

Norske Skog divests its Korean operations for NOK 4.3 billion

Norske Skog has entered into a definitive agreement to sell Norske Skog Korea Co. Ltd., its Korean Subsidiary for NOK 4.3 billion (USD 830 million) to Morgan Stanley Private Equity Asia and Shinhan Private Equity. The transaction includes the two newsprint mills Jeonju and Cheongwon, and is part of the process to reduce Norske Skog's net debt.

"The sale of the business in Korea will reduce Norske Skog's net debt by approximately 25 per cent. This will give us more financial flexibility, and provide an improved basis for the further work to restructure the group," says CEO Christian Rynning-Tønnesen.

The total enterprise value is KRW 850 billion, approx. NOK 4.3 billion. Transaction consideration consists of NOK 3.2 billion (USD 620 million) in cash as well as assumption of liabilities; out of which USD 130 million is an inter-company loan which will be repaid to Norske Skog from Norske Skog Korea Co Ltd. at closing. The transaction is expected to be finalised late July/early August.

The transaction will not generate a material gain or loss when recognised. The final gain or loss will be booked when the transaction is completed.

The net sales amount will be included in Norske Skog's liquidity reserve, and reduce the company's net debt to NOK 11.9 billion from NOK 15.7 billion as of 31 March 2008. After completion of the transaction, the gearing (net interest-bearing debt/equity) will be reduced to 0.84 from 1.12 as of 31 March 2008.

The production capacity is 825 000 tonnes per year at Jeonju and 190 000 tonnes per year at Cheongwon. The transaction gives a price of USD 820 per tonne production capacity. The Cheongwon mill will continue to operate. The units have about 800 employees in total, including the administration in Seoul.

Norske Skog's sales office in Singapore will continue to handle export sales in Asia on behalf of the divested entity.

The divestiture will have limited operational effect for the remaining business in Norske Skog. Norske Skog will remain a significant producer of newsprint in the Asian market through its mills in China, Thailand and the 34 per cent ownership in Malaysian Newsprint Industries.

ABG Sundal Collier and UBS have acted as financial advisors; and Wiersholm, Mellbye & Bech and Kim & Chang have acted as legal advisors to Norske Skog in connection with the transaction.

Subject to approvals from Korean competition authorities, consent from certain of Norske Skog lenders and other customary closing conditions, the transaction is expected to close in 4-6 weeks from now.

The contribution from the business in Korea to the key figures for the group:

(NOK million)	2005 ¹	2006 ²	2007	Q1 2007	Q1 2008 ³
Operating revenue	2 240	4 400	3 814	977	845
Gross operating earnings (EBITDA)	388	867	718	245	83
Net profit/loss	55	(166)	144	78	(625)
Total assets	8 004	7 377	6 003	7 045	4 898

1) Norske Skog consolidated 50 per cent of the Korean business through PanAsia until mid November 2005.

2) Net loss includes impairments of NOK 464 mill.

3) Net loss in Q1 2008 includes impairments and provisions of NOK 674 mill.

The business does not have material assets or liabilities which are not in the balance sheet.

Norske Skog Korea Co. Ltd's president is Gjermund Røkke, and the members of the board of directors are Vidar Lerstad, Gjermund Røkke and I.S. Han. There have been made no special agreements with management in connection with the transaction.

Norske Skog acquired the Cheongwon mill in 1998. The following year, Norske Skog established the joint venture PanAsia with two other paper producers, and both Cheongwon and Jeonju became part of PanAsia. From November 2005, the activities in Korea have been fully owned by Norske Skog.

Conference call

Norske Skog will host a conference call at 1300 hrs CET today where CEO Christian Rynning-Tønnesen and senior vice president strategy/acting CFO Rune Gjessing will present the transaction. A presentation for use in the telephone conference as well as participation details will be published on the company's website www.norskeskog.com.

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