

Press release

Good profitability despite turbulent markets

Norske Skog's EBITDA in the second quarter of 2022 was NOK 905 million, an increase from NOK 610 million in the first quarter of 2022. Sales prices for all grades increased in the quarter as a consequence of high energy costs in Europe and a tight publication paper market. The containerboard conversions and energy projects are progressing as planned.

"Despite turbulent raw material and energy markets during the quarter, we have managed to achieve improved margins on our paper products. Our mills have been operating at full capacity during the quarter. We expect that the market for publication paper will remain tight also in the second half of 2022," says Sven Ombudstvedt, CEO of Norske Skog.

Cash flow from operations was NOK 473 million in the quarter compared to NOK 196 million in the previous quarter, positively impacted by the improved operating margins, but negatively impacted by change in working capital, being mainly an increase in inventories, and trade and other receivables. Operating earnings in the second quarter of 2022 were NOK 1 195 million compared to operating earnings in the first quarter of 2022 of NOK 593 million. The quarter was positively affected by non-cash changes in fair value of energy contracts in Norway amounting to NOK 419 million. Net profit in the quarter was NOK 935 million compared to a net profit of NOK 583 million in the previous quarter. Net interest-bearing debt was NOK 1 012 million at the end of the second quarter, with an equity ratio of 42%.

Status projects

The conversion of one newsprint machine both at Norske Skog Bruck and Norske Skog Golbey will add 760 000 tonnes of cost-competitive and low-emission containerboard capacity. The containerboard production will be fully based on recycled fibre, and will utilise green energy generated from the newly opened waste-to-energy facility at the Bruck industrial site and the newly financed biomass plant at the Golbey industrial site. These containerboard investments are financed by debt facility agreements with an aggregate amount of EUR 265 million, having an average maturity towards the end of 2030.

"We are proud of being able to serve both the publication paper and the packaging paper markets in a sustainable and profitable manner in the near future," says Ombudstvedt.

The waste-to-energy plant at Bruck was officially opened by the Austrian Federal Minister Leonore Gewessler and commenced production in April. PM3 at Bruck ceased newsprint production on 10 July to prepare for the conversion of the machine to recycled containerboard production. In June, Norske Skog announced that the Green Valley Energie (GVE) joint venture, in which Norske Skog Golbey has a 10% stake, will start the construction of the largest biomass boiler of its kind in France at the mill site of Golbey, following recent completion of debt financing. The biomass boiler will produce about 200 GWh of electricity and about 700 GWh of renewable heat, thus generating CO2 savings of 210 000 tonnes per year and providing electricity equivalent to the consumption of more than 13 000 homes.

"The Green Valley energy project is one more milestone in the ongoing transition of Norske Skog towards new growth markets and sustainable energy. The biomass boiler will ensure a stable, long-term supply of cost-competitive and 100 percent renewable steam as an alternative to fossil energy sources like natural gas, shielding us from increasingly volatile energy markets for the Golbey mill," says Ombudstvedt.

Norske Skog ASA

Sjølyst plass 2
P.O. Box 294 Skøyen, 0213 Oslo
Norway

www.norskeskog.com

twitter: @Norske_Skog

Norske Skog actively works to realise value from its industrial sites by developing existing infrastructure and industry competence. The Norwegian Minister of Trade and Industry Jan Christian Vestre officially opened the CEBICO pilot plant for bio composites in Halden during the quarter. Saugbrugs has now entered into several partner contracts to commercialise CEBICO. The microfibrillar cellulose product CEBINA has successfully been applied in various materials such as epoxy and spray filler. Through the partnerships with Ocean GeoLoop at Norske Skog Skogn and Borg CO2 at Norske Skog Saugbrugs, Norske Skog aims to pursue the opportunity to become CO2 net negative, and to explore economically viable models for utilisation of biogenic CO2.

Operations

Total annual publication paper production capacity for the group is 2.1 million tonnes, with 1.8 million tonnes in Europe and 0.3 million tonnes in Australia. Norske Skog has numerous ongoing bio products and energy activities at all industrial sites.

Operating revenue increased from the previous quarter due to higher sales prices. Delivered volumes were in line with the previous quarter. The price increases in the quarter were driven by higher energy and other raw material costs. Variable cost per tonne decreased in the quarter due to the start-up of the waste-to-energy plant at Bruck, which reduced energy costs and CO2 emissions. The limited availability of high priced recovered paper caused some sporadic short term operational down-time in the quarter. Fixed costs per tonne increased somewhat due to higher valuation of the long term incentive programme in the quarter. Group capacity utilisation remained high in the quarter at 91%.

According to Eurograph, demand for standard newsprint in Europe increased by 2% through May compared to the same period last year. SC magazine demand decreased by around 5%; whereas, LWC paper demand decreased by around 11% through May compared to the same period last year.

According to official Australian trade statistics, demand for newsprint in the second quarter in Australasia decreased by 6% compared to the same period last year.

Key figures, second quarter of 2022

| NOK million (unless otherwise stated) | Q2 2022 | Q1 2022 | Q2 2021 | YTD 22 | YTD 21 |
|---|---------|---------|---------|--------|--------|
| Income statement | | | | | |
| Total operating income | 3 937 | 3 590 | 2 346 | 7 527 | 4 580 |
| EBITDA | 905 | 610 | 17 | 1 515 | 129 |
| Operating earnings | 1 195 | 593 | -277 | 1 789 | -74 |
| Profit/loss for the period | 935 | 583 | -355 | 1 518 | -161 |
| Cash flow | | | | | |
| Net cash flow from operating activities | 473 | 196 | -190 | 669 | -27 |
| Net cash flow from investing activities | -451 | -112 | -159 | -564 | -397 |
| Operating margin and profitability (%) | | | | | |
| EBITDA margin | 23.0 | 17.0 | 0.7 | 20.1 | 2.8 |
| Return on capital employed (annualised) | 33.8 | 17.8 | -13.1 | 25.5 | -10.0 |
| Capacity utilisation (Production / capacity %) | | | | | |
| | 91 | 94 | 82 | 93 | 84 |

Outlook

The development in the global economy, especially within the raw material and energy markets, are of vital importance for the publication paper industry, and thus for Norske Skog's operations. The raw materials- and energy prices are expected to remain high and volatile in the second half of 2022, and may necessitate further publication paper price increases in Europe. The lack of availability of raw materials may cause short term halt in the production. Continued disruptions in the global supply chains may also cause operational challenges in the second half of 2022.

The already executed and planned capacity closures in the industry have resulted in a tight publication paper market, which is expected to keep high operating rates for the industry during 2022 and into 2023. The turbulent operating environment, especially on the energy side, may result in further temporary or permanent closures in the industry.

The waste-to-energy facility at Bruck is expected to reach full capacity utilisation during the third quarter of 2022. The facility will significantly reduce the gas consumption, and thus CO2 emissions for Norske Skog Bruck.

At Bruck, the production of newsprint (PM3) ceased on 10 July in preparation for the conversion to recycled containerboard. Staff will remain on site until Bruck enters the packaging paper market in the first quarter of 2023. At Golbey, the conversion of one newsprint machine (PM1) into recycled containerboard production at Golbey is progressing as planned with expected start-up in the fourth quarter of 2023.

Norske Skog continues to develop business opportunities for CEBINA and CEBICO. This includes evaluating a potential capacity increase for CEBICO bio composites materials beyond the existing 300 tonnes annual pilot-scale capacity as a result of Saugbrugs, BEWI and BE Form entered a partnership to commercialise CEBICO.

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 ongoing conversion projects. In addition, the Group operates one paper mill in Australia. Norske Skog aims to further diversify its operations and continue its transformation into a growing and high-margin business through a range of promising energy and bio product development projects. The Group has approximately 2 100 employees, 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, but will arrange a webinar today at 08:30 CEST 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
Communications and Public Affairs

For further information:

Norske Skog media:

Vice President Communication and Public Affairs

Carsten Dybevig

Email: carsten.dybevig@norskeskog.com

Mob: +47 917 63 117

Norske Skog financial markets:

Investor Relation Manager

Even Lund

Email: even.lund@norskeskog.com

Mob: +47 906 12 919