



Borregaard

The Sustainable Biorefinery

1st quarter 2015

Oslo, 28 April 2015

Agenda



Per A Sørli, President & CEO

- Highlights
- Business areas
- Outlook

Per Bjarne Lyngstad, CFO

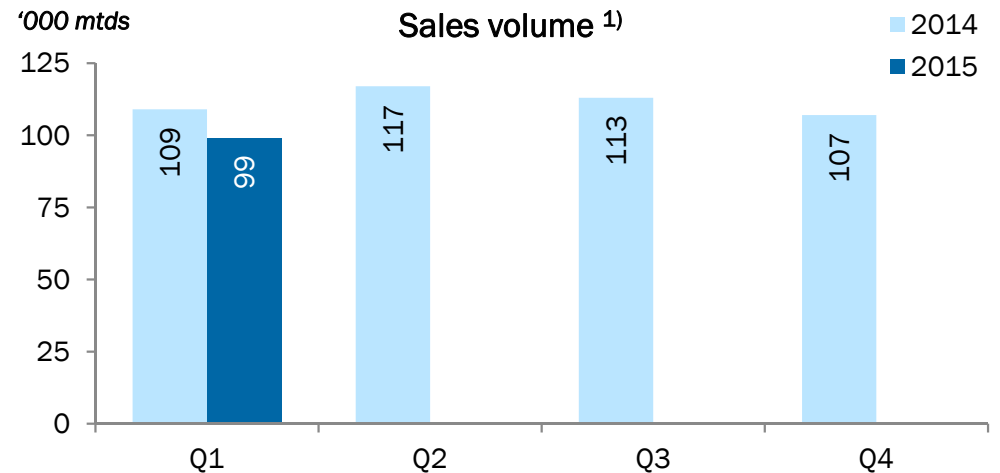
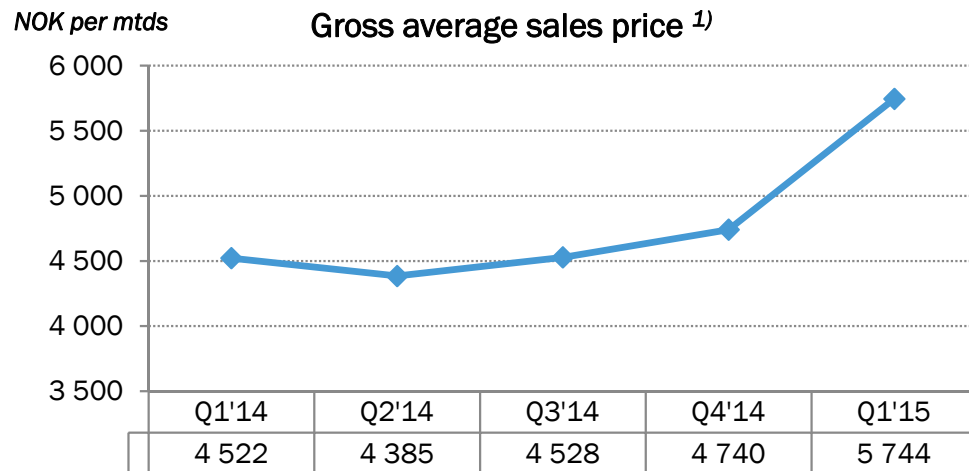
- Financial performance

Highlights – 1st quarter 2015



- Significant progress for Performance Chemicals
- Lower prices and weaker product mix for Specialty Cellulose
- Improvement for Other Businesses
- Positive net currency impact in all areas despite negative hedging effects
- Negative cash flow due to temporary fluctuations in net working capital

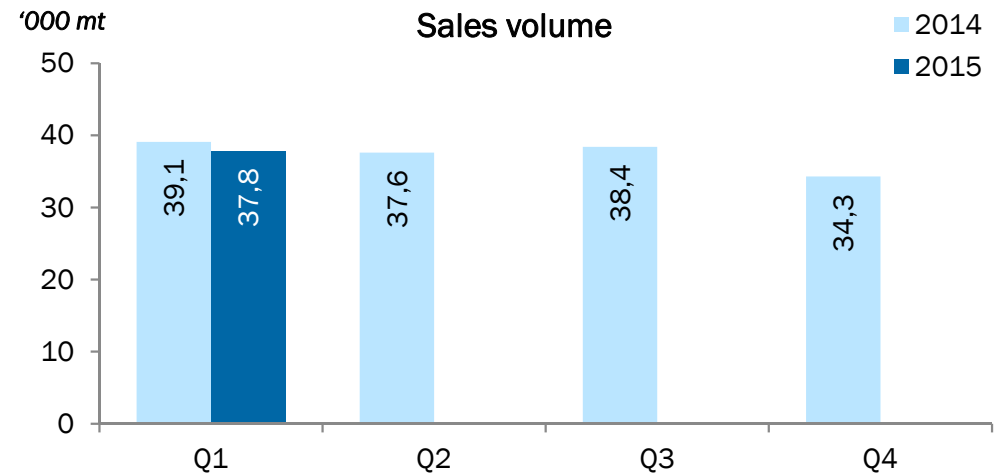
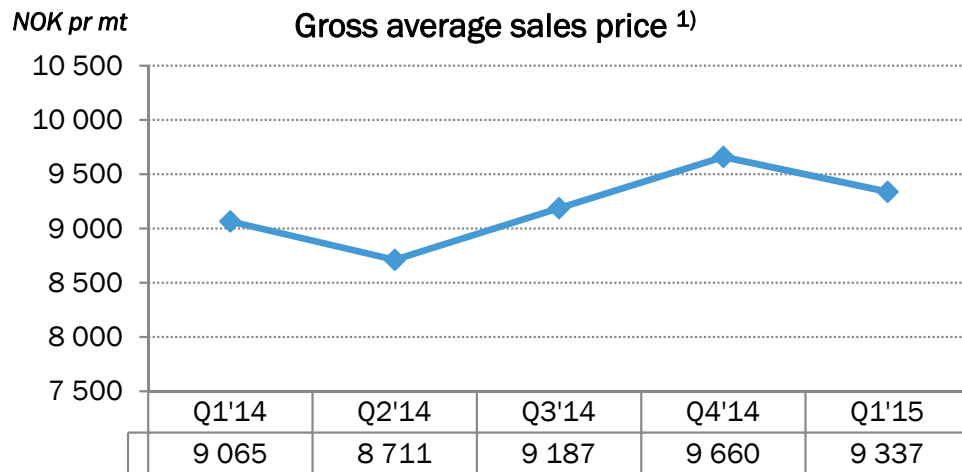
Performance Chemicals – Q1 market development



- **Market conditions generally positive**
 - Improved product mix and higher sales prices
 - Increased sales volume for high-value products
- **9% reduction in sales volume vs Q1-14**
 - Increased lignin exports from Russia, mainly to the construction sector in Asia
 - Lower lignin raw material supply from external sources
 - Higher seasonal adjustment of inventories, mainly due to low stock at year-end
- **Favourable 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.

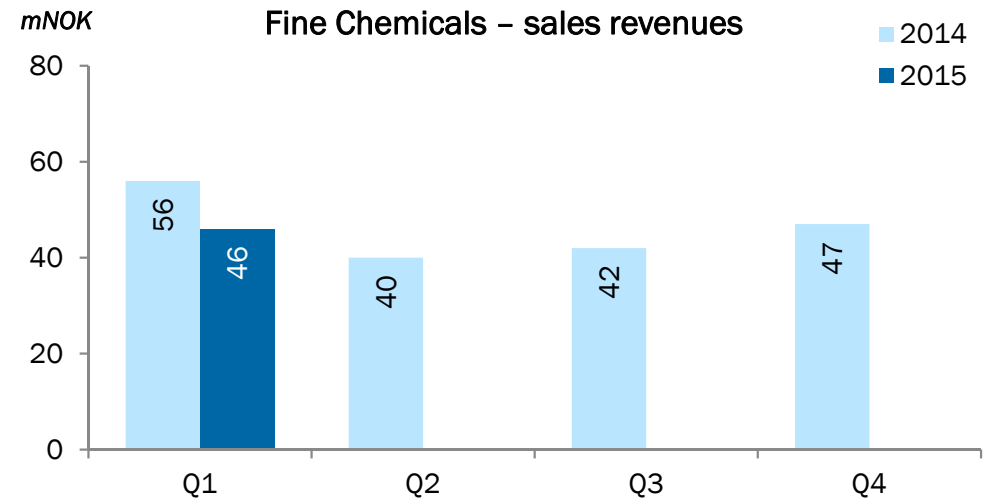
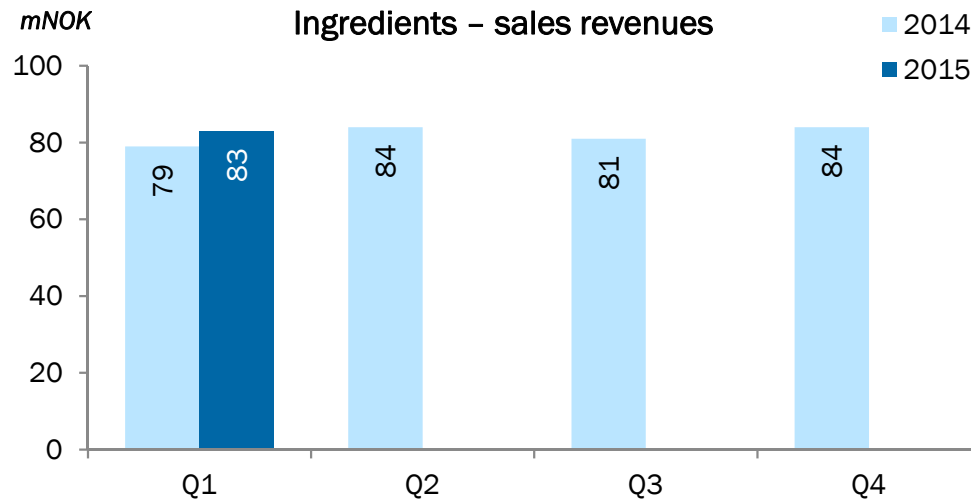
Specialty Cellulose – Q1 market development



- **Lower invoiced sales prices and weaker product mix**
 - Sales prices in line with expectations
 - Product mix affected by lower sales to the cellulose acetate market
- **Positive FX impact**

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

Ingredients & Fine Chemicals – Q1 market development



Ingredients

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

Fine Chemicals

- Lower sales volume vs Q1-14
- Favourable FX impact

Status strategic projects

- **BALI**
 - Internal and external activities continue
- **Exilva**
 - Construction of new plant in Norway progressing according to plan
 - Market development efforts on-going for Exilva MFC and SenseFi
- **“Ice Bear”**
 - Development of speciality cellulose grades with ultra high purity
 - Targeting «niches within the niches» as well as improved offering to existing markets
 - Plant trials have verified technical concept, customer testing ongoing
 - Regular commercial volumes available from mid 2016
 - Total capex expected to be 100 mNOK (2014-2016)



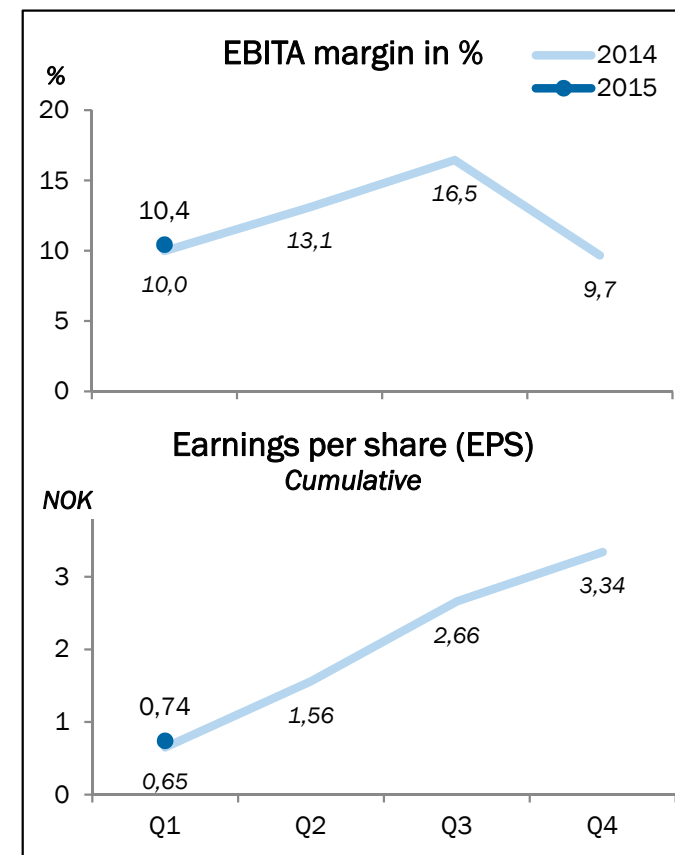
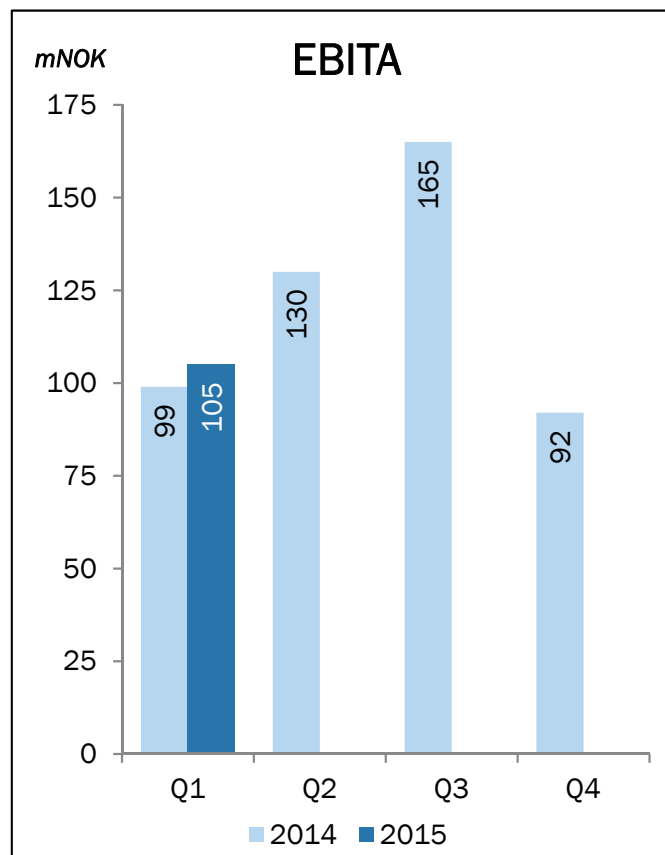
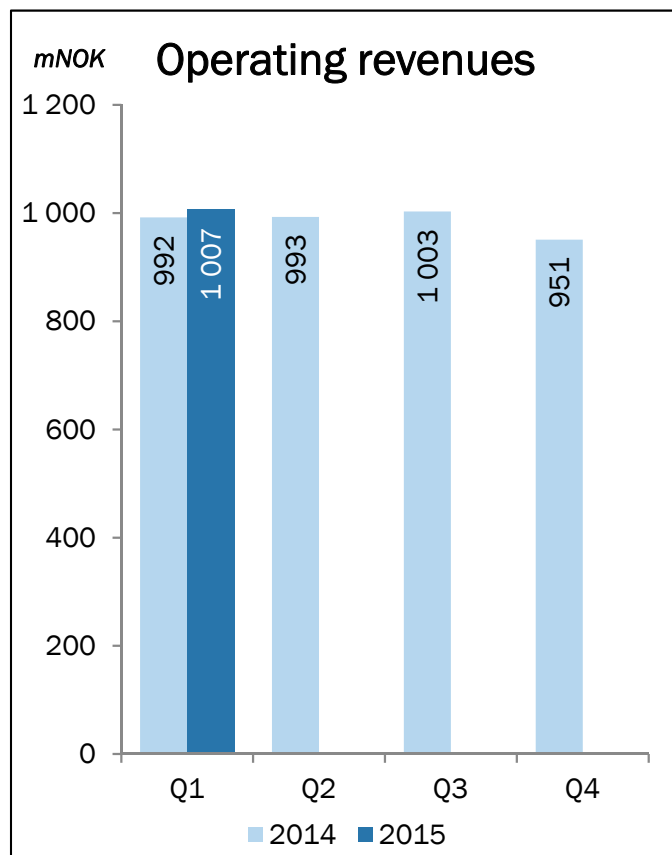
Outlook

- **Performance Chemicals**
 - Strong demand continues in major applications
 - Sales volume in 2015 forecast to be similar to 2014
 - Sales volume in Q2-15 expected to be in line with Q2-14, but with a weaker product mix than in Q1-15 due to normal seasonality
- **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 Q2-15, total sales volume is expected to be higher than in Q1-15, but with a more unfavourable product mix
- **Other Businesses**
 - The challenging market situation for vanillin products is expected to continue throughout 2015
 - Fine Chemicals will remain relatively stable in 2015
 - Corporate costs will remain at largely the same level as in 2014, while costs related to the Exilva project will increase
- **Currency impact**
 - If maintained at present level, currency rates will contribute positively in all business areas in 2015
 - The positive impact will gradually take effect due to currency hedging



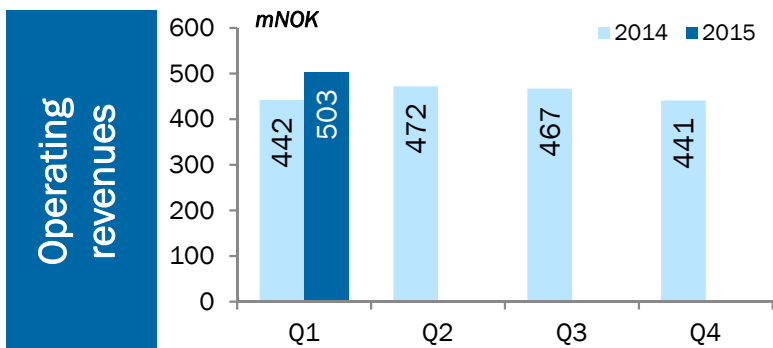
FINANCIAL PERFORMANCE Q1-15

Borregaard – Q1 key figures

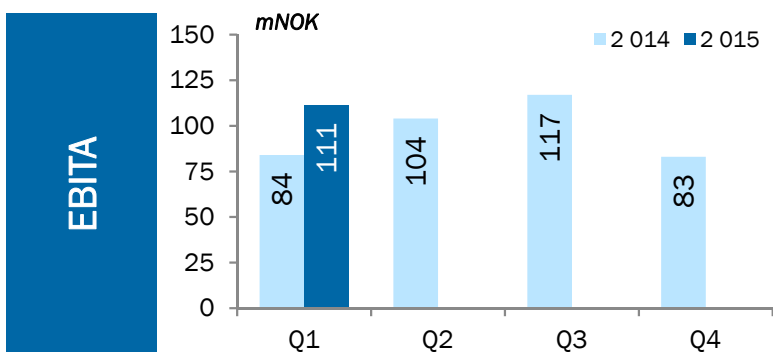


- Revenues +2% from Q1-14
- Improved EBITA for Performance Chemicals and Other Businesses, decline in Specialty Cellulose
- Favourable FX impact in all business areas despite negative hedging effects
- EPS at NOK 0.74, improvement from Q1-14

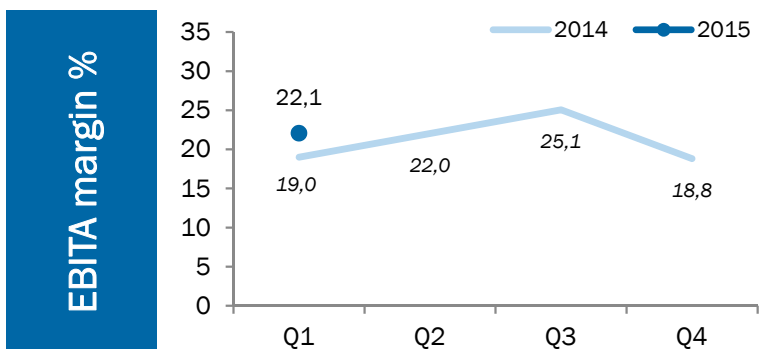
Performance Chemicals – Q1 key figures



- Top line growth 14% vs Q1-14
- Positive market conditions for major applications



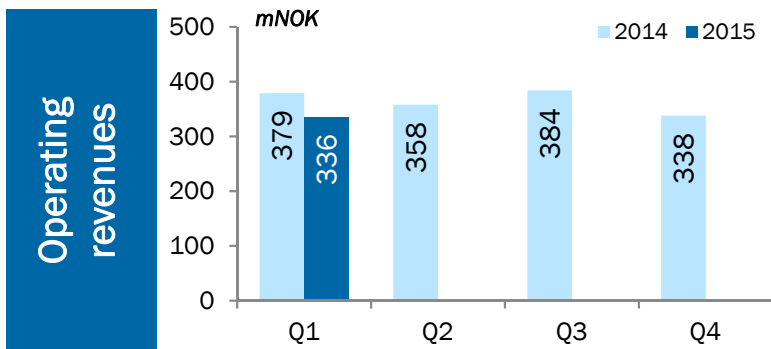
- Improved product mix, higher prices and favourable FX situation vs Q1-14
- Partly off-set by a 9% sales volume reduction
- Stable raw material, energy and other costs



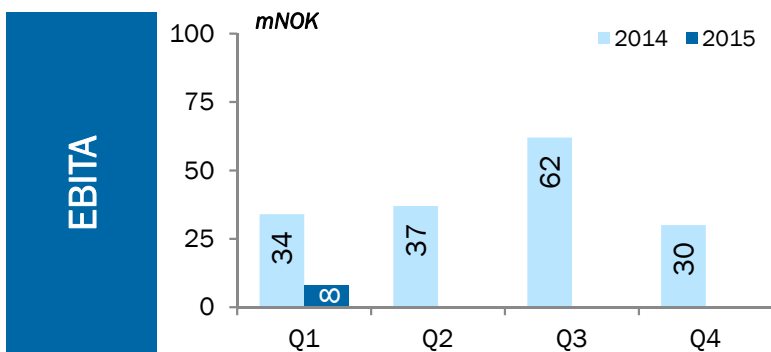
- EBITA margin continues at a high level

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

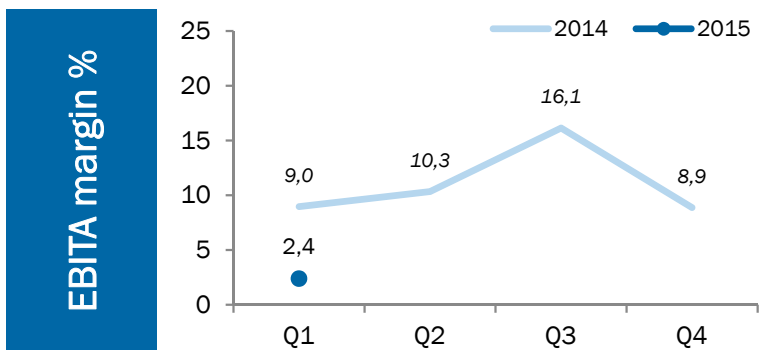
Specialty Cellulose – Q1 key figures



- Top line down by 11% vs Q1-14
- Price reductions and weaker product mix



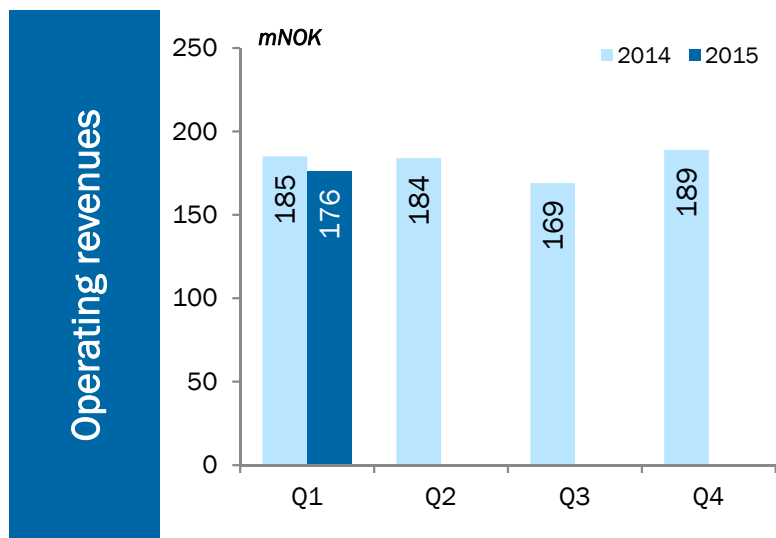
- Lower invoiced sales prices and a weaker product mix, partly off-set by positive net currency effects
- Hedging affected Specialty Cellulose in particular
- Stable raw material, energy and other costs



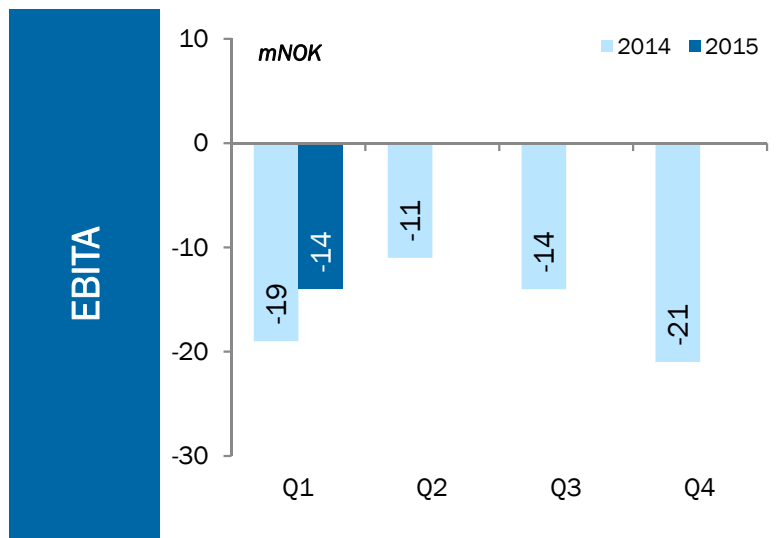
- Weaker margin in Q1-15

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

Other Businesses – Q1 key figures



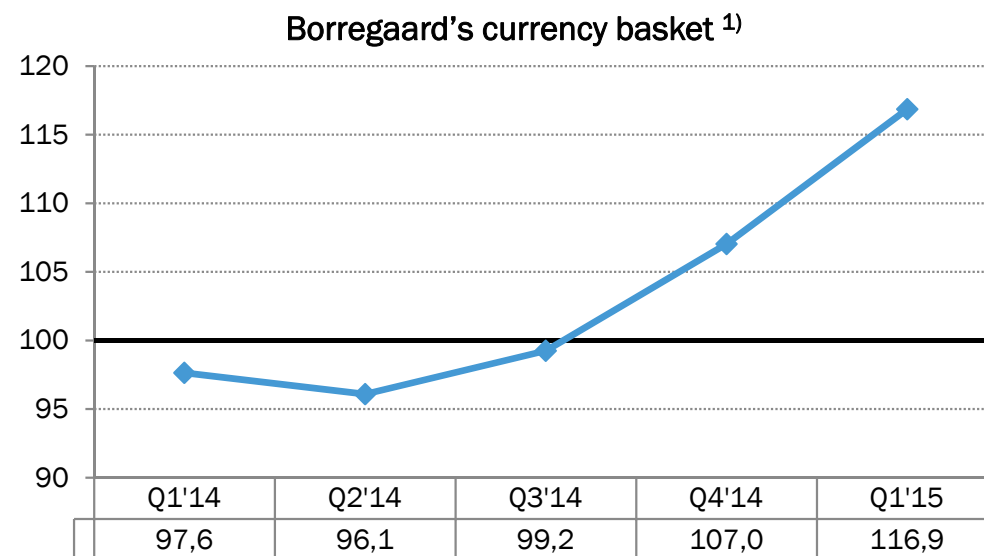
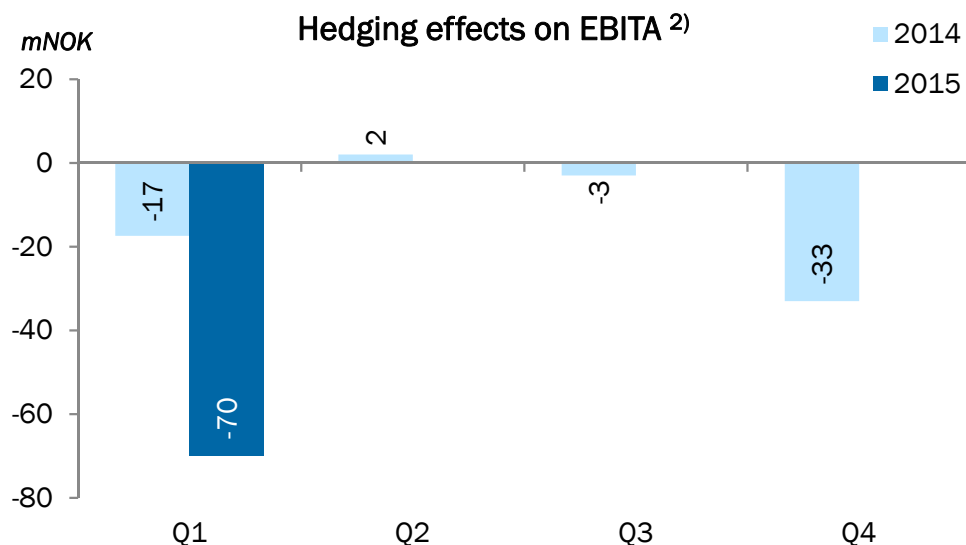
- Top line down 5% vs Q1-14
- Lower sales volume, partly off-set by FX impact



- Ingredients: Improved EBITA, mainly from improved FX situation
- Fine Chemicals: Lower sales volume and EBITA, FX contributed positively
- Net corporate costs were lower than in Q1-14, whereas Exilva costs increased

2014 figures for Other Businesses are restated, including costs for the Exilva project and excluding costs for the BALI project

Currency impact



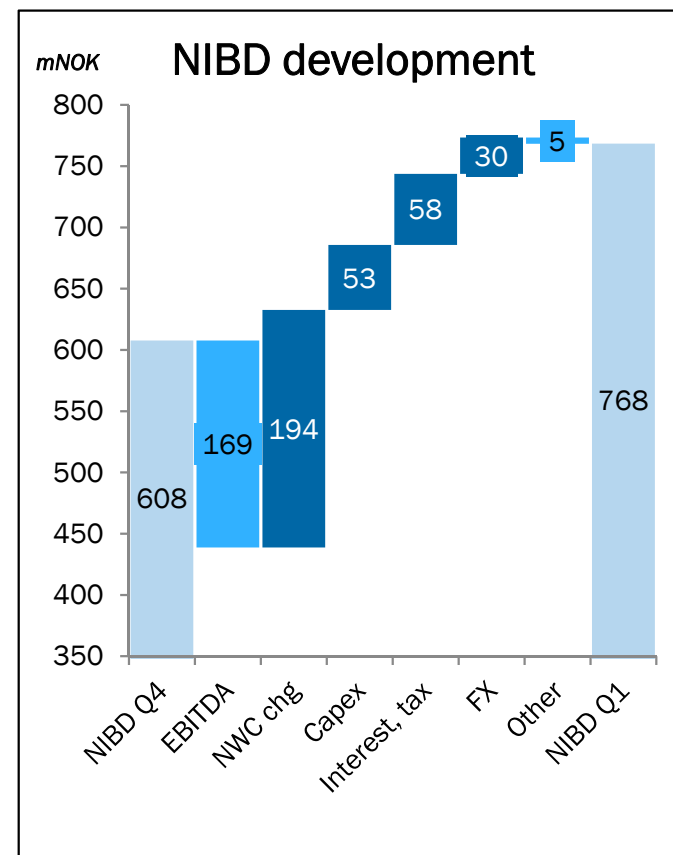
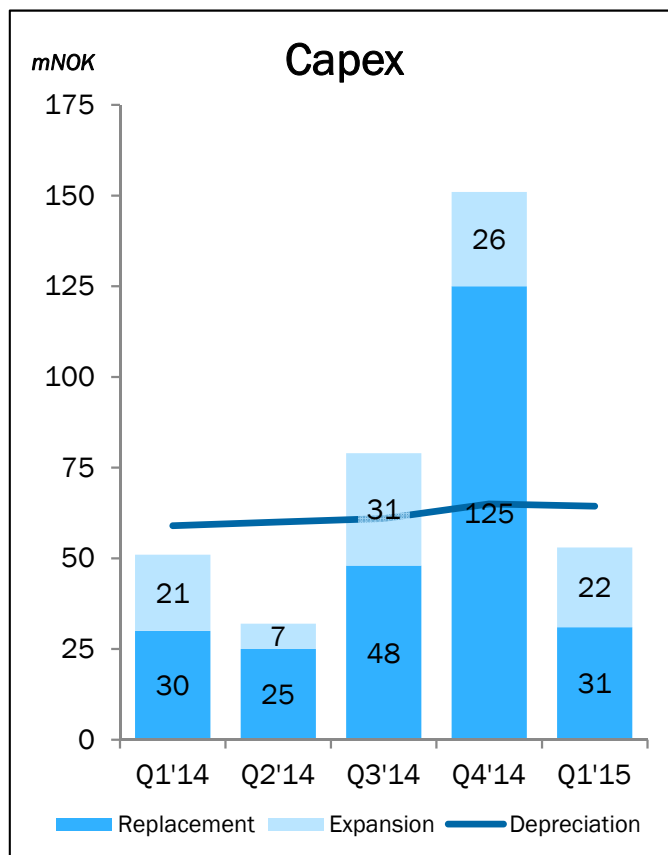
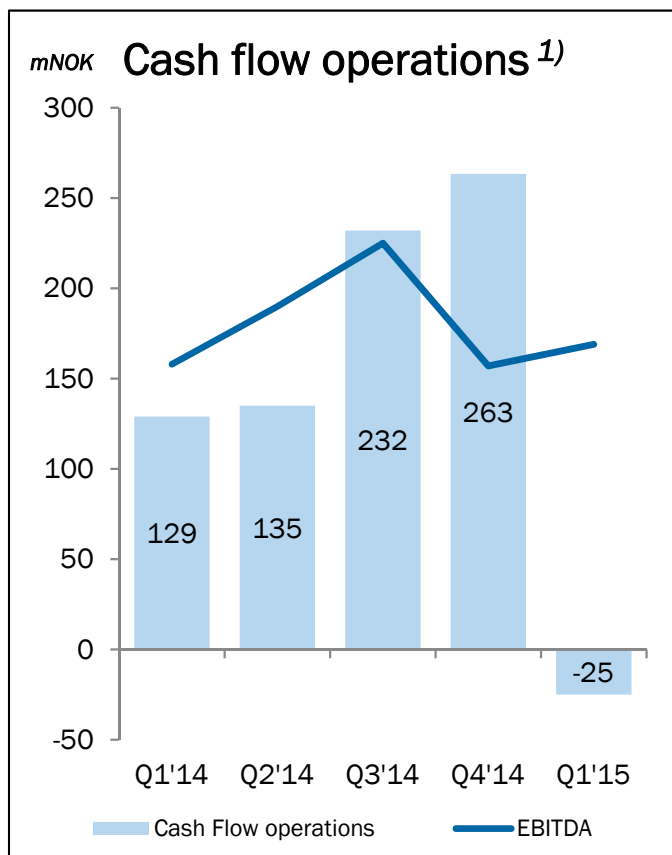
- Net FX EBITA impact approx. 45 mNOK vs Q1-14
 - Includes change in hedging effects and based on estimated Q1-15 currency exposure
- Net FX EBITA impact RoY estimated to be +167 mNOK vs same period last year
 - Assuming rates as of 27.4.15 (USD 7.79 and EUR 8.43) and based on expected currency exposure

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



- Negative cash flow from operations due to temporary fluctuations in net working capital
 - NWC increase mainly due to higher AR, but also increased inventories and reduced AP
- Capex at a low level in Q1 and similar to Q1-14
 - Expansion capex mainly related to Exilva and SenseFi
- NIBD increased by 160 mNOK in Q1, mainly due to the increase in NWC

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>	Q1-2015	Q1-2014	Change
Operating revenues	1 007	992	2 %
EBITDA (adjusted)	169	158	7 %
EBITA (adjusted)	105	99	6 %
Amortisation intangibles	0	0	
Other income and expenses	0	0	
EBIT	105	99	6 %
Financial items, net	-5	-7	
Profit/loss before taxes	100	92	9 %
Taxes	-27	-27	
Profit/loss for the period	73	65	12 %
Profit/loss attributable to non-controlling interests	-1	0	
Profit/loss attributable to owners of the parent	74	65	
Cash flow from operating activities	-82	59	
Earnings per share (NOK)	0,74	0,65	14 %
<i>Adjusted EBITDA margin</i>	<i>16,8 %</i>	<i>15,9 %</i>	
<i>Adjusted EBITA margin</i>	<i>10,4 %</i>	<i>10,0 %</i>	

Operating revenues and EBITA per segment

Amounts in NOK million

Operating revenues	Q1-2015	Q1-2014	Change
Borregaard	1007	992	2 %
Performance Chemicals	503	442	14 %
Specialty Cellulose	336	379	-11 %
Other Businesses	176	185	-5 %
Eliminations	-8	-14	

Amounts in NOK million

Operating profit - EBITA	Q1-2015	Q1-2014	Change
Borregaard	105	99	6 %
Performance Chemicals	111	84	32 %
Specialty Cellulose	8	34	-76 %
Other Businesses	-14	-19	-

Cash flow

Amounts in NOK million

	Q1-2015	Q1-2014	FY-2014
Amounts in NOK million			
Profit before taxes	100	92	430
Amortisation, depreciation and impairment charges	64	59	244
Change in net working capital, etc	-194	-29	59
Dividend (share of profit) from JV	1	-2	6
Taxes paid	-53	-61	-139
Cash flow from operating activities	-82	59	600
Investments property, plant and equipment and intangible assets	-53	-51	-313
Other capital transactions	3	3	2
Cash flow from Investing activities	-50	-48	-311
Dividends	0	0	-109
Proceeds from exercise of share options	0	11	48
Buy-back of treasury shares	0	0	-76
Gain/(loss) on hedges for net investments in subsidiaries	-43	0	-72
Net paid to/from shareholders	-43	11	-209
Change in interest-bearing liabilities	-16	-20	6
Change in interest-bearing receivables	-2	-4	-3
Change in net interest-bearing liabilities	-18	-24	3
Cash flow from financing activities	-61	-13	-206
Change in cash and cash equivalents	-193	-2	83
Cash and cash equivalents as of beginning of period	168	39	39
Change in cash and cash equivalents	-193	-2	83
Currency effects cash and cash equivalents	17	-2	46
Cash and cash equivalents at the close of the period	-8	35	168

Balance sheet

Amounts in NOK million

	31.03.2015	31.12.2014
Assets:		
Intangible assets	72	77
Property, plant and equipment	2 000	2 004
Other assets	82	76
Investments in joint venture	109	106
Non-current assets	2 263	2 263
Inventories	640	610
Receivables	826	707
Cash and cash deposits	51	168
Current assets	1 517	1 485
Total assets	3 780	3 748
Equity and debt:		
Group Equity	2 014	1 941
Non-controlling interests	7	8
Equity	2 021	1 949
Provisions and other non-current liabilities	203	196
Interest-bearing liabilities	770	784
Non-current liabilities	973	980
Interest-bearing liabilities	67	8
Other liabilities	719	811
Current liabilities	786	819
Equity and liabilities	3 780	3 748
Equity ratio (%):	53,5 %	52,0 %

Net financial items & net interest-bearing debt

Amounts in NOK million

Net financial items	Q1-2015	Q1-2014
Net interest expenses	-6	-7
Currency gain/loss	2	0
Other financial items, net	-1	0
Net financial items	-5	-7

Amounts in NOK million

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

Currency hedging strategy

Purpose is to delay effects of currency fluctuations and secure competitiveness

- Hedging based on expected net cash flow (EBITDA) 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

FX cash flow hedges as of 31.3.2015

	USD million	USD rate	EUR million	EUR rate
RoY 2015	116	6.81	50	8.52
2016	98	7.69	72	8.56
2017	75	7.65	55	8.72
Later	22	7.34	13	9.08

Hedging effects by segment

NOK million	Q1-15	Q1-14
Performance Chemicals	-22	-3
Specialty Cellulose	-40	-11
Other Businesses	-8	-3
Borregaard	-70	-17

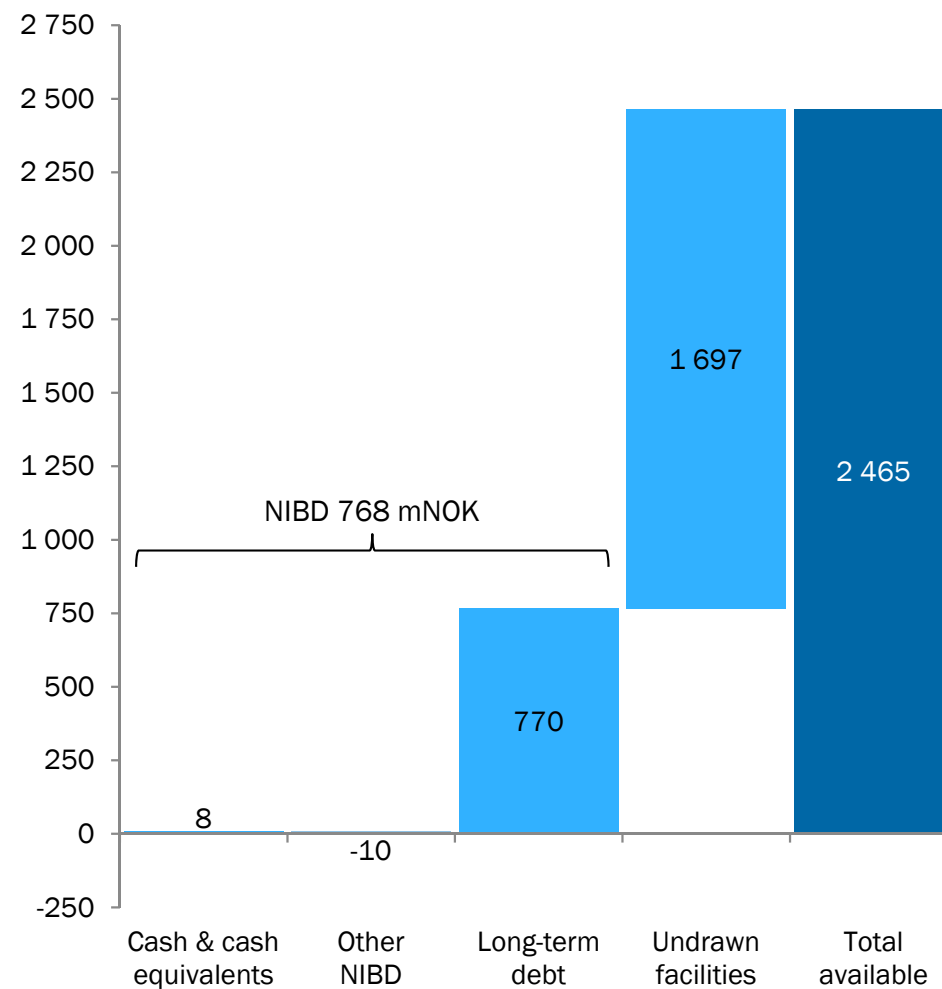
¹⁾ Net cash flow hedging mainly in the Norwegian company

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
 - 195 mNOK in overdraft facilities
- Solidity (covenants)
 - Equity ratio 53.5% (> 25%)
 - Leverage ratio LTM 1.04 (< 3.25)

Debt and undrawn facilities 31.03.2015



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