



Norske Skog

Deutsche Bank's European Paper Seminar

10 November 2010

Sven Ombudstvedt, President and CEO

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- Q3, financials, costs and outlook



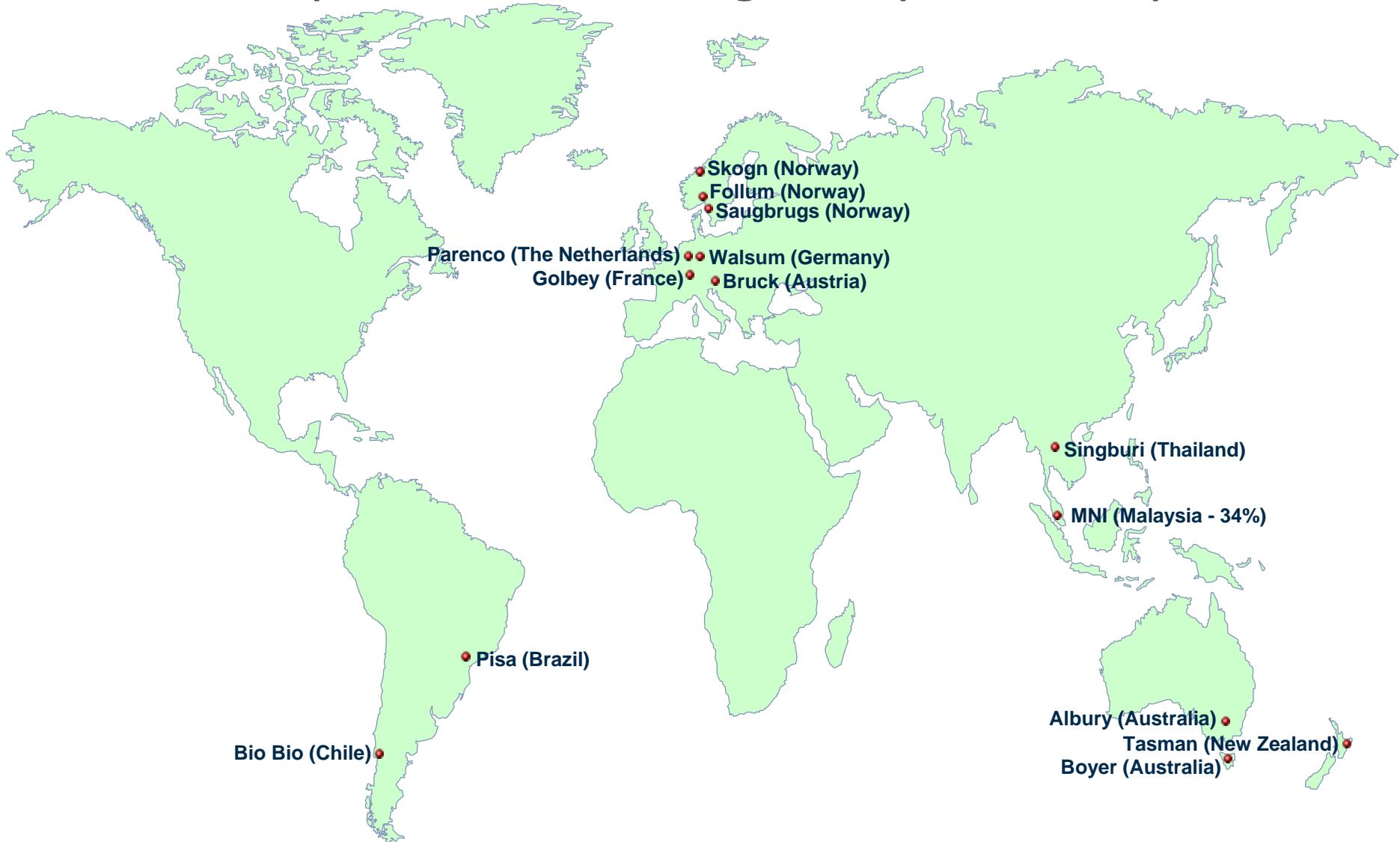
Company specifics

A leading manufacturer of publication paper

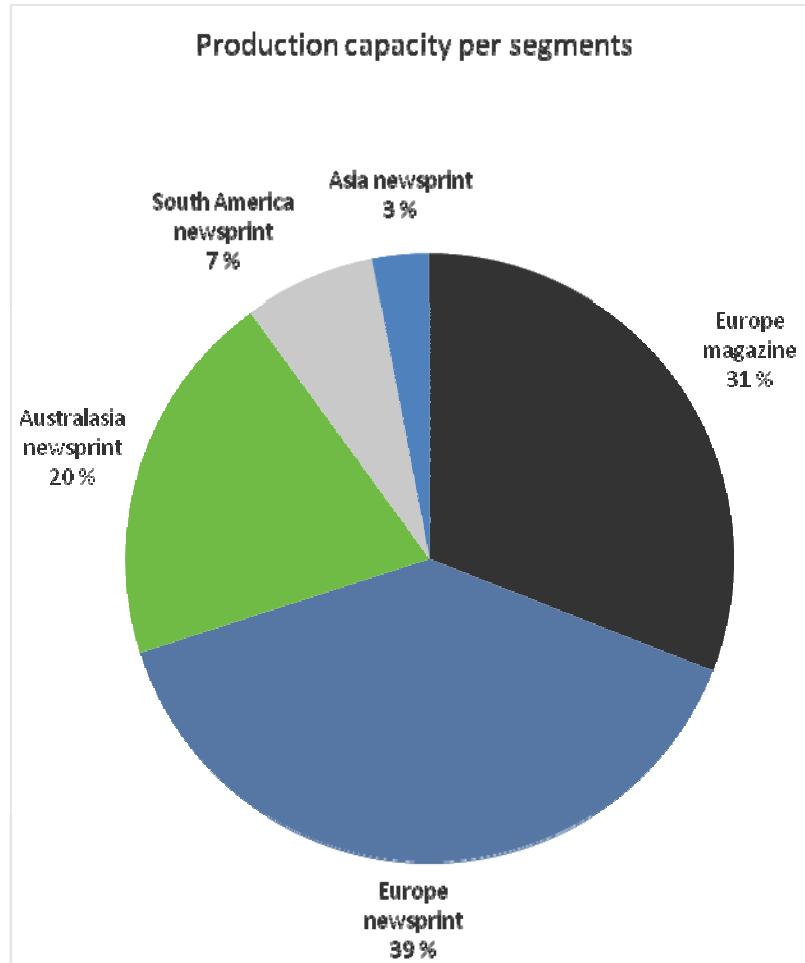


- 14 mills in 11 countries
- Revenues (2009)
NOK 20.4 bn (USD 3.2 bn)
- 5 400 employees
- Listed on the Oslo Stock Exchange
 - No controlling shareholder; foreign ownership ~ 35 %
- Debt financing:
 - Bank loans ~30%
 - Dom & Int bonds ~70%

Global presence - strong European footprint



Europe and Australasia are key markets



Total capacity 4.5 mill. tonnes

- Newsprint etc. 3.0 mill. tonnes
- Magazine 1.5 mill. tonnes

Newsprint

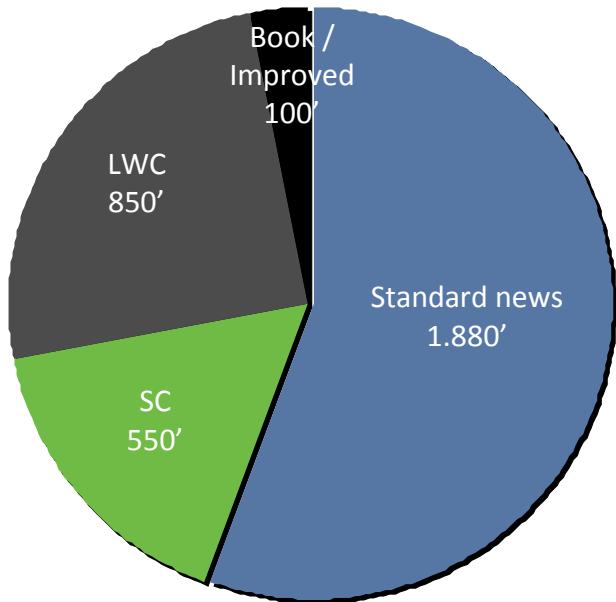
- Standard and improved grades for daily and free newspapers, advertising supplements and paperbacks
- World-wide operations, ex. North America

Magazine paper

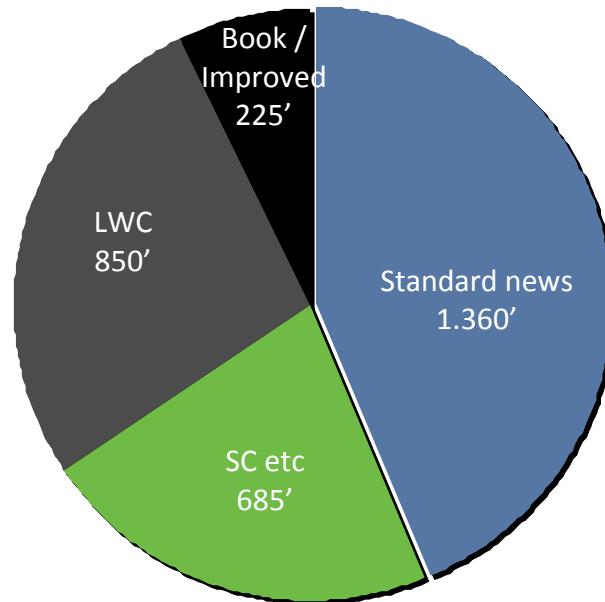
- Magazine paper for magazines, periodicals and advertising purposes
- European operations only
- Two different grades:
 - SC - uncoated paper (supercalendered)
 - CMR - coated paper = LWC (Light-weight coated)

Reduced exposure to standard newsprint in Europe

Capacity end 2008

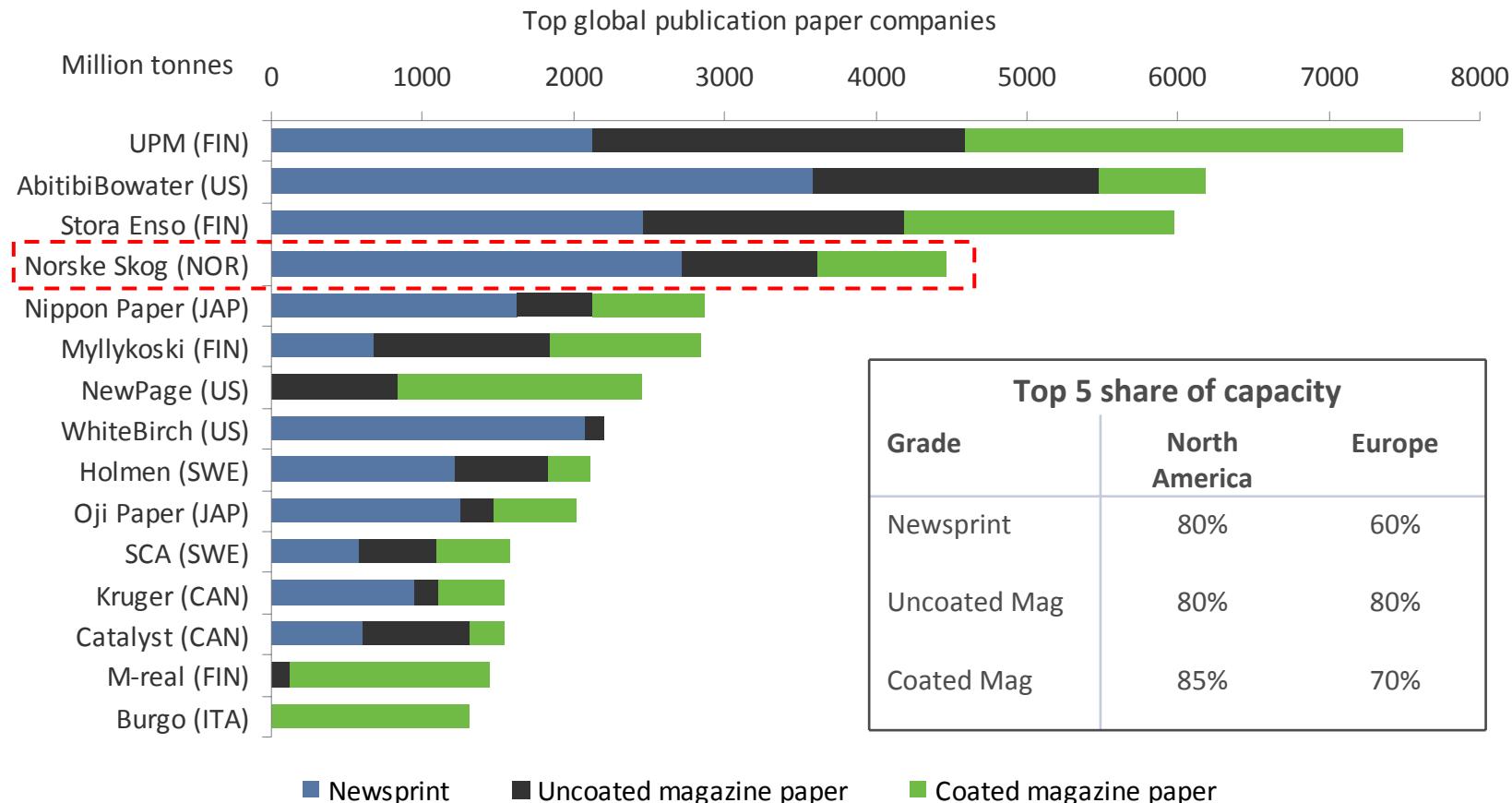


Capacity end 2010 (E)



- i. Closure of Parenco PM2
- ii. Partial conversion of Parenco PM1
- iii. Conversion of Follum PM1

Major player in a fragmented industry





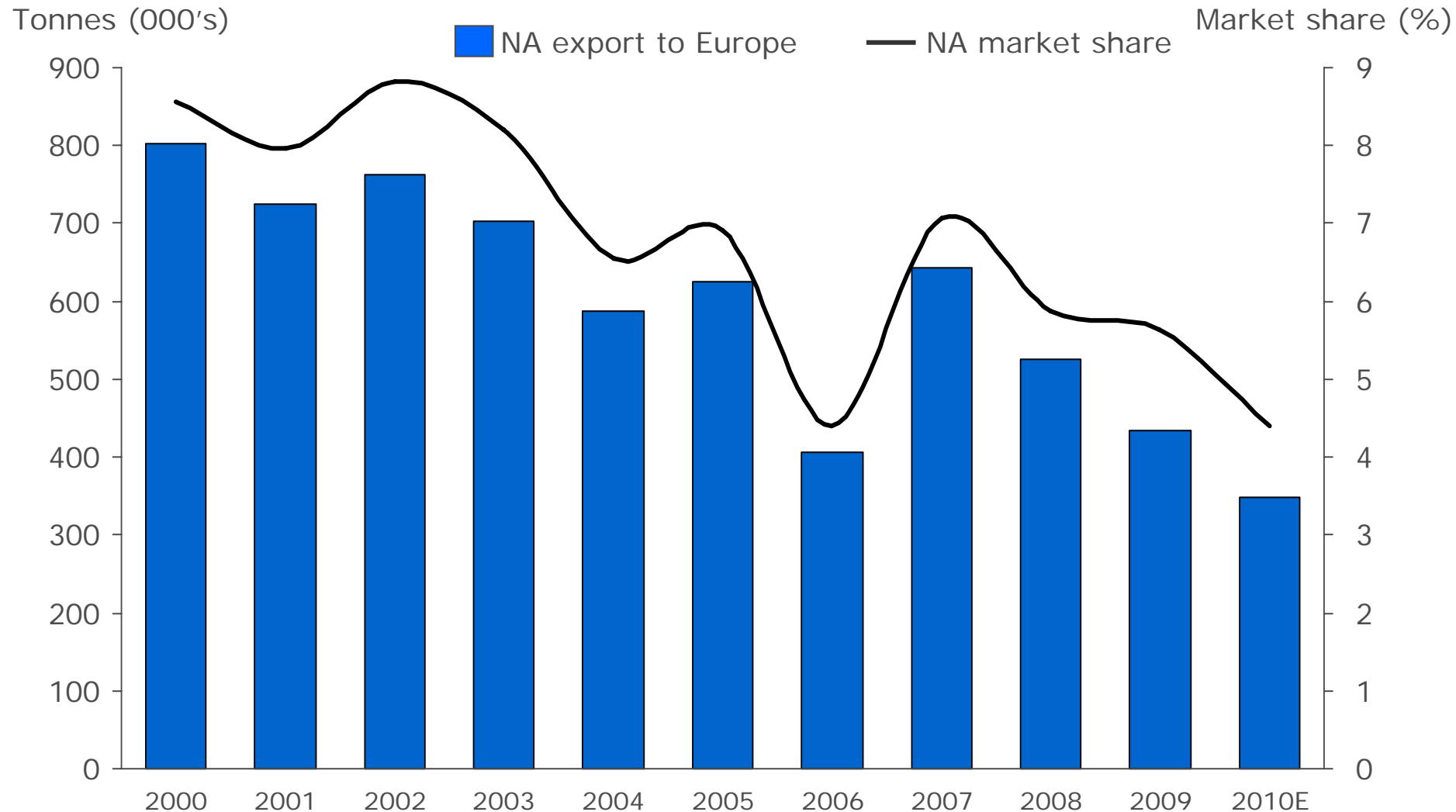
Market information

Demand 2010 per region/segment

| Region/segment | Annual change (YTD)* | Comments |
|--|----------------------|--|
| World standard newsprint | 3.3 % | |
| North America standard newsprint | -5.6 % | |
| Europe standard newsprint | 1.6 % | Western Europe (+3 %) Eastern Europe (-3 %) |
| Europe magazine paper (incl. improved newsprint etc) | 5.8 % | SC (-3 %) LWC (+10 %) |
| Non-Japan Far East Standard newsprint | 9.6 % | Highest growth in India Increased customer inventories |
| Australasia standard newsprint | 9.9 % | |
| Latin America standard newsprint | 16.0 % | Highest growth in Brazil Increased customer inventories |

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

North American newsprint shipments to Europe



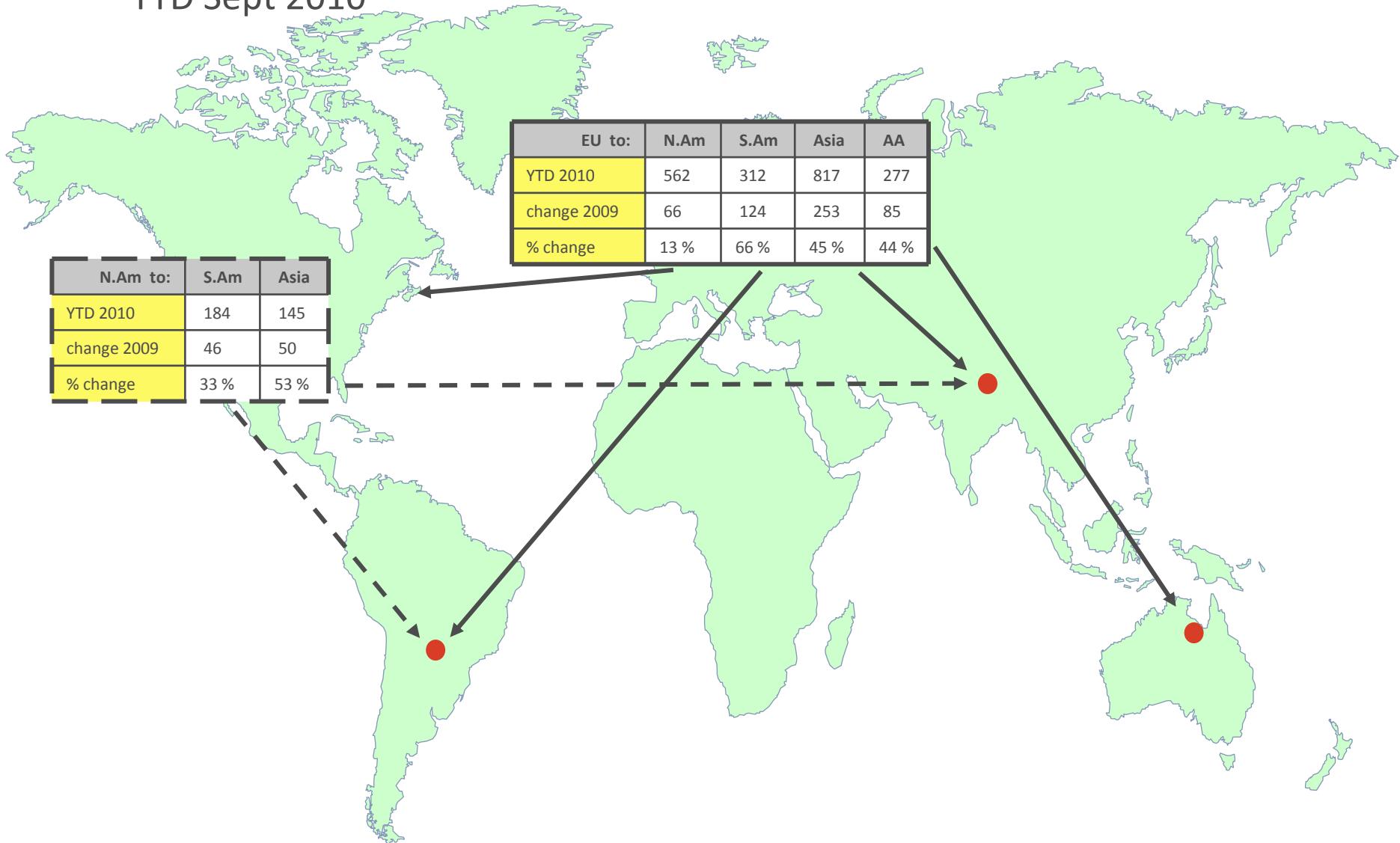
Main trade flows – Std newsprint

YTD Sep 2010



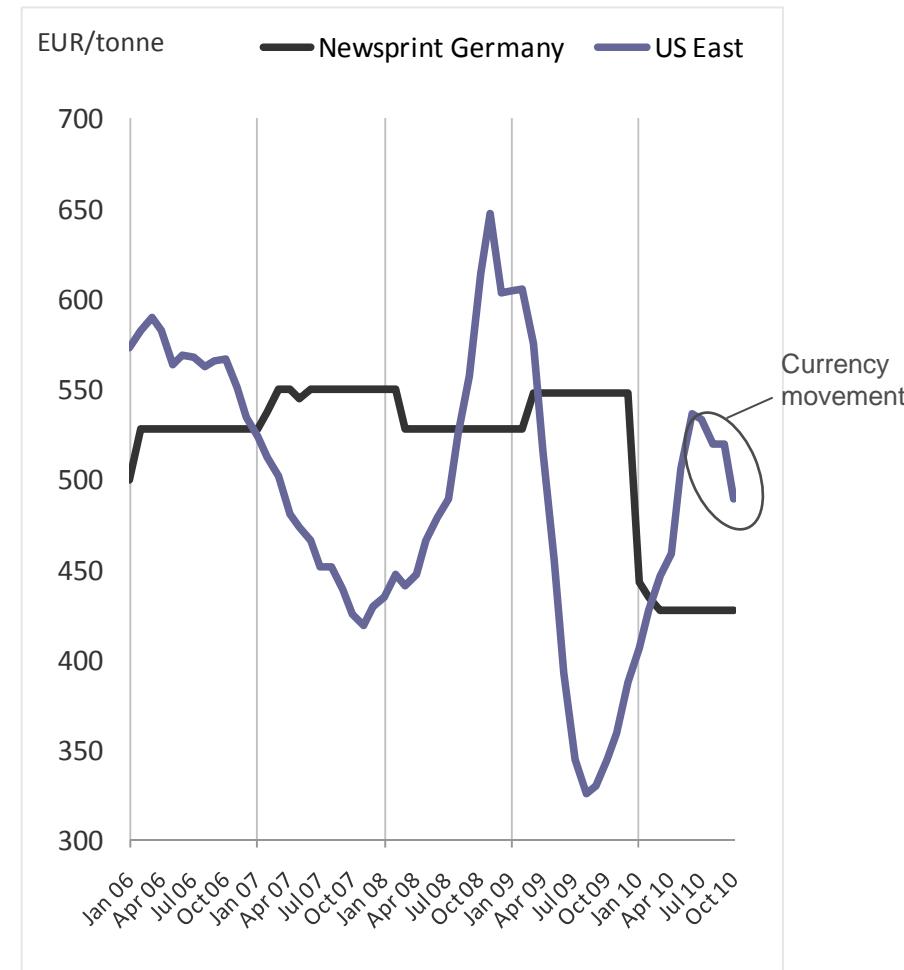
Main trade flows – Magazine paper

YTD Sept 2010



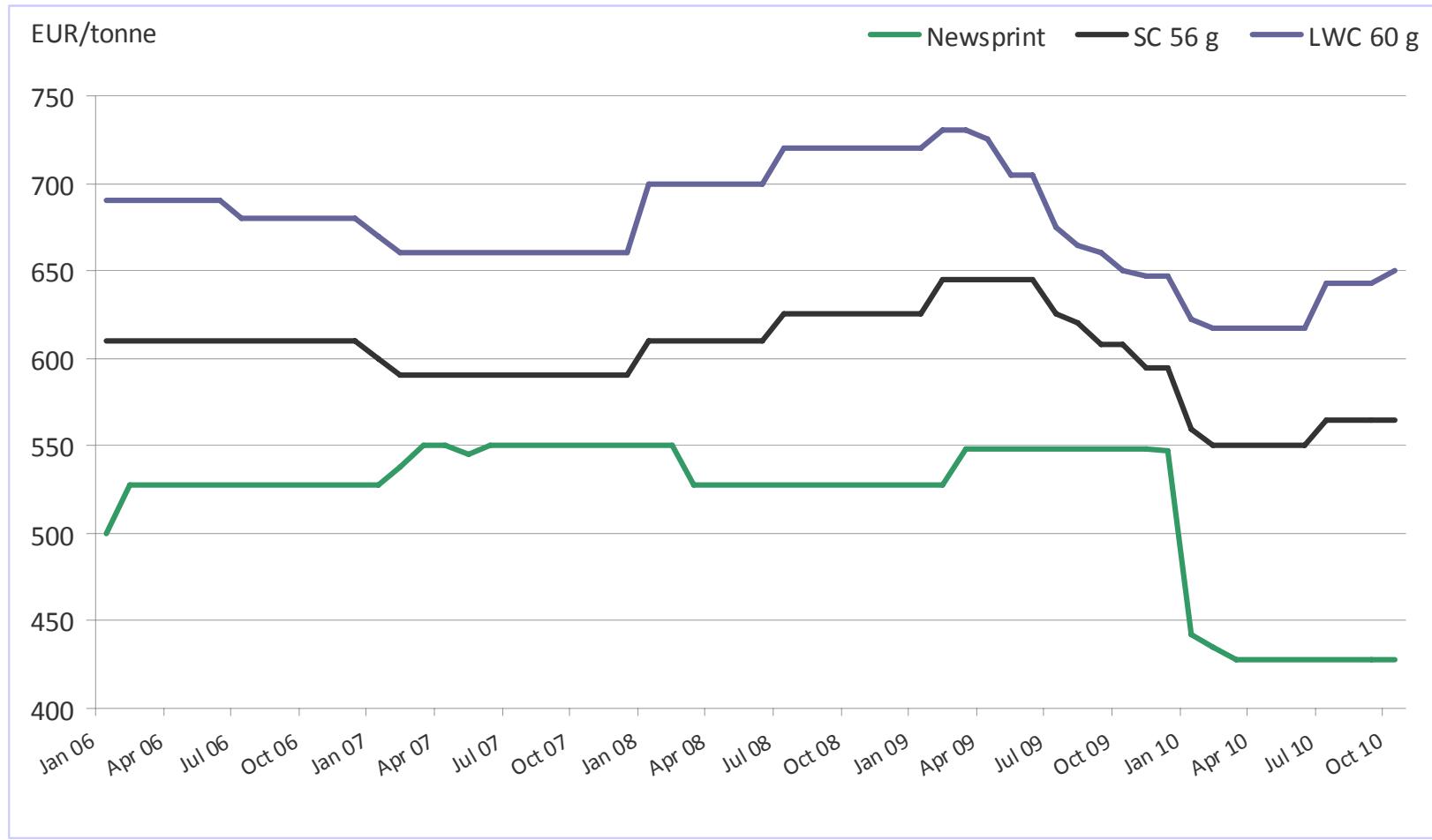
Price development - Europe vs. USA

- US price drop due to currency effects
 - EUR/USD = 1.40
- 15% price gap end Q3
- Average price in Europe last 15 years: € 550



Source: RISI

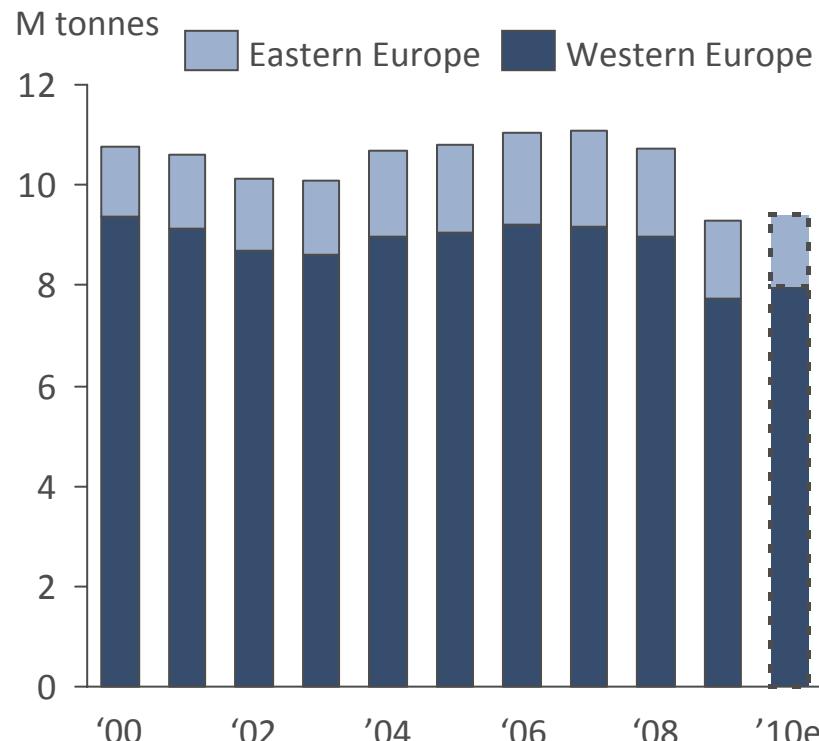
Price development - Germany



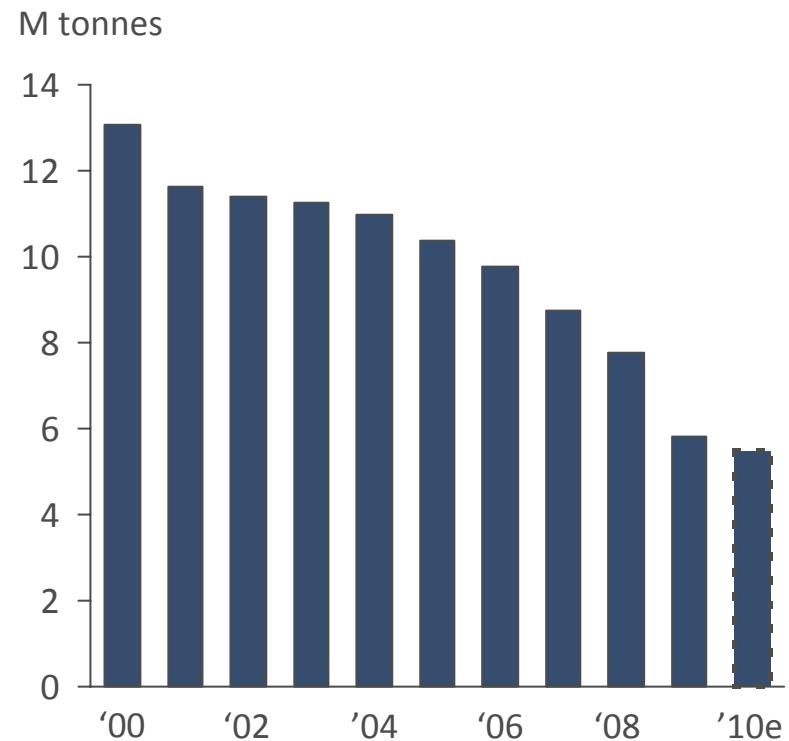
Source: RISI

Demand newsprint 2000 – 2010e

Europe

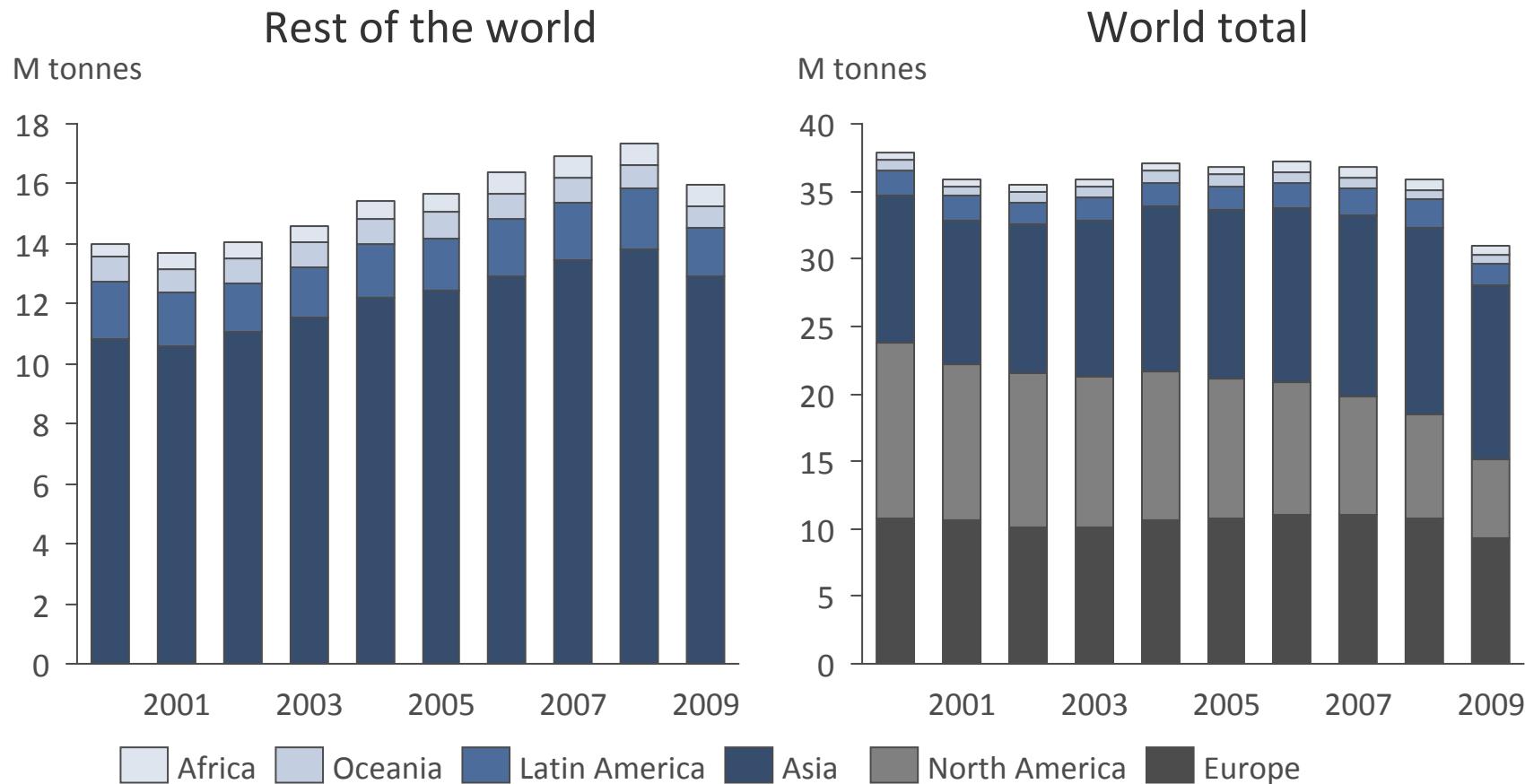


North America



Source: PPPC

Demand newsprint 2000 - 2009

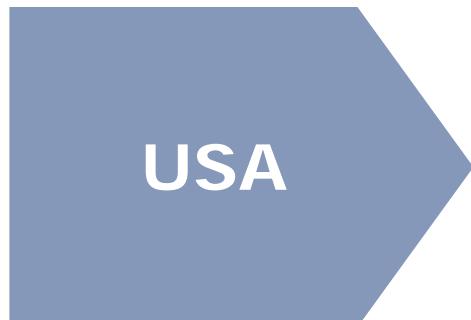


Source: PPPC

Newsprint – Europe and North America is different



- Large number of nations, languages and cultures
- Strong tradition for newspaper reading and subscription in many of the countries
- Publishers believe in printed medias and have invested in new equipment
- Well developed public transportation
- Growth potential in Russia and other East European countries



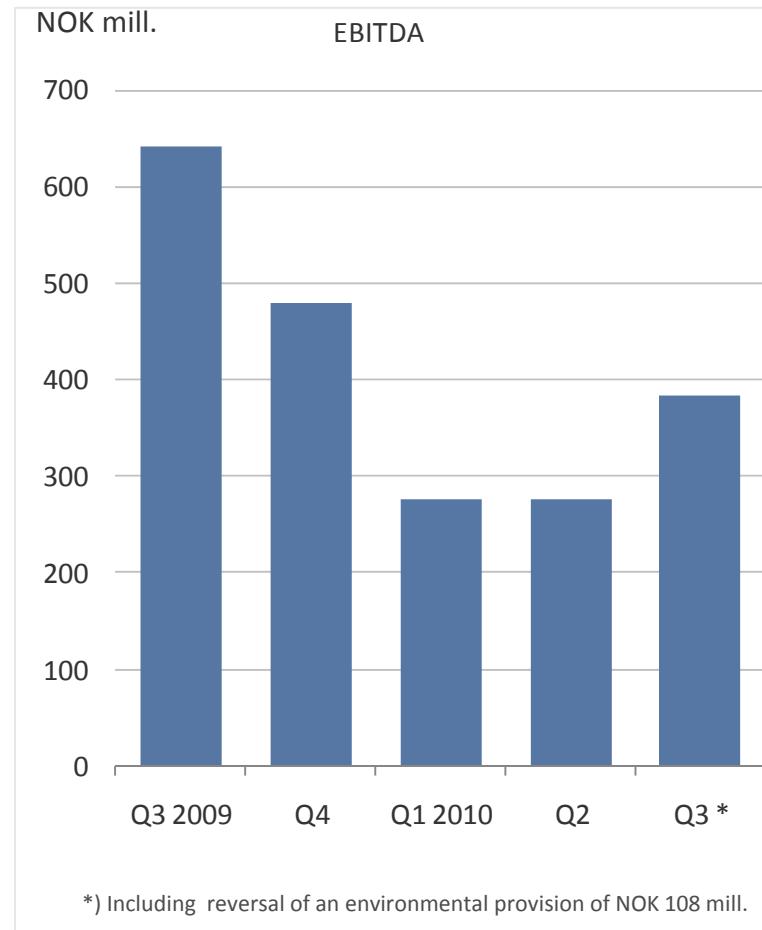
- One nation, but hardly any national newspaper
- Less tradition for newspaper reading
- Less public transportation



Q3, financials, costs and outlook

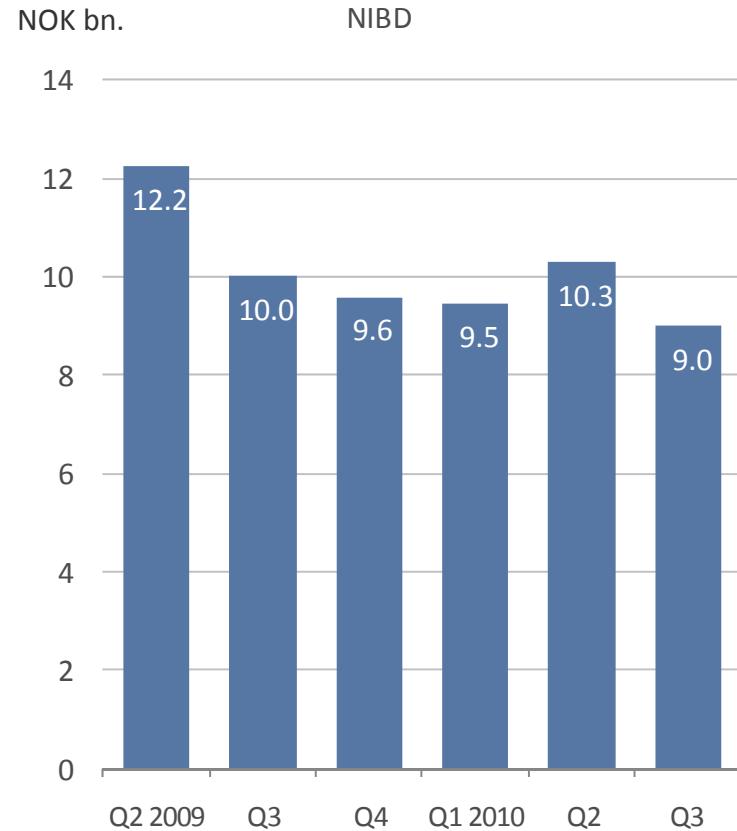
Q3 2010 in brief

- Underlying EBITDA remained weak, in line with previous quarters
 - Slightly improved market conditions
 - Higher prices on input factors
 - Capacity utilisation up to Q4 2008 level
- Net interest-bearing debt down by NOK 1.3 bn



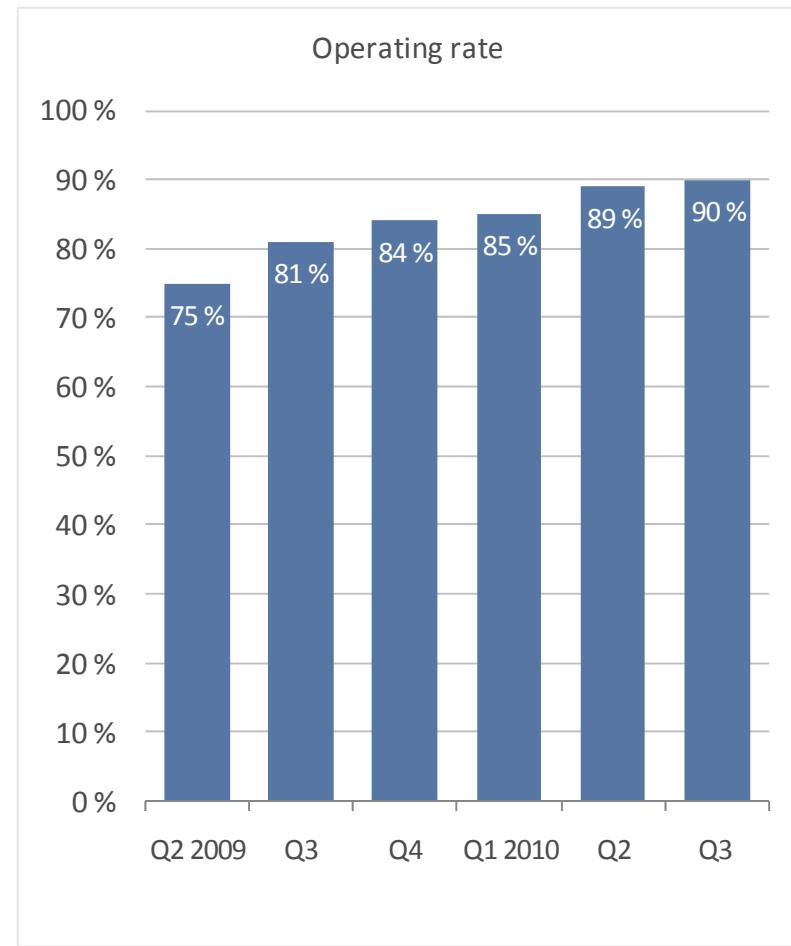
Continued debt and cost reduction

- Net interest-bearing debt down by NOK 1.3 bn. to NOK 9 bn.
 - Proceeds from sale of excess energy
 - Positive cash flow from operations
 - Stronger NOK vs. USD reduced debt value
 - Capex down from Q2
- Annual fixed cost level reduced by NOK 600 mill. compared with first half 2009



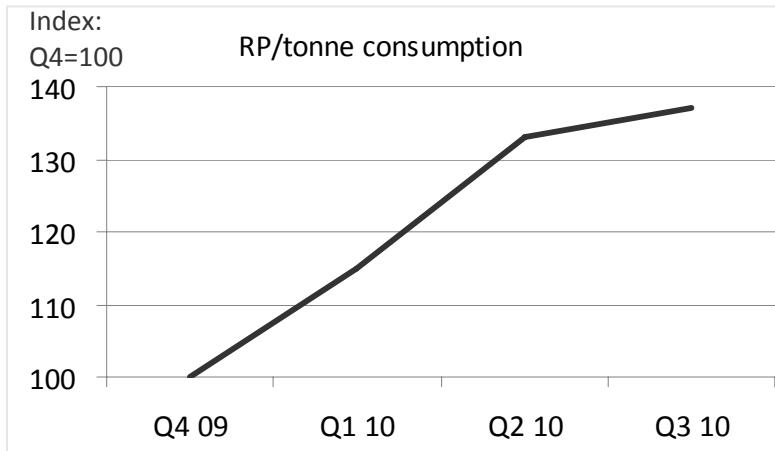
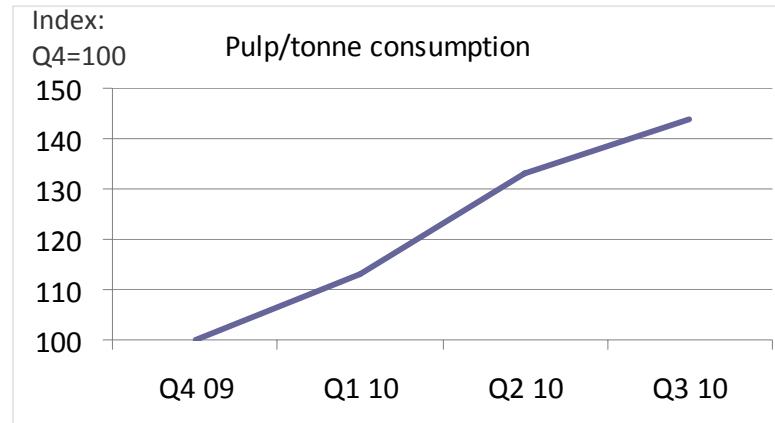
Increased demand - higher capacity utilisation

- 90 % operating rate, marginally higher than Q2
- Substantial growth in demand in Asia, Australasia, South America, and for magazine paper
- Export from Europe to Asia remained high
- Announced net capacity closures of ~600k tonnes of newsprint in Europe this year
- Reduced imports from North America

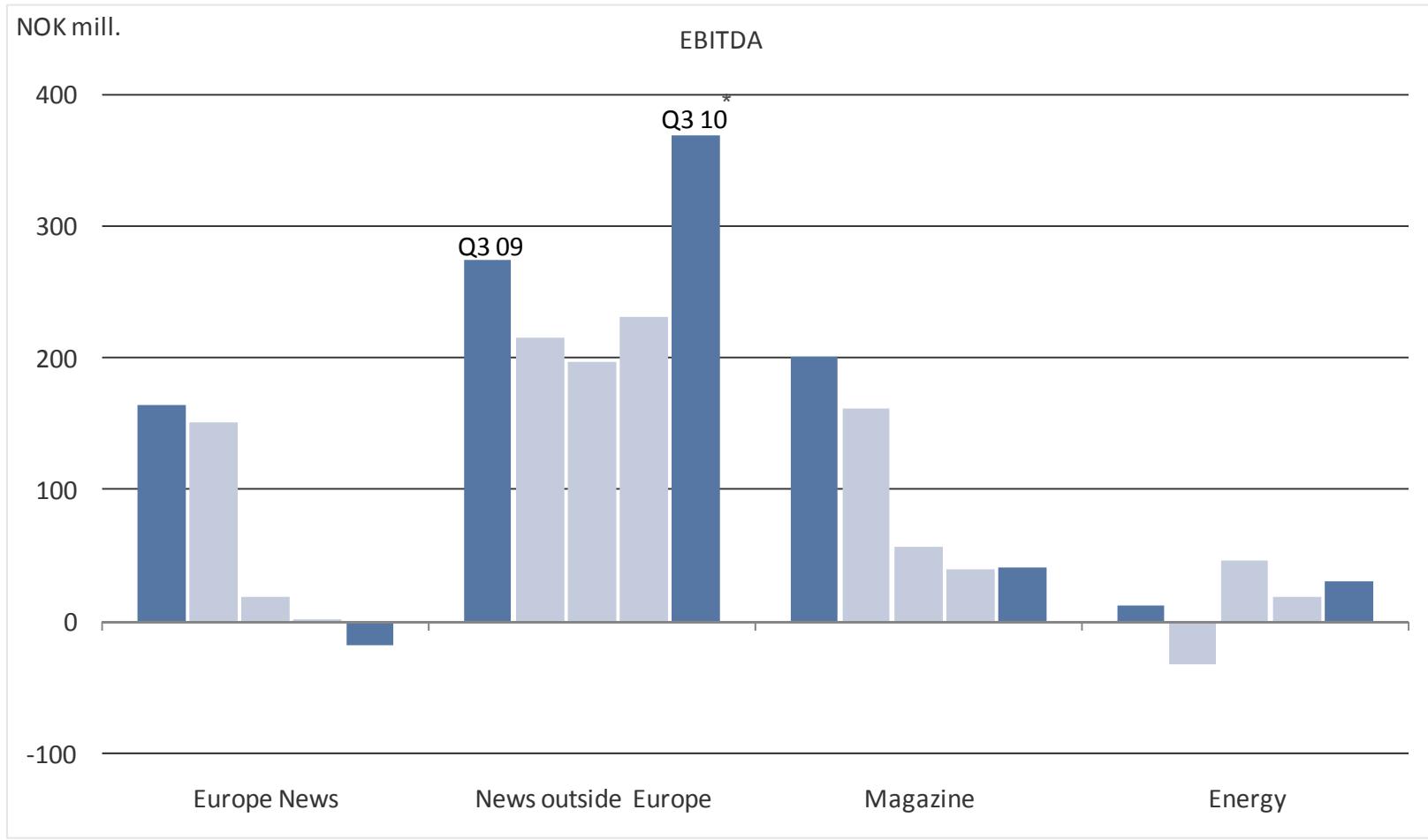


Improvements offset by currency effects and higher input factor costs

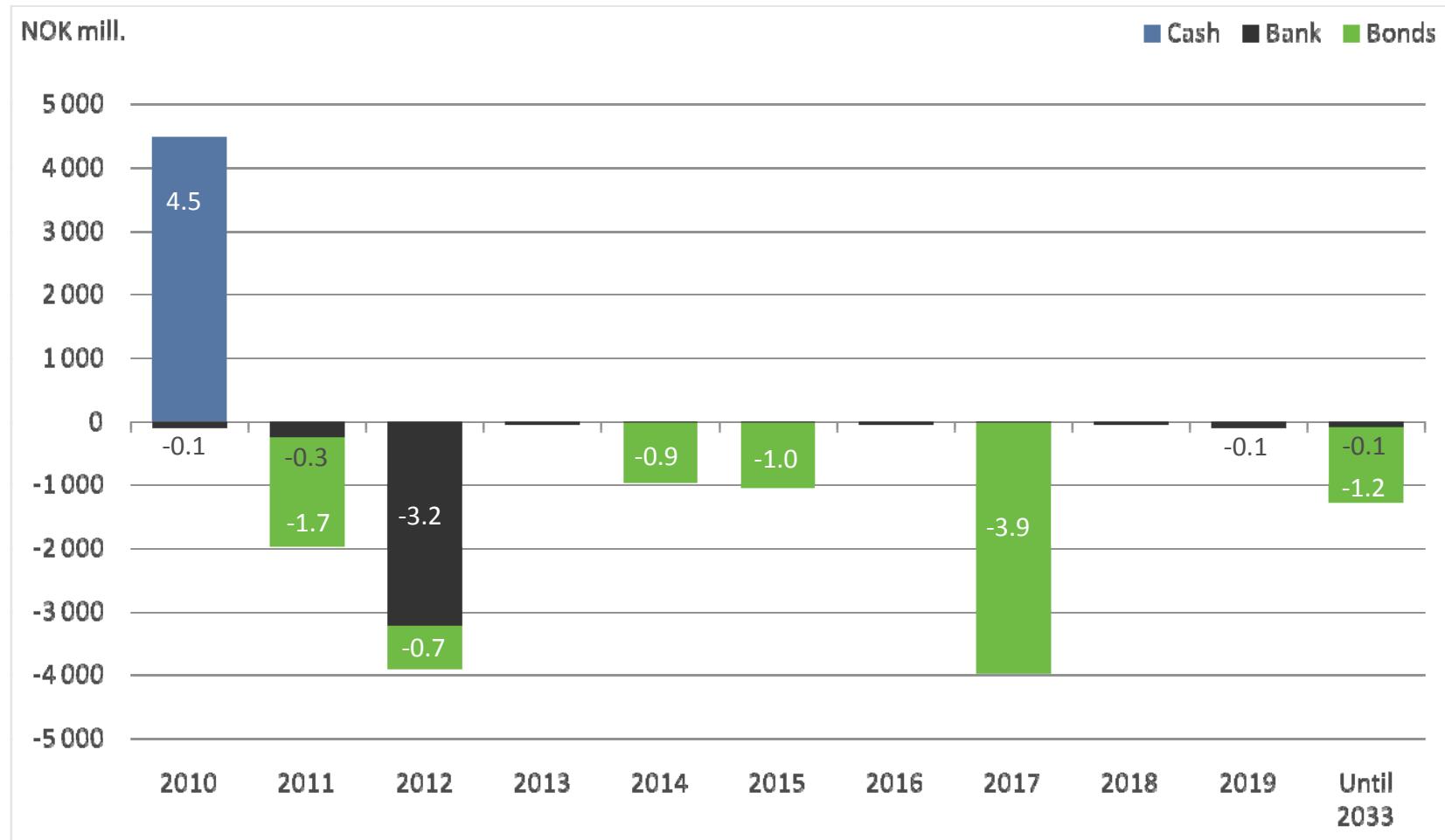
- Higher prices on input factors (time lag in accounts)
 - Market pulp – spot price peak in Q3 (Magazine paper)
 - Recovered paper – continued increase (Newsprint)
 - Wood – higher costs in Norway second half 2010
- Profitability in Newsprint Europe and Magazine paper negatively affected by currency translations on trade receivables



Results - segments

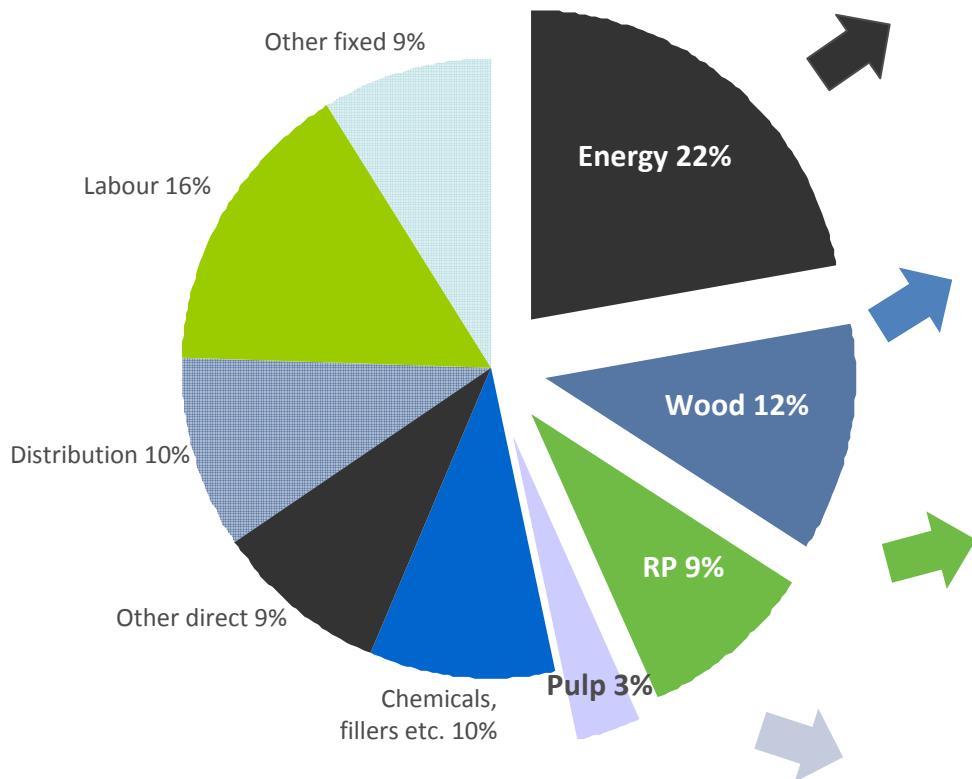


Cash and debt maturity profile



Per 30 September 2010

Current cost picture (cash cost)



Energy

- 2/3 electricity of which most is bought under long term contracts

Wood

- S.America & Australasia:
 - Long term contracts at favorable prices
- Continental Europe
 - Market exposure, expect some price pressure
- Norway
 - Long term volume contracts, certain increase in 2H 2010

Recovered paper

- Reduced exposure after disposals in China and idling PM2 in Parenco
- Significant cost pressure in 2010

Market pulp

- Significant price increase, but signs of lower prices during the autumn
- NSI has limited exposure
~200kt in magazine production

2009 figures, calculated to 90% operating rate

Outlook for Q4 10:

- Seasonal increase in European demand
- No major changes in prices expected
- Input factor prices remain high

Management focus going forward:

- Re-establish earlier price level and margin in Europe
- Quarterly contracts also for newsprint
- Further reduction of debt and fixed costs
- Positioning for active role in industry consolidation



Q & A