



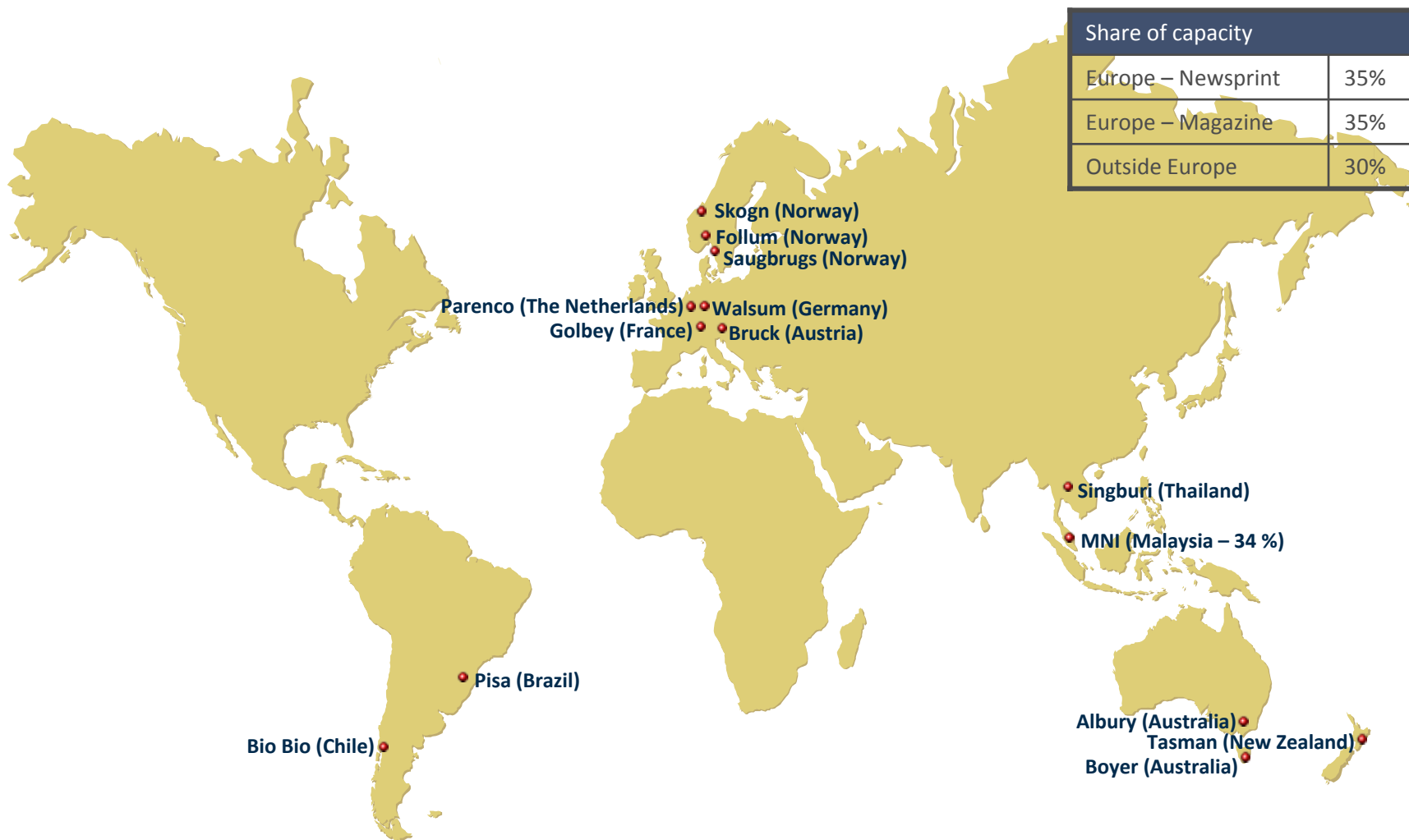
**Knight**  
**Credit Opportunities Conference**  
**7 April 2011**  
**Odd-Geir Lyngstad, Treasurer & Deputy CFO**

# A leading manufacturer of publication paper



- 14 mills in 11 countries
- Revenues (2010): NOK 19.0 bn (USD 3.15 bn)
- 5 300 employees
  - Europe 3 600
    - Whereof Norway 1 700
  - Australasia 900
  - South America 600
  - Asia 200
- Listed on the Oslo Stock Exchange
  - No controlling shareholder
- Credit rating B-/B2

# Global presence - strong European footprint



# Demand 2011 per region/segment

Region/segment	Annual change (YTD)*	Comments
World standard newsprint	-4.0 %	
North America standard newsprint**	-3.6 %	
Europe standard newsprint**	-3.0 %	Western Europe (-4%) Eastern Europe (+1%)
Europe magazine paper ** (incl. improved newsprint etc)	-1.0 %	SC (-7 %) LWC flat
Non-Japan Far East Standard newsprint	-9.8 %	China decreases (-24%). India still growing (+6%)
Australasia standard newsprint	-9.0 %	
Latin America standard newsprint	7.7 %	Argentina (+29%) and Mexico (+19%) positive. Brazil slightly down (-4%)

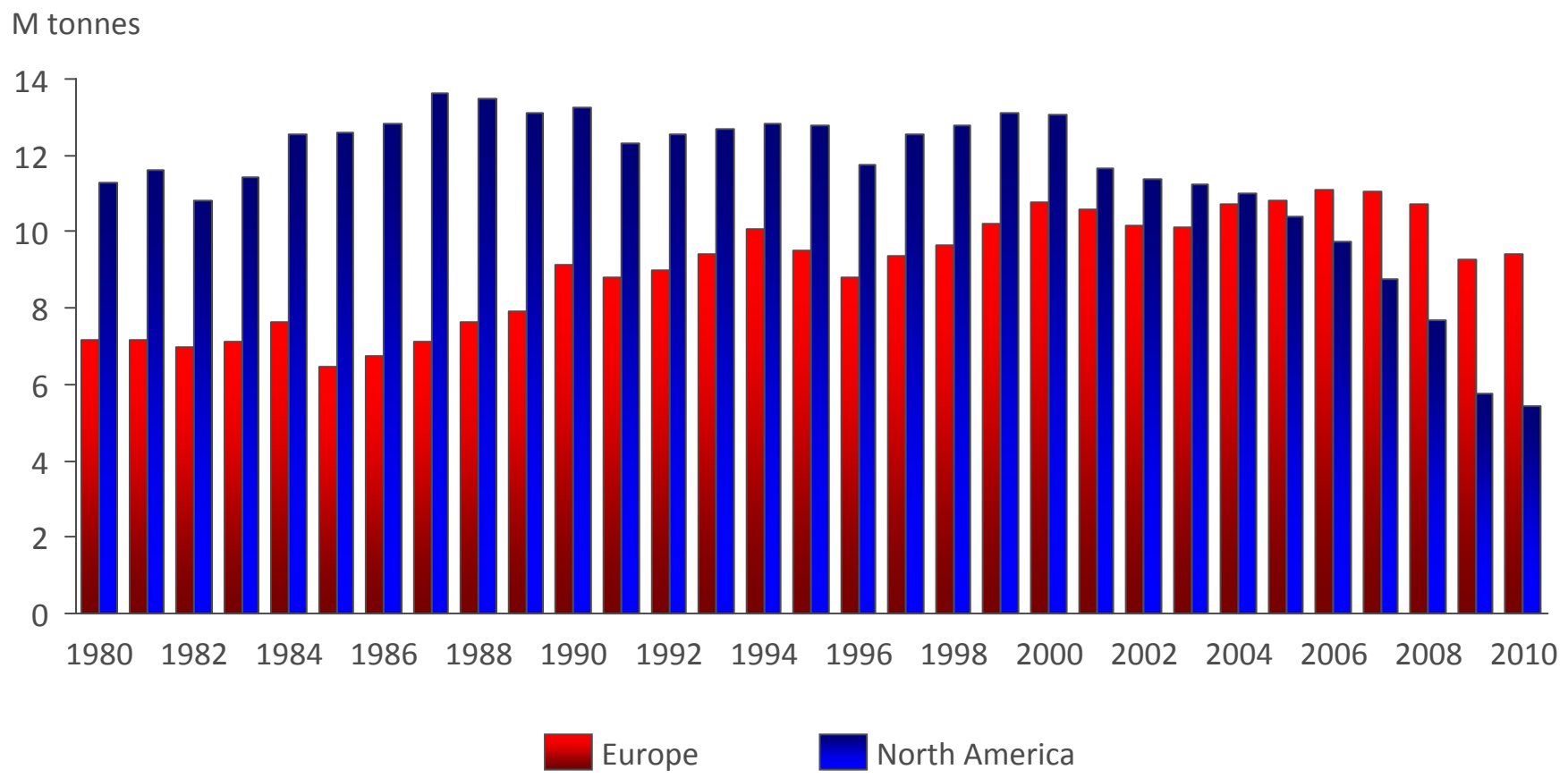
\*) Change from January 2011 vs same period in 2010, Source: PPPC, CEPIPRINT

\*\*\*) Change from January - February 2011 vs same period in 2010.



# Demand Newsprint 1980-2010

- Europe and USA is different

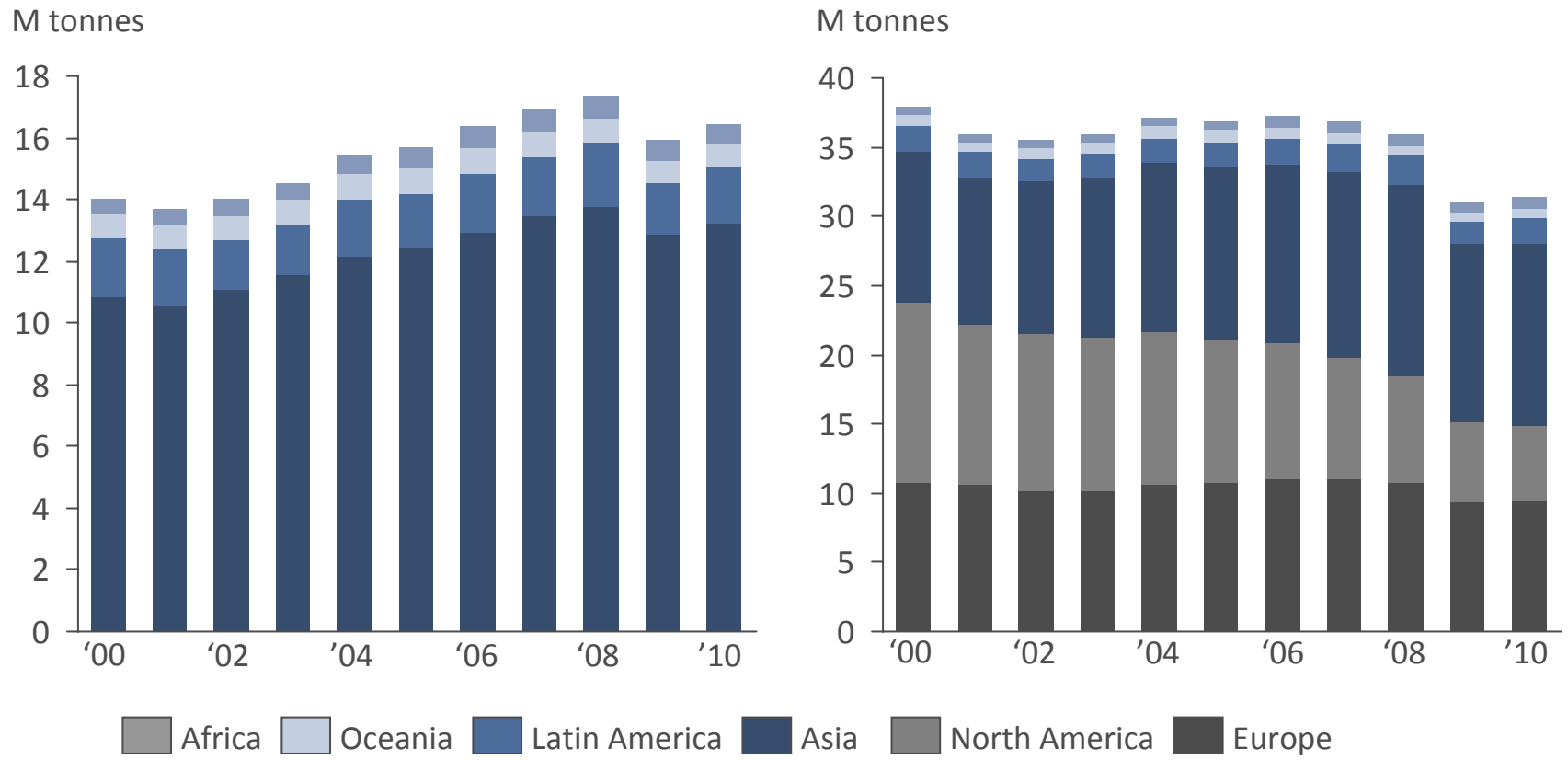


Source: PPPC

# Demand newsprint 2000 – 2010

## Rest of the world

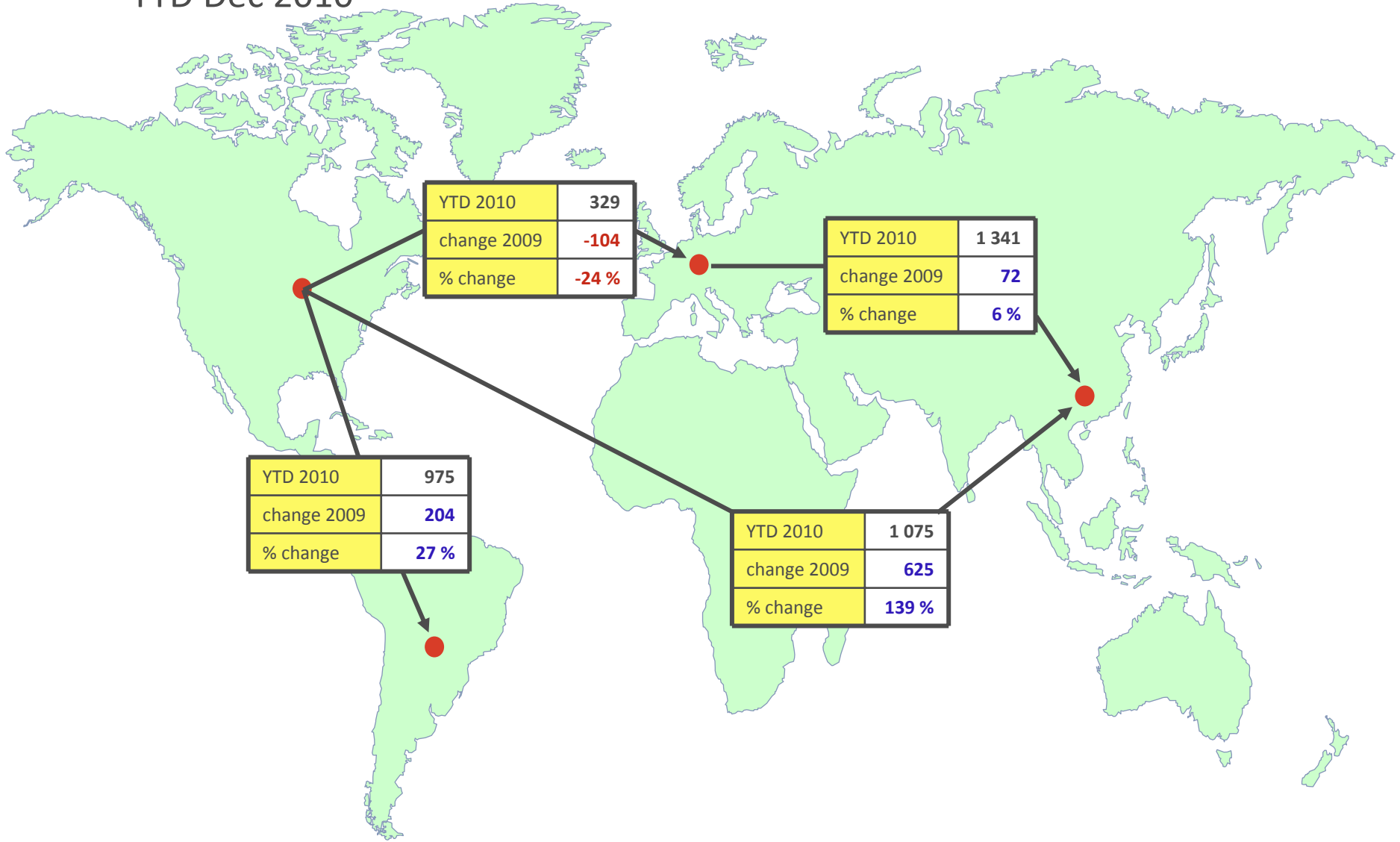
## World total



Source: PPPC

# Main trade flows – Std newsprint

YTD Dec 2010



## Newsprint capacity changes between 2008 and 2010

• Turkheim (incl UMI)	80	• UPM Kajaani	-185
• Palm King's Lynn	400	• NS Follum (incl UMI)	-130
• Perlen (oct 2010)	360	• NS Steti	-130
		• M&F Ledar	-30
		• Holmen Hallsta	-150
		• NS Parenco	-225
		• Perlen	-125
		• AbiBow Bridgewater	-230
		• SE Varkaus	-290
		• SE Maxau	-195

+840 kT

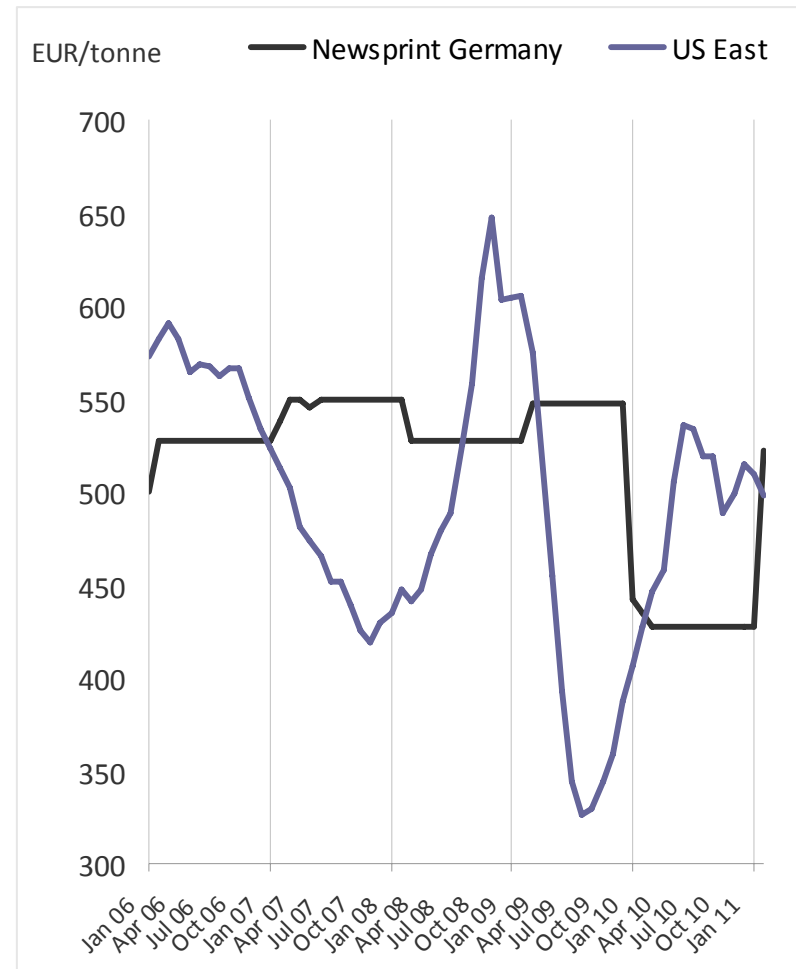
-1 690 kT

Total -850 kT



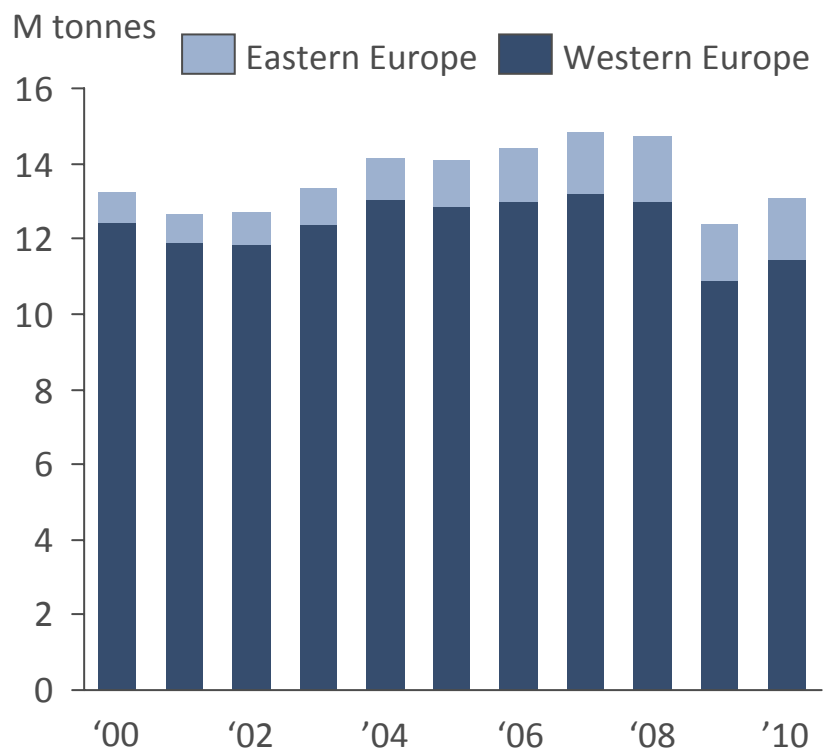
## Price development - Europe vs. USA

- Price range of €510-535 in Germany
- Supported by prices in UK, France and Italy of ~€520
- We expect price increases in Q2 2011
- Average price in Europe last 15 years: €540-550
- US price fluctuation due to currency effects (\$680)
  - EUR/USD = 1.40
- USD price in:
  - Hong Kong = \$675
  - India = \$685

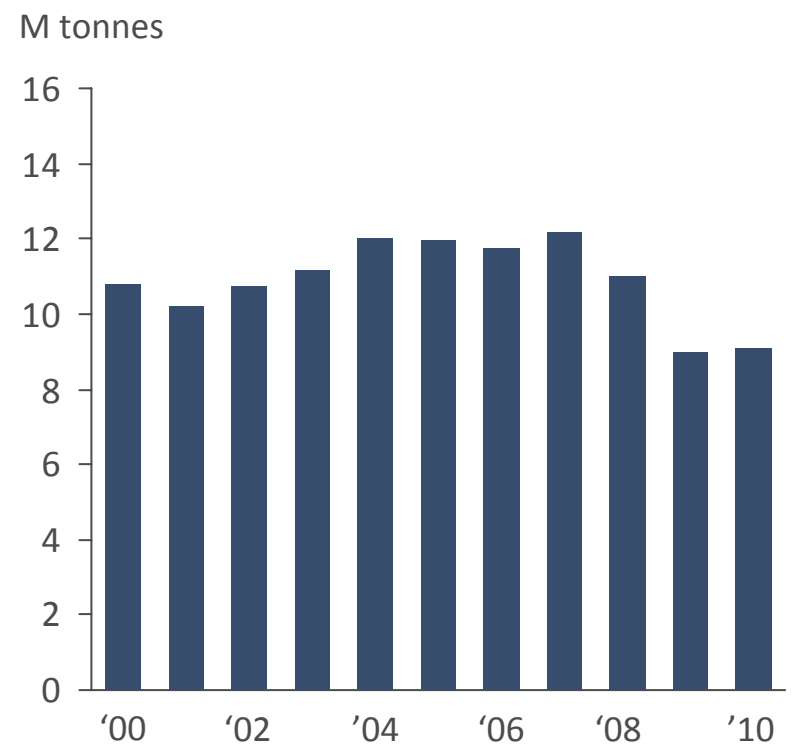


# Demand Magazine 2000 – 2010

## Western Europe



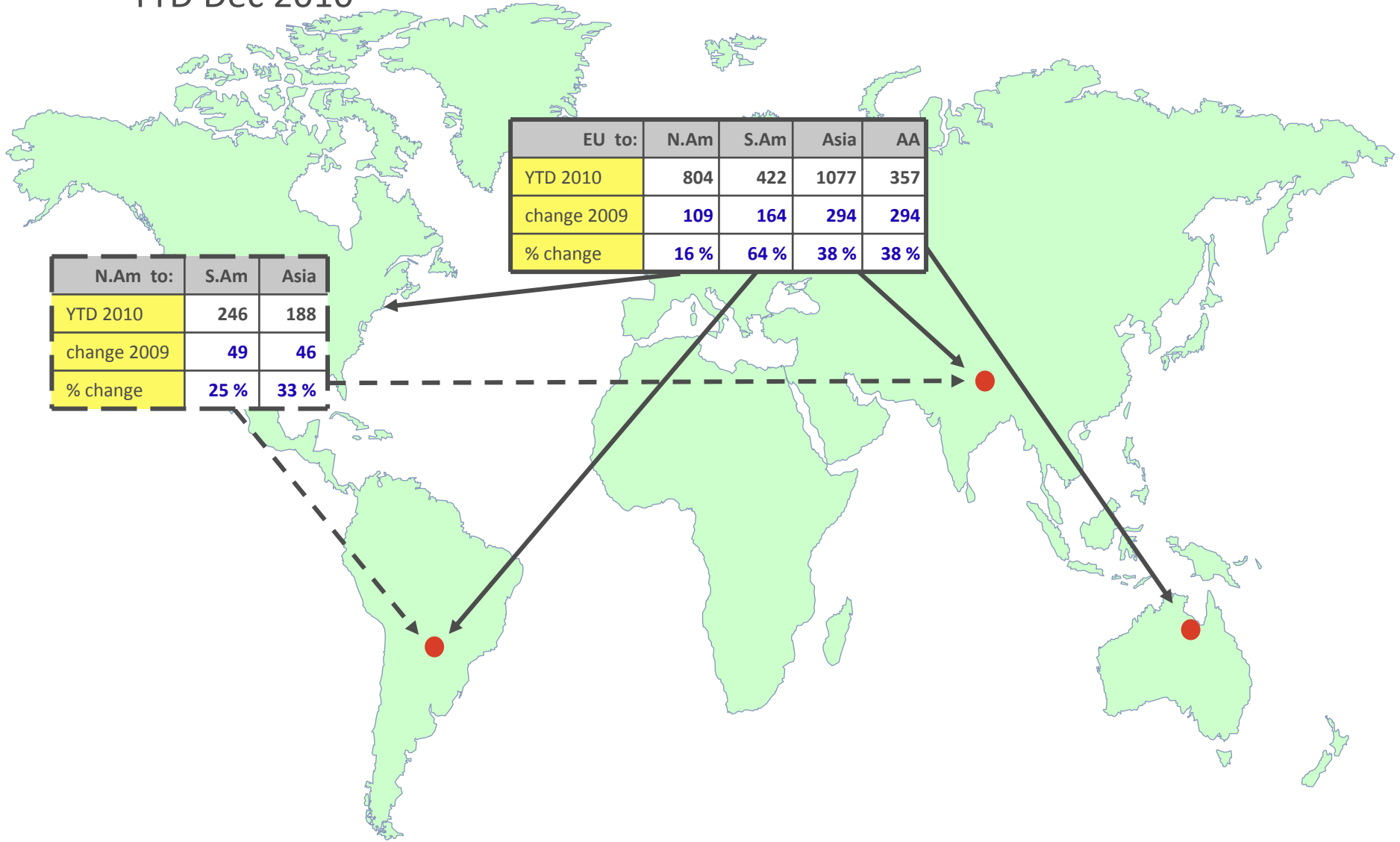
## North America



Source: PPPC

# Main trade flows – Magazine paper

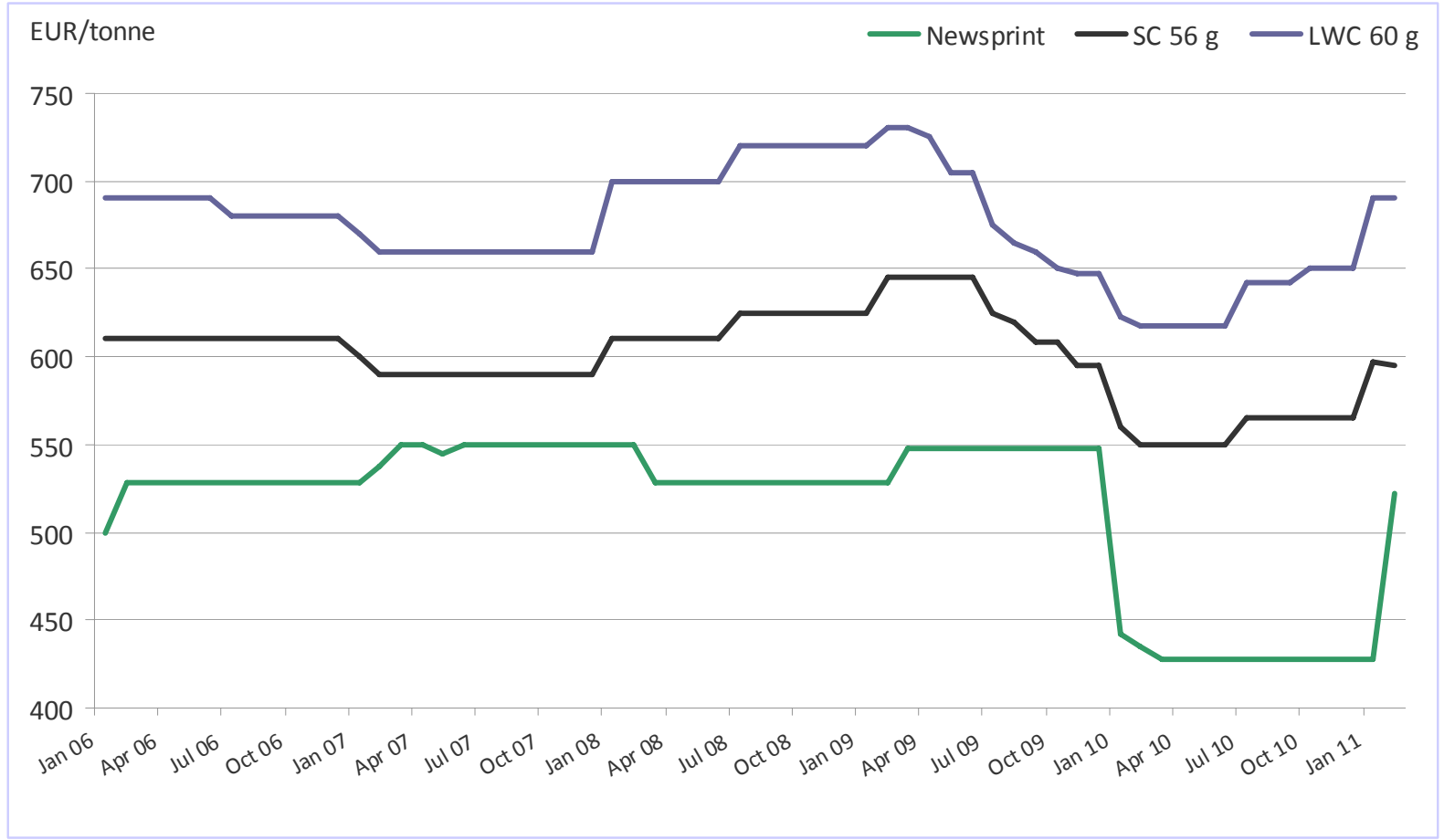
## YTD Dec 2010



EU to:	N.Am	S.Am	Asia	AA
YTD 2010	804	422	1077	357
change 2009	109	164	294	294
% change	16 %	64 %	38 %	38 %

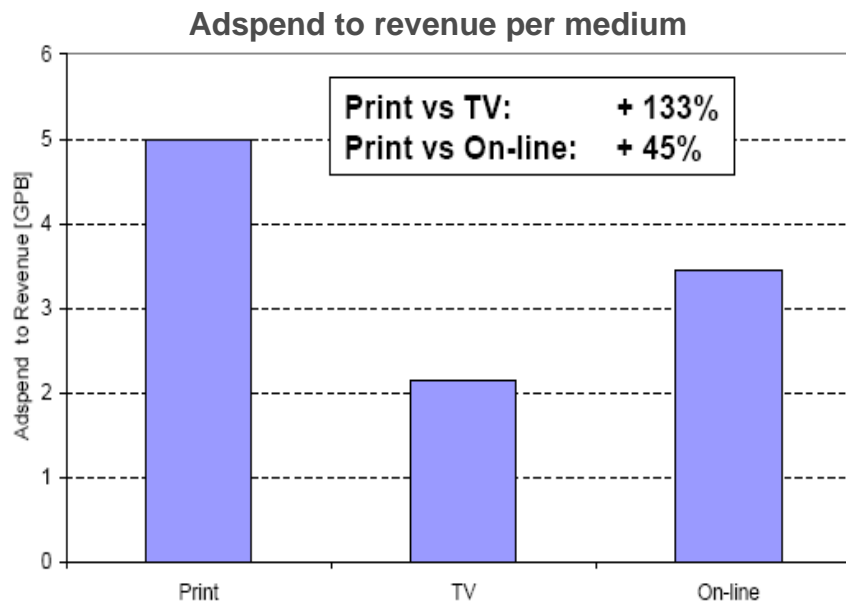
N.Am to:	S.Am	Asia
YTD 2010	246	188
change 2009	49	46
% change	25 %	33 %

# Price development - Germany



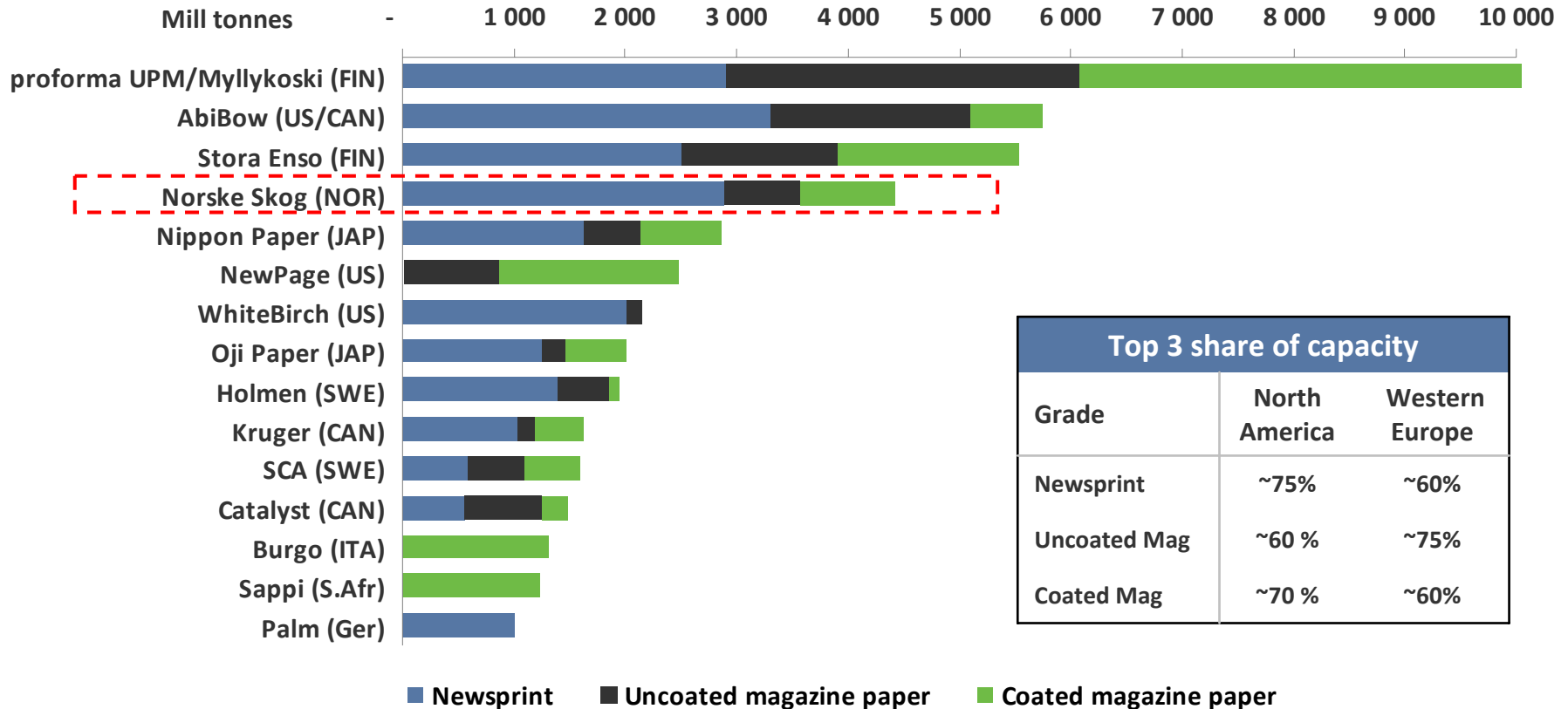
# Paper – efficient advertising medium

## Advertising strength



# Major global player

Top global publication paper companies



Top 3 share of capacity		
Grade	North America	Western Europe
Newsprint	~75%	~60%
Uncoated Mag	~60%	~75%
Coated Mag	~70%	~60%

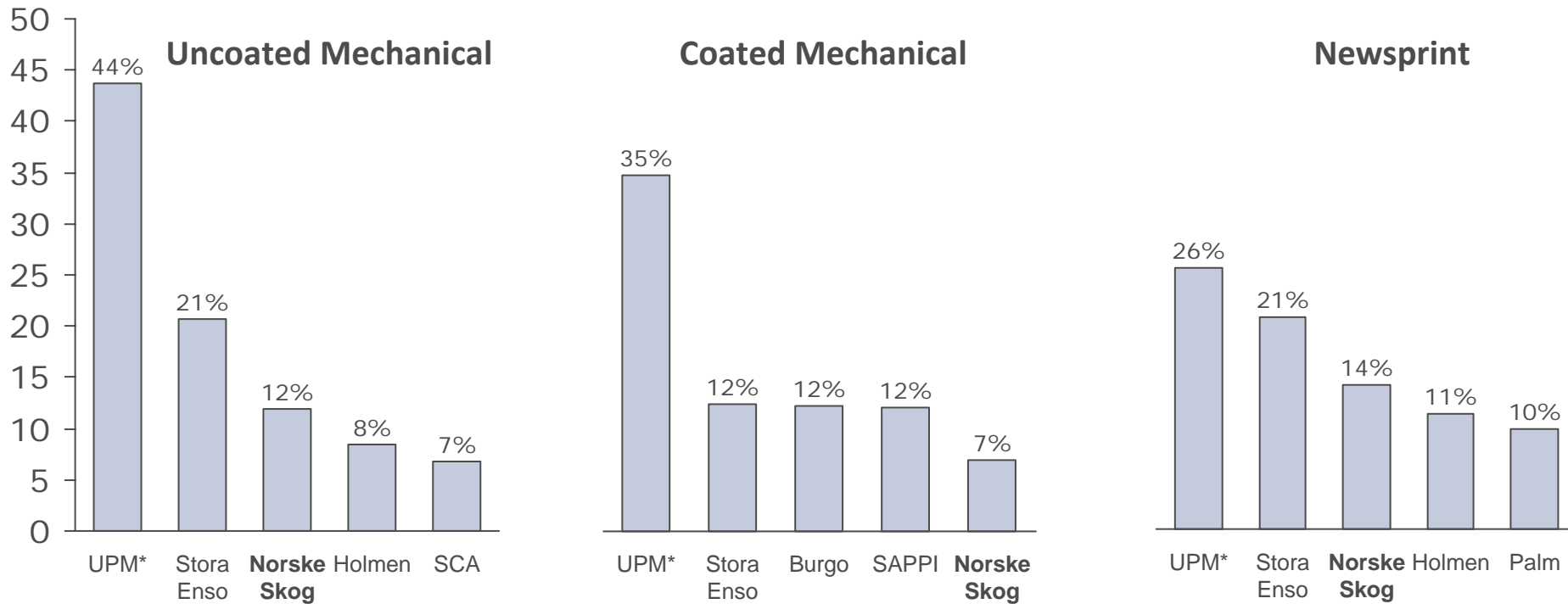
Source: RISI, PPPC, Company research



# Market share of leading producers

- Myllykoski acquisition makes UPM clear market leader in magazine
- Not clear leader in newsprint

Capacity share (%)  
Western Europe

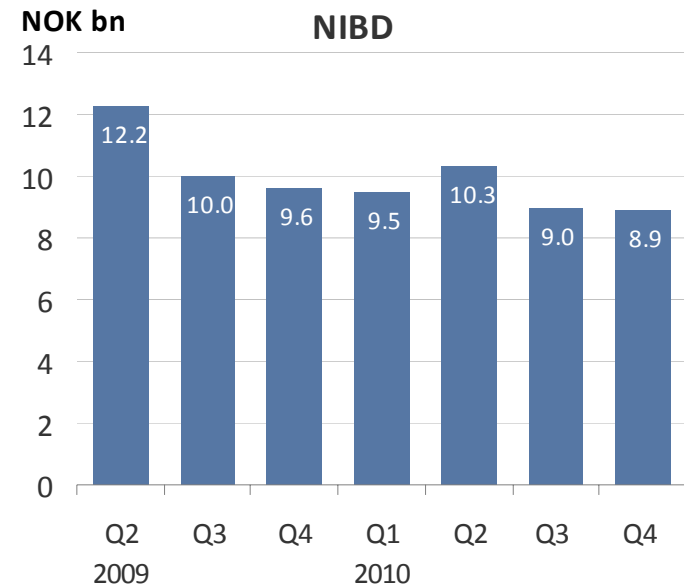


\* UPM inclusive Myllykoski

Source: RISI

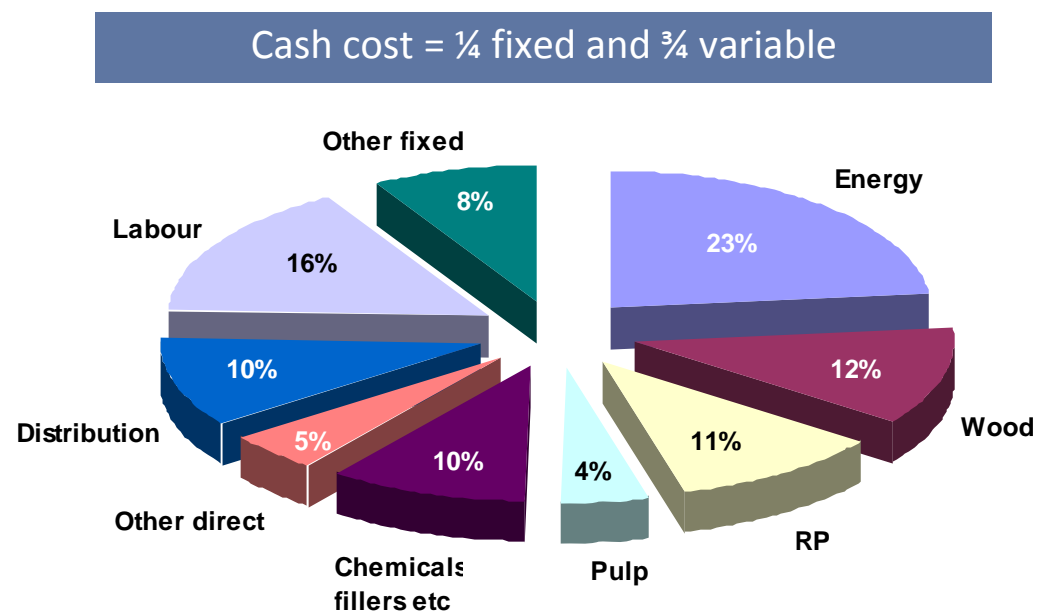
# Norske Skog's measures

- Cost reductions
  - Successful efforts both within fixed and variable costs
- Debt reductions
  - Last 2-3 years mainly through sale of assets
- Capacity closures
  - ~500k tonnes of newsprint last 3 years

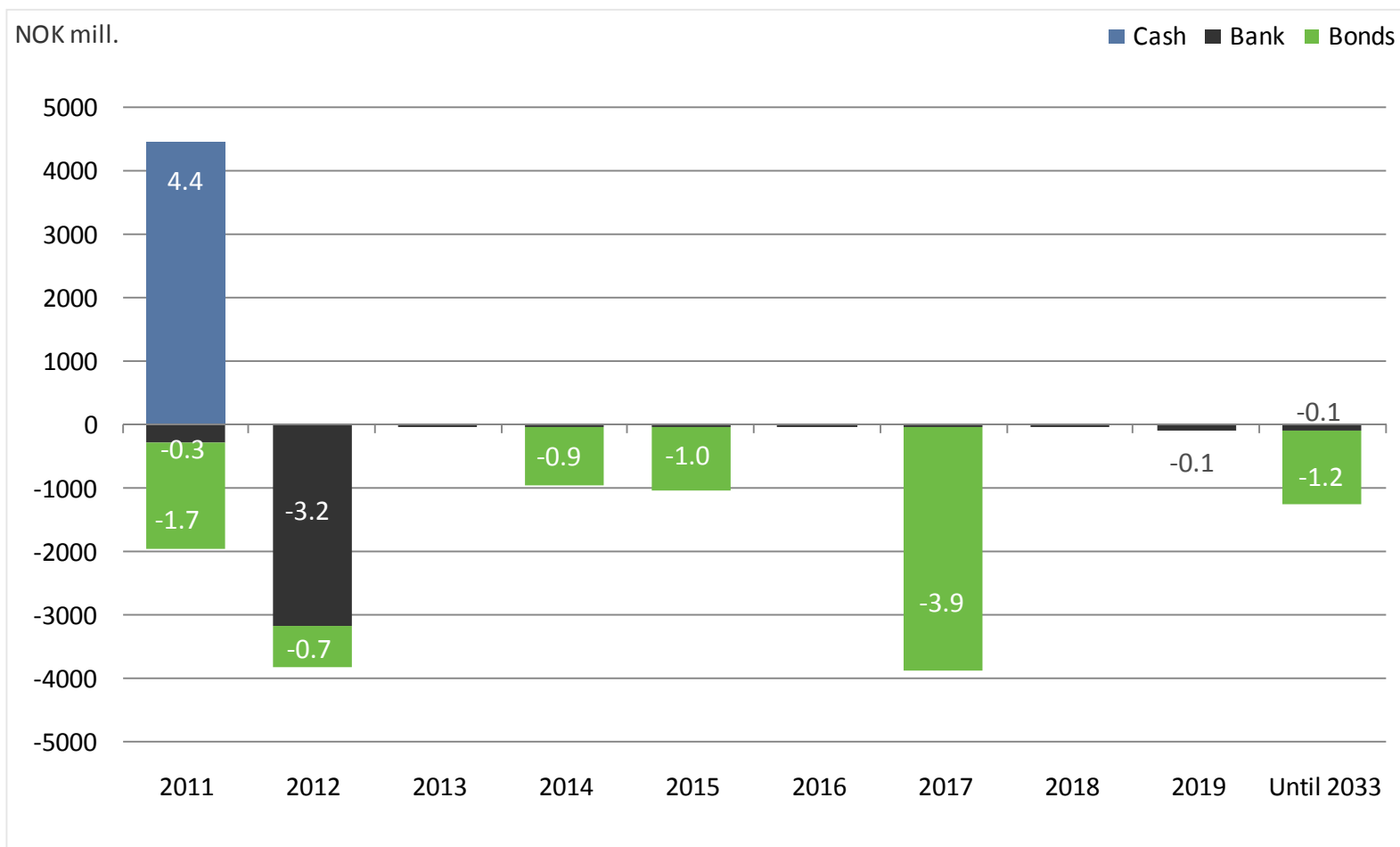


# Cost distribution

- Significant price increase partly offset by higher efficiency
- Only ~5 % increase in direct costs/tonne
- Pressure on all major input factors in 2011
- General trend for some years:
  - Relative share of fixed costs is decreasing



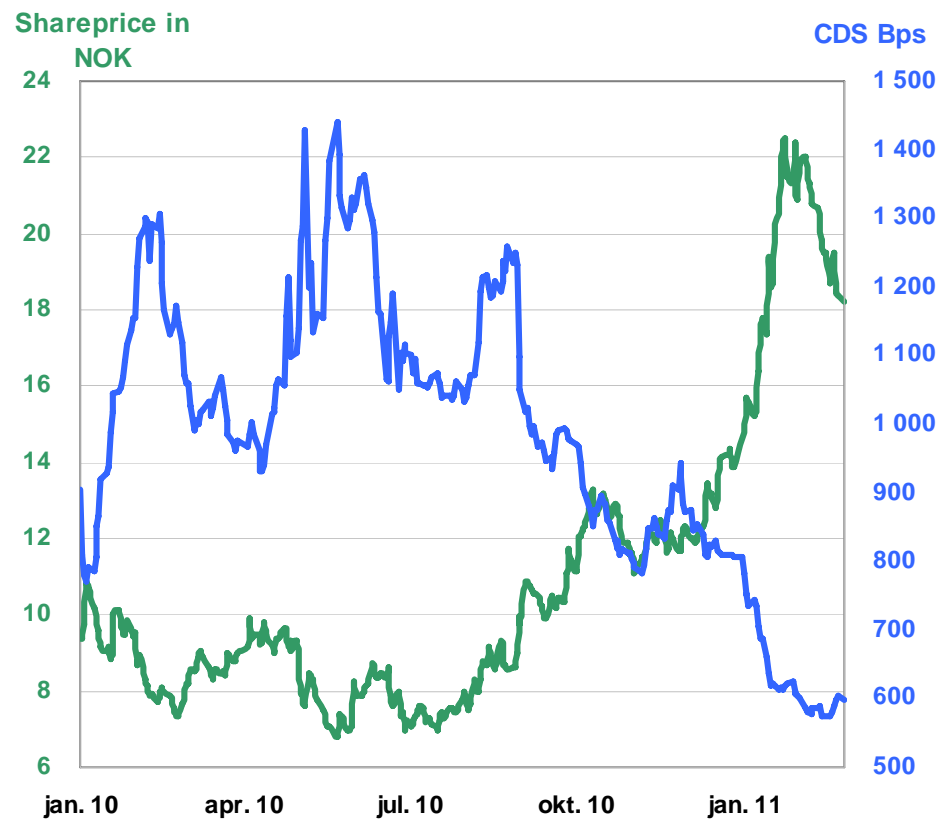
# Cash and debt maturity profile



Per 31 December 2010

# Positive change in sentiment

- Pricing in Europe
- Market balance
- Cost efforts
- Cost of financing



This is a sustainable business

## Outlook for 2011:

- Improved margins after weak 2010
- Substantially higher prices on European newsprint
- Transition to quarterly contracts
- Margins for newsprint outside Europe still satisfactory
- Higher prices on magazine paper
- Increased prices on most input factors



# Management focus going forward:

- Strategic:
  - Positioning for active role in industry consolidation
  - Legal clean up
- Operational:
  - Re-establish earlier price level and margin in Europe
  - Further reduction of debt and fixed costs
  - Sale of non-core assets
  - Refinancing



Q & A