

Press release

Positive market development

Norske Skog's EBITDA in the second quarter of 2024 was NOK 471 million, an increase from NOK 76 million in the first quarter of 2024. The second quarter EBITDA was positively impacted by insurance at Norske Skog Saugbrugs of NOK 338 million. Despite signs of positive developments in the publication and containerboard markets, closures are still required. The process to deliver a main study on the BCTMP-production project (bleached chemi-thermomechanical pulp) at Saugbrugs has started.

" - We are receiving excellent feedback from our customers on our containerboard product quality, which 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. In the quarter, we launched plans to start BCTMP-production at Saugbrugs. This will secure jobs and further strengthen the competitiveness of Saugbrugs. Despite declining markets and reduced machine capacities, we are very pleased to have achieved an increased market share with higher sales volumes in the second quarter of 2024 compared to the same quarter last year. This means that Norske Skog's market position with the paper industry has been strengthened," says Geir Drangslund, CEO of Norske Skog.

Cash flow from operations was NOK 299 million in the quarter compared to NOK -69 million in the previous quarter. The second quarter cash flow was positively influenced by somewhat higher sales prices and -volumes, and a decrease in working capital due CO2 related proceeds. Operating earnings in the second quarter of 2024 were NOK 364 million compared to operating earnings in the first quarter of 2024 of NOK -177 million. The operating earnings in the quarter were affected by insurance at Norske Skog Saugbrugs of NOK 338 million, non-cash changes in fair value of energy contracts in Norway amounting to NOK 44 million and depreciation of NOK 128 million.

Profit before tax in the quarter was NOK 311 million compared to loss before tax of NOK -382 million in the previous quarter. Net interest-bearing debt decreased from NOK 3 246 to 2 970 million at the end of the quarter in part due to favourable working capital changes. The equity ratio was 40%. During the quarter, Norske Skog refinanced the EUR 150 million secured bond with a five-year NOK 1 400 million unsecured bond at a lower interest rate.

" - It is great to see that the long-term refinancing of the group with a new NOK 1.4 billion bond has been completed at a lower interest rate and lower amount than the previous bond. The previous bond was secured, whereas the new one is unsecured, which makes the refinancing even more impressive," 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 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 1% through May 2024 compared to the same period last year. SC magazine demand decreased by around 11%. LWC paper demand decreased by around 1% through May 2024 compared to the same period last year. According to PPC trade statistics for Australia, demand for newsprint and coated mechanical decreased by 33% and 2%, respectively, through May 2024 compared to the same period last year.

Norske Skog ASA

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Publication paper

Operating income increased from the previous quarter mainly due to the recognition of NOK 338 million in insurance at Norske Skog Saugbrugs in the quarter, and slightly higher sales prices and sales volumes due to geographic and product mix effects. Despite positive demand sentiment in certain segments 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 recovered paper prices. Distribution costs increased slightly in the quarter. Fixed costs both in absolute terms and per tonne decreased somewhat in the quarter due to lower costs and production volumes. Group capacity utilisation was 88% in the quarter, 87% in Europe and 90% in Australasia.

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 second half of 2025. The operating income for the second quarter was higher than the mill gate cash costs. The EBITDA was slightly positive due to higher sales prices and delivered volume.

Key figures, second quarter of 2024

NOK million (unless otherwise stated)	Q2 2024	Q1 2024	Q2 2023	YTD 2024	YTD 2023
Income statement					
Total operating income	3 217	2 688	3 404	5 905	6 725
EBITDA	471	76	380	546	1 055
Operating earnings	364	-177	146	187	231
Profit before tax	311	-382	41	-71	-108
EBITDA margin %	14.6	2.8	11.2	9.3	15.7
Capacity utilisation publication paper %	88	86	77	87	78
Cash flow					
Net cash flow from operating activities	299	-69	353	229	783
Net cash flow from investing activities	-104	-377	-695	-482	-1 063
Balance	30.06.24	31.03.24	30.06.23	30.06.24	30.06.23
Total assets	15 201	14 644	14 689	15 201	14 689
Equity	6 138	6 004	6 208	6 138	6 208
Equity %	40	41	42	40	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 is completed, 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 successfully started the production at the net NOK 180 million new thermo-mechanical pulp (TMP) line, which substitutes recovered paper with fresh fibre. The project was completed according to budget and timeline. The total cost of the purchased machinery and equipment were about 50-70% below standard new equipment. The new TMP line will reduce variable costs, in addition to reducing NOx emissions, fossil CO2-emissions and waste sent to landfill.

“ - I would like to thank everyone who has been involved with the project for their efforts and excellent work, especially the employees and not least to all our partners who have delivered according to expectations.

This project will give us a boost both on the cost and environmental side, but not least it will give a boost in what we offer our customers. The feedback from our largest customers has so far been outstanding. We now offer paper produced only on fresh fibre from Skogn. This investment will clearly strengthen our position in the paper market," says Geir Drangslund, CEO of Norske Skog.

Norske Skog Saugbrugs BCTMP-production

Norske Skog will initiate a main study aiming to enter the bleached chemi-thermomechanical pulp (BCTMP) market by starting production at Norske Skog Saugbrugs in Halden. 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.

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 second 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 recovered paper has increased significantly, and 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.

The production of recycled containerboard in Norske Skog Bruck is expected to increase in line with the plan over the coming quarters. However, the EBITDA from the Packaging Paper segment in 2024 is expected to be negative due to allocation of fixed costs following start-up of production in Norske Skog Golbey in the second half of 2024.

Norske Skog Saugbrugs has initiated pre-engineering (main study) to produce bleached chemi-thermomechanical pulp (BCTMP), with expected final investment decision in the first half of 2025. Potential investments into a BCTMP project 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. 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 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.

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