



Borregaard

The Sustainable Biorefinery

2nd quarter 2014

Oslo, 16 July 2014

Agenda



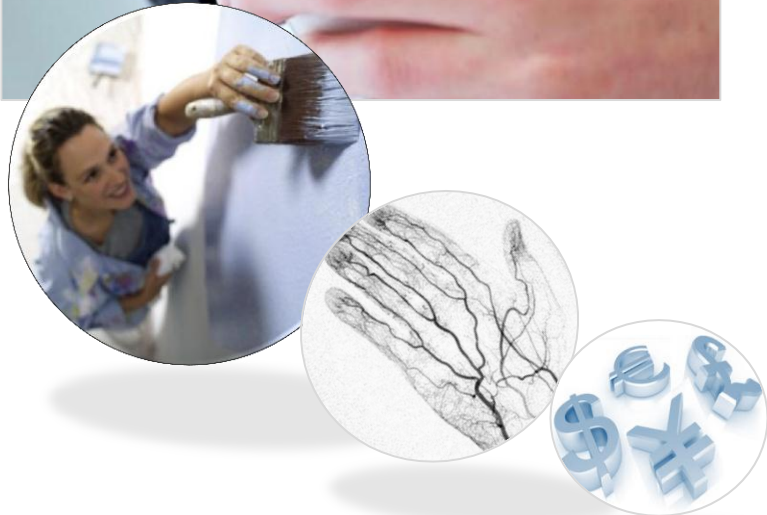
Per A Sørli, President & CEO

- Highlights
- Business Areas
- Outlook

Per Bjarne Lyngstad, CFO

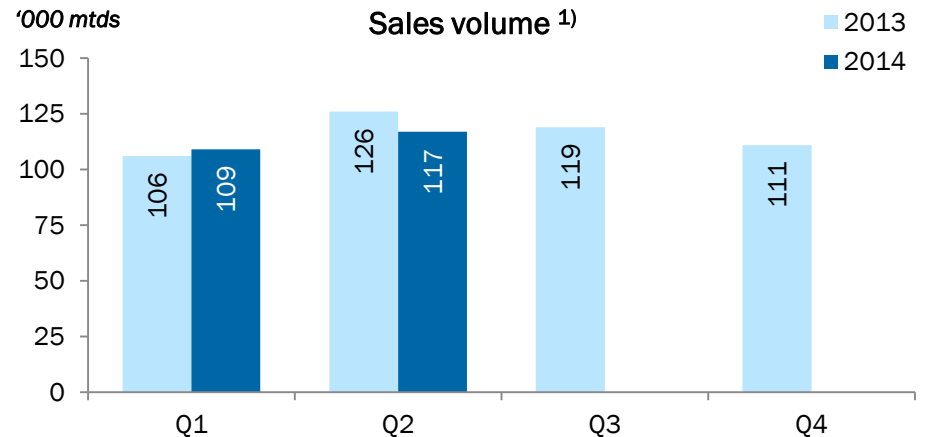
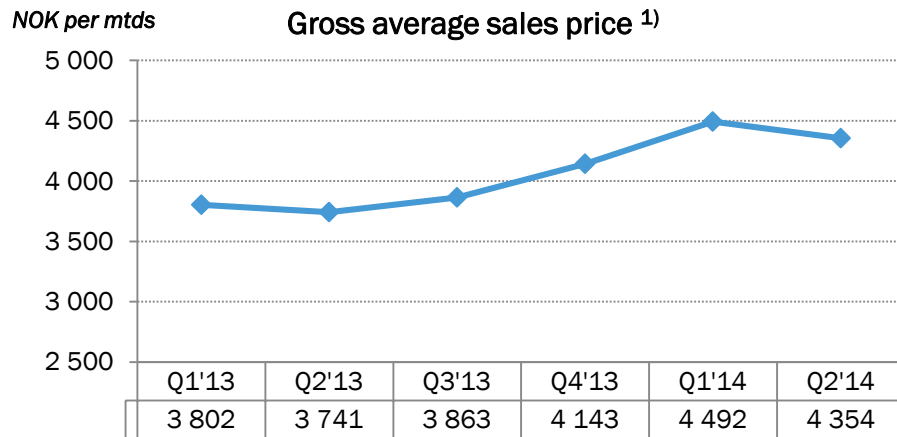
- Financial performance

Highlights – 2nd quarter 2014



- All-time high result for Performance Chemicals
- Specialty Cellulose market development in line with expectations
- Weaker product mix within Fine Chemicals
- Positive currency impact

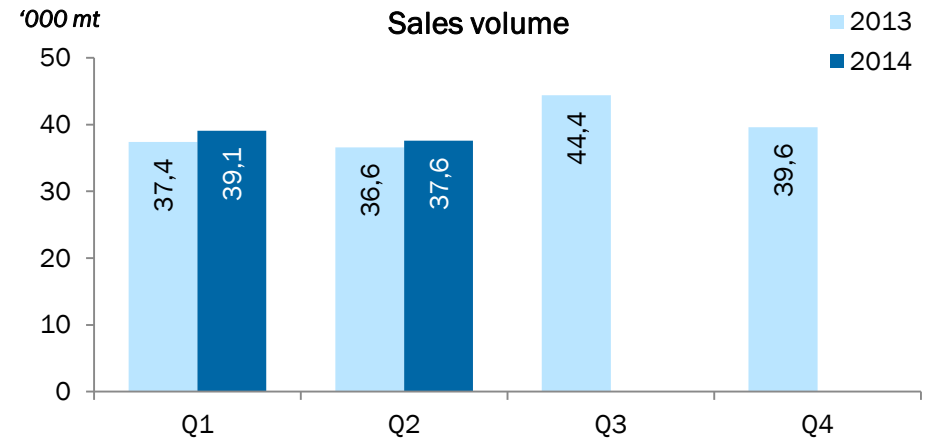
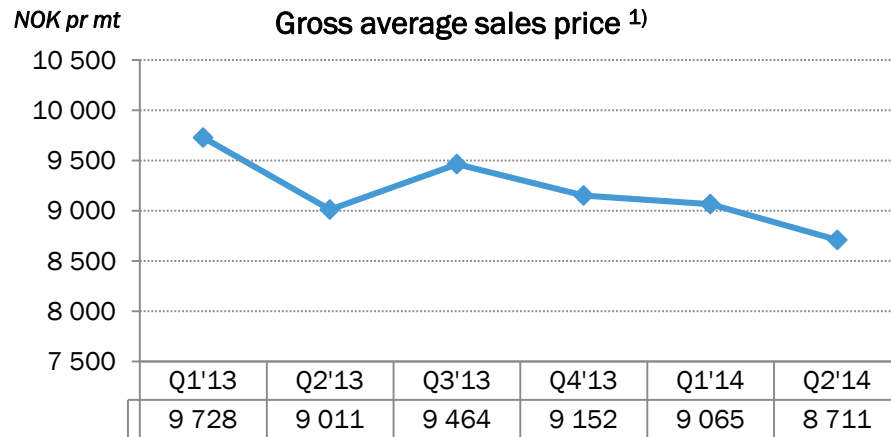
Performance Chemicals – Q2 market development



- **Market conditions remain positive**
 - Strong demand in all major applications
 - Higher prices and favourable product mix vs Q2-13
 - Seasonally higher sales to construction in Q2 reduced average sales price vs Q1
- **Sales volume decreased by 7% vs Q2-13**
 - Higher sales from inventories in 2013
 - Lower lignin raw material supply in Spain and Norway

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

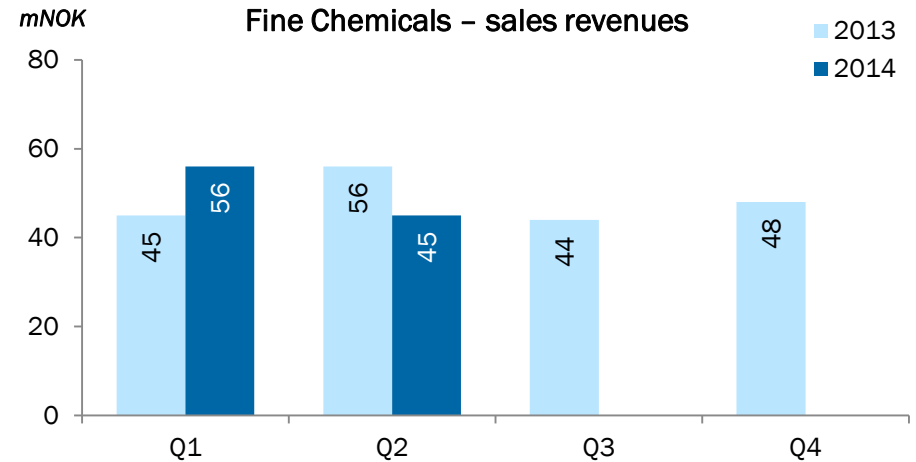
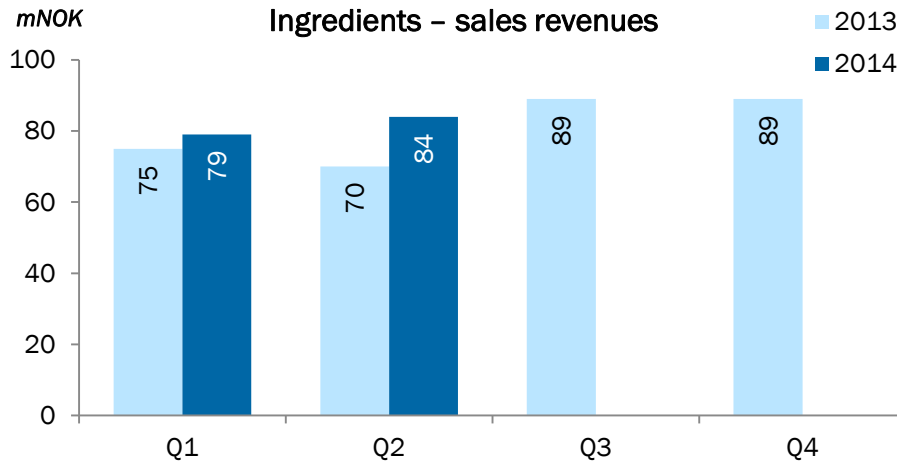
Specialty Cellulose – Q2 market development



- **Sales price and product mix development in line with expectations**
 - Lower sales prices vs Q2-13 softened by weaker NOK
 - Negative FX impact vs Q1-14
- **Product mix will vary between quarters**
- **Price differences between qualities within all specialty application areas**

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

Ingredients & Fine Chemicals – Market conditions



Ingredients

- Higher sales volume compared with Q2-13
- Unchanged market conditions

Fine Chemicals

- Product mix and sales were particularly favourable in Q2-13

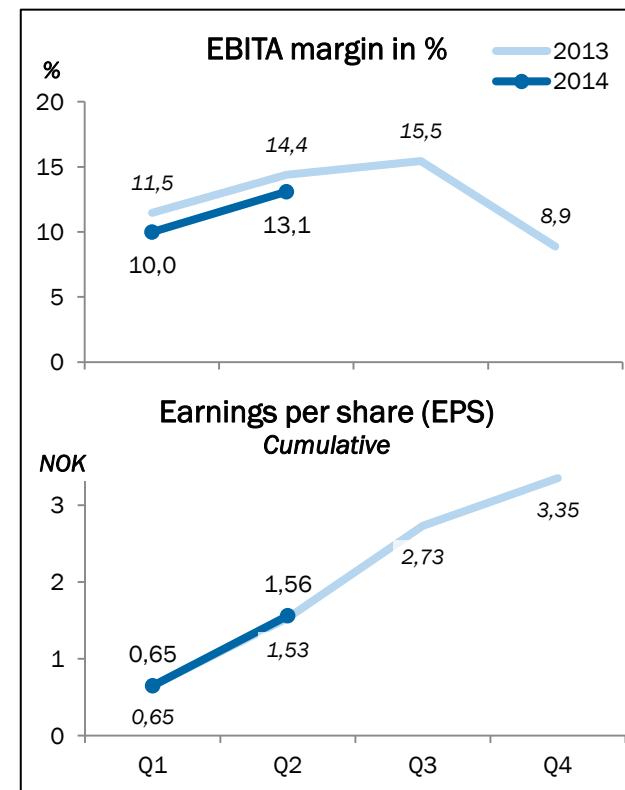
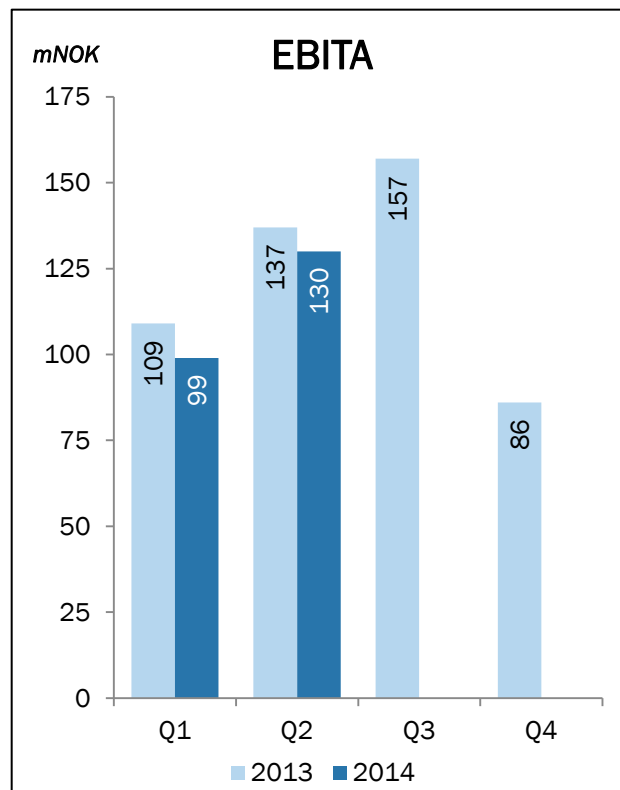
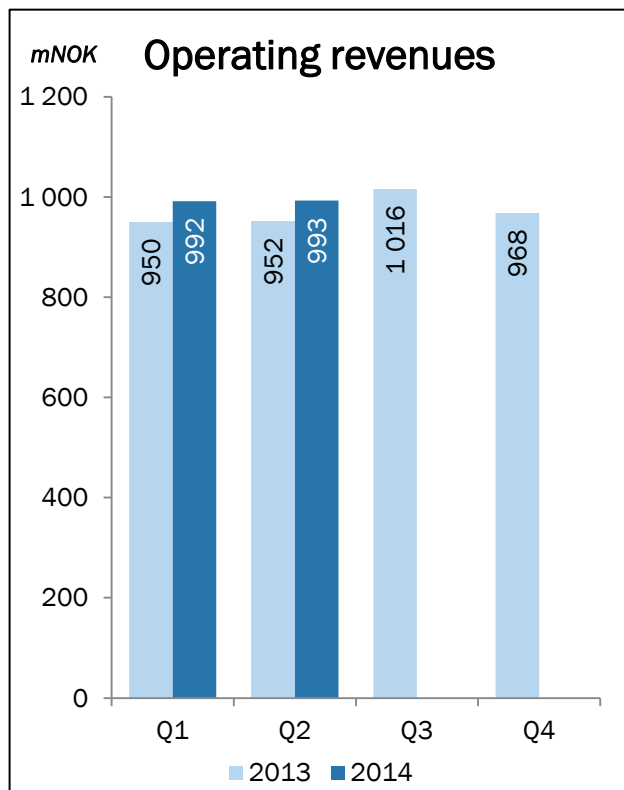
Outlook

- **Performance Chemicals**
 - Continued strong demand in all major applications
 - Sales volume in 2014 is expected to be slightly below 2013
 - Increased lignin raw material supply from new and existing sources is expected largely to compensate for sales from inventories in 2013 and the lack of supply in Spain
- **Specialty Cellulose**
 - Cellulose prices in sales currency for 2014 are still expected to be on average 7-8% lower than 2013
 - Product mix in 2014 is projected to be marginally weaker than in 2013
 - In Q3-14, the product mix is expected to be similar to Q2-14, but weaker than Q3-13
- **Other Businesses**
 - No major changes are expected in market conditions for Ingredients and Fine Chemicals in the second half of 2014
 - Corporate and BALI project costs will largely remain at the same level as in the first half of 2014



FINANCIAL PERFORMANCE Q2-14

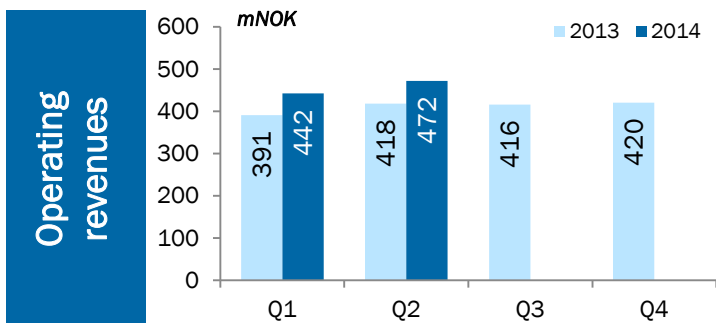
Borregaard – Q2 key figures



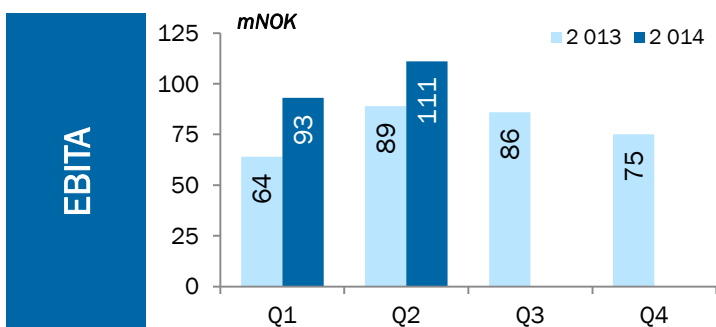
- Revenues increased 4% vs Q2-13
- All-time high EBITA for Performance Chemicals, decline in Specialty Cellulose and Other Businesses
- Positive FX impact, but lower production output in Norway
- EPS in the 1st half of 2014 slightly above last year

2013 figures are restated due to implementation of IFRS 11 Joint Arrangements

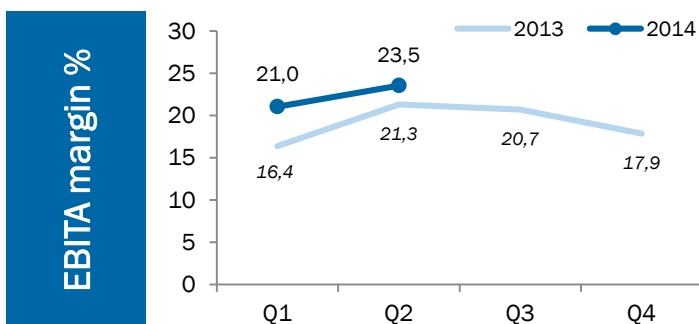
Performance Chemicals – Q2 key figures



- Top line growth 13% vs Q2-13
- Strong demand in all major applications
- Higher prices and favourable product mix partly off-set by 7% lower sales volume
- *Year-to-date top line growth 13%*



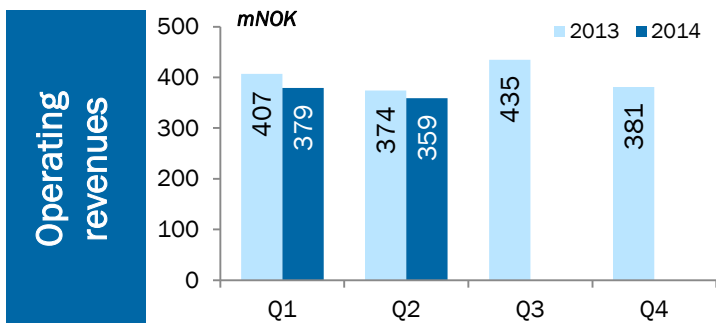
- All-time high EBITA for a single quarter
- Higher prices, improved product mix and positive FX impact, but volume reduction
- *Year-to-date EBITA 204 mNOK (153 mNOK)*



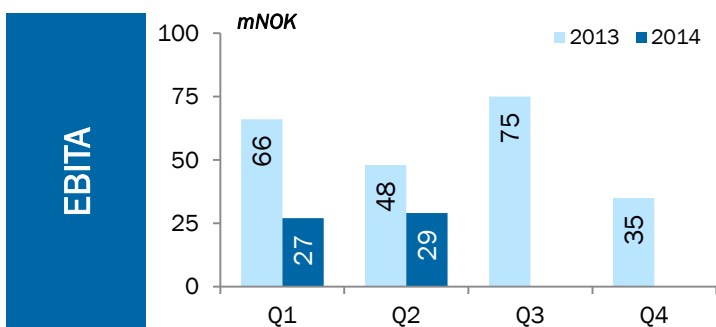
- EBITA margin well above 20%
- *Year-to-date EBITA margin 22.3% (18.9%)*

2013 figures are restated due to implementation of IFRS 11 Joint Arrangements

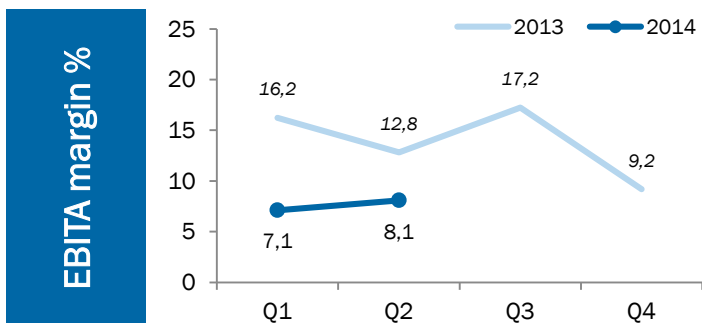
Specialty Cellulose – Q2 key figures



- Top line down by 4% vs Q2-13
- Lower sales prices, but slightly higher sales volume
- *Year-to-date top line down by 6%*

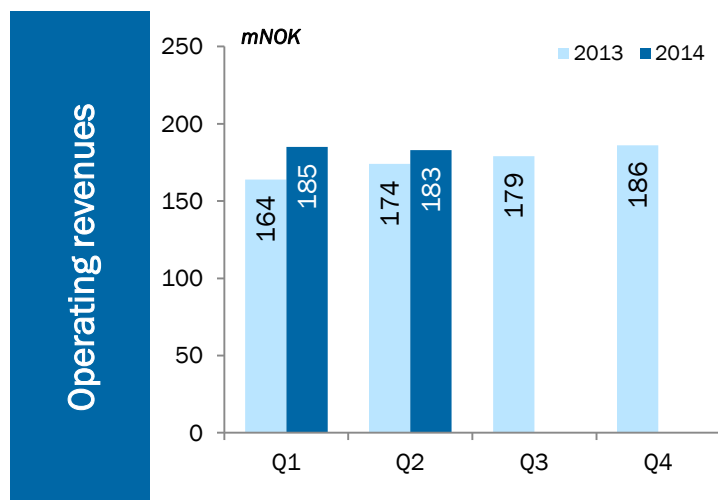


- Lower sales prices, reduced production output and increased Exilva project activities
- Positive FX impact, declining wood and energy costs
- *Year-to-date EBITA 56 mNOK (114 mNOK)*

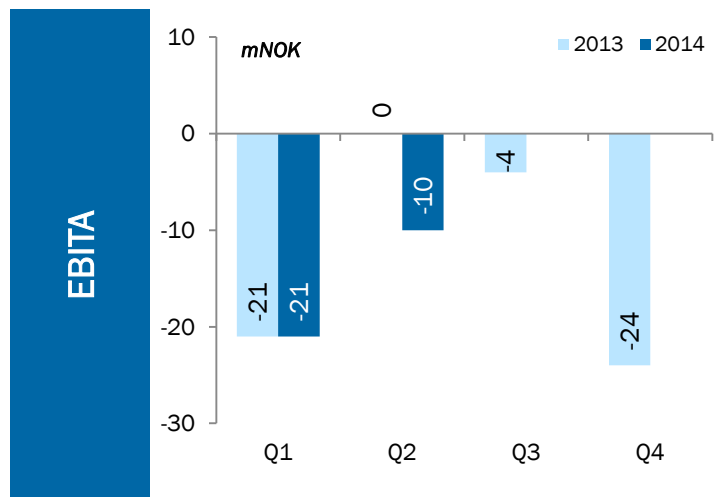


- Margin affected primarily by lower prices
- *Year-to-date EBITA margin 7.6% (14.6%)*

Other Businesses – Q2 key figures

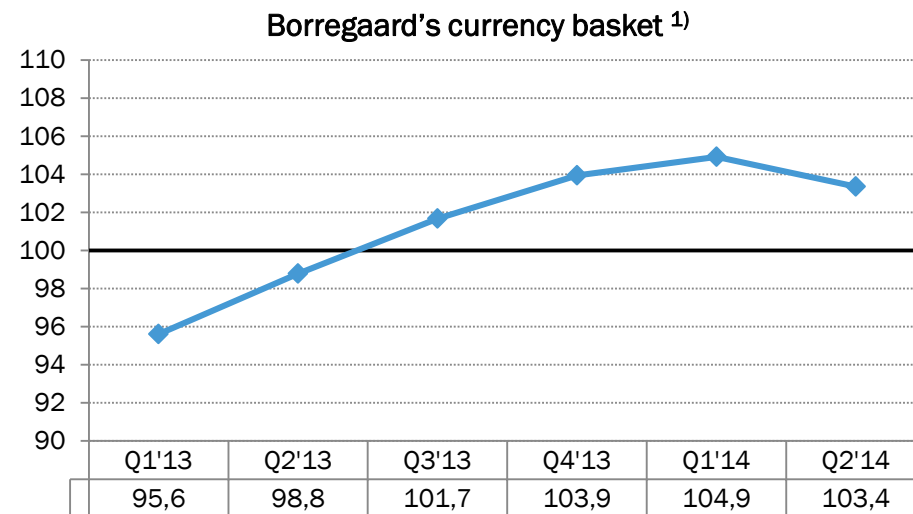
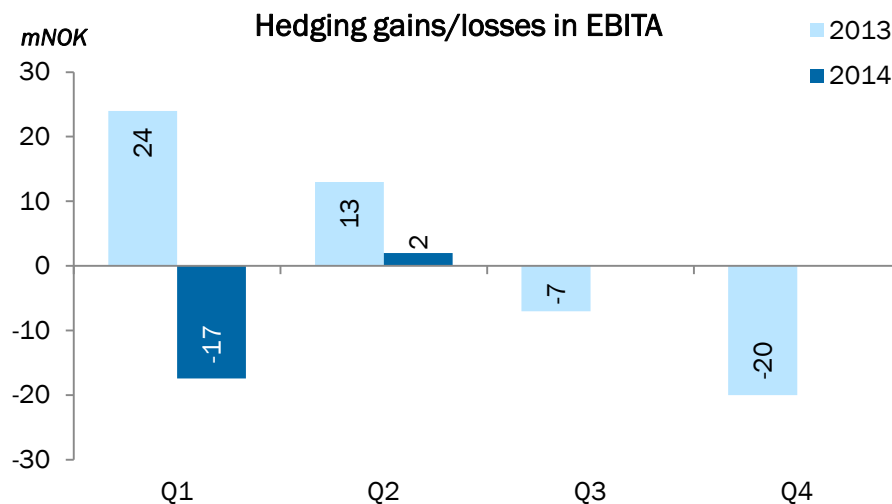


- Top line growth 5% vs Q1-13
- Higher sales volumes for Ingredients, but reduced sales for Fine Chemicals
- *Year-to-date top line growth of 9%*



- Unchanged market conditions for Ingredients
- Fine Chemicals had a particularly favourable product mix in Q2-13
- Corporate costs and BALI project activities in line with Q2-13
- *Year-to-date EBITA -31 mNOK (-21 mNOK)*

Currency impact

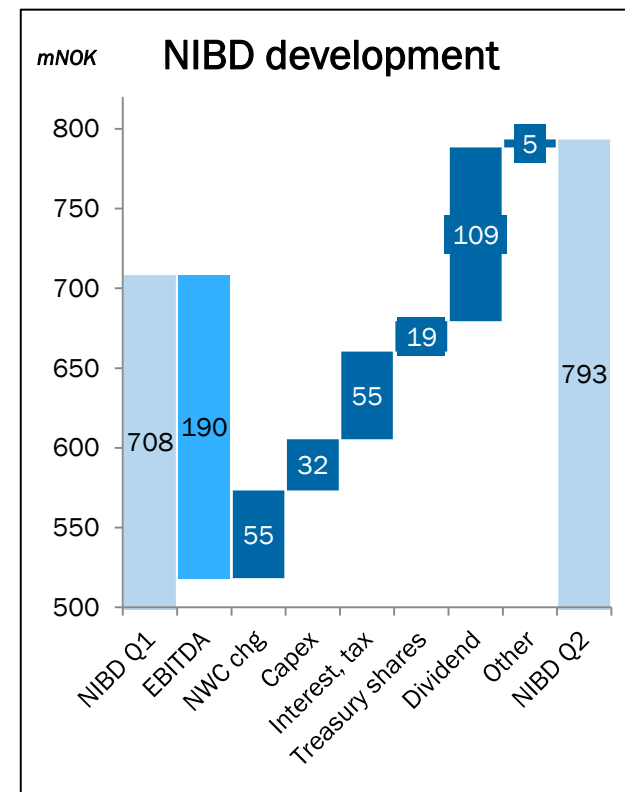
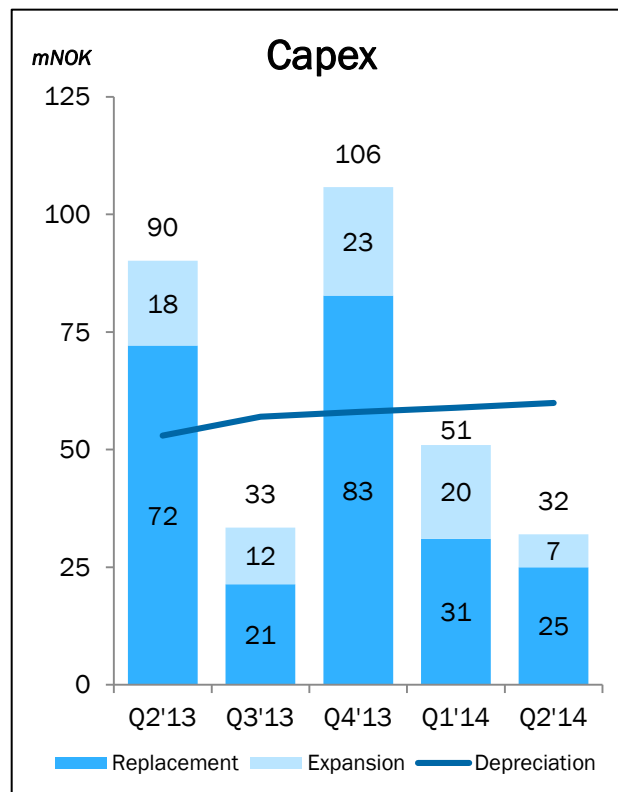
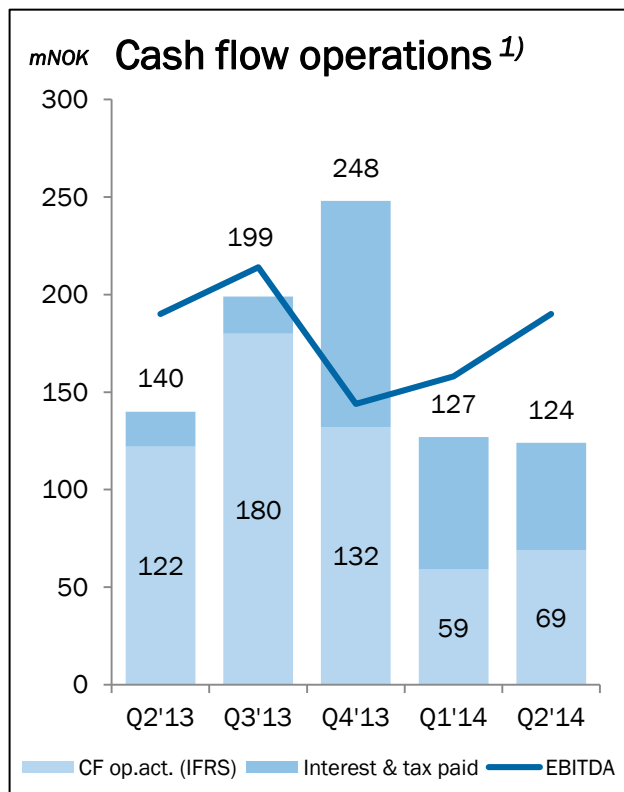


- Overall a positive FX impact on EBITA
 - Hedging impact negative by 11 mNOK vs Q2-13
 - 5% exchange rates improvement for Borregaard vs Q2-13, but 1% down vs Q1-14
- Recent interest prognosis from the Norwegian Central Bank has weakened the NOK
- Currency hedging strategy will delay impact from exchange rate fluctuations

¹⁾ Currency basket based on Borregaard's net exposure in 2013 (=100)

- USD 68% (approximately 265 mUSD)
- EUR 33% (approximately 96 mEUR)
- Other -1% (GBP, BRL, JPY, SEK, ZAR)

Cash Flow, Capex and NIBD



- Lower cash flow from operations due to a higher increase in net working capital than in Q2-13
- Timing of tax payments from 2014 different from 2013
- Capex at a low level in Q2, but expected to increase in second half of 2014
- NIBD increased by 85 mNOK in Q2, mainly due to dividend and tax payment

¹⁾ Cash Flow operating activities according to IFRS adjusted for financial items and taxes paid



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



APPENDIX

Borregaard – Key figures

| <i>Amounts in NOK million</i> | Q2-2014 | Q2-2013 | Change | YTD-2014 | YTD-2013 | Change |
|---|---------------|---------------|-------------|---------------|---------------|-------------|
| Operating revenues | 993 | 952 | 4 % | 1 985 | 1 902 | 4 % |
| EBITDA (adjusted) | 190 | 190 | 0 % | 348 | 352 | -1 % |
| EBITA (adjusted) | 130 | 137 | -5 % | 229 | 246 | -7 % |
| Amortisation intangibles | 0 | -1 | | 0 | -1 | |
| Other income and expenses | 0 | 0 | | 0 | 0 | |
| EBIT | 130 | 136 | -4 % | 229 | 245 | -7 % |
| Financial items, net | -4 | -14 | | -11 | -28 | |
| Profit/loss before taxes | 126 | 122 | 3 % | 218 | 217 | 0 % |
| Taxes | -36 | -33 | | -63 | -62 | |
| Profit/loss for the period | 90 | 89 | 1 % | 155 | 155 | 0 % |
| Profit/loss attributable to non-controlling interests | -1 | 1 | | -1 | 2 | |
| Profit/loss attributable to owners of the parent | 91 | 88 | | 156 | 153 | |
| Cash flow from operating activities | 69 | 122 | | 128 | 214 | |
| Earnings per share (NOK) | 0,91 | 0,88 | 3 % | 1,56 | 1,53 | 2 % |
| <i>Adjusted EBITDA margin</i> | <i>19,1 %</i> | <i>20,0 %</i> | | <i>17,5 %</i> | <i>18,5 %</i> | |
| <i>Adjusted EBITA margin</i> | <i>13,1 %</i> | <i>14,4 %</i> | | <i>11,5 %</i> | <i>12,9 %</i> | |

2013 figures are restated due to implementation of IFRS 11 Joint Arrangements

Operating revenues and EBITA per segment

Amounts in NOK million

| Operating revenues | Q2-2014 | Q2-2013 | Change |
|-----------------------|------------|------------|------------|
| Borregaard | 993 | 952 | 4 % |
| Performance Chemicals | 472 | 418 | 13 % |
| Specialty Cellulose | 359 | 374 | -4 % |
| Other Businesses | 183 | 174 | 5 % |
| Eliminations | -21 | -14 | |

Amounts in NOK million

| Operating profit - EBITA | Q2-2014 | Q2-2013 | Change |
|--------------------------|------------|------------|-------------|
| Borregaard | 130 | 137 | -5 % |
| Performance Chemicals | 111 | 89 | 25 % |
| Specialty Cellulose | 29 | 48 | -40 % |
| Other Businesses | -10 | 0 | - |

Amounts in NOK million

| Operating revenues | YTD-2014 | YTD-2013 | Change |
|-----------------------|--------------|--------------|------------|
| Borregaard | 1 985 | 1 902 | 4 % |
| Performance Chemicals | 914 | 809 | 13 % |
| Specialty Cellulose | 738 | 781 | -6 % |
| Other Businesses | 368 | 338 | 9 % |
| Eliminations | -35 | -26 | |

Amounts in NOK million

| Operating profit - EBITA | YTD-2014 | YTD-2013 | Change |
|--------------------------|------------|------------|-------------|
| Borregaard | 229 | 246 | -7 % |
| Performance Chemicals | 204 | 153 | 33 % |
| Specialty Cellulose | 56 | 114 | -51 % |
| Other Businesses | -31 | -21 | -48 % |

2013 figures are restated due to implementation of IFRS 11 Joint Arrangements

Cash flow

Amounts in NOK million

| | Q2-2014 | Q2-2013 | YTD-2014 | YTD-2013 | FY-2013 |
|---|-------------|-------------|-------------|-------------|-------------|
| Amounts in NOK million | | | | | |
| Profit before taxes | 126 | 122 | 218 | 217 | 460 |
| Amortisation, depreciation and impairment charges | 60 | 53 | 119 | 106 | 231 |
| Change in net working capital, etc | -55 | -40 | -84 | -92 | -17 |
| Share of profit (dividend) from JV | -11 | -9 | -13 | -10 | -19 |
| Taxes paid | -51 | -4 | -112 | -7 | -129 |
| Cash flow from operating activities | 69 | 122 | 128 | 214 | 526 |
| Investments property, plant and equipment and intangible assets | -32 | -90 | -83 | -149 | -288 |
| Other capital transactions | 1 | 2 | 2 | 4 | 2 |
| Cash flow from Investing activities | -31 | -88 | -81 | -145 | -286 |
| Dividends | -109 | -100 | -109 | -100 | -100 |
| Proceeds from exercise of share options | 20 | 0 | 40 | 0 | -33 |
| Buy-back of treasury shares | -39 | 0 | -55 | 0 | 0 |
| Change in equity hedge | -2 | 0 | 7 | 0 | 0 |
| Net paid to/from shareholders | -130 | -100 | -117 | -100 | -133 |
| Change in interest-bearing liabilities | 6 | 35 | -14 | -25 | -218 |
| Change in interest-bearing receivables | 0 | 2 | -4 | -3 | -1 |
| Change in net interest-bearing liabilities | 6 | 37 | -18 | -28 | -219 |
| Cash flow from financing activities | -124 | -63 | -135 | -128 | -352 |
| Change in cash and cash equivalents | -86 | -29 | -88 | -59 | -112 |
| Cash and cash equivalents as of beginning of period | 35 | 108 | 39 | 134 | 134 |
| Change in cash and cash equivalents | -86 | -29 | -88 | -59 | -112 |
| Currency effects cash and cash equivalents | 7 | 10 | 5 | 14 | 17 |
| Cash and cash equivalents at the close of the period | -44 | 89 | -44 | 89 | 39 |

2013 figures are restated due to implementation of IFRS 11 Joint Arrangements

Balance sheet

Amounts in NOK million

| | 30.06.2014 | 31.03.2014 | 31.12.2013 |
|--|--------------|--------------|--------------|
| Assets: | | | |
| Intangible assets | 58 | 54 | 57 |
| Property, plant and equipment | 1 904 | 1 934 | 1 941 |
| Other assets | 57 | 64 | 51 |
| Investments in joint venture | 114 | 101 | 101 |
| Non-current assets | 2 133 | 2 153 | 2 150 |
| Inventories | 556 | 533 | 545 |
| Receivables | 759 | 773 | 693 |
| Cash and cash deposits | 48 | 35 | 39 |
| Current assets | 1 363 | 1 341 | 1 277 |
| Total assets | 3 496 | 3 494 | 3 427 |
| | | | |
| Equity and debt: | | | |
| Group Equity | 1 908 | 1 963 | 1 847 |
| Non-controlling interests | 8 | 8 | 9 |
| Equity | 1 916 | 1 971 | 1 856 |
| Provisions and other non-current liabilities | 144 | 146 | 141 |
| Interest-bearing liabilities | 763 | 755 | 774 |
| Non-current liabilities | 907 | 901 | 915 |
| Interest-bearing liabilities | 95 | 5 | 6 |
| Other liabilities | 578 | 617 | 650 |
| Current liabilities | 673 | 622 | 656 |
| Equity and liabilities | 3 496 | 3 494 | 3 427 |
| | | | |
| Equity ratio (%): | 54,8 % | 56,4 % | 54,2 % |

2013 figures are restated due to implementation of IFRS 11 Joint Arrangements

Net financial items & net interest-bearing debt

Amounts in NOK million

| Net financial items | Q2-2014 | Q2-2013 | YTD-2014 | YTD-2013 |
|----------------------------|----------------|----------------|-----------------|-----------------|
| Net interest expenses | -8 | -9 | -15 | -18 |
| Currency gain/loss | 4 | -5 | 5 | -9 |
| Other financial items, net | 0 | 0 | -1 | -1 |
| Net financial items | -4 | -14 | -11 | -28 |

Amounts in NOK million

| Net interest-bearing debt | 30.06.2014 | 31.03.2014 | 31.12.2013 |
|--|-------------------|-------------------|-------------------|
| Non-current interest-bearing liabilities | 763 | 755 | 774 |
| Current interest-bearing liabilities | 95 | 5 | 6 |
| Non-current interest-bearing receivables | -17 | -17 | -13 |
| Cash and cash deposits | -48 | -35 | -39 |
| Net interest-bearing debt | 793 | 708 | 728 |

2013 figures are restated due to implementation of IFRS 11 Joint Arrangements

Debt, credit facilities and solidity

- **Debt and overdraft facilities**

- Long-term debt

- 1,200 mNOK 5-year revolving credit facilities, maturity 2017
- 600 mNOK 3-year revolving credit facilities, maturity 2015
- 400 mNOK 5-year bond issue, maturity 2019
- 40 mEUR 10-year loan, maturity 2024

- Refinancing process on-going

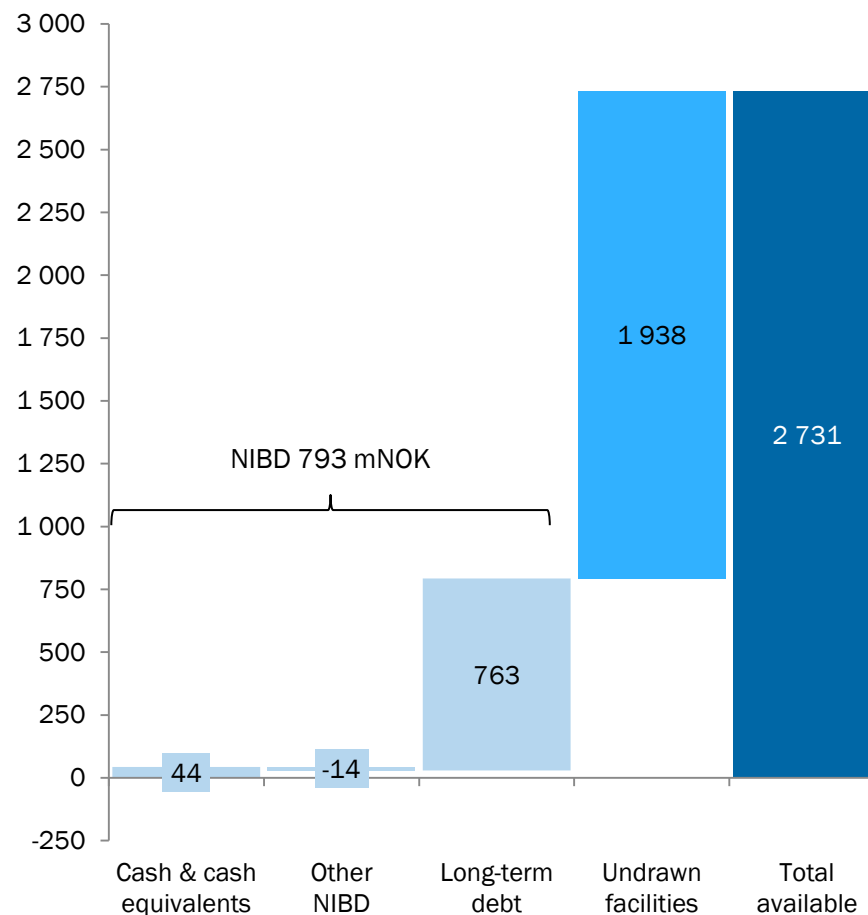
- 195 mNOK in overdraft facilities

- **Solidity (covenants)**

- Equity ratio 54.8% (> 25%)

- Leverage ratio LTM 1.12 (< 3.25 / 3.00)

Debt and undrawn facilities 30.06.2014



2013 figures are restated due to implementation of IFRS 11 Joint Arrangements

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