



# Norske Skog

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## Q3 2020 presentation

22 October 2020

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

# Third quarter in brief



## **EBITDA for the period of NOK 73 million, compared to NOK 138 million in the previous quarter**

- Gain of NOK 86 million included in the previous quarter, underlying EBITDA improvement
- Volumes improving from Q2 2020, but still impacted by COVID-19 restrictions



## **Cash flow from operations of NOK 115 million versus NOK -109 million in the previous quarter**

- Cash position of NOK 1,093 million following dividend payment of NOK 3.00 per share in the quarter
- Net interest-bearing debt of NOK 628 million



## **Norske Skog Saugbrugs to permanently close PM5**

- Supercalendered magazine paper capacity reduction of 100,000 tonnes
- Redundancy cost of NOK 40 million to be recognised in Q4 2020, and expected annual cost savings of NOK 80 million



## **Strategic projects progressing according to plan**

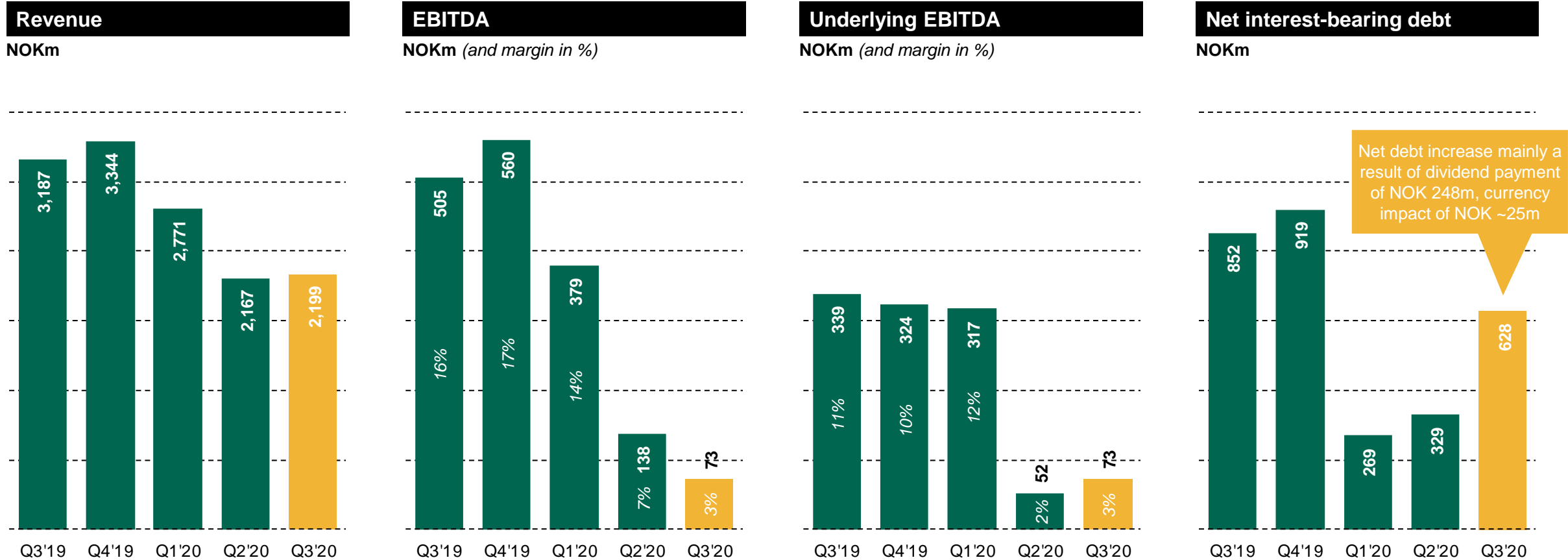
- Construction of the Bruck boiler and energy efficiency initiatives at Saugbrugs remain on track
- Main studies for European containerboard projects progressing towards final investment decision in H1 2021



## **Circa Group planning a 1,000 tonnes Cyrene™ facility in France**

- Norske Skog owns 27.7% of Circa Group (subject to FIRB approval)
- Consortium with Circa Group received a EUR ~12 million EU Flagship grant for construction of the Cyrene™ plant

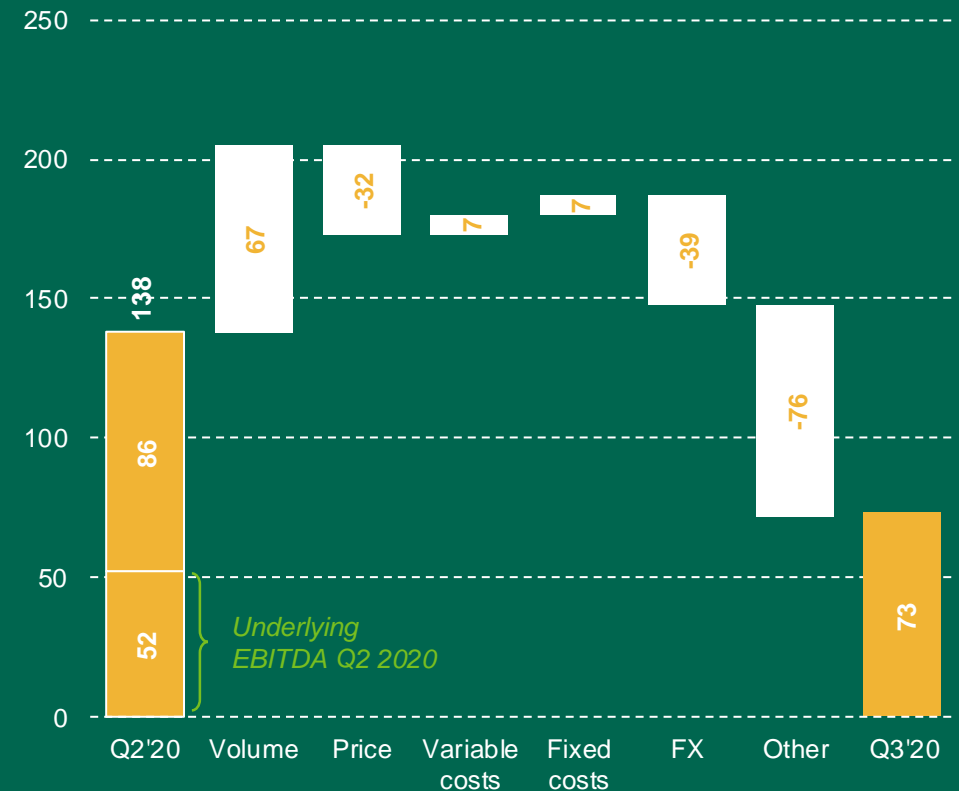
# Underlying EBITDA improving in Q3 2020 vs Q2 2020



# Underlying EBITDA growth driven by better volumes and costs

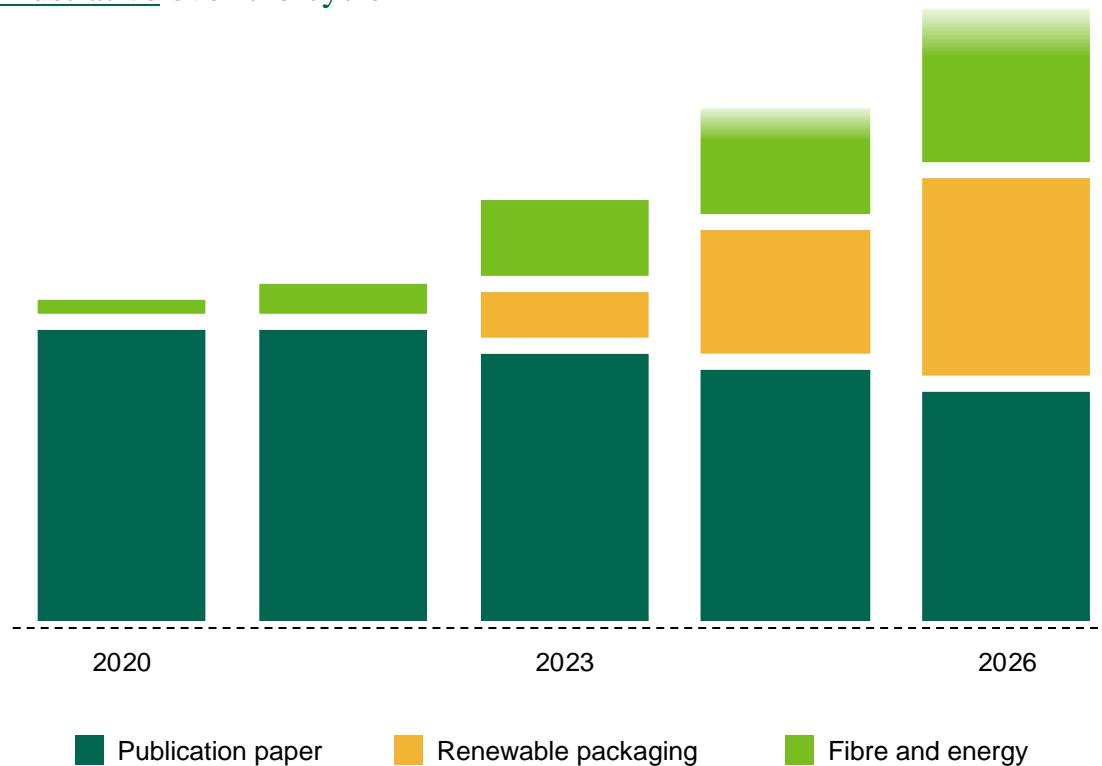
- Volumes recovering from lows in May and June, but still impacted by restrictions with utilisation of 71% in the quarter
- Industry price decline from H1 2020 to H2 2020, somewhat mitigated by reduced exports
- Lower variable costs mainly resulting from reduced energy prices and recovered paper prices
- Reduction in fixed costs as a result of temporary layoffs at most mills following market-related downtime
- Stronger NOK in the quarter resulting in negative FX impact
- Change in other items mainly relate to gain on sale of Tasmanian forest which occurred in Q2 2020

EBITDA bridge Q2 2020 to Q3 2020, NOKm



# Corporate strategy

Illustrative over-the-cycle EBITDA



**Diversify and innovate within fibre and energy**

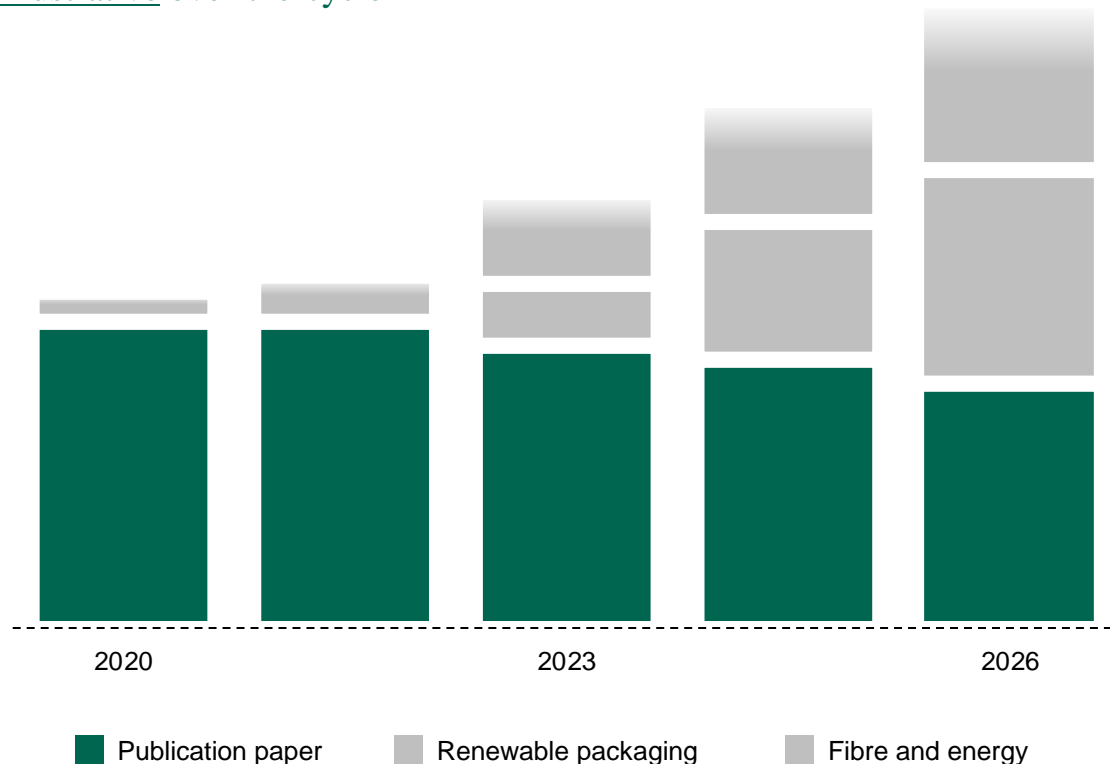
**Become a leading producer of renewable packaging**

**Improve and optimise publication paper cash flows**



## Improve and optimise publication paper cash flows

Illustrative over-the-cycle EBITDA

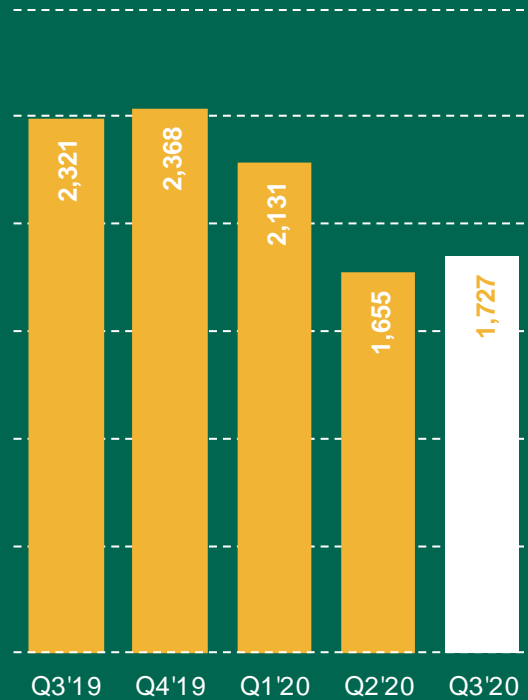


- Remain a producer of all publication paper grades
- Continue improving mill cost base (NEXT / Therminator)
- Unlock property values (Porsnes Utvikling)
- Close Saugbrugs PM5 to adapt to market changes
- Reposition the Tasman mill towards strategic players

# Q3 2020 financials for Europe

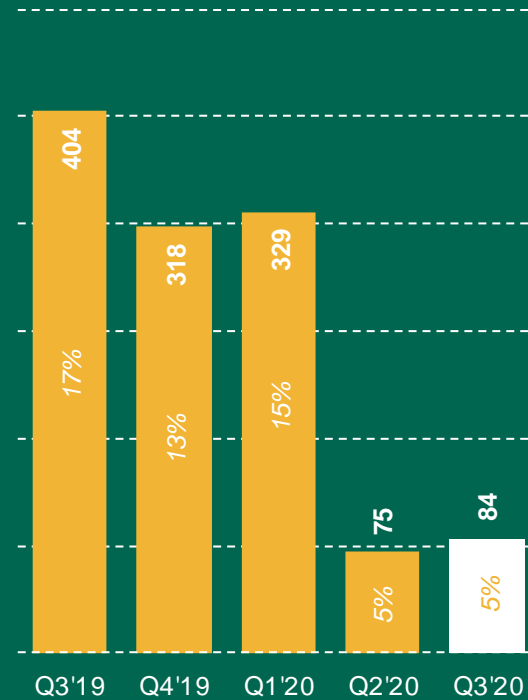
## Europe – Revenue

NOKm



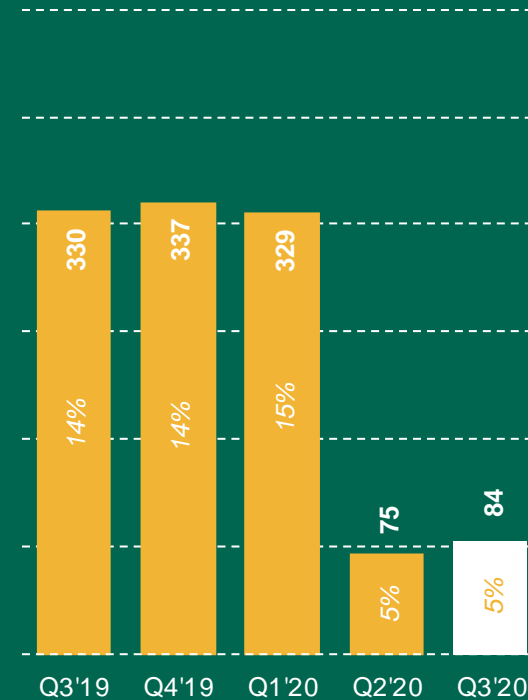
## Europe – EBITDA

NOKm (and margin in %)



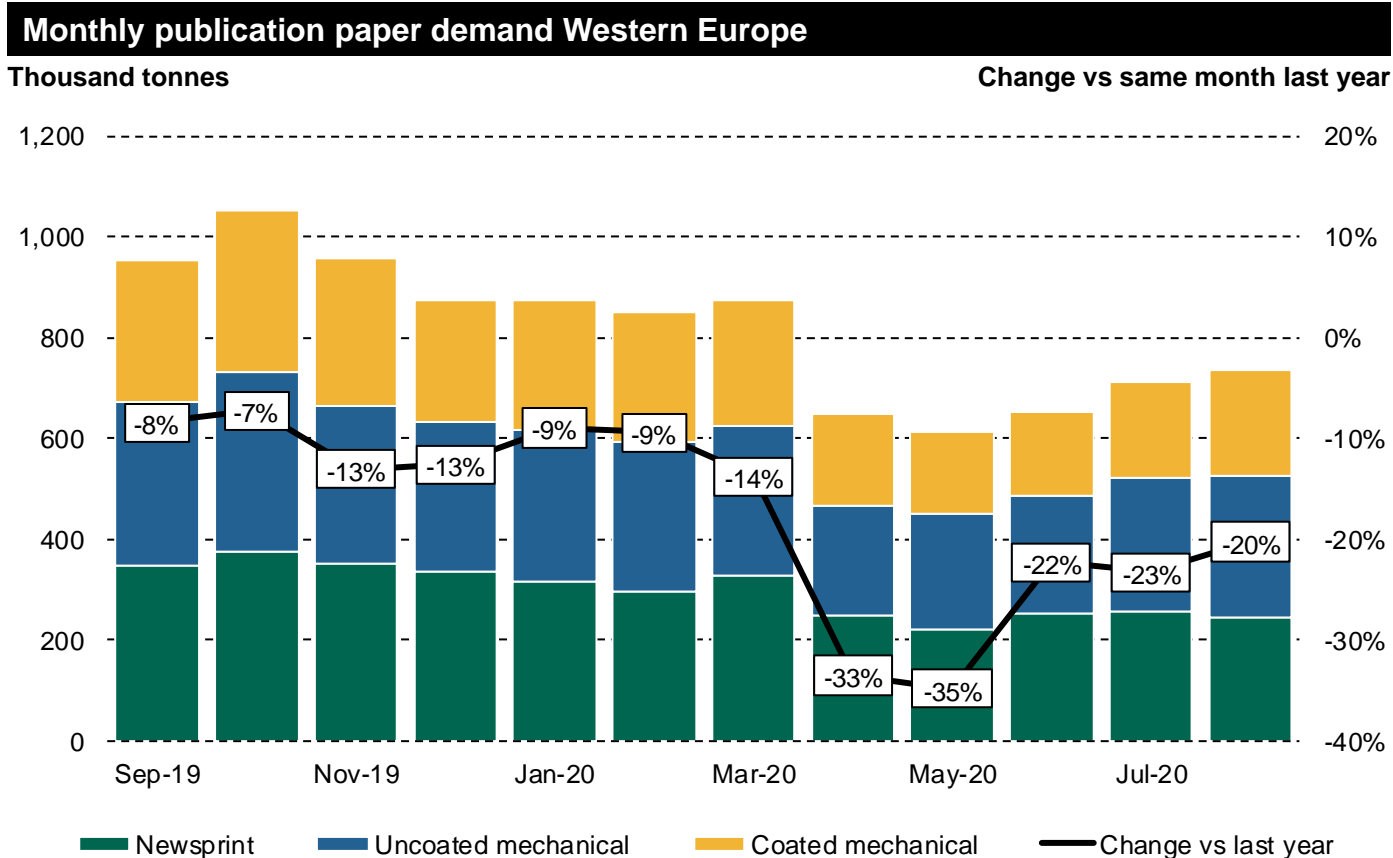
## Europe – Underlying EBITDA

NOKm (and margin in %)



- Newsprint, SC and LWC demand decreased by 23%, 15% and 23%, respectively through July this year
- Realised prices somewhat lower in the quarter and modest signs of volume improvement
- Favourable raw material prices
- Stronger NOK in the quarter

# Signs of demand improvement into H2 2020

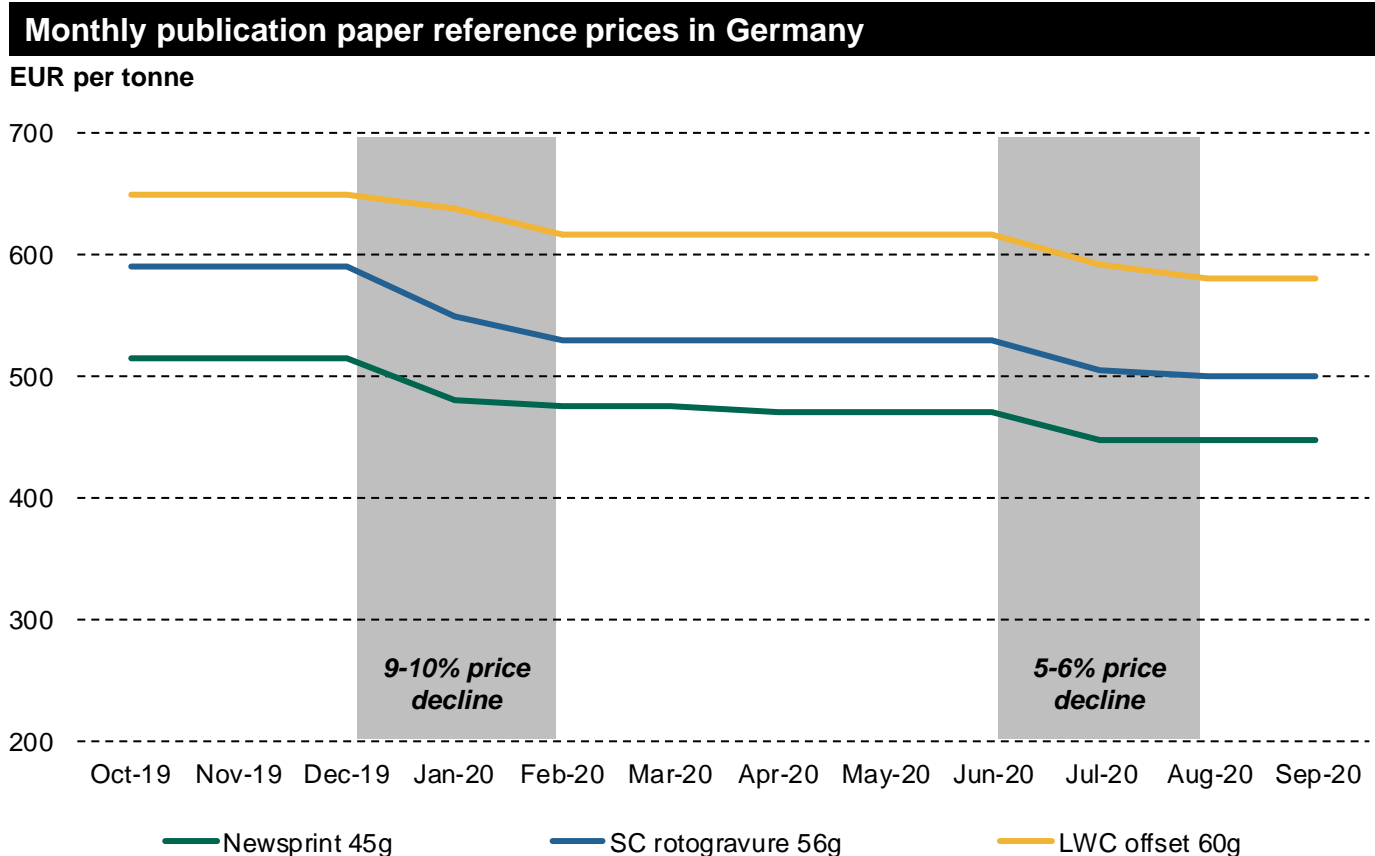


- Western European publication paper demand amounted to ~11.4m tonnes in 2019
- Demand decline seen in August 2020 vs August 2019 implies a demand loss of up to 2.5m tonnes annualised
- So far in H2 2020 there has been announced ~2m tonnes of capacity closures in Western Europe
- Capacity closures announced after price agreements for the second half of 2020 were in place





# Industry impacted during price negotiations for H2 2020



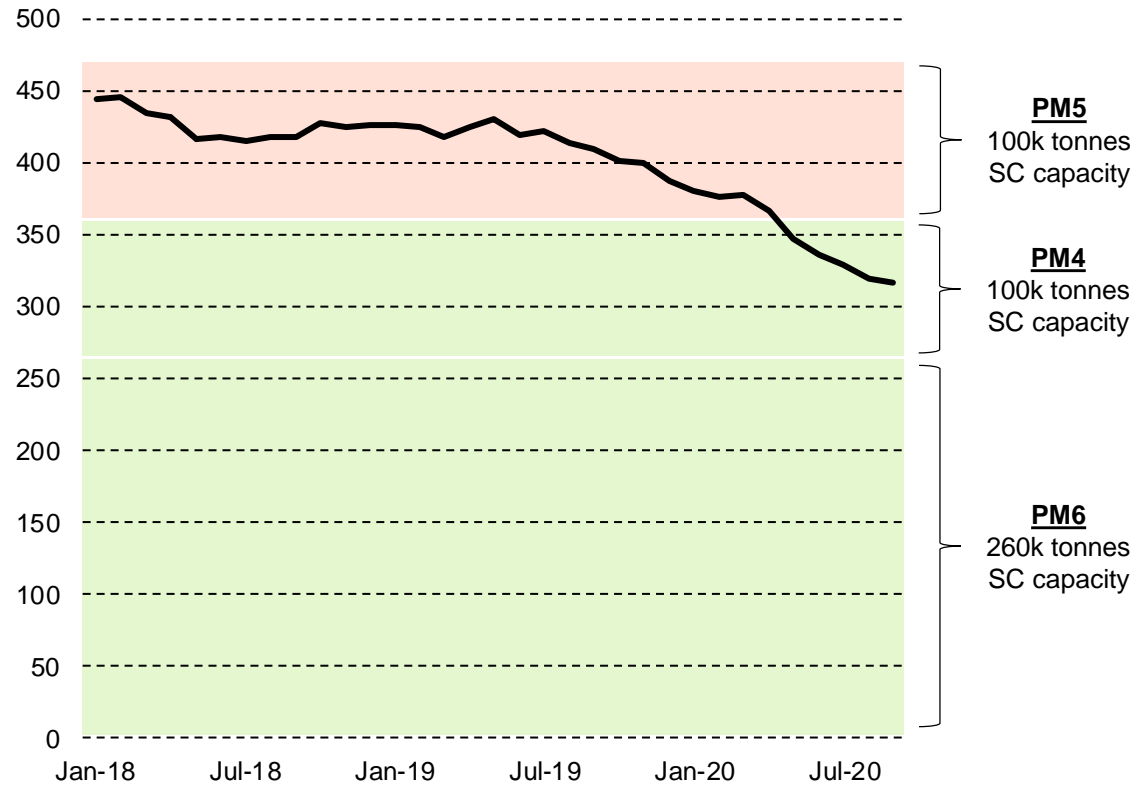
- COVID-19 impacted the industry during semi-annual price negotiations
- Publication paper prices down for the second half 2020
- Price negotiations for the first half of 2021 to be carried out towards the end of 2020



# Closing Saugbrugs PM5

## Sales volume development at Saugbrugs

Sales volume rolling LTM, thousand tonnes



- Closure of PM5 (SC capacity of 100,000 tonnes) expected to have limited impact on sales volume given current trading
- Norske Skog will have 360,000 tonnes of SC capacity following the potential closure and will remain a reliable supplier of SC magazine paper
- Closure expected to result in annual cost savings of NOK ~80m from 2021 and a one-time restructuring cost of NOK ~40m in Q4 2020

### Current operational figures for the Saugbrugs mill (all three machines)

- SC magazine capacity of 460,000 tonnes
- ~900k fm<sup>3</sup> consumption
- ~1.1 TWh electricity consumption

# Identifying new value in former Saugbrugs administration office

Part of former Saugbrugs administration office in Halden to be used for high school

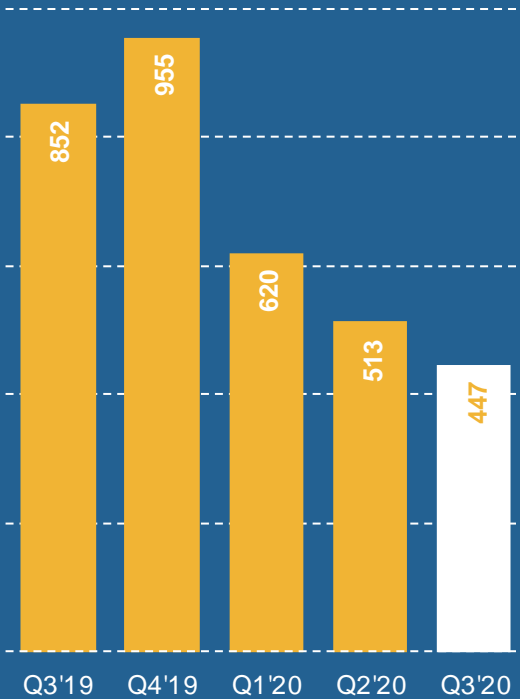


- Porsnes Utvikling<sup>1</sup> to redevelop part of former Saugbrugs administration office for high school purposes
- Financing and municipality lease agreement in place
- Redevelopment completion planned for Q2 2022
- Porsnes Utvikling to develop remaining sections of the administration office and surrounding area
- Norske Skog explores opportunities for areas owned in the 'greater' region surrounding Saugbrugs

# Q3 2020 financials for Australasia

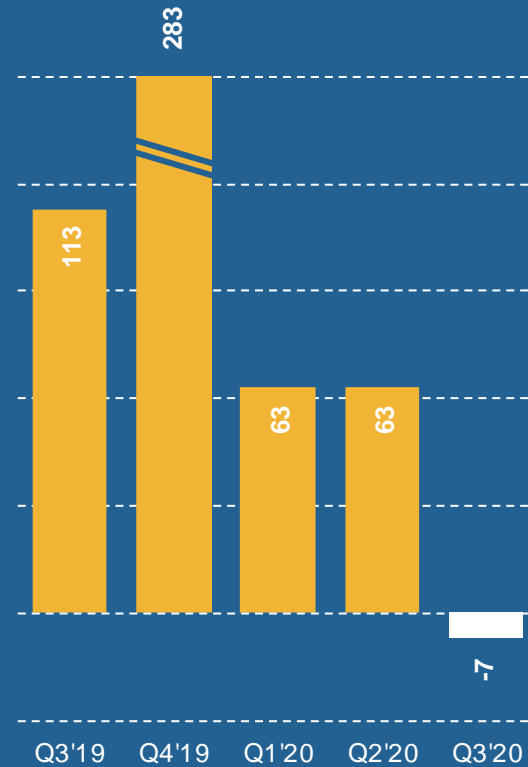
## Australasia – Revenue

NOKm



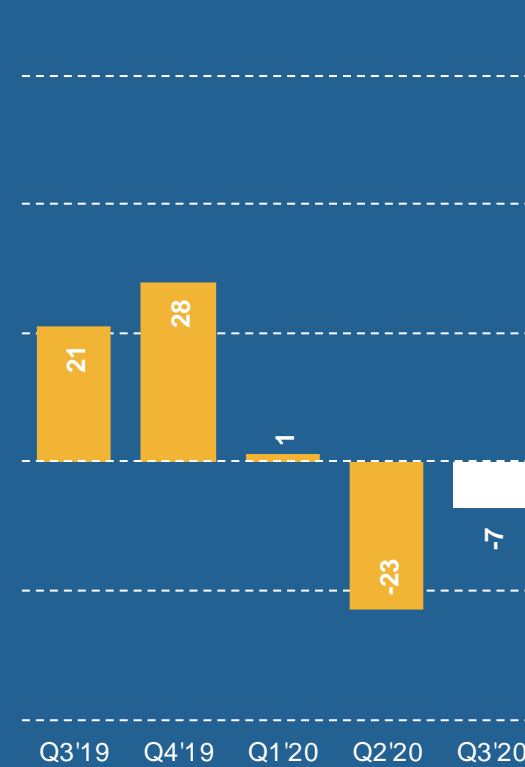
## Australasia – EBITDA

NOKm



## Australasia – Underlying EBITDA

NOKm

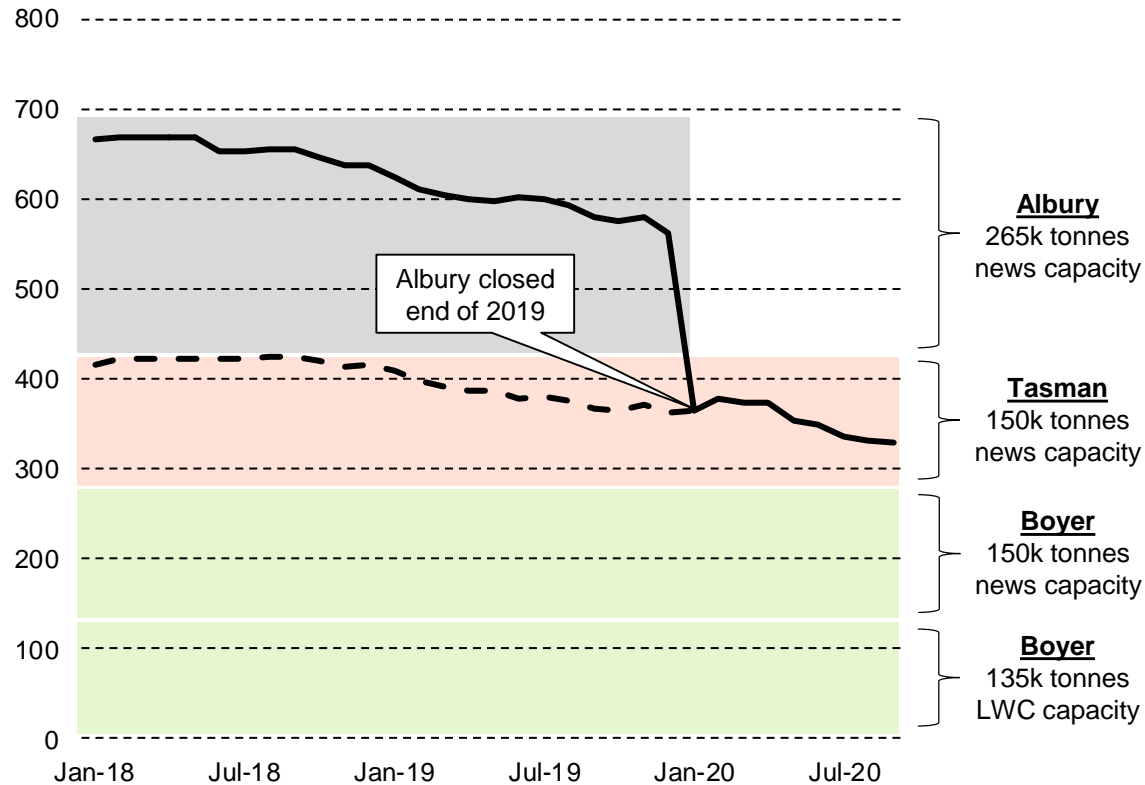


- Demand for newsprint and magazine paper declined by 24% through September
- Somewhat higher wood prices following sale of Tasmanian forest

# Repositioning the Tasman mill towards strategic players

## Sales volume development in Australasia

Sales volume rolling LTM, thousand tonnes



- COVID-19 causing material demand impact in the Australasian region
- Opportunity for Norske Skog to cover newsprint demand with Boyer mill
- Closure of Tasman (newsprint capacity of 150,000 tonnes) expected to have limited impact on sales volume given current trading
- Reviewing mill options (incl. BCTMP) as part of repositioning towards strategic players in the region, conclusion expected Q1 2021

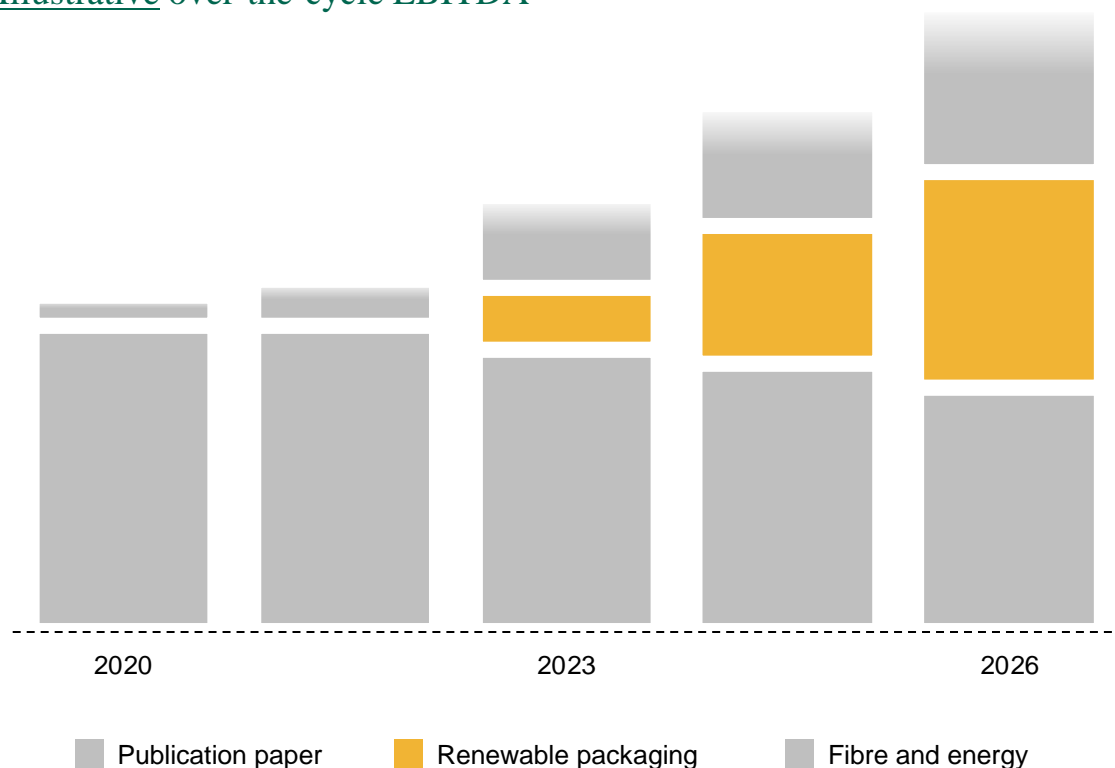
### Operational figures for Tasman mill

- Newsprint capacity of 150,000 tonnes
- ~320k tonnes wood consumption
- ~470 GWh electricity consumption

# Agenda item: Renewable packaging

## Diversify and innovate within fibre and energy

Illustrative over-the-cycle EBITDA



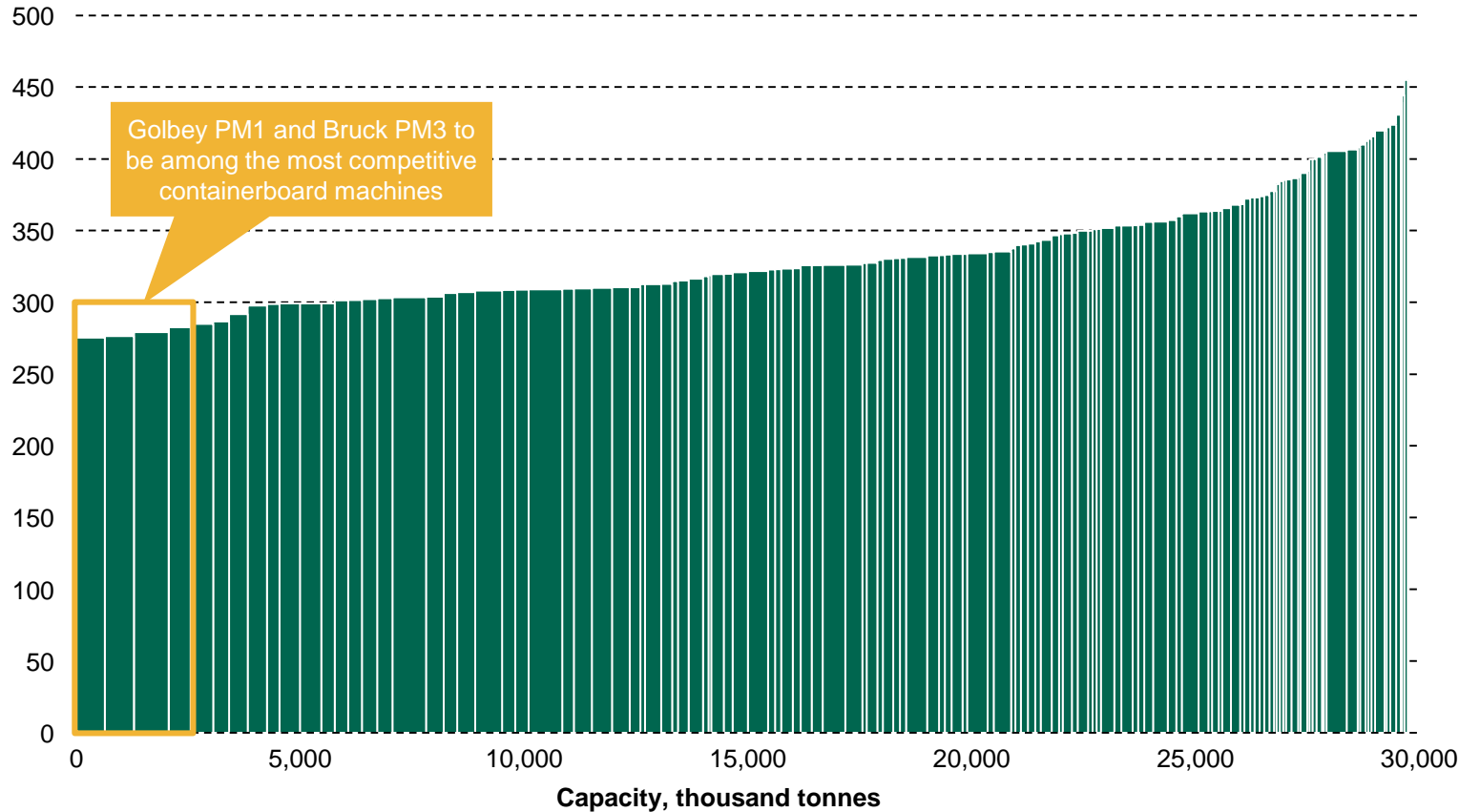
- Packaging projects in Bruck and Golbey
- Replace newsprint with containerboard production
- Expected EBITDA contribution of NOK 700-800m
- Expected start-up during H1 2023



# Entering the containerboard market with first-quartile capacity

**Cash cost delivered Frankfurt for all recycled containerboard machines in Europe<sup>1</sup>**

EUR per tonne



- Centrally located in continental Europe
- Established presence in recycled fibre markets
- Among the top brownfield opportunities in Europe
- Large industrial sites with scale advantages
- Boilers secure sustainable and competitive steam supply
- Machine specifications enable cost-leadership position

# Norske Skog will be a containerboard producer in 2023



Norske Skog Golbey – France

- PM1 to become a producer of 555,000 tonnes of recycled containerboard
- Current PM1 capacity of 235,000 tonnes newsprint
- Capex estimate of EUR ~250m



Norske Skog Bruck – Austria

- PM3 to become a producer of 210,000 tonnes of recycled containerboard
- Current PM3 capacity of 125,000 tonnes newsprint
- Capex estimate of EUR ~100m

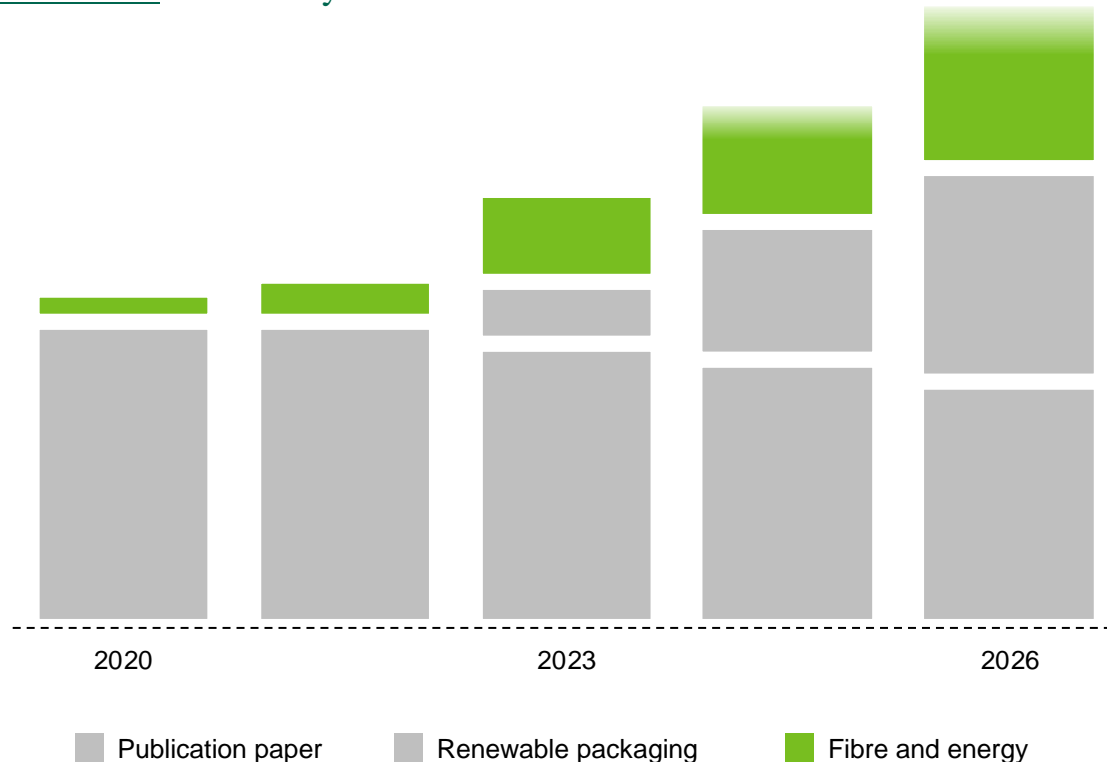
- ✓ Strong process and project competence locally at the mills
- ✓ Leading competence on pulp & paper highly relevant in packaging
- ✓ In-house personnel with experience from previous and similar projects
- ✓ Working with multiple experienced and best-in-class suppliers
  - Specialised and competitive suppliers with strong reputations
  - Targeting the best solutions from the most experienced suppliers
- ✓ Support from experienced technical consultants
  - Engineering and design services also covering delivery interfaces



# Agenda item: Fibre and energy

## Diversify and innovate within fibre and energy

Illustrative over-the-cycle EBITDA

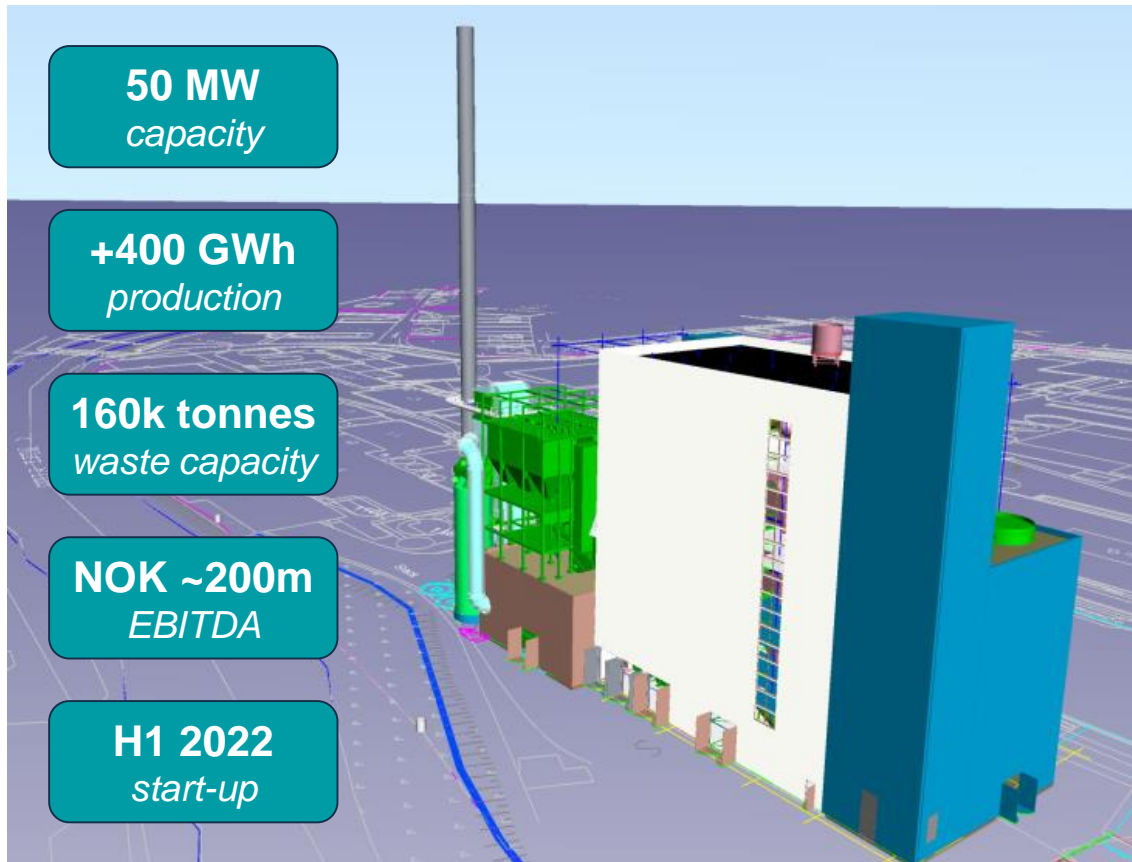


- **Pellets:** Producing 85,000 tonnes of renewable energy pellets in New Zealand with annual EBITDA of NOK ~30m
- **Waste to energy plant:** Sustainable energy capacity of 50 MW and EBITDA of NOK ~200m, on track for start-up in H1 2022
- **CEBINA:** Final product qualification for glue in Q4 2020 and target commercial readiness during Q1 2021
- **Bio composites:** Decision on pilot facility and potential Innovation Norway grant expected during Q4 2020
- **Circa:** Biobased chemicals company planning a 1,000 tonnes plant in France with EUR ~12m EU grant, start-up end 2022
- **FibreMatrix:** Exploring potential for strategic partner in commercial scale fibre board facility, decision during Q1 2021



# 50 MW of sustainable energy capacity being installed in Bruck

## Waste to energy plant being installed in Bruck, Austria



- State-of-the-art 50 MW fluidised bed waste to energy plant
- Proven technology from Valmet, order placed in Q1 2020
- Replace gas consumption with energy produced from regional waste
- Reducing the CO<sub>2</sub> footprint of the Bruck mill with 150,000 tonnes
- Significant demand for waste offtake in Austria and surrounding areas
- Increasing landfill regulation to further drive demand for waste offtake
- Full utilisation of incineration capacity, last Austrian plant built in 2012
- Revenue generation from waste gate fees and electricity production
- Expected EBITDA contribution of NOK ~200m

# Progressing according to plan towards start-up H1 2022

Waste to energy plant being installed in Bruck, Austria



- Finalised the deep foundation for the boiler
- On track for start-up in H1 2022
- Invested EUR ~15m as of Q3 2020
- Expected remaining capex profile
  - EUR ~10m in Q4 2020
  - EUR ~40m in 2021
  - EUR ~7m in Q1 2022
- EUR ~4m of EUR 54m in local debt drawn as of Q3 2020
- Remaining to be drawn as capex is incurred

# EU Flagship grant for a 1,000 tonne Cyrene™ plant in France

## ReSolute.

biomasse: moteur de l'économie circulaire



- Circa<sup>1</sup> has developed and a uniquely scalable Furacell process for bio chemicals production
- Technology verification over +10 years, 5 pilot plants and multiple machine supplier tests
- Circa currently sells through Merck KGaA and directly to customers globally
- Bio chemicals are used in electronics, agrochem, pharma (incl. COVID-19 treatments), etc.
- Recently awarded EUR 12m EU Flagship Grant for a 1,000 tonne plant in France
- On 14 Oct, the EU published their chemicals strategy to reach the zero emission ambition
- Toxic and fossil chemicals pose a substantial problem as production is set to double by 2030
- Chemicals produced from biomass waste are essential in replacing fossil and toxic chemicals

# Outlook

## **Clear priorities in the short term**

- Actively adapt to market changes
- Reposition Australasian operations
- Maintain a robust balance sheet

## **Execute on strategy in the long term**

- Remain a producer of all publication paper grades
- Become a leading producer of renewable packaging
- Develop and commercialise fibre and energy projects

**Invitation to Capital Markets Day in Q1 2021**



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