



Norske Skog

Deutsche Bank 5th European Paper Seminar
London, 14 November, 2007

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Agenda

- Norske Skog headlines
- Q3 Financials
- Cost and consumption
- Market Update
- Summary



Norske Skog Headlines (1)

- Leading global producer of newsprint and magazine paper:
 - 19 mills in 14 countries
 - ~ 50% of the capacity outside Europe
 - Capacity based on ownership: 6.5M tonnes
 - Total revenue (2006 ~ NOK 28.8 billion)
 - Market cap ~ NOK 9 billion (EUR 1.2 billion)
- Foreign ownership ~ 65%



Source: Company Information

Norske Skog Headlines (2)

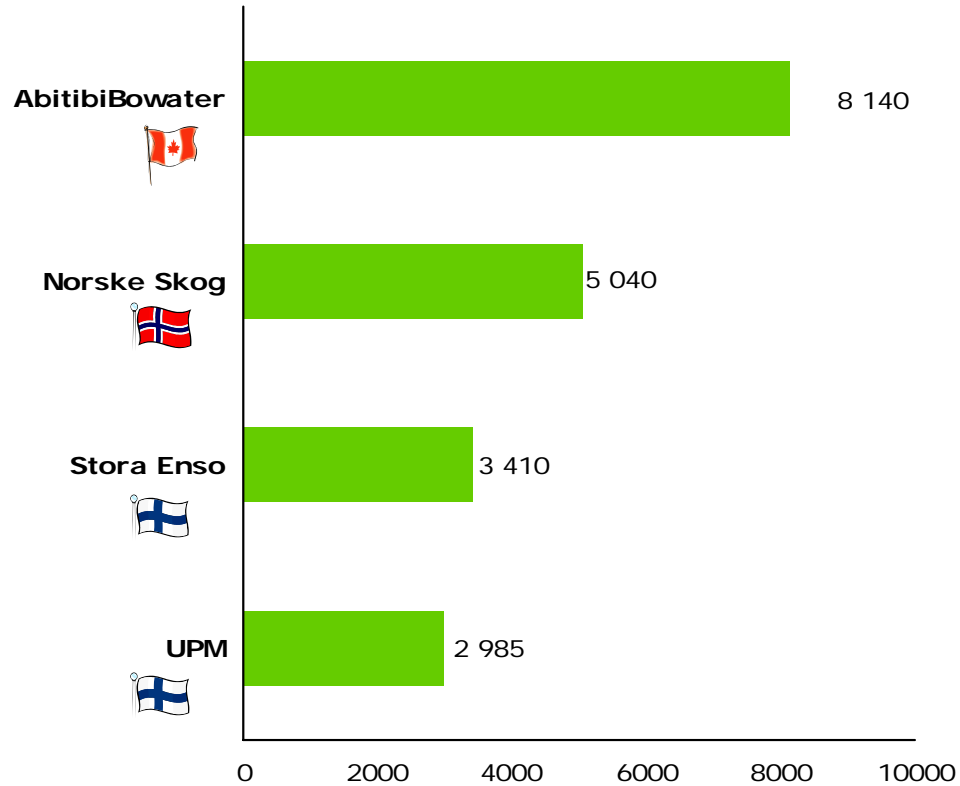
- The ONLY global producer within publication paper grades
- Widespread geographic footprint with strong market positions in all major regions except North America, and presence in high growth regions
- Streamlined operations with high competence in core areas
- Far-reaching profit improvement program on track



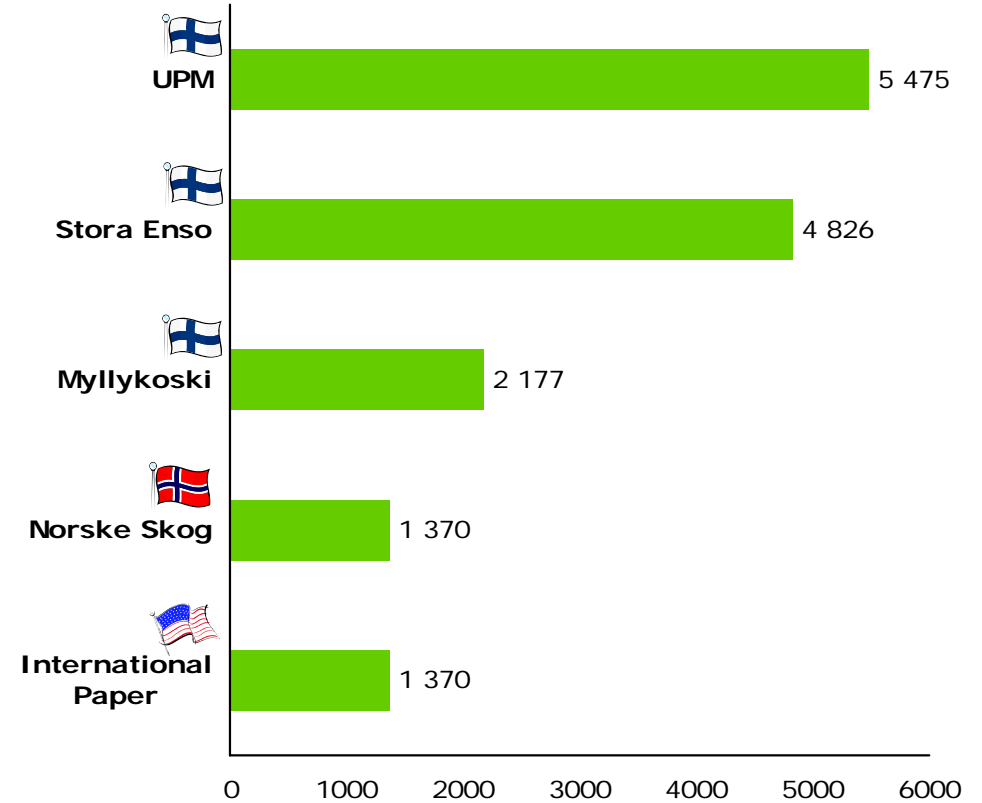
Source: Company Information

A Leading Global Producer

Newsprint
1 000 tons / year



Magazine Paper
1 000 tons / year



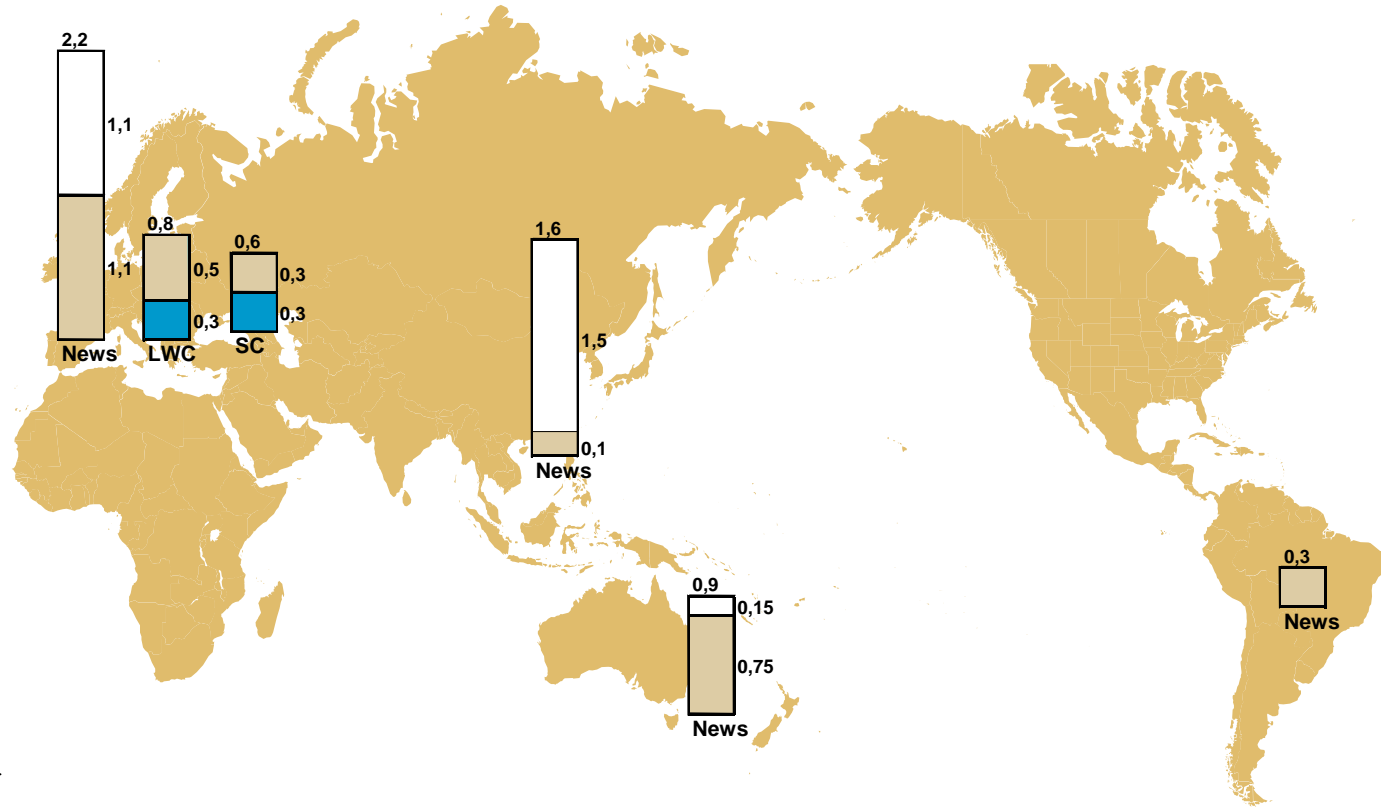
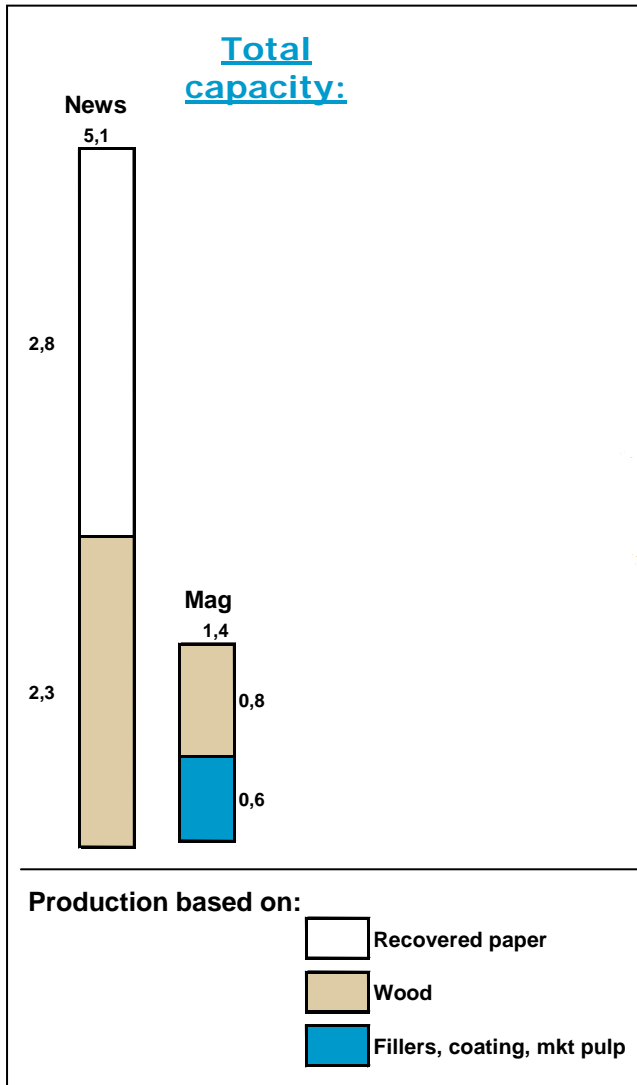
Source: Company Report.

Note: Bowater and Abitibi have completed merger of their operations 29 Oct 2007.

The world of Norske Skog



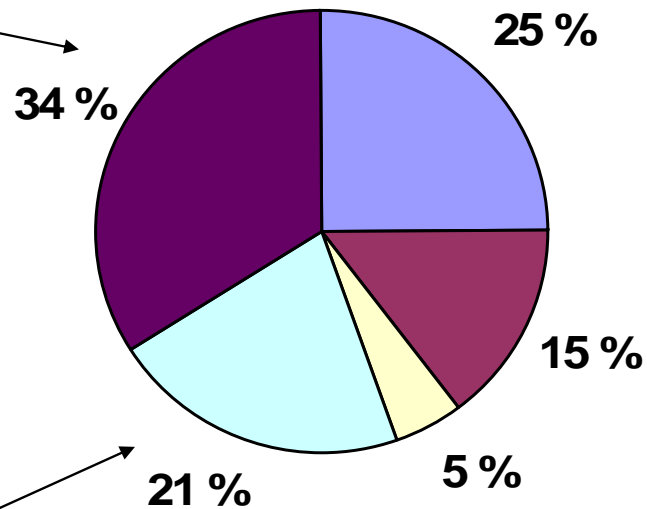
Norske Skog: A balanced raw material base



Norske Skog's global capacity

Total capacity ~ 6.475 mill. tons

40 % Norway
60 % Continental Europe



- Asia
- Australasia
- South America
- Europe - magazine
- Europe - newsprint

49 % Norway
51 % Continental Europe

Newsprint: 79 % of total
Magazine: 21 % of total

32 % of total **newsprint** capacity is in Asia

Export share of Norwegian production 90%

Source: Annual report 2006

Financial Overview

Key figures Q3 2007

	Q3 2007	Q2 2007	Q3 2006
Revenue	6 641	6 794	7 192
EBITDA*	850	1 129	1 322
EBIT *	139	416	495
Interest / Other financial items	(277)	(242)	(278)
Currency gain/loss	370	187	(243)
Pre Tax profit	280	173	(3 779)
EBITDA margin*	12,8 %	16,6 %	18,4 %

* Clean figures

Figures by segments Q3 2007 vs Q2 2007

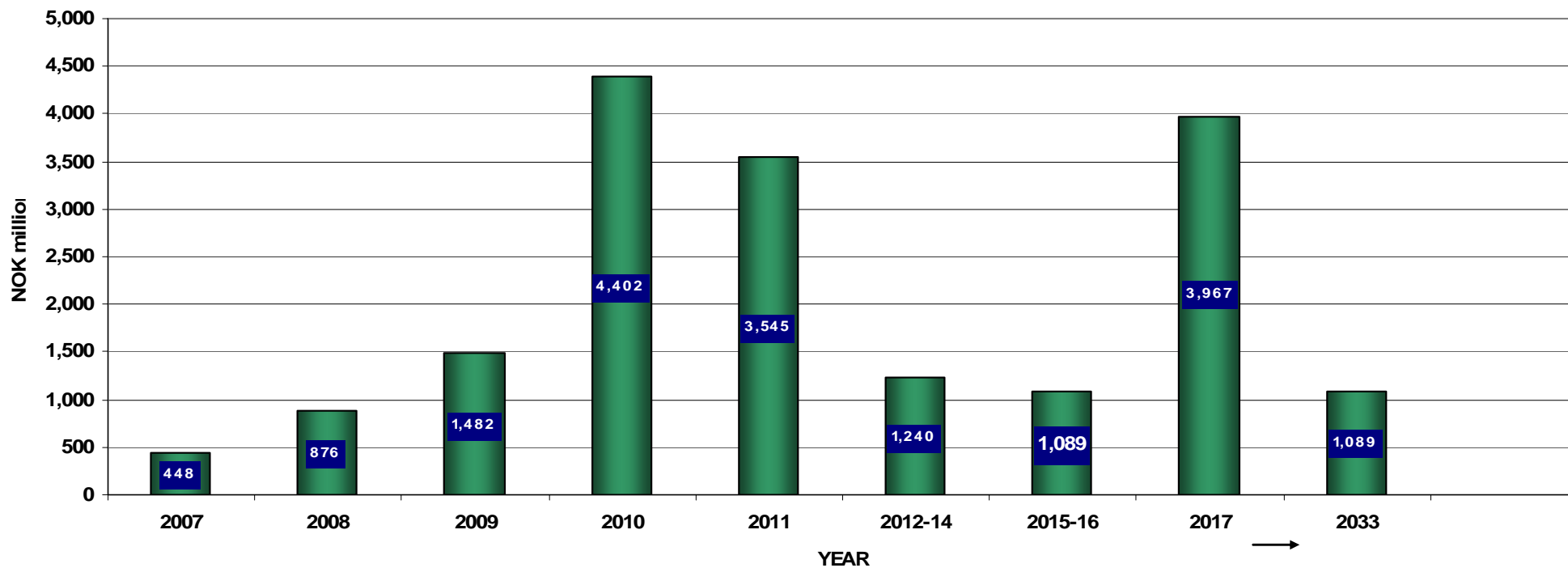
	Revenue		EBITDA		EBIT	
	Q3 2007	Q2 2007	Q3 2007	Q2 2007	Q3 2007	Q2 2007
Europe News	2 156	2 257	364	456	194	280
Europe Magazine	1 767	1 556	138	148	(10)	2
Total Europe	3 923	3 813	502	604	184	282
Asia	1 329	1 433	143	241	(26)	82
Australasia	940	985	211	278	29	104
South America	316	345	47	85	18	46
Total regions	6 508	6 576	903	1 208	205	514
Other activities / staff	133	218	(53)	(79)	(66)	(98)
Consolidated "clean"	6 641	6 794	850	1 129	139	416

Balance sheet & cash flow – key figures Q3 2007

		Q3 2007	Q2 2007	Q3 2006
Net CF from operating activities	Mill. NOK	772	266	1 645
Investments	Mill. NOK	(449)	(499)	(346)
CFPS	NOK	4.07	1.40	6.68
Total assets	Mill. NOK	44 214	47 071	45 265
Net interest-bearing debt	Mill. NOK	16 231	17 462	17 784
Gearing		0.98	1.04	1.02
Equity per share	NOK	87	88	93
ROCE, adjusted	%	1.54	4.49	5.00

Debt Maturity Schedule 30 Sept, 2007

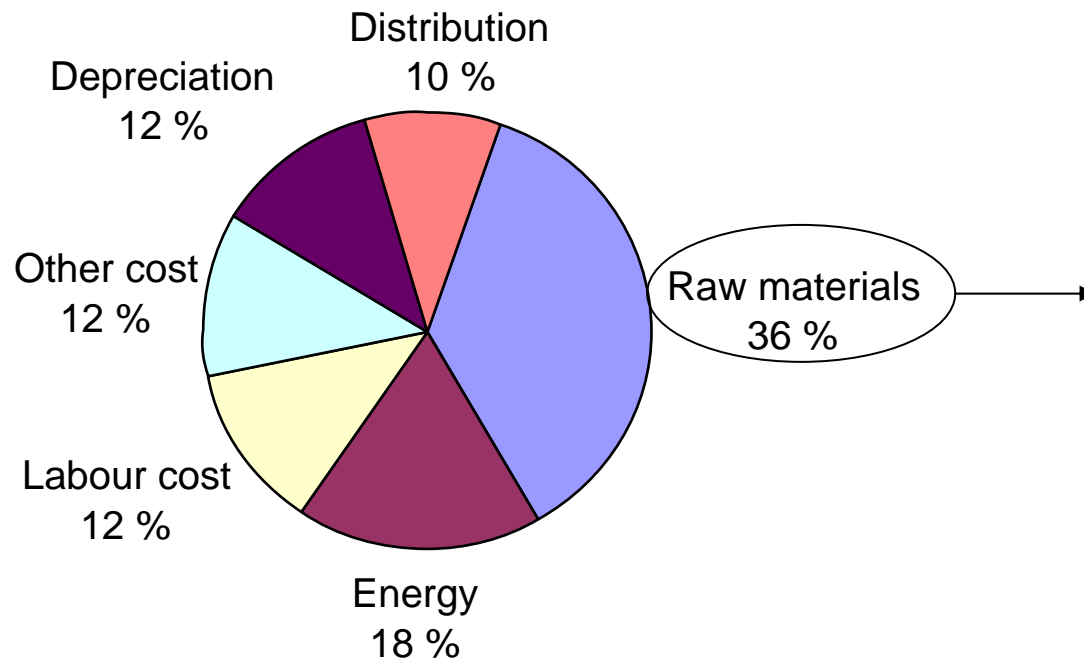
DEBT MATURITY SCHEDULE AS OF 30.09.2007
Norske Skog



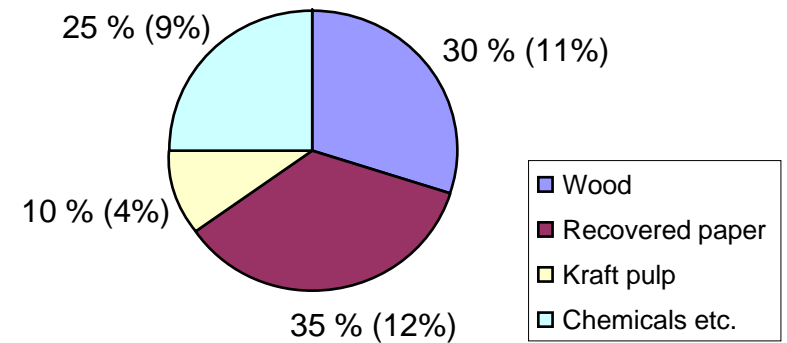
Cost and consumption

Total cost breakdown - 2006

Total cost



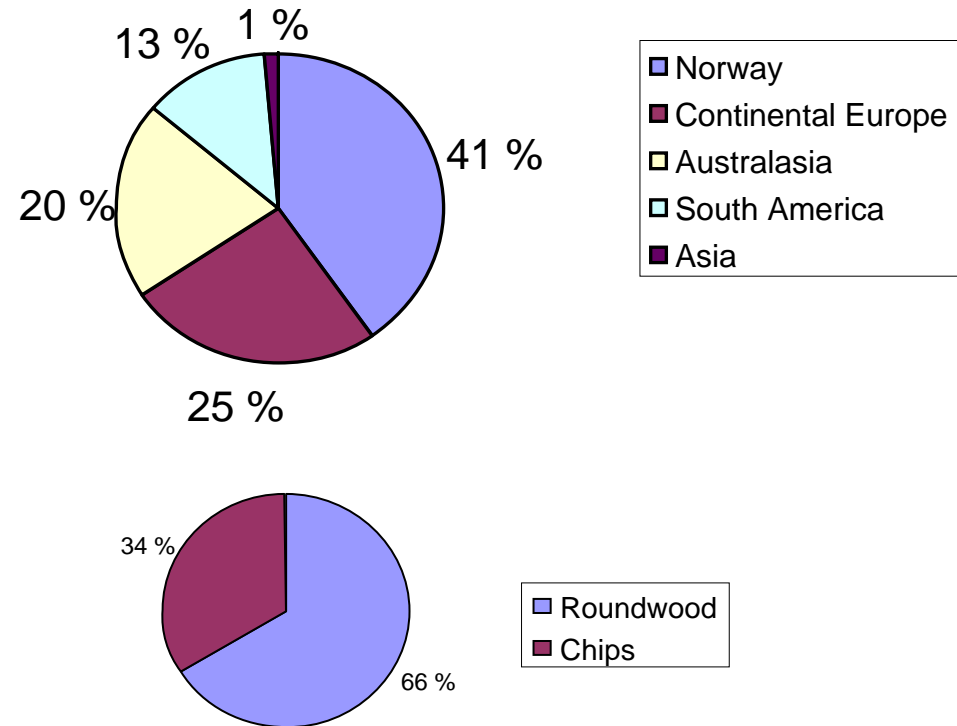
Raw materials



Wood

- Increased prices in continental Europe autumn 2006 – demand driven (Building industry, board and bio energy)
- Lower prices following storm felling in Germany first half year 2007 – expected to increase back to level at the end of 2006
- Russian export taxes implemented summer 2007 influence price in Finland, with knock-on effect in Sweden
- European market currently looks to have adequate supply, but pricing remains volatile
- Southern hemisphere - 35% of total wood consumption at much lower prices than in Europe

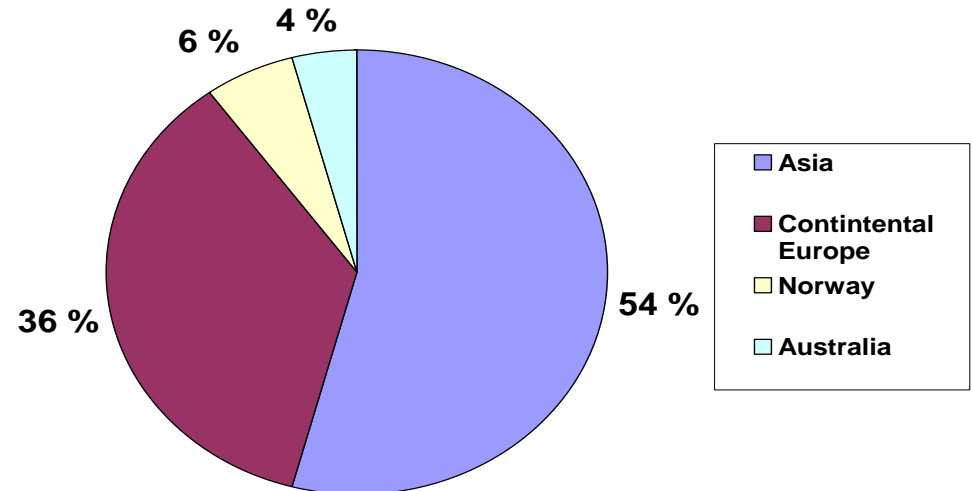
Wood consumption 2006 ~ 6,4 mill. m3



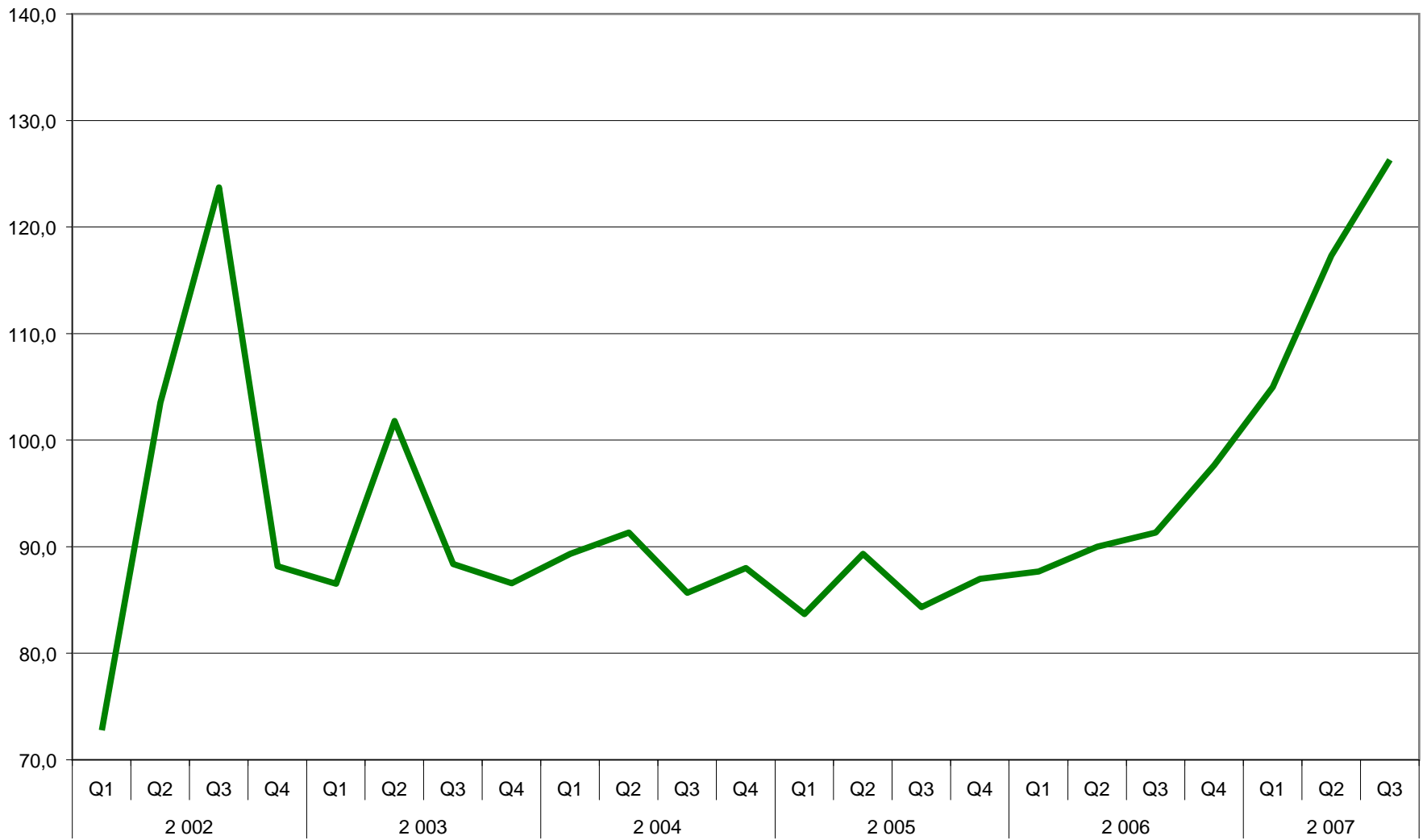
Recovered Paper

- Increased Global RP prices in 2007 – mainly driven by the new capacities in China
- From October 1st 2007, Sea-freight rates Europe-Asia increased. The expected result could be:
 - Decrease in Europe
 - Increase in the Far East

NSI RP Consumption 2006
3,4 Million ton

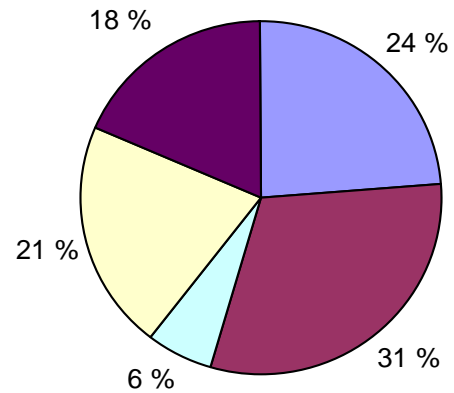
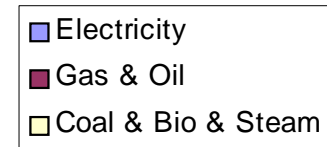
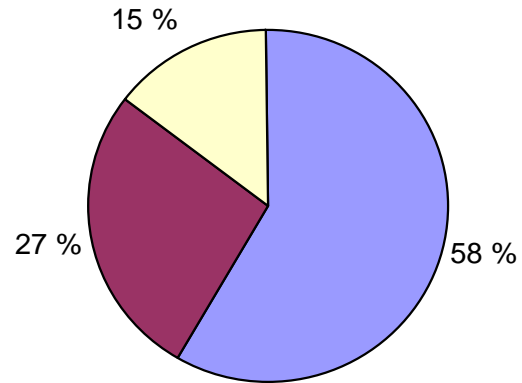


Recovered paper prices in Germany (CEPI) 2002 – 1 HY 2007 – Old newspapers/magazines



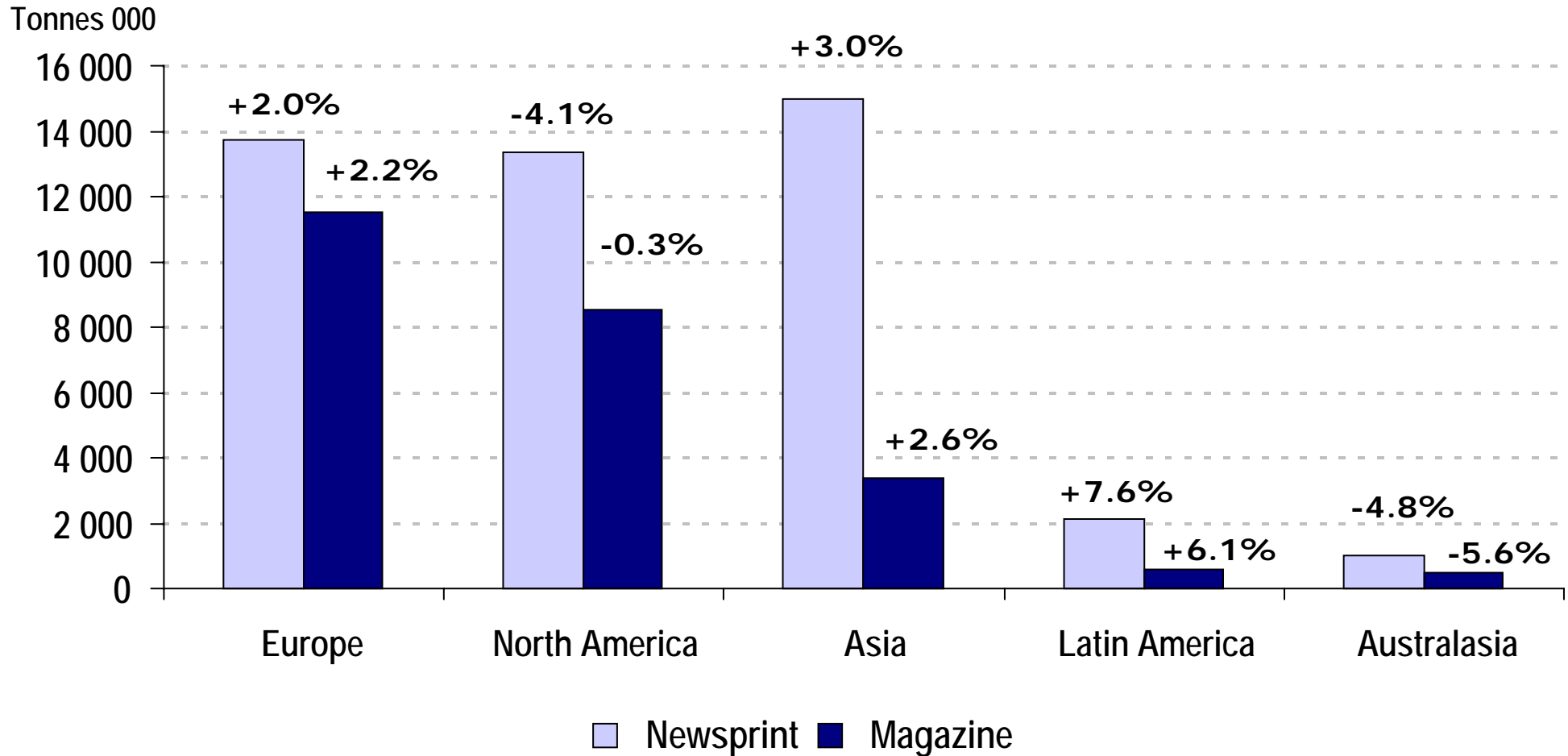
Energy consumption by source and region

Energy consumption (excluding self generated thermal)
~ 19 Twh (= 19 billion kWh)



Market Update

Publication Paper Regional Demand 2006 & Growth 2006 vs. 2005



Sources: Cepiprint, PPPC, NSI
Newsprint including improved grades
Magazine including SC-Paper and CMR

Publication Paper - A Global Yet Regional Market

- **Europe**

- Low growth and overcapacity on newsprint
- Overcapacity also on magazine paper
- Adverse effect of € appreciation
- Restructuring potential

- **Asia**

- High growth
- Capacity increases in China

- **Australasia**

- Low cost production
- Close to customers

- **North-America**

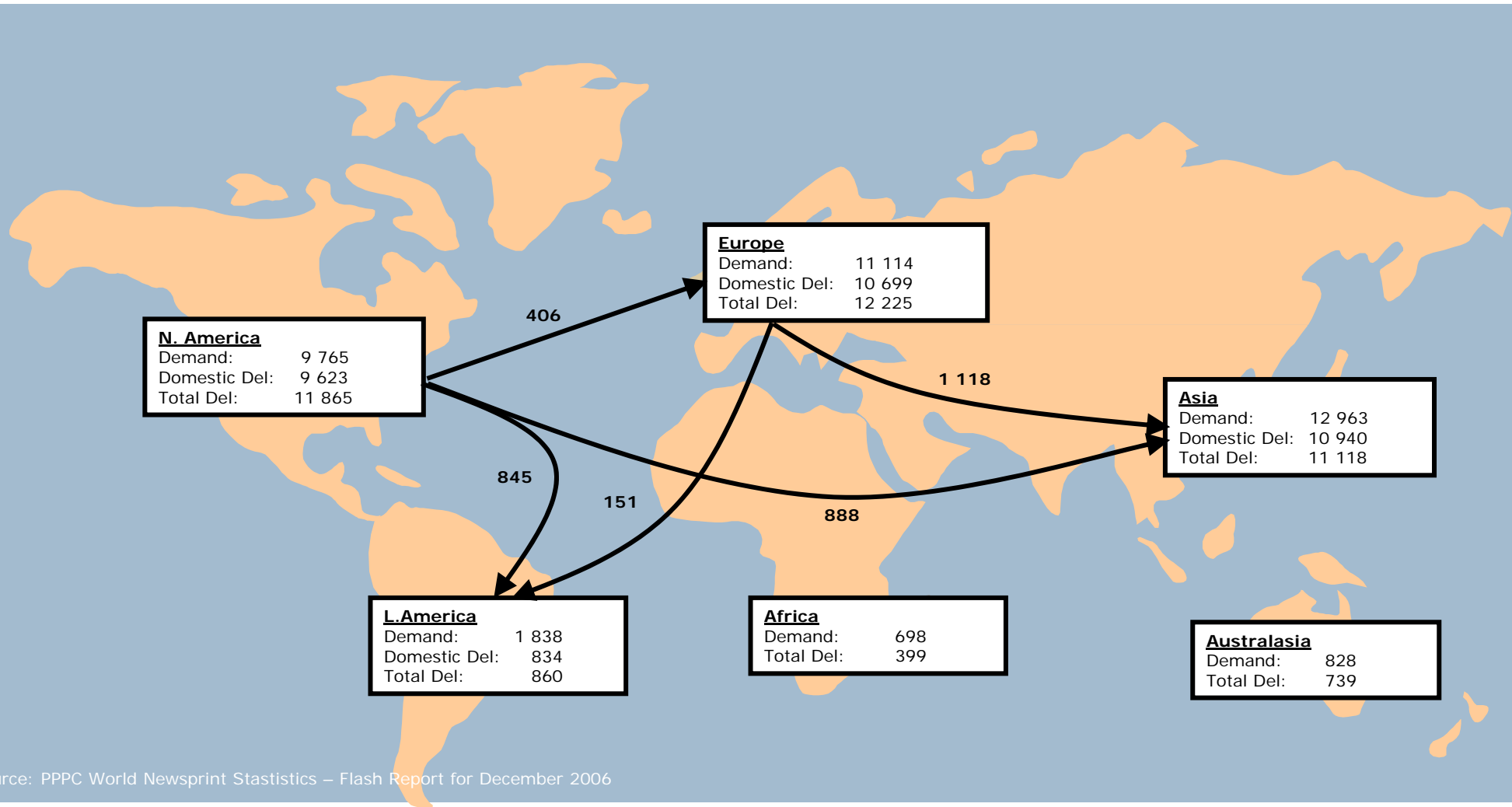
- Declining demand
- Consolidation to provide supply discipline
- Canadian industry currently suffering from strong CAD

- **South-America**

- Access to low-cost fibre
- Increasing demand with positive long term outlook

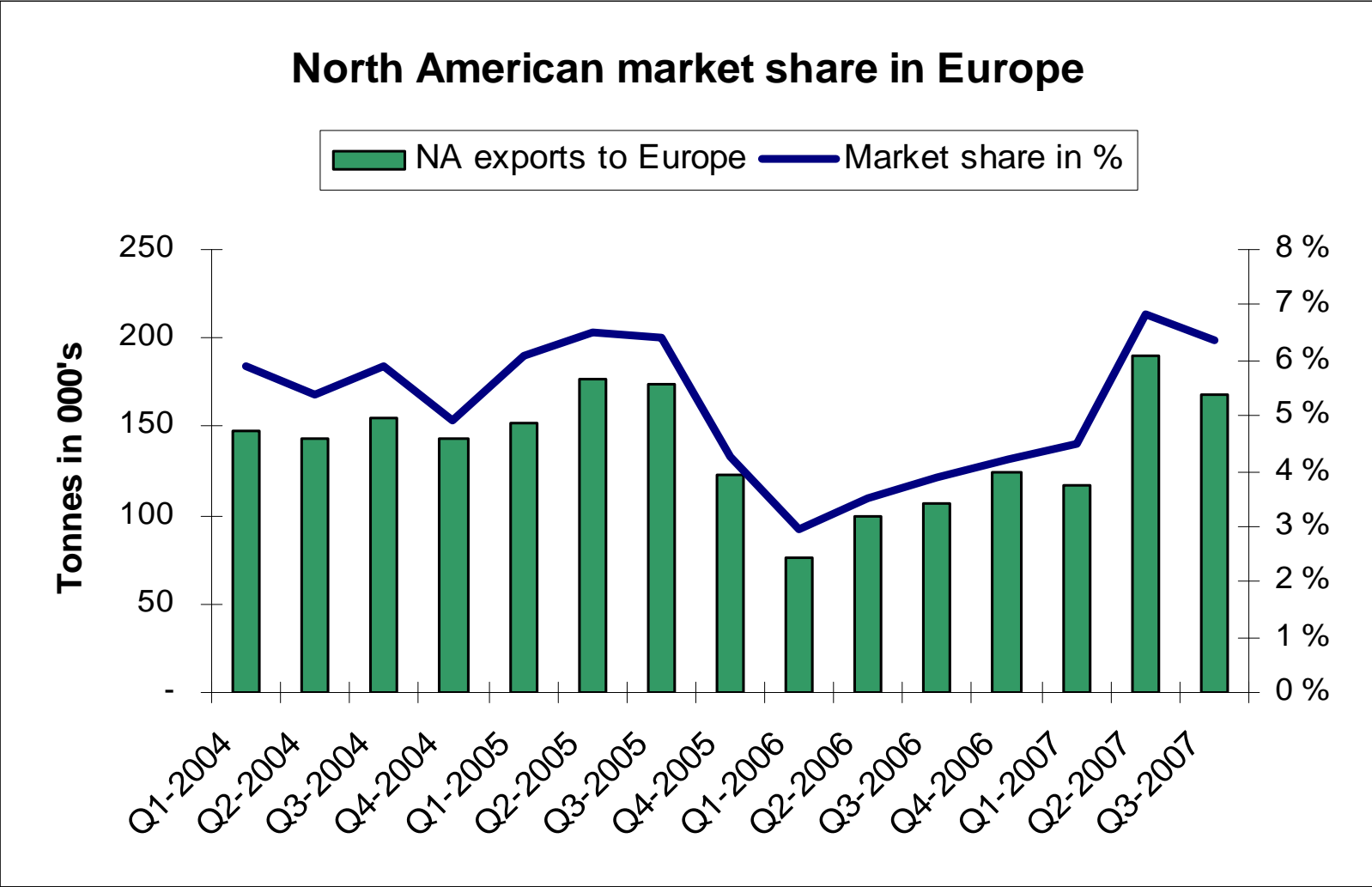
Trade Flows 2006 (est.)

Standard Newsprint



Source: PPC World Newsprint Statistics – Flash Report for December 2006

Newsprint shipments from Canada to Europe



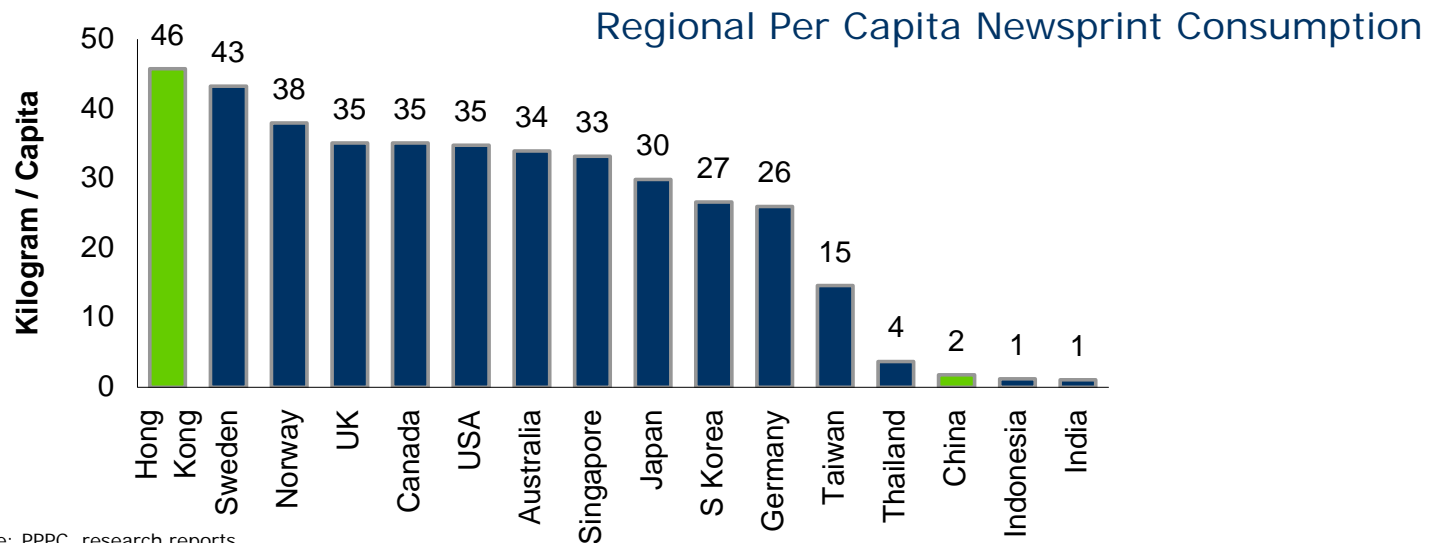
Sources: PPPC

Market Update November 2007 - non Asia

- Newsprint in Europe:
 - Limited growth potential
 - Market balance affected by USD weakness and changes in trade flows
- Magazine Paper in Europe:
 - Increased demand
 - Still Challenging - closures improve the supply and demand balance
 - Possible positive impact from tight situation in NA
- Newsprint in South America:
 - Strong increase in consumption
 - Long term potential continues to be positive
- Newsprint in Australasia:
 - Increased demand
 - Price reductions following price formula linked to US West coast

Market Update November 2007 – Asia and China

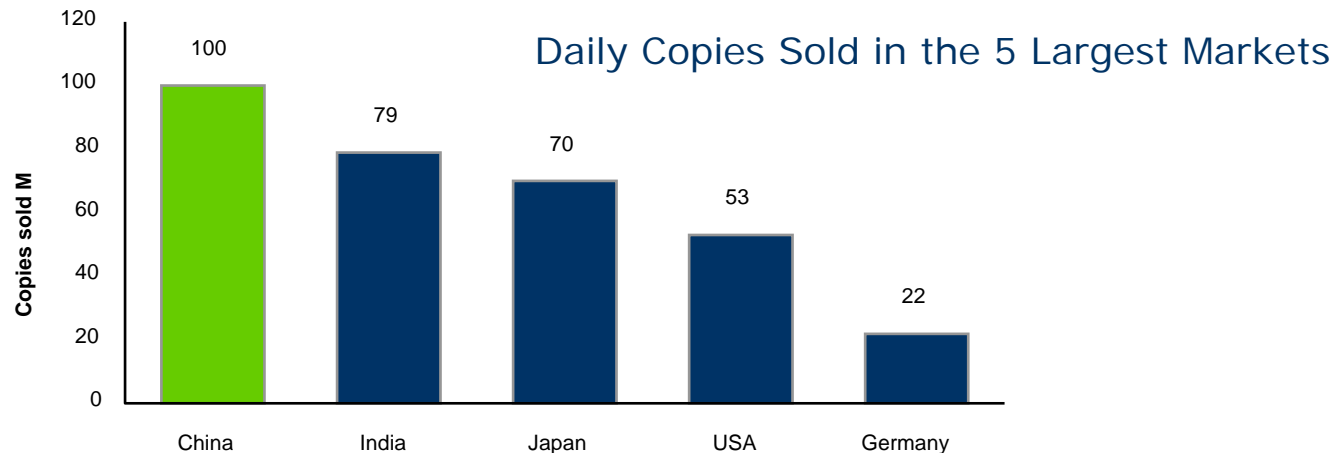
- Strong growth in newsprint demand:
 - Region total YTD August: +2.1%
 - China: +7.8%;
 - South Korea: +1.6%
- Significant new capacity coming online in China:
 - 1.7 M tonnes in 2006-2008 (before closures)
 - Low prices, but small increases as from August



Source: PPPC, research reports.

Market Update November 2007 – China

- Compelling long term potential in China:
 - Growth driven by increase in readership and GDP
 - Strong growth despite restrictions on advertising and editorial writing
 - Substantial up-side in demand if following “political ambitions” materialize:
 - Shift from “Investment and Exports” to “Retail” driven economy (Peoples’ 16th Party Congress, 2006)
 - Increased subsidies for free circulation of Newspapers to rural areas (Peoples’ 17th Party Congress, 2007)



Source: World Association of Newspapers.

Actions and summary

Changing industry and market trends

- The old clusters – Nordic countries and Canada – are less important with the increased capacity and self-sufficiency in Asia and South America.
- Additionally the old cluster experience stagnation and decline in their home regions.
- Location of capacity expanded away from the old clusters home base, because of
 - Recovered paper based production
 - Recently: Increased wood, energy and transportation costs
- Norske Skog has reacted to this with expansion outside Europe and withdrawing from North America
- The industry has not adapted fast enough:
 - Overcapacity, limited pricing power, weak results

Changing industry and market trends – Our response

- We have reacted immediately when these signs became evident.

- Closures 2006 (in tons):

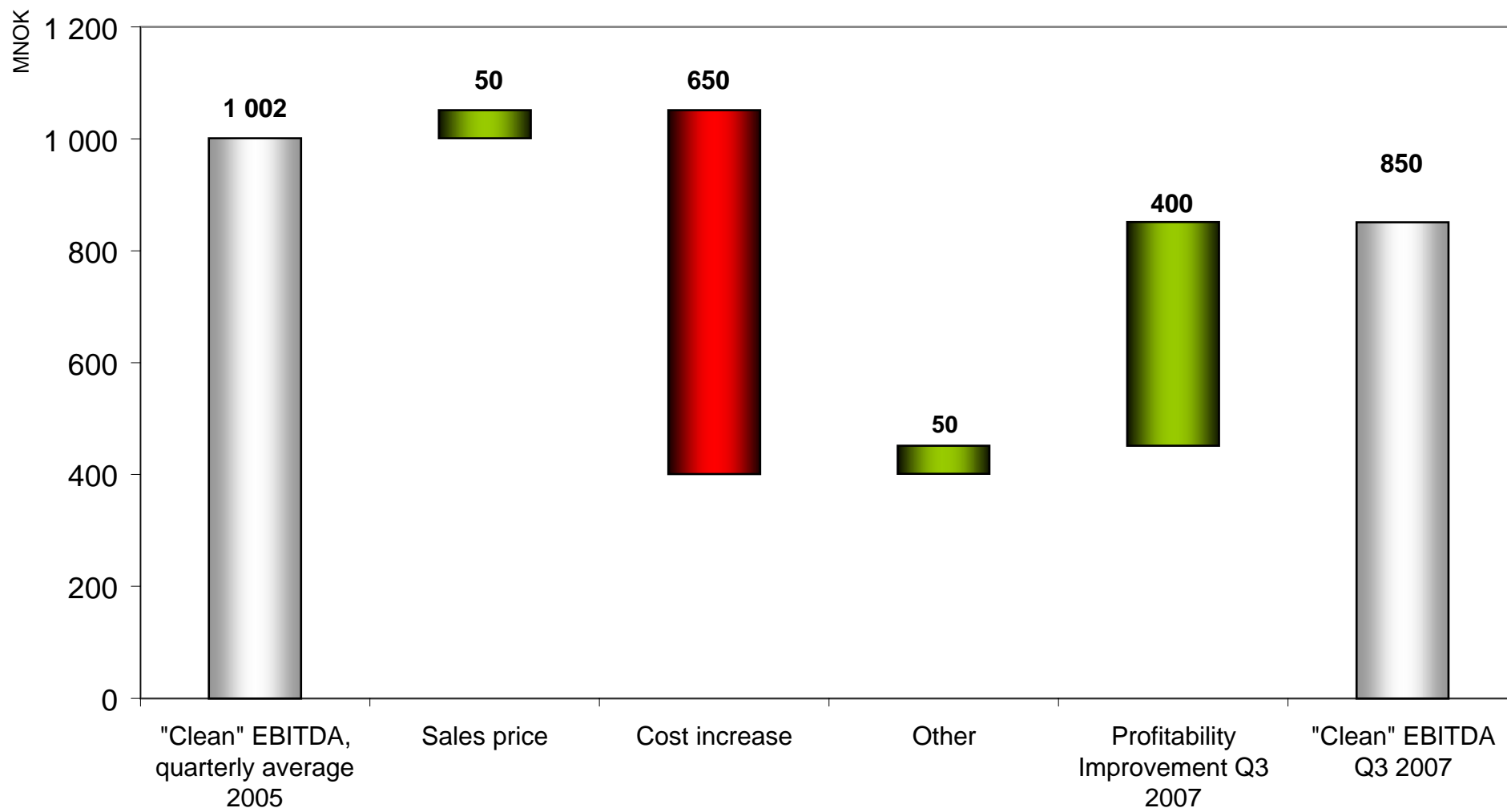
Union	265 000	(2 PM's in Norway)
Jeonju	180 000	(2 PM's in Korea)
<u>Tasman</u>	<u>130 000</u>	<u>(1 PM in New Zealand)</u>
<u>TOTAL</u>	<u>575 000</u>	

- Market downtime 2007/08:

- 2. half year 2007 70 000 tons newsprint Europe
- 2008 200 000 tons newsprint Europe

Profitability improvement program, Q3 2007

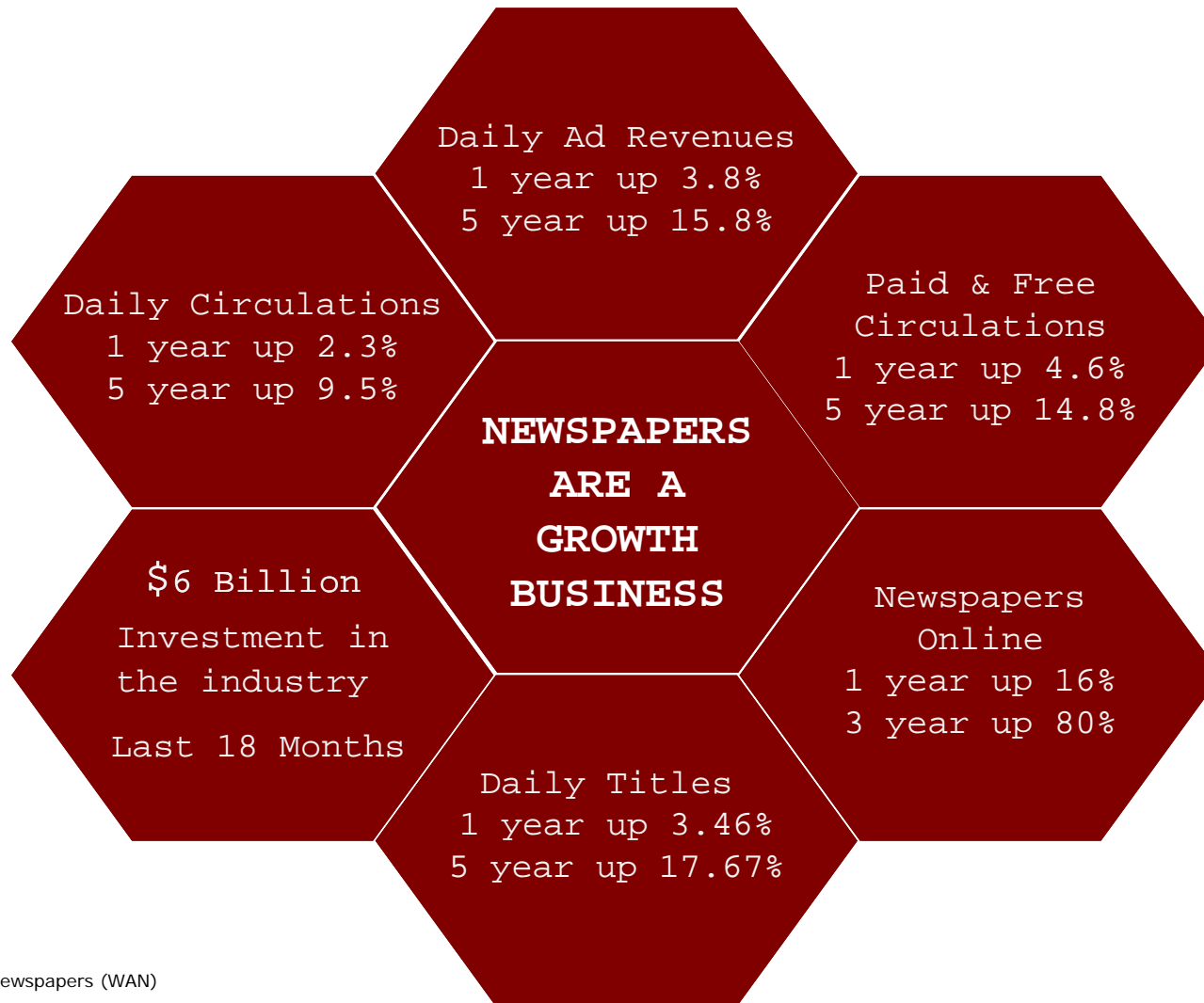
Adjusted EBITDA development quarterly average 2005 – Q3 2007



Asset review

- Overcapacity is our biggest challenge
- Permanent solutions are needed
- We will perform a global review of all our paper machines, focusing on:
 - Cost base
 - Profitability
 - Market outlook
 - Possible conversions
- Candidates for conversions and/or permanent closures will be identified during first half of 2008

Seen from our customers perspective



Source: World Association of Newspapers (WAN)

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Christian Rynning-Tønnesen, CEO

