2ND QUARTER 2019

Oslo, 16 July 2019

Agenda

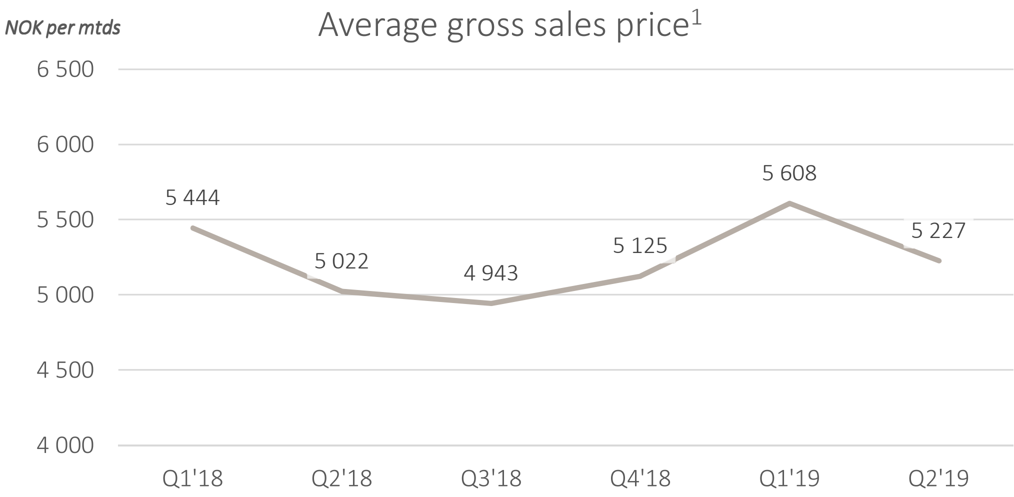
- Per A Sørlie, President & CEO
  - Highlights
  - Business areas
  - Projects update
  - Outlook
- Per Bjarne Lyngstad, CFO
  - Financial performance

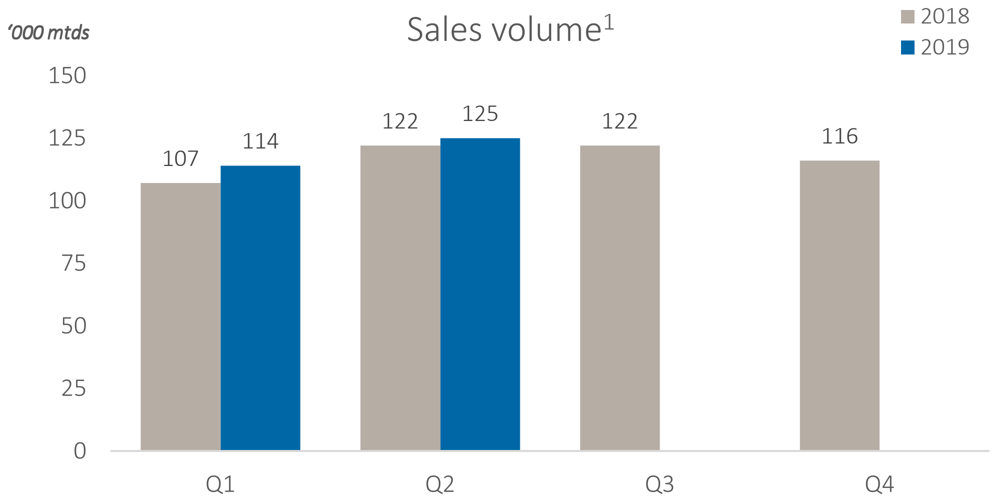
Highlights – 2nd quarter 2019

- EBITA adj.[1] 179 mNOK (164 mNOK)
- Favourable product mix for Performance Chemicals
- Higher wood costs affecting Speciality Cellulose
- Continued strong improvement in Ingredients
- Positive net currency impact

[1] *Alternative performance measure, see Appendix for definition*

Performance Chemicals markets – Q2





- Favourable product mix
- Lower prices in sales currency to concrete admixtures
- Positive FX effects

- Sales volume 2% higher vs Q2-18
- Sales development in certain markets slower than expected
- Volume growth for Industrial products and Specialities, Construction volumes slightly lower vs Q2-18
- Florida plant sales volume in accordance with the ramp-up plan

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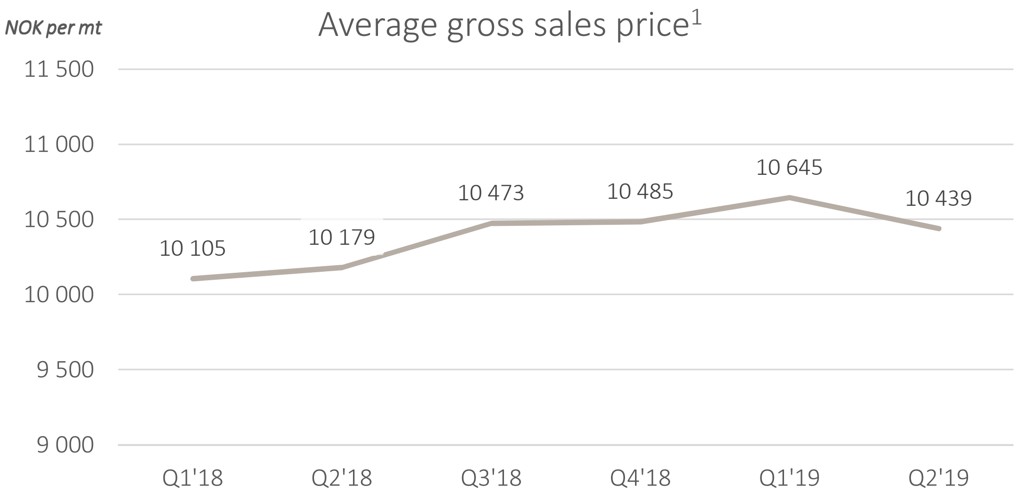
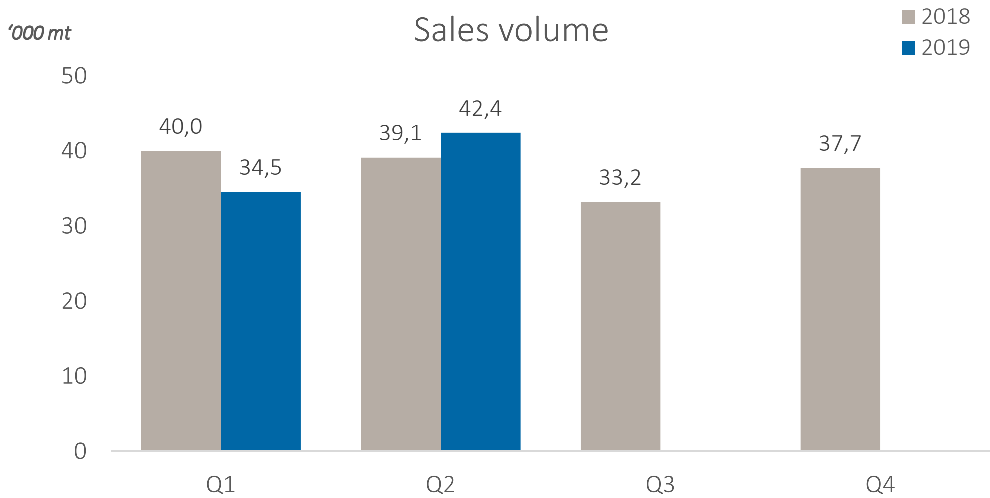
[1] *Average sales price and sales volume reflect 100% of sales and volume from the J/V in South Africa.*
Average sales price is calculated using actual FX rates, excluding hedging impact.

Speciality Cellulose markets – Q2





- Slightly lower prices for certain grades vs Q2-18, partly compensated by improved product mix
- High sales volume of speciality cellulose
- High deliveries of bioethanol
- Positive FX impact

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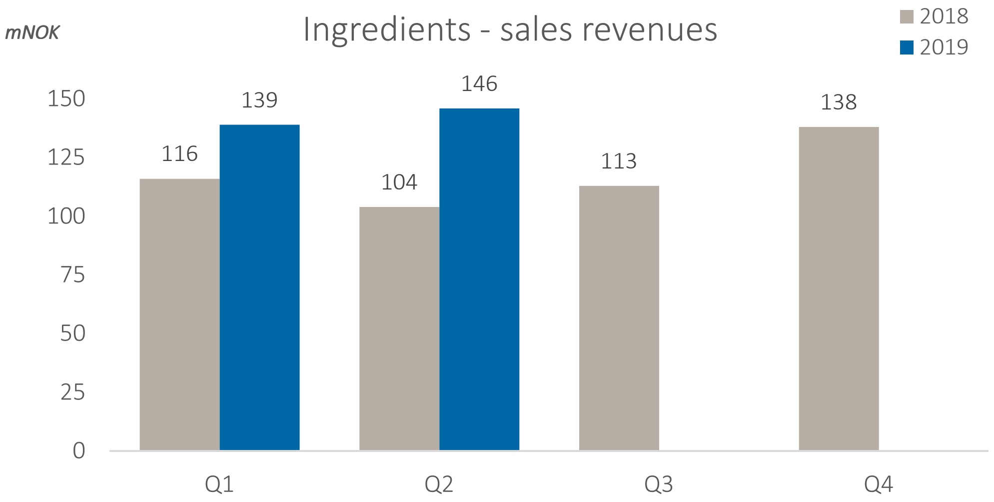
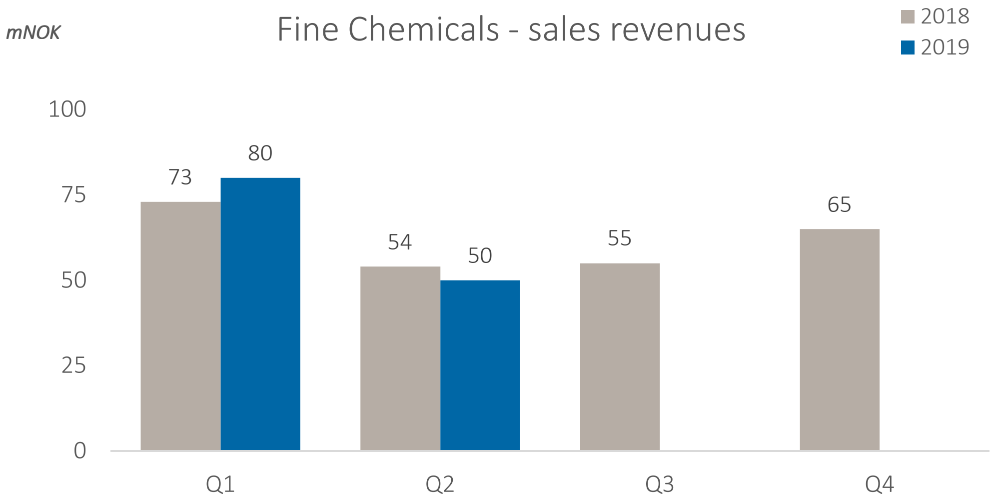
[1] *Average sales price is calculated using actual FX rates, excluding hedging impact.*

Ingredients & Fine Chemicals markets – Q2





- Ingredients
  - High sales prices for wood based vanillin
  - Favourable product mix vs Q2-18
- Fine Chemicals
  - Low deliveries
  - Lower average prices in sales currency vs Q2-18

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Capacity increase for wood based vanillin

- Capacity increase at least 250 tonnes
  - Part of the increase will be realised before end 2019
- Construction to start H2-19, completion H1-21
- Debottlenecking of existing facility
- Capex 130 mNOK

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Increased utilisation of residuals as bioenergy

- Residuals from production processes at the Sarpsborg site are used as bioenergy
- Removal of water and salts before burning will increase efficiency and capacity
- Investment cost 131 mNOK, support from Enova mNOK 46,2 (net capex mNOK 85)
- Completion 2021
- Energy savings 20 GWh per year, longer term potential 34 GWh
- Reducing CO_2 emissions by 1,200 tonnes, longer term 1,400 tonnes

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Norway lignin upgrade/logistics projects

Sarpsborg upgrade/specialisation

- Additional dryer with packaging capacity
- Improved solution for logistics of liquid materials
- Capex ≈10% below 500 mNOK budget
- Annual cost savings > 40 mNOK, gradual realisation from 2020
- Several further benefits
- In operation from July 2019

New lignin warehouse at the Port of Borg

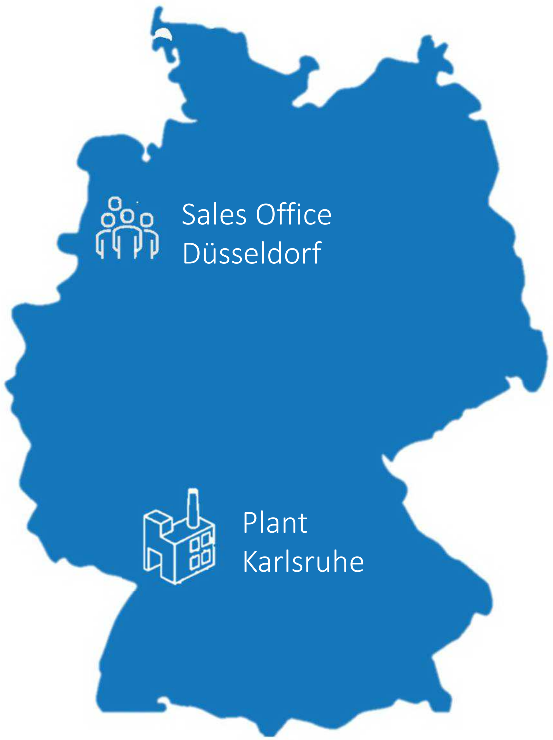
- New modern warehouse for dried lignin
- Built, owned and operated by the Port of Borg (IFRS 16 Leases effects)
- In operation from June 2019

Increased depreciation (total both projects)

- 15 mNOK in H2-19

Restructuring of German lignin operation

- Drying capacity utilised for balancing liquid volumes from Norway and other European sources
- Increased drying capacity in Norway reduces the need for drying in Germany
- Operation will be aligned with future needs
  - Reduced logistics costs and manning
  - Annual cost savings ≈20 mNOK from 2020[1]
  - Restructuring costs 16 mNOK recognised in Q2-19



[1] *In addition to the expected cost savings for the lignin operation upgrade and specialisation in Norway*

Outlook

- Performance Chemicals
  - 2019 sales volume forecast to increase by ≈5%
  - Continued strong competition and price pressure for lignin products to concrete admixtures expected to be compensated by diversification and specialisation
  - Fixed costs and depreciation for the Florida plant expected to be ≈45 mNOK above 2018
  - In H2-19, depreciation will increase by ≈15 mNOK related to the upgrade of the lignin operation and the new warehouse in Norway
- Speciality Cellulose
  - Average cellulose price in sales currency expected to be in line with 2018 level
  - Improved product mix will compensate for weaker prices for acetate and textile cellulose, however a more specialised product mix implies a higher manufacturing cost
  - Wood prices for H2-19 agreed with most suppliers; wood costs reduced vs H1-19 and slightly above H2-18
  - Q3 sales volume forecast expected to be lower vs Q2-19, volume of highly specialised products expected to be in line with Q2-19
- Other Businesses
  - Ingredients expected to continue to deliver strong results in H2-19, driven by the positive market trend for wood based vanillin
  - No major changes expected in market conditions for Fine Chemicals
  - Sales will gradually increase for Cellulose Fibrils, but long lead-times for conversion of sales prospects. Remaining grant from EU Horizon 2020[1] will cover a smaller share of costs than in previous years

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[1] *The Exilva project has received 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.*

FINANCIAL PERFORMANCE Q2-19

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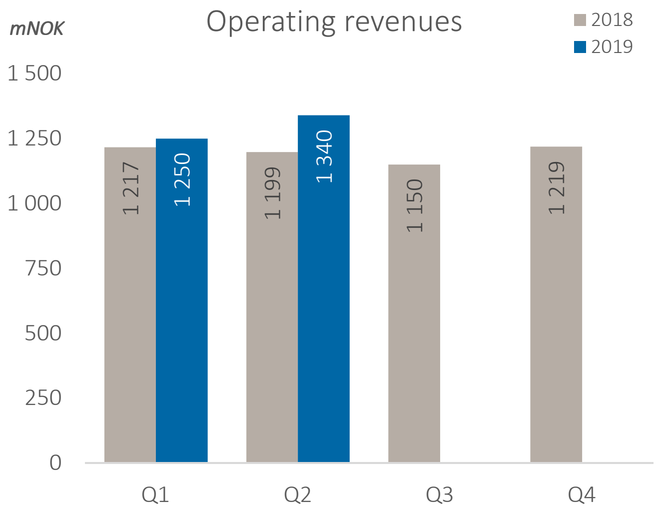
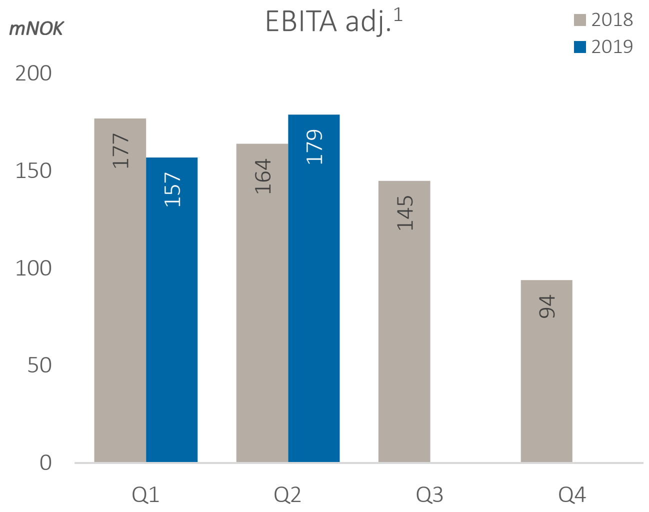
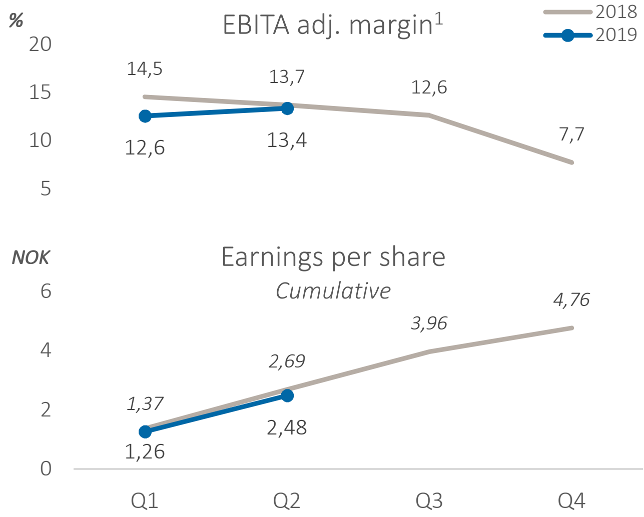
Borregaard key figures – Q2







- Revenues 12% above Q2-18
- EBITA adj.[1] increased to 179 mNOK for the Group
  - Performance Chemicals and Other Businesses results improved vs Q2-18, whereas Speciality Cellulose had a decline
  - Positive FX effects in all segments
- EPS at NOK 1.22 (NOK 1.32)
  - 16 mNOK accrued as Other expenses[1] for restructuring of German operation

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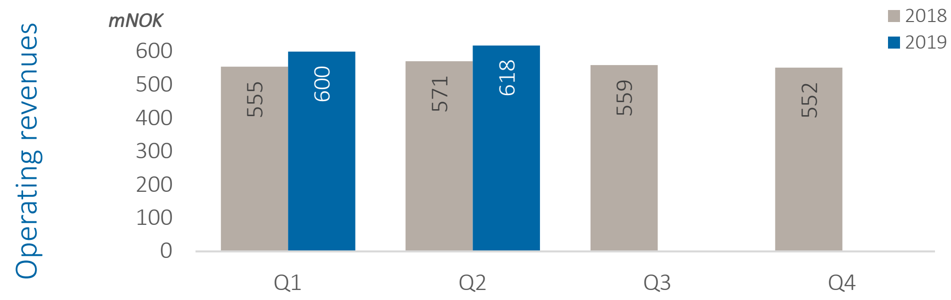
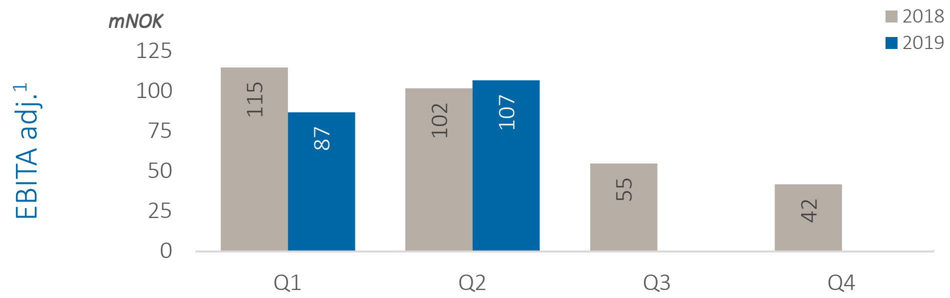
[1] *Alternative performance measure, see Appendix for definition*

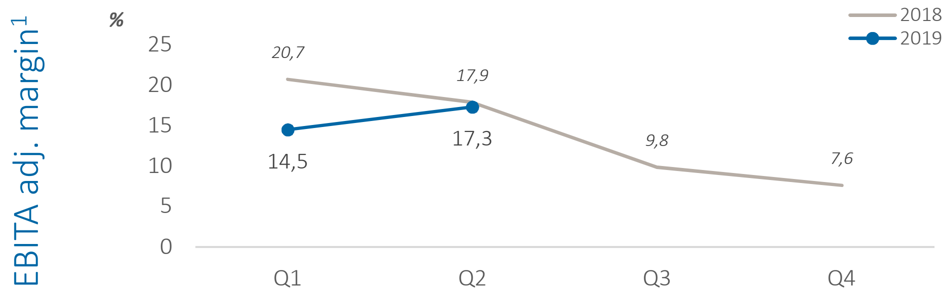
Performance Chemicals key figures – Q2



- Revenues 8% above Q2-18
- 2% higher sales volume
- Positive net FX impact



- Favourable product mix
- Higher fixed costs and depreciation for the Florida plant
- Higher sales volume
- Lower prices in sales currency to concrete admixtures
- Positive net FX impact



- EBITA adj. margin[1] close to Q2-18

[1] *Alternative performance measure, see Appendix for definition*

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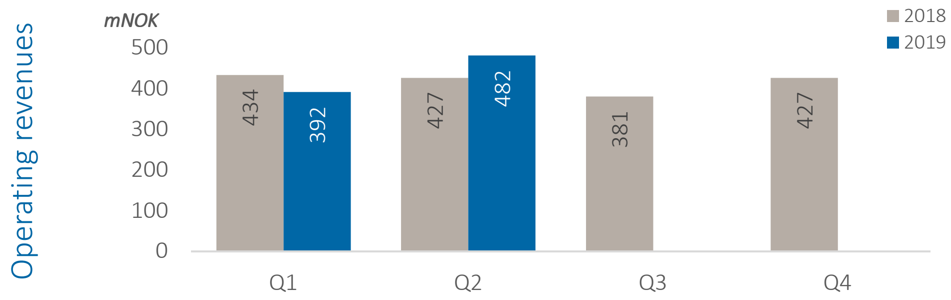
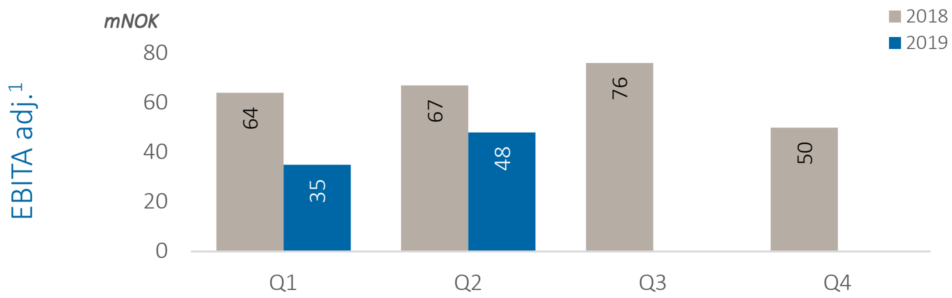
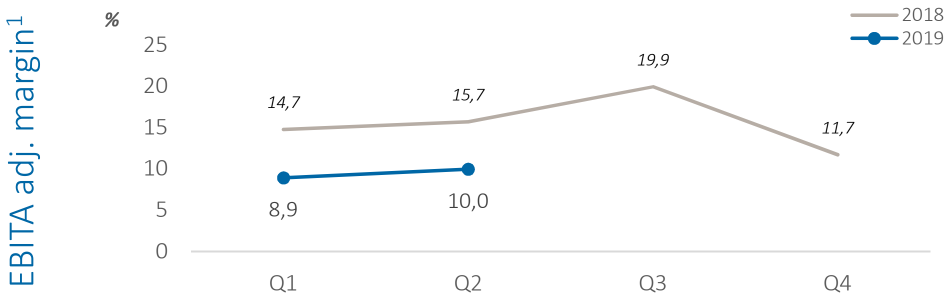
Speciality Cellulose key figures – Q2



- Revenues 13% above Q2-18
- High sales volume
- Positive FX effects



- Increased wood costs
- High sales volume
- Improved, but more costly product mix
- High deliveries of bioethanol
- Positive net FX impact



- EBITA adj. margin[1] declined vs Q2-18

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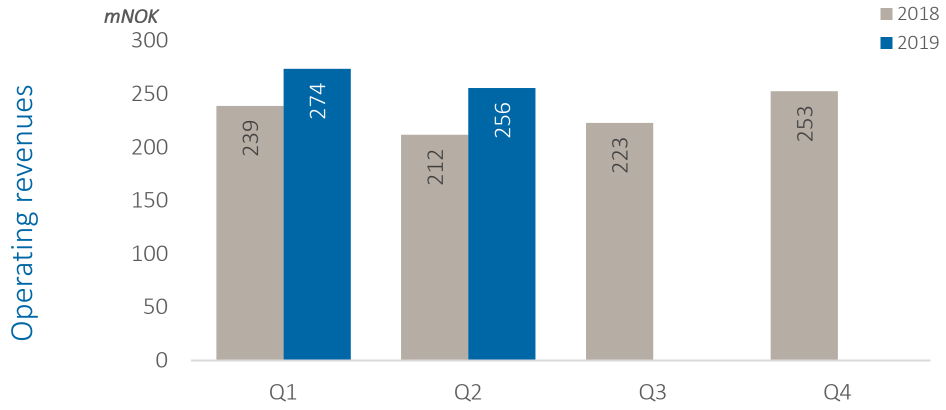
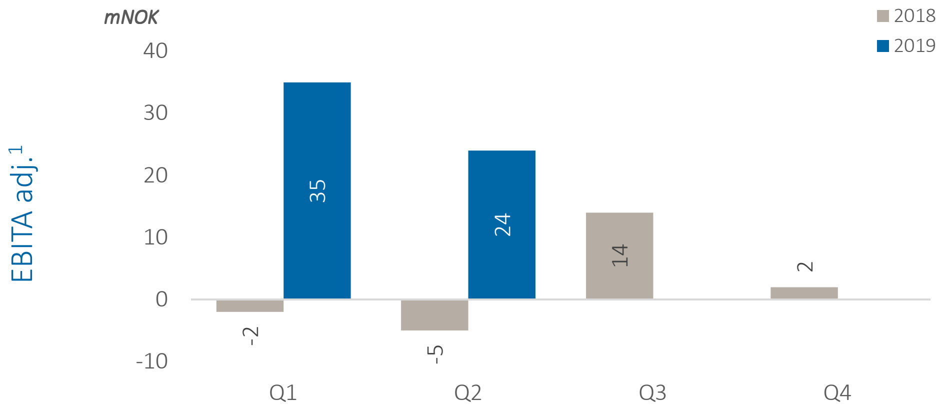
[1] *Alternative performance measure, see Appendix for definition*

Other Businesses key figures – Q2



- Revenues 21% above Q2-18
- Higher sales in Ingredients

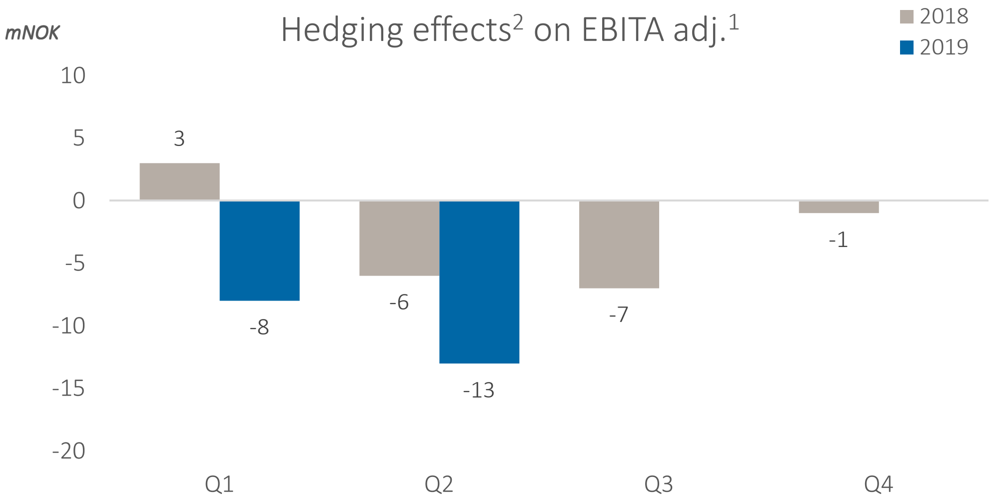


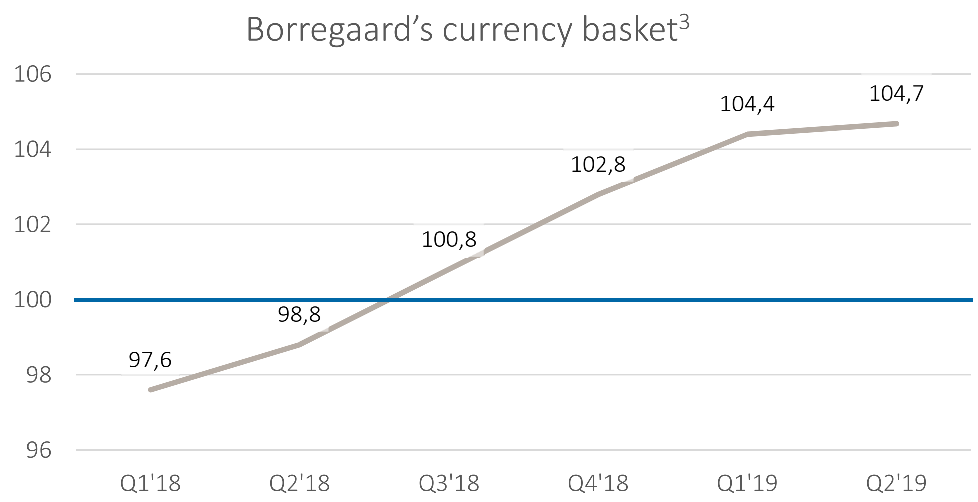
- **Ingredients**: Strong result from higher sales prices for wood based vanillin and a favourable product mix vs Q2-18
- **Fine Chemicals**: Weaker result from lower deliveries and lower average price in sales currency
- **Cellulose Fibrils:** Slightly improved result; higher sales and improved productivity more than compensated for reduced cost coverage[2]
- **Corporate costs** were in line with Q2-18
- Positive net FX effects for Other Businesses

[1] *Alternative performance measure, see Appendix for definition*

[2] *The Exilva project has received 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.*

Currency impact





- Net FX EBITA adj.[1] impact +30 mNOK vs Q2-18
  - Includes change in hedging effects and based on estimated FX exposure
  - Net FX EBITA adj.[1] impact YTD +60 mNOK
- Net FX EBITA adj.[1] impact in 2019 estimated to be +75 mNOK vs 2018
  - Assuming rates as of 15 July (USD 8.54 and EUR 9.62) on expected FX exposure
  - Net FX EBITA adj.[1] impact in Q3 estimated to be +15 mNOK vs Q3-18
- Significant FX exposure, but delayed impact of FX rate fluctuations due to hedging policy

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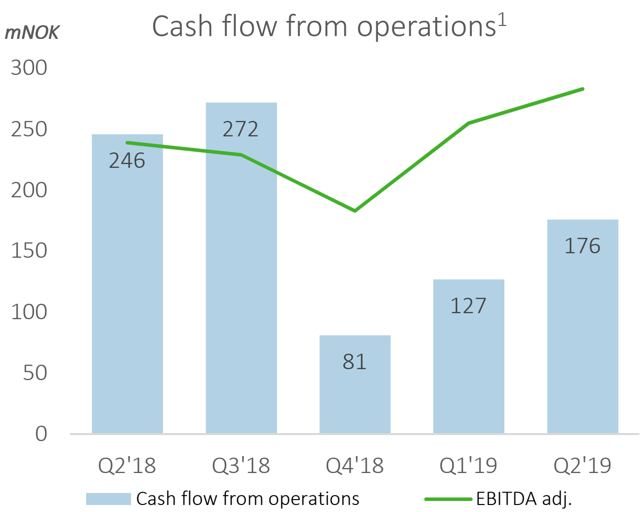
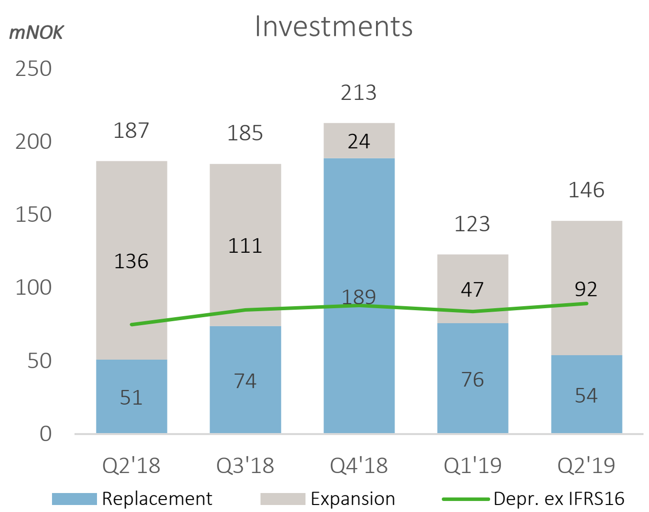
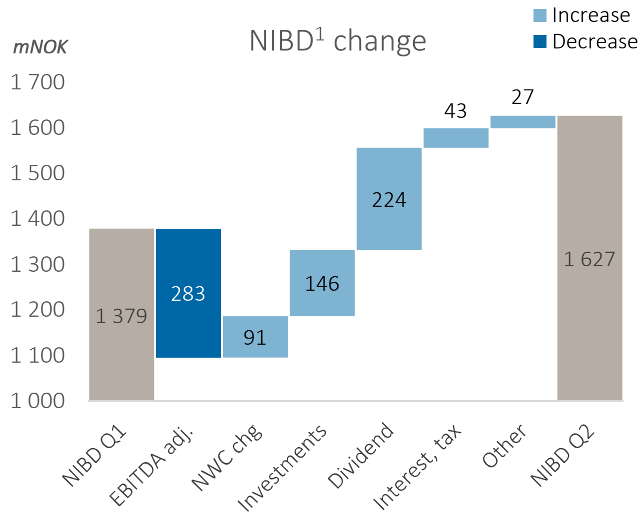
[1]Alternative performance measure, see Appendix for definition.
[2]See appendix for currency hedging strategy, future hedges and hedging effects by segment.
[3]Currency basket based on Borregaard's net exposure in 2018 (=100): USD 65% (approx. 190 mUSD), EUR 34% (approx. 84 mEUR), Other 1% (GBP, BRL, JPY, SEK, ZAR).

Cash flow, investments and NIBD







- Cash flow from operations[1] declined vs Q2-18
    - Unfavourable development in net working capital vs Q2-18, partly offset by cash effect of increased EBITDA adj.[1]
- Investments lower than Q2-18
    - Expansion investments mainly related to the upgrade and specialisation of the lignin operation in Norway and completion of the lignin plant in Florida
- NIBD[1] increased by 248 mNOK in Q2
    - Dividend payment of 224 mNOK

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[1] *Alternative performance measure, see Appendix for definition*

Q&A

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

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APPENDIX

Borregaard
The Sustainable Biorefinery

Borregaard – key figures

Amounts in NOK million	Q2-2019	Q2-2018	Change	YTD-2019	YTD-2018	Change
Operating revenues	**1 340**	**1 199**	***12 %***	**2 590**	**2 416**	***7 %***
EBITDA adj.[1]	**283**	**239**	***18 %***	**538**	**491**	***10 %***
EBITA adj.[1]	**179**	**164**	***9 %***	**336**	**341**	***-1 %***
Amortisation intangible assets	-1	-1		-2	-2	
Other income and expenses[1]	-16	0		-16	0	
Operating profit	**162**	**163**	***-1 %***	**318**	**339**	***-6 %***
Financial items, net	-22	-4		-37	-11	
Profit before taxes	**140**	**159**	***-12 %***	**281**	**328**	***-14 %***
Income tax expenses	-33	-36		-66	-73	
Profit for the period	**107**	**123**	***-13 %***	**215**	**255**	***-16 %***
Profit attributable to non-controlling interests	-15	-9		-33	-14	
Profit attributable to owners of the parent	122	132		248	269	
Cash flow from operating activities (IFRS)	**133**	**179**		**177**	**210**	
Earnings per share	**1,22**	**1,32**	***-8 %***	**2,48**	**2,69**	***-8 %***
EBITDA adj. Margin [1]	*21,1 %*	*19,9 %*		*20,8 %*	*20,3 %*	
EBITA adj. Margin [1]	*13,4 %*	*13,7 %*		*13,0 %*	*14,1 %*	

[1] Alternative performance measure, see Appendix for definition

Effects of IFRS 16 Leases – 1st half of 2019

INCOME STATEMENT (mNOK)

	IAS 17	IFRS 16	Change
EBITDA adj.[1]	506	538	32
Depreciation	-173	-202	-29
EBITA adj.[1]	333	336	3
Operating profit	315	318	3
Net financial items	-31	-37	-6
Profit before tax	284	281	-3
Earnings per share	2,51	2,48	-0,03

BALANCE SHEET (mNOK)

	IAS 17	IFRS 16	Change
Total assets	6 199	6 595	396
Equity	3 363	3 361	-2

OTHER KEY FIGURES AND RATIOS

	IAS 17	IFRS 16	Change
EBITDA adj. margin[1]	19,6 %	20,8 %	1,2%-p
EBITA adj. margin[1]	12,9 %	13,0 %	0,1%-p
Capital empolyed[1]	4 967	5 230	263
Return on capital employed[1]	11,5 %	11,0 %	-0,5%-p
Net interest-bearing debt[1]	1 627	2 025	398
Leverage ratio[1]	1,77	2,07	-0,30
Equity ratio[1]	54,3 %	51,0 %	-3,3%-p

IAS 17: Operating leases off-balance sheet as a single expense. Finance leases on balance sheet

IFRS 16: Operating leases recognise assets and liabilities on balance sheet. Operating leases to report depreciation and interest separately.

Green background: Reported figures in 2019

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[1] *Alternative performance measure, see Appendix for definition*

Operating revenues and EBITA adj.[1] per segment

Amounts in NOK million

Operating revenues	Q2-2019	Q2-2018	Change
Borregaard	**1 340**	**1 199**	***12 %***
Performance Chemicals	618	571	*8 %*
Speciality Cellulose	482	427	*13 %*
Other Businesses	256	212	*21 %*
Eliminations	-16	-11	

Amounts in NOK million

EBITA adj.[1]	Q2-2019	Q2-2018	Change
Borregaard	**179**	**164**	***9 %***
Performance Chemicals	107	102	*5 %*
Speciality Cellulose	48	67	*-28 %*
Other Businesses	24	-5	

Amounts in NOK million

Operating revenues	YTD-2019	YTD-2018	Change
Borregaard	**2 590**	**2 416**	***7 %***
Performance Chemicals	1 218	1 126	*8 %*
Speciality Cellulose	874	861	*2 %*
Other Businesses	530	451	*18 %*
Eliminations	-32	-22	

Amounts in NOK million

EBITA adj.[1]	YTD-2019	YTD-2018	Change
Borregaard	**336**	**341**	***-1 %***
Performance Chemicals	194	217	*-11 %*
Speciality Cellulose	83	131	*-37 %*
Other Businesses	59	-7	

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[1] Alternative performance measure, see Appendix for definition

Cash flow

Amounts in NOK million	Q2-2019	Q2-2018	YTD-2019	YTD-2018	FY-2018
Amounts in NOK million					
Profit before taxes	140	159	281	328	562
Amortisation, depreciation and impairment charges	105	76	204	152	327
Change in net working capital, etc	-91	7	-219	-135	-194
Dividend (share of profit) from JV	0	3	0	3	6
Taxes paid	-21	-66	-89	-138	-143
Cash flow from operating activities	**133**	**179**	**177**	**210**	**558**
Investments property, plant and equipment and intangible assets *	-146	-187	-269	-364	-762
Other capital transactions	2	5	11	9	13
Cash flow from Investing activities	**-144**	**-182**	**-258**	**-355**	**-749**
Dividends	-224	-199	-224	-199	-199
Proceeds from exercise of options/shares to employees	11	4	30	21	23
Buy-back of shares	-21	-8	-48	-30	-32
Gain/(loss) on hedges for net investments in subsidiaries	5	-27	9	13	-22
Net paid to/from shareholders	**-229**	**-230**	**-233**	**-195**	**-230**
Proceeds from interest-bearing liabilities	1 000	969	1 347	1 202	1 292
Repayment from interest-bearing liabilities	-837	-731	-1 053	-933	-960
Change in interest-bearing receivables/other liabilities	1	-4	-7	-11	-2
Change in net interest-bearing liablities	**164**	**234**	**287**	**258**	**330**
Cash flow from financing activities	**-65**	**4**	**54**	**63**	**100**
Change in cash and cash equivalents	**-76**	**1**	**-27**	**-82**	**-91**
Cash and cash equivalents at beginning of period	134	92	86	180	180
Change in cash and cash equivalents	-76	1	-27	-82	-91
Currency effects cash and cash equivalents	1	-3	0	-8	-3
Cash and cash equivalents at the end of the period	**59**	**90**	**59**	**90**	**86**
* Investment by category					
Replacement Investments	54	51	130	83	346
Expansion investments[1]	92	136	139	281	416

[1] *Alternative performance measure, see Appendix for definition*

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Balance sheet

Amounts in NOK million	30.6.2019	31.3.2019	31.12.2018
Assets:			
Intangible assets	92	95	100
Property, plant and equipment	4 102	3 875	3 623
Other assets	225	230	230
Investment in joint venture	100	98	100
Non-current assets	**4 519**	**4 298**	**4 053**
Inventories	907	908	856
Receivables	1 092	1 081	956
Cash and cash deposits	77	134	86
Current assets	**2 076**	**2 123**	**1 898**
Total assets	**6 595**	**6 421**	**5 951**
Equity and liabilities:			
Group equity	3 189	3 296	3 123
Non-controlling interests	172	188	198
Equity	**3 361**	**3 484**	**3 321**
Provisions and other liabilities	240	241	271
Interest-bearing liabilities	1 526	1 323	1 115
Non-current liabilities	**1 766**	**1 564**	**1 386**
Interest-bearing liabilities	580	415	272
Other current liabilities	888	958	972
Current liabilities	**1 468**	**1 373**	**1 244**
Equity and liabilities	**6 595**	**6 421**	**5 951**
Equity ratio[1] (%):	51,0 %	54,3 %	55,8 %

[1] *Alternative performance measure, see Appendix for definition*

Net financial items & net interest-bearing debt[1]

Amounts in NOK million

Net financial items	Q2-2019	Q2-2018	YTD-2019	YTD-2018
Net interest expenses	-18	-5	-31	-9
Currency gain/loss	-3	2	-5	0
Other financial items, net	-1	-1	-1	-2
Net financial items	**-22**	**-4**	**-37**	**-11**

Amounts in NOK million

Net interest-bearing debt[1] (NIBD)	30.6.2019	31.3.2019	31.12.2018
Non-current interest-bearing liabilities	1 526	1 323	1 115
Current interest-bearing liabilities including overdraft of cashpool	580	415	272
Non-current interest-bearing receivables (included in "Other Assets")	-4	-4	-4
Cash and cash deposits	-77	-134	-86
Net interest-bearing debt[1] (NIBD)	**2 025**	**1 600**	**1 297**
Impact of IFRS 16 Leases	398	221	
Net interest-bearing debt[1] excluding impact of IFRS 16 Leases	**1 627**	**1 379**	

[1] *Alternative performance measure, see Appendix for definition*

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Currency hedging strategy

Purpose is to delay effects of currency fluctuations and secure competitiveness

- Hedging based on expected EBITA adj. impact[1]
  - **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 15.07.19)

	USD million	USD rate	EUR million	EUR rate
Q3-2019	*35*	*8.29*	*23*	*9.62*
Q4-2019	*37*	*8.40*	*24*	*9.63*
RoY 2019	72	8.35	47	9.63
2020	134	8.26	91	9.82
2021	110	8.19	76	10.10
2022	47	8.44	33	10.26

Hedging effects by segment

NOK million	Q2-19	Q2-18	YTD-19	YTD-18
Performance Chemicals	-3	0	-5	2
Speciality Cellulose	-7	-2	-11	0
Other Businesses	-3	-4	-5	-5
Borregaard	**-13**	**-6**	**-21**	**-3**

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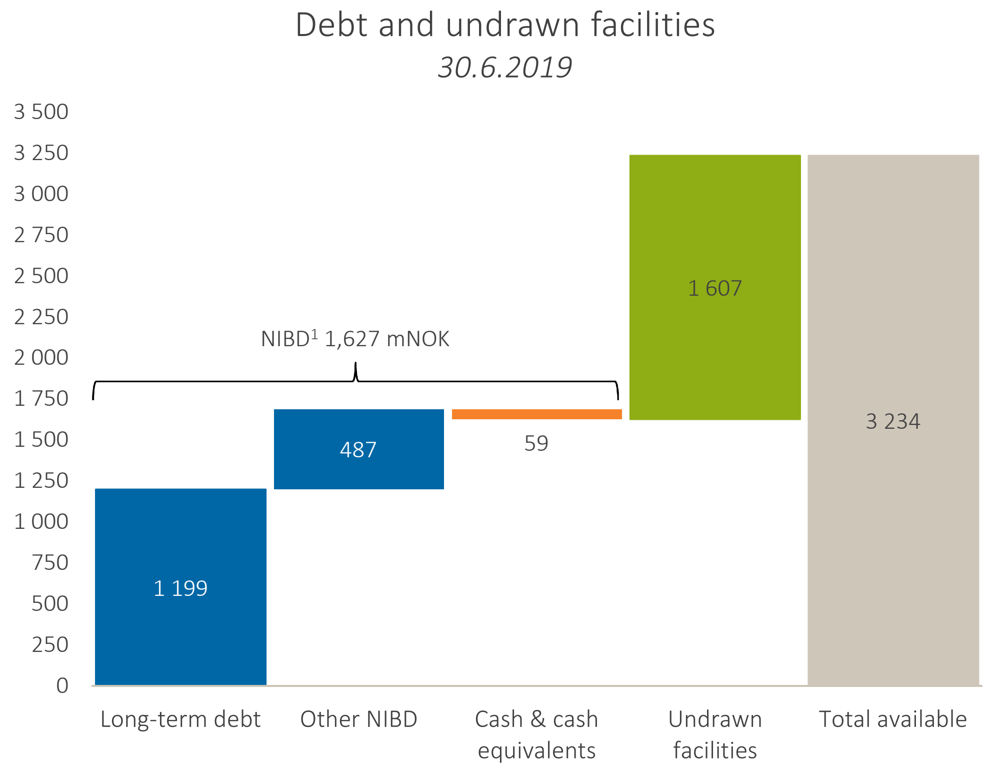
[1] Hedging done mainly in the Norwegian company
[2] Strict definition of contracts applied for 100% hedging (mutually binding agreement in which price, currency, volume and time are defined)

Credit facilities, solidity and debt

- **Long-term credit facilities**
  - 1,500 mNOK revolving credit facilities, maturity 2021
  - 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
  - 400 mNOK commercial paper
- **Solidity (covenants)**
  - Equity ratio[1] 51.0% (> 25%)
  - Leverage ratio[1] LTM 1.77 (< 3.25)



[1] *Alternative performance measure, see Appendix for definition*

Alternative performance 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., excluding the impact on EBITDA of IFRS 16 Leases.
- **Net interest-bearing debt (NIBD):** Interest-bearing liabilities, excluding the impact of IFRS 16 Leases, minus interest-bearing assets (see slide 26).
- **Return on capital employed (ROCE):** Last twelve months' (LTM) EBITA adj., excluding the impact of IFRS 16 Leases, 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 (excluding the impact of IFRS 16 Leases) and investment in joint venture minus net pension liabilities.

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