

# Q4 2011 presentation

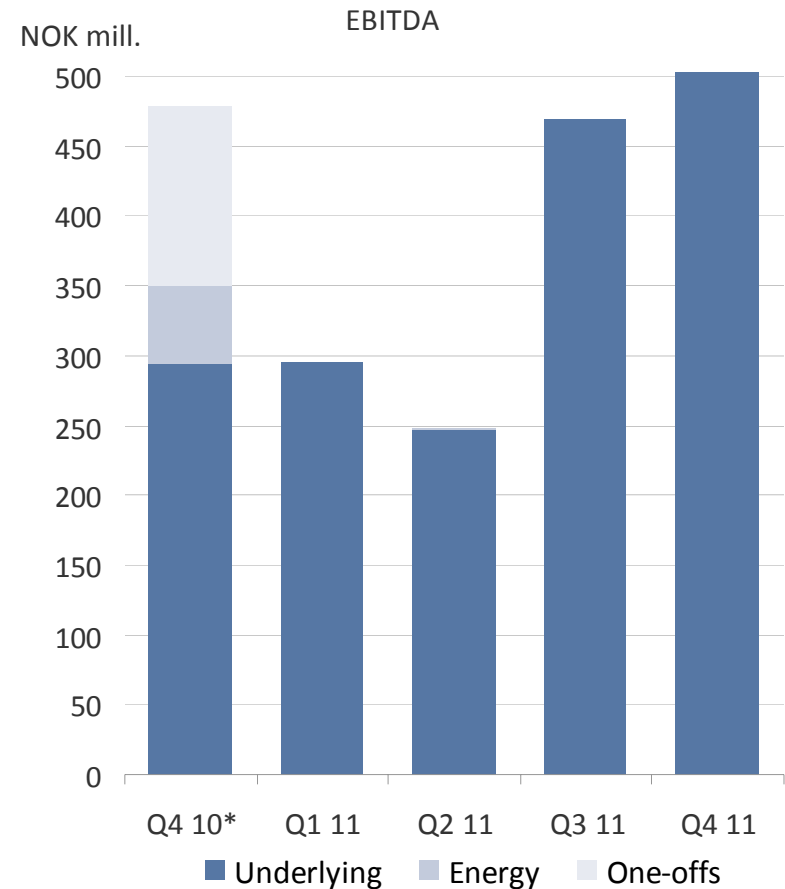
8 February 2011

# Q4 2011 presentation

Sven Ombudstvedt  
CEO

## Q4/FY11 in brief

- Q4 EBITDA NOK 503 mill. (NOK 469 mill. in Q3): lower input costs and a weaker NOK
- FY11 EBITDA NOK 1 515 mill. and somewhat stronger YoY (NOK 1 413 mill. in 2010)
- Cash flow from operations at NOK 409 mill. in Q4 (NOK 413 mill. in Q3). Net debt reduced by NOK 203 mill in the quarter to NOK 7 863 mill.
- Group capacity utilization 87% in Q4 (91% in Q3)



\*) Income recognised in relation to pensions




# Q4 2011 - Cost deflation and a weaker NOK

## Q4 11 vs. Q3 11

Revenue  
NOK 4 970 mill.            +4%

EBITDA  
NOK 503 mill.            +7%


CF from operations  
NOK 409 mill.            -1%

Deliveries  
1 020' tonnes            +2%

## 2011 vs. 2010

Revenue  
NOK 18 904 mill.            0%

EBITDA  
NOK 1 515 mill.            +7%

CF from operations  
NOK 455 mill.            +15%

Deliveries  
3 857' tonnes            -4%

# Key developments in 2011

## Market

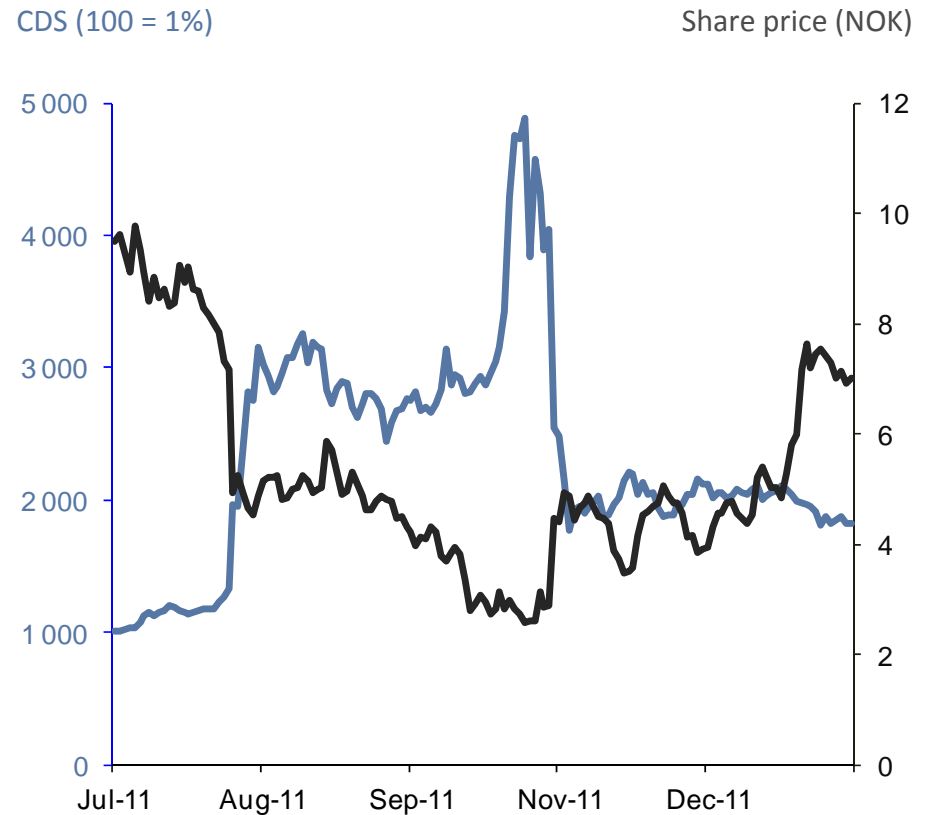
- Improved price level for newsprint and magazine in Europe
- Input cost inflation
  - Market pulp and recovered paper reached a peak mid-year
- Demand slowdown through the year
- Acquisition of Myllykoski by UPM approved by the EU Commission
  - European magazine paper market consolidated

## Norske Skog

- Introduction of quarterly contracts for newsprint
- Fixed costs reduced each quarter
- Fire at Norske Skog Saugbrugs
- Debt refinancing
  - New bond issue and RCF with core bank syndicate
- Active capacity management
  - Norske Skog Follum closure decided
  - Strategic review for Norske Skog Parenco
- Non-core disposals executed

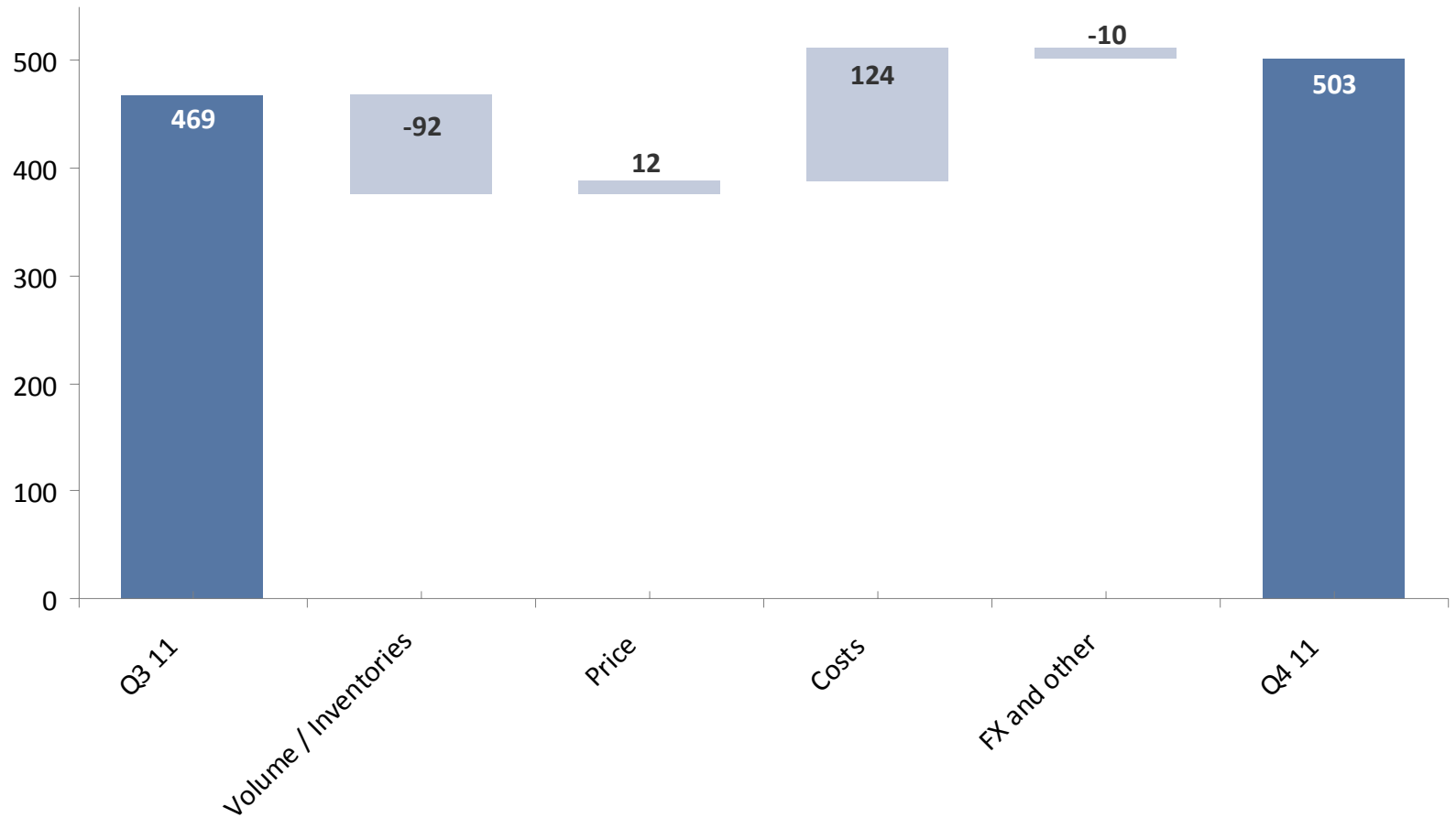
# Improved sentiment in second half 2011

- Shift away from short term liquidity concerns
  - Better operating margins
  - More covenant headroom
  - Input cost deflation
  - Favourable currency movements

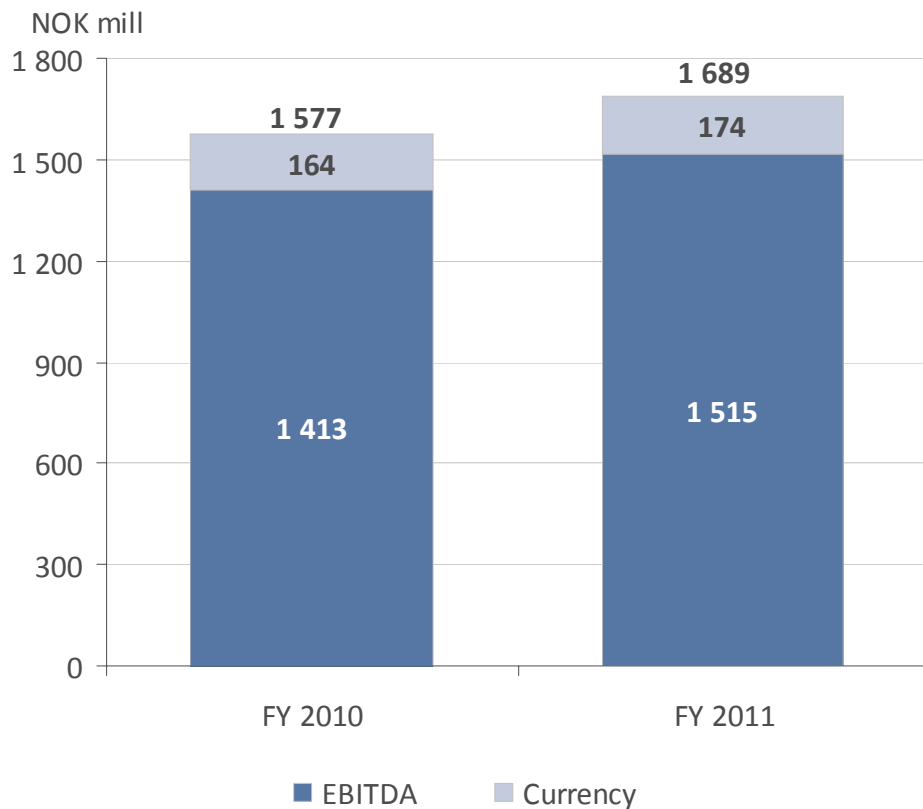


# EBITDA contributions from Q3 to Q4

NOK mill.



# EBITDA including realized currency gains

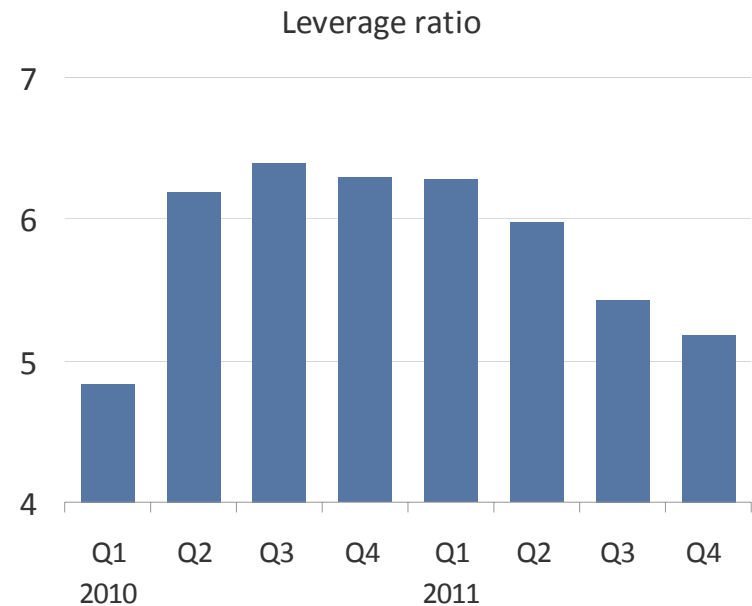
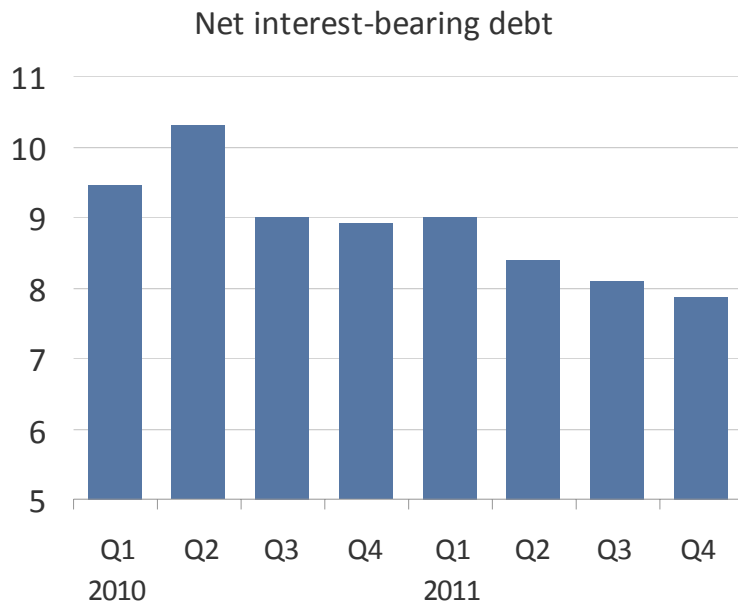


- Group EBITDA was NOK 174 mill. higher in 2011 when including currency effects
- The effect was NOK 164 mill. in 2010



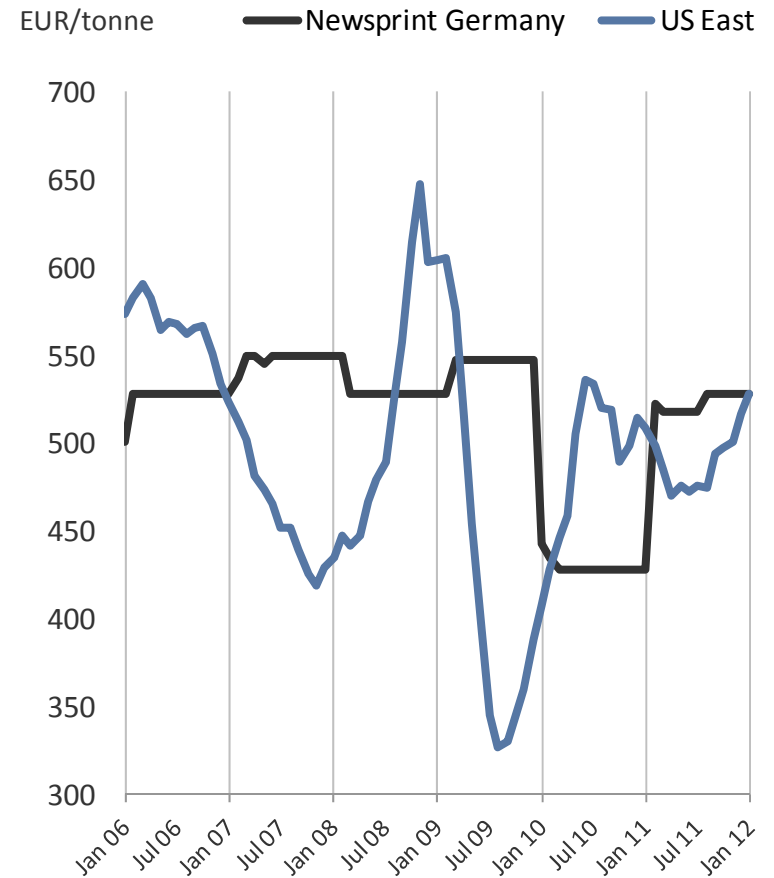
# Debt reduced and leverage improved

- Net debt reduced by NOK 203 mill.
  - Operating result and WC release
  - Net debt reduced by NOK 1bn through 2011
- Leverage ratio considerably down
  - Well within covenant level at 6



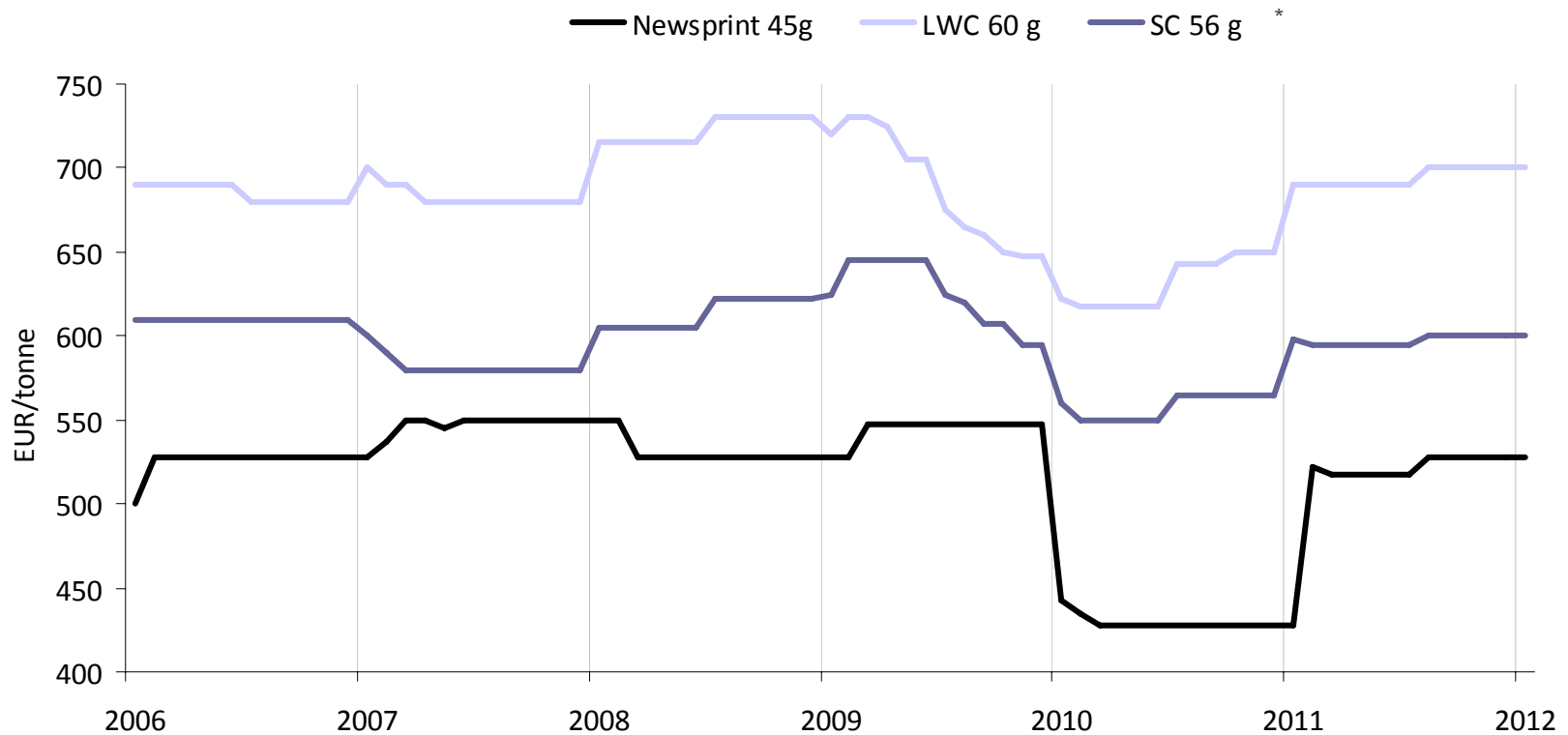
# Newsprint price gap closed

- Reference prices for newsprint Europe flat into 2012
- US price gap to Europe closed due to stronger USD
- Average price in Europe last 15 years: EUR 540-550



Source: RISI

# Publication paper prices flat into 2012



\*) German reference prices, RISI

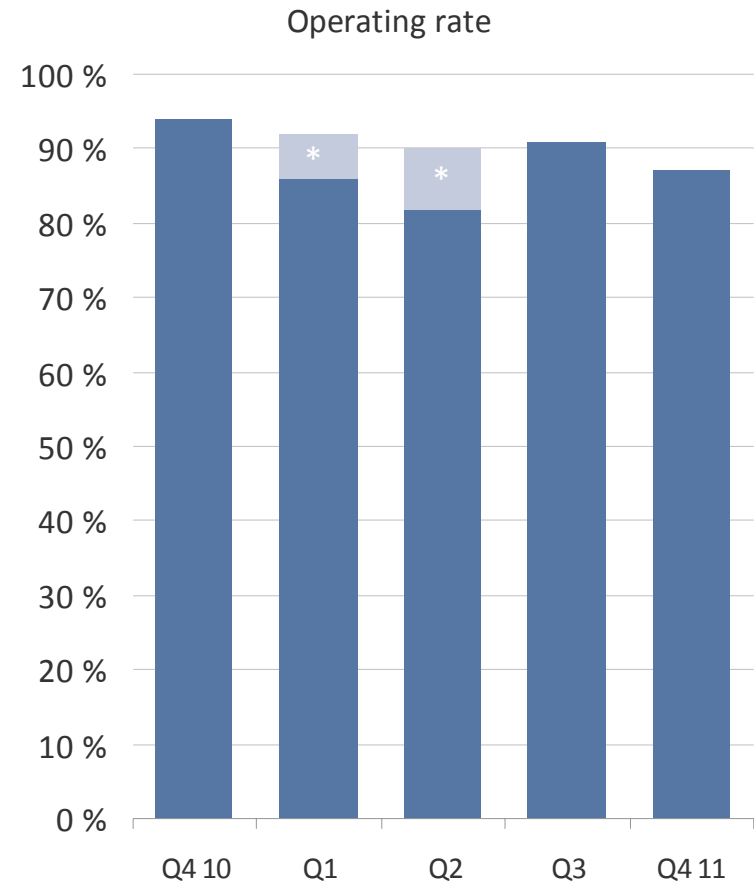
# Demand 2011 per region/segment

Region/segment	Annual change (YTD)*	Comments
World standard newsprint	-5.2%	
North America standard newsprint	-7.4%	
Europe standard newsprint	-2.8%	Western Europe (-3%) Eastern Europe (-2%)
Europe magazine paper (incl. improved newsprint etc)	-4.1%	SC (-4%), LWC (-5%) Improved NP etc. (-1%)
Asia excl. Japan Standard newsprint	-7.3%	India (+1%) China (-17%)
Australasia standard newsprint	-7.4%	
Latin America standard newsprint	-1.1%	Brazil (-8%) Chile (+5%)

\*) Jan-Dec 2011 vs. same period in 2010  
Source: PPPC, CEIPIRINT

# Operating rate development

- Newsprint
  - Stable operating rate in Europe at 87% in Q4 (89% in Q3)
  - Lower outside Europe at 86% (97%)
    - Demand reduction in Australia
    - Active capacity management to release WC
  
- Magazine
  - Stable operating rate at 88% (89%)

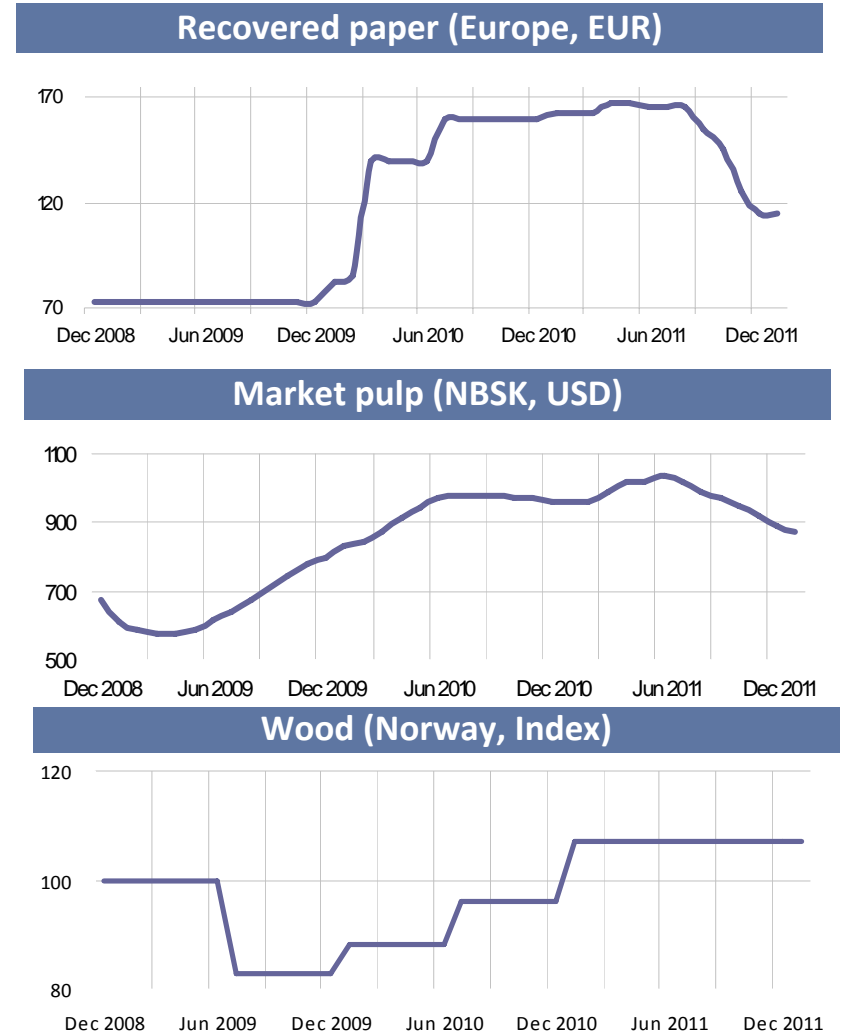


\*) Adjusted for capacity at Norske Skog Saugbrugs

# Input cost deflation

- RP and pulp prices retracted in Q4
  - Still at high level
  - Trough could have been reached
- Energy costs in Q4 at level with Q3
- Norwegian wood prices to come down 5-10% in 2012

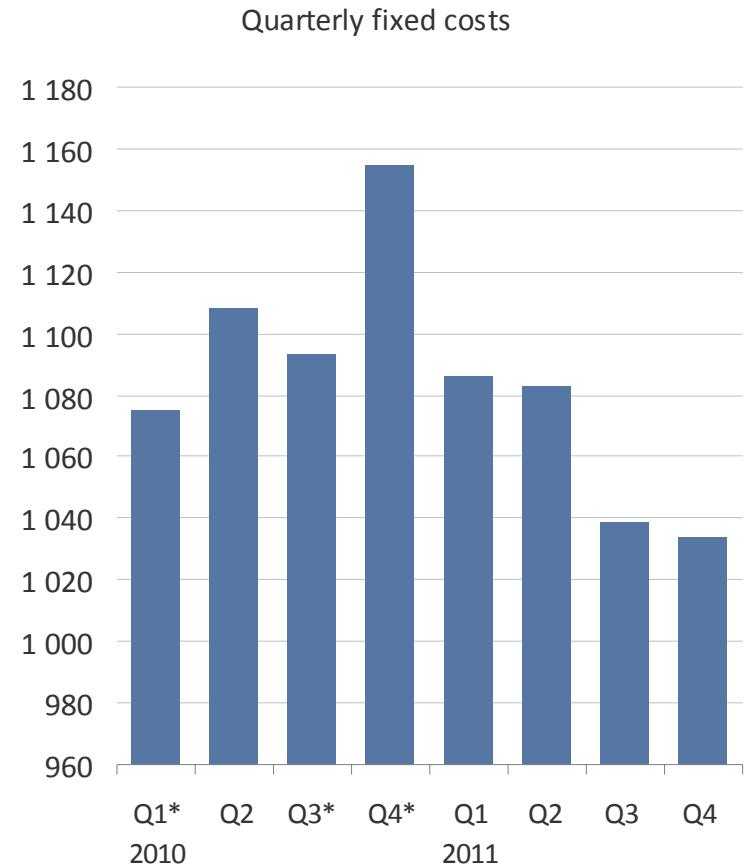
Recovered paper: Newspapers (2.01) Germany, RISI  
 Market pulp: NBSK Western Europe, RISI  
 Wood Index: Dec 2008 = 100, Company data





# Fixed costs trending down

- Steady decline in fixed costs
  - Reduction every quarter last year
  - Year-end run rate NOK 4.1bn
  
- Downward trend also in 2012
  - Closure of Norske Skog Follum
  - Continued underlying reduction
  - Year-end 2012 run rate NOK 3.6bn



\*) Adjusted for provisions

# Q4 2011 presentation

Audun Røneid  
CFO

# Key financials Q4 2011

Key figures (NOK mill.)	Q4 2011	Q3 2011	Q4 2010
Operating revenue	4 970	4 799	5 160
EBITDA	503	469	479*
EBIT	-841	-1 883	-46
Net result	-592	-1 841	-198

- EBITDA
  - QoQ some support from lower input costs
  - YoY underlying improvement with higher newsprint prices
- Net result in Q4
  - Includes restructuring provisions, reduced value of energy contracts and loss on FX hedging

\*) Income of NOK 129 mill. recognised in relation to pensions

# Key financials FY 2011

Key figures (NOK mill.)		2011	2010
Operating revenue		18 904	18 986
EBITDA		1 515	1 413*
EBIT		-2 701	-2 379
Net result		-2 545	-2 469

- **EBITDA**

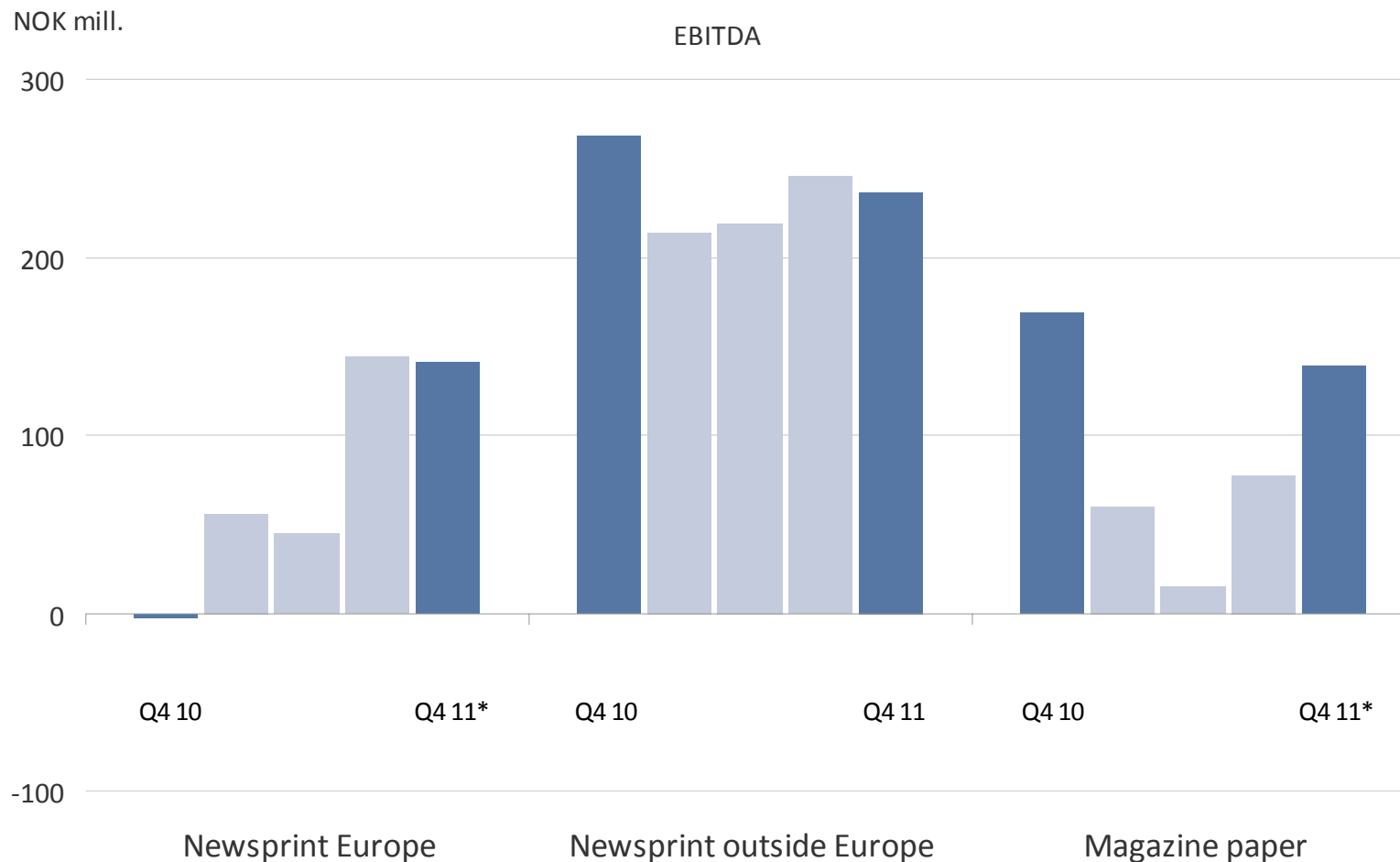
- Improvement YOY
- Higher newsprint prices outweighing negative effect from input cost inflation

- **Net result FY11**

- Impacted by Q3 impairments
- Value of energy contracts reduced less than in 2010

\*) Income of NOK 284 mill. recognised in relation to pensions and environmental liabilities

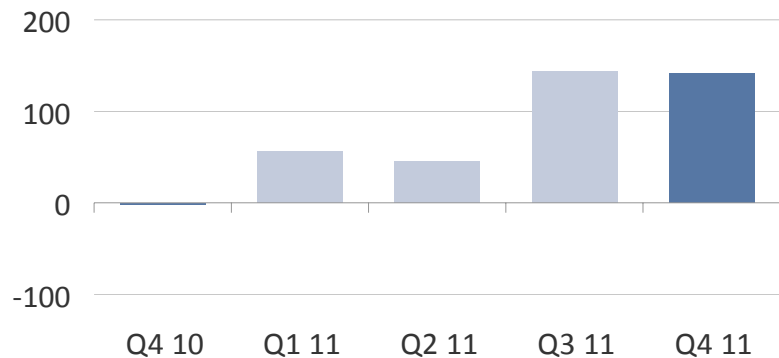
# EBITDA contribution by segment



\*) Reporting of Norske Skog Parenco moved from Newsprint Europe to Magazine paper from Q4 11

# Newsprint Europe

EBITDA NOK mill.



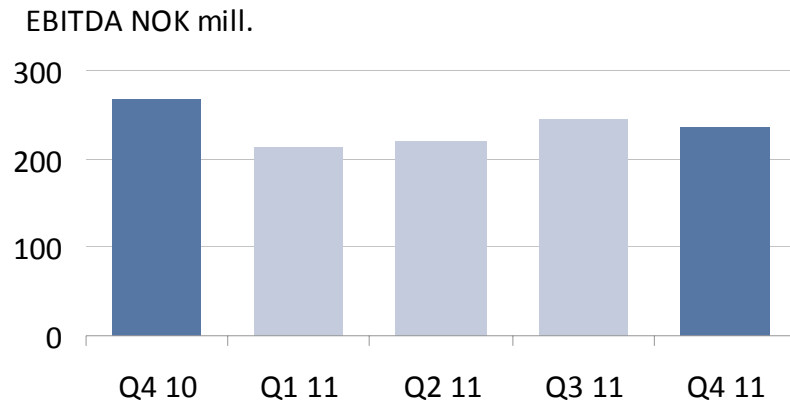
Key figures (NOK mill.)	Q4 2011	Q3 2011	Q4 2010
Operating revenue	1 368	1 548	1 551
EBITDA	141	144	-3*
EBITDA margin	10.3 %	9.3 %	-0.2 %
Deliveries (1 000 tonnes)	333	374	429

- Norske Skog Parenco moved to Magazine paper
- Underlying sales volumes higher
- Some contribution from input cost deflation
- Positive currency effect from a stronger GBP
- Stable production with an operating rate of 87% (89% in Q3 11)

\*) Income related to pensions recognized



# Newsprint outside Europe

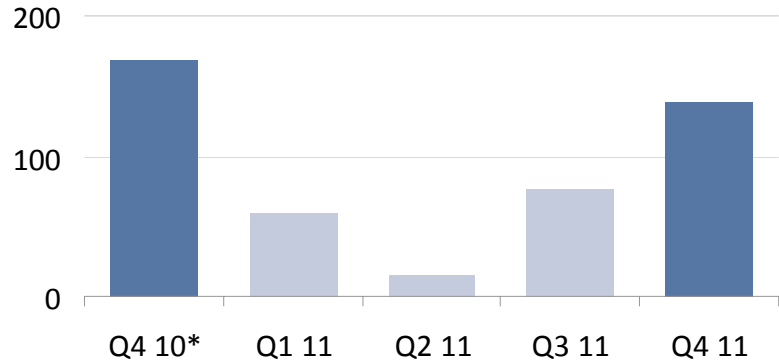


Key figures (NOK mill.)	Q4 2011	Q3 2011	Q4 2010
Operating revenue	1 423	1 484	1 504
EBITDA	236	246	269
EBITDA margin	16.6%	16.6 %	17.9%
Deliveries (1 000 tonnes)	294	314	302

- Lower sales volumes in Australasia and relatively more lower margin export
- Demand decline of some 7% in Australia through last year
- Improved contribution from South-America mitigated overall decline
- Lower production with an operating rate of 86% (97% in Q3 11)

# Magazine paper

EBITDA NOK mill.  
200

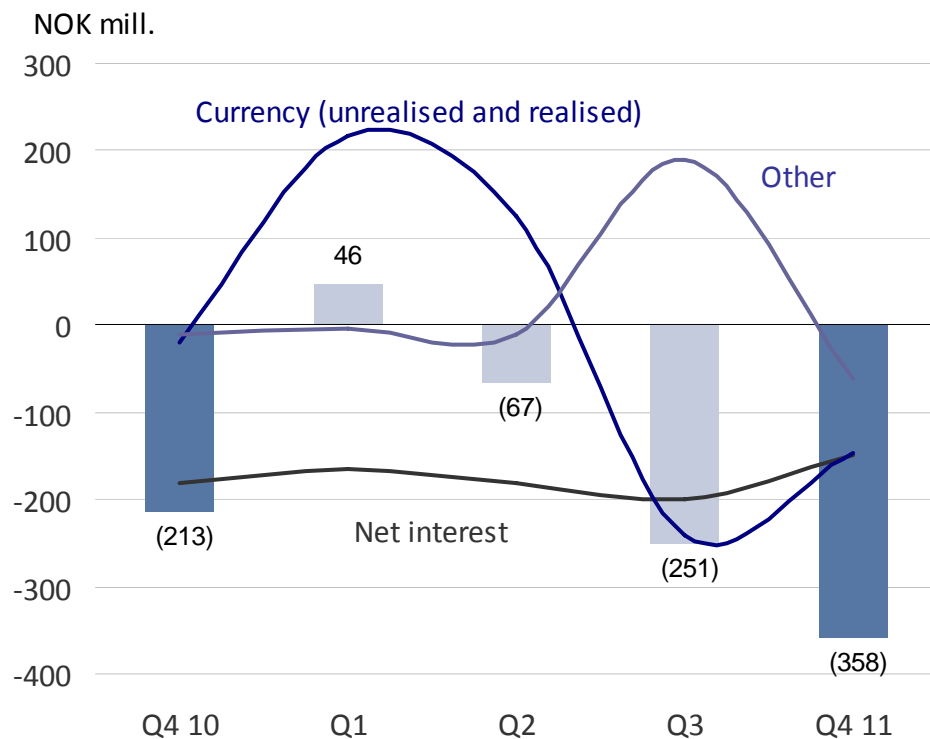


Key figures (NOK mill.)	Q4 2011	Q3 2011	Q4 2010
Operating revenue	1 966	1 568	1 691
EBITDA	139	77	169*
EBITDA margin	7.1 %	4.9 %	10.0 %
Deliveries (1 000 tonnes)	392	307	332

- Norske Skog Parenco moved to Magazine paper
- Underlying sales volumes higher
- Some contribution from input cost deflation
- Positive currency effect from a stronger USD
- Stable production with an operating rate of 88% (89% in Q3 11)

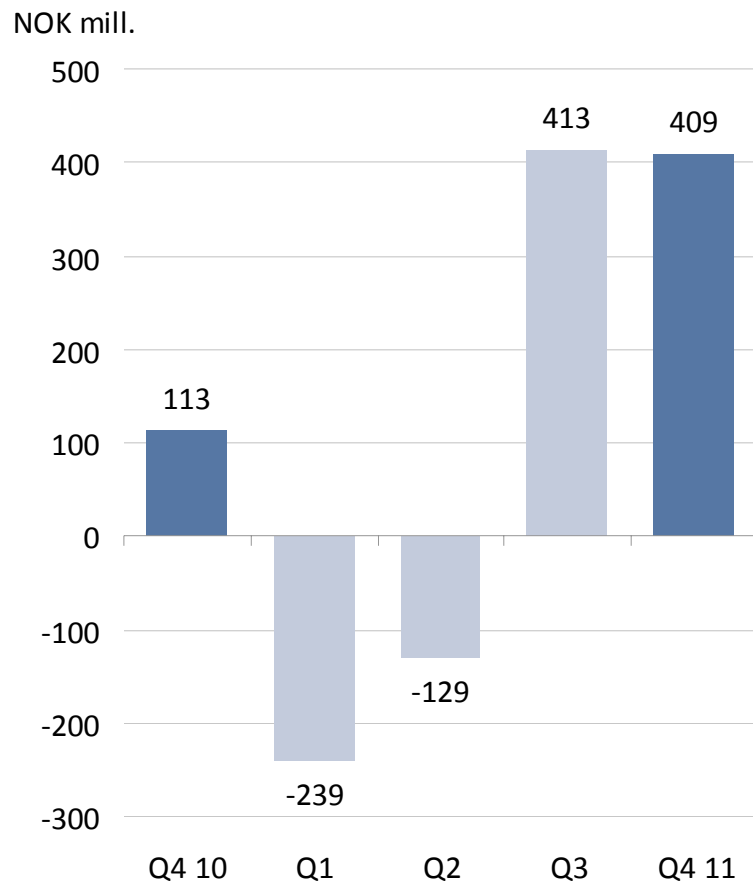
\*) Income related to pensions recognized

# Financial items



- Net interest relatively stable QoQ when adjusting for opposite one-offs
- Currency loss reflecting depreciation of NOK
  - AUD, USD and GBP

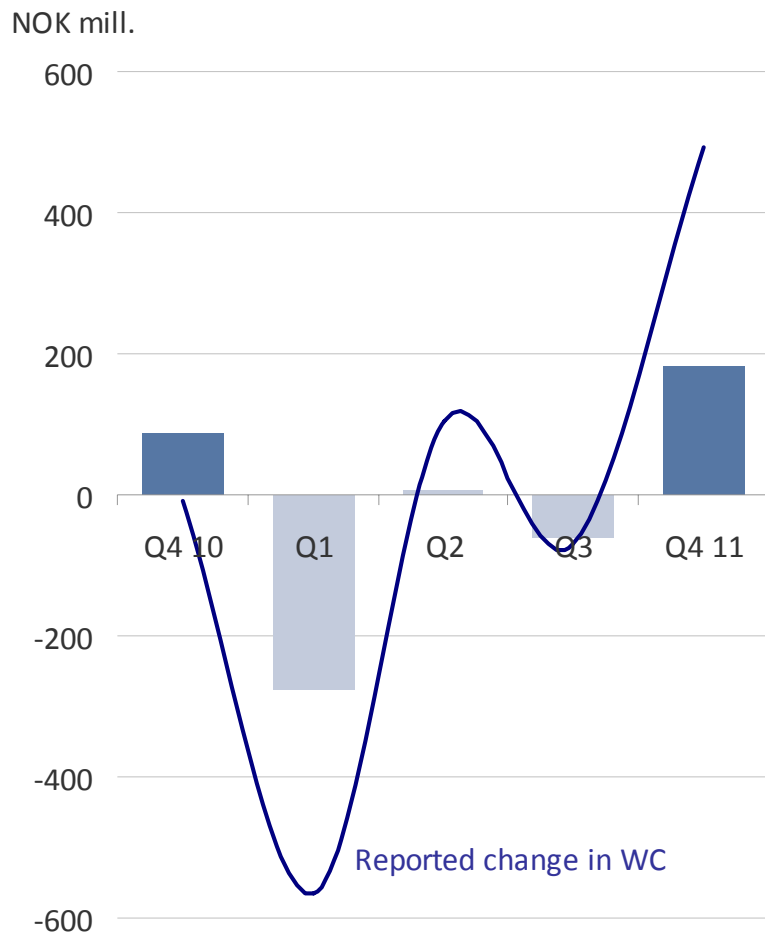
# Cash flow from operations



- EBITDA NOK 503 mill.
- Change in working capital NOK 182 mill.
- Cash flow from net financial items NOK -182 mill.
- Other NOK -94 mill.

- 
- Net investments
    - Negative NOK 104 mill. in Q4
    - Positive NOK 470 mill. FY11
  - Non-core disposals effectuated
    - NOK 150 mill. in Q4
      - Full cash effect by February this year

# Change in operating working capital



- Working capital released in Q4
  - Operating WC reduced by NOK 182 mill.
  - Mainly through lower inventories
- Reported change in WC
  - Disrupted by non-operating provisions

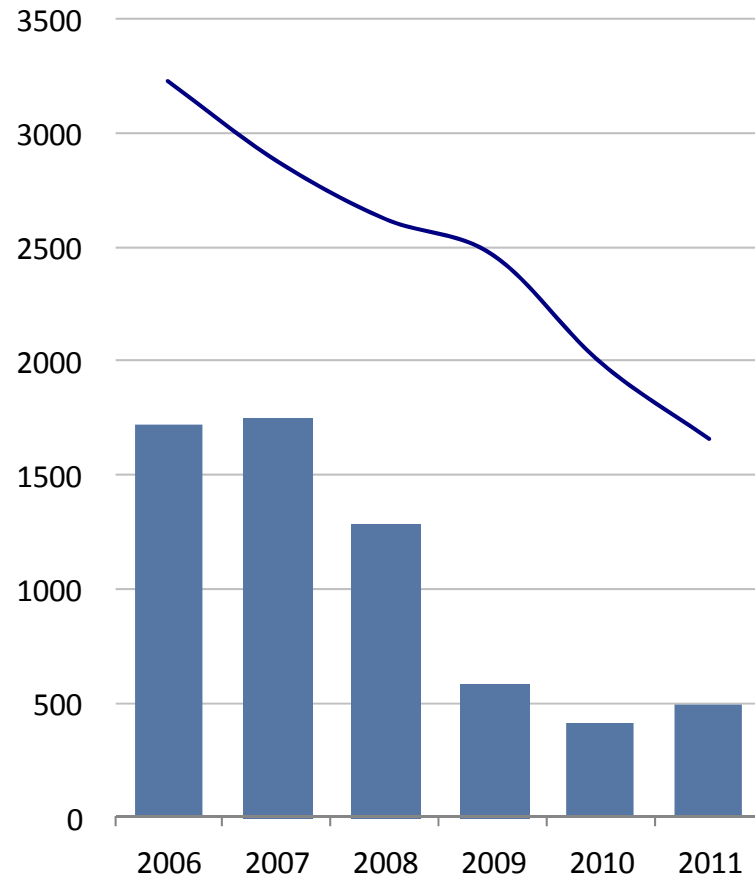
# Cash flow

(NOK mill.)	Q4 11	Q3 11	2011	2010
<b>EBITDA</b>	<b>503</b>	<b>469</b>	<b>1 515</b>	<b>1 413</b>
Change in operating working capital	182	-60	-148	203
Net finance	-182	25	-557	-520
Other	-94	-21	-355	-699
<b>Net cash flow from operations</b>	<b>409</b>	<b>413</b>	<b>455</b>	<b>397</b>
Capital expenditure	-165	-119	-490	-411
Asset sales	62	99	960	826
<b>Net cash flow after investments</b>	<b>305</b>	<b>392</b>	<b>925</b>	<b>812</b>



# Annual CAPEX has stabilized

NOK mill.

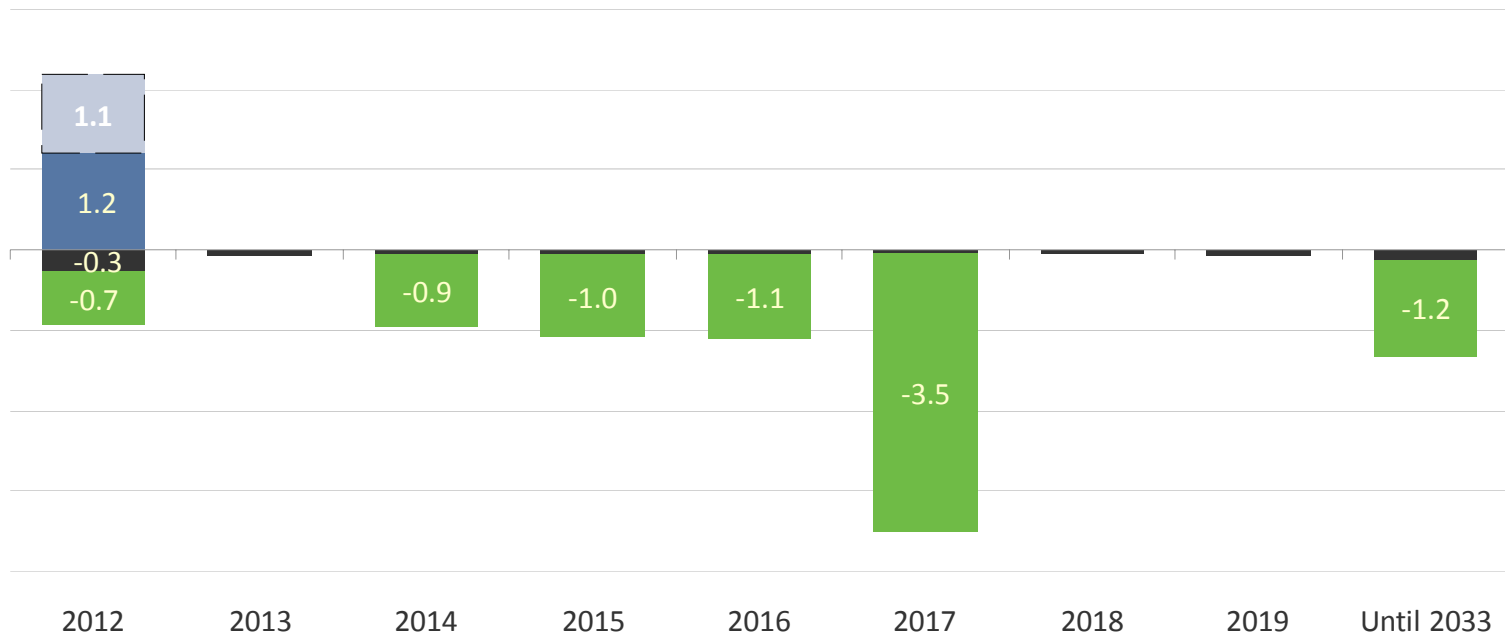


- CAPEX stable in recent years
  - At around NOK 500 mill. per year
  - Reduced following disposals of assets in Korea (2008) and China (2009)
- Depreciation trending down
  - Reflecting disposals and impairments

# Maturity profile\*

NOK bn

■ Cash   ■ RCF   ■ Bank   ■ Bonds



\*) Year-end 2011

# 2012 outlook and focus

Sven Ombudstvedt  
CEO

# Outlook for 2012

- Stable sales prices
- Lower volumes
- Improved market balance for magazine paper
  - Market decline mitigated by capacity reductions
- Lower input costs and fixed costs reductions

# Management focus going forward

- Improve margins
- Continued reduction of debt and fixed costs
- Identification and further sale of unrelated assets
- Active capacity management
  - Temporary
  - Permanent



A photograph of a winter forest. The ground is covered in a thick layer of snow, with soft shadows cast across it. In the background, several tall, dark tree trunks stand against a backdrop of snow-laden branches. The overall color palette is dominated by whites and blues, with the dark brown of the tree trunks providing contrast.

Q & A