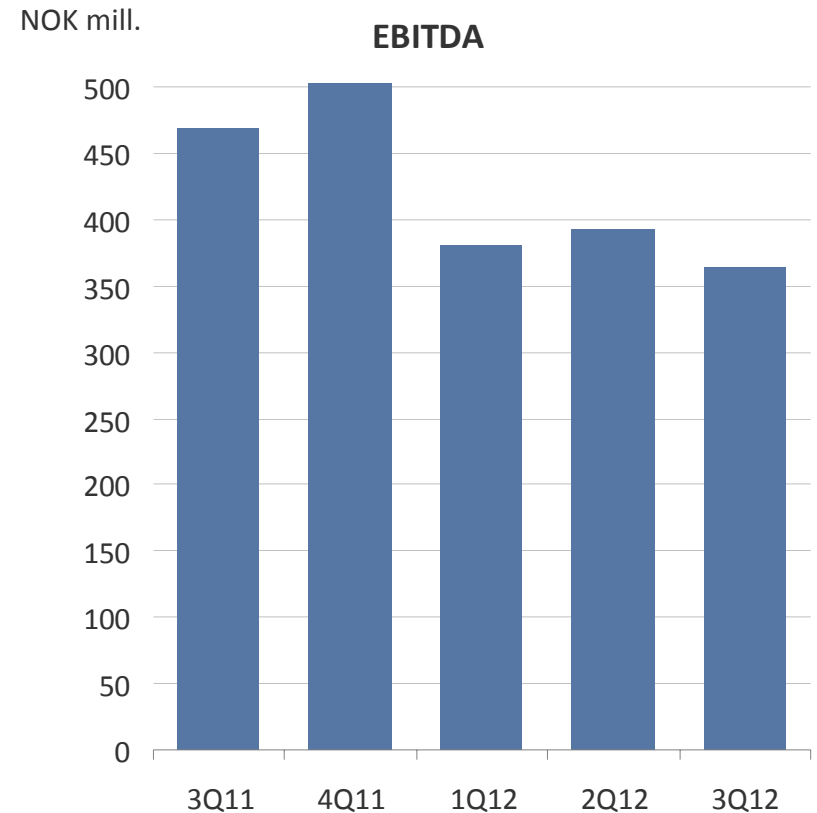


3Q12 presentation









1 November 2012

3Q12 in brief

- EBITDA NOK 365 mill. (NOK 393 mill. 2Q12)
 - Weak markets, FX and active capacity management
- Cash flow from operations NOK 550 mill.
 - Before net financial items of a negative NOK 87 mill.
- Net debt reduced to NOK 6 285 mill.
 - Down NOK 598 mill. in the quarter and by NOK 1 578 mill. YTD



Weak markets and lower capacity

3Q12		QoQ		YoY
Revenue NOK 4 115 mill.			-6%	 -14%
EBITDA NOK 365 mill.			-7%	 -22%
CF from operations adjusted NOK 550 mill.			+30%	 +42%
Deliveries 901' tonnes			-3%	 -10%

Key developments in 3Q12

Market

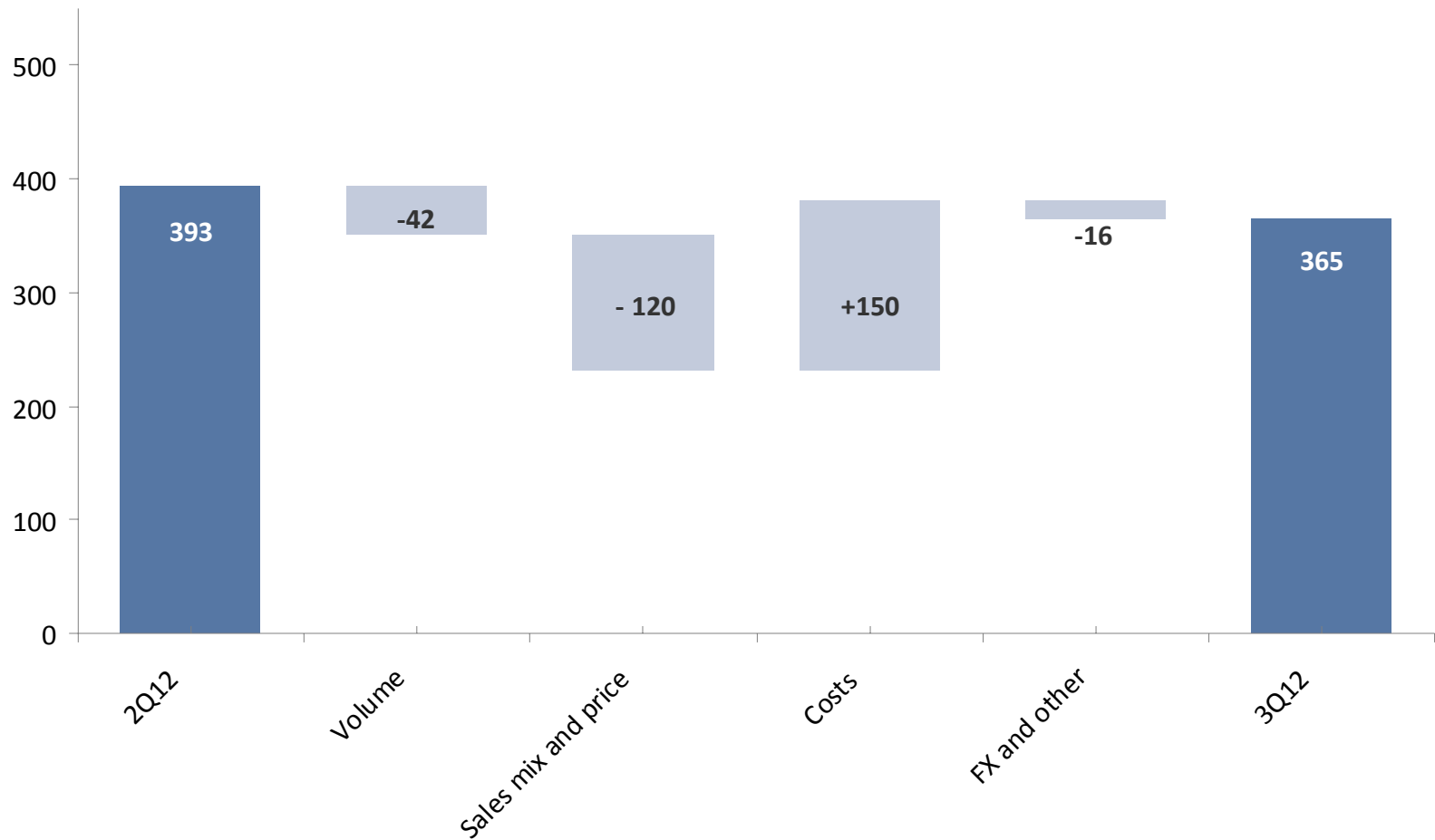
- Publication paper prices relatively stable in Europe
- Weak demand
 - For both newsprint and magazine paper
 - In Europe and Australasia
- Input factor costs somewhat lower

Norske Skog

- Restructuring of Australasian business announced
 - Implying net closure of 250 thousand tonnes of newsprint capacity
 - Conversion of one machine at Norske Skog Boyer to magazine paper
 - Closure of one machine at Norske Skog Tasman
- Sale of Norske Skog Parenco completed on 2 October

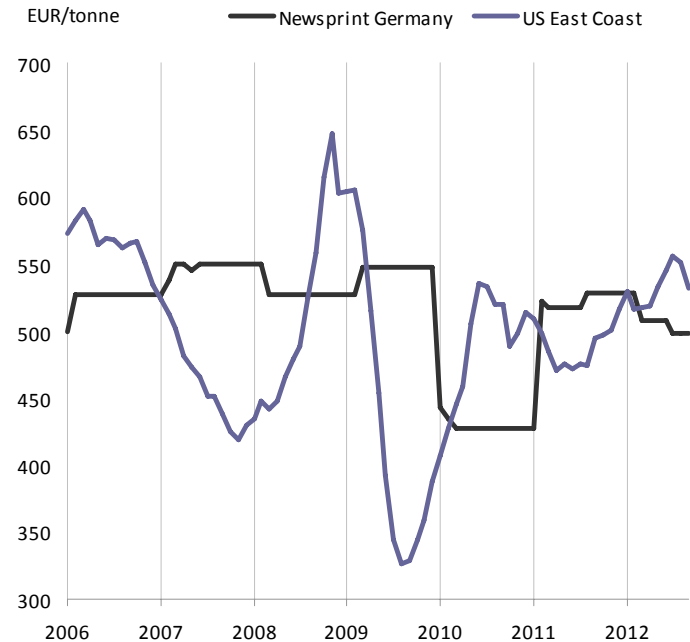
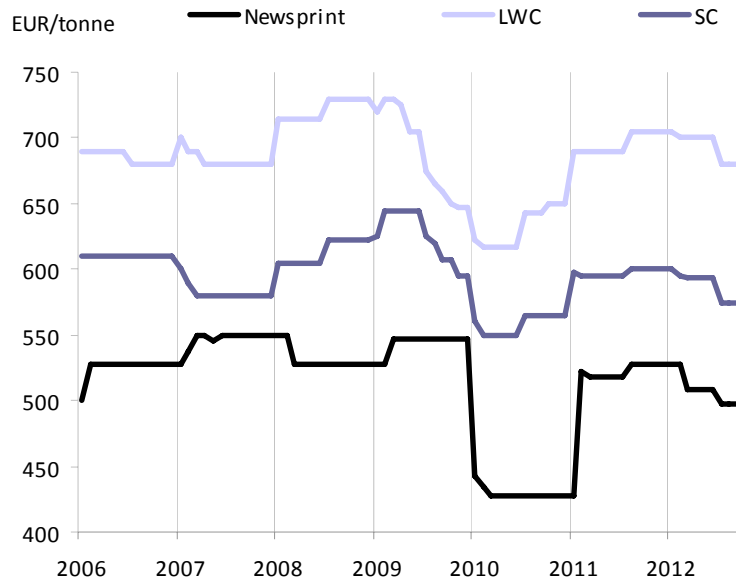
EBITDA change from 2Q12 to 3Q12

NOK mill.



Publication paper prices relatively stable

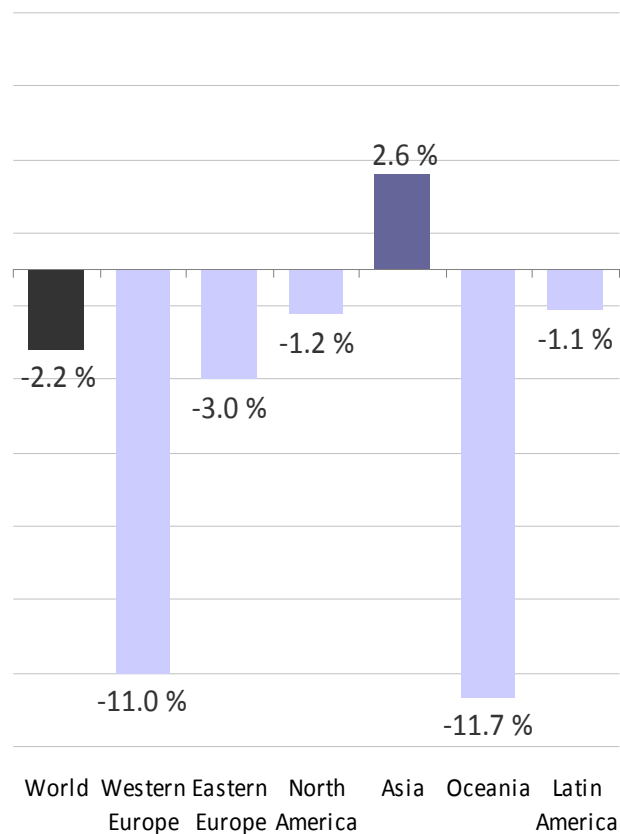
- European reference prices easing
 - Newsprint and Magazine prices declined 2% and 3% respectively from 2Q to 3Q
- US newsprint prices flat in USD
 - And above European level in EUR



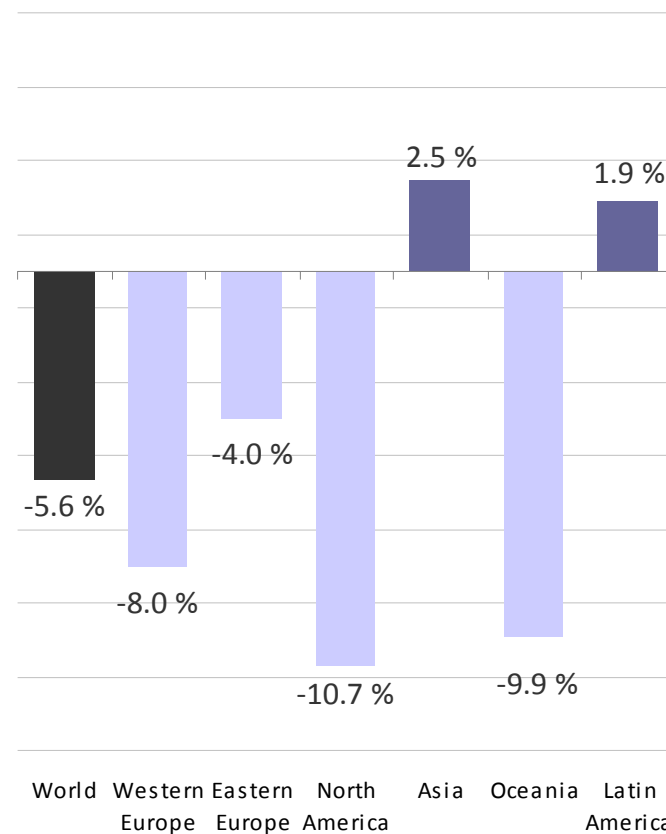
RISI, German and US East Coast prices

Weak demand development

Newsprint



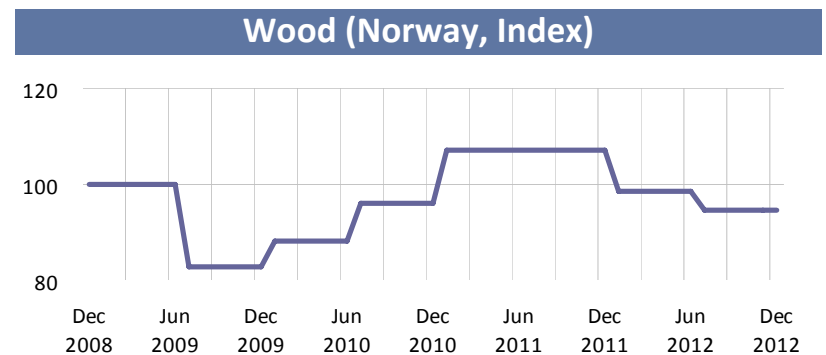
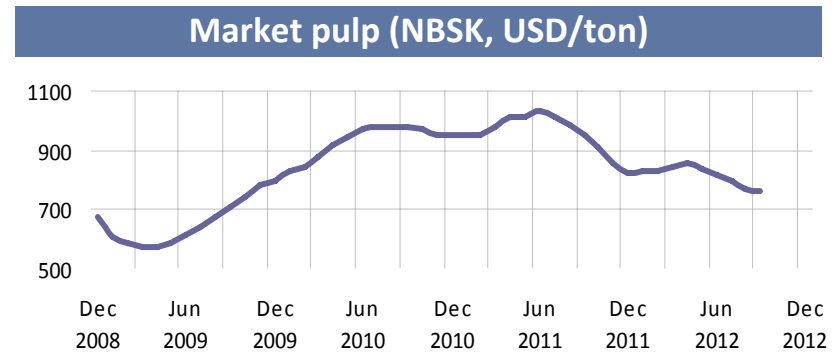
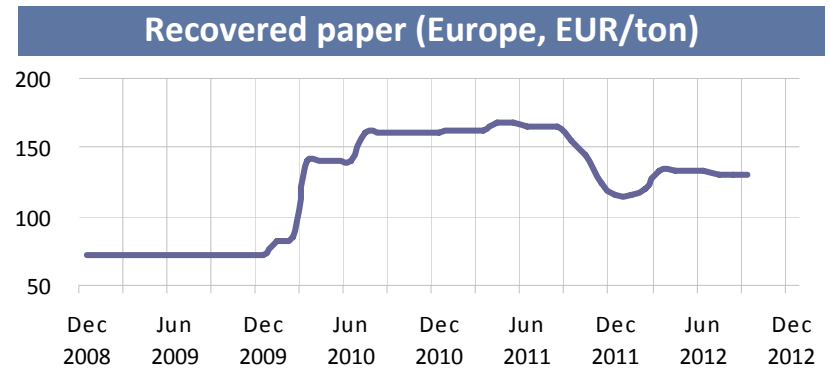
Magazine



EURO-GRAPH; YTD Sep 2012, PPC; YTD Aug 2012

Input cost

- Fibre costs lower
 - Recovered paper prices stable
 - 20% below last year YTD
 - Pulp prices easing further
 - Approaching 20% lower YTD
 - Norwegian wood prices trending down



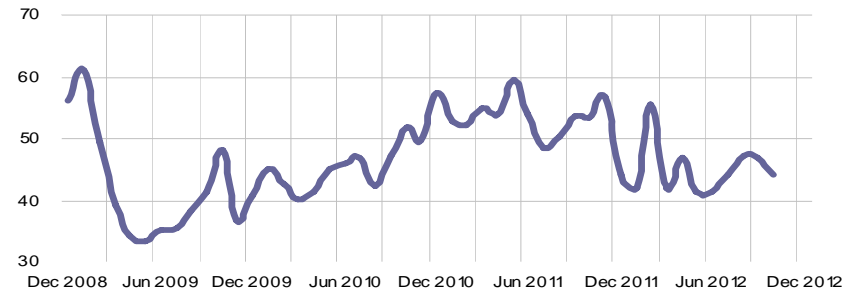
RISI, German Newspapers (2.01), NBSK delivered N. Europe
 Company data, Wood Index: Dec 2008 = 100

Input cost - Energy

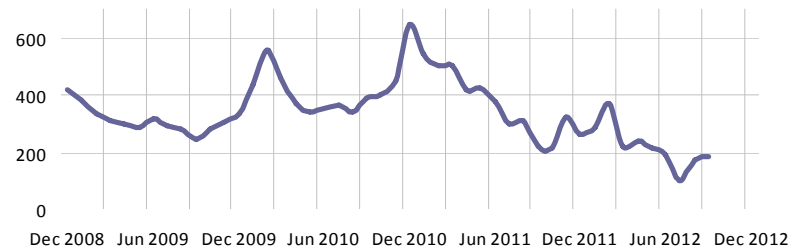
- Electricity prices above trough levels
 - But remaining well below last year
 - Group has spot exposure in continental Europe

- European gas prices higher
 - Only Bruck has gas fired generation capacity

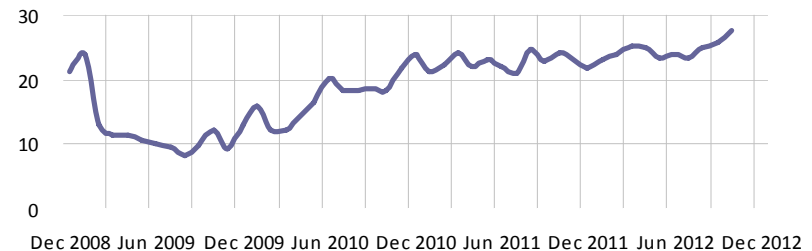
Power Germany (EUR/MWh)



Power Norway (NOK/MWh)



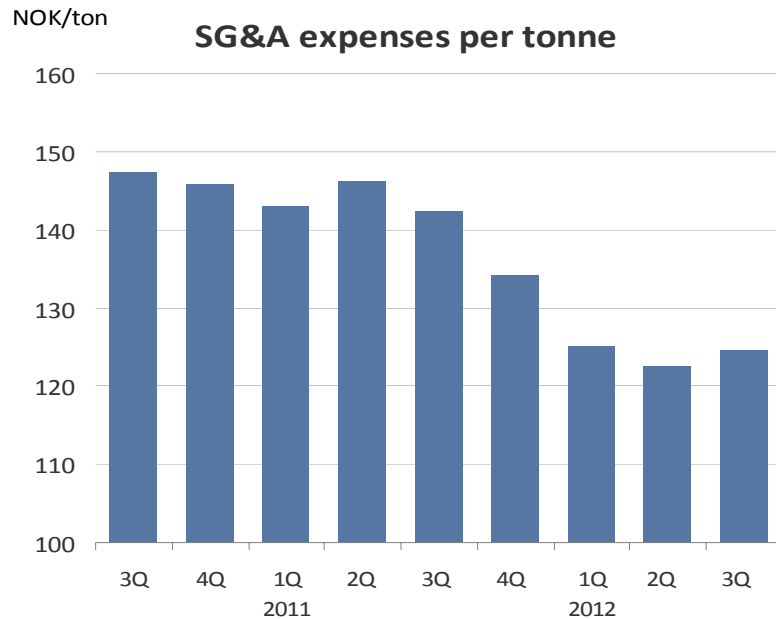
Gas Europe (EUR/MWh)



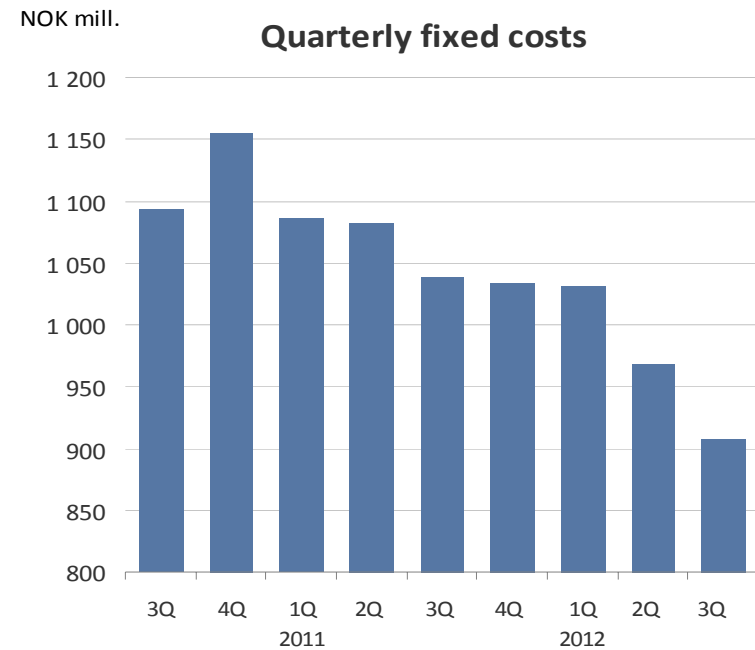
Reuters, NordPool

Fixed costs coming down

- **SG&A expenses at lower level**
 - Remaining just above NOK 120 per tonne
 - Despite lower production



- **Fixed costs noticeably reduced**
 - Cost initiatives and less capacity
 - Quarterly level down by NOK 200 mill. last two years



Adjusted for provisions

3Q12 financials

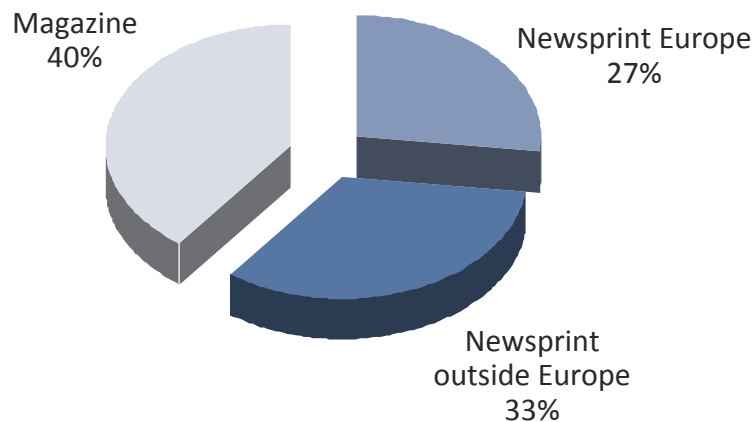
Key financials 3Q12

- Revenues lower
 - Lower volumes in weak markets
 - Less capacity
- Costs reduced
 - Variable: Lower input factor costs
 - Fixed: Noticeably lower through cost initiatives and capacity reductions
- New depreciation level YoY
 - Extended economic life of paper machines
- Other gains and losses
 - Reduced value of energy assets
- Financials
 - Accrued interest and FX gain

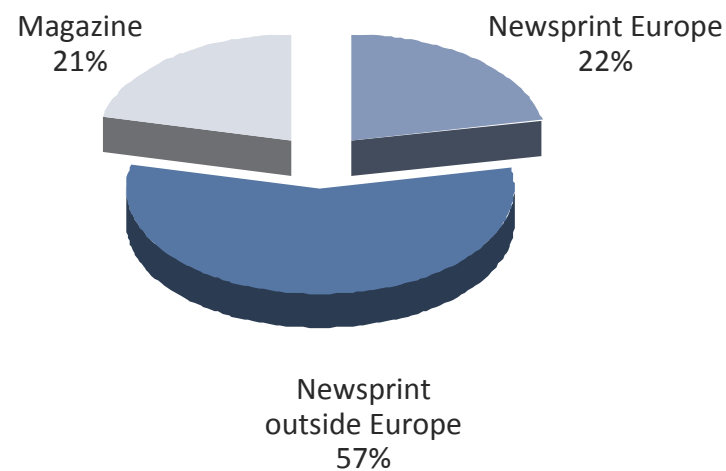
Key figures (NOK mill.)	3Q11	2Q12	3Q12
Operating revenue	4 799	4 377	4 115
EBITDA	469	393	365
Depreciation	-429	-230	-231
Other gains and losses	-43	-46	-65
Financials	-251	-242	86
CF from operations adjusted	388	423	550

Revenue and EBITDA contribution by segment

Revenue



EBITDA



Newsprint Europe

- 3 mills in 3 countries
 - Norway (Skogn), France (Golbey) and Austria (Bruck)
- 1.3 mill. tonnes of capacity
- Revenues lower
 - Lower volumes in weak market
 - Less capacity
- Costs reduced
 - Variable: Lower input factor costs
 - Fixed: Lower through cost initiatives and capacity reductions

Key figures (NOK mill.)	3Q11	4Q11	1Q12	2Q12	3Q12
Operating revenue	1 548	1 368	1 115	1 205	1 072
EBITDA	144	141	104	107	86
EBITDA margin (%)	9.3	10.3	9.4	8.9	8.1
Deliveries ('000 tonnes)	374	333	279	308	290
Operating rate (%)	89	87	83	89	90

Newsprint outside Europe

- 5 mills in 4 countries
 - Australia (Albury, Boyer), New Zealand (Tasman), Brazil (Pisa), Thailand (Singburi)
- 1.2 mill. tonnes of capacity
- Revenues lower
 - Lower volumes in weak market
- Costs relatively stable
 - Variable: Stable input factor costs
 - Fixed: Lower through cost initiatives

Key figures (NOK mill.)	3Q11	4Q11	1Q12	2Q12	3Q12
Operating revenue	1 484	1 423	1 359	1 399	1 317
EBITDA	246	236	196	218	223
EBITDA margin (%)	16.6	16.6	14.4	15.6	16.9
Deliveries ('000 tonnes)	314	294	276	290	272
Operating rate (%)	97	86	86	92	92

Magazine

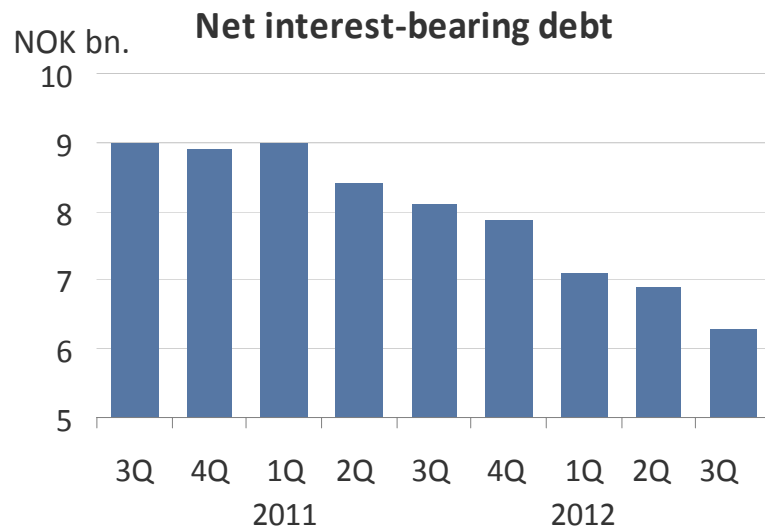
- 4 mills in 4 countries
 - Norway (Saugbrugs), Germany (Walsum), Austria (Bruck), Netherlands (Parenco)
- 1.5 mill. tonnes of capacity
- Revenues stable
 - Stable volumes despite weak market
- Costs relatively stable
 - Variable: Stable input factor costs
 - Fixed: Lower through cost initiatives and capacity reductions

Key figures (NOK mill.)	3Q11	4Q11	1Q12	2Q12	3Q12
Operating revenue	1 568	1 966	1 762	1 602	1 580
EBITDA	77	139	104	90	84
EBITDA margin (%)	4.9	7.1	5.9	5.6	5.3
Deliveries ('000 tonnes)	307	392	356	330	338
Operating rate (%)	89	88	83	90	89

Debt coming down, approaching target levels

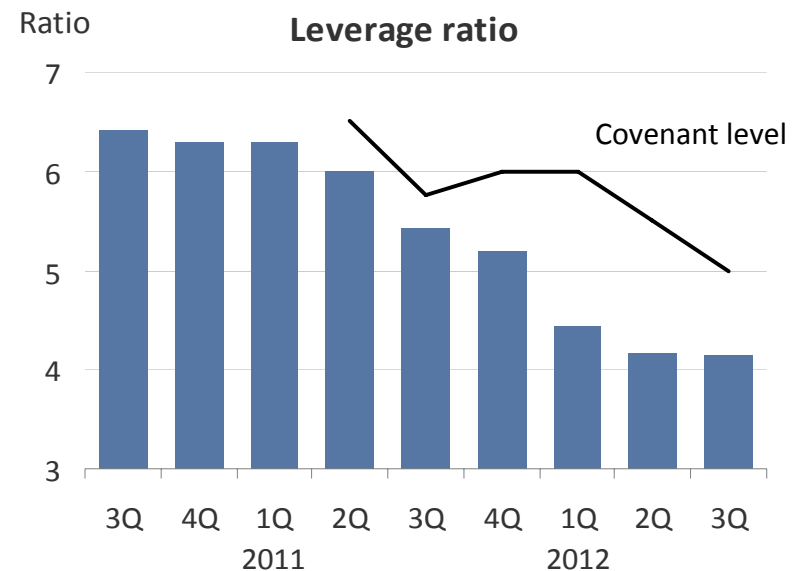
Net debt reduced by NOK 598 mill.

- YTD reduction NOK 1.6 bn. to NOK 6.3 bn.
- Significantly down in two year period from NOK 9 bn.



Leverage ratio lower

- Approaching target levels below 4

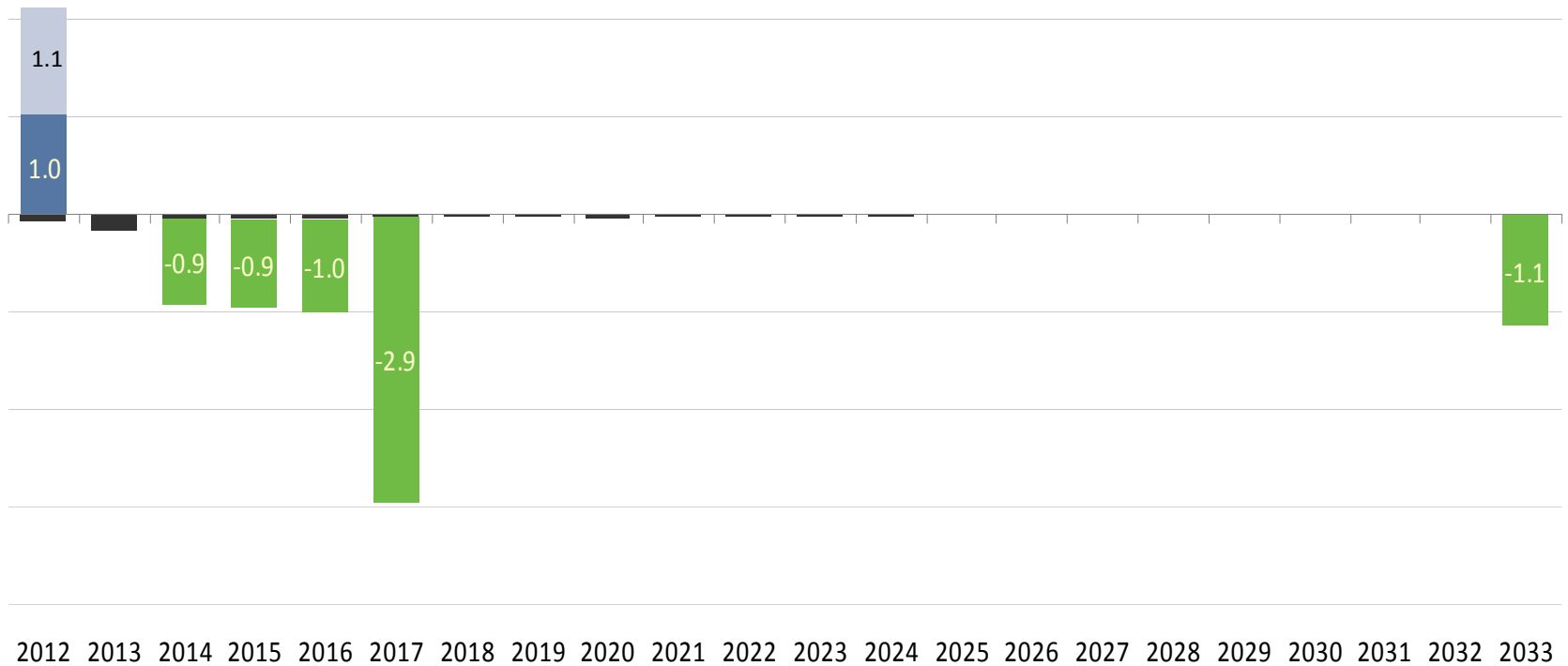


Net interest-bearing debt / EBITDA

Maturity profile

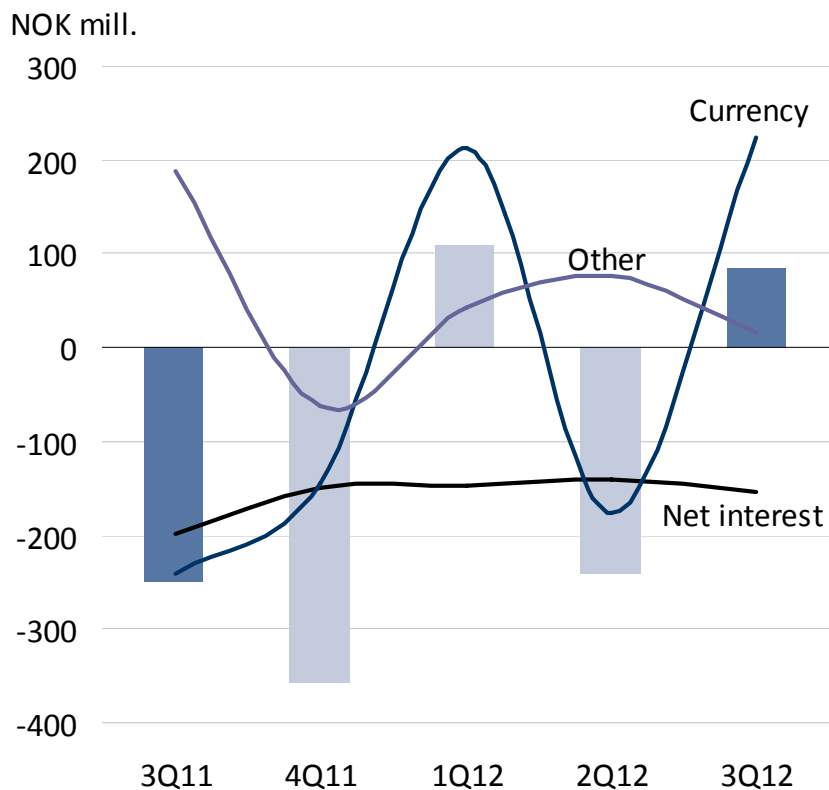
NOK bn.

■ Cash ■ RCF ■ Bank ■ Bonds



As of Sep 2012

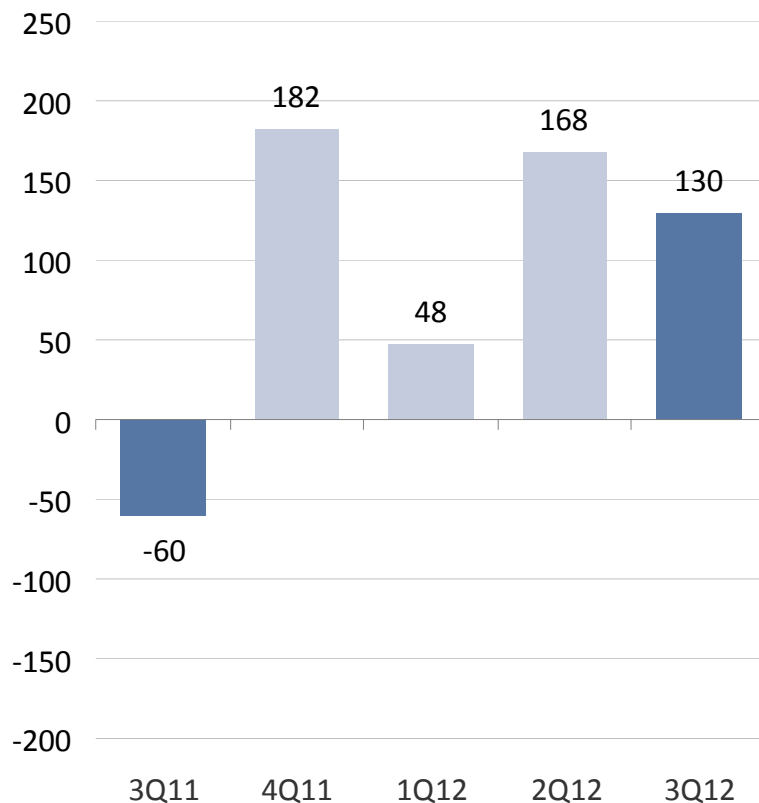
Financial items



- **Net interest stable**
 - At around NOK 150 mill. quarter
- **Currency gain**
 - 1/3 cash flow hedge
 - 2/3 non-hedge accounted debt
- **Other**
 - Including gain on bond buy-backs

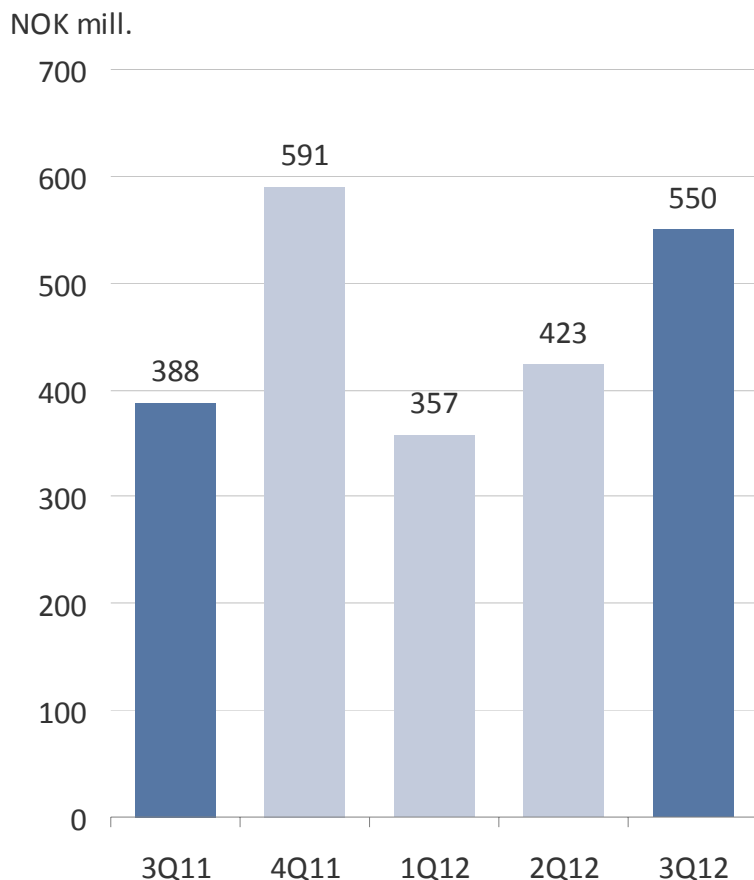
Cash released from working capital

NOK mill.



- Working capital released in 3Q12
 - Operating WC reduced by NOK 130 mill.
 - Accompanied by release from Follum

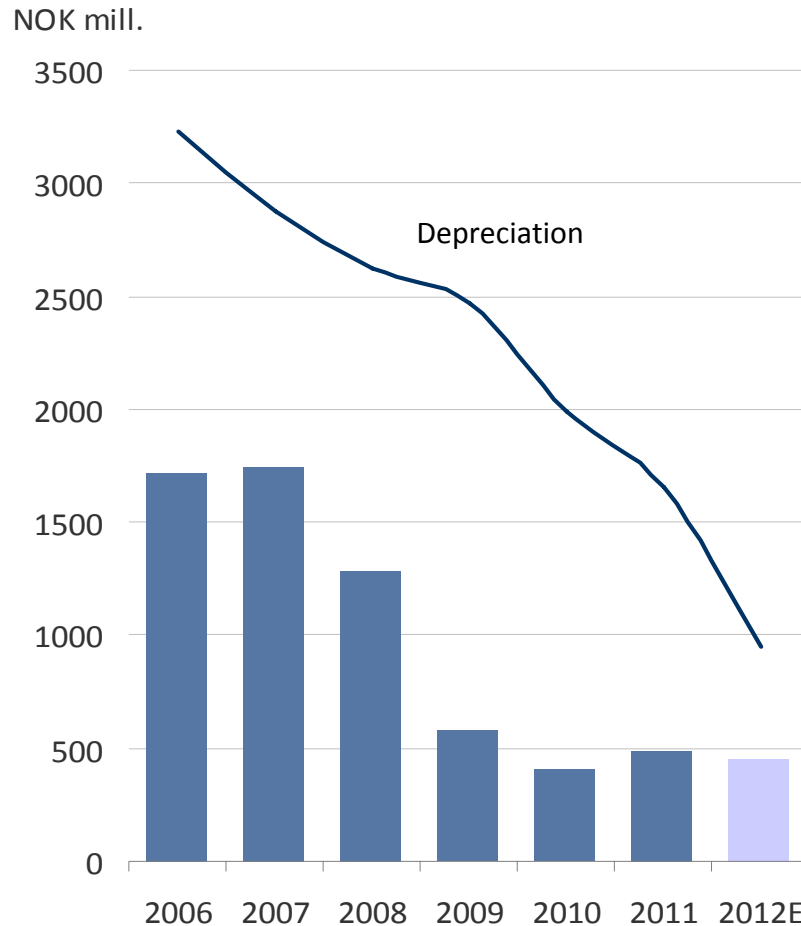
Strong cash flow from operations



(NOK mill.)	3Q12
EBITDA	365
Change in operating WC	130
CF from net financial items	-87
Other	55
CF from operations	463
CF from operations adjusted	550
Capex	-106
Divestments	11
Net investments	-95

CF from operations adjusted = CF from operations before net financial items

Capex modest despite development projects



- Capex 2012 below NOK 500 mill.
 - Level since 2010
- Capex 2013 NOK 600 mill.
 - Boyer conversion
 - Saugbrugs energy efficiency project
- Depreciation lower
 - Annual level below NOK 1 bn.

Outlook and focus

Outlook

- Relatively stable volumes and margins through 2012
 - When the sale of Norske Skog Parenco is taken into account
- Lower variable costs and reduced fixed costs for the year

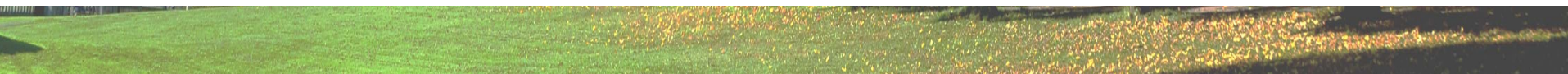
Management focus

- 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

Political challenges in Norway

Regulatory measures with immediate effect

- Harmonization of Norwegian and Swedish truck regulations
 - With respect to weight, length and height
 - Current limitations in Norway give Swedish competitors a significant transport cost advantage
- Elimination of property tax for production facilities
 - At least standardization of valuation principles throughout the country
- CO₂ compensation for electricity purchases irrespective of contract date
 - Under the current framework only Skogn will receive compensation
 - Saugbrugs will not be compensated as contracts were entered before 2005
- Innovation Norway as funding source for industrial players
 - Norske Skog is today burden with prohibitively expensive funding



Management focus

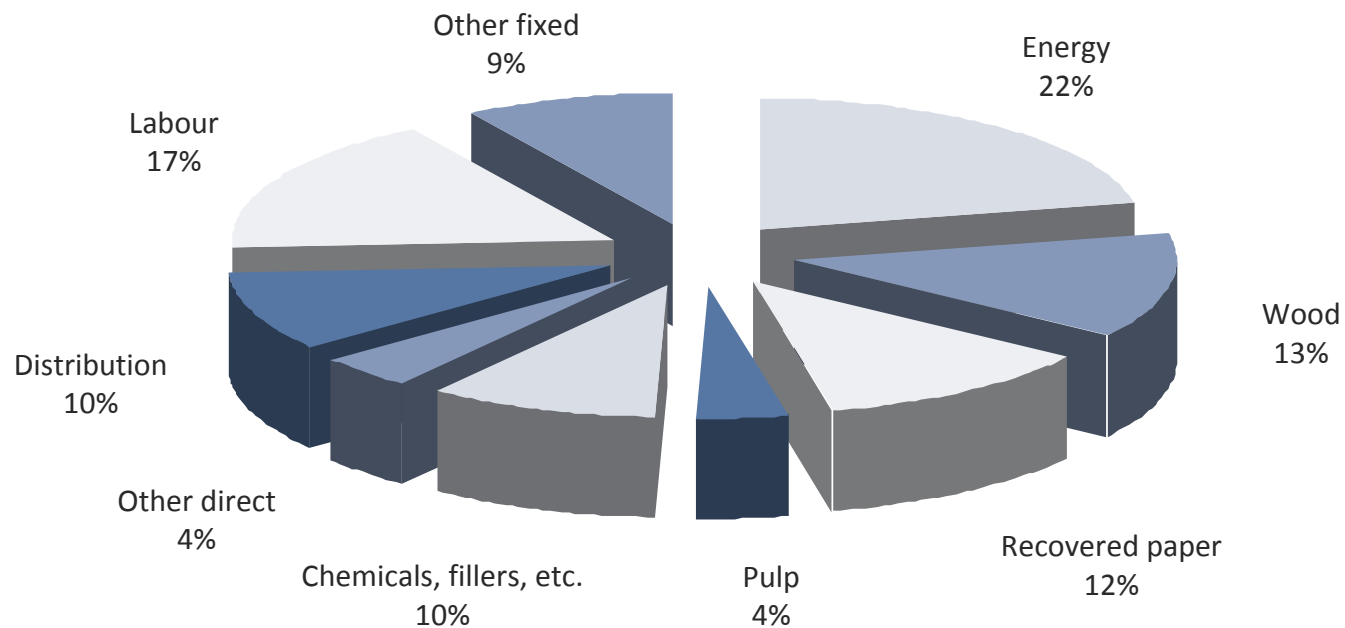
- Improve margins
 - Active capacity management
 - Temporary adaptations and permanent closures/conversions
 - Continued cost reductions
 - Fixed cost and energy efficiency measures
- Further identification and sale of unrelated assets
- Reduction of net debt
 - Cash flow from operations
 - Sale proceeds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

Q&A

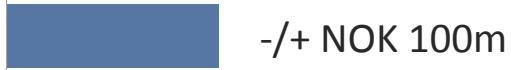
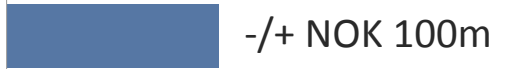
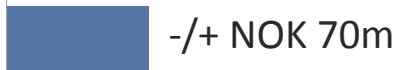
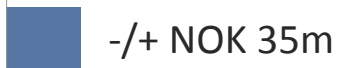
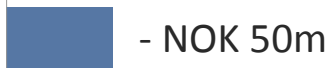

Appendix

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



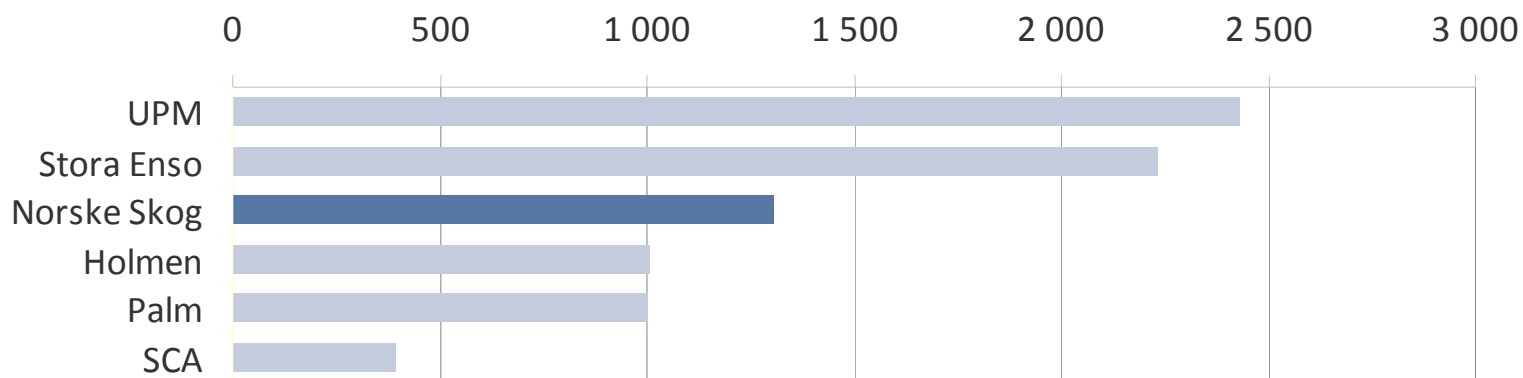
Group sensitivities

Variable costs	Change	EBITDA impact
• Wood	+/- 5%	 +/- NOK 100m
• Recovered paper	+/- 5%	 +/- NOK 100m
• Energy	+/- 5%	 +/- NOK 70m
• Pulp	+/- 5%	 +/- NOK 35m
• NOK	Appreciating	Impact
• EBITDA	1%	 - NOK 50m
• Net debt	1%	 - NOK 65m

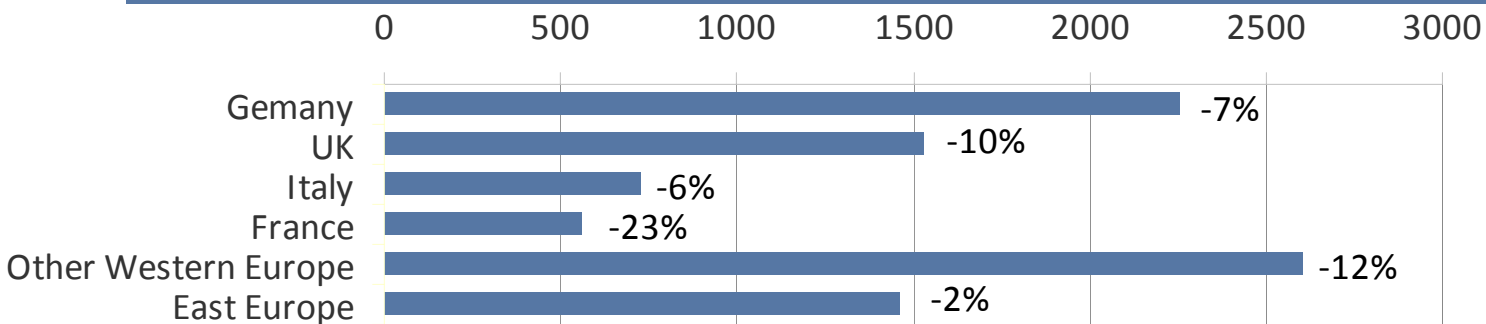
Annual impact; assuming change in market prices and ST contract prices only, LT contract prices remaining fixed

Newsprint Europe

Western Europe newsprint capacity by producers (EUR market)



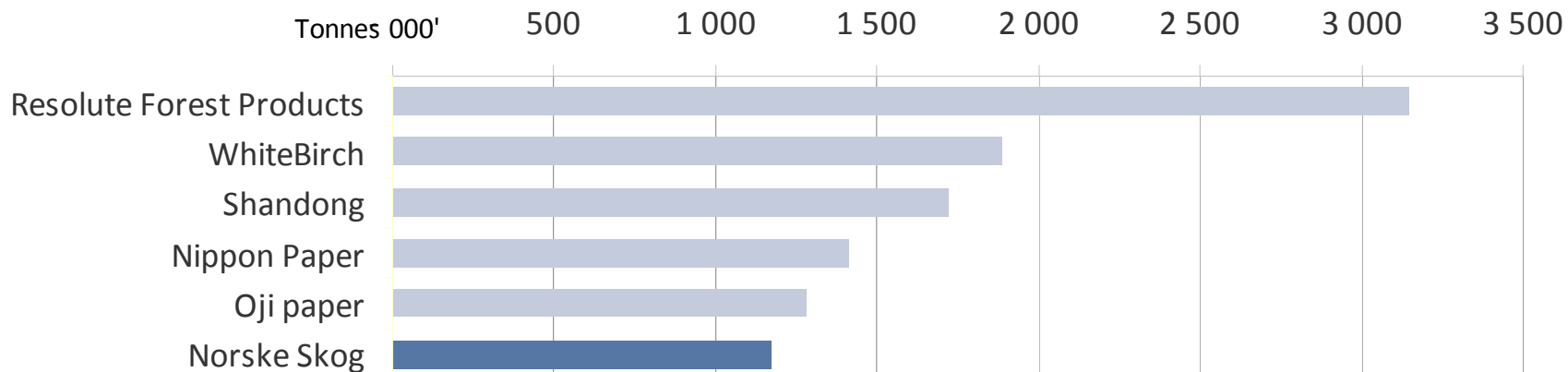
Annual demand (YTD growth)



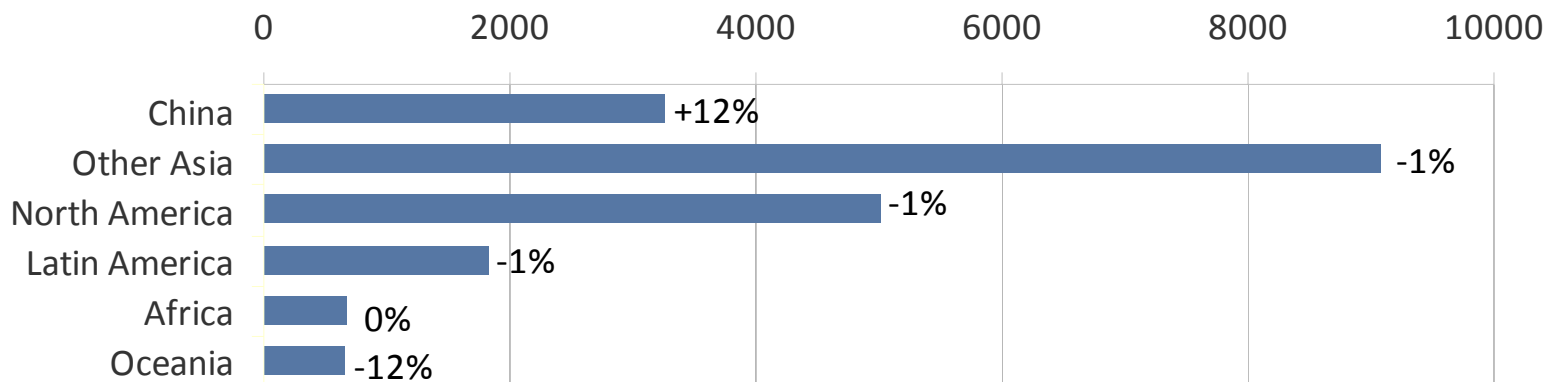
PPPC; annual 2011 and YTD Aug 2012

Newsprint outside Europe

Outside Europe newsprint capacity by producers (USD market)



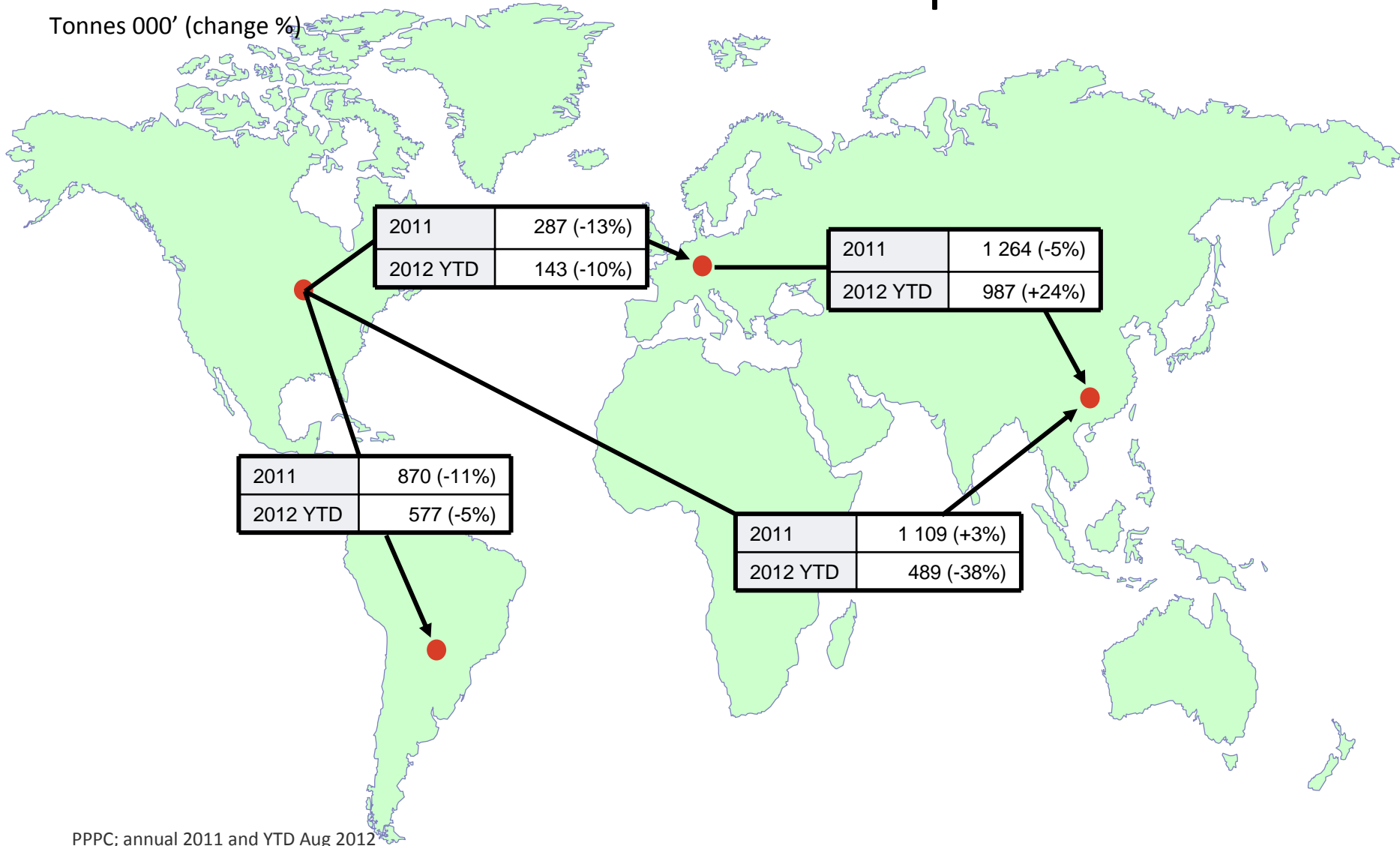
Annual demand (YTD growth)



PPPC; annual 2011 and YTD Aug 2012

Main trade flows – Standard newsprint

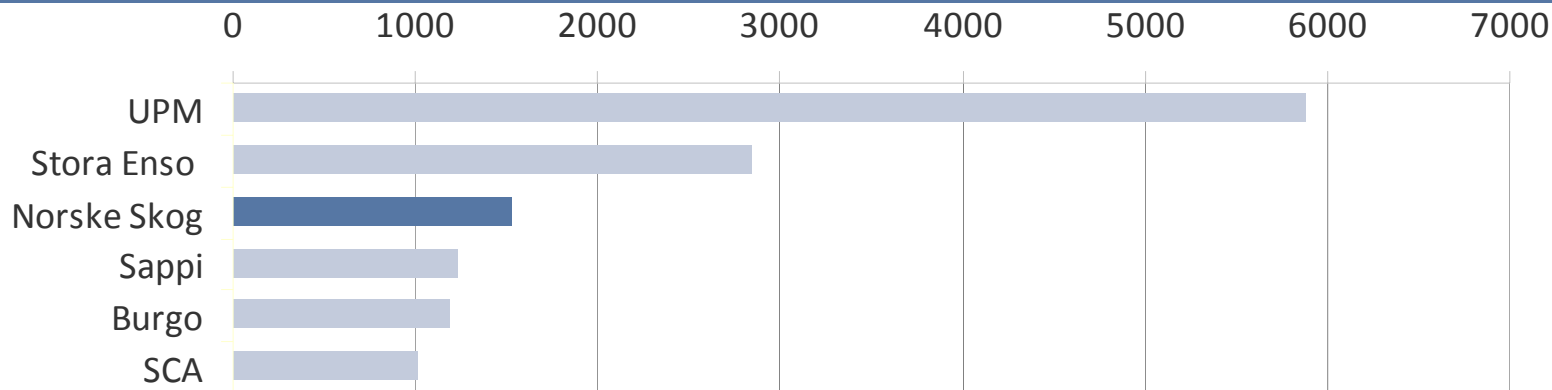
Tonnes 000' (change %)



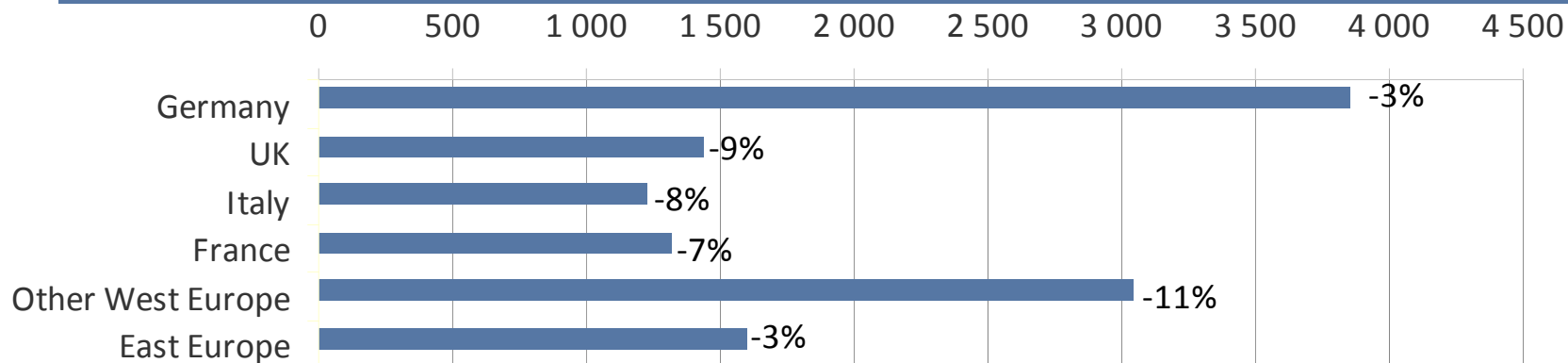
PPPC; annual 2011 and YTD Aug 2012

Magazine

Western Europe magazine capacity by producers



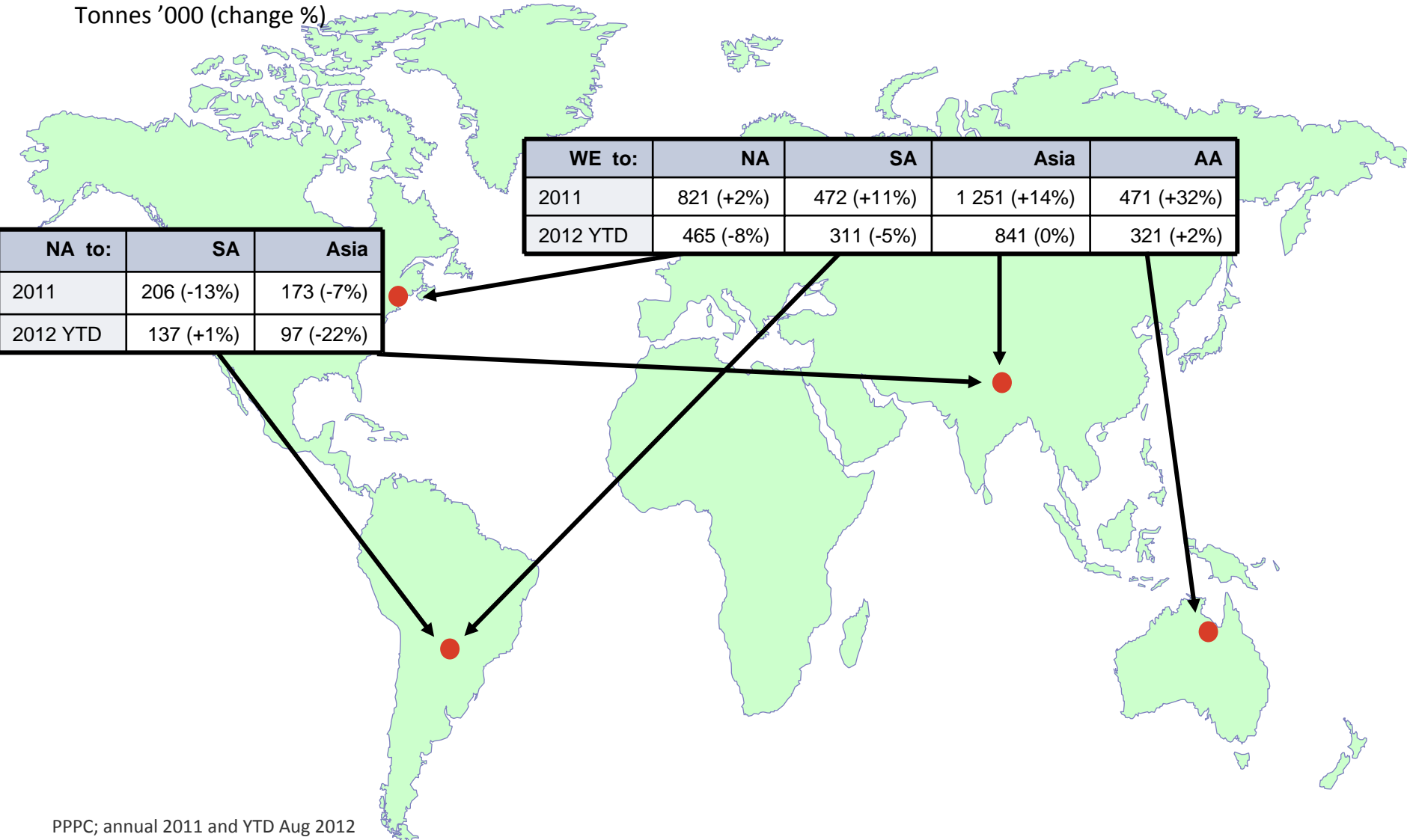
Annual demand (YTD growth)



PPPC; annual 2011 and YTD Aug 2012

Main trade flows – Magazine paper

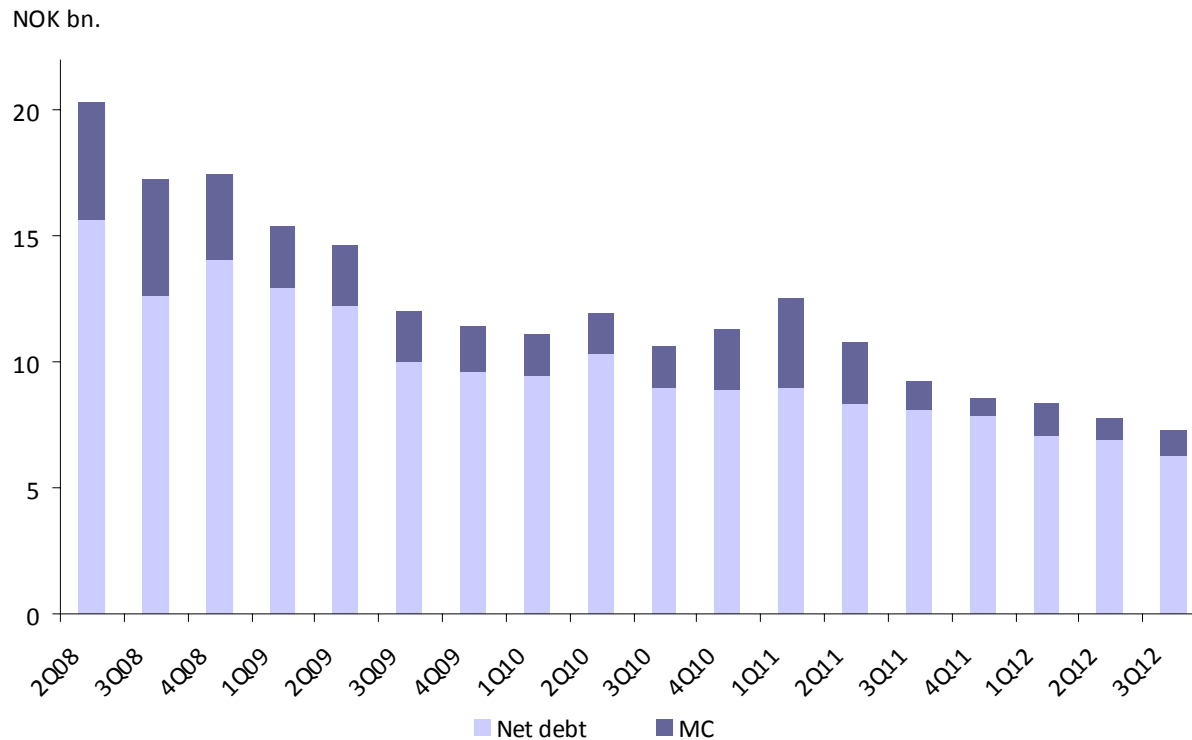
Tonnes '000 (change %)



PPPC; annual 2011 and YTD Aug 2012

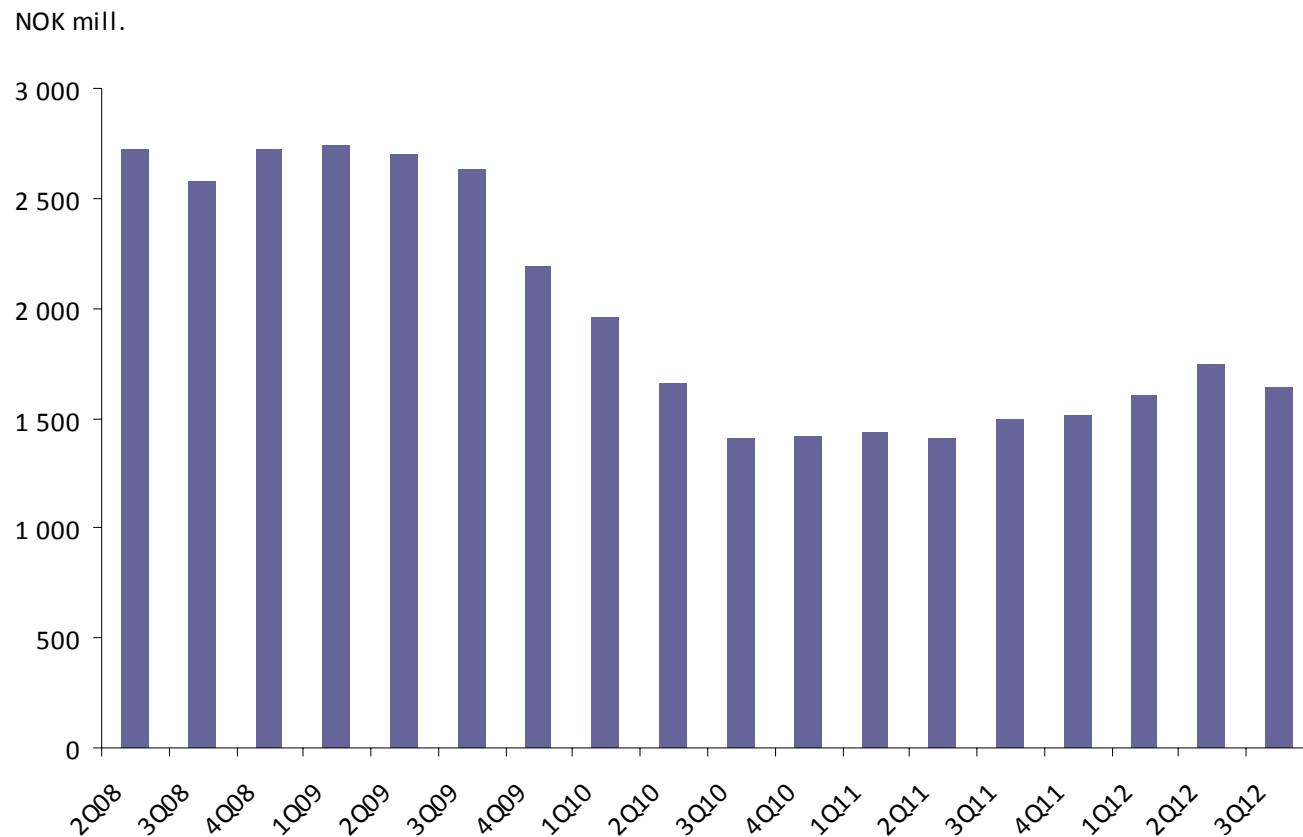
Debt more than halved since 2008

- Net debt reduced from NOK 16 bn. in 2Q08 to NOK 6 bn. in 3Q12
- Reduced debt burden lending no aid to market capitalization (MC)
 - MC reduced by 80% to NOK 1 bn. in the period



EBITDA troughed in 2010

- TTM EBITDA reached low point in 3Q10
- TTM EBITDA since improved from trough



Trailing twelve months (TTM)

Diverging trends

- Enterprise value (EV) on steady decline
- TTM EBITDA higher

