



Oslo, 31 January 2019

Agenda



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

Highlights – 4th quarter 2018



- EBITA adj.¹ 94 mNOK (109 mNOK)
- Growth in Industrial and Specialities for Performance Chemicals
- Increased costs related to Florida ramp-up and lignin distribution
- Higher wood costs and lower acetate sales in Speciality Cellulose
- Strong improvement in Ingredients
- Positive net currency impact

Highlights – full year 2018



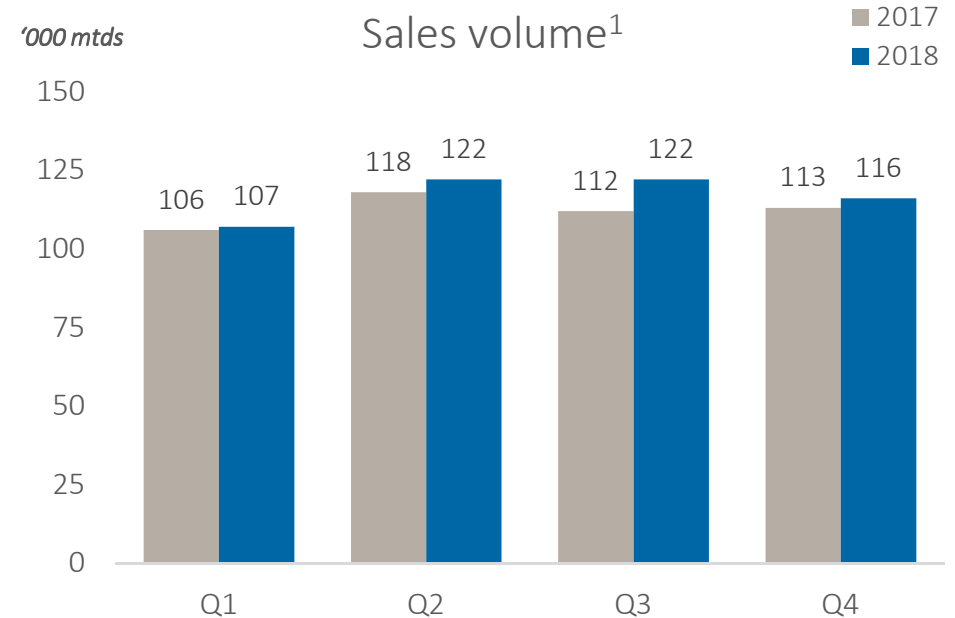
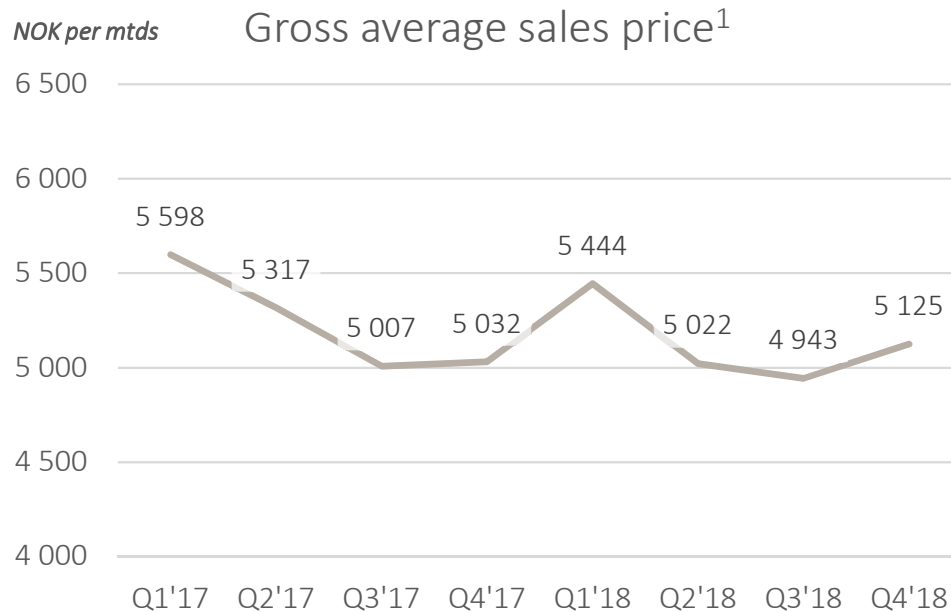
- EBITA adj.¹ 580 mNOK (749 mNOK)
- In Performance Chemicals, increased sales volume, diversification and specialisation off-set challenging concrete admixtures market
- Ramp-up costs and depreciation for the new Florida plant and increased lignin distribution costs
- Speciality Cellulose affected by lower sales of acetate grades and higher wood and caustic soda costs
- Strong improvement in Other Businesses
- Completion of several strategic investment projects

Dividend proposal for 2018



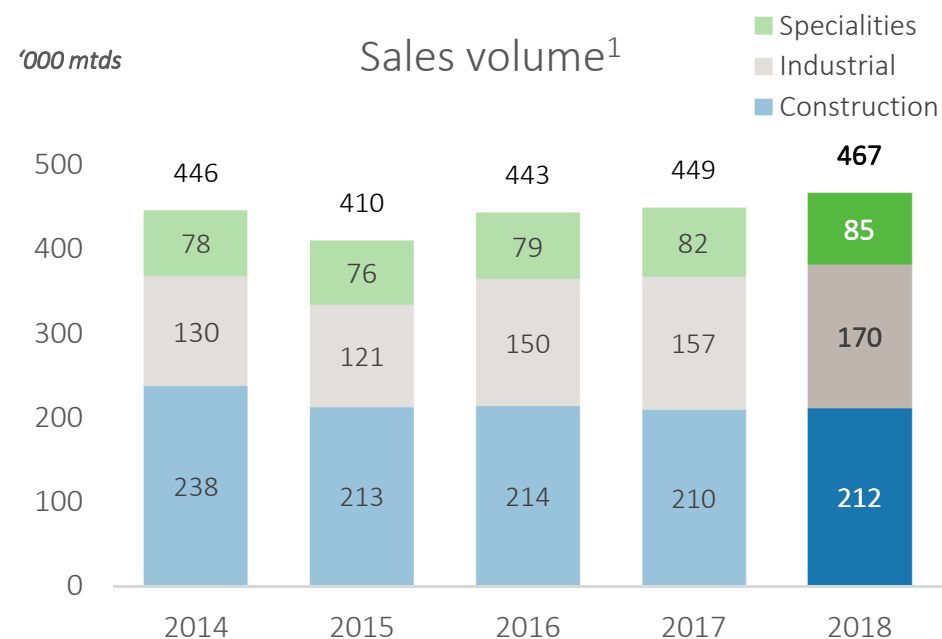
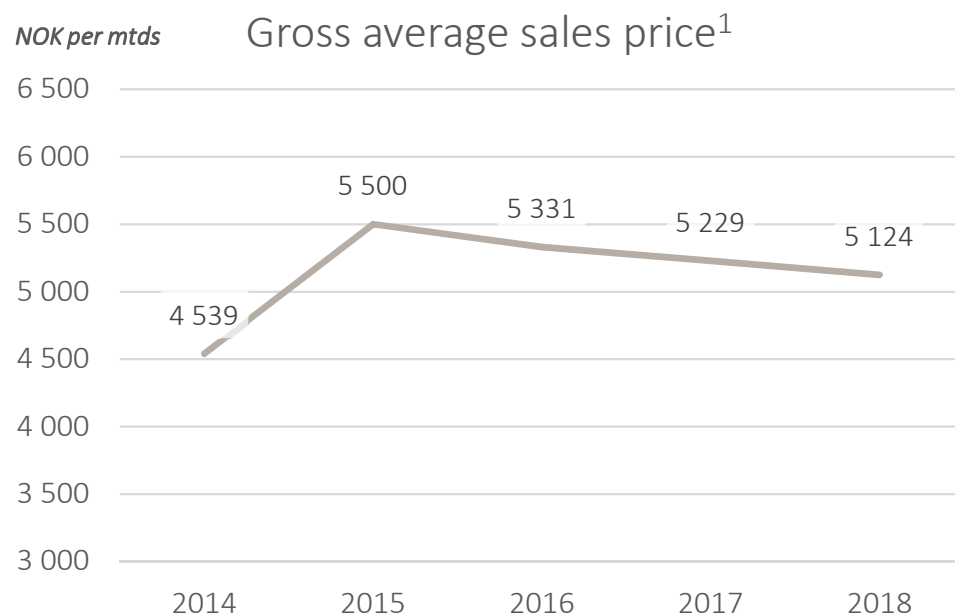
- Borregaard's dividend policy
 - To pay regular and progressive dividends reflecting the expected long-term earnings and cash flows of the Group
 - Annual dividend is targeted between 30% and 50% of net profit
- A dividend of NOK 2.25 per share is proposed by the Board of Directors
 - 47% of net earnings
 - Total dividend payment of 224 mNOK

Performance Chemicals markets – Q4



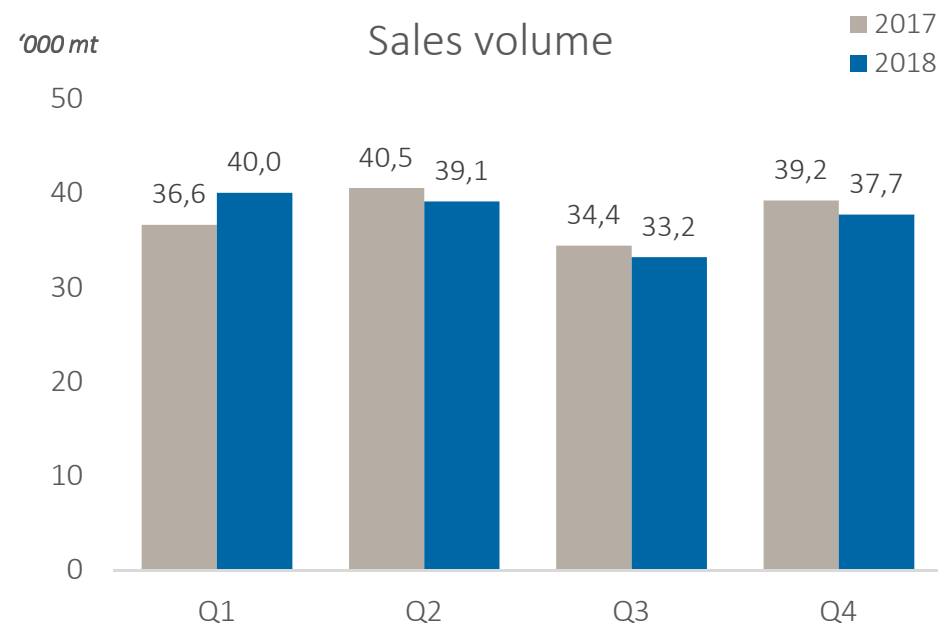
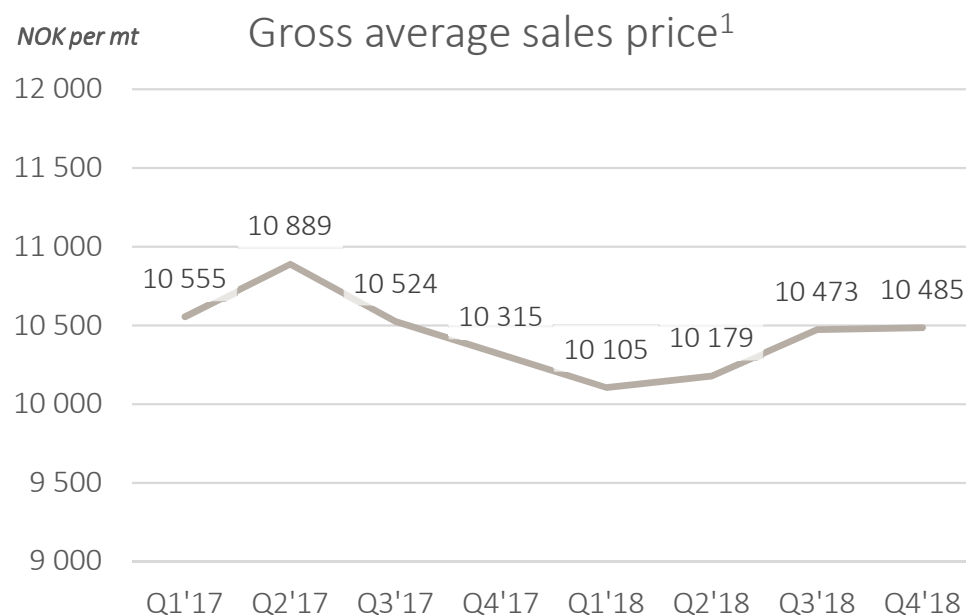
- Sales volume increased 3% vs Q4-17
 - Volume growth for both Industrial and Specialities
- Average price in sales currency was in line with Q4-17
 - Concrete admixture market remained challenging for lignin products
 - Compensated by growth in Industrial and Specialities

Performance Chemicals markets – full year



- Average price in sales currency was 1% lower than in 2017
 - Diversification and specialisation off-set the effect of challenging market conditions for lignin products to concrete admixtures
- Total sales volume increased 4%
 - Growth for Industrial and Specialities
 - Inventories of finished goods were relatively stable

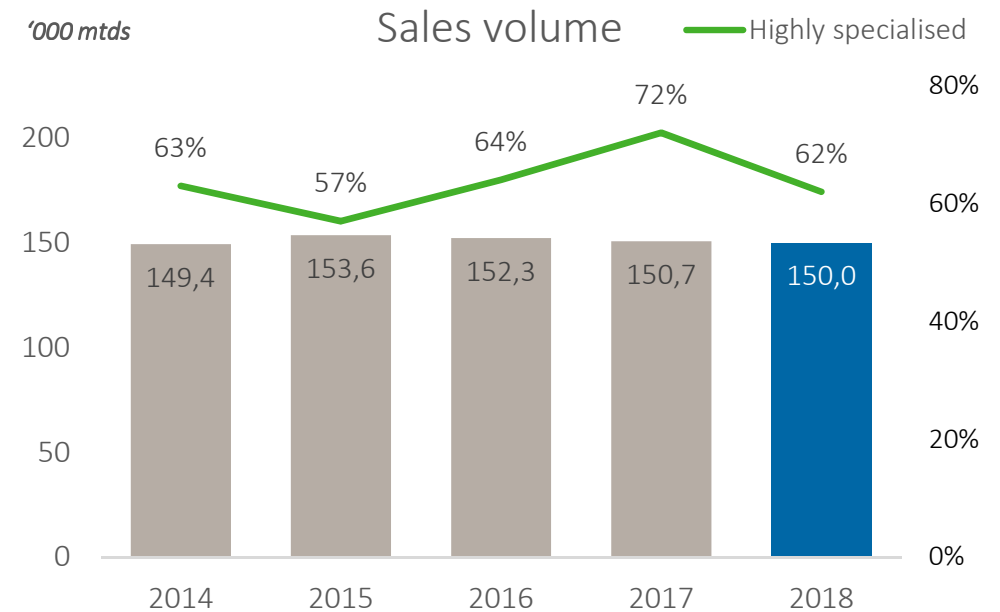
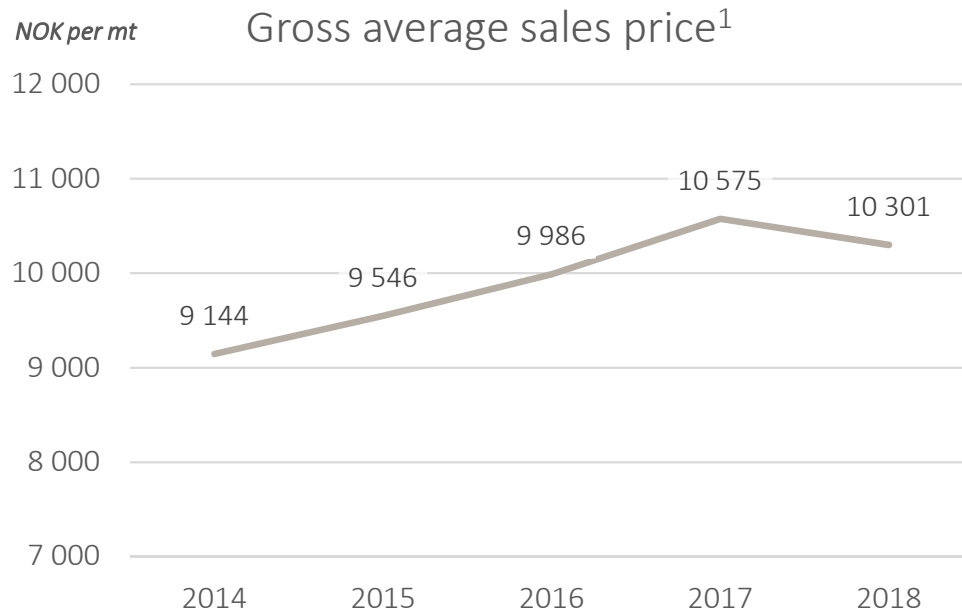
Speciality Cellulose markets – Q4



- In total, cellulose prices in sales currency were stable
- Weaker product mix due to lower sales of acetate cellulose
- Higher sales prices and improved product mix in Bioethanol, but lower sales volume
- Positive FX impact

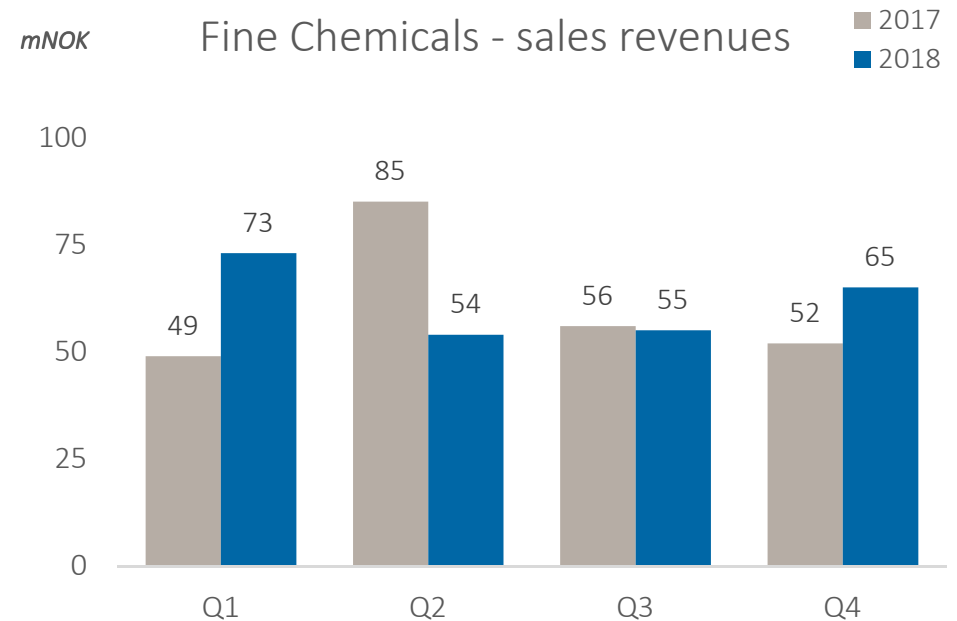
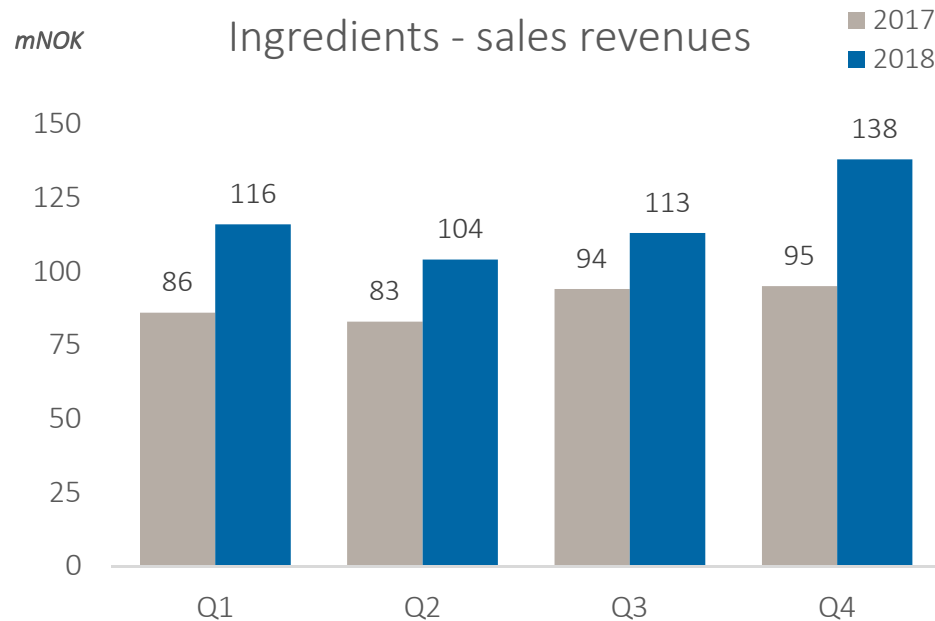
¹ Average sales price is calculated using actual FX rates, excluding hedging impact.

Speciality Cellulose markets – full year



- Cellulose prices were in line with 2017, but product mix affected the average price negatively
- Sales of highly specialised grades decreased
 - Lower sales of acetate cellulose, market remained challenging
 - Continued growth in the ethers market
- Higher sales prices and improved product mix for Bioethanol
 - Dehydration plant investment allows entire production as water-free bioethanol
- Positive FX effects

Ingredients & Fine Chemicals markets – Q4 & full year



- **Ingredients**

- Increased sales prices and higher sales volume for bio-based vanillin vs Q4-17
- Positive market trend continues
- *Increasing prices and higher sales volume in 2018 for bio-based vanillin*
- *Sales revenues increased 32%*

- **Fine Chemicals**

- Higher deliveries of a key product vs Q4-17
- *Sales revenues increased by 2% in 2018*

Borregaard portfolio - strategic priorities

- Growth and specialisation within Performance Chemicals
 - Increased sales of high-value lignin products
 - Establish new lignin raw material sources
 - Develop BALI¹ 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 Speciality Cellulose, Bioethanol and Ingredients
 - Strong focus on innovation and productivity efforts
- Establish Cellulose Fibrils 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 and specialisation within Performance Chemicals

- 50% volume growth in high-value lignin products from 2009 until 2017
- Successful start-up of new Florida plant (1st phase) mid 2018
- 500 mNOK upgrade and increased specialisation in Sarpsborg (2019)
- Extension of joint venture agreement in South Africa to 2032



Develop the unique biorefinery assets in Sarpsborg

- Ice Bear project – speciality cellulose with ultra high purity (Q4-18)
- High-end bioethanol expansion (Q1-18)
- Debottlenecking in Fine Chemicals (2017)
- Lignin operation upgrade and increased specialisation (2019)



Establish Cellulose Fibrils as a new business area

- Commercial-scale production facility in Sarpsborg completed in Q4-16
- Exilva market introduction ongoing
- SenseFi decision pending

Strategic priorities – next steps

- **Increased specialisation and volume growth**
 - Successful market introduction of new lignin volumes from Florida
 - Ice Bear product range
 - Cellulose Fibrils
 - Grow specialities volume in Performance Chemicals and Speciality Cellulose
- **Sustainability**
 - Increase market awareness of Borregaard's biobased products
- **Ongoing and potential expansion initiatives**
 - Complete lignin operation upgrade and increased specialisation in Sarpsborg (2019)
 - Florida lignin expansion – 2nd phase (50,000 mtds)
 - Exilva (Cellulose Fibrils) – 2nd phase (1,000 mtds)
 - Explore other specialisation and capacity expansion opportunities

Integral part of market offering

RAW MATERIALS



Natural, renewable,
sustainable raw materials

Sustainable and certified wood

- Documentation
- PEFC¹ and FSC¹ standards
- Lignin raw materials from certified forests

PROCESSES



Efficient and sustainable
production and value chain

Reduced emissions improve LCA²

- Target based CO₂-reductions
 - Energy conservations
 - New/green energy sources
- Reduced emissions to water and air
- “Greener” logistical solutions

PRODUCTS



Sustainable
biochemicals

Products add sustainable value to customers

- **Climate:** LCA² shows favourable GHG footprint
- **Biobased:** Natural raw materials preferred
- **EHS³:** Non-toxic, harmless products

¹ PEFC: Programme for the Endorsement of Forest Certification, FSC: Forest Stewardship Council

² Life Cycle Analysis

³ Environment, Health and Safety

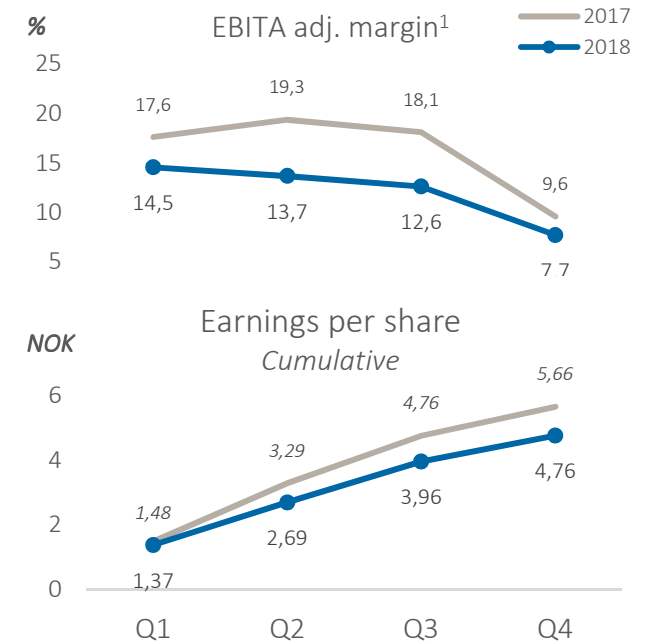
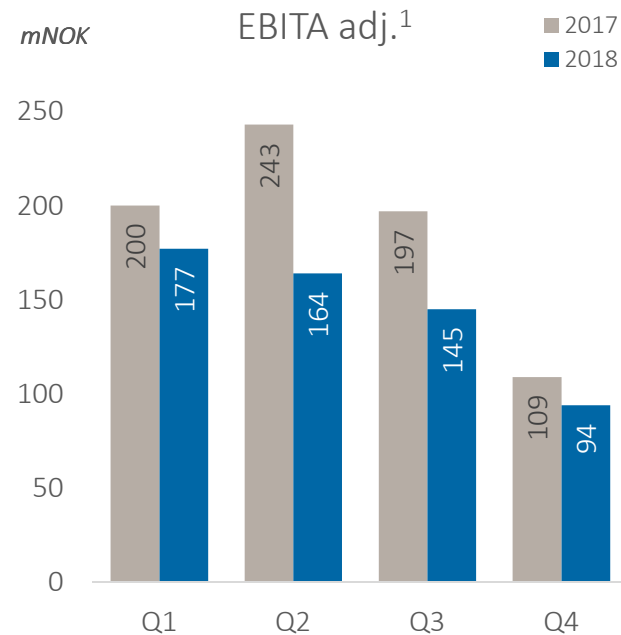
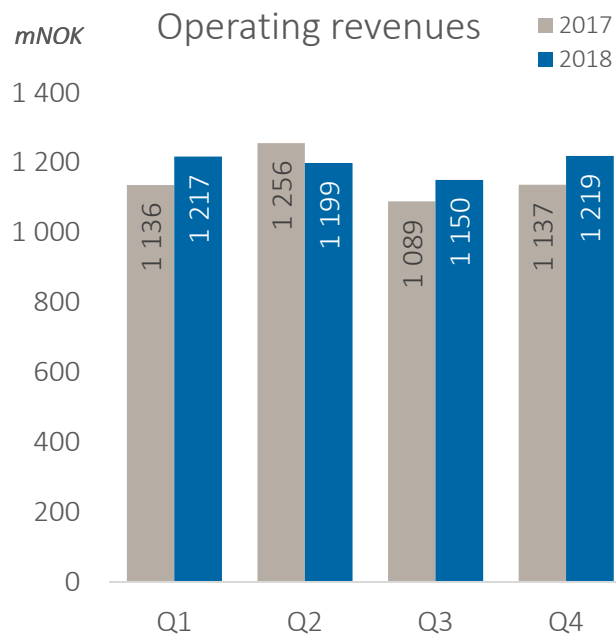
Outlook

- Performance Chemicals
 - Continued strong competition and further price pressure for lignin products to concrete admixtures expected to be partly compensated by diversification and specialisation in 2019
 - 2019 sales volume forecast to increase by ~10%, mainly due to Florida ramp-up
 - Distribution costs will gradually decline over the next quarters
 - Fixed costs and depreciation for the Florida plant expected to be ~40 mNOK above 2018
- 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 prices will increase further from beginning of 2019, wood cost in H1-19 will increase by ~50 mNOK vs H1-18
 - Q1-19 sales volume expected to be lower than Q1-18 with similar product mix
- 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 will cover a smaller share of costs than in previous years



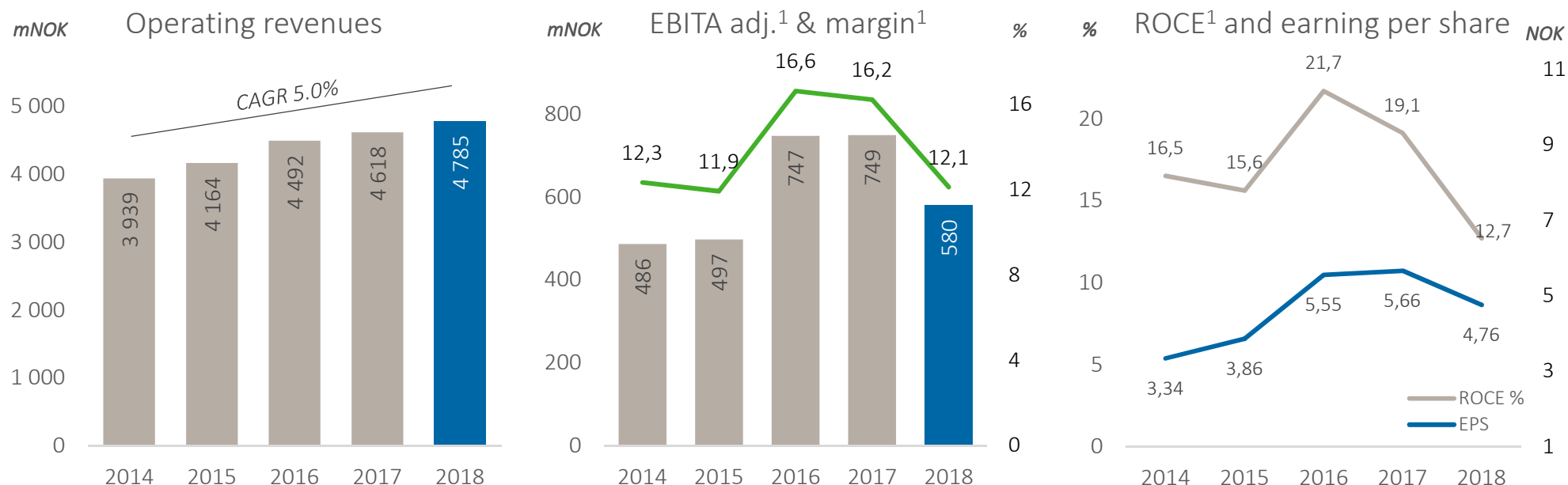
FINANCIAL PERFORMANCE Q4-18

Borregaard key figures – Q4



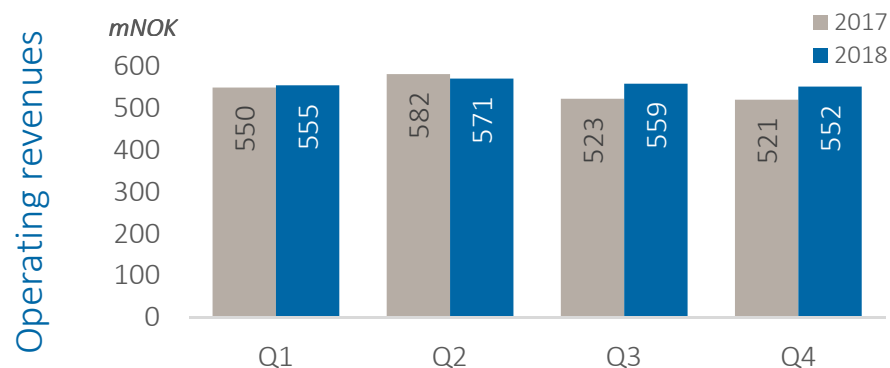
- Revenues 7% above Q4-17
- EBITA adj.¹ 94 mNOK for the Group
 - Strong improvement in Other Businesses, decline for Performance Chemicals and Speciality Cellulose
 - Continued challenging markets for concrete admixtures and acetate cellulose, partly off-set by strong performance in Ingredients and positive FX impact
 - Higher costs and depreciation (Florida plant, lignin distribution costs, wood costs)
- EPS at NOK 0.80 (NOK 0.90)

Borregaard key figures – full year

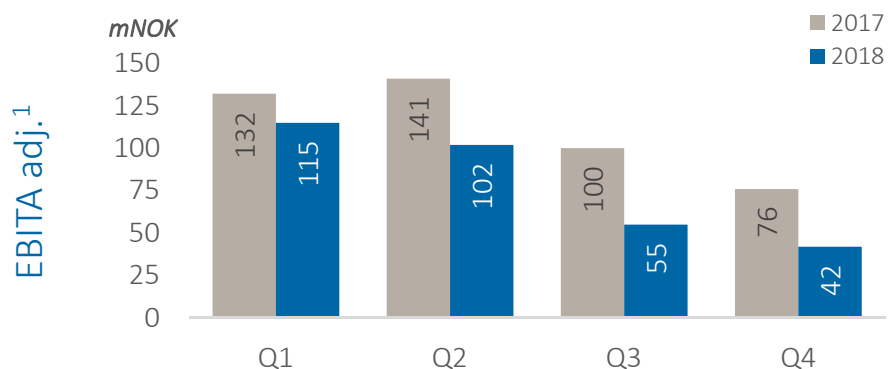


- Revenues up 4% vs 2017
- Reduced EBITA adj.¹
 - Other Businesses improved, Performance Chemicals and Speciality Cellulose had weaker results
 - Strong development for bio-based vanillin, weaker markets for lignin products to concrete admixture and acetate cellulose
 - Increased costs and depreciation (wood and caustic soda, Florida plant, lignin distribution costs)
 - Positive FX impact
- ROCE¹ impacted by strategic investments
- EPS for 2018 ended at NOK 4.76 (5.66)

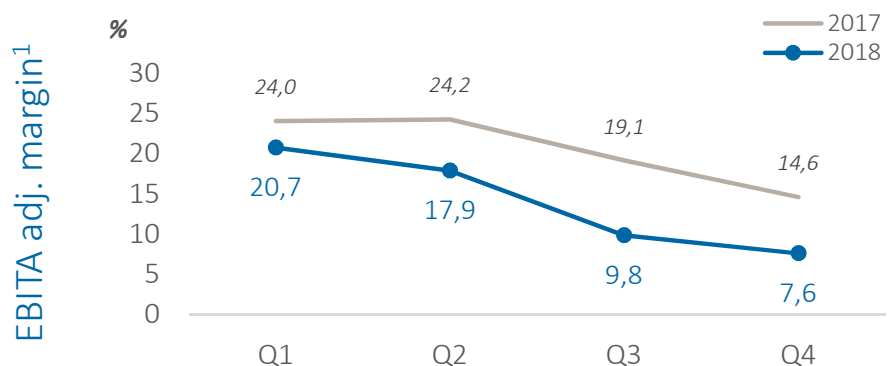
Performance Chemicals key figures – Q4



- Revenues 6% above Q4-17
- 3% higher sales volume, driven by growth in Industrial and Specialities
- *Full year growth 3%*

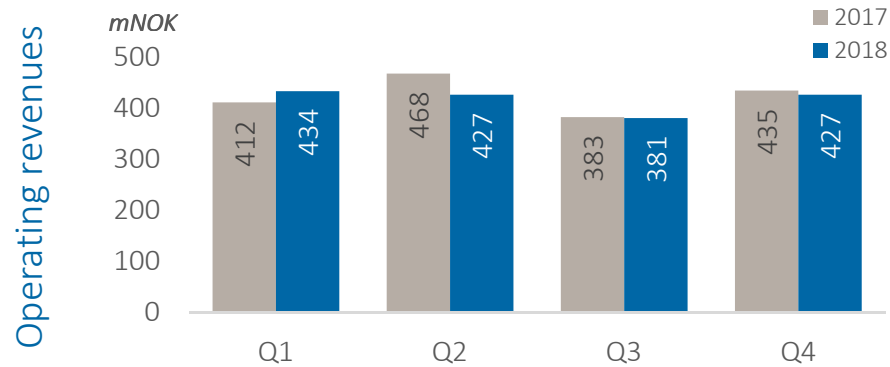


- Average price in sales currency in line with Q4-17
- 22 mNOK higher fixed costs and depreciation for Florida plant
- Distribution costs slightly reduced from Q3-18
- Insignificant net FX impact
- *Full year EBITA adj.¹ 314 mNOK (449 mNOK)*

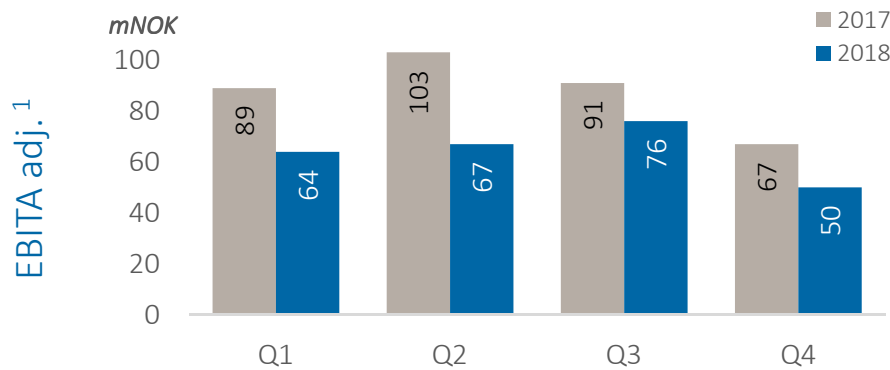


- EBITA adj. margin¹ decreased significantly vs Q4-17
- *Full year EBITA adj. margin¹ 14.0% (20.6%)*

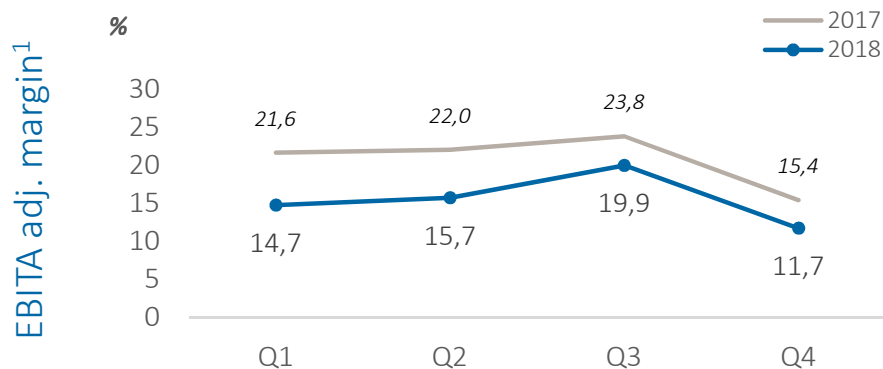
Speciality Cellulose key figures – Q4



- Revenues 2% lower than in Q4-17
- Weaker product mix for cellulose
- Lower sales volumes
- Positive FX effects
- *2% lower revenues for the full year*

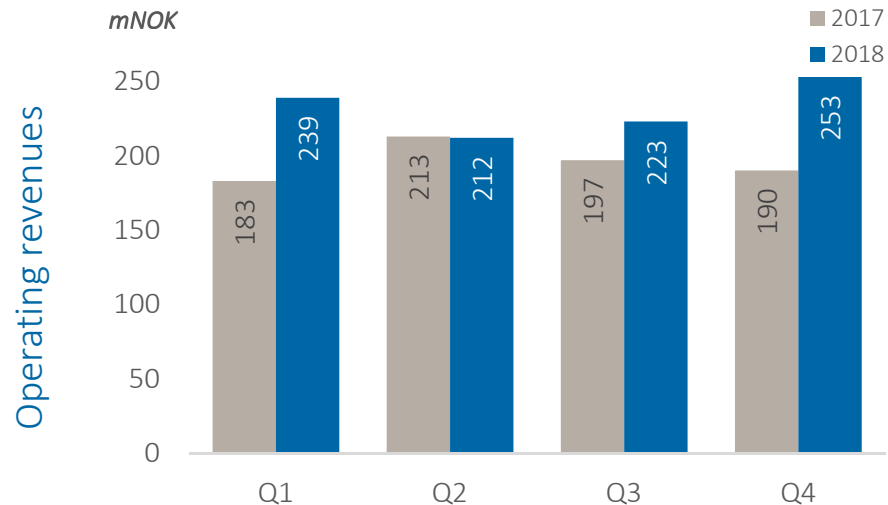


- Weaker product mix, stable sales price in total
- Increased wood costs
- Bioethanol result in line with Q4-17
- Positive net FX impact
- *Full year EBITA adj.¹ 257 mNOK (350 mNOK)*

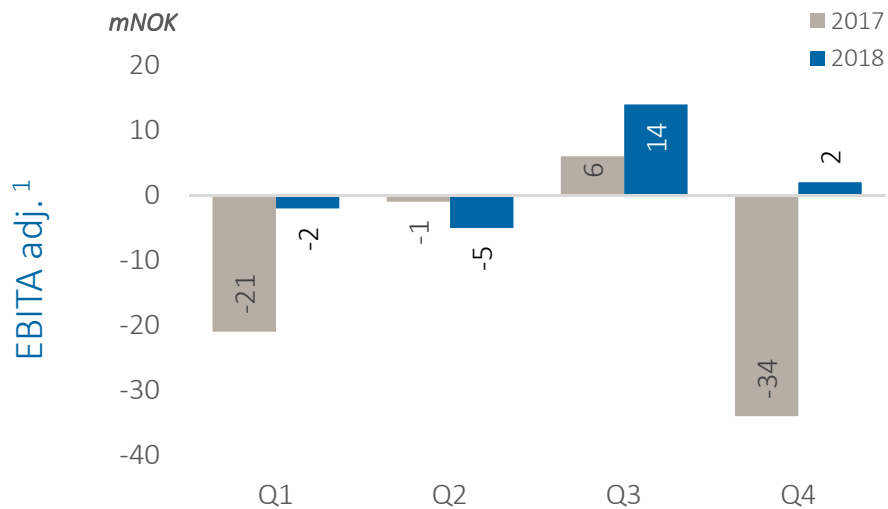


- EBITA adj. margin¹ declined vs Q4-17
- *Full year EBITA adj. margin¹ 15.4% (20.6%)*

Other Businesses key figures – Q4

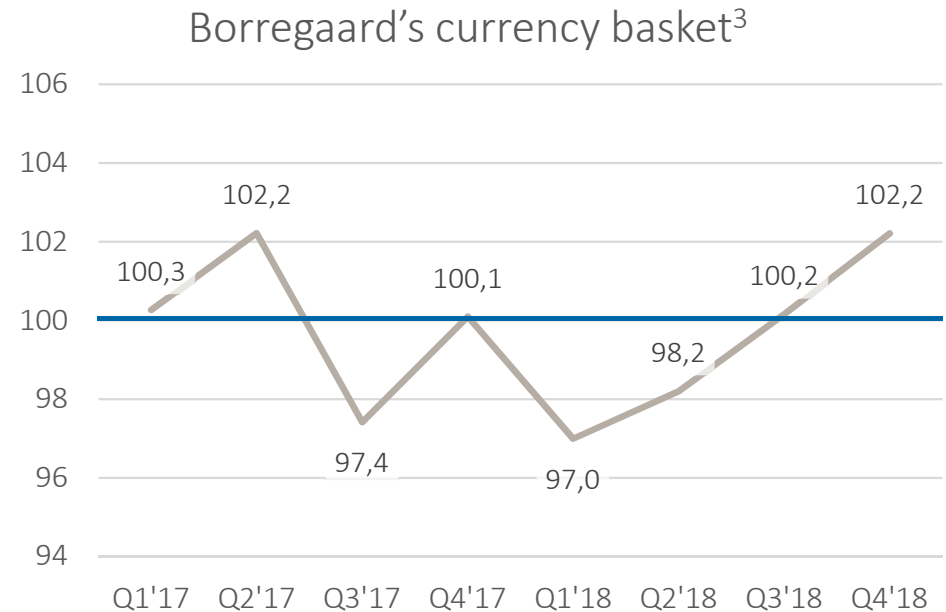
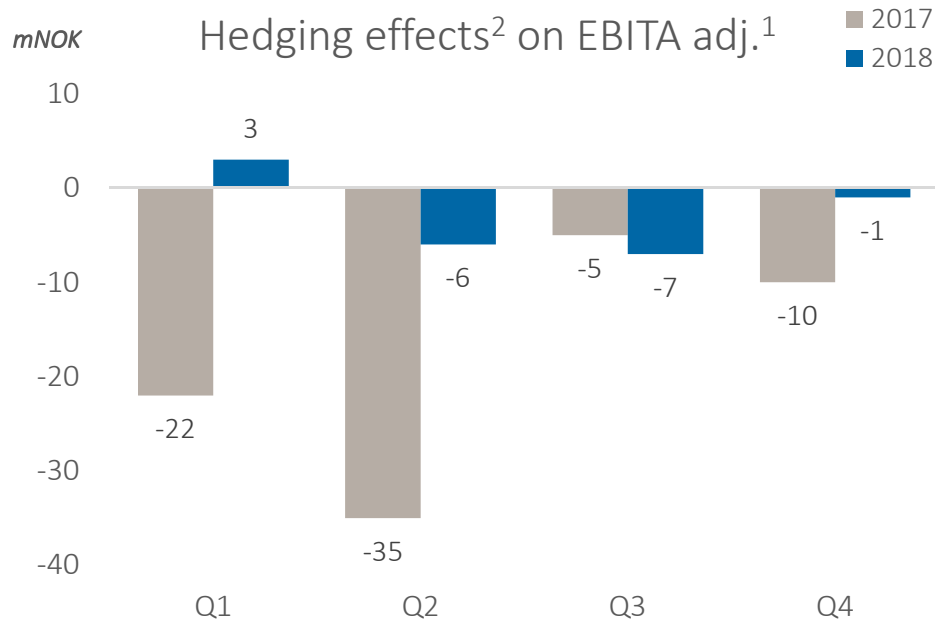


- Revenues 33% above Q4-17
- Higher sales in Ingredients and Fine Chemicals
- *Full year growth 18%*



- **Ingredients:** Stronger result from increased prices and higher volume for bio-based vanillin
- **Fine Chemicals:** Higher sales but increased costs, EBITA adj.¹ in line with Q4-17
- **Cellulose Fibrils** had a slightly improved result
- **Corporate costs** unchanged
- Net FX effects slightly positive for Other Businesses
- *Full year EBITA adj.¹ 9 mNOK (-50 mNOK)*

Currency impact



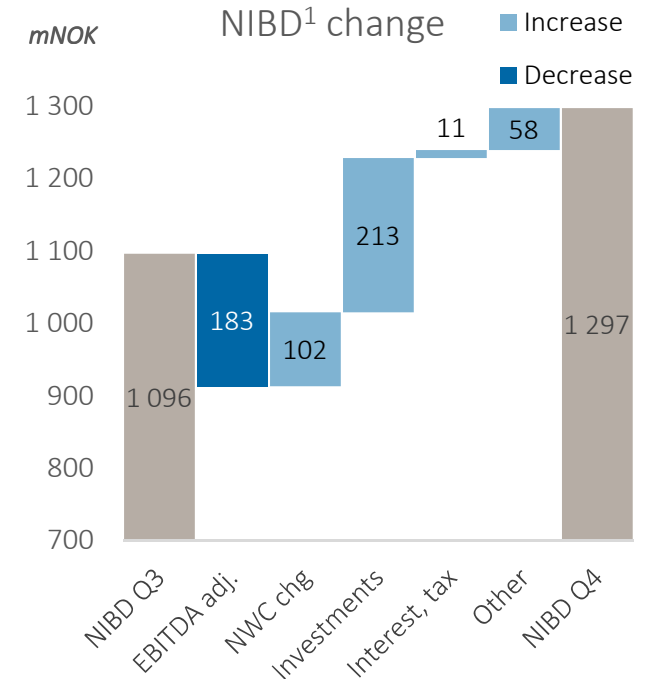
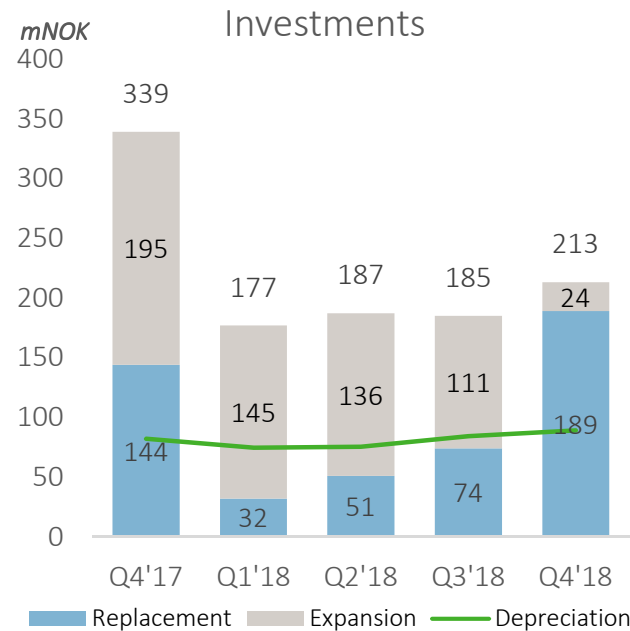
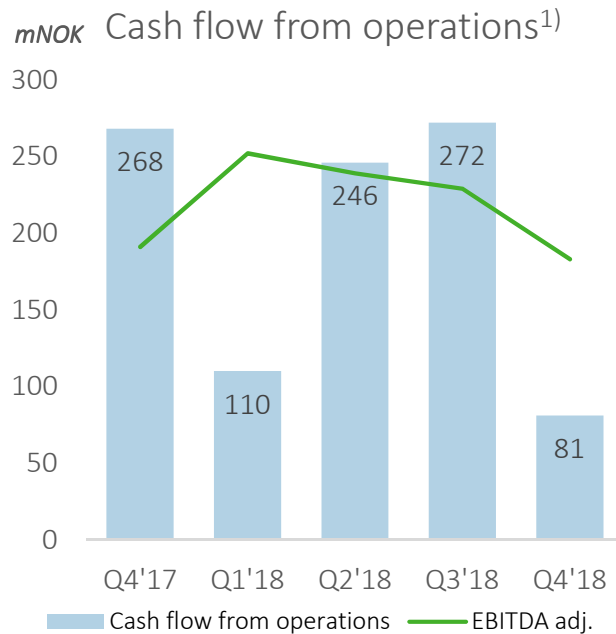
- Net FX EBITA adj.¹ impact +25 mNOK vs Q4-17
 - Includes change in hedging effects and based on estimated FX exposure
 - Net FX EBITA adj.¹ impact YTD +45 mNOK
- Net FX EBITA adj.¹ impact in 2019 estimated to be +70 mNOK vs 2018
 - Assuming rates as of 30 January (USD 8.48 and EUR 9.69) on expected FX exposure
 - Net FX EBITA adj.¹ impact in Q1 estimated to be +30 mNOK vs Q1-18
- Significant FX exposure, but delayed impact of FX rate fluctuations due to hedging policy

¹ Non-GAAP 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 2017 (=100): USD 69% (approx. 206 mUSD), EUR 31% (approx. 84 mEUR), Other 0% (GBP, BRL, JPY, SEK, ZAR).

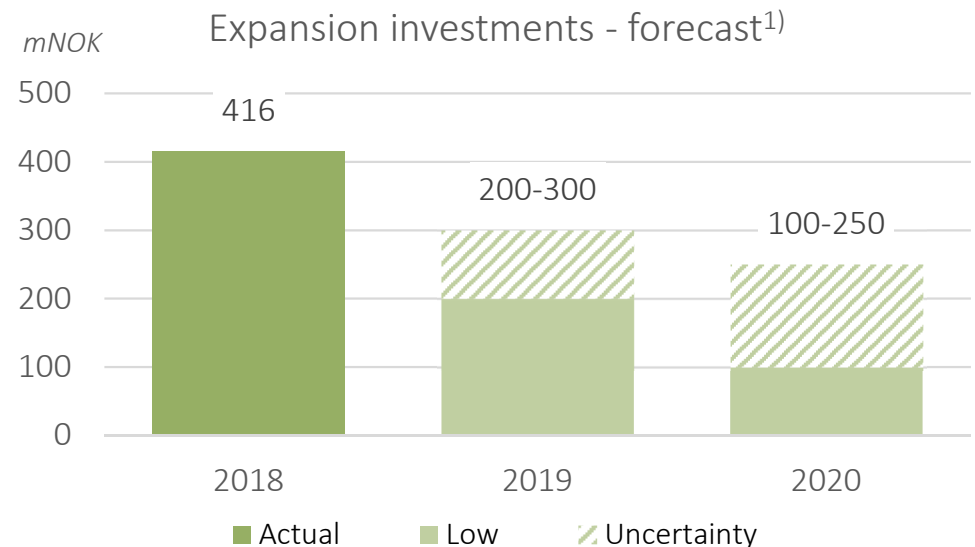
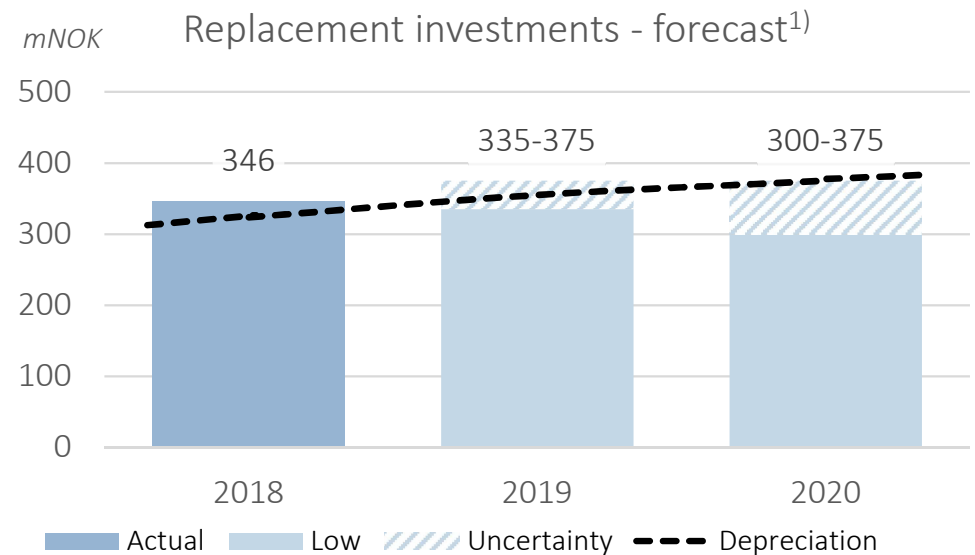
Cash flow, investments and NIBD



- Cash flow from operations¹ decreased vs Q4-17
 - Mainly a result of unfavourable net working capital development in the quarter
- Investments lower than Q4-17 and lower than forecast
 - Total carry-over to 2019 ~75 mNOK
 - Mainly related to lignin operation upgrade in Norway and Florida plant, both projects on time and with ~50 mNOK lower than budgeted investment
- NIBD¹ increased by 201 mNOK in Q4

Updated investment forecast 2019-2020

- Replacement investments
 - Targeted at depreciation level
 - Carry-over from 2018 ~25 mNOK
- Expansion investments
 - New plant LignoTech Florida phase 1: 110 mUSD budget (100%) ≈ 900 mNOK (late 2016 to mid 2019)
 - Lignin operation upgrade in Norway: 500 mNOK budget, approx. 70% expansion (mid 2017 to Q3 2019)
 - ~50 mNOK carry-over from 2018 for the two lignin projects
 - Florida and lignin operation upgrade are on time and with ~50 mNOK lower than budgeted investment
 - Other smaller expansion projects
- New projects may lead to additional investments



¹ Uncertainty is related to final investment decisions, timing of investment payments, execution time and risk and unexpected events e.g.

Q&A



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



APPENDIX

Borregaard – key figures

Amounts in NOK million	Q4-2018	Q4-2017	Change	YTD-2018	YTD-2017	Change
Operating revenues	1 219	1 137	7 %	4 785	4 618	4 %
EBITDA adj. ¹	183	191	-4 %	903	1 055	-14 %
EBITA adj. ¹	94	109	-14 %	580	749	-23 %
Amortisation intangible assets	-1	-1		-4	-4	
Other income and expenses ¹	0	-9		0	-9	
Operating profit	93	99	-6 %	576	736	-22 %
Financial items, net	-9	-10		-14	-21	
Profit before taxes	84	89	-6 %	562	715	-21 %
Income tax expenses	-19	-4		-137	-157	
Profit for the period	65	85	-24 %	425	558	-24 %
Profit attributable to non-controlling interests	-15	-5		-51	-8	
Profit attributable to owners of the parent	80	90		476	566	
Cash flow from operating activities (IFRS)	70	176		558	780	
Earnings per share	0,80	0,90	-11 %	4,76	5,66	-16 %
<i>EBITDA adj. Margin¹</i>	15,0 %	16,8 %		18,9 %	22,8 %	
<i>EBITA adj. Margin¹</i>	7,7 %	9,6 %		12,1 %	16,2 %	

Operating revenues and EBITA adj.¹ per segment

Amounts in NOK million

Operating revenues	Q4-2018	Q4-2017	Change
Borregaard	1 219	1 137	7 %
Performance Chemicals	552	521	6 %
Speciality Cellulose	427	435	-2 %
Other Businesses	253	190	33 %
Eliminations	-13	-9	

Amounts in NOK million

EBITA adj. ¹	Q4-2018	Q4-2017	Change
Borregaard	94	109	-14 %
Performance Chemicals	42	76	-45 %
Speciality Cellulose	50	67	-25 %
Other Businesses	2	-34	

Amounts in NOK million

Operating revenues	YTD-2018	YTD-2017	Change
Borregaard	4 785	4 618	4 %
Performance Chemicals	2 237	2 176	3 %
Speciality Cellulose	1 669	1 698	-2 %
Other Businesses	927	783	18 %
Eliminations	-48	-39	

Amounts in NOK million

EBITA adj. ¹	YTD-2018	YTD-2017	Change
Borregaard	580	749	-23 %
Performance Chemicals	314	449	-30 %
Speciality Cellulose	257	350	-27 %
Other Businesses	9	-50	

Cash flow

Amounts in NOK million	Q4-2018	Q4-2017	YTD-2018	YTD-2017
Amounts in NOK million				
Profit before taxes	84	89	562	715
Amortisation, depreciation and impairment charges	90	89	327	316
Change in net working capital, etc	-102	80	-194	-92
Dividend (share of profit) from JV	0	13	6	11
Taxes paid	-2	-95	-143	-170
Cash flow from operating activities	70	176	558	780
Investments property, plant and equipment and intangible assets *	-213	-339	-762	-968
Other capital transactions	2	2	13	10
Cash flow from Investing activities	-211	-337	-749	-958
Dividends	0	0	-199	-349
Proceeds from exercise of options/shares to employees	1	0	23	11
Buy-back of shares	0	0	-32	-29
Gain/(loss) on hedges for net investments in subsidiaries	-40	-35	-22	8
Net paid to/from shareholders	-39	-35	-230	-359
Proceeds from interest-bearing liabilities	39	288	1 292	668
Repayment from interest-bearing liabilities	-24	-126	-960	-258
Change in interest-bearing receivables/other liabilities	14	12	-2	46
Change in net interest-bearing liabilities	29	174	330	456
Cash flow from financing activities	-10	139	100	97
Change in cash and cash equivalents	-151	-22	-91	-81
Cash and cash equivalents at beginning of period	231	198	180	265
Change in cash and cash equivalents	-151	-22	-91	-81
Currency effects cash and cash equivalents	6	4	-3	-4
Cash and cash equivalents at the end of the period	86	180	86	180
* Investment by category				
Replacement Investments	189	144	346	344
Expansion investments ¹	24	195	416	624

¹ Non-GAAP measure, see Appendix for definition.

Balance sheet

Amounts in NOK million	31.12.2018	30.09.2018	31.12.2017
Assets:			
Intangible assets	100	99	111
Property, plant and equipment	3 623	3 450	3 126
Other assets	230	101	93
Investment in joint venture	100	96	118
Non-current assets	4 053	3 746	3 448
Inventories	856	846	734
Receivables	956	952	971
Cash and cash deposits	86	231	180
Current assets	1 898	2 029	1 885
Total assets	5 951	5 775	5 333
Equity and liabilities:			
Group equity	3 123	3 109	2 889
Non-controlling interests	198	116	107
Equity	3 321	3 225	2 996
Provisions and other liabilities	271	246	277
Interest-bearing liabilities	1 115	1 061	743
Non-current liabilities	1 386	1 307	1 020
Interest-bearing liabilities	272	270	283
Other current liabilities	972	973	1 034
Current liabilities	1 244	1 243	1 317
Equity and liabilities	5 951	5 775	5 333
Equity ratio ¹ (%):	55,8 %	55,8 %	56,2 %

Net financial items & net interest-bearing debt¹

Amounts in NOK million

Net financial items	Q4-2018	Q4-2017	YTD-2018	YTD-2017
Net interest expenses	-12	-4	-32	-18
Currency gain/loss	0	1	-3	5
Other financial items, net	3	-7	21	-8
Net financial items	-9	-10	-14	-21

Amounts in NOK million

Net interest-bearing debt ¹ (NIBD)	31.12.2018	30.09.2018	31.12.2017
Non-current interest-bearing liabilities	1 115	1 061	743
Current interest-bearing liabilities including overdraft of cashpool	272	270	283
Non-current interest-bearing receivables (included in "Other Assets")	-4	-4	-1
Cash and cash deposits	-86	-231	-180
Net interest-bearing debt¹ (NIBD)	1 297	1 096	845

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 30.01.19)

	USD million	USD rate	EUR million	EUR rate
Q1-2019	39	8.46	23	9.58
Q2-2019	39	8.32	23	9.63
Q3-2019	35	8.30	24	9.62
Q4-2019	35	8.40	24	9.63
2019	148	8.37	94	9.62
2020	113	8.21	91	9.82
2021	68	7.99	61	10.11
2022	5	8.21	5	10.23

Hedging effects by segment

NOK million	Q4-18	Q4-17	YTD-18	YTD-17
Performance Chemicals	-1	0	1	-18
Speciality Cellulose	-1	-6	-3	-36
Other Businesses	1	-4	-9	-18
Borregaard	-1	-10	-11	-72

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

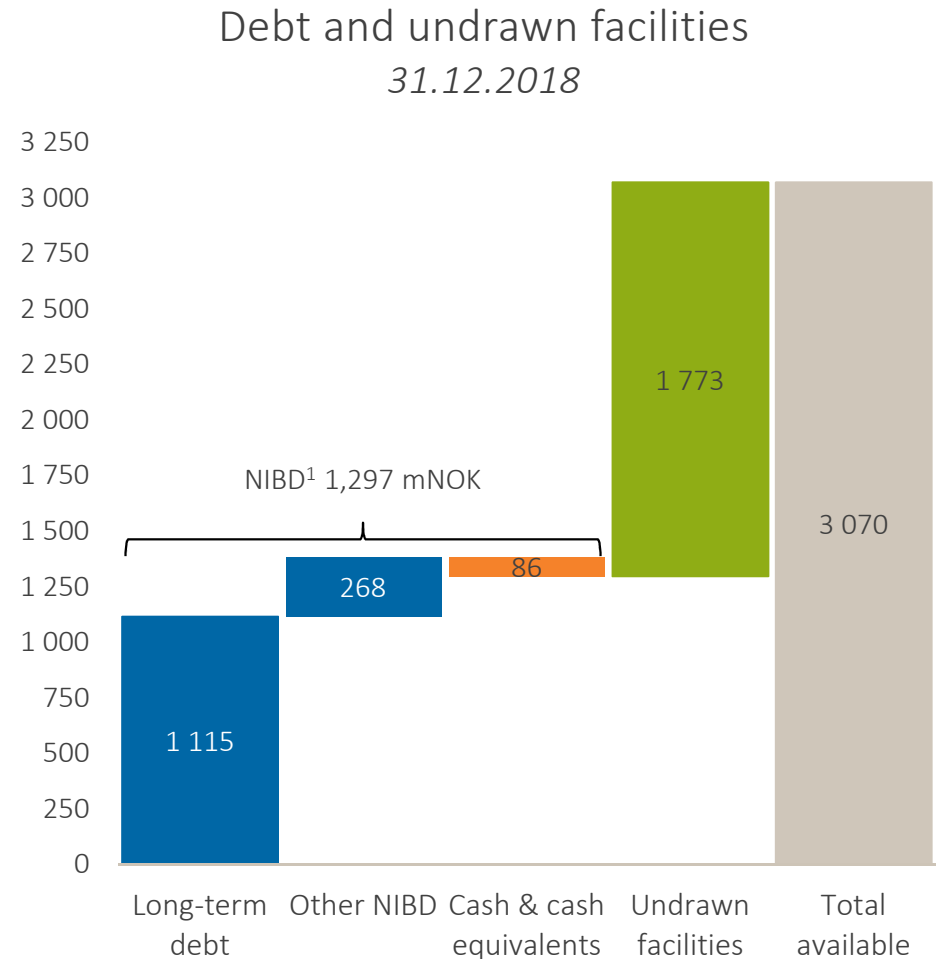
- 1,500 mNOK revolving credit facilities, maturity 2021
- 200 mNOK 5-year bond issue, maturity 2019
- 400 mNOK 5-year bond issue, maturity 2023
- 40 mEUR 10-year loan, maturity 2024
- 60 mUSD term loan for LT Florida, tenor 8.5 years from completion

Short-term credit facilities

- 225 mNOK overdraft facilities

Solidity (covenants)

- Equity ratio¹ 55.8% (> 25%)
- Leverage ratio¹ LTM 1.4 (< 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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