

## Press release

# Continued growth in challenging containerboard markets

Norske Skog's EBITDA in the third quarter of 2023 was NOK 327 million, a decrease from NOK 380 million in the second quarter of 2023. The main driver for the lower third quarter EBITDA was lower publication paper sales prices. The cash flow from operations in the quarter was NOK 173 million. Deliveries of packaging paper increased according to ramp-up plans, and Norske Skog Bruck received favourable quality feedback from customers. The Norwegian government proposed to increase the quota price floor for receiving CO2-compensation.

*"We are very pleased by the positive feedback from our containerboard customers, and that we are well underway to become one of the leading independent supplier of recycled containerboard in Europe. At the same time, we are maneuvering our mills to be as cost effective as possible. By the end of the fourth quarter 2023, Saugbrugs PM5, in addition to PM4, will produce and deliver quality SC magazine paper to our customers,"* says Geir Drangslund, CEO of Norske Skog.

Cash flow from operations was NOK 173 million in the quarter compared to NOK 353 million in the previous quarter, mainly due to lower EBITDA, receivable insurance compensation, and increased working capital. Operating earnings in the third quarter of 2023 were NOK 36 million compared to operating earnings in the second quarter of 2023 of NOK 146 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 131 million. Profit in the quarter was NOK 134 million compared to NOK 45 million in the previous quarter. The net profit was affected by unrealized currency gain on euro denominated debt as NOK strengthened in the period. Net interest-bearing debt increased from NOK 1 746 to 2 662 million at the end of the quarter, mainly debt related to the packaging conversion at Norske Skog Golbey, and buy-back of own shares. The equity ratio was unchanged at 42%.

### Operations

Total annual publication paper production capacity for the group is 1.5 million tonnes after the temporary idling of Norske Skog Saugbrugs PM6, with 1.2 million tonnes in Europe and 0.3 million tonnes in Australia. Bruck (PM3) started production of recycled containerboard paper in the first quarter, and Golbey (PM1) plans to start in the second quarter of 2024. Norske Skog will after the ramp-up of Bruck and 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 22% through August 2023 compared to the same period last year. SC magazine demand decreased by around 27%. LWC paper demand decreased by around 28% through August compared to the same period last year. According to PPC trade statistics for Australia, demand for newsprint and coated mechanical decreased by 15% and 14%, respectively, through August 2023 compared to the same period last year.

### Publication paper

Lower publication paper sales prices and lower delivered sales volume reduced the operating income compared to the previous period. The sales price decrease was driven by weak demand and a market imbalance for publication paper. In its national budget for 2024, the Norwegian government has proposed to increase the quota price floor for CO2 compensation, reducing the annual compensation by approximately NOK 100 million, which negatively affects the EBITDA in the third quarter by approximately NOK 80 million of which NOK 55 million relate to a reversal of CO2

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### Norske Skog ASA

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compensation recognised in the first half of 2023. In the third quarter, Norske Skog recognised business interruption and property damage insurance of respectively, NOK 135 million and NOK 67 million.

Variable costs per tonne decreased in the quarter, mainly due to lower contract electricity prices in Norway and due to cost of materials in the second quarter being extraordinarily high as a result of inventory draws. Fixed costs per tonne increased due to higher operating expenses at Saugbrugs PM6, which will be reimbursed by insurance coverage. Group capacity utilisation was 89% in the quarter, 87% in Europe and 97% in Australasia. Saugbrugs PM6 is excluded from the calculation from 27 April. The weak publication paper demand caused some operational down-time in the quarter, which impacted the capacity utilisation in Europe.

#### *Packaging paper*

The packaging paper machine at Bruck is expected to operate at 60-70% utilisation in the second year of operation and reach full utilisation during the third year of production. The operating income for third quarter consists of revenue from deliveries and gate fees from waste incineration, which were lower than the variable and fixed costs in the period.

#### **Key figures, third quarter of 2023**

<b>NOK million (unless otherwise stated)</b>	<b>Q3 2023</b>	<b>Q2 2023</b>	<b>Q3 2022</b>	<b>YTD 23</b>	<b>YTD 22</b>
<b>Income statement</b>					
Total operating income	3 036	3 404	3 630	9 760	11 157
EBITDA	327	380	508	1 382	2 022
Operating earnings	36	146	113	267	1 901
Profit/loss for the period	134	45	-11	-1	1 507
EBITDA margin %	10.8	11.2	14.0	14.2	18.1
Capacity utilisation publication paper %	89	77	85	81	90
<b>Cash flow</b>					
Net cash flow from operating activities	173	353	627	956	1 295
Net cash flow from investing activities	-949	-695	-520	-2 012	-1 084
<b>Balance</b>	<b>30.09.23</b>	<b>31.06.23</b>	<b>31.03.23</b>	<b>31.12.22</b>	<b>30.09.22</b>
Total assets	13 898	14 689	14 502	13 609	12 747
Equity	5 880	6 208	6 045	5 909	4 859
Equity %	42	42	42	43	38

#### **Status projects**

*«I want Norske Skog to strengthen its position as one of the leading European wood processing companies. Our strategy is to improve the competitiveness of the existing publication paper machines, to become a leading player within the containerboard market in Europe, and to develop new revenue streams within wood processing,"* says Geir Drangslund, CEO of Norske Skog.

#### *Norske Skog Golbey conversion projects*

At Norske Skog Golbey, the conversion of the newsprint paper machine (PM1) into recycled containerboard paper production is progressing with full strength. However, due to a revised plan for installation tasks, the start-up is expected at the end of the second quarter 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 has started ordering necessary refiners and equipment for the net NOK 180 million new thermo-mechanical pulp (TMP) line, which substitutes recovered paper with fresh fibre. The expected start-up will be in the

second quarter of 2024. 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 third quarter, approximately NOK 45 million had been invested in the TMP-line.

#### *Norske Skog Saugbrugs rockslide*

The rockslide at Norske Skog Saugbrugs on 27 April caused material damage to building structures, cranes, machinery, and equipment relating to paper machine PM6. As a result, production at PM6 has been stopped and will likely remain out of production for large parts of 2024. Norske Skog has property damage and business interruption insurance in line with good market and industry practice. Coverage and self-retention are in line with Saugbrug's defined and adopted risk strategy to create predictability and to limit the financial impact of unforeseen incidents.

### **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. The global economy is expected to remain weak for the remainder of 2023 and into 2024. The raw material and energy markets, which are important for both publication paper and packaging paper production, are expected to remain uncertain. Development of raw material and energy prices are expected to be lower than the record levels experienced in 2022, but still above historical average levels, and uncertainty remains on how the energy markets will develop in the coming periods.

The level of input costs and demand for paper will continue to influence paper sales prices in Europe. The decreased demand for publication paper and packaging paper has initiated further announcements of capacity closures in the industry to improve the imbalance in demand and supply for both publication paper and packaging paper, but capacity utilisation is expected to remain weak in the coming periods as further closures are required. Norske Skog's European operations are cost-competitive, and the group will continue to temporarily adjust production to customer demand.

Norske Skog Saugbrugs PM6 will remain out of the SC market for large parts of 2024. PM5 will be restarted in the fourth quarter to serve some customers previously served by PM6. Production of recycled containerboard in Bruck is expected to development in the coming periods in line with a normal ramp-up curve. In Australasia, price increases have been implemented impacting the coming periods, but reduced demand in the region may require increased 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](http://www.norskeskog.com) and published on [www.newsweb.no](http://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](http://www.newsweb.no).

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