



Norske Skog

SECOND QUARTER 2019

PROFIT/LOSS FOR THE PERIOD

NOK MILLION	Q2 2019	Q1 2019	Q2 2018	YTD 2019	YTD 2018
Operating revenue	3 158	2 996	2 983	6 154	5 875
Other operating income	158	111	57	270	126
Total operating income	3 316	3 107	3 040	6 423	6 001
Distribution costs	-308	-304	-323	-612	-635
Cost of materials	-1 853	-1 687	-1 750	-3 540	-3 479
Fixed cost	-711	-687	-688	-1 398	-1 357
EBITDA	444	429	279	873	530
Restructuring expenses	-9	-8	-4	-18	-5
Depreciation	-113	-113	-111	-225	-223
Derivatives and other fair value adjustments	828	-55	21	773	49
Operating earnings	1 150	253	184	1 403	351
Financial items	-68	8	-3	-59	-117
Income taxes	-50	-109	1	-159	-24
Profit/loss for the period	1 032	153	183	1 184	210

Operating revenue increased from the previous quarter with higher sales volumes. Publication paper prices were relatively stable in the first half of 2019 in Europe while Asian prices dropped sharply.

Other operating income for the second quarter includes gain on sale of a power plant in Bruck of NOK 89 million.

Variable costs per tonne increased due to price increases on input factors in some regions. Fixed costs increased slightly due to higher labour and maintenance costs.

EBITDA increased quarter-over-quarter, mainly due to the increase in other operating income.

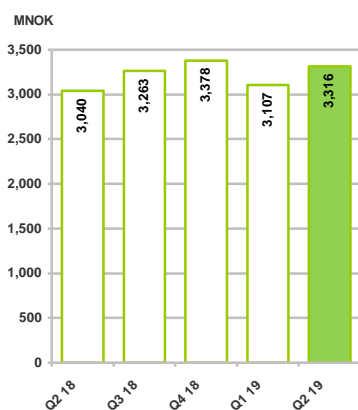
Depreciation of NOK -113 million is in line with previous quarters.

Derivatives and other fair value adjustments reflects a significant higher mark to market valuation of embedded derivatives sensitive to change in paper and pulpwood prices mainly related to energy contracts in Norway. The external forecast prices on paper has decreased and the prices on pulpwood have increased compared to Q4 2018 and compared to the previous quarter, which have a significant positive effect on the embedded derivatives in the second quarter of 2019.

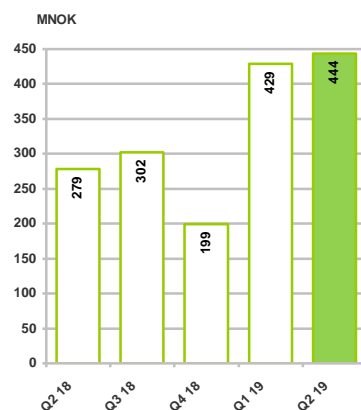
Net financial items was negative by NOK 68 million mainly due to unrealised currency loss in the quarter. Net interest expenses was reduced by NOK 12 million to NOK 42 million as a result of lower interest-bearing debt.

Income taxes year to date relates to the operations in Golbey, Bruck and Tasman.

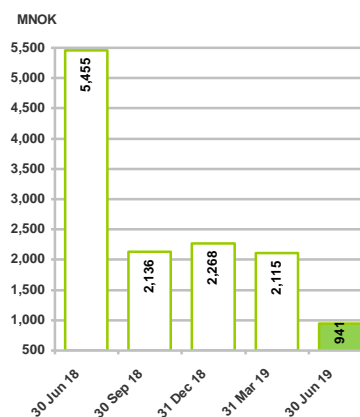
TOTAL OPERATING INCOME



EBITDA



NET INTEREST-BEARING DEBT



BALANCE SHEET

NOK MILLION	30 JUN 2019	31 MAR 2019	31 DEC 2018	30 JUN 2018
Deferred tax asset	64	64	64	65
Intangible assets	26	66	30	29
Property, plant and equipment	4 459	4 513	4 483	4 422
Investments in associated companies	1	1	1	1
Other non-current assets	962	234	211	150
Total non-current assets	5 512	4 878	4 789	4 666
Inventories	1 547	1 502	1 304	1 216
Trade and other receivables	1 227	1 223	1 403	1 341
Cash and cash equivalents	861	638	912	718
Other current assets	224	312	157	117
Total current assets	3 859	3 675	3 776	3 391
Total assets	9 372	8 553	8 565	8 058
Paid-in equity	8 510	7 409	7 409	5 160
Retained earnings and other reserves	-3 950	-4 953	-5 044	-6 435
Total equity	4 560	2 456	2 365	-1 275
Pension obligations	260	261	271	249
Deferred tax liability	326	329	328	321
Interest-bearing non-current liabilities	1 473	2 348	2 318	1 321
Other non-current liabilities	343	480	353	513
Total non-current liabilities	2 403	3 417	3 270	2 403
Interest-bearing current liabilities	329	405	862	4 852
Trade and other payables	1 796	1 822	1 864	1 749
Tax payable	144	181	87	36
Other current liabilities	140	272	118	293
Total current liabilities	2 409	2 680	2 931	6 930
Total liabilities	4 811	6 097	6 200	9 333
Total equity and liabilities	9 372	8 553	8 565	8 058

Other non-current assets increased in the second quarter due to higher mark to market valuation of embedded derivatives.

Cash and cash equivalents amounted to NOK 861 million at quarter end, an increase of NOK 223 million. Net cash inflow from loans amounted to NOK 95 million in the quarter.

Group equity was NOK 4.6 billion giving an equity ratio of 49% reflecting the underlying profit for the period as well as conversion of shareholder's debt to equity of NOK 1.1 billion in the quarter.

Net interest-bearing debt was NOK 941 million at quarter end.

CASH FLOW

NOK MILLION	Q2 2019	Q1 2019	Q2 2018	YTD 2019	YTD 2018
Cash generated from operations	3 312	3 265	3 134	6 577	6 155
Cash used in operations	-2 946	-2 939	-2 805	-5 885	-5 651
Cash flow from currency hedges and financial items	-9	-7	-12	-16	-21
Interest payments received	2	2	1	5	3
Interest payments made	-43	-15	-8	-58	-15
Taxes paid	-91	-1	-7	-92	-8
Net cash flow from operating activities ¹⁾	225	305	303	531	464
Purchases of property, plant and equipment and intangible assets	-78	-77	-46	-154	-111
Sales of property, plant and equipment and intangible assets	0	0	0	0	1
Purchase of shares in companies and other financial payments	-15	-15	-12	-30	-19
Sales of shares in companies and other financial instruments	4	0	119	4	119
Net cash flow from investing activities	-88	-92	62	-180	-9
New loans raised	1 261	26	91	1 287	99
Repayments of loans	-1 166	-501	-111	-1 667	-244
Net cash flow from financing activities	95	-474	-21	-379	-146
Foreign currency effects on cash and cash equivalents	-9	-13	-2	-23	-24
Total change in cash and cash equivalents	223	-274	341	-51	285
Cash and cash equivalents at start of period	638	912	376	912	433
Cash and cash equivalents at end of period	861	638	718	861	718
¹⁾ Reconciliation of net cash flow from operating activities					
Profit/loss before income taxes	1 082	261	181	1 343	233
Change in working capital	35	-75	63	-40	2
Change in restructuring provisions	-3	4	2	1	-1
Depreciation and impairments	113	113	111	225	223
Derivatives and other fair value adjustments	-829	35	-27	-793	-60
Gain and losses from divestment of business activities and PPE	-89	0	0	-89	-1
Share of profit in associated companies	0	0	0	0	0
Net financial items without cash effect	18	28	17	-10	84
Taxes paid	-91	-1	-7	-92	-8
Change in environmental provision	0	0	0	0	0
Change in pension obligations and other employee benefits	-4	-3	-2	-7	-6
Adjustment for other items	-7	0	-2	-7	-4
Net cash flow from operating activities	225	305	303	531	464

Net cash flow from operating activities was NOK 225 million in the second quarter reflecting the improved operating environment in 2019, however lower than the previous quarter due to payment of

taxes. Taxes paid in the quarter is higher due to a change of schedule for payment of income tax for Golbey.

SEGMENT INFORMATION

PUBLICATION PAPER EUROPE

NOK MILLION (unless otherwise stated)	Q2 2019	Q1 2019	Q2 2018	YTD 2019	YTD 2018
Total operating income	2 528	2 366	2 196	4 895	4 324
EBITDA	419	393	208	811	412
EBITDA margin (%)	16.6	16.6	9.5	16.6	9.5
Return on capital employed (%) (annualised)	32.7	30.3	15.4	31.2	14.8
Production (1 000 tonnes)	433	446	470	878	918
Deliveries (1 000 tonnes)	441	416	458	857	899
Production / capacity (%)	90	93	97	91	95

The segment constitutes Norske Skog's European operations in the publication paper market with mills in Norway, France and Austria. Annual production capacity is 1.9 million tonnes.

Operating income increased from the previous quarter with higher sales volumes and gain on sale of a power plant in Bruck of NOK 89 million.

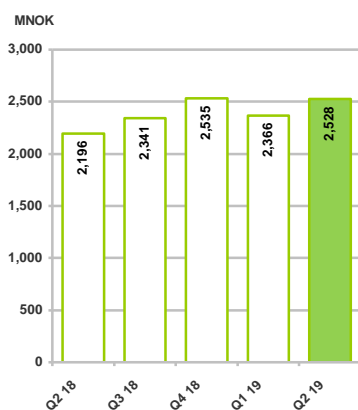
Variable cost increased per tonne due to higher cost for input factors. Fixed costs were slightly up compared to the previous quarter due to higher labour and maintenance costs.

EBITDA increased in the period as a consequence of the income from the sale of the power plant, while other revenue from sale of CO2 quotas was reduced compared to previous quarter.

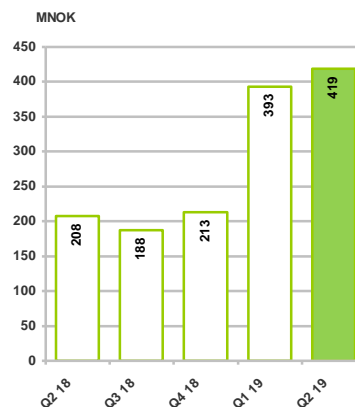
Demand for newsprint in Europe decreased by 6% through June this year compared to the same period last year. Magazine paper demand declined with SC paper decreasing 11% and LWC paper decreasing 12%.

Capacity utilisation was 90% in the period.

**EUROPE
TOTAL OPERATING INCOME**



**EUROPE
EBITDA**



PUBLICATION PAPER AUSTRALASIA

NOK MILLION (unless otherwise stated)	Q2 2019	Q1 2019	Q2 2018	YTD 2019	YTD 2018
Total operating income	774	747	832	1 521	1 660
EBITDA	20	43	71	63	126
EBITDA margin (%)	2.6	5.7	8.5	4.1	7.6
Return on capital employed (%) (annualised)	-2.7	6.1	23.7	2.9	15.4
Production (1 000 tonnes)	155	139	148	294	310
Deliveries (1 000 tonnes)	149	133	152	283	318
Production / capacity (%)	89	80	84	84	87

The segment consists of Norske Skog's operations in Australasia with mills in Australia and New Zealand. Annual production capacity is 0.7 million tonnes.

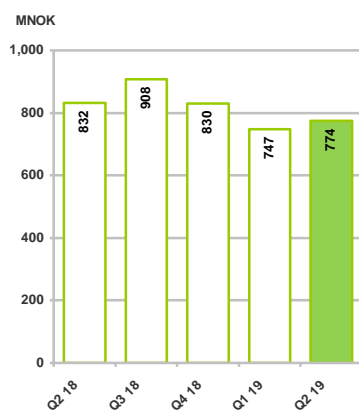
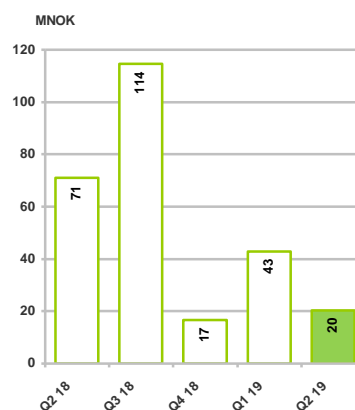
Operating income increased from the previous quarter with higher sales volumes.

Variable costs per tonne was reduced in the period and fixed costs were flat in the quarter.

EBITDA decreased compared with the previous quarter as Asian export prices continued to decline and more than offset increased volume.

Demand for newsprint in Australasia declined by 7% through June this year compared to the same period last year. Demand for magazine paper increase by 6%.

Capacity utilisation was 89% in the period improving from the previous quarter which reflected better operating performance and less market related downtime.

AUSTRALASIA
TOTAL OPERATING INCOMEAUSTRALASIA
EBITDA

OTHER ACTIVITIES

NOK MILLION	Q2 2019	Q1 2019	Q2 2018	YTD 2019	YTD 2018
Total operating income	44	34	38	78	70
EBITDA	5	-6	0	-1	-8

Operating income in other activities mainly consist of non-paper related operations defined as Green Energy. Other activities also include unallocated headquarter costs. The unallocated

headquarter costs are approximately NOK 40 million per annum, but are not uniformly distributed throughout the quarters of the year.



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