

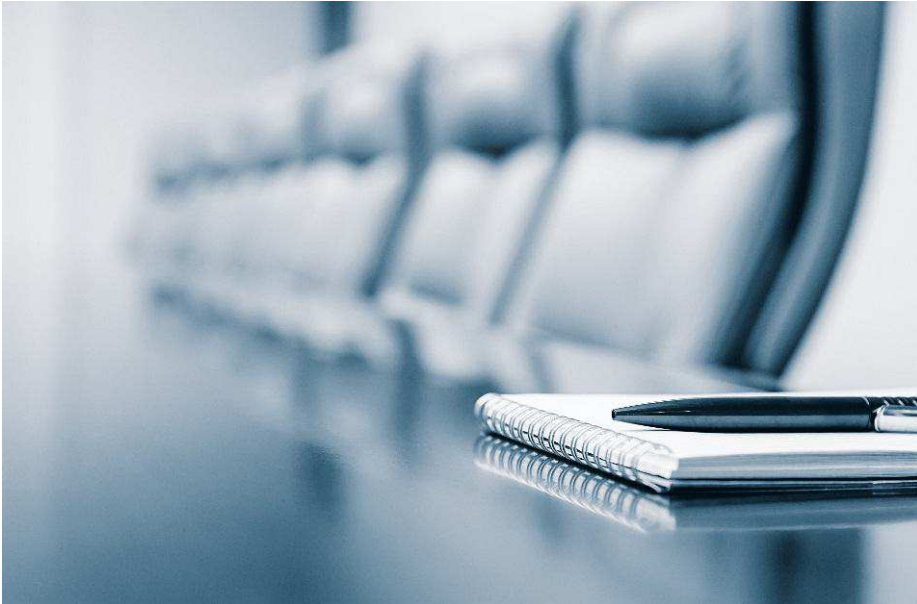


1<sup>ST</sup> QUARTER 2018

Oslo, 26 April 2018

# Agenda

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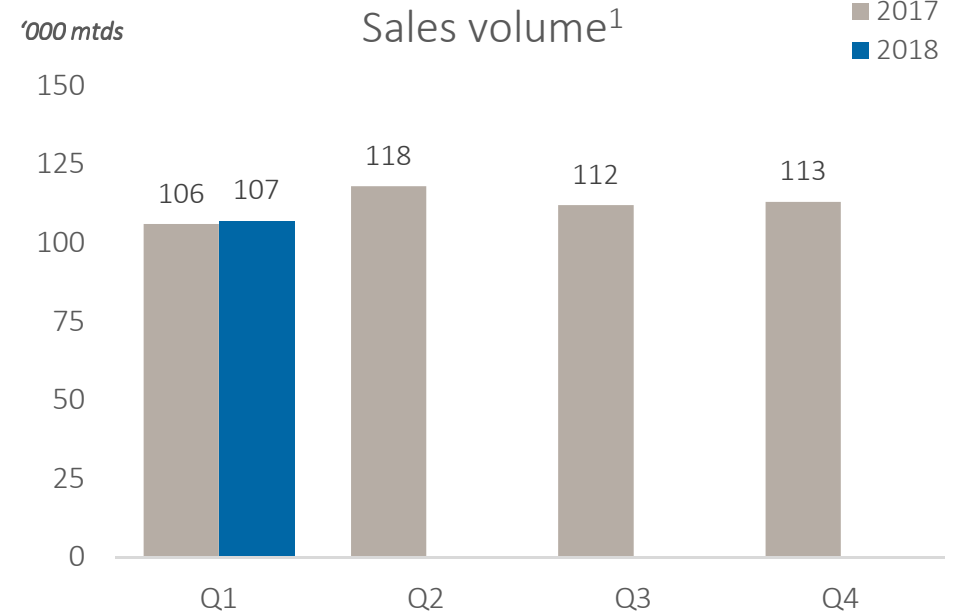
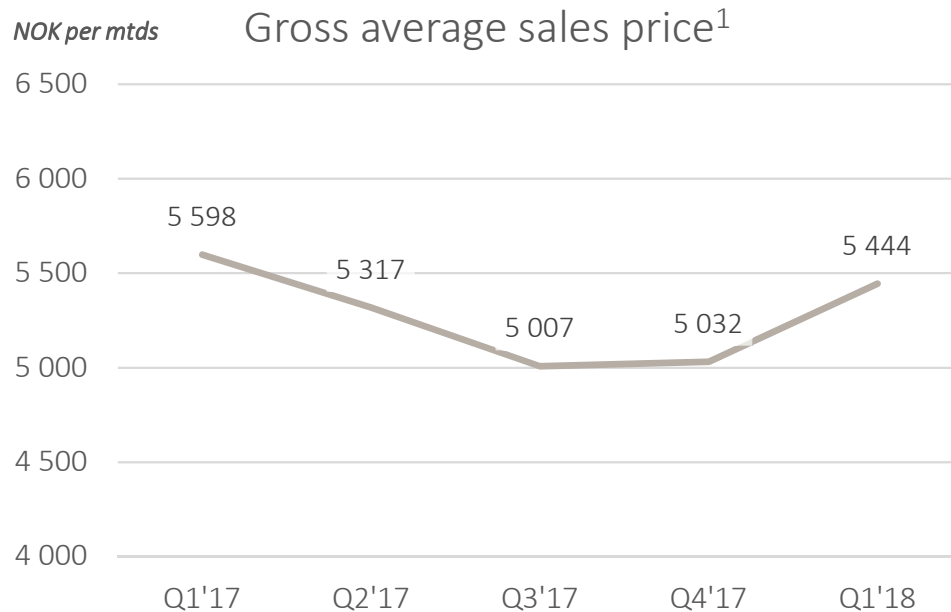
- Per A Sørli, President & CEO
  - Highlights
  - Business areas
  - Update on strategic projects
  - Outlook
- Per Bjarne Lyngstad, CFO
  - Financial performance

# Highlights – 1<sup>st</sup> quarter 2018



- EBITA adj.<sup>1</sup> 177 mNOK (200 mNOK)
- Improved product mix in Performance Chemicals
- Lower acetate sales for Speciality Cellulose
- Higher sales in Ingredients and Fine Chemicals
- Increased costs for wood, caustic soda, lignin distribution and manning in Florida
- Florida project on track

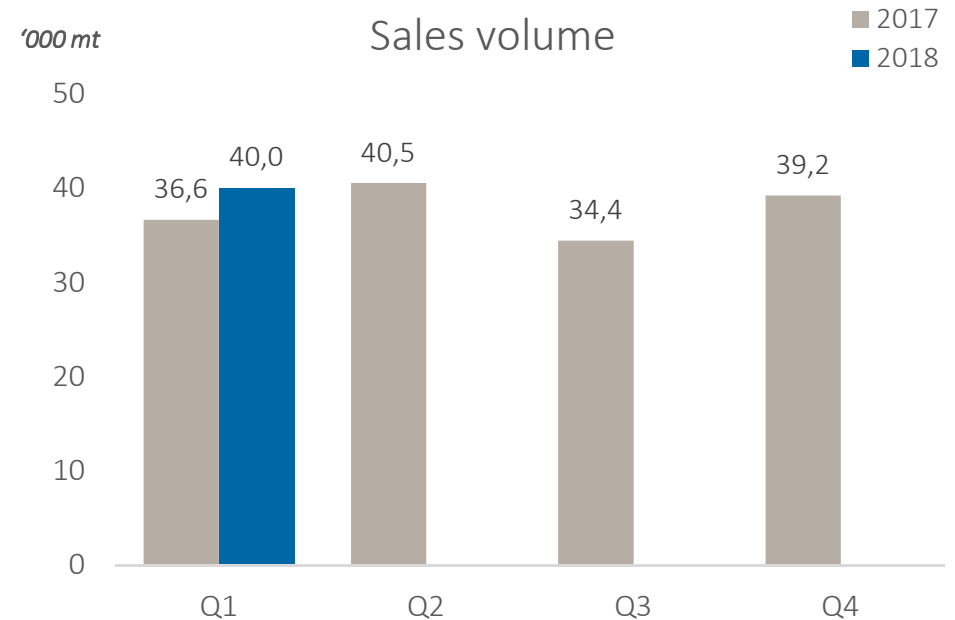
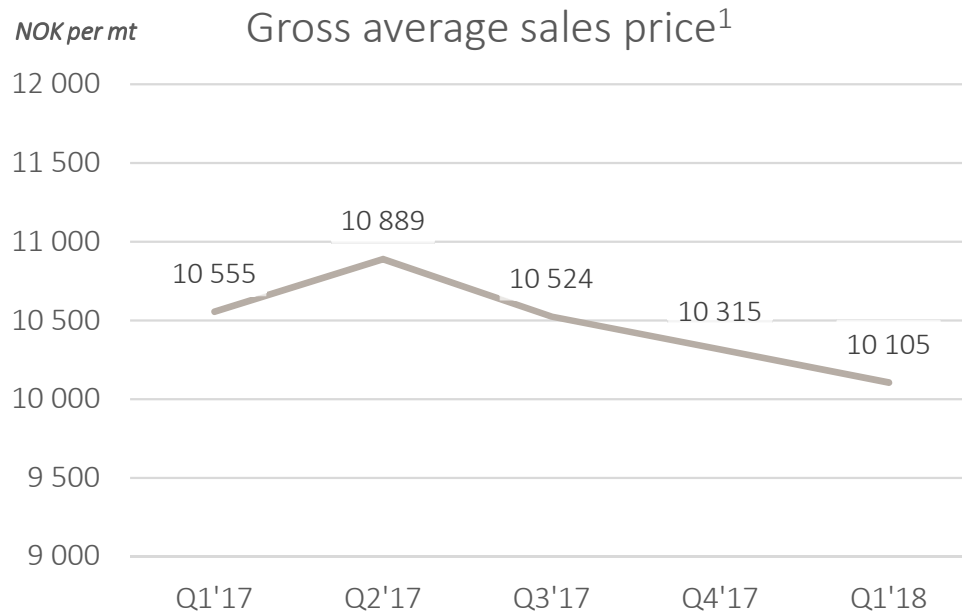
# Performance Chemicals markets – Q1



- Increased sales of specialities and improved product mix
  - Higher sales to batteries, agro and oil-field chemicals
- Sales volume increased by 1% vs Q1-17
  - Construction sales below normal for the season due to cold weather
- Strong price competition in certain regional construction markets
- Average price in sales currency in line with Q1-17

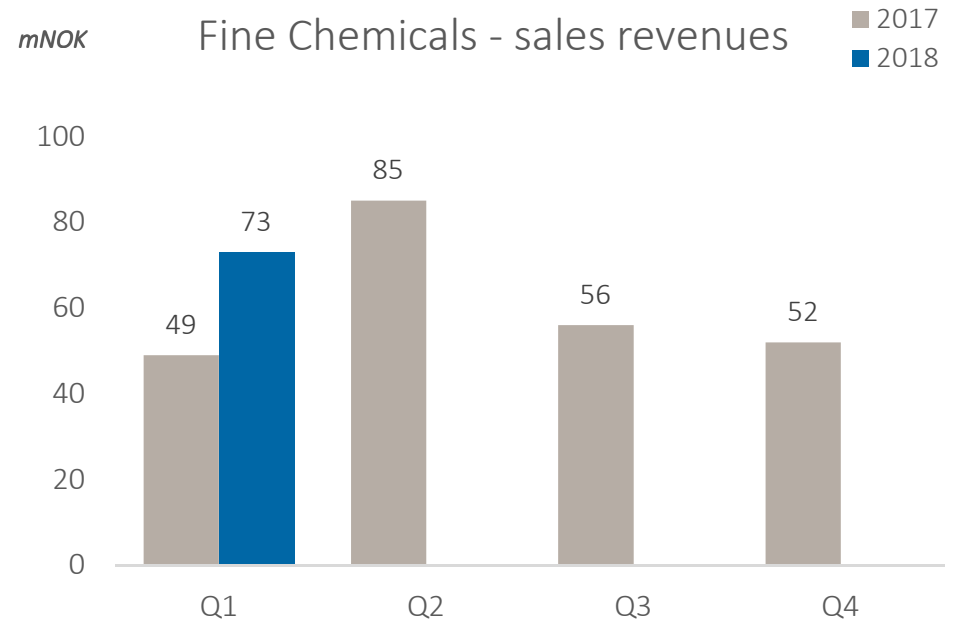
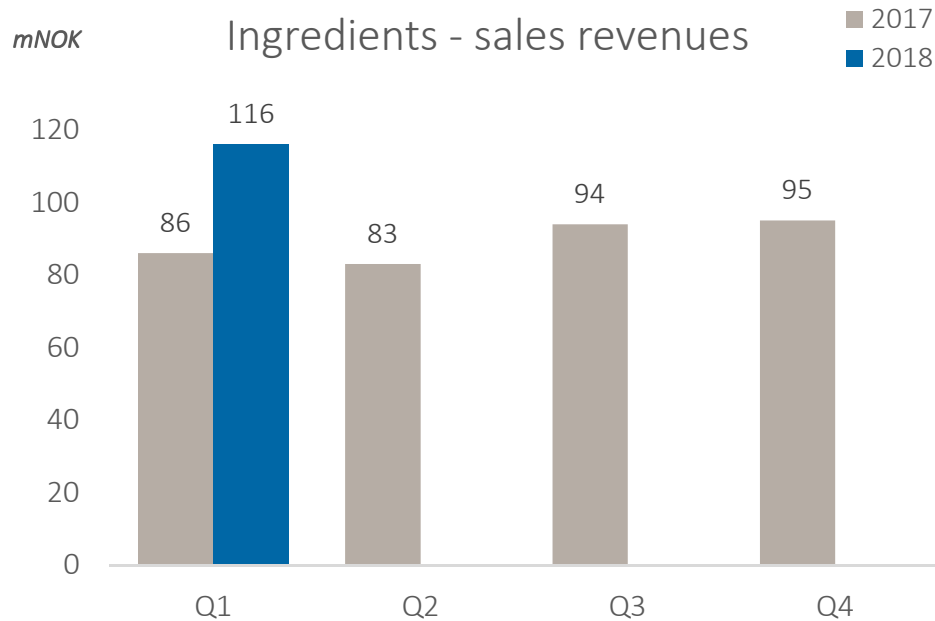
<sup>1</sup> Average sales price and sales volume reflect 100% of sales and volume from the J/V in South Africa. Average sales price is calculated using actual FX rates, excluding hedging impact.

# Speciality Cellulose markets – Q1



- High sales volume, but weaker product mix
  - Lower sales of acetate cellulose
- Ether market continues to grow, acetate market remains challenging
- Average cellulose sales price 4% below Q1-17
- Bioethanol had higher sales prices but lower sales volume
  - New dehydration plant started up in Q1

# Ingredients and Fine Chemicals markets



- **Ingredients**

- Higher sales volume
- Positive market trend for wood-based vanillin

- **Fine Chemicals**

- Higher deliveries of key products vs Q1-17
- Continued market growth in intermediates for x-ray contrast media

# Update on strategic projects



- Develop the unique biorefinery asset in Sarpsborg
  - High-end bioethanol expansion started up in Q1-18
  - Ice Bear capacity expansion on track
    - Completion by end 2018
  - Lignin operation upgrade/specialisation on schedule
- Growth within Performance Chemicals
  - Florida project on schedule for start-up mid 2018
    - On time and cost, market introduction well prepared
- Establish Cellulose Fibrils as a new business area
  - Exilva market introduction on-going
    - Continued strong interest from potential customers
    - Long lead-times for commercial sales
  - Decision on SenseFi expansion expected in 2018

# Outlook

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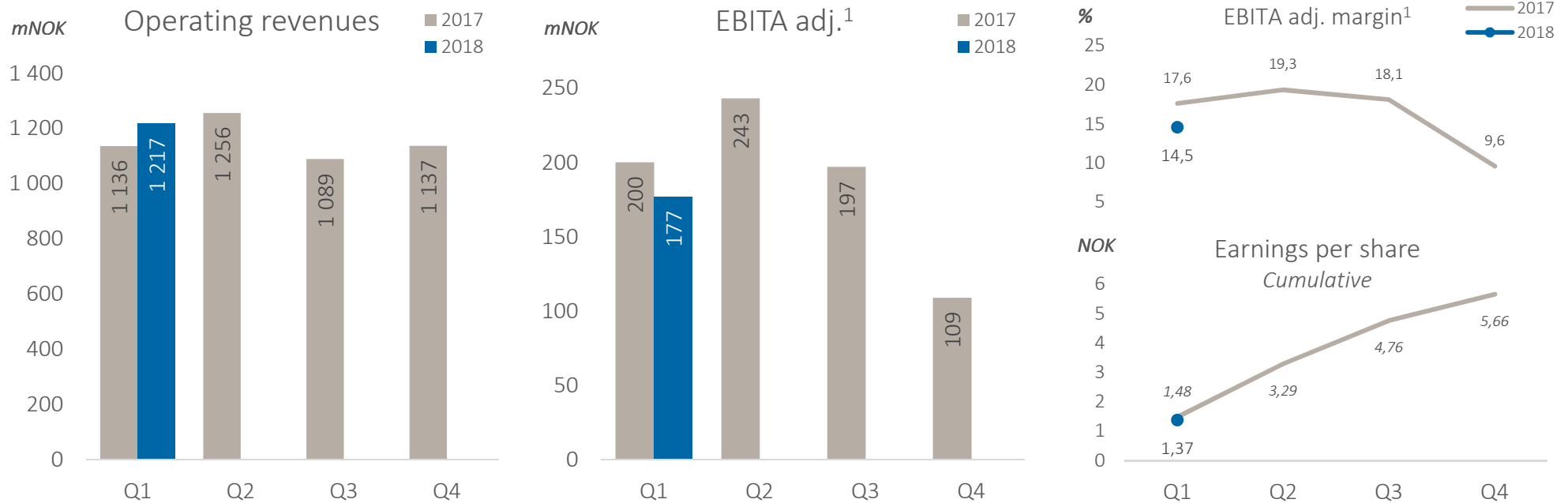
- Performance Chemicals
  - Continued strong competition for lignin to the construction sector in certain regions
  - Reallocation efforts and high distribution costs will continue
  - Sales volume forecast to increase by 5-10% vs 2017
  - Positive development for Specialities expected to continue
  - Q2 sales volume expected to be higher than Q2-17
  - Ramp-up of Florida fixed cost will continue, and depreciation will commence from start-up
- 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 Q2, total sales volume and sales of highly specialised grades expected to be lower than Q1-18
- 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 in Cellulose Fibrils expected to be largely in line with 2017
- Wood and caustic soda costs expected to be significantly higher than in 2017
  - Affecting mainly Speciality Cellulose and Ingredients (caustic soda only)
- Significant FX exposure, but delayed impact of FX rate fluctuations due to hedging policy





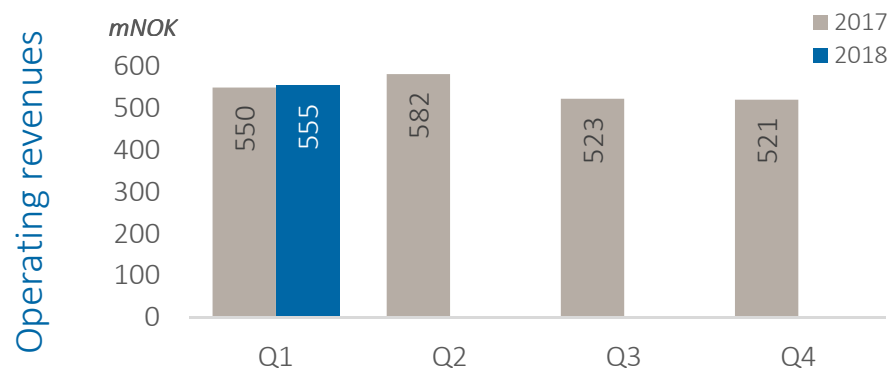
## FINANCIAL PERFORMANCE Q1-18

# Borregaard key figures – Q1

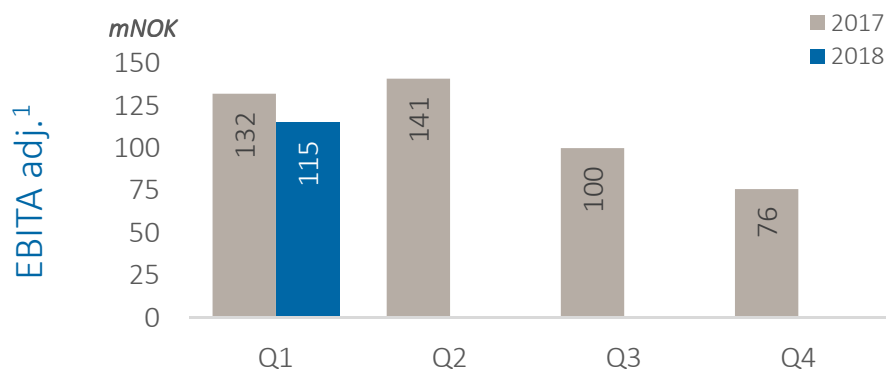


- Revenues up 7% vs Q1-17
- EBITA adj.<sup>1</sup> 177 mNOK for the Group
  - Other Businesses improved, while Performance Chemicals and Speciality Cellulose declined
  - Approx. 40 mNOK in increased costs vs Q1-17 (wood, caustic soda, lignin distribution, Florida project)
  - Net FX impact insignificant
- EPS at NOK 1.37 (NOK 1.48)

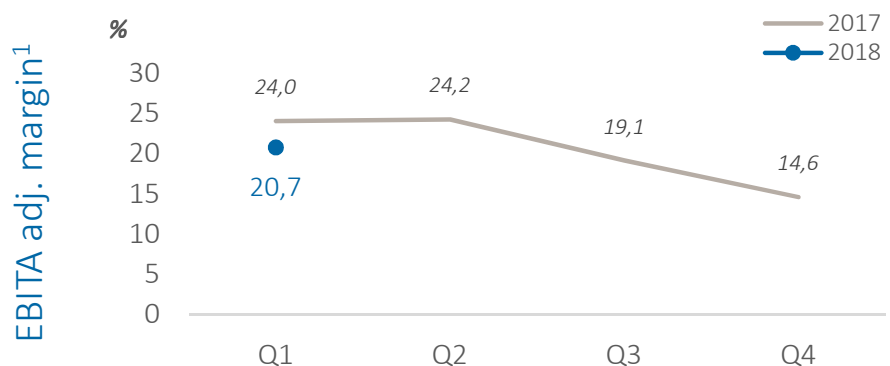
# Performance Chemicals key figures – Q1



- Revenues 1% above Q1-17
- 1% higher sales volume

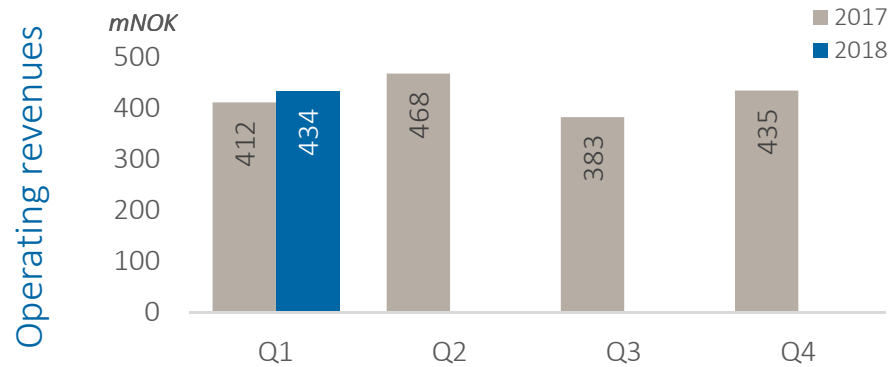


- Improved product mix, higher Specialities sales
- Price competition in construction markets
- Average sales price unchanged in sales currency
- Higher costs (distribution, Florida project)
- Negative net FX impact

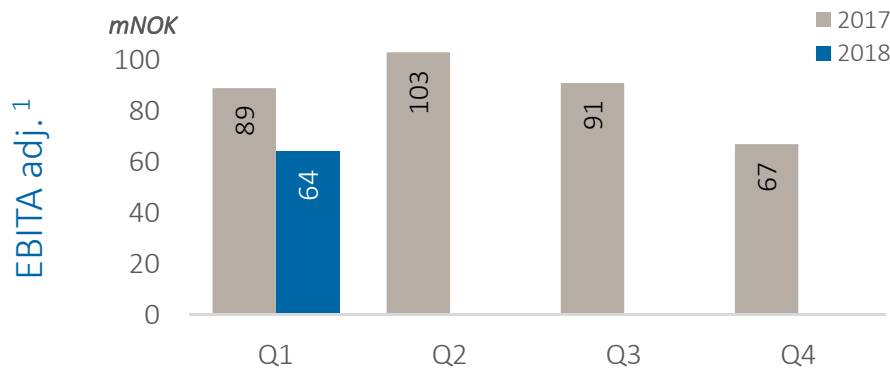


- EBITA adj. margin<sup>1</sup> declined vs Q1-17

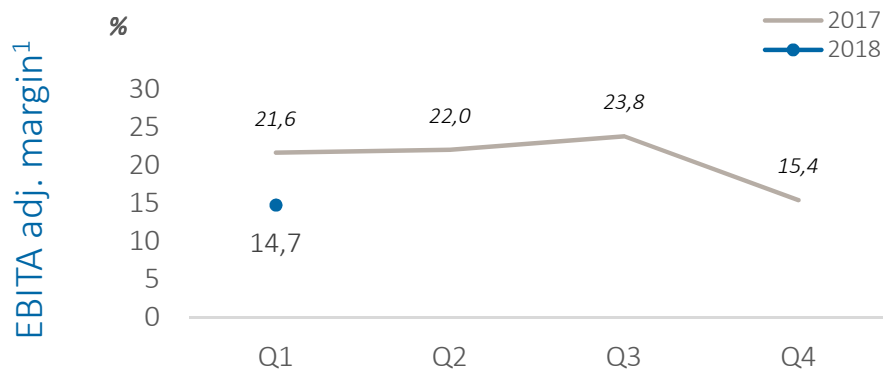
# Speciality Cellulose key figures – Q1



- Revenues 5% above Q1-17
- High sales volume

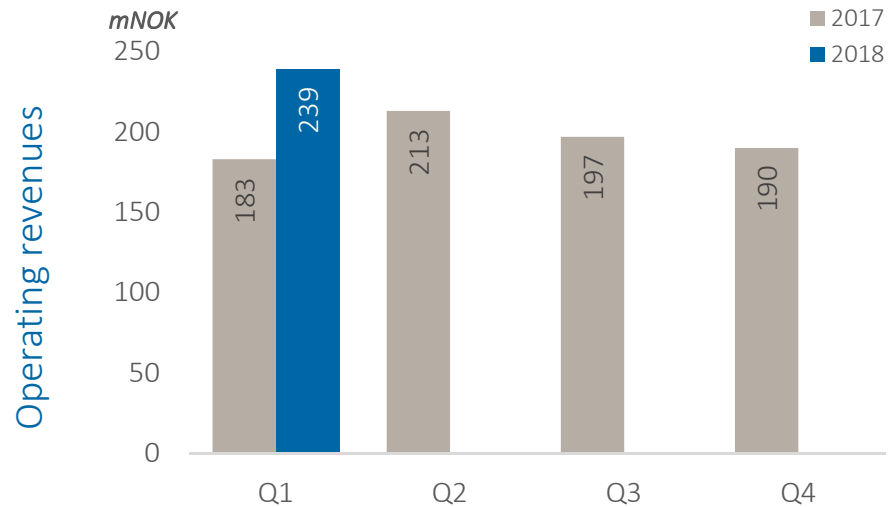


- Weaker product mix main reason for 4% drop in average sales price vs Q1-17
- Increased wood and caustic soda prices
- Bioethanol result in line with Q1-17
- Positive net FX impact

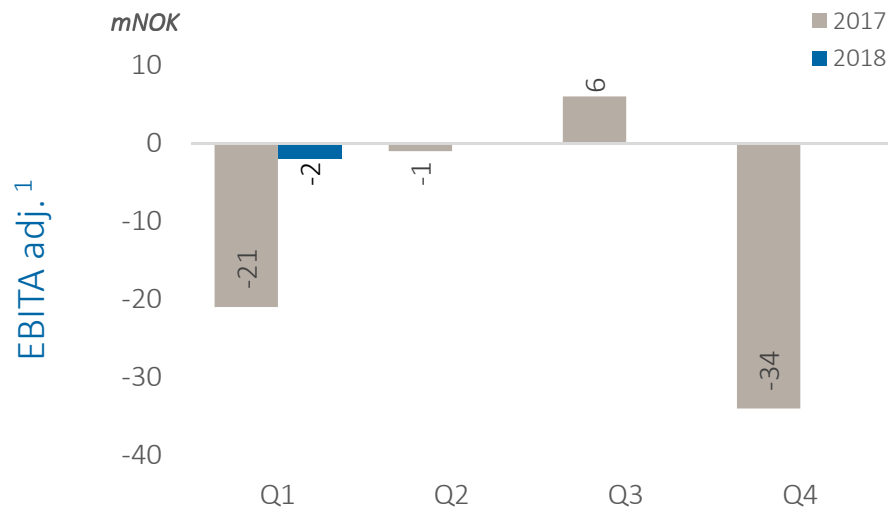


- EBITA adj. margin<sup>1</sup> declined vs Q1-17

# Other Businesses key figures – Q1

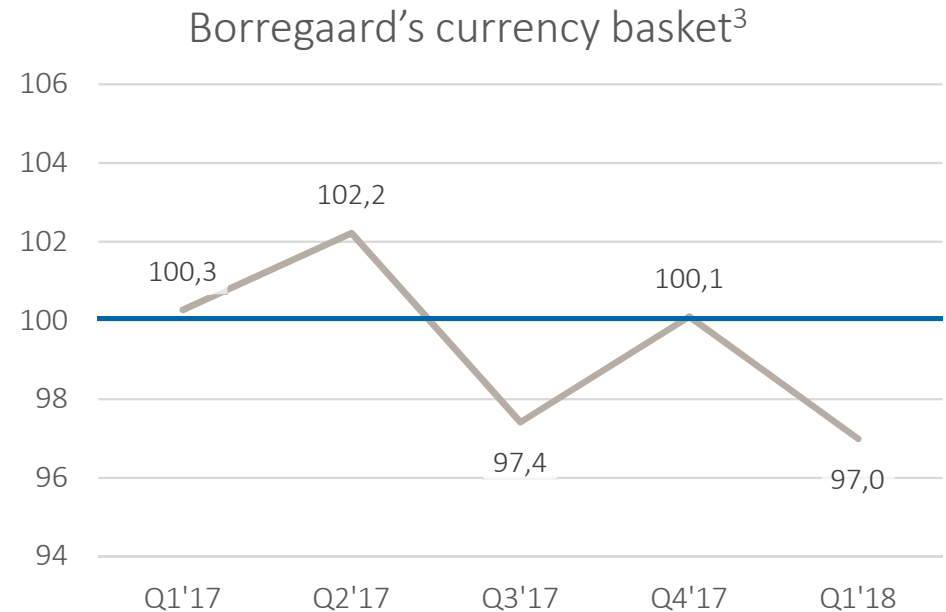
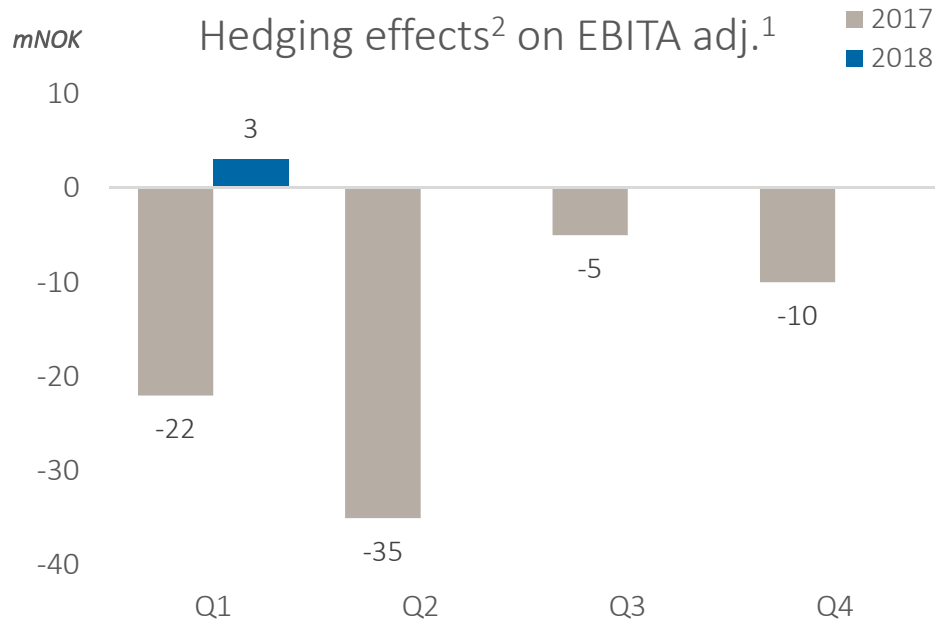


- Revenues 31% above Q1-17
- High sales both in Ingredients and Fine Chemicals



- **Ingredients:** High sales volume, positive market trend for wood-based vanillin and improved result, but negative impact from higher caustic soda prices
- **Fine Chemicals:** Higher deliveries of key products and increased result vs Q1-17
- **Cellulose Fibrils:** Higher net costs, both in marketing and production
- **Corporate costs** in line with Q1-17
- Net FX effect insignificant for Other Businesses

# Currency impact



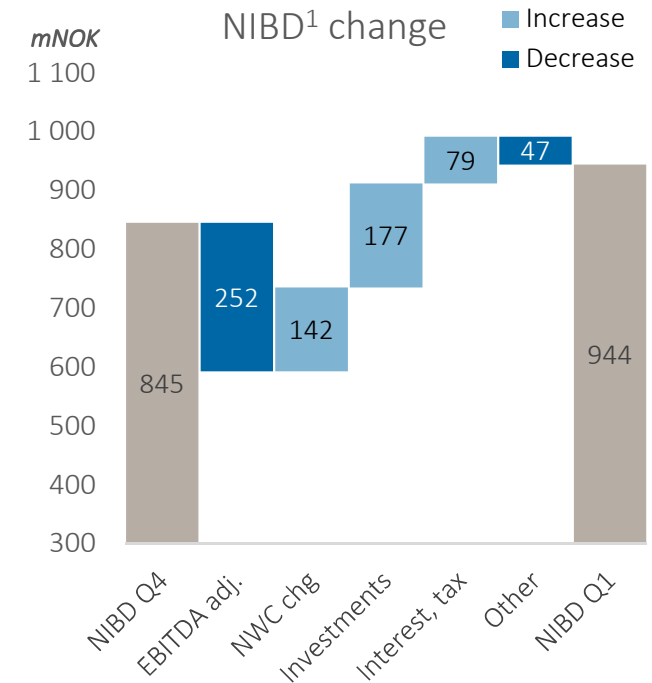
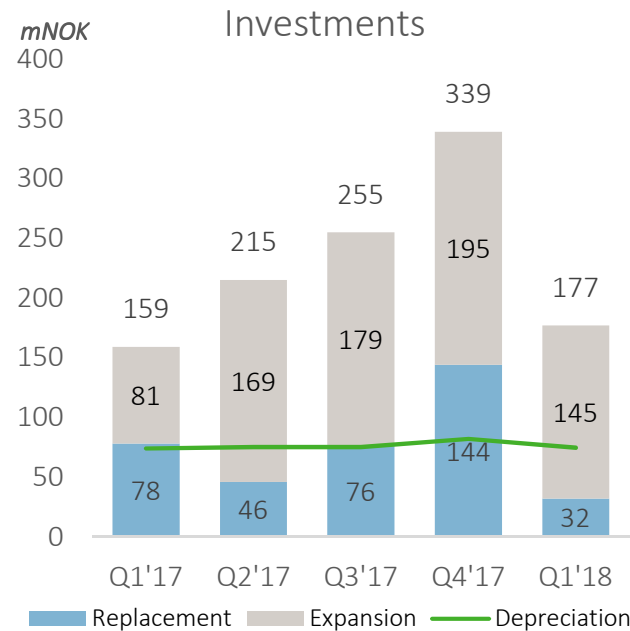
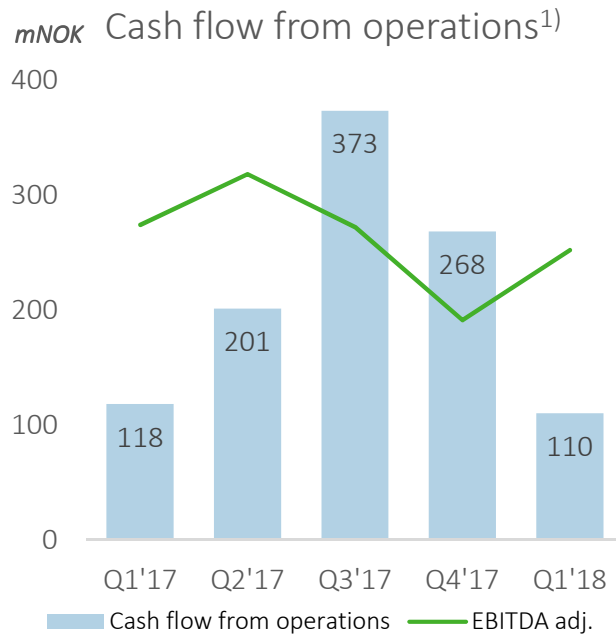
- Net FX EBITA adj.<sup>1</sup> impact negligible vs Q1-17
  - Includes change in hedging effects and based on estimated FX exposure
- Net FX EBITA adj.<sup>1</sup> impact for the full year estimated to be 35 mNOK vs 2017
  - Assuming rates as of 25 April (USD 7.96 and EUR 9.71) on expected FX exposure
  - Net FX EBITA adj.<sup>1</sup> impact in Q2 estimated to be 5 mNOK vs Q2-18

<sup>1</sup> Non-GAAP measure, see Appendix for definition.

<sup>2</sup> See appendix for currency hedging strategy, future hedges and hedging effects by segment.

<sup>3</sup> 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 operations<sup>1</sup> decreased slightly vs Q1-17
  - Impact from lower EBITDA adj.<sup>1</sup> largely off-set by favourable net working capital development vs Q1-17
- Increased expansion investments<sup>1</sup>
  - Mainly related to the Florida lignin project
  - Replacement investments at a low level
- NIBD<sup>1</sup> increased by 99 mNOK in Q1

# Q&A

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





## APPENDIX

# Borregaard – key figures

Amounts in NOK million	Q1-2018	Q1-2017	Change
<b>Operating revenues</b>	<b>1 217</b>	<b>1 136</b>	<b>7 %</b>
EBITDA adj. <sup>1</sup>	252	274	-8 %
EBITA adj. <sup>1</sup>	177	200	-12 %
Amortisation intangible assets	-1	-1	
Other income and expenses <sup>1</sup>	0	0	
<b>Operating profit</b>	<b>176</b>	<b>199</b>	<b>-12 %</b>
Financial items, net	-7	-4	
<b>Profit before taxes</b>	<b>169</b>	<b>195</b>	<b>-13 %</b>
Income tax expenses	-37	-48	
<b>Profit for the period</b>	<b>132</b>	<b>147</b>	<b>-10 %</b>
Profit attributable to non-controlling interests	-5	-1	
Profit attributable to owners of the parent	137	148	
<b>Cash flow from operating activities (IFRS)</b>	<b>31</b>	<b>82</b>	
<b>Earnings per share</b>	<b>1,37</b>	<b>1,48</b>	<b>-7 %</b>
<i>EBITDA adj. Margin<sup>1</sup></i>	<i>20,7 %</i>	<i>24,1 %</i>	
<i>EBITA adj. Margin<sup>1</sup></i>	<i>14,5 %</i>	<i>17,6 %</i>	

# Operating revenues and EBITA adj.<sup>1</sup> per segment

Amounts in NOK million

Operating revenues	Q1-2018	Q1-2017	Change
<b>Borregaard</b>	<b>1 217</b>	<b>1 136</b>	<b>7 %</b>
Performance Chemicals	555	550	1 %
Speciality Cellulose	434	412	5 %
Other Businesses	239	183	31 %
Eliminations	-11	-9	

Amounts in NOK million

EBITA adj. <sup>1</sup>	Q1-2018	Q1-2017	Change
<b>Borregaard</b>	<b>177</b>	<b>200</b>	<b>-12 %</b>
Performance Chemicals	115	132	-13 %
Speciality Cellulose	64	89	-28 %
Other Businesses	-2	-21	

# Cash flow

Amounts in NOK million	Q1-2018	Q1-2017	FY-2017
<b>Amounts in NOK million</b>			
Profit before taxes	169	195	715
Amortisation, depreciation and impairment charges	76	75	316
Change in net working capital, etc	-142	-156	-92
Dividend (share of profit) from JV	0	-2	11
Taxes paid	-72	-30	-170
<b>Cash flow from operating activities</b>	<b>31</b>	<b>82</b>	<b>780</b>
Investments property, plant and equipment and intangible assets *	-177	-159	-968
Other capital transactions	4	2	10
<b>Cash flow from Investing activities</b>	<b>-173</b>	<b>-157</b>	<b>-958</b>
Dividends	0	0	-349
Proceeds from exercise of options/shares to employees	17	11	11
Buy-back of shares	-22	-29	-29
Gain/(loss) on hedges for net investments in subsidiaries	40	9	8
<b>Net paid to/from shareholders</b>	<b>35</b>	<b>-9</b>	<b>-359</b>
Proceeds from interest-bearing liabilities	233	5	668
Repayment from interest-bearing liabilities	-202	-27	-258
Change in interest-bearing receivables/other liabilities	-7	23	46
<b>Change in net interest-bearing liabilities</b>	<b>24</b>	<b>1</b>	<b>456</b>
<b>Cash flow from financing activities</b>	<b>59</b>	<b>-8</b>	<b>97</b>
<b>Change in cash and cash equivalents</b>	<b>-83</b>	<b>-83</b>	<b>-81</b>
Cash and cash equivalents at beginning of period	180	265	265
Change in cash and cash equivalents	-83	-83	-81
Currency effects cash and cash equivalents	-5	0	-4
<b>Cash and cash equivalents at the end of the period</b>	<b>92</b>	<b>182</b>	<b>180</b>
<b>* Investment by category</b>			
Replacement Investments	32	78	344
Expansion investments <sup>1</sup>	145	81	624

<sup>1</sup> Non-GAAP measure, see Appendix for definition.

# Balance sheet

Amounts in NOK million	31.03.2018	31.12.2017
<b>Assets:</b>		
Intangible assets	105	111
Property, plant and equipment	3 197	3 126
Other assets	123	93
Investment in joint venture	118	118
<b>Non-current assets</b>	<b>3 543</b>	<b>3 448</b>
Inventories	718	734
Receivables	1 059	971
Cash and cash deposits	92	180
<b>Current assets</b>	<b>1 869</b>	<b>1 885</b>
<b>Total assets</b>	<b>5 412</b>	<b>5 333</b>
<b>Equity and liabilities:</b>		
Group equity	3 091	2 889
Non-controlling interests	128	107
<b>Equity</b>	<b>3 219</b>	<b>2 996</b>
Provisions and other liabilities	282	277
Interest-bearing liabilities	757	743
<b>Non-current liabilities</b>	<b>1 039</b>	<b>1 020</b>
Interest-bearing liabilities	279	283
Other current liabilities	875	1 034
<b>Current liabilities</b>	<b>1 154</b>	<b>1 317</b>
<b>Equity and liabilities</b>	<b>5 412</b>	<b>5 333</b>
Equity ratio <sup>1</sup> (%):	59,5 %	56,2 %

# Net financial items & net interest-bearing debt<sup>1</sup>

Amounts in NOK million

Net financial items	Q1-2018	Q1-2017
Net interest expenses	-4	-3
Currency gain/loss	-2	-1
Other financial items, net	-1	0
<b>Net financial items</b>	<b>-7</b>	<b>-4</b>

Amounts in NOK million

Net interest-bearing debt <sup>1</sup> (NIBD)	31.03.2018	31.12.2017
Non-current interest-bearing liabilities	757	743
Current interest-bearing liabilities including overdraft of cashpool	279	283
Non-current interest-bearing receivables (included in "Other Assets")	0	-1
Cash and cash deposits	-92	-180
<b>Net interest-bearing debt<sup>1</sup> (NIBD)</b>	<b>944</b>	<b>845</b>

# Currency hedging strategy

*Purpose is to delay effects of currency fluctuations and secure competitiveness*

- Hedging based on expected EBITA adj. impact<sup>1</sup>
  - **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**<sup>2</sup>: 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 25.04.18)

	USD million	USD rate	EUR million	EUR rate
Q2-2018	40	8.12	22	9.12
Q3-2018	39	8.20	22	9.46
Q4-2018	37	8.37	22	9.54
2018	116	8.23	66	9.37
2019	106	8.36	87	9.61
2020	66	8.15	65	9.77
2021	10	7.51	18	10.09

Hedging effects by segment

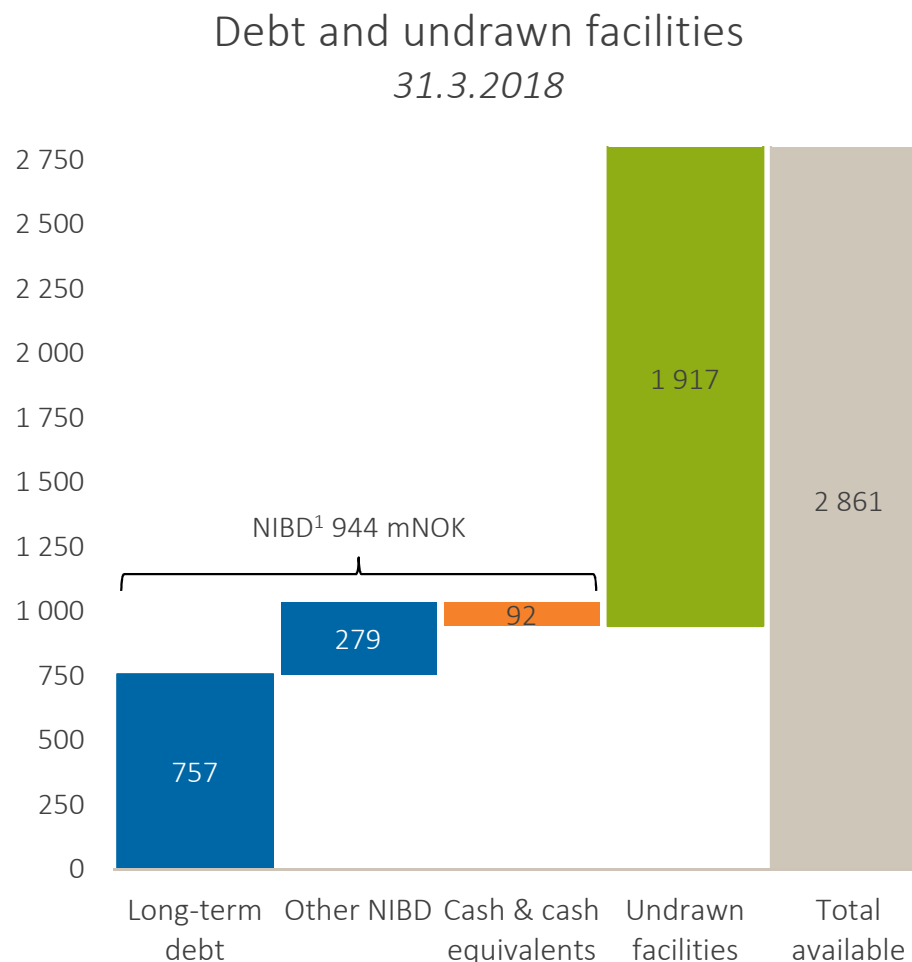
NOK million	Q1-18	Q1-17
Performance Chemicals	2	-6
Speciality Cellulose	2	-10
Other Businesses	-1	-6
<b>Borregaard</b>	<b>3</b>	<b>-22</b>

<sup>1</sup> Hedging done mainly in the Norwegian company

<sup>2</sup> 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
  - Short-term facilities
    - 225 mNOK overdraft facilities
    - 200 mNOK commercial paper
- Solidity (covenants)
  - Equity ratio<sup>1</sup> 59.5% (> 25%)
  - Leverage ratio<sup>1</sup> LTM 0.91 (< 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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