

Q 1 2017

QUARTERLY REPORT 1ST QUARTER 2017



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Q1 2017



1ST QUARTER IN BRIEF

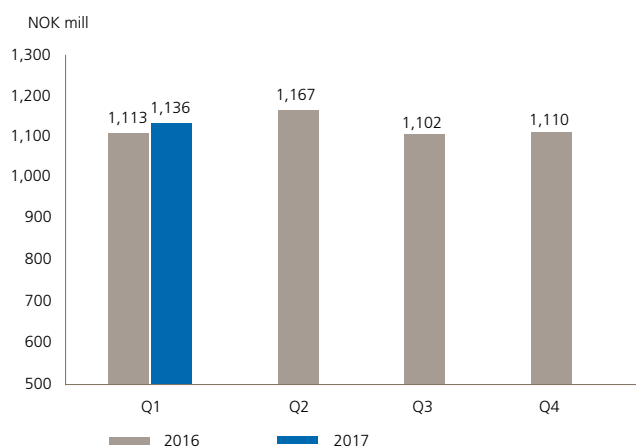
- *All-time high 1st quarter EBITA adj.¹ for the Group*
- *Increased sales of specialities in Performance Chemicals*
- *Higher prices and better product mix in Speciality Cellulose*
- *Weaker results in Ingredients and Fine Chemicals*
- *Slightly negative currency effects*
- *Specialisation and upgrade investments at the Sarpsborg biorefinery*

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

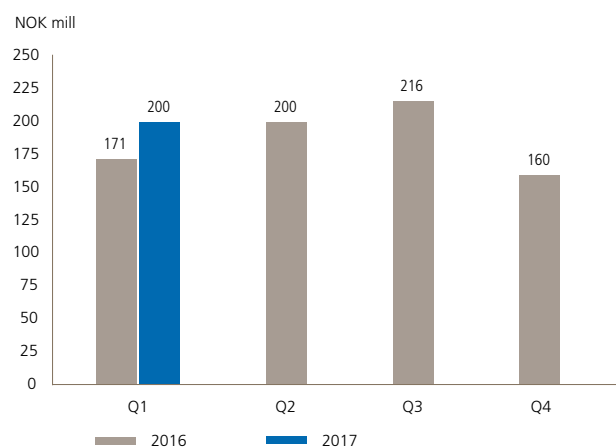
THE GROUP

Amounts in NOK million	NOTE	1.1 - 31.3		1.1 - 31.12
		2017	2016	2016
Operating revenues	2	1,136	1,113	4,492
EBITDA adj. ¹		274	236	1,021
EBITA adj. ¹	2	200	171	747
Profit/loss before taxes		195	161	724
Earnings per share (NOK)		1.48	1.21	5.55
Net interest-bearing debt ¹	10	384	763	300
Equity ratio ¹ (%)		60.9	55.7	58.1
Leverage ratio ¹		0.36	0.92	0.29
Return on capital employed ¹ (%)		21.9	17.0	21.7

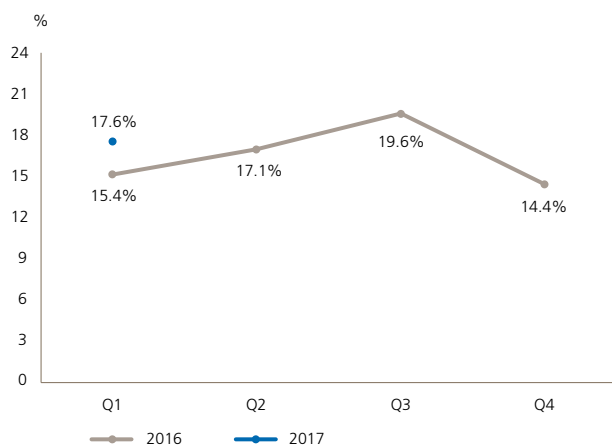
OPERATING REVENUES



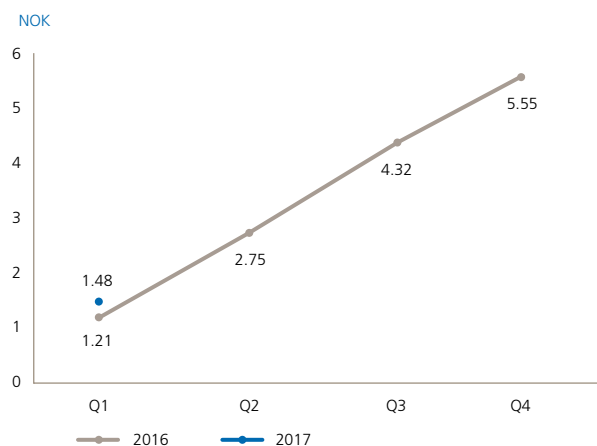
EBITA ADJ.¹



EBITA ADJ. MARGIN¹



EARNINGS PER SHARE CUMULATIVE



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

FIRST QUARTER

Borregaard's operating revenues reached NOK 1,136 million (NOK 1,113 million)² in the 1st quarter of 2017. EBITA adj.¹ increased to NOK 200 million (NOK 171 million), a 1st quarter all-time high level. Speciality Cellulose improved its EBITA adj.¹, while there was a stable result for Other Businesses and a small decline in Performance Chemicals. Currency effects were slightly negative in the 1st quarter. In total, raw material, energy and other costs were stable. Production output at the Sarpsborg site was higher than in the corresponding quarter of last year.

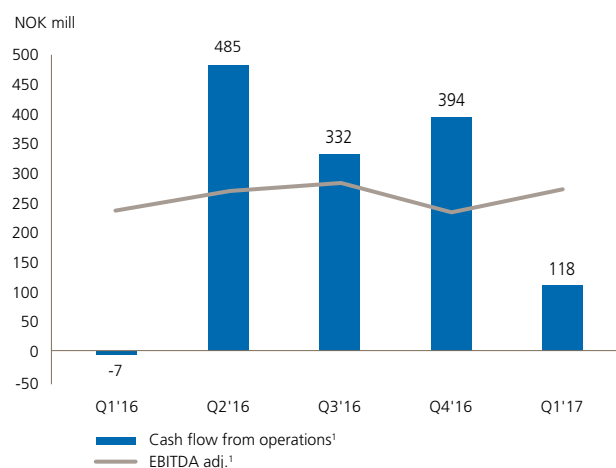
Performance Chemicals' EBITA adj.¹ was slightly below last year. Increased sales of specialities and a generally more favourable product mix partly offset a weak construction market, cost increases and negative currency effects. The improvement in Speciality Cellulose was primarily due to higher prices and positive mix effects. Within Other Businesses, a weaker performance in Ingredients and Fine Chemicals was largely offset by lower net costs in Cellulose Fibrils.

Net financial items were NOK -4 million compared with NOK -9 million in the 1st quarter of 2016. The change from last year was due to lower interest expense and an improvement in foreign exchange effects. Group profit before tax increased to NOK 195 million (NOK 161 million). Tax expense in the 1st quarter was NOK -48 million, giving a tax rate of 25% (25%).

Earnings per share in the 1st quarter were NOK 1.48 (NOK 1.21).

Cash flow from operations¹ in the 1st quarter of 2017 was NOK 118 million (NOK -7 million), and was mainly caused by a lower increase in net working capital than in the 1st quarter of 2016.

CASH FLOW FROM OPERATIONS¹



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

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

THE BUSINESS AREAS

PERFORMANCE CHEMICALS

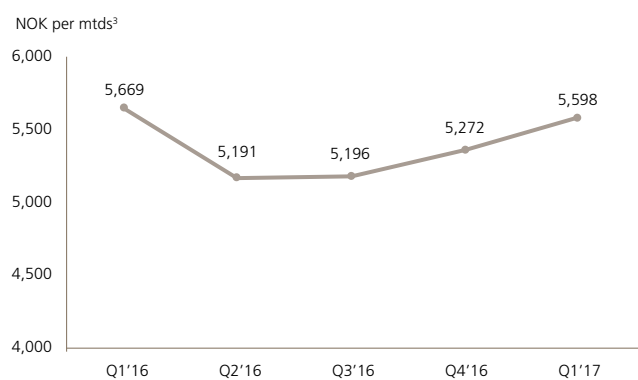
Amounts in NOK million	1.1 - 31.3		1.1 - 31.12	
	2017	2016	2016	2016
Operating revenues	550	550	2 161	
EBITA adj. ¹	132	138	517	
EBITA adj. margin ¹ (%)	24.0	25.1	23.9	

Performance Chemicals' 1st quarter operating revenues were NOK 550 million (NOK 550 million). EBITA adj.¹ was NOK 132 million (NOK 138 million). Increased sales of specialities and a generally more favourable product mix partly offset the impact of a weak construction market, higher sales and project costs and negative currency effects.

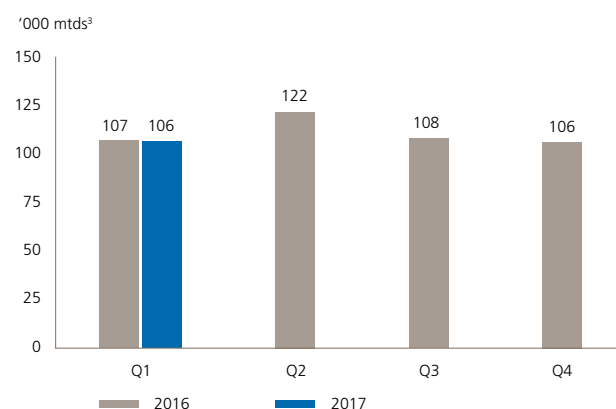
Total sales volume decreased by 1%, but volume increased in the USA and China. There was a decline in sales to the construction sector, where market conditions were challenging with weak demand and strong price

competition, particularly in Brazil, Turkey and the Middle East. Increased sales in Specialities, particularly within agrochemicals, plant nutrition, batteries and oil field chemicals, largely compensated for the lower Construction volume and had a positive impact on product mix. Sales volume in the Miscellaneous segment was stable. New business compensated volume lost in 2016 at a large East European customer. Average price in sales currency rose slightly from the 1st quarter of 2016 due to mix effects. Raw material and energy costs were stable. There was an inventory increase in the 1st quarter, mainly due to seasonality.

GROSS AVERAGE SALES PRICE



SALES VOLUME



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

³ Metric tonne dry solid.

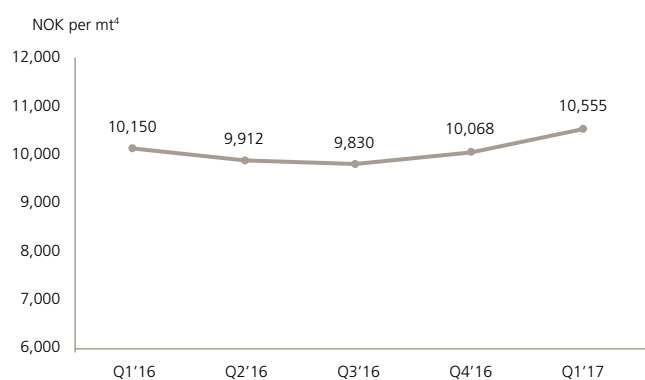
SPECIALITY CELLULOSE

Amounts in NOK million	1.1 - 31.3		1.1 - 31.12
	2017	2016	2016
Operating revenues	412	383	1,590
EBITA adj. ¹	89	53	250
EBITA adj. margin ¹ (%)	21.6	13.8	15.7

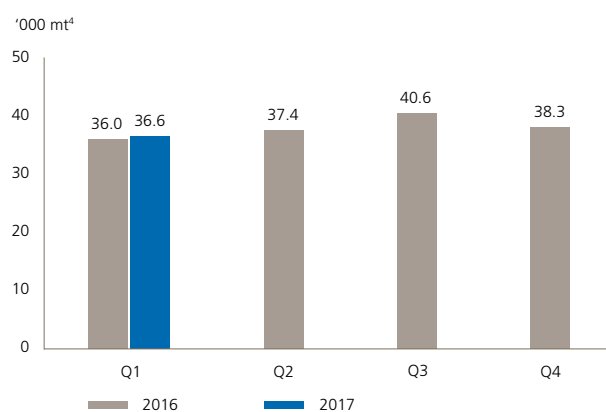
Speciality Cellulose's 1st quarter operating revenues increased to NOK 412 million (NOK 383 million). EBITA adj.¹ improved to NOK 89 million (NOK 53 million). The stronger EBITA adj.¹ was caused by higher sales prices, increased production volume and improved product mix. Demand for ether grades and textile

cellulose was strong, whereas the market for acetate cellulose remained more competitive. Sales of highly specialised grades increased compared with the corresponding quarter last year. Contribution from bioethanol was in line with the 1st quarter of 2016.

GROSS AVERAGE SALES PRICE



SALES VOLUME



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

⁴ Metric tonne.

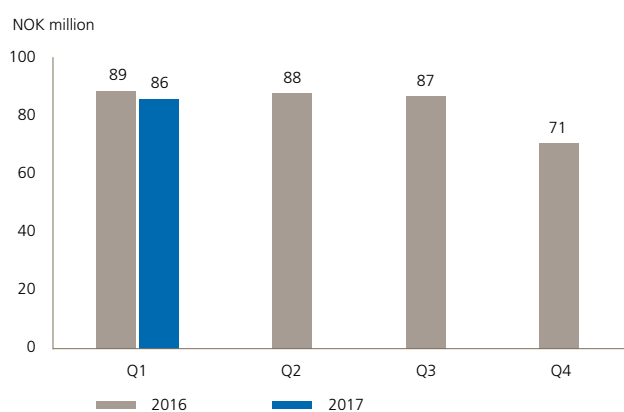
OTHER BUSINESSES

Amounts in NOK million	1.1 - 31.3		1.1 - 31.12	
	2017	2016	2016	2016
Operating revenues	183	190		776
EBITA adj. ¹	-21	-20		-20
EBITA adj. margin ¹ (%)	-11.5	-10.5		-2.6

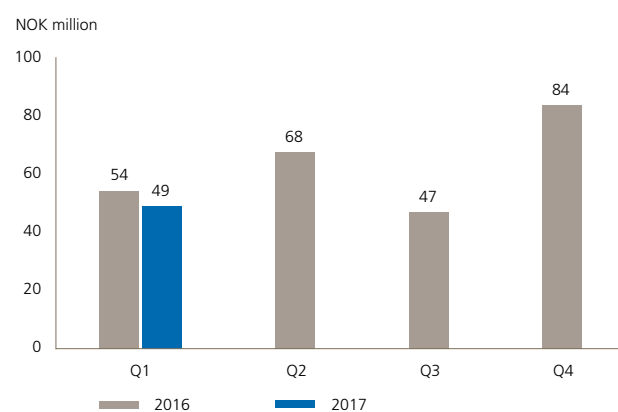
Other Businesses had total operating revenues of NOK 183 million (NOK 190 million) and an EBITA adj.¹ of NOK -21 million (NOK -20 million) in the 1st quarter. There was a positive market development for key products within Ingredients, but results were negatively affected by higher raw material and infrastructure costs. In Fine Chemicals, low deliveries and a weaker sales

mix reduced EBITA adj.¹. Currency effects were negligible in both Ingredients and Fine Chemicals. In Cellulose Fibrils, depreciation and business development costs increased, but net costs decreased due to the EU Horizon 2020 grant. Corporate costs in the 1st quarter were in line with the 1st quarter of 2016.

INGREDIENTS – SALES REVENUES



FINE CHEMICALS – SALES REVENUES



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

FOREIGN EXCHANGE AND HEDGING

Borregaard has a significant currency exposure which is hedged according to the company's hedging strategy. Compared with the 1st quarter of 2016, the net negative impact of foreign exchange on EBITA adj.¹, including hedging effects, was approximately NOK -5 million. Hedging effects were NOK -22 million (NOK -43 million).

Assuming exchange rates as of 2 May 2017 (USD 8.59 and EUR 9.38) and based on currency exposure forecasts, Borregaard expects the net positive impact of foreign exchange on EBITA adj.¹ to be approximately NOK 10 million in the 2nd quarter and NOK 35 million for the full year 2017.

CASH FLOW AND FINANCIAL SITUATION

Cash flow from operating activities in the 1st quarter was NOK 82 million (NOK -69 million). The improvement compared with the corresponding quarter of last year was mainly due to higher EBITA adj.¹ and a lower increase in net working capital.

Investments in the 1st quarter amounted to NOK 159 million (NOK 71 million). Both replacement investments and expansion investments¹, the latter mainly related to the Florida lignin project, increased from the 1st quarter of 2016.

On 31 March 2017, the Group had net interest-bearing debt¹ totalling NOK 384 million (NOK 763 million), an increase of NOK 84 million from year-end 2016.

At the end of the 1st quarter, the Group was well capitalised with an equity ratio¹ of 60.9% and a leverage ratio¹ of 0.36.

SHARE INFORMATION

In February, 364,000 share options at a strike price of NOK 104.11 were granted under the long-term incentive programme. The options will expire after five years, the vesting period is three years and the options may be exercised during the last two years. For more details, see notification to Oslo Stock Exchange on 17 February 2017.

As part of the employee share programme, Borregaard has sold a total of 159,315 shares to employees in February 2017. The price was NOK 65.07 per share after deduction of a 30% discount. For more details, see notification to Oslo Stock Exchange on 13 and 20 February and 1 March 2017.

During the 1st quarter of 2017, Borregaard has repurchased a total of 300,000 treasury shares at an average price of NOK 96.23. See notifications to Oslo Stock Exchange from 27 February until 16 March 2017.

Total number of shares outstanding on 31 March 2017 was 100 million, including 484,065 treasury shares.

Total number of shareholders was 8,533. Borregaard ASA's share price was NOK 96.25 at the end of the 1st quarter of 2017 (NOK 84.50 at the end of 2016).

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

OTHER MATTERS AND SUBSEQUENT EVENTS

ICE BEAR CAPACITY EXPANSION

In March, Borregaard announced an investment of NOK 115 million in increased capacity for Ice Bear speciality cellulose products. This investment will be finalised in the second half of 2018, and will bring Borregaard's Ice Bear capacity to approximately 60,000 tonnes. See stock exchange notice from 22 March 2017.

UPGRADE AND SPECIALISATION INVESTMENT AT THE SARPSBORG BIOREFINERY

Borregaard will invest NOK 500 million to upgrade and specialise the production facilities for lignin products at the Sarpsborg site in Norway. The project includes new drying capacity, tanks for storage of liquid materials and improved solutions for logistics, infrastructure and

energy. The investment will be completed by the end of 2019. See stock exchange notice from 2 May 2017.

GENERAL MEETING

Borregaard ASA held its General Meeting on 20 April 2017. The financial statements of Borregaard ASA and the Group, including the proposal to pay an ordinary dividend of NOK 1.75 per share and an extraordinary dividend of NOK 1.75 per share, were approved. The General Meeting re-elected the Chair of the Board of Directors, Jan Oksum. The following members were also re-elected: Terje Andersen, Kristine Ryssdal and Jon Erik Reinhardsen. Martha Kold Bakkevig was elected new member of the Board.

OUTLOOK

Market conditions for Borregaard's lignin products are still expected to be negatively affected by a weak business climate with continued strong competition and price pressure in important regions for construction products. Reallocation efforts and flexibility in raw material supply from external sources will contribute to market optimisation and stable inventory levels. Total sales volume in 2017 is forecast to be in the 450-470,000 mtds range. Sales volume in the 2nd quarter is expected to be in line with the corresponding quarter of 2016. Sales volume and average sales price will be affected by seasonality in delivery patterns.

Average cellulose price in 2017 in sales currency is expected to be 3-5% above the 2016 level. Price uncertainty is still mainly related to spot price development for textile cellulose. Product mix in 2017 is forecast to improve from 2016. In the 2nd quarter, total

sales volume and sales of highly specialised grades are expected to be somewhat higher than in the corresponding quarter of 2016.

Market conditions for Ingredients are still affected by general overcapacity, but a positive development is seen following recent price increases from Chinese producers. The growth trend for key products within Fine Chemicals is expected to continue, but quarterly results will be affected by uneven delivery patterns. Cellulose Fibrils costs, net of EU grant, are expected to be in line with the corresponding quarter of 2016. In 2017, corporate costs will remain at largely the same level as in 2016.

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

THE GROUP'S CONDENSED INCOME STATEMENT

INTERIM CONDENSED INCOME STATEMENT

Amounts in NOK million	NOTE	1.1 – 31.3		1.1 – 31.12
		2017	2016	2016
OPERATING REVENUES	2	1,136	1,113	4,492
Operating expenses		-862	-877	-3,471
Depreciation property, plant and equipment		-74	-65	-274
Amortisation intangible assets		-1	-1	-4
Other income and expenses ¹	3	-	-	13
OPERATING PROFIT		199	170	756
Financial items, net		-4	-9	-32
PROFIT BEFORE TAXES		195	161	724
Income tax expense	4	-48	-41	-171
PROFIT FOR THE PERIOD		147	120	553
Profit attributable to non-controlling interests		-1	-1	-2
Profit attributable to owners of the parent		148	121	555
EBITDA adj. ¹		274	236	1 021
EBITA ADJ.¹	2	200	171	747

EARNINGS PER SHARE

INTERIM EARNINGS PER SHARE

Amounts in NOK million	NOTE	1.1 – 31.3		1.1 – 31.12
		2017	2016	2016
Earnings per share (100 mill. shares)	5	1.48	1.21	5.55
Diluted earnings per share	5	1.48	1.21	5.55

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
		2017	2016	2016
PROFIT FOR THE PERIOD		147	120	553
ITEMS NOT TO BE RECLASSIFIED TO P&L				
Actuarial gains and losses (after tax)		-	-	7
TOTAL		-	-	7
ITEMS TO BE RECLASSIFIED TO P&L				
Change in hedging-reserve after tax (cash flow)	7	14	212	227
Change in hedging-reserve after tax (net investment in subsidiaries)	7	-	25	14
Translation effects		6	-39	-3
TOTAL		20	198	238
THE GROUP'S COMPREHENSIVE INCOME		167	318	798
Comprehensive income non-controlling interests		-	-	-2
Comprehensive income owners of the parent		167	318	800

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

THE GROUP'S CONDENSED BALANCE SHEET

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

Amounts in NOK million	NOTE	31.3.2017	31.12.2016
Intangible assets	12	121	125
Property, plant and equipment	12	2,559	2,471
Other assets	8	86	115
Investments in joint venture		127	121
NON-CURRENT ASSETS		2,893	2,832
Inventories		687	626
Receivables	8	949	948
Cash and cash deposits	10	182	265
CURRENT ASSETS		1,818	1,839
TOTAL ASSETS		4,711	4,671
Group equity	9	2,808	2,679
Non-controlling interests		59	34
EQUITY		2,867	2,713
Provisions and other liabilities		280	299
Interest-bearing liabilities	8, 10	526	525
NON-CURRENT LIABILITIES		806	824
Interest-bearing liabilities	8, 10	41	61
Other current liabilities	8	997	1,073
CURRENT LIABILITIES		1,038	1,134
EQUITY AND LIABILITIES		4,711	4,671
Equity ratio ¹		60.9%	58.1%

CHANGES IN EQUITY

INTERIM CONDENSED CHANGE IN EQUITY

Amounts in NOK million	Note	1.1 – 31.3			1.1 – 31.12		
		Controlling interests	Non-controlling interests	Total equity	Controlling interests	Non-controlling interests	Total equity
Equity 1 January		2,679	34	2,713	2,056	5	2,061
PROFIT/LOSS FOR THE PERIOD		148	-1	147	555	-2	553
Items in Comprehensive Income	6	19	1	20	245	-	245
THE GROUP'S COMPREHENSIVE INCOME	6	167	-	167	800	-2	798
Paid dividend		-	-	-	-149	-	-149
Buy-back of treasury shares		-29	-	-29	-10	-	-10
Exercise of share options		-	-	-	9	-	9
Shares to employees		11	-	11	-	-	-
Option costs/share based payments		5	-	5	4	-	4
Transactions with non-controlling interests		-25	25	-	-31	31	-
EQUITY AT THE END OF THE PERIOD		2,808	59	2,867	2,679	34	2,713

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

THE GROUP'S CONDENSED CASH FLOW STATEMENT

INTERIM CONDENSED CASH FLOW STATEMENT

Amounts in NOK million	NOTE	1.1 – 31.3		1.1 – 31.12
		2017	2016	2016
Profit before taxes		195	161	724
Amortisation, depreciation and impairment charges		75	66	278
Changes in net working capital, etc.		-156	-243	170
Dividend (share of profit) from JV		-2	-22	-1
Taxes paid		-30	-31	-90
CASH FLOW FROM OPERATING ACTIVITIES		82	-69	1,081
Investments property, plant and equipment and intangible assets*		-159	-71	-622
Other capital transactions		2	1	5
CASH FLOW FROM INVESTING ACTIVITIES		-157	-70	-617
Dividends		-	-	-149
Proceeds from exercise of options/shares to employees	9	11	1	7
Buy-back of shares	6	-29	-	-10
Gain/(loss) on hedges for net investments in subsidiaries		9	11	13
NET PAID TO/FROM SHAREHOLDERS		-9	12	-139
Proceeds from interest-bearing liabilities	10	5	-	106
Repayment from interest-bearing liabilities	10	-27	-2	-309
Change in interest-bearing receivables/other liabilities	10	23	-9	-23
CHANGE IN NET INTEREST-BEARING LIABILITIES		1	-11	-226
CASH FLOW FROM FINANCING ACTIVITIES		-8	1	-365
CHANGE IN CASH AND CASH EQUIVALENTS		-83	-138	99
Cash and cash equivalents at beginning of period		265	169	169
Change in cash and cash equivalents		-83	-138	99
Currency effects cash and cash equivalents		-	-13	-3
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	182	18	265
* Investment by category				
Replacement investments		78	34	358
Expansion investments ¹		81	37	264

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

NOTES

NOTE 01 Organisation and basis for preparation

GENERAL INFORMATION

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

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

Basis for preparation

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

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

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

Use of estimates

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

NOTE 02 Segments

OPERATING REVENUES

Amounts in NOK million	1.1 - 31.3		1.1 - 31.12
	2017	2016	2016
BORREGAARD	1,136	1,113	4,492
Performance Chemicals	550	550	2,161
Speciality Cellulose	412	383	1,590
Other Businesses	183	190	776
Eliminations	-9	-10	-35

EBITA ADJ.¹

Amounts in NOK million	1.1 - 31.3		1.1 - 31.12
	2017	2016	2016
BORREGAARD	200	171	747
Performance Chemicals	132	138	517
Speciality Cellulose	89	53	250
Other Businesses	-21	-20	-20
RECONCILIATION AGAINST OPERATING PROFIT & PROFIT BEFORE TAX			
EBITA ADJ.¹	200	171	747
Amortisation intangible assets	-1	-1	-4
Other income and expenses ¹	-	-	13
OPERATING PROFIT	199	170	756
Financial items, net	-4	-9	-32
PROFIT BEFORE TAXES	195	161	724

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

of allocations from the corporate headquarter.

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

NOTE 03 Other income and expenses¹

There are no Other income and expenses¹ in the 1st quarter of 2017.

NOTE 04 Income tax expense

The tax rate of 24.6% (25.5%) for the first three months of 2017 is a compilation of the tax rates in the various countries in which Borregaard operates and has taxable income. The tax rate in Norway is reduced from 25% to 24% from 1 January 2017. Borregaard's normal tax rate is expected to be in the range 23 - 26%.

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

NOTE 05 Earnings per share (EPS)

The share capital consists of 100 million shares. The company holds 484,065 treasury shares. As of 31 March 2017, there are 100,004,351 diluted shares

(100,076,679 as of 31 December 2016). Earnings per diluted share were NOK 1.48 in the 1st quarter of 2017 (NOK 1.21 in the 1st quarter of 2016).

NOTE 06 Stock options and shares to employees

During the 1st quarter of 2017, 364,000 share options were granted at a strike price of NOK 104.11.

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

The first option programme, comprising 480,000 stock options granted in October 2014, has a strike price of NOK 43.00 adjusted for dividends in 2015, 2016 and 2017, NOK 6.25. The second option programme, comprising 500,000 stock options granted in October 2015, has a strike price of NOK 46.49 adjusted for dividends in 2016 and 2017, NOK 5.00. The third

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

As part of the employee share programme, Borregaard has sold a total of 159,315 shares to employees in February 2017. The price was NOK 65.07 per share after deduction of a 30% discount. The cost, including administration costs, related to the share purchase programme amounted to approximately NOK 4 million.

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

NOTE 07 Statement of comprehensive income

The statement of comprehensive income shows changes in the value of hedging instruments, both cash flow hedges and hedges of net investments in subsidiaries (hedging reserve). These figures are presented after tax. The tax effect for the three months of 2017 relating to the hedging reserves amounts to NOK -32 million for

cash flow hedges (NOK -45 million) and NOK -37 million for hedges of net investments in subsidiaries (NOK -33 million). Total hedging reserve (after tax) included in equity as of 31 March 2017 amounts to NOK -103 million and NOK -98 million, respectively (NOK -133 million and NOK -87 million).

NOTE 08 Fair value hierarchy

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

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

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

- Level 3 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

There were no transfers from one level to another in the measurement hierarchy from 2016 to the 1st quarter of 2017. Borregaard has no items defined as level 1. The bond is determined as measurement level 3. The fair value of the bond is deemed to equal its book value.

Set out below is a comparison of the carrying amount and the fair value of financial instruments as of 31 March 2017:

FINANCIAL ASSETS

Amounts in NOK million	LEVEL	31.03.2017		31.12.2016	
		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Non-current financial receivables	2	43	43	65	65
Non-current derivatives	2	23	23	29	29
Current derivatives	2	12	12	9	9
TOTAL FINANCIAL ASSETS		78	78	103	103

FINANCIAL LIABILITIES

Non-current financial liabilities	2, 3	536	536	535	535
Non-current derivatives	2	63	63	72	72
Current financial liabilities	2	41	41	61	61
Current derivatives	2	115	115	118	118
TOTAL FINANCIAL LIABILITIES		755	755	786	786

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Amounts in NOK million		LEVEL 1	LEVEL 2	LEVEL 3
FINANCIAL INSTRUMENTS	31.03.2017	-677	-	-477
FINANCIAL INSTRUMENTS	31.12.2016	-683	-	-483

The financial instruments are measured based on observable spot exchange rates, the yield curves of

the respective currencies as well as the currency basis spreads between the respective currencies.

NOTE 09 Compilation of Equity

Amounts in NOK million	31.3. 2017	31.12.2016
Share capital	100	100
Treasury shares	-	-
Share premium	1,346	1,346
Other paid-in capital	413	397
Translation effects	91	86
Hedging reserve (after tax)	-201	-215
Actuarial gains/losses	-16	-16
Retained earnings	1,075	981
GROUP EQUITY (CONTROLLING INTERESTS)	2,808	2,679

As of 31 March 2017, the company held 484,065 treasury shares at an average cost of NOK 82.17.

NOTE 10 Net interest-bearing debt¹

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

Amounts in NOK million	31.3. 2017	31.12.2016
Non-current interest-bearing liabilities	526	525
Current interest-bearing liabilities including overdraft of cashpool	41	61
Non-current interest-bearing receivables (included in "Other Assets")	-1	-21
Cash and cash deposits	-182	-265
NET INTEREST-BEARING DEBT¹	384	300

NOTE 11 Related parties

The members of the Group Executive Management of Borregaard held a total of 765,000 stock options in the Company as of 31 March 2017.

NOTE 12 Assessments relating to impairment

No impairment indicators have been identified in the Borregaard Group's property, plant and equipment or intangible assets in the 1st quarter of 2017.

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

NOTE 13 Other matters and subsequent events

ICE BEAR CAPACITY EXPANSION

In March, Borregaard announced an investment of NOK 115 million in increased capacity for Ice Bear speciality cellulose products. This investment will be finalised in the second half of 2018, and will bring Borregaard's Ice Bear capacity to approximately 60,000 tonnes. See stock exchange notice from 22 March 2017.

UPGRADE AND SPECIALISATION INVESTMENT AT THE SARPSBORG BIOREFINERY

Borregaard will invest NOK 500 million to upgrade and specialise the production facilities for lignin products at the Sarpsborg site in Norway. The project includes new drying capacity, tanks for storage of liquid materials and improved solutions for logistics, infrastructure and energy. The investment will be completed by the end of 2019. See stock exchange notice from 2 May 2017.

SILO FIRE INCIDENT

The property damage coverage related to the silo fire incident has previously been recognised as other income and expenses¹. No such income is recognised in the 1st quarter of 2017.

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

OTHER MATTERS

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

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

NON-GAAP MEASURES

In the discussion of the reported operating results, financial position and cash flows, Borregaard refers to certain measures which are not defined by generally accepted accounting principles (GAAP) such as IFRS. Borregaard management makes regular use of these non-GAAP measures and is of the opinion that this information, along with comparable GAAP measures, is useful to investors who wish to evaluate the company's operating performance, ability to repay debt and capability to pursue new business opportunities. Such non-GAAP measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

CASH FLOW FROM OPERATIONS

Cash flow from operations is defined by Borregaard as:

	Cash flow from operating activities (IFRS)
+	Tax paid
+/-	Net financial items
+/-	Dividend (share of profit) from JV
=	Cash flow from operations

EBITA ADJUSTED (EBITA ADJ.)

EBITA adj. is defined by Borregaard as operating profit before amortisation and other income and expenses.

EBITA ADJ. MARGIN

EBITA adj. margin is defined by Borregaard as EBITA adj. divided by operating revenues.

EBITDA ADJUSTED (EBITDA ADJ.)

EBITDA adj. is defined by Borregaard as operating profit before depreciation, amortisation and other income and expenses.

EQUITY RATIO

Equity ratio is defined by Borregaard as equity (including non-controlling interests) divided by equity and liabilities.

EXPANSION INVESTMENTS

Expansion investments is defined by Borregaard as investments made in order to expand production capacity, produce new products or to improve the performance of existing products. Such investments include business

acquisitions, pilot plants, capitalised research and development costs and new distribution set-ups.

OTHER INCOME AND EXPENSES

Other income and expenses is defined by Borregaard as non-recurring items or items related to other periods or to a discontinued business or activity. These items are not viewed as reliable indicators of future earnings based on the business areas' normal operations. These items will be included in the Group's operating profit.

LEVERAGE RATIO

Leverage ratio is defined by Borregaard as net interest bearing debt (see note 10) divided by last twelve months' (LTM) EBITDA adj.

NET INTEREST-BEARING DEBT

Net interest-bearing debt is defined by Borregaard as interest-bearing liabilities minus interest-bearing assets (see Note 10).

CAPITAL EMPLOYED

Capital employed is defined by Borregaard as the total of net working capital, intangible assets, property, plant and equipment and investment in joint venture minus net pension liabilities and deferred tax excess value.

RETURN ON CAPITAL EMPLOYED (ROCE)

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

	1.1 - 31.3		1.1 - 31.12
Capital employed end of	2017	2016	2016
Q1, 2015		3,198	
Q2, 2015		3,235	
Q3, 2015		3,283	
Q4, 2015		3,279	3,279
Q1, 2016	3,524	3,524	3,524
Q2, 2016	3,481		3,481
Q3, 2016	3,413		3,413
Q4, 2016	3,508		3,508
Q1, 2017	3,754		
AVERAGE	3,536	3,304	3,441
EBITA ADJ. (LTM)	776	563	747
ROCE (%)	21.9	17.0	21.7



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