



**Norske Skog**

4Q19 Presentation

6 February 2020

# Introduction



EBITDA for the period NOK 560 million, compared to NOK 505 million in the previous quarter

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Cash flow from operations NOK -78 million, a decrease from NOK 150 million in the previous quarter

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Continued challenging operating environment in Australasia

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Optimisation of asset portfolio in Australasia continues

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The Board of Directors proposes a dividend of NOK 6.25 per share

# Long-term strategy remains...

## Core Business

Improve and optimise cash flow

## Conversions

Convert certain of the Group's paper machines

## Diversification

Diversify the business within bioenergy, fibre and biochemicals

# Group

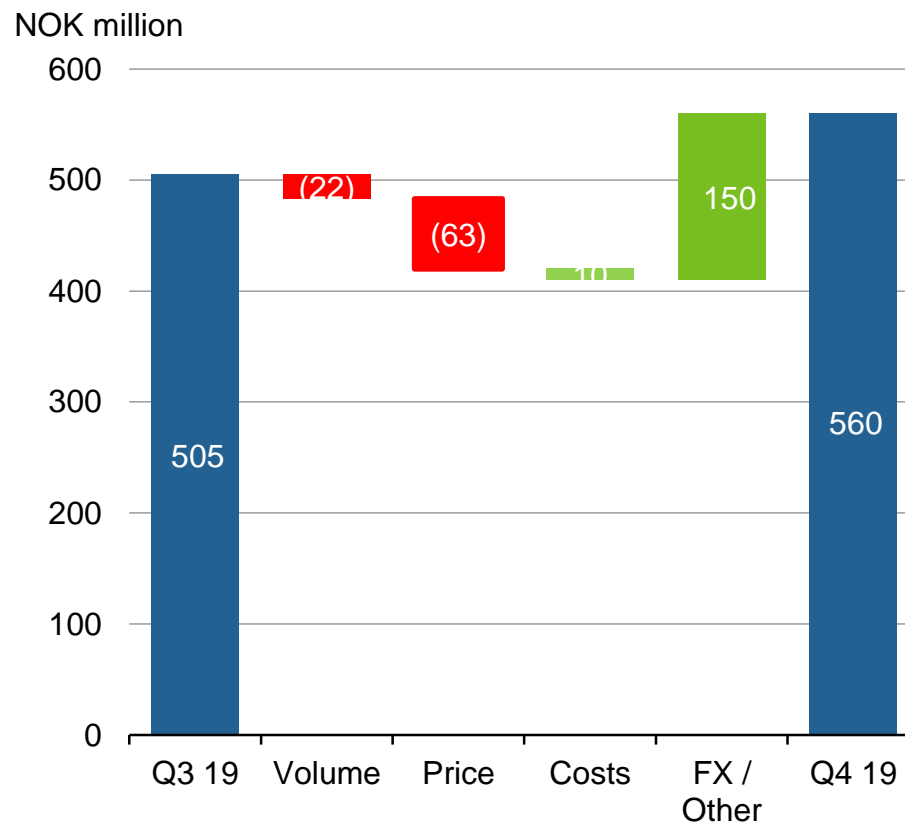
## Fourth quarter comments

- Overall sales volumes in line with previous quarter, but lower prices into fourth quarter both in Europe and Asia
- Continued decrease in variable costs for energy, pulpwood and recovered paper, but offset by higher fixed cost in fourth quarter
- Positive impact from one-off items in Australasia

## Outlook

- Margin contraction from historically high levels
- Price decreases, partially offset by reduced variable cost

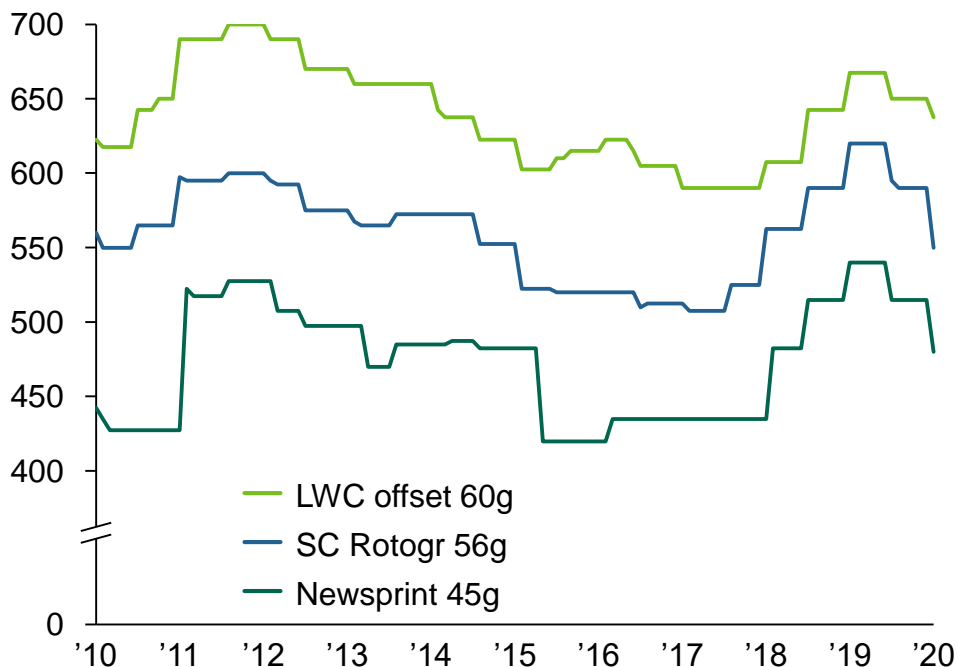
## EBITDA bridge Q3 to Q4



# Publication paper Europe – Market development

### Reference price Germany

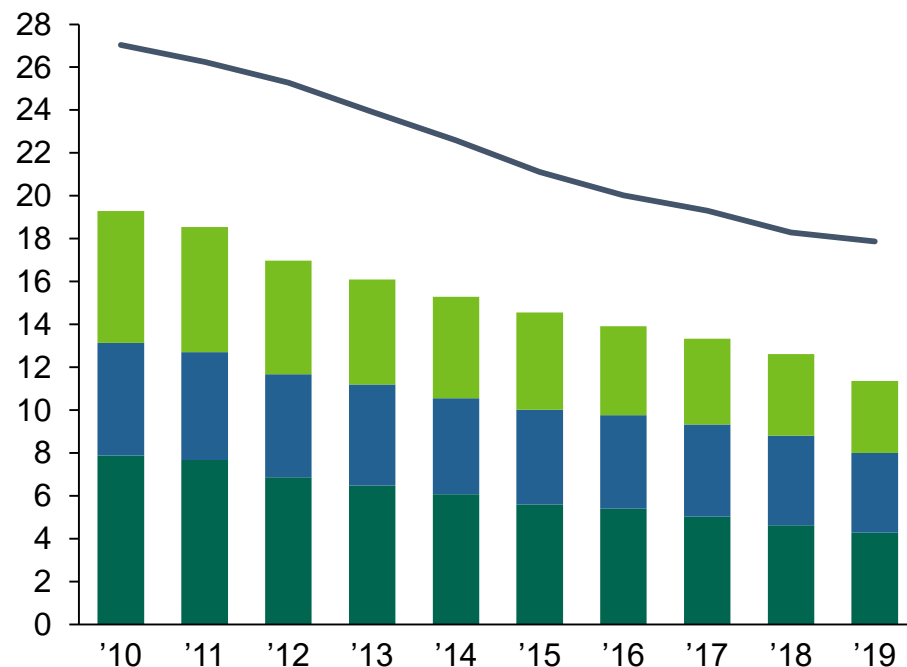
EUR/ton



Source: RISI

### Publication paper WE – Supply and demand

M tonnes



Source: PPPC

— Capacity  
 ■ Uncoated Mechanical  
 ■ Coated Mechanical  
 ■ Newsprint

# Publication paper Europe

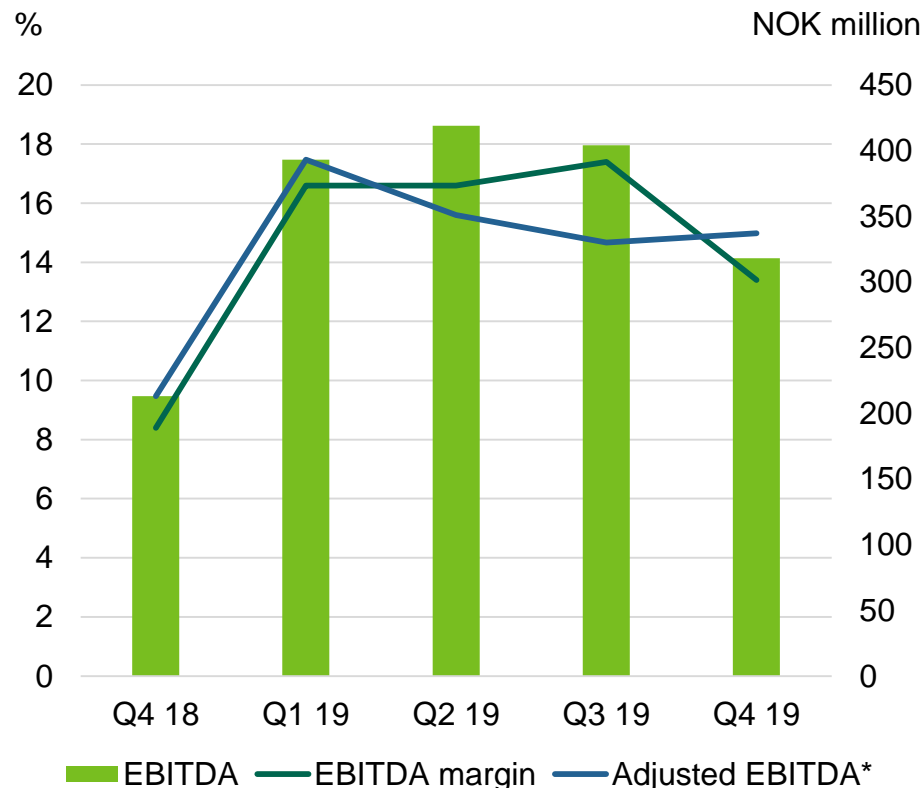
## Fourth quarter comments

- Seasonally increased sales volumes, but lower prices into fourth quarter
- Continued decrease in variable costs for energy, pulpwood and recovered paper, but offset by higher fixed cost in fourth quarter
- Capacity utilisation at 88% in fourth quarter

## Outlook

- CO2 compensation for 2020 estimated to NOK 270 million for Norwegian mills
- Challenging markets in Europe as lower input cost gives scope for price reductions

## EBITDA development



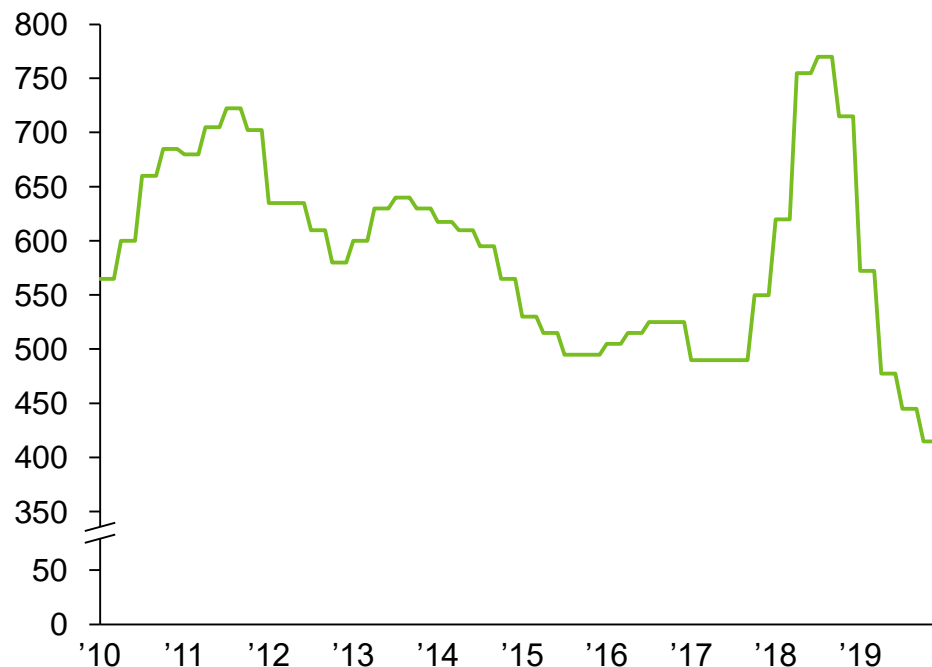
\* CO2 compensation adjusted in Q1, Q2 and Q3, Q2 adjusted for gain from sale of power plant NOK 89 million

\* Q4 adjusted for loss on assets

# Publication paper Australasia – Market development

Reference price newsprint India 45g

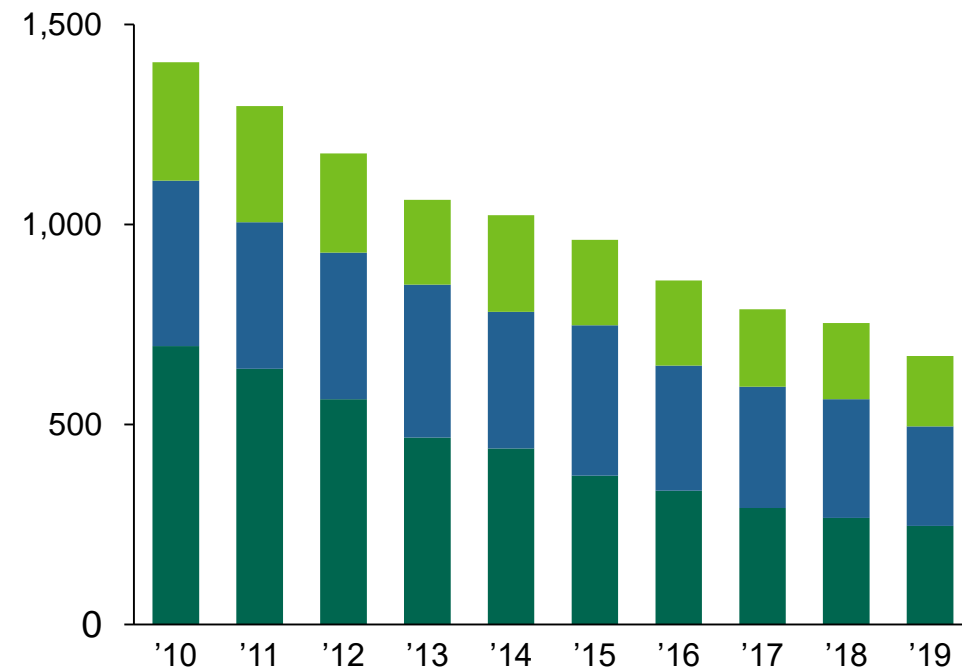
USD/ton



Source: RISI

Demand publication paper Australasia

K tonnes



Source: PPPC

- Uncoated Mechanical
- Coated Mechanical
- Newsprint

# Publication paper Australasia

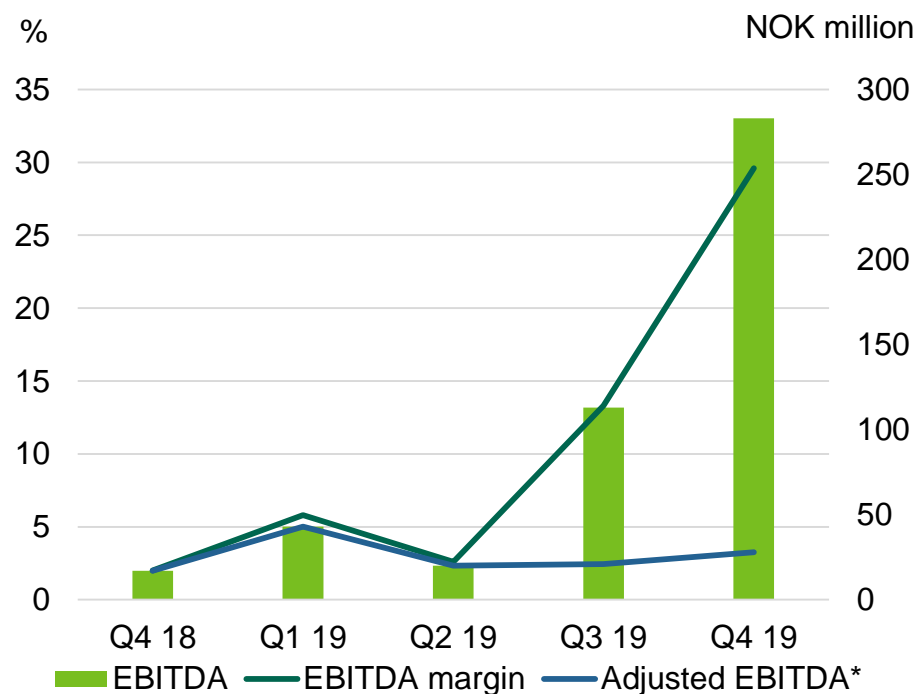
## Fourth quarter comments

- Lower sales and production in fourth quarter, continued poor underlying performance, but result impacted by sale of water rights and energy contracts
- Asian demand and prices continued to be weak in fourth quarter
- Albury ceased production on 5 December 2019
- Capacity utilisation at 86% in fourth quarter

## Outlook

- Significantly reduced export sales and optimisation of regional sales improves EBITDA in 2020
- Strategic review of assets in region will continue

## EBITDA development



- Q3 adjusted for gain from sale of water rights
- Q4 adjusted for gain from sale of water rights and settlement of energy .



# Cash flows in quarter

## Fourth quarter comments

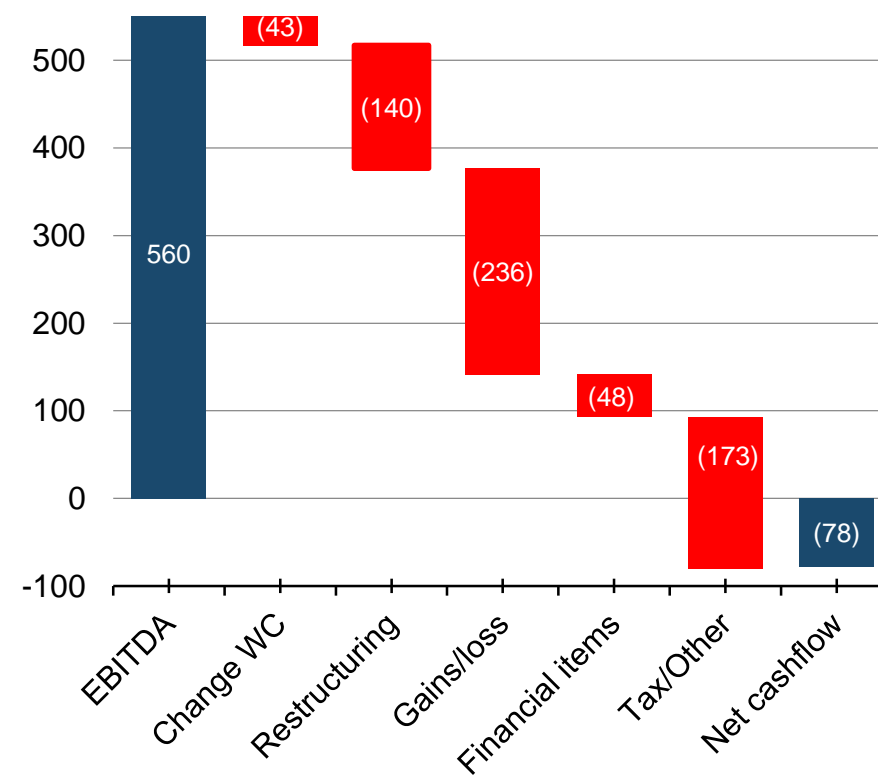
- Cash flow in Q4 impacted negatively by restructuring payments related to Albury and timing of settlement of gains recognised in the quarter
- Underlying release of inventory in the quarter
- High tax payments due to prepayment of tax in France

## Outlook

- Proceeds from sale of Albury to be received in 2020

## Cash flows

NOK million



# Timing of cash flows H1 2020

## Comments

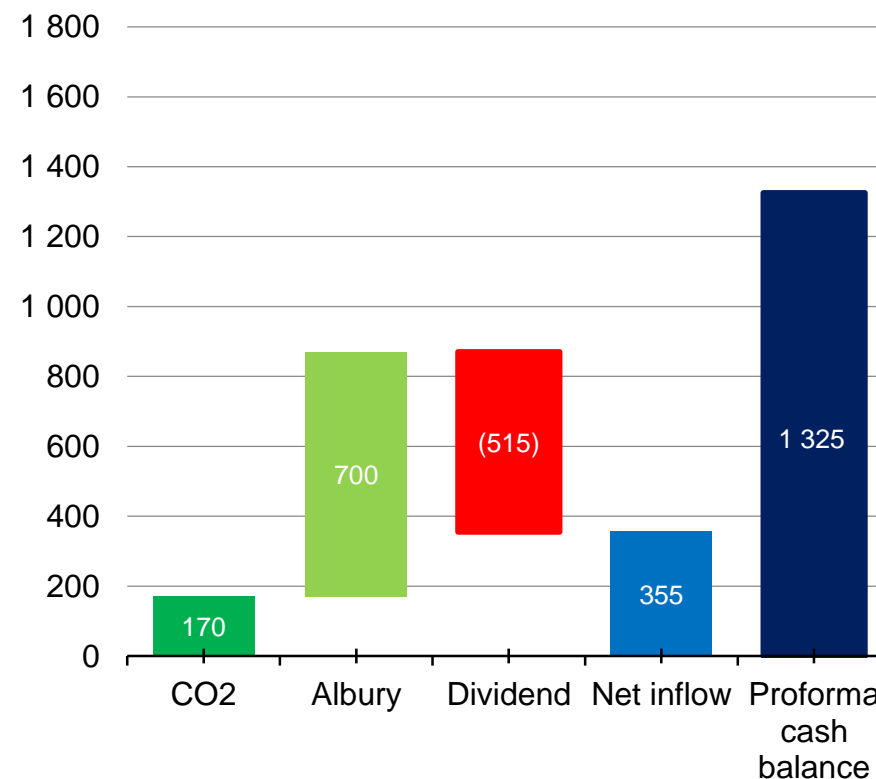
- Inflow of cash in first half 2020 from;
  - CO2 compensation in Norway for 2019
  - Proceeds from sale of assets in Australasia
- Year-end cash balance adjusted by cash items arriving at proforma gross cash balance after proposed dividend
- Settlement of termination of energy contracts received in January

## Outlook

- Available cash for strategic investments and future dividends

## Cash flow

NOK million



# Robust balance sheet

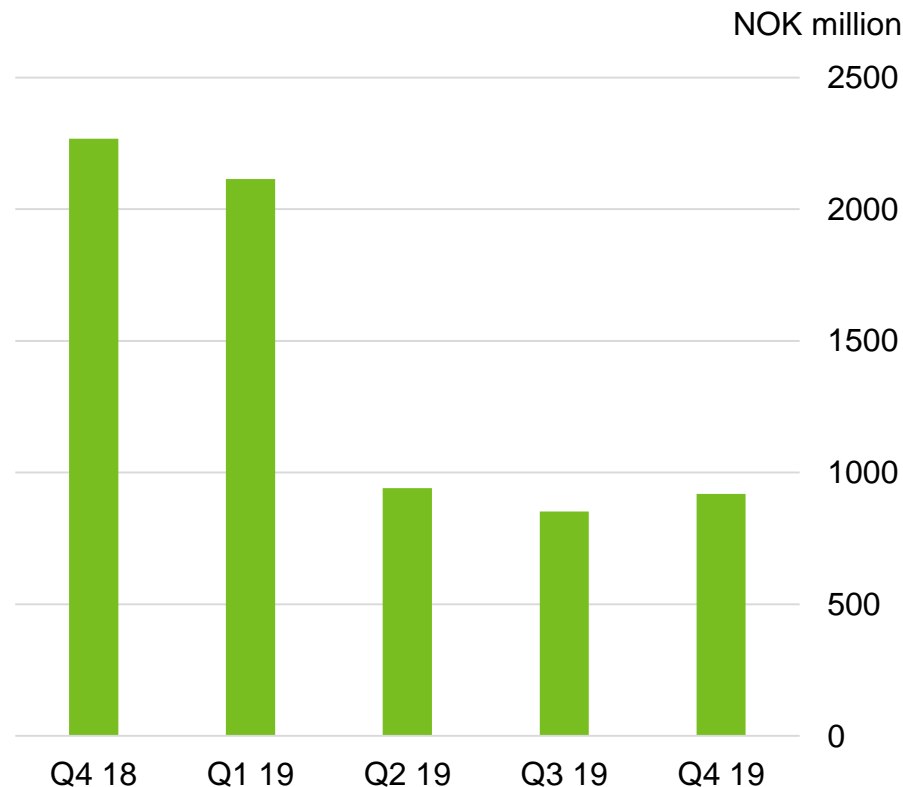
## Fourth quarter comments

- Net-interest bearing debt NOK 919 million
- Impacted by restructuring payments in quarter, reducing cash at year end
- Equity ratio of 54%
- Solid headroom to all covenants

## Outlook

- Balance sheet and cash flow basis for dividend proposal of NOK 6.25

## Net interest-bearing debt



# Outlook



Weak market balance and decrease in prices in Europe

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Reduced input costs partially offsetting impact of price decrease

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Continued challenging operating environment in Australasia, necessitates further optimisation and value realisation

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Strong capital discipline and dividend policy remains

