



Borregaard

The Sustainable Biorefinery

3rd quarter 2015

Oslo, 21 October 2015

Agenda



Per A Sørli, President & CEO

- Highlights
- Business areas
- Outlook

Per Bjarne Lyngstad, CFO

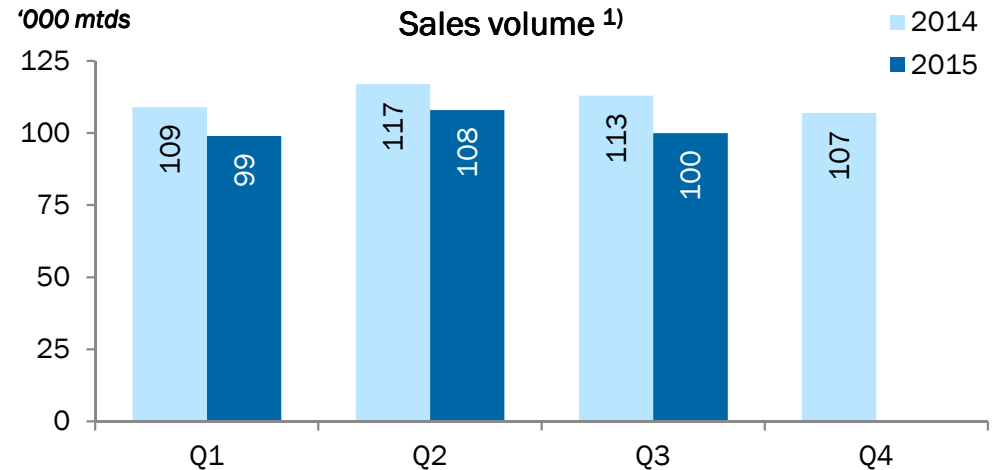
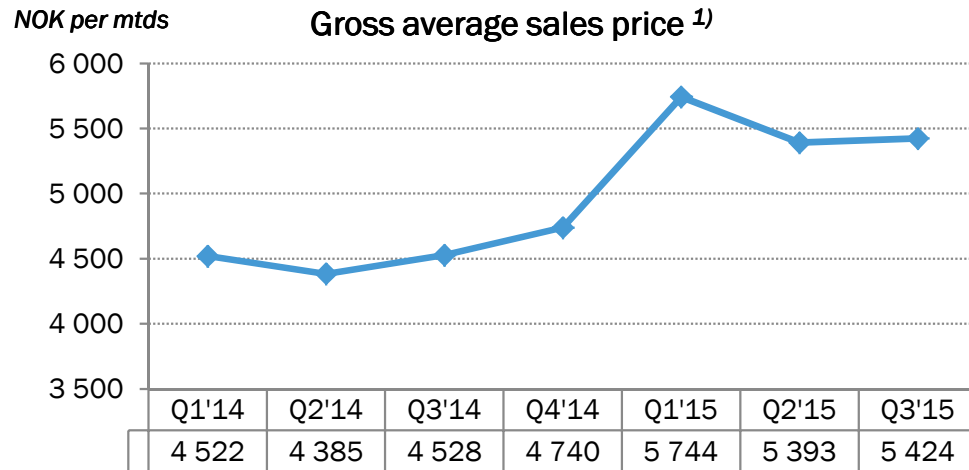
- Financial performance

Highlights – 3rd quarter 2015



- EBITA 160 mNOK (165 mNOK)
- Positive FX impact in all business areas
- Lower sales volume and weaker product mix for Performance Chemicals
- Positive volume development in Fine Chemicals

Performance Chemicals – Q3 market development



- **Lower sales volume and weaker product mix**
 - Reduced demand, primarily in Russia, China and Brazil
 - Unchanged global lignin supply
 - Stronger competition in some regions, especially within the construction sector
 - Weaker product mix, mainly due to lower demand from the oil sector
- **Positive FX impact and higher prices**

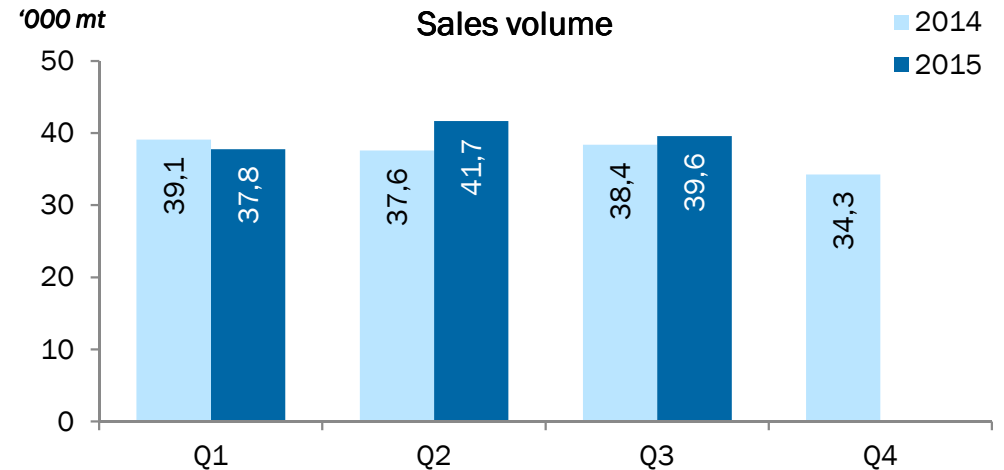
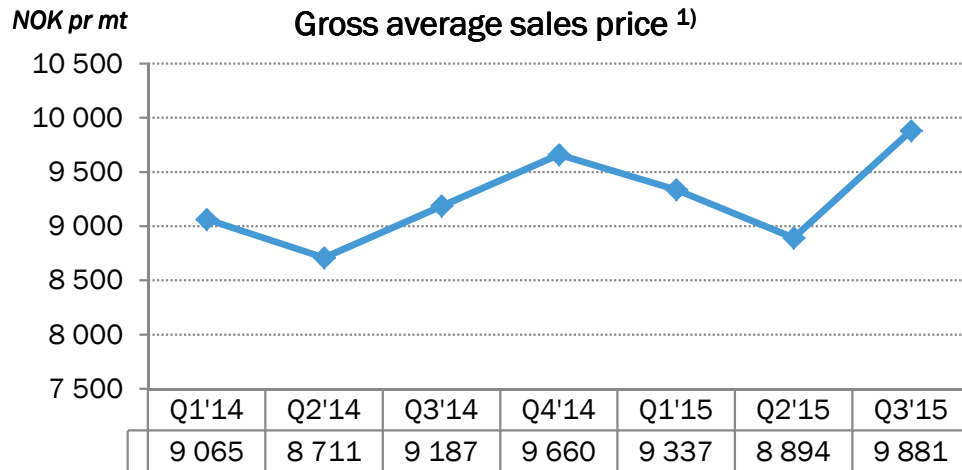
¹⁾ Average sales price and sales volume reflect 100% of sales and volume from the J/V in South Africa. Average sales price is calculated using actual FX rates, excluding hedging impact.

Acquisition of lignin business in the USA



- **Agreement signed with Flambeau Rivers Paper LLC for the acquisition of their lignin business**
 - Acquisition of lignin business based at Flambeau's Park Falls operations in Wisconsin, USA
 - Long-term lignin raw material supply agreement
 - Approx. 40,000 metric tonnes dry substance
 - Products sold to the low and medium value segments in North America
 - Closing expected during Q4-15
 - Will be integrated into Borregaard's existing US operation

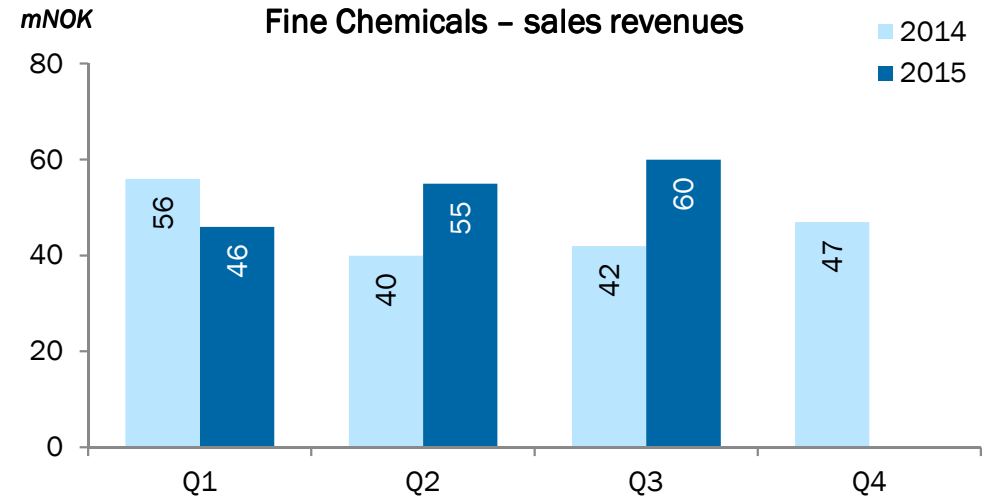
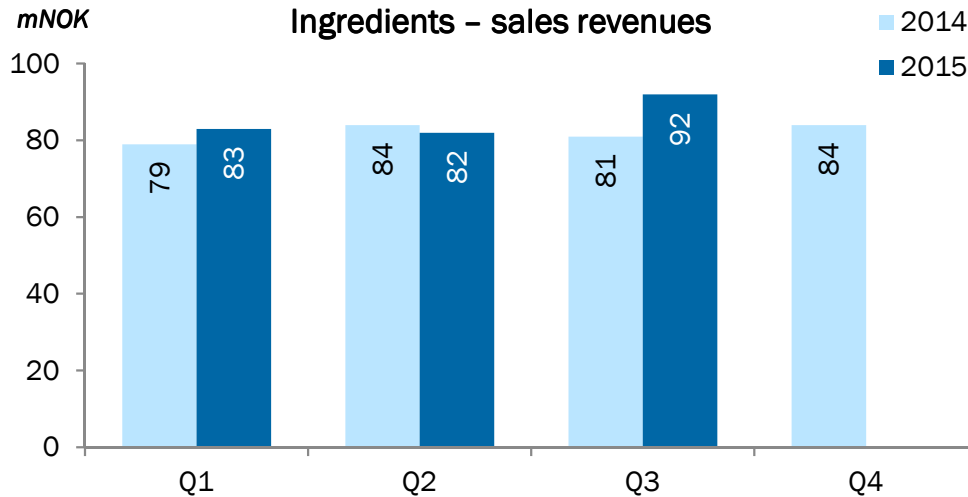
Specialty Cellulose – Q3 market development



- **Lower sales prices and weaker product mix vs Q3-14**
 - Sales prices in line with expectations
 - Product mix affected by lower sales to the cellulose acetate market
- **Increased deliveries of highly specialised grades vs Q2-15**
- **Positive FX impact**

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

Ingredients & Fine Chemicals – Q3 market development



Ingredients

- Market conditions remain challenging
- Positive FX impact

Fine Chemicals

- Increased sales of x-ray contrast media intermediates
- Positive FX impact

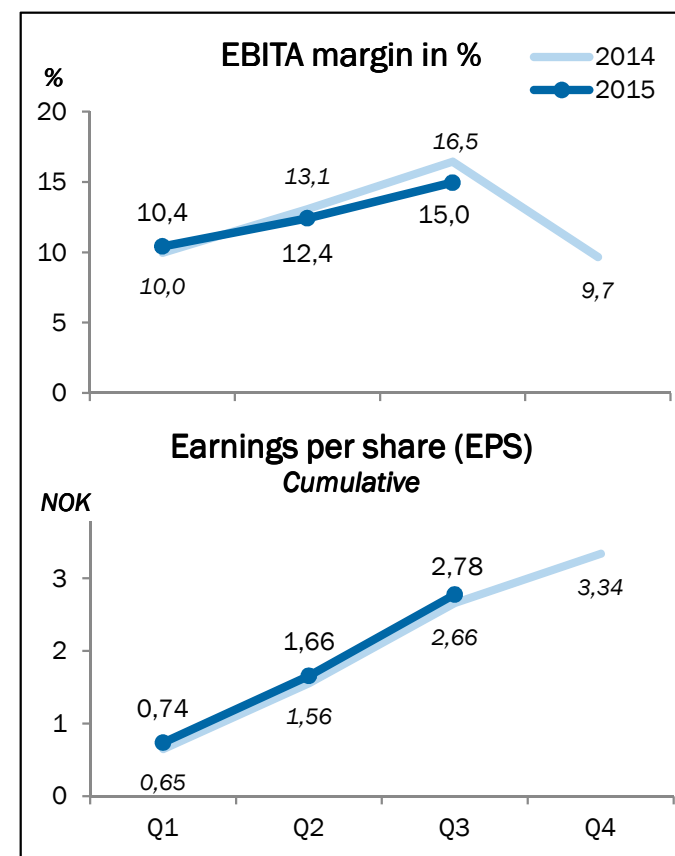
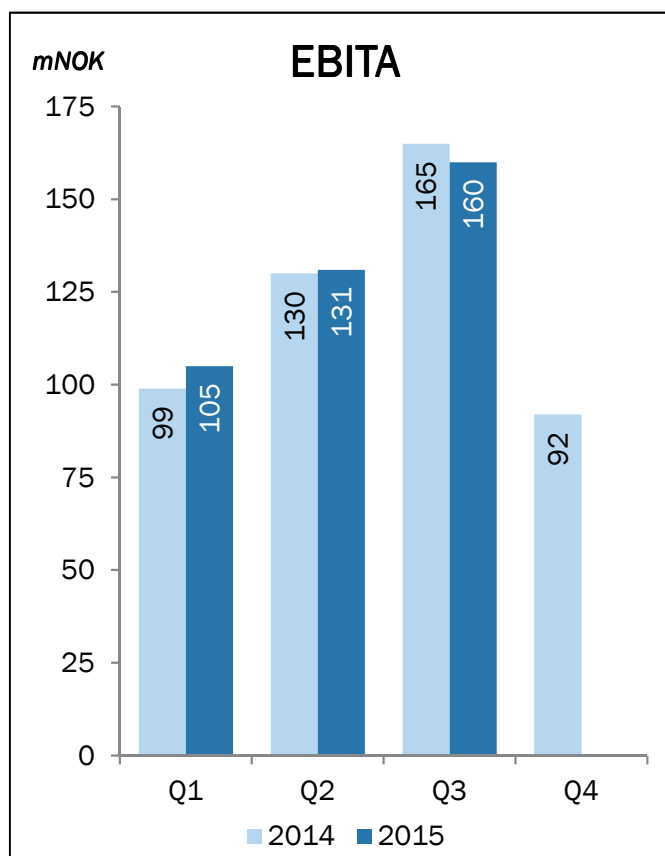
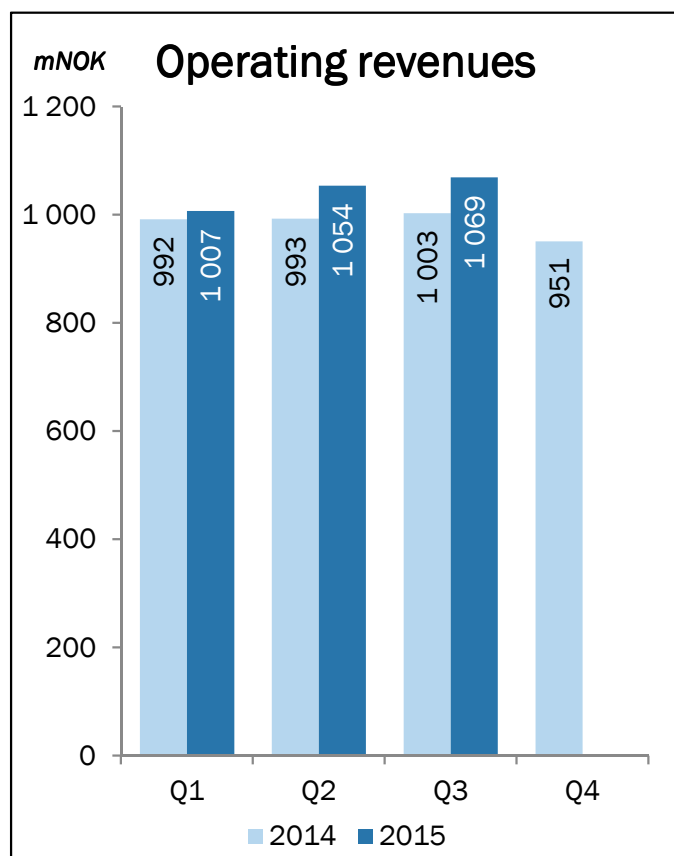
Outlook

- **Performance Chemicals**
 - Both total and high-value sales volume expected to be in line with Q3-15
 - Forecasts are uncertain due to low market visibility
 - Impact of weaker demand and increased competition in construction partly offset by reallocation to other regions and applications
- **Specialty Cellulose**
 - 2015 prices in sales currency approx. 7% below 2014 level
 - Weaker product mix in 2015 due to lower sales to the cellulose acetate market
 - Total sales volume and sales of highly specialised grades in Q4-15 expected to be below Q3-15
- **Other Businesses**
 - Market situation for Ingredients remains challenging
 - Positive development in Fine Chemicals expected to continue
 - Exilva project costs will continue at a high level
- **Currency impact**
 - Currency, including hedging impact, will contribute positively in all business areas in Q4-15
- **Q4/Q1 EBITA normally lower than Q2/Q3**



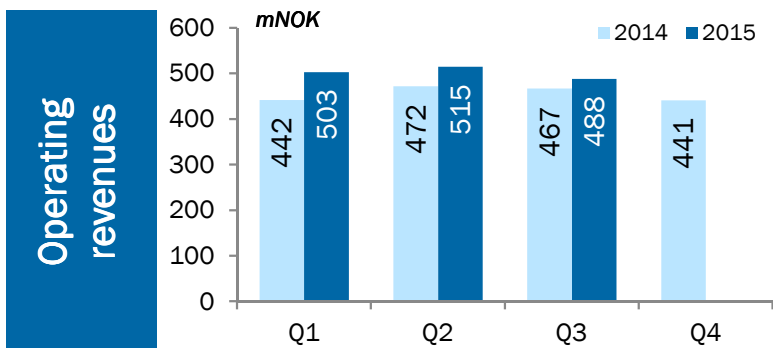
FINANCIAL PERFORMANCE Q3-15

Borregaard – Q3 key figures

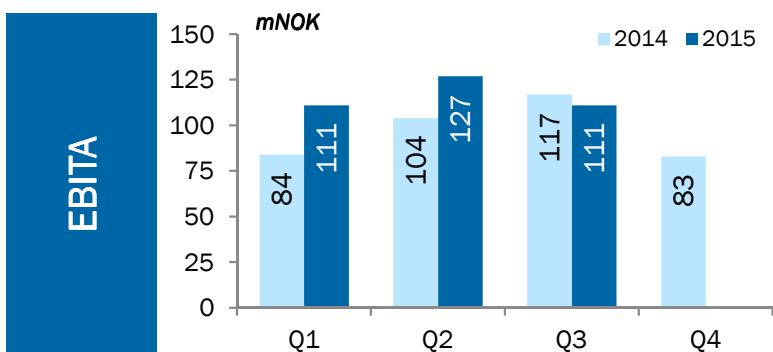


- Revenues increased by 7% vs Q3-14
- EBITA decline in Performance Chemicals and Specialty Cellulose, increase in Other Businesses
- Positive FX impact in all business areas
- EPS at NOK 1.12 (NOK 1.10)

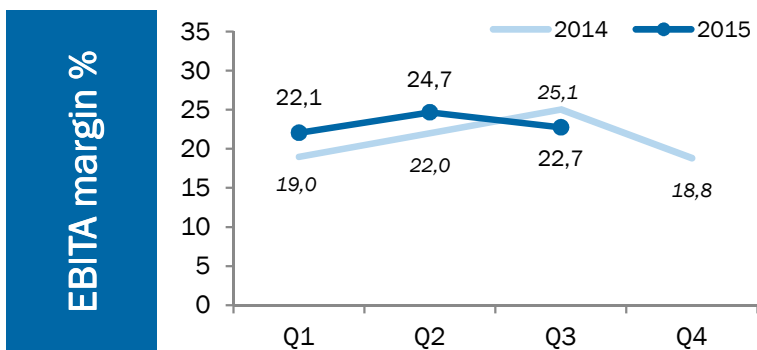
Performance Chemicals – Q3 key figures



- Top line +4% vs Q3-14
- 12% lower sales volume
- Positive FX impact



- Positive FX effects and higher prices
- Sales volume reduction and weaker product mix
- Stable costs in local currencies

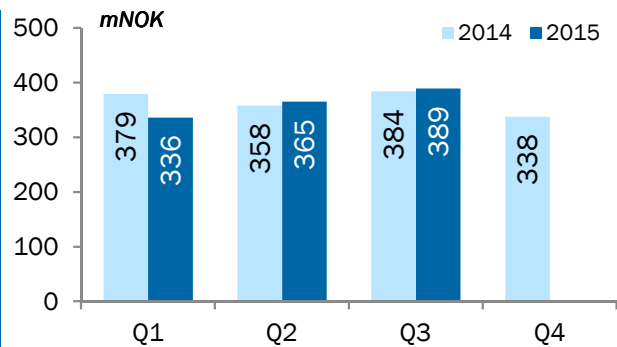


- EBITA margin maintained at a high level

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

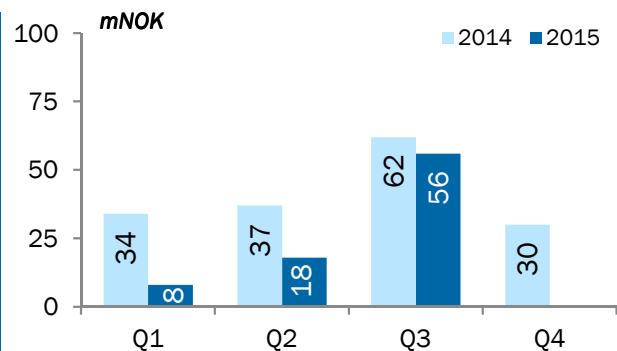
Specialty Cellulose – Q3 key figures

Operating revenues



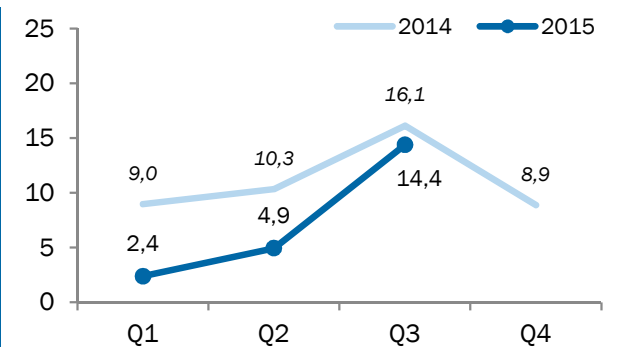
- Top line +1% vs Q3-14
- Positive FX impact, lower prices and weaker product mix

EBITA



- Reduced sales prices and weaker product mix
- Highly specialised volume above Q2-15 level
- Lower contribution from bioethanol
- Stable costs

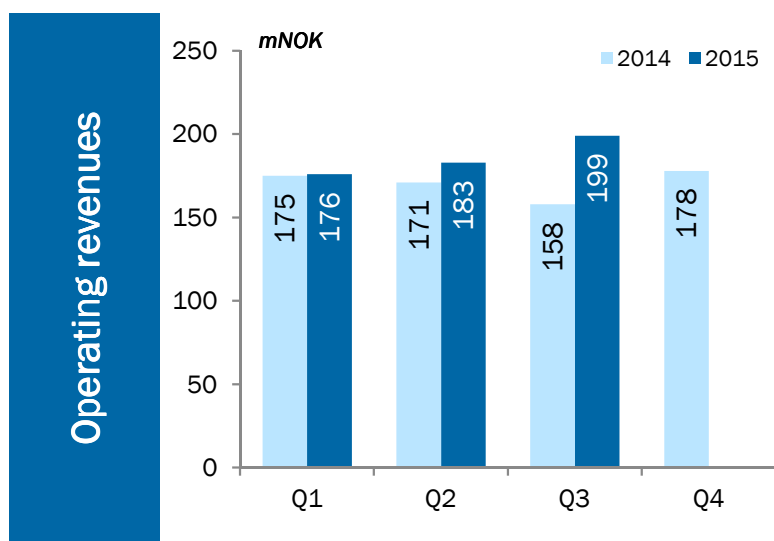
EBITA margin %



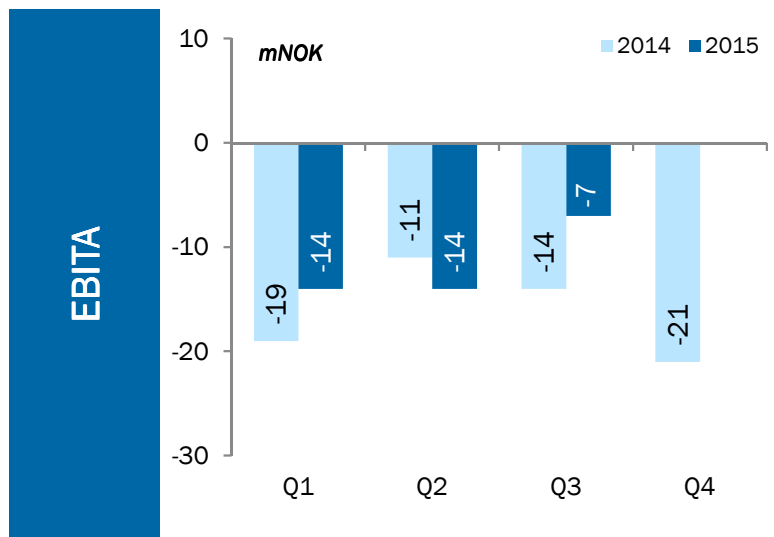
- Margin close to Q3-14
- Adjusted for hedging effects, EBITA margin YTD is 15.1%

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

Other Businesses – Q3 key figures



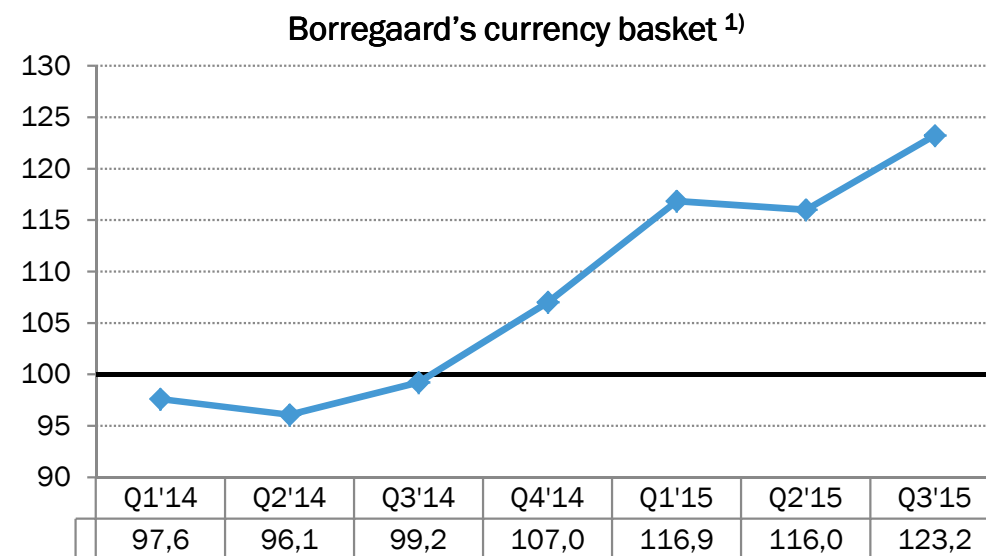
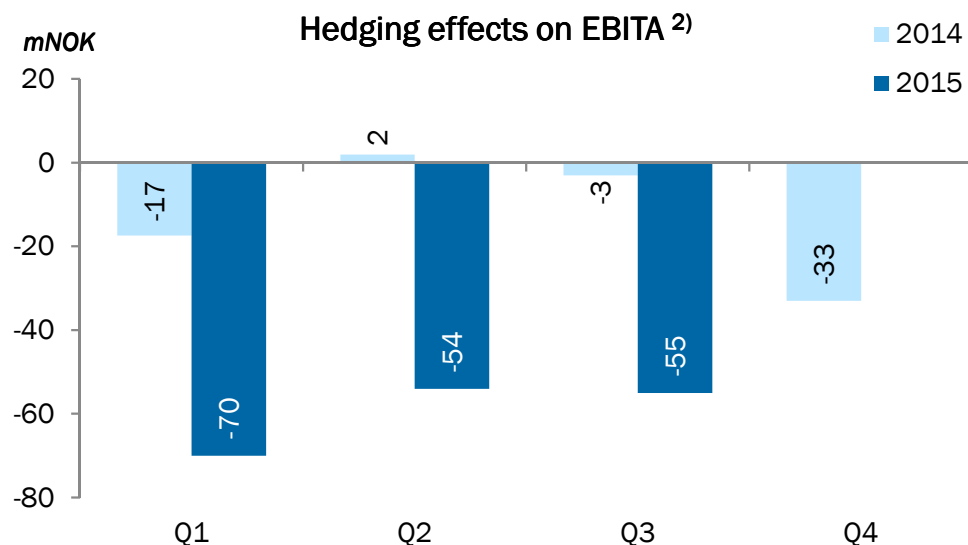
- Top line +26% vs Q3-14
- Increased sales in Fine Chemicals
- Positive FX contribution



- **Ingredients:** Impact of lower production more than offset by positive FX impact
- **Fine Chemicals:** Increased sales of x-ray contrast media intermediates and positive FX impact
- **Exilva:** Project costs continued at a high level due to business development activities

2014 figures for Other Businesses are restated, including costs for the Exilva project and excluding costs for the BALI project
 2014 operating revenues are restated due to minor changes in the treatment of internal transactions.

Currency impact



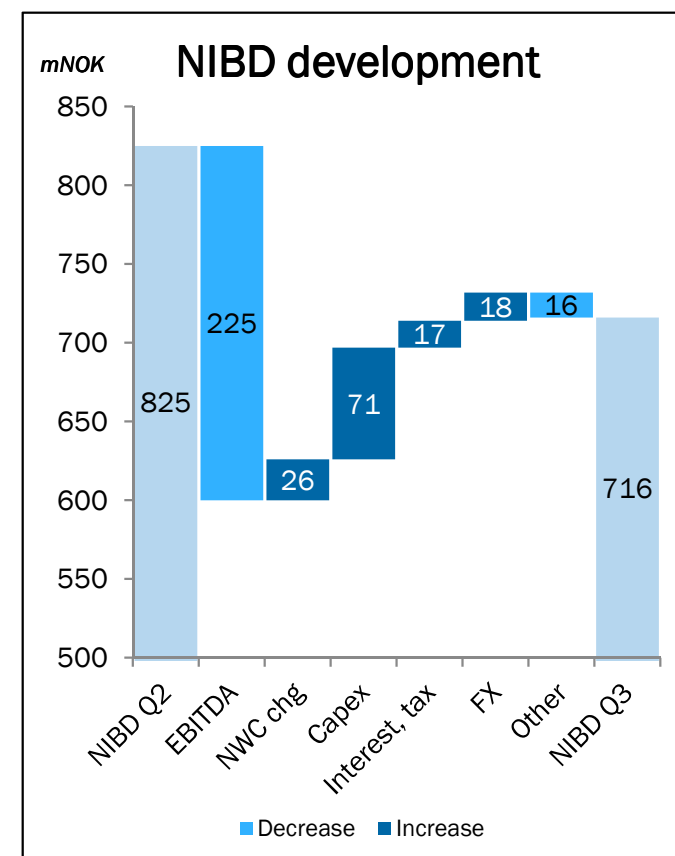
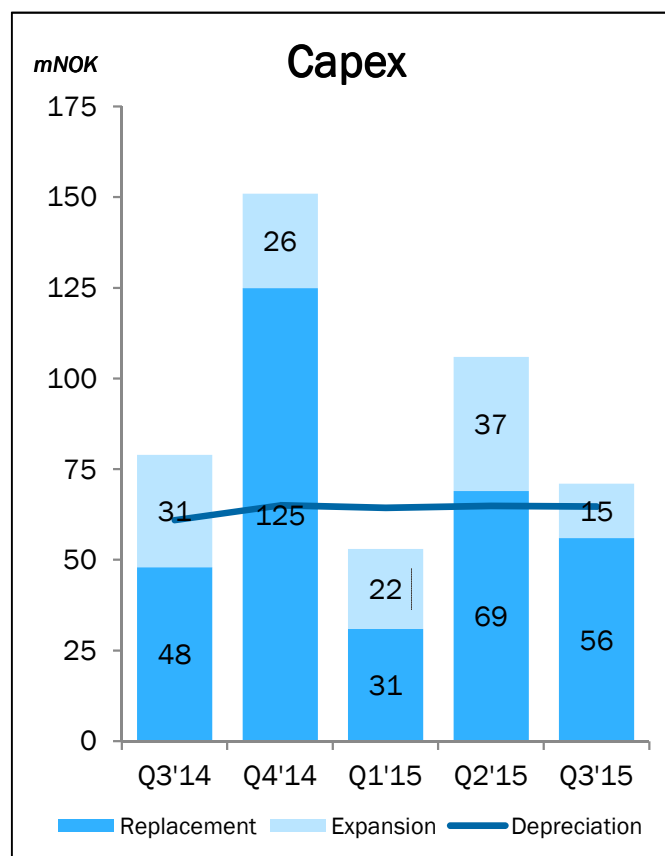
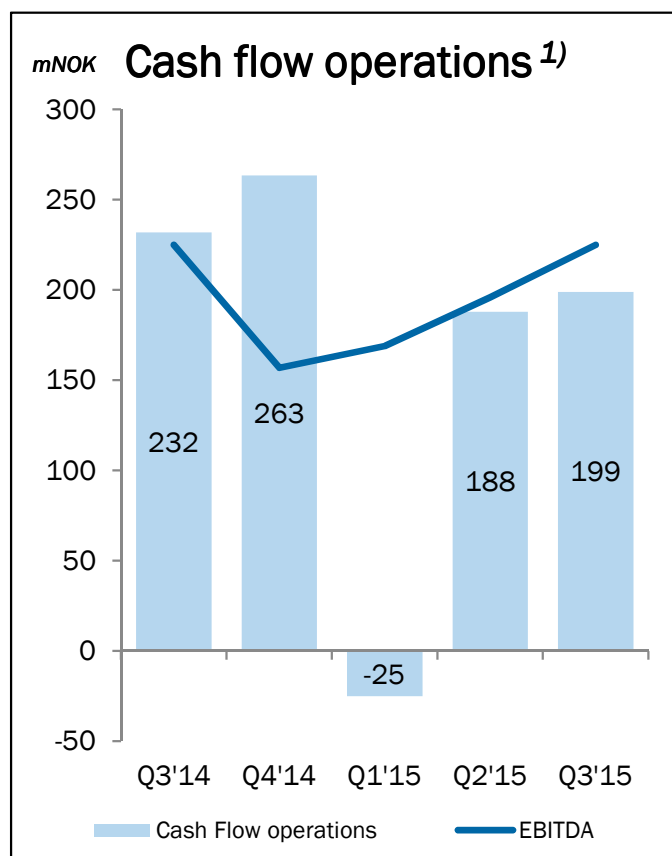
- Net FX EBITA impact approx. 70 mNOK vs Q3-14
 - Includes change in hedging effects and based on estimated Q3-15 currency exposure
- Net FX EBITA impact RoY estimated to be 65 mNOK vs same period last year
 - Assuming rates as of 20 October (USD 8.12 and EUR 9.24) and based on expected currency exposure

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



- Cash flow from operations lower than Q3-14 due to increase in net working capital
- Expansion capex mainly related to the Exilva project
- Capex is expected to increase in Q4-15 vs Q3-15
- NIBD reduced by 109 mNOK in Q3

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>	Q3-2015	Q3-2014	Change	YTD-2015	YTD-2014	Change
Operating revenues	1 069	1 003	7 %	3 130	2 988	5 %
EBITDA (adjusted)	225	225	0 %	590	573	3 %
EBITA (adjusted)	160	165	-3 %	396	394	1 %
Amortisation intangibles	0	0		0	0	
Other income and expenses	0	0		0	0	
EBIT	160	165	-3 %	396	394	1 %
Financial items, net	-9	-12		-20	-23	
Profit/loss before taxes	151	153	-1 %	376	371	1 %
Taxes	-40	-43		-100	-106	
Profit/loss for the period	111	110	1 %	276	265	4 %
Profit/loss attributable to non-controlling interests	-1	0		-2	-1	
Profit/loss attributable to owners of the parent	112	110		278	266	
Cash flow from operating activities (IFRS)	198	227		262	355	
Earnings per share (NOK)	1,12	1,10	2 %	2,78	2,66	5 %
<i>Adjusted EBITDA margin</i>	<i>21,0 %</i>	<i>22,4 %</i>		<i>18,8 %</i>	<i>19,2 %</i>	
<i>Adjusted EBITA margin</i>	<i>15,0 %</i>	<i>16,5 %</i>		<i>12,7 %</i>	<i>13,2 %</i>	

Operating revenues and EBITA per segment

Amounts in NOK million

Operating revenues	Q3-2015	Q3-2014	Change
Borregaard	1069	1003	7 %
Performance Chemicals	488	467	4 %
Specialty Cellulose	389	384	1 %
Other Businesses	199	158	26 %
Eliminations	-7	-6	

Amounts in NOK million

Operating profit - EBITA	Q3-2015	Q3-2014	Change
Borregaard	160	165	-3 %
Performance Chemicals	111	117	-5 %
Specialty Cellulose	56	62	-10 %
Other Businesses	-7	-14	50 %

Amounts in NOK million

Operating revenues	YTD-2015	YTD-2014	Change
Borregaard	3 130	2 988	5 %
Performance Chemicals	1 506	1 381	9 %
Specialty Cellulose	1 090	1 121	-3 %
Other Businesses	558	504	11 %
Eliminations	-24	-18	

Amounts in NOK million

Operating profit - EBITA	YTD-2015	YTD-2014	Change
Borregaard	396	394	1 %
Performance Chemicals	349	305	14 %
Specialty Cellulose	82	133	-38 %
Other Businesses	-35	-44	20 %

Cash flow

Amounts in NOK million

	Q3-2015	Q3-2014	YTD-2015	YTD-2014	FY-2014
Amounts in NOK million					
Profit before taxes	151	153	376	371	430
Amortisation, depreciation and impairment charges	65	60	194	179	244
Change in net working capital, etc	-26	7	-228	-77	59
Dividend (share of profit) from JV	16	21	-2	8	6
Taxes paid	-8	-14	-78	-126	-139
Cash flow from operating activities	198	227	262	355	600
Investments property, plant and equipment and intangible assets	-71	-79	-230	-162	-313
Other capital transactions	2	0	5	2	2
Cash flow from Investing activities	-69	-79	-225	-160	-311
Dividends	0	0	-124	-109	-109
Proceeds from exercise of share options	0	4	0	44	48
Buy-back of treasury shares	0	-7	0	-62	-76
Gain/(loss) on hedges for net investments in subsidiaries	-40	-11	-50	-4	-72
Net paid to/from shareholders	-40	-14	-174	-131	-209
Change in interest-bearing liabilities	-23	-13	63	-27	6
Change in interest-bearing receivables	0	0	-2	-4	-3
Change in net interest-bearing liabilities	-23	-13	61	-31	3
Cash flow from financing activities	-63	-27	-113	-162	-206
Change in cash and cash equivalents	66	121	-76	33	83
Cash and cash equivalents as of beginning of period	36	-44	168	39	39
Change in cash and cash equivalents	66	121	-76	33	83
Currency effects cash and cash equivalents	23	2	33	7	46
Cash and cash equivalents at the close of the period	125	79	125	79	168

Balance sheet

Amounts in NOK million

	30.09.2015	30.06.2014	31.12.2014
Assets:			
Intangible assets	89	75	77
Property, plant and equipment	2 039	2 037	2 004
Other assets	80	88	76
Investments in joint venture	103	125	106
Non-current assets	2 311	2 325	2 263
Inventories	600	613	610
Receivables	866	860	707
Cash and cash deposits	125	51	168
Current assets	1 591	1 524	1 485
Total assets	3 902	3 849	3 748
Equity and debt:			
Group Equity	2 000	2 062	1 941
Non-controlling interests	6	6	8
Equity	2 006	2 068	1 949
Provisions and other non-current liabilities	277	199	196
Interest-bearing liabilities	850	871	784
Non-current liabilities	1 127	1 070	980
Interest-bearing liabilities	9	23	8
Other liabilities	760	688	811
Current liabilities	769	711	819
Equity and liabilities	3 902	3 849	3 748
Equity ratio (%):	51,4 %	53,7 %	52,0 %

Net financial items & net interest-bearing debt

Amounts in NOK million

Net financial items	Q3-2015	Q3-2014	YTD-2015	YTD-2014
Net interest expenses	-4	-8	-17	-23
Currency gain/loss	-4	-4	-1	1
Other financial items, net	-1	0	-2	-1
Net financial items	-9	-12	-20	-23

Amounts in NOK million

Net interest-bearing debt	30.09.2015	30.06.2015	31.12.2014
Non-current interest-bearing liabilities	850	871	784
Current interest-bearing liabilities	9	23	8
Non-current interest-bearing receivables	-18	-18	-16
Cash and cash deposits	-125	-51	-168
Net interest-bearing debt	716	825	608

Currency hedging strategy

Purpose is to delay effects of currency fluctuations and secure competitiveness

- Hedging based on expected EBITA 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 impact

	USD million	USD rate	EUR million	EUR rate
Q4 2015	37	7.17	17	8.53
2016	149	7.96	72	8.56
2017	135	7.98	65	8.78
Later	77	7.97	38	9.16

Hedging effects by segment

NOK million	Q3-15	Q3-14	YTD-15	YTD-14
Performance Chemicals	-17	-1	-57	-3
Specialty Cellulose	-28	-2	-97	-12
Other Businesses	-10	0	-25	-3
Borregaard	-55	-3	-179	-18

¹⁾ Hedging done 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

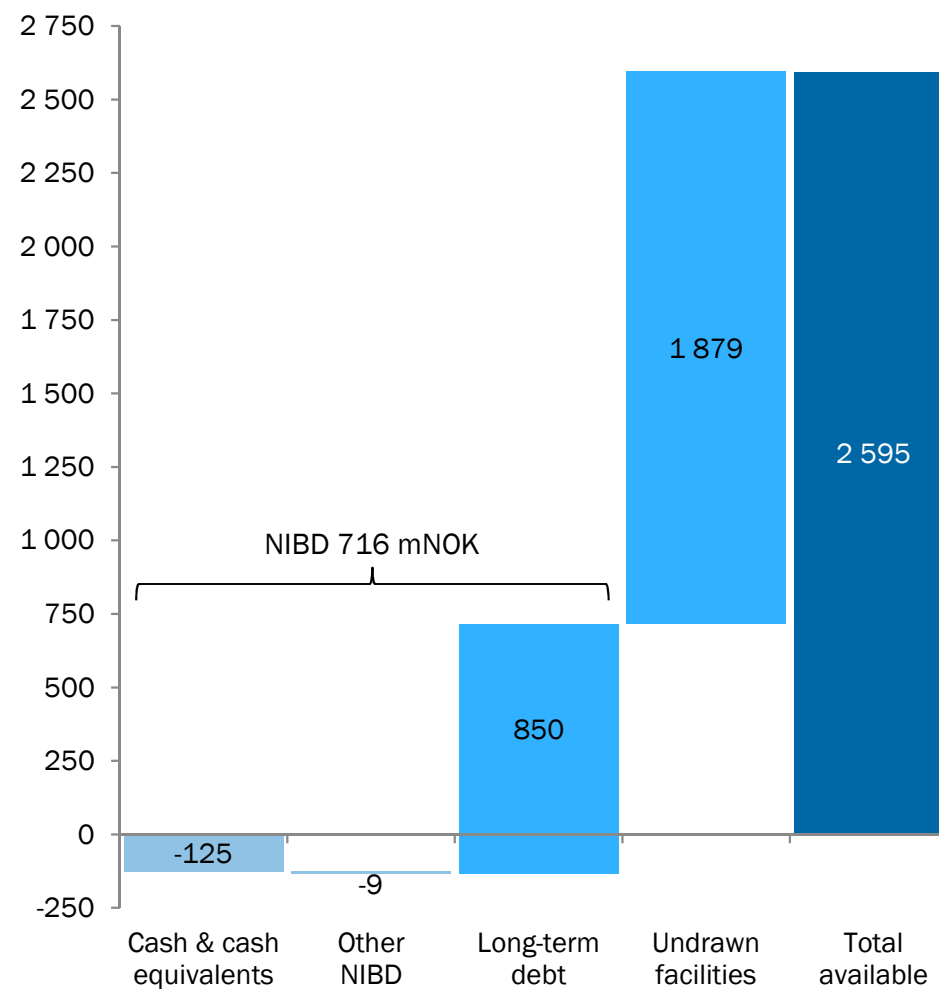
- Overdraft facilities

- 295 mNOK

- **Solidity (covenants)**

- Equity ratio 51.4% (> 25%)
- Leverage ratio LTM 0.96 (< 3.25)

Debt and undrawn facilities 30.09.2015



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