

A photograph of an industrial facility, likely a water treatment plant, featuring several large, cylindrical, corrugated metal storage tanks and a central building with a corrugated metal facade. The sky is blue with some light clouds. A green banner is overlaid on the left side of the image.

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?



Newspapers are dependent on print revenue



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

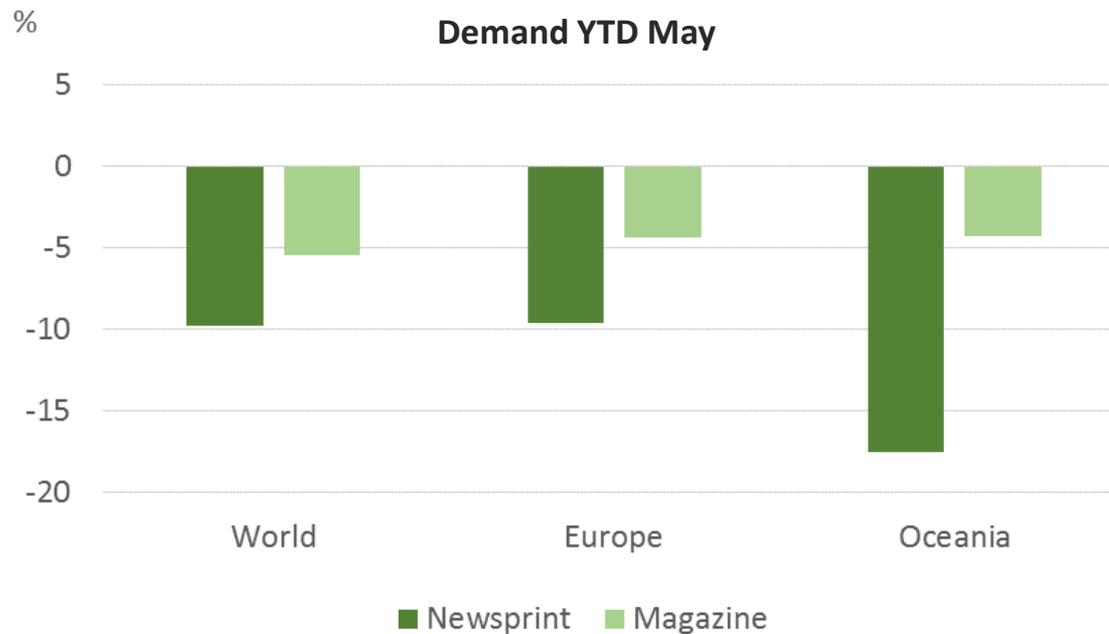
2Q15 GOE lower in challenging competitive environment

- 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



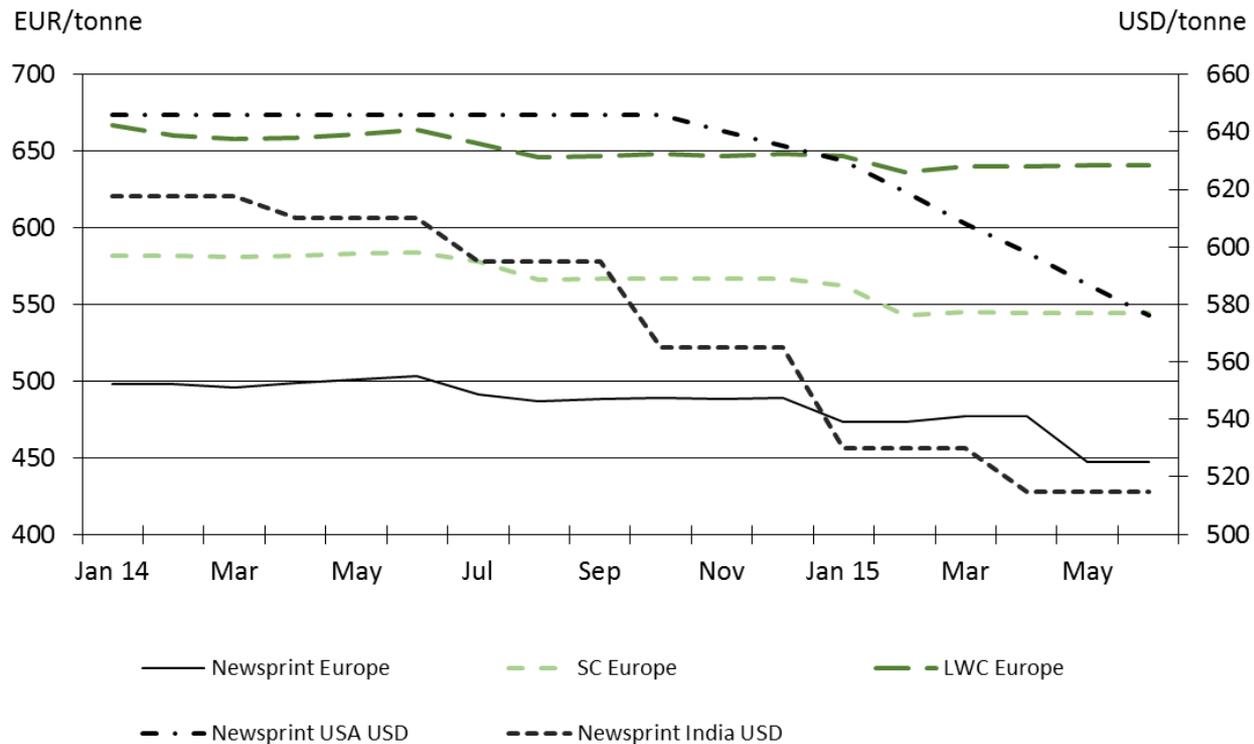
Weak newsprint demand in 2015

- 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



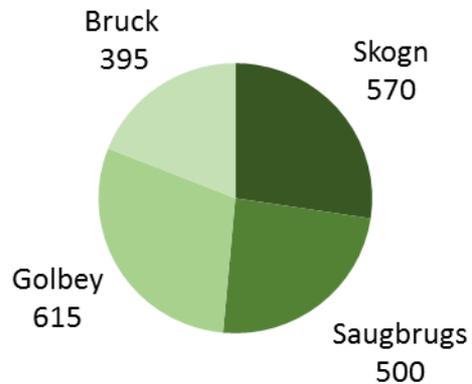
Publication paper prices at trough levels

- 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

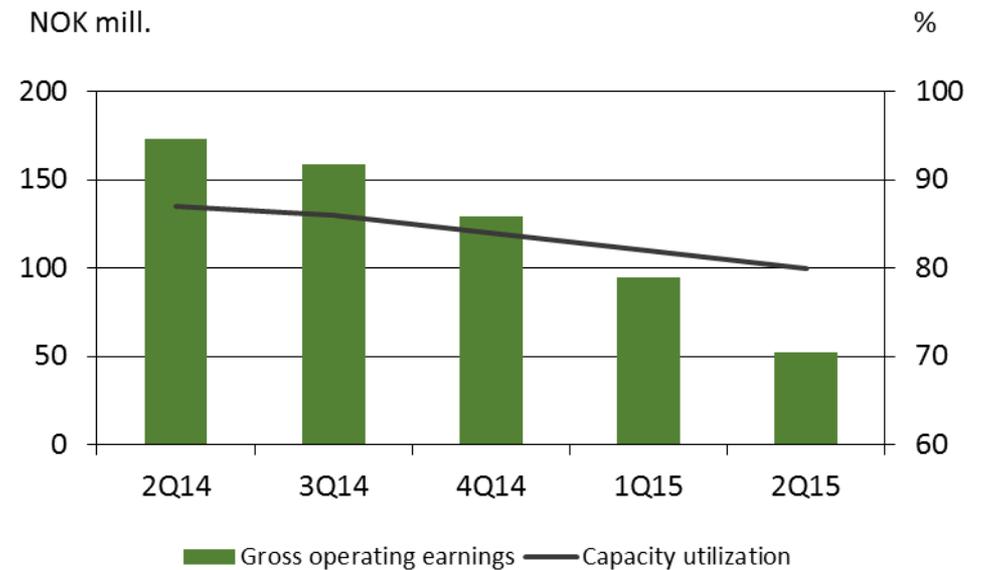


Publication paper Europe

Mill capacities ('000 tonnes)

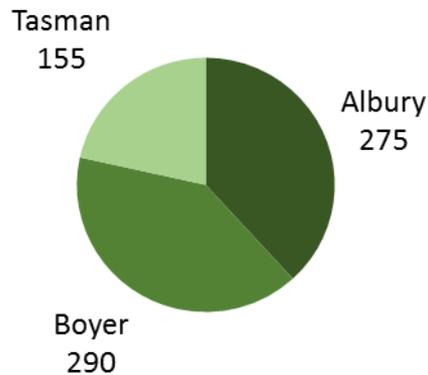


- Industry not yet capitalizing on capacity reductions
 - Industry fight for market share in newsprint
 - Group commercial policy favoring cash to market share mitigates price effects, but hurts the capacity utilization

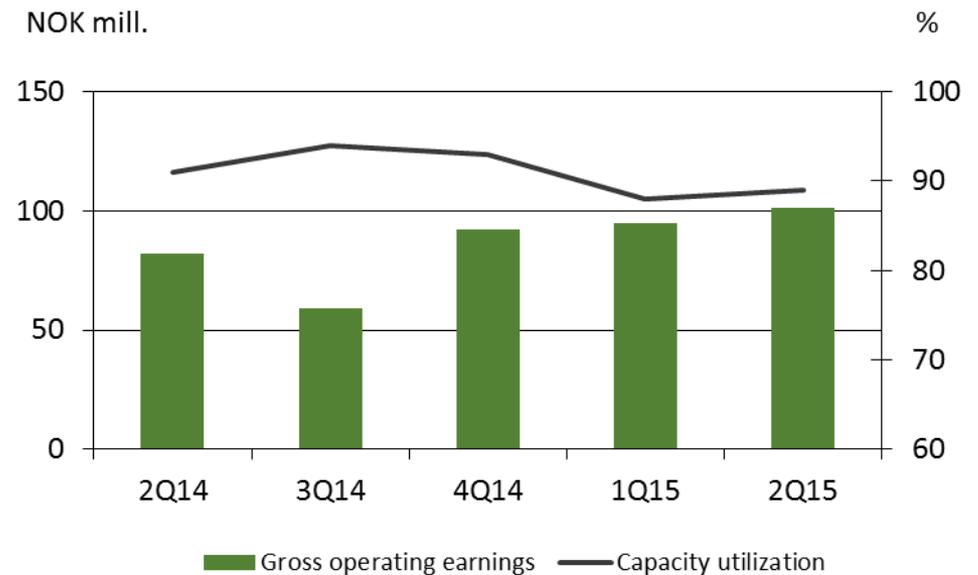


Publication paper Australasia

Mill capacities ('000 tonnes)

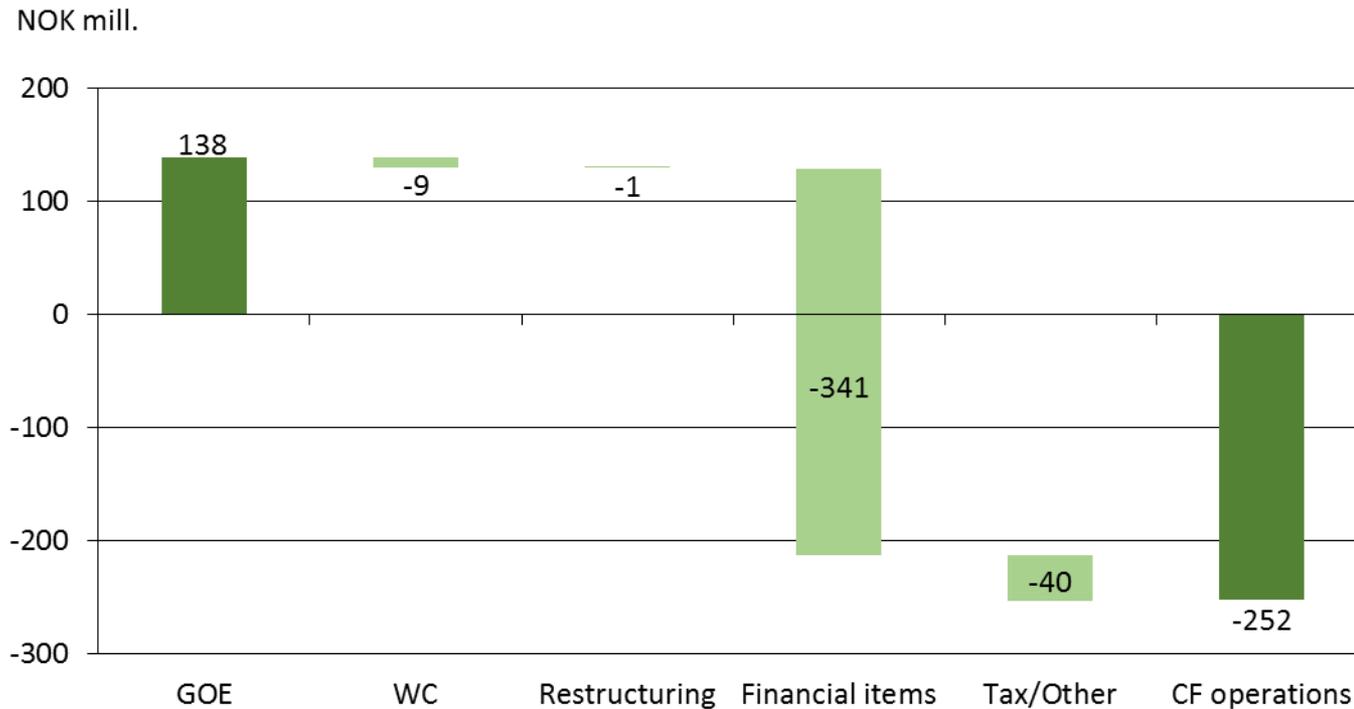


- Boyer stable, Asian newsprint exports challenging
 - Slight increase in GOE despite lower Asian newsprint prices
 - Export challenge growing with declining domestic market



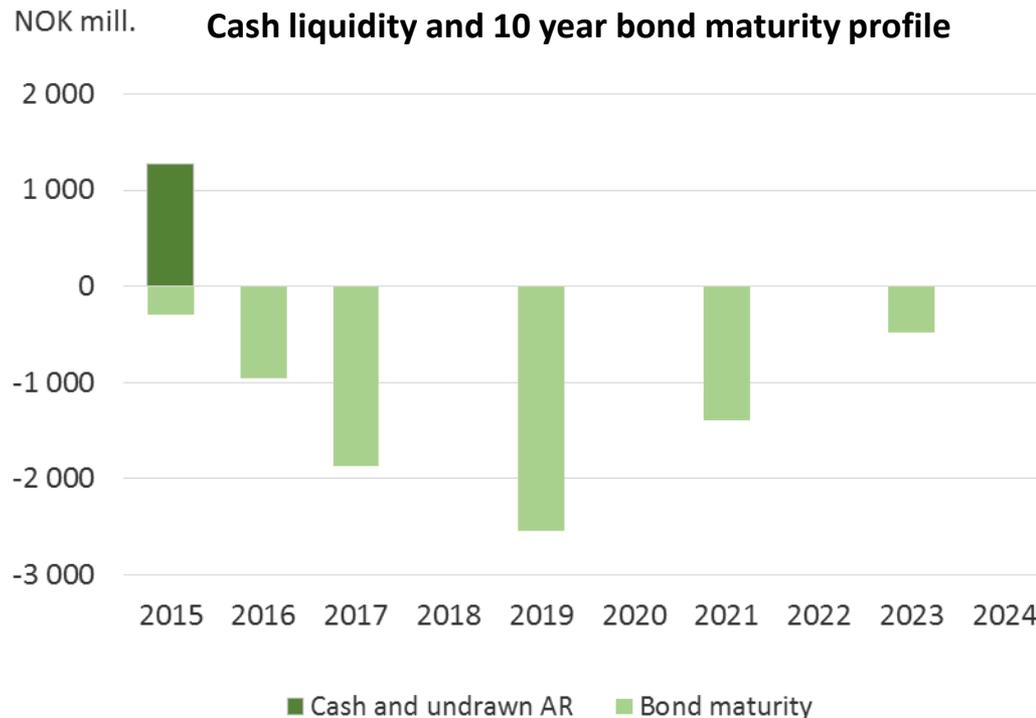
Annual coupon payments results in negative CF

- 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

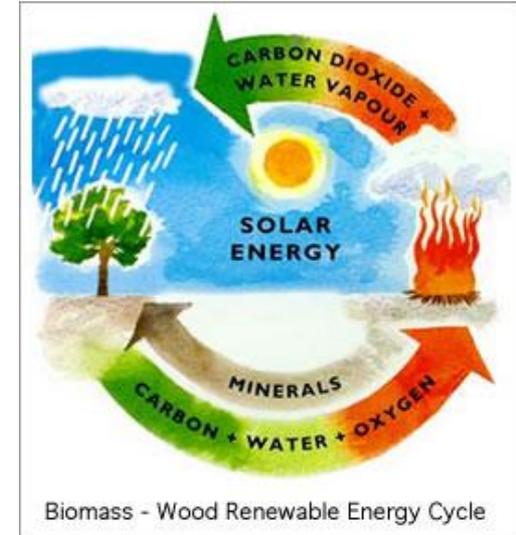


Growth opportunities beyond publication paper



- 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



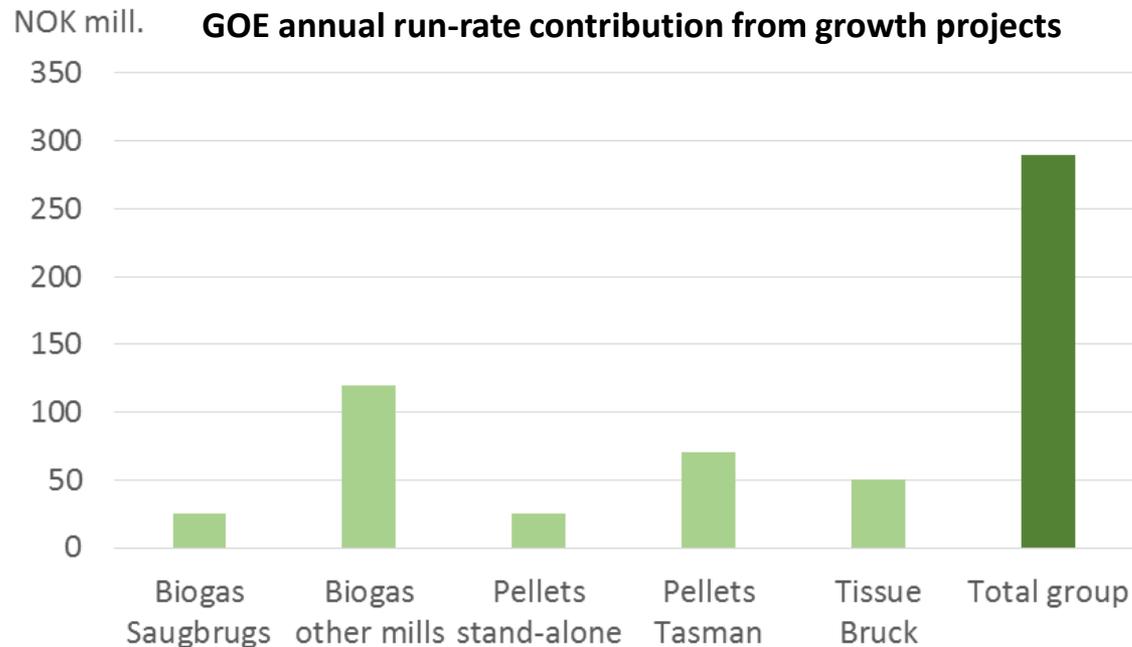
Entering the tissue market through JV structure

- 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

