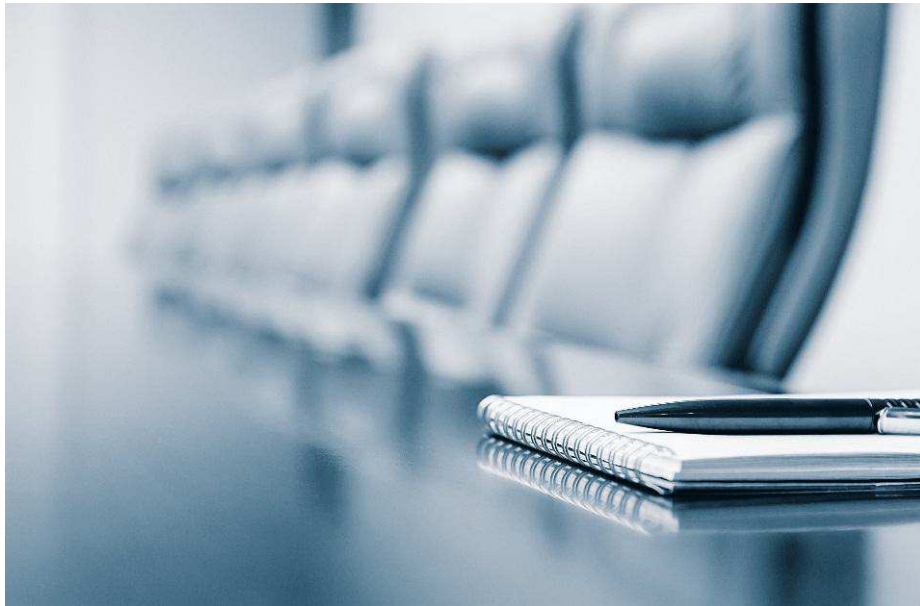




2ND QUARTER 2018

Oslo, 17 July 2018

Agenda



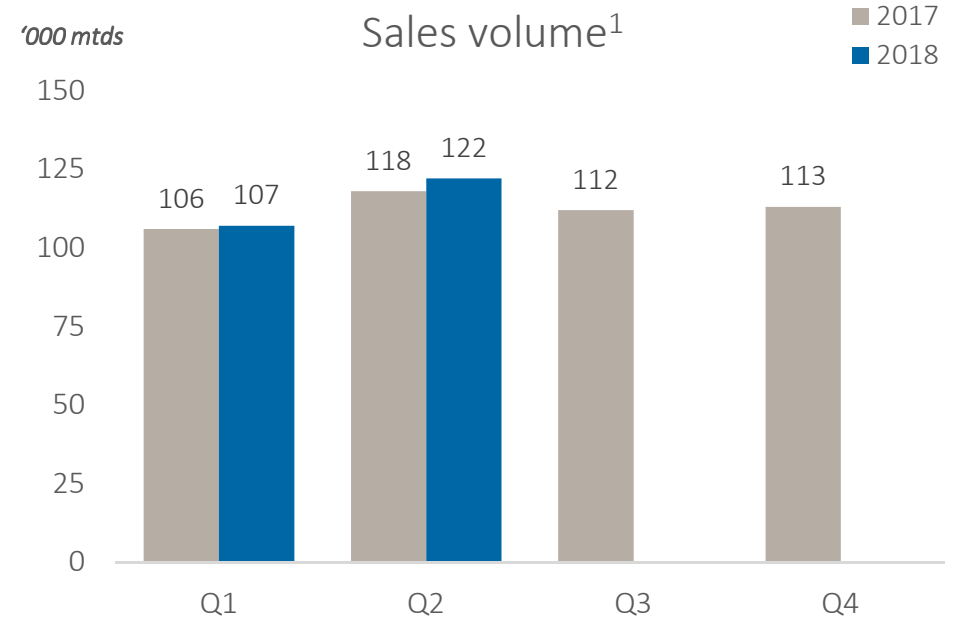
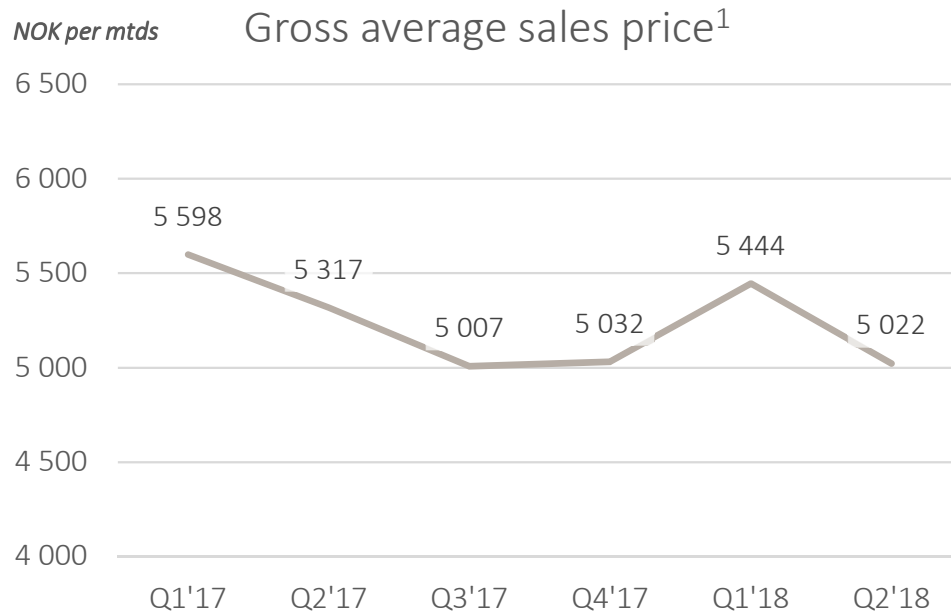
- Per A Sørli, President & CEO
 - Highlights
 - Business areas
 - Recent market communication
 - Outlook
- Per Bjarne Lyngstad, CFO
 - Financial performance

Highlights – 2nd quarter 2018



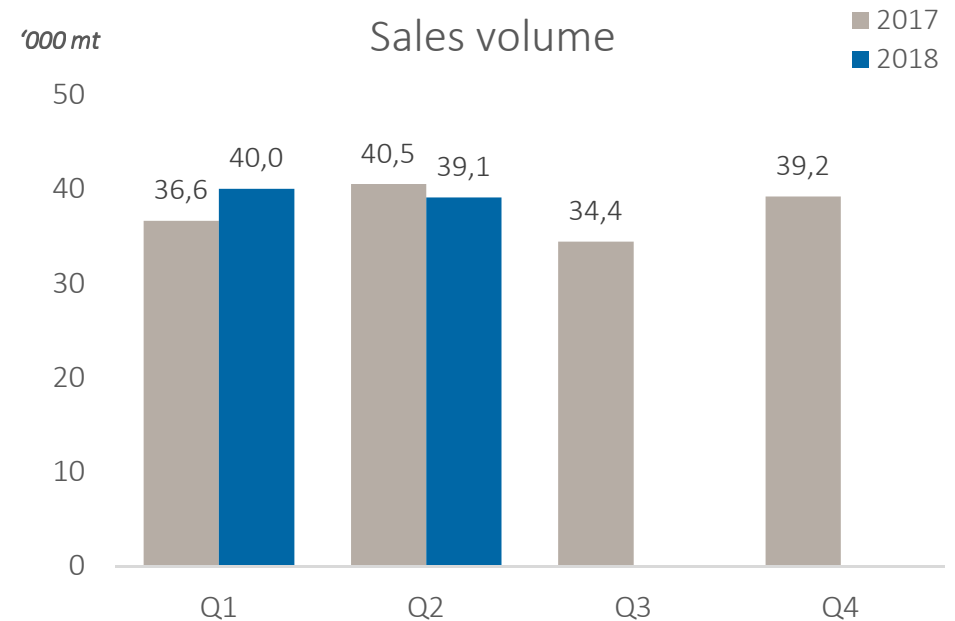
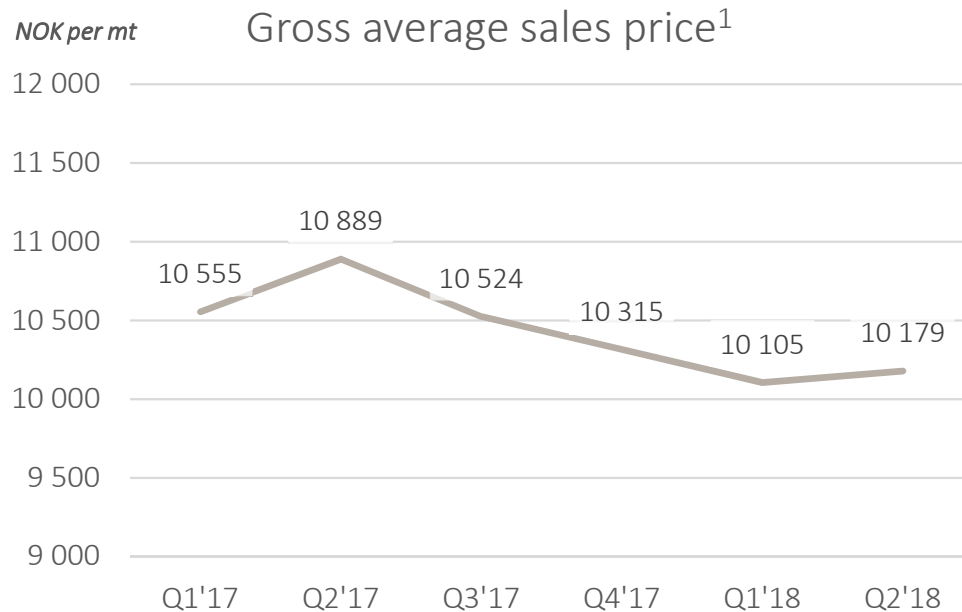
- EBITA adj.¹ 164 mNOK (243 mNOK)
- Increased total sales volume in Performance Chemicals, continued price pressure for construction products
- Lower acetate sales in Speciality Cellulose
- Higher sales prices in Ingredients, low deliveries in Fine Chemicals
- Cost increases related to wood, caustic soda and Florida ramp-up
- Successful start-up of the Florida plant

Performance Chemicals markets – Q2



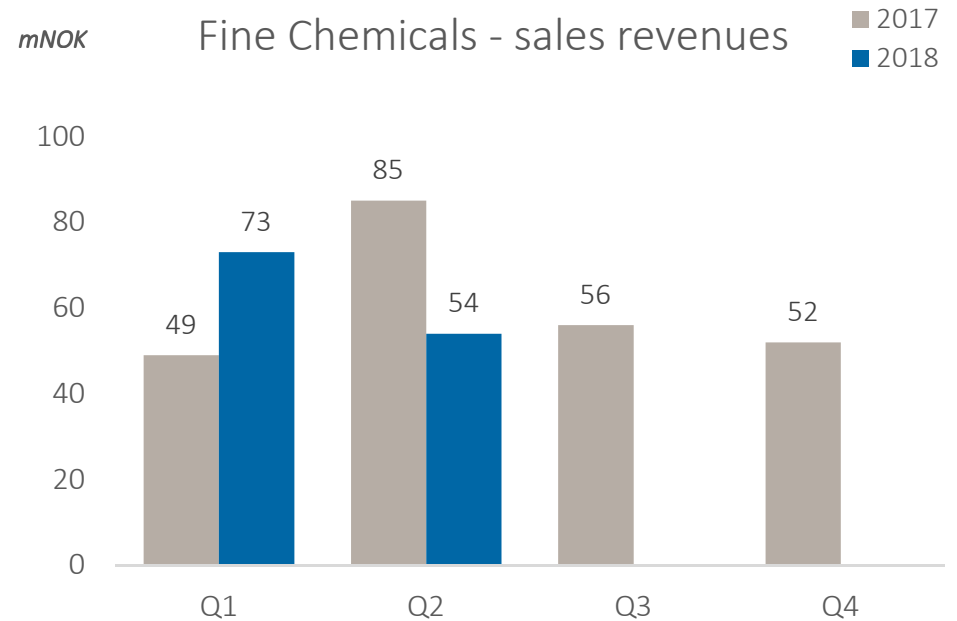
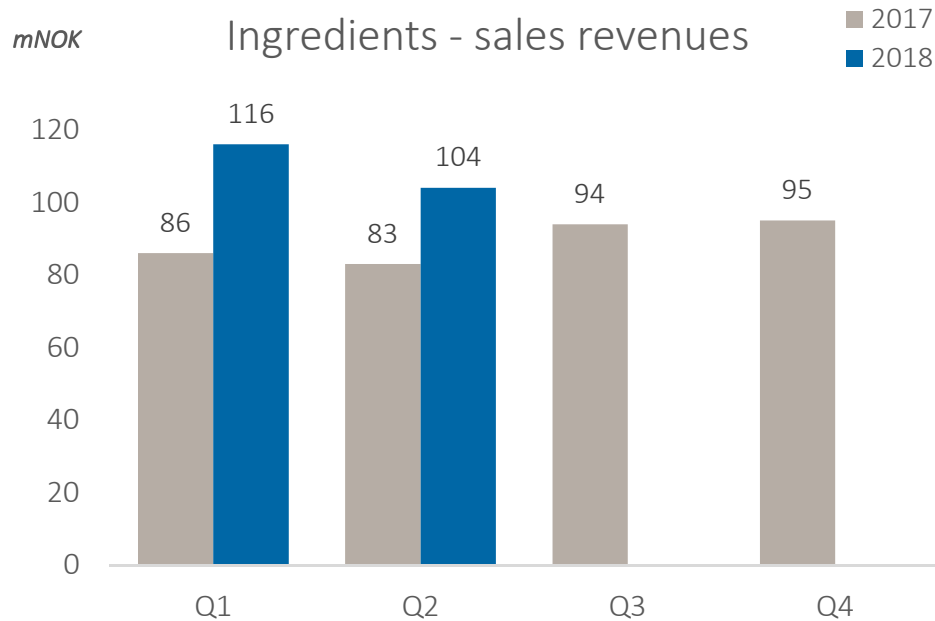
- Sales volume increased by 3% vs Q2-17
 - Higher sales of Miscellaneous and Specialities products
- Reduction in finished goods inventories
- Average price in sales currency -1.5% vs Q2-17
 - Affected by strong price competition in regional construction markets
- Unfavourable currency development vs Q2-17

Speciality Cellulose markets – Q2



- Weaker product mix due to lower sales of acetate cellulose
 - Acetate market remains challenging, ether market continues to grow
- Lower average cellulose price in sales currency
 - Reduced textile cellulose prices vs Q2-17
- Higher sales prices in Bioethanol
 - Increased sales of fuel grade bioethanol from the new dehydration plant

Ingredients and Fine Chemicals markets



- Ingredients

- Higher sales prices and increased sales volume
- Continued positive market trend for wood-based vanillin

- Fine Chemicals

- Lower deliveries of key products vs high deliveries in Q2-17
- Continued market growth in intermediates for x-ray contrast media

LignoTech Florida

- New plant officially opened on 26 June 2018
 - Project completed on time, cost and plant capabilities
 - Successful start-up, saleable products from June
- Market introduction on track
 - Broad range of end-use areas
 - Construction below 50% of volume in 2018
- Expansion project in two phases
 - Phase 1 (2018): 100,000 mtds capacity – USD 110 million investment
 - Phase 2: Additional 50,000 mtds capacity – USD 25 million investment



LignoTech South Africa

- Joint venture agreement extended by five years to 2032
- Production capacity scaled down to 130,000 mtds from 2021
 - Planned reduction in Sappi's calcium sulphite pulp capacity
- New size and concept more optimal
 - Sufficient drying capacity in place
 - Powder form is a good basis for portfolio diversification



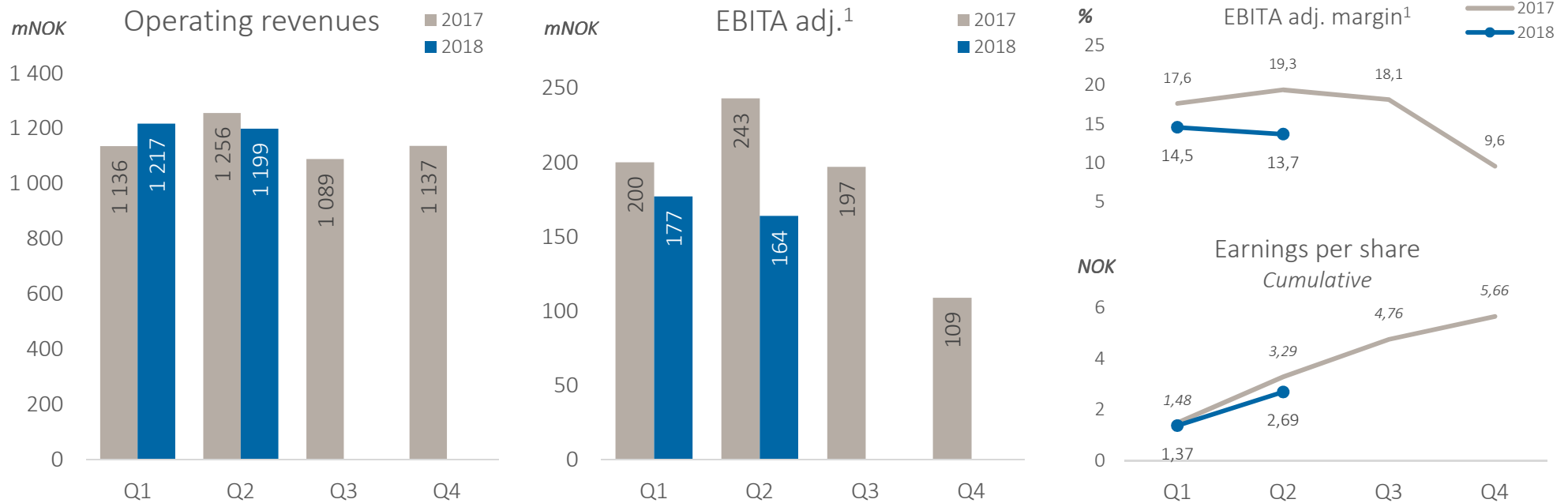
Outlook

- Performance Chemicals
 - Continued strong competition and price pressure for lignin to the construction sector
 - Volume growth in Miscellaneous products will diversify and optimise product portfolio
 - Positive development expected for Specialities in H2-18
 - 2018 sales volume forecast to increase by 5-10% vs 2017, including gradual ramp-up in Florida
 - Depreciation of Florida plant will commence from 1 July 2018
- Speciality Cellulose
 - Average cellulose price in sales currency expected to be in line with 2017
 - Product mix forecast to be weaker than 2017 due to lower acetate cellulose sales volume
 - In Q3, total sales volume and sales of highly specialised grades expected to be in line with Q2-18
- Other Businesses
 - No major changes expected in market conditions for Fine Chemicals
 - Positive market trend for wood-based vanillin (Ingredients)
 - Sales will gradually increase for Cellulose Fibrils, but long lead-times for conversion of sales prospects. Fixed costs and depreciation expected to be largely in line with 2017
- Wood and caustic soda costs will be significantly higher than in 2017
 - Affecting mainly Speciality Cellulose and Ingredients (caustic soda only)
 - Further wood cost increase of about 60 mNOK on an annualised basis in H2-18 vs H1-18



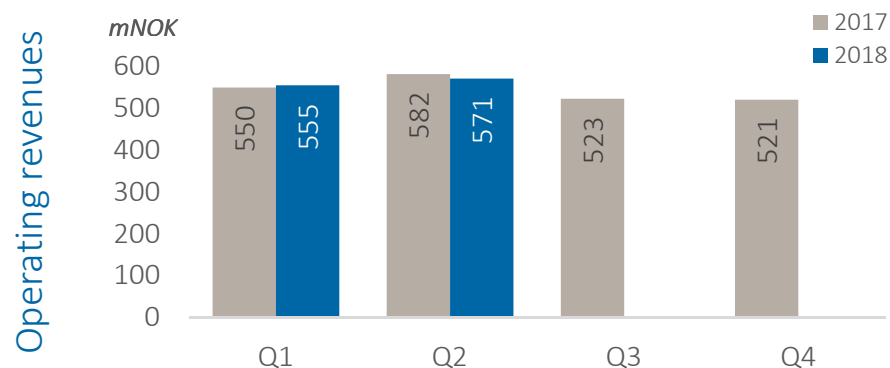
FINANCIAL PERFORMANCE Q2-18

Borregaard key figures – Q2

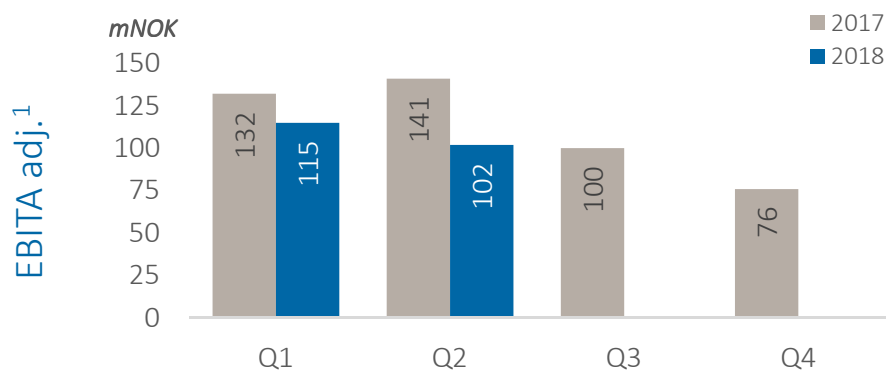


- Revenues -5% vs Q2-17
- EBITA adj.¹ 164 mNOK for the Group
 - Approx. 40 mNOK in cost increase for wood, caustic soda and Florida project vs Q2-17
 - Net FX impact slightly positive
- EPS at NOK 1.32 (NOK 1.81)

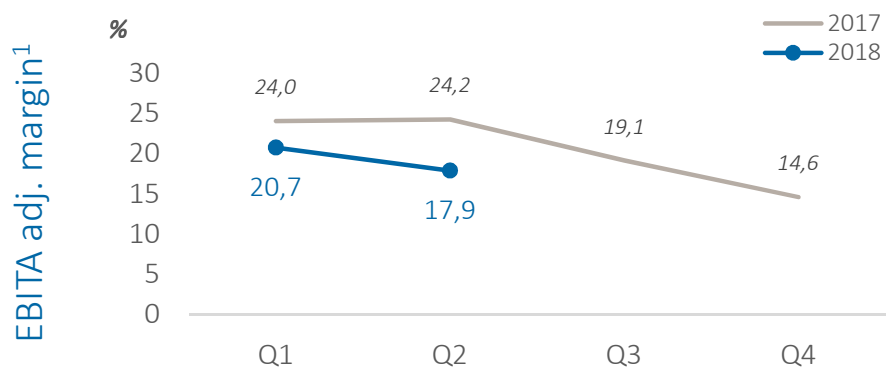
Performance Chemicals key figures – Q2



- Revenues -2% vs Q2-17
- Higher sales volume, but lower average price
- Negative FX development

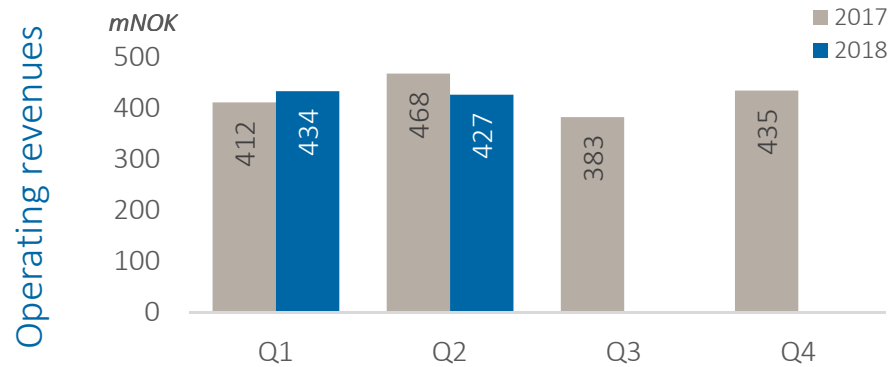


- Higher sales of Miscellaneous and Specialities products
- Continued price competition in Construction
- Higher costs (Florida project, Norway)
- Slightly negative net FX impact

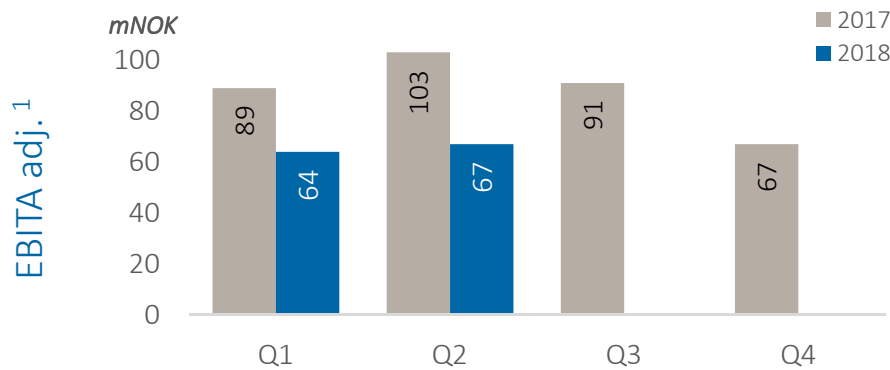


- EBITA adj. margin¹ declined vs Q2-17

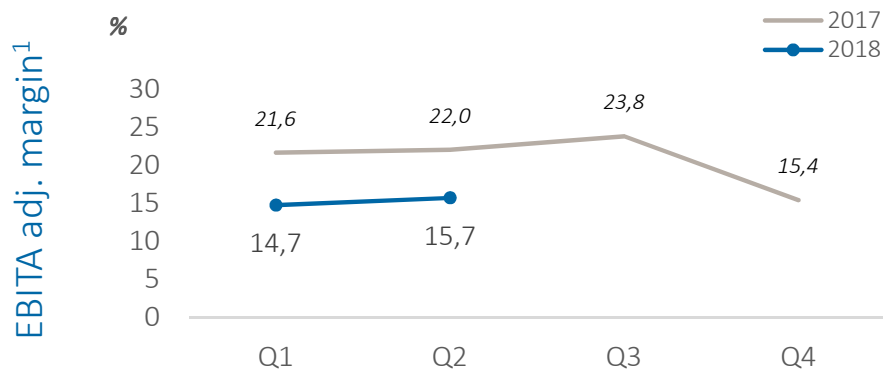
Speciality Cellulose key figures – Q2



- Revenues -9% vs Q2-17
- Lower sales volume and weaker product mix

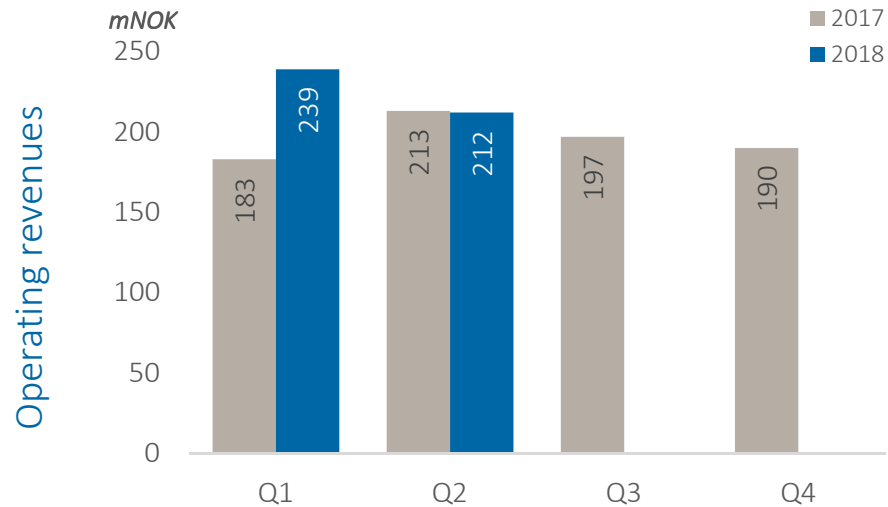


- Weaker product mix vs Q2-17 due to lower acetate cellulose sales
- Increased wood and caustic soda prices
- Improved Bioethanol result
- Positive net FX impact

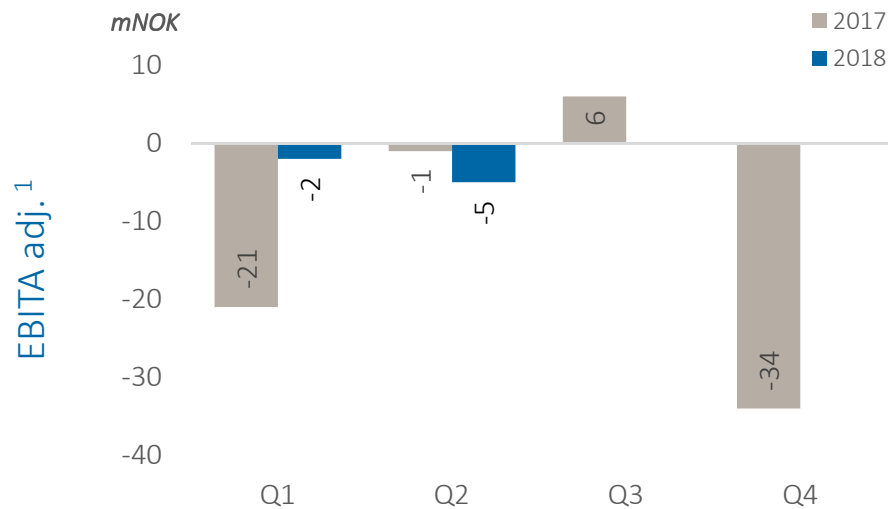


- EBITA adj. margin¹ declined vs Q2-17

Other Businesses key figures – Q2

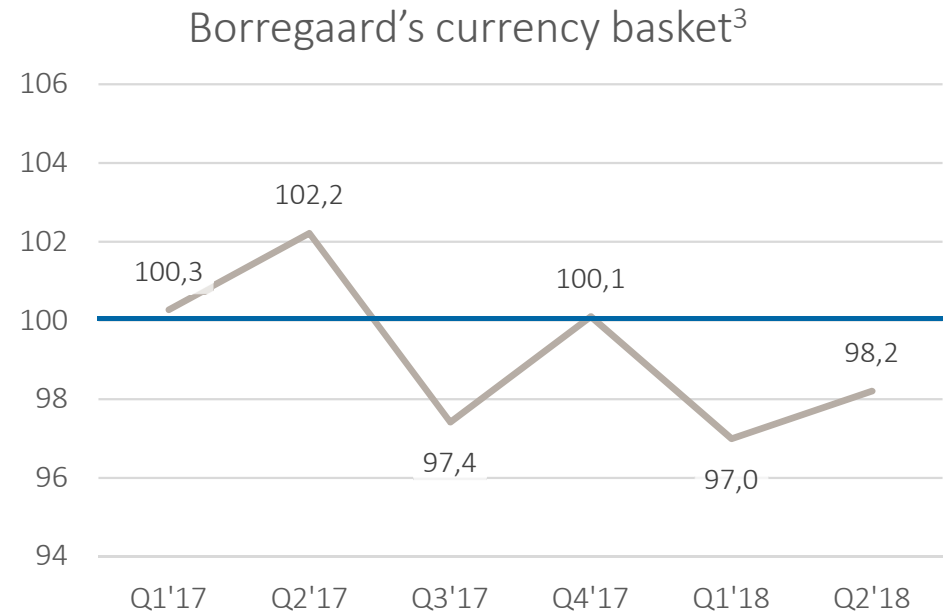
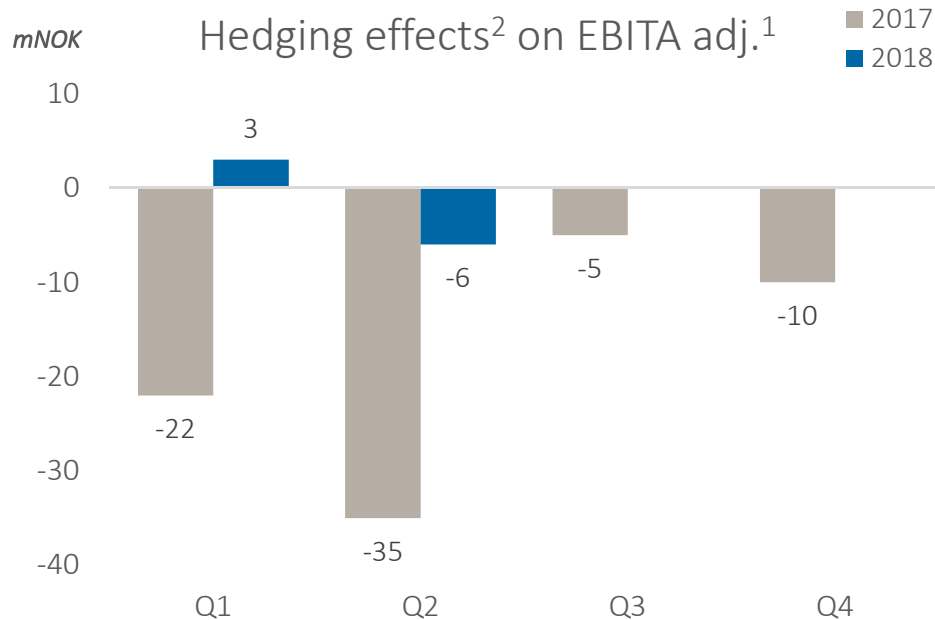


- Revenues in line with Q2-17
- Higher sales in Ingredients
- Lower deliveries in Fine Chemicals



- **Ingredients:** Stronger result due to higher sales prices and increased sales volume, positive market trend for wood-based vanillin continued
- **Fine Chemicals:** Lower deliveries of key products and weaker result vs a strong Q2-17
- **Cellulose Fibrils** and **Corporate costs** in line with Q2-17
- Net FX effect slightly negative for Other Businesses

Currency impact



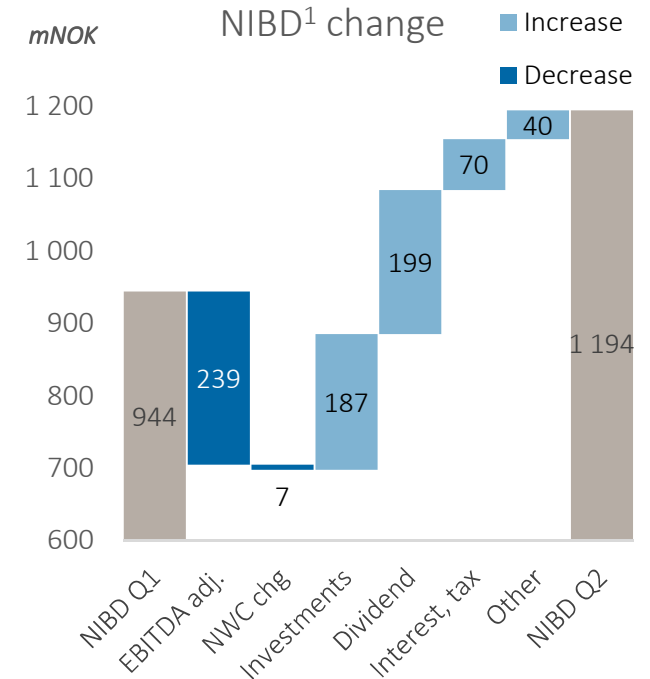
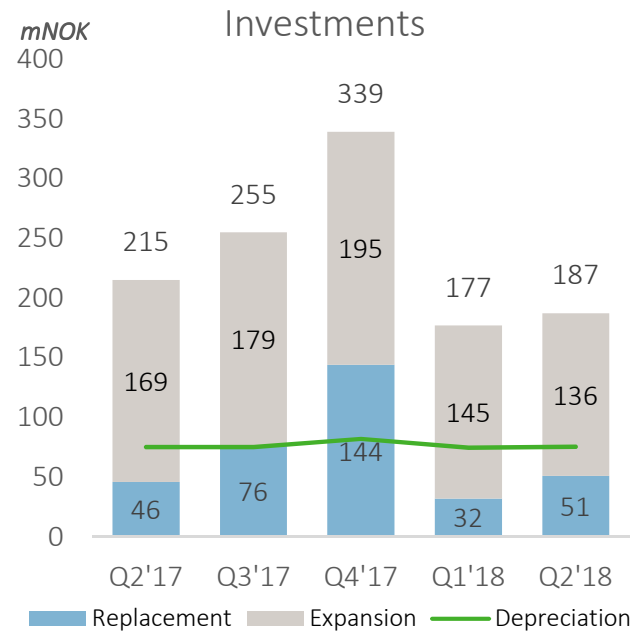
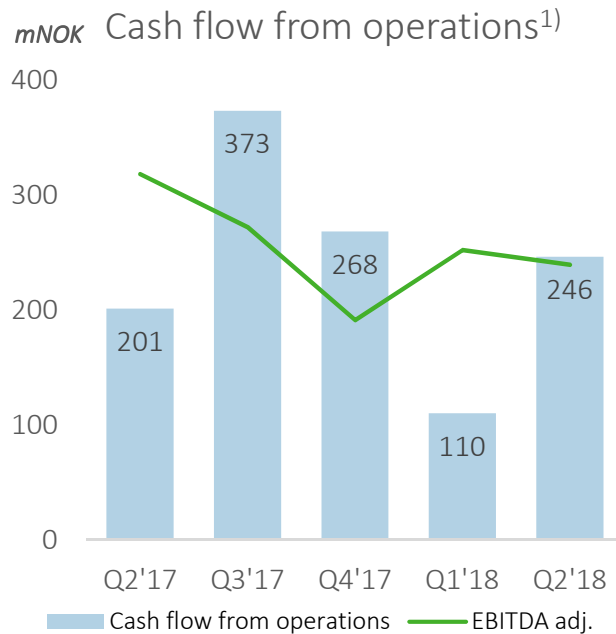
- Net FX EBITA adj.¹ impact +5 mNOK vs Q2-17
 - Includes change in hedging effects and based on estimated FX exposure
- Net FX EBITA adj.¹ impact for the full year estimated to be 40 mNOK vs 2017
 - Assuming rates as of 16 July (USD 8.09 and EUR 9.48) on expected FX exposure
 - Net FX EBITA adj.¹ impact in Q3 estimated to be 20 mNOK vs Q3-17
- Significant FX exposure, but delayed impact of FX rate fluctuations due to hedging policy

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 2017 (=100): USD 69% (approx. 206 mUSD), EUR 31% (approx. 84 mEUR), Other 0% (GBP, BRL, JPY, SEK, ZAR).

Cash flow, investments and NIBD



- Cash flow from operations¹ increased vs Q2-17
 - Favourable net working capital development vs Q2-17 partly off-set by lower EBITDA adj.¹ impact
 - Second grant payment from EU's Horizon 2020 programme² to Exilva (close to 100 mNOK)
- Expansion investments¹ mainly related to Florida project and lignin operation upgrade in Norway
- NIBD¹ increased by 250 mNOK in Q2
 - Dividend payment of 199 mNOK
- New 400 mNOK bond issue in June

¹ Non-GAAP measure, see Appendix for definition.

² Funding from the Bio-Based Industries Joint Undertaking (BBI) under the European Union's Horizon 2020 research and innovation programme under grant agreement No 709746

Q&A



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





APPENDIX

Borregaard – key figures

| Amounts in NOK million | Q2-2018 | Q2-2017 | Change | YTD-2018 | YTD-2017 | Change |
|---|---------------|---------------|--------------|---------------|---------------|--------------|
| Operating revenues | 1 199 | 1 256 | -5 % | 2 416 | 2 392 | 1 % |
| EBITDA adj. ¹ | 239 | 318 | -25 % | 491 | 592 | -17 % |
| EBITA adj. ¹ | 164 | 243 | -33 % | 341 | 443 | -23 % |
| Amortisation intangible assets | -1 | -1 | | -2 | -2 | |
| Other income and expenses ¹ | 0 | 0 | | 0 | 0 | |
| Operating profit | 163 | 242 | -33 % | 339 | 441 | -23 % |
| Financial items, net | -4 | -1 | | -11 | -5 | |
| Profit before taxes | 159 | 241 | -34 % | 328 | 436 | -25 % |
| Income tax expenses | -36 | -60 | | -73 | -108 | |
| Profit for the period | 123 | 181 | -32 % | 255 | 328 | -22 % |
| Profit attributable to non-controlling interests | -9 | 0 | | -14 | -1 | |
| Profit attributable to owners of the parent | 132 | 181 | | 269 | 329 | |
| Cash flow from operating activities (IFRS) | 179 | 158 | | 210 | 240 | |
| Earnings per share | 1,32 | 1,81 | -27 % | 2,69 | 3,29 | -18 % |
| <i>EBITDA adj. Margin¹</i> | <i>19,9 %</i> | <i>25,3 %</i> | | <i>20,3 %</i> | <i>24,7 %</i> | |
| <i>EBITA adj. Margin¹</i> | <i>13,7 %</i> | <i>19,3 %</i> | | <i>14,1 %</i> | <i>18,5 %</i> | |

Operating revenues and EBITA adj.¹ per segment

Amounts in NOK million

| Operating revenues | Q2-2018 | Q2-2017 | Change |
|-----------------------|--------------|--------------|-------------|
| Borregaard | 1 199 | 1 256 | -5 % |
| Performance Chemicals | 571 | 582 | -2 % |
| Speciality Cellulose | 427 | 468 | -9 % |
| Other Businesses | 212 | 213 | 0 % |
| Eliminations | -11 | -7 | |

Amounts in NOK million

| EBITA adj. ¹ | Q2-2018 | Q2-2017 | Change |
|-------------------------|------------|------------|--------------|
| Borregaard | 164 | 243 | -33 % |
| Performance Chemicals | 102 | 141 | -28 % |
| Speciality Cellulose | 67 | 103 | -35 % |
| Other Businesses | -5 | -1 | |

Amounts in NOK million

| Operating revenues | YTD-2018 | YTD-2017 | Change |
|-----------------------|--------------|--------------|------------|
| Borregaard | 2 416 | 2 392 | 1 % |
| Performance Chemicals | 1 126 | 1 132 | -1 % |
| Speciality Cellulose | 861 | 880 | -2 % |
| Other Businesses | 451 | 396 | 14 % |
| Eliminations | -22 | -16 | |

Amounts in NOK million

| EBITA adj. ¹ | YTD-2018 | YTD-2017 | Change |
|-------------------------|------------|------------|--------------|
| Borregaard | 341 | 443 | -23 % |
| Performance Chemicals | 217 | 273 | -21 % |
| Speciality Cellulose | 131 | 192 | -32 % |
| Other Businesses | -7 | -22 | 68 % |

Cash flow

| Amounts in NOK million | Q2-2018 | Q2-2017 | YTD-2018 | YTD-2017 | FY-2017 |
|---|-------------|-------------|-------------|-------------|-------------|
| Amounts in NOK million | | | | | |
| Profit before taxes | 159 | 241 | 328 | 436 | 715 |
| Amortisation, depreciation and impairment charges | 76 | 76 | 152 | 151 | 316 |
| Change in net working capital, etc | 7 | -117 | -135 | -273 | -92 |
| Dividend (share of profit) from JV | 3 | -1 | 3 | -3 | 11 |
| Taxes paid | -66 | -41 | -138 | -71 | -170 |
| Cash flow from operating activities | 179 | 158 | 210 | 240 | 780 |
| Investments property, plant and equipment and intangible assets * | -187 | -215 | -364 | -374 | -968 |
| Other capital transactions | 5 | 5 | 9 | 7 | 10 |
| Cash flow from Investing activities | -182 | -210 | -355 | -367 | -958 |
| Dividends | -199 | -349 | -199 | -349 | -349 |
| Proceeds from exercise of options/shares to employees | 4 | 0 | 21 | 11 | 11 |
| Buy-back of shares | -8 | 0 | -30 | -29 | -29 |
| Gain/(loss) on hedges for net investments in subsidiaries | -27 | -11 | 13 | -2 | 8 |
| Net paid to/from shareholders | -230 | -360 | -195 | -369 | -359 |
| Proceeds from interest-bearing liabilities | 969 | 258 | 1 202 | 263 | 668 |
| Repayment from interest-bearing liabilities | -731 | -2 | -933 | -29 | -258 |
| Change in interest-bearing receivables/other liabilities | -4 | 15 | -11 | 38 | 46 |
| Change in net interest-bearing liabilities | 234 | 271 | 258 | 272 | 456 |
| Cash flow from financing activities | 4 | -89 | 63 | -97 | 97 |
| Change in cash and cash equivalents | 1 | -141 | -82 | -224 | -81 |
| Cash and cash equivalents at beginning of period | 92 | 182 | 180 | 265 | 265 |
| Change in cash and cash equivalents | 1 | -141 | -82 | -224 | -81 |
| Currency effects cash and cash equivalents | -3 | 2 | -8 | 2 | -4 |
| Cash and cash equivalents at the end of the period | 90 | 43 | 90 | 43 | 180 |
| * Investment by category | | | | | |
| Replacement Investments | 51 | 46 | 83 | 124 | 344 |
| Expansion investments ¹ | 136 | 169 | 281 | 250 | 624 |

¹ Non-GAAP measure, see Appendix for definition.

Balance sheet

| Amounts in NOK million | 30.06.2018 | 31.03.2018 | 31.12.2017 |
|----------------------------------|--------------|--------------|--------------|
| Assets: | | | |
| Intangible assets | 103 | 105 | 111 |
| Property, plant and equipment | 3 345 | 3 197 | 3 126 |
| Other assets | 89 | 123 | 93 |
| Investment in joint venture | 102 | 118 | 118 |
| Non-current assets | 3 639 | 3 543 | 3 448 |
| Inventories | 784 | 718 | 734 |
| Receivables | 1 004 | 1 059 | 971 |
| Cash and cash deposits | 90 | 92 | 180 |
| Current assets | 1 878 | 1 869 | 1 885 |
| Total assets | 5 517 | 5 412 | 5 333 |
| Equity and liabilities: | | | |
| Group equity | 2 978 | 3 091 | 2 889 |
| Non-controlling interests | 137 | 128 | 107 |
| Equity | 3 115 | 3 219 | 2 996 |
| Provisions and other liabilities | 250 | 282 | 277 |
| Interest-bearing liabilities | 1 011 | 757 | 743 |
| Non-current liabilities | 1 261 | 1 039 | 1 020 |
| Interest-bearing liabilities | 273 | 279 | 283 |
| Other current liabilities | 868 | 875 | 1 034 |
| Current liabilities | 1 141 | 1 154 | 1 317 |
| Equity and liabilities | 5 517 | 5 412 | 5 333 |
| Equity ratio ¹ (%): | 56,5 % | 59,5 % | 56,2 % |

Net financial items & net interest-bearing debt¹

Amounts in NOK million

| Net financial items | Q2-2018 | Q2-2017 | YTD-2018 | YTD-2017 |
|----------------------------|-----------|-----------|------------|-----------|
| Net interest expenses | -5 | -4 | -9 | -7 |
| Currency gain/loss | 2 | 3 | 0 | 2 |
| Other financial items, net | -1 | 0 | -2 | 0 |
| Net financial items | -4 | -1 | -11 | -5 |

Amounts in NOK million

| Net interest-bearing debt ¹ (NIBD) | 30.06.2018 | 31.03.2018 | 31.12.2017 |
|---|--------------|------------|------------|
| Non-current interest-bearing liabilities | 1 011 | 757 | 743 |
| Current interest-bearing liabilities including overdraft of cashpool | 273 | 279 | 283 |
| Non-current interest-bearing receivables (included in "Other Assets") | 0 | 0 | -21 |
| Cash and cash deposits | -90 | -92 | -180 |
| Net interest-bearing debt¹ (NIBD) | 1 194 | 944 | 825 |

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 16.07.18)

| | USD million | USD rate | EUR million | EUR rate |
|---------|-------------|----------|-------------|----------|
| Q3-2018 | 40 | 8.19 | 22 | 9.46 |
| Q4-2018 | 38 | 8.36 | 21 | 9.54 |
| 2018 | 78 | 8.27 | 43 | 9.50 |
| 2019 | 111 | 8.34 | 87 | 9.61 |
| 2020 | 73 | 8.14 | 70 | 9.78 |
| 2021 | 17 | 7.66 | 27 | 10.07 |

Hedging effects by segment

| NOK million | Q2-18 | Q2-17 | YTD-18 | YTD-17 |
|-----------------------|-----------|------------|-----------|------------|
| Performance Chemicals | 0 | -12 | 2 | -18 |
| Speciality Cellulose | -2 | -17 | 0 | -27 |
| Other Businesses | -4 | -6 | -5 | -12 |
| Borregaard | -6 | -35 | -3 | -57 |

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)

Credit facilities, solidity and debt

Long-term credit facilities

- 1,500 mNOK revolving credit facilities, maturity 2021
- 200 mNOK 5-year bond issue, maturity 2019
- 400 mNOK 5-year bond issue, maturity 2023
- 40 mEUR 10-year loan, maturity 2024
- 60 mUSD term loan for LT Florida, tenor 8.5 years from completion

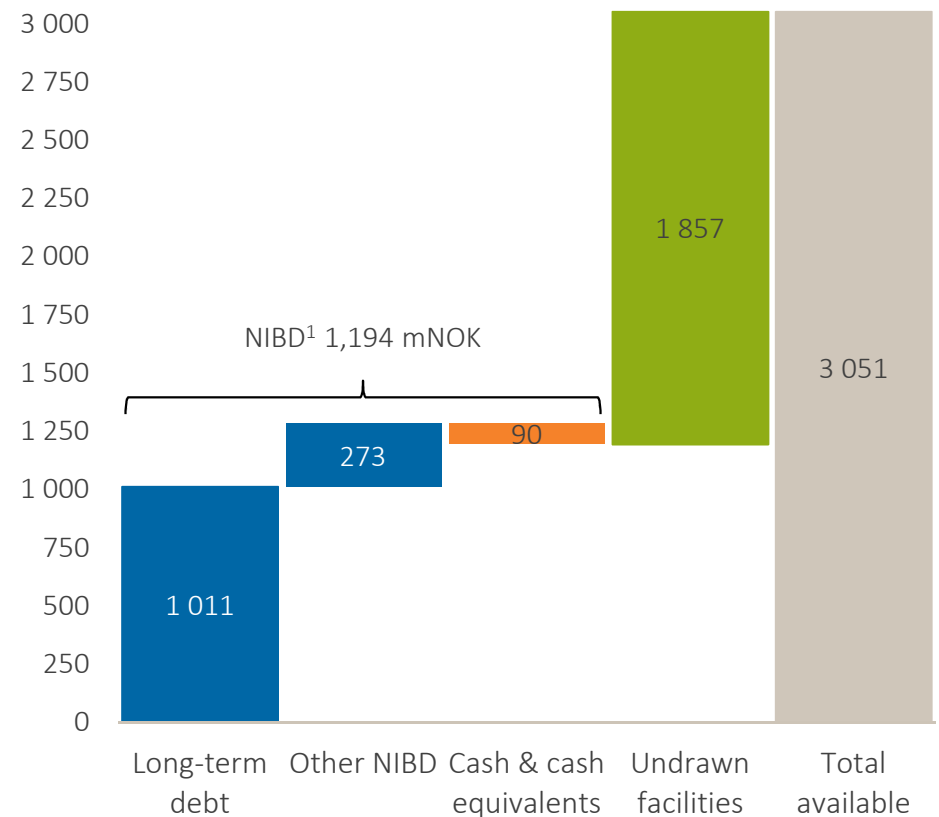
Short-term credit facilities

- 225 mNOK overdraft facilities

Solidity (covenants)

- Equity ratio¹ 56.5% (> 25%)
- Leverage ratio¹ LTM 1.25 (< 3.25)

Debt and undrawn facilities
30.6.2018



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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