

FOURTH QUARTER
AND FULL YEAR

Q4 2015

Q4 2015

4th QUARTER IN BRIEF

- Strong result in Performance Chemicals

- Progress on strategic initiatives to expand the lignin business in North America

- Positive development in Fine Chemicals and Ingredients

- Favourable currency effects in all business areas

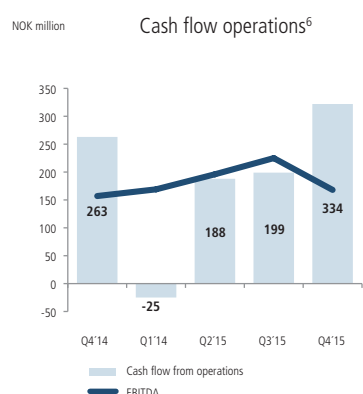
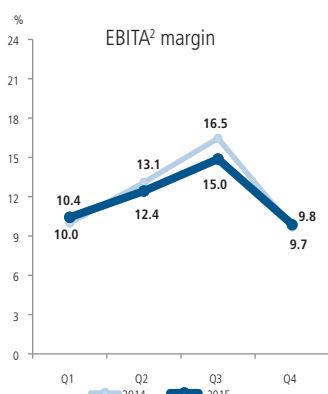
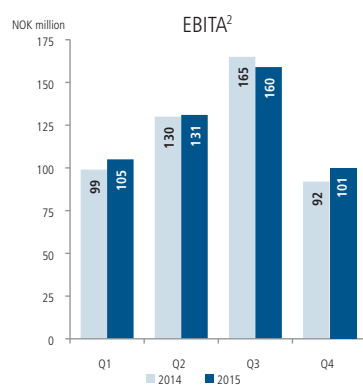
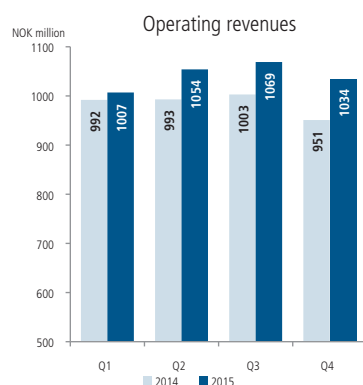
- Strong cash flow from operations

- NOK 1.50 dividend proposed for 2015

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THE GROUP¹



| Amounts in NOK million | Note | 1.10 - 31.12 | | 1.1 - 31.12 | |
|---|------|--------------|------|-------------|-------|
| | | 2015 | 2014 | 2015 | 2014 |
| Operating revenues | 2 | 1 034 | 951 | 4 164 | 3 939 |
| EBITDA ¹ | | 168 | 157 | 758 | 730 |
| EBITA ² | 2 | 101 | 92 | 497 | 486 |
| Profit/loss before taxes | | 130 | 59 | 506 | 430 |
| Earnings per share (NOK) | 5 | 1.08 | 0.68 | 3.86 | 3.34 |
| Net interest-bearing debt | 10 | 624 | 608 | 624 | 608 |
| Equity ratio (%) | | 49.4 | 52.0 | 49.4 | 52.0 |
| Leverage ratio ³ | | 0.82 | 0.83 | 0.82 | 0.83 |
| Return on capital employed ⁴ (%) | | 15.6 | 16.5 | 15.6 | 16.5 |

Fourth quarter

Borregaard's operating revenues increased to NOK 1,034 million (NOK 951 million⁵) in the 4th quarter of 2015. EBITA was NOK 101 million (NOK 92 million). Compared with the 4th quarter of 2014, Performance Chemicals and Other Businesses improved their EBITA, while Specialty Cellulose was somewhat weaker. Currency developments contributed positively in all business areas, but the impact was partly delayed by hedging. The silo fire incident at the Sarpsborg site on 23 October caused a modest reduction in production output compared with the 4th quarter of 2014, but it had limited EBITA impact due to insurance coverage.

EBITA in Performance Chemicals increased as a lower sales volume was more than offset by a positive currency impact. Weaker demand and increased price competition in the construction sector led to lower sales in some regions. The new Flambeau lignin volume has been included in the reported figures from 23 October 2015. The decline in Specialty Cellulose was primarily due to lower sales prices and a weaker product mix. EBITA in Other Businesses improved due to progress in the Ingredients and Fine Chemicals segments, partly offset by increased Exilva costs.

Other income and expenses were NOK 37 million (NOK -30 million) in the 4th quarter of 2015. The amount is mainly related to the expected insurance compensation for property damage caused by the fire at the production site in Sarpsborg. In addition, costs incurred for the establishment of the new lignin operation in Florida are recognised as other income and expenses.

Net financial items were NOK -7 million compared with NOK -3 million in the 4th quarter of 2014. The decline was due to less favourable foreign exchange differences, partly offset by lower net interest expenses. Group profit before tax amounted to NOK 130 million (NOK 59 million). Income tax expense in the 4th quarter was NOK -22 million (NOK 8 million), giving a tax rate of 17%

1. Operating profit before depreciation, amortisation and other income and expenses.
2. Operating profit before amortisation and other income and expenses.
3. Net interest bearing debt/EBITDA (LTM).
4. EBITA/(Average net working capital+Average tangible assets+Average intangible assets at cost-Average net pension liabilities-Average deferred tax excess value) (LTM).
5. Figures in parentheses are for the corresponding period in the previous year.
6. Cash flow from operating activities according to IFRS adjusted for financial items, taxes paid, share of JV dividend/profit

Earnings per share in the 4th quarter were NOK 1.08 (NOK 0.68).

Cash flow from operations⁵ in the 4th quarter of 2015 was NOK 334 million (NOK 263 million). The increase is due to an improved EBITDA and a larger reduction in net working capital (excluding the impact of the expected insurance compensation) compared with the 4th quarter of 2014.

Full year 2015

For the full year of 2015, Borregaard's operating revenues increased to NOK 4,164 million (NOK 3,939 million). EBITA was NOK 497 million (NOK 486 million). An improvement in Performance Chemicals and Other Businesses was offset by lower EBITA in Specialty Cellulose. Currency had a beneficial impact in all business areas, but the effect was partly delayed by hedging. Production output at the Sarpsborg site was in line with the preceding year.

During 2015, Flambeau River Papers' lignin book of business in Wisconsin was acquired and a capacity expansion in South Africa was decided. Furthermore, an agreement to establish a new lignin operation in Florida was signed by Rayonier Advanced Materials and Borregaard.

Other income and expenses amounted to NOK 37 million (NOK -30 million) and are mainly related to the expected insurance compensation for property damage caused by the fire at the production site in Sarpsborg. In addition, costs incurred for the establishment of the new lignin operation in Florida are recognised as other income and expenses.

Net financial items amounted to NOK -27 million (NOK -26 million) in 2015. Lower net interest expenses were offset by less favourable foreign exchange differences. For the full year of 2015, profit before tax was NOK 506 million (NOK 430 million). Income tax expense was NOK 122 million (NOK 98 million), giving a tax rate of 24% (23%). The tax rate in Norway was reduced from 27% to 25% from 1 January 2016. This change is reflected in the calculation of deferred taxes as of 31 December 2015.

Earnings per share were NOK 3.86 (NOK 3.34).

Cash flow from operations⁶ was NOK 696 million (NOK 759 million) in 2015. With an EBITDA of NOK 758 million, the conversion ratio was 0.92. At the end of 2015, the Group was well capitalised with an equity ratio of 49.4% and a leverage ratio of 0.82.

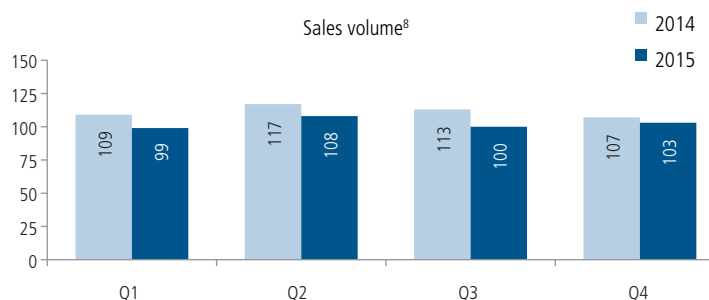
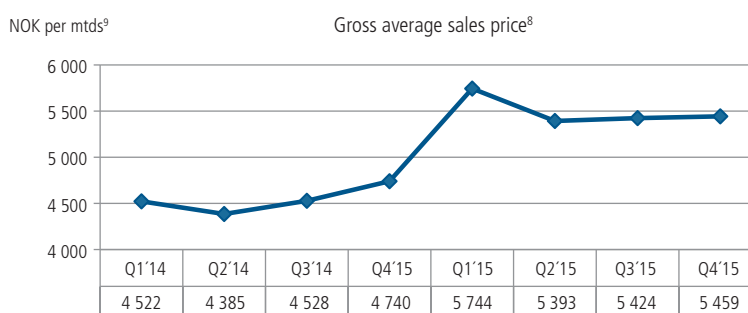
THE BUSINESS AREAS

Performance Chemicals

| Amounts in NOK million | 1.10 – 31.12 | | 1.1 – 31.12 | |
|------------------------|--------------|-------------------|-------------|-------------------|
| | 2015 | 2014 ⁷ | 2015 | 2014 ⁷ |
| Operating revenues | 502 | 441 | 2 008 | 1 822 |
| EBITA | 98 | 83 | 447 | 388 |
| EBITA margin (%) | 19.5 | 18.8 | 22.3 | 21.3 |

Performance Chemicals' 4th quarter operating revenues increased to NOK 502 million (NOK 441 million). EBITA was NOK 98 million (NOK 83 million). Market conditions were challenging in several regions (Asia, Middle East, Brazil) with stronger price competition and lower sales, especially to the construction and oil sectors. Sales volume was down by 4% in spite of the positive impact of the added Flambeau lignin volume from late October. However, the impact of the volume reduction was more than offset by a favourable currency situation. Product mix and average sales price were negatively affected by the Flambeau volume. Adjusted for this, both sales price development and product mix were slightly positive compared with the 4th quarter of 2014.

For the full year of 2015, Performance Chemicals had operating revenues of NOK 2,008 million (NOK 1,822 million). EBITA reached NOK 447 million (NOK 388 million), an all-time high level. The improvement was primarily due to beneficial currency effects and slightly higher prices, which more than offset an 8% decline in total sales volume. The decline was caused by reduced lignin raw material supply in the first half of 2015 and weaker demand, mainly in the construction and oil sectors, in the second half. Average sales price increased by approximately 4% in 2015, excluding impact of currency and the Flambeau volume. High-value products' share of total sales volume was 18% in 2015 (18%), while medium-value products accounted for 70% in 2015 (70% in 2014).



7. The 2014 figures are restated to reflect that BALI project costs are part of Performance Chemicals. See Note 13.

8. 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.

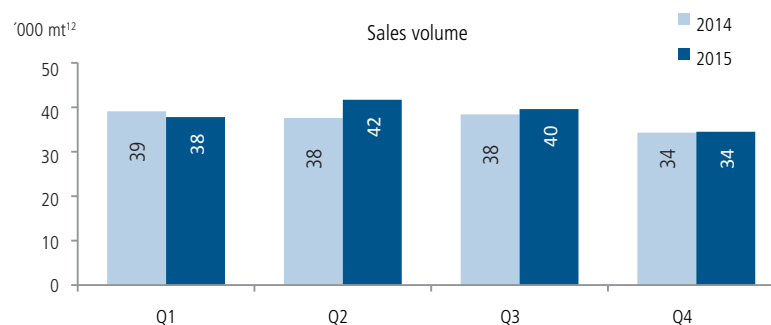
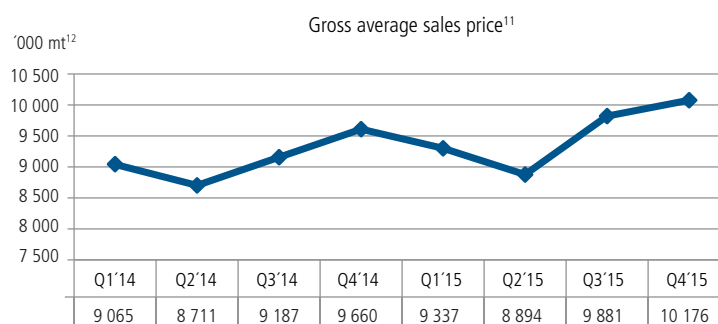
9. Metric tonne dry solid.

Specialty Cellulose

| Amounts in NOK million | 1.10 – 31.12 | | 1.1 – 31.12 | |
|------------------------|--------------|--------------------|-------------|--------------------|
| | 2015 | 2014 ¹⁰ | 2015 | 2014 ¹⁰ |
| Operating revenues | 346 | 338 | 1 436 | 1 459 |
| EBITA | 22 | 30 | 104 | 163 |
| EBITA margin (%) | 6.4 | 8.9 | 7.2 | 11.2 |

Specialty Cellulose reported 4th quarter operating revenues of NOK 346 million (NOK 338 million). EBITA was NOK 22 million (NOK 30 million). The weaker result compared with the corresponding quarter of 2014 was due to lower sales prices and a weaker product mix, partly offset by lower variable costs and an improved currency situation. Prices in sales currency were in line with previous quarters in 2015. Production output fell slightly as a result of the silo fire incident.

Operating revenues for Specialty Cellulose in 2015 totalled NOK 1,436 million (NOK 1,459 million). EBITA amounted to NOK 104 million (NOK 163 million). Production output was stable compared with 2014, but product mix was weaker mainly due to lower sales to the cellulose acetate market. Average price in sales currency was approximately 6% lower. This was partly compensated by a positive currency effect as well as lower energy consumption. The share of highly specialised cellulose grades in sales was 57%, down from 63% in 2014. Contribution from bioethanol declined due to lower production output and higher energy consumption.



10. The 2014 figures are restated to reflect that Exilva project costs are not included as part of Specialty Cellulose. See Note 13.

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

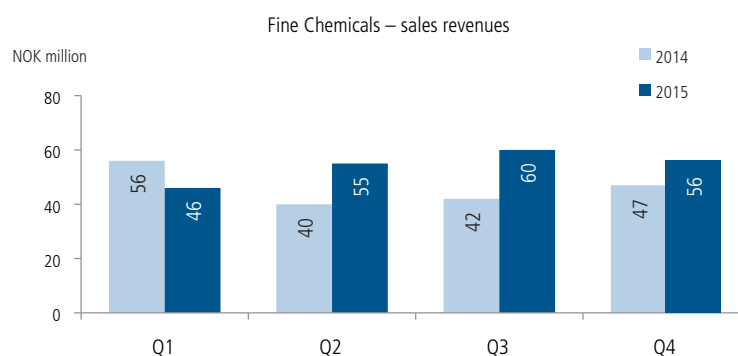
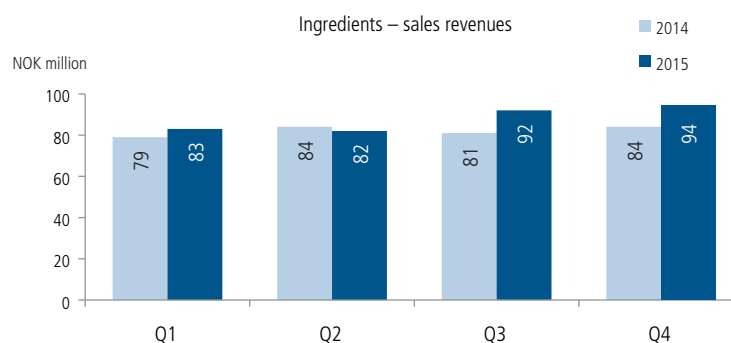
12. Metric tonne.

Other Businesses

| Amounts in NOK million | 1.10 – 31.12 | | 1.1 – 31.12 | |
|------------------------|--------------|--------------------|-------------|--------------------|
| | 2015 | 2014 ¹³ | 2015 | 2014 ¹³ |
| Operating revenues | 197 | 178 | 755 | 682 |
| EBITA | -19 | -21 | -54 | -65 |
| EBITA margin (%) | -9.6 | -11.8 | -7.2 | -9.5 |

Other Businesses had total operating revenues of NOK 197 million (NOK 178 million) and an EBITA of NOK -19 million (NOK -21 million) in the 4th quarter of 2015. The Ingredients business recorded an improved result, mainly due to positive currency effects. Volume growth, currency impact and a positive product mix resulted in a higher EBITA in Fine Chemicals. Costs for the Exilva project were higher in the 4th quarter of 2015 due to increased marketing and business development activities.

For the full year of 2015, operating revenues in Other Businesses were NOK 755 million (NOK 682 million). EBITA was NOK -54 million compared with NOK -65 million in 2014. The improvement was due to positive currency effects and increased sales of x-ray contrast media intermediates in Fine Chemicals. Marketing and business development activities for the Exilva project have been stepped up throughout 2015 and costs have increased compared with 2014.



13. The 2014 figures are restated to reflect that BALI project costs are not part of Other Businesses and that Exilva project costs are included in Other Businesses. See Note 13. 2014 operating revenues and eliminations are restated due to minor changes in the treatment of internal transactions.

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 2014, positive impact of foreign exchange on EBITA, including hedging effects, was approximately NOK 60 million. Hedging effects were NOK -62 million in the 4th quarter.

In 2015, positive impact of foreign exchange on EBITA, including hedging effects, was approximately NOK 225 million when compared with 2014. Hedging effects were NOK -241 million.

Assuming currency rates as of 2 February 2016 (USD 8.72 and EUR 9.52) and based on currency exposure forecasts, Borregaard expects a net positive impact of foreign exchange on EBITA of approximately NOK 90 million in the 1st quarter of 2016 and NOK 255 million for the full year of 2016.

CASH FLOW AND FINANCIAL SITUATION

Cash flow from operating activities in the 4th quarter of 2015 was NOK 301 million (NOK 245 million). The increase is due to an improved result and a larger reduction in net working capital (excluding the impact of the expected insurance compensation) compared with the 4th quarter of 2014. Investments in the 4th quarter of 2015 amounted to NOK 200 million (NOK 151 million). During the quarter, 125,000 share options were exercised. The Group has sold and repurchased treasury shares with a net payment of NOK 6 million.

Cash flow from operating activities was NOK 563 million (NOK 600 million) in the full year of 2015. The decline is mainly due to an increase in net working capital compared with the preceding year, partly offset by reduced tax payments. The expected net insurance compensation and other consequences of the silo fire incident have impacted profit before tax positively and net working capital negatively by NOK 46 million in 2015. Investments in 2015 amounted to NOK 430 million (NOK 313 million). The increase is mainly due to the expansion in a new plant for microfibrillar cellulose (Exilva) and the acquired Flambeau lignin book of business. 125,000 share options were exercised in 2015. The Group has sold and repurchased treasury shares with a net payment of NOK 6 million.

At year-end 2015, the Group had an equity ratio of 49.4% and a leverage ratio of 0.82. Net interest-bearing debt was NOK 624 million (NOK 608 million). The Group is well positioned to execute on future strategic investments.

DIVIDEND

The Board of Directors of Borregaard ASA will propose a dividend for 2015 of NOK 1.50 (NOK 1.25) per share to the General Meeting on 13 April 2016. This corresponds to 32% of actual net profit and 41% of net profit when other income and expenses, including tax impact, are excluded. Dividend payment is estimated at NOK 149 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 2015, 125,000 share options were exercised at a strike price of NOK 19.15. At the same time Borregaard repurchased 108,372 treasury shares at an average price of NOK 48.91.

In October, 500,000 share options at a strike price of NOK 51.49 were granted under the long-term incentive programme. The options will expire after five years, the vesting period is three years and the options may be exercised during the last two years. For more details see notification to the Oslo Stock Exchange on 27 October 2015.

As part of the employee share programme, Borregaard has sold a total of 267,375 shares to employees in November 2015. The share price was NOK 32.01 per share including a 30% discount. For more details, see notifications to the Oslo Stock Exchange on 3 and 16 November 2015. Following these transactions, Borregaard held 493,880 treasury shares as of 31 December 2015.

Total number of shares outstanding at 31 December 2015 was 100 million, including treasury shares. Total number of shareholders was 7,516.

Borregaard ASA's share price was NOK 49.40 at the end of 2015, compared with NOK 51.25 at the end of the 3rd quarter of 2015 and NOK 55.50 at the end of 2014.

OTHER MATTERS AND SUBSEQUENT EVENTS

Expansion of lignin business in North America

In October, Borregaard acquired the lignin book of business from Flambeau River Papers LLC in Wisconsin. The parties have also entered into a long-term lignin raw material supply agreement. See notification to the Oslo Stock Exchange on 21 October 2015. See note 12 for recognition in the condensed financial statements.

Fire incident in silo at the Sarpsborg site

In the evening of Friday 23 October, a fire took place at Borregaard's production site in Sarpsborg, Norway. The incident occurred in a silo used for resin seasoning of wood chips. See notification to the Oslo Stock Exchange on 25 October 2015. See notes 3 and 14 for recognition in the condensed financial statements.

New lignin plant in Florida

The definitive agreement regarding the establishment of a new lignin operation at the Fernandina Beach site in Florida has been completed and signed by both parties, Rayonier Advanced Materials (RYAM) and Borregaard. A final decision by the boards of both companies on whether to proceed with the project is anticipated in mid-2016. See notifications to the Oslo Stock Exchange on 1 June and 17 December 2015.

OUTLOOK

Market conditions for Borregaard's products are expected to be affected by a continuous weak business climate in some important markets and strong competition for certain product groups. However, currency, including hedging impact, is expected to contribute positively in all business areas in 2016.

Lignin sales volume in 2016 is expected to increase by the full-year impact of the Flambeau volume. Efforts to reallocate volume from markets affected by increased competition and reduced demand will continue. Average price and product mix will be negatively affected by the added Flambeau volume. In the 1st quarter of 2016, sales volume and product mix will reflect seasonality in delivery patterns.

In 2016, average cellulose price in sales currency are expected to be approximately 3% below their 2015 level. Price uncertainty is mainly related to textile cellulose. Product mix in 2016 is forecast to be similar to 2015. In the 1st quarter of 2016, total sales volume and product mix are expected to be in line with the 1st quarter of 2015.

No major changes are expected in the market conditions for Ingredients and Fine Chemicals. Exilva project costs are expected to increase due to start-up preparation and continued marketing and business development activities. Other corporate costs will remain at largely the same level as in 2015.

Sarpsborg, 2 February 2016
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 | |
|--|-------|--------------|------|-------------|--------|
| | | 2015 | 2014 | 2015 | 2014 |
| Operating revenues | 2, 14 | 1 034 | 951 | 4 164 | 3 939 |
| Operating expenses | 14 | -866 | -794 | -3 406 | -3 209 |
| Depreciation property, plant and equipment | | -67 | -65 | -261 | -244 |
| Amortisation intangible assets | | -1 | 0 | -1 | 0 |
| Other income and expenses | 3, 14 | 37 | -30 | 37 | -30 |
| Operating profit | | 137 | 62 | 533 | 456 |
| Financial items, net | | -7 | -3 | -27 | -26 |
| Profit before taxes | | 130 | 59 | 506 | 430 |
| Income tax expense | 4 | -22 | 8 | -122 | -98 |
| Profit for the period | | 108 | 67 | 384 | 332 |
| Profit attributable to non-controlling interests | | 0 | -1 | -2 | -2 |
| Profit attributable to owners of the parent | | 108 | 68 | 386 | 334 |
| EBITDA adjusted ¹ | | 168 | 157 | 758 | 730 |
| EBITA adjusted ² | 2 | 101 | 92 | 497 | 486 |

EARNINGS PER SHARE

Interim earnings per share

| Amounts in NOK million | Note | 1.10 - 31.12 | | 1.1 - 31.12 | |
|---|------|--------------|------|-------------|------|
| | | 2015 | 2014 | 2015 | 2014 |
| Earnings per share (100 million shares) | 5 | 1.08 | 0.68 | 3.86 | 3.34 |
| Diluted earnings per share | 5 | 1.08 | 0.68 | 3.87 | 3.34 |

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 | |
|--|------|--------------|------------|-------------|------------|
| | | 2015 | 2014 | 2015 | 2014 |
| Profit for the period | | 108 | 67 | 384 | 332 |
| Items not to be reclassified to P&L | | | | | |
| Actuarial gains and losses (after tax) | | -19 | -8 | -19 | -8 |
| Total | | -19 | -8 | -19 | -8 |
| Items to be reclassified to P&L | | | | | |
| Change in hedging reserve after tax (cash flow) | 7 | -43 | -193 | -156 | -156 |
| Change in hedging reserve after tax (net investments in subsidiaries) | 7 | -9 | -49 | -52 | -58 |
| Translation effects | | 8 | 96 | 66 | 109 |
| Total | | -44 | -146 | -142 | -105 |
| The Group's comprehensive income | | 45 | -87 | 223 | 219 |
| Comprehensive income non-controlling interests | | -2 | 1 | -3 | -1 |
| Comprehensive income owners of the parent | | 47 | -88 | 226 | 220 |

1. Operating profit before depreciation, amortisation and other income and expenses.

2. Operating profit before amortisation and other income and expenses.

THE GROUP'S CONDENSED BALANCE SHEET

Interim condensed statement of financial position

| Amounts in NOK million | Note | 2015 31.12 | 2014 31.12 |
|----------------------------------|-------|---------------|---------------|
| Intangible assets | 12 | 137 | 77 |
| Property, plant and equipment | 12 | 2 122 | 2 004 |
| Other assets | 8 | 121 | 76 |
| Investment in joint venture | | 106 | 106 |
| Non-current assets | | 2 486 | 2 263 |
| Inventories | | 676 | 610 |
| Receivables | 8 | 838 | 707 |
| Cash and cash deposits | 10 | 169 | 168 |
| Current assets | | 1 683 | 1 485 |
| Total assets | | 4 169 | 3 748 |
| Group equity | 9 | 2 056 | 1 941 |
| Non-controlling interests | | 5 | 8 |
| Total Equity | | 2 061 | 1 949 |
| Provisions and other liabilities | 8 | 408 | 196 |
| Interest-bearing liabilities | 8, 10 | 802 | 784 |
| Non-current liabilities | | 1 210 | 980 |
| Interest-bearing liabilities | 8, 10 | 9 | 8 |
| Other current liabilities | 8 | 889 | 811 |
| Current liabilities | | 898 | 819 |
| Equity and liabilities | | 4 169 | 3 748 |
| Equity ratio | | 49.4% | 52.0% |

CHANGES IN EQUITY

Interim condensed change in equity

| Amounts in NOK million | Note | 1.1 – 31.12.2015 | | | 1.1 – 31.12.2014 | | |
|--|------|-----------------------|---------------------------|--------------|-----------------------|---------------------------|--------------|
| | | Controlling interests | Non-controlling interests | Total equity | Controlling interests | Non-controlling interests | Total equity |
| Equity 1.1 | | 1 941 | 8 | 1 949 | 1 847 | 9 | 1 856 |
| Profit/loss for the period | | 386 | -2 | 384 | 334 | -2 | 332 |
| The Group's comprehensive income | 7 | -160 | -1 | -161 | -114 | 1 | -113 |
| Total comprehensive income | 7 | 226 | -3 | 223 | 220 | -1 | 219 |
| Option costs (share based payment) | | 3 | 0 | 3 | 0 | 0 | 0 |
| Dividend | 9 | -124 | 0 | -124 | -109 | 0 | -109 |
| Buy-back of shares | 9 | -5 | 0 | -5 | -76 | 0 | -76 |
| Exercise of share options/shares to employees | 6 | 15 | 0 | 15 | 51 | 0 | 51 |
| Reduced tax payable of exercised share options | | 0 | 0 | 0 | 8 | 0 | 8 |
| Equity at the close of the period | 9 | 2 056 | 5 | 2 061 | 1 941 | 8 | 1 949 |

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 | |
|--|------|--------------|------|-------------|------|
| | | 2015 | 2014 | 2015 | 2014 |
| Profit before taxes | | 130 | 59 | 506 | 430 |
| Amortisation, depreciation and impairment charges | | 75 | 65 | 269 | 244 |
| Changes in net working capital, etc. | 3 | 122 | 136 | -106 | 59 |
| Dividend (share of profit) from JV | | -12 | -2 | -14 | 6 |
| Taxes paid | | -14 | -13 | -92 | -139 |
| Cash flow from operating activities | | 301 | 245 | 563 | 600 |
| Investments property, plant and equipment and intangible assets* | | -200 | -151 | -430 | -313 |
| Other capital transactions | | 0 | 0 | 5 | 2 |
| Cash flow from investing activities | | -200 | -151 | -425 | -311 |
| Dividends | | 0 | 0 | -124 | 109 |
| Proceeds from exercise of share options | 9 | 11 | 4 | 11 | 48 |
| Buy-back of shares | 6 | -5 | -14 | -5 | -76 |
| Gain/(loss) on hedges of net investments in subsidiaries | | -26 | -68 | -76 | -72 |
| Net paid to/from shareholders | | -20 | -78 | -194 | -209 |
| Proceeds from interest-bearing liabilities | 10 | 0 | 33 | 86 | 6 |
| Repayment of interest-bearing liabilities | 10 | -49 | 0 | -72 | 0 |
| Change in interest-bearing receivables | 10 | 0 | 1 | -2 | -3 |
| Change in net interest-bearing liabilities | | -49 | 34 | 12 | 3 |
| Cash flow from financing activities | | -69 | -44 | -182 | -206 |
| Change in cash and cash equivalents | | 32 | 50 | -44 | 83 |
| Cash and cash equivalents at beginning of period | | 125 | 79 | 168 | 39 |
| Change in cash and cash equivalents | | 32 | 50 | -44 | 83 |
| Currency effects cash and cash equivalents | | 12 | 39 | 45 | 46 |
| Cash and cash equivalents at the close of the period | 10 | 169 | 168 | 169 | 168 |

*Investments by category

| | | | | | |
|-------------------------|--|-----|-----|-----|-----|
| Replacement investments | | 90 | 124 | 246 | 228 |
| Expansion investments | | 110 | 27 | 184 | 85 |

NOTES | NOTE 1

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 2014 for the Borregaard Group.

Use of estimates

The same use of estimates has been applied as in the Consolidated Financial Statements for 2014.

NOTE 2

Segments

Operating revenues

| Amounts in NOK million | 1.10 – 31.12 | | 1.1 – 31.12 | |
|-------------------------------|--------------|-------------------|-------------|-------------------|
| | 2015 | 2014 ³ | 2015 | 2014 ³ |
| Borregaard | 1 034 | 951 | 4 164 | 3 939 |
| Performance Chemicals | 502 | 441 | 2 008 | 1 822 |
| Specialty Cellulose | 346 | 338 | 1 436 | 1 459 |
| Other Businesses ⁴ | 197 | 178 | 755 | 682 |
| Eliminations ⁴ | -11 | -6 | -35 | -24 |

EBITA²

| Amounts in NOK million | 1.10 – 31.12 | | 1.1 – 31.12 | |
|--|--------------|-------------------|-------------|-------------------|
| | 2015 | 2014 ³ | 2015 | 2014 ³ |
| Borregaard | 101 | 92 | 497 | 486 |
| Performance Chemicals | 98 | 83 | 447 | 388 |
| Specialty Cellulose | 22 | 30 | 104 | 163 |
| Other Businesses | -19 | -21 | -54 | -65 |
| Reconciliation against operating profit and profit before taxes | | | | |
| EBITA ² adjusted | 101 | 92 | 497 | 486 |
| Amortisation intangible assets | -1 | 0 | -1 | 0 |
| Other income and expenses | 37 | -30 | 37 | -30 |
| Operating profit | 137 | 62 | 533 | 456 |
| Financial items, net | -7 | -3 | -27 | -26 |
| Profit before taxes | 130 | 59 | 506 | 430 |

There are limited intercompany sales between the different segments and eliminations consist essentially of allocations from the corporate headquarter. Segment reporting is changed from 1 January 2015 and the 2014 figures are restated to reflect the changes. See Note 13.

NOTE 3

Other income and expenses

Other income and expenses were NOK 37 million in the 4th quarter of 2015. NOK 46 million reflects expected insurance compensation for property damage caused by the fire at the production site in Sarpborg in October 2015. The amount is net of deductibles and write-down of assets. The costs related to the demolition and build-up of the silo will be capitalised and depreciated over the expected life of the silo once it is rebuilt and in use (see note 14). NOK 9 million in costs for the establishment of a new lignin plant in Florida are also recognised in Other income and expenses.

3. Segment reporting is changed from 1 January 2015, the 2014 figures are restated to reflect the changes. See Note 13.

4. 2014 operating revenues and eliminations are restated due to minor changes in the treatment of internal transactions.

NOTE 4

Income tax expense

The tax rate of 24.1% for the twelve months of 2015 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 27% to 25% from 1 January 2016. This is reflected in the calculation of deferred taxes as of 31 December 2015. In addition, the tax rate is also impacted by the IFRS 11 accounting of the joint venture. From 2016, the normal tax rate is expected to be in the range 23 - 26%.

NOTE 5

Earnings per share (EPS)

The share capital consists of 100 million shares. The company holds 493,880 treasury shares. As of 31 December 2015, there are 99,735,212 diluted shares (99,577,876 as of 31 December 2014). Earnings per diluted share were NOK 3.87 in 2015 (NOK 3.35 in 2014).

NOTE 6

Stock options

During the 4th quarter of 2015, 125,000 share options were exercised at a strike price of NOK 19.15.

The Group Executive Management and other key employees hold a total of 1,313,800 stock options in four different share option programmes in Borregaard. The first programme has a total of 208,800 outstanding stock options at a strike price of NOK 16.68. The second programme has a total of 125,000 outstanding stock options at a strike price of NOK 19.15. The strike prices have been adjusted for dividends in 2013, 2014 and 2015, NOK 3.35 in total. The share options for the first two programmes were vested on 18 October 2013 and can be exercised until the end of October 2016.

The third option programme, comprising 500,000 stock options granted in October 2014, has a strike price of NOK 48.00 adjusted for dividend of NOK 1.25 in 2015. The fourth option programme, comprising 500,000 stock options granted in October 2015, has a strike price of NOK 51.49. Options in programme three and four will expire after five years, the vesting period is three years and the options can be exercised during the last two years.

NOTE 7

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 2015 relating to the hedging reserves amounts to NOK -114 million for cash flow hedges (NOK -70 million) and NOK -26 million for hedges of net investments in subsidiaries (NOK -15 million). Total hedging reserve included in equity as of 31 December 2015 (after tax) amounts to NOK -344 million and NOK -112 million respectively (NOK -188 million and NOK -60 million).

NOTE 8

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 2014 to the 4th quarter of 2015. 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 2015:

| Financial assets Amounts in NOK million | Level | Carrying amount | Fair value |
|---|--------------|------------------------|-------------------|
| Non-current financial receivables | 2 | 70 | 70 |
| Non-current derivatives | 2 | 0 | 0 |
| Current derivatives | 2 | 8 | 8 |
| Total financial assets | | 78 | 78 |
| Financial liabilities | | | |
| Non-current financial liabilities | 2,3 | 802 | 802 |
| Non-current derivatives | 2 | 258 | 258 |
| Current financial liabilities | 2 | 9 | 9 |
| Current derivatives | 2 | 212 | 212 |
| Total financial liabilities | | 1 281 | 1 281 |

| Financial instruments measured at fair value Amounts in NOK million | 2015 31.12 | Level 1 | Level 2 | Level 3 |
|---|---------------|----------------|----------------|----------------|
| Financial instruments | -1 203 | 0 | -803 | -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 9

Compilation of Equity

| | 2015 | 2014 |
|--------------------------------------|-------|-------|
| Amounts in NOK million | 31.12 | 31.12 |
| Share capital | 100 | 100 |
| Treasury shares | -1 | -1 |
| Share premium | 1 346 | 1 346 |
| Other paid-in equity | 385 | 367 |
| Translation effects | 89 | 22 |
| Hedging reserve | -456 | -248 |
| Actuarial gains/losses | -23 | -4 |
| Retained earnings | 616 | 359 |
| Group equity (controlling interests) | 2 056 | 1 941 |

As of 31 December 2015, the company held 493,880 treasury shares at an average cost of NOK 45.71.

NOTE 10

Net interest-bearing debt

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

| | 2015 | 2014 |
|---|-------|-------|
| Amounts in NOK million | 31.12 | 31.12 |
| Non-current interest-bearing liabilities | 802 | 784 |
| Current interest-bearing liabilities including overdraft of cashpool | 9 | 8 |
| Non-current interest-bearing receivables (included in "Other Assets") | -18 | -16 |
| Cash and cash deposits | -169 | -168 |
| Net interest-bearing debt | 624 | 608 |

NOTE 11

Related parties

The members of the Group Executive Management of Borregaard hold a total of 728,800 stock options in the Company as of 31 December 2015.

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 2015.

The value of the lignin book of business acquired from Flambeau River Papers is accounted for in line with IAS 38 and is part of intangible assets. The parties have also entered into a long-term lignin raw material supply agreement. The intangible assets are depreciated over the duration of the supply agreement.

The book value of the silos damaged in the fire incident in October 2015 are written down to zero, and the write-down is recognised as part of Other income and expenses, see note 3.

NOTE 13

Changes in Segments from 2015

From 1 January 2015 the Group has made changes to the internal reporting of its segments. BALI project costs are now reported as part of Performance Chemicals (previously reported as part of Other Businesses). The Exilva project is now reported as part of Other Businesses (previously part of Specialty Cellulose). Restated figures for 2014 are shown in the tables below:

2014

| Operating revenues | | | |
|-------------------------------|-------------|------------------|----------------------|
| Amounts in NOK million | 2014 | Restating | Restated 2014 |
| Borregaard | 3 939 | | 3 939 |
| Performance Chemicals | 1 822 | | 1 822 |
| Specialty Cellulose | 1 463 | -4 | 1 459 |
| Other Businesses ⁴ | 678 | 4 | 682 |
| Eliminations ⁴ | -24 | | -24 |
| EBITA³ | | | |
| Amounts in NOK million | 2014 | Restating | Restated 2014 |
| Borregaaard | 486 | | 486 |
| Performance Chemicals | 419 | -31 | 388 |
| Specialty Cellulose | 129 | 34 | 163 |
| Other Businesses | -62 | -3 | -65 |

NOTE 14

Other matters and subsequent events

Silo fire incident and insurance

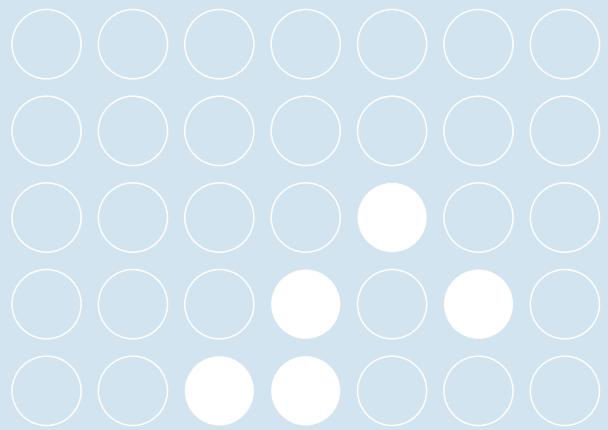
The property damage coverage related to the silo fire incident is recognised as other income and expenses, see note 3.

In 2015, insurance compensation for actual losses related to business interruption impact from the silo fire incident has been recognised. An estimate of the total business interruption losses is difficult to make due to uncertainty. Therefore, no future insurance compensation has been recognised, but will be recognised in the periods when business interruption losses occur.

Chlorine alkali plant

In the period 1949-1997 Borregaard operated a chlorine alkali plant at the site in Sarpsborg. The process led to pollution of the soil in the area close to the plant. In 1994, a ground-water barrier was built, the water in the area close to the plant was cleaned and a water monitoring programme for mercury was established. In the winter of 2015, a higher level of mercury was discovered by the monitoring. Pending approval from the Norwegian Environment agency, Borregaard will in 2016 and 2017 take measures to strengthen the ground water barriers in order to prevent the mercury from spreading. Cost estimates and potential insurance coverage are uncertain and hence, no provision has been made as of 31 December 2015.

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



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