

Q3 2017

QUARTERLY REPORT 3RD QUARTER 2017



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Q3 2017

3RD QUARTER IN BRIEF

- *EBITA adj.¹ NOK 197 million
(NOK 216 million)*
- *Reallocation effects and higher fixed costs
in Performance Chemicals*
- *Increased prices in Speciality Cellulose*
- *Higher sales and better product mix
for Fine Chemicals*
- *Increased depreciation, raw material
and chemicals costs*

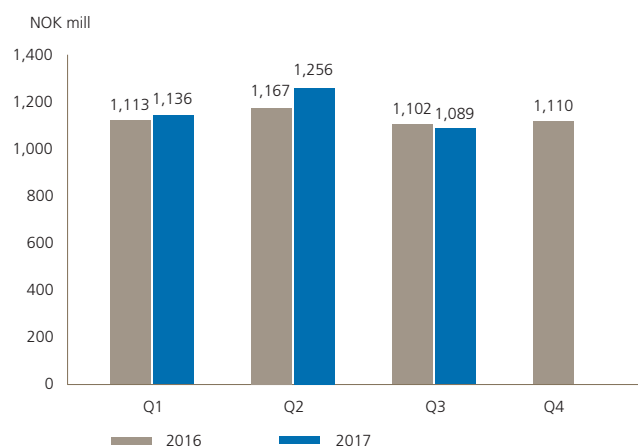


¹ Non-GAAP measure, see page 19 for definition.

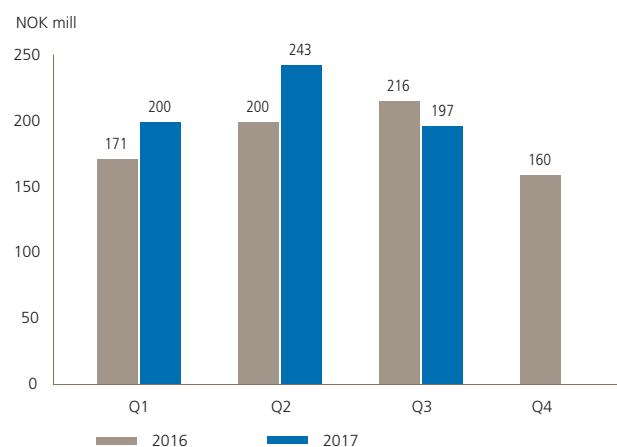
THE GROUP

Amounts in NOK million	NOTE	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2017	2016	2017	2016	2016
Operating revenues	2	1,089	1,102	3,481	3,382	4,492
EBITDA adj. ¹		272	283	864	788	1,021
EBITA adj. ¹	2	197	216	640	587	747
Profit/loss before taxes		190	205	626	573	724
Earnings per share (NOK)		1.47	1.57	4.76	4.32	5.55
Net interest-bearing debt ¹	10	646	373	646	373	300
Equity ratio ¹ (%)		59.3	57.7	59.3	57.7	58.1
Leverage ratio ¹		0.59	0.39	0.59	0.39	0.29
Return on capital employed ¹ (%)		21.4	20.3	21.4	20.3	21.7

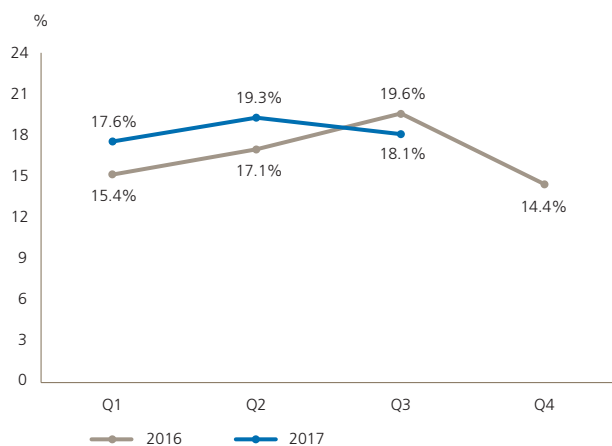
OPERATING REVENUES



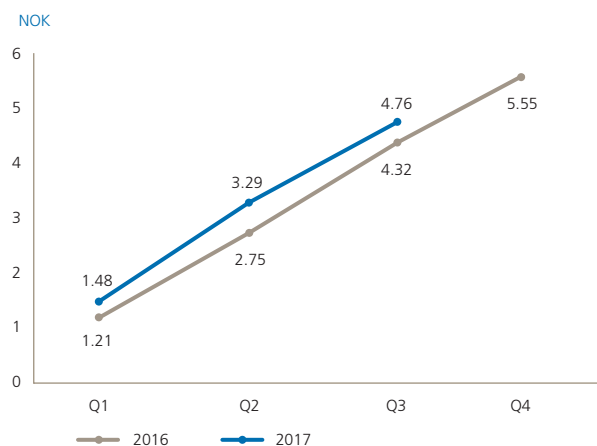
EBITA ADJ.¹



EBITA ADJ. MARGIN¹



EARNINGS PER SHARE CUMULATIVE



¹ Non-GAAP measure, see page 19 for definition.

THIRD QUARTER

Borregaard's operating revenues were NOK 1,089 million (NOK 1,102 million)² in the 3rd quarter of 2017. EBITA adj.¹ was NOK 197 million (NOK 216 million). Speciality Cellulose and Other Businesses improved their result compared with the corresponding quarter of last year, whereas Performance Chemicals had a decline. Net currency impact for the Group, including hedging effects, was negligible. Depreciation, raw material and chemicals costs increased.

In Performance Chemicals, effects of reallocation in response to challenging construction markets in some regions and higher fixed costs were the main reasons for the lower result. The improved result in Speciality Cellulose was mainly due to increased sales prices, while higher sales and better product mix in Fine Chemicals contributed to the improved EBITA adj.¹ in Other Businesses.

Net financial items were NOK -6 million (NOK -10 million). An increase in interest expenses due to higher net interest-bearing debt was more than off-set by improved foreign exchange effects. Group profit before tax was NOK 190 million (NOK 205 million). Tax expense was NOK -45 million (NOK -49 million), giving a tax rate of 24% (24%).

Earnings per share were NOK 1.47 (NOK 1.57).

Cash flow from operations¹ was NOK 373 million (NOK 332 million). The increase was mainly due to a decrease in net working capital.

YEAR-TO-DATE (1.1 – 30.9)

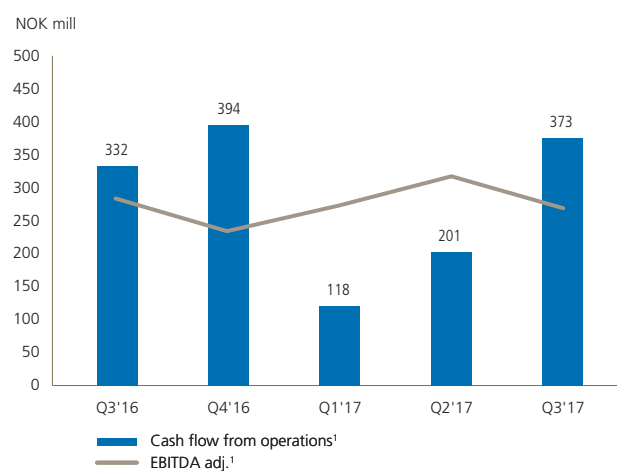
In the first nine months of 2017, Borregaard's operating revenues increased to NOK 3,481 million (NOK 3,382 million). EBITA adj.¹ reached NOK 640 million (NOK 587 million). The result improvement came primarily from Speciality Cellulose. Other Businesses also increased its result, whereas Performance Chemicals had a decline compared with the same period last year. Net currency impact was negligible. Depreciation, energy, raw material and chemicals costs increased compared with the corresponding period of 2016.

Other income and expenses¹ were NOK 0 million (NOK 13 million). Net financial items amounted to NOK -11 million (NOK -24 million). Profit before tax increased to NOK 626 million (NOK 573 million). Tax expense was NOK -153 million (NOK -143 million), giving a tax rate of 24% (25%).

Earnings per share were NOK 4.76 (NOK 4.32).

Cash flow from operations¹ was NOK 692 million (NOK 810 million). The reduced cash flow was mainly due to a higher increase in net working capital than in the corresponding period last year.

CASH FLOW FROM OPERATIONS¹



¹ Non-GAAP measure, see page 19 for definition.

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

THE BUSINESS AREAS

PERFORMANCE CHEMICALS

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2017	2016	2017	2016	2016
Operating revenues	523	515	1,655	1,649	2,161
EBITA adj. ¹	100	132	373	410	517
EBITA adj. margin ¹ (%)	19.1	25.6	22.5	24.9	23.9

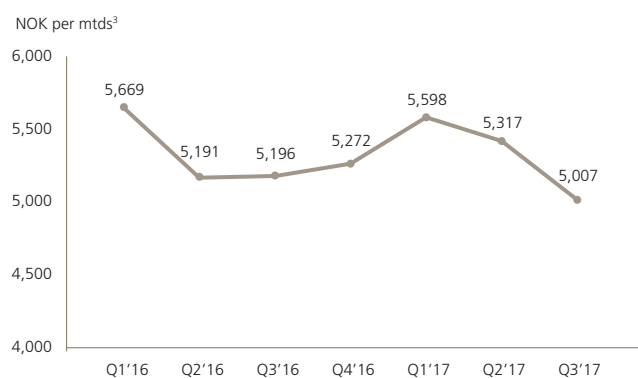
THIRD QUARTER

Performance Chemicals had 3rd quarter operating revenues of NOK 523 million (NOK 515 million). EBITA adj.¹ was NOK 100 million (NOK 132 million). Total sales volume increased by 4%. Sales volume to the construction sector was in line with the same quarter last year, while sales volume of specialities and other products increased. Average price in sales currency was marginally lower than in the 3rd quarter of last year. Improved product mix and increased volume within Specialities largely off-set the effect of increasing price pressure within the construction sector in certain regions. Distribution costs increased due to further reallocation and higher share of liquid lignin volumes. In total, inventories continued at a stable level. Fixed costs increased compared with the 3rd quarter of 2016, mainly due to maintenance costs in Sarpsborg and increased manning related to the Florida project. The currency impact was slightly negative.

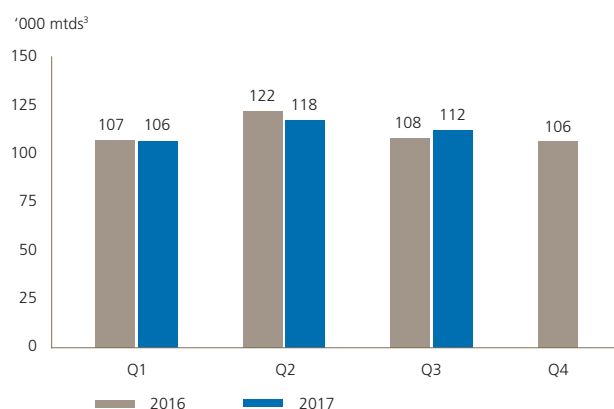
YEAR-TO-DATE (1.1 – 30.9)

In the first nine months of 2017, Performance Chemicals had operating revenues of NOK 1,655 million (NOK 1,649 million). EBITA adj.¹ was NOK 373 million (NOK 410 million). Total sales volume was in line with the same period last year. Average price in sales currency was marginally up compared with the corresponding period of last year, in spite of challenging market conditions for products to the construction sector in certain regions. Improved product mix has contributed positively, whereas the currency impact has been slightly negative. In total, costs were higher than in the corresponding period of 2016 due to increased distribution and fixed costs.

GROSS AVERAGE SALES PRICE



SALES VOLUME



¹ Non-GAAP measure, see page 19 for definition.

³ Metric tonne dry solid.

SPECIALITY CELLULOSE

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2017	2016	2017	2016	2016
Operating revenues	383	416	1,263	1,184	1,590
EBITA adj. ¹	91	82	283	203	250
EBITA adj. margin ¹ (%)	23.8	19.7	22.4	17.1	15.7

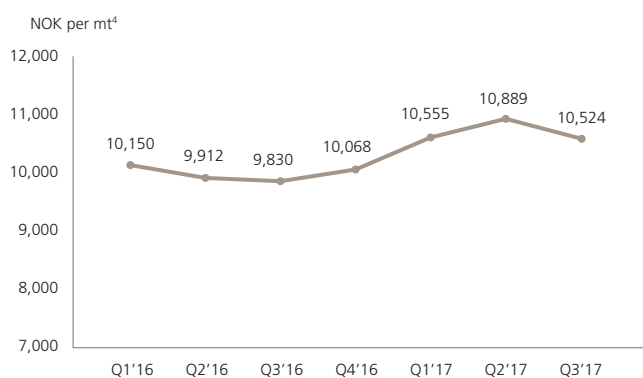
THIRD QUARTER

Speciality Cellulose 3rd quarter operating revenues were NOK 383 million (NOK 416 million). EBITA adj.¹ reached NOK 91 million (NOK 82 million). Increased average sales price was the main reason for the result improvement. Demand for ether grades continued to be strong. Realised prices for textile cellulose were higher than in the 3rd quarter of last year, but lower than in the preceding quarter. Total sales volume was low due to variations in shipments, but sales of highly specialised grades were in line with the same quarter last year. Increased raw material and chemicals costs had a negative impact, while the currency impact was slightly positive.

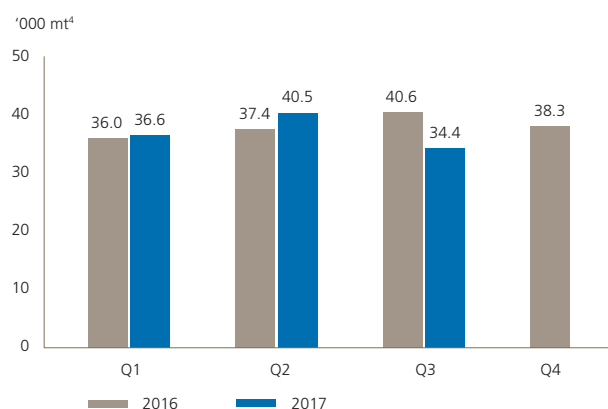
YEAR-TO-DATE (1.1 – 30.9)

Operating revenues in the first nine months of 2017 reached NOK 1,263 million (NOK 1,184 million). EBITA adj.¹ increased to NOK 283 million (NOK 203 million). The result improvement was mainly due to higher sales prices and improved product mix. Increased energy, raw material and chemical costs had a negative impact. Currency effects were slightly positive. The contribution from bioethanol was in line with the same period last year.

GROSS AVERAGE SALES PRICE



SALES VOLUME



¹ Non-GAAP measure, see page 19 for definition.

⁴ Metric tonne.

OTHER BUSINESSES

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2017	2016	2017	2016	2016
Operating revenues	197	179	593	575	776
EBITA adj. ¹	6	2	-16	-26	-20
EBITA adj. margin ¹ (%)	3.0	1.1	-2.7	-4.5	-2.6

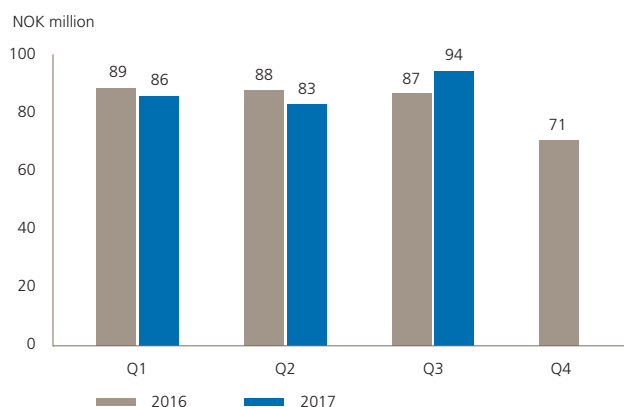
THIRD QUARTER

Other Businesses had total operating revenues of NOK 197 million (NOK 179 million) and an EBITA adj.¹ of NOK 6 million (NOK 2 million) in the 3rd quarter of 2017. Fine Chemicals improved due to higher sales and better product mix. Ingredients had high sales volumes and a result in line with the same quarter last year. Cellulose Fibrils had higher net costs (including EU grant) mainly due to increased depreciation. Net corporate costs were lower than in the corresponding quarter of 2016. Currency impact was slightly negative.

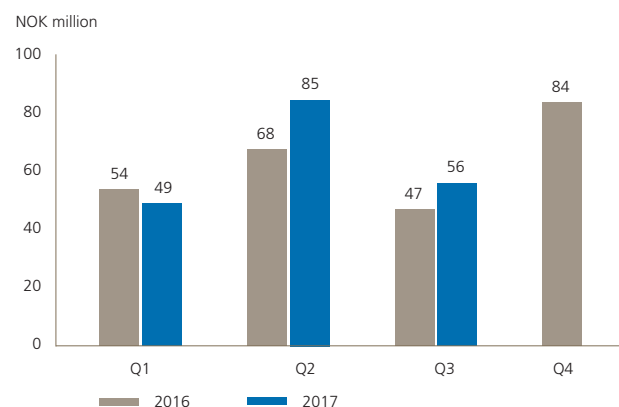
YEAR-TO-DATE (1.1 – 30.9)

Operating revenues in Other Businesses were NOK 593 million (NOK 575 million) in the first nine months of 2017. EBITA adj.¹ was NOK -16 million (NOK -26 million). Higher sales volume in Fine Chemicals and lower net corporate costs more than off-set the impact of a lower result in Ingredients. Net costs in Cellulose Fibrils were marginally lower due to the full effect of the EU grant in 2017. Currency effects were slightly positive in both Ingredients and Fine Chemicals.

INGREDIENTS – SALES REVENUES



FINE CHEMICALS – SALES REVENUES



¹ Non-GAAP measure, see page 19 for definition.

FOREIGN EXCHANGE AND HEDGING

Borregaard has a significant currency exposure which is hedged according to the company's hedging strategy. Compared with the 3rd quarter of 2016, the net impact of foreign exchange on EBITA adj.¹, including hedging effects, was NOK 0 million. Hedging effects were NOK -5 million (NOK -24 million) in the 3rd quarter.

Compared with the first nine months of 2016, the net impact of foreign exchange on EBITA adj.¹, including

hedging effects, was NOK 0 million. Hedging effects were NOK -62 million (NOK -91 million) in the first nine months. Assuming FX rates as of 23 October 2017 (USD 8.00 and EUR 9.39) and based on currency exposure forecasts, Borregaard expects the net positive impact of foreign exchange on EBITA adj.¹ to be approximately NOK 15 million in the 4th quarter of 2017 and NOK 15 million for the full year of 2017.

CASH FLOW AND FINANCIAL SITUATION

Cash flow from operating activities in the 3rd quarter of 2017 was NOK 364 million (NOK 339 million). The increase was mainly due to a decrease in net working capital.

In the first nine months of 2017, cash flow from operating activities was NOK 604 million (NOK 703 million). The decline was mainly due to a higher increase in net working capital compared with the corresponding period last year, partly off-set by an improved result. Investments in the first nine months of 2017 amounted to NOK 629 million (NOK 328 million). Replacement investments were slightly above the corresponding period in 2016, while expansion investments¹ increased mainly due to the Florida

project. Dividend of NOK 349 million (NOK 149 million) was paid out in the 2nd quarter. Realised effect of hedging of net investments in subsidiaries was NOK 43 million in the first nine months of 2017 (NOK 45 million). The Group has sold and repurchased treasury shares in the first nine months of 2017 with a net payment of NOK 18 million (NOK 5 million).

On 30 September 2017, the Group had net interest-bearing debt¹ totalling NOK 646 million (NOK 373 million), a decrease of NOK 149 million from the 2nd quarter and an increase of NOK 346 million from year-end 2016. The Group was well capitalised with an equity ratio¹ of 59.3% and a leverage ratio¹ of 0.59.

¹ Non-GAAP measure, see page 19 for definition.

SHARE INFORMATION

Total number of shares outstanding on 30 September 2017 was 100 million, including 484,065 treasury shares. Total number of shareholders was 8,273. Borregaard ASA's share price was NOK 89.25 at the end

of the 3rd quarter, compared with NOK 103.00 at the end of the 2nd quarter of 2017 and NOK 84.50 at the end of 2016.

OUTLOOK

Sales of lignin products to the construction sector will be affected by strong competition with continued price pressure in certain regions. Flexibility in raw material supply from external sources, together with reallocation efforts, will contribute to market optimisation and relatively stable inventories. Distribution costs will continue at a higher level compared with the same quarter last year. In the 4th quarter of 2017, sales volume and product mix for Performance Chemicals are forecast to be in line with the preceding quarter.

Total cellulose sales volume in the 4th quarter is expected to be similar to the same quarter in 2016. Sales of highly specialised grades are expected to be in line with the preceding quarter. The average cellulose price in sales currency in the 4th quarter is expected to be in line with the same quarter last year, whereas the average cellulose price for the full year is expected to be approximately 4% above the 2016 level.

In the 4th quarter, a lower sales volume and higher chemicals costs are expected for Ingredients compared

with the 3rd quarter of 2017. Deliveries of key products within Fine Chemicals are forecast to be in line with the preceding quarter. Net costs for Cellulose Fibrils are expected to be in line with the preceding quarter, while net corporate costs are expected to be higher than the 3rd quarter.

The 4th quarter is normally Borregaard's weakest quarter due to the annual maintenance stop at the Sarpsborg site, and higher energy and payroll costs. Costs for wood and certain chemicals are expected to increase compared with preceding quarters.

Borregaard's chlor-alkali plant has been running at reduced speed since the beginning of October. The plant produces a key raw material (sodium hydroxide) for the Sarpsborg site. Necessary repairs will be carried out during the 4th quarter. Costs associated with repairs and additional procurement of chemicals are expected to be approximately NOK 25 million.

*Sarpsborg, 23 October 2017
The Board of Directors of Borregaard ASA*

THE GROUP'S CONDENSED INCOME STATEMENT

INTERIM CONDENSED INCOME STATEMENT

Amounts in NOK million	NOTE	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2017	2016	2017	2016	2016
OPERATING REVENUES	2	1,089	1,102	3,481	3,382	4,492
Operating expenses		-817	-819	-2 617	-2,594	-3,471
Depreciation property, plant and equipment		-75	-67	-224	-201	-274
Amortisation intangible assets		-1	-1	-3	-3	-4
Other income and expenses ¹	3	-	-	-	13	13
OPERATING PROFIT		196	215	637	597	756
Financial items, net		-6	-10	-11	-24	-32
PROFIT BEFORE TAXES		190	205	626	573	724
Income tax expense	4	-45	-49	-153	-143	-171
PROFIT FOR THE PERIOD		145	156	473	430	553
Profit attributable to non-controlling interests		-2	-1	-3	-2	-2
Profit attributable to owners of the parent		147	157	476	432	555
EBITDA adj. ¹		272	283	864	788	1 021
EBITA ADJ.¹	2	197	216	640	587	747

EARNINGS PER SHARE

INTERIM EARNINGS PER SHARE

Amounts in NOK million	NOTE	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2017	2016	2017	2016	2016
Earnings per share (100 mill. shares)	5	1.47	1.57	4.76	4.32	5.55
Diluted earnings per share	5	1.47	1.57	4.76	4.32	5.55

THE GROUP'S CONDENSED COMPREHENSIVE INCOME STATEMENT

INTERIM CONDENSED COMPREHENSIVE INCOME STATEMENT

Amounts in NOK million	NOTE	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2017	2016	2017	2016	2016
PROFIT FOR THE PERIOD		145	156	473	430	553
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)	7	150	140	190	351	227
Change in hedging-reserve after tax (net investment in subsidiaries)	7	26	18	30	39	14
Translation effects		-44	-25	-46	-54	-3
TOTAL		132	133	174	336	238
THE GROUP'S COMPREHENSIVE INCOME		277	289	647	766	798
Comprehensive income non-controlling interests		-1	1	-1	-1	-2
Comprehensive income owners of the parent		278	288	648	767	800

¹ Non-GAAP measure, see page 19 for definition.

THE GROUP'S CONDENSED BALANCE SHEET

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in NOK million	NOTE	30.9.2017	31.12.2016
Intangible assets	12	112	125
Property, plant and equipment	12	2,858	2,471
Other assets	8	165	115
Investments in joint venture		116	121
NON-CURRENT ASSETS		3,251	2,832
Inventories		712	626
Receivables	8	899	948
Cash and cash deposits	10	199	265
CURRENT ASSETS		1,810	1,839
TOTAL ASSETS		5,061	4,671
Group equity	9	2,923	2,679
Non-controlling interests		78	34
EQUITY		3,001	2,713
Provisions and other liabilities		298	299
Interest-bearing liabilities	8, 10	775	525
NON-CURRENT LIABILITIES		1,073	824
Interest-bearing liabilities	8, 10	71	61
Other current liabilities	8	916	1,073
CURRENT LIABILITIES		987	1,134
EQUITY AND LIABILITIES		5,061	4,671
Equity ratio ¹		59.3 %	58.1%

CHANGES IN EQUITY

INTERIM CONDENSED CHANGE IN EQUITY

Amounts in NOK million	Note	1.1 - 30.9.17			1.1 - 31.12.16		
		Controlling interests	Non-controlling interests	Total equity	Controlling interests	Non-controlling interests	Total equity
Equity 1 January		2,679	34	2,713	2,056	5	2,061
PROFIT/LOSS FOR THE PERIOD		476	-3	473	555	-2	553
Items in Comprehensive Income	6	172	2	174	245	-	245
THE GROUP'S COMPREHENSIVE INCOME	6	648	-1	647	800	-2	798
Paid dividend		-349	-	-349	-149	-	-149
Buy-back of treasury shares		-29	-	-29	-10	-	-10
Exercise of share options		-	-	-	9	-	9
Shares to employees		15	-	15	-	-	-
Option costs/share based payments		4	-	4	4	-	4
Transactions with non-controlling interests		-45	45	-	-31	31	-
EQUITY AT THE END OF THE PERIOD		2,923	78	3,001	2,679	34	2,713

¹ Non-GAAP measure, see page 19 for definition.

THE GROUP'S CONDENSED CASH FLOW STATEMENT

INTERIM CONDENSED CASH FLOW STATEMENT

Amounts in NOK million	NOTE	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2017	2016	2017	2016	2016
Profit before taxes		190	205	626	573	724
Amortisation, depreciation and impairment charges		76	69	227	204	278
Changes in net working capital, etc.		101	48	-172	9	170
Dividend (share of profit) from JV		1	31	-2	-7	-1
Taxes paid		-4	-14	-75	-76	-90
CASH FLOW FROM OPERATING ACTIVITIES		364	339	604	703	1,081
Investments property, plant and equipment and intangible assets*		-255	-115	-629	-328	-622
Other capital transactions		1	1	8	3	5
CASH FLOW FROM INVESTING ACTIVITIES		-254	-114	-621	-325	-617
Dividends		-	-	-349	-149	-149
Proceeds from exercise of options/shares to employees	9	-	2	11	5	7
Buy-back of shares	6	-	-1	-29	-10	-10
Gain/(loss) on hedges for net investments in subsidiaries		45	16	43	45	13
NET PAID TO/FROM SHAREHOLDERS		45	17	-324	-109	-139
Proceeds from interest-bearing liabilities	10	117	-	380	100	106
Repayment from interest-bearing liabilities	10	-103	-3	-132	-107	-309
Change in interest-bearing receivables/other liabilities	10	-4	-11	34	-26	-23
CHANGE IN NET INTEREST-BEARING LIABILITIES		10	-14	282	-33	-226
CASH FLOW FROM FINANCING ACTIVITIES		55	3	-42	-142	-365
CHANGE IN CASH AND CASH EQUIVALENTS		165	228	-59	236	99
Cash and cash equivalents at beginning of period		43	163	265	169	169
Change in cash and cash equivalents		165	228	-59	236	99
Currency effects cash and cash equivalents		-10	-6	-8	-20	-3
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	198	385	198	385	265
* Investment by category						
Replacement investments		76	65	200	194	358
Expansion investments ¹		179	50	429	134	264

¹ Non-GAAP measure, see page 19 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 2016 for the Borregaard Group.

Use of estimates

The same use of estimates has been applied as in the Consolidated Financial Statements for 2016.

NOTE 02 Segments

OPERATING REVENUES

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2017	2016	2017	2016	2016
BORREGAARD	1,089	1,102	3,481	3,382	4,492
Performance Chemicals	523	515	1,655	1,649	2,161
Speciality Cellulose	383	416	1,263	1,184	1,590
Other Businesses	197	179	593	575	776
Eliminations	-14	-8	-30	-26	-35

EBITA ADJ.¹

Amounts in NOK million	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2017	2016	2017	2016	2016
BORREGAARD	197	216	640	587	747
Performance Chemicals	100	132	373	410	517
Speciality Cellulose	91	82	283	203	250
Other Businesses	6	2	-16	-26	-20
RECONCILIATION AGAINST OPERATING PROFIT & PROFIT BEFORE TAX					
EBITA ADJ.¹	197	216	640	587	747
Amortisation intangible assets	-1	-1	-3	-3	-4
Other income and expenses ¹	-	-	-	13	13
OPERATING PROFIT	196	215	637	597	756
Financial items, net	-6	-10	-11	-24	-32
PROFIT BEFORE TAXES	190	205	626	573	724

There are limited intercompany sales between the different segments and eliminations consist essentially

of allocations from the corporate headquarter.

¹ Non-GAAP measure, see page 19 for definition.

NOTE 03 Other income and expenses¹

There are no Other income and expenses¹ in the 3rd quarter of 2017.

NOTE 04 Income tax expense

The tax rate of 24.4% (25.0%) for the first nine months of 2017 is a compilation of the tax rates in the various countries in which Borregaard operates and has taxable income. The tax rate in Norway was reduced from 25% to 24% from 1 January 2017. Borregaard's normal tax rate is expected to be in the range 23-26%. The Norwegian Government has proposed a reduction of the tax rate in Norway from the current 24% to 23% from 1 January 2018. This is not yet reflected, but will

be considered in the calculation of deferred tax as of 31 December 2017 if the proposal is approved by the Norwegian Parliament.

As the profit after tax from the joint venture is accounted for as part of operating profit (due to IFRS 11), this does not impact the Group's tax expense and thus reduces the Group's tax rate.

NOTE 05 Earnings per share (EPS)

The share capital consists of 100 million shares. The company holds 484,065 treasury shares. As of 30 September 2017, there are 100,004,226 diluted

shares (100,076,679 as of 31 December 2016). Earnings per diluted share were NOK 1.47 in the 3rd quarter of 2017 (NOK 1.57 in the 3rd quarter of 2016).

NOTE 06 Stock options

The Group Executive Management and other key employees hold a total of 1,344,000 stock options in three different share option programmes in Borregaard.

The first option programme, comprising 480,000 stock options granted in October 2014, has a strike price of NOK 43.00 adjusted for dividends in 2015, 2016 and 2017, NOK 6.25. The second option programme, comprising 500,000 stock options granted in October

2015, has a strike price of NOK 46.49 adjusted for dividends in 2016 and 2017, NOK 5.00. The third option programme, comprising 364,000 stock options granted in February 2017, has a strike price of NOK 100.61 adjusted for dividend of NOK 3.50 in 2017. The share options in the three different programmes will expire after five years, the vesting period is three years and the options can be exercised during the last two years.

¹ Non-GAAP measure, see page 19 for definition.

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. The tax effect for the nine months of 2017 relating to the hedging reserves amounts to

NOK 23 million for cash flow hedges (NOK 2 million) and NOK -27 million for hedges of net investments in subsidiaries (NOK -28 million). Total hedging reserve included in equity as of 30 September 2017 (after tax) amounts to NOK 73 million and NOK -68 million respectively (NOK 7 million and NOK -73 million).

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 2016 to the 3rd quarter of 2017. Borregaard has no items defined as level 1. The bond is determined as measurement level 3. The fair value of the bond is deemed to equal its book value.

Set out below is a comparison of the carrying amount and the fair value of financial instruments as of 30 September 2017:

FINANCIAL ASSETS

Amounts in NOK million	LEVEL	30.9.2017		31.12.2016	
		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Non-current financial receivables	2	38	38	65	65
Non-current derivatives	2	105	105	29	29
Current derivatives	2	60	60	9	9
TOTAL FINANCIAL ASSETS		203	203	103	103

FINANCIAL LIABILITIES

Non-current financial liabilities	2, 3	784	784	535	535
Non-current derivatives	2	22	22	72	72
Current financial liabilities	2	70	70	61	61
Current derivatives	2	48	48	118	118
TOTAL FINANCIAL LIABILITIES		924	924	786	786

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Amounts in NOK million		LEVEL 1	LEVEL 2	LEVEL 3
FINANCIAL INSTRUMENTS	30.9.2017	-721	-	-521
FINANCIAL INSTRUMENTS	31.12.2016	-683	-	-483

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	30.9.2017	31.12.2016
Share capital	100	100
Treasury shares	-	-
Share premium	1,346	1,346
Other paid-in capital	416	397
Translation effects	38	86
Hedging reserve (after tax)	5	-215
Actuarial gains/losses	-16	-16
Retained earnings	1,034	981
GROUP EQUITY (CONTROLLING INTERESTS)	2,923	2,679

As of 30 September 2017, the company held 484,065 treasury shares at an average cost of NOK 82.17.

NOTE 10 Net interest-bearing debt¹

The various elements of net interest-bearing debt¹ are shown in the following table:

Amounts in NOK million	30.9.2017	31.12.2016
Non-current interest-bearing liabilities	775	525
Current interest-bearing liabilities including overdraft of cashpool	71	61
Non-current interest-bearing receivables (included in "Other Assets")	-1	-21
Cash and cash deposits	-199	-265
NET INTEREST-BEARING DEBT¹	646	300

NOTE 11 Related parties

The members of the Group Executive Management of Borregaard held a total of 765,000 stock options in the Company as of 30 September 2017.

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 3rd quarter of 2017.

¹ Non-GAAP measure, see page 19 for definition.

NOTE 13 Other matters and subsequent events

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

¹ Non-GAAP measure, see page 19 for definition.

NON-GAAP 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 non-GAAP 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 non-GAAP 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 from 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.

NET INTEREST-BEARING DEBT

Net interest-bearing debt is defined by Borregaard as interest-bearing liabilities 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.

RETURN ON CAPITAL EMPLOYED (ROCE)

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

	1.1 - 30.9	1.1 - 31.12	
	2017	2016	2016
Capital employed end of			
Q3, 2015		3,283	
Q4, 2015		3,279	3,279
Q1, 2016		3,524	3,524
Q2, 2016		3,481	3,481
Q3, 2016	3,413	3,413	3,413
Q4, 2016	3,508		3,508
Q1, 2017	3,754		
Q2, 2017	4,003		
Q3, 2017	4,044		
AVERAGE	3,744	3,396	3,441
EBITA ADJ. (LTM)	800	688	747
ROCE (%)	21.4	20.3	21.7



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