

Oxenøen, 6 May 2010

First quarter 2010:

Weak results characterised by low prices and higher input factor costs

Norske Skog reported gross operating earnings (EBITDA) of NOK 275 million in the first quarter of 2010, down from NOK 472 million in the previous quarter and NOK 504 million in the first quarter of 2009. The weak results were mainly caused by low prices for newsprint and magazine paper in Europe, combined with increased input factor costs.

Most of the group's production is now in Europe, where overcapacity and cost increases resulted in very low margins during the first three months of 2010. For Norske Skog, the sale of surplus energy in Norway and continued reduction of fixed costs helped mitigate the negative development, but the measures were not sufficient to secure necessary cash flow and profitability for the group.

"The situation is very demanding. We now concentrate on three main tasks: Further cost reductions, strengthening the group's financial position, and initiatives that can contribute to a necessary restructuring of the industry," says CEO Sven Ombudstvedt.

"Manufacturers and suppliers must continue to streamline operations and adjust capacity, but customers must also be prepared to take their share of the responsibility to maintain a sustainable paper industry in Europe," says Ombudstvedt. "Although demand has increased from low levels in 2009, it remains far below the levels of the corresponding period in 2008. There is considerable overcapacity in production of newsprint and magazine paper, both in Europe and globally. This has resulted in prices that are too low to sustain profitability for manufacturers."

Key figures, First Quarter 2010 (Million NOK)

	Q1 2010	Q4 2009	Q1 2009
Revenue	4 455	4 909	5 259
Gross operating earnings (EBITDA)	275	472	504
Gross operating margin (%)	6,2	9,6	9,6
Gross operating earnings after depreciation (EBIT)	-252	-27	-149
Value changes, energy portfolio	-954	1368	96
Restructuring costs and other special revenues and expenses	40	-40	-1321
Impairments	-198	-226	0
Operating earnings – IFRS	-1364	1075	-1374
Financial items and profit share of profit in associated companies	-241	-188	-126
Taxes	453	-220	389
Result	-1153	667	-1111
Net cash flow from operations	101	537	723

Results after taxes fell from a profit of NOK 667 million in the fourth quarter of 2009 to a loss of NOK 1,153 million in the first quarter of 2010. Results were largely influenced by a decrease in value of the group's energy portfolio of NOK 954 million. Reduction in the value of the energy portfolio has no cash effect.

Net cash flow from operations fell from NOK 537 million in the fourth quarter of 2009 to NOK 101 million in the first quarter of 2010 as a result of weak gross operating earnings. Realisation of gains from currency hedging contributed to a positive cash flow from financial items in the first quarter. Interest payments were relatively low in the first

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quarter and are expected, as in previous years, to be significantly higher in the second quarter.

The group's net debt was reduced by NOK 130 million in the first quarter. The gearing ratio increased from 0.80 at year end to 0.86 by the end of the first quarter. Net interest bearing debt was just below NOK 9.5 billion at the end of the first quarter of 2010.

Market Development

The global consumption of newsprint increased by five percent in the first quarter of 2010, compared with the corresponding period in 2009. The greatest growth occurred in Asia and Australasia. Demand for magazine paper in Europe increased by four percent in the same period.

Newsprint prices fell by 15-20 percent in most European markets in the first quarter of 2010. For markets outside of Europe, the average price of newsprint, measured in NOK, remained about the same as in the fourth quarter of 2009.

Magazine paper prices in Europe fell by 5-10 percent from the fourth quarter of 2009 to the first quarter of this year.

Norske Skog Bio Bio in Chile

Norske Skog Bio Bio in Chile was hit by an earthquake in February 2010, and was out of operation for the remainder of the first quarter. No employees at the mill were injured in connection with the earthquake.

The shutdown resulted in reduced volumes of approximately 10 000 tons compared with full capacity. The mill was restarted on 30 April, and is expected to be fully operational shortly. Norske Skog's insurance coverage includes natural disasters. The financial consequences of the earthquake are expected to be minor.

Outlook

The decline in demand in Europe has levelled off, but there is considerable uncertainty about future developments. Because of annual contracts, newsprint prices will remain very low for the rest of the year, while prices are expected to increase on a significant part of the volume of magazine paper sold in the second half of 2010. Outside Europe demand is increasing, and there is reason to expect price increases in all regions. In Australia, paper is delivered under existing contracts until the half year end, and work to secure new long-term contracts is under way. The price pressure on input factors recovered paper and market pulp continues, but is expected to ease somewhat in the second half of 2010.

Presentation/conference call

Norske Skog will hold a presentation at Shippingklubben, Haakon VII's gt. 1 in Oslo today at 08.30 CET. At 13.00, an international telephone conference call will be held. For more information, please visit www.norskeskog.com.

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