

Q3 2011 presentation

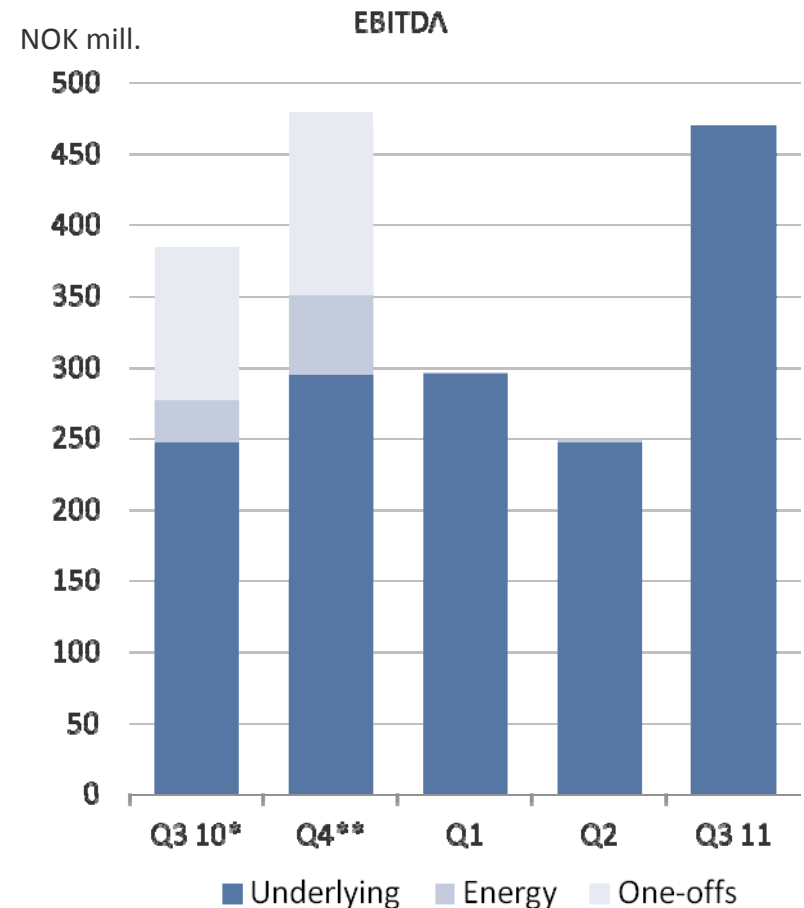
3 November 2011

Q3 2011 presentation

Sven Ombudstvedt
CEO

Q3 in brief

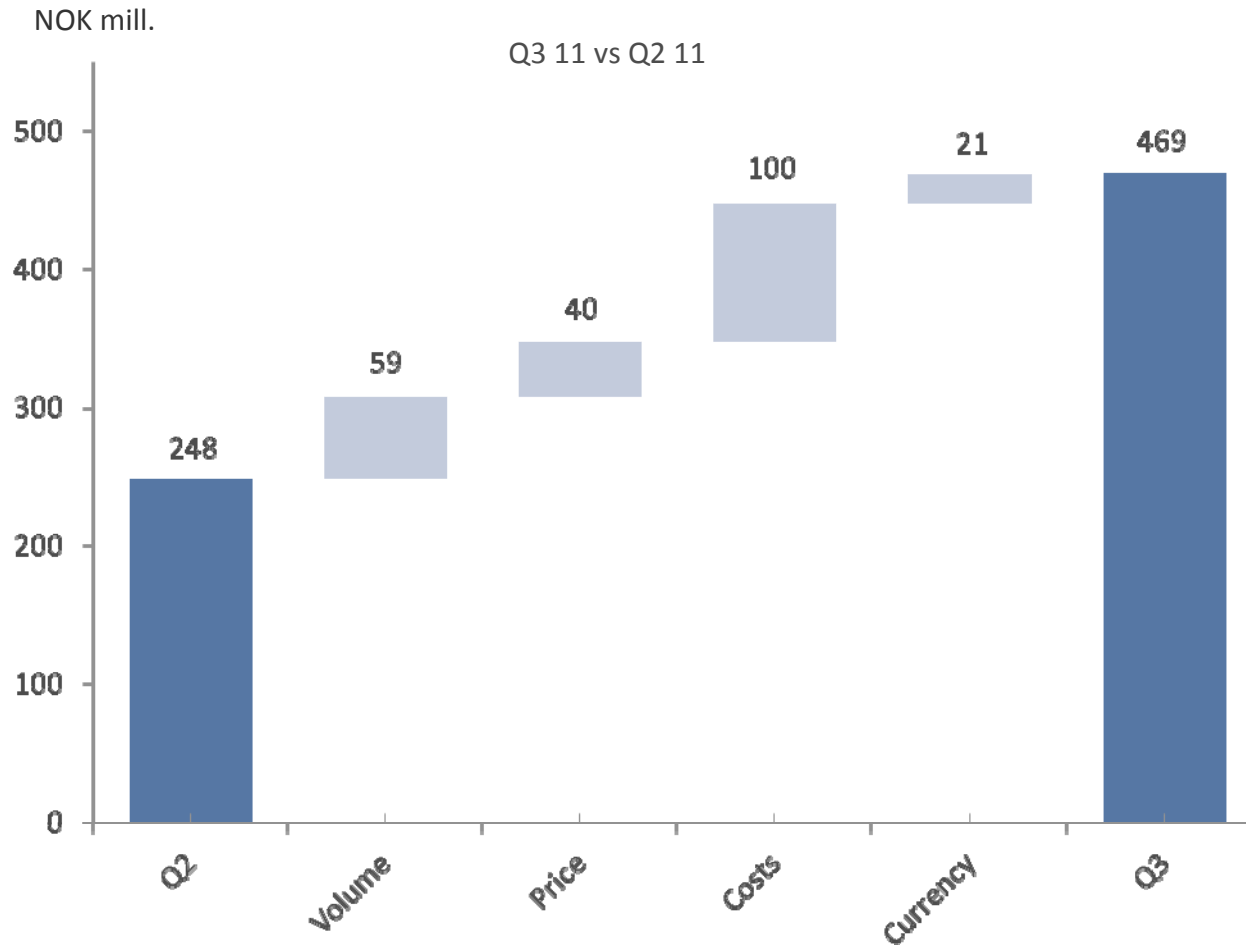
- EBITDA NOK 469 mill. (NOK 248 mill. in Q2): lower costs, higher volumes and prices
- Improved cash flow from operations at NOK 413 mill.
- Net debt reduced by NOK 305 mill. to NOK 8 066 mill.
- Impairments of NOK 1 875 mill. in Q3
- Norske Skog Saugbrugs: full production in Q3 following stoppage in H1



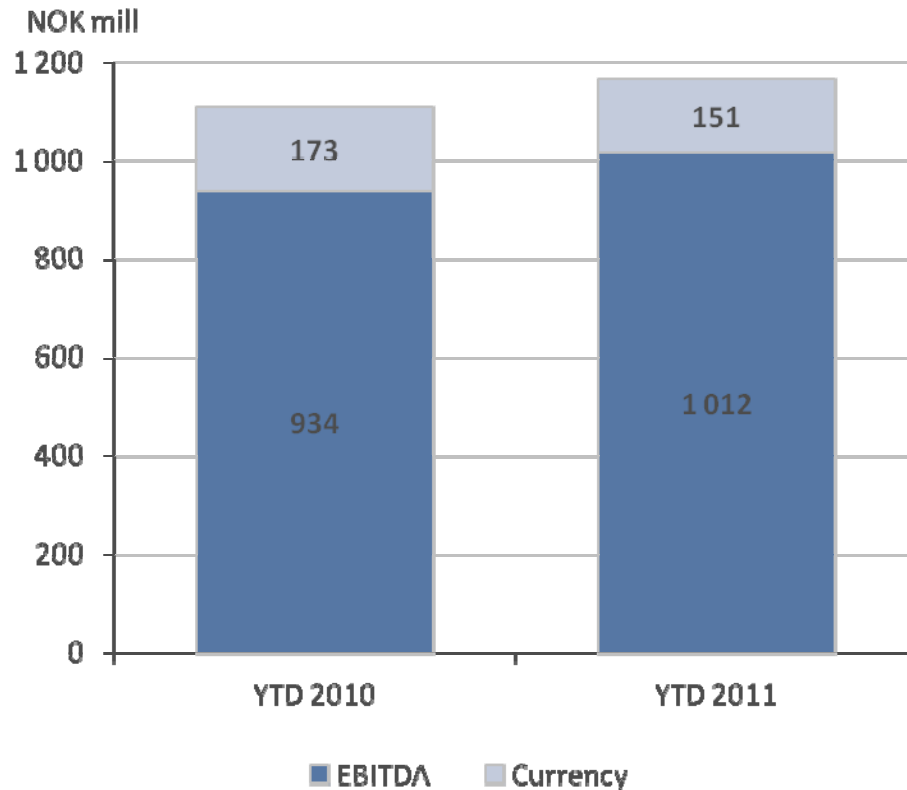
*) Including reversal of an environmental provision of NOK 108 mill.

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

EBITDA contributions from Q2 to Q3



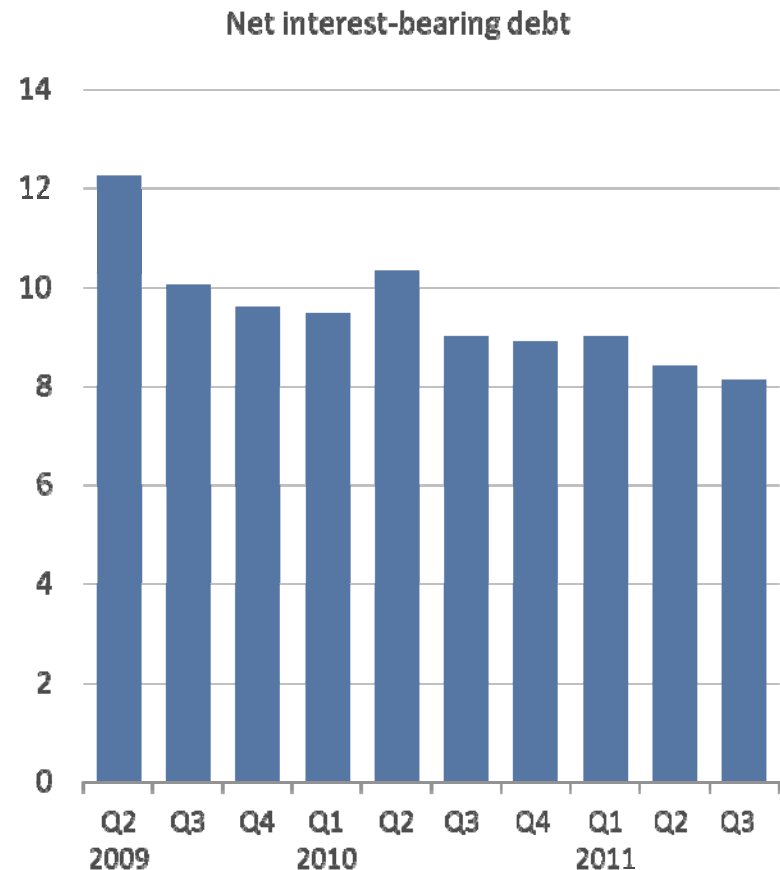
EBITDA including realized currency gains



- Group EBITDA was NOK 151 million higher YTD when including currency effects
- The effect was NOK 173 million in the same period last year

Debt reduction continues

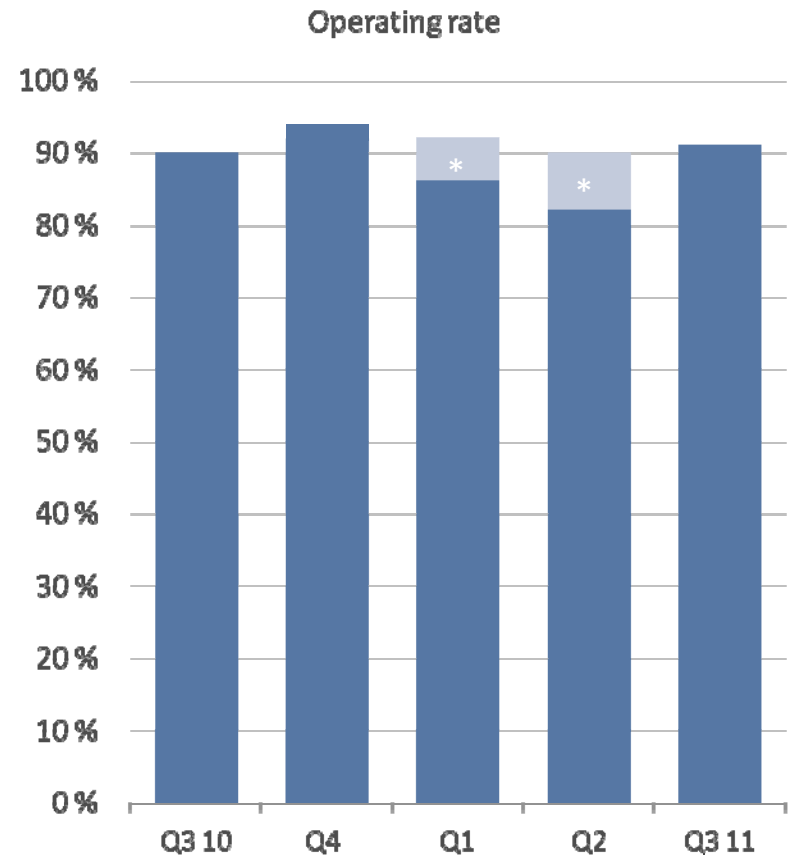
- Net debt lowered by NOK 305 mill.
 - Stronger cash flow from operations
 - Bond buy-backs
 - Currency had adverse effect on debt level
- Leverage reduced
 - Net debt / EBITDA at 5.49
 - EBITDA / net interest at 2.16
 - Both ratios well within respective covenants (<5.75 and >1.75)



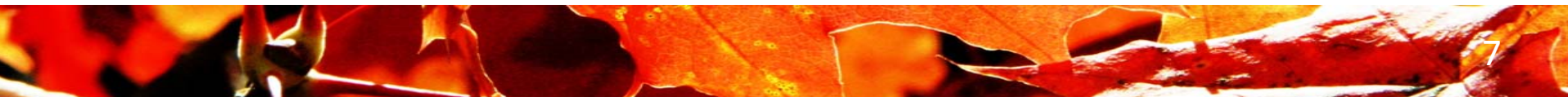
High operating rates and improved deliveries

- Newsprint
 - Operating rate in Europe 89% and Outside Europe 97%
 - Deliveries somewhat lower in Europe, higher outside Europe

- Magazine
 - Operating rate 89% and again at normalized level
 - Deliveries significantly higher



*) Adjusted for capacity at Norske Skog Saugbrugs



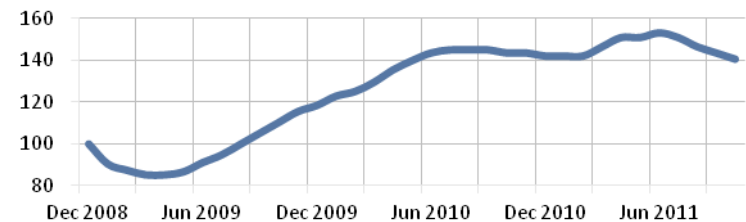
Some easing of cost inflation

- Most raw material prices still remain at high level
- Recovered paper and pulp prices retreated in Q3
- Spot energy prices in Norway and continental Europe lower in Q3
- Norwegian wood prices stable at a high level

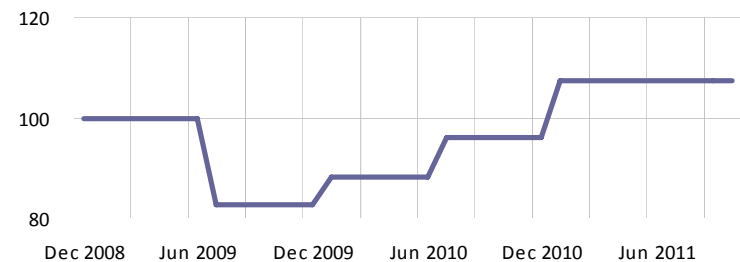
Recovered paper (Europe)



Market pulp (World)



Wood (Norway)



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

Demand 2011 per region/segment

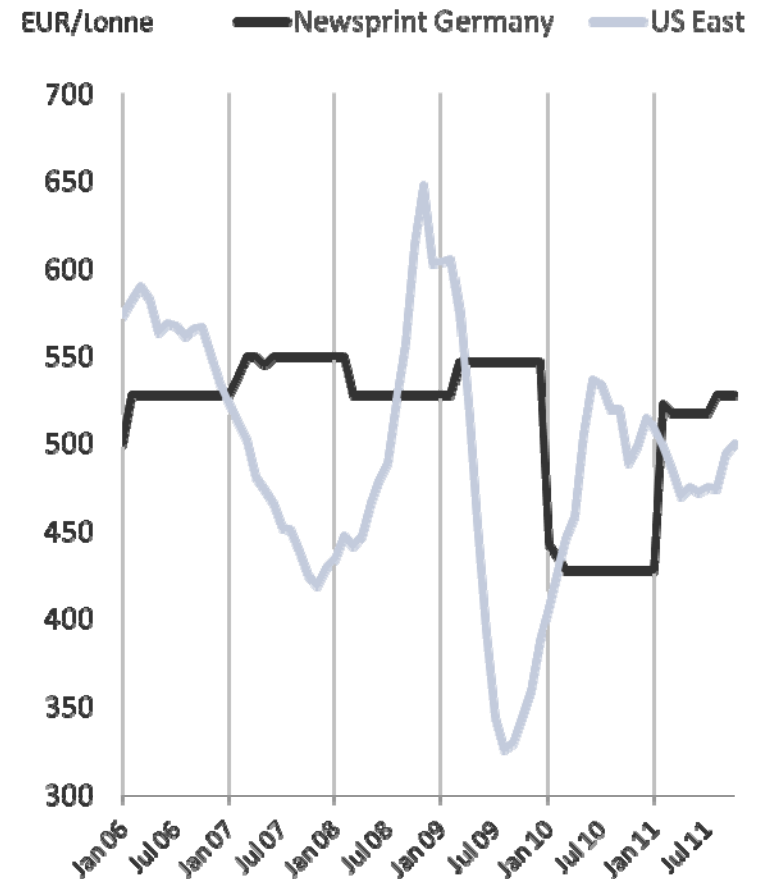
Region/segment	Annual change (YTD)*	Comments
World standard newsprint	-5.0%	
North America standard newsprint	-6.8%	
Europe standard newsprint	-0.6%	Western Europe (-2%) Eastern Europe (+6%)
Europe magazine paper (incl. improved newsprint etc)	-1.6%	SC (-2%), LWC (-2%) Improved NP etc. (+1%)
Asia excl. Japan Standard newsprint	-9.4%	India (+3%) China (-21%)
Australasia standard newsprint	-5.9%	
Latin America standard newsprint	+0.4%	Brazil (-5%) Chile (7%)

*) Jan-Sep 2011 vs. same period in 2010

Source: PPPC, CEPIPRINT

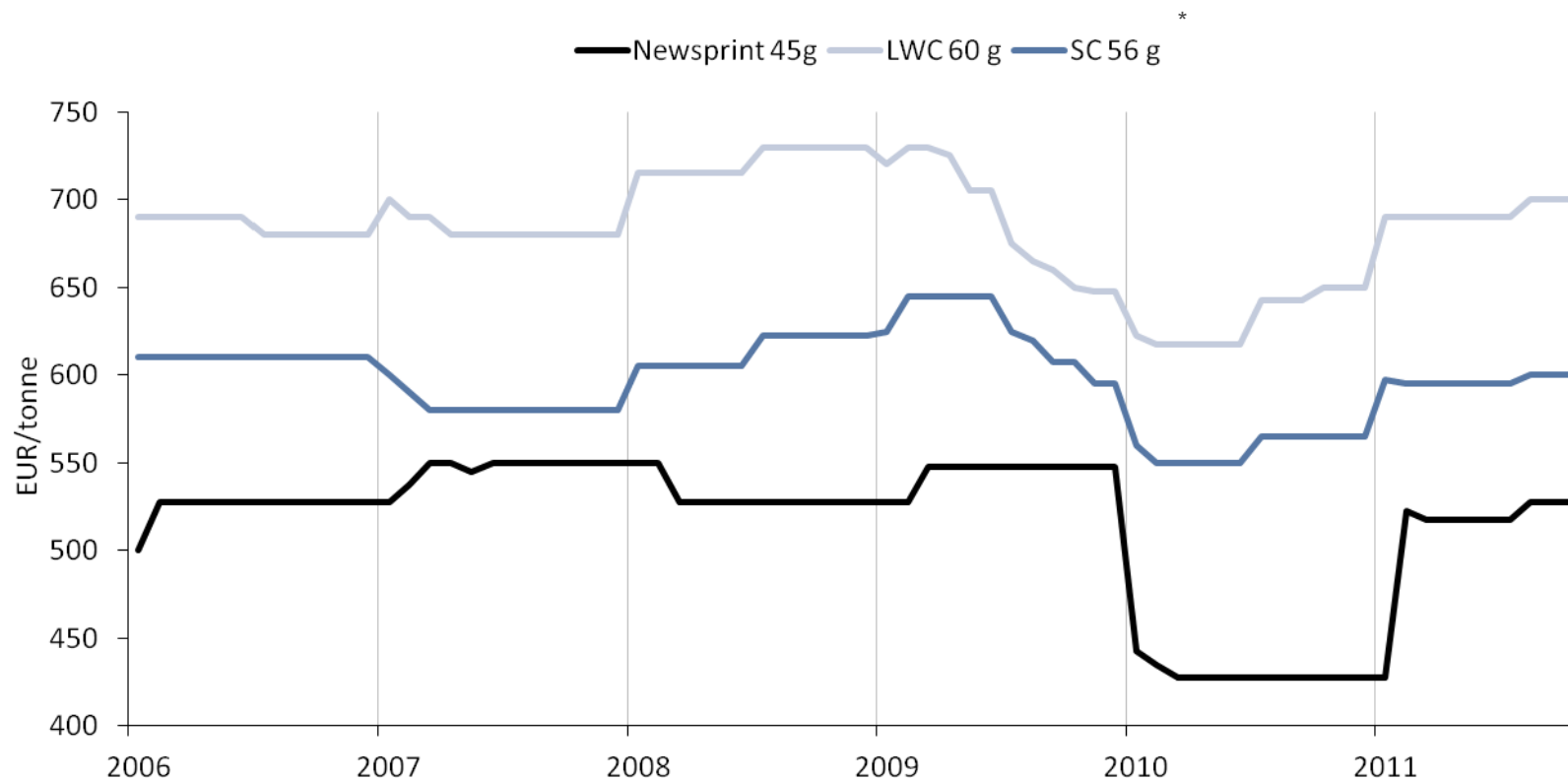
Newsprint price gap narrowing

- Reference prices for newsprint Europe up ~2%
- Deliveries/capacity newsprint in Europe at 91% in Q3
- US price gap to European price narrowed in Q3 due to stronger USD
- Average price in Europe last 15 years: EUR 540-550



Source: RISI

Publication paper prices in positive trend



Source: RISI *) German reference prices

Q3 2011 presentation

Audun Røneid
CFO

Key financials Q3 2011

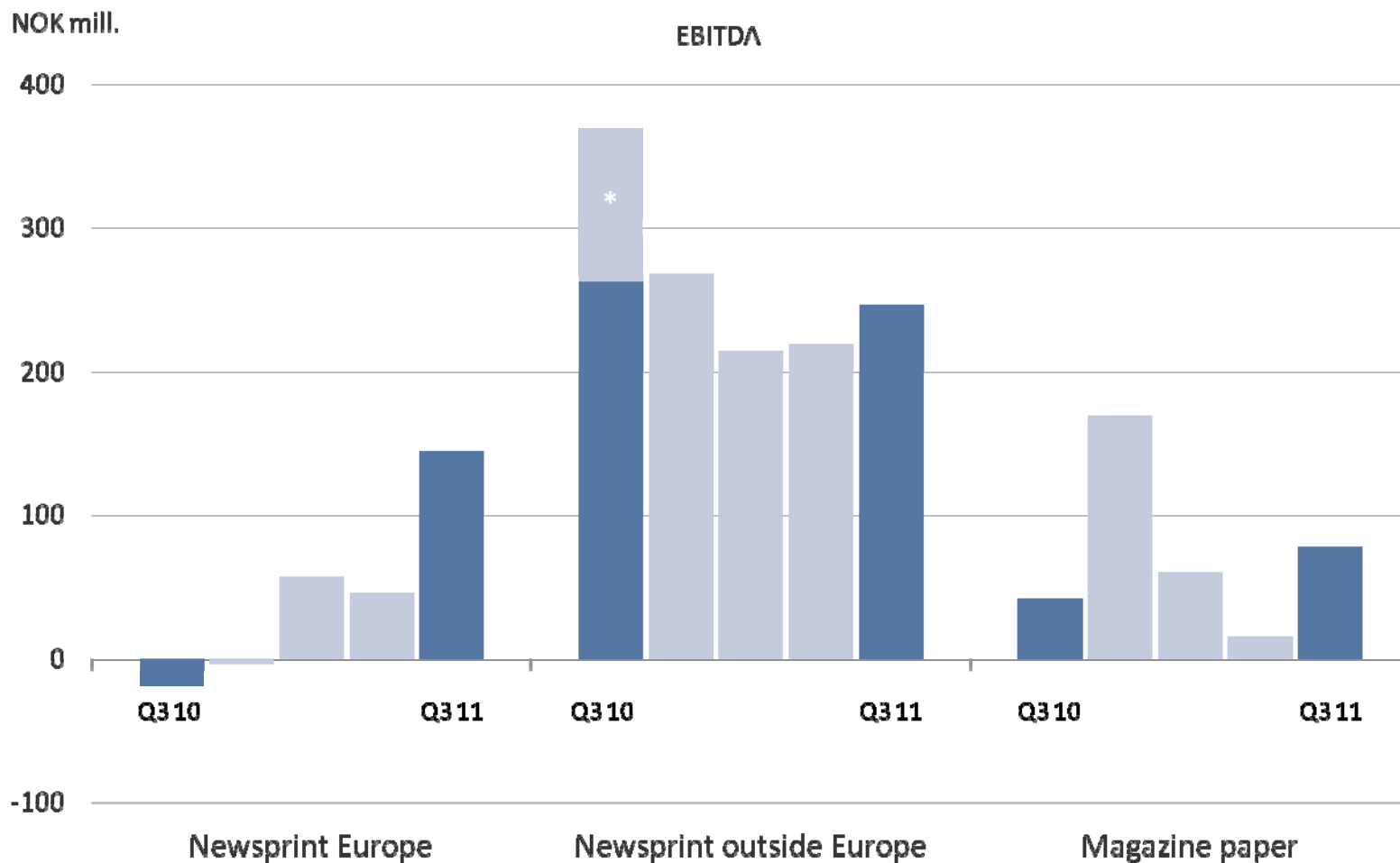
Key figures (NOK mill.)	Q3 2011	Q2 2011	Q3 2010
Operating revenue	4 799	4 542	4 795
EBITDA	469	248	384
EBIT before special items	-1 883	-202	-326
Result after tax	-1 841	-280	-244

- EBITDA NOK 221 mill. higher Q/Q
 - Significant improvement in all segments
 - Some positive currency effects on AR/AP
- Net result impairment driven
 - Excluding impairments net result would have been NOK - 212 mill.

Impairments recognised in Q3

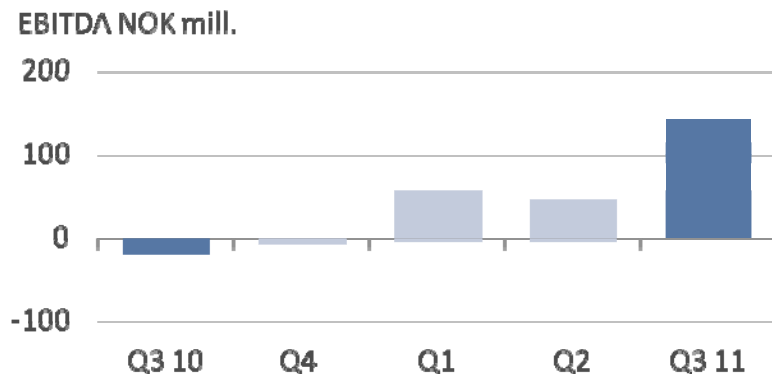
- Norske Skog Parenco (NOK 927 mill.)
 - Reclassification out of the newsprint segment
 - Included in separate cash generating unit
- Other impairments (NOK 948 mill.)
 - Higher applied cost of capital for the group
 - Reduced cash flow horizon for some units

Improved EBITDA contribution from all segments



*) Reversal of an environmental provision of NOK 108 mill.

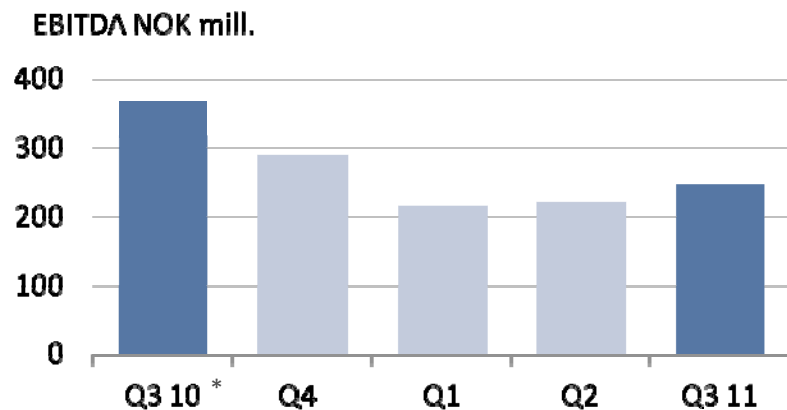
Newsprint Europe



Key figures (NOK mill.)	Q3 2011	Q2 2011	Q3 2010
Operating revenue	1 548	1 619	1 374
EBITDA	144	45	-18
EBITDA margin	9.3 %	2.8 %	-1.3 %
Deliveries (1 000 tonnes)	374	402	386

- Somewhat higher prices Q/Q and significantly higher Y/Y
- Some easing of cost inflation, but still at high level
- Deliveries lower

Newsprint outside Europe



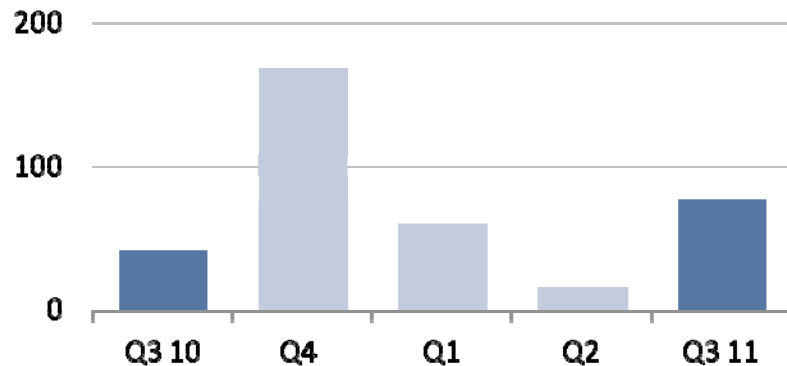
Key figures (NOK mill.)	Q3 2011	Q2 2011	Q3 2010
Operating revenue	1 484	1 445	1 495
EBITDA	246	219	369*
EBITDA margin	16.6 %	15.2 %	24.7 %
Deliveries (1 000 tonnes)	314	304	307

- Price increases in Australia for Q3
- Weak performance in Brazil
 - Depreciation of real
- Deliveries higher

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

Magazine paper

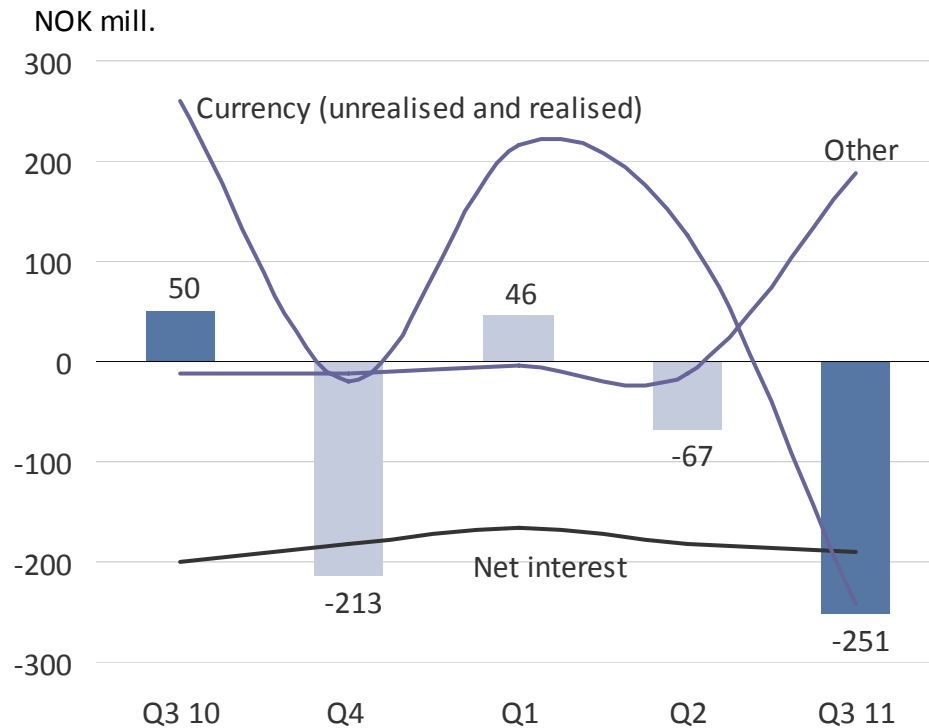
EBITDA NOK mill.



Key figures (NOK mill.)	Q3 2011	Q2 2011	Q3 2010
Operating revenue	1 568	1 276	1 606
EBITDA	77	15	41
EBITDA margin	4.9 %	1.2 %	2.5 %
Deliveries (1 000 tonnes)	307	217	324

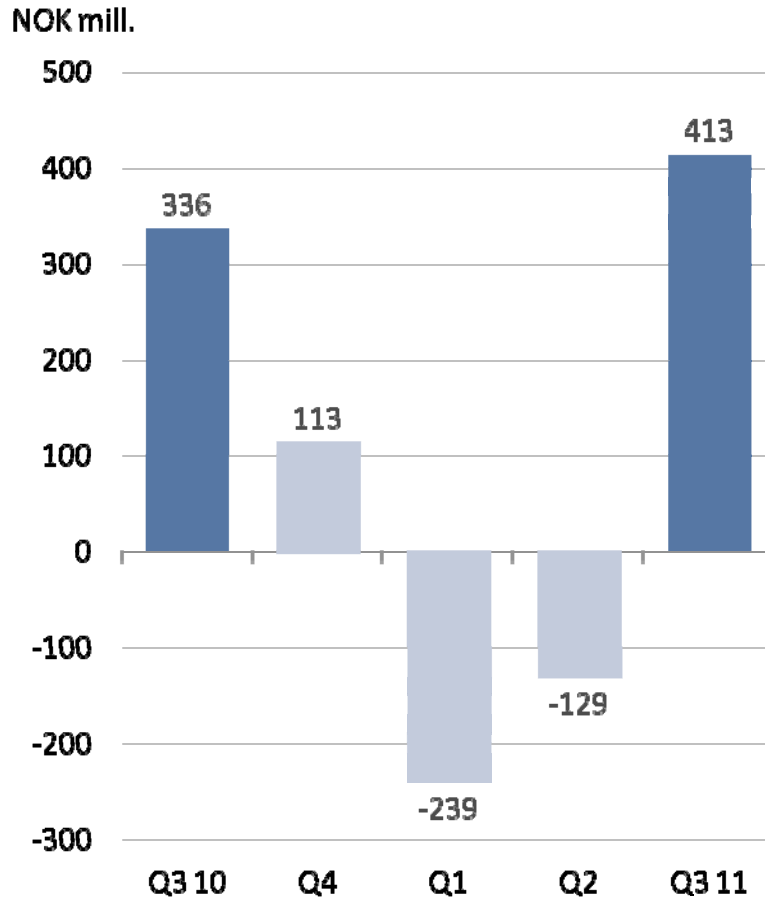
- Norske Skog Saugbrugs at full production in Q3
- Deliveries towards normalized level
- Slightly higher prices for SC and LWC in the quarter

Financial items



- Currency: loss reflecting end-period depreciation of NOK against Norske Skog's currency basket
- Other: mainly gain from bond buy-backs
- Net interest: stable at quarter level just below NOK 200 mill.

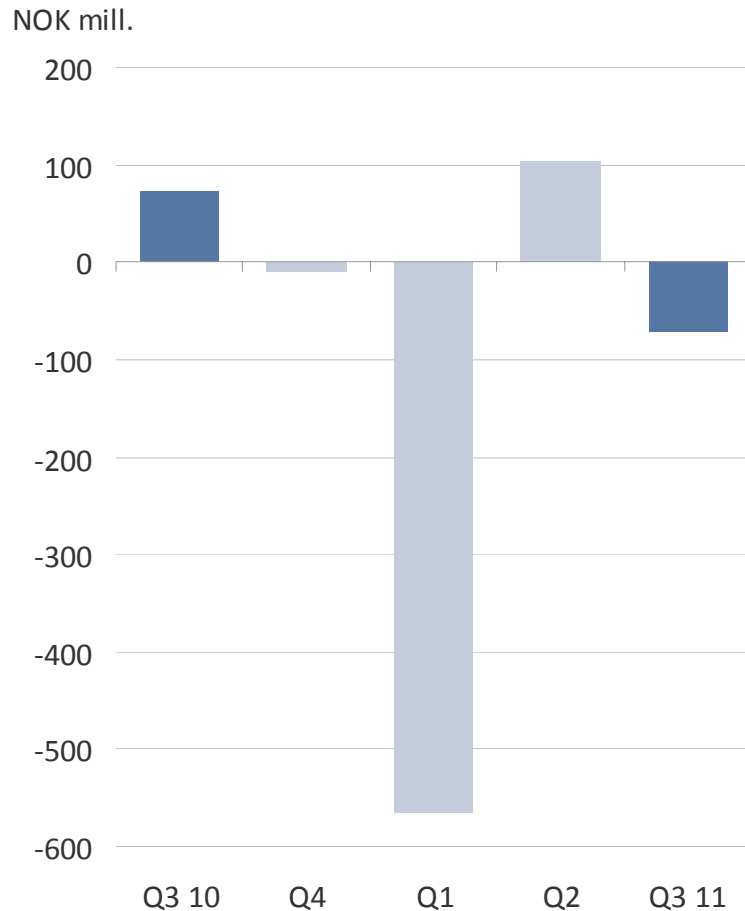
Cash flow



Cash flow from operations, after financial items and taxes

- EBITDA NOK 469 mill.
 - Working capital outflow of NOK 75 mill.
 - Cash flow from net financial items NOK 25 mill.
 - Taxes paid NOK 6 mill.
-
- Net investments
 - Negative NOK 21 mill. in Q3
 - Positive NOK 574 mill. YTD
 - Non-core disposals
 - NOK 100 mill. in Q3

Development in working capital



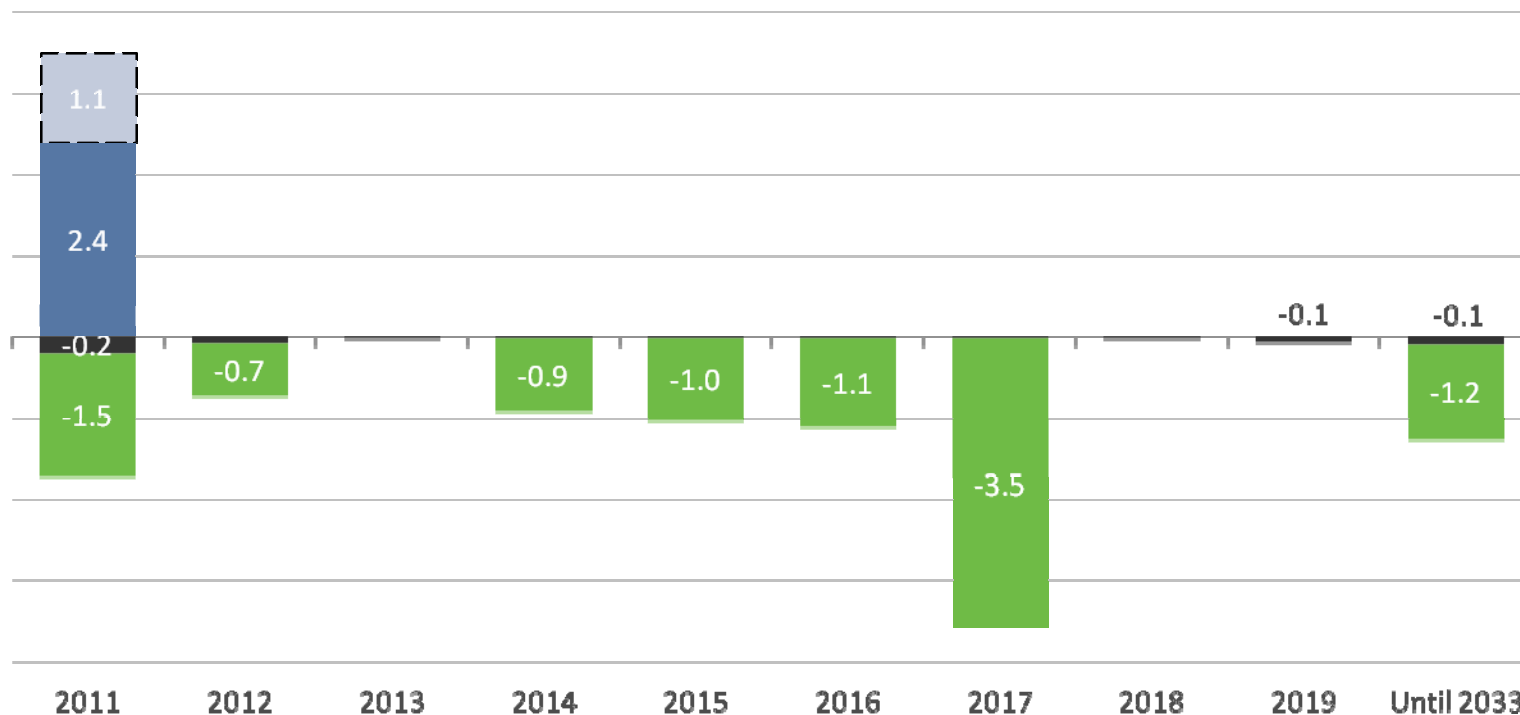
- Large working capital build in Q1
 - NOK 200 mill. in reversed provisions
 - Inventories rebuilt at actual costs
- Working capital outflow in Q3
 - Rebuild of inventories and receivables at Norske Skog Saugbrugs
- Working capital inflow expected
 - Of around NOK 200 mill. in Q4

Maturity profile

- USD 2011 bond with USD 259 mill. outstanding paid 15 October

NOK bn

■ Cash ■ RCF ■ Bank ■ Bonds



Per 30 September 2011

Q3 2011 presentation

Sven Ombudstvedt
CEO

Outlook for fourth quarter 2011

- Stable prices and volumes for newsprint and magazine paper
- Input factor costs remaining at high level, but some easing due to lower market pulp and recovered paper prices
- Gross operating earnings for the year expected to be somewhat stronger than in 2010

Market outlook 2012

- Newsprint
 - Unsustainable margins and prices below historic average despite continued high input costs
 - Continuation of quarterly contracts
 - Improved pricing environment for magazine likely to also support newsprint prices through substitution
- Magazine paper
 - UPM retiring capacity following Myllykoski acquisition
 - Magazine capacity to be reduced by 1.2 mill. tonnes
 - Expected to have positive impact on 2012 price negotiations

Management focus going forward

- Re-establish earlier price levels and margins in Europe
- Further reduction of debt and fixed costs
- Continued sale of non-core asset
- Machine capacity in Norway and Europe under scrutiny
- Active capacity management



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Q & A