

A close-up photograph of a paper mill's machinery. Large, polished metal rollers are visible, with a wide sheet of white paper being processed between them. The scene is brightly lit, highlighting the metallic surfaces and the texture of the paper. A dark grey rectangular box is overlaid on the left side of the image, containing white text.

4Q15 Presentation

5 February 2016

Paper is the solution

- Finansavisen is thriving on paper
 - Leading financial newspaper in Norway
 - Never made content freely available online
- Amazon considering to open hundreds of physical bookstores
 - Vast majority of readers still prefer the real thing
- Indian newspaper market huge and growing
 - More than 80 000 newspapers
 - Combined daily circulation in excess of 100 million copies
 - Growth rates for regional papers above 10%*
- **Because print is the revenue source**
 - 93% of newspaper revenue come from the print edition**



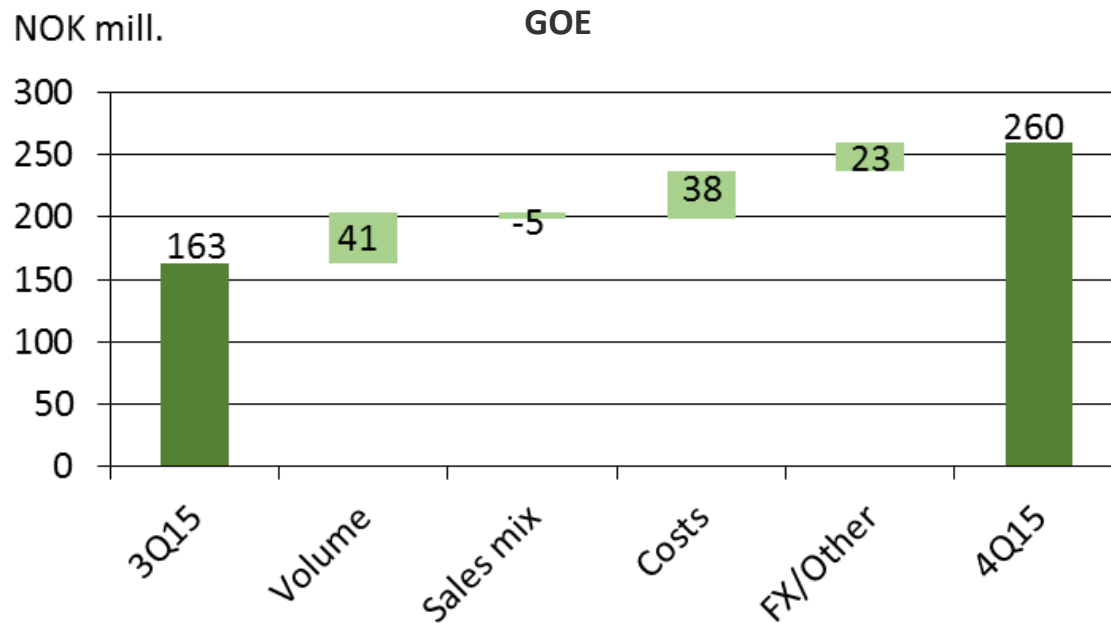
* EY ** WAN-IFRA

Higher sales volume, lower costs and NOK depreciation

- Gross operating earnings 4Q15 NOK 260 million
 - Increase from NOK 163 million in 3Q15
- Loss for the period NOK 304 million
 - Depreciation charges and interest expenses higher than GOE, unrealized currency losses
- NOK 200 million on the 2015 USD bond and a total cash interest in excess of NOK 250 million paid in the quarter
- Net debt higher at NOK 8 523 million quarter end 4Q15
 - Increase of NOK 146 million due to unrealized FX losses on foreign denominated debt
- The exchange offer launched on 5 January has been extended to 26 February
 - Extension due to temporary restraining order from NY court
 - Requested by Citibank on behalf of certain 2019 bondholders
 - Required participation reached for the 2017 bonds, not reached for the 2016 bonds
- Year-end 2015 fixed assets valuations audit not yet finalized

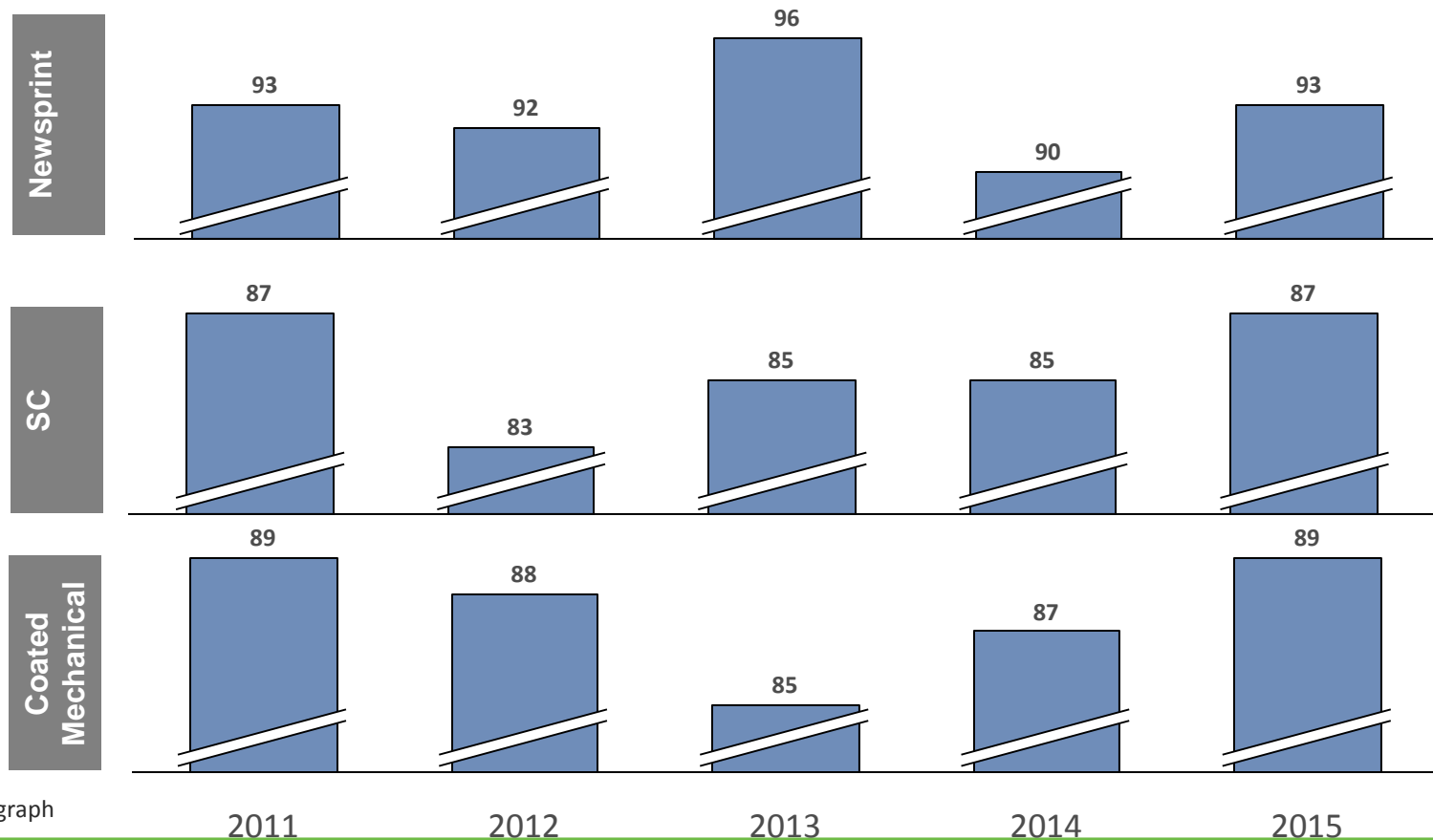
GOE up with higher sales volumes and lower costs

- Higher sales volume with seasonally stronger demand and restart of one machine at Skogn
- Stable prices through 4Q15
- Costs were lower, in part helped be a reversal of environmental provisions in Australasia
- FX tailwind with NOK depreciation



High capacity utilization in the industry

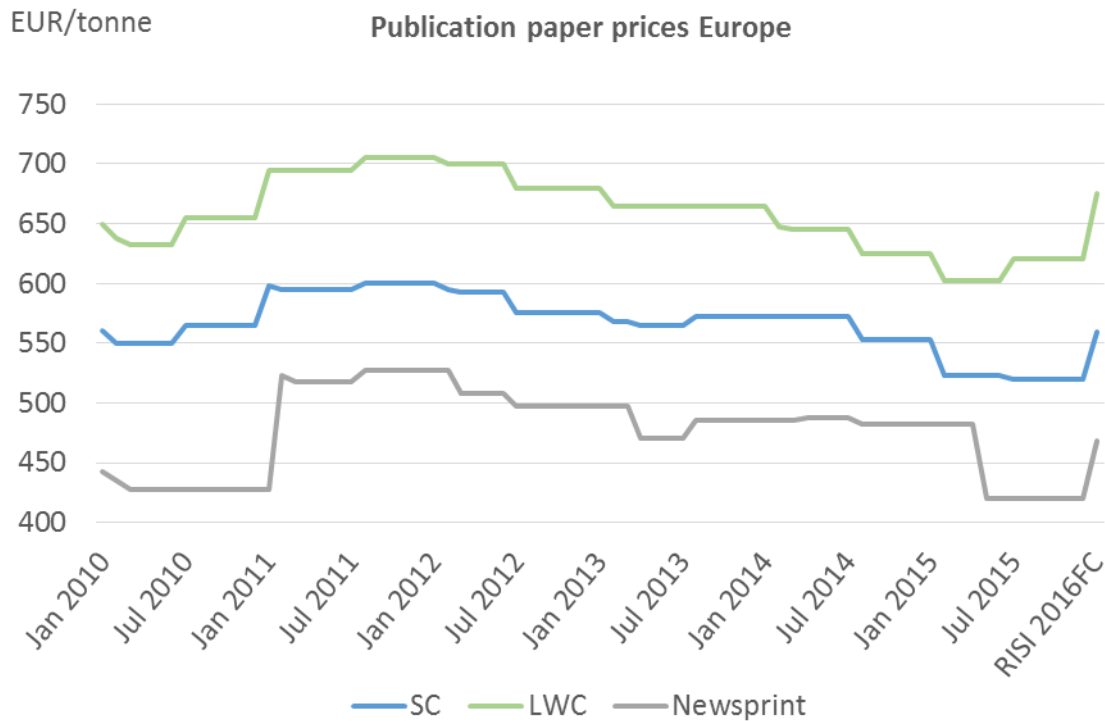
- Improving through last year and into 2016 across all grades in Europe
 - Reflecting effects from capacity closures, lending price support



PPPC, Eurograph

European publication paper prices are coming up

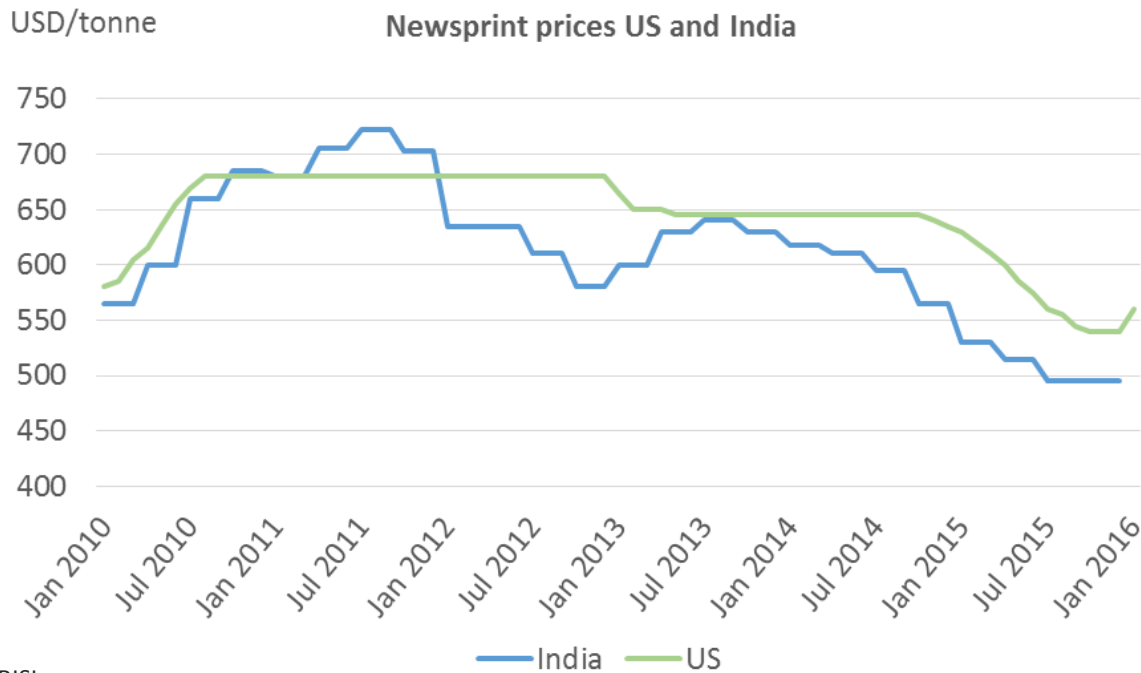
- Prices in Europe are up around 3-5% for Norske Skog from 4Q15 to 1Q16
- RISI forecasts average prices up more than 3% from 2015 to 2016



RISI

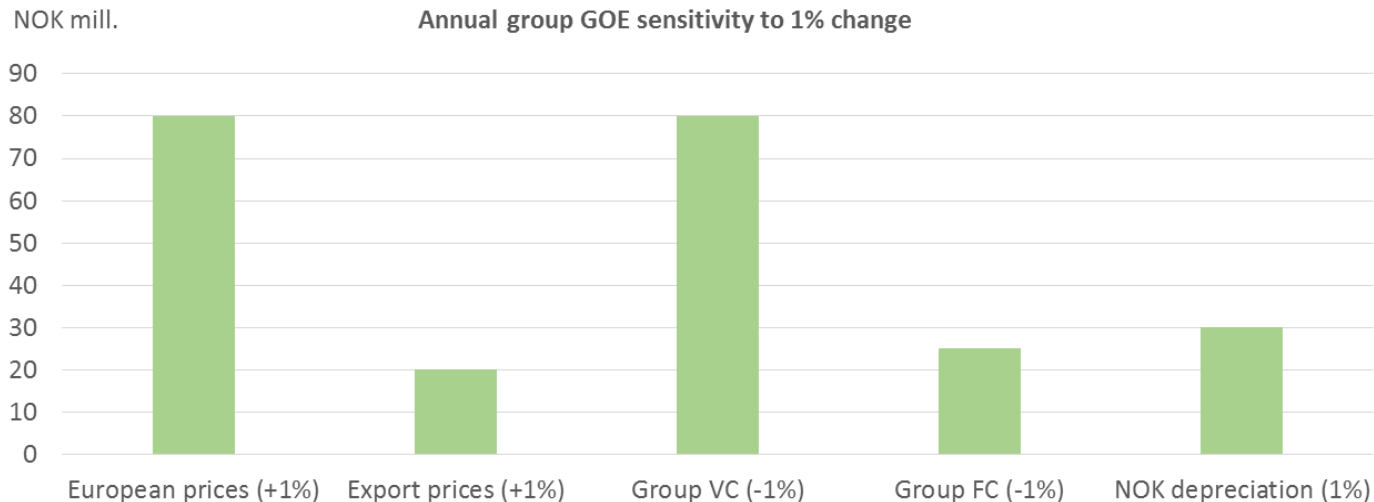
US and Indian prices are also up

- Improved market balance in Europe and US supporting higher prices
- Less export from Europe and US with better domestic margins supporting Asian markets
 - Norske Skog is seeing Asian newsprint prices USD 10-30 per tonne higher into 2016



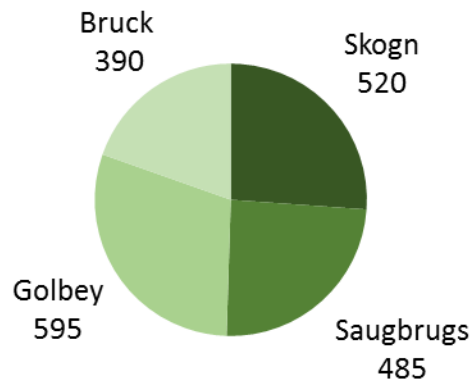
High operating leverage to benefit GOE

- Group significantly exposed to prices for publication paper
 - European pricing most important. Domestic prices in Australasia largely long term contracted
- Production of publication paper is energy and fibre intensive
 - Energy prices and efficiencies to contribute meaningfully to GOE through reduced variable costs
- Fixed costs initiatives continue at all mills

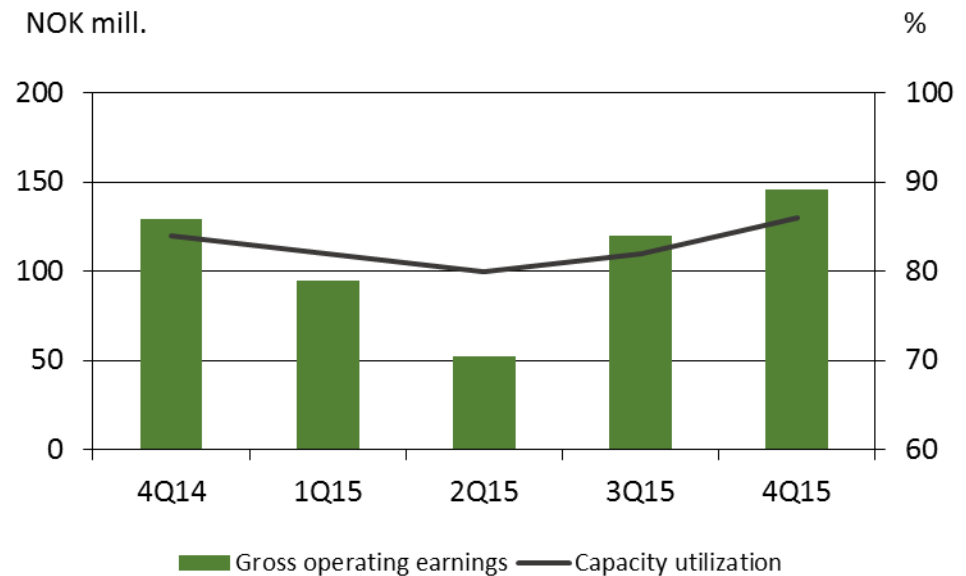


Publication paper Europe

Mill capacities ('000 tonnes)

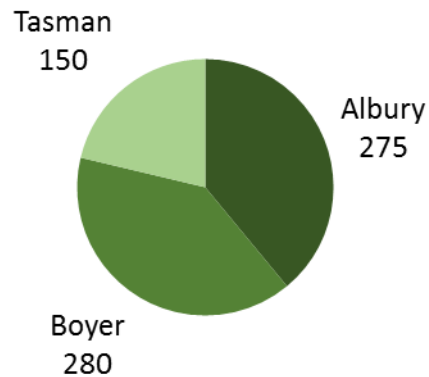


- GOE increased with better capacity utilization
 - Seasonally higher sales volumes amplified by restart of one machine at Skogn in November
 - Enhanced competitiveness with NOK depreciation

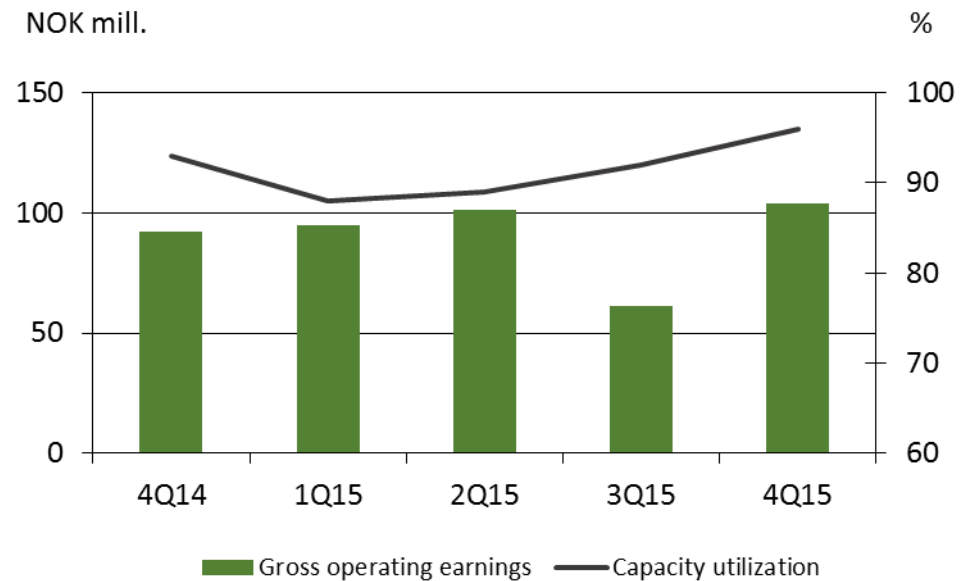


Publication paper Australasia

Mill capacities ('000 tonnes)

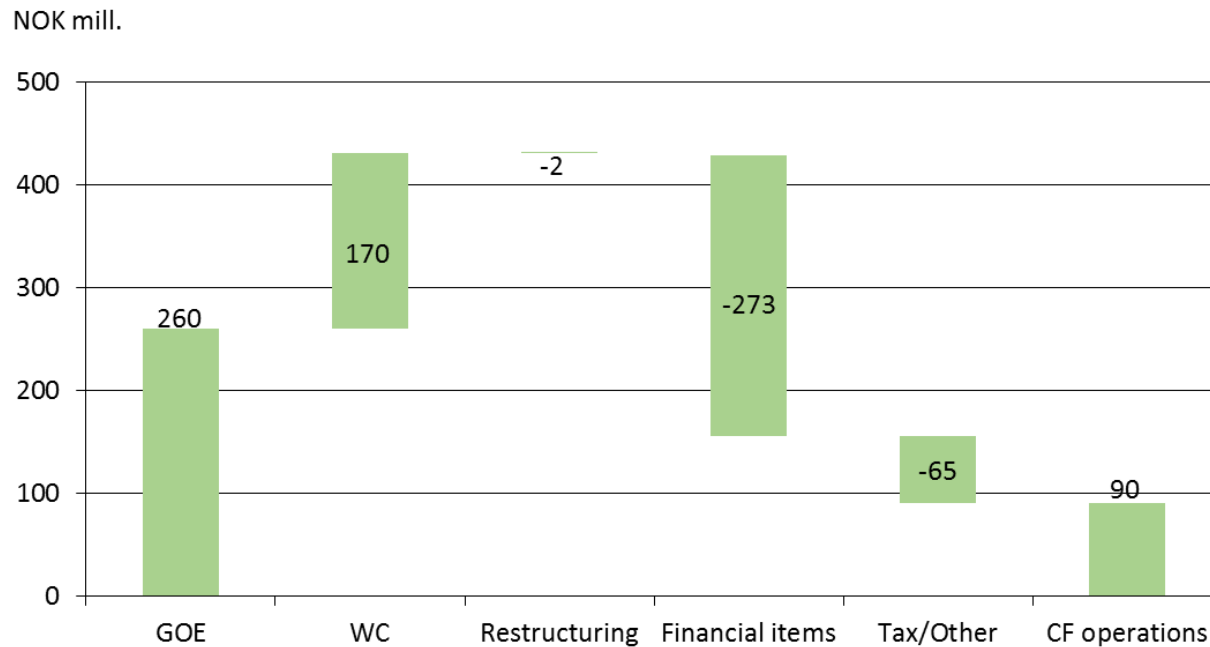


- GOE improvement with high capacity utilization
 - Fixed costs in the quarter helped by reversal of environmental provisions



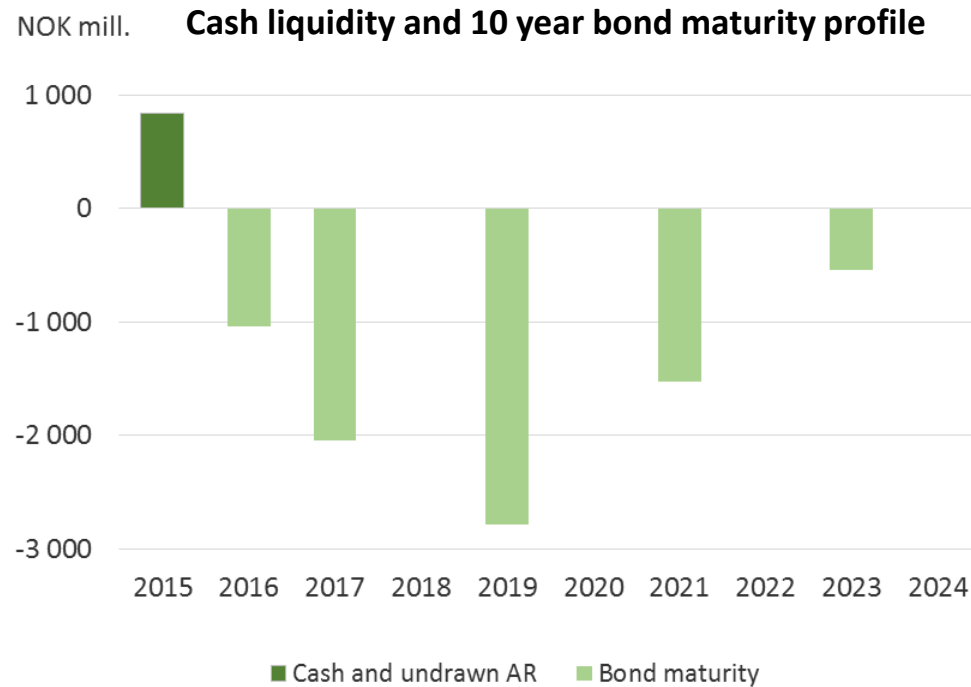
Positive CF with increased GOE and WC release

- Financial items reflected high cash interest payments in the quarter
- One third of Tax/Other related to cash tax payments



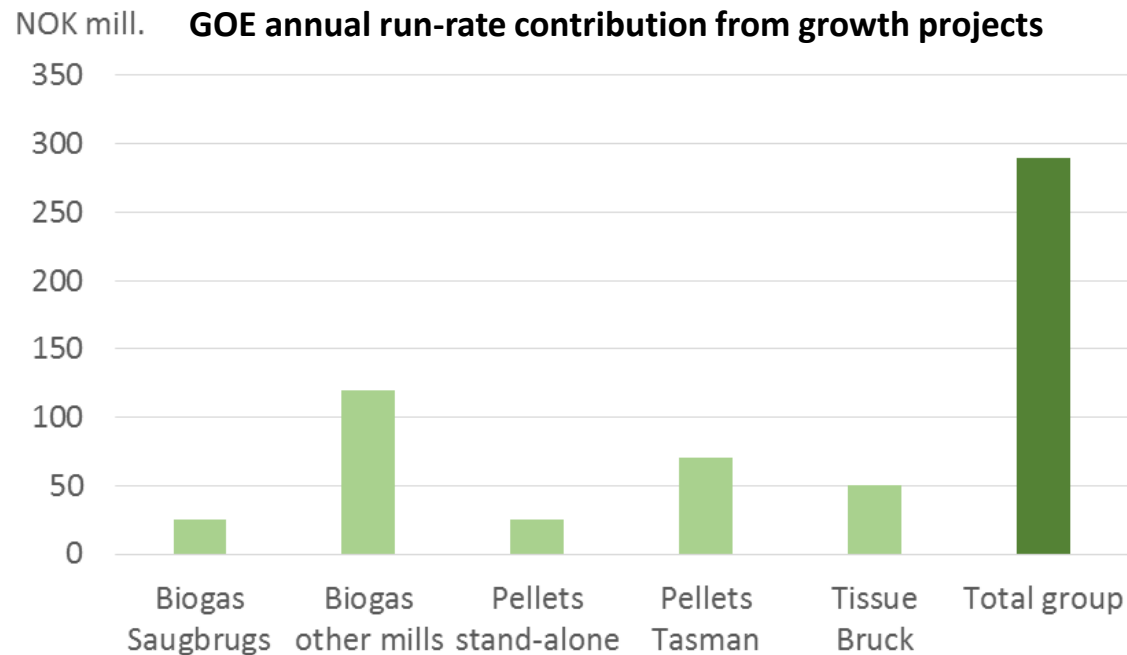
Challenging maturity profile

- Balance sheet to be financed, refinanced or restructured
- NOK 200 million on the 2015 USD bond paid in the quarter



Group diversifying beyond paper

- Biogas facility at Saugbrugs under construction. Progress on further biogas projects
- Pellets stand-alone ramping up for exports. Expansion to Tasman will be considered
- Tissue JV with Italian partner Roto-Cart established for site conversion at Bruck
 - Upon completion the 125 000 tonnes newsprint machine on site will be closed



Margins expanding from trough last year

- Improved pricing across all publication paper grades into 2016
 - High capacity utilization rates in the industry reflecting the effects from recent capacity closures
- Favorable energy costs reducing variable costs by 2-3% per tonne in 2016
 - Lower energy prices and efficiency measures at all mills
- Fixed costs to reach quarterly run-rate level of NOK 600 million by year-end 2016
 - Ongoing cost initiatives at all mills
- Fruition of diversifying strategy to bring full run-rate contribution within 3-4 years
- Exchange offer extended to 26 February
 - The board views the extended offer to be clearly the best outcome for the group and its stakeholders

