

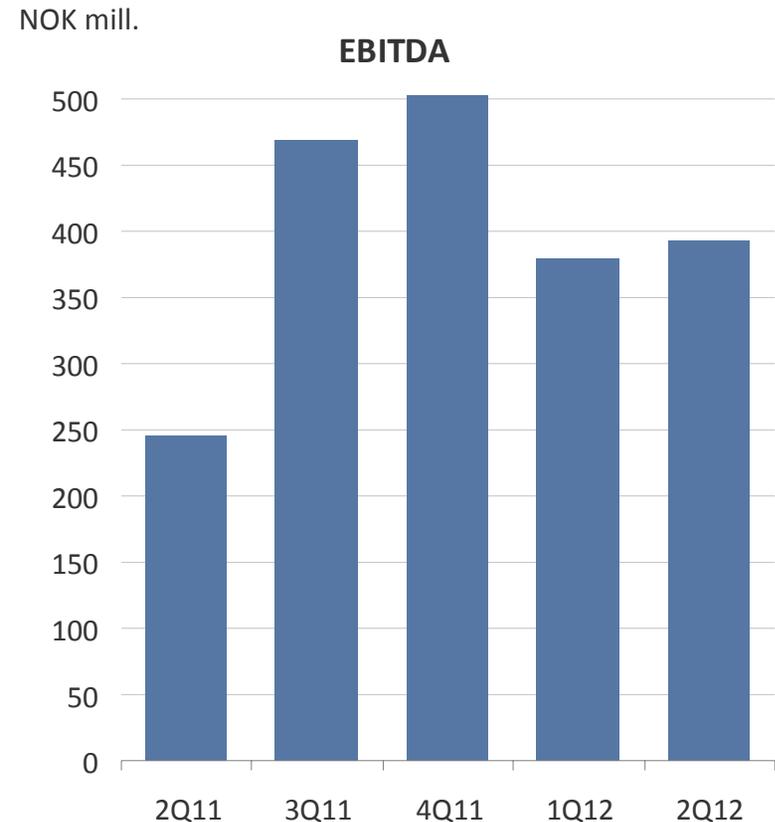


# 2Q12 presentation

2 August 2012

## 2Q12 in brief

- 2Q12 EBITDA NOK 393 mill. (NOK 380 mill. 1Q12): Improvement despite Eurozone crisis and weak demand
- Positive cash flow NOK 6 mill. even with half annual interest payments in the quarter
  - Net financial items negative NOK 417 mill.
- Net interest-bearing debt reduced by NOK 213 mill. to NOK 6 883 mill. First half debt reduction NOK 980 mill.



# Lower costs and seasonally higher volumes

## 2Q12 vs. 2Q11

Revenue  
NOK 4 377 mill.  -4%

EBITDA  
NOK 393 mill.  +58%

CF from operations  
adjusted NOK 423 mill.  +43%

Deliveries  
928' tonnes  +1%

## 2Q12 vs. 1Q12

Revenue  
NOK 4 377 mill.  -1%

EBITDA  
NOK 393 mill.  +3%

CF from operations  
adjusted NOK 423 mill.  +18%

Deliveries  
928' tonnes  +2%



# Key developments in 2Q12

## Market

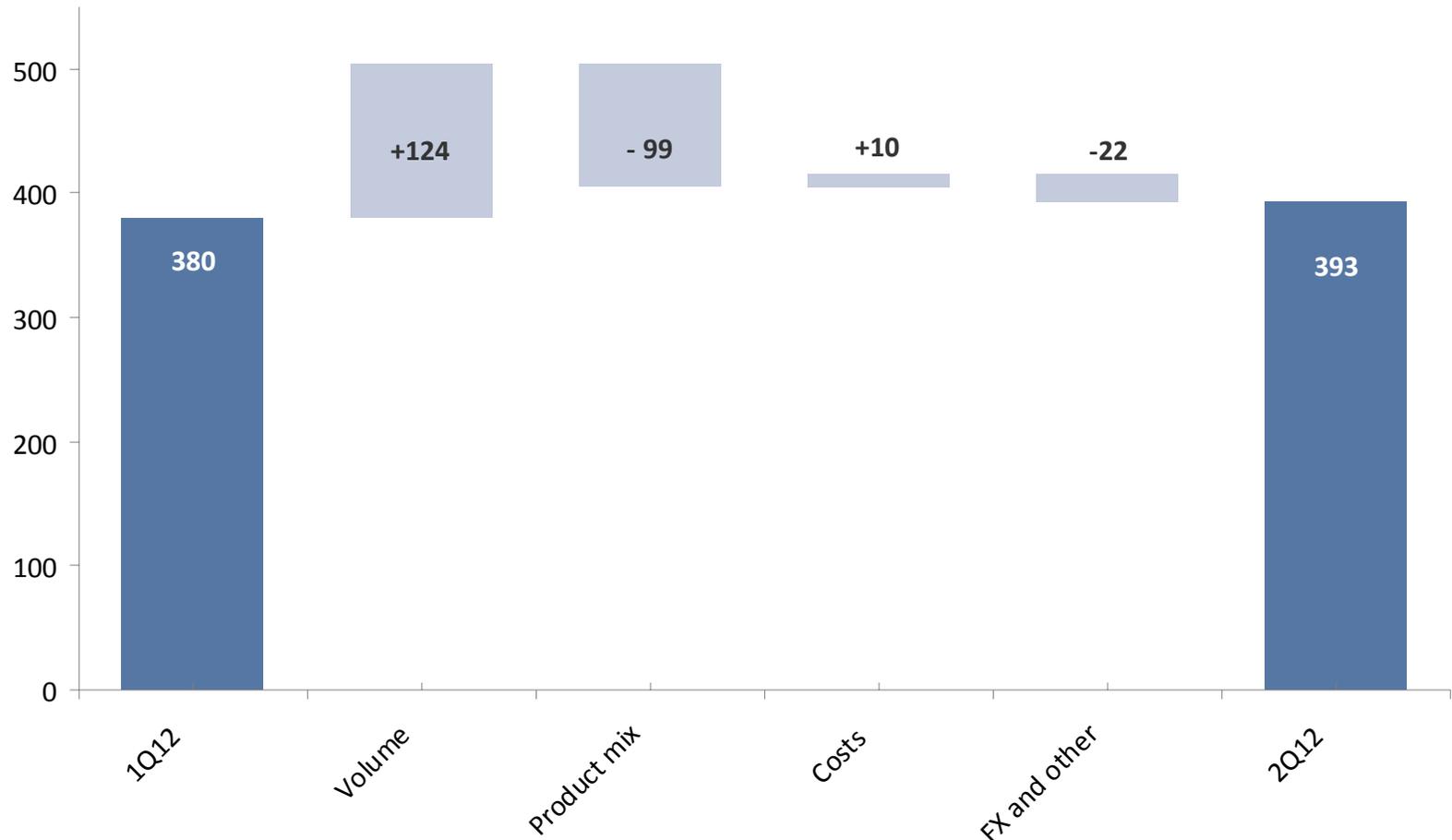
- Flat price level for newsprint and magazine paper
- Input factor costs relatively stable
- Weak demand for newsprint and magazine paper
  - Both in Europe and Australasia

## Norske Skog

- Sales completed for Norske Skog Bio Bio in Chile and Follum industrial area in Norway
- Signed agreement after quarter-end for sale of Norske Skog Parenco to H2 Equity Partners

# EBITDA change from 1Q12 to 2Q12

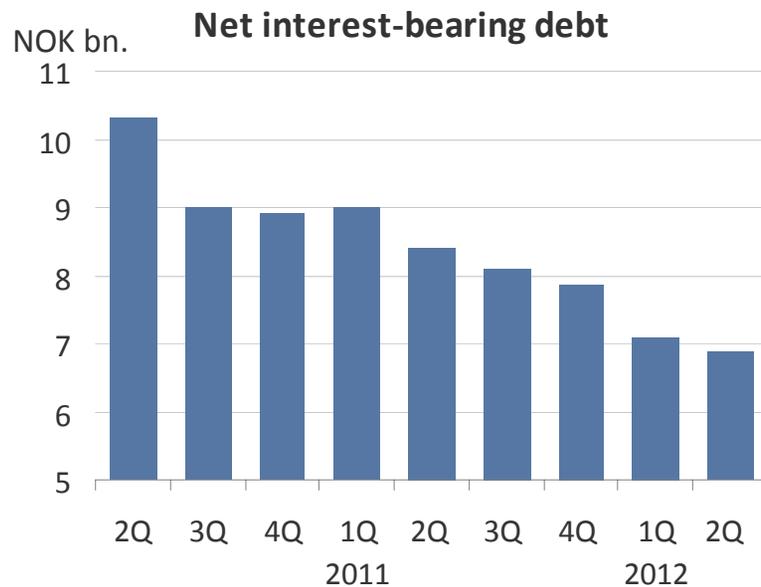
NOK mill.



# Debt reduced and leverage improved

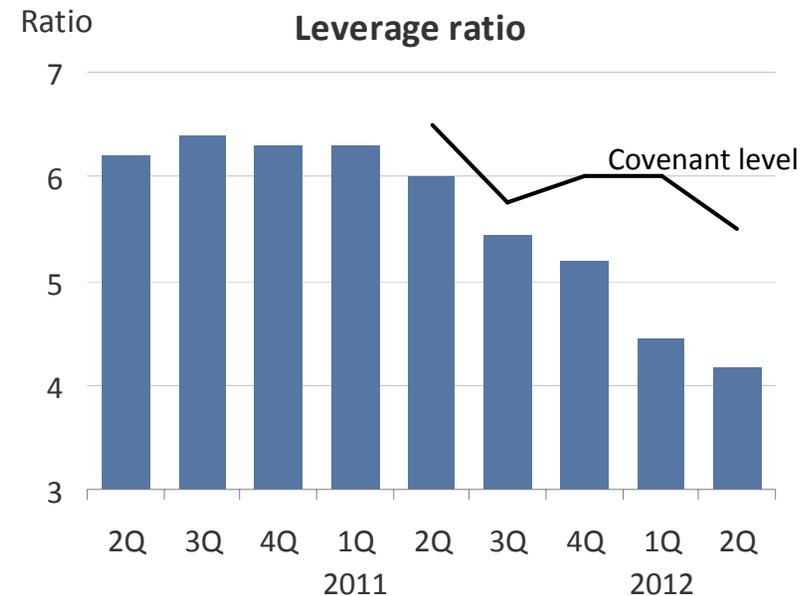
## Net debt reduced by NOK 213 mill.

- Down from above NOK 10 bn. two years ago to NOK 6,88 bn.



## Leverage ratio considerably down

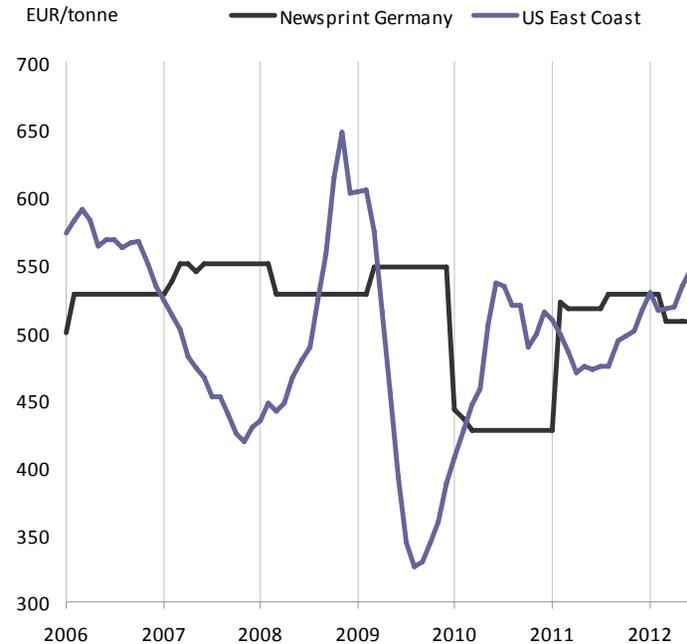
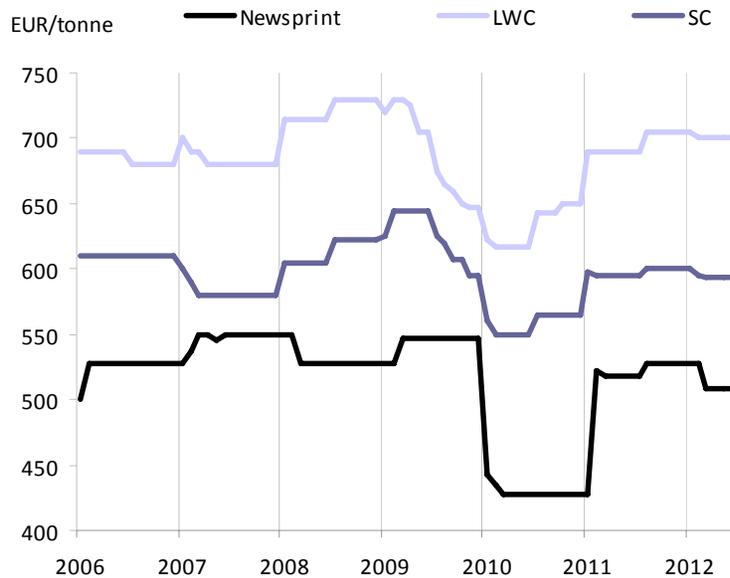
- Shift from above 6 to low 4



Net interest-bearing debt / EBITDA

# Publication paper prices flat

- European reference prices unchanged
  - End 1Q prices through 2Q for both newsprint and magazine
- US newsprint prices higher in EUR
  - Reflecting depreciating EUR



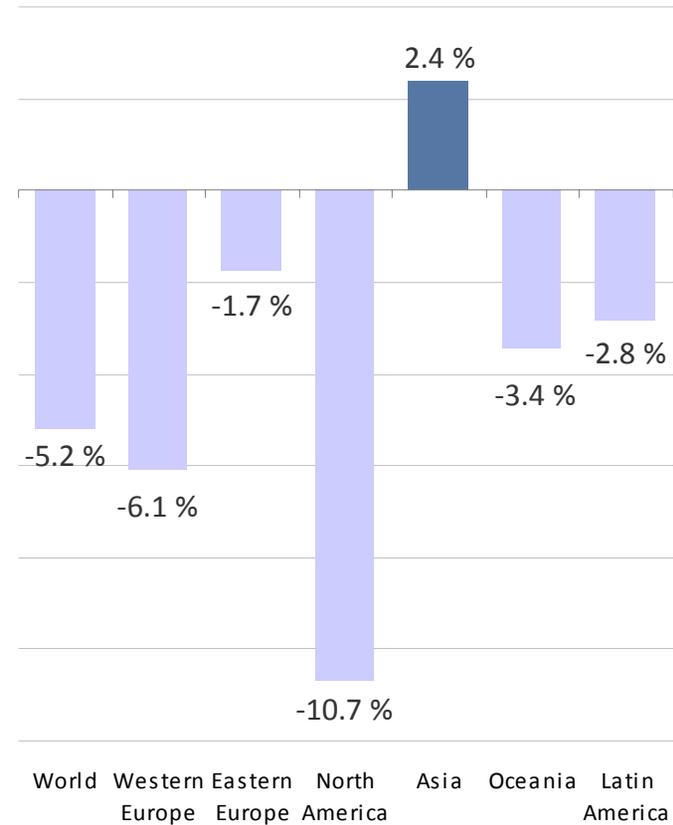
RISI, German and US East Coast prices

# Weak demand development

## Newsprint



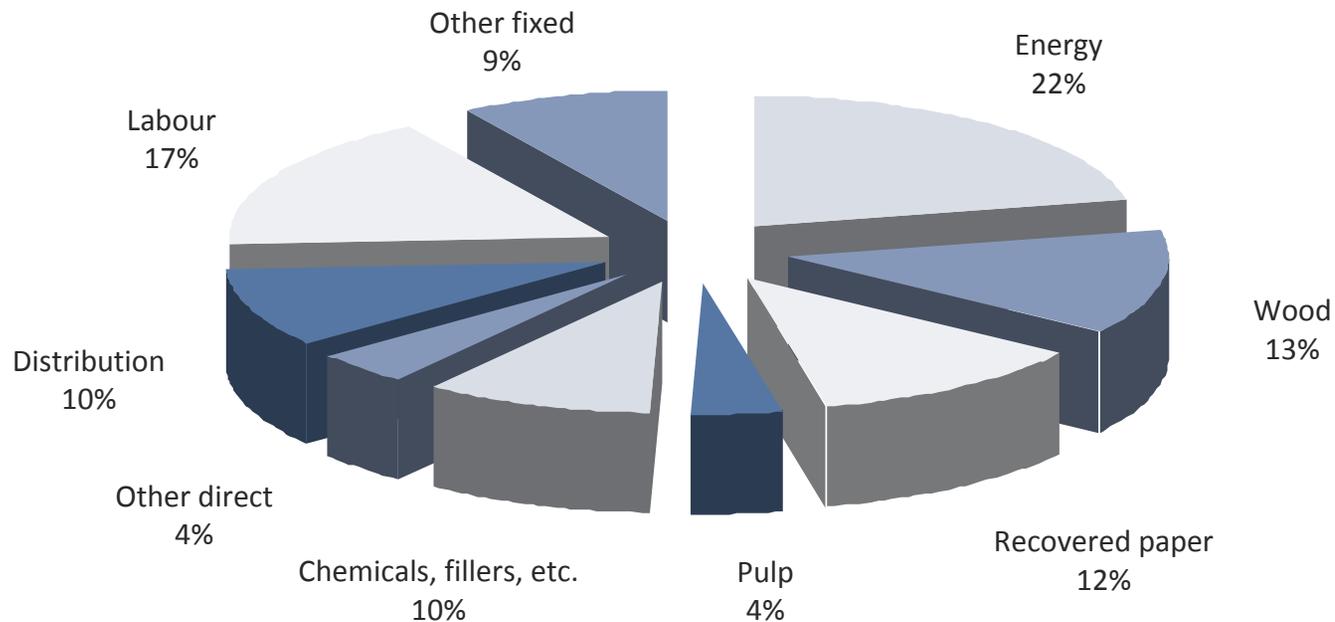
## Magazine



PPPC, YTD May 2012

# Group cost categories and relative size

- $\frac{3}{4}$  variable costs,  $\frac{1}{4}$  fixed costs
- Variable costs predominantly energy and fibre
- $\frac{2}{3}$  of energy costs contracted,  $\frac{1}{3}$  spot exposure
- Fibre sourced mainly through wood and recovered paper
- $\frac{2}{3}$  virgin fibre,  $\frac{1}{3}$  recycled



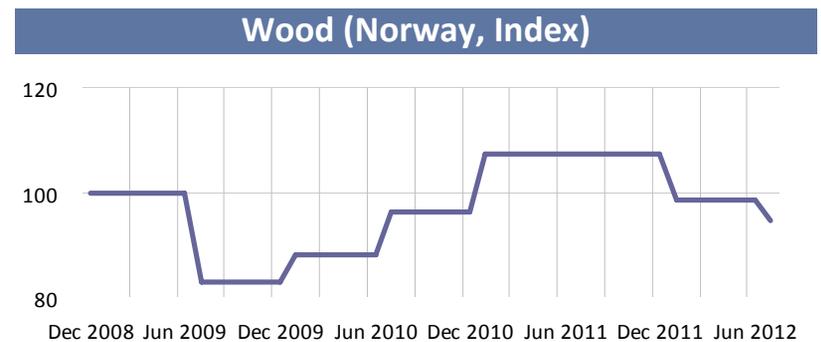
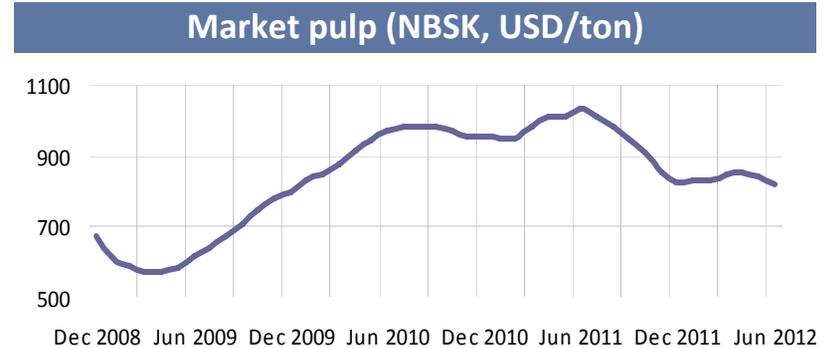
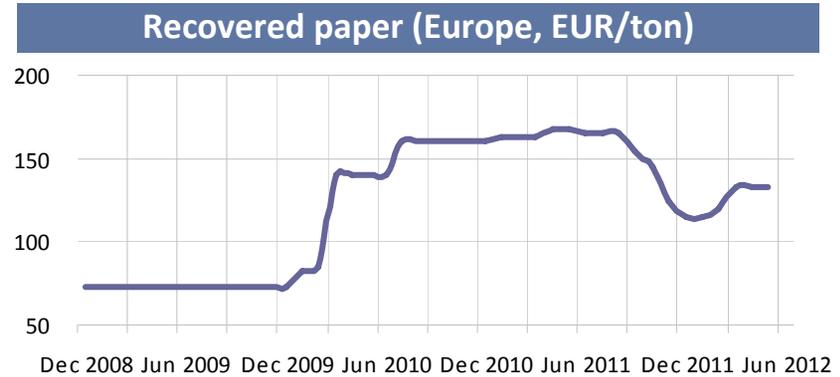
# Group sensitivities

Variable costs	Change	EBITDA impact
<ul style="list-style-type: none"> <li>Energy</li> </ul>	+/- 5%	-/+ NOK 200m
<ul style="list-style-type: none"> <li>Wood</li> </ul>	+/- 5%	-/+ NOK 100m
<ul style="list-style-type: none"> <li>Recovered paper</li> </ul>	+/- 5%	-/+ NOK 100m
<ul style="list-style-type: none"> <li>Pulp</li> </ul>	+/- 5%	-/+ NOK 35m
NOK	Appreciating	Impact
<ul style="list-style-type: none"> <li>EBITDA</li> </ul>	1%	- NOK 50m
<ul style="list-style-type: none"> <li>Net debt</li> </ul>	1%	- NOK 75m



# Input cost

- Fibre cost well below last year
  - Recovered paper prices stable above trough levels
  - Pulp prices stable at year end level
  - Norwegian wood prices trending down



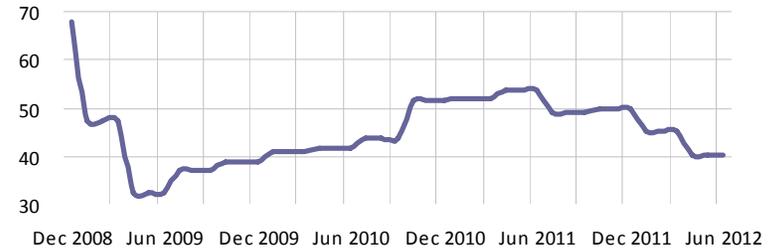
RISI, German Newspapers (2.01), NBSK delivered N. Europe  
 Company data, Wood Index: Dec 2008 = 100



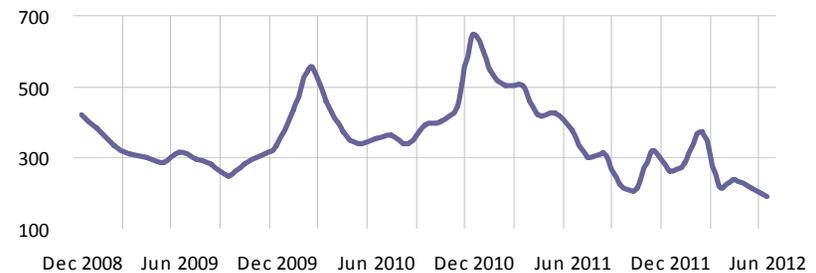
# Input cost - Energy

- European spot electricity lower
  - Positive for European capacity with spot exposure
- Norway spot electricity at low level
  - Limited impact on margins with bulk of electricity contracted
  - Affects book value of energy contracts
- European gas prices stable
  - Group has some gas fired generation capacity (Bruck and Parenco)

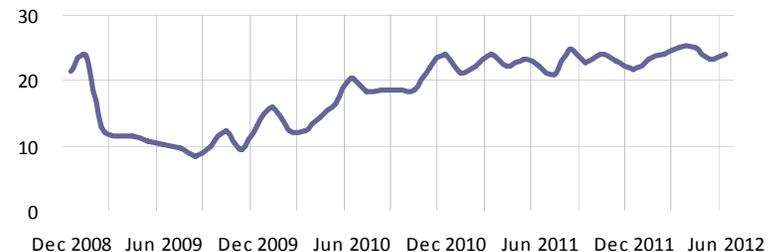
Power Germany (EUR/MWh)



Power Norway (NOK/MWh)



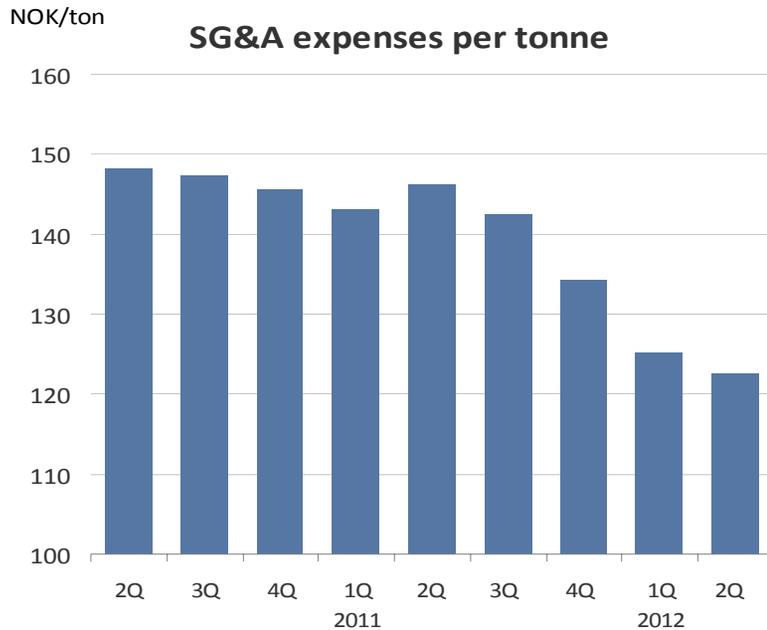
Gas Europe (EUR/MWh)



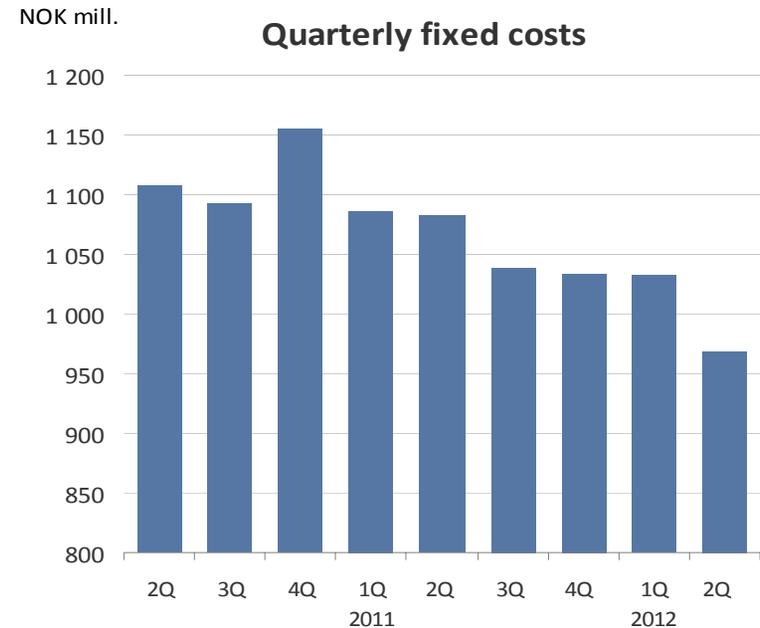
EEX, NordPool, Bloomberg

# Fixed costs trending down

- **SG&A expenses trending down**
  - Now close to NOK 120 per tonne or at around USD 20 per tonne



- **Fixed costs shifting down**
  - Reduced capacity and cost cutting measures
  - Quarterly reduction YoY NOK 100 mill.



Adjusted for provisions



# 2Q12 presentation

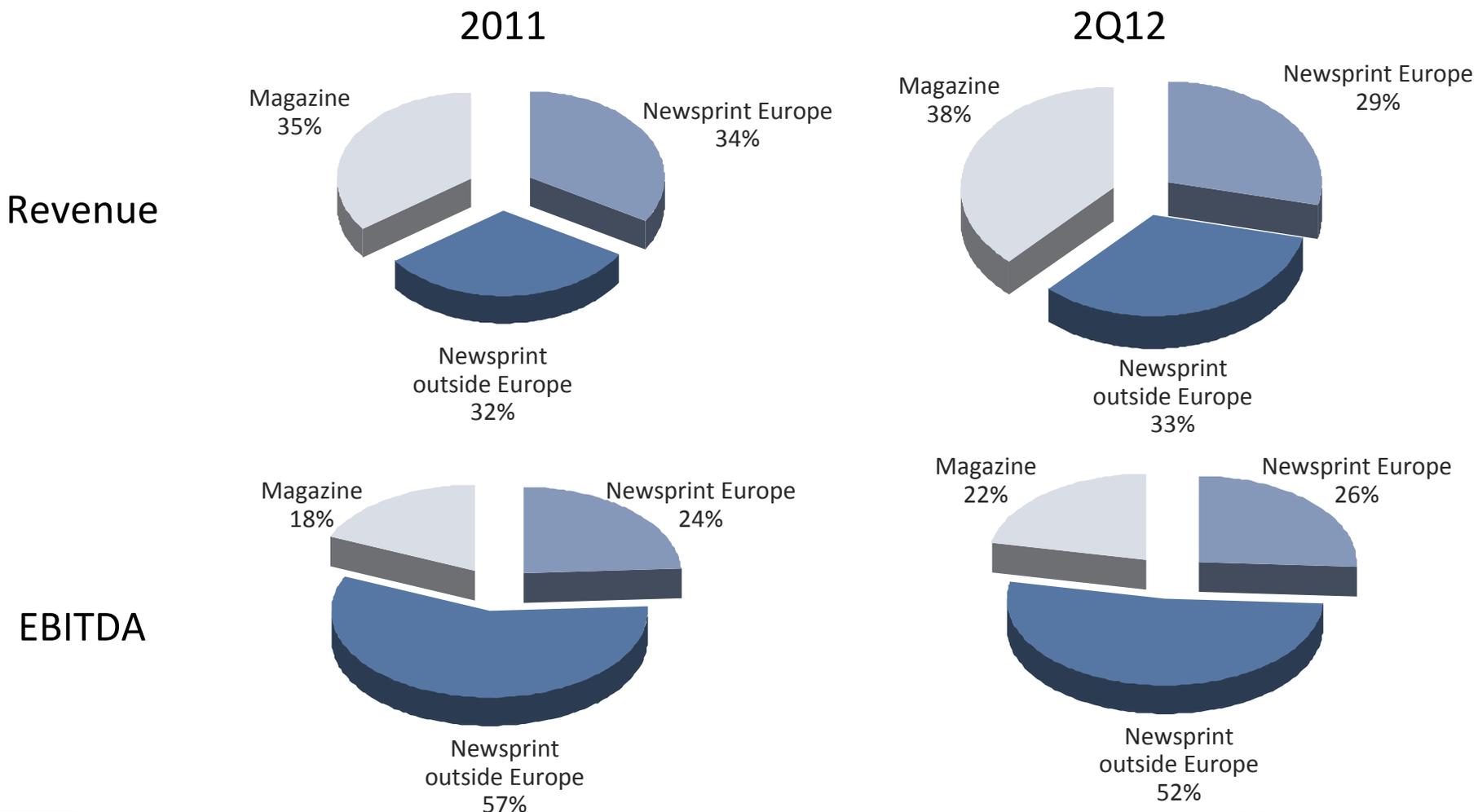
Financials

# Key financials 2Q12

- Revenues lower
  - Closure of Follum and sale of Bio Bio
  - Seasonally higher volumes and full production at Saugbrugs
- Costs reduced
  - Variable: lower YoY, stable QoQ
  - Fixed: markedly reduced
- New depreciation level
  - Extended economic life of paper machines
- Other gains and losses
  - Reduced value of energy assets
- Financials
  - Accrued interest, FX loss, gain bond buy-backs

Key figures (NOK mill.)	2Q11	1Q12	2Q12
Operating revenue	4 542	4 411	4 377
EBITDA	248	380	393
Depreciation	-432	-251	-230
Other gains and losses	5	-670	-46
Financials	-67	109	-242
Net result	-280	-343	-91

# Revenue and EBITDA contribution by segment



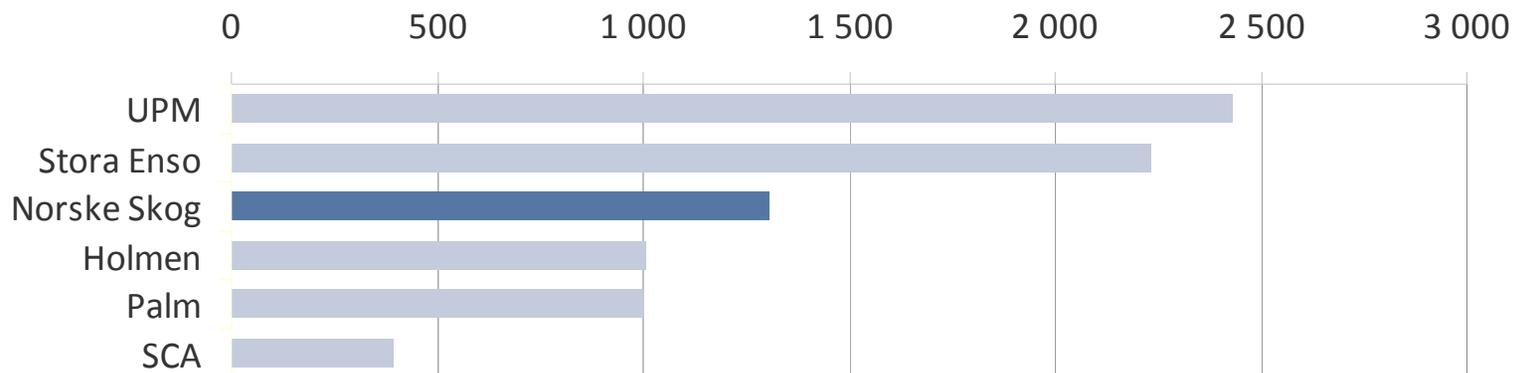
# Newsprint Europe

- Norske Skog 3rd largest in Europe
- 1.3 mill. tonnes of capacity
- 3 mills in 3 countries
  - Norway (Skogn), France (Golbey) and Austria (Bruck)
- Weak newsprint demand
  - But seasonally higher volumes and more exports
- Costs reduced
  - Variable: lower YoY, higher QoQ with sale from inventory
  - Fixed: markedly lower

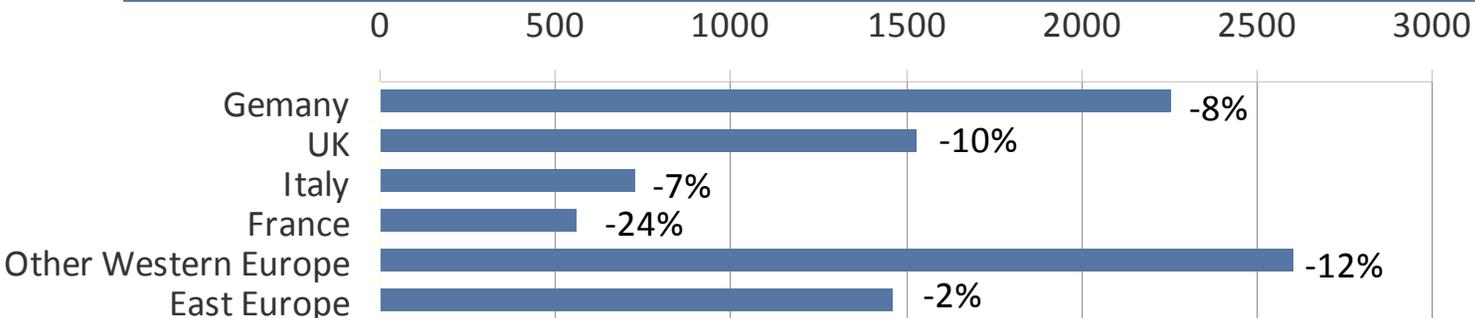
Key figures (NOK mill.)	2Q11	3Q11	4Q11	1Q12	2Q12
Operating revenue	1 619	1 548	1 368	1 115	1 205
EBITDA	45	144	141	104	107
EBITDA margin (%)	2.8	9.3	10.3	9.4	8.9
Deliveries ('000 tonnes)	402	374	333	279	308
Operating rate (%)	88	89	87	83	89

# Newsprint Europe

**Western Europe newsprint capacity by producers (EUR market)**



**Annual demand (YTD growth)**



PPPC, annual 2011 and YTD May 2012

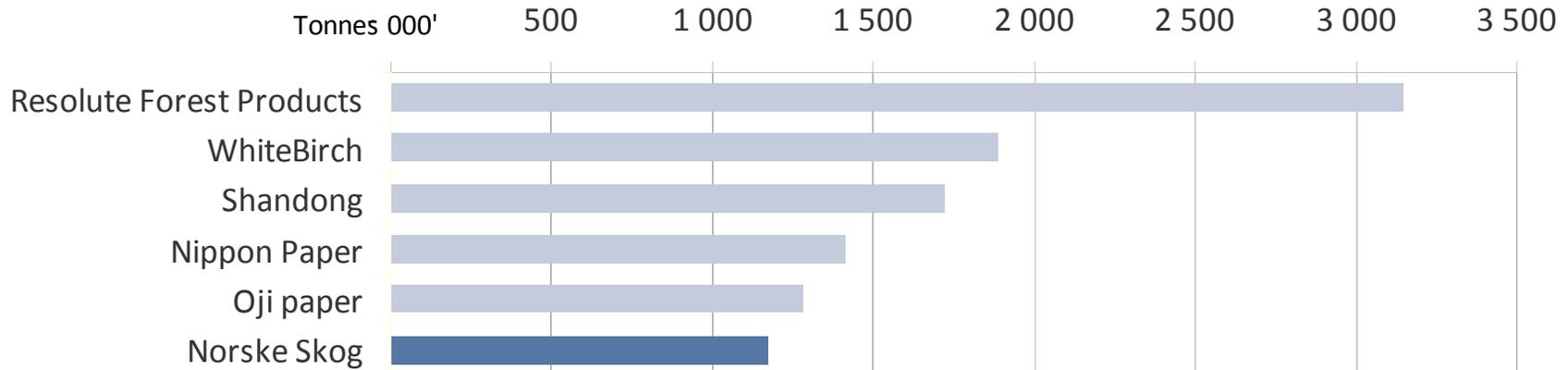
# Newsprint outside Europe

- 6th largest player
- 1.2 mill. tonnes of capacity
- 5 mills in 4 countries
  - Australia (Albury, Boyer), New Zealand (Tasman), Brazil (Pisa), Thailand (Singburi)
- Weak demand in Australasia
  - But seasonally higher volumes
- Costs reduced
  - Variable: higher YoY, stable QoQ
  - Fixed: markedly lower

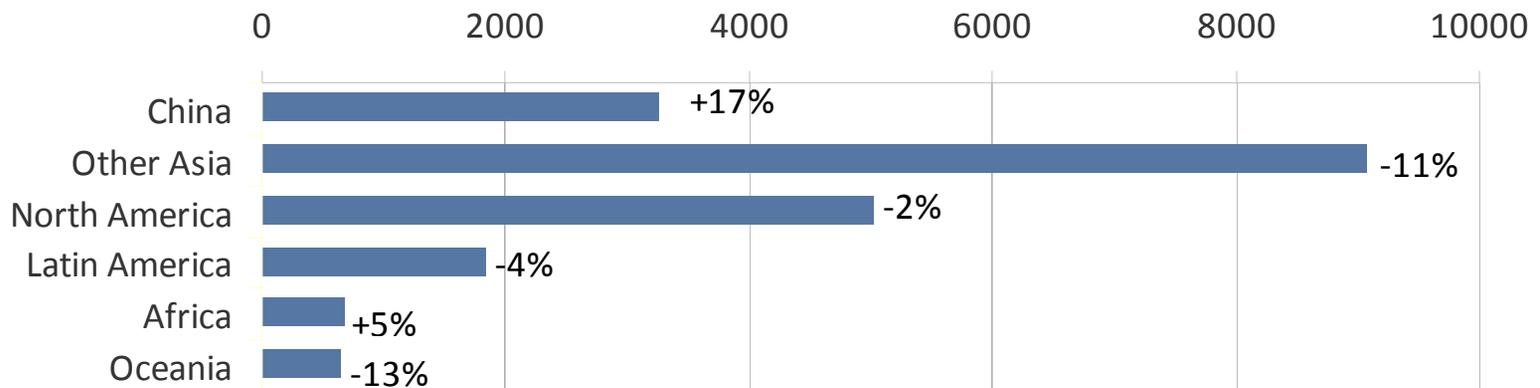
Key figures (NOK mill.)	2Q11	3Q11	4Q11	1Q12	2Q12
Operating revenue	1 445	1 484	1 423	1 359	1 399
EBITDA	219	246	236	196	218
EBITDA margin (%)	15.2	16.6	16.6	14.4	15.6
Deliveries ('000 tonnes)	304	314	294	276	290
Operating rate (%)	92	97	86	86	92

# Newsprint outside Europe

**Outside Europe newsprint capacity by producers (USD market)**



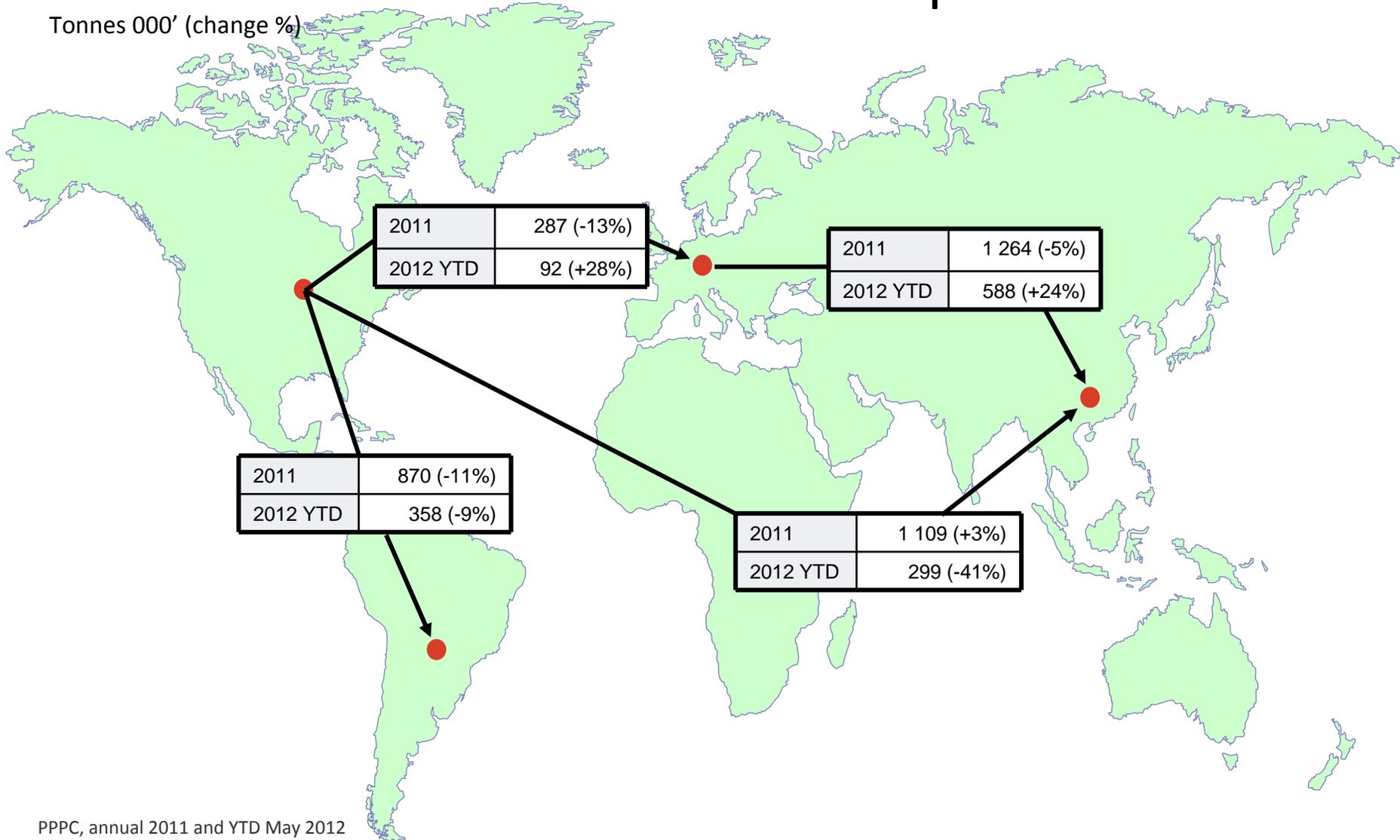
**Annual demand (YTD growth)**



PPPC, annual 2011 and YTD May 2012

# Main trade flows – Standard newsprint

Tonnes 000' (change %)



PPPC, annual 2011 and YTD May 2012

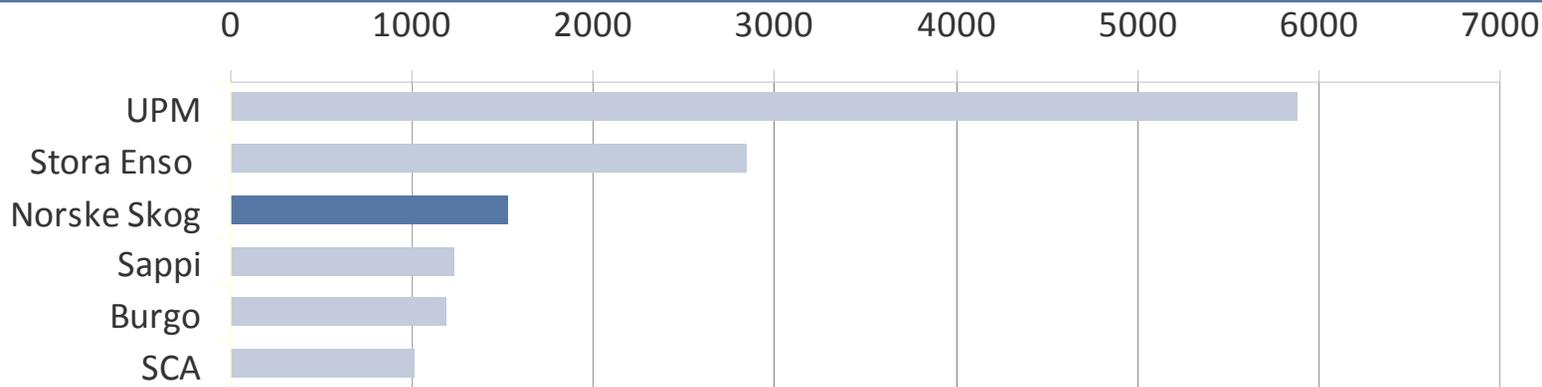
# Magazine

- 3rd largest player in Europe
- 1.5 mill. tonnes of capacity
- 4 mills in 4 countries
  - Norway (Saugbrugs), Germany (Walsum), Austria (Bruck), Netherlands (Parenco)
- Weak demand for LWC
  - Relatively better for SC
- Costs reduced
  - Variable: lower, but product mix impact
  - Fixed: markedly lower

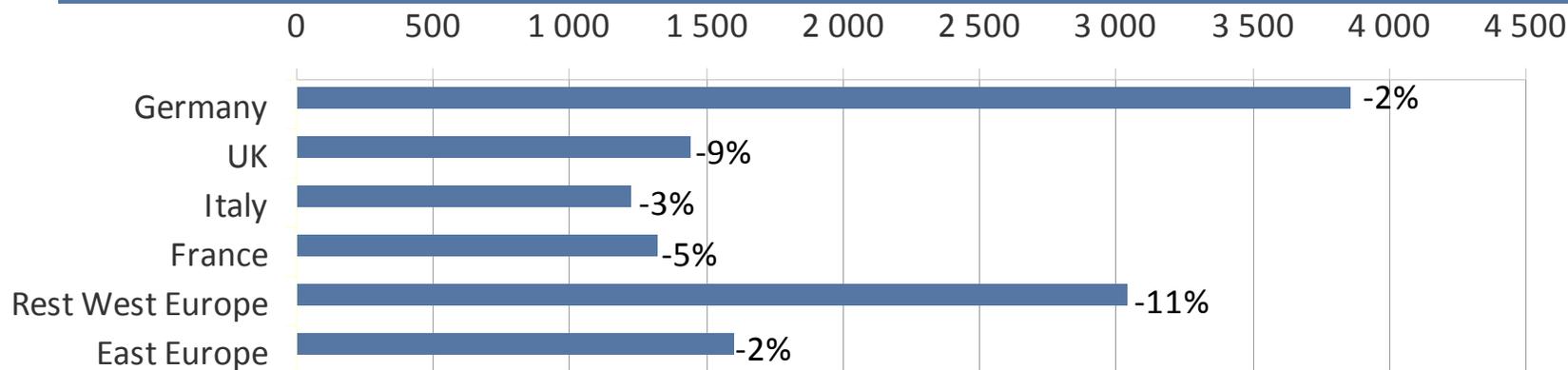
Key figures (NOK mill.)	2Q11	3Q11	4Q11	1Q12	2Q12
Operating revenue	1 276	1 568	1 966	1 762	1 602
EBITDA	15	77	139	104	90
EBITDA margin (%)	1.2	4.9	7.1	5.9	5.6
Deliveries ('000 tonnes)	217	307	392	356	330
Operating rate (%)	65	89	88	83	90

# Magazine

## Western Europe magazine capacity by producers



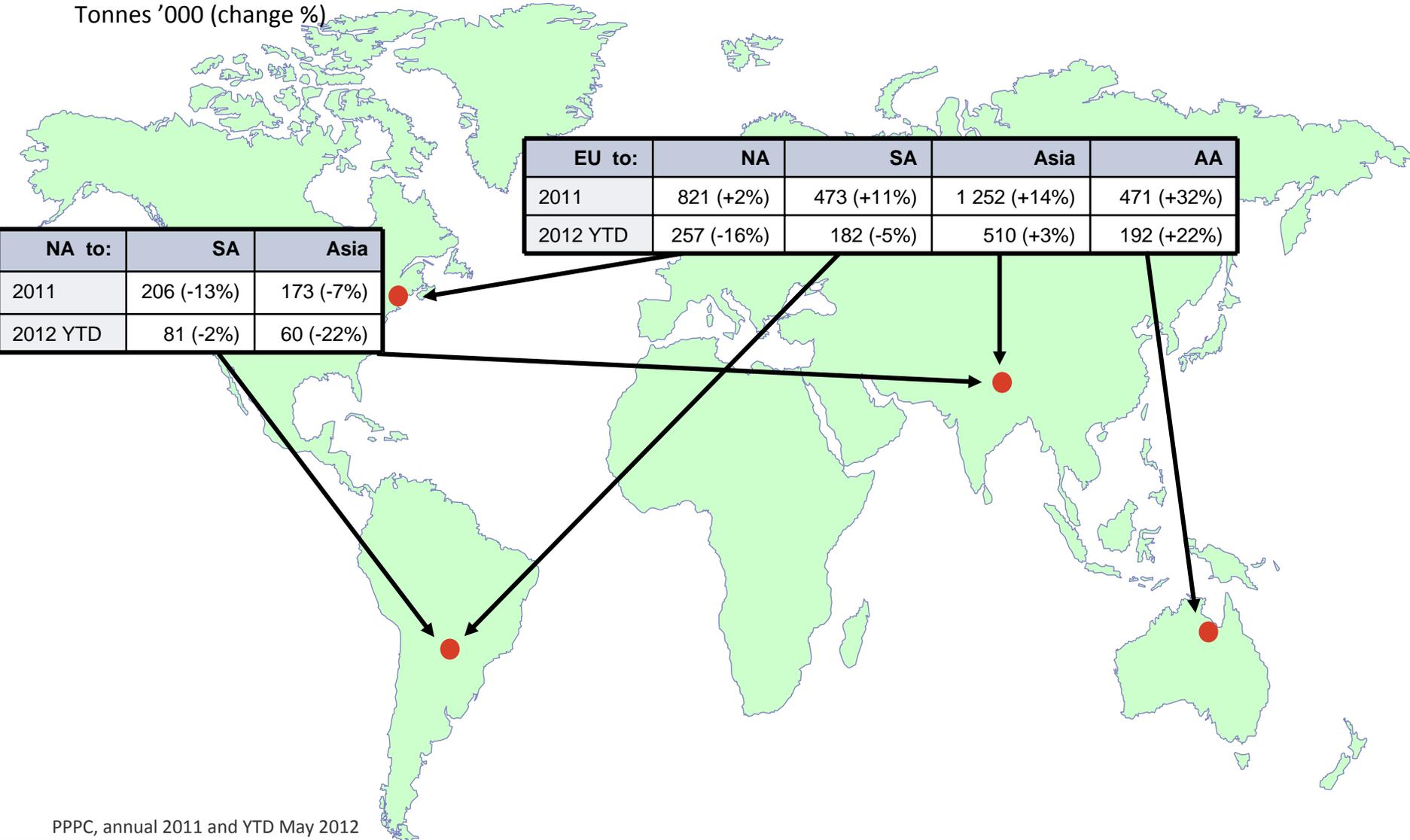
## Annual demand (YTD growth)



PPPC, annual 2011 and YTD May 2012

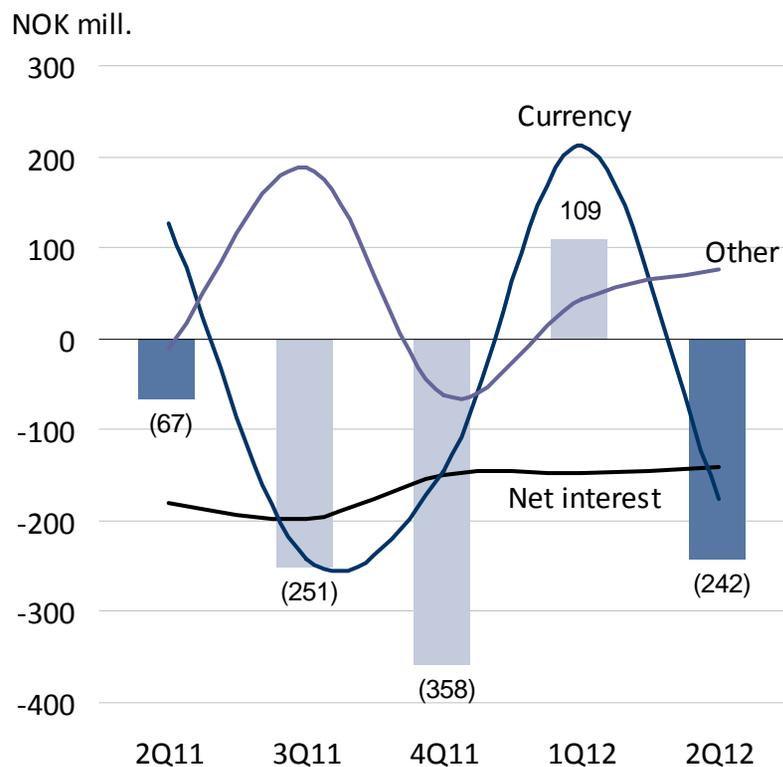
# Main trade flows – Magazine paper

Tonnes '000 (change %)



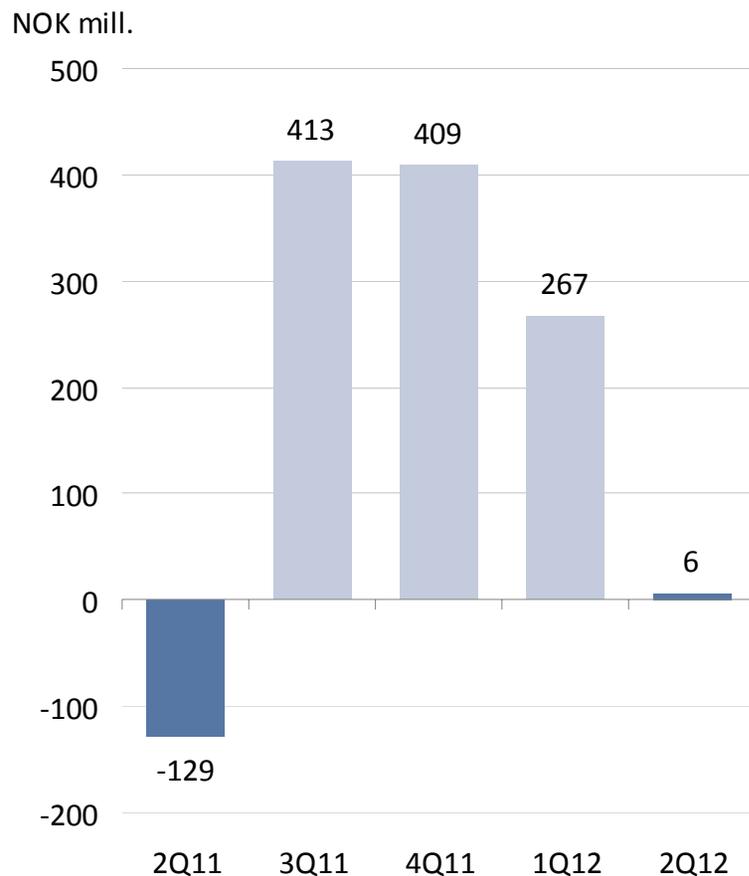
PPPC, annual 2011 and YTD May 2012

# Financial items



- Net interest stable
- Currency loss
  - Realised cash flow hedge
  - Non-hedge accounted USD denominated debt
- Other
  - Gain on bond buy-backs

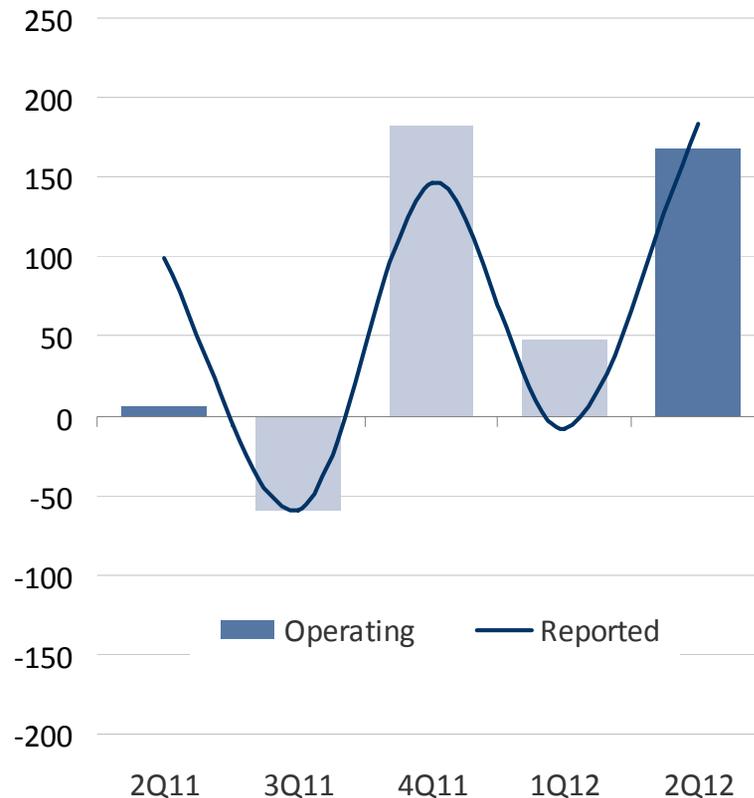
# Positive cash flow from operations



(NOK mill.)	2Q12
EBITDA	393
Change in operating WC	168
CF from net financial items	-417
Restructuring and other	-138
CF from operations	6
Capex	-95
Divestments	329
Net investments	234

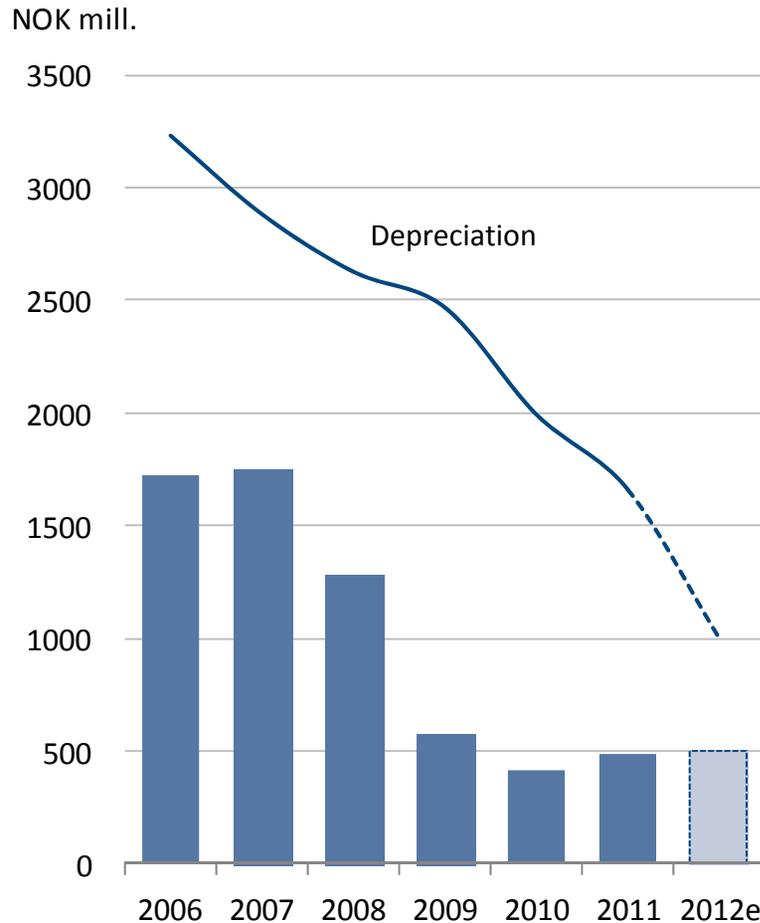
# Change in operating working capital

NOK mill.



- Working capital released in 2Q12
  - Operating WC reduced by NOK 168 mill.
    - Accompanied by release from Follum
  - Reported release in WC NOK 183 mill.
    - Including non-operating provisions

# Annual CAPEX has stabilised

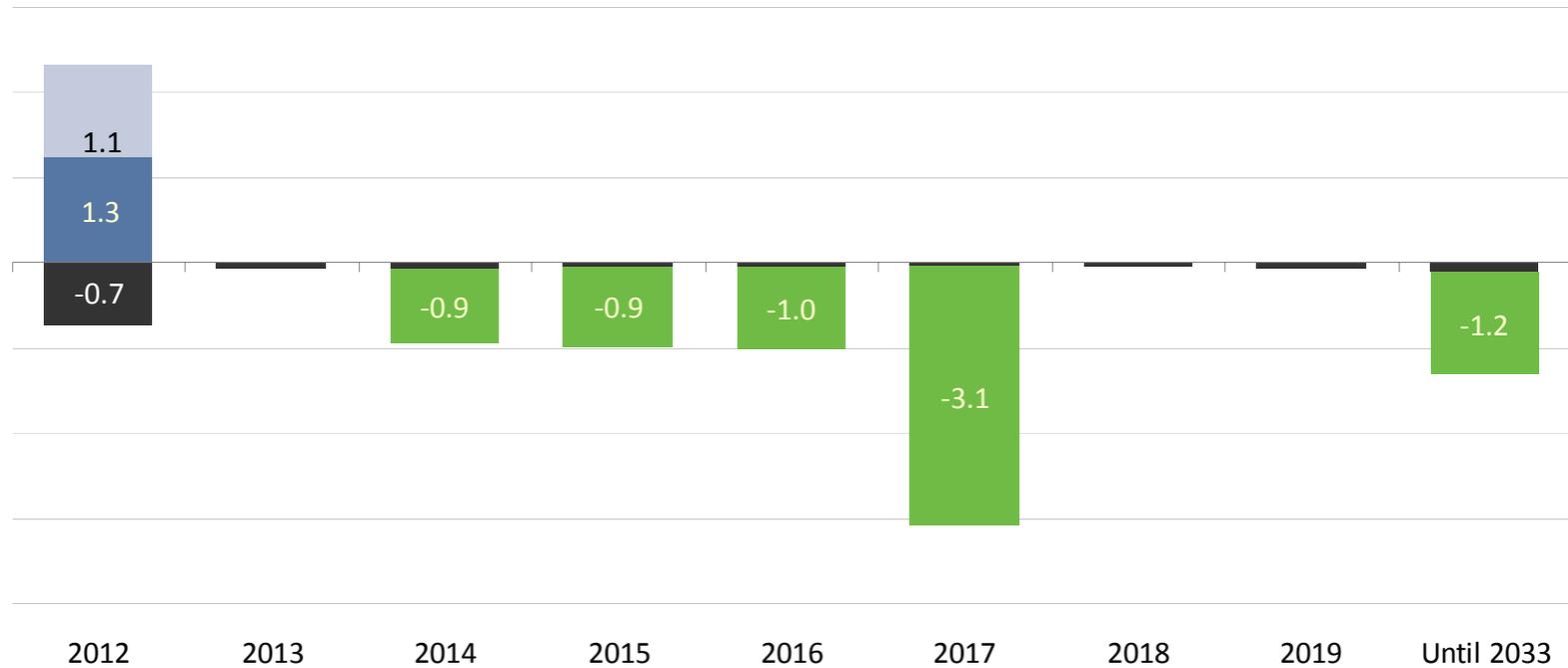


- CAPEX stable last two years
  - Around NOK 400 mill. per year
    - 2011 included Saugbrugs rebuild
  - Expected level below NOK 500 mill.
  
- Depreciation lower
  - Annual level around NOK 1 bn.
    - Disposals/closures and extended economic life

# Maturity profile

NOK bn.

■ Cash ■ RCF ■ Bank ■ Bonds



As of June 2012



Outlook and focus

# Outlook

- Stable contribution margins through 2012
- Somewhat higher volumes in the second half
  - Reduced capacity offset by seasonally higher volumes
- Lower variable costs and reduced fixed costs for the year

# Management focus

- Improve margins
  - Active capacity management
    - Temporary adaptations and permanent closures/conversions
  - Continued cost reductions
    - Fixed cost and energy efficiency measures
- Further identification and sale of unrelated assets
- Reduction of net debt
  - Cash flow from operations
  - Sale proceeds and bond buy-backs



Q & A