter (NOK 1.02 in the 2nd quarter of 2020).

NOTE 07 Stock options

During the 2nd quarter of 2021, 168,000 share options were exercised at a strike price of NOK 91.56 and 20,864 share options were exercised at a strike price of NOK 70.95.

The Group Executive Management and other key employees hold a total of 1,401,136 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	64,000	318,136	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	30.6.2021		30.6.2020		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	41	-41	-134	-60	15	-40
Hedging reserve after tax	153	-114	-475	-179	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 2nd 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 June 2021:

FINANCIAL ASSETS

Amounts in NOK million	Level	30.6.2021		31.12.2020	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial receivables	2	190	190	195	195
Non-current derivatives	2	59	59	165	165
Current derivatives	2	184	184	35	35
Total financial assets		433	433	395	395

FINANCIAL LIABILITIES

Non-current financial liabilities	2, 3	1,348	1,348	1,383	1,383
Non-current derivatives	2	34	34	29	29
Current financial liabilities	2	508	508	623	623
Current derivatives	2	18	18	93	93
Total financial liabilities		1,908	1,908	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 30.6.2021	-1,475	-	-1,075	-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	30.6.2021	31.12.2020
Share capital	100	100
Treasury shares	-	-
Share premium	1,346	1,346
Other paid-in capital	804	746
Translation effects	79	77
Hedging reserve (after tax)	39	-66
Actuarial gains/Losses	-14	-14
Retained earnings	1,521	1,479
Group equity (controlling interests)	3,875	3,668

As of 30 June 2021, the company held 440,794 treasury shares at an average cost of NOK 175.02.

NOTE 11 Net interest-bearing debt¹

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

Amounts in NOK million	30.6.2021	31.12.2020
Non-current interest-bearing liabilities	1,346	1,381
Current interest-bearing liabilities including overdraft of cashpool	508	623
Non-current interest-bearing receivables (included in "Other Assets")	-3	-3
Cash and cash deposits	-246	-207
Net interest-bearing debt¹	1,605	1,794
- of which impact of IFRS 16 Leases	386	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 682,136 stock options in the Company as of 30 June 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 2nd quarter of 2021.

NOTE 14 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.

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 - 30.6		1.1 - 31.12
	2021	2020	2020
Capital employed end of			
Q2, 2019		5,817	
Q3, 2019		5,938	
Q4, 2019		5,815	5,815
Q1, 2020		6,371	6,371
Q2, 2020	6,091	6,091	6,091
Q3, 2020	6,103		6,103
Q4, 2020	5,904		5,904
Q1, 2021	5,884		
Q2, 2021	5,854		
Average	5,967	6,006	6,057
Capital contribution (LTM)	818	635	689
ROCE (%)	13.7	10.6	11.4



Q2 2021



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