

# Q2 2011 presentation

4 August 2011

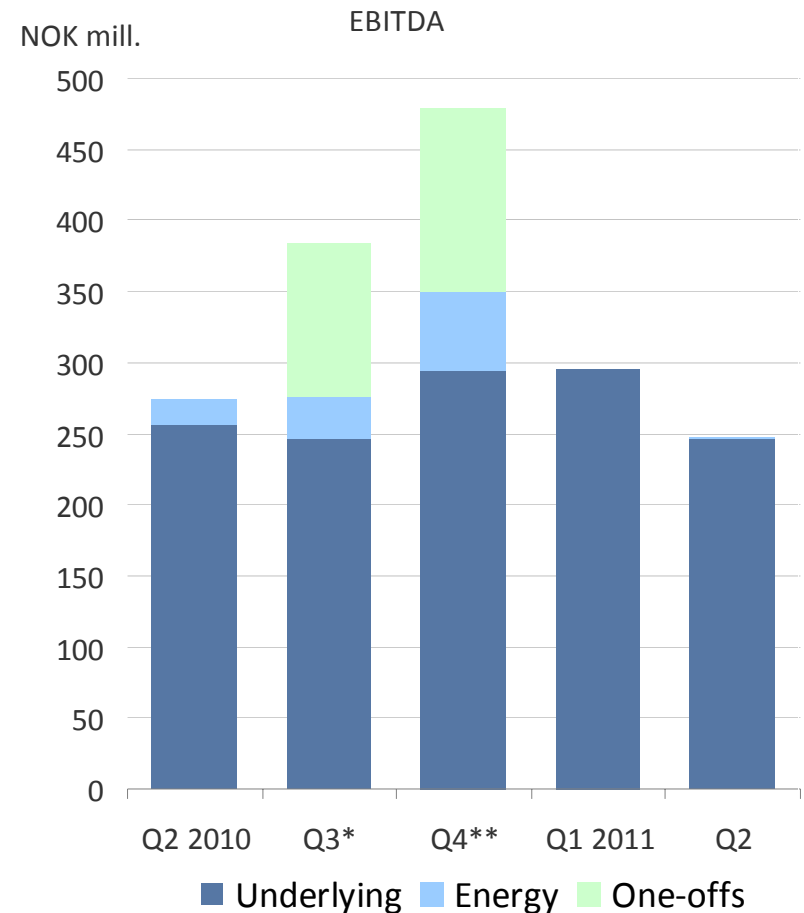


# Q2 2011 presentation

Sven Ombudstvedt  
CEO

## Q2 in brief

- Lower revenue due to fire at Saugbrugs
- Input costs remain high
- Underlying EBITDA slightly lower
- Successful restart at Saugbrugs
- Refinancing
  - Bank facility
  - Bond issue
- Sale of non-core assets
- Norwegian legal clean up completed
- Net interest-bearing debt reduced by NOK 0.6 bn

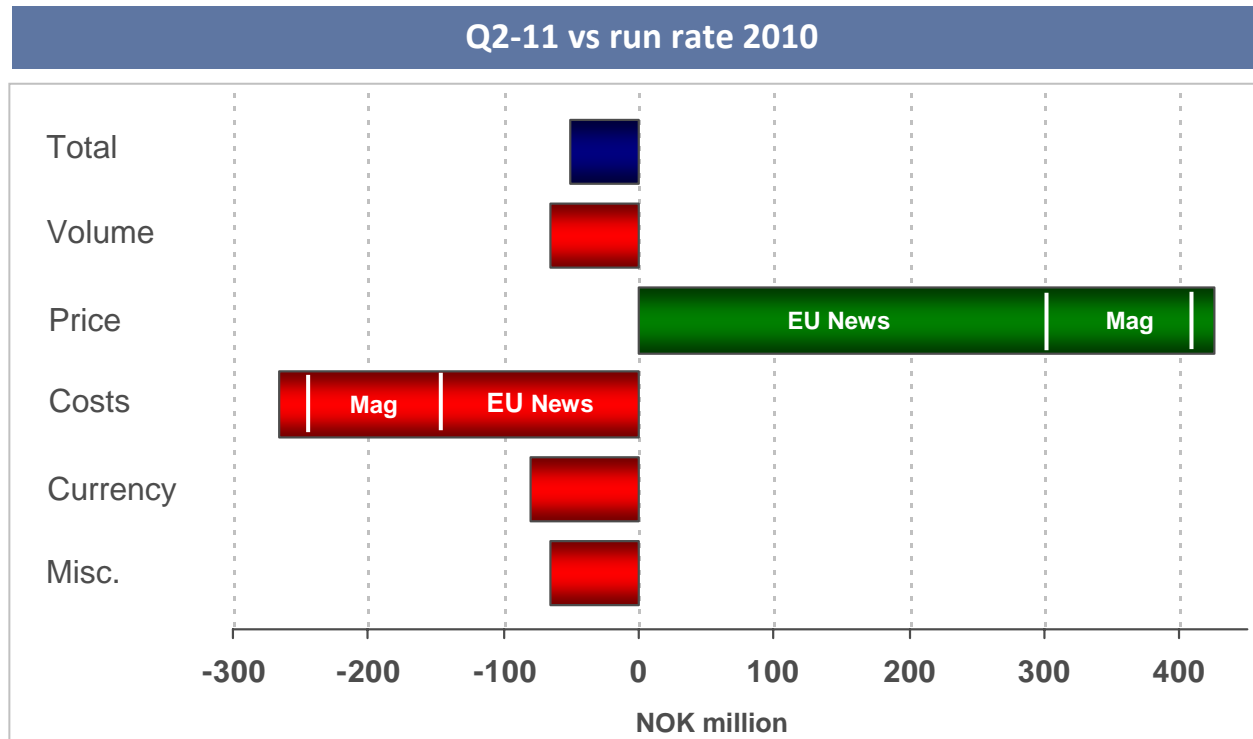


\*) Including reversal of an environmental provision of NOK 108 mill.

\*\*\*) Including reversal of provision and income related to pension schemes

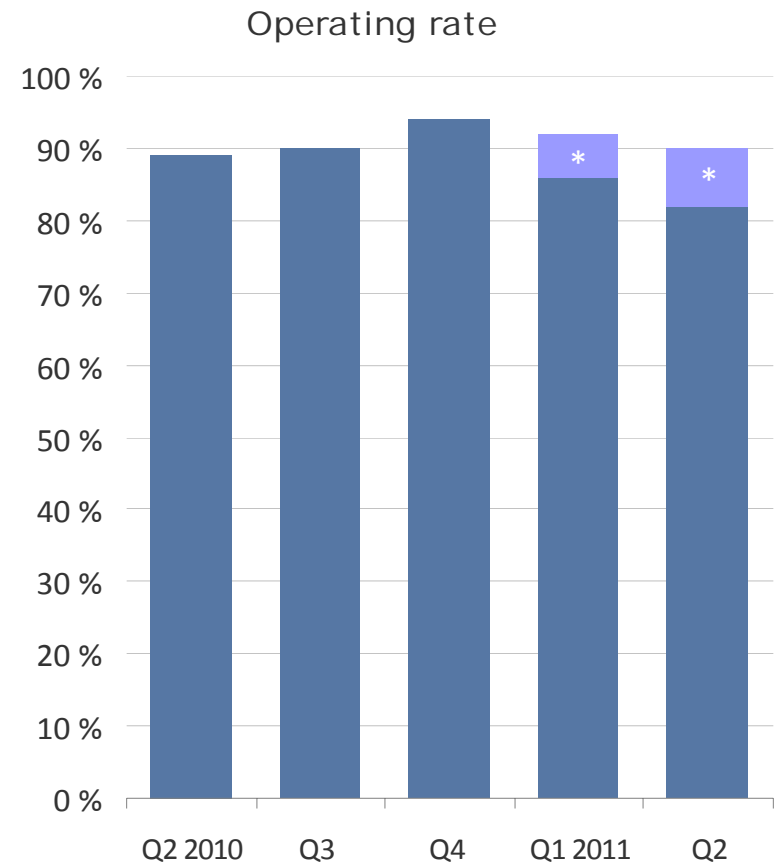


# Impacts on EBITDA



# Gradually improving market

- Norske Skog's prices slightly higher in Q2
  - Reference prices for newsprint Europe flat
  - Reference prices for magazine paper Europe flat
- Price increases expected in H2
- Demand Q2
  - Newsprint Europe up
  - Newsprint Australasia down
  - Magazine Europe down
  - Magazine exports up
- Operating rate 82%
  - Affected by fire at Saugbrugs
  - Adjusted for outage 90%

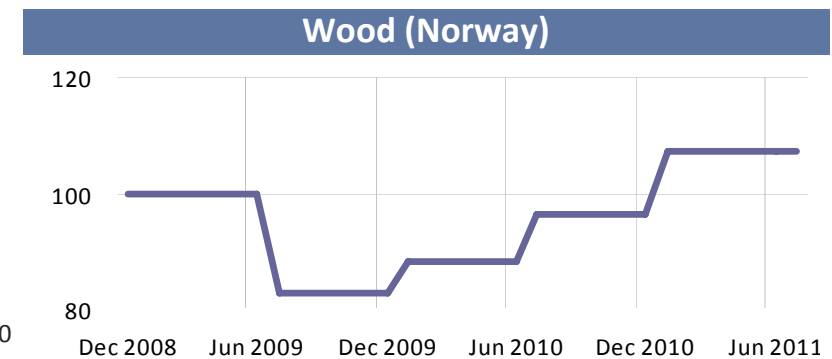
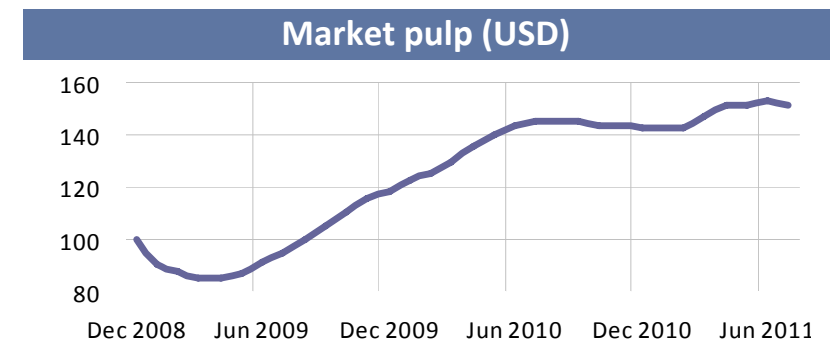
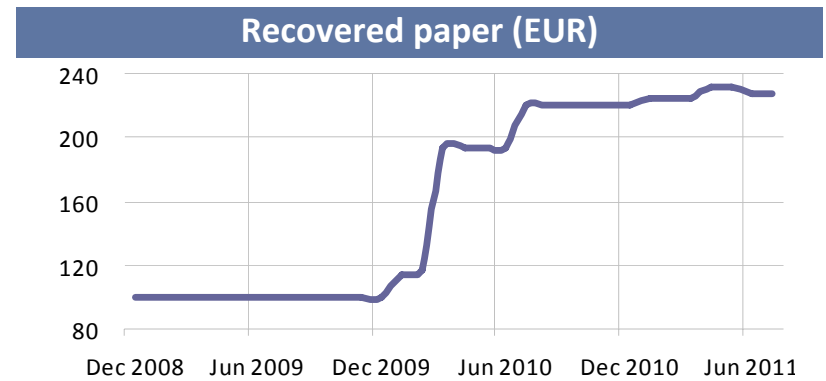


Source of reference prices: RISI

\*) Adjusted for capacity at Norske Skog Saugbrugs

# Input prices remain high

- Cost pressure on most raw materials
- Have seen some easing on RP and pulp going into Q3
- Energy prices in Norway sliding, wood stable
- Input cost inflation 5-6% in 1H vs. average for 2010



Index: Dec 2008 = 100  
Source: RISI, Company data

# Sale of non-core assets

## Enerpar

- Energy company in Brazil
- Secures energy to Norske Skog Pisa through 2014
- Sales price NOK 410 mill (BRL 120m)

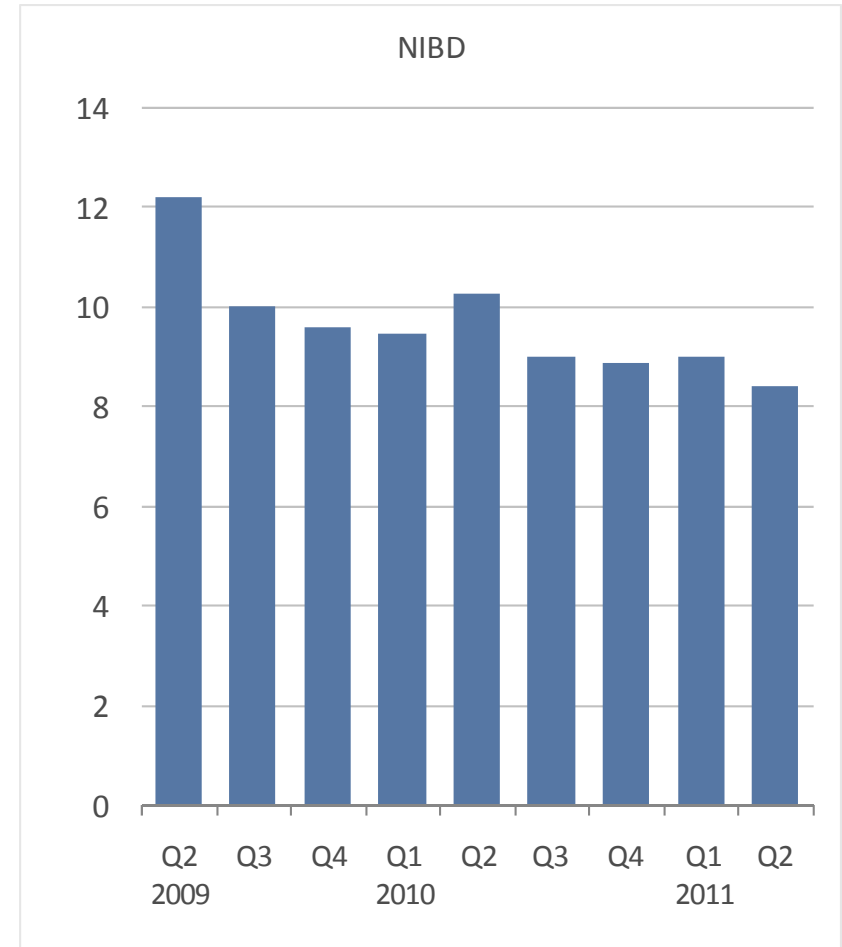
## Florestal

- 21 500 hectares of forest in Brazil
- Sales price NOK 335 mill (US\$ 63.5m)

**Combined net gain before tax NOK 139 mill booked in Q2**

# Continued debt reduction

- Net interest-bearing debt NOK 8.4 bn, down NOK 0.6 bn from end of Q1
  - Sale of forest in Brazil
  - Sale of energy in Brazil
- Gearing ratio 0.85, down from 0.90 at end of Q1





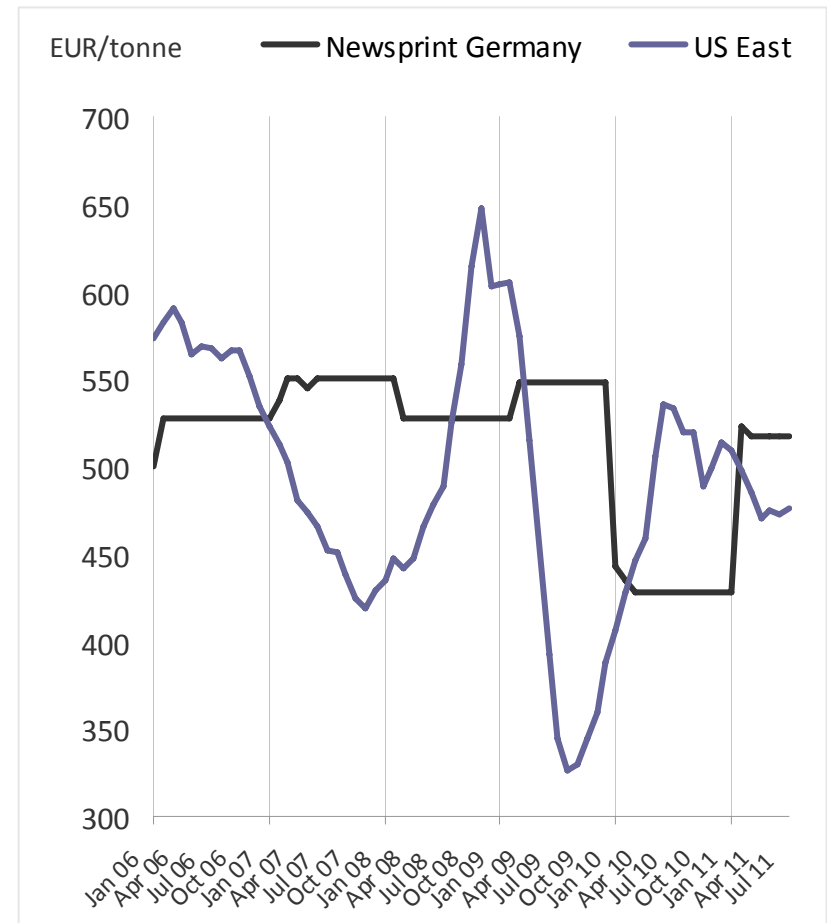
# Demand 2011 per region/segment

Region/segment	Annual change (YTD)*	Comments
World standard newsprint	-5.1 %	
North America standard newsprint	-6.9 %	
Europe standard newsprint	1.4 %	Western Europe (0 %) Eastern Europe (+11 %)
Europe magazine paper (incl. improved newsprint etc)	-1.4 %	SC (-4 %), LWC (-1 %) Improved NP etc. (+3 %)
Non-Japan Far East Standard newsprint	-10.6 %	India (+3%) China (-24%)
Australasia standard newsprint	-8.1 %	
Latin America standard newsprint	-1.2 %	Brazil (-11%)

\*) Jan-June 2011 vs same period in 2010  
Source: PPPC, CEPIPRINT

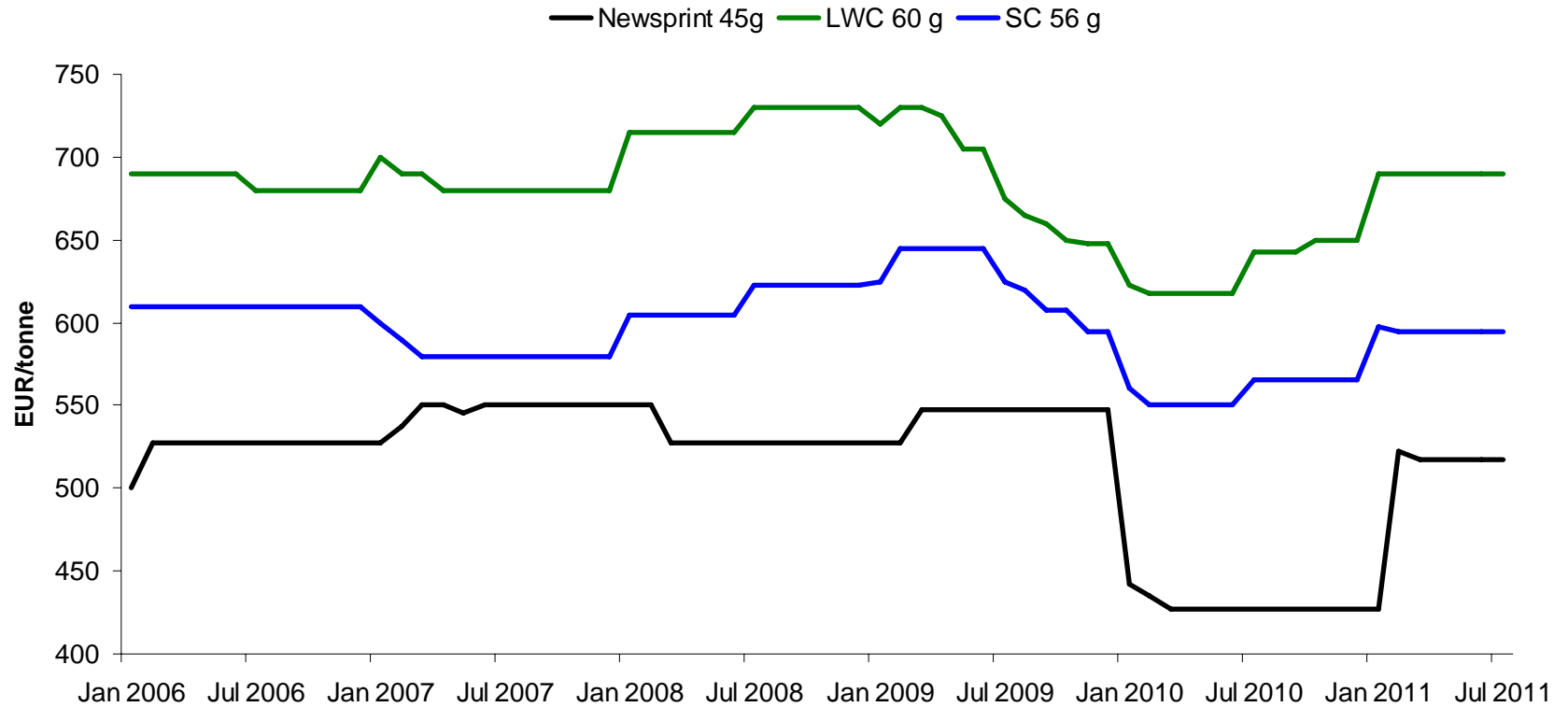
# Price developments – Europe vs. USA

- We expect price increases in H2
- Deliveries/capacity newsprint in Europe at 98% in Q2
- Average price in Europe last 15 years: €540-550
- Minor changes in relative prices Europe vs. US in Q2
- USD price in:
  - Hong Kong = \$675
  - India = \$680



Source: RISI

# Price development - Germany





# Print – still a strong industry

- Print advertising spending world wide seen stable\*
  - 2010: US\$ 140 bn
  - 2011e: US\$ 137 bn
  - 2012e: US\$ 137 bn
  - 2013e: US\$ 136 bn
- Global newspaper circulation has grown
  - 2005-2009: Global paid newspaper circulation +6%\*\*
    - Up in Asia, South America and Africa
    - Down in Europe, North America and Australasia
    - India +40%
- Still investments into European printing equipment
- Printed paper with advertising strength
- Environmental product
  - Renewable raw materials
  - High degree of recycling

\*) ZenithOptimedia July 2011

\*\*\*) World Association of Newspapers Aug 2010



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Audun Røneid  
CFO



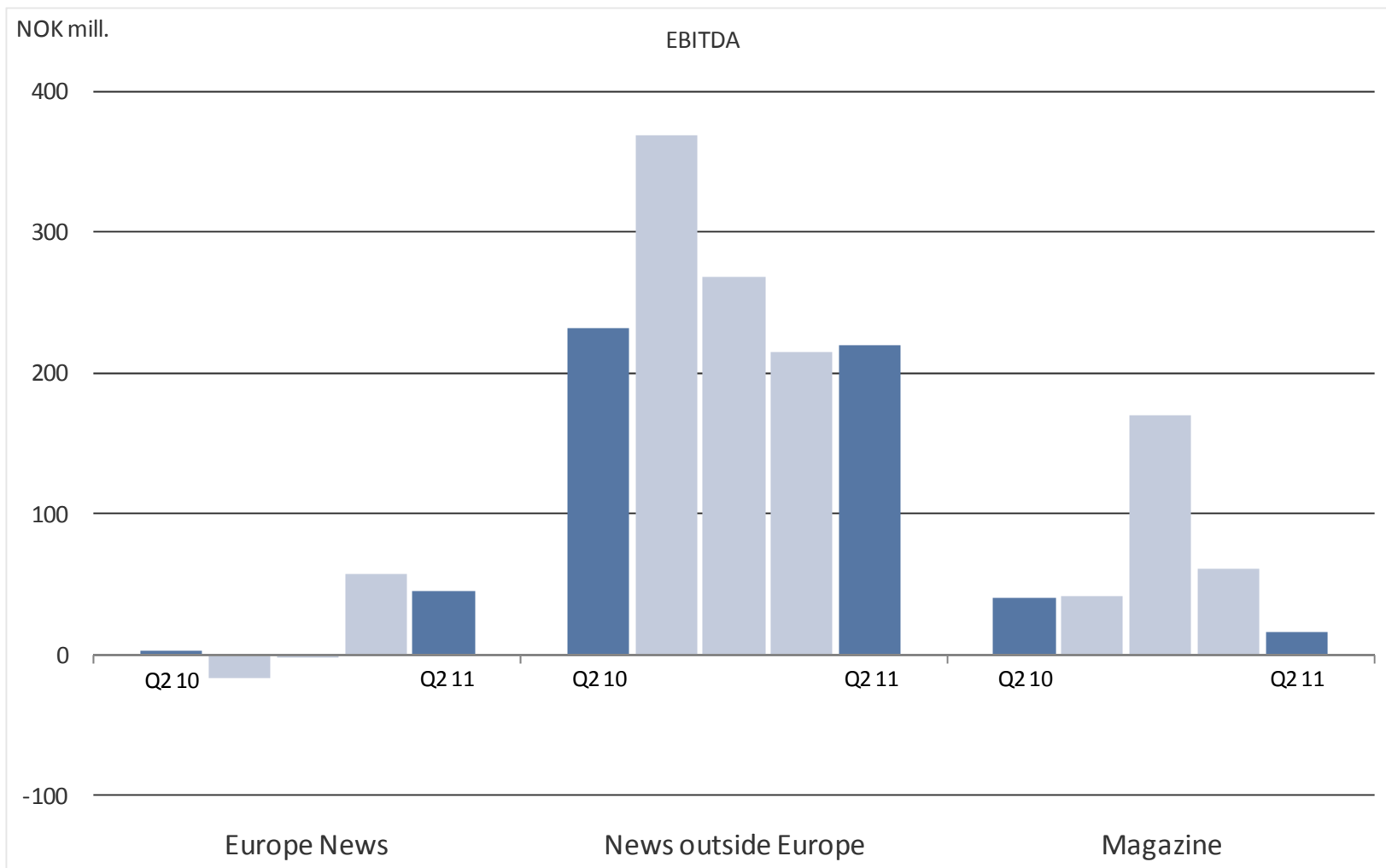
# Key financials Q2 2011

Key figures (NOK mill.)	Q2 2011	Q1 2011	Q2 2010
Operating revenue	4 542	4 594	4 577
EBITDA	248	296	275
EBIT before special items	-184	-136	-226
Result after tax	-280	169	-874

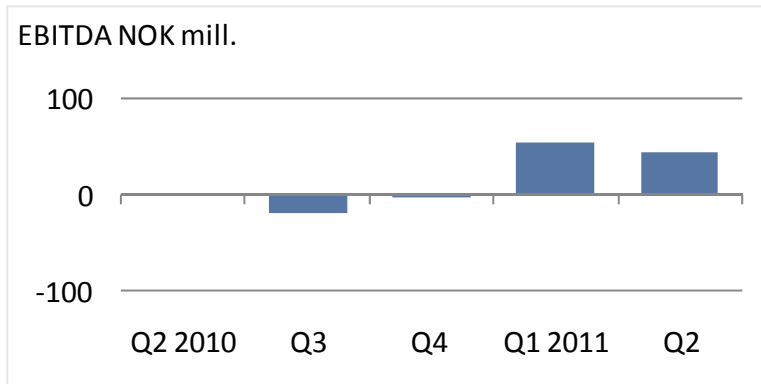
- EBITDA: MNOK 248
  - Flat in Newsprint
  - Weaker in Magazine paper
  - High prices on input factors
  - Negative effect from strong NOK
  - Energy will no longer contribute significantly to EBITDA, was positive in Q2 2010
- Net result: MNOK -280
  - Positive effect from sale of non-core assets
  - Negative effect from changes in value of energy contracts
  - Positive effect from currency hedging



# Results - segments



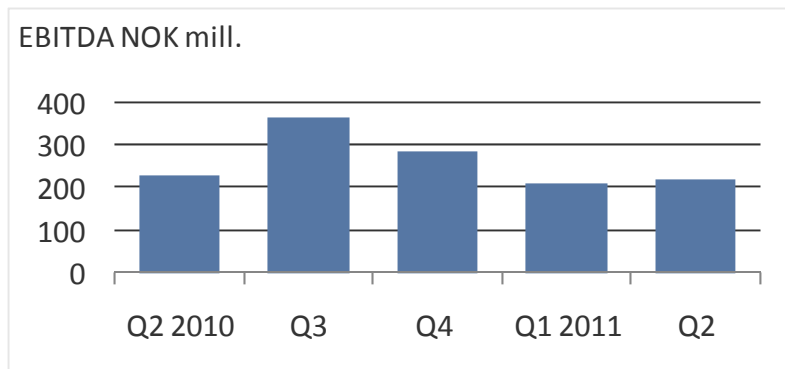
# Newsprint Europe



Key figures (NOK mill.)	Q2 2011	Q1 2011	Q2 2010
Operating revenue	1 619	1 499	1 402
EBITDA	45	56	2
EBITDA margin	2.8 %	3.7 %	0.1 %
Deliveries (1 000 tonnes)	402	379	394

- Higher prices than in Q1, but limited by currency development
- Stock revaluation in Q1
- Prices for recovered paper, wood and energy remain high
- Strong NOK
- Operating rate 88%
  - Various production disruptions in Q2

# Newsprint outside Europe

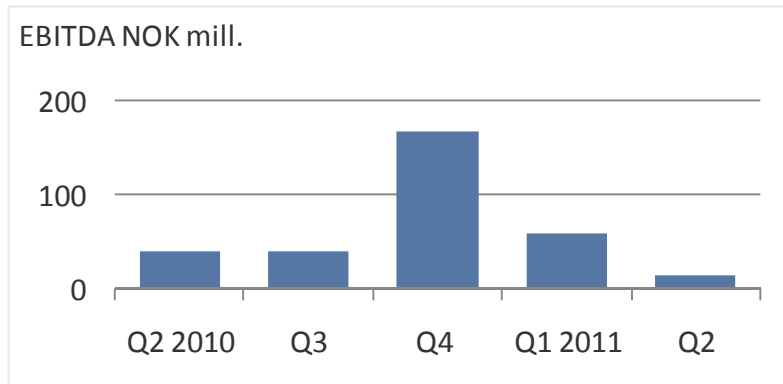


Key figures (NOK mill.)	Q2 2011	Q1 2011	Q2 2010
Operating revenue	1 445	1 327	1 375
EBITDA	219	214	231
EBITDA margin	15.2 %	16.1 %	16.8 %
Deliveries (1 000 tonnes)	304	278	284

- Increased revenue due to increased volumes
  - Maintenance stop at Boyer in Q1
- Somewhat lower margins in Australasia due to higher export sales to Asia
- Operating rate 92%



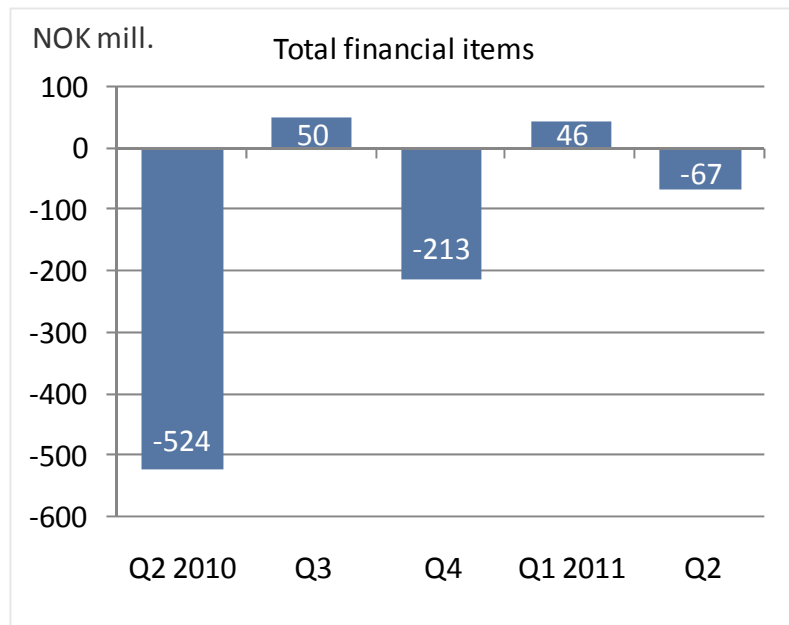
# Magazine paper



Key figures (NOK mill.)	Q2 2011	Q1 2011	Q2 2010
Operating revenue	1 276	1 482	1 488
EBITDA	15	60	40
EBITDA margin	1.2 %	4.1 %	2.7 %
Deliveries (1 000 tonnes)	217	262	304

- Revenue and volumes strongly affected by fire at Saugbrugs
  - Fire 2<sup>nd</sup> February
  - Normal production end of June
- Lower EBITDA
  - Increased exports with lower margins
  - Prices for pulp, wood, energy and chemicals remain high
- Operating rate 65%
  - Adjusted for outage 88%

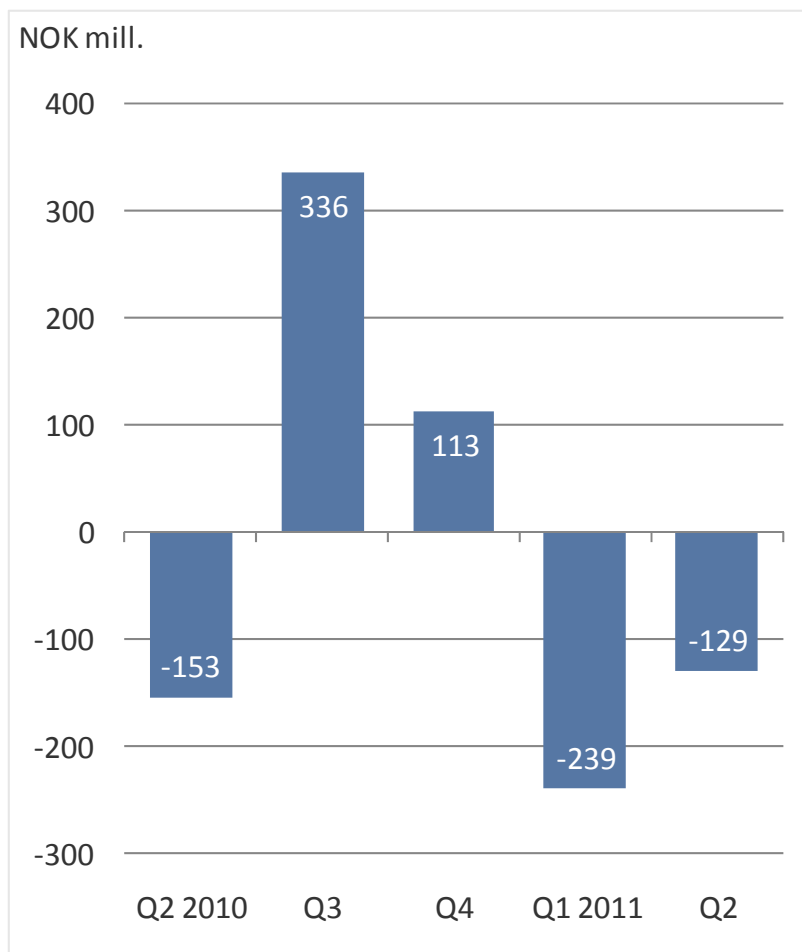
# Financial items



- Currency gain due to appreciation of NOK against USD and GBP

NOK mill	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011
Currency elements	-329	261	-20	216	126

# Cash flow



Cash flow from operations, after financial items and taxes

- EBITDA NOK 248 mill
  - Working capital inflow of NOK 113 mill
  - 70% of annual interest payments in 1H
  - Taxes paid NOK 66 mill
    - Mainly due to sale of non-core assets in Brazil
- 
- Capex NOK 138 mill
  - Divestments NOK 714 mill

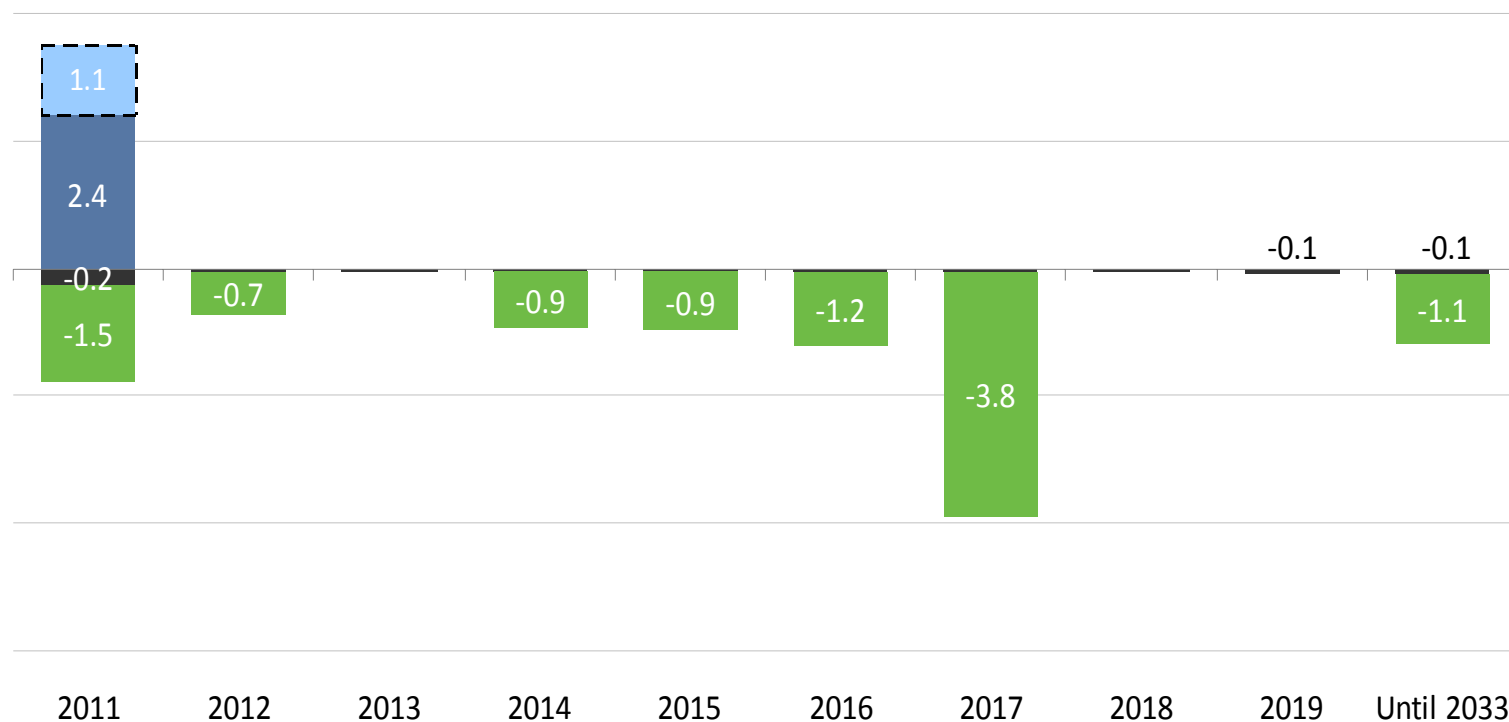
# Refinancing in Q2

- EUR 140 million bank facility

- EUR 150 million bond issue

NOK bn.

■ Cash ■ RCF ■ Bank ■ Bonds



Per 30 June 2011



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Sven Ombudstvedt  
CEO

## Outlook for 2011:

- Increased newsprint prices in H2
- Increased volumes for Magazine paper in H2
- Continued high prices for most input factors, but energy, market pulp and recovered paper showing signs of moderation
- Full year: Better underlying gross operating earnings than 2010, but still unsatisfactory



## Management focus going forward:

- Re-establish earlier price levels and margins in Europe
- Further reduction of debt and fixed costs
- Sale of non-core assets
- Capacity management matched to market
- Positioning for active role in industry consolidation



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Q & A