Norske Skog

Q1 2020 presentation

23 April 2020

www.norskeskog.com

First quarter in brief

EBITDA for the period NOK 379 million, compared to NOK 560 million in the previous quarter

- Includes gain of NOK 62 million related to recycling of translation differences following completion of Albury sale, while fourth quarter includes gain of NOK 236 million

Cash flow from operations NOK 470 million, an increase from NOK -78 million in the previous quarter

- Reflects receipt of CO_2 compensation for 2019 in the quarter
- Proceeds from Albury transactions included in cash flow from investing activities

Loss for the period NOK 374 million, compared to loss of NOK 158 million in the previous quarter

- Impacted by financial items of NOK -433 million, mainly due to unrealised currency loss on debt denominated in other currencies than NOK
- Additional impact of NOK -170 million from derivatives and other fair value adjustments

The Annual General Meeting held 16 April approved dividend of NOK 6.25 per share

- NOK 3.25 per share to be paid on 24 April 2020
- Board of Director's received authority to decide on payment and timing of remaining NOK 3.00 per share

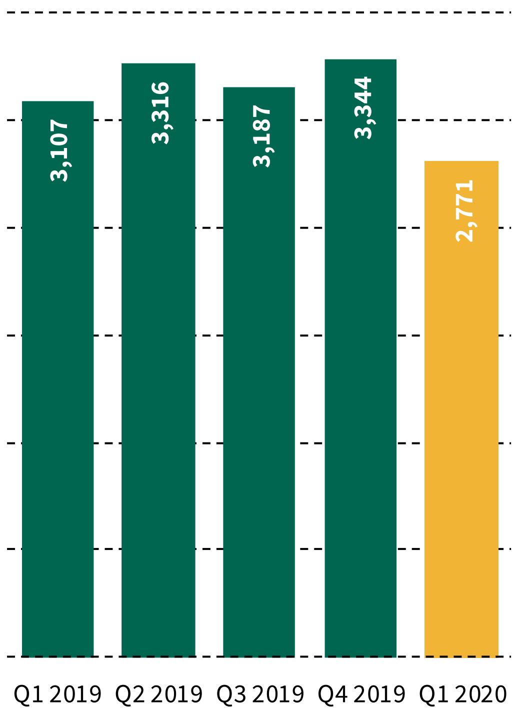
COVID-19 pandemic with significant near-term impact

- Worldwide restriction on movement reduces current demand for publication paper
- Reduced newsprint and catalogue distribution due to domestic lock downs

First quarter in figures

Revenue

NOKm

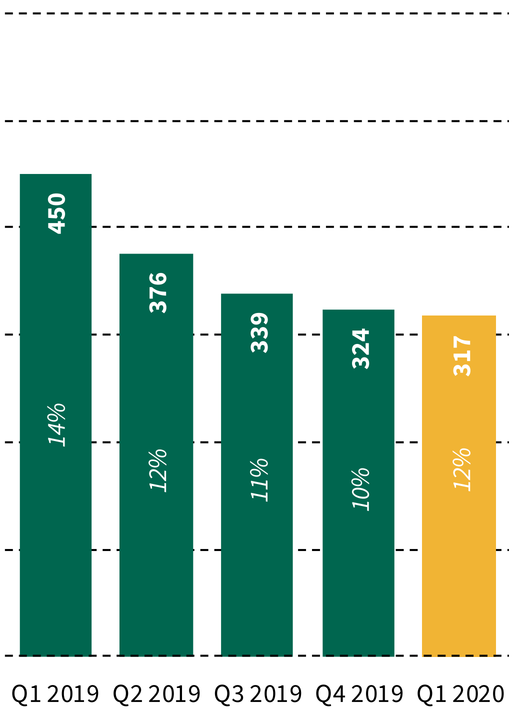


EBITDA

NOKm *(and margin in %)*

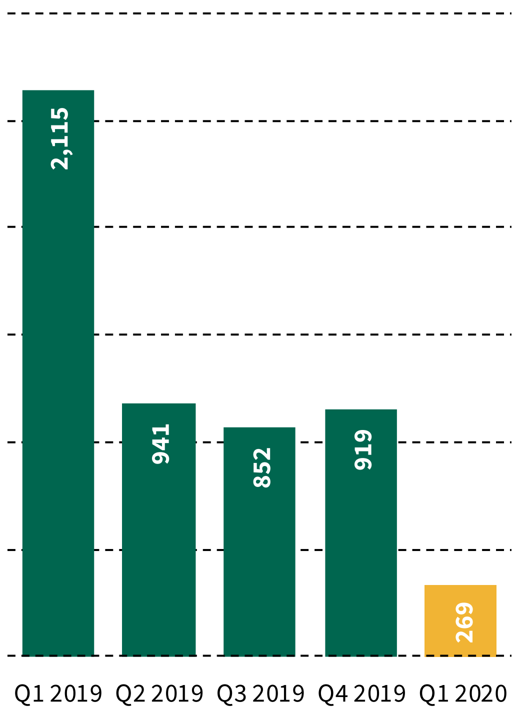
Underlying EBITDA

NOKm *(and margin in %)*



Net interest-bearing debt

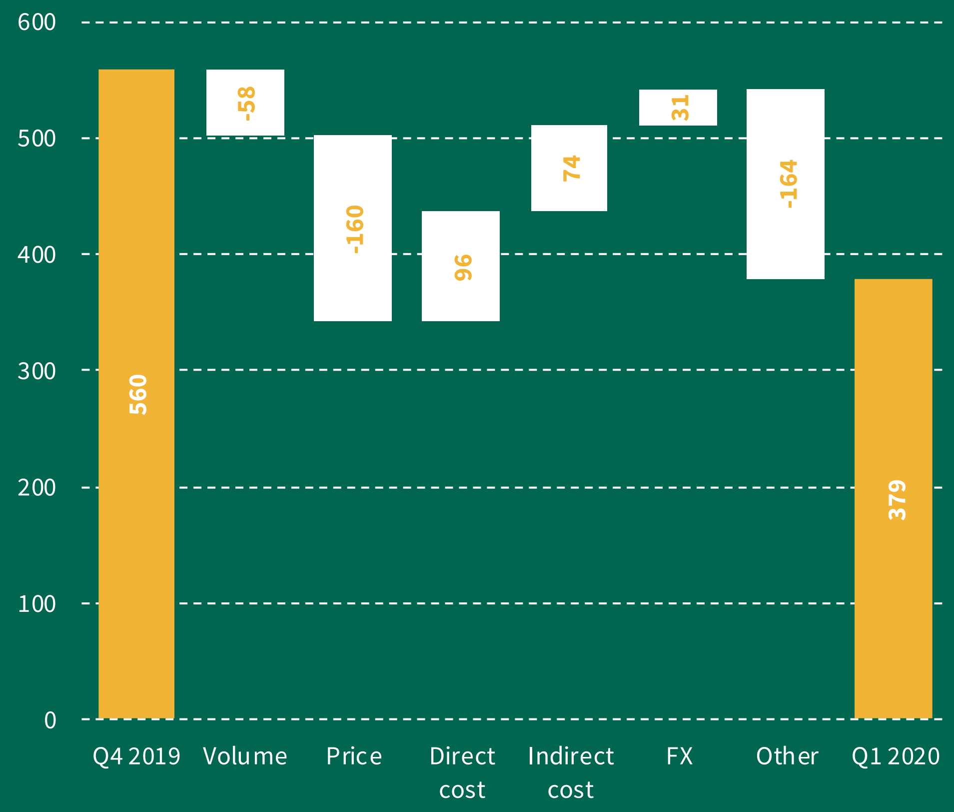
NOKm



Maintaining strong EBITDA

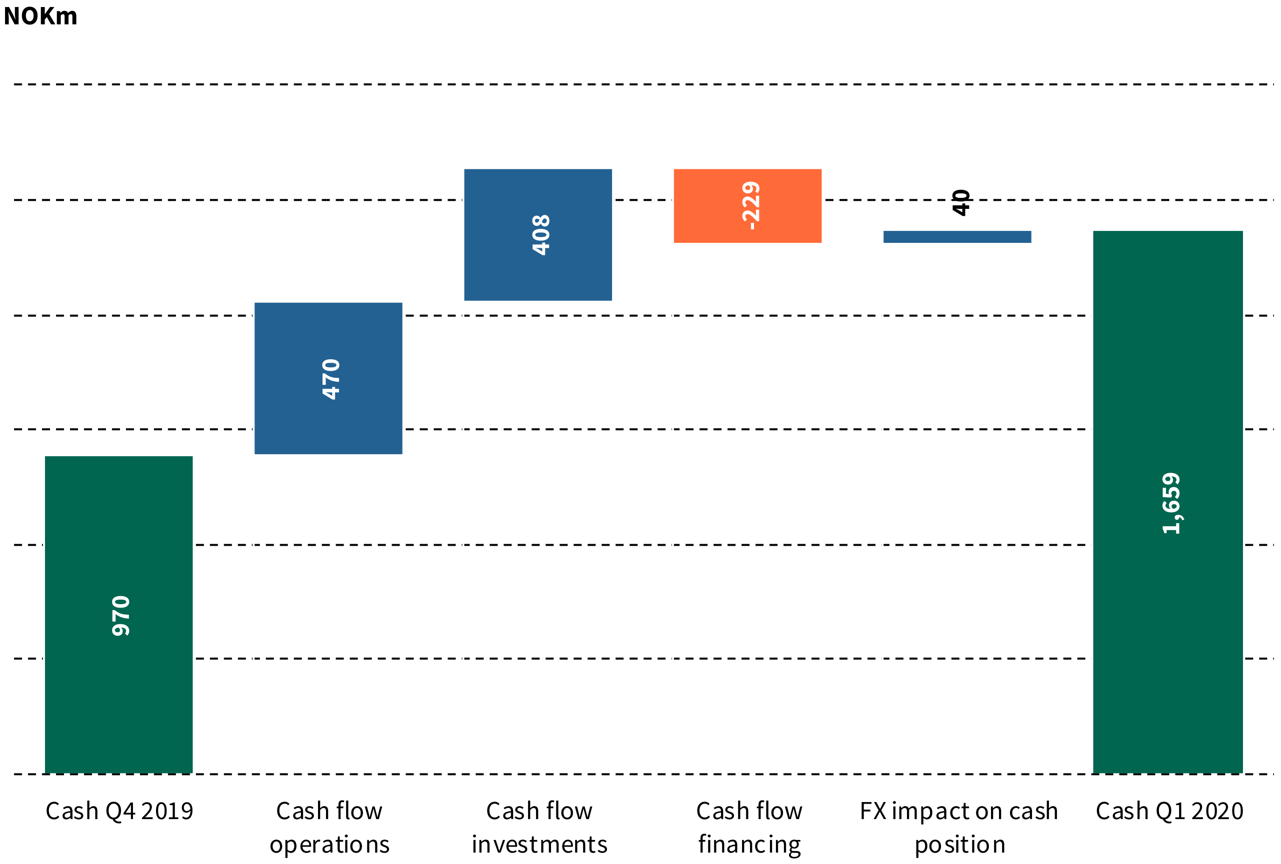
- Lower volumes mainly driven by a weaker market
- Prices declining on average 5-10% in the quarter
- Lower energy and RCP prices reducing direct costs
- Indirect costs lower due to lower labour and other indirect costs
- Favourable FX environment in the quarter
- Other includes sale of emissions allowances and effects relating to the sale of Albury (recycling of translation differences in Q1 2020 and sale of water rights and termination of energy contracts in Q4 2019)

EBITDA bridge Q4 2019 to Q1 2020



Strengthening cash position

Cash and cash equivalents bridge Q4 2019 to Q1 2020

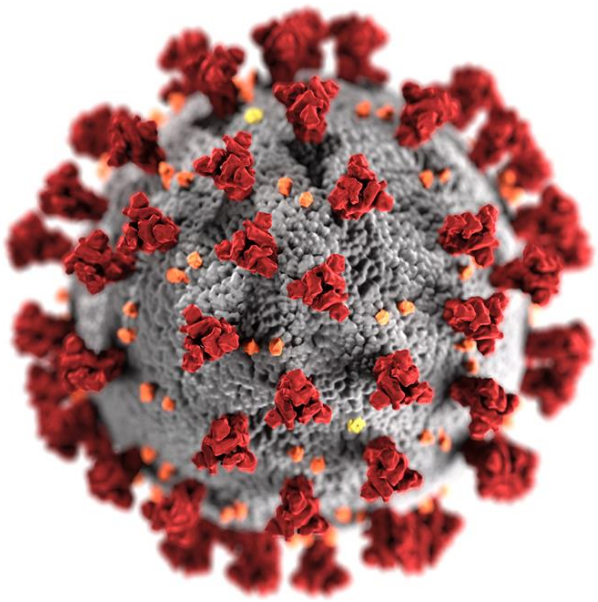


- Cash increase of NOK 689m in Q1 2020
- Cash of NOK 1,659m[1], gross debt of NOK 1,929m, and net debt of NOK 269m end of quarter
- Proceeds of NOK ~700m from Albury sale received
- Emission allowances sold in the quarter
- 2019 CO_2 compensation payment of NOK 170 million for the Norwegian mills received in the quarter
- NOK ~400m from completion of Tasmania forest sale expected Q2 2020
- DPS of NOK 3.25 to be paid 24 April, total payment of NOK 268 million

1) Including restricted cash of NOK 98 million

Operational update regarding COVID-19

- Top priority to ensure health of employees and their families
- Utmost efforts made to maintain production levels in the current circumstances
- General lower demand of all paper grades due to COVID-19 restrictions and its impact on the economy
- Securing sourcing of raw material and delivering of finished goods is of key importance
- Saugbrugs temporarily ceased production at PM4 and PM5 due to demand decline
- Tasman and Nature's Flame ceased production on 13 April, New Zealand easing restrictions on 28 April
- Continue progression of strategic initiatives

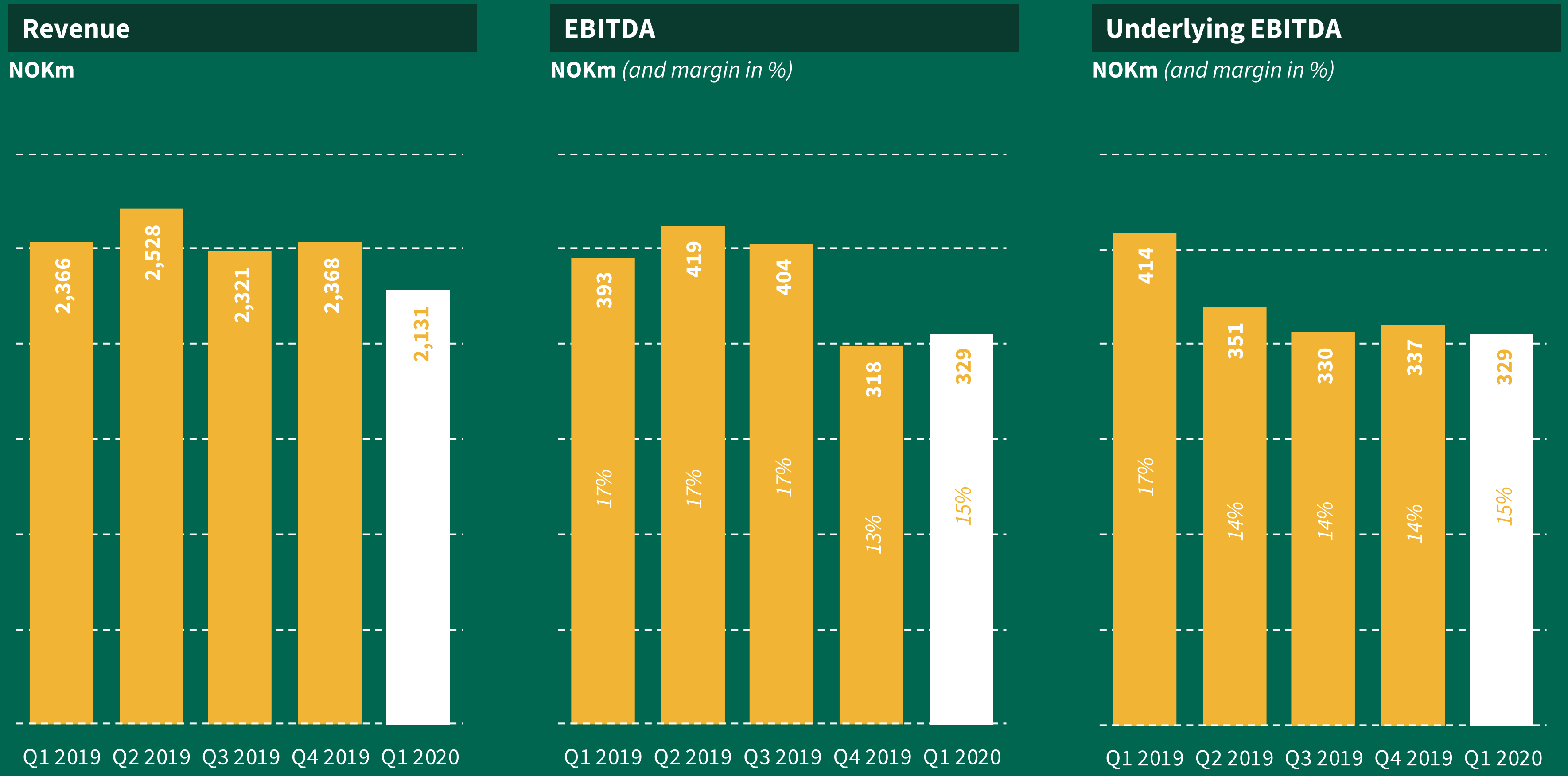


Strategic ambitions

Positive environmental impact a key focus in all strategic decisions

Core business	Improve and optimise cash flow
Conversions	Convert selected paper machines to packaging business
Diversification	Diversify within bioenergy, fibre and biochemicals

Solid quarter in Europe

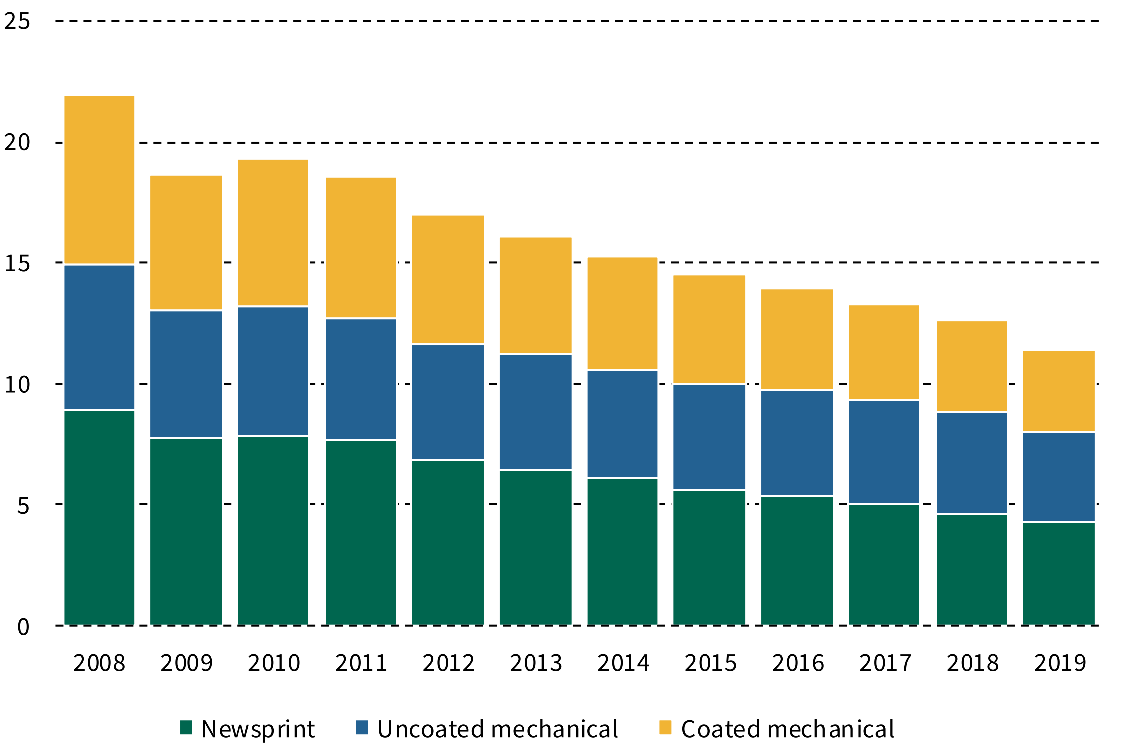


- Prices falling 5-10% during the quarter
- Lower volumes mainly driven by a weaker market
- Positive effect of lower RCP and energy prices
- Favourable currency environment
- Sale of emission allowances

European structural demand decline for publication paper

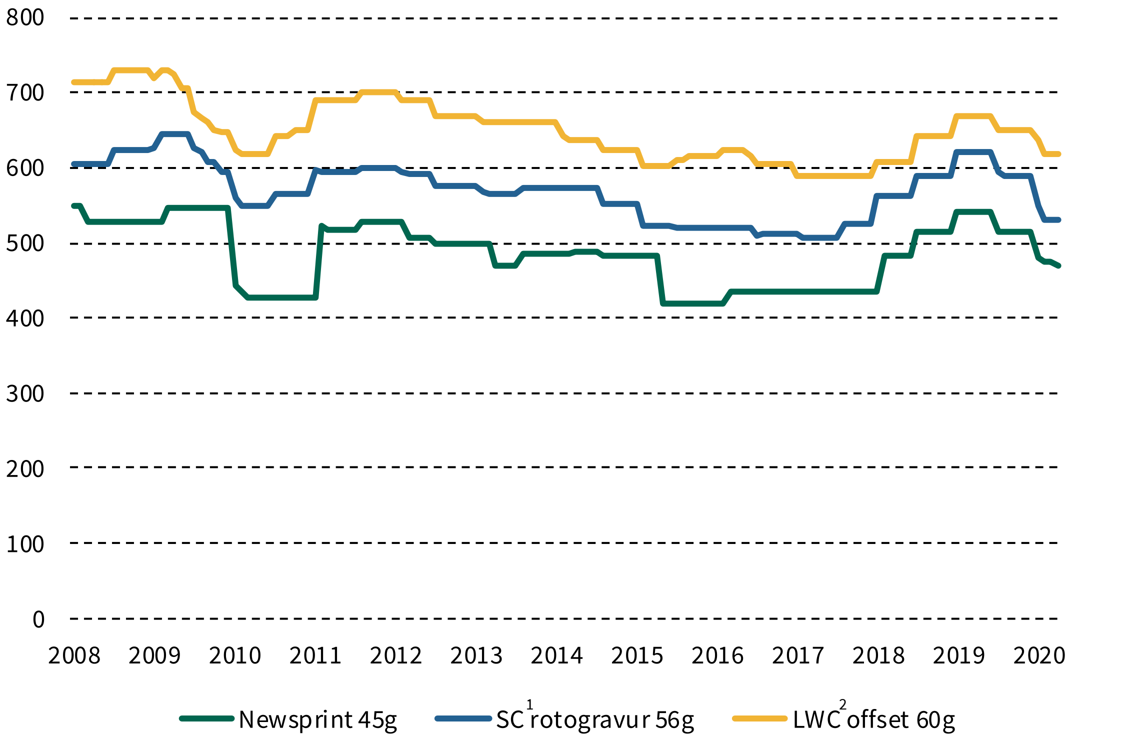
Publication paper demand West Europe

Million tonnes



Publication paper reference prices in Germany

EUR per tonne



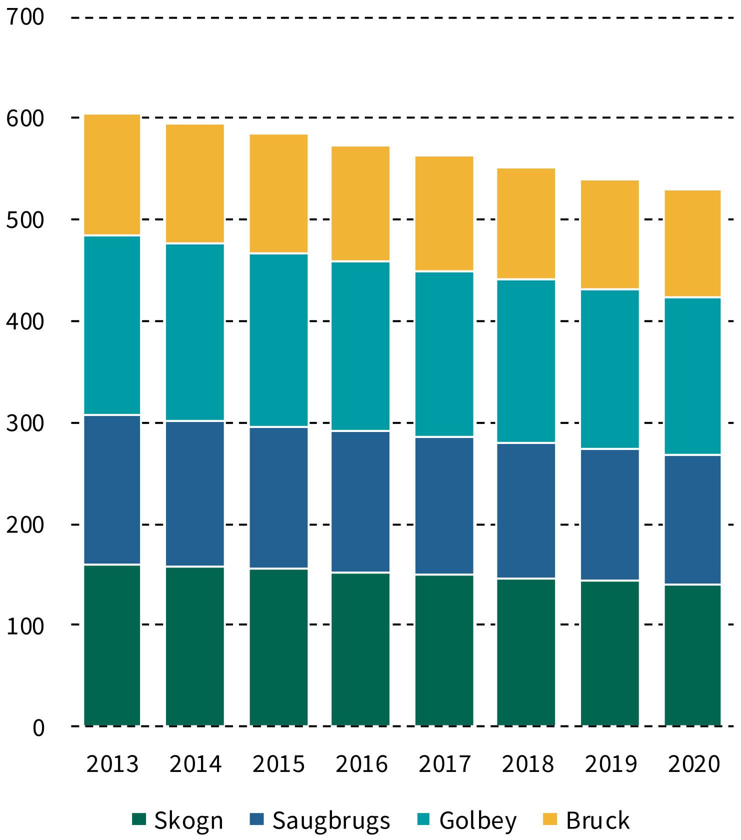
Sources: PPPC, RISI

1) Supercalendered (uncoated mechanical magazine paper grade); 2) Light weight coated (coated mechanical magazine paper grade)

Partial cost offset from carbon leakage initiatives

Total allocated emission allowances

Thousand allowances



Emission allowance price

EUR per allowance

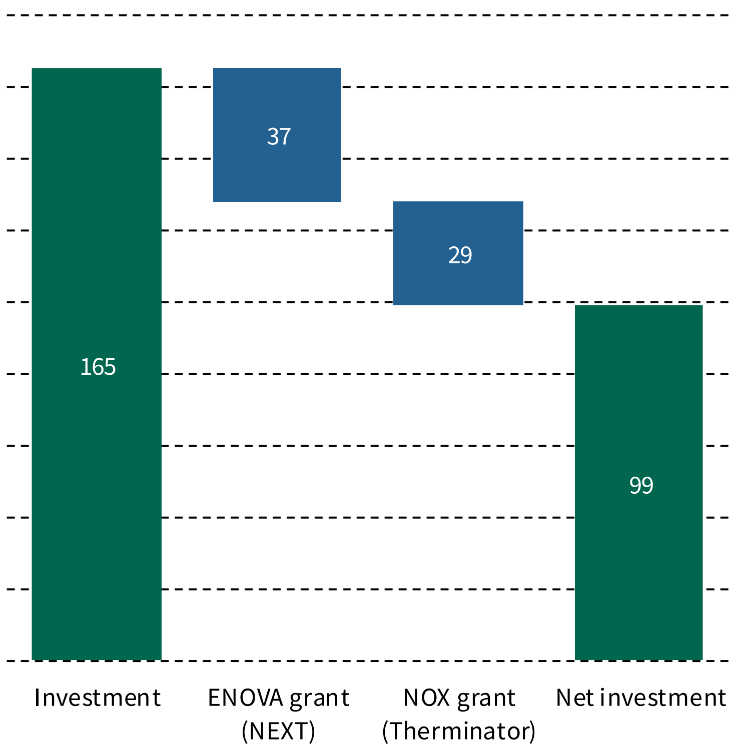
- Publication paper production is considered an industry at risk of carbon leakage
- Norske Skog is allocated allowances at the start of the year and excess allowances not required to cover emissions can be sold in the market
- Bruck is a net buyer of allowances in order to cover own emissions. Skogn, Saugbrugs and Golbey have excess allowances
- Three mills eligible for CO_2 compensation to cover increase in electricity prices resulting from energy producers purchasing allowances
- The fourth phase of the EU Emission Trading System (ETS) will commence in 2021 and last to 2030

Source: EU Commission

Pioneering energy efficiency initiatives at Saugbrugs

Investment in energy initiatives

NOKm



- **NEXT:** Reduce electricity consumption in TMP production by ~90 GWh per year
- **Therminator:** Reduce thermal energy consumption by ~127 GWh per year
- Both initiatives primarily targeting PM6, the largest machine at Saugbrugs
- Further improving the industry-leading environmental profile of Saugbrugs
- Strong support both in the local community and politically
- Demonstrates Norske Skog's ability to reduce costs through innovation

Bruck boiler progressing according to plan

Bruck boiler – Waste to energy plant

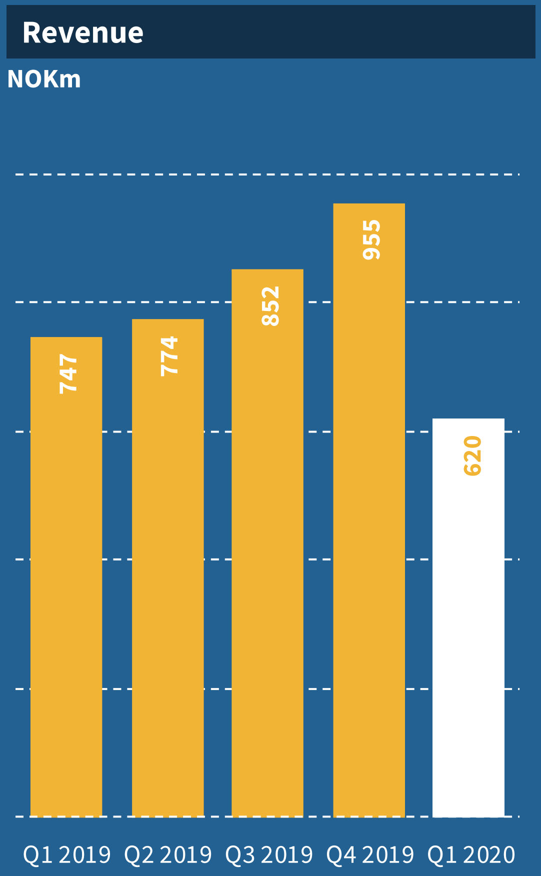
Strategic rationale	▪ Annual revenue and cost savings of EUR ~19m ▪ Local debt funding of EUR 54m, project capex of EUR 72m ▪ 50MW energy to support strategic opportunities
Environmental rationale	▪ Reduce gas consumption by utilising waste material ▪ Fulfils actual and upcoming EU regulations
Timeline	▪ Q2 2019: Final investment decision ▪ Q1 2020: Machine order ▪ Q1 2022: Start-up and take-over ▪ Potential timeline impact from COVID-19

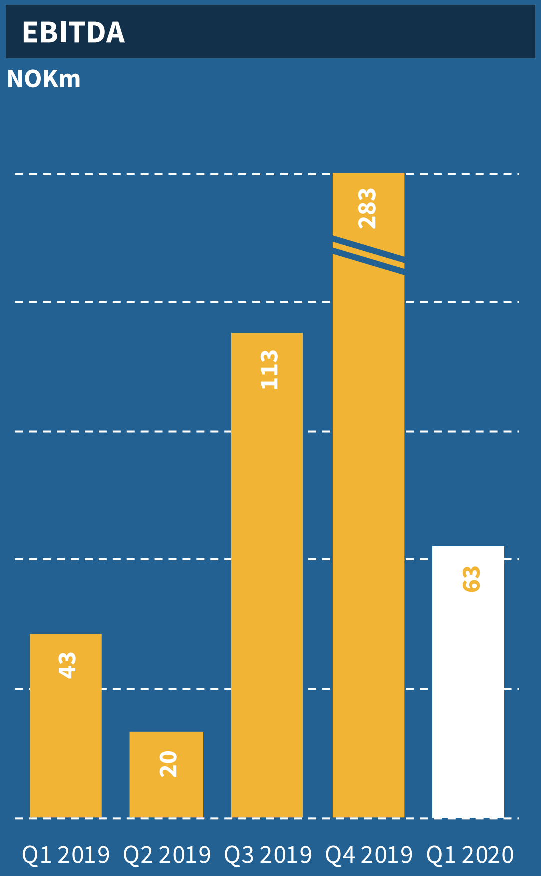
Planned equity minority position in Green Valley Energie

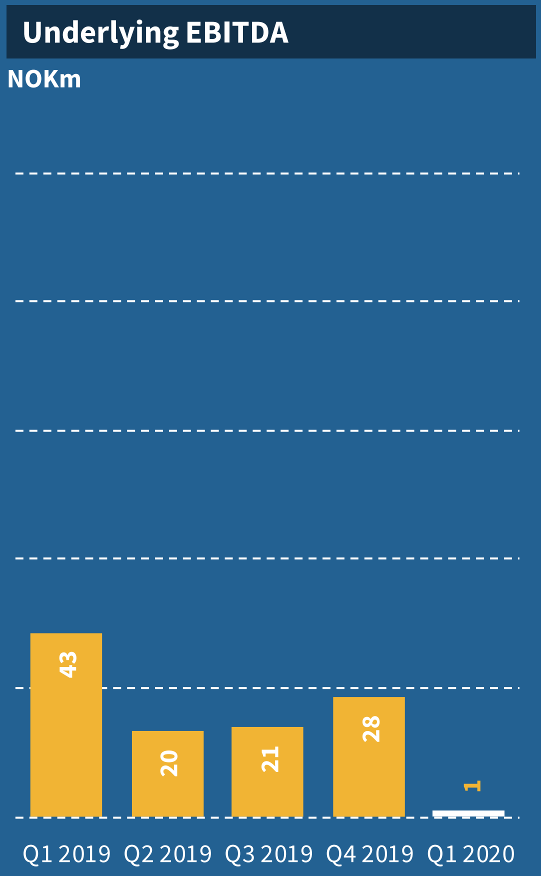
Green Valley Energie – Partnership between Norske Skog Golbey and Véolia

Strategic rationale	▪ Target limited equity cash investment in Green Valley Energie ▪ 70MW bio boiler and steam turbine, support strategic opportunities ▪ Secure cost efficient supply of steam to Golbey
Environmental rationale	▪ Efficient and environmental use of waste wood material ▪ Produce green electricity to the French grid under 20 year agreement ▪ Environmentally friendly disposal of production sludge
Timeline	▪ Q4 2019: GVE successful in winning national tender ▪ H2 2020: Final investment decision ▪ H1 2023: Estimated start-up of the new biomass boiler ▪ Potential timeline impact from COVID-19

Reduced operations in Australasia following Albury sale







- Revenue decline driven by lower volumes following sale of Albury
- Weak price environment, partially offset by majority of volume sold on domestic contracts
- Q4 2019 EBITDA impacted by sale of water rights and termination of energy contracts of NOK 236 million

Streamlining in Australasia

- Annual demand decline of 10-15% and limited profitability despite large share of contracted volumes
- Sale of the Albury mill to Visy providing net cash proceeds of NOK ~700m finalised in Q1 2020
- Sale of forest assets in Tasmania to New Forests[1] for AUD 62.5m (NOK ~400m), cash expected end Q2 2020
- Entered into long-term wood supply agreements as part of sale transaction

Newsprint reference prices in India

EUR per tonne

Source: RISI

1) New Forests is an Australian-based international sustainable forestry investment manager

Pellets capacity successfully increased to 85,000 tonnes

- Nature's Flame, a pellets company fully owned by Norske Skog
- State of the art pellet plant in Taupo, New Zealand
- Annual capacity increased from 35,000 to 85,000 tonnes
- Upgrade capex of NZD ~8m and earnings potential of NZD ~5m
- Pellets produced from sustainably sourced fibre residues and geothermal energy

Norske Skog is a frontrunner in the circular economy

Sustainable
+90% of wood fibres converted to paper in 2019, minimal waste

Certified
Consumed 1.6m tonnes fresh fibre in 2019 of which ~88% was certified

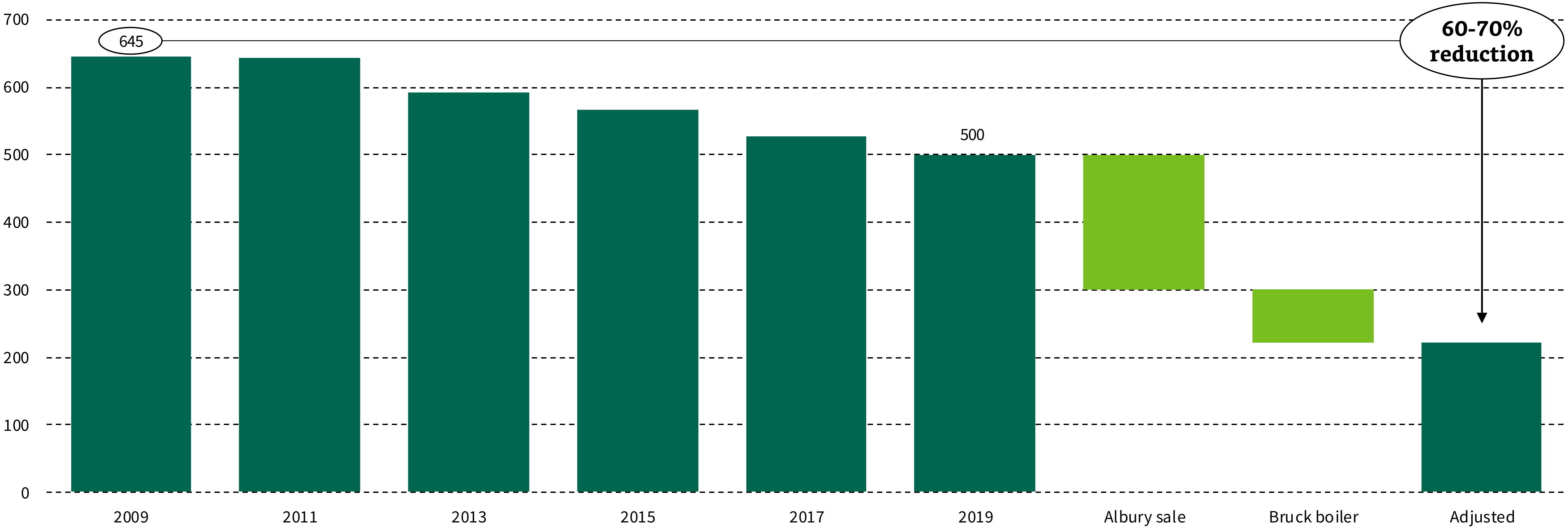
Recycled
Recycled 0.8m tonnes of 2.3m tonnes paper produced in 2019

Recovered
80% of production-related waste used to generate thermal energy

Energy efficient
Comprehensive programmes in place to reduce energy consumption

Significant reduction in CO_2 footprint

Kg CO_2 scope 1 and 2 emissions per tonne paper produced[1]



1) Scope 1 includes direct emissions from stationary fuel combustion, transportation and mobile sources. Scope 2 includes indirect emissions from steam and power imports

Outlook

- Weakened publication paper market balance in April due to national COVID-19 restrictions
- In the short-term, demand may fall beyond the structural decline seen in 2019 and into 2020
- Uncertainty on the supply of raw materials which may lead to temporary closures
- Further operational and liquidity measures could be implemented at future dates
- Norske Skog remains committed to continuing strategic initiatives
  - Ambition to convert assets in Europe and diversify into high growth markets
  - Clarify geographic strategy
  - Maintain a strong balance sheet
  - Dividend target of the company remains unchanged

Norske Skog

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