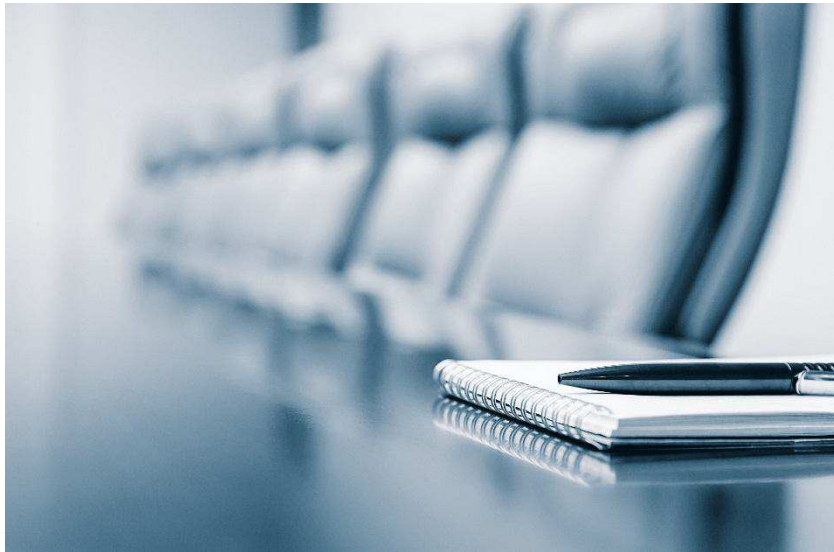




3RD QUARTER 2016

Oslo, 21 October 2016

Agenda



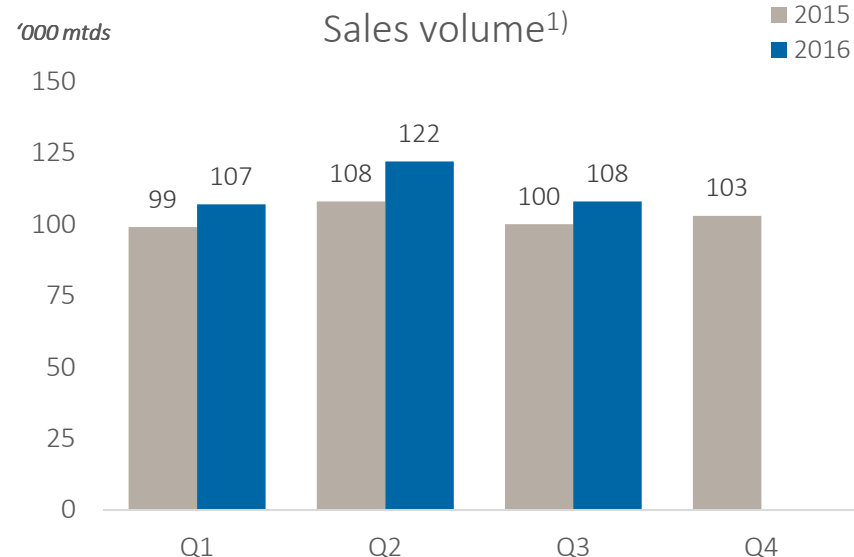
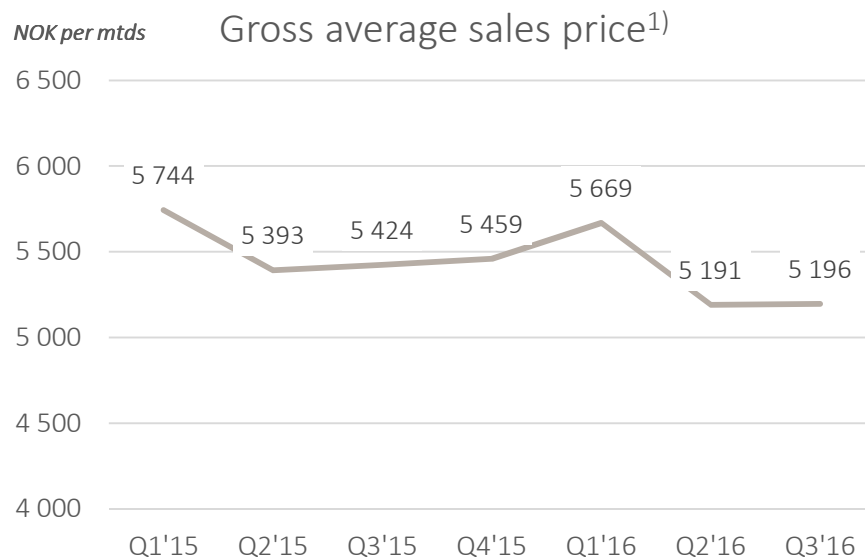
- Per A Sørli, President & CEO
 - Highlights
 - Business areas
 - Outlook
- Per Bjarne Lyngstad, CFO
 - Financial performance

Highlights – 3rd quarter 2016



- All-time high EBITA adj.¹⁾ for the Group
- Improved results in all business areas
- Positive currency effects
- Strong cash flow

Performance Chemicals markets – Q3



- Improved product mix ex Flambeau volume
 - Continued progress for agrochemicals
 - Flambeau volume primarily into low and medium-value applications
- Slightly lower prices in sales currency in construction and miscellaneous products
 - Affected by challenging market conditions and reallocation of sales volumes
- 8% volume growth
 - Volume growth slightly less than the added Flambeau business

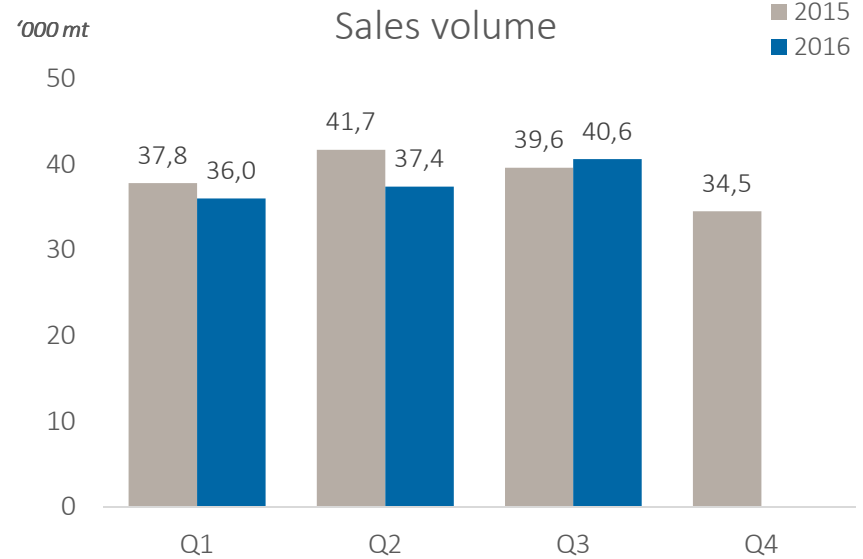
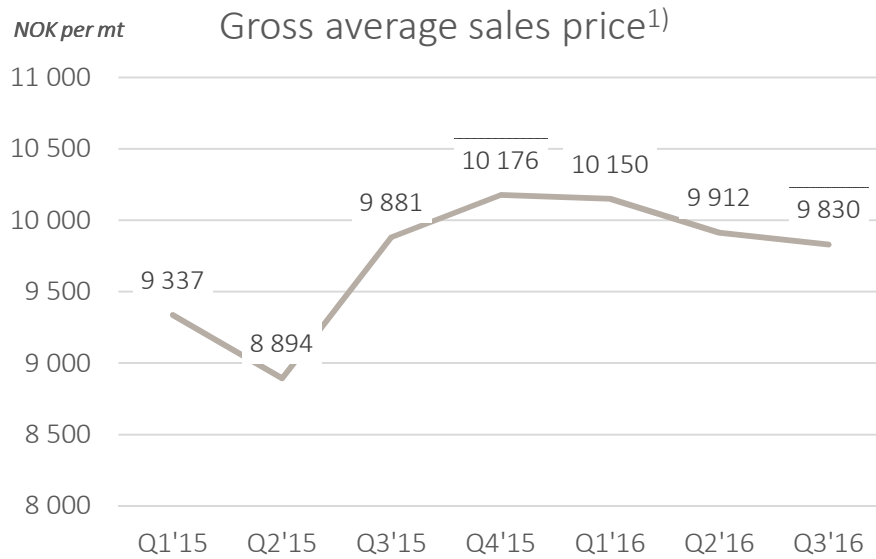


1) Average sales price and sales volume reflect 100% of sales and volume from the J/V in South Africa. Average sales price is calculated using actual FX rates, excluding hedging impact.

New lignin volumes

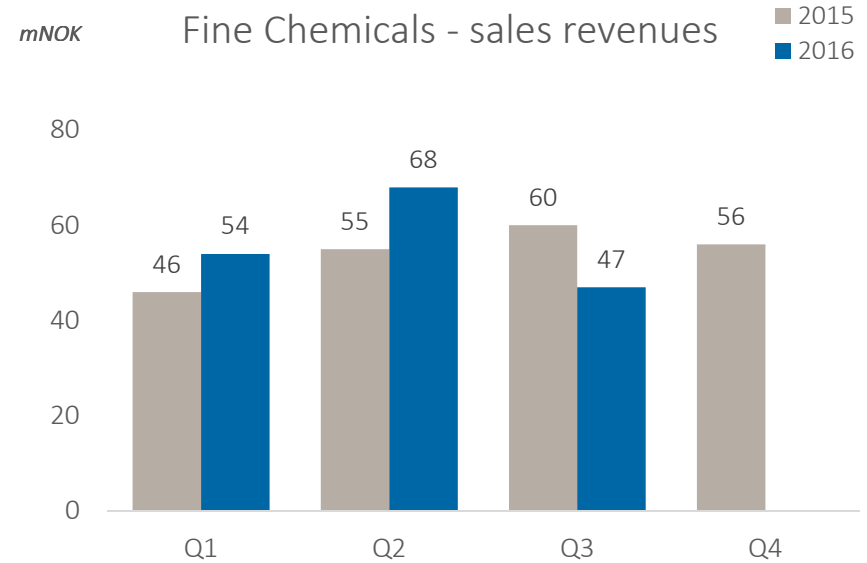
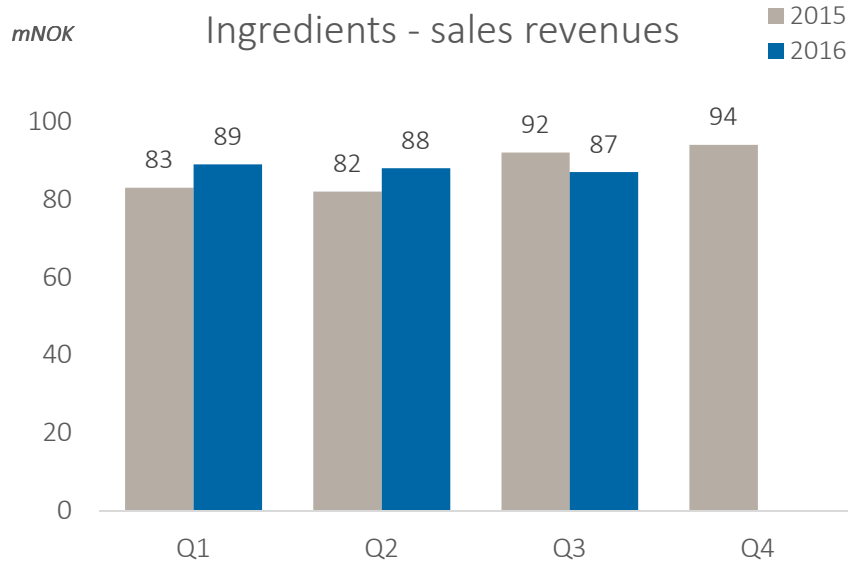
- Capacity increase in South Africa
 - 20,000 mtds expansion on track
 - Commissioning mid-year 2017
- Florida project in two phases
 - Phase one: 110 mUSD, 100,000 mtds lignin capacity
 - Start-up approximately 18 months after decision
 - Phase two: 25 mUSD, 50,000 mtds lignin capacity addition
 - Investment decision anticipated in Q4-16
- Status LignoTech Ibérica
 - Sniace pulp mill started up mid October after comprehensive maintenance
 - Assuming stable operations annual lignin volume will be 35,000 mtds
 - Full capacity (65,000 mtds lignin) requires investments in textile operations

Speciality Cellulose markets – Q3



- Product mix similar to Q3-15
- Slightly lower prices in sales currency
- Higher sales volume
- Positive FX impact

Ingredients and Fine Chemicals markets – Q3



- Ingredients

- Continued challenging market conditions
- Positive FX impact

- Fine Chemicals

- Lower sales of key products due to uneven delivery patterns
- Positive FX impact

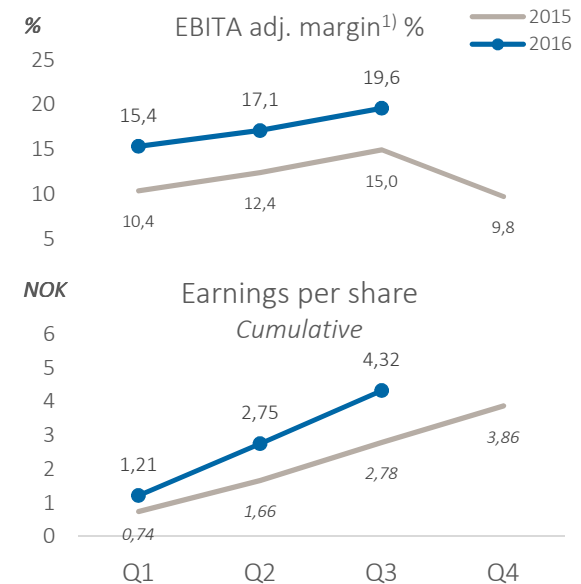
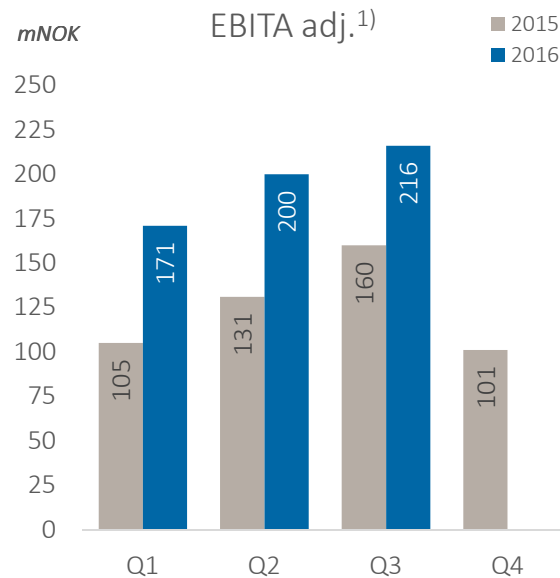
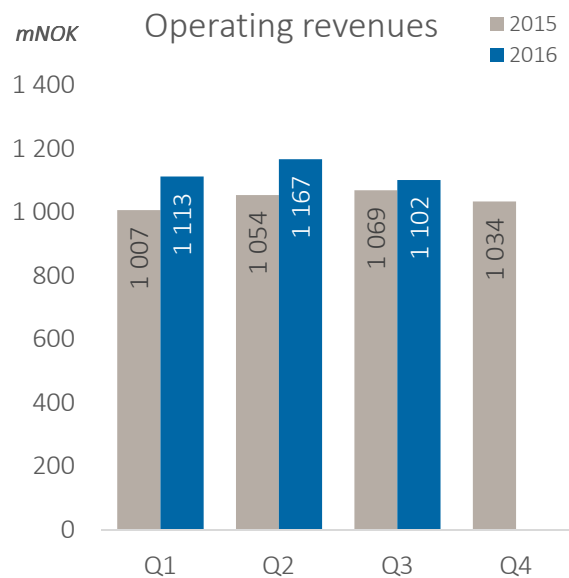
Outlook

- Performance Chemicals
 - Reallocation of volumes from markets affected by increased competition and reduced demand
 - In Q4-16, sales volume and product mix are forecast to be in line with Q3-16
- Speciality Cellulose
 - Total sales volume and sales of highly specialised cellulose grades in Q4-16 expected to be lower than in Q3-16, partly due to the annual maintenance stop in October
 - Average price in sales currency in Q4-16 expected to be in line with Q4-15
 - For the full year, average price in sales currency expected to be approx. 1% below 2015 level
- Other Businesses
 - No major changes expected in market conditions for Ingredients and Fine Chemicals
 - Exilva project costs, net of EU grant, expected to be slightly below Q4-15
 - Corporate costs will remain at largely the same level as in 2015
- Currency, including hedging impact, expected to contribute positively in Q4-16 compared with Q4-15
- Q4 is normally Borregaard's weakest quarter
 - Annual maintenance stop at the Sarpsborg site, higher energy and payroll costs



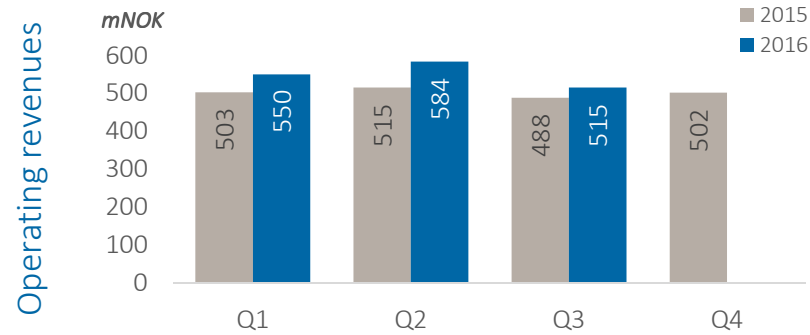
FINANCIAL PERFORMANCE Q3-16

Borregaard key figures – Q3

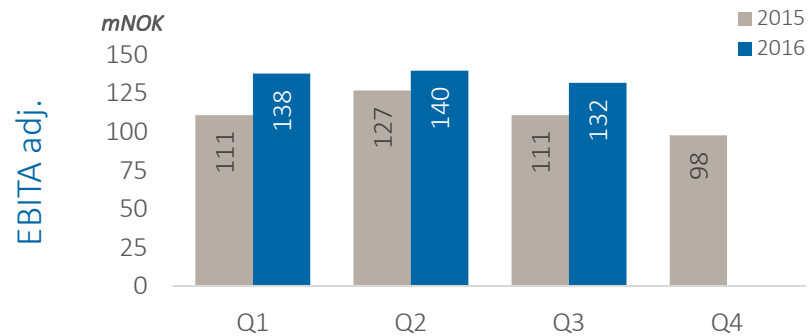


- Revenues increased by 3% vs Q3-15
- All-time high quarterly EBITA adj.¹⁾
 - Improved result in all business areas
 - Positive FX impact
 - Stable total costs, continued positive impact from energy conservation measures
- EPS at NOK 1.57 in Q3-16, an improvement of NOK 0.45 from Q3-15

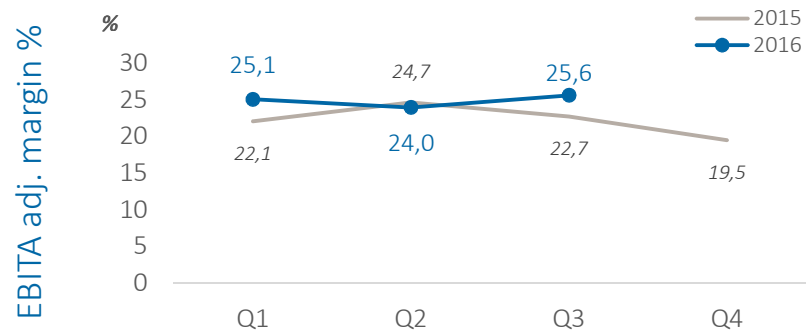
Performance Chemicals key figures – Q3



- 6% revenue growth vs Q3-15
- Positive FX impact
- 8% sales volume increase

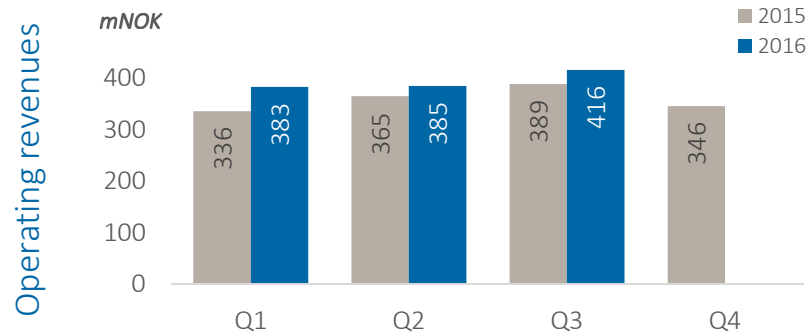


- Challenging market conditions continued
- Improved product mix ex Flambeau volume
- Slightly lower prices in sales currency
- Positive FX impact

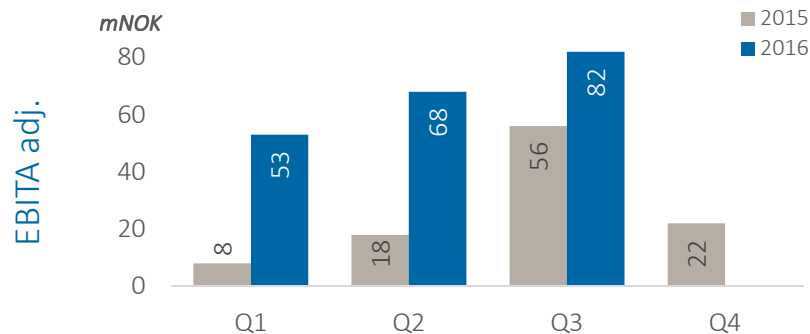


- EBITA adj. margin above Q3-15

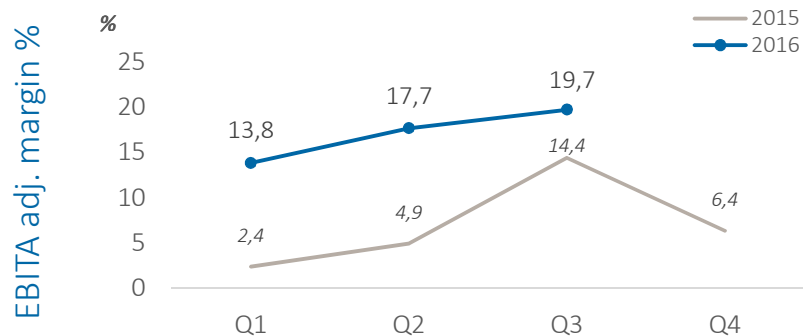
Speciality Cellulose key figures – Q3



- 7% revenue growth vs Q3-15
- High sales volume
- Favourable FX impact

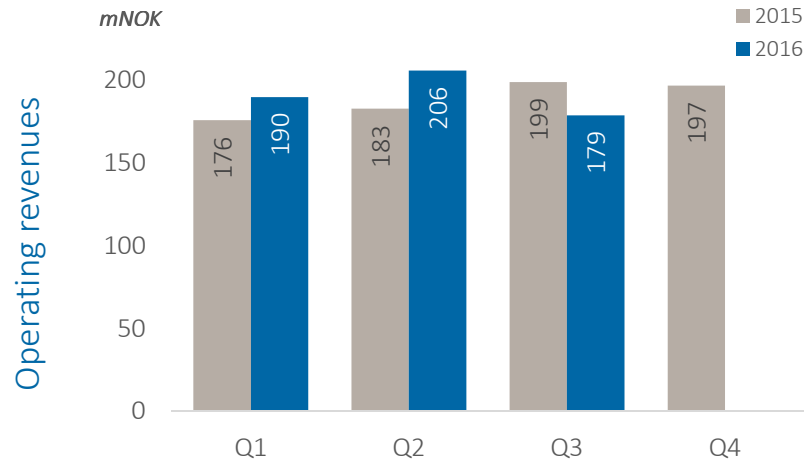


- Higher sales volume, but slightly lower sales prices
- Higher contribution from bioethanol
- Lower energy consumption
- Positive FX impact

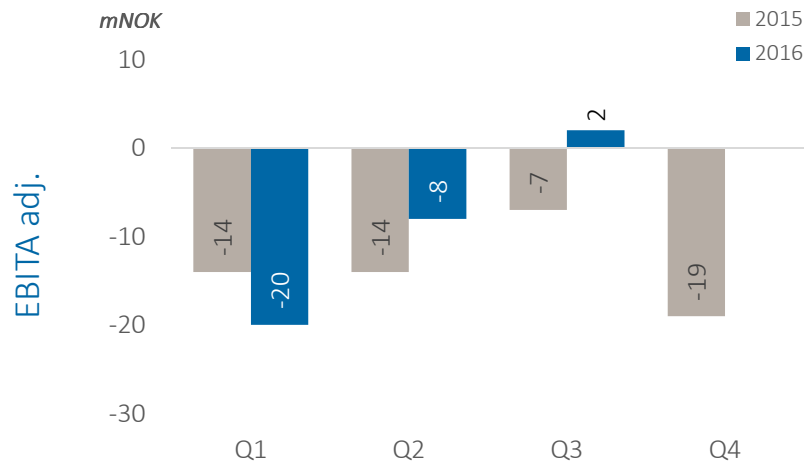


- Strong EBITA adj. margin

Other Businesses key figures – Q3

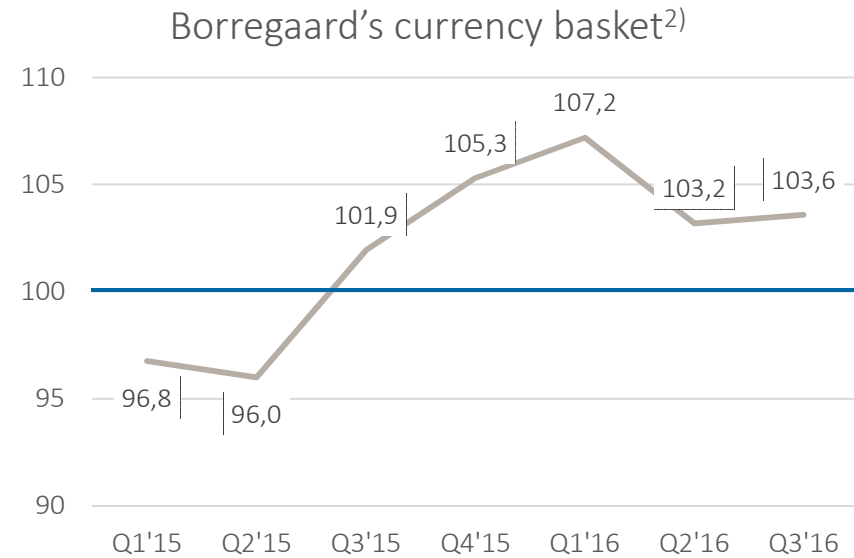
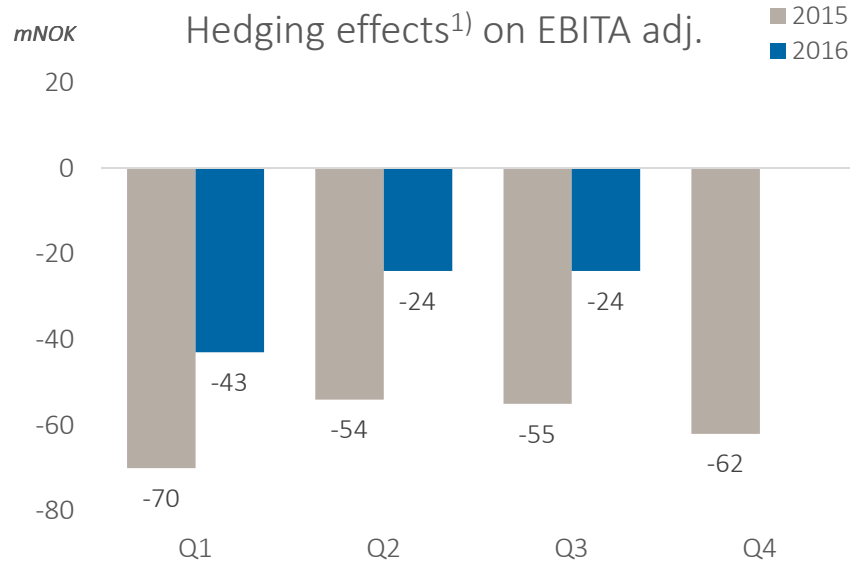


- Revenues 10% below Q3-15
- Lower sales volume in Fine Chemicals
- Positive FX impact



- **Ingredients:** Improved EBITA adj. vs Q3-15, mainly due to FX effects and improved production
- **Fine Chemicals:** Lower sales due to uneven delivery patterns, but positive FX impact
- **Exilva** net project costs, including EU grant, in line with Q3-15

Currency impact



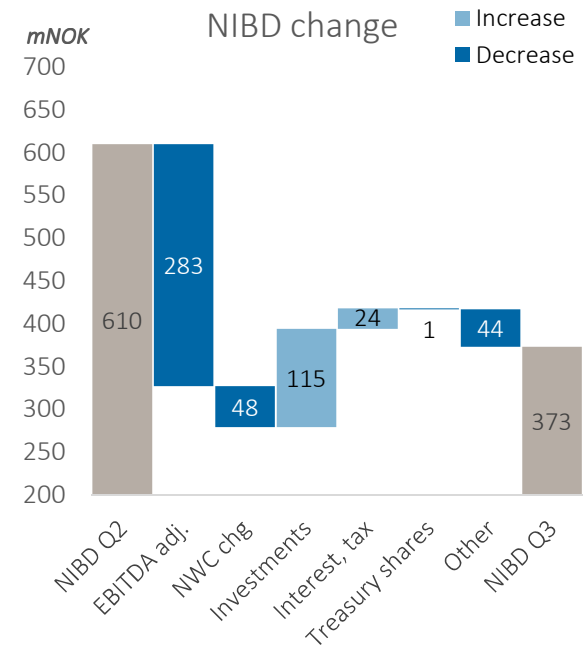
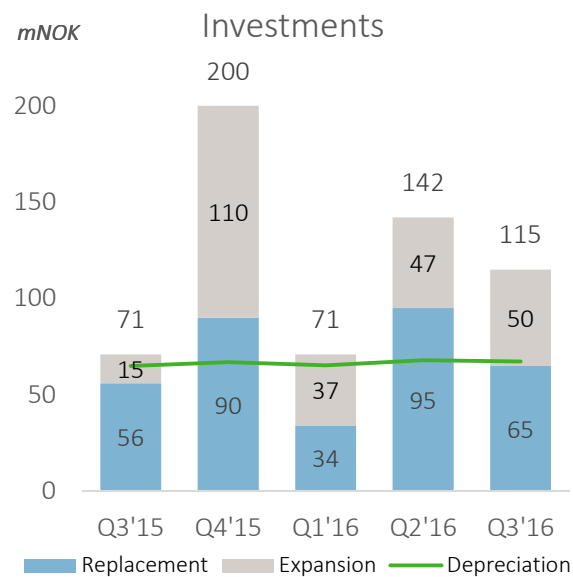
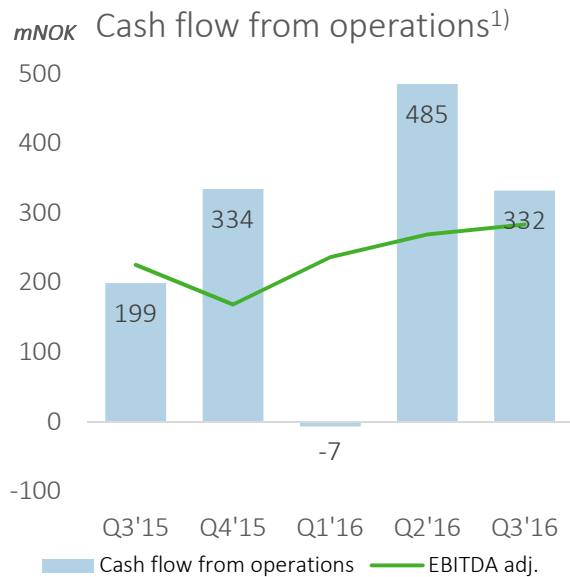
- Net FX EBITA adj. impact approx. 40 mNOK vs Q3-15
 - Includes change in hedging effects and based on estimated currency exposure
 - Net FX EBITA adj. impact YTD approx. 205 mNOK
- Net FX EBITA adj. impact in 2016 estimated to be 230 mNOK vs 2015
 - Assuming rates as of 20 October (USD 8.16 and EUR 8.96) on expected currency exposure
 - Net FX EBITA adj. impact in Q4-16 estimated to be 25 mNOK vs Q4-15

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

2) Currency basket based on Borregaard's net exposure in 2015 (=100)

- USD 71% (approximately 214 mUSD)
- EUR 29% (approximately 78 mEUR)
- Other 0% (GBP, BRL, JPY, SEK, ZAR)

Cash flow, investments and NIBD



- Strong cash flow in Q3-16 from high EBITDA adj. and decrease in net working capital
- Expansion investments¹⁾ in Q3 mainly related to the Exilva and Ice Bear projects
- Investments are expected to be above 300 mNOK in Q4-15
- NIBD decreased by 237 mNOK in Q3

Q&A



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



APPENDIX

Borregaard - key figures

Amounts in NOK million	Q3-2016	Q3-2015	Change	YTD-2016	YTD-2015	Change
Operating revenues	1 102	1 069	3 %	3 382	3 130	8 %
EBITDA adj.¹⁾	283	225	26 %	788	590	34 %
EBITA adj.¹⁾	216	160	35 %	587	396	48 %
Amortisation intangibles	-1	0		-3	0	
Other income and expenses ¹⁾	0	0		13	0	
Operating profit (EBIT)	215	160	34 %	597	396	51 %
Financial items, net	-10	-9		-24	-20	
Profit before taxes	205	151	36 %	573	376	52 %
Taxes	-49	-40		-143	-100	
Profit for the period	156	111	41 %	430	276	56 %
Profit attributable to non-controlling interests	-1	-1		-2	-2	
Profit attributable to owners of the parent	157	112		432	278	
Cash flow from operating activities (IFRS)	339	198		703	262	
Earnings per share (NOK)	1,57	1,12	40 %	4,32	2,78	55 %
<i>Adjusted EBITDA adj. margin¹⁾</i>	<i>25,7 %</i>	<i>21,0 %</i>		<i>23,3 %</i>	<i>18,8 %</i>	
<i>Adjusted EBITA adj. margin¹⁾</i>	<i>19,6 %</i>	<i>15,0 %</i>		<i>17,4 %</i>	<i>12,7 %</i>	

Operating revenues and EBITA adj. per segment

Amounts in NOK million

Operating revenues	Q3-2016	Q3-2015	Change
Borregaard	1 102	1 069	3 %
Performance Chemicals	515	488	6 %
Speciality Cellulose	416	389	7 %
Other Businesses	179	199	-10 %
Eliminations	-8	-7	

Amounts in NOK million

EBITA adj.	Q3-2016	Q3-2015	Change
Borregaard	216	160	35 %
Performance Chemicals	132	111	19 %
Speciality Cellulose	82	56	46 %
Other Businesses	2	-7	129 %

Amounts in NOK million

Operating revenues	YTD-2016	YTD-2015	Change
Borregaard	3 382	3 130	8 %
Performance Chemicals	1 649	1 506	9 %
Speciality Cellulose	1 184	1 090	9 %
Other Businesses	575	558	3 %
Eliminations	-26	-24	

Amounts in NOK million

EBITA adj.	YTD-2016	YTD-2015	Change
Borregaard	587	396	48 %
Performance Chemicals	410	349	17 %
Speciality Cellulose	203	82	148 %
Other Businesses	-26	-35	26 %

Cash flow

Amounts in NOK million	Q3-2016	Q3-2015	YTD-2016	YTD-2015	FY-2015
Amounts in NOK million					
Profit before taxes	205	151	573	376	506
Amortisation, depreciation and impairment charges	69	65	204	194	269
Change in net working capital, etc	48	-26	9	-228	-106
Dividend (share of profit) from JV	31	16	-7	-2	-14
Taxes paid	-14	-8	-76	-78	-92
Cash flow from operating activities	339	198	703	262	563
Investments property, plant and equipment and intangible assets	-115	-71	-328	-230	-430
Other capital transactions	1	2	3	5	5
Cash flow from Investing activities	-114	-69	-325	-225	-425
Dividends	0	0	-149	-124	-124
Proceeds from exercise of share options	2	0	5	0	11
Buy-back of treasury shares	-1	0	-10	0	-5
Gain/(loss) on hedges for net investments in subsidiaries	16	-40	45	-50	-76
Net paid to/from shareholders	17	-40	-109	-174	-194
Proceeds from interest-bearing liabilities	0	0	100	100	100
Repayment of interest-bearing liabilities	-3	-52	-107	-56	-109
Change in interest-bearing receivables/other liabilities	-11	29	-26	17	21
Change in net interest-bearing liabilities	-14	-23	-33	61	12
Cash flow from financing activities	3	-63	-142	-113	-182
Change in cash and cash equivalents	228	66	236	-76	-44
Cash and cash equivalents at beginning of period	163	36	169	168	168
Change in cash and cash equivalents	228	66	236	-76	-44
Currency effects cash and cash equivalents	-6	23	-20	33	45
Cash and cash equivalents at the close of the period	385	125	385	125	169

Balance sheet

Amounts in NOK million	30.09.2016	30.06.2016	31.12.2015
Assets:			
Intangible assets	123	127	137
Property, plant and equipment	2 243	2 200	2 122
Other assets	176	121	121
Investments in joint venture	118	145	106
Non-current assets	2 660	2 593	2 486
Inventories	660	671	676
Receivables	938	981	838
Cash and cash deposits	385	163	169
Current assets	1 983	1 815	1 683
Total assets	4 643	4 408	4 169
Equity and debt:			
Group Equity	2 677	2 385	2 056
Non-controlling interests	4	4	5
Equity	2 681	2 389	2 061
Provisions and other liabilities	312	335	408
Interest-bearing liabilities	769	784	802
Non-current liabilities	1 081	1 119	1 210
Interest-bearing liabilities	9	9	9
Other current liabilities	872	891	889
Current liabilities	881	900	898
Equity and liabilities	4 643	4 408	4 169
Equity ratio (%):	57,7 %	54,2 %	49,4 %

Net financial items & net interest-bearing debt

Amounts in NOK million

Net financial items	Q3-2016	Q3-2015	YTD-2016	YTD-2015
Net interest expenses	-4	-4	-15	-17
Currency gain/loss	-7	-4	-9	-1
Other financial items, net	1	-1	0	-2
Net financial items	-10	-9	-24	-20

Amounts in NOK million

Net interest-bearing debt (NIBD)	30.09.2016	30.06.2016	31.12.2015
Non-current interest-bearing liabilities	769	784	802
Current interest-bearing liabilities	9	9	9
Non-current interest-bearing receivables	-20	-20	-18
Cash and cash deposits	-385	-163	-169
Net interest-bearing debt (NIBD)	373	610	624

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

	USD million	USD rate	EUR million	EUR rate
Q4-2016	36	7.99	18	8.64
2017	149	8.03	70	8.84
2018	120	8.17	69	9.38
2019	58	8.29	37	9.73

Hedging effects by segment

NOK million	Q3-16	Q3-15	YTD-16	YTD-15
Performance Chemicals	-7	-17	-26	-57
Speciality Cellulose	-13	-28	-46	-97
Other Businesses	-4	-10	-19	-25
Borregaard	-24	-55	-91	-179



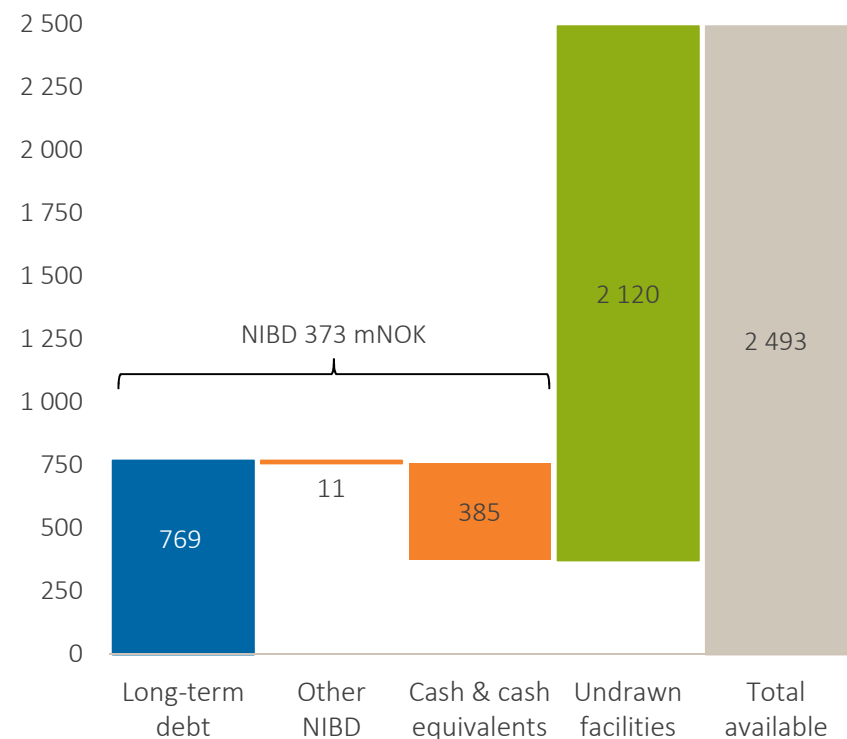
1) Hedging done mainly in the Norwegian company

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 revolving credit facilities, maturity 2020
 - 400 mNOK 5-year bond issue, maturity 2019
 - 40 mEUR 10-year loan, maturity 2024
 - Overdraft facilities
 - 225 mNOK
- Solidity (covenants)
 - Equity ratio 57.7% (> 25%)
 - Leverage ratio¹⁾ LTM 0.39 (< 3.25)

Debt and undrawn facilities
30.9.2016



1) Non-GAAP measure, see Appendix for definition.

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.
- 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.

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