



Future on Paper

Q3 2009 presentation

5 November 2009





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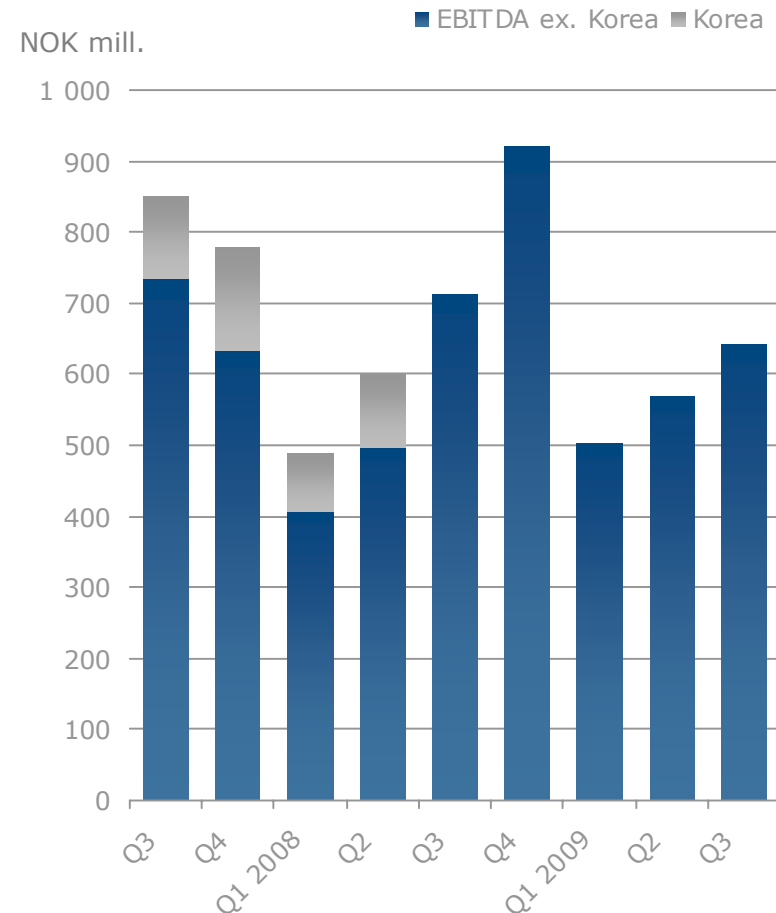
Christian Rynning-Tønnesen
President and CEO

Webcast
5 November 2009

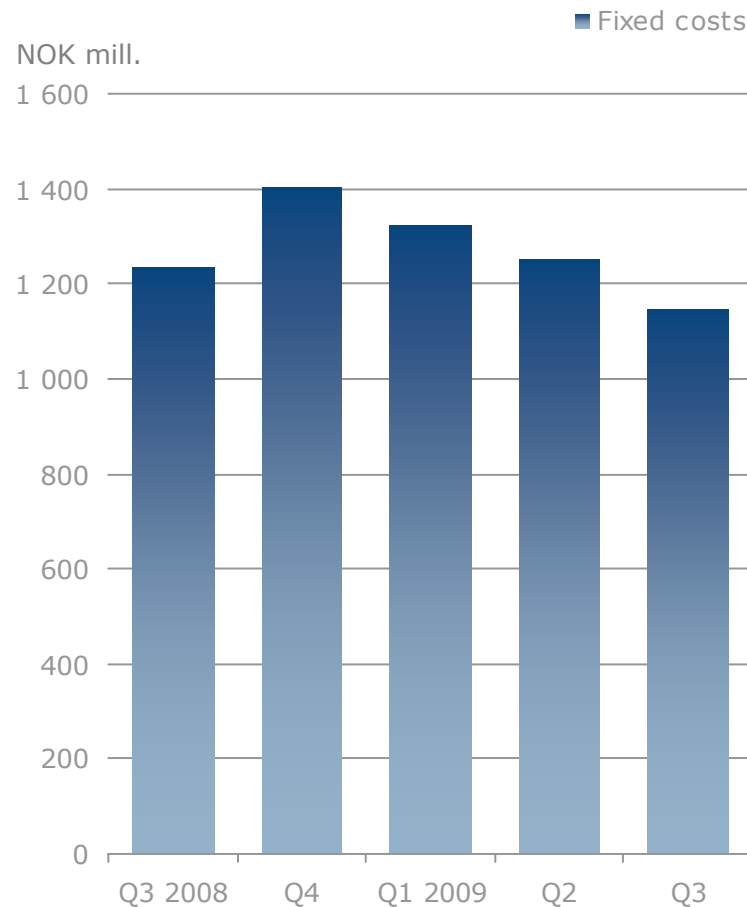


Q3 2009 in brief

- EBITDA NOK 642 mill.
 - NOK 568 mill. Q2/09
 - NOK 712 mill. ex Korea Q3/08
- Increased magazine paper volumes in Q3
- Lower costs compared with Q2/09
- Sale of Norske Skog Hebei, China

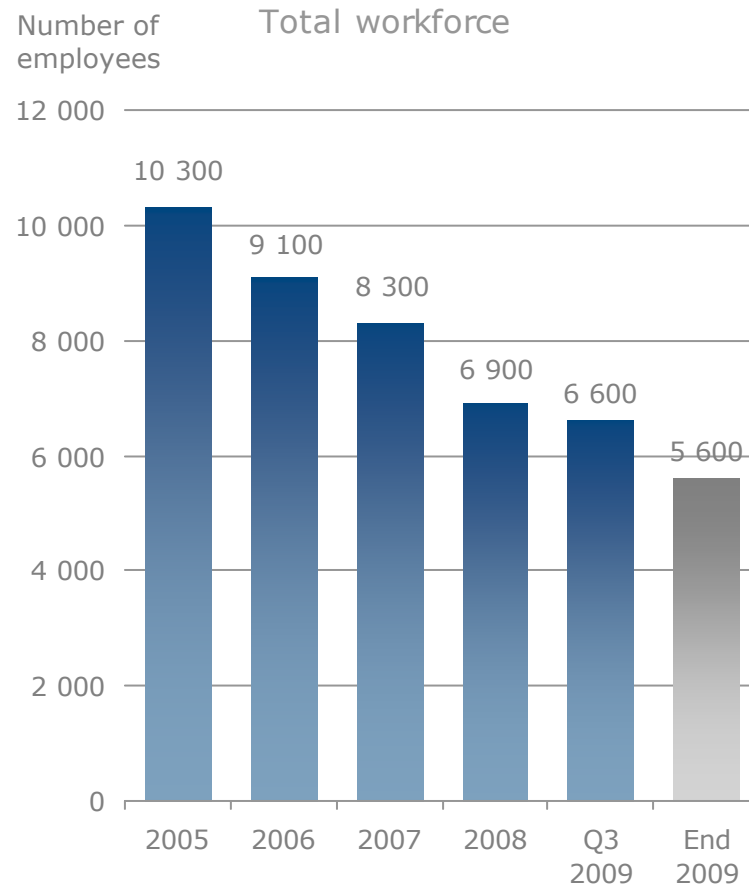


Cost reductions



- Fixed costs NOK 1 146 mill. in Q3/09
 - Down from NOK 1 251 mill. in Q2/09
 - Main items: Reduced maintenance cost and de-consolidation of SNP
- Improvement initiatives
 - Parenco production line idled
 - Downsizing at Follum and other business units
 - Lower headquarters costs
- Full impact of NOK 600-700 mill. in 2010

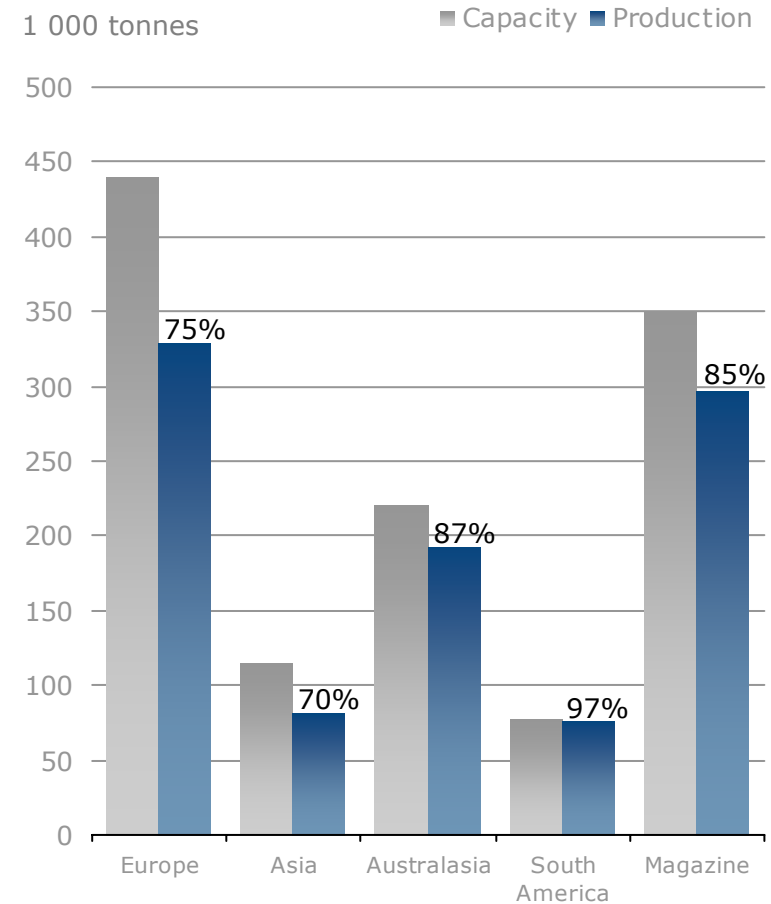
Workforce reductions



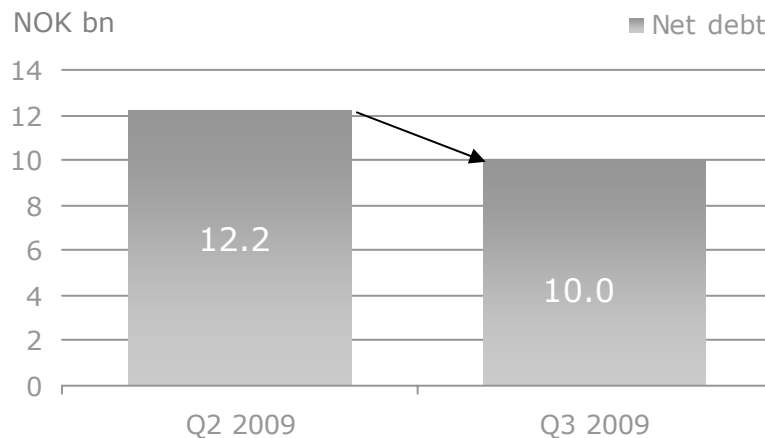
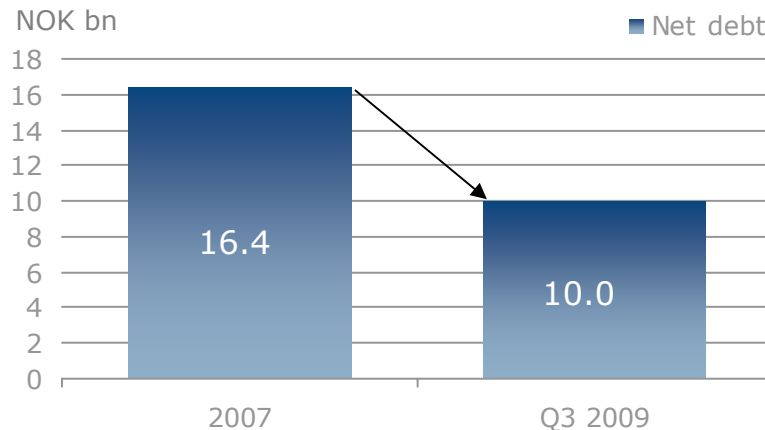
- Workforce reduced by 3 700 since end 2005
 - Divestments 1 300
 - Closures 1 000
 - Downsizing 1 400
- Further workforce reductions by 1 000 in Q4
 - Divestments of Hebei and SNP
 - Closure of Parengo PM2
 - General downsizing

Capacity utilisation improved

- Average operating rate Q3: 81% (75%)
- Increased production in South America and Magazine segment
- Increased export from New Zealand to Asia
- One machine at Parenco indefinitely idled
- Production of book paper at Follum has started

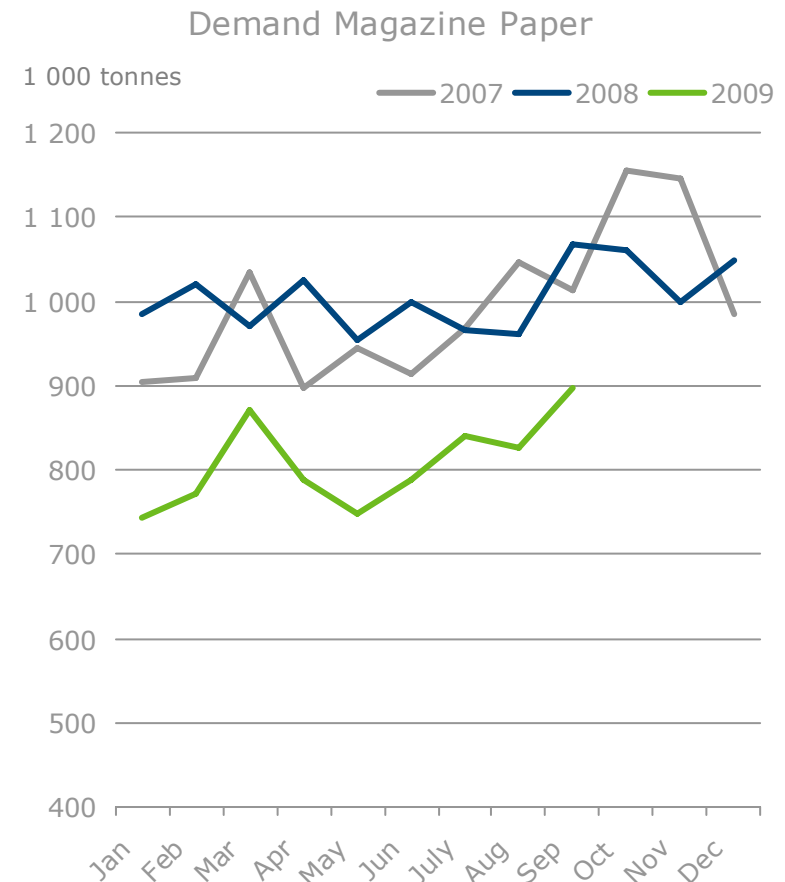
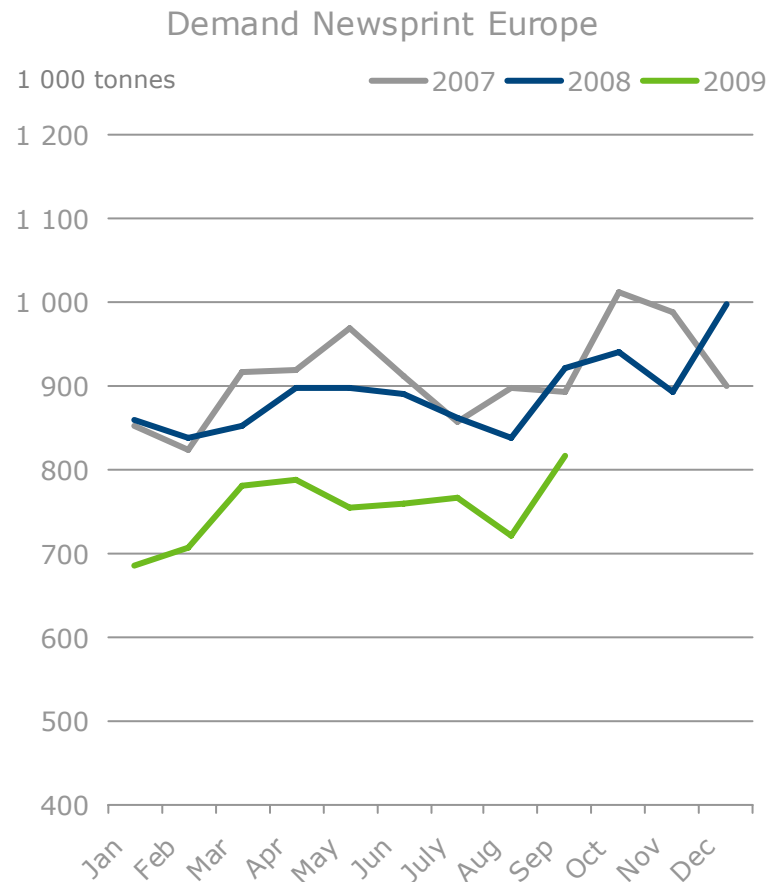


Considerable reduction in net debt

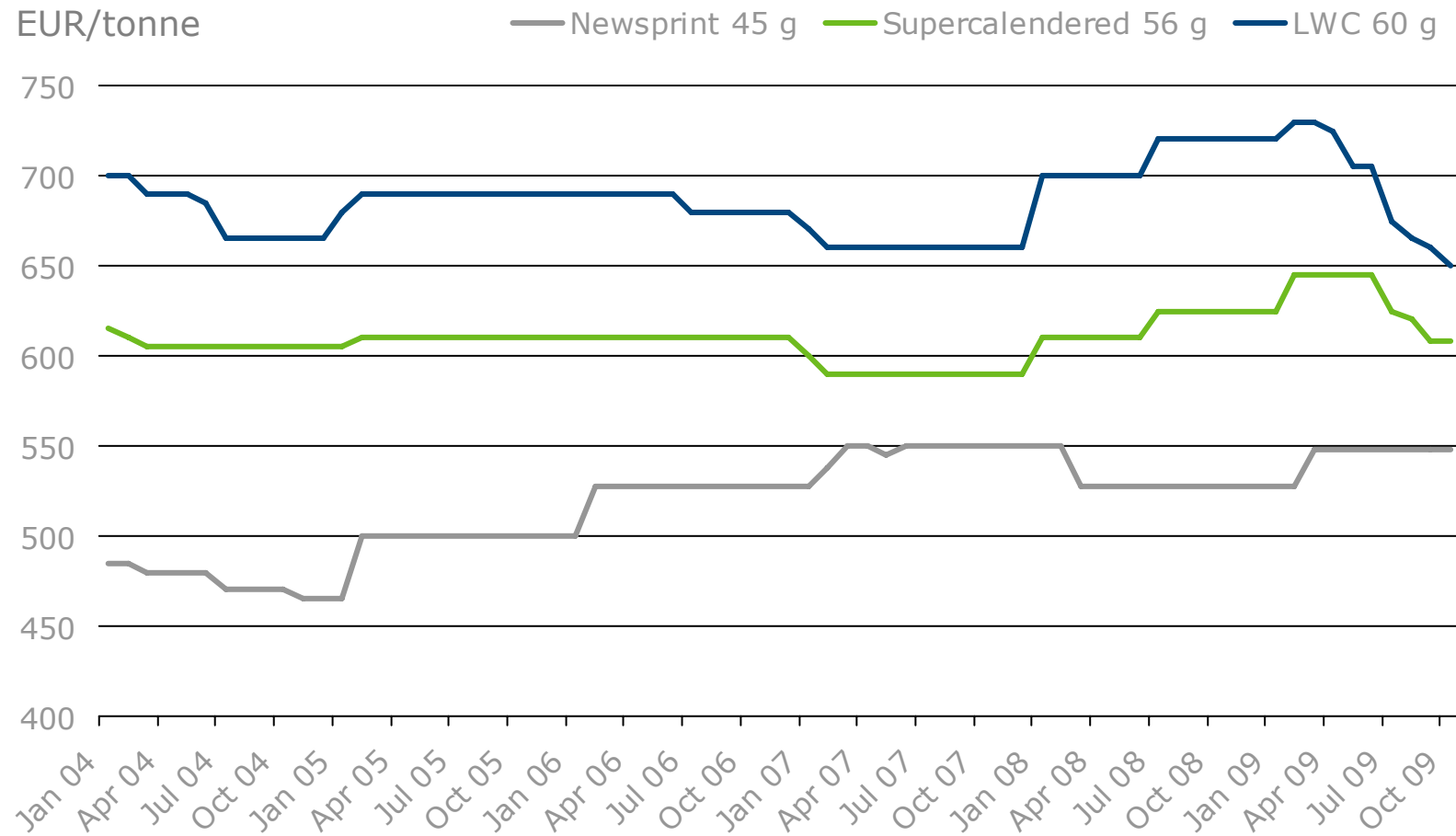


- Net debt reduced by NOK 6.4 bn since end 2007
 - Retained free cash flow
 - Aggressive bond buy-back strategy
 - NOK 5.4 bn through asset sales
- Net debt reduced by NOK 2.2 bn in Q3
 - Retained free cash flow: NOK 700 mill.
 - Reclassification of Hebei debt: NOK 800 mill.
 - Currency: NOK 700 mill.
- Gearing 0.89

Demand remains weak



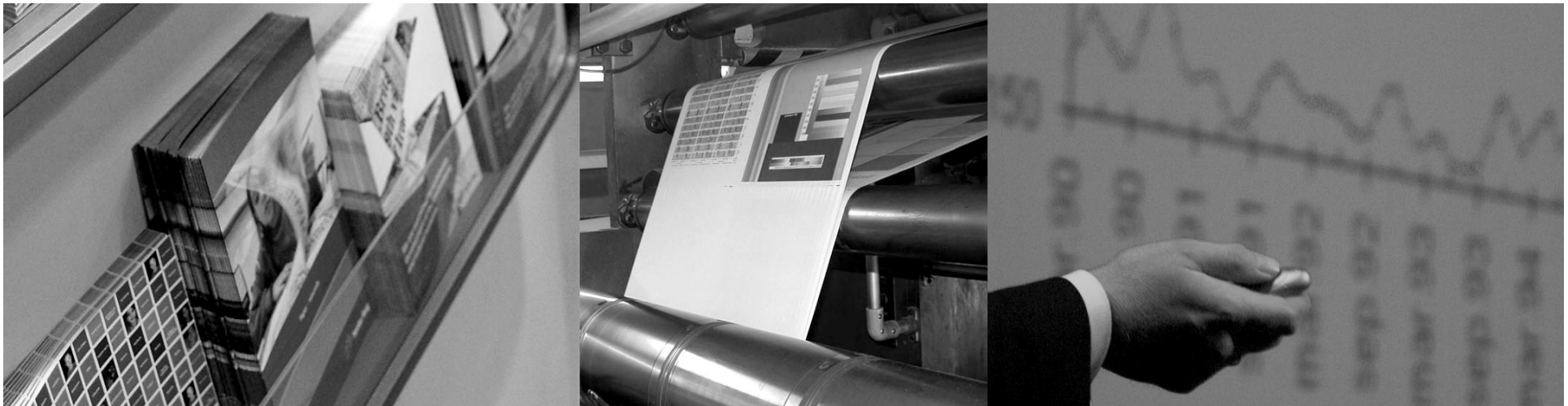
Price development



Source: RISI

Outlook

- Challenging business climate – few signs of market upturn
 - Weak advertising market, low pagination and circulation
 - Continued overcapacity
- Risk exposure from currency and cost of raw materials
 - Strong NOK - challenge to Norwegian operations
 - Cost pressure on recovered paper
- Management focus
 - Continuous cost reductions and operational improvements
 - Optimization through capacity management
 - Measures to further strengthen financial position
 - Improve frame conditions for biofuel pilot project in Norway



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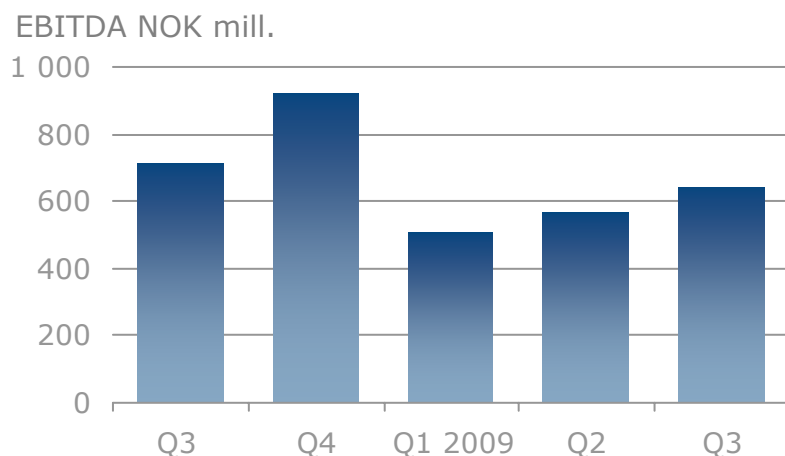
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Audun Rønneid
CFO

Webcast
5 November 2009



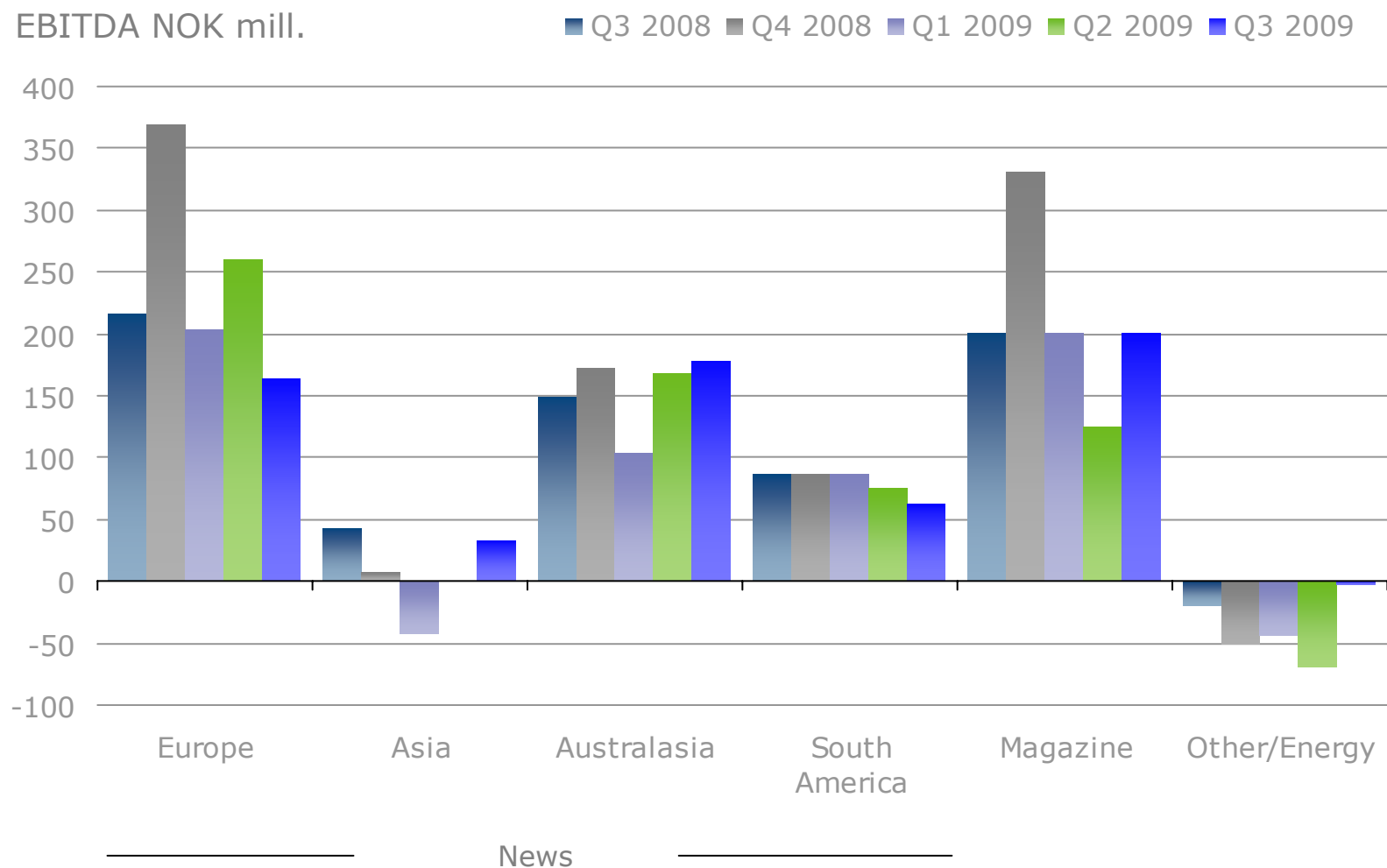
Key financial results Q3 2009



Key figures NOK mill	2009 Q3	2009 Q2	2008 Q3
Operating revenue	5 033	5 160	6 317
EBITDA	642	568	712
EBIT before special items	-7	-98	111
Result after tax	-418	-538	-1 212

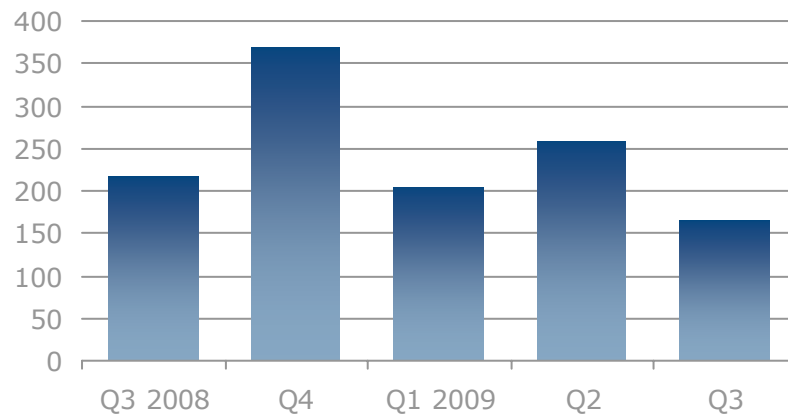
- **EBITDA: NOK 642 mill.**
 - Up from NOK 568 mill. in Q2/09
 - Lower costs and increased volumes
 - Negative impact from stronger NOK
- **Net result: NOK -418 mill.**
 - Impairments and restructuring costs: NOK 1 034 mill.
 - Value of energy portfolio increased by NOK 100 mill.
 - Positive net financial items NOK 542 mill.

Results - segments



Newsprint Europe

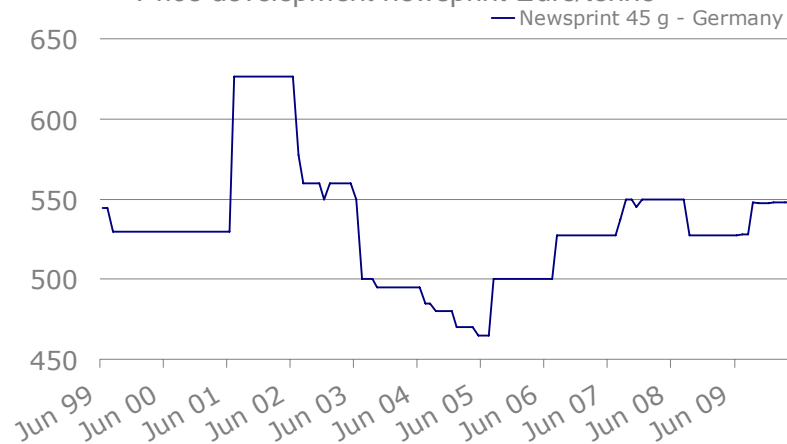
EBITDA NOK mill.



Key figures
NOK mill.

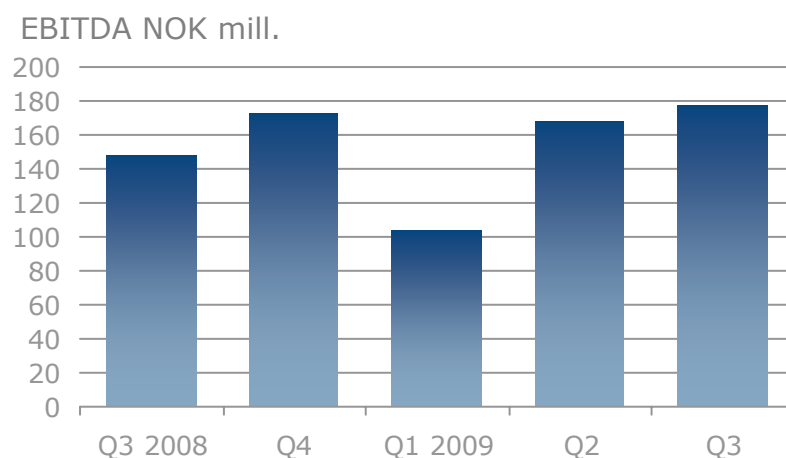
	2009 Q3	2009 Q2	2008 Q3
Operating revenue	1 460	1 615	1 915
EBITDA	164	260	217
EBITDA margin %	11.2	16.1	11.3
Deliveries 1 000 tonnes	331	356	472

Price development newsprint Euro/tonne



- **Weak EBITDA**
 - Lower average prices, partly due to currency
 - Reduced fixed costs
 - Demand: - 13% YTD Sept 09 vs YTD 08
 - Q3 demand unchanged from Q2

Newsprint Australasia

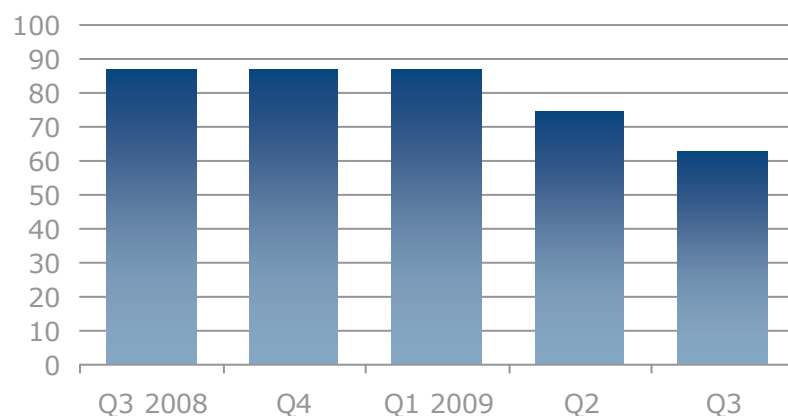


Key figures NOK mill.	2009 Q3	2009 Q2	2008 Q3
Operating revenue	1 030	836	911
EBITDA	178	168	148
EBITDA margin %	17.3	20.1	16.1
Deliveries 1 000 tonnes	227	189	218

- Improved EBITDA: Higher local prices and sales
 - Higher price in Australia, partly offset by increased export sales at lower prices
 - Lower production – downtime at Boyer and Tasman
 - Some variable costs increased, fixed costs at satisfactory levels
 - Demand: - 14% YTD Aug. 2009 vs. Aug. 2008

Newsprint South America

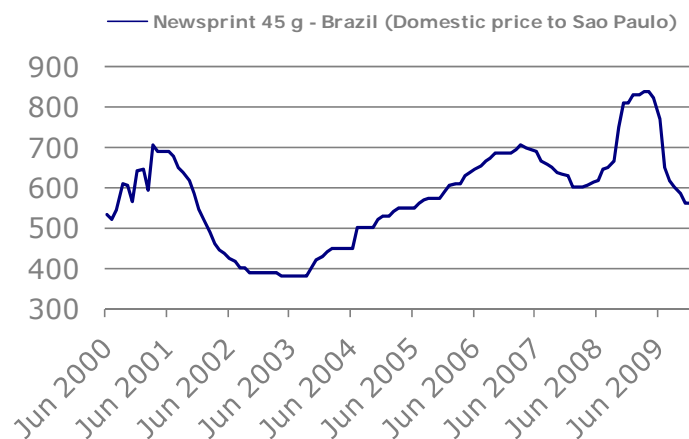
EBITDA NOK mill.



Key figures
NOK mill.

	2009 Q3	2009 Q2	2008 Q3
Operating revenue	327	329	364
EBITDA	63	75	87
EBITDA margin %	19.3	22.8	23.9
Deliveries 1 000 tonnes	77	59	77

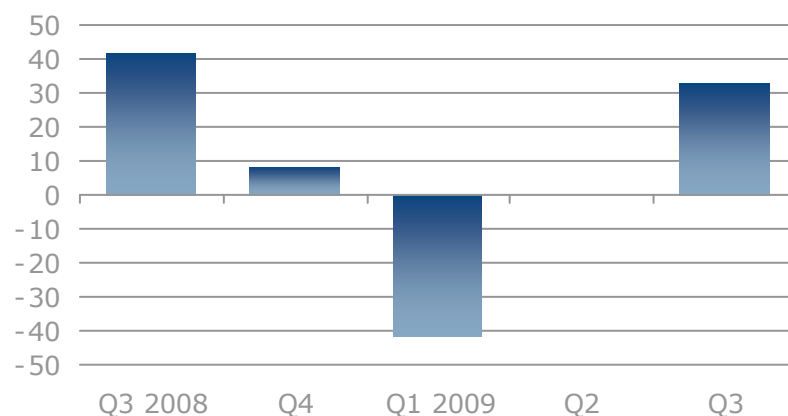
Price development newsprint Brazil USD/tonne



- Lower margin
 - Higher volumes and good cost development
 - Lower sales price and negative impact from translation differences
 - Demand: - 24% YTD Aug. 2009 vs. Aug. 2008

Newsprint Asia

EBITDA NOK mill.



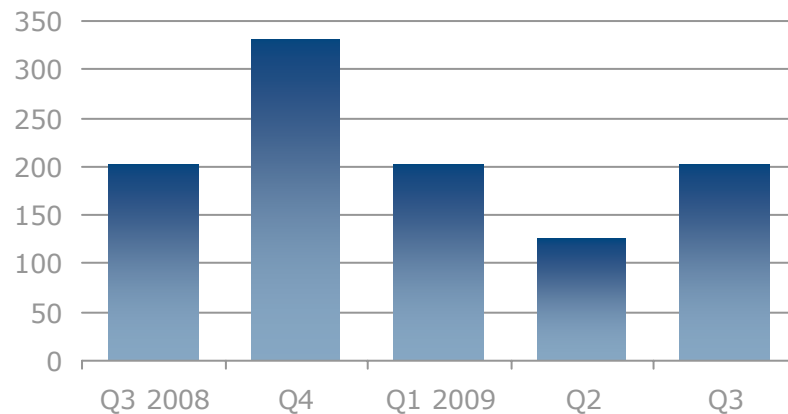
Key figures
NOK mill.

	2009 Q3	2009 Q2	2008 Q3
Operating revenue	262	387	467
EBITDA	33	0	42
EBITDA margin %	12.6	0	9.0
Deliveries 1 000 tonnes	88	117	120

- SNP de-consolidated per 1 July 2009; Hebei to be de-consolidated during Q4
- Improved result primarily due to valuation change on finished goods in China
- Markets remain weak

Magazine paper

EBITDA NOK mill.

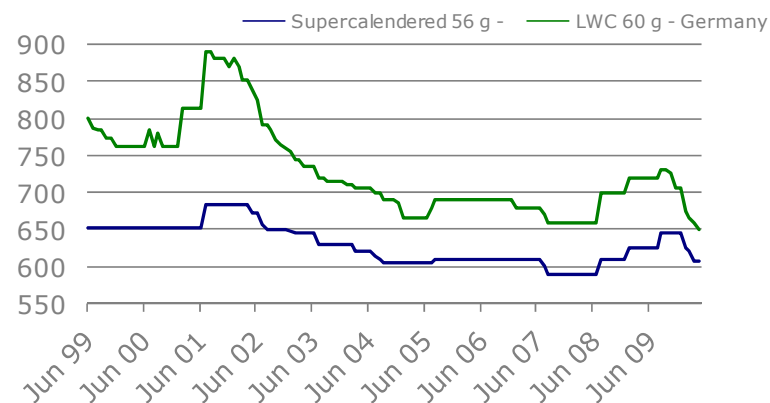


Key figures

NOK mill.

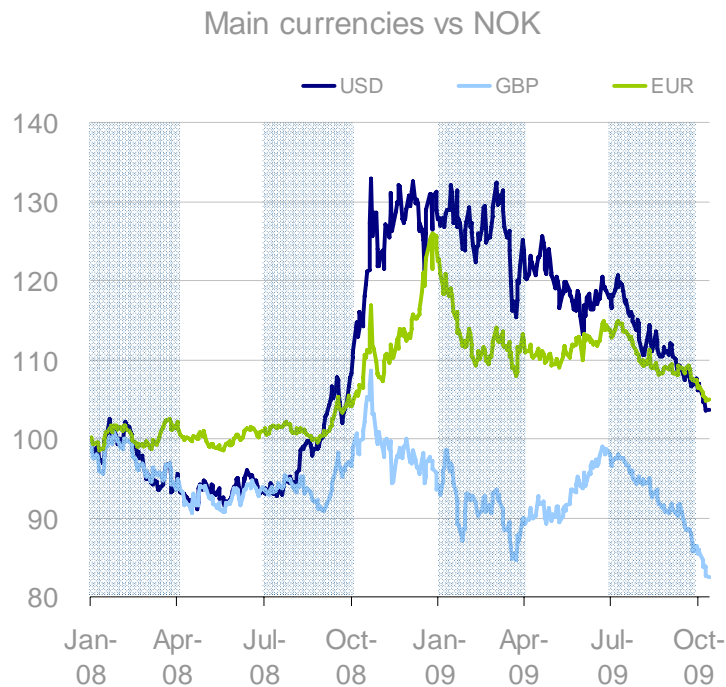
	2009 Q3	2009 Q2	2008 Q3
Operating revenue	1 607	1 287	1 856
EBITDA	201	125	201
EBITDA margin %	12.5	9.1	10.8
Deliveries 1000 tonnes	294	226	339

Price development magazine Euro/tonne



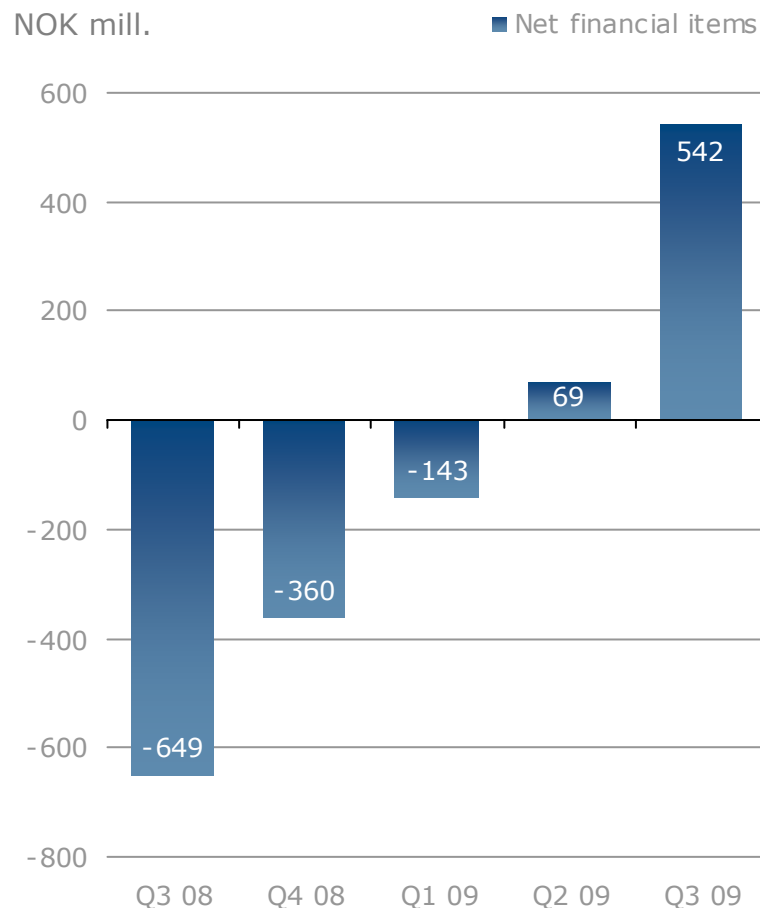
- Significant improvements
 - Much higher volumes
 - Cost reductions
 - Lower prices and negative translation differences
 - Demand YTD Sept. 2009 (WE): - 9% for SC; - 19% for LWC
 - Demand in Q3 up from Q2

Stronger NOK in Q3



- Operations
 - Negative impact on revenue from Norwegian mills
 - Negative translation differences on accounts receivables
- Balance sheet
 - Reduced value on both assets and interest-bearing debt
 - Hedge accounting for part of translation difference in balance sheet

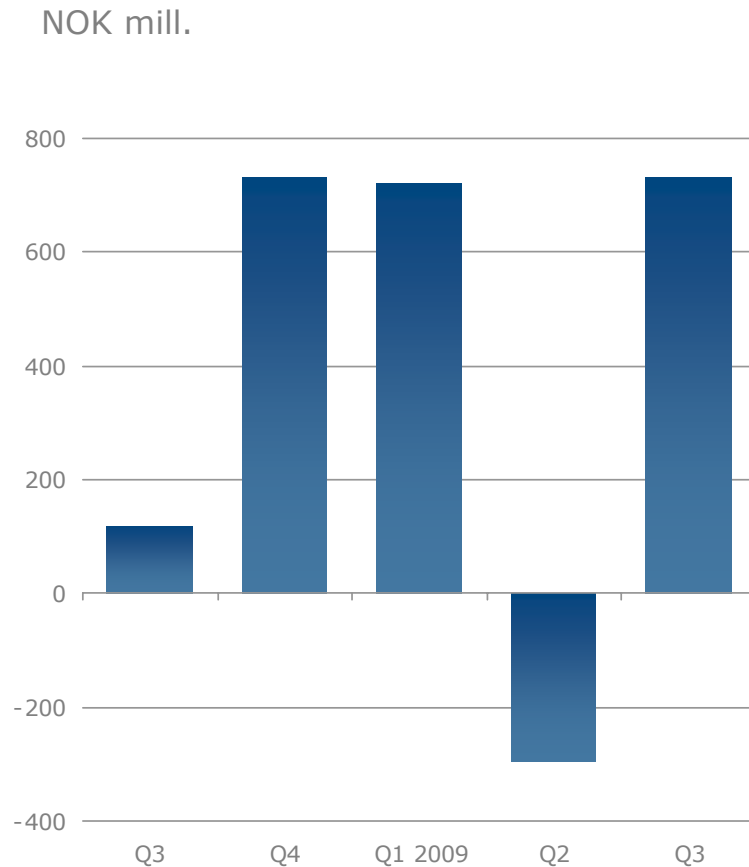
Financial items positively affected by currency



NOK mill	Q3	Q2
"Clean" interest	(228)	(209)
Interest rate derivatives	38	129
Currency hedging – CF	270	(58)
Currency other	494	21
Buy-back of bonds	24	247
Other fin. items	(55)	(60)
Total	542	69

- Currency items in total NOK 764 mill. (NOK -37 mill. in Q2)
 - Gains from CF-hedging NOK 270 mill.
 - Other currency gains/losses NOK 494 mill.
 - Positive translation difference on debt, not hedge accounted
 - Negative translation difference on cash
 - Gains on other currency hedging

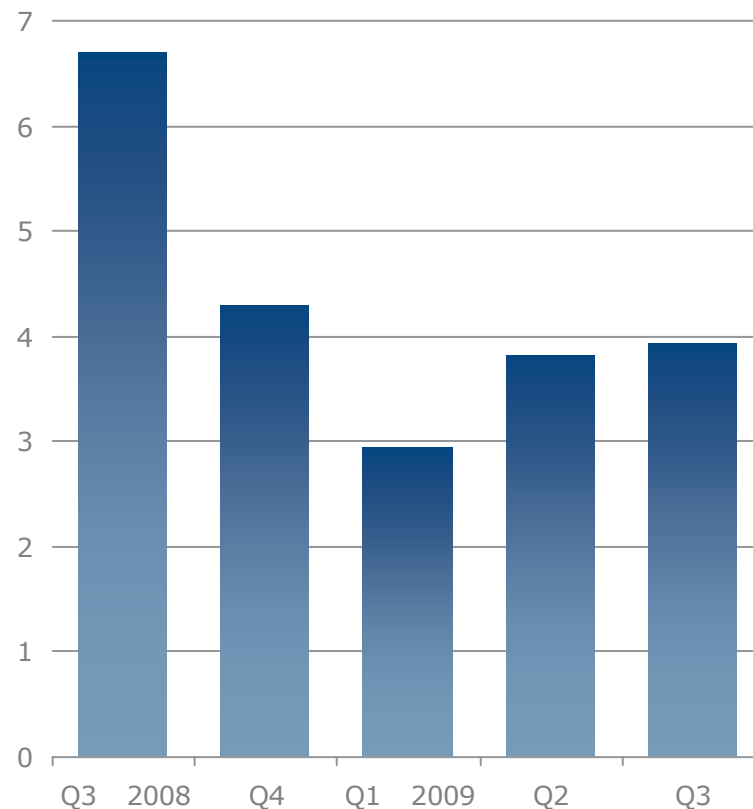
Cash flow*



- Cash flow NOK 730 mill. (NOK -294 mill. in Q2)
 - Reduced working capital of NOK 190 mill.
 - Financial items NOK -36 mill. (NOK -737 mill.)
 - Lower paid interest
 - Realised gain from currency hedging
- Free cash flow NOK 674 mill.

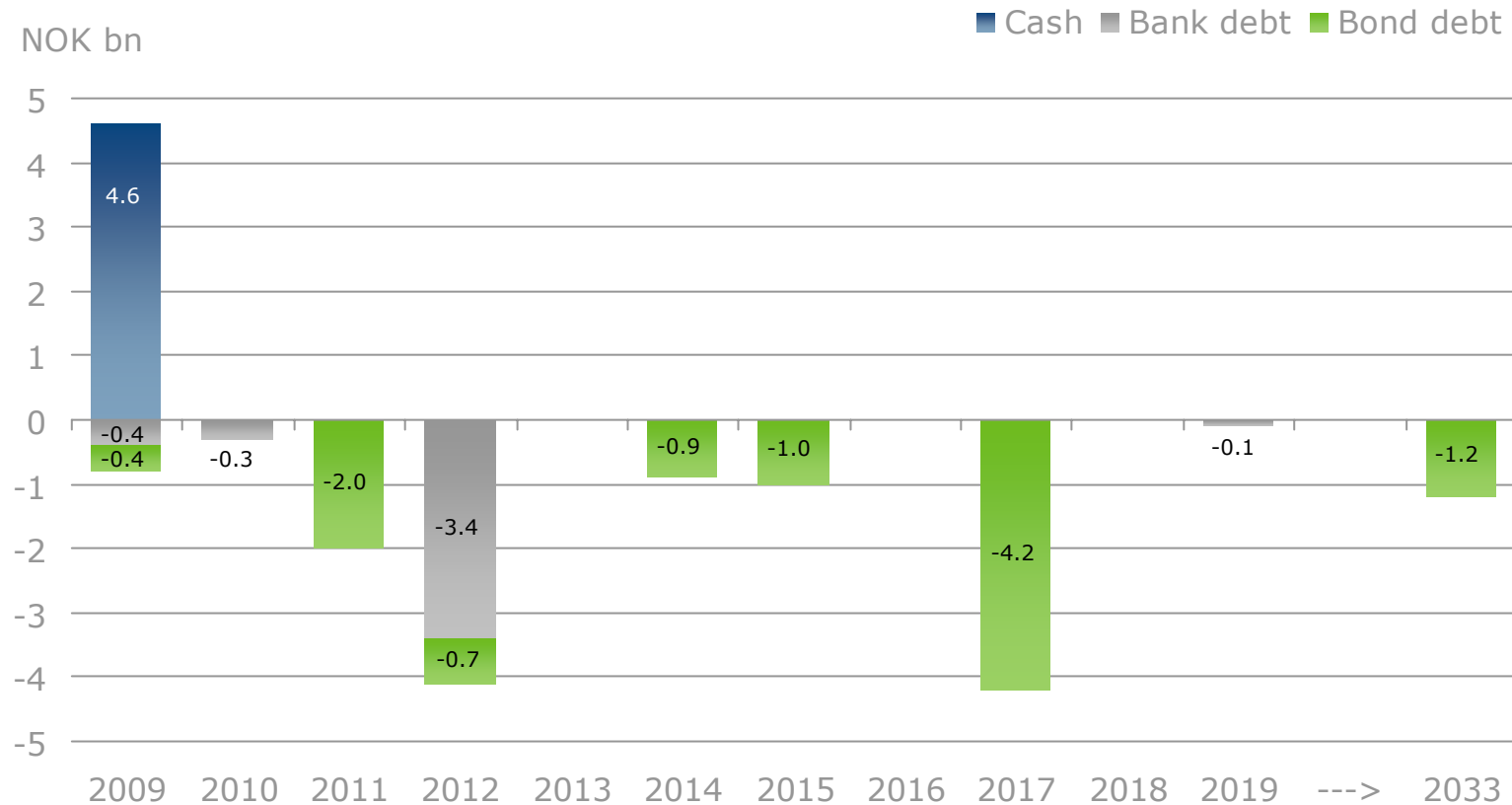
Value of energy portfolio

NOK bn

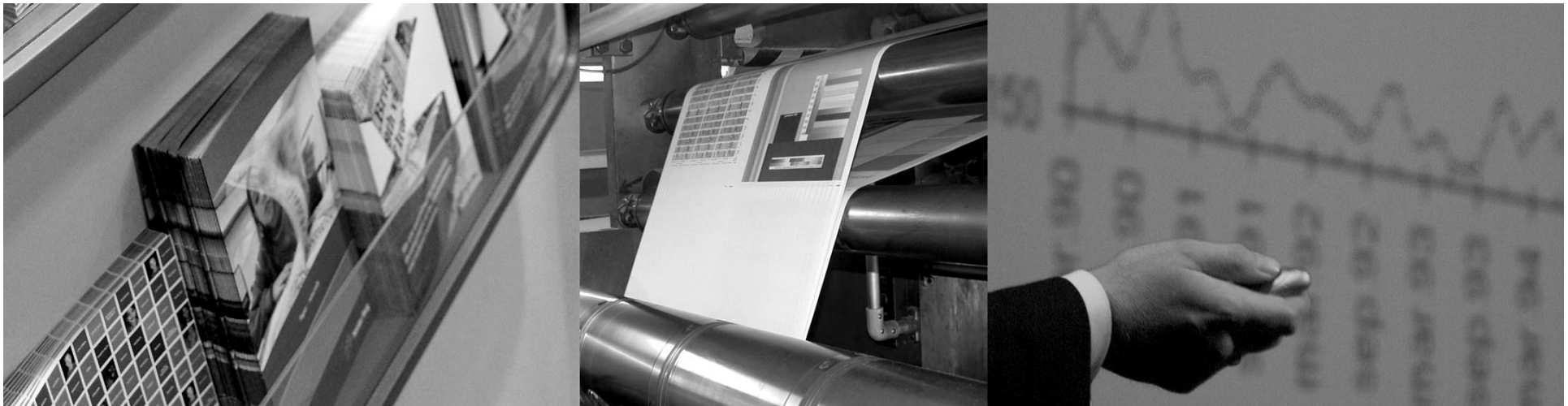


- Total increase of NOK 0.1 bn in Q3
 - ↓ Norwegian contracts
 - ↑ Brazilian contracts
 - ↑ New Zealand contracts
- Balance sheet value of ~NOK 3.9 bn
- No cash impact, but affects equity and gearing

Cash and debt maturity profile



Note: As of 30 September 2009



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