



Norske Skog

Q1 2022 presentation

28 April 2022



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Sustainable and innovative industry



Publication
paper



Packaging
paper



Energy



Bio products



Bruck industrial site (following strategic projects)

Sustainable and innovative industry driving the green shift



- 265 000 tonnes **LWC** magazine paper
- 210 000 tonnes **recycled containerboard**
- 160 000 tonnes **refuse derived fuel**
- 20 000 tonnes **construction additives**
- 40 MW **grid stabilisation** capacity
- 50 GWh **district heating** energy



First quarter in brief

Energy and raw material prices remain volatile

→ Further price increases required and implemented to address unprecedented market conditions

EBITDA of NOK 610m in the quarter

→ EBITDA improvement from previous quarter with margins normalising towards the >10% area

→ Impacted by gain of NOK 175m from sale of the Nature's Flame pellets business

Publication paper market remains tight

→ Further industry closures from H2 2022

→ Bruck PM3 to stop production in Q3 2022 to finalise the conversion process

Bruck waste-to-energy facility in commissioning

→ Under commissioning with Valmet and currently operating at 75%

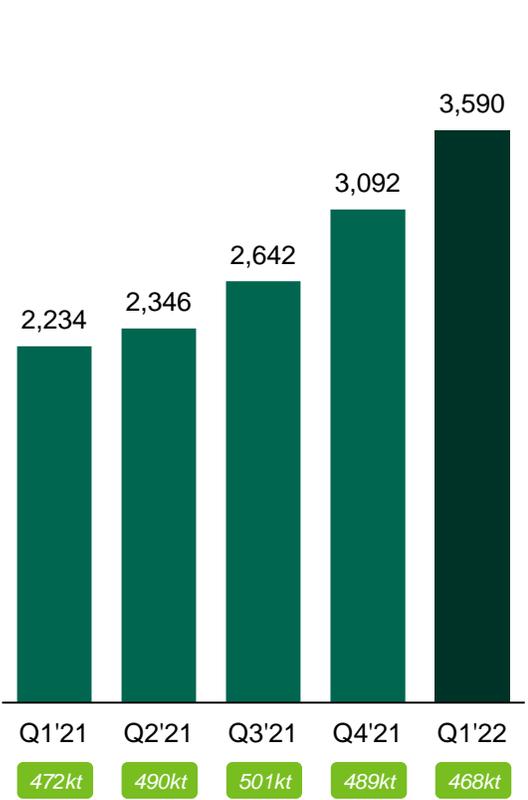
→ Improves the energy situation and reduces the fossil CO₂ footprint at Bruck



EBITDA improvement in the quarter

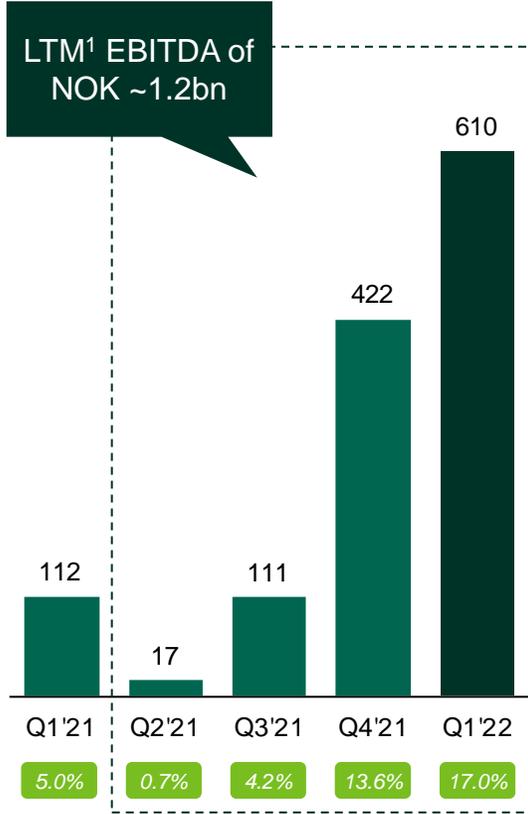
Revenue

NOKm (and deliveries volume)



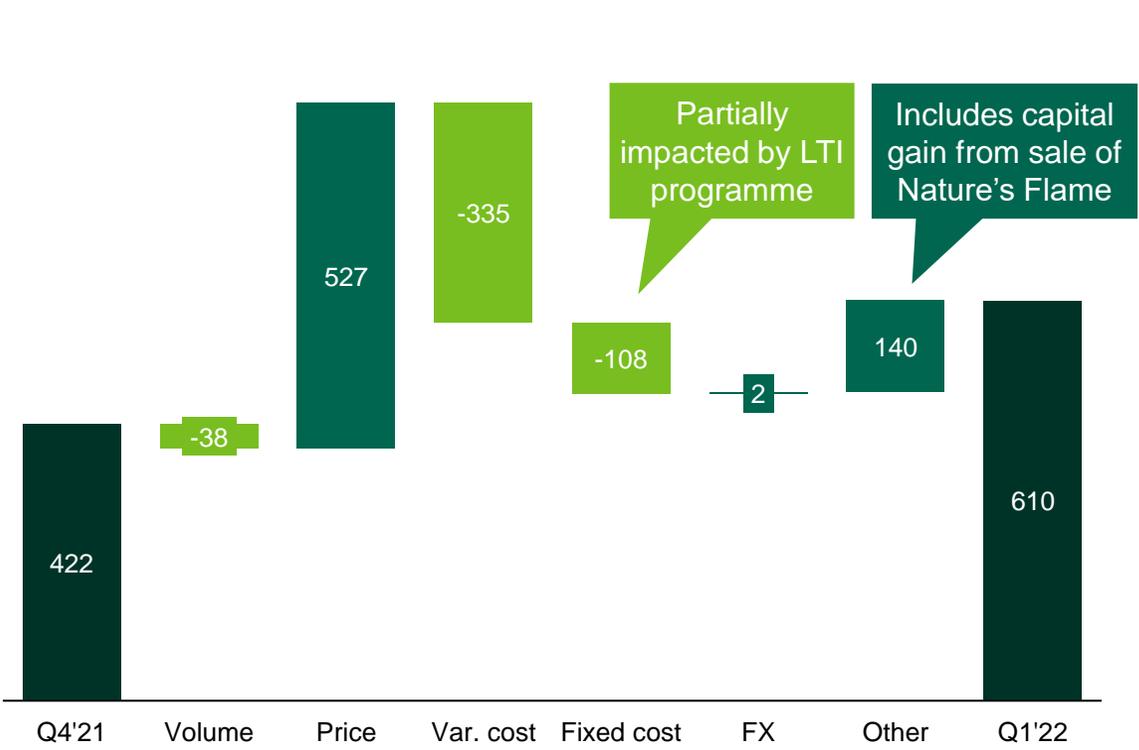
EBITDA

NOKm (margin in %)



EBITDA bridge Q4 2021 to Q1 2022

NOKm



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



Challenging energy and raw material markets

Energy (electricity & gas) prices Germany

EUR per MWh



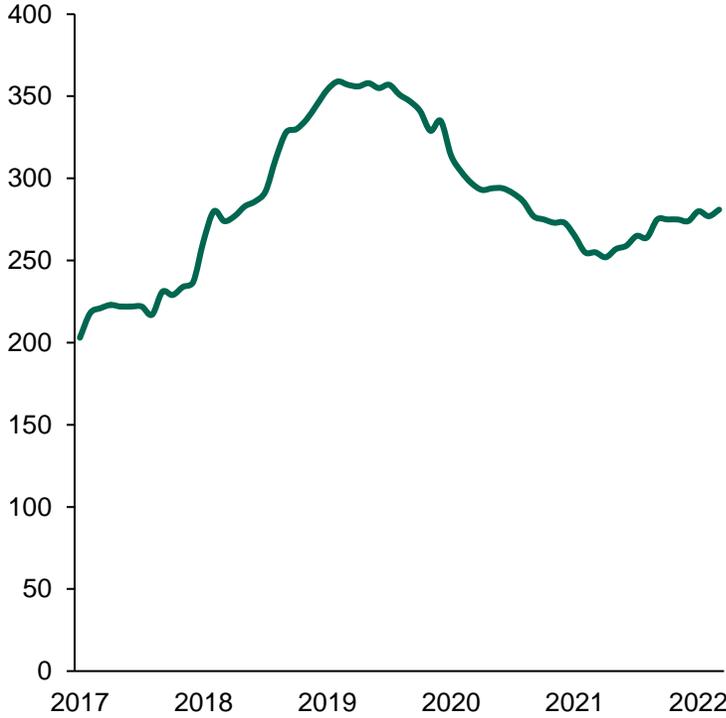
Recovered paper (RCP & OCC) prices Germany

EUR per tonne



Spruce pulpwood prices Norway

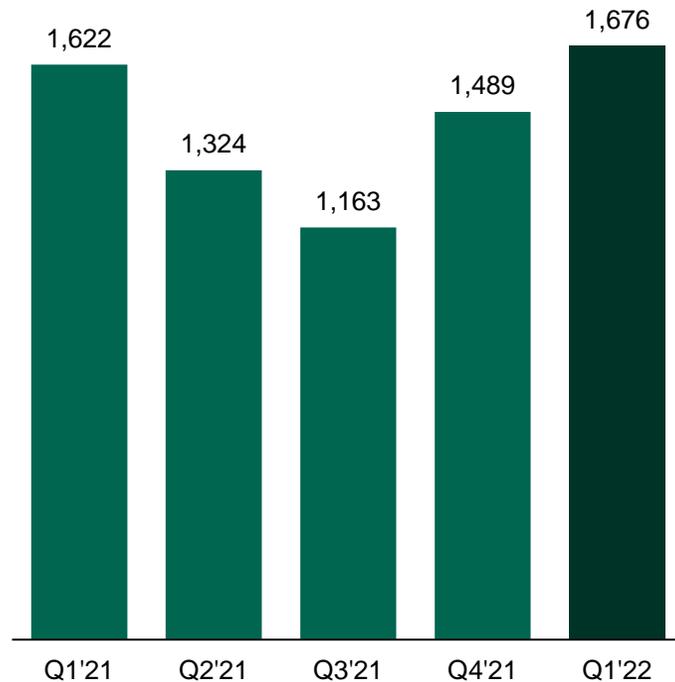
EUR per cubic metre



Strong liquidity position

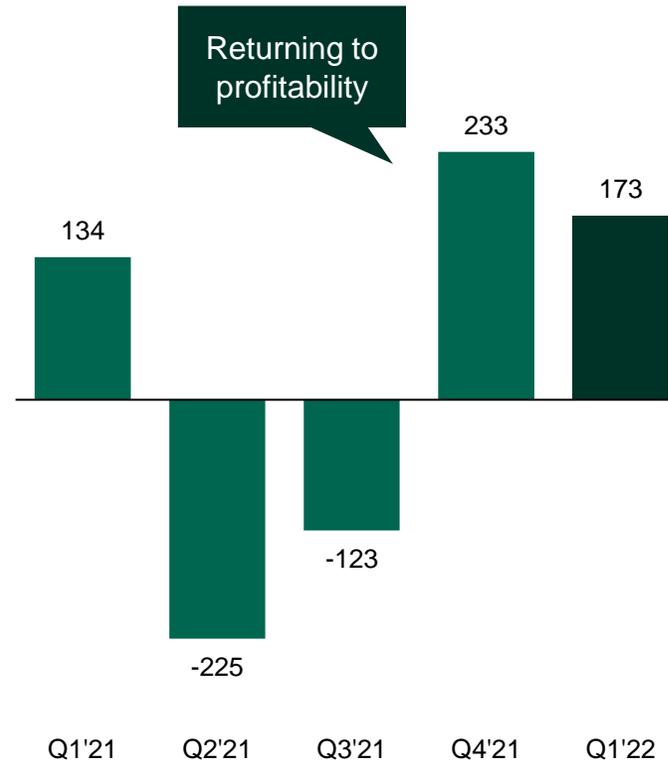
Cash and cash equivalents

NOKm



Cash earnings¹

NOKm



Net debt of NOK 924m

→ Net debt / LTM² reported EBITDA: 0.8x

Total available liquidity of EUR ~470m

→ Cash of NOK 1,676m (EUR ~175m)

→ 2021 CO₂ comp. of NOK ~290m (EUR ~30m)

→ Undrawn project³ debt of EUR ~236m

→ Undrawn RCF of EUR 31m

Remaining capex³ EUR ~300-320m

→ Includes additional civil engineering costs



Optimising publication paper cash flows and operations



Publication paper capacity

- Four sites in Europe, one in Australia
- In total, 11 producing paper machines
- 1 350k tonnes newsprint
 - Convert 125k tonnes in Q3 2022 (one machine)
 - Convert 235k tonnes in Q2 2023 (one machine)
- 400k tonnes LWC magazine
- 360k tonnes SC magazine

Targets

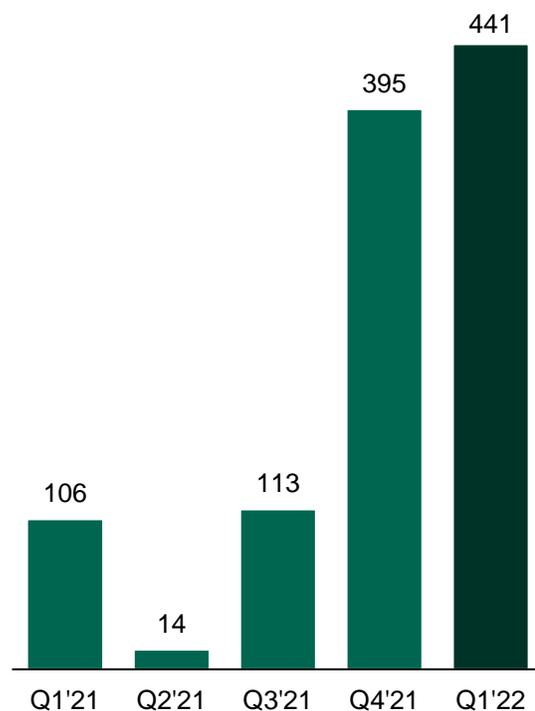
- ✓ Operating rate of +90%
- ✓ EBITDA margin of +10%



Segment financials Q1 2022

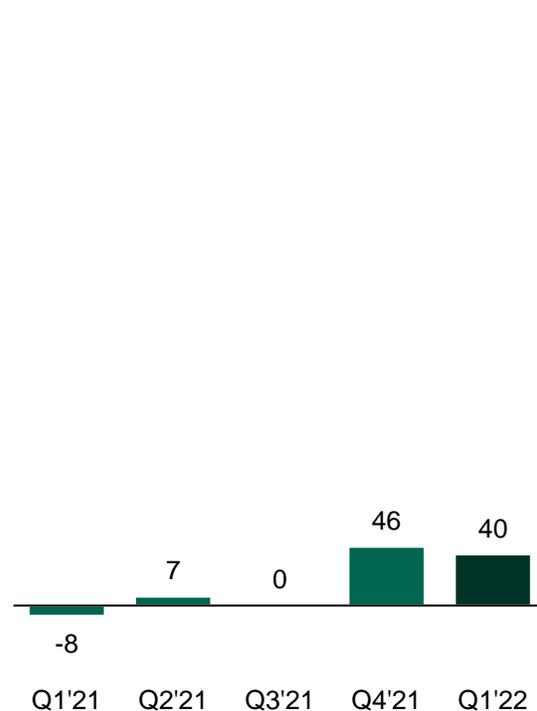
EBITDA Europe

NOKm



EBITDA Australasia

NOKm



Segment financials

NOKm

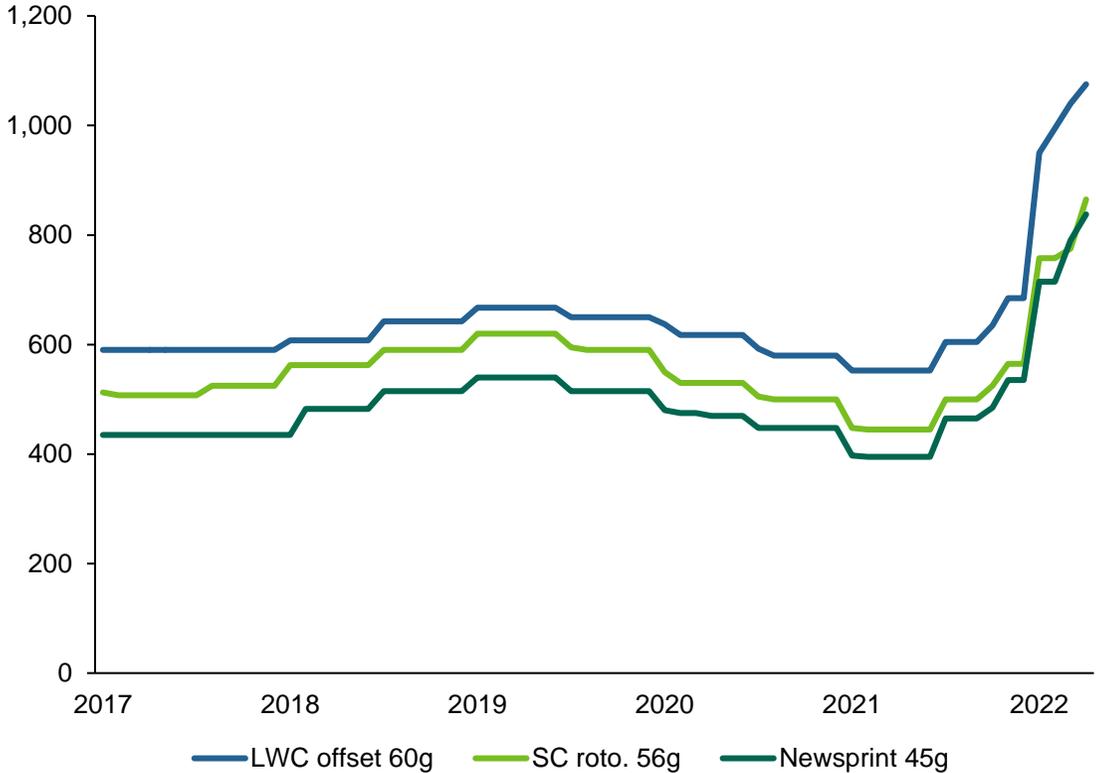
	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22
Europe					
Operating rate, %	88%	85%	96%	96%	94%
Deliveries, thousand tonnes	382	403	433	427	407
Total operating income	1,635	1,714	2,183	2,648	2,968
EBITDA	106	14	113	395	441
EBITDA margin, %	6.2%	0.8%	5.2%	14.9%	14.9%
Australasia					
Operating rate, %	79%	69%	87%	87%	91%
Deliveries, thousand tonnes	90	87	68	62	61
Total operating income	490	480	426	395	429
EBITDA	-8	7	0	46	40
EBITDA margin, %	-1.7%	1.4%	0.0%	11.6%	9.2%
Other activities					
Total operating income	54	32	61	71	222
EBITDA	14	-4	-2	-19	130



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

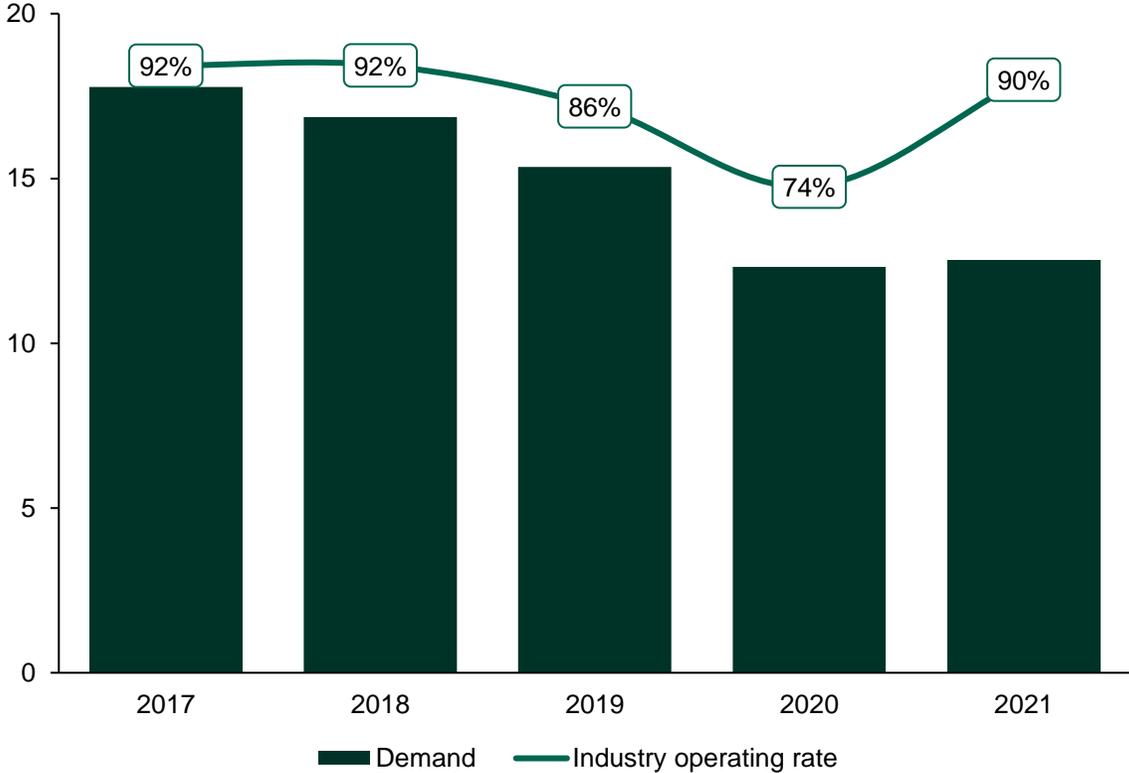
Newsprint and magazine paper prices Germany

EUR per tonne



Western European operating rate and demand (including net exports)

Million tonnes



Entering the growing market for recycled containerboard



Bruck



Golbey

Packaging paper capacity

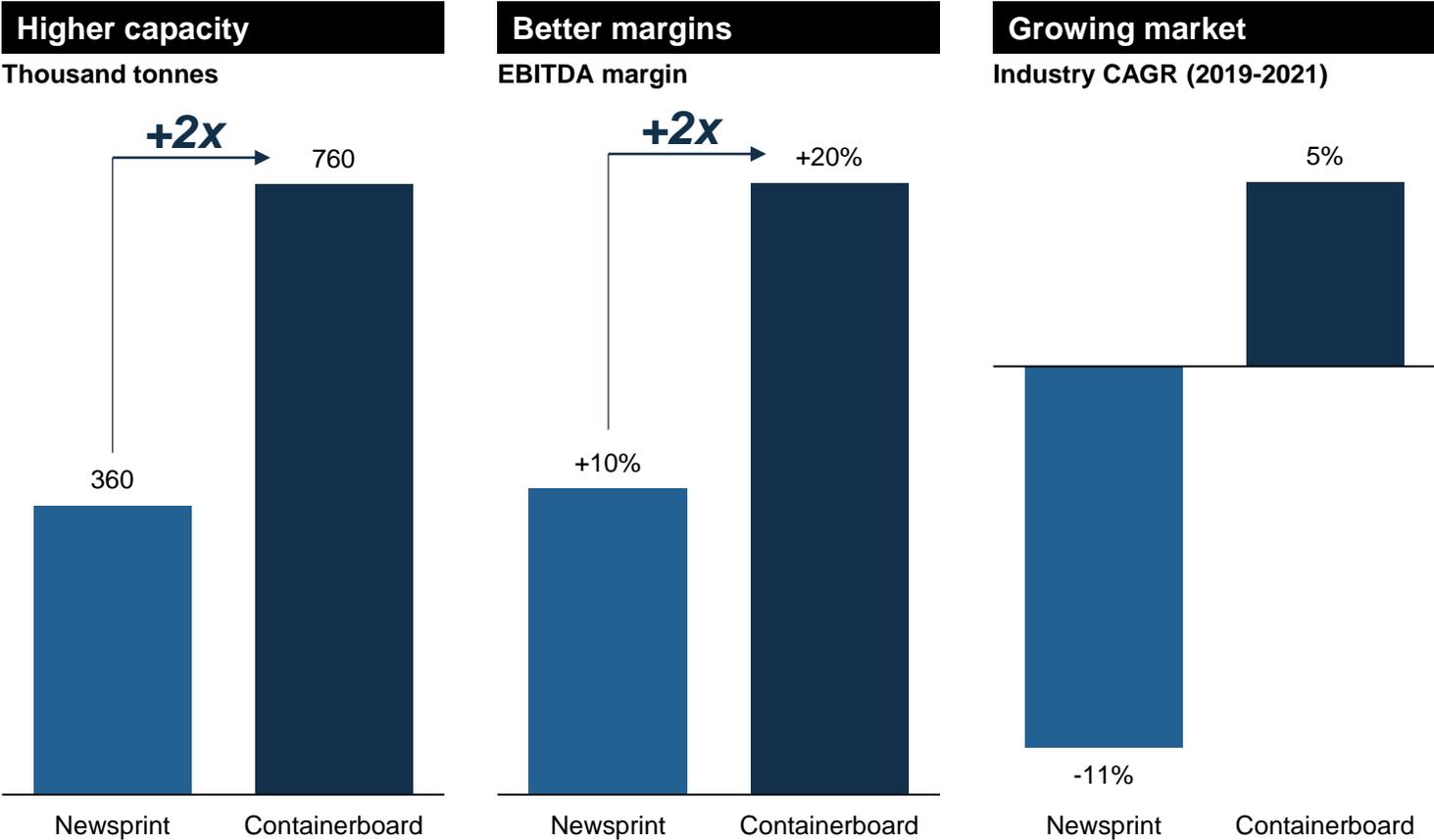
- 760k tonnes recycled containerboard
- In the market from Q1 2023

Targets

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



Switching to containerboard is attractive across the board



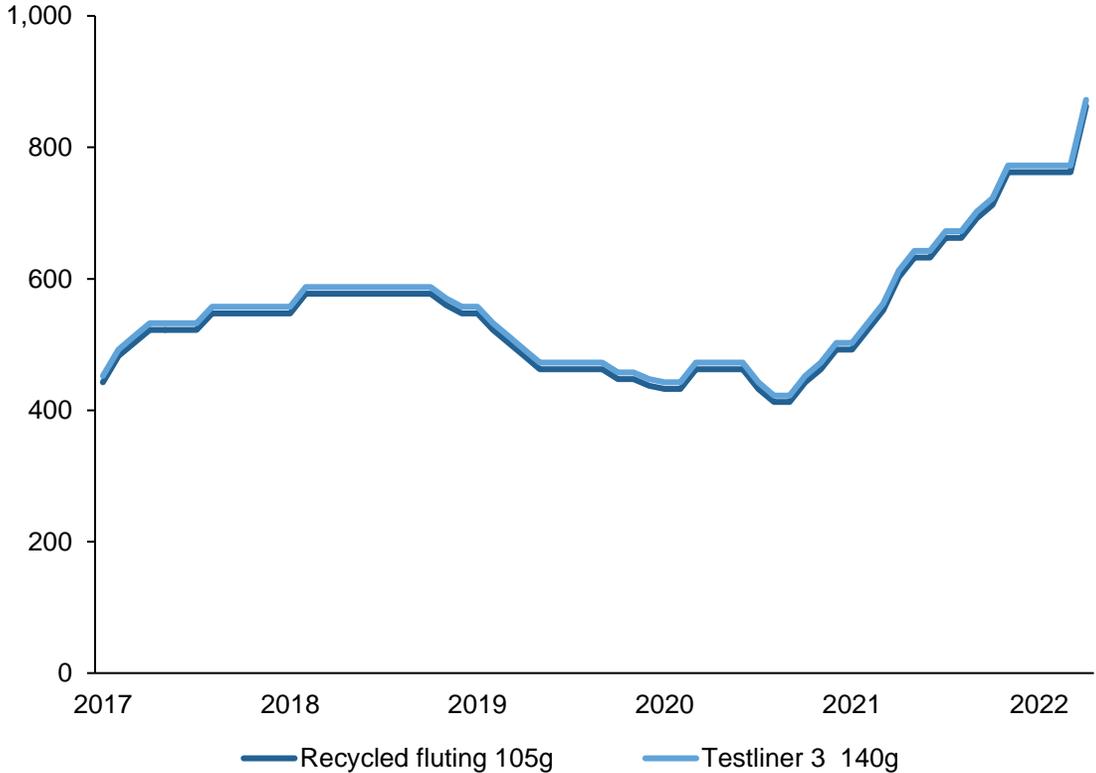
- Production capacity doubles by switching from newsprint to containerboard
- Price per tonne for newsprint and containerboard are in the same area
- Expected containerboard EBITDA margin of +20% versus +10% for newsprint
- Growing demand for containerboard compared to declining newsprint demand



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

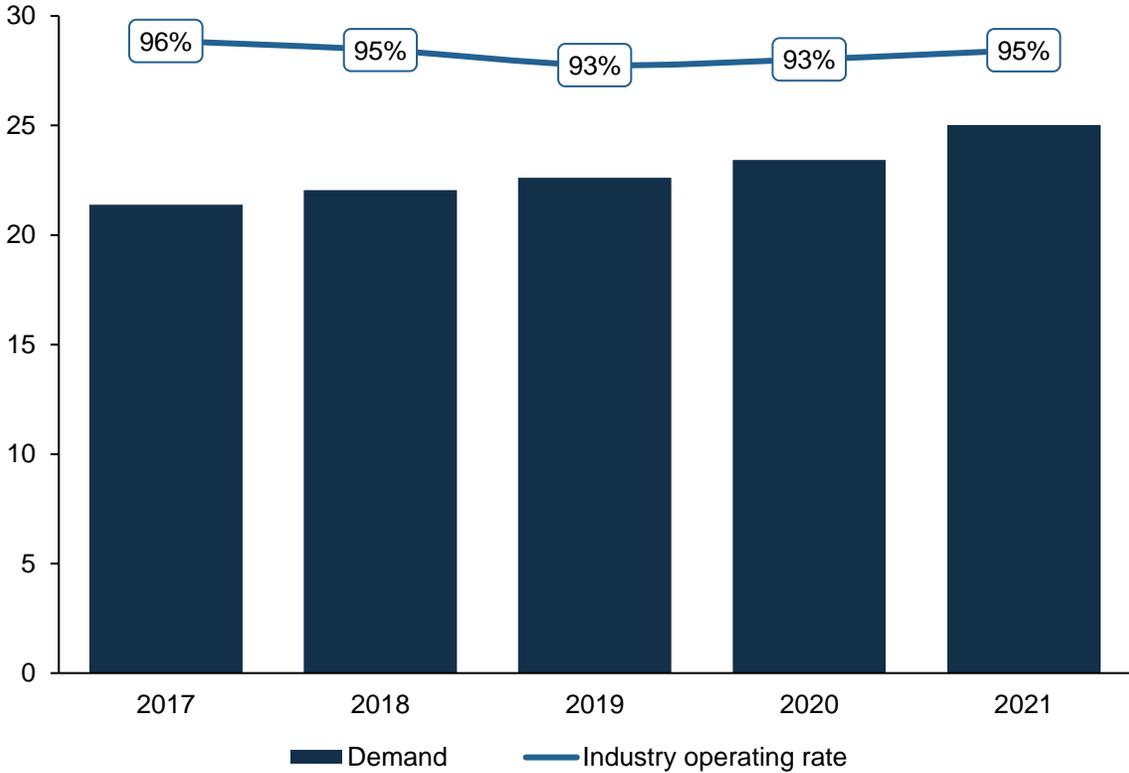
Recycled containerboard prices Germany

EUR per tonne



Western European operating rate and demand (including net exports)

Million tonnes



Reduce energy purchases and improve green energy mix



Waste-to-energy

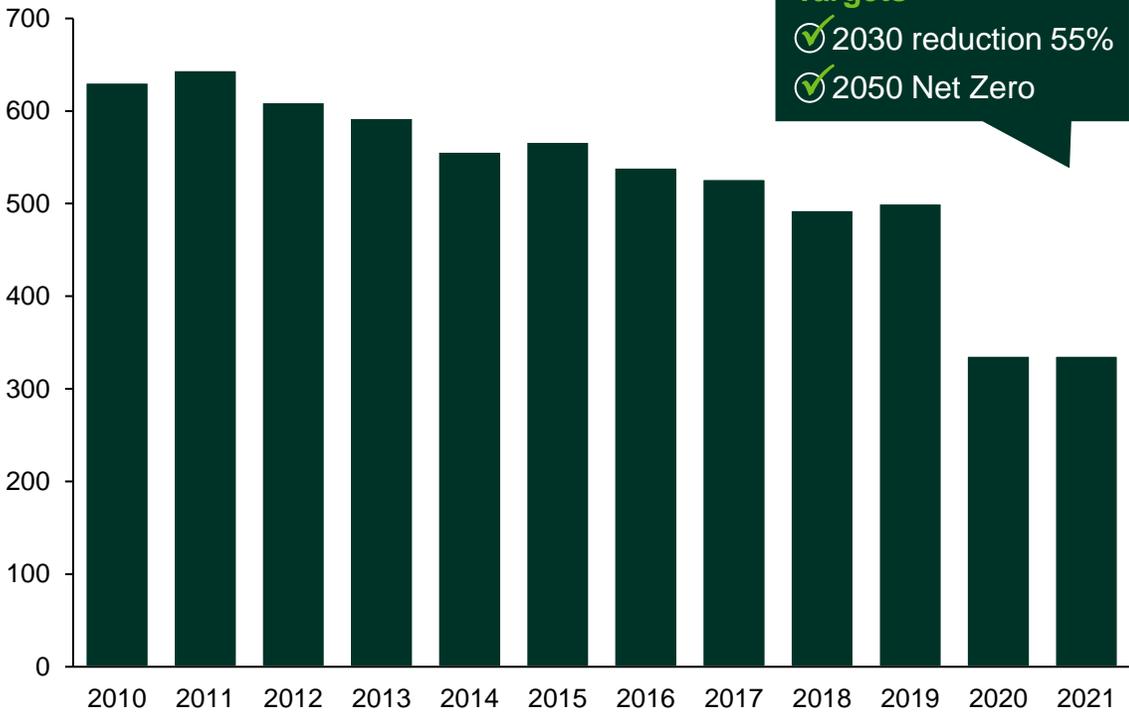
- Operating at 75% and in commissioning with Valmet until reaching 100%
- RDF¹ gate fees less associated costs to contribute NOK ~100m annual EBITDA
- Reduces gas consumption by ~0.7 TWh and increases electricity by ~0.2 TWh



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

Continue to reduce fossil CO₂ emissions from production

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



European Union Allowance (EUA) price development

EUR / allowance



Continued commercialisation and scale-up of CEBINA and CEBICO



CEBINA



CEBICO

CEBINA

- Pilot of 100-500 tonnes capacity
- Proven with regular commercial sales
- Expanding production capacity
- Awarded Grønn Plattform grant of NOK ~60m to support further development

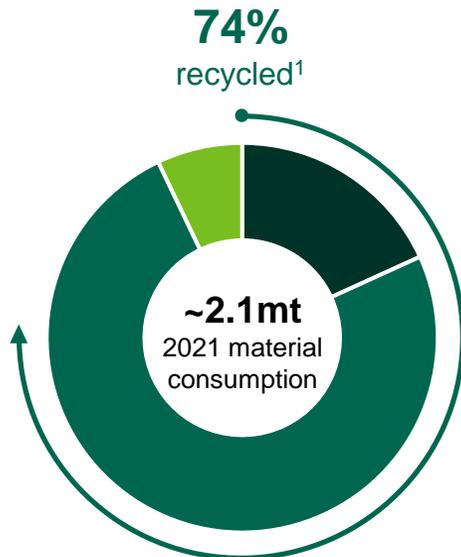
CEBICO

- Pilot of +300 tonnes capacity
- Innovation Norway grant NOK ~15m
- Commercialisation and partnership review
- Potential decision to scale-up in 2022



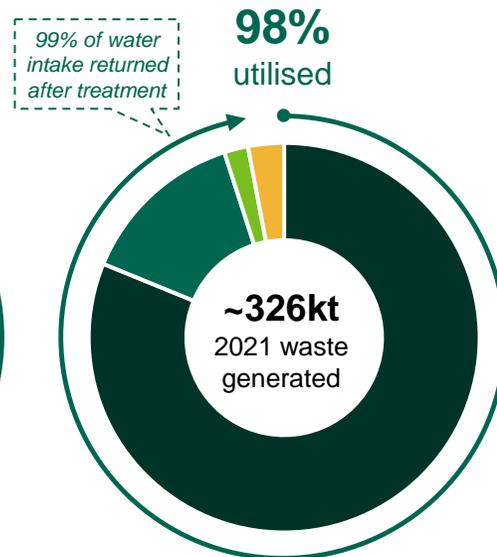
Enabling the circular economy

End-products recycled



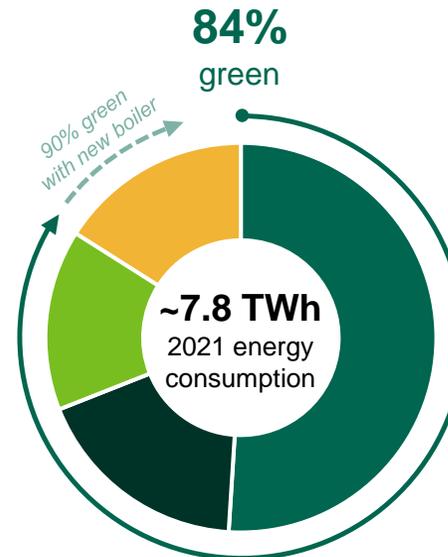
- Recycled paper
- Pulpwood
- Filler & pulp

Waste utilised



- Bio boilers
- Agriculture
- Other uses
- Landfill

Green energy focused



- Electricity
- Bio boilers
- Recovery
- Fossil

Developing climate solutions

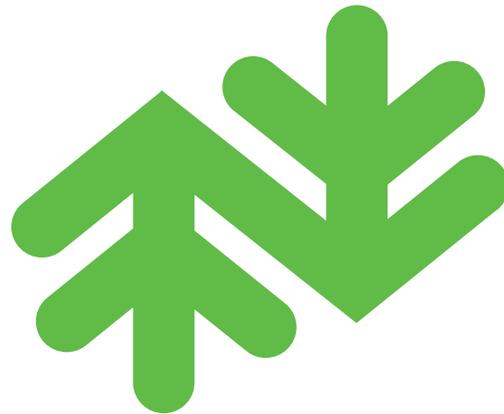
- Participating in Borg CO2 industry cluster to develop CCUS² technologies with ambition to capture ~630k tonnes
- Supporting Ocean GeoLoop to develop and pilot its CCUS² technologies to capture close to 100% of CO₂ from flue gas
- Exploring a range of opportunities within advanced e-fuels, bio-carbon,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



Outlook

- Publication paper market expected to be tight as demand remains healthy and capacity closes
- Waste-to-energy facility to reduce energy purchases and improve green energy mix at Bruck
- Converting two machines from newsprint production to recycled containerboard production
- Continued development of existing and potential energy and bio product projects
- Impact from strategic projects and bio product innovation will become visible over next 1-2 years





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