

Oceanwood new owner of Norske Skog AS

Oceanwood has entered into a sale and purchase agreement (the SPA*) to buy the entire issued share capital of Norske Skog AS (Norske Skog). Following a four-month competitive auction process, in which more than 100 prospective bidders were approached, Oceanwood emerged as the winning bidder by offering the highest value in cash for the shares and the intercompany loans.

John Chiang, an Investment Adviser of Oceanwood, says: *"Our first investment in Norske Skog was back in 2015 and we have supported and worked constructively with the group since. In November 2017, as it became apparent that it would be difficult to reach a consensual solution and solve the financial issues in the former Norske Skogindustrier holding structure, we decided to act to protect the operating companies. With the subsequent auction process now concluded, we are very excited to team up with Norske Skog's management and employees. We share the ambition to see the new Norske Skog Group succeed and to realise the potential that we believe is inherent in the business as it continues to transform and grow."*

The acquisition is subject to Oceanwood obtaining the relevant antitrust and other regulatory approvals in the countries concerned, including Australia and New Zealand, which is currently anticipated to take between four and six months to obtain.

Sven Ombudstvedt, the chairman of the board of Norske Skog AS, says: *"This is one of the most important milestones for the Norske Skog Group in recent years. It concludes almost two years of relentless efforts and engagement to address the Norske Skog Group's excessively levered capital structure. Oceanwood's decision to acquire a majority position in the secured bond and subsequently the decision to initiate a sales process proved to be the key to resolving the stalemate that was threatening the future of the operating business."*

The board and management of Norske Skogindustrier ASA initiated the process of addressing its unsustainable capital structure in October 2016 with representatives of its secured and unsecured financial creditors. Despite lengthy and constructive negotiations, the creditors and the shareholders did not reach any consensual capital restructuring solution. The board of Norske Skogindustrier ASA filed for bankruptcy in December 2017.

Lars P. S. Sperre, the President and CEO of Norske Skog says: *"With Oceanwood as a financially strong new owner, the Norske Skog Group and our employees now have a unique opportunity to further develop a sustainable business platform capable of strengthening our core business and investing in promising new growth projects. We would sincerely like to thank our customers, suppliers and employees who have demonstrated a tremendous amount of trust and support throughout this process, and we look forward to continuing to work with all of you in the future."*

Transaction details

Net cash proceeds after adjustments are estimated at approximately EUR 235 million (the Sales Proceeds).

The Sales Proceeds will be distributed by the security agent (Citibank, N.A. London Branch), in accordance with the intercreditor agreement to discharge certain costs and expenses, to

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the holders of the EUR 290 million senior secured notes due 2019 (the SSNs) and to the lenders under the EUR 16 million liquidity facility (the Liquidity Facility). This will represent an estimated recovery of approximately 69%, based on the outstanding liabilities under the SSNs and the Liquidity Facility as of 31 December 2017. As a result, no recoveries will be available from the sale of the shares or the intercompany loans to the holders of the EUR 159 million senior notes due 2021 and the USD 61 million senior notes due in 2023.

In the last twelve-month period ending 31 March 2018, Norske Skog generated revenue of approximately NOK 11.8 billion (~EUR 1.2 billion) and EBITDA of NOK 786 million (~EUR 82 million). On a pro-forma basis and excluding the transaction debt, the current financial net debt of the Norske Skog Group is NOK 1.4 billion (EUR 145 million), or 1.7 x EBITDA for the twelve-month period ending 31 March 2018. This includes the EUR 111 million Norwegian Securitisation Facility (NSF, owed to Oceanwood), securitisation debt and other debt.

The auction process

The auction process, which was publicly launched on 13 December 2017, has been a structured, competitive and impartial process, with appropriate safeguards being maintained by Norske Skog. The process has been monitored by the financial advisers of both Norske Skog and the Security Agent throughout, and with a wide range of trade parties, financial investors and creditors demonstrating a strong interest during the entire process.

The majority holder of the SSNs and the Liquidity Facility instructed the Security Agent to, amongst other matters (1) enter into the SPA with Oceanwood, and (2) to release at closing certain liabilities of the Norske Skog Group and certain security granted over assets of the Norske Skog Group.

About Norske Skog

Norske Skog is a leading producer of publication paper with strong market positions in Europe, where it occupies a top-tier publication paper position, and Australasia, where Norske Skog is a leading producer of publication paper in a concentrated market.

Norske Skog operates a total of seven profitable paper mills strategically located close to attractive markets and with total paper production capacity of 2.7 million tons, comprising 1.8 million tons of newsprint and 0.9 million tons of magazine paper (supercalandered and coated mechanical).

About Oceanwood

Oceanwood is an independent investment management firm founded in 2006. Located in London and Malta, the firm manages over US\$2 billion of capital, primarily for public pension plans and other institutional investors. Oceanwood is dedicated to investing in companies across Europe and employs a deep, fundamental approach to investing. The firm focuses on balance sheet sustainability and employs a constructive approach to working with management teams aiming to achieve positive results for all stakeholders.

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Norske Skog
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*) The SPA sets out the terms on which the Buyer will purchase and the Security Agent will sell the entire issued share capital of Norske Skog (the Shares) and its direct and indirect subsidiaries (the Norske Skog Group), and certain secured intercompany liabilities (the Intercompany Loans) owed to holding companies in bankruptcy of the Norske Skog Group.