1ST QUARTER 2019

Oslo, 3 May 2019

Borregaard
The Sustainable Biorefinery

Agenda

- Per A Sørlie, President & CEO
  - Highlights
  - Business areas
  - Outlook
- Per Bjarne Lyngstad, CFO
  - Financial performance
  - IFRS 16 implementation

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Highlights – 1st quarter 2019

- EBITA adj.[1] 157 mNOK (177 mNOK)
- 7% volume growth for Performance Chemicals
- Florida ramp-up according to plan
- Higher wood costs and lower deliveries in Speciality Cellulose
- Strong improvement in Other Businesses
- Positive net currency impact

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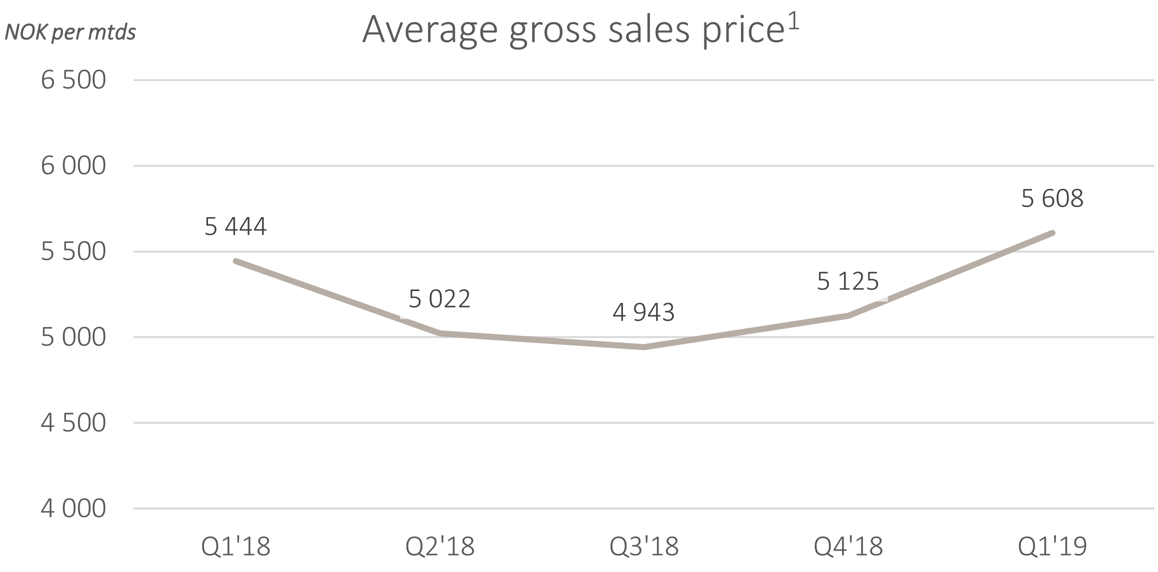
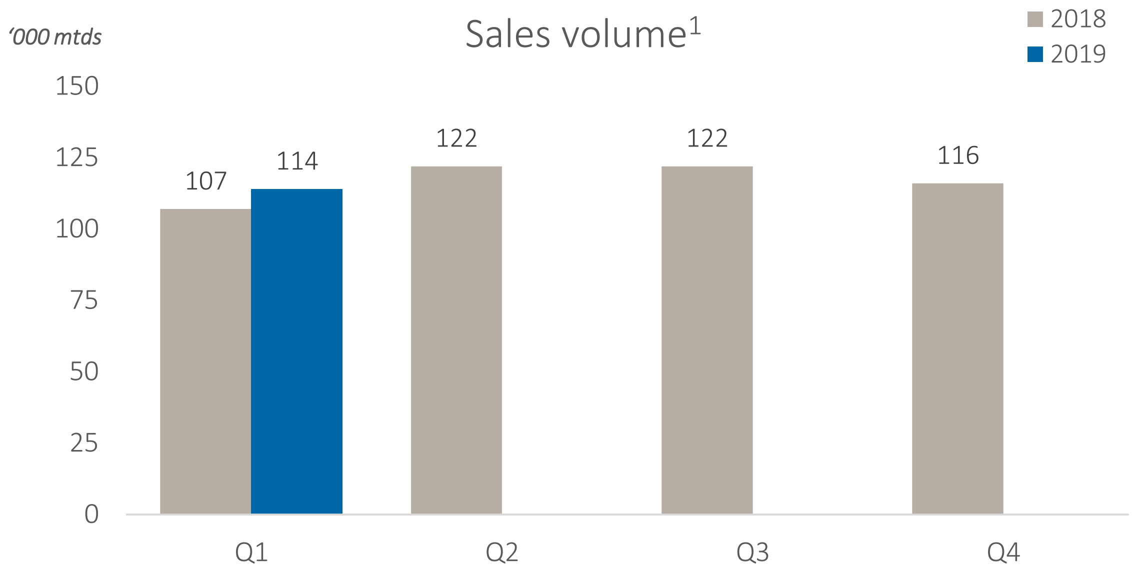
[1] *Alternative performance measure, see Appendix for definition*

Performance Chemicals markets – Q1





- Average price in sales currency 3% lower vs Q1-18
  - Weaker product mix in Specialities
  - Slightly lower prices to concrete admixture
  - Increased volumes going into medium and low value applications
- Sales volume increased 7% vs Q1-18
  - Strong volume growth in Industrial
  - Specialities and Construction volumes in line with Q1-18
  - Florida ramp-up according to plan

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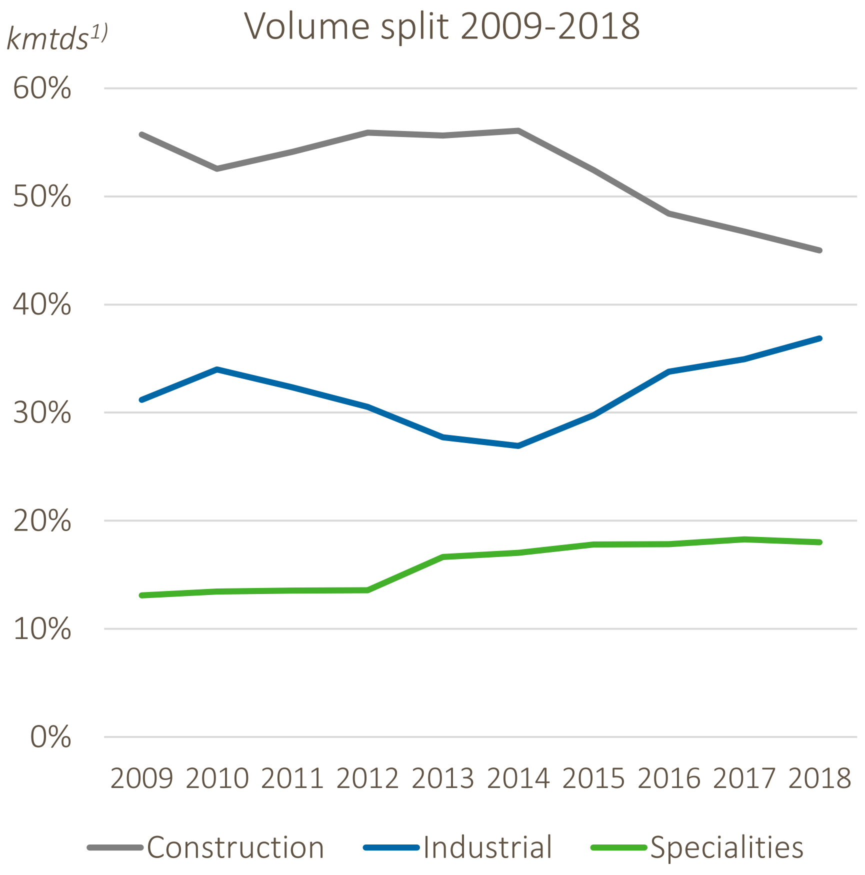
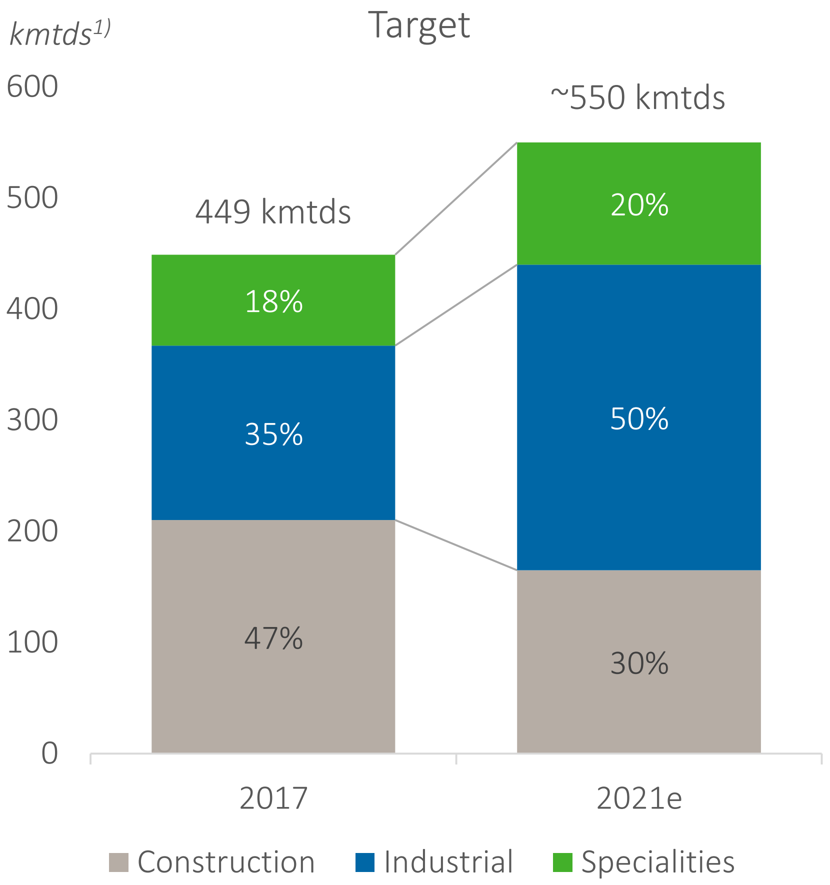
[1] *Average sales price and sales volume reflect 100% of sales and volume from the J/V in South Africa. Average sales price is calculated using actual FX rates, excluding hedging impact.*

Driving specialisation and diversification

Industrial and Specialities targeted to represent 70% of total sales volume by end 2021





[1] *Metric tonne dry solid (thousand)*

Diversification - Industrial

- Strong volume growth year - over - year
  - Coal gasification (rheology control/dispersant for coal slurry)
  - Industrial dust control
  - Pelleting
  - Paper sizing
  - Other industrial dispersants
- Growth in all major regions, particularly in Asia

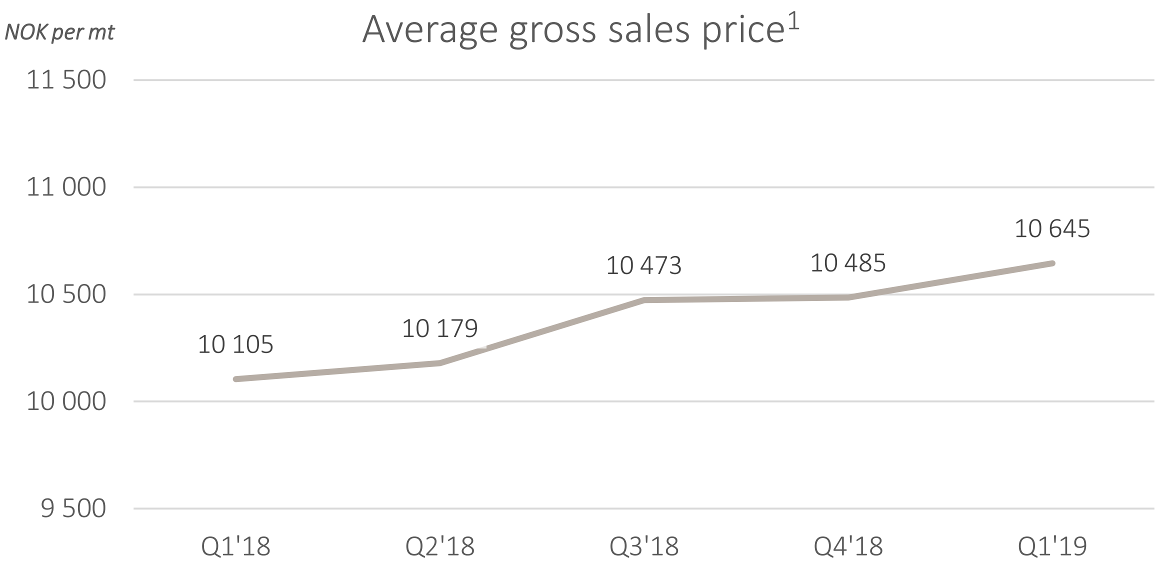
Update on Sarpsborg lignin investment programme

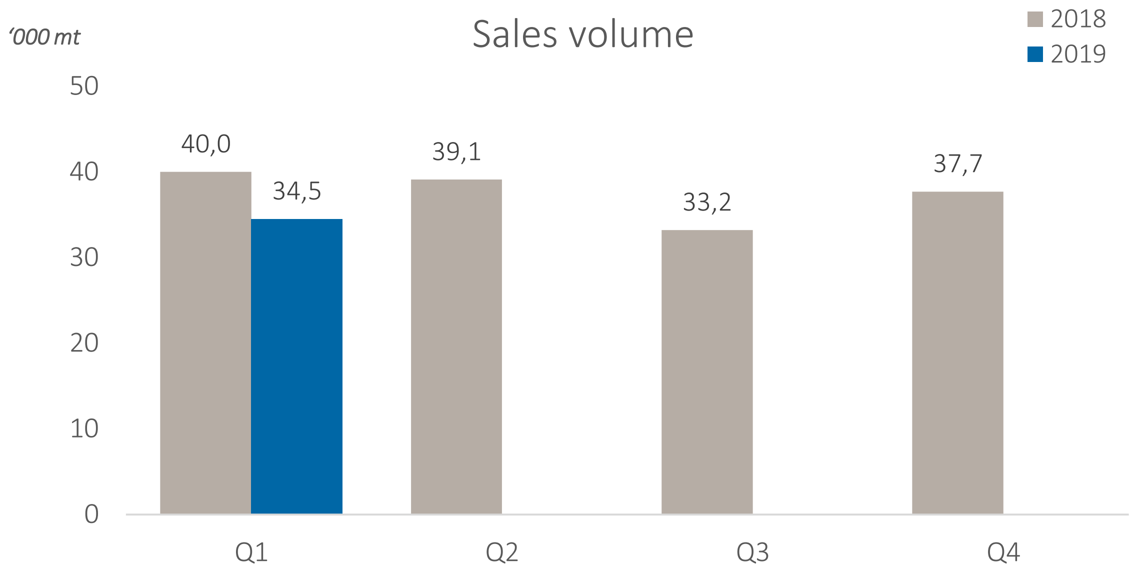
- 450 mNOK estimated capex, 10% below budget
  - 70% expansion/30% replacement
  - Additional dryer with packaging capacity
  - Tanks for storage of liquid materials
  - Improved solutions for logistics, infrastructure and energy
  - In operation from June/July 2019
- Annual cost savings >40 mNOK
  - Optimisation of production campaigns, internal and outbound logistics
  - Gradual realisation through 2020
  - Full impact from 2021
- Several additional benefits
  - Further specialisation on a unique raw material base
  - Reduced exposure to cyclical market segments
  - Substantial environmental and safety benefits

New lignin warehouse at the Port of Borg

- New, modern warehouse for dried lignin
  - 19,000 square metres/43,000 pallet positions
  - Will replace several rented warehouses
  - Located inside the port area at Øra, Fredrikstad
  - Built, owned and operated by the Port of Borg
  - Will be treated in accordance with IFRS 16
- In operation from June 2019
- Several benefits
  - Optimise product flow and improve logistics
  - Reduce CO_2 emissions from road transport
  - Reduce local heavy transport

Speciality Cellulose markets – Q1

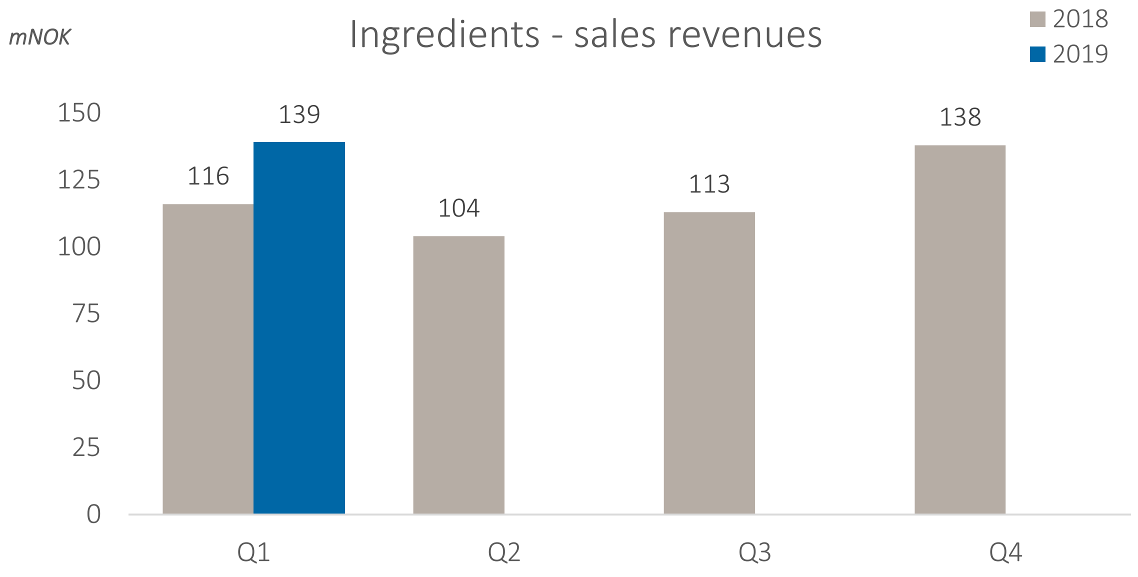


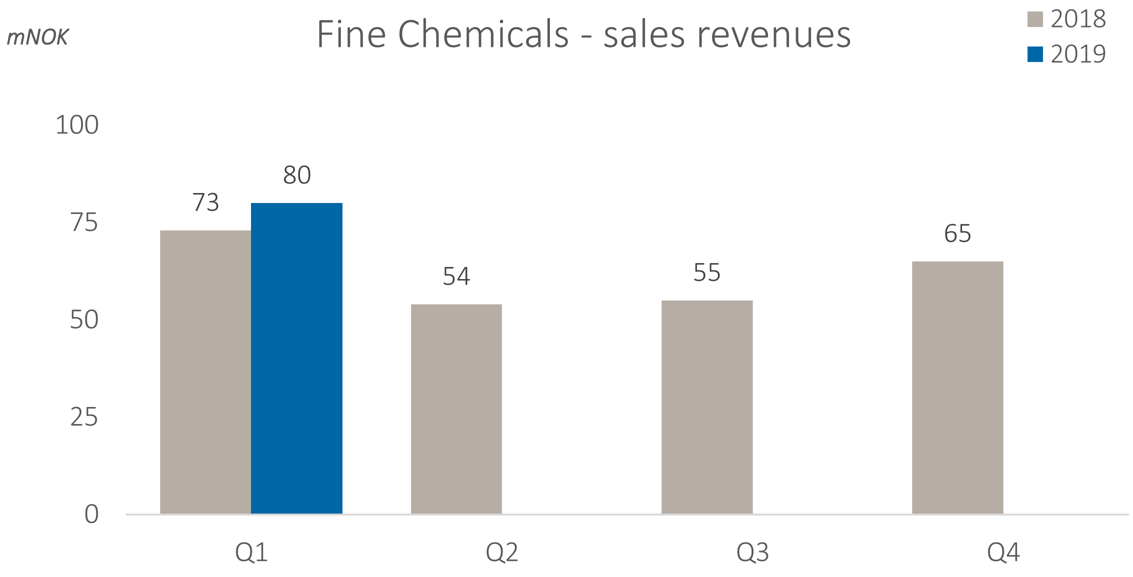


- Low deliveries in the quarter
- Average price in sales currency increased slightly due to improved product mix
- Improved product mix for Bioethanol
- Positive FX impact

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

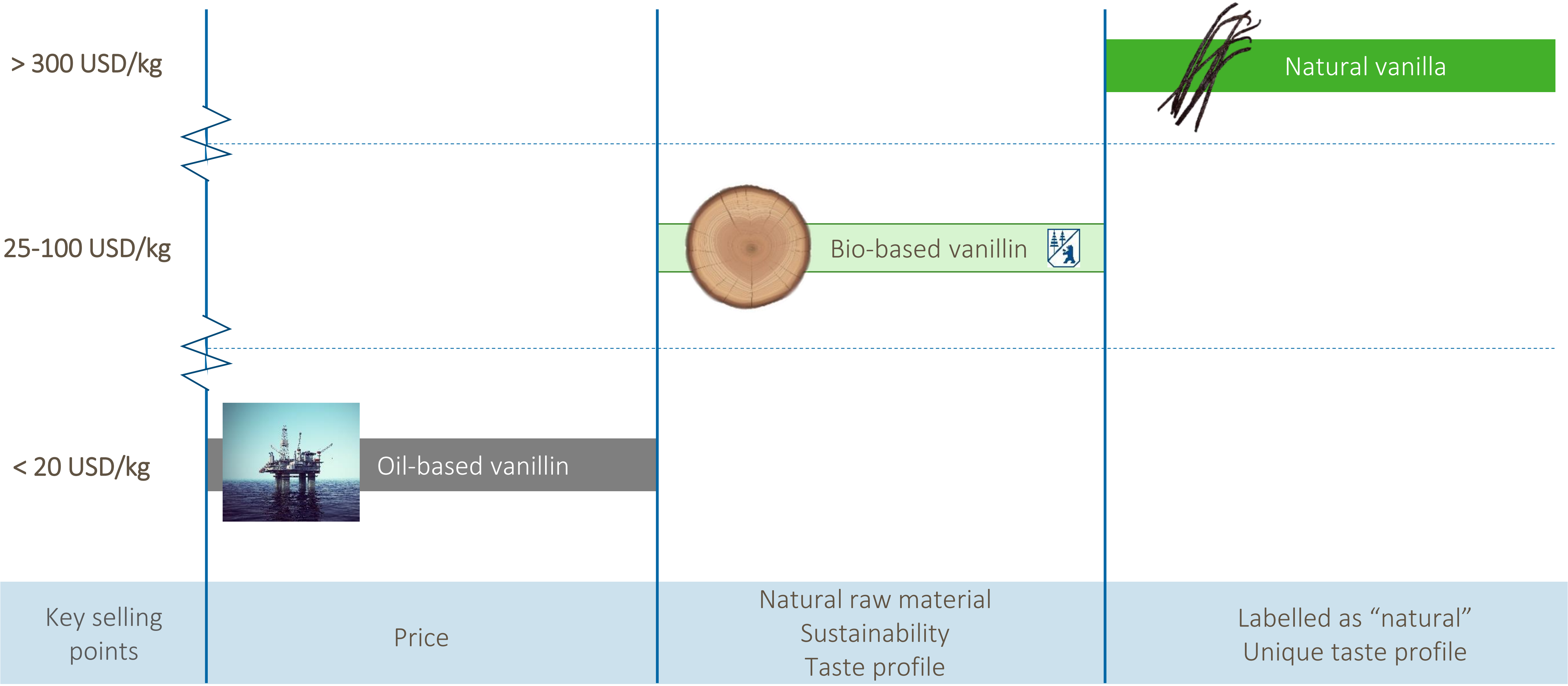
Ingredients & Fine Chemicals markets – Q1





- Ingredients
  - Increased sales prices and favourable product mix vs Q1-18
  - Positive market trend for bio-based vanillin continued
- Fine Chemicals
  - High sales revenues in Q1

Positive trend for bio-based vanillin



Outlook

- Performance Chemicals
  - 2019 sales volume forecast to increase by ≈10%, mainly due to Florida ramp-up
  - Continued strong competition and further price pressure for lignin products to concrete admixtures expected to be partly compensated by diversification and specialisation
  - Fixed costs and depreciation for the Florida plant expected to be ≈40 mNOK above 2018
  - Higher sales volume and weaker product mix in Q2 vs Q1 due to normal seasonality

- 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
  - Wood costs in H1-19 will increase by ≈50 mNOK vs H1-18
  - Q2 sales volume forecast to be in line with Q2-18, while the product mix is expected to improve

- Other Businesses
  - Ingredients' result expected to increase in 2019, driven by positive market trend for bio-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 Q1-19

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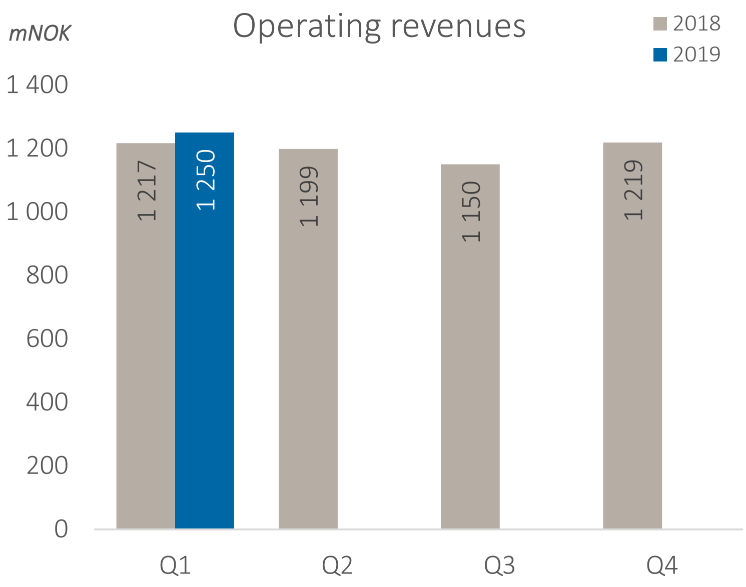
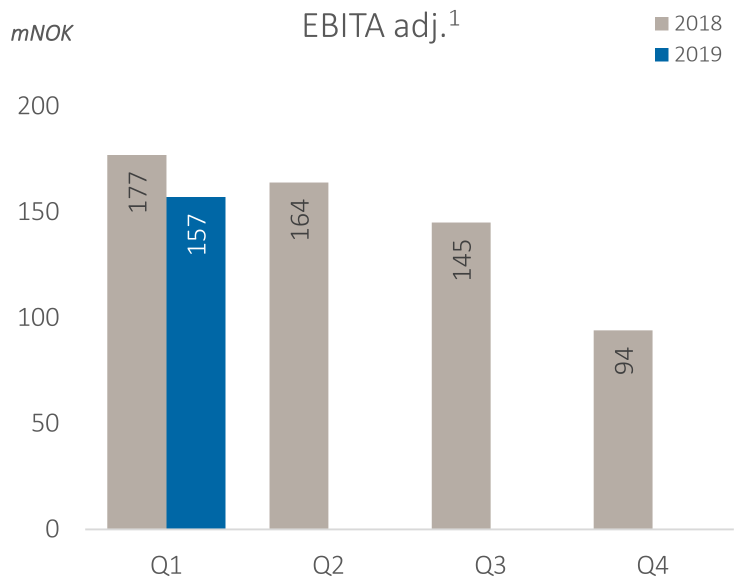
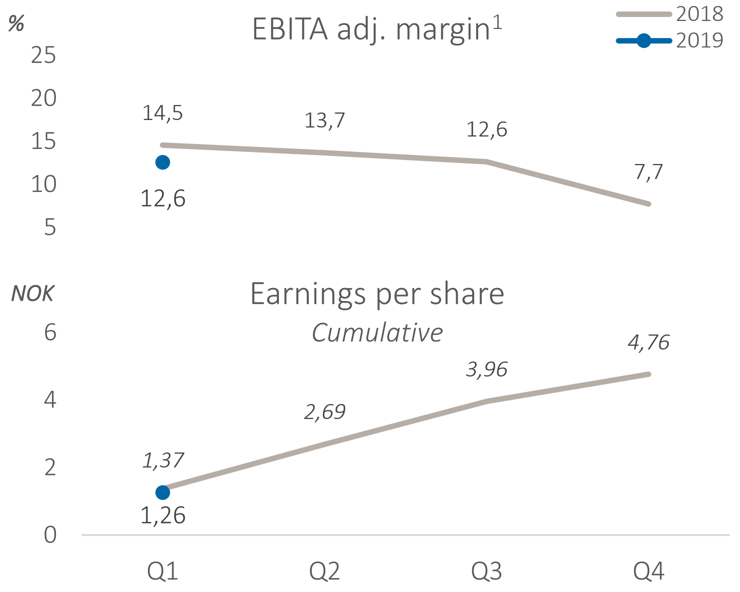
Borregaard key figures – Q1



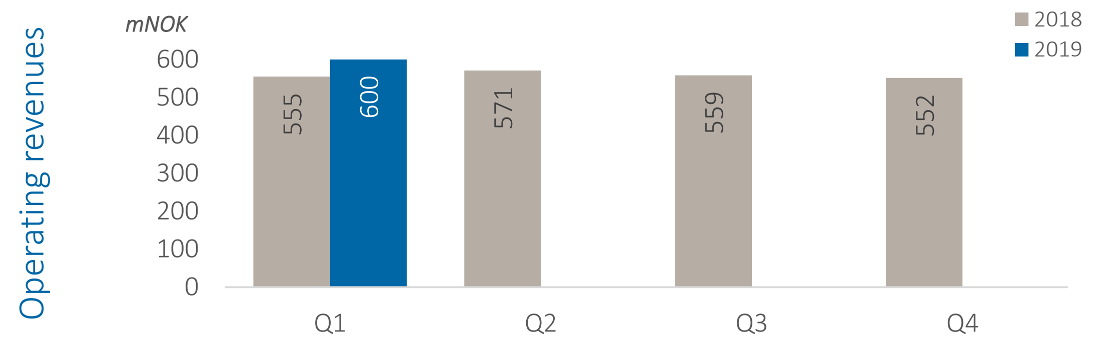




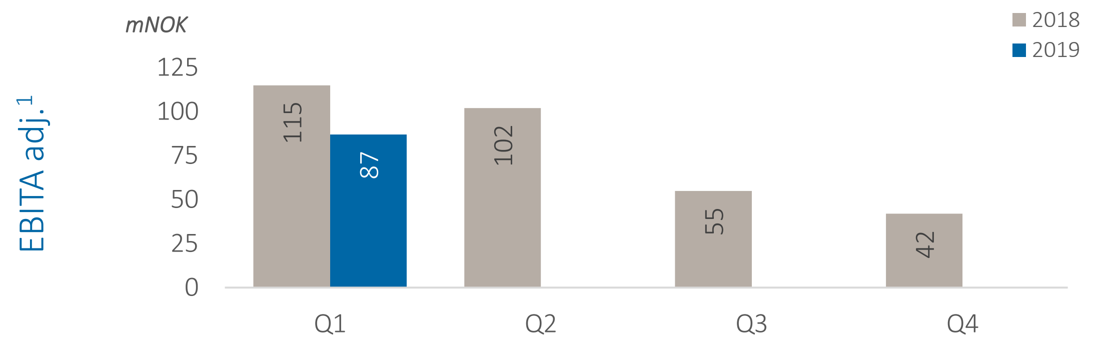
- Revenues 3% above Q1-18
- EBITA adj.[1] 157 mNOK for the Group
  - Strong improvement in Other Businesses, both in Ingredients and Fine Chemicals
  - Higher costs and depreciation, but increasing volume in Performance Chemicals
  - Higher wood costs and low deliveries in Speciality Cellulose
  - Positive FX effects in all segments
  - Marginal NOK 1 million positive EBITA adj.[1] impact from implementation of IFRS 16 Leases
- EPS at NOK 1.26 (NOK 1.37)

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

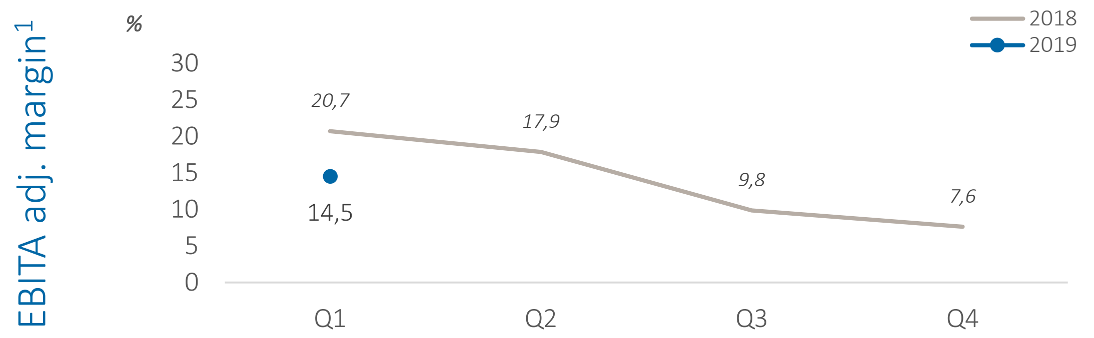
Performance Chemicals key figures – Q1



- Revenues 8% above Q1-18
- 7% higher sales volume
- Positive net FX impact



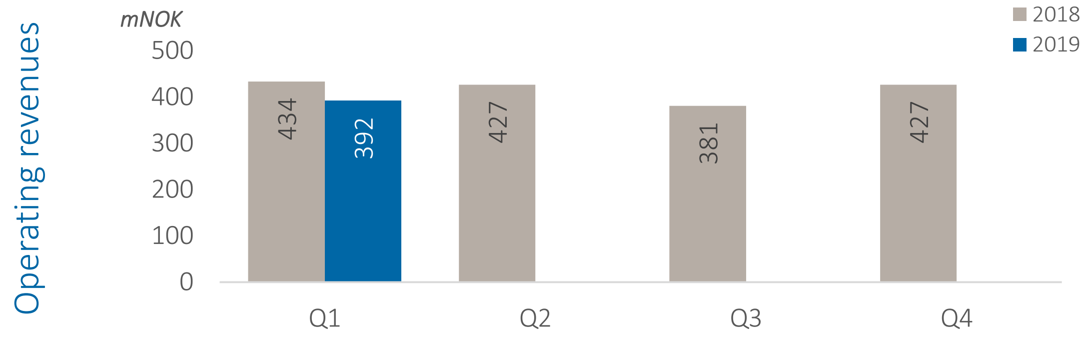
- Higher fixed costs and depreciation for the Florida plant
- Higher sales volume, largely off-set by lower average price in sales currency
- Distribution costs normalised vs the higher levels in H2-18
- Positive net FX impact



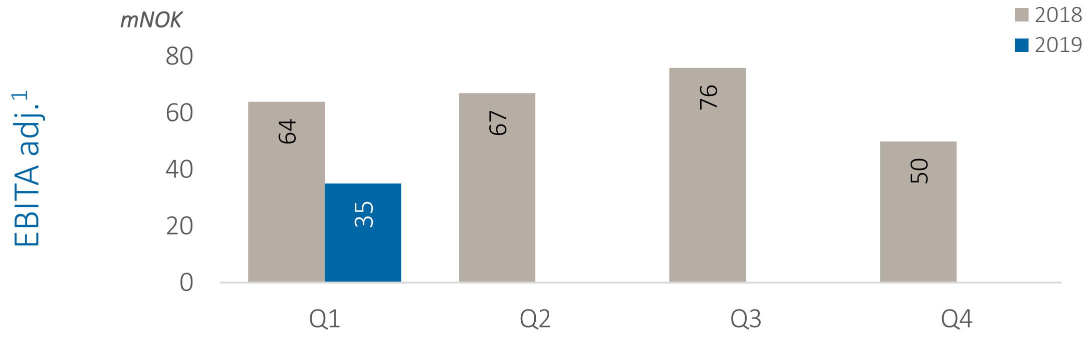
- EBITA adj. margin[1] decreased vs Q1-18

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

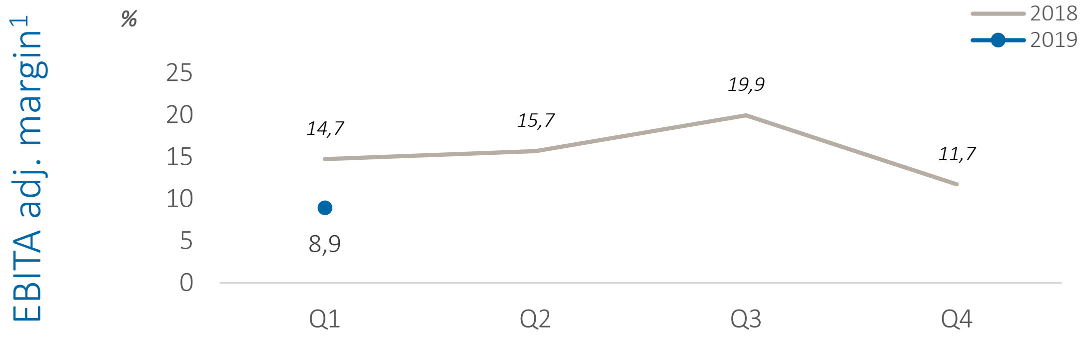
Speciality Cellulose key figures – Q1



- Revenues 10% lower than in Q1-18
- Low deliveries



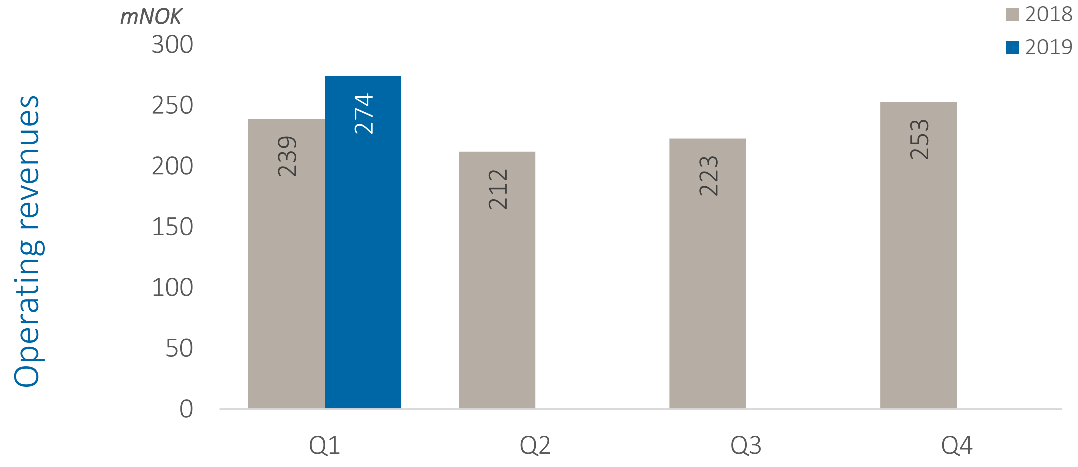
- Increased wood costs
- Low deliveries, improved product mix
- Improved Bioethanol result vs Q1-18 from better product mix
- Positive net FX impact



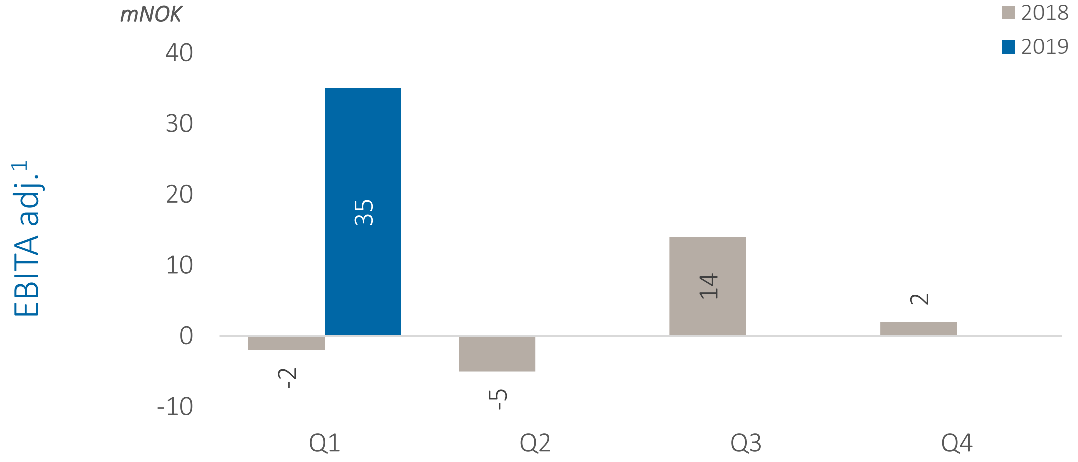
- EBITA adj. margin[1] declined vs Q1-18

[1] Alternative performance measure, see Appendix for definition

Other Businesses key figures – Q1



- Revenues 15% above Q1-18
- Higher sales in both Ingredients and Fine Chemicals



- **Ingredients**: Strong result from higher prices for bio-based vanillin and a favourable product mix
- **Fine Chemicals**: Higher sales revenues vs Q1-18
- **Cellulose Fibrils** and **corporate costs** were in line with Q1-18
- Positive net FX effects for Other Businesses

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

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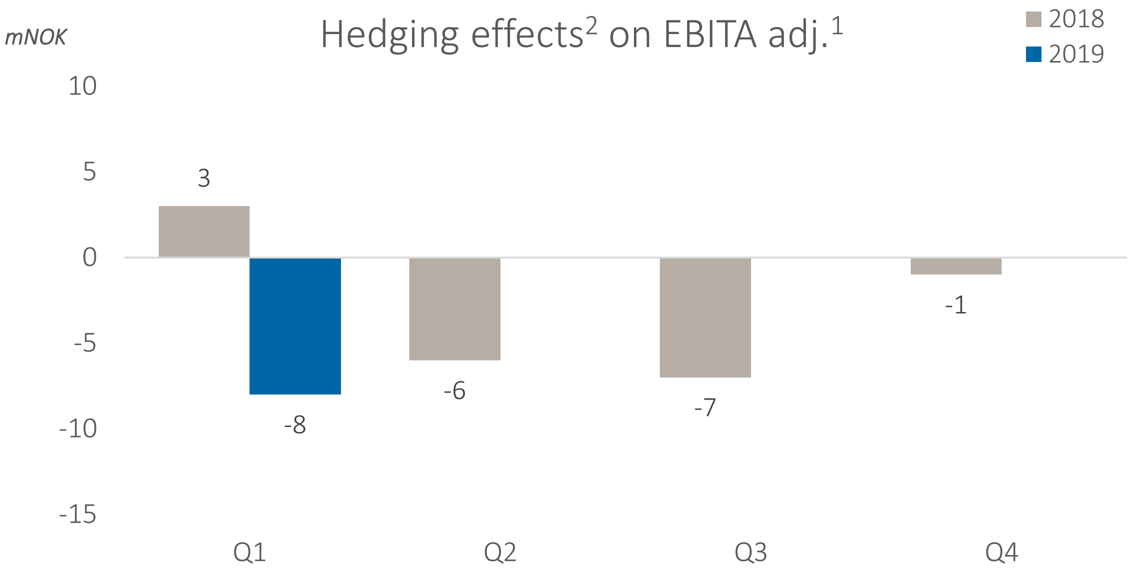
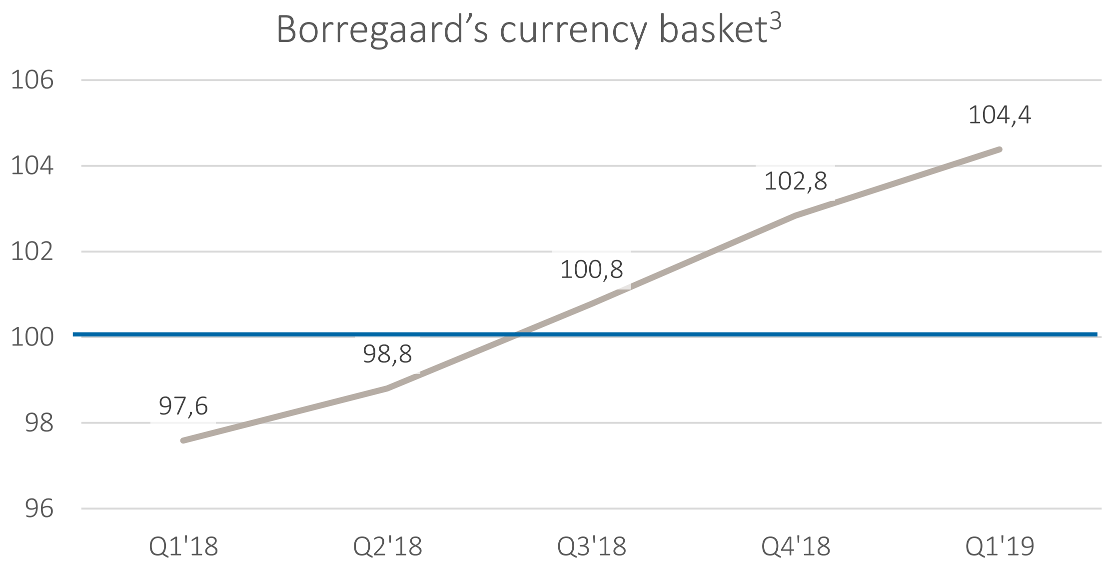
Currency impact





- Net FX EBITA adj.[1] impact +30 mNOK vs Q1-18
  - Includes change in hedging effects and based on estimated FX exposure
- Net FX EBITA adj.[1] impact in 2019 estimated to be +85 mNOK vs 2018
  - Assuming rates as of 2 May (USD 8.69 and EUR 9.75) on expected FX exposure
  - Net FX EBITA adj.[1] impact in Q2 estimated to be +30 mNOK vs Q2-18
- Significant FX exposure, but delayed impact of FX rate fluctuations due to hedging policy

[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 68% (approx. 190 mUSD), EUR 32% (approx. 84 mEUR), Other 0% (GBP, BRL, JPY, SEK, ZAR).*

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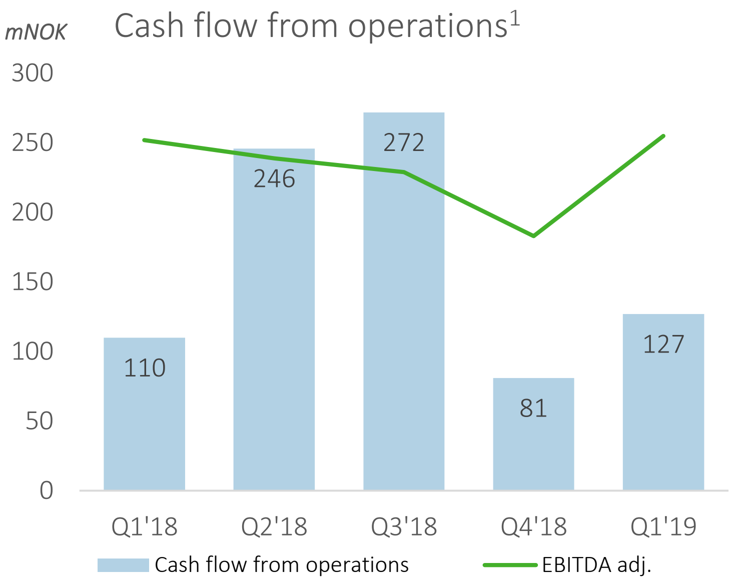
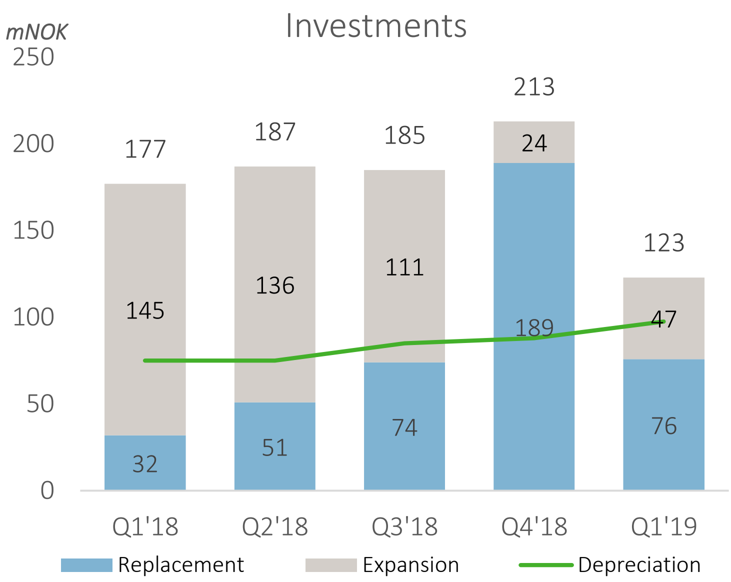
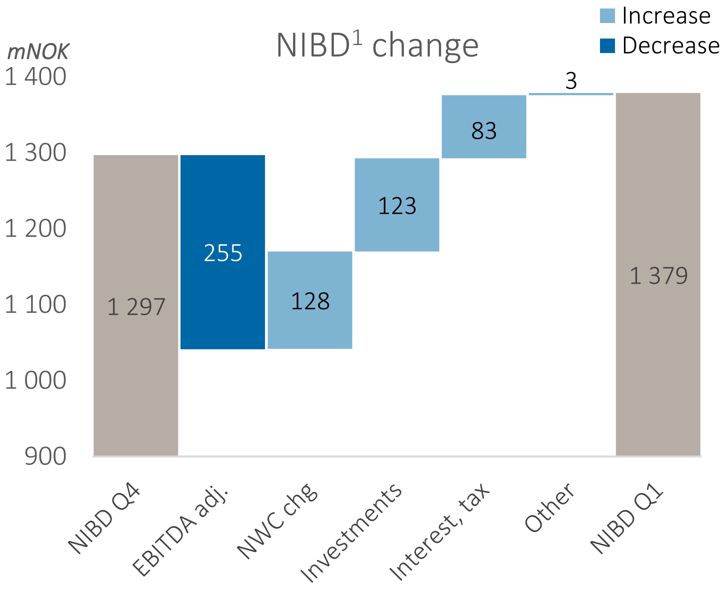
Cash flow, investments and NIBD







- Cash flow from operations[1] slightly above Q1-18
  - Slightly more favourable development in net working capital
- Investments lower than Q1-18
  - Expansion investments mainly related to the upgrade and specialisation of the lignin operation in Norway
- NIBD[1] increased by 82 mNOK in Q1

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

Effects of IFRS 16 implementation in Q1-19

INCOME STATEMENT (mNOK)

	IAS 17	IFRS 16	Change
EBITDA adj.[1]	240	255	15
Depreciation	-84	-98	-14
EBITA adj.[1]	156	157	1
Operating profit	155	156	1
Net financial items	-13	-15	-2
Profit before tax	142	141	-1
Earnings per share	1.27	1.26	-0.01

BALANCE SHEET (mNOK)

Total assets	6 201	6 421	220
Equity	3 485	3 484	-1

OTHER KEY FIGURES AND RATIOS

	IAS 17	IFRS 16	Change
EBITDA adj. margin[1]	19.3%	20.4%	1.1%-p
EBITA adj. margin[1]	12.5%	12.6%	0.1%-p
Capital empolyed[1]	4 773	5 004	231
Return on capital employed[1]	11.7%	11.3%	-0.4%-p
Net interest-bearing debt[1]	1 379	1 600	221
Leverage ratio[1]	1.55	1.68	0.13
Equity ratio[1]	56.2%	54.3%	-1.9%-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.

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

Q&A

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

APPENDIX

Borregaard – key figures

Amounts in NOK million	Q1-2019	Q1-2018	Change
Operating revenues	**1 250**	**1 217**	***3 %***
EBITDA adj.[1]	**255**	**252**	***1 %***
EBITA adj.[1]	**157**	**177**	***-11 %***
Amortisation intangible assets	-1	-1	
Other income and expenses[1]	0	0	
Operating profit	**156**	**176**	***-11 %***
Financial items, net	-15	-7	
Profit before taxes	**141**	**169**	***-17 %***
Income tax expenses	-33	-37	
Profit for the period	**108**	**132**	***-18 %***
Profit attributable to non-controlling interests	-18	-5	
Profit attributable to owners of the parent	126	137	
Cash flow from operating activities (IFRS)	**44**	**31**	
Earnings per share	**1,26**	**1,37**	***-8 %***
EBITDA adj. Margin[1]	*20,4 %*	*20,7 %*	
EBITA adj. Margin[1]	*12,6 %*	*14,5 %*	

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

Operating revenues and EBITA adj.[1] per segment

Amounts in NOK million

Operating revenues	Q1-2019	Q1-2018	Change
Borregaard	**1 250**	**1 217**	***3 %***
Performance Chemicals	600	555	*8 %*
Speciality Cellulose	392	434	*-10 %*
Other Businesses	274	239	*15 %*
Eliminations	-16	-11	

Amounts in NOK million

EBITA adj.[1]	Q1-2019	Q1-2018	Change
Borregaard	**157**	**177**	***-11 %***
Performance Chemicals	87	115	*-24 %*
Speciality Cellulose	35	64	*-45 %*
Other Businesses	35	-2	

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

Cash flow

Amounts in NOK million	Q1-2019	Q1-2018	FY-2018
Amounts in NOK million			
Profit before taxes	141	169	562
Amortisation, depreciation and impairment charges	99	76	327
Change in net working capital, etc	-128	-142	-194
Dividend (share of profit) from JV	0	0	6
Taxes paid	-68	-72	-143
Cash flow from operating activities	**44**	**31**	**558**
Investments property, plant and equipment and intangible assets *	-123	-177	-762
Other capital transactions	9	4	13
Cash flow from Investing activities	**-114**	**-173**	**-749**
Dividends	0	0	-199
Proceeds from exercise of options/shares to employees	19	17	23
Buy-back of shares	-27	-22	-32
Gain/(loss) on hedges for net investments in subsidiaries	4	40	-22
Net paid to/from shareholders	**-4**	**35**	**-230**
Proceeds from interest-bearing liabilities	347	233	1 292
Repayment from interest-bearing liabilities	-216	-202	-960
Change in interest-bearing receivables/other liabilities	-8	-7	-2
Change in net interest-bearing liablities	**123**	**24**	**330**
Cash flow from financing activities	**119**	**59**	**100**
Change in cash and cash equivalents	**49**	**-83**	**-91**
Cash and cash equivalents at beginning of period	86	180	180
Change in cash and cash equivalents	49	-83	-91
Currency effects cash and cash equivalents	-1	-5	-3
Cash and cash equivalents at the end of the period	**134**	**92**	**86**

* Investment by category			
Replacement Investments	76	32	346
Expansion investments[1]	47	145	416

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

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Balance sheet

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

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

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

Amounts in NOK million

Net financial items	Q1-2019	Q1-2018
Net interest expenses	-13	-4
Currency gain/loss	-2	-2
Other financial items, net	0	-1
Net financial items	**-15**	**-7**

Amounts in NOK million

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

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

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 02.05.19)

	USD million	USD rate	EUR million	EUR rate
Q2-2019	*38*	*8.30*	*23*	*9.63*
Q3-2019	*36*	*8.29*	*24*	*9.62*
Q4-2019	*36*	*8.40*	*24*	*9.63*
2019	110	8.33	71	9.63
2020	134	8.22	91	9.82
2021	107	8.18	69	10.10
2022	30	8.39	19	10.22

Hedging effects by segment

NOK million	Q1-19	Q1-18
Performance Chemicals	-2	2
Speciality Cellulose	-4	2
Other Businesses	-2	-1
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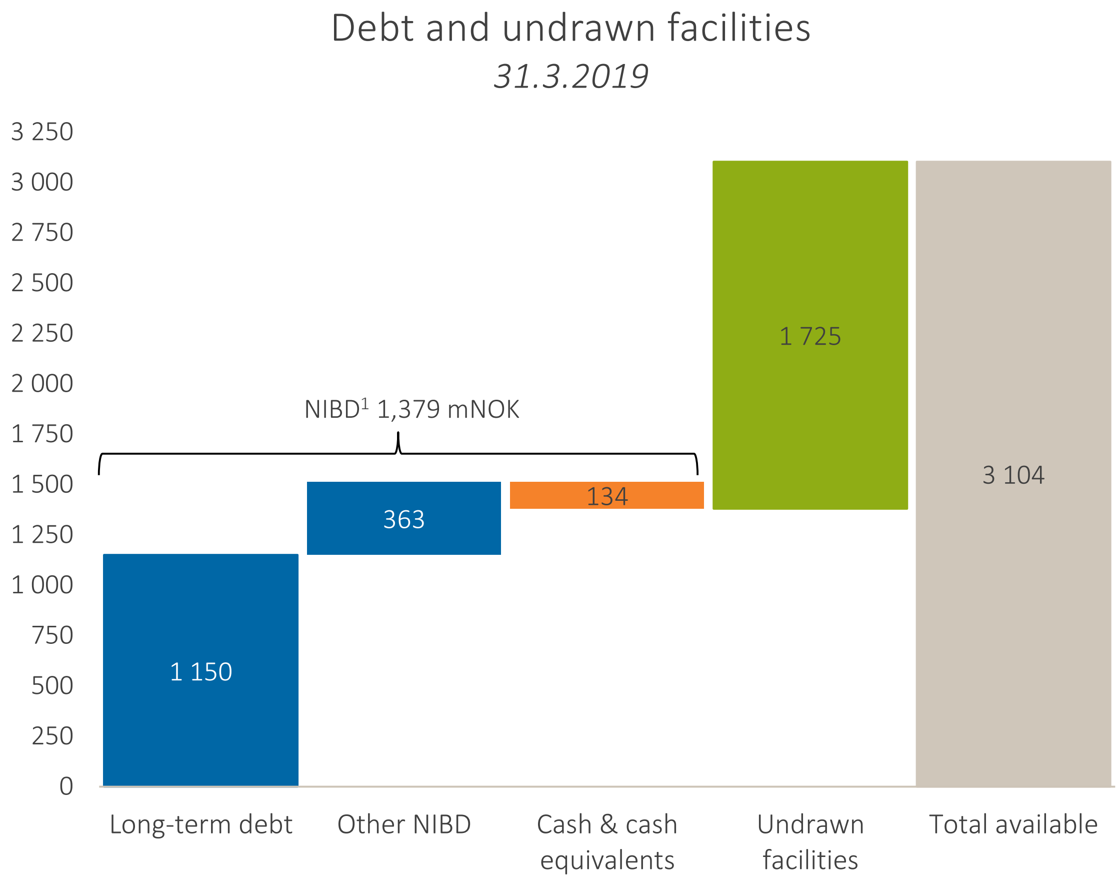
[1] *Hedging done mainly in the Norwegian company*
[2] *Strict definition of contracts applied for 100% hedging (mutually binding agreement in which price, currency, volume and time are defined)*

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
  - 300 mNOK commercial paper
- **Solidity (covenants)**
  - Equity ratio[1] 54.3% (> 25%)
  - Leverage ratio[1] LTM 1.55 (< 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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