

Q4 2016

QUARTERLY REPORT 4TH QUARTER 2016



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Q4 2016

4TH QUARTER IN BRIEF

- *Increased EBITA adj.¹ in all business areas*
- *Positive impact from currency*
- *Strong cash flow from operations¹*
- *Florida lignin investment approved*
- *A total dividend of NOK 3.50 proposed for 2016, including an extraordinary dividend of NOK 1.75*

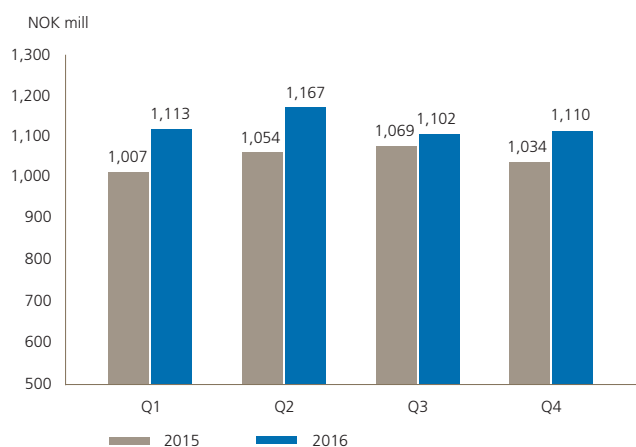


¹ Non-GAAP measure, see page 21 for definition.

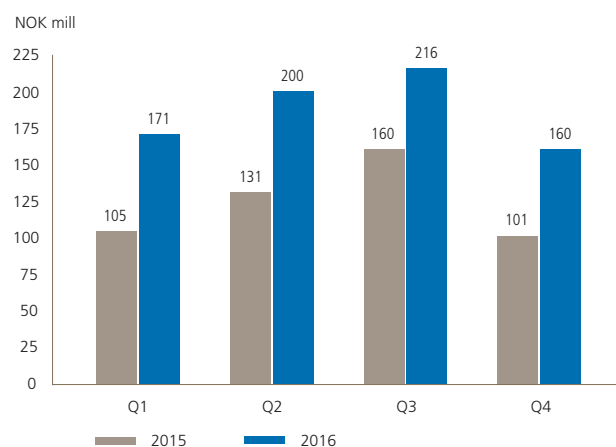
THE GROUP

Amounts in NOK million	NOTE	1.10 - 31.12		1.1 - 31.12	
		2016	2015	2016	2015
Operating revenues	2	1,110	1,034	4,492	4,164
EBITDA adj. ¹		233	168	1,021	758
EBITA adj. ¹	2	160	101	747	497
Profit/loss before taxes		151	130	724	506
Earnings per share (NOK)		1.23	1.08	5.55	3.86
Net interest-bearing debt ¹	10	300	624	300	624
Equity ratio ¹ (%)		58.1	49.4	58.1	49.4
Leverage ratio ¹		0.29	0.82	0.29	0.82
Return on capital employed ¹ (%)		21.7	15.6	21.7	15.6

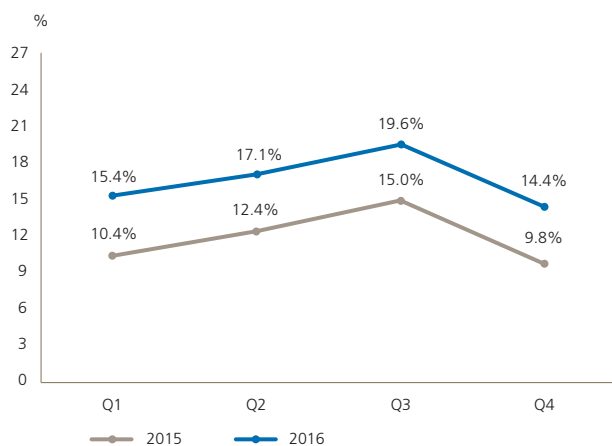
OPERATING REVENUES



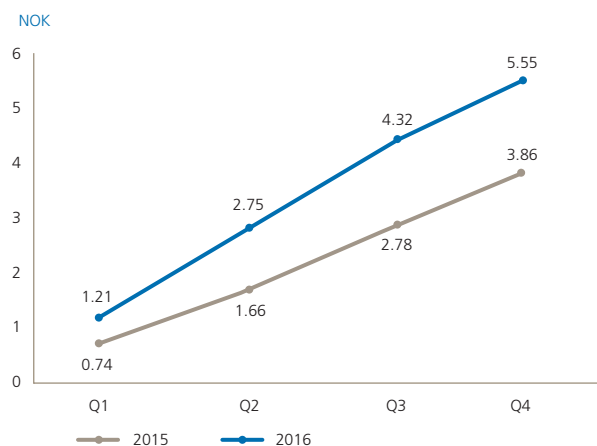
EBITA ADJ.¹



EBITA ADJ. MARGIN¹



EARNINGS PER SHARE CUMULATIVE



¹ Non-GAAP measure, see page 21 for definition.

FOURTH QUARTER

Borregaard's operating revenues reached NOK 1,110 million (NOK 1,034 million)² in the 4th quarter of 2016. EBITA adj.¹ increased to NOK 160 million (NOK 101 million). All business areas improved their EBITA adj.¹ compared with the 4th quarter of 2015. Currency effects contributed to higher results. The Exilva plant for microfibrillar cellulose started commercial operation in the 4th quarter. In Spain, lignin raw material supply resumed as Borregaard's partner Sniace restarted its pulp production. The establishment of a joint lignin operation in Florida was approved by the boards of Borregaard and Rayonier Advanced Materials.

EBITA adj.¹ in Performance Chemicals increased, mainly due to positive currency effects and an improved product mix. Weaker demand and increased price competition in the construction sector were offset by higher sales of Specialities. The improvement in Speciality Cellulose was mainly due to higher sales volume and currency effects. EBITA adj.¹ in Other Businesses improved primarily due to higher sales in the Fine Chemicals business and reduced net Exilva costs.

Other income and expenses¹ were NOK 0 million (NOK 37 million) in the 4th quarter of 2016. Net financial items were NOK -8 million (NOK -7 million), including NOK 2 million in costs related to the NOK 200 million bond buy-back in October. Group profit before tax amounted to NOK 151 million (NOK 130 million). Income tax expense was NOK 28 million (NOK 22 million), giving a tax rate of 19% (17%).

Earnings per share in the 4th quarter increased to NOK 1.23 (NOK 1.08).

Cash flow from operations¹ in the 4th quarter of 2016 was NOK 394 million (NOK 334 million). The improvement was mainly due to an increased EBITDA adj.¹ and a decrease in net working capital.

FULL YEAR 2016

For the full year of 2016, Borregaard's operating revenues reached NOK 4,492 million (NOK 4,164 million).

EBITA adj.¹ increased to NOK 747 million (NOK 497 million), an all-time high result. Compared with the preceding year, there was progress in all business areas, primarily due to currency effects. Product mix improved in Speciality Cellulose, the Fine Chemicals business had sales growth for key products and Performance Chemicals increased sales of Specialities. Production output at the Sarpsborg site was slightly lower than in 2015, mainly as a consequence of the silo fire incident in October 2015. The production loss has been compensated by business interruption insurance coverage. Energy conservation measures contributed positively at the Sarpsborg site. The local raw material supply to the lignin plant in Spain resumed towards the end of the year.

In 2016, Borregaard's gross expenditure on research and innovation efforts increased to above 5% of the Group's operating revenues. Grants from public sources contributed to the high activity level. The Exilva project received a substantial EU grant from 1 May and commercial operation of the new plant commenced in the 4th quarter. The Group achieved its best ever lost-time injury rate for a calendar year with an H1 value³ of 1.6.

Other income and expenses¹ amounted to NOK 13 million (NOK 37 million). NOK 73 million reflects insurance compensation for property damage caused by the silo fire incident at the Sarpsborg production site in October 2015. A provision of NOK 60 million was made for remediation of contaminated soil related to previously phased-out chlor-alkali technology.

Net financial items amounted to NOK -32 million (NOK -27 million). Profit before tax increased to NOK 724 million (NOK 506 million). Income tax expense was NOK 171 million (NOK 122 million), giving a tax rate of 24% (24%). The corporate income tax rate in Norway was reduced from 25% to 24% from 1 January 2017.

Earnings per share increased by 44% to NOK 5.55 (NOK 3.86).

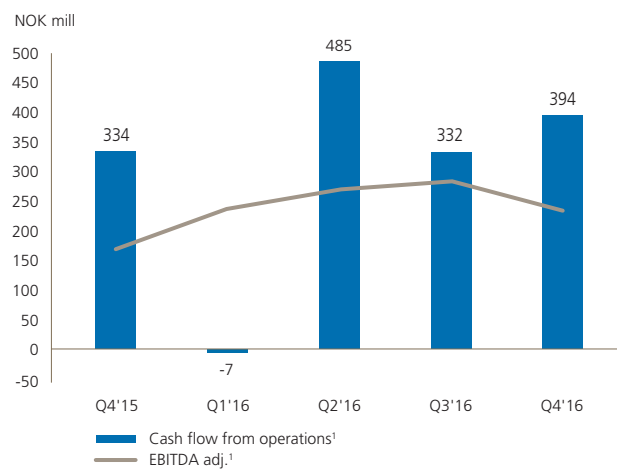
¹ Non-GAAP measure, see page 21 for definition.

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

³ Number of injuries resulting in sick-leave per million hours worked.

Cash flow from operations¹ was NOK 1,204 million (NOK 696 million) in 2016. The improvement was mainly due to a higher EBITDA adj.¹ level and a decrease in net working capital. At the end of 2016, the Group was well capitalised with an equity ratio¹ of 58% and a leverage ratio¹ of 0.29.

CASH FLOW FROM OPERATIONS¹



¹ Non-GAAP measure, see page 21 for definition.

THE BUSINESS AREAS

PERFORMANCE CHEMICALS

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2016	2015	2016	2015
Operating revenues	512	502	2,161	2,008
EBITA adj. ¹	107	98	517	447
EBITA adj. margin ¹ (%)	20.9	19.5	23.9	22.3

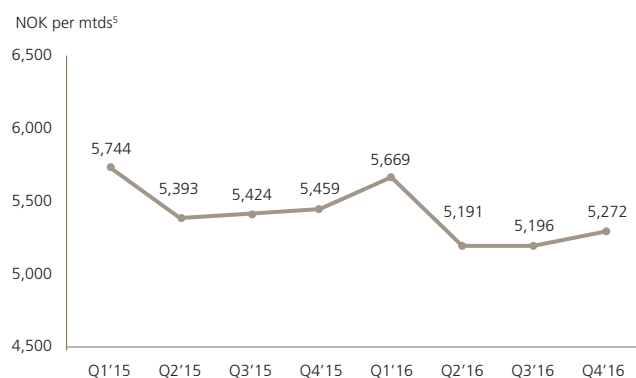
FOURTH QUARTER

Performance Chemicals 4th quarter operating revenues were NOK 512 million (NOK 502 million). EBITA adj.¹ increased to NOK 107 million (NOK 98 million). Market conditions remained challenging in several regions (Asia, Middle East, Brazil) with reduced demand and strong price competition, especially in the construction sector. Sales volume increased by 3% due to the Flambeau lignin business acquired in October 2015. Prices were, on average, slightly below the corresponding quarter of 2015. However, overall product mix improved as sales of specialities increased, especially within agrochemicals. There was a decline in sales to the construction sector. Deliveries of low-margin volume to Eastern Europe were reduced due to a large customer's change of technology. Reallocation efforts continued. Currency, including hedging effects, contributed positively in the 4th quarter.

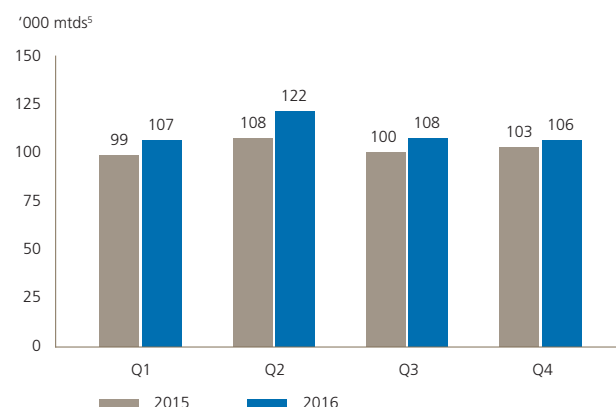
FULL YEAR 2016

For the full year of 2016, Performance Chemicals operating revenues reached NOK 2,161 million (NOK 2,008 million). EBITA adj.¹ increased to NOK 517 million (NOK 447 million), an all-time high level. The improvement was primarily due to beneficial currency effects. An improved product mix also contributed as Specialities sales volume rose by 4% from 2015. Growth was especially strong in the agrochemicals and batteries applications. Total sales volume (443,000 mtds) increased by 8% due to the added Flambeau business. Specialities' share of total sales volume was 18% in 2016 (19%). Construction accounted for 48% (52%), while Miscellaneous accounted for 34% (29%). Excluding Flambeau and currency impact, there was a slight decline in average sales price, mainly due to price pressure in Construction. Reallocation efforts throughout the year contributed to market optimisation and stable inventory levels during 2016. Raw material and energy costs were relatively stable, whereas fixed costs increased.

GROSS AVERAGE SALES PRICE⁴



SALES VOLUME⁴



¹ Non-GAAP measure, see page 21 for definition.

⁴ 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.

⁵ Metric tonne dry solid.

SPECIALITY CELLULOSE

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2016	2015	2016	2015
Operating revenues	406	346	1,590	1,436
EBITA adj. ¹	47	22	250	104
EBITA adj. margin ¹ (%)	11.6	6.4	15.7	7.2

FOURTH QUARTER

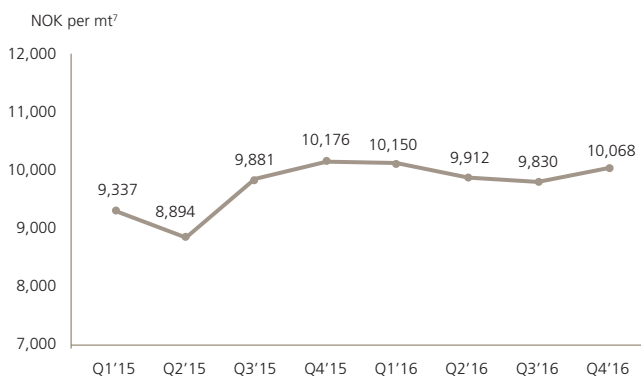
Speciality Cellulose 4th quarter operating revenues reached NOK 406 million (NOK 346 million). EBITA adj.¹ increased to NOK 47 million (NOK 22 million). The improved result compared with the corresponding quarter of 2015 was due to higher sales volume and positive currency effects. Average price in sales currency was in line with the corresponding quarter last year and costs were stable.

FULL YEAR 2016

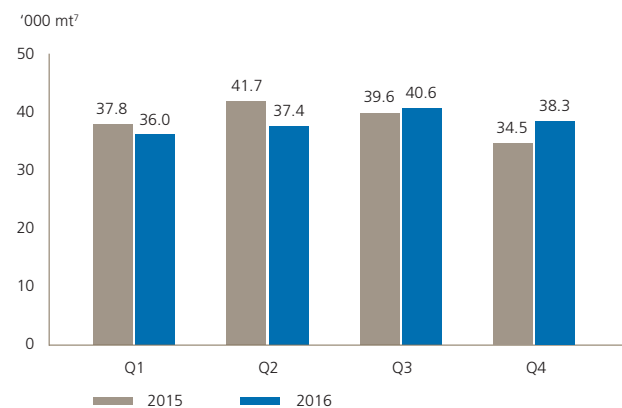
Operating revenues for Speciality Cellulose in 2016 totalled NOK 1,590 million (NOK 1,436 million). EBITA adj.¹ increased to NOK 250 million (NOK 104 million). The improvement was due to beneficial currency impact and an improved product mix. After several years with declining speciality cellulose prices, Borregaard achieved a relatively stable average price

in sales currency (-1%) compared with 2015. Market balance in the acetate segment was affected by customer destocking, lower demand and continued excess capacity. The ether segment showed continued growth in 2016, with an improvement within the construction and coating applications. In the textile cellulose segment, there were increasing demand and higher prices. Producers of dissolving wood pulp have benefitted from higher prices and lower availability of cotton and cotton linter pulp. The volume share of highly specialised cellulose grades increased to 64% (57%). Production output was slightly lower than in 2015, mainly as a consequence of the silo fire incident in October 2015. The production loss has been compensated by business interruption insurance coverage. In total, costs were stable. Contribution from bioethanol increased due to higher prices and improved product mix.

GROSS AVERAGE SALES PRICE⁶



SALES VOLUME



¹ Non-GAAP measure, see page 21 for definition.

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

⁷ Metric tonne.

OTHER BUSINESSES

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2016	2015	2016	2015
Operating revenues	201	197	776	755
EBITA adj. ¹	6	-19	-20	-54
EBITA adj. margin ¹ (%)	3.0	-9.6	-2.6	-7.2

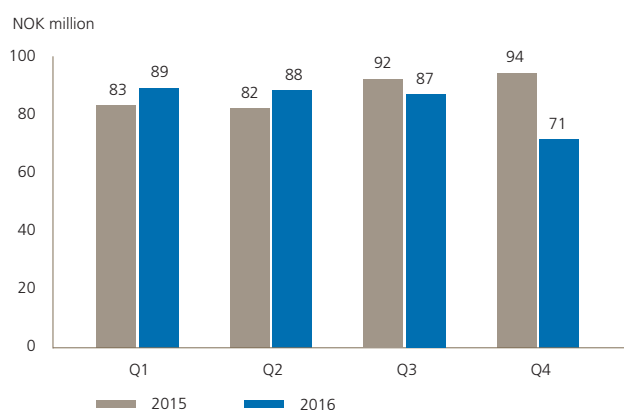
FOURTH QUARTER

Other Businesses had total operating revenues of NOK 201 million (NOK 197 million) and an EBITA adj.¹ of NOK 6 million (NOK -19 million) in the 4th quarter of 2016. Currency, including hedging effects, contributed positively. There were high deliveries of key products in Fine Chemicals. Sales volume in Ingredients was reduced, partly due to lower production output. The Exilva plant for microfibrillar cellulose started commercial operation in the 4th quarter. Marketing activities for Exilva and SenseFi products continued at a high level, and a number of potential customers are evaluating the products. Net Exilva costs in the 4th quarter, benefitting from the EU Horizon 2020 grant, were lower than in the corresponding quarter of 2015.

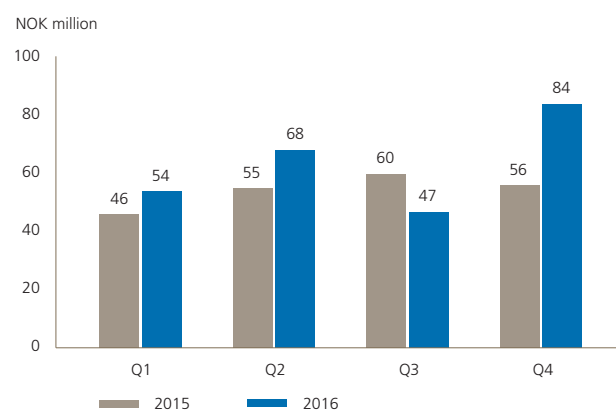
FULL YEAR 2016

For the full year of 2016, operating revenues in Other Businesses were NOK 776 million (NOK 755 million). EBITA adj.¹ was NOK -20 million (NOK -54 million). The improvement was primarily due to positive currency effects, increased sales of x-ray contrast media intermediates in Fine Chemicals and lower net costs in the Exilva project. The Exilva project received a substantial EU grant from 1 May and commercial operation at the new plant commenced in the 4th quarter. Marketing and business development activities for Exilva and SenseFi products have been intensified. Corporate costs were in line with 2015.

INGREDIENTS – SALES REVENUES



FINE CHEMICALS – SALES REVENUES



¹ Non-GAAP measure, see page 21 for definition.

FOREIGN EXCHANGE AND HEDGING

Borregaard has significant currency exposure, which is hedged according to the company's hedging strategy. Compared with the 4th quarter of 2015, positive impact of foreign exchange on EBITA adj.¹, including hedging effects, was approximately NOK 25 million. Hedging effects were NOK -24 million (NOK -62 million) in the 4th quarter.

In 2016, positive impact of foreign exchange on EBITA adj.¹, including hedging effects, was approximately

NOK 230 million when compared with 2015. Hedging effects were NOK -115 million (NOK -241 million).

Assuming currency rates as of 9 February 2017 (USD 8.31 and EUR 8.89) and based on currency exposure forecasts, Borregaard expects a net negative impact of foreign exchange on EBITA adj.¹ of approximately NOK -5 million in the 1st quarter of 2017 and a net positive impact of NOK 10 million for the full year of 2017.

CASH FLOW AND FINANCIAL SITUATION

FOURTH QUARTER

Cash flow from operating activities in the 4th quarter of 2016 was NOK 378 million (NOK 301 million). The strong cash flow was mainly due to higher profit before taxes and a decrease in net working capital. Investments in the 4th quarter of 2016 amounted to NOK 294 million (NOK 200 million). New seasoning silos, the new Exilva plant and construction start-up of the Florida lignin plant contributed to the increase. During the quarter, 25,000 share options were exercised. The Group has sold and repurchased treasury shares with a net payment of NOK 0 million (NOK 5 million).

FULL YEAR 2016

Cash flow from operating activities was NOK 1,081 million (NOK 563 million) in the full year of 2016. The strong cash flow was due to higher profit before taxes and a decrease in net working capital compared with 2015. Investments amounted to NOK 622 million (NOK 430 million). Replacement investments were impacted

by the construction of new wood chip seasoning silos (see note 13). Expansion investments were at a higher level than last year and were mainly related to the Exilva, Ice Bear and Florida lignin plant projects. Dividend of NOK 149 million (NOK 124 million) was paid out in the 2nd quarter. Realised effect of hedging of net investments in subsidiaries was NOK 13 million (NOK -76 million). The Group has sold and repurchased treasury shares with a net payment of NOK 10 million (NOK 5 million). In the 4th quarter of 2016, a buy-back of NOK 200 million was made on Borregaard's bond issued in 2014 and maturing in 2019.

At year-end 2016, the Group had net interest-bearing debt¹ totalling NOK 300 million (NOK 624 million), a decrease of NOK 73 million from the 3rd quarter and NOK 324 million from year-end 2015. The equity ratio¹ was 58.1% and the leverage ratio¹ was 0.29. The Group is well positioned to execute on future strategic investments.

¹ Non-GAAP measure, see page 21 for definition.

DIVIDEND

The Board of Directors of Borregaard ASA will propose an ordinary dividend for 2016 of NOK 1.75 (NOK 1.50) per share to the General Meeting on 20 April 2017. In addition, the Board has decided to propose an extraordinary dividend of NOK 1.75 per share due to increased earnings and a strong cash flow. In total, the

proposed dividend is NOK 3.50 per share, corresponding to 63% of net earnings per share. Dividend payment is estimated at NOK 349 million. The exact amount will depend on the number of treasury shares held at the date of the General Meeting.

SHARE INFORMATION

During the 4th quarter of 2016, 25,000 share options were exercised at a strike price of NOK 15.18 per share.

Total number of shares outstanding as of 31 December 2016 was 100 million, including 343,380 treasury shares. Total number of shareholders was 7,729.

Borregaard ASA's share price was NOK 84.50 at the end of 2016, compared with NOK 71.75 at the end of the 3rd quarter of 2016 and NOK 49.40 at the end of 2015.

OTHER MATTERS AND SUBSEQUENT EVENTS

FLORIDA LIGNIN INVESTMENT APPROVED

The board of directors of Borregaard and Rayonier Advanced Materials decided in December 2016 to go ahead with the investment project in Florida after securing necessary permits as well as incentives from local authorities. See *Borregaard's stock exchange notices from 9 December, 21 October and 28 June 2016, 17 December and 1 June 2015.*

SUPPLY OF LIGNIN RAW MATERIAL FROM SNIACE TO LIGNOTECH IBERICA RESUMED

The Sniace Group re-started its pulp production mid-October, and lignin raw material supply to LignoTech Ibérica resumed. See *Borregaard's stock exchange notices from 19 October, 27 May and 21 March 2016, 8 September, 25 July and 26 June 2013.*

OUTLOOK

Market conditions for Borregaard's lignin products are expected to be negatively affected by a continued weak business climate with stronger competition and price pressure in important regions for construction products. Efforts to reallocate lignin volumes will continue. Total sales volume in 2017 is forecast to reflect the increased lignin output in Spain and South Africa, but the added volume is expected to have limited impact on profitability. In the 1st quarter of 2017, sales volume is expected to be largely in line with the corresponding quarter of 2016.

Average cellulose price in 2017 in sales currency is expected to be 3-5% above the 2016 level. Price uncertainty is mainly related to textile cellulose. Product

mix in 2017 is forecast to improve from 2016. In the 1st quarter of 2017, both total sales volume and sales of highly specialised grades are expected to be higher than in the 1st quarter of 2016.

No major changes are expected in market conditions for Ingredients and Fine Chemicals. In the 1st quarter, Exilva project costs, net of EU grant, are expected to be below the corresponding quarter of 2016. In 2017, corporate costs will remain at largely the same level as in 2016.

Borregaard has significant FX exposure. The impact of FX rate fluctuations will be delayed due to the company's currency hedging policy.

*Sarpsborg, 9 February 2017
The Board of Directors of Borregaard ASA*

THE GROUP'S CONDENSED INCOME STATEMENT

INTERIM CONDENSED INCOME STATEMENT

Amounts in NOK million	NOTE	1.10 - 31.12		1.1 - 31.12	
		2016	2015	2016	2015
OPERATING REVENUES	2	1,110	1,034	4,492	4,164
Operating expenses		-877	-866	-3,471	-3,406
Depreciation property, plant and equipment		-73	-67	-274	-261
Amortisation intangible assets		-1	-1	-4	-1
Other income and expenses ¹	3	-	37	13	37
OPERATING PROFIT		159	137	756	533
Financial items, net		-8	-7	-32	-27
PROFIT BEFORE TAXES		151	130	724	506
Income tax expense	4	-28	-22	-171	-122
PROFIT FOR THE PERIOD		123	108	553	384
Profit attributable to non-controlling interests		-	-	-2	-2
Profit attributable to owners of the parent		123	108	555	386
EBITDA adj. ¹		233	168	1,021	758
EBITA ADJ.¹	2	160	101	747	497

EARNINGS PER SHARE

INTERIM EARNINGS PER SHARE

Amounts in NOK million	NOTE	1.10 - 31.12		1.1 - 31.12	
		2016	2015	2016	2015
Earnings per share (100 mill. shares)	5	1.23	1.08	5.55	3.86
Diluted earnings per share	5	1.23	1.08	5.55	3.87

THE GROUP'S CONDENSED COMPREHENSIVE INCOME STATEMENT

INTERIM CONDENSED COMPREHENSIVE INCOME STATEMENT

Amounts in NOK million	NOTE	1.10 - 31.12		1.1 - 31.12	
		2016	2015	2016	2015
PROFIT FOR THE PERIOD		123	108	553	384
ITEMS NOT TO BE RECLASSIFIED TO P&L					
Actuarial gains and losses (after tax)		7	-19	7	-19
TOTAL		7	-19	7	-19
ITEMS TO BE RECLASSIFIED TO P&L					
Change in hedging-reserve after tax (cash flow)	7	-124	-43	227	-156
Change in hedging-reserve after tax (net investment in subsidiaries)	7	-25	-9	14	-52
Translation effects		50	8	-3	66
TOTAL		-99	-44	238	-142
THE GROUP'S COMPREHENSIVE INCOME		31	45	798	223
Comprehensive income non-controlling interests		-1	-1	-2	-3
Comprehensive income owners of the parent		32	46	800	226

¹ Non-GAAP measure, see page 21 for definition.

THE GROUP'S CONDENSED BALANCE SHEET

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in NOK million	NOTE	31.12.2016	31.12.2015
Intangible assets	12	125	137
Property, plant and equipment	12	2,471	2,122
Other assets	8	115	121
Investment in joint venture		121	106
NON-CURRENT ASSETS		2,832	2,486
Inventories		626	676
Receivables	8	948	838
Cash and cash deposits	10	265	169
CURRENT ASSETS		1,839	1,683
TOTAL ASSETS		4,671	4,169
Group equity	9	2,679	2,056
Non-controlling interests		34	5
EQUITY		2,713	2,061
Provisions and other liabilities		299	408
Interest-bearing liabilities	8, 10	525	802
NON-CURRENT LIABILITIES		824	1,210
Interest-bearing liabilities	8, 10	61	9
Other current liabilities	8	1,073	889
CURRENT LIABILITIES		1,134	898
EQUITY AND LIABILITIES		4,671	4,169
Equity ratio ¹		58.1%	49.4%

CHANGES IN EQUITY

INTERIM CONDENSED CHANGE IN EQUITY

Amounts in NOK million	Note	1.1 - 31.12.2016			1.1 - 31.12.2015		
		Controlling interests	Non-controlling interests	Total equity	Controlling interests	Non-controlling interests	Total equity
Equity 1 January		2,056	5	2,061	1,941	8	1,949
PROFIT/LOSS FOR THE PERIOD		555	-2	553	386	-2	384
Items in Comprehensive Income	6	245	-	245	-160	-1	-161
THE GROUP'S COMPREHENSIVE INCOME	6	800	-2	798	226	-3	223
Paid dividend		-149	-	-149	-124	-	-124
Buy-back of treasury shares		-10	-	-10	-5	-	-5
Exercise of share options		9	-	9	3	-	3
Shares to employees		-	-	-	12	-	12
Option costs (share based payment)		4	-	4	3	-	3
Transaction with non-controlling interest	13	-31	31	-	-	-	-
EQUITY AT THE CLOSE OF THE PERIOD		2,679	34	2,713	2,056	5	2,061

¹ Non-GAAP measure, see page 21 for definition.

THE GROUP'S CONDENSED CASH FLOW STATEMENT

INTERIM CONDENSED CASH FLOW STATEMENT

Amounts in NOK million	NOTE	1.10 - 31.12		1.1 - 31.12	
		2016	2015	2016	2015
Profit before taxes		151	130	724	506
Amortisation, depreciation and impairment charges		74	75	278	269
Changes in net working capital, etc.		161	122	170	-106
Dividend (share of profit) from JV		6	-12	-1	-14
Taxes paid		-14	-14	-90	-92
CASH FLOW FROM OPERATING ACTIVITIES		378	301	1,081	563
Investments property, plant and equipment and intangible assets*		-294	-200	-622	-430
Other capital transactions		2	-	5	5
CASH FLOW FROM INVESTING ACTIVITIES		-292	-200	-617	-425
Dividends		-	-	-149	-124
Proceeds from exercise of share options	9	2	11	7	11
Buy-back of shares	6	-	-5	-10	-5
Gain/(loss) on hedges for net investments in subsidiaries		-32	-26	13	-76
NET PAID TO/FROM SHAREHOLDERS		-30	-20	-139	-194
Proceeds from interest-bearing liabilities	10	6	-	106	100
Repayment of interest-bearing liabilities	10	-202	-53	-309	-109
Change in interest-bearing receivables/other liabilities	10	3	4	-23	21
CHANGE IN NET INTEREST-BEARING LIABILITIES		-193	-49	-226	12
CASH FLOW FROM FINANCING ACTIVITIES		-223	-69	-365	-182
CHANGE IN CASH AND CASH EQUIVALENTS		-137	32	99	-44
Cash and cash equivalents at beginning of period		385	125	169	168
Change in cash and cash equivalents		-137	32	99	-44
Currency effects cash and cash equivalents		17	12	-3	45
CASH AND CASH EQUIVALENTS AT THE CLOSE OF THE PERIOD	10	265	169	265	169
* Investment by category					
Replacement investments		164	90	358	246
Expansion investments ¹		130	110	264	184

¹ Non-GAAP measure, see page 21 for definition.

NOTES

NOTE 01 Organisation and basis for preparation

GENERAL INFORMATION

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

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

Basis for preparation

These unaudited Interim Condensed Consolidated Financial Statements are prepared in accordance with

IAS 34 Interim Financial Reporting. Borregaard ASA is the parent company of the Borregaard Group presented in these Interim Condensed Consolidated Financial Statements.

The same accounting principles and methods of calculation have been applied as in the Consolidated Financial Statements for 2016 for the Borregaard Group.

Use of estimates

The same use of estimates has been applied as in the Consolidated Financial Statements for 2015.

NOTE 02 Segments

OPERATING REVENUES

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2016	2015	2016	2015
BORREGAARD	1,110	1,034	4,492	4,164
Performance Chemicals	512	502	2,161	2,008
Speciality Cellulose	406	346	1,590	1,436
Other Businesses	201	197	776	755
Eliminations	-9	-11	-35	-35

EBITA ADJ.¹

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2016	2015	2016	2015
BORREGAARD	160	101	747	497
Performance Chemicals	107	98	517	447
Speciality Cellulose	47	22	250	104
Other Businesses	6	-19	-20	-54
RECONCILIATION AGAINST OPERATING PROFIT & PROFIT BEFORE TAX				
EBITA ADJ.¹	160	101	747	497
Amortisation intangible assets	-1	-1	-4	-1
Other income and expenses ¹	-	37	13	37
OPERATING PROFIT	159	137	756	533
Financial items, net	-8	-7	-32	-27
PROFIT BEFORE TAXES	151	130	724	506

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 21 for definition.

NOTE 03 Other income and expenses¹

There are no Other income and expenses¹ in the 4th quarter of 2016. Other income and expenses¹ were NOK 13 million in 2016, of which NOK 73 million reflects additional insurance compensation for property damage caused by the fire at the production site in

Sarpsborg in October 2015, and NOK -60 million has been recognised as a provision for measures to strengthen ground water barriers and for handling polluted soil around the chlor-alkali plant in Sarpsborg.

NOTE 04 Income tax expense

The tax rate of 23.6% (24.1%) for the twelve months of 2016 is a compilation of the tax rates in the various countries in which Borregaard operates and has taxable income. The tax rate in Norway is reduced from 25% to 24% from 1 January 2017. This is reflected in the calculation of deferred tax as of 31 December 2016. Borregaard's normal tax rate is expected to be in the range 23-26%.

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 343,380 treasury shares. As of 31 December 2016, there are 100,076,679 diluted

shares (99,735,212 as of 31 December 2015). Earnings per diluted share were NOK 5.55 in 2016 (NOK 3.87 in 2015).

NOTE 06 Stock options

During the 4th quarter of 2016, 25,000 share options were exercised at a strike price of NOK 15.18.

The Group Executive Management and other key employees hold a total of 980,000 stock options in two different share option programmes in Borregaard.

A programme granted in October 2014, comprising 480,000 stock options, has a strike price of NOK 46.50

adjusted for dividends in 2015 and 2016 (NOK 2.75). A programme granted in October 2015, comprising 500,000 stock options, has a strike price of NOK 49.99 adjusted for dividend of NOK 1.50 in 2016. Options in the two 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 21 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 twelve months of 2016 relating to the hedging reserves amounts to NOK -36 million for

cash flow hedges (NOK -109 million) and NOK -38 million for hedges of net investments in subsidiaries (NOK -41 million). Total hedging reserve included in equity as of 31 December 2016 (after tax) amounts to NOK -117 million and NOK -98 million respectively (NOK -344 million and NOK -112 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 2015 to the 4th quarter of 2016. 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 31 December 2016:

FINANCIAL ASSETS

Amounts in NOK million	LEVEL	31.12.2016		31.12.2015	
		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Non-current financial receivables	2	65	65	71	71
Non-current derivatives	2	29	29	-	-
Current derivatives	2	9	9	8	8
TOTAL FINANCIAL ASSETS		103	103	79	79

FINANCIAL LIABILITIES

Non-current financial liabilities	2, 3	535	535	821	821
Non-current derivatives	2	72	72	258	258
Current financial liabilities	2	61	61	9	9
Current derivatives	2	118	118	212	212
TOTAL FINANCIAL LIABILITIES		786	786	1,300	1,300

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Amounts in NOK million		LEVEL 1	LEVEL 2	LEVEL 3
FINANCIAL INSTRUMENTS	31.12.2016	-683	-483	-200
FINANCIAL INSTRUMENTS	31.12.2015	-1,221	-821	-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 09 Compilation of Equity

Amounts in NOK million	31.12.2016	31.12.2015
Share capital	100	100
Treasury shares	-	-1
Share premium	1,346	1,346
Other paid-in capital	397	385
Translation effects	86	89
Hedging reserve	-215	-456
Actuarial gains/losses	-16	-23
Retained earnings	981	616
GROUP EQUITY (CONTROLLING INTERESTS)	2,679	2,056

As of 31 December 2016, the company held 343,380 treasury shares at an average cost of NOK 54.02.

NOTE 10 Net interest-bearing debt¹

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

Amounts in NOK million	31.12.2016	31.12.2015
Non-current interest-bearing liabilities	525	802
Current interest-bearing liabilities including overdraft of cashpool	61	9
Non-current interest-bearing receivables (included in "Other Assets")	-21	-18
Cash and cash deposits	-265	-169
NET INTEREST-BEARING DEBT¹	300	624

NOTE 11 Related parties

The members of the Group Executive Management of Borregaard held a total of 575,000 stock options in the Company as of 31 December 2016.

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 4th quarter of 2016.

¹ Non-GAAP measure, see page 21 for definition.

NOTE 13 Other matters and subsequent events

FLORIDA LIGNIN INVESTMENT APPROVED

The board of directors of Borregaard and Rayonier Advanced Materials decided in December 2016 to go ahead with the investment project in Florida after securing necessary permits as well as incentives from local authorities. LignoTech Florida is owned 55% by Borregaard and 45% by Rayonier Advanced Materials. Spending on the project started late 2016, and a minority interest is recognised in Borregaard's group accounts as of 31 December 2016. See *Borregaard's stock exchange notices from 9 December, 21 October and 28 June 2016, 17 December and 1 June 2015.*

SUPPLY OF LIGNIN RAW MATERIAL FROM SNIACE TO LIGNOTECH IBERICA RESUMED

The Sniace Group re-started its pulp production mid-October, and lignin raw material supply to LignoTech Ibérica resumed. See *Borregaard's stock exchange notices from 19 October, 27 May and 21 March 2016, 8 September, 25 July and 26 June 2013.*

SILO FIRE INCIDENT

The property damage coverage related to the silo fire incident has been recognised as other income and expenses¹, see note 3.

Actual losses from business interruption are covered by insurance and have been recognised on an on-going basis. An estimate of the total business interruption losses is difficult to make. Therefore, no future insurance compensation has been recognised, but will be recognised in the periods if and when business interruption losses occur.

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 21 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).

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.

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.

	1.1 - 31.12	
Capital employed end of	2016	2015
Q4, 2014		2,983
Q1, 2015		3,198
Q2, 2015		3,235
Q3, 2015		3,283
Q4, 2015	3,279	3,279
Q1, 2016	3,524	
Q2, 2016	3,481	
Q3, 2016	3,413	
Q4, 2016	3,508	
AVERAGE	3,441	3,196
EBITA ADJ. (LTM)	747	497
ROCE (%)	21.7	15.6



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