

Oxenøen, 4 February 2010

Fourth quarter 2009:

Continued demanding market

Norske Skog had gross operating earnings (EBITDA) in the fourth quarter of 2009 of NOK 472 million, down from NOK 642 million in the third quarter. Gross operating earnings for the full year 2009 were NOK 2.185 billion, a reduction of NOK 342 million from 2008 on a comparable basis. Net interest bearing debt was reduced by NOK 4.4 billion in 2009, totalling NOK 9.6 billion at year end. Demand for Norske Skog's products was weak throughout 2009, and the market is characterised by record-low prices in Europe and continued overcapacity.

"Major improvements have been made, and the company's financial situation has been strengthened considerably in recent years. The main task ahead is to create a better balance between supply and demand, improve productivity and cut expenses to ensure consistency between cost level and profit," says Sven Ombudstvedt, who took over as CEO of Norske Skog on 1 January this year.

"We have defined several areas with cost-reduction potential. Cooperation with union representatives and mill management, simplification of the organisational structure and strengthening of strategic management functions will be critical success factors going forward," says Ombudstvedt.

Main figures (NOK Million)

	Q4 2009	Q3 2009	2009	2008
Revenue	4 909	5 033	20 362	26 468
Gross operating earnings (EBITDA)	472	642	2 185	2 723
Gross operating margin (%)	9,6	12,8	10,7	10,3
Gross operating earnings after depreciation (EBIT)	- 27	- 7	- 280	100
Value changes, energy portfolio	1 368	96	990	- 24
Restructuring costs and other special items	- 40	45	- 152	- 698
Impairments	-226	- 1 006	- 1 883	- 785
Operating earnings – IFRS	1 075	- 872	- 1 325	- 1 407
Financial items and share of profit in associated companies	-188	543	305	- 1 372
Taxes	-220	- 88	-380	13
Result	667	- 418	- 1 400	- 2 765
Net cash flow from operations	537	730	1 697	1 977

Gross operating earnings were reduced by NOK 170 million from the third to the fourth quarter 2009, mainly due to rising costs of recovered paper and market pulp, lower prices for newsprint and magazine paper in Europe and South America, as well as the effect of a stronger Norwegian krone.

Operating earnings before financial items and taxes was around NOK 1.1 billion in the fourth quarter of 2009, compared with a negative result of NOK 872 million in the previous quarter. Fourth-quarter results were strongly influenced by increased value of energy contracts of about NOK 1.4 billion. In the third quarter, there was a corresponding negative impact of NOK 1 billion from impairments.

Net debt was reduced by 400 million in the fourth quarter, and the gearing ratio fell from 0.89 to 0.80.

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One of the main objectives of Norske Skog is to reduce debt by generating sufficient cash flow from operations and transactions. Net interest bearing debt was reduced from NOK 14 billion to NOK 9.6 billion in 2009. Key events contributing to the debt reduction included the sale of the two mills Shanghai Norske Skog Potential Paper and Norske Skog Hebei in China, buy-back of bonds at a discount, a stronger Norwegian krone against debt currencies, as well as about NOK 1 billion in free cash flow.

Market development

Global demand for newsprint and magazine paper fell sharply in 2009. In Europe, demand for standard newsprint dropped 14 per cent from 2008 to 2009. Demand rose somewhat toward the end of 2009, and Norske Skog's shipments from European newsprint mills were slightly higher in the fourth quarter than in the previous quarter.

Sales volumes in the magazine paper segment also increased slightly toward the end of 2009, but overall European demand for magazine paper fell from 2008 to 2009 with 9 per cent and 20 per cent for uncoated (SC) and coated (LWC) magazine paper, respectively.

In North America, demand for newsprint fell by 25 per cent from 2008 to 2009, while demand for newsprint outside of Europe and North America in total was reduced by about 10 per cent.

Corporate management changes

As a result of the last years' consolidation of Norske Skog's global mill portfolio, approximately 70 percent of the Group's production capacity is now located in Europe. This is also where Norske Skog faces the greatest challenges in terms of profitability and mill cost positions. In order to strengthen the improvement initiatives in this region, the responsibility for operations in Europe has been divided between senior vice presidents Terry Hamilton and Jan Clasen. Hamilton will be responsible for mill operations, while Clasen will be responsible for sales and marketing as well as pan-European activities within logistics and procurement.

Senior vice president Rune Gjessing, who has been in charge of corporate strategy, will be responsible for the operations in Australasia, Asia and South America.

Gaute Andreassen (35) has been appointed senior vice president for strategy. Andreassen comes from the position of strategy director of Yara and will begin his new position during March.

As a result of organisational changes, the responsibility for processes within HR and organisation will be transferred to the respective line managers. Current senior vice president for HR & organisation, Kristin Slyngstad Klitzing, will leave the corporate management team.

"Kristin Slyngstad Klitzing has done a very good job for Norske Skog in a particularly challenging period for Norske Skog. Under Kristin's leadership, Norske Skog has developed one of the most efficient HR functions in Norway. As the new corporate structure does not include a head of HR and organisation as part of the corporate management, she has chosen to leave the company. I wish her continued success," says CEO Sven Ombudstvedt.

The new corporate management will consist of Sven Ombudsvedt (CEO), Audun Røneid (CFO), Jan Clasen (senior vice president for commercial activities), Terry Hamilton (senior vice president for Europe), Rune Gjessing (senior vice president for Australasia, Asia and South America) and Gaute Andreassen (senior vice president for strategy). Gjessing will continue to lead the strategy department until Andreassen joins Norske Skog in March. The other changes take effect immediately.

Outlook

At the start of 2010, there are few clear signs of a rapid improvement in the markets for publication paper. However, demand may increase during the course of the year, compared with 2009 levels. Newsprint prices in most European markets are expected to be 15 to 20 per cent lower than in 2009. For magazine paper, which is to a lesser extent sold on an annual contract basis, the fall in price levels at the start of 2010 is 5 to 10 per

cent. The new prices in Europe are at a very low level, and are not sustainable in the long term. Price increases during the course of the year can be expected in South America and Asia, and new long-term contracts are under negotiation with the major customers in Australasia.

There is a certain cost pressure on some input factors, primarily for recovered paper. Norske Skog will work actively to further reduce fixed costs.

Presentation/webcast

Norske Skog will hold a presentation and webcast at its headquarters at Lysaker outside of Oslo at 1 pm today. For more information, visit www.norskeskog.com

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