

Third quarter 2011:

Improved operations at Norske Skog

Norske Skog's gross operating earnings were NOK 469 million in the third quarter. This is significantly better than in the second quarter. The improvement is due to lower costs, higher volumes and better prices.

Cash flow from operations also improved markedly, and net interest-bearing debt was reduced.

"The third quarter clearly shows a positive change after a rough period for Norske Skog. Even so, we remain committed to doing everything possible to turn Norske Skog into a company showing satisfactorily profitability. It is still necessary to align our European production capacity with future demand," says President and CEO of Norske Skog, Sven Ombudstvedt.

Key figures, third quarter 2011 (NOK million)

	Q3 2011	Q2 2011	Q3 2010
Operating revenue	4 799	4 542	4 795
Gross operating earnings (EBITDA)	469	248	384
Gross operating margin (%)	9,8	5,5	8,0
Gross operating earnings after depreciation (EBIT)	39	-184	-129
Restructuring expenses	-4	-23	-22
Other gains and losses	-43	5	-175
Impairments	-1 875	0	0
Operating earnings – IFRS	-1 883	-202	-326
Financial items and share of profit in associated companies	-253	-70	49
Income taxes	294	-9	34
Net profit/loss for the period	-1 841	-280	-244
Net cash flow from operating activities	413	-129	336

Operating earnings (IFRS) were minus NOK 1 883 million, compared to minus NOK 202 million for the second quarter of 2011 and minus NOK 326 million for the third quarter of 2010. The operating result was strongly affected by impairments of NOK 1 883 million. Of these, NOK 927 relate to Norske Skog Parenco in the Netherlands.

The result from financial items was minus NOK 253 million. In the second quarter financial items were minus NOK 70 million, and in the third quarter of 2010 there was a positive result of NOK 49 million.

The net loss was NOK 1 841 million, compared to a loss of NOK 280 million in the second quarter of 2011 and a loss of NOK 244 million in the third quarter of 2010.

Net interest-bearing debt was reduced from NOK 8.4 billion to NOK 8.1 billion during the quarter.

Newsprint Europe – improved, but still weak

Gross operating earnings improved significantly in the third quarter from a weak level in the preceding quarter and in the third quarter last year. Sales prices during the quarter increased markedly from the same period last year, and there were also some price increases compared to the second quarter this year. Production volumes were in line with the second quarter, but somewhat lower than the third quarter last year. Deliveries were somewhat lower than in the

Norske Skogindustrier ASA

Oksenøyveien 80
 P.O. Box 329, N-1326 Lysaker
 Norway

preceding quarter. Costs in the third quarter were somewhat lower compared to the second quarter, but still at a high level compared to the third quarter of 2010.

Newsprint outside Europe – positive in Australasia, weak in South America

Third quarter gross operating earnings improved compared to the second quarter, but were weaker than in the third quarter of 2010. The improvement from the second quarter was caused by price increases in Australia and higher sales volumes. The decline compared with the same period last year is mainly due to a positive one-off item at Norske Skog Boyer in the third quarter last year. However, gross operating earnings in South America were also lower, largely resulting from a weakened Brazilian real. An increase in production volumes resulted in a very high capacity utilisation of 97 per cent.

Magazine paper – normal operations at Norske Skog Saugbrugs

Gross operating earnings in the third quarter improved significantly compared to the preceding quarter. The improvement was due to lower costs, higher sales volumes and stable prices. Gross operating earnings were also improved compared to the third quarter of last year. This was caused by higher prices and stable costs in Norwegian kroner, which more than compensated for lower deliveries compared with last year.

After having been halted following a fire on 2 February, all machines at Norske Skog Saugbrugs were again operational at the end of the second quarter and ran as normal throughout the third quarter.

Capacity evaluation in Europe

During the autumn, there has been an ongoing evaluation of Norske Skog's future production capacity in Europe, including in Norway. This process is not yet concluded.

"Even though our earnings improved in the third quarter compared to the second quarter, they are still far from satisfactory. Therefore, we will make sure that Norske Skog has a capacity that is aligned with the market we observe," says Ombudstvedt.

Outlook for the rest of the year

Stable prices and volumes for newsprint and magazine paper are expected in the fourth quarter. Input costs are expected to remain at a high level, but lower prices for market pulp and recovered paper are expected to contribute to a certain reduction. Gross operating earnings for the year are expected to be somewhat stronger than in 2010.

Presentation and conference call

The interim accounts will be presented at the offices of DnB NOR at Aker Brygge in Oslo today at 08.30 CET. A recording of the presentation will be published at www.norskeskog.com shortly thereafter. An international telephone conference, open to questions from the financial markets, will be held at 13:00 CET. President and CEO, Sven Ombudstvedt and other members of corporate management will participate in both of these events.

Telephone numbers:

800 56054 (Toll Free Norway)

0800 279 4841 (Toll Free UK)

1877 249 9037 (Toll Free USA)

+44 (0)20 7136 2054 (International Toll)

Code: 1457472

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Norske Skog

Communications and Public Affairs

For further information:

Media:

Vice President Corporate Communication

Carsten Dybevig

Mob: (+47) 917 63 117

Financial markets:

Vice President Investor Relations

Tom Rogn

Mob: (+47) 948 55 659