

A scenic photograph of a forested hillside. The hillside is covered in dense green trees, with a prominent rocky outcrop visible on the left side. The scene is reflected in a calm body of water in the foreground, creating a mirror image of the landscape. The text "3Q15 Presentation" and "22 October 2015" is overlaid on the left side of the image.

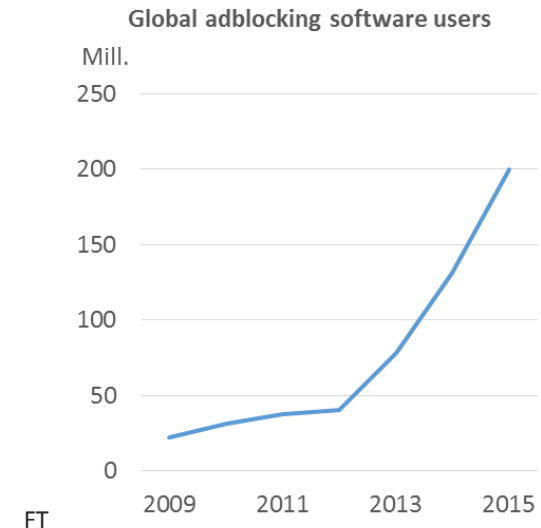
# 3Q15 Presentation

22 October 2015



# Print is a sustainable business

- Disruptive transportation business Uber turning to print
  - Launching in car magazine “Arriving Now”
- Digital publisher Politico with print editions in the US
  - And recently entered the European market with a print edition
- Print is the revenue source
  - 93% of all newspaper revenue come from the print edition\*
  - Online 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\*\*
  - Printed ads can not be app’ed away

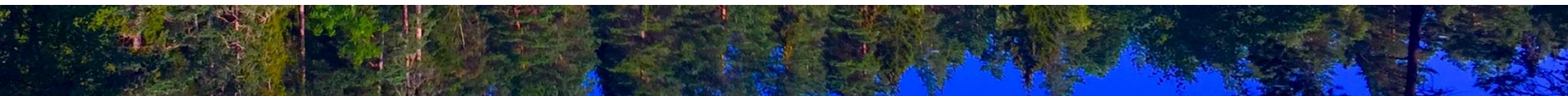


\*WAN-IFRA

\*\*Australian survey

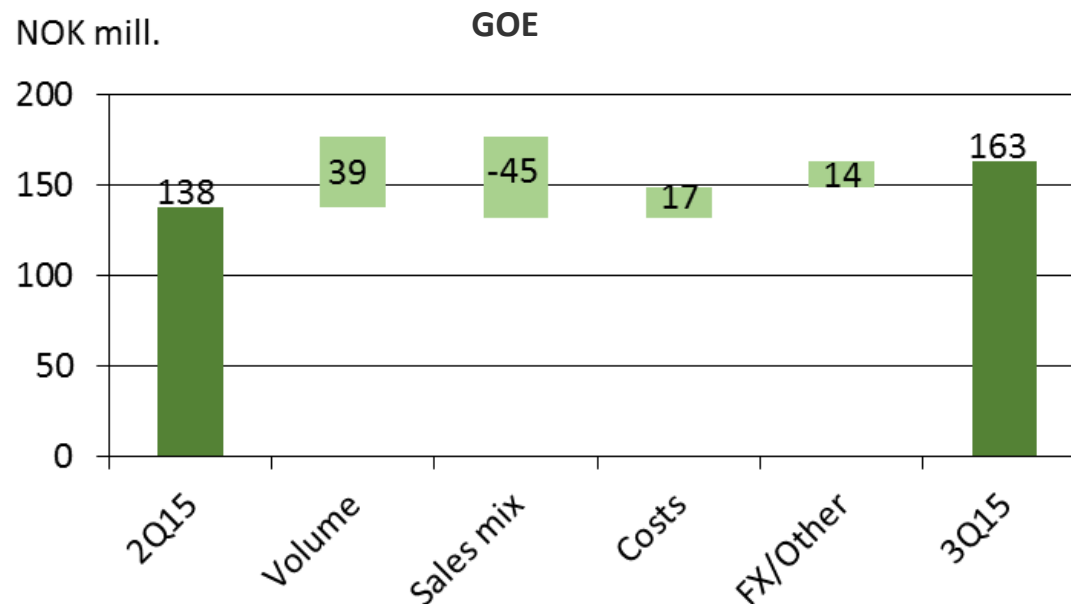
# Improvement in Europe, weakness in Australasia

- Gross operating earnings 3Q15 NOK 163 million
  - Increase from NOK 138 million in 2Q15
- Loss for the period NOK 742 million
  - Largely reflecting unrealized FX losses through P&L due to significant depreciation of NOK
- Net debt higher at NOK 8 377 million quarter end 3Q15
  - Reflecting unrealized FX losses on foreign denominated debt and interest payments
- The company has full focus on upcoming maturities and is considering several options
- Growth projects beyond paper on track
  - Nature's Flame; wood pellets being ramped up and biogas construction started
  - Tissue JV with partner Roto-cart formalized



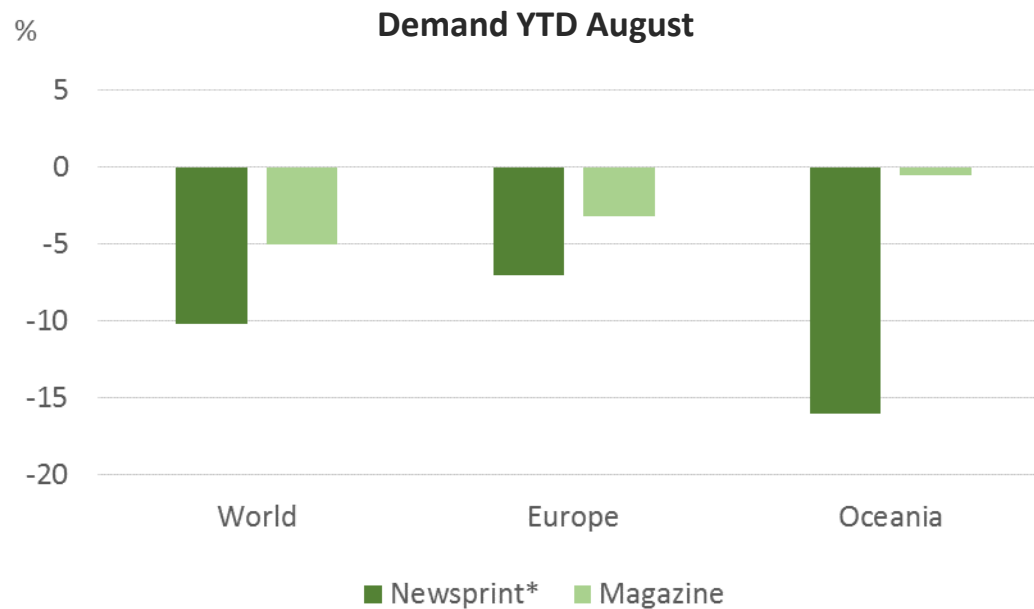
# Improved GOE with higher volume and lower costs

- Higher sales volume excluding Walsum, despite one machine commercially out at Skogn
- Loss making Walsum operations deconsolidated
- Challenging newsprint export out of Australasia
  - More export with decreasing domestic demand
  - Historically low newsprint prices in Asia
- FX tailwind



# Magazine demand holding up

- World magazine demand decreasing half of newsprint. European magazine demand at structural trend
- European standard newsprint demand weaker than expected in 2015, improved newsprint demand flat. Fair market balance for newsprint overall due to capacity closures
- Domestic Australian demand down around 10% for newsprint (Oceania newsprint demand derived from variable trade data). Magazine demand is stable

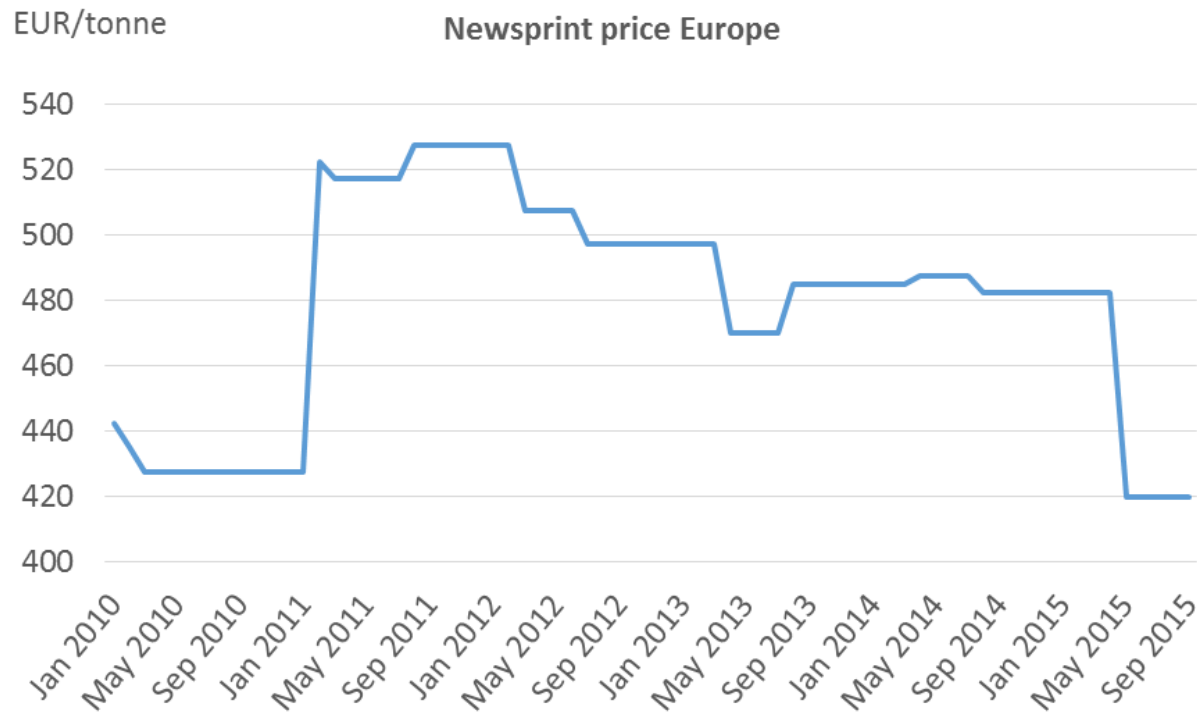


PPPC / EURO-GRAPH

\* Including improved for Europe

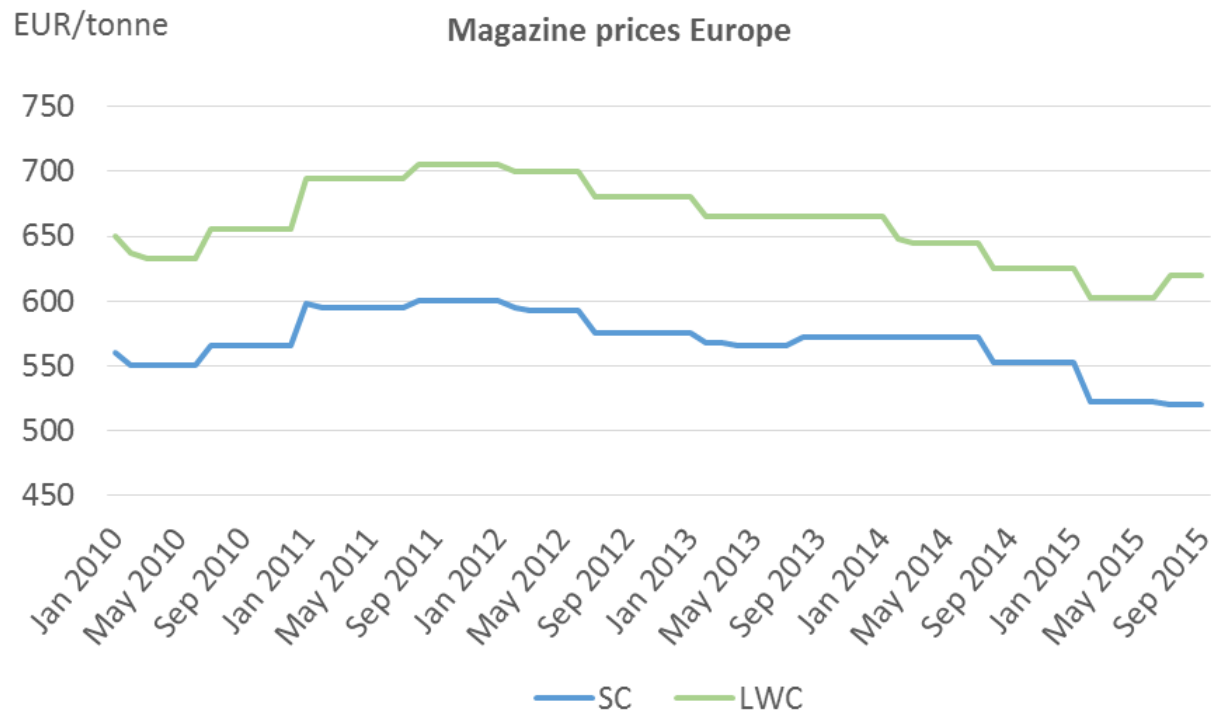
# European newsprint price again at cash cost level

- Cash cost pricing leads to supply side action as seen in 2010
  - As cash negative capacity is forced out of the market



# Magazine prices in Europe are coming up

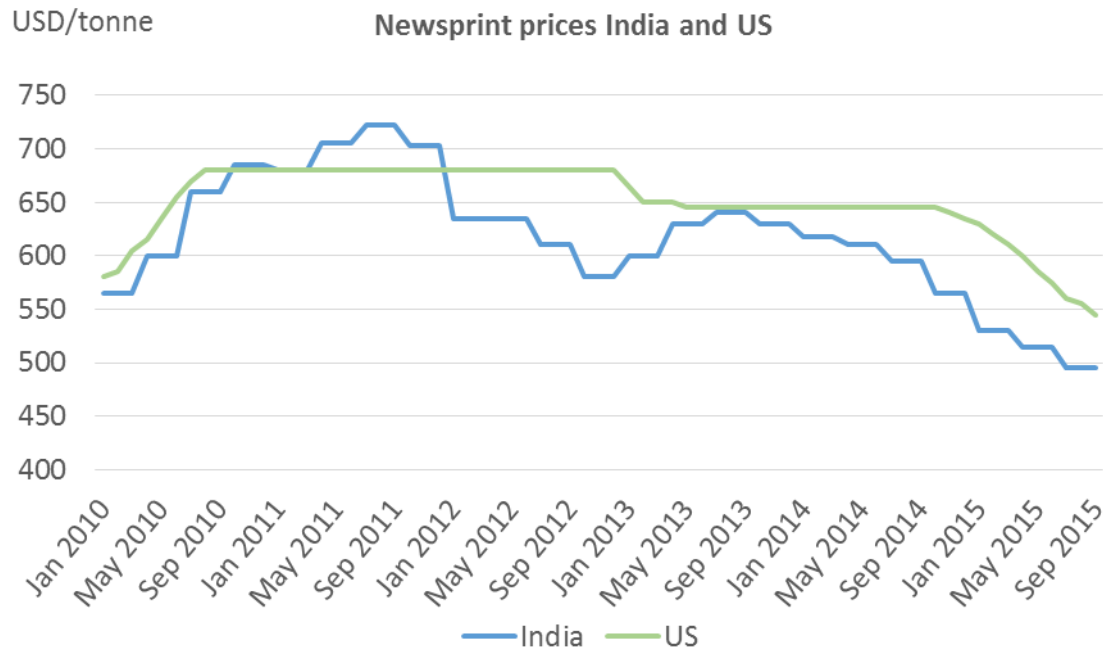
- LWC prices have increased this autumn with market balance and fine paper prices
- SC prices supported by US import duties and improved operating rate in Europe





# Export markets are challenging

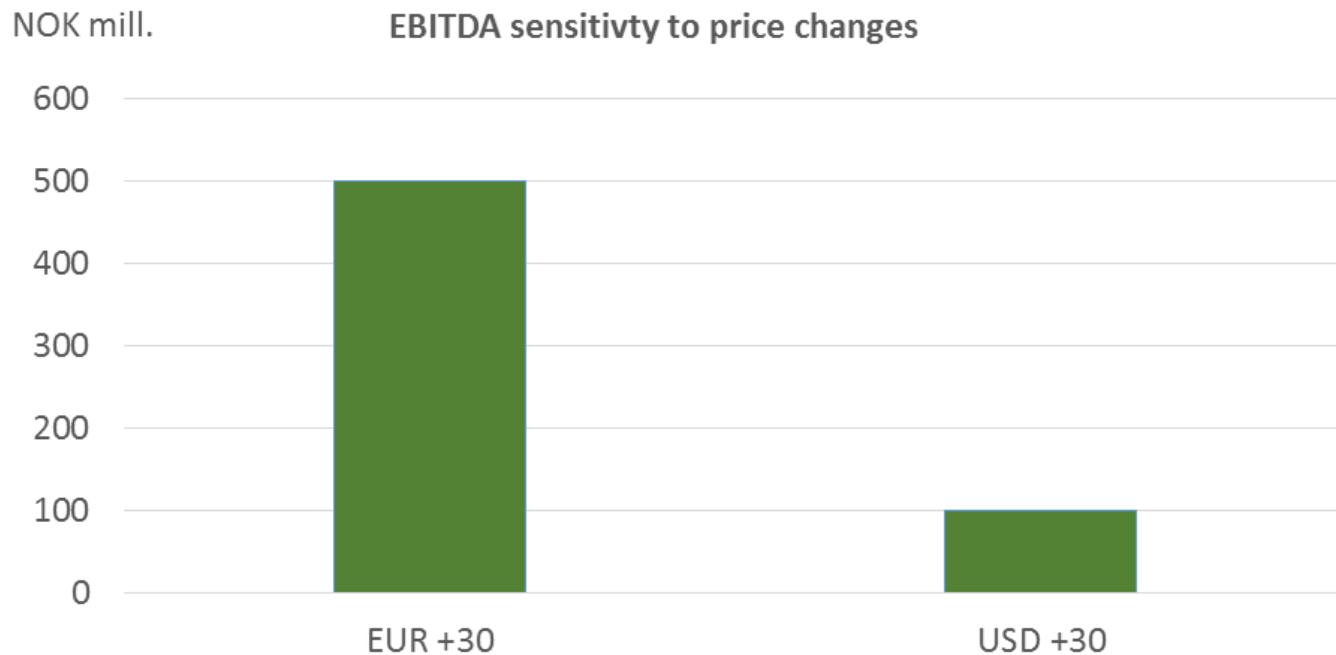
- The indian newsprint price has declined by more than USD 100 tonne since last summer
  - Leaving only Norske Skog New Zealand and certain South Korean mills cash positive
- US newsprint price down with limited export opportunities to Asia





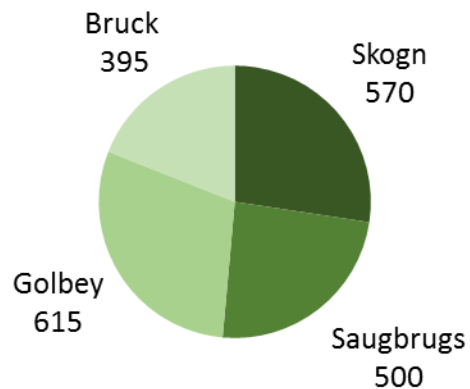
# High operating leverage

- Group EBITDA would improve by NOK 600 million with smaller price increases in 2016
  - Assuming a EUR 30 improvement across grades in Europe and export prices up USD 30

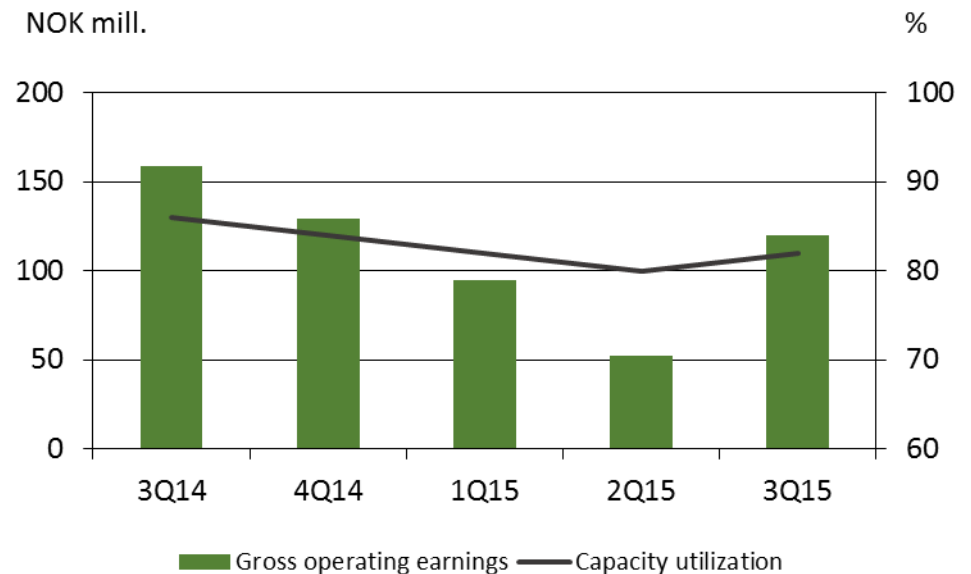


# Publication paper Europe

## Mill capacities ('000 tonnes)

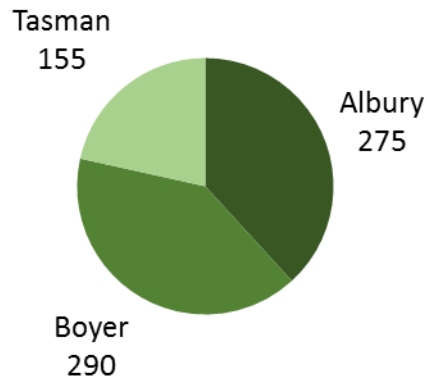


- GOE improved with FX and deconsolidation of Walsum
  - Loss making Walsum no longer part of the group
  - Seasonal improvement in capacity utilization despite one machine at Skogn out for commercial reasons

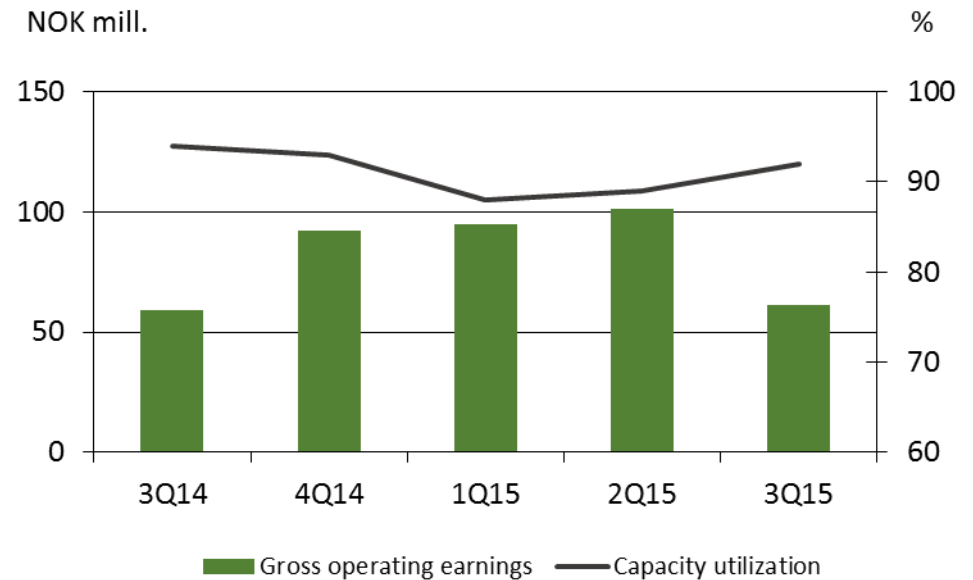


# Publication paper Australasia

## Mill capacities ('000 tonnes)



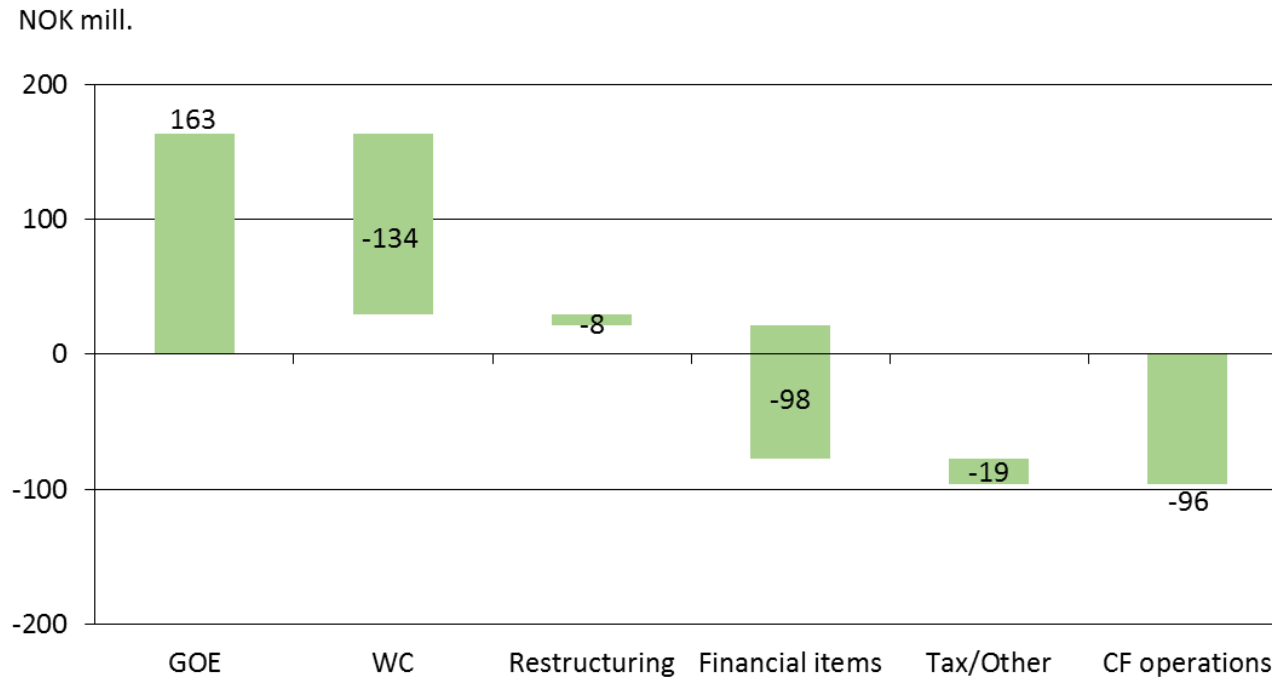
- Challenging shift in business mix in Australasia
  - Domestic newsprint business declining with demand
  - Newsprint exports to Asia at zero margin





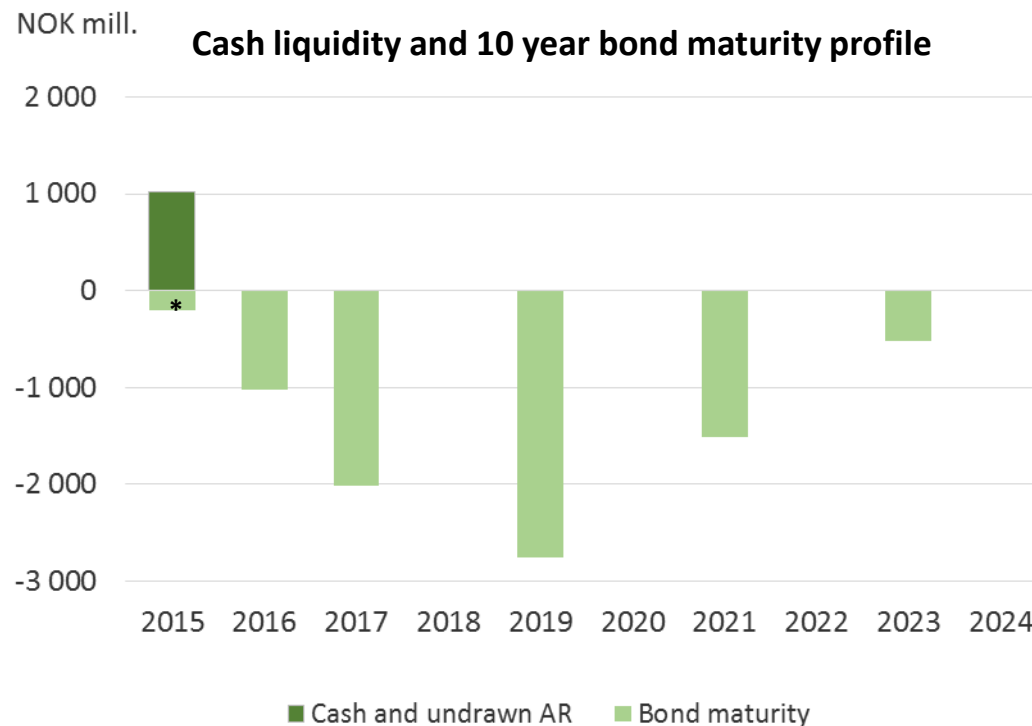
# Higher receivables bring negative CF

- Negative working capital with NOK depreciation and increased sales at Saugbrugs
  - Improved operating rate for SC in Europe
- Cash interest payments in the quarter just short of NOK 100 million



# Liquidity and liabilities

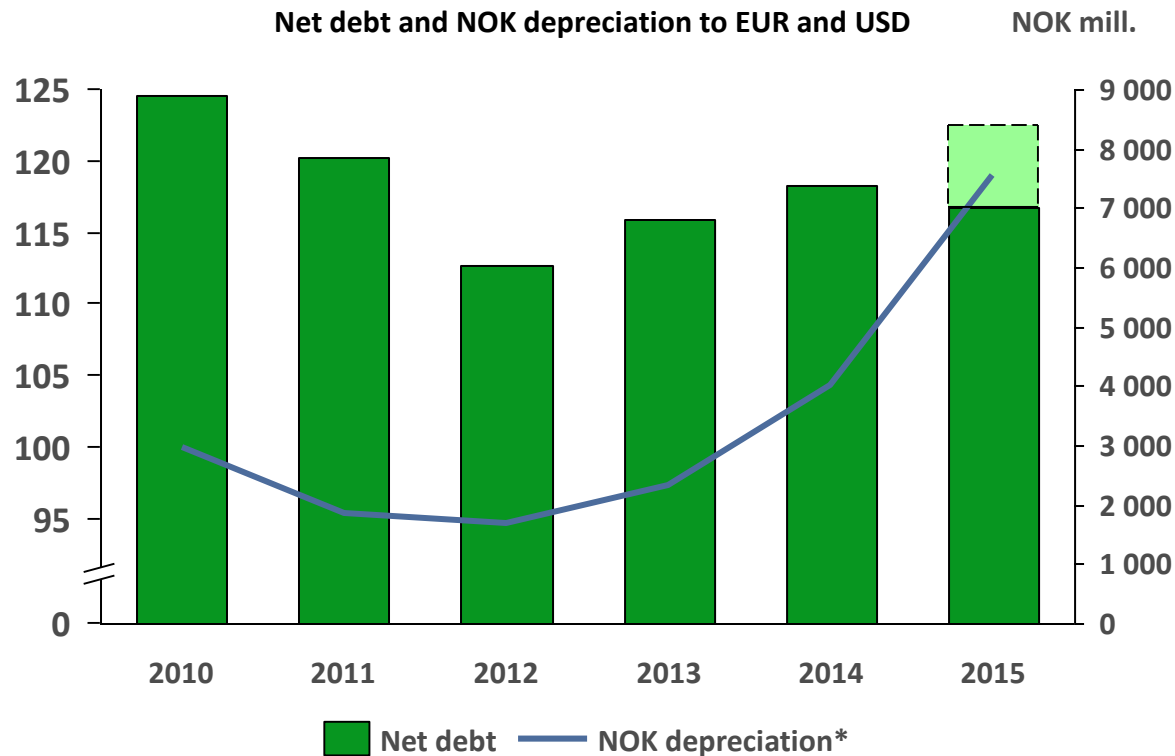
- Cash and unused AR frame amount to NOK 1 billion
- Next bond maturity in June 2016 NOK 1 billion



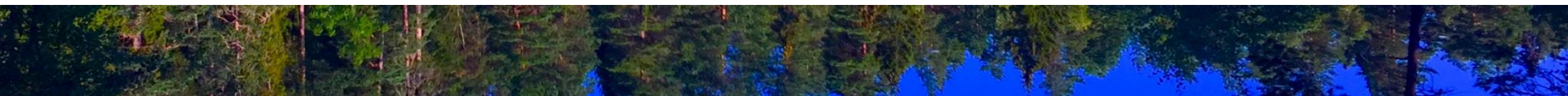
\* The remaining 2015 note, which amounted to USD 24 million at quarter end, was redeemed on October 15th

# NOK depreciation increases reported debt

- Underlying net debt significantly reduced
  - Current net debt at 2010 FX rates NOK 7 billion compared to NOK 8,4 billion reported



\*EUR and USD; 2010 = 100

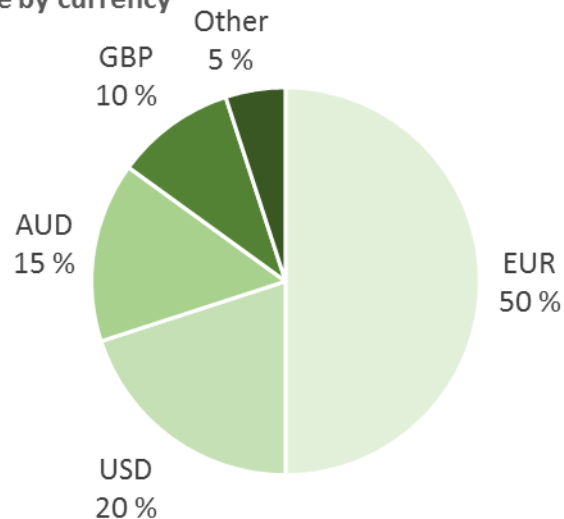




# NOK depreciation improves operations

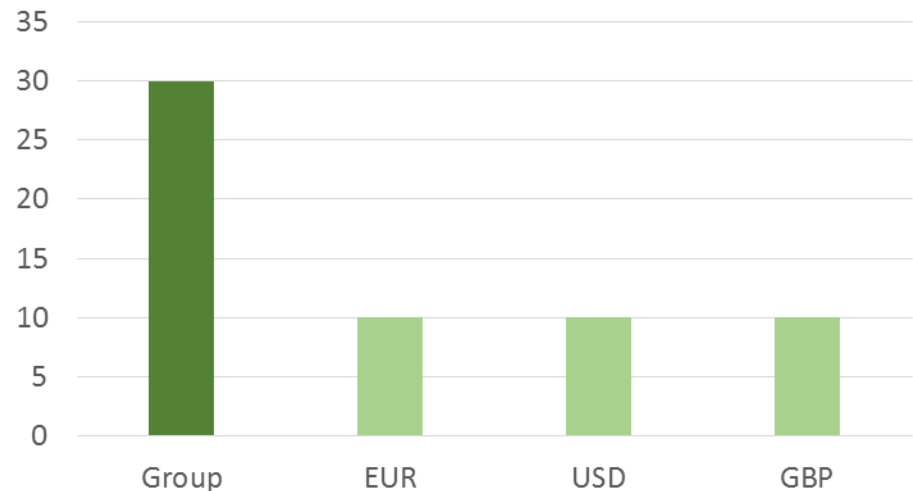
- NOK depreciation makes Skogn and Saugbrugs more competitive
  - Third machine at Skogn, which was out commercially in 3Q15, will restart in November
- A 1% NOK depreciation improves EBITDA by NOK 30 million per year

Revenue by currency



NOKm

EBITDA sensitivity to 1% NOK depreciation

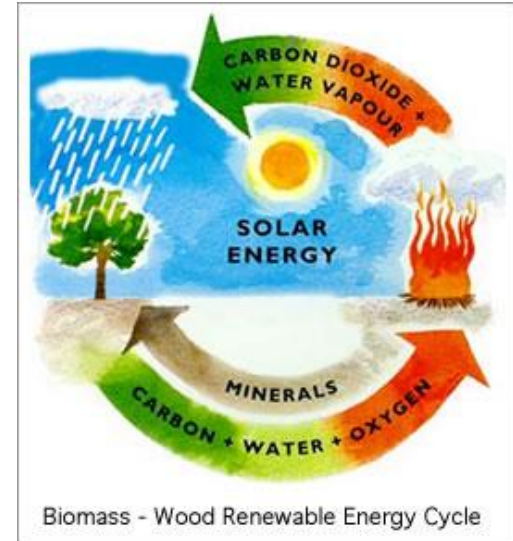


# Growth projects on track



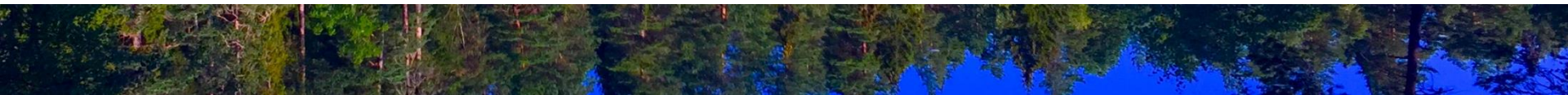
- Wood pellets investment in New Zealand
  - Currently ramping up production to 80 000 tonnes annually
- Biogas project at Saugbrugs in Norway
  - Construction started and on schedule for year-end 2016 completion

Unlike fossil fuels, biomass is renewable



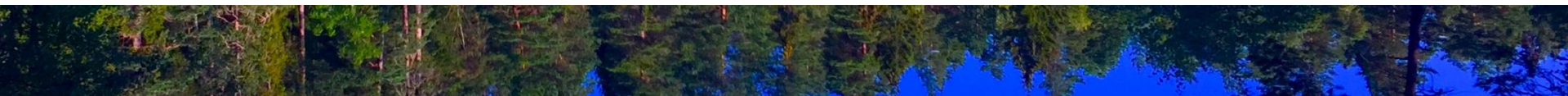
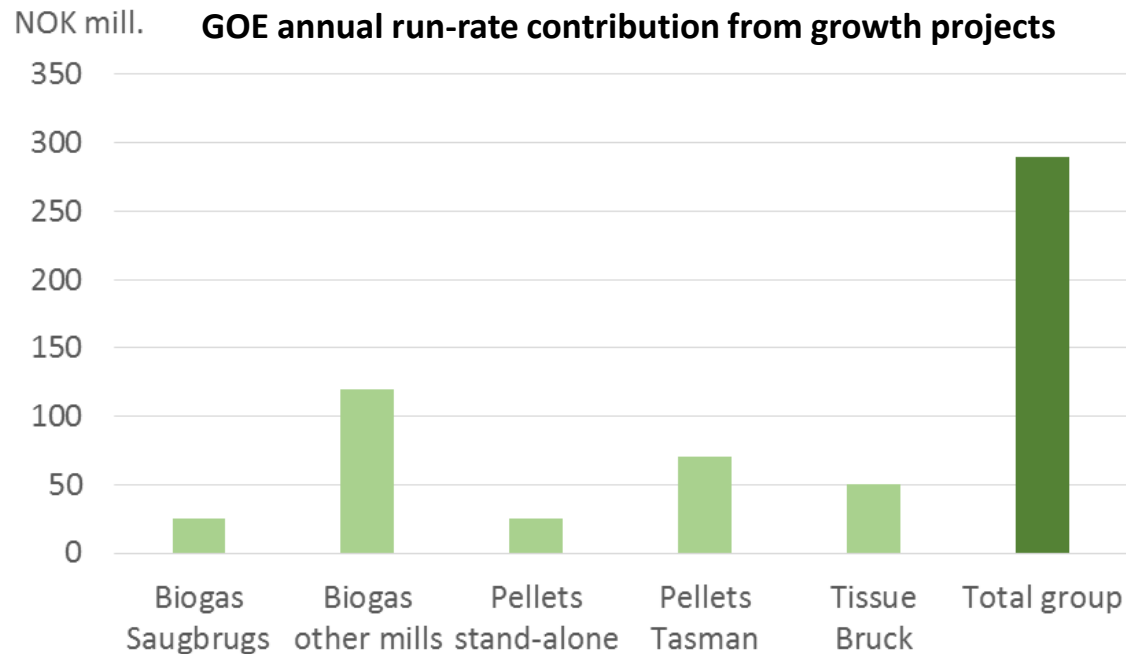
## Tissue conversion at Bruck in Austria

- JV with partner Roto-cart formalized
  - Project progressing in accordance with plan



# 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





# High European utilization rate indicate price increases

- Utilization rates support price increases across grades into 2016
  - LWC prices are already up and set for further increases
  - The SC market has firmed up with US import duties and an improved operating rate in European
  - Newsprint prices to move up from current cash cost levels last seen in 2010
- Norske Skog's with high assets quality post Walsum and tissue conversion at Bruck
- Domestic/export mix an increasing challenge for newsprint in Australasia
  - The domestic market shrinks and Asian prices are at historical lows
- Ongoing efficiency projects at all mills to reduce costs further
  - Lowering consumption of input factors
  - Quarterly fixed costs to trend towards NOK 600 million in coming quarters
- Growth investments on track and to contribute to GOE from 2016
- The company is considering several options for upcoming maturities

