



2ND QUARTER 2017

Oslo, 18 July 2017

Agenda



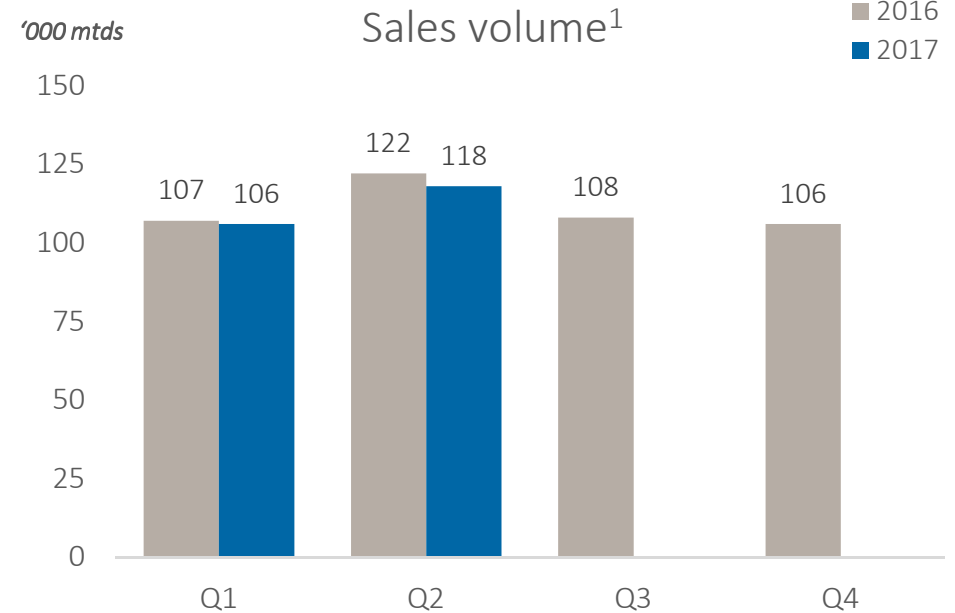
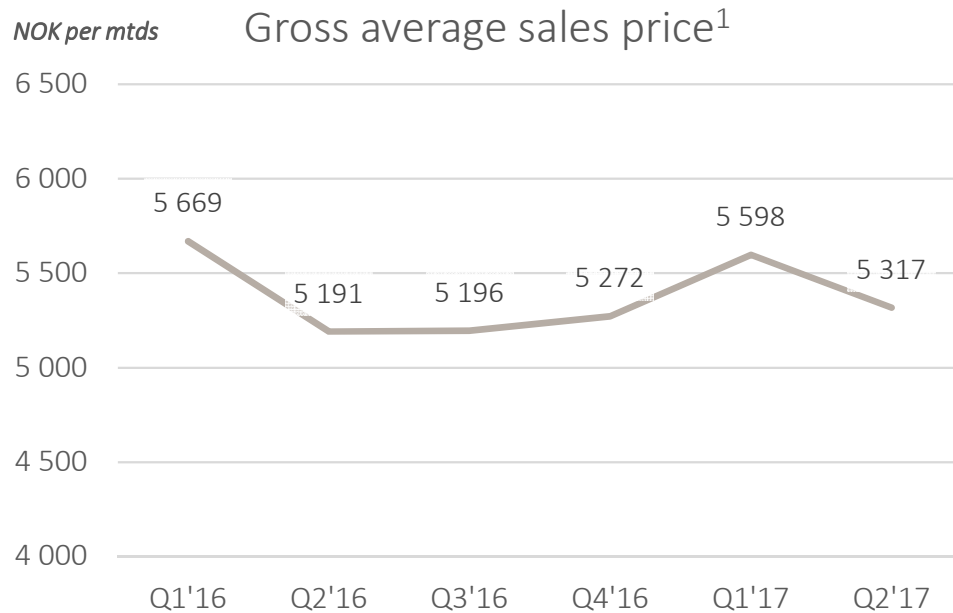
- Per A Sørlie, President & CEO
 - Highlights
 - Business areas
 - Outlook
- Per Bjarne Lyngstad, CFO
 - Financial performance

Highlights – 2nd quarter 2017



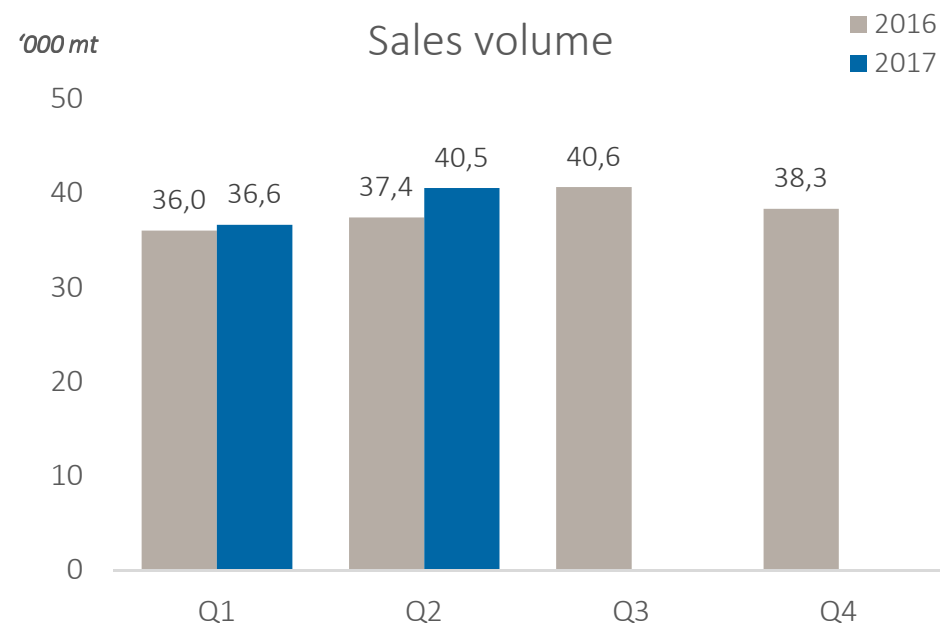
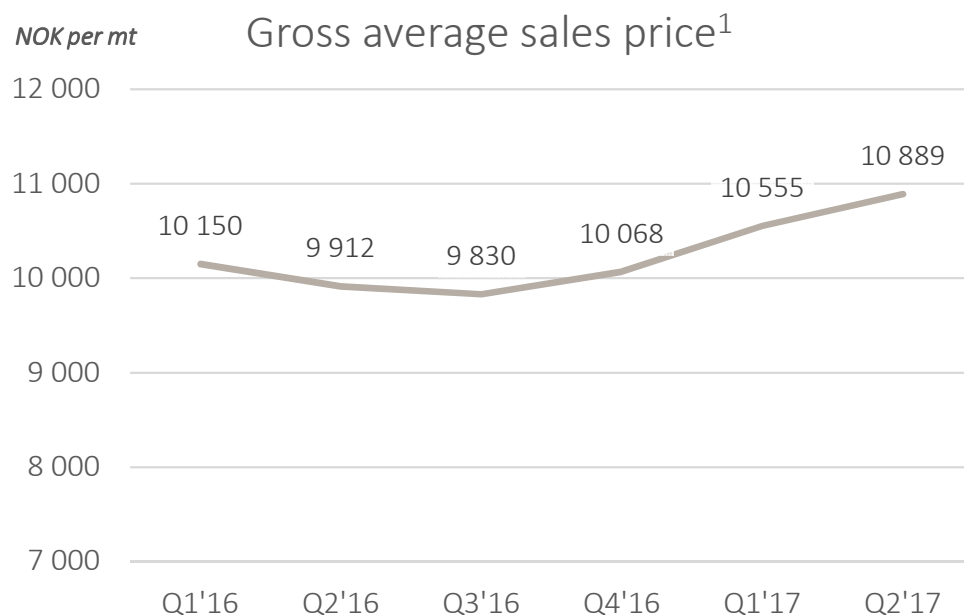
- All-time high EBITA adj.¹ for the Group
- Favourable product mix in Performance Chemicals
- Increased prices, high sales volume and improved product mix in Speciality Cellulose
- Strong quarter for Fine Chemicals
- Increased energy, raw material and chemicals costs
- Cash flow from operations¹ affected by increased net working capital

Performance Chemicals markets – Q2



- Higher average sales price vs Q2-16
 - Favourable product mix for Specialities
- Sales volume decreased by 3% vs Q2-16
 - Challenging construction market
 - Specialities volume in line with Q2-16
- Stable inventory levels
 - Reallocation efforts and flexibility in external raw material supply

Speciality Cellulose markets – Q2

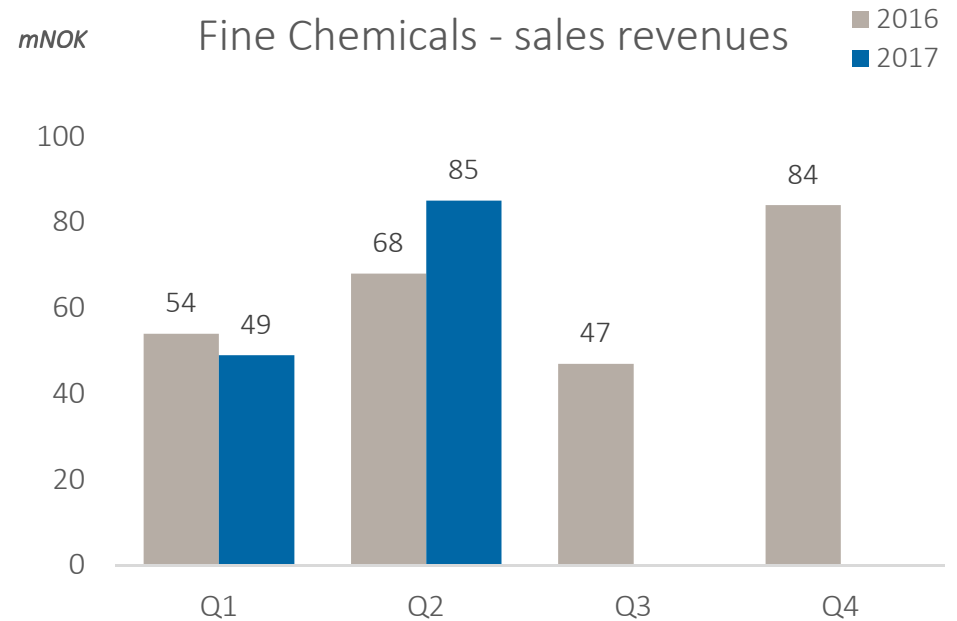
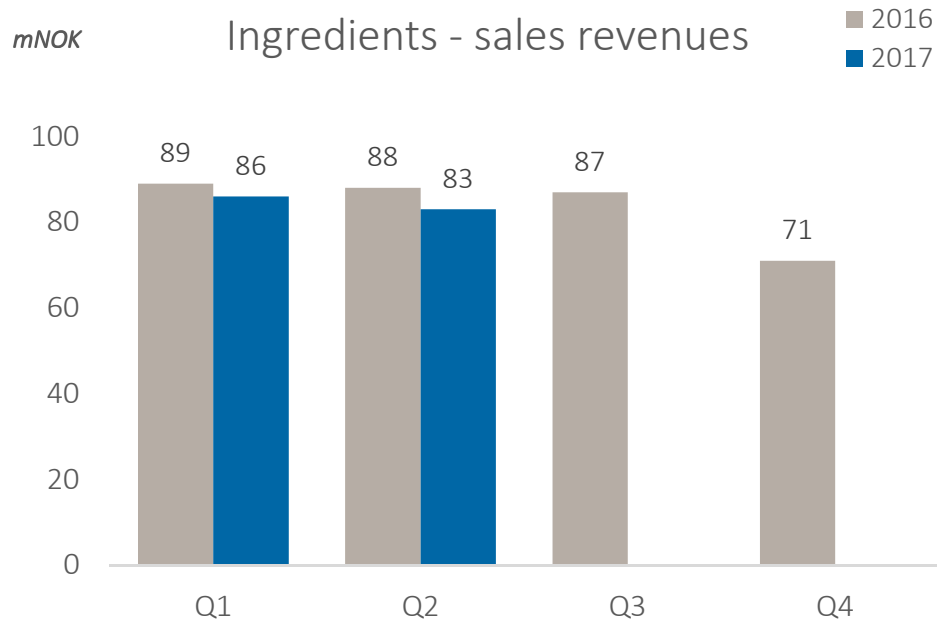


- Increased prices vs Q2-16
 - Higher sales prices for most grades
 - Market prices for textile cellulose declined during Q2, but delayed effect for Borregaard
- Improved product mix and high sales volume
 - High deliveries of acetate cellulose
 - Continued strong demand for ether grades



¹ Average sales price is calculated using actual FX rates, excluding hedging impact.

Ingredients and Fine Chemicals markets – Q2



- Ingredients

- Lower sales volume

- Fine Chemicals

- High deliveries of key products

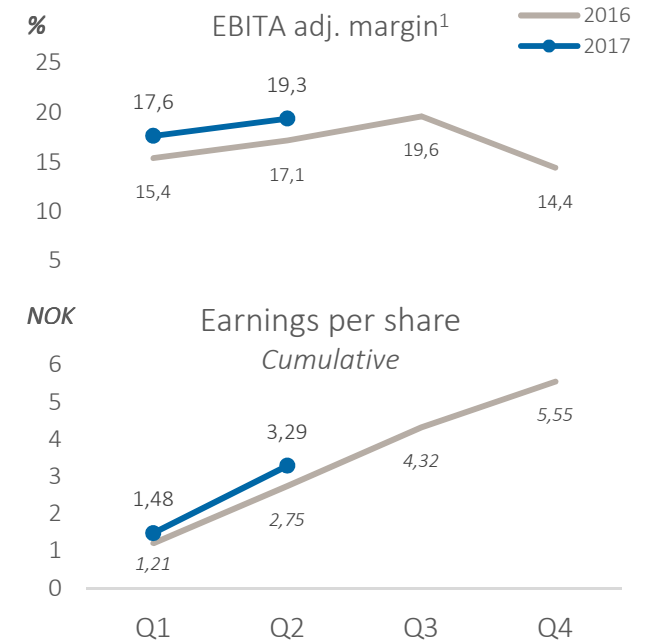
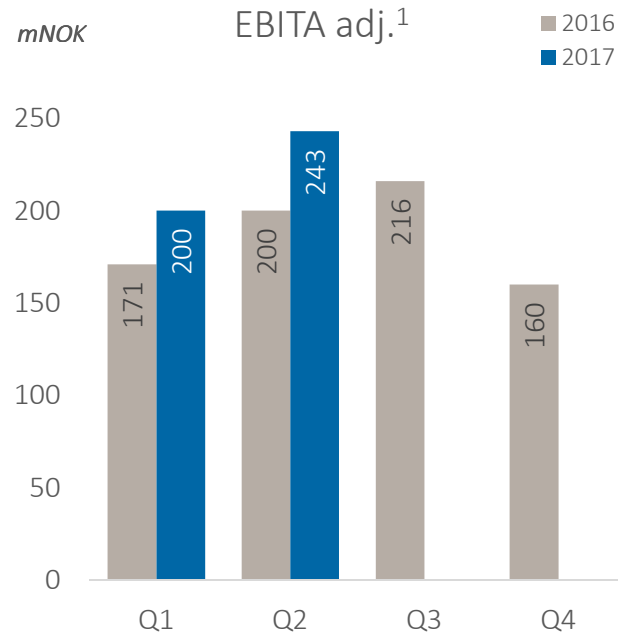
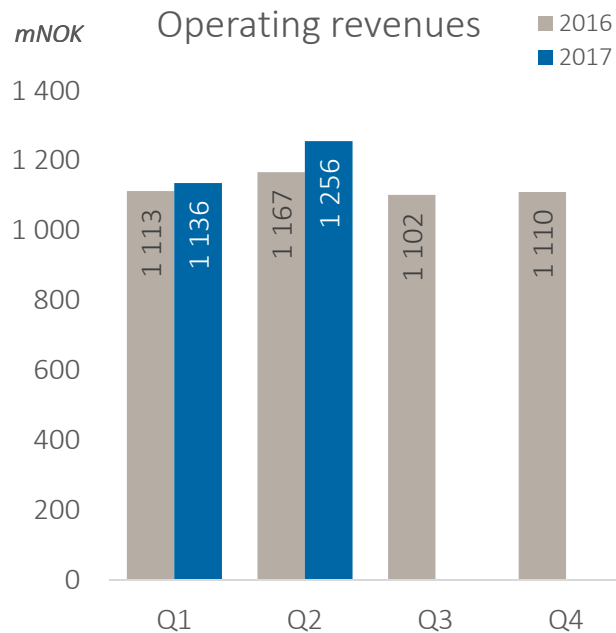
Outlook

- Performance Chemicals
 - Sales of lignin products to the construction sector will be affected by strong competition with increasing price pressure in certain regions in H2-17
 - Reallocation efforts will continue
 - 2017 sales volume forecast to be in the 450-470,000 mtds range
 - Sales volume in Q3-17 expected to be higher than in Q3-16
 - Flexibility in raw material supply will contribute to market optimisation and stable inventory levels
- Speciality Cellulose
 - Average price in sales currency expected to be 3-5% above the 2016 level
 - Product mix forecast to improve from 2016
 - In Q3-17, textile cellulose prices, total sales volume and sales of highly specialised grades expected to be lower than in Q2-17
- Other Businesses
 - Ingredients still affected by general overcapacity, but slightly positive development following recent price increases from Chinese producers
 - In Q3-17, deliveries of key products within Fine Chemicals forecast to be lower than in Q2-17, but higher than Q3-16
 - In H2-17, no major changes expected in Cellulose Fibrils' net costs vs H1-17



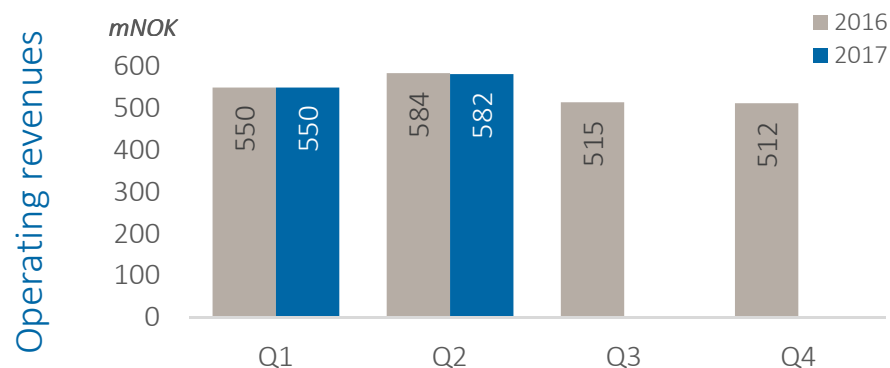
FINANCIAL PERFORMANCE Q2-17

Borregaard key figures – Q2

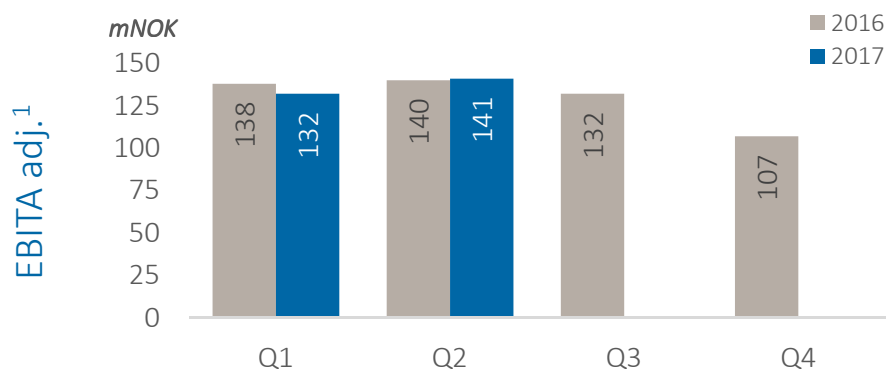


- Revenues 8% above Q2-16
- All-time high quarterly EBITA adj.¹ for the Group
 - Improvement in all business areas, particularly for Speciality Cellulose
 - Positive impact from final insurance settlement for seasoning silos
 - Increased depreciation, energy, raw material and chemicals costs
 - Slightly positive FX impact
- EPS at NOK 1.81 in Q2-17 (NOK 1.54)

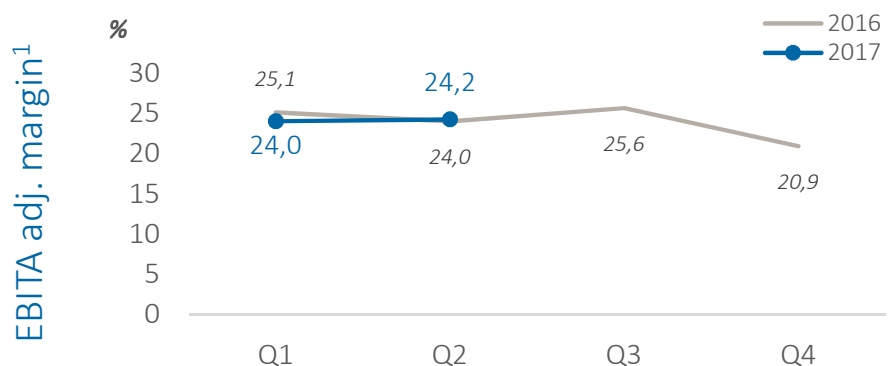
Performance Chemicals key figures – Q2



- Revenues in line with Q2-16
- Improved product mix
- 3% lower sales volume

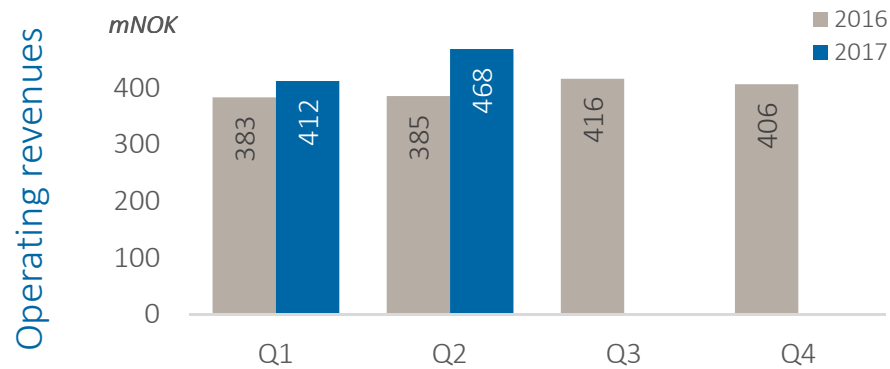


- All-time high EBITA adj.¹
- Favourable product mix within Specialities
- Decreased sales volume, continued reallocation and increased costs in Spain and USA
- FX impact negligible

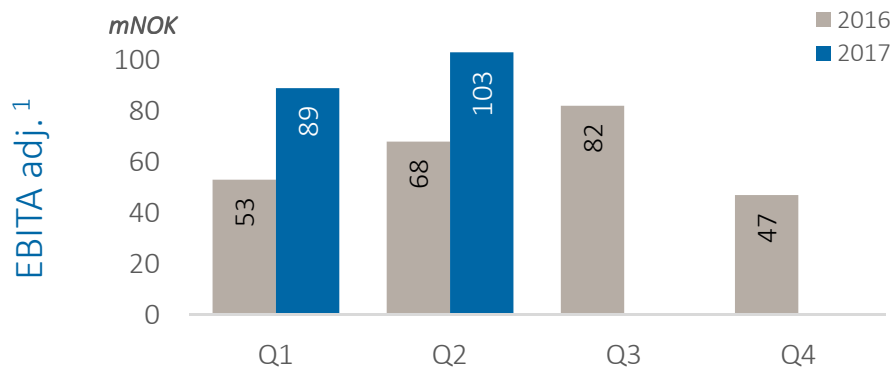


- EBITA adj. margin¹ in line with Q2-16

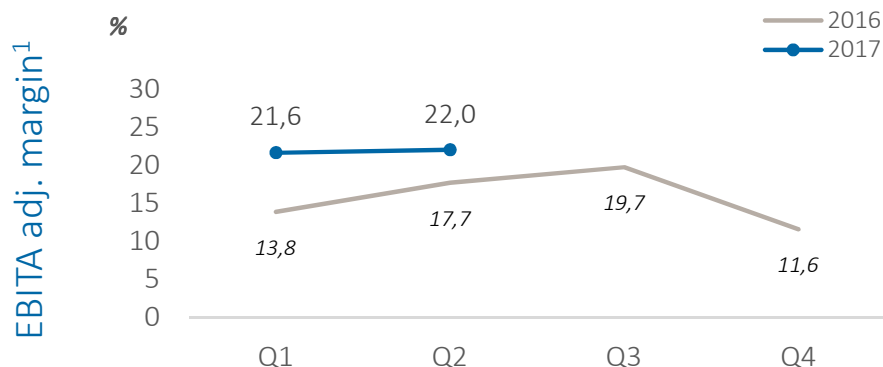
Speciality Cellulose key figures – Q2



- Revenues 22% above Q2-16
- Increased prices, high sales volume and improved product mix

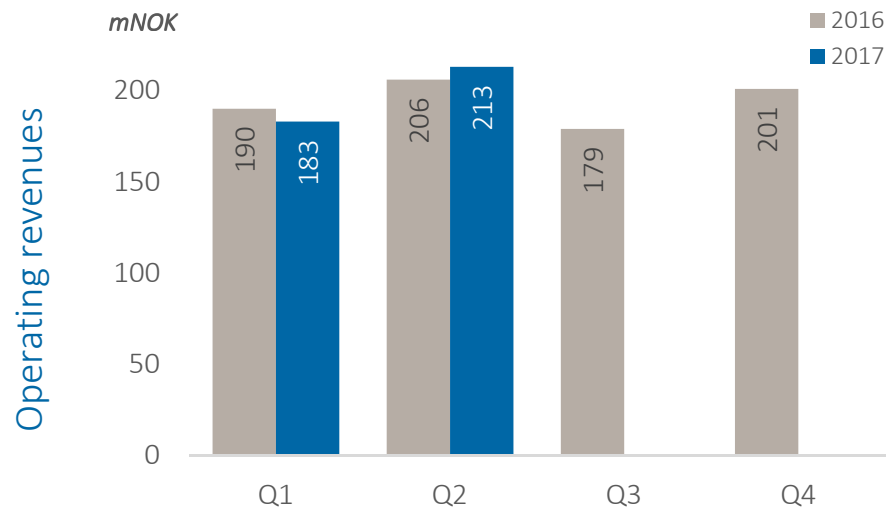


- Strong EBITA adj.¹ improvement
- Increased sales prices, high sales volume and improved product mix
- Increased energy, raw material and chemicals costs
- Slightly positive FX impact

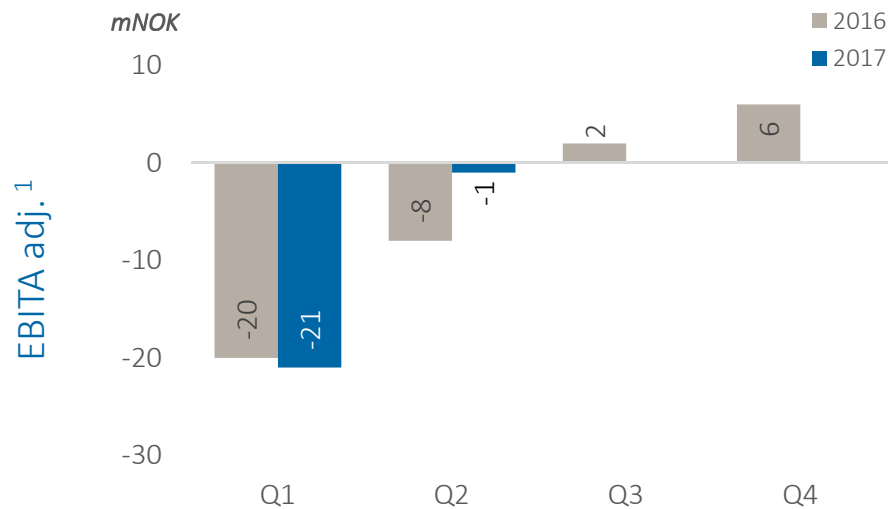


- Improved EBITA adj. margin¹

Other Businesses key figures – Q2

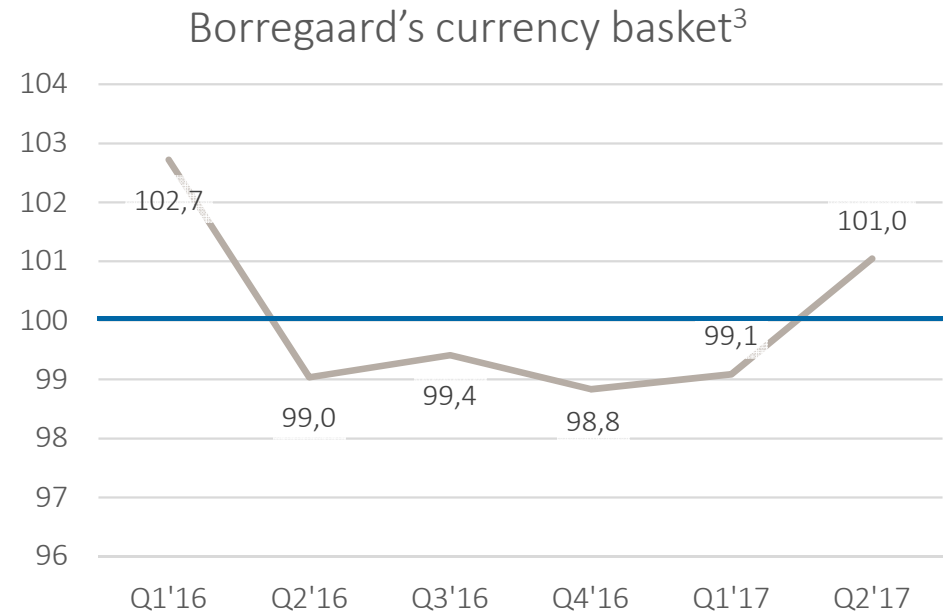
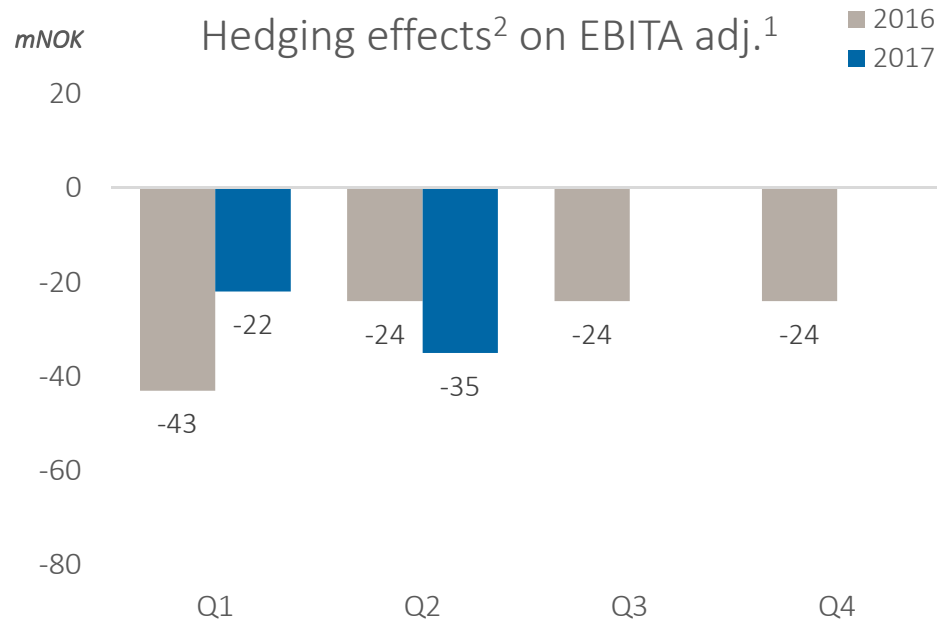


- Revenues 3% above Q2-16
- High deliveries in Fine Chemicals
- Lower sales volume in Ingredients



- **Fine Chemicals:** High deliveries of key products and improved result
- **Ingredients:** Lower sales volume, increased costs and slightly reduced result
- **Cellulose Fibrils:** Net costs and result in line with Q2-16, but depreciation and gross costs increased
- **FX impact** slightly positive for Other Businesses

Currency impact



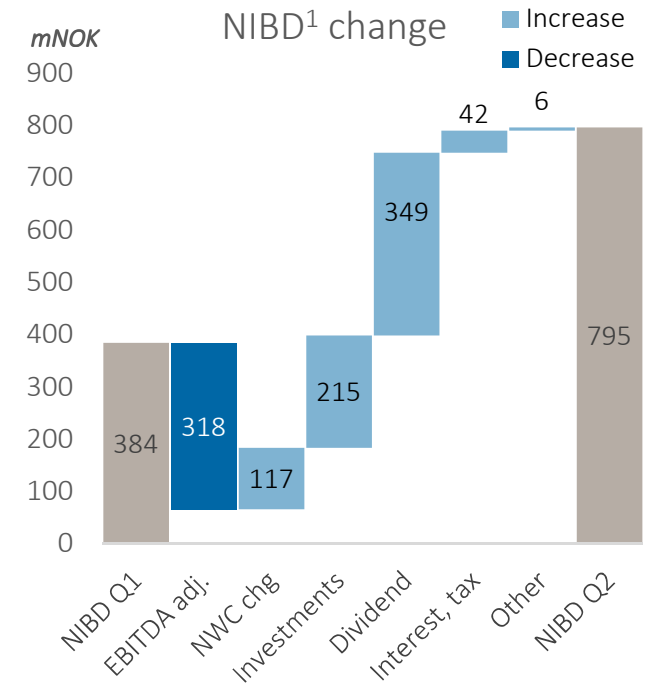
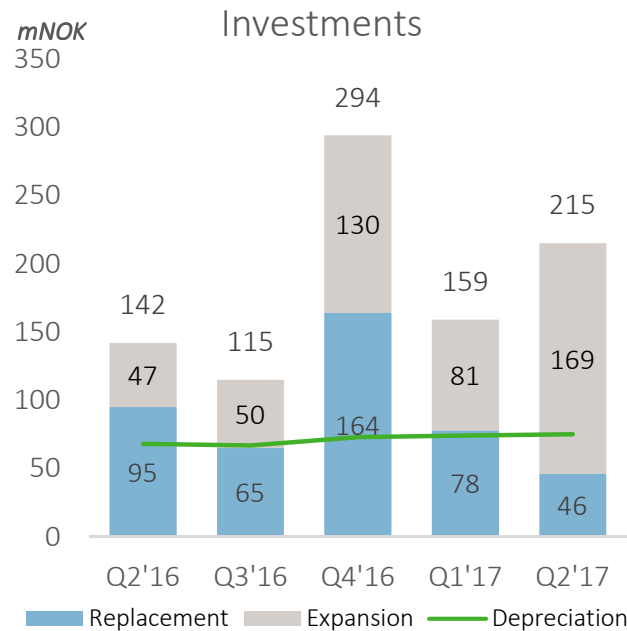
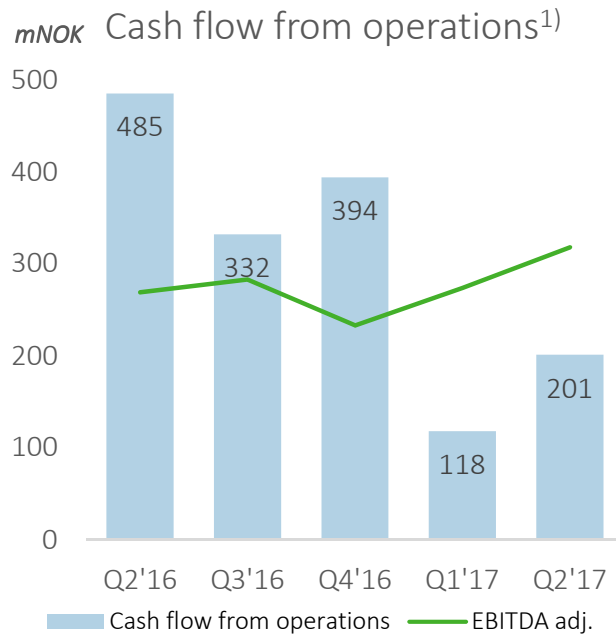
- Net FX EBITA adj.¹ impact approx. +5 mNOK vs Q2-16
 - Includes change in hedging effects and based on estimated currency exposure
 - Net FX EBITA adj.¹ impact YTD approx. 0 mNOK
- Net FX EBITA adj.¹ impact in Q3-17 estimated to be 0 mNOK vs Q3-16
 - Assuming rates as of 17 July (USD 8.16 and EUR 9.36) on expected currency exposure
 - Net FX EBITA adj.¹ impact in 2017 estimated to be 15 mNOK vs 2016

¹ Non-GAAP measure, see Appendix for definition.

² See appendix for currency hedging strategy, future hedges and hedging effects by segment

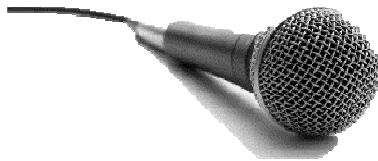
³ Currency basket based on Borregaard's net exposure in 2016 (=100): USD 66% (approx. 208 mUSD), EUR 33% (approx. 92 mEUR), Other 1% (GBP, BRL, JPY, SEK, ZAR)

Cash flow, investments and NIBD



- Cash flow from operations¹ decreased vs Q2-16
 - Increase in net working capital from a low level at the end Q1-17
- Expansion investments¹ in Q2 mainly related to the LignoTech Florida project
- Dividend payment of 349 mNOK in Q2
- NIBD¹ increased by 411 mNOK in Q2

Q&A



- Per A Sørli, President & CEO
- Per Bjarne Lyngstad, CFO



APPENDIX

Borregaard – key figures

Amounts in NOK million	Q2-2017	Q2-2016	Change	YTD-2017	YTD-2016	Change
Operating revenues	1 256	1 167	8 %	2 392	2 280	5 %
EBITDA adj.¹	318	269	18 %	592	505	17 %
EBITA adj.¹	243	200	22 %	443	371	19 %
Amortisation intangible assets	-1	-1		-2	-2	
Other income and expenses ¹	0	13		0	13	
Operating profit	242	212	14 %	441	382	15 %
Financial items, net	-1	-5		-5	-14	
Profit before taxes	241	207	16 %	436	368	18 %
Income tax expenses	-60	-53		-108	-94	
Profit for the period	181	154	18 %	328	274	20 %
Profit attributable to non-controlling interests	0	0		-1	-1	
Profit attributable to owners of the parent	181	154		329	275	
Cash flow from operating activities (IFRS)	158	433		240	364	
Earnings per share	1,81	1,54	18 %	3,29	2,75	20 %
<i>Adjusted EBITDA adj. Margin¹</i>	25,3 %	23,1 %		24,7 %	22,1 %	
<i>Adjusted EBITA adj. Margin¹</i>	19,3 %	17,1 %		18,5 %	16,3 %	

Operating revenues and EBITA adj.¹ per segment

Amounts in NOK million

Operating revenues	Q2-2017	Q2-2016	Change
Borregaard	1 256	1 167	8 %
Performance Chemicals	582	584	0 %
Speciality Cellulose	468	385	22 %
Other Businesses	213	206	3 %
Eliminations	-7	-8	

Amounts in NOK million

EBITA adj. ¹	Q2-2017	Q2-2016	Change
Borregaard	243	200	22 %
Performance Chemicals	141	140	1 %
Speciality Cellulose	103	68	51 %
Other Businesses	-1	-8	88 %

Amounts in NOK million

Operating revenues	YTD-2017	YTD-2016	Change
Borregaard	2 392	2 280	5 %
Performance Chemicals	1 132	1 134	0 %
Speciality Cellulose	880	768	15 %
Other Businesses	396	396	0 %
Eliminations	-16	-18	

Amounts in NOK million

EBITA adj. ¹	YTD-2017	YTD-2016	Change
Borregaard	443	371	19 %
Performance Chemicals	273	278	-2 %
Speciality Cellulose	192	121	59 %
Other Businesses	-22	-28	21 %

Cash flow

Amounts in NOK million	Q2-2017	Q2-2016	YTD-2017	YTD-2016	FY-2016
Amounts in NOK million					
Profit before taxes	241	207	436	368	724
Amortisation, depreciation and impairment charges	76	69	151	135	278
Change in net working capital, etc	-117	204	-273	-39	170
Dividend (share of profit) from JV	-1	-16	-3	-38	-1
Taxes paid	-41	-31	-71	-62	-90
Cash flow from operating activities	158	433	240	364	1 081
Investments property, plant and equipment and intangible assets *	-215	-142	-374	-213	-622
Other capital transactions	5	1	7	2	5
Cash flow from Investing activities	-210	-141	-367	-211	-617
Dividends	-349	-149	-349	-149	-149
Proceeds from exercise of options/shares to employees	0	2	11	3	7
Buy-back of shares	0	-9	-29	-9	-10
Gain/(loss) on hedges for net investments in subsidiaries	-11	18	-2	29	13
Net paid to/from shareholders	-360	-138	-369	-126	-139
Proceeds from interest-bearing liabilities	258	100	263	100	106
Repayment from interest-bearing liabilities	-2	-102	-29	-104	-309
Change in interest-bearing receivables/other liabilities	15	-6	38	-15	-23
Change in net interest-bearing liabilities	271	-8	272	-19	-226
Cash flow from financing activities	-89	-146	-97	-145	-365
Change in cash and cash equivalents	-141	146	-224	8	99
Cash and cash equivalents at beginning of period	182	18	265	169	169
Change in cash and cash equivalents	-141	146	-224	8	99
Currency effects cash and cash equivalents	2	-1	2	-14	-3
Cash and cash equivalents at the end of the period	43	163	43	163	265
* Investment by category					
Replacement Investments	46	95	124	129	358
Expansion investments ¹	169	47	250	84	264

¹ Non-GAAP measure, see Appendix for definition.

Balance sheet

Amounts in NOK million	30.06.2017	31.03.2017	31.12.2016
Assets:			
Intangible assets	118	121	125
Property, plant and equipment	2 692	2 559	2 471
Other assets	97	86	115
Investment in joint venture	127	127	121
Non-current assets	3 034	2 893	2 832
Inventories	661	687	626
Receivables	1 066	949	948
Cash and cash deposits	75	182	265
Current assets	1 802	1 818	1 839
Total assets	4 836	4 711	4 671
Equity and liabilities:			
Group equity	2 642	2 808	2 679
Non-controlling interests	81	59	34
Equity	2 723	2 867	2 713
Provisions and other liabilities	288	280	299
Interest-bearing liabilities	765	526	525
Non-current liabilities	1 053	806	824
Interest-bearing liabilities	106	41	61
Other current liabilities	954	997	1 073
Current liabilities	1 060	1 038	1 134
Equity and liabilities	4 836	4 711	4 671
Equity ratio ¹ (%):	56,3 %	60,9 %	58,1 %

Net financial items & net interest-bearing debt¹

Amounts in NOK million

Net financial items	Q2-2017	Q2-2016	YTD-2017	YTD-2016
Net interest expenses	-4	-6	-7	-11
Currency gain/loss	3	1	2	-2
Other financial items, net	0	0	0	-1
Net financial items	-1	-5	-5	-14

Amounts in NOK million

Net interest-bearing debt ¹ (NIBD)	30.06.2017	31.03.2017	31.12.2016
Non-current interest-bearing liabilities	765	526	525
Current interest-bearing liabilities including overdraft of cashpool	106	41	61
Non-current interest-bearing receivables (included in "Other Assets")	-1	-1	-21
Cash and cash deposits	-75	-182	-265
Net interest-bearing debt¹ (NIBD)	795	384	300

Currency hedging strategy

Purpose is to delay effects of currency fluctuations and secure competitiveness

- Hedging based on expected EBITA adj. impact¹
 - **Base hedge:** 75%/50% on a rolling basis for 6/9 months for major currencies
 - **Extended hedge:** 75%/50% of the next 24/36 months if USD and EUR are above defined levels
EUR; effective rate above 8.50
USD; gradually at effective rates between 7.50 and 8.50
 - **Contracts**²: 100% hedged
- Balance sheet exposure hedged 100%
- Net investments in subsidiaries hedged up to 90% of book value in major currencies

Contracted FX hedges with EBITA adj. impact (as of 17.07.17)

	USD million	USD rate	EUR million	EUR rate
Q3-2017	40	8.08	21	8.89
Q4-2017	37	8.15	21	9.03
RoY 2017	77	8.11	42	8.96
2018	145	8.23	85	9.34
2019	104	8.36	72	9.58
2020	42	8.29	31	9.60

Hedging effects by segment

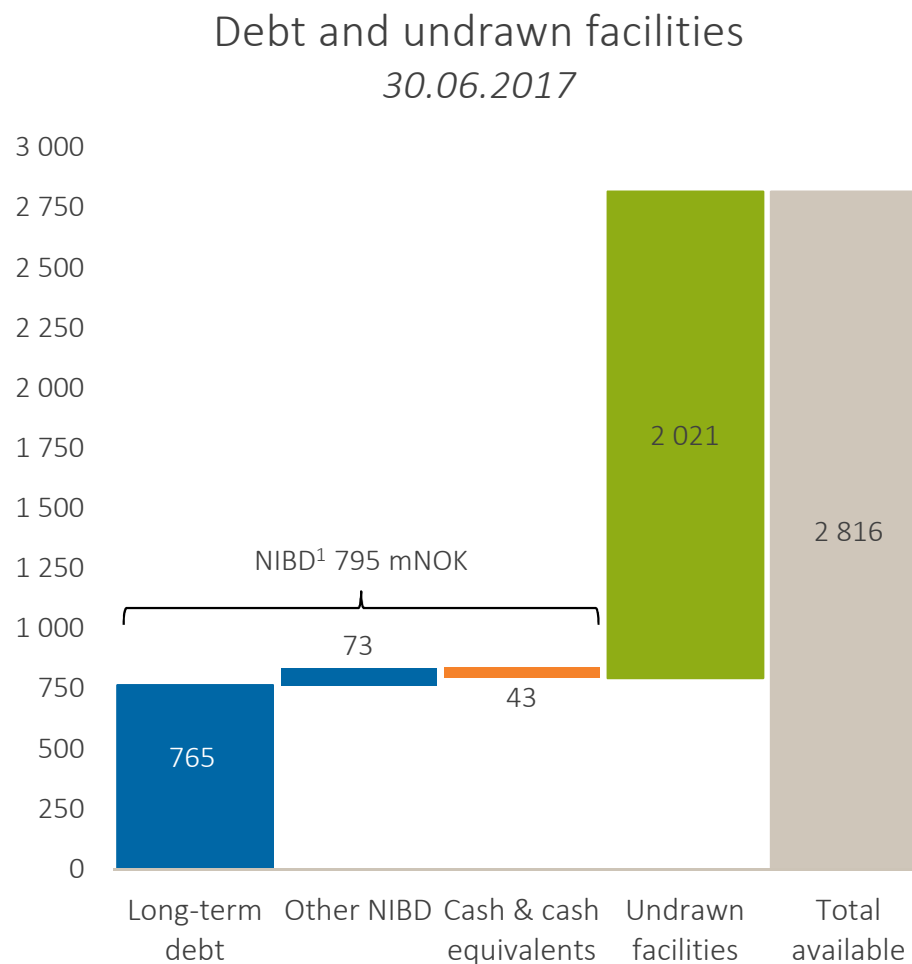
NOK million	Q2-17	Q2-16	YTD-17	YTD-16
Performance Chemicals	-12	-7	-18	-19
Speciality Cellulose	-17	-11	-27	-33
Other Businesses	-6	-6	-12	-15
Borregaard	-35	-24	-57	-67

¹ Hedging done mainly in the Norwegian company

² Strict definition of contracts applied for 100% hedging (mutually binding agreement in which price, currency, volume and time are defined)

Debt, credit facilities and solidity

- Debt and overdraft facilities
 - Long-term credit facilities
 - 1,500 mNOK revolving credit facilities, maturity 2021
 - 200 mNOK 5-year bond issue, maturity 2019
 - 40 mEUR 10-year loan, maturity 2024
 - 60 mUSD term loan for LT Florida, tenor 8.5 years from completion
 - Overdraft facilities
 - 225 mNOK
- Solidity (covenants)
 - Equity ratio¹ 56.3% (> 25%)
 - Leverage ratio¹ LTM 0.72 (< 3.25)



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 operating activities (IFRS) + tax paid +/- net financial items +/- dividend (share of profit) from JV.
- EBITA adjusted (EBITA adj.)
 - Operating profit before amortisation and other income and expenses.
- EBITA adj. margin
 - EBITA adj. divided by operating revenues
- EBITDA adjusted (EBITDA adj.)
 - Operating profit before depreciation, amortisation and other income and expenses.
- Equity ratio
 - Equity (including non-controlling interests) divided by equity and liabilities.
- Expansion investments
 - 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 R&D costs and new distribution set-ups.
- Other income and expenses
 - 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
 - Net interest-bearing debt divided by last twelve months' (LTM) EBITDA adj.
- Net interest-bearing debt (NIBD)
 - Interest-bearing liabilities minus interest-bearing assets (see slide 26)
- Return on capital employed (ROCE)
 - Last twelve months' (LTM) EBITA adj. divided by average capital employed based on the ending balance of the last five quarters. 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.

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