

Press release

Stable markets

Norske Skog's EBITDA in the first quarter of 2024 was NOK 76 million, a decrease from NOK 760 million in the fourth quarter of 2023. The fourth quarter EBITDA was significantly influenced by business interruption insurance of NOK 625 million at Norske Skog Saugbrugs. The first quarter EBITDA was negatively impacted by deconsolidation of Norske Skog Tasman of NOK 46 million and lower European CO2-allowance prices of NOK 32 million. Demand for publication paper is stabilising, but further capacity closures are still required. Containerboard demand is increasing but still experiences excess capacity.

"We are very satisfied with the demand for our publication paper products in the first quarter. We have invested close to EUR 500 million into containerboard and energy projects over the past three years, and we still maintain a very strong balance sheet and cash position. We are highly satisfied with the production ramp-up at Bruck. The feedback from our customers on product quality is positive, and this is promising for our plan to deliver a total of 760 000 tonnes of packaging paper from Bruck and Golbey into the market in the coming years. Along with the Saugbrugs management team, we have continued to identify future opportunities for Saugbrugs industrial site, and we hope to announce further details during the second quarter," says Geir Drangslund, CEO of Norske Skog.

Cash flow from operations was NOK -69 million in the quarter compared to NOK 973 million in the previous quarter. The first quarter cash flow was influenced by low earnings, seasonal increase in working capital, and restructuring expenses. Operating earnings in the first quarter of 2024 were NOK -177 million compared to operating earnings in the fourth quarter of 2023 of NOK 629 million. The operating earnings in the quarter were negatively affected by non-cash changes in fair value of energy contracts in Norway amounting to NOK 115 million.

Loss before taxes in the quarter was NOK 382 million compared to profit before taxes of NOK 586 million in the previous quarter. The net loss was among other things also negatively affected by non-cash currency exchange changes related to interest-bearing debt. Net interest-bearing debt increased from NOK 2 590 to 3 246 million at the end of the quarter due to a weaker NOK and continued capital expenditures. The equity ratio was 41%.

Operations

Total annual publication paper production capacity for the group is 1.6 million, with 1.3 million tonnes in Europe and 0.3 million tonnes in Australia. Norske Skog Bruck (PM3) started production of recycled containerboard paper in first quarter of 2023, and Norske Skog Golbey (PM1) plans to start in the second half of 2024. Norske Skog will after the ramp-up of Norske Skog Bruck and Norske Skog Golbey have an annual capacity of 760 000 tonnes of packaging paper production.

According to Euro Graph, demand for standard newsprint in Europe decreased by 3% through February 2024 compared to the same period last year. SC magazine demand decreased by around 3%. LWC paper demand decreased by around 1% through February 2024 compared to the same period last year. According to PPPC trade statistics for Australia, demand for newsprint and coated mechanical decreased by 44% and 12%, respectively, through February 2024 compared to the same period last year.

"Despite declining markets and reduced machine capacities, we are very pleased to have achieved an increased market share with higher sales volumes in the first quarter of 2024 compared to the same quarter last year," says Geir Drangslund, CEO of Norske Skog.

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Publication paper

Operating income decreased from the previous quarter mainly due to the recognition of business interruption at Norske Skog Saugbrugs in the fourth quarter. Somewhat lower publication paper sales volumes and sales prices, deconsolidation of Norske Skog Tasman and lower European CO2-allowance prices impacted earnings negatively. Despite positive demand sentiment in the publication paper market, there is still a market imbalance for publication paper.

Variable costs per tonne decreased in the quarter, both in absolute terms and per tonne for cost of materials caused by lower energy costs but was somewhat offset by higher pulpwood cost in Norway. Distribution costs increased slightly in the quarter. Fixed costs both in absolute terms and per tonne decreased significantly due to lower costs related to the rockslide clean-up at Norske Skog Saugbrugs. Group capacity utilisation was 86% in the quarter, 85% in Europe and 89% in Australasia. Norske Skog Saugbrugs PM6 is excluded from the calculation from 27 April 2023. The European utilisation was impacted by some downtime at one newsprint machine at Norske Skog Skogn in the period.

Packaging paper

The packaging paper machine at Bruck is operating according to the ramp-up plan. The containerboard production will reach full capacity utilisation in the third year of production. Due to the current market environment the operating income for the first quarter was lower than the mill gate cash costs.

“We are dedicated to deliver high containerboard production performance and quality products from both Bruck and Golbey, from the second half of 2024,” says Geir Drangslund, CEO of Norske Skog.

Key figures, first quarter of 2024

NOK million (unless otherwise stated)	Q1 2024	Q4 2023	Q1 2023
Income statement			
Total operating income	2 688	3 763	3 320
EBITDA	76	760	675
Operating earnings	-177	629	85
Profit before tax	-382	586	-148
EBITDA margin %	2.8	20.2	20.3
Capacity utilisation publication paper %	86	85	78
Cash flow			
Net cash flow from operating activities	-69	973	430
Net cash flow from investing activities	-377	-677	-367
Balance			
Total assets	14 644	14 755	14 502
Equity	6 004	6 161	6 045
Equity %	41	42	42

Status projects

Norske Skog Golbey conversion projects

At Norske Skog Golbey, the conversion of the newsprint paper machine (PM1) into recycled containerboard paper production is progressing towards start-up in the second half of 2024. Norske Skog Golbey will eventually add 550 000 tonnes of new low-emission packaging paper capacity after ramp-up completion in 2026, which will be fully based on recycled fibre. Golbey PM1 will utilise renewable energy generated from the biomass plant under construction at the Golbey industrial site (Green Valley Energie).

Norske Skog Skogn new TMP-line

Norske Skog Skogn will in the second quarter of 2024 complete the construction of a net NOK 180 million new thermo-mechanical pulp (TMP) line, which substitutes recovered paper with fresh fibre. The project proceeds according to budget and timeline. The new TMP line will reduce variable costs, in addition to reducing NOx emissions, fossil CO2-emissions and waste sent to landfill. As of the first quarter, approximately NOK 157 million had been invested in the TMP-line.

Norske Skog Saugbrugs rockslide

The rockslide at Norske Skog Saugbrugs on 27 April 2023 caused material damage to building structures, machinery, and equipment relating to paper machine PM6, which will remain idled for the rest of 2024. Norske Skog has signed an insurance settlement worth up to NOK 2.4 billion to cover business interruption, site restoration, and machinery and equipment investments. Norske Skog is currently identifying future opportunities for the Norske Skog Saugbrugs industrial site.

Outlook

The development in the global economy is of vital importance for consumer spending, and this impacts the publication paper and packaging industry, and thus Norske Skog's operations and results. Demand for Norske Skog's products have started to improve during the first quarter of 2024 and is expected to improve through 2024.

The raw material and energy markets, which are important for both publication paper and packaging paper production, are expected to remain uncertain, although prices have come down closer to historical levels. Cost of recycled paper has come closer to trend prices, but the quality and availability has deteriorated. This trend is expected to persist for the remainder of 2024. Pulpwood prices is expected to remain at higher levels for 2024.

The level of input costs and demand for paper will continue to influence paper sales prices in Europe. Both publication and packaging markets are characterised by excess capacity and capacity reductions are required to balance the markets. Utilisation is expected to remain weak until capacity is reduced. Norske Skog's European operations are cost-competitive, and the group will continue to temporarily adjust production to customer demand. Production of recycled containerboard in Norske Skog Bruck is expected to increase in line with plan over the coming quarters. However, expect negative EBITDA from the Packaging Paper segment in 2024 due to fixed costs from Norske Skog Golbey PM1 following start-up of production in the second half of 2024.

Norske Skog Saugbrugs PM6 will remain out of the SC market for entire 2024. Potential investments into expansion projects at Saugbrugs will release additional insurance compensation of NOK 615 million. Production from PM5 is progressing well and expected to continue.

In Australasia, price increases were implemented towards the end of 2023 and is expected to have a positive impact in coming periods, but reduced demand in the region may increase exposure through higher export volumes. Norske Skog will continue to develop its industrial sites, among others within bio products and renewable energy, both on a stand-alone basis and in partnerships.

About Norske Skog

Norske Skog is a 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, which produce publication paper, recycled packaging paper, energy and bioproducts. 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 quarterly recording, the presentation, the 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.

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