



Borregaard

The Sustainable Biorefinery

2nd quarter 2015

Oslo, 15 July 2015

Agenda



Per A Sørli, President & CEO

- Highlights
- Business areas
- Strategic priorities
- Outlook

Per Bjarne Lyngstad, CFO

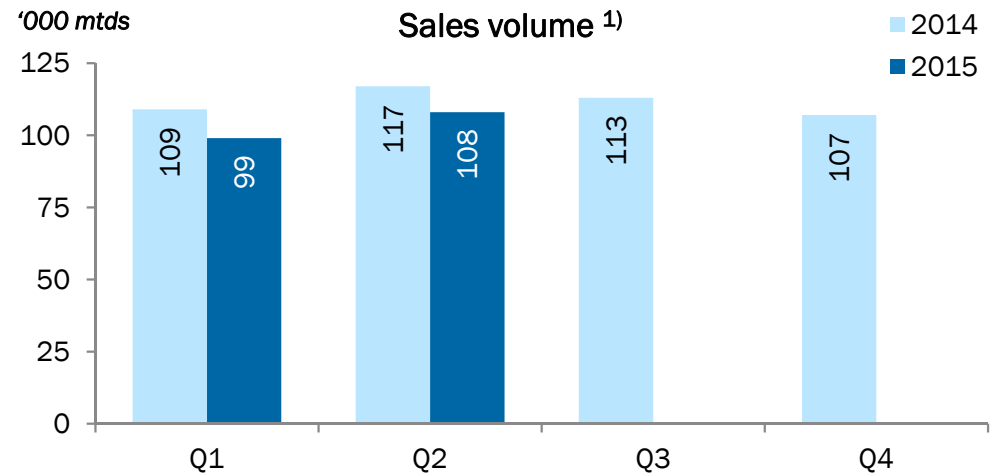
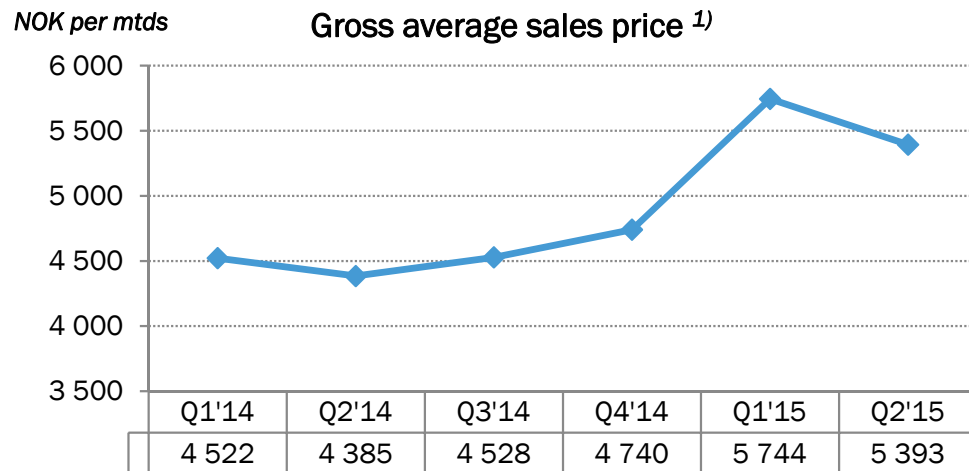
- Financial performance

Highlights – 2nd quarter 2015



- EBITA in line with Q2-14
- All-time high result for Performance Chemicals despite lower raw material supply
- Lower prices and weaker product mix in Specialty Cellulose
- Higher activity level in the Exilva project
- Positive FX impact in all business areas

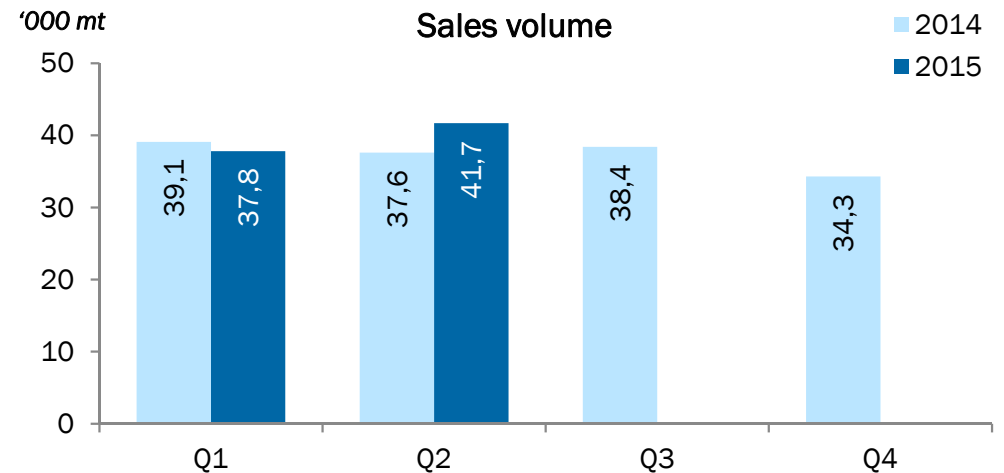
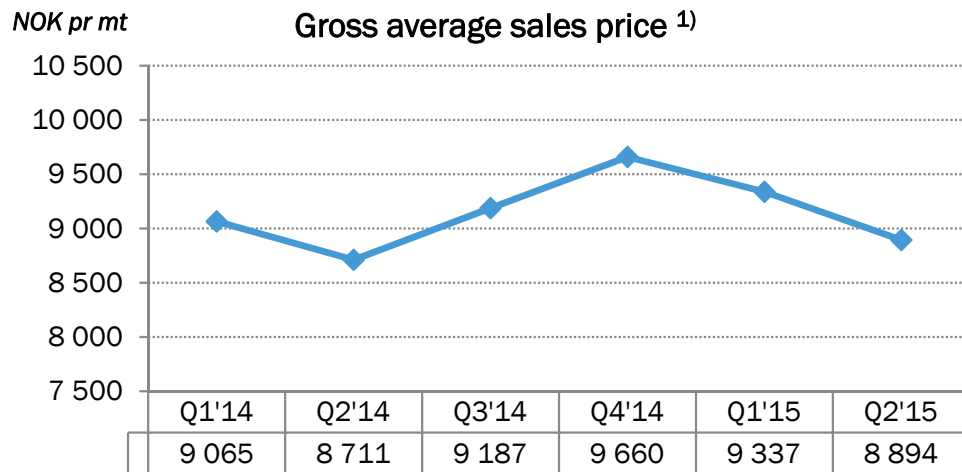
Performance Chemicals – Q2 market development



- **Market conditions generally positive in most applications**
 - Higher sales prices and good product mix
 - Reduced demand in the oil sector impacted high-value sales volume
 - Normal Q2 seasonality affected average sales price vs Q1-15
- **8% reduction in sales volume vs Q2-14**
 - Primarily due to reduced raw material supply from external sources
 - Russian exports continue to affect certain segments
- **Positive FX impact**

¹⁾ 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.

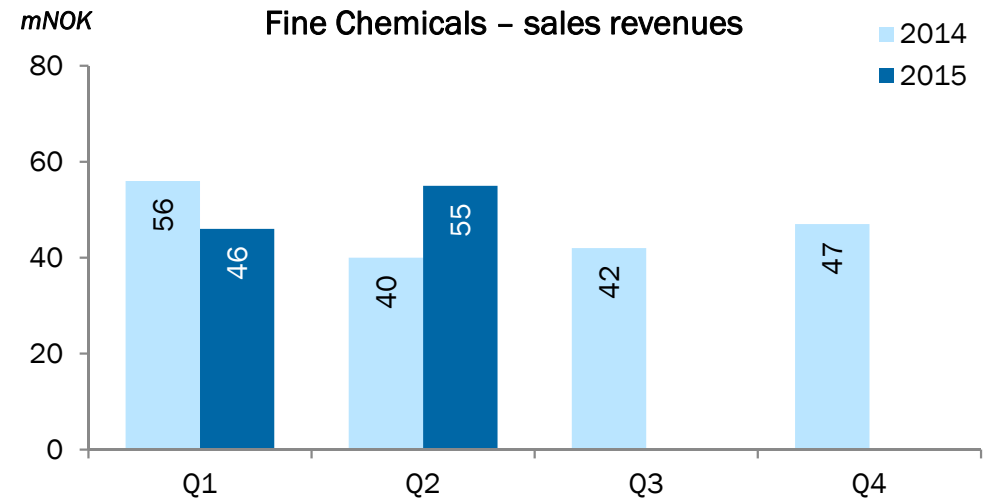
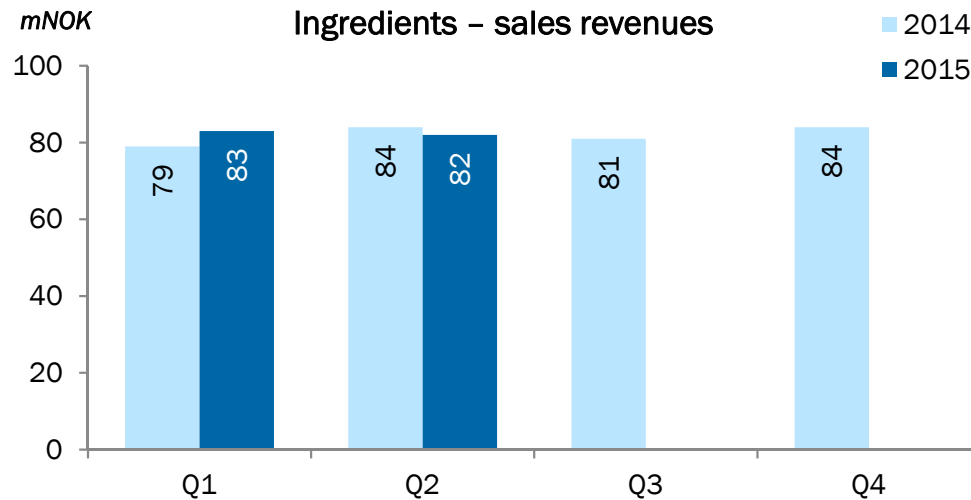
Specialty Cellulose – Q2 market development



- **Lower sales prices and weaker product mix**
 - Sales prices in line with expectations
 - Product mix affected by lower sales to the cellulose acetate market
- **High sales volume**
 - Increased deliveries of textile cellulose
- **Positive FX impact**

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

Ingredients & Fine Chemicals – Q2 market development



Ingredients

- Market conditions remain challenging
- Lower sales volume and stable sales prices
- Positive FX impact

Fine Chemicals

- Increased sales of x-ray contrast media intermediates
- Positive FX impact

Preparing for volume growth in Performance Chemicals



- **Borregaard and Rayonier Advanced Materials (RYAM) intend to invest in a new lignin operation**
 - Located at RYAM's Fernandina Beach pulp mill in Florida (raw material source)
 - 55% Borregaard/45% RYAM ownership
 - Borregaard's know-how and technology
 - 150,000 mtds production capacity
 - USD 110 million capex
 - Two step investment, start-up in 2017
 - Final agreements, permitting and detailed investment plan next steps
- **Borregaard's BALI concept**
 - The new lignin operation will benefit from BALI development work
 - This investment takes priority over a first BALI plant
 - BALI remains a long-term strategic lignin raw material option

Lignin capacity expansion in South Africa



- **Borregaard and Sappi announce 20,000 tonnes capacity expansion**
 - LignoTech South Africa is a joint venture between Borregaard (50%) and Sappi (50%)
 - Established in 1997 in Umkomaas, KwaZulu-Natal province
 - ZAR 105 million investment (approx. NOK 70 million)
 - 180,000 mtds production capacity after the expansion
 - Completion in 2017

Good progress in all areas

- **Growth and specialisation within Performance Chemicals**
 - Increased sales of high-value lignin products
 - Establish new lignin raw material sources
 - Develop BALI as a strategic lignin raw material option
- **Develop the unique biorefinery assets in Sarpsborg**
 - Leverage high value raw material base in Performance Chemicals
 - Continue specialisation of Specialty Cellulose, Bioethanol, Ingredients & Fine Chemicals
 - Strong focus on innovation and productivity efforts
- **Establish Exilva as a new business area**
 - Leverage core competence within wood chemistry and fine chemistry
 - Increased specialisation through high value added

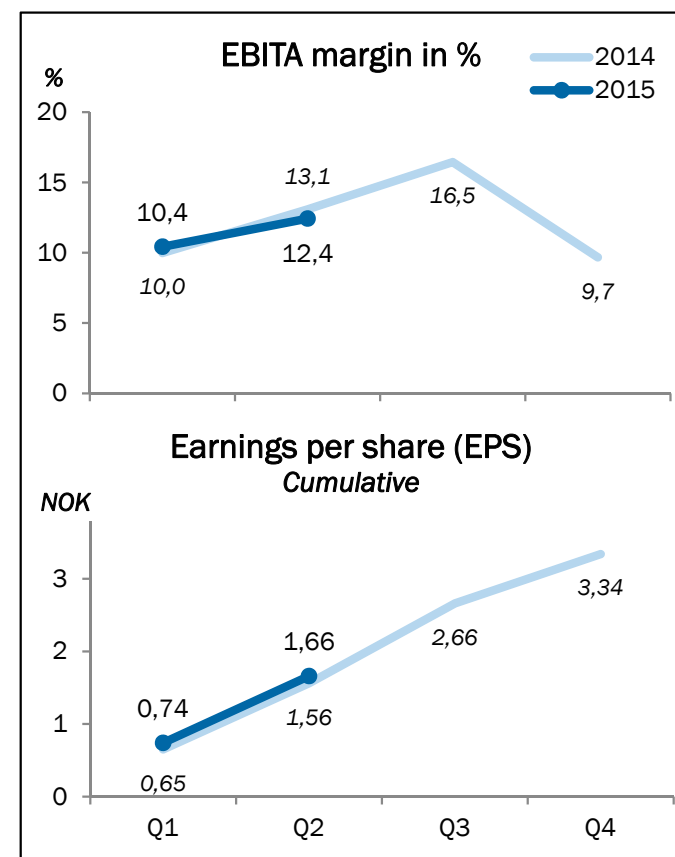
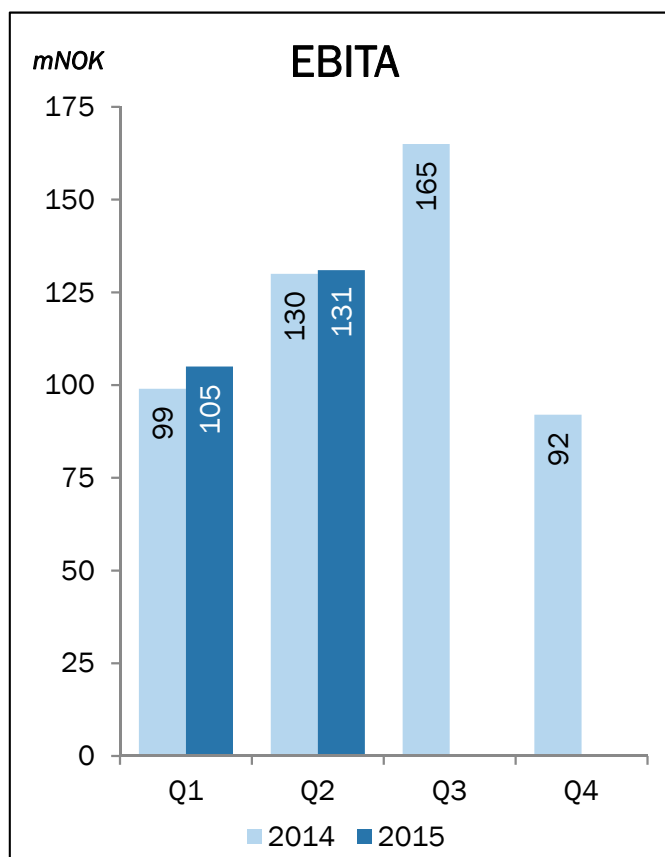
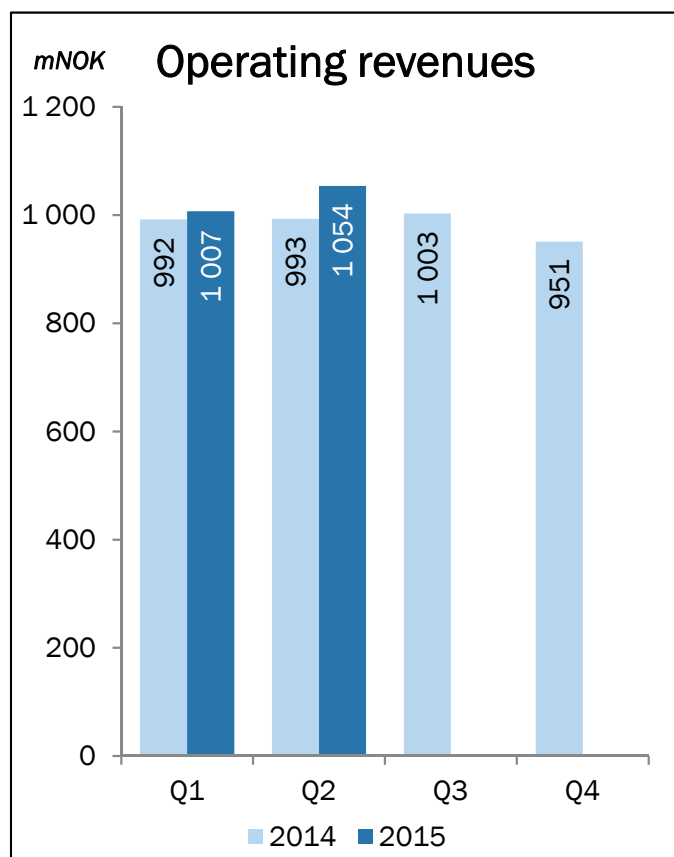
Outlook

- **Performance Chemicals**
 - Continued good demand in major applications and market regions
 - Visibility is somewhat lower due to increased uncertainty in the world economy
 - Sales volume in the 2nd half of 2015 is expected to be in line with 2nd half of 2014
- **Specialty Cellulose**
 - Cellulose prices in sales currency forecast to be approx. 7% below 2014 level
 - Product mix in 2015 expected to be weaker than in 2014, primarily due to lower demand in the cellulose acetate market
 - In Q3-15, sales volume is expected to be lower than in Q2-15, but with highly specialised volume remaining on the same level
- **Other Businesses**
 - The challenging market situation for vanillin products is expected to continue throughout 2015
 - Fine Chemicals will remain relatively stable
 - Corporate costs will remain at largely the same level as in 2014
 - Exilva project costs will continue at a higher level due to increased business development activities
- **Currency impact**
 - Currency, including hedging impact, is expected to contribute positively in all business areas compared with 2nd half of 2014



FINANCIAL PERFORMANCE Q2-15

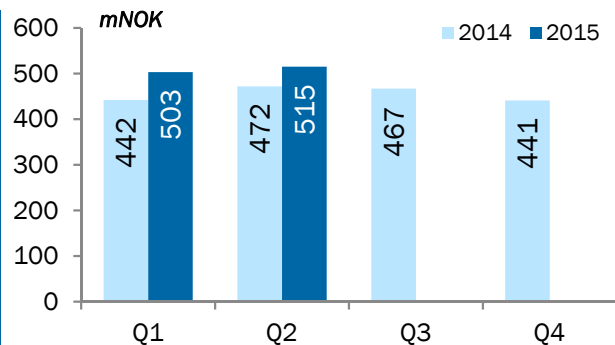
Borregaard – Q2 key figures



- Revenues increased by 6% vs Q2-14
- Improved EBITA for Performance Chemicals, decline in Specialty Cellulose and Other Businesses
- Positive FX impact in all business areas despite negative hedging effects
- EPS at NOK 0.92 (NOK 0.91)

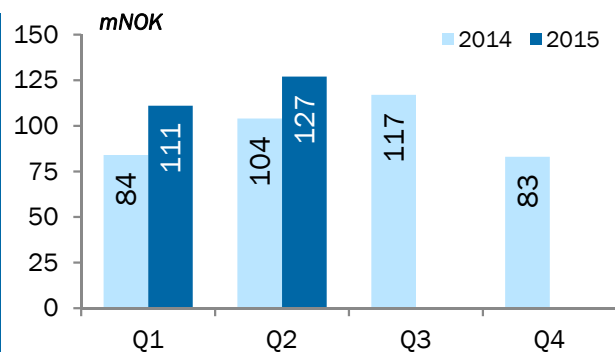
Performance Chemicals – Q2 key figures

Operating revenues



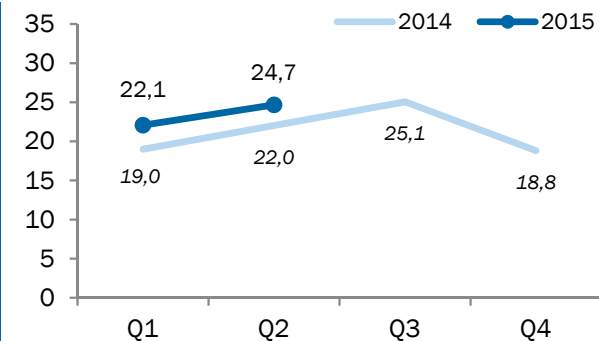
- Top line growth 9% vs Q2-14
- Generally positive market conditions in most applications
- Positive FX impact

EBITA



- Higher prices, good product mix and positive FX situation
- Partly off-set by an 8% sales volume reduction primarily due to lower raw material supply
- Stable costs in local currencies

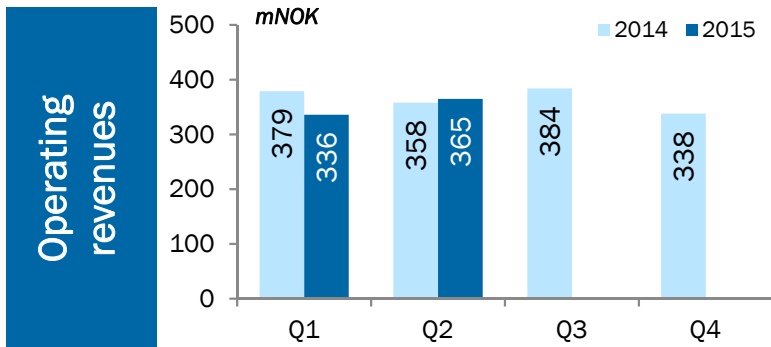
EBITA margin %



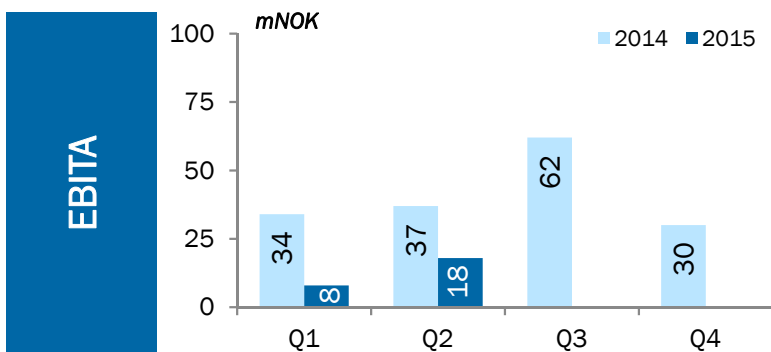
- EBITA margin maintained at a high level

2014 figures for Performance Chemicals are restated, including costs for the BALI project

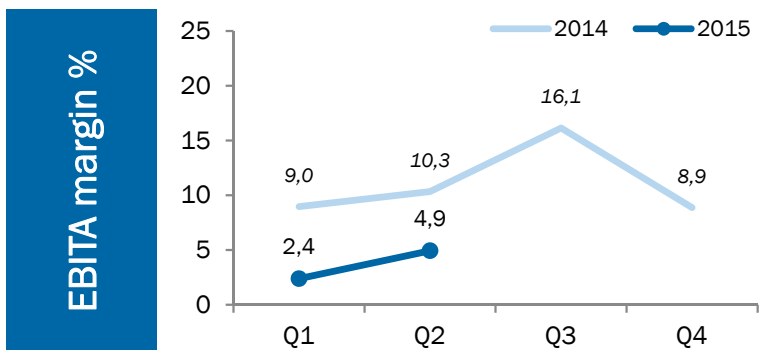
Specialty Cellulose – Q2 key figures



- Top line growth 2% vs Q2-14
- High sales volume, mainly due to high deliveries of textile cellulose
- Positive FX impact



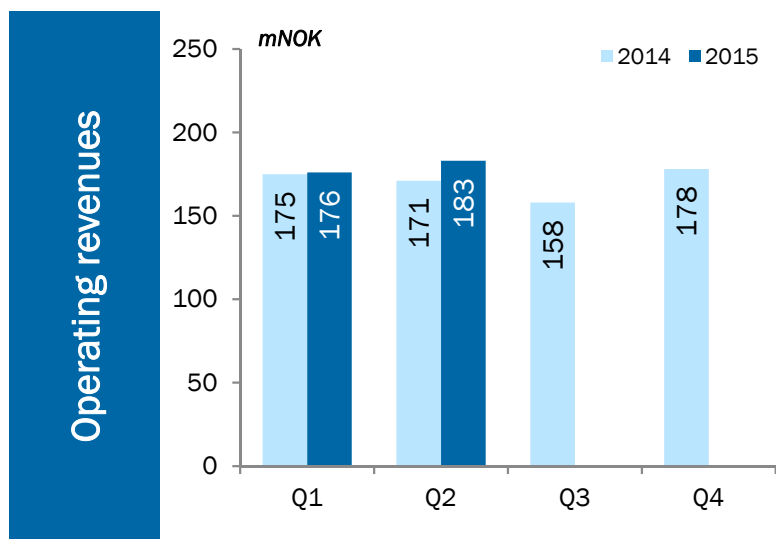
- Reduced sales prices and weaker product mix
- Lower contribution from bioethanol
- Stable raw material, energy and other costs
- Hedging effects of -29 mNOK in Q2-15



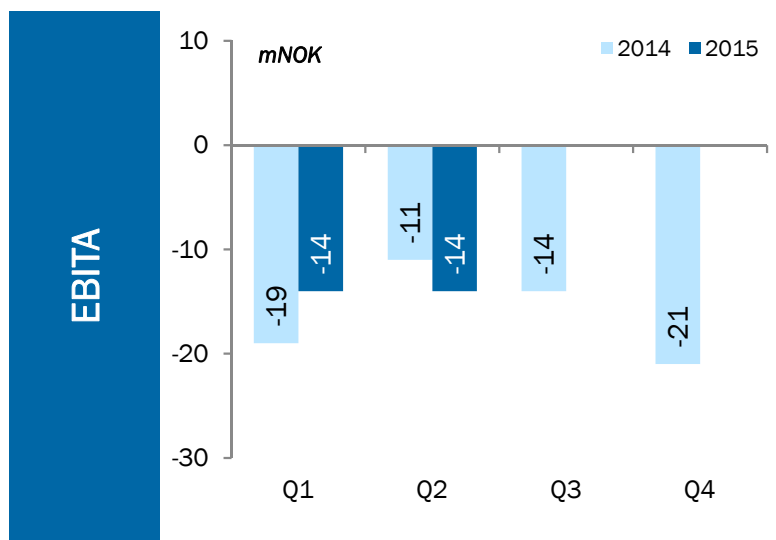
- Weaker margin in Q2-15

2014 figures for Specialty Cellulose are restated, excluding costs for the Exilva project

Other Businesses – Q2 key figures



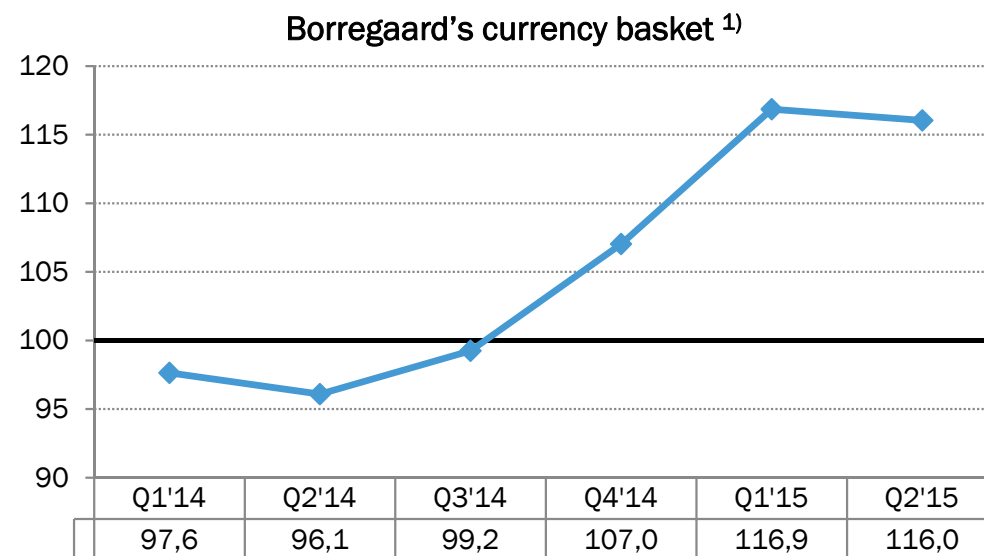
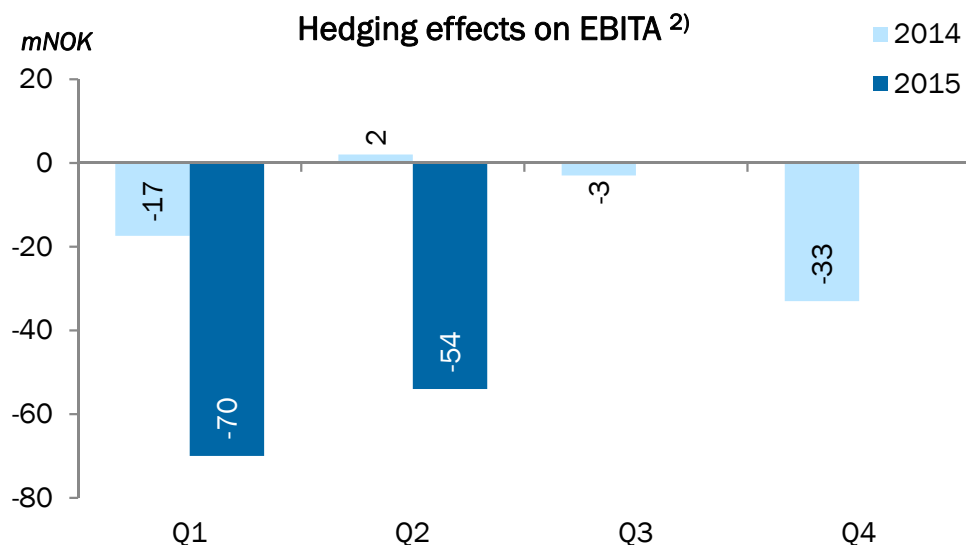
- Top line growth 7% vs Q2-14
- Lower sales volume in Ingredients
- Increased sales of x-ray contrast media intermediates from Fine Chemicals
- Positive FX contribution



- **Ingredients:** Lower sales volume more than off-set by positive currency effects
- **Fine Chemicals:** Increased sales and positive currency effects
- **Exilva** project costs increased due to a higher level of business development activities. YTD EBITA impact close to full year figure for 2014 (34 mNOK)

2014 figures for Other Businesses are restated, including costs for the Exilva project and excluding costs for the BALI project
 2014 operating revenues are restated due to minor changes in the treatment of internal transactions.

Currency impact



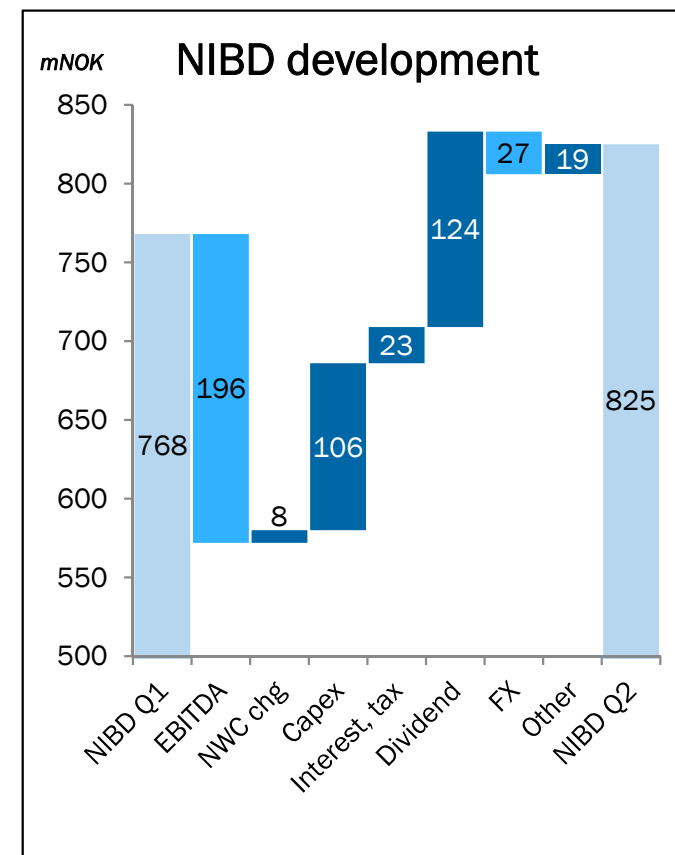
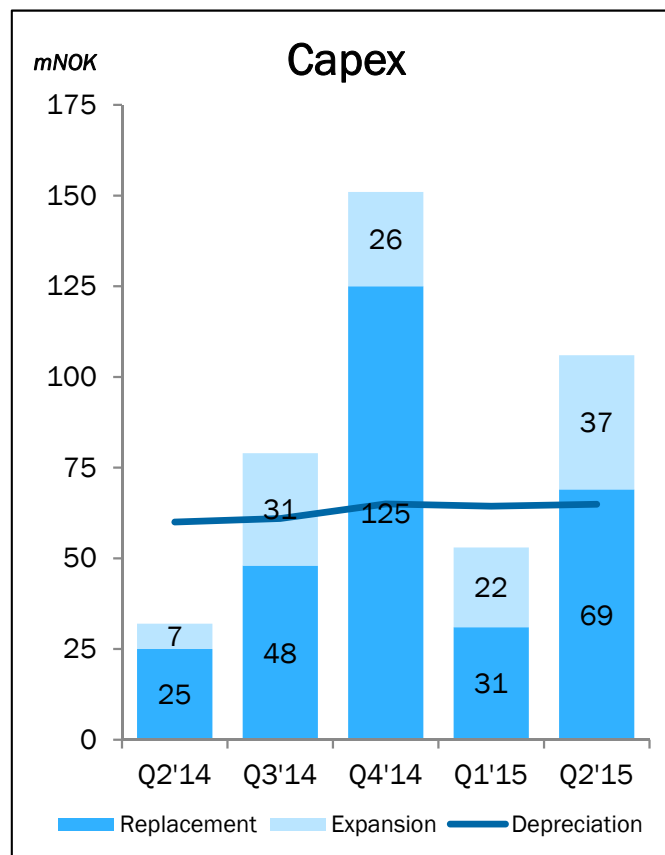
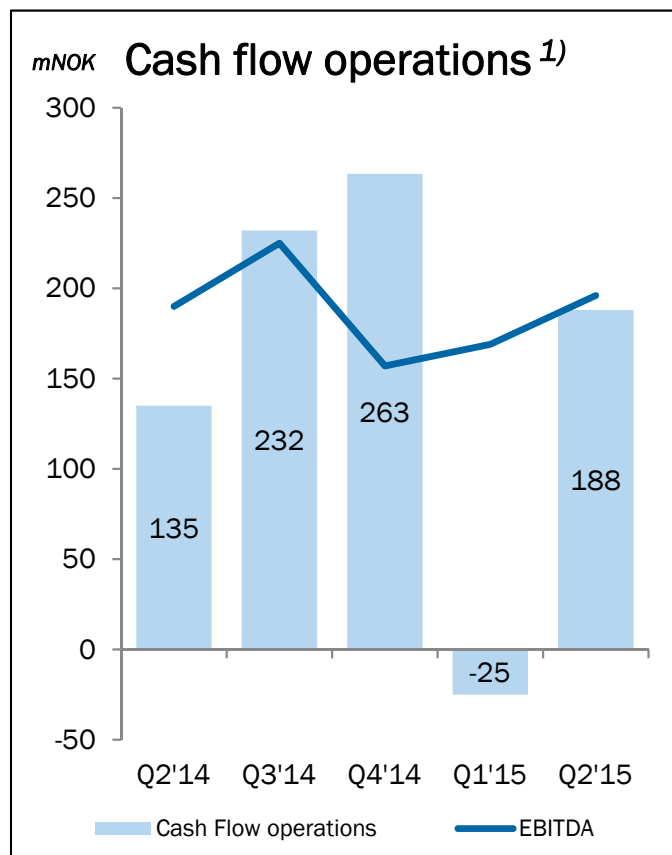
- Net FX EBITA impact approx. 50 mNOK vs Q2-14
 - Includes change in hedging effects and based on estimated Q2-15 currency exposure
- Net FX EBITA impact RoY estimated to be +140 mNOK vs same period last year
 - Assuming rates as of 14 July (USD 8.15 and EUR 8.99) and based on expected currency exposure

¹⁾ Currency basket based on Borregaard's net exposure in 2014 (=100)

- USD 69% (approximately 250 mUSD)
- EUR 32% (approximately 89 mEUR)
- Other -1% (GBP, BRL, JPY, SEK, ZAR)

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

Cash flow, capex and NIBD



- Improved cash flow from operations vs Q2-14
- Capex at a higher level
 - Expansion capex mainly related to the Exilva and Ice Bear projects
- NIBD increased by 57 mNOK in Q2, mainly due to dividend payment

¹⁾ Cash flow from operating activities according to IFRS adjusted for financial items, taxes paid, share of JV profit/dividend



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



APPENDIX

Borregaard – Key figures

<i>Amounts in NOK million</i>	Q2-2015	Q2-2014	Change	YTD-2015	YTD-2014	Change
Operating revenues	1 054	993	6 %	2 061	1 985	4 %
EBITDA (adjusted)	196	190	3 %	365	348	5 %
EBITA (adjusted)	131	130	1 %	236	229	3 %
Amortisation intangibles	0	0		0	0	
Other income and expenses	0	0		0	0	
EBIT	131	130	1 %	236	229	3 %
Financial items, net	-6	-4		-11	-11	
Profit/loss before taxes	125	126	-1 %	225	218	3 %
Taxes	-33	-36		-60	-63	
Profit/loss for the period	92	90	2 %	165	155	6 %
Profit/loss attributable to non-controlling interests	0	-1		-1	-1	
Profit/loss attributable to owners of the parent	92	91		166	156	
Cash flow from operating activities (IFRS)	146	69		64	128	
Earnings per share (NOK)	0,92	0,91	1 %	1,66	1,56	6 %
<i>Adjusted EBITDA margin</i>	<i>18,6 %</i>	<i>19,1 %</i>		<i>17,7 %</i>	<i>17,5 %</i>	
<i>Adjusted EBITA margin</i>	<i>12,4 %</i>	<i>13,1 %</i>		<i>11,5 %</i>	<i>11,5 %</i>	

Operating revenues and EBITA per segment

Amounts in NOK million

Operating revenues	Q2-2015	Q2-2014	Change
Borregaard	1054	993	6 %
Performance Chemicals	515	472	9 %
Specialty Cellulose	365	358	2 %
Other Businesses	183	171	7 %
Eliminations	-9	-8	

Amounts in NOK million

Operating profit - EBITA	Q2-2015	Q2-2014	Change
Borregaard	131	130	1 %
Performance Chemicals	127	104	22 %
Specialty Cellulose	18	37	-51 %
Other Businesses	-14	-11	-

Amounts in NOK million

Operating revenues	YTD-2015	YTD-2014	Change
Borregaard	2 061	1 985	4 %
Performance Chemicals	1 018	914	11 %
Specialty Cellulose	701	737	-5 %
Other Businesses	359	346	4 %
Eliminations	-17	-12	

Amounts in NOK million

Operating profit - EBITA	YTD-2015	YTD-2014	Change
Borregaard	236	229	3 %
Performance Chemicals	238	188	27 %
Specialty Cellulose	26	71	-63 %
Other Businesses	-28	-30	7 %

Cash flow

Amounts in NOK million

	Q2-2015	Q2-2014	YTD-2015	YTD-2014	FY-2014
Amounts in NOK million					
Profit before taxes	125	126	225	218	430
Amortisation, depreciation and impairment charges	65	60	129	119	244
Change in net working capital, etc	-8	-55	-202	-84	59
Dividend (share of profit) from JV	-19	-11	-18	-13	6
Taxes paid	-17	-51	-70	-112	-139
Cash flow from operating activities	146	69	64	128	600
Investments property, plant and equipment and intangible assets	-106	-32	-159	-83	-313
Other capital transactions	0	1	3	2	2
Cash flow from Investing activities	-106	-31	-156	-81	-311
Dividends	-124	-109	-124	-109	-109
Proceeds from exercise of share options	0	20	0	40	48
Buy-back of treasury shares	0	-39	0	-55	-76
Gain/(loss) on hedges for net investments in subsidiaries	33	-2	-10	7	-72
Net paid to/from shareholders	-91	-130	-134	-117	-209
Change in interest-bearing liabilities	102	6	86	-14	6
Change in interest-bearing receivables	0	0	-2	-4	-3
Change in net interest-bearing liabilities	102	6	84	-18	3
Cash flow from financing activities	11	-124	-50	-135	-206
Change in cash and cash equivalents	51	-86	-142	-88	83
Cash and cash equivalents as of beginning of period	-8	35	168	39	39
Change in cash and cash equivalents	51	-86	-142	-88	83
Currency effects cash and cash equivalents	-7	7	10	5	46
Cash and cash equivalents at the close of the period	36	-44	36	-44	168

Balance sheet

Amounts in NOK million

	30.06.2015	31.03.2014	31.12.2014
Assets:			
Intangible assets	75	72	77
Property, plant and equipment	2 037	2 000	2 004
Other assets	88	82	76
Investments in joint venture	125	109	106
Non-current assets	2 325	2 263	2 263
Inventories	613	640	610
Receivables	860	826	707
Cash and cash deposits	51	51	168
Current assets	1 524	1 517	1 485
Total assets	3 849	3 780	3 748
Equity and debt:			
Group Equity	2 062	2 014	1 941
Non-controlling interests	6	7	8
Equity	2 068	2 021	1 949
Provisions and other non-current liabilities	199	203	196
Interest-bearing liabilities	871	770	784
Non-current liabilities	1 070	973	980
Interest-bearing liabilities	23	67	8
Other liabilities	688	719	811
Current liabilities	711	786	819
Equity and liabilities	3 849	3 780	3 748
Equity ratio (%):	53,7 %	53,5 %	52,0 %

Net financial items & net interest-bearing debt

Amounts in NOK million

Net financial items	Q2-2015	Q2-2014	YTD-2015	YTD-2014
Net interest expenses	-6	-8	-13	-15
Currency gain/loss	1	5	3	5
Other financial items, net	-1	-1	-1	-1
Net financial items	-6	-4	-11	-11

Amounts in NOK million

Net interest-bearing debt	30.06.2015	31.03.2015	31.12.2014
Non-current interest-bearing liabilities	871	770	784
Current interest-bearing liabilities	23	67	8
Non-current interest-bearing receivables	-18	-18	-16
Cash and cash deposits	-51	-51	-168
Net interest-bearing debt	825	768	608

Currency hedging strategy

Purpose is to delay effects of currency fluctuations and secure competitiveness

- Hedging based on expected EBITA 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

FX EBITA impact hedges

	USD million	USD rate	EUR million	EUR rate
2 nd half 2015	75	7.02	34	8.53
2016	103	7.72	72	8.56
2017	85	7.70	62	8.74
Later	43	7.62	30	9.05

Hedging effects by segment

NOK million	Q2-15	Q2-14	YTD-15	YTD-14
Performance Chemicals	-18	1	-40	-2
Specialty Cellulose	-29	1	-69	-10
Other Businesses	-7	0	-15	-3
Borregaard	-54	2	-124	-15

¹⁾ Hedging done mainly in the Norwegian company

²⁾ Strict definitions for 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 5-year revolving credit facilities, maturity 2019
- 400 mNOK 5-year bond issue, maturity 2019
- 40 mEUR 10-year loan, maturity 2024

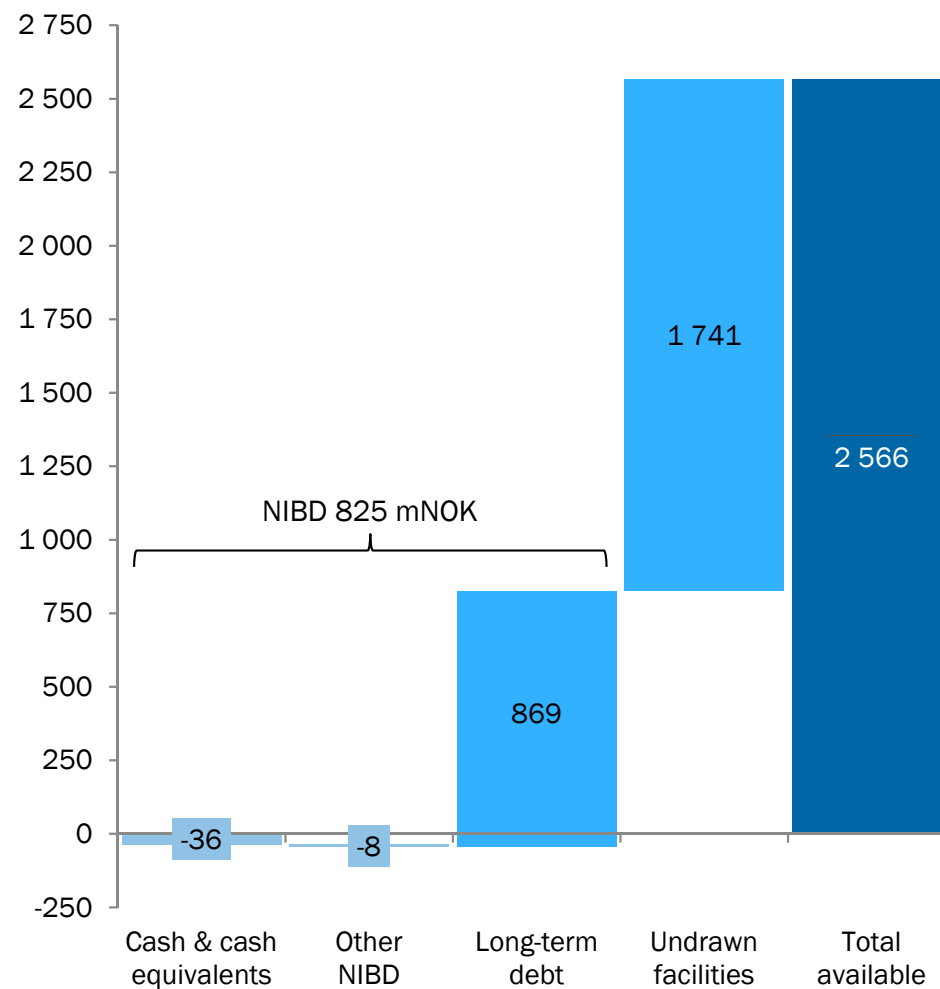
- Overdraft facilities

- 295 mNOK

- Solidity (covenants)

- Equity ratio 53.7% (> 25%)
- Leverage ratio LTM 1.10 (< 3.25)

Debt and undrawn facilities 30.06.2015



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