

## Press release

# Still strong performance despite weaker markets

Norske Skog's EBITDA in the first quarter of 2023 was NOK 675 million, a decrease from NOK 1 083 million in the fourth quarter of 2022. The first quarter EBITDA was impacted by lower sales volumes and slightly lower publication paper sales prices than in the fourth quarter of 2022. The weakened publication paper market resulted in increased finished goods inventory and some market downtime with sale of excess energy at lower prices than in fourth quarter 2022. Norske Skog Bruck successfully commenced recycled packaging paper production in the end of the first quarter. The Norske Skog Golbey packaging paper conversion project is progressing according to budget and timeline.

*"All credit go to the entire Bruck team for the successful packaging paper production start-up in the quarter. Most impressively, despite turbulent European economic development in the last three years, the Bruck conversion project has been implemented according to budget and timeline assumptions. We expect to deliver packaging paper volumes regularly to our customers from the end of the second quarter following normal production optimization and standard product testing at our new customers. Despite weaker publication paper market with lower sales prices and production volumes, we have delivered a solid quarter,"* says Sven Ombudstvedt, CEO of Norske Skog.

Cash flow from operations was NOK 430 million in the quarter compared to NOK 745 million in the previous quarter, negatively impacted by lower EBITDA and change in working capital of NOK 188 million, mostly related to increased finished goods inventory. Operating earnings in the first quarter of 2023 were NOK 85 million compared to operating earnings in the fourth quarter of 2022 of NOK 944 million. The operating earnings in the quarter was negatively affected by non-cash changes in fair value of energy contracts in Norway amounting to NOK 474 million. Loss in the quarter was NOK 181 million compared to a profit of NOK 1 065 million in the previous quarter. The net loss was negatively affected by NOK 189 million related to unrealized currency losses on euro denominated debt. The annual general meeting adopted an authorization to the board of directors to pay up to NOK 5.00 per share in dividend. A dividend payment is subject to lenders waiving certain shareholder distribution restrictions, which is not yet done. Net interest-bearing debt was NOK 1 305 million at the year end, with an equity ratio of 42%.

### Status projects

Norske Skog Bruck successfully started production of recycled packaging paper at the PM3 in the end of the first quarter. At Norske Skog Golbey, the newsprint paper machine (PM1) was closed in Q4 2022 for conversion into recycled packaging paper production resulting in the sale of excess energy. The timeline and budget are in line with the project plan assumptions, with expected start-up in the fourth quarter of 2023.

The conversion of the two newsprint machines at Bruck and Golbey will add 760 000 tonnes of new cost-competitive and low-emission packaging paper capacity. The packaging paper production will be fully based on recycled fibre, and will utilise fossil-free energy generated from the waste-to-energy facility at the Bruck industrial site and the biomass plant under construction at the Golbey industrial site (Green Valley Energie).

*"We are delighted to have completed the transformation of the Bruck mill into packaging paper production based on in-house waste-to-energy. We are dedicated to serve our customers a wide specter of publication- and packaging paper products in addition to other bioproducts,"* says Ombudstvedt.

The waste-to-energy facility at Bruck has been operating since second quarter 2022 on approximately 80% of its design capacity. Together with Valmet, the supplier, modification, and optimisation work has been executed during

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the first quarter of 2023 and have enabled the energy plant to reach its full design capacity. The facility significantly reduces the gas consumption, and thus CO<sub>2</sub>-emissions, for Norske Skog Bruck.

The construction of the renewable energy plant at the Golbey industrial site is progressing according to original plans. The biomass boiler will produce about 200 GWh of electricity and about 700 GWh of renewable heat, thus generating CO<sub>2</sub> savings of 210 000 tonnes per year. The Green Valley Energie (GVE) is a joint venture, in which Norske Skog Golbey has a 10% equity stake. The biomass boiler will ensure a stable, long-term supply of cost-competitive and renewable steam as an alternative to fossil energy sources, somewhat shielding Golbey from volatile energy markets.

Norske Skog Skogn is in the early stages to build a NOK 230 million new thermo-mechanical pulp (TMP) line, substituting expensive recovered paper with fresh fibre with expected start-up in first half of 2024. The new TMP line will reduce variable costs, in addition to reducing NO<sub>x</sub>, fossil CO<sub>2</sub>-emissions and waste sent to landfill.

Norske Skog actively works to realise value from its industrial sites based on its existing infrastructure and industry competence. The biocomposite product CEBICO, and microfibrillar cellulose product CEBINA produced at Norske Skog Saugbrugs have received promising feedback from customers that have tested these products successfully in various processes and materials. Norske Skog has been pro-active in reducing CO<sub>2</sub>-emissions and aims to become CO<sub>2</sub> net negative or climate positive. Norske Skog will explore economically viable models for the utilisation of biogenic CO<sub>2</sub>, either alone or together with partners.

## **Operations**

Total annual publication paper production capacity for the group is 1.7 million tonnes after the closure of Golbey PM1, with 1.4 million tonnes in Europe and 0.3 million tonnes in Australia. Bruck (PM3) started production of recycled packaging paper in the end of the first quarter, and Golbey (PM1) is planned to start in late fourth quarter of 2023. Norske Skog will after the ramp-up of Bruck and Golbey have an annual capacity of 760 000 tonnes of packaging paper production. Norske Skog has several ongoing bio products and energy activities at all industrial sites.

Lower publication paper sales prices and sales volume in the first quarter were somewhat offset by lower variable cost. However, the Group average sales price increased due to relatively lower share of newsprint paper compared to other higher priced paper grades. The revenues from sale of excess energy at Golbey, due to the conversion of PM1 to packaging paper grades, were lower than fourth quarter of 2022 due to lower energy market prices in the quarter.

The sales price decreases were driven by softened demand for publication paper and lower energy prices. Variable cost per tonne slightly increased in the quarter with higher distribution costs and cost of materials per tonne, but was somewhat offset by lower recovered paper cost per tonne. Fixed costs per tonne increased somewhat due to lower delivered volumes. Group capacity utilisation was 78% in the quarter, respectively 77% in Europe and 83% in Australasia. The weakened publication paper demand caused some operational down-time in the quarter, which impacted the capacity utilization in Europe.

According to Eurograph, demand for standard newsprint in Europe decreased by 21% through February 2023 compared to the same period last year. SC magazine demand decreased by around 27%; whereas, LWC paper demand decreased by around 30% through February compared to the same period last year. According to official Australian trade statistics, demand for newsprint and coated mechanical increased by 5% and 16%, respectively, through February 2023 compared to the same period last year. For the packaging paper production, it is expected that the containerboard machines will operate at 60-70% utilisation in the first year of operations and reach full utilisation during the third year of production.

## Key figures, first quarter of 2023

NOK million (unless otherwise stated)	Q1 2023	Q4 2022	Q1 2022	2022	2021
<b>Income statement</b>					
Total operating income	3 320	4 056	3 590	15 214	10 315
EBITDA	675	1 083	610	3 105	662
Operating earnings	85	944	593	2 845	-160
Profit/loss for the period	-181	1 065	583	2 572	-363
<b>Cash flow</b>					
Net cash flow from operating activities	430	745	196	2 040	191
Net cash flow from investing activities	-367	-872	-112	-1 956	-891
<b>Operating margin and profitability (%)</b>					
EBITDA margin	20.3	26.7	17.0	20.4	6.4
Return on capital employed (annualised)	5.6	12.1	17.6	14.8	-7.8
<b>Capacity utilisation (Production / capacity %)</b>					
	78	78	94	87	89

### Outlook

The development in the global economy is of vital importance for consumer spending, and will impact the publication paper and packaging industry, and thus Norske Skog's operations.

There is still some uncertainty to how the global economy will perform in 2023 especially in the raw material- and energy markets. Raw material and energy prices are below the record levels experienced in 2022, but are still far above historical average levels. The decrease in energy prices and decreased demand for publication and packaging paper have resulted in lower sales prices. It is expected that the development of costs and paper demand will influence paper sales prices in Europe. The decreased demand for publication paper has initiated further announcements of capacity closures in the industry to improve the imbalance in demand and supply for publication paper.

Norske Skog's European operations are cost-competitive, and the group will temporarily adjust production to customer demand. Simultaneously, Norske Skog will continue to develop the industrial sites, including further conversions and new initiatives within renewable energy and bioproducts.

### 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, 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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