



3RD QUARTER 2019

Oslo, 18 October 2019

Agenda



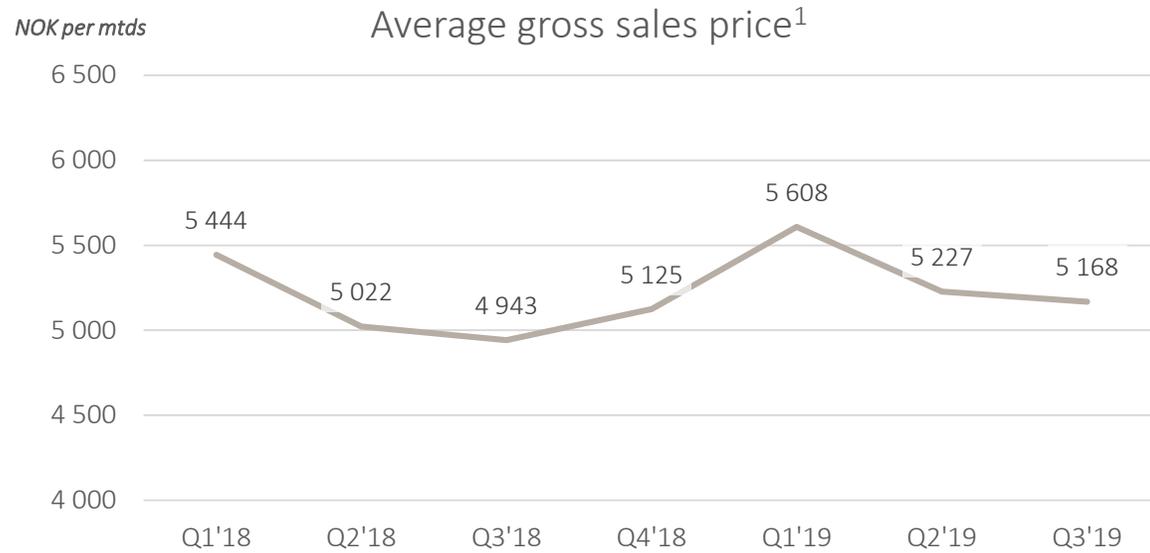
- Per A Sørli, President & CEO
 - Highlights
 - Business areas
 - Project update
 - Outlook
- Per Bjarne Lyngstad, CFO
 - Financial performance

Highlights – 3rd quarter 2019

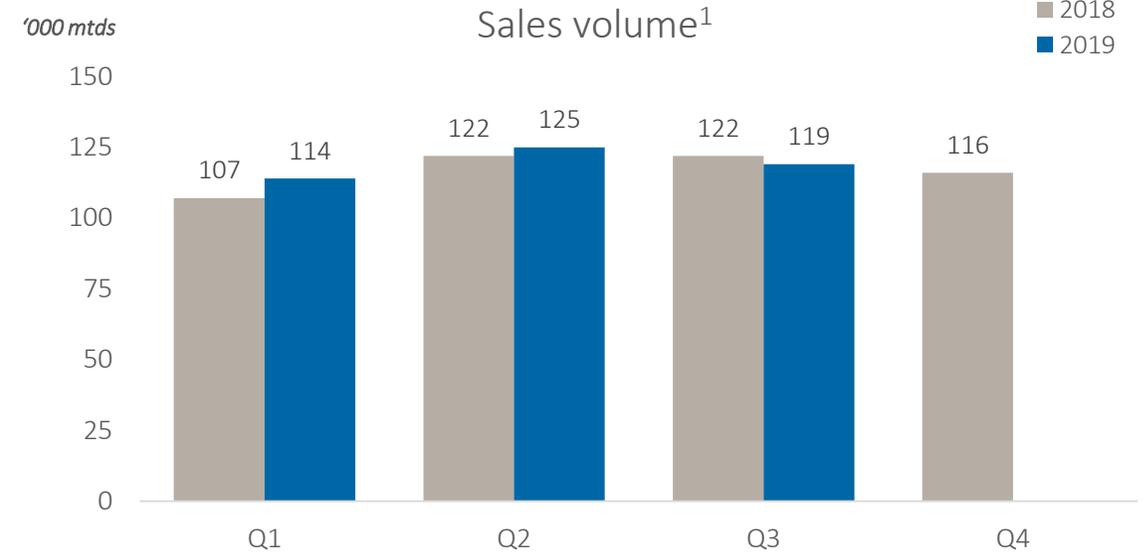


- EBITA adj.¹ 180 mNOK (145 mNOK)
- Improved result in all business areas
- Favourable product mix but lower volume for Performance Chemicals
- Improved product mix and higher production in Speciality Cellulose
- Continued strong improvement in Ingredients
- Positive net currency impact

Performance Chemicals markets – Q3



- Average price 1% lower in sales currency
- Favourable product mix
- Positive FX effects

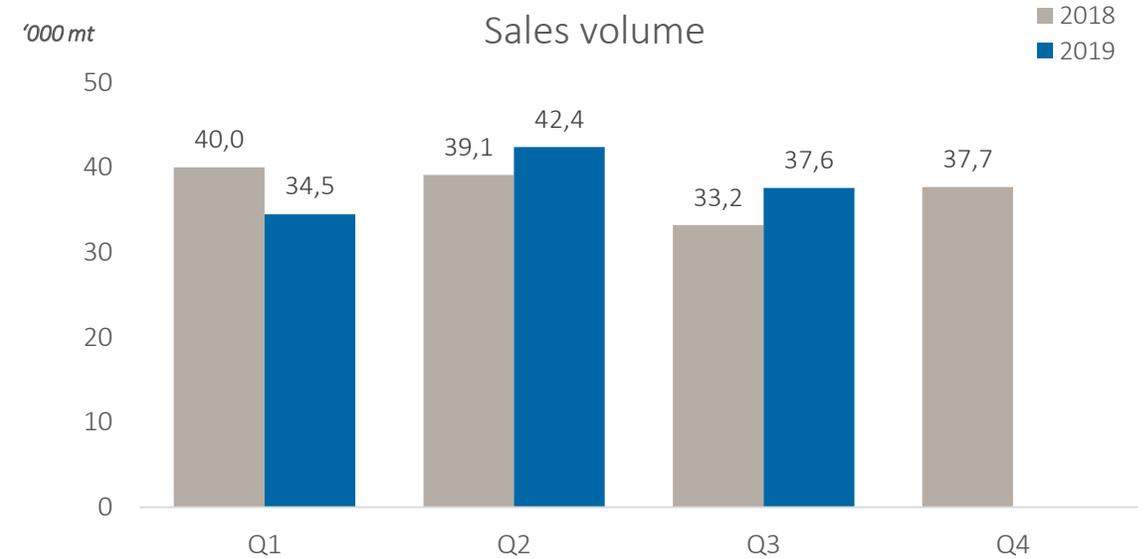
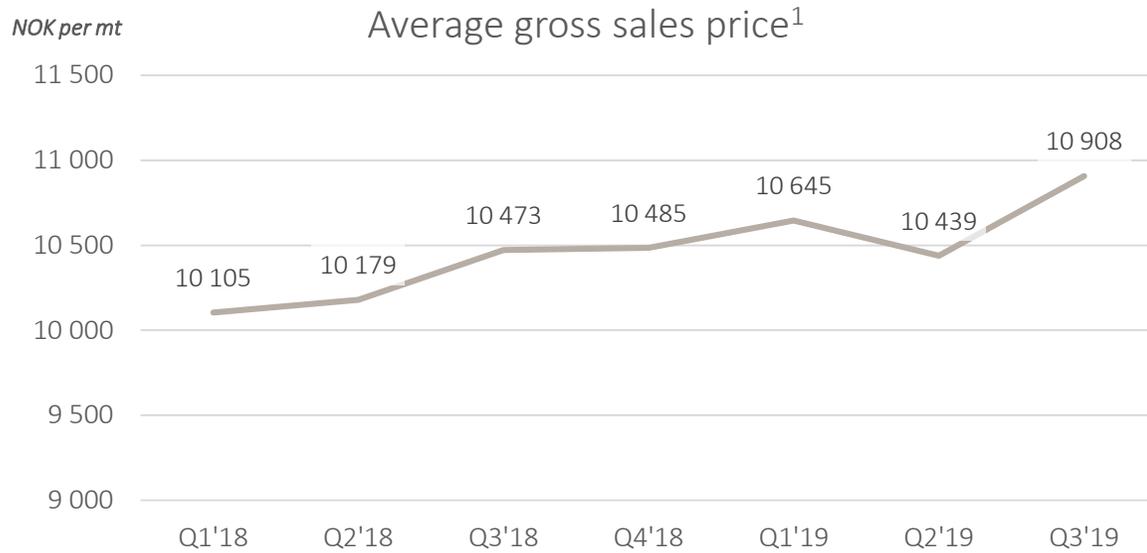


- Sales volume declined by 2% vs Q3-18
- Sales volume lower than expected due to strong competition in Construction and certain low value applications in Industrial
- Construction and Industrial lower, growth for Specialities
- Florida sales volume in accordance with the ramp-up plan
- Reduced raw material supply from Flambeau



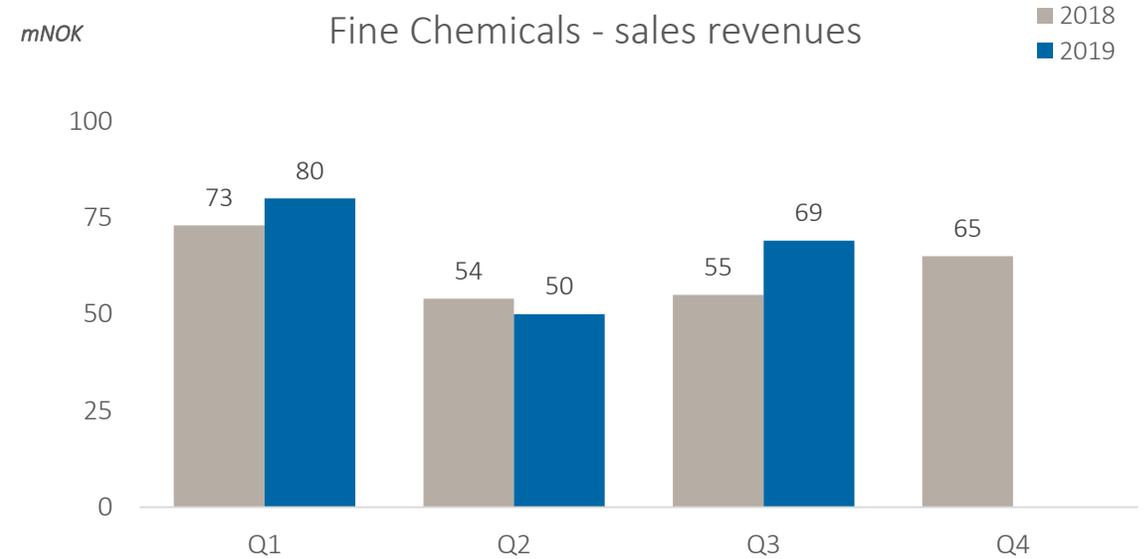
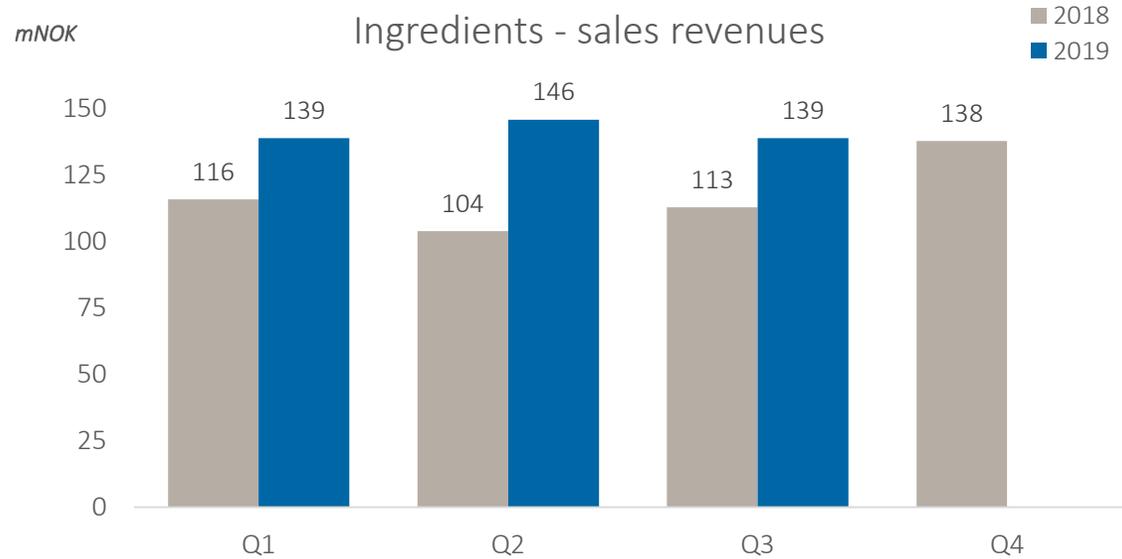
¹ Average sales price and sales volume reflect 100% of sales and volume from the J/V in South Africa. Average sales price is calculated using actual FX rates, excluding hedging impact.

Speciality Cellulose markets – Q3



- Marginally lower average price in sales currency due to weaker prices for acetate and textile cellulose
- Increased share of highly specialised products vs Q3-18
- Higher sales volume
- Positive FX impact

Ingredients & Fine Chemicals markets – Q3



- Ingredients

- Higher sales prices for wood based vanillin vs 2018

- Fine Chemicals

- Higher deliveries and favourable product mix vs Q3-18

Upgrade of caustic soda production facility in Sarpsborg

- Replacement of process equipment and new tanks for intermediate storage
 - Increased production due to improved operational stability
 - Reduced energy consumption
 - Improved logistics for external sales of co-products
- Construction period 2020 – 2021
- Total cost 207 mNOK, included in current replacement investment forecast¹⁾
- Caustic soda is a strategic process chemical (speciality cellulose, wood based vanillin)
- Own production represents 2/3 of total need at Sarpsborg site
- The plant was converted to membrane technology in 1997



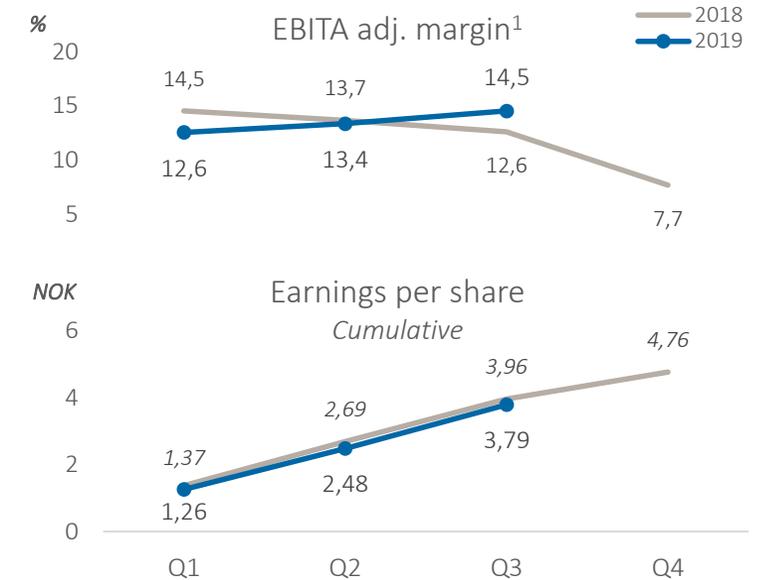
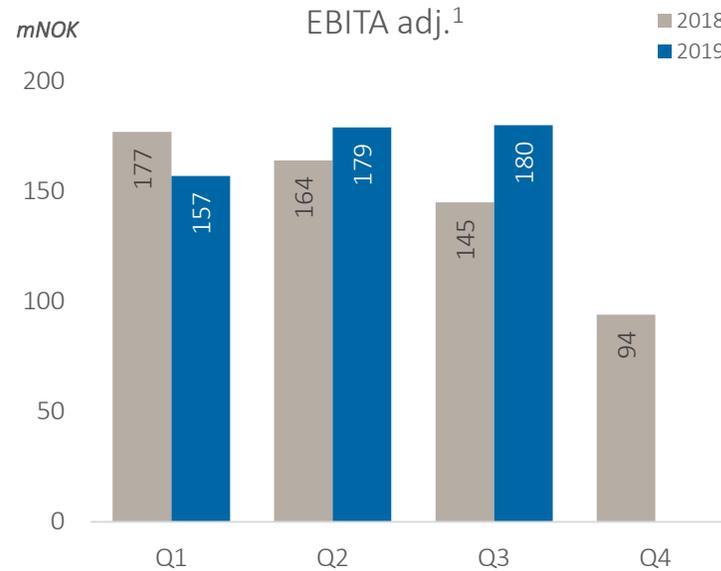
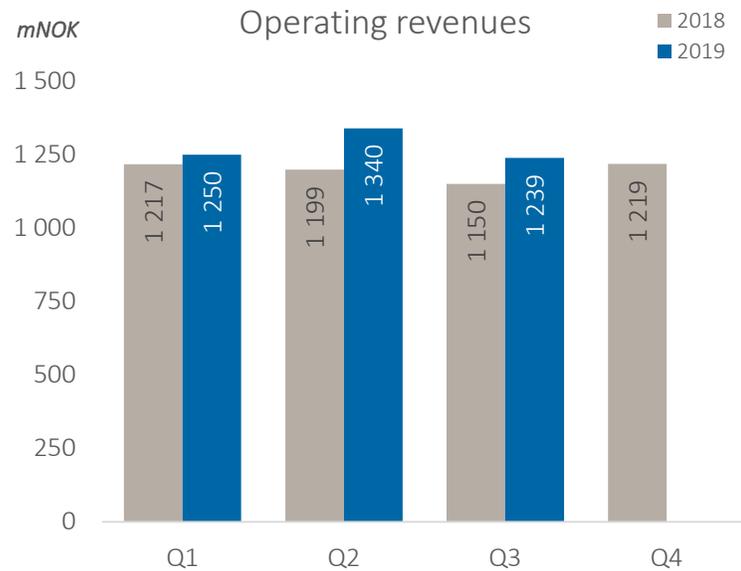
Outlook

- Performance Chemicals
 - Sales volume in Q4 expected to be in line with Q4-18, implying 2% full-year volume increase
 - Strong competition and price pressure for lignin products to concrete admixtures and certain low value applications in Industrial expected to be largely compensated by a more favourable product mix
- Speciality Cellulose
 - Average price in sales currency expected to be in line with Q4-18
 - Improved product mix will compensate for weaker prices for acetate and textile cellulose
 - A more specialised product mix implies a higher manufacturing cost
 - Sales volume and share of highly specialised products expected to be at the same level as Q3-19
- Other Businesses
 - The current price level for wood based vanillin is expected to continue
 - Deliveries from Fine Chemicals are forecast to be in line with Q3-19, but with a weaker product mix
 - No major changes are expected for Cellulose Fibrils and net corporate costs



FINANCIAL PERFORMANCE Q3-19

Borregaard key figures – Q3

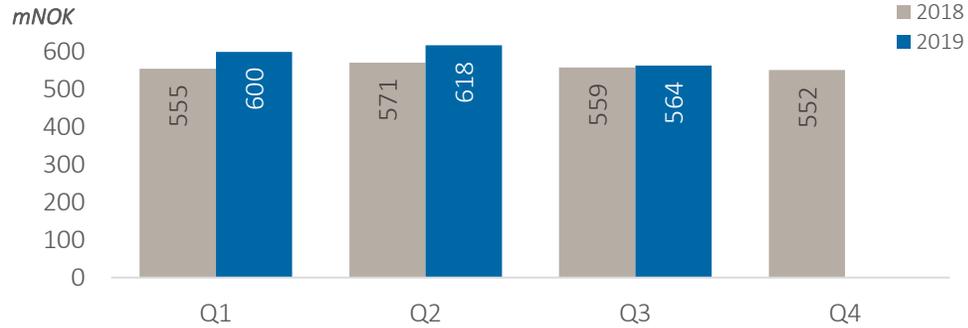


- Revenues 8% above Q3-18
- EBITA adj.¹ increased to 180 mNOK for the Group
 - Results improved in all segments vs Q3-18
 - Positive FX effects in all segments
- EPS at NOK 1.31 (NOK 1.27)
 - Net financial items impacted by IFRS 16 interest effect and gain on sale of minority stake in a chemical company in Q3-18

¹ Alternative performance measure, see Appendix for definition

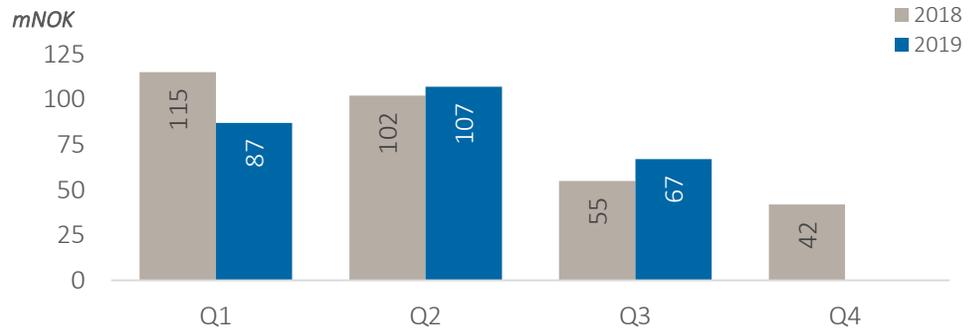
Performance Chemicals key figures – Q3

Operating revenues



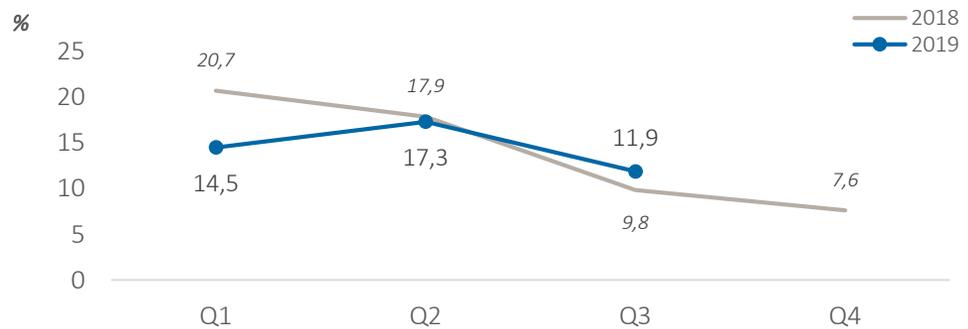
- Revenues 1% above Q3-18
- Sales volume 2% lower
- Average price 1% lower in sales currency
- Positive net FX impact

EBITA adj.¹



- Lower distribution costs
- Favourable product mix
- Higher depreciation
- Positive net FX impact

EBITA adj. margin¹

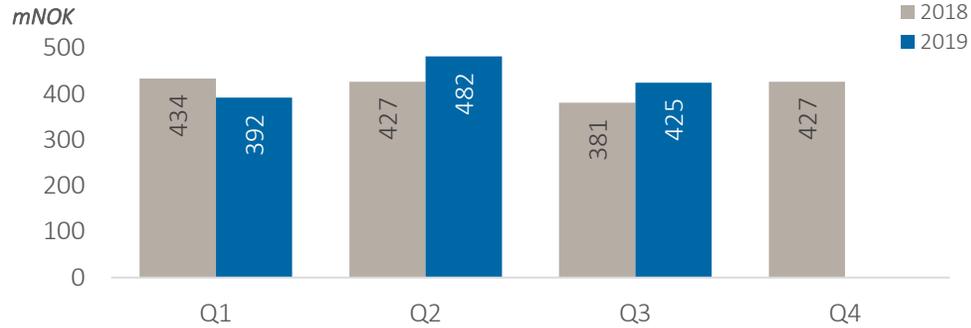


- EBITA adj. margin¹ increased vs Q3-18

¹ Alternative performance measure, see Appendix for definition

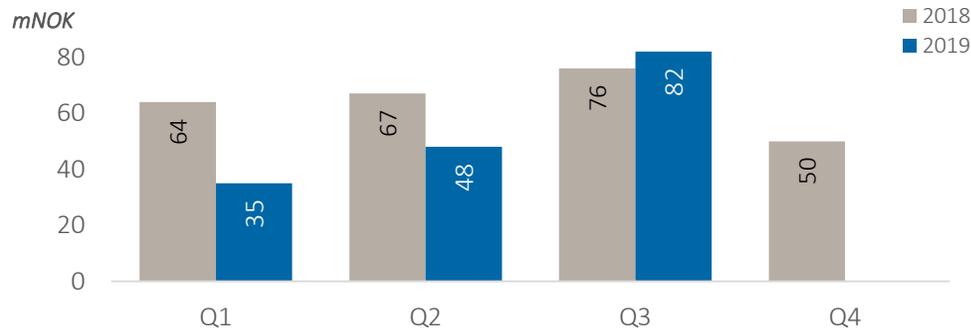
Speciality Cellulose key figures – Q3

Operating revenues



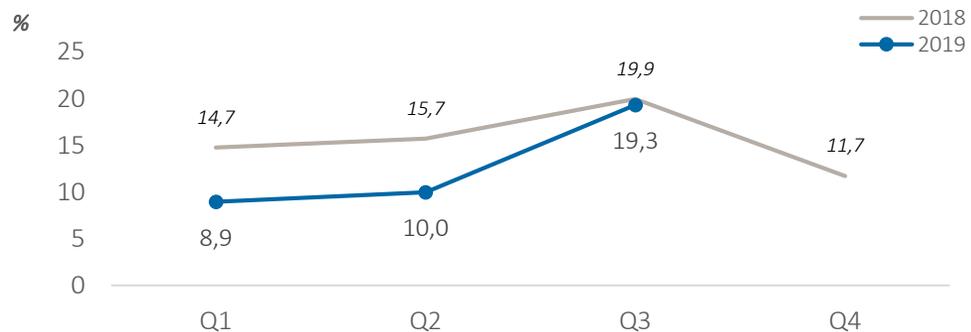
- Revenues 12% above Q3-18
- Higher sales volume
- Positive FX effects

EBITA adj.¹



- Improved, but more costly product mix
- High production volume
- Increased wood costs
- Lower production costs for bioethanol
- Positive net FX impact

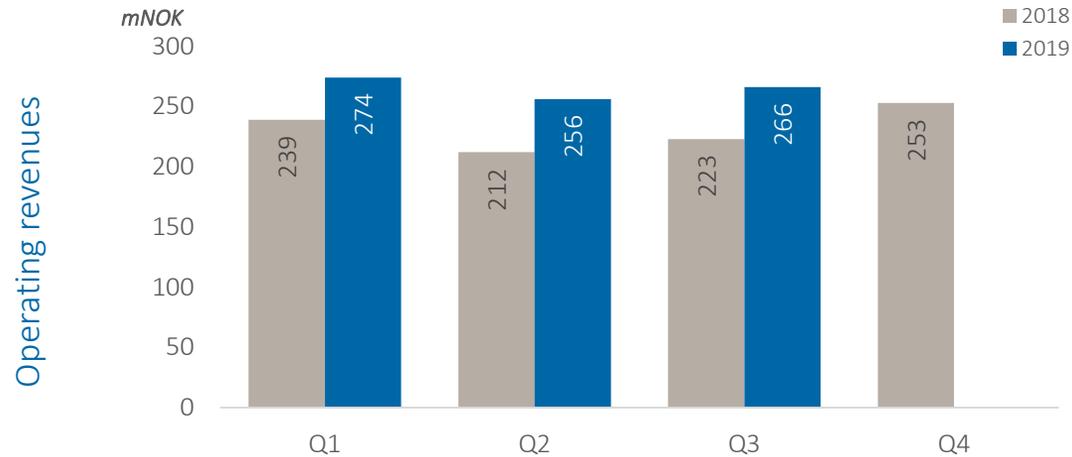
EBITA adj. margin¹



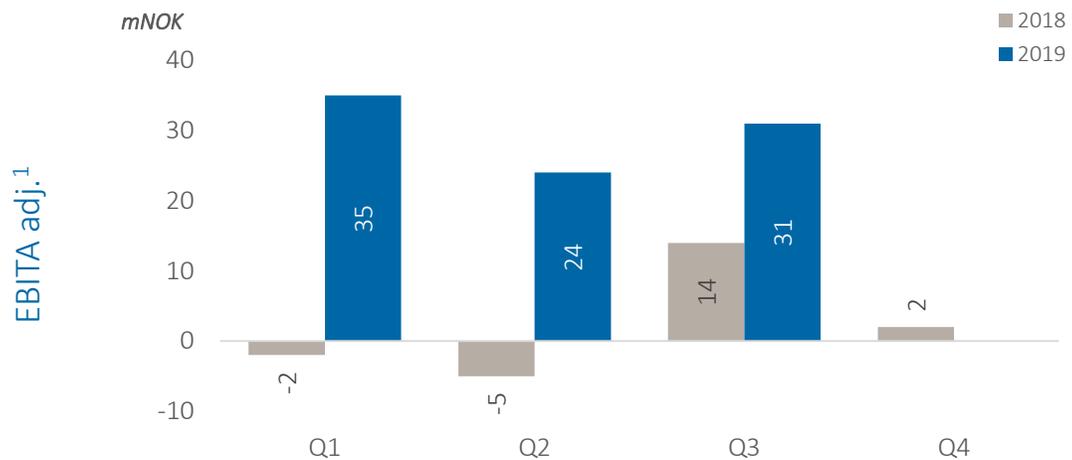
- EBITA adj. margin¹ slightly below Q3-18

¹ Alternative performance measure, see Appendix for definition

Other Businesses key figures – Q3



- Revenues 19% above Q3-18
- Higher sales both in Ingredients and Fine Chemicals

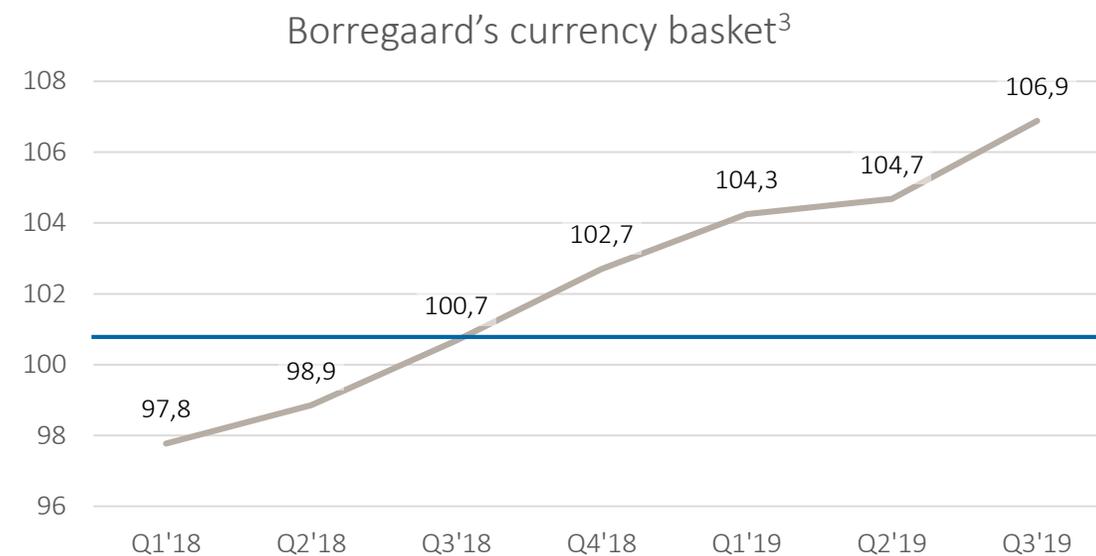
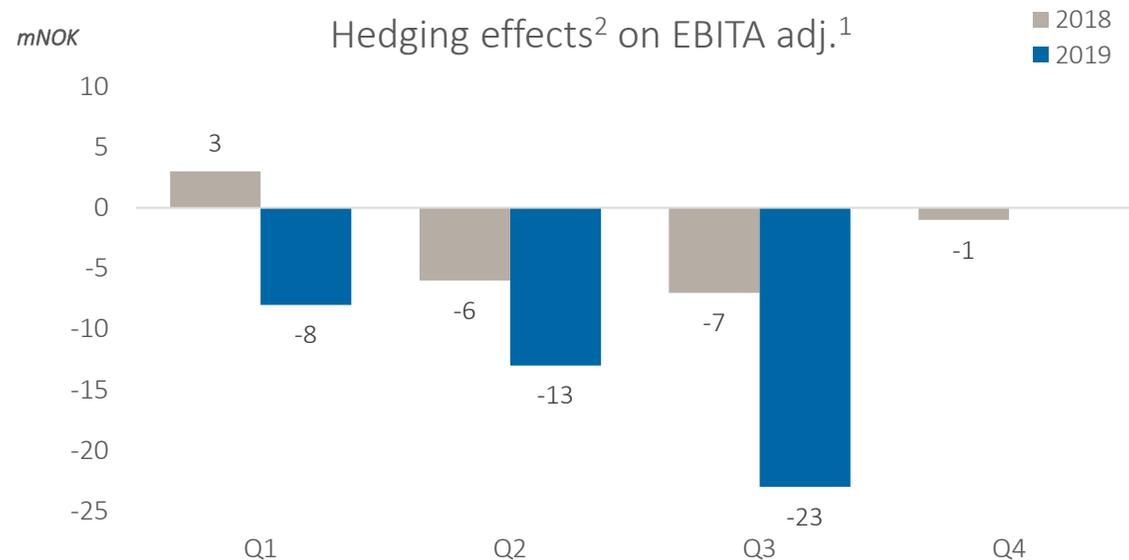


- **Ingredients:** Strong result from higher sales prices for wood based vanillin vs Q3-18
- **Fine Chemicals:** Improved result due to higher deliveries and a favourable product mix vs Q3-18
- **Cellulose Fibrils:** A slightly weaker result; reduced cost coverage² were not fully compensated by higher sales and improved productivity
- **Corporate costs** were in line with Q3-18
- Positive net FX effects for Other Businesses

¹ Alternative performance measure, see Appendix for definition

² The Exilva project has received funding from the Bio-Based Industries Joint Undertaking (BBI) under the European Union's Horizon 2020 research and innovation programme under grant agreement No 709746.

Currency impact



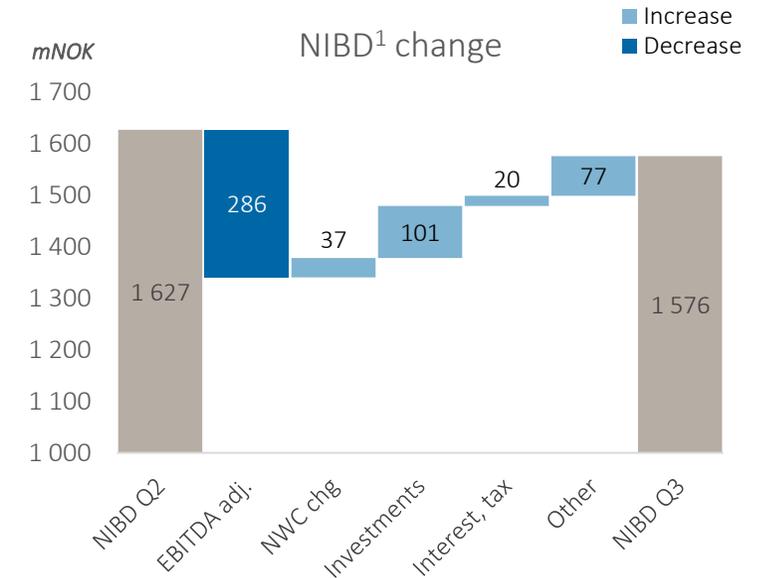
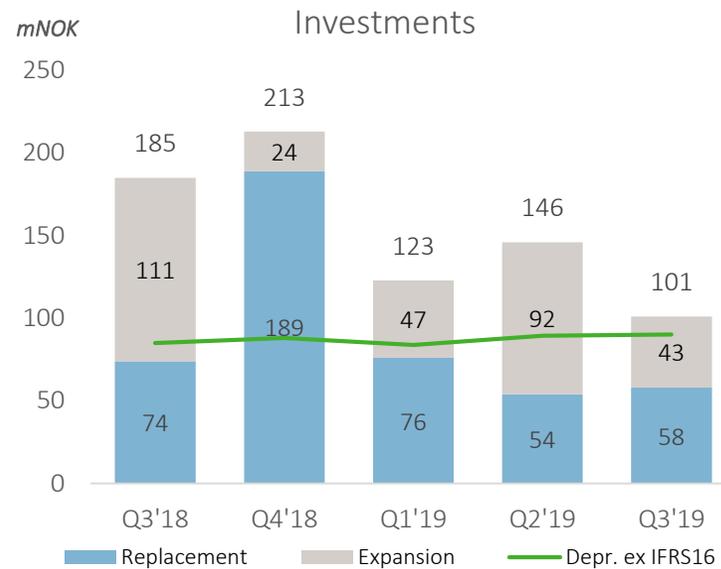
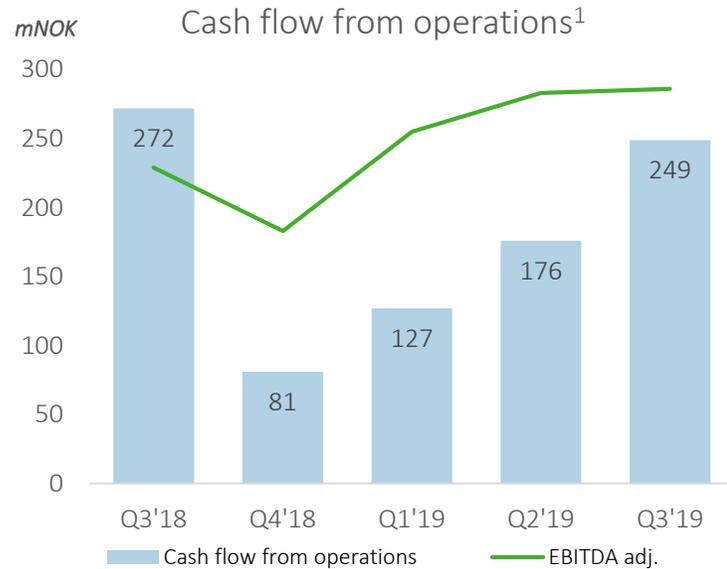
- Net FX EBITA adj.¹ impact +20 mNOK vs Q3-18
 - Includes change in hedging effects and based on estimated FX exposure
 - Net FX EBITA adj.¹ impact YTD +80 mNOK
- Net FX EBITA adj.¹ impact in 2019 estimated to be +95 mNOK vs 2018
 - Assuming rates as of 17 October (USD 9.17 and EUR 10.19) on expected FX exposure
 - Net FX EBITA adj.¹ impact in Q4 estimated to be +15 mNOK vs Q4-18
- Significant FX exposure, but delayed impact of FX rate fluctuations due to hedging policy

¹Alternative performance measure, see Appendix for definition.

²See appendix for currency hedging strategy, future hedges and hedging effects by segment.

³Currency basket based on Borregaard's net exposure in 2018 (=100): USD 65% (approx. 190 mUSD), EUR 34% (approx. 84 mEUR), Other 1% (GBP, BRL, JPY, SEK, ZAR).

Cash flow, investments and NIBD



- Cash flow from operations¹ declined vs Q3-18
 - Unfavourable development in net working capital vs Q3-18, partly offset by cash effect of increased EBITDA adj.¹
- Investments lower than Q3-18
 - Expansion investments mainly related to the upgrade and specialisation of the lignin operation in Norway
- NIBD¹ declined by 51 mNOK in Q3

Q&A



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



APPENDIX

Borregaard – key figures

Amounts in NOK million	Q3-2019	Q3-2018	Change	YTD-2019	YTD-2018	Change
Operating revenues	1 239	1 150	8 %	3 829	3 566	7 %
EBITDA adj.¹	286	229	25 %	824	720	14 %
EBITA adj.¹	180	145	24 %	516	486	6 %
Amortisation intangible assets	-1	-1		-3	-3	
Other income and expenses ¹	0	0		-16	0	
Operating profit	179	144	24 %	497	483	3 %
Financial items, net	-23	6		-60	-5	
Profit before taxes	156	150	4 %	437	478	-9 %
Income tax expenses	-38	-45		-104	-118	
Profit for the period	118	105	12 %	333	360	-8 %
Profit attributable to non-controlling interests	-13	-22		-46	-36	
Profit attributable to owners of the parent	131	127		379	396	
Cash flow from operating activities (IFRS)	232	278		409	488	
Earnings per share	1,31	1,27	3 %	3,79	3,96	-4 %
<i>EBITDA adj. Margin¹</i>	23,1 %	19,9 %		21,5 %	20,2 %	
<i>EBITA adj. Margin¹</i>	14,5 %	12,6 %		13,5 %	13,6 %	

Effects of IFRS 16 Leases – Ytd September 2019

INCOME STATEMENT (mNOK)

	<u>IAS 17</u>	<u>IFRS 16</u>	<u>Change</u>
EBITDA adj. ¹	772	824	52
Depreciation	-263	-308	-45
EBITA adj. ¹	509	516	7
Operating profit	490	497	7
Net financial items	-48	-60	-12
Profit before tax	442	437	-5
Earnings per share	3,84	3,79	-0,05

BALANCE SHEET (mNOK)

Total assets	6 318	6 709	391
Equity	3 328	3 323	-5

OTHER KEY FIGURES AND RATIOS

	<u>IAS 17</u>	<u>IFRS 16</u>	<u>Change</u>
EBITDA adj. margin ¹	20,2 %	21,5 %	1,3%-p
EBITA adj. margin ¹	13,3 %	13,5 %	0,2%-p
Capital employed ¹	5 160	5 455	295
Return on capital employed ¹	11,7 %	11,2 %	-0,5%-p
Net interest-bearing debt ¹	1 576	1 971	395
Leverage ratio ¹	1,65	1,92	-0,27
Equity ratio ¹	52,7 %	49,5 %	-3,2%-p

IAS 17: Operating leases off-balance sheet as a single expense. Finance leases on balance sheet

IFRS 16: Operating leases recognise assets and liabilities on balance sheet. Operating leases to report depreciation and interest separately.

Green background: Reported figures in 2019

Operating revenues and EBITA adj.¹ per segment

Amounts in NOK million

Operating revenues	Q3-2019	Q3-2018	Change
Borregaard	1 239	1 150	8 %
Performance Chemicals	564	559	1 %
Speciality Cellulose	425	381	12 %
Other Businesses	266	223	19 %
Eliminations	-16	-13	

Amounts in NOK million

EBITA adj. ¹	Q3-2019	Q3-2018	Change
Borregaard	180	145	24 %
Performance Chemicals	67	55	22 %
Speciality Cellulose	82	76	8 %
Other Businesses	31	14	

Amounts in NOK million

Operating revenues	YTD-2019	YTD-2018	Change
Borregaard	3 829	3 566	7 %
Performance Chemicals	1 782	1 685	6 %
Speciality Cellulose	1 299	1 242	5 %
Other Businesses	796	674	18 %
Eliminations	-48	-35	

Amounts in NOK million

EBITA adj. ¹	YTD-2019	YTD-2018	Change
Borregaard	516	486	6 %
Performance Chemicals	261	272	-4 %
Speciality Cellulose	165	207	-20 %
Other Businesses	90	7	

¹ Alternative performance measure, see Appendix for definition

Cash flow

Amounts in NOK million	Q3-2019	Q3-2018	YTD-2019	YTD-2018	FY-2018
Amounts in NOK million					
Profit before taxes	156	150	437	478	562
Amortisation, depreciation and impairment charges	107	85	311	237	327
Change in net working capital, etc	-37	43	-256	-92	-194
Dividend (share of profit) from JV	3	3	3	6	6
Taxes paid	3	-3	-86	-141	-143
Cash flow from operating activities	232	278	409	488	558
Investments property, plant and equipment and intangible assets *	-101	-185	-370	-549	-762
Other capital transactions	10	2	21	11	13
Cash flow from Investing activities	-91	-183	-349	-538	-749
Dividends	0	0	-224	-199	-199
Proceeds from exercise of options/shares to employees	4	1	34	22	23
Buy-back of shares	-8	-2	-56	-32	-32
Gain/(loss) on hedges for net investments in subsidiaries	-40	5	-31	18	-22
Net paid to/from shareholders	-44	4	-277	-191	-230
Proceeds from interest-bearing liabilities	351	51	1 698	1 253	1 292
Repayment from interest-bearing liabilities	-425	-3	-1 478	-936	-960
Change in interest-bearing receivables/other liabilities	5	-5	-2	-16	-2
Change in net interest-bearing liabilities	-69	43	218	301	330
Cash flow from financing activities	-113	47	-59	110	100
Change in cash and cash equivalents	28	142	1	60	-91
Cash and cash equivalents at beginning of period	59	90	86	180	180
Change in cash and cash equivalents	28	142	1	60	-91
Currency effects cash and cash equivalents	5	-1	5	-9	-3
Cash and cash equivalents at the end of the period	92	231	92	231	86
* Investment by category					
Replacement Investments	58	74	188	157	346
Expansion investments ¹	43	111	182	392	416

¹ Alternative performance measure, see Appendix for definition

Balance sheet

Amounts in NOK million	30.9.2019	30.6.2019	31.12.2018
Assets:			
Intangible assets	90	92	100
Property, plant and equipment	4 164	4 102	3 623
Other assets	226	225	230
Investment in joint venture	96	100	100
Non-current assets	4 576	4 519	4 053
Inventories	955	907	856
Receivables	1 051	1 092	956
Cash and cash deposits	127	77	86
Current assets	2 133	2 076	1 898
Total assets	6 709	6 595	5 951
Equity and liabilities:			
Group equity	3 145	3 189	3 123
Non-controlling interests	178	172	198
Equity	3 323	3 361	3 321
Provisions and other liabilities	308	240	271
Interest-bearing liabilities	1 554	1 526	1 115
Non-current liabilities	1 862	1 766	1 386
Interest-bearing liabilities	548	580	272
Other current liabilities	976	888	972
Current liabilities	1 524	1 468	1 244
Equity and liabilities	6 709	6 595	5 951
Equity ratio ¹ (%):	49,5 %	51,0 %	55,8 %

Net financial items & net interest-bearing debt¹

Amounts in NOK million

Net financial items	Q3-2019	Q3-2018	YTD-2019	YTD-2018
Net interest expenses	-19	-11	-50	-20
Currency gain/loss	-4	-2	-9	-3
Other financial items, net	0	19	-1	18
Net financial items	-23	6	-60	-5

Amounts in NOK million

Net interest-bearing debt ¹ (NIBD)	30.9.2019	30.6.2019	31.12.2018
Non-current interest-bearing liabilities	1 554	1 526	1 115
Current interest-bearing liabilities including overdraft of cashpool	548	580	272
Non-current interest-bearing receivables (included in "Other Assets")	-4	-4	-4
Cash and cash deposits	-127	-77	-86
Net interest-bearing debt¹ (NIBD)	1 971	2 025	1 297
Impact of IFRS 16 Leases	395	398	
Net interest-bearing debt¹ excluding impact of IFRS 16 Leases	1 576	1 627	

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 17.10.19)

	USD million	USD rate	EUR million	EUR rate
Q4-2019	36	8.45	24	9.65
2020	140	8.30	93	9.82
2021	134	8.34	90	10.15
2022	80	8.68	52	10.42

Hedging effects by segment

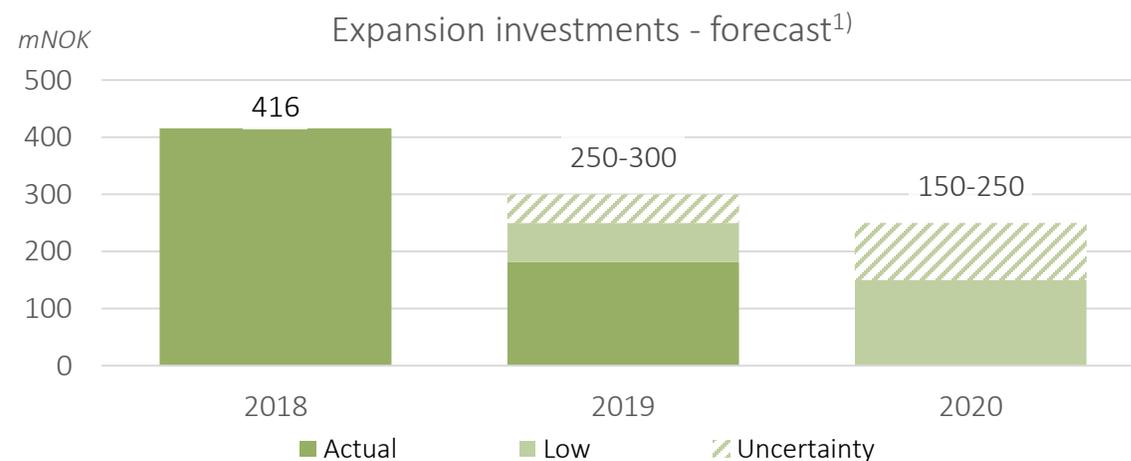
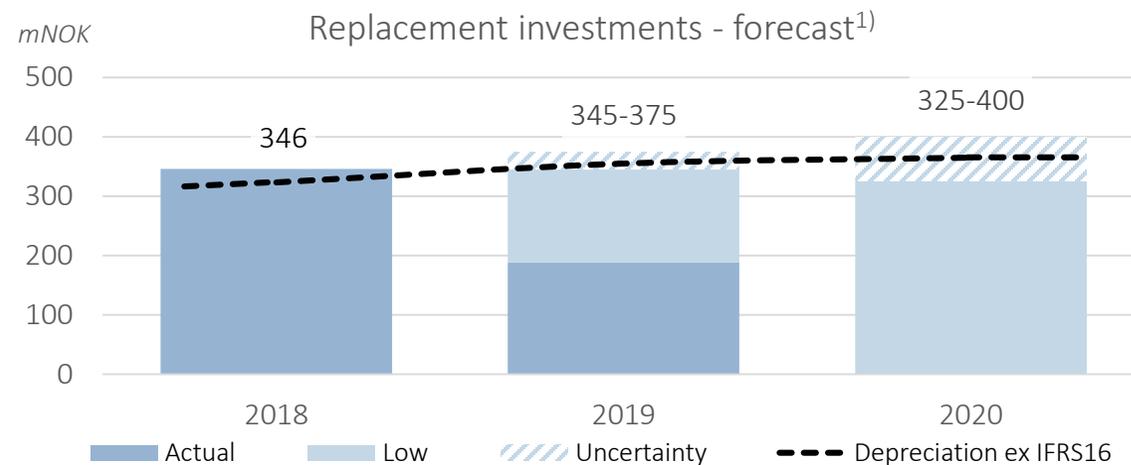
NOK million	Q3-19	Q3-18	YTD-19	YTD-18
Performance Chemicals	-6	0	-11	2
Speciality Cellulose	-11	-2	-22	-2
Other Businesses	-6	-5	-11	-10
Borregaard	-23	-7	-44	-10

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)

Investment forecast 2019-2020

- Replacement investments
 - Targeted at depreciation level
 - Upgrade of caustic soda production facility will not change the forecast
- Expansion investments
 - Capacity expansion for wood based vanillin: 130 mNOK (H2-19 to mid 2021)
 - New plant LignoTech Florida phase 1: 110 mUSD budget (100%) ≈900 mNOK
 - Lignin operation upgrade in Norway: ≈450 mNOK, ≈70% expansion
 - 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.

Credit facilities, solidity and debt

- **Long-term credit facilities**

- 1,500 mNOK revolving credit facilities, maturity 2021
- 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

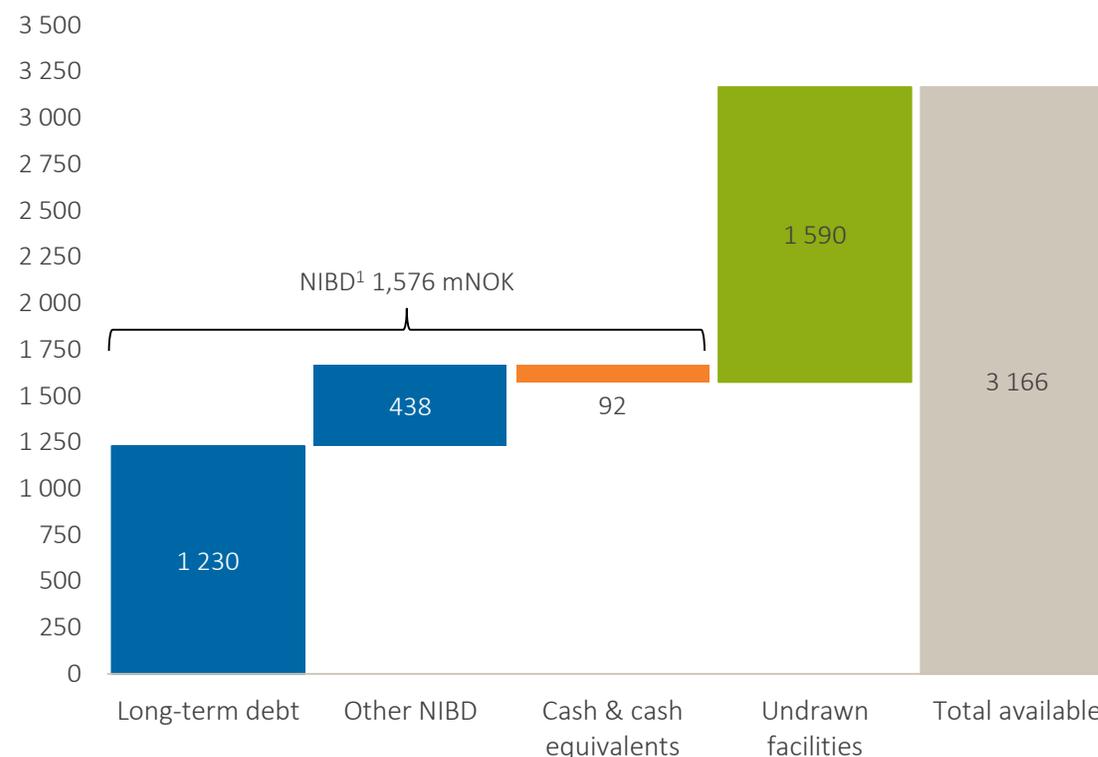
- **Short-term credit facilities**

- 225 mNOK overdraft facilities
- 350 mNOK commercial paper

- **Solidity (covenants)**

- Equity ratio¹ 49.5% (> 25%)
- Leverage ratio¹ LTM 1.65 (< 3.25)

Debt and undrawn facilities
30.9.2019



¹ Alternative performance measure, see Appendix for definition

Alternative performance 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., excluding the impact on EBITDA of IFRS 16 Leases.
- **Net interest-bearing debt (NIBD):** Interest-bearing liabilities, excluding the impact of IFRS 16 Leases, minus interest-bearing assets (see slide 26).
- **Return on capital employed (ROCE):** Last twelve months' (LTM) EBITA adj., excluding the impact of IFRS 16 Leases, 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 (excluding the impact of IFRS 16 Leases) and investment in joint venture minus net pension liabilities.

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