

Norske Skog

Investor Material

Sept/October, 2007



Main focus areas

**Improve our
core business**

**Restructure
our core
business**

**Develop
new
business**

Existing core business is first priority

**Improve our
core business**

- Full focus on the profit improvement program
- Special attention on China
- Stronger market focus and capacity management
- Continuous improvement
- Change management
- Curtailments in 2007 and 2008

Restructuring is vital in the long run

**Restructure
our core
business**

- Adapt to the global market development
- Create platforms for necessary industry restructuring
- Improving cash flow
- Pisa PM2

Broadened business perspective

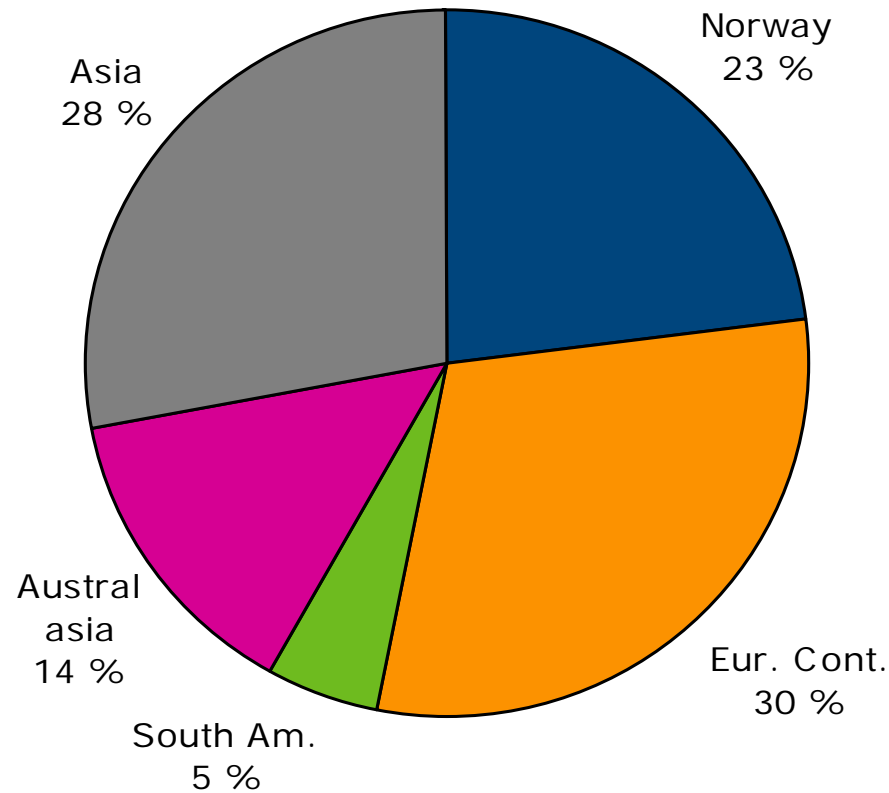
- Open approach to new ideas
- Bio energy
 - Biodiesel
 - Biomass exploitation at Norske Skog Skogn and Norske Skog Jeonju
 - Bio fuel opportunities at Norske Skog Pisa
- New initiative within recycled paper

**Develop
new
business**

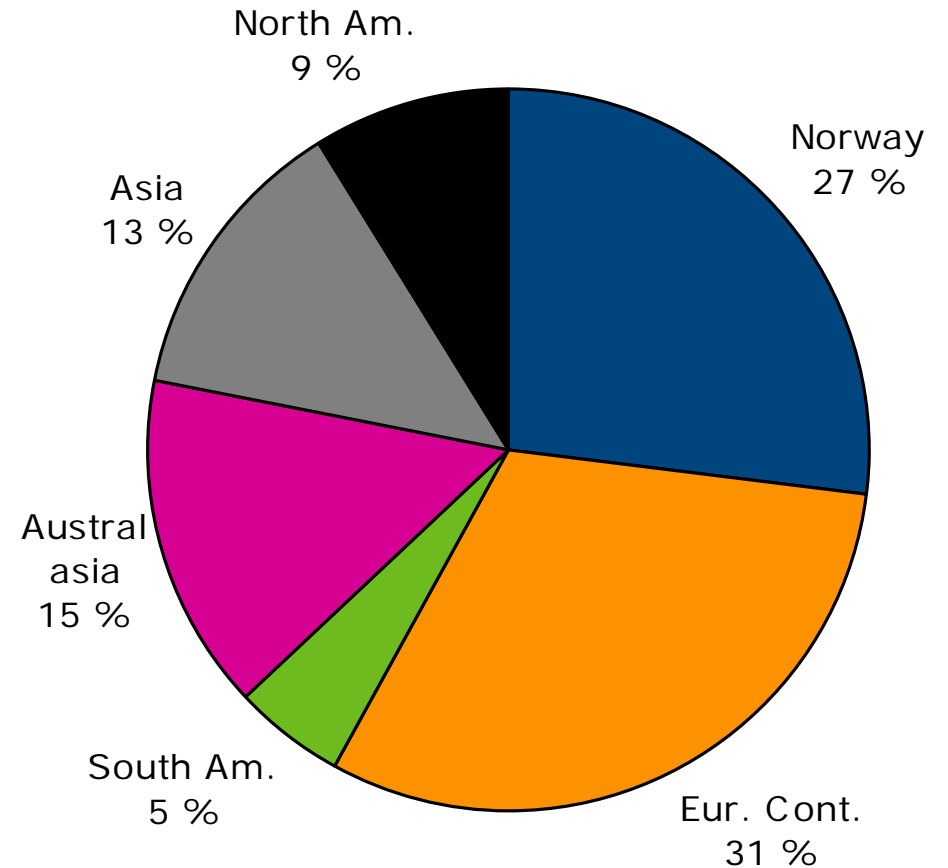
Capacity by regions – 2007 vs early 2005

Same tonnage – 6.5 mill tonnes, but significant regional change

2007

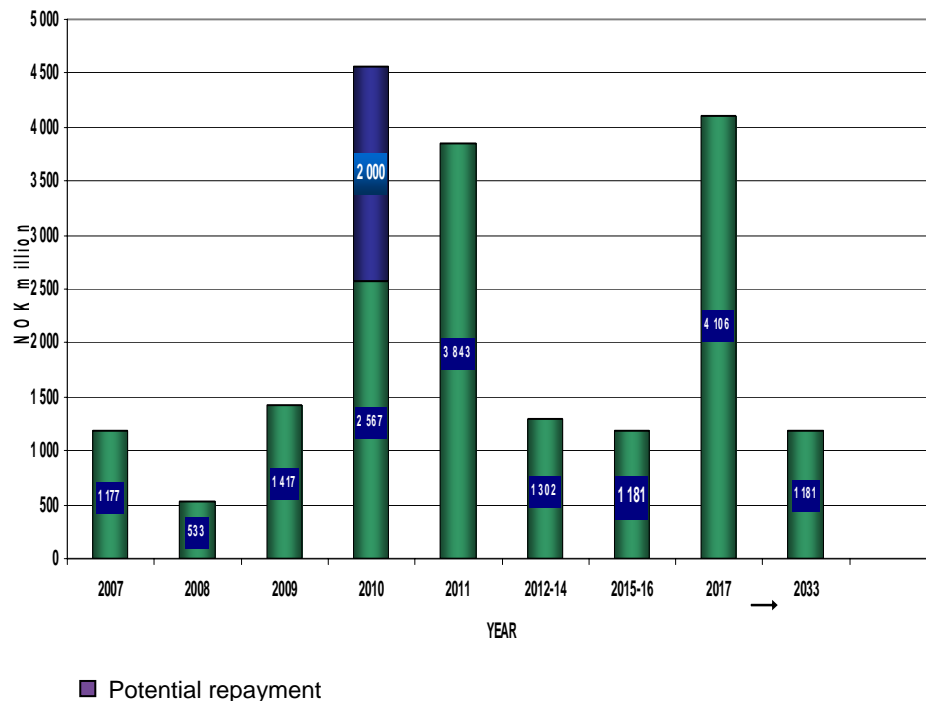


1H 2005



PROFORMA DEBT MATURITY SCHEDULE

PROFORMA DEBT MATURITY SCHEDULE
Norske Skog



- 2007 maturity is adjusted for debt repaid since 30.06, the majority of the remaining amount will be rolled to 2008
- Potential repayment of loans maturing in 2010
- Depending on market conditions, US bond of USD 600 mill maturing in 2011 may be partly refinanced during 2008
- Credit facilities of approx. NOK 6.2 bn are undrawn at present
- Covenants in bank debt:
 - Gearing < 1.4
 - Net tangible worth > NOK 9 bn

Norske Skog

Market Overview, September 2007



A global market, but regionalised

■ Europe

- Low growth, over-capacity on magazine paper
- Challenging to export profitably
- Restructuring potential

■ Asia

- High growth
- Over-capacity in China
- Not low cost for exports

■ Australasia

- Low cost production

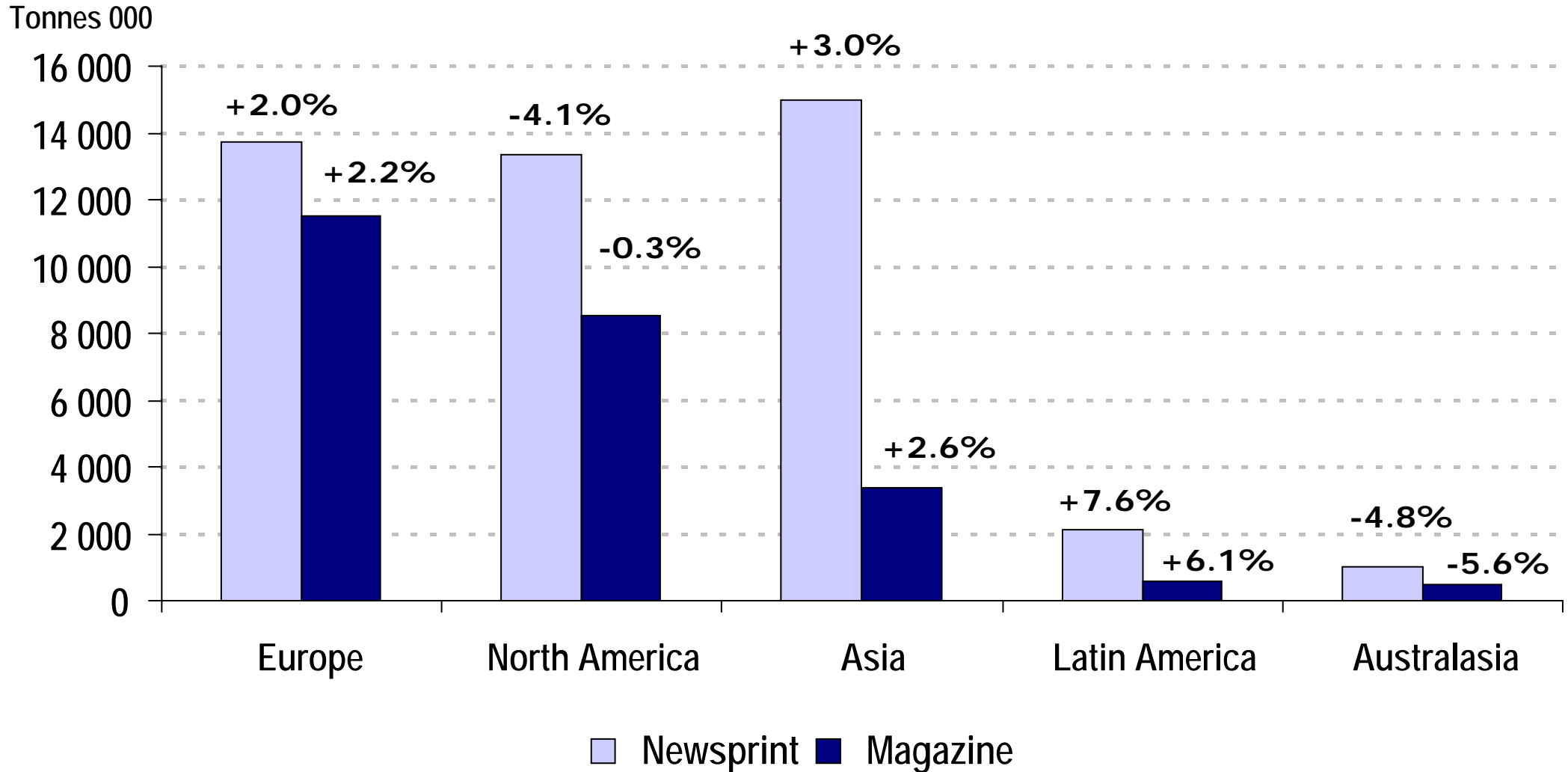
■ North-America

- Declining demand and overcapacity NP
- Challenging to export profitably

■ South-America

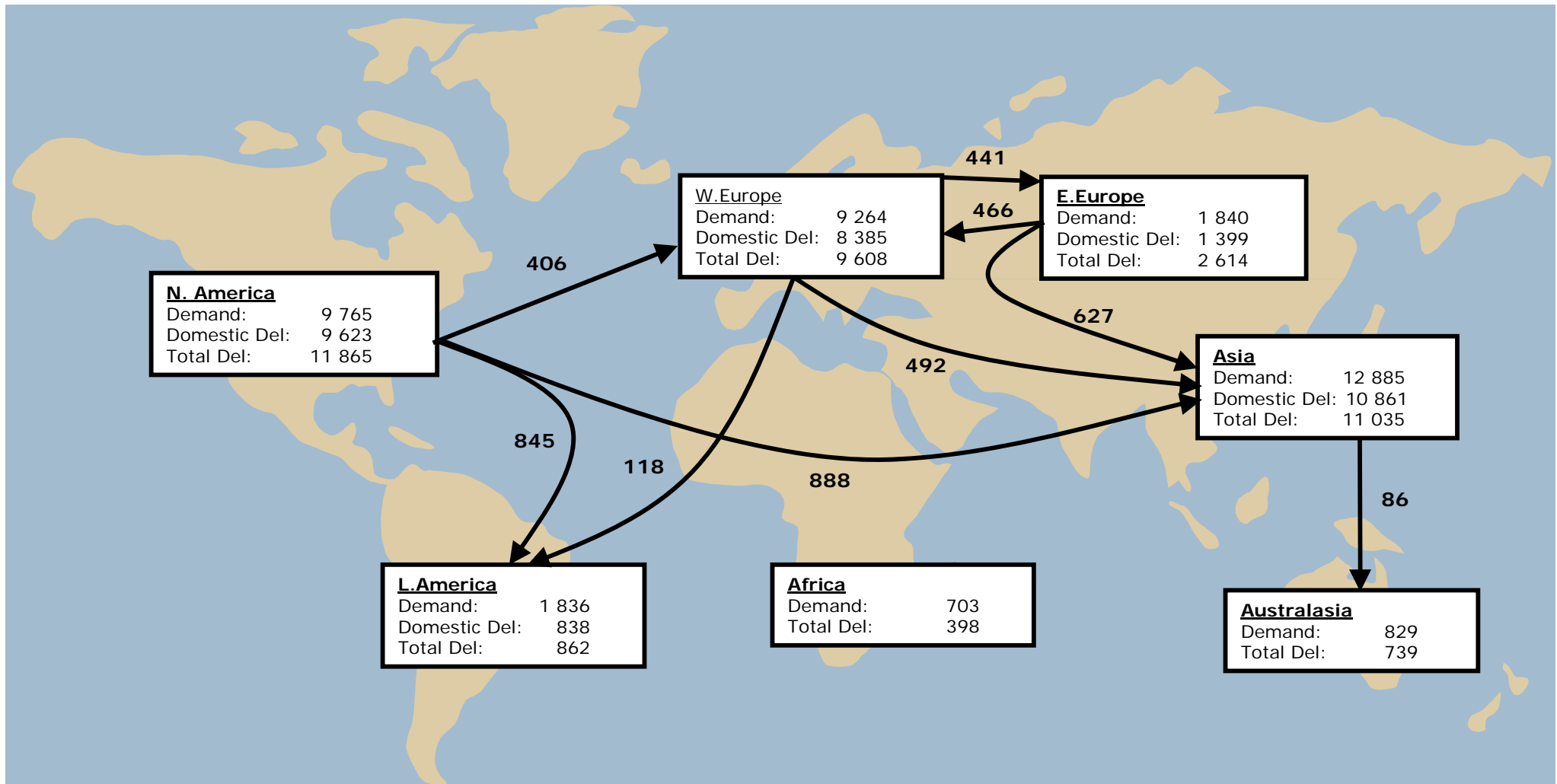
- Low-cost fibre
- Increasing demand

Publication Paper Regional Demand 2006 & Growth 2006 vs. 2005

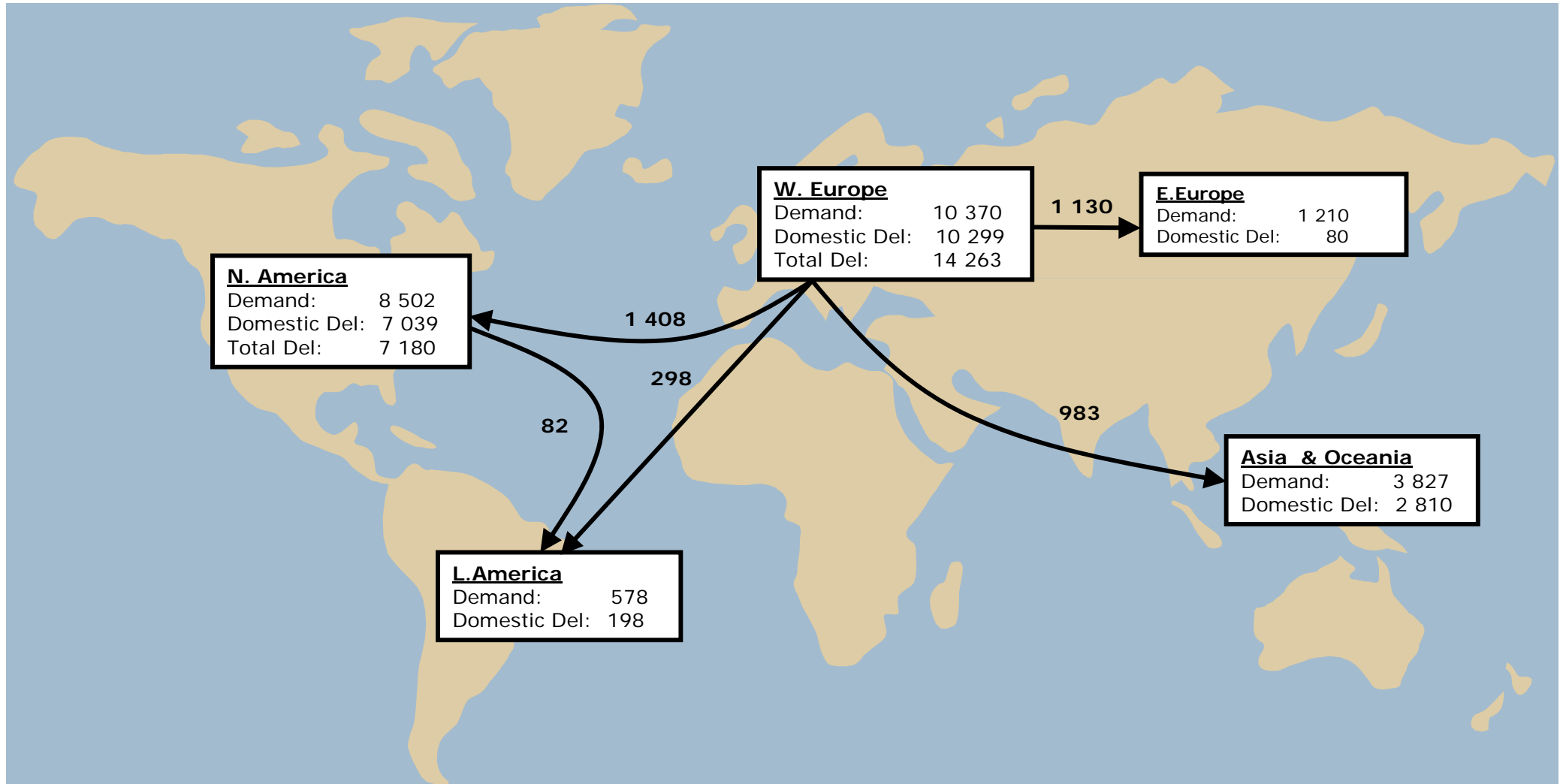


Sources: Cepiprint, PPPC, NSI
 Newsprint including improved grades
 Magazine including SC-Paper and CMR

Main Trade Flows 2006 Standard Newsprint



Main Trade Flows 2006 Magazine paper



12 Source: PPPC Printing & Writing Forecast – April 2007

Demand changes 2007 vs 2006

Europe : YTD August, elsewhere YTD July

Standard Newsprint World (YTD July): -1.0%

	Standard Newsprint	Standard & Improved Newsprint	Magazine Paper	Total
W. Europe	0,2%	(0,8%)	2,6%	0,8%
E. Europe	(2,0%)	(1,7%)	18,6%	5,4%
Europe Total	(0,2%)	(0,9%)	4,1%	1,4%

North America			
Standard Newsprint	Standard & Improved Newsprint	Magazine Paper	Total
(10.4%)	(9.2%)	3.3	(4.4%)

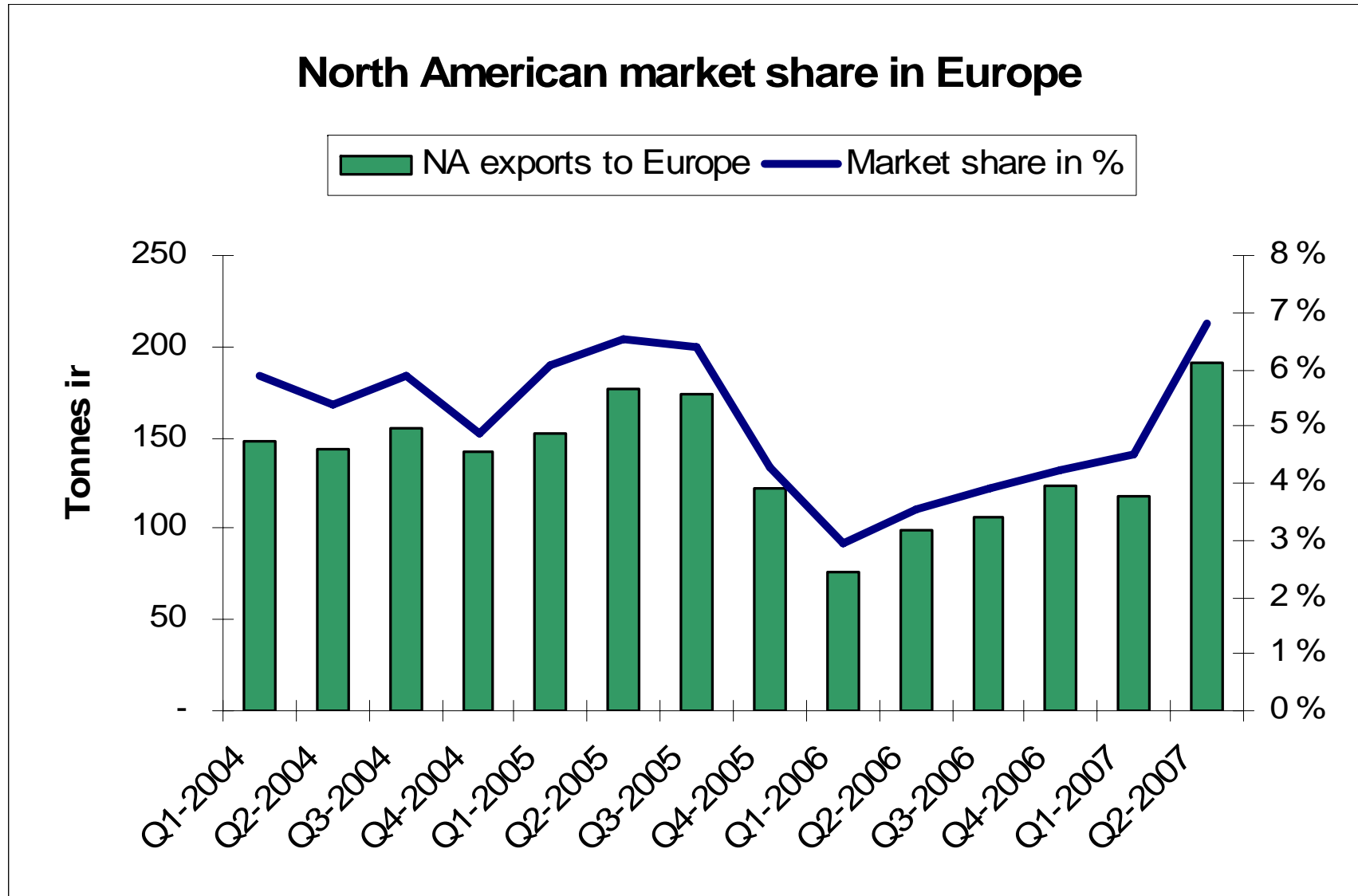
Standard Newsprint China	Standard Newsprint S Korea
6.6%	3.0%

Standard Newsprint Far East Total
1.0%

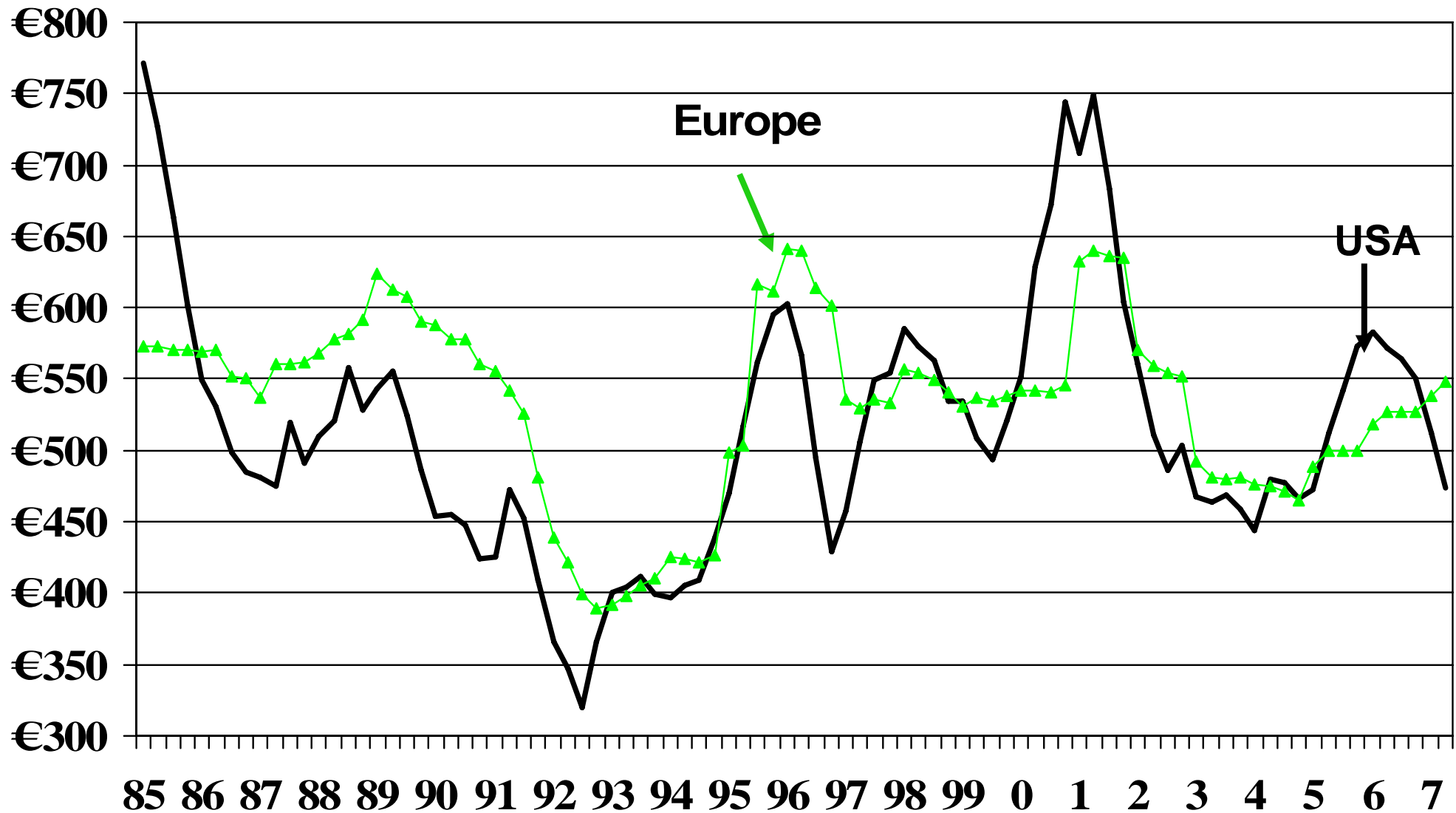
Australasia			
Standard Newsprint	Standard & Improved Newsprint	Magazine Paper	Total
5.1%	4.3%	25.7%	9.6%

S America Standard Newsprint South America
0.6%

Quarterly deliveries from NA to Europe



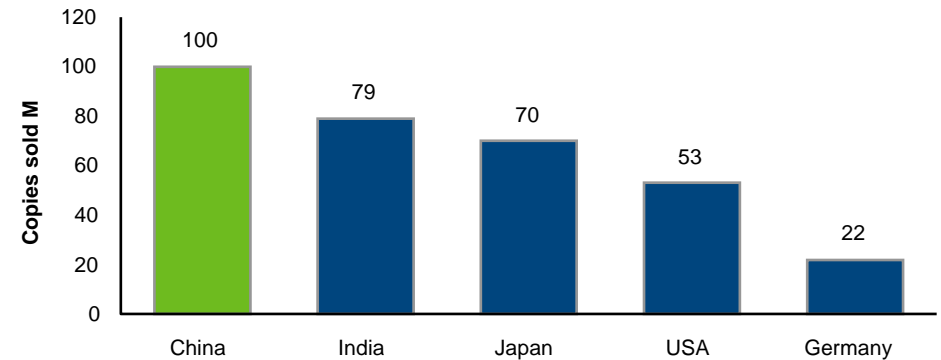
Newsprint Paper Prices in 45g and in EUR/t Europe and North America



Newsprint market in Asia & China

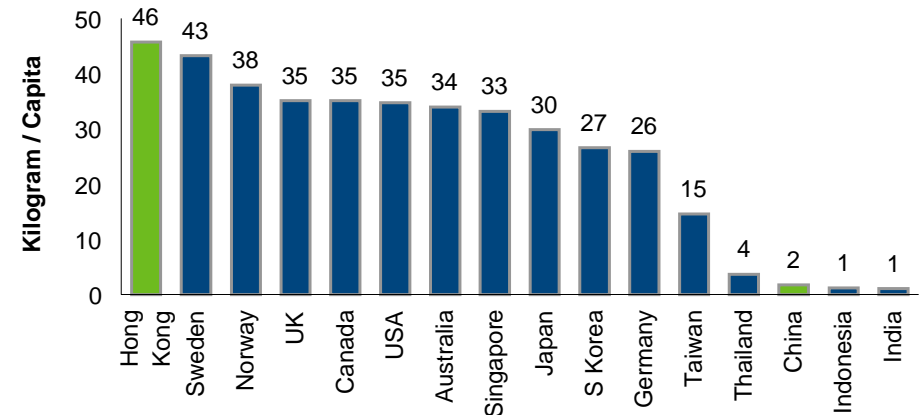
- Strong historical growth in many Asian countries, which is expected to continue
- Significant new capacity coming online in China:
 - 1.5-2 mill tonnes in 2006-2008
 - Low prices
- Compelling long term potential in China
 - Growth driven by increase in readership and GDP
 - Limited prospects for substitution by Internet due to lack of infrastructure and high costs
 - Strong growth despite restrictions on advertising and editorial writing
 - Large number of small and inefficient newsprint mills – closure of capacity will happen

Daily Copies Sold in the 5 Largest Markets



Source: World Association of Newspapers.

Regional Per Capita Newsprint Consumption



Source: PPPC, research reports.

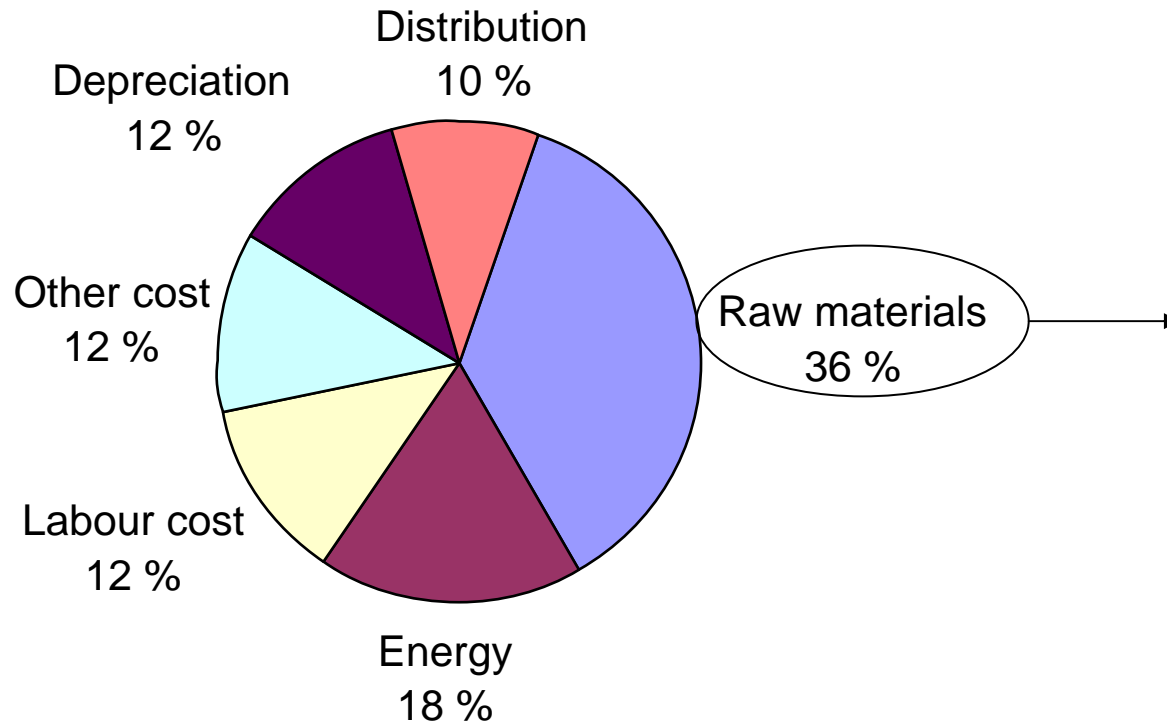
Norske Skog

**Cost development
Improvement program**

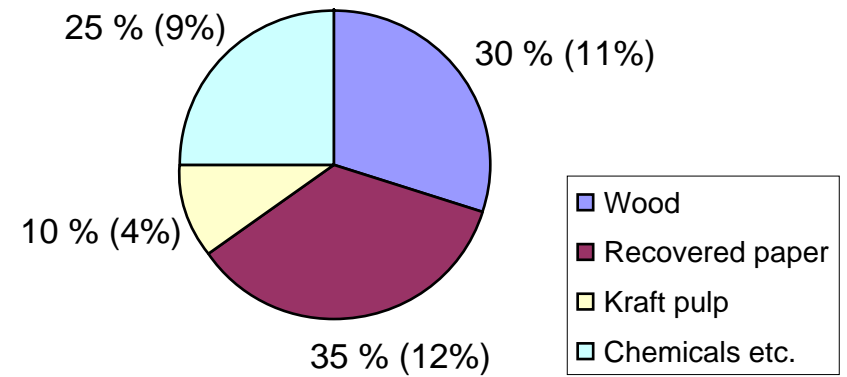


Total cost breakdown - 2006

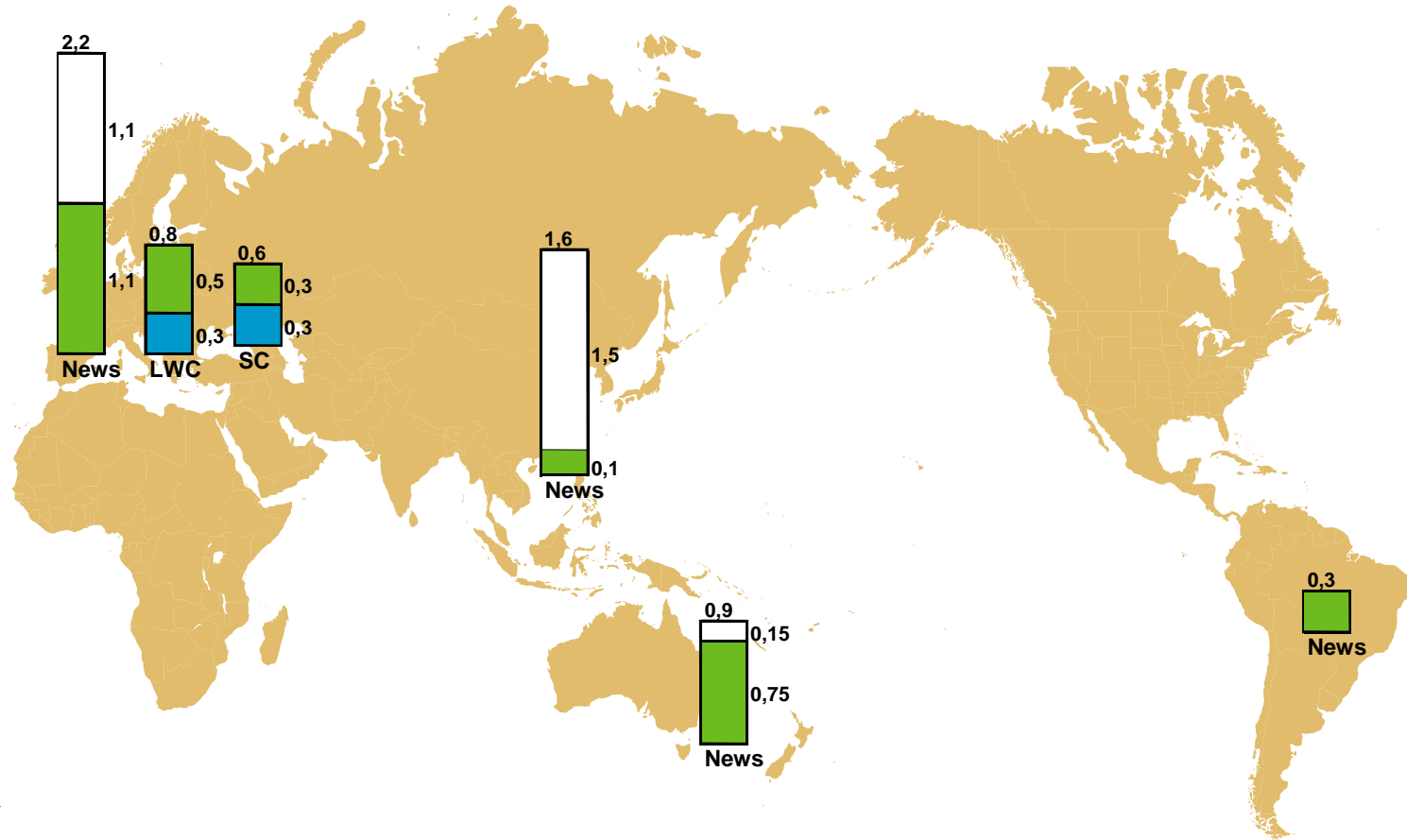
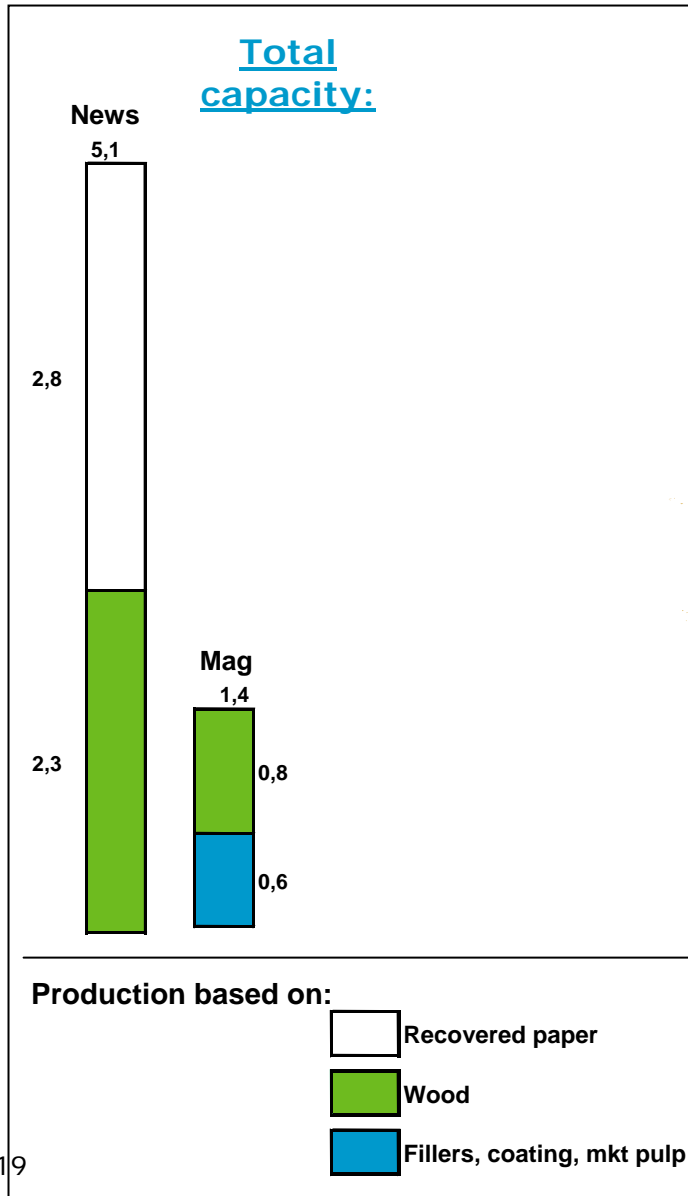
Total cost



Raw materials

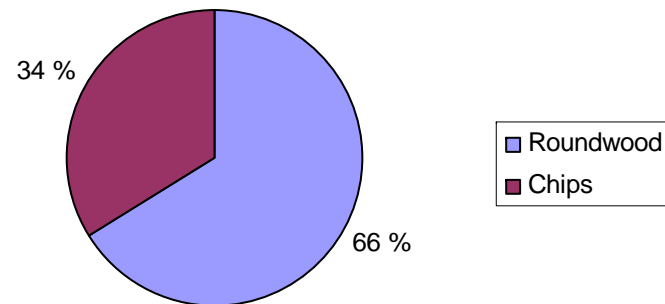
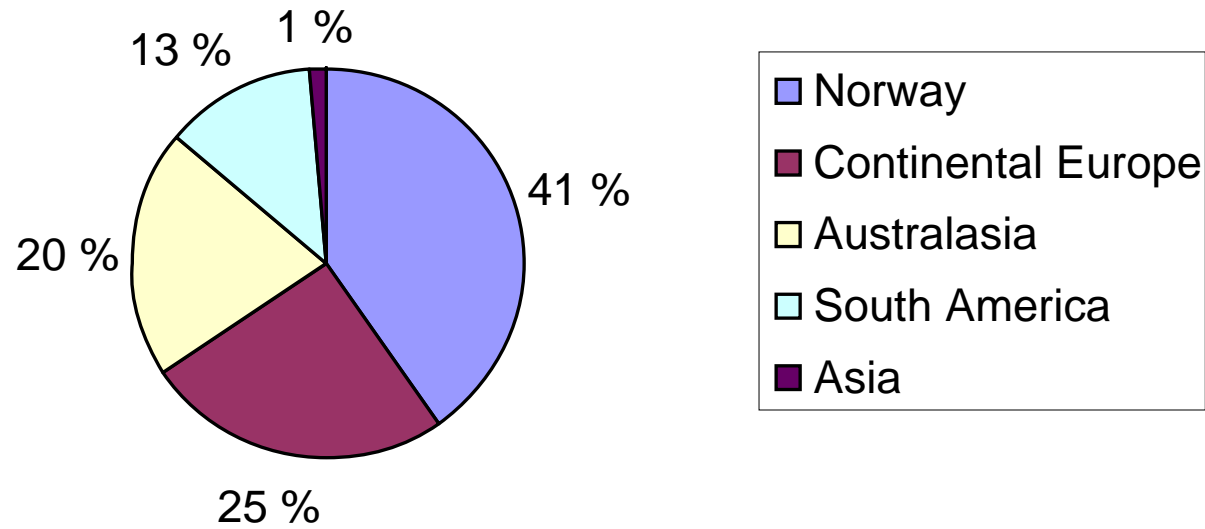


Norske Skog: A balanced raw material base

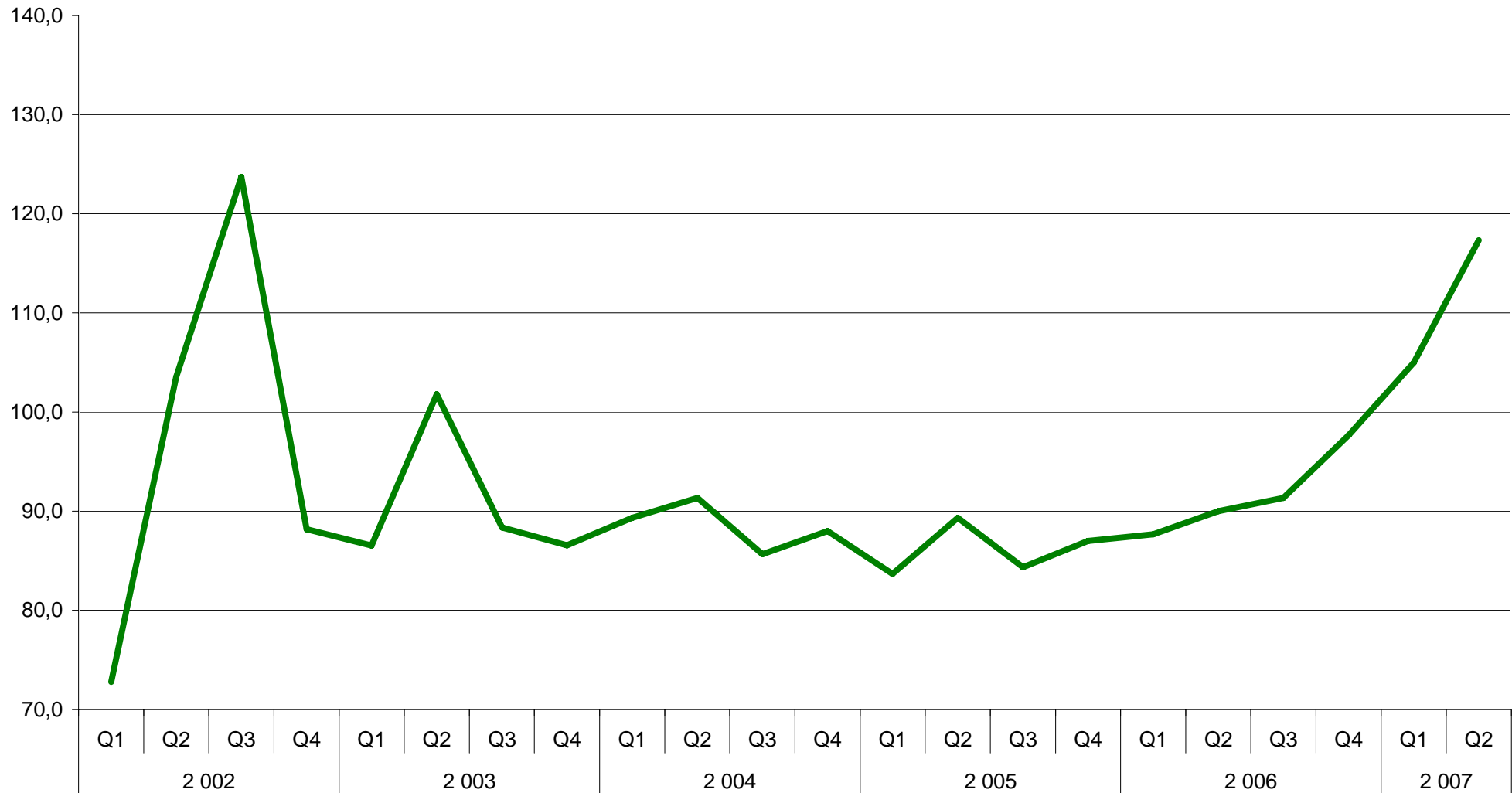


Wood consumption 2006

Wood consumption ~ 6,4 mill. m3

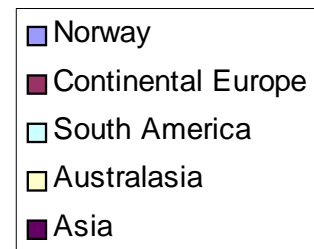
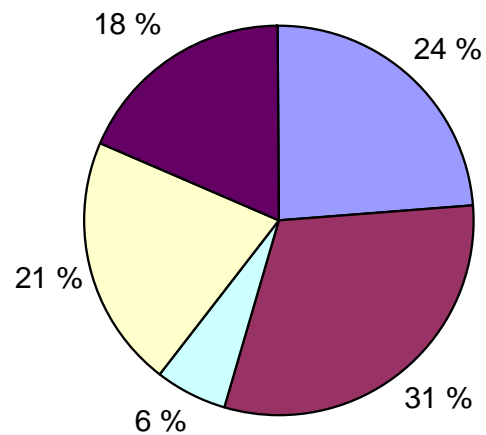
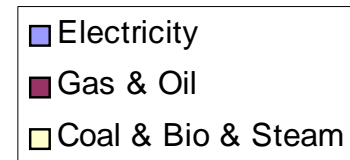
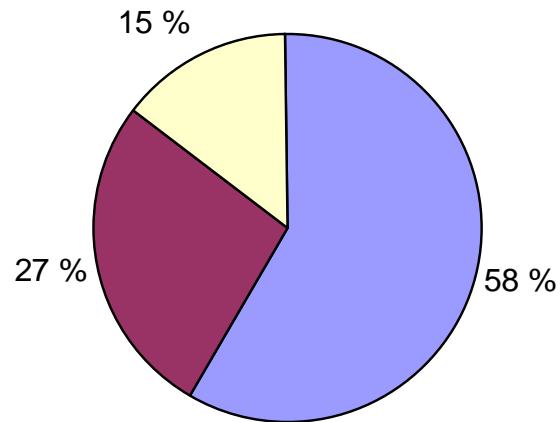


Recovered paper prices in Germany (CEPI) 2002 – 1 HY 2007 – Old newspapers/magazines

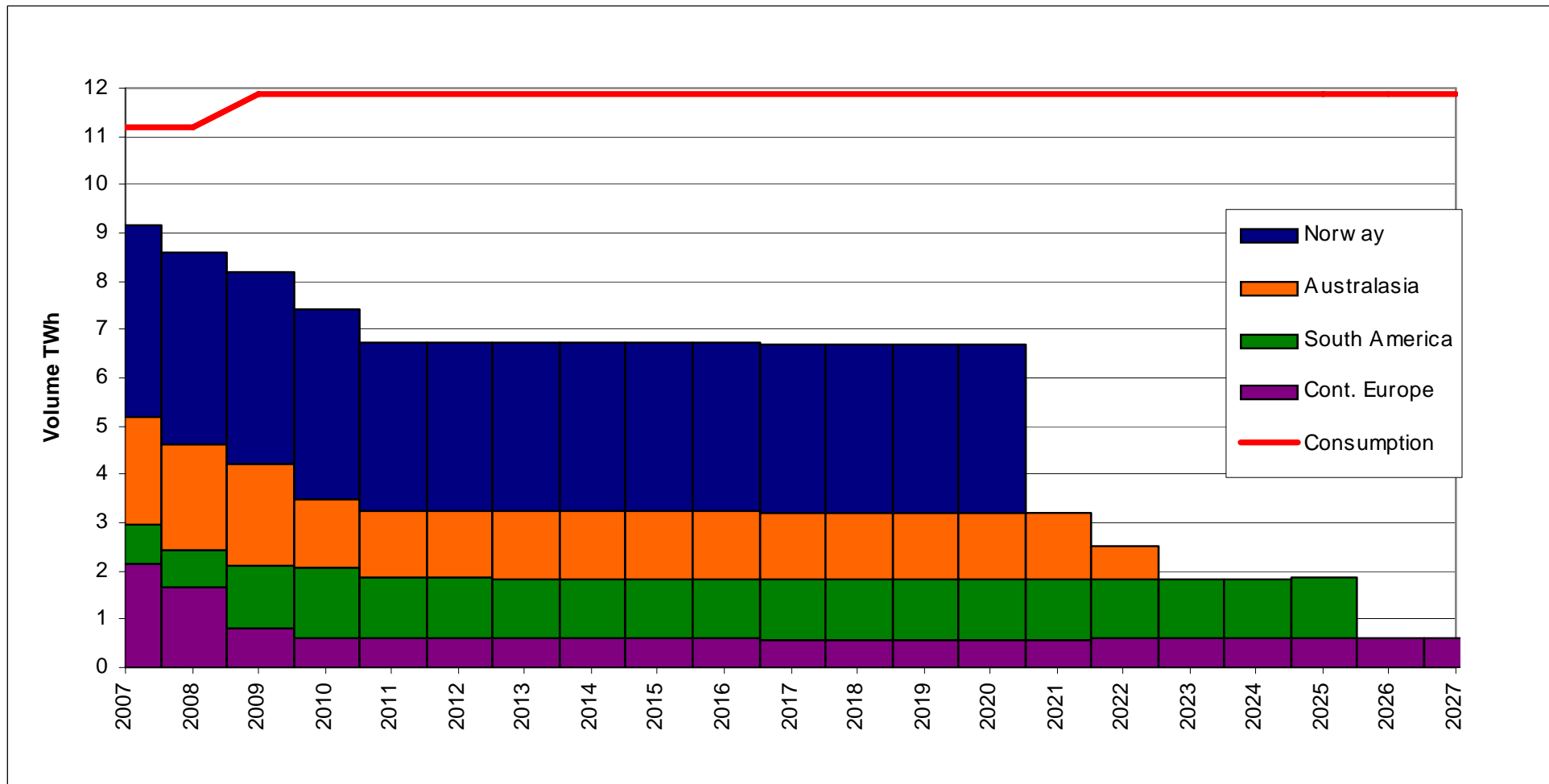


Energy consumption by source and region

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



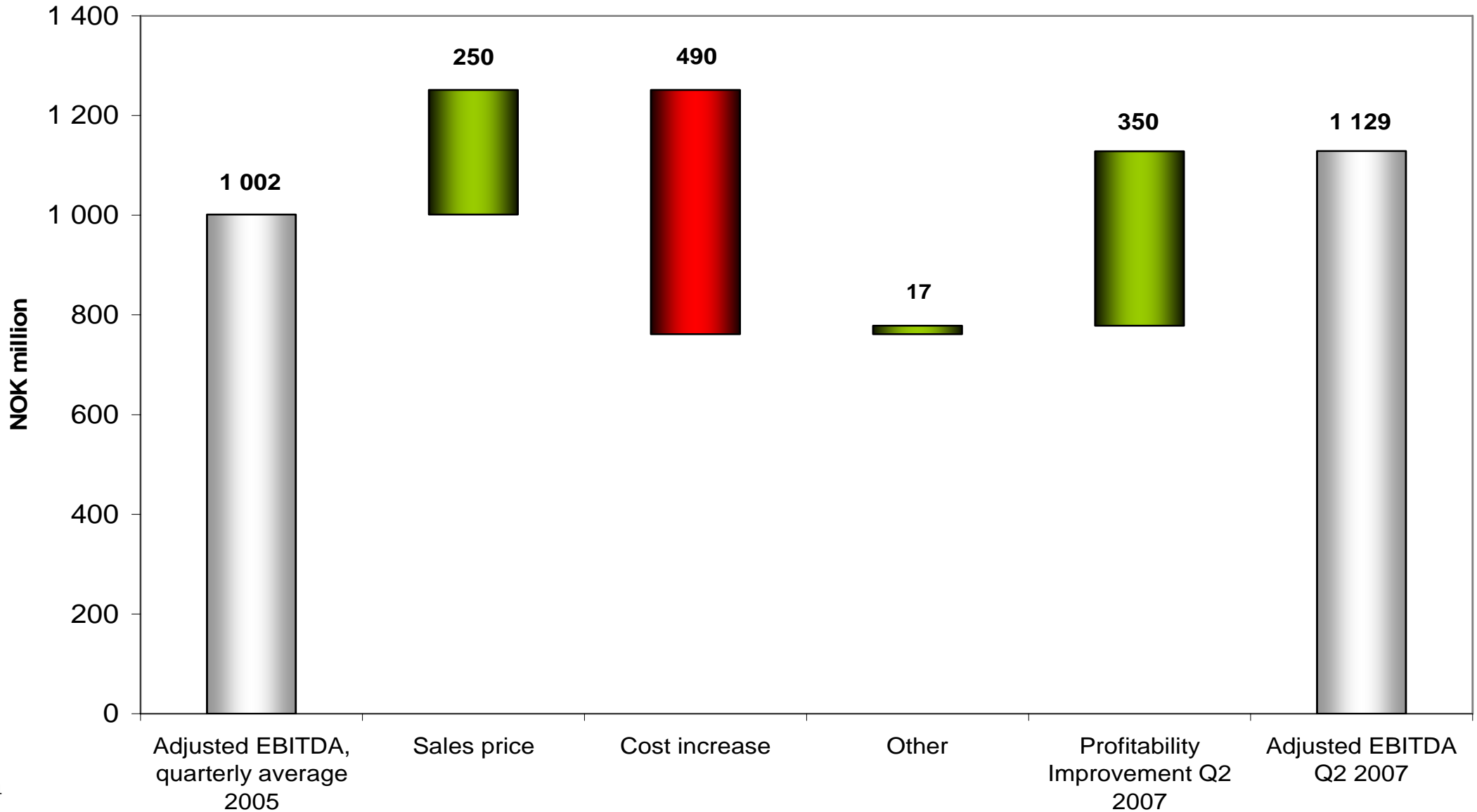
Norske Skog's Long-term Electricity Hedging & Consumption



1.5 TWh el consumption in Asia is not hedged, but markets are regulated.

Profitability Improvement Program, Q2 2007

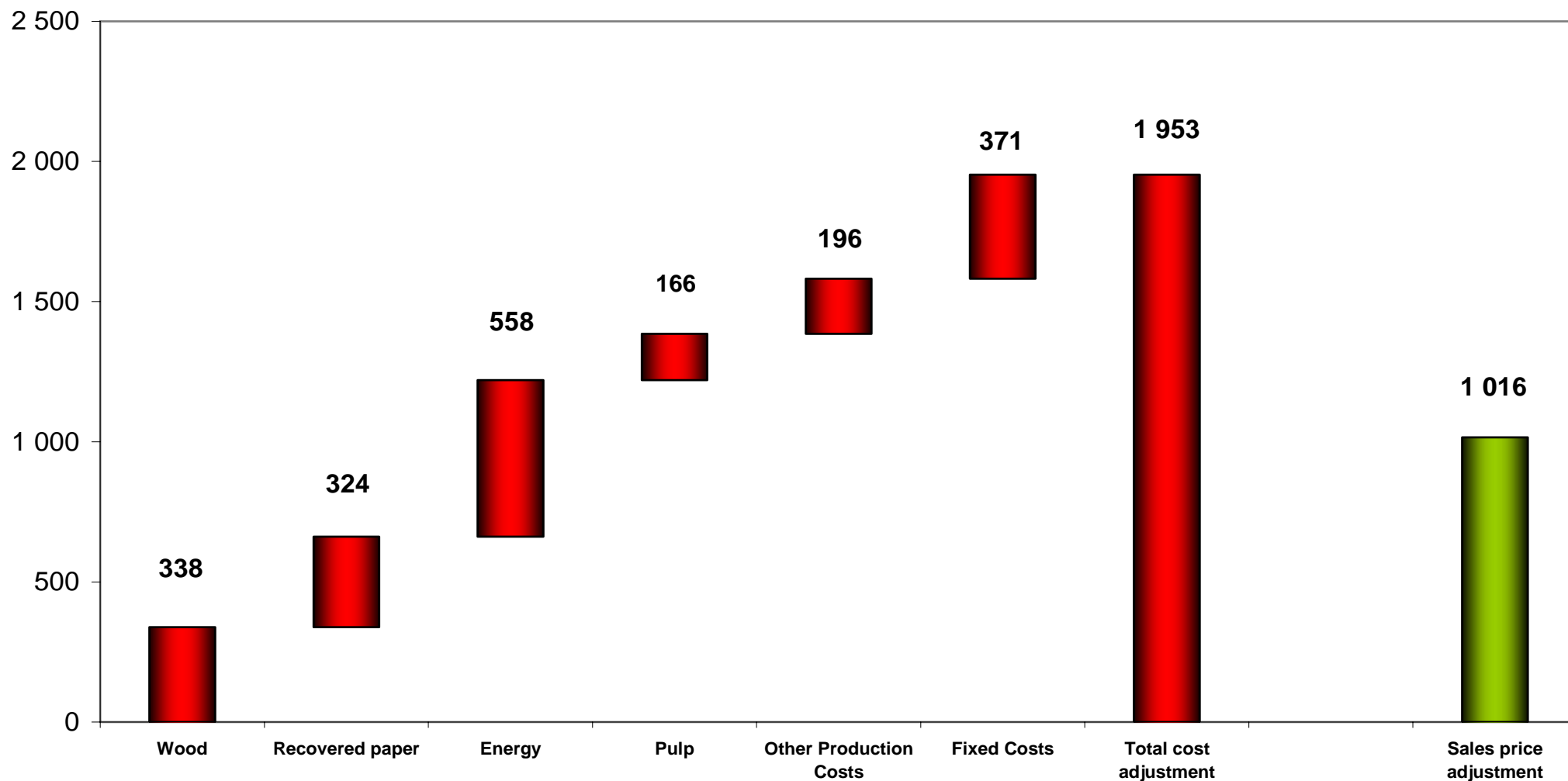
Adjusted EBITDA development Quarterly average 2005 - Q2 2007



Cost breakdown by main cost categories; market costs (calculated by using external indices)

Q2 2007 vs Average 2005

NOK million
Input cost and revenue impacts on improvement program, annualized



Norske Skog

Appendix: Detailed market information



Newsprint & OUNC - Europe

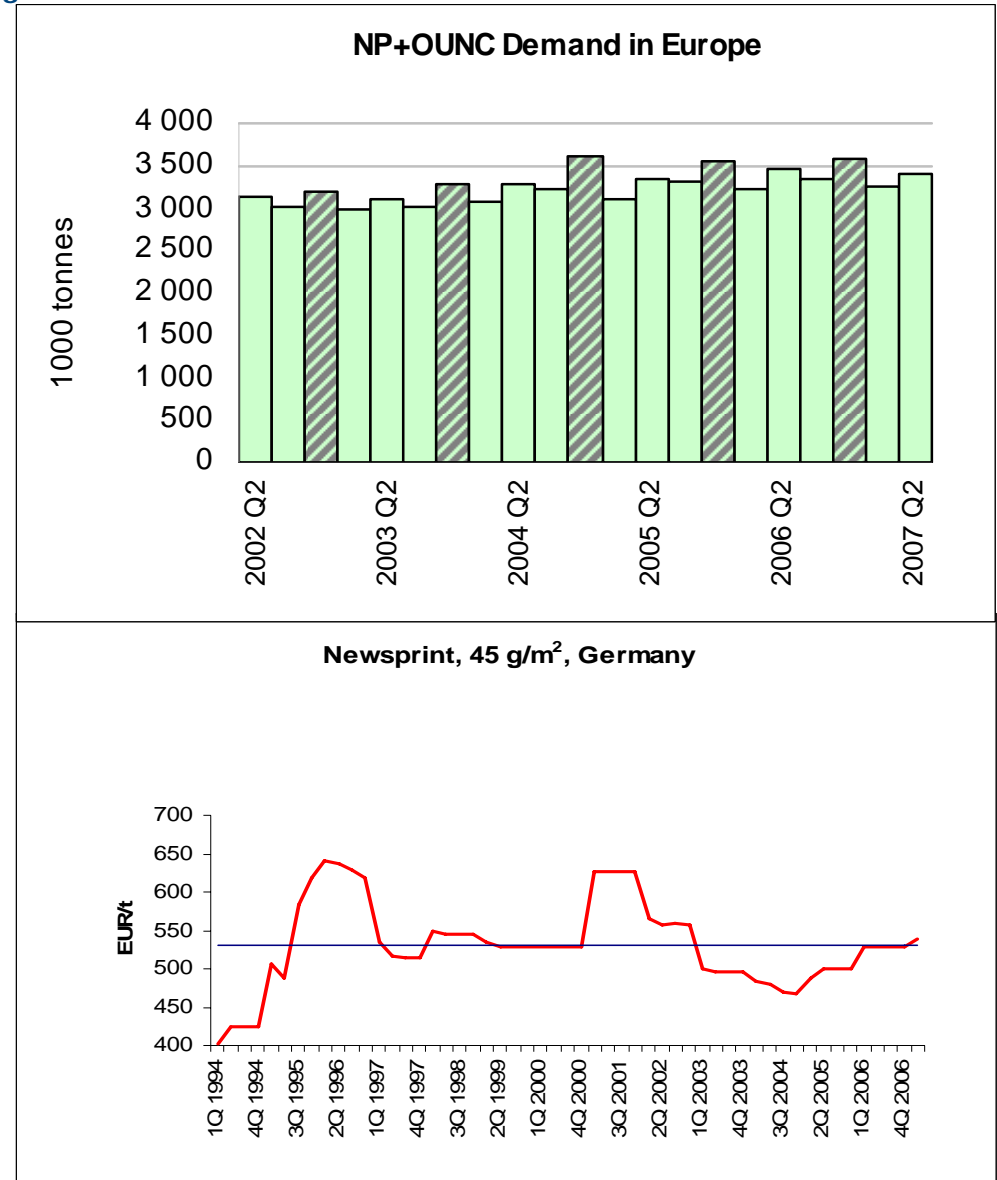
OUNC = Improved newsprint & other uncoated publication papers

- Demand in Europe:
 - Q2 07/Q2 06: -1.5%
 - YTD Aug: -0.9%

- Total deliveries from W. Europe:
 - Q2 07/Q2 06: -3.8%
 - YTD Aug: -3.1%

- Total deliveries of Newsprint from N. Am to West Europe:
 - YTD July: +68 %
 - Volumes back to levels in 2004/2005

- Reference price Newsprint Aug: €550/mt, + 4% from Dec '06



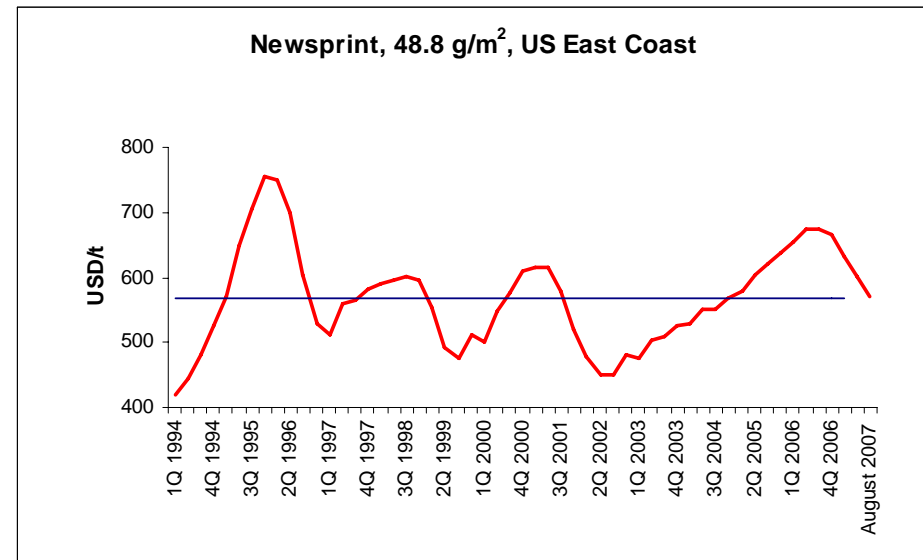
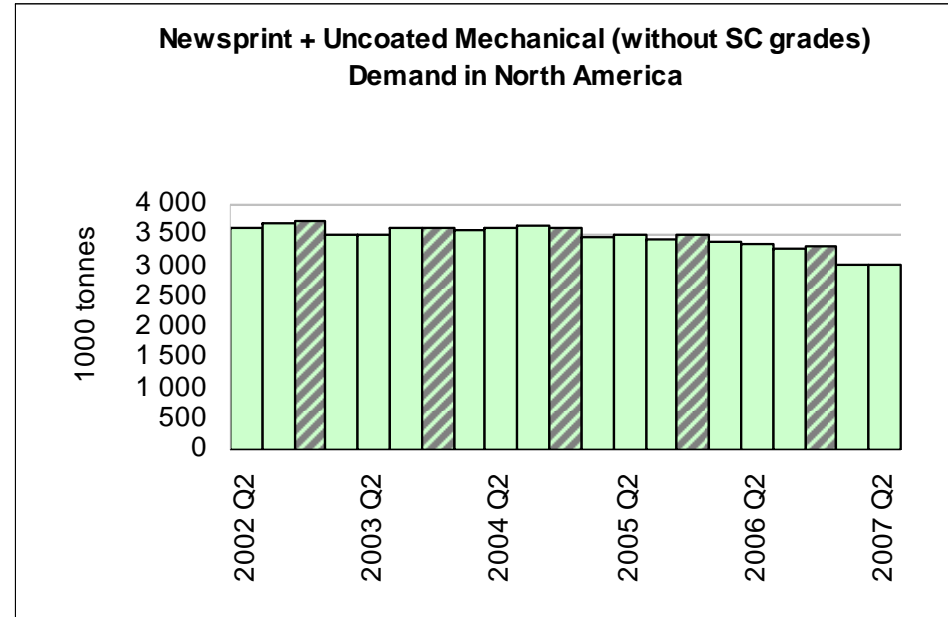
Newsprint - North America

- Std. Newsprint Demand:
 - Q2 07/Q2 06: -9.6%
 - YTD July: -10.4

- Uncoated Mech Papers (ex SC) Demand:
 - Q2 07/Q2 06: -11.04%
 - YTD July: - 5.7%

- Combined Std NP & Uncoated Mech (ex SC) Demand:
 - Q2 07/Q2 06: -10.0%
 - YTD July: -9.2%

- Reference price Newsprint August:
 - \$570/mt for 48.8g/m²,
 - -\$55 since March 07
 - -\$90 since December 06

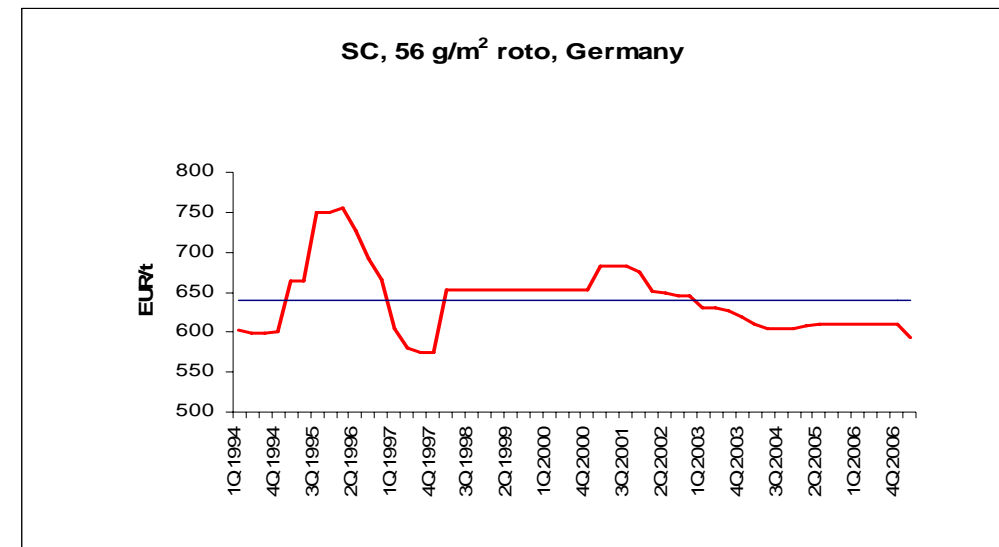
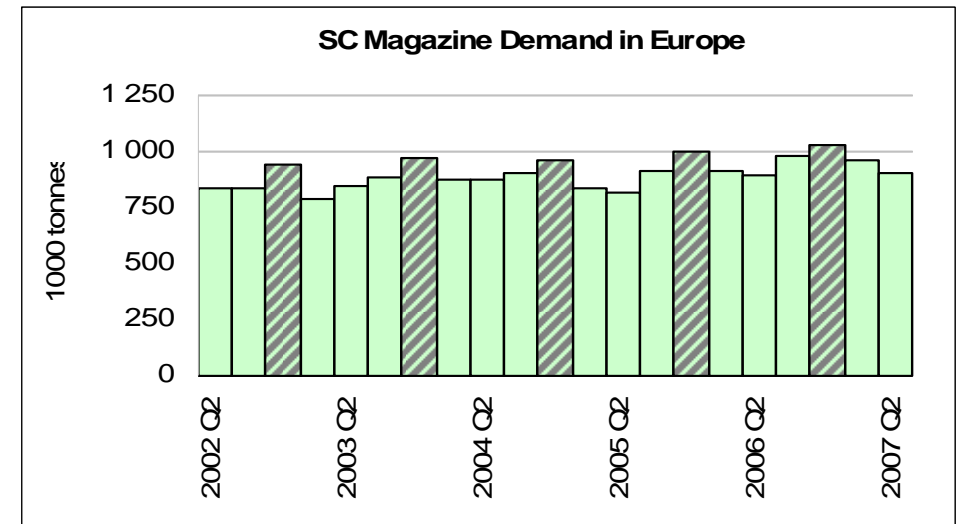


SC Magazine Paper - Europe

- Demand in Europe:
 - Q2 07/Q2 06: +1.2%
 - YTD Aug: +4.7%

- Total deliveries from Europe:
 - Q2 07/Q2 06 : +2.0 %
 - YTD Aug: +3.3%

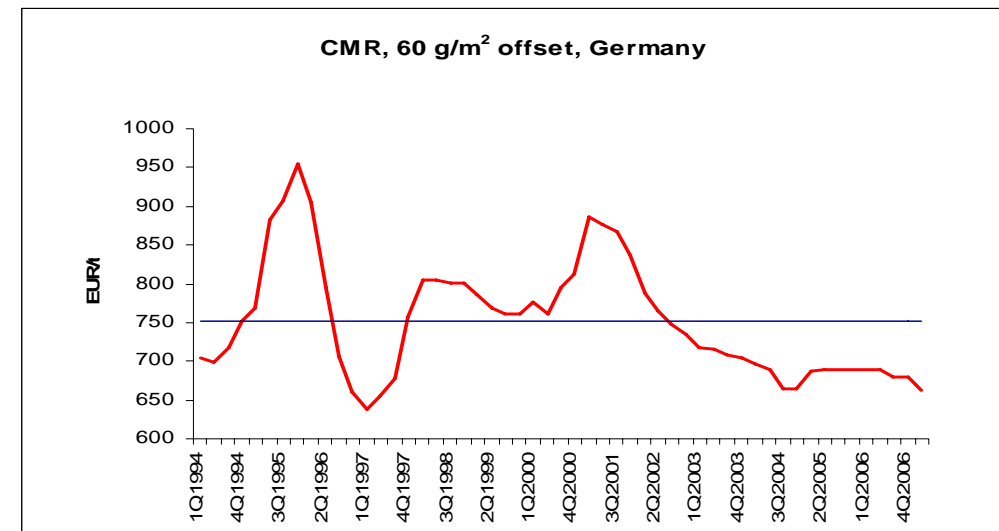
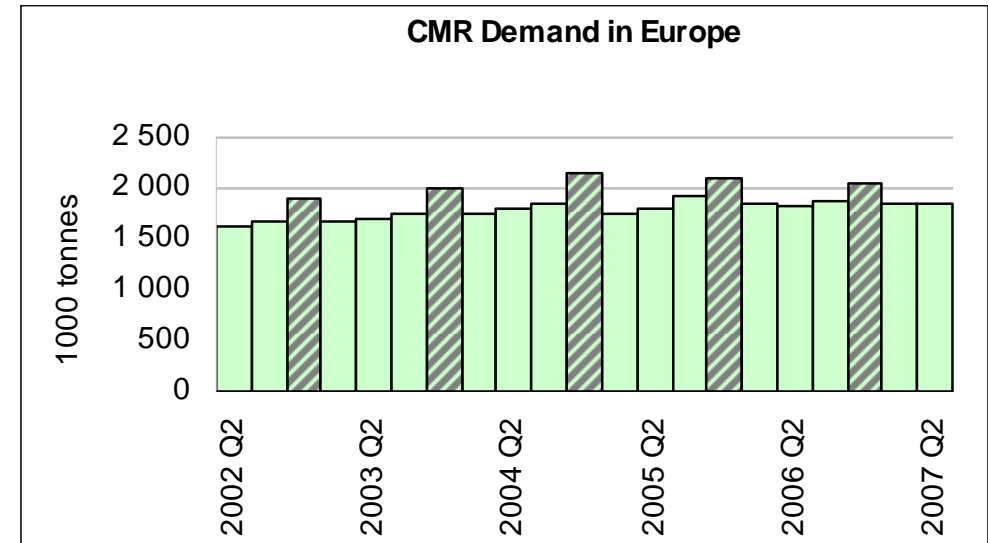
- Reference price SC August:
 - €590/mt in Aug 07, unchanged since Feb '07, -20€ since Dec '06



CMR Magazine Paper - Europe

CMR = Coated Mechanical Reels (LWC, MWC & HWC)

- Demand in Europe:
 - Q2 07/Q2 06: +1.3%
 - YTD Aug: +3.9%
- Total deliveries from Europe:
 - Q2 07/Q2 06: -3.0%
 - YTD Aug: -0.3%
- Reference price CMR August 07 :
 - €660/mt, unchanged since Feb '07
 - -20€ since Dec '06



Asia

YTD July '07 vs YTD July '06

■ Demand standard newsprint

- Far East total: + 1.0%
- Far-East ex Japan: + 2.3%
- China: + 6.6%
- South Korea: + 3.0%
- India: +2.0%

■ Prices (Q3 '07):

- | | | | |
|-------------|-----|-----|----------------------|
| ■ Korea | USD | 654 | (45 gsm) |
| ■ China | USD | 512 | (48.8 gsm excl. Vat) |
| ■ India | USD | 615 | (45 gsm) |
| ■ Hong Kong | USD | 568 | (48.8 gsm) |

Australasia

YTD July '07 vs YTD July '06

- Demand:
 - +5,1% for standard newsprint
 - Compared with low demand 1. HY 2006
- Prices:
 - Australia: Newsprint down 7% from July '07
 - New Zealand: Newsprint up 6,5 % from January '07

South America

YTD July '07 vs YTD July '06

- Demand – standard newsprint
 - Regional demand: +0.6
 - Brazil demand: - 2.0% YTD June
 - Inventory adjustments at customers disguise underlying increase in consumption
- Prices
 - Downward pressure on prices in Brazil eased off during Q2
 - Price Brazil : USD 629 in September.

Norske Skog

Brief Introduction



Norske Skog Headlines

- World's second largest producer of newsprint*), fourth largest of magazine paper:
 - 19 mills in 14 countries
 - Capacity based on ownership: 6.5 mill tonnes
 - Revenue (2006) ~ NOK 28.8 billion
- The most global paper company:
 - ~ 50 % of the capacity outside of Europe:
 - Well positioned to capitalize on growth markets and to utilize low-cost fibre
- Liquid share, Market Cap ~ NOK 10.3 billion
Foreign ownership ~ 65%

*) Pending merger of Abitibi and Bowater



Our Products

Newsprint

- Standard and improved grades for daily newspapers, free newspapers, advertising supplements
- Second largest global producer of newsprint
- World-wide operations, ex. North America



Magazine Paper

- Magazine paper for magazines, periodicals and advertising purposes
- European operations only
- Two different grades:
 - SC - uncoated paper (supercalendered)
 - CMR - coated paper

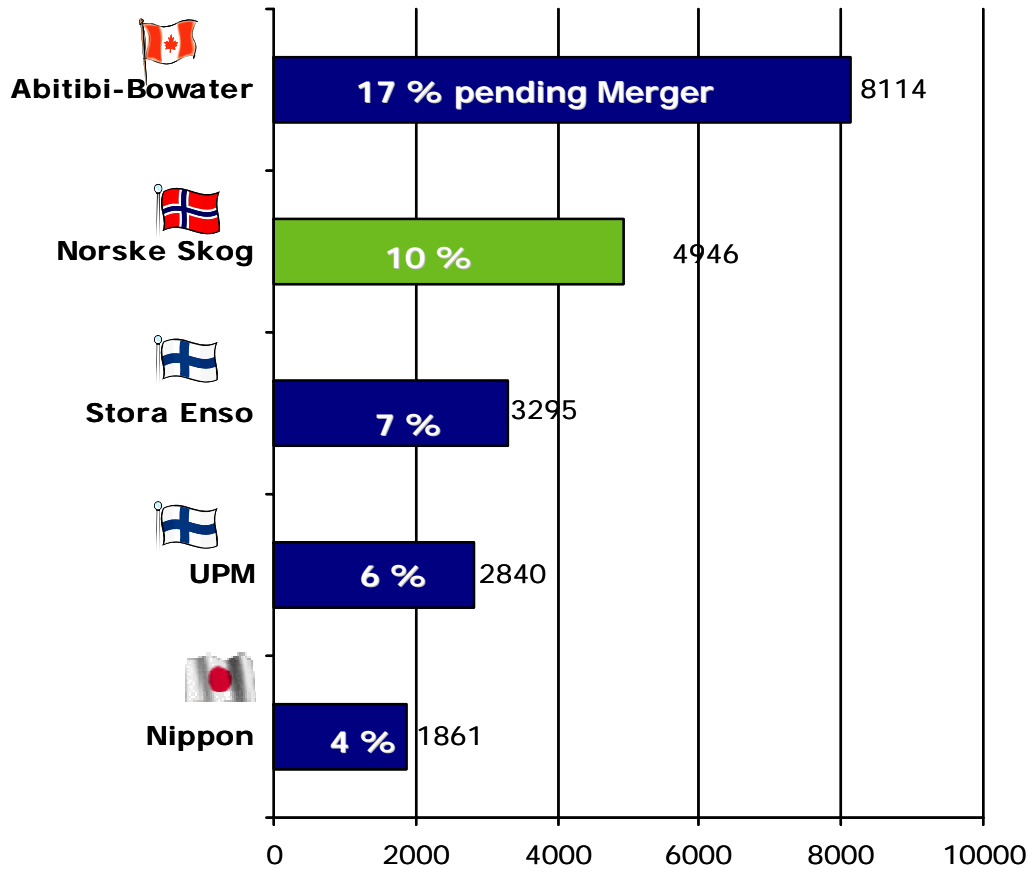


The world of Norske Skog

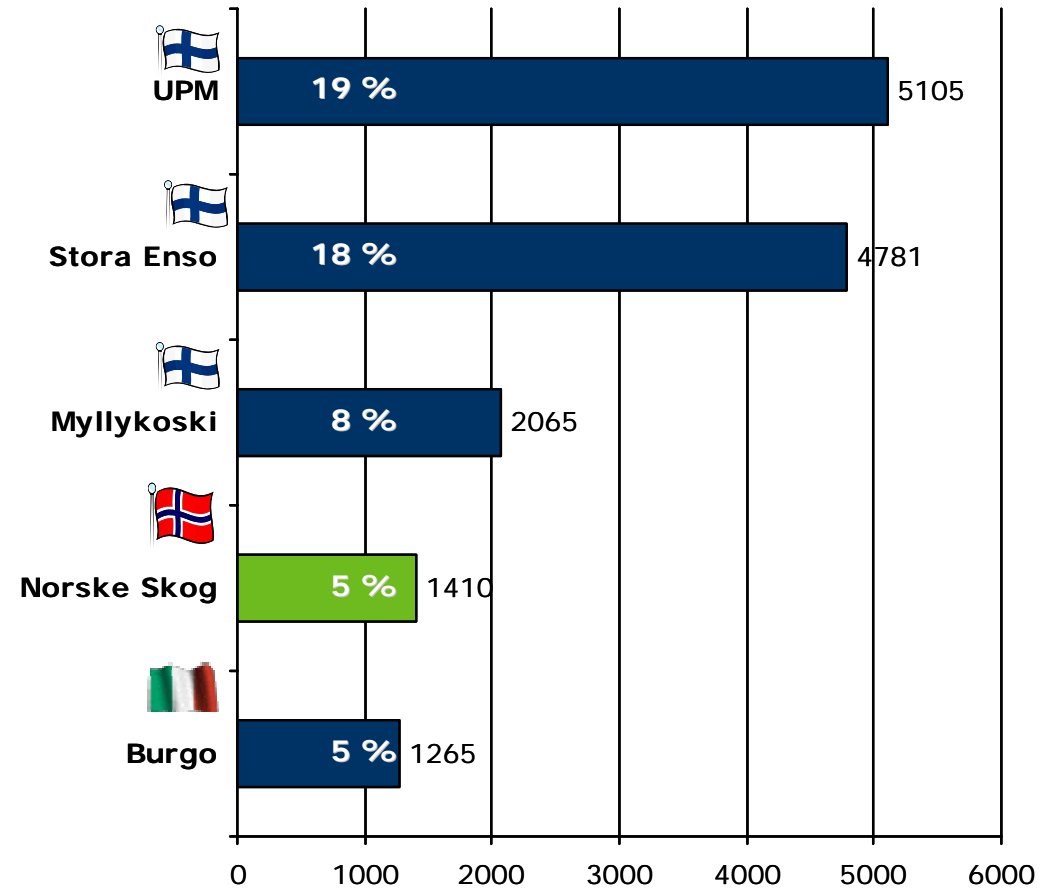


The largest producers of newsprint and magazine paper

Newsprint
1 000 t/year



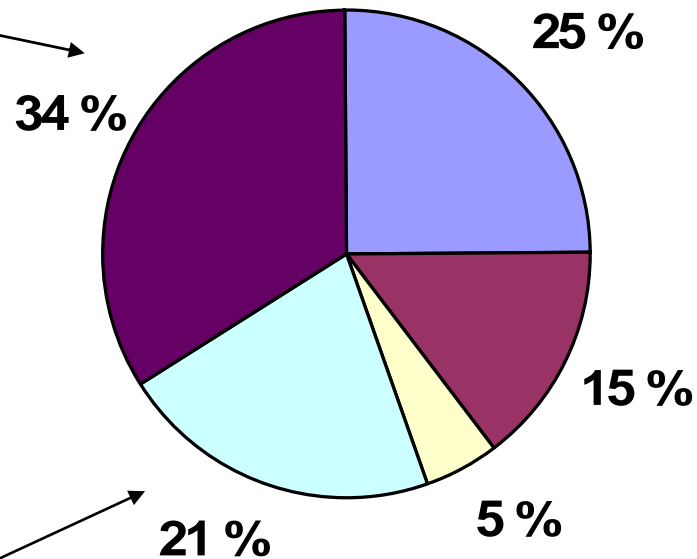
Magazine paper
1 000 t/year



Norske Skog's global capacity

Total capacity ~ 6.475 mill. tons

40 % Norway
60 % Continental Europe



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