



Borregaard

ANNUAL REPORT



ANNUAL REPORT 2015



"Borregaard provides sustainable solutions based on renewable raw materials and unique competence"

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PERFORMANCE CHEMICALS

Global market leader in lignin-based products with unique technology and application competence.

SPECIALTY CELLULOSE

Leading global specialty cellulose supplier. Large producer of 2nd generation bioethanol.

OTHER BUSINESSES

Only producer of wood-based vanillin. Largest producer of C₃-aminodiols for non-ionic X-ray contrast media. Microfibrillar cellulose.

THE BORREGAARD GROUP

Borregaard operates one of the world's most advanced biorefineries. By using natural, sustainable raw materials, the Group produces advanced and environmentally friendly biochemicals that can replace oil-based products.

BORREGAARD IN A NUTSHELL

- A biorefinery with high value-added
- Specialisation in global niches
- Strong innovation ability and continuous improvement
- Competence is the main competitive advantage

A BIOREFINERY WITH HIGH VALUE-ADDED

The Group's business model is closely linked to the integrated nature of its biorefinery in Norway, which utilises the three key components of wood (cellulose fibres, lignin and sugars) to produce a diversified portfolio of products. The biorefinery utilises more than 85% of the feedstock to make biochemicals, while most of the remaining biomass is used to produce thermal energy for its production processes.

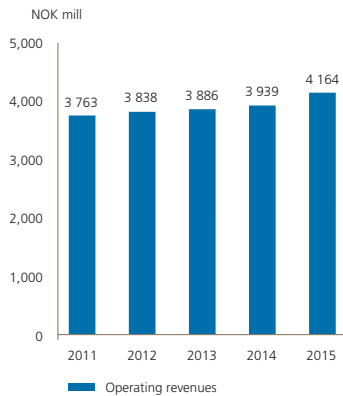
In addition to its biorefinery in Sarpsborg, Borregaard has six production sites outside Norway dedicated to producing lignin-based products. The company also has sales offices in 16 countries in Europe, Asia, Africa and the Americas serving its global customer base. At the end of 2015, the Group employed 1,075 man-years (counting 50% of man-years in the joint venture LignoTech South Africa).

SPECIALISATION IN GLOBAL NICHES

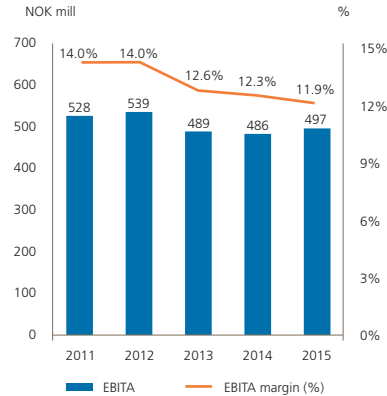
Borregaard is a supplier of specialised biochemicals to a global customer base. The Group's main products are lignin-based products and specialty cellulose, but its product portfolio also includes vanillin, bioethanol, fine chemicals and microfibrillar cellulose.

KEY FIGURES

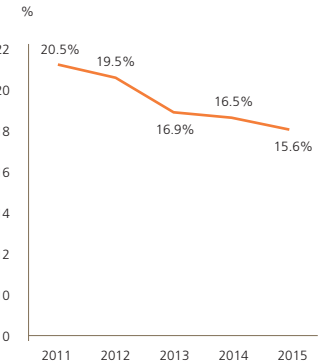
OPERATING REVENUES



EBITA¹



ROCE²



1. Operating profit before amortisation and other income and expenses

2. Return on capital employed

Borregaard's niche products serve applications in a wide range of global end-markets including construction, agriculture, food and beverages, transportation and pharmaceuticals. The Group's strong market positions have been developed through comprehensive understanding of its markets, production of advanced and specialised products and local presence in the form of a global sales and marketing organisation.

COMPETENCE IS THE MAIN COMPETITIVE ADVANTAGE

Borregaard is a competence-driven company with production, research and development (R&D) and sales and marketing as core competencies. To maintain its leading position, Borregaard places significant emphasis on training programmes and cooperation between the various disciplines.

Borregaard has a leading research centre combining wood chemistry and fine chemistry and focusing on the development of new or improved products, applications and technologies. The Group had 99 employees in R&D, of whom 84 were based in Sarpsborg as of 31 December 2015.

BORREGAARD IS ORGANISED IN THREE SEGMENTS

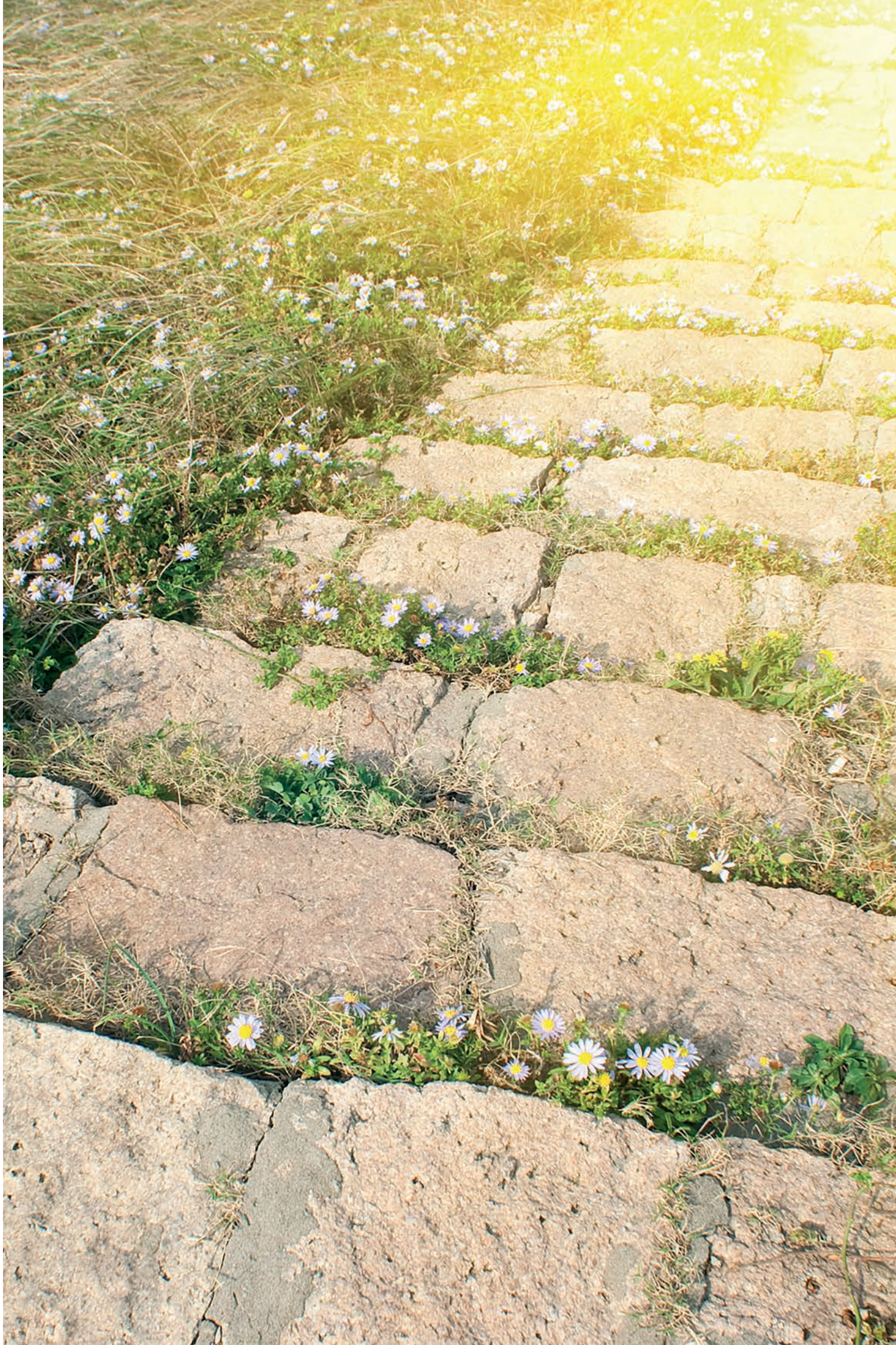
Performance Chemicals develops, produces and sells lignin-based binding and dispersing agents for use in a wide range of end-market applications, with a particular focus on specialised products in categories such as concrete admixtures, batteries,

oilfield chemicals and agrochemicals. In addition, Performance Chemicals includes trading of chemicals which are either linked to lignin-based products or have previously been produced by Borregaard.

Specialty Cellulose develops, produces and sells speciality cellulose mainly for use in the production of cellulose ethers, cellulose acetate and other speciality grades. The production and sale of 2nd generation bioethanol are also part of the Specialty Cellulose segment.

Other Businesses consists of Ingredients, Fine Chemicals and the Exilva[®] project. Borregaard supplies vanillin products to flavour and fragrance companies, as well as to the food and beverage industry. Borregaard is the only producer of wood-based vanillin in the world. Borregaard supplies fine chemicals to the pharmaceutical industry and is the world's largest supplier of intermediates for non-ionic X-ray contrast media.

A facility for the production of Exilva[®] microfibrillar cellulose at the Borregaard site in Sarpsborg is under construction. Production is expected to start in the third quarter of 2016. Other Businesses also includes sales of surplus basic chemicals from its chlor-alkali production in Sarpsborg. In addition, the segment includes corporate functions, R&D as well as utilities and services at the Sarpsborg site.



MESSAGE FROM THE CEO

Borregaard's ambition is to be a world leader in innovation and productivity in its core businesses. Our strategic priorities support this goal, and in 2015 we have made good progress in achieving these objectives.



Borregaard's strategic priorities are an expression of our aspirations for the future and indicate how we would like to see the company in five to ten years' time. These priorities can be summarised in the following three headlines:

- Volume growth and specialisation in Performance Chemicals
- Increased specialisation and improved productivity at the Sarpsborg biorefinery
- Establish the Exilva® project as a new business area for Borregaard

So far, we can report good progress in all three areas.

PERFORMANCE CHEMICALS – GROWTH AND SPECIALISATION

We have expanded capacity in Sarpsborg to enable increased sales of our most advanced lignin products, and we focus on the development and introduction of new high-value products.

During 2015, several important steps have been taken to increase our lignin production. Together with Rayonier Advanced Materials, we have announced plans to establish a new lignin operation in Florida, USA, with a 150,000 tonnes capacity. We have decided to increase capacity by 20,000 tonnes at our joint venture plant in South Africa, and in October, Borregaard acquired Flambeau River Papers' 40,000 tonnes lignin book of business in Wisconsin, USA.

SARPSBORG BIOREFINERY – SPECIALISATION AND PRODUCTIVITY

At the biorefinery in Sarpsborg, we have decided to invest in the development of speciality cellulose grades with ultra-high purity. This project, named "Ice Bear", will make it possible to broaden our product range into new speciality cellulose niches. Along with the 2014 capacity expansion for advanced lignin products, this project will provide increased

specialisation and therefore improved competitiveness for our Norwegian operations.

We will also continue the work to realise the full potential of our 2010 investment in a new control centre in Sarpsborg. In addition, we are implementing several projects to reduce thermal energy consumption. Together, these efforts will increase productivity and further reduce greenhouse gas emissions.

EXILVA® – A NEW BUSINESS AREA

We are currently building a NOK 225 million plant in Sarpsborg for the production of Exilva® products for industrial applications. The plant will initially have a 1,000 tonnes annual capacity and production is expected to start during the third quarter of 2016. In addition, a large-scale pilot plant for the production of the cellulose-based food ingredient SenseFi® is already in operation at our facility in Wisconsin, USA.

In summary, we have made several important strategic decisions in recent years. Going forward, we will focus on implementing all these projects effectively while in parallel launching the products in new and existing markets – outperforming the already established solutions.

In closing, I would like to thank all Borregaard employees for dedicated efforts in 2015 and our shareholders for placing their trust in us.

Kind regards

Per A. Sørli,
President and CEO

THE BOARD OF DIRECTORS



**JAN ANDERS
OKSUM**
Chair

Member of the Board of Borregaard Industries Limited 2007-2012. Member of the Board of Borregaard ASA from October 2012. Mr. Oksum is an independent consultant

within organisational and leadership development, strategy and project execution. He has worked in various positions at Norske Skogindustrier ASA including the position as CEO. Mr. Oksum is also chair of the board of Norconsult AS and has served as chair and director of various national and international companies, such as Elopak AS and Södra Cell AB. He holds a degree in pulp and paper chemistry from the Norwegian University of Science and Technology in Trondheim. Mr. Oksum has attended 10 out of 10 board meetings in 2015.



**TERJE
ANDERSEN**
Member

Member of the Board of Borregaard Industries Limited 2005-2012. Member of the Board of Borregaard ASA from October 2012. Mr. Andersen is CEO of Orkla Investments. He

has held various positions within the Orkla group including CFO of Orkla ASA. Mr. Andersen holds a number of positions in various boards, such as Gränges AB, Sapa AS and Jotun AS. He holds a degree in Business Administration (siviløkonom) from the Norwegian School of Economics and Business Administration in Bergen. Mr. Andersen has attended 10 out of 10 board meetings in 2015.



**JAN ERIK
KORSSJØEN**
Member

Member of the Board since October 2012. Mr. Korssjøn currently holds the position as Industrial Professor at Buskerud University College. He has held a number of

positions in the Kongsberg Industry/Gruppen including CEO of Kongsberg Gruppen. Mr. Korssjøn has held a number of positions in various boards, such as Cermaq ASA and Nammo AS (currently as Chair). He holds a Master Degree in Mechanical Engineering from the Norwegian University of Science and Technology in Trondheim. Mr. Korssjøn has attended 8 out of 10 board meetings in 2015.





**KRISTINE
RYSSDAL**

Member

Member of the Board since October 2012. Ms. Ryssdal is Vice President Legal in Statoil ASA. She has also served as Senior Vice President and Chief Legal Officer of

Renewable Energy Corporation ASA (REC). In addition, Ms. Ryssdal has experience from various boards within the REC Group and as a member of the Audit Committee in Kommunalbanken. She holds a Cand. Jur. degree from the University of Oslo and a Master of Laws from the London School of Economics. Ms. Ryssdal has attended 10 out of 10 board meetings in 2015.



**RAGNHILD
WIBORG**

Member

Member of the Board since April 2013. Ms. Wiborg is CEO of Wiborg Kapitalforvaltning. She has held senior positions in a number of financial institutions

and companies, such as Odin Fund Management (CIO/ Portfolio manager), Pareto and First Chicago. Ms. Wiborg serves as a board member at IM Skaugen SE, REC Silicon ASA, Granges AB, Sevan Drilling ASA, Intrum Justitia AB and Skandiabanken ASA. She has master studies in Macroeconomics, a Bachelor of Science degree in Economics and a major in International Business. Ms. Wiborg has attended 10 out of 10 board meetings in 2015.



**ÅSMUND
DYBEDAHL**

Employee representative

Member of the Board since April 2013. Mr. Dybedahl is Leader of The Norwegian United Federation of Trade Unions at Borregaard Sarpsborg (Fellesforbundet

Borregaard Fagforening), as well as Chair of the Board of the Norwegian Confederation of Trade Unions (LO) at Borregaard Sarpsborg. Mr. Dybedahl has attended 10 out of 10 board meetings in 2015.



**RAGNHILD
ANKER EIDE**

Employee representative

Member of the Board since October 2012. Ms. Eide works as Logistics Manager at Borregaard Sarpsborg. She is Chair of The Norwegian

Society of Graduate Technical and Scientific Professionals (Tekna) at Borregaard and chair of the Board of the Joint Union for officials and Engineers at Borregaard. Ms. Eide has attended 10 out of 10 board meetings in 2015.



**ROY KÅRE
APPELGREN**

Observer

Observer of the Board in Borregaard Industries Limited 2010-2012. Observer of the Board in Borregaard ASA from October 2012. Mr. Appelgren works as a Senior Engineer in

Mechanical Maintenance at Borregaard Sarpsborg. He is Chair of The Norwegian Society of Engineers and Technologists (NITO) at Borregaard and a member of the Joint Union for Officials and Engineers at Borregaard. Mr. Appelgren has attended 9 out of 10 board meetings in 2015.



**BENTE SELJEBAKKEN
KLAUSEN**

Observer

Observer of the Board since October 2012. Ms. Seljebakken Klausen works as a Laboratory Technician at Borregaard R&D, Sarpsborg. She is Chair of the

Norwegian Engineers and Managers Association (FLT) at Borregaard, and secretary of the Board of the Norwegian Confederation of Trade Unions (LO) at Borregaard Sarpsborg. Ms. Seljebakken Klausen has attended 10 out of 10 board meetings in 2015.



REPORT OF THE BOARD OF DIRECTORS

2015 was a satisfactory year for Borregaard, both in terms of financial performance and business development. For the fifth consecutive year, Borregaard achieved a return on capital employed¹ above its long-term target of 14-15% pre-tax.

OVERVIEW AND HIGHLIGHTS 2015

Considerable progress was made during 2015 in implementing Borregaard's strategic agenda and priorities. An agreement regarding the potential establishment of a new lignin operation in Florida was completed and signed by the parties, Borregaard and Rayonier Advanced Materials. Furthermore, the acquisition of Flambeau River Paper's lignin book of business in Wisconsin as well as the decision to expand capacity at LignoTech South Africa will contribute to future growth for Performance Chemicals. The "Ice Bear" project (development of speciality cellulose grades with ultra high purity) will further enhance specialisation and widen the product portfolio in Specialty Cellulose. The construction of the Exilva[®] plant at the Sarpsborg site is approaching completion with start-up scheduled in the third quarter of 2016. Market development efforts aimed at making Exilva[®] a new business area in Borregaard have been intensified during 2015. At the biorefinery in Sarpsborg, important productivity and energy conservation measures have been pursued. The planned new lignin operation in Florida will benefit from the development work in the BALI project, and takes priority over a first BALI plant. Longer term, the BALI technology remains a strategic lignin raw material option for Borregaard.

Environment, health and safety (EHS) are integral parts of Borregaard's business model. In 2015, the Borregaard Group

achieved a reduction in the number of injuries and seriousness of these incidents. Sick leave decreased for the Group and was historically low at the plant in Norway. An energy efficiency programme resulted in lower energy consumption as well as reduced CO₂ emissions. Also, the Group's emission of organic compounds to water (COD) and SO₂ were reduced, while NO_x emissions increased. See the Sustainability and corporate responsibility report from page 16.

Now in its 127th year of existence, Borregaard is a leading global player with strong positions within selected niches of bio-based speciality chemicals, ingredients and fine chemicals. In Sarpsborg, the company operates one of the world's most advanced biorefineries with high value-added through full utilisation of the common wood raw material base. The Group's strong research and development competence contributes to continuous specialisation of existing operations as well as new products and applications. Increased research and development efforts in 2015, whether linked to long-term projects or a pilot phase, will contribute to maintaining the Group's innovation rate. Borregaard also benefitted from financial grants from both Norwegian authorities and the European Union in support of its research and development efforts and energy conservation measures. Borregaard received Norwegian Research Council's 2015 Innovation Award for its initiatives and achievements.

Borregaard ASA's share price was NOK 49.40 at the end of 2015. During 2015, the share price declined by 9% assuming reinvestment of dividend.

Borregaard ASA's head office and main production facilities are located in Sarpsborg, Norway. The Group has global operations as specified in Note 7 in the Financial Statement for 2015 of Borregaard ASA.

MARKET TRENDS

During 2015, market conditions for Borregaard's products have been challenged by macro-economic instability in several regions, increased competition for some product groups and a weak business climate in a number of important markets. Stronger volatility in the currency markets, the falling oil price and the weakening of the Norwegian krone have been important external factors affecting Borregaard during the year. A diversified product portfolio and global market exposure continue to provide flexibility and a natural hedge against the negative impact of regional market fluctuations.

Performance Chemicals started the year with a favourable demand situation and reduced lignin raw material supply resulting in customer allocation in the main volume applications. High-value applications were negatively affected by the slowdown in the oil sector. Competition in the construction segment gradually increased during the year as a weaker rouble and low Russian domestic demand led to an inflow of Russian lignin to the Asian and Middle East markets. Weaker economy in Asia and Brazil also had a negative impact on demand. A combination of lower lignin raw material supply and weaker demand resulted in reduced sales volume compared with the preceding year.

The price level for speciality cellulose has gradually declined from its peak in 2011/2012. The market balance for speciality cellulose was affected by customer destocking, lower demand and continued excess capacity in the acetate segment.

The challenging market situation in Ingredients continued in 2015. There was market growth for key products within Fine Chemicals.

FINANCIAL PERFORMANCE IN 2015

Borregaard's operating revenues in 2015 increased to NOK 4,164 million (NOK 3,939 million²). EBITA³ was NOK 497 million (NOK 486 million). A strong improvement in Performance Chemicals to an all-time high level was partly offset by lower EBITA in Specialty Cellulose and Other

Businesses. Currency developments 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 in spite of a silo fire incident in October.

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) as lower interest expenses were offset by less favourable foreign exchange differences. Group profit before tax in 2015 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 standard tax rate in Norway was reduced from 27% to 25% as from 1 January 2016. This change has been considered in the calculation of deferred taxes at year-end. See note 14.

Earnings per share were NOK 3.86 (NOK 3.34). The Board of Directors of Borregaard ASA has proposed a dividend for 2015 of NOK 1.50 per share, representing a total dividend payment of NOK 149 million.

CASH FLOW AND FINANCIAL STRUCTURE

Cash flow from operating activities in 2015 amounted to NOK 563 million (NOK 600 million). The decline was mainly due to an increase in net working capital compared with the preceding year, partly offset by lower tax payments. Replacement investments in 2015 were slightly higher than in 2014. Expansion investments increased compared with 2014, primarily due to the new plant for microfibrillar cellulose (Exilva[®]) being erected at the Sarpsborg site. During 2015, the Group has sold and repurchased treasury shares with net proceeds of NOK 6 million.

At the end of 2015, the Group was well capitalised with an equity ratio of 49.4% and a leverage ratio⁴ of 0.82. Net interest-bearing debt was NOK 624 million (NOK 608 million). In 2015, the tenor of Borregaard's long-term facilities with DNB Bank, Svenska Handelsbanken and Skandinaviska Enskilda Banken, totalling NOK 1,500 million, was extended by one year with new expiry in September 2020. See note 26. The Group is therefore well positioned to execute on future strategic investments.

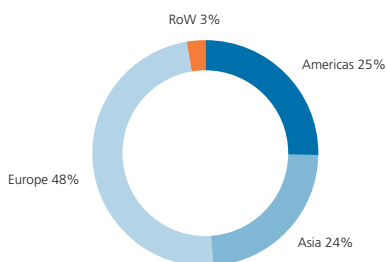
¹ EBITA/(average net working capital + average tangible assets + average intangible assets at cost - average net pension liabilities - average deferred tax excess value)

² Figures in parantheses are from the corresponding period previous year

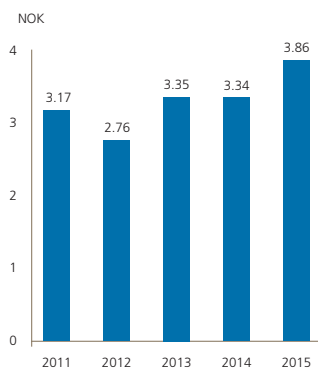
³ Operating profit before amortisation and other income and expenses

⁴ Net interest-bearing debt/EBITDA (LTM)

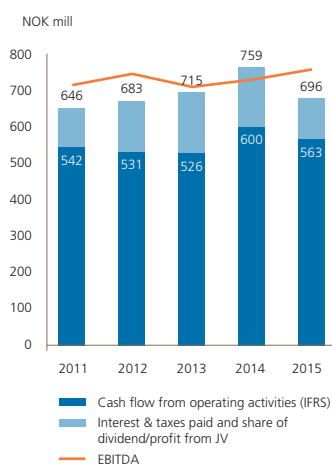
NET SALES BY GEOGRAPHICAL AREA 2015



EARNINGS PER SHARE



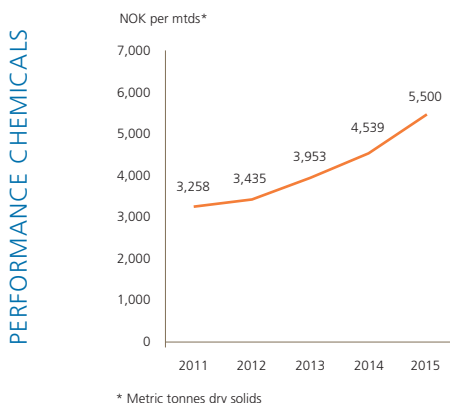
CASH FLOW FROM OPERATIONS



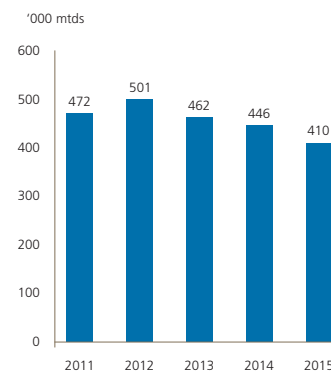
BUSINESS SEGMENTS

Performance Chemicals had operating revenues in 2015 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 the effect of 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 of the year. Average sales price increased by approximately 4% in 2015, excluding the impact of currency fluctuations and the new Flambeau volume integrated in *Performance Chemicals* as from 23 October 2015. High-value products' share of total sales volume was 18% in 2015 (18%), while medium-value products accounted for 70% (70%).

GROSS AVERAGE PRICE

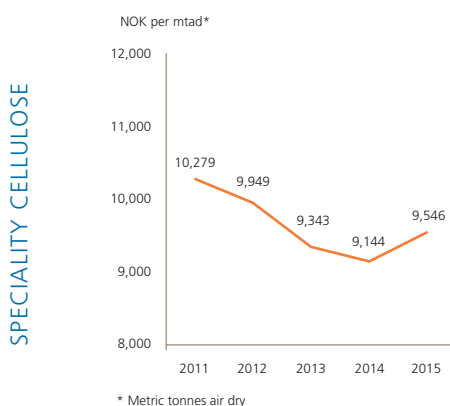


SALES VOLUME

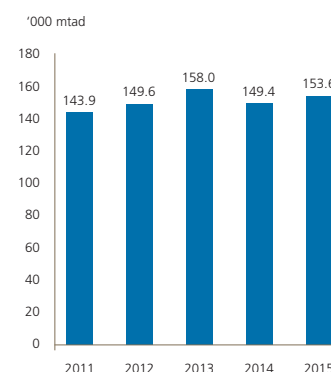


Specialty Cellulose had operating revenues in 2015 of NOK 1,436 million (NOK 1,459 million). EBITA amounted to NOK 104 million (NOK 163 million). Production output was stable compared with 2014, but product mix was weaker mainly due to lower sales to the cellulose acetate market. The share of highly specialised cellulose grades in sales volume was 57%, down from 63% in 2014. Average price in sales currency was approximately 6% lower than in the preceding year. Currency effects and lower energy consumption contributed positively. Contribution from bioethanol declined due to lower production output and higher energy consumption.

GROSS AVERAGE PRICE



SALES VOLUME



Other Businesses mainly includes Borregaard's Ingredients and Fine Chemicals businesses, the Exilva® project and sales of basic chemicals from the Sarpsborg plant. In addition, the segment includes corporate functions, R&D as well as utilities and services at the Sarpsborg site. In 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 were stepped up during 2015, and costs increased compared with 2014.

SUSTAINABILITY, CORPORATE RESPONSIBILITY AND EHS

Sustainability is an integrated part of Borregaard's business model. This is reflected in the Group's main objective: Providing sustainable solutions based on renewable raw materials and unique competence. Borregaard's 2015 report on sustainability, corporate responsibility and EHS is found from page 16. This report is an integral part of the Report of the Board of Directors.

FINANCIAL AND OPERATIONAL RISKS

Borregaard is financially exposed to currency risk for most of its sales, primarily in USD and EUR. A substantial part of this exposure, defined as estimated net cash flow in USD and EUR, is routinely hedged with a nine-month time horizon. Subject to certain criteria being met, the hedging horizon for USD and EUR exposure may be extended up to 36 months. In 2015, substantial EUR and USD amounts were hedged within a 3-year time horizon. See Note 28.

Borregaard is also exposed to price risk for wood, energy (thermal energy and electric power) as well as other strategic raw materials. There is also supply risk for lignin raw material. In sales, all Borregaard's business segments are exposed to price risk in international markets. Furthermore, there are production, environmental and safety risks inherently associated with the operation of processing plants. Borregaard has a strong commitment to "continuous improvement" throughout its worldwide operations, calling on a wide range of measures affecting both revenues and costs.

Credit risk in Borregaard is perceived to be modest due to the quality of its customer base and its stringent credit management policy. Short-term liquidity risk associated with cash flow fluctuations is low because Borregaard has ensured ample short-term and long-term credit facilities from a group of major Scandinavian banks. As of 31 December 2015, the undrawn portion of available long-term facilities amounted to NOK 1,500 million.

The company's business activities and financial position, together with the factors likely to affect its future development

and performance, are set out above. With its considerable financial resources together with long-standing relationships with customers and suppliers across different geographic areas and industry sectors, the company is well placed to manage its ongoing business risks. With a strong equity ratio and good liquidity, the company has adequate resources to continue its operations for the foreseeable future. Hence, in accordance with the Accounting Act §3-3a), we confirm that the financial statements have been prepared under the assumption of a going concern. See Note 28 for further disclosure of financial and operational risks.

CORPORATE GOVERNANCE

Borregaard's governance systems are based on principles set out in the Norwegian Code of Conduct for Corporate Governance. An overall report on Corporate Governance at Borregaard is found from page 32. This report is an integral part of the Report of the Board of Directors.

REMUNERATION OF GROUP EXECUTIVE MANAGEMENT

The Board of Directors has established a Compensation Committee which deals with all important matters related to salary and other remuneration of senior executives before such matters are decided by the Board of Directors. In accordance with Norwegian legislation, the Board of Directors has also established guidelines on the salary and other remuneration of senior executives, included in Note 9 to the consolidated financial statements.

SHAREHOLDER MATTERS

All shares in Borregaard ASA have equal rights and are freely traded. The company has established a programme enabling employees to purchase shares at a discounted price. In connection with this programme and the share option programme for the Group Executive Management and other key employees, Borregaard ASA held 493,880 treasury shares both as of 31 December 2015 and as of 15 March 2016. In 2015, 125,000 share options have been exercised and 500,000 new share options have been granted. Outstanding share options as of 31 December 2015 were 1,313,800.

The company is unaware of any agreements between shareholders aiming at restricting the free trading of the company's shares or limiting the exercise of ownership rights for such shares. The company has not entered into any material agreements which become enforceable, altered or will expire in the case of an offer being made to acquire the company.

OTHER MATTERS AND SUBSEQUENT EVENTS

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.



ALLOCATION OF PROFIT

In 2015 Borregaard ASA posted a profit of NOK 117 million. The Board of Directors proposes the following allocation (NOK million):

Dividend	149
Retained earnings	-32
TOTAL	117

The Borregaard Group posted a profit of NOK 384 million in 2015. The Board of Directors has proposed an ordinary dividend of NOK 1.50 per share for the 2015 financial year, except for treasury shares. Total dividend proposed is thus NOK 149 million. The equity in Borregaard ASA is sufficient after payout of the proposed dividend, with an equity ratio of 76%.

OUTLOOK FOR 2016

Market conditions for Borregaard's products are expected to be affected by a weak business climate in some important markets and by 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 2016, average cellulose price in sales currency is expected to be approximately 3% below its 2015 level. Price uncertainty is mainly related to textile cellulose. Product mix in 2016 is forecast to be similar to 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, 15 March 2016

THE BOARD OF DIRECTORS OF BORREGAARD ASA


 JAN ANDERS OKSUM
 Chair


 TERJE ANDERSEN



 JAN ERIK KORSSJ EN


 KRISTINE RYSSDAL


 RAGNHILD WIBORG


  SMUND DYBEDAHL


 RAGNHILD ANKER EIDE

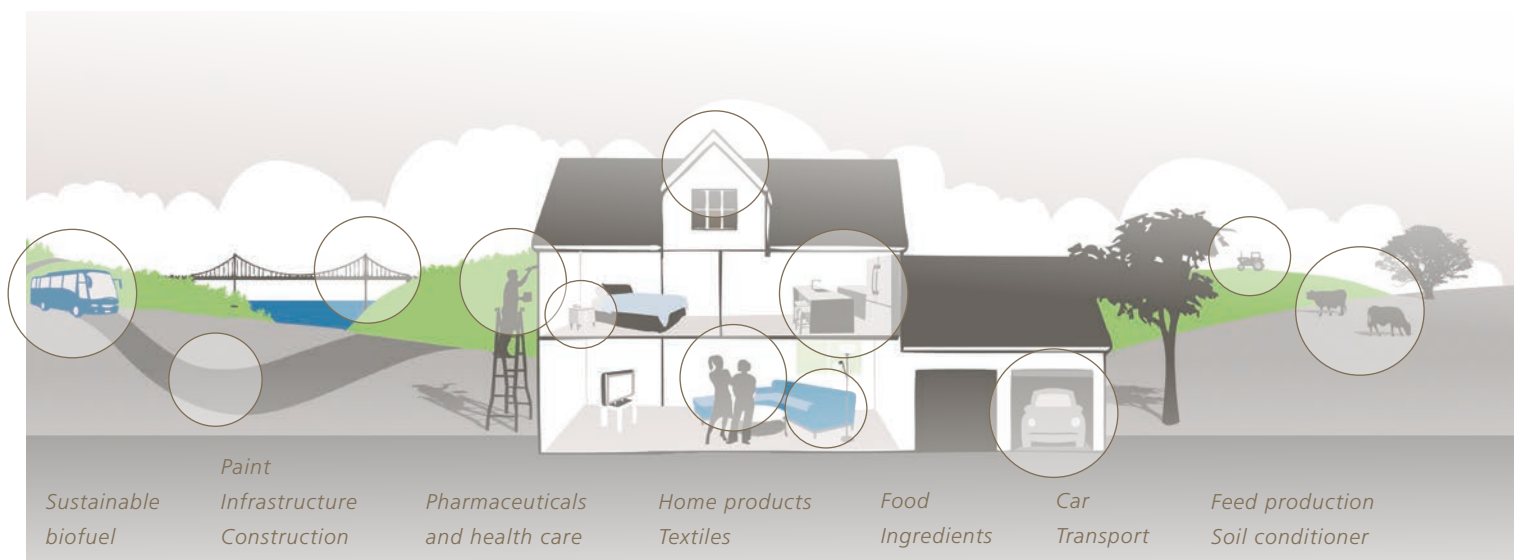

 PER A. S RLIE
 President and CEO

SUSTAINABILITY AND CORPORATE RESPONSIBILITY





“Sustainable solutions based on renewable raw materials and unique competence”



SUSTAINABILITY AND CORPORATE RESPONSIBILITY IN BORREGAARD

Borregaard's goal is to provide sustainable solutions based on renewable raw materials and unique competence. Sustainability is therefore a core element in our business model and overall goals. The Board of Directors emphasise that sustainability is an integrated part of how to operate and develop the company.

At the end of 2015, the leaders of a large number of nations reached to a historic and ambitious agreement at the COP21 event in Paris to reduce climate changing pollution. The agreement contains implementation programmes likely to drive increased demand for green alternatives to petrochemical products and thereby puts Borregaard in a favourable position when it comes to future market demand.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY IN BORREGAARD

Borregaard's main objective is to develop and deliver sustainable solutions using natural raw materials and its unique competence. Hence, both the company's aspirations and challenges are linked to corporate responsibility and its sustainable development.

Borregaard executes its corporate responsibility by developing and running its operations profitably in a manner that conforms to fundamental ethical values and respect for individuals, the environment and society as a whole. This approach also involves maintaining a dialogue with the

Group's key stakeholders and taking them into consideration when running the business and making decisions.

MAIN AREAS

Corporate responsibility is a broad concept that covers many areas. With a view to specifying and prioritising the Group's corporate responsibility activities, Borregaard has defined the following main areas:

- A SUSTAINABLE BUSINESS MODEL
- B CLIMATE, ENVIRONMENT, HEALTH AND SAFETY
- C EMPLOYEE AND COMPETENCE DEVELOPMENT
- D SUPPLIERS AND BUSINESS PARTNERS
- E CONTRIBUTION TO SOCIETY

Borregaard ASA is subject to the reporting requirements of the Norwegian Accounting Act, Section 3-3c with regard to Corporate Social Responsibility. This requires Borregaard to account for "what the company is doing to integrate consideration of human rights, labour rights and social issues, the environment and anti-corruption in their business strategies, in daily operations and relationships with its stakeholders."

STAKEHOLDER DIALOGUE

Maintaining good contact with the Group's various stakeholders is important in terms of creating trust in Borregaard and an understanding of what the company does within local communities and society at large. Every Borregaard unit has to consider issues relevant to the relationship between the company and the wider community, facilitate good dialogue and ensure that complaints and other enquiries from external stakeholders are handled efficiently. Borregaard must assess the need to implement improvement projects in areas where specific challenges exist.

ORGANISATION AND RESPONSIBILITIES

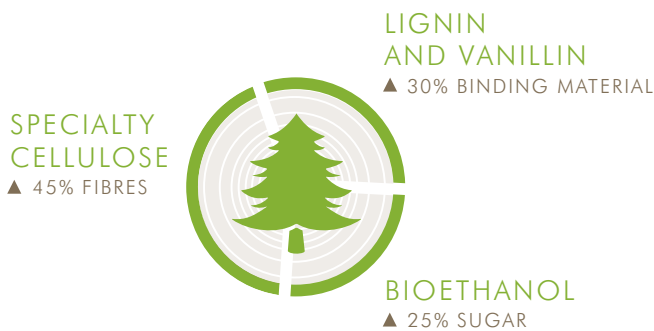
Borregaard has a number of guideline documents and reporting procedures as part of its corporate responsibility policy. The overall documents are approved by the Board of Directors. Corporate responsibility is a line management

responsibility in Borregaard. This means that corporate responsibility must form an integral part of the activities of various management teams, units and departments. The Group Executive Management has the overall responsibility to monitor the company's aspirations, initiatives and results in this area.

REFERENCES

- Guidelines on corporate responsibility
- Ethical guidelines
- Anti-corruption manual
- Competition law manual
- Guidelines on responsible procurement
- Guidelines on human rights
- Guidelines on whistleblowing
- Guidelines on Environment, Health and Safety (EHS)

A SUSTAINABLE BUSINESS MODEL



BORREGAARD'S BUSINESS MODEL

- Renewable raw materials
- High raw material utilisation
- Environmentally friendly substitutes for petrochemicals

Borregaard's fundamental understanding of sustainability and corporate responsibility is that the business model itself and the company's products are sustainable and meet global needs.

In the years ahead, the world will face numerous challenges associated with population growth and urbanisation. Borregaard's bio-based products are alternatives to petrochemical-based products, thereby contributing towards resolving some of the long-term global challenges associated with access to resources and the impact on the environment and climate.

Borregaard has engaged an independent third party, Ostfold Research, to conduct a life cycle analysis (LCA) in accordance with the ISO 14044/48 standard. This involves analysing all environmental and resource-related impacts of the products throughout their entire life cycle. The study was first carried out in 2008 and has since been updated several times, most recently in 2015 (using 2014 figures). This analysis confirms

that the environmental and climate footprint of Borregaard's products has decreased over time. Borregaard's bio-based products do well from a climate perspective when compared with petrochemical alternatives. Borregaard has made efforts to reduce greenhouse gas emissions in its own processes, including elimination of heavy oil consumption and increasing the amount of energy derived from more eco-friendly energy sources.

SUSTAINABLE WOOD

Borregaard's biorefinery relies on its raw materials also meeting environmental and sustainability criteria. The Group attaches great importance to purchasing wood from forests that are managed in a sustainable and eco-friendly manner. Read more about certified wood on page 28.

KEY INITIATIVES AND RESULTS IN 2015

Borregaard's sustainability profile has been strengthened during 2015 by reduction in most emissions and by further development of new biorefinery products.

In 2014, Borregaard decided to invest in a facility for the production of Exilva® microfibrillar cellulose at the Group's site in Sarpsborg. The facility is now under construction and is expected to produce sustainable biomaterials that can replace non-renewable products for industrial applications from the third quarter of 2016.

In 2014, Borregaard built a large-scale pilot plant for SenseFi® advanced texture systems at its site in Wisconsin, USA.

These two projects both entail a continuation and a further specialisation of the biorefinery concept.

Innovation plays an important role in maintaining sustainability and Borregaard measures its innovation effort as the percentage of sales derived from new products launched during the previous five years. In 2015, Borregaard's innovation rate increased to 18% (13% in 2014). The average innovation rate the last five years is 12%.

KEY TARGETS 2015

ACHIEVED

Updated life cycle analysis (LCA) for Borregaard products



Increase the innovation rate in terms of new product sales



Strengthen Borregaard's business model by developing Exilva® into a new business

Ongoing

KEY TARGETS 2016

Commissioning of the Exilva® plant

An innovation rate of 15% (average last five years)

Further improvement of sustainability in an LCA perspective

B CLIMATE, ENVIRONMENT, HEALTH AND SAFETY

Climate, environment, health and safety are integral parts of Borregaard's business plan. The Group makes active efforts in this area by adopting measures that can contribute to proper environmental and resource management. Borregaard's aspirations and recommendations concerning EHS (Environment, Health and Safety) are set out in a separate guideline document (see list on page 19).

Borregaard has established a risk assessment and management system, which is a part of the Group's business management activities. This system is regularly reviewed (at least every year) by management groups and the Board of Directors. Risk management covers every aspect of Borregaard's activities, including self-assessments on environment, health and safety matters.

Climate and EHS factors are a management responsibility. Borregaard also has its own dedicated support functions for environment, health and safety and risk management.

CLIMATE CHANGE - GREENHOUSE GAS EMISSIONS

Borregaard's business model involves using renewable raw materials to produce climate friendly products that can replace products from fossil raw materials. With regard to greenhouse gas emissions from a life cycle perspective, Borregaard's products more than compensate for the emissions from production (see page 19).

A particular focus in 2015 was on an energy efficiency programme which resulted in reduced energy consumption as well as reduced CO₂ emissions. Borregaard's direct emissions

of the greenhouse gas CO₂ primarily derive from fossil fuels used in thermal energy production.

During the past decade, Borregaard Sarpsborg has implemented an energy strategy to replace the use of heavy fuel oil with more climate- and eco-friendly energy sources. Over the last 10 years Borregaard has reduced its CO₂ emissions by 50%. At present, Borregaard meets its base load thermal energy needs through recovery of thermal energy from production, bioenergy and incineration of waste. In 2013, the heavy fuel oil in peak load steam production was replaced, as Borregaard commissioned a new multi-fuel boiler primarily using liquefied natural gas (LNG). The peak load steam production is now based on a combination of LNG, light fuel oil and electricity. Thus, the CO₂ emissions associated with thermal energy production will vary from year to year depending on the peak load energy source used.

In 2014, Borregaard Sarpsborg completed an Enova*-supported biological purification plant which produces green energy in the form of biogas, replacing propane for spray drying of lignin. Investment in a new control system in the spray driers enables the use of more biogas at this plant. This led to a reduction of 2,750 metric tonnes (mt) of CO₂ related to these processes in 2015. In 2016, Borregaard will continue to optimise the control system to further reduce the use of propane.

Total direct CO₂ emissions generated by all of the Group's plants were reduced by almost 9%, from 163,616 mt in 2014 to 149,474 mt in 2015. CO₂ emissions at Borregaard

* A public enterprise owned by the Ministry of Petroleum and Energy

Sarpsborg accounted for 116,296 mt, a decrease of 13,075 mt compared with the previous year. This was mainly due to lower steam consumption and increased use of biogas in the spray driers.

In 2015, Borregaard reported CO₂ emissions to the Carbon Disclosure Project (CDP) for the first time. This calculation of CO₂ emissions is according to the Greenhouse Gas Protocol (GHGP). Scope 1 emissions are almost the same as the direct emissions calculated, except that it includes internal transportation. Scope 1 emissions for Borregaard in 2015 were 150,974 mt, while scope 2 emissions were 155,744 mt. Scope 2 emissions are mainly CO₂ from the production of electricity and the steam bought from the external waste incineration plant at the site in Sarpsborg.

Borregaard will continue to reduce CO₂ emissions by planned investments in the energy efficiency programme as well as by using more biogas in the spray driers.

ENVIRONMENT

Borregaard is making efforts to reduce its environmental impact in a number of areas. The most significant environmental challenges are associated with the Sarpsborg plant.

In 2015, new and better environmental production parameters for some products as well as optimised processes in the anaerobic treatment plant led to reduced emissions to water in Sarpsborg. In total, the emissions of organic compounds to water (COD) were reduced by 4%.

In 2016, Borregaard will provide the Norwegian Environment Agency with an assessment of the environmental technology at the site in Sarpsborg according to the recently updated Best Available Techniques Reference Document (BREF) standards for the industry. This assessment will be input in the process of revising the emission permit effective from September 2018.

Borregaard Deutschland has a renewed operating permit for the spray-drying process effective from 2016 with stricter limits. To meet the requirements of the new permit, Borregaard has implemented several actions including a rebuild of the spray driers.

A. Energy production and consumption

The total amount of energy consumed by all Borregaard units amounted to 1,822 GWh in 2015: 1,240 GWh of thermal energy and 582 GWh of electricity-specific consumption.

The majority of the energy was consumed by Borregaard's plant in Sarpsborg, where total consumption amounted to 1,590 GWh in 2015: 1,090 GWh of thermal energy and 500 GWh of electricity-specific consumption. Borregaard has an energy efficiency programme aimed at reducing the annual energy consumption at the Sarpsborg site by 60 GWh within

three years (starting from 2014). This programme delivered savings of 50.9 GWh in 2015, compared to 2014. The activities involve making better use of the surplus thermal energy and waste energy to be able to reduce the amount of natural gas and electricity used. The programme receives financial support from Enova representing 42% of the total investment of NOK 107 million.

Borregaard has carried out a pre-project in 2015 to investigate further energy efficiency potential. In 2016 the pre-project will be evaluated and investment plans developed.

In 2015, Borregaard Deutschland added the ISO 50001 certificate covering energy management systems to their ISO 9001 and ISO 14001 environment certificates. An efficiency improvement project in 2015 led to an 8% reduction of specific energy consumption.

B. Emissions to air

Total SO₂ emissions for the Borregaard Group amounted to 132 mt in 2015, compared with 180 mt reported in 2014. The Sarpsborg plant reported SO₂ emissions of 118 mt in 2015, a reduction of 48 mt or 29% compared with 2014. This was mainly due to the installation of a new SO₂ scrubber in the cellulose bleaching plant.

Sarpsborg Municipality measures local air quality in terms of SO₂ content. The results of these measurements show a reduction in the concentrations of SO₂ in the local environment, but isolated incidents at Borregaard can lead to short-term elevation of values. In 2015, Sarpsborg Municipality registered 17 hourly exceedances and 3 daily exceedances of the SO₂ level in the air around Borregaard's plant. Borregaard is continually working on measures to reduce the frequency of extraordinary emissions of SO₂. These include additional facilities for monitoring and controlling SO₂ emissions from its plants. An ongoing programme aimed at replacing the pipework system by 2017 will also reduce emissions.

Local air quality is to be taken into account in the Municipality's land use planning. There are special regulatory requirements related to the localisation of activities which may involve exposure to vulnerable venues such as health institutions and nurseries. These requirements were made stricter in 2014. In 2015, in cooperation with local authorities, Borregaard has prepared a dispersion map showing potential exposure of SO₂ in Sarpsborg, taking the new requirements into consideration. In 2016, new measurements will be conducted to improve the quality of the dispersion map.

In 2016, Borregaard will conduct mapping of diffuse SO₂ emissions as a basis for further reductions, as well as install more SO₂ sniffers to more easily detect unexpected emissions.

The total amount of NO_x emissions from the Borregaard Group was 274 mt in 2015, representing an increase of

11% over 2014. In Borregaard Sarpsborg, the NOx emissions increased due to operational changes in the bioboiler to produce more bioenergy. 208 mt of NOx was emitted from the plant in Sarpsborg in 2015 (179 mt in 2014).

C. Emissions to water

In 2014, Borregaard Sarpsborg inaugurated a new biological purification plant. The Governmental permit for emissions of organic compounds (COD) was then reduced to 69 mt a day. In 2015, the degradation rate of the biological treatment plant was improved by investments in equipment to clean inlet streams and optimisation of the process. Better environmental production parameters for some products also led to reduced emissions. This resulted in a historically low level of emissions of COD to water, 66 mt per day (69 mt per day in 2014), representing a 4% reduction.

The COD figures only reflect emissions in Sarpsborg, since the Group's other operations do not have any significant emissions to water. The emission target for 2016 is 67 mt COD per day.

In 2015, Borregaard's discharge of copper was reduced by 2.4 kg per day to a level of 8.7 kg per day. This was mainly due to an optimisation of the recycling process for copper at the Sarpsborg site. The emission target for 2016 is 8 kg copper per day.

In the period 1949-1997, Borregaard used mercury based technology for chlorine alkali production at the site in Sarpsborg. In 1997, a new mercury free technology was implemented. In 1994, a groundwater barrier was built in order to confine mercury in the soil around the plant. 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 detected by the monitoring. Borregaard has undertaken measures to strengthen the ground water barriers in order to prevent mercury leakage, working closely with the Norwegian Environment Agency

("Miljødirektoratet"). In 2015, the emissions of mercury were 9 kg, while the normal annual level from the Sarpsborg site is 2-3 kg. The aim is to reach the normal emission rate of mercury during 2016.

D. Salmon cultivation facility

Emissions from industrial operations and water level control can have negative consequences for spawning and growth conditions of the wild salmon stock in the river Glomma, close to Borregaard's Sarpsborg plant. In 2012, in partnership with two other companies, Borregaard constructed and financed a salmon cultivation facility on Borregaard's premises. The goal is to achieve the salmon stock target for the river Glomma within a period of four to five years. Investigations conducted by the Norwegian Institute for Water Research (NIVA) in 2015 showed that there was a substantial rise in the number of salmon fry in the river Glomma compared with 2014 and 2013. 24% of the salmon fry came from the cultivation facility at Borregaard, which shows that the natural cultivation of salmon in the river is increasing. In 2016, NIVA will conduct an evaluation of the salmon cultivation in the river, to establish the future need for a cultivation facility.

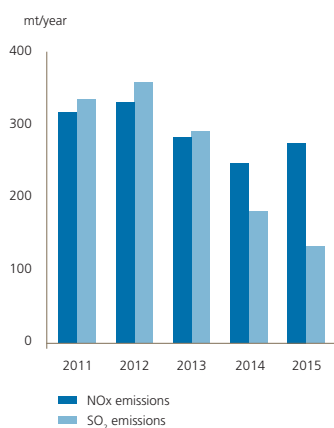
E. Waste

Plants in the Borregaard Group practise waste sorting and the material recovery rate is high (96.5% in Sarpsborg in 2015). The waste is processed by certified waste operators. The Sarpsborg plant has developed waste plans for both the industrial plant and the company's harbour. Total waste was 6,643 mt in 2015 (8,924 mt in 2014).

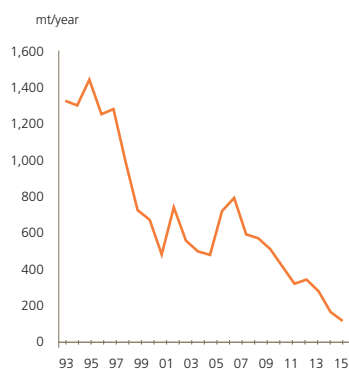
The amount of ash from the waste incineration plant that Borregaard took over in 2013 was 13,296 mt in 2015. This was not included in the reported figures in the earlier sustainability reports.

The Opsund landfill, a waste disposal site on Borregaard's premises in Sarpsborg, was taken out of use in 2009. In late

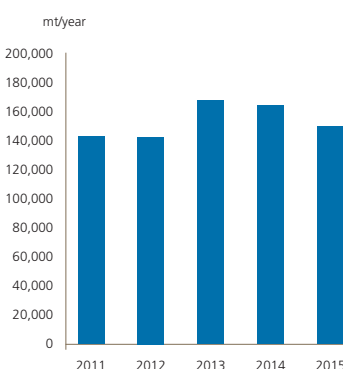
NOx AND SO₂ EMISSIONS
BORREGAARD GROUP



SO₂ EMISSIONS
SARPSBORG SITE



CO₂ EMISSIONS
BORREGAARD GROUP



The SO₂ figures have been recalculated from previous years due to a change of reporting at Borregaard's plants outside Norway, from calculated maximum emissions to actual measured emissions.

2014, a plan for permanent closure of the landfill by the end of 2019 was submitted to The Norwegian Environment Agency. The plan was approved in March 2015, and the closure project is progressing according to plan.

F. Water consumption

Borregaard Sarpsborg is self-sufficient in terms of water, thanks to its access to the river Glomma and its own water purification facility. Water is used in processes such as cooling, steam generation and hot water production, as well as transportation of biomass through production and washing. The Sarpsborg plant used a total of 22.7 million m³ of water in 2015 (22.7 million m³ in 2014).

The amount of water used at Borregaard’s production facilities outside Norway is moderate and the water is sourced from public waterworks or adjoining industrial areas.

G. Transportation

Borregaard strives for effective and eco-friendly road, rail and maritime logistics solutions. This applies to both the transportation of raw materials into the plants and the transportation of products out to the customers around the world. Having production units for lignin on three continents reduces the need to transport both raw materials and finished products over very long distances. Borregaard wants to transport more goods by sea and rail, but current capacity constraints due to Norway’s port infrastructure and the railway network reduce the possibility of increased use of these forms of transportation.

In 2012, Borregaard Sarpsborg joined the EU funded project “Marco Polo” with the aim to reduce CO₂ emissions through increased sea transport while also relieving the growing levels of traffic on European roads. Borregaard has received a grant of potentially NOK 6.5 million; the funding is subject to Borregaard moving 50,000 mt of its outgoing transport from road to sea per year by the end of 2016.

In 2015, Borregaard in Sarpsborg switched transportation of 23,000 mt of goods from road to sea. This equals a CO₂ reduction of 856 mt. Overall, Borregaard moved around 45% of its goods by sea, 40% by road and 15% by rail.

In accordance with the European Commission’s strategy to curb CO₂ emissions from heavy-duty vehicles over the coming years, Borregaard monitors emissions from the transportation of logs and wood chips. In 2015 Borregaard had a target of 86% Euro 5 and higher emission standards for vehicles supplying wood to the biorefinery in Sarpsborg. At the end of 2015 this figure was 88%. Emissions from vehicles are considered in the approval process for transport suppliers.

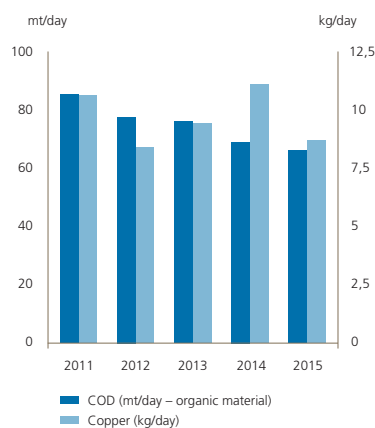
Heavy-duty vehicle traffic constitutes a large proportion of emissions from the transport sector and these are among the emissions that have increased the most globally. A shift towards greener transportation provides large reductions in emissions of greenhouse gases. In 2015 Borregaard committed itself to play its part in the effort to moving towards a green shift in goods transportation by signing the Zero Emission Resource Organisation (ZERO) declaration of a green shift in heavy-duty vehicle traffic.

HEALTH AND THE WORKING ENVIRONMENT

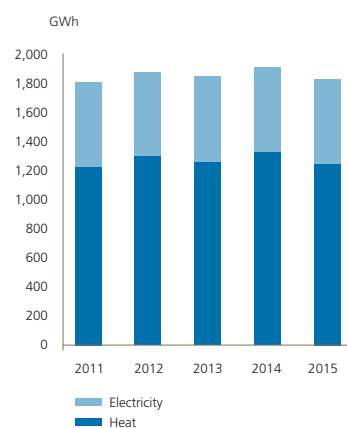
Borregaard strives to ensure that working conditions are conducive to good health for its employees. To meet this objective, preventative activities and initiatives have been introduced to reduce stressful aspects of working conditions. Employee health is regularly monitored through health and working environment surveys. The working environment is generally considered to be good, and improvement efforts are continually being implemented.

There is an emphasis on closely following up employees on sick leave and on adapting tasks for individual employees. Temporary facilitation in the working environment by providing appropriate work tasks or shorter working hours

EMISSIONS TO WATER
SARPSBORG SITE



ENERGY CONSUMPTION
BORREGAARD GROUP



for a period of time are examples of measures made to accommodate employees with different needs.

Results in 2015

The sick leave rate¹ in the Borregaard Group was 3.3% in 2015².

The sick leave rate at the Borregaard plant in Sarpsborg was historically low in 2015, falling from 4.2% to 4.1%. Continuous focus on and use of appropriate health promoting measures in close collaboration with employee representatives led to the third year of historically low sick leave in Sarpsborg. Dialogue and physical and organisational facilitation of the workplace, flexible work hours as well as an available psychologist are all measures to reduce sick leave. Borregaard's units outside Norway are also focusing on facilitation of the workplace as well as measures such as physical exercise, health and lifestyle counselling, vaccinations and stress awareness.

WORKPLACE SAFETY

Safety is integrated into every aspect of Borregaard's operations. Borregaard has a worldwide safety programme called Zero Harm. Important measures aimed at achieving fewer injuries include: Basic EHS training, focusing on personal responsibility for one's own safety, clearly defining safety management, reviewing rules for and the practical use of protective equipment, and observing rules on order and tidiness in the workplace. All injuries are investigated to identify root causes, implement corrective actions and document lessons that can be learned. Safety is also a permanent agenda item at the shift handover meeting for all workers in Sarpsborg who are starting a new shift period.

Results in 2015

The Zero harm process continued with Safety Leadership Team guidance and third party auditing ensuring compliance.

In recent years, Borregaard has worked hard to reduce the number of injuries and the seriousness of these incidents. In 2015 there were no lost time injuries at Borregaard's plants outside Norway. The plant in the UK marked 12 years since the last recorded lost time injury and at the end of 2015 Borregaard Deutschland obtained the Borregaard Diamond Award for eight years without any lost time injuries.

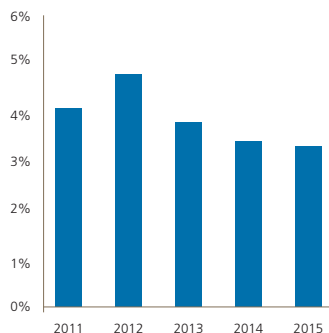
The Group's lost time injuries rate, measured as H1 value (number of injuries resulting in sick leave per million hours worked), decreased from 2.7 in 2014 to 2.4 in 2015. The total number of injuries, measured as H2 value (number of injuries per million hours worked), decreased from 10.6 in 2014 to 6.1 in 2015.

The Sarpsborg plant had a total of 11 injuries in 2015, four of which resulted in sick leave. The H1 value in Borregaard Sarpsborg decreased from 3.9 in 2014 to 2.9 in 2015. The H2 value was reduced from 14.6 in 2014 to an all-time low level of 8.1 in 2015. The main cause of injuries has historically been exposure to chemicals. In 2015 only one injury was caused by chemical exposure. Years of systematic work on reducing chemical exposure through training and safety management are now showing positive results. Other injuries in 2015 were burns from exposure to hot liquids and small cuts.

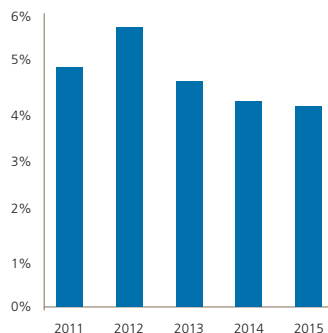
Borregaard Sarpsborg experienced three fires and 13 potential fires in 2015. The most severe fire was in a seasoning silo for wood chips. No-one was injured, but the incident caused substantial material damage (covered by insurance). During the year, Borregaard established a new fire protection organisation to safeguard internal control in fire prevention.

In 2015, the focus has been on preventative safety work. A weekly safety meeting has been established at Borregaard Sarpsborg addressing themes such as risk awareness training, hazardous conditions, use of safety tools and personal

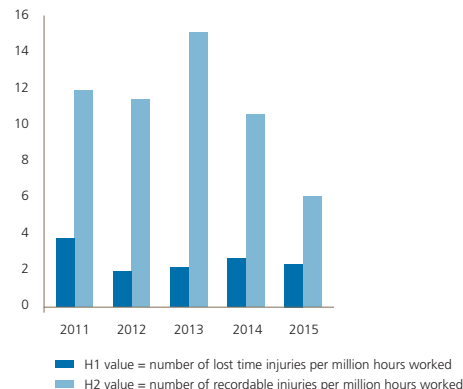
SICK LEAVE BORREGAARD GROUP



SICK LEAVE SARPSBORG SITE



LOST TIME INJURY RATE BORREGAARD GROUP



¹ Number of total hours sick leave/available working hours.
² 3.4% in 2014 – sales offices have been included from 2015.

protective equipment as well as tidiness in the workplace. In 2015, LignoTech South Africa maintained its OHSAS 18001:2007 certification – an international occupational health and safety management system. The company organised its annual “Safety Day” raising awareness about safety risks in the workplace. In LignoTech South Africa all new employees undergo hazard awareness training and testing, and sign a safety pledge when joining the company as preparation for being absorbed into the Zero Harm systems. In 2015, Borregaard installed a new and improved deviation system which provides even better monitoring and focus of EHS incidents.

Initiatives in 2016

Borregaard will continue to focus on training to enhance employees’ risk awareness in their daily work environment as well as monitoring, visible presence of, and follow-up by management. Work on reporting, analysing root causes and implementing measures in connection with near accidents and hazardous conditions as well as frequent inspections at the plants will continue in 2016. EHS training will continue to be a key area of focus, starting with a safety training programme for external workers at the site in Sarpsborg.

To reach the goal of zero lost-time injuries, Borregaard will work further to achieve sufficient awareness of risk in work performance and behaviour. 2016 will be a year with a particular focus on safety through the project “The Safety Year 2016”. Safety management, preventative fire protection, environment (process safety) and personal safety will be areas of focus throughout the entire organisation in Sarpsborg.

In 2016, the newly established fire protection organisation will focus on the implementation of fire safety measures such as internal control procedures, tightening of 5S³ practices regarding flammable materials as well as fire drills. Borregaard will also establish a web-based system for internal fire safety management. Borregaard’s goal is zero fires and below seven potential fires in Sarpsborg in 2016.

PUBLIC SAFETY

Safety work includes not only issues related to personal safety and security during work activities. Borregaard also continuously assesses safety conditions in relation to the community outside the company. This applies in particular to Borregaard’s large plant in Sarpsborg, which is regulated by the “Seveso directive”, an EU directive to prevent major accidents.

Risk assessments





Each member of the management team is responsible for internal control and risk assessment within their respective areas. Risk management ensures that risks which are relevant to Borregaard’s objectives are identified, analysed and dealt

with at the earliest possible stage. The Board of Directors conducts a review of the Group’s risk picture at least once a year. Borregaard handles sulphur dioxide (SO₂) at its plant in Sarpsborg. The risk analysis shows that a major SO₂ incident could have fatal consequences for a third party. Borregaard is continuously working on improving risk competence and reducing actual risks. Sometimes risk can be removed by technical, organisational or business measures. Borregaard’s elimination of chlorine gas risk through a technology change in the chlor-alkali plant in 2012 is an example of this. SO₂ is an important raw material in Borregaard’s production processes. This means that there will be an inherent risk associated with SO₂ in parts of the processes also in the future. In 2015, Borregaard invested in emergency tanks in the digester plant to reduce the potential impact of an SO₂ incident.

In collaboration with independent expertise, Borregaard has conducted extensive risk assessments in accordance with guidelines from the Norwegian Directorate for Civil Protection (DSB). Based on this, DSB has proposed a zone requiring special consideration around Borregaard’s site in Sarpsborg. Borregaard expects that the municipal land use plan and the long-term development of the surrounding area will be harmonised in line with the “Seveso Directive” recommendations.

Chemical substitution

Borregaard has internal procedures to ensure that all new chemicals which are subject to labelling due to potential risk are assessed for possible substitution before they are introduced in the production processes. The existing portfolio of chemicals is subject to periodical assessment for possible substitution.

KEY EHS TARGETS 2015	ACHIEVED
Lower the sick leave rate	
Zero lost time injury rate	
Reduce greenhouse gas emissions	
Improve SO ₂ safety and emission level	

KEY EHS TARGETS 2016

Reduce direct emissions by 5000 mt CO ₂ (Sarpsborg site)
Implement energy efficiency measurements equivalent to 10 GWh (Sarpsborg site)
Zero lost time injury rate (H1)
Group sick leave rate below/maximum 3.3%
90% of transported goods by road with trucks powered by Euro 5 or better engines to/from the Sarpsborg site
0 fires and below 7 potential fires (Sarpsborg site)

³ Workplace organisation method.

The number of man-years in Borregaard was 1,075 (1,076 in 2014) by the end of 2015 (including 50% of employees at LignoTech South Africa).

STRONG CORPORATE CULTURE

Borregaard has developed a strong corporate culture over many years and through changing times, which helps create a common mindset, core values and an understanding of the business across functions, business areas and geographical boundaries. A sound corporate culture that supports Borregaard's objectives and strategies provides a vital basis for the development of the company and every one of its employees.

Borregaard's corporate culture and core values, *The Borregaard Way*, have subsequently been incorporated into various introductory and development programmes and included in internal discussions about how the company is described externally.

The corporate culture and core values also include standards and objectives for sound business ethics. Borregaard has a set of guideline documents for corporate responsibility and ethical guidelines, as well as manuals and more specific guidelines for different areas such as anti-corruption, competition legislation, responsible procurement, environment, health and safety and human rights (see list on page 19). Borregaard's ambitions and guidelines in corporate responsibility are integrated in the Group's introduction programmes and management training.

During 2015, all employees at LignoTech South Africa went through ethics training, combining company values, awareness and dilemma cases to reinforce understanding of ethical behaviour requirements.

DEVELOPING CORE COMPETENCE

Borregaard's core competence lies in the areas of sales and marketing, research and development, and production.

At present, the company's competence within these areas, and the interaction between them, is Borregaard's most important competitive advantage. Therefore, it is crucial that the company manages to maintain and strengthen this unique competence base, both through recruitment and employee development.

Borregaard has set up internal training programmes within its areas of core expertise. 14% of its employees work in sales, marketing and customer service. It is important to know the various customers' needs and the value of Borregaard's products and solutions. With a view to maintaining this knowledge, Borregaard runs an "Application School" and an international sales training academy for its employees all over the world.

Since Borregaard's production processes are complex and involve a significant degree of integration, great importance is attached to knowledge and expertise in the areas of production and the biorefinery concept. Borregaard arranges extensive training programmes for its operators and apprentices (Norway and Germany). The Group has its own "Competence Centre" for training its employees and participate in an external production academy.

In 2015, Borregaard Deutschland conducted cross-over training between different parts of the organisation. Every operator got an overall competency matrix which was used as a basis for an individual cross-over training plan. The training led to more competence across the organisation, enabling the operators to run more than one operation. The training will continue in 2016.

Every second year, Borregaard arranges a two-day research and development conference. This is a forum to gain external inspiration and exchange ideas across internal research teams, facilities and business areas. The next Borregaard Innovation Conference will take place in April 2016.

The Group invests significant resources in management training. Its objective is to recruit most of its managers internally by devising career development plans and having replacement candidates and management programmes that combine management training and corporate culture development. In order to help increase the number of female managers and strengthen the company's international competence, women and managers from operations outside Norway are over-represented in these programmes. Among the 20 participants enrolled in the Borregaard Management Programme in 2015, seven were women and 13 came from units outside Norway.

Borregaard believes it is important to create an internal job market and therefore favours a high degree of job rotation and internal recruitment to fill vacancies. This provides employees with new challenges, while the company retains, develops and spreads its competence around the Group.

RESEARCH AND DEVELOPMENT (R&D)

Innovation, research and development are important for renewing and strengthening operations and are also necessary to improve the company's financial and environmental sustainability. Borregaard's research and innovation efforts increased in 2015 with gross expenditures amounting to around NOK 220 million, above 5% of the company's revenues. The increase compared to 2014 was mainly due to a significant ramp-up of activities in the Exilva® project. Borregaard has an R&D team of 99 employees, including 34 PhDs. Research is primarily carried out at the

Group's joint research centre in Norway, which at year-end 2015 had 84 employees from seven nationalities. R&D activities are also conducted in Spain, South Africa, India and USA. Part of the research work is carried out via an extensive partnership with customers, universities and research institutions in a number of countries.

In 2015, Borregaard recognised NOK 30 million in funding for ongoing research projects, mainly from Innovation Norway and the Research Council of Norway. In addition, Borregaard has received other grants from both Norwegian authorities and the European Union. See note 34 to the Consolidated Financial Statements.

Borregaard measures the results of its innovation activities by registering the share of sales revenues generated by new products that the company did not have five years ago. The innovation rate in 2015 was 18% (13% in 2014). The average innovation rate the last five years is 12%.

RESTRUCTURING AND ORGANISATIONAL DEVELOPMENT

Borregaard strives specifically to maintain its global competitiveness through innovation, technology, productivity and cost-efficiency. The plant in Sarpsborg has achieved improvements through better and higher production and quality, as well as through improved EHS conditions, thanks to continuous improvement, based on greater expertise and interaction at a joint operations centre. An extensive training programme and the introduction of new technology remain key to this. The restructuring processes are demanding, partly because of the need to reduce the number of employees. Borregaard believes it is important to involve and maintain a dialogue with the employees and trade unions during restructuring processes.

The improvement programme for Borregaard's operations in Sarpsborg has continued throughout 2015; it is aimed at reducing the number of control consoles at the control centre in Sarpsborg from six to four in 2016. This is to be achieved by reducing the operators' workload and stabilising operations through training, alarm optimisation and technical improvements. The aim is to achieve staff reductions without entailing redundancies, using such means as retirement and internal job rotation.

The Borregaard plant in Sarpsborg is also assuming greater responsibility for training skilled workers through targeted contact with and providing lessons in schools, as well as by increasing the number of apprentices it accepts. The company has its own training and presentation centre, the "Knowledge Factory", available for this purpose. In 2015, 1,013 students visited the centre, coming from schools that took part in educational programmes that combined technical training, career advice and a company presentation.

Based on today's age composition of the workforce as well as planned commercialisation of innovation projects, Borregaard Sarpsborg will have a growing need for qualified employees in the years to come. To meet these challenges, Borregaard is accelerating its recruitment activities aimed at lower secondary school students choosing upper secondary school programme options that provide relevant qualifications. Borregaard Sarpsborg enrolled 20 new apprentices in 2015, increasing the total number to 48.

DIVERSITY

Borregaard wants to contribute towards positive diversity among the company's employees and is committed to avoiding discrimination based on gender, ethnicity, religion or age. Borregaard has its own guidelines for this area.

Borregaard has initiatives aimed at promoting the recruitment of female managers and employees. It purposely has a high proportion of women in management and technical programmes and in the company's recruitment base. In 2015, 24% (23% in 2014) of Borregaard's employees were women. The lowest proportion of female employees is in production, while the female ratio is high in R&D and Customer Service. Three of the company's seven board members are women (ratio of women: 43%). A total of 28% of the managers at Borregaard are women, while the executive management team includes one woman (ratio of women: 11%).

LignoTech South Africa is consciously striving to ensure that the profile of its labour force reflects the country's demographics, with a particular focus on representation in management. The company is B-BBEE (Broad-Based Black Economic Empowerment) certified, with the common goal to distribute wealth across as broad a spectrum of previously disadvantaged South African society as possible.

WHISTLEBLOWING PROCEDURES

Borregaard wants transparency and a strong corporate culture to help ensure that difficult or undesirable situations are discussed and resolved. However, situations may arise where reports from employees about adverse situations do not reach the right person or where they feel unfairly treated and cannot find a solution to their problems. In such circumstances, there are established procedures and guidelines for whistleblowing, in terms of contacting various specific functions in the organisation or by using a special telephone number and email address.

KEY COMPETENCE AND EMPLOYEE TARGETS 2015 ACHIEVED

Increase the proportion of female employees



Increase the access to qualified apprentices in Norway



KEY COMPETENCE AND EMPLOYEE TARGETS 2016

Establish an internal production academy

Increase the proportion of female employees and managers

D SUPPLIERS AND BUSINESS PARTNERS

Borregaard has several thousand business partners, such as customers, suppliers and other partners. This often involves well-established, long-term relationships that go back many years. Borregaard endeavours to ensure that this contact and cooperation are characterised by trust, integrity and mutual respect, and that transactions and business practices comply with laws, regulations and recognised ethical standards. A number of documents containing guidelines have been drawn up to regulate matters and help employees cultivate good relationships and sound business practices. The guidelines cover the general ethical framework (Code of Conduct) and more specific guidelines on competition law, anti-corruption and human rights.

Borregaard basically expects the same ethical standards from its suppliers as it does for its own business operations. These requirements and expectations are set out in separate guidelines for choosing suppliers and are also incorporated into major purchase contracts.

The company's key suppliers undergo regular audits in accordance with ISO 9001/14001/18000 accreditations.

In 2015, Borregaard started the roll-out of guidelines and standards for responsible procurement throughout the Group. This work is ongoing and is to be completed during 2016. The guidelines and standards aim to enable identification of risk of violations of human and workers' rights and environmental legislation or anti-corruption legislation in the company's supply chain. Based on risk assessments, efforts are directed towards suppliers with the most significant risk.

As a member of Sedex⁴, Borregaard can request an audit and in case of an identified risk, a "Self-Assessment". In 2016 Sedex will provide Borregaard and all other existing customers with a pre-screening report.

ANTI-CORRUPTION MEASURES

Borregaard has its own guidelines for anti-corruption. During the last two years, the Group has carried out training programmes on anti-corruption for selected employee groups. From May 2015, new employees at Borregaard Sarpsborg are required to undergo anti-corruption training during their first week at work.

In 2015, Borregaard also started a new process for corruption risk assessment to ensure that relevant measurements against corruption are focused and implemented. This work will be completed in 2016.

PURCHASE OF CERTIFIED WOOD

Borregaard's biorefinery relies on its raw materials also meeting environmental and sustainability criteria. Borregaard purchases approximately 1 million solid cubic metres of wood annually for its Sarpsborg plant. The Group attaches great importance to purchasing wood from forests that are managed in a properly sustainable and eco-friendly manner. In 2015, 85% of the wood came from Norwegian forests while the remaining 15% came from Swedish forests. All the wood that is purchased is cut according to the country of origin's laws on felling. The Norwegian suppliers deliver wood in accordance with the PEFC standard for silviculture and biodiversity.

PURCHASE OF LIGNIN RAW MATERIAL

In general, Borregaard receives lignin raw material produced by adjacent pulp mills. The actual supply of lignin to Borregaard may depend upon or be affected by a range of factors such as the pulp mill's profitability and general market conditions, regulatory considerations, loss or closure of production, as well as a range of industry-specific factors, including the supply and cost of raw materials. All medium to long-term contracts are with partners whom we believe are sound businesses with sustainable business models. All of these suppliers purchase wood that come from FSC certified sources.

There is only a limited number of pulp producers using the sulphite pulping process necessary to produce the lignin required by Borregaard for its lignin-based products. In the past, some of Borregaard's lignin raw materials sources have been closed down. However, today's main suppliers of lignin raw materials are considered sustainable long-term, and Borregaard has plans for further expansion. It has been decided to expand lignin capacity in South Africa to utilise additional supply from the existing source (Sappi Saiccor). In addition Borregaard and Rayonier Advanced Materials (RYAM) are planning to build a new lignin plant adjacent to RYAM's pulp mill in Florida, USA (investment decision pending). Borregaard has also developed the patented BALI concept as a long-term option for additional lignin raw material, allowing the extraction of lignin-based products from various biomasses.

SUPPLIERS AND BUSINESS PARTNERS TARGETS 2015 ACHIEVED

Roll-out of guidelines and standards for responsible procurement throughout the Group (Partly achieved)



SUPPLIERS AND BUSINESS PARTNERS TARGETS 2016

Conduct a corruption risk assessment as a tool for continuous improvement of anti-corruption efforts

Ensure use of guidelines and standards for responsible procurement throughout the Group

⁴ Supply chain management solution.

E CONTRIBUTION TO SOCIETY

Profitable companies and sustainable jobs are a prerequisite for welfare and social security. This manifests itself through income and meaningful activity for individuals, as well as through financial contributions such as taxes and duties, that companies and their employees provide to the countries and local communities in which they operate. Those countries where Borregaard has production operations see significant ripple effects from suppliers and other activities around the plants.

As of 31 December 2015, Borregaard employed 1,075 man-years in 16 countries⁵. The Group has production plants in Norway, UK, Germany, Spain, the Czech Republic, South Africa and the USA.

NOK 120 MILLION IN TAX PAYMENTS

Borregaard paid taxes totalling NOK 120 million in 2015 (NOK 164 million in 2014), including taxes paid by joint venture. The taxes paid for operations in Norway amounted to NOK 39 million, while the tax payment for the other locations was split into NOK 23 million for the rest of Europe, NOK 25 million in the Americas, NOK 2 million in Asia and NOK 31 million in Africa.

Borregaard uses OECD's guidelines for internal pricing, which is an important factor in ensuring that profits and taxes are distributed fairly among different countries.

SHARED INTERESTS WITH THE LOCAL COMMUNITY

Borregaard's companies impact and interact with the local

communities where they are located. Borregaard's plants outside Norway are relatively small, but the Group has been a cornerstone company in Sarpsborg for generations. Borregaard still plays an important role in the city and region as an employer, an important customer of many suppliers, and a socio-economic contributor through taxes and duties from its operations. A social audit report produced by the Confederation of Norwegian Enterprise (NHO) in 2015 shows that, overall, Borregaard's operations in Sarpsborg create and finance 5028 man-years in the company itself, as well as for suppliers and the public sector. Borregaard and its suppliers (companies and employees) contributed a total of about NOK 1.2 billion in taxes and duties to Norwegian society in 2014.

SUPPORT FOR SOCIAL DEVELOPMENT

Borregaard has a broad stakeholders base in Sarpsborg and Østfold county. The company participates in various forums and organisations involved in urban and regional development, and has also provided venues for socially beneficial activities.

The company also contributes around NOK 3 million to support measures that mutually benefit both the company and the region, with an overall aim to strengthen the company's recruitment attractiveness. Borregaard's sponsorship strategy has two main pillars. One covers cultural and sports activities that help make the city and region a more attractive place to live and work. This is important to Borregaard in terms of creating a long-term recruitment base. The other area supports measures that stimulate young people's interest in and understanding of disciplines that are important to Borregaard and society as a whole. This is illustrated by Borregaard's support for and cooperation with the Inspiria Science Centre, the Young Entrepreneurship scheme and Borregaard's Knowledge Factory.

SOCIAL AND ETHICAL WORK IN SOUTH AFRICA

LignoTech South Africa (LTSA) has its own social and ethics committee tasked with monitoring social and ethical issues. The committee is composed of members of the company's management team and chaired by an LTSA Director. LTSA subscribes to the OECD guidelines with respect to anti-corruption measures. During 2015, internal and external audits of LTSA and its suppliers did not expose any violations of the United Nations Global Compact Principles. During the year, all senior and commercial employees (equivalent to 50% of the workforce) took part in anti-corruption training programmes initiated by Borregaard.

The company in South Africa has also become involved in the social and financial consequences of HIV/AIDS. One



⁵ Including 50% of the employees at LignoTech South Africa.



important area has been to prevent discrimination based on the disease, to disseminate information about the disease and its treatment, and to carry out testing for those employees who want it. The company also offers medicines to those who are affected. In addition, the company supports a local school and selected charitable causes.

COLLABORATION WITH EDUCATIONAL INSTITUTIONS

Borregaard in Sarpsborg works closely with schools and educational institutions in the area. The Group has created its own academy, The Competence Centre, which functions as both an in-house training centre and as a showroom and venue for school visits. It offers educational programmes that tie in with schools' curricula, using examples taken from the company. Borregaard employees also contribute to a scheme for the teaching of chemistry in upper secondary schools in Østfold county, whereby researchers from Borregaard have created a company-related teaching plan for chemistry. Every year, students from a number of colleges and universities perform practical tasks and conduct projects or get internships in the company.

Borregaard has programmes and instructors for apprenticeship schemes involving cooperation with vocational schools in the region. These provide apprentices with relevant experience to supplement their theoretical training. In 2015, Borregaard had a total of 48 apprentices at the biorefinery in Sarpsborg.

AWARDS AND RECOGNITIONS

Over the years Borregaard has received several awards and recognitions from external bodies. In 2015, the Group received the "Norwegian Research Council's Innovation Award", an award given out by the Research Council of Norway to a company that has distinguished itself by making exceptionally good use of research findings, thus creating research-based innovation. "The 2015 Innovation Award was

given in recognition of Borregaard's systematic and long-term efforts in research, development and innovation, and the company's ability to adapt to new market needs. Borregaard shows strong competitiveness in a sustainable manner. The jury states that Borregaard is a good role model and an inspiration at a time that calls for readjustment, and a key player with further potential in the bioeconomy sector. In addition, the company collaborates with a number of research institutions in Norway and abroad, and has leaders and researchers who are visible and active in the Norwegian research and innovation landscape," the Research Council wrote in a press release.

CERTIFICATION AND AFFILIATION

Borregaard has established links with various external schemes that contribute to tighter control and improvements, and provide inspiration for a systematic way of working. This also applies to issues and topics relating to corporate responsibility and sustainable development and operation.

The company has committed itself to the Responsible Care guidelines and objectives, which are the European chemical industry's environmental responsibility initiative. Borregaard also reports greenhouse gas emissions to the local authorities. These figures are published in this report and are available to the public.

Borregaard is certified in accordance with several standards:

- ISO 9001 (Quality Management (Norway, USA, South Africa, Germany, Iberica, UK and Austria))
- ISO 14001 (Environmental Management (Norway, South Africa, Germany, Iberica and Austria))
- ISO 50001 (Energy Management (Norway and Germany))
- FSSC 22000 Management Systems for Food Safety
- GMP+ Production of Feed Additives and Premixes (Norway, South Africa, Germany, Iberica)



- SMETA Ethical Trading Initiative Base Code
- OHSAS 18001:2007 Health and Safety Management (South Africa and Austria)
- B-BBEE Broad-Based Black Economic Empowerment (LTSA)
- Kosher certified (Norway)
- Halal certified (Norway)

Borregaard is a participant in the UN's Global Compact initiative, thereby providing its support to universal principles on human rights, labour relations, the environment and anti-corruption. Borregaard also reports on progress according to Global Compact's scheme.

ENVIRONMENTAL REPORTING

Borregaard reports climate change data annually to CDP (formerly Carbon Disclosure Project). CDP is an international, not-for-profit organisation providing a global system to measure, disclose, manage and share vital environmental information. CDP's climate change programme aims to reduce companies' greenhouse gas emissions and mitigate climate change risk.



THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT

Borregaard complies with the UN Global Compact's ten principles of doing business in the areas of human rights, labour, environment and anti-corruption.

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
 Principle 4: the elimination of all forms of forced and compulsory labour;
 Principle 5: the effective abolition of child labour; and
 Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;
 Principle 8: undertake initiatives to promote greater environmental responsibility; and
 Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Per A. Sørli,
 President and CEO, Borregaard



CORPORATE GOVERNANCE

Borregaard's principles for good corporate governance will form the basis for long-term value creation, benefitting shareholders, employees and society. These principles promote a healthy corporate culture where openness, sustainability, responsibility and equality are fundamental values.

01 Corporate governance report

Borregaard is subject to the requirements of the Norwegian Accounting Act, Section 3–3b, the Norwegian Code of Practice for Corporate Governance, Clause 7 and the Continuing Obligations of Stock Exchange Listed Companies. Electronic versions of the Accounting Act, Code of Practice and Continuing Obligations are freely available at www.lovdato.no, www.nues.no and www.oslobors.no respectively.

This report follows the system used in the Code of Practice. It covers all clauses of the Code and describes how Borregaard has complied with them. If there is a discrepancy, this is discussed and the reason given. The Board of Directors approved the report at its meeting on 15 March 2016. The statement is cited on page 93. The General Meeting will consider the statement at its meeting on 13 April 2016.

The Board of Directors will work to ensure that the Company complies with the requirements in the Accounting Act, Section 3–3b and the Code of Practice. The principles of good corporate governance are integrated into the Board's decision-making process, and the Board will continually discuss and evaluate the principles and their implementation.

The Borregaard Group will contribute to the sustainable development of society through responsible commercial operations and systematic enhancement work. The Group has ethical guidelines and guidelines for corporate responsibility. The Sustainability and Corporate Responsibility report can be found from page 16 in this Annual Report. From page 26, the report gives an account of Borregaard's systematic work in areas important for employees, business partners and the community.

02 Business

According to the Articles of Association, Borregaard's purpose involves:

"...the development, production and sale of biochemicals, biobased speciality products and other chemicals, as well as other business operations that are naturally related therewith."

Borregaard's activities focus on Performance Chemicals, Specialty Cellulose, Ingredients and Fine Chemicals. For a more detailed description, see section *The Borregaard Group* from page 4. Borregaard's goal is to deliver good profitability with a targeted return on capital employed (ROCE) of 14–15% over the business cycle. For a more detailed account of corporate goals and strategies, see section *The Borregaard Group*.

03 Equity and dividends

The Group's equity as of 31 December 2015 was NOK 2,056 million. The Board of Directors has made the following statement about the dividend policy:

"Under the current dividend policy adopted by the Board, Borregaard intends to pay regular and progressive dividends reflecting the expected long-term earnings and cash flows of the Borregaard Group, targeting an annual dividend between 30% and 50% of the company's net profit for the preceding financial year."

The Board has proposed a dividend of NOK 1.50 per share for the financial year 2015, up from NOK 1.25 per share in 2014. Dividend will be paid on 22 April 2016 to shareholders registered in the company's shareholders' register as evidenced in a transcript as of 15 April 2016. If acquired shares are subject to ordinary settlement in the Norwegian Securities Register (VPS), shares acquired up to and including 13 April 2016 will carry the right to receive dividends.

The Board has no authority to issue new shares, and the authority to purchase treasury shares is limited to defined purposes and applies until the next General Meeting. The General Meeting votes on each individual purpose to be covered by the authorisation. At the General Meeting in 2015, the Board was authorised to buy treasury shares within a total nominal value of NOK 10 million, corresponding to 10% of the current share capital. The authorisation is valid until the General Meeting in 2016, but no longer than until 30 June 2016. The authorisation may only be used in connection with share-based incentive programmes for Borregaard's employees and to repurchase shares for cancellation. As of 31 December 2015, Borregaard held 493,880 treasury shares to be used in share-based incentive programmes.

There are no provisions in Borregaard's Articles of Association concerning the buy-back or issue of shares. Transactions in treasury shares have taken place on the market at stock exchange prices, according to the Oslo Stock Exchange safe harbour rules and according to good stock exchange practice in Norway.

04 Equality of treatment of shareholders and transactions with close associates

Borregaard has one class of shares, and each share entitles the holder to one vote. The nominal value is NOK 1.00. A more detailed account of the terms and conditions relating to the entitlement to vote at the General Meeting is given below under item 6.

It is Borregaard's policy that shareholder value shall not be diluted by the issuance of new shares. If the Board proposes a deviation from the pre-emption rights of existing shareholders in the event of an increase in capital, it must be possible to justify this as being in the common interest of the Company and its shareholders. This justification must be stated in the notice of the General Meeting.

The *Instructions for the Board of Directors of Borregaard ASA* include rules for dealing with cases of transactions with close associates. The Instructions for the Board of Directors are publicly available under "Investor Relations" on the Company's website. According to the Instructions, the Chair of the Board must be informed about the transaction and decide on how to deal with the case.

Transactions with related parties are disclosed in note 34 in the Group accounts. In the case of transactions between Borregaard and a shareholder, the shareholder's parent

company, a member of the Board, executive personnel or close associate of any of these, the Board will ensure that a value assessment is carried out by an independent, third party. Similarly, the Board will arrange for a value assessment by an independent, third party in the case of transactions between companies within the Group, if there are minority shareholders in one of the companies.

The Instructions for the Board of Directors have regulations about impartiality. They establish that members of the Board may not take part in the handling of, or decisions in, cases in which the member of the Board or a close associate has a prominent personal or financial interest. Members of the Board shall also at all times consider whether there are any circumstances which, from an objective point of view, are likely to weaken confidence in the member's impartiality, or which may open up conflicts of interest in connection with the Board's handling of the case. Such circumstances must be discussed with the Chair of the Board.

With regard to the Group's ethical guidelines, employees on their own initiative must inform their superiors of any case of impartiality or conflict of interest, and they must not take part in the processing of such items.

05 Free negotiability

All of Borregaard's shares confer equal rights and are freely negotiable. There are no provisions in the Articles of Association restricting the free negotiability of shares.

06 General Meeting

The Board of Directors in Borregaard has taken steps to ensure that as many shareholders as possible may exercise their rights by participating in the General Meeting of the company, and that the General Meetings is an effective forum for the views of shareholders and the Board. The notice of the General Meeting and administrative documents must be available on Borregaard's website no later than 21 days before the General Meeting. The final date for registration is no more than three days before the General Meeting. The Board, the general manager, the external auditor and the Chair of the Nomination Committee will be present at the General Meetings. Shareholders may either appoint a proxy or submit a vote in advance using the Internet, using either DNB's or the Norwegian Central Securities Depository's (VPS) investor services. There are links to these services on the Company's website. It is stipulated in the Articles of Association that the notice of the General Meeting must indicate the rules established by the Board for advance voting.

The Articles of Association contain no special provisions with regard to the opening and chairing of the General Meeting. In line with the Code of Practice, the Board will arrange for the General Meeting to be opened and chaired by an independent person. The Chair is chosen by the General Meeting, but in the notice of a General Meeting the Board will indicate who will open the meeting and propose a Chair who satisfies the independence requirements of the Code of Practice.

If shares have been transferred, the shareholder may vote if the transfer has been registered with VPS before the final date for registration with the General Meeting. If the transfer has been notified to VPS and evidence of this can be provided at the General Meeting, the shareholder will also be allowed to vote. According to Norwegian law, voting is only permitted in

relation to shares registered in the owner's name. In order to confer voting rights, shares registered to a nominee account must be reregistered in VPS before the final date for registration with the General Meeting.

Shareholders unable to attend the General Meeting may vote by proxy. If the proxy has been given to Borregaard, the Chair of the Board or the Chair of the Meeting will be appointed to vote on the shareholder's behalf. The proxy form has been designed in such a way that the shareholder may provide instructions for each item that will be dealt with, and for each candidate to be elected. Information on the use of proxy voting and shareholders' rights to have items dealt with at the General Meeting, is given both in the notice of a General Meeting and on Borregaard's website.

According to the Articles of Association, Clause 7, the Board may decide that documents relating to items that will be dealt with at the General Meeting should not be sent to the shareholders, but instead be made available on the Company's website. The same also applies to documents, which by law must be included in, or attached to, the notice of a General Meeting. A shareholder may always demand to have documents sent relating to items that will be dealt with at the General Meeting. The provision in the Articles of Association is consistent with Section 5-11a of the Norwegian Public Limited Liability Companies Act, which is an exception from the main rule stipulated in Section 5-6 (5), whereby the annual accounts, annual report, auditor's report and the Statement from the Board of Directors must be sent to shareholders no later than one week before the General Meeting. The documents will be available on Borregaard's website no later than 21 days prior to the General Meeting.

07 Nomination Committee

The Articles of Association stipulate that the Company shall have a Nomination Committee. The members and Chair of the Committee are elected by the General Meeting. There is an option to vote for each individual candidate for a position on the Nomination Committee. Instructions for the Nomination Committee are available under "Investor Relations" on the Borregaard's website. The members and Chair of the

Nomination Committee were re-elected in 2014 on the basis of a proposal from the Nomination Committee as recommended by the Code of Practice. The Nomination Committee has consisted of three members, who according to the Articles of Association were elected for two years until the General Meeting in 2016.

The Nomination Committee will propose:

- Candidates for the election of shareholder-elected Board members and the Chair
- Candidates for the election of members and the Chair of the Nomination Committee
- Remuneration for the Board and Nomination Committee

The Nomination Committee has adapted its procedures to comply with the Code of Practice's recommendations. When the Committee is dealing with proposals for the Chair of the Board, it is supplemented by a representative appointed by the employee-elected Board members.

The instructions establish guidelines for the preparation and conducting of elections to the Nomination Committee and Board, as well as the criteria for electability, general requirements for the recommendations and rules for dealing with cases in the course of the Nomination Committee's work.

Information about the composition of the Nomination Committee, which members are up for election and how input and proposals can be given to the Nomination Committee, can be found under "Investor Relations" on the Company's website. The Nomination Committee has been composed in accordance with the Code of Practice to safeguard the interests of the shareholder community. The composition meets the Code's requirements for independence. None of the members of the Nomination Committee is a member of the Board, nor does the Nomination Committee include the President and CEO or any other executive personnel. Borregaard's SVP Organisation and Public Affairs serves as its secretary. The members of the Nomination Committee are:

- Terje R. Venold (Chair)
- Mimi K. Berdal
- John-Ove Ottestad

08 The Board: Composition and independence

The Board has been put together with the aim of safeguarding the interests of the shareholder community and the Company's need for competence, capacity and diversity. The Board consists of the Chair, six members and two observers. The employees have elected two of the members and the two observers. The composition of the Board meets the requirements of the Code of Practice. All shareholder elected members are independent of the Company's management, main shareholders and important business associates. No one from day-to-day management is a member of the Board. There have been no cases in which a member of the Board has been disqualified on the grounds of a lack of impartiality.

According to the Norwegian Public Limited Liability Companies Act, the Board's term of office is two years. Borregaard's Articles of Association comply with this requirement. The General Meeting may set a shorter term of office. It is the task of the Nomination Committee to recommend the term of office of the Board. The shareholder-elected members

of the Board have been elected for a period of one year, as an annual evaluation of the composition provides the greatest flexibility. The current Board has been elected for the period leading up to the 2016 General Meeting.

The Articles of Association do not require members of the Board to own shares in the Company. This Annual Report provides information about Board members' share ownership, background, qualifications, terms of office, independence and the length of time for which they have been members of the Board of Borregaard. There is also information about any major positions in other companies and organisations, and participation in Board meetings at Borregaard. It has been agreed with the employees that there will be no corporate assembly in either Borregaard ASA or Borregaard AS. Instead, employees have extended representation rights on the Companies' Boards. In accordance with the Norwegian Public Limited Liability Companies Act employees are entitled to elect two members and two observers to the Board.

09 The work of the Board

THE BOARD'S TASKS

The tasks of the Board are stated in the Public Limited Liability Companies Act and in the Instructions for the Board of Directors, which among other things define the responsibilities and obligations of the Board. The rules governing handling of cases by the Board are also determined in the Instructions for the Board of Directors, e.g. which cases should be handled by the Board, the rules for issuing notices of meetings and the management of meetings. The Instructions for the Board

of Directors also include regulations governing the President and CEO's disclosure requirements and the duty to carry out the resolutions of the Board. There are also guidelines on the preparation of matters for the Board and provisions whereby employees must be informed of the Board's resolutions. Other instructions, and clarification of the obligations, authorisations and responsibilities of day-to-day management, are adopted on an ongoing basis.



The Board adopts an annual plan of meetings and work that covers, among other things, its strategic work, commercial issues and control work. The Board held ten meetings in 2015. The Board dealt with 70 agenda items in 2015. The Board's annual evaluation process includes discussions regarding the Board's work in more detail.

The President and CEO prepares items for the Board in consultation with the Chair of the Board. The Instructions for the Board of Directors contain provisions for the handling of issues, as well as rules concerning impartiality, joint and parallel investments, see item 4. The Board has established two permanent Committees, the Compensation Committee and the Audit Committee, both of which are described in more detail below. The committees pass no resolutions, but they supervise the administrative work on behalf of the Board and prepare items for decision by the Board. The Committees may draw on the resources of the Company and obtain advice and recommendations from sources outside the Company.

COMPENSATION COMMITTEE

The Compensation Committee makes recommendations to the Board regarding the President and CEO's salary and terms, and supervises the general conditions for other executive personnel within the Group. It is chaired by Jan Oksum. Jan Erik Korssjøen and Ragnhild Anker Eide are also members. Borregaard's SVP Organisation and Public Affairs serves as its secretary. The composition of the committee complies with

the Code of Practice requirements for independence, and all members of the Committee are considered to be independent of the executive personnel. The mandate of the committee has been incorporated in the Instructions for the Board of Directors.

The committee will additionally deal with any specific questions relating to compensation for employees of the Group.

AUDIT COMMITTEE

The Audit Committee supports the Board in fulfilling its responsibilities with respect to financial reporting, internal accounting controls and auditing matters. It is chaired by Terje Andersen. Ragnhild Wiborg and Åsmund Dybedahl are members, and the Vice President Finance serves as its secretary. The composition of the Committee meets the Code of Practice requirements for independence and competence. The recommendation of the Nomination Committee provides information as to which members of the Board meet the independence and competence requirements for being members of the Audit Committee. The mandate of the Committee has been incorporated in the Instructions for the Board of Directors.

INTERNAL EVALUATION BY THE BOARD

The Board has carried out an annual evaluation of its own activities and competence. The results have been made available to the Nomination Committee.

10 Risk management and internal control

The Board of Directors is ultimately responsible for Borregaard's internal control system. Each member of the management team is responsible for the internal control within their respective areas. Borregaard's main objective is to provide sustainable solutions based on renewable resources and unique competence. The risk management system is fundamental in achieving the overall objective.

Risk management shall ensure that risks relevant to Borregaard's objectives are identified, analysed and dealt with at the earliest possible stage and in a cost-effective manner. A sound risk culture in Borregaard's operating units is a prerequisite for a successful risk management process. An operating unit may be a plant, an organisational department, a subsidiary or a business unit.

Comprehensive risk assessments – related to either operations or projects – are carried out on an ongoing basis in all units and reported to the next management level. Top down risk evaluations are mainly focused on EHS and profitability. The risk picture is presented and reviewed annually or when needed by the Board and quarterly by the Audit Committee. A unit's risk picture identifies the principal risk factors associated

with the unit's value chain. The individual unit managers in the Group are responsible for being acquainted with all significant risk factors within their area of responsibility, thus contributing to a financially and administratively sound handling of these risks. A central risk management function has been established at Group level headed by a Chief Risk Officer (CRO), who is responsible for Borregaard's risk management model and implementation support. Furthermore, the Group's CRO shall contribute towards the identification, analysis, handling and use of risk pertinent to Borregaard's objectives across business areas and professional disciplines.

Borregaard's Board of Directors conducts a review of the Group's risk picture at least annually. The aggregate risk picture is consolidated by the CRO and reviewed with the Group Executive Management before it is submitted to the Group's Audit Committee and finally to Borregaard's Board of Directors.

The management prepares monthly financial reports that are sent to the Board. Each legal entity reports into the consolidation system in accordance with the annual financial calendar. There are monthly meetings among key financial

employees to discuss financial results, incidents, projects, estimates, etc. This input is used in the monthly reporting to the Board and the quarterly meetings with the Audit Committee.

When the Group's quarterly reports are to be presented, they are reviewed by the Audit Committee prior to the Board meeting. The External Auditor is also present at the Audit Committee meetings. The External Auditor meets with the Board when the annual financial statements are presented.

Borregaard has documented its internal procedures, including a description of authority in the quality management system. The Group has a dual control principle for approvals, and SAP as the main accounting and purchasing system enforces this requirement. All entities within the Group report monthly into the consolidation system, HFM. The reporting is monitored by management and deviations from expectations are followed up with local management at the various entities. Employees within finance and controlling functions perform internal control reviews in the Group's legal entities.

Borregaard has established a whistle-blowing system and a separate channel, currently operated by Borregaard's general counsel. Any unethical behaviour can be reported by e-mail or by phone according to Borregaard's Code of Conduct section 4.2.

ETHICS AND CORPORATE RESPONSIBILITY

The Group Companies work continuously with ethics, anti-corruption and corporate responsibility, which are integral parts of the basis for decisions by local companies. The status of the work by the business areas involving corporate responsibility is included in the Sustainability report.

The Board of Directors reviews the Company's guidelines on ethics, anti-corruption and corporate responsibility on an annual basis. The Group Companies must perform regular reviews of the risk factors linked to Borregaard's corporate responsibility at a general level, and review the risk of breaches of the ethical requirements.

11 Remuneration of the Board

All remunerations of the Board have been disclosed in note 5 in the financial statements for Borregaard ASA. The remuneration of the Board is not dependent on profits, and no share options have been granted to members of the Board. In

its recommendation, the Nomination Committee proposed the compensation to the Board for the period up to the General Meeting in 2016.

12 Remuneration of executive personnel

The Board's Compensation Committee makes recommendations to the Board regarding the President and CEO's salary and terms, and supervises the general conditions for executive personnel. The Board assesses the President and CEO's terms once a year.

The Board's statement on salaries and other remuneration of executive personnel, see note 9 in the consolidated financial

statement, contains an account of the remunerations given to executive personnel and the Group's policy on conditions, including the extent and direction of bonus and share value-related schemes. A cap has been placed on profit-dependent remunerations. The Board's statement is available to shareholders at the same time as the notice of the General Meeting is given.

13 Information and communication

Borregaard's accounting procedures are transparent and in accordance with the International Financial Reporting Standards (IFRS). The Board of Directors' Audit Committee monitors the company's reporting on behalf of the Board.

Borregaard strives to communicate actively and openly with the market. The Company's annual and quarterly reports

contain information on the various aspects of the Company's activities. The Company's quarterly presentations are published on Borregaard's website, along with the quarterly and annual reports, under "Investor Relations".

All shareholders and other financial market players are treated equally as regards access to financial information. The Group's

Investor Relations Department maintains regular contact with Company shareholders, potential investors, analysts and other financial market stakeholders. Borregaard seeks to comply with Oslo Stock Exchange's recommendation on reporting

of investor relation information. The financial calendar for 2016 is published under "Investor Relations" on Borregaard's website.

14 Approach to takeovers

The Board of Directors' approach to takeovers is published on the company's web-site under "Investor Relations". The Board will not seek to prevent or obstruct any takeover bid for Borregaard's operations or shares. In the event of such a bid, in addition to complying with relevant legislation and regulations, the Board will seek to comply with the recommendations in the Code of Practice, including obtaining

a valuation from an independent expert. On this basis, the Board will recommend whether or not the shareholders should accept the bid. There are no other written guidelines in the event of a takeover bid. The Board has not found it appropriate to draw up any explicit principles other than the actions described above. The Board otherwise concurs with what is stated in the Code of Practice regarding this issue.

15 External Auditor

The Board of Directors has determined the procedure for the external auditor's regular reporting to the Board.

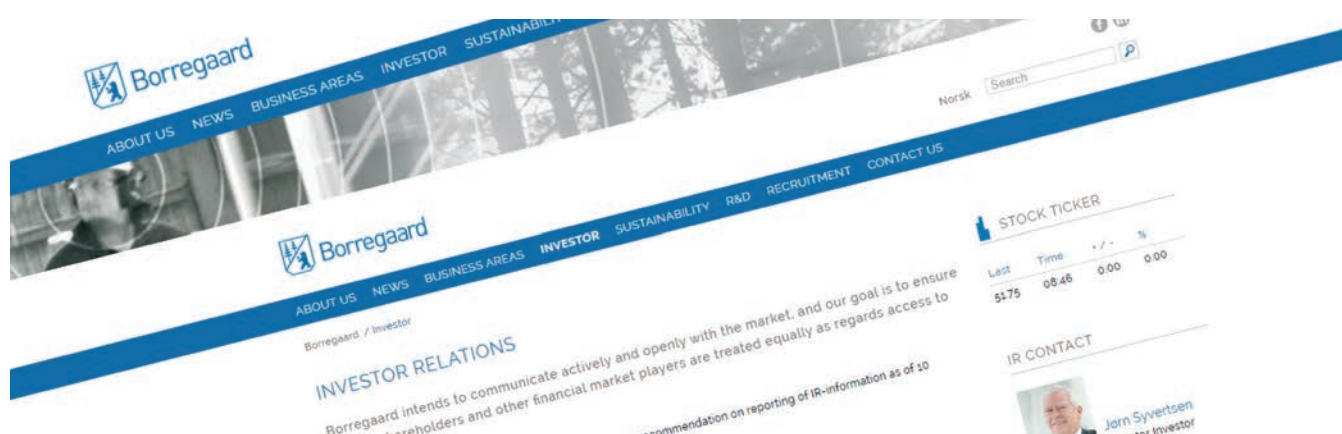
Annually, the external auditor presents to the Board an assessment of risk, internal control and an assessment of the quality of financial reporting, and at the same time presents the audit plan for the following year. The external auditor also takes part in the Board's discussions on the annual financial statements, including a session without the presence of management. Both the external auditor and the President and CEO attends all meetings of the Board's Audit Committee. For further information, see Section 10 regarding risk management.

Borregaard has guidelines for the general management's use of the external auditor for services other than auditing.

Responsibility for monitoring such use in detail has been delegated to the secretary of the Audit Committee, which is the Vice President Finance. The secretary will approve significant assignments in advance and compile an annual summary of services other than auditing provided to the Company. Details of the Company's use and remuneration of the external auditor are disclosed in note 5 to the financial statements of Borregaard ASA. The General Meeting is informed about the Group's overall remuneration of the auditor.

In connection with the auditor's participation in the Audit Committee and the Board of Directors' consideration of the annual statements, the auditor also confirms its independence.

Stay up-to-date on investor relations by visiting our website:
www.borregaard.com/investor-relations

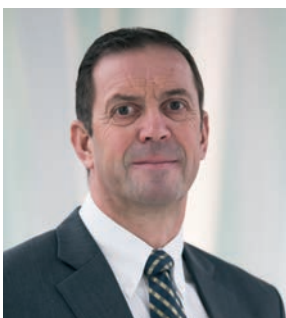


THE GROUP EXECUTIVE MANAGEMENT



**PER A.
SØRLIE**
*President and Chief
Executive Officer (CEO)*

Per A. Sørli has been with Borregaard since 1990 and was appointed President and CEO in 1999. He has served Borregaard as CFO (1990–1993) and Executive Vice President of the Fine Chemicals division (1993–1999). Previously, Mr. Sørli held positions as CFO at Bjølsen Valsemølle and Hafslund's US operations. Mr. Sørli holds a degree in Business Administration (siviløkonom) from the Norwegian School of Economics and Business Administration in Bergen, Norway.



**MORTEN
HARLEM**
*Executive Vice President
(EVP), Performance
Chemicals*

Morten Harlem has served as EVP of Borregaard LignoTech (Performance Chemicals business) since 2003. Since joining Borregaard in 1994, he has assumed different roles in sales and marketing. Previously, Mr. Harlem held positions in various marketing roles with Nutreco. Mr. Harlem holds a Master of Science Degree in Business Administration from the University of Colorado in Boulder, USA.



**TOM ERIK
FOSS-JACOBSEN**
*Executive Vice President
(EVP), Specialty Cellulose*

Tom Erik Foss-Jacobsen has served as EVP of Borregaard ChemCell (Specialty Cellulose business) since 2007. Since joining Borregaard in 1996, he has assumed various roles in sales and marketing. Previously, Mr. Foss-Jacobsen worked as a Business Development Manager EMEA at InFocus Corp. Prior to that, he worked as Assistant Product Manager Soft Drinks at Borg Bryggerier. Mr. Foss-Jacobsen holds a Master's Degree in International Marketing and Strategy from the Norwegian Business School (BI) and a Bachelor's Degree in Civil Engineering.



GISLE LØHRE JOHANSEN

Senior Vice President (SVP), R&D, Business Development and EVP Fine Chemicals

Gisle Løhre Johansen has served as SVP of Business Development/R&D since 2007 and EVP of Borregaard

Synthesis (Fine Chemicals) since 2013. Since joining Borregaard in 1991, he has assumed various positions including Site Manager in Sarpsborg (1999–2007) and Site Director of Borregaard Schweiz (2006–2007). Mr. Johansen holds a Master's Degree in Organic Chemistry from the Norwegian University of Science and Technology (NTNU) in Trondheim, Norway.



PER BJARNE LYNGSTAD

Chief Financial Officer (CFO)

Per Bjarne Lyngstad has been with Borregaard since 1988 and was appointed CFO in 1998. Prior to that, he assumed various finance and

administrative positions in Borregaard and LignoTech USA. Mr. Lyngstad has a Graduate Programme in Economics and Business Administration (siviløkonom HAE) from the Norwegian School of Economics and Business Administration in Bergen, Norway.



OLE GUNNAR JAKOBSEN

Plant Director of Borregaard's Sarpsborg Site (Norway)

Ole Gunnar Jakobsen has served as Plant Director of Borregaard's Sarpsborg production site since 2006.

Since joining Borregaard in 1995, he has assumed various positions in production management in various plants at the site in Sarpsborg. Mr. Jakobsen holds a Bachelor's Degree in Mechanical Engineering and a Master's Degree in Process Engineering from Telemark University College (HiT) in Porsgrunn, Norway.



DAG ARTHUR AASBØ

Senior Vice President (SVP), Organisation and Public Affairs

Dag Arthur Aasbø has been SVP of Organisation and Public Affairs since 2008.

Since joining Borregaard in 1993, he has assumed positions in Borregaard relating to communications and public affairs. Mr. Aasbø also has experience as editor and in communication management roles in various organisations. Mr. Aasbø holds a Bachelor's Degree in Business Administration from the Norwegian Business School (BI) and has also studied Communications/Journalism and Religion/Ethics.



TUVA BARNHOLT

Senior Vice President (SVP), Purchasing and Strategic Sourcing

Tuva Barnholt has been SVP, Purchasing and Strategic Sourcing, since 2005. Since joining Borregaard in 1998,

she has assumed various positions in Borregaard including Project Manager, Borregaard Energy and Production Manager and Technical Director at the Sarpsborg site. Previously, Ms. Barnholt held positions in engineering management and energy systems development at Nexans, ABB and Oslo Energi. Ms. Barnholt holds a Master of Science Degree from the Norwegian University of Science and Technology (NTNU) in Trondheim, Norway.



SVEINUNG HEGGEN

General Counsel

Sveinung Heggen was appointed General Counsel of Borregaard 1 January 2013. Before joining Borregaard, he served as attorney-at-law at Orkla ASA, Legal Department

(from 1992). Prior to that, he held different positions in the Ministry of Finance, Tax Law Department (1985–1992). Mr. Heggen holds a Cand. Jur. degree from the University of Oslo.

CONSOLIDATED FINANCIAL STATEMENTS 2015





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CONSOLIDATED FINANCIAL STATEMENTS 2015

INCOME STATEMENT

Amounts in NOK million	NOTE	2015	2014
Sales revenues	8	4,075	3,848
Other operating revenues		89	91
OPERATING REVENUES	6, 7	4,164	3,939
Cost of materials	19	-1,671	-1,614
Payroll expenses	9, 10	-825	-763
Other operating expenses	9, 11	-910	-832
Depreciation and write-down property, plant and equipment	17, 18	-261	-244
Amortisation intangible assets	17	-1	-
Other income and expenses	12	37	-30
OPERATING PROFIT		533	456
Finance income	13	252	198
Finance costs	13	-279	-224
Financial items, net	13	-27	-26
PROFIT/LOSS BEFORE TAXES		506	430
Taxes	14	-122	-98
PROFIT/LOSS FOR THE YEAR		384	332
Profit/loss attributable to non-controlling interests	31	-2	-2
Profit/loss attributable to owners of the parent		386	334
EBITDA adjusted ¹	7	758	730
EBITA adjusted ²		497	486

EARNINGS PER SHARE

Amounts in NOK	NOTE	2015	2014
Earnings per share (100 million shares)	15	3.86	3.34
Diluted earnings per share	15	3.87	3.35

STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK million	NOTE	2015	2014
PROFIT/LOSS FOR THE YEAR		384	332
ITEMS NOT TO BE RECLASSIFIED TO P&L			
Actuarial gains and losses (after tax)	10, 14	-19	-8
Total		-19	-8
ITEMS TO BE RECLASSIFIED TO P&L			
Change in hedging reserve after tax (cash flow)	14, 29	-156	-156
Change in hedging reserve after tax (net invest. in subs.)	14, 29	-52	-58
Translation effects		80	99
Translation effects joint venture	6	-14	10
Total		-142	-105
TOTAL ITEMS NOT TO BE AND TO BE RECLASSIFIED TO P&L		-161	-113
THE GROUP'S COMPREHENSIVE INCOME		223	219
Profit/loss attributable to non-controlling interests	31	-3	-1
Profit/loss attributable to owners of the parent		226	220

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

2. Operating profit before amortisation and other income and expenses

STATEMENT OF FINANCIAL POSITION

Amounts in NOK million	NOTE	31.12.2015	31.12.2014
ASSETS			
Intangible assets	17	137	77
Property, plant and equipment	18	2,122	2,004
Deferred tax assets	14	50	9
Investment in joint venture	6	106	106
Other assets	24	71	67
NON-CURRENT ASSETS		2,486	2,263
Inventories	19	676	610
Receivables	22	838	707
Cash and cash equivalents	23	169	168
CURRENT ASSETS		1,683	1,485
TOTAL ASSETS		4,169	3,748
EQUITY AND LIABILITIES			
Group equity		2,056	1,941
Non-controlling interests	31	5	8
TOTAL EQUITY		2,061	1,949
Deferred tax	14	1	7
Provisions and other liabilities	20	407	189
Interest-bearing liabilities	27	802	784
NON-CURRENT LIABILITIES		1,210	980
Interest-bearing liabilities	27	9	8
Income tax payable	14	47	58
Other liabilities	25	842	753
CURRENT LIABILITIES		898	819
EQUITY AND LIABILITIES		4,169	3,748

Sarpsborg, 15 March 2016

THE BOARD OF DIRECTORS OF BORREGAARD ASA



JAN ANDERS OKSUM
Chair



TERJE ANDERSEN



JAN ERIK KORSSJØEN



KRISTINE RYSSDAL



RAGNHILD WIBORG



ÅSMUND DYBEDAHL



RAGNHILD ANKER EIDE



PER A. SØRLIE
President and CEO

STATEMENT OF CASH FLOW

Amounts in NOK million	NOTE	2015	2014
Profit/loss before taxes		506	430
Amortisation, depreciation and impairment charges		269	244
Changes in net working capital, etc.		-106	59
Dividend (share of profit after dividend) from joint venture	6	-14	6
Taxes paid		-92	-139
CASH FLOW FROM OPERATING ACTIVITIES		563	600
Investments property, plant and equipment and intangible assets	17,18	-430	-313
Other capital transactions		5	2
CASH FLOW FROM INVESTING ACTIVITIES		-425	-311
Dividends		-124	-109
Proceeds from exercise of share options		11	48
Buy-back of treasury shares		-5	-76
Gain/(loss) on hedges of net investments in subsidiaries		-76	-72
NET PAID TO SHAREHOLDERS		-194	-209
Repayment of interest-bearing debt		-123	-761
Proceeds from interest-bearing liabilities		137	767
Change in interest-bearing receivables		-2	-3
CHANGE IN NET INTEREST-BEARING LIABILITIES	27	12	3
CASH FLOW FROM FINANCING ACTIVITIES		-182	-206
CHANGE IN CASH AND CASH EQUIVALENTS	23	-44	83
Cash and cash equivalents as of 1 January		168	39
Change in cash and cash equivalents		-44	83
Currency effect of cash and cash equivalents		45	46
CASH AND CASH EQUIVALENTS AS OF 31 DECEMBER	23	169	168

INVESTMENT BY CATEGORY

Amounts in NOK million	NOTE	2015	2014
Replacement investments	17,18	246	228
Expansion investments	17,18	184	85
TOTAL		430	313

STATEMENT OF CHANGES IN EQUITY

Amounts in NOK million	Share capital	Share premium fund	Other paid-in equity	Retained earnings	Hedging reserve	Translation effect	Actuarial gains/losses	Total Group equity	Non controlling interests	Total equity
EQUITY 31 DECEMBER 2013	99	1,346	308	210	-34	-86	4	1,847	9	1,856
Profit/loss for the year	-	-	-	334	-	-	-	334	-2	332
Items in Comprehensive income	-	-	-	-	-214	108	-8	-114	1	-113
The Group's comprehensive income	-	-	-	334	-214	108	-8	220	-1	219
Paid dividend	-	-	-	-109	-	-	-	-109	-	-109
Buy-back of treasury shares	-	-	-	-76	-	-	-	-76	-	-76
Exercise of share options	-	-	43	-	-	-	-	43	-	43
Shares to employees	-	-	8	-	-	-	-	8	-	8
Reduced tax payable of exercised share options	-	-	8	-	-	-	-	8	-	8
Option costs (share based payment)	-	-	-	-	-	-	-	-	-	-
EQUITY 31 DECEMBER 2014	99	1,346	367	359	-248	22	-4	1,941	8	1,949
Profit/loss for the year	-	-	-	386	-	-	-	386	-2	384
Items in Comprehensive income	-	-	-	-	-208	67	-19	-160	-1	-161
The Group's comprehensive income	-	-	-	386	-208	67	-19	226	-3	223
Paid dividend	-	-	-	-124	-	-	-	-124	-	-124
Buy-back of treasury shares	-	-	-	-5	-	-	-	-5	-	-5
Exercise of share options	-	-	3	-	-	-	-	3	-	3
Shares to employees	-	-	12	-	-	-	-	12	-	12
Reduced tax payable of exercised share options	-	-	-	-	-	-	-	-	-	-
Option costs (share based payment)	-	-	3	-	-	-	-	3	-	3
EQUITY 31 DECEMBER 2015	99	1,346	385	616	-456	89	-23	2,056	5	2,061

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NOTE 01 General information

The consolidated financial statements for Borregaard ASA (Borregaard/Group), including notes, for the year 2015, were endorsed by the Board of Directors of Borregaard ASA on 15 March 2016. Borregaard ASA is a public limited company and its offices are located in Hjalmar Wessels vei 6, 1721 Sarpsborg, Norway. Borregaard develops, produces and markets specialised biomaterials, biochemicals and biofuels to a wide range of customers in global niches. Borregaard's business model is linked to its advanced biorefinery that utilises the different components in the biomass to produce high value added products that to a large extent can substitute petrochemical alternatives. Borregaard is an international company with production units and sales offices in the world's most important industrial markets.

The financial statements for 2015 have been prepared and presented in full compliance with the International Financial Reporting Standards (IFRS), as adopted by the EU. The valuation and recognition of the items in the financial statements have been carried out in accordance with current IFRS standards. The consolidated financial statements contain certain items that are crucial to understand the financial results for 2015. The most important principles are described below. Borregaard is exposed to currency risk for most of its sales, primarily in USD and EUR. A substantial part of this exposure, defined as estimated net cash flow in USD or EUR, is routinely hedged on a rolling basis with a nine-month time horizon. Subject to certain criteria being met, the hedging horizon may be extended to three years in order to lock in favourable

margins. On the revenue side, most of Borregaard's business segments are exposed to price risk in international markets. The accounting policies regarding hedging are described in Note 4 and information regarding currency risks is provided in Note 28. "Other income and expenses" (OIE) are presented as part of operating profit in the Income Statement, but are presented after adjusted EBITA in the segment information in Note 7, which are reported according to management reporting. See Note 12 for details and specifications. The accounting policies for business areas are described in Note 4 and segment information for the various business areas is provided in Note 7.

Borregaard has business areas as operating segments. The operating segments correspond to the way in which the business areas report figures to the Group executive management (key decision maker). The segments are divided into Performance Chemicals, Specialty Cellulose and Other Businesses. Borregaard has largely switched to defined contribution pension plans. The contractual early retirement scheme in Norway is accounted for as a defined contribution plan. This may be changed if reliable and consistent data that justify accounting for the plan as a defined benefit plan can be obtained.

Impairment tests that have been carried out confirm that the value of the combined Borregaard Group's most exposed assets are intact as of 31 December 2015. See Note 16 for further details.

NOTE 02 Basis for preparation

Borregaard ASA was incorporated as a public limited liability company on 22 August 2012. The company was inserted as a holding company of Borregaard AS. The transaction was not a business combination and did not result in any change of economic substance. Accordingly, the consolidated financial statements of Borregaard ASA are a continuation of the existing Borregaard Group. The Biorefinery business was transferred from Borregaard Industries Limited (BIL) to Borregaard AS on 30 March 2012. Historical figures from the transferred business from BIL (continuity) are the basis for the historical figures of Borregaard AS and the Borregaard Group. The Borregaard Group includes subsidiaries and joint venture directly and indirectly owned by Borregaard ASA. The consolidated financial statements are primarily based on the historical cost principle.

Hedging instruments which satisfy the criteria for hedge accounting, are reported at fair value in the statement of

financial position and changes in fair value are recognised in comprehensive income. Derivatives which do not satisfy the criteria for hedge accounting, are recognised at fair value through profit and loss.

Assets that no longer justify their value are written down to the recoverable amount, which is the higher of value in use and fair value minus selling costs.

The accrual accounting principle and the going concern assumption are underlying assumptions for preparing the combined financial statements.

An asset or liability is classified as current when it is part of a normal operating cycle, when it is held primarily for trading purposes, when it falls due within 12 months and when it consists of cash or cash equivalents on the statement of financial position date. Other items are non-current. A

dividend does not become a liability until it has been formally approved by the General Meeting. The amortisation of intangible assets and "Other income and expenses" are presented on separate lines, broken down by segment.

All amounts are in NOK million unless otherwise stated. The functional currency of the parent company (Borregaard ASA) is NOK and the Group's reporting currency is NOK. Currency exchange rates as of 31 December are used in the balance sheet, whereas average currency exchange rates are used in the profit and loss.

CONSOLIDATION PRINCIPLES

The consolidated financial statements show the overall financial results and the overall financial position when the parent company Borregaard ASA and its controlling interests are presented as a single economic entity. All the companies have applied consistent principles and all internal matters between the companies have been eliminated.

Interests in companies in which the Group alone has controlling influence (subsidiaries) have been fully consolidated, line by line, in the consolidated financial statements from the date the Group has control and are consolidated until the date that such control ends. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. If the Group controls a subsidiary, the non-controlling interests' share of profit or loss after tax and their share of equity are presented on separate lines.

Interests in companies in which the Group together with others has joint control (joint ventures, see Note 6) are consolidated based on the equity method. The profit or loss from the joint venture is part of operating profit. Borregaard ASA does not have any interests in associated companies (normally 20-50% owned companies).

NOTE 03 New accounting standards

The consolidated financial statements will be affected by IFRS amendments in the future. Many IFRS projects are in the final phases, but many of them have either not been finally adopted or not been endorsed by the EU. It is highly likely that many of these projects will be adopted. The following section covers only the amendments that will or may be of relevance for accounting in Borregaard.

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. In order to expedite the replacement of IAS 39, the IASB divided the project into phases: classification and measurement, hedge accounting and impairment. New principles for impairment were published in July 2014 and the standard is now completed. The parts of IAS 39 which have not been amended as part of this project, have been transferred into IFRS 9. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. No material changes are expected.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The IASB and the FASB have issued their joint revenue recognition standard, IFRS 15. The standard replaces existing

IFRS and US GAAP revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment). The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. Borregaard is currently evaluating the potential consequences of the standard. So far, no material changes are expected.

IFRS 16 LEASES

The standard requires recognition of the discounted value of the right to use assets and the related lease liability in the balance sheet. Based on the reported lease obligations (see note 32), it indicates a recognition of right to use assets of NOK 255 million. It will reduce the equity share from 49.4% in 2015 to approximately 47%. Under the current regulations the lease costs are recognised as operating costs. The new standard requires the right to use assets to be depreciated over the leasing period and to be presented as part of depreciations of property, plant and equipment. The interest expense will be presented as part of financial items. The standard is effective from 1 January 2019.

NOTE 04 Key accounting principles

INCOME STATEMENT

Sales are recognised when it is probable that economic benefits will flow to the company and the amount of the revenue can be measured with reliability. Sales revenues are presented after deducting discounts, value added tax and other government charges and taxes. Borregaard sells goods in many different markets, and revenues from the sale of goods are recognised in the income statement when the risk and rewards of ownership of the goods are passed to the buyer, in accordance with delivery terms. Interest income is recognised in the income statement when earned, while any dividends are recognised on the date they are approved for payment. Interest income and dividends are presented under "financial income".

Contracts. The Group at all times has various contracts for the sale and purchase of goods and services in connection with the production. These contracts are regarded as part of Borregaard's ordinary operating activities and are therefore not specified or indicated in any other way. The contracts are deemed to be strictly sale or purchase contracts with no embedded derivatives. The company also enters into currency derivatives contracts.

ASSETS

Property, plant and equipment are tangible assets intended for production, delivery of goods or administrative purposes and have a lasting useful life. They are recognised in the statement of financial position at cost minus any accumulated depreciation and write-downs. Annual major maintenance stops are capitalised as part of property, plant and equipment and depreciated over a period of 12 months. All other maintenance and repairs are expensed under operating expenses as and when the maintenance is carried out, while expenditure on replacements or improvements is added to the cost price of the assets. Property, plant and equipment is depreciated on a straight line basis over the useful life. Residual value and useful lives are reviewed annually. If there is any indication that an asset may be impaired, the asset will be written down to the recoverable amount, if the recoverable amount is lower than the carrying value.

Borrowing costs related to the construction of the Group's own property, plant and equipment are capitalised as part of the cost of the asset.

Intangible assets and goodwill. Capitalised expenditure on internally generated or specially adapted computer programmes is presented as intangible assets. The reinvestment need of specially adapted computer programmes is similar to that of other tangible assets, and the amortisation of intangible assets are presented together with Borregaard's other depreciation.

Research and development (R&D) expenditure is the expenses incurred by Borregaard in conducting research and development, including studies of existing or new products and production processes in order to secure future earnings. Expenditure on research is always expensed as incurred, while expenditure on development are recognised in the statement of financial position if the underlying economic factors are identifiable and represent probable future economic benefits of which Borregaard has control. Borregaard has a large number of projects in process at all times, but the number of projects that end in capitalisation is limited. This is due to the considerable uncertainty throughout the decision-making process and the fact that only a small percentage of all projects culminate in commercial products. Furthermore, the portion of the total project expenses that qualify for recognition in the statement of financial position are relatively small, as it is only from the time the decision to develop the product is made it can be capitalised, and that decision-making point comes at a late stage of the process (see Note 17).

The fair value of intangible assets acquired by the company through business combinations is capitalised. Intangible assets with indefinite life will not be amortised while other intangible assets will be amortised over their useful life.

Goodwill is initially measured at cost, being the excess of the aggregate of the transferred and the amount recognised for noncontrolling interest over the net identified asset acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in income statement. Goodwill and intangible assets with an indefinite useful life must be tested annually for impairment to assess whether the values are recoverable. Borregaard carries out this test prior to preparing and presenting its financial statements for the third quarter. If there are indications of impairments, the assets are tested immediately. A new impairment test is carried out in the fourth quarter when necessary, for instance if the underlying assumptions have changed. Impairment tests are described in Note 16.

Emission rights. Government granted and purchased CO₂ emission allowances expected to be used towards Borregaard's own emissions are recognised as intangible assets at nominal value (cost). The amounts are not amortised but are tested for impairment at least annually. Actual CO₂ emissions which exceed the level covered by emission rights are recognised as a liability. Sale of government granted CO₂ emission rights are recognised at the time of sale at the transaction price. CO₂ emission allowances purchased for trading are measured and classified as inventory.

Inventories are valued at the lower of cost and net realisable value. Purchased goods are valued at purchase cost according to the FIFO principle, while internally manufactured finished goods and work in progress are valued at production cost. Deductions are made for obsolescence. Net realisable value is the estimated selling price minus selling costs.

Receivables are initially recognised at fair value which is generally the original invoice amount. Subsequently, receivables are recognised at amortised cost using the effective interest rate method, less write-downs. Receivables are written down if events potentially causing a loss have occurred that can be measured reliably and that will affect collection of the receivable. The interest rate element is disregarded if it is insignificant, which is the case for the majority of receivables.

Cash and cash equivalents are held for the purpose of meeting short-term fluctuations in liquidity rather than for investment purposes. Cash and cash equivalents consist of cash, bank deposits and current deposits with a maturity of three months or less. As far as possible, excess liquidity in wholly-owned subsidiaries is channelled to Borregaard's cash pools or placed as deposits with Borregaard AS, see Note 23. In some countries there are legal or technical impediments on participating in Borregaard's cash pools or making deposits with Borregaard AS.

DEBT AND LIABILITIES

Pensions. Borregaard mainly has defined contribution pension plans, but also has some defined benefit pension plans, primarily in the USA and Norway.

In the defined contribution pension plans, the company is responsible for making an agreed contribution to the employee's pension assets. The future pension will be determined by the amount of the contributions and the return on the pension savings. Once the contributions have been paid, there are no further payment obligations attached to the defined contribution pension. As a result, there is no liability recorded in the statement of financial position. The pension costs related to defined contribution plans will be equal to the contributions to employees' pension savings in each reporting period. Borregaard uses the covered bonds interest rate on the Norwegian benefit plans. The discount rate is fixed at the rate on high quality corporate bonds with the same lifetime as the pension liabilities (AA-rated corporate bonds).

Defined benefit plans are valued at the present value of accrued future pension benefits at the end of the reporting period. Pension plan assets are valued at their fair value.

Changes in accounting estimates for defined benefit plans are recognised in other comprehensive income and the net interest costs for the period is calculated by using the discount rate for the liability at the beginning of the period on the net

liability. As such the net interest cost consists of interest on the liability and the return on the plan assets, whereas both have been calculated by using the discount rate. Changes in net pension liabilities as a result of payments of premiums and pension payments have been taken into consideration. The difference between the actual return and the accounted return is recognised continuously through other comprehensive income.

The current service cost and net interest income/costs are recognised immediately. The financial part of the pension cost is recognised as part of financial items, the other part is recognised in the salary and personnel cost in the income statement. Changes in value, both in assets and liabilities, are recognised through other comprehensive income.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised through profit and loss when the curtailment or settlement occurs. A curtailment occurs when the Group decides to make a material reduction in the number of employees covered by a plan or amends the terms of a defined benefit plan such that a considerable part of the current employees' future earnings will no longer qualify for benefits or will qualify only for reduced benefits.

The introduction of a new defined benefit plan or an improvement to the current defined benefit plan will lead to changes in the pension liabilities. These will be charged to expenses in a straight line during the period until the effect of the change has been accrued. The introduction of new plans or changes to existing plans which take place with retroactive effect so that the employees immediately accrue a paid-up policy (or a change in a paid-up policy) are recognised in the statement of comprehensive income immediately. Gains or losses linked to curtailments or terminations of pension plans are recognised through profit and loss when they arise.

Provisions. Provisions are recognised in the financial statements in the case of onerous contracts or when restructuring measures have been adopted. Future operating losses will not be part of the provisions. In the case of restructuring provisions, there must be a detailed plan that identifies which parts of the business are to be restructured. The location and number of employees affected and a valid expectation must have been created among those concerned that the restructuring will be carried out. In addition, it must be possible to provide a reliable estimate of the amount of the liability. It is a condition that the restructuring materially changes the size of the business or the way in which it is operated. The provision is calculated on the basis of the best estimate of estimated expenses. If the effect is material, anticipated future cash flows will be discounted using a current pre-tax interest rate that reflects the risks specific to the provision. Provisions as of 31 December 2015 are described in Note 20.

Contingent liabilities and contingent assets. A contingent liability or asset is a possible obligation or a possible asset whose existence is uncertain and will be confirmed by the occurrence or non-occurrence of a future event, such as the outcome of legal proceedings or the final settlement of an insurance claim. Contingent liabilities are recognised in the financial statements if there is a more than a 50% probability that the liability has arisen; if the probability is lower, the matter is disclosed in notes to the financial statements unless the probability of payment is remote. An asset will only be recognised in the statement of financial position if it is virtually certain (95%) that the Group will realise the asset. The disclosure requirement applies to other contingent assets.

Taxes. Income tax expense consists of the total of current taxes and changes in deferred tax. Current taxes are recognised in the financial statements at the amount that is expected to be paid to the tax authorities on the basis of taxable income reported for entities included in combined financial statements. Current taxes and changes in deferred tax are taken to other comprehensive income to the extent that they relate to items that are included in other comprehensive income.

Deferred tax in the statement of financial position have been calculated at the nominal tax rate based on temporary differences between accounting and tax basis of assets and liabilities on the statement of financial position date. Deferred tax liability relating to goodwill has not been recognised in the statement of financial position. Deferred tax assets are continuously assessed and are only recognised in the statement of financial position to the extent it is probable that future taxable profit will be large enough for the asset to be usefully applied. Deferred tax liability and deferred tax assets are offset as far as this is possible under taxation legislation and regulations.

FINANCIAL MATTERS

Foreign currency. Transactions in foreign currencies are recognised at the exchange rate on the date of the transaction, while monetary items in foreign currencies are presented at the exchange rate on the balance sheet date, and any gain/loss is reported in the income statement as financial items. Revenues and expenses in subsidiaries with a functional currency different from the Group's presentation currency are translated monthly at the average exchange rate for the month and accumulated. Statement of financial position items in subsidiaries with a different functional currency are translated at the exchange rate on the balance sheet date. Translation differences are reported in comprehensive income.

Derivatives. Derivatives are measured at fair value on the balance sheet date and reported as receivables or liabilities. Changes in fair value are reported in the income statement in cases where the derivative is not part of a hedge relationship that satisfies the criteria for hedge accounting. Embedded derivatives in contracts are identified and valued separately.

Borregaard currently has no embedded derivatives. Purchases and sales of derivatives are recognised at trade date.

Loans/receivables. Loans and receivables are carried at amortised cost. Thus changes in fair value resulting from changes in interest rates during the interest rate period are not reported in the income statement. Borrowing costs related to the long-term funding are capitalised over the period of the loan facilities.

Hedging. The Group uses the following criteria for classifying a derivative or another financial instrument as a hedging instrument:

- (1) the hedging instrument is expected to be highly effective in offsetting the changes in fair value or the cash flow of an identified object – the hedging effectiveness is expected to be between 80% and 125%,
- (2) the hedging effectiveness can be measured reliably,
- (3) satisfactory documentation is established before entering into the hedging instrument, showing among other things that the hedging relationship is effective,
- (4) for cash flow hedges, that the future transaction is considered to be highly probable, and
- (5) the hedging relationship is evaluated regularly and is considered to be effective.

Fair value hedges. Gains and losses on derivatives designated as hedging instruments in fair value hedges are reported in the income statement and are offset by changes in the value of the hedged item.

Hedges of net investments in foreign currencies. Currency risk on foreign net investments is hedged with currency forward contracts and currency loans. Realised and unrealised effects of the effective part of the hedging instrument are recognised through comprehensive income. Effects from ineffective part of the hedging instrument are recognised through profit and loss.

Cash flow hedges. The effective part of changes in the fair value of a hedging instrument is recognised in comprehensive income and reclassified to the income statement when the hedged transaction affects profit or loss and is presented on the same line as the hedged transaction. The ineffective part of the hedging instrument is reported in the income statement. When a hedging instrument is sold, exercised or terminated, the accumulated gains and losses at this point will remain in hedging reserve of equity and will be recognised in the income statement when the hedged transaction affects profit or loss. If the hedged transaction is no longer expected to occur, the accumulated unrealised gain or loss recognised in the hedging reserve of equity will be recognised in the income statement immediately.

Fair value measurement of financial instruments: The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments, by valuation technique (see Note 21):

- Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets and 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)

The foreign exchange element in currency forward contracts is measured at observable market prices using the foreign exchange rate set by Norges Bank, Norway's central bank. Different maturity dates add an interest-rate element resulting in an estimated fair value of the currency forward contracts.

SEGMENTS

Borregaard develops, produces and markets specialised biomaterials, biochemicals and biofuels to a wide range of customers in global niches. Borregaard's business model is linked to its advanced biorefinery that utilises the different components in the biomass to produce high value added products that to a large extent can substitute petrochemical alternatives. Borregaard's main product groups are lignin-based products and specialty cellulose in addition to vanillin, bioethanol and fine chemicals, serving a wide range of global growth industries such as construction, agriculture, food and beverages, transportation and pharmaceuticals.

Borregaard has business areas as operating segments. The operating segments correspond to the way in which the business areas report figures to the Group executive management (key decision maker). The business segments are divided into Performance Chemicals, Specialty Cellulose and Other Businesses. From 1 January 2015 there were some changes in the internal reporting, and it has impacted the segment reporting from 2015 onwards. The 2014 segment figures in Note 7 are restated to reflect the change.

Borregaard's Performance Chemicals business develops, produces, markets and sells lignin-based products as a niche supplier and solutions provider. Borregaard's Specialty Cellulose business develops, produces, markets and sells specialty cellulose products as a niche supplier and solutions provider. In addition, Borregaard produces 2nd generation bioethanol.

Performance Chemicals and Specialty Cellulose contribute to more than 80% of the revenue and adjusted EBITA in the Borregaard Group. Borregaard utilises the lignin from the sulphite pulping process to produce wood-based vanillin. Other Businesses consists of the areas Ingredients and Fine Chemicals in addition to utilities (water works, incineration facilities and purification plants) and services at the Sarpsborg site and corporate functions. Borregaard is a supplier of fine chemicals for the global pharmaceutical industry. Borregaard also produces certain of the chemicals used in its production

processes in Sarpsborg and sells excess chemicals from such production to customers. See Note 7.

The arm's length principle is applied to pricing of transactions between the various segments and companies. Borregaard AS provides services to the companies in the Group and charges them for these services.

Figures for the geographical distribution of capital employed, investments in property, plant and equipment, sales revenues and the number of man-years are also presented. See Note 8.

OTHER MATTERS

Acquisitions. Business combinations are accounted for using the acquisition method. In connection with the acquisition of a subsidiary, the establishment of a joint venture or any acquisitions of significant influence in associates, a purchase price allocation is carried out. The acquisition is reported in the financial statements from the date the Group has control. The date of control is normally the date on which the acquisition agreement takes effect and has been approved by all relevant authorities. Assets and liabilities are valued at fair value at the time of acquisition. If there are non-controlling interests in the acquired company, these will be valued at their share of identified assets and liabilities. Goodwill allocated to non-controlling interests is considered separately in each acquisition. Goodwill is determined as the excess of the purchase price and the amount recognised as non-controlling interest over the fair value of identified assets and liabilities assumed.

Cash flow. The cash flow statement has been prepared according to the indirect method and reflects cash flows from operating, investing and financing activities and explains changes in "Cash and cash equivalents" in the reporting period.

Leasing. Leases are classified according to the extent to which the risks and rewards associated with ownership of a leased asset lie with the lessor or the lessee. A lease is classified as a finance lease if it substantially transfers all risks and rewards incidental to ownership of an asset to the Company. Finance leases will be capitalised and depreciated over the lease period. Other leases are operating leases. Lease expenses related to operating leases are reported as current operating expenses.

Government grants. Government grants are recognised in the financial statements when there is a reasonable assurance that they will be received. The grants are presented either as revenue or as a reduction in costs and, in the latter case, matched with the costs for which they are intended to compensate. Government grants that relate to assets are recognised as a reduction in the acquisition cost of the asset. The grant reduces the depreciation of the asset. The amounts of government grants are specified in Note 35.

NOTE 05 Use of estimates in preparing the financial statements

Management has made use of estimates and assumptions in preparing the financial statements. This applies to assets, liabilities, revenues, expenses and supplementary information related to contingent liabilities. Areas where estimates have considerable significance are, for example:

Amounts in NOK million	NOTE	ESTIMATE/ASSUMPTIONS	CARRYING VALUE
Property, plant and equipment	18	Recoverable amount and estimation of correct remaining useful life	2,122
Goodwill and other intangible assets	17	Net present value future cash flows/NSV ¹	73
Pension liabilities (net)	10	Economic and demographic assumptions	104
Research & development	17	Assumptions of what is considered as reasearch and development respectively. Some development is capitalised	41
Environmental liabilities	12/36	Estimated costs for permanent closure of the Opsund landfill and other potential liabilities	23
Property damage coverage silo fire incident	12/36	Expected insurance compensation for property damage net of deductibles and write-down	46

¹ NSV: net sales value

Property, plant and equipment are largely based on a directly paid cost price and depreciated over estimated useful life. In the case of several of Borregaard's tangible assets, changes in assumptions may lead to substantial changes in value.

Other estimates and assumptions are reported in various notes and any information that is not logically included in other notes is presented in Note 36 "Other matters and subsequent events".

Future events and changes in operating parameters may make it necessary to change estimates and assumptions. New interpretations of standards may result in changes in the principles chosen and presentation. Such changes will be

recognised in the financial statements when new estimates are prepared and whenever new requirements with regard to presentation are introduced. These matters are discussed in both the section on principles and other notes.

EXERCISE OF JUDGEMENT

The financial statements may also be affected by the choice of accounting principles and the judgement exercised in applying them. This applies, for instance, to the distinctions between operating and finance leases, and to the assessment of items presented as "Other income and expenses" on a separate line. It is important to note that a different set of assumptions for the presentation of the financial statements could have resulted in changes in the lines presented.

NOTE 06 Joint Ventures

The Group has a 50% interest in Umkomaas Lignin Ltd, a joint venture within Performance Chemicals. The Group's interest in the joint venture is accounted for using the equity method in the consolidated financial statements. The result from the joint venture is accounted for as part of operating revenues.

JOINT ARRANGEMENTS IFRS 11

Amounts in NOK million	2015	2014
Operating revenues	391	370
Operating expenses	-202	-219
Net financial items	8	5
Profit before taxes	197	156
Taxes	-55	-44
Profit/loss for the year before dividend	142	112
Borregaard's share of profit for the year	71	56
Non-current assets	90	104
Current assets	142	142
Cash and cash equivalents	39	36
Total assets	271	282
Equity	212	212
Non-current liabilities	8	12
Current liabilities	51	58
Equity and liabilities	271	282
Borregaard's carrying amount of the investment	106	106

Summarised financial information of the joint venture, based in its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	2015	2014
SHARE IN JOINT VENTURE 1 JANUARY	106	101
Share of profit after tax	71	56
Dividend	-57	-61
Currency translation effect	-14	10
Share in joint venture 31 December	106	106

NOTE 07 Segments

The Group applies the same principles for the presentation of segment information as for the rest of its consolidated financial statements, and the operating profit/loss in the segment information is identical to the information presented in the income statement for the Group. There is therefore no need for further reconciliation of these income statement items. Borregaard has a central finance function, and the financing of the various segments does not necessarily reflect the real financial strength of the individual segments. Financial items are therefore presented only for the Group as a whole.

The segment information tables show the key figures in which management monitors the business, such as total operating revenue, operating expenses, adjusted EBITA, amortisation and

write downs of intangible assets, other income and expenses and operating profit for each business area. It does not disclose internal sales between the various segments as it is considered immaterial.

The table on the next page shows the revenues generated by the Performance Chemicals segment, the Specialty Cellulose segment and Other Businesses.

The segment information also includes cash flow from operations, replacement investments, expansion investments and working capital for each area.

Segment reporting changed from 1 January 2015, the 2014 segment figures are restated to reflect the change, see note 37.

SEGMENTS 2015

Amounts in NOK million	PERFORMANCE CHEMICALS	SPECIALTY CELLULOSE	OTHER BUSINESSES	ELIMINATIONS	BORREGAARD GROUP
INCOME STATEMENT					
Total operating revenue	2,008	1,436	755	-35	4,164
Operating expenses and depreciation	-1,561	-1,332	-809	35	-3,667
EBITA	447	104	-54	-	497
Amortisation and write downs intangible assets	-1	-	-	-	-1
Other income and expenses	-9	46	-	-	37
Operating profit	437	150	-54	-	533
Net financial items	-	-	-	-	-27
Profit before tax	-	-	-	-	506
CASH FLOW					
Cash flow from operations ³	392	227	77	-	696
Replacement expenditures	-75	-81	-90	-	-246
Expansion investments	-48	-34	-102	-	-184
CAPITAL STRUCTURE					
Working capital at year end	478	372	25	-	875
Capital employed at year end ⁴ (see note 8)	-	-	-	-	3,135
Return on capital employed ⁵	-	-	-	-	15.6%

SEGMENTS 2014

Amounts in NOK million	PERFORMANCE CHEMICALS	SPECIALTY CELLULOSE	OTHER BUSINESSES	ELIMINATIONS	BORREGAARD GROUP
INCOME STATEMENT					
Total operating revenue	1,822	1,459	682	-24	3,939
Operating expenses and depreciation	-1,434	-1,296	-747	24	-3,453
EBITA	388	163	-65	-	486
Amortisation and write downs intangible assets	-	-	-	-	-
Other income and expenses	-	-	-30	-	-30
Operating profit	388	163	-95	-	456
Net financial items	-	-	-	-	-26
Profit before tax	-	-	-	-	430
CASH FLOW					
Cash flow from operations ³	391	248	120	-	759
Replacement expenditures	-48	-84	-96	-	-228
Expansion investments	-4	-19	-62	-	-85
CAPITAL STRUCTURE					
Working capital at year end	363	359	7	-	729
Capital employed at year end ⁴ (see note 8)	-	-	-	-	2,852
Return on capital employed ⁵	-	-	-	-	16.5%

³ Cash flow from operations according to IFRS adjusted for financial items, taxes paid and share of profit/dividend from joint venture.

⁴ Net working capital+intangible assets+tangible assets-net pension liabilities-deferred tax excess value.

⁵ EBITA/(average net working capital+average tangible assets+average intangible assets at cost - average net pension liabilities-average deferred tax excess values).

RECONCILIATION CAPITAL EMPLOYED

Amounts in NOK million	2015	2014
CAPITAL EMPLOYED	3,135	2,852
Other non-current assets	71	67
Cash and cash equivalents	169	168
Net deferred tax	49	2
Interest bearing liabilities	-811	-792
Income tax	-47	-58
Other (derivatives, accruals etc.)	-505	-290
EQUITY	2,061	1,949

RECONCILIATION CASH FLOW FROM OPERATIONS

Amounts in NOK million	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES	563	600
Financial items, net	27	26
Taxes paid	92	139
Share of JV dividend/profit after tax	14	-6
CASH FLOW FROM OPERATIONS BEFORE NET REPLACEMENT EXPENDITURES	696	759
Replacement expenditures	-246	-228
CASH FLOW FROM OPERATIONS	450	531
Expansion investments	-184	-85

RECONCILIATION WORKING CAPITAL

Amounts in NOK million	2015	2014
Receivables	838	707
Inventories	676	610
Other liabilities	-842	-753
Derivatives etc included in above items	203	165
WORKING CAPITAL	875	729

NOTE 08 Geographical breakdown of capital employed, investments, number of man-years and sales revenues

Amounts in NOK million	CAPITAL EMPLOYED		INVESTMENTS		NUMBER OF MAN-YEARS ⁶		SALES REVENUES	
	2015	2014	2015	2014	2015	2014	2015	2014
Norway	2,600	2,378	357	271	749	747	203	138
Rest of Europe	163	134	9	7	122	127	1,773	1,678
Asia	24	19	1	1	50	53	962	896
America	242	215	63	34	106	101	1,029	1,045
Rest of the world	106	106	-	-	-	-	108	91
TOTAL	3,135	2,852	430	313	1,027	1,028	4,075	3,848

SALES REVENUES PER PRODUCT GROUP

Amounts in NOK million	2015	2014
Performance Chemicals	1,952	1,779
Cellulose	1,339	1,344
Ethanol	90	112
Fine Chemicals	217	185
Ingredients	351	328
Other	126	100
TOTAL REVENUES	4,075	3,848

⁶ Excluding employees in joint venture in Ligno Tech South Africa.

NOTE 09 Payroll expenses and remuneration

Amounts in NOK million	2015	2014
Wages	-677	-621
Sharebased payments (options and discounted shares)	-5	-3
Employer's national insurance contribution	-88	-93
Pension costs (see note 10)	-52	-43
Remuneration to Board Members	-3	-3
Other payments etc	-	-
PAYROLL EXPENSES	-825	-763
Average number of man-years	1,030	1,008

REMUNERATION OF THE EXECUTIVE MANAGEMENT

2015

Amounts in NOK thousand	BASE SALARY	BONUS	PENSION COST	BENEFITS IN KIND	TOTAL
Per A. Sørli	2,993	798	565	231	4,587
Morten Harlem	1,962	757	254	210	3,183
Tom Erik Foss-Jacobsen	1,569	419	172	200	2,359
Gisle Løhre Johansen	1,572	420	183	203	2,378
Ole Gunnar Jacobsen	1,472	393	153	186	2,204
Tuva Barnholt	1,453	387	183	202	2,226
Per Bjarne Lyngstad	1,654	441	197	189	2,481
Dag Arthur Aasbø	1,450	387	157	190	2,184
Sveinung Heggen	1,940	186	262	174	2,562
TOTAL REMUNERATION	16,065	4,189	2,127	1,784	24,164

2014

Amounts in NOK thousand	BASE SALARY	BONUS	PENSION COST	BENEFITS IN KIND	TOTAL
Per A. Sørli	2,854	829	545	213	4,441
Morten Harlem	1,846	943	243	193	3,225
Tom Erik Foss-Jacobsen	1,491	435	163	189	2,279
Gisle Løhre Johansen	1,497	436	174	189	2,296
Ole Gunnar Jacobsen	1,401	409	145	175	2,130
Tuva Barnholt	1,383	403	173	185	2,143
Per Bjarne Lyngstad	1,578	459	188	188	2,413
Dag Arthur Aasbø	1,381	403	149	160	2,092
Sveinung Heggen	1,891	196	253	171	2,511
TOTAL REMUNERATION	15,321	4,513	2,032	1,663	23,529

Remuneration is actual paid remuneration in the respective years and includes vacation pay on salary and bonuses earned the previous year. Bonuses however is accrued bonuses the respective years to be paid the next year.

REMUNERATION GUIDELINES

Borregaard's remuneration guidelines for persons in managerial positions cover base salary, pensions, annual bonus and long-term incentives (LTI).

In general, remuneration shall be competitive and simple with long-term arrangements that have appropriate flexibility. Furthermore there should be consistency between the personal compensation elements and the Company's goals and results. Borregaard uses recognised external job assessment systems to benchmark its remuneration programme. In addition to the

executive management, a few key persons are also included in the annual bonus and LTI plan.

The *base salary* level should be close to the median for comparable companies and positions.

The *pension scheme* is based on a defined contribution plan for all employees in Norway. In general, the intention is that the system should give the same relative pension independent of salary level. The contribution level is 5% of salary between 1 and 6 G (1 G is Norwegian National Insurance Scheme's

basic amount and was NOK 90.068 as of 31 December 2015), 8% of salary between 6 and 12 G and 20% of salary over 12 G.

Annual bonuses

Annual bonuses are based on performance within financial results (ROCE⁸ and EVA-improvement⁹) and EHS (safety and sick leave) in addition to specific personal goals. Maximum annual bonus is 50% of the annual base salary. A defined "good performance level" should, over time, give a bonus of 30%. Annual bonus includes holiday payment, but does not provide basis for pension contributions. If, during a period of three years after the bonus is paid out, it appears that the basis for the bonus calculation was wrong, the company has the right to make corrections in the form of reduced future bonus payments.

General information about the LTI scheme (established in 2014)

The Borregaard long-term incentive (LTI) scheme is a share option scheme related to the share price and is part of an overall remuneration programme for senior management and key personnel. The share option scheme implies that employees can obtain options that entitle them to purchase a defined number of shares at a given value after a fixed period of time. In order to adapt the scheme to its objectives, allocation of new share options and opportunities for gain and opportunities for gain are subject to a number of limitations.

The Board of Directors will consider on an annual basis whether to allocate options, and can provide guidance for such allocation in accordance with the framework of these guidelines. The Board may decide whether the options are to be actual or synthetic.

The share option scheme must be approved at Borregaard's General Meeting. The Board and its compensation committee will ensure that the allocation of options and the administration of the scheme comply with the intentions.

The purpose of the scheme

The scheme is based on two main factors:

- Strengthening of the ownership perspective, in that the development of shareholder value (share price) and investment in shares are the criteria for this compensation.
- Retention; Providing senior managers and other key personnel an incentive for staying with the company over the long term.

Allocation criteria

Options may be granted to employees in certain senior positions where there is a particular need for an ownership perspective and a long-term attachment to the company. This applies to the President and CEO and other members of the Group Executive Management as well as key personnel and specialists in the business areas and corporate staff based on a number of defined criteria.

Restrictions on allocations

- Annually, the total allocation of new share options can only account for a maximum of 1% of the company's shares. The total number of outstanding options can maximum be 2.5% of the company's shares. The maximum annual allocation of stock options on an individual basis is the number of options multiplied by the share price on the allocation date that corresponds to two annual salaries for the President and CEO and one annual salary for other employees.

Restrictions on gains

- Share options shall have a pre-defined strike price based on a minimum share price increase determined at allocation, where actual interest rates are part of the assessment of the strike price. The strike price shall be adjusted for dividends and other factors relevant to share capital (e.g. buy-backs, write-downs and new share issued).
- The total individual gain on redemption per calendar year can amount to a maximum of two annual salaries for the President and CEO and one annual salary for other employees.

Time limits

- The share options will expire after five years, the vesting period is three years and the options can be exercised during the last two years.

Requirements for the purchase of shares

- Employees must use at least half of the gain (after tax) to purchase Borregaard shares, with a lock-in period of three years.
- The members of the Group Executive Management team are expected to build up and own a holding of Borregaard shares corresponding to two annual salaries for the President and CEO and one annual salary for other staff.

In 2014, The Board of Directors, within these guidelines, issued 500,000 share options (Programme 3), corresponding to 0.5% of the total number of shares, to 21 employees. 285,000 of the options were granted to the members of the Group Executive Management. Strike price was set to NOK 49.25 which was 10% above the share price at the time of allocation.

In 2015, The Board of Directors, within these guidelines, issued 500,000 share options (Programme 4), corresponding to 0.5% of the number of shares, to 21 employees. 290,000 of the options were granted to the members of the Group Executive Management team. Strike price was set to NOK 51.49 which was 10% above the share price at the time of allocation. After the allocation, total number of outstanding share options corresponds to 1.3% of the total number of shares.

⁸ $EBITA / (\text{average net working capital} + \text{average tangible assets at cost} - \text{average net pension liabilities} - \text{average deferred tax excess value})$.

⁹ Economic value added.

SHARE OPTION PROGRAMMES RELATED TO THE IPO IN 2012

Being part of Orkla ASA up to October 2012, Borregaard was included in Orkla's share option programs. In connection with the IPO of Borregaard ASA in 2012, the Board of Directors resolved to offer Borregaard employees who held share options in Orkla ASA to exchange these for an equal number of share options in Borregaard ASA at a strike price of NOK 20.03 (average share price first day after announcement of 3rd quarter 2012 results). Total number of share options exchanged was 1,590,000 (Programme 1). The life of the options changed from 6 to 4 years and the vesting period changed from 3 to 1 year. The incremental fair value granted as a result of the modifications was NOK 3.6 million measured by the Black-Scholes model.

In addition, members of the Group Executive Management were offered 950,000 new share options at a strike price of NOK 22.50 (Programme 2).

Share based related costs for 2015 for the Group Executive Management was NOK 1.2 million in total for all programmes.

Both option programmes 1 and 2 have a maturity of 4 years, and were vested on 18 October 2013. The maximum total profit resulting from exercise of the share options is limited to the equivalent of twice the base salary for the President and CEO and equivalent to the annual base salary for the other members of the Group Executive Management in the period of exercise (i.e. 6 and 3 years base salaries respectively). At least 50% of proceeds after tax must be used to purchase shares in the Company until the shareholdings equal twice, or are equal to, the annual base salary for the President and CEO and the rest of the Group Executive Management respectively. 125,000 share options have been exercised in 2015 according to Programme 2.

Changes in outstanding share options for Borregaard's employees are shown in the following table:

NUMBER OF SHARE OPTIONS	2015		2014	
	NO.	WAEP*	NO.	WAEP*
Outstanding at the beginning of the year	958,800	34.91	2,540,000	19.95
Exercised during the year	-125,000	-	-2,081,200	-
Granted during the year	500,000	51.49	500,000	49.25
Forfeited during the year	-20,000	-	-	-
Outstanding at year-end	1,313,800	41.61	958,800	34.91
Exercisable options at year-end**	1,313,800	-	958,800	-

* Weighted average exercise price adjusted for dividend. Amounts in NOK.

** Expire dates are 31 October 2016 for 313,800 options, 25 October 2019 for 500,000 options and 27 October 2020 for 500,000 options.

Borregaard has used the Black-Scholes model when estimating the value of the options. The volatility is calculated on the basis of the average volatility the past years for Borregaard and Borregaard peers. In the model, new option awards have been based on the 2014 assumptions and the IPO awarded options are based on the 2013 assumptions in the following table:

ASSUMPTIONS	2015	2014
Expected dividend-yield (%)	-	-
Expected volatility (%)	28	27
Historical volatility (%)	28	27
Risk-free return (%)	1.5	2.0
Expected life of option (years)	5.0	5.0
Weighted average share price (NOK)	45.09	44.80

SHARE OPTIONS AND SHARES HELD BY GROUP EXECUTIVE MANAGEMENT AS OF 31 DEC

	PROGRAMME 1 STRIKE NOK 16.68		PROGRAMME 2 STRIKE NOK 19.15		PROGRAMME 3 STRIKE NOK 48.00		PROGRAMME 4 STRIKE NOK 51.49		SHARES	
	No. of share options		No. of share options		No. of share options		No. of share options		No. of shares	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Per A. Sørli	-	-	125,000	250,000	60,000	60,000	60,000	-	135,990	110,987
Morten Harlem	-	-	-	-	40,000	40,000	45,000	-	45,959	45,084
Tom Erik Foss-Jacobsen	-	-	-	-	30,000	30,000	30,000	-	35,615	34,740
Gisle Løhre Johansen	-	-	-	-	25,000	25,000	25,000	-	30,059	29,184
Ole Gunnar Jacobsen	6,300	6,300	-	-	25,000	25,000	25,000	-	28,363	27,488
Tuva Barnholt	-	-	-	-	25,000	25,000	25,000	-	29,168	28,293
Per Bjarne Lyngstad	10,000	10,000	-	-	30,000	30,000	30,000	-	53,596	52,721
Dag Arthur Aasbø	12,500	12,500	-	-	25,000	25,000	25,000	-	43,596	39,721
Sveinung Heggen	-	-	-	-	25,000	25,000	25,000	-	8,084	4,209
TOTAL	28,800	28,800	125,000	250,000	285,000	285,000	290,000	-	410,430	372,427

The reduction in share options from 2014 to 2015 in programme 2 are related to exercised options during 2015. No outstanding share options had expired as of 31 December 2015.

DISCOUNTED SHARES FOR EMPLOYEES

In 2013, the Group established a programme that gives employees, including the members of the Group Executive Management, the opportunity to buy a limited number of shares at a discount of 30% in relation to the market price with a maximum amount of NOK 28,000 (after discount). The programme was available to 983 employees in 2015. Shares were purchased by 363 employees, 322 in Norway and 41 outside Norway. Cost in 2015, including administration costs, related to the share purchase programme amounted to approximately NOK 4 million (NOK 3 million in 2014).

SPECIAL AGREEMENTS WITH THE CEO

If the President and CEO, Per A. Sørli, by mutual agreement and in the best interest of the company, terminates the employment contract, the employee will receive pay and contractual benefits for up to 18 months after the period of notice. 75 % of any income from another permanent post during the 18-month period will be deducted. The President and CEO is included in the company's ordinary pension schemes and in addition has a pension agreement to recover 60 % of annual pay including benefits from 65 to 67 years with no deduction for income from other permanent post.

REMUNERATION OF THE BOARD OF DIRECTORS

In the General Meeting of the Company's shareholders in April 2015 it was determined that The Board of Directors is remunerated at annual rates for the period up to the next General Meeting in 2016:

BOARD OF DIRECTORS			
Board Chair	NOK	422,500	per year
Board member	NOK	253,500	per year
Observer	NOK	84,500	per year
Deputy for observer	NOK	6,400	per meeting
AUDIT COMMITTEE			
Committee Chair	NOK	79,300	per year
Member	NOK	53,000	per year
COMPENSATION COMMITTEE			
Committee Chair	NOK	47,400	per year
Member	NOK	37,000	per year

REMUNERATION OF EMPLOYEE-ELECTED BOARD MEMBERS

2015

Amounts in NOK thousand	BASE SALARY	BOARD ALLOW- ANCE	BENEFITS IN KIND/ BONUS	PENSION
Åsmund Dybedal	521	252	23	24
Ragnhild Anker Eide	774	252	17	48

REMUNERATION OF THE NOMINATION COMMITTEE

The Chair of the Nomination Committee receives NOK 52 500 per year and an additional NOK 8 500 per meeting exceeding 4 meetings. Other members receive NOK 37 000 per year and an additional NOK 6 800 per meeting exceeding 4 meetings.

FEEES TO GROUP EXTERNAL AUDITOR

Amounts in NOK million	2015	2014
Statutory audit	4	4
Other attestation services	-	1
Tax consultancy services	1	1
Other non-audit services	1	-
TOTAL FEES TO EY	6	6
STATUTORY AUDIT FEE TO OTHER AUDITORS	-	1

NOTE 10 Pensions

DEFINED CONTRIBUTION PLANS

Defined contribution plans comprise arrangements whereby the company makes annual contributions to the employees' pension plans, and where the future pension is determined by the amount of the contributions and the return on the pension plan assets. Contribution plans also comprise pension plans that are common to several companies and where the pension premium is determined independently of the demographic profile in the individual companies (multi-employer plans). Employees in Borregaard are mainly covered by pension plans classified as contribution plans.

DEFINED BENEFIT PLANS

Borregaard has pension plans that are classified as funded benefit plans and unfunded benefit plans. Expected contributions for the next year, 2016, to the defined benefit plan obligation is NOK 14 million. The largest part of the benefit plans are in the USA and Norway.

USA

The pension plans in the USA contains three different plans; two defined benefit plans for salaried and hourly employees and one supplemental postretirement plan.

Norway

The net pension liabilities consist of unfunded pension plans for key personnel and liabilities related to contribution-based plans for employees who earn more than twelve times the Norwegian National Insurance Scheme's basic amount (12G). The pension plan for employees in Norway who earn more than 12G is a contribution-based plan. The sum of the accrued contributions and the return on the plan assets are presented

as a pension liability in the company's statement of financial position. The pension plan is therefore presented as a defined benefit plan.

The new early retirement scheme (new AFP) is recognised as a multi-employer defined contribution plan. This may change if there are sufficient reliable, consistent data to be able to recognise it as a defined benefit plan. The premium for the new early retirement scheme will increase from 2,4 % in 2015 to 2,6 % in 2016 of total payments of wages between 1 and 7.1 times the average basic amount. All employees in Norway younger than 61 years are included, in average 781 employees in 2015, and the cost in 2015 is NOK 9 million.

ASSUMPTIONS RELATING TO DEFINED BENEFIT PLANS

The discount rate is fixed at the rate on high quality corporate bonds with the same lifetime as the pension liabilities (AA-rated corporate bonds). As a rule, parameters such as wage growth, growth in G (future social security wage base) and inflation are set in accordance with recommendations on the various countries. The mortality estimate is based on up-to-date mortality tables for the various countries. (K2013 in Norway and RP-2014 with RP-2015 Projection scale in USA).

PENSION PLAN ASSETS

The pension plans with pension plan assets are located in the USA. Pension plan assets are mainly invested in bonds and shares. The estimated return will vary depending on the composition of the various classes of assets. The breakdown of pension plan assets is presented below.

ASSUMPTIONS DEFINED BENEFIT PLANS

	NORWAY		USA	
	2015	2014	2015	2014
Discount rate	2.6%	2.3%	4.0%	4.0%
Rate of return on assets	-	-	4.0%	4.0%
Future salary adjustment	2.25%	2.5%	4.0%	4.0%
G-multiplier * / Future social security wage base	2.25%	2.5%	4.5%	4.5%
Turnover	2.0%	2.0%	2.5%	2.2%
Expected average remaining vesting period	11.8	12.0	2.73	2.76

* 1G is NOK 90,068 as of 31.December 2015.

BREAKDOWN OF NET PENSION COSTS

Amounts in NOK million	2015	2014
Contribution plans	-38	-35
Current service cost	-14	-8
NET PENSION COSTS (incl. national insurance contributions)	-52	-43

BREAKDOWN OF NET PENSION LIABILITIES AS OF 31 DECEMBER

Amounts in NOK million	2015	2014
Present value of funded pension obligations	-380	-320
Pension plan assets (fair value)	380	323
Net funded pension assets	-	3
Present value of unfunded pension obligations	-104	-67
CAPITALISED NET PENSION LIABILITIES	-104	-64

CHANGES IN THE PRESENT VALUE OF PENSION OBLIGATIONS DURING THE YEAR

Amounts in NOK million	2015	2014
Pension obligations 1 January	-387	-305
Current service cost (incl. national insurance contributions)	-14	-8
Interest on pension obligations	-17	-13
Actuarial gains and losses	-12	-8
Benefits paid during the year	13	10
Currency translations	-67	-63
PENSION OBLIGATIONS 31 DECEMBER	-484	-387

CHANGES IN PENSION PLAN ASSETS DURING THE YEAR

Amounts in NOK million	2015	2014
Pension plan assets (fair value) 1 January	323	261
Expected return on pension plan assets	14	11
Contributions and benefits paid during the year	-1	-5
Actuarial gains and losses	-18	1
Currency translations	61	56
PENSION PLAN ASSETS (FAIR VALUE) 31 DECEMBER	380	323

BREAKDOWN OF PENSION PLAN ASSETS (FAIR VALUE)
AS OF 31 DECEMBER

	2015	2014
Cash and cash equivalents and money market investments	1%	1%
Bonds	33%	34%
Shares	66%	65%
Total pension plan assets	100%	100%

SUMMARY OF NET PENSION LIABILITIES AND ADJUSTMENTS IN PAST FIVE YEARS

Amounts in NOK million	2015	2014	2013	2012	2011
Pension obligations	-484	-387	-305	-262	-245
Pension plan assets	380	323	261	209	193
Net pension liabilities	-104	-64	-44	-53	-52

SENSITIVITY

The above pension cost and pension liabilities related to defined benefit schemes, are based on the assumption outlined above. The actuarial calculations are sensitive to any changes in the assumptions. A 1% increase in wage adjustment would imply a 4% increase in pension liability and 8% increase in pension cost (defined benefit schemes).

A 1% increase in discount rate would imply a 10% decrease in pension liability and 2% decrease in pension cost while a 1% reduction in discount rate would imply a 14% increase in pension liability and 5% increase in pension cost. The calculation is based on the weighted average of the defined benefit schemes.

NOTE 11 Other operating expenses

The Borregaard Group has chosen to present its income statement based on the nature of the item of income or expense. Operating expenses have been broken down into the following main items: "Cost of materials", "Payroll expenses", "Depreciation", "Amortisation" and "Other operating expenses". Thus "Other operating expenses" comprises all operating expenses that are not related to cost of materials, employee payrolls and capital costs in the form of depreciation. The most important items have been grouped into the following main items.

Amounts in NOK million	2015	2014
External distribution costs	-350	-308
Repair and maintenance costs	-150	-129
Consultants, legal advisors, temporary staff, etc.	-82	-81
Rental/leasing (see Note 32)	-62	-50
Other	-266	-264
TOTAL OTHER OPERATING EXPENSES	-910	-832

NOTE 12 Other income and expenses

Other income and expenses largely consist of material positive and negative non-recurring items, restructuring costs and any substantial write-downs of both tangible and intangible assets. The main purpose of this line is to present material non-recurring items and items substantially relating to other periods separately to ensure that the changes in and comparability of the lines presented in EBITA are more relevant to the company.

NOK 46 million reflects expected insurance compensation for property damage caused by the fire at the production site in Sarpsborg 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. NOK 9 million in costs for the establishment of a new lignin plant in Florida are also recognised in Other income and expenses.

Amounts in NOK million	2015	2014
Expected insurance compensation for property damage, net of deductibles and write-down of assets (fire at the production site in Sarpsborg) (see note 36)	46	-
Costs for the establishment of the new lignin operation in Florida	-9	-
Estimated costs for permanent closure of the Opsund landfill (see note 36)	-	-30
TOTAL OTHER INCOME AND EXPENSES	37	-30

NOTE 13 Net financial items

Amounts in NOK million	2015	2014
Interest income	5	5
Foreign exchange gain	247	193
TOTAL FINANCE INCOME	252	198
Interest costs	-27	-33
Foreign exchange loss	-249	-189
Other finance costs	-3	-2
TOTAL FINANCE COSTS	-279	-224
NET FINANCIAL ITEMS	-27	-26

NOTE 14 Taxes

TAX EXPENSE

Amounts in NOK million	2015	2014
Profit before tax	506	430
Current tax expense	-110	-118
Deferred tax expense	-12	20
TOTAL TAX EXPENSE	-122	-98
Tax as % of "Profit/loss before taxes"	24.1%	22.8%

RECONCILIATION OF THE GROUP'S TAX RATE

In the following table, reported taxes are reconciled with the tax charge based on the Norwegian tax rate of 27%. The main tax components are specified.

Amounts in NOK million	2015	2014
27% of profit before taxes (tax rate in Norway)	-137	-116
Foreign operations with other tax rates than 27%	-6	-8
Changes in tax rate	7	1
Joint venture	19	15
Permanent differences	1	5
Other current taxes	-3	-1
Correction previous years	-2	7
Other deferred taxes	-1	-1
THE GROUP'S TOTAL TAX EXPENSE	-122	-98

Amounts in NOK million	2015	2014
DEFERRED TAX ON TAX INCREASING/(REDUCING) DIFFERENCES		
Hedging taken to comprehensive income	-116	-70
Intangible assets and Property, plant and equipment	89	81
Net pension liabilities	-32	-18
Gain and loss tax deferral	5	6
Other non-current items	-10	-3
Total non-current items	-64	-4
Current receivables	-2	-2
Inventories	18	21
Provisions	-4	-13
Other current items	3	-3
Total current items	15	3
Losses carried forward	-4	-4
Net deferred tax	-53	-5
Deferred tax assets, not recognised	4	3
NET DEFERRED TAX, RECOGNISED	-49	-2
Change in deferred tax	47	80
Change in deferred tax taken to comprehensive income	-63	-65
Acquisitions/sale of companies, translation effects etc.	4	5
CHANGE IN DEFERRED TAX INCOME STATEMENT	-12	20

NET DEFERRED TAX PRESENTED
IN STATEMENT OF FINANCIAL POSITION

Amounts in NOK million	2015	2014
Deferred tax	1	7
Deferred tax assets	50	9
NET DEFERRED TAX	-49	-2

The ordinary tax rate in Norway was 27% in 2015. The tax rate in Norway was reduced from 27% to 25% from 1 January 2016. This is considered in the calculation of deferred taxes as of 31 December 2015.

Entities in countries with tax rates other than 27 % have the net effect of increasing the tax expense. The business in the US, subject to a tax rate of 38% (38%) including state tax, is in particular contributing to an increased tax expense.

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

DEFERRED TAX LIABILITIES

Deferred tax liability consists of the Group's tax liabilities that are payable in the future. The table below lists deferred tax assets and liabilities relating to the timing differences between tax accounting and financial accounting.

The table shows the composition of the Group's deferred tax.

LOSSES CARRIED FORWARD BY EXPIRY DATE

Amounts in NOK million	2015	2014
2022 or later	14	10
Without expiry date	-	2
TOTAL TAX LOSSES CARRIED FORWARD	14	12

TAX REDUCING TIMING DIFFERENCES WITH CORRESPONDING DEFERRED TAX ASSETS

2015

Amounts in NOK million	TAX REDUCING TIMING DIFFERENCES	RECOGNISED DEFERRED TAX ASSETS	UNRECOGNISED DEFERRED TAX ASSETS	TOTAL DEFERRED TAX ASSETS
LOSSES CARRIED FORWARD BY COUNTRY				
Spain	14	-	4	4
TOTAL	14	-	4	4
Other tax reducing timing differences	612	163	-	163
TOTAL TAX REDUCING TIMING DIFFERENCES	626	163	4	167
Netted deferred tax	-442	-113	-	-113
NET TAX REDUCING TIMING DIFFERENCES	184	50	4	54

Deferred tax assets are only capitalised to the extent that it is probable that there will be sufficient future taxable profit for the tax asset to be used, either because the unit recently reported a profit or because assets with excess value have

been identified. If future profits are not likely to be sufficient to absorb the tax reducing timing differences, deferred tax assets are not recognised.

NOTE 15 Earnings per share (EPS)

The share capital consists of 100 million shares as of 31 December 2015. As of 31 December 2015 there are 99,735,212 diluted shares. There were 99,577,876 diluted shares as of 31 December 2014.

Amounts in NOK million	2015	2014
Profit/loss for the year after non-controlling interests for continuing operations	386	334
Profit/loss/gains discontinued operations	-	-
Profit/loss for the year after non-controlling interests	386	334
Weighted average number of shares outstanding	100	100
Estimated dilution effect option programme	-	-
Weighted average number of shares outstanding diluted	100	100
Amounts in NOK	2015	2014
Earnings per share	3.86	3.34
Earnings per diluted share	3.87	3.35

NOTE 16 Impairment assessments

Borregaard has substantial non-current assets in the form of tangible (property, plant and equipment) and some minor intangible assets. An explanation of the details of and changes in these assets is presented separately in Note 17 and 18.

Estimate uncertainty, in some cases considerable, attaches to both property, plant and equipment and intangible assets. Both valuation and estimated useful lifetime are based on future information that is always subject to a great degree of uncertainty.

Tangible assets (property, plant and equipment) are basically capitalised at acquisition cost and, if they have a limited useful life, will be systematically depreciated over that period. Useful life and residual value are based on estimates of future growth.

The value of intangible assets is primarily derived from the Group's own valuations and has generally been capitalised in connection with the Group's acquisition of a new business. Goodwill is to be regarded as a residual in the same acquisition.

Borregaard routinely monitors assets and if there are indications that the value of an asset is no longer recoverable, an impairment test will immediately be carried out to determine whether the asset can still justify its carrying value. If new estimates conclude that the value is no longer recoverable, the asset is written down to the recoverable amount, i.e. the greater of the net sales value and the value in use (discounted cash flow).

Goodwill is tested at least annually for impairment. At Borregaard, impairment testing is carried out in the third quarter. If there are special indications of a reduction in value, impairment testing is carried out more frequently.

Cash flows relating to the assets are identified (see below) and discounted. Future cash flow is based on specified assumptions and the plans adopted by the entity. If the discounted value of future cash flows is lower than the capitalised value of the unit's capital employed, the assets are written down to the recoverable amount. If the discounted value is higher than the capital employed, this means that the value of the intangible asset or goodwill is recoverable. In cases where the discounted value exceeds the capital employed by less than 20%, a further sensitivity analysis is carried out to check the calculation. When relevant, assumptions and estimates are reviewed and the robustness of the investment is measured in relation thereto.

Borregaard's goodwill is related to the prior acquisition of Biotech Lignosulfonate Handels GmbH:

Amounts in NOK million	GOODWILL	
	2015	2014
Biotech Lignosulfonate Handels GmbH	31	29
TOTAL GOODWILL	31	29

ESTIMATE ASSUMPTIONS AND CASH-GENERATING UNITS

A cash-generating unit (CGU) is the lowest level at which independent cash flows can be measured. Based on the forecasts, expectations and assumptions that were applied,

Biotech's CGU justify the capitalised value of goodwill at 31 December 2015 and the fair value exceeds the book value more than 20%.

Calculations of future cash flows are based on a number of assumptions regarding both economic trends and the estimated useful life. Borregaard is affected by fluctuating markets and estimates made in weak markets can differ substantially from estimates made in stronger markets.

The discount rate applied is based on the Group's cost of capital, which in general has been estimated to be in the range of 7-11% before tax, based on a weighted average of required rates of return for the Group's equity and debt (WACC). The required rate of return on the Group's equity is estimated by using the capital asset pricing model (CAPM). The required rate of return on debt is estimated on the basis of a long-term risk-free interest rate to which is added a credit margin derived from Borregaard's marginal long-term borrowing rate. The discount rate is adjusted for country risk, the level of inflation and operational risk, depending on the particular value being calculated.

Future cash flows are estimated on the basis of the budget for next year and the following two forecast years. As from year four a terminal value is calculated. Cash flow estimates are sensitive to changes in raw material prices and thereby other purchase prices and the coherent ability to maintain margin assumptions. The sensitivity of the estimates, even when there is a reasonable possibility of a change in assumptions, did not give grounds for impairment charges.

NOTE 17 Intangible assets

Amortisable intangible assets are amortised on a straight line basis at the following rates: Development 20% and other intangible assets 10-15%. Development consists mainly of

internal resources being involved in development projects. IT consists mainly of external costs.

Amounts in NOK million	DEVELOPMENT AND OTHER INTANGIBLE ASSETS	IT	GOODWILL	TOTAL
Book value 1 January 2015	34	14	29	77
Additions	53	13	-	66
Depreciation/Amortisation	-7	-4	-	-11
Write-downs	-	-	-	-
Currency translations	3	-	2	5
Book value 31 December 2015	83	23	31	137
Initial cost 31 December 2015	162	137	55	354
Accumulated amortisation and write-downs	-79	-114	-24	-217
Book value 31 December 2015	83	23	31	137
Book value 1 January 2014	16	14	27	57
Additions	26	3	-	29
Depreciation/Amortisation	-8	-3	-	-11
Write-downs	-	-	-	-
Currency translations	-	-	2	2
Book value 31 December 2014	34	14	29	77
Initial cost 31 December 2014	109	124	55	288
Accumulated amortisation and write-downs	-75	-110	-26	-211
Book value 31 December 2014	34	14	29	77

In addition, Borregaard expensed NOK 110 million in 2015 in research and development costs (NOK 110 million in 2014). The amounts includes grant and other cost deductions. See Note 35.

and is part of intangible assets. The parties have also entered into a long-term lignin raw material supply agreement at market price. The intangible assets are depreciated over the duration of the supply agreement.

The value of the lignin book of business acquired from Flambeau River Papers is accounted for in line with IAS 38

NOTE 18 Property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis at the following rates: buildings 2-4%, machinery, fixtures and fittings 4-15%, vehicles 15-25% and IT equipment 15-33%. The period of depreciation is reviewed each year and if there are changes in useful life, depreciation is adjusted.

The residual value is also calculated and if it is higher than the

carrying value, depreciation is stopped. This applies in particular to buildings. The Group is committed to fulfil contracts amounting to NOK 62 million which is not recorded in the statement of financial position as of December 31, 2015 (NOK 18 million as of 31 December 2014).

Amounts in NOK million	LAND, BUILDINGS AND OTHER PROPERTY	MACHINERY AND PLANTS	ASSETS UNDER CONSTRUCTIONS	FIXTURES, FITTINGS, VEHICLES, IT ETC.	TOTAL
Book value 1 January 2015	825	1,057	103	19	2,004
Additions	27	138	191	8	364
Disposals	-3	-2	-	-	-5
Reclassification	-14	-	14	-	-
Transferred assets under construction	20	71	-92	1	-
Write-downs	-3	-4	-	-	-7
Depreciation	-48	-198	-	-5	-251
Currency translation	9	6	2	-	17
Book value 31 December 2015	813	1,068	218	23	2,122
Initial cost 31 December 2015	1,630	4,635	218	162	6,645
Accumulated depreciation and write-downs	-817	-3,567	-	-139	-4 523
Book value 31 December 2015	813	1,068	218	23	2,122
Book value 1 January 2014	787	1,006	131	17	1,941
Additions	80	70	129	5	284
Disposals	-	-2	-	-	-2
Transferred assets under construction	-3	162	-160	1	-
Write-downs	-	-	-	-	-
Depreciation	-45	-183	-	-5	-233
Currency translation	6	4	3	1	14
Book value 31 December 2014	825	1,057	103	19	2,004
Initial cost 31 December 2014	1,606	4,784	103	155	6,648
Accumulated depreciation and write-downs	-781	-3,727	-	-136	-4,644
Book value 31 December 2014	825	1,057	103	19	2,004

NOTE 19 Inventories and cost of materials

Inventories are valued at the lower of acquisition cost and net realisable value after deducting selling costs. This has resulted in a total write-down of inventories as of 31 December 2015 of NOK 5 million (NOK 6 million in 2014), There are no reversed write-downs from earlier years. Inventories valued at net realisable value total NOK 10 million (NOK 27 million in 2014).

Amounts in NOK million	2015	2014
Raw materials	91	87
Work in progress	50	52
Finished goods and merchandise	535	471
TOTAL INVENTORIES	676	610

Amounts in NOK million	2015	2014
Wood costs	-347	-365
Energy costs	-390	-445
Other materials	-996	-861
Change in work in progress and finished goods	62	57
COST OF MATERIALS	-1,671	-1,614

NOTE 20 Provisions and other non-current liabilities

Amounts in NOK million	2015	2014
Pension liabilities (see note 10)	104	64
Derivatives (see note 21)	258	95
Other non-current liabilities	20	0
Other provisions	25	30
TOTAL	407	189

NOTE 21 Overview of financial instruments

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 directly or indirectly unobservable)

There were no transfers from one level to another in the measurement hierarchy in 2014 and 2015. Borregaard has no items defined as level 1. A description of how the derivatives are measured is provided in Note 29.

OVERVIEW OF FINANCIAL INSTRUMENTS 2015

Amounts in NOK million	NOTE	MEASUREMENT LEVEL	FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS	FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	DEPOSITS AND RECEIVABLES	TOTAL	OF THIS INTEREST-BEARING	FAIR VALUE
NON-CURRENT ASSETS									
Non-current financial receivables	24	2	-	-	-	71	71	18	71
Non-current derivatives	24, 29	2	-	-	-	-	-	-	-
TOTAL			-	-	-	71	71	18	71
CURRENT ASSETS									
Accounts receivable	22		-	-	-	656	656	-	656
Other current receivables	22		-	-	-	13	13	-	13
Current derivatives	22, 29	2	2	6	-	-	8	-	8
Cash and cash equivalents	23		-	-	-	169	169	169	169
TOTAL			2	6	-	838	846	169	846
NON-CURRENT LIABILITIES									
Non-current financial liabilities	27	2, 3	-	-	821	-	821	802	821
Non-current derivatives	20, 29	2	-	258	-	-	258	-	258
TOTAL			-	258	821	-	1,079	802	1,079
CURRENT LIABILITIES									
Current financial liabilities	27	2	-	-	9	-	9	9	9
Accounts payable	25		-	-	353	-	353	-	353
Other current liabilities	25		-	-	2	-	2	-	2
Current derivatives	25, 29	2	1	211	-	-	212	-	212
TOTAL			1	211	364	-	576	9	576
TOTAL FINANCIAL INSTRUMENTS			1	-463	-1,185	909	-738	-624	-738
Total measurement level 1								-	
Total measurement level 2, assets							79		
Total measurement level 2, liabilities							-900		
Total measurement level 3							-400		

OVERVIEW OF FINANCIAL INSTRUMENTS 2014

Amounts in NOK million	NOTE	MEASUREMENT LEVEL	FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS	FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	DEPOSITS AND RECEIVABLES	TOTAL	OF THIS INTEREST-BEARING	FAIR VALUE
NON-CURRENT ASSETS									
Non-current financial receivables	24	2	-	-	-	67	67	16	67
Non-current derivatives	24, 29	2	-	-	-	-	-	-	-
TOTAL			-	-	-	67	67	16	67
CURRENT ASSETS									
Accounts receivable	22		-	-	-	587	587	-	587
Other current receivables	22		-	-	-	11	11	-	11
Current derivatives	22, 29	2	1	9	-	-	10	-	10
Cash and cash equivalents	23		-	-	-	168	168	168	168
TOTAL			1	9	-	766	776	168	776
NON-CURRENT LIABILITIES									
Non-current financial liabilities	27	2,3	-	-	784	-	784	784	784
Non-current derivatives	20, 29	2	-	95	-	-	95	-	95
TOTAL			-	95	784	-	879	784	879
CURRENT LIABILITIES									
Current financial liabilities	27	2	-	-	8	-	8	8	8
Accounts payable	25		-	-	326	-	326	-	326
Other current liabilities	25		-	-	2	-	2	-	2
Current derivatives	25, 29	2	4	171	-	-	175	-	175
TOTAL			4	171	336	-	511	8	511
TOTAL FINANCIAL INSTRUMENTS			-3	-257	-1,120	833	-547	-608	-547
Total measurement level 1							-		
Total measurement level 2, assets							77		
Total measurement level 2, liabilities							-662		
Total measurement level 3							-400		

For other short-term items, fair value is estimated close or equal to booked value. The bond is determined as measurement level 3. The fair value of the bond is deemed to equal to its booked value. The bond carries floating interest terms and the issuer's credit quality is not considered to have changed since the bond was issued in February 2014.

NOTE 22 Receivables (current)

Current receivables are both operating receivables and interest-bearing receivables. Operating receivables are broken down into trade receivables, accrued advance payments to suppliers and other current receivables. Trade receivables are continuously reviewed and are written down if there are objective criteria that indicate that an event causing a loss has occurred, and the amount of the loss can be reliably measured and will affect payment of the receivable.

Amounts in NOK million	2015	2014
Accounts receivable	656	587
Non interest-bearing derivatives	8	10
Other current receivables	13	11
Total financial receivables	677	608
Advance payment to suppliers/earned income	161	99
TOTAL CURRENT RECEIVABLES	838	707

CHANGE IN PROVISIONS FOR BAD DEBT:

Amounts in NOK million	2015	2014
Provisions for bad debts 1 January	7	6
Bad debts recognised as expense (- income)	0	0
Realised losses	0	0
Translation effects	0	1
PROVISIONS FOR BAD DEBTS 31 DECEMBER	7	7

ACCOUNTS RECEIVABLES HAVE THE FOLLOWING DUE DATES:

Amounts in NOK million	2015	2014
Accounts receivable not due	606	522
Overdue receivables 1-30 days	47	59
Overdue receivables 31-60 days	4	6
Overdue receivables 61-90 days	1	1
Overdue receivables over 90 days	5	6
ACCOUNTS RECEIVABLE CARRYING AMOUNT 31 DECEMBER	663	594

NOTE 23 Cash and cash equivalents

Amounts in NOK million	2015	2014
TOTAL CASH AND CASH EQUIVALENTS	169	168

Cash and cash equivalents are held for the purpose of meeting short-term fluctuations in liquidity rather than for investment purposes. Cash and cash equivalents consist of cash, bank deposits and current deposits with a maturity of three months

or less. Company policy is to channel excess liquidity in wholly-owned subsidiaries to Borregaard's cash pools (with DNB and Handelsbanken) or as deposits with Borregaard AS. In some countries, however, there are legal or technical impediments on participation in Borregaard's cash pools or making deposits with Borregaard AS.

NOTE 24 Other assets (non-current)

Amounts in NOK million	2015	2014
Receivables interest-bearing	18	16
Receivables non interest-bearing	53	51
TOTAL OTHER ASSETS	71	67

NOTE 25 Other liabilities (current)

Amounts in NOK million	2015	2014
Accounts payable (see note 21)	353	326
Non interest-bearing derivatives (see note 21)	212	175
Non interest-bearing liabilities (see note 21)	2	2
TOTAL FINANCIAL LIABILITIES NON INTEREST-BEARING	567	503
Value added tax, employee taxes etc.	59	58
Accruals	216	192
TOTAL CURRENT LIABILITIES	842	753

Current liabilities are operating liabilities (trade accounts payable, unpaid public taxes/charges, prepaid revenues, other accruals, etc.) and financial liabilities (payable interest). All these items are interest-free borrowings. Dividends do not become liabilities until they have been approved by the General Meeting.

NOTE 26 Capital management

Borregaard's financial policy shall ensure short-term and long-term financial flexibility for the Group.

Borregaard shall aim at maintaining an "investment grade" credit quality (i.e. a rating of BBB- or better) in order to ensure access to debt capital on favourable terms and conditions. Borregaard shall manage financial risks, primarily related to currency fluctuations, in a prudent manner, in accordance with established guidelines. Borregaard shall develop and maintain relationships with a core group of banks, based on long-term financing commitments.

LONG-TERM FUNDING

In February 2014, Borregaard made a five-year NOK 400 million issue in the Norwegian bond market. In March 2014, Borregaard entered into a EUR 40 million term loan with the Nordic Investment Bank with the purpose of refinancing the then recently completed wastewater treatment plant in Sarpsborg and to fund research and development costs associated with innovation projects. The loan has a tenor of ten years with a grace period of three years. Financial covenants are similar to those applicable for the Bank Facilities Agreements described below.

On 30 September 2014, Borregaard refinanced the long-term revolving credit facilities made available to the company by its previous owner Orkla in September 2012 in preparation for the IPO in October 2012. The total amount of the new Bank Facilities Agreements is NOK 1,500 million, with equal portions of NOK 500 million being provided by each of the three banks (Svenska Handelsbanken, DNB and Skandinaviska Enskilda Banken). The tenor of the facilities is 5 years with two one-year extension options at the discretion of the bank. In August 2015, the first extension option was exercised for all Bank Facilities, which therefore now expire on 30 September 2020. For each revolving loan, Borregaard may select an interest period of one, two, three or six months. All outstanding loans and all other sums due and outstanding must be repaid in full on the termination date specified for each tranche under the Bank Facilities Agreements.

The Bank Facilities Agreements include the following financial covenants:

1. Leverage ratio: the ratio of Net Interest Bearing Debt to EBITDA shall not exceed 3.25:1 during the life of the Agreements.
2. Equity ratio: the ratio of Total Consolidated Equity to Total Assets shall not be lower than 25%.
3. Interest Cover ratio: the ratio of Consolidated EBITDA to net Interest Expense shall not be lower than 3.00:1.

The Bank Facilities Agreements also contain restrictions i.a. on the Group companies' ability to grant security or guarantees (negative pledge).

Borregaard's policy for long-term funding is for debt to have an average maturity of at least 2.5 years, with a maturity profile spread over several years. Refinancing risk shall be actively managed and the refinancing process for maturing loans shall commence at least one year ahead of scheduled maturity. Borregaard shall seek to diversify its long-term funding sources, supplementing bank loans with debt capital markets and other sources, subject to availability and conditions. The company may utilise commercial paper markets and/or short term bank loans as sources of liquidity, provided that such loans can be substituted by undrawn long-term committed loan facilities.

Partially owned companies (Joint Ventures) or companies whose domestic legislation prevents them from entering into loan agreements with Borregaard AS, will need either to be financed on equal (pro rata) terms by the partners or will have to establish independent funding.

As an industrial group, Borregaard is not subject to any external capital requirements.

LIQUIDITY AND CASH MANAGEMENT

At 31 December 2015, Borregaard had a multi-currency overdraft facility of 125 million NOK linked to its international cash pool with DNB and a 100 million NOK overdraft limit linked to its cash pool (Group account system) with Handelsbanken. Furthermore, Borregaard had a 30 million NOK overdraft facility linked to its cash pool (Group account system) with Nordea. Group liquidity shall be managed in cash pools, with Borregaard AS as owner of top accounts and legal counterpart to relevant banks. Group companies shall participate in cash pools to the extent possible, with allocated internal credit lines. Group companies which are prevented from participating in cash pools, shall enter into deposit and/or loan agreements with Borregaard AS and shall aim at keeping locally held cash balances at a near-zero level. Excess liquidity shall primarily be used to repay debt. Alternatively, excess liquidity can be placed into relationship banks or other well-rated banks.

Partially owned companies (Joint Ventures) or companies whose domestic legislation prevents them from entering into deposit and/or loan agreements with Borregaard AS, shall invest surplus cash in low-risk deposits and/or pay dividend.

The Group's capital consists of net interest-bearing liabilities and equity:

Amounts in NOK million	2015	2014
Total interest-bearing liabilities other	811	792
Total interest-bearing receivables	-18	-16
Cash and cash equivalents	-169	-168
NET INTEREST-BEARING LIABILITIES	624	608
Group's equity	2,061	1,949
Equity ratio (Book equity/Total assets)	49.4%	52.0%
Leverage ratio (NIBD/EBITDA)	0.82	0.83

NOTE 27 Funding and interest-bearing liabilities

FUNDING

Borregaard's main sources of financing are proceeds from its NOK 400 million bond issue (maturing in 2019), its EUR 40 million term loan with Nordic Investment Bank (maturing in 2024) and its long-term revolving loan facilities totalling NOK 1,500 million from three Scandinavian banks. The facilities, granted to Borregaard ASA and Borregaard AS on a joint and several basis, were entered into in September 2014 and mature in 2020. The facilities are unsecured

(negative pledge), but the loan agreements contain certain financial covenants (leverage ratio, equity ratio and interest cover ratio) and some limitations on new indebtedness beside change of control and cross-default provisions. In addition, overdraft facilities of NOK 255 million from banks providing cash management services are in place. As at 31 December 2015, there were no term loans in Borregaard subsidiaries or joint ventures.

Amounts in NOK million	BOOK VALUE		FAIR VALUE	
	2015	2014	2015	2014
NON-CURRENT INTEREST-BEARING LIABILITIES				
Bank loans/bond	785	762	785	762
Other interest-bearing liabilities	17	22	17	22
Total non-current interest-bearing liabilities	802	784	802	784
CURRENT INTEREST-BEARING LIABILITIES				
Other interest-bearing liabilities	9	8	9	8
Total interest-bearing liabilities	811	792	811	792
INTEREST-BEARING RECEIVABLES				
Non-current interest-bearing receivables	18	16	18	16
Cash and cash equivalents	169	168	169	168
Total interest-bearing receivables	187	184	187	184
NET INTEREST-BEARING LIABILITIES	624	608	624	608

There were no drawings under the Bank Facilities Agreements as at 31 December 2015. Drawings originating from the bond issue and the term loan with the Nordic Investment Bank amounted to NOK 785 million as at 31 December 2015.

The maturity profiles of the Group's interest-bearing liabilities are shown in the table below and are based on the current financing. (See Note 26)

MATURITY PROFILE INTEREST-BEARING LIABILITIES AND UNUTILISED CREDIT FACILITIES

Amounts in NOK million	GROSS INTEREST-BEARING LIABILITIES		UNUTILISED CREDIT FACILITIES	
	2015	2014	2015	2014
Maturity <1 year	9	8	255	195
Maturity 1-3 years	120	63	-	-
Maturity 3-5 years	503	504	1,500	1,500
Maturity 5-7 years	102	96	-	-
Maturity >7 year	77	121	-	-
TOTAL	811	792	1,755	1,695

NOTE 28 Financial risk

(I) ORGANISATION OF FINANCIAL RISK MANAGEMENT

Borregaard operates internationally and is exposed to financial risks like currency risk, interest rate risk, commodity price risk, liquidity risk and credit risk. Borregaard uses derivatives and other financial instruments to reduce these risks in accordance with the Group's finance policy.

Responsibility for managing financial risk in Borregaard is divided between business areas, which manage risk related to business processes, and Group HQ, which manages risk related to centralised activities like funding, interest-rate management, cash management, currency risk management and credit management policy. Borregaard's CFO and the Group's Treasury Department are responsible for managing centralised financial risk elements.

FINANCIAL RISKS

This section describes the most important risk factors within the Group and the management of these risks. In this context, financial risk is defined as risk related to financial instruments. These may either be hedging instruments for underlying risk, or viewed as a source of risk themselves.

Borregaard is exposed to currency risk for most of its sales, primarily in USD, but also in EUR. A substantial part of this exposure, defined as estimated net cash flow in USD or EUR, is routinely hedged on a rolling basis with a nine-month time horizon. In order to secure medium-term competitiveness, the hedging horizon may be extended to three years for a EUR/NOK hedging rate in excess of 8.50 and gradually to three years for USD/NOK hedging rates in the 7.50-8.50 range. For

The Group's aggregated outstanding currency hedges of future transactions on the balance sheet date are shown in the tables below.

FOREIGN EXCHANGE CONTRACTS LINKED TO HEDGING OF FUTURE REVENUES AND COSTS

2015

Amounts in million

PURCHASE CURRENCY	AMOUNT	SALE CURRENCY	AMOUNT	MATURITY
USD	2	NOK	18	2016
NOK	1,155	USD	145	2016
NOK	1,171	USD	146	2017
NOK	806	USD	100	2018
EUR	7	USD	7	2016
NOK	612	EUR	72	2016
NOK	619	EUR	70	2017
NOK	468	EUR	50	2018
EUR	3	NOK	30	2016
SEK	16	NOK	15	2016

USD/NOK exposure, hedging levels may be reduced for hedging rates below 6.00.

On the revenue side, most of Borregaard's business segments are exposed to price risk in international markets. Borregaard is also exposed to price risk on wood, energy (thermal energy and electric power) and other strategic raw materials. In 2011, Borregaard entered into a long-term hydroelectric power contract with Eidsiva Vannkraft AS for delivery of a total of 6.1 billion kilowatt hours (6.1 TWh) to be supplied in the period 2013-2024. The agreement between Eidsiva and Borregaard secures power deliveries for Borregaard's plants in Sarpsborg from 1 January 2013 to December 2024. The deliveries constitute around 15% of Eidsiva's total annual production of power. This is energy to be used by Borregaard solely for production purposes.

(II) CATEGORIES OF FINANCIAL RISK FOR THE BORREGAARD GROUP

CURRENCY RISK

As NOK is the presentation currency for the Group, Borregaard is exposed to currency translation risk for net investments in foreign operations. Borregaard hedges this category of risk using currency forward contracts for EUR and USD.

Transaction risk is hedged against each entity's functional currency. Borregaard applies hedge accounting for most hedges of future transactions, either cash flow hedges or fair value hedges of firm commitments. The different types of hedges are described in Note 29.

2014

Amounts in million

PURCHASE CURRENCY	AMOUNT	SALE CURRENCY	AMOUNT	MATURITY
USD	3	NOK	21	2015
NOK	1,012	USD	153	2015
NOK	42	USD	7	2016
NOK	42	USD	7	2017
NOK	45	USD	7	2018
EUR	6	USD	8	2015
NOK	563	EUR	66	2015
NOK	606	EUR	71	2016
NOK	434	EUR	50	2017
EUR	3	NOK	21	2015
SEK	33	NOK	30	2015

INTEREST RATE RISK

Borregaard's interest rate risk is mainly related to the Group's interest-bearing liabilities and assets. This risk is managed at parent level. Borregaard shall primarily follow a floating rate strategy, but may consider fixed rates for a maximum of 50% of its debt, using appropriate derivatives.

LIQUIDITY RISK

Liquidity risk is the risk that Borregaard is not able to meet its payment obligations. This risk is managed centrally, but in close concert with affected subsidiaries. Borregaard AS initiates measures deemed necessary to maintain a strong liquidity.

Cash flow from operations, which among other factors is affected by changes in working capital, is managed operationally at Group level, and is relatively stable.

Borregaard monitors liquidity flows, short- and long-term, through reporting and selected forecasting routines. Due to the above-mentioned measures, the Group has limited liquidity risk.

The table shows the maturity profile for the Group's contractual financial liabilities, including liabilities which are not recognised in the financial position. The amounts represent undiscounted future cash flows, and may therefore deviate from recognised figures. The table also includes derivatives recognised as assets on the balance sheet date, as derivatives may include both positive and negative cash flows, and the fair value fluctuates over time. Forward interest rate curves are applied to estimate future interest payments. Similarly, forward prices are used to determine the future settlement amounts for power, aluminium, and currency derivatives.

MATURITY PROFILE FINANCIAL LIABILITIES

2015

Amounts in NOK million	BOOK VALUE	CONTRACTUAL CASH FLOWS	< 1 YEAR	1-3 YEARS	3-5 YEARS	5-7 YEARS	> 7 YEARS
Interest-bearing liabilities	811	811	9	120	503	102	77
Interest payable	-	53	14	27	7	4	1
Accounts payable	353	353	353	-	-	-	-
Gross settled derivatives*	462	-	-	-	-	-	-
Inflow	-	-5,851	-2,787	-3,064	-	-	-
Outflow	-	6,303	2,985	3,318	-	-	-
TOTAL	1,626	1,669	574	401	510	106	78

2014

Amounts in NOK million	BOOK VALUE	CONTRACTUAL CASH FLOWS	< 1 YEAR	1-3 YEARS	3-5 YEARS	5-7 YEARS	> 7 YEARS
Interest-bearing liabilities	792	792	8	63	504	96	121
Interest payable	-	77	17	32	20	5	3
Accounts payable	326	326	326	-	-	-	-
Gross settled derivatives*	260	-	-	-	-	-	-
Inflow	-	-3,595	-2,426	-1,124	-45	-	-
Outflow	-	3,828	2,585	1,190	53	-	-
TOTAL	1,378	1,428	510	161	532	101	124

* Including derivatives recognised as assets.

The financial liabilities are serviced by cash flow from operations, liquid and interest-bearing assets, and, when necessary, drawings on unutilised credit facilities.

CREDIT RISK

The management of credit risk related to accounts receivable and other operating receivables is handled as part of the business risk, but based on guidelines set by Borregaard AS and continuously monitored by the operating entities. There is no significant concentration of credit risk in respect of single

counterparts. A credit management policy is in place. The credit management policy and guidelines (including standard payment terms) were slightly revised and updated in 2015. Credit losses are historically modest due to a stable and financially healthy customer base as well as stringent monitoring of trade receivables. For sales to countries or customers associated with high political or commercial risk, trade finance products are widely used to reduce credit risk. With these risk mitigation measures in place, the current credit risk is considered to be acceptable.

Borregaard considers its credit risk related to other financial instruments to be low. Firstly, only core relationship banks act as counterparts for financial hedge transactions. Secondly, bank accounts are mainly held with relationship banks. For deposits of liquidity with other counterparts in countries where relationship banks are not present, Borregaard has requirements relating to the bank's credit rating.

MAXIMUM CREDIT RISK

The maximum credit exposure for the Group related to financial instruments corresponds to total gross receivables. In the hypothetical and highly unlikely event that no receivables are redeemed, this amounts to:

Amounts in NOK million	2015	2014
Cash and cash equivalents	169	168
Accounts receivable	656	587
Other current receivables	13	11
Non-current receivables	71	67
Derivatives	8	10
TOTAL	917	843

COMMODITY PRICE RISK

The Group is exposed to price risks in respect of a number of raw materials, of which electric power and wood are the most substantial. However, prices of sold products are also affected by raw material prices, and it is generally Borregaard's policy to reduce the price risk through commercial contracts.

SENSITIVITY ANALYSIS

The financial instruments of the Borregaard Group are exposed to different types of market risk which can affect the

SENSITIVITY FINANCIAL INSTRUMENTS

2015

Amounts in NOK million	ACCOUNTING EFFECTS ON			
	INCOME STATEMENT OF		EQUITY OF	
	INCREASE	DECREASE	INCREASE	DECREASE
FINANCIAL INSTRUMENTS IN HEDGING RELATIONSHIPS				
Interest rate risk: 100 bp parallel shift in interest curves all currencies	-6	6	-	-
Currency risk: 10% change in FX-rate USD/NOK	-	-	-255	255
Currency risk: 10% change in FX-rate EUR/NOK	-	-	-138	138
Currency risk: 10% change in FX-rate SEK/NOK	-	-	1	-1

2014

Amounts in NOK million	ACCOUNTING EFFECTS ON			
	INCOME STATEMENT OF		EQUITY OF	
	INCREASE	DECREASE	INCREASE	DECREASE
FINANCIAL INSTRUMENTS IN HEDGING RELATIONSHIPS				
Interest rate risk: 100 bp parallel shift in interest curves all currencies	-6	6	-	-
Currency risk: 10% change in FX-rate USD/NOK	-	-	-92	92
Currency risk: 10% change in FX-rate EUR/NOK	-	-	-123	123
Currency risk: 10% change in FX-rate SEK/NOK	-	-	2	-2

Accounting effects of changes in market risk are classified to income statement and equity according to where the effect of the changes in fair value will be recognised initially. Effects

income statement or equity. Financial instruments, in particular derivatives, are applied as means of hedging both financial and operational exposure.

In the table below, Borregaard presents a partial analysis of the sensitivity of financial instruments, where the isolated effect of each type of risk on the income statement and on equity is estimated. This is done on the basis of a selected hypothetical change in market prices/rates on the statement of financial position as of 31 December. According to IFRS, the analysis covers only financial instruments and is not meant to give a complete overview of the Group's market risk, for instance:

- For currency hedges of contracts entered into, changes in fair value of the hedging instrument will affect the income statement, while changes in the fair value of the underlying hedged contract offset by the hedging instrument will not be shown, as it is not a financial instrument.
- If one of the parameters changes, the analysis will not take account of any correlation with other parameters.
- Financial instruments denominated in the entities' functional currencies do not constitute any currency risk and are therefore not included in this analysis. Nor is the currency exposure on translation of such financial instruments to the presentation currency of the Group included, for the same reason.

Generally, the effect on the income statement and equity of financial instruments in the table below is expected to offset the effects of the hedged items where financial instruments are part of a hedging relationship.

recognised in the income statement will also affect equity beyond the figures presented in the table.

NOTE 29 Derivatives and hedging

The Group applies the IFRS rules for hedge accounting. The table below shows the fair value of all outstanding derivative

financial instruments grouped according to treatment in the financial statements:

Amounts in NOK million	2015		2014	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
CASH FLOW HEDGES				
Currency forwards, currency swaps	6	465	9	266
HEDGES OF NET INVESTMENTS				
Currency forwards, currency swaps	-	4	-	1
OTHER DERIVATIVES - FAIR VALUE CHANGES RECOGNISED IN INCOME STATEMENT				
Currency forwards, currency swaps, options	2	1	1	3
TOTAL DERIVATIVES	8	470	10	270

CALCULATION OF FAIR VALUE

- Currency forwards and currency swaps are measured at fair value using the observed forward exchange rate for contracts with a corresponding term to maturity at the balance sheet date.
- The fair value of currency options is calculated using Garman-Kohlhagen's version of the Black-Scholes Option pricing method, and the variables are based on observed indicative market prices at the balance sheet date.

These derivative financial instruments are designated in hedge relationships as follows:

CASH FLOW HEDGES

All derivatives designated as hedging instruments in cash flow hedges are carried at fair value in the balance sheet. Changes in fair value are provisionally recognised in the equity hedging reserve, and recycled to the income statement as the cash flows being hedged are recognised in the income statement.

In 2015 a loss of NOK 1.8 million (2014: loss of NOK 0.2 million) was recorded in the income statement as a result of hedging inefficiency. All expected cash flows which have been hedged during 2015 still qualify for hedge accounting.

HEDGES OF NET INVESTMENTS IN FOREIGN CURRENCIES

Currency risk on foreign net investments is hedged with currency forward contracts. Changes in fair value and realised effects of the hedging instruments are both recognised in the equity hedging reserve.

DEVELOPMENT IN THE EQUITY HEDGING RESERVE

Amounts in NOK million	2015	2014
OPENING BALANCE HEDGING RESERVE BEFORE TAX	-333	-46
Reclassified to P/L - operating revenues	162	31
Reclassified to P/L - operating costs	-3	-1
Reclassified to P/L - net financial income	1	-
Reclassified to Balance sheet	-2	-1
Fair value change cash flow hedges	-358	-244
Change in gain/(loss) on hedges of net investments in subsidiaries	-79	-72
CLOSING BALANCE HEDGING RESERVE BEFORE TAX	-612	-333
Deferred tax and tax payable hedging reserve	156	85
CLOSING BALANCE HEDGING RESERVE AFTER TAX	-456	-248

A negative hedging reserve means a negative recognition in the income statement in the future. In 2015, the operating profit in Borregaard decreased with NOK 241 million (2014: decreased with NOK 51 million) related to hedging activities. Accumulated hedging losses from cash flow hedges recognised in the equity hedging reserve as of 31 December 2015 are expected to be recycled to the income statement as follows (before tax):

2016: NOK 201 million (NOK 162 million)

After 2016: NOK 258 million (NOK 95 million)

FAIR VALUE HEDGES

There have not been any significant fair value hedges in the period 2015-2016.

DERIVATIVES NOT INCLUDED IN IFRS HEDGING RELATIONSHIPS

There are also derivatives not included in hedging relationships according to IFRS for the following reasons:

- Derivatives are not designated in formal hedging relationships when changes in the fair value of hedging instruments and hedging objects are naturally offset in the income statement, for example currency risk on loans and other monetary items.

- Meeting strict IFRS hedge accounting criteria is not always possible or practical. Some of the other currency hedges are in this category.

Changes in the fair value of derivative instruments which are not part of a hedging relationship, are immediately recognised in the income statement.

NOTE 30 Equity and share capital

Borregaard ASA was established on 22 August 2012 with a share capital of NOK 1 million.

Share capital, share premium fund, other paid-in equity and retained earnings are presented from the establishment of the Borregaard Group in 2012.

DATE/YEAR	NUMBER OF SHARES	NOMINAL VALUE (NOK)	SHARE CAPITAL (NOK MILLION)
31 December 2015	100,000,000	1	100
31 December 2014	100,000,000	1	100

THE 20 LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2015

SHAREHOLDER	NUMBER OF SHARES	% OF CAPITAL
1 ODIN NORGE	7,234,478	7.23%
2 J.P. MORGAN CHASE BANK	4,506,228 Nominee	4.51%
3 MORGAN STANLEY & CO.	4,500,070 Nominee	4.50%
4 SKANDINAVISKA ENSKILDA	3,308,850 Nominee	3.31%
5 FOLKETRYGDFONDET	3,302,804	3.30%
6 STATE STREET BANK	2,645,244 Nominee	2.65%
7 J.P. MORGAN CHASE BANK	2,200,000 Nominee	2.20%
8 FONDSAVANSE AS	1,846,304	1.85%
9 STATE STREET BANK	1,844,490 Nominee	1.84%
10 NORDEA NORDIC SMALL	1,716,411	1.72%
11 HOME CAPITAL AS	1,657,429	1.66%
12 STOREBRAND NORGE	1,518,264	1.52%
13 BANQUE DEGROOF LUXEMBOURG	1,500,000 Nominee	1.50%
14 FONDSFINANS NORGE	1,455,000	1.46%
15 VERDIPAPIRFONDET ALF	1,401,894	1.40%
16 J.P. MORGAN CHASE BANK	1,293,161 Nominee	1.29%
17 SOLSTEN INVESTMENT	1,146,724	1.15%
18 J.P. MORGAN CHASE BANK	1,014,587 Nominee	1.01%
19 JUPITER EUROPEAN FUND	1,004,479	1.00%
20 VERDIPAPIRFONDET DNB	982,159	0.98%
Total shares	46,078,576	46.08%

TREASURY SHARES OWNED BY BORREGAARD ASA

	NOMINAL VALUE (NOK)	NUMBER OF SHARES	FAIR VALUE (NOK MILLION)
1 January 2014	1,270,000	1,270,000	38
Exercise of share options	-2,309,168	-2,309,168	-
Purchase/Buy-back of treasury shares	1,817,051	1,817,051	-
31 December 2014	777,883	777,883	43
Exercise of share options in 2015	-125,000	-125,000	
Shares to Employees	-267,375	-267,375	
Purchase/Buy-back of treasury shares in 2015	108,372	108,372	
31 December 2015	493,880	493,880	24

NOTE 31 Non-controlling interests

Amounts in NOK million	2015	2014
CHANGES IN NON-CONTROLLING INTERESTS:		
Non-controlling interests' 1 January	8	9
Non-controlling interests' share of profit/loss	-2	-2
Dividends to non-controlling interests	-	-
Translation differences etc.	-1	1
NON-CONTROLLING INTERESTS' 31 DECEMBER	5	8

There are no material partly-owned subsidiaries in the Borregaard Group.

NOTE 32 Leases and leasing

Reported costs relating to operating leases reflect the minimum leasing cost during the term of notice.

RENTED/LEASED PROPERTY, PLANT AND EQUIPMENT	LESSEE – OPERATING LEASES								TOTAL	
	MACHINERY/ PLANT		LAND, BUILDING, PROPERTY		FIXTURES, VEHICLES ETC.		OTHER ASSETS		2015	2014
Amounts in NOK million	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
COST CURRENT YEAR	-14	-16	-15	-10	-11	-10	-22	-14	-62	-50
Cost next year	-16	-17	-16	-11	-11	-7	-23	-14	-66	-49
Total costs 2–5 years	-41	-44	-35	-22	-16	-8	-23	-13	-115	-87
Total costs after 5 years	-	-	-66	-1	-	-	-8	-	-74	-1
TOTAL FUTURE LEASING COSTS	-57	-61	-117	-34	-27	-15	-54	-27	-255	-137

Borregaard does not have any financial leases.

NOTE 33 Pledges and guarantees

Borregaard ASA has granted a corporate guarantee for Borregaard's overdraft facility (30 million NOK) with Nordea Bank Norge ASA. By virtue of the Joint Venture agreement with Sappi Saiccor, Borregaard AS is liable for export accounts receivable (94 million NOK 31 December 2015) in Umkomaas Lignin (Pty) Ltd (Lignotech South Africa).

The Group has provided a contractual commitment to a counterpart related to certain conditions. No liability is expected to arise.

NOTE 34 Related parties

Activity within the Group is reported in the segment information disclosed in Note 7.

Borregaard has one joint venture, Umkomaas Lignin (proprietary) Limited t/a LignoTech South Africa (50%). This company is jointly owned with Sappi Saiccor. The equity method is used for consolidation according to IFRS 11 for joint arrangements (see also note 6). The company sells some of its finished goods to Borregaard subsidiaries on an arm's length basis.

Internal trading within the Group is carried out in accordance with special agreements on an arm's length basis, and joint

expenses in Borregaard are distributed among the Group companies in accordance with distribution formulas, depending on the various types of expense. For further information on intercompany transactions, see Note 7 "Segments".

The members of the Group Executive Management of Borregaard hold a total of 728,800 stock options in the Company. Further information regarding the Group Executive Management is disclosed in Note 9.

There have been no other transactions with related parties.

NOTE 35 Government grants

Borregaard recognised NOK 63 million in government grants in 2015 (NOK 46 million in 2014). Of this amount, NOK 49 million was recognised as reduced costs (NOK 42 million in 2014), while NOK 14 million was recognised as a reduction

of the acquisition cost of the asset concerned (NOK 4 million in 2014). The grants are provided by Norwegian authorities and the European Union mainly on research and development projects, environmental investments and CO₂ compensation.

NOTE 36 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 12.

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.

EHS issues. Sulphur dioxide (SO₂) is one of the most important chemicals used in the production processes at Borregaard. There are several EHS regulations to secure safe operations, safe working environment and low emissions to environment. The use of SO₂ has been regulated for many years, but the authorities both in the EU and in Norway have enhanced the regulations during the last years and new demands are coming. The investments and costs related to SO₂ risk reduction and necessary environmental improvements are subject to further evaluations and will likely be implemented over several years, although current estimates include scenarios with investments/costs of NOK 100 million.

Chlorine alkali plant: In the period 1949-1997, Borregaard used mercury based technology for chlorine alkali production at the site in Sarpsborg. In 1997, a new mercury free technology was implemented. In 1994, a groundwater barrier was built in order to confine mercury in the soil around the plant. 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 detected by the monitoring. Borregaard has undertaken measures to strengthen the ground water barriers in order to prevent mercury leakage, working closely with the Norwegian Environment Agency ("Miljødirektoratet"). Cost estimates and potential insurance coverage are uncertain and hence, no provision has been made as of 31 December 2015.

Opsund landfill: The permanent closure of the Opsund landfill is progressing according to the plan. Remaining provision as of 31 December 2015 is NOK 23 million.

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.

NOTE 37 Restated segments

CHANGES IN BUSINESS SEGMENTS FROM 2015

From 1 January 2015, the Group made changes to the internal reporting of its segments. BALI project costs are reported as a part of Performance Chemicals (previously reported as part of Other Businesses). The Exilva® project is reported as part of Other Businesses (previously part of Specialty Cellulose). The changes are in line with how management is monitoring the business.

The main changes to the 2014 figures were as follows:

Operating revenues in Specialty Cellulose decreased by NOK 4 million and Other Businesses increased by NOK 4 million. EBITA in Performance Chemicals decreased by NOK 31 million, Specialty Cellulose increased by NOK 34 million and Other Businesses decreased by NOK 3 million.

BORREGAARD ASA FINANCIAL STATEMENTS 2015



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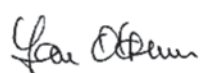
INCOME STATEMENT

Amounts in NOK thousand	NOTE	2015	2014
Other operating expenses	5	-5,369	-5,437
OPERATING PROFIT		-5,369	-5,437
Finance income	6, 9	176,088	82,268
Finance costs	6	-9,946	-9,563
Financial items, net	6, 9	166,142	72,705
PROFIT/LOSS BEFORE TAXES		160,773	67,268
Taxes	8	-43,450	-18,186
PROFIT/LOSS FOR THE YEAR		117,323	49,082
Proposed dividend		-149,259	-124,028

STATEMENT OF FINANCIAL POSITION

Amounts in NOK thousand	NOTE	2015	2014
ASSETS			
Deferred tax assets	8	53	44
Shares in subsidiaries	7	1,158,347	1,158,347
Loans to Group companies	9	1,144,930	1,211,745
Non interest-bearing receivables		793	1,048
NON-CURRENT ASSETS		2,304,123	2,371,184
Receivables	9	150,108	50,069
Cash, cash equivalents and deposits in Group cash pool		367	1,899
CURRENT ASSETS		150,475	51,968
TOTAL ASSETS		2,454,598	2,423,152
EQUITY AND LIABILITIES			
Share capital	11	100,000	100,000
Treasury shares		-494	-778
Share premium		1,758,347	1,758,347
Other paid in equity		2,734	21,914
Retained earnings		-	-
EQUITY		1,860,587	1,879,483
Interest-bearing liabilities	10	400,000	400,000
NON-CURRENT LIABILITIES		400,000	400,000
Dividends		149,259	124,028
Income tax payable	8	43,459	18,187
Accounts payable	9	125	2
Other liabilities		1,168	1,452
CURRENT LIABILITIES		194,011	143,669
EQUITY AND LIABILITIES		2,454,598	2,423,152

Sarpsborg, 15 March 2016
The Board of Directors of Borregaard ASA



JAN ANDERS OKSUM

(Chair)



TERJE ANDERSEN



JAN ERIK KORSSJ EN



KRISTINE RYSSDAL



RAGNHILD WIBORG



 SMUND DYBEDAHL



RAGNHILD ANKER EIDE



PER A. S RLIE

(President and CEO)

CASH FLOW

Amounts in NOK thousand	1.1 - 31.12.2015	1.1 - 31.12.2014
Profit / loss before taxes	160,773	67,268
Changes in net working capital, etc.	-99,945	-50,768
Taxes paid	-18,187	-5,964
CASH FLOW FROM OPERATING ACTIVITIES	42,641	10,536
CASH FLOW FROM INVESTING ACTIVITIES	-	-
Dividends	-124,028	-108,953
Proceeds from sales of treasury shares	18,340	94,513
Buy-back of treasury shares	-5,300	-75,814
Net paid to/from shareholders	-110,988	-90,254
Change in interest-bearing liabilities	-	400,000
Change in interest-bearing receivables	66,815	-320,598
Change in net interest-bearing liabilities	66,815	79,402
CASH FLOW FROM FINANCING ACTIVITIES	-44,173	-10,852
CHANGE IN CASH AND CASH EQUIVALENTS	-1,532	-316
Cash and cash equivalents as of 1 January	1,899	2,215
Change in cash and cash equivalents	-1,532	-316
CASH AND CASH EQUIVALENTS AS OF 31 DECEMBER	367	1,899

STATEMENT OF CHANGES IN EQUITY

Amounts in NOK thousand	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM	OTHER PAID-IN EQUITY	RETAINED EARNINGS	TOTAL EQUITY
EQUITY 31 DECEMBER 2013	100,000	-1,270	1,758,347	79,003	-	1,936,080
Profit/loss for the year	-	-	-	-	49,082	49,082
Proposed dividend 2013	-	-	-	108,603	-	108,603
Actual paid-out dividend 2014	-	-	-	-108,953	-	-108,953
Proposed dividend 2014	-	-	-	-74,946	-49,082	-124,028
Buy-back/sales of treasury shares	-	492	-	18,207	-	18,699
EQUITY 31 DECEMBER 2014	100,000	-778	1,758,347	21,914	-	1,879,483
Profit/loss for the year	-	-	-	-	117,323	117,323
Proposed dividend 2014	-	-	-	124,028	-	124,028
Actual paid-out dividend 2015	-	-	-	-124,028	-	-124,028
Proposed dividend 2015	-	-	-	-31,936	-117,323	-149,259
Buy-back/sales of treasury shares	-	284	-	12,756	-	13,040
EQUITY 31 DECEMBER 2015	100,000	-494	1,758,347	2,734	-	1,860,587

NOTES TO THE FINANCIAL STATEMENTS

NOTE 01 General information

Borregaard ASA ("The Company") was incorporated as a public limited liability company on 22 August 2012.

On 17 September, The Company was inserted as a holding company of Borregaard AS.

NOTE 02 Accounting principles

The financial statements for Borregaard ASA have been prepared and presented in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway (Norwegian GAAP). The annual accounts give a true and fair view of assets and liabilities, financial status and result.

All amounts are in NOK thousand unless otherwise stated. The functional currency of Borregaard ASA is NOK.

CLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS

An asset or liability is classified as current when it is part of a normal operating cycle, when it is held primarily for trading purposes, when it falls due within 12 months and when it consists of cash or cash equivalents on the statement of financial position date. Other items are non-current.

SHARES AND OTHER SECURITIES

Long term investments in subsidiaries, associated companies

and other shares and bonds, which are held to maturity date, are classified as non-current assets in the balance sheet and entered at the lower of cost and market value.

TAX

Deferred tax shows the company's tax liability assuming its assets and debt are realised at book value by year end. Positive temporary differences state that book value is higher than taxable value, and vice versa for negative differences. The item "Tax income/(cost)" in the profit and loss statement, consists of two elements: The tax payable, and the change in deferred tax. Deferred tax/tax benefit is reflected as long term debt/non-current assets in the balance sheet.

CASH FLOW

The cash flow statement has been prepared according to the indirect method and reflects cash flows from operating, investing and financing activities and explains changes in "Cash and cash equivalents" in the reporting period.

NOTE 03 Payroll and pensions

Borregaard ASA has no employees and therefore no pension plan.

NOTE 04 Guarantees

Amounts in NOK thousand	2015	2014
Guarantees to subsidiaries	1 530 000	1 570 000
TOTAL GUARANTEE COMMITMENTS	1 530 000	1 570 000

Borregaard ASA is jointly and severally liable as guarantor and as borrower for the long-term credit facilities entered into by Borregaard AS (NOK 1 500 million). Borregaard ASA has granted a parent guarantee for Borregaard AS' overdraft facility (NOK 30 million) with Nordea Bank Norge ASA.

In addition, Borregaard ASA is jointly and severally liable borrower with Borregaard AS for the EUR 40 million term loan contracted with the Nordic Investment Bank.

NOTE 05 Remuneration and contractual arrangements

REMUNERATION TO THE GROUP EXECUTIVE BOARD

The Group executive management is employed in Borregaard AS. For matters relating to the remuneration of the executive management, reference is made to Note 9 to the Financial Statements for Borregaard Group.

REMUNERATION OF THE BOARD OF DIRECTORS

In the General Meeting of the Company's shareholders in April 2015 it was determined that the Board of Directors is remunerated at annual rates for the period up to the next General Meeting in 2016:

Board Chair	NOK	422,500	per year
Board member	NOK	253,500	per year
Observer	NOK	84,500	per year
Deputy for observer	NOK	6,400	per meeting
AUDIT COMMITTEE			
Committee Chair	NOK	79,300	per year
Member	NOK	53,000	per year
COMPENSATION COMMITTEE			
Committee Chair	NOK	47,400	per year
Member	NOK	37,000	per year

REMUNERATION OF THE NOMINATION COMMITTEE

The Chair of the Nomination Committee receives NOK 52,500 per year and an additional NOK 8,500 per meeting exceeding 4 meetings. Other members receive NOK 37,000 per year and an additional NOK 6,800 per meeting exceeding 4 meetings.

SHAREHOLDINGS OF CEO AND MEMBERS OF THE BOARD OF DIRECTORS

	NUMBER OF SHARES ¹
PRESIDENT & CEO	
Per A. Sørli	135,990
SHAREHOLDER-ELECTED BOARD MEMBERS	
Jan A. Oksum ²	10,000
Terje Andersen	3,571
EMPLOYEE-ELECTED BOARD MEMBERS	
Ragnhild Anker Eide	2,012
Åsmund Dybedahl	5,692
EMPLOYEE-ELECTED BOARD OBSERVERS	
Bente Seljebakken Klausen	1,830
Roy Kåre Appelgren	1,845
TOTAL	160,940

¹ Total share ownership including related parties

² Ownership through the related company IAAG Consult AS

FEES TO EXTERNAL AUDITOR

Amounts in NOK thousand	2015	2014
Statutory audit	321	312
Other attest services	-	-
Tax consultancy services	-	-
Other non-audit services	-	-
TOTAL	321	312

NOTE 06 Finance income and finance costs

Amounts in NOK thousand	2015	2014
Group contribution	150,000	50,000
Interest income from Borregaard AS	26,052	32,231
Interest income	36	37
TOTAL FINANCE INCOME	176,088	82,268
Interest costs	-9,946	-9,563
TOTAL FINANCE COSTS	-9,946	-9,563
FINANCIAL ITEMS, NET	166,142	72,705

NOTE 07 Shares in subsidiaries

Only directly owned subsidiaries are included in the below table.

Amounts in NOK thousand	BOOK VALUE	GROUP'S SHARE OF CAPITAL
Borregaard AS Sarpsborg, Norway	1,158,347	100%
TOTAL	1,158,347	

The Group also has indirect ownership in the following subsidiaries and joint venture, of which the profit/loss and equity are important in the valuation of the above company.

GROUP'S SHARE OF CAPITAL

INDIRECTLY OWNED SUBSIDIARIES	
Borregaard, Inc.	100%
Nutrancell AS	100%
Biotech Lignosulphonate Handels GmbH	100%
Borregaard (UK) Ltd.	100%
Borregaard Deutschland GmbH	100%
Borregaard S.E.A. Pte. Ltd	100%
Borregaard Poland sp. z.o.o.	100%
Borregaard France SarL	100%
Borregaard Iberica, S.L.	100%
LignoTech Iberica SA	60%
Borregaard Middle East FZE	100%
Borregaard Synthesis Inc.	100%
LignoTech USA, Inc.	100%
Borregaard North America, Inc.	100%
LignoTech Brasil Ltda	100%
LignoTech Brasil Produtos de Lignina Ltda	100%
Borregaard Shouth Asia Pvt. Ltd	100%
Borregaard Shanghai Company Limited	100%
SenseFi, Inc.	100%
INDIRECTLY OWNED JOINT VENTURES	
Umkomaas Lignin (Pte) Ltd	50%

NOTE 08 Taxes

TAX EXPENSE

Amounts in NOK thousand	2015	2014
Profit before tax	160,773	67,268
Current tax expense	-43,459	-18,187
Change in deferred tax	9	1
TOTAL TAX EXPENSE	-43,450	-18,186
Tax as % of "Profit/loss before taxes"	27%	27%

Deferred tax assets are only capitalised to the extent that it is probable that there will be sufficient future taxable profit for the tax asset to be used, either because the unit recently reported a profit or because assets with excess value have been identified. If future profits are not likely to be sufficient to absorb the tax reducing timing differences, deferred tax assets are not recognised.

DEFERRED TAX LIABILITIES

Deferred tax liability consists of the tax liabilities that are payable in the future. The table below lists deferred tax assets and liabilities relating to the timing differences between tax accounting and financial accounting.

Amounts in NOK thousand	2015	2014
DEFERRED TAX ON TAX INCREASING/(REDUCING) DIFFERENCES		
Provisions	-53	-44
DEFERRED TAX LIABILITIES/ASSETS	-53	-44
This years change in deferred tax	9	1
CHANGE IN DEFERRED TAX INCOME STATEMENT	9	1

RECONCILIATION OF TOTAL TAX EXPENSE

Amounts in NOK thousand	2015	2014
27% of profit before tax	-43,409	-18,162
Change in tax rate	-4	-
Other non-deductible expenses	-37	-24
THE GROUP'S TOTAL TAX EXPENSE	-43,450	-18,186

The tax rate in Norway was reduced from 27% to 25% from 1 January 2016. This is considered in the calculation of deferred taxes as of 31 December 2015.

NOTE 09 Related parties

INTERCOMPANY RELATIONS WITH BORREGAARD AS

Amounts in NOK thousand	2015	2014
Group contribution	150,000	50,000
Interest income from Group companies	26,052	32,231
Loans to Group companies	1,144,930	1,211,745
Current receivable Group contribution	150,000	50,000
Accounts payable	124	-

Borregaard ASA provided a loan of NOK 1 000 million to Borregaard AS in 2012 for the repayment of external loans. In addition Borregaard ASA provided a loan of NOK 400 million in 2014 related to the bond issued in Borregaard ASA. The loan is interest-bearing and the interest is calculated in accordance with market conditions.

NOTE 10 Interest-bearing liabilities

UNSECURED BOND LOAN

On 14 February 2014 Borregaard issued NOK 400 million as a 1st tranche of an open bond issue with a borrowing limit of NOK 600 million. The bond issue has a 5 year tenor, and is

priced at 3 months NIBOR plus 95 basis points. Settlement of the transaction took place on 26 February 2014. Maturity is 26 February 2019.

NOTE 11 Other matters

SHARE CAPITAL AND SHAREHOLDERS

Information about the share capital and a list of the largest shareholders in Borregaard ASA is presented in Note 30 to the Financial Statements for Borregaard Group.



Borregaard

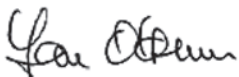
STATEMENT FROM THE BOARD OF DIRECTORS

We confirm that the financial statements for the period 1 January to up to and including 31 December 2015, to the best of our knowledge, have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial positions and profit or

loss of the Company and the Group as a whole. The Board of Directors' report includes a fair review of the development and performance of the business and the position of the Company and the Group as a whole, together with a description of the principal risks and uncertainties that they face.

Sarpsborg, 15 March 2016

THE BOARD OF DIRECTORS OF BORREGAARD ASA



JAN ANDERS OKSUM

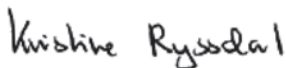
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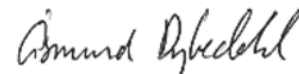
JAN ERIK KORSSJØEN



KRISTINE RYSSDAL



RAGNHILD WIBORG



ÅSMUND DYBEDAHL



RAGNHILD ANKER EIDE



PER A. SØRLIE

President and CEO

AUDITOR'S REPORT



Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Oslo Atrium, P.O.Box 20, NO-0051 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00
Fax: +47 24 00 24 01

www.ey.no
Medlemmer av Den norske revisorforening

To the Annual Shareholders' Meeting of
Borregaard ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Borregaard ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2015, the statements of income, cash flows and changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated statement of financial position as at 31 December 2015, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of Borregaard ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 16 March 2016

ERNST & YOUNG AS

Kjetil Rimstad

State Authorised Public Accountant (Norway)



HISTORICAL KEY FIGURES

	DEFINITIONS		2015	2014	2013	2012	2011
PROFIT & LOSS							
Operating revenues	(mill.NOK)		4,164	3,939	3,886	3,838	3,763
EBITA	(mill.NOK)		497	486	489	539	528
Amortisation intangible assets	(mill.NOK)		-1	-	-2	-3	-6
Other income and expences	(mill.NOK)		37	-30	14	-71	-
Operating profit	(mill.NOK)		533	456	501	465	522
EBITA-margin	1	(%)	11.9	12.3	12.6	14.0	14.0
Ordinary profit before taxes	(mill.NOK)		506	430	460	410	448
Profit for the year	(mill.NOK)		384	332	331	278	320
CASH FLOW							
Cash flow from operating activities	2	(mill.NOK)	563	600	526	531	542
RETURN							
Return on capital employed	3	(%)	15.6%	16.5%	16.9%	19.5%	20.5%
CAPITAL AS OF 31 DECEMBER							
Booked value of total assets		(mill.NOK)	4,169	3,748	3,427	3,466	3,614
Market capitalisation	4	(mill.NOK)	4,901	5,429	2,984	2,079	-
Equity ratio	5	(%)	49.4	52.0	54.2	49.1	31.1
Net interest-bearing liabilities	6	(mill.NOK)	624	608	728	852	1,302
Leverage ratio	7		0.82	0.83	1.03	1.14	-
Interest coverage ratio	8		24.0	16.4	14.5	7.8	-
Share of floating interest-bearing liabilities	9	(%)	100	100	100	100	-
SHARES AS OF 31 DECEMBER							
Number of shares outstanding diluted		(x 1,000)	99,735	99,578	99,592	100,059	-
Number of shares outstanding		(x 1,000)	100,000	100,000	100,000	100,000	-
SHARES-RELATED KEY FIGURES							
Share price at 31 December		(NOK)	49.40	55.50	30.20	20.80	-
Earnings per share diluted	10	(NOK)	3.87	3.35	3.36	2.76	-
Ordinary dividend per share (proposed for 2015)		(NOK)	1.50	1.25	1.10	1.00	-
Payout ratio	11	(%)	38.76	37.31	32.74	36.23	-
Price/earnings ratio	12		12.76	16.57	8.99	7.53	-
PERSONELL							
Number of man-years at 31 December (excluding JV)			1,027	1,028	1,002	978	1,015

DEFINITION:

- 1 EBITA/Operating revenues
- 2 Cash flow from operating activities + taxes paid + net financial items
- 3 EBITA/(average net working capital + average tangible assets + average intangible assets at cost – average net pension liabilities – average deferred tax excess value)
- 4 Market capitalisation is calculated on the basis of number of shares outstanding x average share price at year end
- 5 Book equity/Total assets
- 6 Total interest-bearing liabilities - Interest-bearing receivables and liquid assets (cash, bank deposits etc.)
- 7 Net interest-bearing liabilities / EBITDA at year end
- 8 (Profit before tax + Net interest expenses)/(Net interest expenses)
- 9 Liabilities with remaining period of fixed interest of less than one year
- 10 Profit for the year after minority interests/Average number of shares outstanding diluted at year end
- 11 Ordinary dividend per share/Earnings per share diluted
- 12 Share price/Earnings per share diluted

GROUP DIRECTORY



HEAD OFFICE

BORREGAARD ASA

PO Box 162
1701 Sarpsborg
Norway
T: +47 69 11 80 00
E: borregaard@borregaard.com
www.borregaard.com

IR CONTACTS

JØRN SYVERTSEN

Director Investor Relations
T: +47 958 36 335
E: jorn.syvertsen@borregaard.com

LOTTE KVINLAUG

Investor Relations Officer
T: +47 922 86 909
E: lotte.kvinlaug@borregaard.com

PRESS CONTACT

TONE HORVEI BREDAL

Communication Manager
T: +47 924 67 711
E: tone.horvei.bredal@borregaard.com

PRODUCTION UNITS & SALES OFFICES

SP BORREGAARD AS

Hjalmar Wessels vei 6
PO Box 162
1701 Sarpsborg, Norway
T: +47 69 11 80 00
E: borregaard@borregaard.com

SP LIGNOTECH USA, INC

100 Grand Avenue
Rothschild
Wisconsin 54474, USA
T: +1 715 359 6544

S 1155 Dairy Ashford, Suite 804

Houston, TX 77079, USA
T: +1 281 497782

SP SENSEFI INC

100 Grand Avenue
Rothschild
Wisconsin 54474, USA

SP UMKOMAAS LIGNIN (PTY) LTD T/A
LIGNOTECH SOUTH AFRICA

P.O. Box 743
Umkomaas 4170, South Africa
T: +27 39 97 36000
E: lignotech@ltsa.co.za

SP BORREGAARD UK LTD.

Clayton Road, Birchwood
Warrington
Cheshire WA3 6QQ, England
T: +44 1925 285400
E: enquiries.uk@borregaard.com

P BORREGAARD DEUTSCHLAND GMBH

LignoTech Werk Karlsruhe
DEA-Scholven Strasse 9
DE-76187 Karlsruhe, Germany
T: +49 721 55 99 10

S Hellersbergstr. 14

DE-41460 Neuss, Germany
T: +49 2131 718 55 46

P LIGNOTECH IBÉRICA SA

Ganzo s/n, Apartado 21
ES-39300 Torrelavega, Spain
T: +34 942 89 27 00

S BORREGAARD POLAND SP.ZO.O

ul. Ziebicka 2
PL-60-164 Poznan, Poland
T: +48 61 8615379

S BORREGAARD SHANGHAI COMPANY
LIMITED (BSCL)

RM2801, Tower 1, Grand Gateway, No. 1
Hongqiao Road,
Shanghai 200030, CHINA
T: +86-21-33568200

S BORREGAARD JAPAN

3rd Fl.Dai-Ichi-Iwata Bld.
2-2-5 Higashi-Shinbashi
Minato-ku, Tokyo 105-0021, Japan
T: +81 3 57 77 03 65

S BORREGAARD SOUTH ASIA PVT.LTD.

Plot No. A-80, T.T.C Industrial Area
Thane-Belapur Road, MIDC Khairane
Navi Mumbai - 400 705,
Dist. Thane. (MS), India
T: + 91-22-41841750/59/65

S BORREGAARD FRANCE SARL

4 rue Balzac
FR-75 008 Paris, France
Telephone +33 1 53 06 60 40

S BORREGAARD IBÉRICA, S.L.

Parc de Negocis Mas Blau
C/ Garrotxa, 6-8 2º C
08820.- El Prat de Llobregat,
Barcelona, Spain
T: +34 93 479 11 01

S BORREGAARD MIDDLE EAST FZE

P.O. Box 17601, Jebel Ali
Dubai, UAE
Telephone +971 4 881 39 58

S BORREGAARD S.E.A. PTE. LTD.

111 C (4th floor) Telok Ayer Street,
Singapore 068580
Telephone +65 6778 0008

S LIGNOTECH BRASIL PRODUTOS DE
LIGNINA LTDA

Rua Tito, 678 - 3º and. Cj 308
São Paulo – CEP 05051-000
Vila Romana, Brazil
T: +55 11 3674 9500

S BIOTECH LIGNOSULFONATE HANDELS
GMBH

Hauptplatz 1, Top 6
4300 St. Valentin, Austria
T: +43 7435 54242

P Zahradní 762

CZ-739 21 Paskov, Czech Republic
T: +420 558 671 741



Borregaard

Borregaard ASA
Postboks 162, 1701 Sarpsborg, Norway
Telephone: (+47) 69 11 80 00 Fax: (+47) 69 11 87 70
E-mail: borregaard@borregaard.com www.borregaard.com



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