

Norske Skog sells excess power in southern part of Norway

Norske Skog has entered into an agreement to sell excess electricity to the Norwegian company Elkem for NOK 800 million. The deal gives Elkem a yearly supply of 1.5 TWh until 31 December, 2020. The power sold is being delivered in southern part of Norway, where Norske Skog does not need it for its own operations.

"The market has shown a considerable interest for this volume of electricity, and we are satisfied with the terms and the constructive dialogue with Statkraft. The divestment is an important part of our work to improve Norske Skog's financial position" says Sven Ombudstvedt, President and CEO of Norske Skog.

Limited transmission capacity between different market regions prevents Norske Skog from using power delivered in southern Norway for the operations at Skogn in central Norway at acceptable commercial terms. Norske Skog is working to secure a long-term power supply for its operations at Skogn through a new regime guaranteed by the Norwegian state.

The sale of excess power is expected to give a cash payment of around NOK 770 million after transaction costs. It will entail an accounting loss after tax of around NOK 290 million. The final accounting effects of the transaction will be published in the pre quarter release preceding the publishing of Norske Skog's results for the second quarter of 2010.

Following the transaction, Norske Skog maintains sufficient power supply to meet the needs of its operations in southern Norway (Norske Skog Saugbrugs and Norske Skog Follum) until 31 December, 2020.

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