

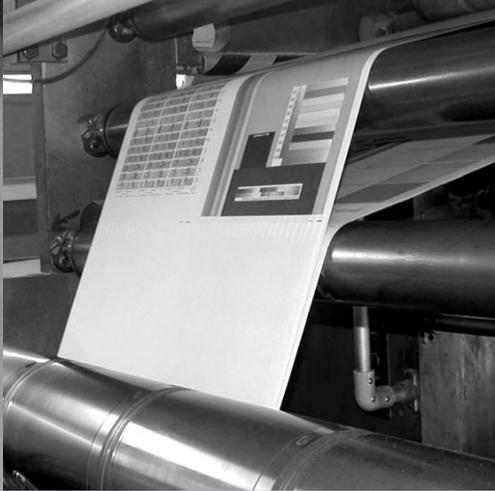
Future on Paper

Norske Skog

Deutsche Bank – 13th Annual European
Leveraged Finance Conference
11 June 2009

Odd-Geir Lyngstad, Treasurer and Deputy CFO





Future on Paper

Overview

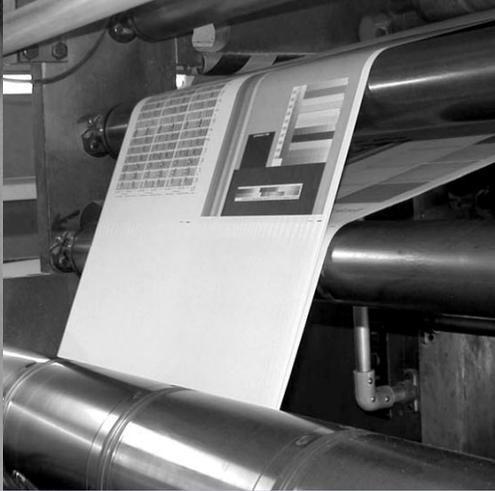
Norske Skog Headlines

- **World's second largest producer of newsprint, fifth largest of magazine paper:**
 - 16 mills in 12 countries
 - Production capacity 5.2 mill tonnes,
 - Revenue (2008) ~ NOK 26.5 billion
- **Listed on Oslo Stock Exchange**
 - Good liquidity in the shares
 - 30 % foreign ownership
- **Norwegian and international bond loans**
- **Credit rating**
 - S&P: B+ neg outlook
 - Moody's B2 stable outlook



Strong global position and industrial focus



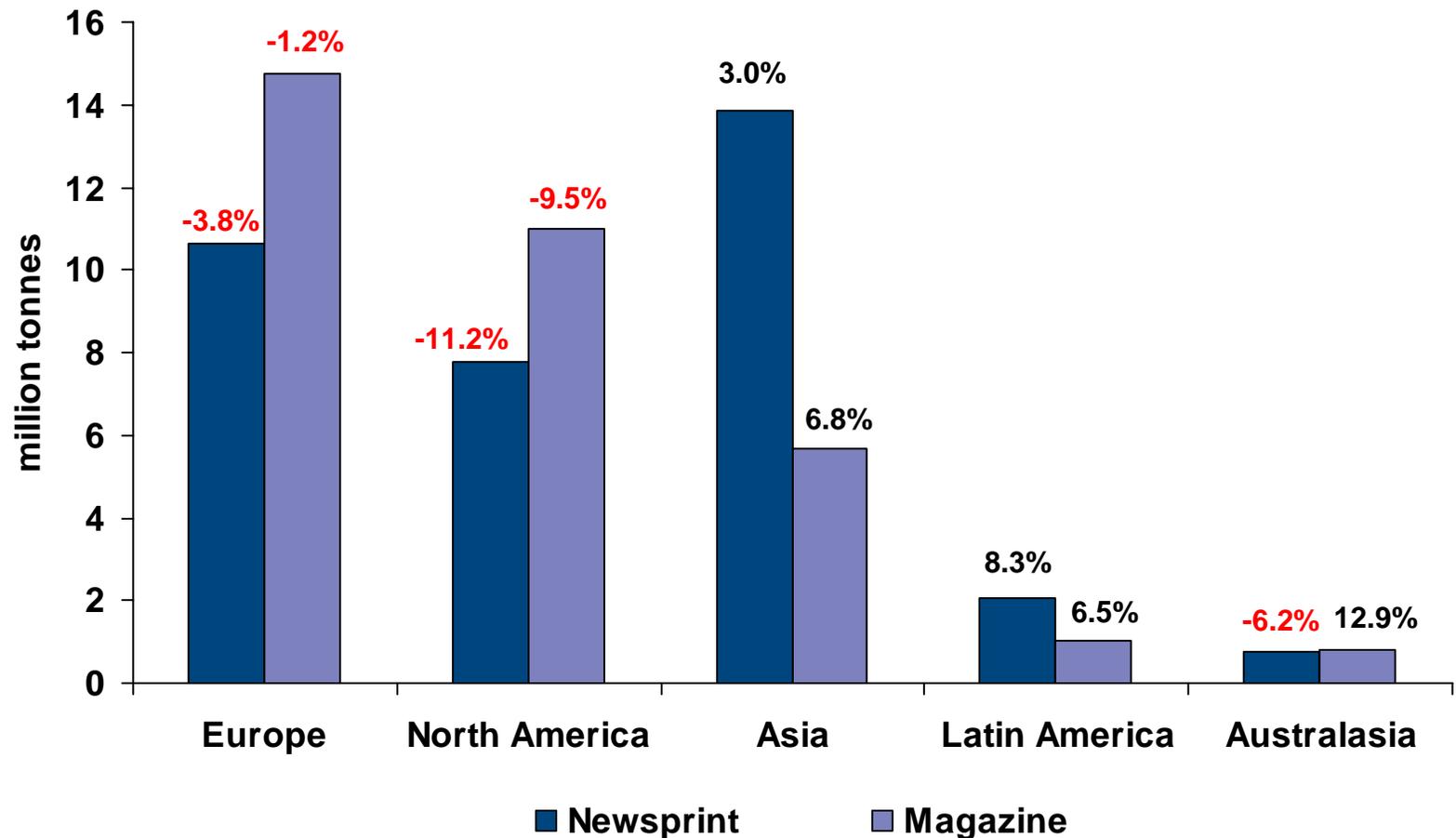


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Market update

Regional demand for publication paper

2008 demand & change '08/'07



Sources: PPPC

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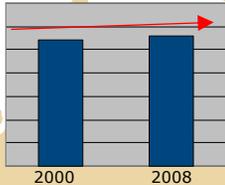
Newsprint = Standard newspaper

Magazine = Coated, supercalendered and other (improved newspaper etc.)

The global publication paper market

Europe Newsprint

- Mature market
- Price increases for 2009
- Capacity curtailments to compensate for lower demand

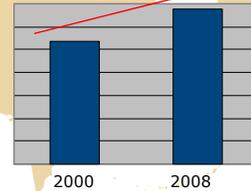


Magazine paper

- Improved market balance in '08, sharp demand drop in '09
- Price increases in '08 and early '09

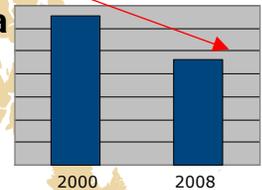
Asia

- The world's largest newsprint market
- Long-term demand growth potential
- Prices spiked in '08, now down significantly



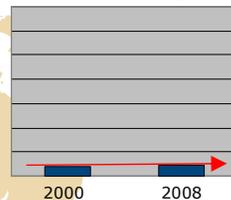
North America

- Dramatic dip in newsprint consumption
- Large-scale shut-downs not sufficient for market balance
- Prices increased in '08, now falling
- Continued capacity curtailments needed



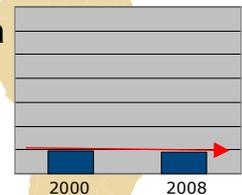
Australasia

- Mature market
- Cost-competitive exports and limited imports
- Prices increasing from low levels
- Good cash flow



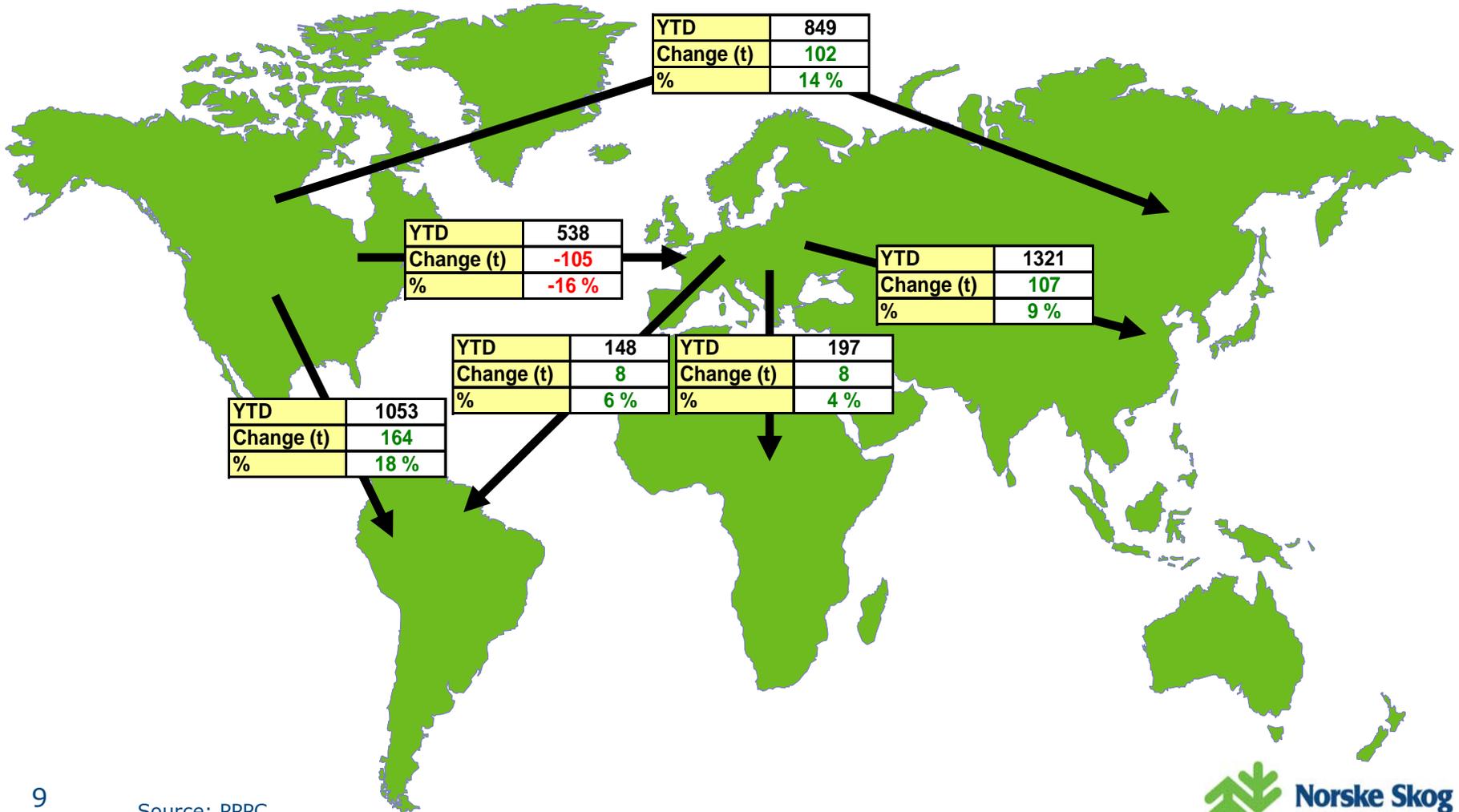
South America

- Increasing demand
- Import region
- Good access to raw materials
- Low cost, but exposed to local currency volatility



Main trade flows newsprint

Full year 2008 vs 2007 ('000 t)



Capacity development

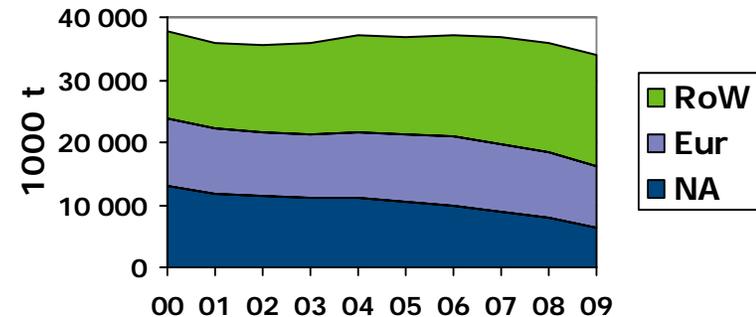
- Substantial closures in Europe and North America in 2008

2008 capacity reductions:

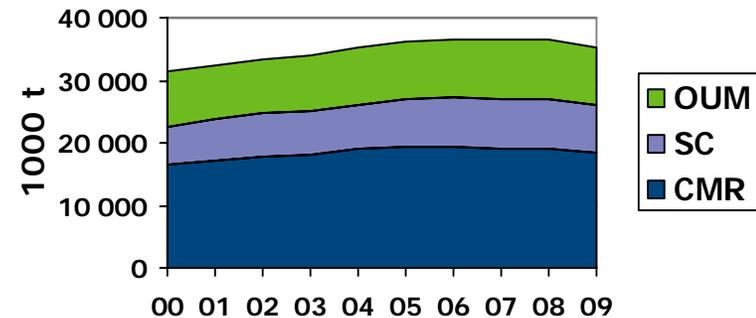
	N.A.	Europe
Newsprint	~11%	~7%
Magazine	~8%	~6%

- Slowing capacity growth in Asia

Newsprint capacity



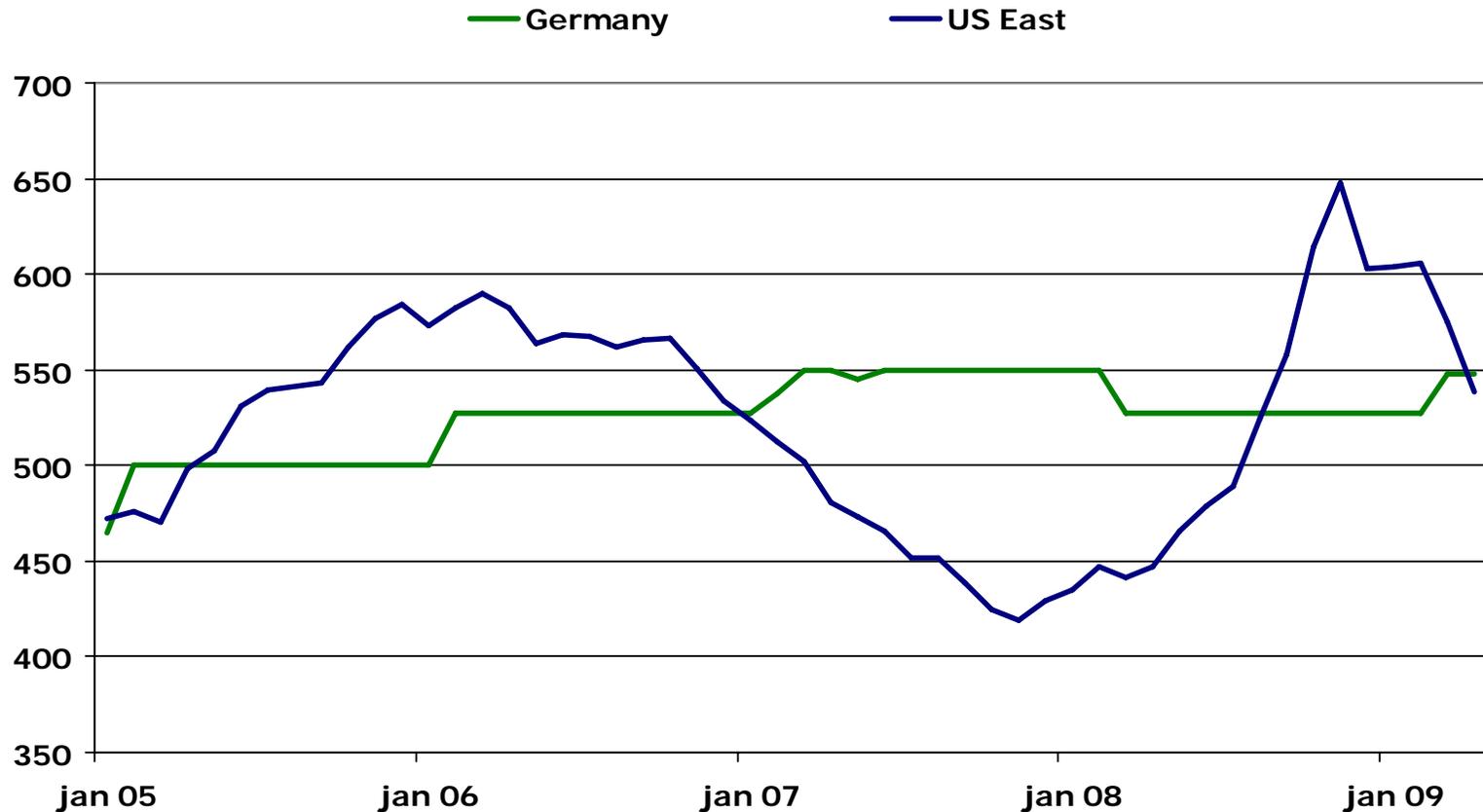
Magazine capacity



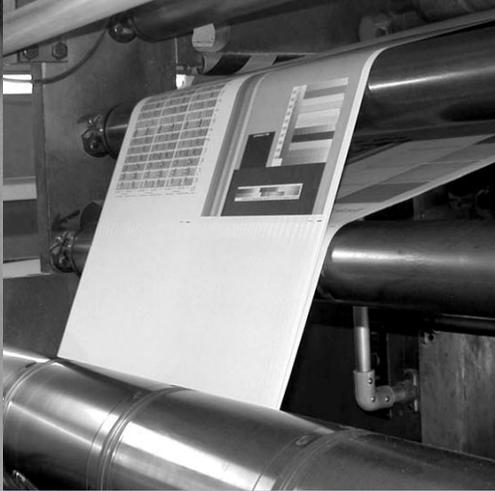
Demand Q1 2009 per segment/region

Segment	To:	YTD '09 /YTD'08	Comments
World – Std news	Mar	-18.3%	Synchronous fall in all regions
N. Am – Std news	Mar	-32.2%	Very weak numbers through Q1
Europe – Std news	Mar	-14.8%	Similar declines in W.E. & E.E.
Europe – Magazine (incl. of improved news etc)	Mar	-20.0%	SC better (-6%), CMR (-27%) and UMI (-25%) weaker.
Non-Japan Far East – Std news	Mar	-17.8%	Some sign of improvement in demand from February, China positive vs 2008
Australasia – Std news	Mar	-14.6%	Both circulation and newspaper adspend down
Latin America – Std news	Mar	-20.7%	Brazil accounts for half of the decline in the region

Standard newsprint 45 gsm prices in EUR/t



Source: RISI

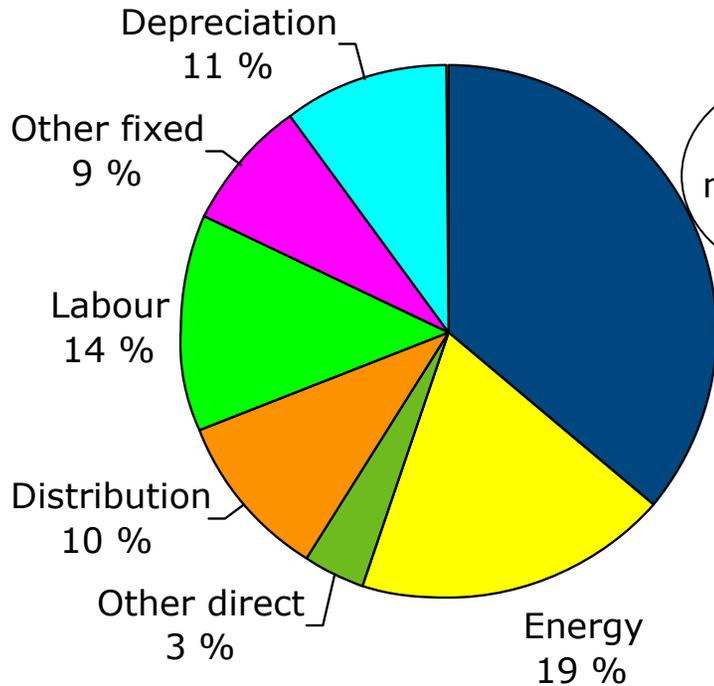


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Cost development

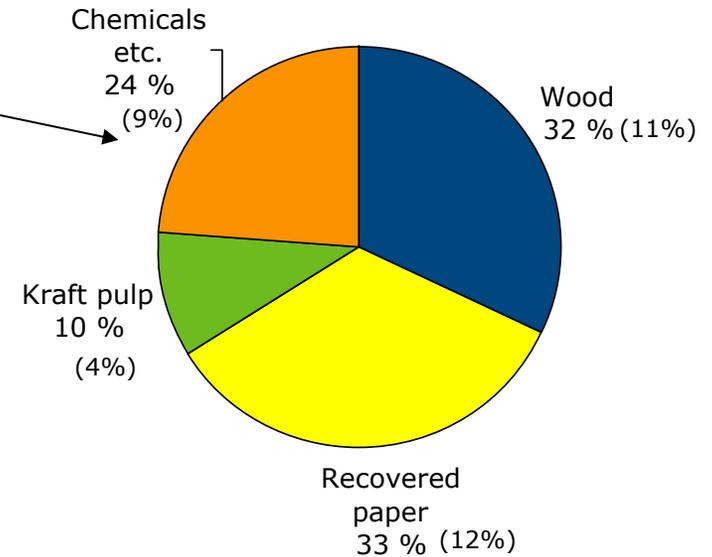
Cost breakdown

Total cost

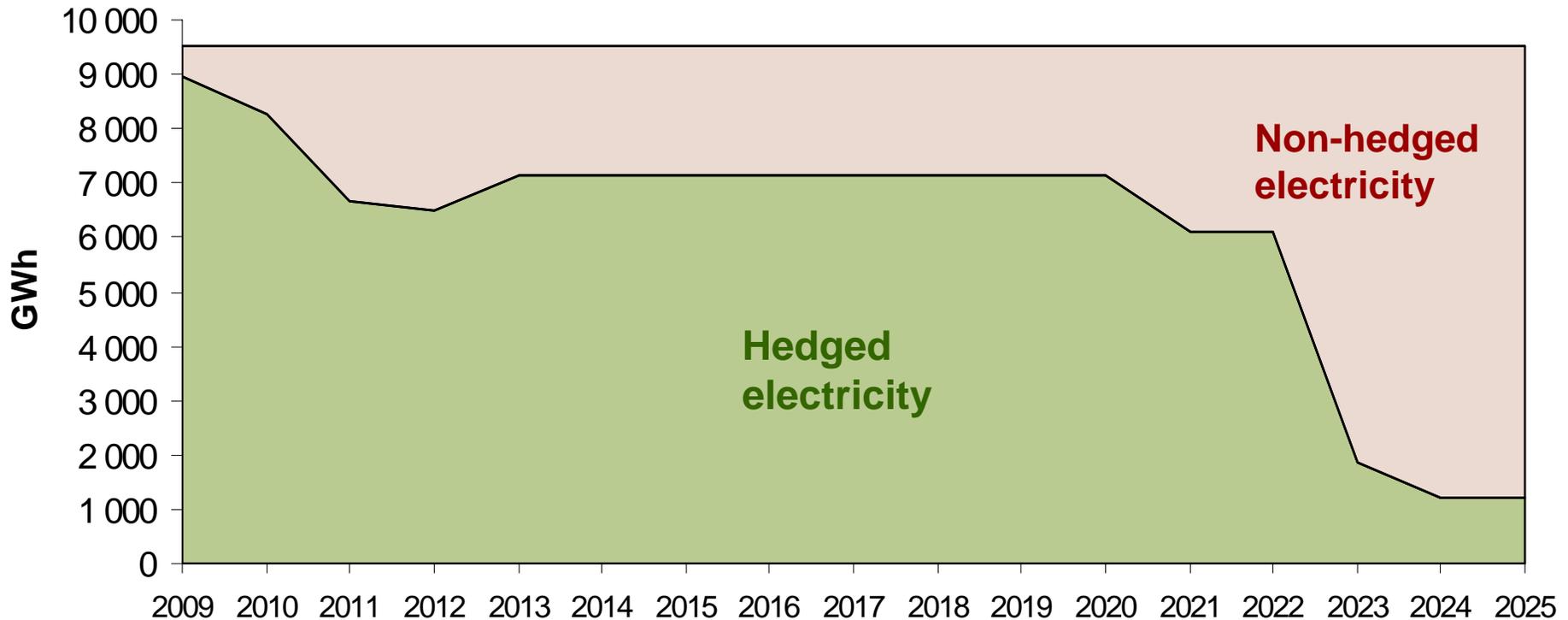


Raw materials

Raw materials
35 %



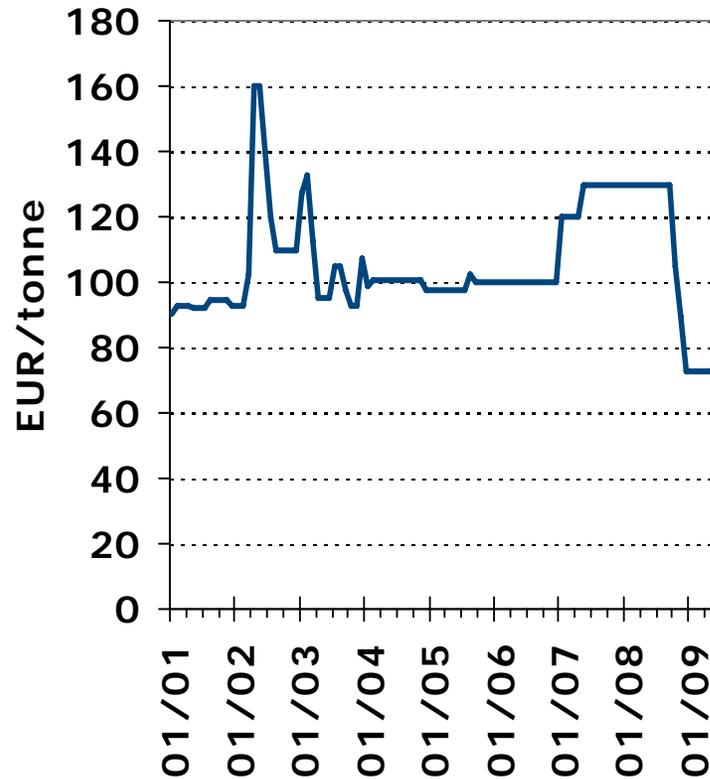
Hedging & Consumption of Long-term Electricity



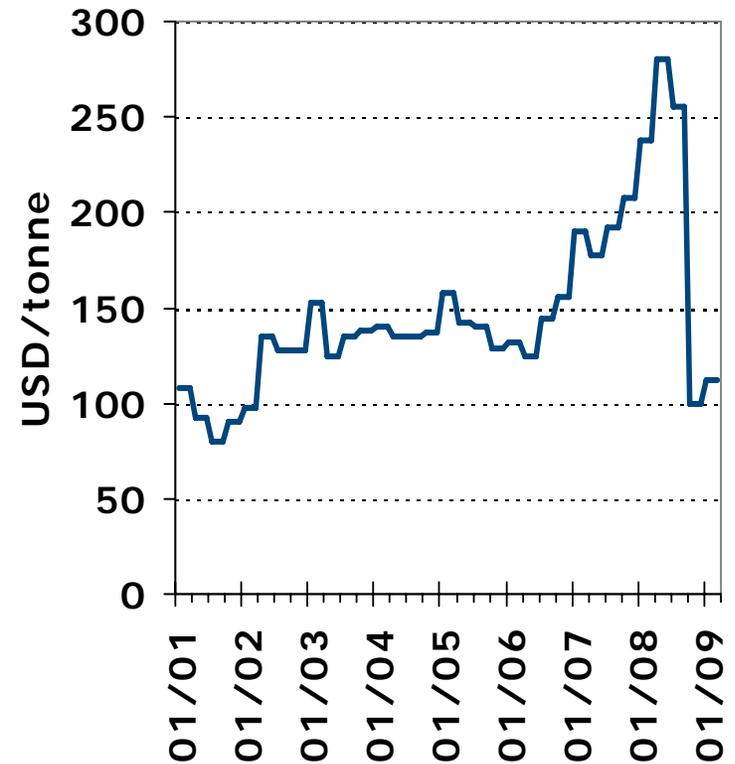
- Long term contracts in Norway, Australasia and South America
- Electricity exposure in spot market in continental Europe and Asia

Recovered paper prices in Europe and Asia

Newspapers (2.01) - Germany



Old News - China



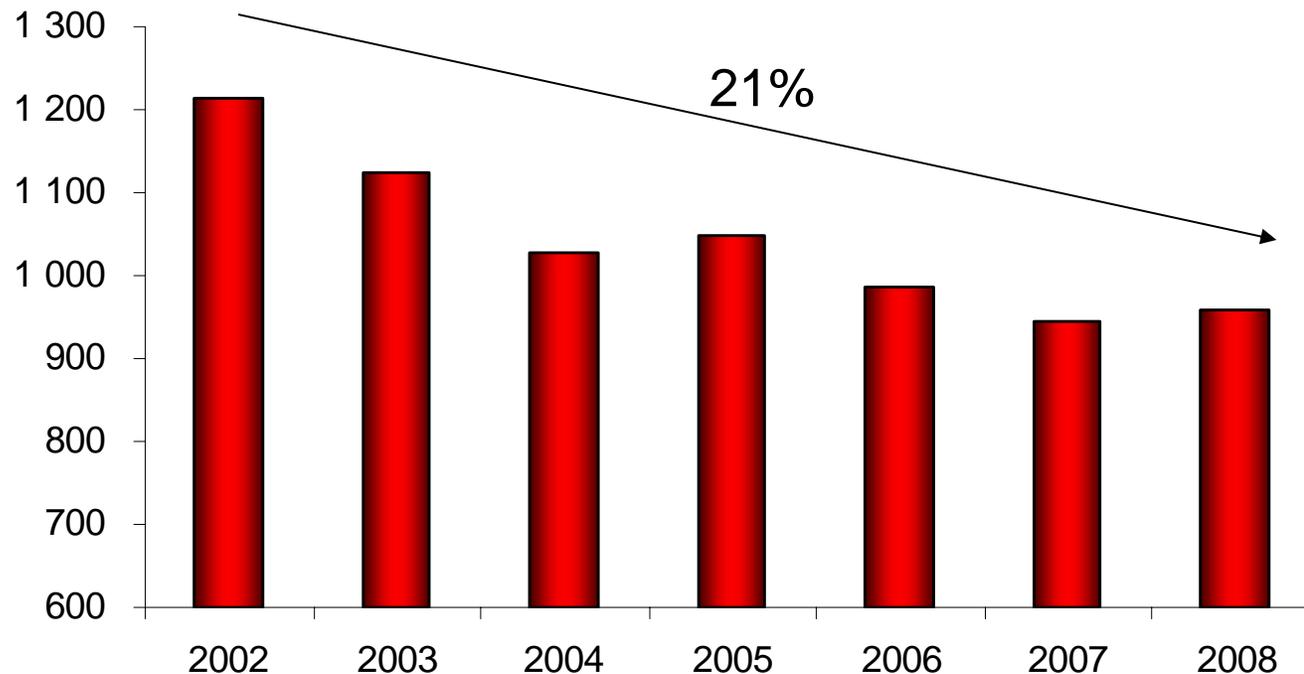
Variable cost development

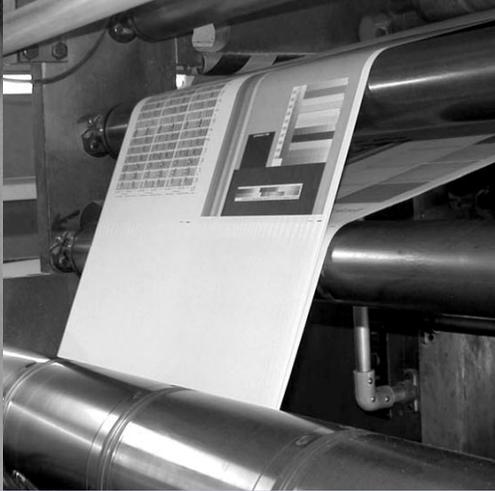
-in local currency

- Wood
 - Price reductions in Europe during 2009 expected
- Recovered paper
 - Low spot prices in early 2009
 - Average 2009 lower than average 2008
- Chemicals & Pulp
 - At present, low prices on pulp and oil-based chemicals
- Energy
 - Favourable long term electricity contracts in Norway, South America and Australasia

Fixed cost development

-cash costs, NOK/tonnes produced



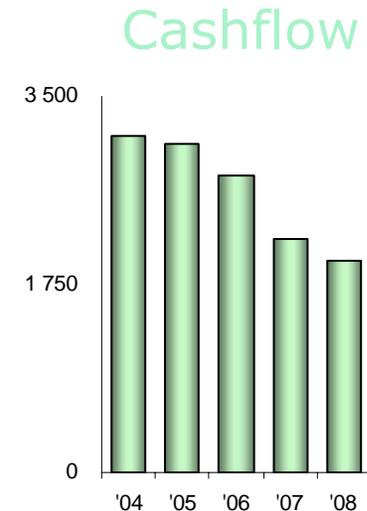
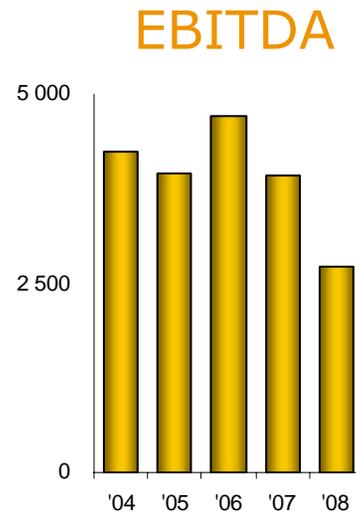
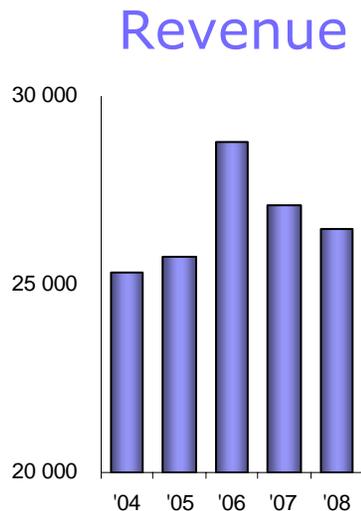


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Financials

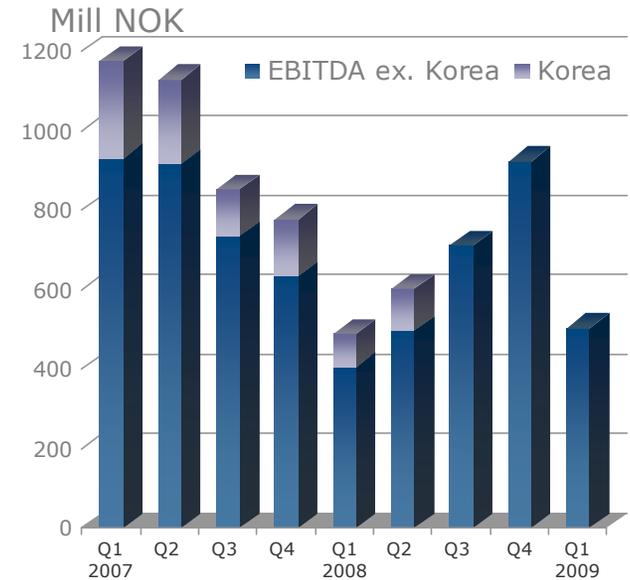
Historical P&L figures

<i>mNOK</i>	'04	'05	'06	'07	'08
Revenue	25 302	25 726	28 812	27 118	26 468
EBITDA	4 240	3 950	4 704	3 932	2 723
Cashflow	3 132	3 061	2 763	2 166	1 977

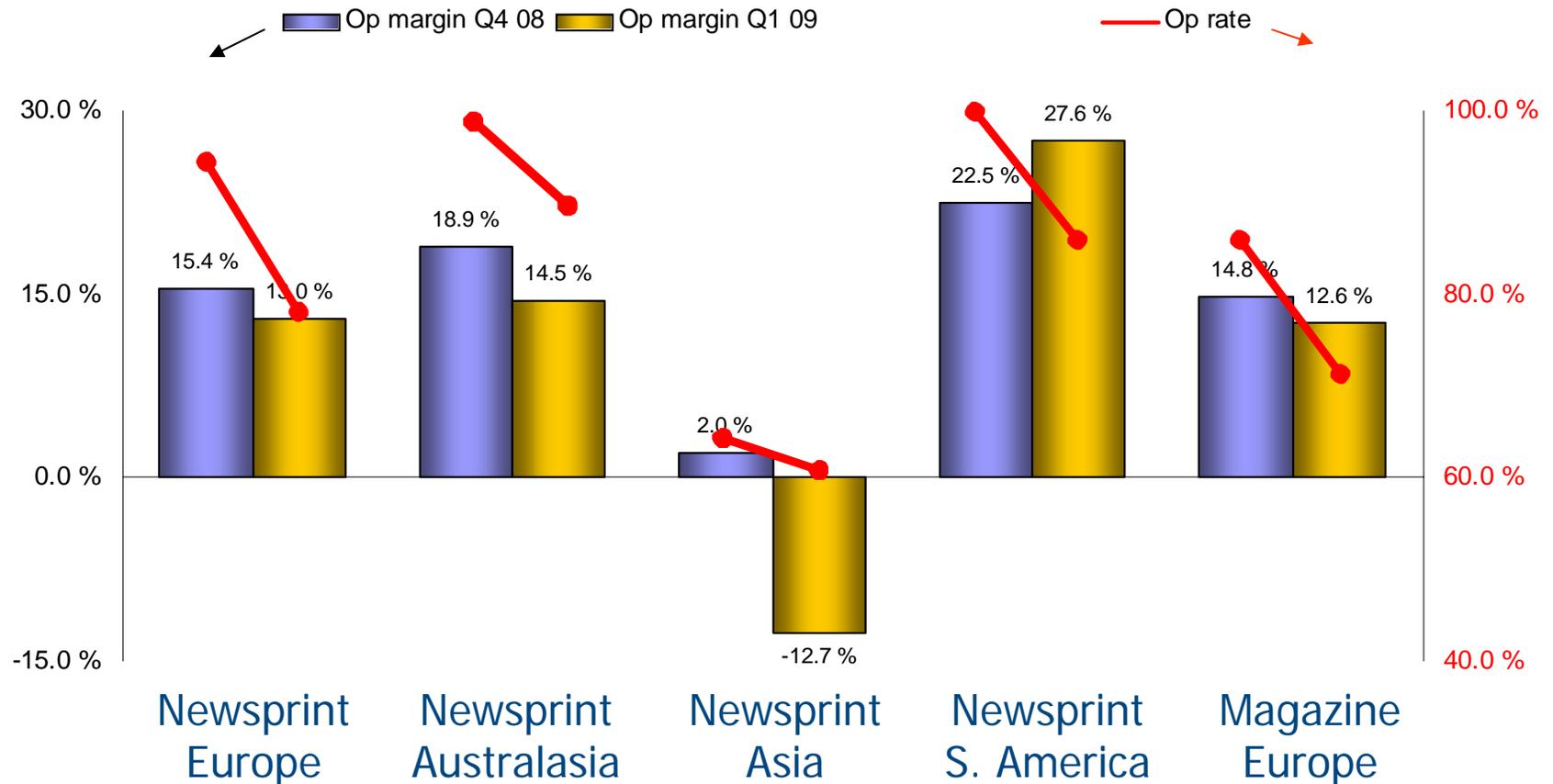


Q1 2009 in brief

- EBITDA NOK 504 mill
 - NOK 922 mill in Q4 '09 and
 - NOK 406 mill ex. Korea in Q1 '08
- Operating rate only 76%
- Lower volumes reduce result
- Recession impacts advertising
 - Estimated drop in ad spend YTD '09 vs YTD '08 ~ 20%
- Structural decline in newsprint demand in mature markets

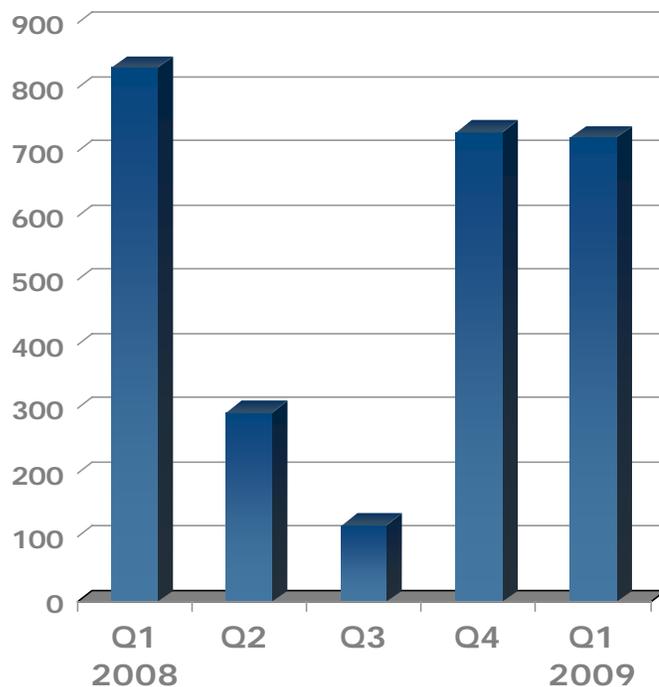


Operating margin & rate by geographical regions



Cash flow^{*)}

Mill NOK



- Cash flow NOK 723 mill
 - Cash effect of monetizing currency/ interest rate swaps: NOK 460 mill
 - Paid taxes NOK 26 mill in Q 1 vs NOK 290 mill in Q 4
- Low capex level in Q1 – NOK 138 mill
- Full-year capex: Approx. NOK 900 mill

Financial strategy

Reduce debt

- Improve cash flow from operations
- Strong capex discipline
- Possible asset divestments

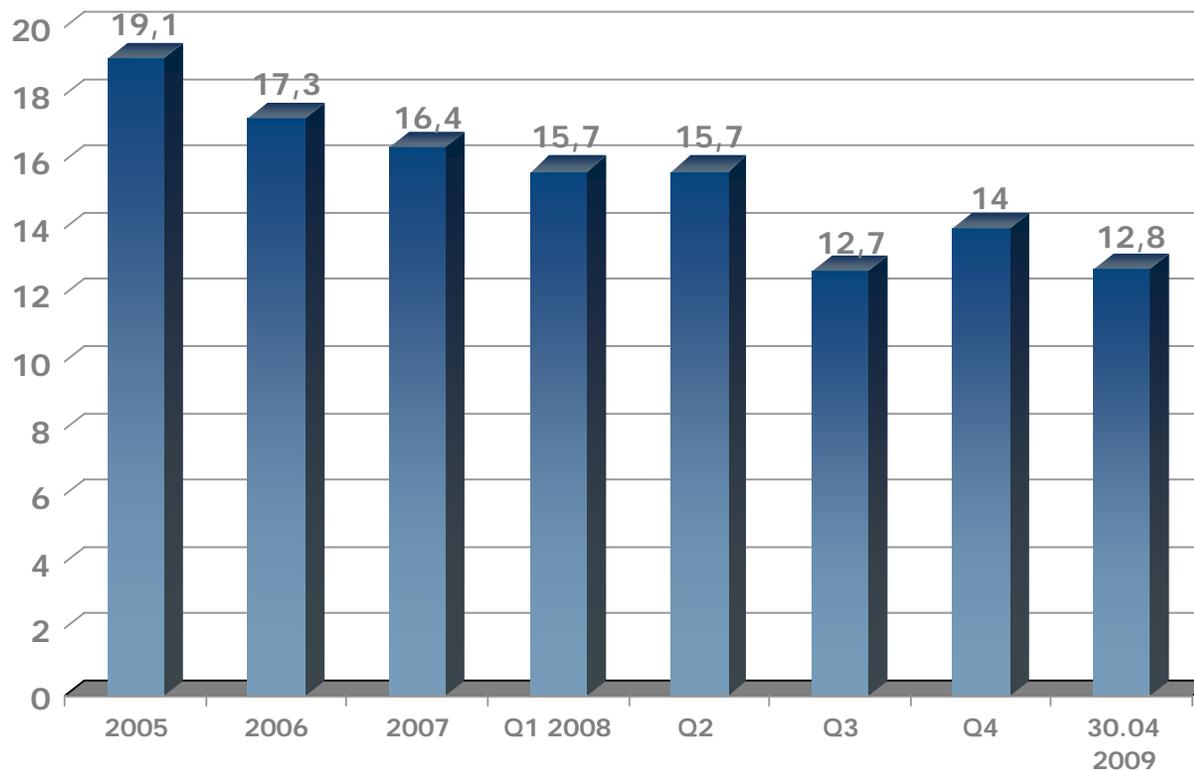
Improve maturity profile

- Average maturity 5.8 years at March 31
- No significant refinancing need in '09 and '10, focus on instalment peaks in '11 and '12
- Q 2, 2009: New NOK 250 mill/12 years loan at a favourable rate
- Exploring other financing options (e.g. Norwegian Government Bond Fund/ SOF)

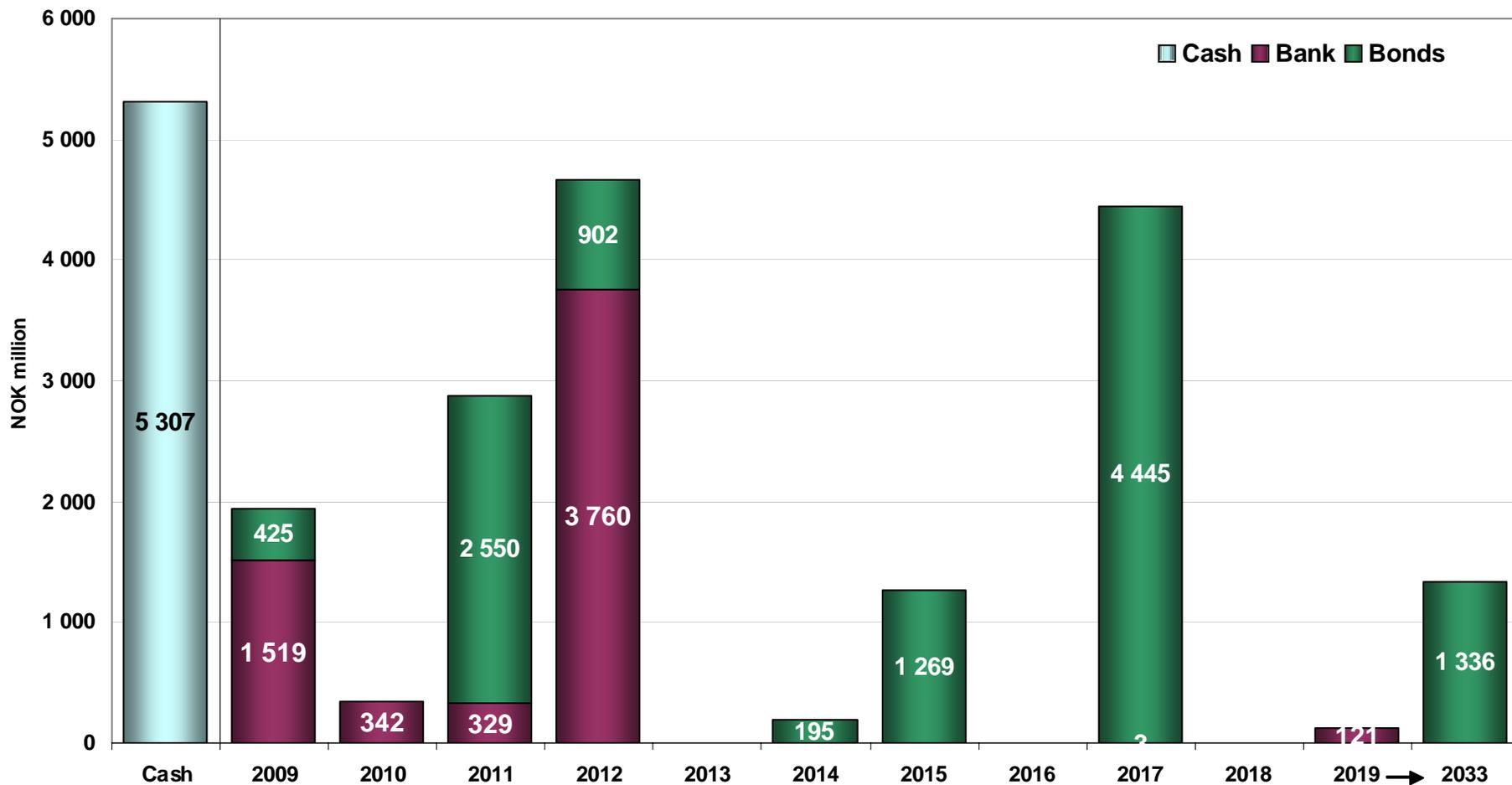
Pro forma 30.04.09: Debt reduction

Gearing 31 March: 1.08

■ Net debt NOK bn

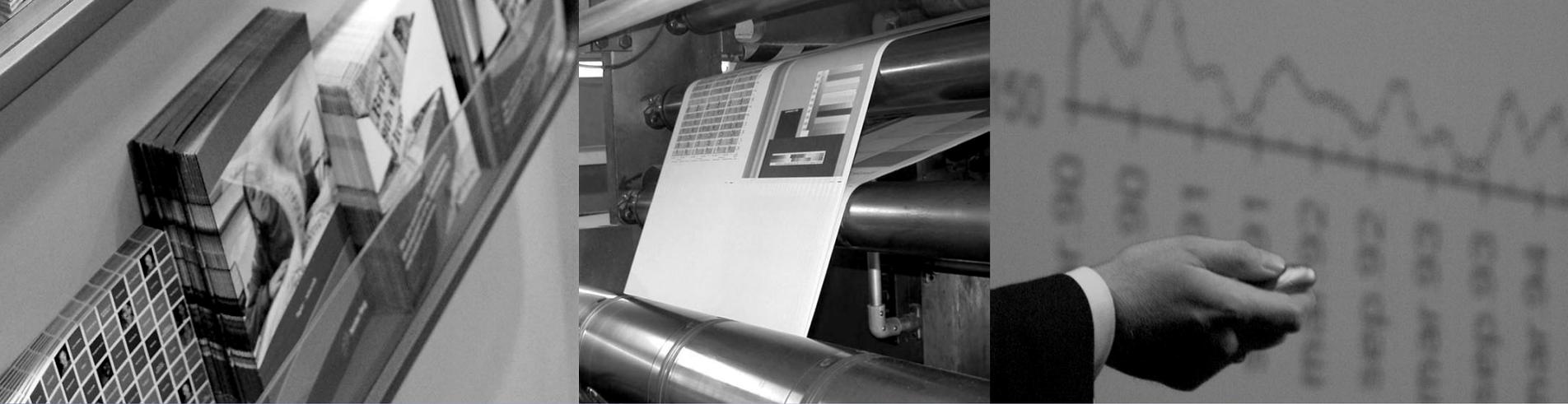


Debt maturity profile as of 31 March



Firm actions required

- Temporary/permanent reduction of capacity
 - Further curtailments in all regions
 - Permanent capacity closures under evaluation
- Reduce cost
 - Temporary lay-offs
 - Further cost reductions in all units
 - New improvement program implemented
- New business opportunities
 - Energy



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