

3Q17 Presentation

23 November 2017



Future on paper

- Not fake news: Print remains the revenue source for newspapers
 - Print's share of total revenues was 92% in 2016

Print is by far the bigger revenue source for newspapers



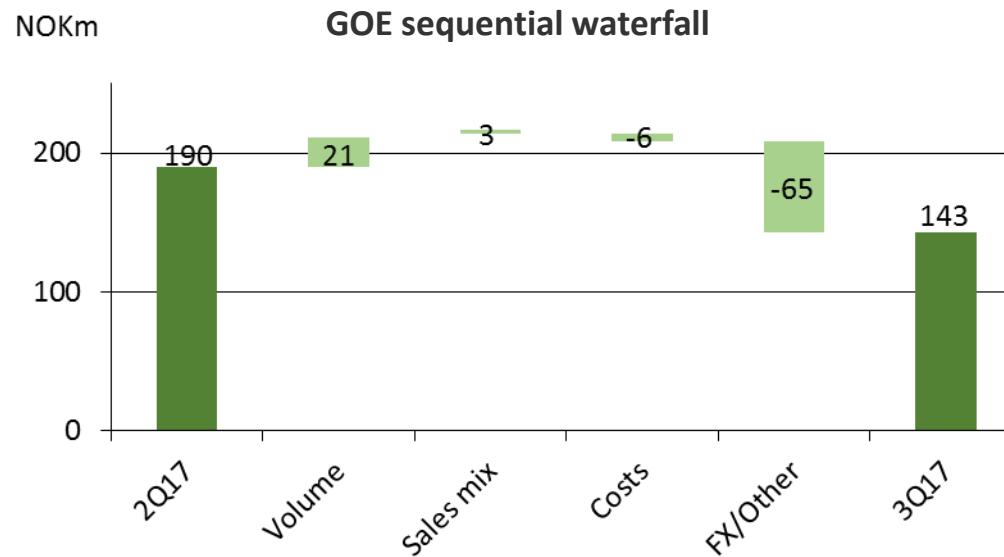
- Digital content is largely distributed for free – the print circulation market is 25 times larger
- Print advertising market 6 times larger than digital market

Performance impacted by FX

- Gross operating earnings NOK 143m in 3Q17 (NOK 190m in 2Q17)
 - Europe: Increased volume, but headwind from NOK appreciation
 - Australasia: Headwinds from increased newsprint exports at lower margins and AUD appreciation to USD
- Cash flow from operations negative NOK 162m
 - Significant increase in working capital due to higher accounts receivable and reduction of accounts payable
- Net debt increased by NOK 459m to NOK 7 038m
 - Reflecting negative cash flow and increased liabilities due to non-payment of interest
- Loss for the period NOK 9m in 3Q17 (NOK -546m in 2Q17)
 - After depreciation, other gains and losses and financial items
- Norske Skog's balance sheet unsustainable with negative equity of NOK 689m
 - The board is working continuously to find a recapitalization solution for the group

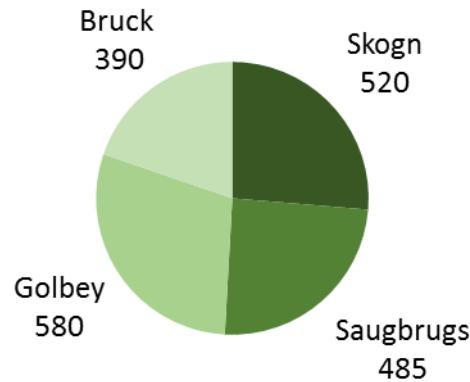
GOE lower with FX headwinds

- Positive contribution from higher volumes
- Prices and costs stable in the quarter
- Negative currency effect with NOK appreciation and USD depreciation in 3Q17
- Previous quarter had support from CO2 compensation

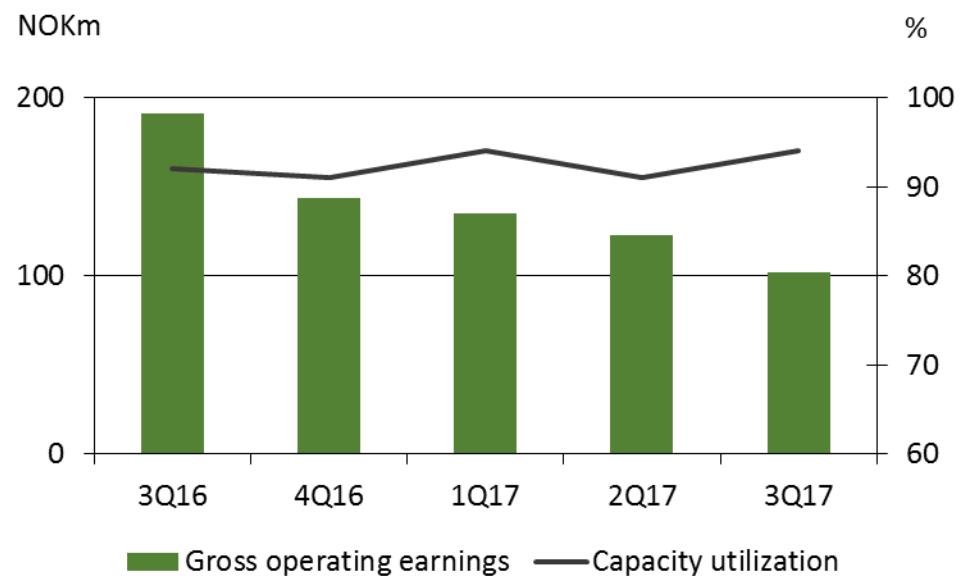


Publication paper Europe – NOK appreciation

Mill capacities ('000 tonnes)

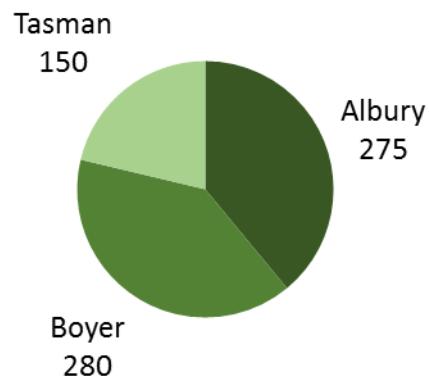


- GOE lower due to NOK appreciation
 - Revenue increased with higher sales volumes
 - NOK appreciation resulting in margin contraction

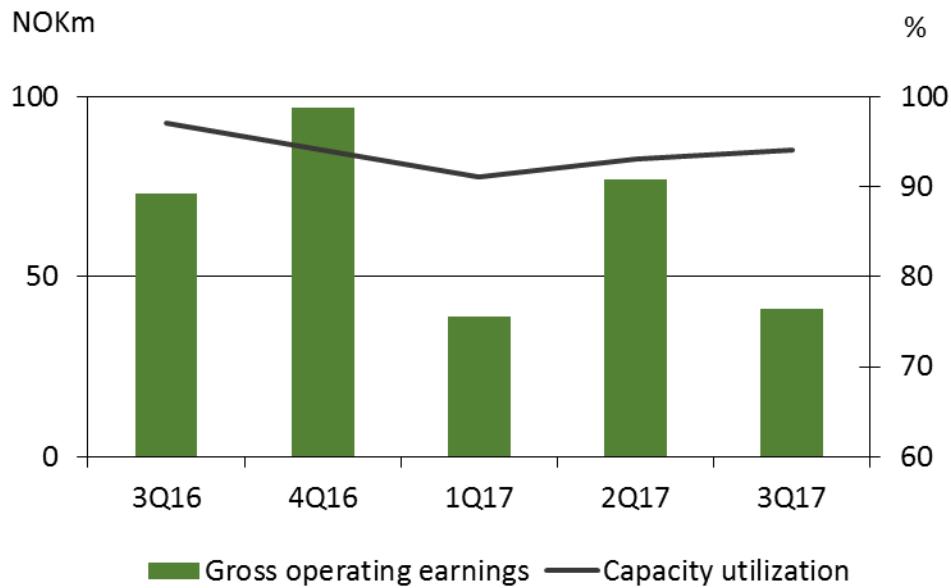


Publication paper Australasia – Structural demand decline

Mill capacities ('000 tonnes)

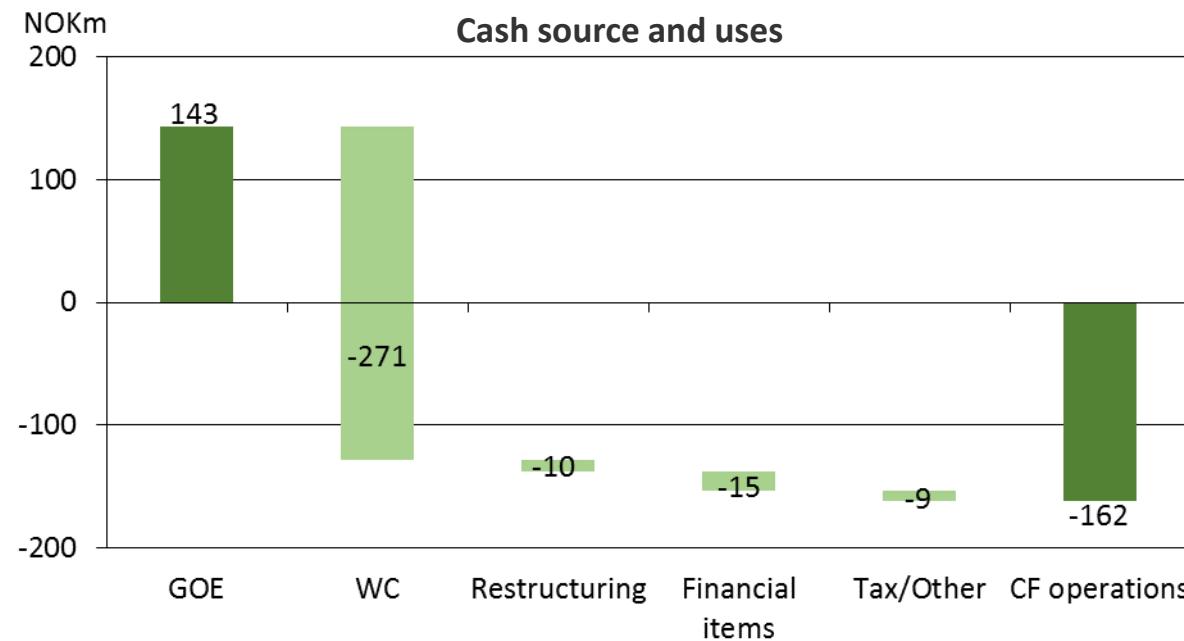


- GOE lower partly due to less domestic demand
 - More newsprint volumes exported to Asia at lower margins
 - Previous quarter also supported by a CO2 compensation



Deferred interest payments supporting cash flow

- Significant working capital build reflecting higher accounts receivable and reduction in accounts payable
- Cash interest payments have been deferred



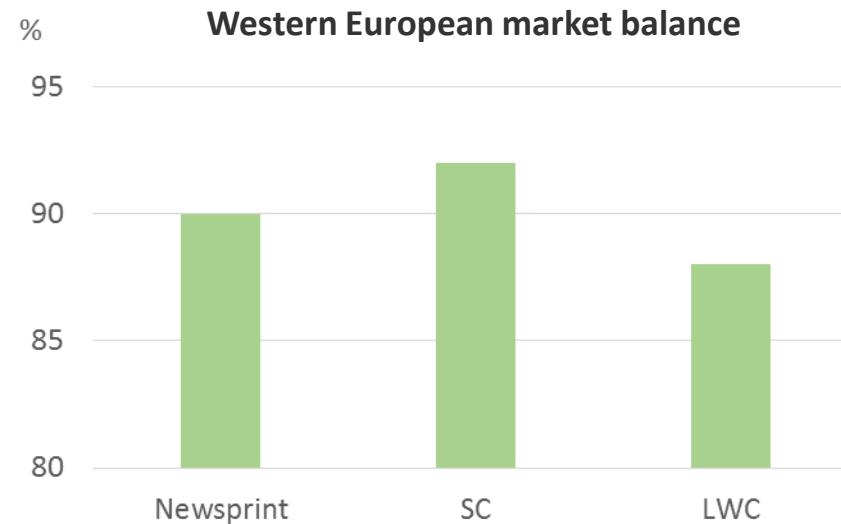
Margin improvement and diversification

- Norske Skog has initiated an improvement program across the group
 - Focus on profitability enhancements in conjunction with the diversification strategy
 - Initiatives add up to an annual GOE contribution of around NOK 500 million, all other things being equal
- Norske Skog has a clearly defined diversification strategy
 - New related businesses with a potential to generate more than 25% of group GOE have been identified
 - Projects include green investments like biogas and wood pellets in addition to tissue paper
 - Group further involved in R&D to enhance the use of renewable biomass as an alternative to fossil products
- Funding needed to effectuate both margin improvement program and diversification strategy



Tight market balance supporting price increases

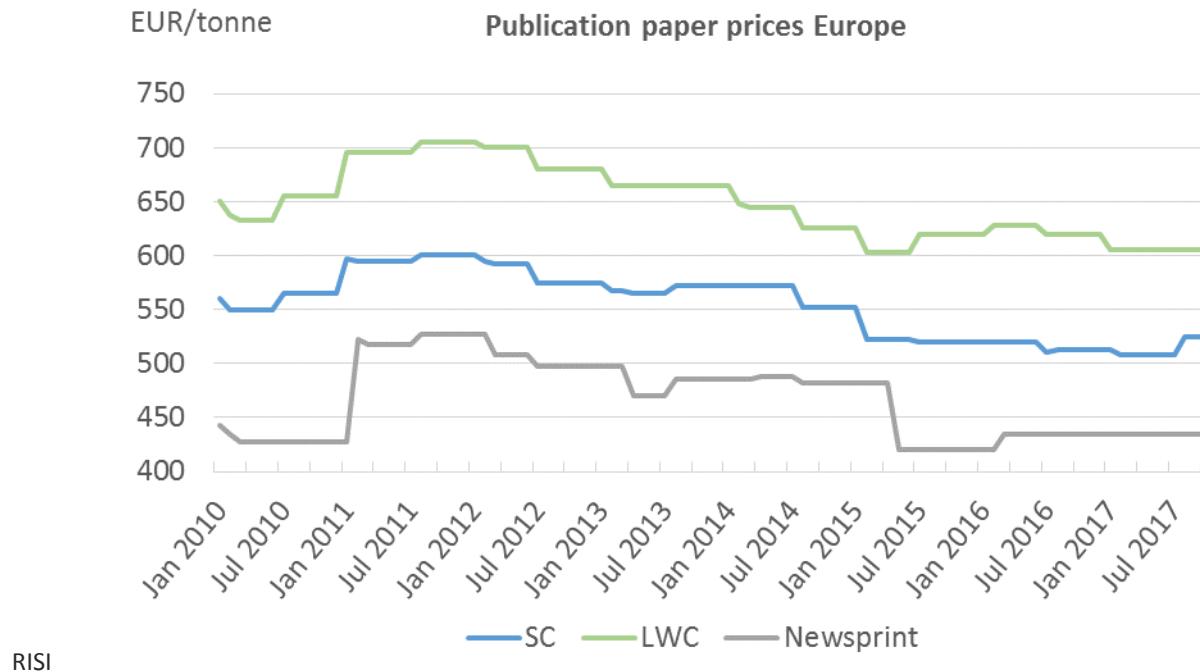
- Newsprint and SC magazine paper utilization rates favorable at 90% or above
 - Capacity closures / conversions supporting high utilization rates throughout 2018
- Announced closure and customer substitution to support the LWC magazine paper utilization rate



Euro-Graph, September 2017

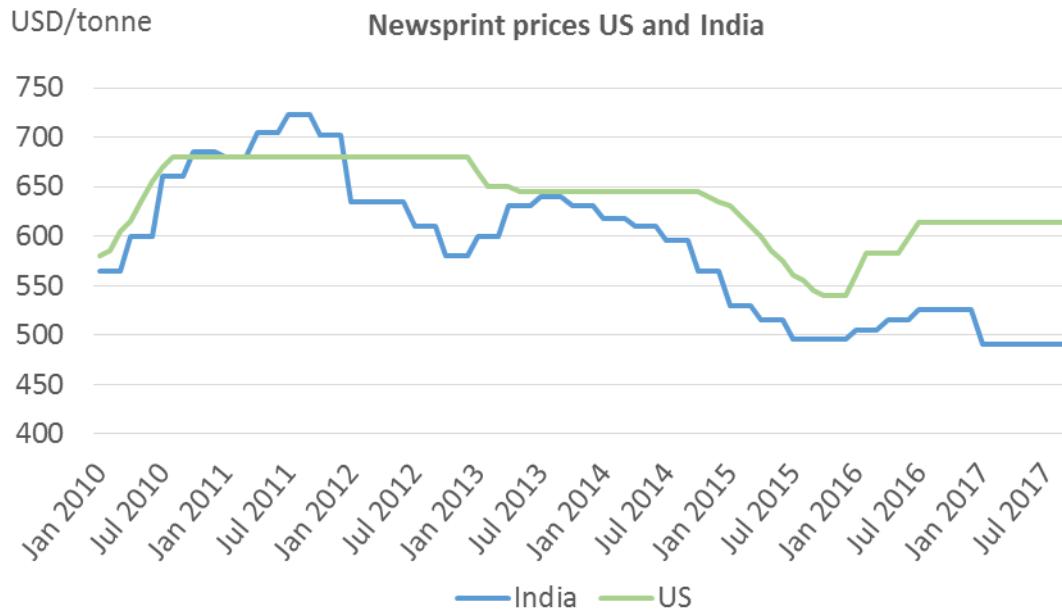
European newsprint and SC magazine prices to increase

- SC magazine paper and newsprint prices to increase by more than 10% into 2018
- Pulp cost inflation and improved utilization rate support price increases for LWC magazine paper



Export prices for newsprint to India have increased

- Indian newsprint prices have increased this autumn, but still lag far behind US prices



Ongoing recapitalization process

- Creditor committee discussions continue
- A new consent solicitation statement (CSS) to be launched following committee agreement
 - Holders of all Norske Skog bonds must provide their consents through their custodians
- Following formal CSS support, an extraordinary general meeting (EGM) will be called
 - Represented shareholders need to approve the final solution with a 2/3 majority
- A final solution to be implemented through the English courts
 - Following shareholder support, a creditor schemes of arrangement will be applied
 - The schemes require support from 75% in value and a majority in number of all investors



Recapitalization process holding back operations

- Higher input factor costs are headwinds for the group into 2018
- Favorable market balance for newsprint and SC magazine paper in Europe
 - Price increases of above 10% expected from January 2018
 - LWC magazine paper price increases supported by cost inflation and improved utilization rate
- Structural domestic demand decline in Australasia is a challenge
 - Higher newsprint prices in Asia is however a positive for the group's export businesses
- Both Norske Skog's margin improvement program and diversification strategy in need of funding
- The board is facilitating committee discussions to find a recapitalization solution for the group



