



**Norske Skog**

Q4 2022 presentation

27 January 2023

*We create green value*

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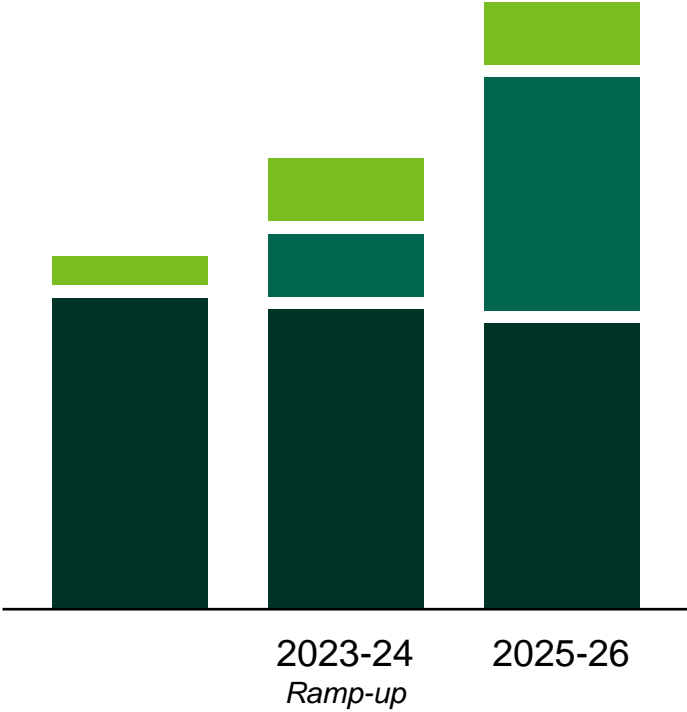
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# Sustainable and innovative industry

## Strategic transition

- Publication paper
- Packaging paper
- Energy and bio products



- Become a leading independent producer of **Packaging Paper**, starting Q1 2023
- Improve and optimise cash flows from **Publication Paper**
- Diversify and innovate within **bio products and energy**
- Focussing on European operations and **divesting non-core assets**



# Norske Skog ranked as Leader in the CDP Climate Change programme

- **Norske Skog received “A-” score** on the company’s first Carbon Disclosure Project (CDP) submission since 2011
- This is higher than the Europe regional average of “B”, and higher than the Paper products & packaging average of “B”

## Selected initiatives over coming years to achieve “A”

- Improve / complete Scope 3 reporting
- Increase use of renewable energy

*Current reporting within CDP Climate Change, but ambition to expand reporting to also encompass CDP Forest and CDP Water over coming years*

A-



# Fourth quarter in brief

## **Strong results in uncertain times**

- EBITDA of NOK 1 083m and operating cash flow of NOK 745m in the quarter
- FY2022 EBITDA of NOK 3 105m

## **Turbulent energy and raw material markets**

- Energy exposure actively managed, allowing sale of excess energy after closure of Golbey PM1
- Input costs remain at significant levels despite coming down from record highs impacting production

## **Publication paper capacity reductions from 2023 to 2024**

- Newsprint market remains balanced, while markets for magazine grades are softening particularly lightweight coated
- Recognised impairment of NOK 164m related to Bruck PM4

## **Sale of high school facilities in Halden**

- Gain of NOK 200m in Q4 2022 and cash proceeds of NOK 200m received in 2023

## **The board proposes to the AGM the authority to pay NOK 5.00 dividend per share**

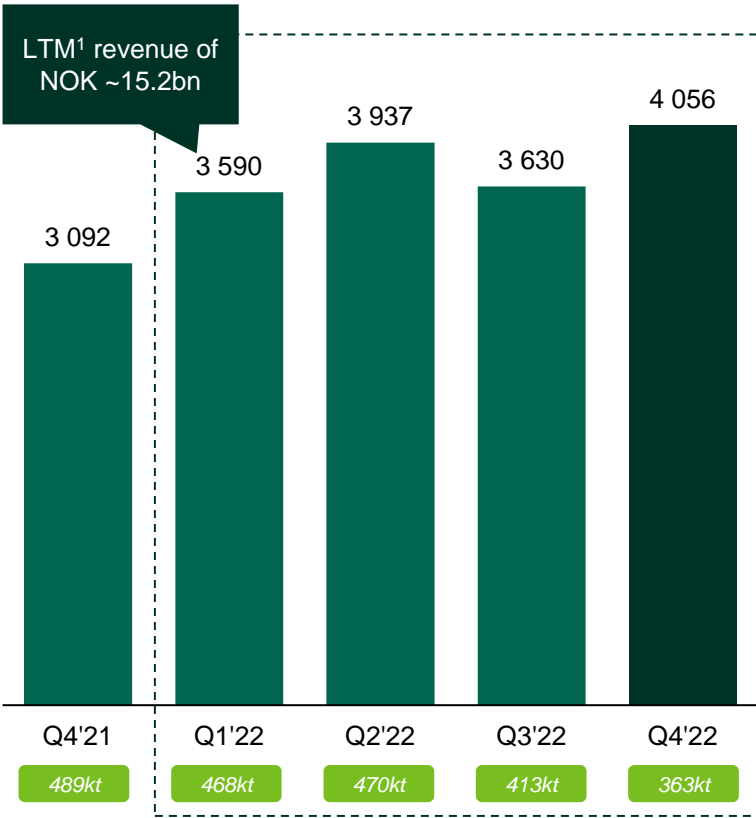
- Subject to lenders waiving certain shareholder distribution restrictions



# Navigating turbulent and uncertain markets

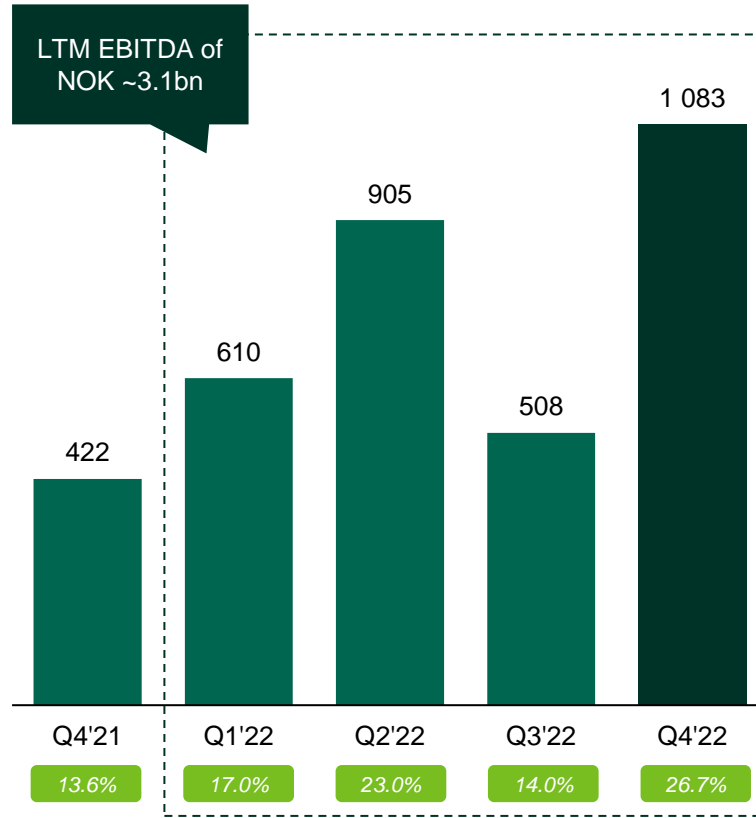
## Revenue

NOKm (and deliveries volume)



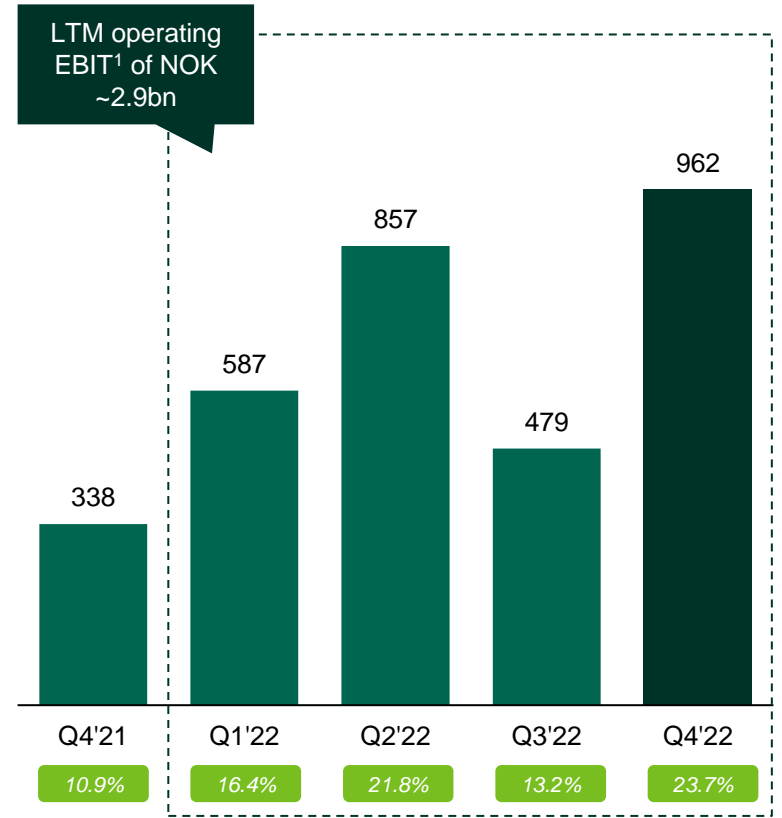
## EBITDA

NOKm (and margin)



## Operating EBIT

NOKm (and margin)



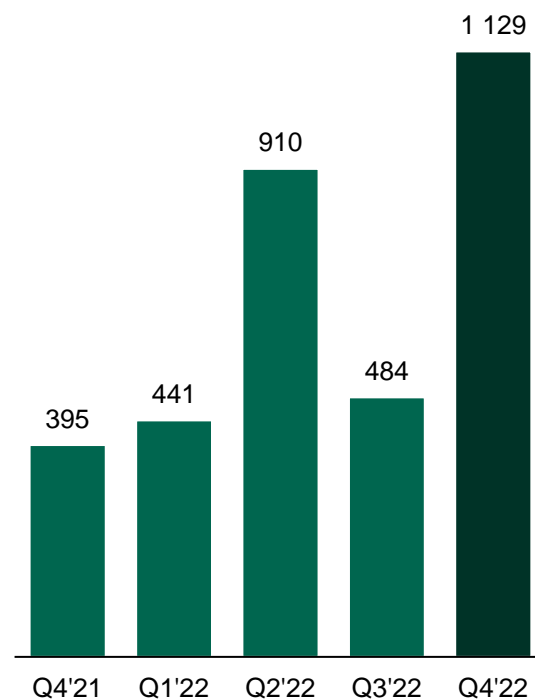
1) LTM = Last Twelve Months, i.e., the last four quarters; 2) Operating EBIT defined as EBITDA less maintenance capex



# Continued good performance

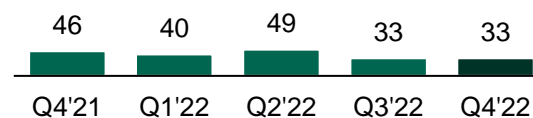
## EBITDA Europe

NOKm



## EBITDA Australasia

NOKm



## Segment financials

NOKm

Europe	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22
Operating rate, %	96%	94%	90%	83%	74%
Deliveries, thousand tonnes	427	407	407	347	300
Total operating income	2 648	2 968	3 469	3 131	3 555
EBITDA	395	441	910	484	1 129
EBITDA margin, %	14.9%	14.9%	26.2%	15.5%	31.8%

Australasia	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22
Operating rate, %	87%	91%	98%	94%	98%
Deliveries, thousand tonnes	62	61	63	66	63
Total operating income	395	429	470	514	508
EBITDA	46	40	49	33	33
EBITDA margin, %	11.6%	9.2%	10.4%	6.3%	6.5%

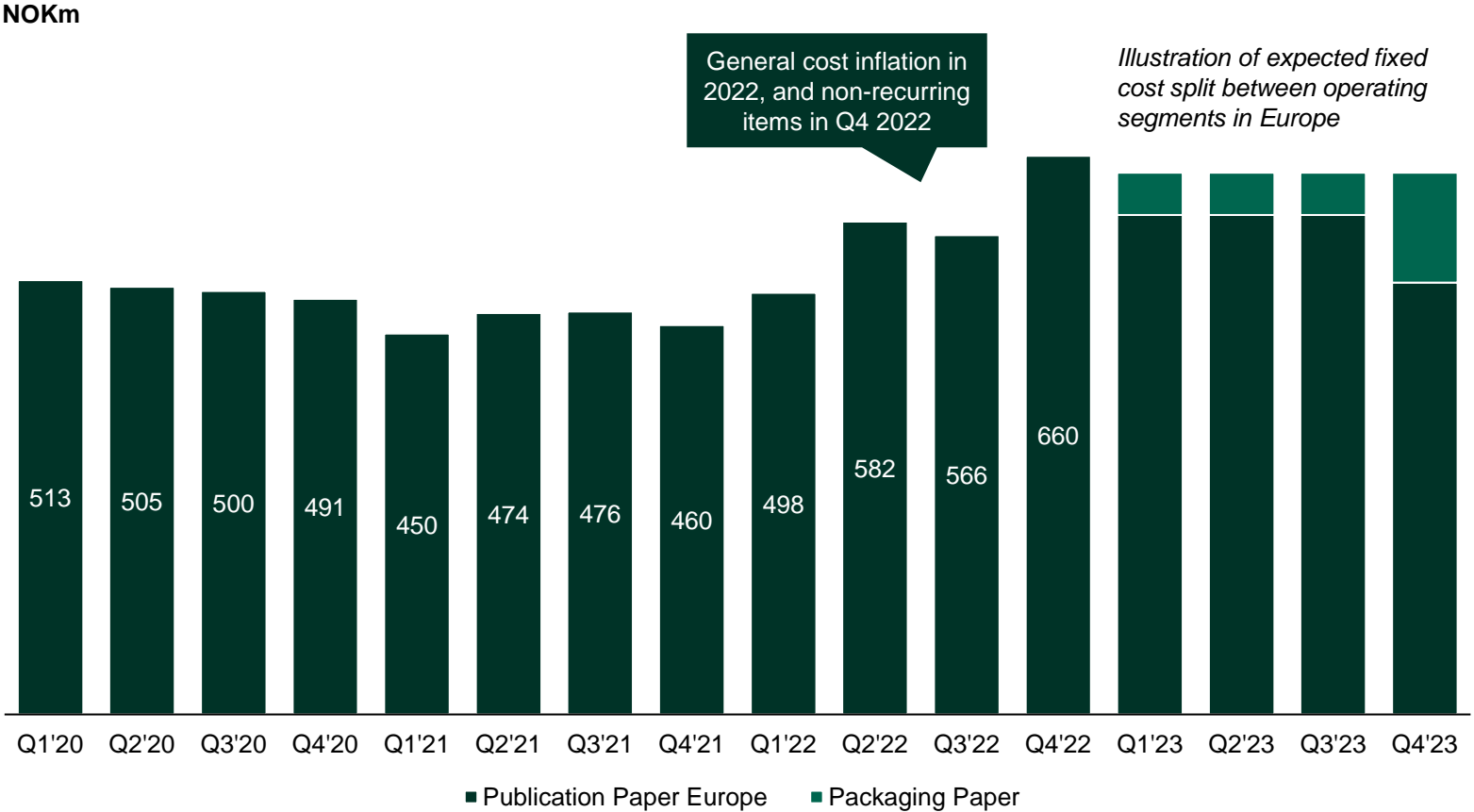
  

Other activities	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22
Total operating income	71	222	23	22	27
EBITDA	-19	130	-55	-9	-80



# Introducing Packaging Paper as new operating segment from Q1 2023

European<sup>1</sup> fixed costs per quarter (employee benefit expenses and other operating expenses)



- From Q1 2023, part of the fixed costs currently in Publication Paper Europe will be allocated to Packaging Paper
- For Q1-Q3 2023, Packaging Paper includes Bruck PM3. From Q4 2023, the segment will also include Golbey PM1
- Norske Skog has nine PMs in Europe, and each represents approximately one ninth of European fixed costs
- Expect positive Packaging Paper gross margin in 2023, but insufficient volumes to cover fixed costs in first operating year

1) Operating segment Publication Paper Europe in the period 2020 to 2022



# Prudent cash balance management

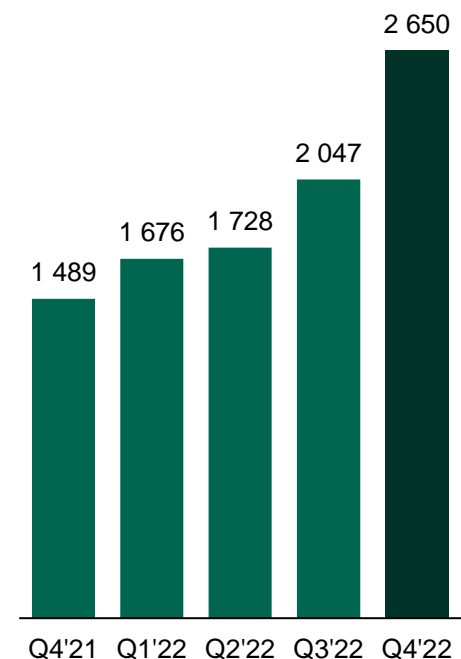
## Net debt

NOKm (and leverage ratio)



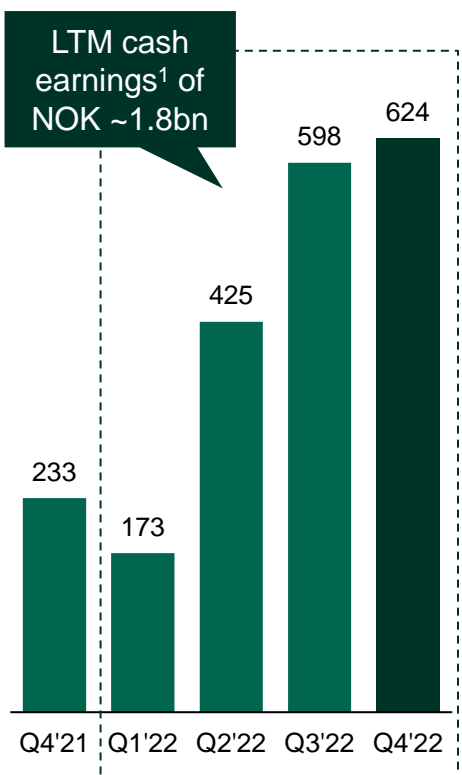
## Cash and cash equivalents

NOKm



## Cash earnings

NOKm



- Net debt of NOK 1 092m
- Net debt / LTM reported EBITDA of 0.4x
- Repurchased EUR 11.1m of EUR 150m bond
- Average deposit rate of 3.0-3.5%
- Remaining capex of EUR ~170m<sup>2</sup> covered multiple times by available liquidity
- Cash proceeds of NOK 200m from sale of high school received in January
- NOK ~250m of 2022 EU ETS<sup>3</sup> related cash proceeds, mainly relating to EUAs<sup>4</sup> sold forward, to be received during H1 2023





# High school facilities sold to Viken



**Viken county municipality purchased high school facilities for NOK 730m**

- Former Saugbrugs paper storage facilities transformed to a modern high school
- Wide spectre of amenities for vocational education, including music studios, concert halls, and wood and mechanic workshops



# TMP capacity expansion and process optimisation at Skogn



## Increasing TMP<sup>1</sup> production capacity with 100 000 ADT<sup>2</sup>

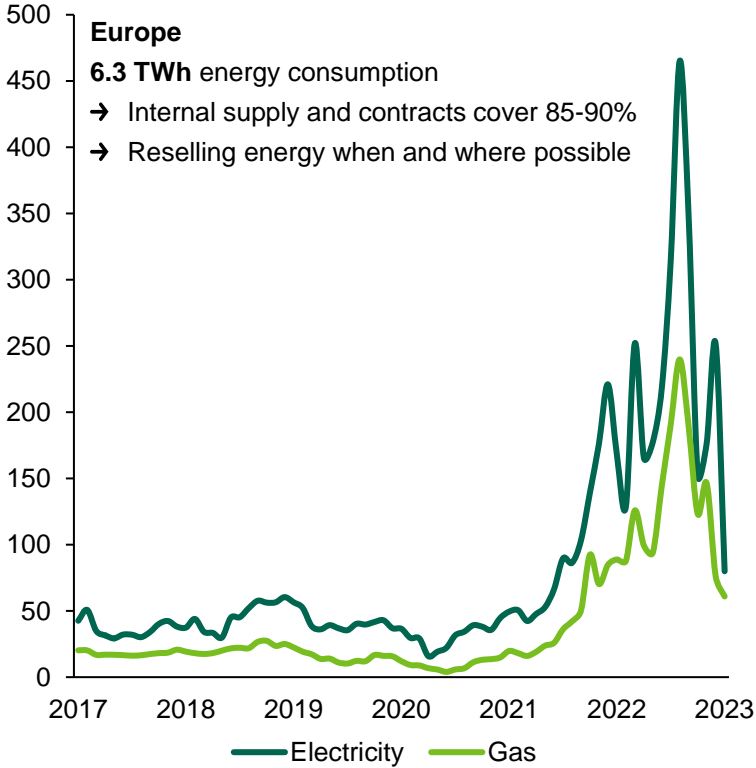
- Skogn to become fully based on fresh fibre, total annual volume of 1.2m cubic metres
- Reduces annual imports of recycled paper with 70-80kt
- De-inking facility for recycled paper to remain as back-up alternative if required
- TMP applicable for use in graphic papers, packaging papers, and pulp for exports
- Investment of NOK 180m, net of NOK 40-50m grant from NOx Fund
- Start-up expected in H1 2024



# Volatile raw material markets

## Energy prices Germany

EUR per MWh



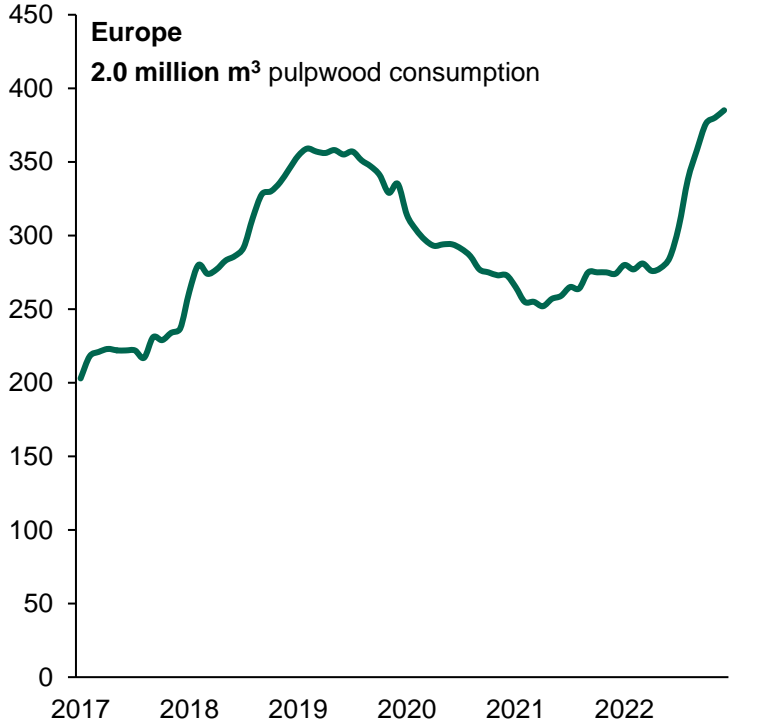
## Recycled paper prices Germany

EUR per tonne



## Spruce pulpwood prices Norway

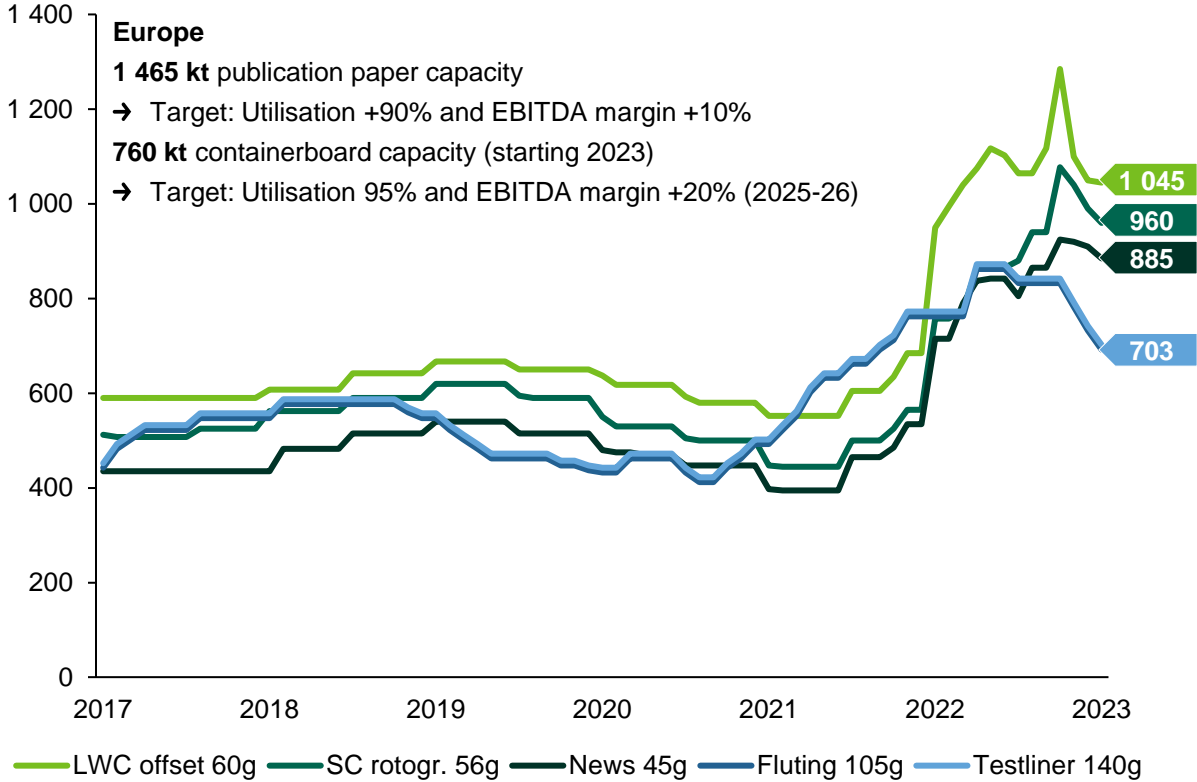
NOK per solid cubic metre



# Product prices track input cost development

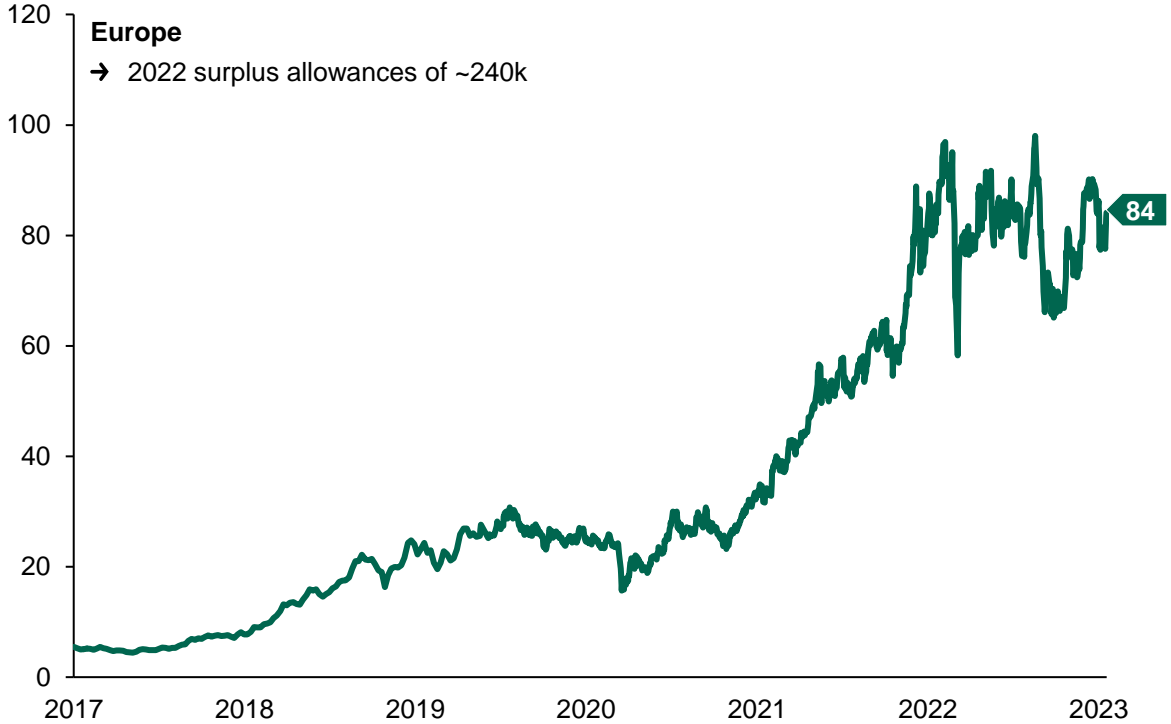
## Publication paper and recycled containerboard prices Germany

EUR per tonne



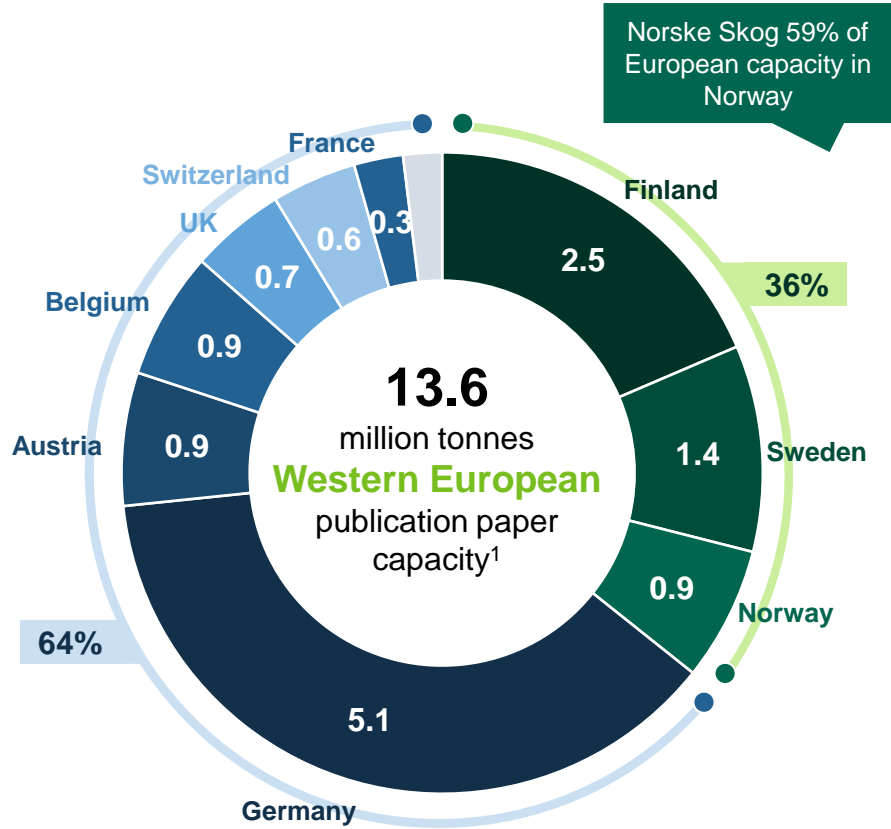
## European Union Allowance (EUA) price development

EUR per allowance

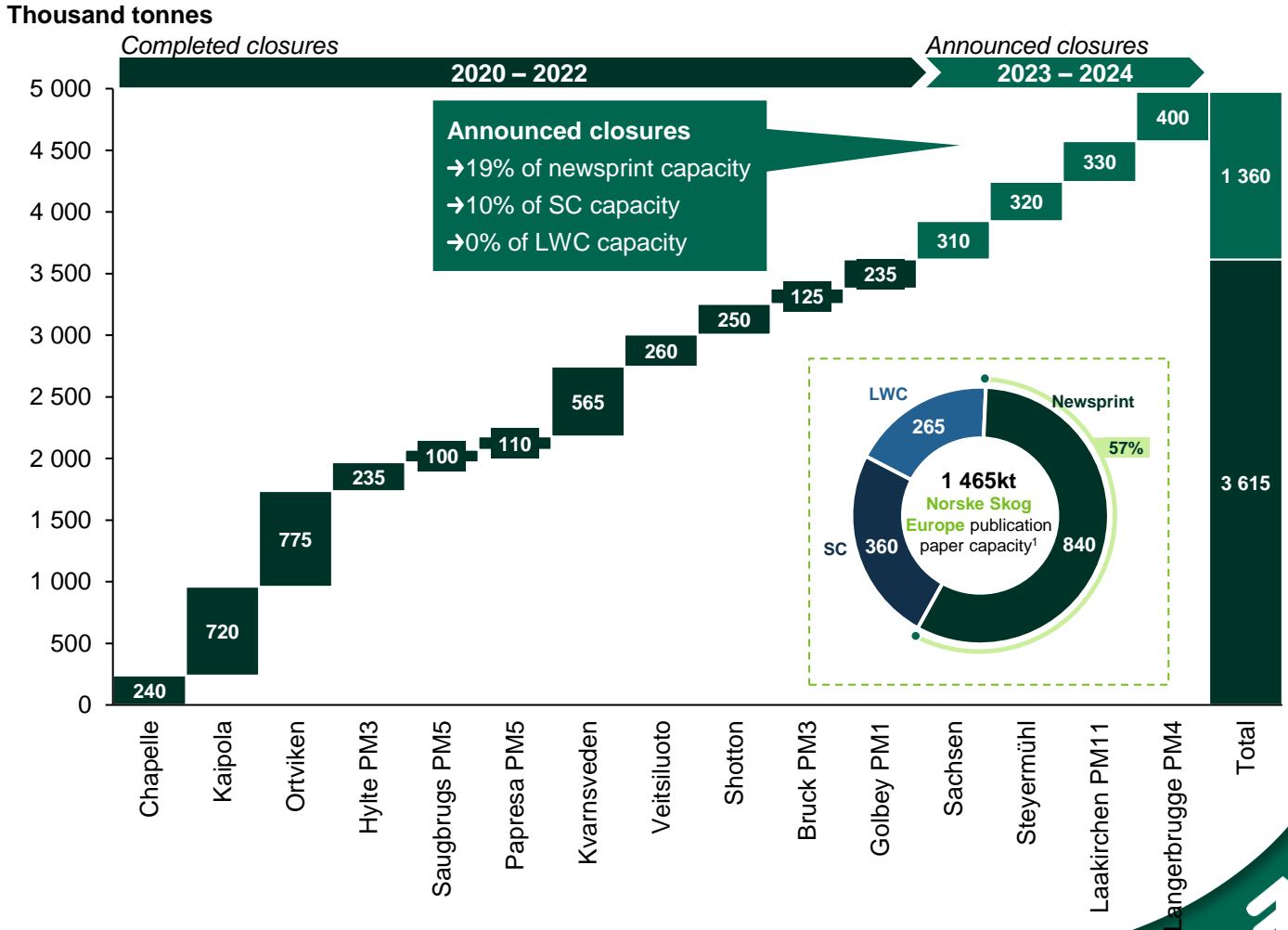


# Nordic newsprint production is favourably positioned

## Western European publication paper industry capacity



## Publication paper industry capacity closures in Western Europe



Sources: PPPC, RISI, press releases  
 1) Excludes Bruck PM3 (125kt) and Golbey PM1 (235kt)



# 2023 will be a milestone year in the transformation of Norske Skog



Q1 2023: Bruck



Q4 2023: Golbey

## Packaging paper capacity

- Projects remain on time and budget
- 760k tonnes recycled containerboard
- Bruck PM3 in the market from Q1 2023

## Targets

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



# Works at Golbey progressing to plan for start-up Q4 2023

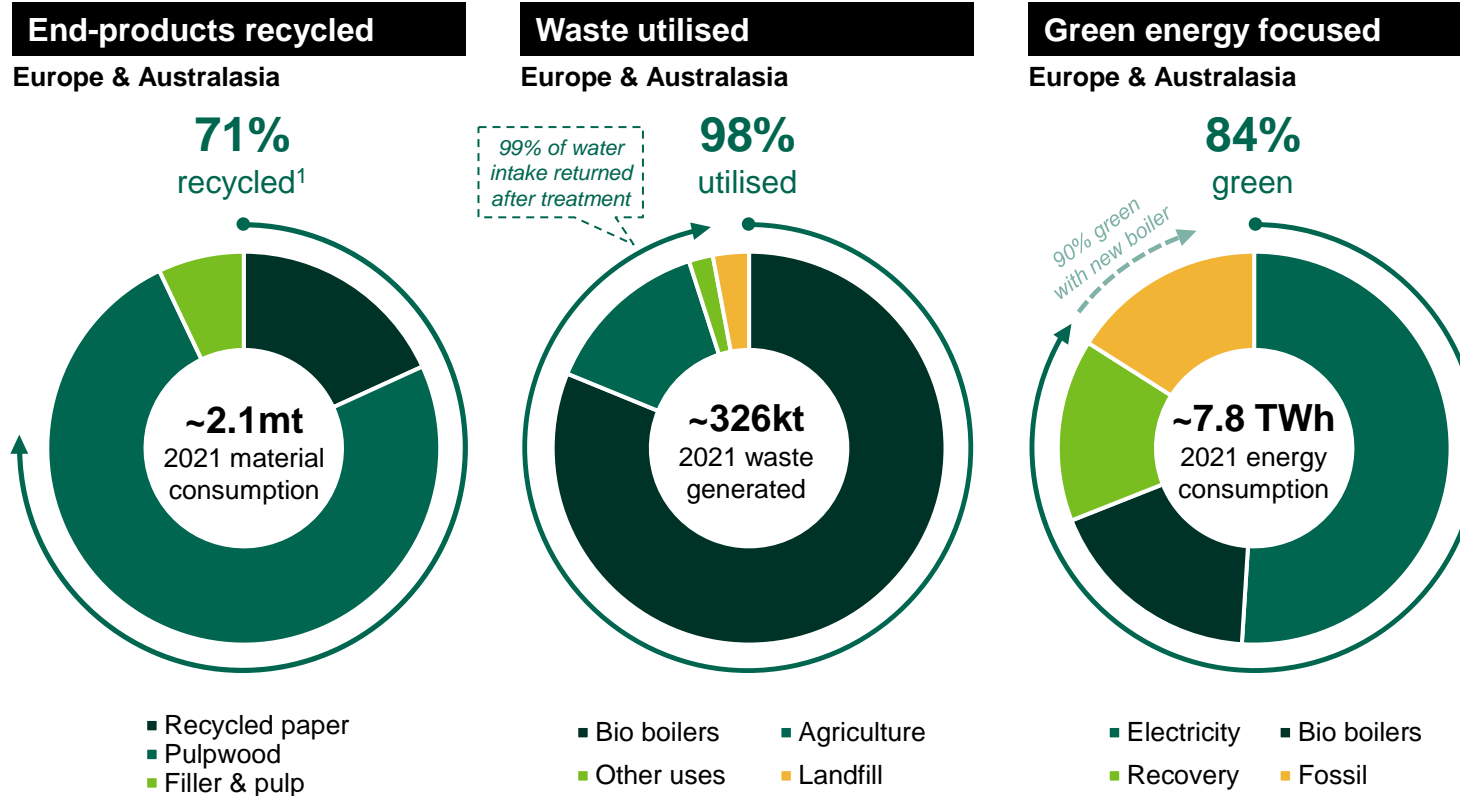
Norske Skog Golbey: **May 2022**



Norske Skog Golbey: **January 2023**



# Enabling the circular economy



## Developing climate solutions

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

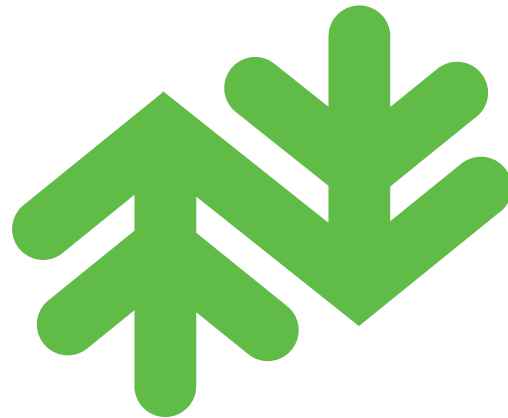




# Outlook

- Newsprint market expected to remain balanced due to industry capacity closures
- Volatile energy and raw material markets continues to cause operational challenges
- Continue to actively manage energy exposure through 2023
- Newsprint prices stable into 2023, but softer development for magazine paper grades
- Starting containerboard production at Bruck PM3 during Q1 2023 and Golbey PM1 in Q4 2023
- Continued development of renewable energy and bio product projects





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