

SECOND QUARTER  
AND FIRST HALF

**Q2 2014**

QUARTERLY RESULTS

# Q2 2014

## 2<sup>nd</sup> QUARTER IN BRIEF

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- All-time high result for Performance Chemicals

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- Specialty Cellulose market development in line with expectations

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- Weaker product mix within Fine Chemicals

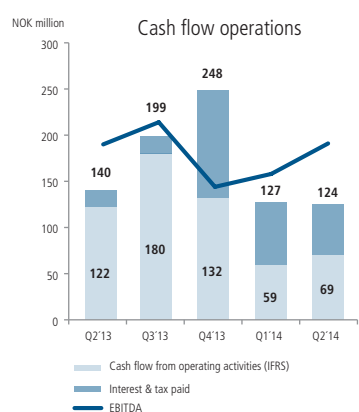
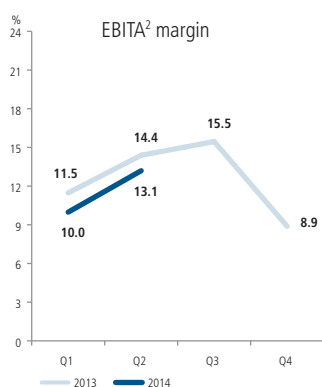
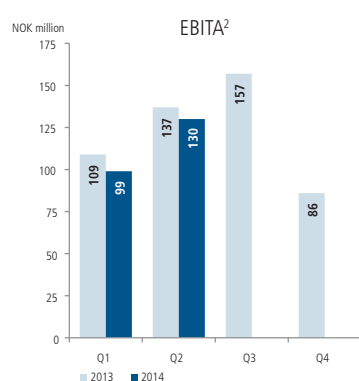
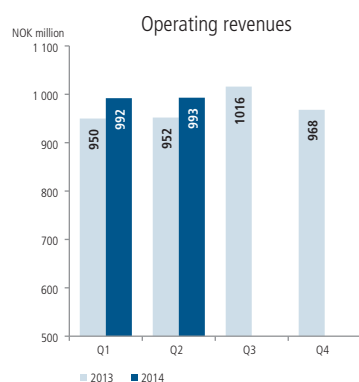
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- Positive currency impact

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## THE GROUP<sup>1</sup>



Amounts in NOK million	Note	1.4 – 30.6		1.1 - 30.6		1.1 – 31.12
		2014	2013 <sup>1</sup>	2014	2013 <sup>1</sup>	2013 <sup>1</sup>
Operating revenues	2	993	952	1 985	1 902	3 886
EBITDA <sup>2</sup>		190	190	348	352	710
EBITA <sup>3</sup>	2	130	137	229	246	489
Profit/loss before taxes		126	122	218	217	460
Earnings per share (NOK)	5	0.91	0.88	1.56	1.53	3.35
Cash flow from operating activities (IFRS)		69	122	128	214	526
Net interest-bearing debt	10	793	871	793	871	728
Equity ratio (%)		54.8	47.9	54.8	47.9	54.2
Leverage ratio <sup>4</sup>		1.12	1.21	1.12	1.21	1.03
Return on capital employed <sup>5</sup> (%)		16.1	17.6	16.1	17.6	16.9

### Second quarter

Borregaard's operating revenues totalled NOK 993 million (NOK 952 million<sup>6</sup>) in the 2<sup>nd</sup> quarter of 2014. EBITA was NOK 130 million, compared with NOK 137 million in the corresponding quarter of 2013 and NOK 99 million in the preceding quarter. Performance Chemicals improved its EBITA in the 2<sup>nd</sup> quarter to an all-time high level, while a decline was recorded for Specialty Cellulose and Other Businesses.

EBITA in Performance Chemicals increased as an improved product mix and higher sales prices more than compensated for a 7% volume decrease. The decline in Specialty Cellulose was primarily attributable to lower sales prices. EBITA in Other Businesses decreased due to a weaker product mix for the Fine Chemicals business. Lower production output at the Sarpsborg plant had a negative impact on EBITA in the quarter, while the overall currency impact relative to the 2<sup>nd</sup> quarter of 2013 was positive.

Net financial items was NOK -4 million (NOK -14 million). The improvement relates mainly to favourable FX difference compared with 2013. Group profit before tax amounted to NOK 126 million (NOK 122 million) in the 2<sup>nd</sup> quarter of 2014. The 2<sup>nd</sup> quarter tax charge was NOK 36 million, giving a tax rate of 29%.

Earnings per share in the 2<sup>nd</sup> quarter were NOK 0.91 (NOK 0.88)

Cash flow from operations before interest and tax payments in the 2<sup>nd</sup> quarter of 2014 was NOK 124 million (NOK 140 million). The reduction in cash flow from operations was mainly due to a higher increase in net working capital than during the corresponding quarter last year.

1. 2013 figures are restated due to implementation of IFRS 11 Joint Arrangements. See note 1 and 13.
2. Operating profit before depreciation, amortisation and other income and expenses.
3. Operating profit before amortisation and other income and expenses.
4. Net interest bearing debt/EBITDA (LTM).
5. EBITA/(Average net working capital+Average tangible assets+Average intangible assets at cost-Average net pension liabilities-Average deferred tax excess value) (LTM).
6. Figures in parentheses are for the corresponding period in the previous year.

### First half

In the 1<sup>st</sup> half of 2014 Borregaard's operating revenues totalled NOK 1,985 million (NOK 1,902 million). EBITA was NOK 229 million, compared with NOK 246 million in the 1<sup>st</sup> half of 2013. An improved result in Performance Chemicals was more than off-set by lower EBITA in Specialty Cellulose and Other Businesses. Lower production output at the Sarpsborg plant had a negative impact on EBITA, while lower wood and energy costs and an improved currency situation contributed positively.

Net financial items amounted to NOK -11 million (NOK -28 million) in the 1<sup>st</sup> half of 2014. The improvement relates to a favourable FX difference of NOK 14 million and a decrease in interest expenses of NOK 3 million. The reduction in interest expenses is a result of a decline in net interest-bearing debt in the 1<sup>st</sup> half of 2014 compared with the corresponding period in 2013.

For the six months period ended in June 2014, profit before tax was NOK 218 million (NOK 217 million). The tax charge was NOK 63 million, giving a tax rate of 29% in the 1<sup>st</sup> half of 2014. Earnings per share in the 1<sup>st</sup> half of 2014 were NOK 1.56 (NOK 1.53).

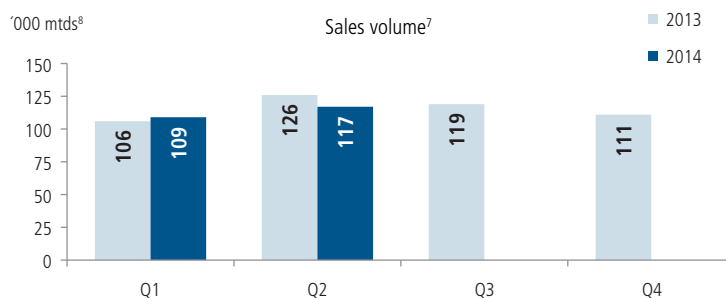
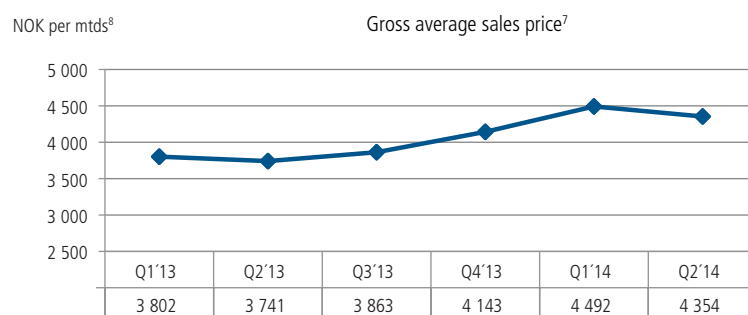
## THE BUSINESS AREAS

### Performance Chemicals

Amounts in NOK million	1.4 – 30.6		1.1 – 30.6		1.1 – 31.12
	2014	2013 <sup>1</sup>	2014 <sup>1</sup>	2013 <sup>1</sup>	2013 <sup>1</sup>
Operating revenues	472	418	914	809	1 645
EBITA <sup>3</sup>	111	89	204	153	314
EBITA margin (%)	23.5	21.3	22.3	18.9	19.1

Performance Chemicals posted 2<sup>nd</sup> quarter operating revenues of NOK 472 million (NOK 418 million). EBITA was NOK 111 million, an all-time high for a single quarter, compared with NOK 89 million in the same period last year and NOK 93 million in the preceding quarter. Market conditions for the lignin business remained positive with strong demand in all major applications. Total sales volume decreased by 7% from the 2<sup>nd</sup> quarter of 2013, due to higher sales from inventories in 2013 and lower lignin raw material supply in Spain and Norway. However, the reduction was more than compensated by higher prices and a more favourable product mix compared with the corresponding quarter in 2013. Seasonally higher sales to the construction end market in the 2<sup>nd</sup> quarter reduced the gross average sales price compared with the preceding quarter.

In the 1<sup>st</sup> half of 2014, Performance Chemicals had operating revenues of NOK 914 million (NOK 809 million). EBITA reached NOK 204 million (NOK 153 million). Higher sales prices and a favourable product mix more than compensated for a 3% reduction in total sales volume.



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

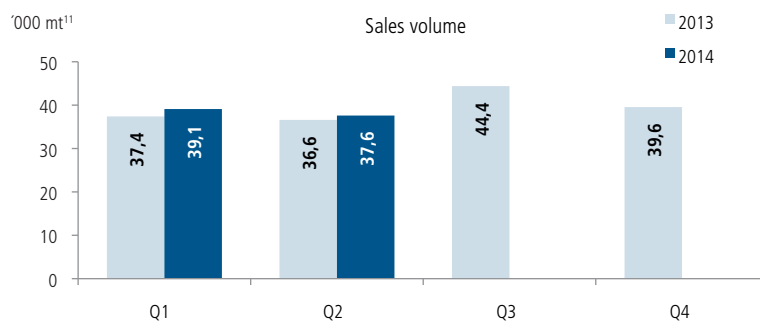
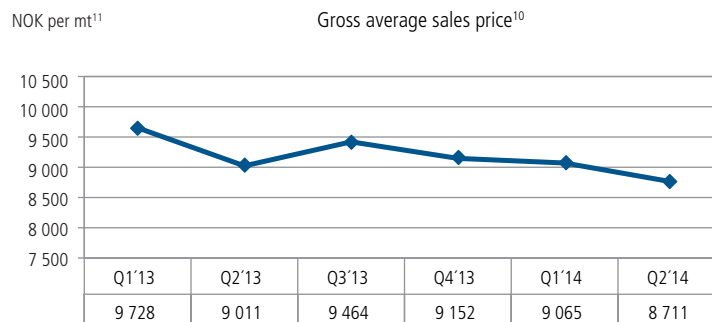
8. Metric tonne dry solid.

## Specialty Cellulose

Amounts in NOK million	1.4 – 30.6		1.1 – 30.6		1.1 – 31.12
	2014	2013 <sup>1</sup>	2014	2013	2013
Operating revenues	359	374	738	781	1 597
EBITA <sup>3</sup>	29	48	56	114	224
EBITA margin (%)	8.1	12.8	7.6	14.6	14.0

Specialty Cellulose posted 2<sup>nd</sup> quarter operating revenues of NOK 359 million (NOK 374 million). EBITA was NOK 29 million (NOK 48 million), an improvement of NOK 2 million from the preceding quarter. The weaker result compared with the 2<sup>nd</sup> quarter of 2013 was primarily attributable to lower sales prices. Reduced production output and increased Exilva<sup>9</sup> project activities were partly off-set by an improved currency position and declining wood and energy costs.

In Specialty Cellulose, operating revenues in the 1<sup>st</sup> half of 2014 totalled NOK 738 million (NOK 781 million). EBITA amounted to NOK 56 million (NOK 114 million). Lower sales prices, reduced production output and increased Exilva project activities were partly compensated by a higher sales volume, lower wood and energy costs as well as beneficial impact of a weaker NOK.



9. The Exilva project is a long-term research and development project for production of advanced microfibrillar cellulose.

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

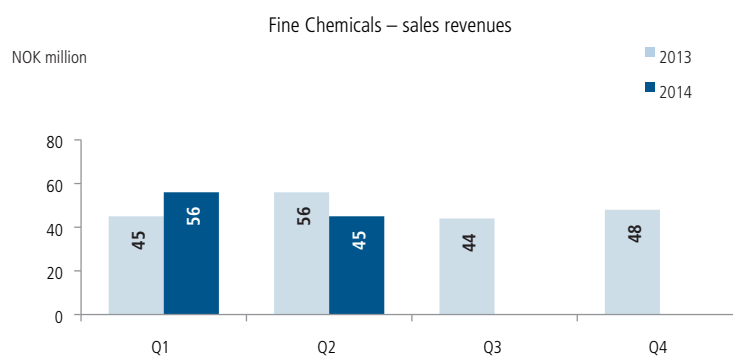
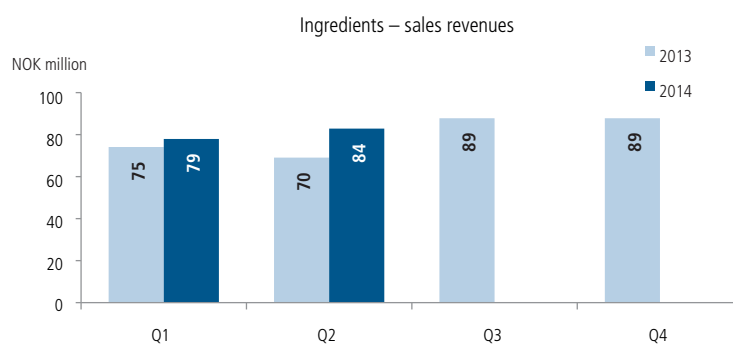
11. Metric tonne.

## Other Businesses

Amounts in NOK million	1.4 – 30.6		1.1 – 30.6		1.1 – 31.12
	2014	2013	2014	2013	2013
Operating revenues	183	174	368	338	703
EBITA <sup>3</sup>	-10	0	-31	-21	-49
EBITA margin (%)	-5.5	0	-8.4	-6.2	-7.0

Other Businesses had total operating revenues of NOK 183 million (NOK 174 million) and an EBITA of NOK -10 million (NOK 0 million) in the 2<sup>nd</sup> quarter of 2014. The Ingredients business continued to suffer from a challenging market situation with price pressure for vanillin products. However, sales volume was higher than the 2<sup>nd</sup> quarter of 2013. The Fine Chemicals business recorded lower sales and a weaker EBITA compared with the corresponding quarter of 2013, when product mix was particularly favourable. Corporate costs and BALI<sup>12</sup> project activities were relatively stable compared with the 2<sup>nd</sup> quarter of 2013.

Operating revenues in Other Businesses were NOK 368 million (NOK 338 million) in the 1<sup>st</sup> half of 2014. EBITA was NOK -31 million in the 1<sup>st</sup> half of 2014 compared with NOK -21 million in the corresponding period in 2013. The decline is mainly related to higher corporate and BALI project costs, partly off-set by a slightly better performance in the Fine Chemicals business.



12. The BALI (Borregaard Advanced Lignin) project is a long-term project for the development of new sources of lignin raw material supply from wood and other biomasses (annual plants).



## CASH FLOW AND FINANCIAL SITUATION

Cash flow from operating activities in the 2<sup>nd</sup> quarter of 2014 was NOK 69 million (NOK 122 million). The decrease was mainly due to timing of tax payments in 2014 compared with 2013. In addition, a higher increase in net working capital than during the corresponding quarter last year had a negative effect. Investments in the 2<sup>nd</sup> quarter of 2014 amounted to NOK 32 million and were notably lower than in the 2<sup>nd</sup> quarter 2013 (NOK 90 million). In the 2<sup>nd</sup> quarter of 2014, a dividend of NOK 109 million (NOK 100 million) was paid out. During the quarter, share options have been exercised. As a consequence, the Group has sold and repurchased treasury shares with a net payment of NOK 19 million.

Cash flow from operating activities was NOK 128 million (NOK 214 million) in the 1<sup>st</sup> half of 2014. The reduction is mainly due to timing of tax payments in 2014 compared with 2013. Investments in the 1<sup>st</sup> half of 2014 amounted to NOK 83 million and were notably lower than in the 1<sup>st</sup> half of last year (NOK 149 million). The Group has sold and repurchased treasury shares with a net payment of NOK 15 million.

As of 30 June, the Group had net interest-bearing debt totalling NOK 793 million (NOK 728 million at the end of 2013). At the end of the 2<sup>nd</sup> quarter, NOK 736 million had been drawn on long-term credit facilities.

The Group is well capitalised with an equity ratio of 55% at the end of June 2014.

## SHARE INFORMATION

During the 2<sup>nd</sup> quarter of 2014, 1,050,700 share options were exercised at strike prices of NOK 17.93 and NOK 20.40. At the same time Borregaard repurchased 917,600 treasury shares at an average price of NOK 43.12 per share. Following these transactions, Borregaard held 818,434 treasury shares at the end of the 2<sup>nd</sup> quarter.

Total number of shares outstanding at 30 June 2014 was 100 million including treasury shares. Total number of shareholders was 6,070 at the end of the 2<sup>nd</sup> quarter of 2014.

Borregaard ASA's share price was NOK 44.40 at the end of the 2<sup>nd</sup> quarter of 2014 compared with NOK 40.10 at the end of the 1<sup>st</sup> quarter of 2014 and NOK 30.20 at the end of 2013.

The share was traded ex dividend on 24 April 2014. Dividend was paid out on 6 May 2014.



## OUTLOOK

Performance Chemicals continues to enjoy strong demand in all major applications. Total sales volume in 2014 is expected to be slightly below its 2013 level as increased lignin raw material supply from new and existing sources is expected largely to compensate for sales from inventories in 2013 and the lack of supply in Spain.

Cellulose prices in sales currency are still expected to be on average 7-8% lower in 2014 than in 2013. Furthermore, product mix in 2014 is projected to be marginally weaker than in 2013. In the 3<sup>rd</sup> quarter, Specialty Cellulose expects a product mix similar to the 2<sup>nd</sup> quarter of 2014.


In the second half of 2014, no major changes are expected in market conditions for Ingredients and Fine Chemicals. Corporate and BALI project costs will largely remain at the same level as in the first half of 2014.

## STATEMENT BY THE BOARD OF DIRECTORS

We confirm that, to the best of our knowledge, the unaudited interim condensed financial statements for the period 1 January to 30 June 2014, have been prepared in accordance with IAS 34 Interim Financial Reporting, and that the information in the financial statements gives a true and fair view of the business of and the Group's assets, liabilities, financial position and overall results, and that the half year report provides a fair overview of the information set out in the Norwegian Securities Trading Act section 5-6, fourth paragraph.


Sarpsborg, 15 July 2014

The Board of Directors of Borregaard ASA

  
Jan A. Oksum  
(chair)


  
Terje Andersen

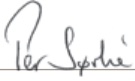
  
Ragnhild Wiborg

  
Kristine Ryssdal

  
Jan Erik Korssjøen

  
Ragnhild Anker Eide

  
Åsmund Dybedahl

  
Per A. Sørli  
(President and CEO)

## THE GROUP'S CONDENSED INCOME STATEMENT

### Interim condensed income statement

Amounts in NOK million	Note	1.4 – 30.6		1.1 – 30.6		1.1 – 31.12
		2014	2013 <sup>1</sup>	2014 <sup>1</sup>	2013 <sup>1</sup>	2013 <sup>1</sup>
Operating revenues	2	993	952	1 985	1 902	3 886
Operating expenses		-803	-762	-1 637	-1 550	-3 176
Depreciation property, plant and equipment		-60	-53	-119	-106	-221
Amortisation intangible assets		0	-1	0	-1	-2
Other income and expenses	3	0	0	0	0	14
Operating profit		130	136	229	245	501
Financial items, net		-4	-14	-11	-28	-41
Profit before taxes		126	122	218	217	-460
Taxes	4	-36	-33	-63	-62	-129
Profit for the period		90	89	155	155	331
Profit attributable to non-controlling interests		-1	1	-1	2	-4
Profit attributable to owners of the parent		91	88	156	153	335
EBITDA adjusted <sup>2</sup>		190	190	348	352	710
EBITA adjusted <sup>3</sup>	2	130	137	229	246	489

## EARNINGS PER SHARE

### Interim earnings per share

Amounts in NOK million	Note	1.4 – 30.6		1.1 – 30.6		1.1 – 31.12
		2014	2013	2014	2013	2013
Earnings per share (100 million shares)	5	0.91	0.88	1.56	1.53	3.35
Diluted earnings per share	5	0.91	0.88	1.56	1.52	3.35

## THE GROUP'S CONDENSED COMPREHENSIVE INCOME STATEMENT

### Interim condensed comprehensive income statement

Amounts in NOK million	Note	1.4 – 30.6		1.1 – 30.6		1.1 – 31.12
		2014	2013	2014	2013 <sup>1</sup>	2013
<b>Profit for the period</b>		<b>90</b>	<b>89</b>	<b>155</b>	<b>155</b>	<b>331</b>
<b>Items not to be reclassified to P&amp;L</b>						
Actuarial gains and losses (after tax)		0	0	0	0	4
Total		0	0	0	0	4
<b>Items to be reclassified to P&amp;L</b>						
Change in hedging reserve after tax	7	-37	-43	19	-82	-84
Translation effects		16	12	10	23	30
Total		-21	-31	29	-59	-54
<b>The Group's comprehensive income</b>		<b>69</b>	<b>58</b>	<b>184</b>	<b>96</b>	<b>281</b>
Comprehensive income non-controlling interests		0	1	-1	2	-2
Comprehensive income owners of the parent		69	57	185	94	283

1. The 2013 figures are restated due to implementation of IFRS 11 Joint Arrangements. See Note 1 and 13.

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

3. 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	2014 30.6	2013' 31.12
Intangible assets		58	57
Property, plant and equipment		1 904	1 941
Other assets		57	51
Investment in Joint Venture	1, 13	114	101
Non-current assets		2 133	2 150
Inventories		556	545
Receivables		759	693
Cash and cash deposits	10	48	39
Current assets		1 363	1 277
Total assets		3 496	3 427
Group equity	9	1 908	1 847
Non-controlling interests		8	9
Total Equity		1 916	1 856
Provisions and other liabilities		144	141
Interest-bearing liabilities	10	763	774
Non-current liabilities		907	915
Interest-bearing liabilities	10	95	6
Other current liabilities		578	650
Current liabilities		673	656
Equity and liabilities		3 496	3 427
Equity ratio		54.8%	54.2%

## CHANGES IN EQUITY

### Interim condensed change in equity

Amounts in NOK million	Note	1.1 – 30.6.2014			1.1 – 31.12.2013		
		Controlling interests	Non-controlling interests	Total Equity	Controlling interests	Non-controlling interests	Total Equity
Equity 1.1		1 847	9	1 856	1 691	11	1 702
Profit/loss for the period		156	-1	155	335	-4	331
The Group's comprehensive income	7	29	0	29	-52	2	-50
Total comprehensive income	7	185	-1	184	283	-2	281
Option costs (share based payment)					6	0	6
Dividend	9	-109	0	-109	-100	0	-100
Buy-back of treasury shares	9	-32	0	-32	-33	0	-33
Exercise of share options	6	17	0	17	0	0	0
Equity at the close of the period	9	1 908	8	1 916	1 847	9	1 856

## THE GROUP'S CONDENSED CASH FLOW STATEMENT

### Interim condensed cash flow statement

Amounts in NOK million	Note	1.4– 30.6		1.1 - 30.6		1.1 – 31.12
		2014	2013 <sup>1</sup>	2014 <sup>1</sup>	2013 <sup>1</sup>	2013 <sup>1</sup>
Profit before taxes		126	122	218	217	460
Amortisation, depreciation and impairment charges		60	53	119	106	231
Changes in net working capital, etc.		-55	-40	-84	-92	-17
Share of profit (dividend) from JV		-11	-9	-13	-10	-19
Taxes paid		-51	-4	-112	-7	-129
Cash flow from operating activities		69	122	128	214	526
Investments property, plant and equipment and intangible assets*		-3	-90	-83	-149	-288
Other capital transactions		1	2	2	4	2
Cash flow from investing activities		-31	-88	-81	-145	-286
Dividends		-109	-100	-109	-100	-100
Proceeds from exercise of share options	9	20	0	40	0	0
Buy-back of treasury shares	6	-39	0	-55	0	-33
Change in equity hedge		-2	0	7	0	0
Net paid to/from shareholders		-130	-100	-117	-100	-133
Proceeds from interest-bearing liabilities	10	6	35	0	0	0
Repayment of interest-bearing liabilities	10	0	0	-14	-25	-218
Change in interest-bearing receivables	10	0	2	-4	-3	-1
Change in net interest-bearing liabilities		6	37	-18	-28	-219
Cash flow from financing activities		-124	-63	-135	-128	-352
Change in cash and cash equivalents		-86	-29	-88	-59	-112
Cash and cash equivalents at beginning of period		35	108	39	134	134
Change in cash and cash equivalents		-86	-29	-88	-59	-112
Currency effects cash and cash equivalents		7	10	5	14	17
Cash and cash equivalents at the close of the period	10	-44	89	-44	89	39

#### \*Investments by category

Replacement investments		25	72	56	122	226
Expansion investments		7	18	27	27	62

## 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 ("The Company") 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.

With the exception of implementation of new accounting principles as described below, the same accounting principles and methods of calculation have been applied as in the Consolidated Financial Statements for 2013 for the Borregaard Group.

#### New accounting principles

Future effects of new accounting standards were described in the Consolidated Financial Statements for 2013. IFRS 11 Joint Arrangement is implemented from 1 January 2014. The impact IFRS 11 had on the 2013 figures after implementation is described in Note 13. Changes in IFRS 10 Consolidated Financial Statements did not have any impact on the consolidated figures.

#### Use of estimates

The same use of estimates has been applied as in the Consolidated Financial Statements for 2013.

## NOTE 2

### Segments

#### Operating revenues

Amounts in NOK million	1.4 – 30.6		1.1 – 30.6		1.1 – 31.12
	2014	2013 <sup>1</sup>	2014 <sup>1</sup>	2013	2013
Borregaard	993	952	1 985	1 902	3 886
Performance Chemicals	472	418	914	809	1 645
Specialty Cellulose	359	374	738	781	1 597
Other Businesses	183	174	368	338	703
Eliminations	-21	-14	-35	-26	-59

#### EBITA<sup>3</sup>

Amounts in NOK million	1.4 – 30.6		1.1 – 30.6		1.1 – 31.12
	2014	2013 <sup>1</sup>	2014 <sup>1</sup>	2013 <sup>1</sup>	2013 <sup>1</sup>
Borregaaard	130	137	229	246	489
Performance Chemicals	111	89	204	153	314
Specialty Cellulose	29	48	56	114	224
Other Businesses	-10	0	-31	-21	-49
<b>Reconciliation against operating profit and profit before taxes</b>					
EBITA adjusted <sup>3</sup>	130	137	229	246	489
Amortisation intangible assets	0	-1	0	-1	-2
Other income and expenses	0	0	0	0	14
Operating profit	130	136	229	245	501
Financial items, net	-4	-14	-11	-28	-41
Profit before taxes	126	122	218	217	460

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

## NOTE 3

### Other income and expenses

There are no Other income and expenses in the 2<sup>nd</sup> quarter of 2014.

## NOTE 4

### Income tax expense

The tax rate of 28.8% for the first six months of 2014 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 28 - 31%. The tax rate in Norway was reduced from 28% to 27% from 1 January 2014.

## NOTE 5

### Earnings per share (EPS)

The share capital consists of 100 million shares as of 30 June 2014. The company holds 818,434 treasury shares. As of 30 June 2014, there are 99,730,723 diluted shares. Earnings per diluted share ended at NOK 1.56 after the first six months of 2014. As of 31 December 2013, there were 99,591,765 diluted shares.

## NOTE 6

### Stock options

During the 2<sup>nd</sup> quarter of 2014, 1,050,700 share options have been exercised.

The Group Executive Management and other key employees hold a total of 953,800 stock options in two different share option programmes in Borregaard. The first programme has a total of 603,800 outstanding stock options at a strike price of NOK 17.93. The second programme has a total of 350,000 outstanding stock options at a strike price of NOK 20.40. The strike prices have been adjusted for dividends in 2013 and 2014, a total of NOK 2.10. The share options were vested on 18 October 2013 and can be exercised until the end of October 2016.

## NOTE 7

### Statement of comprehensive income

The statement of comprehensive income shows changes in the value of hedging instruments (hedging reserve). These figures are presented after tax. The tax effect for the six months of 2014 relating to the hedging reserve amounts to NOK -5 million (NOK -12 million as of 30 June 2013). Total hedging reserve included in equity at 30 June 2014 (after tax) amounts to NOK -15 million (NOK -32 million as of 30 June 2013).



## 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 2013 to the 2<sup>nd</sup> quarter of 2014. Borregaard has no items defined as level 1 and level 3, respectively.

Set out below is a comparison of the carrying amount and the fair value of financial instruments as at 30 June 2014:

<b>Financial assets</b>		<b>Carrying amount</b>	<b>Fair value</b>
Amounts in NOK million			
Non-current derivatives			
Current derivatives		1	1
<b>Financial liabilities</b>			
Non-current financial liabilities		10	10
Current derivatives		14	14

<b>Financial assets measured at fair value</b>	2014	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Amounts in NOK million				
Foreign currency forward contracts	30.6	0	-23	0

The foreign currency forward contracts 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

	2014	2013
Amounts in NOK million	30.6	31.12
Share Capital	100	100
Treasury shares	-1	-1
Share premium	1 346	1 346
Other paid-in equity	276	308
Translation effects	-76	-86
Hedging reserve	-15	-34
Actuarial gains/losses	4	1
Retained earnings	274	213
Group equity (controlling interests)	1 908	1 847

As at 30 June 2014, the company held 818,434 treasury shares at an average cost of NOK 43.23.

## NOTE 10

### Net interest-bearing debt

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

	2014	2013 <sup>1</sup>
Amounts in NOK million	30.6	31.12
Non-current interest-bearing liabilities	763	774
Current interest-bearing liabilities including overdraft of cashpool	95	6
Non-current interest-bearing receivables (included in "Other Assets")	-17	-13
Cash and cash deposits	-48	-39
Net interest-bearing debt	793	728

As of 30 June 2014 there is a net overdraft in the Group's cashpool facilities of NOK 92 million. This is classified as current interest bearing liabilities in the statement of financial position. Cash and cash equivalents as of 30 June 2014 is NOK -44 million.

## NOTE 11

### Related parties

The members of the Group Executive Management of Borregaard hold a total of 613,800 stock options in the Company.

## 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 2<sup>nd</sup> quarter of 2014.

## NOTE 13

### Effects of implementing IFRS 11 Joint Arrangements from 1 January 2014

IFRS 11 Joint Arrangements replaces IAS 31 Interests in Joint Ventures. IFRS 11 removes the option to account jointly controlled entities using proportionate consolidation. Instead joint ventures must be accounted for using the equity method. The result of the joint venture is accounted for as part of operating profit as it is part of Performance Chemicals. The impact of the application is the following for the 2013 figures:

	2013	Effect of IFRS 11	Restated 2013
Operating revenues	3 997	-111	3 886
Operating profit	513	-12	501
Profit for the period	331	0	331
Earnings per share	3.35	0	3.35
Non-current assets	2 101	-52	2 049
Share in Joint Venture	-	101	101
Current assets	1 285	-47	1 238
Cash and cash equivalents	58	-19	39
Total assets	3 444	-17	3 427
Equity	1 856	0	1 856
Non-current liabilities	923	-8	915
Current liabilities	665	-9	656
Equity and liabilities	3 444	-17	3 427

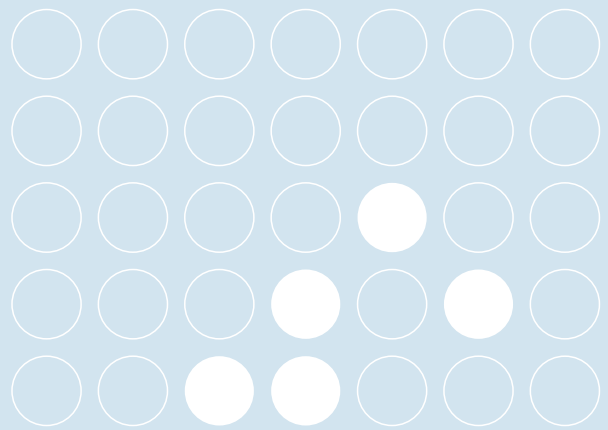
The opening balance 1.1.2013 of the Share in Joint Venture is measured as the aggregate of the carrying amounts of the assets and liabilities that the entity had previously as proportionately consolidated. This is regarded as deemed cost for the Joint Venture at initial recognition.

## NOTE 14

### Other matters and subsequent events

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





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