

3Q16 Presentation

19 October 2016



Future on Paper

- Readership of Forbes' print magazine is trending up
 - Six out of ten most read issues ever came out within the last twelve months
- Fleet Street might have been split on Brexit, but it has been good for business
 - All daily national titles, but the Daily Mirror, saw increased sales from May to June
- Readership grows 3% at The New Zealand Herald
 - New Zealand's largest newspaper now has 426' daily readers, 13' more than last year
- Schibsted scaling back digital content at daily Aftenposten
 - Focused in-depth journalism also to strengthen paper edition
- Print remains the revenue source
 - Above 90% of newspaper revenue come from the print edition



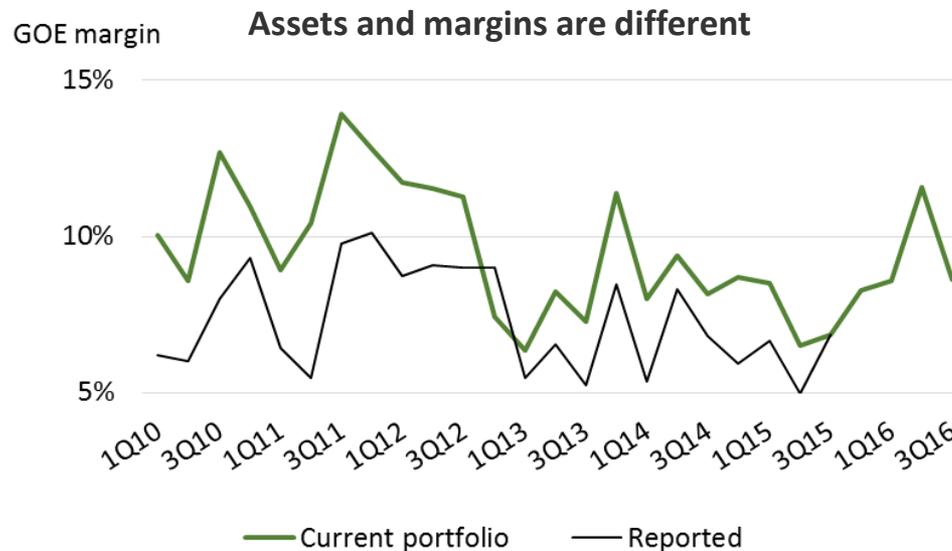
GOE sequentially lower, significant improvement YoY

- Gross operating earnings NOK 251m in 3Q16 (NOK 335m in 2Q16, NOK 163m in 3Q15)
 - Somewhat higher energy and recovered paper (RP) costs
 - Negative impact from Brexit due to GBP depreciation
 - Annual maintenance stop at Golbey in France and higher other activities costs
- Net debt reduced by NOK 181m to NOK 6 172m
 - Positive unrealized currency effect from NOK appreciation and gains on bond buybacks
- Cash flow from operations NOK 115m before net financial items
 - Seasonal build in working capital reduced cash flow in the quarter
- Profit for the period NOK 190m in 3Q16 (NOK 229m in 2Q16)
- Group equity improved with profit for the period to NOK 269m



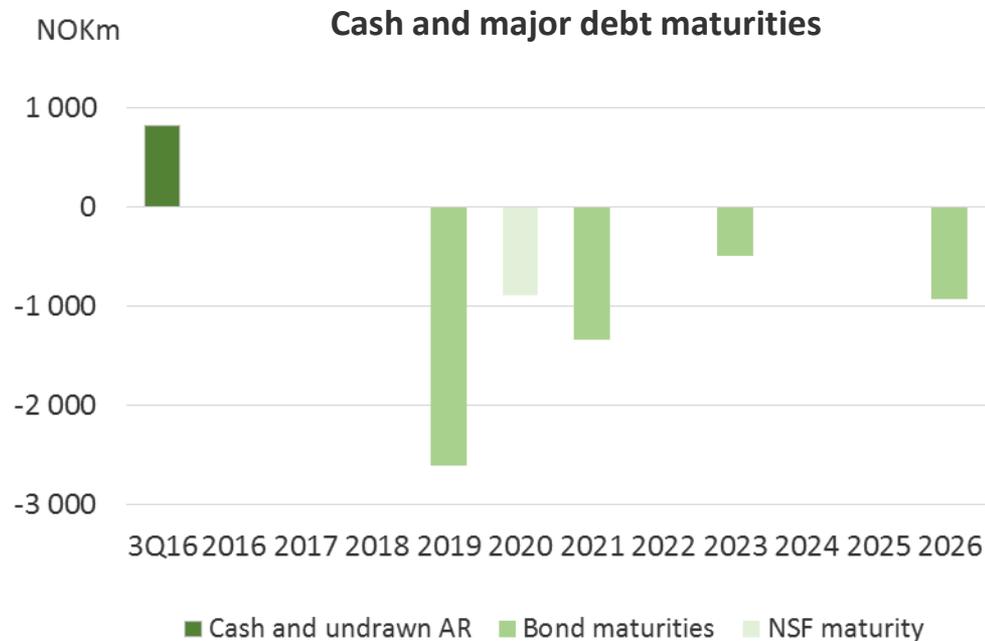
Past performance is not a reliable indicator

- The asset portfolio has changed significantly over the years
 - Reported historical figures include discontinued assets (Walsum of recent)
 - And does not include new assets (Boyer LWC) and upgrades (Saugbrugs TMP)
- All units targeting 15% GOE margins
 - Productivity measures
 - Customer/product mix optimization



Reduced debt and extended maturities

- Net debt reduced by NOK 181 million in the quarter to NOK 6 172 million
 - 2021 maturity reduced from EUR 159m to EUR 148m following bond buybacks
- Next bond maturity not until December 2019



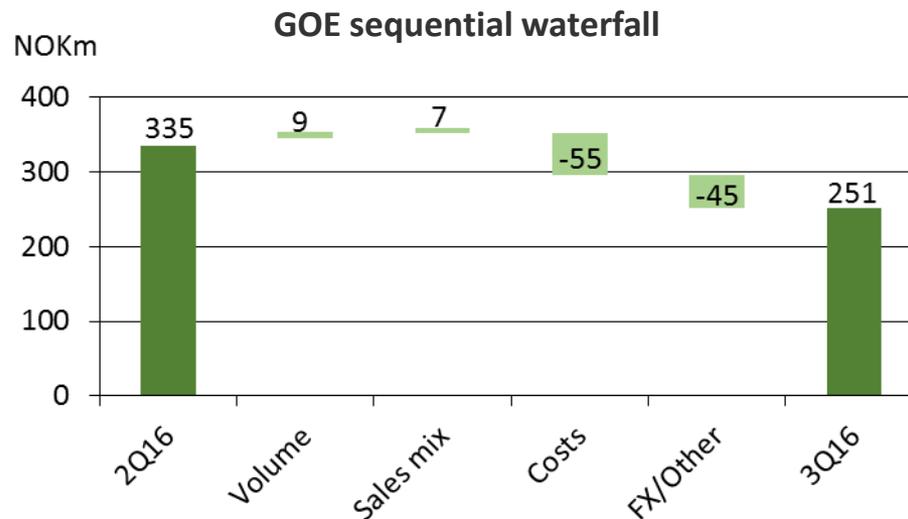
Secured debt, unsecured debt and financing facilities

- Secured leverage of EUR 290m or 2,4 times LTM GOE of NOK 1 088m
- Unsecured debt with maturities next 10 years amounting to NOK 2,9bn
 - Bringing secured and unsecured leverage to 5,0 times LTM GOE
- Account receivables (AR) and inventory facilities are typically rolled on maturity
 - AR facilities with total frame of around EUR 70m of which 2/3 drawn
 - AR and inventory facility, New Securitization Facility (NSF), of EUR 100m fully drawn



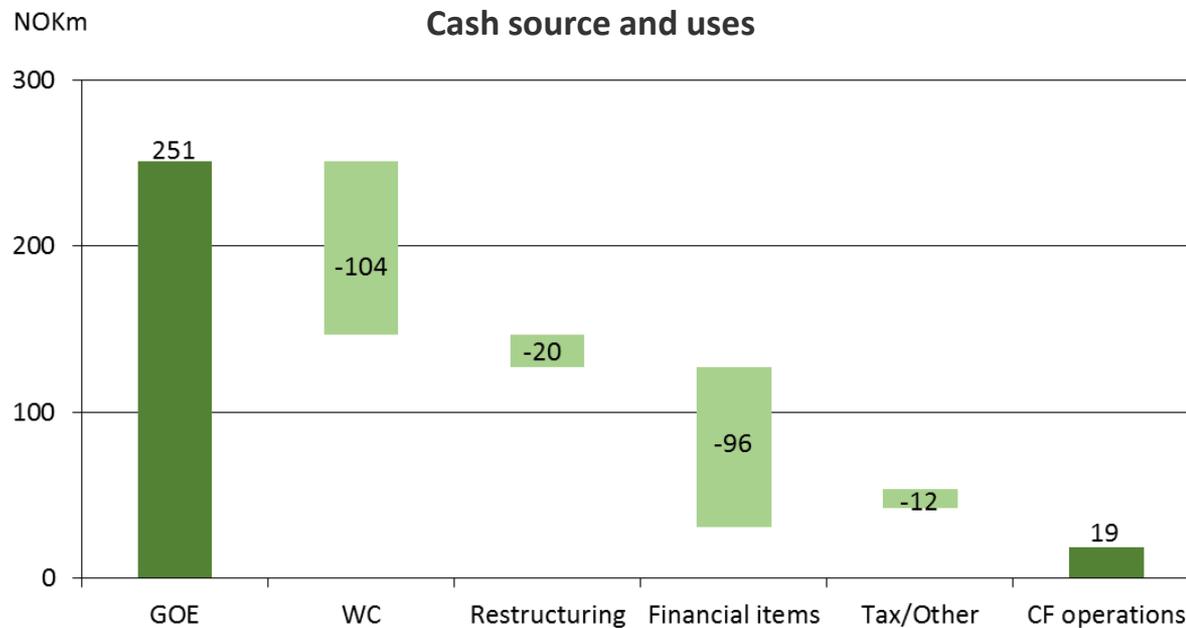
GOE lower with cost inflation and Brexit

- Revenue increased with modestly higher sales volumes and improved customer/product mix
- Costs increased slightly with energy and RP prices, and annual maintenance shut at Golbey in September
- Publication paper prices remained stable in all markets but the UK, where prices were up – but not enough
- GBP depreciation and NOK appreciation to EUR are Norske Skog headwinds



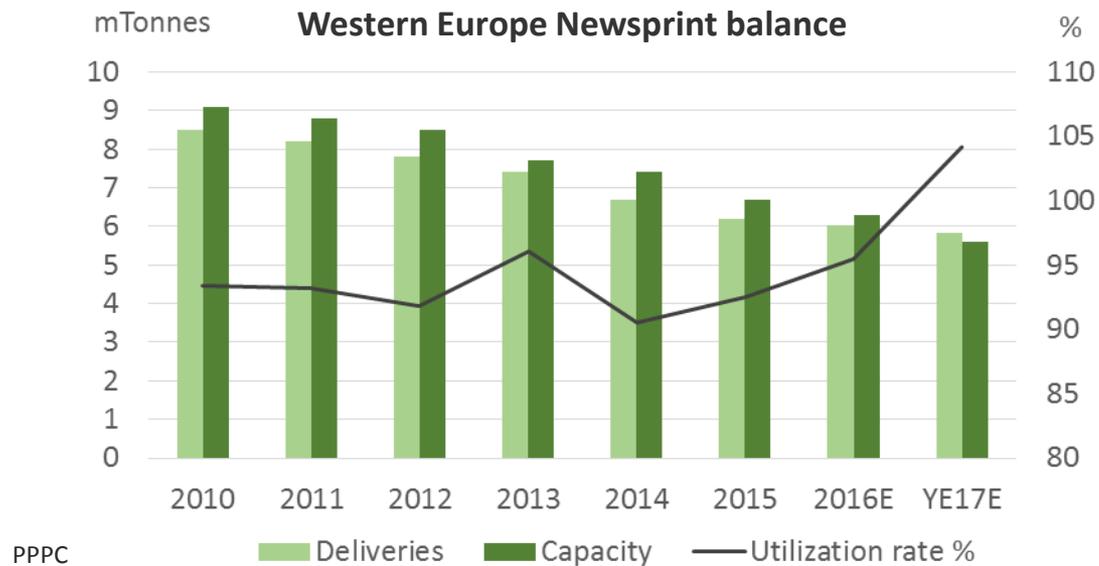
Working capital build and cash interest payments

- Working capital (WC) reflected inventory build to meet higher seasonal demand in 4Q16
- Cash interest payments still remain too high at around NOK 650m annually
 - Coupons are unevenly distributed, mainly falling due in the first and fourth quarter



Capacity closures outpacing demand declines in 2017

- More than 10% of European newsprint capacity already announced closed in 2017
 - Packaging conversions in Germany and Spain and tissue conversion in Austria
- 5% of European SC capacity announced closed next year
 - Packaging conversion in Austria

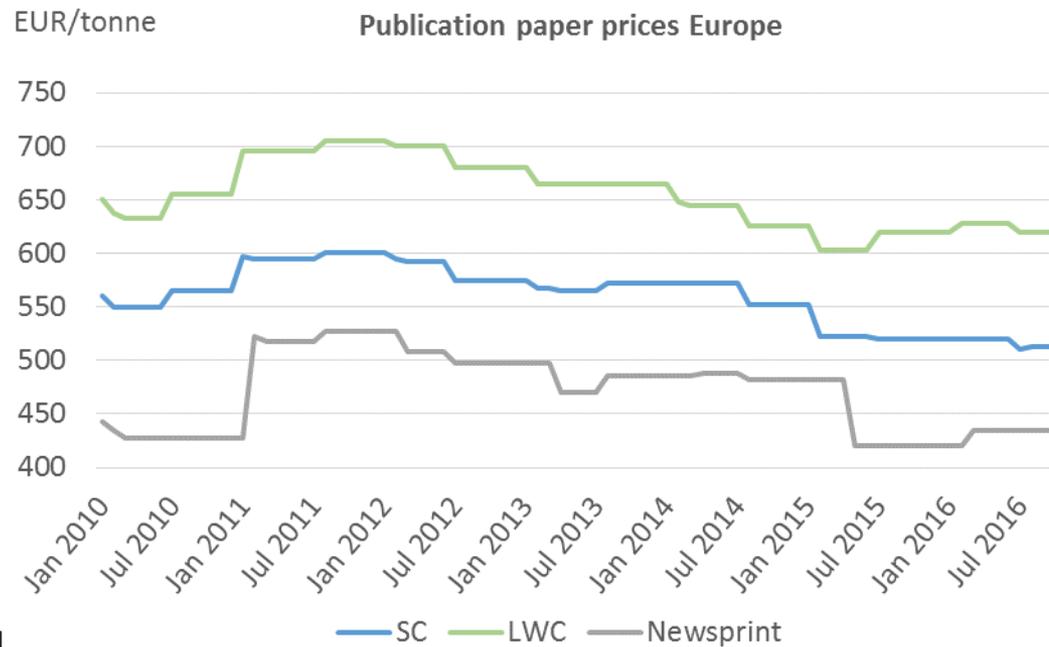


Norske Skog estimates extrapolates YTD demand decline of 3% and removes announced closures of 700t tonnes in 2017



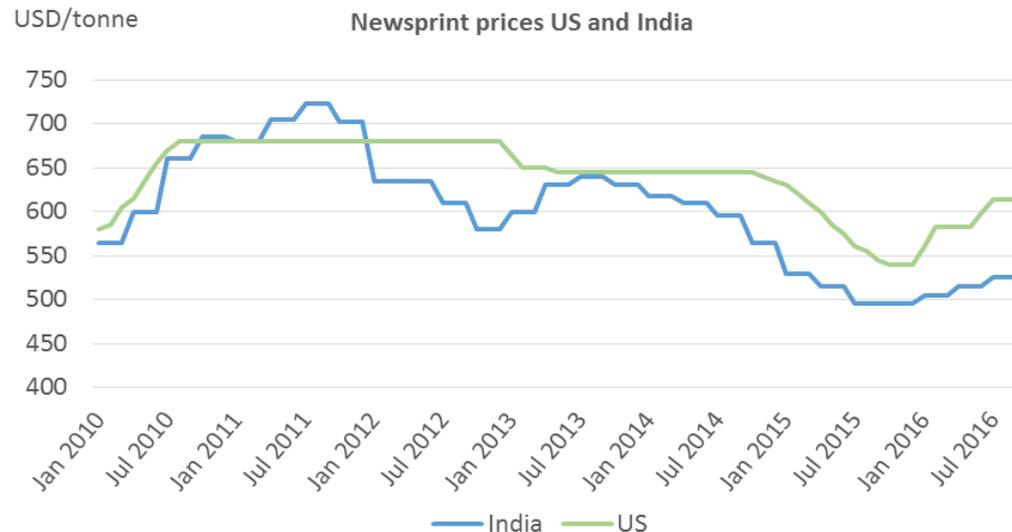
Newsprint putting upward pressure on magazine grades

- European newsprint prices higher this year following capacity closures
 - Modest demand declines and announced further capacity closures support continued price recovery
- Magazine grades have been softer, but should also benefit from capacity closures next year
 - SC capacity already announced closed, LWC prices at cash negative levels for marginal suppliers



US and Indian prices historically correlated

- US publication paper prices significantly higher in 2016 following capacity closures
 - An increase of more than USD 70 per tonne for newsprint since year-end 2015
 - Prices for SC and LWC announced USD 40-50 higher from this autumn and into next year
- Less exports from Europe and North America supporting Asian markets
 - Newsprint capacity utilization rate for Europe and North America combined estimated at above 95%
 - Norske Skog is seeing Asian newsprint prices more than USD 30 per tonne higher from last year

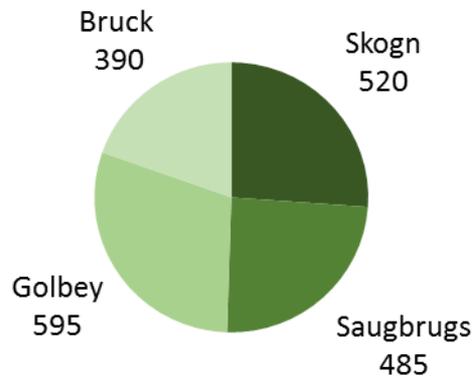


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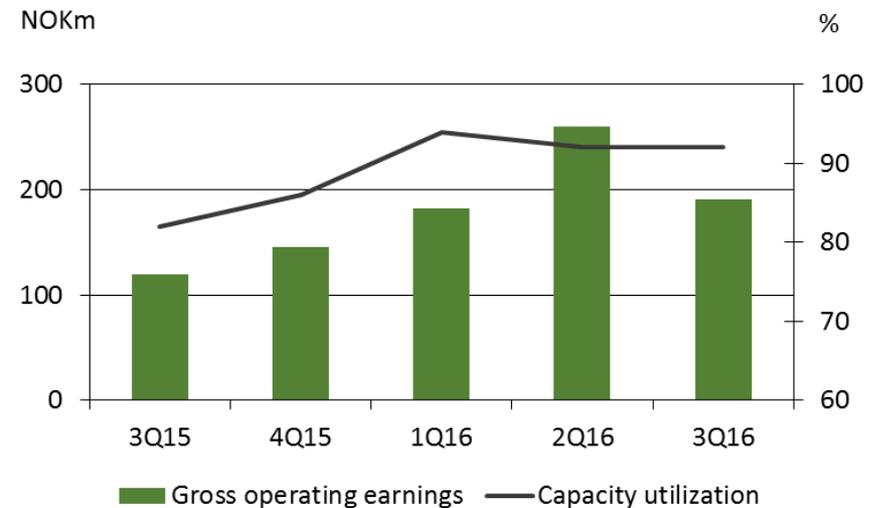


Publication paper Europe lower

Mill capacities ('000 tonnes)

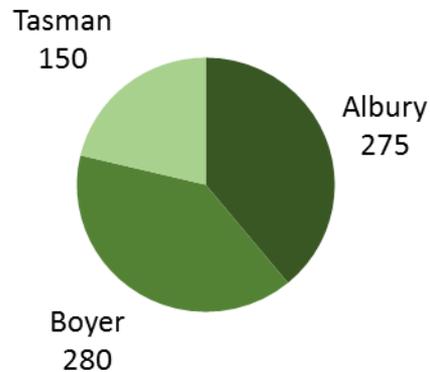


- GOE decreased with cost inflation and Brexit
 - Somewhat higher energy and RP costs
 - GBP depreciation and annual maintenance stop at Golbey

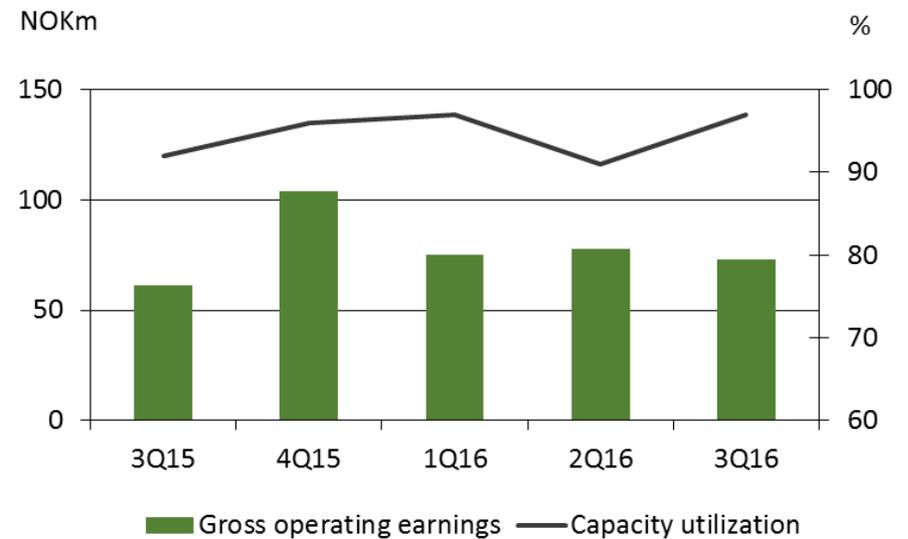


Publication paper Australasia flat

Mill capacities ('000 tonnes)

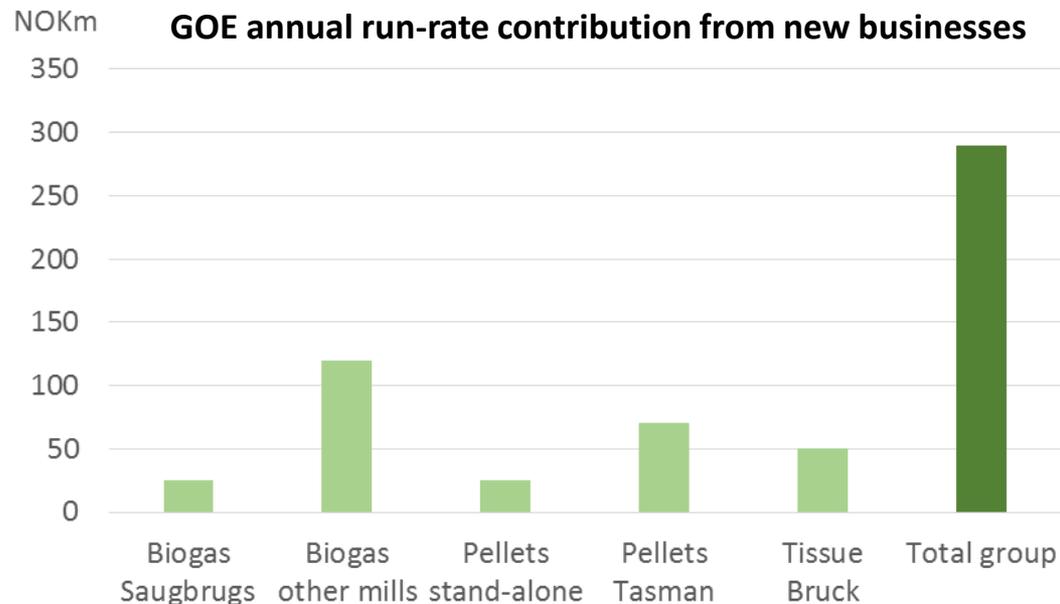


- GOE on level
 - Increased operating revenue with higher sales at Boyer
 - Higher costs with relatively more magazine paper to newsprint production



New businesses to contribute 25% of GOE by 2020

- Biogas projects at Saugbrugs, Skogn and Golbey to contribute from next year
- Tissue conversion at Bruck with ramp-up in 2018
- Pellets exports out of New Zealand in 2018, industrialization by 2020



Announced capacity closures supporting higher prices

- Significant European newsprint capacity closures already announced for 2017
 - Supporting continued high capacity utilization rates and price increases into next year
- Asian export prices for newsprint encouraging and likely to benefit from European pricing
 - Of increasing importance to Norske Skog due to a smaller domestic market in Australasia
- Growth initiatives to contribute meaningfully to GOE from next year
 - Full run-rate potential to be reached within a timeframe of 3-4 years
- Fixed costs initiatives continue towards a group level run rate of NOK 600 million per quarter
- Headwinds from recent currency movements and somewhat higher energy and RP costs
 - Particularly GBP depreciation, but also NOK appreciation to EUR
- Headwinds will diminish positive seasonal effect from higher sales volumes in the fourth quarter



