

Norske Skog

**Oslo Stock Exchange Investor Seminar,
Amsterdam, May 30, 2007**

Jarle Langfjæran, Vice President Investor Relations



Norske Skog

Brief overview



Norske Skog Headlines

- **World's 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 17 billion (€ 2.1 billion)**
- **Foreign ownership ~ 65 %**



Our products

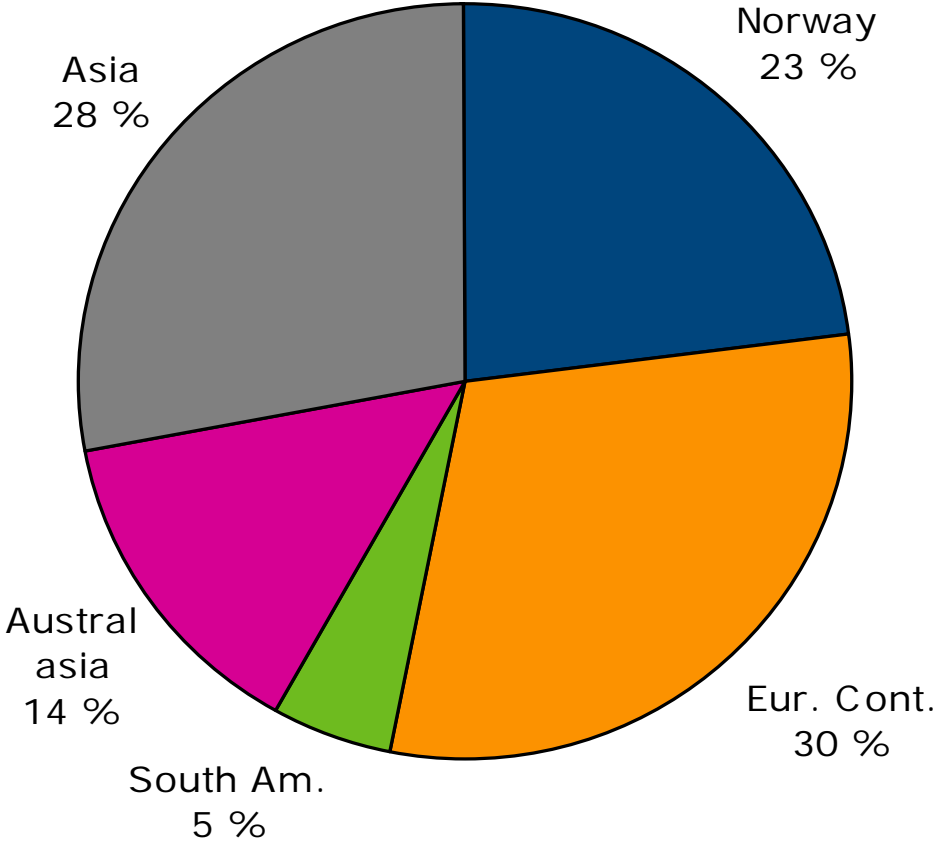
- Newsprint – standard and improved grades for daily newspapers, free newspapers, advertising supplements etc.
 - World-wide operations
- Magazine paper for magazines, periodicals and advertising purposes
 - European operations only
 - Two different grades:
 - SC - uncoated paper (supercalendered)
 - CMR - coated paper
- Newsprint and magazine paper: Together called Publication Paper

The world of Norske Skog



Norske Skog's capacity by regions

Total 6.5 mill. tons

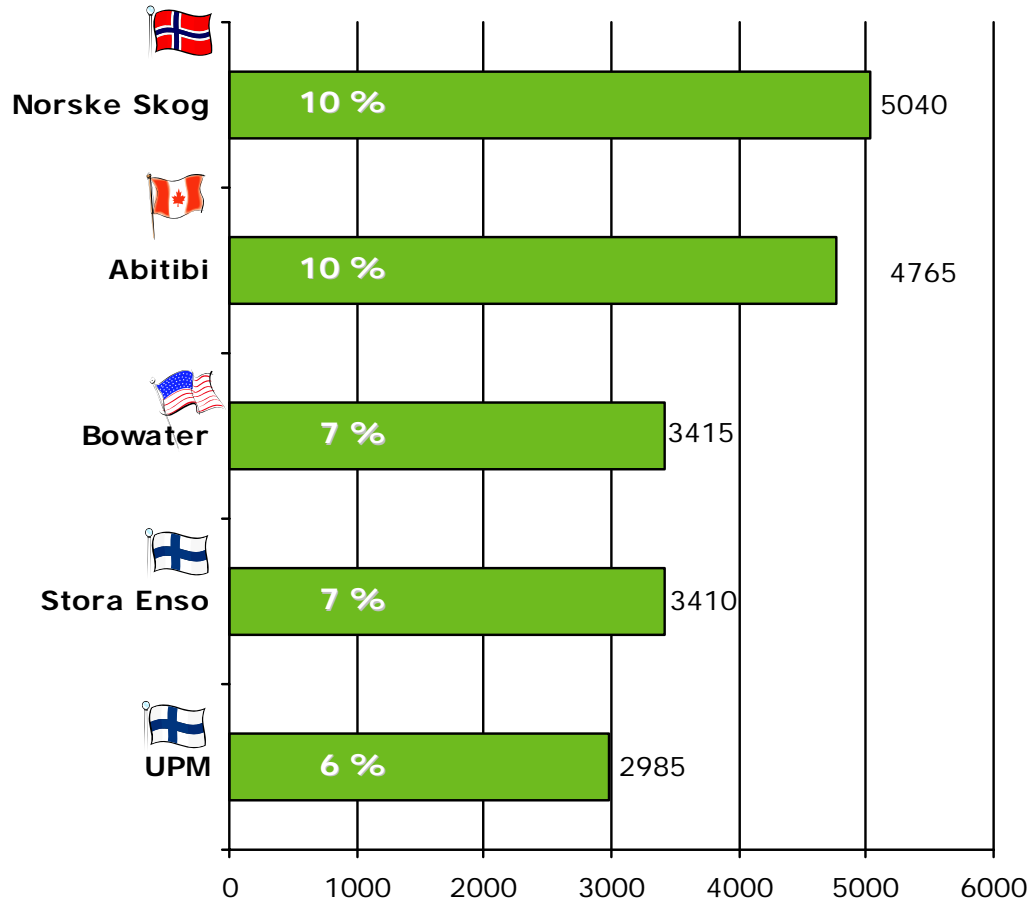


Newsprint: 79 % of total
Magazine: 21 % of total

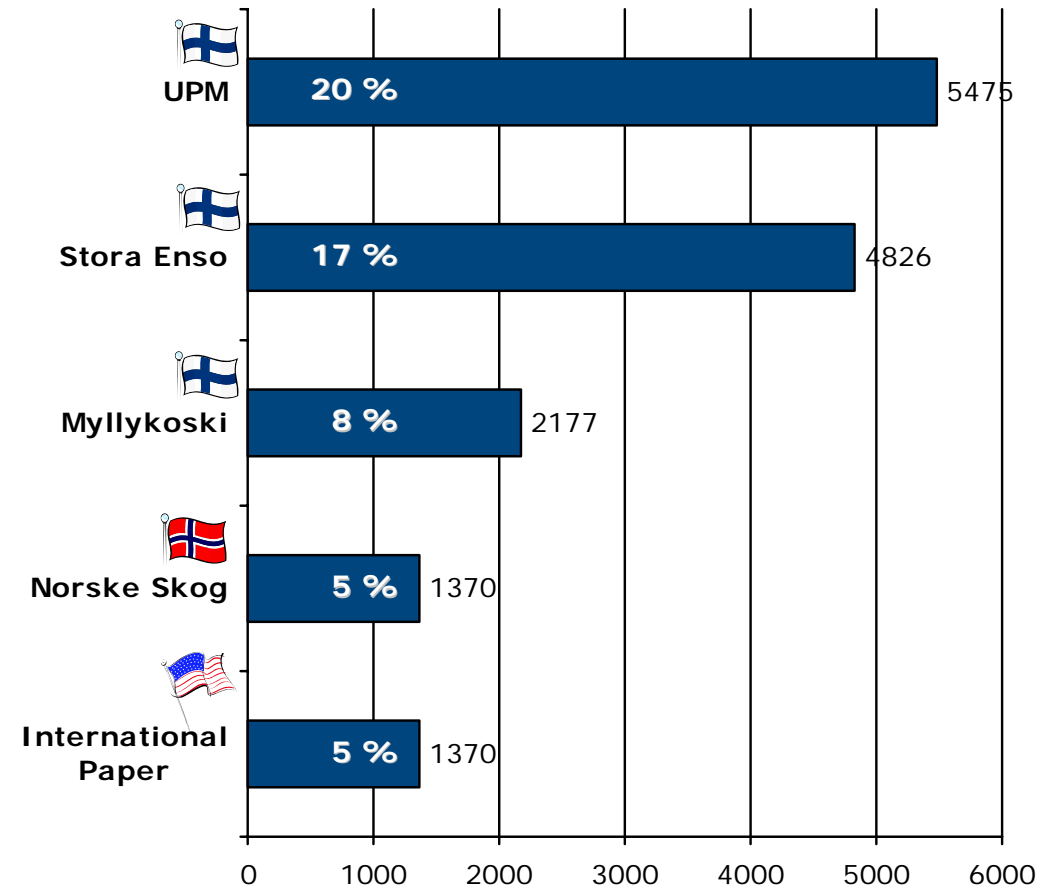
35 % of total **newsprint** capacity is in Asia

Norske Skog: The world's largest producer of Newsprint

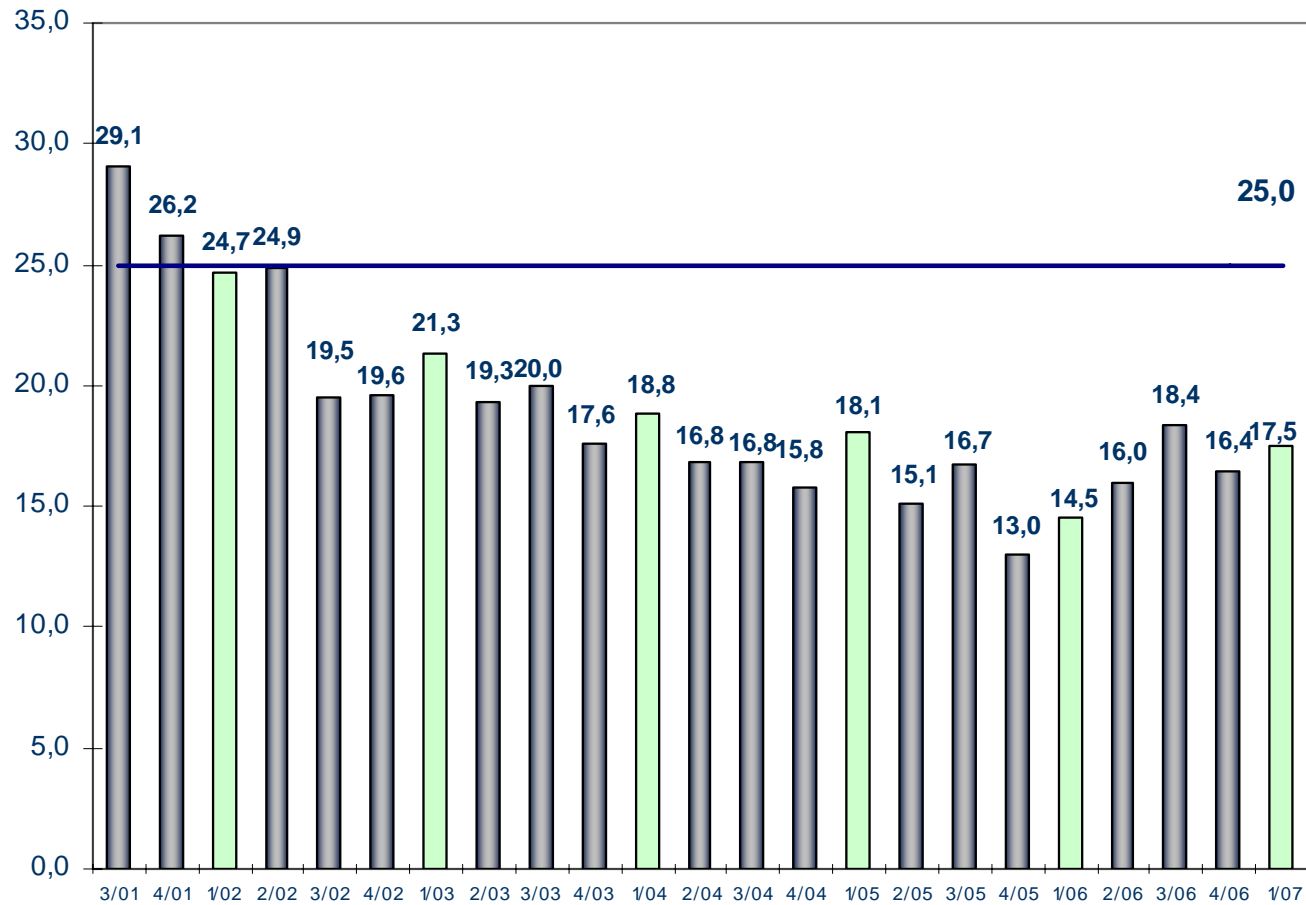
Newsprint
1 000 tonnes / year



Magazine paper
1 000 tonnes / year

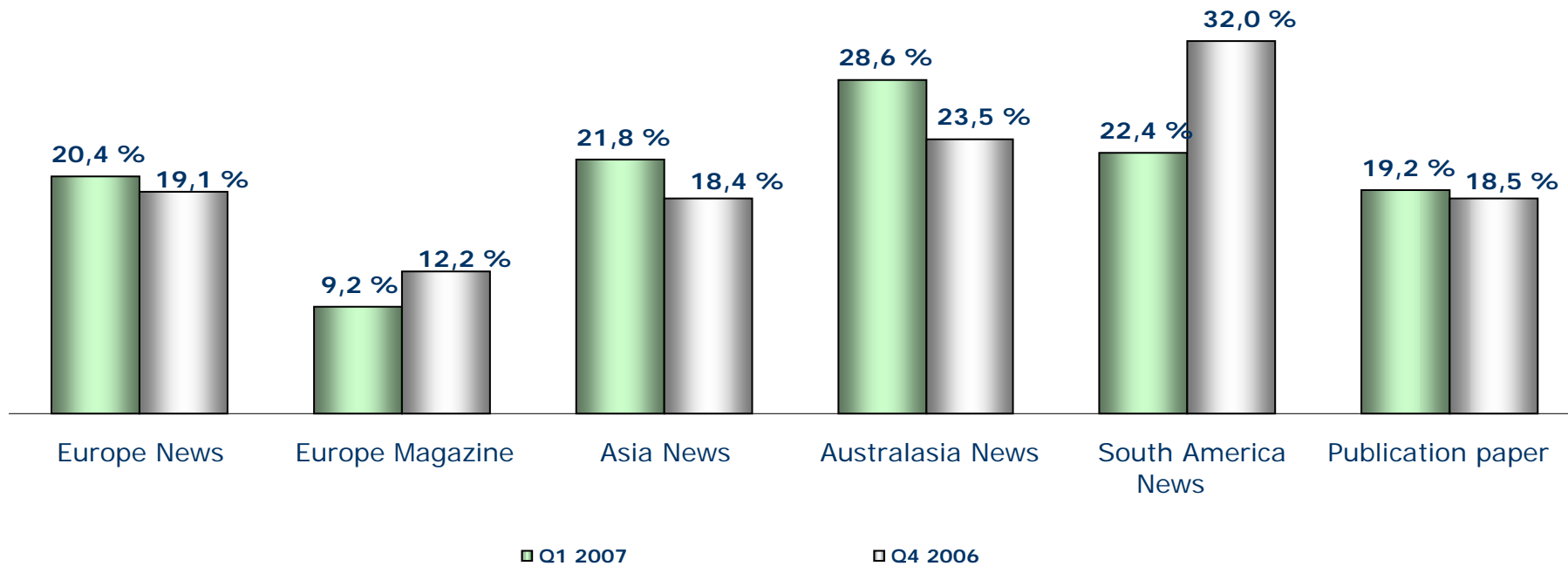


Adjusted EBITDA Margin 2001-2007



EBITDA adjusted for changes in the value of power contracts and other special items

EBITDA margins per segment Q1 2007 vs Q4 2006



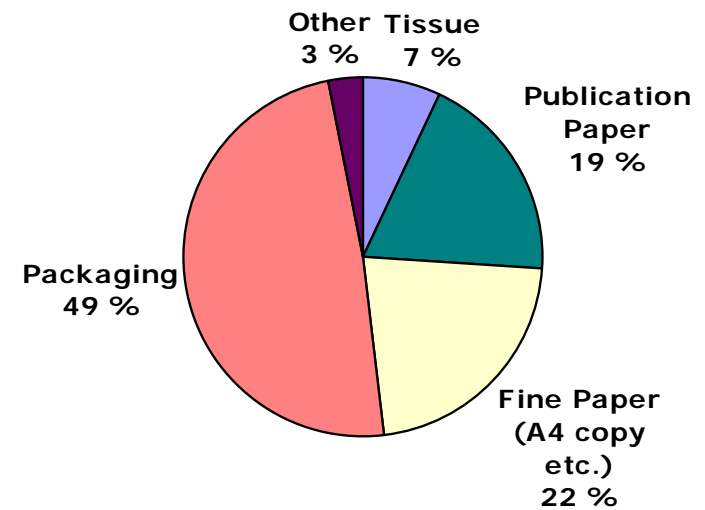
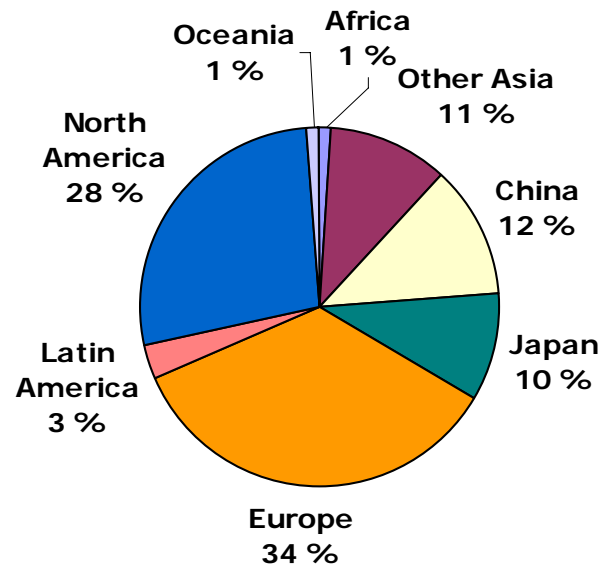
2007 – Expectations

- Positive demand development expected in most markets other than North America
- Continued risk of increased cost on recovered paper and wood
- Effect of profit improvement program should more than offset negative cost development in 2007

Market Fundamentals

World Paper Production

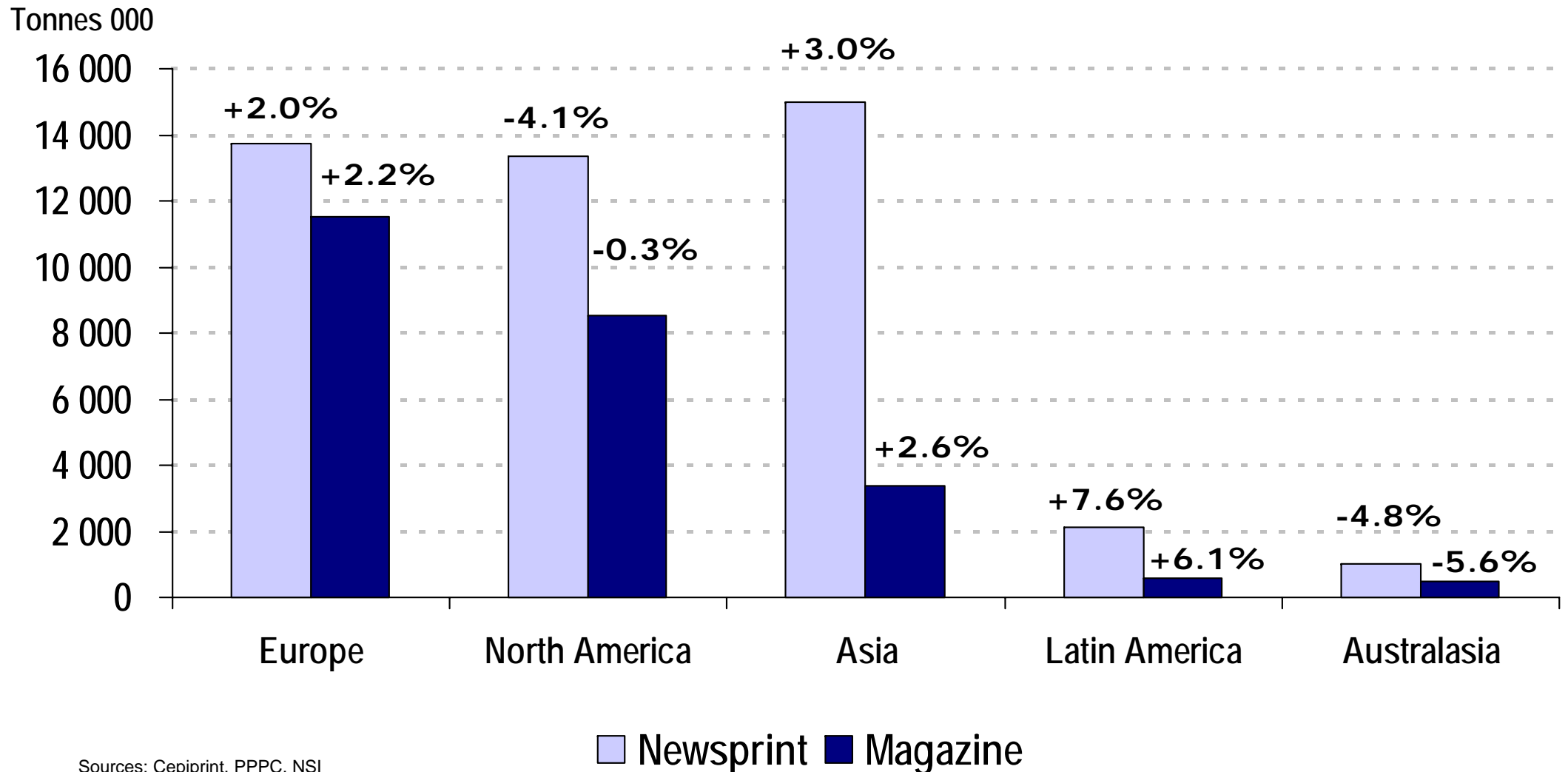
TOTAL ~ 365 million tonnes (2005)



Source: RISI 2006/06 World Graphic Paper

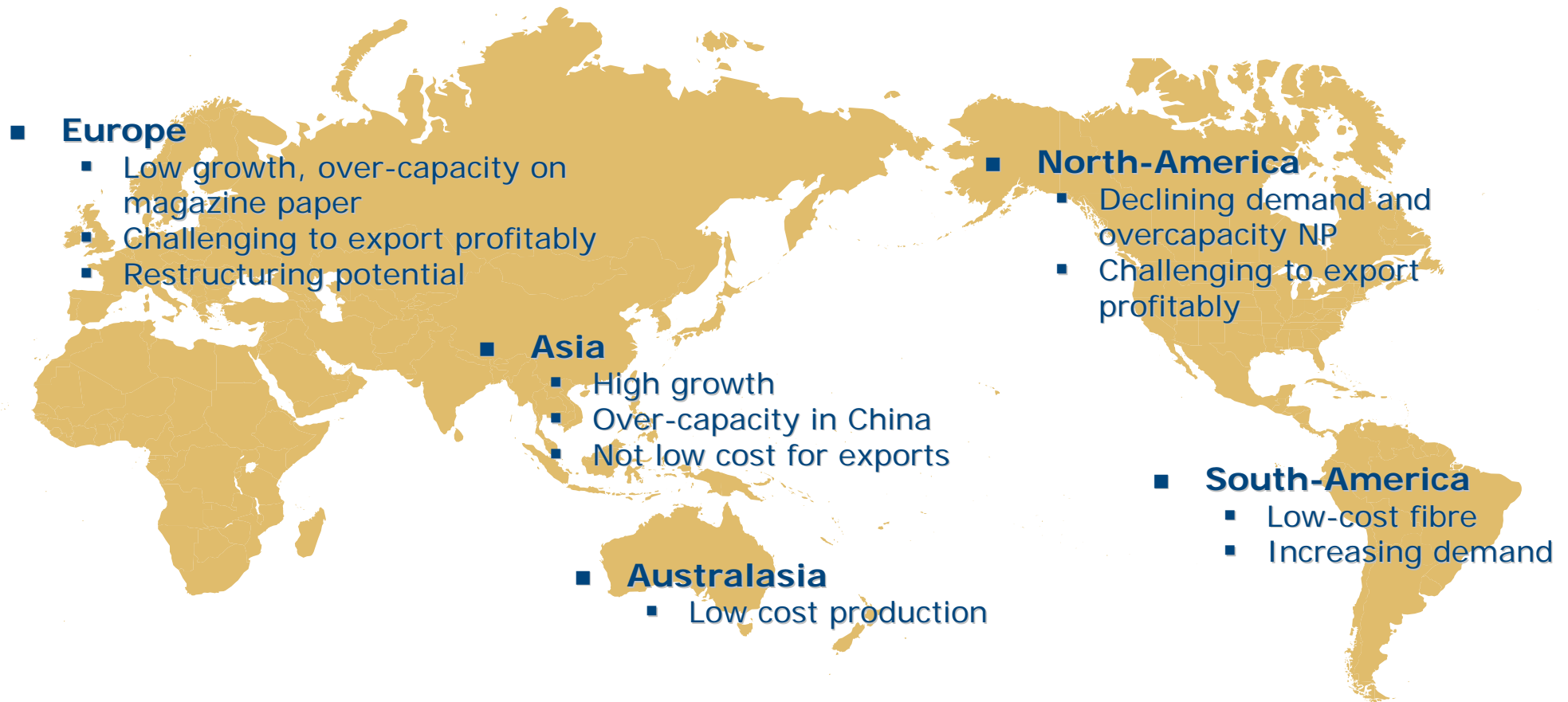
Source: RISI Global Industry Statistics Database

Newsprint and Magazine Paper: Regional Demand 2006 & Growth 2006 vs. 2005



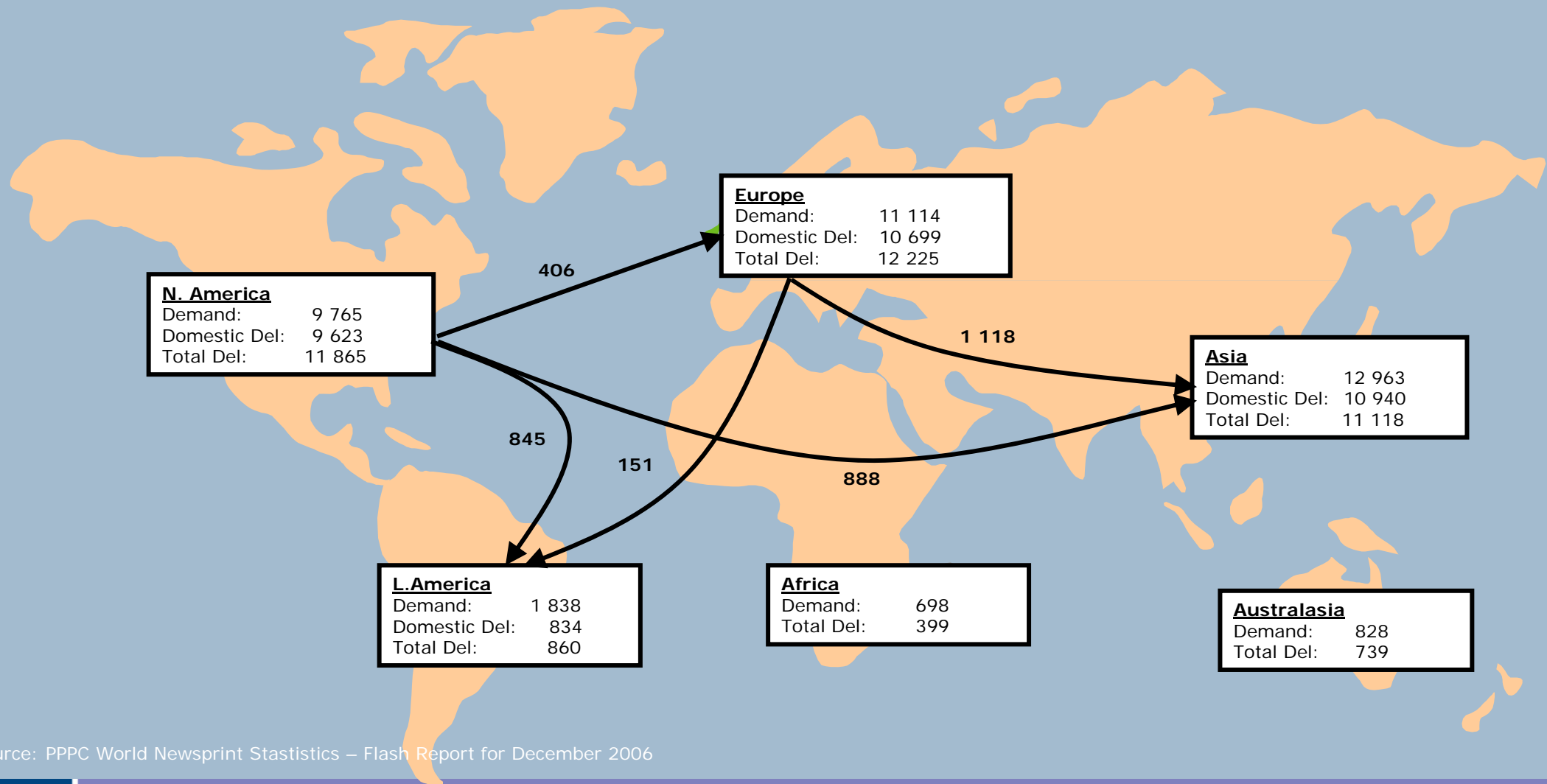
Sources: Cepiprint, PPPC, NSI
 Newsprint including improved grades
 Magazine including SC-Paper and CMR

Publication Paper: A global market, but regionalised



Trade Flows 2006 (est.)

Standard Newsprint



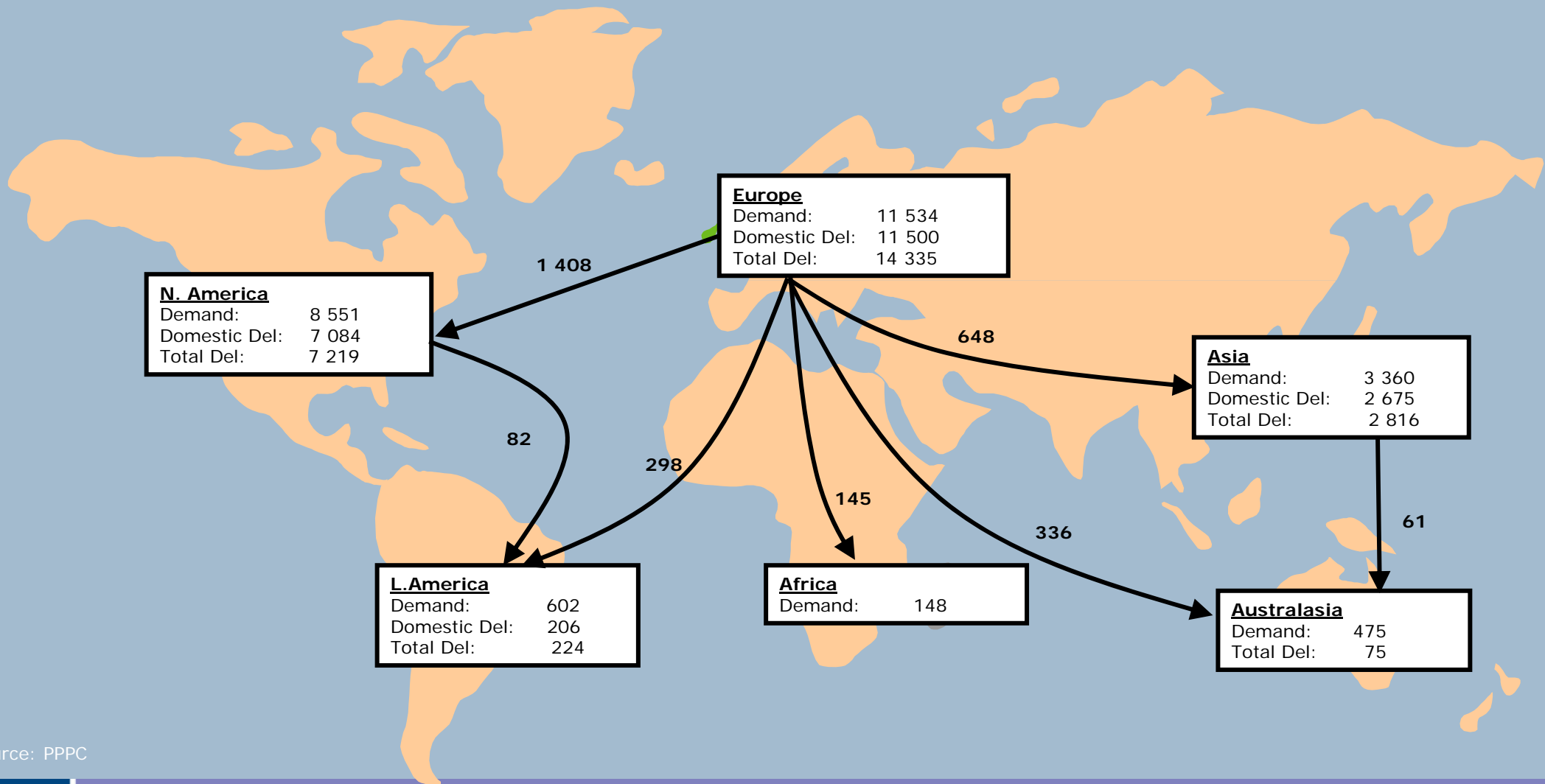
Source: PPPC World Newsprint Statistics – Flash Report for December 2006

Newsprint demand – Medium term

- Mature markets
 - Expected continued decline in North America
 - Expected growth to level off in Western Europe and Australasia
 - Newsprint demand is positively impacted by free newspapers and supplements
- Emerging markets
 - Growth driven by increase in readership and GDP
 - In many markets limited substitution by Internet based on lacking infrastructure and high cost
 - China: Strong growth despite restrictions both on advertising and on editorial writing

Trade Flows 2006 (est.)

Magazine Paper



Source: PPPC

Market Update, May 2007

Demand Changes – YTD 2007 vs 2006

Europe: YTD April, other regions YTD March

| | Standard Newsprint | Standard & Improved Newsprint | Magazine Paper | Total |
|---------------------------|--------------------|-------------------------------|----------------|--------|
| W. Europe | 1,0% | 0,8% | 2,5% | 1,6% |
| E. Europe | (2,0%) | (2,0%) | 21,0% | 6,0% |
| Europe Total | 0,9% | 0,4% | 4,2% | 2,1% |
| Australasia | 3,9% | 4,5% | 8,2% | 5,5% |
| South America | (2,2%) | | | |
| China | 8,5% | | | |
| South Korea | 2,2% | | | |
| Far East Total (ex Japan) | 2,8% | | | |
| North America | (12,0%) | (10,7%) | 3,4% | (5,5%) |

Sources: Cepiprint, PPPC, Norske Skog

Market Update May 2007 – non-Asia

- Newsprint in Europe:
 - Demand: Slight increase and stable prices
 - Market balance affected by declining demand in North America and overcapacity in China
- Magazine Paper in Europe:
 - Demand shows a good increase; but prices have gone down from an already low level
 - Overcapacity and challenging market conditions - announced closures will hopefully improve the situation
- Newsprint in South America:
 - Demand: Slightly down, likely customer inventory reduction
- Newsprint in Australasia:
 - Demand is up; the high price in Australia is expected to go down from July 1 due to pricing formula

Market Update - Asia

■ Newsprint demand:

- Region total YTD March (ex Japan): + 2.8 % (E) compared with '06
- China: + 9 %; good growth also in several other emerging markets
- South Korea: + 2 %

■ Prices:

- Korea ~ USD 655/t
- China ~ USD 480/t
- India ~ USD 630/t
- (USA ~ USD 625/t)



Market Update - China

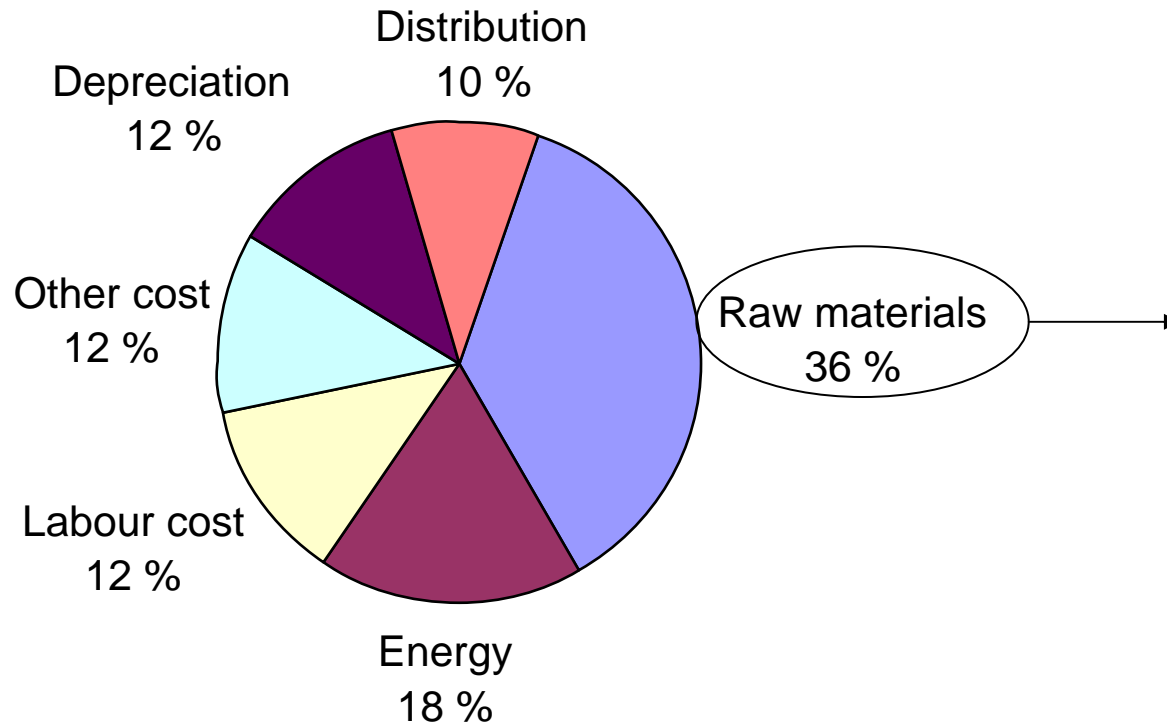
- Too much new capacity coming:
 - 1.5 - 2 million tonnes in 2006-2008
 - Will medium-term lead to certain export out of China
 - Low prices, but bottom is likely reached
- China is still a good opportunity going forward:
 - Current consumption growth dampened by government control
 - Large number of small and inefficient newsprint mills – expectations of significant closure of capacity



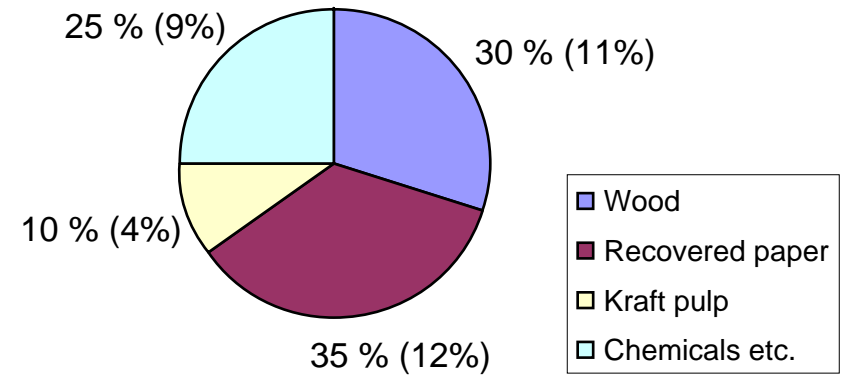
Cost development

Total cost breakdown - 2006

Total cost

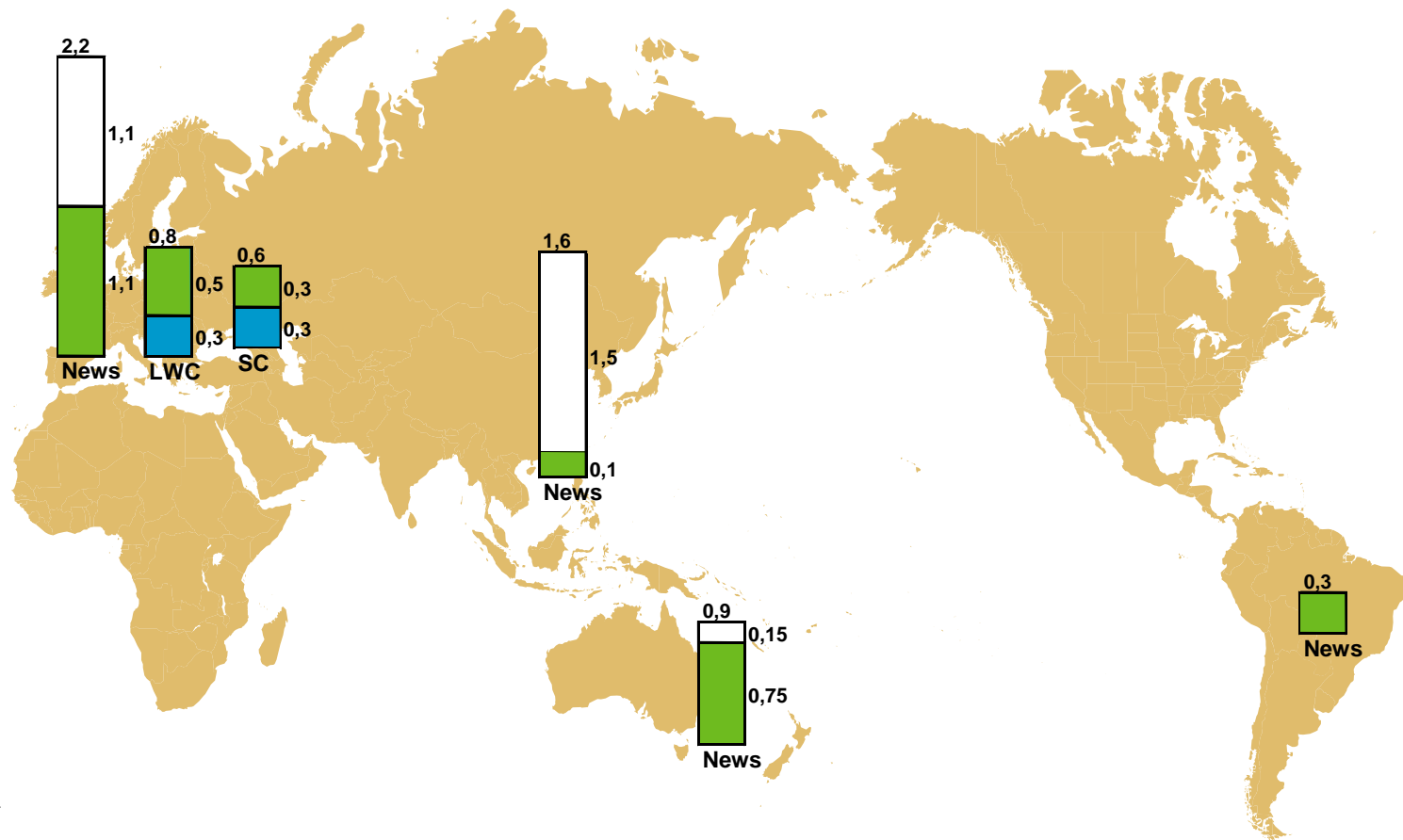
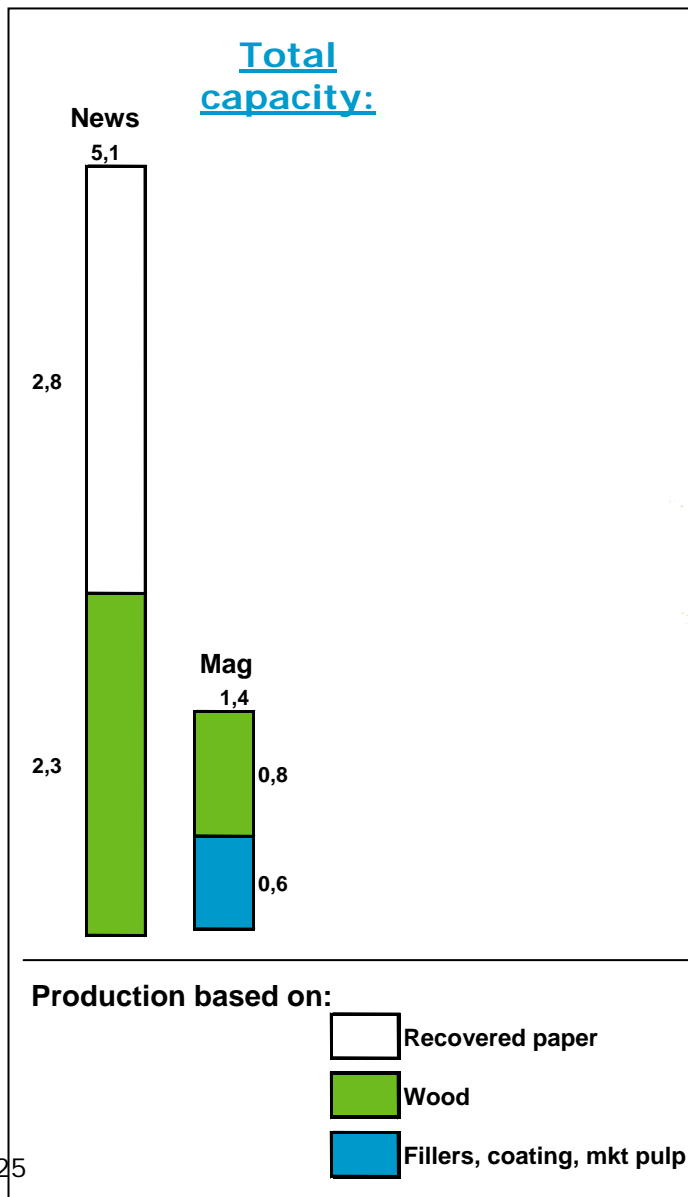


Raw materials



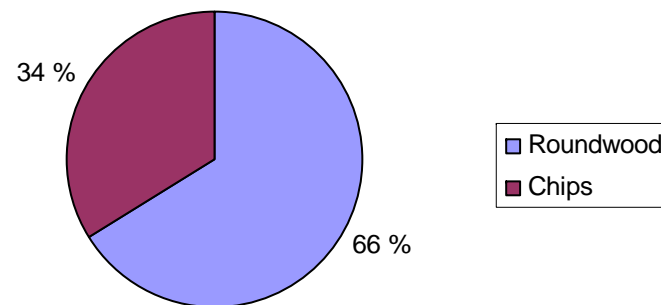
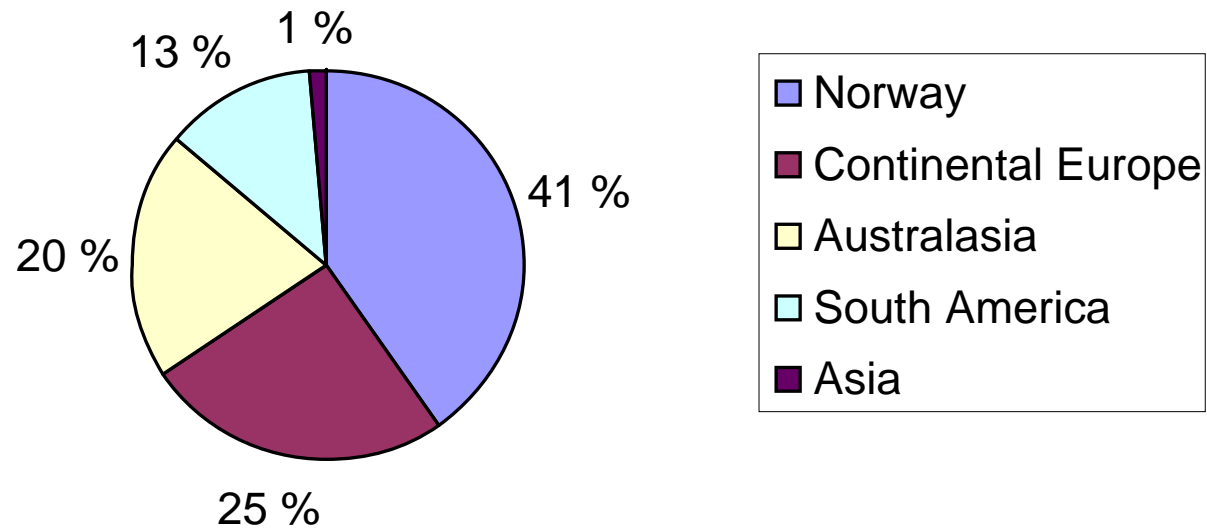
- Wood
- Recovered paper
- Kraft pulp
- Chemicals etc.

Norske Skog: A balanced raw material base



Wood consumption 2006

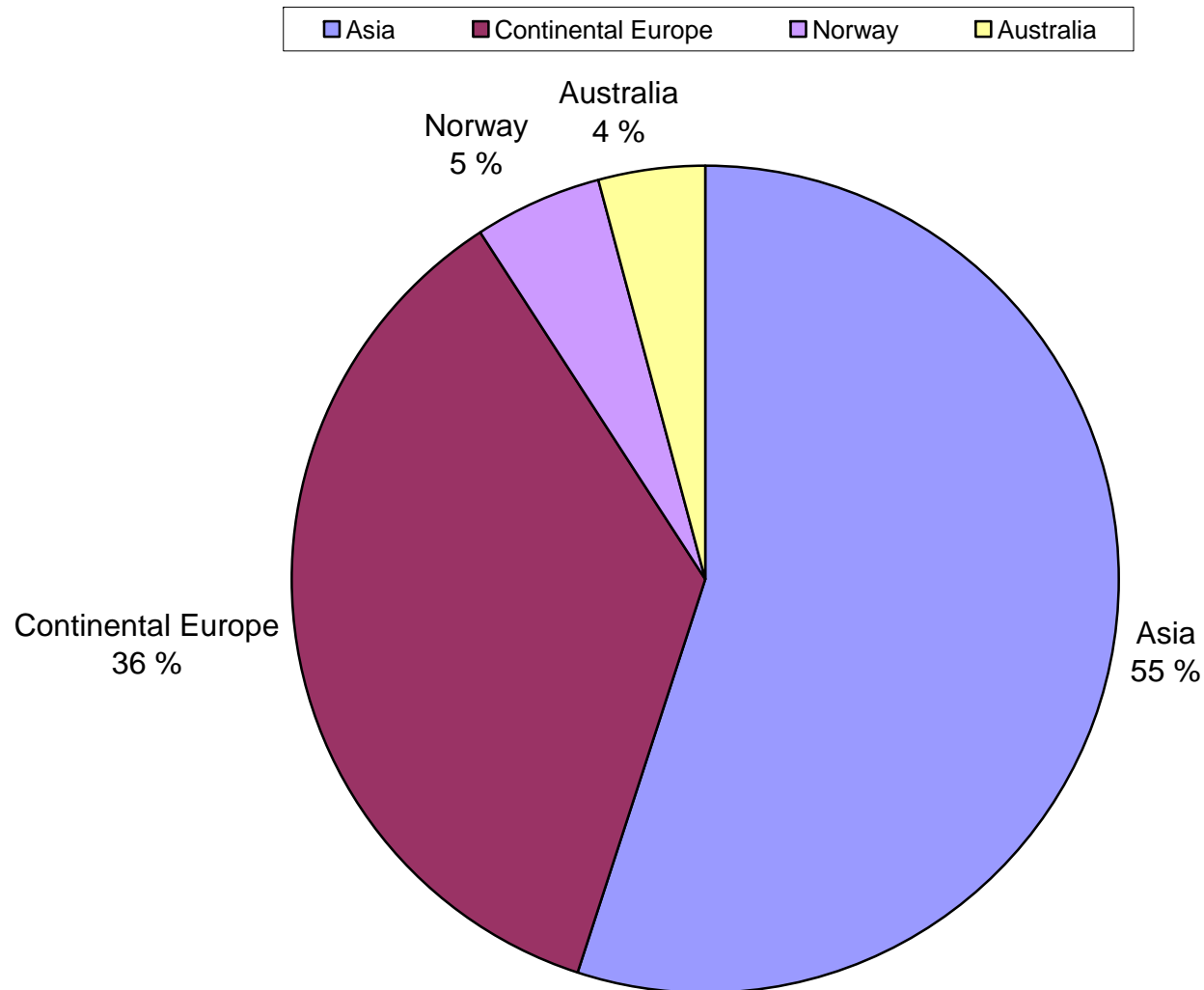
Wood consumption ~ 6,4 mill. m³



Recovered Paper Consumption in 2006

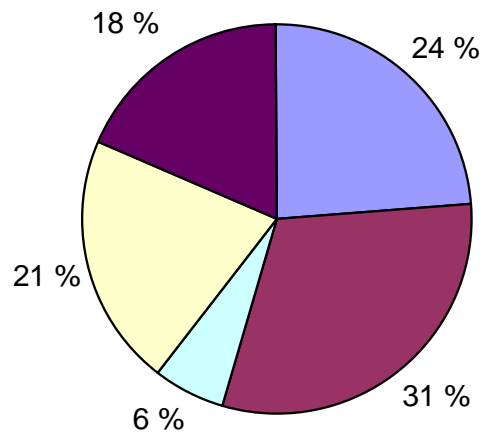
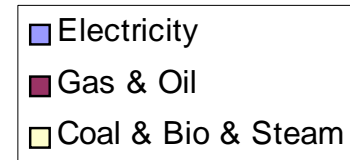
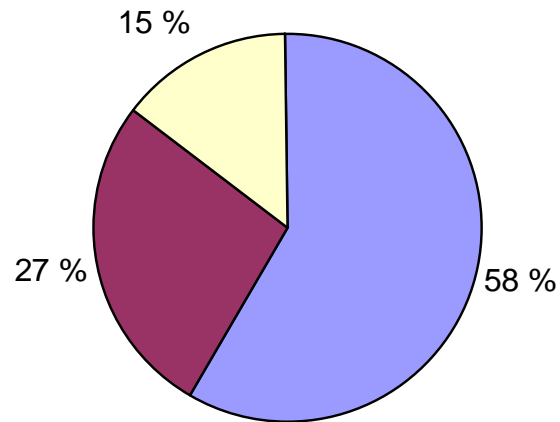
Total 3.3 mill tonnes

Global Consumption in 2006



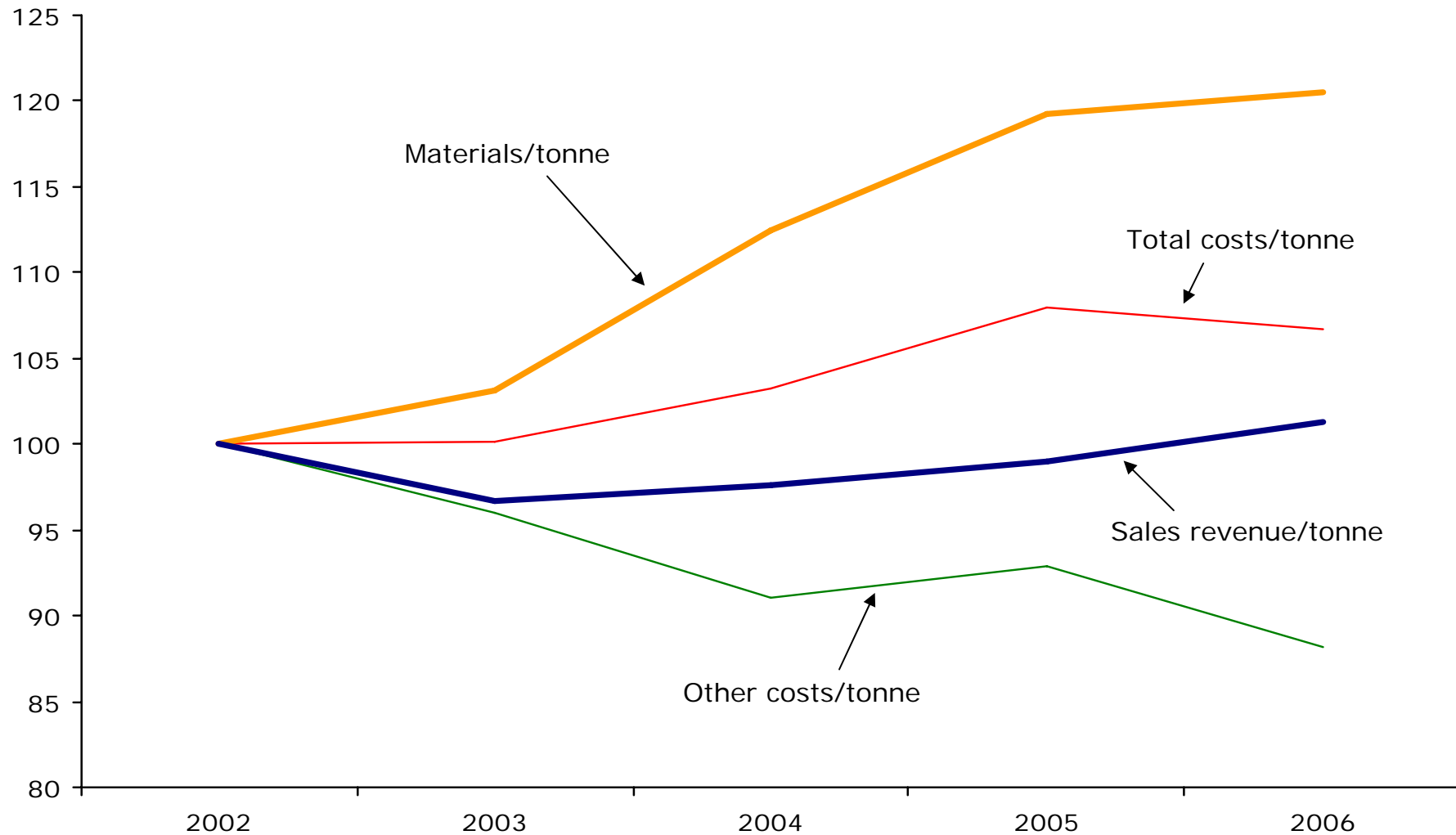
Energy consumption by source and region

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



Current priorities

Revenue and cost development for Norske Skog (Index, 2002=100)



Improvement program

- Improvement program effect NOK 200 million for the quarter vs base year 2005
- Effects vary by Business unit, which to be expected in an early stage of the program
- Large part of total effect is from lower fixed cost, and cost saving within energy and chemicals
- Target remains NOK 750 million per quarter (NOK 3 billion annualised) at the end of 2008 compared to base year 2005

Cost & efficiency (EBITDA run-rate end '08)

- Tasman geothermal plant ~ NOK 50 mill.
- Load modulation (Parenco) ~ NOK 25 mill.
- Time & paper efficiency Skogn ~NOK 50 mill
- Rationalise product portfolio Follum ~ NOK 20 mill.
- Logistics initiatives Skogn ~NOK 30 mill.

Global restructuring in Norske Skog



■ Europe

- Norske Skog Union (Norway), closed in March 2006 (260 000 t/year)



■ Australasia

- Norske Skog Tasman PM1 (NZ), closed 1 August 2006 (130 000 t/year)
- Upgrading and capacity increases on other paper machines in the region – total capacity unchanged



■ Asia

- Norske Skog Jeonju PM1 and PM4 (Korea), closed in autumn 2006 (180 000 t/year)



■ South-America

- PM7 from Norske Skog Union will be upgraded and moved to Norske Skog Pisa in Brazil

Norske Skog's response to changing business environment

- **New management and organisation structure**
- **Improvement program**
 - Asset restructuring
 - Cost reductions
 - Efficiency in all areas of the value chain
- **Special focus on China**

