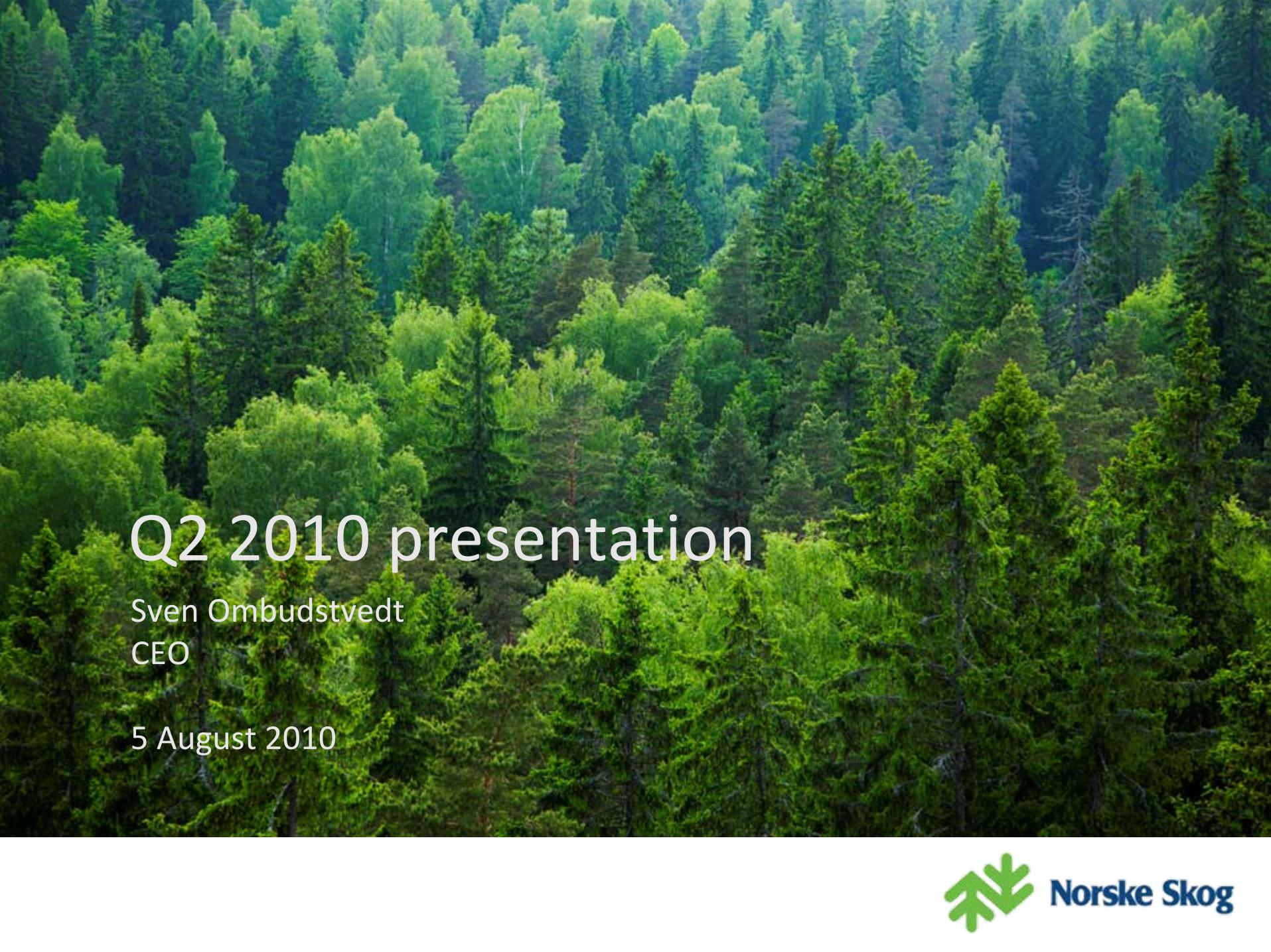
The background of the slide is a photograph of a lush, green forest. The trees are densely packed, with various shades of green, from deep forest greens to lighter, sunlit greens. The forest appears to be on a slight incline, with the perspective leading the eye upwards. There are no other elements or text in the background.

# Q2 2010 presentation

5 August 2010

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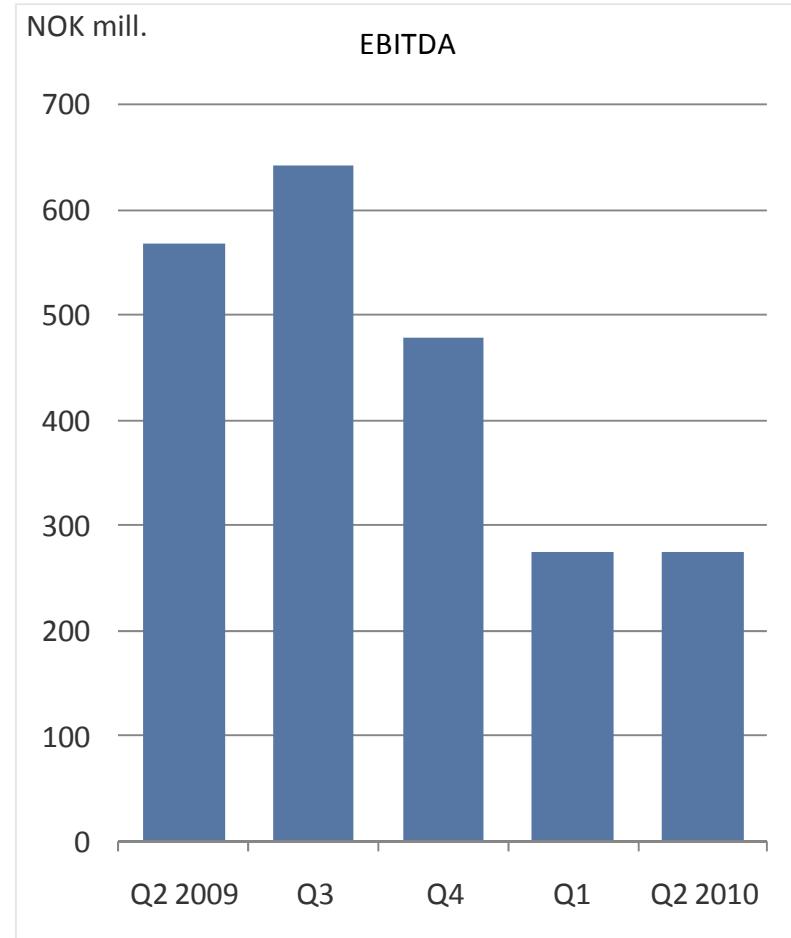
# Q2 2010 presentation

Sven Ombudstvedt  
CEO

5 August 2010

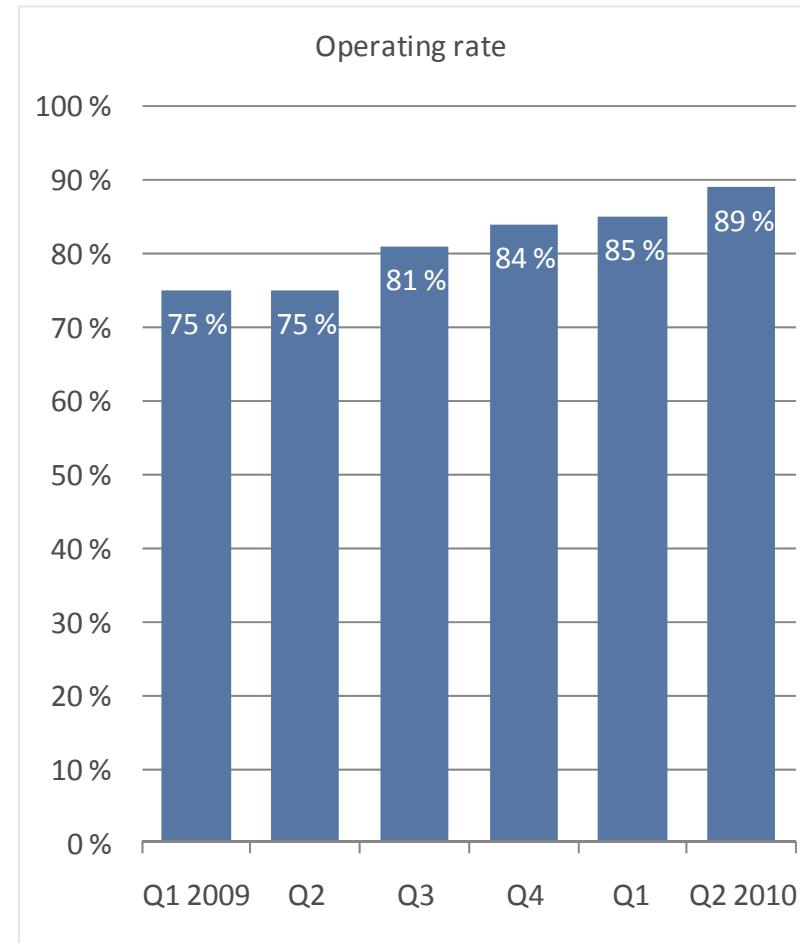
# Q2 2010 in brief

- 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



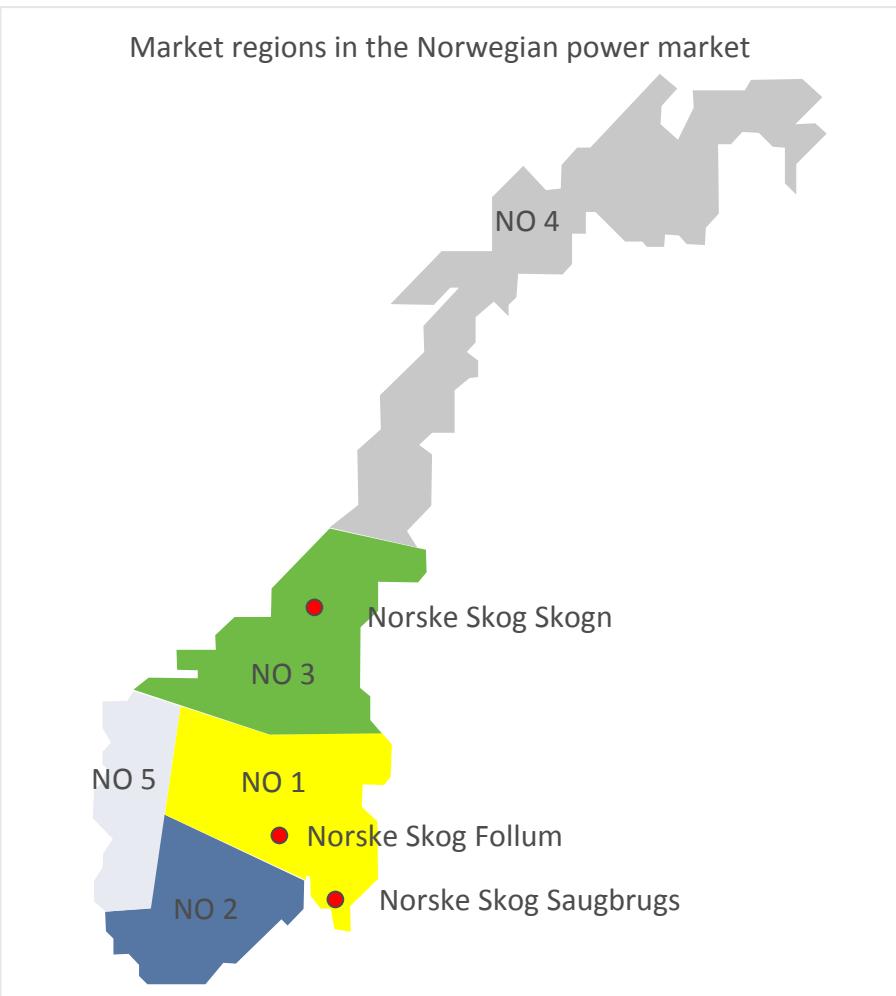
# Higher capacity utilisation in Q2 2010

- 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



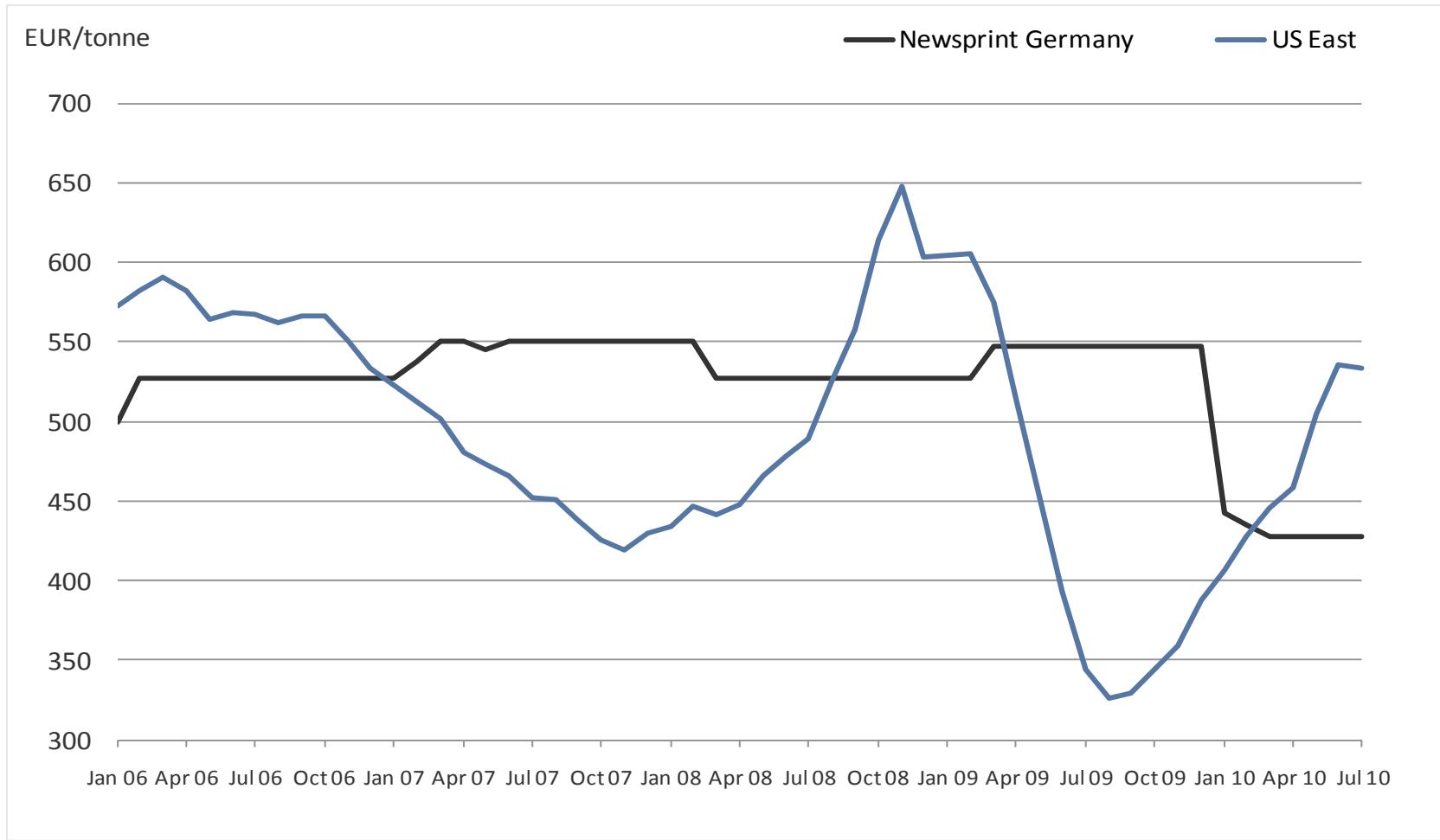
Klosterøya, Skien, Norway (Photo: Varden)

# 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

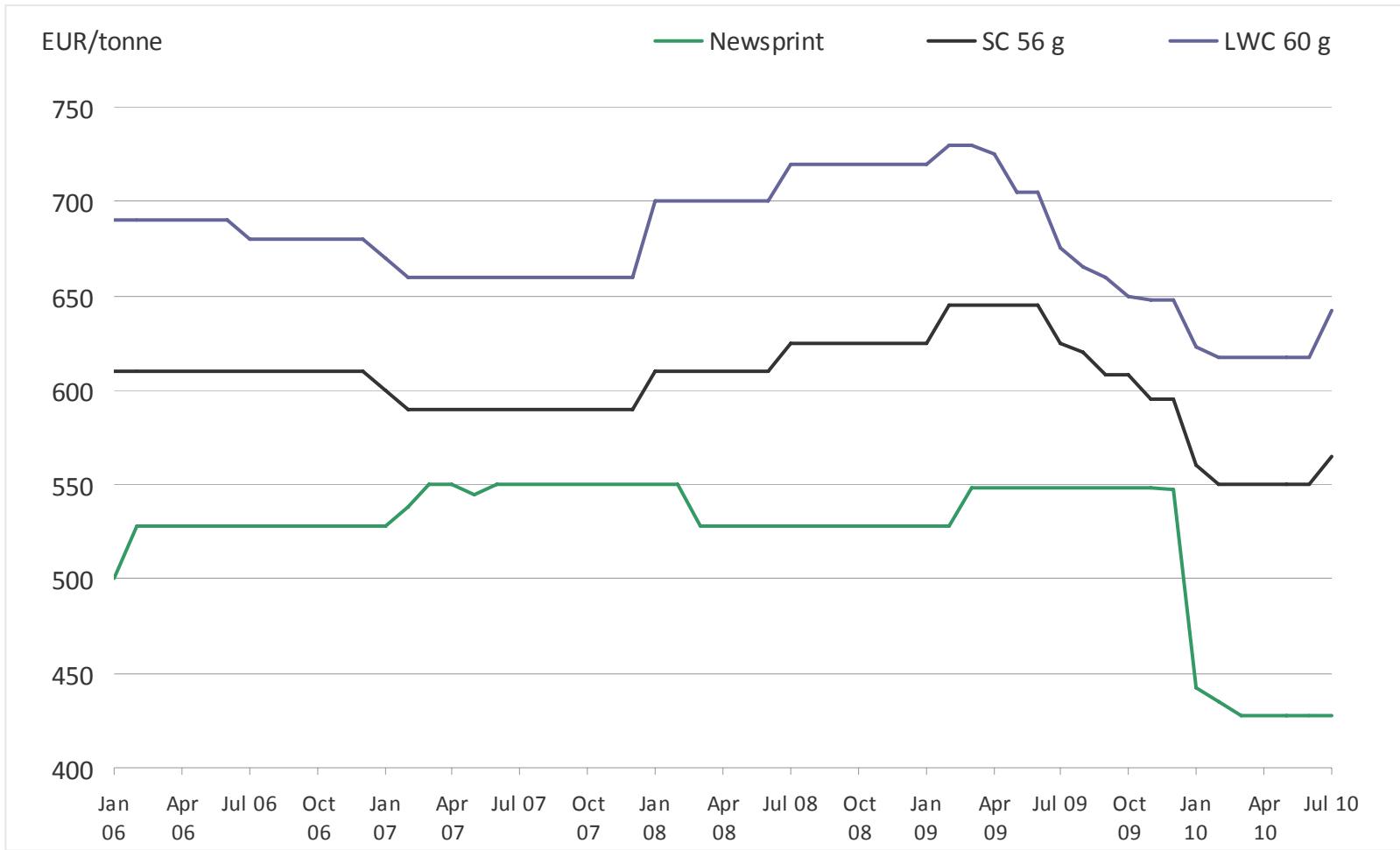
\*) Change from January-June 2009 vs same period in 2010, Source: PPPC, CEPIPRINT

# Price development - Europe vs. USA



Source: RISI

# Price development - Germany



Source: RISI

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# Q2 2010 presentation

Audun Røneid

CFO

5 August 2010

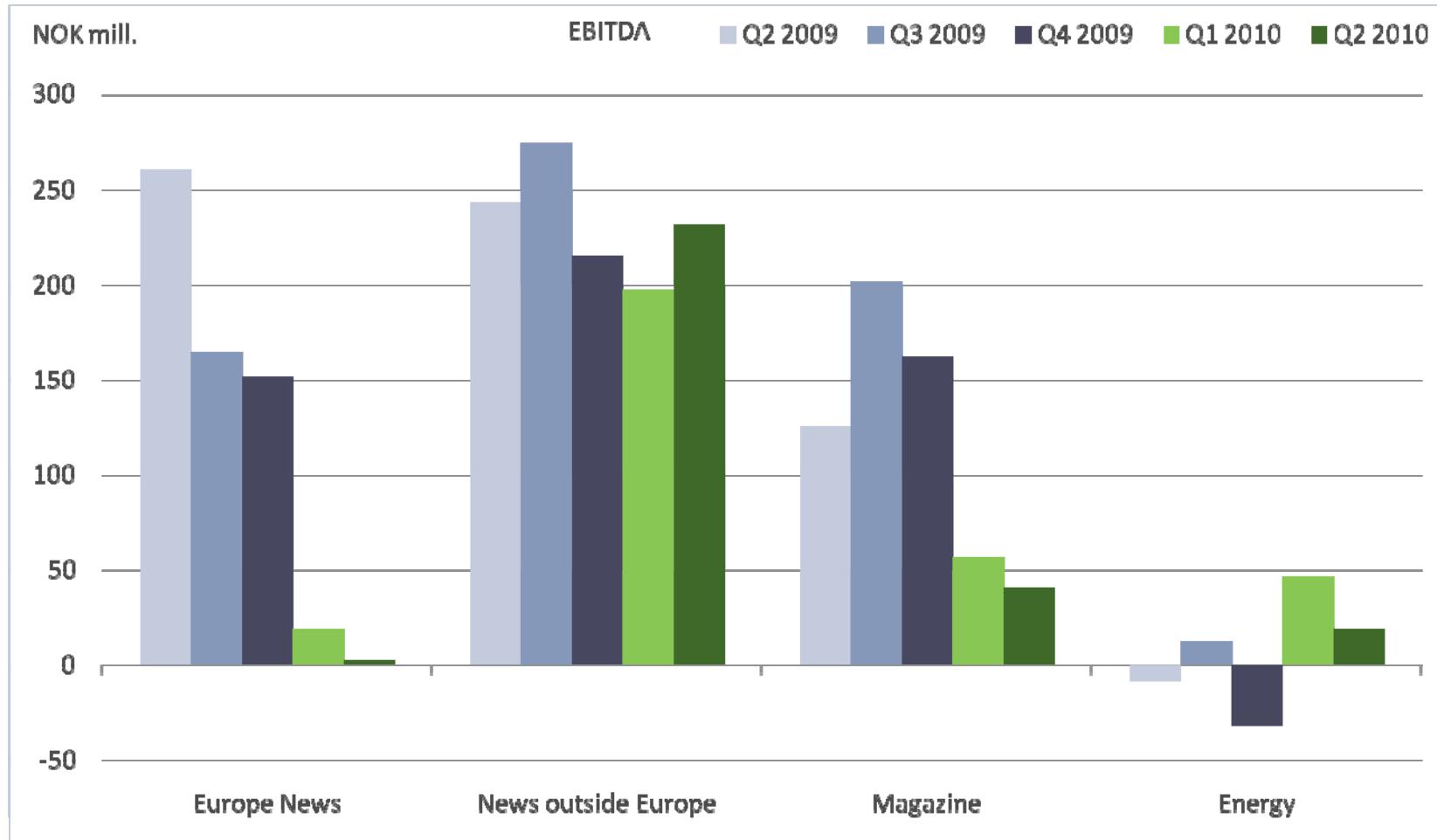
# Key financials Q2 2010

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

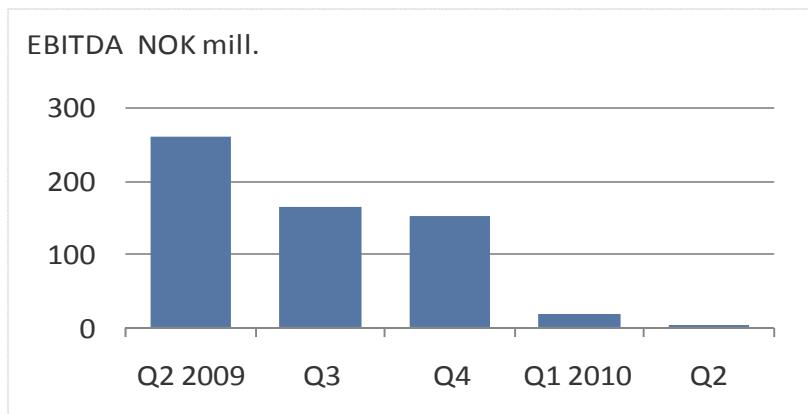
- EBITDA: NOK 275 mill.
  - Unchanged from Q1 10
  - Weak results in Europe; improving results elsewhere
- Net result: NOK - 874 mill.
  - Loss from sale of excess power in Norway
  - Negative effect on translation differences and cash flow hedging from weaker NOK



# Results - segments



# Newsprint Europe

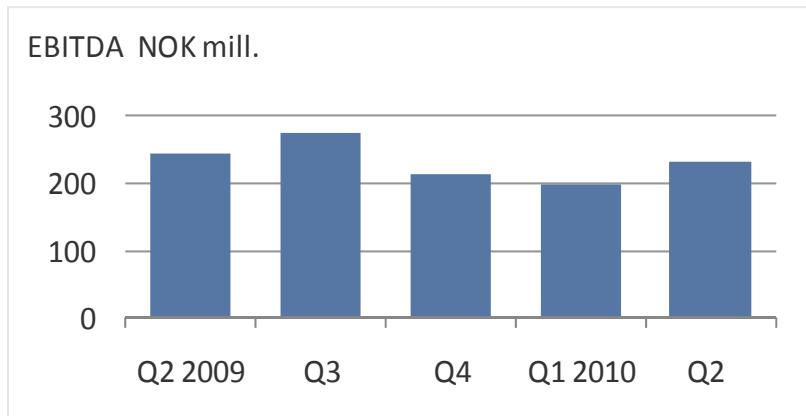


Key figures (NOK mill.)	Q2 2010	Q1 2010	Q2 2009
Operating revenue	1 402	1 314	1 615
EBITDA	2	18	260
EBITDA margin (%)	0.1	1.4	16.1
Deliveries (1 000 tonnes)	394	356	356

- 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

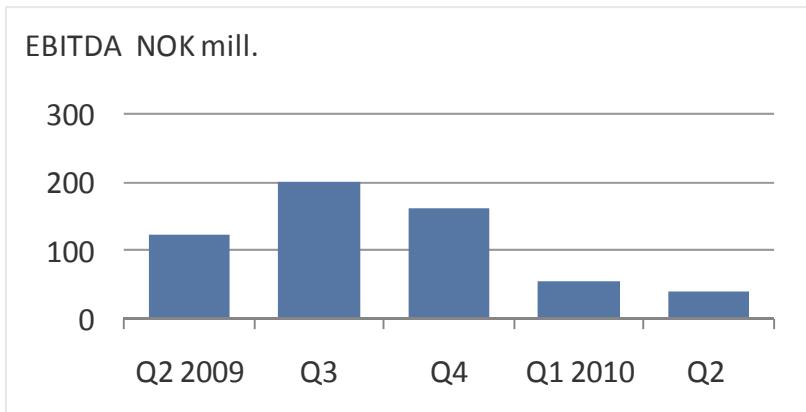


Key figures (NOK mill.)	Q2 2010	Q1 2010	Q2 2009*
Operating revenue	1 375	1 254	1 551
EBITDA	231	197	243
EBITDA margin (%)	16.8	15.8	15.7
Deliveries (1 000 tonnes)	284	288	365

- 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

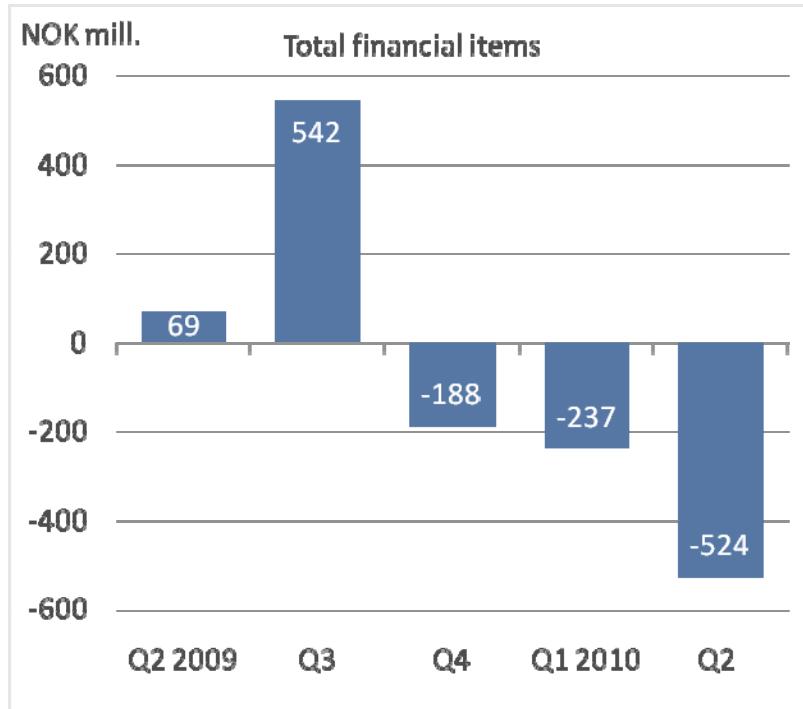


Key figures (NOK mill.)	Q2 2010	Q1 2010	Q2 2009
Operating revenue	1 488	1 503	1 387
EBITDA	40	56	125
EBITDA margin (%)	2.7	3.7	9.0
Deliveries (1 000 tonnes)	304	307	226

- 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



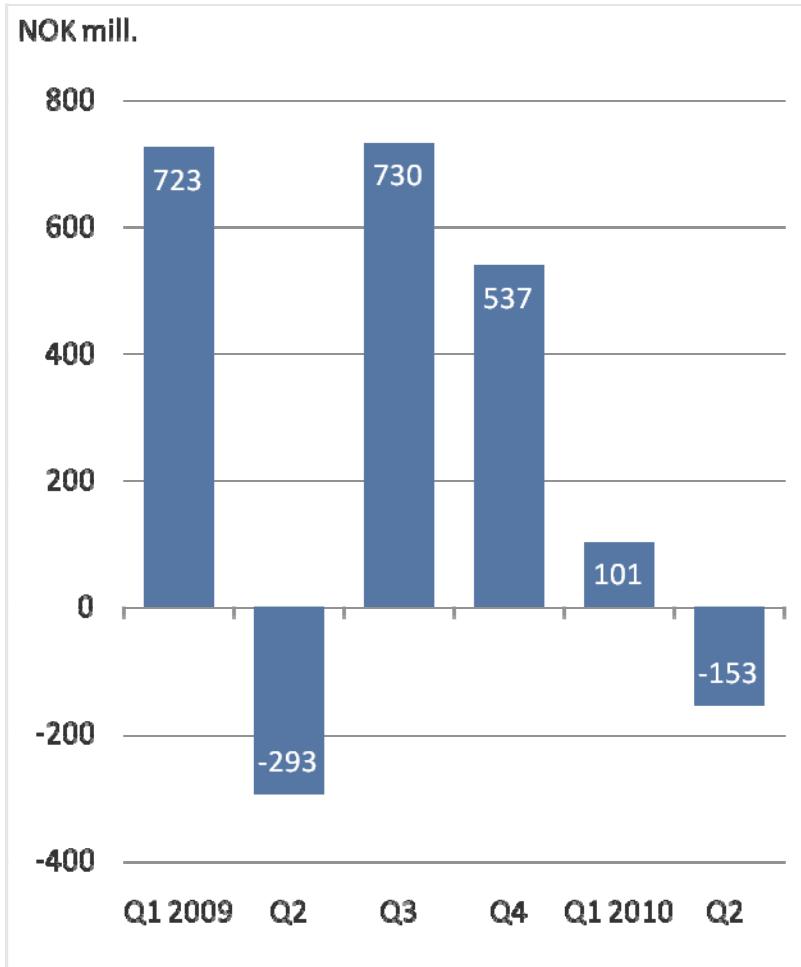
# Financial items: Negative currency effect



- 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

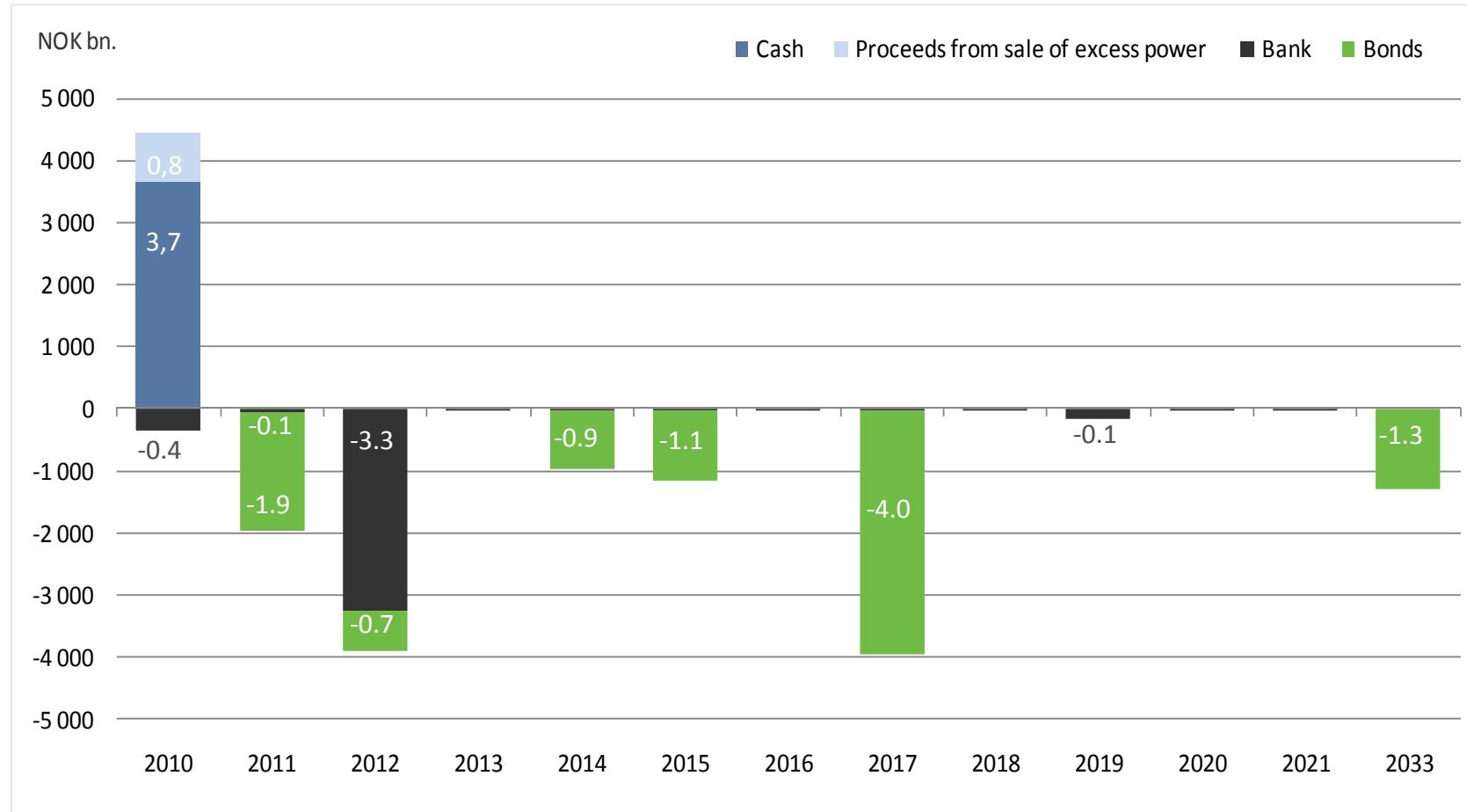
NOK mill.	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010
Currency elements	-38	763	-11	-48	-329

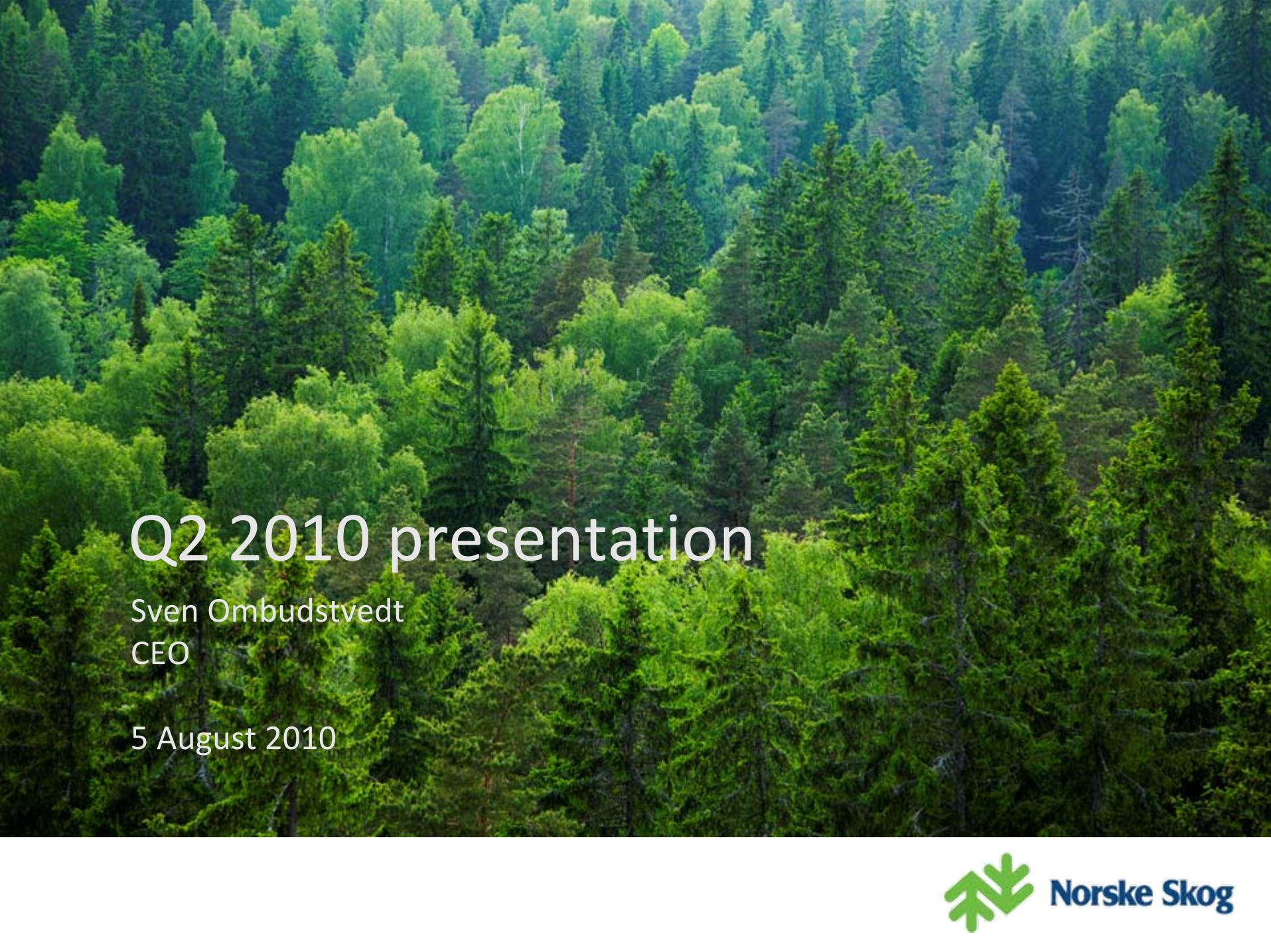
# Cash flow



- Cash flow 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.”*

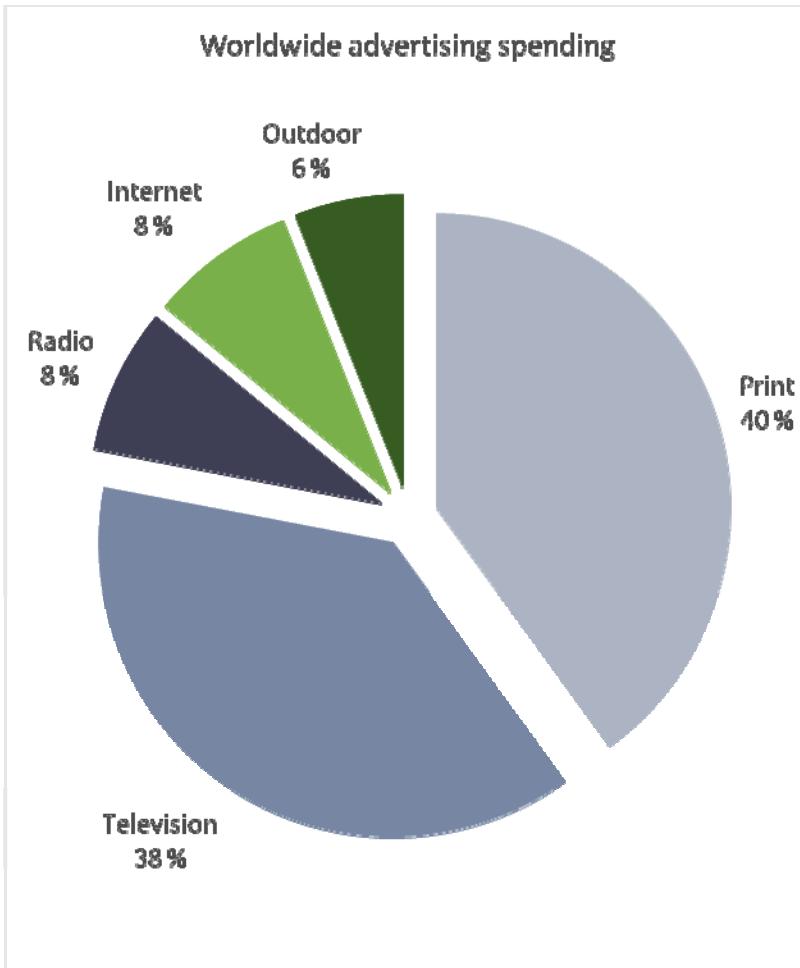
- German customer

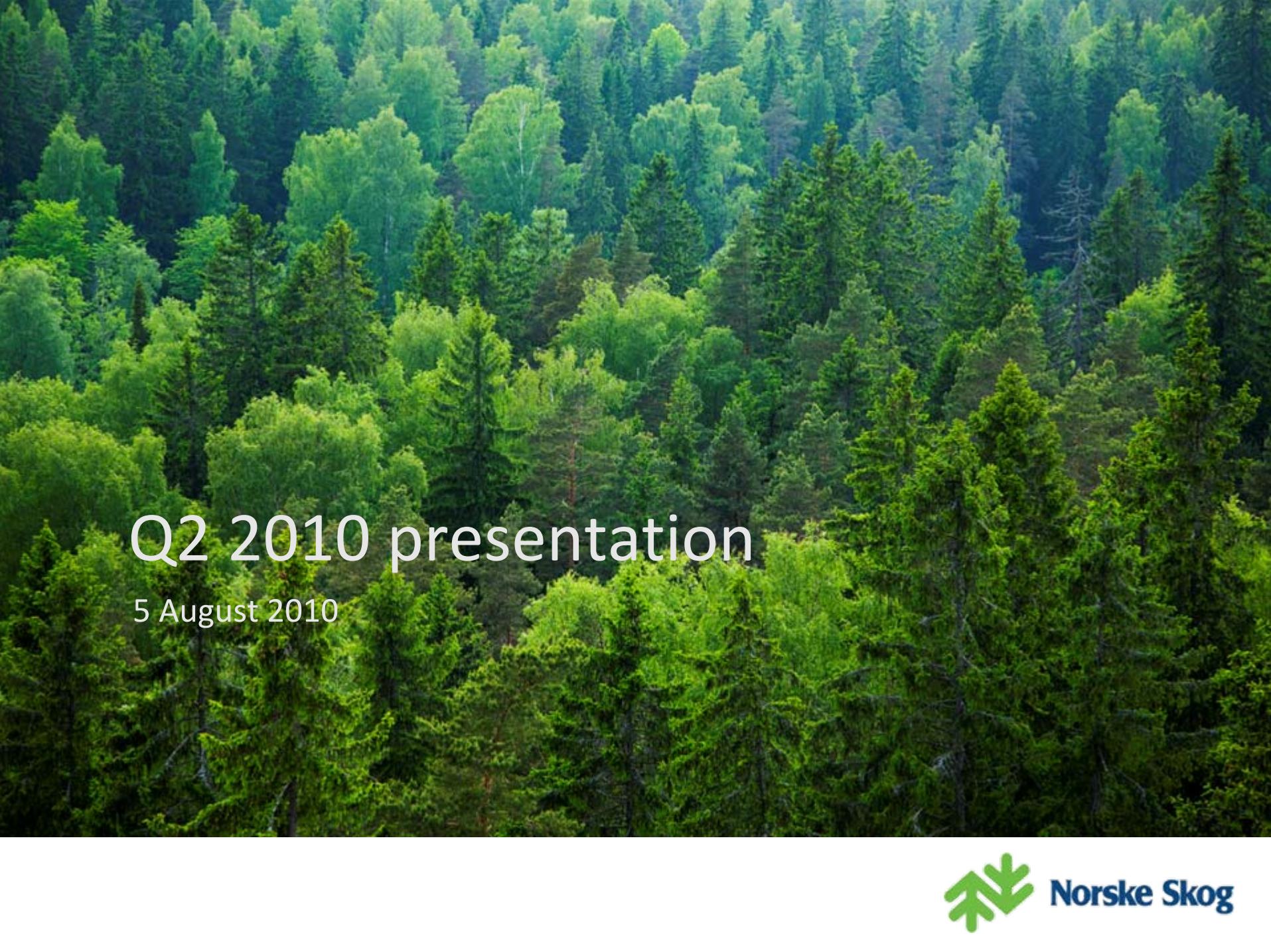
*“Our print house is very efficient, and we will look at high utilisation for our recent investment.”*

- UK customer

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

- Norwegian customer



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