



12 Roszel Road
Suite C-101
Princeton, NJ 08540
609.720.1700 Phone
609.454.5921 Fax

December 20, 2017

To Holders of Norske Skog AS 11.75% Senior Secured Notes,

Foxhill Capital Partners, LLC, Investment Manager to the Foxhill Opportunity Fund, L.P., is seeking out other minority holders of the Norske Skog AS 11.75% Senior Secured Notes ("SSN") to address serious concerns regarding the recent press releases published by Norske Skog on November 23, December 13 and December 19, 2017.

According to these announcements, Oceanwood Capital Management and Aker Capital AS intend "to form a new company ("Bidco"), which will bid in an auction process for the operating assets of the company." In addition, Evercore has been retained to conduct the auction which was initiated by the Indenture Trustee, Citibank, at the direction of Oceanwood.

We believe a substantial conflict of interest exists with respect to Oceanwood as a majority holder of the SSNs, 100% ownership of the NSF and the Super Priority Financing. Given Oceanwood's position in multiple layers of the capital structure, particularly the under collateralized NSF, as well as this announcement of the formation of a separate bidding vehicle, we believe Oceanwood's interests are not aligned with the balance of the SSN holders which own 40%+ or ~E120mm of the SSNs. Below we outline what we believe are serious deficiencies in the process that need to be addressed as long as Oceanwood plans to move forward with its own separate bid for the assets apart from the rest of the secured creditors.

- 1) Oceanwood, as the 100% owner of the NSF, has an inherent conflict of interest with respect to the SSNs. It has been the position of Oceanwood and its advisors that the NSF is under collateralized and that it is in the value-maximizing interests of the SSNs to ensure that the NSF receive consideration commensurate with the market value of its collateral. This puts Oceanwood in an irreconcilable conflict vis a vis other SSN holders as well as Citibank which has a fiduciary duty to all the SSN holders, not just those of the SSN majority holder. Therefore, we ask Citibank to conduct the collateral enforcement process under court supervision to provide a forum for the minority SSN holders to have a voice in the process. To date, Citibank has ignored our concerns regarding the process and we believe is in violation of its fiduciary duty to work for the benefit of all SSN creditors.
- 2) Oceanwood has announced the formation of a separate JV with Aker to bid for the operating assets of the company. As a bidder for the assets and a holder of a majority of the bonds, Oceanwood again has an irreconcilable conflict of interest with respect to the other SSN holders given that as a bidder it will be looking for the best price possible in a naked attempt to transfer the equity value from the non-majority SSNs to Oceanwood through a non-arm's length process where it controls the Trustee's instructions as well as sets the parameters of the bid.

It is well known that Oceanwood is planning to pursue a JV or other strategic transaction with a major European paper company and the transaction is designed such that Oceanwood /Aker are the sole beneficiaries. To address this conflict it would be appropriate for minority holders to receive tag along rights or some other form of economic participation should a transaction be consummated within two years from the closing.

- 3) With respect to the auction, there are serious concerns with its legitimacy. Evercore was recently acting as the advisor to the Company and now has been appointed to conduct the auction. Given its previous role as an advisor to the Company during the last two years there is a clear conflict of interest. We believe in order to have a fair, transparent auction that maximizes the value of the assets, a truly independent investment bank should be retained by the Norwegian court through a safe harbor collateral enforcement mechanism. The current approach lacks both transparency and independence.
- 4) Moreover, it is our understanding that the auction timetable is targeting final bids by mid-January. This is a clear attempt to exploit the holiday calendar and deter other bidders. We believe this overly aggressive timetable will have the effect of chilling other bidders from participating given the significant head start that the Oceanwood/Aker team has.

We call upon the Company to conduct the auction through an arms-length approach via the courts which removes both the presence and appearance of conflicts of interest. Moreover, we urge the Company to move to a slower, more deliberate timetable that will enable all bidders to make a thorough and informed analysis.

Furthermore, it is our understanding that European newsprint prices are likely to increase in 2018 and given the Company's high operating leverage, a significant rebound in EBITDA is expected. We believe that the aggressive bid timeline is being exploited by Oceanwood/Aker to usurp value from the other SSNs to capture all the upside. As a remedy we call on the Company to move to a more deliberate and open process.

- 5) We are concerned that Oceanwood will use its position as holder of the Super Priority Financing to influence the process to the detriment of the remaining SSN holders. As a result we believe the only equitable option is for the process to be supervised by the courts.

The preceding list reflects our initial concerns, however we intend to seek the advice of counsel to determine if there are any other potential conflicts and what the remedies may be. We are asking other holders of the SSNs to respond to Foxhill to form a group representing minority SSN creditors and retain our own independent counsel and advisors.

Regards,
Neil Weiner
Neil Weiner
Managing Member

neil@foxhillcapital.com