

Norske Skog to enter the European packaging markets

Norske Skog will take a major step in its continued transformation towards a growing and high-margin business by converting two newsprint paper machines into renewable containerboard production. The conversions at Golbey and Bruck will introduce 765,000 tonnes of competitive containerboard capacity to meet the growing demand for renewable packaging. Following the conversions, both mills will have access to green energy and have reduced their carbon footprints to become among the best performers in the industry. Norske Skog will continue to be a reliable supplier of all publication paper grades after the planned conversions. Newsprint capacity will be reduced with 360,000 tonnes, balancing the market for the Norske Skog's remaining European publication paper capacity.

"This is a milestone in Norske Skog's strategy to become a leading European packaging producer through conversion of publication paper capacity. We will continue to optimise our broad asset base to diversify within high-growth fibre segments, and maximise cash flows from the publication paper business. Norske Skog will still remain a committed supplier of high-quality publication paper products, and a strong and reliable partner for our customers. This marks an important step in Norske Skog's evolution as we look to enhance long-term value for all stakeholders," says Norske Skog's Chair of the Board John Chiang, who also represents the largest shareholder Oceanwood.

Norske Skog plans to invest approximately EUR 350 million in the conversion projects over an 18-month period commencing in H2 2021. The investments are expected to generate an annual EBITDA of approximately EUR 70-80 million at full utilisation, based on historical prices for containerboard and recovered paper.

These investments represent the latest initiative in enhancing the circular and industrial ecosystems at the Golbey and Bruck mills. Containerboard production will be based on recycled fibre, and will reduce the mills' electricity consumption. Boilers to be constructed at the sites will provide efficient and environmentally friendly off-take of residual materials, and in return generate green steam for sustainable containerboard and paper production and green electricity for the power grids.

"The conversions at the Golbey and Bruck mills are profitable investments that will enable Norske Skog to establish a strong presence in the growing packaging market. In addition, it represents a major step in our continued effort to direct Norske Skog into a growing business, enhancing value to our shareholders and ensuring sustainable cash flow growth." says Norske Skog's CEO Sven Ombudstvedt.

At the Golbey mill in France, approximately EUR 250 million is planned to be invested to convert PM1 from its current 235,000 tonnes of newsprint capacity to 555,000 tonnes of leading recycled containerboard capacity. Following the conversion in 2023, Golbey will have 555,000 tonnes of recycled containerboard capacity and 330,000 tonnes of newsprint capacity. At the Bruck mill in Austria, approximately EUR 90 million is planned to be invested to convert PM3 from its current 125,000 tonnes of newsprint capacity to 210,000 tonnes of recycled containerboard capacity. Following the conversion in 2023, Bruck will have 210,000 tonnes of recycled containerboard capacity and 265,000 tonnes of light-weight coated magazine capacity.

Final investment decisions are planned in the first half of 2021, and start of containerboard production in the first half of 2023. Production standstill at the machines that will be converted is limited to three months during the final stages of the conversions, and full utilisation is expected by the end of 2025.

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“Increased focus on sustainable packaging, and growth in on-line economy are key market drivers in the packaging business. With the conversion investments in Golbey and Bruck, we will meet these trends with cost-leading capacity. Both mills are positioned close to the consumer markets of containerboard in continental Europe, have established access to recycled fibre, and represent some of the best brownfield conversion opportunities in the market.” says Norske Skog’s CEO Sven Ombudstvedt.

Webcasted press conference

At the press conference, Sven Ombudstvedt (CEO) and Tore Hansesætre (SVP Strategic Projects) will present and reply to questions about the conversion projects in more detail. The press conference will be webcasted live at www.norskeskog.com today at 08:00 CET.

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 of which two will produce recycled containerboard following planned conversion projects. In addition, the Group operates two publication paper mills and a pellets facility in Australasia. Norske Skog aims to further diversify its operations and continue its transformation into a growing and high-margin business through a range of exciting fibre projects. The Group has approximately 2,300 employees in five countries, headquartered in Norway and listed on the Oslo Stock Exchange under the ticker NSKOG.

For further information

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