

## Press release

### Still weak markets

Norske Skog's EBITDA in the fourth quarter of 2023 was NOK 760 million, an increase from NOK 327 million in the third quarter of 2023. The fourth quarter EBITDA was influenced by business interruption insurance of NOK 625 million, also covering 10 months in 2024 of NOK 460 million at Norske Skog Saugbrugs. In addition, EBITDA in the quarter was influenced by a NOK 57 million gain from sale of the Norske Skog Tasman mill site. The cash flow from operations in the quarter was NOK 973 million, improving the financial position and liquidity due to receipt of NOK 720 million in insurance proceeds in the quarter. The publication paper markets remain weak, and further capacity closures are required. Containerboard demand increases, but this market still experiences excess capacity.

*"We are very satisfied with the NOK 2.4 billion insurance settlement agreed in the fourth quarter for business interruption and property damage related to the rockslide at Norske Skog Saugbrugs in April 2023. This provides us with an opportunity to assess options for development of Norske Skog Saugbrugs. However, lower production and carrying of fixed costs at Bruck, Golbey and Saugbrugs while the mills are transformed, impacts our operating earnings negatively during the quarter. During the ramp-up of production of containerboard at Bruck, and the conversion and ensuing ramp-up at Golbey, we will continue to experience relatively higher cost per tonne produced,"* says Geir Drangslund, CEO of Norske Skog.

Cash flow from operations was NOK 973 million in the quarter compared to NOK 173 million in the previous quarter, mainly due to insurance proceeds related to property damage and business interruption at Norske Skog Saugbrugs of NOK 720 million, proceeds from the sale of Tasman of NOK 70 million, and NOK 399 million in reduced working capital. Operating earnings in the fourth quarter of 2023 were NOK 629 million compared to operating earnings in the third quarter of 2023 of NOK 36 million. The operating earnings in the quarter were positively affected by non-cash changes in fair value of energy contracts in Norway amounting to NOK 97 million, and negatively affected by NOK 88 million in impairments.

Profit before taxes in the quarter was NOK 586 million compared to NOK 112 million in the previous quarter. The net profit was negatively affected by increased interest expense and lower evaluation of financial investments. Net interest-bearing debt decreased from NOK 2 662 to 2 590 million at the end of the quarter. The equity ratio was unchanged at 42%.

#### Operations

Total annual publication paper production capacity for the group is 1.6 million tonnes after the temporary idling of PM6 and restart of PM5 at Norske Skog Saugbrugs, with 1.3 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 half 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 21% through November 2023 compared to the same period last year. SC magazine demand decreased by around 24%. LWC paper demand decreased by around 26% through November compared to the same period last year. According to PPC trade statistics for Australia, demand for newsprint and coated mechanical decreased by 20% and 17%, respectively, through November 2023 compared to the same period last year.

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### Publication paper

Operating income increased from the previous quarter mainly due to recognition of business interruption at Norske Skog Saugbrugs, gain on sale of Tasman industrial site and sale of excess energy at Norske Skog Golbey and Saugbrugs. Slightly lower publication paper sales prices were offset by higher delivered sales volume compared to the previous period. The sales price decrease was driven by weak demand and a market imbalance for publication paper. In the fourth quarter, Norske Skog recognised all remaining business interruption of NOK 625 million covering both the fourth quarter of 2023 and the first 10 months of 2024 and property damage insurance of NOK 52 million.

Variable costs per tonne increased in the quarter, both in absolute terms and per tonne for cost of materials and distribution costs caused respectively by higher pulpwood cost and longer customer destination routes. Fixed costs per tonne increased due to higher operating expenses related to the clean-up from the rockslide at Norske Skog Saugbrugs, which is offset by insurance coverage. Group capacity utilisation was 85% in the quarter, 83% in Europe and 92% in Australasia. Norske Skog Saugbrugs PM6 is excluded from the calculation from 27 April 2023. 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 operating at 72% capacity utilisation, which is in line with the ramp-up plan. The containerboard production will reach full capacity utilisation during the fourth year of production. The operating income for fourth 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, fourth quarter of 2023

NOK million (unless otherwise stated)	Q4 2023	Q3 2023	Q4 2022	YTD 23	YTD 22
<b>Income statement</b>					
Total operating income	3 763	3 036	4 056	13 524	15 214
EBITDA	760	327	1 083	2 142	3 105
Operating earnings	629	36	944	896	2 845
Profit before tax	586	112	1 097	591	2 778
EBITDA margin %	20.2	10.8	26.7	15.8	20.4
Capacity utilisation publication paper %	85	89	78	82	87
<b>Cash flow</b>					
Net cash flow from operating activities	973	173	745	1 928	2 040
Net cash flow from investing activities	-677	-949	-872	-2 689	-1 956
<b>Balance</b>	<b>31.12.23</b>	<b>30.09.23</b>	<b>31.12.22</b>	<b>31.12.23</b>	<b>31.12.22</b>
Total assets	14 755	13 898	13 609	14 755	13 609
Equity	6 161	5 880	5 909	6 161	5 909
Equity %	42	42	43	42	43

### 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 fourth quarter, approximately NOK 121 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 entire 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 continues to explore options for future production at the Norske Skog Saugbrugs 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, but it is expected to remain at a low level for 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 close to historical levels. Cost of recycled paper has become close to trend prices, but the quality and availability are worsening. This trend is expected to persist through 2024. Pulpwood prices increased steadily through 2023 and is expected to remain at elevated levels for 2024.

The level of input costs and demand for paper will continue to influence paper sales prices in Europe. Following demand declines through 2023, both publication and packaging paper markets are characterised by excess capacity and capacity reductions are required to balance the markets. Utilisation is expected to remain weak until the capacity is reduced. 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 the entire 2024. PM5 was restarted in the fourth quarter of 2023 to serve customers previously served by PM6. Production of recycled containerboard in Bruck is expected to develop 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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