

Q3 2010 presentation

4 November 2010

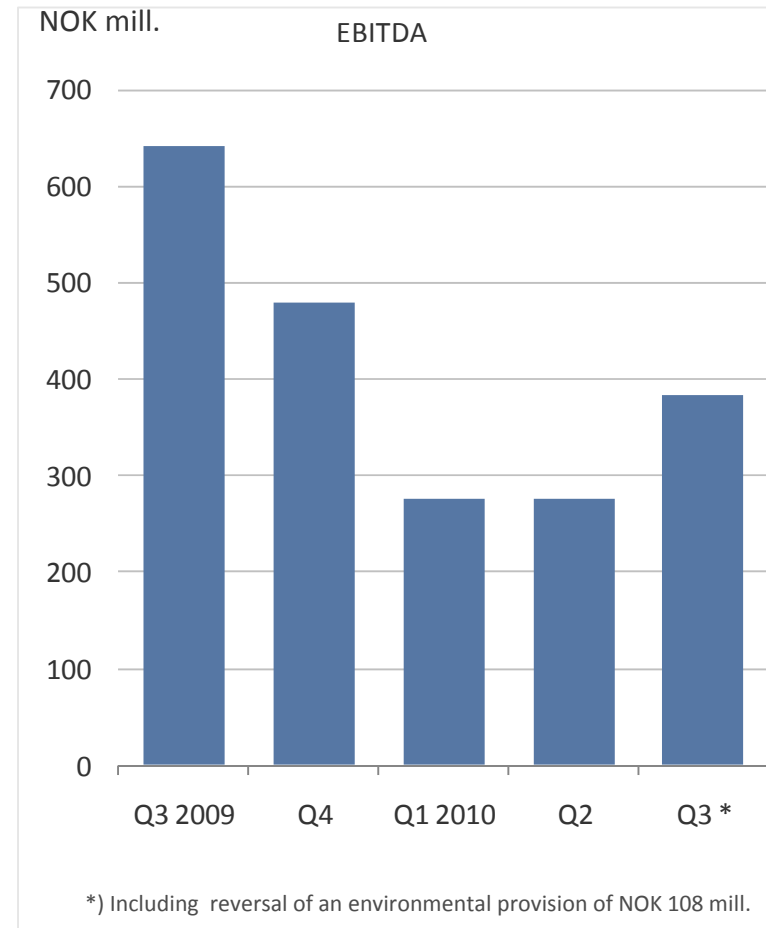
Q3 2010 presentation

Sven Ombudstvedt
CEO

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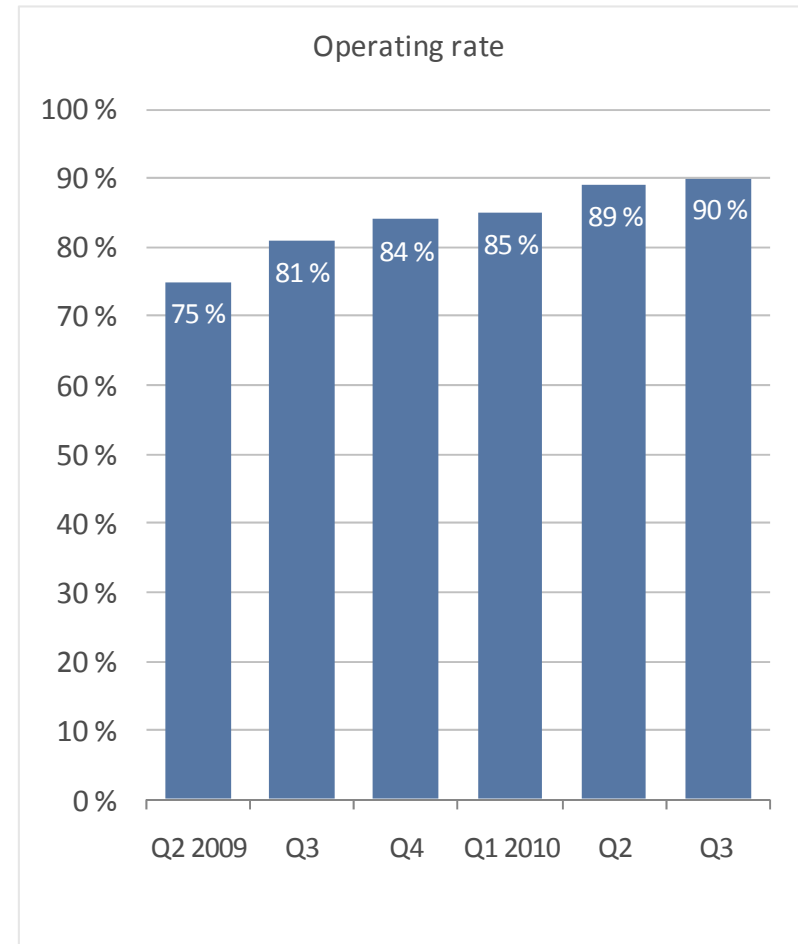
Q3 2010 in brief

- Underlying EBITDA remained weak, in line with previous quarters
 - Slightly improved market conditions
 - Higher prices on input factors
 - Capacity utilisation up to Q4 2008 level
- Net interest-bearing debt down by NOK 1.3 bn



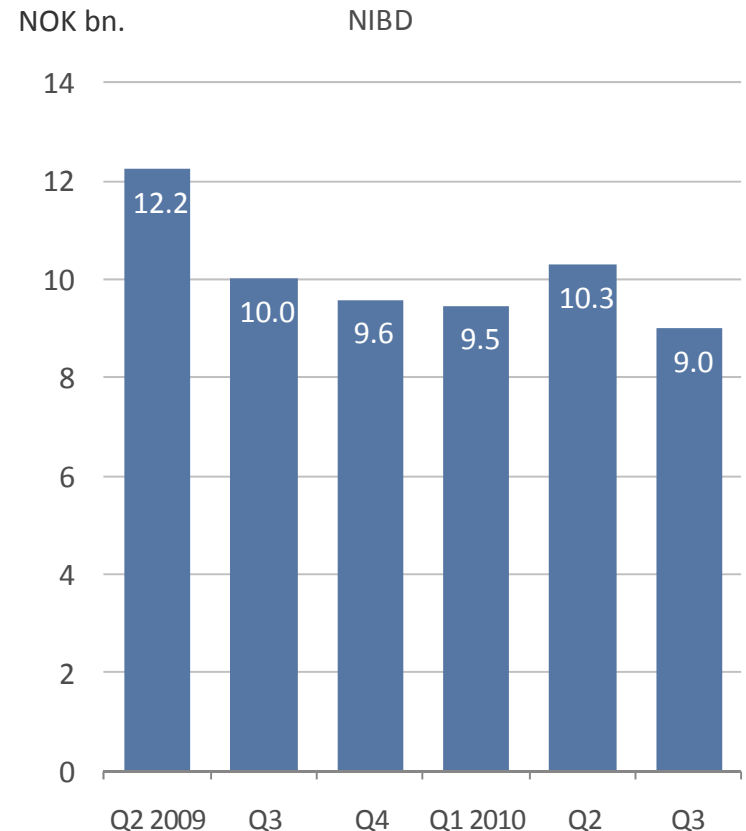
Increased demand - higher capacity utilisation

- 90 % operating rate, marginally higher than Q2
- Substantial growth in demand in Asia, Australasia, South America, and for magazine paper
- Export from Europe to Asia remained high
- Announced net capacity closures of ~600k tonnes of newsprint in Europe this year
- Reduced imports from North America



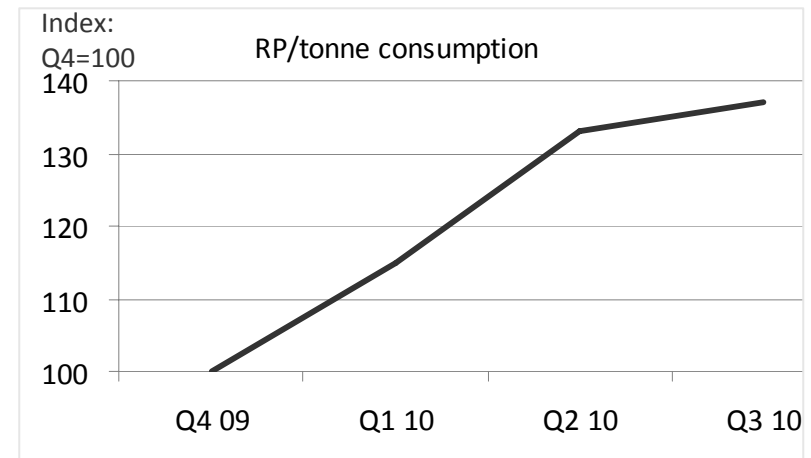
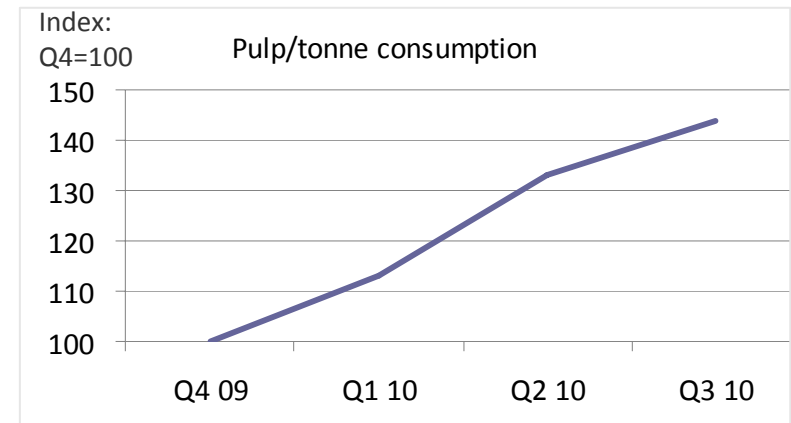
Continued debt and cost reduction

- Net interest-bearing debt down by NOK 1.3 bn. to NOK 9 bn.
 - Proceeds from sale of excess energy
 - Positive cash flow from operations
 - Stronger NOK vs. USD reduced debt value
 - Capex down from Q2
- Annual fixed cost level reduced by NOK 600 mill. compared with first half 2009



Improvements offset by currency effects and higher input factor costs

- Higher prices on input factors (time lag in accounts)
 - Market pulp – spot price peak in Q3 (Magazine paper)
 - Recovered paper – continued increase (Newsprint)
 - Wood – higher costs in Norway second half 2010
- Profitability in Newsprint Europe and Magazine paper negatively affected by currency translations on trade receivables

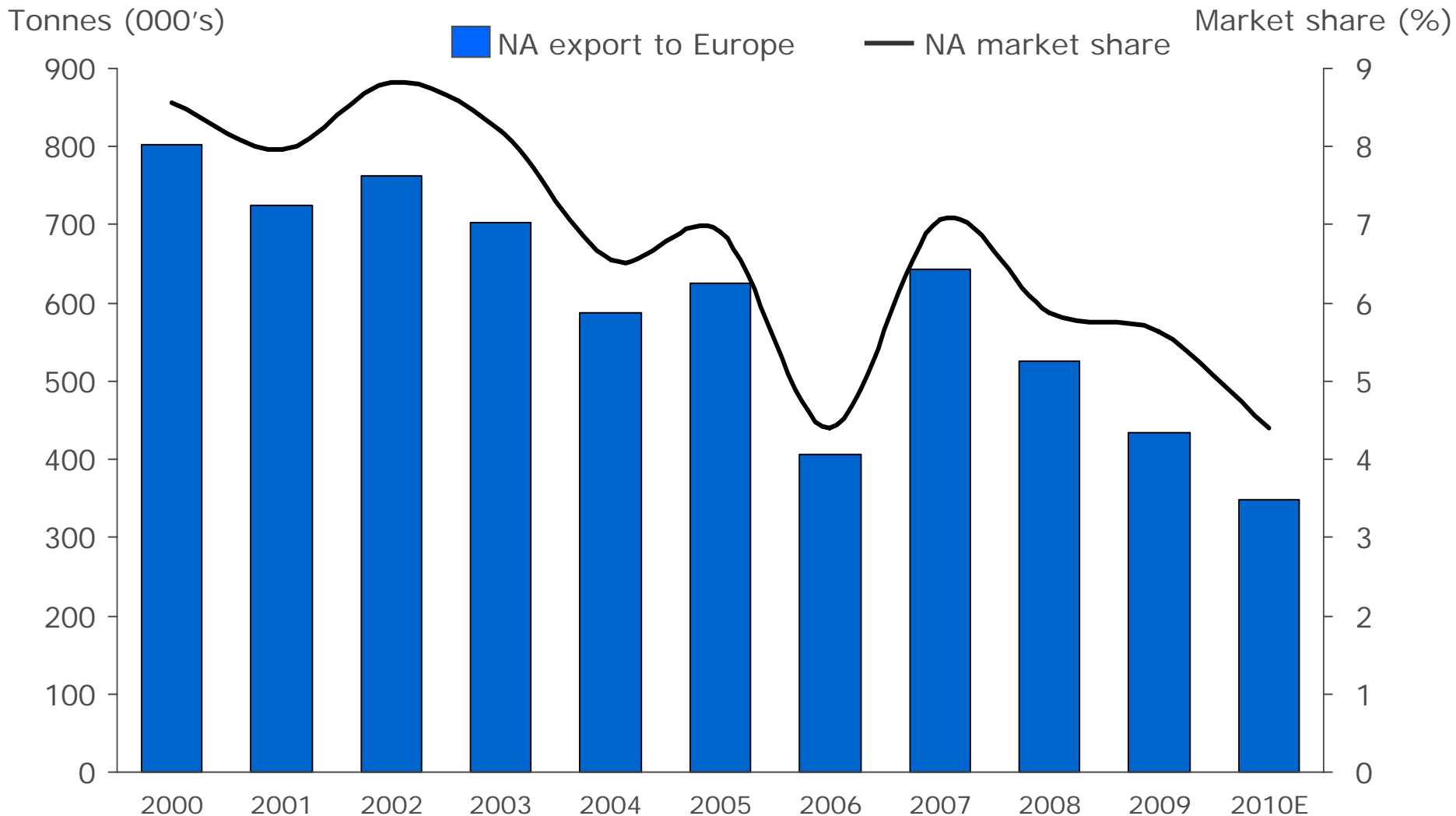


Demand 2010 per region/segment

Region/segment	Annual change (YTD)*	Comments
World standard newsprint	3.3 %	
North America standard newsprint	-5.6 %	
Europe standard newsprint	1.1 %	Western Europe (+3 %) Eastern Europe (-7 %)
Europe magazine paper (incl. improved newsprint etc)	5.8 %	SC (-3 %) LWC (+10 %)
Non-Japan Far East Standard newsprint	9.6 %	Highest growth in India Increased customer inventories
Australasia standard newsprint	9.9 %	
Latin America standard newsprint	16.0 %	Highest growth in Brazil Increased customer inventories

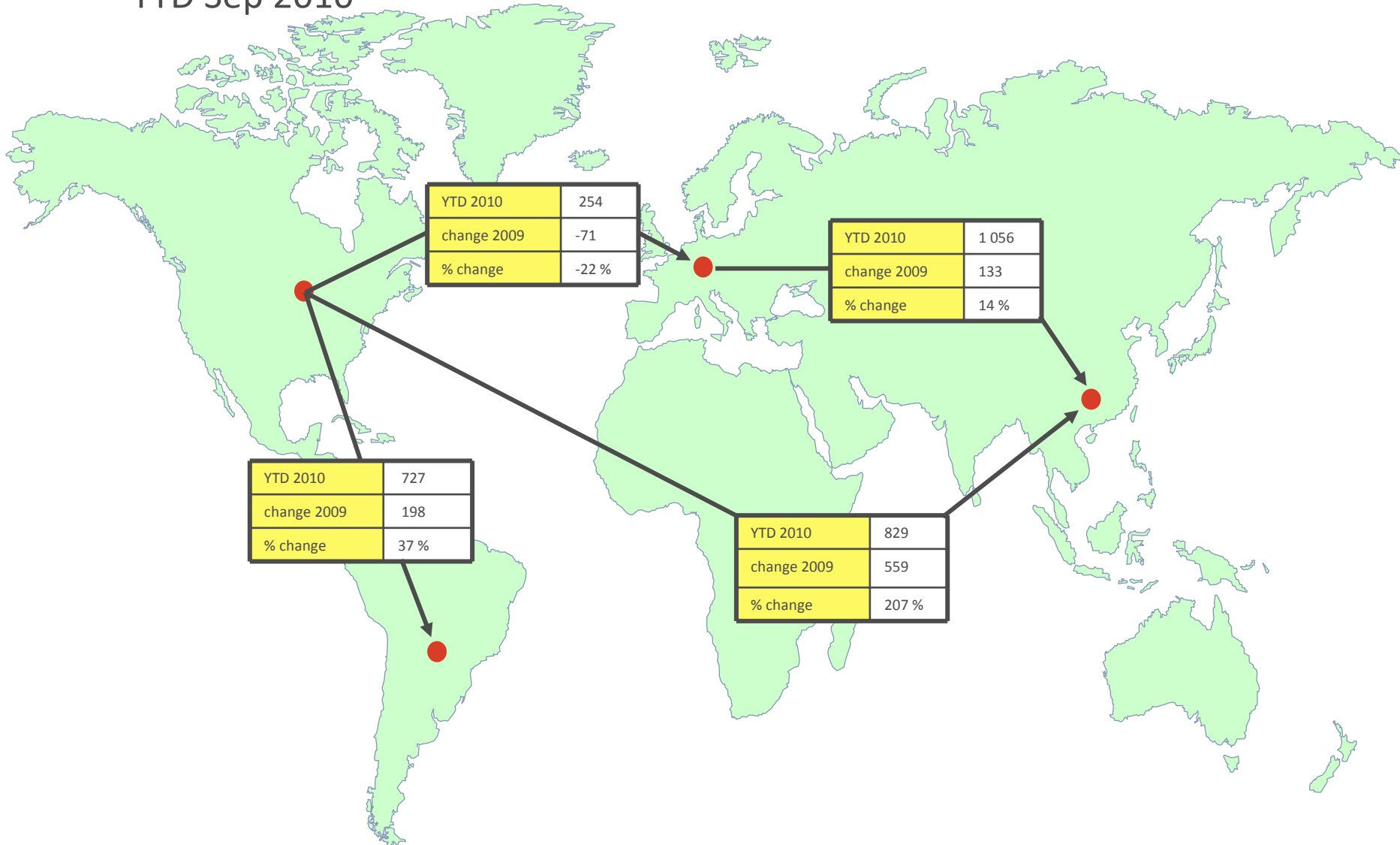
*) Change from January-September 2009 vs same period in 2010, Source: PPPC, CEIPRINT

North American newsprint shipments to Europe



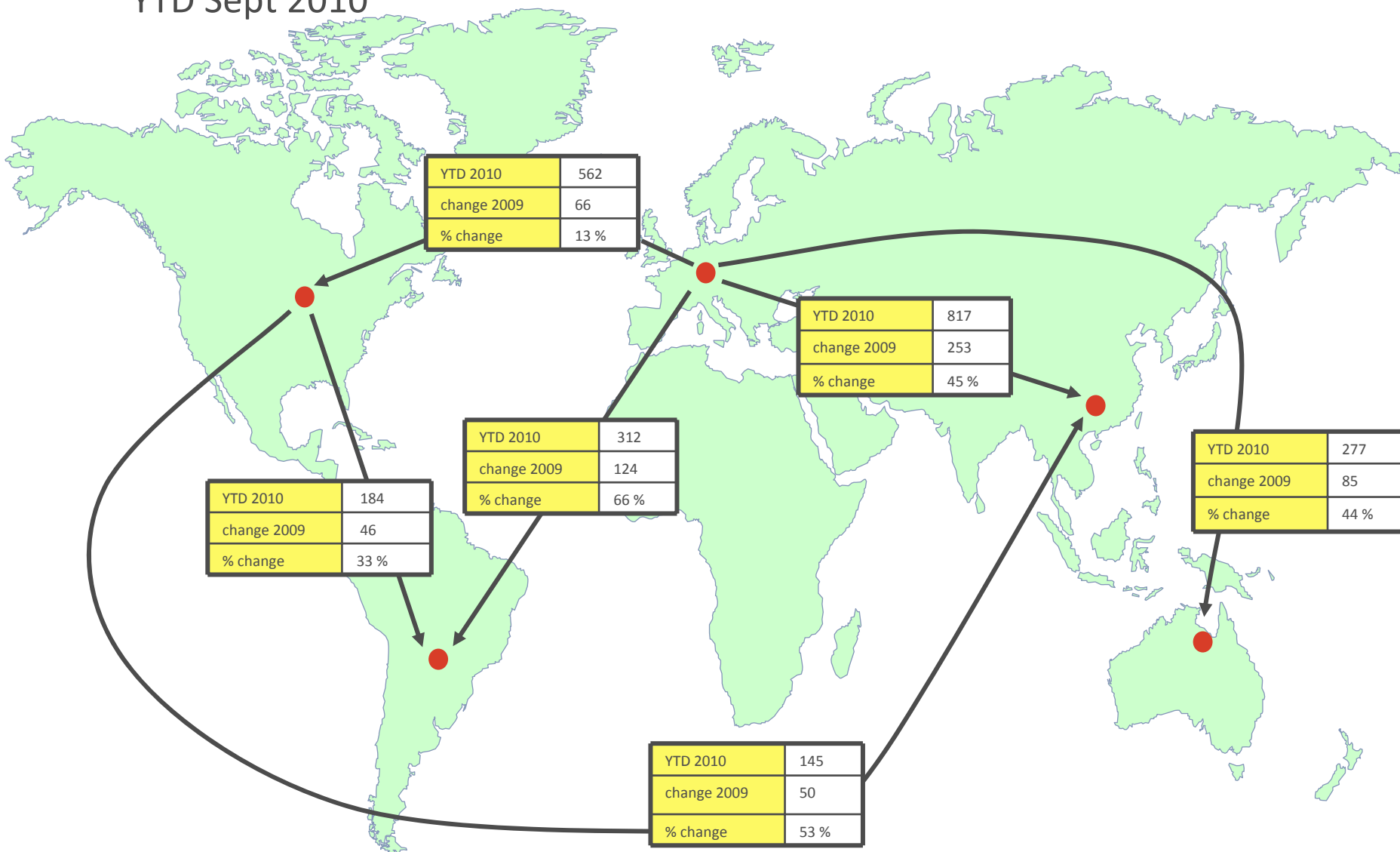
Main trade flows – Std newsprint

YTD Sep 2010



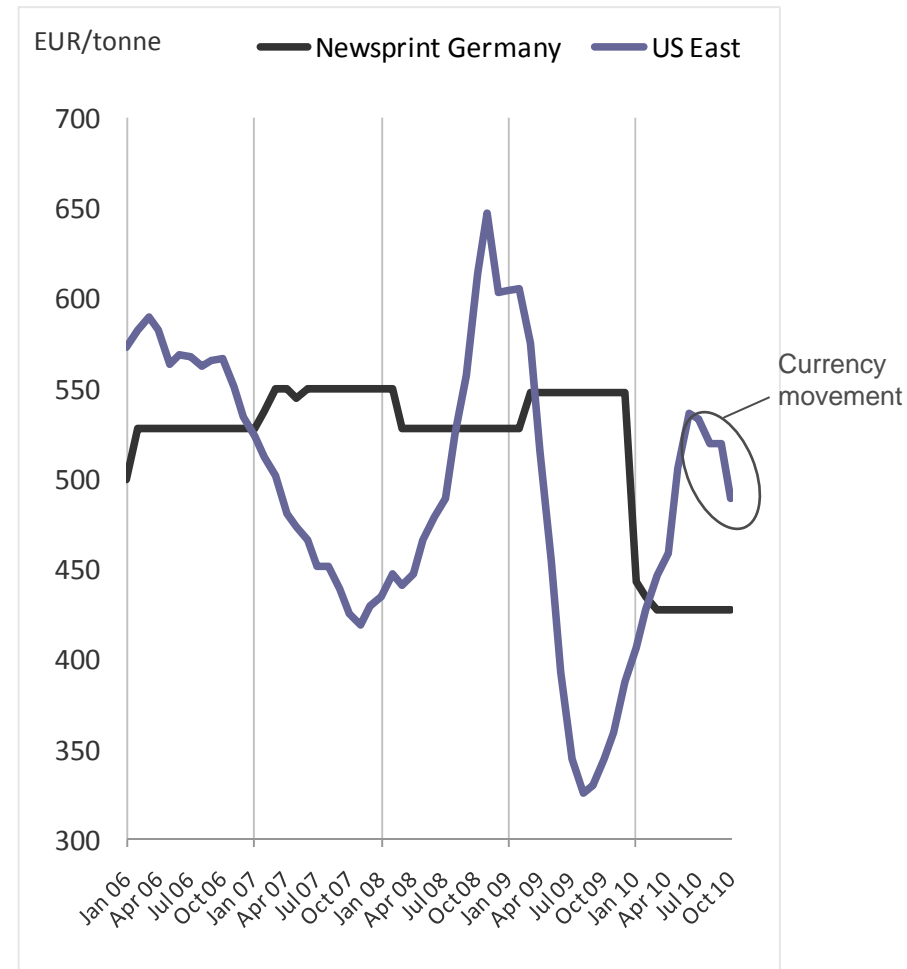
Main trade flows – Magazine paper

YTD Sept 2010



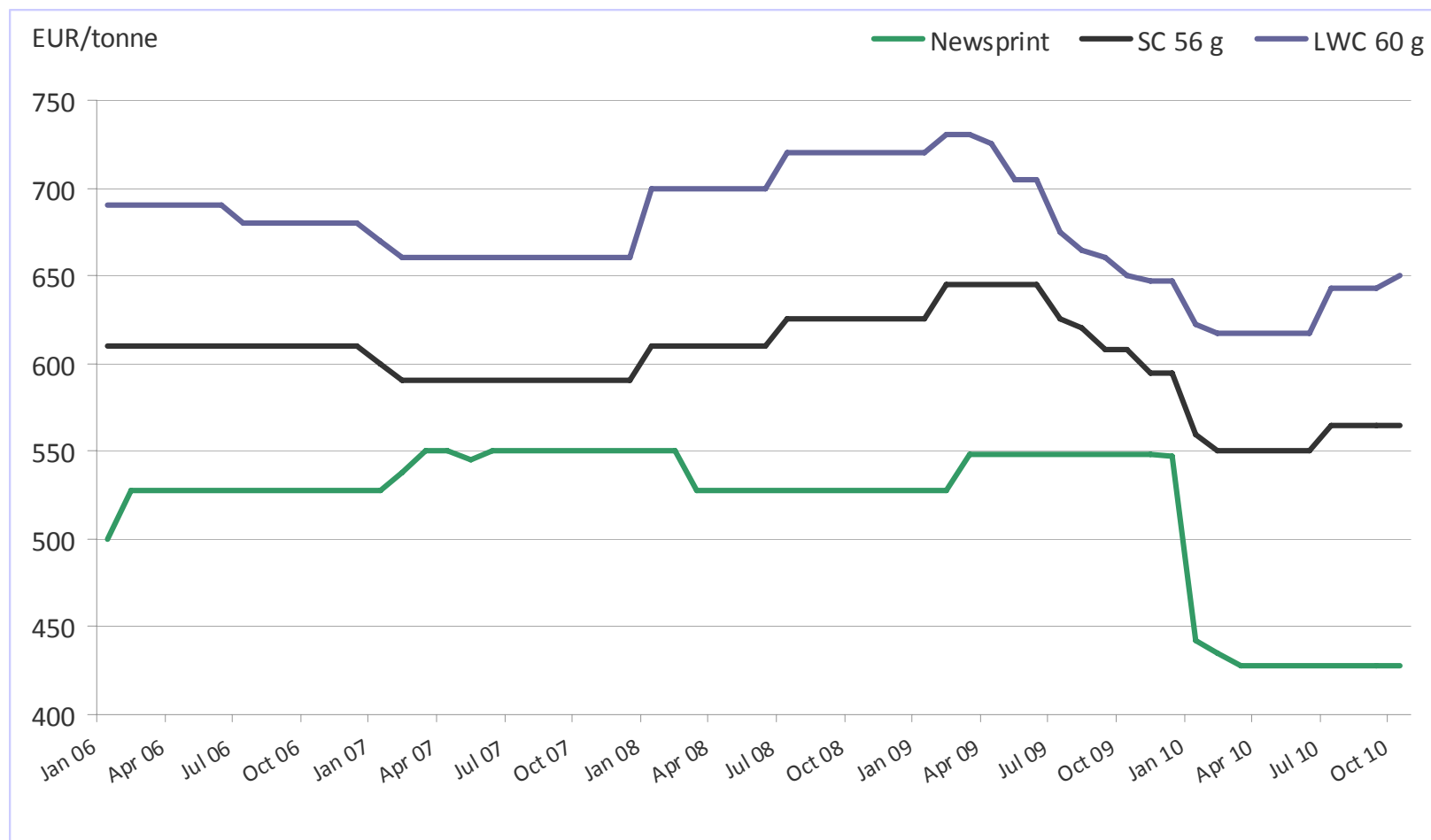
Price development - Europe vs. USA

- US price drop due to currency effects
 - EUR/USD = 1.40
- 15% price gap end Q3
- Average price in Europe last 15 years: € 550



Source: RISI

Price development - Germany



Source: RISI



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Audun Røneid
CFO

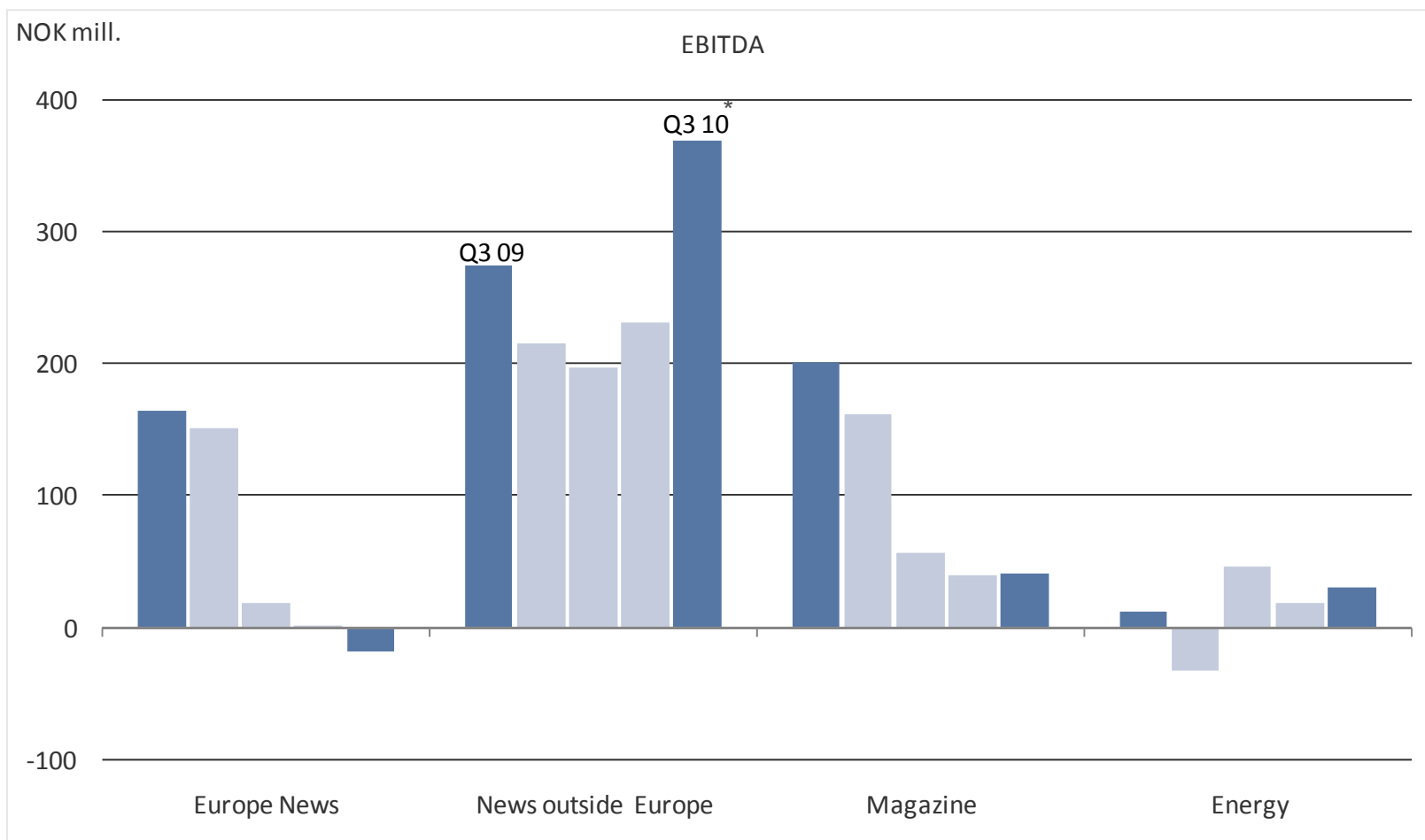
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Key financials Q3 2010

Key figures (NOK mill.)	Q3 2010	Q2 2010	Q3 2009
Operating revenue	4 795	4 577	5 033
EBITDA	384	275	642
EBIT before special items	-129	-226	-7
Result after tax	-244	-874	-418

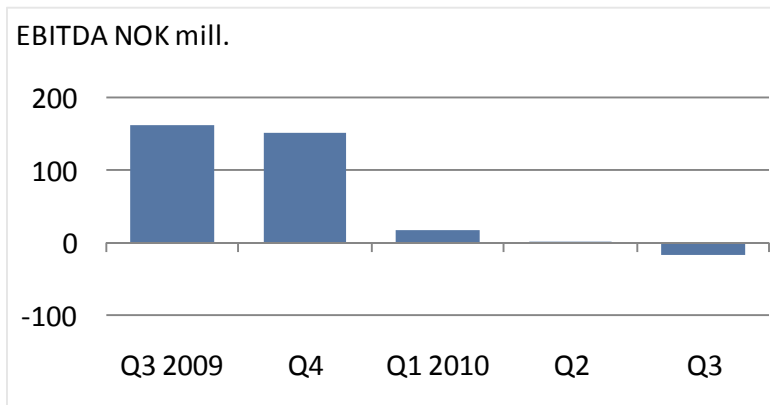
- EBITDA: NOK 384 mill.
 - Underlying unchanged from Q2 (adjusted for a reversed provision)
 - Higher prices on input factors offset by slightly higher volumes, some price increases and better results in the Energy segment
- Net result: NOK - 244 mill.
 - Value of energy portfolio down by NOK 175 mill.
 - Positive effect from stronger NOK on debt and cash flow hedging

Results - segments



*) News outside Europe including a reversal of an environmental provision of NOK 108 mill, no cash effect

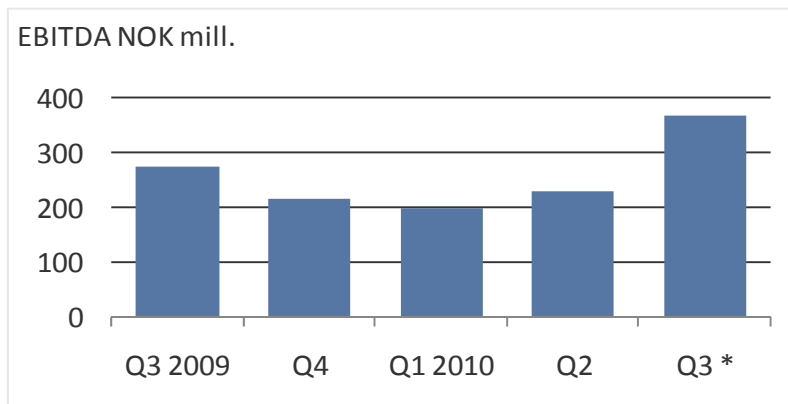
Newsprint Europe



Key figures (NOK mill.)	Q3 2010	Q2 2010	Q3 2009
Operating revenue	1 374	1 402	1 460
EBITDA	-18	2	164
EBITDA margin	-1.3%	0.2%	1.4%
Deliveries (1 000 tonnes)	386	394	331

- Annual contracts at lowest price level in 15 years
- Negative currency translation on trade receivables (opposite in Q2)
- Positive effect from fixed cost reduction offset by highest prices on input factors in ten years
- Increased shipments year to date driven by good export markets

Newsprint outside Europe

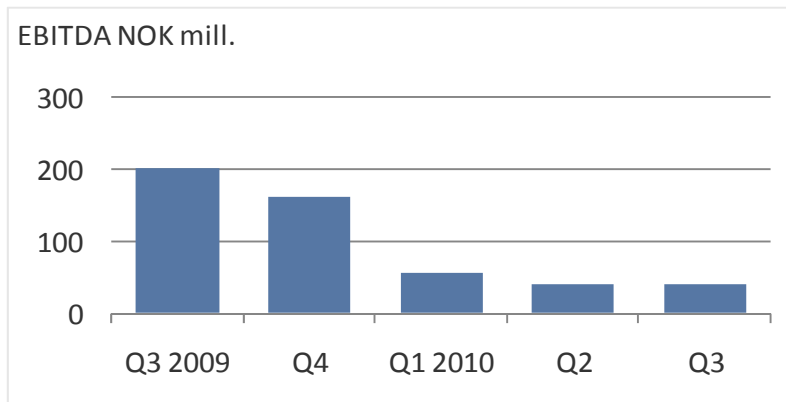


Key figures (NOK mill.)	Q3 2010*	Q2 2010	Q3 2009**
Operating revenue	1 495	1 375	1 618
EBITDA	369	231	274
EBITDA margin	24.7%	16.8%	15.8%
Deliveries (1 000 tonnes)	307	284	391

- Slightly higher prices in new, long-term contracts in Australasia from 1 July
- Underlying EBITDA margin up to 17.5% (adjusted for a one-off item)
- Volume up since Q2, mainly related to BioBio
- Increased demand in all regions

*) Including reversal of an environmental provision of NOK 108 mill. **) Includes Hebei which is sold

Magazine paper

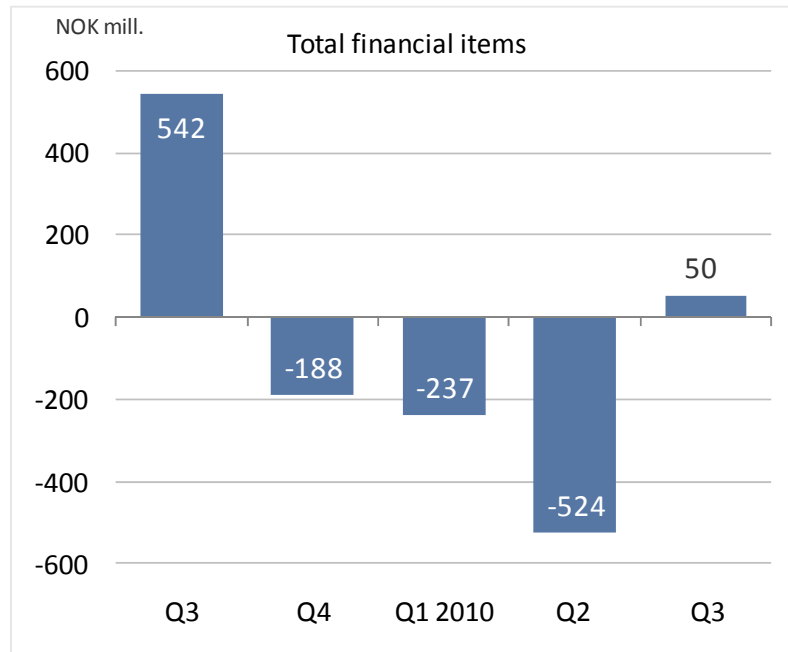


Key figures (NOK mill.)	Q3 2010	Q2 2010	Q3 2009
Operating revenue	1 606	1 488	1 607
EBITDA	41	40	201
EBITDA margin	2.5%	2.7%	12.5%
Deliveries (1 000 tonnes)	324	304	294

- IKEA prize to Norske Skog as best supplier
- Higher prices in Q3
- Increased shipments Y/Y driven by good LWC demand
- Sharp price increase on market pulp
- Negative currency translation on trade receivables in Q3, the opposite in Q2



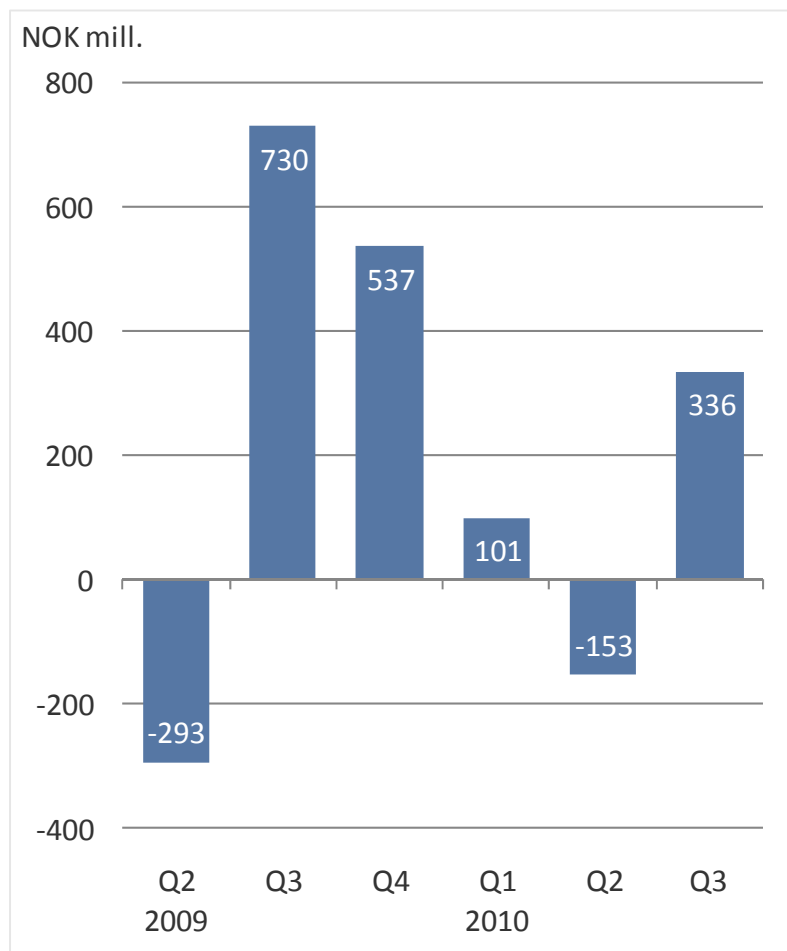
Financial items: Positive currency effect



- Positive translation differences on balance sheet items not qualified for hedge accounting
- Realized and unrealized gain on cash-flow hedging

NOK mill.	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010
Currency elements	763	-11	-48	-329	261

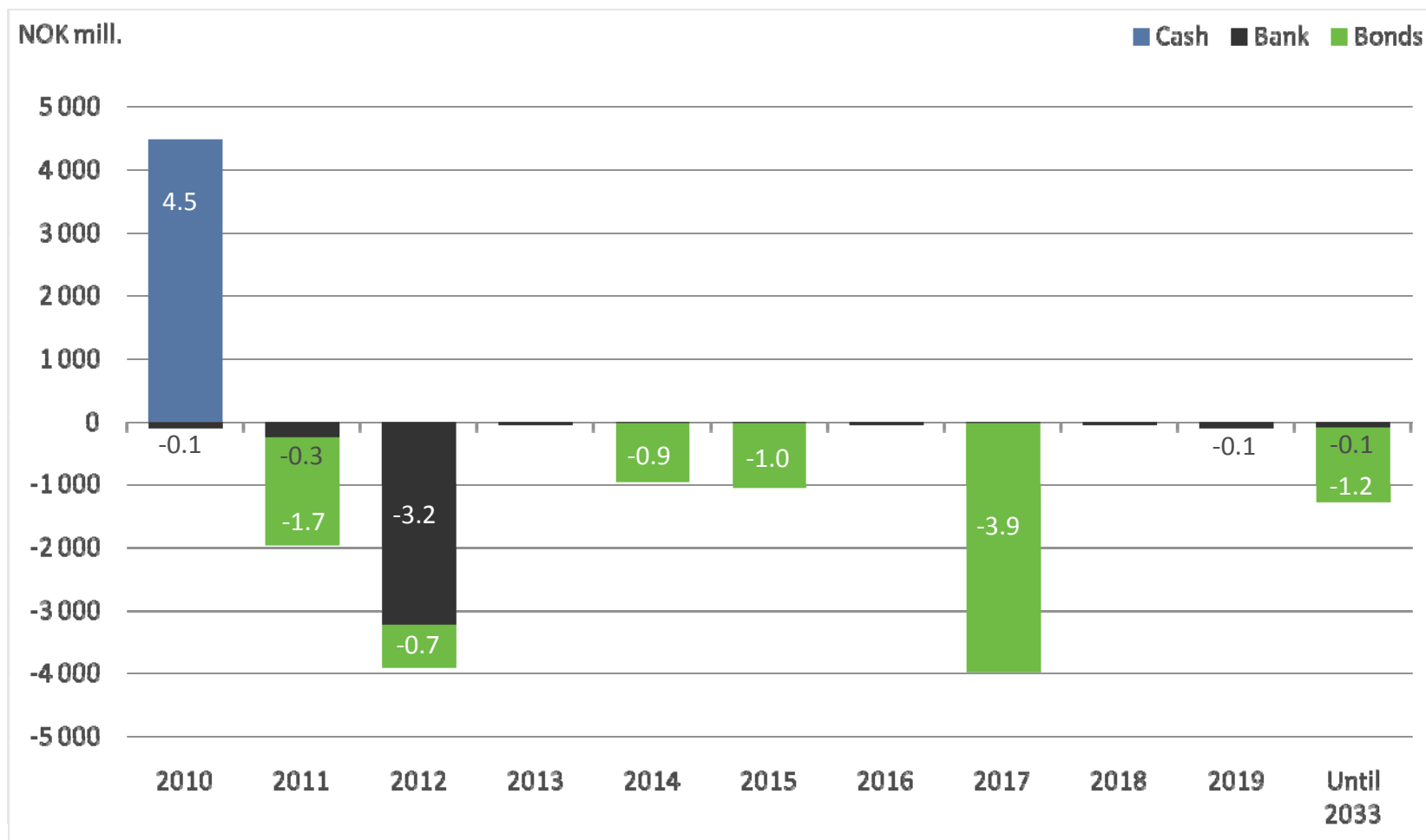
Cash flow



Cash flow from operations, after financial items and taxes

- Cash flow improvement of NOK 500 mill. from Q2
 - Realised gains on FX, and low interest payments
 - Reduced working capital

Cash and debt maturity profile



Per 30 September 2010

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Sven Ombudstvedt
CEO

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Outlook for Q4 10:

- Seasonal increase in European demand
- No major changes in prices expected
- Input factor prices remain high

Management focus going forward:

- Re-establish earlier price level and margin in Europe
- Quarterly contracts also for newsprint
- Further reduction of debt and fixed costs
- Positioning for active role in industry consolidation



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Q & A