

A photograph of an industrial facility, likely a refinery or chemical plant. The scene is dominated by two large, white, cylindrical storage tanks with corrugated metal siding and metal railings at the top. In the center, there is a multi-story building with light-colored, possibly aluminum, siding and several windows. A network of pipes and a blue metal walkway are visible in the foreground. The sky is a clear, bright blue with some light clouds. A green banner is overlaid on the left side of the image, containing white text.

2Q15 Presentation

16 July 2015

Print is a sustainable business

- Digital ads face threats
 - Apple's new iOS9 operating system to allow users to block all ads through its Safari web-browser
 - Digital shift gone too far, print more powerful than realized (WPP, Saatchi & Saatchi)
- Print is the revenue source
 - More than 90% of all newspaper revenue come from the print edition
 - Digital versions are to a large extent free and cross subsidised by print revenue
- Print is the ad channel*
 - Paper ad retention 5 times higher than TV and 10 times higher than online
 - 50% of high value goods (cars, domestic appliances) bought with reference to a paper ad

*Australian survey

Cul-de-sac for digital ads?

The image shows the iOS 9 logo, where the letters 'i', 'O', 'S', and '9' are rendered in a multi-colored, rainbow gradient. The 'i' is purple, the 'O' is blue, the 'S' is green, and the '9' is yellow.

Newspapers are dependent on print revenue

The image shows the logo for Dagens Næringsliv (DNN). The text 'Dagens Næringsliv' is in a smaller, blue, serif font, and 'DNN' is in a much larger, bold, blue, serif font below it.

Trough paper business. Growth initiatives beyond

- Gross operating earnings 2Q15 NOK 138 million
 - Decline from NOK 192 million in 1Q15 and NOK 251 million in 2Q14
 - Weak publication paper demand in 2015 and industry focus on market share
- Loss for the period NOK 571 million
 - Of which other gains and losses amounted to a negative NOK 276 million
- Net debt higher at NOK 7 531 million quarter end 2Q15
 - Seasonally high interest payments and a smaller negative FX effect on foreign denominated debt
- Group support to operations at Walsum in Germany stopped
 - Write-off limited to NOK 19 million
 - Provision for costs related to the deconsolidation included in 2Q15 other gains and losses
- Growth opportunities beyond publication paper
 - Nature's Flame; Biogas at mill sites and wood pellets in New Zealand
 - Entering the tissue market. Bruck in Austria to move out of newsprint and into tissue through JV structure

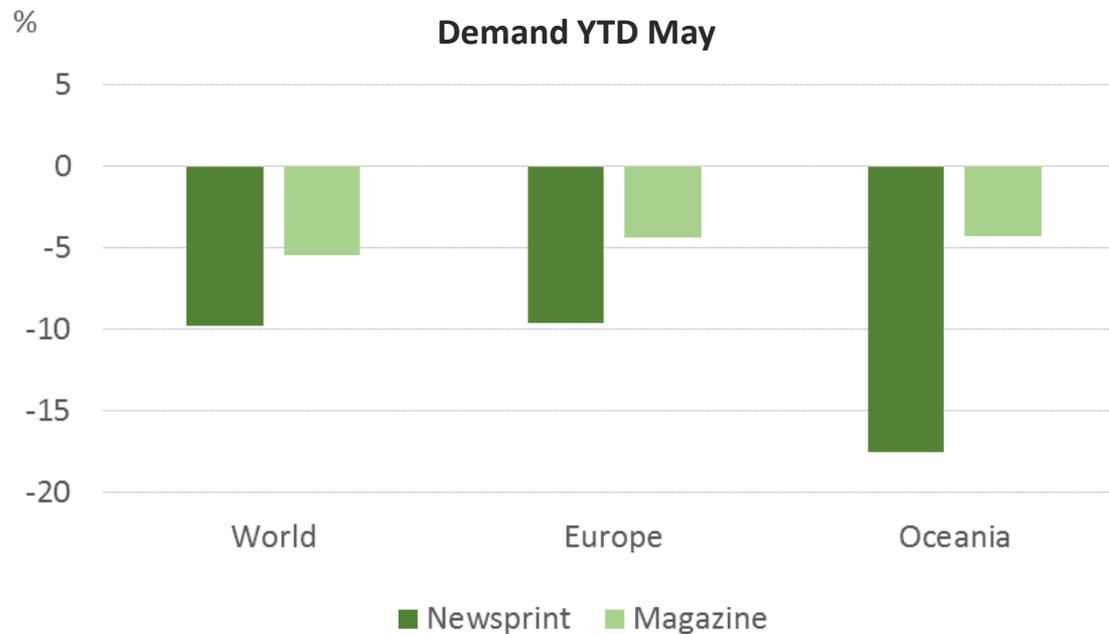
2Q15 GOE lower in challenging competitive environment

- Improved supply/demand balance in Europe, but fight for newsprint market share
- Group commercial policy mitigates price effects, but disrupts sales mix and hurts capacity utilization
- Historically low newsprint prices in Asia
- Improved cost position resulting from ongoing efficiency projects at all mills
- FX headwind



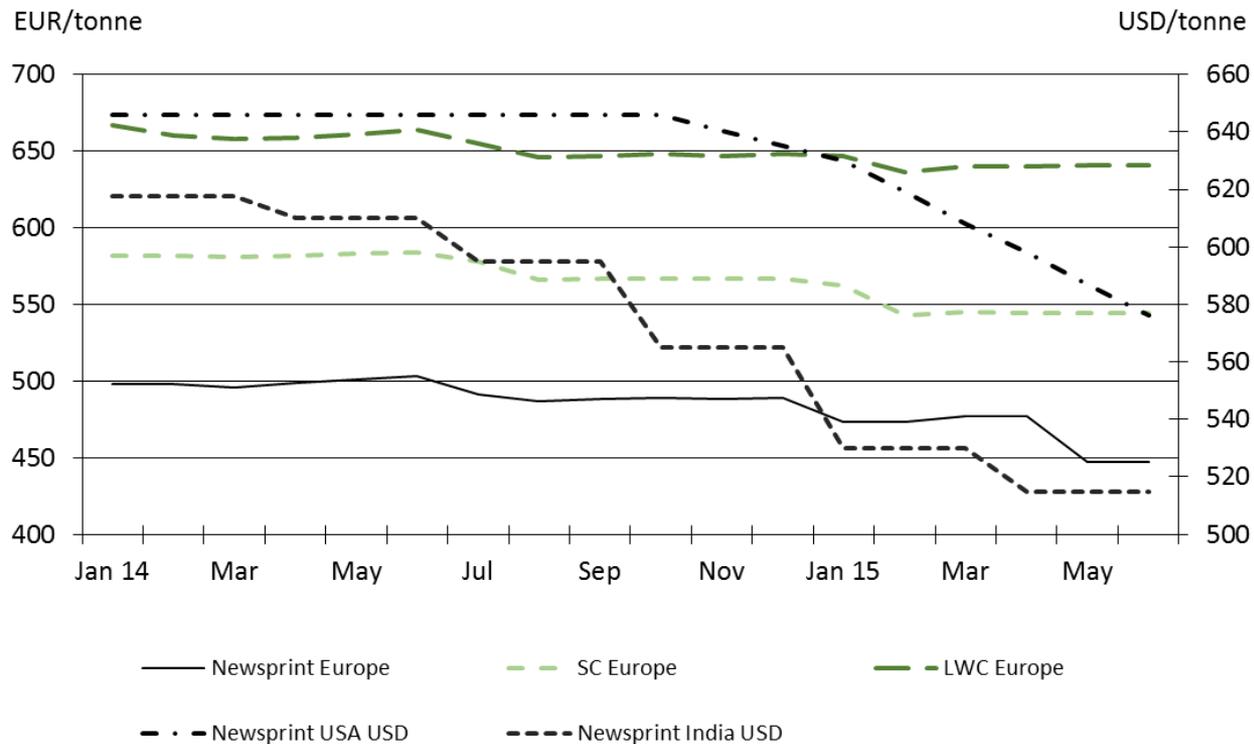
Weak newsprint demand in 2015

- World and European newsprint demand reduced by close to 10% through May YoY. Magazine paper demand around 5% lower.
- European newsprint decline somewhat overstated due to inventory building early last year. Full year decline to be less at 6,5%*. Industry supply/demand balance retained with capacity closures
- Oceania newsprint demand derived from variable trade data. Domestic Australian demand down around 10% for newsprint and relatively stable for magazine paper



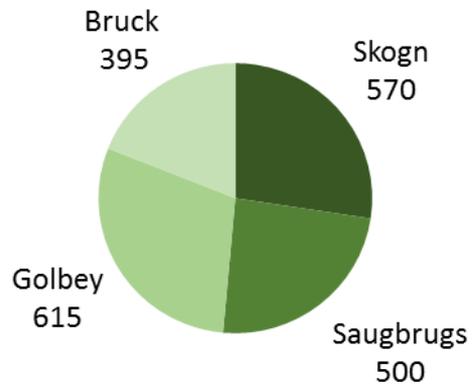
Publication paper prices at trough levels

- Newsprint prices in the US declining as export opportunities dwindle with strong dollar
- Asian prices at historical lows with ruble capacity marginal supply
- European newsprint prices lower with industry fight for market share. SC prices stable, LWC prices higher into 2H15

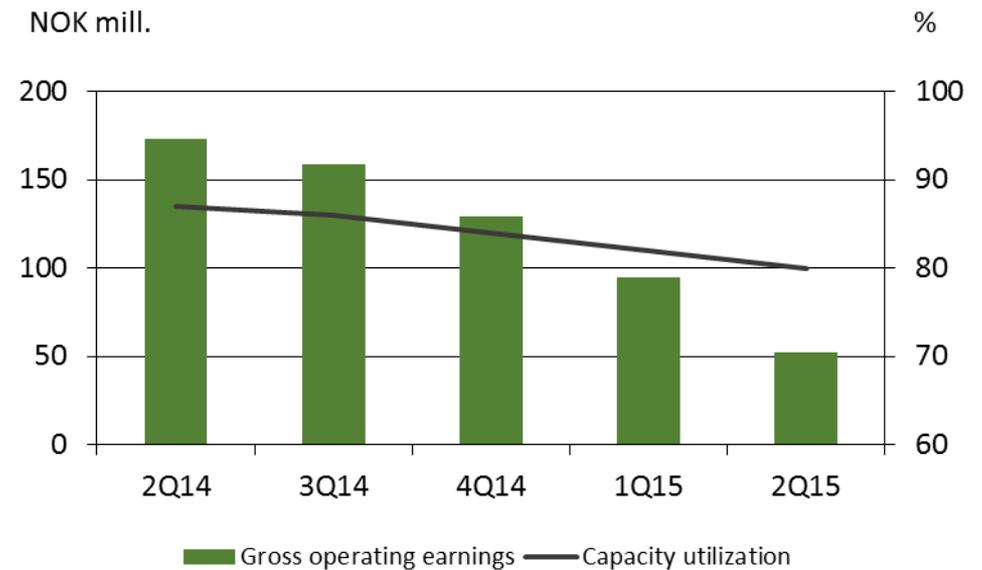


Publication paper Europe

Mill capacities ('000 tonnes)

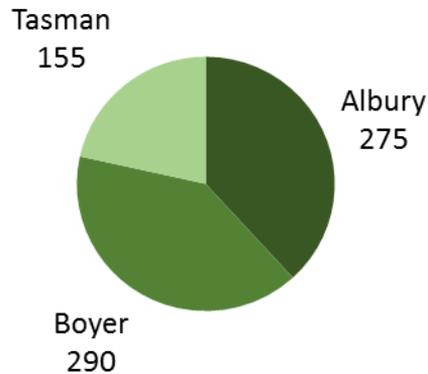


- Industry not yet capitalizing on capacity reductions
 - Industry fight for market share in newsprint
 - Group commercial policy favoring cash to market share mitigates price effects, but hurts the capacity utilization

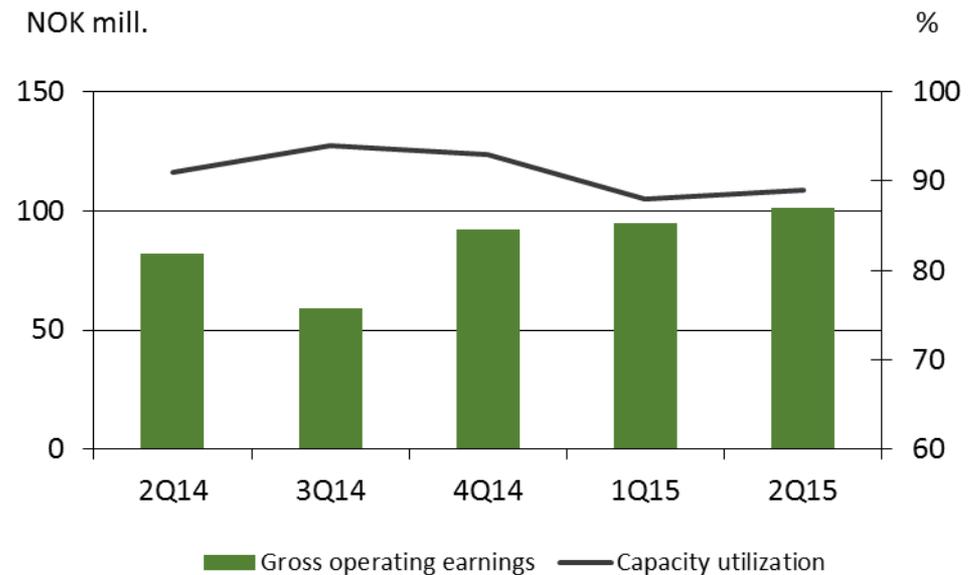


Publication paper Australasia

Mill capacities ('000 tonnes)

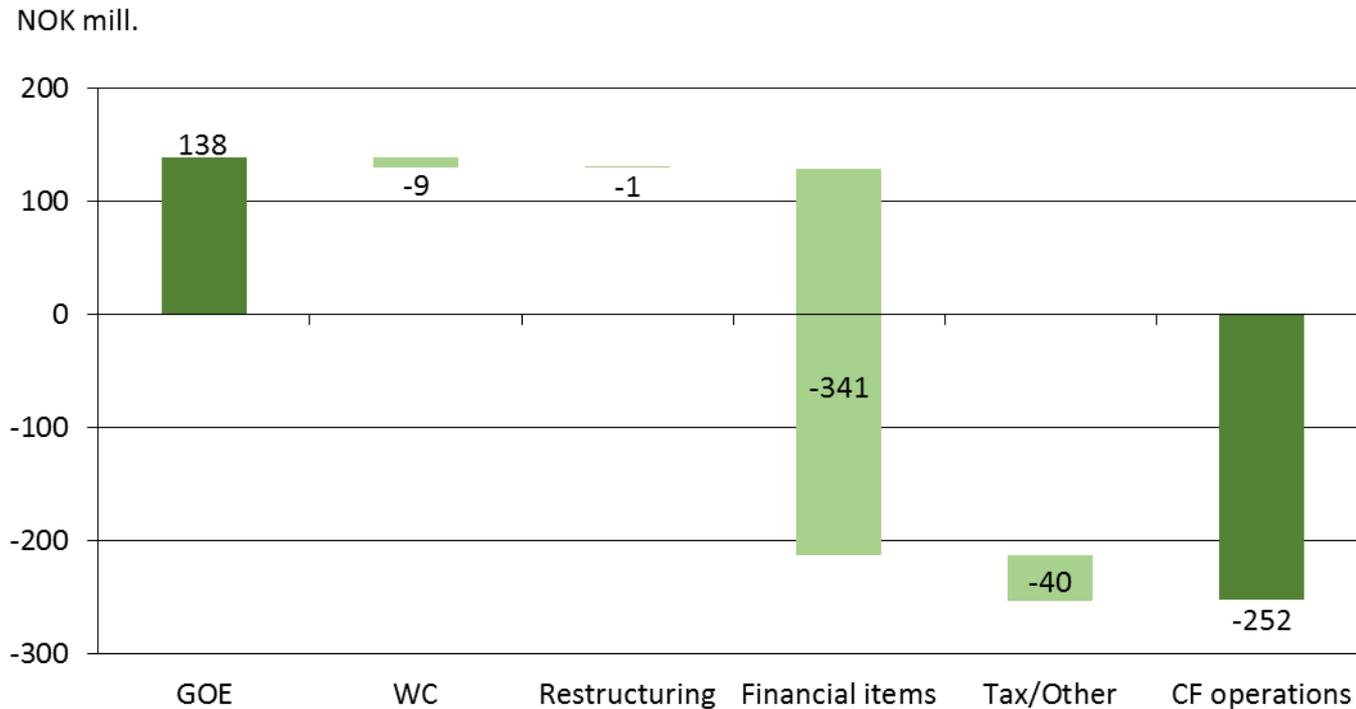


- Boyer stable, Asian newsprint exports challenging
 - Slight increase in GOE despite lower Asian newsprint prices
 - Export challenge growing with declining domestic market



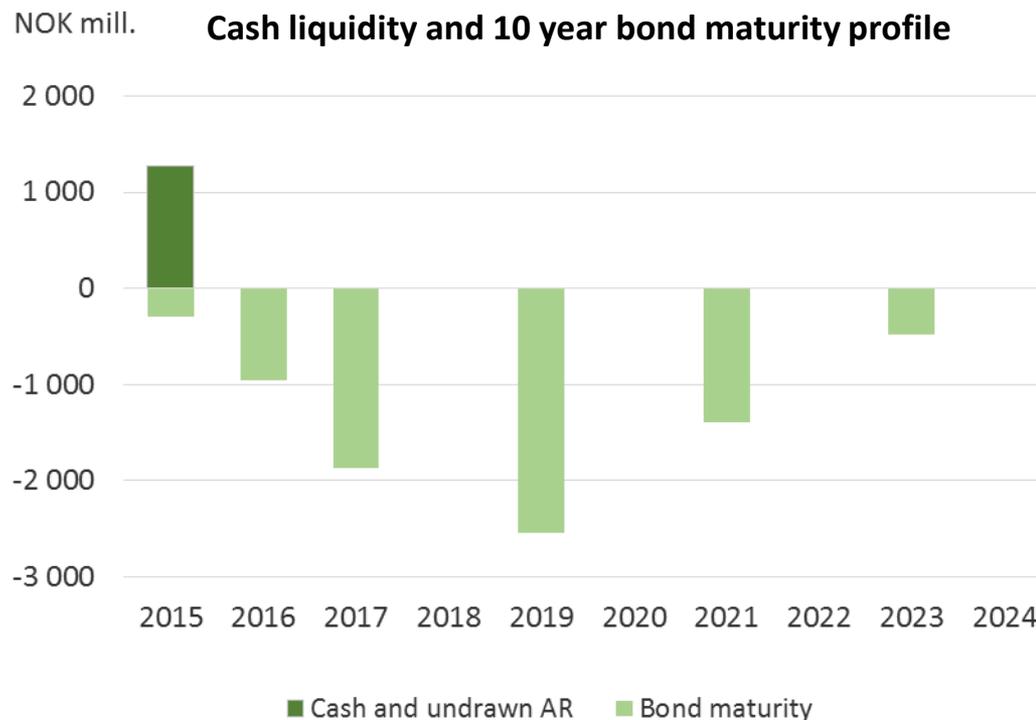
Annual coupon payments results in negative CF

- High interest payments in the second quarter with around half of annual coupons due
- WC managed flat. Tax/Other include bought CO2 quotas. Paid tax NOK 12 million.



Liquidity and liabilities

- Cash and undrawn AR facilities amounting to NOK 1.3 billion
- 2016 bond maturity reduced following bond buy-backs
- Group pension liabilities reduced by NOK 517 million following discontinuation at Walsum

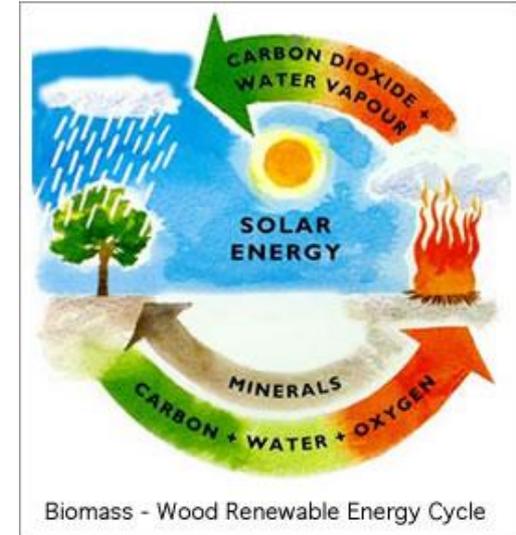


Growth opportunities beyond publication paper



- Biogas projects at mill sites
 - Starting at Saugbrugs in Norway
- Wood pellets investments in New Zealand
 - Stand-alone concept acquired, expansion to the Tasman site to be considered
- Geothermal power plant at the Tasman site
 - 22 MW power plant in operation since 2013

Unlike fossil fuels, biomass is renewable



Entering the tissue market

- Bruck in Austria to move out of newsprint and into tissue
 - Through JV with established tissue partner



Nature's Flame – Biogas production at mill sites

- Biogas project at Saugbrugs in Norway
 - Total investment NOK 150 million
 - Payback 4 years
- Project financing
 - Project support from Enova NOK 52 million
 - Debt financing NOK 100 million from SpareBank 1 Gruppen and Halden Municipality's pension fund
- Project being considered replicated at our other mills
 - Twofold benefits; biogas revenue stream and reduced paper production costs
 - Biogas renewable alternative to fossil fuels. Part of carbon solution. Large potential for urban air-quality

Biogas city bus close to Saugbrugs



Biogas distributor



Nature's Flame - Wood pellets

- Market leader in New Zealand “Nature’s Flame” acquired
 - New production assets acquired at fraction of construction costs
 - 70% market share in New Zealand
 - Large environmental benefit in replacing fossil fuels for heating with renewable wood pellets
- Stand-alone potential with limited investments
 - Production to be lifted from annual 20’ tonnes currently to annual 80’ tonnes by year end 2016
 - Export experience to Asia following increased production
- Option to expand concept to the Tasman newsprint site
 - Turning waste fibre into renewable pellets revenue
 - Large export potential to Asia from favorable New Zealand location



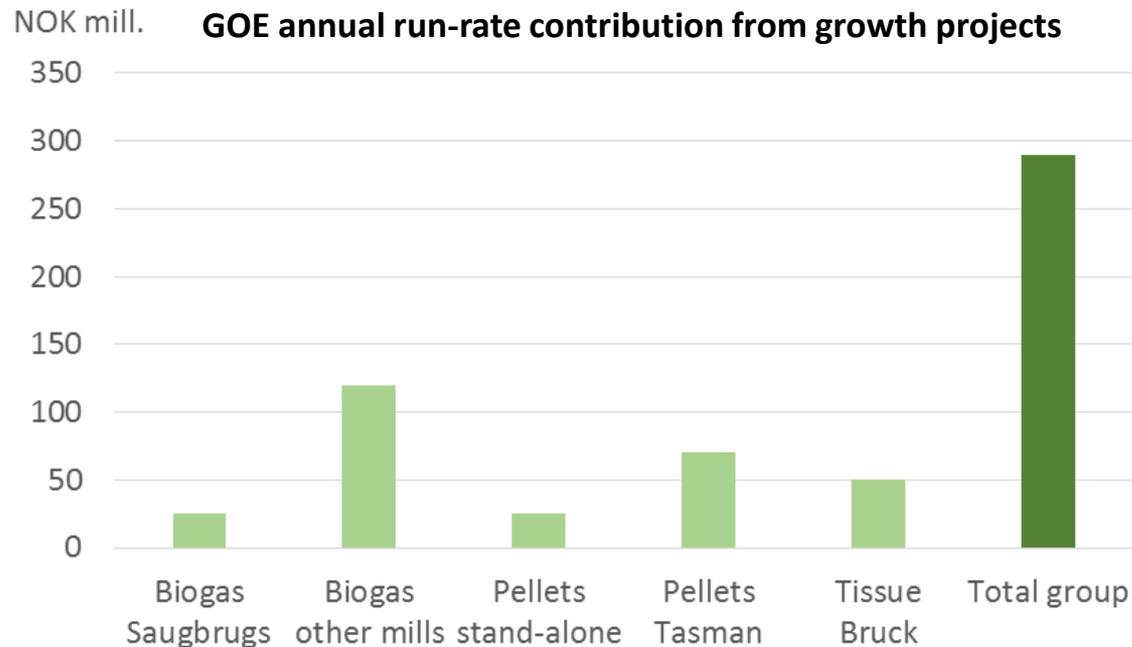
Entering the tissue market through JV structure

- Partnership with established Italian tissue company Roto-cart
 - Producer/distributor headquartered in Veneto, North-Italy
 - Company founded in 1981
 - Annual revenue around EUR 50 million
- JV structure limits market risk and capex spend
 - Roto-Cart and Norske Skog Bruck
- Investment and financing
 - Total investment EUR 80 million
 - Project financing 75% debt and 25% equity
 - Project payback around 5 years



Nature's Flame and tissue – growth beyond paper

- Biogas project at Saugbrugs being considered replicated at our other mills
- Stand-alone pellets concept with large on site potential at Tasman
- Tissue project with limited market risk and capex spend through JV partner



Outlook for paper and new growth initiatives

- European publication paper supply/demand balance improved with capacity closures
 - Norske Skog's commercial policy remains firm – cash, not market share
 - LWC prices higher into 2H15
 - Newsprint and SC prices expected to follow with seasonal volume uptick in 4Q15
- Significant sole domestic producer competitive advantage in Australia and New Zealand
 - However, newsprint exports to Asia increasingly challenging with a declining domestic market
- Input factor prices relatively stable and fixed costs initiatives continue
 - Consumption of input factors to decrease with ongoing efficiency projects at all mills
 - Quarterly fixed costs year-end run-rate NOK 650 mill.
- Growth investments beyond paper to contribute to GOE from 2016
 - Full run-rate potential expected to be realized within a timeframe of 3-4 years

