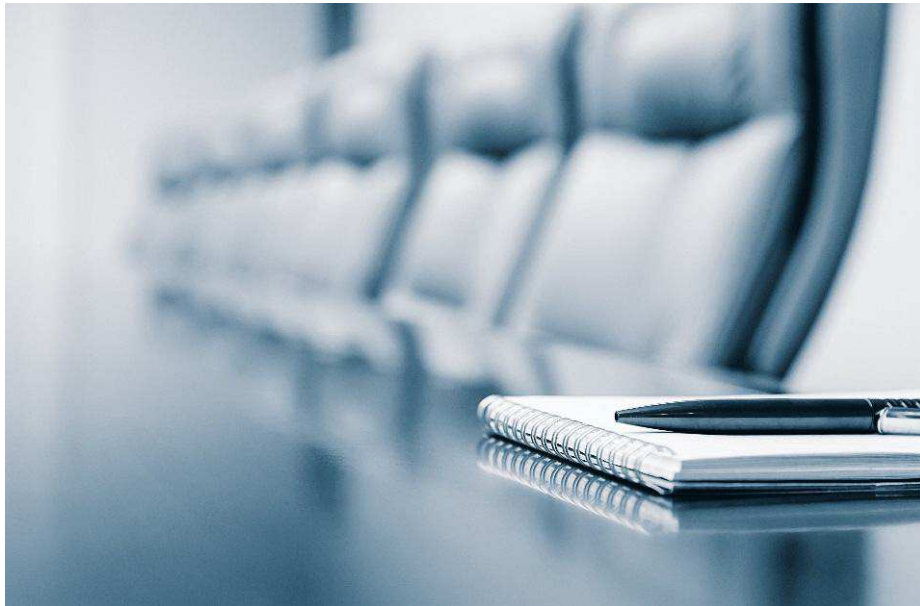




3RD QUARTER 2018

Oslo, 23 October 2018

Agenda



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

Highlights – 3rd quarter 2018



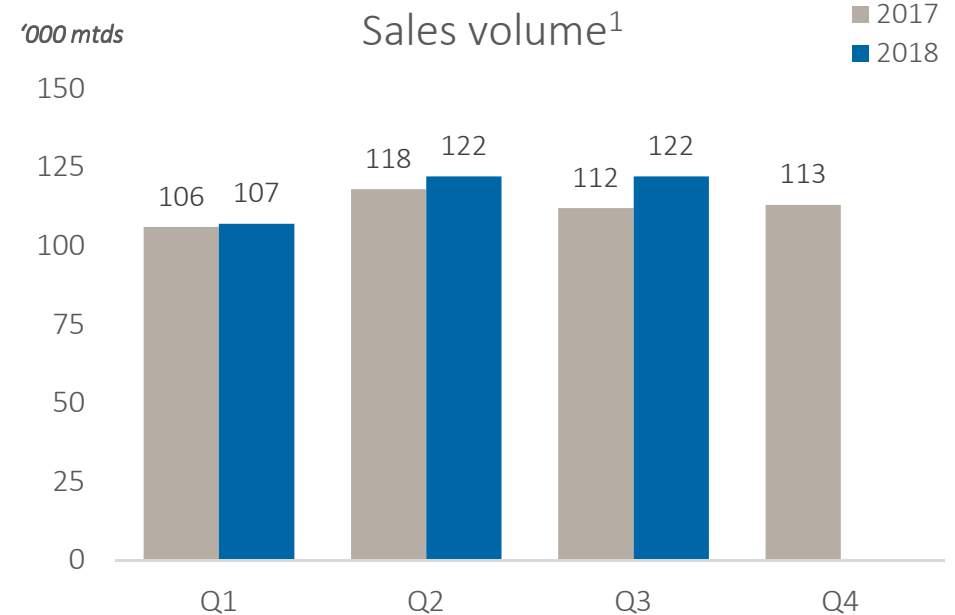
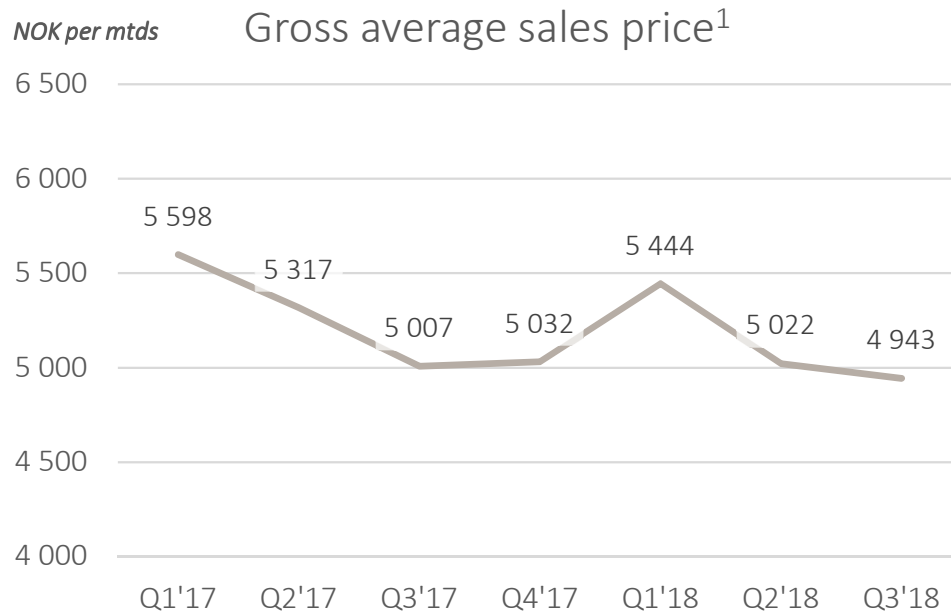
- EBITA adj.¹ 145 mNOK (197 mNOK)
- Negative impact from Florida start-up and higher lignin distribution costs
- Positive sales development for Industrial² and Specialities in Performance Chemicals
- Lower acetate sales and cost increases for input factors in Speciality Cellulose
- Improved result in Ingredients
- Positive net currency impact



1 Non-GAAP measure, see Appendix for definition

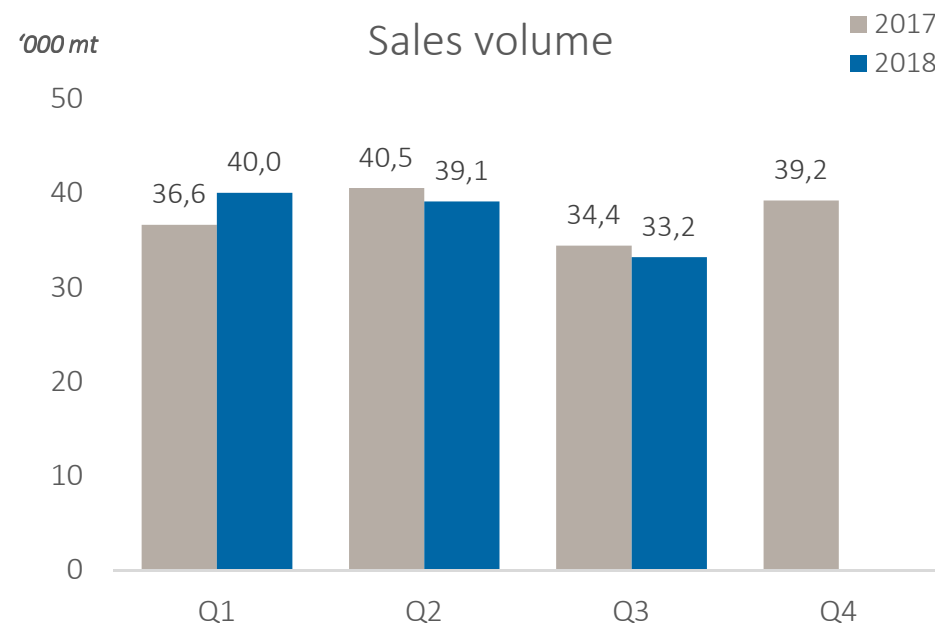
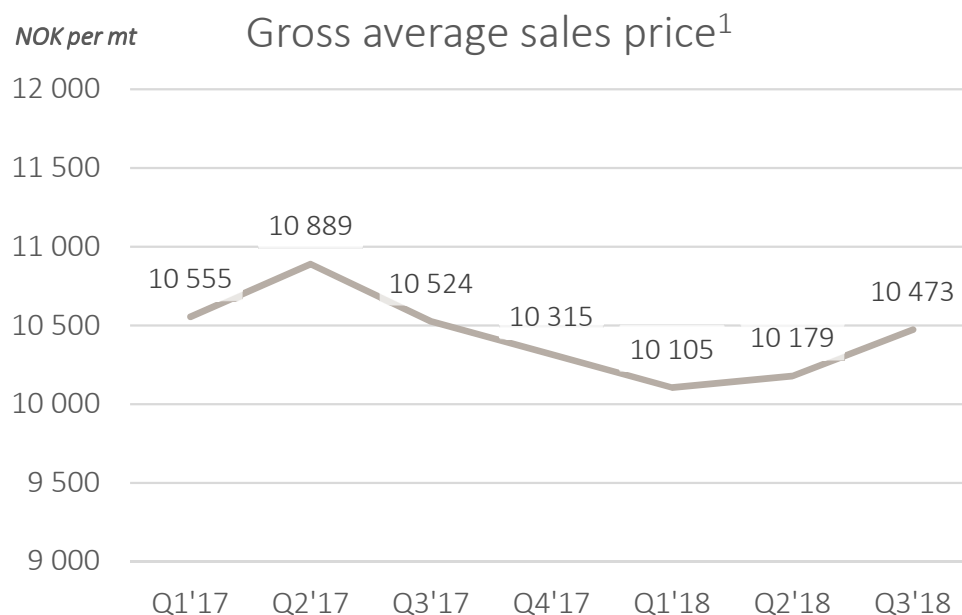
2 Market segment renamed to Industrial, formerly reported as Miscellaneous

Performance Chemicals markets – Q3



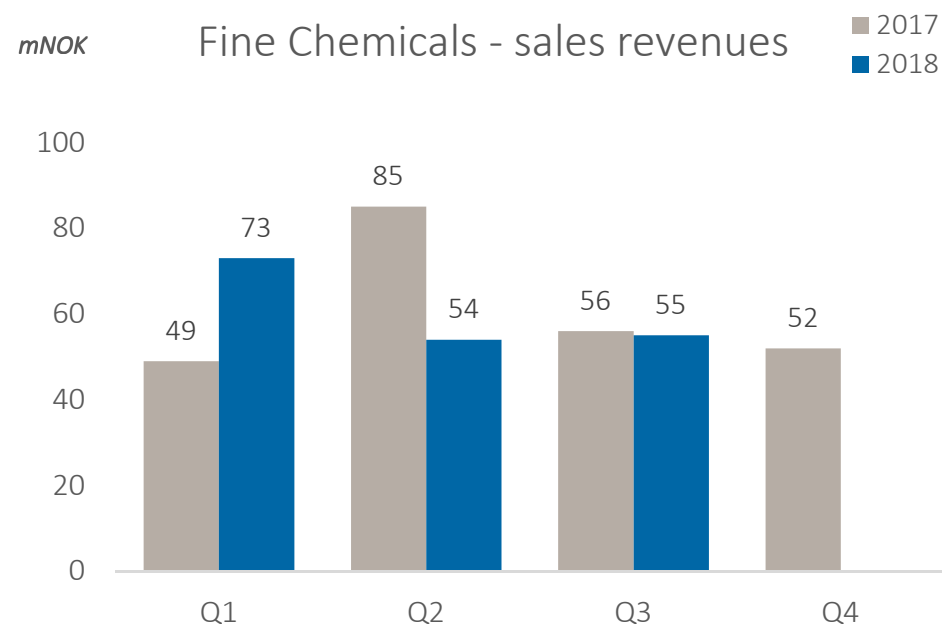
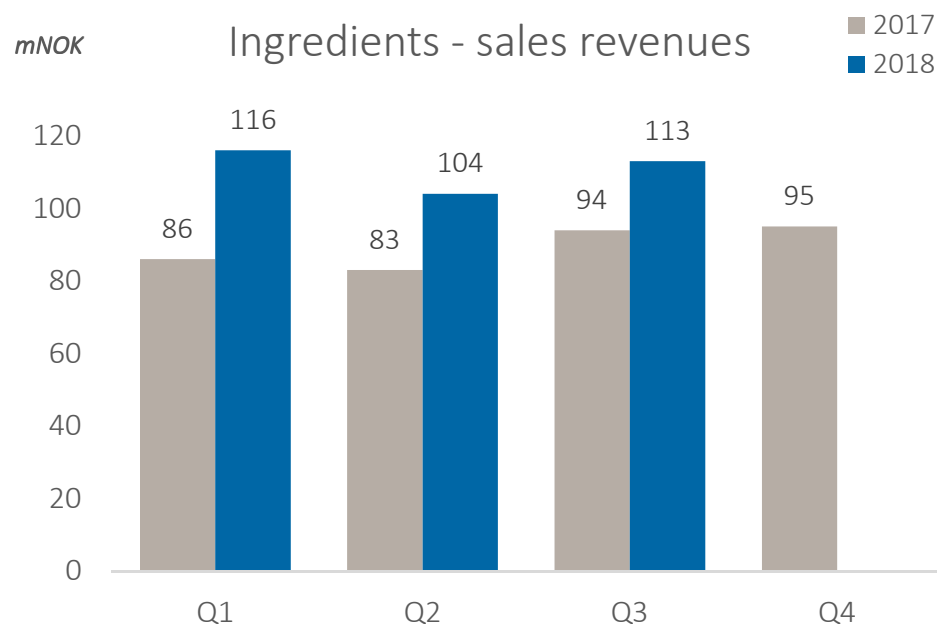
- Sales volume increased by 9% vs Q3-17
 - Volume growth above 10% for both Industrial and Specialities
- Slight reduction in finished goods inventories
- Average price in sales currency -3% vs Q3-17
 - Continued strong price pressure in the construction sector
 - Increased sales in Specialities and diversification towards Industrial

Speciality Cellulose markets – Q3



- Weaker product mix due to lower sales of acetate cellulose
 - Acetate market remains challenging, ether market continues to grow
- Stable cellulose prices in sales currency
- Higher sales prices and improved product mix in Bioethanol

Ingredients and Fine Chemicals markets – Q3



- Ingredients

- Higher sales prices and continued positive market trend for wood-based vanillin

- Fine Chemicals

- Sales in line with Q3-17, but unfavourable mix

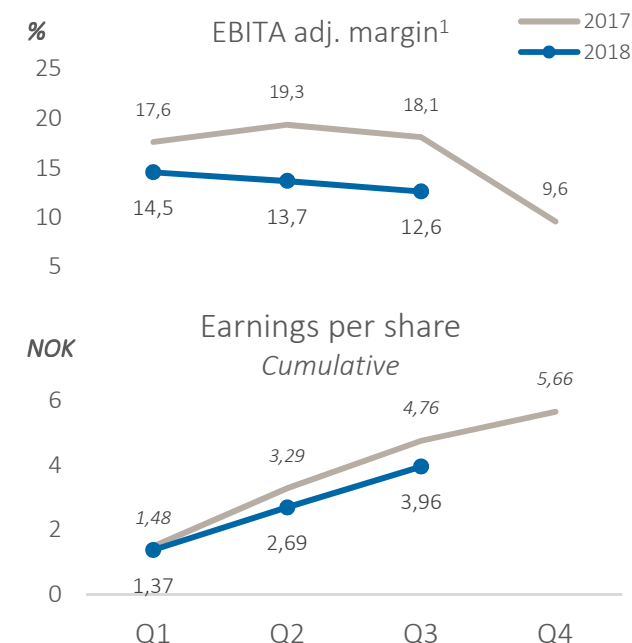
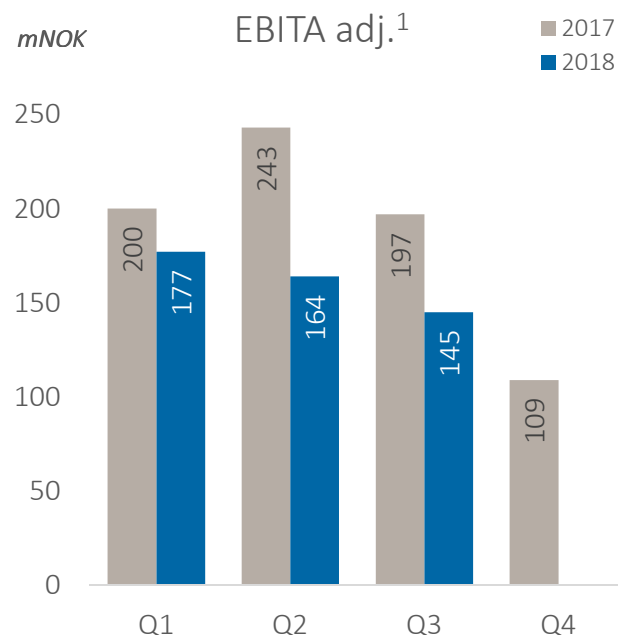
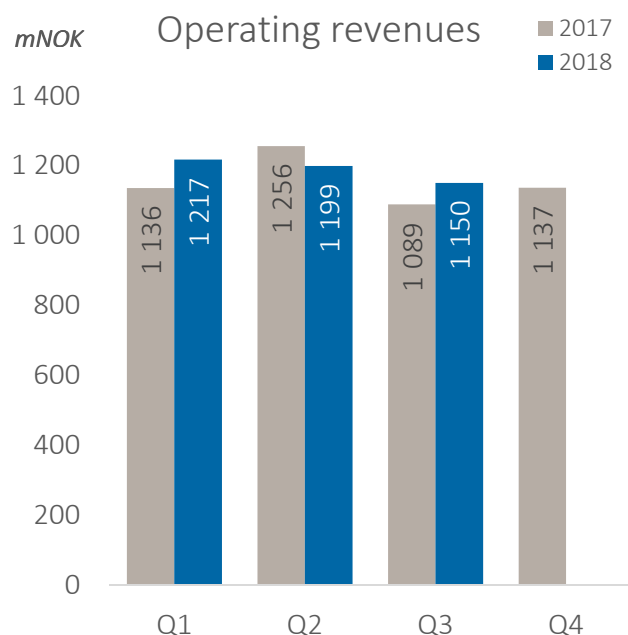
Outlook

- Performance Chemicals
 - Continued strong competition and price pressure for lignin to the construction sector
 - Diversification strategy will drive growth for industrial products
 - Positive development for Specialities expected to continue
 - Q4 sales volume forecast to be slightly below Q3-18
 - Distribution costs will gradually decline over the next quarters
 - In Q4, fixed costs and depreciation for the Florida plant expected to be ~20 mNOK higher than Q4-17
- Speciality Cellulose
 - Cellulose prices in sales currency expected to be in line with 2017 both in Q4 and for the full year
 - Total sales volume in Q4 expected to be similar to Q4-17, but with a weaker product mix
- Other Businesses
 - Positive market trend for wood-based vanillin expected to continue in Q4
 - Deliveries from Fine Chemicals forecast to be higher than Q3-18
 - Cellulose Fibrils result and net corporate costs expected to be in line with Q3-18
- In Q4, wood and caustic soda costs will continue at the level seen in Q3-18, while energy prices will be higher



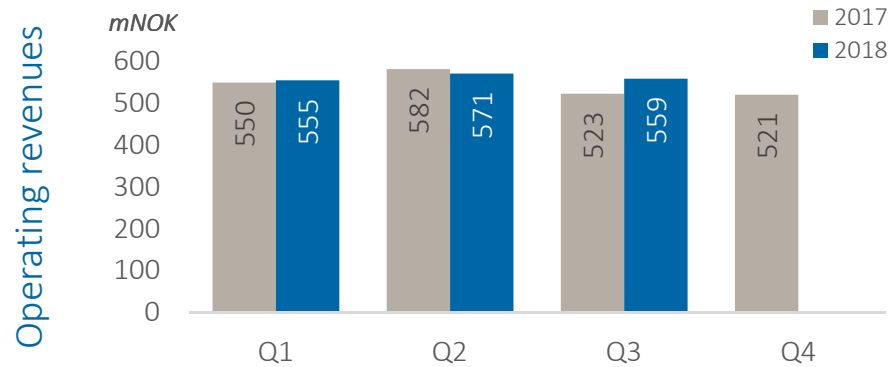
FINANCIAL PERFORMANCE Q3-18

Borregaard key figures – Q3

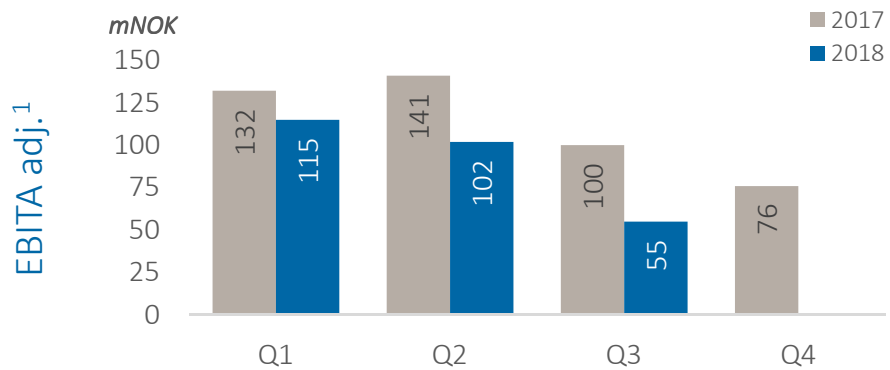


- Revenues 6% above Q3-17
- EBITA adj.¹ 145 mNOK for the Group
 - Other Businesses improved, while Performance Chemicals and Speciality Cellulose had a decline
 - Higher costs and depreciation (Florida start-up, lignin distribution costs, wood, caustic)
 - Net FX impact positive
- EPS at NOK 1.27 (NOK 1.47)
 - 20 mNOK gain on sale of a minority stake in a fine chemical company in USA (financial item)

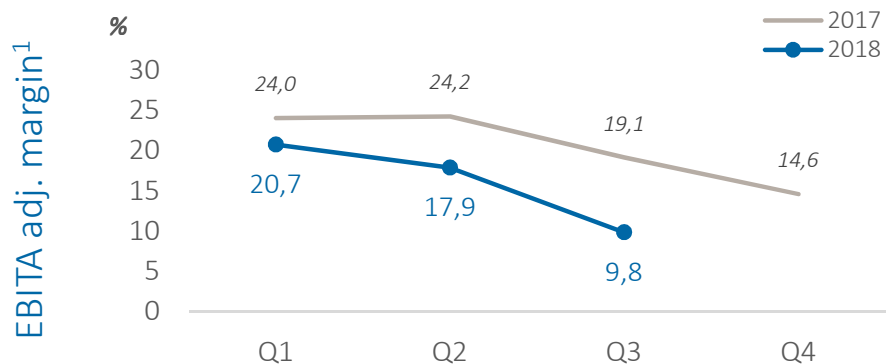
Performance Chemicals key figures – Q3



- Revenues 7% above Q3-17
- 9% higher sales volume
- Higher sales volume, especially for industrial and specialties products

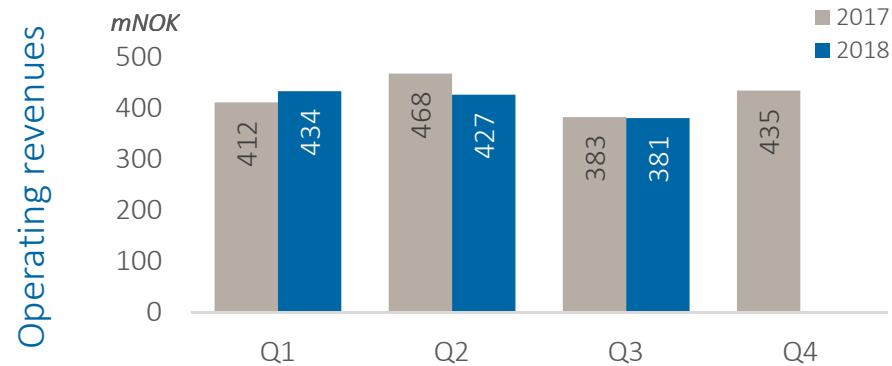


- ~30 mNOK increased fixed costs and depreciation in Florida, of which 5 mNOK in various start-up costs
- ~15 mNOK higher distribution costs
- Lower average price from continued price pressure in Construction
- Insignificant net FX impact

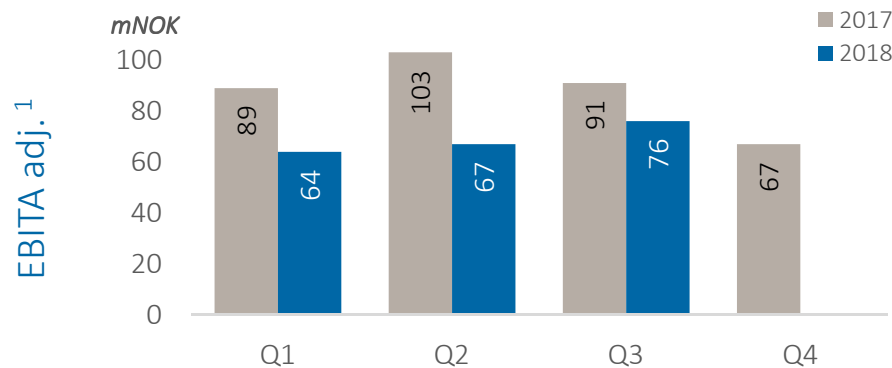


- EBITA adj. margin¹ declined significantly vs Q3-17

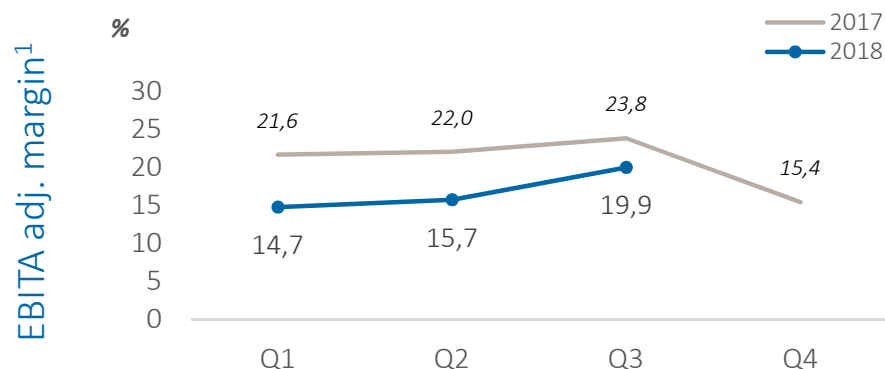
Speciality Cellulose key figures – Q3



- Revenues -1% vs Q3-17
- Weaker product mix for cellulose products
- Increased bioethanol revenues

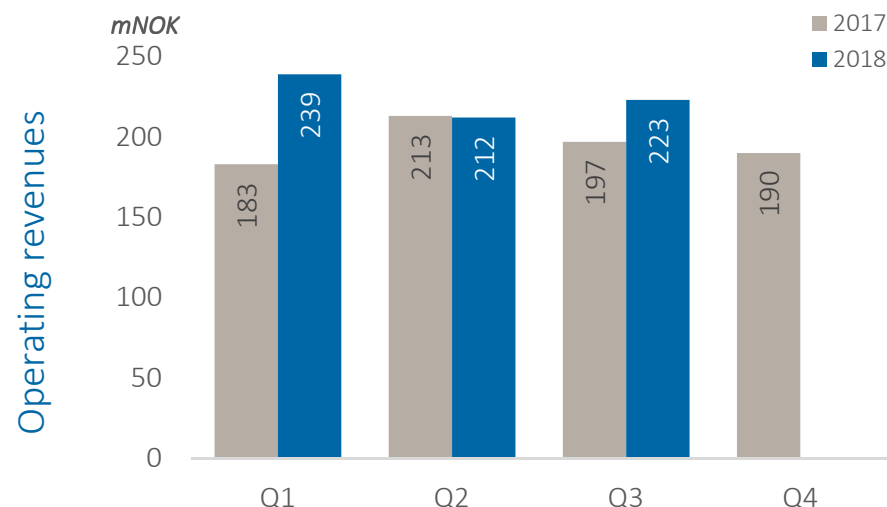


- Lower acetate cellulose sales
- Increased wood and caustic soda prices
- Lower energy costs
- Improved result for Bioethanol
- Positive net FX impact

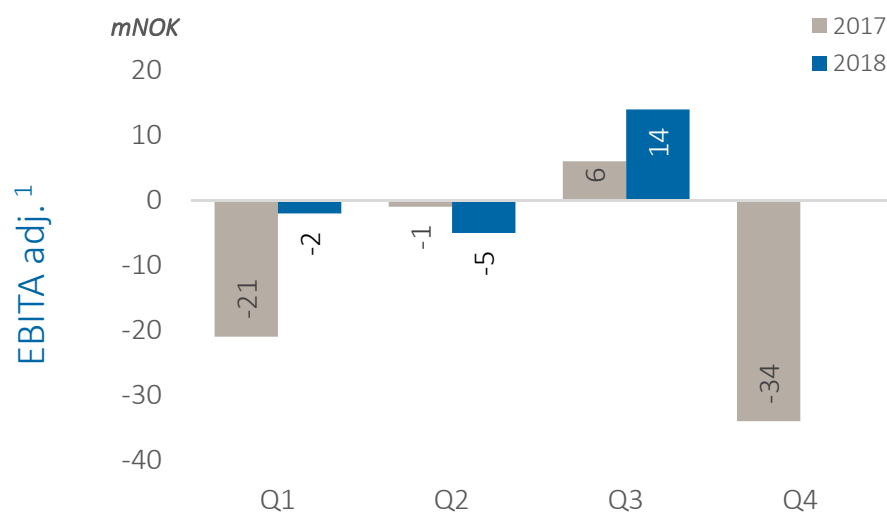


- EBITA adj. margin¹ declined vs Q3-17

Other Businesses key figures – Q3

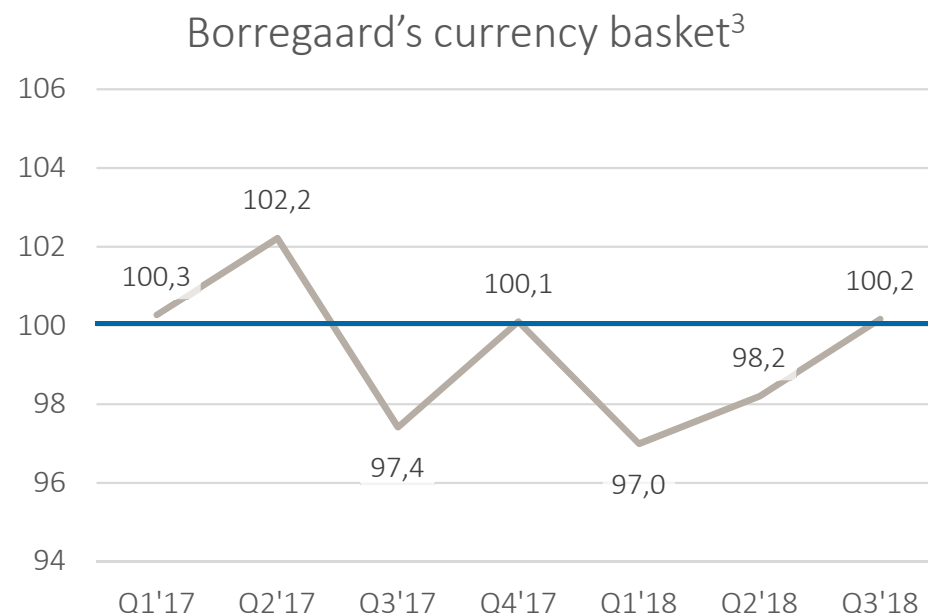
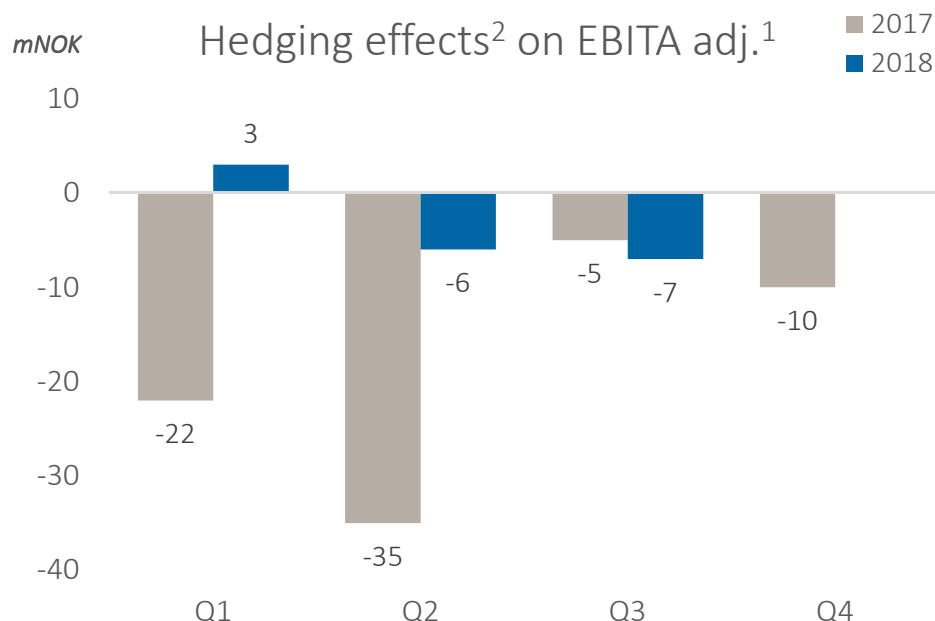


- Revenues 13% above Q3-17
- Higher sales in Ingredients



- **Ingredients:** Stronger result due to higher sales prices and positive market trend for wood-based vanillin
- **Fine Chemicals:** Lower result from unfavourable sales mix and higher raw material costs
- **Cellulose Fibrils and Corporate costs** in line with Q3-17
- Net FX effect insignificant for Other Businesses

Currency impact



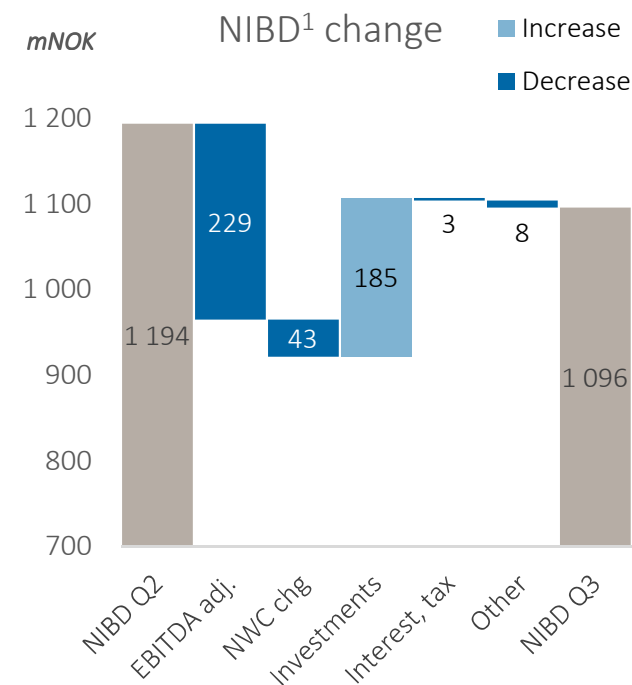
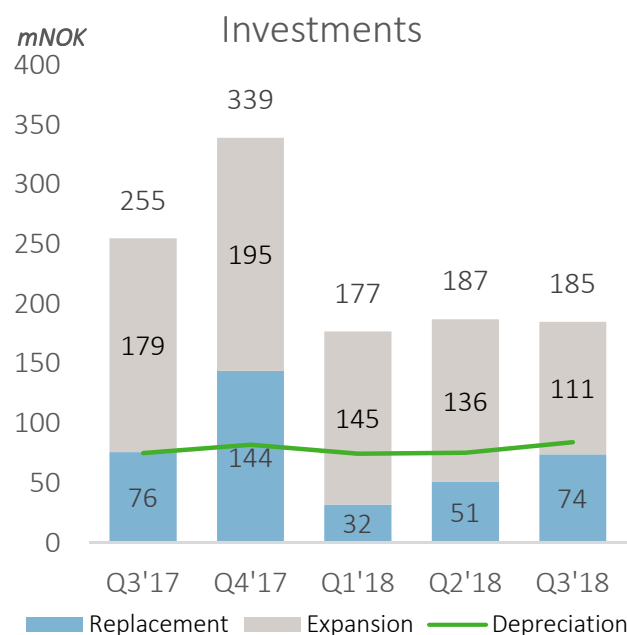
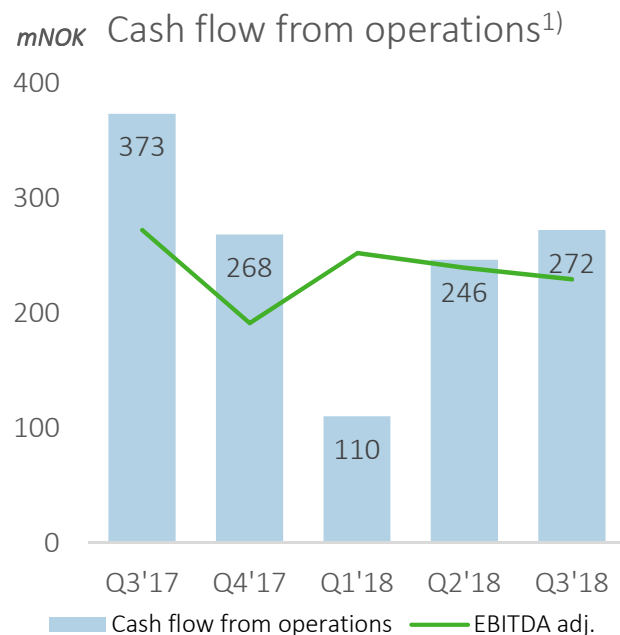
- Net FX EBITA adj.¹ impact 15 mNOK vs Q3-17
 - Includes change in hedging effects and based on estimated FX exposure
 - Net FX EBITA adj.¹ impact YTD 20 mNOK
- Net FX EBITA adj.¹ impact for the full year estimated to be 35 mNOK vs 2017
 - Assuming rates as of 22 October (USD 8.24 and EUR 9.47) on expected FX exposure
 - Net FX EBITA adj.¹ impact in Q4 estimated to be 15 mNOK vs Q4-17
- 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 declined vs Q3-17
 - Lower EBITDA adj.¹ impact and unfavourable net working capital development vs Q3-17
- Expansion investments¹ mainly related to lignin operation upgrade in Norway and Ice Bear project
- NIBD¹ declined by 98 mNOK in Q3

Q&A



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



APPENDIX

Borregaard – key figures

Amounts in NOK million	Q3-2018	Q3-2017	Change	YTD-2018	YTD-2017	Change
Operating revenues	1 150	1 089	6 %	3 566	3 481	2 %
EBITDA adj.¹	229	272	-16 %	720	864	-17 %
EBITA adj.¹	145	197	-26 %	486	640	-24 %
Amortisation intangible assets	-1	-1		-3	-3	
Other income and expenses ¹	0	0		0	0	
Operating profit	144	196	-27 %	483	637	-24 %
Financial items, net	6	-6		-5	-11	
Profit before taxes	150	190	-21 %	478	626	-24 %
Income tax expenses	-45	-45		-118	-153	
Profit for the period	105	145	-28 %	360	473	-24 %
Profit attributable to non-controlling interests	-22	-2		-36	-3	
Profit attributable to owners of the parent	127	147		396	476	
Cash flow from operating activities (IFRS)	278	364		488	604	
Earnings per share	1,27	1,47	-14 %	3,96	4,76	-17 %
<i>EBITDA adj. Margin¹</i>	<i>19,9 %</i>	<i>25,0 %</i>		<i>20,2 %</i>	<i>24,8 %</i>	
<i>EBITA adj. Margin¹</i>	<i>12,6 %</i>	<i>18,1 %</i>		<i>13,6 %</i>	<i>18,4 %</i>	

Operating revenues and EBITA adj.¹ per segment

Amounts in NOK million

Operating revenues	Q3-2018	Q3-2017	Change
Borregaard	1 150	1 089	6 %
Performance Chemicals	559	523	7 %
Speciality Cellulose	381	383	-1 %
Other Businesses	223	197	13 %
Eliminations	-13	-14	

Amounts in NOK million

EBITA adj. ¹	Q3-2018	Q3-2017	Change
Borregaard	145	197	-26 %
Performance Chemicals	55	100	-45 %
Speciality Cellulose	76	91	-16 %
Other Businesses	14	6	133 %

Amounts in NOK million

Operating revenues	YTD-2018	YTD-2017	Change
Borregaard	3 566	3 481	2 %
Performance Chemicals	1 685	1 655	2 %
Speciality Cellulose	1 242	1 263	-2 %
Other Businesses	674	593	14 %
Eliminations	-35	-30	

Amounts in NOK million

EBITA adj. ¹	YTD-2018	YTD-2017	Change
Borregaard	486	640	-24 %
Performance Chemicals	272	373	-27 %
Speciality Cellulose	207	283	-27 %
Other Businesses	7	-16	

Cash flow

Amounts in NOK million	Q3-2018	Q3-2017	YTD-2018	YTD-2017	FY-2017
Amounts in NOK million					
Profit before taxes	150	190	478	626	715
Amortisation, depreciation and impairment charges	85	76	237	227	316
Change in net working capital, etc	43	101	-92	-172	-92
Dividend (share of profit) from JV	3	1	6	-2	11
Taxes paid	-3	-4	-141	-75	-170
Cash flow from operating activities	278	364	488	604	780
Investments property, plant and equipment and intangible assets *	-185	-255	-549	-629	-968
Other capital transactions	2	1	11	8	10
Cash flow from Investing activities	-183	-254	-538	-621	-958
Dividends	0	0	-199	-349	-349
Proceeds from exercise of options/shares to employees	1	0	22	11	11
Buy-back of shares	-2	0	-32	-29	-29
Gain/(loss) on hedges for net investments in subsidiaries	5	45	18	43	8
Net paid to/from shareholders	4	45	-191	-324	-359
Proceeds from interest-bearing liabilities	51	117	1 253	380	668
Repayment from interest-bearing liabilities	-3	-103	-936	-132	-258
Change in interest-bearing receivables/other liabilities	-5	-4	-16	34	46
Change in net interest-bearing liabilities	43	10	301	282	456
Cash flow from financing activities	47	55	110	-42	97
Change in cash and cash equivalents	142	165	60	-59	-81
Cash and cash equivalents at beginning of period	90	43	180	265	265
Change in cash and cash equivalents	142	165	60	-59	-81
Currency effects cash and cash equivalents	-1	-10	-9	-8	-4
Cash and cash equivalents at the end of the period	231	198	231	198	180
* Investment by category					
Replacement Investments	74	76	157	200	344
Expansion investments ¹	111	179	392	429	624

¹ Non-GAAP measure, see Appendix for definition.

Balance sheet

Amounts in NOK million	30.09.2018	30.06.2018	31.12.2017
Assets:			
Intangible assets	99	103	111
Property, plant and equipment	3 450	3 345	3 126
Other assets	101	89	93
Investment in joint venture	96	102	118
Non-current assets	3 746	3 639	3 448
Inventories	846	784	734
Receivables	952	1 004	971
Cash and cash deposits	231	90	180
Current assets	2 029	1 878	1 885
Total assets	5 775	5 517	5 333
Equity and liabilities:			
Group equity	3 109	2 978	2 889
Non-controlling interests	116	137	107
Equity	3 225	3 115	2 996
Provisions and other liabilities	246	250	277
Interest-bearing liabilities	1 061	1 011	743
Non-current liabilities	1 307	1 261	1 020
Interest-bearing liabilities	270	273	283
Other current liabilities	973	868	1 034
Current liabilities	1 243	1 141	1 317
Equity and liabilities	5 775	5 517	5 333
Equity ratio ¹ (%):	55,8 %	56,5 %	56,2 %

Net financial items & net interest-bearing debt¹

Amounts in NOK million

Net financial items	Q3-2018	Q3-2017	YTD-2018	YTD-2017
Net interest expenses	-11	-7	-20	-14
Currency gain/loss	-2	2	-3	4
Other financial items, net	19	-1	18	-1
Net financial items	6	-6	-5	-11

Amounts in NOK million

Net interest-bearing debt ¹ (NIBD)	30.09.2018	30.06.2018	31.12.2017
Non-current interest-bearing liabilities	1 061	1 011	743
Current interest-bearing liabilities including overdraft of cashpool	270	273	283
Non-current interest-bearing receivables (included in "Other Assets")	-4	0	-1
Cash and cash deposits	-231	-90	-180
Net interest-bearing debt¹ (NIBD)	1 096	1 194	845

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 22.10.18)

	USD million	USD rate	EUR million	EUR rate
Q4-2018	38	8.46	21	9.54
2019	118	8.33	87	9.61
2020	84	8.14	76	9.79
2021	43	7.89	39	10.08

Hedging effects by segment

NOK million	Q3-18	Q3-17	YTD-18	YTD-17
Performance Chemicals	0	0	2	-18
Speciality Cellulose	-2	-3	-2	-30
Other Businesses	-5	-2	-10	-14
Borregaard	-7	-5	-10	-62

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

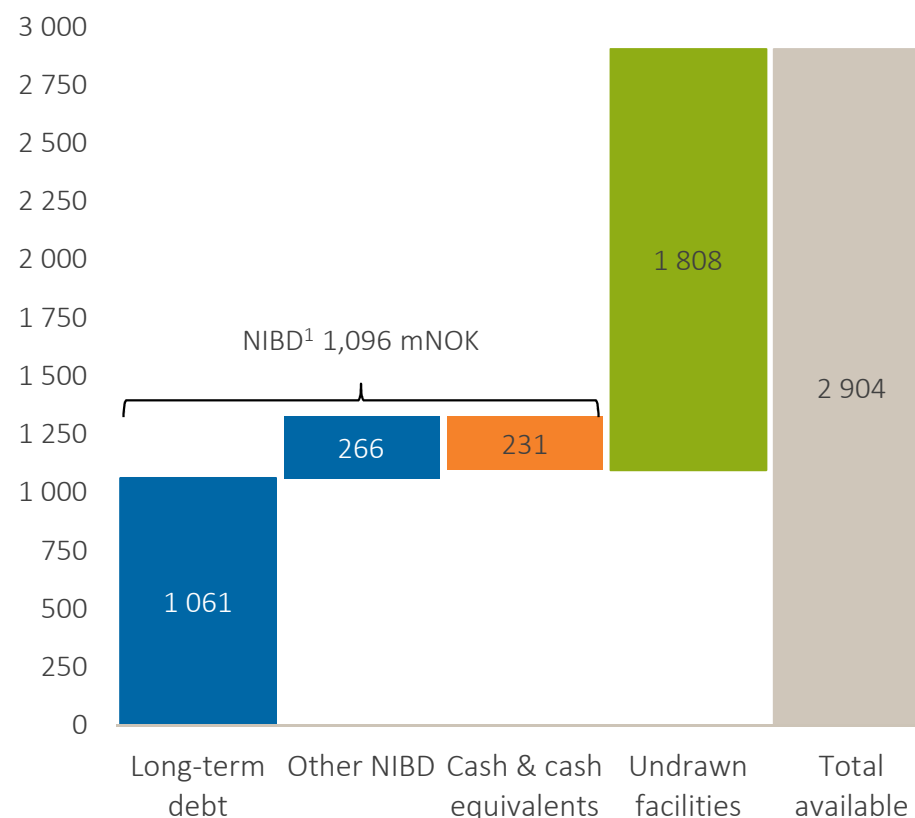
Short-term credit facilities

- 225 mNOK overdraft facilities

Solidity (covenants)

- Equity ratio¹ 55.8% (> 25%)
- Leverage ratio¹ LTM 1.2 (< 3.25)

Debt and undrawn facilities
30.9.2018



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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