

Press release

Higher market share in challenging publication paper market

Norske Skog's EBITDA in the third quarter of 2024 was NOK 91 million, a decrease from NOK 471 million in the second quarter of 2024. Norske Skog implemented price increases for both containerboard and newsprint during the quarter to mitigate continued cost increases. Norske Skog received excellent feedback from containerboard customers as deliveries continued to grow. Despite signs of positive market developments for Norske Skog in the publication and containerboard markets, these markets are still experiencing excess capacity, thus closures are still required.

" - We are receiving excellent feedback from our customers on the quality of our containerboard products, which bodes well for our plan to deliver a total of 760,000 tonnes of packaging paper from Bruck and Golbey to the market in the coming years. We are particularly pleased to have strengthened our position in the newsprint market by increasing our market share through higher sales volumes in the third quarter of 2024 compared to the same quarter last year, especially in a declining market for publication paper," says Geir Drangslund, CEO of Norske Skog.

Cash flow from operations was NOK -272 million in the quarter compared to NOK 299 million in the previous quarter. The third quarter operating cash flow was negatively impacted by an increase in working capital of NOK 261 million due to recognition of CO2-related items and higher inventories. Operating earnings in the third quarter of 2024 were NOK -13 million compared to operating earnings in the second quarter of 2024 of NOK 364 million. Other operating earnings decreased because of insurance recognition at Norske Skog Saugbrugs of NOK 338 million in the previous quarter compared to NOK 25 million in the third quarter.

Loss before tax in the quarter was NOK -156 million compared to profit before tax of NOK 311 million in the previous quarter. Net interest-bearing debt increased in the period from NOK 2 970 to 3 717 million at the end of the quarter mainly due to investments at Norske Skog Golbey, increase in working capital, and weaker NOK influencing EUR-denominated debts. The equity ratio was 41%.

" – We are satisfied with the latest long-term financing of the group with signing a NOK 1.4 billion bond in the second quarter and a NOK 500 million green-term loan at Norske Skog Skogn in the third quarter," says Geir Drangslund, CEO of Norske Skog.

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 second quarter of 2023, and Norske Skog Golbey (PM1) plans to start in the first quarter of 2025. 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 1% as of August 2024 compared to the same period last year. For magazine paper the demand decreased by 6%, with supercalendered paper decreasing 10% and lightweight coated paper decreasing 2% as of August 2024 compared to the same period last year. According to PPC trade statistics for Australia, demand for newsprint and coated mechanical decreased by 26% and 2%, respectively, through August 2024 compared to the same period last year.

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Publication paper

Operating income decreased from the previous quarter mainly due to the recognition of NOK 338 million in insurance at Norske Skog Saugbrugs in the second quarter, compared to NOK 25 mill in the third quarter. Slightly higher sales prices and sales volumes contributed positively during the period. Lower energy prices contributed negatively the revenue from sale of excess energy compared to the previous quarter. Despite the positive demand sentiment in certain areas of the publication paper market, there is still a market imbalance for publication paper.

Variable costs per tonne increased in the quarter, both in absolute terms and per tonne for cost of materials mainly caused by higher pulpwood and recovered paper prices. Distribution costs increased slightly in the quarter due to higher freight rates. Fixed costs both in absolute terms and per tonne decreased somewhat in the quarter due to lower costs. Group capacity utilisation was 91% in the quarter, 91% in Europe and 91% in Australasia.

Packaging paper

The packaging paper machine at Norske Skog Bruck is operating according to the ramp-up plan. The containerboard production will reach full capacity utilisation in the second half of 2025. Norske Skog Golbey will start commercial production in the first quarter of 2025. Once at full utilisation, the machines are expected to generate an annual EBITDA of EUR 70-80 million, based on historical prices and margins seen in the market. EBITDA in the period was slightly positive due to higher delivered volumes and higher sales prices.

Key figures, third quarter of 2024

NOK million (unless otherwise stated)	Q3 2024	Q2 2024	Q3 2023	YTD 2024	YTD 2023
Income statement					
Total operating income	3 006	3 217	3 036	8 911	9 760
EBITDA	91	471	327	637	1 382
Operating earnings	-13	364	36	175	267
Profit before tax	-156	311	112	-227	4
EBITDA margin %	3.0	14.6	10.8	7.2	14.2
Capacity utilisation publication paper %	91	88	89	88	81
Cash flow					
Net cash flow from operating activities	-272	299	173	-43	956
Net cash flow from investing activities	-289	-104	-949	-771	-2 012
Balance	30.09.24	30.06.24	30.09.23	30.09.24	30.09.23
Total assets	14 824	15 201	13 898	14 824	13 898
Equity	6 132	6 138	5 880	6 132	5 880
Equity %	41	40	42	41	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 first quarter of 2025. Norske Skog Golbey will eventually add 550 000 tonnes of new low-emission packaging paper capacity after ramp-up is completed, which will be fully based on recycled fibre. Along with the containerboard production at Bruck, Norske Skog will at full capacity utilisation, deliver 760 000 tonnes of packaging paper to the market. Golbey PM1 will utilise renewable energy generated from the newly commissioned biomass plant at the Golbey industrial site (Green Valley Energie). This energy plant will be the largest of its kind in France.

- *This investment marks an important step in Norske Skog's development, with the goal of increasing long-term value for all our stakeholders. Increased focus on environmentally friendly products and the continued rise in e-commerce have created a significant demand for renewable packaging solutions. The production of recycled*

packaging at Golbey will meet this demand with cost-leading and environmentally friendly capacity. Golbey's industrial site, centrally located in continental Europe, is well positioned for the large packaging market, with established access to recycled fibre," says Drangslund.

Norske Skog Saugbrugs BCTMP-production

Norske Skog Saugbrugs has started a main study aiming to enter the Bleached Chemi-ThermoMechanical Pulp (BCTMP) market by starting production at Norske Skog Saugbrugs in Halden. Currently, Norske Skog Saugbrugs has engaged technical and environmental consultants, who are working with potential machinery and equipment suppliers. To clarify permits and environmental issues, Norske Skog Saugbrugs has met with the Norwegian Environment Agency.

The new BCTMP line will produce approximately 300 000 tons of competitive pulp to meet the growing demand, especially for products in the packaging market. The BCTMP production will be based on fresh fibre, and the mill already has access to adequate energy capacity. Norske Skog Saugbrugs investment will exploit existing machinery, equipment, and infrastructure; thus, reducing the total investment significantly compared to a greenfield alternative. The final investment decision is expected to be made during the first half of 2025.

Outlook

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

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 recovered paper has increased significantly, and the quality and availability has deteriorated. This trend is expected to persist for the remainder of 2024 and into 2025. Pulpwood prices is expected to remain at higher levels in fourth quarter.

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. Industry utilisation is expected to remain weak until capacity is reduced. Norske Skog is able to maintain a higher utilisation rate than the industry average.

The production of recycled containerboard at Norske Skog Bruck PM3 is expected to increase in line with plan over the coming quarters. The EBITDA from the Packaging Paper segment in 2024 is expected to be positive, as the allocation of fixed costs relating to Norske Skog Golbey PM1 will be shifted to the first quarter of 2025 in line with the revised start-up timeline.

Norske Skog Saugbrugs continues to progress with the design phase of a new Bleached Chemi-ThermoMechanical Pulp (BCTMP) line, with expected final investment decision in the first half of 2025. Potential investments into a BCTMP line at Saugbrugs will result in recognition and receipt of additional insurance compensation of NOK 615 million.

In Australasia, markets remain challenging with a large share of volume being delivered in low margin export markets. There is continuous effort to improve the mill's cost position and commercial terms.

Norske Skog will continue to develop its industrial sites with new fibre projects based on efficient use of certified fibre 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. The annual publication paper production capacity is 1.6 million tonnes. The annual production capacity of packaging paper will be 0.8 million tonnes following the start-up of containerboard production at Golbey in the first quarter of 2025. 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 arrange a Teams-webinar today at 08:30 CEST, which can be attended by clicking the [webinar link](#) on the front page of the www.norskeskog.com.

The quarterly board of directors report, 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.

Norske Skog

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