

Norske Skog

UBS Basic Materials Conference
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Andreas Enger, CFO



Norske Skog Headlines

- World's largest producer of newsprint, fourth largest of magazine paper
- 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
- One share class, Market Cap ~ NOK 17 billion (€ 2.1 billion)
- Foreign ownership ~ 65 %

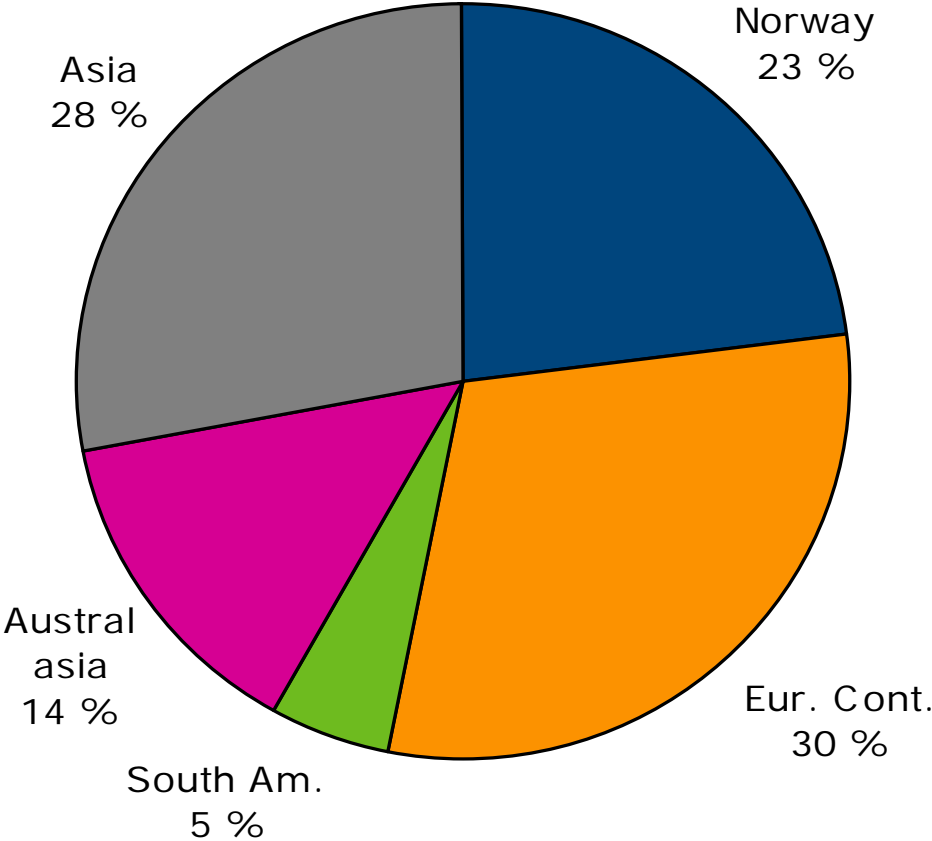


The world of Norske Skog – Capacity by regions



Norske Skog's capacity by regions

Total 6.5 mill. tonnes

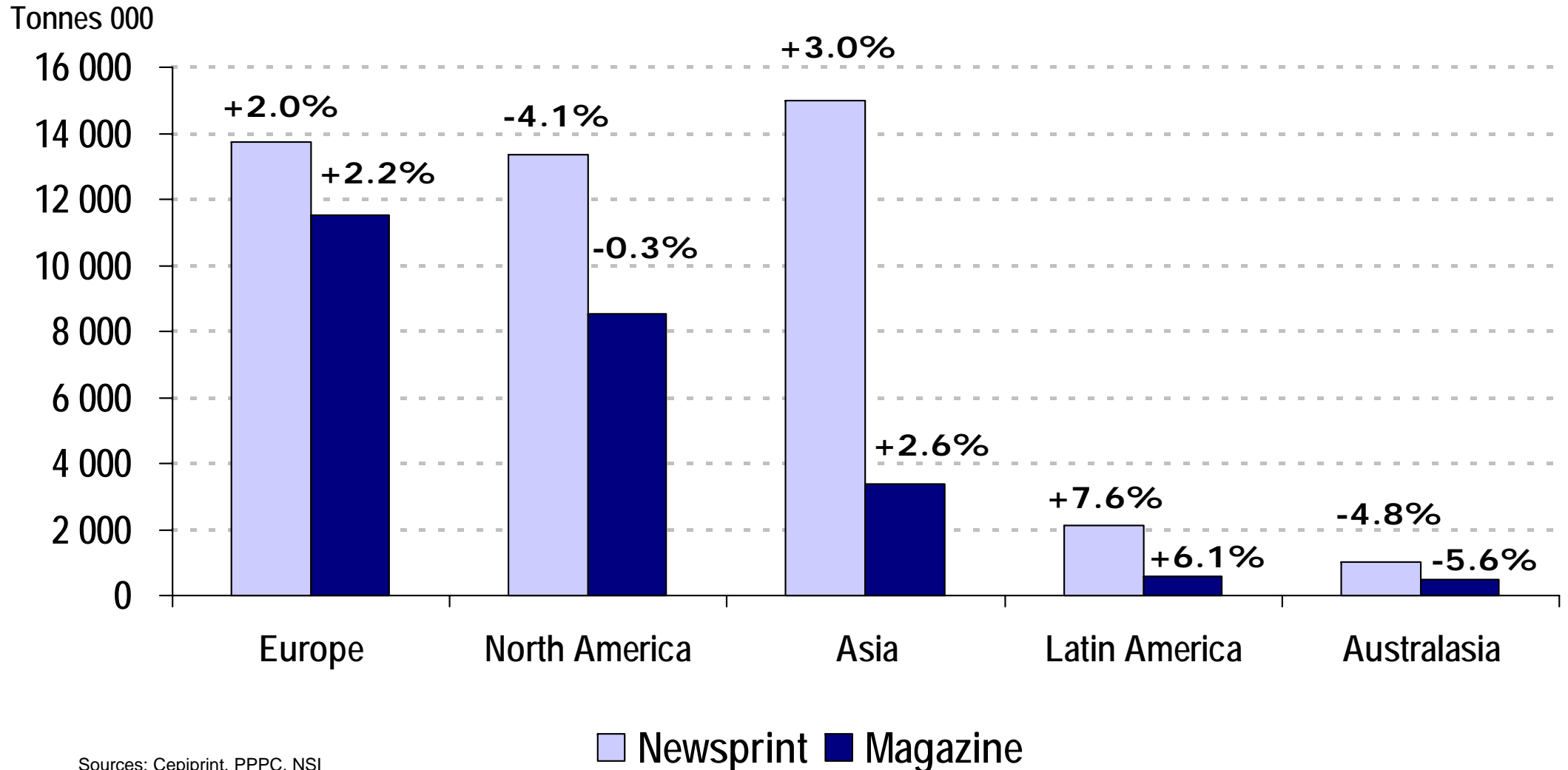


Newsprint: 79 % of total
Magazine: 21 % of total

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

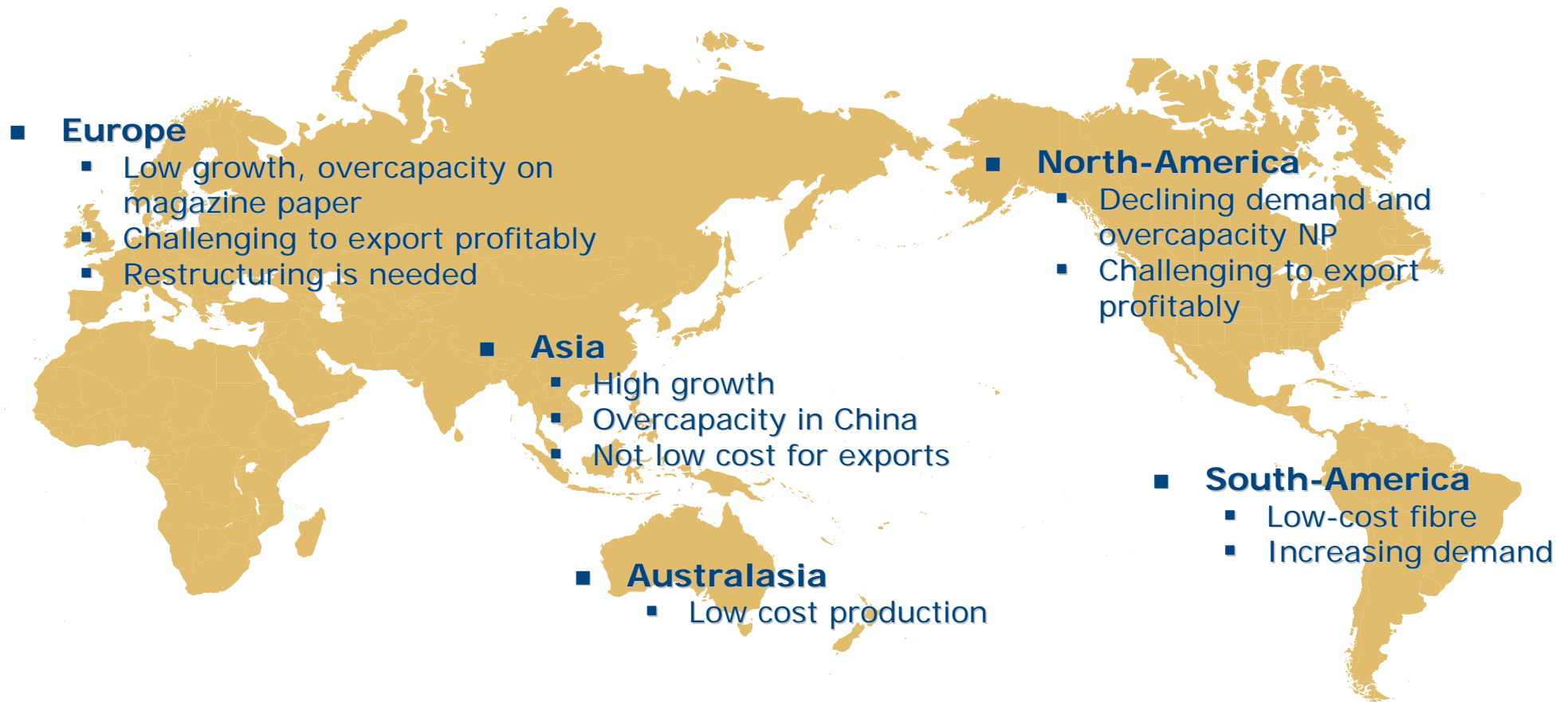
The need for restructuring

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

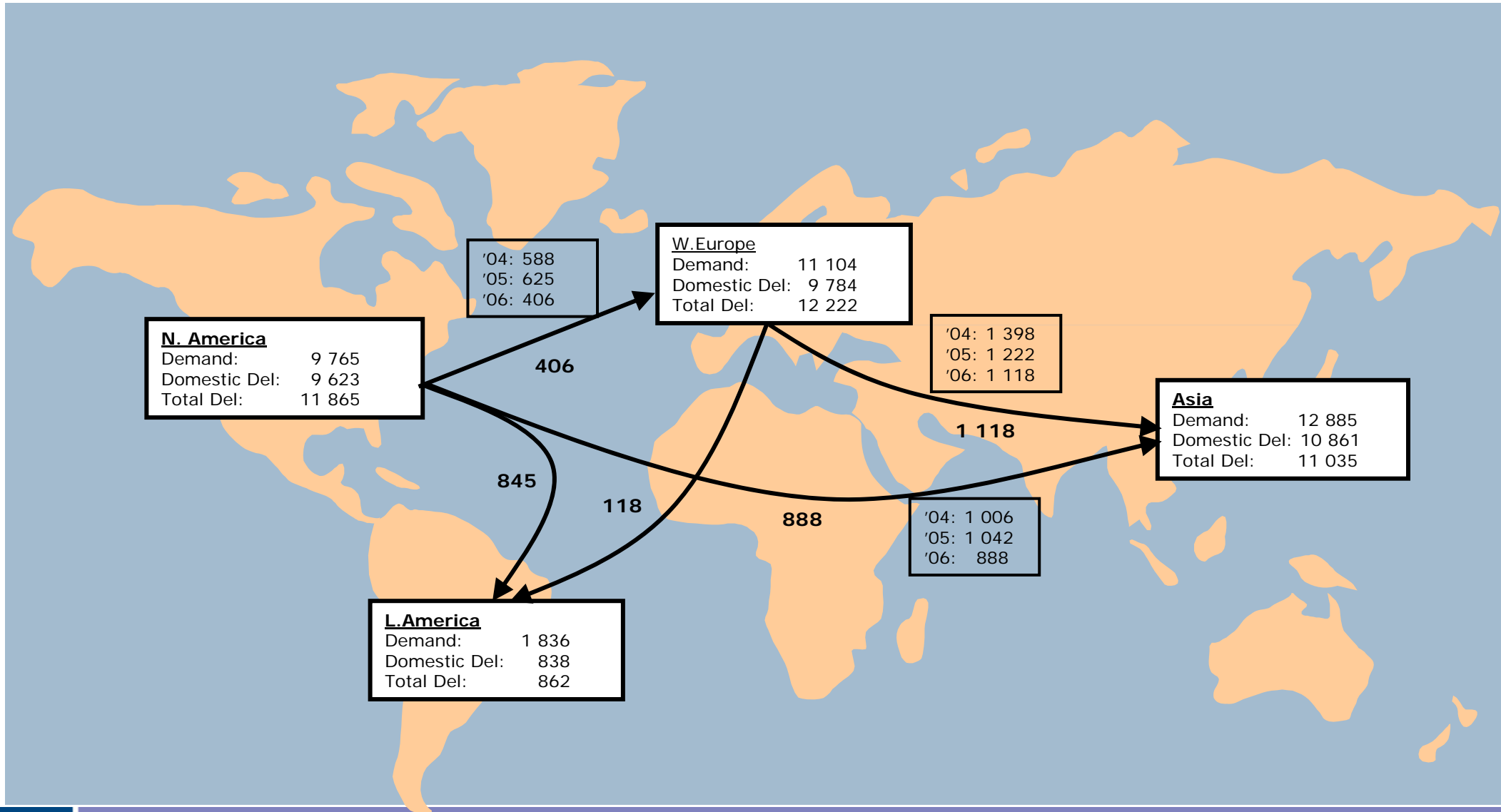
Publication Paper*): A global market, but regionalised



*) Publication Paper: Newsprint and magazine paper

Trade Flows 2004 - 2006

Standard Newsprint



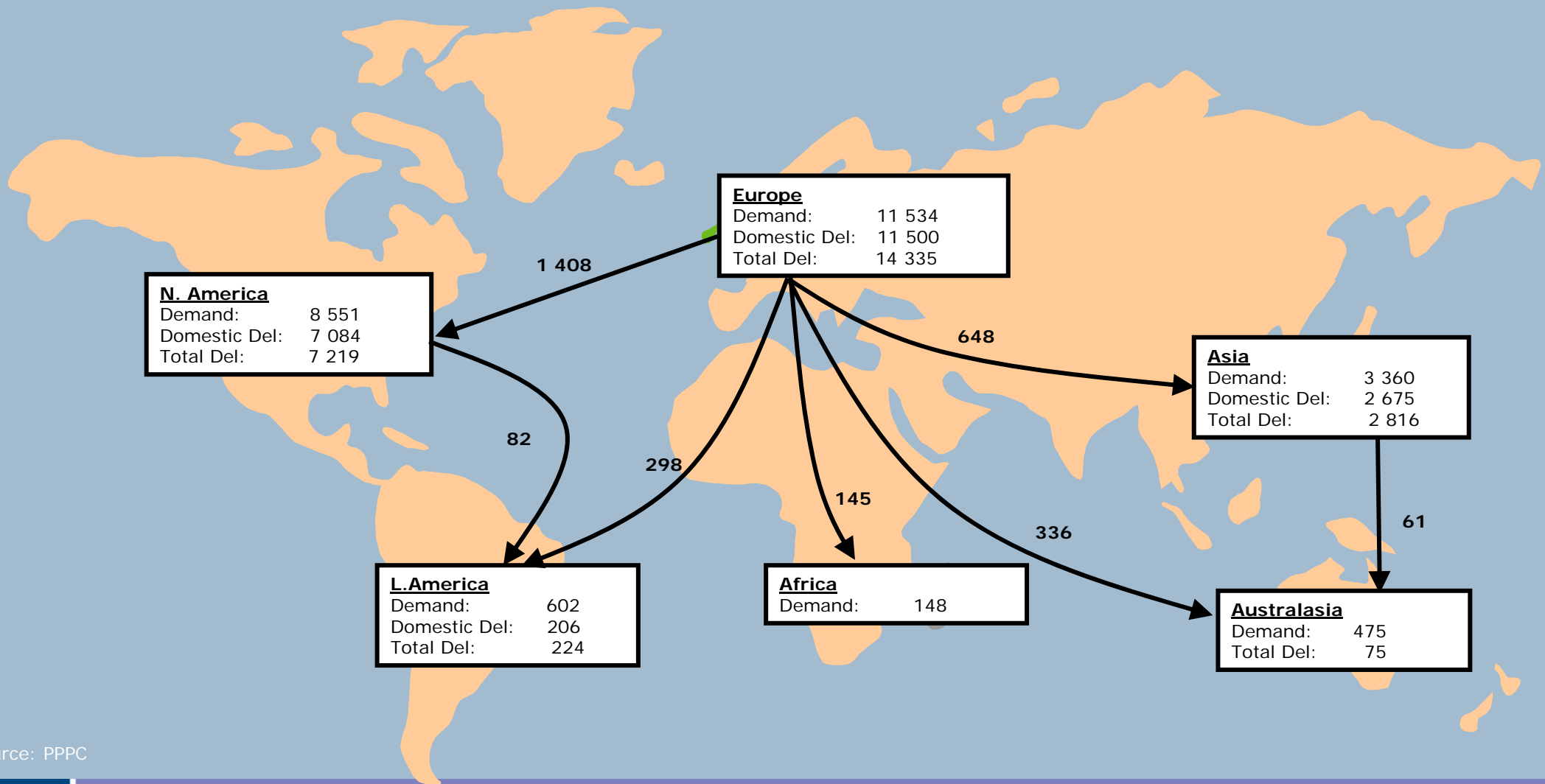
Source: PPPC Newsprint Supply and Demand – March 2007

Newsprint in Europe – Key facts

- Demand: We estimate a small growth to continue, but risk for decline in the most mature markets
- Trade situation – less visibility:
 - Canadian tonnage coming back to earlier levels, after very low shipments in 2006
 - Less room for export to Asia short and medium-term
- Risk for new capacity:
 - Two new paper machines are announced in the UK

Trade Flows 2006 (est.)

Magazine Paper



Source: PPPC

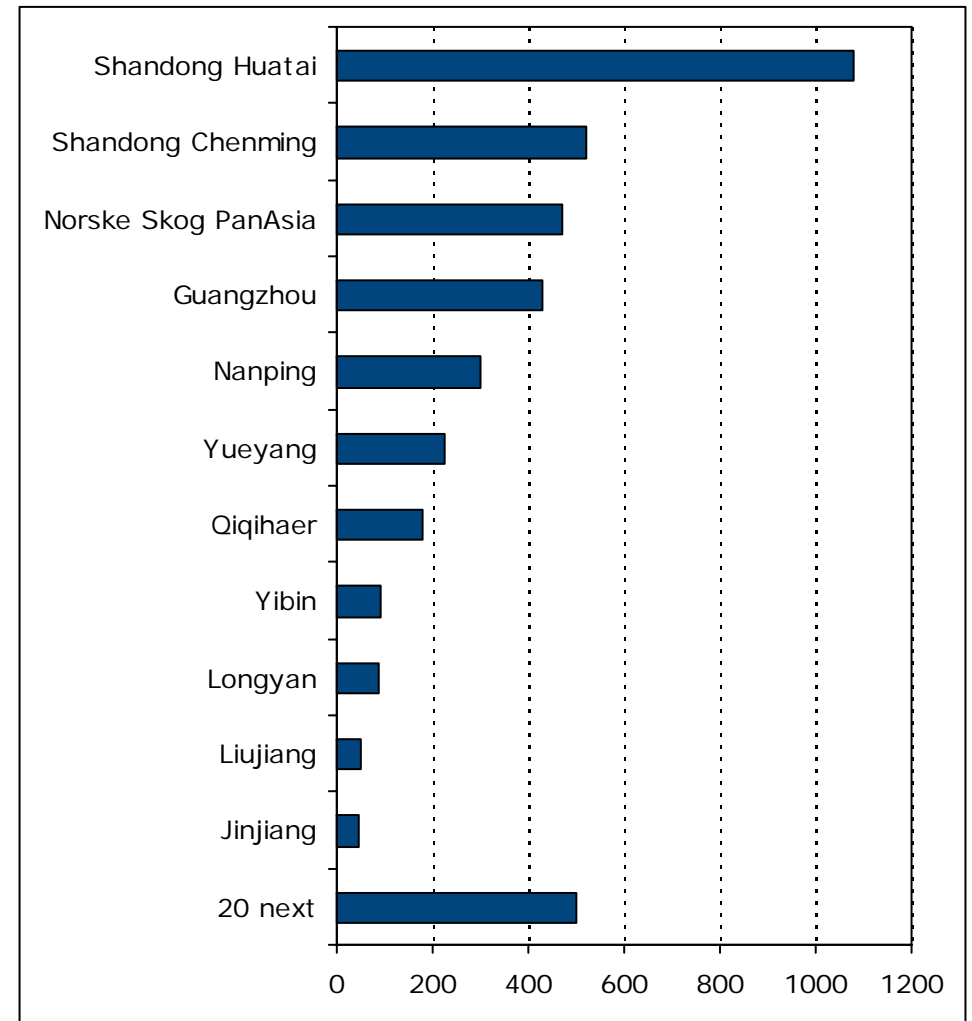
Magazine paper in Europe – Key facts

- Demand: Good growth is expected to continue
- Trade situation:
 - Large changes in export volumes from one year to the next
 - YTD April '07: Export from Europe down by >100' tonnes = 12 %
- Capacity situation:
 - One new paper machine under construction in Germany
 - Closures are announced and to some extent taken
- Industry structure: Two big companies, several smaller

Newsprint in China

- Strong demand growth will continue
- Too much new capacity:
 - 1.5 - 2 million tonnes in 2006-2008
 - Has lead to certain export out of China, and low domestic prices
- Early signs of improved market discipline

Newsprint capacity in China

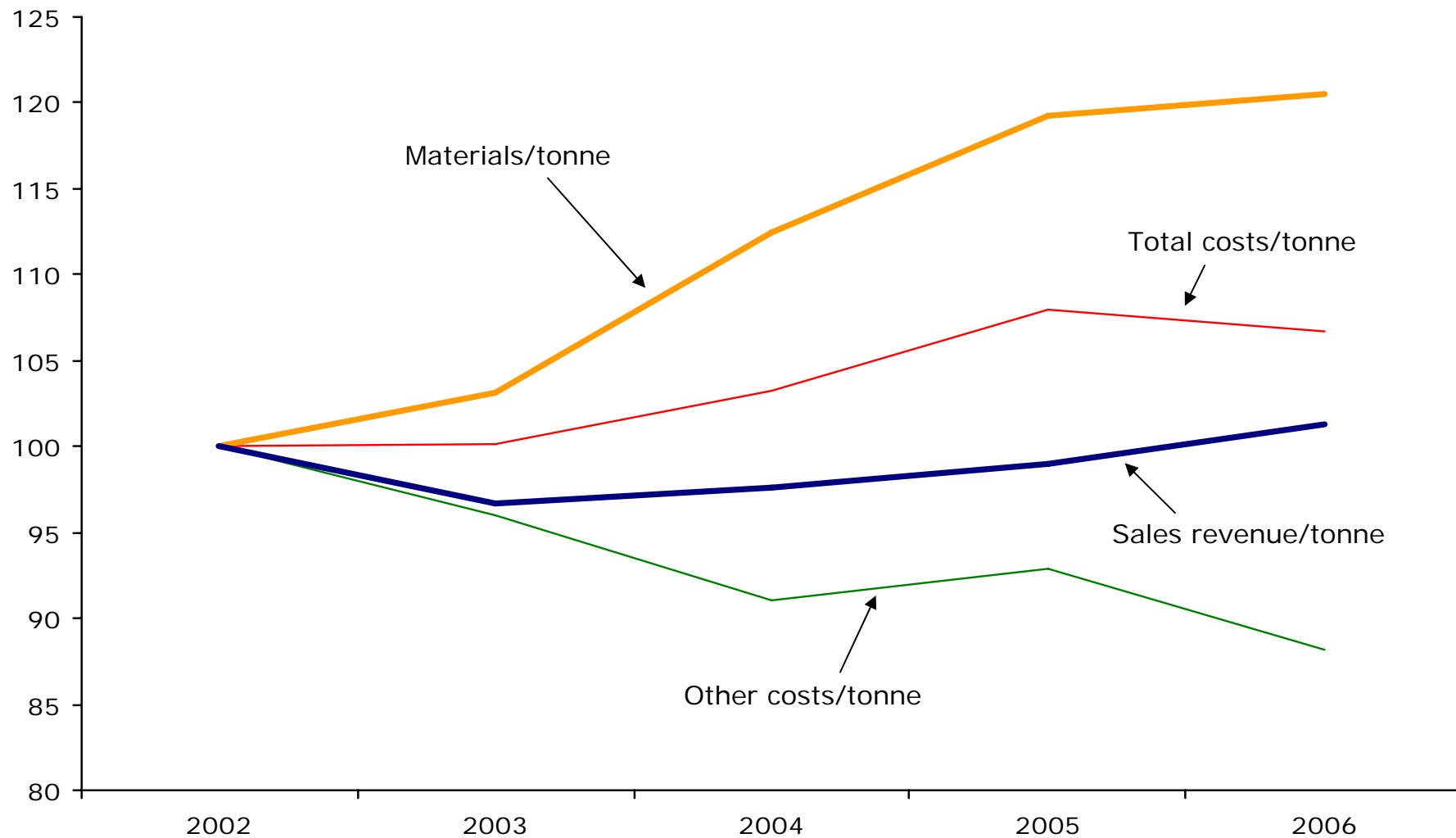


Source: Norske Skog

Norske Skog's 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

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 – Short term

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



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