

2ND QUARTER 2019

INTERIM REPORT



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Q2 2019

2ND QUARTER IN BRIEF

- EBITA adj.¹ NOK 179 million (NOK 164 million)²
- Favourable product mix for Performance Chemicals
- Higher wood costs affecting Speciality Cellulose
- Continued strong improvement in Ingredients
- Positive net currency impact



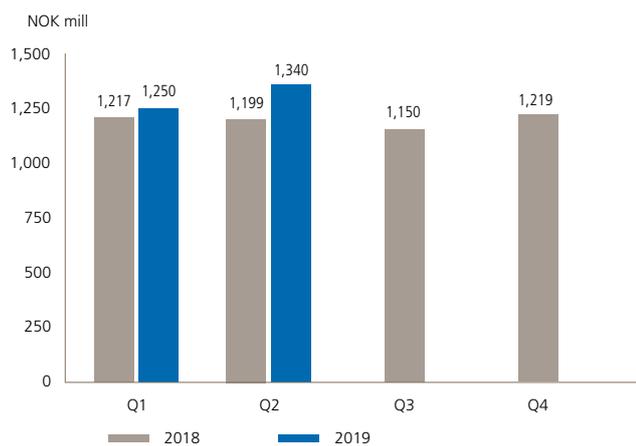
¹ Alternative performance measure, see page 23 for definition.

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

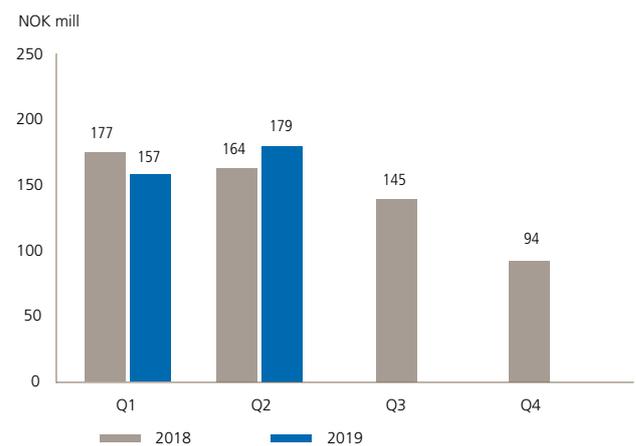
THE GROUP

Amounts in NOK million	Note	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
		2019	2018	2019	2018	2018
Operating revenues	2	1,340	1,199	2,590	2,416	4,785
EBITDA adj. ¹		283	239	538	491	903
EBITA adj. ¹	2	179	164	336	341	580
Profit/loss before taxes		140	159	281	328	562
Earnings per share (NOK)		1.22	1.32	2.48	2.69	4.76
Net interest-bearing debt ¹	10	1,627	1,194	1,627	1,194	1,297
Equity ratio ¹ (%)		51.0	56.5	51.0	56.5	55.8
Leverage ratio ¹		1.77	1.25	1.77	1.25	1.44
Return on capital employed ¹ (%)		11.5	15.2	11.5	15.2	12.7

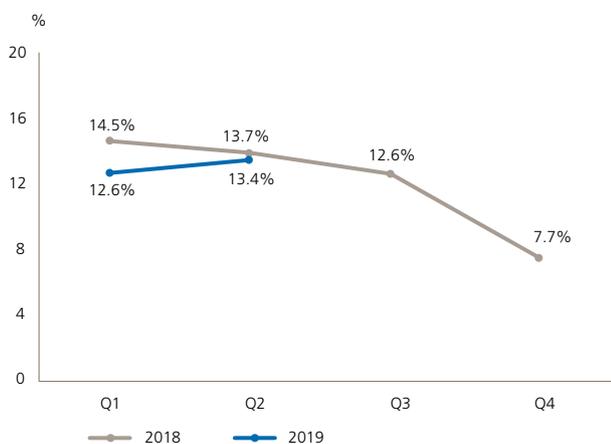
OPERATING REVENUES



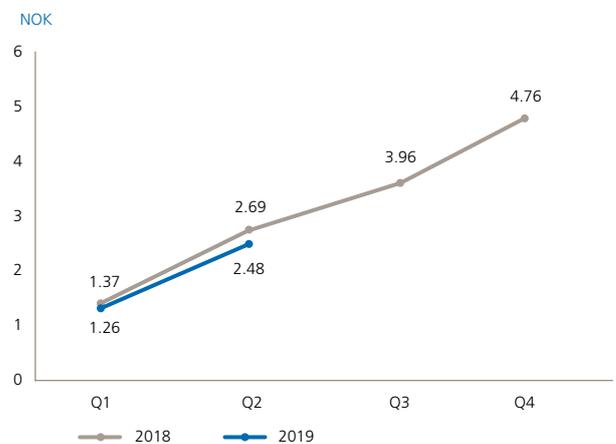
EBITA ADJ.¹



EBITA ADJ. MARGIN¹



EARNINGS PER SHARE CUMULATIVE



¹ Alternative performance measure, see page 23 for definition.

SECOND QUARTER

Borregaard's operating revenues were NOK 1,340 million (NOK 1,199 million)² in the 2nd quarter of 2019. EBITA adj.¹ increased to NOK 179 million (NOK 164 million). The results in Performance Chemicals and Other Businesses improved compared with the corresponding quarter in 2018, whereas Speciality Cellulose had a decline. The net currency impact was positive.

Performance Chemicals had a favourable product mix which offset higher fixed costs and depreciation from the Florida start-up. Higher wood costs affected Speciality Cellulose negatively. Other Businesses improved as a result of higher sales prices and a favourable product mix in Ingredients.

Other income and expenses¹ were NOK -16 million (NOK 0 million) in the 2nd quarter due to restructuring of the German lignin operation. The restructuring is expected to give annual cost savings of NOK 20 million from 2020, mainly from reduced logistics costs and manning.

Net financial items were NOK -22 million (NOK -4 million). Net interest expenses increased by NOK 13 million due to higher net interest-bearing debt and a NOK 4 million impact from the implementation of IFRS 16 Leases. Profit before tax was NOK 140 million (NOK 159 million). Tax expense was NOK -33 million (NOK -36 million), giving a tax rate of 24% (23%) in the quarter.

Earnings per share were NOK 1.22 (NOK 1.32).

Cash flow from operations¹ was NOK 176 million (NOK 246 million). The decline was mainly due to an unfavourable development in net working capital compared with the 2nd quarter of 2018, partly offset by the positive cash effect of an increased EBITDA adj.¹.

FIRST HALF

In the 1st half of 2019, Borregaard's operating revenues increased to NOK 2,590 million (NOK 2,416 million). EBITA adj.¹ was NOK 336 million (NOK 341 million). Other Businesses' result improved significantly compared

with the corresponding period in 2018, whereas Performance Chemicals and Speciality Cellulose had a decline. The net currency impact was positive. The implementation of IFRS 16 Leases had a marginal positive impact of NOK 3 million on EBITA adj.¹.

Performance Chemicals had a 4% increase in total sales volume. EBITA adj.¹ decreased, mainly due to higher fixed costs and depreciation from the Florida start-up. Higher wood costs affected Speciality Cellulose negatively. Other Businesses improved, mainly as a result of higher sales prices and a favourable product mix in Ingredients.

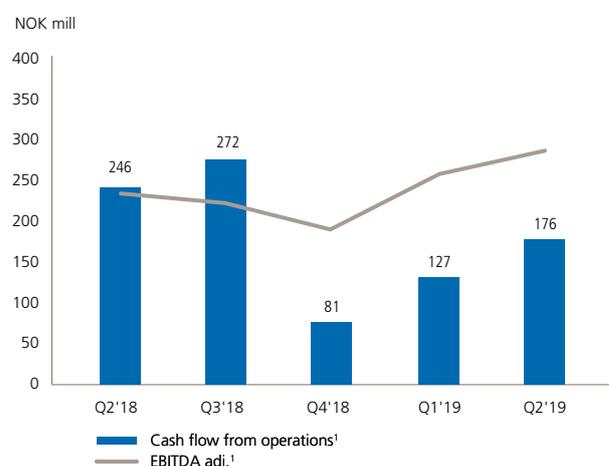
Other income and expenses¹ were NOK -16 million (NOK 0 million) due to restructuring of the German lignin operation.

Net financial items amounted to NOK -37 million (NOK -11 million). Profit before tax was NOK 281 million (NOK 328 million). Tax expense was NOK -66 million (NOK -73 million), giving a tax rate of 23% (22%).

Earnings per share were NOK 2.48 (NOK 2.69).

Cash flow from operations¹ was NOK 303 million (NOK 356 million). The decline was mainly due to an unfavourable development in net working capital compared with the 1st half of 2018, partly offset by the positive cash effect of an increased EBITDA adj.¹.

CASH FLOW FROM OPERATIONS¹



¹ Alternative performance measure, see page 23 for definition.

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

BUSINESS AREAS

PERFORMANCE CHEMICALS

Amounts in NOK million	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2019	2018	2019	2018	2018
Operating revenues	618	571	1,218	1,126	2,237
EBITA adj. ¹	107	102	194	217	314
EBITA adj. margin ¹ (%)	17.3	17.9	15.9	19.3	14.0

SECOND QUARTER

Operating revenues in Performance Chemicals reached NOK 618 million (NOK 571 million) in the 2nd quarter. EBITA adj.¹ was NOK 107 million (NOK 102 million). EBITA adj.¹ increased mainly as a result of favourable product mix, positive currency effects and higher sales volume. Fixed costs and depreciation for the Florida plant were higher than in the 2nd quarter of 2018.

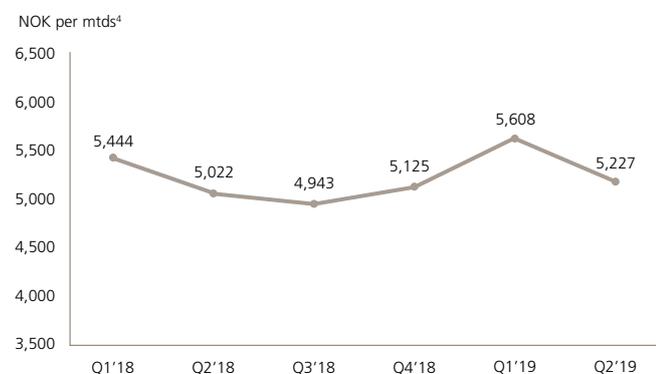
Total sales volume was 2% higher compared with the 2nd quarter of 2018. However, sales development in certain markets was slower than expected. Sales volume from the Florida plant was in accordance with the ramp-up plan. Industrial products and Specialities had volume growth in the 2nd quarter, while Construction volumes were slightly lower than in the 2nd quarter last year. Improved product mix more than compensated for lower prices in sales currency to concrete admixtures.

FIRST HALF

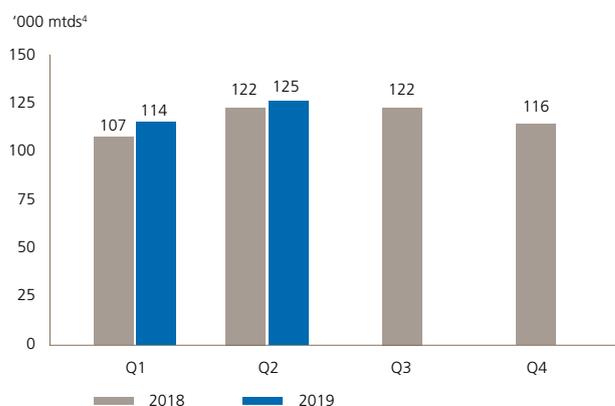
In the 1st half of 2019, Performance Chemicals had operating revenues of NOK 1,218 million (NOK 1,126 million). EBITA adj.¹ was NOK 194 million (NOK 217 million). The lower EBITA adj.¹ was mainly due to higher fixed costs and depreciation for the Florida plant. Net currency effects were positive.

Total sales volume was 4% higher than in the 1st half of 2018. Industrial products experienced strong growth in the 1st half, while Specialities and Construction volumes were in line with the 1st half of last year. In total, the increase in sales volume has been lower than expected in the 1st half. The average price in sales currency was about 2% lower than in the 1st half of 2018, primarily driven by lower prices to concrete admixtures.

AVERAGE GROSS SALES PRICE³



SALES VOLUME³



¹ Alternative performance measure, see page 23 for definition.

³ Average sales price and sales volume reflect 100% of sales and 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.

SPECIALITY CELLULOSE

Amounts in NOK million	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2019	2018	2019	2018	2018
Operating revenues	482	427	874	861	1,669
EBITA adj. ¹	48	67	83	131	257
EBITA adj. margin ¹ (%)	10.0	15.7	9.5	15.2	15.4

SECOND QUARTER

Operating revenues for Speciality Cellulose were NOK 482 million (NOK 427 million) in the 2nd quarter. EBITA adj.¹ was NOK 48 million (NOK 67 million). Increased wood costs, a more costly product mix and lower prices in sales currency were partly offset by high sales volume, improved product mix and positive currency effects.

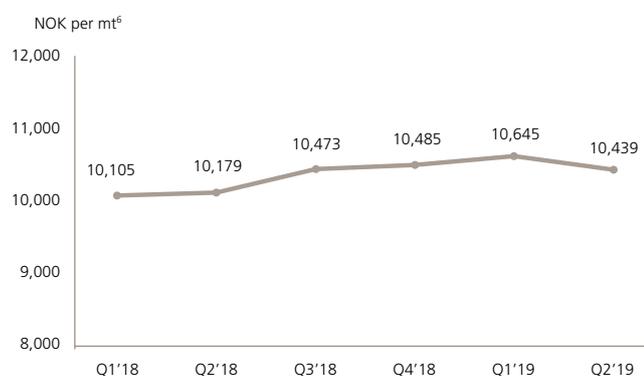
Bioethanol's result improved, mainly due to high deliveries in the quarter.

FIRST HALF

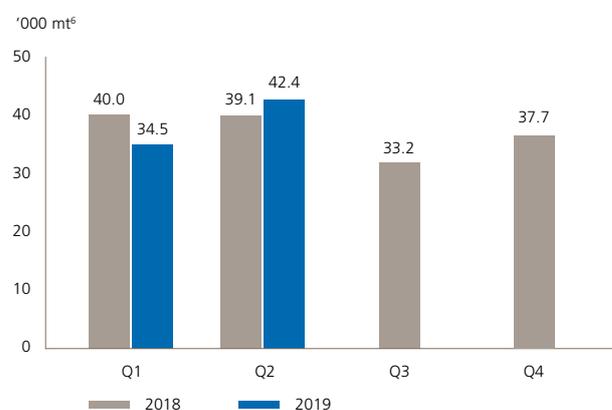
Operating revenues in the 1st half of 2019 were NOK 874 million (NOK 861 million). EBITA adj.¹ was NOK 83 million (NOK 131 million). The lower EBITA adj.¹ was due to increased wood costs and a more costly product mix. The average price in sales currency increased slightly as a result of improved product mix. Net currency effects were positive.

Bioethanol's result improved, mainly due to higher sales volume and improved product mix.

AVERAGE GROSS SALES PRICE⁵



SALES VOLUME



¹ Alternative performance measure, see page 23 for definition.

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

⁶ Metric tonne.

OTHER BUSINESSES

Amounts in NOK million	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2019	2018	2019	2018	2018
Operating revenues	256	212	530	451	927
EBITA adj. ¹	24	-5	59	-7	9
EBITA adj. margin ¹ (%)	9.4	-2.4	11.1	-1.6	1.0

SECOND QUARTER

Other Businesses' operating revenues reached NOK 256 million (NOK 212 million) in the 2nd quarter. EBITA adj.¹ increased to NOK 24 million (NOK -5 million) due to a strong result in Ingredients. Higher sales prices for wood based vanillin and a favourable product mix were the main reasons for the improved result in Ingredients.

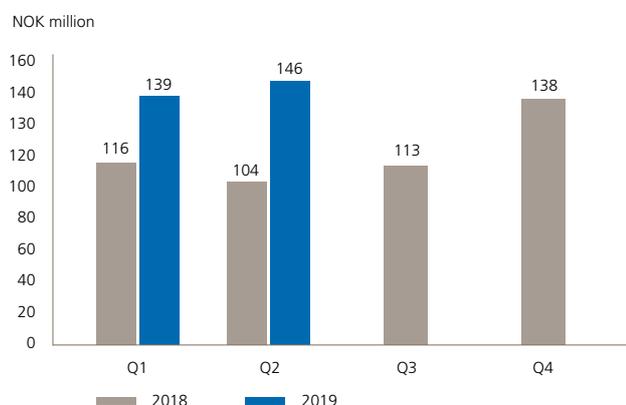
Fine Chemicals had a weaker result compared with the 2nd quarter of 2018 due to lower deliveries and lower average prices in sales currency. Cellulose Fibrils had a slightly improved result as higher sales and improved productivity more than compensated for reduced cost coverage from EU's Horizon 2020⁷ grant. Net corporate costs were in line with the corresponding quarter of 2018.

The net currency impact in Other Businesses was positive.

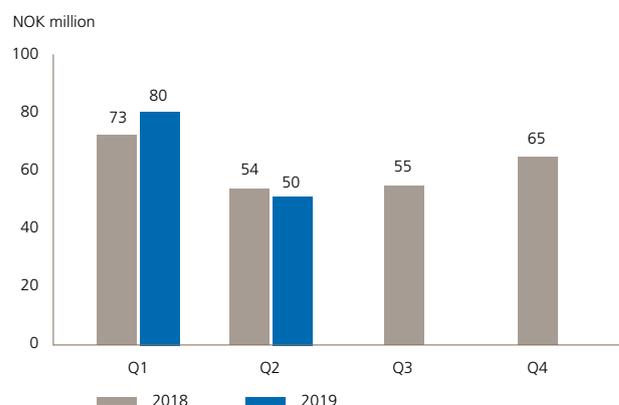
FIRST HALF

Operating revenues in Other Businesses were NOK 530 million (NOK 451 million) in the 1st half of 2019. EBITA adj.¹ was NOK 59 million (NOK -7 million). A strong development in Ingredients with higher sales prices for wood based vanillin and a favourable product mix was the main reason for the improved result. Both Fine Chemicals and Cellulose Fibrils had slightly better results compared with the 1st half of 2018, whereas net corporate costs were in line with last year. The net currency impact in Other Businesses was positive.

INGREDIENTS – SALES REVENUES



FINE CHEMICALS – SALES REVENUES



¹ Alternative performance measure, see page 23 for definition.

⁷ 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.

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 2018, the net impact of foreign exchange on EBITA adj.¹, including hedging effects, was NOK 30 million. Hedging effects were NOK -13 million (NOK -6 million) in the 2nd quarter.

Compared with the 1st half of 2018, the net impact of foreign exchange on EBITA adj.¹, including

hedging effects, was NOK 60 million. Hedging effects were NOK -21 million (NOK -3 million) in the 1st half.

Assuming currency rates as of 15 July 2019 (USD 8.54 and EUR 9.62) and based on currency exposure forecasts, Borregaard expects a net impact of foreign exchange on EBITA adj.¹ of approximately NOK 15 million in the 3rd quarter of 2019 and NOK 75 million for the full year of 2019.

CASH FLOW AND FINANCIAL SITUATION

SECOND QUARTER

Cash flow from operating activities in the 2nd quarter was NOK 133 million (NOK 179 million). The decline was mainly a result of an unfavourable development in net working capital compared with the 2nd quarter of 2018, partly offset by the positive cash effect of an increased EBITDA adj.¹ and lower tax payments.

Investments amounted to NOK 146 million (NOK 187 million). Expansion investments¹, totalling NOK 92 million, were mainly related to the upgrade and specialisation of the lignin operation in Norway and completion of the lignin plant in Florida. Dividend of NOK 224 million (NOK 199 million) was paid out in the 2nd quarter.

FIRST HALF

In the 1st half of 2019, cash flow from operating activities was NOK 177 million (NOK 210 million). The decline was mainly due to an unfavourable development in net working capital compared with the 1st half of 2018, partly offset by the positive cash effect of an increased EBITDA adj.¹ and lower tax payments.

Investments in the 1st half of 2019 amounted to NOK 269 million (NOK 364 million). Replacement investments were NOK 130 million (NOK 83 million). Expansion investments, totalling NOK 139 million, were mainly related to the upgrade and specialisation of the lignin operation in Norway and completion of the lignin plant in Florida.

Dividend of NOK 224 million (NOK 199 million) was paid out in the 2nd quarter. Realised effect of hedging of net investments in subsidiaries was NOK 9 million (NOK 13 million) in the 1st half of 2019. The Group has sold and repurchased treasury shares with a net payment of NOK 18 million (NOK 9 million).

On 30 June 2019, the Group had net interest-bearing debt¹ totalling NOK 1,627 million (NOK 1,194 million), an increase of NOK 330 million from year-end 2018.

At the end of June, the Group was well capitalised with an equity ratio¹ of 51.0% and a leverage ratio¹ of 1.77. The implementation of IFRS 16 Leases had a negative impact on the equity ratio¹ of 3.3%-points.

¹ Alternative performance measure, see page 23 for definition.

SHARE INFORMATION

During the 2nd quarter of 2019, 285,000 share options were exercised at a strike price of NOK 38.75 per share. At the same time Borregaard repurchased 232,002 treasury shares at an average price of NOK 91.49.

Total number of shares outstanding on 30 June 2019 was 100 million, including 382,998 treasury shares.

Total number of shareholders was 6,681. Borregaard ASA's share price was NOK 98.80 at the end of the 2nd quarter, compared with NOK 85.50 at the end of the 1st quarter of 2019 and NOK 74.80 at the end of 2018.

The share was traded ex dividend on 12 April 2019 and dividend was paid out on 25 April 2019.

OTHER MATTERS AND SUBSEQUENT EVENTS

CAPACITY INCREASE FOR WOOD BASED VANILLIN

Borregaard will increase the production capacity for wood based vanillin at the Sarpsborg site in Norway. The project, which represents a debottlenecking of the existing facility, has a total cost of NOK 130 million. Construction will start during the second half of 2019, and completion will be in the first half of 2021. The project represents an expansion of the current capacity by at least 250 tonnes. As a first effect, part of the increase in production will be realised already before the end of 2019. Demand for wood based ingredients to the food, beverage and cosmetics industry that can replace petrochemicals, has increased significantly during recent years. See notification to the Oslo Stock Exchange on 19 June 2019.

INCREASED UTILISATION OF RESIDUALS FROM PRODUCTION PROCESSES AS BIOENERGY

Borregaard has decided to invest NOK 131 million in a project aimed at increasing the use of bioenergy from production residuals at the Sarpsborg site in Norway. When completed in 2021, the bioenergy produced as a result of this project will be approximately 20 GWh per year, representing a reduction of CO₂ emissions of 1,200 tonnes. Longer term there is a potential to increase production to 34 GWh per year, and a corresponding reduction of 1,400 tonnes CO₂ emissions.

Enova SF, a state enterprise under the Norwegian Ministry of Climate and Environment, will support the project by a grant of NOK 46.2 million, thus reducing Borregaard's project cost to a net amount of NOK 85 million. See notification to the Oslo Stock Exchange on 19 June 2019.

CHANGES IN THE GROUP EXECUTIVE MANAGEMENT

The following changes in Borregaard's Group Executive Management was made on 27 May (see notification to the Oslo Stock Exchange on 27 May 2019):

- Tom Erik Foss-Jacobsen was appointed EVP Performance Chemicals. He succeeded Morten Harlem, who has left the company. Mr. Foss-Jacobsen has more than 20 years of experience with Borregaard and has served as EVP Speciality Cellulose since 2007.
- Gisle Løhre Johansen was appointed EVP Speciality Cellulose and Fine Chemicals. He has been with Borregaard since 1991 and comes from the position as EVP Fine Chemicals and SVP R&D and Business Development.
- Kristin Misund was appointed SVP R&D and Business Development. She has been with Borregaard since 1993 and comes from the position as R&D Director.

NEW SUPPLY CONTRACT FOR ELECTRIC POWER WITH STATKRAFT ENERGI

Borregaard and Statkraft Energi have entered into a new long-term contract for renewable electric power for a total of 1.75 TWh to be supplied to the Sarpsborg site in the period 2020 to 2029, with annual deliveries of 175 GWh. This represents approximately 25% of the site's annual consumption of electric power. See notification to the Oslo Stock Exchange on 20 May 2019.

US LIGNIN RAW MATERIAL SUPPLIER FLAMBEAU RIVER PAPERS IN FINANCIAL DIFFICULTIES

One of Borregaard's suppliers of lignin raw material, Flambeau River Papers LLC in Wisconsin, USA,

announced 8 May 2019 that it has undertaken an Assignment for the Benefit of Creditors under Chapter 128 of the Wisconsin Statutes. This is a voluntary debt consolidation and administration mechanism taking place in the Wisconsin Circuit Court system. The proceeding is a state procedure which is similar to a federal US Chapter 11 bankruptcy which is commonly used by companies in financial difficulties in Wisconsin. In the event that raw material deliveries from Flambeau will be reduced or terminated, Borregaard will supply North American customers from other manufacturing sites. See notification to the Oslo Stock Exchange on 9 May 2019.

OUTLOOK

Total lignin sales volume in 2019 is forecast to increase by approximately 5%. Continued strong competition and price pressure for lignin products to the concrete admixture market is expected to be compensated by diversification and specialisation. Fixed costs and depreciation for the Florida plant are expected to be approximately NOK 45 million higher in 2019 compared with 2018. In the 2nd half of 2019, depreciation will increase by approximately NOK 15 million related to the upgrade of the lignin operation and the new warehouse in Norway.

The average cellulose price in sales currency is expected to be in line with the 2018 level, as improved product mix will compensate for weaker prices primarily for acetate and textile cellulose. However, a more specialised product mix implies a higher manufacturing cost. Wood prices for the 2nd half of 2019 have been agreed with most suppliers. In sum, the adjustments will

give reduced wood costs compared with the 1st half of 2019, and slightly above the corresponding period last year. In the 3rd quarter, total sales volume is forecast to be lower than in the 2nd quarter of 2019, whereas the volume of highly specialised products is expected to be in line with the 2nd quarter.

Ingredients is expected to continue to deliver strong results in the 2nd half of 2019, driven by the positive market trend for wood based vanillin. No major changes are expected in the market conditions for Fine Chemicals. Sales will gradually increase for Cellulose Fibrils, but lead-times for conversion of sales prospects are long. The remaining grant from EU Horizon 2020⁷ will cover a smaller share of costs than in previous years. Corporate costs will remain at the same level as in 2018.

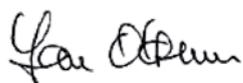
⁷ The Exilva project has received funding from the Bio-Based Industries Joint Undertaking (BBI) under the European Union's Horizon 2020 research and innovation programme under grant agreement No 709746.

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 2019, 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 2019
The Board of Directors of Borregaard ASA



JAN ANDERS OKSUM

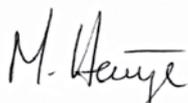
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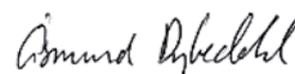
TOVE ANDERSEN



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
		2019	2018	2019	2018	2018
OPERATING REVENUES	2	1,340	1,199	2,590	2,416	4,785
Operating expenses		-1,057	-960	-2,052	-1,925	-3,882
Depreciation property, plant and equipment		-104	-75	-202	-150	-323
Amortisation intangible assets		-1	-1	-2	-2	-4
Other income and expenses ¹	3	-16	0	-16	-	-
OPERATING PROFIT		162	163	318	339	576
Financial items, net		-22	-4	-37	-11	-14
PROFIT BEFORE TAXES		140	159	281	328	562
Income tax expense	4	-33	-36	-66	-73	-137
PROFIT FOR THE PERIOD		107	123	215	255	425
Profit attributable to non-controlling interests		-15	-9	-33	-14	-51
Profit attributable to owners of the parent		122	132	248	269	476
EBITDA adj ¹		283	239	538	491	903
EBITA adj ¹	2	179	164	336	341	580

EARNINGS PER SHARE

INTERIM EARNINGS PER SHARE

Amounts in NOK		1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
		2019	2018	2019	2018	2018
Earnings per share (100 mill shares)	5	1.22	1.32	2.48	2.69	4.76
Diluted earnings per share	5	1.22	1.32	2.48	2.70	4.76

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
		2019	2018	2019	2018	2018
PROFIT FOR THE PERIOD		107	123	215	255	425
ITEMS NOT TO BE RECLASSIFIED TO P&L						
Actuarial gains and losses (after tax)		-	-	-	-	5
TOTAL		-	-	-	-	5
ITEMS TO BE RECLASSIFIED TO P&L						
Change in hedging-reserve after tax (cash flow)	7	4	-20	64	85	-103
Change in hedging-reserve after tax (net investment in subsidiaries)	7	2	-14	6	3	-25
Translation effects		-4	5	-20	-31	20
TOTAL		2	-29	50	57	-108
THE GROUP'S COMPREHENSIVE INCOME		109	94	265	312	322
Comprehensive income non-controlling interests		-16	-2	-36	-13	-42
Comprehensive income owners of the parent		125	96	301	325	364

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	30.6.2019	31.12.2018
Intangible assets	12	92	100
Property, plant and equipment	12	4,102	3,623
Other assets	8	225	230
Investments in joint venture		100	100
NON-CURRENT ASSETS		4,519	4,053
Inventories		907	856
Receivables	8	1,092	956
Cash and cash deposits	10	77	86
CURRENT ASSETS		2,076	1,898
TOTAL ASSETS		6,595	5,951
Group equity	9	3,189	3,123
Non-controlling interests		172	198
EQUITY		3,361	3,321
Provisions and other liabilities		240	271
Interest-bearing liabilities	8,10	1,526	1,115
NON-CURRENT LIABILITIES		1,766	1,386
Interest-bearing liabilities	8,10	580	272
Other current liabilities	8	888	972
CURRENT LIABILITIES		1,468	1,244
EQUITY AND LIABILITIES		6,595	5,951
Equity ratio ¹		51.0%	55.8%

CHANGES IN EQUITY

INTERIM CONDENSED CHANGE IN EQUITY

Amounts in NOK million	NOTE	1.1 - 30.6.2019			1.1 - 31.12.2018		
		Controlling interests	Non-controlling interests	Total equity	Controlling interests	Non-controlling interests	Total equity
Equity 1 January		3,123	198	3,321	2,889	107	2,996
PROFIT/LOSS FOR THE PERIOD		248	-33	215	476	-51	425
Items in Comprehensive Income	7	53	-3	50	-112	9	-103
THE GROUP'S COMPREHENSIVE INCOME	7	301	-36	265	364	-42	322
Paid dividend		-224	-	-224	-199	-	-199
Buy-back of treasury shares		-48	-	-48	-32	-	-32
Exercise of share options		13	-	13	6	-	6
Shares to employees		23	-	23	23	-	23
Option costs (share based payment)		4	-	4	6	-	6
Transaction with non-controlling interest		-3	10	7	66	133	199
EQUITY AT THE END OF THE PERIOD		3,189	172	3,361	3,123	198	3,321

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
		2019	2018	2019	2018	2018
Profit before taxes		140	159	281	328	562
Amortisation, depreciation and impairment charges		105	76	204	152	327
Changes in net working capital, etc.		-91	7	-219	-135	-194
Dividend (share of profit) from JV		-	3	-	3	6
Taxes paid		-21	-66	-89	-138	-143
CASH FLOW FROM OPERATING ACTIVITIES		133	179	177	210	558
Investments property, plant and equipment and intangible assets *		-146	-187	-269	-364	-762
Other capital transactions		2	5	11	9	13
CASH FLOW FROM INVESTING ACTIVITIES		-144	-182	-258	-355	-749
Dividends		-224	-199	-224	-199	-199
Proceeds from exercise of options/shares to employees	9	11	4	30	21	23
Buy-back of shares	6	-21	-8	-48	-30	-32
Gain/(loss) on hedges for net investments in subsidiaries		5	-27	9	13	-22
NET PAID TO/FROM SHAREHOLDERS		-229	-230	-233	-195	-230
Proceeds from interest-bearing liabilities	10	1,000	969	1,347	1,202	1,292
Repayment from interest-bearing liabilities	10	-837	-731	-1,053	-933	-960
Change in interest-bearing receivables/other liabilities	10	1	-4	-7	-11	-2
CHANGE IN NET INTEREST-BEARING LIABILITIES		164	234	287	258	330
CASH FLOW FROM FINANCING ACTIVITIES		-65	4	54	63	100
CHANGE IN CASH AND CASH EQUIVALENTS		-76	1	-27	-82	-91
Cash and cash equivalents at beginning of period		134	92	86	180	180
Change in cash and cash equivalents		-76	1	-27	-82	-91
Currency effects cash and cash equivalents		1	-3	-	-8	-3
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	59	90	59	90	86
*Investment by category						
Replacement investments		54	51	130	83	346
Expansion investments ¹		92	136	139	281	416

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 2018 for the Borregaard Group.

IFRS 16 Leases was implemented from 1 January 2019 according to "the modified retrospective method". See note 14 for impact on the Groups Financial Statements.

Use of estimates

The same use of estimates has been applied as in the Consolidated Financial Statements for 2018.

NOTE 02 Segments

OPERATING REVENUES

Amounts in NOK million	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2019	2018	2019	2018	2018
BORREGAARD	1,340	1,199	2,590	2,416	4,785
Performance Chemicals	618	571	1,218	1,126	2 237
Speciality Cellulose	482	427	874	861	1 669
Other Businesses	256	212	530	451	927
Eliminations	-16	-11	-32	-22	-48

There is limited intercompany sales between the different segments and eliminations consist essentially of allocations from the corporate headquarter.

cont. next page

¹ Alternative performance measure, see page 23 for definition.

cont. NOTE 02 Segments

EBITA ADJ.¹

Amounts in NOK million	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2019	2018	2019	2018	2018
BORREGAARD	179	164	336	341	580
Performance Chemicals	107	102	194	217	314
Speciality Cellulose	48	67	83	131	257
Other Businesses	24	-5	59	-7	9
RECONCILIATION AGAINST OPERATING PROFIT & PROFIT BEFORE TAX					
EBITA ADJ.¹	179	164	336	341	580
Amortisation intangible assets	-1	-1	-2	-2	-4
Other income and expenses ¹	-16	0	-16	-	-
OPERATING PROFIT	162	163	318	339	576
Financial items, net	-22	-4	-37	-11	-14
PROFIT BEFORE TAXES	140	159	281	328	562

SALES REVENUES

Amounts in NOK million	1.4 - 30.6		1.1 - 30.6		1.1 - 31.12
	2019	2018	2019	2018	2018
BORREGAARD	1,311	1,179	2,533	2,374	4,705
Performance Chemicals	591	557	1,167	1,099	2,183
Cellulose	438	396	802	802	1,548
Bioethanol	45	31	72	59	120
Fine Chemicals	50	54	130	127	247
Ingredients	146	104	285	220	471
Other	41	37	77	67	136

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 expenses¹ were NOK -16 million (NOK 0 million) in the 2nd quarter due to restructuring of the German lignin operation as a consequence of increased drying capacity in Norway.

NOTE 04 Income tax expense

The tax rate of 23.5% (22.3%) for the first six months of 2019 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

was reduced from 23% to 22% from 1 January 2019. Borregaard's normal tax rate is expected to be in the range 21-24%

cont. next page

¹ Alternative performance measure, see page 23 for definition.

cont. NOTE 04 Income tax expense

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 05 Earnings per share (EPS)

The share capital consists of 100 million shares. The company holds 382,998 treasury shares. As of 30 June 2019, there are 99,881,928 diluted shares (99,901,117 as

of 31 December 2018). Earnings per diluted share were NOK 1.22 in the 2nd quarter (NOK 1.32 in the 2nd quarter of 2018).

NOTE 06 Stock options

During the 2nd quarter of 2019, 285,000 share options were exercised at a strike of NOK 38.75.

The Group Executive Management and other key employees hold a total of 1,531,000 stock options in five different share option programmes in Borregaard.

The first option programme, comprising 45,000 stock options granted in October 2014, has a strike price of NOK 38.75 adjusted for dividends in 2015-2019, NOK 10.50. The second option programme, comprising 415,000 stock options granted in October 2015, has a strike price of NOK 42.24 adjusted for dividends in

2016-2019, NOK 9.25. The third option programme, comprising 331,000 stock options granted in February 2017, has a strike price of NOK 96.36 adjusted for dividends in 2017-2019 of NOK 7.75. The fourth option programme, comprising 370,000 stock options granted in February 2018, has a strike price of NOK 75.75 adjusted for dividend in 2018 and 2019 of NOK 4.25. The fifth option programme, comprising 370,000 stock options granted in February 2019, has a strike price of NOK 80.10 adjusted for dividend in 2019 of NOK 2.25. The share options in the five different programmes will expire after five years, the vesting period is three years and the options can be exercised during the last two years.

NOTE 07 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.

cont. NOTE 07 Statement of comprehensive income

Amounts in NOK million	30.6.2019		30.6.2018	
	Cash flow hedges	Hedges of net investments in subsidiaries	Cash flow hedges	Hedges of net investments in subsidiaries
Tax effect year-to-date	-22	-38	15	-32
Hedging reserve after tax	-74	-104	50	-82

NOTE 08 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 2018 to the 2nd quarter of 2019. 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 2019:

FINANCIAL ASSETS

Amounts in NOK million	LEVEL	30.6.2019		31.12.2018	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial receivables	2	212	212	225	225
Non-current derivatives	2	10	10	3	3
Current derivatives	2	9	9	16	16
TOTAL FINANCIAL ASSETS		231	231	244	244

FINANCIAL LIABILITIES

Non-current financial liabilities	2,3	1,201	1,201	1,116	1,116
Non-current derivatives	2	67	67	116	116
Current financial liabilities	2	490	490	272	272
Current derivatives	2	52	52	79	79
TOTAL FINANCIAL LIABILITIES		1,810	1,810	1,583	1,583

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Amounts in NOK million	LEVEL 1	LEVEL 2	LEVEL 3
FINANCIAL INSTRUMENTS 30.6.2019	-1,579	-	-1,179
FINANCIAL INSTRUMENTS 31.12.2018	-1,339	-	-600

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 09 Compilation of Equity

Amounts in NOK million	30.6.2019	31.12.2018
Share capital	100	100
Treasury shares	-	-
Share premium	1,346	1,346
Other paid-in capital	685	645
Translation effects	76	93
Hedging reserve (after tax)	-178	-248
Actuarial gains/losses	-17	-17
Retained earnings	1,177	1,204
GROUP EQUITY (CONTROLLING INTERESTS)	3,189	3,123

As of 30 June 2019, the company held 382,998 treasury shares at an average cost of NOK 88.96.

NOTE 10 Net interest-bearing debt¹

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

Amounts in NOK million	30.6.2019	31.12.2018
Non-current interest-bearing liabilities	1,526	1,115
Current interest-bearing liabilities including overdraft of cashpool	580	272
Non-current interest-bearing receivables (included in "Other Assets")	-4	-4
Cash and cash deposits	-77	-86
NET INTEREST-BEARING DEBT¹	2,025	1,297
IMPACT OF IFRS 16 LEASES	398	-
NET INTEREST-BEARING DEBT¹ EXCLUDING IMPACT OF IFRS 16 LEASES	1,627	1,297

NOTE 11 Related parties

The members of the Group Executive Management of Borregaard held a total of 816,000 stock options in the Company as of 30 June 2019.

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 2nd quarter of 2019.

¹ Alternative performance measure, see page 23 for definition.

NOTE 13 Other matters and subsequent events

CAPACITY INCREASE FOR WOOD BASED VANILLIN

Borregaard will increase the production capacity for wood based vanillin at the Sarpsborg site in Norway. The project, which represents a debottlenecking of the existing facility, has a total cost of NOK 130 million. Construction will start during the second half of 2019, and completion will be in the first half of 2021. The project represents an expansion of the current capacity by at least 250 tonnes. As a first effect, part of the increase in production will be realised already before the end of 2019. Demand for wood based ingredients to the food, beverage and cosmetics industry that can replace petrochemicals, has increased significantly during recent years. See notification to the Oslo Stock Exchange on 19 June 2019.

INCREASED UTILISATION OF RESIDUALS FROM PRODUCTION PROCESSES AS BIOENERGY

Borregaard has decided to invest NOK 131 million in a project aimed at increasing the use of bioenergy from production residuals at the Sarpsborg site in Norway. When completed in 2021, the bioenergy produced as a result of this project will be approximately 20 GWh per year, representing a reduction of CO₂ emissions of 1,200 tonnes. Longer term there is a potential to increase production to 34 GWh per year, and a corresponding reduction of 1,400 tonnes CO₂ emissions.

Enova SF, a state enterprise under the Norwegian Ministry of Climate and Environment, will support the project by a grant of NOK 46.2 million, thus reducing Borregaard's project cost to a net amount of NOK 85 million. See notification to the Oslo Stock Exchange on 19 June 2019.

CHANGES IN THE GROUP EXECUTIVE MANAGEMENT

The following changes in Borregaard's Group Executive Management was made on 27 May (see notification to the Oslo Stock Exchange on 27 May 2019):

- Tom Erik Foss-Jacobsen was appointed EVP Performance Chemicals. He succeeded Morten Harlem, who has left the company. Mr. Foss-Jacobsen has more than 20 years of experience with Borregaard and has served as EVP Speciality Cellulose since 2007.

- Gisle Løhre Johansen was appointed EVP Speciality Cellulose and Fine Chemicals. He has been with Borregaard since 1991 and comes from the position as EVP Fine Chemicals and SVP R&D and Business Development.
- Kristin Misund was appointed SVP R&D and Business Development. She has been with Borregaard since 1993 and comes from the position as R&D Director.

NEW SUPPLY CONTRACT FOR ELECTRIC POWER WITH STATKRAFT ENERGI

Borregaard and Statkraft Energi have entered into a new long-term contract for renewable electric power for a total of 1.75 TWh to be supplied to the Sarpsborg site in the period 2020 to 2029, with annual deliveries of 175 GWh. This represents approximately 25% of the site's annual consumption of electric power. See notification to the Oslo Stock Exchange on 20 May 2019.

US LIGNIN RAW MATERIAL SUPPLIER FLAMBEAU RIVER PAPERS IN FINANCIAL DIFFICULTIES

One of Borregaard's suppliers of lignin raw material, Flambeau River Papers LLC in Wisconsin, USA, announced 8 May 2019 that it has undertaken an Assignment for the Benefit of Creditors under Chapter 128 of the Wisconsin Statutes. This is a voluntary debt consolidation and administration mechanism taking place in the Wisconsin Circuit Court system. The proceeding is a state procedure which is similar to a federal US Chapter 11 bankruptcy which is commonly used by companies in financial difficulties in Wisconsin. In the event that raw material deliveries from Flambeau will be reduced or terminated, Borregaard will supply North American customers from other manufacturing sites. See notification to the Oslo Stock Exchange on 9 May 2019.

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.

NOTE 14 Implementation of IFRS 16 Leases

The effect of implementation of IFRS 16 from 1 January 2019 is not restated in the 2018 figures. In the table below, you will see the effects of the implementation

of IFRS 16 on the Consolidated Financial Statements for Borregaard.

INCOME STATEMENT

Amounts in NOK million	Borregaard (IAS 17) 1.4-30.6.2019	IFRS 16 EFFECTS			Borregaard total	Borregaard (IFRS 16) 1.4-30.6.2019
		Performance Chemicals	Speciality Cellulose	Other Businesses		
EBITDA adj ¹	266	11	-	6	17	283
Depreciation	-89	-10	-	-5	-15	-104
EBITA adj ¹	177	1	-	1	2	179
Operating profit	160	1	-	1	2	162
Net financial items	-18	-	-	-	-4	-22
Profit before tax	142	-	-	-	-2	140
Earnings per share	1.24	-	-	-	-0.02	1.22

INCOME STATEMENT

Amounts in NOK million	Borregaard (IAS 17) 1.1-30.6.2019	IFRS 16 EFFECTS			Borregaard total	Borregaard (IFRS 16) 1.1-30.6.2019
		Performance Chemicals	Speciality Cellulose	Other Businesses		
EBITDA adj ¹	506	21	-	11	32	538
Depreciation	-173	-19	-	-10	-29	-202
EBITA adj ¹	333	2	-	1	3	336
Operating profit	315	2	-	1	3	318
Net financial items	-31	-	-	-	-6	-37
Profit before tax	284	-	-	-	-3	281
Earnings per share	2.51	-	-	-	-0.03	2.48

BALANCE SHEET

Amounts in NOK million	AS OF	AS OF	AS OF	AS OF
	31 DECEMBER 2018 (IAS 17)	1 JANUARY 2019 (IFRS 16)	30 JUNE 2019 (IAS 17)	30 JUNE 2019 (IFRS 16)
Total assets	5,951	6,184	6,199	6,595
Equity	3,321	3,321	3,364	3,361
Equity ratio %	55.8	53.7	54.3%	51.0%

Discount rates used:
Machinery, vehicles and equipment: Incremental borrowing rate.

Buildings: Implicit interest rate if available. The incremental borrowing rate is based on interbank interest rate (NIBOR, EURIBOR or LIBOR) plus margin and country risk mark-up.

¹ Alternative performance measure, see page 23 for definition.

ALTERNATIVE PERFORMANCE MEASURES

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

CASH FLOW FROM OPERATIONS

Cash flow from operations is defined by Borregaard as:

	Cash flow from operating activities (IFRS)
+	Tax paid
+/-	Net financial items
+/-	Dividend (share of profit) from JV
=	Cash flow operations

EBITA ADJUSTED (EBITA ADJ.)

EBITA adj. is defined by Borregaard as operating profit before amortisation and other income and expenses.

EBITA ADJ. MARGIN

EBITA adj. margin is defined by Borregaard as EBITA adj. divided by operating revenues.

EBITDA ADJUSTED (EBITDA ADJ.)

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

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 10) divided by last twelve months' (LTM) EBITDA adj., excluding the impact on EBITDA adj. of IFRS 16 Leases.

NET INTEREST-BEARING DEBT

Net interest-bearing debt is defined by Borregaard as interest-bearing liabilities, excluding the impact of IFRS 16 Leases, minus interest-bearing assets (see Note 10).

CAPITAL EMPLOYED

Capital employed is defined by Borregaard as the total of net working capital, intangible assets, property, plant and equipment and investment in joint venture minus net pension liabilities and deferred tax excess value. The impact of IFRS 16 Leases on assets has been excluded.

RETURN ON CAPITAL EMPLOYED (ROCE)

Return on capital employed (ROCE) is defined by Borregaard as last twelve months' (LTM) EBITA adj., excluding the impact of IFRS 16 Leases, divided by average capital employed based on the ending balance of the last five quarters.

	1.1 - 30.6	1.1 - 31.12	
Capital employed end of	2019	2018	2018
Q2, 2017		4,003	
Q3, 2017		4,044	
Q4, 2017		4,256	4,256
Q1, 2018		4,454	4,454
Q2, 2018	4,578	4,578	4,578
Q3, 2018	4,620		4,620
Q4, 2018	4,937		4,937
Q1, 2019	5,278		
Q2, 2019	5,421		
AVERAGE	4,967	4,267	4,569
EBITA ADJ. (LTM)	572	647	580
ROCE (%)	11.5	15.2	12.7



Borregaard

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