

FIRST QUARTER
Q1 2015

Q1 2015

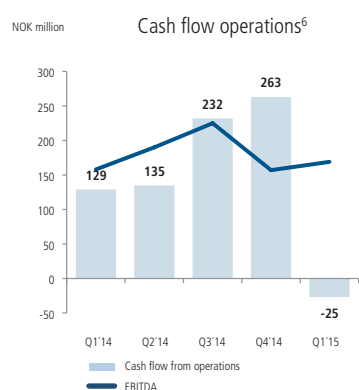
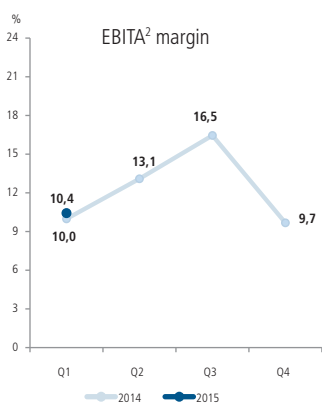
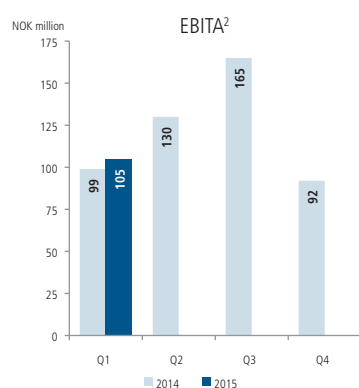
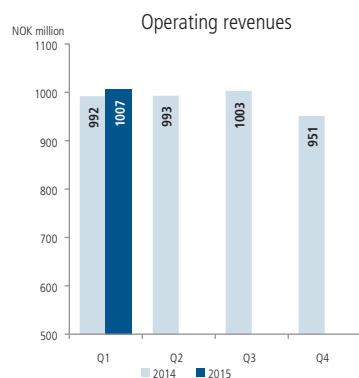
1st QUARTER IN BRIEF

- Significant progress for Performance Chemicals
 - Lower prices and weaker product mix for Specialty Cellulose
 - Improvement for Other Businesses
 - Positive net currency impact in all areas despite negative hedging effects
 - Negative cash flow due to temporary fluctuations in net working capital
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THE GROUP¹



Amounts in NOK million	Note	1.1 – 31.3		1.1 - 31.12
		2015	2014	2014
Operating revenues	2	1 007	992	3 939
EBITDA ¹		169	158	730
EBITA ²	2	105	99	486
Profit/loss before taxes		100	92	430
Earnings per share (NOK)	5	0.74	0.65	3.34
Net interest-bearing debt	10	768	708	608
Equity ratio (%)		53.5	56.4	52.0
Leverage ratio ³		1.04	1.00	0.83
Return on capital employed ⁴ (%)		16.4	16.4	16.5

First quarter

Borregaard's operating revenues totalled NOK 1,007 million (NOK 992 million⁵) in the 1st quarter of 2015. EBITA was NOK 105 million (NOK 99 million). Performance Chemicals and Other Businesses improved their EBITA, while there was a decline in Specialty Cellulose. Currency developments contributed positively in all business areas despite negative impact from hedging. Hedging effects were NOK -70 million compared with NOK -17 million in the 1st quarter of last year. Production at the Sarpsborg site was in line with the corresponding quarter last year. In total, raw material, energy and other costs were stable.

EBITA in Performance Chemicals increased as a favourable product mix, higher sales prices and positive currency effects more than compensated for a 9% reduction in total sales volume. The decline in Specialty Cellulose was mainly due to lower sales prices and a weaker product mix. EBITA in Other Businesses improved, primarily due to progress in the Ingredients business and lower net corporate costs.

Net financial items were NOK -5 million compared with NOK -7 million in the 1st quarter of 2014. The reduction was due to lower net interest expenses and favourable FX differences. Group profit before tax increased to NOK 100 million (NOK 92 million). Tax expense in the 1st quarter was NOK -27 million, giving a tax rate of 27% (29%).

Earnings per share in the 1st quarter were NOK 0.74 (NOK 0.65).

Cash flow from operations in the 1st quarter of 2015 was NOK -25 million (NOK 129 million), primarily due to temporary fluctuations in net working capital.

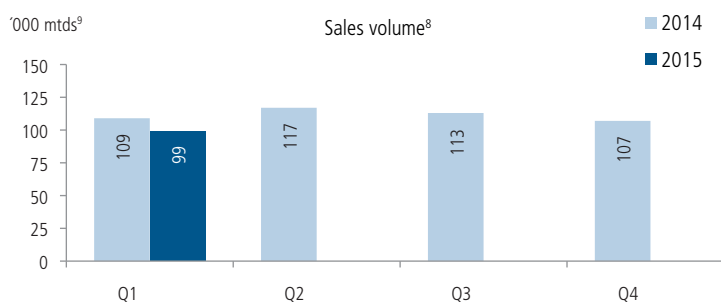
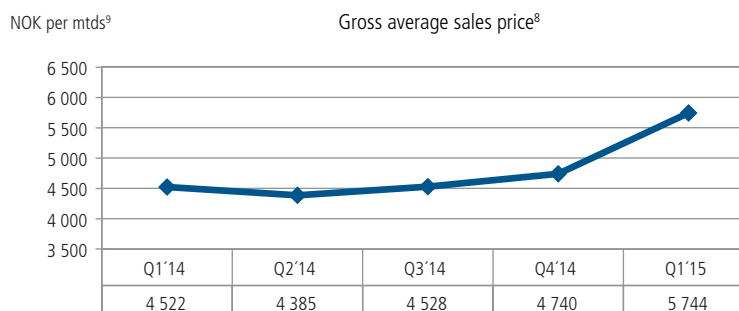
1. Operating profit before depreciation, amortisation and other income and expenses.
2. Operating profit before amortisation and other income and expenses.
3. Net interest bearing debt/EBITDA (LTM).
4. EBITA/(average net working capital+average tangible assets+average intangible assets at cost-average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

THE BUSINESS AREAS

Performance Chemicals

Amounts in NOK million	1.1 – 31.3		1.1 – 31.12
	2015	2014 ⁷	2014 ⁷
Operating revenues	503	442	1 822
EBITA	111	84	388
EBITA margin (%)	22.1	19.0	21.3

Performance Chemicals posted 1st quarter operating revenues of NOK 503 million (NOK 442 million). EBITA was NOK 111 million (NOK 84 million). Market conditions were generally positive for major applications, especially within the high-value segment, where sales volume increased both in nominal and relative terms. The positive EBITA effect of improved product mix, higher prices and a favourable currency situation was partly off-set by a 9% reduction in sales volume compared with the 1st quarter of 2014. A significant drop in demand for lignin in Russia has led to increased exports from Russian producers, mainly to the construction sector in the Middle East and other Asian markets. The supply of lignin raw material from external sources was somewhat lower than in the corresponding quarter last year. The seasonal adjustment of inventory was higher than in the corresponding quarter of last year, mainly due to low stock at year-end.



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

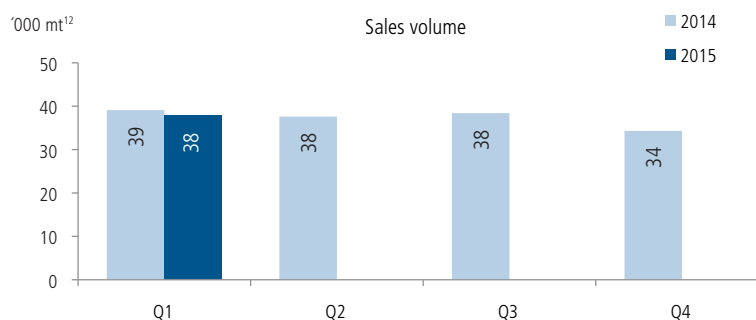
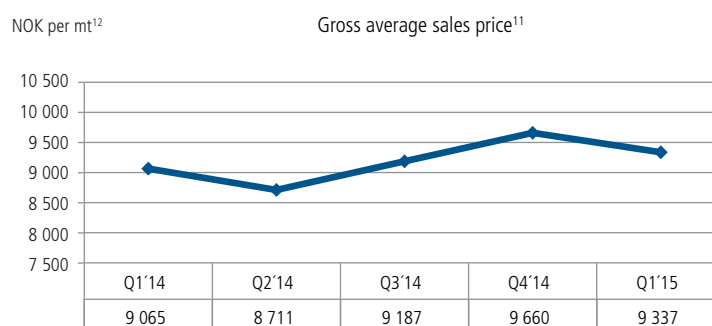
8. Average sales price and sales volume reflect 100% of sales and volume from the JV in South Africa. Average sales price is calculated using actual FX rates, excluding hedging impact.

9. Metric tonne dry solid.

Specialty Cellulose

Amounts in NOK million	1.1 – 31.3		1.1 – 31.12
	2015	2014 ¹⁰	2014 ¹⁰
Operating revenues	336	379	1 459
EBITA	8	34	163
EBITA margin (%)	2.4	9.0	11.2

Specialty Cellulose posted 1st quarter operating revenues of NOK 336 million (NOK 379 million). EBITA was NOK 8 million (NOK 34 million). The weaker result compared with the 1st quarter of 2014 was due to lower invoiced sales prices and a weaker product mix, partly off-set by positive net currency effects. The negative hedging effect in the 1st quarter affected Specialty Cellulose in particular. The weaker product mix was mainly due to lower sales of cellulose acetate grades. In total, raw material, energy and other costs were stable.



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

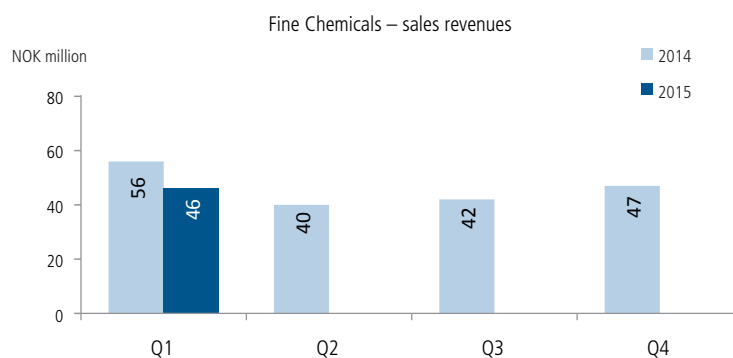
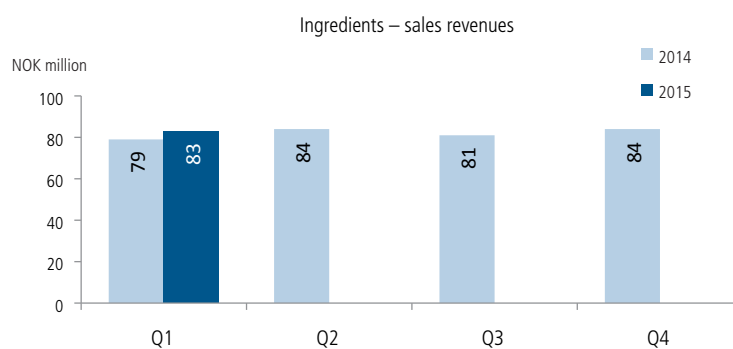
11. Average sales price is calculated using actual FX rates, excluding hedging impact.

12. Metric tonne.

Other Businesses

Amounts in NOK million	1.1 – 31.3		1.1 – 31.12
	2015	2014 ¹³	2014 ¹³
Operating revenues	176	185	727
EBITA	-14	-19	-65
EBITA margin (%)	-8.0	-10.3	-8.9

Other Businesses had total operating revenues of NOK 176 million (NOK 185 million) and an EBITA of NOK -14 million (NOK -19 million) in the 1st quarter of 2015. Currency rates contributed positively in both Ingredients and Fine Chemicals, while lower sales volume in Fine Chemicals had a negative impact. Net corporate costs in the 1st quarter were lower than in the corresponding quarter of 2014, whereas Exilva costs increased.



13. The 2014 figures are restated to reflect that BALI project costs are not part of Other Businesses and that Exilva project costs are included in Other Businesses. See Note 13.

FOREIGN EXCHANGE AND HEDGING

Borregaard has a significant currency exposure which is hedged according to the company's hedging strategy. Compared with the 1st quarter of 2014, the net positive impact of foreign exchange on EBITA, including hedging effects, was approximately NOK 45 million. Hedging effects were NOK -70 million compared with NOK -17 million in the 1st quarter of last year.

Assuming FX rates as of 27 April 2015 (USD 7.79 and EUR 8.43) and based on currency exposure forecasts, Borregaard expects the net positive impact of foreign exchange on EBITA to be approximately NOK 167 million for the remainder of the year.

CASH FLOW AND FINANCIAL SITUATION

Cash flow from operating activities in the 1st quarter of 2015 was NOK -82 million (NOK 59 million). The decrease was mainly due to temporary fluctuations in net working capital between quarters, from a low level at year-end 2014. The main reason for the increased net working capital was higher accounts receivable due to high sales late in the 1st quarter. In addition, higher inventories, reduced accounts payable and currency effects contributed to the increase. Investments in the 1st quarter of 2015 amounted to NOK 53 million (NOK 51 million).

On 31 March 2015, the Group had net interest-bearing debt totalling NOK 768 million (NOK 708 million), an increase of NOK 160 million from year-end 2014.

At the end of the 1st quarter, the Group was well capitalised with an equity ratio of 53.5% and a leverage ratio of 1.04.

SHARE INFORMATION

Total number of shares outstanding on 31 March 2015 was 100 million, including 777,883 treasury shares. Total number of shareholders was 7,118. Borregaard ASA's share price was NOK 59.50 at the end of the 1st quarter of 2015 compared with NOK 55.50 at the end of 2014.

OTHER MATTERS AND SUBSEQUENT EVENTS

Reporting

From 2015, BALI project costs are reported as part of Performance Chemicals (previously reported as part of Other Businesses) and the Exilva project as part of Other Businesses (previously reported as part of Specialty Cellulose). The 2014 figures are restated to reflect the change. See notice to the Oslo Stock Exchange dated 25 March 2015 for restated historical figures (spreadsheet on www.borregaard.com).

General Meeting

Borregaard ASA held its General Meeting on 15 April 2015. The financial statements of Borregaard ASA and the Group, including dividend of NOK 1.25 per share, were approved. The Chair and the other shareholder-elected members of the Board of Directors were re-elected at the General Meeting.

OUTLOOK

Performance Chemicals continues to benefit from strong demand in major applications. Sales volume in 2015 is forecast to be similar to 2014. Sales volume in the 2nd quarter of 2015 is expected to be in line with the corresponding quarter last year, but with a weaker product mix than in the 1st quarter of 2015 due to normal seasonality.

In 2015, cellulose prices in sales currency are forecast to be approximately 7% below their 2014 level. Product mix in 2015 is expected to be weaker than in 2014, primarily due to lower demand in the cellulose acetate market. In the 2nd quarter, total sales volume is expected to be higher than in the preceding quarter, but with a more unfavourable product mix.

The challenging market situation for vanillin products is expected to continue in 2015, and the Fine Chemicals business will remain relatively stable. Corporate costs will remain at largely the same level as in 2014, while costs related to the Exilva project will increase.

If maintained at their present level, currency rates will contribute positively in all business areas in 2015. However, the positive impact will gradually take effect during 2015 due to currency hedging.

Sarpsborg, 27 April 2015

The Board of Directors of Borregaard ASA

THE GROUP'S CONDENSED INCOME STATEMENT

Interim condensed income statement

Amounts in NOK million	Note	1.1 – 31.3		1.1 – 31.12
		2015	2014	2014
Operating revenues	2	1 007	992	3 939
Operating expenses		-838	-834	-3 209
Depreciation property, plant and equipment		-64	-59	-244
Amortisation intangible assets		0	0	0
Other income and expenses	3	0	0	-30
Operating profit		105	99	456
Financial items, net		-5	-7	-26
Profit before taxes		100	92	430
Income tax expense	4	-27	-27	-98
Profit for the period		73	65	332
Profit attributable to non-controlling interests		-1	0	-2
Profit attributable to owners of the parent		74	65	334
EBITDA adjusted ¹		169	158	730
EBITA adjusted ²	2	105	99	486

EARNINGS PER SHARE

Interim earnings per share

Amounts in NOK million	Note	1.1 – 31.3		1.1 – 31.12
		2015	2014	2014
Earnings per share (100 million shares)	5	0.74	0.65	3.34
Diluted earnings per share	5	0.74	0.65	3.35

THE GROUP'S CONDENSED COMPREHENSIVE INCOME STATEMENT

Interim condensed comprehensive income statement

Amounts in NOK million	Note	1.1 – 31.3		1.1 – 31.12
		2015	2014	2014
Profit for the period		73	65	332
Items not to be reclassified to P&L				
Actuarial gains and losses (after tax)		0	0	-8
Total		0	0	-8
Items to be reclassified to P&L				
Change in hedging reserve after tax (cash flow)	7	-16	47	-156
Change in hedging reserve after tax (net investments in subsidiaries)	7	-15	9	-58
Translation effects		29	-6	109
Total		-2	50	-105
The Group's comprehensive income		71	115	219
Comprehensive income non-controlling interests		-1	-1	-1
Comprehensive income owners of the parent		72	116	220

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

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

THE GROUP'S CONDENSED BALANCE SHEET

Interim condensed statement of financial position

Amounts in NOK million	Note	2015 31.3	2014 31.12
Intangible assets	12	72	77
Property, plant and equipment	12	2 000	2 004
Other assets	8	82	76
Investment in joint venture		109	106
Non-current assets		2 263	2 263
Inventories		640	610
Receivables	8	826	707
Cash and cash deposits	10	51	168
Current assets		1 517	1 485
Total assets		3 780	3 748
Group equity	9	2 014	1 941
Non-controlling interests		7	8
Total Equity		2 021	1 949
Provisions and other liabilities		203	196
Interest-bearing liabilities	8, 10	770	784
Non-current liabilities		973	980
Interest-bearing liabilities	8, 10	67	8
Other current liabilities	8	719	811
Current liabilities		786	819
Equity and liabilities		3 780	3 748
Equity ratio		53.5%	52.0%

CHANGES IN EQUITY

Interim condensed change in equity

Amounts in NOK million	Note	1.1 – 31.3.2015			1.1 – 31.12.2014		
		Controlling interests	Non-controlling interests	Total equity	Controlling interests	Non-controlling interests	Total equity
Equity 1.1		1 941	8	1 949	1 847	9	1 856
Profit/loss for the period		74	-1	73	334	-2	332
The Group's comprehensive income	7	-2	0	-2	-114	1	-113
Total comprehensive income	7	72	-1	71	220	-1	219
Option costs (share based payment)		1	0	1		0	
Dividend	9	0	0	0	-109	0	-109
Buy-back of shares	9	0	0	0	-76	0	-76
Exercise of share options	6	0	0	0	51	0	51
Reduced tax payable of exercised share options		0	0	0	8	0	8
Equity at the close of the period	9	2 014	7	2 021	1 941	8	1 949

THE GROUP'S CONDENSED CASH FLOW STATEMENT

Interim condensed cash flow statement

Amounts in NOK million	Note	1.1 – 31.3		1.1 - 31.12
		2015	2014	2014
Profit before taxes		100	92	430
Amortisation, depreciation and impairment charges		64	59	244
Changes in net working capital, etc.		-194	-29	59
Dividend (share of profit) from JV		1	-2	6
Taxes paid		-53	-61	-139
Cash flow from operating activities		-82	59	600
Investments property, plant and equipment and intangible assets*		-53	-51	-313
Other capital transactions		3	3	2
Cash flow from investing activities		-50	-48	-311
Dividends		0	0	-109
Proceeds from exercise of share options	9	0	11	48
Buy-back of shares	6	0	0	-76
Gain/(loss) on hedges for net investments in subsidiaries		-43	0	-72
Net paid to/from shareholders		-43	11	-209
Proceeds from interest-bearing liabilities	10	0	734	6
Repayment of interest-bearing liabilities	10	-2	-754	0
Change in interest-bearing receivables/liabilities	10	-16	-4	-3
Change in net interest-bearing liabilities		-18	-24	3
Cash flow from financing activities		-61	-13	-206
Change in cash and cash equivalents		-193	-2	83
Cash and cash equivalents at beginning of period		168	39	39
Change in cash and cash equivalents		-193	-2	83
Currency effects cash and cash equivalents		17	-2	46
Cash and cash equivalents at the close of the period	10	-8	35	168

*Investments by category

Replacement investments		31	31	228
Expansion investments		22	20	85

NOTES | NOTE 1

Organisation and basis for preparation

General information

Borregaard ASA is incorporated and domiciled in Norway. The address of its registered office is Hjalmar Wessels vei 10, Sarpsborg.

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

Basis for preparation

These unaudited Interim Condensed Consolidated Financial Statements are prepared in accordance with IAS 34 Interim Financial Reporting. Borregaard ASA is the parent company of the Borregaard Group presented in these Interim Condensed Consolidated Financial Statements.

The same accounting principles and methods of calculation have been applied as in the Consolidated Financial Statements for 2014 for the Borregaard Group.

Use of estimates

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

NOTE 2

Segments

Operating revenues

Amounts in NOK million	1.1 – 31.3		1.1 – 31.12
	2015	2014 ³	2014 ³
Borregaard	1 007	992	3 939
Performance Chemicals	503	442	1 822
Specialty Cellulose	336	379	1 459
Other Businesses	176	185	727
Eliminations	-8	-14	-69

EBITA²

Amounts in NOK million	1.1 – 31.3		1.1 – 31.12
	2015	2014 ³	2014 ³
Borregaaard	105	99	486
Performance Chemicals	111	84	388
Specialty Cellulose	8	34	163
Other Businesses	-14	-19	-65
Reconciliation against operating profit and profit before taxes			
EBITA ² adjusted	105	99	486
Amortisation intangible assets	0	0	0
Other income and expenses	0	0	-30
Operating profit	105	99	456
Financial items, net	-5	-7	-26
Profit before taxes	100	92	430

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

NOTE 3

Other income and expenses

There are no Other income and expenses in the 1st quarter of 2015.

NOTE 4

Income tax expense

The tax rate of 27% for the first three months of 2015 is a compilation of the tax rates in the various countries in which Borregaard operates and has taxable income. The normal tax rate is expected to be in the range 25 - 28%.

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

NOTE 5

Earnings per share (EPS)

The share capital consists of 100 million shares. The company holds 777,883 treasury shares. As of 31 March 2015, there are 99,618,416 diluted shares (99,577,876 as of 31 December 2014). Earnings per diluted share were NOK 0.74 as of 31 March 2015.

NOTE 6

Stock options

No share options have been exercised during the 1st quarter of 2015.

The Group Executive Management and other key employees hold a total of 958,800 stock options in three different share option programmes in Borregaard. The first programme has a total of 208,800 outstanding stock options at a strike price of NOK 16.68. The second programme has a total of 250,000 outstanding stock options at a strike price of NOK 19.15. The strike prices have been adjusted for dividends in 2013, 2014 and 2015, NOK 3.35 in total. The share options for the first two programmes were vested on 18 October 2013 and can be exercised until the end of October 2016.

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

NOTE 7

Statement of comprehensive income

The statement of comprehensive income shows changes in the value of hedging instruments, both cash flow hedges and hedges of net investments in subsidiaries (hedging reserve). These figures are presented after tax. The tax effect for the three months of 2015 relating to the hedging reserves amounts to NOK -75 million (cash flow hedges) and NOK -11 million (hedges of net investments in subsidiaries), respectively (NOK 6 million and NOK 0 million). Total hedging reserve included in equity as of 31 March 2015 (after tax) amounts to NOK -204 million and NOK -75 million respectively (NOK 15 million and NOK 7 million).

NOTE 8

Fair value hierarchy

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

The following measurement levels are used for determining the fair value of financial instruments:

- Level 1 — Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities
- Level 2 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)
- Level 3 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

There were no transfers from one level to another in the measurement hierarchy from 2014 to the 1st quarter of 2015. Borregaard has no items defined as level 1. The bond is determined as measurement level 3. The fair value of the bond is deemed to equal its book value.

Set out below is a comparison of the carrying amount and the fair value of financial instruments as of 31 March 2015:

Financial assets Amounts in NOK million	Level	Carrying amount	Fair value
Non-current financial receivables	2	70	70
Non-current derivatives	2	3	3
Current derivatives	2	24	24
Total financial assets		97	97
Financial liabilities			
Non-current financial liabilities	2,3	770	770
Non-current derivatives	2	107	107
Current financial liabilities	2	9	9
Current derivatives	2	180	180
Total financial liabilities		1 066	1 066

Financial instruments measured at fair value Amounts in NOK million	2015 31.3	Level 1	Level 2	Level 3
Financial instruments	-969	0	-569	-400

The financial instruments are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies.

NOTE 9

Compilation of Equity

	2015	2014
Amounts in NOK million	31.3	31.12
Share capital	100	100
Treasury shares	-1	-1
Share premium	1 346	1 346
Other paid-in equity	233	232
Translation effects	51	22
Hedging reserve	-279	-248
Actuarial gains/losses	-4	-4
Retained earnings	568	494
Group equity (controlling interests)	2 014	1 941

As of 31 March 2015, the company held 777,883 treasury shares at an average cost of NOK 44.08.

NOTE 10

Net interest-bearing debt

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

	2015	2014
Amounts in NOK million	31.3	31.12
Non-current interest-bearing liabilities	770	784
Current interest-bearing liabilities including overdraft of cashpool	67	8
Non-current interest-bearing receivables (included in "Other Assets")	-18	-16
Cash and cash deposits	-51	-168
Net interest-bearing debt	768	608

As of 31 March 2015 there is a net overdraft in the Group's cashpool facilities of NOK 59 million. This is classified as current interest-bearing liabilities in the statement of financial position. Cash and cash equivalents as of 31 March 2015 is NOK -8 million.

NOTE 11

Related parties

The members of the Group Executive Management of Borregaard hold a total of 563,800 stock options in the Company as of 31 March 2015.

NOTE 12

Assessments relating to impairment

No impairment indicators have been identified in the Borregaard Group's property, plant and equipment or intangible assets in the 1st quarter of 2015.

NOTE 13

Changes in Segments from 2015

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

2014

Operating revenues			
Amounts in NOK million	2014	Restating	Restated 2014
Borregaard	3 939		3 939
Performance Chemicals	1 822		1 822
Specialty Cellulose	1 463	-4	1 459
Other Businesses	723	4	727
Eliminations	-69		-69
EBITA³			
Amounts in NOK million	2014	Restating	Restated 2014
Borregaaard	486		486
Performance Chemicals	419	-31	388
Specialty Cellulose	129	34	163
Other Businesses	-62	-3	-65

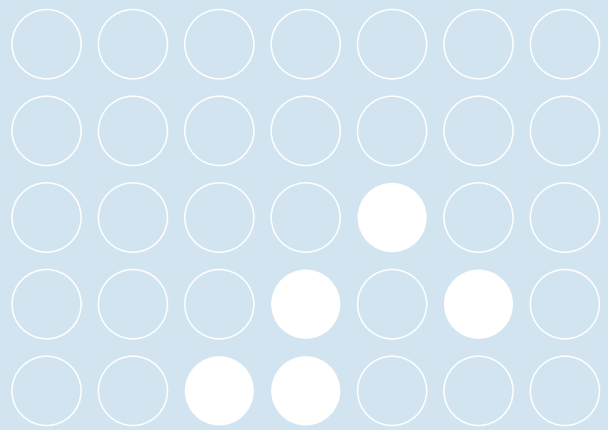
NOTE 14

Other matters and subsequent events

General Meeting

Borregaard's General Meeting was held on 15 April 2015. The proposed dividend of NOK 1.25 per share was approved. The dividend was paid on 24 April 2015. The shares were traded excluding dividend on 16 April 2015.

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



Borregaard ASA

P.O. Box 162

NO-1701 Sarpsborg, Norway

Telephone (+47) 69 11 80 00

Fax (+47) 69 11 87 70

email: borregaard@borregaard.com

www.borregaard.com