

- QUARTERLY REPORT
- PRESENTATION
- PRESS RELEASES



## INTRODUCTION

Norske Skog (“the group”) is a world leading producer of publication paper with strong market positions and long-term customer relations in Europe and Australasia. Publication paper includes newsprint and magazine paper. Norske Skog operates a total of six mills in five countries, with an annual production capacity of 2.3 million tonnes. Newsprint and magazine paper is sold through sales offices and agents to over 80 countries. The group also operates a pellets factory in New Zealand with a capacity of 85 000 tonnes. The group has approximately 2 300 employees.

In addition to the traditional publication paper business, new growth initiatives related to conversions to packaging paper, renewable energy, biochemical products and fibre products have been launched.

The parent company, Norske Skog ASA, is incorporated in Norway and has its head office at Skøyen in Oslo. The company is listed on Oslo Stock Exchange with the ticker NSKOG.

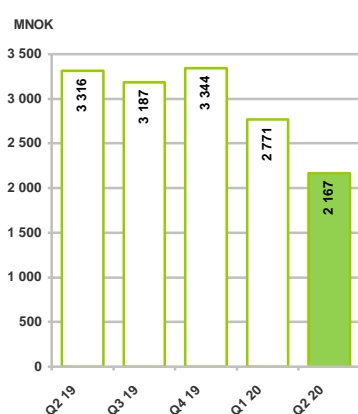
## KEY FIGURES

NOK MILLION (unless otherwise stated)	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
<b>INCOME STATEMENT</b>					
Total operating income	2 167	2 771	3 316	4 938	6 423
EBITDA*	138	379	444	517	873
Operating earnings	-122	90	1 150	-32	1 403
Profit/loss for the period	-59	-374	1 032	-433	1 184
Earnings per share (NOK)**	-0.71	-4.53	12.51	-5.24	14.36
<b>CASH FLOW</b>					
Net cash flow from operating activities	-109	470	225	361	531
Net cash flow from operating activities per share (NOK)**	-1.32	5.70	2.73	4.38	6.43
Net cash flow from investing activities	241	408	-88	649	-180
<b>OPERATING MARGIN AND PROFITABILITY (%)</b>					
EBITDA margin*	6.4	13.7	13.4	10.5	13.6
Return on capital employed (annualised)*	0.8	20.2	26.8	11.1	26.6
<b>PRODUCTION / DELIVERIES / CAPACITY UTILISATION</b>					
Production (1 000 tonnes)	404	503	588	907	1 173
Deliveries (1 000 tonnes)	389	495	591	884	1 140
Production / capacity (%)	69	86	90	78	89

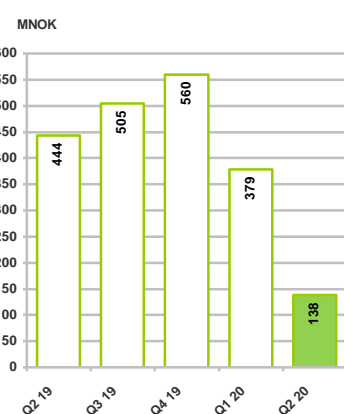
\*As defined in Alternative Performance Measures

\*\*Adjusted for the share split on 18 September 2019 pursuant to which the number of shares was increased from 30 000 to 82 500 000

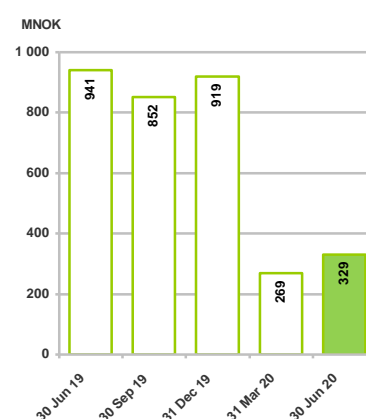
### TOTAL OPERATING INCOME



### EBITDA



### NET INTEREST-BEARING DEBT



NOK MILLION	30 JUN 2020	31 MAR 2020	31 DEC 2019	30 JUN 2019
<b>BALANCE SHEET</b>				
Non-current assets	5 228	5 620	5 248	5 512
Assets held for sale	0	307	631	0
Current assets	4 393	4 705	4 360	3 859
Total assets	9 621	10 633	10 240	9 372
Equity	5 017	5 439	5 493	4 560
Net interest-bearing debt	329	269	919	941

# REPORT OF THE BOARD OF DIRECTORS FOR THE SECOND QUARTER OF 2020

- Weak Q2 2020 EBITDA of NOK 138 million due to COVID-19
  - Restrictions significantly impacting volumes
  - Publication paper prices unchanged in the quarter
  - Includes gain of approximately NOK 86 million from sale of Tasmanian forest
- Announced entry into packaging with conversion projects in Golbey and Bruck
  - First production of containerboard planned in first half of 2023
  - Expected annual EBITDA of EUR 70-80 million from converted machines at full utilisation
- Completion of Tasmanian forest sale
- Maintains robust financial position
  - Cash position of NOK 1 487 million
  - Net interest-bearing debt of NOK 329 million
- Forestry and industry in general have seen limited support from Norwegian authorities
  - Need for re-industrialisation of Norway

## PROFIT/LOSS FOR THE PERIOD

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Operating revenue	2 012	2 585	3 158	4 598	6 154
Other operating income	154	186	158	340	270
<b>Total operating income</b>	<b>2 167</b>	<b>2 771</b>	<b>3 316</b>	<b>4 938</b>	<b>6 423</b>
Distribution costs	-279	-300	-308	-579	-612
Cost of materials	-1 096	-1 403	-1 853	-2 499	-3 540
Fixed cost	-653	-689	-711	-1 343	-1 398
<b>EBITDA</b>	<b>138</b>	<b>379</b>	<b>444</b>	<b>517</b>	<b>873</b>

COVID-19 caused much of the world to close down from March and in the second quarter as restrictions were imposed on a country by country basis impacting movement of people. The demand for publication paper in markets where Norske Skog operates, remained stable through April as customers partly increased their inventory levels in preparation for potential supply chain disruptions. In May and June, the impact of the restrictions translated into a severe demand reduction and Norske Skog had temporary market down-time at almost all of the group's mills in order to adapt to a new and uncertain environment. Throughout the quarter, the health and safety of the group's employees has remained a top priority.

Lower operating revenue in second quarter compared to previous quarter was mainly driven by a reduction in deliveries (sales volume) as a result of COVID-19 restrictions on movement. Publication paper prices have remained stable through the quarter, however an increase in export volumes has reduced the overall achieved price to some extent both in Europe and in the Australasian region.

Other operating income for the second quarter includes a gain of approximately NOK 86 million following the completion of the sale of Tasmanian forest assets to New Forests, an Australian-based international sustainable forestry investment manager.

Cost of materials (mainly fibre and energy) decreased compared to the previous quarter, mostly driven by lower sales volumes. Cost of materials has been unchanged on a per tonne basis in the quarter.

Fixed costs (including employee benefit expenses) decreased compared to the previous quarter due to temporary layoffs at Norske Skog's mills resulting from reduced demand and market downtime at the mills. There have been notable differences in the level of government support between the various countries where Norske Skog operates.

EBITDA decreased quarter-over-quarter mainly due to lower sales volumes in the second quarter.

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Restructuring expenses	-5	-12	-9	-17	-18
Depreciation	-111	-107	-113	-218	-225
Impairments	-193	0	0	-193	0
Derivatives and other fair value adjustments	49	-170	828	-122	773
<b>Operating earnings</b>	<b>-122</b>	<b>90</b>	<b>1 150</b>	<b>-32</b>	<b>1 403</b>

Restructuring expenses recognised in the quarter of NOK 5 million mainly relates to restructuring in Australasian region.

Depreciation of NOK 111 million is slightly above previous quarter.

Demand for publication paper has dropped beyond the historical decline. Although there has been observed some increase in demand, there remains uncertainty on the future demand. Based on current information, Norske Skog has carried out an impairment test and recognised an impairment of NOK 193 million.

Derivatives and other fair value adjustments mainly reflects an increase in mark-to-market valuation of embedded derivatives related to energy contracts in New Zealand as local energy prices increased in the quarter.

Embedded derivatives related to energy contracts in Norway, that are sensitive to change in paper and pulpwood prices as well as currency, had a minor negative change in the quarter.

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Share of profit in associated companies	-16	-4	0	-20	0
Financial items	86	-429	-68	-343	-59
Income taxes	-7	-30	-50	-37	-159
<b>Profit/loss for the period</b>	<b>-59</b>	<b>-374</b>	<b>1 032</b>	<b>-433</b>	<b>1 184</b>

Share of profit in associated companies relates to the changes in the ownership of Circa in June where Norske Skog increased our share to 27.7%.

Financial items were positive by NOK 86 million mainly due to a partial reversal of the unrealised currency loss on debt denominated

in other currencies than NOK from the previous quarter. The reversal was caused by the NOK strengthening considerably in the quarter. Net interest expenses were in line with previous quarter.

Income taxes in the quarter relates to the operations in Golbey and Bruck.

## DIVERSIFICATION BEYOND PUBLICATION PAPER

On 17 June, Norske Skog announced its planned entry into the packaging market with conversion projects at both Golbey and Bruck. The projects involve the conversion of two machines to containerboard production at a total investment cost of approximately EUR 350 million. Production of containerboard is expected to start in first half of 2023, with full utilisation reached by the end of 2025. The converted machines are expected to generate an EBITDA of EUR 70-80 million once at full utilisation.

At the Bruck paper mill, the EUR 72 million investment in a waste-to-energy facility is progressing in accordance with the timetable. In the quarter, Norske Skog placed the order for a 56 MW multifuel boiler with the Finland-based energy and forest industry technology major Valmet. The boiler is expected to start operating in first half of 2022, and will provide additional revenue and cost savings of approximately EUR 19 million annually.

In the quarter, Norske Skog continued to test and develop CEBINA and bio-composites with machine suppliers and customers. In addition, Norske Skog entered into an agreement with the Australia-based Circa Group (an advanced biochemical materials company and the world's only producer of Cyrene™) increasing its share from 10% to become the largest shareholder with a 27.7% stake in the company.

The group has launched several fibre and energy growth initiatives beyond its traditional publication paper business and conversion projects. These initiatives broaden the operations of the group from renewable energy in the form of biogas, wood pellets, biochemicals and bio-composites. These initiatives are at various stages of the development cycle, ranging from early-phase research to final stages of commercialisation. By 2023, the group expects approximately 25% of its EBITDA to be generated from these non-paper growth initiatives.

## SEGMENT INFORMATION

### PUBLICATION PAPER EUROPE

NOK MILLION (unless otherwise stated)	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Total operating income	1 655	2 131	2 528	3 786	4 895
<b>EBITDA</b>	<b>75</b>	<b>329</b>	<b>419</b>	<b>404</b>	<b>811</b>
EBITDA margin (%)	4.5	15.4	16.6	10.7	16.6
Return on capital employed (%) (annualised)	-2.5	19.6	32.7	8.9	31.2
Production (1 000 tonnes)	334	411	433	745	878
Deliveries (1 000 tonnes)	322	396	441	718	857
Production / capacity (%)	70	86	90	78	91

The segment consists of Norske Skog's European operations in the publication paper market with mills in Norway, France and Austria. Annual production capacity is 1.9 million tonnes.

Operating income decreased from the previous quarter due to lower sales volumes mainly caused by COVID-19 restrictions. Publication paper prices remained stable through the quarter, with minor negative impact from increased export volumes to low price markets.

Cost of material decreased due to lower sales volumes, with raw material prices remaining stable in the quarter. Fixed costs were lower compared to the previous quarter caused by temporary layoffs at all the European mills as a result of reduced demand necessitating market downtime in the quarter. There have been notable differences in the support from national authorities in the group's effort to maintain future operations and secure jobs.

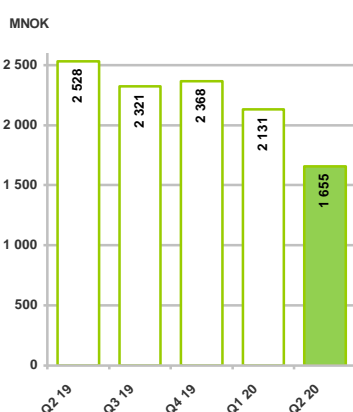
In second quarter, the European operations has received governmental support of approximately NOK 18 million mainly in relation to employees. There has also been provided support in the form of deferred payments of public taxes and duties of approximately NOK 100 million.

EBITDA was down from the previous quarter, mainly due to lower sales volumes. In addition, the previous quarter included sale of CO2 emission allowances.

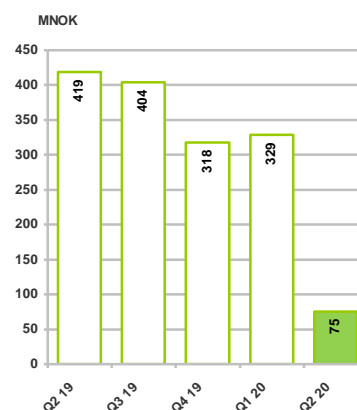
Demand for newsprint in Europe decreased by 21% through May this year compared to the same period last year. Magazine paper demand declined with Super Calendered paper decreasing 15% and Lightweight Coated paper decreasing 21%. (Source: Eurograph).

Capacity utilisation was 70% in the period.

**EUROPE  
TOTAL OPERATING INCOME**



**EUROPE  
EBITDA**



### PUBLICATION PAPER AUSTRALASIA

NOK MILLION (unless otherwise stated)	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Total operating income	513	620	774	1 133	1 521
<b>EBITDA</b>	<b>63</b>	<b>63</b>	<b>20</b>	<b>126</b>	<b>63</b>
EBITDA margin (%)	12.3	10.2	2.6	11.1	4.1
Return on capital employed (%) (annualised)	143.8	44.6	-2.7	91.6	2.9
Production (1 000 tonnes)	70	92	155	162	294
Deliveries (1 000 tonnes)	67	99	149	167	283
Production / capacity (%)	65	85	89	75	84

The segment consists of Norske Skog's operations in Australasia with mills in Australia and New Zealand. The annual production capacity is 0.4 million tonnes.

Operating income decreased from the previous quarter due to lower sales volumes as a result of COVID-19 restrictions reducing demand. In addition, following a quarter with limited export volumes to low

priced Asian markets (as a result of lower production volumes following the sale of the Albury mill in December 2019), Norske Skog increased its exports to Asian markets in the second quarter as consequence of domestic drop in demand.

Total operating income includes a gain of NOK 86 million from the sale of Tasmanian forest assets in the second quarter, compared to a gain of NOK 62 million in the first quarter gain from recycling of translation difference following the completion of the sale of Albury.

Cost of materials decreased in the quarter as a result of lower sales volumes caused by COVID-19 restrictions. Fixed cost were down in the quarter due to temporary layoffs at both mills in the region. Fixed costs were also down on a per tonne basis, partly due to support from national authorities in the region.

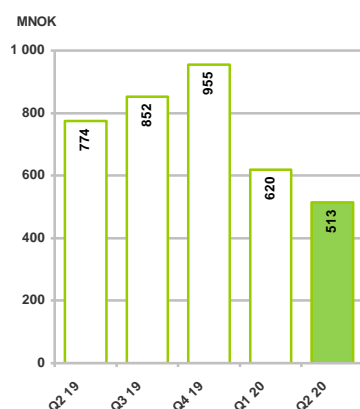
In second quarter the Australasian operations has received governmental support of approximately NOK 10 million mainly in relation to employees.

EBITDA was in line with previous quarter, but included a gain of NOK 86 million, offsetting the negative impact of lower sales volumes as a result of drop in domestic demand and increased exports to lower margin Asian markets.

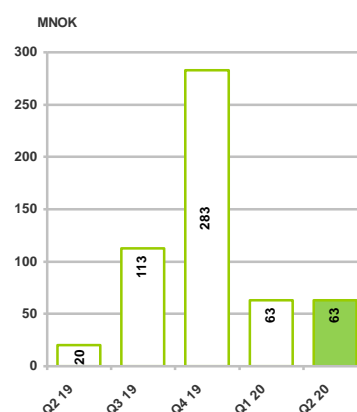
Demand for newsprint in Australasia declined by 24% through June this year compared to the same period last year. Demand for magazine paper decreased by 19% through May. (Source: official statistics).

Capacity utilisation was 65% in the period.

### AUSTRALASIA TOTAL OPERATING INCOME



### AUSTRALASIA EBITDA



## OTHER ACTIVITIES

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Total operating income	38	48	44	86	78
EBITDA	0	-13	5	-14	-1

Operating income in other activities mainly consist of non-paper related operations which currently includes pellets and biogas. In addition, other activities also include unallocated headquarter costs. The unallocated headquarter costs are estimated to be approximately

NOK 40 million per annum, but are not uniformly distributed throughout the quarters of the year.

## CASH FLOW

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
EBITDA	138	379	444	517	873
Change in working capital	12	222	35	234	-40
Restructuring payments	-21	-6	-13	-27	-17
Gains and losses from divestments	-92	-62	-89	-153	-89
Net financial items	-52	-65	-50	-117	-69
Taxes paid	-81	17	-91	-64	-92
Other items	-13	-14	-11	-27	-34
<b>Net cash flow from operating activities</b>	<b>-109</b>	<b>470</b>	<b>225</b>	<b>361</b>	<b>531</b>
<b>Purchases of property, plant and equipment and intangible assets</b>	<b>-128</b>	<b>-100</b>	<b>-78</b>	<b>-228</b>	<b>-154</b>
-whereof maintenance capex	-62	-42	-67	-103	-118

Net cash flow from operating activities was negative NOK 109 million.

Restructuring relates to payments of redundancy and other restructuring costs relating to closure of the Albury mill and

restructuring in Australasia. Taxes paid in the quarter mainly relate to Golbey.

Gains from divestments relates mainly to the sale of the Tasmanian forest with NOK 86 million.

## BALANCE SHEET

NOK MILLION	30 JUN 2020	31 MAR 2020	31 DEC 2019	30 JUN 2019
Non-current assets	5 228	5 620	5 248	5 512
Assets held for sale	0	307	631	0
<b>Cash and cash equivalents</b>	<b>1 487</b>	<b>1 659</b>	<b>970</b>	<b>861</b>
Inventories, trade and other receivables and other current assets	2 906	3 046	3 390	2 998
Total assets	9 621	10 633	10 240	9 372
<b>Equity</b>	<b>5 017</b>	<b>5 439</b>	<b>5 493</b>	<b>4 560</b>
Non-current liabilities	2 611	2 730	2 393	2 403
Current liabilities	1 993	2 464	2 354	2 409
<b>Net interest-bearing debt</b>	<b>329</b>	<b>269</b>	<b>919</b>	<b>941</b>

Total assets decreased in the second quarter mainly due impairment of NOK 193 million on the group's mills and impact from translation due to strengthening of the NOK in the quarter. These effects were partly offset by investment in the multifuel boiler in Bruck and the energy efficiency projects in Saugbrugs.

Assets held for sale reduced to zero from NOK 307 million following the completion of the sale of the Tasmanian forest.

Cash and cash equivalents decreased by NOK 172 million to NOK 1 487 million at quarter end. The change is mainly due to a combination of outflow from operations and investments and inflow of proceeds from the sale of the Tasmanian forest. The dividend of NOK 3.25 per share was paid in the quarter.

Non-current and current liabilities were mainly impacted in the quarter by currency impact on liabilities denominated in other currencies than NOK, and the first draw-down on the Bruck boiler debt facility of EUR 2.5 million.

Net interest-bearing debt increased from NOK 269 million to NOK 329 million in the quarter.

## OUTLOOK

The continued softening of the national restrictions caused by the global coronavirus pandemic, is expected to have a positive effect on the demand for publication paper as the retail trade in general will increase. The closure of several printed publications globally may indicate that at least part of the demand for publication paper will not return to the market. The market uncertainty and low capacity utilization may have a negative impact on sales prices in the short run. However, lower sales prices in the second half of 2020 will to some degree be offset by a decrease in input costs from energy, pulpwood and recovered paper.

The group will continuously monitor and evaluate the impact of the corona situation on the company's operations and business outlook. The health and safety of the group's employees are top priority under the circumstances. Further operational as well as long-term structural measures could be implemented at future dates.

In light of these unprecedented and challenging circumstances, Norske Skog remains committed to become a leading European producer of renewable packaging, improve and optimise publication paper cash flows, and diversify and innovate within fibre and energy.

SKØYEN, 15 JULY 2020  
THE BOARD OF DIRECTORS OF NORSKE SKOG ASA



John Chiang  
Chair



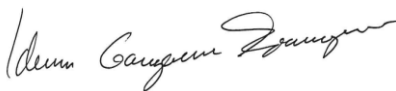
Arvid Grundekjøn  
Board member



Anneli Finsrud Nesteng  
Board member



Trine-Marie Hagen  
Board member



Idunn Gangaune Finnanger  
Board member



Svein Erik Veie  
Board member



Paul Kristiansen  
Board member



Sven Ombudstvedt  
CEO



## INTERIM FINANCIAL STATEMENTS, SECOND QUARTER OF 2020

### CONDENSED CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Operating revenue		2 012	2 585	3 158	4 598	6 154
Other operating income		154	186	158	340	270
<b>Total operating income</b>	5	<b>2 167</b>	<b>2 771</b>	<b>3 316</b>	<b>4 938</b>	<b>6 423</b>
Distribution costs		-279	-300	-308	-579	-612
Cost of materials		-1 096	-1 403	-1 853	-2 499	-3 540
Employee benefit expenses		-441	-462	-476	-903	-932
Other operating expenses		-212	-227	-235	-439	-466
Restructuring expenses		-5	-12	-9	-17	-18
Depreciation	4	-111	-107	-113	-218	-225
Impairments	4	-193	0	0	-193	0
Derivatives and other fair value adjustments	7	49	-170	828	-122	773
<b>Operating earnings</b>		<b>-122</b>	<b>90</b>	<b>1 150</b>	<b>-32</b>	<b>1 403</b>
Share of profit in associated companies		-16	-4	0	-20	0
Financial items	6	86	-429	-68	-343	-59
<b>Profit/loss before income taxes</b>		<b>-52</b>	<b>-343</b>	<b>1 082</b>	<b>-395</b>	<b>1 343</b>
Income taxes		-7	-30	-50	-37	-159
<b>Profit/loss for the period</b>		<b>-59</b>	<b>-374</b>	<b>1 032</b>	<b>-433</b>	<b>1 184</b>
Basic earnings per share (NOK)		-0.71	-4.53	12.51	-5.24	14.36
Diluted earnings per share (NOK)		-0.71	-4.53	12.51	-5.24	14.36

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
<b>Profit/loss for the period</b>	<b>-59</b>	<b>-374</b>	<b>1 032</b>	<b>-433</b>	<b>1 184</b>
<b>Items that may be reclassified subsequently to profit or loss</b>					
Currency translation differences	-95	386	-28	291	-90
Tax expense on translation differences	0	-4	0	-4	0
Reclassified translation differences upon divestment of foreign operations	0	-62	0	-62	0
<b>Total</b>	<b>-95</b>	<b>320</b>	<b>-28</b>	<b>225</b>	<b>-90</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Remeasurements of post-employment benefit obligations	0	0	0	0	0
Tax effect on remeasurements of employment benefit obligations	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other comprehensive income for the period</b>	<b>-95</b>	<b>320</b>	<b>-28</b>	<b>225</b>	<b>-90</b>
<b>Total comprehensive income for the period</b>	<b>-154</b>	<b>-53</b>	<b>1 004</b>	<b>-208</b>	<b>1 094</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	30 JUN 2020	31 MAR 2020	31 DEC 2019	30 JUN 2019
Deferred tax asset		137	137	137	64
Intangible assets	4	35	92	38	26
Property, plant and equipment	4	3 748	4 034	3 685	4 459
Investments in associated companies		64	1	1	1
Other non-current assets	7	1 244	1 356	1 387	962
<b>Total non-current assets</b>		<b>5 228</b>	<b>5 620</b>	<b>5 248</b>	<b>5 512</b>
<b>Assets held for sale</b>	4	<b>0</b>	<b>307</b>	<b>631</b>	<b>0</b>
Inventories		1 492	1 410	1 427	1 547
Trade and other receivables		990	1 329	1 573	1 227
Cash and cash equivalents		1 487	1 659	970	861
Other current assets	7	424	307	390	224
<b>Total current assets</b>		<b>4 393</b>	<b>4 705</b>	<b>4 360</b>	<b>3 859</b>
<b>Total assets</b>		<b>9 621</b>	<b>10 633</b>	<b>10 240</b>	<b>9 372</b>
Paid-in equity	8	8 510	8 510	8 510	8 510
Retained earnings		-3 494	-3 071	-3 018	-3 950
<b>Total equity</b>		<b>5 017</b>	<b>5 439</b>	<b>5 493</b>	<b>4 560</b>
Pension obligations		323	342	295	260
Deferred tax liability		338	364	316	326
Interest-bearing non-current liabilities	6	1 612	1 667	1 470	1 473
Other non-current liabilities	7	338	358	312	343
<b>Total non-current liabilities</b>		<b>2 611</b>	<b>2 730</b>	<b>2 393</b>	<b>2 403</b>
Interest-bearing current liabilities	6	204	262	419	329
Trade and other payables		1 528	1 802	1 685	1 796
Tax payable		56	131	62	144
Other current liabilities	7	205	269	188	140
<b>Total current liabilities</b>		<b>1 993</b>	<b>2 464</b>	<b>2 354</b>	<b>2 409</b>
<b>Total liabilities</b>		<b>4 605</b>	<b>5 194</b>	<b>4 747</b>	<b>4 811</b>
<b>Total equity and liabilities</b>		<b>9 621</b>	<b>10 633</b>	<b>10 240</b>	<b>9 372</b>

SKØYEN, 15 JULY 2020  
THE BOARD OF DIRECTORS OF NORSKE SKOG ASA



John Chiang  
Chair



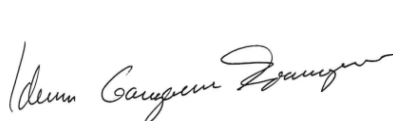
Arvid Grundekjøn  
Board member



Anneli Finsrud Nesteng  
Board member



Trine-Marie Hagen  
Board member



Idunn Gangaune Finnanger  
Board member



Svein Erik Veie  
Board member



Paul Kristiansen  
Board member



Sven Ombudstvedt  
CEO

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Cash generated from operations	2 384	2 871	3 312	5 255	6 577
Cash used in operations	-2 360	-2 352	-2 946	-4 713	-5 885
Cash flow from currency hedges and financial items	-28	-39	-9	-67	-16
Interest payments received	3	4	2	7	5
Interest payments made	-26	-30	-43	-56	-58
Taxes paid	-81	17	-91	-64	-92
<b>Net cash flow from operating activities <sup>1)</sup></b>	<b>-109</b>	<b>470</b>	<b>225</b>	<b>361</b>	<b>531</b>
Purchases of property, plant and equipment and intangible assets	-128	-100	-78	-228	-154
Sales of property, plant and equipment and intangible assets	374	559	0	933	0
Purchase of shares in companies and other financial payments	-19	-50	-15	-70	-30
Sales of shares in companies and other financial instruments	14	0	4	14	4
<b>Net cash flow from investing activities</b>	<b>241</b>	<b>408</b>	<b>-88</b>	<b>649</b>	<b>-180</b>
New loans raised	53	255	1 261	307	1 287
Repayments of loans	-82	-484	-1 166	-566	-1 667
Dividends paid	-268	0	0	-268	
<b>Net cash flow from financing activities</b>	<b>-297</b>	<b>-230</b>	<b>95</b>	<b>-527</b>	<b>-379</b>
Foreign currency effects on cash and cash equivalents	-6	40	-9	34	-23
<b>Total change in cash and cash equivalents</b>	<b>-172</b>	<b>689</b>	<b>223</b>	<b>517</b>	<b>-51</b>
<b>Cash and cash equivalents at start of period</b>	<b>1 659</b>	<b>970</b>	<b>638</b>	<b>970</b>	<b>912</b>
<b>Cash and cash equivalents at end of period</b>	<b>1 487</b>	<b>1 659</b>	<b>861</b>	<b>1 487</b>	<b>861</b>
<b><sup>1)</sup> Reconciliation of net cash flow from operating activities</b>					
Profit/loss before income taxes	-52	-343	1 082	-395	1 343
Change in working capital	12	222	35	234	-40
Change in restructuring provisions	-16	6	-3	-10	1
Depreciation and impairments	304	107	113	410	225
Derivatives and other fair value adjustments	-58	155	-829	96	-793
Gain and losses from divestment	-92	-62	-89	-153	-89
Net financial items without cash effect	-121	368	18	246	-10
Taxes paid	-81	17	-91	-64	-92
Change in pension obligations and other employee benefits	-3	2	-4	-1	-7
Adjustment for other items	0	0	-7	0	-7
<b>Net cash flow from operating activities</b>	<b>-109</b>	<b>470</b>	<b>225</b>	<b>361</b>	<b>531</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	Paid-in equity	Other paid-in equity	Retained earnings	Total equity
<b>Equity 1 January 2019</b>	<b>5 160</b>	<b>2 249</b>	<b>-5 044</b>	<b>2 365</b>
Profit/loss for the period	0	0	153	153
Other comprehensive income for the period	0	0	-62	-62
<b>Equity 31 March 2019</b>	<b>5 160</b>	<b>2 249</b>	<b>-4 953</b>	<b>2 456</b>
Profit/loss for the period	0	0	1 032	1 032
Increase share capital	1 102	0	0	1 102
Other comprehensive income for the period	0	0	-28	-28
<b>Equity 30 June 2019</b>	<b>6 261</b>	<b>2 249</b>	<b>-3 950</b>	<b>4 560</b>
Profit/loss for the period	0	0	859	859
Other comprehensive income for the period	0	0	72	72
<b>Equity 31 December 2019</b>	<b>6 261</b>	<b>2 249</b>	<b>-3 018</b>	<b>5 493</b>
Profit/loss for the period	0	0	-374	-374
Other comprehensive income for the period	0	0	320	320
<b>Equity 31 March 2020</b>	<b>6 261</b>	<b>2 249</b>	<b>-3 071</b>	<b>5 439</b>
Profit/loss for the period	0	0	-59	-59
Other comprehensive income for the period	0	0	-95	-95
Dividends paid	0	0	-268	-268
<b>Equity 30 June 2020</b>	<b>6 261</b>	<b>2 249</b>	<b>-3 494</b>	<b>5 017</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Norske Skog ASA ("the company") and its subsidiaries ("the group" or "Norske Skog") produce, distribute and sell publication paper. This includes newsprint and magazine paper.

All amounts in the interim financial statements are presented in NOK million unless otherwise stated. Due to rounding, there may be differences in the summation of columns and rows.

The table below shows the applied average (un-weighted monthly) foreign exchange rates per quarters and the closing exchange rate at month ends for the most important currencies for the group.

	Q2 2020	Q1 2020	30 JUN 2020	31 MAR 2020	31 DEC 2019
AUD	6.57	6.23	6.68	6.41	6.17
EUR	11.02	10.46	10.91	11.51	9.86
GBP	12.43	12.12	11.96	12.98	11.59
NZD	6.18	6.01	6.24	6.25	5.92
USD	10.02	9.49	9.74	10.51	8.78

## 2. ACCOUNTING POLICIES

The interim financial statements of Norske Skog have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not include all information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements for 2019. The interim financial statements are unaudited.

The accounting policies applied in the preparation of the interim financial statements are consistent with those applied in the

preparation of the annual financial statements for the year ended 31 December 2019, except for the adaptation of amended standards and new interpretations, which are mandatory from 1 January 2020. These changes are described in the annual financial statements for 2019.

The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet mandatory.

## 3. ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

Preparation of interim financial statements in accordance with IFRS implies use of estimates, which are based on judgements and assumptions that affect the application of accounting principles and the reported amounts of assets, liabilities, revenues and expenses. Actual amounts might differ from such estimates.

### *Estimated decline in value of property, plant and equipment, and investments in associated companies*

Property, plant and equipment are tested for possible impairment charges whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A prolonged decrease in prices or demand beyond the historical level could be an indicator of impairment and an impairment test will be prepared. The recoverable amount is the higher of an asset's fair value less sales costs or its value in use. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit. The key drivers of profitability in the industry and thus asset values for Norske Skog are product prices relative to production costs. Contracted prices/costs are reflected when applicable. Given the demand decline beyond the historical level there has been carried out an impairment test in connection with second quarter and the group has recognised impairment in both the European and Australasian segment. Given that the actual impact of the COVID-19 situation on global economy and demand for publication paper is unclear there remains uncertainty and circumstances may require further impairment testing.

### *Commodity contracts*

Norske Skog's portfolio of commodity contracts consist mainly of contracts that are settled through physical delivery. Embedded

derivatives in commodity contracts are measured at fair value and embedded derivatives that are not traded in an active market, are assessed through valuation techniques.

The fair value of embedded derivatives in physical contracts vary depending on changes in currency, paper prices, pulpwood and price indexes. The energy contracts in Norway are nominated in EUR and contain embedded derivatives that are sensitive to changes in NOK against EUR.

Commodity contracts that fail to meet the own-use exemption criteria in IFRS 9 *Financial instruments* – recognition and measurement are recognised in the balance sheet and valued at fair value. Norske Skog has one long-term financial energy contract in New Zealand. The long-term electricity prices in New Zealand are not directly observable in the market for the whole contract length. Price forecasts from acknowledged external sources are used in the estimation of fair value.

The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. See Note 9 in the consolidated financial statements for 2019 for more information regarding the calculation of fair value of derivatives.

### *Provisions*

Provisions for environmental restoration, dismantling costs, restructuring activities and legal claims are recognised when the group has a present legal or constructive obligation as a result of past events, an outflow of resources is more likely than not to be required to settle the obligation and the amount can be reliably estimated.

Provisions for future environmental and dismantling liabilities are based on a number of assumptions made using management's best judgment. See Note 2 in the consolidated financial statements for 2019 for a more thorough description of important accounting estimates and assumptions impacting the preparation of financial statements.

#### Contingent liabilities

Norske Skog is an international company that, through its ongoing business operations, will be exposed to litigation and claims from public authorities and contracting parties as well as assessments from public authorities in each country it operates.

## 4. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

JAN-JUN 2020	PROPERTY, PLANT AND EQUIPMENT	RIGHT-OF-USE ASSETS	TOTAL PROPERTY PLANT AND EQUIPMENT	INTANGIBLE ASSETS
Carrying value at start of period	3 567	118	3 685	38
Additions*	213	15	228	51
Depreciation	-196	-17	-213	-5
Impairments	-193	0	-193	0
Value changes	-6	0	-6	0
Disposals	-8	0	-8	-51
Currency translation differences	248	7	255	2
<b>Carrying value at end of period</b>	<b>3 625</b>	<b>123</b>	<b>3 748</b>	<b>35</b>

\*The difference between additions and the line Purchases of property, plant and equipment and intangible assets in the condensed consolidated statement of cash flows is due to right-of-use assets allocated emission allowances, accruals for payments and other additions with no cash impact.

### PER OPERATING SEGMENTS

30 JUN 2020	TOTAL PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
Publication paper Europe	3 255	23
Publication paper Australasia	408	3
Other activities	84	10
<b>Total</b>	<b>3 748</b>	<b>35</b>

## 5. OPERATING SEGMENTS

The activities of the Norske Skog group are focused on two business segments, namely Europe and Australasia. The segment structure is in line with how the group is managed internally. Norske Skog's chief operating decision maker is corporate management, who distribute resources and assess performance of the group's operating segments. Norske Skog has an integrated strategy in Europe and Australasia to maximise the profit in each region. The optimisation is carried out through coordinated sales- and operational planning. The regional planning, in combination with structured sales and operational processes, ensures maximisation of profit.

Publication paper includes newsprint and magazine paper. Newsprint includes standard newsprint and improved newsprint used in newspapers, inserts, catalogues etc. Magazine paper includes the paper qualities super calendered (SC) and light weight coated (LWC). Magazine paper is used in magazines, catalogues and advertising materials.

Operating revenue consist mainly of sale of goods for both Publication Paper Europe and Publication Paper Australasia.

The publication paper Europe segment encompasses production and sale of newsprint and magazine paper in Europe. All the four European mills and the regional sales organization are included in the operating segment publication paper Europe.

The publication paper Australasia segment encompasses production and sale of newsprint and magazine paper in Australasia. Both mills in Australasia and the regional sales organization are included in the operating segment publication paper Australasia. Comparables for 2019 includes Albury which ceased production on 5 December 2019.

Activities in the group that do not fall into the operating segments are presented under other activities. This includes corporate functions, energy (commodity contracts and embedded derivatives in commodity contracts), Green Energy business and other holding company activities.

The pellets operation of Natures Flame is included in Green Energy under other activities.

Q2 2020	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	1 607	408	37	-40	2 012
Other operating income	49	105	1	0	154
<b>Total operating income</b>	<b>1 655</b>	<b>513</b>	<b>38</b>	<b>-40</b>	<b>2 167</b>
Distribution costs	-218	-57	-5	0	-279
Cost of materials	-857	-250	-2	13	-1 096
Employee benefit expenses	-343	-86	-13	1	-441
Other operating expenses	-162	-58	-19	26	-212
<b>EBITDA</b>	<b>75</b>	<b>63</b>	<b>0</b>	<b>0</b>	<b>138</b>
Restructuring expenses	0	-5	0	0	-5
Depreciation	-93	-15	-3	0	-111
Impairment	-122	-71	0	0	-193
Derivatives and other fair value adjustments	0	-11	59	0	49
<b>Operating earnings</b>	<b>-140</b>	<b>-38</b>	<b>56</b>	<b>0</b>	<b>-122</b>
Share of operating revenue from external parties (%)	99	100	35		100

Q1 2020	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	2 010	555	47	-27	2 585
Other operating income	121	65	0	0	186
<b>Total operating income</b>	<b>2 131</b>	<b>620</b>	<b>48</b>	<b>-27</b>	<b>2 771</b>
Distribution costs	-228	-67	-5	0	-300
Cost of materials	-1 062	-330	-11	0	-1 403
Employee benefit expenses	-338	-101	-25	1	-462
Other operating expenses	-175	-59	-19	26	-227
<b>EBITDA</b>	<b>329</b>	<b>63</b>	<b>-13</b>	<b>0</b>	<b>379</b>
Restructuring expenses	0	-11	-1	0	-12
Depreciation	-90	-14	-3	0	-107
Derivatives and other fair value adjustments	0	-4	-166	0	-170
<b>Operating earnings</b>	<b>239</b>	<b>34</b>	<b>-184</b>	<b>0</b>	<b>90</b>
Share of operating revenue from external parties (%)	100	100	49		100

Q2 2019	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	2 386	768	34	-30	3 158
Other operating income	142	6	10	0	158
<b>Total operating income</b>	<b>2 528</b>	<b>774</b>	<b>44</b>	<b>-30</b>	<b>3 316</b>
Distribution costs	-213	-92	-3	0	-308
Cost of materials	-1 389	-467	-2	5	-1 853
Employee benefit expenses	-333	-127	-17	0	-476
Other operating expenses	-175	-68	-18	25	-235
<b>EBITDA</b>	<b>419</b>	<b>20</b>	<b>5</b>	<b>0</b>	<b>444</b>
Restructuring expenses	0	-7	-3	0	-9
Depreciation	-82	-28	-3	0	-113
Derivatives and other fair value adjustments	0	-9	837	0	828
<b>Operating earnings</b>	<b>337</b>	<b>-23</b>	<b>836</b>	<b>0</b>	<b>1 150</b>
Share of operating revenue from external parties (%)	100	100	47		100

YTD 20200	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	3 617	963	85	-67	4 598
Other operating income	169	170	1	0	340
<b>Total operating income</b>	<b>3 786</b>	<b>1 133</b>	<b>86</b>	<b>-67</b>	<b>4 938</b>
Distribution costs	-446	-123	-10	0	-579
Cost of materials	-1 919	-580	-13	13	-2 499
Employee benefit expenses	-680	-187	-39	2	-903
Other operating expenses	-337	-116	-38	52	-439
<b>EBITDA</b>	<b>404</b>	<b>126</b>	<b>-14</b>	<b>0</b>	<b>517</b>
Restructuring expenses	0	-16	-1	0	-17
Depreciation	-183	-29	-6	0	-218
Impairments	-122	-71	0	0	-193
Derivatives and other fair value adjustments	0	-15	-107	0	-122
<b>Operating earnings</b>	<b>100</b>	<b>-4</b>	<b>-127</b>	<b>0</b>	<b>-32</b>
Share of operating revenue from external parties (%)	100	100	43		100

YTD 2019	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	4 648	1 507	68	-70	6 154
Other operating income	246	13	10	0	270
<b>Total operating income</b>	<b>4 895</b>	<b>1 521</b>	<b>78</b>	<b>-70</b>	<b>6 423</b>
Distribution costs	-428	-178	-6	0	-612
Cost of materials	-2 660	-895	-5	20	-3 540
Employee benefit expenses	-645	-254	-33	0	-932
Other operating expenses	-350	-131	-35	50	-466
<b>EBITDA</b>	<b>811</b>	<b>63</b>	<b>-1</b>	<b>0</b>	<b>873</b>
Restructuring expenses	-2	-7	-10	0	-18
Depreciation	-163	-56	-6	0	-225
Derivatives and other fair value adjustments	0	-14	787	0	773
<b>Operating earnings</b>	<b>646</b>	<b>-14</b>	<b>770</b>	<b>0</b>	<b>1 403</b>
Share of operating revenue from external parties (%)	100	100	40		100



INCOME STATEMENT	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
<b>OTHER OPERATING REVENUE</b>					
Corporate functions	25	25	24	49	48
Green energy and other	13	23	20	36	30
<b>Total</b>	<b>38</b>	<b>48</b>	<b>44</b>	<b>86</b>	<b>78</b>
<b>EBITDA</b>					
Corporate functions	-1	-19	-5	-20	-11
Green energy and other	1	5	10	6	10
<b>Total</b>	<b>0</b>	<b>-13</b>	<b>5</b>	<b>-14</b>	<b>-1</b>

## 6. FINANCIAL ITEMS AND DEBT REPAYMENTS

### FINANCIAL ITEMS

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Net interest expenses	-25	-29	-42	-54	-97
Currency gains/losses*	117	-382	-16	-265	57
Other financial items	-6	-19	-10	-24	-20
<b>Total financial items</b>	<b>86</b>	<b>-429</b>	<b>-68</b>	<b>-343</b>	<b>-59</b>

\*Currency gains and losses on accounts receivable and accounts payable are reported as Operating revenue and Cost of materials respectively.

### FINANCING

In 2019 Norske Skog issued a EUR 125 million senior secured bond. The bond matures in June 2022 and has an interest rate of EURIBOR (zero floor) + 6% with quarterly interest payments. The proceeds were mainly used to refinance existing debt. The outstanding amount of bonds, excluding repurchased bonds, was EUR 104.5 per 30 June 2020.

In 2019, Norske Skog established a revolving credit facility of EUR 31 million. EUR 20 million had been utilised per 30 June 2020. The facility has a tenor of three years.

During the first quarter of 2020 Norske Skog entered into a EUR 54 million credit facility to finance the construction of an incineration boiler on the Bruck mill. The facility will be utilised incrementally as expenditures incur during the construction phase,

after which it will be repaid by quarterly instalments up until the final maturity date in 2028. The borrower under the facility is Norske Skog Bruck GmbH and Norske Skog ASA has provided a guarantee of EUR 20 million. As of 30 June 2020 the loan has been drawn by EUR 2.5 million.

The remaining financing arrangements for the group includes leasing, factoring, and other credit facilities on mill level.

Norske Skog shall in accordance with its financial covenants have (i) unrestricted cash and cash equivalents of minimum NOK 100 million, and (ii) net interest-bearing debt to EBITDA\* less than 2.75x, on a consolidated basis.

\*The EBITDA used in the financial covenants calculations may differ from the EBITDA shown in the financial reporting due to adjustment requirements in the financing agreements.

### BONDS

MATURITY	CURRENCY	INTEREST RATE	NOMINAL VALUE*	AMOUNT OUTSTANDING* 30 JUN 2020
June 2022	EUR	EURIBOR + 6%	125	105

\*Excluding repurchased bonds

### DEBT REPAYMENT SCHEDULE\*

NOK MILLION	2020	2021	2022	2023	2024-
Bonds	0	0	1 140	0	0
Debt to credit institutions	155	38	279	35	19
<b>Total</b>	<b>155</b>	<b>38</b>	<b>1 420</b>	<b>35</b>	<b>19</b>

\*Not including items relating to IFRS 16.

Total debt listed in the repayment schedule differ from the carrying value in the balance sheet. This is due to the amortized cost principle.

Financed amounts from securitisation arrangements is classified as interest-bearing current liabilities. This amounts to NOK 137 million in debt repayment in 2020. The financed amount represents a group of individual loans, which are settled individually at maturity of the accounts receivable.

New loans are initiated on a consecutive basis based on new accounts receivable included under the securitization agreement. The liability is in its nature current and Norske Skog does not have an unconditional right to defer settlement beyond twelve months. The liabilities are liabilities that are settled through its normal operating cycle. The corresponding accounts receivable is derecognised when the customer pays it.

## 7. ENERGY CONTRACTS, DERIVATIVES AND FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

30 JUN 2020	ASSETS		LIABILITIES	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Energy contracts and embedded derivatives in energy contracts (level 3)	376	1 117	-15	-6
Energy contracts (level 2)	0	0	-72	-3
Other derivatives and financial instruments carried at fair value (level 2)	2	0	-6	0
<b>Total</b>	<b>378</b>	<b>1 117</b>	<b>-93</b>	<b>-9</b>

Norske Skog's portfolio of commodity contracts consists primarily of contracts that are settled through physical delivery. The fair value of financial energy contracts is particularly sensitive to future fluctuations in energy prices. The fair value of embedded derivatives in physical contracts depends on paper prices, pulpwood prices, currency and price index fluctuations.

Energy prices in New Zealand have increased in the short end of the price curve while the price in the long end are virtually unchanged compared to previous quarter. Higher energy prices have a positive impact on fair value.

The energy contracts in Norway are denominated in EUR. The energy contracts at Skogn and Saugbrugs expires at the end of 2026, and both contracts have a yearly consumption of approximately 876 000 MWh. The contract prices are sensitive to change in paper and pulpwood prices. These contracts contain embedded derivatives that are recognized at fair value in accordance with IFRS 9 *Financial instruments - recognition and measurement*. The assumed paper and pulpwood prices in the contract period are based on forecasts from external sources independent of the company. The base line for price assumptions used in the initial valuation was the forecasts as of fourth quarter 2018 when the electricity contracts started.

The external forecast prices on paper is lower compared to initial forecast in fourth quarter 2018 which have a significant positive effect on the embedded derivatives year to date. In the second quarter the forecast paper prices has increased slightly compared to first quarter which have a negative effect on the embedded derivatives. Pulpwood prices has decreased compared to previous quarter which had a negative effect on the fair value of the embedded derivatives. NOK has strengthened against EUR compared to the previous quarter, which has had a positive effect on the fair value of the embedded derivatives.

A decrease in estimates of consumer price indices has a positive impact on fair value. Consumer price indices, which affect the fair value, show only small changes compared with the previous quarter.

Gains and losses on level 3 financial instruments amounted to NOK +56 million in the second quarter (NOK -148 million in the first quarter). Changes in the value of energy-/commodity contracts and embedded derivatives in contracts are presented in the income statement line Derivatives and other fair value adjustments. See Note 8 in consolidated financial statements for 2019 for more information including sensitivity analyses regarding the calculation of fair value of commodity contracts and derivatives.

## 8. PRINCIPAL SHAREHOLDERS

	NUMBER OF SHARES	OWNERSHIP %
NS NORWAY HOLDING AS	52 161 386	63.23
J.P. MORGAN BANK LUXEMBOURG S.A	2 221 219	2.69
ARTIC FUNDS PLC	1 877 880	2.28
VERDIPAPIRFONDET EIKA SPAR	1 441 000	1.75
VERDPAPIRFONDET HOLBERG NORGE	1 400 000	1.70
BANQUE DEGROOF PETERCAM LUX. SA	1 376 981	1.67
RBC INVESTOR SERVICES BANK S.A	1 361 111	1.65
MP PENSJON PK	1 208 976	1.47
VERDIPAPIRFONDET EIKA NORGE	1 189 000	1.44
FRAM REALINVEST AS	850 000	1.03
TVECO AS	825 000	1.00
WENAASGRUPPEN AS	549 110	0.67
CARUCEL HOLDING AS	500 000	0.61
VERDIPAPIRFONDET DELPHI NORGE	500 000	0.61
TVENGE, TORSTEIN INGVALD	425 000	0.52
M25 INDUSTRIER AS	400 000	0.48
PACTUM AS	395 000	0.48
VERDIPAPIRFONDET EIKA BALANSERT	387 868	0.47
OM HOLDING AS	337 187	0.41
PENSJONSORDNINGEN	315 400	0.38
Other shareholders	12 777 882	15.49
<b>Total</b>	<b>82 500 000</b>	<b>100.00</b>

The data is extracted from VPS 15 July 2020. Whilst every reasonable effort is made to verify all data, VPS cannot guarantee the accuracy of the analysis.

## 9. THE NORSKE SKOG SHARE

	30 JUN 2020	31 MAR 2020	31 DEC 2019
Share price (NOK)	32.90	33.80	43.70
Book value of equity per share (NOK)	60.81	65.93	66.58

## 10. RELATED PARTIES

Oceanwood is a related party to Norske Skog through the ownership in NS Norway Holding AS (parent company).

There have not been any transactions with related parties in 2020.

## 11. EVENTS AFTER THE BALANCE SHEET DATE

There has been no events after the balance sheet date with significant impact on the interim financial statements for the second quarter of 2020.

## 12. HISTORICAL FIGURES

INCOME STATEMENT	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
<b>Total operating income</b>	<b>2 167</b>	<b>2 771</b>	<b>3 344</b>	<b>3 187</b>	<b>3 316</b>
Variable costs	-1 375	-1 703	-1 985	-1 965	-2 161
Fixed costs	-653	-689	-799	-717	-711
<b>EBITDA</b>	<b>138</b>	<b>379</b>	<b>560</b>	<b>505</b>	<b>444</b>
Restructuring expenses	-5	-12	-198	-8	-9
Depreciation	-111	-107	-112	-118	-113
Impairments	-193	0	-247	38	0
Derivatives and other fair value adjustment	49	-170	-120	696	828
<b>Operating earnings</b>	<b>-122</b>	<b>90</b>	<b>-117</b>	<b>1 113</b>	<b>1 150</b>
Share of profit in associated companies	-16	-4	-36	0	0
Financial items	86	-429	-22	-89	-68
<b>Profit/loss before income taxes</b>	<b>-52</b>	<b>-343</b>	<b>-175</b>	<b>1 024</b>	<b>1 082</b>
Income taxes	-7	-30	17	-6	-50
<b>Profit/loss for the period</b>	<b>-59</b>	<b>-374</b>	<b>-158</b>	<b>1 018</b>	<b>1 032</b>

SEGMENT INFORMATION	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
<b>Publication paper Europe</b>					
Total operating income	1 655	2 131	2 368	2 321	2 528
EBITDA	75	329	318	404	419
Deliveries (1 000 tonnes)	322	396	441	426	441
<b>Publication paper Australasia</b>					
Total operating income	513	620	955	852	774
EBITDA	63	63	283	113	20
Deliveries (1 000 tonnes)	67	99	132	147	149
<b>Other activities</b>					
Total operating income	38	48	48	43	44
EBITDA	0	-13	-41	-12	5

BALANCE SHEET	30 JUN 2020	31 MAR 2020	31 DEC 2019	30 SEP 2019	30 JUN 2019
<b>Total non-current assets</b>	<b>5 228</b>	<b>5 620</b>	<b>5 248</b>	<b>5 675</b>	<b>5 512</b>
<b>Assets held for sale</b>	<b>0</b>	<b>307</b>	<b>631</b>	<b>446</b>	<b>0</b>
Inventories	1 492	1 410	1 427	1 530	1 547
Trade and other receivables	990	1 329	1 573	1 332	1 227
Cash and cash equivalents	1 487	1 659	970	909	861
Other current assets	424	307	390	447	224
<b>Total current assets</b>	<b>4 393</b>	<b>4 705</b>	<b>4 360</b>	<b>4 219</b>	<b>3 859</b>
<b>Total assets</b>	<b>9 621</b>	<b>10 633</b>	<b>10 240</b>	<b>10 340</b>	<b>9 372</b>
<b>Total equity</b>	<b>5 017</b>	<b>5 439</b>	<b>5 493</b>	<b>5 649</b>	<b>4 560</b>
<b>Total non-current liabilities</b>	<b>2 611</b>	<b>2 730</b>	<b>2 393</b>	<b>2 438</b>	<b>2 403</b>
Trade and other payables	1 528	1 802	1 685	1 691	1 796
Other current liabilities	466	662	669	562	613
<b>Total current liabilities</b>	<b>1 993</b>	<b>2 464</b>	<b>2 354</b>	<b>2 253</b>	<b>2 409</b>
<b>Total liabilities</b>	<b>4 605</b>	<b>5 194</b>	<b>4 747</b>	<b>4 691</b>	<b>4 811</b>
<b>Total equity and liabilities</b>	<b>9 621</b>	<b>10 633</b>	<b>10 240</b>	<b>10 340</b>	<b>9 372</b>

CASH FLOW	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
<b>Reconciliation of net cash flow from operating activities</b>					
EBITDA	138	379	560	505	444
Change in working capital	12	222	-43	-180	35
Payments made relating to restructuring activities	-21	-6	-140	-10	-13
Gain and losses from divestment	-92	-62	-236	-89	-89
Cash flow from net financial items	-52	-65	-48	-34	-50
Taxes paid	-81	17	-143	-16	-91
Other	-13	-14	-30	-25	-11
<b>Net cash flow from operating activities</b>	<b>-109</b>	<b>470</b>	<b>-78</b>	<b>150</b>	<b>225</b>
Purchases of property, plant and equipment and intangible assets	-128	-100	-132	-82	-78
Net divestments	369	509	133	82	-10
<b>Net cash flow from investing activities</b>	<b>241</b>	<b>408</b>	<b>0</b>	<b>-1</b>	<b>-88</b>
<b>Net cash flow from financing activities</b>	<b>-297</b>	<b>-229</b>	<b>135</b>	<b>-100</b>	<b>95</b>
Foreign currency effects on cash and cash equivalents	-6	40	3	-1	-9
<b>Total change in cash and cash equivalents</b>	<b>-172</b>	<b>689</b>	<b>61</b>	<b>48</b>	<b>223</b>

## Responsibility Statement from the Board of Directors and CEO

We declare that to the best of our knowledge, the condensed consolidated interim financial statements for the period 1 January to 30 June 2020 have been prepared in accordance with IAS 34 – *Interim Financial Reporting* and give a true and fair view of the Norske Skog group’s assets, liabilities, financial position and result as a whole. We also confirm to the best of our knowledge that the report

of the board of directors gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related-party transactions.

SKØYEN, 15 JULY 2020  
THE BOARD OF DIRECTORS OF NORSKE SKOG ASA



John Chiang  
Chair





Arvid Grundekjøn  
Board member

Anneli Finsrud Nesteng  
Board member



Trine-Marie Hagen  
Board member



Idunn Gangaune Finnanger  
Board member



Svein Erik Veie  
Board member



Paul Kristiansen  
Board member



Sven Ombudstvedt  
CEO

## ALTERNATIVE PERFORMANCE MEASURES

The European Securities and Markets Authority's (ESMA) has defined new guidelines for alternative performance measures (APM). An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specific in the applicable financial reporting framework (IFRS). The company uses EBITDA, EBITDA margin and return on capital employed (annualized) to measure operating performance on group level. It is the company's view that the APMs provides the investors relevant and specific operating figures which may enhance their understanding of the performance.

EBITDA, EBITDA margin, variable costs, fixed costs, return on capital employed and net interest-bearing debt are defined by the company below.

**EBITDA:** Operating earnings for the period, before restructuring expenses, depreciation and amortization and impairment charges, derivatives and other fair value adjustments, determined on an entity, combined or consolidated basis. EBITDA is used for providing consisting information of operating performance and cash generating which is relative to other companies and frequently used by other stakeholders.

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Operating earnings	-122	90	1 150	-32	1 403
Restructuring expenses	5	12	9	17	18
Depreciation	111	107	113	218	225
Impairments	193	0	0	193	0
Derivatives and other fair value adjustments	-49	170	-828	122	-773
<b>EBITDA</b>	<b>138</b>	<b>379</b>	<b>444</b>	<b>517</b>	<b>873</b>

**EBITDA margin:** EBITDA / total operating income. EBITDA margin assist in providing a more comprehensive analysis of operating performance relative to other companies.

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
EBITDA	138	379	444	517	873
Total operating income	2 167	2 771	3 316	4 938	6 423
<b>EBITDA margin</b>	<b>6.4%</b>	<b>13.7%</b>	<b>13.4%</b>	<b>10.5%</b>	<b>13.6%</b>

**Variable costs:** Distribution costs + cost of materials

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Distribution costs	279	300	308	579	612
Cost of materials	1 096	1 403	1 853	2 499	3 540
<b>Variable costs</b>	<b>1 375</b>	<b>1 703</b>	<b>2 161</b>	<b>3 078</b>	<b>4 152</b>

**Fixed costs:** Employee benefit expenses + other operating expenses.

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Employee benefit expenses	441	462	476	903	932
Other operating expenses	212	227	235	439	466
<b>Fixed costs</b>	<b>653</b>	<b>689</b>	<b>711</b>	<b>1 343</b>	<b>1 398</b>



**Return on capital employed (annualised):** (Annualised EBITDA – Annualised Capital expenditure) / Capital employed (average). Return on capital employed assist in providing a more comprehensive analysis of returns relative to other companies.

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
EBITDA	138	379	444	517	873
Capital expenditure	128	100	78	228	154
Average capital employed	5 054	5 520	5 473	5 204	5 410
<b>Return on capital employed (annualised)</b>	<b>0.8%</b>	<b>20.2%</b>	<b>26.8%</b>	<b>11.1%</b>	<b>26.6%</b>

NOK MILLION	30 JUN 2020	31 MAR 2020	31 DEC 2019	30 JUN 2019
Intangible assets	35	92	38	26
Tangible assets	3 748	4 034	3 685	4 459
Assets held for sale	0	307	631	0
Inventory	1 492	1 410	1 427	1 547
Trade and other receivables	990	1 329	1 573	1 227
Trade and other payables	-1 528	-1 802	-1 685	-1 796
<b>Capital employed</b>	<b>4 737</b>	<b>5 370</b>	<b>5 670</b>	<b>5 464</b>

**Net interest-bearing debt:** Net interest-bearing debt consist of bond issued and other interest-bearing liabilities (current and non-current) reduced by cash and cash equivalent.

NOK MILLION	30 JUN 2020	31 MAR 2020	31 DEC 2019	30 JUN 2019
Interest-bearing non-current liabilities	1 612	1 667	1 470	1 473
Interest-bearing current liabilities	204	262	419	329
Cash and cash equivalents	-1 487	-1 659	-970	-861
<b>Net interest-bearing debt</b>	<b>329</b>	<b>269</b>	<b>919</b>	<b>941</b>

**Capital expenditure (Capex):** Purchases of property, plant and equipment and intangible assets.

**Maintenance capex:** Capex required to maintain the Group's current business in accordance with GAAP according to the latest annual financial statements (but excluding any capex for the development of new business).



# Norske Skog

## Q2 2020 presentation

16 July 2020

[www.norskeskog.com](http://www.norskeskog.com)



## Second quarter in brief



### Weak Q2 2020 EBITDA of NOK 138 million due to COVID-19

- Restrictions significantly impacting volumes
- Publication paper prices unchanged in the quarter
- Includes gain of approximately NOK 86 million from sale of Tasmanian forest, underlying EBITDA of NOK 52 million



### Announced entry into packaging with conversion projects in Golbey and Bruck

- First production of containerboard planned in H1 2023
- Expected annual EBITDA of EUR 70-80 million from converted machines at full utilisation



### Completion of Tasmanian forest sale



### Maintains robust financial position

- Cash position of NOK 1,487 million
- Net interest-bearing debt of NOK 329 million



### Forestry and industry in general have seen limited support from Norwegian authorities

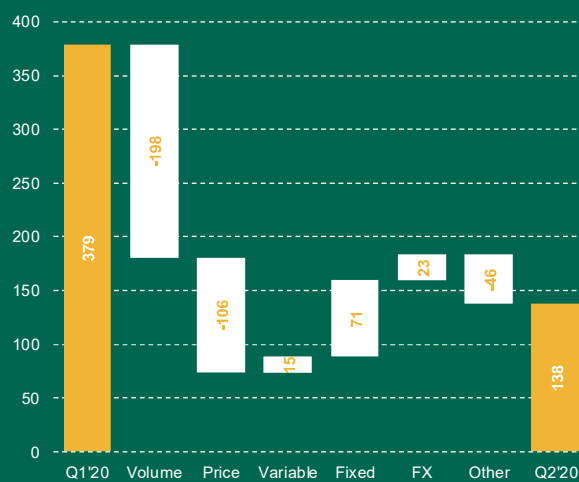
- Need for re-industrialisation of Norway

## Publication paper volumes significantly impacted by COVID-19

- Restrictions imposed due to COVID-19 impacting sales volume particularly in May and June, utilisation of 69% in the quarter
- Prices largely unchanged during the quarter, but change in product mix and increased exports to lower priced markets impacted achieved prices
- Lower variable costs mainly resulting from reduced energy prices and recovered paper prices
- Reduction in fixed costs as a result of temporary layoffs at most mills following market-related downtime
- Favourable FX in the quarter with NOK remaining weak
- Change in other items includes gain on sale of Tasmanian forest, but more than offset by sale of CO<sub>2</sub> allowances and Albury-related gains in Q1 2020

3

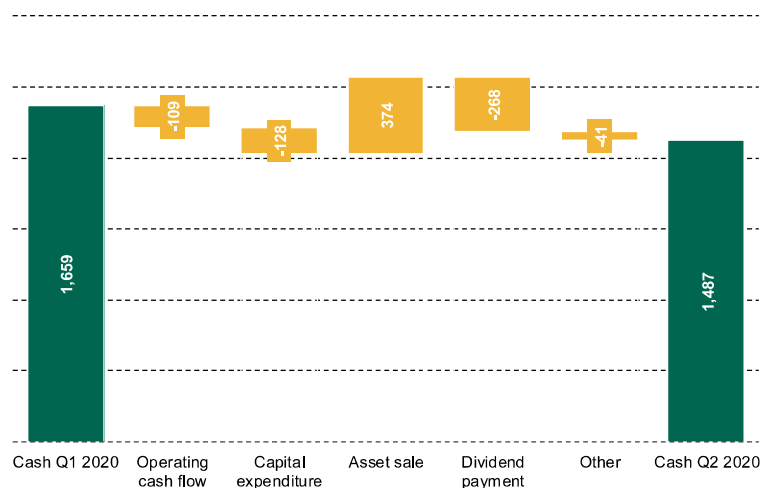
EBITDA bridge Q1 2020 to Q2 2020



## Maintaining a strong cash position

Bridging the cash and cash equivalents from Q1 2020 to Q2 2020

NOKm



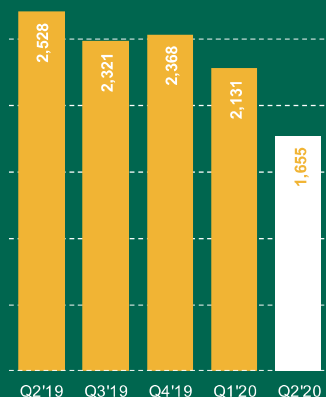
- Cash of NOK 1,487m<sup>1</sup>, gross debt of NOK 1,816m, and net debt of NOK 329m end of quarter
- Capital expenditure of NOK 128m in the quarter
  - Maintenance capex of NOK 62m
  - Expansion capex of NOK 66m, mainly relating to the Bruck multifuel boiler and NEXT / Terminator energy efficiency projects at the Saugbrugs mill
- Proceeds from asset sales of NOK 374m
- Dividend payment of NOK 268m (NOK 3.25 per share)

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<sup>1)</sup> Including restricted cash of NOK 93m

## COVID-19 restrictions impact European earnings

**Europe – Revenue**  
NOKm



**Europe – EBITDA**  
NOKm (and margin in %)



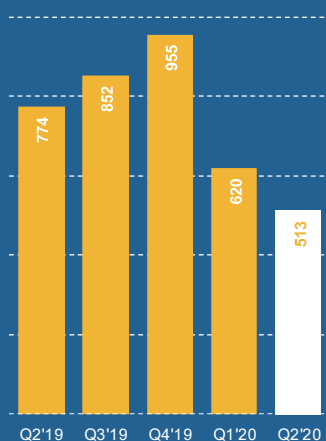
**Europe – Underlying EBITDA**  
NOKm (and margin in %)



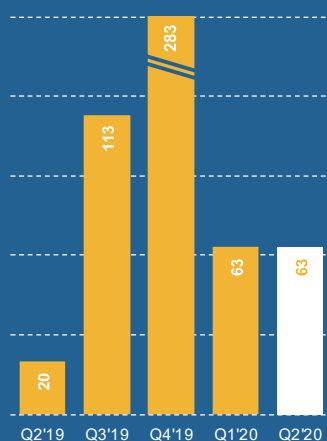
- Newsprint, SC and LWC demand decreased by 21%, 15% and 21%, respectively through May this year
- Prices unchanged
- Modest signs of improvement
- Favourable raw material prices
- Favourable FX

## Continued streamlining in Australasia with forest sale

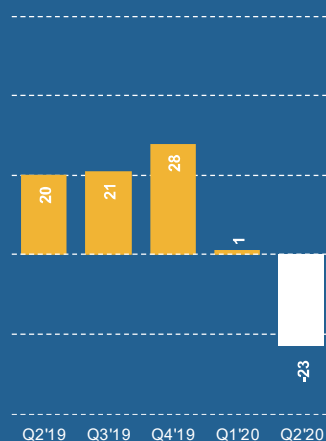
**Australasia – Revenue**  
NOKm



**Australasia – EBITDA**  
NOKm



**Australasia – Underlying EBITDA**  
NOKm

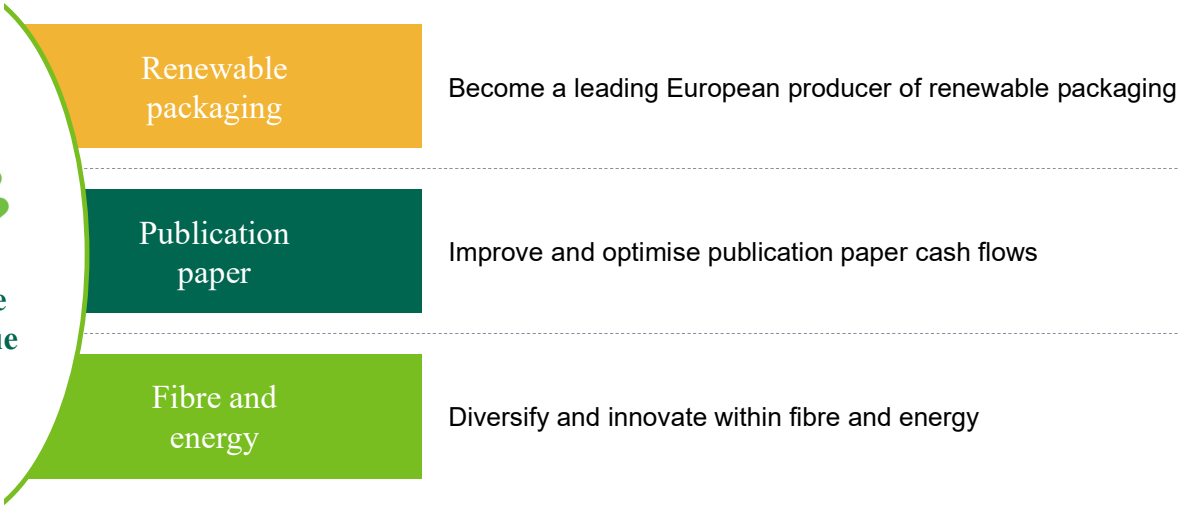


- Newsprint and magazine demand decreased by 24% and 19%, respectively through June this year
- Increase in low margin exports
- Favourable raw material prices
- NOK ~86m gain from forest sale

# Strategy

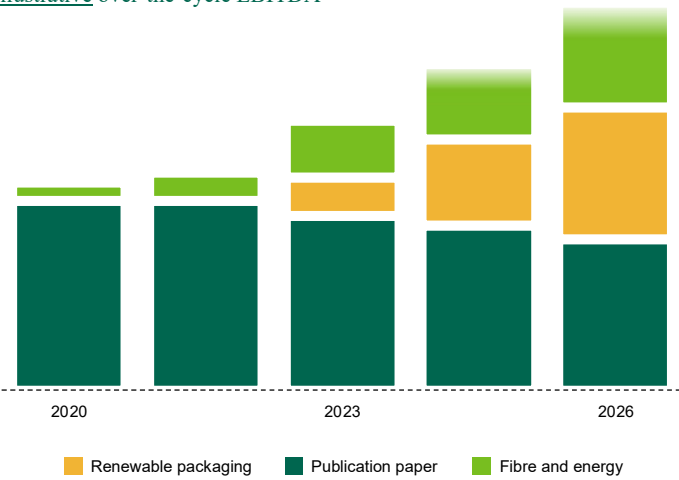


**We create green value**



# Growth opportunities ahead

Illustrative over-the-cycle EBITDA



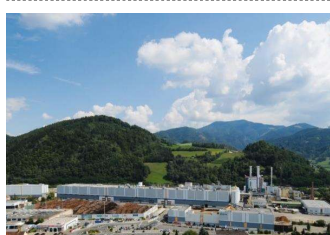
- Exciting portfolio of fibre and energy projects
- Introducing 765,000 tonnes of containerboard capacity
- Remain a committed producer of publication paper and maximise cash flows

## Entering the packaging market



Norske Skog Golbey – France

- Convert PM1 to 555,000 tonnes of recycled containerboard capacity<sup>1</sup>
- Total capex estimate of EUR 250m
- Boiler to be constructed securing competitive steam supply
- Limited equity investment, partnership with Veolia



Norske Skog Bruck – Austria

- Convert PM3 to 210,000 tonnes of recycled containerboard capacity<sup>2</sup>
- Total capex estimate of EUR 90m
- Boiler under construction to generate revenue and savings of EUR ~19m
- Local debt funding of EUR 54m, project capex of EUR 72m

9 1) Current PM1 capacity of 235,000 tonnes newsprint; 2) Current PM3 capacity of 125,000 tonnes newsprint

- **Investment in brownfield conversion projects** limited to approximately EUR 350m during 2021 to 2023
- Final investment decisions expected in H1 2021, estimated **production start in H1 2023**, full capacity utilisation end of 2025
- Estimated annual EBITDA from containerboard machines of approximately **EUR 70-80m** at full utilisation<sup>1</sup>
- Containerboard market **driven by megatrends** within e-commerce and sustainable packaging, securing long-term operations
- Established presence in **recycled fibre markets**
- Boilers secure sustainable and **competitive steam supply**
- Site configurations enable **cost-leadership** positions
- Balancing the newsprint market through **capacity reductions** of 360,000 tonnes in Western Europe

## Pellets – Green and profitable energy production



- Nature's Flame, a pellets company fully owned by Norske Skog
- State of the art pellet plant in Taupo, New Zealand
- Annual capacity of 85,000 tonnes and expected earnings of NZD ~5m per year
- Pellets produced from sustainably sourced fibre residues and geothermal energy
- Fonterra<sup>1</sup> converting a coal boiler to run on Nature's Flame pellets (48,000 tonnes annually), reduce carbon emissions with the equivalent of 32,000 cars

10 Source: Fonterra "Fonterra's Te Awamutu site moves to pellet power" (30 January 2020)  
1) World leading dairy product producer based in New Zealand

## CEBINA – Sustainable alternative to existing additives



- Cellulose nano fibrils developed at Norske Skog Saugbrugs since 2010
- Close collaboration with Rise PFI, technical partners and potential customers
- Environmentally friendly product based on chemical pulp and hydro energy
- Pilot plant at Saugbrugs with capacity of up to 500 tonnes
- Developed as a strength enhancer in publication paper
- Ongoing tests with customers in drilling fluid, glue and coatings

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## Norske Skog secures cornerstone position as largest shareholder in Circa Group



- Norske Skog increases ownership stake in Circa Group Pty Ltd from 10% to 27.7%
- Circa Group is an Australia-based producer of advanced and sustainable bio chemicals, with a commercial demonstration plant located at the Norske Skog Boyer mill in Tasmania
- Patented process for production of Cyrene™, Levoglucosenone and other unique bio-chemicals from sustainable waste biomass
- Chemicals recognised for their exceptional properties through ~1,000 trials by researchers, industry experts and global companies
- Cyrene™ is a new low toxicity biodegradable industrial solvent developed for a +1 million tonne market currently dominated by petrochemical based products
- Cyrene™ was used in production of the highest quality conductive graphene ink ever reported through a study by the University of Manchester<sup>1</sup> (“birthplace” of Graphene). Graphene is a material that could enable game-changing electronic innovations
- Further opportunities include bio-polymers and pharmaceuticals (e.g. Levoglucosenone is being explored as a starting molecule to produce Ribonolactone for the production of promising COVID-19 treatments, including Remdesivir)

12

1) Pan, K. et al. Sustainable production of highly conductive multilayer graphene ink for wireless connectivity and IoT applications. *Nature Communications*

# Green re-industrialisation of Norway

## Norwegian mills at risk

- Proposal to establish a Green Restructuring Fund of **NOK 10 billion**
- Available for the 40-50 largest **energy-intensive** industrial companies in Norway
- Need for major investments due to the **corona pandemic**
- The pandemic may have created a new lasting sectorial **market balance**
- Pre-requisite of being **climate neutral** by 2030
- Funds available for significant **value creation and securing jobs** in local communities
- Schemes are processed via **established channels** (Enova, Innovation Norway)



We create  
green value

- **Political framework must be in place to develop Norwegian industry:**
- **Energy market:** implement measures that improve Norwegian competitive energy market advantages
- **Grid tariffs:** stop the proposed sharp increases
- **Logistics:** increase investments in infrastructure for rail and roads
- **CO2 compensation:** ensure the continuation of the CO2-scheme in line with EU's scope

## Outlook

### Clear priorities in the short term

- Secure the health and safety of our employees
- Actively adapt to market changes
- Maintain a robust balance sheet

### Execute on strategy in the long term

- Become a leading producer of renewable packaging
- Remain a producer of all publication paper grades
- Develop the downstream forest industry in Norway
- Improve and reposition Australasian operations





Norske Skog ASA

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*This presentation contains statements regarding the future in connection with Norske Skog's growth initiatives, profit figures, outlook, strategies and objectives. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual profits and developments deviating substantially from what has been expressed or implied in such statements.*

## Press release

### Demand drop due to corona pandemic

Norske Skog's EBITDA in the second quarter of 2020 was NOK 138 million, a decrease from NOK 379 million in the first quarter of 2020, mainly due to national restrictions on movement of goods and people following the outbreak of the corona pandemic. The restrictions had severe negative impact on operations due to a sudden and considerable drop in demand for publication paper.

*- The corona pandemic had significant negative effects on demand in all of our markets. We have handled the challenging market conditions by adapting production to demand on all of our sites except for normal pellets operations at the Taupo plant in New Zealand. The work to convert two newsprint machines to packaging grades at our Bruck and Golbey plants has high priority. Our strong financial platform will be important in our strategy to continue the transformation of our traditional publication paper operations into packaging and new green growth initiatives, says Sven Ombudstvedt, CEO of Norske Skog.*

Operating earnings in the second quarter of 2020 were NOK -122 million compared to operating earnings of NOK 90 million in the first quarter of 2020 impacted by impairment recognized in the quarter. Net loss in the quarter was NOK 59 million compared to a net loss of NOK 374 million in the previous quarter. The previous quarter was impacted by unrealised currency loss that was only partially reversed in the second quarter as NOK was stronger at the quarter end.

Cash flow from operations was NOK -109 million in the quarter compared to NOK 470 million in the previous quarter. The first quarter was to a large degree positively impacted by CO<sub>2</sub>-compensation, the sale of CO<sub>2</sub>-allowances and currency gain from the completion of the Albury sale. The second quarter was negatively impacted by payment of income taxes mainly at Golbey. Net interest-bearing debt was NOK 329 million at the end of the second quarter, with an equity ratio of 52%.

#### Key figures, second quarter of 2020

NOK MILLION (unless otherwise stated)	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
<b>INCOME STATEMENT</b>					
Total operating income	2 167	2 771	3 316	4 938	6 423
EBITDA	138	379	444	517	873
Operating earnings	-122	90	1 150	-32	1 403
Profit/loss for the period	-59	-374	1 032	-433	1 184
<b>CASH FLOW</b>					
Net cash flow from operating activities	-109	470	225	361	531
Net cash flow from investing activities	241	408	-88	649	-180
<b>OPERATING MARGIN AND PROFITABILITY (%)</b>					
EBITDA margin	6.4	13.7	13.4	10.5	13.6
Return on capital employed (annualised)	0.8	20.2	26.8	11.1	26.6
<b>Capacity utilisation</b> (Production / capacity %)	69	86	90	78	89

#### Norske Skog ASA

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P.O. Box 294 Skøyen, 0213 Oslo  
Norway

## Reindustrialisation of Norway

Norske Skog plans to invest and convert two newsprint machines at respectively Bruck and Golbey. The significant drop in demand for publication paper is not expected to be fully recaptured, and may at some point in the near future also impact the operations at Norske Skog's six publication paper machines in Norway.

*- The corona pandemic has ignited a call for a speedy transformation of our Norwegian publication paper operations to other segments within the pulp and paper industry. We have several promising on-going projects within biocomposites and –chemicals, and we are reviewing the opportunity to produce bleached chemi-thermomechanical pulp in Norway. A Norwegian investment decision will depend on long-term, stable market and political conditions within energy, logistics and climate policy. Securing a robust operating environment with strong political support would be the first step in a green re-industrialisation of the entire energy processing industry in Norway, says Sven Ombudstvedt, CEO of Norske Skog.*

## Segment information

Total annual production capacity for the group is 2.3 million tonnes. In Europe, the capacity is 1.9 million tonnes, while in Australasia the capacity is 0.4 million tonnes.

### Europe

Operating income decreased from the previous quarter due to lower sales volumes mainly caused by reduced demand. Sales prices remained relatively stable throughout the quarter. Variable cost per tonne decreased in the quarter due to an underlying reduction in demand for input factors. In Norway, Norske Skog was forced to resell unused energy contract volumes at prices substantially below contract prices. Fixed costs were lower due to periodic temporary lay-offs caused by machine down time. According to Eurograph, demand for newsprint in Europe decreased by 21% through May compared to the same period in 2019. SC magazine paper demand decreased by 15%, while demand for LWC magazine paper declined by 21%. Our capacity utilisation was 70% in the quarter, down from 86 % in the previous quarter.

### Australasia

Sales volume and operating income decreased from the previous quarter due to market effects caused by reduction in demand. Due to a sudden drop in the Australasian demand for publication paper, the export to low priced Asian market increased from the previous quarter. Total income includes gain from the sale of the Tasmanian forest. Variable cost per tonne decreased in the quarter due to an underlying reduction in demand for input factors. Fixed costs were down in the quarter due to temporary lay-offs. According to official trade statistics, demand for newsprint in Australasia declined by 24% through June compared to the same period in 2019. Demand for magazine paper declined by 19%. Capacity utilisation was 65% in the period, down from 85% in the previous quarter.

## Outlook

The continued softening of the national restrictions caused by the global coronavirus pandemic, is expected to have a positive effect on the demand for publication paper as the retail trade in general will increase. The closure of several printed publications globally may indicate that at least part of the demand for publication paper will not return to the market. The market uncertainty and low capacity utilisation may have a negative impact on sales prices in the short run. However, lower sales prices in the second half of 2020 will to some degree be offset by a decrease in input costs from energy, pulpwood and recovered paper.

The group will continuously monitor and evaluate the impact of the corona situation on the company's operations and business outlook. The health and safety of the group's employees are top priority under the circumstances. Further operational as well as long-term structural measures could be implemented at future dates.

In light of these unprecedented and challenging circumstances, Norske Skog remains committed to become a leading European producer of renewable packaging, improve and optimise publication paper cash flows, and diversify and innovate within fibre and energy.

### **About Norske Skog**

Norske Skog is a world leading producer of publication paper with strong market positions and customer relations in Europe and Australasia. The Norske Skog Group operates four mills in Europe of which two will produce recycled containerboard following planned conversion projects. In addition, the Group operates two publication paper mills and a pellets facility in Australasia. Norske Skog aims to further diversify its operations and continue its transformation into a growing and high-margin business through a range of exciting fibre projects. The Group has approximately 2,300 employees in five countries, is headquartered in Norway and listed on the Oslo Stock Exchange under the ticker NSKOG.

### **Presentation and quarterly material**

There will be no live presentation by the company. The CEO presentation, the quarterly financial statements and the press releases are available on [www.norskeskog.com](http://www.norskeskog.com) and published on [www.newsweb.no](http://www.newsweb.no) under the ticker NSKOG. If you want to receive future Norske Skog press releases, please subscribe through the website of the Oslo Stock Exchange [www.newsweb.no](http://www.newsweb.no).

Investors are invited to participate in a video conference at 10:00 CET, in which Sven Ombudstvedt and Rune Sollie (CFO) will be available to address questions. The conference call will be held in English. Please register your video conference participation through the following email address: [ir@norskeskog.com](mailto:ir@norskeskog.com). Video connection details will be distributed prior to the conference to registered participants.

Norske Skog  
Communications and Public Affairs

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## Pressemelding

### Fall i etterspørselen som følge av coronapandemien

Norske Skogs EBITDA i andre kvartal 2020 var NOK 138 millioner, en reduksjon fra NOK 379 millioner i første kvartal 2020, som hovedsaklig skyldes nasjonale restriksjoner rundt bevegelser av varer og mennesker, som følge av coronapandemien. Restriksjonene hadde stor negativ påvirkning på driften, som var forårsaket av et plutselig og betydelig fall i etterspørselen etter publikasjonspapir.

- Coronapandemien hadde betydelige negative effekter på etterspørselen i alle våre markeder. Vi har håndtert de utfordrende markedsforholdene ved å tilpasse produksjonen til markedsbehovene ved alle forretningsenhetene, med unntak av normal pelletsdrift ved Taupo-fabrikken på New Zealand. Arbeidet for å konvertere to avisapirmaskiner til emballasjekvaliteter ved våre fabrikker i Bruck og Golbey pågår for fullt. Vår sterke finansielle plattform vil bli viktig i vår strategi for å transformere den tradisjonelle publikasjonspapirvirksomheten til emballasje og nye, grønne vekstsatsninger, sier Sven Ombudstvedt, konsernsjef i Norske Skog.

Driftsresultatet i andre kvartal 2020 var på NOK -122 millioner sammenlignet med et driftsresultat på NOK 90 millioner i første kvartal 2020. Endringen skyldes i hovedsak bokførte nedskrivninger på anleggene. Underskuddet i kvartalet var NOK 59 millioner sammenlignet med et underskudd på NOK 374 millioner kroner i forrige kvartal. Første kvartal ble påvirket av urealisert valutatap som bare delvis ble reversert i andre kvartal fordi den norske kronen var sterkere ved slutten av kvartalet.

Kontantstrøm fra drift var -109 millioner kroner i kvartalet sammenlignet med 470 millioner kroner i forrige kvartal. Første kvartal var i stor grad positivt påvirket av CO2-kompensasjon, salg av CO2-kvoter og valutagevinst ved gjennomføringen av Alburysalget. Andre kvartal ble negativt påvirket ved betaling av inntektsskatter hovedsakelig i Golbey. Netto rentebærende gjeld var 329 millioner kroner ved utgangen av andre kvartal, med en egenkapitalandel på 52%

#### Nøkkeltall, andre kvartal 2020

NOK MILLIONER (om ikke annet opplyst)	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
<b>Resultatregnskap</b>					
Totale inntekter	2 167	2 771	3 316	4 938	6 423
EBITDA	138	379	444	517	873
Driftsresultat	-122	90	1 150	-32	1 403
Resultat for perioden	-59	-374	1 032	-433	1 184
<b>Kontantstrøm</b>					
Netto kontantstrøm fra operasjonelle aktiviteter	-109	470	225	361	531
Netto kontantstrøm fra investeringsaktiviteter	241	408	-88	649	-180
<b>Driftsmargin og lønnsomhet (%)</b>					
EBITDA margin	6.4	13.7	13.4	10.5	13.6
Avkastning på investert kapital (annualisert)	0.8	20.2	26.8	11.1	26.6
<b>Kapasitetsutnyttelse (produksjon/kapasitet %)</b>	69	86	90	78	89

#### Norske Skog ASA

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## Reindustrialisering av Norge

Norske Skog planlegger å investere og konvertere to avispapirmaskiner ved Bruck og Golbey. Det betydelige fallet i etterspørselen etter publikasjonspapir forventes ikke å bli reversert fullt ut, og på et tidspunkt i den nærmeste fremtiden kan det også påvirke driften ved Norske Skogs seks papirmaskiner i Norge.

*- Coronapandemien har fremskyndet behovet for en rask omlegging av den norske publikasjonspapirvirksomheten til andre segmenter innen treforedlingsindustrien. Vi har flere lovende og pågående prosjekter innen biokompositter og –kjemikalier, og vi vurderer muligheten for å produsere bleket kjemisk-termomekanisk masse i Norge. En norsk investeringsbeslutning vil være avhengig av langsiktige, stabile markeds- og politiske forhold innen energi, logistikk og klimapolitikk. Å sikre robuste driftsmiljøer med sterk politisk støtte ville være det første trinnet i en grønn reindustrialisering av hele den energiforedlende prosessindustrien i Norge, sier Sven Ombudstvedt, administrerende direktør i Norske Skog.*

## Segmentinformasjon

Samlet årlig produksjonskapasitet for konsernet er 2,3 millioner tonn. I Europa er konsernets kapasitet 1,9 millioner tonn, mens i Australasia er kapasiteten 0,4 millioner tonn.

### Europa

Driftsinntektene gikk ned fra forrige kvartal på grunn av lavere salgsvolum som følge av redusert etterspørsel. Salgsprisene holdt seg relativt stabile gjennom hele kvartalet. Variabel kostnad per tonn falt i kvartalet på grunn av en underliggende reduksjon i etterspørselen etter innsatsfaktorer. I Norge ble Norske Skog tvunget til å videreselge overskuddskraft til priser betydelig under kontraktsprisene. Faste kostnader var lavere på grunn av midlertidige permitteringer som følge av nedetid på maskinene. I følge Eurograph falt etterspørselen etter avispapir i Europa med 21% til og med mai sammenlignet med samme periode i 2019. Etterspørselen etter superkalandrert magasinpapir (SC) falt med 15%, mens etterspørselen etter LWC magasinpapir falt med 21%. Kapasitetsutnyttelsen var 70% i kvartalet, ned fra 86% i forrige kvartal.

### Australasia

Salgsvolum og driftsinntekter falt fra forrige kvartal på grunn av markedseffekter forårsaket av redusert etterspørsel. På grunn av et plutselig fall i den australske etterspørselen etter publikasjonspapir, økte eksporten til det lav-prisede asiatiske markedet sammenlignet med det forrige kvartalet. Totale inntekter inkluderer gevinst ved skogsalget på Tasmania. Variabel kostnad per tonn falt i kvartalet på grunn av en underliggende reduksjon i etterspørselen etter innsatsfaktorer. Faste kostnader gikk ned i kvartalet som følge av midlertidige permitteringer. I følge offisiell handelsstatistikk falt etterspørselen etter avispapir i Australasia med 24% til og med juni sammenlignet med samme periode i 2019. Etterspørselen etter magasinpapir falt med 19%. Kapasitetsutnyttelsen var 65% i perioden, ned fra 85% i forrige kvartal.

## Utsikter

En fortsatt oppmykning av de nasjonale restriksjonene forårsaket av den globale coronapandemien, forventes å ha en positiv effekt på etterspørselen etter publikasjonspapir ettersom varehandelen generelt vil øke. Nedleggelse av flere trykte publikasjoner globalt kan tyde på at deler av etterspørselen etter publikasjonspapir ikke vil bli reversert. Usikkerhet i markedet og lav kapasitetsutnyttelse kan på kort sikt ha en negativ innvirkning på salgsprisene. Imidlertid vil lavere salgspriser i andre halvår av 2020 til en viss grad bli motvirket av en kostnadsnedgang på energi, massevirke og resirkulert papir.

Konsernet vil kontinuerlig overvåke og evaluere virkningen av koronasituasjonen på selskapets drift og forretningsutsikter. Helse og sikkerhet for konsernets ansatte er første prioritet under de rådende forholdene. Ytterligere tiltak knyttet til drift og likviditet kan ble iverksatt fremover.

I lys av denne ekstraordinære og utfordrende situasjonen, har Norske Skog et mål om å bli en ledende produsent av resirkulert bølgepapp, forbedre og optimalisere kontantstrømmen fra kjernevirksomheten, samt diversifisere og innovere inn fiber og energi.

## Om Norske Skog

Norske Skog er en verdensledende produsent av publikasjonspapir med sterke markedsposisjoner og kundeforhold i Europa og Australasia. Norske Skog konsernet driver fire fabrikker i Europa, hvorav to vil produsere resirkulert bølgepapp etter de planlagte konverteringsprosjektene. I tillegg driver konsernet to publikasjonspapirfabrikker og et pelletsanlegg i Australasia. Norske Skog tar sikte på å diversifisere virksomheten ytterligere og fortsette omstillingen til en voksende og høy-margins virksomhet gjennom en rekke spennende fiberprosjekter. Konsernet har cirka 2.300 ansatte i fem land, har hovedkontor i Norge og er notert på Oslo Børs under tickeren NSKOG.

## Presentasjon og kvartalsmaterieill

Det vil ikke være muligheter å være tilstede under kvartalspresentasjonen. Konsernsjefens presentasjon, kvartalsregnskapet og pressemeldinger er tilgjengelig på [www.norskeskog.com](http://www.norskeskog.com) og publisert på [www.newsweb.no](http://www.newsweb.no) under tickeren NSKOG. Hvis du ønsker å motta Norske Skogs pressemeldinger på publiseringstidspunktet, kan du abonnere på dette gjennom [www.newsweb.no](http://www.newsweb.no).

Investorer har mulighet til å delta i en videokonferanse klokken 10:00, der Sven Ombudstvedt og Rune Sollie (finansdirektør) vil være tilgjengelige for å svare på spørsmål. Videokonferansen vil bli holdt på engelsk. Registrer din deltakelse på videokonferansen via følgende e-postadresse: [ir@norskeskog.com](mailto:ir@norskeskog.com). Detaljer om videotilkobling vil bli distribuert før konferansen til registrerte deltakere.

Norske Skog  
Kommunikasjon og samfunnskontakt

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