

Press release

Coping with challenging markets

Norske Skog's EBITDA in the fourth quarter of 2024 was NOK 33 million, a decrease from NOK 88 million in the third quarter of 2024. EBITDA in the quarter was influenced by continued pressure from price increases for energy and pulpwood. Norske Skog Golbey will start production of packaging paper towards the end of the first quarter of 2025, which will increase the Group's total capacity with 36%. Proceeds from the final insurance settlement from the rockslide at Norske Skog Saugbrugs will improve the financial position and liquidity by NOK 540 million in the beginning of 2025. The publication paper markets are still challenging although several market closures have improved the market balance for newsprint and magazine paper.

"In the first quarter of 2025, we will proudly launch containerboard production at Norske Skog Golbey, the group's most significant investment to date and a bold step into the future. This marks a major milestone in our transformation from a traditional publication paper producer to a dynamic supplier of containerboard. With a cutting-edge production line powered entirely by recycled fibre, we are increasing our capacity by more than one-third, strengthening our ability to serve the growing demand in the containerboard market," says Geir Drangslund, CEO of Norske Skog.

The cash flow from operations in the quarter was NOK 28 million due to reduced working capital following sale of CO2 allowances. Operating earnings in the fourth quarter of 2024 were NOK -353 million compared to operating earnings in the third quarter of 2024 of NOK -5 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 137 million, and negatively affected by NOK 121 million in impairments relating to assets at Norske Skog Saugbrugs.

Loss before taxes in the quarter was NOK -555 million compared to NOK -141 million in the previous quarter. The net profit was negatively affected by non-cash currency changes in euro denominated debt and foreign exchange contracts. Net interest-bearing debt increased from NOK 3 717 to 4 119 million at the end of the quarter. The equity ratio was 37%.

Operations

Total annual publication paper production capacity for the group was 1.6 million tonnes during 2024. Norske Skog has discontinued the reporting segment Publication Paper Australasia after initiating a sales process in December 2024. The Group capacity of publication paper will then become 1.3 million tonnes. Norske Skog Golbey (PM1) plans to start packaging paper production towards the end of 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% through November 2024 compared to the same period last year. SC magazine paper demand decreased by around 9%. LWC paper demand decreased by around 2% through November compared to the same period last year. According to PPPC trade statistics for Australia, demand for newsprint decreased by 16% and increased for coated mechanical by 1% through November 2024 compared to the same period last year.

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Publication paper

Operating income increased from the previous quarter mainly due to higher deliveries and sale of excess energy. Slightly higher publication paper sales prices due to mix effects were more than offset by higher pulpwood and energy prices compared to the previous period. The increase in sales prices did not absorb the increased cost of materials in the period.

Variable costs per tonne increased in the quarter, both in absolute terms and per tonne for cost of materials mainly due to pulpwood and energy prices. Distribution costs were unchanged in the period but somewhat lower on a per tonne basis. Fixed costs per tonne increased both on an absolute level and per tonne level due somewhat higher employee expenses. Group capacity utilisation was 87% in the quarter, 87% in Europe and 86% in Australasia.

Packaging paper

The packaging paper machine at Bruck continues to ramp-up its production, although a commercially challenging market reduced deliveries in the quarter. The containerboard production will reach full capacity utilisation during the third year of production. The operating income for 2024 consists of revenue from deliveries and gate fees from waste incineration, which were higher than the variable and fixed costs.

Key figures, fourth quarter of 2024 *

NOK million (unless otherwise stated)	Q4 2024	Q3 2024	Q4 2023	YTD 24	YTD 23
Income statement					
Total operating income	2 666	2 511	3 195	10 173	11 557
EBITDA	33	88	680	736	2 062
Operating earnings	-353	-5	627	-60	934
Profit (loss) before tax	-470	-144	588	-566	645
EBITDA margin %	1.2	3.5	21.3	7.2	17.8
Capacity utilisation publication paper %	87	91	83	87	80
Cash flow					
Net cash flow from operating activities	28	-272	973	-15	1 928
Net cash flow from investing activities	-428	-289	-677	-1 198	-2 689
Balance	31.12.24	30.09.24	31.12.23	31.12.24	31.12.23
Total assets	14 467	14 824	14 755	14 467	14 755
Equity	5 384	6 132	6 161	5 384	6 161
Equity %	37	41	42	37	42

*) Restated figures to reflect the discontinuation of the publication paper Australasia segment

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 end of 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.

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.

The new BCTMP line will produce approximately 300 000 tonnes 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 important 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 increased during the fourth quarter of 2024, with increase in newsprint deliveries outweighing slight decreases in magazine paper and containerboard.

The raw material and energy markets, which are important for both publication paper and packaging paper production, are expected to remain uncertain. During the fourth quarter, energy costs reached somewhat higher levels. Cost of pulpwood has increased, but the situation remains manageable. Recycled paper prices show signs of stalling and even declining during the fourth quarter.

The level of input costs and demand for paper will continue to influence paper sales prices in Europe. Both publication- and packaging paper markets see some excess capacity, and capacity reductions are required to tighten the markets. Industry utilisation is expected to remain below the historical average 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 was positive in 2024 but is expected to be negative in 2025 due to allocation of fixed costs relating to Norske Skog Golbey PM1 from the first quarter of 2025.

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. In addition, Norske Skog Saugbrugs is also reviewing the future opportunity for SC magazine paper production from the damaged PM6. During December 2024, Norske Skog initiated a concrete sales process for its operations in Australasia. The transaction is expected to close during the first quarter of 2025.

Norske Skog continues to monitor its financial position closely and has several ongoing initiatives to secure its liquidity and financial performance going forward. There is also a clear emphasis on reducing production cost and working capital to improve the group's competitive position and cash flow from operations. Norske Skog will update separately on such initiatives from time to time as they progress.

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. The Norwegian mills, Norske Skog Saugbrugs and Norske Skog Skogn, have received written notices from the Norwegian Environment Agency stating that they will not be included in the EU Emissions Trading System from 2026 to 2030. This is because emissions from biomass combustion accounted for more than 95 percent of the mills' total average greenhouse gas emissions during the reference period 2019–2023.

"This is a significant setback for sustainable industry and deeply disappointing for everyone who has invested in and prioritized the transition from fossil fuels to renewable energy. This decision will incentivize facilities to continue or even increase the use of fossil fuels," says Geir Drangslund, CEO of Norske Skog.

About Norske Skog

Norske Skog is a leading producer of publication paper with strong market positions and customer relations in Europe. The Norske Skog Group operates four mills in Europe, which produce publication paper, recycled packaging paper, energy and bioproducts. 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.

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