

4TH QUARTER 2015

Oslo, 3 February 2016

Agenda



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

Highlights – 4th quarter 2015



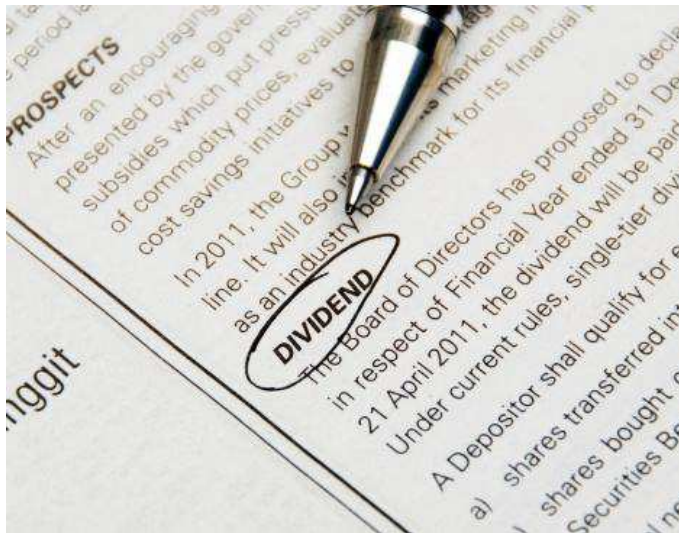
- Strong result in Performance Chemicals
- Progress on strategic initiatives to expand the lignin business in North America
- Positive development in Fine Chemicals and Ingredients
- Favourable FX effects in all business areas
- Strong cash flow from operations

Highlights – full year 2015



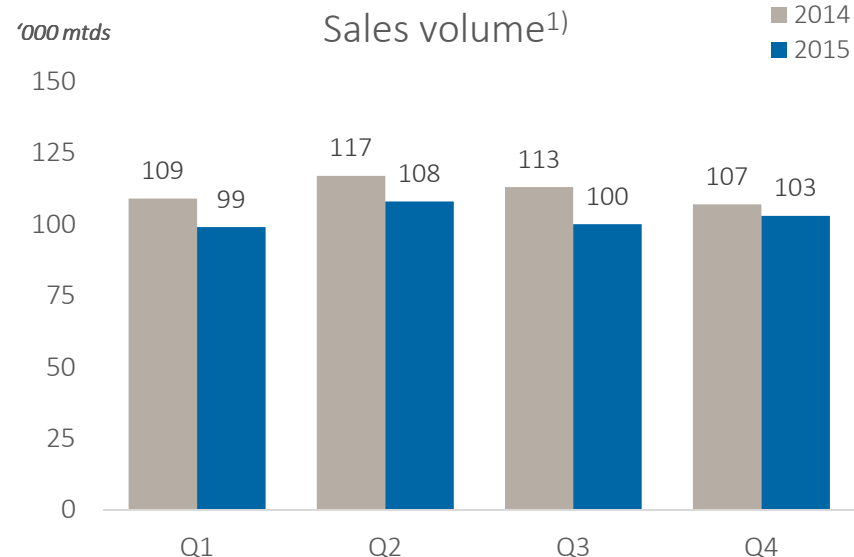
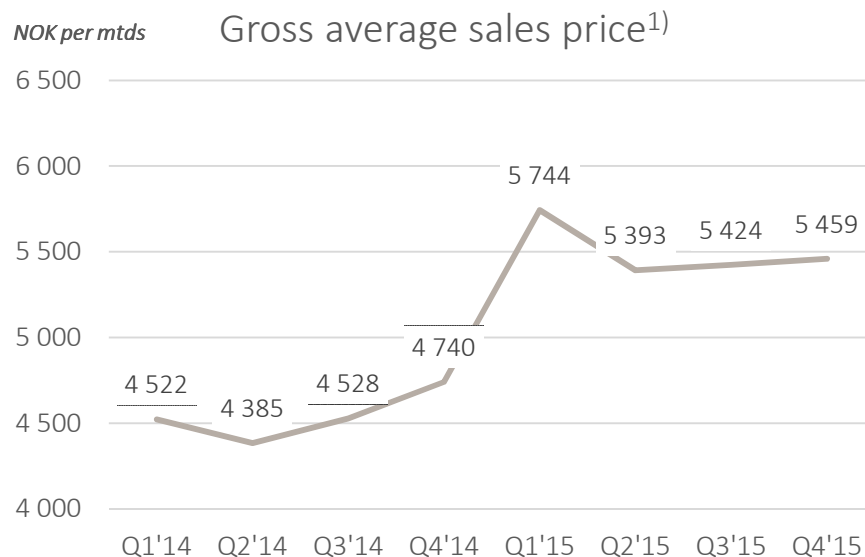
- Fifth consecutive year above ROCE target
 - ROCE 15.6% (16.5%)
 - EBITA 497 mNOK (486 mNOK)
- Good progress on strategic priorities
- All time high result in Performance Chemicals
- Weaker result for Specialty Cellulose
- Improvement in Fine Chemicals and Ingredients
- Positive FX impact, partly delayed by hedging

Dividend proposal for 2015



- Borregaard's dividend policy
 - To pay regular and progressive dividends reflecting the expected long-term earnings and cash flow of the Group
 - Annual dividend is targeted between 30% and 50% of net profit
- A dividend of NOK 1.50 per share is proposed by the Board of Directors
 - 20% increase from 2014 (NOK 1.25)
 - 39% of net earnings
 - Total dividend payment of 149 mNOK

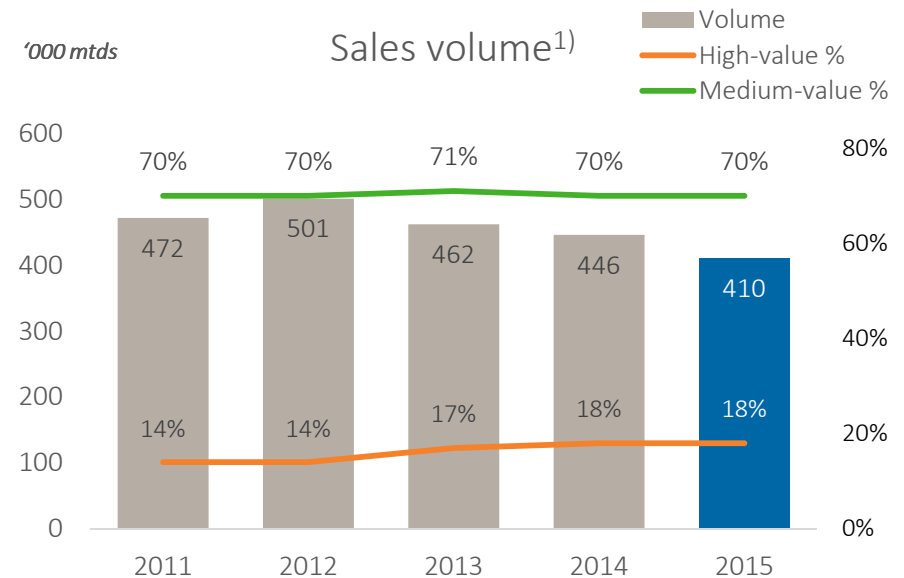
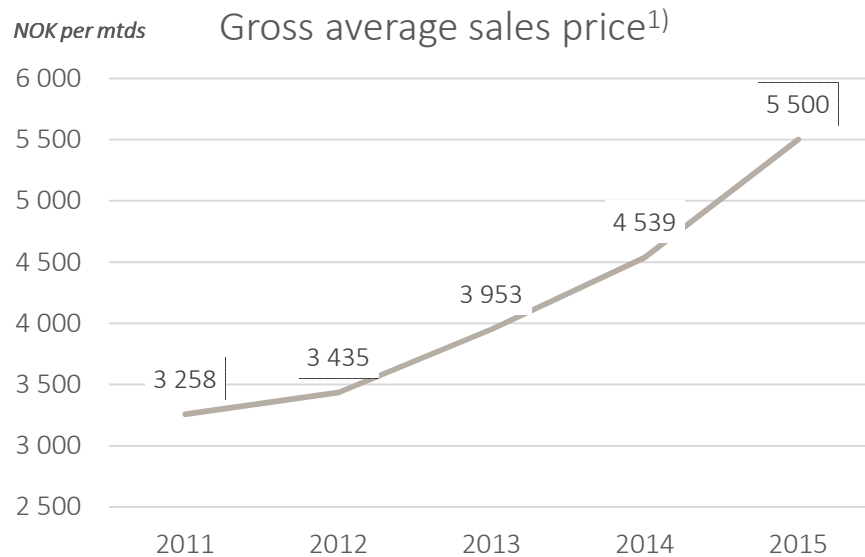
Performance Chemicals markets - Q4



- Challenging market conditions in several regions and applications
 - Reduced demand, primarily in Asia, Middle East and Brazil
 - Stronger price competition, especially within construction
 - 4% lower sales volume in spite of added Flambeau volume from late October
- Product mix and average sales price negatively affected by Flambeau volume
 - Slight improvement in mix and invoiced price vs Q4-14 adjusted for Flambeau
 - Continued low volume to the oil sector
- Positive FX impact

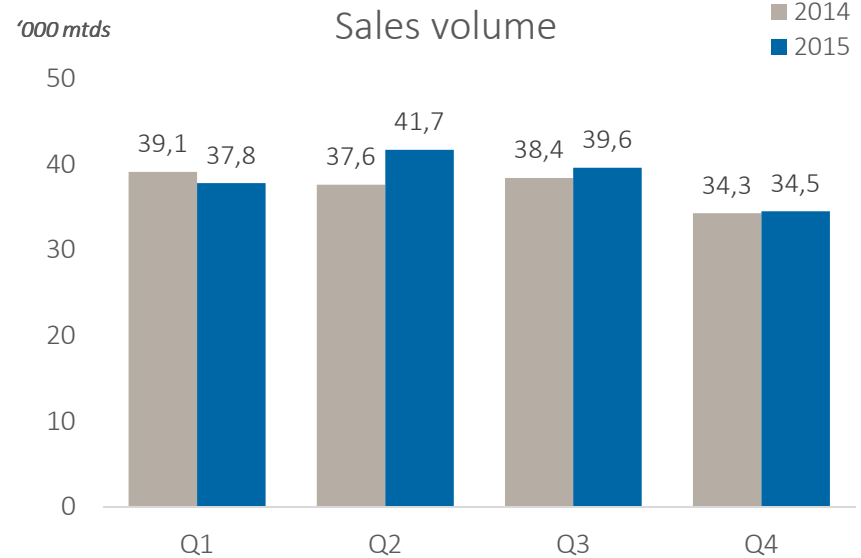
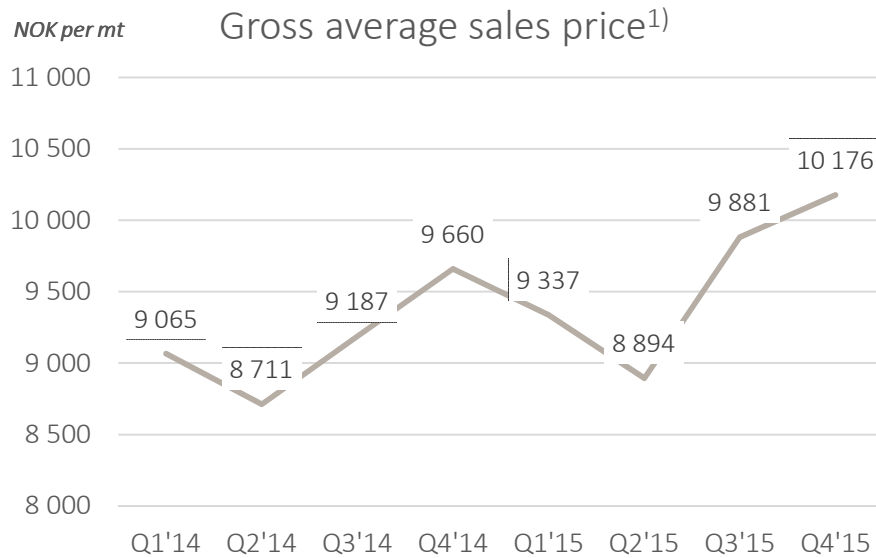
1) Average sales price and sales volume reflect 100% of sales and volume from the J/V in South Africa. Average sales price is calculated using actual FX rates, excluding hedging impact.

Performance Chemicals markets - full year



- Weaker demand from the construction (medium value) and oil sectors (high value)
- 8% decline in sales volume from 2014
 - Reduced raw material supply in H1 and weaker demand in H2
 - Positive impact from the added Flambeau volume from late October
- Positive FX impact
 - Average sales price increased by approx. 4% in 2015 excluding FX impact and Flambeau volume

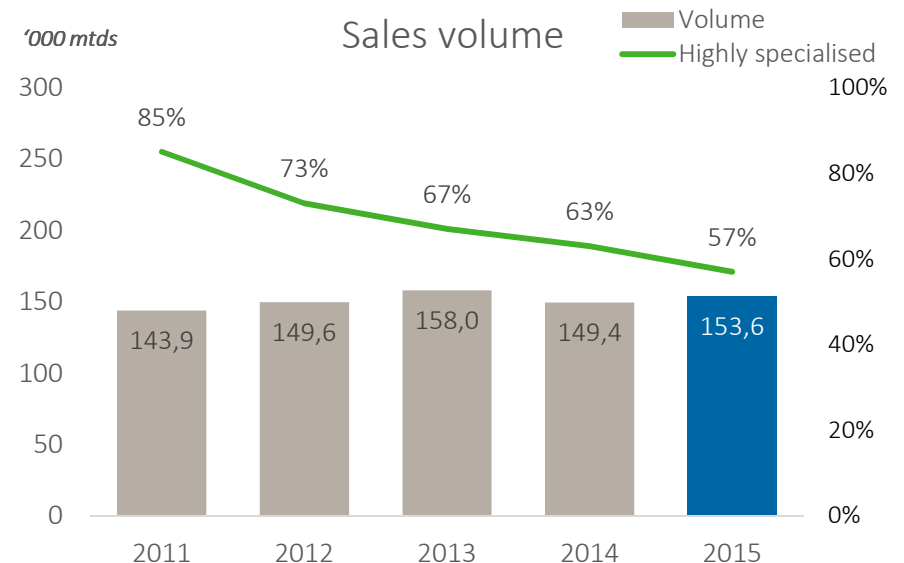
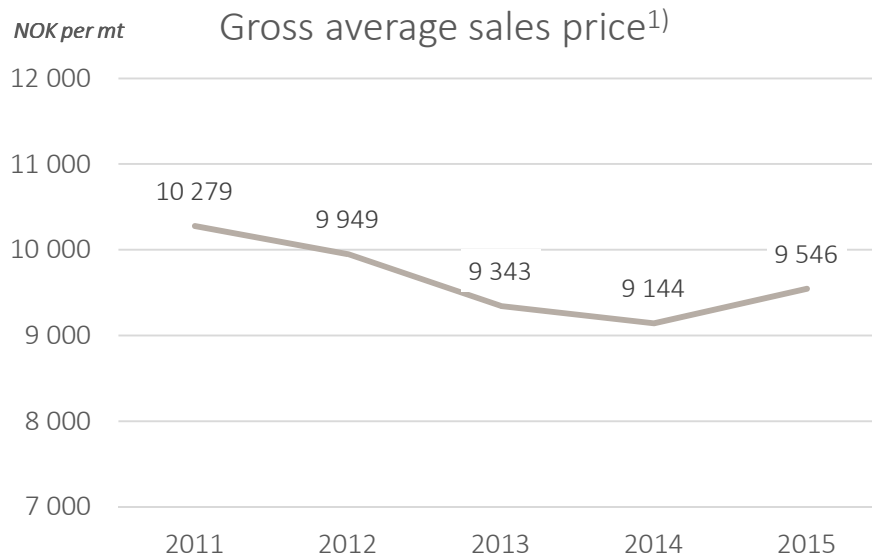
Specialty Cellulose markets - Q4



- Reduced prices in sales currency and weaker product mix vs Q4-14
 - Product mix affected by lower sales to the cellulose acetate market
 - Prices in sales currency in line with previous quarters in 2015
- Sales volume at the same level as Q4-14
- Positive FX impact

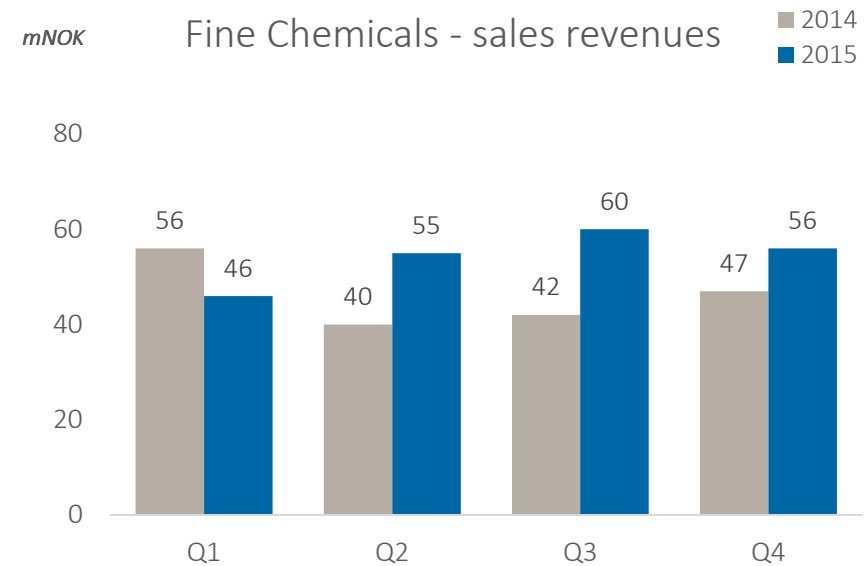
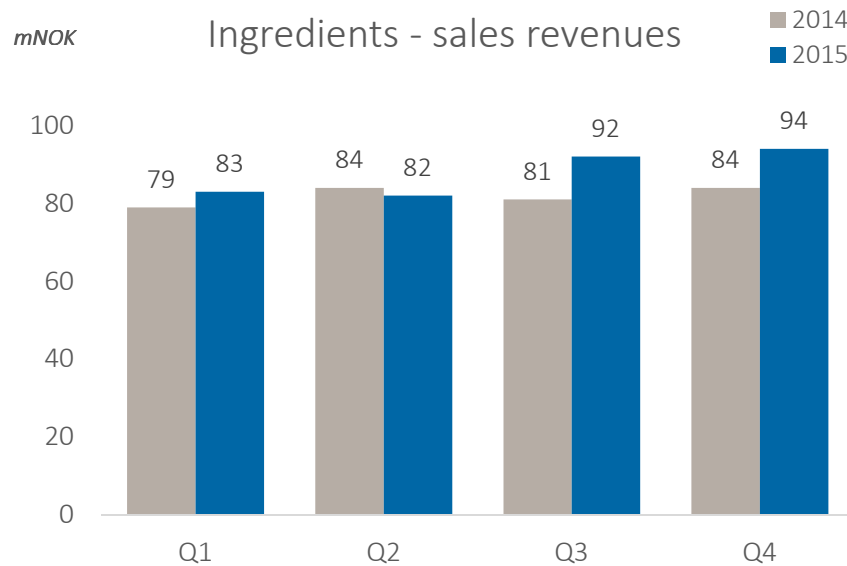
1) Average sales price is calculated using actual FX rates, excluding hedging impact.

Specialty Cellulose markets - full year



- Average price reduction of approx. 6% in sales currency vs 2014
 - Favourable FX development more than compensated for price reduction
- Weaker product mix due to lower sales to the cellulose acetate market
- Higher sales volume vs 2014

Ingredients and Fine Chemicals markets - Q4



- **Ingredients**

- Challenging market conditions
- Positive FX impact
- Sales revenues up 7% in 2015, mainly driven by FX development

- **Fine Chemicals**

- Volume growth and better product mix
- Positive FX impact
- Sales revenues up 17% in 2015, due to increased volume, improved product mix and positive FX development

Borregaard portfolio - strategic priorities

- Growth and specialisation within Performance Chemicals
 - Increased sales of high-value lignin products
 - Establish new lignin raw material sources
 - Develop BALI as a strategic lignin raw material option
- Develop the unique biorefinery assets in Sarpsborg
 - Leverage high value raw material base in Performance Chemicals
 - Continue specialisation of Specialty Cellulose, Bioethanol and Ingredients
 - Strong focus on innovation and productivity efforts
- Establish Exilva as a new business area
 - Based on core competence within wood chemistry and fine chemistry
 - Increased specialisation through high value added

Update on strategic priorities

Growth within Performance Chemicals

- Acquisition of the lignin book of business from Flambeau River Papers and entry into raw material supply agreement (40,000 mtds)
- Capacity expansion in Borregaard/Sappi JV in South Africa (20,000 mtds in 2017)
- Borregaard (55%) and Rayonier Advanced Materials (45%) plan to build a new lignin plant in Florida (150,000* mtds in 2018)
- Bali remains a long term strategic lignin raw material option



Develop the unique biorefinery assets in Sarpsborg

- The ICE Bear project in Specialty Cellulose
 - Development of specialty cellulose with ultra high purity
 - Regular commercial volumes available from mid 2016



Establish Exilva as a new business area

- Investment in commercial scale production at the Sarpsborg Site
- Production expected to start in Q3-16



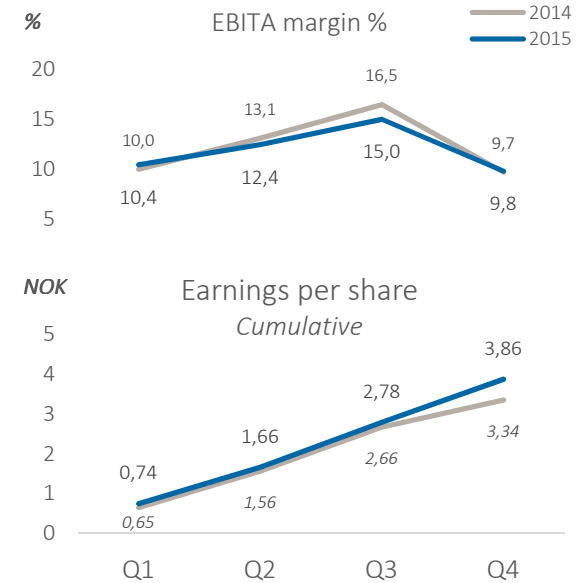
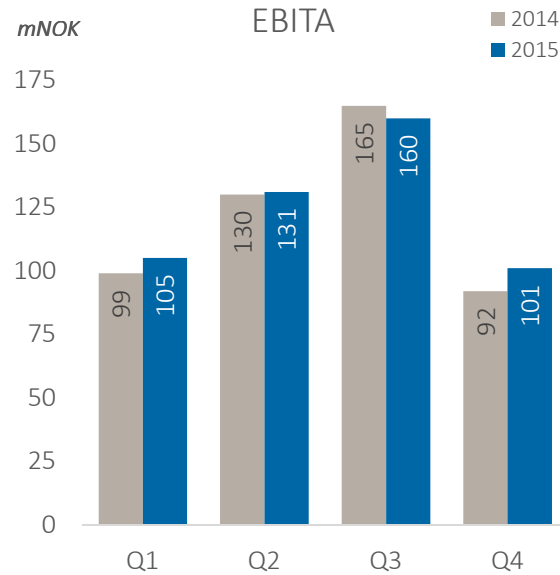
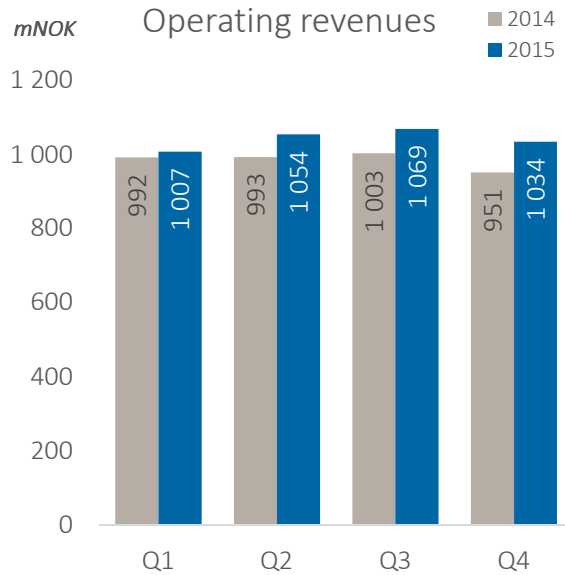
Outlook

- Market conditions
 - The weak business climate in some important markets expected to continue
 - Strong competition within certain product groups
 - Currency, including hedging impact, is expected to contribute positively in 2016
- Performance Chemicals
 - Sales volume in 2016 expected to increase by full-year impact of the Flambeau volume
 - Reallocation efforts will continue
 - Average sales price and product mix will be negatively affected by the Flambeau volume
 - Q1-16 sales volume and product mix will reflect seasonality in delivery patterns
- Specialty Cellulose
 - Average cellulose prices in sales currency expected to be approx. 3% below 2015 level
 - Price uncertainty is mainly related to textile cellulose
 - Product mix forecast to be similar to 2015
 - In Q1-16, total sales volume and product mix are expected to be in line with Q1-15
- Other Businesses
 - No major changes are expected in the market conditions for Ingredients and Fine Chemicals
 - Exilva project costs are expected to increase in 2016
 - Other corporate costs will remain at largely the same level as in 2015



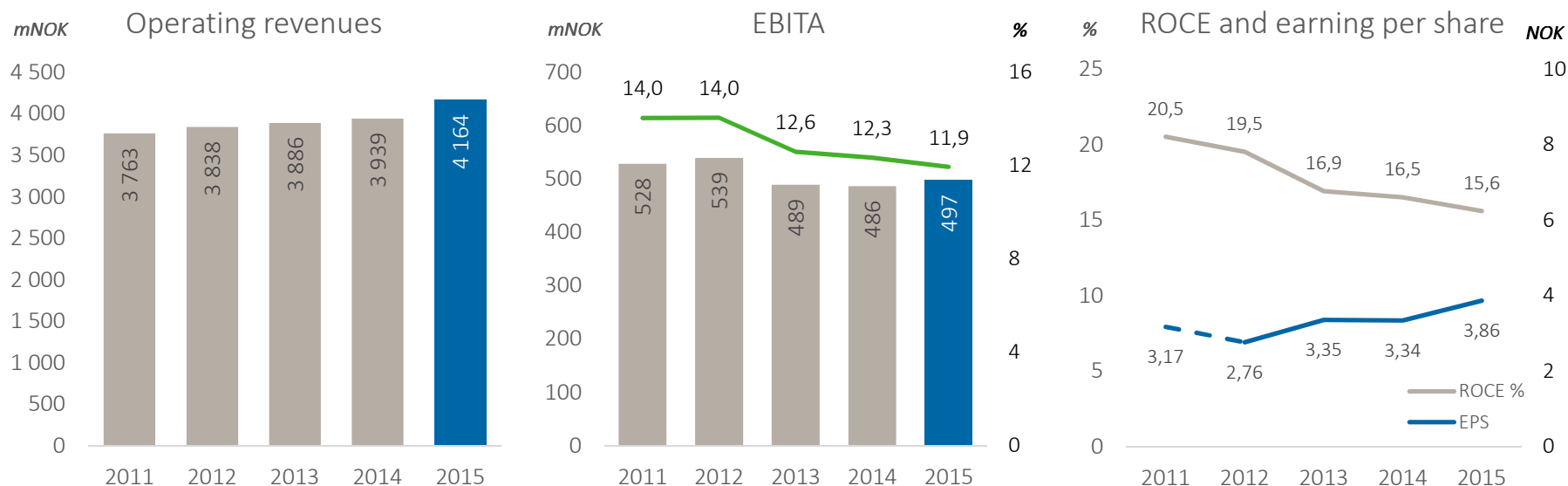
FINANCIAL PERFORMANCE Q4-15

Borregaard key figures - Q4



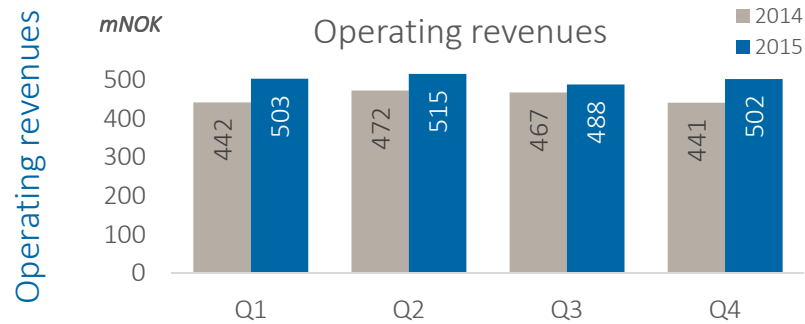
- Revenues increased by 9% vs Q4-14
- Improved EBITA for Performance Chemicals and Other Businesses, decline in Specialty Cellulose
- Positive FX impact in all business areas despite negative hedging effects
- EPS at NOK 1.08 in Q4-15 (NOK 0.68)

Borregaard key figures - full year

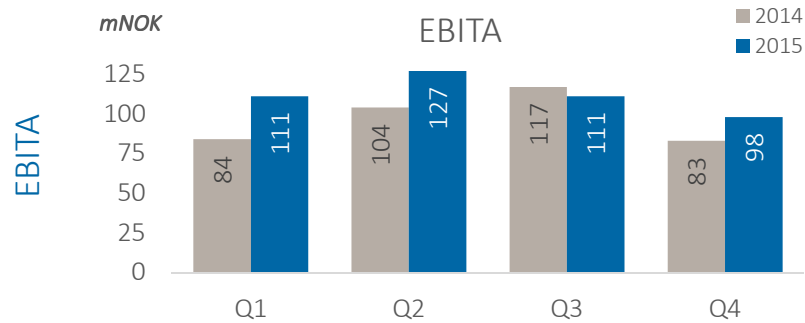


- Revenues up 6% vs 2014
- EBITA improved while ROCE and EBITA margin declined slightly vs 2014
 - Improvement for Performance Chemicals and Other Businesses
 - Reduced prices and weaker mix in Specialty Cellulose
 - Favourable FX development, impact delayed by hedging
 - Negative impact from lower oil price and weaker business climate in important markets
- Excluding hedging impact the underlying EBITA was 738 mNOK in 2015
- EPS at NOK 3.86 for 2016

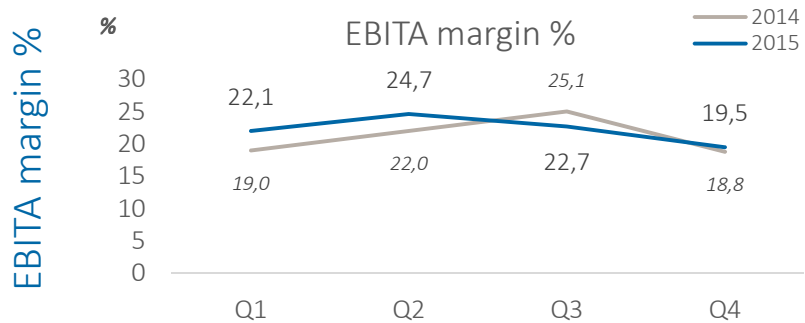
Performance Chemicals key figures - Q4



- Top line growth 14% vs Q4-14
- Positive FX impact



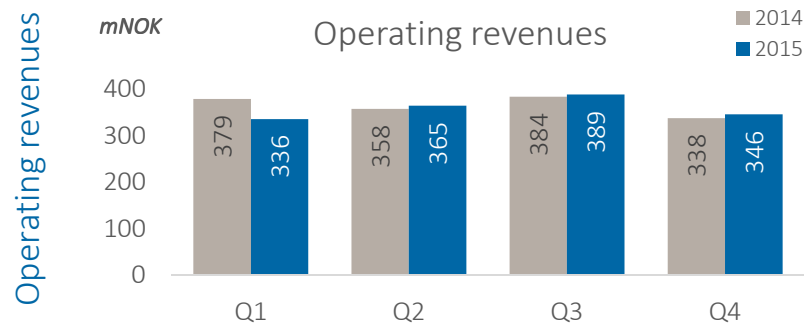
- Weaker demand in construction and oil sectors
- 4% volume reduction in spite of Flambeau volume
- Price and product mix improvement
- Positive FX situation



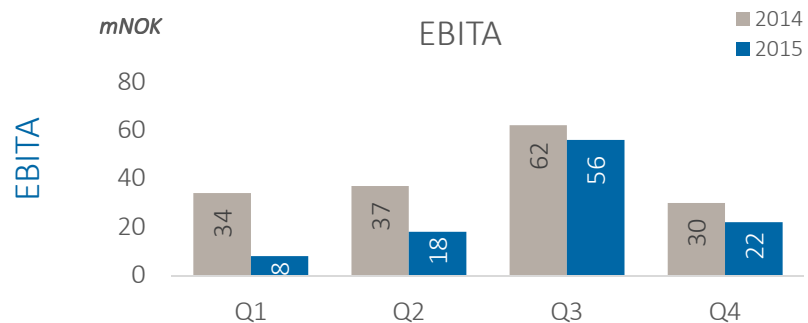
- EBITA margin maintained at a high level, slightly above Q4-14
- Improvement of 1% point to 22.3% for the full year



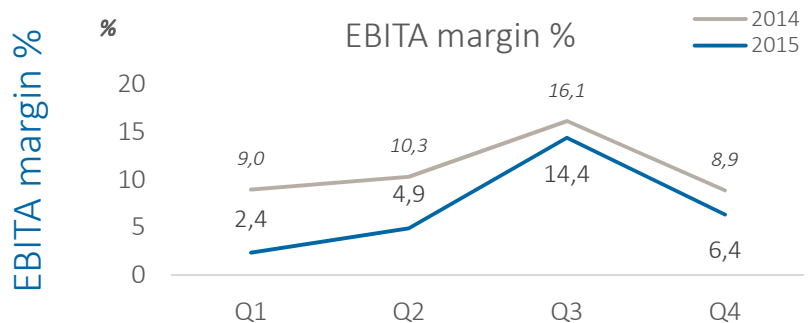
Specialty Cellulose key figures - Q4



- Top line growth 2% vs Q4-14
- Reduced sales prices and weaker product mix
- Positive FX impact



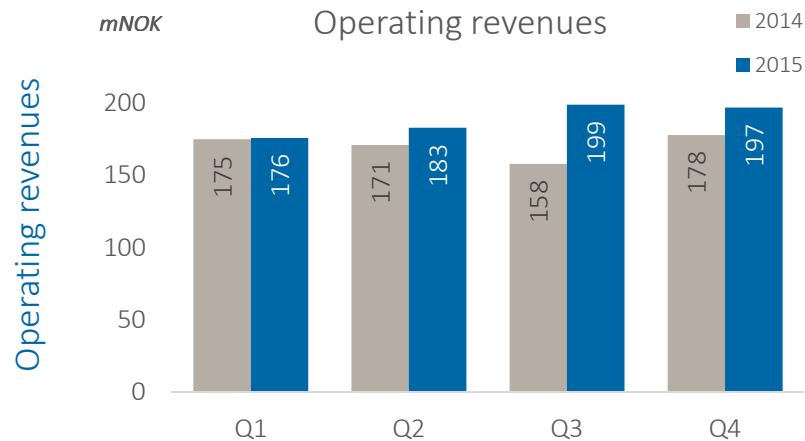
- Reduced sales prices and weaker product mix
- Lower variable costs
- Production slightly lower as a result of silo fire
- EBITA ex hedging impact was 54 mNOK (50 mNOK)



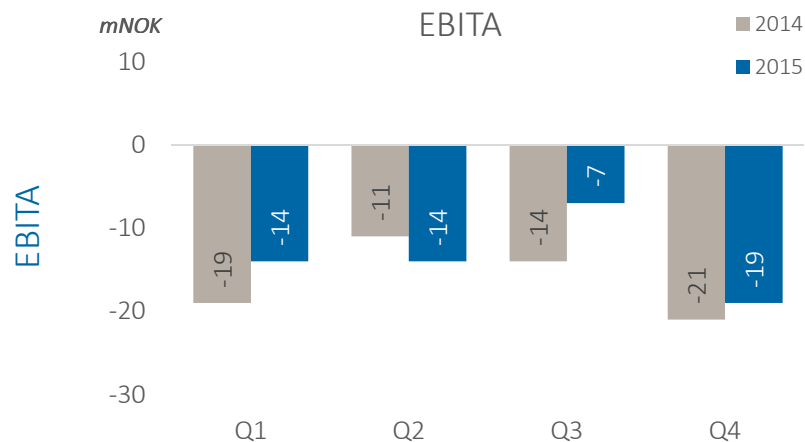
- Adjusted for hedging, EBITA margin was 14.3% in Q4-15 and 14.9% for the full year



Other Businesses key figures - Q4

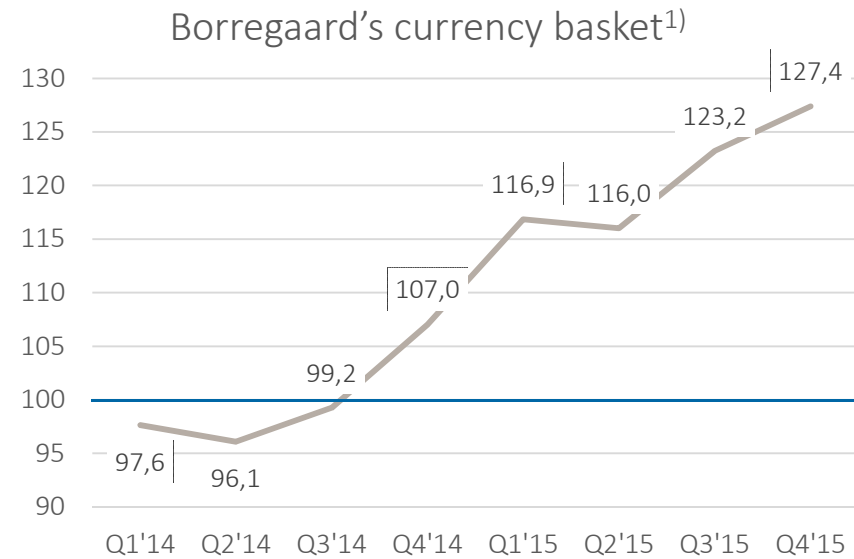
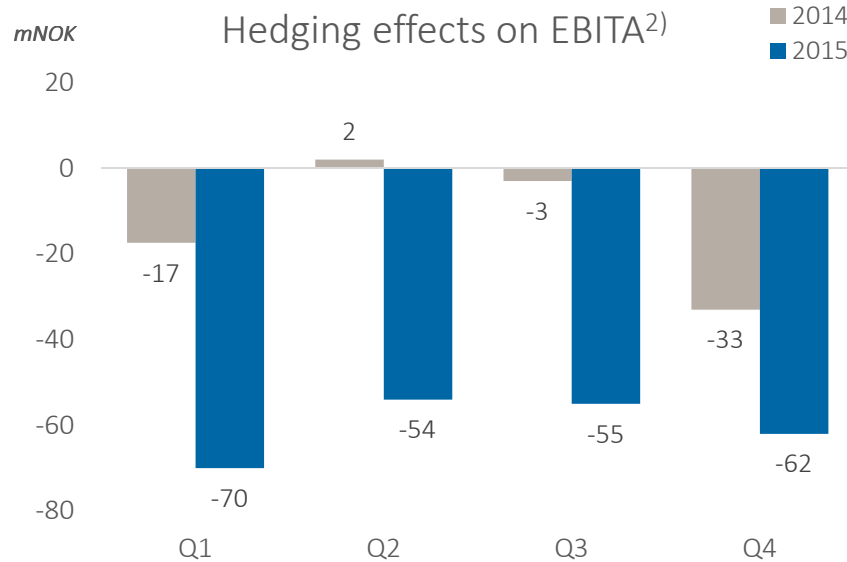


- Top line 11% above Q4-14
- Increased sales and improved product mix in Fine Chemicals
- Positive FX contribution



- **Ingredients:** Improved result, mainly due to positive FX effects
- **Fine Chemicals:** Volume growth, FX impact and a positive product mix led to improved EBITA
- **Exilva** project costs increased further in Q4-15 due to added marketing and business development activities
- In 2015 EBITA ended at -54 mNOK vs -65 mNOK in 2014

Currency impact



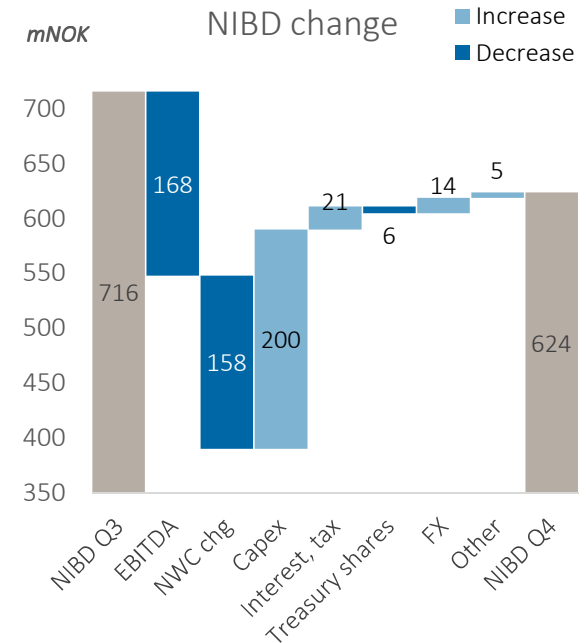
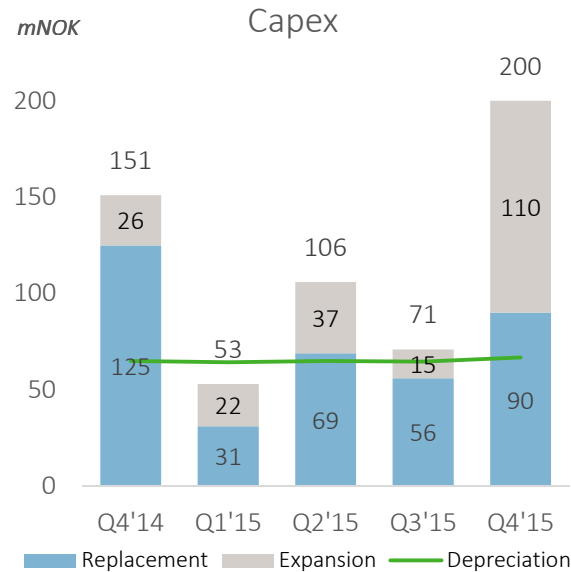
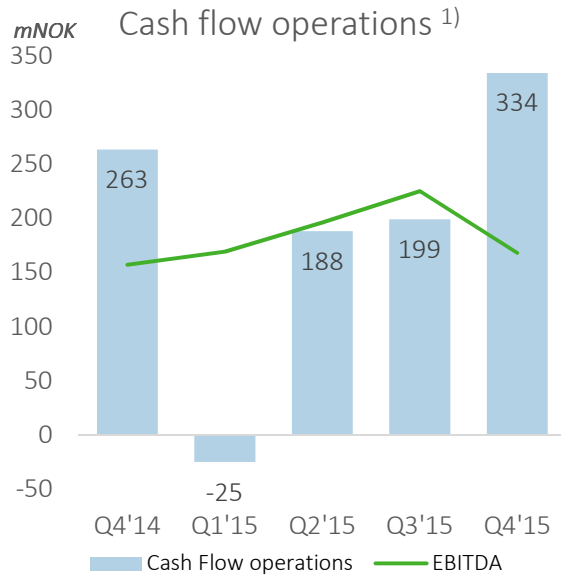
- Net FX EBITA impact approx. 60 mNOK vs Q4-14,
 - Includes change in hedging effects and based on estimated Q4-15 currency exposure
 - Net FX EBITA impact approx. 225 mNOK for 2015 vs 2014
- Net FX EBITA impact in Q1-16 estimated to be 90 mNOK vs Q1-15
 - Assuming rates as of 2 February (USD 8.72 and EUR 9.52) and expected currency exposure
 - Net FX EBITA impact in 2016 estimated to be 255 mNOK vs 2015

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



- Strong cash flow from operations in Q4 due to improved result and larger reduction in net working capital vs Q4-14 (excluding impact from one-offs)
- High expansion capex in Q4-15, mainly related to the Exilva project and the acquired Flambeau book-of-business
- NIBD reduced by 92 mNOK in Q4

Q&A



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



APPENDIX

Borregaard – Key figures

<i>Amounts in NOK million</i>	Q4-2015	Q4-2014	Change	YTD-2015	YTD-2014	Change
Operating revenues	1 034	951	9 %	4 164	3 939	6 %
EBITDA (adjusted) ¹⁾	168	157	7 %	758	730	4 %
EBITA (adjusted) ²⁾	101	92	10 %	497	486	2 %
Amortisation intangibles	-1	0		-1	0	
Other income and expenses	37	-30		37	-30	
EBIT	137	62	121 %	533	456	17 %
Financial items, net	-7	-3		-27	-26	
Profit/loss before taxes	130	59	120 %	506	430	18 %
Taxes	-22	8		-122	-98	
Profit/loss for the period	108	67	61 %	384	332	16 %
Profit/loss attributable to non-controlling interests	0	-1		-2	-2	
Profit/loss attributable to owners of the parent	108	68		386	334	
Cash flow from operating activities (IFRS)	301	245		563	600	
Earnings per share (NOK)	1,08	0,68	59 %	3,86	3,34	16 %
<i>Adjusted EBITDA margin</i>	<i>16,2 %</i>	<i>16,5 %</i>		<i>18,2 %</i>	<i>18,5 %</i>	
<i>Adjusted EBITA margin</i>	<i>9,8 %</i>	<i>9,7 %</i>		<i>11,9 %</i>	<i>12,3 %</i>	

1) Operating profit before depreciation, amortization and other income and expenses

2) Operating profit before amortization and other income and expenses

Operating revenues and EBITA per segment

Amounts in NOK million

Operating revenues	Q4-2015	Q4-2014	Change
Borregaard	1034	951	9 %
Performance Chemicals	502	441	14 %
Specialty Cellulose	346	338	2 %
Other Businesses	197	178	11 %
Eliminations	-7	-6	

Amounts in NOK million

Operating profit - EBITA	Q4-2015	Q4-2014	Change
Borregaard	101	92	10 %
Performance Chemicals	98	83	18 %
Specialty Cellulose	22	30	-27 %
Other Businesses	-19	-21	10 %

Amounts in NOK million

Operating revenues	YTD-2015	YTD-2014	Change
Borregaard	4 164	3 939	6 %
Performance Chemicals	2 008	1 822	10 %
Specialty Cellulose	1 436	1 459	-2 %
Other Businesses	755	682	11 %
Eliminations	-35	-24	

Amounts in NOK million

Operating profit - EBITA	YTD-2015	YTD-2014	Change
Borregaard	497	486	2 %
Performance Chemicals	447	388	15 %
Specialty Cellulose	104	163	-36 %
Other Businesses	-54	-65	17 %

Cash flow

Amounts in NOK million

	Q4-2015	Q4-2014	YTD-2015	YTD-2014
Amounts in NOK million				
Profit before taxes	130	59	506	430
Amortisation, depreciation and impairment charges	75	65	269	244
Change in net working capital, etc	122	136	-106	59
Dividend (share of profit) from JV	-12	-2	-14	6
Taxes paid	-14	-13	-92	-139
Cash flow from operating activities	301	245	563	600
Investments property, plant and equipment and intangible assets	-200	-151	-430	-313
Other capital transactions	0	0	5	2
Cash flow from Investing activities	-200	-151	-425	-311
Dividends	0	0	-124	-109
Proceeds from exercise of share options	11	4	11	48
Buy-back of treasury shares	-5	-14	-5	-76
Gain/(loss) on hedges for net investments in subsidiaries	-26	-68	-76	-72
Net paid to/from shareholders	-20	-78	-194	-209
Change in interest-bearing liabilities	-49	33	14	6
Change in interest-bearing receivables	0	1	-2	-3
Change in net interest-bearing liabilities	-49	34	12	3
Cash flow from financing activities	-69	-44	-182	-206
Change in cash and cash equivalents	32	50	-44	83
Cash and cash equivalents as of beginning of period	125	79	168	39
Change in cash and cash equivalents	32	50	-44	83
Currency effects cash and cash equivalents	12	39	45	46
Cash and cash equivalents at the close of the period	169	168	169	168

Balance sheet

Amounts in NOK million

	31.12.2015	30.09.2015	31.12.2014
Assets:			
Intangible assets	137	89	77
Property, plant and equipment	2 122	2 039	2 004
Other assets	121	80	76
Investments in joint venture	106	103	106
Non-current assets	2 486	2 311	2 263
Inventories	676	600	610
Receivables	838	866	707
Cash and cash deposits	169	125	168
Current assets	1 683	1 591	1 485
Total assets	4 169	3 902	3 748
Equity and debt:			
Group Equity	2 056	2 000	1 941
Non-controlling interests	5	6	8
Equity	2 061	2 006	1 949
Provisions and other non-current liabilities	408	277	196
Interest-bearing liabilities	802	850	784
Non-current liabilities	1 210	1 127	980
Interest-bearing liabilities	9	9	8
Other liabilities	889	760	811
Current liabilities	898	769	819
Equity and liabilities	4 169	3 902	3 748
Equity ratio (%):	49,4 %	51,4 %	52,0 %

Net financial items & net interest-bearing debt

Amounts in NOK million

Net financial items	Q4-2015	Q4-2014	YTD-2015	YTD-2014
Net interest expenses	-5	-6	-22	-28
Currency gain/loss	-1	3	-2	4
Other financial items, net	-1	0	-3	-2
Net financial items	-7	-3	-27	-26

Amounts in NOK million

Net interest-bearing debt	31.12.2015	30.09.2015	31.12.2014
Non-current interest-bearing liabilities	802	850	784
Current interest-bearing liabilities	9	9	8
Non-current interest-bearing receivables	-18	-18	-16
Cash and cash deposits	-169	-125	-168
Net interest-bearing debt	624	716	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
Q1-2016	37	7.97	17	8.53
Q2-2016	40	8.00	18	8.52
Q3-2016	39	7.99	19	8.53
Q4-2016	35	7.94	18	8.64
2016	151	7.98	72	8.56
2017	146	8.03	70	8.84
2018	100	8.09	50	9.29

Hedging effects by segment

NOK million	Q4-15	Q4-14	YTD-15	YTD-14
Performance Chemicals	-19	-9	-76	-12
Specialty Cellulose	-32	-20	-129	-32
Other Businesses	-11	-4	-36	-7
Borregaard	-62	-33	-241	-51

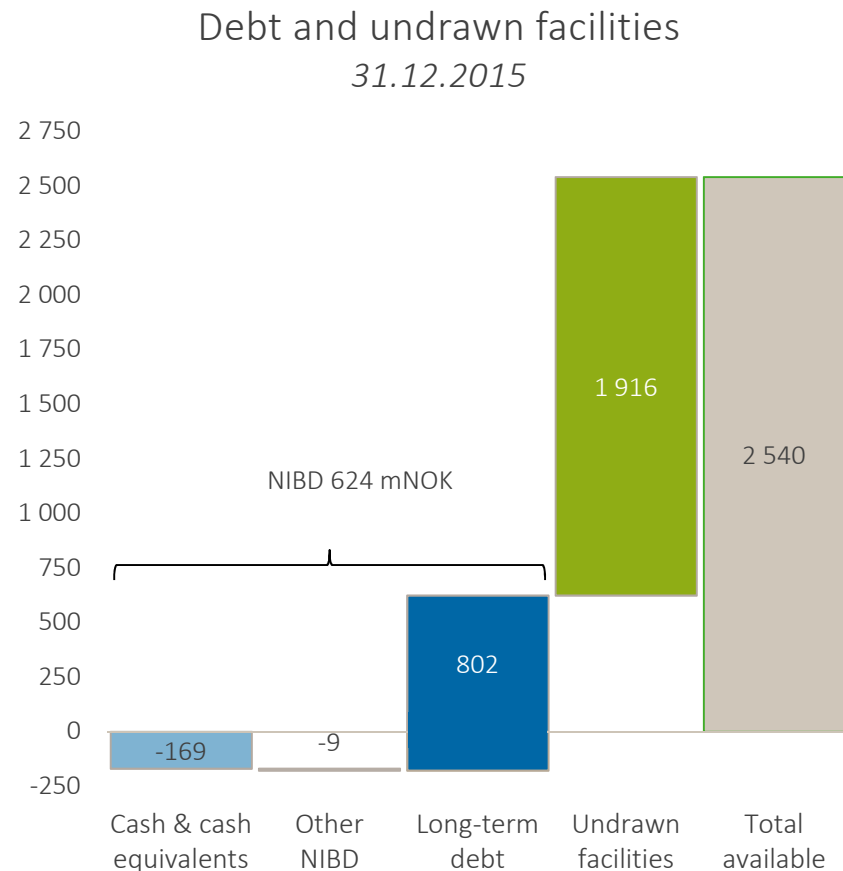


1) Hedging done mainly in the Norwegian company

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
 - 255 mNOK
- Solidity (covenants)
 - Equity ratio 49.4% (> 25%)
 - Leverage ratio LTM 0.82 (< 3.25)



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