

A close-up photograph of a pine branch. The needles are a vibrant yellow-green color, contrasting with the darker green of the older needles. The branch is brown and woody. The background is a soft, out-of-focus green.

2Q17 Presentation

23 August 2017

Future on paper

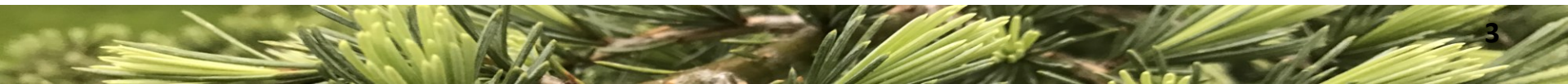
- Print advertising still plays key role in the marketing mix
 - Direct mail and leaflet costs significantly reduced with modern print technology
 - Digital ads typically receive no more than a second's attention from consumers
- Online platforms turn to paper
 - Gwyneth Paltrow's wellness brand to create a quarterly print magazine
 - Publisher Condé Nast to distribute the magazine from September 2017
- Print remains the revenue source
 - More than 90% of newspaper revenue come from the print edition*



* WAN-IFRA

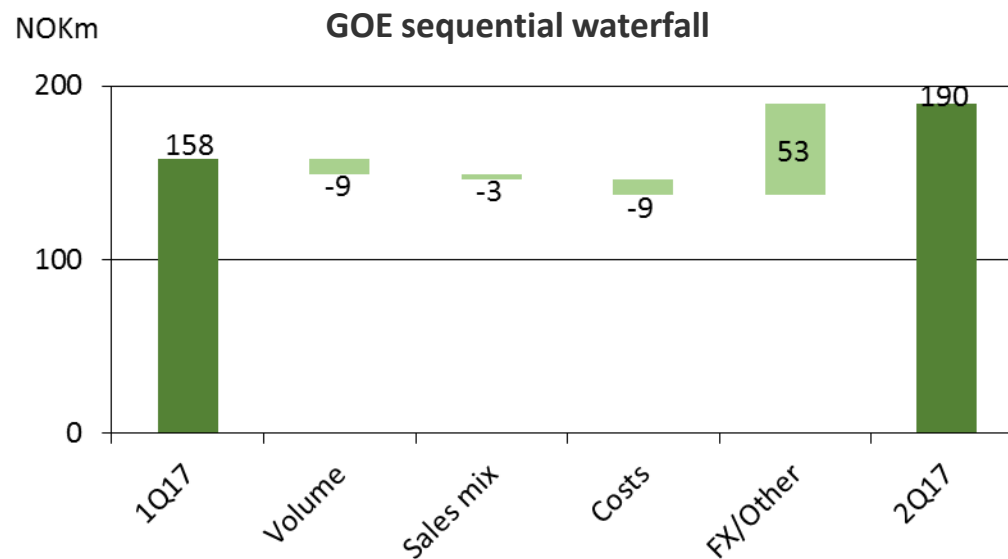
Improvement Australasia, higher costs Europe

- Gross operating earnings NOK 190m in 2Q17 (NOK 158m in 1Q17)
 - Europe: Higher costs offsetting positive currency effect
 - Australasia: Normal production at Boyer and CO2 compensation at Tasman
- Net debt increased by NOK 180m to NOK 6 579m
 - Negative unrealized currency effect from NOK depreciation to EUR
- Cash flow from operations NOK 226m before net financial items
 - Interest payments amounting to NOK 211m deferred in the quarter
- Loss for the period NOK 546m in 2Q17 (NOK 274m in 1Q17)
 - After depreciation, share of profit in associated companies and financial items
- Norske Skog's balance sheet unsustainable with negative equity of NOK 558m



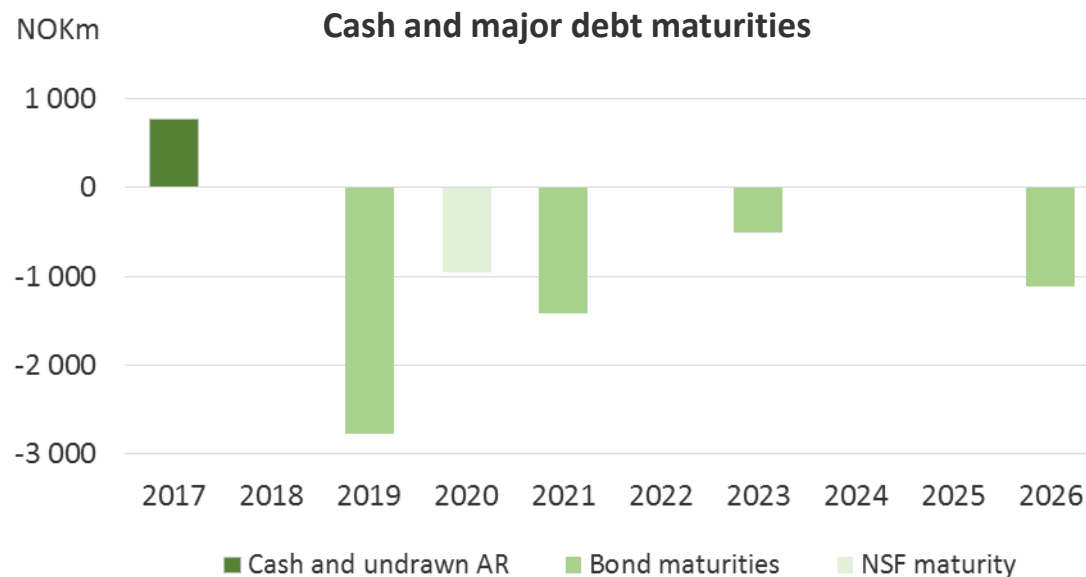
GOE better with improvement in Australasia

- Negative volume effect with lower production
- Positive currency effect with NOK depreciation in 2Q17
- Higher costs due to more maintenance work
- Recurring CO2 compensation at Tasman



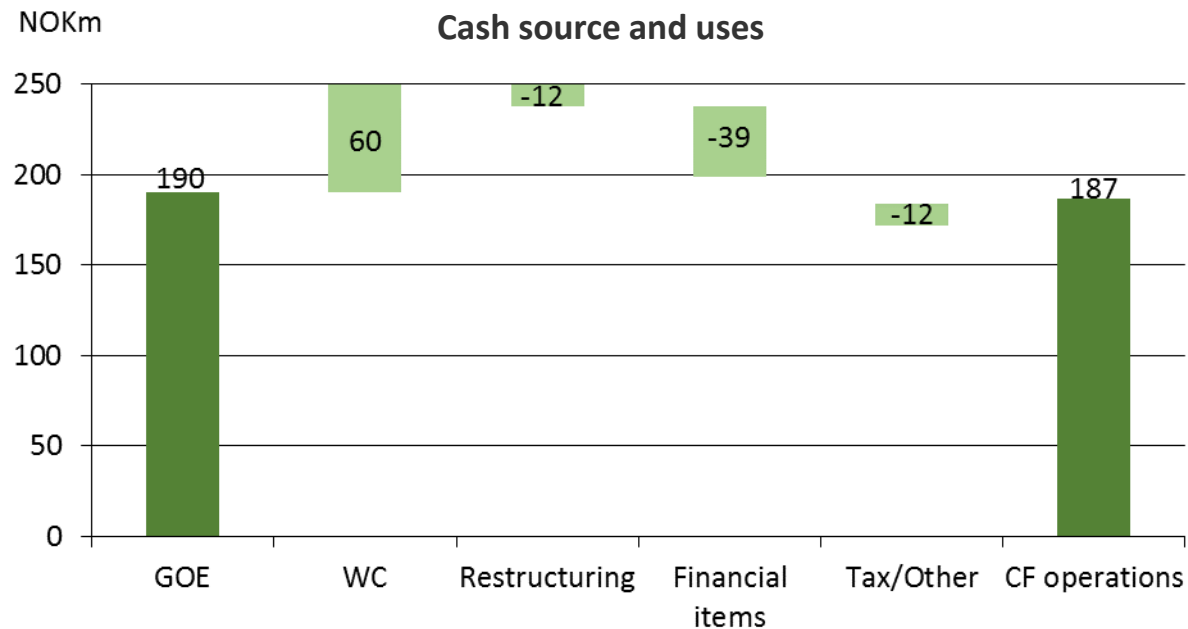
Norske Skog's debt is far too high

- Net debt increased by NOK 180m in the quarter to NOK 6 579m
- Debt need to be equitized for the group to continue as a going concern
 - No free cash flow after interest payments and needed capital expenditures



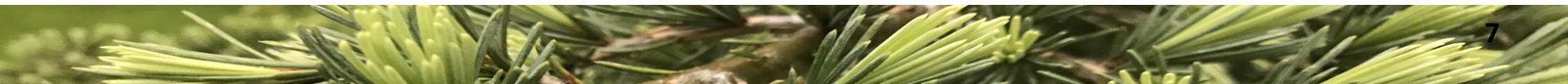
Interest payments have been deferred

- Working capital release more than offset restructuring payments related to cost reduction initiatives
- Cash interest payments amounting to NOK 221m were deferred in the quarter
 - Deferred interest payment to support the operating business



Group equity negative and trending lower

- Group book equity negative NOK 558m at end 2Q17
- Depreciation and financial items (NOK 350m) result in reduced equity every quarter
 - Depreciation NOK 150m and interest NOK 200m
 - Financial items also include FX on debt and effects from refinancing
 - Quarterly GOE has averaged just above NOK 200m in recent years
- Recapitalization to address equity situation is required

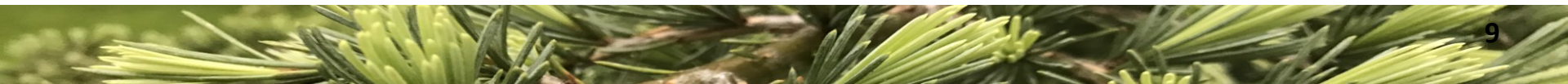


Margin improvement program in need of funding

- Umbrella program for a number of existing and new improvement initiatives
 - Profitability enhancements for paper operations in conjunction with the diversification strategy
- Far reaching program, realizing margin improvements throughout the value chain
 - Revenue enhancing measures through product and market optimization
 - Cost reductions through productivity enhancements, energy efficiency and improved logistics
- Ongoing and identified initiatives add to an annual improvement of NOK 500m from 2019
 - Actual performance however very sensitive to FX, sales prices and input factor costs
 - Investments of around NOK 200m needed to realize all initiatives but depending on successful recapitalization

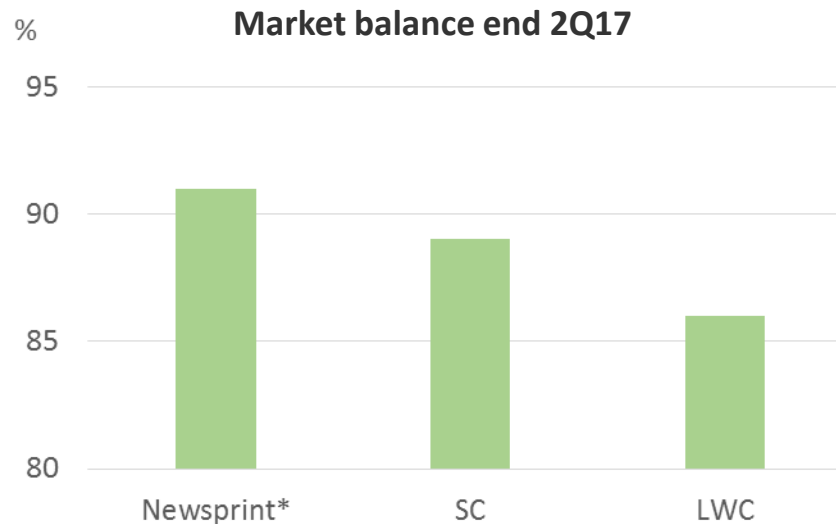
Diversification strategy in need of recapitalization

- Identified green growth projects with potential to contribute 25% of GOE by 2020
 - Investments in biogas, wood pellets, tissue paper and R&D to enhance use of biomass alternatives
 - However, currently no funding available to facilitate the diversification strategy
- The tissue project at Bruck in Austria has been delayed due to the unsustainable financial position
 - Closure of the outdated newsprint machine from 1953 postponed by one year to end 2018



Newsprint and SC in balance, LWC oversupplied

- Newsprint and SC magazine paper utilization rates favorable at around 90%
 - Capacity closures / conversions to retain relatively high utilization rate throughout 2017
- LWC magazine paper has a too low utilization in the mid 80s
 - No capacity has been announced closed / converted

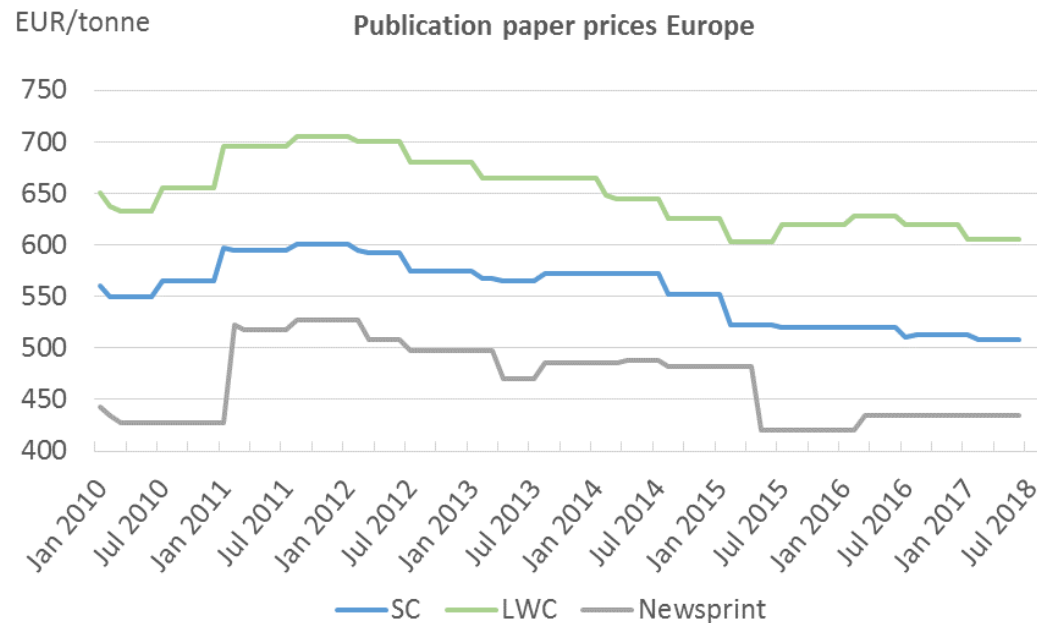


Euro-Graph, June 2017

* Including improved

Utilization rates supporting prices in 2 of 3 segments

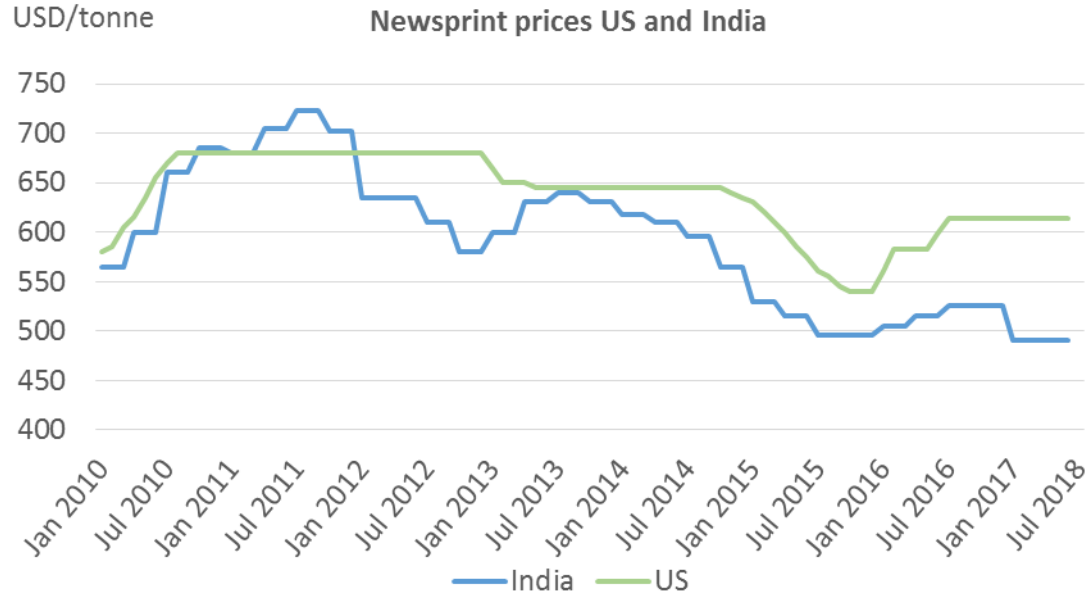
- European newsprint and SC magazine segments supported by industry closures / conversions
- LWC magazine segment in Europe is oversupplied, resulting in downward price pressure



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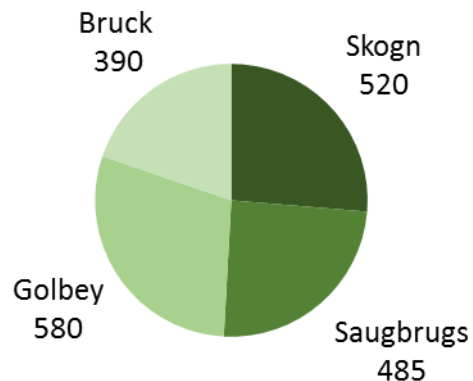
Newsprint prices in India and US historically correlated

- Indian newsprint prices weakened in 1Q17 and are lagging far behind US prices

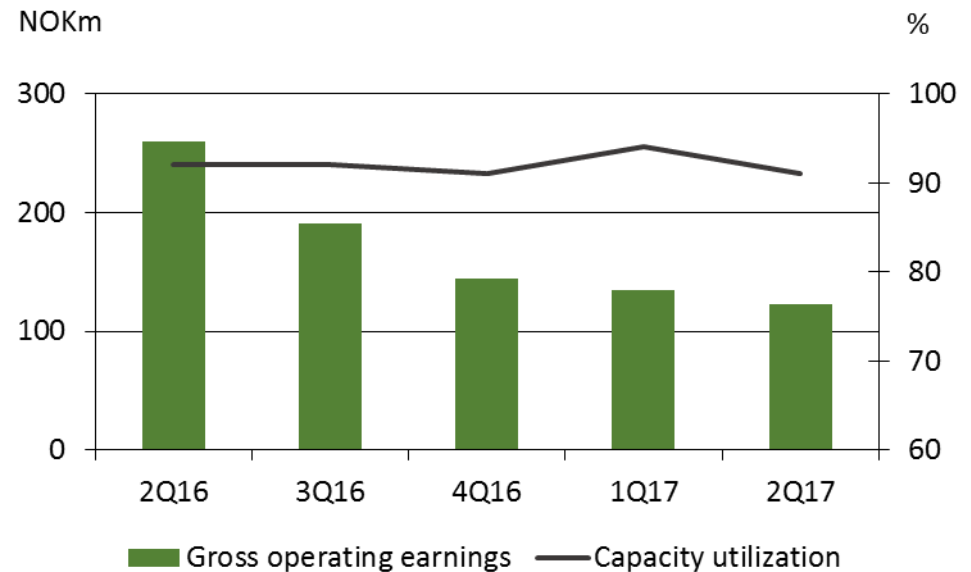


Publication paper Europe – Higher costs

Mill capacities ('000 tonnes)

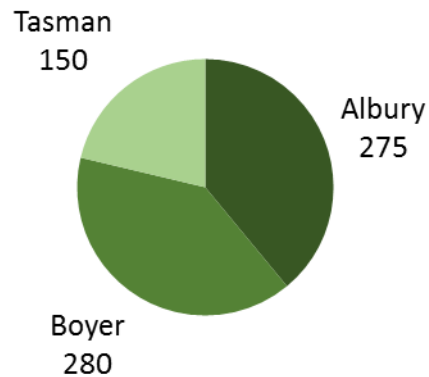


- GOE lower at NOK 123m with offsetting factors
 - Somewhat higher sales volumes and NOK depreciation
 - Recovered paper price inflation and more maintenance work

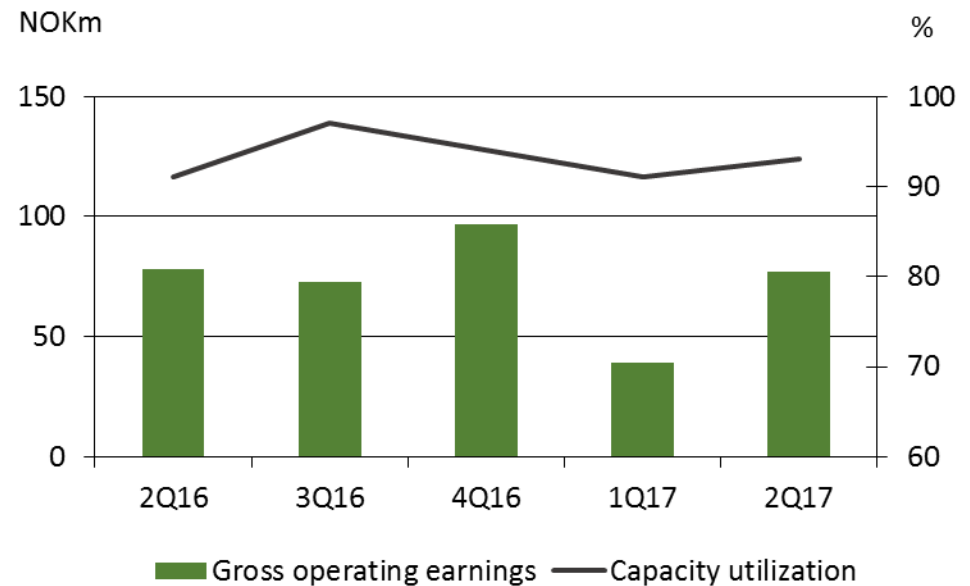


Publication paper Australasia – Increased revenue

Mill capacities ('000 tonnes)



- Normal production following disruption at Boyer in 1Q17
 - Increased revenue with more LWC sales and CO2 compensation
 - Flat costs development



Recapitalization needed

- Group headwinds from higher energy costs, cost inflation for recovered paper and FX
 - Operating environment in Europe supported by industry capacity closures / conversions
 - Less domestic demand and low Asian newsprint price challenge for Australasian business
- Projected full year 2017 GOE of around NOK 800m applied in recent recapitalization considerations
 - Last twelve months GOE performance as of 2Q17 was NOK 820m
- Current financial situation is unsustainable with tight liquidity and negative book equity
 - Group operations currently supported by unpaid interest
 - Group book equity negative NOK 558m
 - Group in need of funding to realize improvement program and diversification strategy
- The board of directors recognizes the severity of the financial position
 - An EGM has been called for 24 August 2017 to give an update on the financial position
- Operating business to be supported by new EUR 16 mill liquidity financing

