



**Norske Skog**

Q2 2022 presentation

15 July 2022



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# Sustainable and innovative industry



Publication  
paper



Packaging  
paper



Energy



Bio products



# Second quarter in brief

## Good profitability despite turbulent markets

- EBITDA of NOK 905m, impact from waste-to-energy facility and price increases offsetting energy and raw material costs
- Profit of 935m in the quarter, including positive non-cash impact of NOK 419m from valuation of energy contracts

## Challenging energy and raw material markets

- Uncertainty and high costs for energy and raw materials continue into H2 2022, impacting production and prices
- Investments in waste-to-energy plant at Bruck and CHP biomass plant at Golbey support the reduction of natural gas imports

## Publication paper capacity reductions from 2022 to 2024

- Bruck PM3 stopped production on 10 July to facilitate conversion, expect marginal negative EBITDA impact
- Further industry closures announced in Western Europe support high operating rates in 2022 and into 2023

## Good progress on energy and growth projects

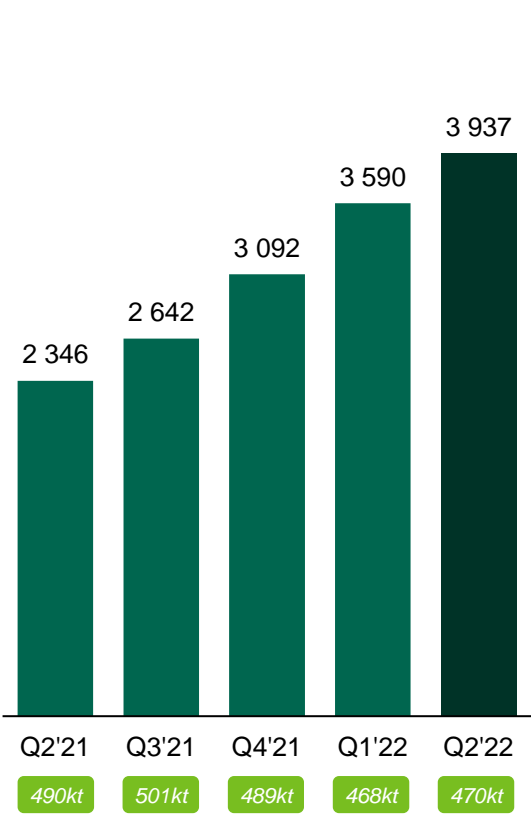
- New waste-to-energy plant in Bruck close to 100% utilisation and GVE started construction of new biomass plant in Golbey
- Containerboard projects in Bruck and Golbey on schedule for production start-up in 2023
- CEBICO with partnership agreement for further commercialisation and CEBINA successfully applied in filler materials



# New waste-to-energy facility improving EBITDA

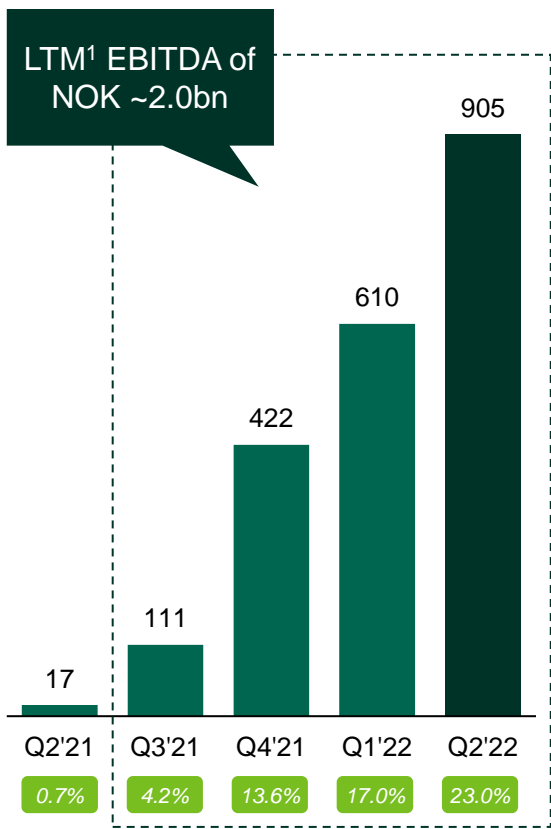
## Revenue

NOKm (and deliveries volume)



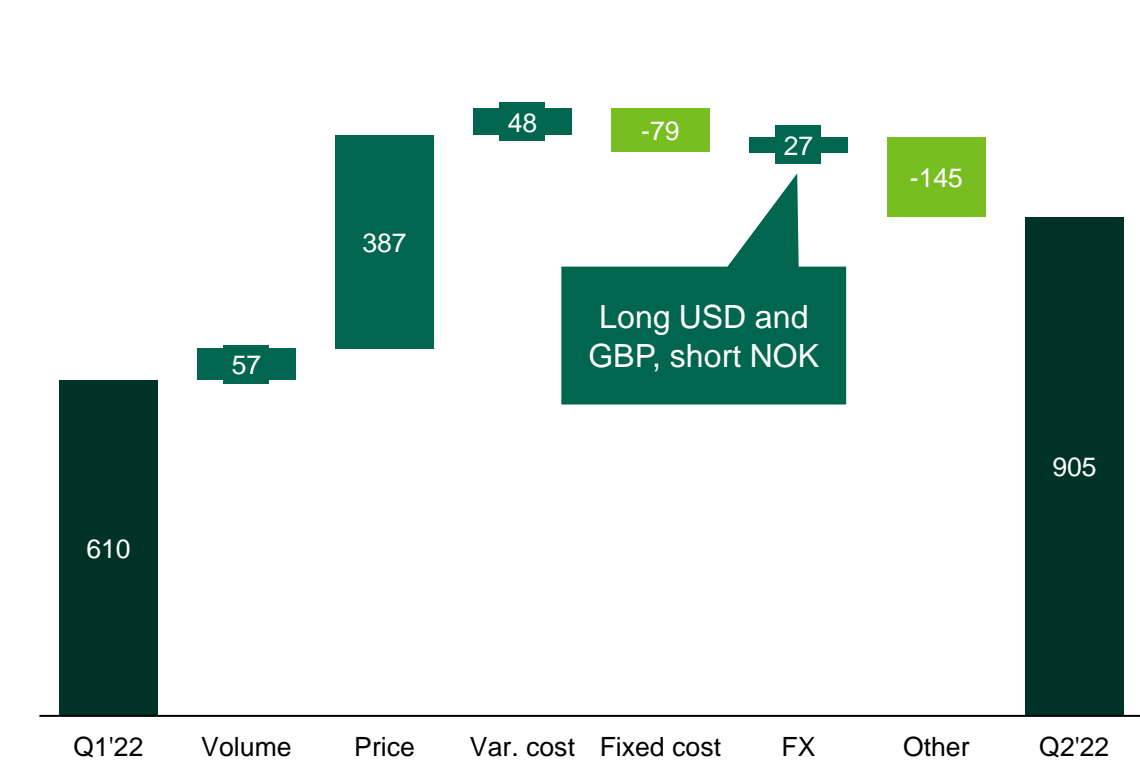
## EBITDA

NOKm (and margin)



## EBITDA bridge Q1 2022 to Q2 2022

NOKm



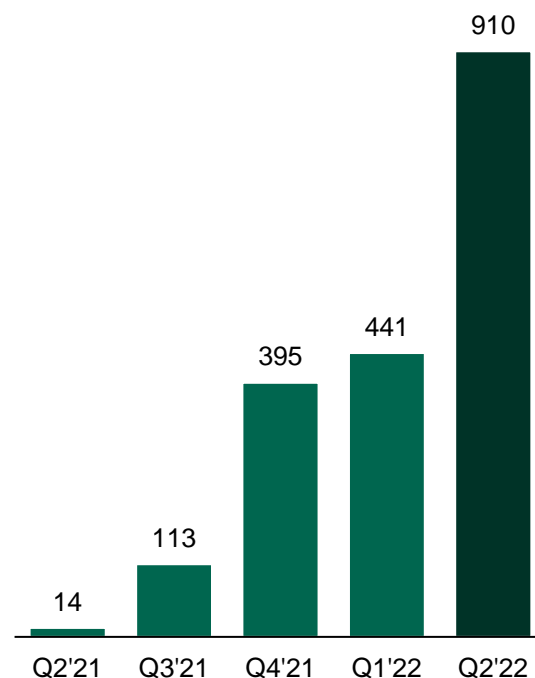
1) LTM = Last Twelve Months, i.e., the last four quarters



# Positive development in both operating segments

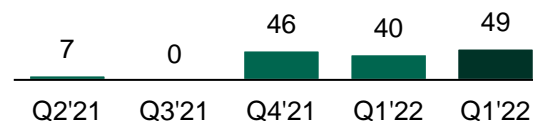
## EBITDA Europe

NOKm



## EBITDA Australasia

NOKm



## Segment financials

NOKm

Europe	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22
Operating rate, %	85%	96%	96%	94%	90%
Deliveries, thousand tonnes	403	433	427	407	407
Total operating income	1,714	2,183	2,648	2,968	3,469
EBITDA	14	113	395	441	910
EBITDA margin, %	0.8%	5.2%	14.9%	14.9%	26.2%

Australasia	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22
Operating rate, %	69%	87%	87%	91%	98%
Deliveries, thousand tonnes	87	68	62	61	63
Total operating income	480	426	395	429	470
EBITDA	7	0	46	40	49
EBITDA margin, %	1.4%	0.0%	11.6%	9.2%	10.4%

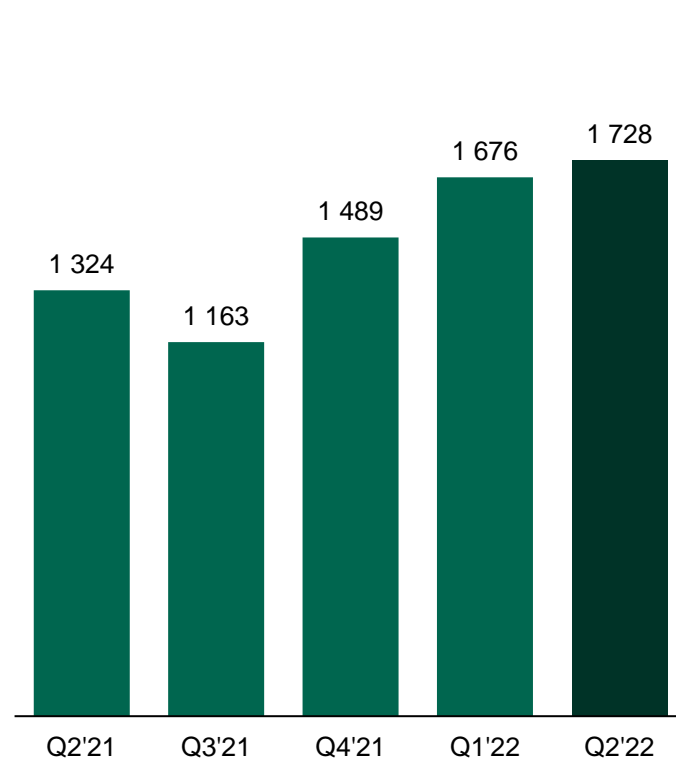
Other activities	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22
Total operating income	32	61	71	222	23
EBITDA	-4	-2	-19	130	-55



# Solid balance sheet and liquidity

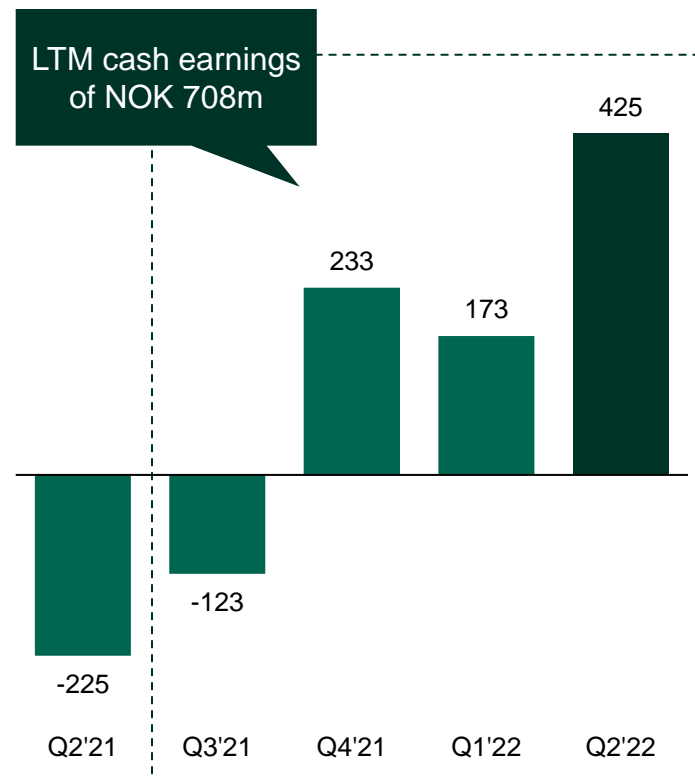
## Cash and cash equivalents

NOKm



## Cash earnings<sup>1</sup>

NOKm



## Net debt of NOK 1 012m

- Net debt / LTM reported EBITDA of 0.5x
- Repurchased EUR 4.4m of EUR 150m bond

## Total available liquidity of EUR ~460m

- Cash of NOK 1 728m (EUR ~170m)
- 2021 CO<sub>2</sub> comp. of NOK ~290m (EUR ~30m)
- Undrawn project debt of EUR ~230m
- Undrawn RCF of EUR 31m

## Remaining capex of EUR ~260-280m

- EUR ~160m of growth investments to date, EBITDA impact over next 1-2 years<sup>2</sup>



# 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
  - *Bruck PM3 (125kt) now closed for conversion*
  - *Golbey PM1 (235kt) closing for conversion Q2 2023*
- 400k tonnes LWC magazine
- 360k tonnes SC magazine

## Targets

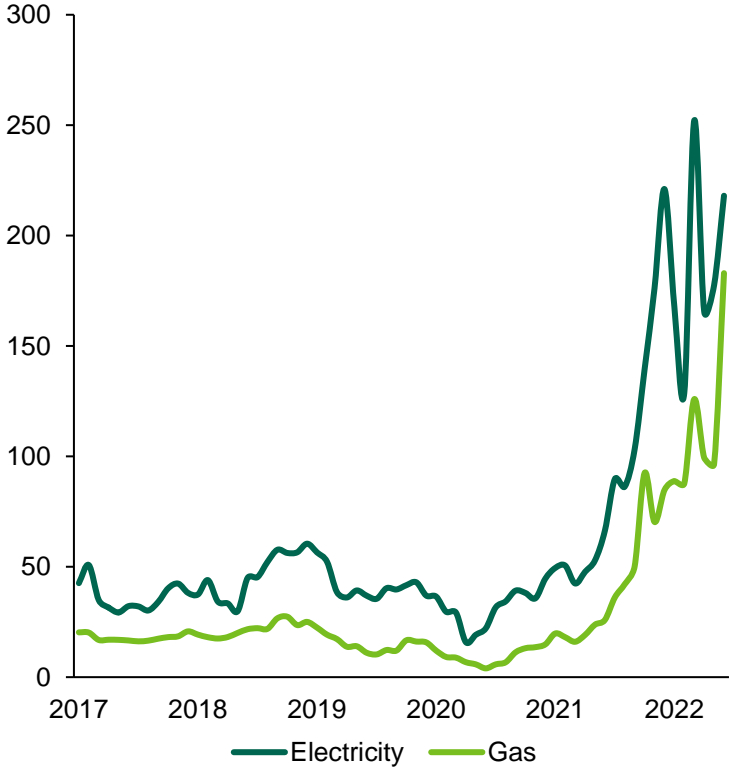
- ✓ Operating rate of +90%
- ✓ EBITDA margin of +10%



# Energy and raw material markets expected to become more challenging in H2 2022

**Energy prices Germany**

EUR per MWh



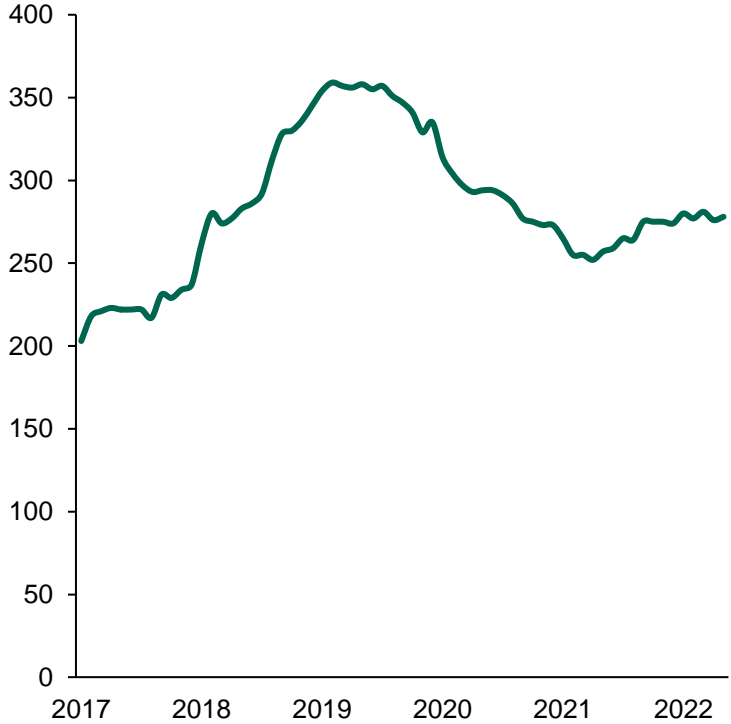
**Recovered paper prices Germany**

EUR per tonne



**Spruce pulpwood prices Norway**

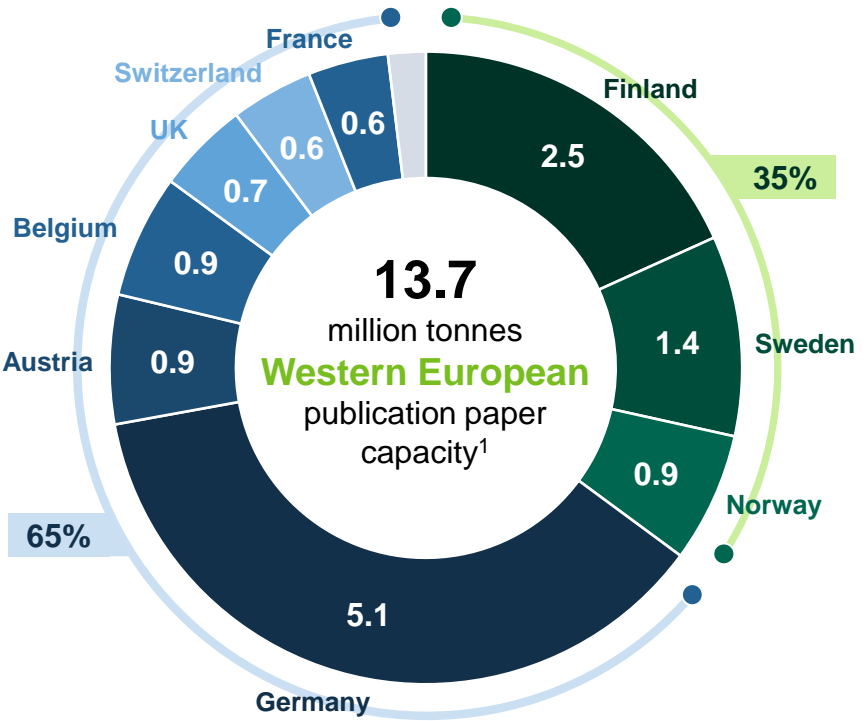
NOK per solid cubic metre





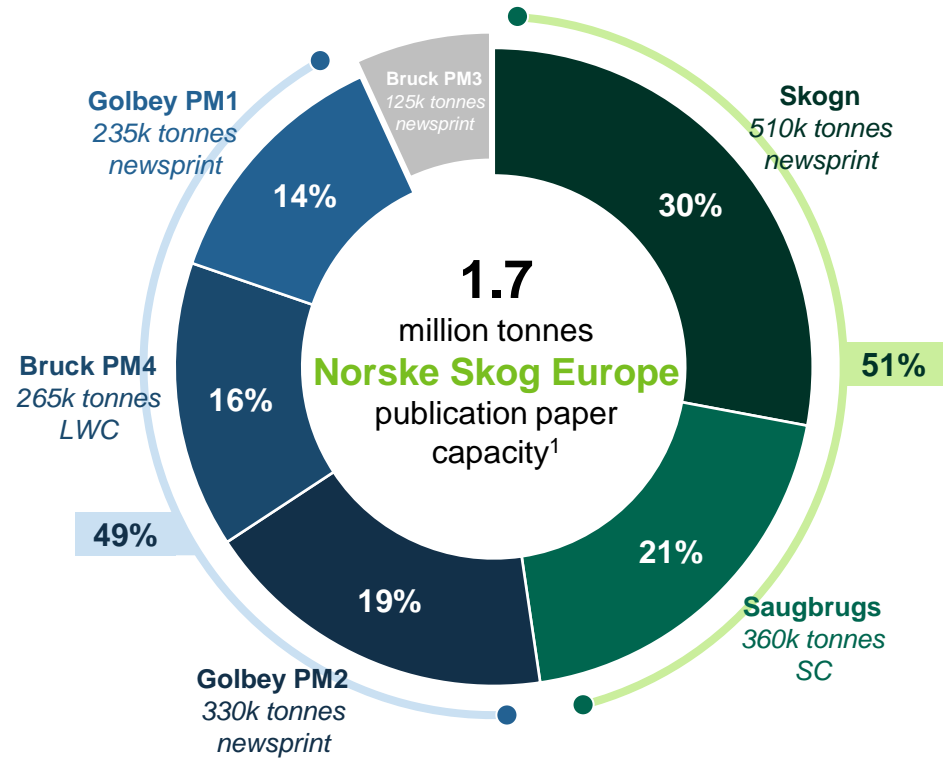
# Nordic operations favourably positioned versus a volatile and uncertain European operating environment

**Western European publication paper industry capacity**



**Norske Skog Europe publication paper capacity**

Percentages exclude Bruck PM3

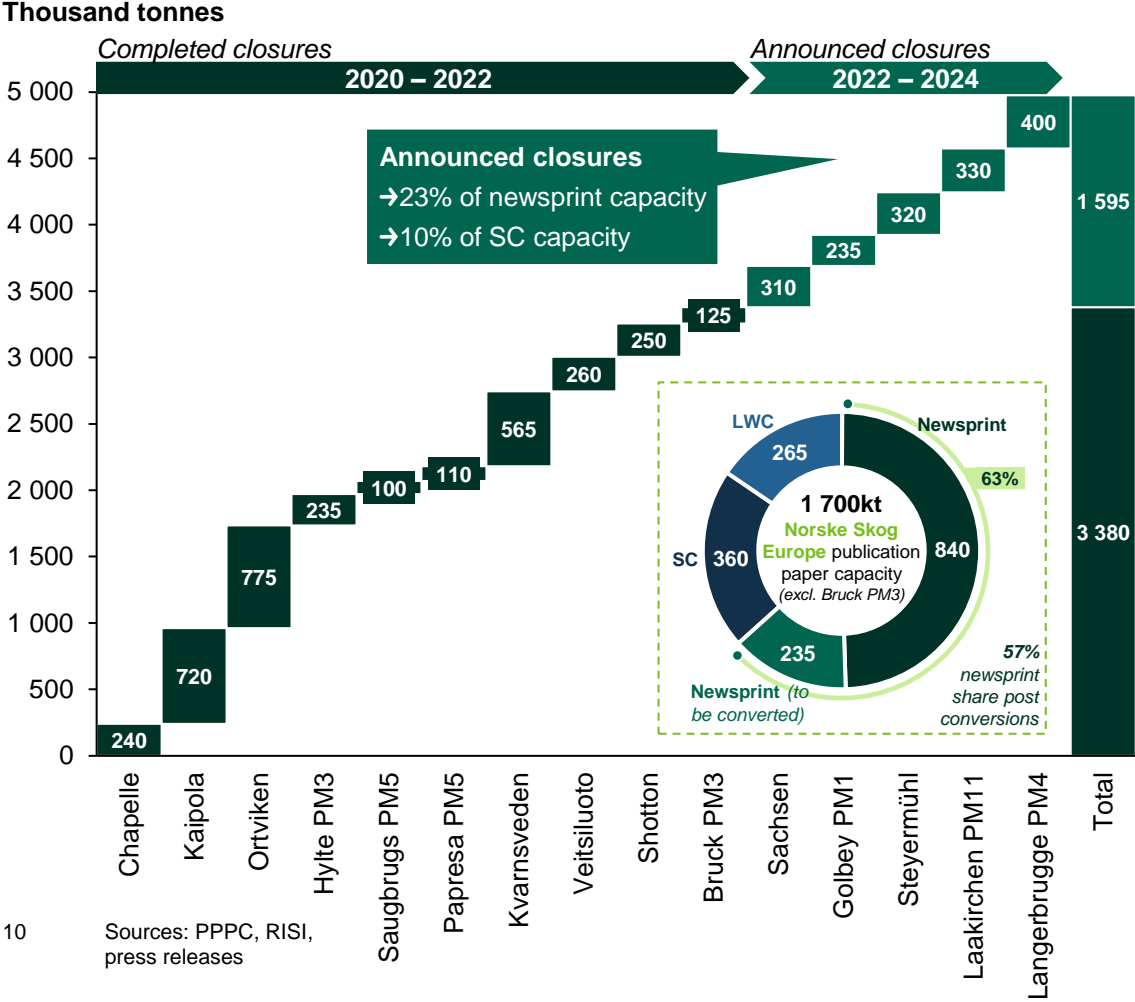


- Challenging energy and RCP situation in Europe
- Nordic mills favourably positioned
- Norske Skog publication paper capacity increasingly skewed towards Norway

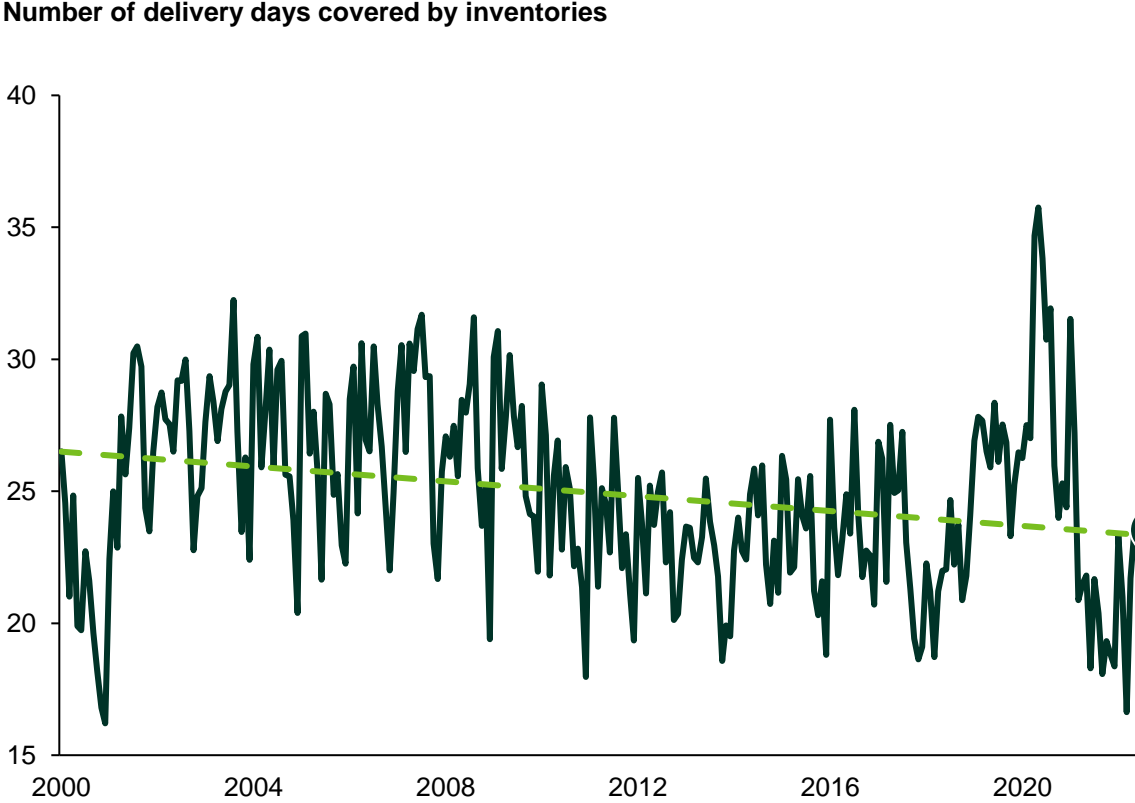


# Tough operating conditions and announced closures expected to keep the publication paper market tight

## Publication paper industry capacity closures in Western Europe



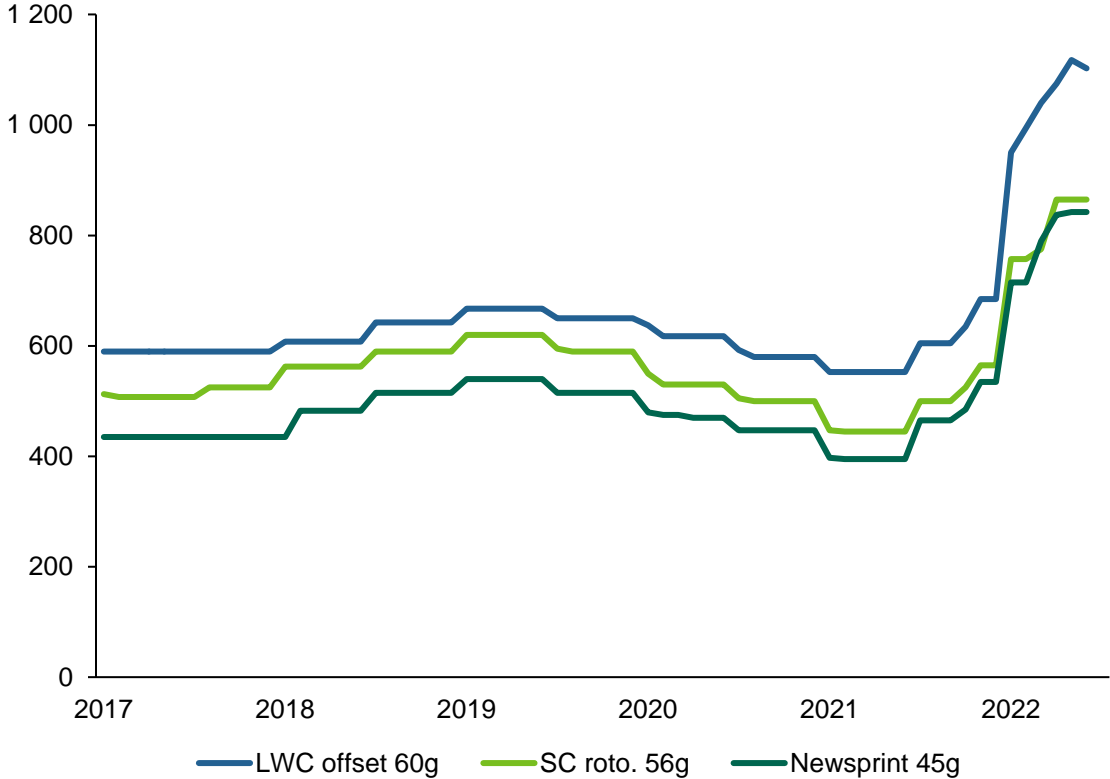
## Publication paper stock volumes Western Europe



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

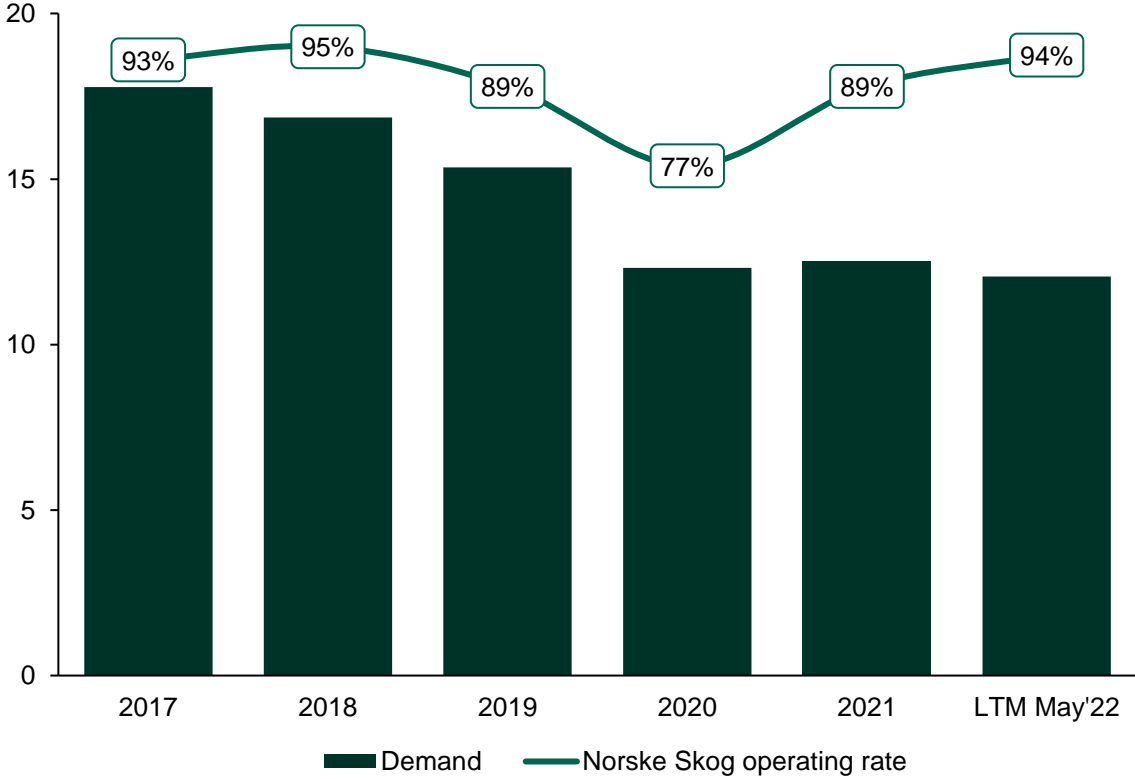
**Newsprint and magazine paper prices Germany**

EUR per tonne



**Western European publication paper operating rate and demand**

Million tonnes (and Norske Skog operating rate)



# Entering the growing market for recycled containerboard



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 JV<sup>2</sup> 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
- 700 GWh of cost competitive steam for Golbey's packaging paper operations
- Project is fully financed and construction is ongoing, completion expected in 2024



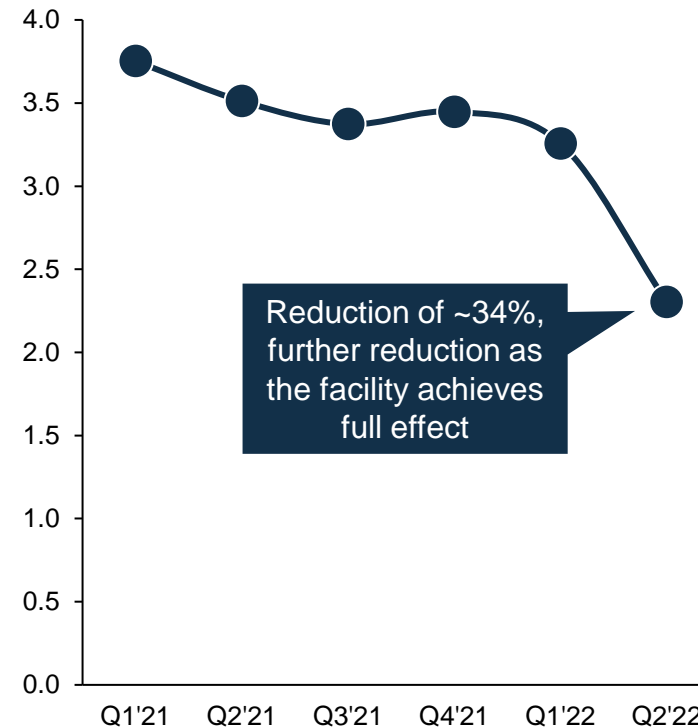
# Waste-to-energy facility reducing Bruck gas consumption

Bruck waste-to-energy facility



Bruck external energy exposure

Gas and electricity, MWh / tonne

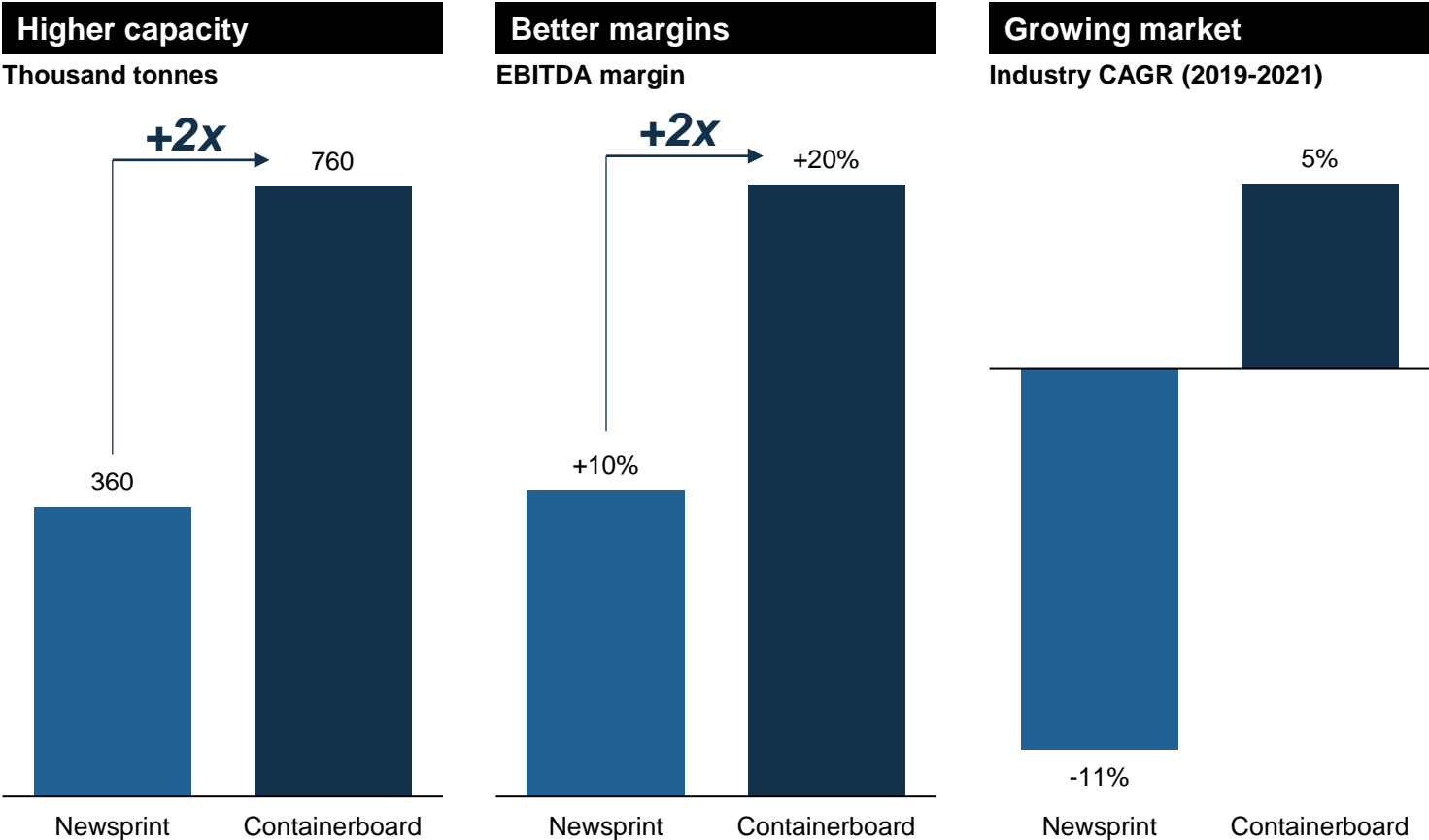


## Waste-to-energy

- Under commissioning with Valmet and nearing 100% utilisation
- 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



# Conversions look attractive across the board



## Value accretive projects

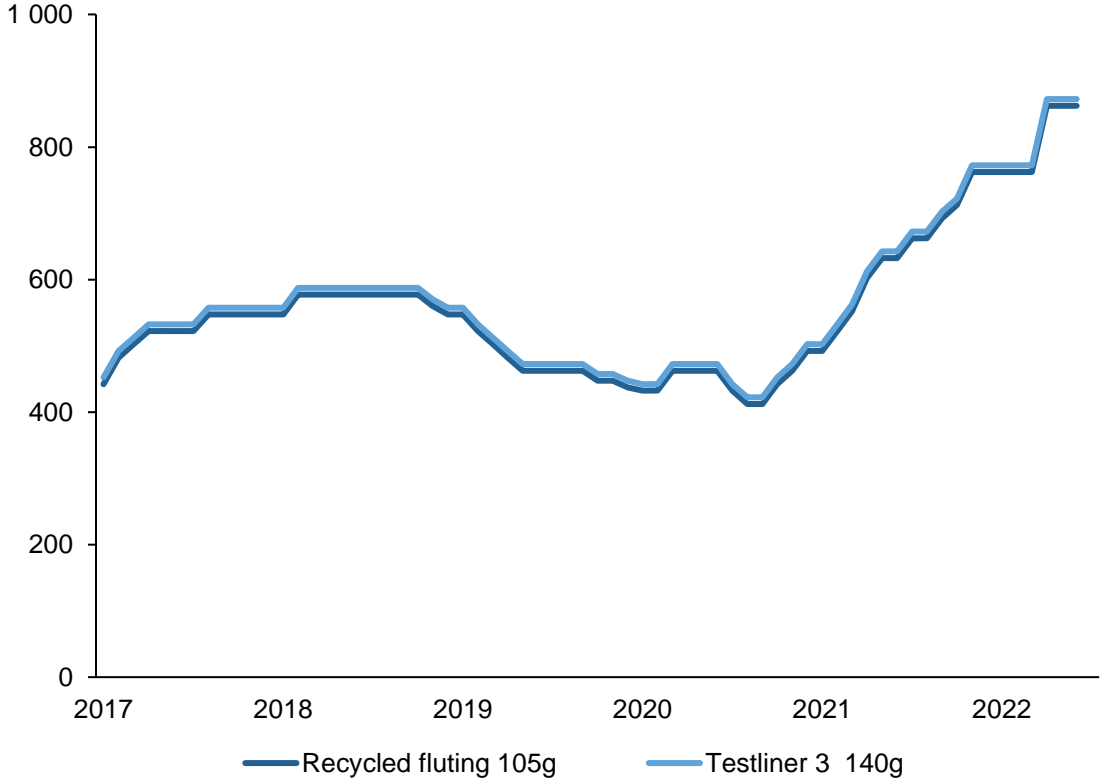
- Production capacity doubles by switching from newsprint to containerboard
- Price per tonne for newsprint and containerboard are in the same area
- Expected containerboard EBITDA margin of +20% versus +10% for newsprint
- Growing demand for containerboard compared to declining newsprint demand



# Containerboard market remains tight driven by e-commerce and sustainability focus

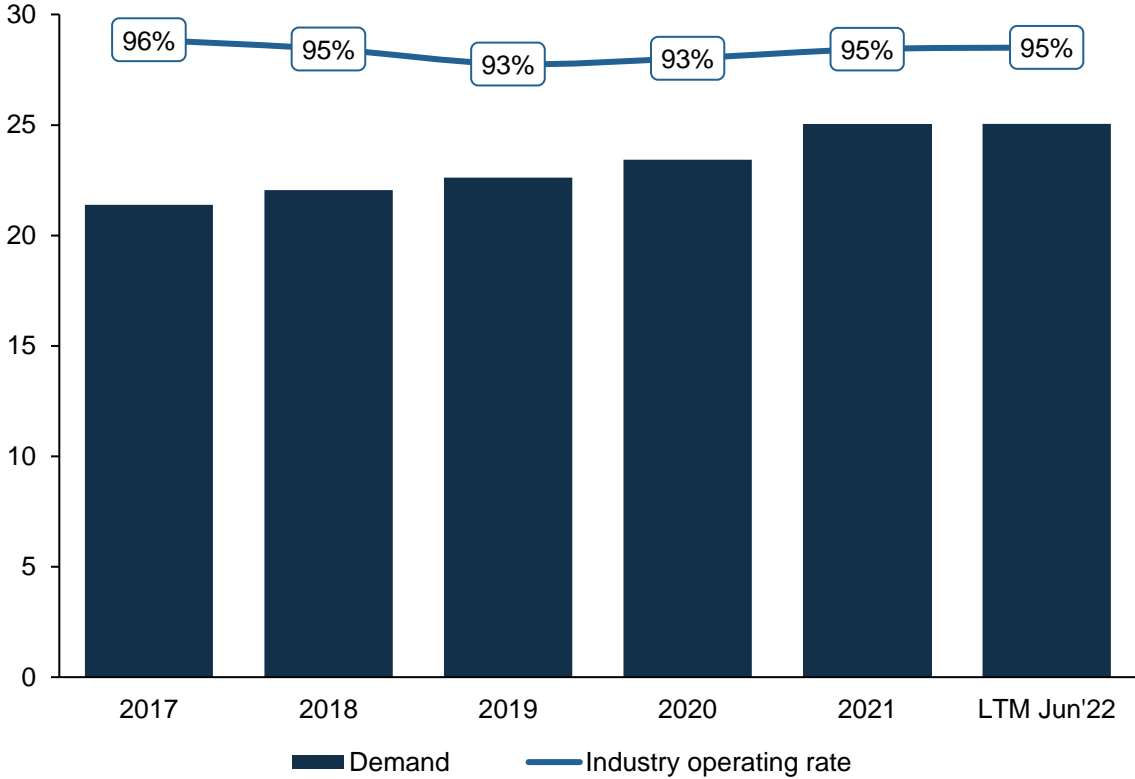
**Recycled containerboard prices Germany**

EUR per tonne



**Western European recycled containerboard operating rate and demand**

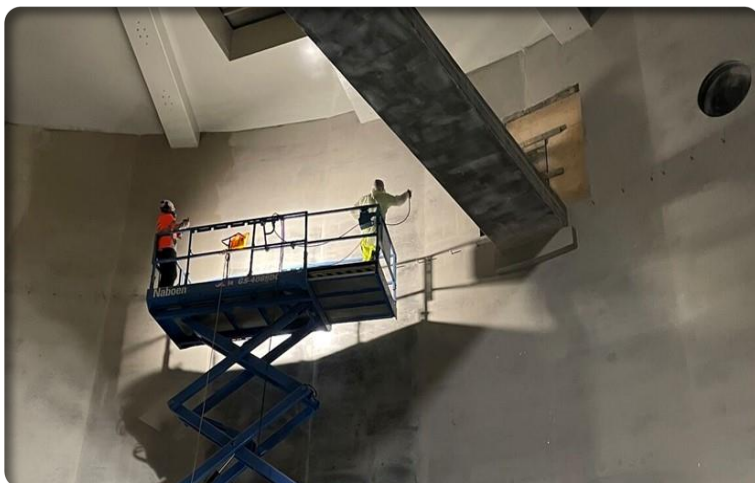
Million tonnes (and industry operating rate)





# Milestone progress across all bio products

## Large scale CEBINA application



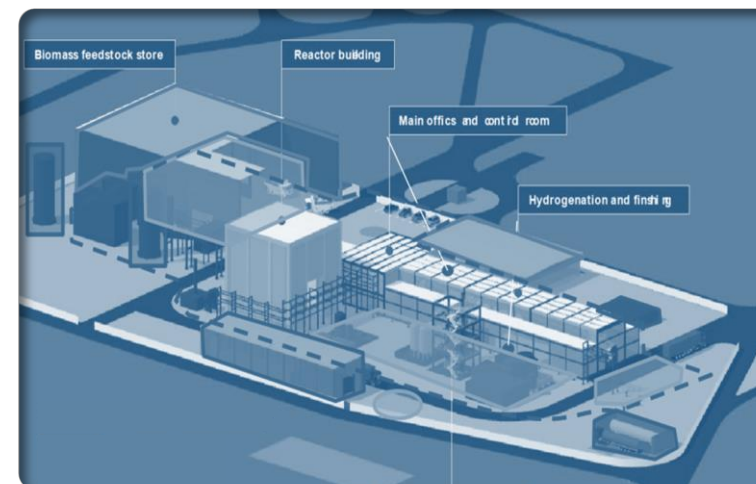
- Applied in spray filler for Salmon Evolution farming tanks
- Reduces work load from two weeks to four days
- Commercial milestone, further expanding market potential
- Awarded Green Platform grant of NOK ~60m
- Reviewing production capacity expansion

## Partnership to commercialise CEBICO



- Partnership between Norske Skog, BEWI and BE Form
- Ambition to identify commercial applications for CEBICO
- Develop commercial foundation for capacity increase
- Current capacity of 300-800 tonnes from pilot plant
- Supported by Innovation Norway grant of NOK ~15m

## Circa and Valmet industrial partnership



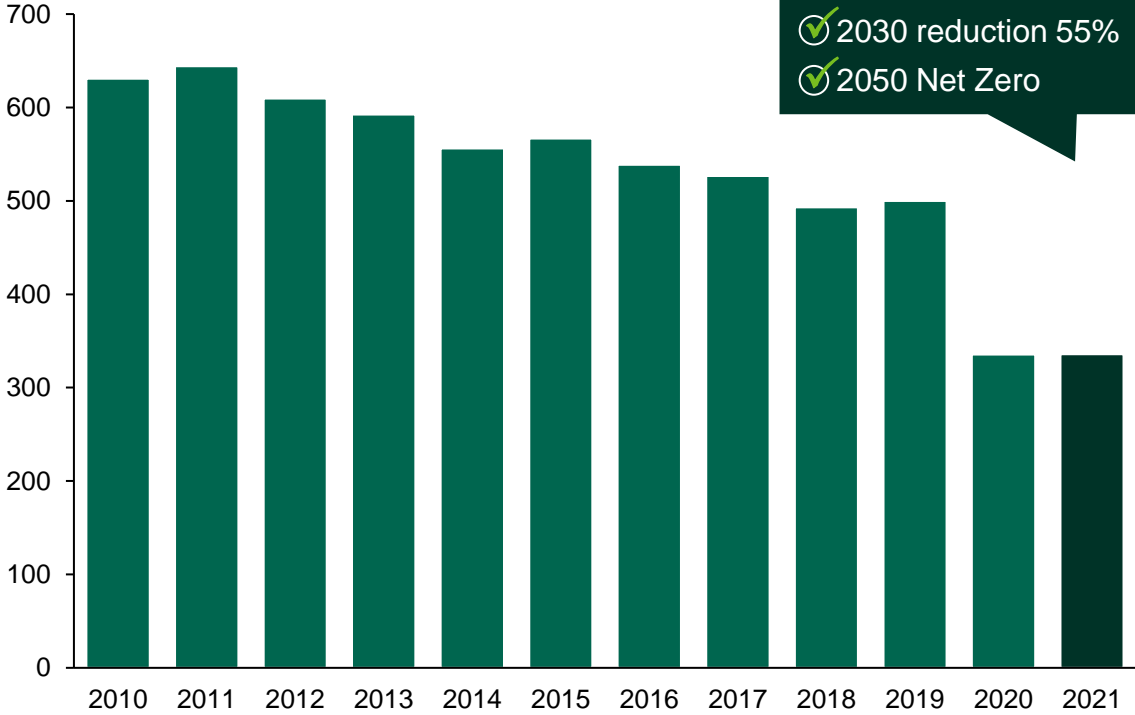
- Provides technology expertise and scale-up experience
- Long-term focus on Circa's strategy of 80kt capacity in 2030
- Near-term focus on ReSolute and initiate FC6 studies
- Fully financed for ReSolute, Norske Skog holds ~26%
- Continued development of new Levoglucosenone derivatives



# Green energy production and energy efficient operations enable annual surplus of CO<sub>2</sub> allowances

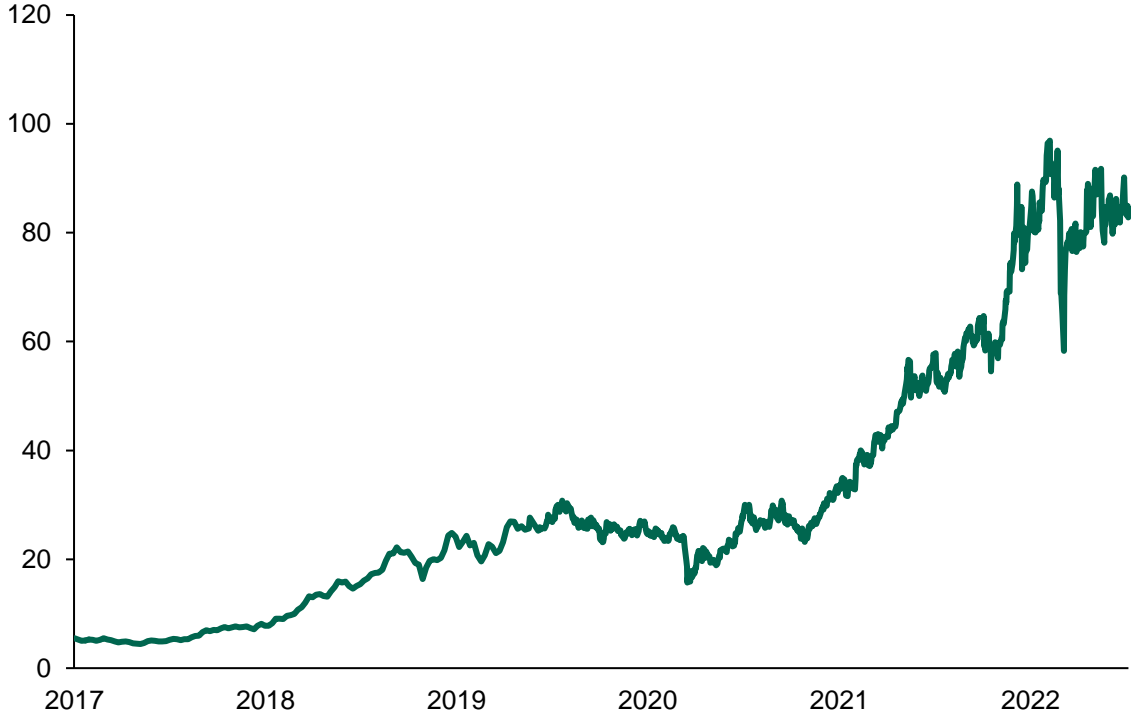
## Continue to reduce fossil CO<sub>2</sub> emissions from production

Kg fossil CO<sub>2</sub> direct and indirect (scope 1 and 2) emissions per tonne produced



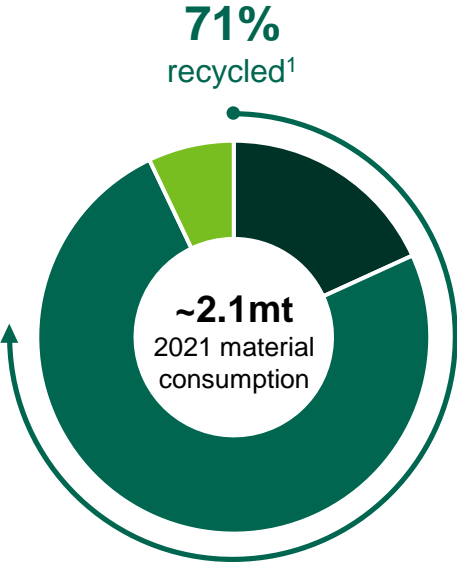
## European Union Allowance (EUA) price development

EUR / allowance



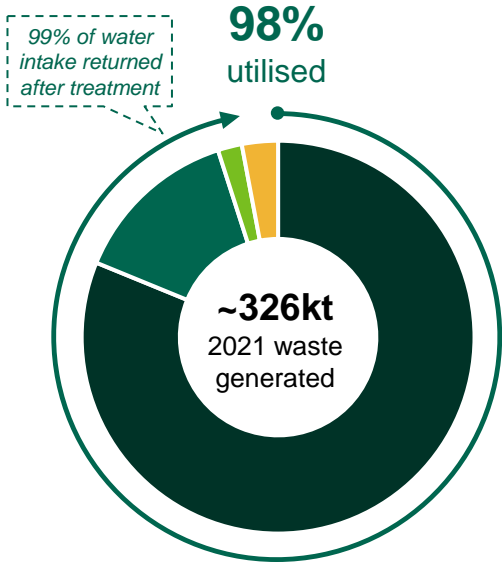
# Enabling the circular economy

## End-products recycled



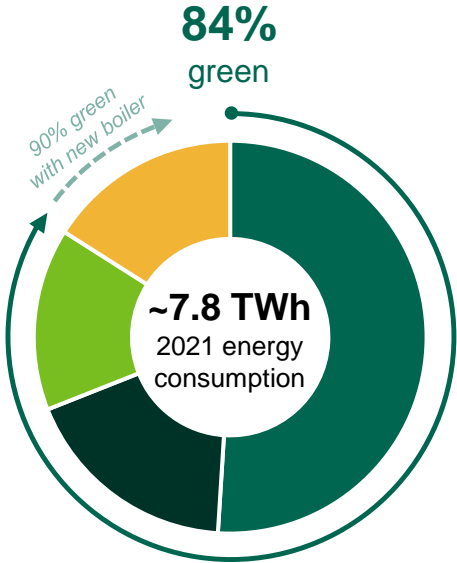
- Recycled paper
- Pulpwood
- Filler & pulp

## Waste utilised



- Bio boilers
- Agriculture
- Other uses
- Landfill

## Green energy focused



- Electricity
- Bio boilers
- Recovery
- Fossil

## Developing climate solutions

- Participating in Borg CO2 industry cluster to develop CCUS<sup>2</sup> technologies with ambition to capture ~630k tonnes
- Supporting Ocean GeoLoop to develop and pilot its CCUS<sup>2</sup> technologies to capture close to 100% of CO<sub>2</sub> from flue gas
- Exploring a range of opportunities within advanced e-fuels, bio-carbon, -chemicals, -additives and -materials

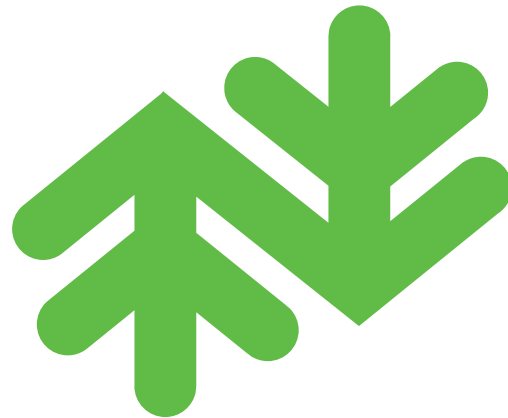
1) Industry recycling rate (CEPI); 2) CCUS = Carbon capture, utilisation and storage



# Outlook

- Publication paper market expected to remain tight due to industry capacity closures
- Volatile energy and raw material markets expected to continue causing operational challenges
- Converting two machines from newsprint production to recycled containerboard production
- Waste-to-energy facility to reduce energy purchases and improve green energy mix
- Continued development of existing and potential energy and bio product projects





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