

2ND QUARTER 2020

INTERIM REPORT



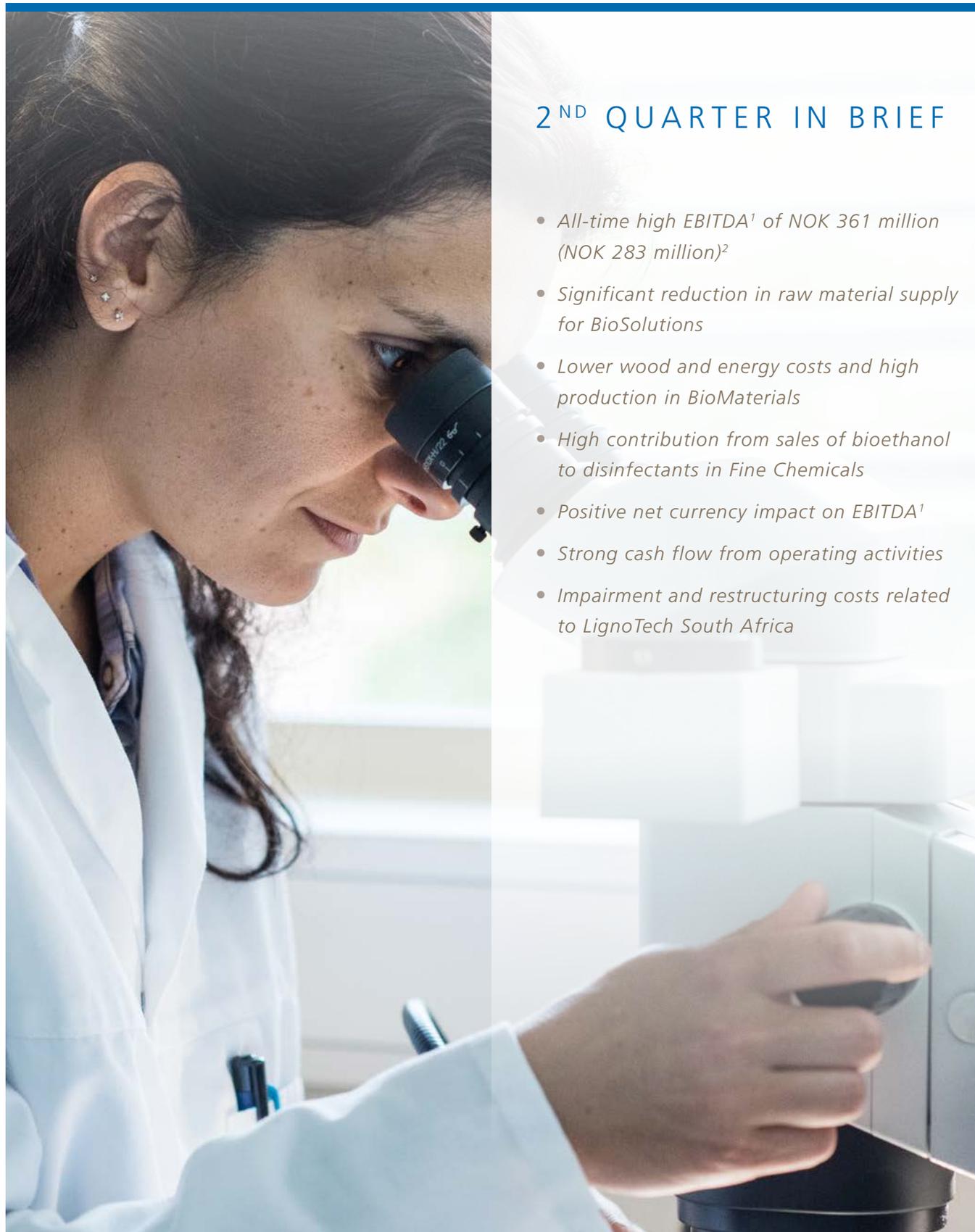
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Q2 2020

2ND QUARTER IN BRIEF

- *All-time high EBITDA¹ of NOK 361 million (NOK 283 million)²*
- *Significant reduction in raw material supply for BioSolutions*
- *Lower wood and energy costs and high production in BioMaterials*
- *High contribution from sales of bioethanol to disinfectants in Fine Chemicals*
- *Positive net currency impact on EBITDA¹*
- *Strong cash flow from operating activities*
- *Impairment and restructuring costs related to LignoTech South Africa*



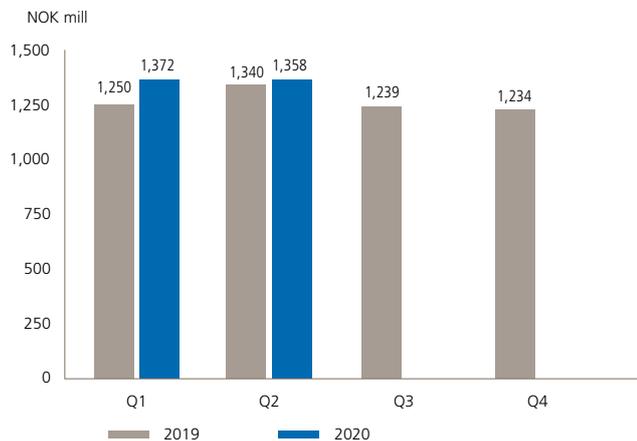
¹ Alternative performance measure, see page 23 for definition.

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

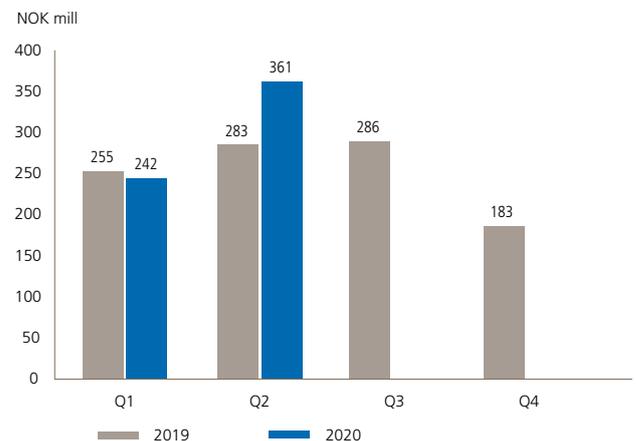
THE GROUP

Amounts in NOK million	Note	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
		2020	2019	2020	2019	2019
Operating revenues	2	1,358	1,340	2,730	2,590	5,063
EBITDA ¹		361	283	603	538	1,007
Operating profit		152	162	284	318	558
Profit/loss before taxes	2	133	140	244	281	467
Earnings per share (NOK)		1.01	1.22	2.03	2.48	4.17
Net interest-bearing debt ¹	11	2,154	2,025	2,154	2,025	1,876
Equity ratio ¹ (%)		44.2	51.0	44.2	51.0	51.4
Leverage ratio ¹		2.01	2.13	2.01	2.13	1.86
Return on capital employed ¹ (%)		10.6	11.3	10.6	11.3	10.5

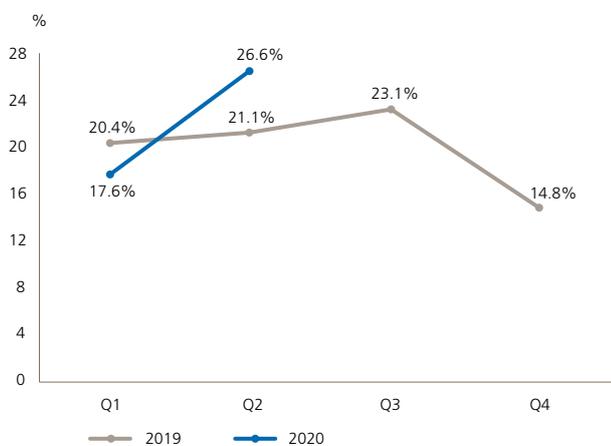
OPERATING REVENUES



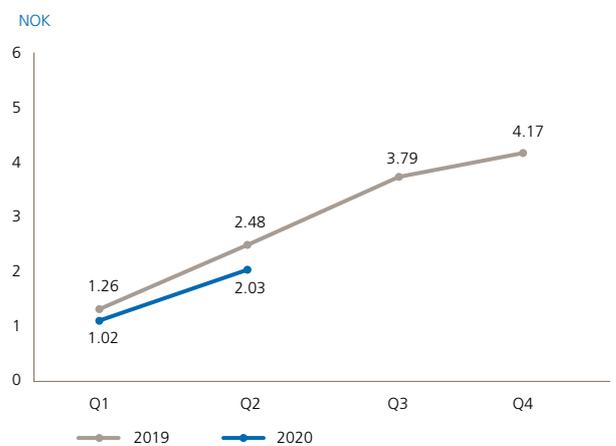
EBITDA¹



EBITDA MARGIN¹



EARNINGS PER SHARE CUMULATIVE



¹ Alternative performance measure, see page 23 for definition.

SECOND QUARTER

Borregaard's operating revenues increased to NOK 1,358 million (NOK 1,340 million)² in the 2nd quarter of 2020. EBITDA¹ reached an all-time high of NOK 361 million (NOK 283 million). BioMaterials and Fine Chemicals had improved results, whereas BioSolutions had a result in line with the same period last year.

BioSolutions had a significant reduction in raw material supply and hence lower sales volume, offset by an improved product mix and favourable currency effects. In BioMaterials, lower wood and energy costs, high production volume and positive currency effects more than compensated for a lower sales volume. For Fine Chemicals, sales of bioethanol to disinfectants was the main reason for the improved result. The total net currency impact on EBITDA¹ was approximately NOK 30 million compared with the corresponding period in 2019.

During the 2nd quarter, effects related to the coronavirus situation started to materialise in sales and results. The discontinued raw material supply to LignoTech South Africa and reduced demand in some biopolymers sectors and certain cellulose grades all had a negative effect, while the increased sales of bioethanol to disinfectants contributed positively.

Other income and expenses were NOK -96 million (NOK -16 million) in the 2nd quarter due to impairment of assets and restructuring costs related to the mothballed 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.

Operating profit was NOK 152 million (NOK 162 million). Net financial items were NOK -19 million (NOK -22 million). Profit before tax was NOK 133 million (NOK 140 million). Tax expense was NOK -48 million (NOK -33 million), giving a tax rate of 36% (24%) in the quarter. The tax rate was affected by

accounting treatment of partly owned companies and carry forward losses not recognised as deferred tax assets. See Note 5.

Earnings per share were NOK 1.01 (NOK 1.22).

Cash flow from operating activities in the 2nd quarter was NOK 442 million (NOK 133 million). The strong cash flow was due to the positive effect of a high EBITDA¹ as well as a significant reduction in net working capital. Taxes paid was lower than the corresponding period last year due to an extended deadline to 1 September for advance payment of tax in Norway.

FIRST HALF

Borregaard's operating revenues increased to NOK 2,730 million (NOK 2,590 million) in the 1st half of 2020. EBITDA¹ was NOK 603 million (NOK 538 million). BioMaterials and Fine Chemicals had improved results compared with the 1st half of 2019, whereas BioSolutions had a result in line with the same period last year.

BioSolutions had a significant reduction in raw material supply and hence lower sales volume, partly offset by an improved product mix. The improved result in BioMaterials was due to lower wood and energy costs and a high production volume. For Fine Chemicals, sales of bioethanol to disinfectants was the main reason for the improved result. The total net currency impact on EBITDA¹ was approximately NOK 40 million compared with the corresponding period in 2019.

Other income and expenses¹ were NOK -96 million (NOK -16 million) due to impairment of assets and restructuring costs related to the mothballed 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.

¹ Alternative performance measure, see page 23 for definition.

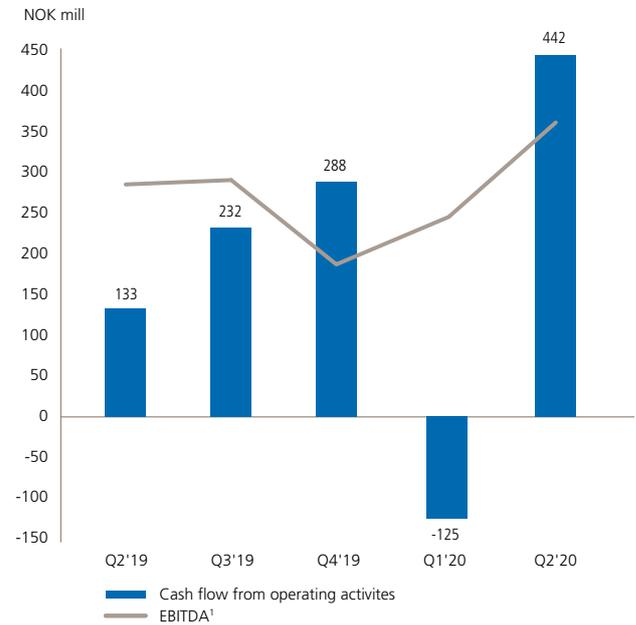
² Figures in parentheses are for the corresponding period in the previous year.

Operating profit was NOK 284 million (NOK 318 million). Net financial items amounted to NOK -40 million (NOK -37 million). Profit before tax was NOK 244 million (NOK 281 million). Tax expense was NOK -75 million (NOK -66 million), giving a tax rate of 31% (23%).

Earnings per share were NOK 2.03 (NOK 2.48).

In the 1st half of 2020, cash flow from operating activities was NOK 317 million (NOK 177 million). The improvement was due to a positive cash effect of an increased EBITDA¹, a favourable development in net working capital and lower taxes paid compared with the same period last year.

CASH FLOW FROM OPERATING ACTIVITIES



BUSINESS AREAS

BIOSOLUTIONS

Amounts in NOK million	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2020	2019	2020	2019	2019
Operating revenues	819	781	1,616	1,536	2,982
EBITDA ¹	193	192	363	360	647
EBITDA margin ¹ (%)	23.6	24.6	22.5	23.4	21.7

SECOND QUARTER

Operating revenues in BioSolutions were NOK 819 million (NOK 781 million). EBITDA¹ was NOK 193 million (NOK 192 million). The effect of reduced raw material supply and consequently lower sales volume for biopolymers was offset by improved product mix and positive net currency effects. Cost reductions from the upgrade in Norway and the restructuring in Germany compensated for higher distribution costs related to transatlantic shipments.

Discontinued raw material supply from Sappi Saiccor, Sniace and Flambeau River Papers, partly offset by increased sales volume from the Florida plant and inventory reduction, was the main reason for a 15% lower sales volume. The reduced supply has particularly affected sales to concrete admixtures and low-value industrial applications. Within Specialities, increased sales of products for agriculture and biovanillin more than compensated for a significant drop in sales to oil field chemicals.

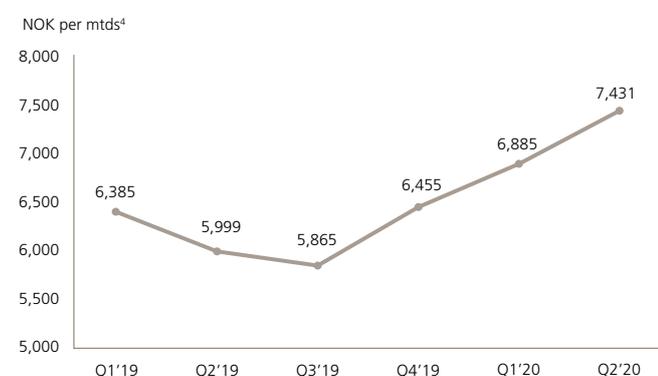
The average price in sales currency for BioSolutions was 10% higher than in the 2nd quarter of 2019, mainly from an improved product mix where the share of low-value applications was reduced.

FIRST HALF

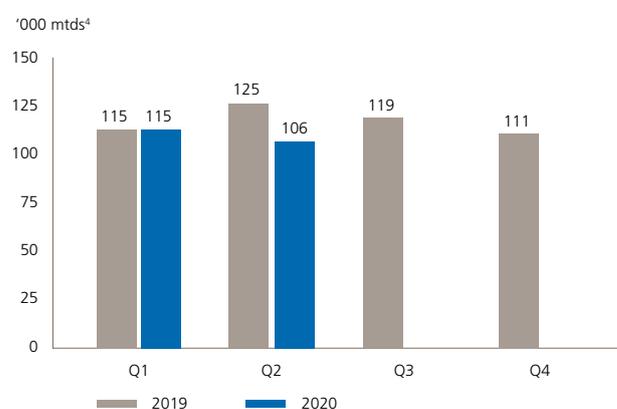
In the 1st half of 2020, BioSolutions had operating revenues of NOK 1,616 million (NOK 1,536 million). EBITDA¹ was NOK 363 million (NOK 360 million). The effect of reduced supply and lower sales volume for biopolymers was compensated by an improved product mix and favourable net currency effects.

Total sales volume was 8% lower than in the 1st half of 2019, with a significant reduction in concrete admixtures and certain low-value industrial applications and a slight increase in Specialities. The average price in sales currency was 4% higher than in the 1st half of 2019 due to an improved 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 23 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. 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
	2020	2019	2020	2019	2019
Operating revenues	417	472	871	866	1,712
EBITDA ¹	101	64	147	109	234
EBITDA margin ¹ (%)	24.2	13.6	16.9	12.6	13.7

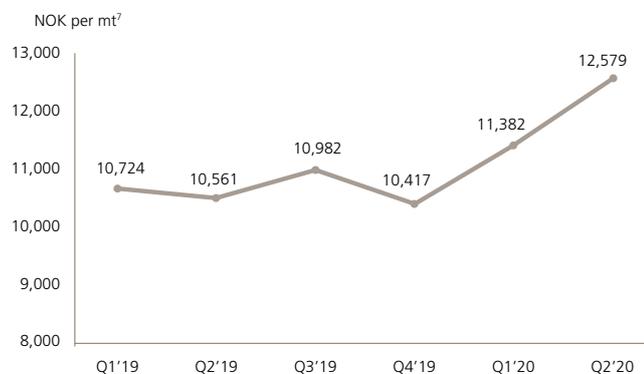
SECOND QUARTER

Operating revenues in BioMaterials were NOK 417 million (NOK 472 million). EBITDA¹ reached NOK 101 million (NOK 64 million).

For speciality cellulose, the effect of a low sales volume was more than compensated by lower wood and energy costs, high production volume and favourable net currency effects. The low sales volume was related to weaker than expected demand for cellulose ethers to construction applications and certain less specialised grades. The average price in sales currency for BioMaterials was 5% higher than in the same period in 2019 due to lower sales of less specialised grades and textile cellulose.

The sales volume for cellulose fibrils continued to grow. Higher sales and cost reductions did not fully compensate for the reduced EU Horizon 2020⁵ grant, which ended 30 April.

AVERAGE GROSS SALES PRICE⁶



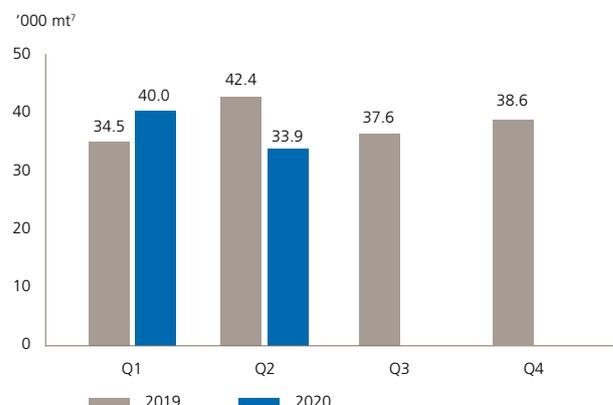
FIRST HALF

Operating revenues in the 1st half of 2019 were NOK 871 million (NOK 866 million). EBITDA¹ was NOK 147 million (NOK 109 million).

The increased EBITDA¹ was due to lower wood and energy costs, higher production volume and a positive net currency impact. The average price in sales currency for BioMaterials was 1% higher than in the same period in 2019.

Towards the end of the 1st half, demand was weaker than expected for cellulose ethers to construction applications and certain less specialised grades, whereas food and pharma applications continued to show good growth. Sales to the textile segment was insignificant.

SALES VOLUME



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

¹ Alternative performance measure, see page 23 for definition.

⁵ 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

⁶ Average sales price is calculated using actual FX rates, excluding hedging impact.

⁷ Metric tonne.

FINE CHEMICALS

Amounts in NOK million	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2020	2019	2020	2019	2019
Operating revenues	131	96	259	206	406
EBITDA ¹	67	27	93	69	126
EBITDA margin ¹ (%)	51.1	28.1	35.9	33.5	31.0

SECOND QUARTER

Fine Chemicals' operating revenues reached NOK 131 million (NOK 96 million). EBITDA¹ increased to NOK 67 million (NOK 27 million).

The strong result was mainly due to an increased demand and a higher price level for bioethanol to disinfectants which more than compensated for reduced demand for fuel. The result for pharma intermediates improved due to higher deliveries in the quarter.

The net currency impact in Fine Chemicals was insignificant.

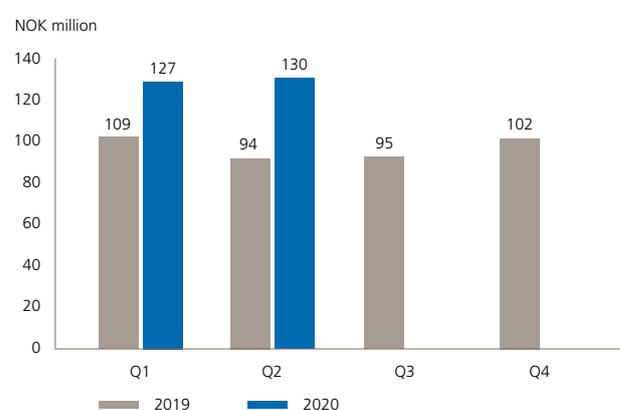
FIRST HALF

Operating revenues in Fine Chemicals were NOK 259 million (NOK 206 million) in the 1st half of 2020. EBITDA¹ reached NOK 93 million (NOK 69 million).

The result for bioethanol improved significantly due to increased demand and a higher price level for sales to disinfectants in the 2nd quarter, which more than compensated for reduced demand for fuel. EBITDA¹ for pharma intermediates was lower compared with the 1st half of 2019 due to an unfavourable product mix.

The net currency impact in Fine Chemicals was insignificant.

FINE CHEMICALS – SALES REVENUES



Sales revenues include pharma intermediates and bioethanol.

¹ Alternative performance measure, see page 23 for definition.

FOREIGN EXCHANGE AND HEDGING

Borregaard has a significant currency exposure which is hedged according to the company's hedging strategy. The impact of rate fluctuations will be delayed as a result of the currency hedging strategy. Compared with the 2nd quarter of 2019, the net impact of foreign exchange on EBITDA¹, including hedging effects, was NOK 30 million. Hedging effects were NOK -84 million (NOK -13 million) in the quarter.

Compared with the 1st half of 2019, the net impact of foreign exchange on EBITDA¹, including hedging

effects, was NOK 40 million. Hedging effects were NOK -146 million (NOK -21 million) in the 1st half.

Assuming currency rates as of 15 July 2020 (USD 9.29 and EUR 10.63) 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 2020 and NOK 45 million for the full year of 2020.

CASH FLOW AND FINANCIAL SITUATION

SECOND QUARTER

Cash flow from operating activities in the 2nd quarter was NOK 442 million (NOK 133 million). The strong cash flow was due to the positive effect of a high EBITDA¹ as well as a significant reduction in net working capital. Taxes paid was lower than in the corresponding period last year due to an extended deadline to 1 September for advance payment of tax in Norway.

Investments amounted to NOK 155 million (NOK 146 million). Expansion investments¹ totalled NOK 51 million (NOK 92 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 2nd quarter.

FIRST HALF

In the 1st half of 2020, cash flow from operating activities was NOK 317 million (NOK 177 million). The improvement was due to a positive cash effect of an increased EBITDA¹, a favourable development in net working capital and lower taxes paid compared with the same period last year.

Investments amounted to NOK 213 million (NOK 269 million). Replacement investments were NOK 139 million (NOK 130 million). Expansion investments¹ totalled NOK 74 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 2nd quarter. Realised effect of hedging of net investments in subsidiaries was NOK -47 million (NOK 9 million) in the 1st half of 2020. The Group has sold and repurchased treasury shares with a net payment of NOK 21 million (NOK 18 million).

On 30 June 2020, the Group had net interest-bearing debt¹ totalling NOK 2,154 million (NOK 2,025 million), an increase of NOK 278 million from year-end 2020.

At the end of June, the Group was well capitalised with an equity ratio¹ of 44.2% and a leverage ratio¹ of 2.01.

¹ Alternative performance measure, see page 23 for definition.

SHARE INFORMATION

During the 2nd quarter, 3,000 share options were exercised at a strike price of NOK 39.94 per share. At the same time Borregaard repurchased 2,489 treasury shares at an average price of NOK 105.03.

Total number of shares outstanding on 30 June 2020 was 100 million, including 406,829 treasury shares. Total

number of shareholders was 6,345. Borregaard ASA's share price was NOK 102.20 at the end of the 2nd quarter compared with NOK 96.80 at the end of the 1st quarter of 2020 and NOK 95.00 at the end of 2019.

The share was traded ex dividend on 16 June and dividend was paid out on 24 June.

OTHER MATTERS AND SUBSEQUENT EVENTS

GENERAL MEETING

Borregaard ASA held its General Meeting on 15 June 2020. The financial statements of Borregaard ASA and the Group, including the proposal to pay an ordinary dividend of NOK 2.30 per share were approved. The General Meeting re-elected the chair of the Board of Directors, Jan Oksum. Terje Andersen, Tove Andersen, Margrethe Hauge and Helge Aasen were re-elected as members of the Board.

PRODUCTION AT LIGNOTECH SOUTH AFRICA DISCONTINUED AND PLANT MOTHBALLED

Production at the calcium sulphite line at Sappi's Saiccor dissolving pulp mill stopped at the beginning of April, affecting supply of lignin raw material to LignoTech South Africa. The line is expected to be shut down for an extended period. The Board of LignoTech South Africa has decided to mothball the lignin plant and terminate

commercial agreements with third parties. For more details, see notifications to Oslo Stock Exchange on 2 April and 8 May 2020.

NEW LONG-TERM CREDIT FACILITIES WITH MARGIN LINKED TO SUSTAINABILITY TARGETS

On 7 July, Borregaard entered into three bilateral multicurrency revolving credit facility agreements with DNB Bank ASA, Skandinaviska Enskilda Banken AB (publ) and Handelsbanken, Norwegian Branch of Svenska Handelsbanken AB (publ), respectively. The facilities, which are linked to sustainability targets, amount in total to NOK 1,500 million, with each bank providing NOK 500 million. The new facilities replace the NOK 1,500 million revolving credit facilities with maturity in 2021. For more details, see notifications to Oslo Stock Exchange on 7 July 2020.

OUTLOOK

In BioSolutions, total sales volume for 2020 is forecast to decrease by 10-15% compared with 2019. The volume reduction will primarily impact sales to concrete admixtures and low-value industrial applications. This will have a positive effect on product mix and average price in sales currency. In total, demand is expected to be higher than supply for the rest of the year. However, reduced demand in certain applications, such as oil field chemicals and automotive, will have a negative impact. Cost savings in Norway and Germany are expected to continue as planned. The ongoing biovanillin capacity expansion will be gradually realised in 2020 with full effect from the second half of 2021.

In BioMaterials, the average price in sales currency is expected to increase 0-2% from the 2019 level, due to improved product mix. The coronavirus effect on economic activity may negatively influence demand for certain speciality cellulose grades in the 2nd half of 2020. Sales volume is expected to continue to grow for cellulose fibrils. Borregaard's wood costs in the 2nd half of 2020 are forecast to be approximately NOK 25 million lower than in the 2nd half of 2019.

In Fine Chemicals, no major changes are expected in the market conditions for pharma intermediates. For bioethanol, sales to disinfectants is expected to be significantly lower in the 2nd half of 2020 compared with the peak in the 2nd quarter, while deliveries to biofuel is expected to increase compared with the 1st half.

Consequences of the coronavirus situation may occur in case suppliers, business partners and infrastructure are affected. To the extent that the consequences of the coronavirus situation leads to lower growth in the world economy, Borregaard, as a global supplier of products, will also be affected. However, it is not possible to quantify such effects for the time being. In the meantime, Borregaard will focus on maintaining sufficient financial capacity to responsibly manage and mitigate any potential effects from the coronavirus situation and will closely monitor the situation in the coming weeks and months.

Sarpsborg, 15 July 2020
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 2020, 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, 15 July 2020
The Board of Directors of Borregaard ASA



JAN ANDERS OKSUM

Chair



TERJE ANDERSEN



TOVE ANDERSEN



MARGRETHE HAUGE



HELGE AASEN



ÅSMUND DYBEDAHL



RAGNHILD ANKER EIDE



PER A. SØRLIE

President and CEO

THE GROUP'S CONDENSED INCOME STATEMENT

INTERIM CONDENSED INCOME STATEMENT

Amounts in NOK million	NOTE	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
		2020	2019	2020	2019	2019
OPERATING REVENUES	2	1,358	1,340	2,730	2,590	5,063
Operating expenses		-997	-1,057	-2,127	-2,052	-4,056
Depreciation property, plant and equipment		-112	-104	-221	-202	-418
Amortisation intangible assets		-1	-1	-2	-2	-4
Other income and expenses ¹	3	-96	-16	-96	-16	-27
OPERATING PROFIT		152	162	284	318	558
Financial items, net	4	-19	-22	-40	-37	-91
PROFIT BEFORE TAXES		133	140	244	281	467
Income tax expense	5	-48	-33	-75	-66	-116
PROFIT FOR THE PERIOD		85	107	169	215	351
Profit attributable to non-controlling interests		-16	-15	-34	-33	-66
Profit attributable to owners of the parent		101	122	203	248	417
EBITDA¹		361	283	603	538	1,007

EARNINGS PER SHARE

INTERIM EARNINGS PER SHARE

Amounts in NOK		1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
		2020	2019	2020	2019	2019
Earnings per share (100 mill. shares)	6	1.01	1.22	2.03	2.48	4.17
Diluted earnings per share	6	1.01	1.22	2.04	2.48	4.18

THE GROUP'S CONDENSED COMPREHENSIVE INCOME STATEMENT

INTERIM CONDENSED COMPREHENSIVE INCOME STATEMENT

Amounts in NOK million	NOTE	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
		2020	2019	2020	2019	2019
PROFIT FOR THE PERIOD		85	107	169	215	351
ITEMS NOT TO BE RECLASSIFIED TO P&L						
Actuarial gains and losses (after tax)		-	-	-	-	-4
TOTAL		-	-	-	-	-4
ITEMS TO BE RECLASSIFIED TO P&L						
Change in hedging-reserve after tax (cash flow)	8	437	4	-346	64	9
Change in hedging-reserve after tax (net investment in subsidiaries)	8	43	2	-57	6	-12
Translation effects		-97	-4	76	-20	11
TOTAL		383	2	-327	50	8
THE GROUP'S COMPREHENSIVE INCOME		468	109	-158	265	355
Comprehensive income non-controlling interests		-28	-16	-17	-36	-64
Comprehensive income owners of the parent		496	125	-141	301	419

¹ Alternative performance measure, see page 23 for definition.

THE GROUP'S CONDENSED BALANCE SHEET

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in NOK million	NOTE	30.6.2020	31.12.2019
Intangible assets	13	94	93
Property, plant and equipment	13	3,975	3,852
Right-of-use assets		374	380
Other assets	9	284	251
Investments in joint venture		26	99
NON-CURRENT ASSETS		4,753	4,675
Inventories		1,003	931
Receivables	9	1,120	991
Cash and cash deposits	11	67	147
CURRENT ASSETS		2,190	2,069
TOTAL ASSETS		6,943	6,744
Group equity	10	2,926	3,306
Non-controlling interests		141	158
EQUITY		3,067	3,464
Provisions and other liabilities		444	294
Interest-bearing liabilities	9, 11	1,530	1,419
NON-CURRENT LIABILITIES		1,974	1,713
Interest-bearing liabilities	9, 11	694	608
Other current liabilities	9	1,208	959
CURRENT LIABILITIES		1,902	1,567
EQUITY AND LIABILITIES		6,943	6,744
Equity ratio ¹		44.2%	51.4%

CHANGES IN EQUITY

INTERIM CONDENSED CHANGE IN EQUITY

Amounts in NOK million	NOTE	1.1 - 30.6.2020			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
PROFIT/LOSS FOR THE PERIOD		203	-34	169	417	-66	351
Items in Comprehensive Income	8	-344	17	-327	2	2	4
THE GROUP'S COMPREHENSIVE INCOME	8	-141	-17	-158	419	-64	355
Paid dividend		-229	-	-229	-224	-	-224
Buy-back of treasury shares		-50	-	-50	-60	-	-60
Exercise of share options		10	-	10	18	-	18
Reduced tax payable of exercised share options		0	-	0	2	-	2
Shares to employees		25	-	25	23	-	23
Option costs (share based payment)		5	-	5	8	-	8
Transactions with non-controlling interests		-	-	-	-3	24	21
EQUITY AT THE END OF THE PERIOD		2,926	141	3,067	3,306	158	3,464

¹ Alternative performance measure, see page 23 for definition.

THE GROUP'S CONDENSED CASH FLOW STATEMENT

INTERIM CONDENSED CASH FLOW STATEMENT

Amounts in NOK million	NOTE	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
		2020	2019	2020	2019	2019
Profit before taxes		133	140	244	281	467
Amortisation, depreciation and impairment charges		113	105	223	204	432
Changes in net working capital, etc.		134	-91	-164	-219	-85
Dividend (share of profit) from JV		64	-	63	-	5
Taxes paid		-2	-21	-49	-89	-122
CASH FLOW FROM OPERATING ACTIVITIES		442	133	317	177	697
Investments property, plant and equipment and intangible assets *		-155	-146	-213	-269	-583
Other capital transactions		3	2	5	11	29
CASH FLOW FROM INVESTING ACTIVITIES		-152	-144	-208	-258	-554
Dividends		-229	-224	-229	-224	-224
Proceeds from exercise of options/shares to employees	10	1	11	29	30	35
Buy-back of shares	7	-	-21	-50	-48	-60
Gain/(loss) on hedges for net investments in subsidiaries		113	5	-47	9	-26
NET PAID TO/FROM SHAREHOLDERS		-115	-229	-297	-233	-275
Proceeds from interest-bearing liabilities	11	300	1,000	950	1,347	2,100
Repayment from interest-bearing liabilities	11	-345	-837	-930	-1,053	-1,971
Change in interest-bearing receivables/other liabilities	11	-14	1	26	-7	-3
CHANGE IN NET INTEREST-BEARING LIABILITIES		-59	164	46	287	126
CASH FLOW FROM FINANCING ACTIVITIES		-174	-65	-251	54	-149
CHANGE IN CASH AND CASH EQUIVALENTS		116	-76	-142	-27	-6
Cash and cash equivalents at beginning of period		-171	134	81	86	86
Change in cash and cash equivalents		116	-76	-142	-27	-6
Currency effects cash and cash equivalents		-4	1	2	-	1
CASH AND CASH EQUIVALENTS AT THE CLOSE OF THE PERIOD	11	-59	59	-59	59	81
*Investment by category						
Replacement investments		104	54	139	130	370
Expansion investments ¹		51	92	74	139	213

¹ Alternative performance measure, see page 23 for definition.

NOTES

NOTE 01 Organisation and basis for preparation

GENERAL INFORMATION

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

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	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2020	2019	2020	2019	2019
BORREGAARD	1,358	1,340	2,730	2,590	5,063
BioSolutions	819	781	1,616	1,536	2,982
BioMaterials	417	472	871	866	1,712
Fine Chemicals	131	96	259	206	406
Eliminations	-9	-9	-16	-18	-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

EBITDA¹

Amounts in NOK million	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2020	2019	2020	2019	2019
BORREGAARD	361	283	603	538	1,007
BioSolutions	193	192	363	360	647
BioMaterials	101	64	147	109	234
Fine Chemicals	67	27	93	69	126
RECONCILIATION AGAINST OPERATING PROFIT & PROFIT BEFORE TAX					
EBITDA¹	361	283	603	538	1,007
Depreciations and write downs	-112	-104	-221	-202	-418
Amortisation intangible assets	-1	-1	-2	-2	-4
Other income and expenses	-96	-16	-96	-16	-27
OPERATING PROFIT	152	162	284	318	558
Financial items, net	-19	-22	-40	-37	-91
PROFIT BEFORE TAXES	133	140	244	281	467

SALES REVENUES

Amounts in NOK million	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2020	2019	2020	2019	2019
BORREGAARD	1,337	1,311	2,684	2,533	4,951
BioSolutions	800	753	1,575	1,481	2,873
BioMaterials	407	465	852	850	1,679
Fine Chemicals	130	94	257	203	400
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

Other income and expenses of NOK -96 million in the 2nd quarter of 2020 relates to impairment of assets and restructuring costs related to the mothballed operation in South Africa (NOK -84 mill), restructuring costs in

LignoTech Ibérica (NOK -2 million) and an additional accrual related to cleaning and deposition of polluted soil at the Sarpsborg site (NOK -10 million).

NOTE 04 Financial items

NET FINANCIAL ITEMS

Amounts in NOK million	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2020	2019	2020	2019	2019
Net interest expenses	-21	-18	-41	-31	-69
Currency gain/loss	2	-3	2	-5	-12
Other financial items, net	-	-1	-1	-1	-10
NET FINANCIAL ITEMS	-19	-22	-40	-37	-91

¹ Alternative performance measure, see page 23 for definition.

NOTE 05 Income tax expense

The tax rate of 30.7% (23.5%) for the first six 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 mothballed operation (see Note 3) does not reduce the tax expense and tax rate in the quarter or in the first six months of 2020. 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 406,829 treasury shares. As of 30 June 2020, there are 99,670,833 diluted shares (99,807,055 as of 31 December 2019). Earnings per diluted share were

NOK 1.01 in the 2nd quarter (NOK 1.22 in the 2nd quarter of 2019).

NOTE 07 Stock options

During the 2nd quarter, 3,000 share options were exercised at a strike price of NOK 39.94.

The Group Executive Management and other key employees hold a total of 1,555,207 stock options in five different share option programmes in Borregaard.

The 2015 option programme, comprising 84,207 stock options granted in October 2015, has a strike price of NOK 39.94 adjusted for dividends in 2016-2020, NOK 11.55. The 2017 option programme, comprising 331,000 stock options granted in February 2017, has a strike price of NOK 94.06 adjusted for dividends in 2017-2020 of NOK 10.05. The 2018 option programme,

comprising 370,000 stock options granted in February 2018, has a strike price of NOK 73.45 adjusted for dividend in 2018-2020 of NOK 6.55. The 2019 option programme, comprising 370,000 stock options granted in February 2019, has a strike price of NOK 77.80 adjusted for dividend in 2019 and 2020 of NOK 4.55. The 2020 option programme, comprising 400,000 stock options granted in February 2020, has a strike price of NOK 102.10 adjusted for dividend in 2020 of NOK 2.30. The share options in the five different programmes expire after five years, the vesting period is three years and the options can be exercised during the last two years.

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	30.6.2020		30.6.2019		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	-134	-60	-22	-38	-37	-44
Hedging reserve after tax	-475	-179	-74	-104	-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 2nd 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 June 2020:

FINANCIAL ASSETS

Amounts in NOK million	LEVEL	30.6.2020		31.12.2019	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial receivables	2	224	224	211	211
Non-current derivatives	2	22	22	29	29
Current derivatives	2	8	8	27	27
TOTAL FINANCIAL ASSETS		254	254	267	267

FINANCIAL LIABILITIES

Non-current financial liabilities	2, 3	1,530	1,530	1,421	1,421
Non-current derivatives	2	321	321	111	111
Current financial liabilities	2	695	695	608	608
Current derivatives	2	337	337	95	95
TOTAL FINANCIAL LIABILITIES		2,883	2,883	2,235	2,235

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Amounts in NOK million	LEVEL 1	LEVEL 2	LEVEL 3
FINANCIAL INSTRUMENTS 30.06.2020	-2,629	-	-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	30.6.2020	31.12.2019
Share capital	100	100
Treasury shares	-	-
Share premium	1,346	1,346
Other paid-in capital	736	696
Translation effects	161	102
Hedging reserve (after tax)	-654	-251
Actuarial gains/Losses	-21	-21
Retained earnings	1,258	1,334
GROUP EQUITY (CONTROLLING INTERESTS)	2,926	3,306

As of 30 June 2020, the company held 406,829 treasury shares at an average cost of NOK 97.67.

NOTE 11 Net interest-bearing debt¹

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

Amounts in NOK million	30.6.2020	31.12.2019
Non-current interest-bearing liabilities	1,530	1,419
Current interest-bearing liabilities including overdraft of cashpool	694	608
Non-current interest-bearing receivables (included in "Other Assets")	-3	-4
Cash and cash deposits	-67	-147
NET INTEREST-BEARING DEBT¹	2,154	1,876
- of which impact of IFRS 16 Leases	385	387

NOTE 12 Related parties

The members of the Group Executive Management of Borregaard held a total of 751,354 stock options in the Company as of 30 June 2020.

NOTE 13 Assessments relating to impairment

Impairment indicators identified in the 2nd quarter of 2020 are related to the mothballing of the LignoTech South Africa plant. See Note 3. No other impairment

indicators have been identified in the Borregaard Group's property, plant and equipment or intangible assets in the 2nd quarter of 2020.

¹ Alternative performance measure, see page 23 for definition.

NOTE 14 Other matters and subsequent events

GENERAL MEETING

Borregaard ASA held its General Meeting on 15 June 2020. The financial statements of Borregaard ASA and the Group, including the proposal to pay an ordinary dividend of NOK 2.30 per share were approved. The General Meeting re-elected the chair of the Board of Directors, Jan Oksum. Terje Andersen, Tove Andersen, Margrethe Hauge and Helge Aasen were re-elected as members of the Board.

PRODUCTION AT LIGNOTECH SOUTH AFRICA DISCONTINUED AND PLANT MOTHBALLED

Production at the calcium sulphite line at Sappi's Saiccor dissolving pulp mill stopped at the beginning of April, affecting supply of lignin raw material to LignoTech South Africa. The line is expected to be shut down for an extended period. The Board of LignoTech South Africa has decided to mothball the lignin plant and terminate commercial agreements with third parties. For more details, see notifications to Oslo Stock Exchange on 2 April and 8 May 2020.

NEW LONG-TERM CREDIT FACILITIES WITH MARGIN LINKED TO SUSTAINABILITY TARGETS

On 7 July, Borregaard entered into three bilateral multicurrency revolving credit facility agreements with DNB Bank ASA, Skandinaviska Enskilda Banken AB (publ) and Handelsbanken, Norwegian Branch of Svenska Handelsbanken AB (publ), respectively. The facilities, which are linked to sustainability targets, amount in total to NOK 1,500 million, with each bank providing NOK 500 million. The new facilities replace the NOK 1,500 million revolving credit facilities with maturity in 2021. For more details, see notifications to Oslo Stock Exchange on 7 July 2020.

OTHER MATTERS

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 and deferred tax excess value.

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	
	2020	2019	2019
Capital employed end of			
Q2, 2018		4,578	
Q3, 2018		4,620	
Q4, 2018		4,937	4,937
Q1, 2019		5,498	5,498
Q2, 2019	5,817	5,817	5,817
Q3, 2019	5,938		5,938
Q4, 2019	5,815		5,815
Q1, 2020	6,371		
Q2, 2020	6,091		
AVERAGE	6,006	5,090	5,601
CAPITAL CONTRIBUTION (LTM)	635	575	589
ROCE (%)	10.6	11.3	10.5



Borregaard

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