

# FIRST QUARTER 2021

Quarterly report

Presentation

Press releases



## INTRODUCTION

Norske Skog is a world leading producer of publication paper with strong market positions in Europe and Australasia. Publication paper includes newsprint and magazine paper. Norske Skog operates six mills in five countries. Norske Skog has an annual publication paper production capacity of 2.1 million tonnes and 200 000 tonnes of converting grade paper. Four of the mills are in Europe, one in Australia and one in New Zealand. The group also operates a wood pellet facility in New Zealand producing 90 000 tonnes. Newsprint and magazine paper is sold through sales offices and agents to over 80 countries. The group has approximately 2 300 employees. Of the four mills in

Europe two will produce recycled containerboard following planned conversion projects. In addition to the traditional publication paper business, 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 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.

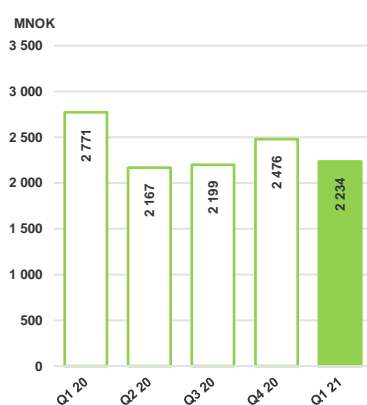
## KEY FIGURES

NOK MILLION	Q1 2021	Q4 2020	Q1 2020	YTD 2021	YTD 2020
<b>INCOME STATEMENT</b>					
Total operating income	2 234	2 476	2 771	2 234	2 771
EBITDA*	112	146	379	112	379
Operating earnings	204	-1 276	90	204	90
Profit/loss for the period	194	-1 363	-374	194	-374
Earnings per share (NOK)**	2.05	-14.46	-3.96	2.05	-3.96
<b>CASH FLOW</b>					
Net cash flow from operating activities	163	73	470	163	470
Net cash flow from operating activities per share (NOK)**	1.73	0.77	4.99	1.73	4.99
Net cash flow from investing activities	-238	-217	408	-238	408
<b>OPERATING MARGIN AND PROFITABILITY (%)</b>					
EBITDA margin*	5.0	5.9	13.7	5.0	13.7
Return on capital employed (annualised)*	-7.1	-8.6	20.2	-7.1	20.2
<b>PRODUCTION / DELIVERIES / CAPACITY UTILISATION</b>					
Production (1 000 tonnes)	481	476	503	481	503
Deliveries (1 000 tonnes)	472	500	495	472	495
Production / capacity (%)	86	81	86	86	86

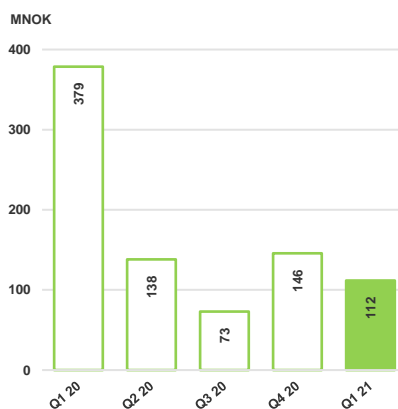
\* As defined in Alternative Performance Measures

\*\*Adjusted for the share issuance on 5 February 2021 pursuant to which the number of shares was increased from 82 500 000 to 94 264 705

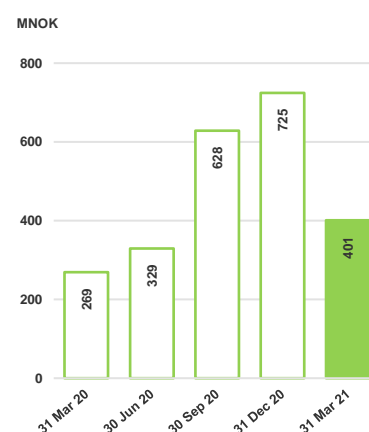
### TOTAL OPERATING INCOME



### EBITDA



### NET INTEREST-BEARING DEBT



NOK MILLION	31 MAR 2021	31 DEC 2020	31 MAR 2020
<b>BALANCE SHEET</b>			
Non-current assets	4 319	4 084	5 620
Assets held for sale	0	0	307
Current assets	4 243	3 703	4 705
Total assets	8 562	7 787	10 633
Equity	3 677	3 219	5 439
Net interest-bearing debt	401	725	269

## REPORT OF THE BOARD OF DIRECTORS FOR THE FIRST QUARTER OF 2021

- Final investment decision and financing commitment secured for Bruck containerboard project
  - FID and financing for Bruck project with start-up brought forward to fourth quarter 2022 (Golbey announcement expected second quarter 2021)
  - Early entry into packaging market with interliner production tests at Skogn and planned increases during second half 2021
- Bruck waste-to-energy plant start-up in 12 months with expected annual EBITDA impact of NOK 200 million
  - The sustainable energy plant will absorb 160 000 tonnes of regional waste (refuse-derived fuel) and reduce Norske Skog's CO2 footprint with 150 000 tonnes
  - Remaining EUR 38m capex of total project investment of EUR 72m to be drawn on local debt facility
- Successful listing of Circa Group at Euronext Growth Oslo
  - Circa is fully financed to embark on its biochemical growth journey with strong industry and regulatory support
  - Norske Skog holds approximately 26% of Circa Group
- EBITDA of NOK 112 million and net debt of NOK 401 million following capital market transactions
  - Successful NOK 400 million equity issue and EUR 150 million bond refinancing, supporting strategic and green growth projects
- Publication paper market tightening during first quarter 2021
  - Upwards price pressure in Europe, driven by price increases in Asia and North America, and limited supply of recycled fibre
  - Additional capacity cuts in Europe of ~0.8 million tonnes announced in second quarter 2021, further strengthening outlook for second half 2021

## PROFIT/LOSS FOR THE PERIOD

NOK MILLION	Q1 2021	Q4 2020	Q1 2020	YTD 2021	YTD 2020
Operating revenue	2 154	2 402	2 585	2 154	2 585
Other operating income	80	74	186	80	186
<b>Total operating income</b>	<b>2 234</b>	<b>2 476</b>	<b>2 771</b>	<b>2 234</b>	<b>2 771</b>
Distribution cost	-295	-312	-300	-295	-300
Cost of materials	-1 237	-1 351	-1 403	-1 237	-1 403
Fixed cost	-591	-668	-689	-591	-689
<b>EBITDA</b>	<b>112</b>	<b>146</b>	<b>379</b>	<b>112</b>	<b>379</b>

The uncertainty surrounding COVID-19 and restrictions have continued to impact daily lives and the economy also during the first quarter of 2021. Western European publication paper demand fell by around 18% in 2020 compared to 2019. However, utilisation has increased over the past quarters and reached 86% for Norske Skog in the first quarter. The market balance is also improving, driven both by closures announced in 2020 taking effect, and capacity cuts announced during the first quarter. In addition, limited access to recycled fibre has reduced production levels for mills based on this raw material.

Lower operating revenue in the first quarter compared to the previous quarter was mainly driven by a decrease in deliveries (sales volume),

lower selling prices as a result of a weak publication paper market in the quarter, change in product mix and geographical mix.

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

Fixed costs (including employee benefit expenses) decreased compared to the previous quarter as a result of cost saving initiatives, but largely unchanged on a per tonne basis due to lower deliveries.

EBITDA decreased quarter-over-quarter due to lower sales prices and volumes. Partially offset by favourable cost development.

## NORSKE SKOG QUARTERLY REPORT – FIRST QUARTER 2021 (UNAUDITED)

NOK MILLION	Q1 2021	Q4 2020	Q1 2020	YTD 2021	YTD 2020
Restructuring expenses	-3	-47	-12	-3	-12
Depreciation	-104	-112	-107	-104	-107
Impairments	0	-258	0	0	0
Derivatives and other fair value adjustments	199	-1 006	-170	199	-170
<b>Operating earnings</b>	<b>204</b>	<b>-1 276</b>	<b>90</b>	<b>204</b>	<b>90</b>

Depreciation of NOK 104 million is slightly below previous quarter and reflects lower depreciation following impairments recognised in fourth quarter 2020.

The mark-to-market valuation of embedded derivatives related to energy contracts in Norway and New Zealand increased in the quarter compared to the previous quarter as local forward energy prices increased in the quarter.

NOK MILLION	Q1 2021	Q4 2020	Q1 2020	YTD 2021	YTD 2020
Share of profit in associated companies	0	6	-4	0	-4
Financial items	1	50	-429	1	-429
Income taxes	-11	-142	-30	-11	-30
<b>Profit/loss for the period</b>	<b>194</b>	<b>-1 363</b>	<b>-374</b>	<b>194</b>	<b>-374</b>

Financial items were positive by NOK 1 million mainly due to unrealised currency gains on debt denominated in other currencies than NOK offsetting interest costs in the period and loss from derecognition of the refinanced EUR 125 million senior secured bond. NOK strengthened at the end of the first quarter compared to the fourth quarter.

Net interest expenses were in line with previous quarter. The income taxes in the quarter relate mainly to the operations in Golbey.

## DIVERSIFICATION BEYOND PUBLICATION PAPER

On 23 April 2021 Norske Skog announced it had made a Final Investment Decision ("FID") for the conversion of Bruck PM3, from 125 000 tonnes of newsprint to 210 000 tonnes of recycled containerboard. The investment cost is approximately EUR 100 million. Production of containerboard is expected to start in the fourth quarter of 2022, with full utilisation reached by the end of 2025. FID for the conversion of Golbey PM1 is expected in the second quarter of 2021. Once both machines are converted and reached full utilisation, they are expected to generate an annual EBITDA of NOK 700-800 million.

At the Bruck industrial site, the EUR 72 million investment in a waste-to-energy facility is progressing in accordance with the timetable. The facility is expected to start operating in the first half of 2022 and will provide additional revenue and cost savings of approximately NOK 200 million annually.

The work to develop CEBINA into a widely acknowledged commercial product has continued in the quarter following the first commercial sales within epoxy applications in the fourth quarter. Norske Skog has the ambition to secure an international distribution agreement during 2021, which might require further expansion of production capacities.

The continued development of CEBICO (bio composites) continued in the quarter. The investment into a NOK 20-25 million extruder plant,

enabling a significant increase in the ability and quality of qualification testing with potential customers, progressed in the quarter. The extruder plant has received support from Innovation Norway of NOK 15 million. The extruder is expected to become operational during the third quarter of 2021.

In March 2021, Circa Group was listed on Euronext Growth Oslo under the ticker CIRCA. Following the private placement as part of the listing of approximately NOK 500 million, Circa is fully financed to develop a first-of-its-kind 1 000 tonnes Levoglucosenone (LGO) and Cyrene biochemical plant in France as part of the ReSolute project. This allows Circa to continue its biochemical growth journey. Extensive market and commercial work coupled with regulatory tailwinds has provided significant market opportunities. Circa, and the ReSolute consortium which it leads, has received strong support from the EU and global chemical distributors in its pursuit to realise biochemical production at scale. Norske Skog holds 26.2% of Circa Group AS.

Beyond the above-mentioned initiatives, the group continuously works to develop several other fibre and energy growth projects, both on a stand-alone basis and in partnerships. One example includes the carbon capture and utilisation project by Ocean Geoloop where Norske Skog Skogn will be an important contributor.

## SEGMENT INFORMATION

### PUBLICATION PAPER EUROPE

NOK MILLION	Q1 2021	Q4 2020	Q1 2020	YTD 2021	YTD 2020
Total operating income	1 711	1 899	2 131	1 711	2 131
<b>EBITDA</b>	<b>106</b>	<b>171</b>	<b>329</b>	<b>106</b>	<b>329</b>
EBITDA margin (%)	6.2	9.0	15.4	6.2	15.4
Return on capital employed (%) (annualised)	-6.4	-5.0	19.6	-6.4	19.6
Production (1 000 tonnes)	392	382	411	392	411
Deliveries (1 000 tonnes)	382	403	396	382	396
Production / capacity (%)	88	80	86	88	86

The segment consists of Norske Skog's European operations in the publication paper market with industrial sites in Norway, France and Austria. Annual production capacity is 1.8 million tonnes

Operating income decreased from the previous quarter with lower sales volumes combined with a decrease in sales prices due to a weak publication paper market in the quarter, and a change in product mix and geographic mix.

Distribution costs were slightly lower in the quarter on an absolute level, but slightly higher on a per tonne basis driven mainly by an increase in container freight rates. Cost of materials decreased due to lower sales volumes, but also saw a modest decrease on a per tonne basis. Employee benefit expenses was largely unchanged in the quarter but increased slightly on a per tonne basis due to lower deliveries.

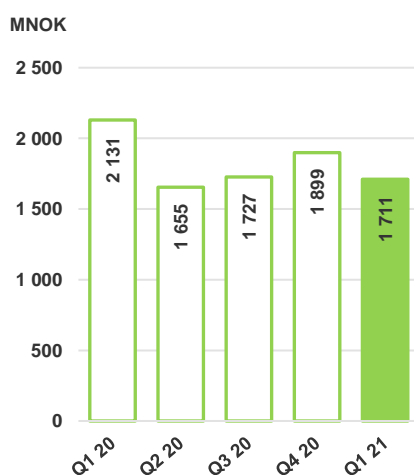
In the first quarter, Bruck mill in Austria has received some COVID-19 support.

The challenging price environment for publication paper resulted in EBITDA decreasing from the previous quarter, offset partly by slight improvement in cost of materials.

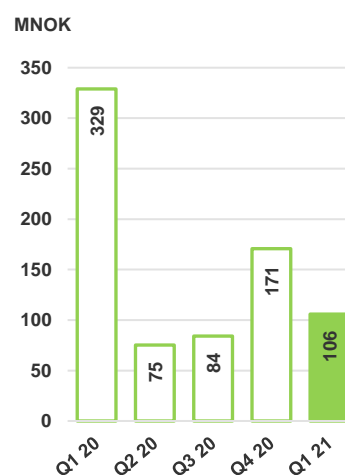
Demand for standard newsprint in Europe decreased by 27% as of January 2021 compared to the same period last year. Similarly, magazine paper demand declined with super calendared paper decreasing 22% and lightweight coated paper decreasing 25%. (Source: Eurograph).

Capacity utilisation was 88% in the period, a significant improvement from the previous quarter of 80% which reflected less market related downtime.

EUROPE  
TOTAL OPERATING INCOME



EUROPE  
EBITDA



## PUBLICATION PAPER AUSTRALASIA

NOK MILLION	Q1 2021	Q4 2020	Q1 2020	YTD 2021	YTD 2020
Total operating income	489	526	620	489	620
<b>EBITDA</b>	<b>-8</b>	<b>-13</b>	<b>63</b>	<b>-8</b>	<b>63</b>
EBITDA margin (%)	-1.7	-2.5	10.2	-1.7	10.2
Return on capital employed (%) (annualised)	-34.0	-45.6	44.6	-34.0	44.6
Production (1 000 tonnes)	89	94	92	89	92
Deliveries (1 000 tonnes)	90	97	99	90	99
Production / capacity (%)	79	87	85	79	85

The segment consists of Norske Skog's operations in Australasia with industrial sites in Australia and New Zealand. The annual production capacity was 0.4 million tonnes prior to the cessation of newsprint production at the Tasman mill, reducing the production capacity to 0.3 million tonnes. From Q1 2021, the Tasman industrial site produces mainly converting grade paper. The Norske Skog Boyer mill is the only remaining domestic publication paper producer in the region.

Operating revenue and operating income decreased from the previous quarter, driven by reduced sales volumes.

Distribution costs were lower in the quarter, both on an absolute level and on a per tonne basis due to a reduction in export volumes. Cost of materials decreased in the quarter due to lower sales volumes but were

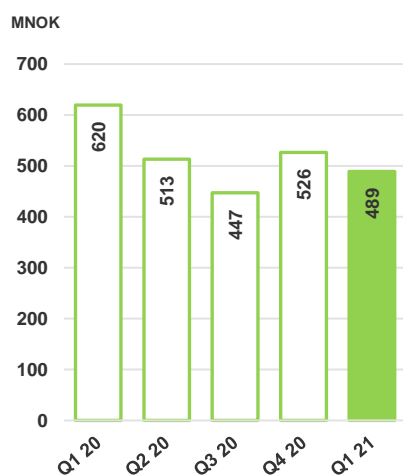
also slightly lower on a per tonne basis. Employee benefit expenses were largely unchanged but increased on a per tonne basis due to lower sales volume.

EBITDA improved slightly compared to the previous quarter.

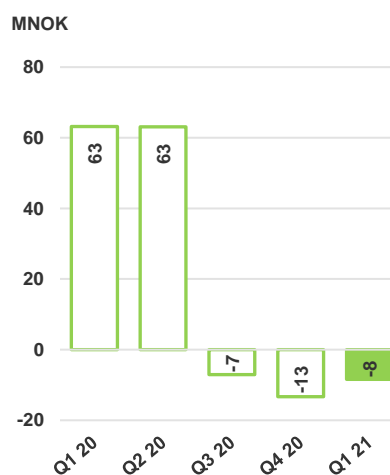
Demand for newsprint in Australasia declined by 9% as of March 2021, compared to the same period last year. (Source: official statistics).

Capacity utilisation was 79% in the period, a decrease from the previous quarter with more downtime primarily in New Zealand as a consequence of volatile and high energy prices.

**AUSTRALASIA**  
**TOTAL OPERATING INCOME**



**AUSTRALASIA**  
**EBITDA**



## OTHER ACTIVITIES

NOK MILLION	Q1 2021	Q4 2020	Q1 2020	YTD 2021	YTD 2020
Total operating income	60	68	48	60	48
<b>EBITDA</b>	<b>14</b>	<b>-12</b>	<b>-13</b>	<b>14</b>	<b>-13</b>

Operating income in other activities mainly consist of non-paper related operations defined as Green Energy which includes pellets and biogas.

Other activities also include unallocated headquarter costs. The unallocated headquarter costs are estimated to be EBITDA negative by approximately NOK 35 million per annum but are not uniformly distributed throughout the quarters of the year.

## CASH FLOW

NOK MILLION	Q1 2021	Q4 2020	Q1 2020	YTD 2021	YTD 2020
EBITDA	112	146	379	112	379
Change in working capital	141	33	222	141	222
Restructuring payments	-19	-27	-6	-19	-6
Gain and losses from divestments	-7	-1	-62	-7	-62
Net financial items	-32	-31	-65	-32	-65
Taxes paid	-13	-20	17	-13	17
Other items	-18	-27	-14	-18	-14
<b>Net cash flow from operating activities</b>	<b>163</b>	<b>73</b>	<b>470</b>	<b>163</b>	<b>470</b>
<b>Purchases of property, plant and equipment and intangible assets</b>	<b>-189</b>	<b>-244</b>	<b>-100</b>	<b>-189</b>	<b>-100</b>
-whereof maintenance capex	-39	-103	-42	-39	-42

Net cash flow from operating activities was NOK 163 million in the quarter. Positive effect from decrease in working capital reflects a reduction in trade and other receivables (mainly relating to cash proceeds for 2020 CO2 compensation being received in the quarter), partly offset by decrease in trade and other payables.

Restructuring relates mainly to payments of redundancy costs at Saugbrugs and contractual costs in Australia. Taxes paid in the first quarter relate to Golbey.

Maintenance capex of NOK 39 million relates to ordinary maintenance in quarter, reduced from fourth quarter when certain larger maintenance stops were carried out. Remaining purchases of property, plant and equipment and intangible assets relate to the investments in energy efficiency initiatives at Saugbrugs and the construction of the waste to energy facility at the Bruck industrial site.

## BALANCE SHEET

NOK MILLION	31 MAR 2021	31 DEC 2020	31 MAR 2020
Non-current assets	4 319	4 084	5 620
Assets held for sale	0	0	307
<b>Cash and cash equivalents</b>	<b>1 622</b>	<b>980</b>	<b>1 659</b>
Inventories, trade and other receivables and other current assets	2 621	2 723	3 046
Total assets	8 562	7 787	10 633
<b>Equity</b>	<b>3 677</b>	<b>3 219</b>	<b>5 439</b>
Non-current liabilities	2 834	2 496	2 730
Current liabilities	2 051	2 073	2 464
<b>Net interest-bearing debt</b>	<b>401</b>	<b>725</b>	<b>269</b>

Total assets increased in the first quarter mainly due to an increase in cash and cash equivalents as a result of the equity issue in January and net proceeds from refinancing of the EUR 125 million bond (of which EUR 104.5 million remained outstanding) with a EUR 150 million bond in February.

In total, cash and cash equivalents increased to NOK 1 622 million from NOK 980 million at previous quarter end. Mainly driven by the above-mentioned transactions and receipt of the 2020 Norwegian CO2 compensation.

Non-current liabilities increased mainly as a result of the EUR 150 million bond issue to refinance the EUR 125 million bond of which EUR

104.5 million was outstanding. The drawn amount of EUR 20 million on the RCF was also repaid in the quarter, and the facility was refinanced with a similar EUR 31 million RCF (currently undrawn). In addition, the local debt to finance the waste to energy plant in Austria was drawn with EUR 16 million as of quarter end, compared to EUR 10 million as of the previous quarter.

Net interest-bearing debt decreased from NOK 725 million to NOK 401 million in the quarter mainly due to the increase in cash and cash equivalents.

## OUTLOOK

The significant capacity closures announced in 2020 have been completed in the first quarter of 2021 and is impacting the market balance positively raising operating rates in the industry. In addition, the strong demand for packaging grade paper has switched some of the publication paper production to interliner contributing to an improved market balance in the coming periods. Additional capacity closures have recently been announced, and these are expected to maintain and improve the market balance positively throughout the year.

In North America and Asia, sales prices have increased, which also is a leading indicator for price development in Europe. The improving operating rates provide a foundation for price increases and is further supported by the significant rise in prices for paper for recycling and other input costs. The margins in the industry are not sustainable at the current level, and the increased input cost necessitates the need for considerable price increases in the second half of 2021.

In the fourth quarter of 2020, Norske Skog announced a strategic review of the New Zealand operations, covering both the Tasman industrial site and the Nature's Flame pellets facility. The COVID-19 restrictions in New Zealand have impacted the process, but the ambition is still to announce an outcome of the review during the first half of 2021.

The Tasman industrial site has been repositioned into production of converting paper grade, but the production has been curtailed given the volatile and high energy prices. There remains uncertainty on how the energy markets in New Zealand will develop, and how this will impact production.

Norske Skog continues its work to improve the core business and has margin protection programmes with cost saving initiatives of approximately NOK 200-250. Norske Skog aims to make a Final Investment Decision regarding the conversion project at Golbey PM1 during the second quarter 2021.

SKØYEN, 22 APRIL 2021  
THE BOARD OF DIRECTORS OF NORSKE SKOG ASA



John Chiang  
Chair



Arvid Grundekjøn  
Board member



Trine-Marie Hagen  
Board member



Sven Ombudstvedt  
CEO



## INTERIM FINANCIAL STATEMENTS, FIRST QUARTER OF 2021

### CONDENSED CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	Q1 2021	Q4 2020	Q1 2020	YTD 2021	YTD 2020
Operating revenue		2 154	2 402	2 585	2 154	2 585
Other operating income		80	74	186	80	186
<b>Total operating income</b>	5	<b>2 234</b>	<b>2 476</b>	<b>2 771</b>	<b>2 234</b>	<b>2 771</b>
Distribution costs		-295	-312	-300	-295	-300
Cost of materials		-1 237	-1 351	-1 403	-1 237	-1 403
Employee benefit expenses		-416	-439	-462	-416	-462
Other operating expenses		-175	-228	-227	-175	-227
Restructuring expenses		-3	-47	-12	-3	-12
Depreciation	4	-104	-112	-107	-104	-107
Impairments	4	0	-258	0	0	0
Derivatives and other fair value adjustments	7	199	-1 006	-170	199	-170
<b>Operating earnings</b>		<b>204</b>	<b>-1 276</b>	<b>90</b>	<b>204</b>	<b>90</b>
Share of profit in associated companies	10	0	6	-4	0	-4
Financial items	6	1	50	-429	1	-429
<b>Profit/loss before income taxes</b>		<b>205</b>	<b>-1 221</b>	<b>-343</b>	<b>205</b>	<b>-343</b>
Income taxes		-11	-142	-30	-11	-30
<b>Profit/loss for the period</b>		<b>194</b>	<b>-1 363</b>	<b>-374</b>	<b>194</b>	<b>-374</b>
Basic earnings per share (NOK)		2.05	-14.46	-3.96	2.05	-3.96
Diluted earnings per share (NOK)		2.05	-14.46	-3.96	2.05	-3.96


## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	Q1 2021	Q4 2020	Q1 2020	YTD 2021	YTD 2020
<b>Profit/loss for the period</b>	<b>194</b>	<b>-1 363</b>	<b>-374</b>	<b>194</b>	<b>-374</b>
<b>Items that may be reclassified subsequently to profit or loss</b>					
Currency translation differences	-123	-143	386	-123	386
Tax expense on translation differences	0	0	-4	0	-4
Reclassified translation differences upon divestment of foreign operations	0	0	-62	0	-62
<b>Total</b>	<b>-123</b>	<b>-143</b>	<b>320</b>	<b>-123</b>	<b>320</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Remeasurements of post-employment benefit obligations	0	11	0	0	0
Tax effect on remeasurements of employment benefit obligations	0	-2	0	0	0
<b>Total</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other comprehensive income for the period</b>	<b>-123</b>	<b>-134</b>	<b>320</b>	<b>-123</b>	<b>320</b>
<b>Total comprehensive income for the period</b>	<b>72</b>	<b>-1 497</b>	<b>-53</b>	<b>72</b>	<b>-53</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	31 MAR 2021	31 DEC 2020	31 MAR 2020
Deferred tax asset		0	0	137
Intangible assets	4	68	55	92
Property, plant and equipment	4	3 562	3 586	4 034
Investments in associated companies	10	126	43	1
Other non-current assets	7	563	401	1 356
<b>Total non-current assets</b>		<b>4 319</b>	<b>4 084</b>	<b>5 620</b>
<b>Assets held for sale</b>		<b>0</b>	<b>0</b>	<b>307</b>
Inventories		1 184	1 194	1 410
Trade and other receivables		954	1 288	1 329
Cash and cash equivalents		1 622	980	1 659
Other current assets	7	482	241	307
<b>Total current assets</b>		<b>4 243</b>	<b>3 703</b>	<b>4 705</b>
<b>Total assets</b>		<b>8 562</b>	<b>7 787</b>	<b>10 633</b>
Paid-in equity	8	8 898	8 510	8 510
Retained earnings		-5 221	-5 292	-3 071
<b>Total equity</b>		<b>3 677</b>	<b>3 219</b>	<b>5 439</b>
Pension obligations		282	297	342
Deferred tax liability		286	308	364
Interest-bearing non-current liabilities	6	1 933	1 613	1 667
Other non-current liabilities	7	332	277	358
<b>Total non-current liabilities</b>		<b>2 834</b>	<b>2 496</b>	<b>2 730</b>
Interest-bearing current liabilities	6	90	92	262
Trade and other payables		1 528	1 728	1 802
Tax payable		50	54	131
Other current liabilities	7	383	199	269
<b>Total current liabilities</b>		<b>2 051</b>	<b>2 073</b>	<b>2 464</b>
<b>Total liabilities</b>		<b>4 884</b>	<b>4 568</b>	<b>5 194</b>
<b>Total equity and liabilities</b>		<b>8 562</b>	<b>7 787</b>	<b>10 633</b>

SKØYEN, 22 APRIL 2021  
THE BOARD OF DIRECTORS OF NORSKE SKOG ASA



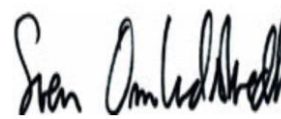
John Chiang  
Chair



Arvid Grundekjøn  
Board member



Trine-Marie Hagen  
Board member



Sven Ombudstvedt  
CEO

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	Q1 2021	Q4 2020	Q1 2020	YTD 2021	YTD 2020
Cash generated from operations	2 530	2 254	2 871	2 530	2 871
Cash used in operations	-2 321	-2 130	-2 352	-2 321	-2 352
Cash flow from currency hedges and financial items	-10	-5	-39	-10	-39
Interest payments received	0	1	4	0	4
Interest payments made	-23	-26	-30	-23	-30
Taxes paid	-13	-20	17	-13	17
<b>Net cash flow from operating activities <sup>1)</sup></b>	<b>163</b>	<b>73</b>	<b>470</b>	<b>163</b>	<b>470</b>
Purchases of property, plant and equipment and intangible assets	-189	-244	-100	-189	-100
Sales of property, plant and equipment and intangible assets	7	1	559	7	559
Purchase of shares in companies and other financial payments	-69	-2	-50	-69	-50
Sales of shares in companies and other financial instruments	13	29	0	13	0
<b>Net cash flow from investing activities</b>	<b>-238</b>	<b>-217</b>	<b>408</b>	<b>-238</b>	<b>408</b>
New loans raised	609	134	255	609	255
Repayments of loans	-274	-76	-484	-274	-484
New equity	388	0	0	388	0
<b>Net cash flow from financing activities</b>	<b>723</b>	<b>58</b>	<b>-229</b>	<b>723</b>	<b>-229</b>
Foreign currency effects on cash and cash equivalents	-6	-28	40	-6	40
<b>Total change in cash and cash equivalents</b>	<b>642</b>	<b>-113</b>	<b>689</b>	<b>642</b>	<b>689</b>
<b>Cash and cash equivalents at start of period</b>	<b>980</b>	<b>1 093</b>	<b>970</b>	<b>980</b>	<b>970</b>
<b>Cash and cash equivalents at end of period</b>	<b>1 622</b>	<b>980</b>	<b>1 659</b>	<b>1 622</b>	<b>1 659</b>
<b><sup>1) Reconciliation of net cash flow from operating activities</sup></b>					
Profit/loss before income taxes	205	-1 221	-343	205	-343
Change in working capital	141	33	222	141	222
Change in restructuring provisions	-17	20	6	-17	6
Depreciation and impairments	104	370	107	104	107
Derivatives and other fair value adjustments	-216	987	155	-216	155
Gain and losses from divestment of business activities and PPE	-7	-1	-62	-7	-62
Net financial items without cash effect	-33	-87	368	-33	368
Taxes paid	-13	-20	17	-13	17
Change in pension obligations and other employee benefits	-1	-2	2	-1	2
Adjustment for other items	0	-7	0	0	0
<b>Net cash flow from operating activities</b>	<b>163</b>	<b>73</b>	<b>470</b>	<b>163</b>	<b>470</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 2020</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	-1 510	-1 510
Other comprehensive income for the period	0	0	-194	-194
Dividends paid	0	0	-516	-516
<b>Equity 31 December 2020</b>	<b>6 261</b>	<b>2 249</b>	<b>-5 292</b>	<b>3 219</b>
Profit/loss for the period	0	0	194	194
Other comprehensive income for the period	0	0	-123	-123
Increase share capital	388	0	0	388
<b>Equity 31 March 2021</b>	<b>6 649</b>	<b>2 249</b>	<b>-5 221</b>	<b>3 677</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 quarter and the closing exchange rate at month ends for the most important currencies for the group.

	Q1 2021	Q4 2020	31 MAR 2021	31 DEC 2020	31 MAR 2020
AUD	6.58	6.59	6.49	6.59	6.41
EUR	10.26	10.76	10.00	10.47	11.51
GBP	11.74	11.91	11.73	11.65	12.98
NZD	6.12	6.19	5.96	6.16	6.25
USD	8.51	9.02	8.52	8.53	10.51

## 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 2020. 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 consolidated financial statements for the year ended 31 December 2020, except for the adaptation of amended standards and new interpretations, which are mandatory from 1 January 2021. These changes are described in the consolidated financial statements for 2020.

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 that the actual impact of the Covid-19 situation on global economy and impact on future 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 and price indexes.

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 2020 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 2020 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-MAR 2021	PROPERTY, PLANT AND EQUIPMENT	RIGHT-OF-USE ASSETS	TOTAL PROPERTY PLANT AND EQUIPMENT	INTANGIBLE ASSETS
Carrying value at start of period	3 469	117	3 586	55
Additions*	187	1	188	17
Reverse dismantling	0	0	0	0
Depreciation	-94	-9	-103	-2
Impairments	0	0	0	0
Value changes	0	0	0	0
Disposals	0	0	0	0
Currency translation differences	-107	-3	-110	-2
<b>Carrying value at end of period</b>	<b>3 456</b>	<b>106</b>	<b>3 562</b>	<b>68</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

31 MAR 2021	TOTAL PROPERTY PLANT AND EQUIPMENT	INTANGIBLE ASSETS
Publication paper Europe	3 232	52
Publication paper Australasia	258	2
Other activities	72	13
<b>Total</b>	<b>3 562</b>	<b>68</b>

## 5. OPERATING SEGMENTS

The activities of the Norske Skog group are focused on two business systems, 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 industrial sites and the regional sales organisation 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. The Boyer and Tasman industrial sites in Australasia and the regional sales organization are included in the segment. From the first quarter 20221 Norske Skog Tasman ceased production of newsprint and is now producing converting paper grade. Norske Skog Boyer is the only producer of newsprint and magazine in the region.

Activities in the group that do not fall into the operating segments are presented under other activities. This includes corporate functions, Green Energy business and other holding company activities. The pellets operation of Nature's Flame is included in Green Energy under other activities.

Q1 2021	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	1 636	490	54	-25	2 154
Other operating income	75	-1	5	0	80
<b>Total operating income</b>	<b>1 711</b>	<b>489</b>	<b>60</b>	<b>-25</b>	<b>2 234</b>
Distribution costs	-225	-66	-5	0	-295
Cost of materials	-930	-296	-11	0	-1 237
Employee benefit expenses	-309	-94	-14	1	-416
Other operating expenses	-141	-42	-16	25	-175
<b>EBITDA</b>	<b>106</b>	<b>-8</b>	<b>14</b>	<b>0</b>	<b>112</b>
Restructuring expenses	0	0	-3	0	-3
Depreciation	-92	-10	-3	0	-104
Derivatives and other fair value adjustments	171	28	0	0	199
<b>Operating earnings</b>	<b>185</b>	<b>10</b>	<b>9</b>	<b>0</b>	<b>204</b>
Share of operating revenue from external parties (%)	100	100	61	0	100

## NORSKE SKOG QUARTERLY REPORT – FIRST QUARTER 2021 (UNAUDITED)

Q4 2020	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	1 834	520	65	-17	2 402
Other operating income	65	6	3	0	74
<b>Total operating income</b>	<b>1 899</b>	<b>526</b>	<b>68</b>	<b>-17</b>	<b>2 476</b>
Distribution costs	-229	-74	-9	0	-312
Cost of materials	-1 008	-325	-17	0	-1 351
Employee benefit expenses	-308	-93	-39	1	-439
Other operating expenses	-184	-47	-15	16	-228
<b>EBITDA</b>	<b>171</b>	<b>-13</b>	<b>-12</b>	<b>0</b>	<b>146</b>
Restructuring expenses	-47	1	0	0	-47
Depreciation	-96	-13	-3	0	-112
Impairments	-161	-96	0	0	-258
Derivatives and other fair value adjustments	-1 047	41	0	0	-1 006
<b>Operating earnings</b>	<b>-1 180</b>	<b>-82</b>	<b>-15</b>	<b>0</b>	<b>-1 276</b>
Share of operating revenue from external parties (%)	100	100	78	0	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	-50	-121	0	0	-170
<b>Operating earnings</b>	<b>190</b>	<b>-83</b>	<b>-17</b>	<b>0</b>	<b>90</b>
Share of operating revenue from external parties (%)	100	100	49	0	100

INCOME STATEMENT	Q1 2021	Q4 2020	Q1 2020	YTD 2021	YTD 2020
<b>OTHER OPERATING REVENUE</b>					
Corporate functions	28	17	25	28	25
Green energy and other	32	50	23	32	23
<b>Total</b>	<b>60</b>	<b>68</b>	<b>48</b>	<b>60</b>	<b>48</b>
<b>EBITDA</b>					
Corporate functions	7	-26	-19	7	-19
Green energy and other	7	14	5	7	5
<b>Total</b>	<b>14</b>	<b>-12</b>	<b>-13</b>	<b>14</b>	<b>-13</b>



## 6. FINANCIAL ITEMS AND DEBT REPAYMENTS

### FINANCIAL ITEMS

NOK MILLION	Q1 2021	Q4 2020	Q1 2020	YTD 2021	YTD 2020
Net interest expenses	-28	-28	-29	-28	-29
Currency gains/losses*	83	98	-382	83	-382
Other financial items	-54	-20	-23	-54	-23
<b>Total financial items</b>	<b>1</b>	<b>50</b>	<b>-433</b>	<b>1</b>	<b>-433</b>

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

### FINANCING

In the first quarter of 2021 Norske Skog issued a EUR 150 million senior secured bond. The bond matures in March 2026 and has an interest rate of EURIBOR (zero floor) + 5.5% with quarterly interest payments. The proceeds were mainly used to refinance existing debt and for general corporate purposes. The early repayment and derecognition of the EUR 125 million senior secured bond at 103% of par value resulted in financial loss of approximately NOK 45 million in the quarter.

In connection with refinancing in first quarter, Norske Skog repaid the outstanding amount of EUR 20 million on the EUR 31 million Revolving Credit Facility and entered into a new EUR 31 million Revolving Credit Facility agreements with revised terms and a tenor of five years.

During the first quarter of 2020 Norske Skog entered into a EUR 54 million credit facility to finance the construction of a waste to energy plant at the Bruck industrial site. The loan facility will be utilised

incrementally as expenditures incur during the construction phase, after which it will be repaid in quarterly installments 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 31 March 2021, the loan has been drawn by approximately EUR 16 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) freely available and unrestricted cash and cash equivalents of minimum NOK 100 million, (ii) EBITDA to net interest costs of minimum 2.0:1, and (iii) book equity to total assets of minimum 25%.

\*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 31 MAR 2021
March 2026	EUR	EURIBOR + 5.50%	150	150

### DEBT REPAYMENT SCHEDULE\*

NOK MILLION	2021	2022	2023	2024	2025-
Bonds	0	0	0	0	1 499
Debt to credit institutions**	82	36	54	109	549
<b>Total</b>	<b>82</b>	<b>36</b>	<b>54</b>	<b>109</b>	<b>2 048</b>

\*Not including items relating to IFRS 16.

\*\*Includes scheduled repayments for the EUR 54 million facility

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 16 million in debt repayment in 2021. 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

31 MAR 2021	ASSETS		LIABILITIES	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Energy contracts and embedded derivatives in energy contracts (level 3)	482	462	-34	-21
Energy contracts (level 2)	0	0	-226	-55
Other derivatives and financial instruments carried at fair value (level 2)	0	0	-1	0
<b>Total</b>	<b>482</b>	<b>462</b>	<b>-261</b>	<b>-76</b>

Norske Skog's portfolio of commodity contracts consists mainly of physical energy contracts. The fair value of commodity contracts is especially sensitive to future changes in energy prices. The fair value of embedded derivatives in physical contracts is influenced by price index fluctuations.

Energy prices have increased in the short and the long end of the price curve compared to previous quarter. Higher energy prices have a positive impact on fair value.

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.

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. A sensitivity analysis of the impact on profit after tax of fluctuations in energy prices, currency and price indices is given in Note 8 in the consolidated financial statements for 2020. The valuation techniques used are described in Note 9 in the consolidated financial statement for 2020.

## 8. PRINCIPAL SHAREHOLDERS

	NUMBER OF SHARES	OWNERSHIP %
NS NORWAY HOLDING AS	40 396 681	42.85
J.P. Morgan Bank Luxembourg S.A.	2 767 700	2.94
The Bank of New York Mellon SA/NV	2 699 682	2.86
VERDIPAPIRFONDET FIRST GENERATOR	2 621 658	2.78
VERDIPAPIRFONDET HOLBERG NORGE	1 900 000	2.02
VERDIPAPIRFONDET EIKA SPAR	1 715 778	1.82
The Bank of New York Mellon SA/NV	1 570 959	1.67
INTERTRADE SHIPPING AS	1 430 000	1.52
RBC INVESTOR SERVICES BANK S.A.	1 361 111	1.44
CARUCEL FINANCE AS	1 255 243	1.33
VERDIPAPIRFONDET EIKA NORGE	1 255 073	1.33
MP PENSJON PK	1 206 015	1.28
DNB Markets Aksjehandel/-analyse	1 113 439	1.18
VERDIPAPIRFONDET FONDSFINANS NORGE	1 100 000	1.17
CLEARSTREAM BANKING S.A.	1 021 618	1.08
FRAM REALINVEST AS	850 000	0.90
TVECO AS	850 000	0.90
VERDIPAPIRFONDET FIRST GLOBALT	831 062	0.88
M25 INDUSTRIER AS	802 621	0.85
PERSHING SECURITIES LIMITED	680 282	0.72
Other shareholders	26 835 783	28.47
<b>Total</b>	<b>94 264 705</b>	<b>100.00</b>

The data is extracted from VPS 22 April 2021. Whilst every reasonable effort is made to verify all data, VPS cannot guarantee the accuracy of the analysis.

## 9. THE NORSKE SKOG SHARE

	31 MAR 2021	31 DEC 2020
Share price (NOK)	31.90	38.70
Book value of equity per share (NOK)	39.10	39.01

In January 2021, Norske Skog ASA completed a private placement with a total transaction size of NOK 400 million. The private placement consisted of 11 764 705 new shares offered at a price of NOK 34 per share. The net proceeds from the issuance of the new shares will be used to finance the company's green growth projects.

On 5 February 2021 an extraordinary general meeting was held in Norske Skog ASA and resolved to issue 11 764 705 new shares. After the issuance Norske Skog ASA has 94 264 705 shares outstanding and the shareholding of NS Norway Holding is 42.85% of the shares in Norske Skog ASA.

## 10. INVESTMENTS IN ASSOCIATED COMPANIES

Investment in associated companies are accounted for in accordance with the equity method. The carrying value of associated companies are NOK 126 million at 31 March 2021.

Circa Group PTY Ltd is incorporated in Melbourne, Australia, and is a biotechnology company with a vision to produce and sell unique and

highly valuable biochemical at scale. Norske Skog holds a 26.2% share of Circa Group AS, the parent of Circa Group PTY Ltd, with a carrying value of NOK 112 million. Circa Group AS is listed on Euronext Growth.

## 11. 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 2021.

## 12. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after the balance sheet date with significant impact on the interim financial statements for the first quarter of 2021.

On 23 April 2021 Norske Skog announced that it had made a final investment decision ("FID") for the conversion of Bruck PM3 to produce

recycled containerboard. The investment has a frame of approximately EUR 100 million and expected startup of production of recycled containerboard is fourth quarter 2022.

## 13. HISTORICAL FIGURES

INCOME STATEMENT	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
<b>Total operating income</b>	<b>2 234</b>	<b>2 476</b>	<b>2 199</b>	<b>2 167</b>	<b>2 771</b>
Variable costs	-1 532	-1 663	-1 511	-1 375	-1 703
Fixed costs	-591	-668	-615	-653	-689
<b>EBITDA</b>	<b>112</b>	<b>146</b>	<b>73</b>	<b>138</b>	<b>379</b>
Restructuring expenses	-3	-47	-12	-5	-12
Depreciation	-104	-112	-108	-111	-107
Impairments	0	-258	0	-193	0
Derivatives and other fair value adjustment	199	-1 006	16	49	-170
<b>Operating earnings</b>	<b>204</b>	<b>-1 276</b>	<b>-31</b>	<b>-122</b>	<b>90</b>
Share of profit in associated companies	0	6	4	-16	-4
Financial items	1	50	-56	86	-429
<b>Profit/loss before income taxes</b>	<b>205</b>	<b>-1 221</b>	<b>-82</b>	<b>-52</b>	<b>-343</b>
Income taxes	-11	-142	-7	-7	-30
<b>Profit/loss for the period</b>	<b>194</b>	<b>-1 363</b>	<b>-89</b>	<b>-59</b>	<b>-374</b>

SEGMENT INFORMATION	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
<b>Publication paper Europe</b>					
Total operating income	1 711	1 899	1 727	1 655	2 131
EBITDA	106	171	84	75	329
Deliveries (1 000 tonnes)	382	403	362	322	396
<b>Publication paper Australasia</b>					
Total operating income	489	526	447	513	620
EBITDA	-8	-13	-7	63	63
Deliveries (1 000 tonnes)	90	97	79	67	99
<b>Other activities</b>					
Total operating income	60	68	50	38	48
EBITDA	14	-12	-4	0	-13

BALANCE SHEET	31 MAR 2021	31 DEC 2020	30 SEP 2020	30 JUN 2020	31 MAR 2020
<b>Total non-current assets</b>	<b>4 319</b>	<b>4 084</b>	<b>5 356</b>	<b>5 228</b>	<b>5 620</b>
<b>Assets held for sale</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>307</b>
Inventories	1 184	1 194	1 386	1 492	1 410
Trade and other receivables	954	1 288	1 095	990	1 329
Cash and cash equivalents	1 622	980	1 093	1 487	1 659
Other current assets	482	241	382	424	307
<b>Total current assets</b>	<b>4 243</b>	<b>3 703</b>	<b>3 956</b>	<b>4 393</b>	<b>4 705</b>
<b>Total assets</b>	<b>8 562</b>	<b>7 787</b>	<b>9 311</b>	<b>9 621</b>	<b>10 633</b>
<b>Total equity</b>	<b>3 677</b>	<b>3 219</b>	<b>4 715</b>	<b>5 017</b>	<b>5 439</b>
<b>Total non-current liabilities</b>	<b>2 834</b>	<b>2 496</b>	<b>2 650</b>	<b>2 611</b>	<b>2 730</b>
Trade and other payables	1 528	1 728	1 651	1 528	1 802
Other current liabilities	523	345	295	466	662
<b>Total current liabilities</b>	<b>2 051</b>	<b>2 073</b>	<b>1 946</b>	<b>1 993</b>	<b>2 464</b>
<b>Total liabilities</b>	<b>4 884</b>	<b>4 568</b>	<b>4 596</b>	<b>4 605</b>	<b>5 194</b>
<b>Total equity and liabilities</b>	<b>8 562</b>	<b>7 787</b>	<b>9 311</b>	<b>9 621</b>	<b>10 633</b>

CASH FLOW	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
<b>Reconciliation of net cash flow from operating activities</b>					
EBITDA	112	146	73	138	379
Change in working capital	141	33	127	12	222
Payments made relating to restructuring activities	-19	-27	-15	-21	-6
Gain and losses from divestment	-7	-1	1	-92	-62
Cash flow from net financial items	-32	-31	-32	-52	-65
Taxes paid	-13	-20	-17	-81	17
Other	-18	-27	-21	-13	-14
<b>Net cash flow from operating activities</b>	<b>163</b>	<b>73</b>	<b>115</b>	<b>-109</b>	<b>470</b>
Purchases of property, plant and equipment and intangible assets	-189	-244	-160	-128	-100
Net divestments	-49	27	29	368	509
<b>Net cash flow from investing activities</b>	<b>-238</b>	<b>-217</b>	<b>-131</b>	<b>241</b>	<b>408</b>
<b>Net cash flow from financing activities</b>	<b>723</b>	<b>58</b>	<b>-387</b>	<b>-297</b>	<b>-229</b>
Foreign currency effects on cash and cash equivalents	-6	-28	9	-6	40
<b>Total change in cash and cash equivalents</b>	<b>642</b>	<b>-113</b>	<b>-394</b>	<b>-172</b>	<b>689</b>

## 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	Q1 2021	Q4 2020	Q1 2020	YTD 2021	YTD 2020
Operating earnings	204	-1 276	90	204	90
Restructuring expenses	3	47	12	3	12
Depreciation	104	112	107	104	107
Impairments	0	258	0	0	0
Derivatives and other fair value adjustments	-199	1 006	170	-199	170
<b>EBITDA</b>	<b>112</b>	<b>146</b>	<b>379</b>	<b>112</b>	<b>379</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	Q1 2021	Q4 2020	Q1 2020	YTD 2021	YTD 2020
EBITDA	112	146	379	112	379
Total operating income	2 234	2 476	2 771	2 234	2 771
<b>EBITDA margin</b>	<b>5.0 %</b>	<b>5.9 %</b>	<b>13.7 %</b>	<b>5.0 %</b>	<b>13.7 %</b>

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

NOK MILLION	Q1 2021	Q4 2020	Q1 2020	YTD 2021	YTD 2020
Distribution costs	295	312	300	295	300
Cost of materials	1 237	1 351	1 403	1 237	1 403
<b>Variable costs</b>	<b>1 532</b>	<b>1 663</b>	<b>1 703</b>	<b>1 532</b>	<b>1 703</b>

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

NOK MILLION	Q1 2021	Q4 2020	Q1 2020	YTD 2021	YTD 2020
Employee benefit expenses	416	439	462	416	462
Other operating expenses	175	228	227	175	227
<b>Fixed costs</b>	<b>591</b>	<b>668</b>	<b>689</b>	<b>591</b>	<b>689</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	Q1 2021	Q4 2020	Q1 2020	YTD 2021	YTD 2020
EBITDA	112	146	379	112	379
Capital expenditure	189	244	100	189	100
Average capital employed	4 317	4 562	5 520	4 317	5 520
<b>Return on capital employed (annualised)</b>	<b>-7.1 %</b>	<b>-8.6 %</b>	<b>20.2 %</b>	<b>-7.1 %</b>	<b>20.2 %</b>

NOK MILLION	31 MAR 2021	31 DEC 2020	31 MAR 2020
Intangible assets	68	55	92
Tangible assets	3 562	3 586	4 034
Assets held for sale	0	0	307
Inventory	1 184	1 194	1 410
Trade and other receivables	954	1 288	1 329
Trade and other payables	-1 528	-1 728	-1 802
<b>Capital employed</b>	<b>4 240</b>	<b>4 395</b>	<b>5 370</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	31 MAR 2021	31 DEC 2020	31 MAR 2020
Interest-bearing non-current liabilities	1 933	1 613	1 667
Interest-bearing current liabilities	90	92	262
Cash and cash equivalents	-1 622	-980	-1 659
<b>Net interest-bearing debt</b>	<b>401</b>	<b>725</b>	<b>269</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

## Q1 2021 presentation

23 April 2021



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## Sustainable and innovative industry

- Global and **sustainability focused industrial company**
- **Best-in-class industrial assets** within fibre processing and sustainable energy
- **Leading process industry knowledge** and fibre refining competence
- Diversifying across **fibre-based materials, energy and chemicals**
- **Strong commitment to the green shift** and sustainable production

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Norske Skog

<b>Chemicals &amp; materials</b>	<b>CIRCA</b> Norske Skog holds ~26% of Circa Group AS	<b>CEBINA</b> Current ~500 tonnes (pilot)	<b>CEBICO</b> Introducing ~300 tonnes (pilot)
<b>Sustainable energy</b>	<b>Waste-to-energy plant</b> Introducing +400 GWh(th) of energy production	<b>nature's flame</b> Current ~425 GWh(th) of pellets production	<b>Biogas</b> Current ~28 GWh(th) of energy production
<b>Renewable packaging</b>	<b>STRATO</b> Introducing ~765k tonnes of Recycled Containerboard	<b>Interliner</b> Current ~200k tonnes of interliner	
<b>Publication paper</b>	<b>NOR News</b> Current ~1 350k tonnes of Newsprint	<b>NOR Cote</b> Current ~400k tonnes of LWC	<b>NOR SC</b> Current ~360k tonnes of SC



# Agenda



*Update on  
packaging projects*  
**FID in Bruck**

*Update on  
financials*  
**Q1 results**

## Head start for Bruck containerboard project

### **FID**

*Bruck project approved by the board of directors*

### **EUR 70m**

*Committed term sheet signed subject to documentation*

### **Q4 2022**

*Start-up expected ahead of initial timeline*

### **EUR 100m**

*Total project investment unchanged*

### **210 000 tonnes**

*Recycled containerboard production capacity*



# Introducing STRATO recycled containerboards



- **Lightweight and strong** fluting and testliner board
- Inevitably circular from **100% recycled fibre (OCC)**
- Supporting e-commerce with **sustainable packaging**
- **Replacing plastic** where and when possible
- Production capacity of **765 000 tonnes in 2023**
- Annual European **demand growth +600 000 tonnes<sup>1</sup>**

Source: External industry consultant (third-party)  
 1) European demand of ~26m tonnes with annual growth rate of 2-3%

## Establishing a leading independent European containerboard business



### Norske Skog Bruck – Austria



#### PM3 (FID completed)

- 125k tonnes newsprint capacity
- Convert to 210k tonnes containerboard
- Three-month machine stop from Q3 2022
- Capex estimate of EUR ~100m

#### PM4 (future candidate)

- 265k tonnes LWC magazine capacity
- Ongoing production during PM3 conversion
- Strong candidate for future conversion
- Feasibility studies concluded

### Norske Skog Golbey – France



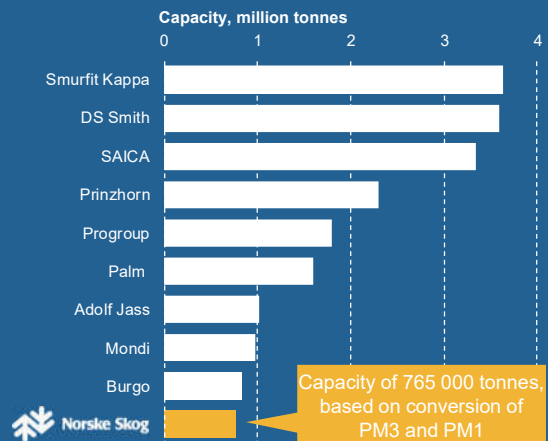
#### PM1 (FID expected Q2 2021)

- 235k tonnes newsprint capacity
- Convert to 555k tonnes containerboard
- Three-month machine stop 2023
- Capex estimate of EUR ~250m

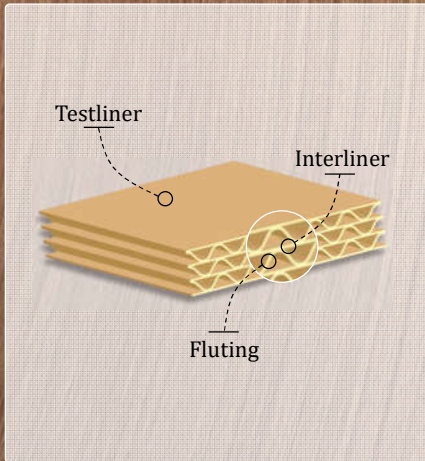
#### PM2 (future candidate)

- 330k tonnes newsprint capacity
- Ongoing production during PM1 conversion
- Strong candidate for future conversion
- Feasibility studies concluded

### Top 10 recycled containerboard suppliers in Europe



# Early packaging market entry through interliner production at Skogn



- **Early interliner production** tests at Skogn during Q1 2021
- Sustainable product that is **100% recyclable and repulpable**
- **Complementary** to testliner and fluting
- Plan to **increase production** through H2 2021
- Production switch requires **no capital expenditures**
- **Competitive production cost** due to fibre, energy and logistics access

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## Agenda

*Update on  
packaging projects  
FID in Bruck*

*Update on  
financials*  
**Q1 results**

# First quarter in brief

## Final investment decision and financing commitment secured for Bruck containerboard project

- FID and financing for Bruck project with start-up brought forward to Q4 2022 (Golbey announcement expected Q2 2021)
- Early entry into packaging market with interliner production tests at Skogn and planned increases during H2 2021

## Bruck waste-to-energy plant start-up in 12 months with expected annual EBITDA impact of NOK 200m

- The sustainable energy plant will absorb 160 000 tonnes of regional waste<sup>1</sup> and reduce Norske Skog's CO<sub>2</sub> footprint with 150 000 tonnes
- Remaining EUR 38m capex of total project investment of EUR 72m to be drawn on local debt facility

## Successful listing of Circa Group at Euronext Growth Oslo

- Circa is fully financed to embark on its biochemical growth journey with strong industry and regulatory support
- Norske Skog holds ~26% of Circa Group

## EBITDA of NOK 112m (no adjustments) and net debt of NOK 401m following successful capital market transactions

- Successful NOK 400m equity issue and EUR 150m bond refinancing, supporting strategic and green growth projects

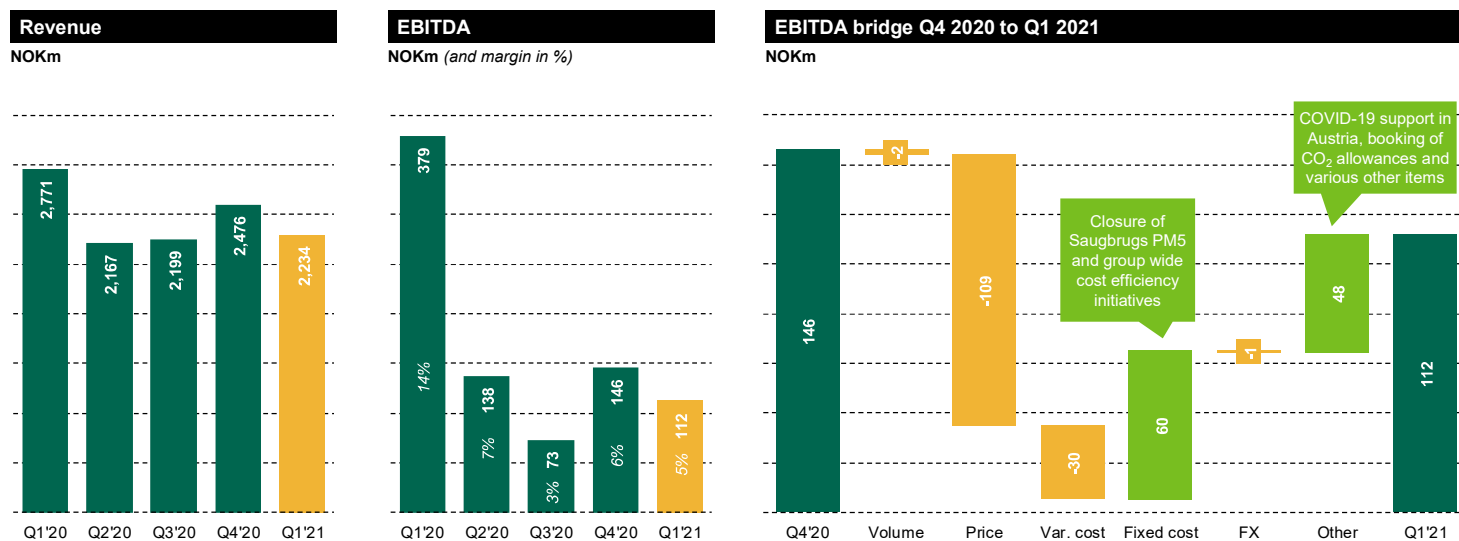
## Publication paper market tightening during Q1 2021

- Upwards price pressure in Europe, driven by prices increases in Asia and North America, and limited supply of recycled fibre
- Additional capacity cuts in Europe of ~0.8 million tonnes announced in Q2 2021, further strengthening outlook for H2 2021

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<sup>1</sup> Specifically, refuse-derived fuel (RDF) which is a fuel produced from various types of waste such as municipal solid waste (MSW), industrial waste or commercial waste

# Weak EBITDA in challenging price environment



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# Segment financials for Q1 2021

## Segment financials

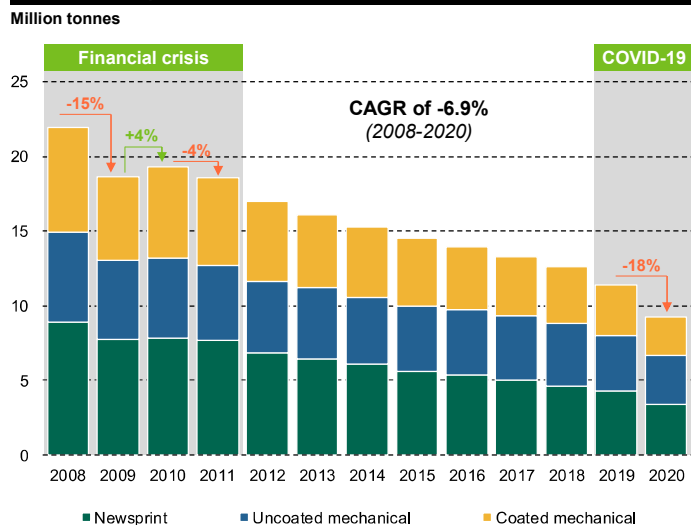
NOKm	Q1 2021	Q4 2020	Q1 2020
<b>Europe</b>			
Total operating income	1,711	1,899	2,131
EBITDA	106	171	329
EBITDA margin	6.2%	9.0%	15.4%
Production (1 000 tonnes)	392	382	411
Deliveries (1 000 tonnes)	382	403	396
Production / capacity (%)	88%	80%	86%
<b>Australasia</b>			
Total operating income	489	526	620
EBITDA	-8	-13	63
EBITDA margin	-1.7%	-2.5%	10.2%
Production (1 000 tonnes)	89	94	92
Deliveries (1 000 tonnes)	90	97	99
Production / capacity (%)	79%	87%	85%
<b>Other activities</b>			
Total operating income	60	68	48
EBITDA	14	-12	-13

- Utilisation of 88% up from 80% (volumes returning)
- Lower realised prices in the quarter (down 7-8%)
- Limited change in raw material prices (covered by contracts)

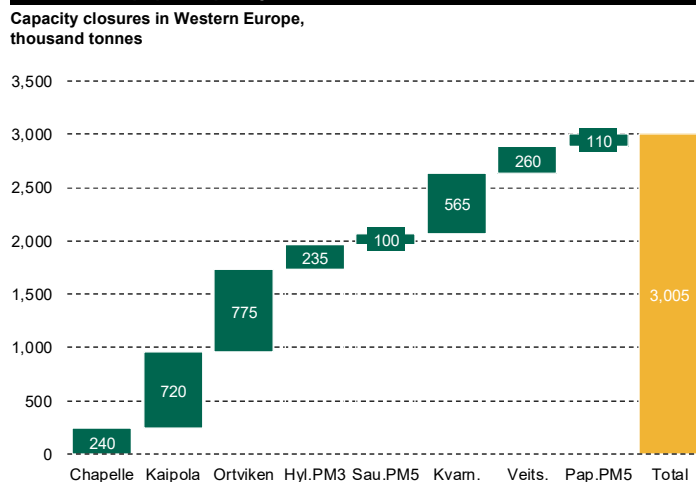
- Utilisation down to 79% from 87% (utilisation includes Tasman capacity)
- Boyer supplies domestic market under long-term price contracts
- Minor EBITDA improvement

# Industry reacting to the COVID-19 market impact and operating rates expected to increase going forward

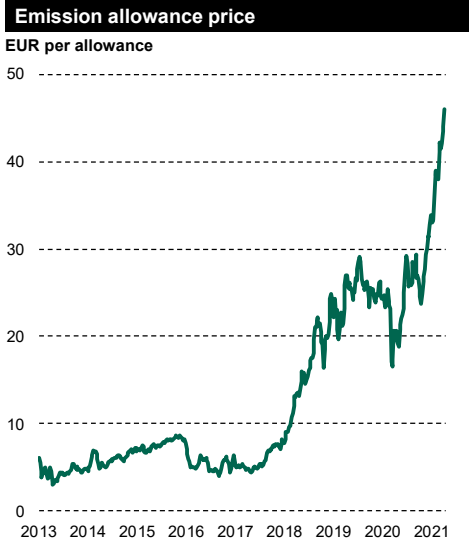
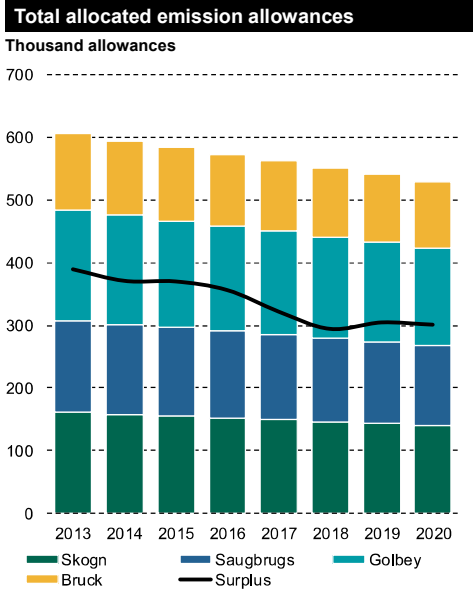
## Western European demand down ~2.1m tonnes in 2020



## Publication paper capacity closures of ~3.0m tonnes



# Industry low CO<sub>2</sub> footprint enabling annual CO<sub>2</sub> emission allowance surplus



- Industry low CO<sub>2</sub> footprint basis for annual emission allowance surplus
- Waste-to-energy plant at Bruck will reduce CO<sub>2</sub> footprint with 150k tonnes annually, start H1 2022
- Allowance sale income booked each quarter in 2021, but expected to be received in H2 2021
- Cost compensation booked each quarter in 2021, but cash proceeds to be received in H1 2022

13 Source: European Commission

# Saugbrugs energy efficiency initiatives

- **Industry leading energy efficiency**
- Continuous efficiency improvements are essential to **support the green shift**
- Enables **less than 0.1% fossil-based** thermal energy use at Saugbrugs
- Projects targeting energy consumption and recovery from **TMP<sup>1</sup> production**
- NOK 165m investment **supported by Enova and NOx-fondet** with NOK 66m
- Projects expected to have a **payback around three years** net to Norske Skog



14 1) Thermomechanical pulp

## On schedule for start-up in 12 months of +400 GWh sustainable energy production

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

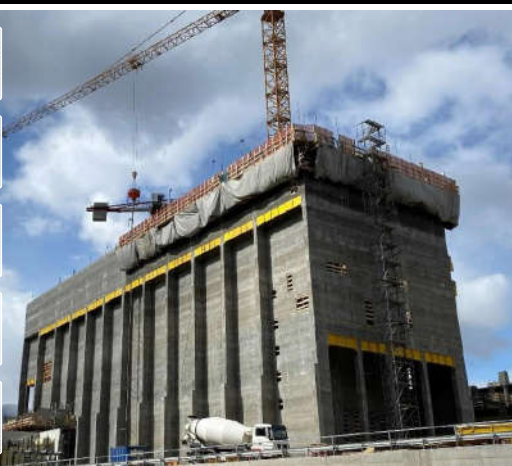
50 MW(th)  
capacity

+400 GWh(th)  
production

160k tonnes  
RDF<sup>1</sup> capacity

NOK ~200m  
EBITDA

150k tonnes  
CO<sub>2</sub> reduction



- **Increasing landfill and waste exports restriction** drive demand for waste offtake
- Few viable alternatives for waste that cannot be reused, recycled or recovered
- **Huge positive environmental impact** by diverting RDF<sup>1</sup> from landfills
- Basis for increasing **need for further waste-to-energy (WtE) capacity** in Europe
- WtE plant with proven technology turnkey installation contract from Valmet
- Will replace current gas consumption with **energy produced from regional RDF<sup>1</sup>**
- RDF<sup>1</sup> to be sourced from within 200km from 10-15 customers
- **Revenue generation from gate fees and electricity production**
- EUR 72m investment of which EUR ~34m invested as of Q1 2021
- EUR ~16m of EUR 54m in local debt drawn as of Q1 2021

**EU Green Deal: Circular Economy Action Plan**

Reduce landfill to a maximum of 10 % of municipal waste generated by 2030

15 1) Refuse-derived fuel (RDF) is a fuel produced from various types of waste such as municipal solid waste (MSW), industrial waste or commercial waste

## Circa fully financed to embark on biochemicals growth journey

- **Toxic and fossil-based chemicals** have become integral to the production of essential pharmaceuticals and other products
- Circa can produce biochemicals at scale using patented production technology, offering **safe and environmental alternatives**
- Strong regulatory tailwinds and **Horizon 2020 grant from EU** to enable scale production of chemical alternatives
- The production technology has been verified through 15 years of research and **five pilot plants**
- In March, **Circa raised NOK ~500m to finance the ReSolute project** in France to construct a first-of-its-kind 1,000 tonnes production plant
- **LOI with chemical distribution giant**, Merck KGaA, for offtake of the full 1,000 tonne volume
- **Listed on Euronext Growth Oslo** and **Norske Skog holds ~26%** and will continue as long-term partner and shareholder

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## Continued strong commercial traction for CEBINA

- **CEBINA improves sustainability** of coatings and adhesives by replacing fossil-based and/or harmful substances
- **CEBINA can replace such fossil and harmful substances** in multiple applications where few alternatives are available today
- **Produced from renewable wood fibre** and hydro power, and developed at Saugbrugs industrial site since 2006
- Current pilot **capacity of 500 tonnes**, and planned capex-efficient upscaling on back of potential distribution agreements
- **First commercial sales in Q4 2020** for epoxy floors, and commercial development ongoing within other applications
- **Working closely with range of potential customers** and technical partners to establish downstream demand

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## Developing CEBICO as an alternative to plastics

- Plastics improve quality of life, but are mainly fossil-based and takes **500 years to degrade** in nature
- Landfills contain over **6bn tonnes of plastics** and only 9% of all plastics produced have been recycled
- **CEBICO substitutes plastics with fibre** in the recycling process to create a stronger composite
- Works closely with end-customers to develop fibre-based plastic products for **closed loop recycling**

Replacing one kilo of plastics with fibre  
saves six kilos of CO<sub>2</sub> emissions

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Wood fibre + Recycled plastics = CEBICO

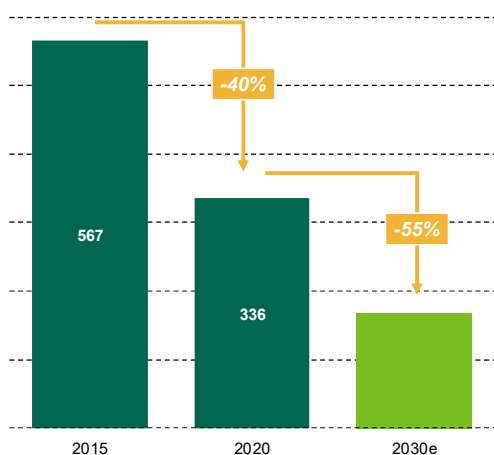
- ✓ Improves strength in virgin and recycled plastics
- ✓ Increases value and lifetime of recycled plastics
- ✓ Reduces product costs by replacing plastic with fibre



# Reducing the environmental impact is at the forefront of all business decisions

## Carbon footprint development and ambition

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



- ✓ Industry low CO<sub>2</sub> intensity under the EU ETS<sup>2</sup> in 2020
- ✓ New energy efficiency initiatives being introduced in 2021<sup>3</sup>
- ✓ Waste-to-energy boiler reducing CO<sub>2</sub> footprint with 150 000 tonnes from H1 2022
- ✓ Reduced electricity consumption and steam from new biomass boiler in Golbey following conversion project
- ✓ Detailed 2020 CSR report issued applying the Global Reporting Initiative Guidelines

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1) Scope 1 includes direct emissions from stationary fuel combustion, transportation and mobile sources. Scope 2 includes indirect emissions from steam and power imports; 2) ETS = Emission Trading Scheme, Norske Skog is a net receiver of carbon emission allowances, indicating that Norske Skog is among the top 10% of producers employing the Best Available Techniques from a sustainability and environmental perspective; 3) The NEXT and Terminator energy efficiency projects announced at the Norske Skog Saugbrugs mill in March 2020 will come on stream in 2021 and further improve the energy efficiency of Norske Skog, the projects are supported by the NOx Fund and Enova

## Outlook

### Market

- Improving operating rates in the industry
- Sharp price increases for recycled fibre and other input factors
- Unsustainable margins in short-term
- Considerable paper price increases expected and needed in H2 2021

### Strategy

- Final investment decision for Golbey conversion project in Q2 2021
- Update on repositioning of Australasian operations in Q2 2021
- Enter international distribution agreement for CEBINA in 2021
- Remain a reliable supplier of all publication paper grades

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## Press release

# Higher capacity utilisation as market tightens

Norske Skog's EBITDA in the first quarter of 2021 was NOK 112 million, a decrease from NOK 146 million in the fourth quarter of 2020. The markets are still impacted by the Covid-19 imposed restrictions, but are expected to improve during the year as a result of both already effectuated, but also newly announced capacity closures. As announced earlier today, Norske Skog's board of directors has made a EUR 100 million investment decision to convert one machine at the Bruck (Austria) industrial site from newsprint to recycled containerboard production. This is the first major step of the two planned European conversion projects in the group's strategy of establishing Norske Skog as a leading independent European producer of recycled containerboard.

*- Although the corona restrictions still have a negative impact on our operations, we are cautiously optimistic about the future. The decision to convert the Bruck newsprint machine into packaging will diversify our asset base and create new long-term revenue and cash flows from the end of 2022. Our other fibre and energy projects are progressing according to plan, and will contribute to a long-term sustainable industrial platform. Due to substantial capacity closures announced over the last twelve months, we expect the publication paper market to improve during 2021, says Sven Ombudstvedt, CEO of Norske Skog.*

Cash flow from operations was NOK 163 million in the quarter compared to NOK 73 million in the previous quarter, mainly due to a reduction in working capital related to Norwegian CO<sub>2</sub>-compensation received for 2020 in the quarter. Operating earnings in the first quarter of 2021 were NOK 204 million compared to operating earnings in the fourth quarter of 2020 of NOK -1 276 million. The quarter was positively affected by non-cash change in fair value of energy contracts in Norway and New Zealand amounting to NOK 199 million. Net profit in the quarter was NOK 194 million compared to a net loss of NOK -1 363 million in the previous quarter. Net interest-bearing debt was NOK 401 million at the end of the first quarter, with an equity ratio of 43 %.

### Status projects

The conversion at Bruck will introduce 210 000 tonnes of competitive containerboard capacity to meet the growing demand for renewable packaging. The project has received financing commitment from regional banks. Containerboard production will be based 100% on recycled fibre and will use steam from our new waste-to-energy plant starting up in the first half of 2022, making Bruck a cost-leading and green energy producer.

The Skogn mill has started test production of interliner, a packaging product, on one of its three newsprint machines to serve the Asian packaging markets. The shift to interliner production requires no capital expenditures. Interliner is a complimentary packaging product to the planned production of testliner and fluting products at Bruck and Golbey.

*"All credit to our creative engineering teams that have managed in a short notice to produce interliner at Skogn. So far, feedback from the test production have been overwhelmingly positive. This will not only prolong the expected life of the Skogn industrial site, but it will also add an important supplement to our packaging product portfolio. In few years, the majority of our mills will be able to both serve publication paper and packaging markets in a sustainable and profitable manner," says Norske Skog's CEO Sven Ombudstvedt.*

Norske Skog actively works to realise value from the industrial sites by developing existing infrastructure and industry competence. The work to develop CEBINA into a widely acknowledged commercial product has continued in the quarter following the first commercial sales within epoxy applications in the fourth quarter. The continued

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### Norske Skog ASA

Sjølyst plass 2  
P.O. Box 294 Skøyen, 0213 Oslo  
Norway

development of CEBICO (bio composites) also progressed well in the quarter. The investment into a NOK 20-25 million extruder, enabling a significant increase in the ability and quality of testing with potential customers, progressed further in the quarter.

Norske Skog is the largest shareholder in Circa Group, which in March 2021 was listed on Euronext Growth Oslo under the ticker CIRCA. Following the private placement of approximately NOK 500 million as part of the listing, Circa is fully financed to develop a first-of-its-kind 1 000 tonnes LGO and Cyrene biochemicals plant in France as part of the ReSolute project.

## Key figures, first quarter of 2021

NOK MILLION (unless otherwise stated)	Q1 2021	Q4 2020	Q1 2020	YTD 2021	YTD 2020
<b>INCOME STATEMENT</b>					
Total operating income	2 234	2 476	2 771	2 234	2 771
EBITDA	112	146	379	112	379
Operating earnings	204	-1 276	90	204	90
Profit/loss for the period	194	-1 363	-374	194	-374
<b>CASH FLOW</b>					
Net cash flow from operating activities	163	73	470	163	470
Net cash flow from investing activities	-238	-217	408	-238	408
<b>OPERATING MARGIN AND PROFITABILITY (%)</b>					
EBITDA margin	5.0	5.9	13.7	5.0	13.7
Return on capital employed (annualised)	-7.1	-8.6	20.2	-7.1	20.2
<b>Capacity utilisation (Production / capacity %)</b>	86	81	86	86	86

## Segment information

Total annual publication paper production capacity for the group is 2.1 million tonnes, with 1.8 tonnes in Europe and 0.3 tonnes in Australasia. In addition, Tasman (New Zealand) produces 0.2 million tonnes of converting grade paper, and Nature's Flame (New Zealand) has a wood pellets capacity of 90 000 tonnes.

### Europe

Operating income decreased from the previous quarter with lower sales volumes combined with a decrease in sales prices due to a weak publication paper market in the quarter, and a change in product mix and geographic mix. Variable cost per tonne decreased modestly in the quarter. Fixed costs were lower due to lower employee benefit expenses. According to Eurograph, demand for standard newsprint in Europe decreased by 27% through January compared to the same period in 2020. SC magazine paper demand decreased by 22%, while demand for LWC magazine paper declined by 25%. Our capacity utilisation was 88% in the quarter, up from 80 % in the previous quarter.

### Australasia

Operating revenue and operating income decreased from the previous quarter due to reduced sales volume. Variable costs per tonne were somewhat lower compared to the previous quarter. Employee benefit expenses were largely unchanged but increased on a per tonne basis due to lower sales volume. According to official trade statistics, demand for newsprint in the first quarter in Australasia declined by 9% compared to the same period in 2020. Capacity utilisation was 79% in the period, significantly down from 87% in the previous quarter.

## Outlook

The significant capacity closures announced in 2020, have been completed in the first quarter of 2021 and is impacting the market balance positively raising operating rates in the industry. In addition, the strong demand for packaging grade paper has switched some of the publication paper production to interliner contributing to an improved market balance in the coming periods. Additional capacity closures have recently been announced, and these are expected to maintain and improve the market balance positively throughout the year.

In North America and Asia, sales prices have increased, which also is a leading indicator for the price development in Europe. The improving operating rates provide a foundation for price increases and is further supported by the significant rise in prices for paper for recycling and other input costs. The margins in the industry are not sustainable at the current level, and the increased input cost necessitates the need for considerable price increases in the second half of 2021.

In the fourth quarter of 2020, Norske Skog announced a strategic review of the New Zealand operations, covering both the Tasman industrial site and the Nature's Flame pellets facility. The Covid-19 restrictions in New Zealand have impacted the process, but the ambition is still to announce an outcome of the review during the first half of 2021. The Tasman industrial site has been repositioned into production of converting paper grade, but the production has been curtailed due to the volatile and high energy prices. There remains uncertainty on how the energy markets in New Zealand will develop, and how this will impact production.

Norske Skog continues its work to improve the core business and has margin protection programmes with cost saving initiatives of approximately NOK 200-250 million. Norske Skog aims to make a final investment decision regarding the conversion project at Golbey PM1 during the second quarter 2021.

### **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, two of which will produce recycled containerboard following planned conversion projects. In addition, the Group operates two paper mills and a wood 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 promising 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**

The company will not hold a live presentation due covid-19 restrictions but will arrange a webinar at 08:30 for pre-registered participants. The 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).

Norske Skog  
Communications and Public Affairs

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## Norske Skog will enter the European packaging markets in Q4 2022

Norske Skog's board of directors has made the final investment decision to convert one machine at the Bruck (Austria) industrial site from newsprint to recycled containerboard production. This is the first major step of the two planned European conversion projects in the group's strategy of establishing Norske Skog as a leading independent European producer of recycled containerboard. The conversion at Bruck will introduce 210 000 tonnes of competitive containerboard capacity to meet the growing demand for renewable packaging. The project has received financing commitment from regional banks. Containerboard production will be based 100% on recycled fibre and will use steam from a new waste-to-energy plant, making Bruck a cost leading and green energy producer.

*"This investment decision represents the coming of a new era for Norske Skog and is a major step to become a leading independent European producer of high-quality, renewable and environmentally produced containerboard. The conversion project illustrates the inherent potential of our industrial sites and will strengthen Norske Skog's asset base and cash flow generation for decades ahead,"* says Norske Skog's CEO Sven Ombudstvedt.

As announced in June 2020, Norske Skog plans to introduce 765 000 tons of competitive recycled containerboard capacity in Europe by investing approximately EUR 350 million to convert Bruck PM3 and Golbey PM1 (France). The converted machines are expected to generate an annual EBITDA of approximately NOK 700-800 million in 2025/26, based on historical trend prices for containerboard and recycled fibre. The final investment decision to convert Bruck PM3 was taken on 22 April, and a similar decision for Golbey PM1 is expected in the second quarter of 2021.

Norske Skog will invest approximately EUR 100 million in the conversion of Bruck PM3, and financing facilities of EUR 70 million have been committed by banks at agreed terms subject to final documentation. The remaining investment amount will be covered by cash on balance and cash flows.

Recycled containerboard production at Bruck PM3 will start in the fourth quarter of 2022 following a three-month production stand-still. Full production utilisation of 210 000 tonnes of testliner and fluting is expected in the second half of 2025. The waste-to-energy plant starting up at the Bruck industrial site in the first half of 2022, will supply cost efficient and sustainable steam for the containerboard production. The second machine at Bruck, with capacity of 265 000 tonnes of LWC magazine paper, will continue production unaffected by the project. Norske Skog will still remain a committed supplier of high-quality publication paper products, and a strong and reliable supplier of all publication paper grades after the planned conversion.

The Bruck conversion project consists of the following main installations;

- new OCC plant for production of 100% of the pulp needed for the containerboard production,
- rebuild of PM3 to production of recycled containerboard, including a new winder, electrical, automation and auxiliary systems, and
- mill site integration and civil works.

*"This investment decision marks an important step in Norske Skog's evolution as we look to enhance long-term value for all stakeholders. Increasing focus on environmentally conscious products and the continued rise of online shopping, has created a significant need for renewable packaging solutions. Recycled containerboard production at Bruck will meet this demand with cost-leading and environmental-friendly capacity. Located centrally in continental Europe, the Bruck industrial site is well positioned for the large containerboard market, and it has good and established access to recycled fibre,"* says Norske Skog's CEO Sven Ombudstvedt.

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## **Webinar**

The company will not hold a live presentation of its first quarter results due COVID-19 restrictions, but will arrange a webinar today at 08.30 CET for pre-registered participants. At this webinar, the CEO will present the first quarter results and provide an update of the Bruck conversion project. You may register for the webinar by sending an e-mail to [info@norskeskog.com](mailto:info@norskeskog.com). 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).

## **About Norske Skog**

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Norske Skog aims to further diversify its operations and continue its transformation into a growing and high-margin business through a range of promising conversions, energy and 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.

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## Pressemelding

### Høyere kapasitetsutnyttelse i et strammere marked

Norske Skogs EBITDA i første kvartal 2021 var NOK 112 millioner, en nedgang fra NOK 146 millioner i fjerde kvartal 2020. Markedene er fortsatt påvirket av de pålagte Covid-19-restriksjonene, men forventes å forbedre seg i løpet av året som et resultat av både allerede gjennomførte, men også nylig annonserte kapasitetsstengninger. Som kunngjort tidligere i dag, har Norske Skogs styre besluttet å investere EUR 100 millioner i å konvertere en avisapirmaskin ved Bruck (Østerrike) til produksjon av resirkulert bølgepapp. Dette er det første steget av to planlagte europeiske konverteringsprosjekter i konsernstrategien om å etablere Norske Skog som en ledende uavhengig europeisk produsent av resirkulert bølgepapp.

*- Selv om koronarestriksjonene fortsatt har en negativ innvirkning på virksomheten, er vi forsiktig optimister med tanke på fremtiden. Beslutningen om å konvertere Brucks avisapirmaskin til emballasje vil diversifisere anleggsporføljen og skape nye langsiktige inntekts- og kontantstrømmer fra slutten av 2022. Andre fiber- og energiprosjekter utvikler seg som planlagt, og vil bidra til en langsiktig, bærekraftig industriell plattform. På grunn av betydelige kapasitetsnedleggelse de siste tolv månedene, forventer vi at markedet for publikasjonspapir vil forbedre seg i løpet av 2021, sier Sven Ombudstvedt, konsernsjef i Norske Skog.*

Kontantstrøm fra driften var NOK 163 millioner i kvartalet sammenlignet med NOK 73 millioner kroner i forrige kvartal, som i hovedsak skyldes en reduksjon arbeidskapitalen knyttet til utbetalt CO2-kompensasjon opptjent i 2020 i Norge. Driftsresultatet i første kvartal 2021 var på NOK 204 millioner sammenlignet med et driftsresultat på NOK -1 276 millioner i fjerde kvartal 2021. Kvartalet ble positivt påvirket av endringer, uten kontanteffekter, i verdifastsettelse av energikontrakter i Norge og New Zealand på NOK 199 millioner. Overskuddet i kvartalet var NOK 194 millioner mot et underskudd på -1 363 millioner i forrige kvartal. Netto rentebærende gjeld var NOK 401 millioner ved utgangen av første kvartal, med en egenkapitalandel på 43%.

#### Status prosjekter

Konverteringen ved Bruck vil introdusere 210 000 tonn konkurransedyktig bølgepappkapasitet for å møte den økende etterspørselen etter fornybar emballasje. Prosjektet har fått finansieringsgarantier fra regionale østerrikske banker. Bølgepappproduksjonen vil være 100% basert på returemballasje og vil utnytte damp fra et nytt energiforbrenningsanlegg, som vil starte opp i første halvdel av 2022, noe som vil gjøre Bruck til en kostnadsledende og grønn energiprodusent.

Fabrikken på Skogn har startet testproduksjon av interliner, et emballasjeprodukt, på en av sine tre avisapirmaskiner for leveranser til det asiatiske emballasjemarkedet. Skiftet til internlinerproduksjon medfører ingen ekstra investeringer. Interliner er et komplementært emballasjeprodukt til den planlagte produksjonen av testliner og flutingprodukter i Bruck og Golbey.

*"All ære til vårt kreative ingeniørteam som på kort varsel har klart å produsere interliner på Skogn. Så langt har tilbakemeldinger fra testleveransene vært overveldende positive. Dette vil ikke bare forlenge den forventede levetiden til Skogn-anlegget, men også bli et viktig supplement til vår planlagte emballasjeprodukter. Om få år vil flertallet av våre fabrikker kunne betjene både publikasjonspapir- og emballasjemarkeder på en bærekraftig og lønnsom måte, sier Norske Skogs konsernsjef Sven Ombudstvedt.*

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Norske Skog jobber aktivt for å realisere verdier fra industrianleggene ved å utvikle eksisterende infrastruktur og bransjekompetanse. Arbeidet med å utvikle CEBINA til et anerkjent kommersielt produkt har fortsatt i kvartalet etter det første kommersielle salget innen epoksyapplikasjoner i fjerde kvartal. Arbeidet med å utvikle biokompositter (CEBICO) viste god fremdrift i kvartalet. Investeringen i en ekstruder på NOK 20-25 millioner muliggjør en omfattende økning i testkapasitet og -kvalitet for potensielle kunder.

Norske Skog er den største aksjonæren i Circa Group, som i mars 2021 ble notert på Euronext Growth Oslo under tickeren CIRCA. Etter emisjonen på rundt NOK 500 millioner, som var en del av børsnoteringen, er Circa fullfinansiert for å utvikle et banebrytende biokjemisk anlegg på 1 000 tonn LGO og Cyrene i Frankrike, som er en del av ReSolute-prosjektet.

#### Nøkkeltall, første kvartal 2021

NOK MILLIONER (om ikke annet opplyst)	Q1 2021	Q4 2020	Q1 2020	YTD 2021	YTD 2020
<b>Resultatregnskap</b>					
Totale inntekter	2 234	2 476	2 771	2 234	2 771
EBITDA	112	146	379	112	379
Driftsresultat	204	-1 276	90	204	90
Resultat for perioden	194	-1 363	-374	194	-374
<b>Kontantstrøm</b>					
Netto kontantstrøm fra operasjonelle aktiviteter	163	73	470	163	470
Netto kontantstrøm fra investeringsaktiviteter	-238	-217	408	-238	408
<b>Driftsmargin og lønnsomhet (%)</b>					
EBITDA margin	5.0	5.9	13.7	5.0	13.7
Avkastning på investert kapital (annualisert)	-7.1	-8.6	20.2	-7.1	20.2
<b>Kapasitetsutnyttelse (produksjon/kapasitet %)</b>	86	81	86	86	86

#### Segmentinformasjon

Samlet årlig produksjonskapasitet for konsernet er 2,1 millioner tonn. I Europa er konsernets kapasitet 1,8 millioner tonn, mens i Australasia er kapasiteten 0,3 millioner tonn. I tillegg produserer Tasman (New Zealand) 0,2 millioner tonn konverteringspapir, og Nature's Flame (New Zealand) har en trepelletskapasitet på 90 000 tonn.

##### Europa

Driftsinntektene falt fra forrige kvartal som følge av et svakt publikasjonspapirmarked med lavere salgsvolum og salgspriser, samt endringer i produktsammensetning og geografisk spredning. Variable kostnader per tonn var noe lavere sammenlignet med forrige kvartal. De faste kostnadene var lavere på grunn av lavere lønnskostnader.

I følge Eurograph falt etterspørselen etter standard avisepapir i Europa med 27% til og med januar sammenlignet med samme periode i 2020. Etterspørselen etter superkalandret magasinpapir (SC) falt med 22%, mens etterspørselen etter LWC magasinpapir falt med 25%. Kapasitetsutnyttelsen var 88% i kvartalet, opp fra 80% i forrige kvartal.

##### Australasia

Driftsinntektene og driftsresultatet falt fra forrige kvartal på grunn av lavere salgsvolum. Variable kostnader per tonn var noe lavere sammenlignet med forrige kvartal. Lønnskostnader var stort sett uendret, men økte per tonn grunnet lavere salgsvolum. I følge offisiell handelsstatistikk falt etterspørselen etter avisepapir i første kvartal i Australasia med 9% sammenlignet med samme periode i 2020. Kapasitetsutnyttelsen var 79% i perioden, betydelig ned fra 87% i forrige kvartal.

#### Utsikter

De betydelige kapasitetsstengningene som ble annonsert i 2020, er gjennomført i første kvartal 2021 og påvirker markedsbalansen positivt gjennom økte driftsmarginer i industrien. I tillegg har den sterke etterspørselen etter emballasje endret noe av produksjonskapasiteten fra publikasjonspapir til interliner og dermed også forbedret



markedsbalansen fremover. Ytterligere kapasitetsstengninger er nylig annonsert, og disse forventes å opprettholde og forbedre markedsbalansen positivt gjennom året.

I Nord-Amerika og Asia har salgsprisene økt, som er en pekepinn for prisutviklingen i Europa. Høyere kapasitetsutnyttelse gir grunnlag for prisøkninger og påvirkes videre av betydelige prisøkninger på returpapir og andre innsatsfaktorer. Marginene i bransjen er ikke bærekraftige på dagens nivå, og prisøkningen på innsatsfaktorene nødvendiggjør betydelige salgsprisøkninger i andre halvdel av 2021.

I fjerde kvartal 2020 kunngjorde Norske Skog en strategisk gjennomgang av New Zealand-virksomheten, som dekker både Tasmans industrianlegg og Nature's Flame pelletsanlegg. Covid-19-restriksjonene i New Zealand har påvirket prosessen, men ambisjonen er fortsatt å annonsere et resultat av gjennomgangen i første halvdel av 2021. Tasmanfabrikken, som nå leverer et ubehandlet papirråstoff til emballasjekunder, har begrenset produksjonen noe grunnet volatile og høye energipriser. Det er fortsatt knyttet usikkerhet til utviklingen i energimarkedet på New Zealand, og hvordan dette vil påvirke produksjonen fremover.

Norske Skog fortsetter arbeidet med å forbedre kjernevirksomheten og gjennomfører nå marginforbedringstiltak på rundt NOK 200-250 millioner årlig. Norske Skog har som mål å ta en endelig investeringsbeslutning om konverteringsprosjektet ved Golbey PM1 i andre kvartal 2021.

## **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 gjennomføringen av de planlagte konverteringsprosjektene. I tillegg driver konsernet to papirfabrikker 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**

Selskapet vil ikke holde en live presentasjon på grunn av covid-19-begrensninger, men vil arrangere et webinar idag klokken 08:30 for forhåndsregistrerte deltakere. 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).

Norske Skog  
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