

Q2 2010 presentation

5 August 2010

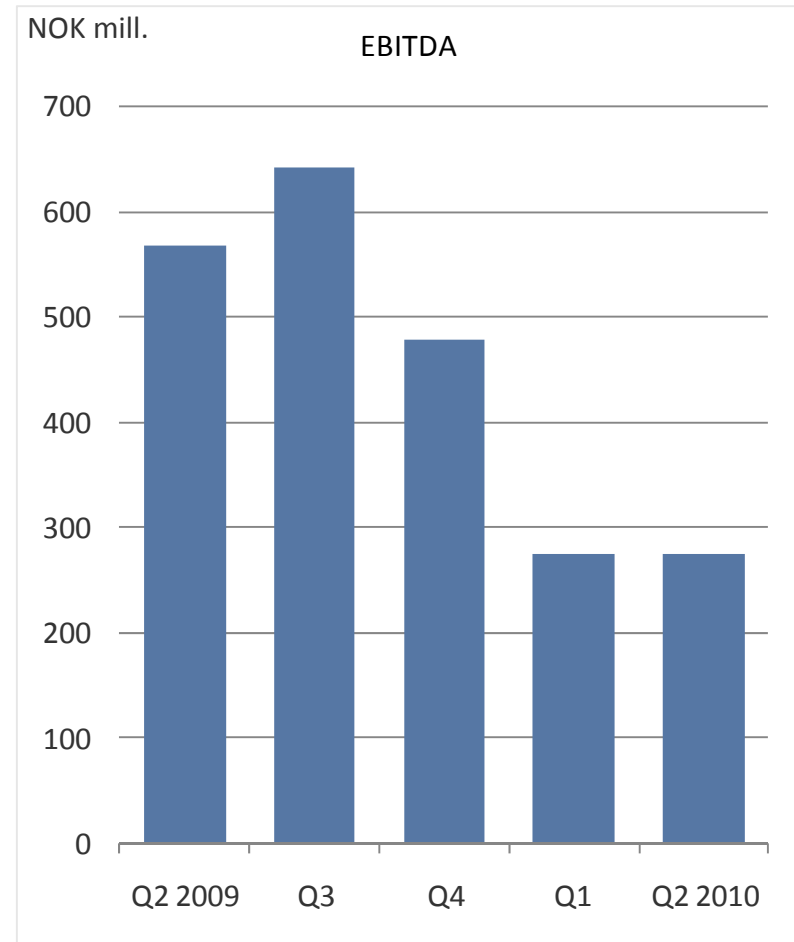
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Sven Ombudstvedt
CEO

5 August 2010

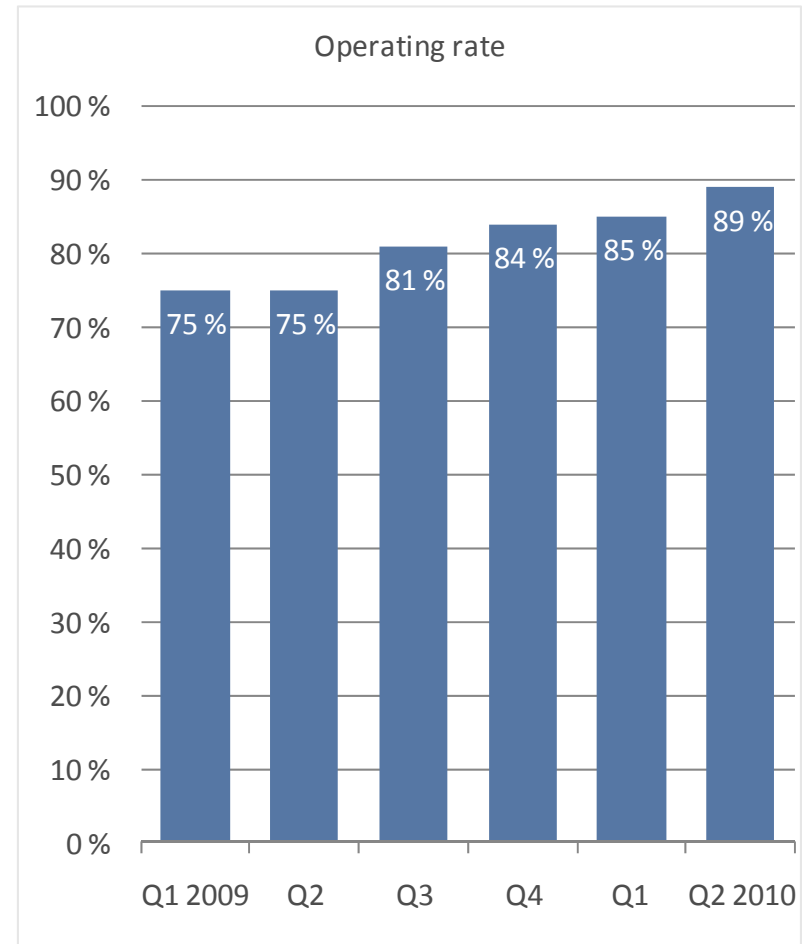
Q2 2010 in brief

- EBITDA remains weak
 - Low prices in Europe
 - Higher cost of input factors
- Increased capacity utilisation
- Sale of excess power in Norway
- New long-term contracts in Australasia signed



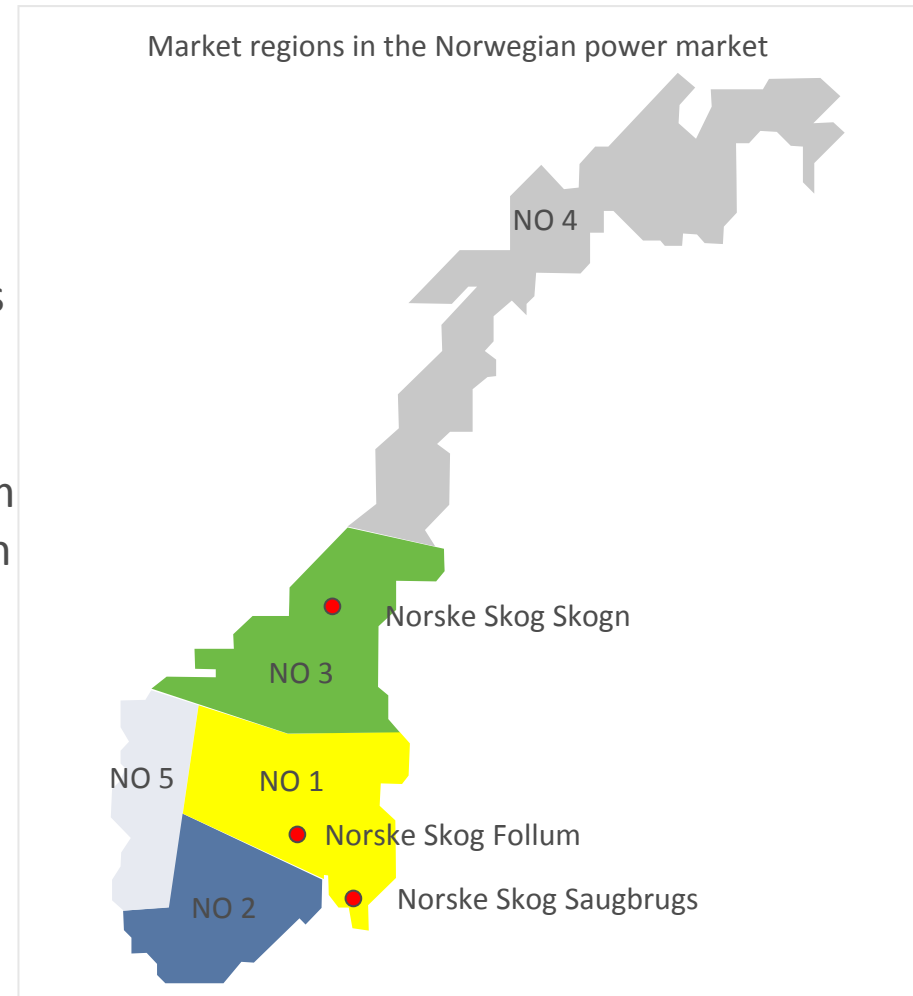
Higher capacity utilisation in Q2 2010

- 89 % operating rate, up from 85 % in Q1 2010
- Increased export from Europe to Asia
- Substantial growth in demand in Asia, Australasia and South America
- Reduced capacity
 - PM2 at Parenco permanently idled in 2009
 - Divestment of Chinese operations in 2009



Sale of excess power

- Sales proceeds: NOK 800 mill.
- 1.5 TWh from 2011 - 2020
- Power sold delivered in market regions (NO2) where Norske Skog does not need it for own operations
- Limited transmission capacity into NO3 (Skogn)
- Process ongoing to secure long-term power supply for Norske Skog Skogn
- Value of remaining global energy portfolio: NOK 3.4 bn.



Further debt reduction initiatives in 2010

- Divestment of Klosterøya property (former Union site)
- Divestment of Brazilian forest property

➔ Could reduce debt by additional NOK 200 – 700 mill. by the end of 2010



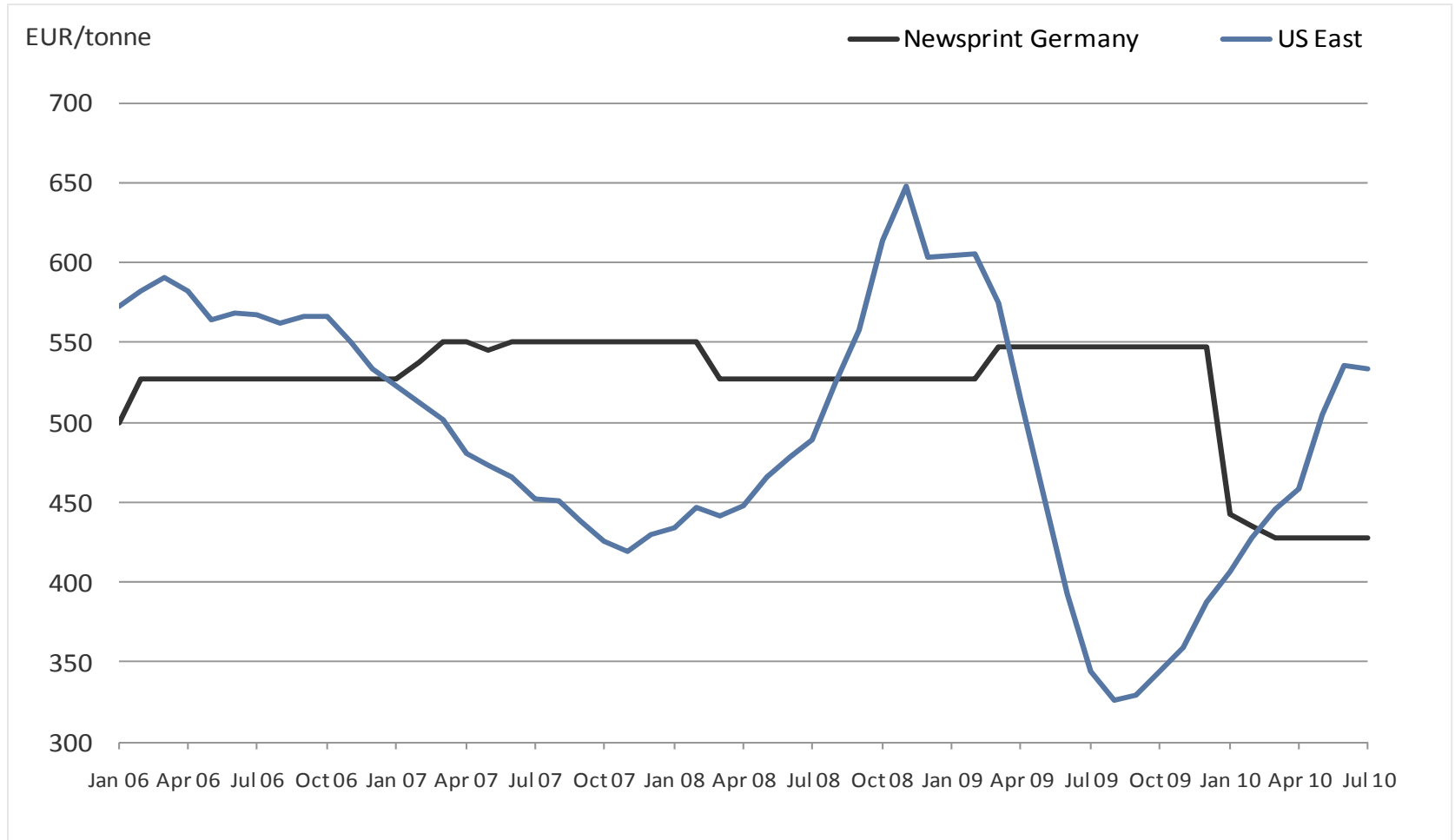
Klosterøya, Skien, Norway (Photo: Varden)

Demand 2010 per region/segment

Region/segment	Annual change (YTD)*	Comments
World standard newsprint	5.3 %	
North America standard newsprint	-1.6 %	
Europe standard newsprint	1.4 %	Western Europe (+2 %) stronger than Eastern Europe (-3 %)
Europe magazine paper (incl. improved newsprint etc)	6.5 %	SC down (-2 %), LWC stronger (+12 %)
Non-Japan Far East Standard newsprint	14.4 %	Highest growth in China and India; increased customer inventories
Australasia standard newsprint	13.1 %	
Latin America standard newsprint	15.8 %	Highest growth in Brazil; increased customer inventories

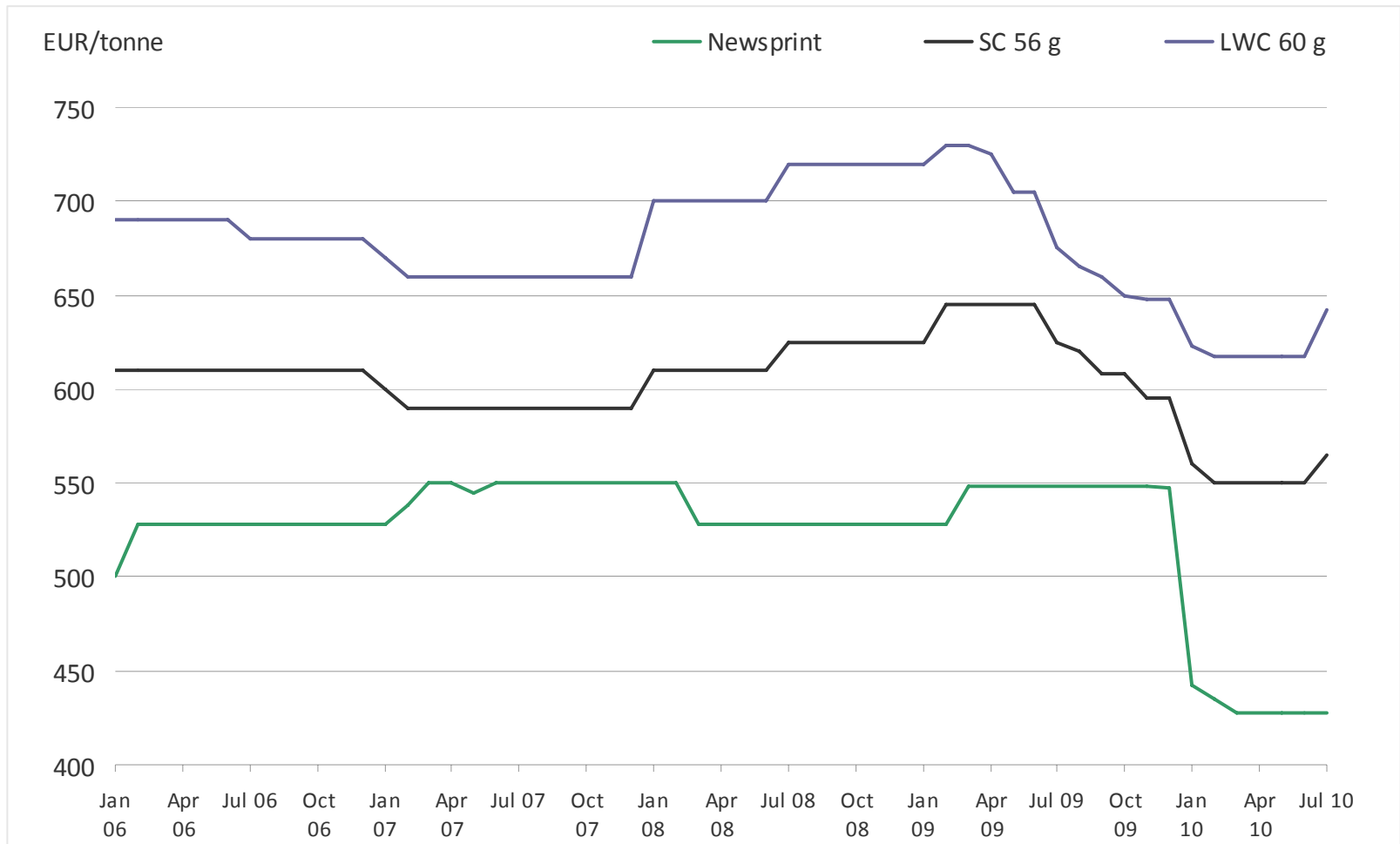
*) Change from January-June 2009 vs same period in 2010, Source: PPPC, CEPIPRINT

Price development - Europe vs. USA



Source: RISI

Price development - Germany



Source: RISI

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Audun Røneid
CFO

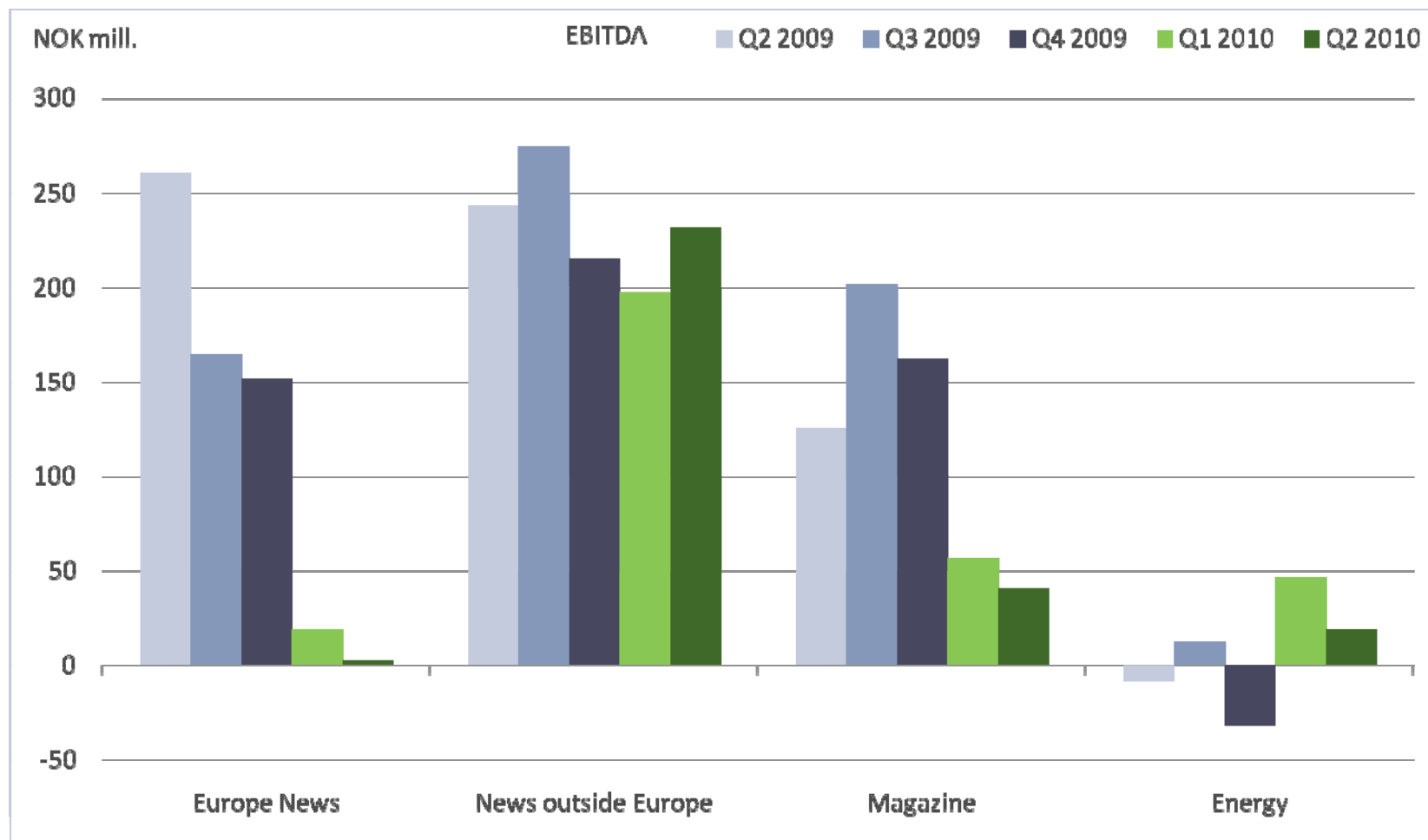
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Key financials Q2 2010

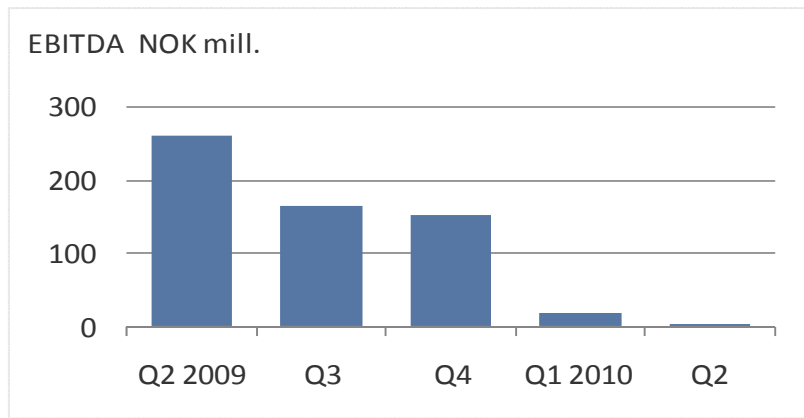
Key figures (NOK mill.)	Q2 2010	Q1 2010	Q2 2009
Operating revenue	4 577	4 455	5 160
EBITDA	275	275	568
EBIT before special items	-226	-252	-98
Result after tax	-874	-1 153	-538

- EBITDA: NOK 275 mill.
 - Unchanged from Q1 10
 - Weak results in Europe; improving results elsewhere
- Net result: NOK - 874 mill.
 - Loss from sale of excess power in Norway
 - Negative effect on translation differences and cash flow hedging from weaker NOK

Results - segments



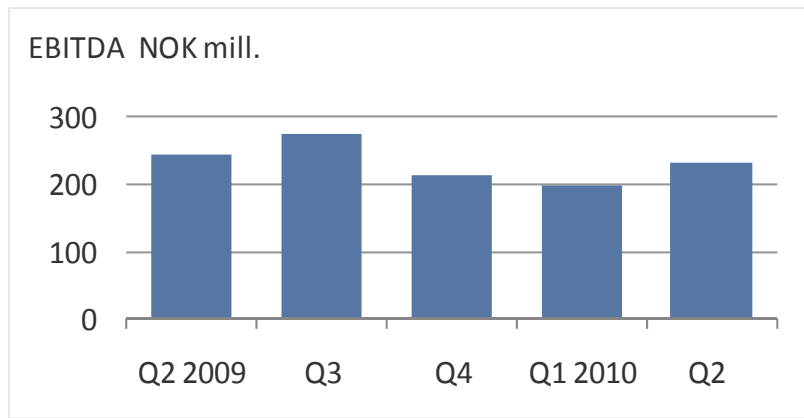
Newsprint Europe



Key figures (NOK mill.)	Q2 2010	Q1 2010	Q2 2009
Operating revenue	1 402	1 314	1 615
EBITDA	2	18	260
EBITDA margin (%)	0.1	1.4	16.1
Deliveries (1 000 tonnes)	394	356	356

- Somewhat lower average prices compared with Q1 10
- Substantial increase in prices on recovered paper
- Improved capacity utilisation
- Slight growth in demand in Europe in first half of 2010 compared with 2009, and increase in exports to Asia

Newsprint outside Europe

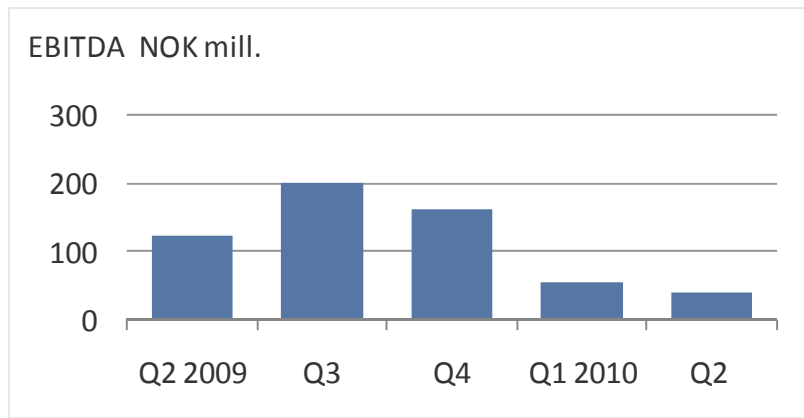


Key figures (NOK mill.)	Q2 2010	Q1 2010	Q2 2009*
Operating revenue	1 375	1 254	1 551
EBITDA	231	197	243
EBITDA margin (%)	16.8	15.8	15.7
Deliveries (1 000 tonnes)	284	288	365

- Results up from Q1 10 primarily due to improved market mix in Australasia
- New long-term contracts in Australasia
- Norske Skog BioBio in Chile returned to normal production after earthquake
- Increased demand in all regions where Norske Skog operates, but impacted by increased customer inventories

*) 2009 includes two mills in China which are sold.

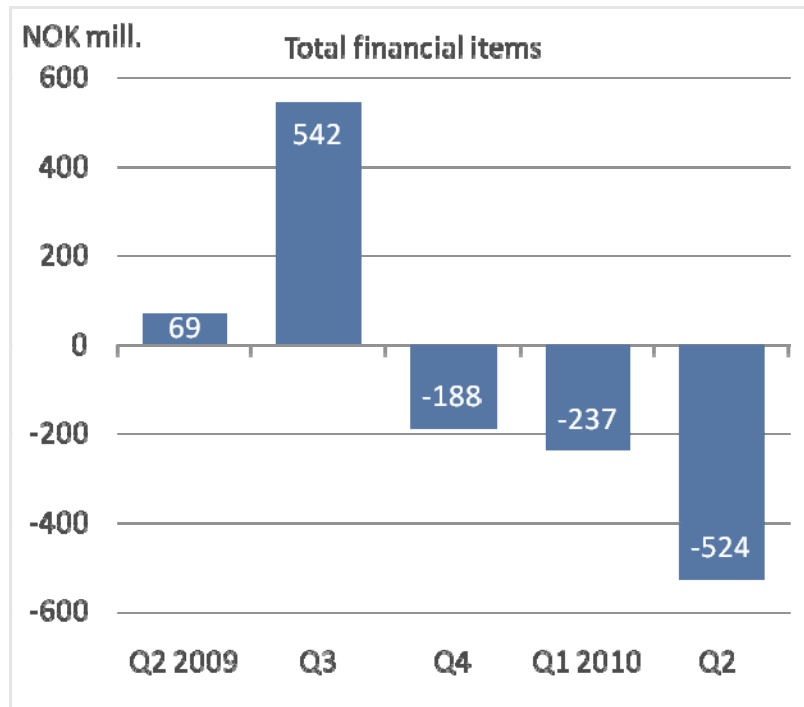
Magazine paper



Key figures (NOK mill.)	Q2 2010	Q1 2010	Q2 2009
Operating revenue	1 488	1 503	1 387
EBITDA	40	56	125
EBITDA margin (%)	2.7	3.7	9.0
Deliveries (1 000 tonnes)	304	307	226

- Relatively stable results; small changes in prices and volumes
- Shift in demand from uncoated to coated paper due to price changes
- Increase in demand from export markets

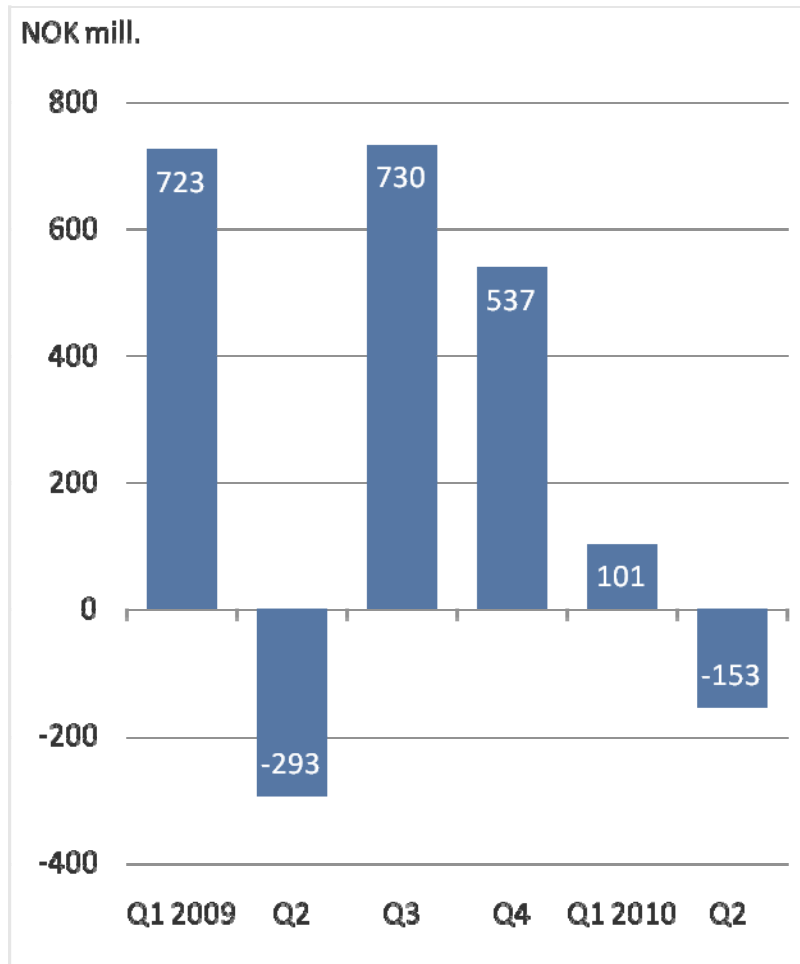
Financial items: Negative currency effect



- Total financial items NOK - 524 mill. (NOK - 237 in Q1 10)
- Currency elements NOK - 329 mill (NOK - 48 mill. in Q1 10):
 - Negative translation differences on balance sheet items not qualified for hedge accounting
 - Unrealised loss on cash-flow hedging

NOK mill.	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010
Currency elements	-38	763	-11	-48	-329

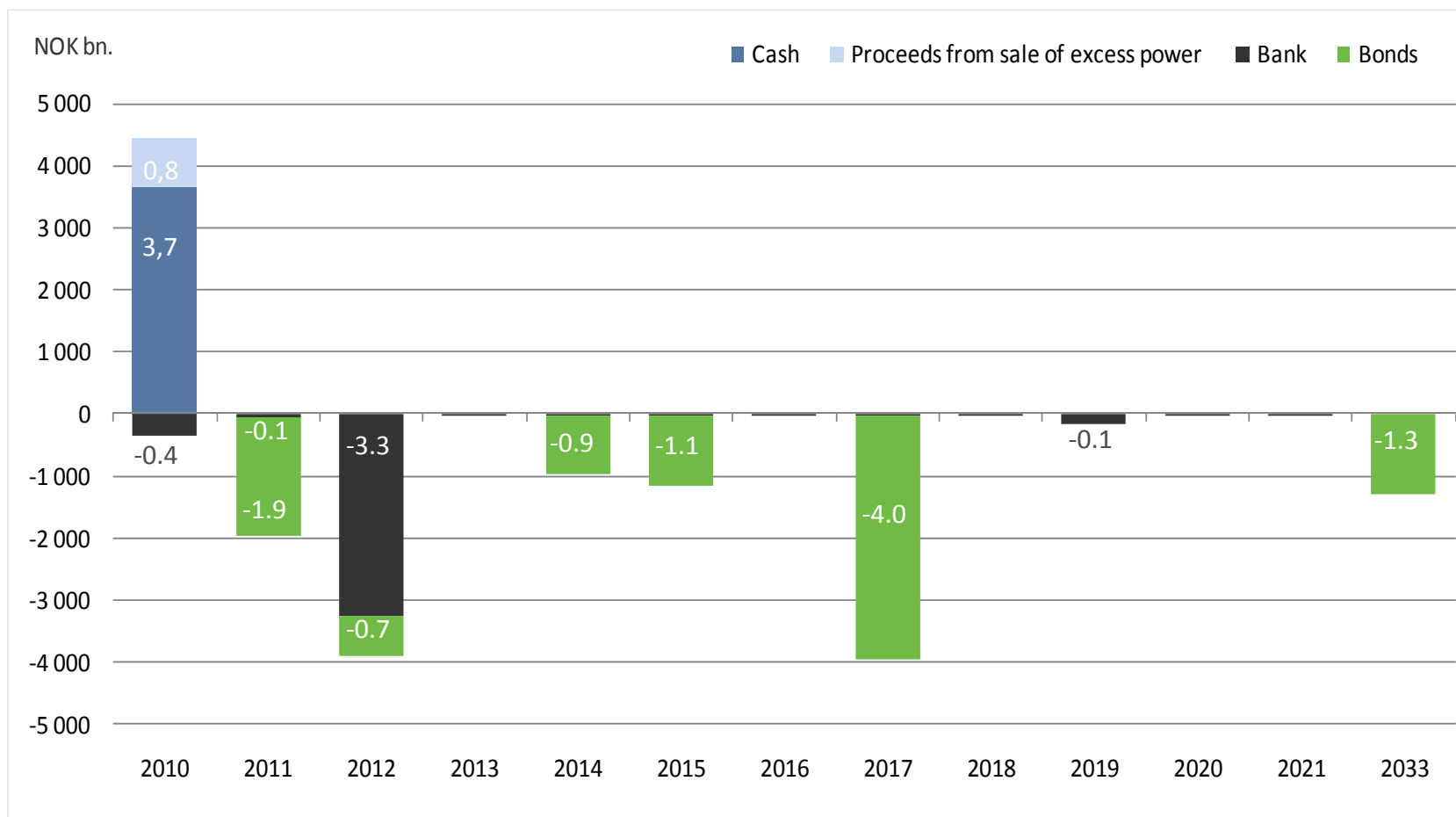
Cash flow



Cash flow from operations, after financial items and taxes

- Cash flow NOK - 153 mill. (NOK 101 mill. in Q1 10)
 - Large part of annual interest payments in Q2 10
 - Positive tax item NOK 131 mill., tax refund from Canada
- Capex NOK - 106 mill.
- Investment in French energy consortium (Exeltium) NOK 66 mill.

Cash and debt maturity profile pro forma per 30 June 2010



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Outlook second half of 2010

- Demand
 - No clear signs of increase in demand for newsprint in Europe and North America
 - Further increase expected in Asia, Australasia, and South America
 - Seasonal increase for magazine paper
- Prices
 - Newsprint prices in Europe expected to remain at low levels while increasing in South America, Asia and Australasia
 - Higher magazine prices for large part of volumes
- Costs
 - Market pulp and recovered paper prices to level off
 - Slightly higher prices on wood in Norway

This is a sustainable business

“The newspaper business is growing, and our coupon business is fantastic.”

- US customer:

“We earn our money from newspapers and magazines which are doing well. We will continue to invest.”

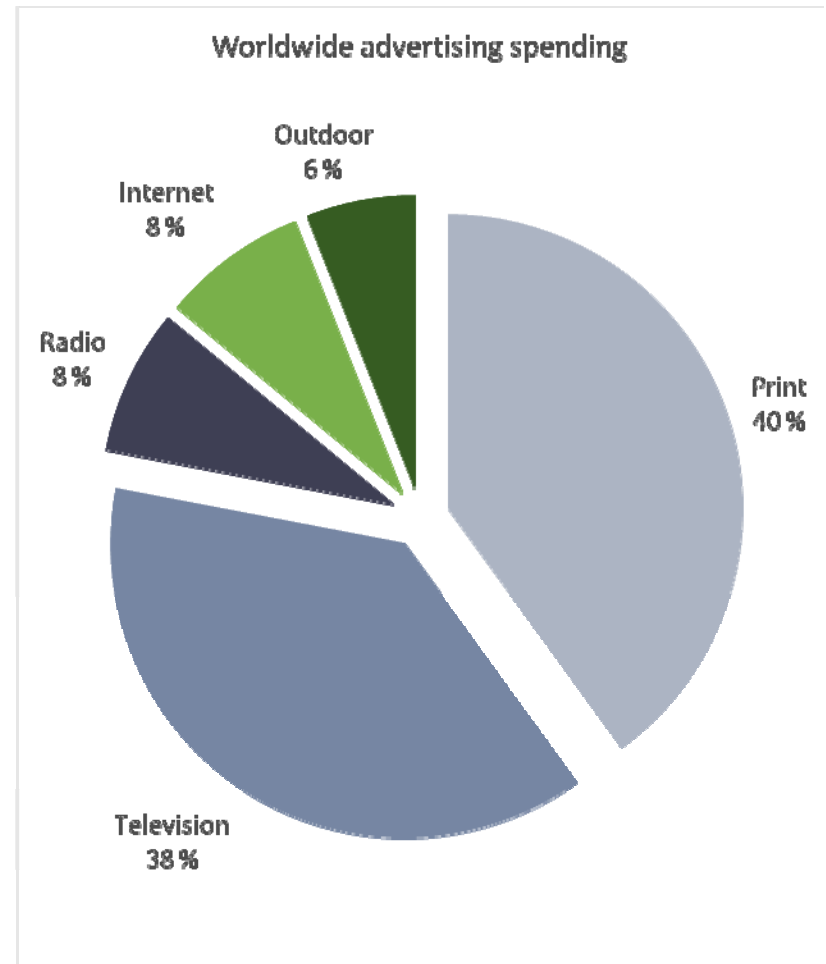
- German customer

“Our print house is very efficient, and we will look at high utilisation for our recent investment.”

- UK customer

“All in all, our volumes are quite stable.”

- Norwegian customer



Source: World Association of Newspapers 2008

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