Norske Skog

Investor presentation

12 June 2024

We create green value

Agenda

Key highlights

Over-the-cycle cash generation from publication paper production enabled by a competitive cost position
- Long-standing publication paper producer with leading cost positions and top-tier market positions
- Generated NOK 1.4bn in operating cash flow over last twelve months per Q1 2024 during challenging market conditions and operating environment

Fully financed strategic diversification into the growing recycled containerboard market to be completed during H2 2024
- Well invested asset base with NOK 6.3bn of expansion investments since 2019 and limited remaining investments to conclude announced strategic investment programmes
- Ramp-up of containerboard production progressing according to plan and will increase the Company’s total production capacity with close to 50% at full utilisation in 2025-26

Robust and resilient financial position supported by a conservative financial strategy
- Equity ratio of 41% and interest coverage ratio of 11.9x highlights the Company’s financial position per Q1 2024
- Fundamental uplift in earnings potential from recycled containerboard production to further strengthen the balance sheet and credit metrics

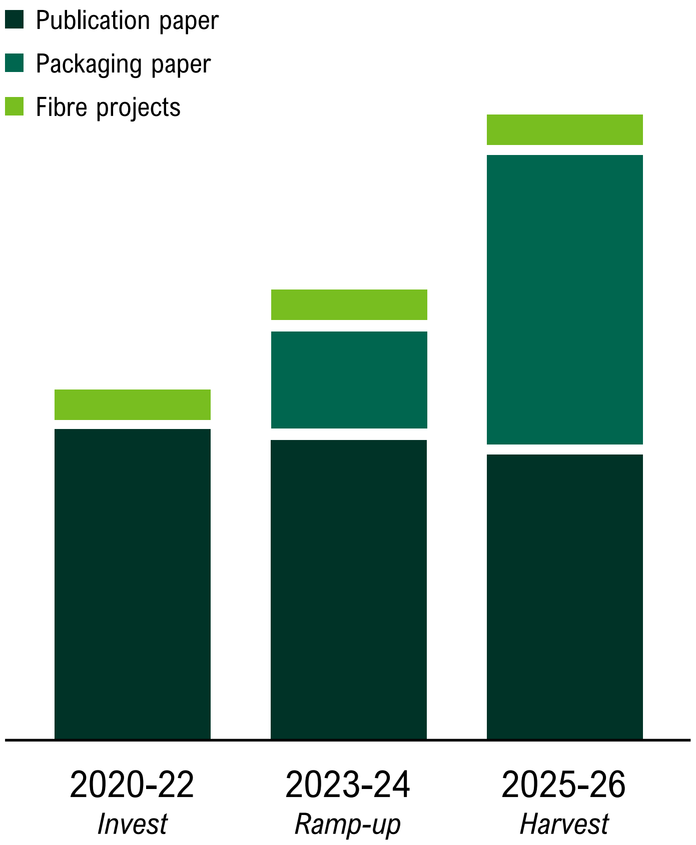
Focused on sustainable value creation and enabling a circular economy
- Reduction of scope 1 & 2 CO_2 emissions of 42% in 2023 and target reduction of 55% in 2030, compared to 2015 levels
- Enhancing environmental reporting and achieving a CDP Climate Change score of A- in 2022 and 2023

Agenda

Norske Skog

Sustainable fibre processing industry

Strategic transition



- **Leading publication paper producer**
  - *News capacity: 990kt*
  - *Magazine capacity: 600kt*
- **Growing packaging paper producer**
  - *RCCM: 760kt (2025-26)*
  - *Remaining net capex of NOK 0.4bn*
- **Exploring further growth from fibre projects**
  - *BCTMP: 300kt (2027-28)*
  - *Project net investment of NOK 1.5-2.0bn will unlock NOK 615m from insurance settlement*
- Approximately 2 100 employees
- Listed on the Oslo Stock Exchange with a current market cap of NOK 3.9bn[1]

Five high quality industrial sites

- Eleven paper machines with supporting infrastructure for energy, fibre, and water
- 2023 CDP Climate Change Score A-

Q1 2024 key financials

- **NOK 1 543m** LTM EBITDA (12% margin)
- **NOK 1 429m** LTM cash flow operations
- **NOK 3 246m** net debt
- **NOK 1 915m** cash

RCCM = Recycled Corrugating Casing Materials, BCTMP = Bleached Chemi-Thermomechanical Pulp
1) Per 11 June 2024

Five high quality sites

Supporting infrastructure for energy, fibre, and water

Saugbrugs, Norway

Capacity, tonnes
PM4: 100 000 SC
PM5: 100 000 SC
TMP2: 300 000 BCTMP (2027-28)[1]

Skogn, Norway

Capacity, tonnes
PM1: 145 000 news
PM2: 145 000 news
PM3: 220 000 news

Boyer, Australia

Capacity, tonnes
PM2: 150 000 news
PM3: 135 000 LWC

Golbey, France

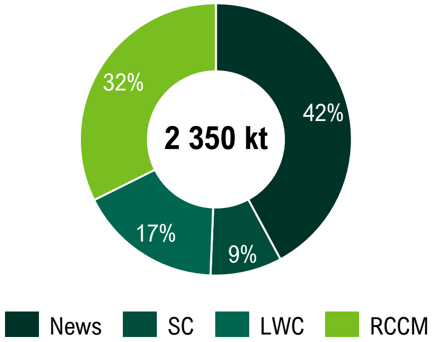
Capacity, tonnes
PM1: 550 000 RCCM (H2'24 start-up)
PM2: 330 000 news

Bruck, Austria

Capacity, tonnes
PM3: 210 000 RCCM
PM4: 265 000 LWC

Total production capacity

Following start-up of Golbey PM1 in H2 2024



Norway: Five competitive publication paper machines with excellent infrastructure

- → **Skogn** delivers stable and efficient newsprint production, fully based on pulpwood per Q2'24
- → **Saugbrugs** operating two paper machines and starting pre-engineering for BCTMP production, which will unlock NOK 615m to support future investments in equipment and machinery

Europe: Packaging strategy underway with conversion of two paper machines from publication paper to containerboard

- → **Bruck** ramping up containerboard production, supported by cost and CO2 efficient thermal energy from waste-to-energy boiler
- → **Golbey** producing cost-efficient and low emission newsprint paper, and will supply competitive containerboard from H2 2024

Australia: Current footprint of two paper machines following gradual regional exit with sale of Albury, Tasman, Nature's Flame, and forest assets

- → **Boyer** is the last domestic supplier of publication paper in Australasia

SC = Supercalendered; LWC = Light Weight Coated
1) Conditional upon positive final investment decision following conclusion of pre-engineering (main study)

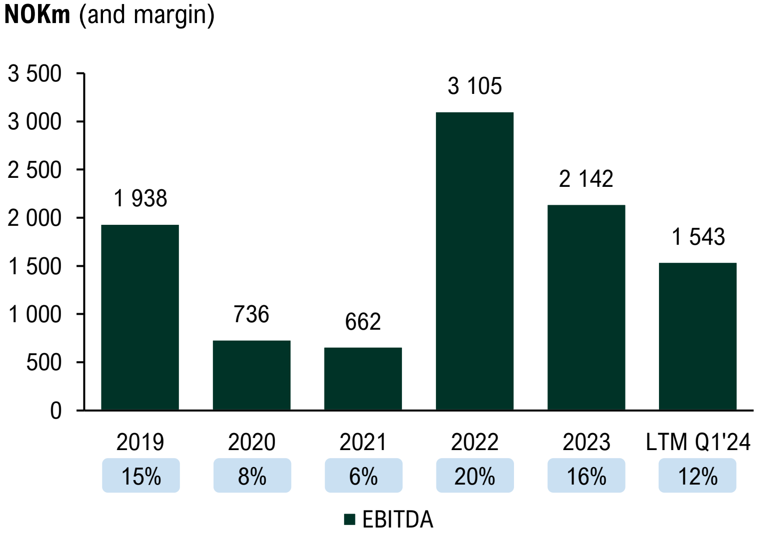
Resilient financials through the cycle

Maintaining profitability and positive operating cash flows

Total operating income

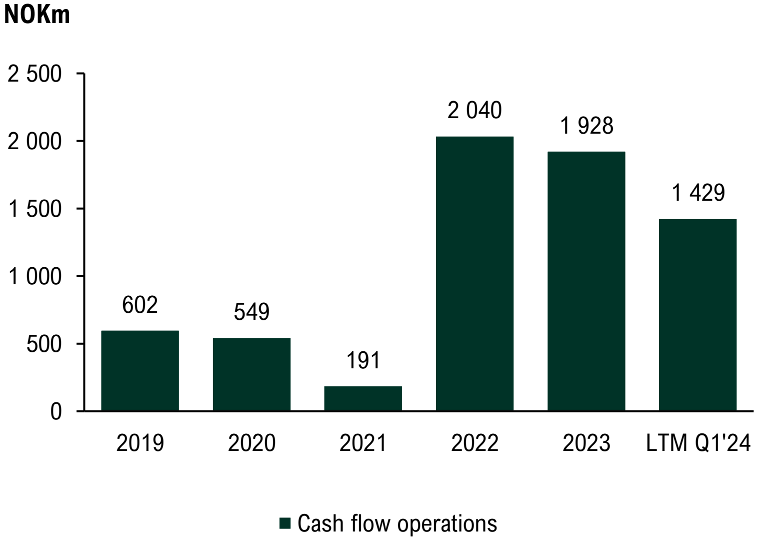
- Cyclical market impacting operating income development, with publication paper prices influenced both by the market balance and input costs (energy, fibre, chemicals, transportation, etc.)
- The structural annual decline in publication paper demand of 5-7% results in periods of capacity closures, allowing cost-efficient suppliers to gain market share
- Strategic diversification into containerboard production is expected to both reduce cyclicality and increase operating income

EBITDA



- Norske Skog targets a 10% EBITDA margin for its publication paper business over-the-cycle, and has achieved this ambition over the previous cycles
- The EBITDA margin target for the containerboard business is 20% when reaching full utilisation (2025-26), which is expected to enhance the Group's earnings meaningfully

Cash flow from operating activities



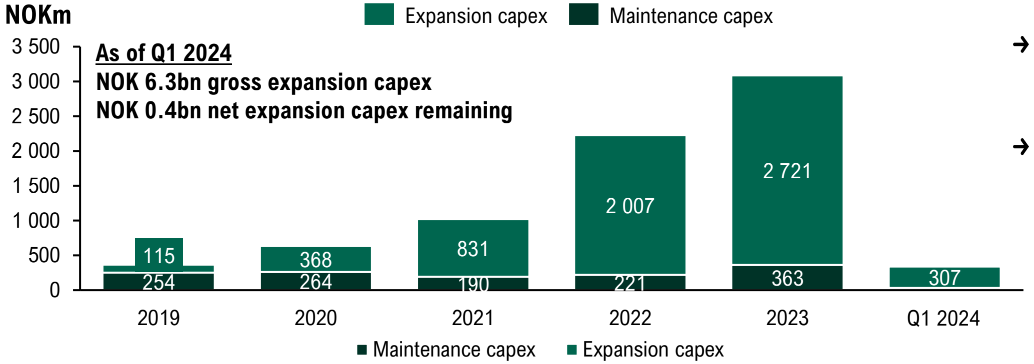
- Norske Skog has achieved a positive operating cash flow during both cyclical downturns and challenging operating environments, showcased by the recent 2020-2021 COVID-19 downturn
- This is the result of high operational efficiency which is a constant focus across the entire group

Significant project investments since 2019

Fundamental uplift in earnings potential following strategic investment programmes

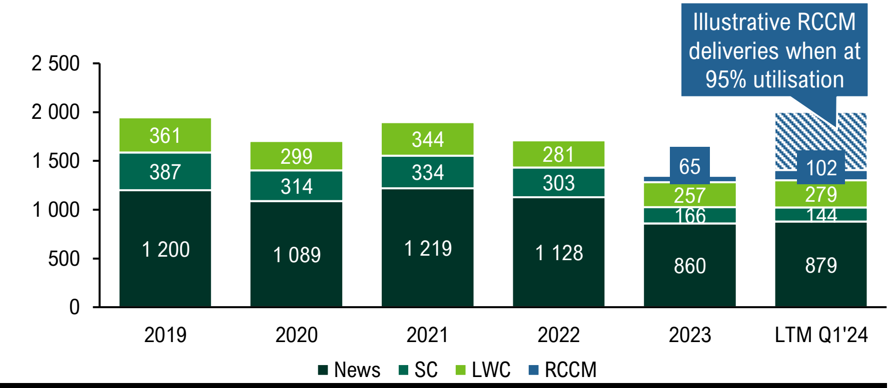
Substantial investments into strategic diversification…

NOK 6.3bn gross expansion capex since 2019 with limited net expansion capex remaining…



- Majority of remaining gross expansion capex to be expensed in H2 2024
- Energy efficiency certificates and investment grants to be received mainly in the period 2025-26, majority of which is expected to be recognised in EBITDA

…unlocking a fundamental uplift in earnings potential



…enabling increased earnings capacity through competitive containerboard capacity backed by energy assets

Projects at Norske Skog Bruck completed

Containerboard line (PM3)

Waste-to-energy boiler

Projects at Norske Skog Golbey completed during H2 2024

Containerboard line (PM1)

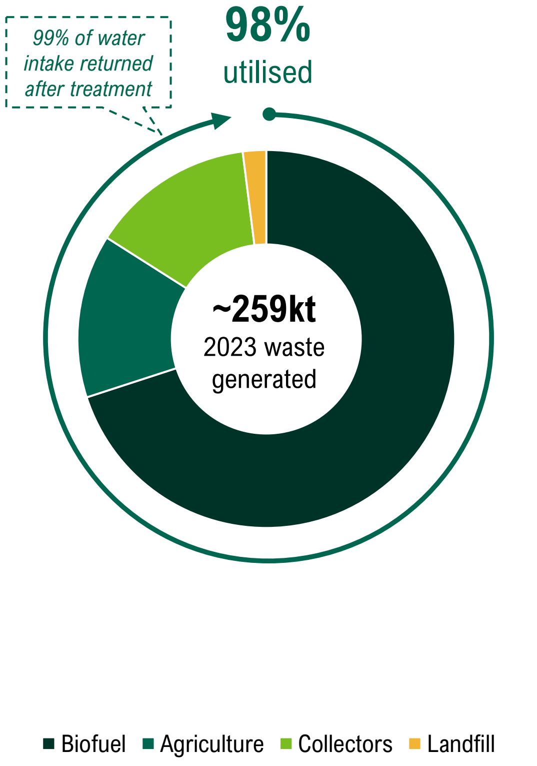
Biomass boiler joint venture[1]

1) Green Valley Energie (GVE) is a joint venture between Norske Skog (10%), Veolia (10%) and Pearl Infrastructure (80%), where Norske Skog will be sole offtaker of steam under a competitive long-term contract

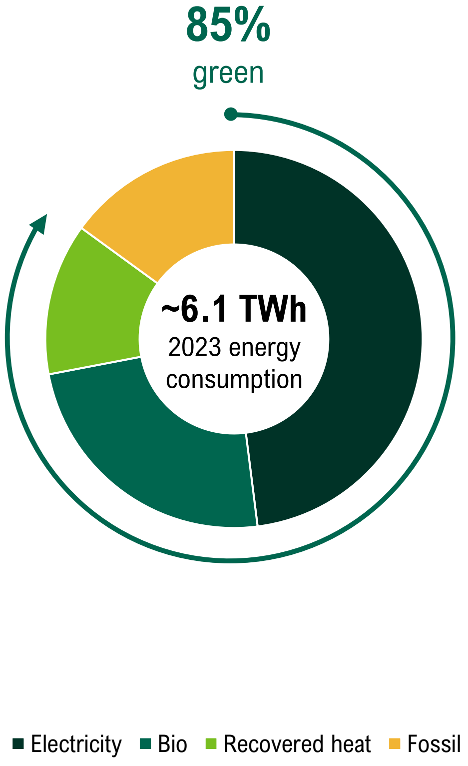
Enabling the circular economy

Continuously improving environmental footprint

Waste utilised

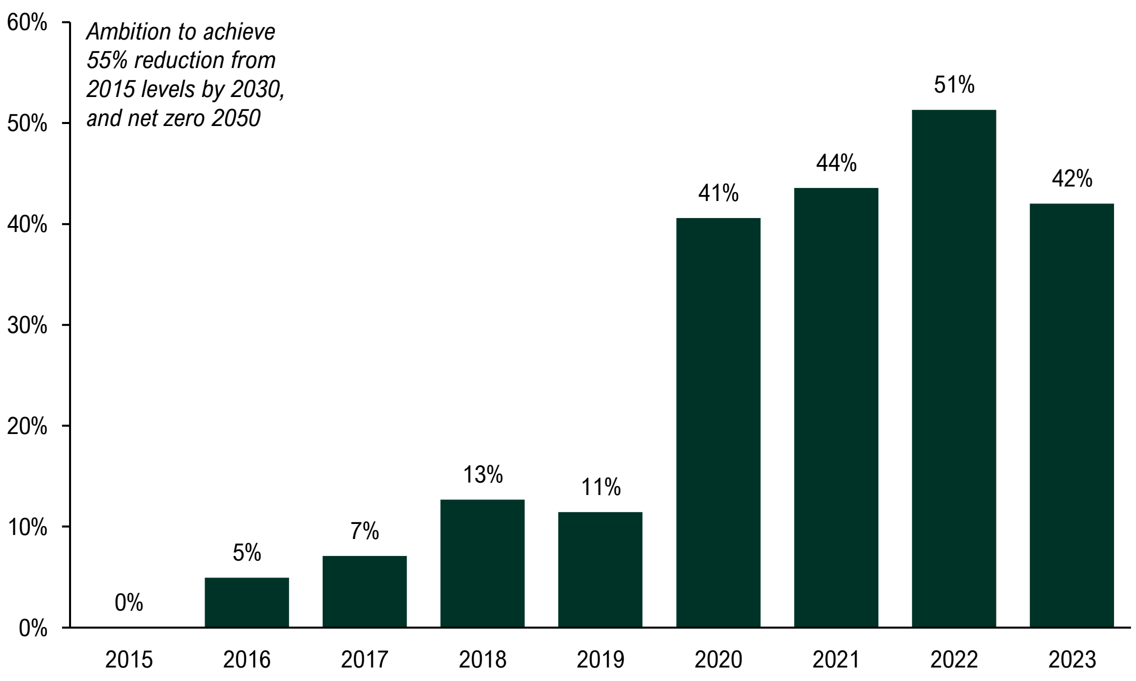


Green energy focused



Reduction in scope 1 & 2 CO2 emissions per tonne

Reduction in CO_2 per tonne produced



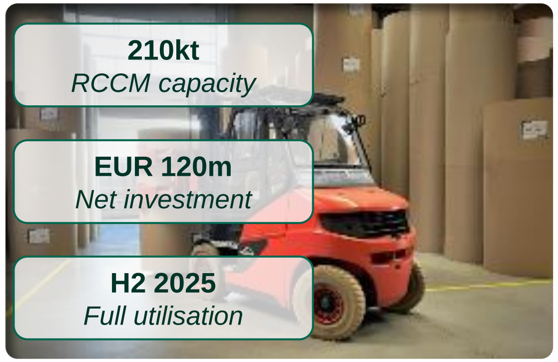
Agenda

Strategic projects nearing completion

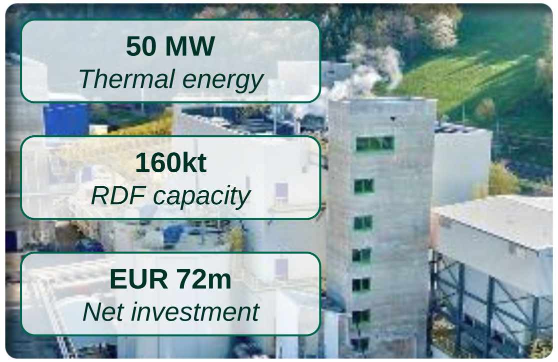
Containerboard cost efficiency supported by energy investments

Strategic investment projects

Bruck PM3 containerboard project

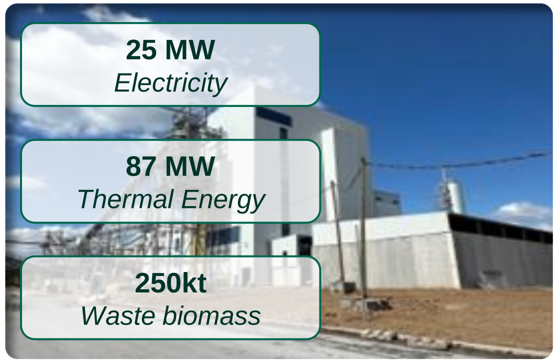


Bruck waste-to-energy boiler project



Golbey PM1 containerboard project

Golbey biomass boiler project



Commentary

Bruck PM3 containerboard

- → Continue to improve production efficiency as utilisation and process optimisation increases
- → Continued growth in production and deliveries, expect ~85% utilisation end of 2024 in line with plan
- → Excellent product quality and customer feedback

Bruck waste-to-energy boiler

- → Provides access to highly cost competitive thermal energy for Bruck’s containerboard production
- → Produces 400 GWh (50 MW) of thermal energy with Bruck as sole offtaker
- → Replaces fossil natural gas consumption with energy produced from regional RDF
- → Generates revenue from gate fees by providing offtake for around 150kt of RDF
- → Reduces the annual fossil CO2 footprint of Bruck with around 100kt

Golbey PM1 containerboard

- → Containerboard start-up in H2 2024, final piping and electrical work being completed
- → Increases Norske Skog containerboard production capacity from 210kt to 760kt
- → Expect 90% utilisation early 2026, and full utilisation H2 2026

Golbey biomass boiler project (Green Valley Energie)

- → Green Valley Energie (GVE) biomass plant start-up in Q3 2024
- → Sell green steam to Golbey under long-term contracts, replacing fossil natural gas
- → Provides highly cost competitive thermal energy for Golbey’s containerboard production

RDF = Refuse Derived Fuel

Saugbrugs to expand fibre processing footprint

Strong political and community support to secure Saugbrugs as a cornerstone employer

BCTMP pre-engineering (main study)

- Starting pre-engineering for 300kt BCTMP production at Saugbrugs with final investment decision H1 2025
- Potential to become a cost-leading BCTMP supplier, building upon expertise of the mill organisation, and well invested TMP, energy, water treatment, and other assets
- Expected net investment of NOK 1.5-2.0bn based on early supplier discussions for proven and industry-standard equipment and technical solutions
- Production expected to start H1 2027 and full utilisation in H1 2028, achieving return on net investment above 20%
- In addition, investments in BCTMP production will unlock remaining insurance payments of NOK 615m
- The project requires updating existing environmental permits and approval from certain lenders

SC magazine paper production continues

- Saugbrugs will continue to be a reliable supplier of 200kt SC magazine paper from PM4 and PM5

Expect positive insurance EBITDA impact of NOK 30-50m per quarter in 2024 to cover mill restoration, and additional NOK 295m in Q2 2024 (cash payment received Q4 2023). Insurance payments of NOK 615m to be received and recognised as BCTMP investments accrue

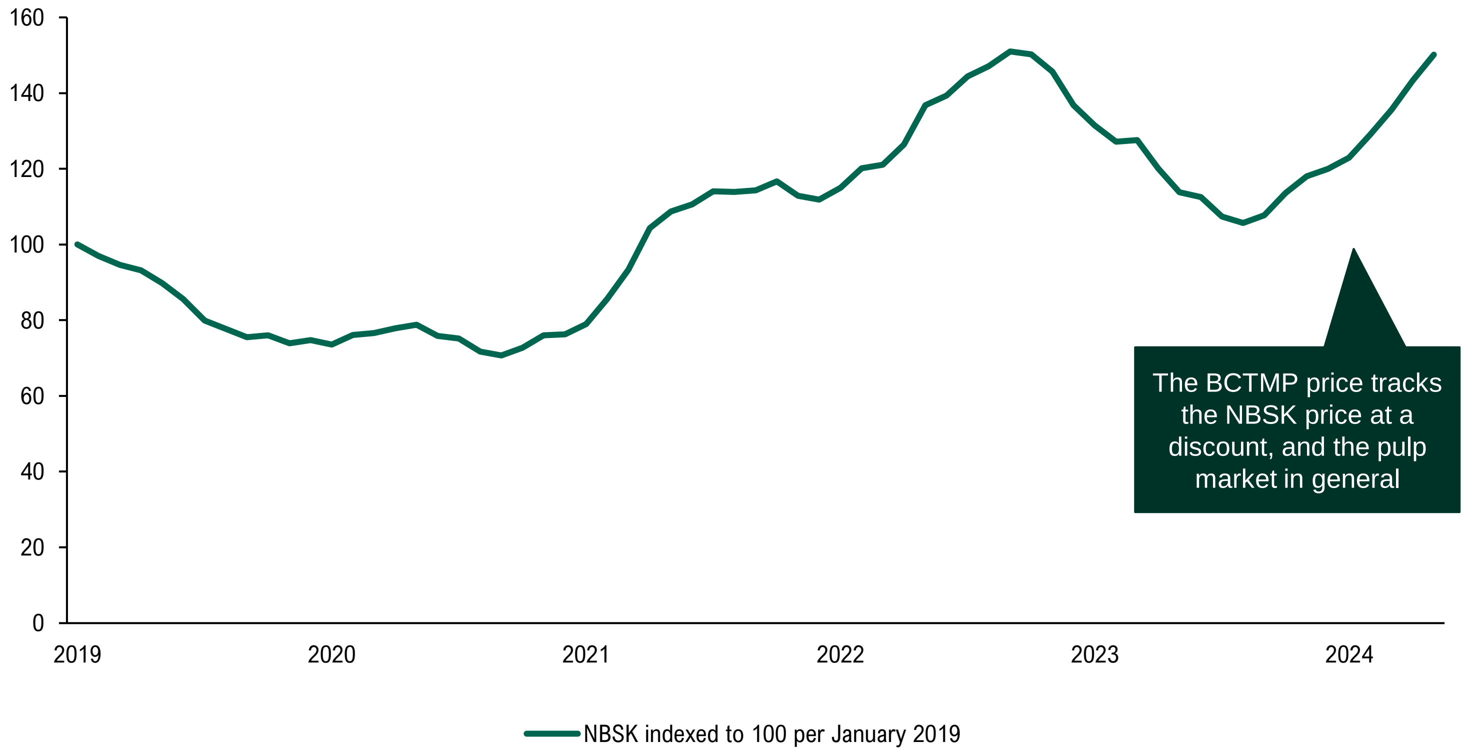
TMP = Thermomechanical Pulp

Top brownfield opportunity

Introducing 300kt of BCTMP capacity

Indexed Northern Bleached Softwood Kraft (NBSK) Europe price in USD

Indexed to 100 per January 2019



Source: RISI

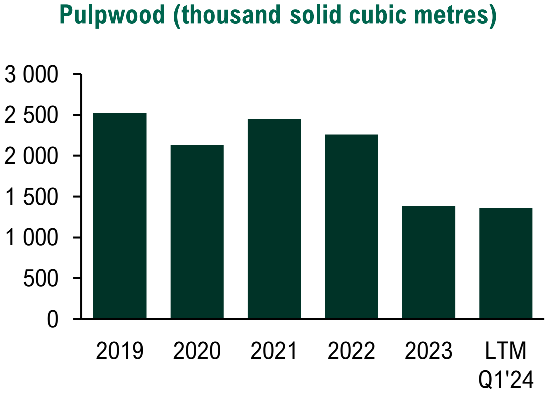
Sources of cost competitiveness

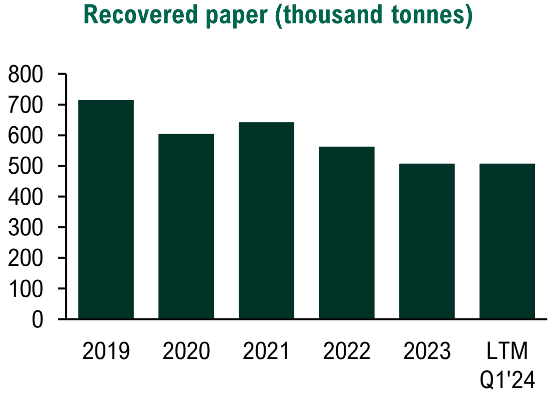
- Industrial site and buildings with scale advantages and personnel experienced with TMP production
- Invested NOK 165m in 2020-21 to further enhance energy efficiency of high quality TMP lines
- Access to green hydro power with sufficient grid capacity (280 MW) in place
- Biomass boiler (70 MW) secures sustainable and competitive steam supply, covering BCTMP and SC magazine paper production
- Established relations to pulpwood suppliers, with expectation to return to historic consumption levels
- Existing infrastructure and processes for low-cost logistics of inbound raw materials
- Efficient transportation by road, rail, and sea of BCTMP to potential packaging, hygiene, and other customers both in Nordic and global markets

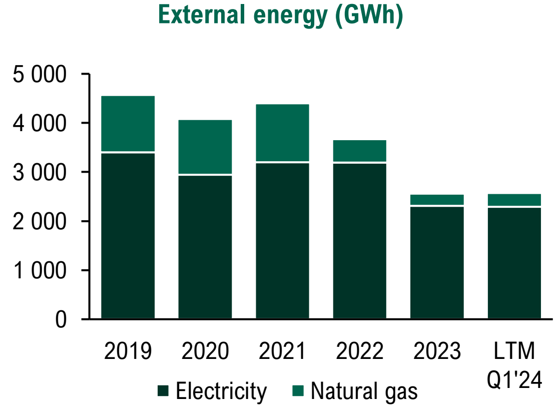
Production based on fibre and energy

Balancing fibre and energy supply to maintain high operating rates and profitability

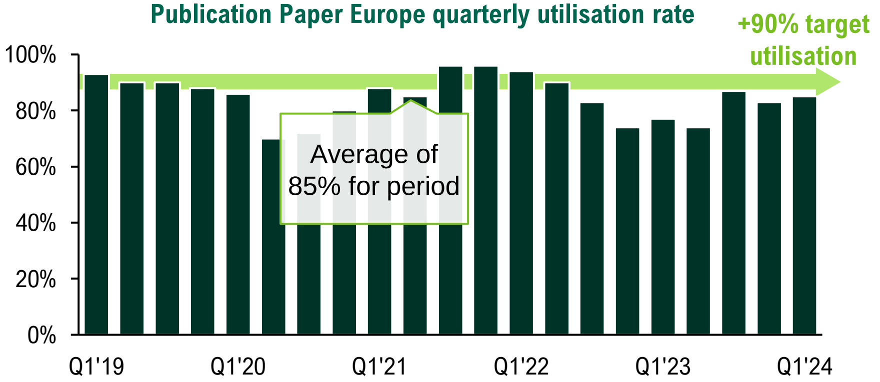
Publication Paper Europe external fibre and energy purchases

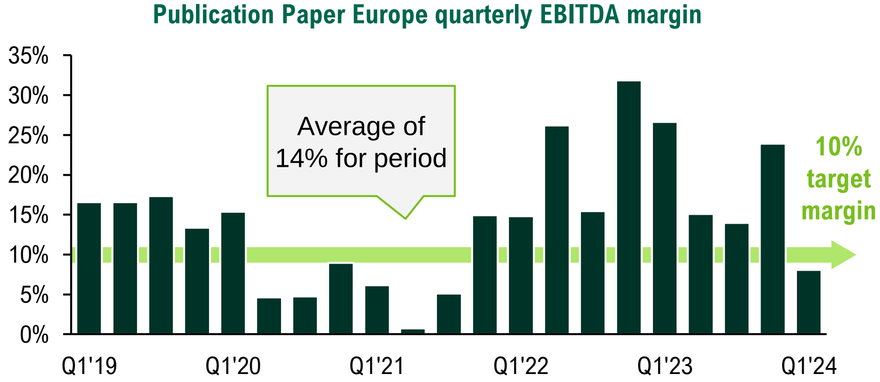






Publication Paper Europe operating targets of +90% utilisation and mid-cycle EBITDA margin of 10%





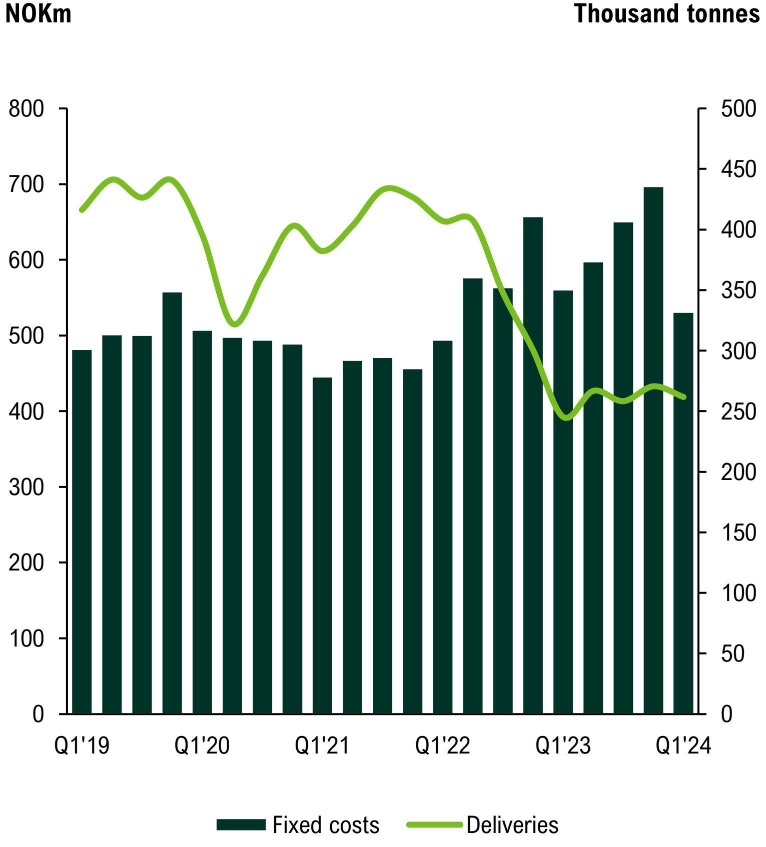
Commentary

- Production based on mix of pulpwood and recovered paper (RCP) provides diversification and stability as fibre prices fluctuate
  - Production in Norway to be fully based on pulpwood (fresh fibre) from Q2 2024, with annual European pulpwood consumption expected around 1.8m solid cubic metres
  - Austrian and French publication paper capacity mainly relying on RCP, with annual consumption of around 0.5mt RCP
- Large share of energy consumption sourced on long-term contracts or supplied from own assets
  - Electricity sourced 85-90% on long-term contracts expiring in period 2026-30, and annual consumption of 2.7 TWh
  - Limited purchase of natural gas following start-up of waste-to-energy boiler at Bruck in 2022, majority of heat supplied by own boilers from biomass and RDF as well as process heat recovery

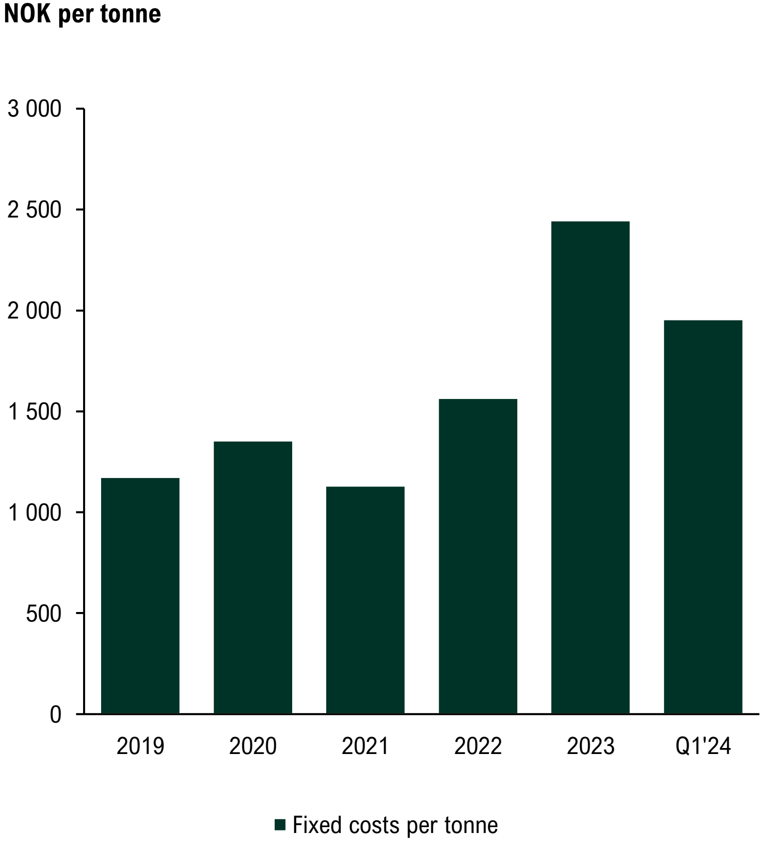
Fixed cost per tonne to decrease

Golbey containerboard start-up and fixed cost initiatives will reduce fixed cost per tonne

Publication Paper Europe fixed costs[1] and deliveries



Publication Paper Europe fixed costs per tonne



Commentary

- Fixed costs improvement initiatives being implemented across all mills to maintain competitiveness
- Fixed costs per tonne remain high as fixed costs for Golbey PM1 remain allocated to publication paper segment prior to start-up of containerboard production
- Situation will improve significantly, enhancing profitability and competitiveness, as Golbey PM1 starts containerboard production in H2 2024

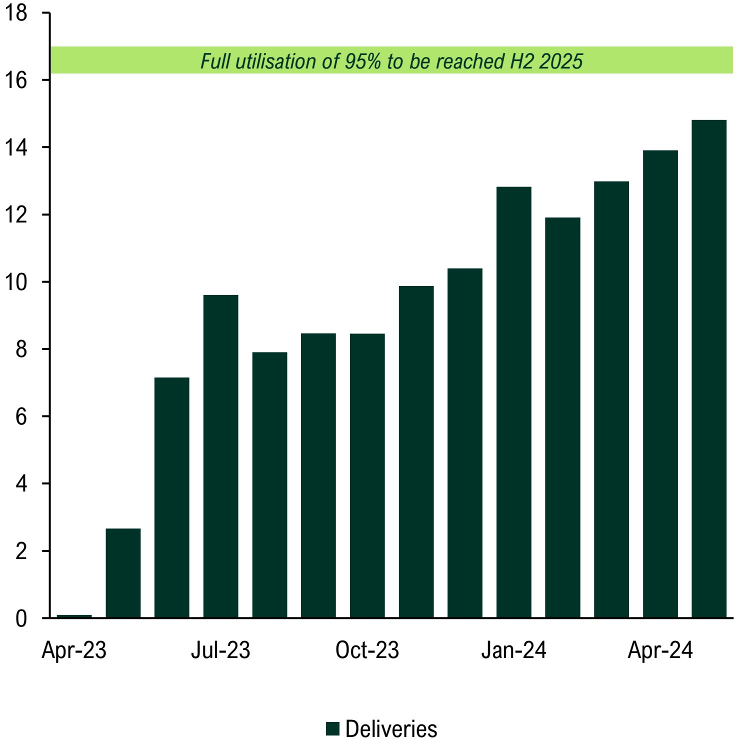
1) Note that fixed costs in Q3 2023 and Q4 2023 were impacted by NOK 71m and NOK 73m, respectively, relating to insurance covered clean-up costs at Norske Skog Saugbrugs following the rockslide on 27 April 2023

Continued growth in containerboard deliveries

Operating targets of +95% utilisation and mid-cycle EBITDA margin of 20% (2025-26)

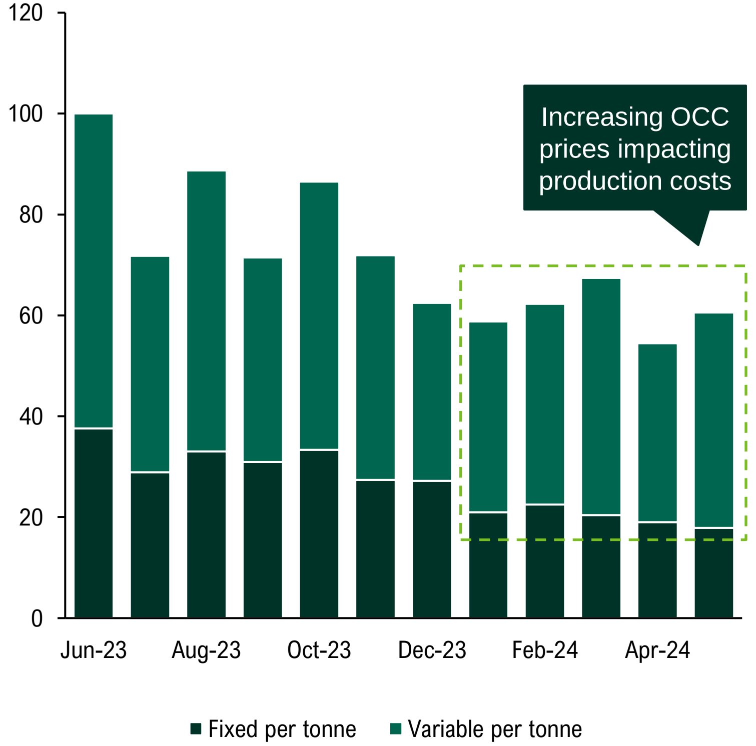
Monthly RCCM deliveries Bruck PM3

Thousand tonnes



Mill gate cash cost index per tonne

Index set to 100 per June 2023



Commentary

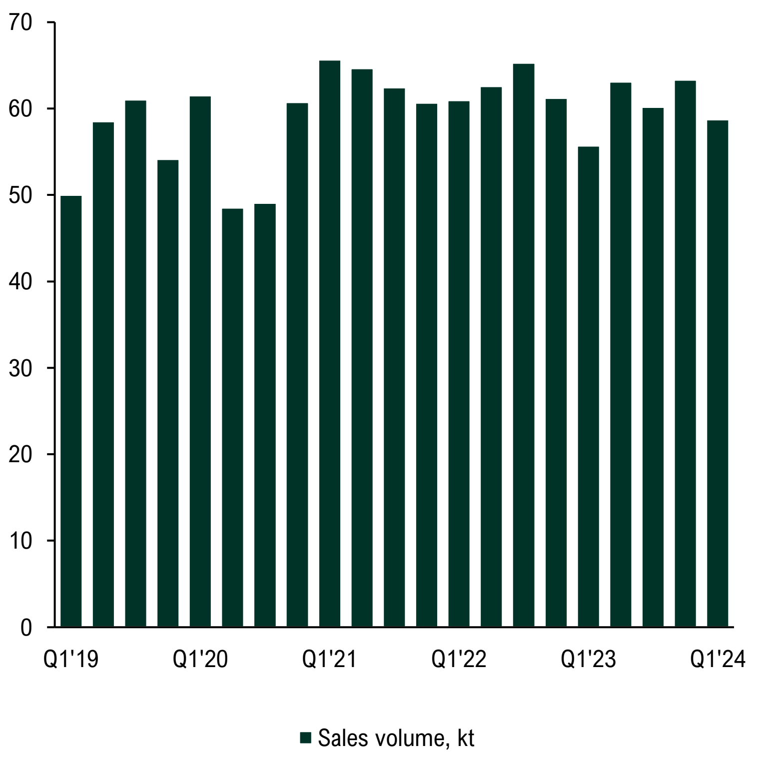
- The packaging paper segment currently consists of Norske Skog Bruck PM3 in Austria, and will also comprise Norske Skog Golbey PM1 in France following start-up in H2 2024
- Delivery volumes expected to increase gradually during the coming quarters as ramp-up continues
- Bruck PM3 expected to produce 16-17kt per month when at 95% utilisation in H2 2025, equivalent to 200kt per year. Expect positive EBITDA from Bruck PM3 in Q2 2024
- Golbey PM1 expected to produce 43-44kt per month when at 95% utilisation in H2 2026, equivalent to 520kt per year
- Packaging Paper segment expected to be negative for full year 2024 as fixed costs of around NOK 70m per quarter currently recognised in Publication Paper Europe segment will be allocated to Packaging Paper upon start-up of Golbey PM1
- Once at full utilisation on both machines, the machines are expected to generate annual EBITDA of EUR 70-80 million based on historical prices and margins seen in the market

Focus on protecting margins and cash flow

Norske Skog Boyer is the last domestic supplier of publication paper

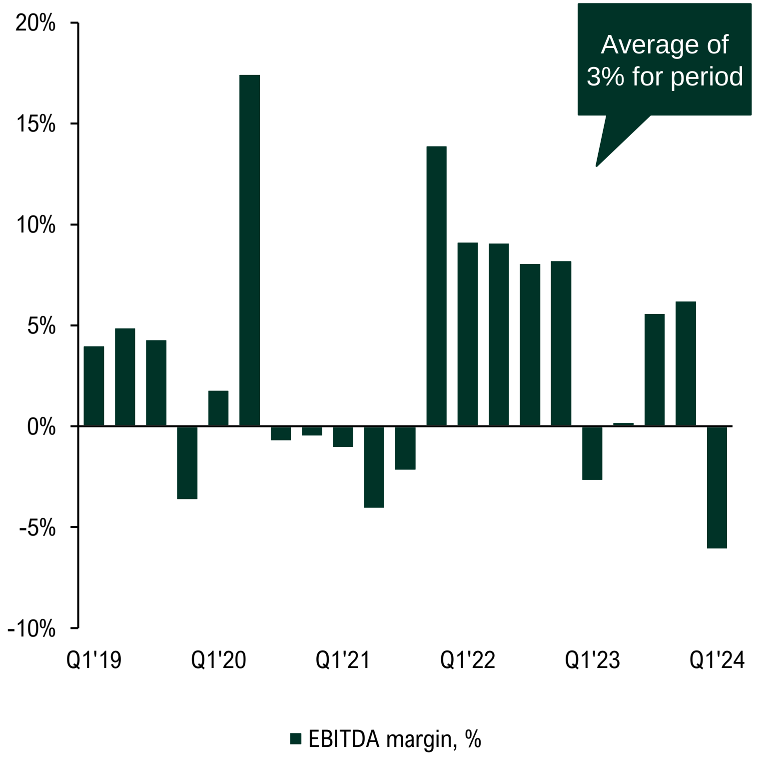
Norske Skog Boyer quarterly deliveries

Thousand tonnes



Norske Skog Boyer EBITDA margin

EBITDA margin



Commentary

- Norske Skog has gradually exited the Australasian region, with Boyer being the last domestic supplier of publication paper
- Domestic volumes allow for marginal profitability, but exports to Asia are challenging
- Significant effort in all customer negotiations, as well as all sourcing of energy, fibre, other raw materials, and distribution to enable continued profitability
- Ambition to maintain positive margins and cash flow at Boyer

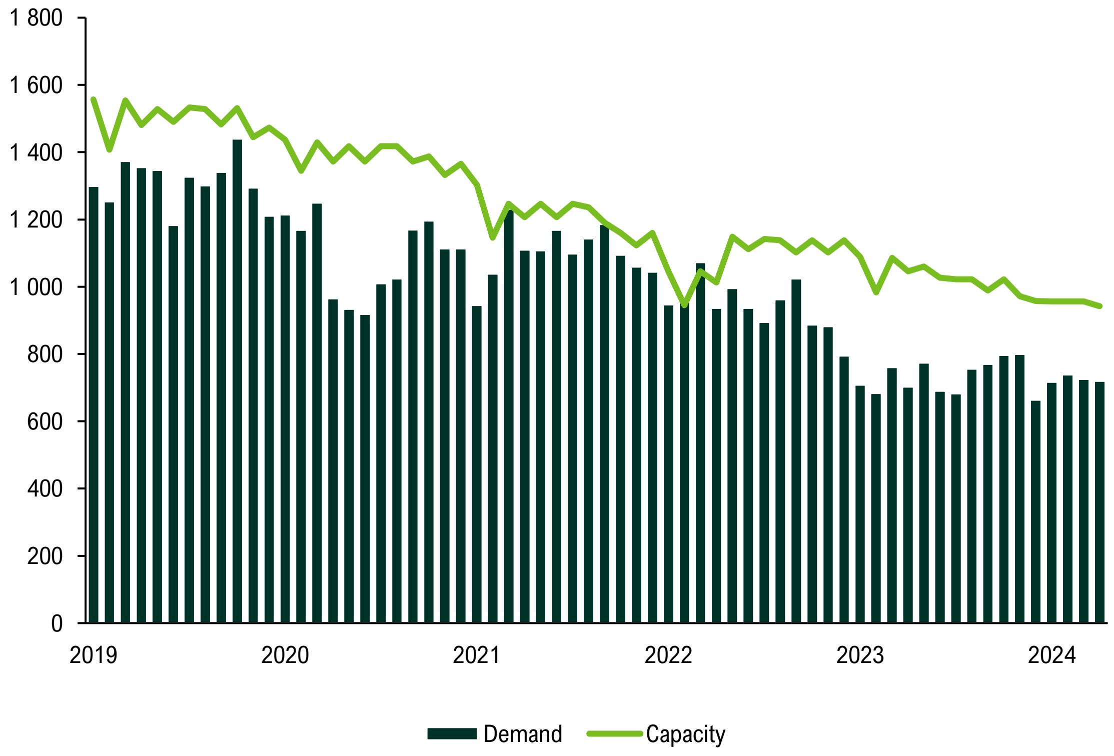
Agenda

Publication paper market

Stable demand into 2024 as stock-levels normalise

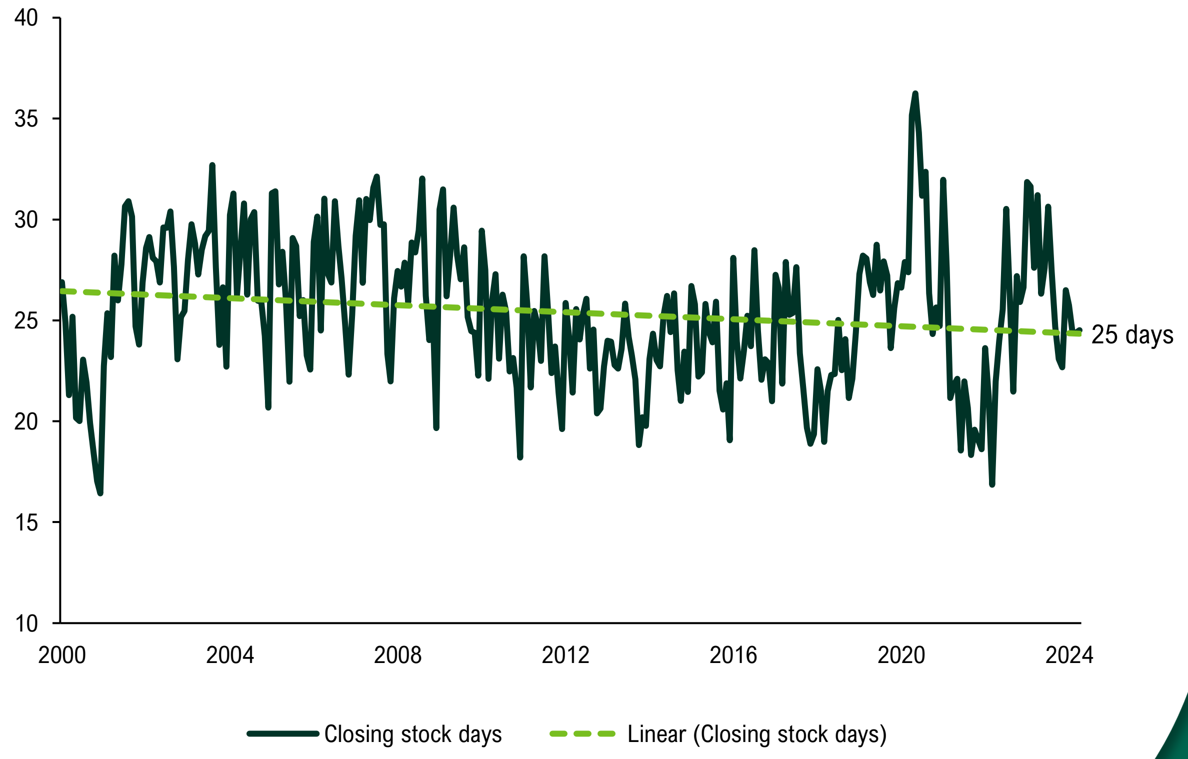
Monthly publication paper demand and capacity Western Europe

Thousand tonnes



Publication paper closing stock volume Western Europe

Number of days closing stocks covers total shipments



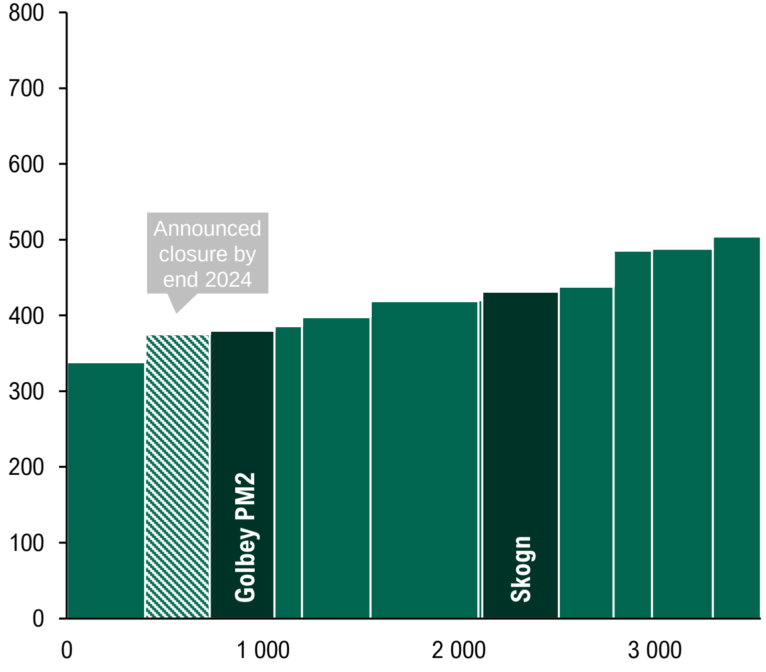
Source: PPPC

Publication paper cash cost curves

Norske Skog well situated on the Western European cash cost curves

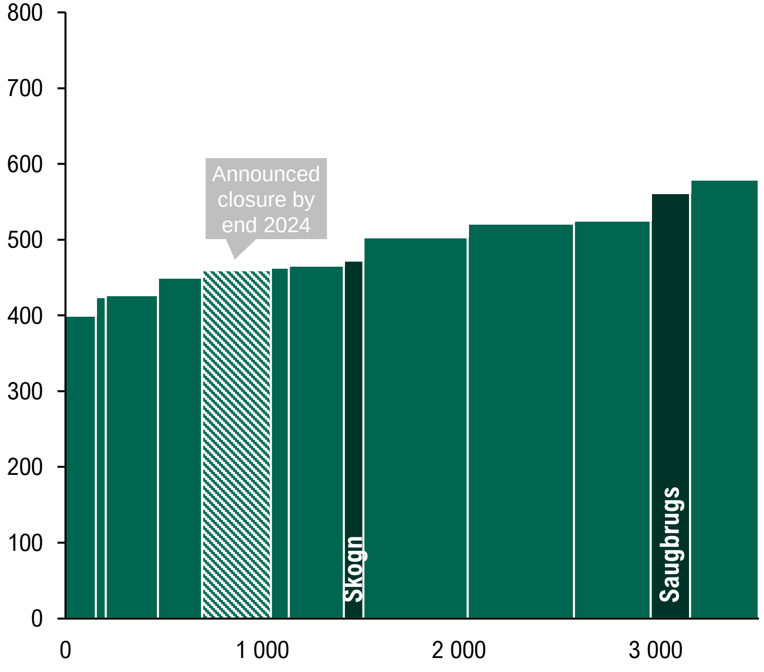
Newsprint cash cost Western Europe

EUR per tonne



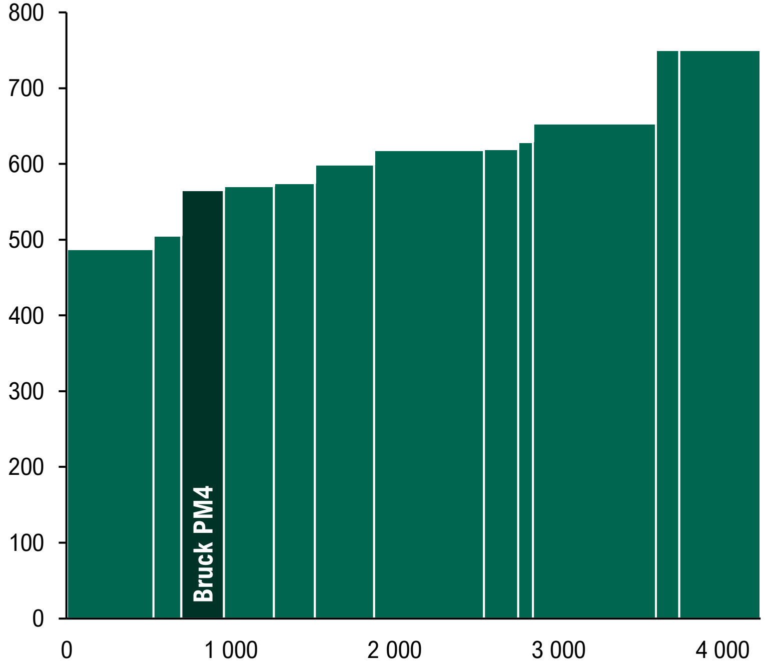
Uncoated mechanical cash cost Western Europe

EUR per tonne



Coated mechanical cash cost Western Europe

EUR per tonne

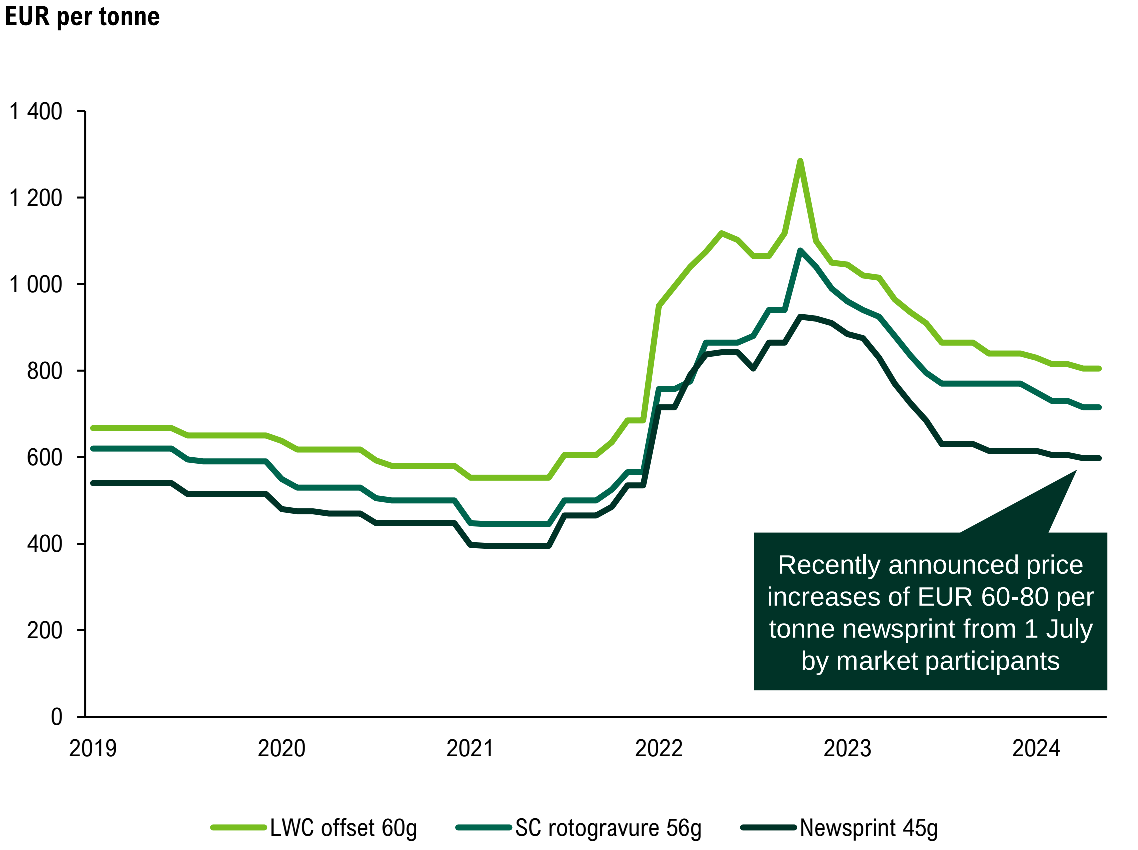


Source: RISI mill asset database as of Q1 2024

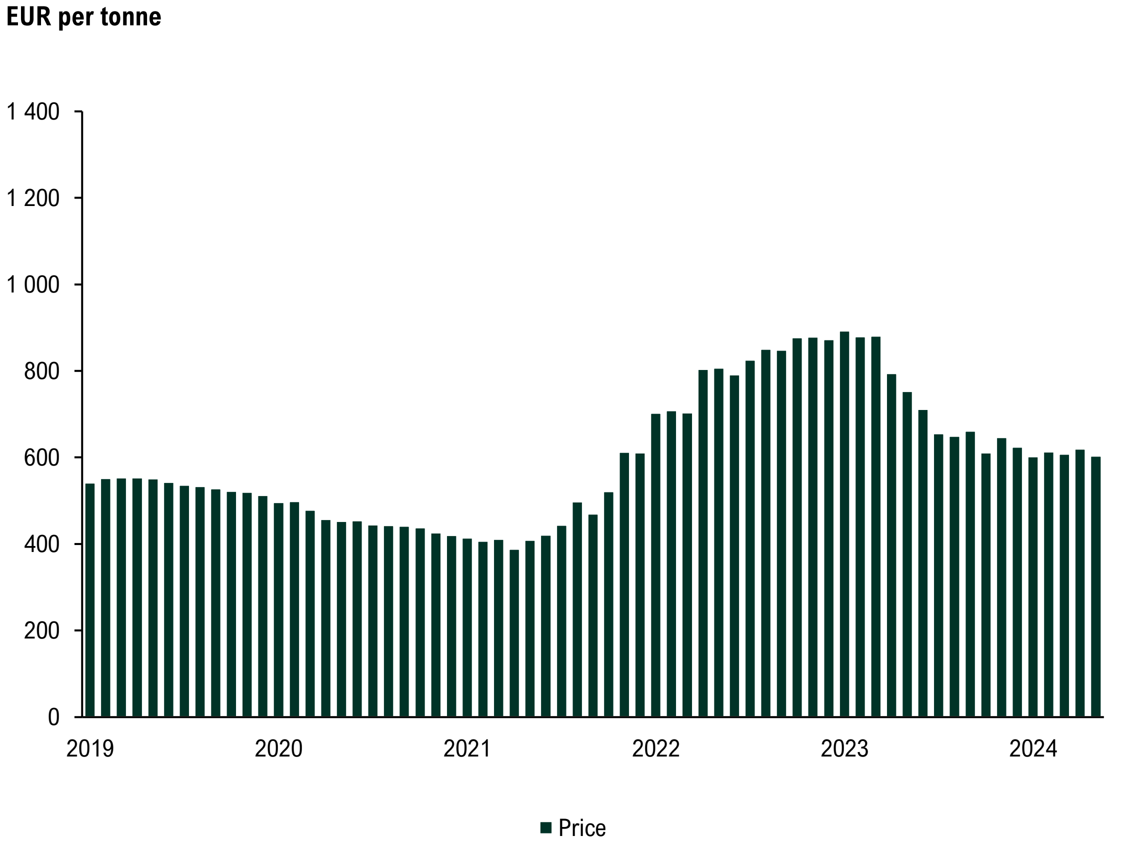
Publication paper prices

Prices stabilising at marginal cost producer levels

Publication paper prices Germany



Norske Skog Publication Paper Europe average monthly realised price



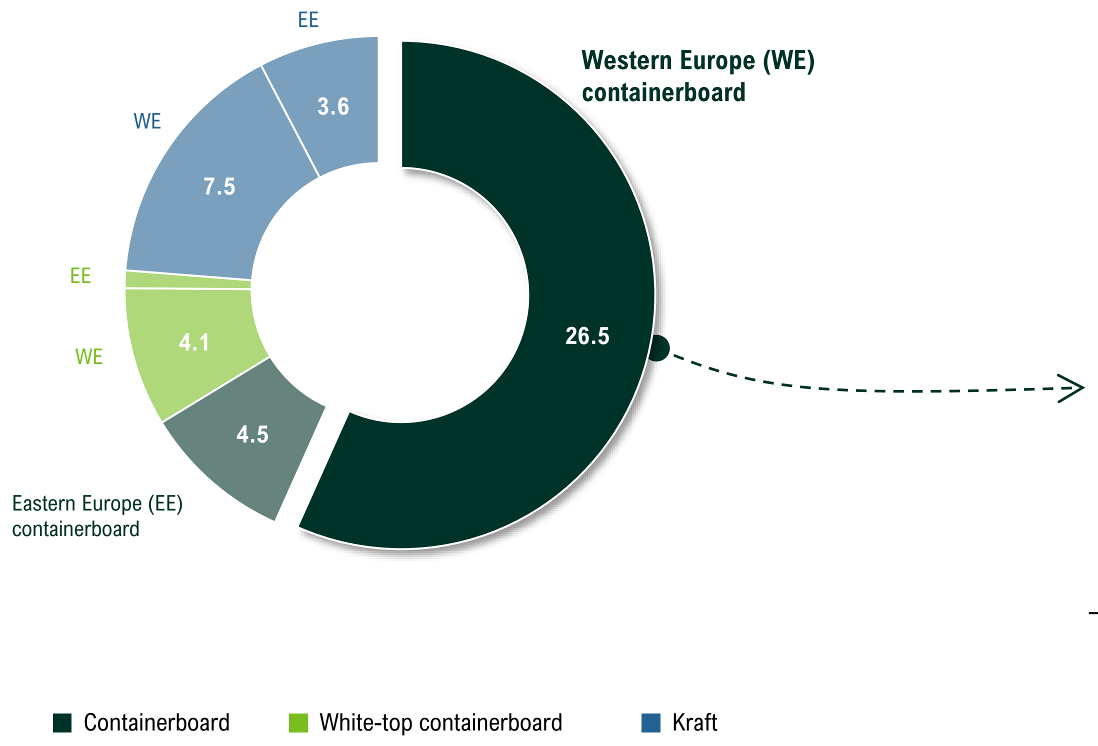
Source: RISI

Recycled containerboard capacity

Increase in Western European recycled containerboard capacity is delayed

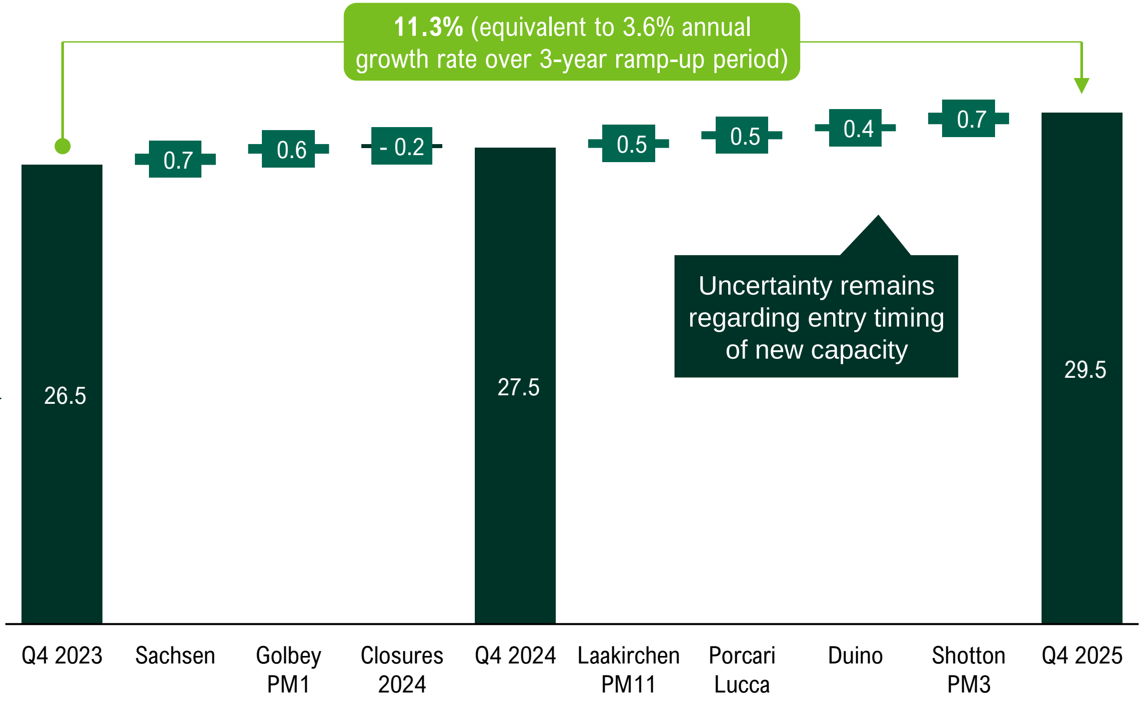
Containerboard capacity Western Europe as of Q1 2024

Million tonnes



Western Europe new RCCM capacity announcements

Million tonnes

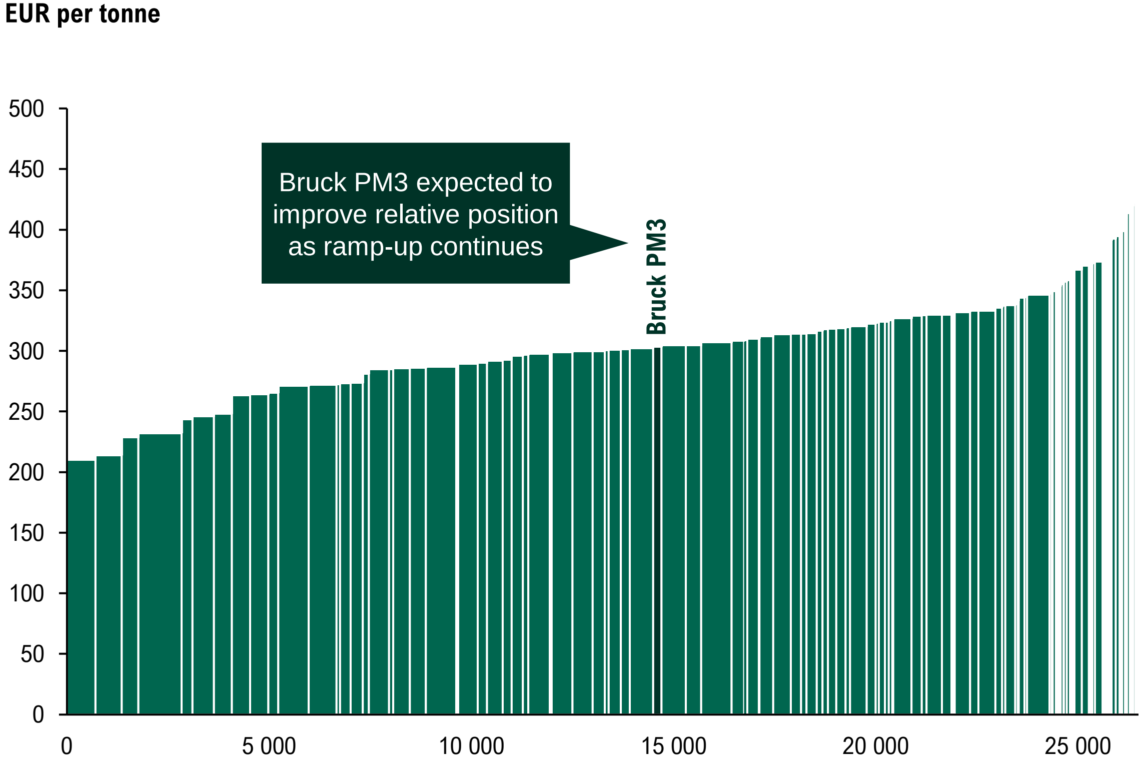


Source: RISI, company press releases

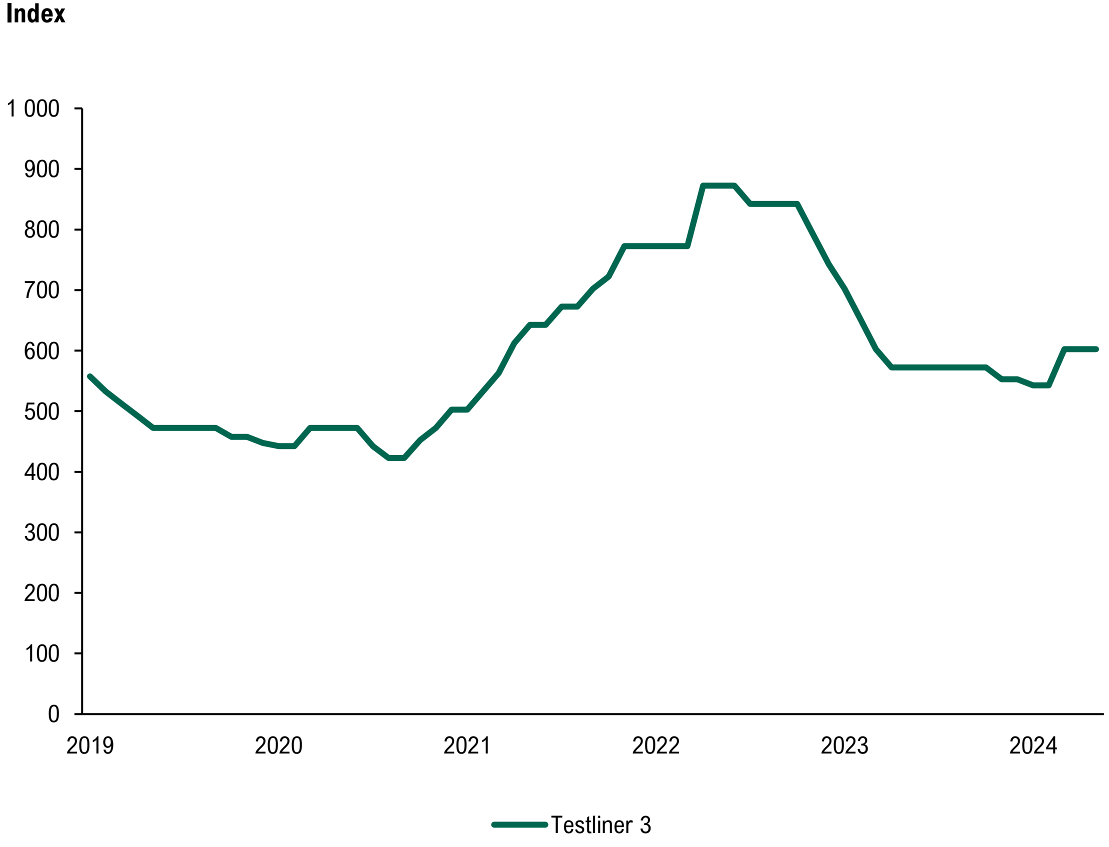
Packaging paper price

Increasingly important to be a cost-efficient producer to manage low-price environment

Containerboard cash cost Western Europe



Recycled containerboard price index Germany



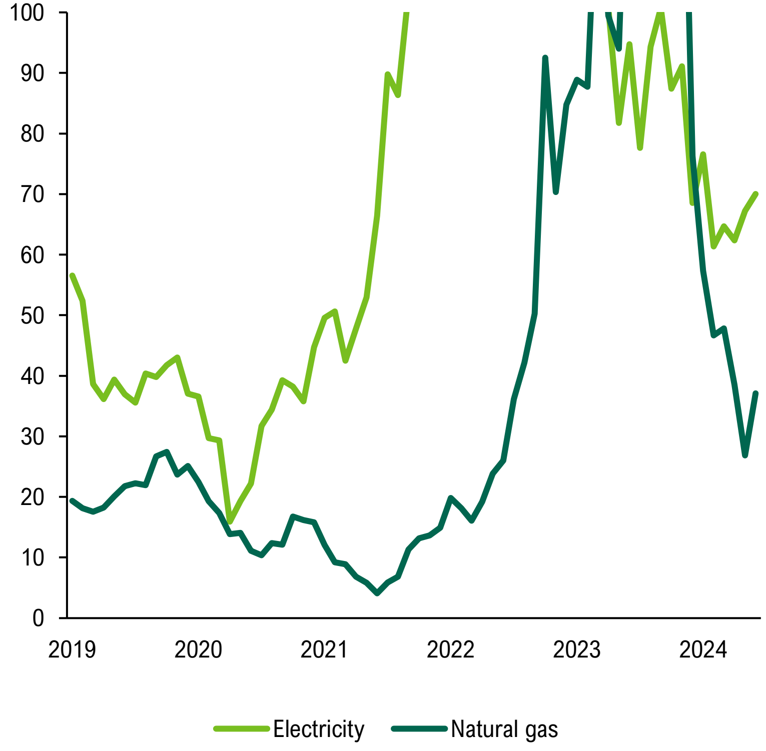
Source: RISI mill asset database as of Q1 2024

Raw materials

Normalising energy prices, but fibre prices continue upwards

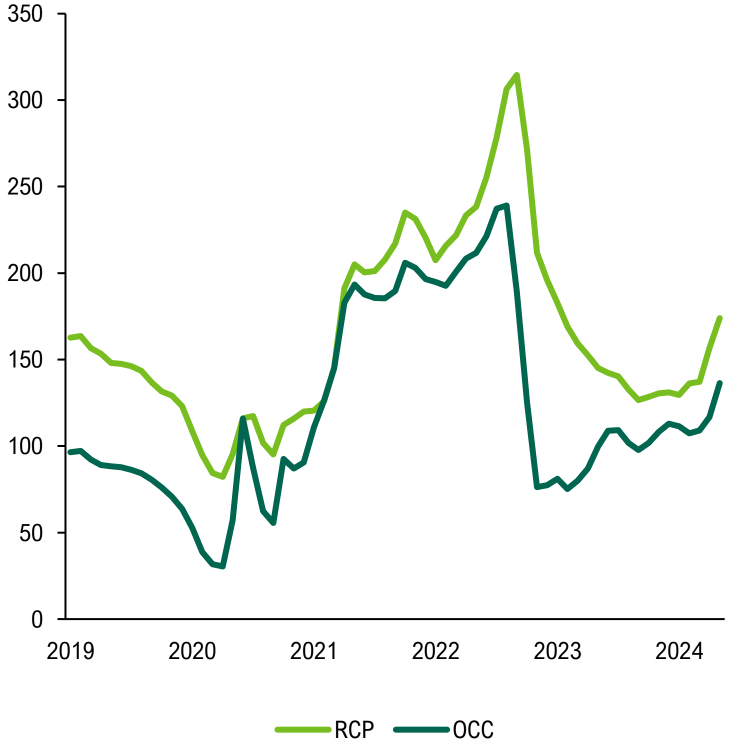
Energy prices Germany

EUR per MWh



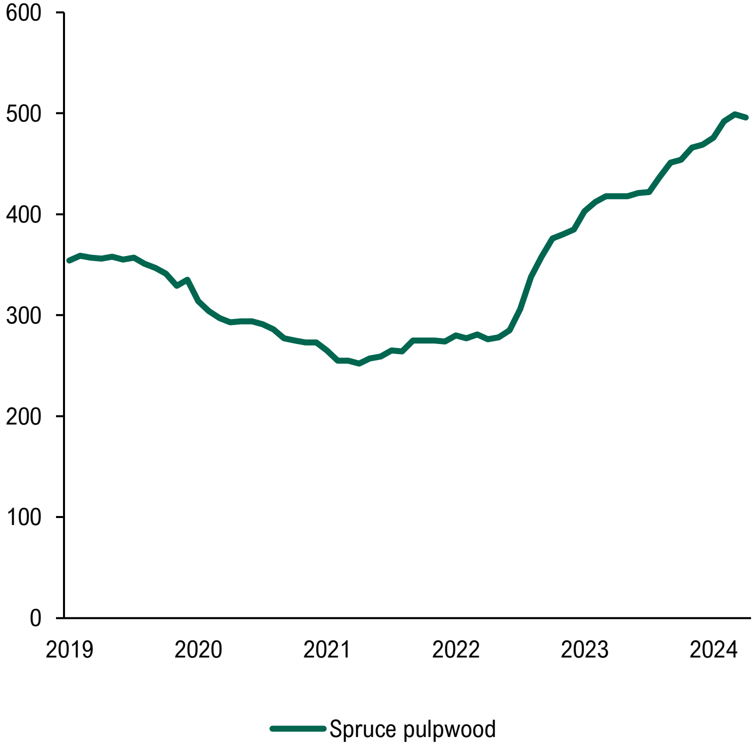
Recycled paper prices Germany

EUR per tonne



Spruce pulpwood prices Norway

NOK per solid cubic metre



Source: Nordpool, RISI, Miljødirektoratet

Agenda

- I Highlights
- II Introduction to Norske Skog
- III Update on projects and operations
- IV Markets
- **V Financials**

Maintenance covenants and financial policies

Maintaining a strong financial position through strategic transition

Group maintenance covenants

- ➜ Equity ratio above 25% (41% as of Q1 2024)
- ➜ Interest coverage ratio above 2.0x (11.9x as of Q1 2024)
- ➜ Minimum cash above NOK 100m (NOK 1 318m as of Q1 2024)

Financial policies

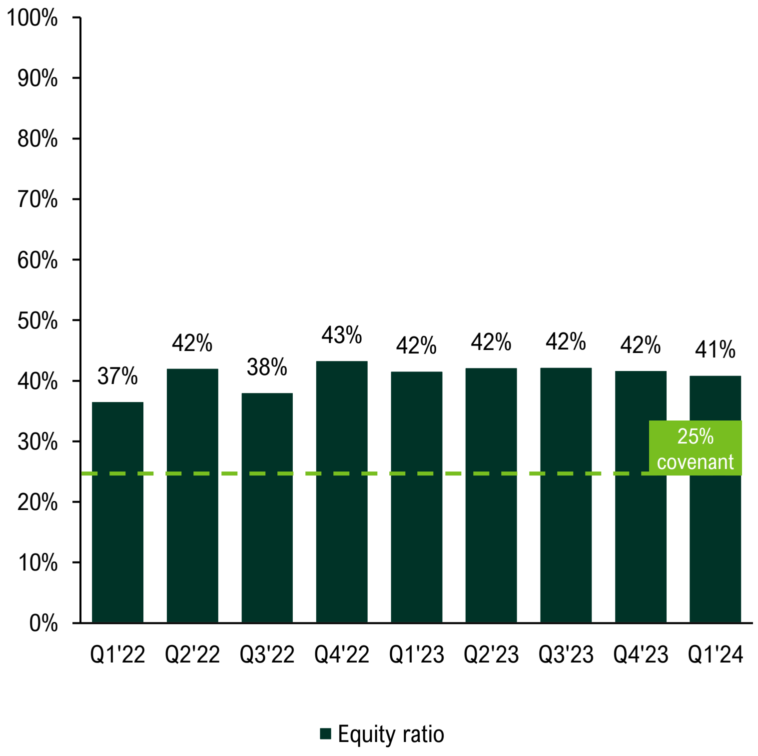
- ➜ Aim to have a leverage ratio less than 2.0x in the long-term
- ➜ Financial flexibility to fund short and long-term capital requirements
- ➜ Maintain a capital structure that suits the Group’s strategy
- ➜ Access to a diversified range of capital sources
- ➜ Keep maturity profile on financing arrangements spread out

Maintenance covenants

Well within all group maintenance covenants

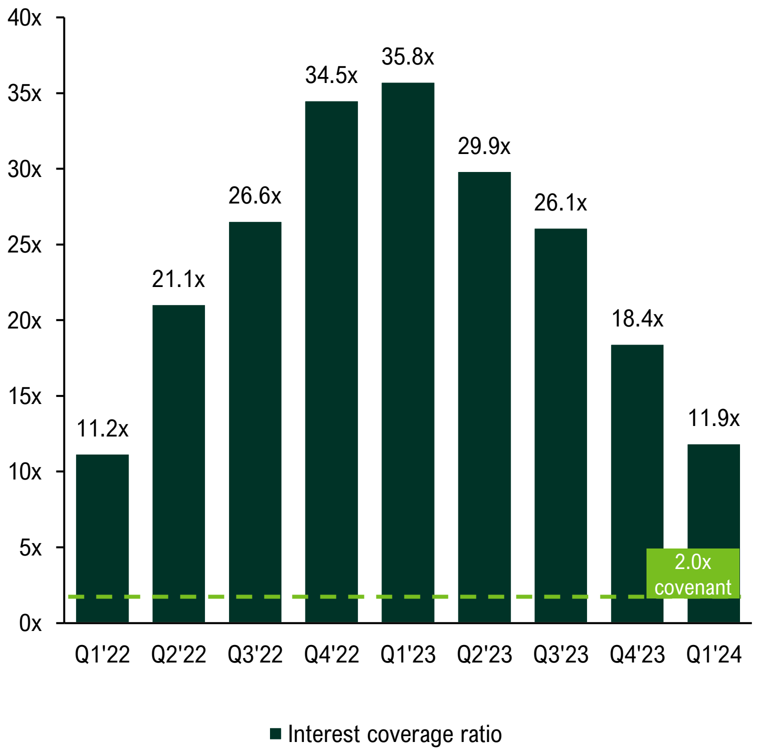
Equity ratio

Book equity to total assets
group covenant of min. 25%



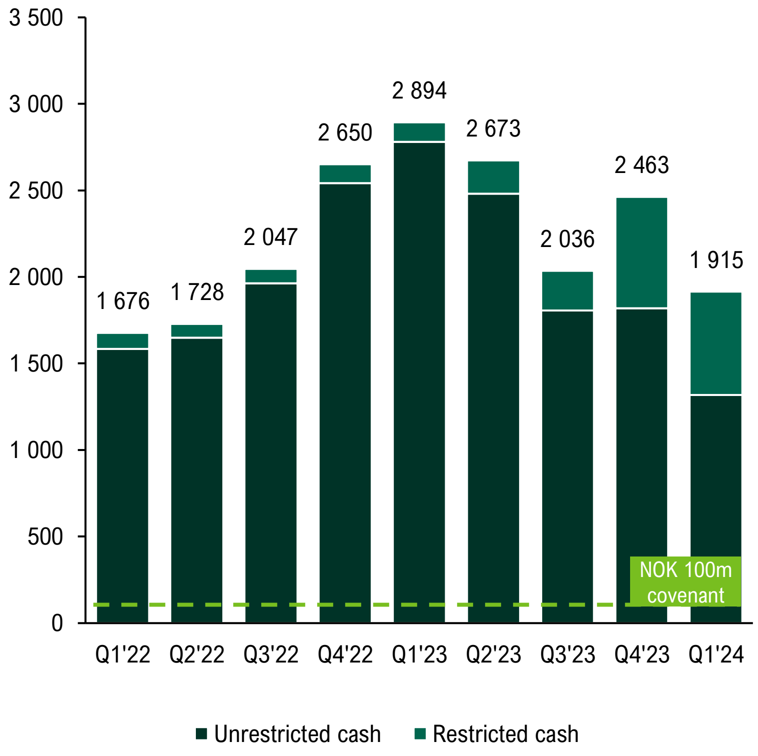
Interest coverage ratio

EBITDA to net cash interest cost
group covenant of min. 2.0x



Cash

NOKm
group covenant of min. NOK 100m unrestricted



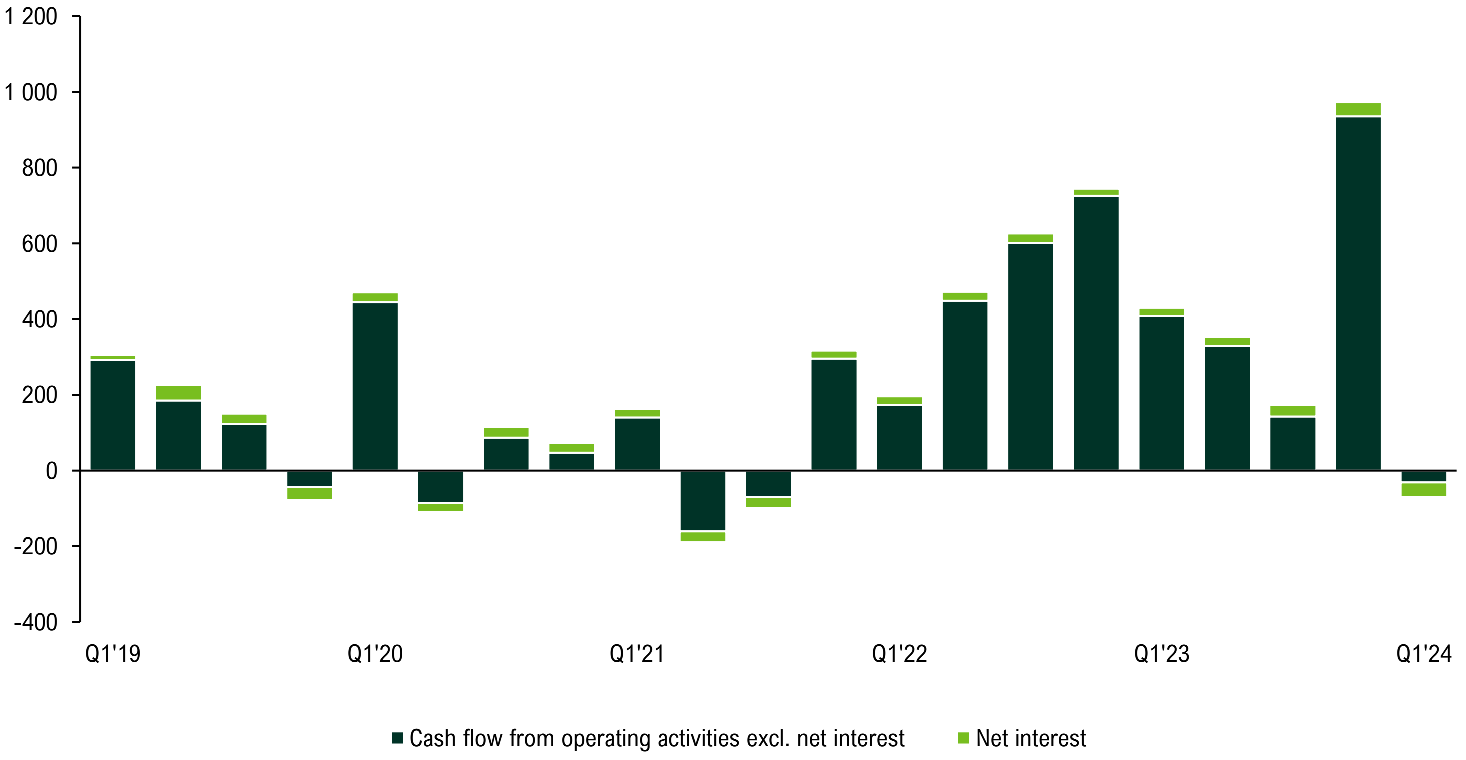
Note: Figures according to definitions in loan agreements

Operating cash flow

Healthy operating cash flows for debt servicing

Cash flow from operating activities[1]

NOKm



- Competitive mills with very few quarters of negative operating cash flows despite challenging markets and operating environments
- Timing of cash release related to sale of CO2 allowances and receipt of compensation, leads to large quarterly swings through the year
- In Q4 2023, receipt of insurance settlement at Saugbrugs as part of the rockslide resulted in large positive impact on cash flows
- Ongoing effort to reduce operating working capital levels across Norske Skog
- Target annual maintenance capex of NOK 200m, but historically achieved around NOK 250m

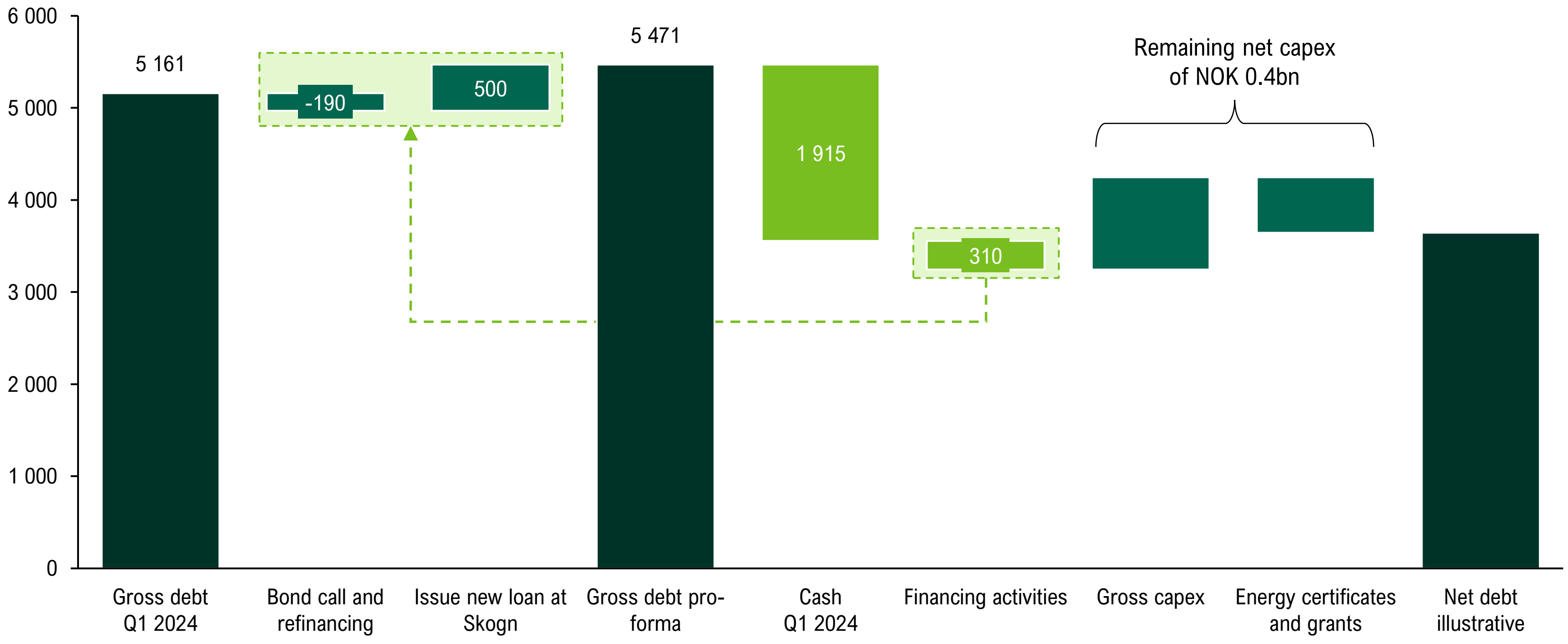
1) Norske Skog includes interest payments made and received in operating cash flows

Sustainable debt level

Net debt to remain at sustainable levels as investment projects are completed

Illustrative net debt[1]

NOKm



- → Refinancing of bond and issue of loan at Skogn to increase available liquidity
- → Maintaining a strong liquidity position ahead of remaining gross expansion capex at Golbey, with energy certificates and investment grants to be received over coming years
- → Sold CO2 allowances and received compensation during Q2 2024

1) Norges Bank EURNOK exchange rate of 11.6825 as of 31 March 2024

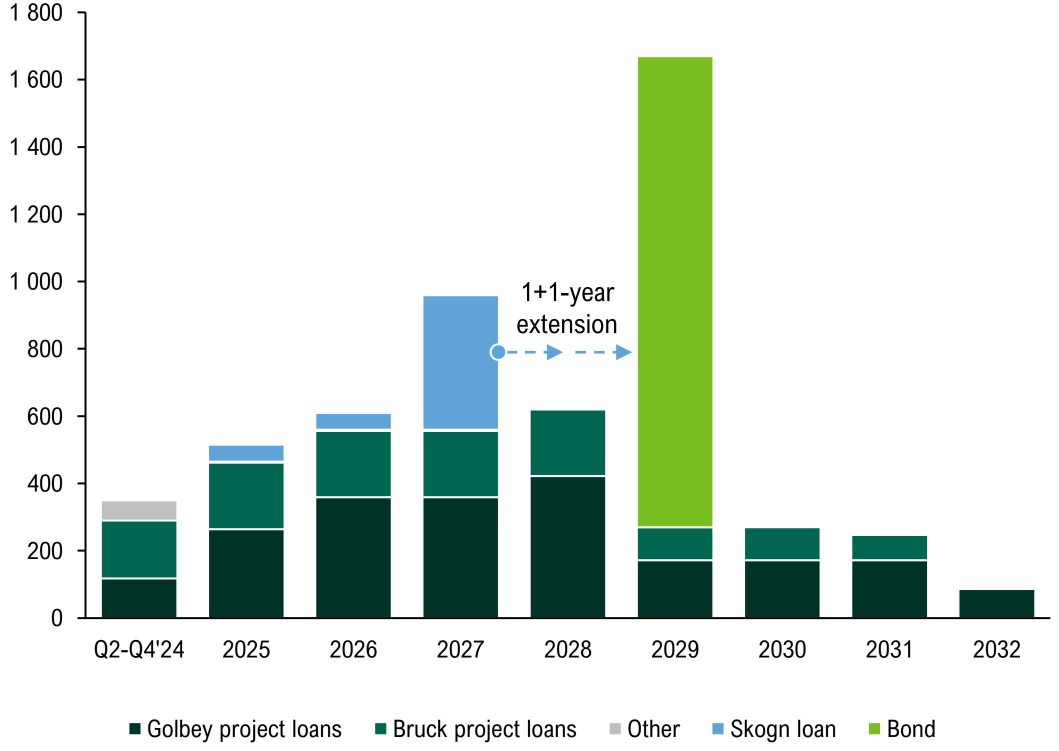
Overview of main financing facilities

Majority of debt issued in operating companies

Repayment schedules

NOKm

Assumes issue of Skogn term loan and bond refinancing (5-year maturity)



Main financing facilities as of Q1 2024 adjusted to include ongoing financing activities

Golbey *Existing*

Containerboard loans: EUR 178m *(and additional EUR 5m in other financing)*
- → Ongoing repayment until Q3 2028 and Q1 2032
- → Floating rate: EURIBOR 6m + spread

Bruck *Existing*

Containerboard loans: EUR 66m
- → Ongoing repayment until Q2 2031 and Q4 2031
- → Floating rate: EURIBOR 6m + spread

Waste-to-energy loan: EUR 41m
- → Ongoing repayment until Q4 2028
- → Fixed rate

Skogn *Issue*

Issue term loan at Skogn: NOK 500m
- → Maturity Q3 2027 (1+1-year options for bank lender) with NOK 50m annual repayment
- → Floating rate: NIBOR 3m + spread

Bond *Refinance*

Issue senior unsecured bond: NOK 1 400m
- → Refinance existing EUR 150m senior secured bond

Other

Other loans, leases, and factoring facilities of EUR 16m across Norske Skog

Outlook

Creating value from fibre

- Optimise cash flows from **publication paper** production across all mills
- Continue to increase production of **packaging paper** over coming years
- Continue to explore profitable growth through new **fibre projects**
- Significant focus on **project execution** and **cost efficiency** going forward

Earnings from **investment projects** starting to take effect, and expected to **grow over coming years**

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