

Q4 2017

QUARTERLY REPORT 4TH QUARTER 2017



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Q4 2017



4TH QUARTER IN BRIEF

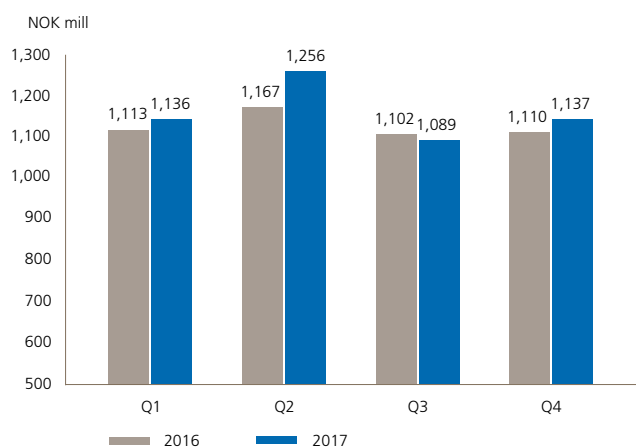
- *EBITA adj.¹ NOK 109 million (NOK 160 million)*
- *Strong competition for lignin in certain construction markets and higher costs in Performance Chemicals*
- *Improved result in Speciality Cellulose*
- *Other Businesses negatively affected by higher costs and lower shipments in Fine Chemicals*
- *NOK 15 million additional costs related to the chlor-alkali plant*
- *All-time high EBITA adj.¹ and EPS for the full year*
- *Proposed dividend NOK 2.00 per share*

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

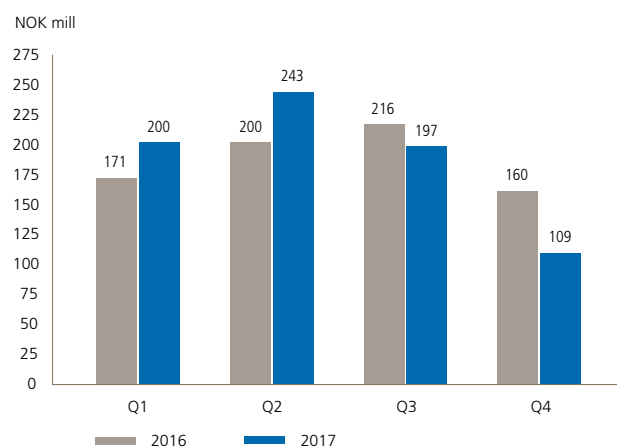
THE GROUP

Amounts in NOK million	NOTE	1.10 - 31.12		1.1 - 31.12	
		2017	2016	2017	2016
Operating revenues	2	1,137	1,110	4,618	4,492
EBITDA adj. ¹		191	233	1,055	1,021
EBITA adj. ¹	2	109	160	749	747
Profit/loss before taxes		89	151	715	724
Earnings per share (NOK)		0.90	1.23	5.66	5.55
Net interest-bearing debt ¹	10	845	300	845	300
Equity ratio ¹ (%)		56.2	58.1	56.2	58.1
Leverage ratio ¹		0.80	0.29	0.80	0.29
Return on capital employed ¹ (%)		19.1	21.7	19.1	21.7

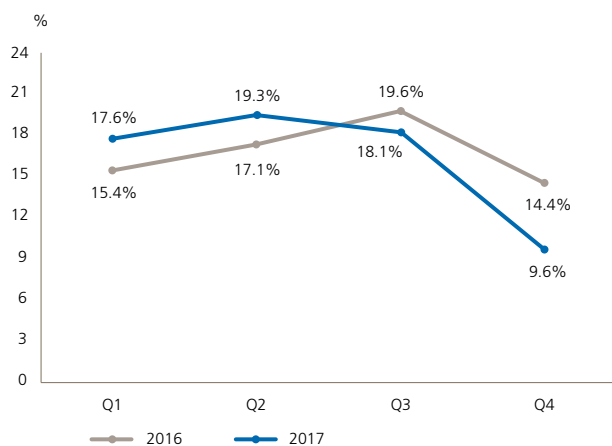
OPERATING REVENUES



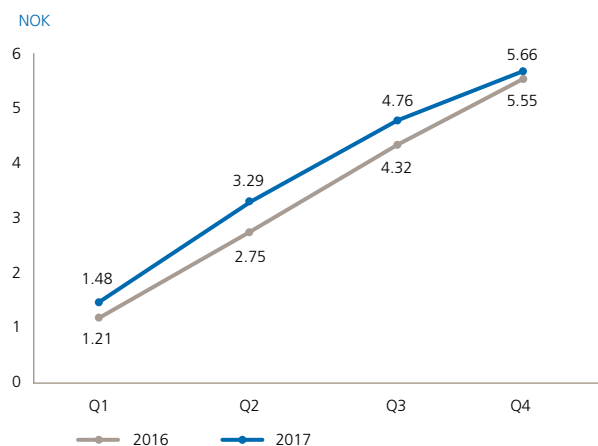
EBITA ADJ.¹



EBITA ADJ. MARGIN¹



EARNINGS PER SHARE CUMULATIVE



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

FOURTH QUARTER

Borregaard's operating revenues reached NOK 1,137 million (NOK 1,110 million)² in the 4th quarter of 2017. EBITA adj.¹ was NOK 109 million (NOK 160 million). Speciality Cellulose had an improved result compared with the corresponding quarter of 2016, whereas Performance Chemicals and Other Businesses had a decline. Net currency impact was positive. Costs increased, partly as a result of technical problems in the chlor-alkali plant.

For Performance Chemicals, lower average sales price and higher costs were the main reasons for the lower EBITA adj.¹. The improved result in Speciality Cellulose was mainly due to a favourable product mix, positive currency effects and higher contribution from Bioethanol, partly off-set by increased caustic soda and wood costs. Other Businesses had a weaker EBITA adj.¹ mainly as a result of lower shipments in Fine Chemicals, higher net costs in Cellulose Fibrils and higher net corporate costs.

Borregaard's chlor-alkali plant, which produces caustic soda for captive use, was operated at reduced speed in the 4th quarter due to technical problems. Costs associated with repairs and additional procurement of caustic soda was NOK 15 million.

Other income and expenses were NOK -9 million (NOK 0 million) in the 4th quarter related to an external lignin storage tank in Norway.

Net financial items were NOK -10 million (NOK -8 million). Profit before tax was NOK 89 million (NOK 151 million). Tax expense was NOK -4 million (NOK -28 million), giving a tax rate of 4% (19%).

Earnings per share were NOK 0.90 (NOK 1.23).

Cash flow from operations¹ was NOK 268 million (NOK 394 million). The reduction was mainly a result

of weaker result and a less favourable development in net working capital than in the 4th quarter of 2016.

FULL YEAR 2017

For the full year 2017, Borregaard's operating revenues increased to NOK 4,618 million (NOK 4,492 million). EBITA adj.¹ reached an all-time high of NOK 749 million (NOK 747 million). The result in Speciality Cellulose improved to an all-time high level, but Performance Chemicals and Other Businesses had a weaker result compared with 2016. Net currency impact was positive. Costs and depreciation increased compared with 2016.

In 2017, Borregaard continued to implement its strategic initiatives and priorities. Construction of the new lignin plant in Florida is on schedule and the upgrade and further specialisation of the lignin operation in Norway has started. The capacity increase for Ice Bear speciality cellulose products is underway and the upgrade of the bioethanol plant is close to completion. Efforts to secure the market introduction of Cellulose Fibrils products are on-going, and we continue to see a strong interest from potential customers.

The Group achieved its best ever lost-time injury rate for a calendar year with an LTI³ value of 1.1 (1.6).

Other income and expenses¹ were NOK -9 million (NOK 13 million) related to write-down and accrual of an external lignin storage tank in Norway. Net financial items amounted to NOK -21 million (NOK -32 million). Profit before tax was NOK 715 million (NOK 724 million). Tax expense totalled NOK -157 million (NOK -171 million), giving a tax rate of 22% (24%). The corporate income tax rate in Norway was reduced from 24% to 23% from 1 January 2018. In USA, the federal corporate income tax rate was reduced from 34% to 21% from 1 January 2018.

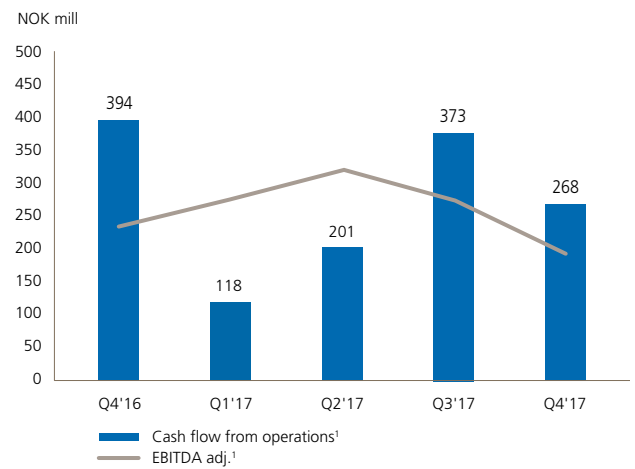
¹ Non-GAAP measure, see page 19 for definition.

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

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

Earnings per share were NOK 5.66 (NOK 5.55). Cash flow from operations¹ was NOK 960 million (NOK 1,204 million). The reduced cash flow was primarily a result of a less favourable development in net working capital compared with the corresponding period of 2016. At the end of 2017, the Group was well capitalised with an equity ratio¹ of 56.2% (58.1%) and a leverage ratio¹ of 0.80 (0.29).

CASH FLOW FROM OPERATIONS¹



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

THE BUSINESS AREAS

PERFORMANCE CHEMICALS

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2017	2016	2017	2016
Operating revenues	521	512	2,176	2,161
EBITA adj. ¹	76	107	449	517
EBITA adj. margin ¹ (%)	14.6	20.9	20.6	23.9

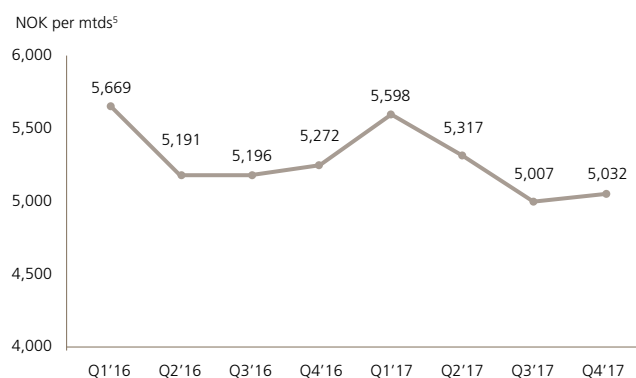
FOURTH QUARTER

Performance Chemicals had 4th quarter operating revenues of NOK 521 million (NOK 512 million). EBITA adj.¹ was NOK 76 million (NOK 107 million). The average sales price decreased due to challenging market conditions and strong price competition for lignin in regional construction markets. Total sales volume increased by 7% as a result of reallocation of volumes to other markets and end-uses. Specialities sales volume was in line with the 4th quarter of 2016. Higher distribution costs and increased manning related to the Florida project had a negative impact. Inventories of liquid lignin volumes increased, mainly due to seasonality. The net currency impact was slightly positive.

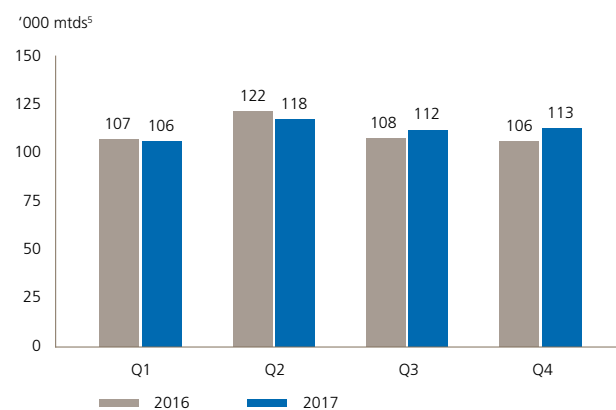
FULL YEAR 2017

For the full year, Performance Chemicals had operating revenues of NOK 2,176 million (NOK 2,161 million). EBITA adj.¹ was NOK 449 million (NOK 517 million). Total sales volume increased by 1% compared with 2016. Average price in sales currency was marginally lower than in 2016, mainly due to challenging market conditions for lignin to the construction sector in certain regions. Favourable mix development and a 4% volume increase in Specialities contributed positively. Reallocation efforts continued throughout the year. In 2017, higher distribution costs, increased manning related to the Florida project and higher depreciation affected the result negatively. The net currency impact was insignificant.

GROSS AVERAGE SALES PRICE⁴



SALES VOLUME⁴



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

⁴ Average sales price and sales volume reflect 100% of sales and volume from the J/V in South Africa. Average sales price is calculated using actual FX rates, excluding hedging impact.

⁵ Metric tonne dry solid.

SPECIALITY CELLULOSE

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2017	2016	2017	2016
Operating revenues	435	406	1,698	1,590
EBITA adj. ¹	67	47	350	250
EBITA adj. margin ¹ (%)	15.4	11.6	20.6	15.7

FOURTH QUARTER

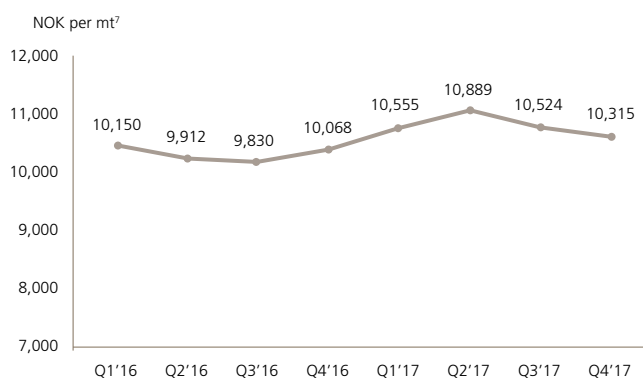
Speciality Cellulose's 4th quarter operating revenues were NOK 435 million (NOK 406 million). EBITA adj.¹ reached NOK 67 million (NOK 47 million). Improved product mix, positive net currency impact and higher production output was partly off-set by increased caustic soda costs (including share of additional costs related to the chlor-alkali plant) and wood costs. Cellulose prices in sales currency were in line with the same quarter of 2016. The contribution from Bioethanol increased as a result of higher volumes, reduced energy consumption and increased sales prices.

FULL YEAR 2017

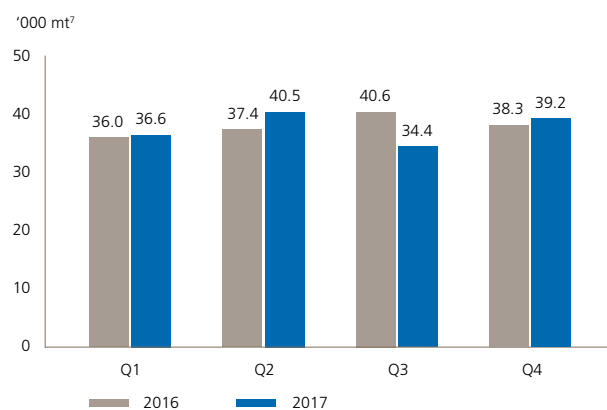
Operating revenues for Speciality Cellulose in 2017 reached NOK 1,698 million (NOK 1,590 million).

EBITA adj.¹ increased to an all-time high level of NOK 350 million (NOK 250 million). Higher prices in sales currency and improved product mix were the main contributors to the improved result. Increased energy, caustic soda and wood costs had a negative impact. The net currency impact was positive. The ethers market showed continued growth in 2017. Borregaard had higher shipments of acetate cellulose, but this market remained challenging. However, in the textile cellulose market there was increasing demand and favourable prices, especially in the first half of 2017. The volume share of highly specialised cellulose grades increased to 72% (64%). Production output was higher than in 2016. The contribution from Bioethanol increased, mainly as a result of higher sales prices.

GROSS AVERAGE SALES PRICE⁶



SALES VOLUME



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

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

⁷ Metric tonne.

OTHER BUSINESSES

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2017	2016	2017	2016
Operating revenues	190	201	783	776
EBITA adj. ¹	-34	6	-50	-20
EBITA adj. margin ¹ (%)	-17.9	3.0	-6.4	-2.6

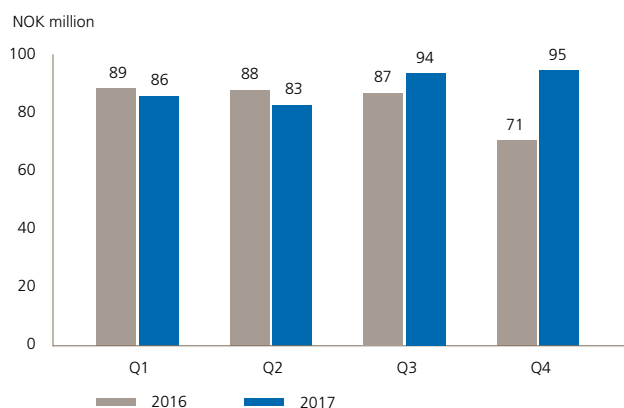
FOURTH QUARTER

Other Businesses had total operating revenues of NOK 190 million (NOK 201 million) and an EBITA adj.¹ of NOK -34 million (NOK 6 million) in the 4th quarter of 2017. Ingredients had a result in line with the 4th quarter of 2016. Higher sales and a positive market trend for wood-based vanillin were off-set by increased price for caustic soda and share of additional costs related to the chlor-alkali plant. Fine Chemicals had a weaker result due to lower shipments caused by uneven delivery patterns compared with the same quarter in 2016. Cellulose Fibrils had higher net costs as a result of optimisation activities in production and strengthening of the marketing organisation. Net corporate costs were higher than in the corresponding quarter of 2016. The net currency impact in Other Businesses was negligible.

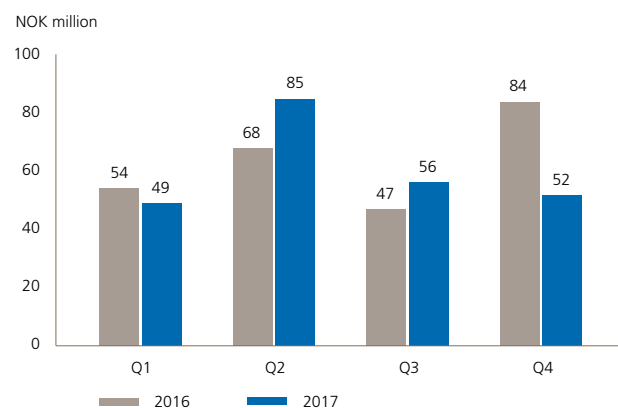
FULL YEAR 2017

Operating revenues in Other Businesses were NOK 783 million (NOK 776 million) for the full year of 2017. EBITA adj.¹ was NOK -50 million (NOK -20 million). Ingredients had a slightly weaker result where higher sales volume was more than off-set by increased raw materials costs and higher costs for caustic soda. The result in Fine Chemicals was slightly weaker, primarily due to lower shipments caused by uneven delivery patterns. Net costs in Cellulose Fibrils increased as a result of marketing and business development activities, higher costs in production and increased depreciation, partly off-set by the full-year effect of the EU grant. Currency effects were insignificant in Other Businesses.

INGREDIENTS – SALES REVENUES



FINE CHEMICALS – SALES REVENUES



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

Corrected from negative to positive (5 February 2018) compared with Q4 report on 2 February 2018

FOREIGN EXCHANGE AND HEDGING

Borregaard has a significant currency exposure which is hedged according to the company's hedging strategy. Compared with the 4th quarter of 2016, the net impact of foreign exchange on EBITA adj.¹, including hedging effects, was NOK 15 million. Hedging effects were NOK -10 million (NOK -24 million) in the 4th quarter.

In 2017, positive impact of foreign exchange on EBITA adj.¹ including hedging effects, was approximately NOK

15 million when compared with 2016. Hedging effects were NOK -72 million (NOK -115 million).

Assuming currency rates as of 1 February 2018 (USD 7.68 and EUR 9.57) and based on currency exposure forecasts, Borregaard expects a net positive impact of foreign exchange on EBITA adj.¹ of approximately NOK 5 million in the 1st quarter of 2018 and a net positive impact of NOK 30 million for the full year of 2018.

CASH FLOW AND FINANCIAL SITUATION

FOURTH QUARTER

Cash flow from operating activities in the 4th quarter of 2017 was NOK 176 million (NOK 378 million). The decrease compared with the same quarter in 2016 was mainly due to a weaker result, less favourable development in net working capital and higher paid taxes. Investments amounted to NOK 339 million (NOK 294 million). Construction of the Florida lignin plant contributed to the increase.

FULL YEAR 2017

Cash flow from operating activities was NOK 780 million (NOK 1,081 million). The decline was mainly a result of a less favourable development in net working capital and higher paid taxes compared with the corresponding period in 2016. Investments amounted

to NOK 968 million (NOK 622 million). Replacement investments were slightly lower than in 2016, while expansion investments¹ increased mainly as a result of the Florida project. Dividend of NOK 349 million (NOK 149 million) was paid out in the 2nd quarter. Realised effect of hedging of net investments in subsidiaries was NOK 8 million (NOK 13 million). The Group has sold and repurchased treasury shares with a net payment of NOK 18 million (NOK 3 million) in 2017.

At year-end, the Group had net interest-bearing debt¹ totalling NOK 845 million (NOK 300 million), an increase of NOK 199 million from the 3rd quarter of 2017 and an increase of NOK 545 million from year-end 2016. The Group was well capitalised with an equity ratio¹ of 56.2% and a leverage ratio¹ of 0.80.

DIVIDEND

The Board of Directors of Borregaard ASA will propose a dividend for 2017 of NOK 2.00 (NOK 1.75) per share to the Annual General Meeting. This corresponds to 35% of net profit. Dividend payment is estimated at

NOK 199 million. The exact amount will depend on the number of treasury shares held at the date of the General Meeting.

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

SHARE INFORMATION

Total number of shares outstanding on 31 December 2017 was 100 million, including 484,065 treasury shares. Total number of shareholders was 8,793.

Borregaard ASA's share price was NOK 81.50 at the end of 2017, compared with NOK 89.25 at the end of the 3rd quarter of 2017 and NOK 84.50 at the end of 2016.

OUTLOOK

Sales of lignin products to the construction sector is expected to be affected by continued strong competition and price pressure in certain regions. Reallocation efforts will continue in order to balance sales and supply in challenging markets. Total sales volume in 2018 is forecast to increase by 5-10%. Manning related to the Florida project will increase during the 1st half of 2018 and depreciation will increase after start-up. The higher distribution costs are forecast to continue. In the 1st quarter of 2018, sales volume is expected to be higher than in the corresponding period last year.

Average cellulose price in 2018 in sales currency is expected to be in line with the 2017 level. Price uncertainty is mainly related to textile cellulose. Product mix in 2018 is forecast to be weaker than in 2017 due to lower sales volume of acetate cellulose. In the 1st quarter of 2018, total sales volume is expected to be higher than in the same quarter of 2017. However,

sales volume of highly specialised grades is expected to decline.

No major changes are expected in the market conditions for Fine Chemicals. In Ingredients, there is a positive market trend for wood-based vanillin. Sales will gradually increase for Cellulose Fibrils, but long lead-times for conversion of sales prospects are expected. Fixed costs and depreciation in Cellulose Fibrils are expected to be largely in line with 2017. Corporate costs will remain at the same level as in 2017.

Wood and caustic soda prices will increase significantly in 2018, affecting mainly Speciality Cellulose and Ingredients (caustic soda only).

Borregaard has significant currency exposure. The impact of currency rate fluctuations will be delayed as a result of the company's currency hedging policy.

*Sarpsborg, 1 February 2018
The Board of Directors of Borregaard ASA*

THE GROUP'S CONDENSED INCOME STATEMENT

INTERIM CONDENSED INCOME STATEMENT

Amounts in NOK million	NOTE	1.10 - 31.12		1.1 - 31.12	
		2017	2016	2017	2016
OPERATING REVENUES	2	1,137	1,110	4,618	4,492
Operating expenses		-946	-877	-3,563	-3,471
Depreciation property, plant and equipment		-82	-73	-306	-274
Amortisation intangible assets		-1	-1	-4	-4
Other income and expenses ¹	3	-9	-	-9	13
OPERATING PROFIT		99	159	736	756
Financial items, net		-10	-8	-21	-32
PROFIT BEFORE TAXES		89	151	715	724
Income tax expense	4	-4	-28	-157	-171
PROFIT FOR THE PERIOD		85	123	558	553
Profit attributable to non-controlling interests		-5	-	-8	-2
Profit attributable to owners of the parent		90	123	566	555
EBITDA adj. ¹		191	233	1 055	1 021
EBITA ADJ.¹	2	109	160	749	747

EARNINGS PER SHARE

INTERIM EARNINGS PER SHARE

Amounts in NOK million	NOTE	1.10 - 31.12		1.1 - 31.12	
		2017	2016	2017	2016
Earnings per share (100 mill. shares)	5	0.90	1.23	5.66	5.55
Diluted earnings per share	5	0.90	1.23	5.66	5.55

THE GROUP'S CONDENSED COMPREHENSIVE INCOME STATEMENT

INTERIM CONDENSED COMPREHENSIVE INCOME STATEMENT

Amounts in NOK million	NOTE	1.10 - 31.12		1.1 - 31.12	
		2017	2016	2017	2016
PROFIT FOR THE PERIOD		85	123	558	553
ITEMS NOT TO BE RECLASSIFIED TO P&L					
Actuarial gains and losses (after tax)		-6	7	-6	7
TOTAL		-6	7	-6	7
ITEMS TO BE RECLASSIFIED TO P&L					
Change in hedging-reserve after tax (cash flow)	7	-108	-124	82	227
Change in hedging-reserve after tax (net investment in subsidiaries)	7	-17	-25	13	14
Translation effects		39	50	-7	-3
TOTAL		-86	-99	88	238
THE GROUP'S COMPREHENSIVE INCOME		-7	31	640	798
Comprehensive income non-controlling interests		-10	-1	-11	-2
Comprehensive income owners of the parent		3	32	651	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	31.12.2017	31.12.2016
Intangible assets	12	111	125
Property, plant and equipment	12	3,126	2,471
Other assets	8	93	115
Investment in joint venture		118	121
NON-CURRENT ASSETS		3,448	2,832
Inventories		734	626
Receivables	8	971	948
Cash and cash deposits	10	180	265
CURRENT ASSETS		1,885	1,839
TOTAL ASSETS		5,333	4,671
Group equity	9	2,889	2,679
Non-controlling interests		107	34
EQUITY		2,996	2,713
Provisions and other liabilities		277	299
Interest-bearing liabilities	8, 10	743	525
NON-CURRENT LIABILITIES		1,020	824
Interest-bearing liabilities	8, 10	283	61
Other current liabilities	8	1,034	1,073
CURRENT LIABILITIES		1,317	1,134
EQUITY AND LIABILITIES		5,333	4,671
Equity ratio ¹		56.2%	58.1%

CHANGES IN EQUITY

INTERIM CONDENSED CHANGE IN EQUITY

Amounts in NOK million	Note	1.1 - 31.12.2017			1.1 - 31.12.2016		
		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		566	-8	558	555	-2	553
Items in Comprehensive Income	6	85	-3	82	245	-	245
THE GROUP'S COMPREHENSIVE INCOME	6	651	-11	640	800	-2	798
Paid dividend		-349	-	-349	-149	-	-149
Buy-back of treasury shares		-29	-	-29	-10	-	-10
Exercise of share options		-	-	-	9	-	9
Shares to employees		15	-	15	-	-	-
Option costs (share based payment)		6	-	6	4	-	4
Transaction with non-controlling interest		-84	84	-	-31	31	-
EQUITY AT THE END OF THE PERIOD		2,889	107	2,996	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	1.10 - 31.12		1.1 - 31.12	
		2017	2016	2017	2016
Profit before taxes		89	151	715	724
Amortisation, depreciation and impairment charges		89	74	316	278
Changes in net working capital, etc.		80	161	-92	170
Dividend (share of profit) from JV		13	6	11	-1
Taxes paid		-95	-14	-170	-90
CASH FLOW FROM OPERATING ACTIVITIES		176	378	780	1,081
Investments property, plant and equipment and intangible assets*		-339	-294	-968	-622
Other capital transactions		2	2	10	5
CASH FLOW FROM INVESTING ACTIVITIES		-337	-292	-958	-617
Dividends		-	-	-349	-149
Proceeds from exercise of options/shares to employees	9	-	2	11	7
Buy-back of shares	6	-	-	-29	-10
Gain/(loss) on hedges for net investments in subsidiaries		-35	-32	8	13
NET PAID TO/FROM SHAREHOLDERS		-35	-30	-359	-139
Proceeds from interest-bearing liabilities	10	288	6	668	106
Repayment of interest-bearing liabilities	10	-126	-202	-258	-309
Change in interest-bearing receivables/other liabilities	10	12	3	46	-23
CHANGE IN NET INTEREST-BEARING LIABILITIES		174	-193	456	-226
CASH FLOW FROM FINANCING ACTIVITIES		139	-223	97	-365
CHANGE IN CASH AND CASH EQUIVALENTS		-22	-137	-81	99
Cash and cash equivalents at beginning of period		198	385	265	169
Change in cash and cash equivalents		-22	-137	-81	99
Currency effects cash and cash equivalents		4	17	-4	-3
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	180	265	180	265
* Investment by category					
Replacement investments		144	164	344	358
Expansion investments ¹		195	130	624	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 the Oslo Stock Exchange on 18 October 2012 and was incorporated as a public limited liability company on 22 August 2012.

Basis for preparation

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

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

New accounting standards

IFRS 9, Financial Instruments, and IFRS 15, Revenue from contracts with customers, will be implemented from 1 January 2018. No changes in equity is expected as a result of the implementation.

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	1.10 - 31.12		1.1 - 31.12	
	2017	2016	2017	2016
BORREGAARD	1,137	1,110	4,618	4,492
Performance Chemicals	521	512	2,176	2,161
Speciality Cellulose	435	406	1,698	1,590
Other Businesses	190	201	783	776
Eliminations	-9	-9	-39	-35

EBITA ADJ.¹

Amounts in NOK million	1.10 - 31.12		1.1 - 31.12	
	2017	2016	2017	2016
BORREGAARD	109	160	749	747
Performance Chemicals	76	107	449	517
Speciality Cellulose	67	47	350	250
Other Businesses	-34	6	-50	-20
RECONCILIATION AGAINST OPERATING PROFIT & PROFIT BEFORE TAX				
EBITA ADJ.¹	109	160	749	747
Amortisation intangible assets	-1	-1	-4	-4
Other income and expenses ¹	-9	-	-9	13
OPERATING PROFIT	99	159	736	756
Financial items, net	-10	-8	-21	-32
PROFIT BEFORE TAXES	89	151	715	724

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

There are limited intercompany sales between the different segments, and eliminations consist essentially of allocations from the corporate headquarter.

NOTE 03 Other income and expenses¹

Other income and expenses were NOK -9 million (NOK 0 million) in the 4th quarter of 2017. This relates

to a write-down and accrual of an external lignin storage tank in Norway.

NOTE 04 Income tax expense

The tax rate of 22.0% (23.6%) for the twelve months of 2017 is a compilation of the tax rates in the various countries in which Borregaard operates and has taxable income. The corporate income tax rate in Norway was reduced from 24% to 23% from 1 January 2018. In USA, the federal corporate income tax rate was reduced from 34% to 21% from 1 January 2018. The reductions in tax rates are reflected in the calculation of deferred

tax as of 31 December 2017. Borregaard's normal tax rate is expected to be in the range of 21 - 24%.

As the profit after tax from the joint venture in South Africa is accounted for as part of operating profit (in accordance with 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 December 2017, there are 99,957,469 diluted shares

(100,076,679 as of 31 December 2016). Earnings per diluted share were NOK 5.66 in the 4th quarter of 2017 (NOK 5.55 in 2016).

NOTE 06 Stock options

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 of NOK 6.25 in 2015, 2016 and 2017. The second option programme, comprising 500,000 stock options granted in October

2015, has a strike price of NOK 46.49 adjusted for dividends of NOK 5.00 in 2016 and 2017. 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.

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 twelve months of 2017 relating to the hedging reserves amounts to NOK -11 million

(NOK -37 million) for cash flow hedges and NOK -32 million (NOK -38 million) for hedges of net investments in subsidiaries. Total hedging reserve included in equity as of 31 December 2017 (after tax) amounts to NOK -35 million and NOK -85 million respectively (NOK -117 million and NOK -98 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 4th 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 December 2017:

FINANCIAL ASSETS

Amounts in NOK million	LEVEL	31.12.2017		31.12.2016	
		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Non-current financial receivables	2	36	36	65	65
Non-current derivatives	2	48	48	29	29
Current derivatives	2	58	58	9	9
TOTAL FINANCIAL ASSETS		142	142	103	103

FINANCIAL LIABILITIES

Non-current financial liabilities	2, 3	753	753	535	535
Non-current derivatives	2	61	61	72	72
Current financial liabilities	2	283	283	61	61
Current derivatives	2	75	75	118	118
TOTAL FINANCIAL LIABILITIES		1,172	1,172	786	786

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Amounts in NOK million		LEVEL 1	LEVEL 2	LEVEL 3
FINANCIAL INSTRUMENTS	31.12.2017	-1,030	-	-830
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	31.12.2017	31.12.2016
Share capital	100	100
Treasury shares	-	-
Share premium	1,346	1,346
Other paid-in capital	418	397
Translation effects	82	86
Hedging reserve (after tax)	-120	-215
Actuarial gains/losses	-22	-16
Retained earnings	1,085	981
GROUP EQUITY (CONTROLLING INTERESTS)	2,889	2,679

As of 31 December 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 debt¹ are shown in the following table:

Amounts in NOK million	31.12.2017	31.12.2016
Non-current interest-bearing liabilities	743	525
Current interest-bearing liabilities including overdraft of cashpool	283	61
Non-current interest-bearing receivables (included in "Other Assets")	-1	-21
Cash and cash deposits	-180	-265
NET INTEREST-BEARING DEBT¹	845	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 December 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 4th quarter of 2017.

NOTE 13 Other matters and subsequent events

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

¹ Non-GAAP measure, see page 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 - 31.12	
Capital employed end of	2017	2016
Q4, 2015		3,279
Q1, 2016		3,524
Q2, 2016		3,481
Q3, 2016		3,413
Q4, 2016	3,508	3,508
Q1, 2017	3,754	
Q2, 2017	4,003	
Q3, 2017	4,044	
Q4, 2017	4,256	
AVERAGE	3,913	3,441
EBITA ADJ. (LTM)	749	747
ROCE (%)	19.1	21.7



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