



1ST QUARTER 2017

Oslo, 3 May 2017

Agenda



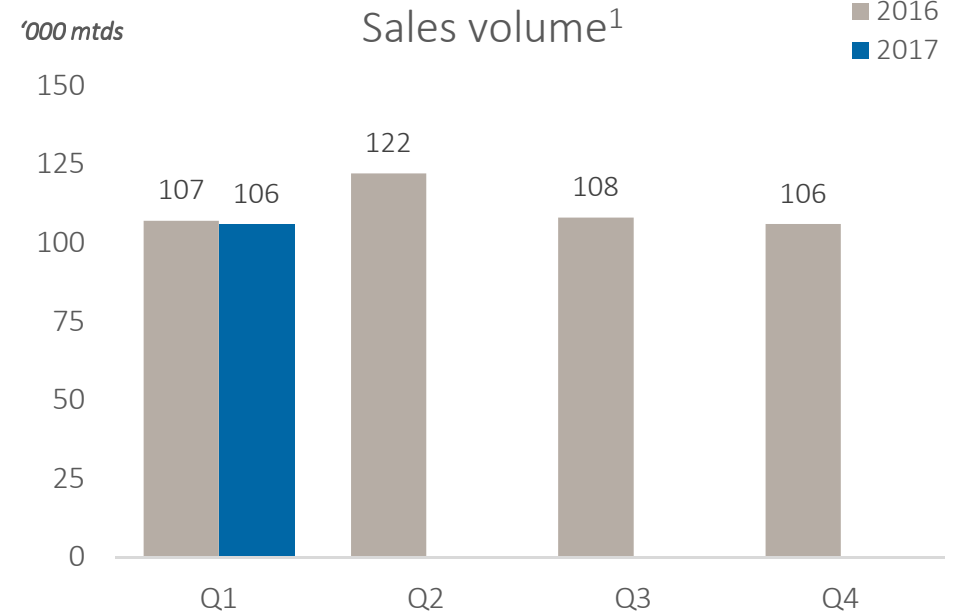
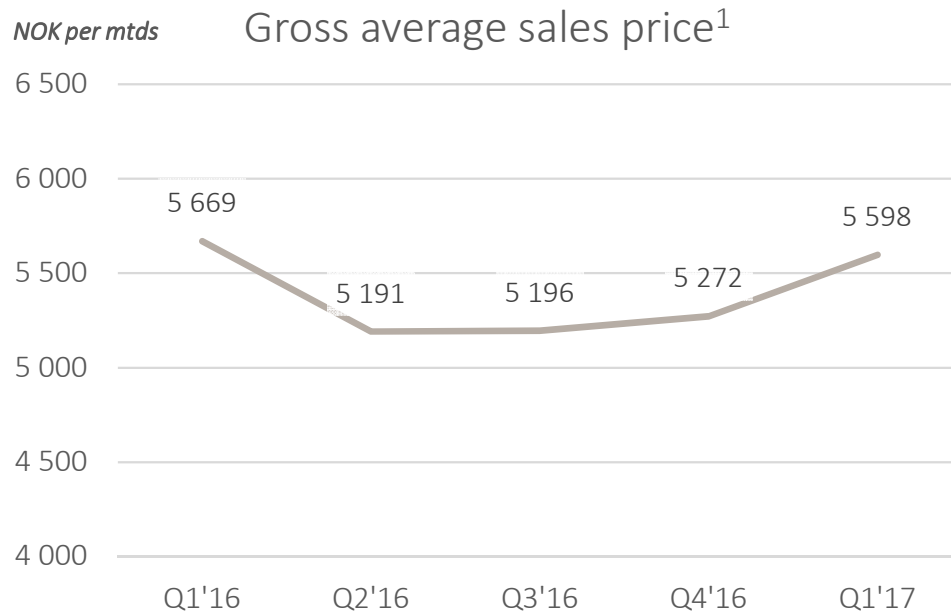
- Per A Sørli, President & CEO
 - Highlights
 - Business areas
 - Sarpsborg biorefinery investments
 - Outlook
- Per Bjarne Lyngstad, CFO
 - Financial performance

Highlights – 1st quarter 2017



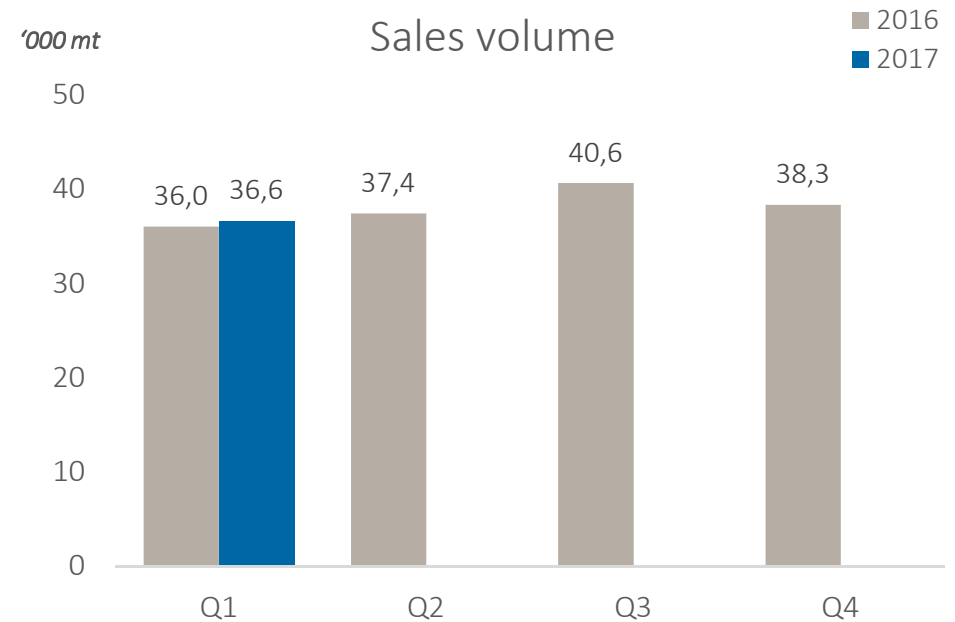
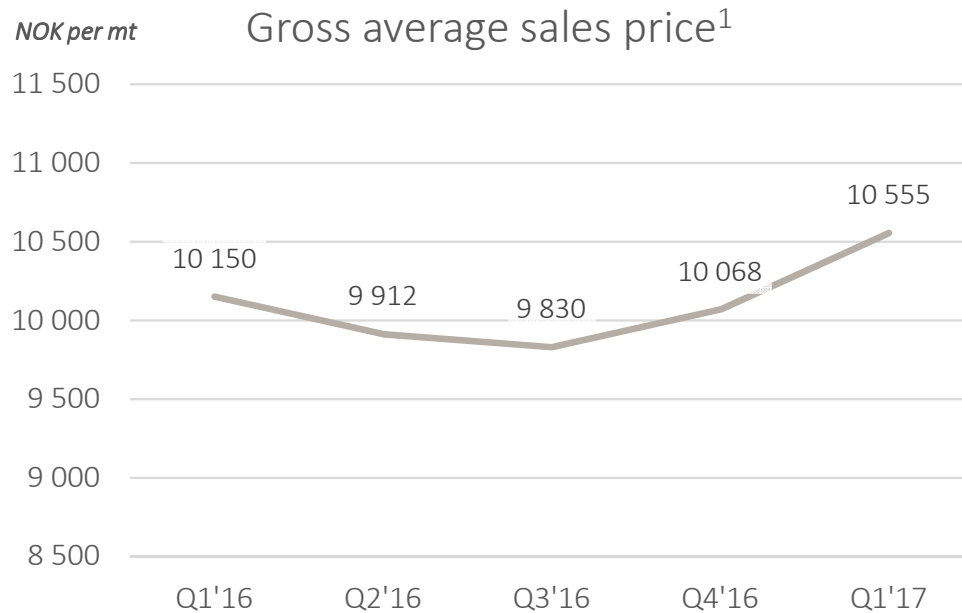
- All-time high 1st quarter EBITA adj.¹ for the Group
- Increased sales of specialities in Performance Chemicals
- Higher prices and better product mix in Speciality Cellulose
- Weaker results in Ingredients and Fine Chemicals
- Slightly negative currency effects
- Specialisation and upgrade investments at the Sarpsborg biorefinery

Performance Chemicals markets – Q1



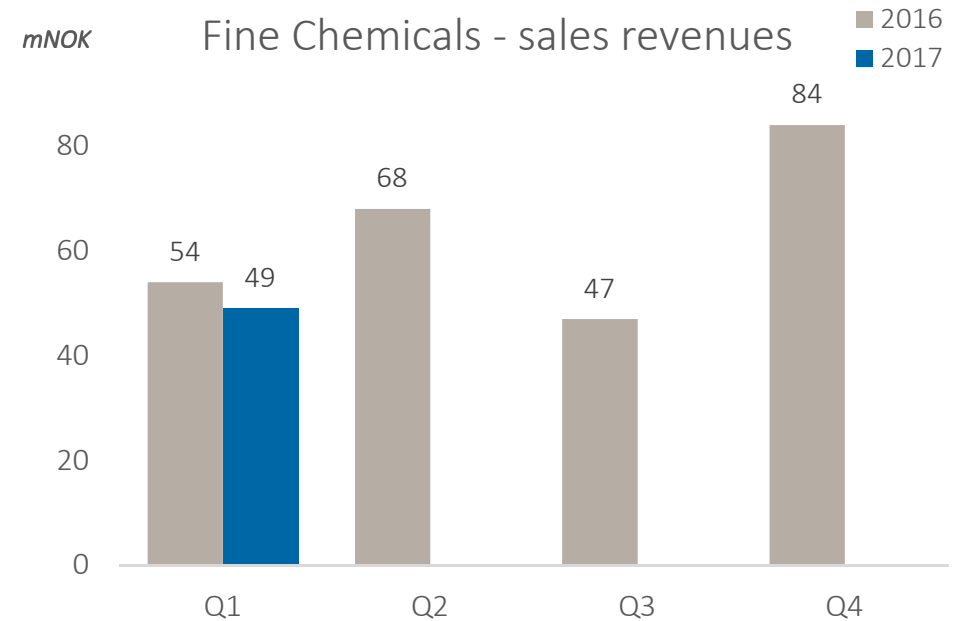
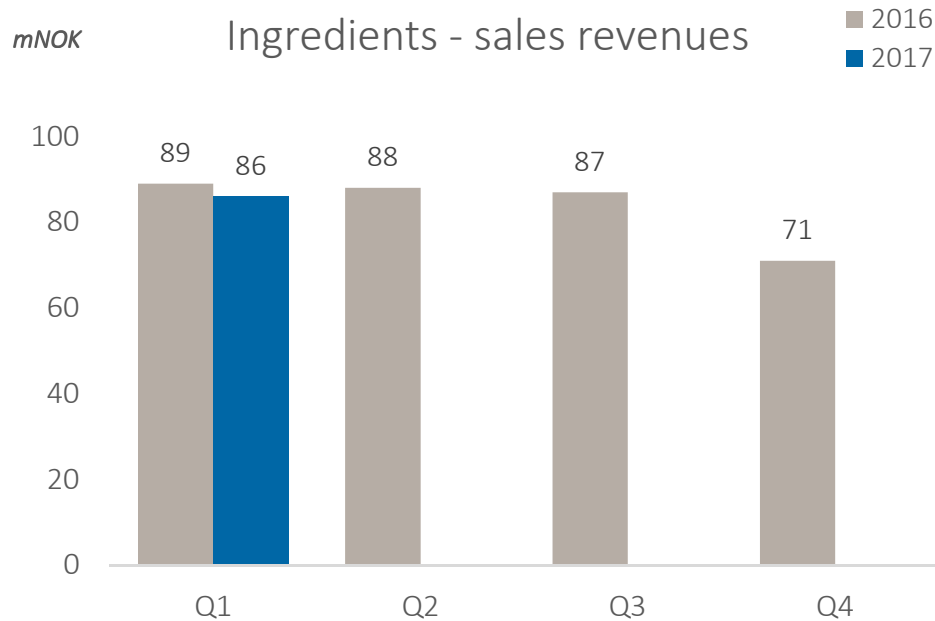
- Higher average price in sales currency vs Q1-16
 - Improved product mix
- Sales volume in line with Q1-16
 - Increased sales to USA and China
 - Increased Specialities sales; agrochemicals, plant nutrition, batteries and oil field chemicals
 - Construction market remains challenging; Brazil, Turkey and the Middle East

Speciality Cellulose markets – Q1



- Higher prices and improved product mix vs Q1-16
- Increased sales of highly specialised grades
- Strong demand for ether grades and textile cellulose
- Market for acetate cellulose remained more competitive

Ingredients and Fine Chemicals markets – Q1



- Ingredients

- Positive market development for key products

- Fine Chemicals

- Low deliveries vs Q1-16
- Weaker sales mix

Ice Bear capacity expansion

- Main initiative to drive further specialisation
 - Targeting «niches within the niches»
 - Solidifying existing positions
- Project benefits second step
 - Will double the capacity to 60,000 tonnes
 - More optimal production of Ice Bear grades
- Cost, time and ramp-up
 - 115 mNOK investment
 - Completion second half of 2018
 - Ramp-up based on market demand
 - Estimated run rate by end of 2018 is 20-30,000 tonnes



Upgrade and increased specialisation of lignin operation



- Comprehensive investment programme
 - New drying capacity
 - Tanks for storage of liquid materials
 - Improved solutions for logistics, infrastructure and energy
- Several benefits
 - Further specialisation on the unique raw material base
 - Reduced exposure to cyclical market segments
 - Optimisation of production campaigns and logistics
 - Reduced energy costs
 - Substantial environmental and safety benefits
- Main project data
 - 500 mNOK investment
 - Partly expansion, partly maintenance investment
 - Total programme meets return requirement for expansion investments
 - Completion end 2019

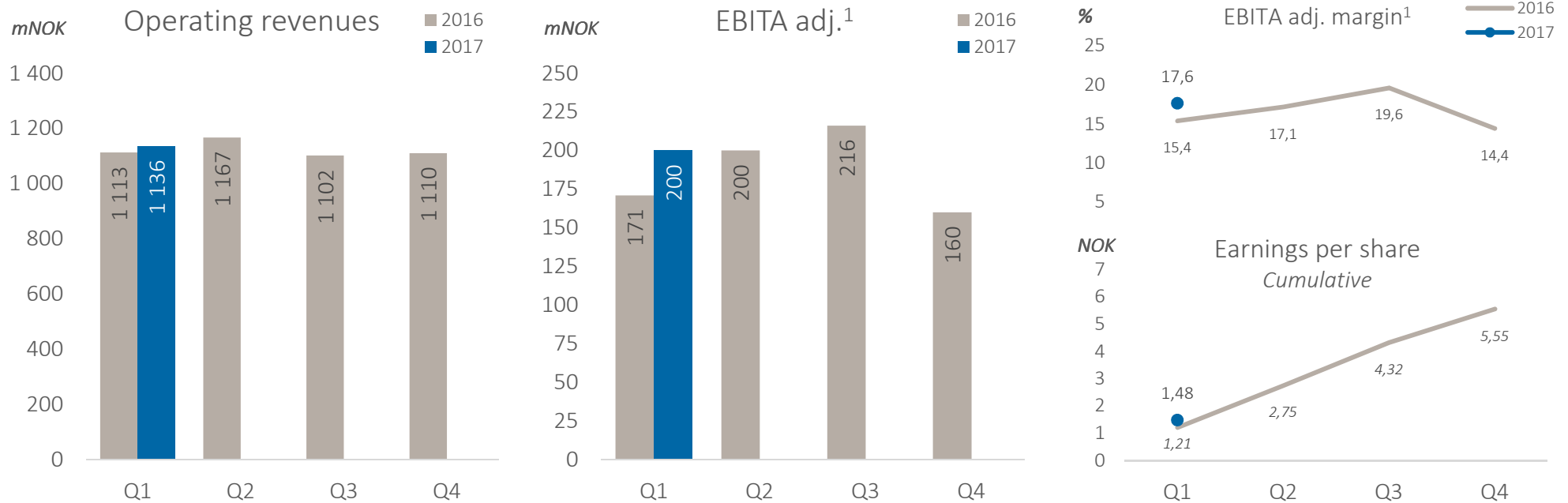
Outlook

- Performance Chemicals
 - Market conditions negatively affected by continued weak business climate in important regions for construction products
 - Reallocation efforts and flexibility in raw material supply will contribute to market optimisation and stable inventory levels
 - 2017 sales volume forecast to be in the 450-470,000 mtds range
 - In Q2-17, sales volume expected to be in line with Q2-16. Sales volume and average sales price will be affected by seasonality in delivery patterns
- Speciality Cellulose
 - Average price in sales currency expected to be 3-5% above the 2016 level
 - Price uncertainty still mainly related to textile cellulose spot price development
 - Product mix forecast to improve from 2016
 - In Q2-17, both total sales volume and sales of highly specialised grades expected to be somewhat higher than Q2-16
- Other Businesses
 - Ingredients still affected by general overcapacity, but positive development following recent price increases from Chinese producers
 - Growth trend for key products within Fine Chemicals expected to continue, but with uneven delivery patterns
 - Cellulose Fibrils costs, net of EU grant, expected to be in line with Q2-16
 - Corporate costs will remain at largely the same level as in 2016
- Significant FX exposure, but delayed impact of FX rate fluctuations due to hedging policy



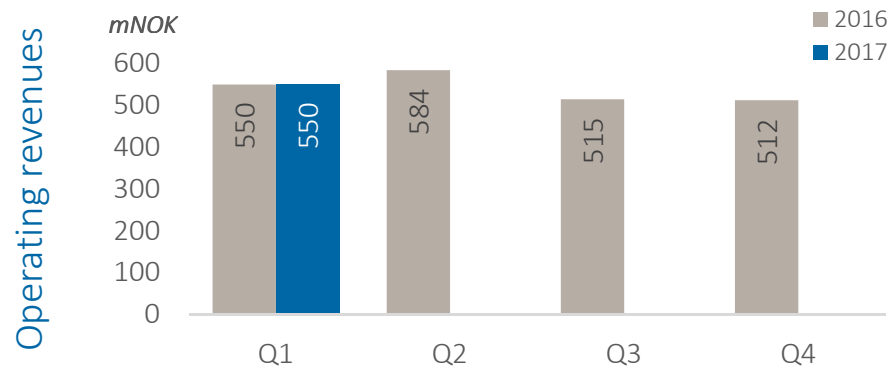
FINANCIAL PERFORMANCE Q1-17

Borregaard key figures – Q1

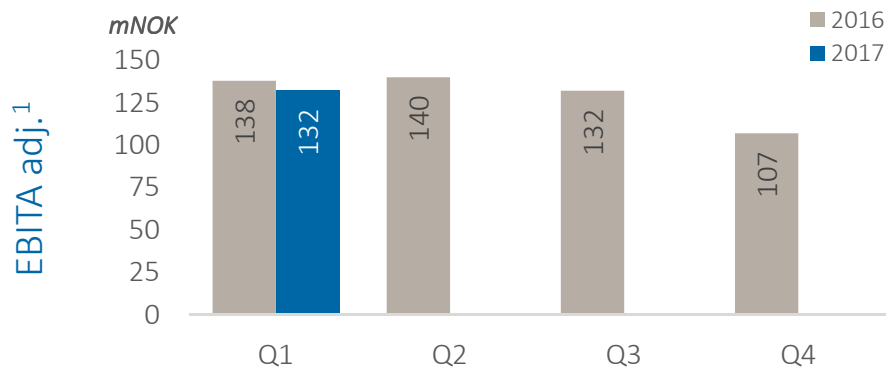


- 2% revenues growth vs Q1-16
- Increased EBITA adj.¹
 - All-time high Q1 result for the Group
 - Higher prices and positive mix effects in Speciality Cellulose main contributors
 - Slightly negative FX impact
- EPS at NOK 1.48 in Q1-17 (NOK 1.21)

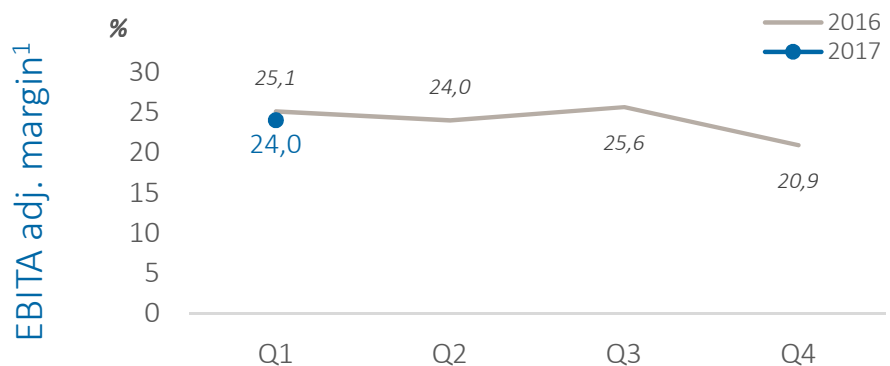
Performance Chemicals key figures – Q1



- Revenues and volume in line with Q1-16
- Increased sales for Specialities, but decline for Construction

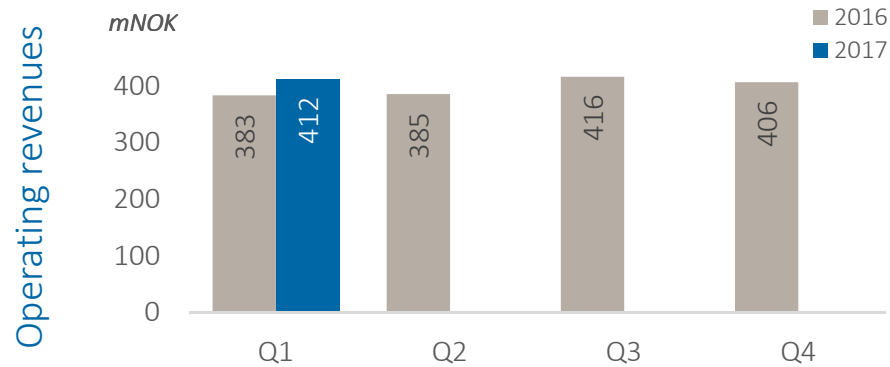


- Favourable product mix
- Higher sales and project costs
- Slightly negative FX impact

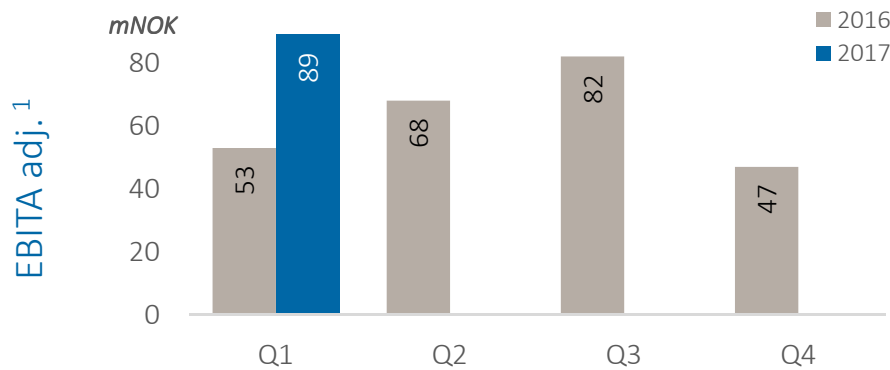


- EBITA adj. margin¹ slightly below Q1-16

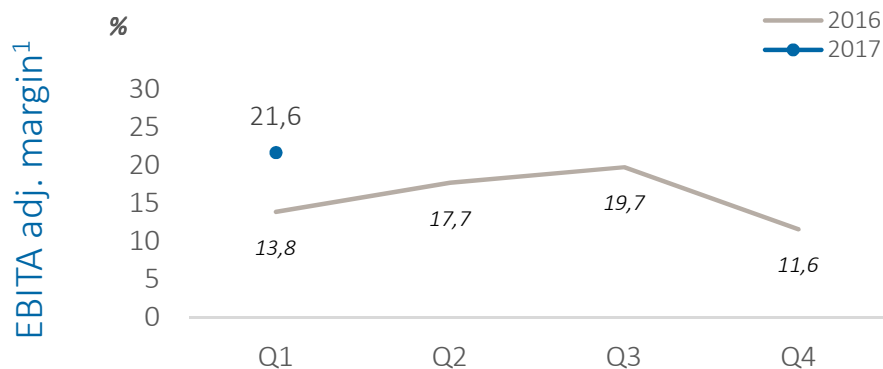
Speciality Cellulose key figures – Q1



- 8% revenue growth vs Q1-16
- Higher prices, improved mix and increased sales volume

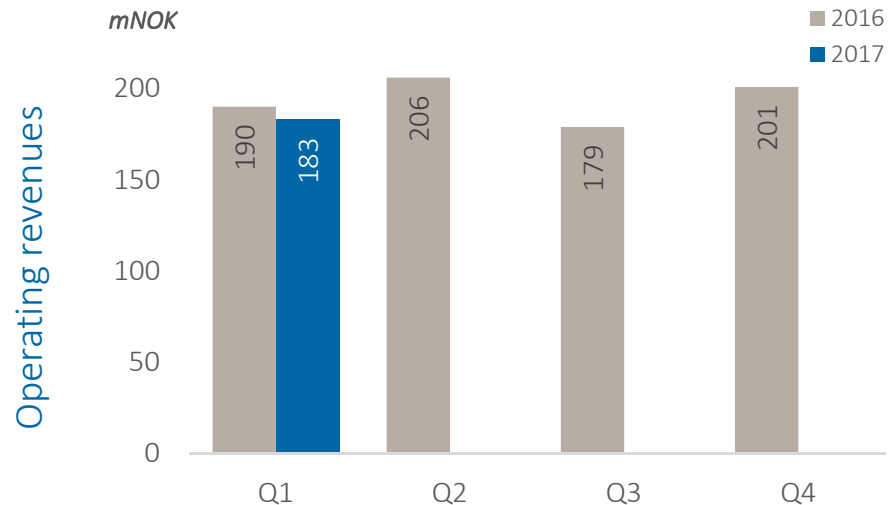


- Higher sales prices
- Improved product mix
- Increased production volume
- Slightly negative FX impact

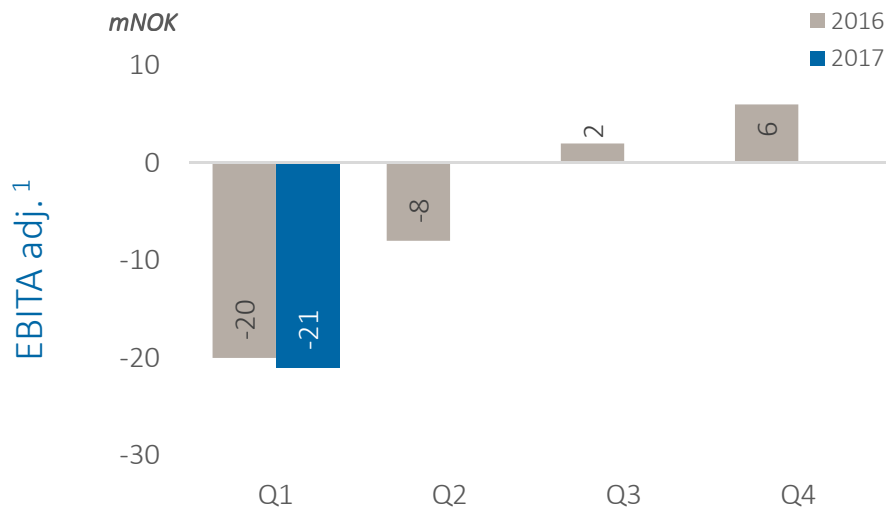


- Improved EBITA adj. margin¹

Other Businesses key figures – Q1

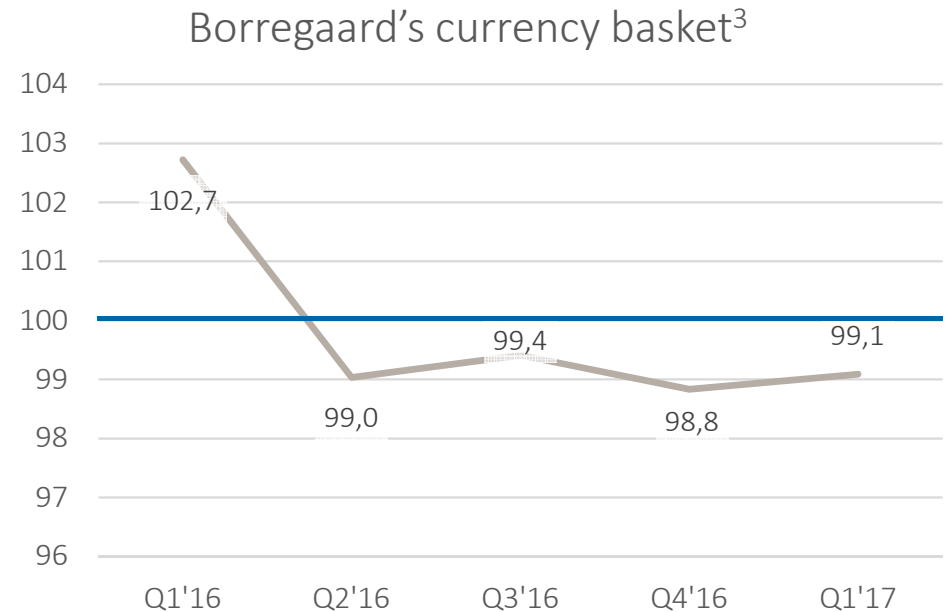
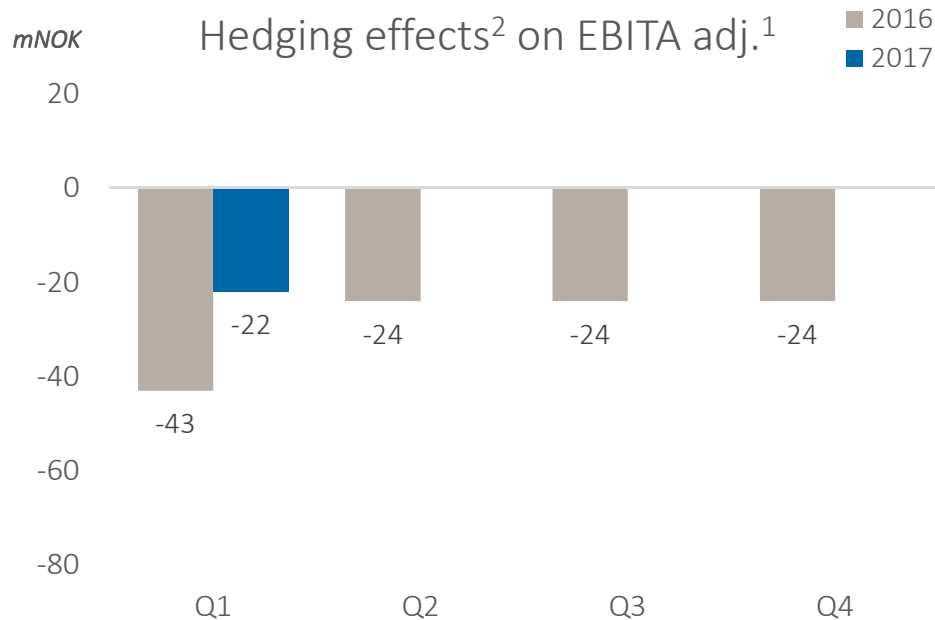


- Revenues 4% below Q1-16
- Low deliveries in Fine Chemicals
- Slightly lower sales in Ingredients



- **Ingredients:** Slightly lower sales, higher raw material and infrastructure costs
- **Fine Chemicals:** Low deliveries, weaker sales mix
- **Cellulose Fibrils** net costs, including EU grant, below Q1-16, but depreciation and gross costs increased
- **FX** impact negligible for Other Businesses

Currency impact



- Net FX EBITA adj.¹ impact approx. -5 mNOK vs Q1-16
 - Includes change in hedging effects and based on estimated currency exposure
- Net FX EBITA adj.¹ impact in Q2-17 estimated to be +10 mNOK vs Q2-16
 - Assuming rates as of 2 May (USD 8.59 and EUR 9.38) on expected currency exposure
 - Net FX EBITA adj.¹ impact in 2017 estimated to be +35 mNOK vs 2016

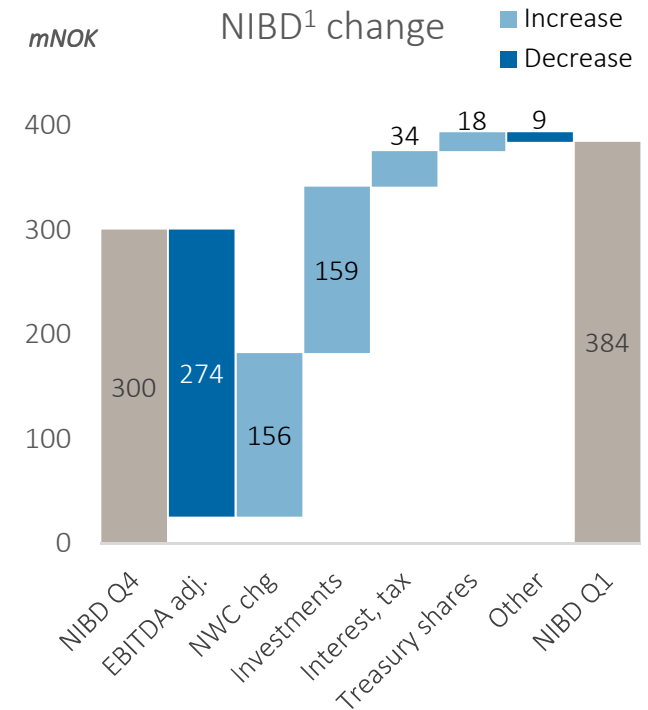
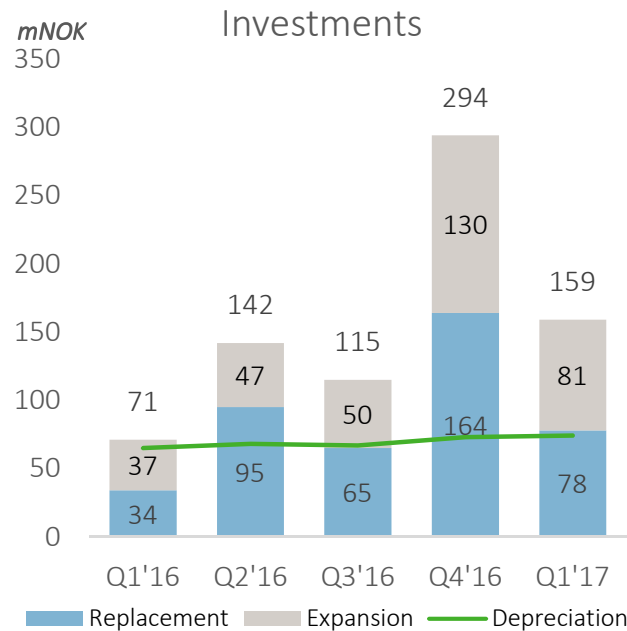
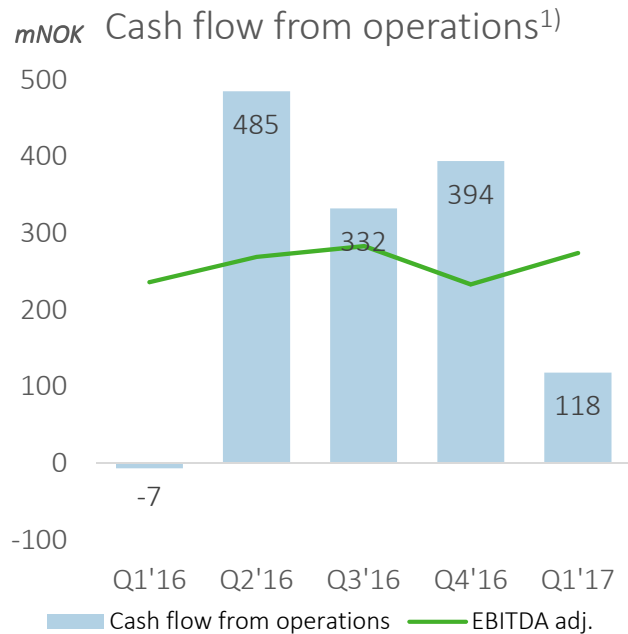
¹ Non-GAAP measure, see Appendix for definition.

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

³ Currency basket based on Borregaard's net exposure in 2016 (=100)

- USD 66% (approximately 208 mUSD)
- EUR 33% (approximately 92 mEUR)
- Other 1% (GBP, BRL, JPY, SEK, ZAR)

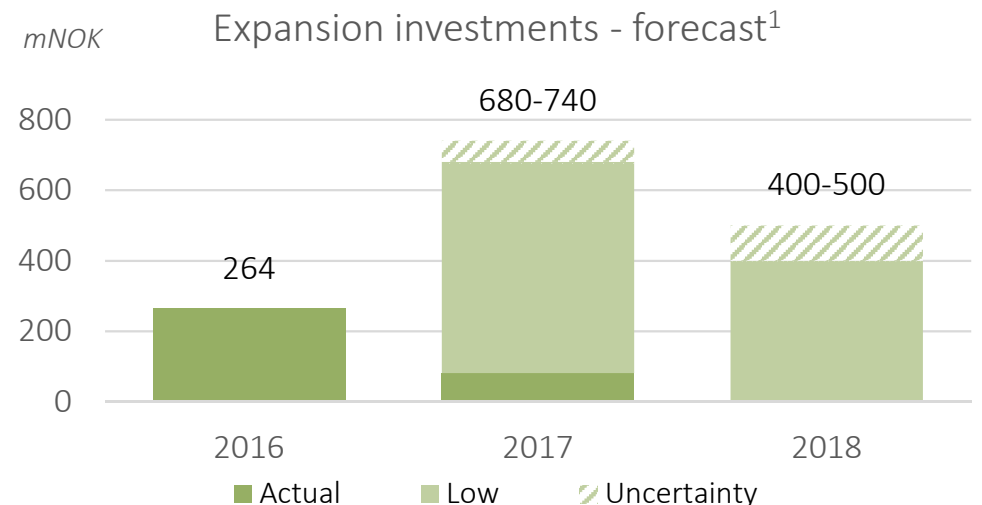
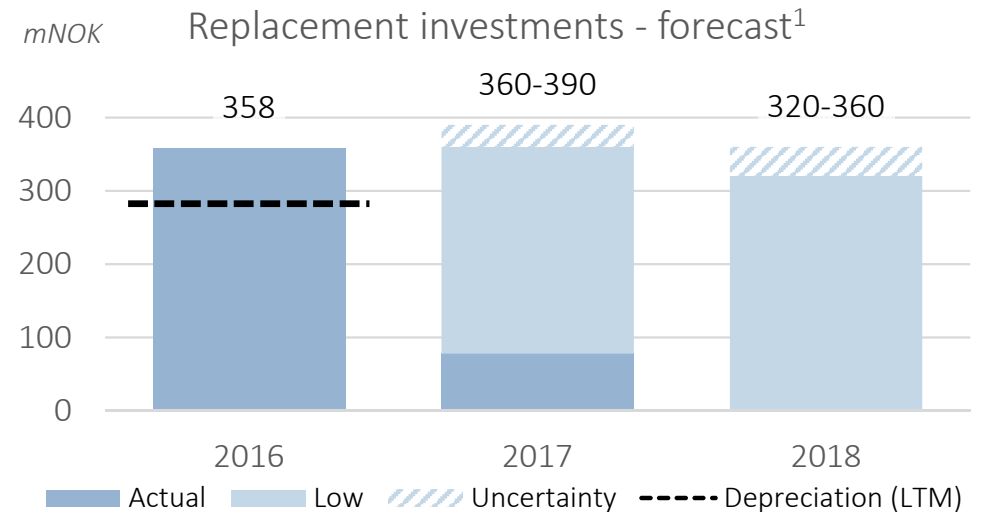
Cash flow, investments and NIBD



- Improved cash flow from operations¹ vs Q1-16
 - Higher EBITDA adj.¹ and lower increase in net working capital
- Expansion investments¹ in Q1 mainly related to the LignoTech Florida project
- NIBD¹ increased by 84 mNOK in Q1

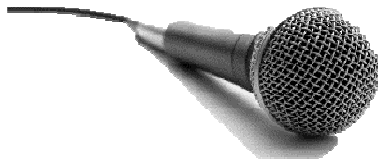
Updated investment forecast 2017-2018

- Replacement investments
 - Targeted at depreciation level
 - Will be above depreciation in 2016-'18 due to wood seasoning silos (insurance coverage) and lignin infrastructure investments in Norway
- Expansion investments
 - New plant LignoTech Florida phase 1: 110 mUSD (100%) \approx 900 mNOK (late 2016 to mid 2018)
 - New Exilva plant: 225 mNOK (mid 2014 to early 2017)
 - Ice Bear project: 115 mNOK (2017 to 2018)
 - Lignin operation investment in Norway: 500 mNOK, approx. 70% expansion (mid 2017 to end 2019)
 - Other planned projects (bioethanol plant upgrade, lignin specialities, fine chemicals capacity, R&D activities)
- New expansion projects may lead to additional investments



¹ Uncertainty is related to final investment decisions, timing of investment payments, execution time and risk and unexpected events e.g.

Q&A



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



APPENDIX

Borregaard – key figures

Amounts in NOK million	Q1-2017	Q1-2016	Change
Operating revenues	1 136	1 113	2 %
EBITDA adj.¹	274	236	16 %
EBITA adj.¹	200	171	17 %
Amortisation intangible assets	-1	-1	
Other income and expenses ¹	0	0	
Operating profit	199	170	17 %
Financial items, net	-4	-9	
Profit before taxes	195	161	21 %
Income tax expenses	-48	-41	
Profit for the period	147	120	23 %
Profit attributable to non-controlling interests	-1	-1	
Profit attributable to owners of the parent	148	121	
Cash flow from operating activities (IFRS)	82	-69	
Earnings per share	1,48	1,21	22 %
<i>Adjusted EBITDA adj. Margin¹</i>	<i>24,1 %</i>	<i>21,2 %</i>	
<i>Adjusted EBITA adj. Margin¹</i>	<i>17,6 %</i>	<i>15,4 %</i>	

Operating revenues and EBITA adj. ¹ per segment

Amounts in NOK million

Operating revenues	Q1-2017	Q1-2016	Change
Borregaard	1 136	1 113	2 %
Performance Chemicals	550	550	0 %
Speciality Cellulose	412	383	8 %
Other Businesses	183	190	-4 %
Eliminations	-9	-10	

Amounts in NOK million

EBITA adj. ¹	Q1-2017	Q1-2016	Change
Borregaard	200	171	17 %
Performance Chemicals	132	138	-4 %
Speciality Cellulose	89	53	68 %
Other Businesses	-21	-20	-5 %

Cash flow

Amounts in NOK million	Q1-2017	Q1-2016	FY-2016
Amounts in NOK million			
Profit before taxes	195	161	724
Amortisation, depreciation and impairment charges	75	66	278
Change in net working capital, etc	-156	-243	170
Dividend (share of profit) from JV	-2	-22	-1
Taxes paid	-30	-31	-90
Cash flow from operating activities	82	-69	1 081
Investments property, plant and equipment and intangible assets *	-159	-71	-622
Other capital transactions	2	1	5
Cash flow from Investing activities	-157	-70	-617
Dividends	0	0	-149
Proceeds from exercise of options/shares to employees	11	1	7
Buy-back of shares	-29	0	-10
Gain/(loss) on hedges for net investments in subsidiaries	9	11	13
Net paid to/from shareholders	-9	12	-139
Proceeds from interest-bearing liabilities	5	0	106
Repayment from interest-bearing liabilities	-27	-2	-309
Change in interest-bearing receivables/other liabilities	23	-9	-23
Change in net interest-bearing liabilities	1	-11	-226
Cash flow from financing activities	-8	1	-365
Change in cash and cash equivalents	-83	-138	99
Cash and cash equivalents at beginning of period	265	169	169
Change in cash and cash equivalents	-83	-138	99
Currency effects cash and cash equivalents	0	-13	-3
Cash and cash equivalents at the end of the period	182	18	265
* Investment by category			
Replacement Investments	78	34	358
Expansion investments ¹	81	37	264

Balance sheet

Amounts in NOK million	31.03.2017	31.12.2016
Assets:		
Intangible assets	121	125
Property, plant and equipment	2 559	2 471
Other assets	86	115
Investment in joint venture	127	121
Non-current assets	2 893	2 832
Inventories	687	626
Receivables	949	948
Cash and cash deposits	182	265
Current assets	1 818	1 839
Total assets	4 711	4 671
Equity and liabilities:		
Group equity	2 808	2 679
Non-controlling interests	59	34
Equity	2 867	2 713
Provisions and other liabilities	280	299
Interest-bearing liabilities	526	525
Non-current liabilities	806	824
Interest-bearing liabilities	41	61
Other current liabilities	997	1 073
Current liabilities	1 038	1 134
Equity and liabilities	4 711	4 671
Equity ratio ¹ (%):	60,9 %	58,1 %

Net financial items & net interest-bearing debt¹

Amounts in NOK million

Net financial items	Q1-2017	Q1-2016
Net interest expenses	-3	-6
Currency gain/loss	-1	-3
Other financial items, net	0	0
Net financial items	-4	-9

Amounts in NOK million

Net interest-bearing debt ¹ (NIBD)	31.03.2017	31.12.2016
Non-current interest-bearing liabilities	526	525
Current interest-bearing liabilities including overdraft of cashpool	41	61
Non-current interest-bearing receivables (included in "Other Assets")	-1	-21
Cash and cash deposits	-182	-265
Net interest-bearing debt¹ (NIBD)	384	300

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 30.04.17)

	USD million	USD rate	EUR million	EUR rate
Q2-2017	40	8.04	20	8.70
Q3-2017	40	8.05	21	8.89
Q4-2017	37	8.13	21	9.03
RoY 2017	117	8.07	62	8.87
2018	143	8.23	85	9.34
2019	101	8.36	65	9.57
2020	19	8.25	18	9.41

Hedging effects by segment

NOK million	Q1-17	Q1-16
Performance Chemicals	-6	-12
Speciality Cellulose	-10	-22
Other Businesses	-6	-9
Borregaard	-22	-43

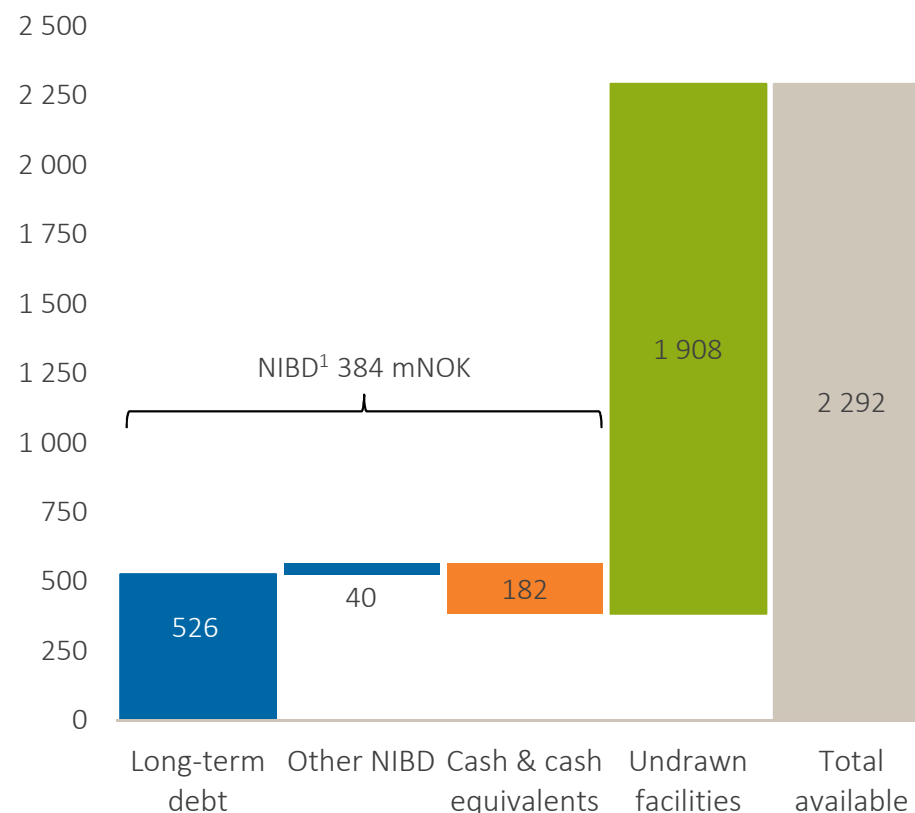
¹ Hedging done mainly in the Norwegian company

² Strict definition of contracts applied for 100% hedging (mutually binding agreement in which price, currency, volume and time are defined)

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
 - Overdraft facilities
 - 225 mNOK
- Solidity (covenants)
 - Equity ratio¹ 60.9% (> 25%)
 - Leverage ratio¹ LTM 0.36 (< 3.25)

Debt and undrawn facilities
31.03.2017



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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