



Norske Skog

Q3 2022 presentation

21 October 2022



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Sustainable and innovative industry



Publication
paper



Packaging
paper



Energy



Bio products



Third quarter in brief

Good quarter in turbulent operating environment

- EBITDA of NOK 508m, impacted by reduction in CO₂ compensation, reduced volumes, and higher fixed costs per tonne
- Adjusted EBITDA of NOK ~580m when adjusting for impact of reduction in CO₂ compensation for H1 2022

Energy and raw material markets impact production

- Quarter impacted by high and some extraordinary costs for energy
- Production down time in challenging energy and raw material markets

Publication paper capacity reductions from 2022 to 2024

- Norske Skog Bruck PM3 stopped production in Q3 2022 to facilitate conversion
- Industry closures announced in Western Europe support market balance

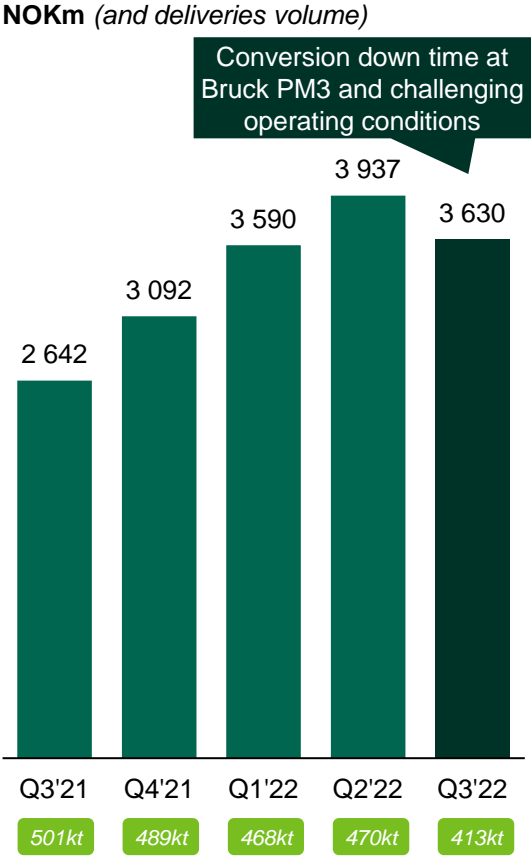
Solid balance sheet and liquidity

- Cash and cash equivalents of NOK 2 047m and leverage ratio of 0.4x
- Remaining containerboard capex of EUR 235m vs. total available liquidity of EUR 460m

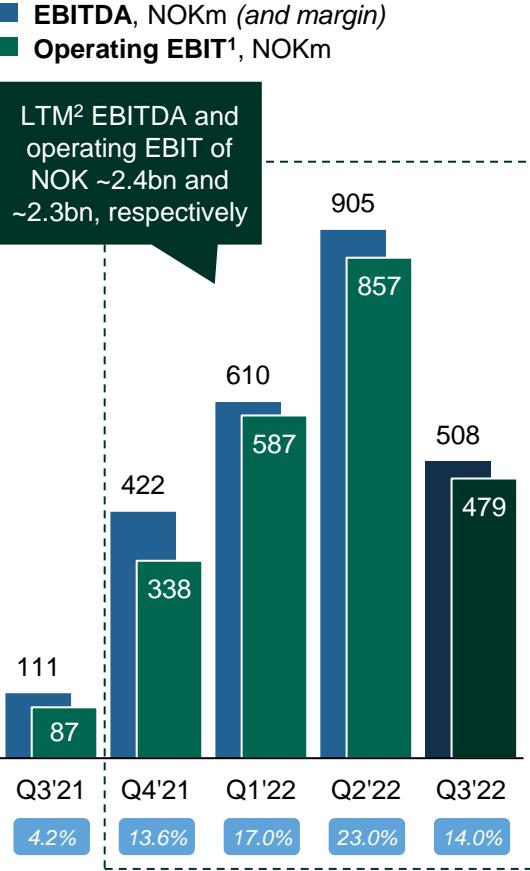


Good quarter despite unpredictable operating conditions and ongoing mill conversion

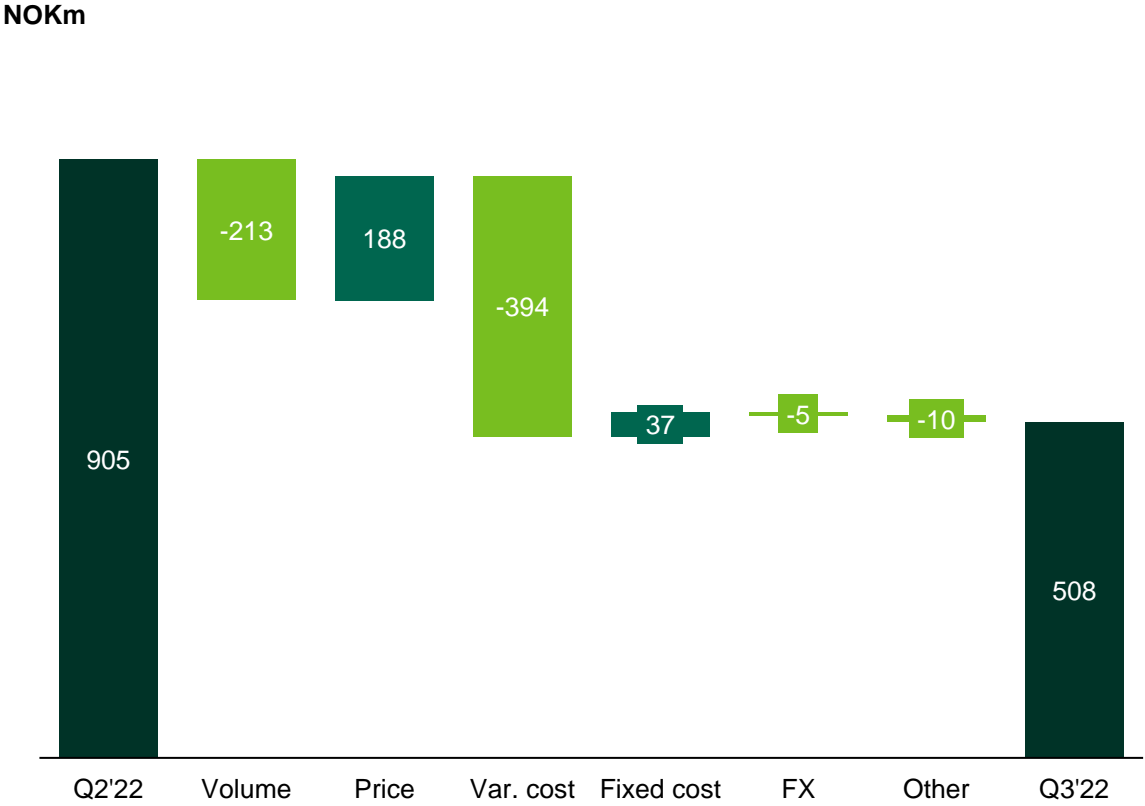
Revenue



EBITDA and operating EBIT



EBITDA bridge Q2 2022 to Q3 2022



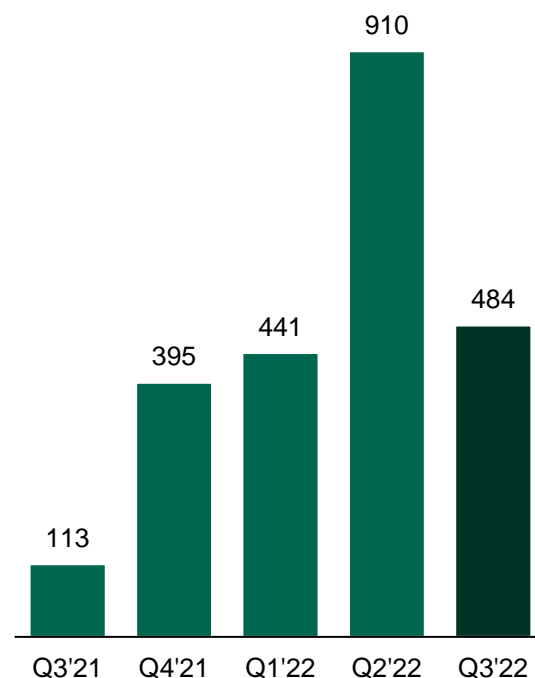
4 1) Operating EBIT defined as EBITDA less maintenance capex; 2) LTM = Last Twelve Months, i.e., the last four quarters



Continued good performance in both segments

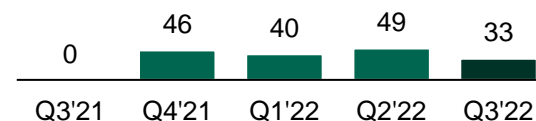
EBITDA Europe

NOKm



EBITDA Australasia

NOKm



Segment financials

NOKm

Europe	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22
Operating rate, %	96%	96%	94%	90%	83%
Deliveries, thousand tonnes	433	427	407	407	347
Total operating income	2 183	2 648	2 968	3 469	3 131
EBITDA	113	395	441	910	484
EBITDA margin, %	5.2%	14.9%	14.9%	26.2%	15.5%

Australasia	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22
Operating rate, %	87%	87%	91%	98%	94%
Deliveries, thousand tonnes	68	62	61	63	66
Total operating income	426	395	429	470	514
EBITDA	0	46	40	49	33
EBITDA margin, %	0.0%	11.6%	9.2%	10.4%	6.3%

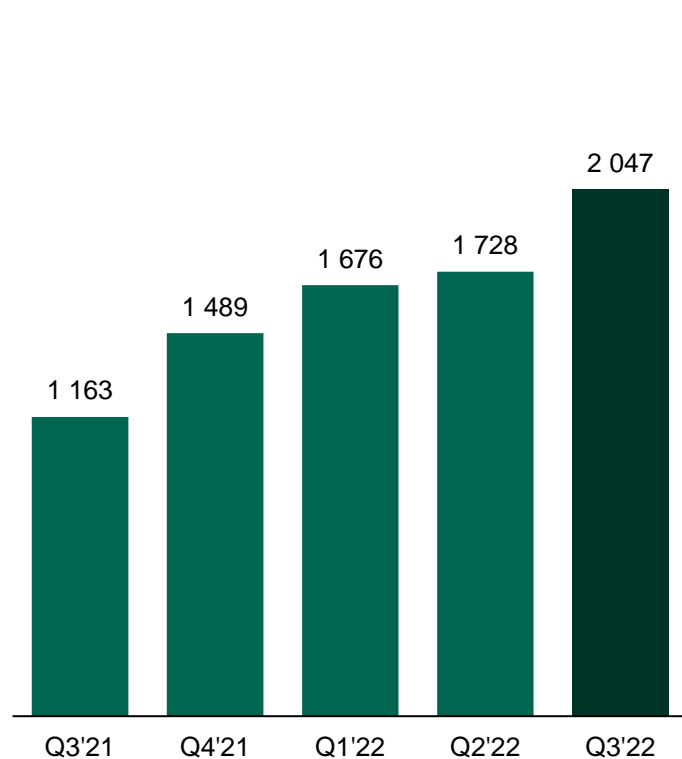
Other activities	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22
Total operating income	61	71	222	23	22
EBITDA	-2	-19	130	-55	-9



Solid balance sheet and liquidity

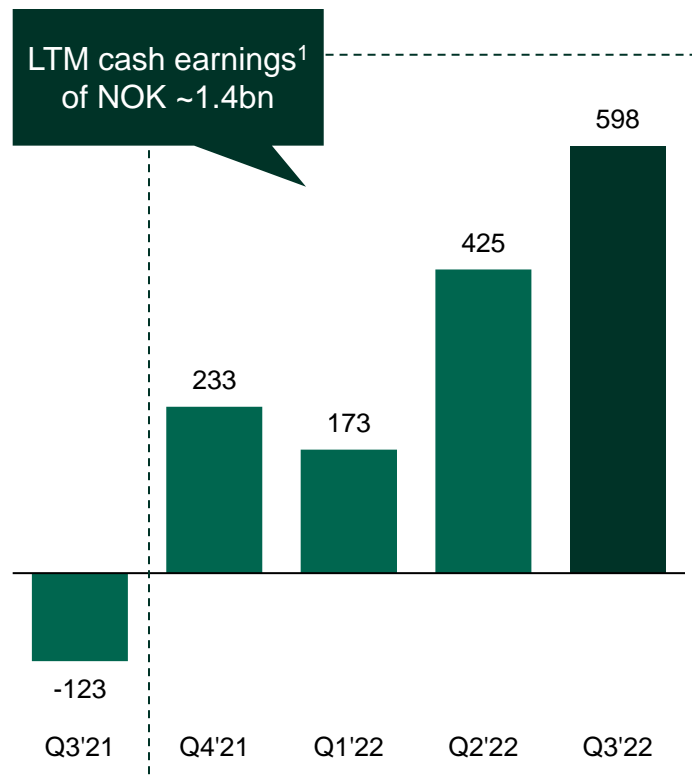
Cash and cash equivalents

NOKm



Cash earnings

NOKm



Net debt of NOK 970m

- Net debt / LTM reported EBITDA of 0.4x
- Repurchased EUR 7.8m of EUR 150m bond

Total available liquidity of EUR ~460m

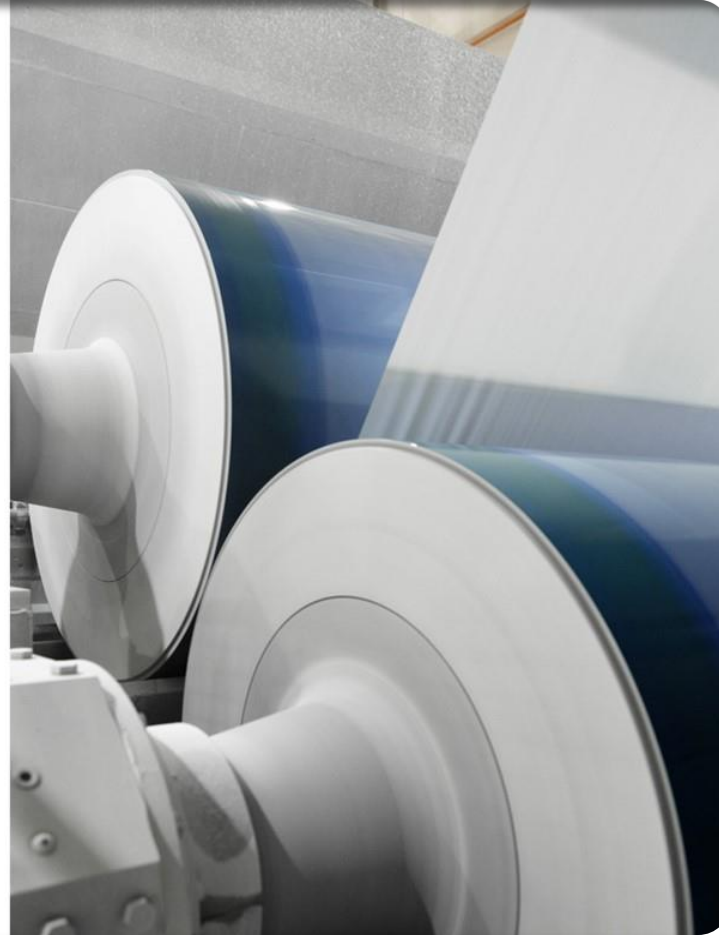
- Cash of NOK 2 047m (EUR ~195m)
- 2021 CO₂ comp. of NOK ~290m (EUR ~30m)
- Undrawn project debt of EUR ~205m
- Undrawn RCF of EUR 31m

Remaining capex of EUR ~235m

- EUR ~200m of growth investments to date, EBITDA impact over next 1-2 years²



Optimising publication paper cash flows and operations



Publication paper capacity

- Four sites in Europe, one in Australia
- In total, 10 publication paper machines
- 1 225k tonnes newsprint
 - *Golbey PM1 (235kt) closing for conversion end of Q4'22*
- 400k tonnes LWC magazine
- 360k tonnes SC magazine

Targets

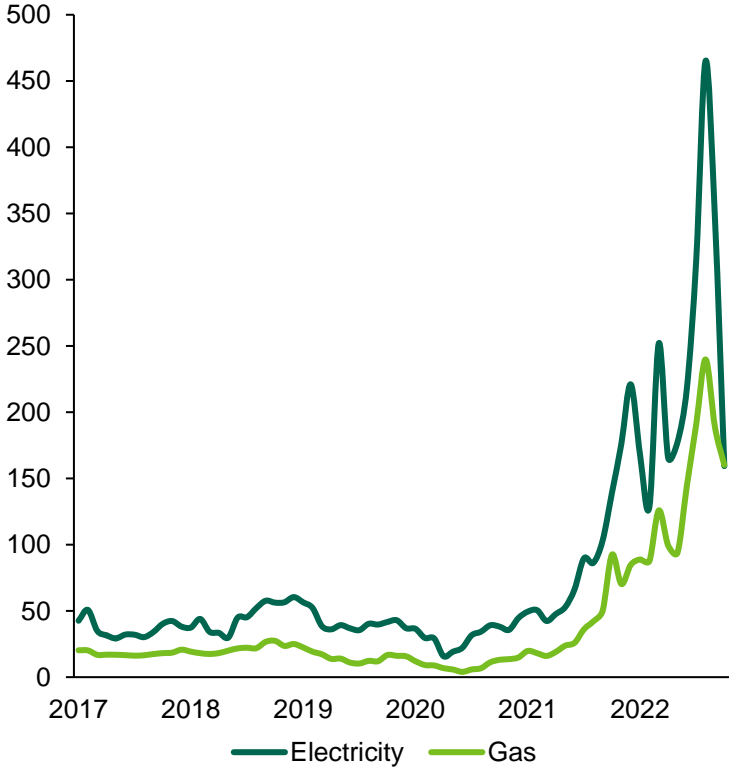
- ✔ Operating rate of +90%
- ✔ EBITDA margin of +10%



Energy and raw material market volatility expected to remain through winter months

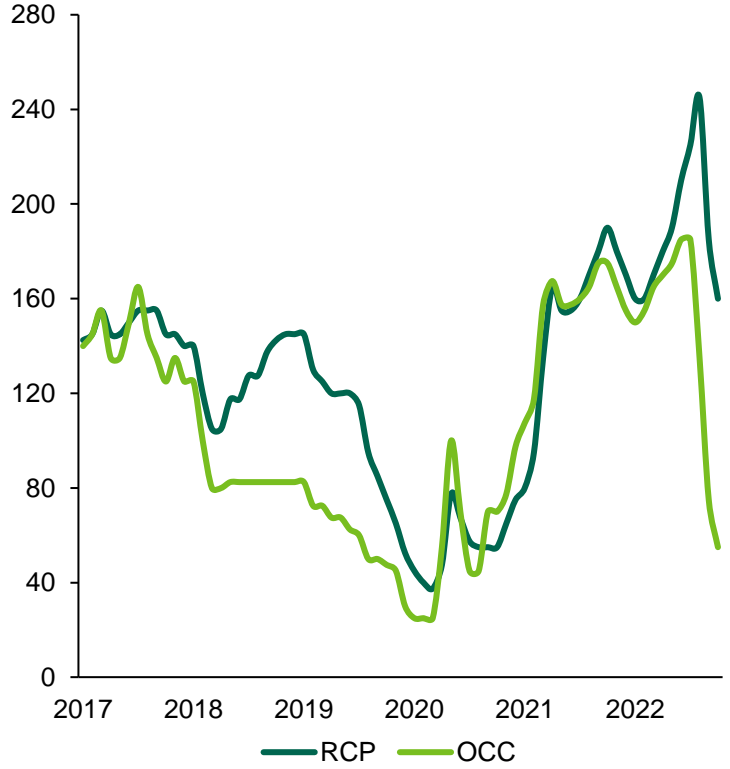
Energy prices Germany

EUR per MWh



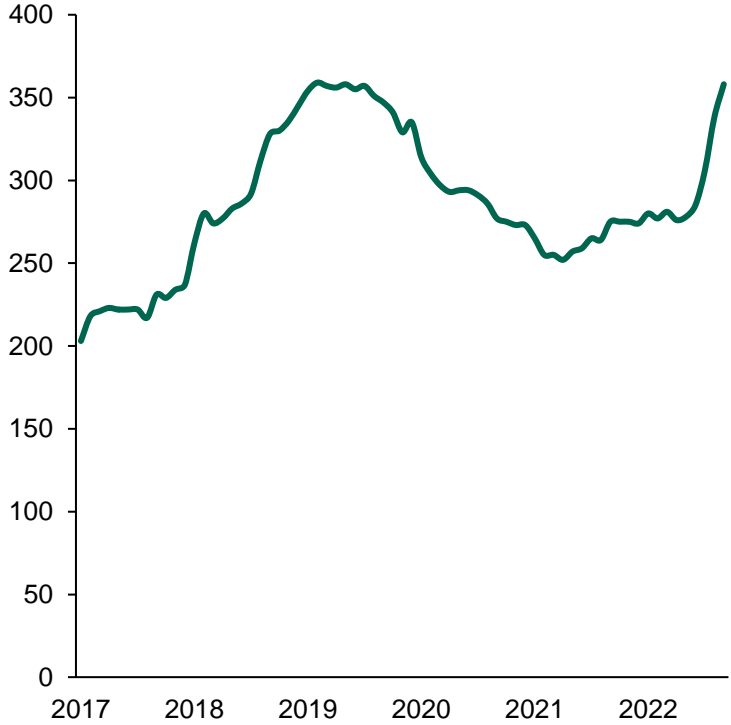
Recovered paper prices Germany

EUR per tonne



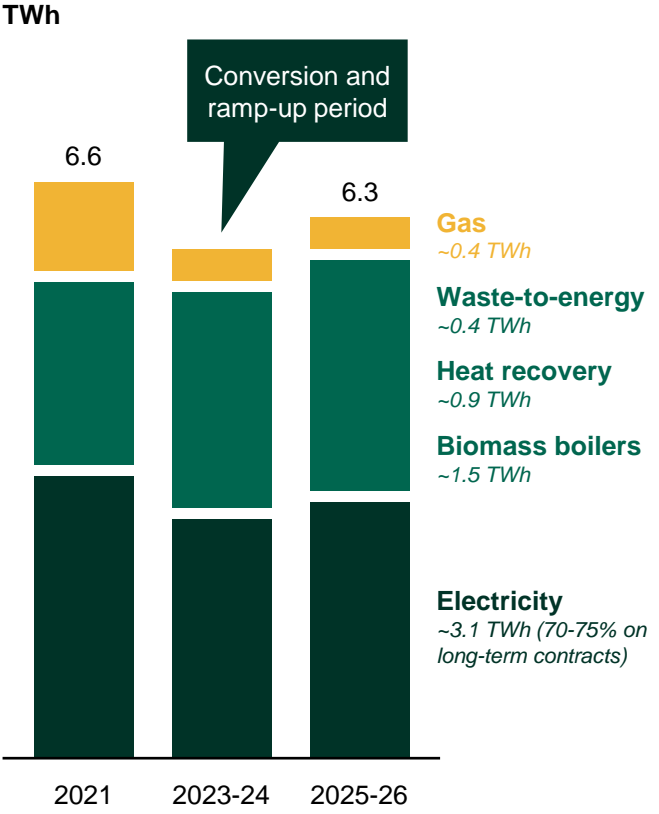
Spruce pulpwood prices Norway

NOK per solid cubic metre

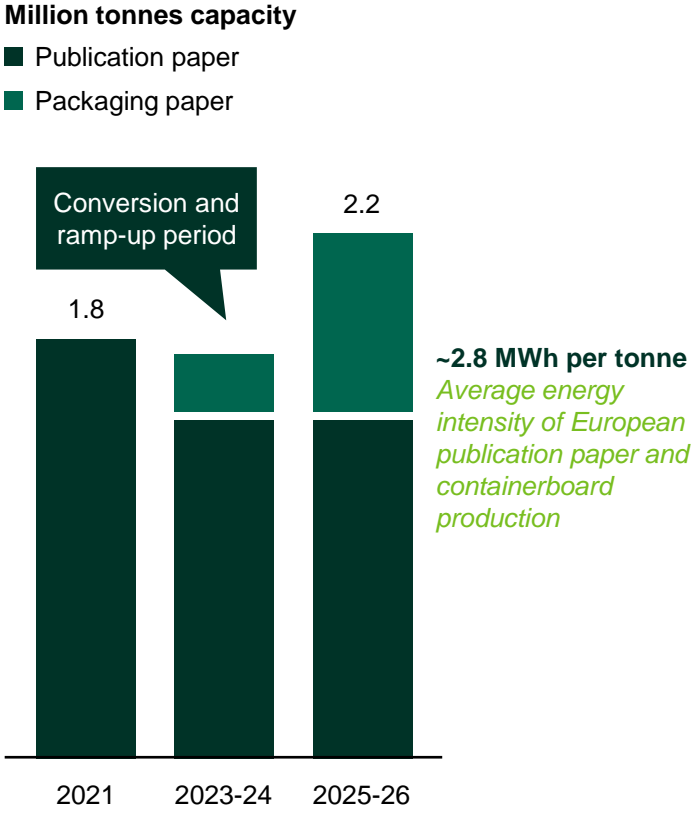


Managing European energy exposure in the short and long term

Approximate European energy exposure



European production capacity



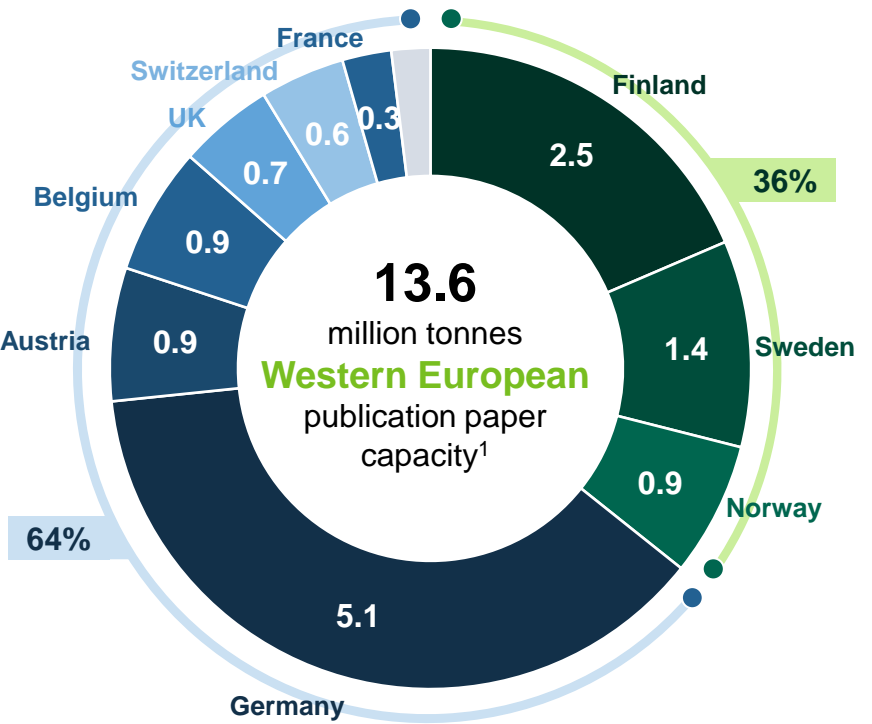
- Waste-to-energy boiler reducing gas with ~0.7 TWh and increasing electricity with <0.2 TWh (annually)
- GVE biomass boiler to supply ~0.7 TWh of cost efficient steam to Golbey from H2'24
- Bruck and Golbey manage production to avoid peak energy prices, and shift maintenance from Q3'22 to Q4'22 due to exceptionally high winter energy prices
- Further cost surcharges implemented from Q4'22 due to unprecedented energy and other costs
- At Golbey, stop PM1 for conversion and permanently stop TMP¹ production in Q4'22 (originally Q2'23), and manage potential surplus contracted energy
- Actively work with energy portfolio, production optimisation, and contracts to navigate unprecedented volatility in energy markets

1) TMP = Thermomechanical pulp



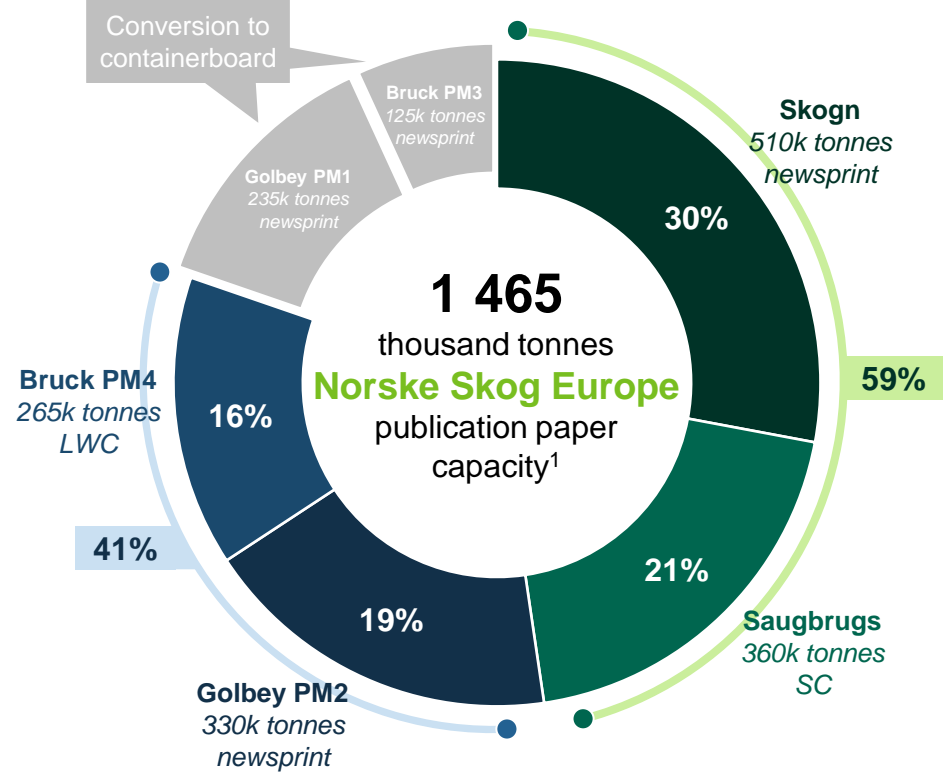
Nordic market conditions generally favourable versus European environment

Western European publication paper industry capacity



Norske Skog Europe publication paper capacity

Percentages exclude Bruck PM3 and Golbey PM1



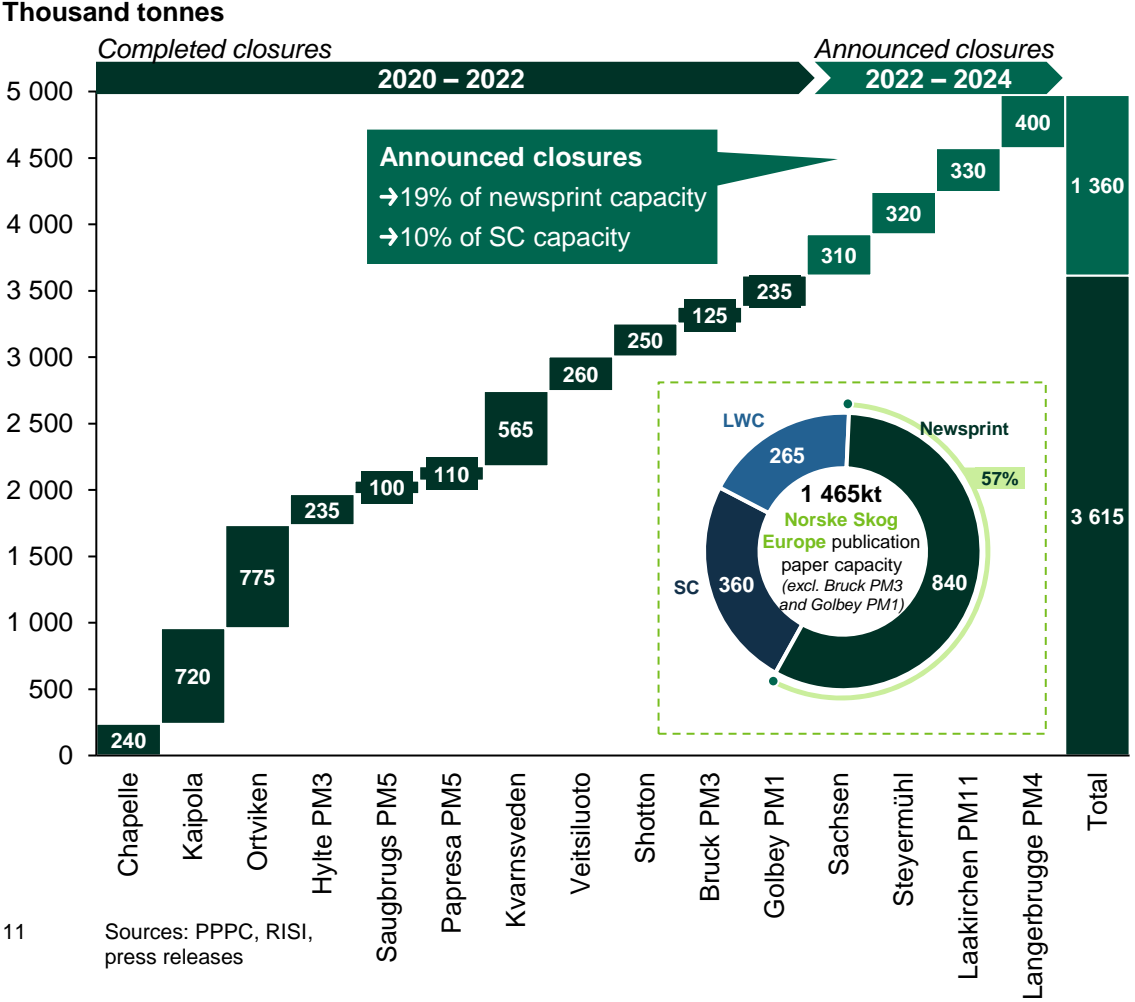
- Conversion to containerboard allow temporary reduced exposure to European operating environment
- Norske Skog publication paper capacity increasingly skewed towards Norway, with favourable energy position
- European operations now highly covered by energy contracts and internal supply

10 Source: RISI
1) Excludes Bruck PM3 (125kt) and Golbey PM1 (235kt)

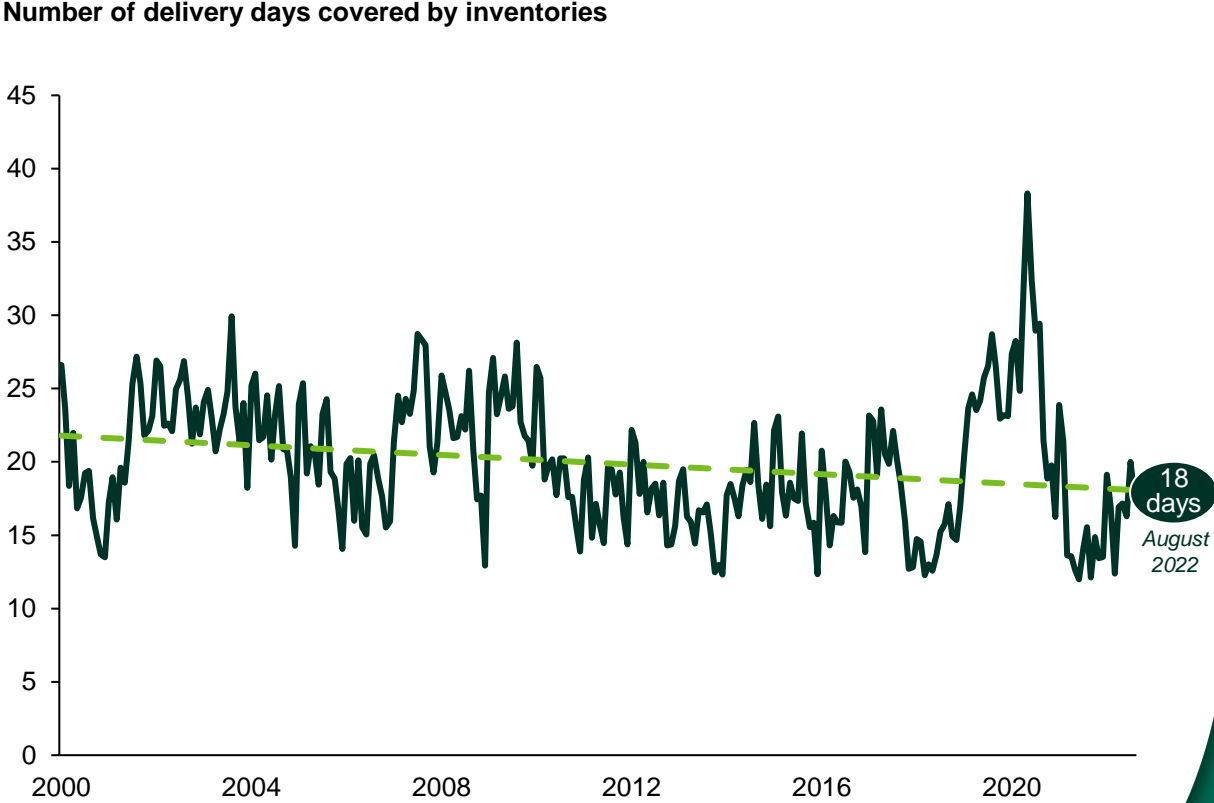


Tough operating conditions and announced closures expected to keep the publication paper market tight

Publication paper industry capacity closures in Western Europe



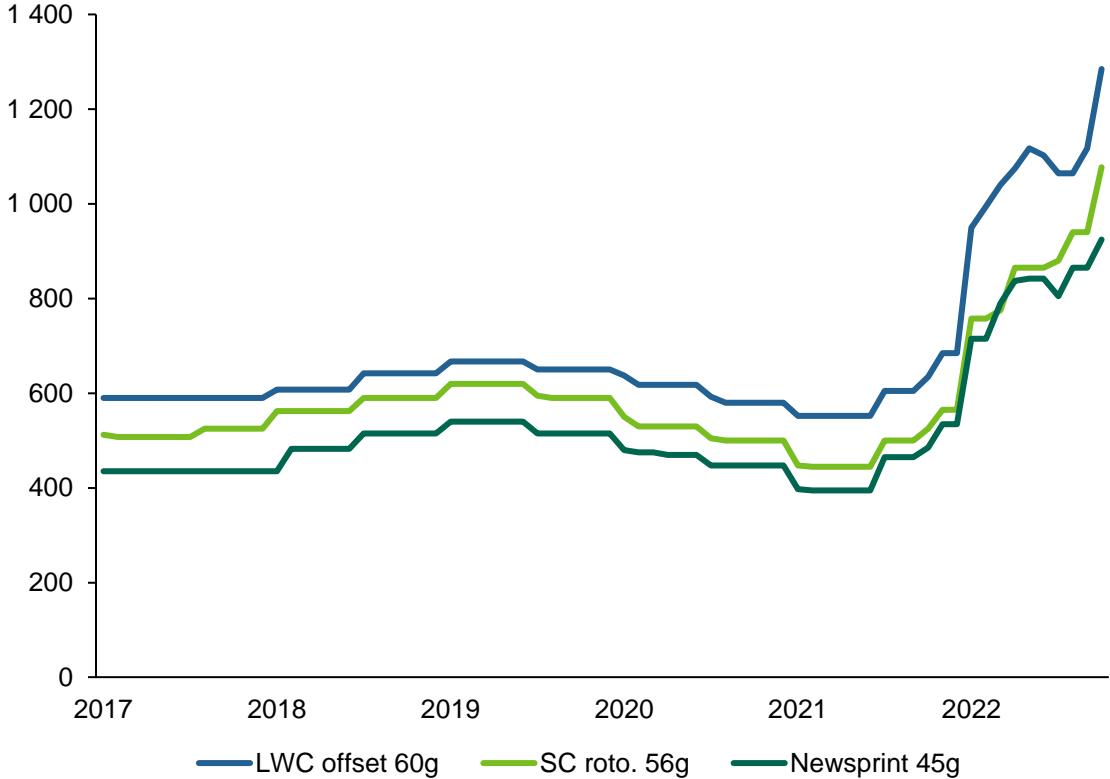
Publication paper stock volumes Western Europe



Publication paper price increases necessary to address unprecedented raw material and energy prices

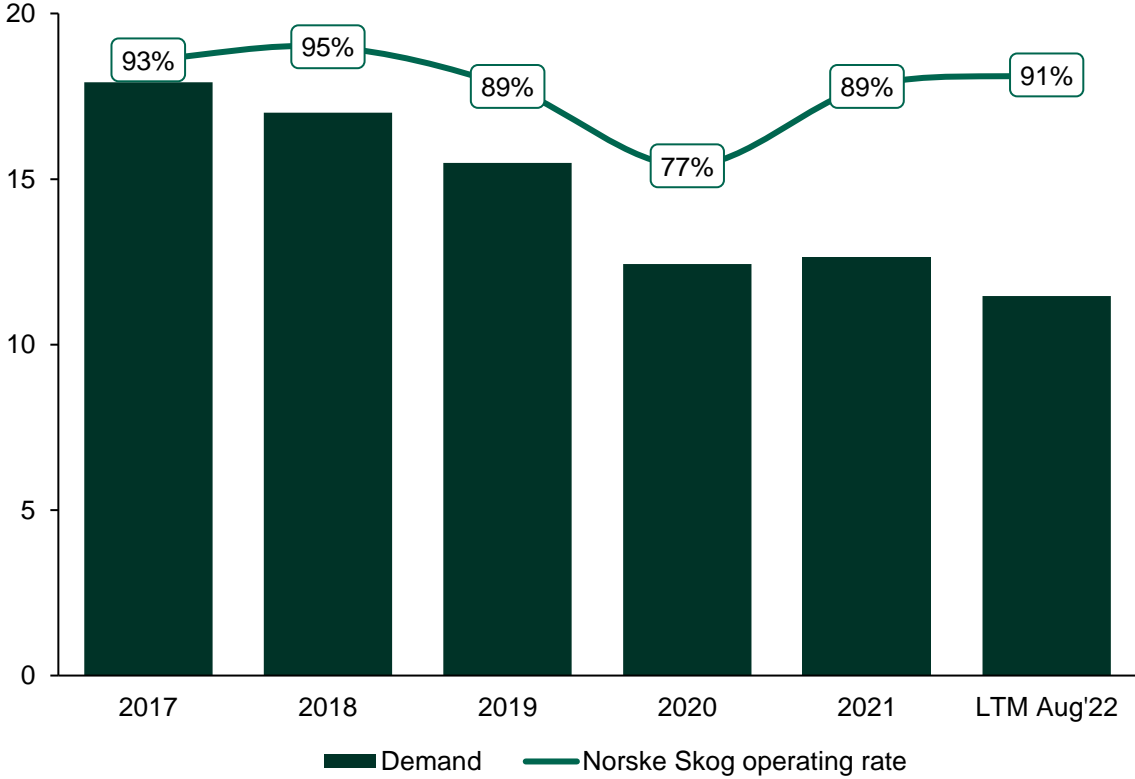
Newsprint and magazine paper prices Germany

EUR per tonne



Western European publication paper operating rate and demand

Million tonnes (and Norske Skog operating rate)



Boyer well equipped to remain a cornerstone of Tasmanian industry

- ✔ **Sole Australasian publication paper mill**
Sole domestic supplier with well invested newsprint (150kt) and LWC magazine (135kt) capacity providing 80% market share. Fully covered on domestic sales
- ✔ **EBITDA normalising based on contracts**
Improving cash flow visibility through contracts with leading publishers and printers, as well as electricity and fibre contracts
- ✔ **Established industrial grade infrastructure**
Challenging, time-consuming and capital intensive to establish industrial sites of similar scale as Boyer, due to permitting, lead-times and lack of suitable land
- ✔ **Green energy and industrial manufacturing opportunities**
Access to significant land areas, energy, grid capacity, water and fibre supports investments into renewable energy development and industrial manufacturing
- ✔ **Tasmanian Government with renewable energy ambitions**
Tasmania fully supplied with renewable energy and to double capacity by 2040 (adding 10.5 TWh) to enable ambition of becoming a leading hydrogen exporter

Tasmania

Australia's renewable energy powerhouse

- 100%** self-sufficiency in renewable electricity (hydro, wind)
- 2x** increase (10.5 TWh) in renewable energy output by 2040
- 2030** ambition to be global green hydrogen exporter



Entering the market for recycled containerboard in four months



Bruck



Golbey

Packaging paper capacity

- 760k tonnes recycled containerboard
- In the market from Q1 2023

Targets

- Operating rate of ~95% from 2025-26
- EBITDA margin of +20%
- ✓ *Competitive steam supply*
- ✓ *Centrally located with low transport costs*
- ✓ *Established raw materials access*
- ✓ *Ideal machine scale, trim and speed*



Green Valley Energie CHP plant will support Golbey cost competitiveness



Biomass energy

- Biomass energy JV² between Pearl (80%), Veolia (10%) and Norske Skog (10%)
- The JV will sell electricity to the French grid and steam to Norske Skog until 2043
- ~0.7 TWh of cost competitive steam for Golbey's packaging paper operations
- Project is fully financed and construction is ongoing, completion expected in H2 2024



Waste-to-energy facility reducing Bruck cash-cost



Waste-to-energy

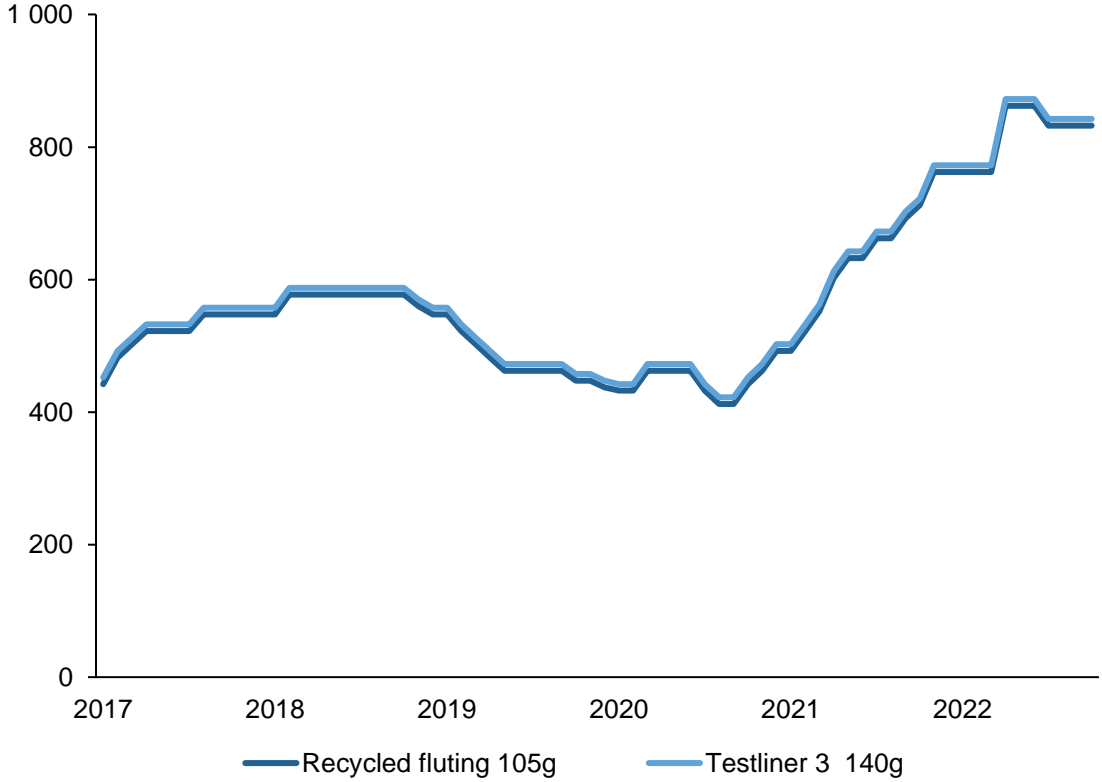
- Under commissioning with Valmet
- Reduces gas consumption by ~0.7 TWh and increases electricity by <0.2 TWh
- Enables very competitive steam supply for drying of paper and containerboard



Containerboard market softening, but still attractive for low cash-cost producers

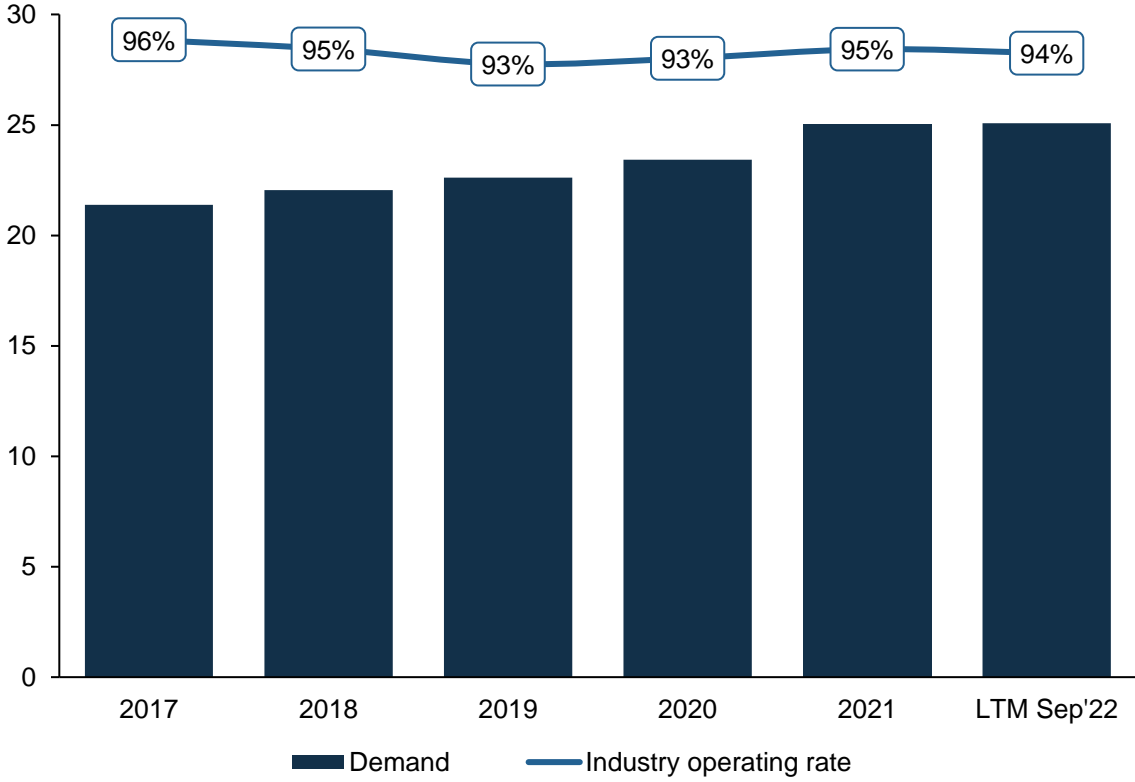
Recycled containerboard prices Germany

EUR per tonne



Western European recycled containerboard operating rate and demand

Million tonnes (and industry operating rate)



Proud to develop a top-notch upper secondary school in Halden



Welcomed 450 students and teachers in August

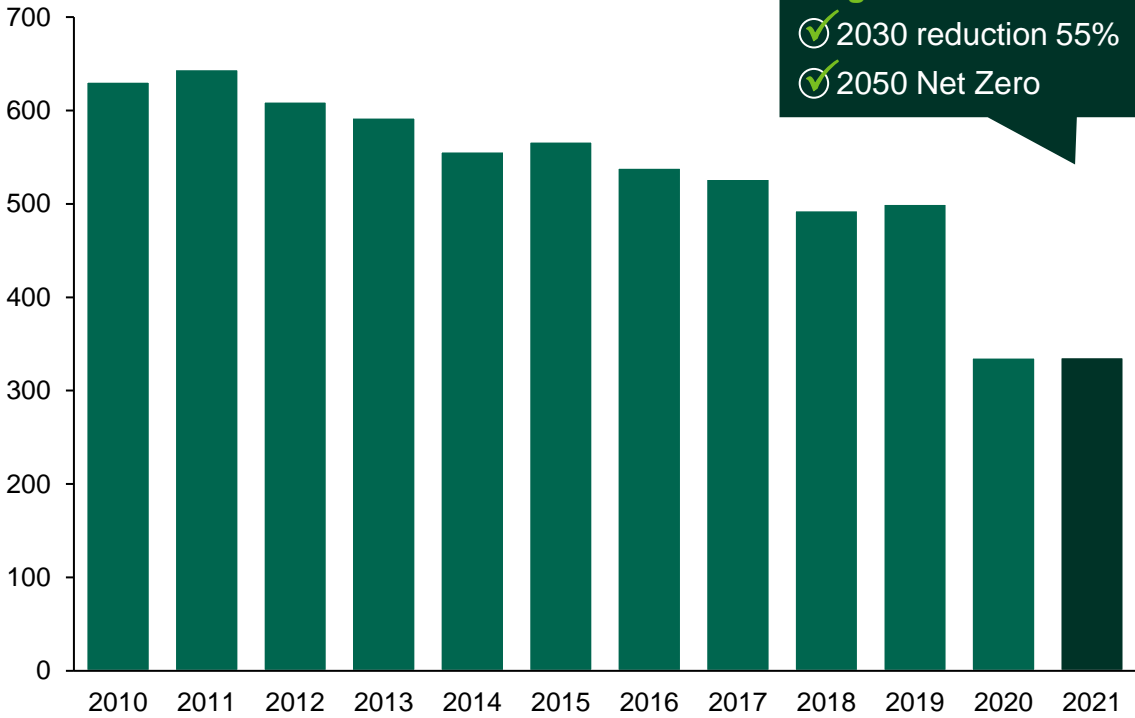
- Former Saugbrugs paper storage facilities transformed to a modern high school
- Wide spectre of amenities for vocational education, including music studios, concert halls, and wood and mechanic workshops
- 35 year municipality lease (plus extensions) of NOK ~30m annually (100% CPI adjusted), project debt of NOK ~280m
- Norske Skog and Ringstad Gruppen with equal ownership participation in the project



Green energy production and energy efficient operations enable annual surplus of CO₂ allowances

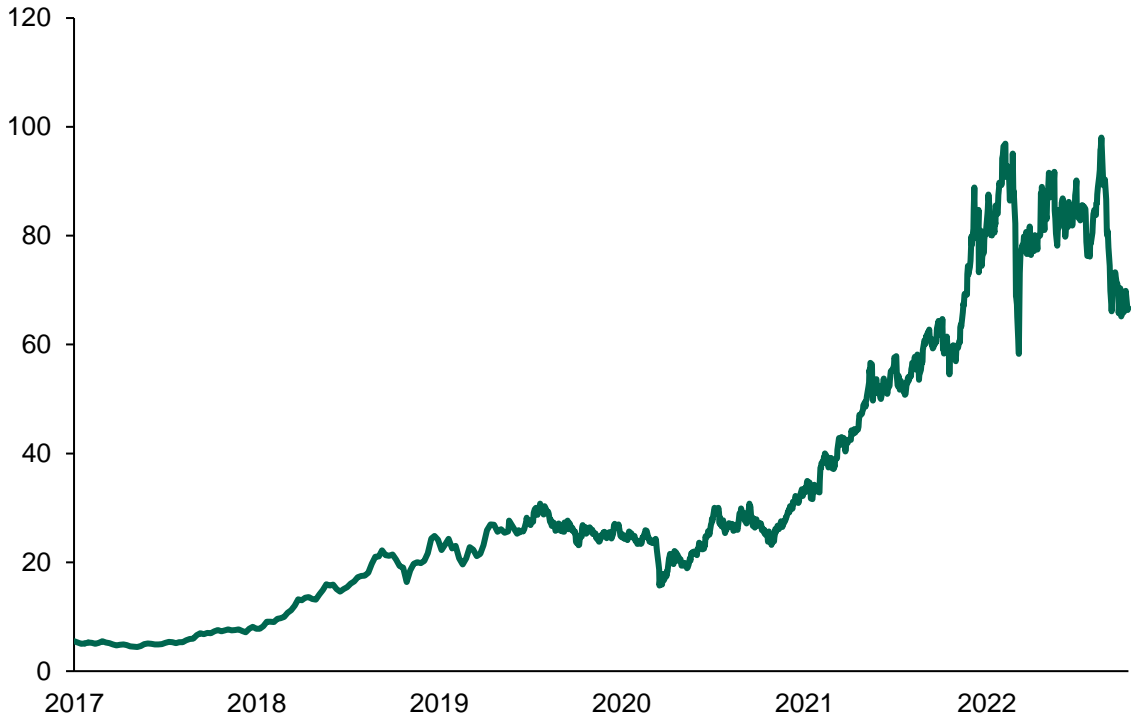
Continue to reduce fossil CO₂ emissions from production

Kg fossil CO₂ direct and indirect (scope 1 and 2) emissions per tonne produced

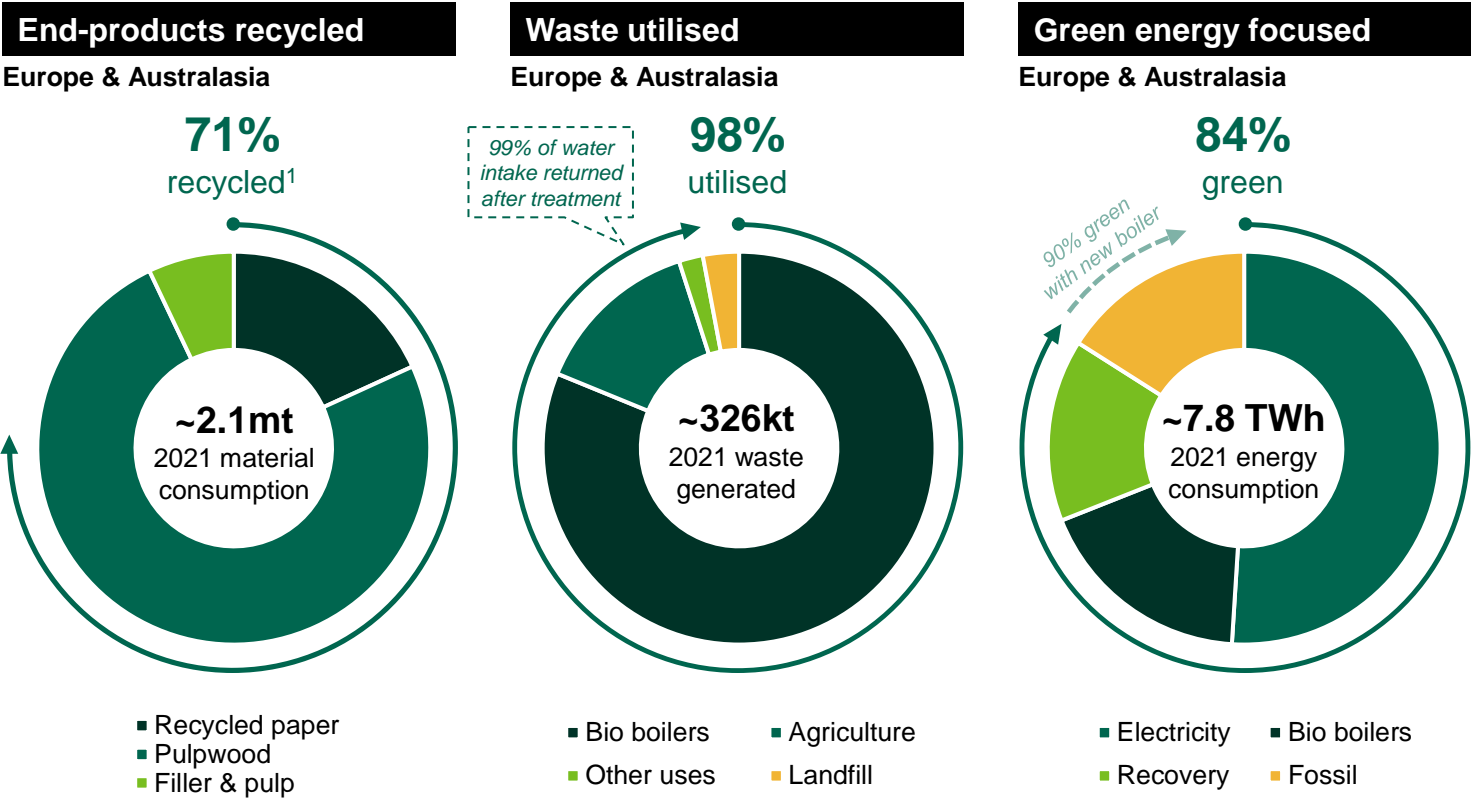


European Union Allowance (EUA) price development

EUR / allowance



Enabling the circular economy



Developing climate solutions

- Participating in Borg CO2 industry cluster to develop CCUS² technologies with ambition to capture ~630k tonnes
- Supporting Ocean GeoLoop to develop and pilot its CCUS² technologies to capture close to 100% of CO₂ from flue gas
- Exploring a range of opportunities within advanced e-fuels, bio-carbon, -chemicals, -additives and -materials

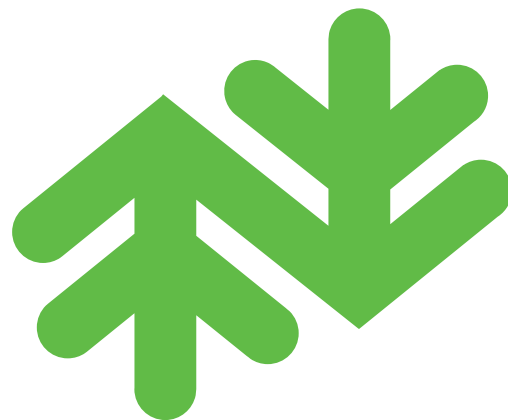
1) Industry recycling rate (CEPI); 2) CCUS = Carbon capture, utilisation and storage



Outlook

- Publication paper market expected to remain tight due to industry capacity closures
- Volatile energy and raw material markets continues to cause operational challenges
- Actively manage energy exposure through Q4 2022 and Q1 2023
- Publication paper price increases for Q4 2022 implemented to address cost increases
- Starting containerboard production at Bruck PM3 in four months (Q1 2023)
- Continued development of existing and potential energy and bio product projects





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