

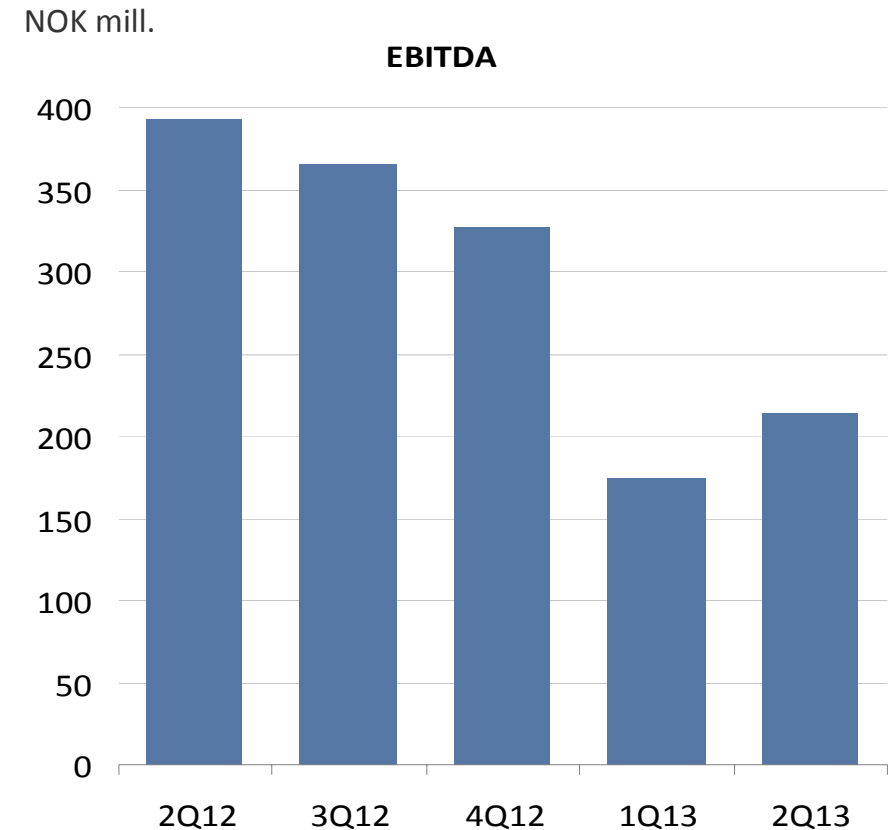


# 2Q13 presentation

18 July 2013

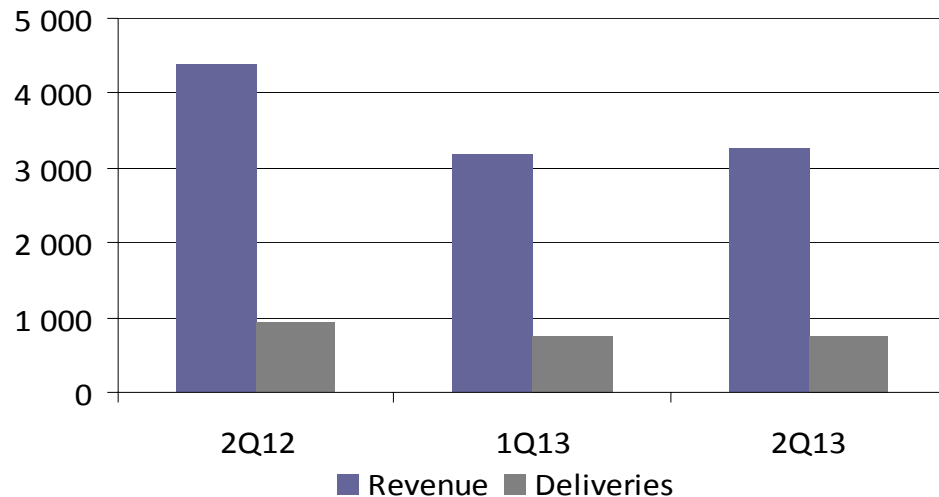
# 2Q13 in brief

- EBITDA NOK 214 mill. (NOK 174 mill. 1Q13)
- Cash flow from operations NOK 298 mill.
  - Before net financial items
- Net debt increased to NOK 6 641 mill.
  - NOK depreciation offset by net cash flow
    - Increase in the quarter NOK 159 mill.
- Divestment of Norske Skog Pisa
  - 51% closed in June
    - Terms and timeline for remaining 49% agreed upon with the same buyer

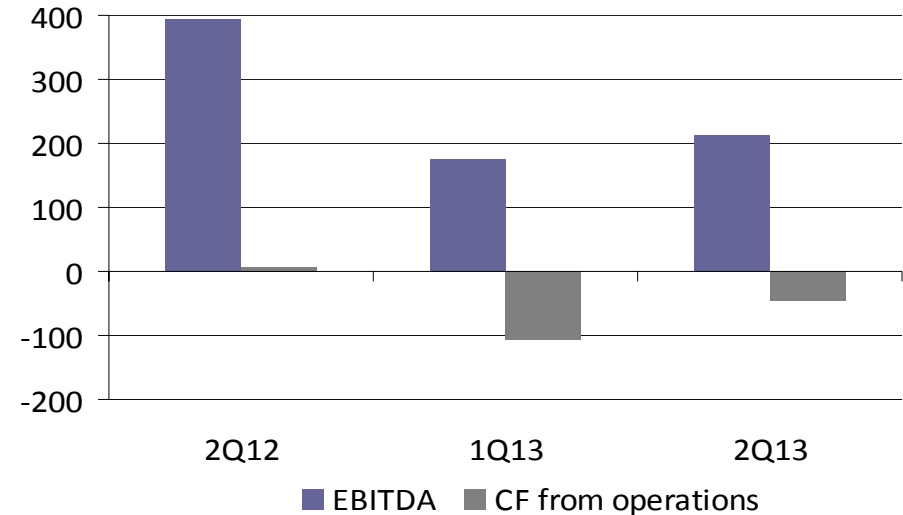


# Lower price, less capacity and positive seasonality

NOK mill. and 1 000 tonnes



NOK mill.



# Key developments in 2Q13

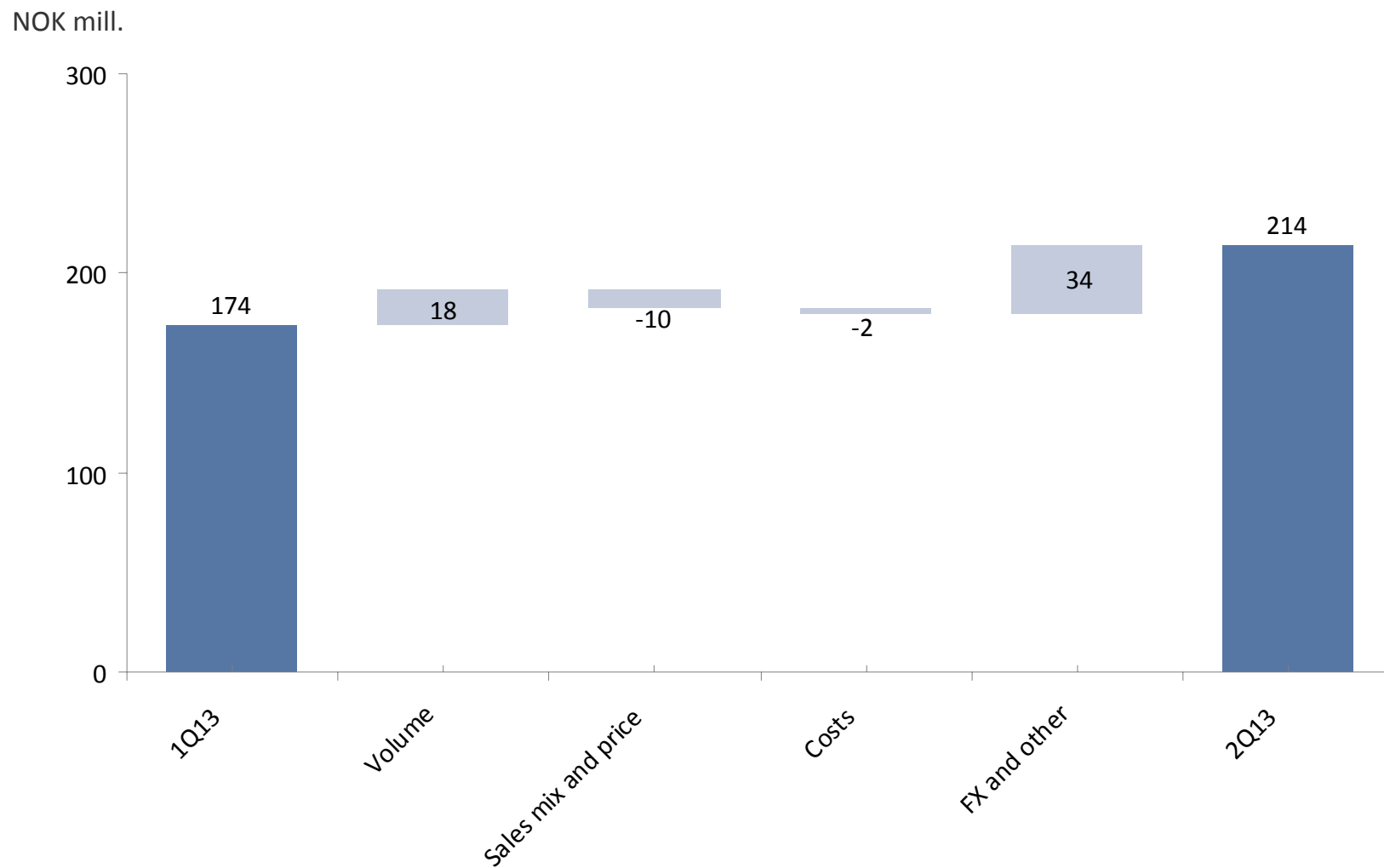
## Market

- Publication paper prices stable from the first quarter
- Significant capacity closures effectuated
  - Price increases into 2H13
- Relatively stable input factor costs

## Norske Skog

- Norske Skog Pisa in Brazil divested
  - To be deconsolidated from the third quarter
- Active capacity management
  - 160 thousand tonnes of annual capacity (PM2) temporarily idled at Skogn from June

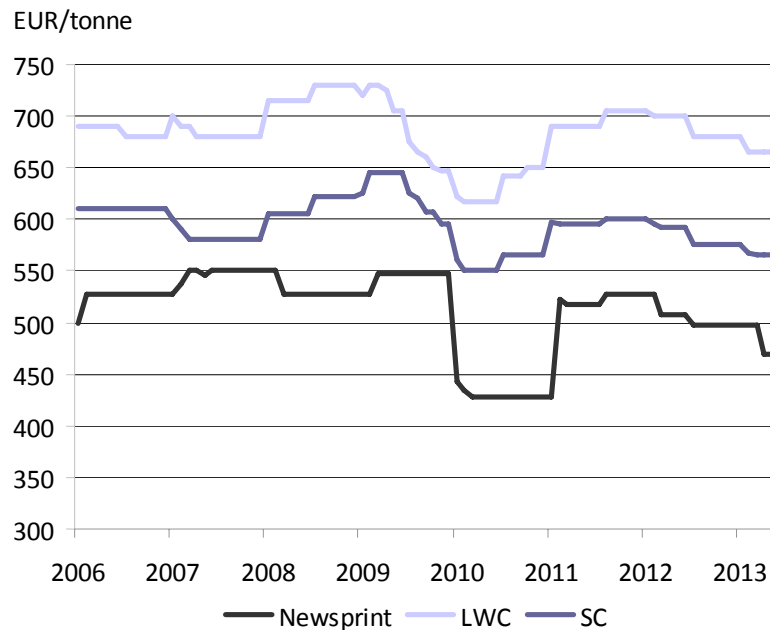
# EBITDA change from 1Q13 to 2Q13



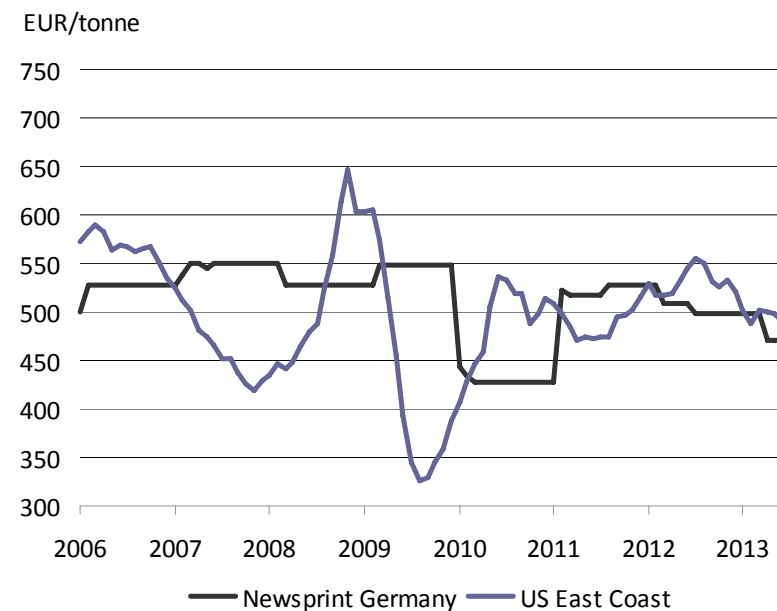


# Publication paper prices higher

- European reference prices into 2H13
  - Newsprint increases
  - Magazine paper increases for SC
- US newsprint prices reduced in USD
  - Above European level in EUR

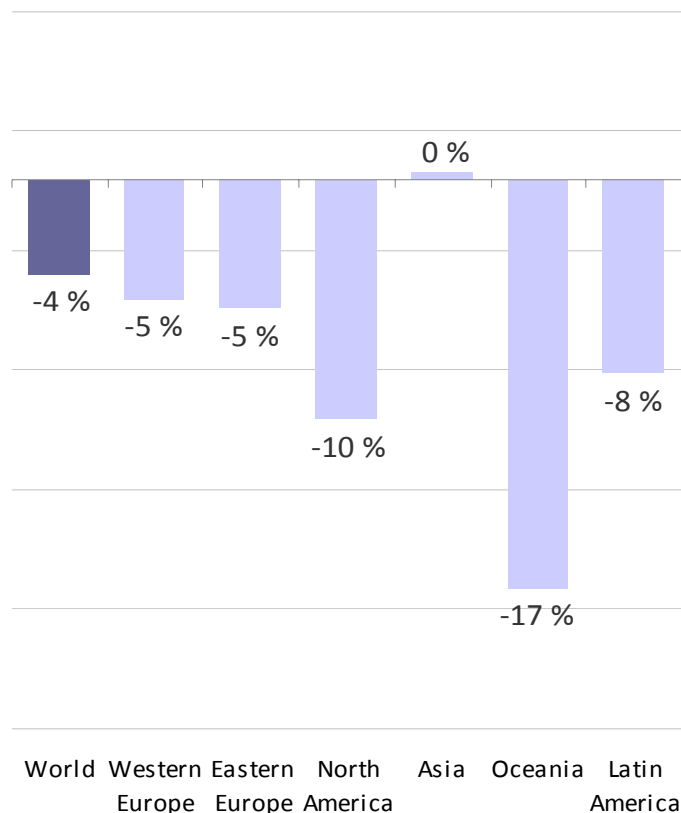


RISI, German and US East Coast prices

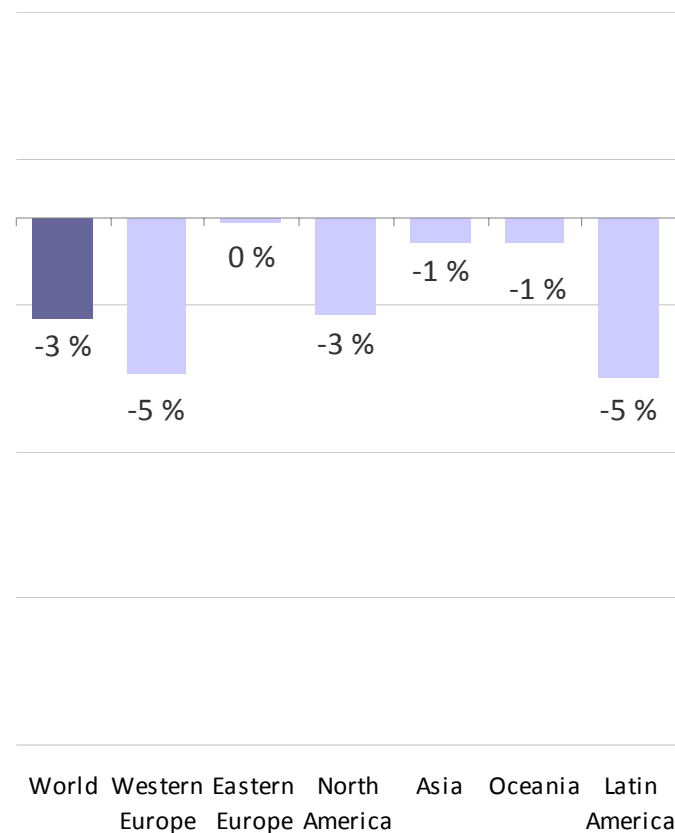


# Weak demand

**Newsprint**



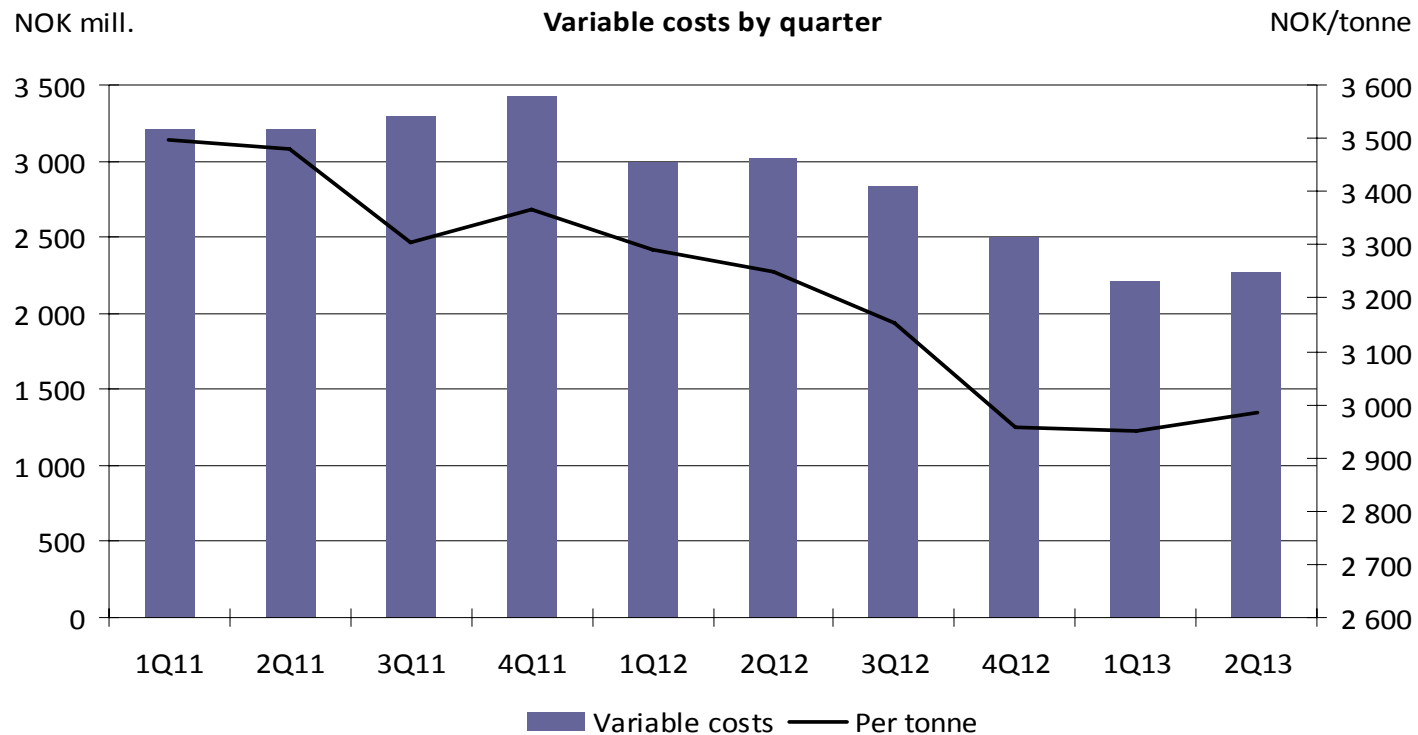
**Magazine**



PPPC, YTD May 2013

# Variable costs at lower level

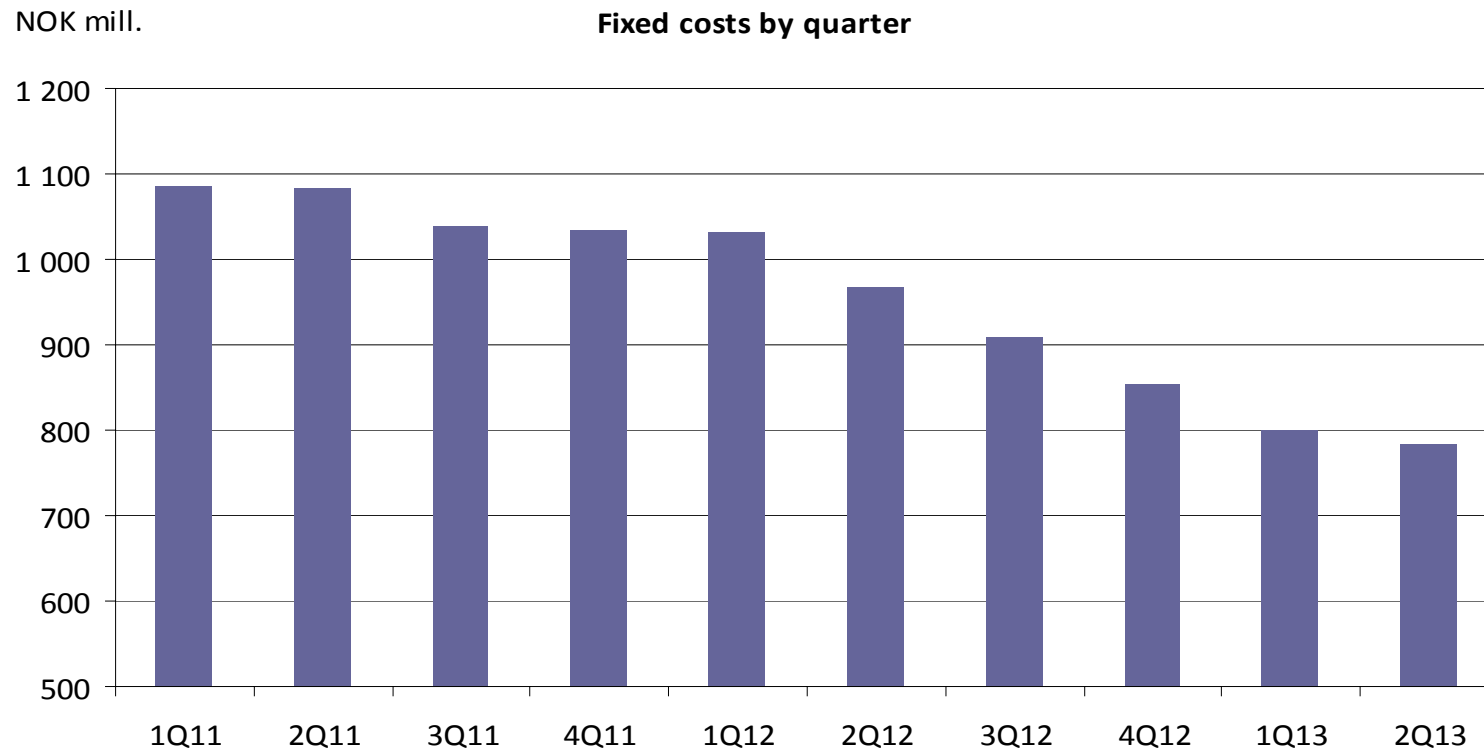
- Variable costs have declined
  - Reduced capacity and hence production
  - Relatively stable input factor costs and productivity enhancements





# Fixed costs reduced

- Fixed costs at lower level
  - Ongoing cost reduction programs and reduced capacity
  - Norske Skog Pisa to be deconsolidated from next quarter





2Q13 financials

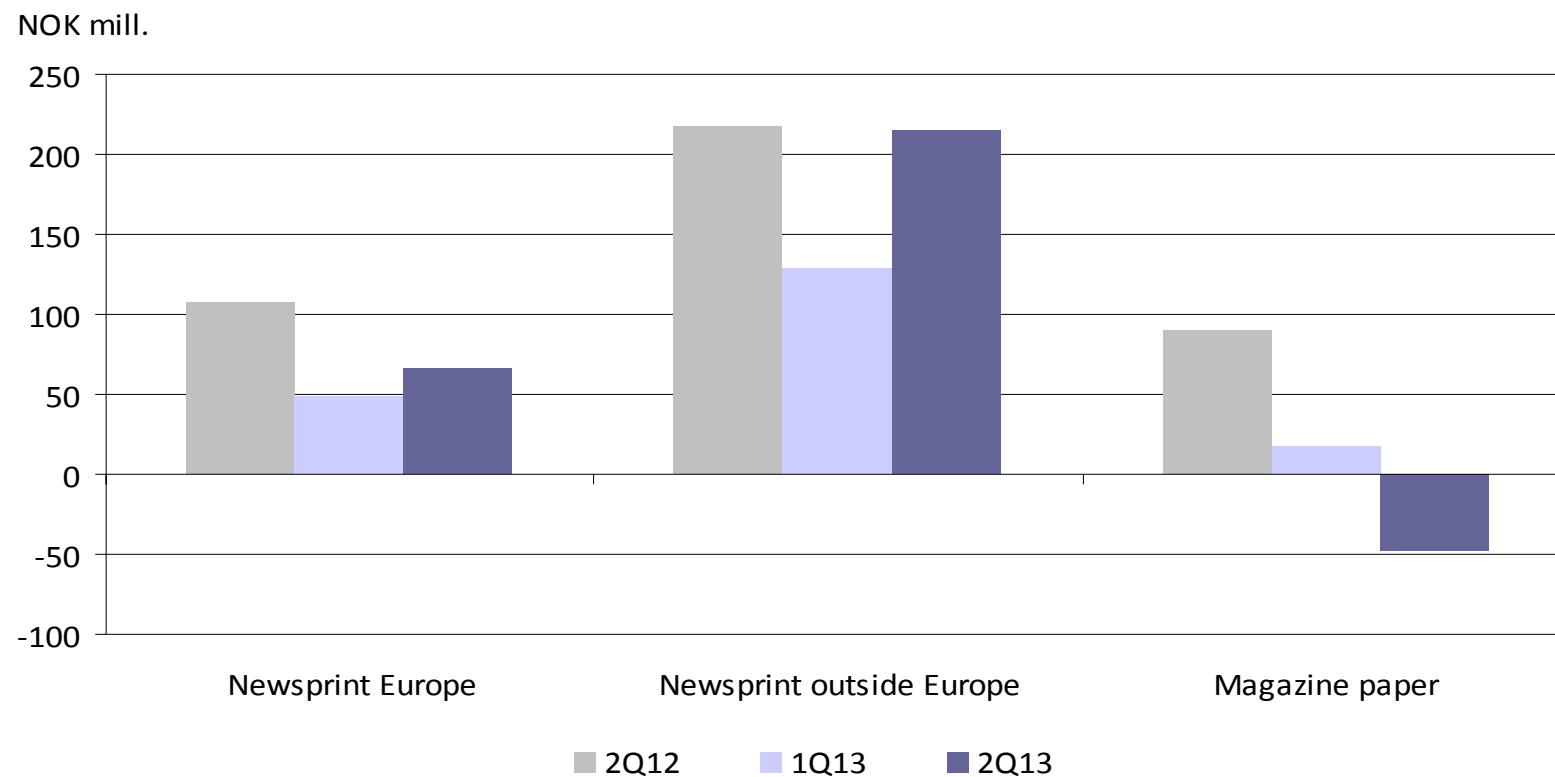
# Key messages 2Q13

- Slight EBITDA improvement
- Positive net cash flow
  - EBITDA level, high cash interest payments, partly offset by WC release
  - High capex with two ongoing development projects, offset by cash proceeds from divestments
- Net debt somewhat higher
  - NOK depreciation partly offset by net cash flow

# Summary P&L

Key figures (NOK mill.)	2Q12	1Q13	2Q13
Operating revenue	4 377	3 186	3 267
Variable costs	3 016	2 212	2 268
Fixed costs	964	800	784
<b>EBITDA</b>	<b>398</b>	<b>174</b>	<b>214</b>
<i>EBITDA margin %</i>	<i>9.1</i>	<i>5.4</i>	<i>6.6</i>
Depreciation	230	198	198
Special items	-46	-153	-662
<b>EBIT</b>	<b>123</b>	<b>-178</b>	<b>-647</b>
Financials, taxes and other	-214	-204	-212
<b>Profit/loss for the period</b>	<b>-91</b>	<b>-381</b>	<b>-859</b>

# EBITDA by business area





# Newsprint Europe

Capacity	Tonnes
Skogn, Norway	550 000
Golbey, France	630 000
Bruck, Austria	125 000
<b>Total</b>	<b>1 305 000</b>

- EBITDA improved
  - Seasonally higher sales volumes
  - Costs slightly higher with NOK depreciation

Key figures (NOK mill.)	2Q12	3Q12	4Q12	1Q13	2Q13
Operating revenue	1 205	1 072	1 136	979	1 076
EBITDA	108	87	65	49	66
EBITDA margin (%)	9.0	8.1	5.7	5.0	6.1
Deliveries ('000 tonnes)	308	290	310	277	300
Operating rate (%)	89	90	91	89	92



# Newsprint outside Europe

Capacity	Tonnes
Albury, Australia	280 000
Boyer, Australia	270 000
Tasman, New Zealand	155 000
Pisa, Brazil	170 000
Singburi, Thailand	125 000
<b>Total</b>	<b>1 000 000</b>

- EBITDA improved
  - Seasonally higher sales volumes and NOK depreciation
  - Cost were lower
    - Supported by positive one-offs related to energy costs at Pisa and pensions at Tasman

Key figures (NOK mill.)	2Q12	3Q12	4Q12	1Q13	2Q13
Operating revenue	1 399	1 317	1 187	1 026	1 077
EBITDA	218	223	242	129	215
EBITDA margin (%)	15.6	16.9	20.4	12.6	19.9
Deliveries ('000 tonnes)	290	272	255	221	226
Operating rate (%)	92	92	84	86	92

# Magazine

Capacity	Tonnes
Saugbrugs, Norway	530 000
Walsum, Germany	425 000
Bruck, Austria	270 000
<b>Total</b>	<b>1 225 000</b>

- EBITDA turned negative
  - Low volumes in weak market
  - Costs higher
    - Weakened by negative one-offs related to energy costs and NOK depreciation

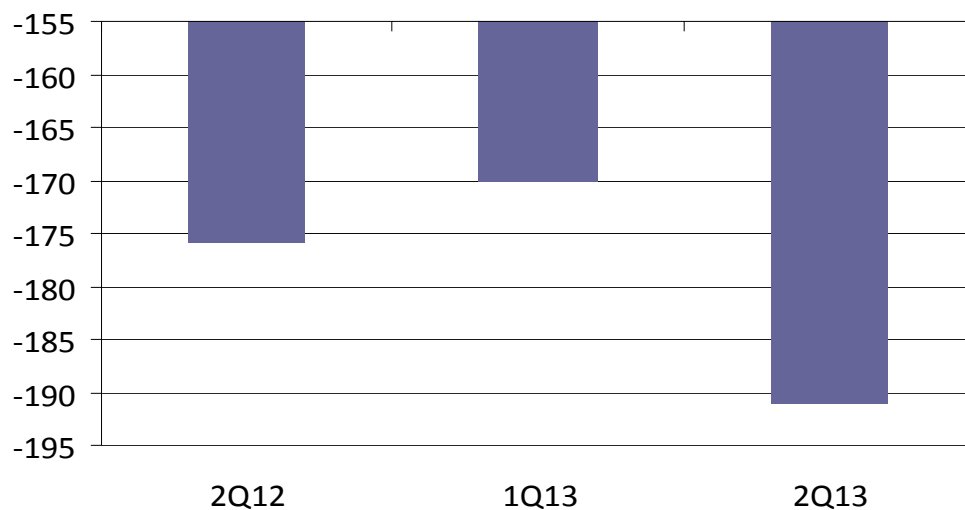
Key figures (NOK mill.)	2Q12	3Q12	4Q12	1Q13	2Q13
Operating revenue	1 602	1 580	1 311	1 152	1 098
EBITDA	95	89	57	17	-47
EBITDA margin (%)	5.9	5.6	4.3	1.5	-4.3
Deliveries ('000 tonnes)	330	338	283	252	234
Operating rate (%)	90	89	86	87	78

# Summary Cash flow

Key figures (NOK mill.)	2Q12	1Q13	2Q13
EBITDA	398	174	214
Change operating working capital	173	-81	258
Net financial items	-417	16	-346
Restructuring and other	-148	-214	-175
<b>Cash flow from operations</b>	<b>6</b>	<b>-106</b>	<b>-48</b>
<b>Cash flow from investments</b>	<b>235</b>	<b>-155</b>	<b>113</b>
<b>Net cash flow after investments</b>	<b>241</b>	<b>-261</b>	<b>65</b>

# Currency gains/losses

NOK mill.



Average rates	1Q13	2Q13	Change
EUR	7.43	7.62	2.56%
USD	5.63	5.83	3.55%
AUD	5.84	5.77	-1.20%
NZD	4.70	4.78	1.70%
GBP	8.72	8.95	2.64%
BRL	2.82	2.82	0.00%

Closing rates	1Q13	2Q13	Change
EUR	7.47	7.88	5.49%
USD	5.83	6.03	3.43%
AUD	6.10	5.56	-8.85%
NZD	4.88	4.70	-3.69%
GBP	8.83	9.20	4.19%
BRL	2.89	2.73	-5.54%

# Summary Balance sheet

Key figures (NOK mill.)	2Q12	1Q13	2Q13
Non-current assets	14 252	11 531	10 655
<b>Cash and cash equivalents</b>	<b>1 251</b>	<b>971</b>	<b>1 575</b>
Other current assets	4 216	3 595	3 148
Total assets	19 720	16 097	15 378
<b>Equity</b>	<b>6 922</b>	<b>4 070</b>	<b>2 801</b>
Non-current liabilities	9 449	9 240	8 659
Current liabilities	3 349	2 787	3 918
<b>Net interest bearing debt</b>	<b>6 883</b>	<b>6 482</b>	<b>6 641</b>

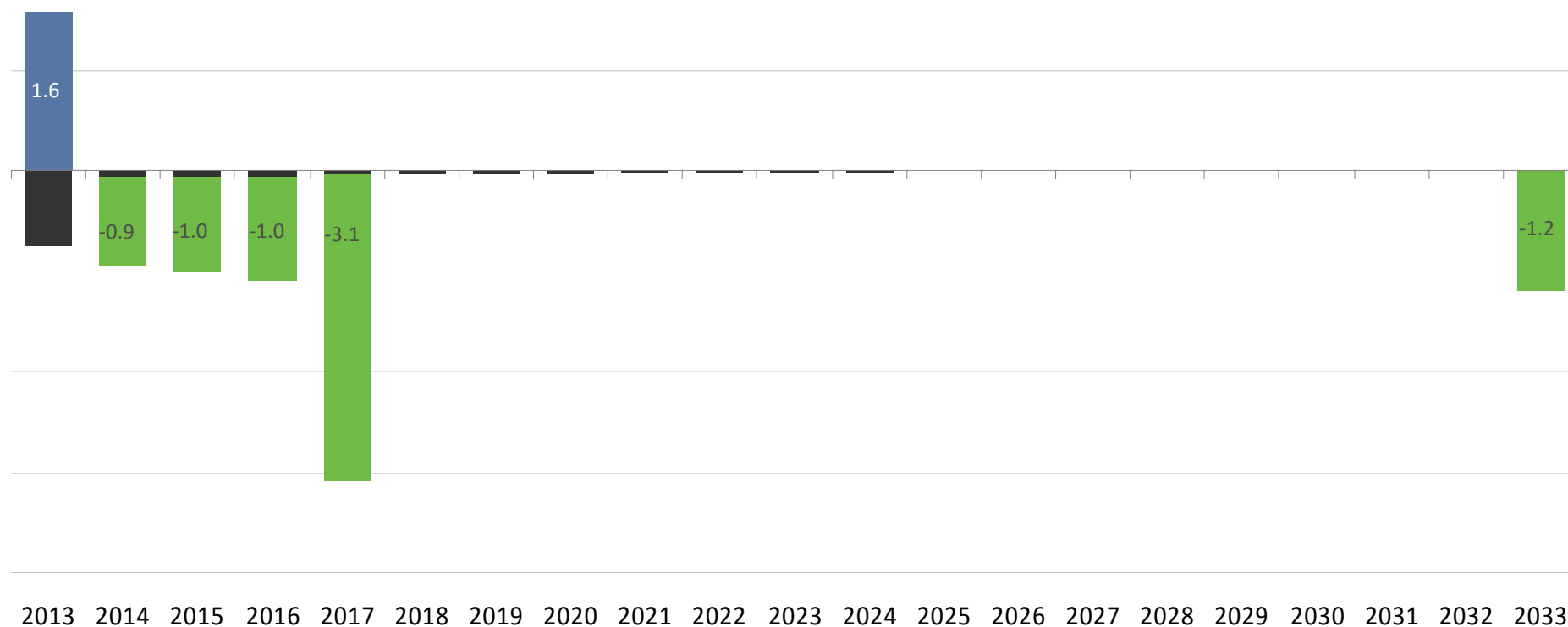
# Maturity profile

NOK bn.

■ Cash

■ Bank

■ Bonds



End June 2013





Outlook and focus

# Outlook

- Positive drivers into 2H13
  - Price increases
  - Favourable currency level
  - Seasonally higher sales volumes in the market
- Relatively stable variable costs expected through the year
- Fixed costs to come down
  - Ongoing cost reduction programs
  - Deconsolidation of Norske Skog Pisa

# Management focus

- Margin improvements
  - Active capacity management (Skogn, LWC)
  - Further price increases
  - Continued cost reductions
- Cash generation and net debt reduction
  - Capex management
  - WC improvements
  - Divestments of unrelated assets
- Improve the Norwegian regulatory framework





Q&A