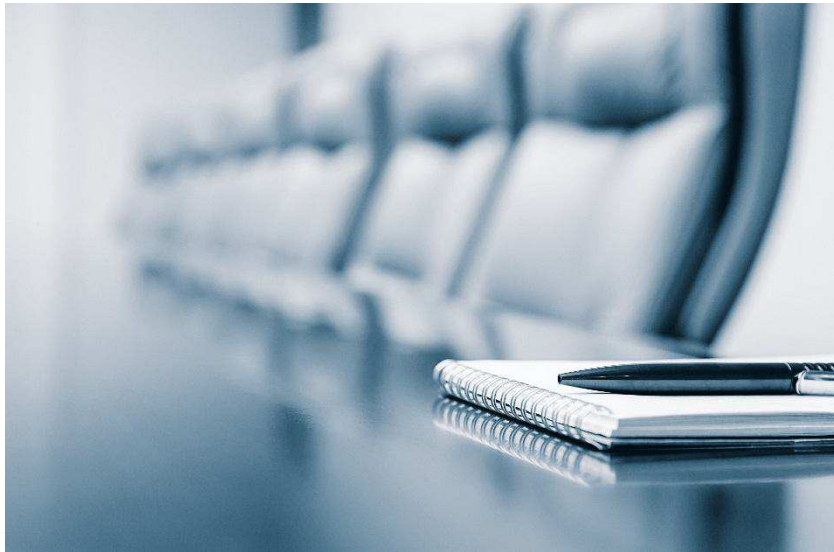




4TH QUARTER 2016

Oslo, 10 February 2017

Agenda



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

Highlights – 4th quarter 2016



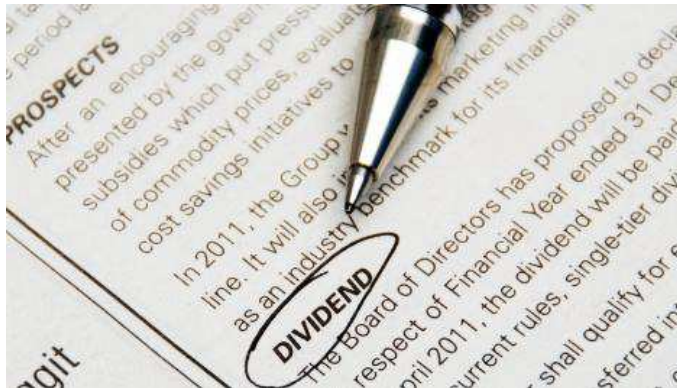
- Increased EBITA adj.¹ in all business areas
- Positive impact from currency
- Strong cash flow from operations
- Florida lignin investment approved
- A total dividend of NOK 3.50 proposed for 2016, including extraordinary dividend of NOK 1.75

Highlights – full year 2016



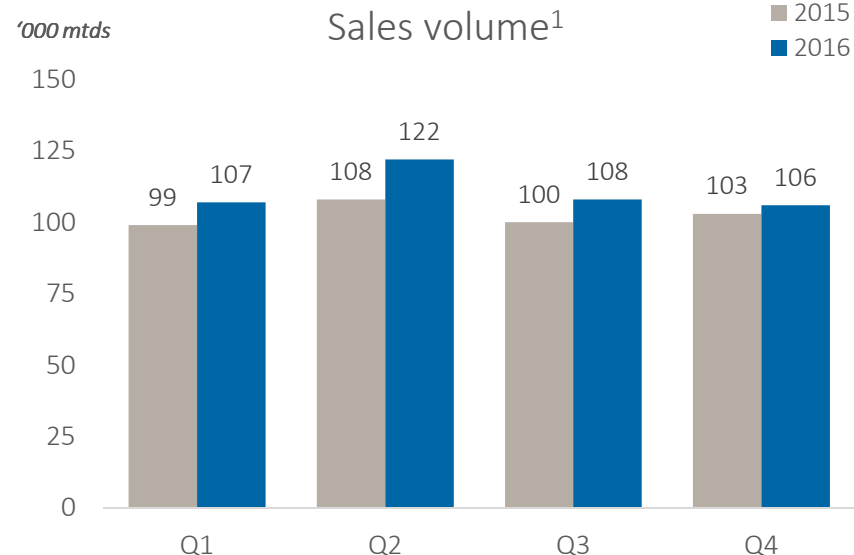
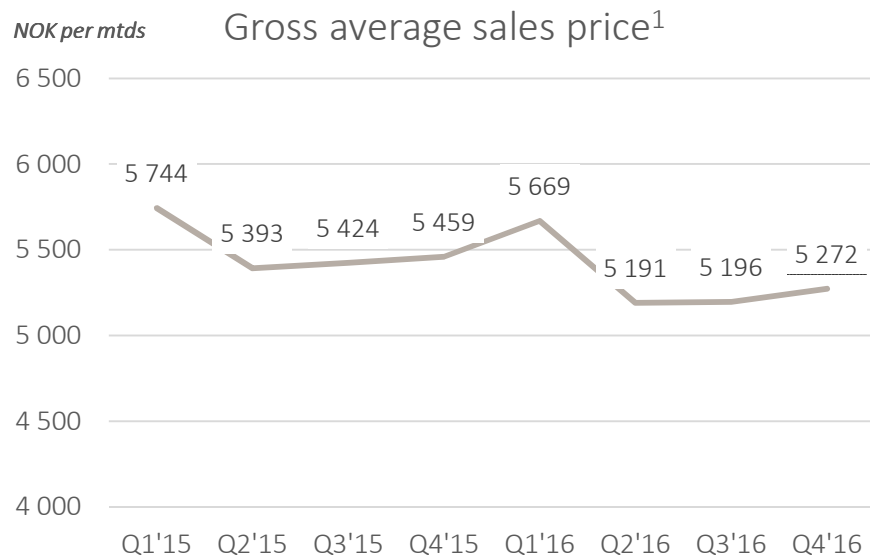
- All-time high result
 - EBITA adj.¹ 747 mNOK (497 mNOK)
 - ROCE¹ 21.7% (15.6%)
 - Significant FX impact
- Progress in all business areas
 - Product mix in Speciality Cellulose
 - Sales growth in Fine Chemicals
 - Specialities volume in Performance Chemicals
 - Energy savings at the Sarpsborg biorefinery
- Commercial operation and EU grant in Exilva

Dividend proposal for 2016



- Borregaard's dividend policy
 - To pay regular and progressive dividends reflecting the expected long-term earnings and cash flows of the Group
 - Annual dividend is targeted between 30% and 50% of net profit
- Dividend proposal by the Board of Directors
 - Ordinary dividend of NOK 1.75 per share
 - 17% increase from 2015 (NOK 1.50)
 - 32% of net earnings
 - Extraordinary dividend of NOK 1.75 per share, due to increased earnings and strong cash flow
- Total dividend payment of 349 mNOK

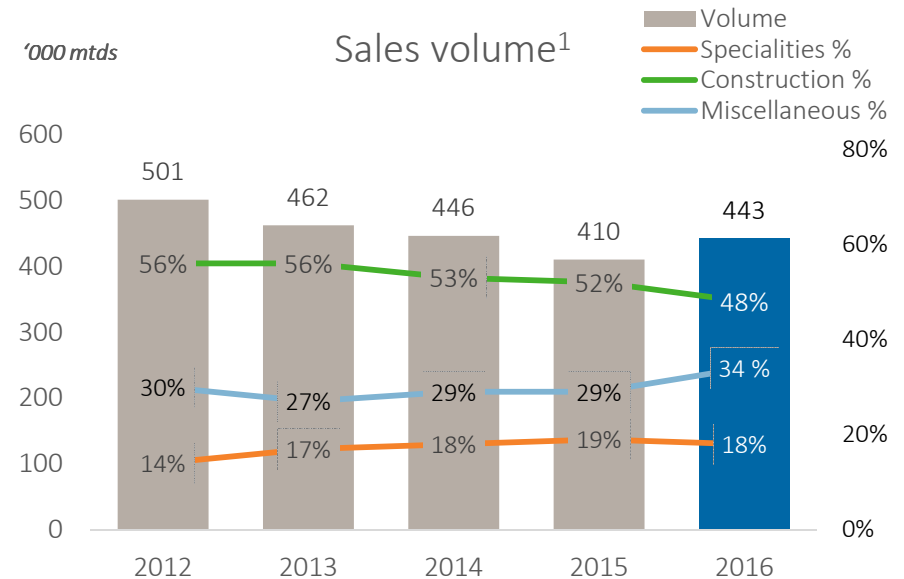
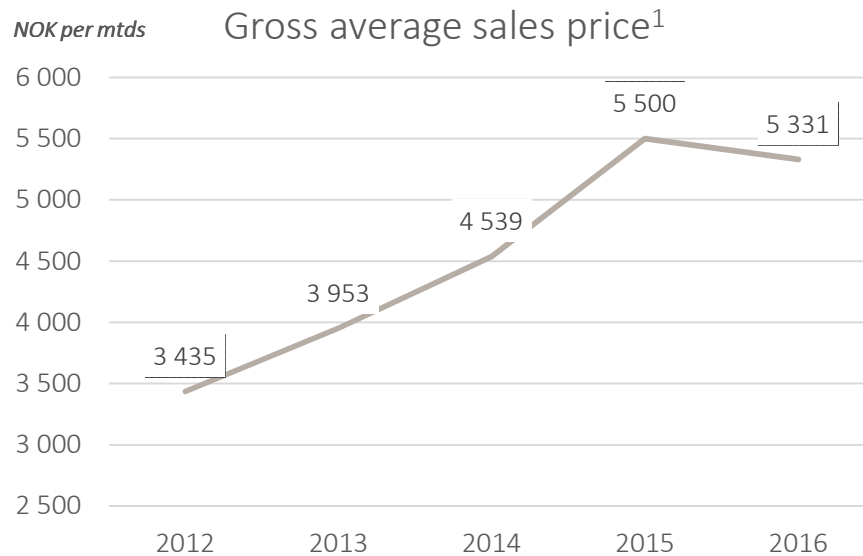
Performance Chemicals markets – Q4



- Market conditions remain challenging
 - Reduced demand and strong price competition, especially in the construction sector
 - Slightly lower prices in sales currency
- Improved product mix from higher sales of specialities, especially to agrochemicals
- Sales volume increased by 3% due to the added Flambeau volume
- Lignin raw material supply in Spain resumed

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.

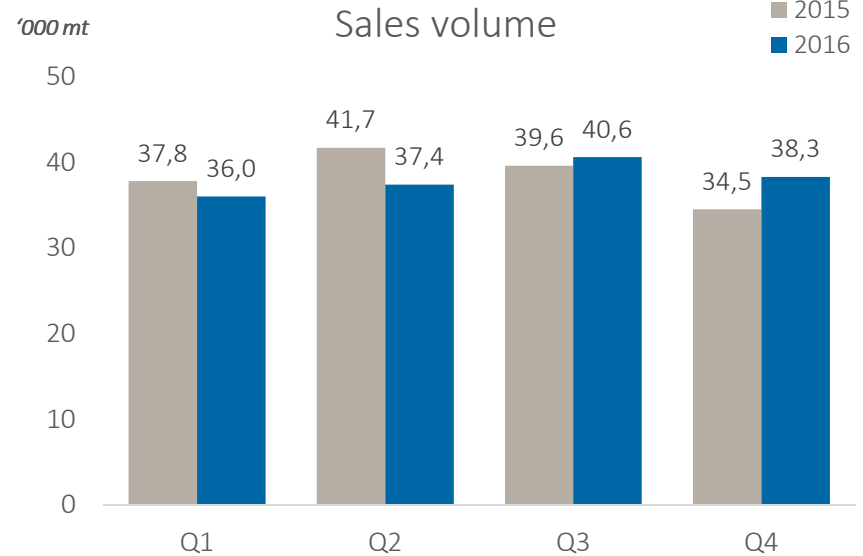
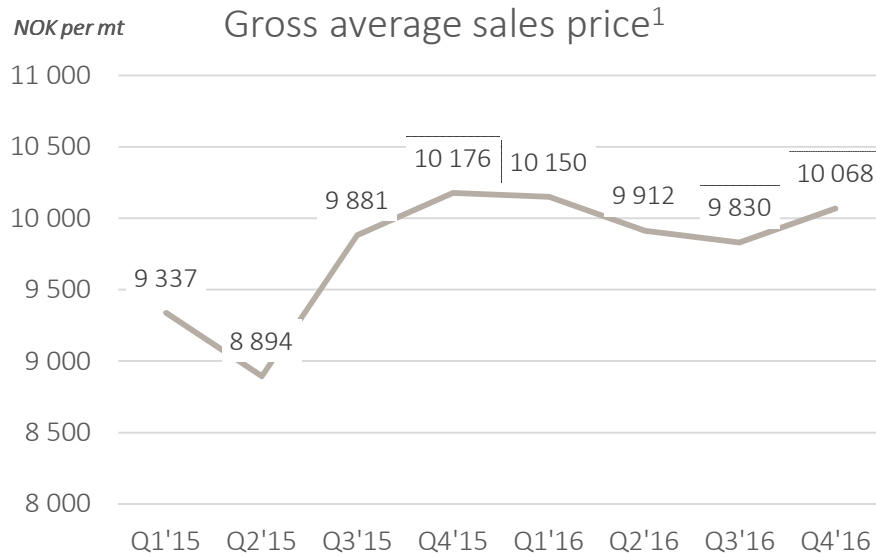
Performance Chemicals markets – full year



- Continued challenging market conditions in the construction and oil sectors
 - Slightly lower prices in sales currency (ex Flambeau business), mainly due to price pressure in Construction
 - Reallocation contributed to market optimisation and stable inventory levels
- Improved product mix
 - Specialities sales volume +4%
 - Strong growth in sales to agrochemicals and batteries
- 8% sales volume increase from the added Flambeau business
- Positive FX effects

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.

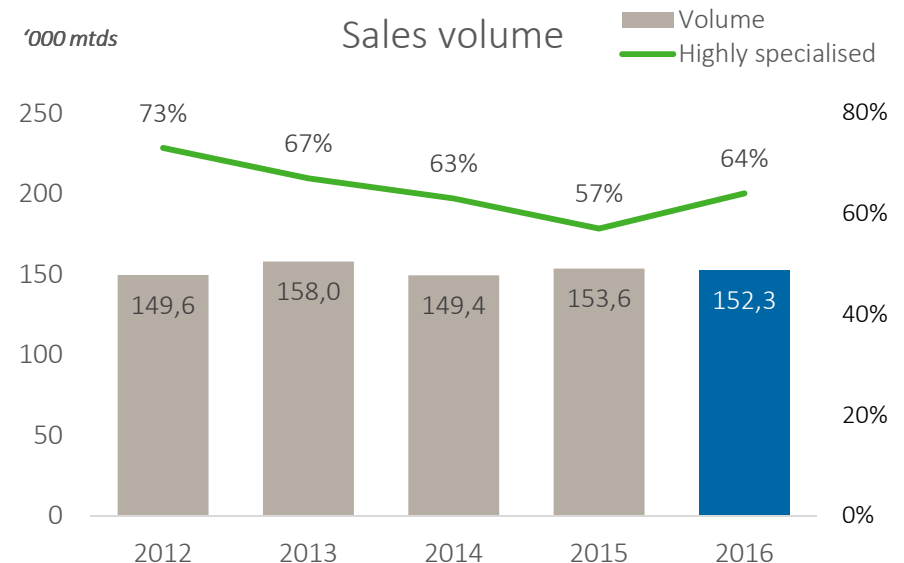
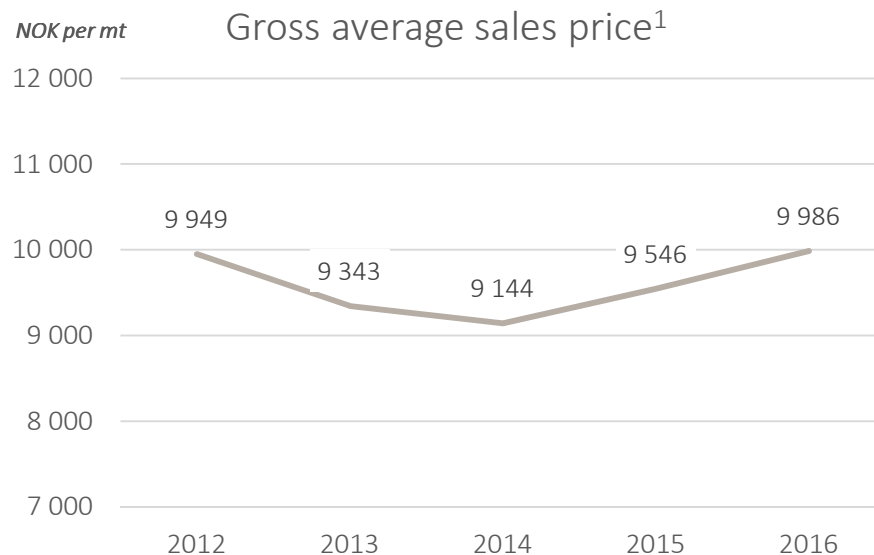
Speciality Cellulose markets – Q4



- Higher sales volume
- Average price in sales currency in line with Q4-15
 - Increased prices for textile cellulose

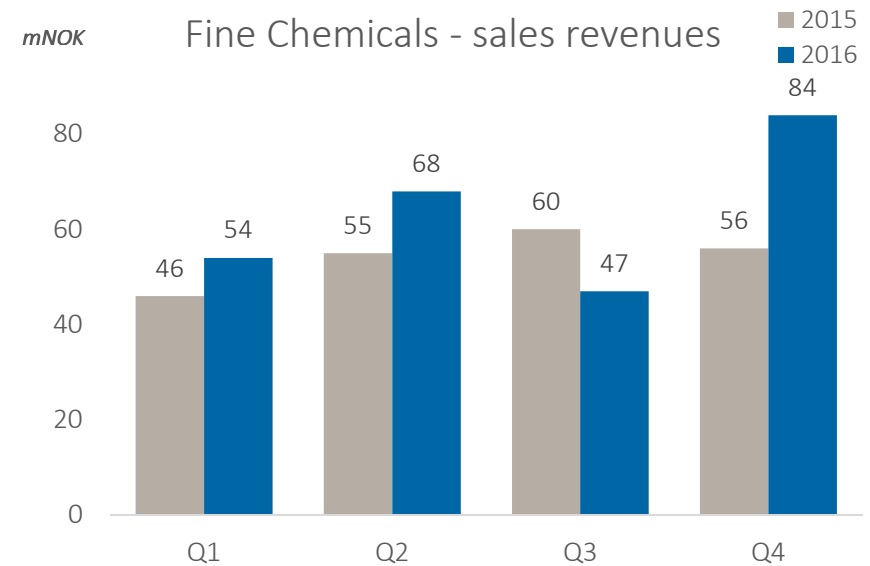
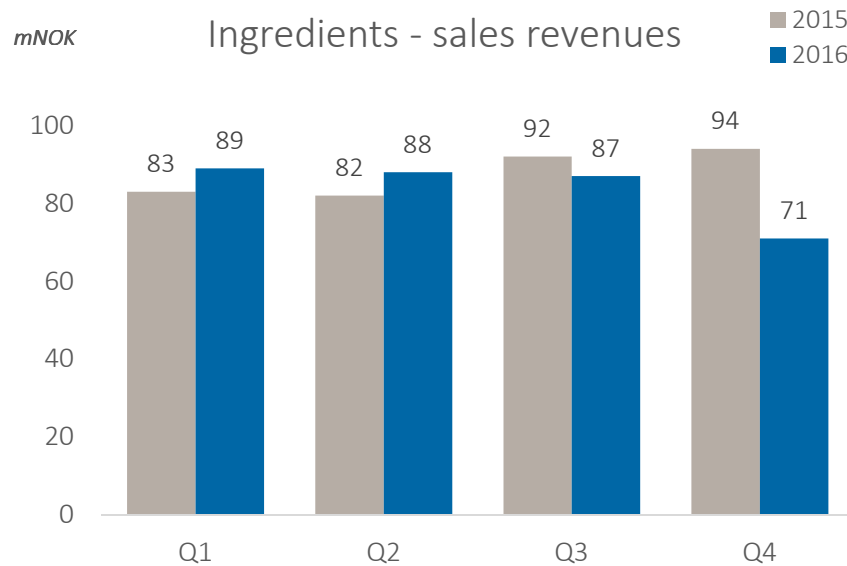
¹ Average sales price is calculated using actual FX rates, excluding hedging impact.

Speciality Cellulose markets – full year



- Relatively stable (-1%) average price in sales currency vs 2015.
- Acetate segment affected by customer destocking, lower demand and continued excess capacity
- Continued growth in the ether segment, improvement within construction and coating applications
- Increasing demand and higher prices in the textile cellulose segment
- Producers of dissolving wood pulp benefitted from higher prices and lower availability of cotton and cotton linter pulp
- Positive FX effects

Ingredients and Fine Chemicals markets – Q4



- **Ingredients**

- Lower sales volume, partly due to lower production output
- *Result improvement for the full year, mainly due to FX effects*

- **Fine Chemicals**

- High deliveries of and continued good growth for key products
- *Result improvement for the full year, mainly due to sales growth and FX effects*

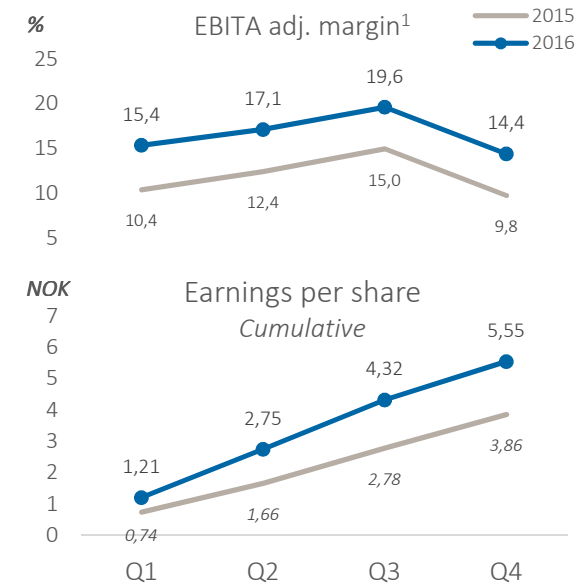
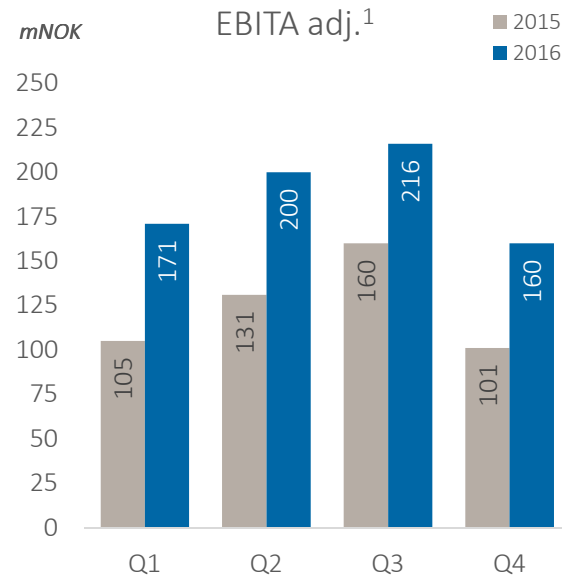
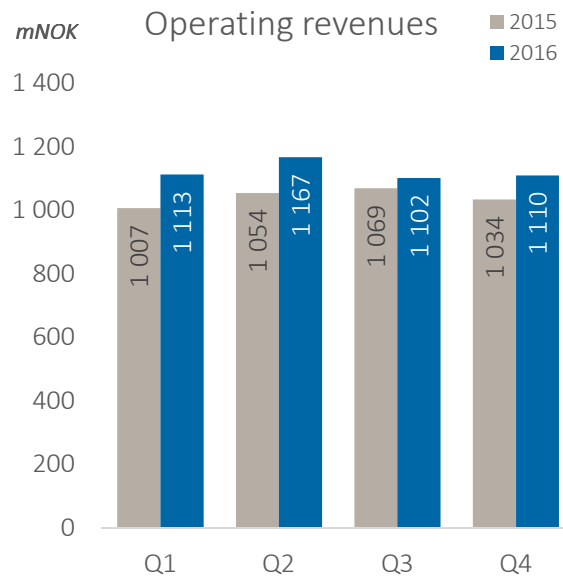
Outlook

- Performance Chemicals
 - Market conditions negatively affected by continued weak business climate with stronger competition and price pressure in important regions for construction products
 - Efforts to reallocate lignin volumes will continue
 - 2017 sales volume forecast to reflect added output in Spain and South Africa, but with limited impact on profitability
 - In Q1-17, sales volume expected to be largely in line with Q1-16
- Speciality Cellulose
 - Average cellulose price in sales currency expected to be 3-5% above the 2016 level
 - Price uncertainty mainly related to textile cellulose
 - Product mix forecast to improve from 2016
 - In Q1-17, both total sales volume and sales of highly specialised grades expected to be higher than Q1-16
- Other Businesses
 - No major changes expected in market conditions for Ingredients and Fine Chemicals
 - In Q1-17, Exilva project costs, net of EU grant, expected to be below Q1-16
 - Corporate costs will remain at largely the same level as in 2016
- Significant FX exposure, but delayed impact of FX rate fluctuations due to hedging policy



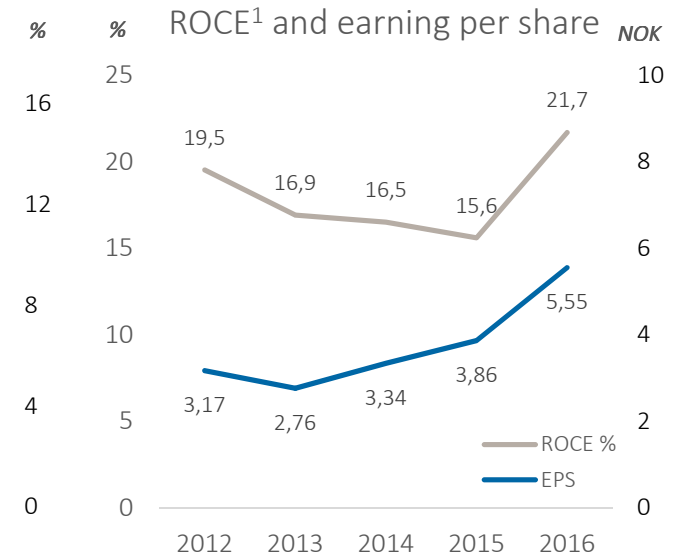
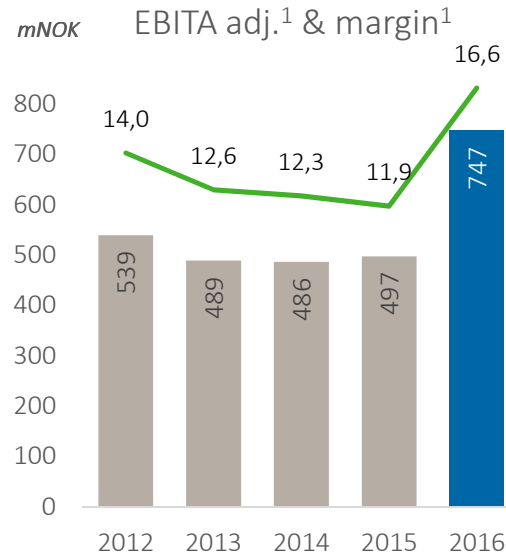
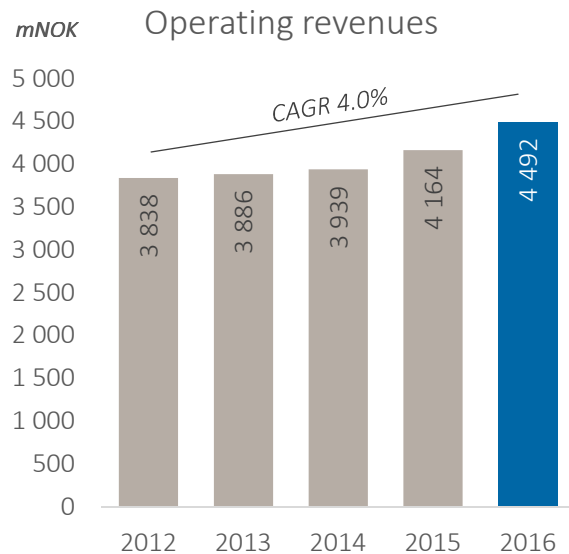
FINANCIAL PERFORMANCE Q4-16

Borregaard key figures – Q4



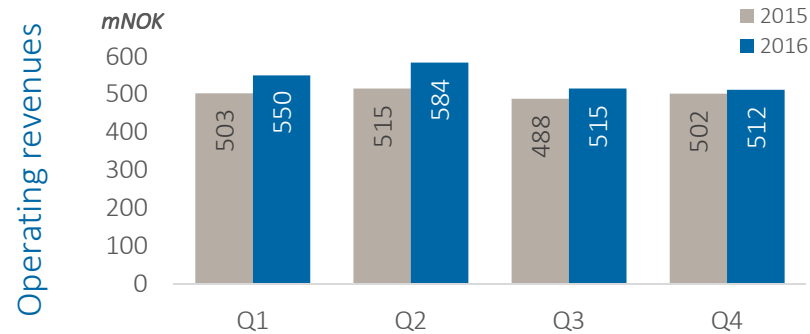
- 7% revenues growth vs Q4-15
- Increased EBITA adj.¹ in all business areas
- Positive FX impact
- EPS at NOK 1.23 in Q4-16 (NOK 1.08)

Borregaard key figures – full year

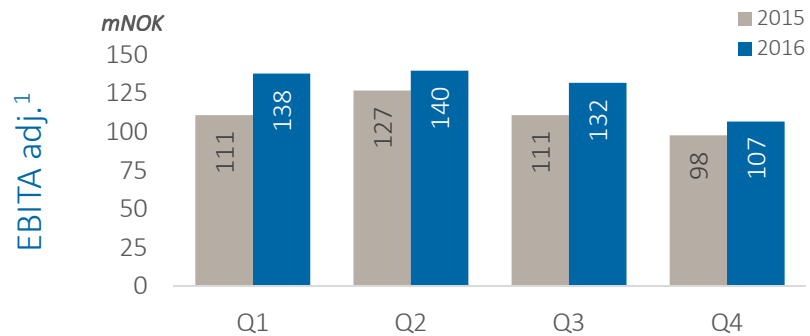


- Revenues up 8% vs 2015
- All-time high EBITA adj.¹ and ROCE¹
 - Progress in all business areas, primarily due to FX effects
 - Product mix improved in Speciality Cellulose, growth for key products in Fine Chemicals and increased sales of Specialities for Performance Chemicals
 - Energy conservation measures and EU grant also contributed
- EPS at NOK 5.55 for 2016, a 44% increase from 2015

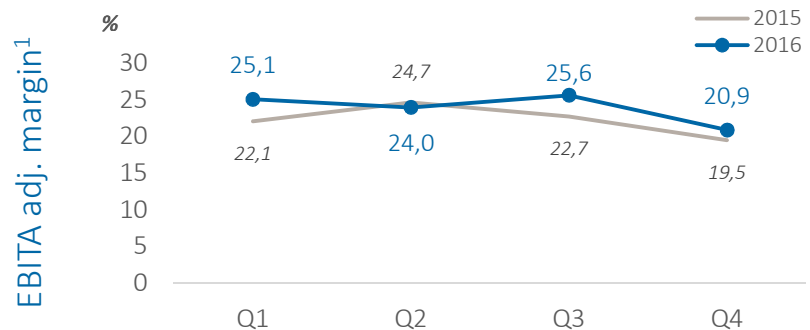
Performance Chemicals key figures – Q4



- 2% revenue growth vs Q4-15
- 3% sales volume increase
- Positive FX impact
- Full year revenue growth 8%

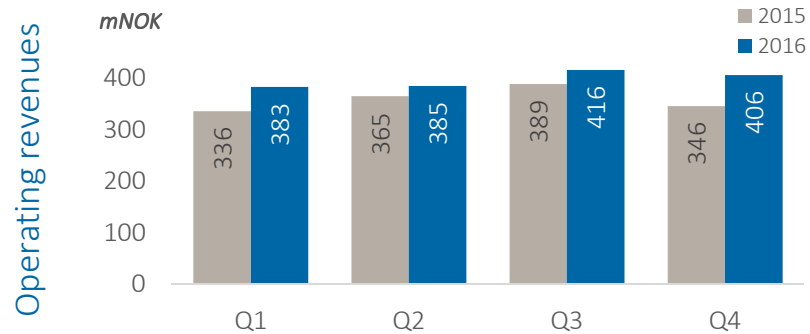


- Improved product mix
- Slightly lower prices in sales currency
- Positive FX impact
- Full year EBITA adj.¹ 517 mNOK (447 mNOK)

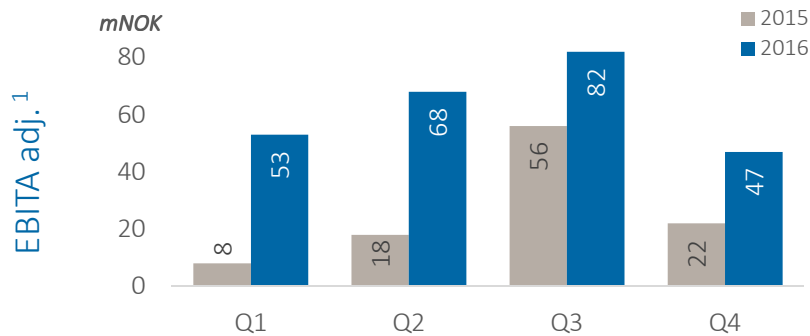


- EBITA adj. margin¹ above Q4-15
- Full year EBITA adj. margin¹ 23.9% (22.3%)

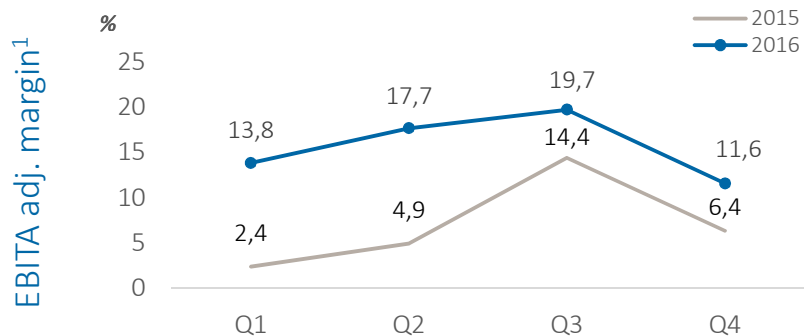
Speciality Cellulose key figures – Q4



- 17% revenue growth vs Q4-15
- High sales volume
- Full year revenue growth 11%



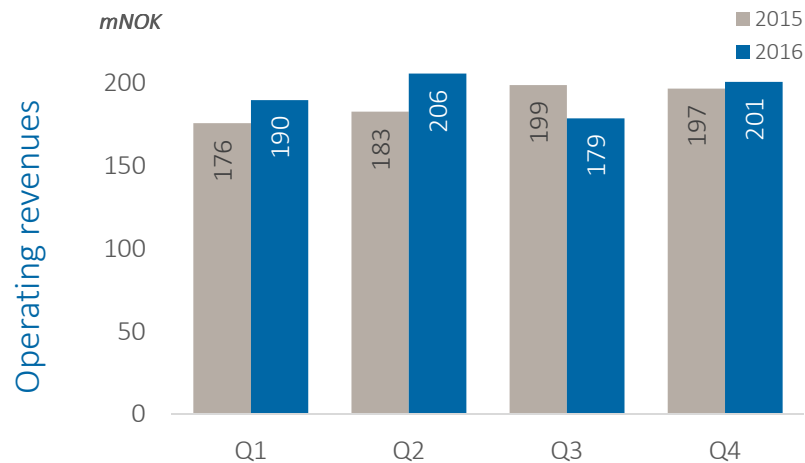
- Higher sales volume
- Average price in sales currency in line with Q4-15
- Stable costs
- Positive FX impact
- Full year EBITA adj.¹ 250 mNOK (104 mNOK)



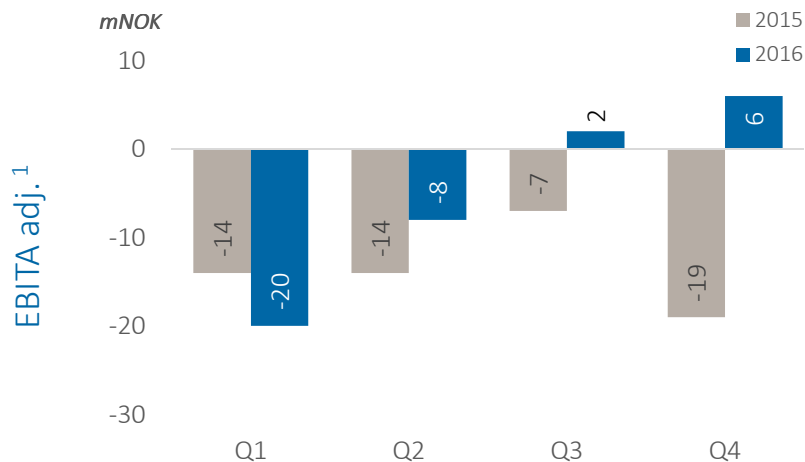
- Improved EBITA adj. margin¹
- Full year EBITA adj. margin¹ 15.7% (7.2%)

¹ Non-GAAP measure, see Appendix for definition.

Other Businesses key figures – Q4



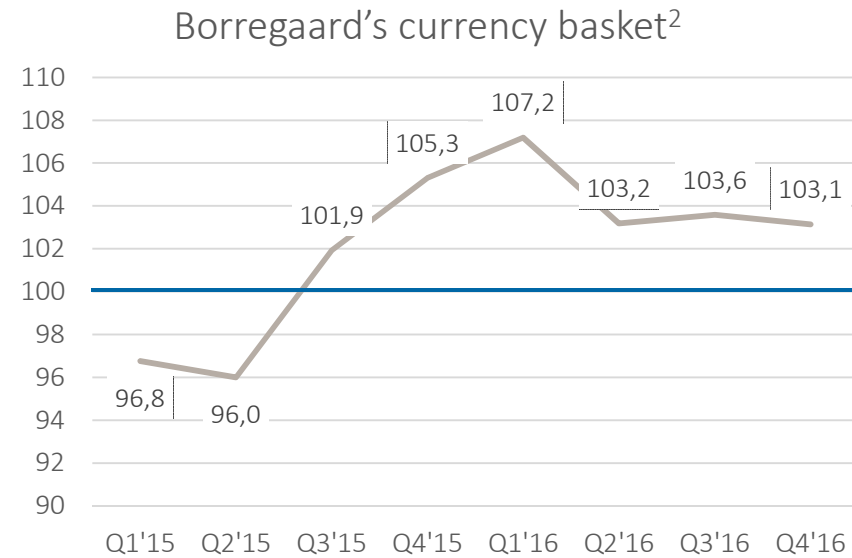
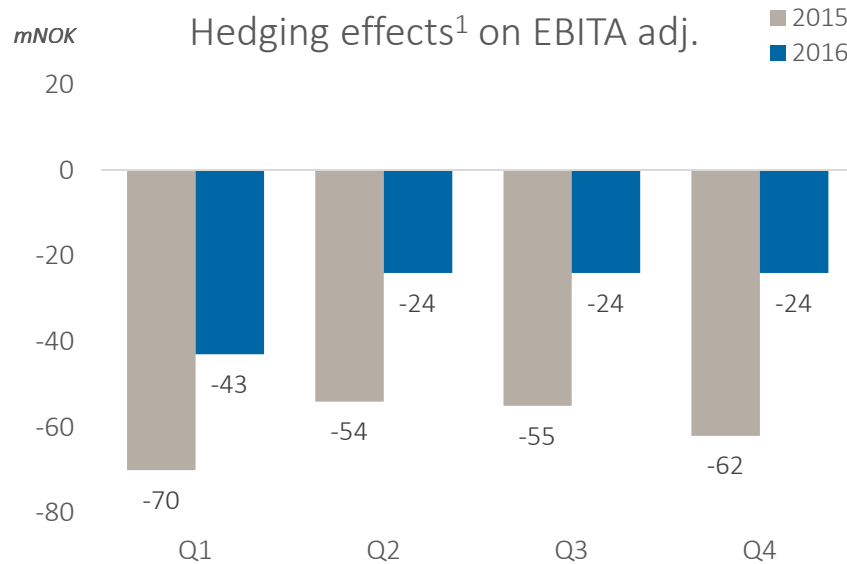
- Revenues 2% above Q4-15
- High deliveries in Fine Chemicals
- Lower sales in Ingredients
- *Full year revenue growth 3%*



- **Ingredients:** Reduced sales volume, partly due to lower production. FX positive
- **Fine Chemicals:** High sales and positive FX impact
- **Exilva** net costs, including EU grant, below Q4-15
- *Full year EBITA adj. ¹ -20 mNOK (-54 mNOK)*

¹ Non-GAAP measure, see Appendix for definition.

Currency impact



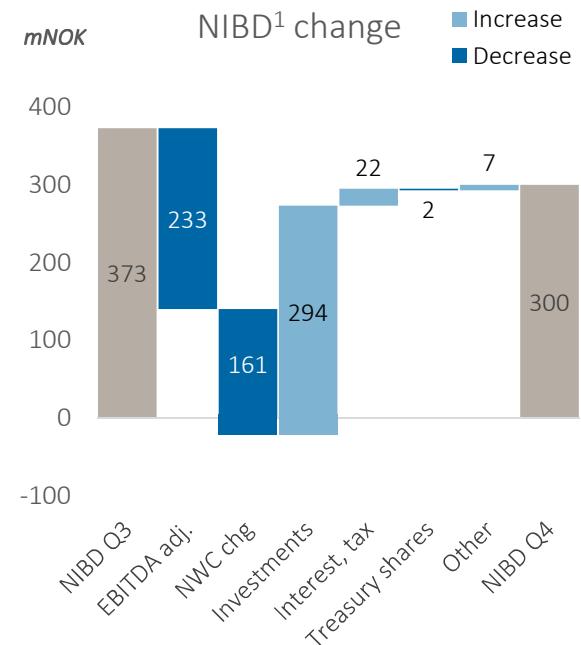
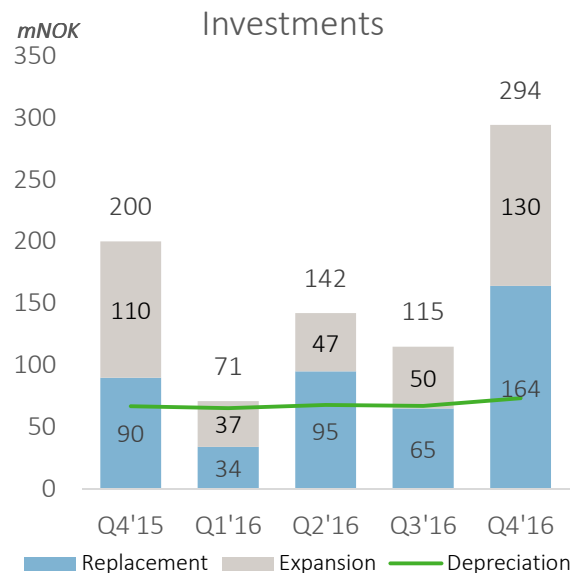
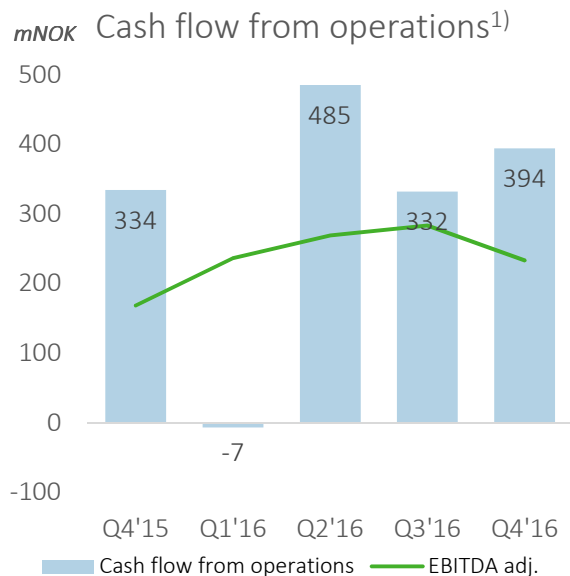
- Net FX EBITA adj. impact approx. 25mNOK vs Q4-15
 - Includes change in hedging effects and based on estimated currency exposure
 - Net FX EBITA adj. impact YTD approx. 230 mNOK
- Net FX EBITA adj. impact in 2017 estimated to be 10 mNOK vs 2016
 - Assuming rates as of 9 February (USD 8.31 and EUR 8.89) on expected currency exposure
 - Net FX EBITA adj. impact in Q1-17 estimated to be -5 mNOK vs Q1-16

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 Q4-16 from increased EBITDA adj.¹ and decrease in net working capital
 - Increase in accounts payable, mainly due to high investments, affected net working capital
- High investments in Q4-16 as expected
 - New wood-chip seasoning silos and maintenance stop affects replacement investments
 - Expansion investments¹ in Q4 mainly related to the LignoTech Florida and Exilva projects
- NIBD¹ decreased by 73 mNOK in Q4

Q&A



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



APPENDIX

Borregaard – key figures

| Amounts in NOK million | Q4-2016 | Q4-2015 | Change | YTD-2016 | YTD-2015 | Change |
|---|---------------|---------------|-------------|---------------|---------------|-------------|
| Operating revenues | 1 110 | 1 034 | 7 % | 4 492 | 4 164 | 8 % |
| EBITDA adj.¹ | 233 | 168 | 39 % | 1 021 | 758 | 35 % |
| EBITA adj.¹ | 160 | 101 | 58 % | 747 | 497 | 50 % |
| Amortisation intangible assets | -1 | -1 | | -4 | -1 | |
| Other income and expenses ¹ | 0 | 37 | | 13 | 37 | |
| Operating profit (EBIT) | 159 | 137 | 16 % | 756 | 533 | 42 % |
| Financial items, net | -8 | -7 | | -32 | -27 | |
| Profit before taxes | 151 | 130 | 16 % | 724 | 506 | 43 % |
| Income tax expenses | -28 | -22 | | -171 | -122 | |
| Profit for the period | 123 | 108 | 14 % | 553 | 384 | 44 % |
| Profit attributable to non-controlling interests | 0 | 0 | | -2 | -2 | |
| Profit attributable to owners of the parent | 123 | 108 | | 555 | 386 | |
| Cash flow from operating activities (IFRS) | 378 | 301 | | 1 081 | 563 | |
| Earnings per share | 1,23 | 1,08 | 14 % | 5,55 | 3,86 | 44 % |
| <i>Adjusted EBITDA adj. Margin¹</i> | <i>21,0 %</i> | <i>16,2 %</i> | | <i>22,7 %</i> | <i>18,2 %</i> | |
| <i>Adjusted EBITA adj. Margin¹</i> | <i>14,4 %</i> | <i>9,8 %</i> | | <i>16,6 %</i> | <i>11,9 %</i> | |

Operating revenues and EBITA adj. ¹ per segment

Amounts in NOK million

| Operating revenues | Q4-2016 | Q4-2015 | Change |
|-----------------------|--------------|--------------|------------|
| Borregaard | 1 110 | 1 034 | 7 % |
| Performance Chemicals | 512 | 502 | 2 % |
| Speciality Cellulose | 406 | 346 | 17 % |
| Other Businesses | 201 | 197 | 2 % |
| Eliminations | -9 | -11 | |

Amounts in NOK million

| EBITA adj. ¹ | Q4-2016 | Q4-2015 | Change |
|-------------------------|------------|------------|-------------|
| Borregaard | 160 | 101 | 58 % |
| Performance Chemicals | 107 | 98 | 9 % |
| Speciality Cellulose | 47 | 22 | 114 % |
| Other Businesses | 6 | -19 | 132 % |

Amounts in NOK million

| Operating revenues | YTD-2016 | YTD-2015 | Change |
|-----------------------|--------------|--------------|------------|
| Borregaard | 4 492 | 4 164 | 8 % |
| Performance Chemicals | 2 161 | 2 008 | 8 % |
| Speciality Cellulose | 1 590 | 1 436 | 11 % |
| Other Businesses | 776 | 755 | 3 % |
| Eliminations | -35 | -35 | |

Amounts in NOK million

| EBITA adj. ¹ | YTD-2016 | YTD-2015 | Change |
|-------------------------|------------|------------|-------------|
| Borregaard | 747 | 497 | 50 % |
| Performance Chemicals | 517 | 447 | 16 % |
| Speciality Cellulose | 250 | 104 | 140 % |
| Other Businesses | -20 | -54 | 63 % |

Cash flow

| Amounts in NOK million | Q4-2016 | Q4-2015 | YTD-2016 | YTD-2015 |
|---|-------------|-------------|--------------|-------------|
| Amounts in NOK million | | | | |
| Profit before taxes | 151 | 130 | 724 | 506 |
| Amortisation, depreciation and impairment charges | 74 | 75 | 278 | 269 |
| Change in net working capital, etc | 161 | 122 | 170 | -106 |
| Dividend (share of profit) from JV | 6 | -12 | -1 | -14 |
| Taxes paid | -14 | -14 | -90 | -92 |
| Cash flow from operating activities | 378 | 301 | 1 081 | 563 |
| Investments property, plant and equipment and intangible assets * | -294 | -200 | -622 | -430 |
| Other capital transactions | 2 | 0 | 5 | 5 |
| Cash flow from Investing activities | -292 | -200 | -617 | -425 |
| Dividends | 0 | 0 | -149 | -124 |
| Proceeds from exercise of share options | 2 | 11 | 7 | 11 |
| Buy-back of shares | 0 | -5 | -10 | -5 |
| Gain/(loss) on hedges for net investments in subsidiaries | -32 | -26 | 13 | -76 |
| Net paid to/from shareholders | -30 | -20 | -139 | -194 |
| Proceeds from interest-bearing liabilities | 6 | 0 | 106 | 100 |
| Repayment of interest-bearing liabilities | -202 | -53 | -309 | -109 |
| Change in interest-bearing receivables/other liabilities | 3 | 4 | -23 | 21 |
| Change in net interest-bearing liabilities | -193 | -49 | -226 | 12 |
| Cash flow from financing activities | -223 | -69 | -365 | -182 |
| Change in cash and cash equivalents | -137 | 32 | 99 | -44 |
| Cash and cash equivalents at beginning of period | 385 | 125 | 169 | 168 |
| Change in cash and cash equivalents | -137 | 32 | 99 | -44 |
| Currency effects cash and cash equivalents | 17 | 12 | -3 | 45 |
| Cash and cash equivalents at the close of the period | 265 | 169 | 265 | 169 |
| * Investment by category | | | | |
| Replacement Investments | 164 | 90 | 358 | 246 |
| Expansion investments ¹ | 130 | 110 | 264 | 184 |

¹ Non-GAAP measure, see Appendix for definition.

Balance sheet

| Amounts in NOK million | 31.12.2016 | 30.09.2016 | 31.12.2015 |
|----------------------------------|--------------|--------------|--------------|
| Assets: | | | |
| Intangible assets | 125 | 123 | 137 |
| Property, plant and equipment | 2 471 | 2 243 | 2 122 |
| Other assets | 115 | 176 | 121 |
| Investment in joint venture | 121 | 118 | 106 |
| Non-current assets | 2 832 | 2 660 | 2 486 |
| Inventories | 626 | 660 | 676 |
| Receivables | 948 | 938 | 838 |
| Cash and cash deposits | 265 | 385 | 169 |
| Current assets | 1 839 | 1 983 | 1 683 |
| Total assets | 4 671 | 4 643 | 4 169 |
| Equity and liabilities: | | | |
| Group equity | 2 679 | 2 677 | 2 056 |
| Non-controlling interests | 34 | 4 | 5 |
| Equity | 2 713 | 2 681 | 2 061 |
| Provisions and other liabilities | 299 | 312 | 408 |
| Interest-bearing liabilities | 525 | 769 | 802 |
| Non-current liabilities | 824 | 1 081 | 1 210 |
| Interest-bearing liabilities | 61 | 9 | 9 |
| Other current liabilities | 1 073 | 872 | 889 |
| Current liabilities | 1 134 | 881 | 898 |
| Equity and liabilities | 4 671 | 4 643 | 4 169 |
| Equity ratio ¹ (%): | 58,1 % | 57,7 % | 49,4 % |

Net financial items & net interest-bearing debt¹

Amounts in NOK million

| Net financial items | Q4-2016 | Q4-2015 | YTD-2016 | YTD-2015 |
|----------------------------|-----------|-----------|------------|------------|
| Net interest expenses | -4 | -5 | -19 | -22 |
| Currency gain/loss | 2 | -1 | -7 | -2 |
| Other financial items, net | -6 | -1 | -6 | -3 |
| Net financial items | -8 | -7 | -32 | -27 |

Amounts in NOK million

| Net interest-bearing debt ¹ (NIBD) | 31.12.2016 | 30.09.2016 | 31.12.2015 |
|---|------------|------------|------------|
| Non-current interest-bearing liabilities | 525 | 769 | 802 |
| Current interest-bearing liabilities | 61 | 9 | 9 |
| Non-current interest-bearing receivables | -21 | -20 | -18 |
| Cash and cash deposits | -265 | -385 | -169 |
| Net interest-bearing debt¹ (NIBD) | 300 | 373 | 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 (as of 31.01.17)

| | USD million | USD rate | EUR million | EUR rate |
|---------|-------------|----------|-------------|----------|
| Q1-2017 | 37 | 7.97 | 19 | 8.78 |
| Q2-2017 | 40 | 8.01 | 21 | 8.70 |
| Q3-2017 | 40 | 8.04 | 21 | 8.89 |
| Q4-2017 | 36 | 8.12 | 21 | 9.03 |
| 2017 | 153 | 8.04 | 82 | 8.85 |
| 2018 | 141 | 8.23 | 85 | 9.34 |
| 2019 | 88 | 8.33 | 58 | 9.60 |

Hedging effects by segment

| NOK million | Q4-16 | Q4-15 | YTD-16 | YTD-15 |
|-----------------------|------------|------------|-------------|-------------|
| Performance Chemicals | -6 | -19 | -32 | -76 |
| Speciality Cellulose | -13 | -32 | -59 | -129 |
| Other Businesses | -5 | -11 | -24 | -36 |
| Borregaard | -24 | -62 | -115 | -241 |

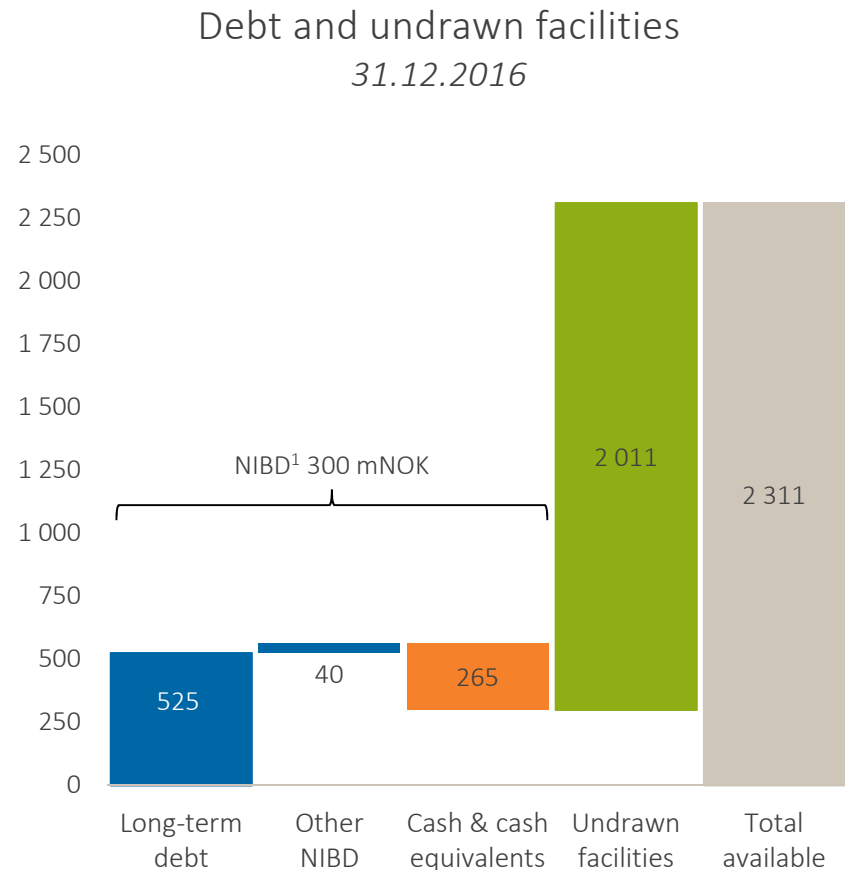


¹ Hedging done mainly in the Norwegian company

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 2021
 - 200 mNOK 5-year bond issue, maturity 2019
 - 40 mEUR 10-year loan, maturity 2024
 - Overdraft facilities
 - 225 mNOK
- Solidity (covenants)
 - Equity ratio¹ 58.1% (> 25%)
 - Leverage ratio¹ LTM 0.29 (< 3.25)



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.
- 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.
- Net interest-bearing debt (NIBD)
 - Interest-bearing liabilities minus interest-bearing assets (see slide 26)
- Return on capital employed (ROCE)
 - Last twelve months' (LTM) EBITA adj. 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 and investment in joint venture minus net pension liabilities.

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