

FOURTH QUARTER 2020

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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 closed PM5 at the Saugbrugs mill (capacity of 100 000 tonnes SC magazine paper) and will cease newsprint production at the Tasman mill (capacity of 150 000 tonnes) in first quarter 2021 and will then produce converting grade paper. Following these changes, Norske Skog will have 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.

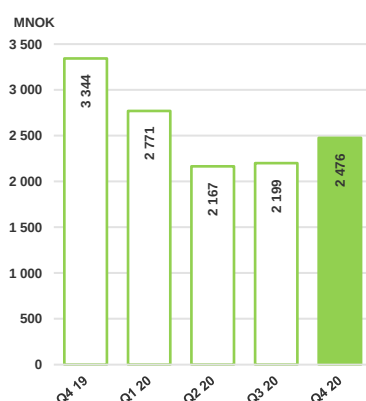
KEY FIGURES

NOK MILLION	Q4 2020	Q3 2020	Q4 2019	2020	2019
INCOME STATEMENT					
Total operating income	2 476	2 199	3 344	9 612	12 954
EBITDA*	146	73	560	736	1 938
Operating earnings	-1 276	-31	-117	-1 339	2 398
Profit/loss for the period	-1 363	-89	-158	-1 884	2 044
Earnings per share (NOK)**	-16.52	-1.08	-1.92	-22.84	24.77
CASH FLOW					
Net cash flow from operating activities	73	115	-78	549	602
Net cash flow from operating activities per share (NOK)**	0.88	1.39	-0.95	6.65	7.30
Net cash flow from investing activities	-217	-131	0	302	-180
OPERATING MARGIN AND PROFITABILITY (%)					
EBITDA margin*	5.9	3.3	16.8	7.7	15.0
Return on capital employed (annualised)*	-8.6	-7.3	30.0	2.1	28.5
PRODUCTION / DELIVERIES / CAPACITY UTILISATION					
Production (1 000 tonnes)	476	417	560	1 800	2 310
Deliveries (1 000 tonnes)	500	441	573	1 825	2 285
Production / capacity (%)	81	71	88	77	89

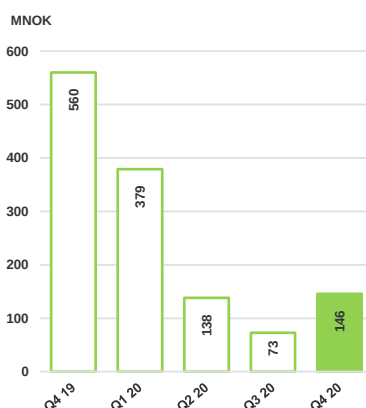
* As defined in Alternative Performance Measures

**Adjusted for the share split on 18 September 2019 pursuant to which the number of shares was increased from 30 000 to 82 500 000

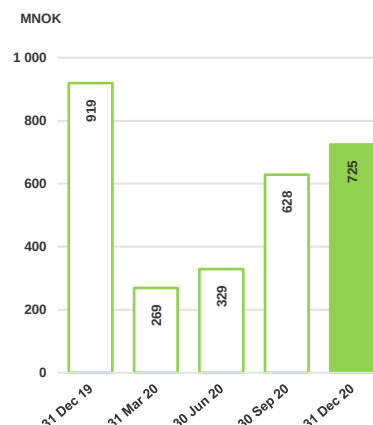
TOTAL OPERATING INCOME



EBITDA



NET INTEREST-BEARING DEBT



NOK MILLION	31 DEC 2020	30 SEP 2020	31 DEC 2019
BALANCE SHEET			
Non-current assets	4 084	5 356	5 248
Assets held for sale	0	0	631
Current assets	3 703	3 956	4 360
Total assets	7 787	9 311	10 240
Equity	3 219	4 715	5 493
Net interest-bearing debt	725	628	919

REPORT OF THE BOARD OF DIRECTORS FOR THE FOURTH QUARTER OF 2020

- Q4 2020 EBITDA of NOK 146 million up from NOK 73 million in the previous quarter
 - Improvement resulting from increased sales volume and favourable cost development
 - Europe contributing NOK 171 million up from NOK 84 million in the previous quarter, with Australasia remaining marginally EBITDA negative
- Maintaining a robust balance sheet with net interest-bearing debt of NOK 725 million
 - Cash position of NOK 980 million and cash flow from operations of NOK 73 million in the quarter
 - On 14 January 2021, Norske Skog successfully raising NOK 400 million in equity to finance upcoming growth projects
- Green growth projects seeing significant traction and progressing according to plan
 - On track for containerboard production start-up in 2023 as e-commerce and sustainability drive demand to outpace 2020 supply additions
 - Circa contemplating Q1 2021 capital raise to finance the world's first large scale production facility for multiple high value biochemicals
- Production capacity in Australasia and Europe adjusted to match supply demand
- Impairment charge of NOK 258 million in the quarter due to COVID-19 market impact
 - Impairment in Australasia of NOK 96 million and in Europe of NOK 161 million

PROFIT/LOSS FOR THE PERIOD

NOK MILLION	Q4 2020	Q3 2020	Q4 2019	2020	2019
Operating revenue	2 402	2 174	3 022	9 173	12 200
Other operating income	74	25	322	439	754
Total operating income	2 476	2 199	3 344	9 612	12 954
Distribution cost	-312	-268	-315	-1 159	-1 242
Cost of materials	-1 351	-1 243	-1 670	-5 093	-6 861
Fixed cost	-668	-615	-799	-2 625	-2 914
EBITDA	146	73	560	736	1 938

COVID-19 restrictions were gradually being lifted going into the fourth quarter, however following a rebound in the number of infections and hospitalisations large parts of the world re-introduced restrictions. In general, the publication paper market remained uncertain through the fourth quarter and the uncertainty has continued into 2021. Western European demand is likely to be down in the region of 20% for the full year 2020 versus 2019. However, Norske Skog experienced increasing sales volume in the fourth quarter with deliveries increasing approximately 13% from the previous quarter. Publication paper prices are expected to be 5-10% lower for the first half of 2021 versus the second half of 2020. The market will remain imbalanced until industry capacity closures executed during the second half of 2020 are fully taken out of the market.

Throughout the quarter, the health and safety of the group's employees has remained a top priority.

Higher operating revenue in the fourth quarter compared to the previous quarter was mainly driven by an increase in deliveries (sales volume), and to some extent mitigated by lower selling prices as a result of weakened publication paper market towards the end of the quarter, change in products mix and change in geographical mix.

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

Fixed costs (including employee benefit expenses) increased compared to the previous quarter as a result of higher activity.

EBITDA increased quarter-over-quarter due to higher sales volumes and favourable cost development.

NOK MILLION	Q4 2020	Q3 2020	Q4 2019	2020	2019
Restructuring expenses	-47	-12	-198	-75	-223
Depreciation	-112	-108	-112	-438	-456
Impairments	-258	0	-247	-451	-209
Derivatives and other fair value adjustments	-1 006	16	-120	-1 112	1 348
Operating earnings	-1 276	-31	-117	-1 339	2 398

Restructuring expenses recognised in the quarter of NOK 47 million relates to the closure of Saugbrugs PM5.

Depreciation of NOK 112 million is slightly above previous quarter. In addition, Norske Skog recognised an impairment charge in the quarter of NOK 258 million.

Derivatives and other fair value adjustments mainly reflects the change in accounting treatment for the energy contracts in Norway where they

are valued at fair value. This has led to a derecognition of the embedded derivatives.

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

NOK MILLION	Q4 2020	Q3 2020	Q4 2019	2020	2019
Share of profit in associated companies	6	4	-36	-10	-36
Financial items	50	-56	-22	-349	-170
Income taxes	-142	-7	17	-186	-149
Profit/loss for the period	-1 363	-89	-158	-1 884	2 044

Norske Skog holds 27.7% of Circa Group Limited. This company represents the majority of the financial impact under share of profit in associated companies.

Financial items were positive by NOK 50 million mainly due to unrealised currency gains on debt denominated in other currencies than NOK. NOK weakened at the end of the fourth quarter compared to the third quarter.

Net interest expenses were in line with previous quarter.

Following the adverse market conditions in 2020 and negative impact on profitability deferred tax assets of NOK 137 million was impaired. The remaining income taxes in the quarter relate mainly to the operations in Golbey.

Due to the on-going strategic shift of the company, the board of directors has decided not to propose to the general meeting any dividend for 2020.

DIVERSIFICATION BEYOND PUBLICATION PAPER

On 17 June, Norske Skog announced its planned entry into the packaging market with recycled containerboard projects at both Golbey and Bruck. The projects involve converting from production of newsprint to production of recycled containerboard at a total investment cost of approximately EUR 350 million. The investment is expected to be financed with 70-80% debt, of which 50-60% is expected to be guaranteed by Export Credit Agencies.

Production of containerboard is expected to start in the first half of 2023, with full utilisation reached by the end of 2025. The converted machines are expected to generate an EBITDA of NOK 700-800 million once at full utilisation. Both projects are on track for supplier selection, financing and final investment decisions in the first half of 2021.

At the Bruck paper mill, the EUR 72 million investment in a waste-to-energy facility is progressing in accordance with the timetable. The boiler 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.

In the quarter, Norske Skog achieved a key milestone in its efforts to develop CEBINA into a widely acknowledged commercial product. The first commercial sales within epoxy application provided a product proof-of-concept and a solid foundation for continued international market work. Norske Skog has the ambition to secure an international distribution agreement during 2021, which might require further expansion of production capacities.

In the quarter, Norske Skog received a grant from Innovation Norway of NOK 15 million for the continued development of its Bio Composites products. The grant will be used to partly fund an investment into a NOK 20-25 million extruder plant, enabling a significant increase in the ability and quality of qualification testing with potential customers.

Norske Skog has worked closely with Circa during the fourth quarter to facilitate for a capital raise process and potential Initial Public Offering in Europe. As part of this Norske Skog received approval from the Australian Foreign Investment Review Board on its 27.7% ownership in Circa Group Limited in January. Once the restructuring is complete Norske Skog will have a 32% ownership in Circa prior to the IPO.

Circa has over the past 10-15 years, and through five pilot plants, developed and patented a scalable production process for highly valuable and environmental biochemicals. Extensive market and commercial work coupled with regulatory tailwinds has yielded a significant market opportunity. Circa, and the ReSolute consortium which it leads, has received strong support from the EU and global chemical distributors in its pursuit to build a 1 000 tonnes production facility in France.

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 OceanGeoLoop, where Norske Skog Skogn will be an important contributor.

SEGMENT INFORMATION

PUBLICATION PAPER EUROPE

NOK MILLION	Q4 2020	Q3 2020	Q4 2019	2020	2019
Total operating income	1 899	1 727	2 368	7 412	9 583
EBITDA	171	84	318	659	1 533
EBITDA margin (%)	9.0	4.9	13.4	8.9	16.0
Return on capital employed (%) (annualised)	-5.0	-5.3	19.6	1.9	28.2
Production (1 000 tonnes)	382	341	426	1 468	1 739
Deliveries (1 000 tonnes)	403	362	441	1 482	1 724
Production / capacity (%)	80	72	88	77	90

The segment consists Norske Skog's European operations in the publication paper market with mills in Norway, France and Austria. Annual production capacity is 1.8 million tonnes after the closure of Norske Skog Saugbrugs PM5 at year-end 2020.

Operating income increased from the previous quarter with higher sales volumes, but a modest decrease in sales prices relating to a weaker publication paper market towards the end of the quarter, and a change in product mix and geographic mix.

Distribution costs were higher in the quarter both in total and on a per tonne basis, due to higher sales volume and slight increase in export volumes. Cost of materials increased due to higher sales volumes but saw a modest decrease on a per tonne basis due to reduction in cost for pulpwood, recovered paper and energy in the quarter. Employee benefit expenses saw a slight decrease in the quarter, both in total and on a per tonne basis.

In the fourth quarter, the European operations has received limited governmental support.

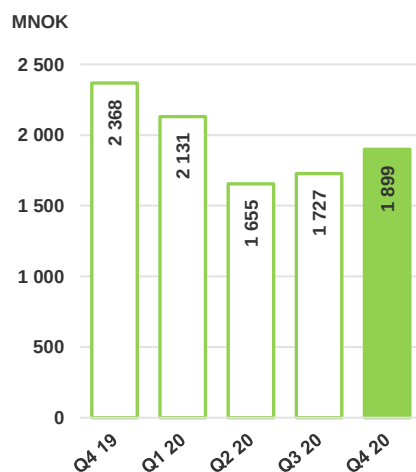
EBITDA increased significantly from the previous period due to improved sales volume and favourable cost development. However, the European segment is still heavily impact by the challenging operating environment.

Norske Skog recognised an impairment charge in the quarter of NOK 161 million of which NOK 38 related newsprint and NOK 123 related to super calendared. This is due to the significant drop in demand for publication paper in the region beyond the structural decline following the COVID-19 pandemic thereby reducing the volumes.

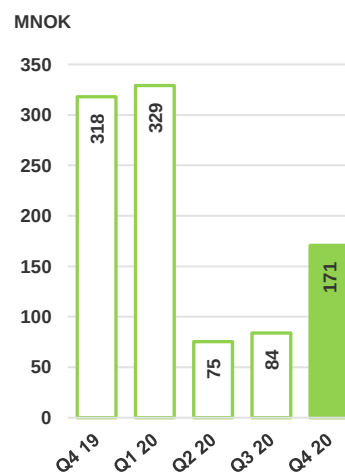
Demand for standard newsprint in Europe decreased by 22% in November 2020 compared to the same period last year. Similarly, magazine paper demand declined with super calendared paper decreasing 13% and lightweight coated paper decreasing 22%. (Source: Eurograph).

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

EUROPE
TOTAL OPERATING INCOME



EUROPE
EBITDA



PUBLICATION PAPER AUSTRALASIA

NOK MILLION	Q4 2020	Q3 2020	Q4 2019	2020	2019
Total operating income	526	447	955	2 106	3 328
EBITDA	-13	-7	283	106	459
EBITDA margin (%)	-2.5	-1.6	29.6	5.0	13.8
Return on capital employed (%) (annualised)	-45.6	-57.1	172.7	16.6	40.7
Production (1 000 tonnes)	94	75	134	332	570
Deliveries (1 000 tonnes)	97	79	132	343	561
Production / capacity (%)	87	69	86	76	84

The segment consists of Norske Skog's operations in Australasia with mills 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 mill will produce converting grade paper. The Norske Skog Boyer mill is the only remaining publication paper producer in the region.

Operating revenue and operating income increased from the previous quarter, driven by increased sales volumes and slightly mitigated by lower prices.

Distribution costs were higher in the quarter, but slightly lower on a per tonne basis due to a reduction in export volumes. Cost of materials increased in the quarter due to an increase in sales volumes but were lower on a per tonne basis. Employee benefit expenses were higher in the quarter as a result of less government support.

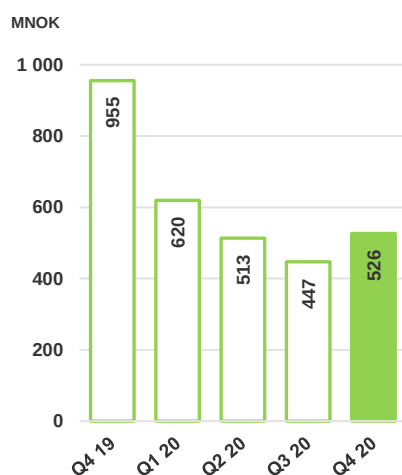
EBITDA decreased slightly compared to the previous quarter, mainly as a result of reduced government support.

Norske Skog recognised an impairment charge in the quarter of NOK 96 million. This is due to the significant drop in demand for publication paper and particularly for magazine paper in the region following the COVID-19 pandemic thereby reducing the demand in coming years.

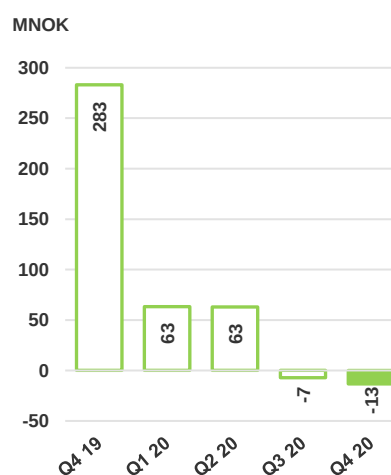
Demand for newsprint in Australasia declined by 22% through December 2020 compared to the same period last year but improved in the fourth quarter compared to third quarter 2020. Demand for magazine paper decreased by 26%. (Source: official statistics).

Capacity utilisation was 87% in the period, a significant improvement from the previous quarter which reflected less market related downtime.

AUSTRALASIA
TOTAL OPERATING INCOME



AUSTRALASIA
EBITDA



OTHER ACTIVITIES

NOK MILLION	Q4 2020	Q3 2020	Q4 2019	2020	2019
Total operating income	68	50	48	204	170
EBITDA	-12	-4	-41	-29	-54

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 40 million per annum but are not uniformly distributed throughout the quarters of the year. In fourth quarter operating revenue from pellets production impacted the segment positively, while revaluation of the LTI program had a negative impact.

CASH FLOW

NOK MILLION	Q4 2020	Q3 2020	Q4 2019	2020	2019
EBITDA	146	73	560	736	1 938
Change in working capital	33	127	-43	393	-263
Restructuring payments	-27	-15	-140	-69	-167
Gain and losses from divestments	-1	1	-236	-153	-414
Net financial items	-31	-32	-48	-180	-151
Taxes paid	-20	-17	-143	-102	-251
Other items	-27	-21	-30	-76	-89
Net cash flow from operating activities	73	115	-78	549	602
Purchases of property, plant and equipment and intangible assets	-244	-160	-132	-632	-369
-whereof maintenance capex	-103	-57	-84	-264	-254

Net cash flow from operating activities was NOK 73 million in the quarter. Change in working capital (decrease) reflects reduced inventory in the period and an increase in payables but is somewhat mitigated by accrual of CO2 compensation recognised during the year. CO2 compensation recognised in 2020 but that will be paid in 2021 is approximately NOK 270 million.

Restructuring relates mainly to payments of redundancy and transaction costs at Albury. Taxes paid in fourth quarter relate to Golbey.

Maintenance capex of NOK 103 million relate ordinary maintenance, but with certain larger maintenance stops which have been carried out in the fourth quarter. Remaining purchases of property, plant and equipment and intangible assets relate to the energy efficiency initiatives at Saugbrugs and the construction of the boiler at the Bruck mill.

BALANCE SHEET

NOK MILLION	31 DEC 2020	30 SEP 2020	31 DEC 2019
Non-current assets	4 084	5 356	5 248
Assets held for sale	0	0	631
Cash and cash equivalents	980	1 093	970
Inventories, trade and other receivables and other current assets	2 723	2 862	3 390
Total assets	7 787	9 311	10 240
Equity	3 219	4 715	5 493
Non-current liabilities	2 496	2 650	2 393
Current liabilities	2 073	1 946	2 354
Net interest-bearing debt	725	628	919

Total assets decreased in the fourth quarter mainly due to the derecognition of the embedded derivatives in energy contracts following the change in accounting treatment.

There was also a reduction in property, plant and equipment in the fourth quarter. The reduction was mainly a result of an impairment charge in the quarter, and depreciation.

Cash and cash equivalents decreased by NOK 113 million to NOK 980 million at quarter end.

Non-current and current liabilities were mainly impacted in the quarter by a stronger NOK at the end of the quarter, affecting the value of non-NOK denominated debt, mitigated by a slight increase in trade and other payables.

Net interest-bearing debt increased from NOK 628 million to NOK 725 million in the quarter mainly due to a decrease in cash and cash equivalents.

OUTLOOK

Although the publication market has recaptured some of the lost sales volumes during the initial COVID-19 restrictions in April and May of 2020, the publication paper market is still uncertain and imbalanced. The current COVID-19 restrictions in Europe provides uncertainty for the short-term market development. On the other hand, the significant capacity closures announced in 2020, which were mostly effectuated by the year-end, are expected to positively impact the market balance from the second half of 2021.

In Continental Europe, the pricing environment will remain challenging in the first half of 2021. In North America and Asia, sales price increases for the first half of 2021 have been announced. Traditionally, this is a leading indicator for the price development in Europe.

In the fourth quarter of 2020, Norske Skog announced a strategic review of the New Zealand operations. Norske Skog has received significant attention from potential investors for both the Tasman mill

and Nature's Flame pellets facility. The ambition is to conclude these processes during the first half of 2021.

The repositioning of the Tasman mill into production of converting grade paper is expected to provide further balance to the Australasian publication paper market, as Boyer will be the only publication paper producer in the region. The Boyer mill will mainly supply Australia and New Zealand, and thus, reduce exposure to lower margin export markets.

Norske Skog will continue its work to improve the core business and has initiated margin protection programs throughout the group with cost saving initiatives of approximately NOK 200-250 million, which consist of announced capacity closures, efficiency investments and cost reduction programs. Norske Skog aims to make a final investment decision regarding the containerboard projects in the first half of 2021.

SKØYEN, 3 FEBRUARY 2021
THE BOARD OF DIRECTORS OF NORSKE SKOG ASA



John Chiang
Chair



Arvid Grundekjøn
Board member



Anneli Finsrud Nesteng
Board member



Trine-Marie Hagen
Board member



Idunn Gangaune Finnanger
Board member



Svein Erik Veie
Board member



Paul Kristiansen
Board member



Sven Ombudstvedt
CEO

INTERIM FINANCIAL STATEMENTS, FOURTH QUARTER OF 2020

CONDENSED CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	Q4 2020	Q3 2020	Q4 2019	2020	2019
Operating revenue		2 402	2 174	3 022	9 173	12 200
Other operating income		74	25	322	439	754
Total operating income	5	2 476	2 199	3 344	9 612	12 954
Distribution costs		-312	-268	-315	-1 159	-1 242
Cost of materials		-1 351	-1 243	-1 670	-5 093	-6 861
Employee benefit expenses		-439	-417	-524	-1 760	-1 938
Other operating expenses		-228	-198	-275	-865	-977
Restructuring expenses		-47	-12	-198	-75	-223
Depreciation	4	-112	-108	-112	-438	-456
Impairments	4	-258	0	-247	-451	-209
Derivatives and other fair value adjustments	7	-1 006	16	-120	-1 112	1 348
Operating earnings		-1 276	-31	-117	-1 339	2 398
Share of profit in associated companies		6	4	-36	-10	-36
Financial items	6	50	-56	-22	-349	-170
Profit/loss before income taxes		-1 221	-82	-175	-1 698	2 192
Income taxes		-142	-7	17	-186	-149
Profit/loss for the period		-1 363	-89	-158	-1 884	2 044
Basic earnings per share (NOK)		-16.52	-1.08	-1.92	-22.84	24.77
Diluted earnings per share (NOK)		-16.52	-1.08	-1.92	-22.84	24.77

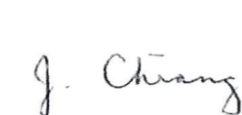
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	Q4 2020	Q3 2020	Q4 2019	2020	2019
Profit/loss for the period	-1 363	-89	-158	-1 884	2 044
Items that may be reclassified subsequently to profit or loss					
Currency translation differences	-143	35	26	183	6
Tax expense on translation differences	0	0	0	-4	0
Reclassified translation differences upon divestment of foreign operations	0	0	0	-62	0
Total	-143	35	26	117	6
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of post-employment benefit obligations	11	0	-29	11	-29
Tax effect on remeasurements of employment benefit obligations	-2	0	5	-2	5
Total	9	0	-24	9	-24
Other comprehensive income for the period	-134	35	2	126	-18
Total comprehensive income for the period	-1 497	-54	-156	-1 758	2 026

CONDENSED CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	31 DEC 2020	30 SEP 2020	31 DEC 2019
Deferred tax asset		0	137	137
Intangible assets	4	55	47	38
Property, plant and equipment	4	3 586	3 853	3 685
Investments in associated companies		43	65	1
Other non-current assets	7	401	1 253	1 387
Total non-current assets		4 084	5 356	5 248
Assets held for sale		0	0	631
Inventories		1 194	1 386	1 427
Trade and other receivables		1 288	1 095	1 573
Cash and cash equivalents		980	1 093	970
Other current assets	7	241	382	390
Total current assets		3 703	3 956	4 360
Total assets		7 787	9 311	10 240
Paid-in equity	8	8 510	8 510	8 510
Retained earnings		-5 292	-3 795	-3 018
Total equity		3 219	4 715	5 493
Pension obligations		297	325	295
Deferred tax liability		308	336	316
Interest-bearing non-current liabilities	6	1 613	1 657	1 470
Other non-current liabilities	7	277	331	312
Total non-current liabilities		2 496	2 650	2 393
Interest-bearing current liabilities	6	92	65	419
Trade and other payables		1 728	1 651	1 685
Tax payable		54	53	62
Other current liabilities	7	199	177	188
Total current liabilities		2 073	1 946	2 354
Total liabilities		4 568	4 596	4 747
Total equity and liabilities		7 787	9 311	10 240

SKØYEN, 3 FEBRUARY 2021
THE BOARD OF DIRECTORS OF NORSKE SKOG ASA



John Chiang
Chair



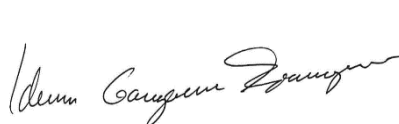
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Idunn Gangaune Finnanger
Board member



Svein Erik Veie
Board member



Paul Kristiansen
Board member



Sven Ombudstvedt
CEO

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	Q4 2020	Q3 2020	Q4 2019	2020	2019
Cash generated from operations	2 254	2 108	2 975	9 617	12 563
Cash used in operations	-2 130	-1 944	-2 862	-8 786	-11 558
Cash flow from currency hedges and financial items	-5	-4	-14	-77	-38
Interest payments received	1	-2	4	5	12
Interest payments made	-26	-26	-38	-109	-126
Taxes paid	-20	-17	-143	-102	-251
Net cash flow from operating activities ¹⁾	73	115	-78	549	602
Purchases of property, plant and equipment and intangible assets	-244	-160	-132	-632	-369
Sales of property, plant and equipment and intangible assets	1	-1	131	933	223
Purchase of shares in companies and other financial payments	-2	-7	-8	-79	-48
Sales of shares in companies and other financial instruments	29	37	10	80	14
Net cash flow from investing activities	-217	-131	0	302	-180
New loans raised	134	30	147	472	1 438
Repayments of loans	-76	-169	-12	-811	-1 782
Dividends paid	0	-248	0	-516	0
Net cash flow from financing activities	58	-387	135	-855	-344
Foreign currency effects on cash and cash equivalents	-28	9	3	16	-21
Total change in cash and cash equivalents	-113	-394	61	11	57
Cash and cash equivalents at start of period	1 093	1 487	909	970	912
Cash and cash equivalents at end of period	980	1 093	970	980	970
¹⁾ Reconciliation of net cash flow from operating activities					
Profit/loss before income taxes	-1 221	-82	-175	-1 698	2 192
Change in working capital	33	127	-43	393	-263
Change in restructuring provisions	20	-3	58	6	56
Depreciation and impairments	370	108	359	888	664
Derivatives and other fair value adjustments	987	-29	94	1 055	-1 412
Gain and losses from divestment of business activities and PPE	-1	1	-236	-153	-414
Net financial items without cash effect	-87	19	10	179	55
Taxes paid	-20	-17	-143	-102	-251
Change in pension obligations and other employee benefits	-2	-3	3	-7	-7
Adjustment for other items	-7	-6	-7	-12	-19
Net cash flow from operating activities	73	115	-78	549	602

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	Paid-in equity	Other paid-in equity	Retained earnings	Total equity
Equity 1 January 2019	5 160	2 249	-5 044	2 365
Profit/loss for the period	0	0	2 202	2 202
Other comprehensive income for the period	0	0	-20	-20
Increase share capital	1 102	0	0	1 102
Equity 30 September 2019	6 261	2 249	-2 862	5 649
Profit/loss for the period	0	0	-158	-158
Other comprehensive income for the period	0	0	2	2
Equity 31 December 2019	6 261	2 249	-3 018	5 493
Profit/loss for the period	0	0	-522	-522
Other comprehensive income for the period	0	0	260	260
Dividends paid	0	0	-516	-516
Equity 30 September 2020	6 261	2 249	-3 795	4 715
Profit/loss for the period	0	0	-1 363	-1 363
Other comprehensive income for the period	0	0	-134	-134
Equity 31 December 2020	6 261	2 249	-5 292	3 219

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.

	Q4 2020	Q3 2020	31 DEC 2020	30 SEP 2020	31 DEC 2019
AUD	6.59	6.53	6.59	6.75	6.17
EUR	10.76	10.67	10.47	11.10	9.86
GBP	11.91	11.79	11.65	12.17	11.59
NZD	6.19	6.04	6.16	6.24	5.92
USD	9.02	9.13	8.53	9.48	8.78

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 2019. 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 annual financial statements for the year ended

31 December 2019, except for as the changed described below and the adaptation of amended standards and new interpretations, which are mandatory from 1 January 2020. These changes are described in the annual financial statements for 2019.

The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet mandatory.

Change in accounting treatment

Norske Skog has until now held its energy contracts in Norway for own consumption and used the "own use exemption" in IFRS 9 as the Norwegian paper mills have been expected to use the full volume. However, following Covid-19 and the significant decrease in demand Norske Skog has reassessed the expected power consumption over the period of the contracts, and determined that the criteria for the "own use exemption" no longer is satisfied. Therefore, the contracts in whole will be treated as financial derivatives in the scope of IFRS 9 and measured at fair value true profit or loss. The change in accounting treatment takes effect from the fourth quarter 2020. Following this the company will derecognize the assets related to the embedded derivatives and recognized the asset related to the fair value of the contracts in whole. This will impact the financial statements by NOK 1.2 million for fourth quarter and full year and is presented in the line Derivatives and other fair value adjustments.

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 2019 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 2019 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-DEC 2020	PROPERTY, PLANT AND EQUIPMENT	RIGHT-OF-USE ASSETS	TOTAL PROPERTY PLANT AND EQUIPMENT	INTANGIBLE ASSETS
Carrying value at start of period	3 567	118	3 685	38
Additions*	657	34	691	74
Reverse dismantling	-35	0	-35	0
Depreciation	-392	-37	-429	-9
Impairments	-449	-2	-451	0
Value changes	-6	0	-6	0
Disposals	-19	0	-19	-52
Currency translation differences	144	5	149	3
Carrying value at end of period	3 469	117	3 586	55

*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 DEC 2020	TOTAL PROPERTY PLANT AND EQUIPMENT	INTANGIBLE ASSETS
Publication paper Europe	3 244	38
Publication paper Australasia	267	3
Other activities	75	14
Total	3 586	55

5. OPERATING SEGMENTS

The activities of the Norske Skog group are focused on two business segments, namely 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

mills and the regional sales organization 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. Both mills in Australasia and the regional sales organization are included in the operating segment publication paper Australasia for 2020. Comparables for 2019 includes Albury which ceased production on 5 December 2019. From Q1 2021 Norske Skog Tasman will cease producing newsprint and produce converting grade paper. Norske Skog Boyer will be 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, energy (commodity contracts and embedded derivatives in commodity contracts), Green Energy business and other holding company activities.

The pellets operation of Natures Flame is included in Green Energy under other activities.

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
Total operating income	1 899	526	68	-17	2 476
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
EBITDA	171	-13	-12	0	146
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	0	-7	-998	0	-1 006
Operating earnings	-134	-130	-1 013	0	-1 276
Share of operating revenue from external parties (%)	100	100	78	0	100

Q3 2020	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	1 702	448	49	-26	2 174
Other operating income	25	-1	1	0	25
Total operating income	1 727	447	50	-26	2 199
Distribution costs	-201	-62	-5	0	-268
Cost of materials	-942	-286	-15	0	-1 243
Employee benefit expenses	-339	-62	-17	1	-417
Other operating expenses	-161	-45	-18	25	-198
EBITDA	84	-7	-4	0	73
Restructuring expenses	0	-12	0	0	-12
Depreciation	-93	-13	-3	0	-108
Derivatives and other fair value adjustments	0	-7	23	0	16
Operating earnings	-9	-39	16	0	-31
Share of operating revenue from external parties (%)	100	100	52	0	100

Q4 2019	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	2 307	695	48	-27	3 022
Other operating income	61	260	0	0	322
Total operating income	2 368	955	48	-27	3 344
Distribution costs	-226	-84	-4	0	-315
Cost of materials	-1 260	-399	-11	0	-1 670
Employee benefit expenses	-353	-127	-44	0	-524
Other operating expenses	-210	-62	-30	27	-275
EBITDA	318	283	-41	0	560
Restructuring expenses	-3	-192	-2	0	-198
Depreciation	-87	-22	-3	0	-112
Impairments	0	-247	0	0	-247
Derivatives and other fair value adjustments	0	-10	-110	0	-120
Operating earnings	227	-189	-156	0	-117
Share of operating revenue from external parties (%)	100	100	47	0	100

2020	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	7 153	1 932	199	-110	9 173
Other operating income	259	175	5	0	439
Total operating income	7 412	2 106	204	-110	9 612
Distribution costs	-875	-260	-23	0	-1 159
Cost of materials	-3 870	-1 191	-45	13	-5 093
Employee benefit expenses	-1 327	-342	-94	3	-1 760
Other operating expenses	-681	-208	-70	94	-865
EBITDA	659	106	-29	0	736
Restructuring expenses	-47	-27	-1	0	-75
Depreciation	-371	-55	-11	0	-438
Impairments	-283	-167	0	0	-451
Derivatives and other fair value adjustments	0	-29	-1 082	0	-1 112
Operating earnings	-43	-173	-1 124	0	-1 339
Share of operating revenue from external parties (%)	100	100	57	0	100

2019	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	9 213	2 956	158	-127	12 200
Other operating income	370	372	11	0	754
Total operating income	9 583	3 328	170	-127	12 954
Distribution costs	-874	-355	-13	0	-1 242
Cost of materials	-5 113	-1 750	-23	25	-6 861
Employee benefit expenses	-1 329	-509	-100	0	-1 938
Other operating expenses	-735	-256	-88	102	-977
EBITDA	1 533	459	-54	0	1 938
Restructuring expenses	-6	-205	-12	0	-223
Depreciation	-337	-107	-11	0	-456
Impairments	0	-209	0	0	-209
Derivatives and other fair value adjustments	0	-40	1 389	0	1 348
Operating earnings	1 189	-102	1 311	0	2 398
Share of operating revenue from external parties (%)	100	100	43	0	100

INCOME STATEMENT	Q4 2020	Q3 2020	Q4 2019	2020	2019
OTHER OPERATING REVENUE					
Corporate functions	17	24	26	91	98
Green energy and other	50	26	23	112	72
Total	68	50	48	204	170
EBITDA					
Corporate functions	-26	-8	-43	-54	-70
Green energy and other	14	4	2	25	16
Total	-12	-4	-41	-29	-54

6. FINANCIAL ITEMS AND DEBT REPAYMENTS

FINANCIAL ITEMS

NOK MILLION	Q4 2020	Q3 2020	Q4 2019	2020	2019
Net interest expenses	-28	-31	-29	-113	-153
Currency gains/losses*	98	-19	20	-185	26
Other financial items	-20	-6	-13	-50	-43
Total financial items	50	-56	-22	-349	-170

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

FINANCING

In 2019 Norske Skog issued a EUR 125 million senior secured bond. The bond matures in June 2022 and has an interest rate of EURIBOR (zero floor) + 6% with quarterly interest payments. The proceeds were mainly used to refinance existing debt. The outstanding amount of bonds, excluding repurchased bonds, was EUR 104.5 million per 31 December 2020.

In 2019, Norske Skog established a revolving credit facility of EUR 31 million. EUR 20 million had been utilised per 31 December 2020. The facility has a tenor of three years.

During the first quarter of 2020 Norske Skog entered into a EUR 54 million credit facility to finance the construction of an incineration boiler on the Bruck mill. The facility will be utilised incrementally as expenditures incur during the construction phase,

after which it will be repaid by 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 December 2020 the loan has been drawn by EUR 9.8 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) unrestricted cash and cash equivalents of minimum NOK 100 million, and (ii) net interest-bearing debt to EBITDA* less than 2.75x, on a consolidated basis.

*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 DEC 2020
June 2022	EUR	EURIBOR + 6%	125	105

*Excluding repurchased bonds

DEBT REPAYMENT SCHEDULE*

NOK MILLION	2021	2022	2023	2024	2025-
Bonds	0	1 094	0	0	0
Debt to credit institutions	56	246	56	114	491
Total	56	1 340	56	114	491

*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 22.5 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 DEC 2020	ASSETS		LIABILITIES	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Energy contracts and embedded derivatives in energy contracts (level 3)	219	286	-19	-12
Energy contracts (level 2)	0	0	-53	-3
Other derivatives and financial instruments carried at fair value (level 2)	1	0	0	0
Total	220	286	-72	-15

Norske Skog's portfolio of commodity contracts consists primarily of contracts that are settled through physical delivery. The fair value of financial energy contracts is particularly sensitive to fluctuations in energy prices, currency and price indexes.

Energy prices in New Zealand 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.

The fair value of certain embedded derivatives in physical contracts depends on price index. 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.

In the fourth quarter the accounting treatment for energy contracts have been changed. See Note 2 for additional description and accountings effects. Gains and losses on level 3 financial instruments recognised in the income statement, line item Derivatives and other fair value adjustments, amounted to NOK - 991 million in the fourth quarter (NOK -3 million in the third quarter), including the change of accounting treatment. Changes in the fair value of energy-/commodity contracts and embedded derivatives in contracts are presented in the income statement line Derivatives and other fair value adjustments. See Note 8 in consolidated financial statements for 2019 for more information including sensitivity analyses regarding the calculation of fair value of commodity contracts and derivatives.

8. PRINCIPAL SHAREHOLDERS

	NUMBER OF SHARES	OWNERSHIP %
NS NORWAY HOLDING AS	28 631 976	34.71
J.P. Morgan Bank Luxembourg S.A.	2 761 058	3.35
The Bank of New York Mellon SA/NV	2 699 682	3.27
The Bank of New York Mellon SA/NV	2 655 337	3.22
VERDIPAPIRFONDET FIRST GENERATOR	2 173 450	2.63
VERDIPAPIRFONDET HOLBERG NORGE	1 900 000	2.30
VERDIPAPIRFONDET EIKA SPAR	1 701 608	2.06
RBC INVESTOR SERVICES BANK S.A	1 361 111	1.65
VERDIPAPIRFONDET EIKA NORGE	1 255 073	1.52
MP PENSJON PK	1 206 015	1.46
DNB Markets Aksjehandel/-analyse	1 161 992	1.41
CARUCEL FINANCE AS	1 155 243	1.40
Morgan Stanley & Co. Int. Plc	884 993	1.07
FRAM REALINVEST AS	850 000	1.03
TVECO AS	850 000	1.03
VERDIPAPIRFONDET FONDSFINANS NORGE	793 548	0.96
Goldman Sachs & Co. LLC	781 798	0.95
M25 INDUSTRIER AS	752 621	0.91
PERSHING SECURITIES LIMITED	676 882	0.82
VERDIPAPIRFONDET FIRST GLOBALT	667 062	0.81
Other shareholders	27 580 551	33.43
Total	82 500 000	100.00

The data is extracted from VPS 3 February 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 DEC 2020	30 SEP 2020	31 DEC 2019
Share price (NOK)	38.70	26.95	43.70
Book value of equity per share (NOK)	39.01	57.15	66.58

10. 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 2020.

11. 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 fourth quarter of 2020.

On 14 January 2021, Norske Skog announced that a private placement had been successfully completed with a total transaction size of NOK 800 million through the allocation of 23 529 410 shares (the "offer shares") in the company at a price of NOK 34 per share.

The private placement consisted of a primary offering of 11 764 705 new shares offered by the company. The net proceeds from the sale of such new shares will be used to finance the company's green growth projects.

In private placement consisted of a secondary offering of 11 764 705 existing shares offered by the company's largest shareholder, NS Norway Holding AS (the "selling shareholder").

Settlement of the private placement will be on a delivery versus payment basis. For new shares allocated in the private placement, delivery versus payment settlement will be facilitated by existing and

unencumbered shares in the company being borrowed by the managers of the private placement from the selling shareholder pursuant to a share lending agreement entered into between the selling shareholder, the company and the managers. The offer shares will thus be tradable from allocation. The managers will settle the share loan with new shares in the company to be issued by resolutions of the extraordinary general meeting to be held on 5 February 2021 (the "EGM"). If the EGM does not resolve to issue new shares, the redelivery of the borrowed shares will instead be settled in cash by way of transfer to the selling shareholder of the net proceeds from the sale of the borrowed shares. The company will in that case not receive any proceeds from the private placement. The selling shareholder and investors who have been allocated offer shares in the private placement have undertaken to vote in favour of the issue of new shares at the EGM.

If the EGM resolves to issue new share the shareholding of NS Norway Holding will be approximately 43% after completion.

12. HISTORICAL FIGURES

INCOME STATEMENT	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Total operating income	2 476	2 199	2 167	2 771	3 344
Variable costs	-1 663	-1 511	-1 375	-1 703	-1 985
Fixed costs	-668	-615	-653	-689	-799
EBITDA	146	73	138	379	560
Restructuring expenses	-47	-12	-5	-12	-198
Depreciation	-112	-108	-111	-107	-112
Impairments	-258	0	-193	0	-247
Derivatives and other fair value adjustment	-1 006	16	49	-170	-120
Operating earnings	-1 276	-31	-122	90	-117
Share of profit in associated companies	6	4	-16	-4	-36
Financial items	50	-56	86	-429	-22
Profit/loss before income taxes	-1 221	-82	-52	-343	-175
Income taxes	-142	-7	-7	-30	17
Profit/loss for the period	-1 363	-89	-59	-374	-158

SEGMENT INFORMATION	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Publication paper Europe					
Total operating income	1 899	1 727	1 655	2 131	2 368
EBITDA	171	84	75	329	318
Deliveries (1 000 tonnes)	403	362	322	396	441
Publication paper Australasia					
Total operating income	526	447	513	620	955
EBITDA	-13	-7	63	63	283
Deliveries (1 000 tonnes)	97	79	67	99	132
Other activities					
Total operating income	68	50	38	48	48
EBITDA	-12	-4	0	-13	-41

BALANCE SHEET	31 DEC 2020	30 SEP 2020	30 JUN 2020	31 MAR 2020	31 DEC 2019
Total non-current assets	4 084	5 356	5 228	5 620	5 248
Assets held for sale	0	0	0	307	631
Inventories	1 194	1 386	1 492	1 410	1 427
Trade and other receivables	1 288	1 095	990	1 329	1 573
Cash and cash equivalents	980	1 093	1 487	1 659	970
Other current assets	241	382	424	307	390
Total current assets	3 703	3 956	4 393	4 705	4 360
Total assets	7 787	9 311	9 621	10 633	10 240
Total equity	3 219	4 715	5 017	5 439	5 493
Total non-current liabilities	2 496	2 650	2 611	2 730	2 393
Trade and other payables	1 728	1 651	1 528	1 802	1 685
Other current liabilities	345	295	466	662	669
Total current liabilities	2 073	1 946	1 993	2 464	2 354
Total liabilities	4 568	4 596	4 605	5 194	4 747
Total equity and liabilities	7 787	9 311	9 621	10 633	10 240

CASH FLOW	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Reconciliation of net cash flow from operating activities					
EBITDA	146	73	138	379	560
Change in working capital	33	127	12	222	-43
Payments made relating to restructuring activities	-27	-15	-21	-6	-140
Gain and losses from divestment	-1	1	-92	-62	-236
Cash flow from net financial items	-31	-32	-52	-65	-48
Taxes paid	-20	-17	-81	17	-143
Other	-27	-21	-13	-14	-30
Net cash flow from operating activities	73	115	-109	470	-78
Purchases of property, plant and equipment and intangible assets	-244	-160	-128	-100	-132
Net divestments	27	29	368	509	133
Net cash flow from investing activities	-217	-131	241	408	0
Net cash flow from financing activities	58	-387	-297	-229	135
Foreign currency effects on cash and cash equivalents	-28	9	-6	40	3
Total change in cash and cash equivalents	-113	-394	-172	689	61

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	Q4 2020	Q3 2020	Q4 2019	2020	2019
Operating earnings	-1 276	-31	-117	-1 339	2 398
Restructuring expenses	47	12	198	75	223
Depreciation	112	108	112	438	456
Impairments	258	0	247	451	209
Derivatives and other fair value adjustments	1 006	-16	120	1 112	-1 348
EBITDA	146	73	560	736	1 938

EBITDA margin: EBITDA / total operating income. EBITDA margin assist in providing a more comprehensive analysis of operating performance relative to other companies.

NOK MILLION	Q4 2020	Q3 2020	Q4 2019	2020	2019
EBITDA	146	73	560	736	1 938
Total operating income	2 476	2 199	3 344	9 612	12 954
EBITDA margin	5.9 %	3.3 %	16.8 %	7.7 %	15.0 %

Variable costs: Distribution costs + cost of materials

NOK MILLION	Q4 2020	Q3 2020	Q4 2019	2020	2019
Distribution costs	312	268	315	1 159	1 242
Cost of materials	1 351	1 243	1 670	5 093	6 861
Variable costs	1 663	1 511	1 985	6 252	8 102

Fixed costs: Employee benefit expenses + other operating expenses.

NOK MILLION	Q4 2020	Q3 2020	Q4 2019	2020	2019
Employee benefit expenses	439	417	524	1 760	1 938
Other operating expenses	228	198	275	865	977
Fixed costs	668	615	799	2 625	2 914

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	Q4 2020	Q3 2020	Q4 2019	2020	2019
EBITDA	146	73	560	736	1 938
Capital expenditure	244	160	132	632	369
Average capital employed	4 562	4 584	5 704	5 032	5 513
Return on capital employed (annualised)	-8.6 %	-7.3 %	30.0 %	2.1 %	28.5 %

NOK MILLION	31 DEC 2020	30 SEP 2020	31 DEC 2019
Intangible assets	55	47	38
Tangible assets	3 586	3 853	3 685
Assets held for sale	0	0	631
Inventory	1 194	1 386	1 427
Trade and other receivables	1 288	1 095	1 573
Trade and other payables	-1 728	-1 651	-1 685
Capital employed	4 395	4 730	5 670

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 DEC 2020	30 SEP 2020	31 DEC 2019
Interest-bearing non-current liabilities	1 613	1 657	1 470
Interest-bearing current liabilities	92	65	419
Cash and cash equivalents	-980	-1 093	-970
Net interest-bearing debt	725	628	919

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

Q4 2020 presentation

4 February 2021

www.norskeskog.com



Fourth quarter in brief

Q4 2020 EBITDA of NOK 146 million up from NOK 73 million in the previous quarter

- Improvement resulting from increased sales volume and favourable cost development
- Europe contributing NOK 171 million up from NOK 84 million in the previous quarter, with Australasia remaining marginally EBITDA negative

Maintaining a robust balance sheet with net interest-bearing debt of NOK 725 million

- Cash position of NOK 980 million and cash flow from operations of NOK 73 million in the quarter
- On 14 January 2021, Norske Skog announced successfully raising NOK 400 million in equity to finance upcoming growth projects

Green growth projects seeing significant traction and progressing according to plan

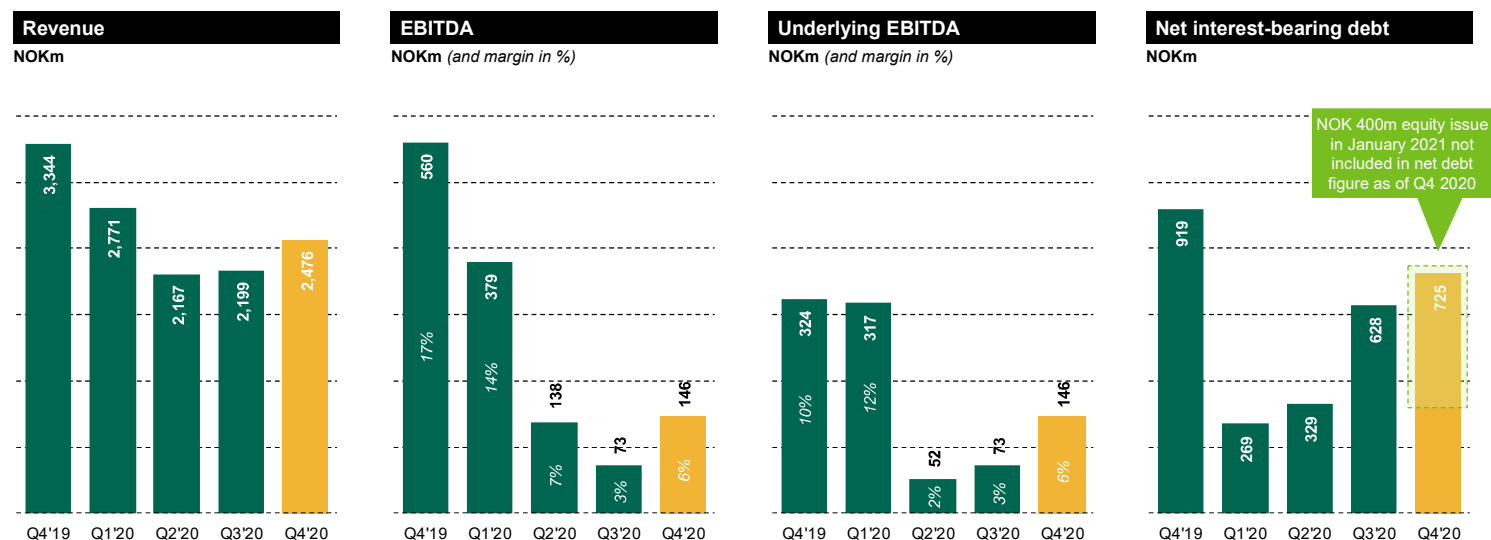
- On track for containerboard production start-up in 2023 as e-commerce and sustainability drive demand to outpace 2020 supply additions
- Circa¹ contemplating Q1 2021 capital raise to finance the world's first large scale production facility for multiple high value biochemicals

Production capacity in Australasia and Europe adjusted to match supply demand

Impairment charge of NOK 258 million in the quarter due to COVID-19 market impact

- Impairment in Australasia of NOK 96 million and in Europe of NOK 161 million

EBITDA improving in Q4 2020 vs Q3 2020

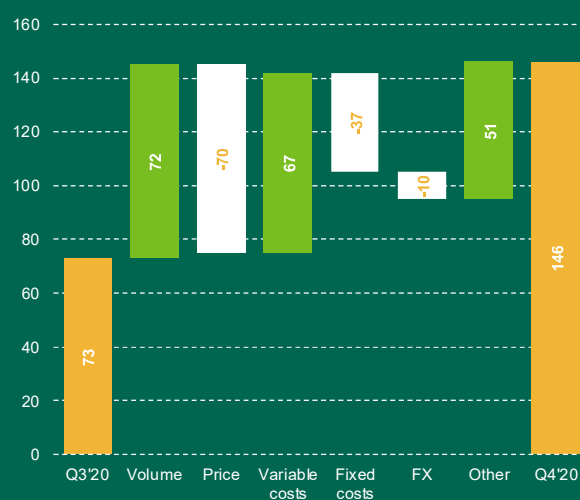


3

Underlying EBITDA growth driven by better volumes and variable costs

- Volumes continue to recover from low point in May 2020, utilisation of 81% in the quarter (prior to capacity reductions¹)
- Prices weakening towards the end of the quarter, coupled with unfavourable development in geographic and product grade mix
- Lower variable costs mainly resulting from reduced energy prices, wood prices and recovered paper prices
- Increase in fixed costs mainly a result of reduction in government COVID-19 support in Australasia received in Q3 2020
- Other relates to Nature's Flame operations, COVID-19 support arrangements and energy arrangements in Golbey

EBITDA bridge Q3 2020 to Q4 2020, NOKm

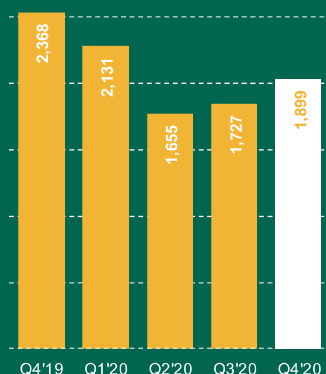


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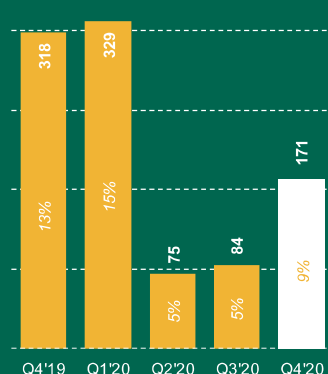
1) Saugbrugs PM5 ceased production of SC magazine paper (capacity of 100,000 tonnes) in Q4 2020 and Tasman ceased newsprint production (capacity of 150,000 tonnes) in favour of converting grade paper in Q4 2020

Significant EBITDA improvement in Europe

Europe – Revenue NOKm



Europe – EBITDA NOKm (and margin in %)



Europe – Underlying EBITDA NOKm (and margin in %)

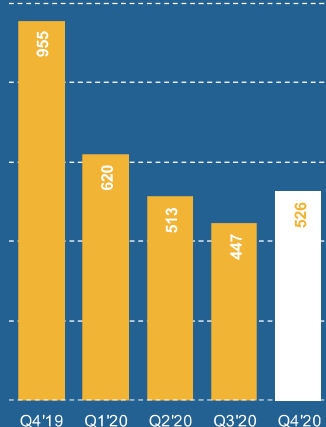


- Newsprint, SC and LWC demand in Europe decreased by 22%, 13% and 22%, respectively through November
- Volume improvements, with utilisation of 80% up from 72%¹
- Realised prices somewhat lower in the quarter due to a weak market end of year and unfavourable geographic and product mix
- Favourable raw material prices

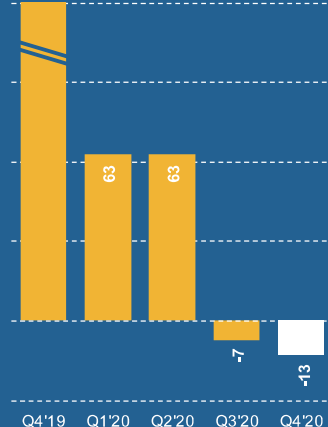
5 Source: Eurograph
1) Saugbrugs PM5 ceased production of SC magazine paper (capacity of 100,000 tonnes) in Q4 2020

Quarterly financials for Australasia

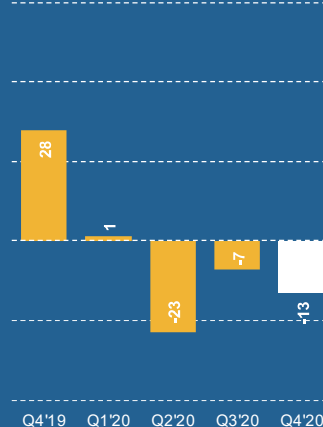
Australasia – Revenue NOKm



Australasia – EBITDA NOKm



Australasia – Underlying EBITDA NOKm

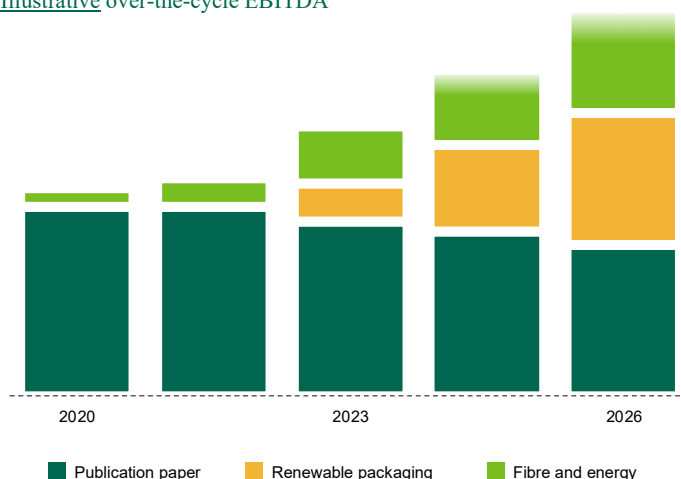


- Newsprint and magazine paper demand declined by 22% and 26% through December 2020
- Volume improvements, with utilisation of 87% up from 69%¹
- Favourable development in variable costs
- Reduction in government support driving reduction in EBITDA

6 Source: Official statistics
1) The Tasman mill ceased newsprint production (capacity of 150,000 tonnes) in favour of converting grade paper in Q4 2020

Corporate strategy

Illustrative over-the-cycle EBITDA



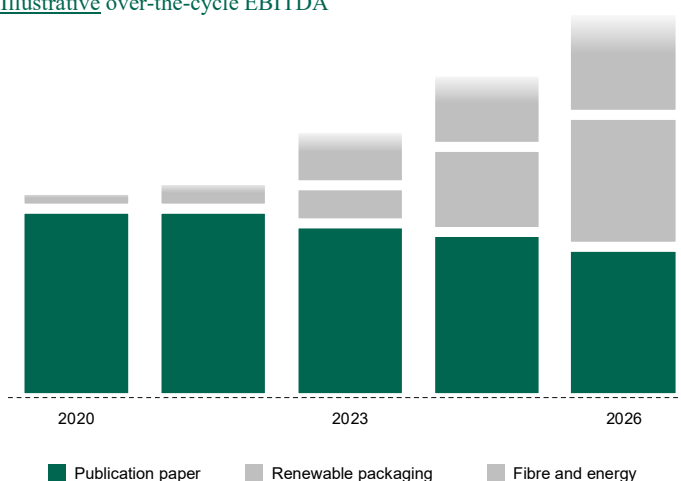
Diversify and innovate within fibre and energy

Become a leading producer of renewable packaging

Improve and optimise publication paper cash flows

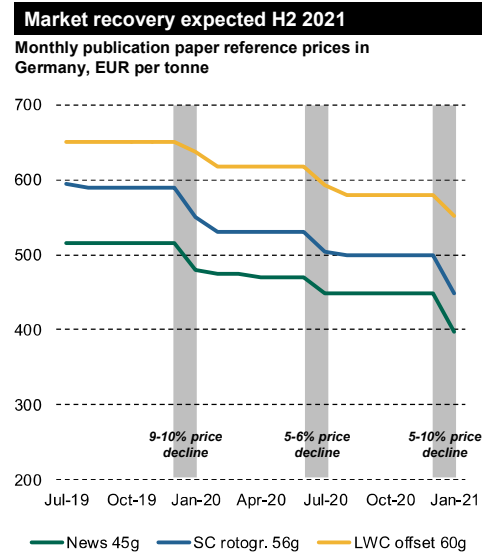
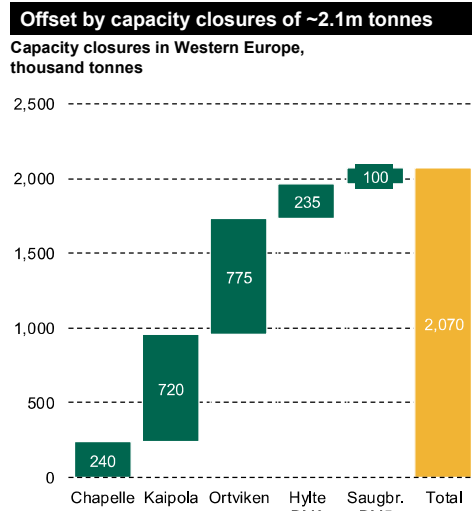
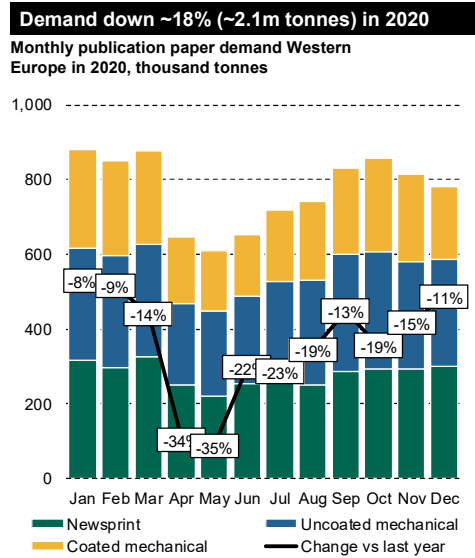
Publication paper will continue to generate significant cash flows as strategic focus shifts towards growth projects

Illustrative over-the-cycle EBITDA

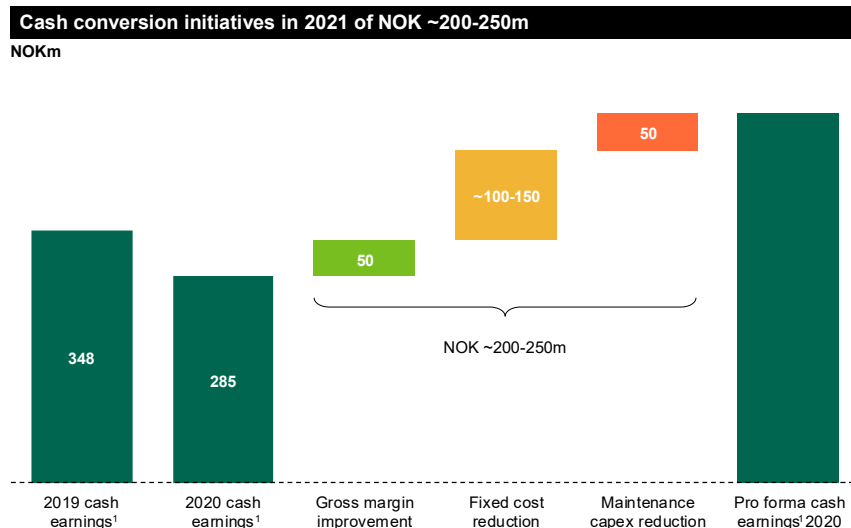


- Remain a producer of all publication paper grades
- Publication paper capacity of ~2.1m tonnes¹
- Five paper mills with 11 paper machines combined²
- Over-the-cycle publication paper EBITDA of NOK 1,000m

Expected price recovery in H2 2021 as market rebalances following industry reaction to COVID-19



Active cash conversion management initiatives in 2021



Gross margin improvement

- Efficiency investment at Saugbrugs¹ and optimisation of Australasian operations with repositioning of Tasman into production of conversion paper grades
- Favourable variable unit costs (energy and fibre) seen in 2020 unlikely to persist in an economic recovery

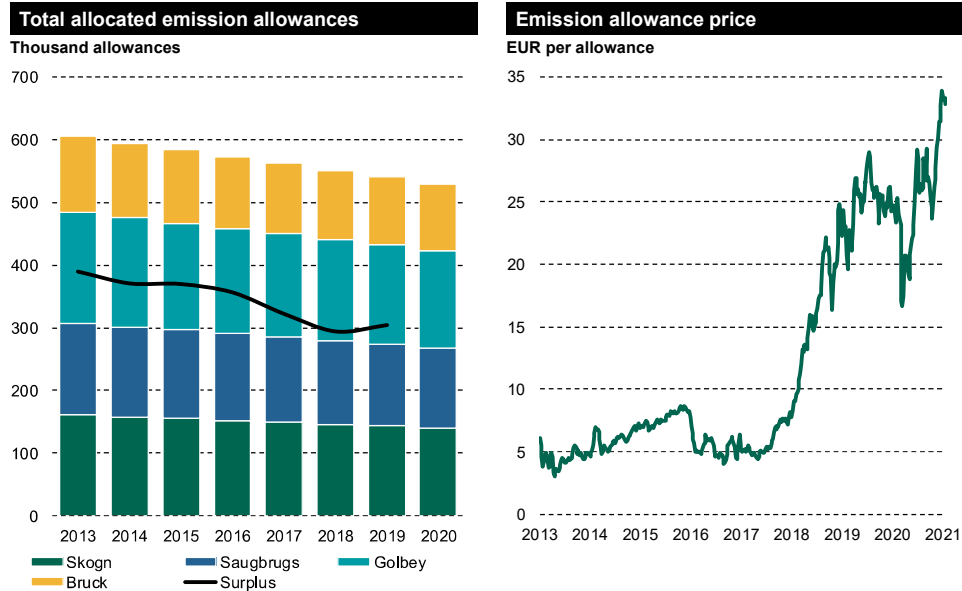
Fixed cost reduction

- Fixed cost reduction of NOK ~100-150m following closure of Saugbrugs PM5 and company wide cost reduction programme
- Sales volume down ~460,000 tonnes in 2020, resulting in a negative margin impact expected to be mitigated as sales volumes rebound

Maintenance capex reduction

- Annual maintenance capex revised from NOK 175-225m to NOK 150m reflecting capacity adjustments and cash conversion focus

Industry low CO₂ footprint enabling annual CO₂ emission allowance surplus



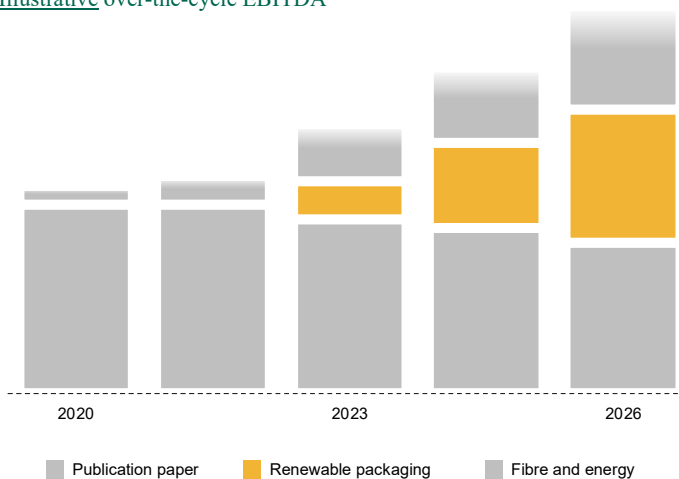
- Leading environmental profile enabled by sustainable energy mix
- Industry low CO₂ footprint basis for annual emission allowance surplus
- Waste-to-energy plant at Bruck will reduce CO₂ footprint with 150k tonnes annually, start H1 2022
- Surplus allowances can be sold in the market, recent pricing of EUR +30 per allowance
- Cost compensation received to cover increase in energy prices resulting from the EU ETS¹
- 2020 emission allowance sales of NOK ~80-85m and cost compensation of NOK ~300-350m²

11 Source: European Commission
1) Emission Trading Scheme; 2) Note that cost compensation is booked through the year 2020, but cash payment will be received during H1 2021

Norske Skog to become a leading European renewable packaging player



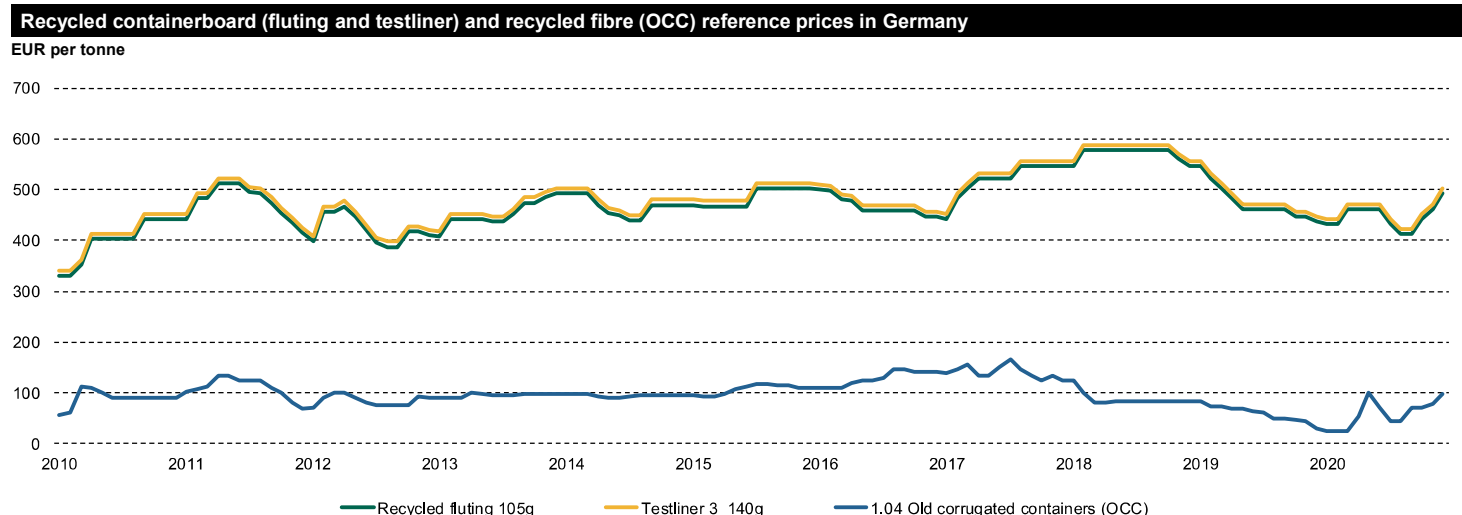
Illustrative over-the-cycle EBITDA



- Containerboard projects in Bruck and Golbey
- Replace newsprint with 765,000 tonnes of containerboard¹
- Annual European demand growth +600,000 tonnes²
- Enable recyclable logistics for e-commerce boom
- Capitalise on packaging moving away from plastics
- Financing commitment from banks expected Q1 2021
- Expected EBITDA of NOK ~700-800m from 2025-26

12 Source: External industry consultant (third-party)
1) Reduction of Western European newsprint capacity of 360,000 tonnes in 2022 to 2023, representing approximately 8% of Western European newsprint capacity following closures in 2020; 2) European demand of ~26m tonnes with annual growth rate of 2-3%

Strong price development within renewable containerboard

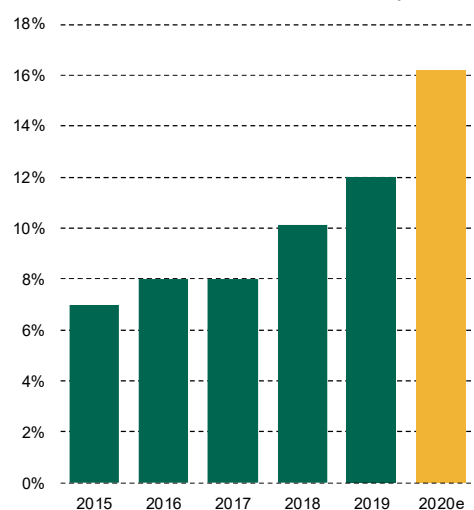


13 Source: RISI

Industry trends favouring sustainable and light weight packaging

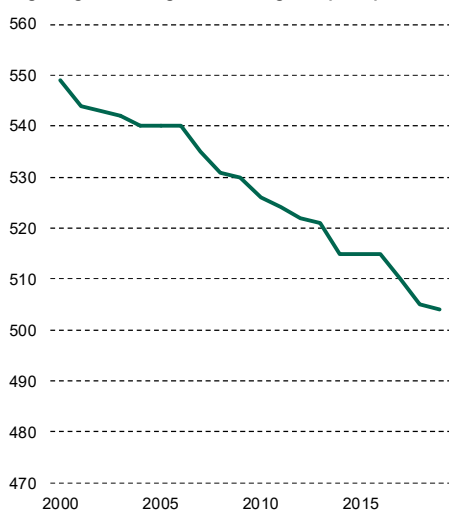
European e-commerce boom

E-commerce share of retail sales in Western Europe



High demand for light weight board in Europe

Avg. weight of corrugated board¹, grams per square metre



"By 2025 we will halve the amount of virgin plastic we use in our packaging"



"Our commitment is that 100% of our packaging is recyclable or reusable by 2025"



"Target to design our packaging to minimize waste and eliminate single-use plastics by 2023"



"Goal of ensuring that all plastic packaging is reusable or recyclable in a cost-effective manner by 2030"

14 Source: Centre for Retail Research (CRR), FEFCO, external industry consultant (third-party), European Commission, company statements
1) Combination of liner and fluting containerboards (the two containerboard grades Norske Skog plans to produce) provides corrugated board

Norske Skog will be a containerboard producer in 2023



Containerboard projects will unlock a growing and high-margin market solidifying future cash flow generation

- ✓ Strong process and project competence locally at the mills
- ✓ Leading competence on pulp & paper highly relevant in packaging
 - Similar production process as for publication paper
- ✓ In-house personnel with experience from previous and similar projects
- ✓ Working with multiple experienced and best-in-class suppliers
 - Specialised and competitive suppliers with strong reputations
 - The same suppliers into containerboard and publication paper
 - Targeting the best solutions from the most experienced suppliers
- ✓ Support from experienced technical consultants
 - Engineering and design services also covering delivery interfaces
- ✓ Extensive commercial work initiated to place new volume in market
 - Experienced personnel have been hired and consultants engaged

Norske Skog Golbey – France



PM1

- 235k tonnes newsprint capacity
- Convert to 555k tonnes containerboard
- Capex estimate of EUR ~250m

PM2

- 330k tonnes newsprint capacity
- Strong candidate for future conversion
- Feasibility studies concluded

Norske Skog Bruck – Austria



PM3

- 125k tonnes newsprint capacity
- Convert to 210k tonnes containerboard
- Capex estimate of EUR ~100m

PM4

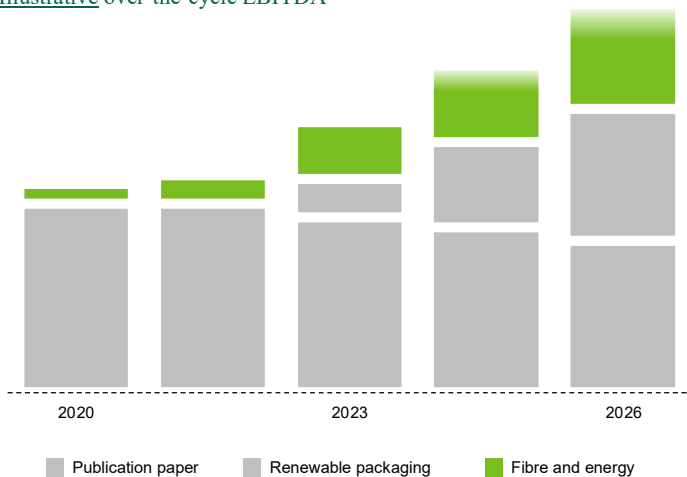
- 265k tonnes LWC magazine capacity
- Strong candidate for future conversion
- Feasibility studies concluded

15

Norske Skog's promising portfolio of fibre and energy projects enable diversification and innovation opportunities



Illustrative over-the-cycle EBITDA



- **Waste-to-energy plant:** Sustainable energy production of +400 GWh(th) and EBITDA of NOK ~200m, start-up in H1 2022
- **Pellets:** Producing 90,000 tonnes of renewable energy pellets in New Zealand with annual EBITDA of NOK ~30-35m
- **Circa¹:** Biochemicals company planning a 1,000 tonnes plant in France with EUR ~12m EU grant (ReSolute²), start-up Q1 2023
- **CEBINA:** First commercial sales in Q4 2020 and ambition to secure international distribution agreement in 2021
- **Bio Composites:** Decision on installation of pilot taken in Q4 2020 to enable further commercial development and qualification testing

16

1) Norske Skog holds ~32% of Circa, subject to final approvals; 2) ReSolute is an EU Flagship Project and consortium lead by Circa to develop and commercialise on a large scale the biobased solvent Cyrene™

Waste-to-energy plant

50 MW(th) of sustainable energy capacity being installed in Bruck



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

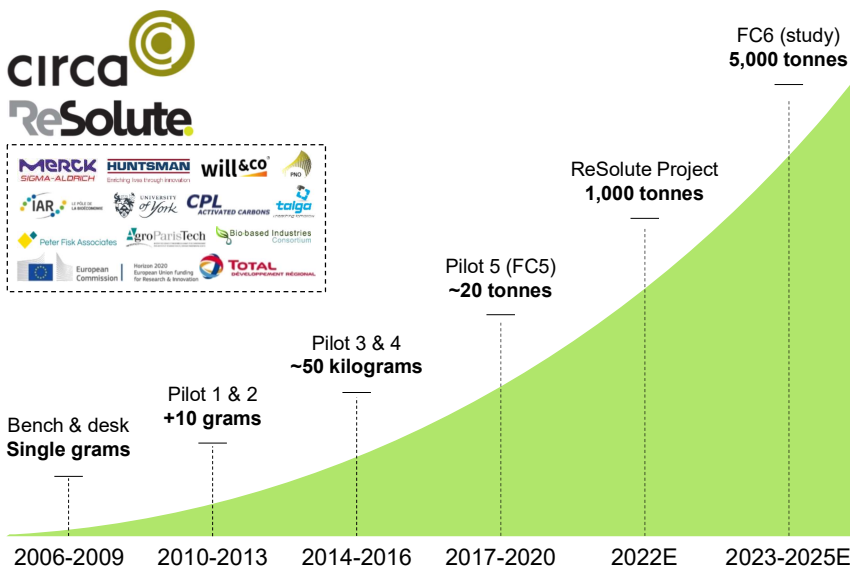


- Progressing according to plan with start-up expected in H1 2022
- Proven technology from Valmet with a turnkey installation contract
- Replace gas consumption with energy produced from regional waste
- Significant demand for waste offtake in Austria and surrounding areas
- Increasing landfill regulation to further drive demand for waste offtake
- Reducing the CO₂ footprint of the Bruck mill with 150,000 tonnes
- Revenue generation from waste gate fees and electricity production
- Expected EBITDA contribution of NOK ~200m
- EUR 72m investment of which EUR ~22m invested as of Q4 2020
- EUR ~10m of EUR 54m in local debt drawn as of Q4 2020

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Circa Group

Produces and sells valuable biochemicals with patented technology



- Circa¹ targets the bioeconomy ambition of replacing fossil and toxic chemicals with biochemicals
- Built on +50 years of biochemical research and more than 10 years of technology verification
- Unique ability to produce large amounts of the platform chemical LGO² using its patented FuracellTM process
- LGO is used to derive (among other) CyreneTM, a biobased solvent replacing toxic and fossil solvents NMP and DMF
- Such solvents are essential for the production of medicines, electronics, agrochemicals and more
- More than 1,000 tests with researchers and companies, and currently selling through Merck KGaA and directly
- Recent EU Horizon2020 grant of EUR ~12m to support a 1,000 tonnes plant in France for the production of LGO and CyreneTM
- Contemplated capital raise (IPO) during Q1 2021 to raise the remaining funding required for construction of the plant

18

1) Norske Skog holds ~32% of Circa, subject to final approvals; 2) Levoglucosenone

Proof of concept following first commercial sales in Q4 2020

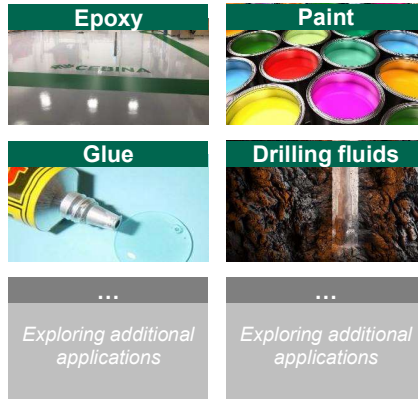
CEBINA is an environmentally friendly input factor relevant in a range of applications



Produced from renewable
fibre and hydro energy

CEBINA product portfolio
comprises among other:

- CEBINA MB
- CEBINA 4%
- CEBINA 20%



- CEBINA developed by Norske Skog since 2006
- Originally developed as strength enhancer in paper
- Qualities relevant in a wide range of other applications
- Significant commercial work during 2019 and 2020
- Collaboration with technical partners and customers
- First commercial sales in Q4 2020 (proof of concept)
- Target international distribution agreement in 2021
- Pilot plant with capacity of up to 500 tonnes
- Reviewing capacity upscaling opportunities

Outlook

Clear priorities in the short term

- Focus on cash conversion
- Reposition Australasian operations
- Maintain a robust balance sheet

Execute on strategy in the long term

- Become a leading producer of renewable packaging
- Develop and commercialise fibre and energy projects
- Remain a producer of all publication paper grades

Contemplated CMD on hold until further clarity on COVID-19 restrictions

Appendix

21

World-class assets and fibre competence enable unique green growth opportunities

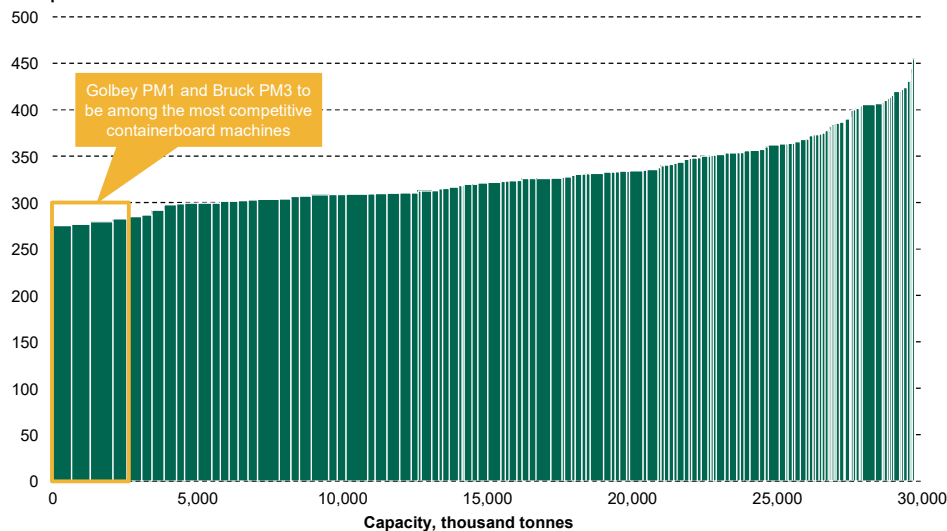
Saugbrugs, Norway  ★ Explore fibre and energy projects Capacity, tonnes PM4: 100,000 SC PM6: 260,000 SC Pilot: Up to 500 CEBINA™	Skogn, Norway  ★ Explore fibre and energy projects Capacity, tonnes PM1: 145,000 news PM2: 145,000 news PM3: 220,000 news	Boyer, Australia  ★ Improve operations Capacity, tonnes PM2: 150,000 news PM3: 135,000 LWC	Circa (32% stake¹)  ★ Seeking a listing in Norway Capacity, tonnes FC5: 20 Cyrene™ ReSolute: 1,000 Cyrene™ (2023) FC6: 5,000 Cyrene™ (study)
Golbey, France  ★ Convert to containerboard Capacity, tonnes PM1: 235,000 news (conversion 2023) → 555,000 containerboard (2023) PM2: 330,000 news	Bruck, Austria  ★ Convert to containerboard Construct waste boiler Capacity, tonnes PM3: 125,000 news (conversion 2023) → 210,000 containerboard (2023) PM4: 265,000 LWC	Tasman, New Zealand  ★ Reposition to other industry Capacity, tonnes Converting grade paper: 200,000	Nature's Flame, New Zealand  ★ Upgraded to 90,000 tonnes Capacity, tonnes Pellets: 90,000

Europe Australasia Other

Entering the containerboard market with first-quartile capacity

Cash cost delivered Frankfurt for all recycled containerboard machines in Europe¹

EUR per tonne



- Centrally located in continental Europe
- Established presence in recycled fibre markets
- Among the top brownfield opportunities in Europe
- Large industrial sites with scale advantages
- Boilers secure sustainable and competitive steam supply
- Machine specifications enable cost-leadership position

23 Source: External industry consultant (third-party), cost data as of Q3 2019
1) Europe excluding Russia

Sustainable production of premium quality pellets

Nature's Flame modern and state-of-the-art wood pellet production facility in Taupo, New Zealand



- NZD ~45m invested in state-of-the-art facility
- NOK ~30-35m EBITDA contribution
- Acquired by Norske Skog in July 2015
- FSC certified fibre supply
- Renewable geo-thermal energy supply
- DinPlus certification for premium pellets
- BioGro New Zealand organic certification
- Current production around 90,000 tonnes
- Expansion opportunities of ~120,000 tonnes
- Equivalent to thermal energy of +425 GWh(th)¹
- Fonterra offtake agreement for 50,000 tonnes

24 1) Calorific value of ~17.5 GJ per tonne (white pellets)

Identifying new value in former Saugbrugs administration office

Part of former Saugbrugs administration office in Halden to be used for high school



- Porsnes Utvikling¹ to redevelop part of former Saugbrugs administration office for high school purposes
- Financing and municipality lease agreement in place
- Redevelopment completion planned for Q2 2022
- Porsnes Utvikling to develop remaining sections of the administration office and surrounding area
- Norske Skog explores opportunities for areas owned in the 'greater' region surrounding Saugbrugs

25 1) Porsnes Utvikling AS is a 50/50 joint venture between Norske Skog Saugbrugs AS and Ringstad Næringsutvikling AS

Pilot plant to enable further commercial development and testing

Replace plastics with sustainable fibre



- Bio Composites have been developed by Norske Skog since 2015
- Mixes fibre (TMP) and recycled plastics into a composite material
- Demand driven by better environmental profile (less plastics consumption and improved recyclability)
- Range of applications including pipes, car interiors, furniture and packaging
- Executed industrial-scale tests in Germany and working closely with potential customers
- NOK 15m Innovation Norway Grant received in Q4 2020 to invest in a NOK ~25m pilot plant
- Enables further commercial development and qualification testing with customers in 2021 and 2022

Leverage quality assets and fibre competence towards green growth

Entry into high-margin and growing containerboard market through conversion of paper machines

- Containerboard projects on track for start up in 2023 with expected **EBITDA contribution of NOK ~700-800m from 2025-26**
- Expect commitment from banks on **containerboard financing and refinancing of bond in Q1 2021**, and finalised loan agreements during H1 2020
- Expected to **cover 70-80% of EUR 350m project capex** of which 50-60% guaranteed by ECAs, tenor of 10-11 years and no amortisation during construction

Promising green growth investment opportunities with significant earnings impact

- Bruck waste-to-energy plant on track for start up in H1 2022 with **expected EBITDA contribution of NOK ~200m**
- Nature's Flame pellets facility performing excellently with **EBITDA contribution of NOK ~30-35m**
- Circa¹ is leading a consortium towards construction of a **1,000 tonne biochemicals plant in France**
- **First sales of CEBINA in Q4 2020** with ambition for international distribution agreement during 2021

High-quality publication paper mills with competitive cost position and significant cash generation

- **NOK 1,000m over-the-cycle EBITDA** and continuous work to improve and optimise publication paper cash flows
- **Cost reduction of NOK ~200-250m from 2021** due to machine closures, efficiency investments and cost programmes
- **Industry low CO₂ footprint** enabling annual CO₂ emission allowance surplus

Press release

Significant progress on green growth projects

Norske Skog's EBITDA in the fourth quarter of 2020 was NOK 146 million, an increase from NOK 73 million in the third quarter of 2020, as a result of increased sales volume and favourable cost development. Despite improvements in the fourth quarter, the markets have not returned to pre-COVID-19 levels. In the fourth quarter, Norske Skog experienced significant progress on several of its green growth projects, such as the containerboard and energy projects at Bruck and Golbey, and fibre projects at other units.

- Although the corona restrictions have had a severe negative impact on our operations, we have managed to both stabilise our publication paper operations and continue the development of our green growth projects. Our publication paper capacity has been adjusted in response to the adverse market development in light of COVID-19, to ensure future profitability. Each publication paper mill are now conducting studies to transform their operations to ensure sustainable industrial sites with a long-term potential, says Sven Ombudstvedt, CEO of Norske Skog.

Cash flow from operations was NOK 73 million in the quarter compared to NOK 115 million in the previous quarter, mainly due to a reduction of inventory and accrued CO₂-compensation to be paid in 2021. Operating earnings in the fourth quarter of 2020 were NOK -1 276 million compared to operating earnings of NOK -31 million in the third quarter of 2020. The quarter was significantly affected by non-cash change in accounting treatment of energy contracts in Norway amounting to NOK 1 129 million, and property, plant and equipment impairments at Boyer, Saugbrugs and Skogn amounting to NOK 258 million. Net loss in the quarter was NOK -1 363 million compared to a net loss of NOK -89 million in the previous quarter. For the entire 2020, Norske Skog recorded a net loss of about NOK -1 884 million, which were affected by the same items as stated above. Net interest-bearing debt was NOK 725 million at the end of the fourth quarter, with an equity ratio of 41%. Due to the on-going strategic shift of the company, the board of directors has decided not to propose to the general meeting any dividend for 2020.

Status projects

Norske Skog plans to become a leading European producer of recycled containerboard by converting two newsprint machines, one at Bruck and one at Golbey. The conversions will introduce 765,000 tonnes of competitive containerboard capacity to meet the growing demand for renewable packaging. Detailed engineering for the containerboard projects in Austria and France are on track for final investment decision in the first half of 2021. Following the conversions, both mills will have access to renewable energy and will have reduced their carbon footprints to become among the best performers in the industry. The approximately EUR 350 million investment is expected to be financed with debt, partially guaranteed by Export Credit Agencies (ECA), and cash on balance. The installment of a 50 MW renewable waste-to-energy boiler in Austria is progressing according to plan, and the boiler is scheduled for start-up in the first half of 2022.

Norske Skog actively works to realise value from the industrial sites by developing existing infrastructure and industry competence. Norske Skog ceased newsprint production at the Tasman mill at the end of the fourth quarter, and now delivers converting grade paper to customers in the Asian packaging market. The Tasmanian forest was sold in June, and the Boyer mill entered into a long-term wood purchase agreement with the new forest owner. In New Zealand, the recent scale-up of wood pellets production capacity has been highly successful and the facility now produces around 90,000 tonnes.

Norske Skog is the largest shareholder in Circa Group, which during the fourth quarter received a EUR 11.6 million EU Flagship Grant for the production of a first-of-its-kind 1,000 tonnes biochemicals plant in France. Circa Group is contemplating a listing on the Euronext Growth in Oslo during the first quarter of 2021 to raise the required capital for construction of the plant and continued market introduction of its biochemicals. Following significant

Norske Skog ASA

Sjølyst plass 2
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Norway

marketing efforts and customer testing in 2020, CEBINA is now sold and delivered to customers in Norway and internationally. CEBINA is a natural fibre product developed at Norske Skog Saugbrugs, which add rheology control in fluids and armouring in solid materials.

- We have set new Sustainable Development Goals for the entire group. All of our new green growth projects will be in line with an ambition to deliver carbon neutral products at the latest in 2050. Our strategic containerboard and energy projects at Bruck and Golbey are progressing both technically and financially as planned. I am proud to say that we have successfully achieved the first sale and delivery of our competitive nano-cellulose product, CEBINA, a significant milestone on the path for continued commercial introduction. We are now in a process to strengthen the sales organisation in order to reflect our future product portfolio, says Sven Ombudstvedt, CEO of Norske Skog.

Key figures, fourth quarter of 2020

NOK MILLION (unless otherwise stated)	Q4 2020	Q3 2020	Q4 2019	2020	2019
INCOME STATEMENT					
Total operating income	2 476	2 199	3 344	9 612	12 954
EBITDA	146	73	560	736	1 938
Operating earnings	-1 276	-31	-117	-1 339	2 398
Profit/loss for the period	-1 363	-89	-158	-1 884	2 044
CASH FLOW					
Net cash flow from operating activities	73	115	-78	549	602
Net cash flow from investing activities	-217	-131	0	302	-180
OPERATING MARGIN AND PROFITABILITY (%)					
EBITDA margin	5.9	3.3	16.8	7.7	15.0
Return on capital employed (annualised)	-8.6	-7.3	30.0	2.1	28.5
Capacity utilisation (Production / capacity %)	81	71	88	77	89

Segment information

Total annual production capacity for the group is 2.1 million tonnes. In Europe, the capacity is 1.8 million tonnes, while in Australasia the capacity is 0.3 million tonnes.

Europe

Operating income increased from the previous quarter due to higher sales volumes. Sales prices decreased moderately. Variable cost per tonne decreased in the quarter due to lower fibre, recovered paper and energy prices. Fixed costs were lower due to lower employee benefit expenses. According to Eurograph, demand for standard newsprint in Europe decreased by 22% through November compared to the same period in 2019. SC magazine paper demand decreased by 13%, while demand for LWC magazine paper declined by 22%. Our capacity utilisation was 80% in the quarter, up from 72 % in the previous quarter.

Australasia

Operating income increased from the previous quarter due to increased sales volume but with somewhat lower prices compared to the previous quarter. Variable costs per tonne were somewhat lower compared to the previous quarter. Fixed costs were higher due to less covid-19 specific governmental support to cover employee benefit expenses. According to official trade statistics, demand for newsprint in Australasia declined by 22% through December compared to the same period in 2019. Demand for magazine paper declined by 26%. Capacity utilisation was 87% in the period, significantly up from 69% in the previous quarter.

Outlook

Although the publication market has recaptured some of the lost sales volumes during the initial COVID-19 restrictions in April and May of 2020, the publication paper market is still uncertain and imbalanced. The current COVID-19 restrictions in Europe provides uncertainty for the short-term market development. On the other hand, the significant capacity closures announced in 2020, which were mostly effectuated by the year-end, are expected

to positively impact the market balance from the second half of 2021. In Continental Europe, the pricing environment will remain challenging in the first half of 2021. In North America and Asia, sales price increases for the first half of 2021 have been announced. Traditionally, this is a leading indicator for the price development in Europe.

In the fourth quarter of 2020, Norske Skog announced a strategic review of the New Zealand operations. Norske Skog has received significant attention from potential investors for both the Tasman mill and Nature's Flame pellets facility. The ambition is to conclude these processes during the first half of 2021.

The repositioning of the Tasman mill into production of converting grade paper is expected to provide further balance to the Australasian publication paper market, as Boyer will be the only publication paper producer in the region. The Boyer mill will mainly supply Australia and New Zealand, and thus, reduce exposure to lower margin export markets.

Norske Skog will continue its work to improve the core business and has initiated margin protection programmes throughout the group with cost saving initiatives of approximately NOK 200-250 million, which consist of announced capacity closures, efficiency investments and cost reduction programs. Norske Skog aims to make a final investment decision regarding the containerboard projects in the first half of 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 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.

Norske Skog
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Pressemelding

Betydelig fremdrift i grønne vekstprosjekter

Norske Skogs EBITDA i fjerde kvartal 2020 var NOK 146 millioner, en økning fra NOK 73 millioner i tredje kvartal 2020, som et resultat av økt salgsvolum og gunstig kostnadsutvikling. Til tross for noen forbedringer har ikke markedene kommet tilbake til nivåer før covid-19. De nye grønne vekstprosjektene, som emballasje- og energiprojektene ved Bruck og Golbey, og fiberprosjekter ved andre enheter, har hatt betydelig fremdrift i fjerde kvartal.

- Selv om koronarestriksjonene har hatt en alvorlig negativ innvirkning på virksomheten, har vi både stabilisert vår publikasjonspapirvirksomhet, og fortsatt utviklingen med de grønne vekstprosjektene. For å sikre fremtidig lønnsomhet, har vi tilpasset vår produksjonskapasitet til de utfordrende markedsforholdene i lys av covid-19. Hver fabrikk identifiserer nå nye industrielle alternativer for å sikre en langsiktig, bærekraftig utvikling ved industrianleggene, sier Sven Ombudstvedt, konsernsjef i Norske Skog.

Kontantstrøm fra driften var NOK 73 millioner i kvartalet sammenlignet med NOK 115 millioner kroner i forrige kvartal, som hovedsakelig skyldes en reduksjon i varelagrene samt opptjent CO₂-kompensasjon, som utbetales i 2021. Driftsresultatet i fjerde kvartal 2020 var på NOK -1 276 millioner sammenlignet med et driftsresultat på NOK -31 millioner i tredje kvartal 2020. Kvartalet var i betydelige grad påvirket av endringer uten kontanteffekter i regnskapsføringen av energikontrakter på NOK 1 129 millioner, nedskrivninger av anleggene ved Boyer, Saugbrugs og Skogn på NOK 258 millioner.

Underskuddet i kvartalet var NOK -1 363 millioner sammenlignet med et underskudd på NOK -89 millioner kroner i forrige kvartal. For hele 2020 hadde Norske Skog et nettotap på cirka NOK -1 884 millioner, som ble påvirket av de samme ovenstående postene. Netto rentebærende gjeld var NOK 725 millioner ved utgangen av året, med en egenkapitalandel på 41%. På grunn av selskapets pågående strategiske utvikling, har styret besluttet å ikke foreslå overfor generalforsamlingen utbytte for 2020.

Status prosjekter

Norske Skog planlegger å bli en ledende europeisk produsent av resirkulert bølgepapp ved å konvertere to avisapirmaskiner, en på Bruck og en på Golbey. Konverteringene vil introdusere 765 000 tonn med konkurransedyktig bølgepappkapasitet for å møte den økende etterspørselen etter fornybar emballasje. Detaljplanlegging for emballasjeprojektene i Østerrike og Frankrike er i rute for endelige investeringsbeslutninger i første halvdel av 2021. Etter konverteringen vil begge fabrikkene få tilgang til miljøvennlig energi og redusere karbonfotavtrykket til å bli blant de laveste i bransjen. Investeringen på EUR 350 millioner er planlagt finansiert med gjeld, delvis garantert av eksportkredittgarantiinstitutteter, og kontantbeholdning. Byggingen av det 50 MW fornybare energiavfallsanlegget i Østerrike følger opprinnelig plan, oppstart er forventet i første halvår av 2022.

Norske Skog jobber aktivt for å utnytte vår bransjekompetanse til å utvikle verdier knyttet til våre fabrikkbygg. Norske Skog avviklet avisapirproduksjonen ved Tasmanfabrikken på New Zealand i slutten av fjerde kvartal, og leverer nå etter en maskinkonvertering, et ubehandlet papirråstoff til emballasjekunder i Asia. Skogen på Tasmania ble solgt i juni, der Boyer nå har inngått en langsiktig avtale om virkesleveranser med de nye eierne. I New Zealand har økningen i produksjonskapasiteten til 90 000 tonn pellets i starten av 2020 vært svært vellykket.

Norske Skog er også den største aksjonæren i Circa, som nylig mottok EUR 11,6 millioner i EU-støtte for produksjon av 1000 tonn med første-av-sitt-slag biokjemikalier i Frankrike. Circa Group vurderer en børsnotering på Euronext Growth i Oslo i løpet av første kvartal 2021 for å skaffe tilstrekkelig kapital for bygging av produksjonsanlegg og fortsette markedsintroduksjonen av biokjemikalier.

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Etter omfattende markedsføringsarbeide selges nå CEBINAs produkter til flere eksterne kunder i Norge og internasjonalt. CEBINA er et naturlig produkt av fibrillert cellulose fra Norske Skog Saugbrugs, som gir forbedrede flytegenskaper til væsker og armering i faste materialer.

- Vi har satt nye bærekraftsmål for hele konsernet. Alle våre nye grønne vekstprosjekter vil være i tråd med en ambisjon om å levere karbonnøytrale produkter senest i 2050. Våre store konverterings- og energiprosjekter i Bruck og Golbey fremskrider både teknisk og økonomisk som planlagt. Vi har også levert konkurransedyktige og vellykkede nanocelluloseprodukter til markedet. Nå er vi inne i en prosess for å gjennomgå og utvikle salgsorganisasjonen for at den skal gjenspeile vår fremtidige produktportefølje, sier Sven Ombudstvedt.

Nøkkeltall, fjerde kvartal 2020

NOK MILLIONER (om ikke annet opplyst)	Q4 2020	Q3 2020	Q4 2019	2020	2019
Resultatregnskap					
Totale inntekter	2 476	2 199	3 344	9 612	12 954
EBITDA	146	73	560	736	1 938
Driftsresultat	-1 276	-31	-117	-1 339	2 398
Resultat for perioden	-1 363	-89	-158	-1 884	2 044
Kontantstrøm					
Netto kontantstrøm fra operasjonelle aktiviteter	73	115	-78	549	602
Netto kontantstrøm fra investeringsaktiviteter	-217	-131	0	302	-180
Driftsmargin og lønnsomhet (%)					
EBITDA margin	5.9	3.3	16.8	7.7	15.0
Avkastning på investert kapital (annualisert)	-8.6	-7.3	30.0	2.1	28.5
Kapasitetsutnyttelse (produksjon/kapasitet %)	81	71	88	77	89

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.

Europa

Driftsinntektene økte fra forrige kvartal på grunn av høyere salgsvolum. Salgsprisene falt noe i kvartalet. Variabel kostnad per tonn falt i kvartalet på grunn av lavere pris på fiber, returpapir og energi. Faste kostnader var lavere grunnet lavere lønnsutgifter. I følge Eurograph falt etterspørselen etter standard avisepapir i Europa med 22% til og med november sammenlignet med samme periode i 2019. Etterspørselen etter superkalandrert magasinpapir (SC) falt med 13%, mens etterspørselen etter LWC magasinpapir falt med 22%. Kapasitetsutnyttelsen var 80% i kvartalet, opp fra 72% i forrige kvartal.

Australasia

Driftsinntektene økte fra forrige kvartal på grunn av økt salgsvolum men med noe lavere salgspriser enn i forrige kvartal. Variable kostnader per tonn var noe lavere sammenlignet med forrige kvartal. Faste kostnader var høyere og skyldes mindre statlig coronakompensasjon til å dekke ansattes lønnsutgifter. Ifølge offisiell handelsstatistikk falt etterspørselen etter avisepapir i Australasia med 22% i 2020 sammenlignet med 2019. Etterspørselen etter magasinpapir falt med 26%. Kapasitetsutnyttelsen var 87% i perioden, opp fra 69% i forrige kvartal.

Utsikter

Selv om publikasjonsmarkedet har gjenerobret noen av de tapte salgsvolumene under covid-19-restriksjonene i april og mai 2020, er markedet fortsatt usikkert og ubalansert. De nåværende covid-19-restriksjonene i Europa gir usikkerhet for den kortsiktige markedsutviklingen. De betydelige kapasitetsnedleggelsene, som ble kunngjort i 2020, og som hovedsakelig ble gjennomført innen årsskiftet, forventes å påvirke markedsbalansen positivt fra andre halvdel av 2021.

I Europa vil prisbildet forbli utfordrende i første halvår av 2021. I Nord-Amerika og Asia er salgsprisøkninger for første halvår av 2021 kunngjort. Tradisjonelt har dette vært ledende indikatorer for prisutviklingen i Europa.

I fjerde kvartal 2020 kunngjorde Norske Skog en strategisk gjennomgang av New Zealand-virksomheten. Norske Skog har fått betydelig oppmerksomhet fra potensielle investorer for både Tasman fabrikk og Nature's Flames pelletsanlegg. Ambisjonen er å avslutte disse prosessene i første halvdel av 2021.

Omstillingen av Tasmanfabrikken til andre papirtyper forventes å bedre den australske publikasjonspapirmarkedsbalansen, da Boyer vil være den eneste produsenten av publikasjonspapir i regionen. Boyer vil hovedsakelig levere til Australia og New Zealand, og dermed redusere eksponeringen mot eksportmarkeder med lavere marginer.

Norske Skog vil fortsette arbeidet med å forbedre kjernevirksomheten og har igangsatt marginforbedrende programmer i hele konsernet på cirka NOK 200-250 millioner, som består av annonserte kapasitetsstengninger, effektivitetsinvesteringer og kostnadsreduksjonsprogrammer. Norske Skog har som mål å ta en endelig investeringsbeslutning om emballasjeprosjektene i første halvår av 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 kvartalsmateriell

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 og publisert på 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.

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