

Press release

Resilient performance, challenging markets

Norske Skog's EBITDA in the first quarter of 2020 was NOK 379 million, a decrease from NOK 560 million in the fourth quarter of 2019, mainly due to the sale of water rights and the termination of energy contract recognised in the fourth quarter. The annual general meeting was held on April 16, and approved to pay a dividend of NOK 6.25 per share. The COVID-19 pandemic will have significant near-term impact on operations due to current worldwide restrictions on movement of goods and people which reduces demand for publication paper.

- Norske Skog delivered a strong operating performance in first quarter of 2020. At present, we recognise the effects of the corona restrictions in most of our markets. The current challenging market conditions will be handled with active asset management; however, we are utilising our strong financial platform to transform the traditional publication paper operations into new green growth initiatives, says Sven Ombudstvedt, CEO of Norske Skog.

Operating earnings in the first quarter of 2020 were NOK 90 million compared to operating earnings of NOK -117 million in the fourth quarter of 2019. Net loss in the quarter was NOK 374 million compared to a net loss of NOK 158 million in the previous quarter, impacted by the weakening of the NOK, unrealised currency losses on debt, and negative non-cash changes in the valuation of energy contracts.

Cash flow from operations was NOK 470 million in the quarter compared to NOK -78 million in the previous quarter, positively impacted by release of working capital (including receipt of CO₂ compensation) and a reduction in restructuring payments compared to the previous quarter. Net interest-bearing debt was NOK 269 million at the end of the first quarter, with an equity ratio of 51%.

Key figures, first quarter of 2020

NOK MILLION (unless otherwise stated)	Q1 2020	Q4 2019	Q1 2019	YTD 2020	YTD 2019
INCOME STATEMENT					
Total operating income	2 771	3 344	3 107	2 771	3 107
EBITDA	379	560	429	379	429
Operating earnings	90	-117	253	90	253
Profit/loss for the period	-374	-158	153	-374	153
CASH FLOW					
Net cash flow from operating activities	470	-78	305	470	305
Net cash flow from investing activities	408	0	-92	408	-92
OPERATING MARGIN AND PROFITABILITY (%)					
EBITDA margin	13.7	16.8	13.8	13.7	13.8
Return on capital employed (annualised)	20.2	30.0	26.0	20.2	26.0
Capacity utilisation (Production / capacity %)	86	88	89	86	89

The corona situation

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Norske Skog has and will closely monitor the development of the coronavirus, and corresponding effects on the supply chains and markets. As earlier communicated, Norske Skog will adjust operational activity to market developments. For the time being, all business units operate as normal except for:

- In Norway, Saugbrugs has ceased production on two paper machines (PM4 and PM5) due to negative market developments due to the coronavirus restrictions. As a result of this, 173 employees are temporarily laid off.
- In New Zealand, the Tasman mill ceased production from 13 April due to national lock down restrictions. The mill is expected to commence production at the end of next week due to relief in the lock down restriction regime.

Segment information

Total annual production capacity for the group is 2.3 million tonnes. In Europe, the capacity is 1.9 million tonnes, while in Australasia the capacity is 0.4 million tonnes.

Europe

Operating income decreased from the previous quarter due to lower sales volumes and a decrease in sales prices. Variable cost per tonne slightly decreased in the quarter with an underlying reduction in variable cost for pulpwood, recovered paper and energy. Fixed costs were somewhat lower. According to Eurograph, demand for newsprint in Europe decreased by 12% through February compared to the same period in 2019. SC magazine paper demand decreased by 4%, while demand for LWC magazine paper declined by 9%. Our capacity utilisation was 86% in the quarter, down from 88% in the previous quarter.

Australasia

Sales volume and operating income decreased from the previous quarter due to the closure of Albury. Asian newsprint prices remained low in the quarter, with less impact as export volumes have been reduced. Despite reduced export volumes and favourable AUD exchange rates to USD for export sales, weak export prices impacted the EBITDA margin negatively. Variable cost per tonne were increased compared to the previous quarter. Fixed costs were down in the quarter but increased per tonne due to lower production volumes. According to official trade statistics, demand for newsprint in Australasia declined by 16% through March compared to the same period in 2019. Demand for magazine paper declined by 15%. Capacity utilisation was 85% in the period, down from 86% in the previous quarter.

Outlook

The global market balance for publication paper has in April weakened due to national imposed restrictions following the outbreak of the coronavirus. This caused a negative impact on distribution of newspapers, catalogues and magazines as well as uncertainty on the supply of raw materials. In the short-term, the fall in demand may develop beyond the structural decline experienced during 2019 and into 2020. Insufficient supply of raw material may lead to temporary closures of production. Lower sales prices in the first half of 2020 will to some degree be offset by a decrease in input cost from energy, pulpwood and recovered paper.

The group will continuously monitor and evaluate the impact of the corona situation on the company's operations and business outlook., The health and safety of the group's employees are top priority under the circumstances. Further operational as well as liquidity measures could be implemented at future dates.

In light of these unprecedented and challenging circumstances, Norske Skog will remain committed to the on-going task to improve core business, convert certain of the group's paper machines and diversify the business within bioenergy, fibre and biochemicals.

About Norske Skog

Norske Skog is a world leading producer of publication paper with a strong market position in Europe and Australasia. Publication paper includes newsprint and magazine paper. The Norske Skog group operates six mills and a pellets business in five countries, with an annual publication paper production capacity of 2.3 million tonnes and pellets capacity of 85,000 tonnes. Newsprint and magazine paper is sold through sales offices and agents to over 80 countries. The group has approximately 2,300 employees. In addition to the traditional publication paper and pellets business, new growth initiatives related to renewable energy, bio chemical products and fibre products have been launched.

Presentation and quarterly material

Due to restrictions imposed by COVID-19, there will be no live presentation by the company. The CEO presentation, the quarterly financial statements and the press releases are available on www.norskeskog.com and published on 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.

Investors are invited to participate in a conference call at 12:00 CET, in which Sven Ombudstvedt and Rune Sollie (CFO) will be available to address questions. The conference call will be held in English. Please register your conference call participation through the following email address: events@carnegie.no Dial-in information will be distributed prior to the call to registered participants.

Norske Skog
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