



Norske Skog

BNP Paribas High Yield and Leveraged Finance Conference
12 January 2011

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- Company specifics
- Market information
- Financials, costs and debt development



Company specifics

A leading manufacturer of publication paper

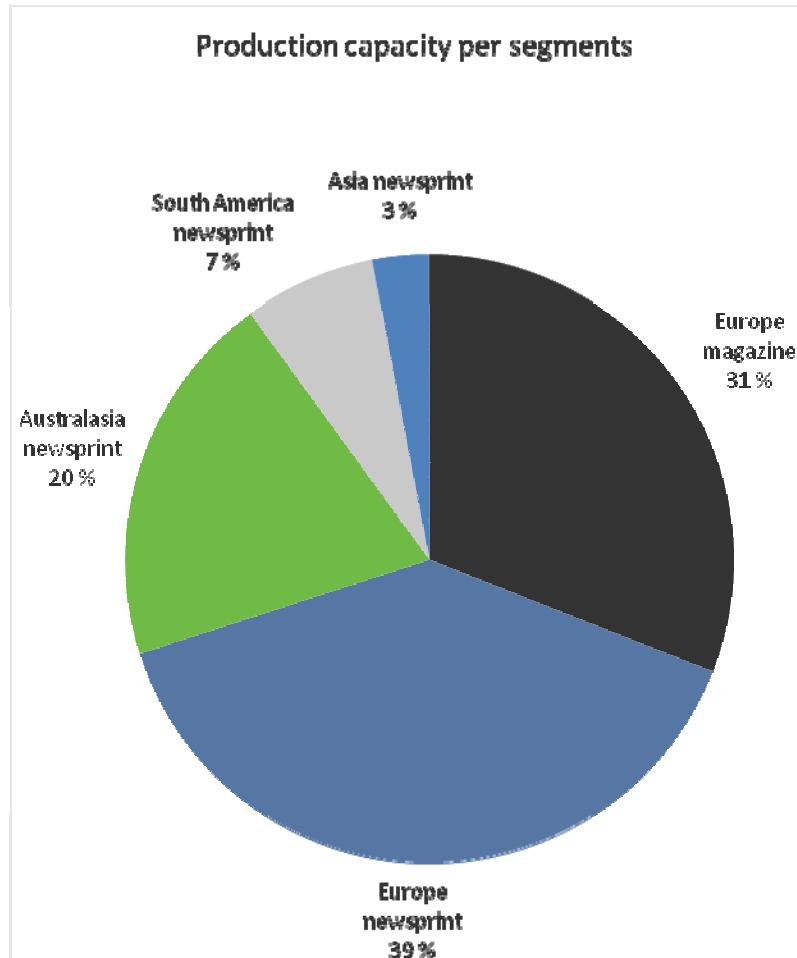


- 14 mills in 11 countries
- Revenues
 - YTD Q3-10 = NOK 13.8 bn (US\$ 2.3 bn)
 - 2009 = NOK 20.4 bn (US\$ 3.2 bn)
- 5 400 employees
- Listed on the Oslo Stock Exchange
 - No controlling shareholder; foreign ownership ~ 35 %
- Debt financing:
 - Bank loans ~30%
 - Dom & Int bonds ~70%
- Rating:
 - S & P -> B- neg outlook
 - Moody's -> B2 neg outlook

Global presence



Europe and Australasia are key markets



Total capacity 4.5 mill. tonnes

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

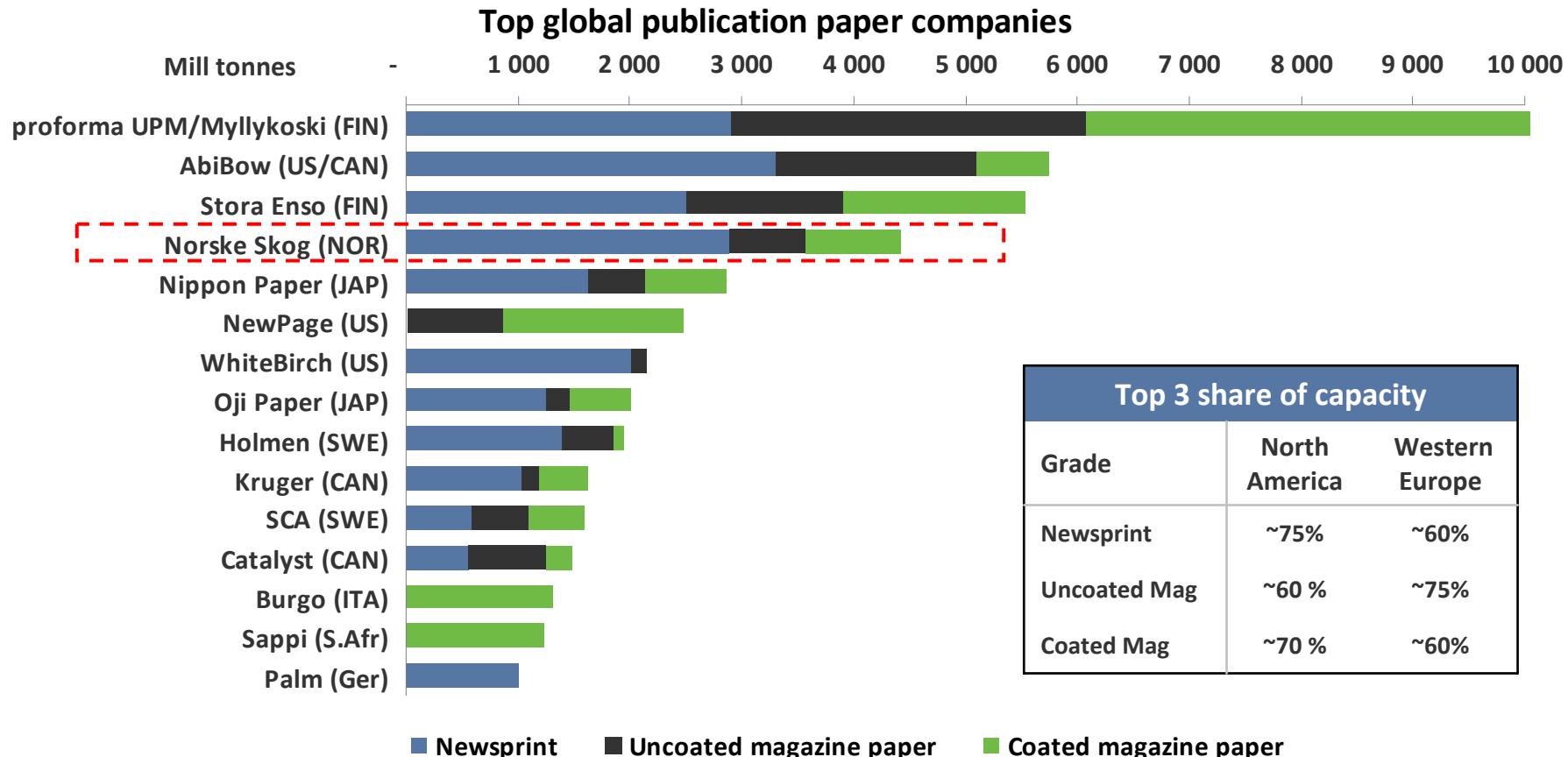
Newsprint

- 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)

Major global player



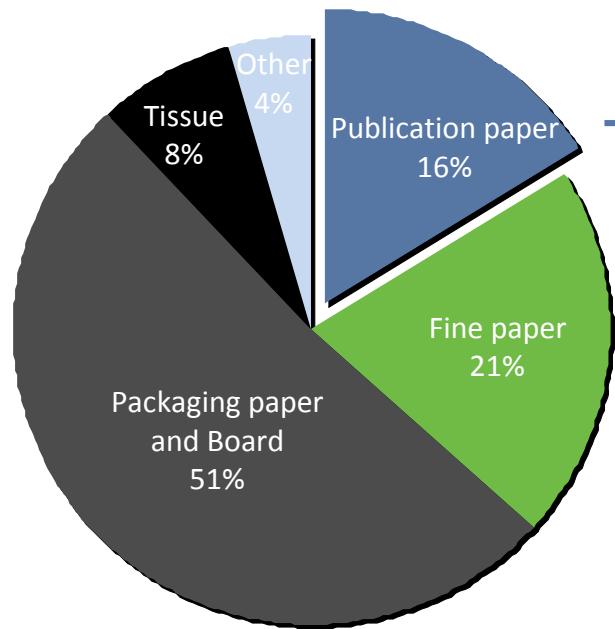
Source: RISI, PPPC, Company research



Market information

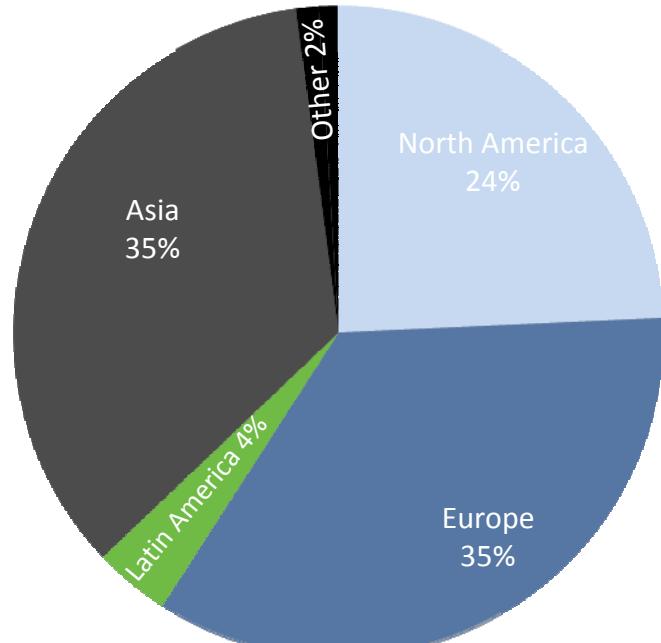
Global paper production

371 million tonnes (2009)



Source: RISI Industry statistic 2009

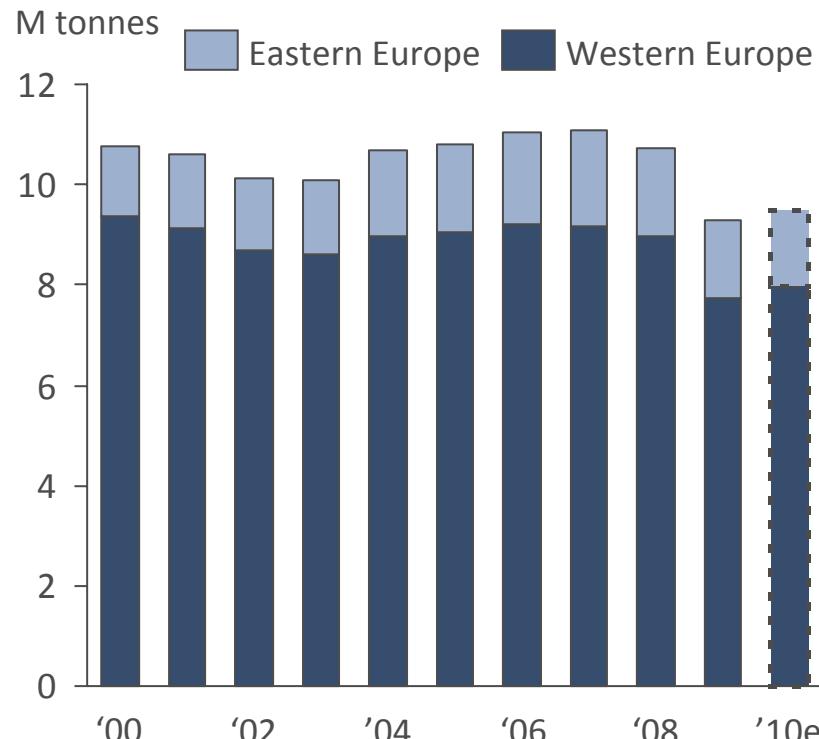
Geographical production of publication paper (2009)



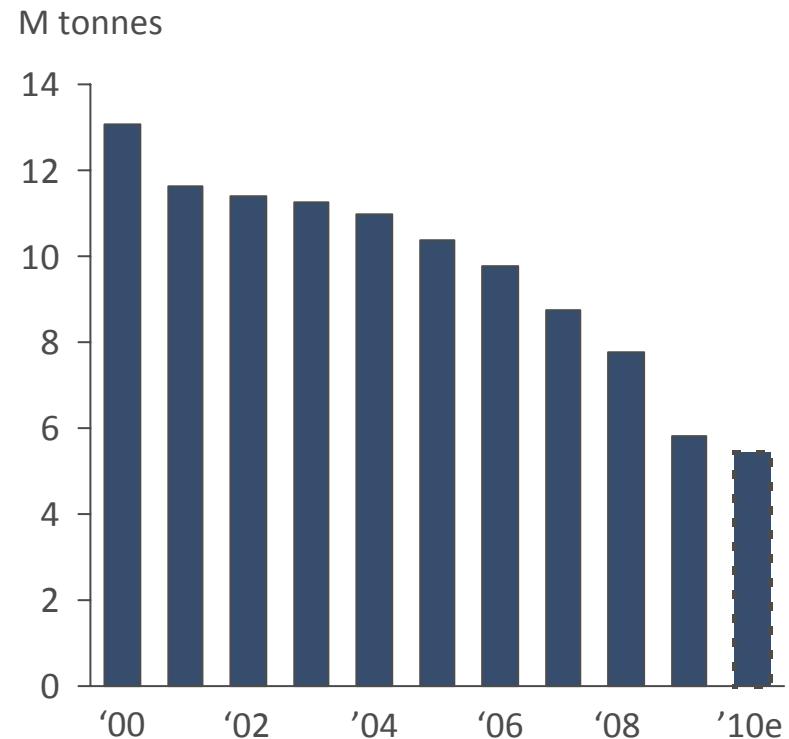
Source: PPPC 2010

Demand newsprint 2000 – 2010e

Europe



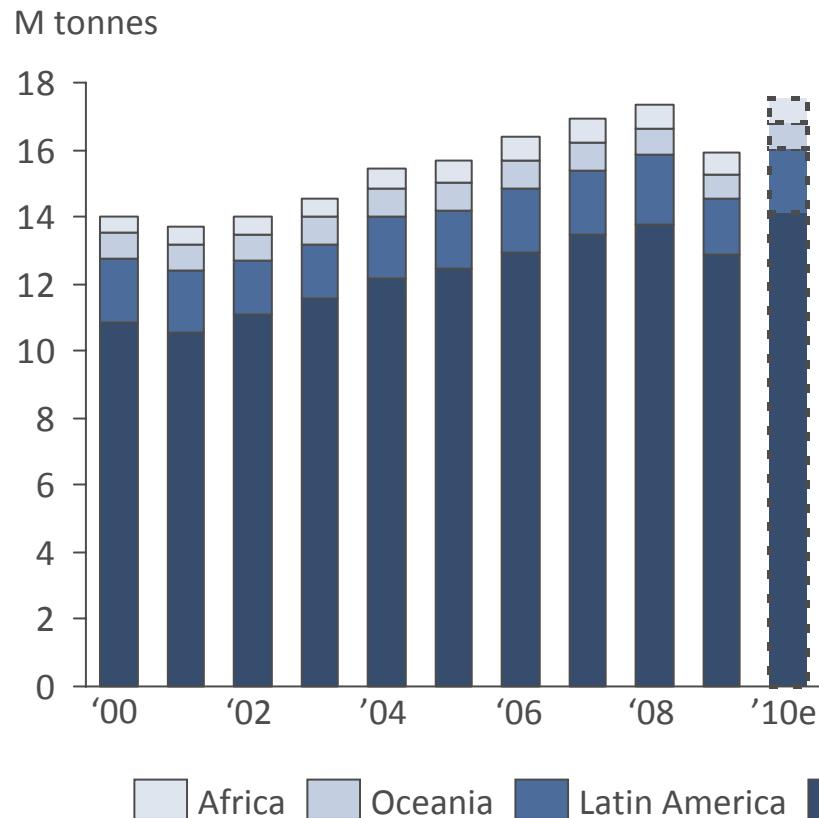
North America



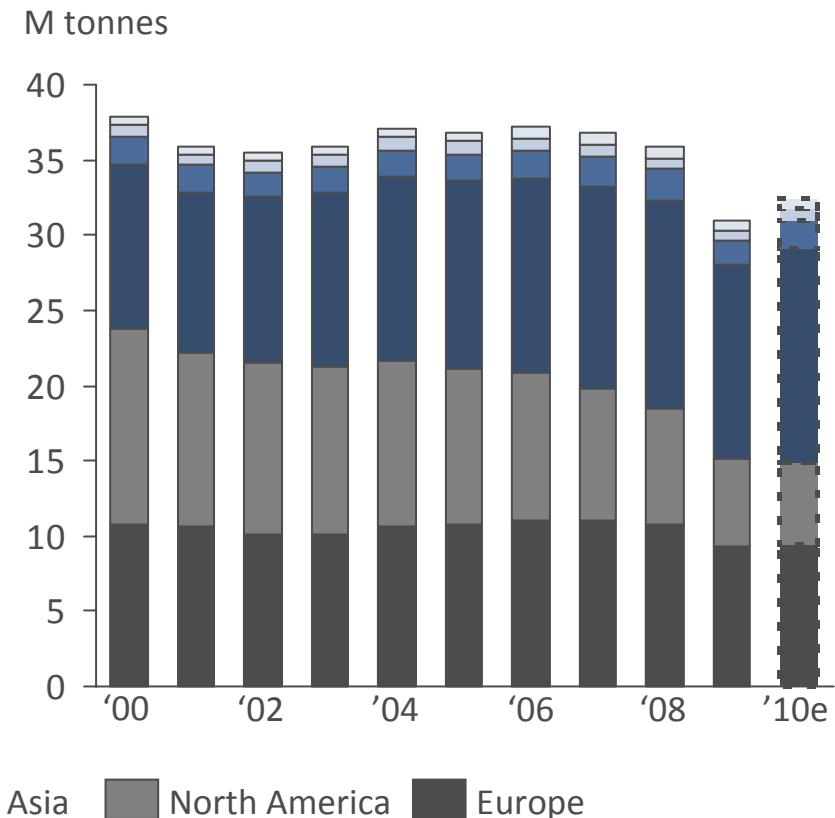
Source: PPPC

Demand newsprint 2000 – 2010e

Rest of the world



World total



Source: PPPC

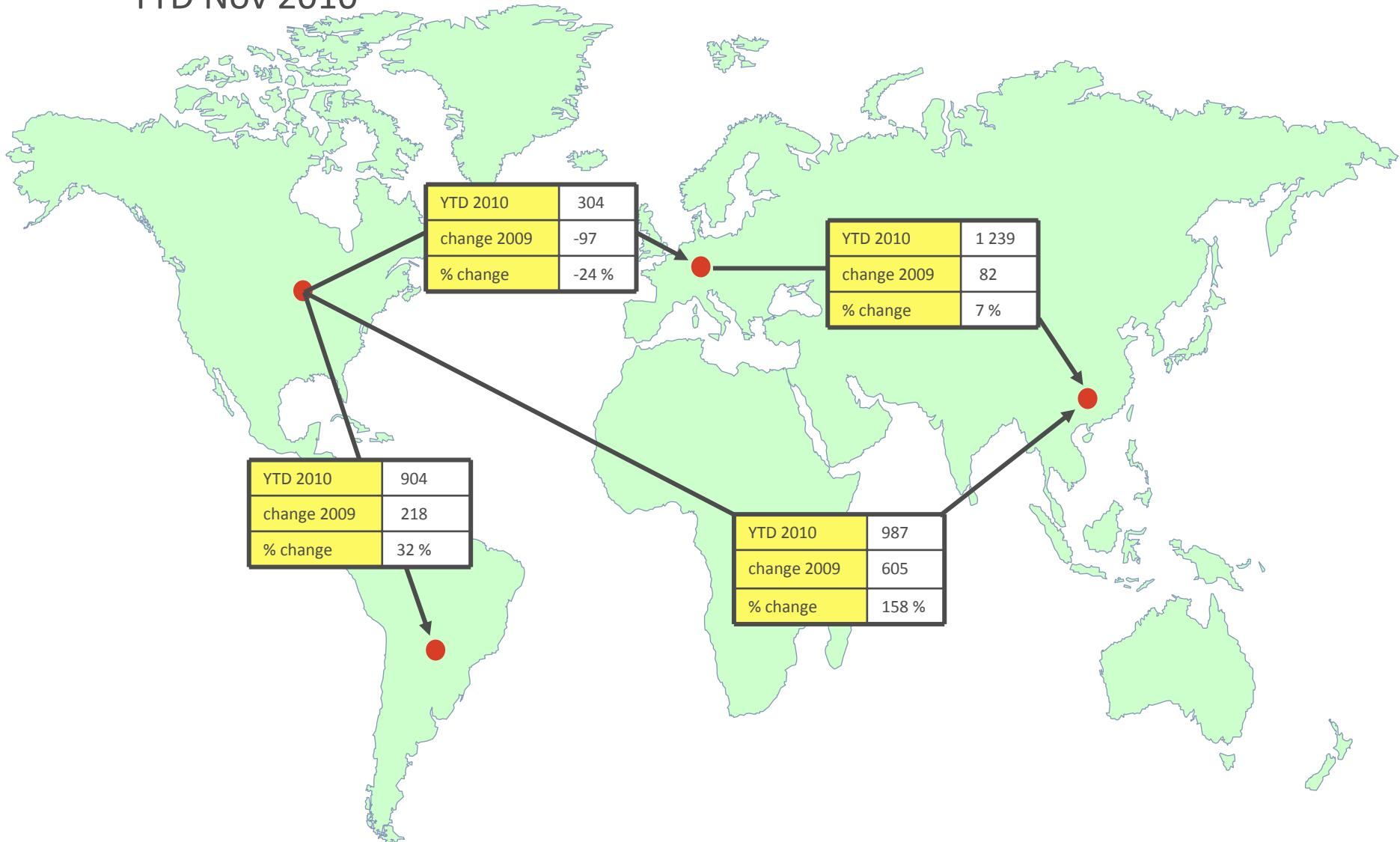
Demand 2010 per region/segment

Region/segment	Annual change (YTD)*	Comments
World standard newsprint	1.6 %	
North America standard newsprint	-6.2 %	
Europe standard newsprint	1.0 %	Western Europe (+2 %) Eastern Europe (-1 %)
Europe magazine paper (incl. improved newsprint etc)	5.2 %	SC (-2 %) LWC (+10 %)
Non-Japan Far East Standard newsprint	5.0 %	Highest growth in India (+30%) China decreases (-2%)
Australasia standard newsprint	5.4 %	
Latin America standard newsprint	11.9 %	Highest growth in Brazil Increased customer inventories

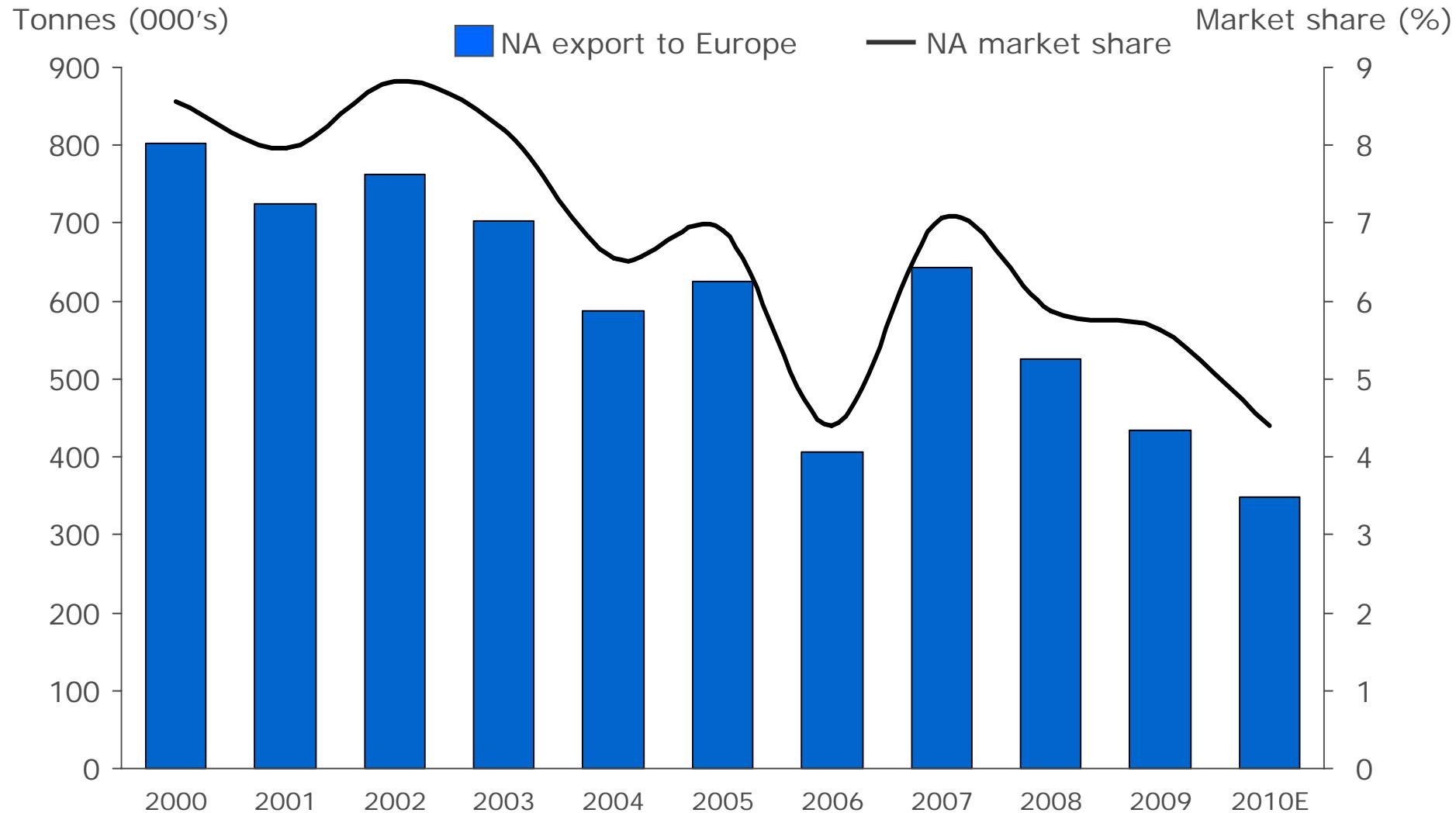
*) Change from January-November 2009 vs same period in 2010, Source: PPPC, CEPIPRINT

Main trade flows – Std newsprint

YTD Nov 2010

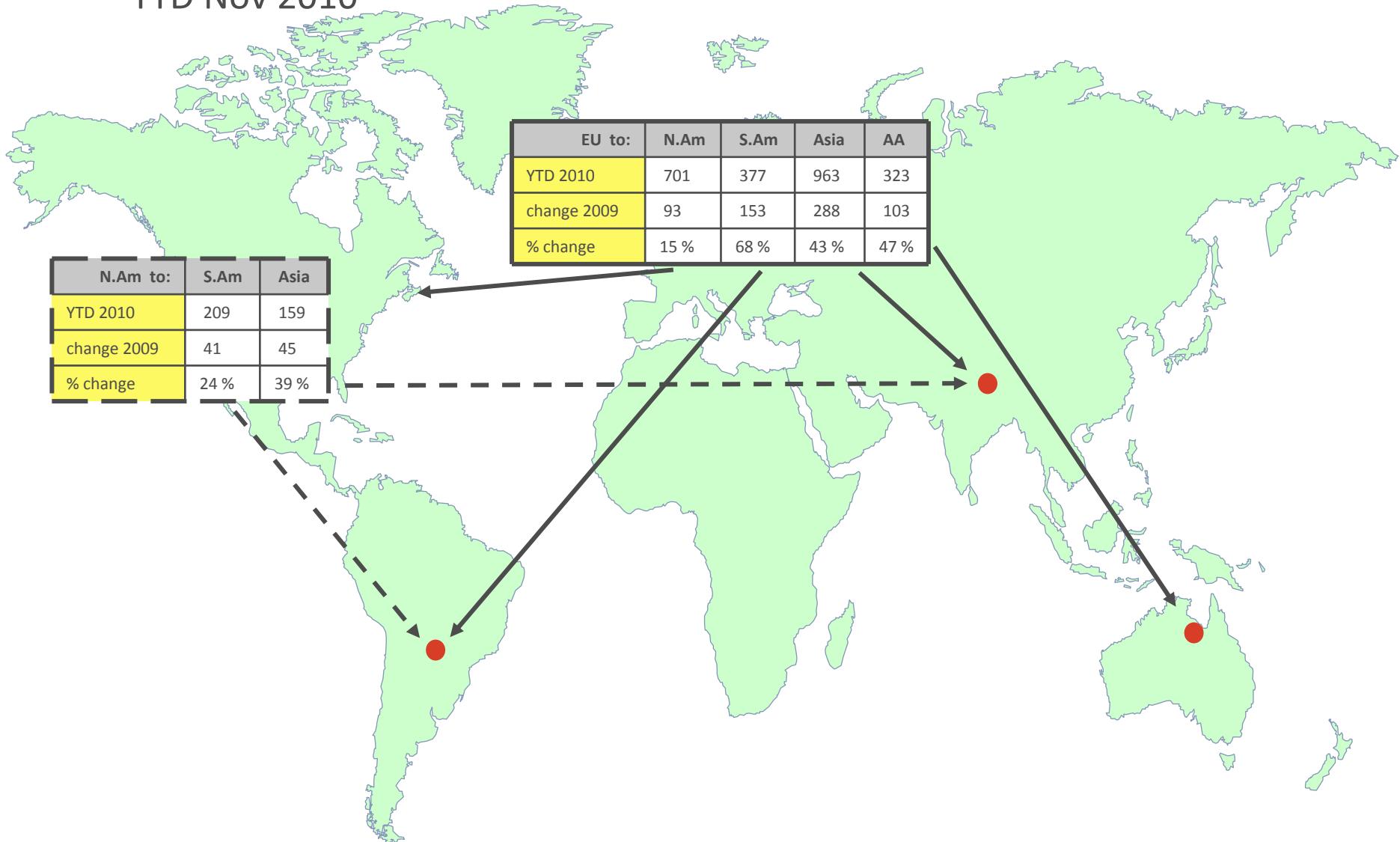


North American newsprint shipments to Europe



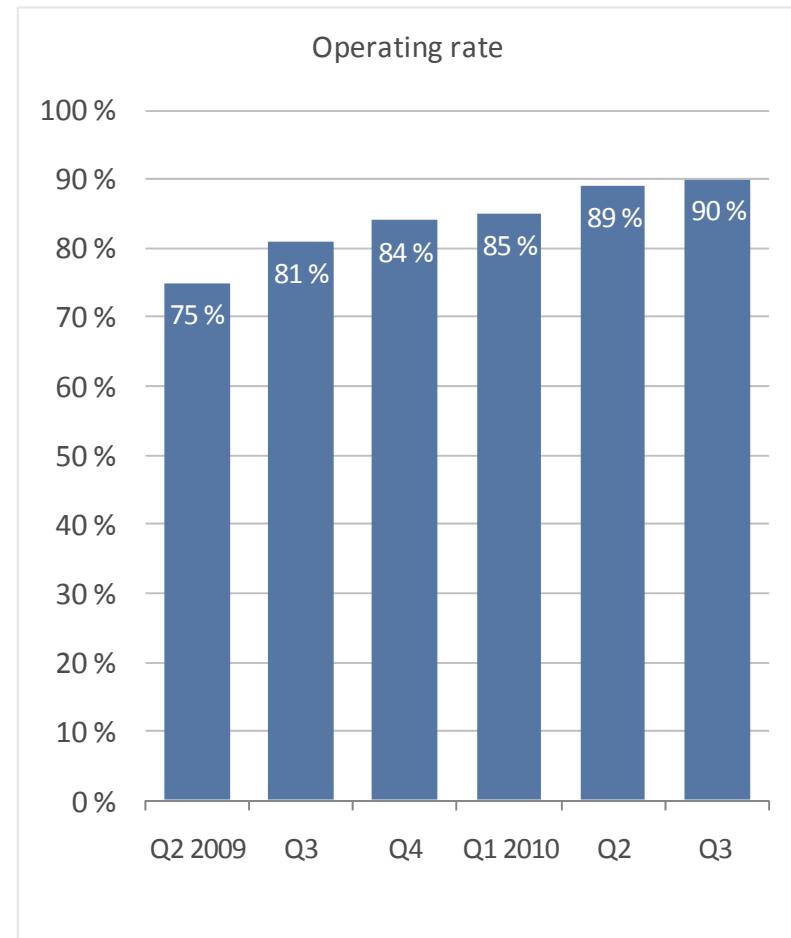
Main trade flows – Magazine paper

YTD Nov 2010



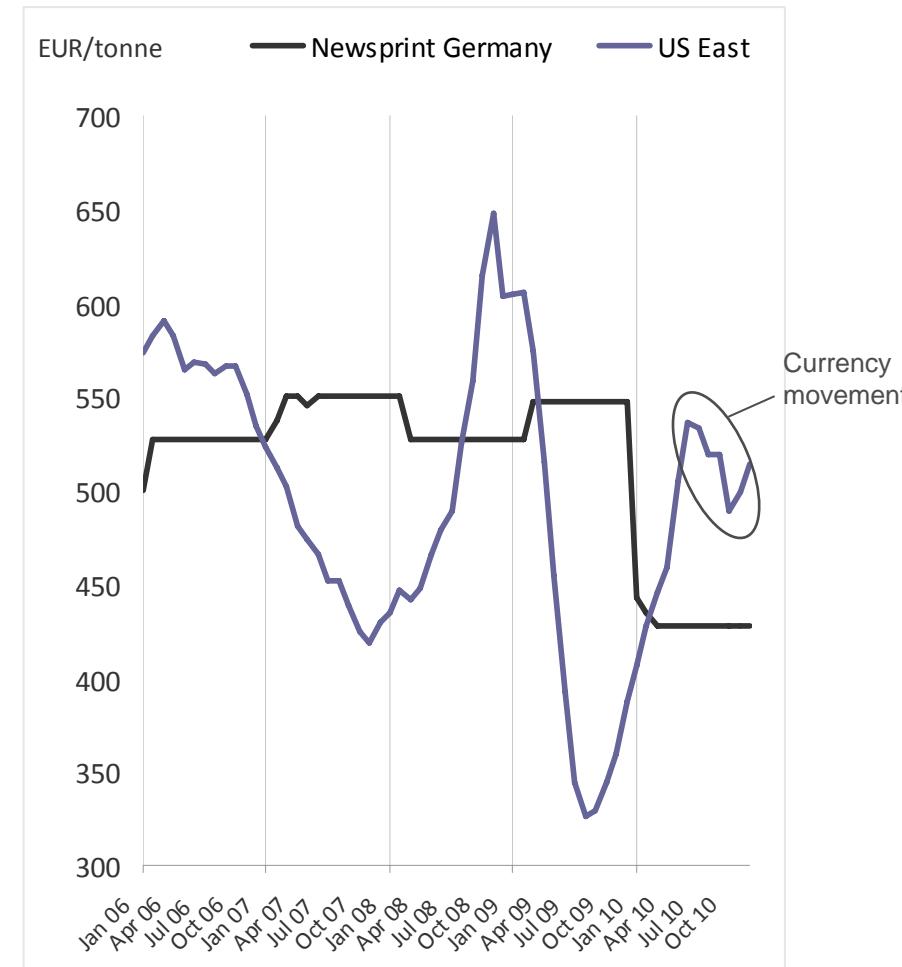
Increased demand - higher capacity utilisation

- 90 % operating rate in Q3
 - 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



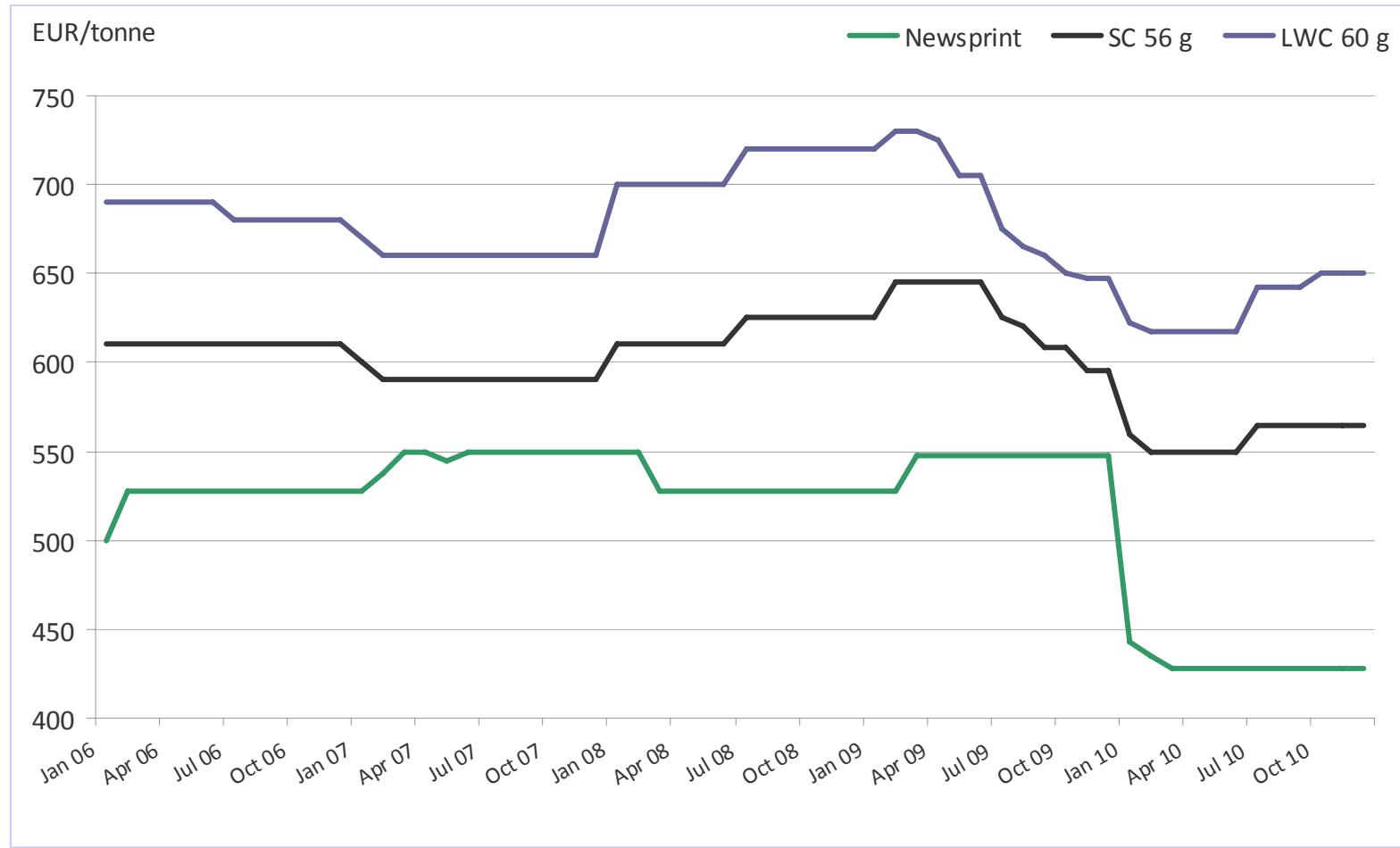
Price development - Europe vs. USA

- US price change due to currency effects
 - EUR/USD = 1.31
- 20% price gap end Q4
- Average price in Europe last 15 years: € 550
- USD price in:
 - US = 680
 - Hong Kong = 675
 - India = 685



Source: RISI

Price development - Germany



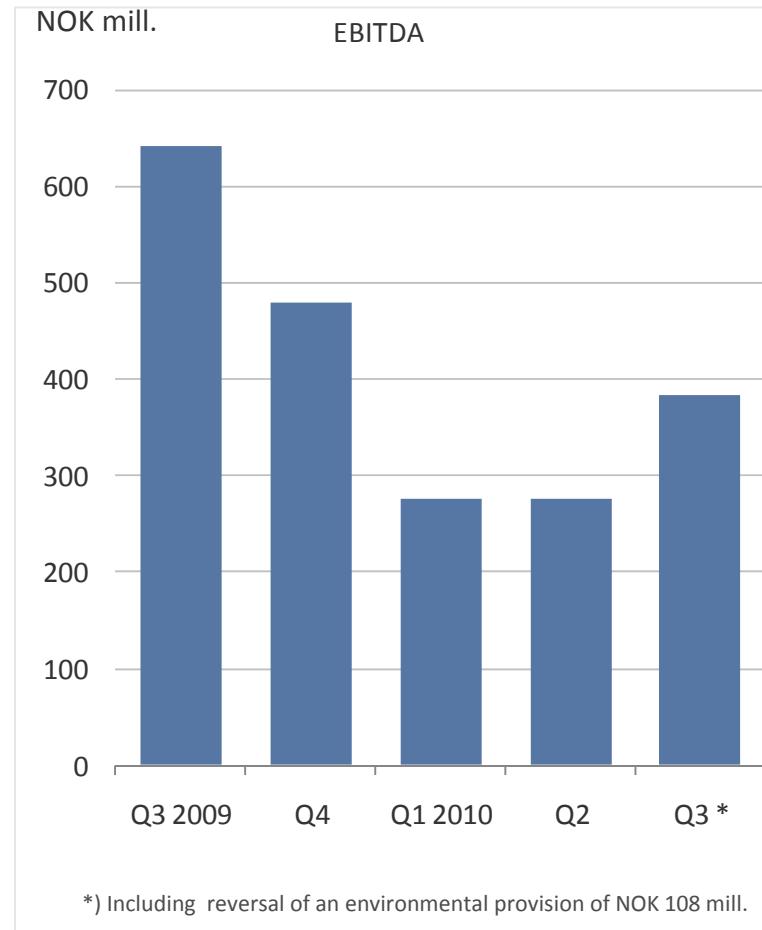
Source: RISI



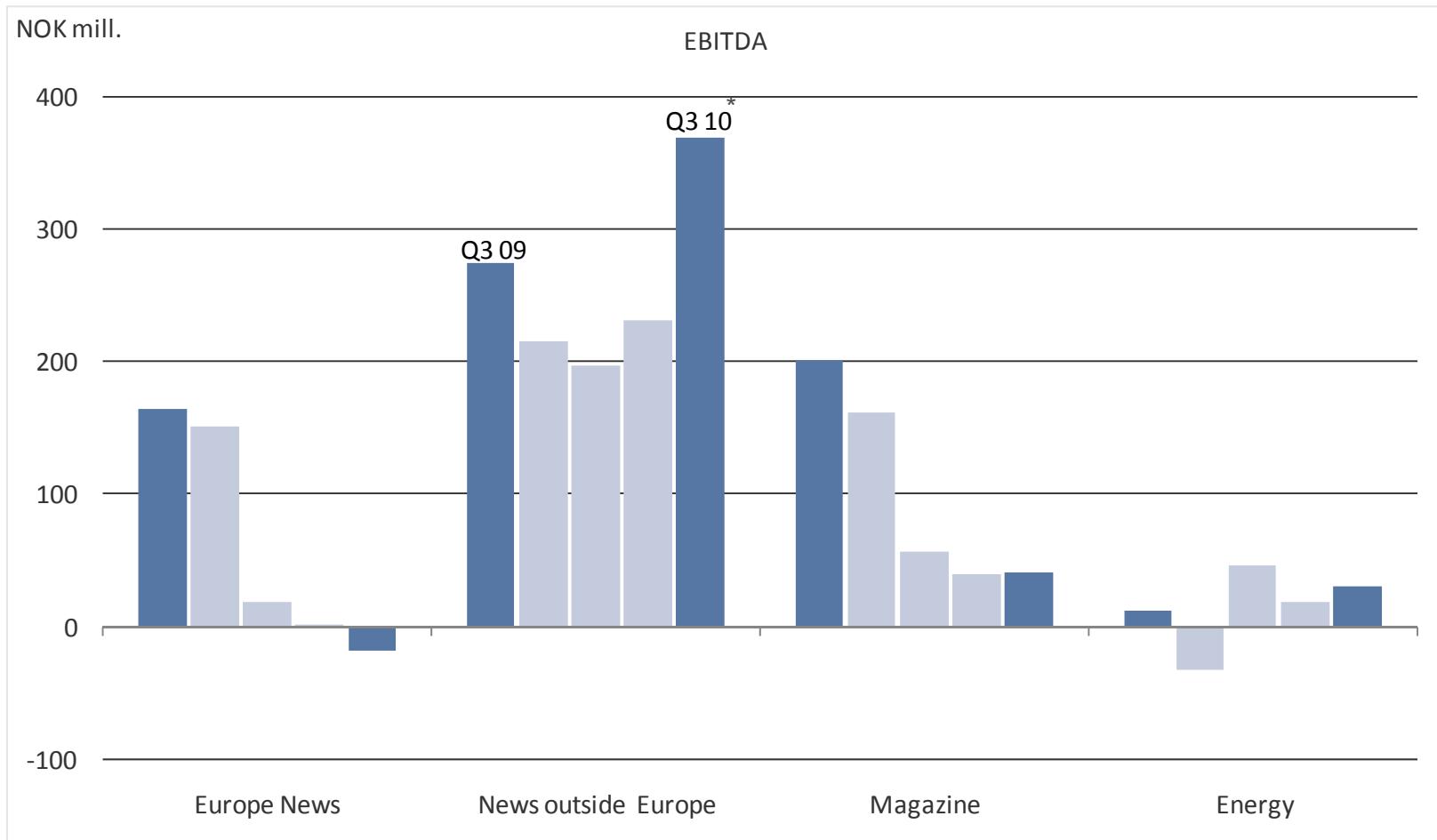
Financials, costs and debt development

YTD 2010 in brief

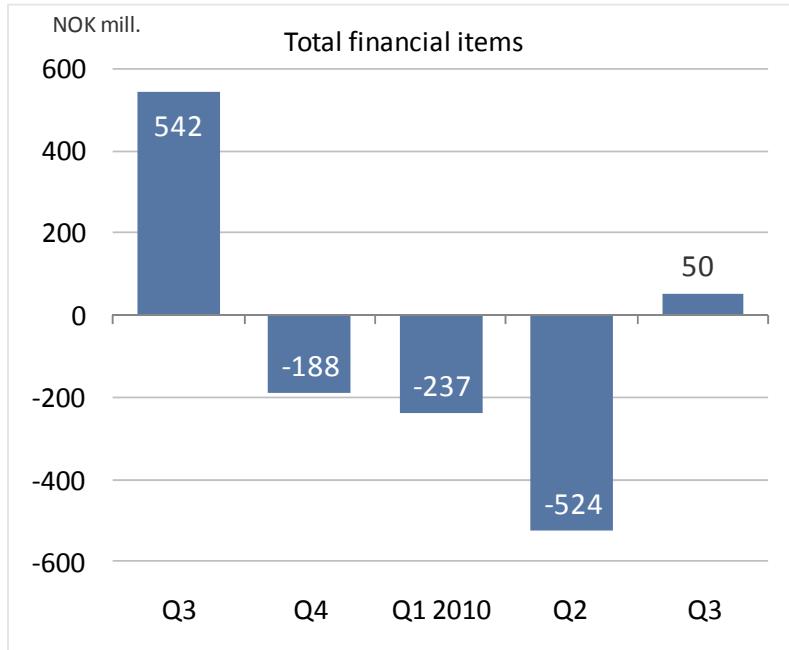
- Underlying Q3 EBITDA remained weak
 - Slightly improved market conditions
 - Higher prices on input factors
 - Capacity utilisation up to Q4 2008 level
- Net interest-bearing debt down by NOK 600 mill in 2010



Results - segments



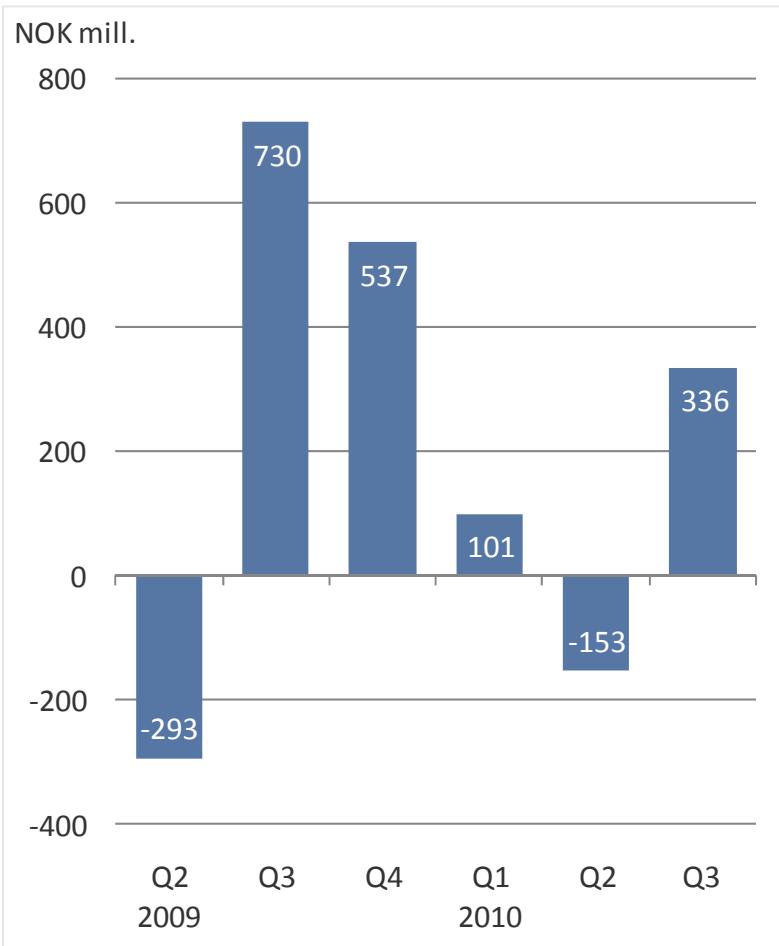
Financial items: Positive currency effect



- Positive translation differences on balance sheet items not qualified for hedge accounting
- Realized and unrealized gain on cash-flow hedging

NOK mill.	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010
Currency elements	763	-11	-48	-329	261

Cash flow



- Cash flow improvement of NOK 500 mill. from Q2
 - Realised gains on FX, and low interest payments
 - Reduced working capital

Current cost picture (cash cost)

Total cash

cost 2009 **NOK 18.0 bn**

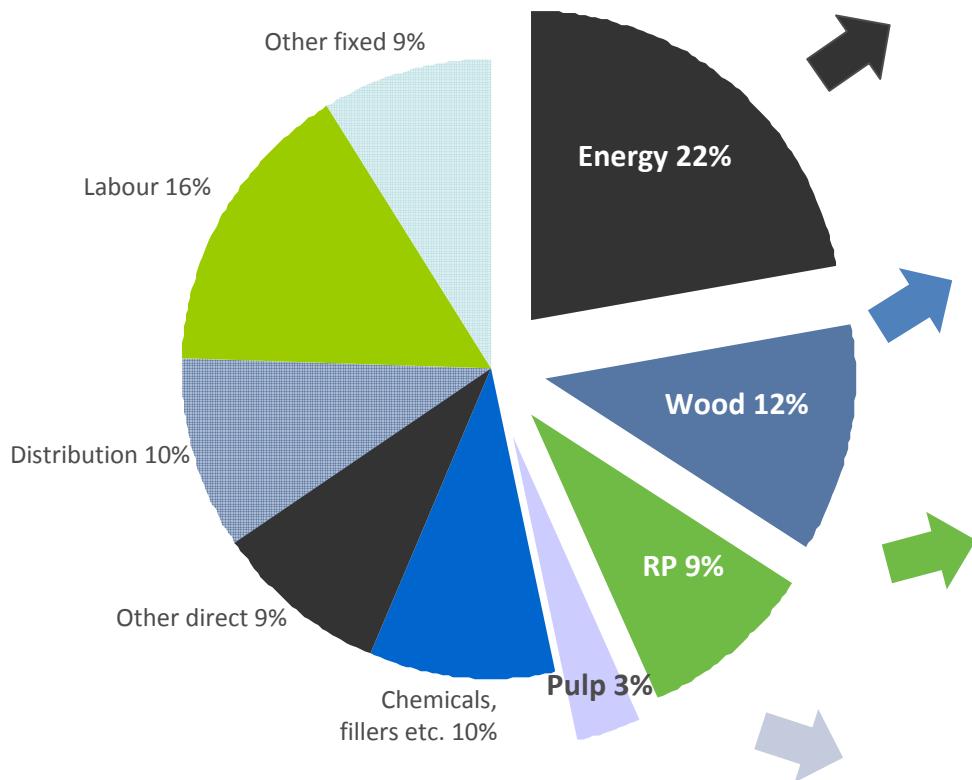
Focus

Fixed NOK 4.9 bn → Continuous programs to reduce costs
→ Current run rate at NOK 4.3 bn, down NOK 0.6 bn compared with 1H 2009

Variable NOK 13.2 bn → Long term contracts to secure supply and provide cost stability

→ Main cost drivers in 2010 (% of total cost)
→ Wood (12%)
→ Recovered paper (9%)
→ Pulp (3%)

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

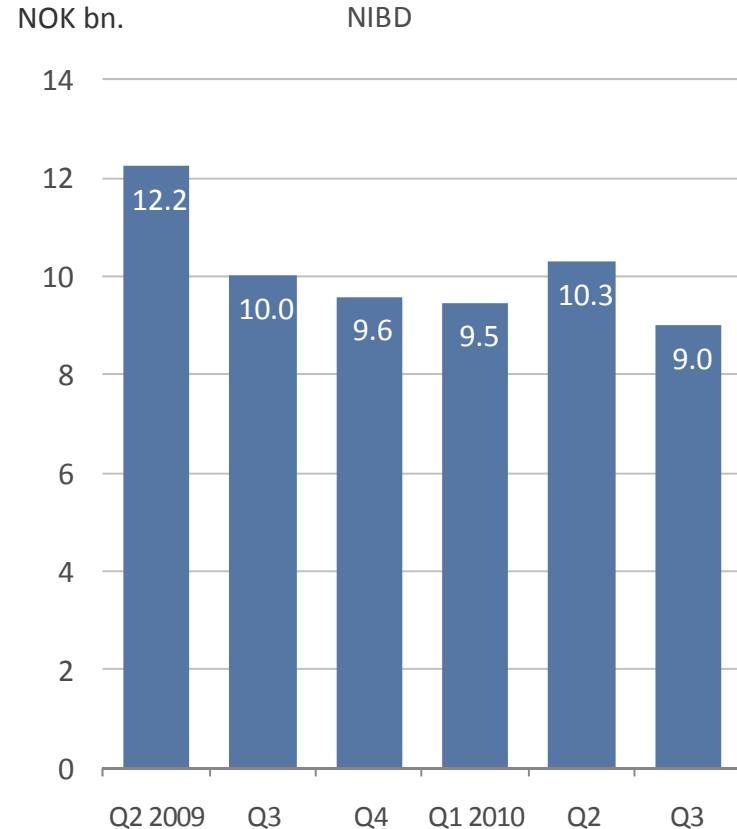
Market pulp

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

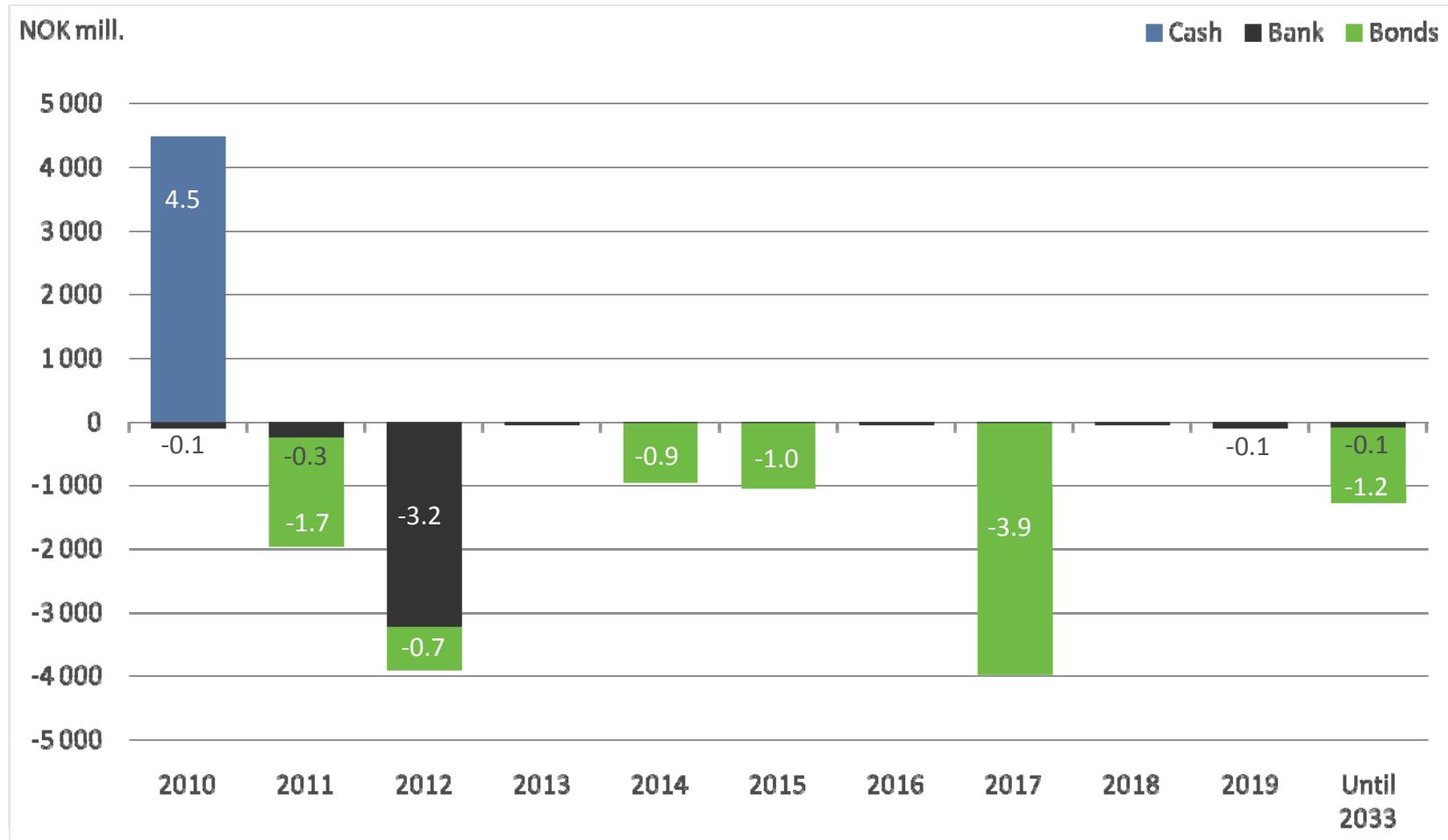
2009 figures, calculated to 90% operating rate

Continued debt reduction

- Net interest-bearing debt down to NOK 9 bn in Q3.
 - Proceeds from sale of excess energy
 - Positive cash flow from operations
 - Stronger NOK vs. USD reduced debt value
 - Capex reduced further



Cash and debt maturity profile



Per 30 September 2010

Outlook:

- Significant price increases for newsprint in Europe, and quarterly contracts for main part of sales volume
- Price increases also for magazine paper
- Negative impact from cost increases on raw materials and energy

Management focus:

- Re-establish earlier price level and margin in Europe
- Furter reduction of debt and fixed costs
- Positioning for active role in industry consolidation



Q & A