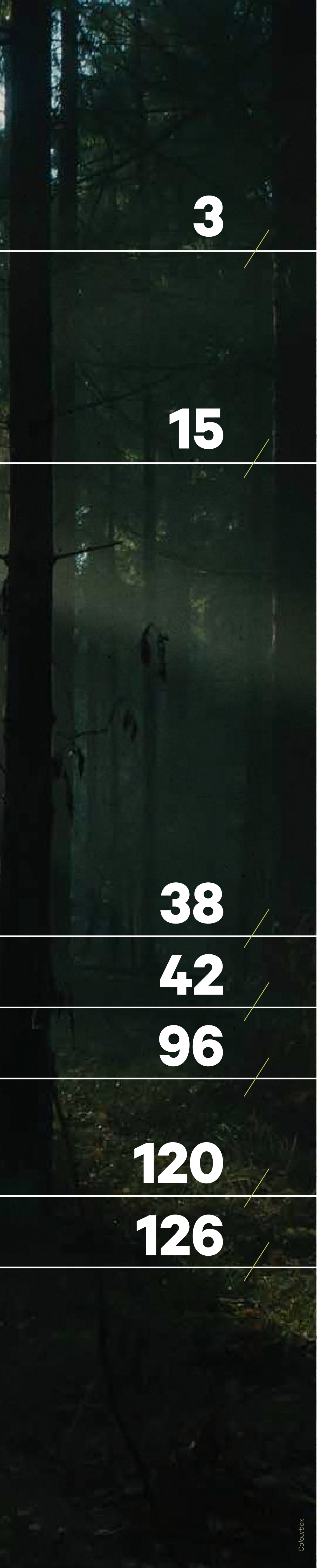
13

Norske Skog

ANNUAL REPORT 2013

We believe in the company, the products and the future



Colourbox

CONTENTS

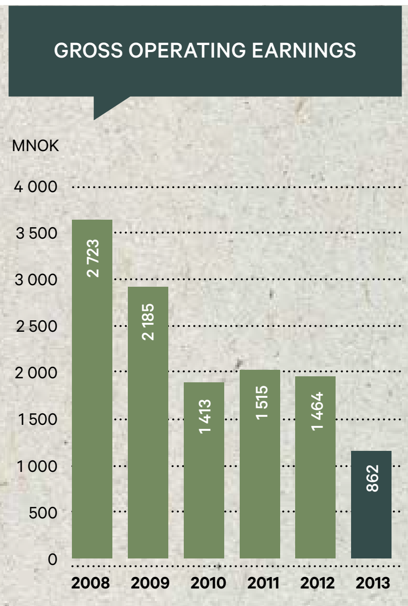
SUMMARY AND PRESENTATION	**3**
Key figures	**3**
Norske Skog 2013	**4-5**
CEO's comments	**6**
Successful TMP project at Norske skog Saugbrugs	**8**
Short stories	**10-11**
Board of Directors	**12**
Corporate Management	**13**
CORPORATE SOCIAL RESPONSIBILITY	**15**
Norske Skog and local communities	**17**
Key figures - employees 2013	**18**
Paper production	**21**
Production capacity	**21**
Evaluation of our environmental performance	**21**
Investment in coated paper will open new markets in Australia	**22-23**
Sustainable raw materials	**24**
Energy consumption	**26**
Norske Skog's greenhouse gas emissions	**27**
Our carbon footprint	**28**
Continuously improving our production processes	**29**
Water consumption	**31**
Water profile	**31**
Emissions to air and discharge to water	**32**
Environment-related investments, operating costs and transport	**33**
Mill figures	**34**
Independent auditor's report	**36**
Environment and corporate social responsibility reporting	**36**
REPORT OF THE BOARD OF DIRECTORS	**38**
Organisation	**40**
CONSOLIDATED FINANCIAL STATEMENTS	**42**
Notes to the consolidated financial statements	**50**
FINANCIAL STATEMENTS NORSKE SKOGINDUSTRIER ASA	**96**
Notes to the financial statements	**102**
Independent auditor's report	**116**
Declaration from the board of directors and CEO	**118**
CORPORATE GOVERNANCE	**120**
Shares and share capital	**124**
SUMMARY AND PRESENTATION	**126**
Key figures related to shares	**126**
Articles of Association for Norske Skogindustrier ASA	**128**

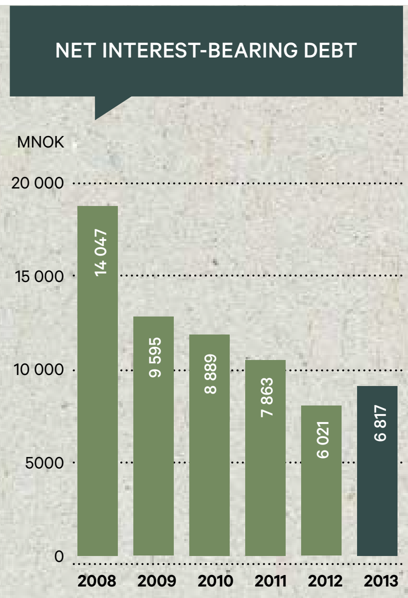
Design and layout: Pan2ne Design // Tone Strømberg
Print: 07 Aurskog
Paper: Norcote Trend 90 g/m² - Norske Skog
Photo and editor: Carsten Dybevig.
Photo: (close-up of nature) Maria Prestbøen.

KEY FIGURES

	DEFINITIONS	2013	2012	2011	2010	2009	2008
INCOME STATEMENT							
Operating revenue		13 339	16 592	18 904	18 986	20 362	26 468
Gross operating earnings	1	862	1 485	1 515	1 413	2 185	2 723
Operating earnings		-1 111	-2 663	-2 701	-2 379	-1 325	-1 407
Profit/loss		-1 844	-2 781	-2 545	-2 469	-1 400	-2 765
Earnings per share (NOK)		-9.71	-14.63	-13.36	-12.97	-6.36	-14.33
CASH FLOW							
Net cash flow from operating activities		68	982	455	397	1 697	1 977
Net cash flow from investing activities		-169	300	470	415	-587	2 289
Cash flow per share (NOK)		0.36	5.18	2.40	2.09	8.95	10.43
OPERATING MARGIN AND PROFITABILITY (%)							
Gross operating margin	2	6.5	9.0	8.0	7.4	10.7	10.3
Return on capital employed	3	1.3	4.4	-0.9	-3.1	-1.2	0.3
Return on equity	4	-58.3	-48.0	-28.9	-22.2	-10.9	-18.7
Return on assets	5	-6.7	-14.5	-8.7	-7.5	-3.1	-2.8
PRODUCTION / DELIVERIES / CAPACITY UTILISATION							
Production (1 000 tonnes)		3 039	3 555	3 832	3 998	3 895	5 377
Deliveries (1 000 tonnes)		3 050	3 588	3 857	4 013	3 894	5 412
Production / capacity (%)		88	88	87	89	79	93

		31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
BALANCE SHEET							
Non-current assets		10 611	11 393	15 803	19 271	23 546	26 980
Current assets		4 005	4 650	6 171	10 027	9 609	18 211
Total assets		14 617	16 043	21 974	29 297	33 155	45 191
Equity		2 175	4 151	7 433	10 183	12 015	13 632
Net interest-bearing debt	6	6 817	6 021	7 863	8 889	9 595	14 047
Gearing (net interest-bearing debt / equity)	7	3.13	1.45	1.06	0.87	0.80	1.05





DEFINITIONS KEY FIGURES

1. Gross operating earnings = Operating earnings + Ordinary depreciation + Restructuring expenses + Other gains and losses + Impairments
2. Gross operating margin = Gross operating earnings : Operating revenue
3. Return on capital employed = Gross operating earnings after depreciation : Capital employed (average)
4. Return on equity = Net profit/loss for the year : Equity (average)
5. Return on total assets = Earnings before financial expenses : Total assets (average)
6. The calculation of net interest-bearing debt is presented in Note 11 in the consolidated financial statements
7. Gearing = Net interest-bearing debt : Equity

2013 / NORSKE SKOG /

1 JANUARY

One of the two paper machines at the Tasman Mill at Kawerau (New Zealand) permanently closed. The remaining Tasman machine will continue to produce newsprint predominantly for the New Zealand and Australian markets.

The lease for the new headquarters at Skøyen in Oslo was signed. Norske Skog had its headquarters at Oxenøen in the municipality of Bærum since 1998.

2 FEBRUARY

Norske Skog reported continued reduction of debt and fixed costs during the fourth quarter of 2012, despite what was described as challenging markets. Net loss was significantly influenced by non-cash items.

3 MARCH

In order to avoid unnecessary build up of inventory, Norske Skog announced that one paper machine at Norske Skog Skogn would be idled from June and that the one machine still in operation at Norske Skog Tasman (New Zealand) would reduce production due to the energy price development in New Zealand.

Norske Skog reached an agreement with its bank syndicate resetting first quarter covenants related to the revolving credit facility.

4 APRIL

Norske Skog's annual general meeting re-elected Eilif Due, Siri Beate Hatlen, Finn Johnsson, Karen Kvalevåg and Jon-Aksel Torgersen to the board of directors. The annual general meeting also re-elected Eivind Reiten as chair of the board.

Norske Skog reported lower margins in the first quarter of 2013 due to lower selling prices and seasonal fluctuations in demand, and stressed continuous cost cuts and productivity improvements.

5 MAY

A long-term energy contract with Statkraft for the supply of electricity for Norske Skog Saugbrugs came into effect on 1 May. The new agreement with Statkraft secures an annual supply of 1.0 TWh through 2020 and ensures almost full energy coverage for Saugbrugs over the next few years. The contract is stipulated in euros to reduce the currency exposure.

6 JUNE

On 10 June, the mayor of Oslo, Fabian Stang, officially opened Norske Skog's new headquarters at Skøyen.

Norske Skog agreed to sell 51 per cent of the shares in Norske Skog Pisa in Brazil to Papeles Bio Bio S.A., (formerly Norske Skog Bio Bio) which is controlled by Group BO/Pathfinder, a consortium of Chilean investors.

Norske Skog resigned an agreement with Hewlett Packard to continue as the global provider of IT infrastructure, operating services and application management for the next five years.

7 JULY

Norske Skog reported somewhat better margins in the second quarter due to seasonal variations in demand and lower costs per unit as a result of on-going efficiency programmes. Price increases and sustained depreciation of the Norwegian krone were expected to improve the revenue base going forward.

8 AUGUST

The Ministry for Primary Industries at New Zealand awarded Norske Skog Tasman and project partner Z Energy with innovation funding of NZD 6.75 million under the Primary Growth Partnership for the "Stump to Pump" project. The purpose is to investigate biofuel opportunities within the region.

Full production was restored at Norske Skog Skogn after one of the paper machines was idled in June. The decision was taken based on improved market conditions.

10 OCTOBER

Norske Skog agreed to sell its Singburi mill in Thailand to a Thai industrial group for a total consideration of USD 33 million as part of the strategy to improve Norske Skog's cash flow and financial position.

For the third quarter, Norske Skog reported that improved an improvement in the market balance for newsprint and magazine paper, as a result of permanent shutdowns in the industry, contributed to higher capacity utilisation and an improved margin outlook in Europe.

11 NOVEMBER

Norske Skog signed a loan agreement to raise a loan of NOK 250 million in SpareBank 1 Gruppen, secured by accounts receivable in the two Norwegian mills Norske Skog Skogn AS and Norske Skog Saugbrugs AS, thus securing sufficient funds to cover debt obligations in 2014.

12 DECEMBER

Norske Skog separately entered into new long-term supply agreements for newsprint and improved grade paper with the Australian media groups News Limited and Fairfax Media Limited. The new agreements run until the middle of 2020.

Norske Skog Saugbrugs was granted NOK 7 million from Innovation Norway for the establishment of a world-leading pilot plant for the development of microfibrillated cellulose (MFC) or nanocellulose as it is also called. This has the potential to reduce costs and make Norske Skog more competitive in the future.

Due to excess capacity in the coated mechanical market, Norske Skog Walsum idled permanently one paper machine (PM4).

Norske Skog separately entered into new long-term supply agreements for newsprint and improved grade paper with the Australian media groups News Limited and Fairfax Media Limited. The new agreements run until the middle of 2020.

EMPLOYEES

TOTAL 3 274

10.2% FEMALE EMPLOYEES

Sales in **85** countries

9 PAPER MILLS

7 COUNTRIES

Skogn, Norway	MNI, Malaysia – 34%
Saugbrugs, Norway	Albury, Australia
Golbey, France	Boyer, Australia
Walsum, Germany	Tasman, New Zealand
Bruck, Austria	

2 985 000 tonnes

PRODUCTION CAPACITY

CAPACITY UTILISATION **88%**

3 039 000 tonnes

SOLD

3 050 000 tonnes

PRODUCED

CORPORATE MANAGEMENT

CEO
SVEN OMBUDSTVEDT

CFO
RUNE SOLLIE

COO
ROAR ØDELIEN

WE BELIEVE IN THE COMPANY, THE PRODUCTS AND THE FUTURE

5 MAIN PRIORITIES:

1. **Increase profitability**
2. **Increase competitiveness through the reduction of fixed costs and more efficient use of energy and fibre**
3. **Create new business opportunities relating to existing facilities**
4. **Reduce net debt**
5. **Influence the political framework**

The sharp fall in demand in recent years has led to major capacity cuts in the industry and in Norske Skog. However, the large gap between demand and supply of paper has decreased, due to substantial capacity reductions. Increased capacity utilisation at our plants both improves profitability and increases the opportunities for price increases for our products.

The fall in demand in recent years is due to both to changes in macroeconomic conditions (so-called cyclical reasons) and structural changes in the industry, such as changing reading habits and the phasing out of soft demand or free distribution of newspapers. A number of publishing houses and editors promote digital platforms rather than paper solutions. Not only has the media houses' income decreased - journalistic content has also been greatly narrowed, where business models are controlled by ideology, not profitability. A few years ago, the venerable magazine Newsweek was a purely digital product. When customers and circulation disappeared, the new owners found that they had to re-launch the printed version to win back customers.

Norske Skog has undergone a large scale transformation in recent years: significant cuts in fixed costs, restructuring and closure of machine capacity, simplification of the legal structure of the group, and conversion of business units to separate legal entities. The company has sold much of its non-production related business and sold mills outside the geographical core areas of Europe and Oceania. The staff have not only mastered the changes in a good way, but have been constructive contributors to many difficult processes and demonstrated the necessary urgency and speed in the implementation.

For many outsiders, Norske Skog may appear to be a stable, industrial company. However, there is a formidable technological development in the group to streamline ongoing operations. In early 2014, we opened a new pulp line at Saugbrugs, reducing costs and energy consumption. Similar improvements also take place continuously to a smaller or larger degree at our other business units. The initiatives are created internally with help from new or modified technology.

Production of coated paper at the Boyer mill in Tasmania, Australia will start in April. Instead of closing a newsprint machine, AUD 84 million has been invested in a new winder/coater. This means that, for the first time, we can supply something other than newsprint from own production in Oceania. Following the conversion, Norske Skog will cover Australia's demand for glossy paper for catalogues and magazines. Australian authorities have granted AUD 28 million in government grants and a loan of AUD 13 million. We are very grateful for the generosity that the Australian authorities have shown in the financing of these projects. The results of these large investments will improve the quality of the paper and contribute to lower consumption of raw materials.

We invest significant funds in research and new developments within the group. Continuous redevelopment work takes place at all our business units. Saugbrugs in Halden have received support from Innovation Norway for the development of a new type of cellulose, Tasman in New Zealand are working on the development of liquid high-octane bio-energy, Skogn is working on the conversion of ash waste from the bio-plant from waste to a commercial resource, Golbey is initiating new alternative products in cooperation with local businesses, and Albury is cooperating with the aviation industry for the development of high-octane bio-fuel for aeroplanes. The initiatives are many, they are innovative, and they show that creativity and willingness of the staff to create a sustainable Norske Skog are present.

Norske Skog still faces some major challenges that must be overcome: declining demand and significant debt maturities in the next few years. We have shown before, and want to show again, that we are a progressive and viable group with belief in the company, the products and the future.

Sven Ombudstvedt
President and CEO

Foto: Erik Sandersen.

The Industry Minister, Monica Mæland, officially opened the new thermo-mechanical pulp plant on 6 March 2014.

SUCCESSFUL TMP PROJECT AT NORSKE SKOG SAUGBRUGS

Norske Skog has invested NOK 220 million in an expansion and renewal of the thermo-mechanical pulp plant at Norske Skog Saugbrugs in Halden. The old stone groundwood pulp plant has been replaced by a modern facility, which will supply pulp to the paper machines at a much lower cost than today.

The cost savings consist mainly of lower energy- and pulp consumption and lower maintenance costs. Increased use of wood pulp in the paper will also result in improved quality, mainly because of the considerable energy savings from the project.

- Investments in the new pulp plant will give increased competitiveness and an energy-efficient mill that is poised for continued operation. We do this in order to be able to maintain operations at Saugbrugs, says President and CEO in Norske Skog, Sven Ombudstvedt.

Enova, a publically owned enterprise funding greener industry and lower energy consumption, supported the project with NOK 50 million.

The start-up has been successful. The plant has already after some weeks of production, met the expectations.

From the opening ceremony, Fabian Stang the major of Oslo opened new headquarter in Karenslyst allé 49 on 10 June 2013. Photo: Linda Hoff Igharo.

NEW HEADQUARTER

In June, the mayor of Oslo, Fabian Stang, officially opened Norske Skog's new headquarter at Skøyen in Oslo.

Previously, Norske Skog had its headquarter at Oxenøen in the municipality of Bærum since 1998. The company has undergone a major reorganisation and downsizing in recent years, reducing the need for the large premises at Oxenøen.

The building at Oxenøen was owned by Norske Skog until 2008 and subsequently leased by the company.

Commenting on the move, Sven Ombudstvedt, Norske Skog's President and CEO, called the new headquarter "timely, efficient and pleasant."

RUNNING FOR A GOOD CAUSE

Norske Skog's business units are encouraged to be active participants in their local communities. One example is Norske Skog Golbey's participation in a running event to raise money for The French Muscular Dystrophy Association (AFM-Téléthon).

The event took place in December 2013 in the local community of Épinal-Golbey in eastern France, where participants ran laps of 473 metres around two bridges downtown Épinal. The more people taking part and the more laps that were run, the more money was collected.

Norske Skog Golbey mobilized its staff to run, and management committed to donate 2 euros per lap, targeting 1 000 laps over a 24-hour period.

55 employees from the mill participated and eventually ran 1 963 laps, raising a total of 3926 euros for the cause.

Two of our employees really took off and ran 88 and 100 laps respectively, about the length of a marathon! The top management team participated by symbolically running during the first and the last hour.

AFM-Téléthon is composed of patients and their families who are affected by a muscular dystrophy, a group of muscle diseases characterized by progressive weakness and the death of muscle cells and tissue.

The association has a 50-year history and has been staging yearly money-raising events since 1987. The fundraising consists of several events all over France, and it is the world's largest such effort targeted at raising money from individuals. It has brought in an average of 90 million euros a year over the last 15 years.

Photos: Dominique Bomont.

Yves Bailly, general manager of Norske Skog Golbey, hands over a check from Norske Skog Golbey to Mrs Welschbillig from AFM-Téléthon 18 December 2013.

EXPLORING NEW AVENUES IN CELLULOSE

In December 2013, Norske Skog Saugbrugs was granted NOK 7 million from Innovation Norway for the establishment of a world-leading pilot plant for the development of microfibrillated cellulose (MFC) or nanocellulose as it is also called.

The pilot project involves production of MFC using high-pressure treatment of thermomechanical pulp, which is the main raw material for paper.

MFC has several interesting applications, including as a new raw material adding strength to paper. Extensive work has been performed on MFC, and several other uses have been suggested, including reinforcement of plastic.

"If we succeed in producing MFC with this technology and use it in our paper production, this could reduce our costs and make us more competitive in the future. At the same time, the MFC competence will be useful for the entire group," Sven Ombudstvedt, President and CEO of Norske Skog, said when the grant was announced.

There has been research on MSC going back to the early 1980s, and interest in the field has increased after 2000.

THE MYTH:
MAKING PAPER USES A LOT OF NON-RENEWABLE ENERGY AND HAS A HIGH CARBON FOOTPRINT

THE FACT:
MOST ENERGY USED IS RENEWABLE, CARBON INTENSITY IS SURPRISINGLY LOW

ASH – FROM WASTE TO RESOURCE

As part of Norske Skog's sustainability efforts, the company is actively exploring ways to turn waste into resources.

One example is the work being done with the Norwegian environmental non-governmental organisation Bellona on utilising ash from Norske Skog Skogn instead of depositing it. The goal is to run pilots using the ash for purposes such as fill for roads and parking lots.

Norske Skog Skogn produces about 35 000 tonnes of ash a year from various sources of biomass, which has substantially replaced the burning of oil to generate heat. The ash is currently deposited according to government regulations in a nearby quarry.

This is a waste of a resource with several useful properties. In Sweden, only about 5% of industrial ash is deposited, and it is used for various purposes, such as road fill.

There have been some concern regarding traces of heavy metals in the ash, but it is Norske Skog's view that use of ash is environmentally sound.

The lime in the ash will solidify over time, and the result is similar to cement. This ensures that the traces of heavy metals in the ash will not escape into the environment.

This is supported by measurements performed in the sea outside our plant at Skogn, where a large quantity of ash has been used as fill for a port area. The measurements show no pollution of the sea.

Avoiding costs of deposition ash and finding use for the ash as a resource is a win-win solution.

BOARD OF DIRECTORS

EIVIND REITEN 60

BOARD MEMBER AND CHAIRMAN SINCE 2009

Residence:	Oslo
Education:	Master of Science in Economics (Cand. oecon.), University of Oslo (Norway)
Position:	Senior director
Director-ships:	Chairman of the board D&H Solutions AS, Turtle Ship Partners AS, Agr Drilling Services Holdings AS, Mocca Invest AS, Anaxo Capital AS, Constructor Group AS, Backe Entreprenør Holding AS, Klaveness Marine Holding AS, Eds Group AS Backe and Agr Group ASA. Board member AS Værdalsbruket, Albain Midco Norway AS, Albain Holdco Norway AS and Albain Midco Norway AS.

INGELISE ARNTSEN 47

BOARD MEMBER SINCE 2013

Residence:	Bergen
Education:	Bachelor of Science in Business Administration, Business School of Southern Denmark
Position:	Executive Vice President Aibel AS
Director-ships:	Board member Norwegian Air Sports Federation (section for motorized planes)

KJETIL BAKKAN 52

BOARD MEMBER SINCE 2012

Residence:	Verdal
Education:	Industrial mechanic
Position:	Senior Purchaser, Norske Skog Skogn
Director-ships:	Employee representative in the union (FLT-LO), deputy chairman in local department of FLT-LO and member of Norske Skog Works Council Norway.

EILIF DUE 59

BOARD MEMBER SINCE 2012

Residence:	Levanger
Education:	Master of science in engineering, Norwegian University of Science and Technology (NTNU) (Norway), Foundation program in business administration, Norwegian Business School (BI) (Norway)
Position:	Consultant/Forest owner
Director-ships:	Chairman of the board Allskog SA, Hoff SA and Allskog Holding SA. Board member Arcus-Gruppen Holding AS, Arcus-Gruppen AS and Aasen Sparebank.

SIRI BEATE HATLEN 57

BOARD MEMBER SINCE 2012

Residence:	Bærum
Education:	Master of business administration, INSEAD (France), Master of chemical engineering, Norwegian University of Science and Technology (NTNU) (Norway)
Position:	Senior director
Director-ships:	Chairman of the board Sevan Marine ASA, Entra Eiendom AS, Youth 2016 Olympics, The Norwegian Board of Technology, Norwegian University of Life Science and DNT Oslo. Board member Kitron ASA, Eksportkreditt AS, Norwegian Glacier Museum and Nobel Peace Center.

FINN JOHNSSON 67

BOARD MEMBER SINCE 2011

Residence:	Lysekil, Sweden
Education:	Master of business administration, The Stockholm School of Economics (SSE) (Sweden)
Position:	Senior director
Director-ships:	Chairman of the board Thomas Concrete Group AB, Luvata, European Furniture Group AB, West Sweden Chamber of Commerce, Geveko AB, Ovako Steel, DVSM AB and Poseidon AB and BK Jarl AB. Board member Lemminkäinen OY. Lemminkäinen OY.

PAUL KRISTIANSEN 58

BOARD MEMBER SINCE 2009

Residence:	Halden
Education:	Certificate of apprenticeship as process operator
Position:	Line driver at Norske Skog Saugbrugs
Director-ships:	Main employee representative Norske Skog Saugbrugs, chairman Norske Skog Works Council Norway, deputy chair European Works Council (EWC), member Global Works Council, member the section council Fellesforbundet, council member in Halden municipality (Labour Party) and board member Halden Municipality Pension Fund.

KAREN KVALEVÅG 47

BOARD MEMBER SINCE 2012

Residence:	Bærum
Education:	Chartered Accountant, Norwegian School of Economics (NHH) (Norway)
Position:	Chief executive officer (CEO) Umoe Restaurant Group AS
Director-ships:	Chairman of the board American Bistro Scandinavia AS, King Food AS, Epicure Invest AS, Umoe Restaurant Group Coffee AS, Blender AS, Umoe Konseptrestauranter AS and Peppes Pizza AS. Board member Norwegian Hospitality Association (NHO Reiseliv) and Rail Gourmet Togservice Norge AS.

JON-AKSEL TORGERSEN 62

BOARD MEMBER AND DEPUTY CHAIRMAN SINCE 2012

Residence:	Oslo
Education:	Master of Business Administration, University of St. Gallen (Switzerland)
Position:	Chief executive officer (CEO) Astrup Fearnley AS and Vergjedalsbruket A/S
Director-ships:	Chairman of the board Atlantic Container Line AB, Fearnleys A/S, Fearnleys Asia Singapore PTE. LTD., Rødskog Shipbrokers LTD., Finnlines Plc, Fearnley Offshore A/S, Fearnley Offshore Supply A/S, Fearnley Securities A/S, Fearnley Finans A/S, Libra Fearnley Energy A/S, Fearngas PTE.LTD (Singapore) and Fiducia A/S. Board member I.M. Skaugen SE, Awilco LNG, AS Meraker Brug, Fearnley Advisors AS, Investment Commitee Transportation Recovery Fund and Foundation Thomas Fearnley, Heddy and Nils Astrup.

SVEIN ERIK VEIE 41

BOARD MEMBER SINCE 2010

Residence:	Skogn
Education:	Process operator and industrial mechanic
Position:	1. Machine operator Skogn
Director-ships:	Main employee representative Norske Skog Skogn, chairman Fellesforbundet dept. 461, representative to Fellesforbundet board, deputy chairman of Norske Skog Works Council Norway, member of EWC and GEF, chairman of Fellesforbundets department management forum Nord-Trøndelag, council member in Levanger municipality (Labour Party) and deputy chairman Plans- and development committee Levanger municipality.

CORPORATE MANAGEMENT

SVEN OMBUDSTVEDT
47

CEO
In Norske Skog since 2010

BACKGROUND:

2010 – dd	CEO Norske Skog ASA
2008 – 2009	Senior vice president SCD SAS
2006 – 2008	Chief financial officer and Head of strategy Yara International ASA
2003 – 2006	Senior vice president upstream operations Yara International ASA
2002 – 2003	Senior vice president corporate strategy Norsk Hydro ASA
1999 – 2002	Senior vice president commercial policy and industrial restructuring Hydro Agri
1995 – 1999	Vice president market strategy and planning Hydro Agri
1991 – 1995	Various positions within Norsk Hydro
EDUCATION:	Bachelor in Business Administration from Pacific Lutheran University (USA), Master in International Management from Thunderbird University (USA)

RUNE SOLLIE
47

CHIEF FINANCIAL OFFICER (CFO)
In Norske Skog since 2014

BACKGROUND:

2014 – dd	Chief financial officer (CFO)
2011 – 2013	Senior Director Financial Reporting & Compliance, Statoil Retail & Fuel AS
2009 – 2011	Partner, UNIconsult AS
2005 – 2009	Chief Accounting Officer, Yara International ASA
1993 – 2005	Senior Manager, KPMG AS
EDUCATION:	Bachelor of Science in Accounting and Auditing from Oslo University College (Norway), State Authorized Public Accountant, Norwegian School of Economics (NHH) (Norway)

ROAR ØDELIEN
45

CHIEF OPERATING OFFICER (COO)
In Norske Skog since 2013

BACKGROUND:

2013 – dd	Chief operating officer (COO)
2012 – 2013	Group Warehouse Director Carlsberg Supply Company AG
2010 – 2012	Warehouse Director Ringnes AS
2008 – 2010	Senior Logistics Manager, Warehouse Ringnes AS
2007 – 2008	Logistics Manager, Picking Ringnes AS
2006 – 2007	Commercial Director SONY BMG Music Entertainment
2004 – 2006	Regional Manager, Grocery Ringnes AS
2003 – 2004	Sales Director, Grocery Midelfart & Co AS (P&G, J&J, etc)
2001 – 2002	Country Manager Thomson Multimedia Norway
1999 – 2001	Key Account Manager Philips Norge AS
1996 – 1999	Key Account Manager Egmont Entertainment AS
1995 – 1996	Store Manager Spaceworld Bodø
1992 – 1995	Department Manager Elkjøp Stormarked A/S, Bodø
EDUCATION:	Bachelor of Science in Business Administration from Buskerud and Vestfold University College (Norway)

THE MYTH:
MAKING PAPER ALWAYS DESTROYS FORESTS

THE FACT:
PAPER PRODUCTION SUPPORTS SUSTAINABLE FOREST MANAGEMENT

CORPORATE SOCIAL RESPONSIBILITY IN NORSKE SKOG

Our three core values openness, honesty and cooperation guide our behavior, decisions and daily work. In order to promote responsible and profitable decisions and activities, we practice open communication with various stakeholders. The steering documents lay out principles for our decisions and activities in the areas health and safety, environment, people, financial management, reporting, and corporate conduct, and the steering documents are supported by corporate standards. The Group's operating model emphasizes the business units' responsibility for their own results in all areas, hereunder social responsibility and compliance.

Norske Skog sets high goals for its health, safety and environmental work, both at corporate and unit level. Clear health, safety and environmental targets are set for each individual production unit, and the company has procedures for internal reporting of all health, safety and environmental performance. The group's annual report is prepared in accordance with the Global Reporting Initiative (GRI). Norske Skog signed the UN Global Compact treaty in 2003. Companies that have signed the treaty undertake to comply with the principles of human rights, employee rights, the environment and anti-corruption work. Norske Skog puts great emphasis on having a comprehensive and transparent reporting of environment and social corporate responsibility.

The chief executive officer has the overall responsibility for the company's CSR performance. However, each entity is given the responsibility to ensure the Group's standards for corporate social responsibility is followed locally.

All business units have dedicated people to facilitate and follow up efforts and results within health, safety and environment. Sales offices and other units are similarly bound by Norske Skog's requirements for responsible conduct.

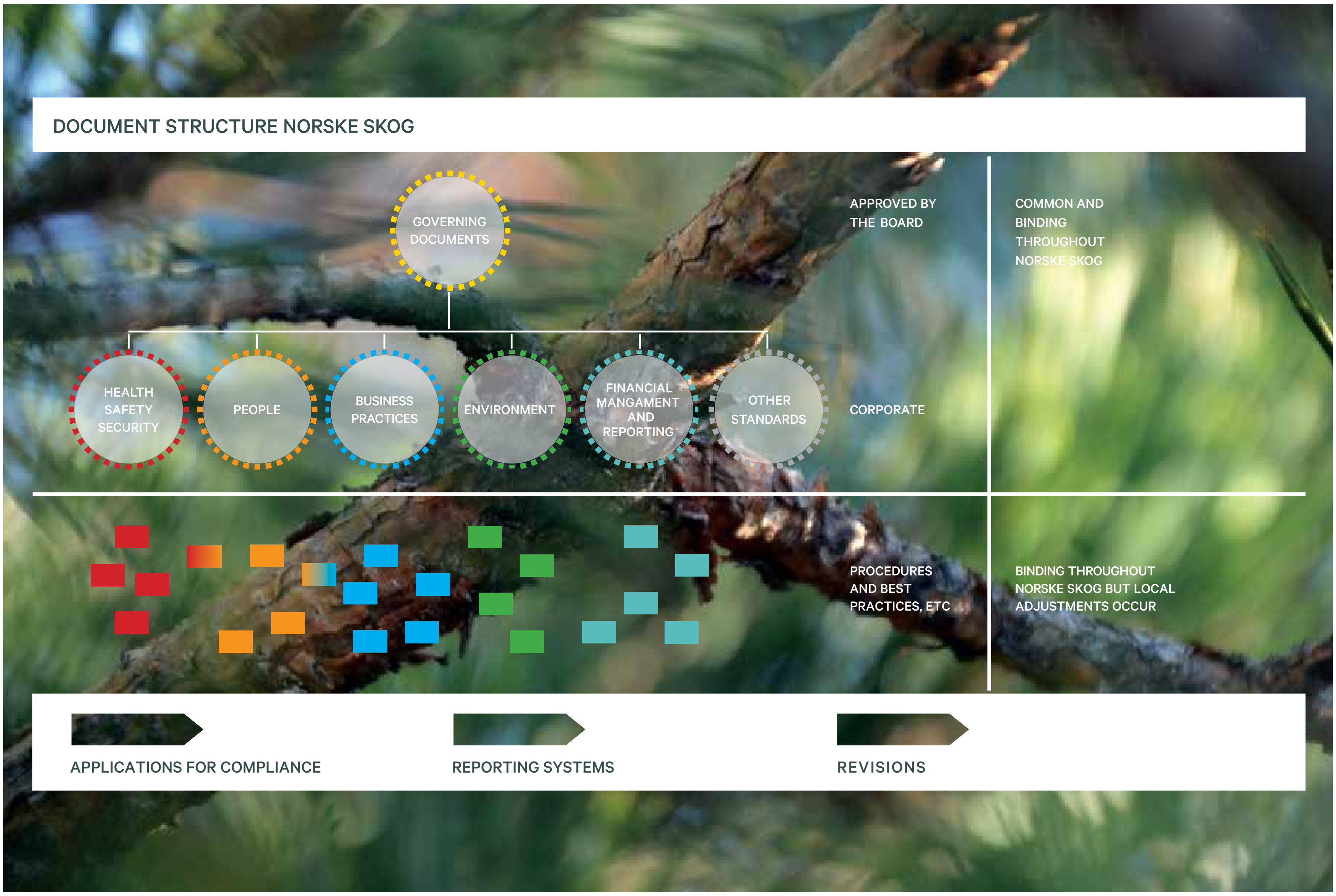
COMPLIANCE

The risk of non-compliance may entail unethical conduct and legal- and financial consequences, and may affect our reputation negatively. Norske Skog emphasizes that the line organisation has the responsibility to comply with the Steering Documents. Compliance must take place where the risk lies, primarily in the production and commercial operations and their associated activities.

Norske Skog has common standards for conduct for all business units and all employees. This strengthens the quality of our operations and promotes our predictability and credibility with customers, suppliers and other partners. In this manner, the compliance work strengthens the company's commercial position. Compliance is included as specific topic in the Group's risk reporting, and is followed up centrally in order to ensure systematic follow-up locally.

The company has established a system where a compliance officer for the Group, ensures that that the Steering Documents are up to date and ensures that adequate internal control systems exist globally and locally. Norske Skog has for a number of years maintained a whistle-blowing channel, where employees can report irregular conditions or matters he/she finds difficult to confront with superiors. Norske Skog considers it important that each employee is ensured confidential and serious treatment of reported issues. Whistle blowing can be reported to:

compliance@norskeskog.com.



CSR TARGETS

Norske Skog measures a number of CSR elements. Some of the results for 2012 are shown below. Some of the targets are long-term targets. The results will be discussed further in the following pages.

When companies suffer difficult financial times, cost cuts have to be made. In order to investigate how these cuts have affected the CSR work in Norske Skog a survey was conducted as part of a MA study at the University of Leeds by Aurora Grilstad Prois. The findings suggest that Norske Skog's negative financial performance has affected the subsidiaries approach to CSR. Sponsorship, environmental investments, uncertainty and employee motivation during downsizing and mill closures and shareholders return on investment are the indicators that have been negatively affected due to the financial situation of the company. Moreover, it was evident that environmental performance and employee health and safety have not been affected to the same degree, the two measures have even proven better results, indicating that these CSR measures are seen as the most important by the subsidiaries and Norske Skog.

HEALTH AND SAFETY

Health and Safety has the highest priority for Norske Skog, twenty four hours a day, seven days a week. Norske Skog's health and safety programme at the business units, called "Take Care 24 hours", is adapted to our different cultures, requirements and local requirements where we operate, but shall always meet the requirements of our health and safety standards for international activities. Our goal is a safe working environment where health and safety receive equal attention in planning and in the daily operations of the company.

All employees in Norske Skog must take responsibility for improving the working environment for themselves, their colleagues, visitors and sub-contractors. Internal cooperation, involving sharing of experience and best practice, enables us to adapt preventive activities to all our Business Units. Through the activities in Take Care 24 hours, the group stimulates and encourages the same attitudes and behaviour at work and during our spare time, for our own employees and their families. At Norske Skog we believe that issues relating to health, safety and the environment must be fully integrated into all our activities at every level and not managed as a separate and distinct functions. That is why everyone working in Norske Skog – whether an employee or contractor – is accountable for the company's health, environmental and safety performance.

The Process for Safety Excellence (PSE) is an ongoing, structured process integrated into the day-to-day business of the company. Its aim is to achieve the highest level of health, safety and environmental performance. It applies to every organisation within Norske Skog and every activity carried out by its employees and contractors. PSE focuses on three management components, people, assets and systems. Each component include ten elements (standards), which provide the framework for health, safety and loss prevention efforts.

Our identified nine key elements (standards) are:

- Leadership commitment
- Employee participation and safe behavior
- Training and competence
- Hazard and risk management
- Management systems, reviews, audits, inspections
- Performance measurement and reporting
- Emergency prep. and response
- Health
- Contractors
- PPE, Personal Protective Equipment

These Standards are applicable to all operations, throughout

Norske Skog, which have the potential to adversely affect the health and safety of people, including employees, contractors, visitors and the public.

The objectives of these Standards are as follows:
- To define the minimum requirements for the Health and Safety Systems at all levels of operation,
- To provide a framework for Health and Safety Systems measurement,
- To encourage a consistent approach to Health and Safety Systems,
- To assist with the identification and sharing of current best practice between Mills/Units,
- To provide the Mills/Units the opportunity to assess themselves against the Standards and continually improve their systems,
- To enable inter-Mill/Unit reviews to provide an external perspective and recommendations for improvement.

Where Norske Skog has no operational responsibility, but has an equity stake, or where significant Norske Skog assets are involved in a subcontracting site, arrangements shall be made to ensure that comparable standards of safety are maintained. We strongly believe in Behavioral Based Safety Observations and Audits. These are observations of people's workplace behaviour that enables positive feedback for safe behavior, recognition and correction of unsafe acts.

Norske Skog had an absence rate due to sickness of 3.6 per cent in 2013, similar to last year. We achieved an H1 level, lost time injuries per million working hours, of 1 compared with 2.37 in 2012.

SUBJECT	TARGET 2013	RESULT 2013	COMMENTS
Health & Safety			
H1[1)]	0	1	Improved from 2.37 in 2012
H2[2)]	9.2	7.43	Improved from 12.7 in 2012
Absence due to illness[3)]	3	3.6	Same as in 2012
Environment			
Percentage certified fibre (%)	100	79.2	1.3% better than 2012 results
Environmental index	0.97	0.97	Improved from 1.03 in 2012
Greenhouse gas reduction (%)	25 (2020)	27.1	27.1% below base year 2006
People and value creation			
CSR survey	Carry out	Carried out	

1) Lost time injuries per million working hours
2) Total number of injuries with and without lost time per million working hours
3) The target is for no business unit to have a higher absence due to sickness than 3%

EMPLOYEES

Norske Skog has highly qualified and dedicated employees at all levels and in all units. Due to challenging developments in the paper industry, downsizing and restructuring have been an inevitable consequence of cost-cutting over recent years, and 2012 has been no exception. However, Norske Skog employees have managed to maintain a high level of expertise, with improvements in certain areas. Our goal to develop an organisation with business-oriented, international and highly competent people still applies. Due to the group's situation, employees are given challenging tasks and significant responsibilities. Structured on the job training and rewarding achievements provide excellent career development opportunities and the best results for the company. This ensures mutual attractiveness for our employees and for Norske Skog as employer.

Norske Skog recognises the value of having a work force based on diversity, and any discrimination on the basis of gender, nationality, colour or ethnicity, religious or political beliefs, sexual orientation, physical disabilities or similar factors violate our obligations of equality and threaten the company's interests and objectives. Our leaders have a special responsibility for developing and coaching their sub-ordinates and, through visible leadership, demonstrate what is expected from Norske Skog employees and leaders. Our employee representatives contribute in strategic and major decisions in accordance with our values of openness, honesty and cooperation.

NORSKE SKOG AND LOCAL COMMUNITIES

Our activities affect employees, suppliers, customers and partners in many countries, regions, towns and villages. Our decisions and activities, production and sales have an impact on a multitude of individuals, groups and companies, both financially and otherwise. We recognise our impact and take this into consideration when making decisions.

Sales revenue from production in Norske Skog in 2013 traced back to key stakeholders:
- Purchase of goods and services: NOK 10.4 billion
- Capital expenditures: NOK 0.5 billion
- Salaries NOK: 1.7 billion
- Taxes and public fees: NOK 0.3 billion
- Financial costs and working capital: NOK 0.4 billion

The list shows that Norske Skog is important for many parts of society. Further down the value chain, our paper is the source of income for newspapers and magazines, with all their journalists and other contributors, and a natural source of ideas for business people and other readers throughout the world. This network of businesses, communities and individuals generates significant value in the public and private sectors, as well as stability and other benefits to all affected individuals.

In order to improve our role in society, and to maintain our role as an important employer in local communities, our business units are encouraged to be pro-active and open in their communication with their local stakeholders. Examples include reports to neighbours and other local stakeholders, open days for the public to inform about paper production, engagement in nature protection projects, support to local museums, involvement in sports and cultural initiatives, support to charitable organisations, as well as integration of immigrants and disabled persons through vocational training. Most business units cooperate with educational institutions at different levels. This cooperation includes visits from schools, colleges, high schools and universities, scholarships for students, trainees and apprentices working at our mills or engaged in project work.

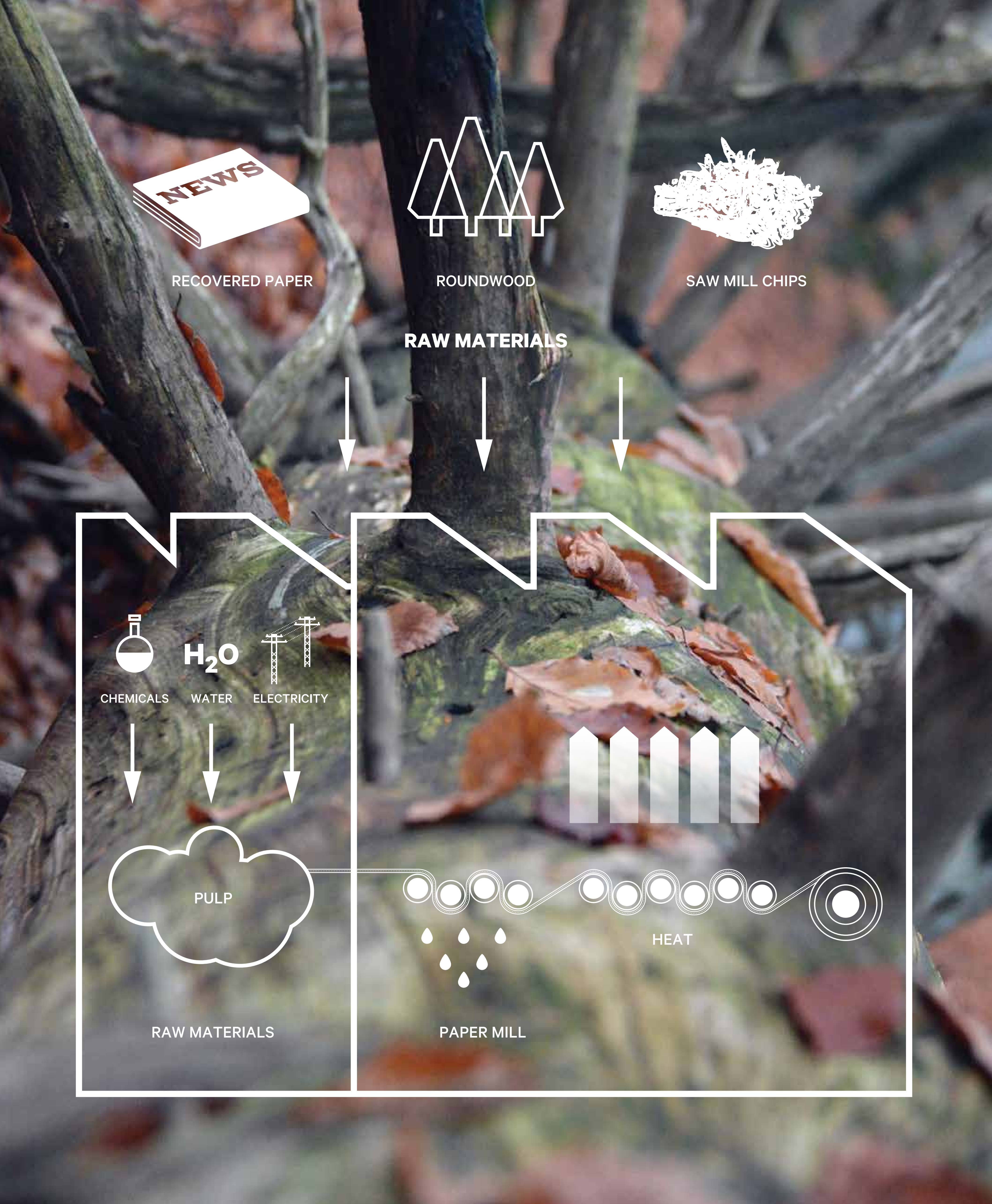
THE MYTH:
PLANTED FORESTS ARE BAD FOR THE ENVIRONMENT

THE FACT:
WELL MANAGED PLANTED FORESTS ARE ESSENTIAL TO MEET INCREASED DEMAND FOR FOREST GOODS

KEY FIGURES – EMPLOYEES

BUSINESS UNIT	NUMBER OF EMPLOYEES (FTE) END OF DECEMBER 2013			AVERAGE AGE OF ORDINARY EMPLOYEES	AVERAGE SENIORITY OF ORDINARY EMPLOYEES	FEMALE
	Ordinary	**Other employees**	**Total**	**End 2013**	**End 2013**	**End 2013**
Norske Skog Albury	175	5	188	46.3	16.0	6.9
Norske Skog Boyer	259	20	300	47.0	21.3	6.4
Norske Skog Tasman (NZ)	166	7	183	48.2	21.8	12.0
Australia non mills	20	3	23	45.0	24.0	29.0
Singapore	7	0	7	45.3	11.5	86.0
Australasia total	**627**	**35**	**700**	**47.0**	**19.9**	**9.6**
Norske Skog Saugbrugs	524	3	600	46.0	22.0	8.0
Norske Skog Skogn	376	3	405	50.2	24.9	5.0
Corporate headquarter	46	19	66	47.0	10.5	21.0
Norway total	**946**	**25**	**1 071**	**47.7**	**22.6**	**7.4**
Norske Skog Bruck	406	4	471	40.0	19.0	9.0
Norske Skog Papier Recycling	19	0	19	53.3	27.0	
Norske Skog Golbey	386	9	443	44.0	17.2	12.8
Norske Skog Walsum	443	1	490	50.0	26.0	6.0
Sales offices in Europe	79	0	80	42.6	10.6	67.0
Europe total	**1 333**	**14**	**1 503**	**44.8**	**20.4**	**12.4**
Norske Skog group total	**2 906**	**74**	**3 274**	**46.2**	**21.0**	**10.2**


STOP
DO NOT ENTER


NEWS
RECOVERED PAPER
ROUNDWOOD
SAW MILL CHIPS
RAW MATERIALS
H_2O
CHEMICALS
WATER
ELECTRICITY
PULP
HEAT
RAW MATERIALS
PAPER MILL

PAPER PRODUCTION

Norske Skog has the capacity to produce three million tonnes of publication paper each year, consisting of two million tonnes of newsprint and one million tonnes of magazine paper. Norske Skog sold and closed down a total of 0.7 million tonnes of production capacity during 2013.

The figures in this report contain the 100% owned mills at the end of December 2013 and comparison with 2012 is made based on adjusted 2012 figures (taking out the units sold or closed in 2013).

The highly simplified diagram to the left illustrates the paper production process. In reality, the paper machines differ quite significantly. Raw materials consist mainly of wood and/or recovered paper, as well as electricity and chemicals. Wood- and recovered fibres are separated during pulp production in two different processes. Pulp production based on recovered paper consumes less energy than production from fresh fibre because the fibres in recovered paper are more easily separated than those within wood. In the paper machine, the pulp passes along a web, firstly through a wet section, then a press section and finally through a drying section. The paper is finally rolled up on reels and then cut to the sizes ordered by the customer. During this process, more than 90% of the wood fibres in trees are converted to paper products.

PRODUCTION CAPACITY

TONNES PER BUSINESS UNIT 31.12.2013

	NEWSPRINT (INCLUDING IMPROVED NP)	SC (MAGAZINE PAPER)	LWC (MAGAZINE PAPER)	TOTAL CAPACITY BUSINESS UNIT
Skogn	565 000			565 000
Saugbrugs		530 000		530 000
Golbey	615 000			615 000
Bruck	120 000		260 000	380 000
Walsum			200 000	200 000
Total Europe	**1 300 000**	**530 000**	**460 000**	**2 290 000**
Albury	270 000			270 000
Boyer	270 000			270 000
Tasman	155 000			155 000
Total outside Europe	**695 000**			**695 000**
Total Norske Skog group	**1 995 000**	**530 000**	**460 000**	**2 985 000**

Norske Skog's production capacity has been re-assessed during 2013.

EVALUATION OF OUR ENVIRONMENTAL PERFORMANCE

It is important for us to identify our environmental challenges, continuously improve our environmental standards throughout the value chain and report openly on our performance.

Environmental topics that the pulp and paper industry focus on include fibre supply, energy sources and use, greenhouse gas emissions, the efficiency of mill production processes, and the fate of our products at the end of the life cycle. The importance of these topics varies at local, regional and national levels. Norske Skog uses a combination of fresh fibres and recovered paper as raw material, depending on local conditions. Both sources are necessary to exploit the global fibre resources in a sustainable manner.

All our mills have traceability certificates for the purchase of timber to ensure that they come from sustainably managed forests. We do not source raw materials from controversial areas. Our suppliers comply with local rules and regulations and, where possible, we source wood locally to minimise costs and transport emissions. Our goal is to have a 100% certified wood supply. In Europe, the growth of forests is increasing in all countries where we purchase wood. In Australasia, we source only fresh fibre from plantations.

In a world where increasing demands are being placed upon finite natural resources, and the ecosystems which supply them are more and more strained, it is important that our production processes are efficient and continuously improving. In addition to environmental management systems, Norske Skog has developed an internal environmental index to set targets and review our work to improve our resource use efficiency and reduce our emissions on a continuous basis. The goal is to use technology that meets the requirements of what the EU defines as the best available technology. The EU's IPPC reference document has been under revision for a number of years and this work was finalised in 2013. The changes and possible new limits will be taken on when the new document is officially sanctioned. We have also implemented a water profile tool to compare, optimise, and reduce our water consumption.

Climate change is the environmental issue receiving the greatest attention today. In 2007, Norske Skog established a greenhouse gas reduction target of 25% in total emissions by 2020. Greenhouse gas emissions differ considerably between our mills. The main reason for this lies in the different energy sources used both for externally purchased energy and for energy produced on-site. Purchased energy is mainly electrical energy used for fibre processing and to operate machinery. Energy produced on-site is mainly used to dry paper on the production line. In many cases, we use energy several times, through heat recovery systems. The main focus to reduce greenhouse gas emissions involves reducing the consumption of energy and/or changing the source of the energy we use.

The forest-based industry has a unique position when it comes to the environment. The raw material is renewable, the products are highly recyclable and both the raw materials and products store carbon. Sustainably managed forests will absorb the carbon dioxide from the combustion of forest-based material. At the end of their life cycle the products can be used to produce bio-energy.

Photos: Mark Hutchinson

INVESTMENT IN COATED PAPER WILL OPEN NEW MARKETS IN AUSTRALIA

In September 2012 Norske Skog announced the conversion of one of the Boyer Mill's two newsprint machines to the production of coated paper. The $85 million project is part of a broader regional strategy aimed at transforming the business from being wholly a newsprint producer to having a more diverse future in paper, fibre and energy.

The new product, to be marketed under the brand VANTAGE LWC, is aimed at the domestic Australian market which uses 300,000 tonnes of catalogue paper annually, all of which is currently imported. Marketing and Sales are working closely with local printers and their customers who are keen to see the establishment of a secure local supply.

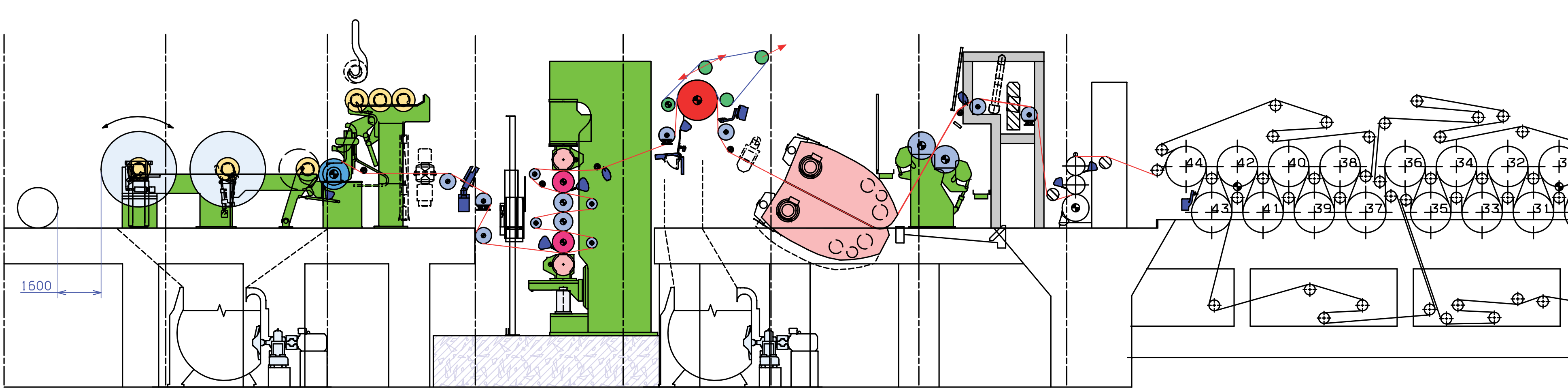
In simple terms the project involves adding coating and gloss enhancing equipment capacity to an existing paper machine and extending the current building to house the new equipment. In reality however, the project includes a vast array of equipment upgrades and process changes to ensure the final product meets the high quality specifications and printing performance demanded by the market.

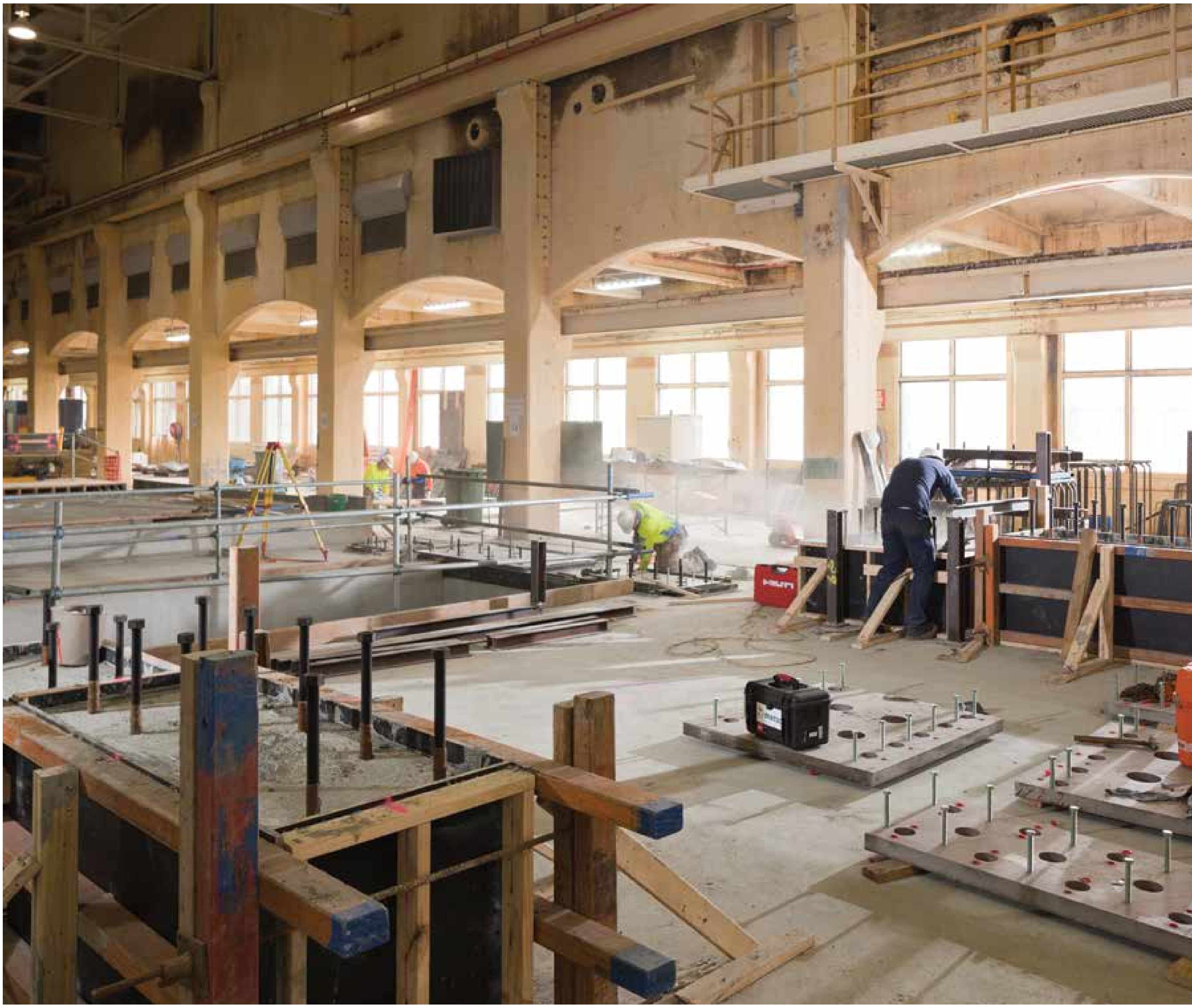
The project has also been well supported by the knowledge network within Norske Skog Europe, especially Bruck aiding the development of the coating formulation.

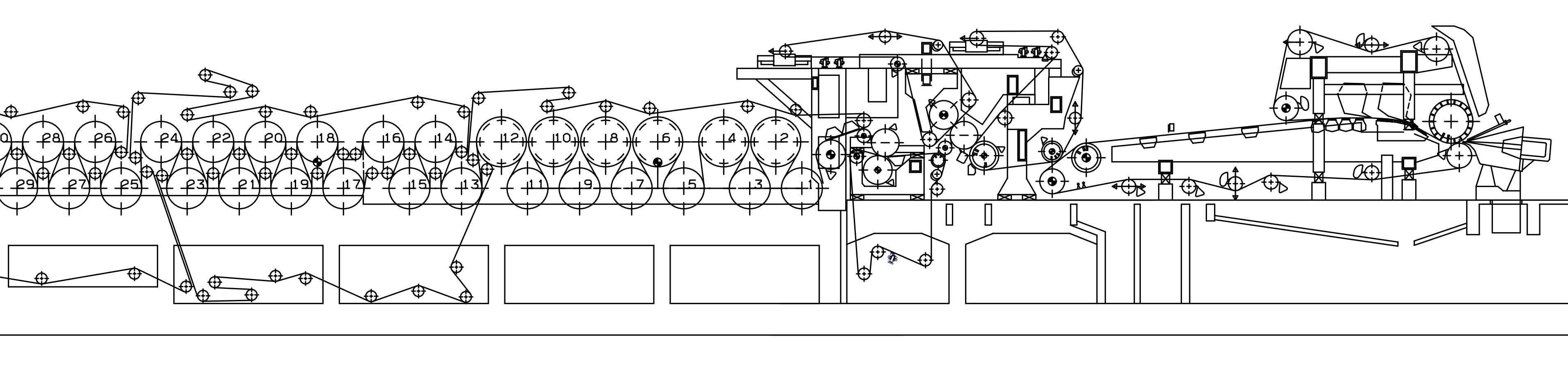
As part of the project the Boyer team has been able to reuse the decommissioned Bleach Plant from the Follum Mill.

The paper machine was closed in December 2013 to enable the main equipment cutover and is now well positioned for the scheduled start up on 1 April, 2014.

The diagram below shows the additional new components to the existing paper machine.







SUSTAINABLE RAW MATERIALS

Forestry and use of forest products play an important role in the combat of climate change. For the forest value chain to be a part of the climate change solution, the forests must be managed sustainably. Norske Skog has several systems and processes to make sure that all wood used in Norske Skog's products comes from sustainably managed forests. All Norske Skog mills utilising fresh fibre have third-party verified Chain of Custody (CoC) certification systems in place. The average share of certified fresh fibre in 2013 was 79%, an improvement of 1% compared to 2012.

FRESH FIBRE

In 2013, Norske Skog consumed 1.6 million tonnes of fresh fibre, of which 79% was certified. Our goal is to have 100% certified fibre in our products. Norske Skog is not a significant forest owner. A very small proportion of the wood we use comes from our own forests in Australia. The ability to increase the share of certified wood therefore depends largely on decisions taken by forest owners. Norske Skog encourages its suppliers to adopt forest certification. These certificates are the most credible way to demonstrate our responsible procurement of wood fibre. The most environmentally friendly purchases are delivered by local, certified forests. Today, only a relatively small portion of the global forest area is certified. The two main global certification systems are the Forest Stewardship Council (FSC), and the Programme for the Endorsement of Forest Certification (PEFC). Norske Skog regards the two systems as equally valuable tools to demonstrate responsible management and stewardship of the forest resources that our company and customers rely upon. Both systems are based on inspections and auditing by independent third parties. We recognise our responsibility as the purchaser of wood through our global procurement rules. These state that all wood used in our paper shall originate from sustainably managed forests. Such forests are defined as:

- Certified forests – we recognise the system from FSC and PEFC,
- Forests declared to be managed according to national laws and regulations.

All Norske Skog business units that buy fresh fibre have traceability certificates. The choice of the mill certification system depends on the certification system used in the forests or plantations. Roundwood accounted for 66% of our consumption of fresh fibres in 2013. Sawmill chips, a by-product from the sawmill industry, accounted for the remaining 34%. The roundwood component of our fresh fibre came from both forests (62%) and plantations (38%). In all countries where Norske Skog sources wood, forest areas are increasing.

The main global forest challenges are related to deforestation in developing countries and forest biodiversity degradation through the logging of high conservation areas in many parts of the world. In order to meet these challenges, we need to ensure that more of the world's forest areas are managed on a sustainable basis. Forest certification is an important tool in this context.

CERTIFICATION OF FRESH FIBRE THROUGH THE VALUE CHAIN

Forest owners have systems for sustainable forest management (SFM). Forest product traders rely on chain of custody (CoC) certification. Traceability is important to ensure responsible purchasing, and to halt illegal logging. CoC tools make it possible to control and report the share of certified raw materials through the value chain from forest to finished product. CoC systems also require responsible purchasing of non-certified wood.

RECYCLED FIBRE

Recovered paper is an important fibre source for Norske Skog. In 2013, recycled fibre made up 31% of the raw materials used in our products. Mills utilising recovered paper consumed in total 0.945 million tonnes in 2013.

Some customers want paper based entirely on recovered paper. However, a value chain based only on recovered paper is not sustainable. About one third of the paper is lost in the recovered paper cycle. Factors such as consumer awareness, waste disposal and collection systems and alternative uses for used paper influence its collection rate. The structure and strength of the fibres of paper degrade with successive use. Recovered paper fibres that are no longer suitable for paper making are rejected in our mill pulping processes and are generally used as a source of renewable energy.

To make the recovered paper value chain sustainable, fresh fibre from forests, plantations or sawmill by-products must be added.

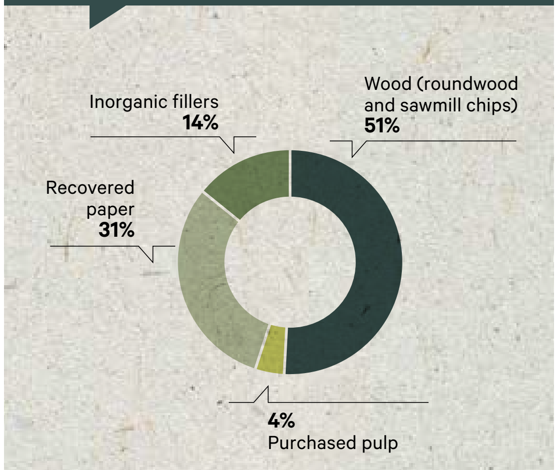
On a tonnage basis, our largest consumption of recovered paper takes place in continental Europe. The fibre source used at the different Norske Skog mills depends upon availability and economic considerations. The minimisation of transport distances and costs is an increasingly important economic and environmental consideration.

FORESTS AND CLIMATE CHANGE

The main global challenges related to forest management and climate change are deforestation in developing countries. The use of forests, forest products and bio-energy can, however, be a sound climate change strategy, depending on where and how the forest biomass is harvested. It is important to distinguish between forest types and the existing use of the forest. In forest areas where biomass is accumulated (annual growth exceeds annual harvest), the use of forest resources for renewable products and energy will be possible while still keeping the forest stock stable. Forest land soil will release carbon dioxide after harvesting, but this is partly compensated for through increased radiation reflection from the same area (the Albedo effect). As long as only the net forest growth is harvested, the carbon stock will remain stable and bio-energy and forest products can substitute more carbon intensive products and fuels, thereby resulting in a positive climate effect.

There is a large potential to use forest resources more efficiently. Currently, forest residues - i.e. waste from the harvesting operation - are not utilised fully. As long as the removal of forest residues does not lead to loss of nutrients in the forest soil, these residues can be used for bio-energy purposes and to substitute fossil fuels. By-products from the forest value chain, such as sawmill chips, should be used for making products before being used as bio-energy at the end of their life-cycle.

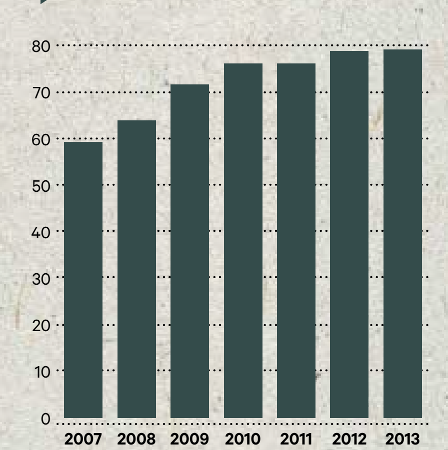
CONSUMPTION OF RAW MATERIAL



RECOVERED PAPER IN NEWSPRINT PRODUCTION

Norske Skog Albury, Australia	33 %
Norske Skog Bruck, Austria	91 %
Norske Skog Golbey, France	61 %
Norske Skog Skogn, Norway	29 %

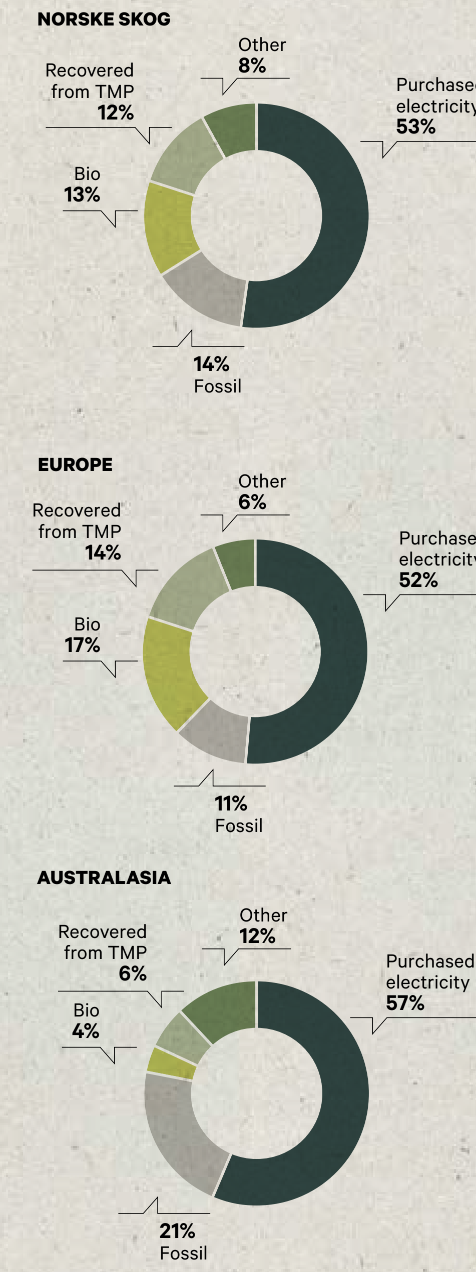
CERTIFIED PROPORTION OF FRESH FIBRE (%)



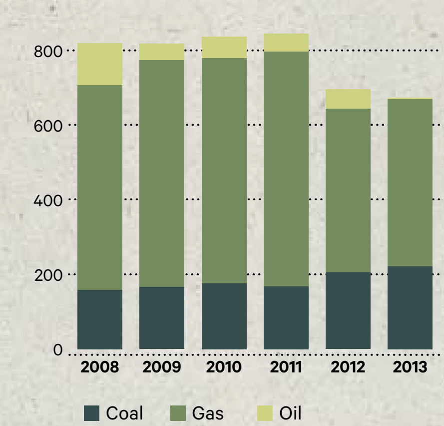
CERTIFICATION OF FRESH FIBRE THROUGH THE VALUE CHAIN
Forest owners have systems for sustainable forest management (SFM). Forest product traders rely on chain of custody (CoC) certification. Traceability is important to ensure responsible purchasing, and to halt illegal logging. CoC tools make it possible to control and report the share of certified raw materials through the value chain from forest to finished product. CoC systems also require responsible purchasing of non-certified wood.

NORSKE SKOG ENERGY CONSUMPTION (TOTAL AND BY REGION)

Total 12670 GWh; 3.89 MWh/tonne of paper



CONSUMPTION OF FOSSIL FUEL (KWH/TONNE OF PAPER)



ENERGY CONSUMPTION

Norske Skog has comprehensive programmes in place to continuously reduce energy consumption and to make it more environmentally friendly. We are already a large producer of bio-energy.

The production of paper is an energy intensive process. Energy is consumed mainly for two purposes:

- To separate, process and transport fibre and water (electrical energy)
- To provide process heat and to dry the paper (thermal energy)

The major use of electrical energy in mills which process fresh fibre is the process which mechanically converts wood chips into fibres. This process is called the thermo-mechanical pulping (TMP) process. Paper production based on recovered paper consumes less energy because the fibres from recovered paper are more easily separated than those within wood. The group's average energy consumption per tonne of paper produced in 2013 was lower than in 2012. Four mills had lower or similar energy consumption per tonne of paper in 2013 compared to 2012.

53% of the total energy consumed by the group is electricity. In 2013, the remaining energy sources were fossil fuel (14%), bio-fuel (13%), heat recovery from TMP (12%) and other sources such as geothermal energy and heat (steam) purchased from third parties (8%).

In 2013, 94% of electricity was purchased from the grid. A number of mills can generate a proportion of the electricity requirement themselves, based on bio-fuel, natural gas or geothermal sources. Norske Skog is a large producer of bio-energy. Organic waste from the production processes is used as bio-fuel where possible. Some mills also purchase bio-fuel from external suppliers.

Natural gas is the most commonly used fossil fuel, with a share of 67%, down 1% from 2012. Coal constitutes 33% of fossil fuel consumption, up 1% from 2012. Oil makes up 0.5%, which is in line with 2012.

Thermal energy is used for the heating and drying of paper. In contrast with electrical energy, thermal energy is mostly generated within the mill. The sources of this energy include recovered heat from the thermo mechanical pulping or effluent treatment processes, combustion of mill residues, purchased bio-fuel, oil, gas or coal. In some cases, the thermal energy is supplied by third parties located externally to the mill or in the form of geothermal energy.

The share of purchased energy makes up about half of the energy consumption in Europe and 57% in Australasia. There is, however, significant variation in thermal energy sources used between different geographic regions. The Australasian mills mainly use fossil and geothermal energy. In Europe, the mills use mainly bio-fuel, fossil fuel and heat recovered from the production of thermo-mechanical pulp from fresh fibre.

NORSKE SKOG'S GREENHOUSE GAS EMISSIONS

As a large industry player, Norske Skog recognises its responsibility to reduce greenhouse gas emissions. In 2007, we established our goal of achieving 25% lower greenhouse gas emissions within 2020, compared with emissions in 2006. As of 2013, our emissions were 27% lower than in 2006.

Norske Skog has integrated reduction of greenhouse gas emissions as a key part of our business strategy. The goal is to reduce energy consumption, change the sources of energy and to optimise the use of process chemicals and transport.

In the work to reduce greenhouse gas emissions, we report on a greenhouse gas reduction target and our carbon footprint. The reduction target is based on the WRI/WBCSD Greenhouse Gas Protocol, the Pulp and Paper Workbook. The carbon footprint is built on the Confederation of the European Paper Industries' (CEPI) tool developed in 2007. The CEPI carbon footprint is related to the products we make and covers the whole value chain, whilst the Norske Skog reduction target is focused on the paper production process and covers Scopes 1 and 2 as shown in the figure. Both the Norske Skog emission reduction target and the carbon footprint are based on greenhouse gas emission data from our 8 wholly-owned mills.

OUR REDUCTION TARGET

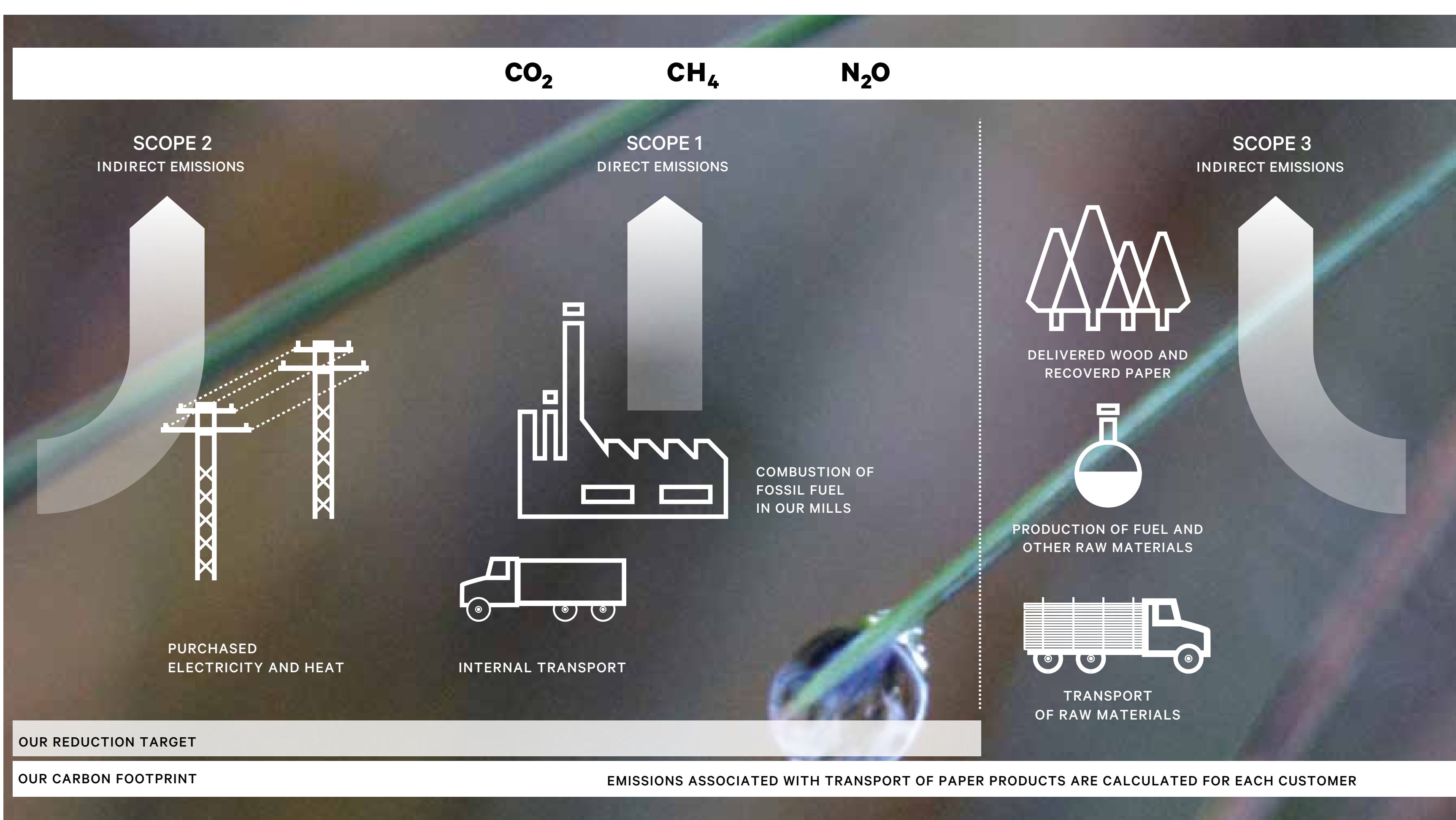
Norske Skog's target for reducing greenhouse gas emissions covers direct emissions (referred to as 'Scope 1' in the Greenhouse Gas Protocol) from the combustion of fossil fuels in boilers, combined heat and power plants, infrared drying equipment, mobile machinery and other mill site based equipment, and indirect emissions ('Scope 2') from the purchase of electricity and heat.

Based on the above scope and emission estimation processes, Norske Skog operations emitted 1.69 million tonnes of fossil fuel derived CO_2-equivalents (including CO_2, CH_4 and N_2O) in 2013. The total emissions from our mills were reduced by 7% in 2013 compared to emissions in 2012. This is due to both lower paper production and reduced emissions per tonne of paper. The total emission reduction achieved to date, compared to our revised base year 2006 is 27%.

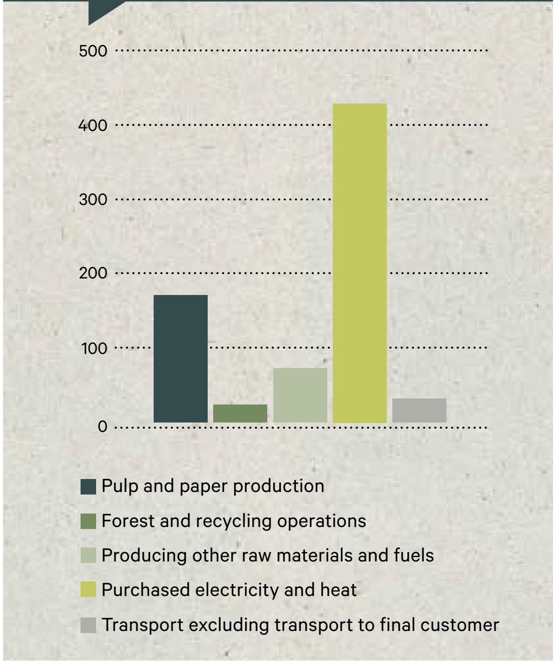
The greenhouse gas emissions arising from the combustion of bio-fuels are deemed to be 'carbon neutral' as only the net forest growth is harvested from sustainably managed forests and plantations, leaving the carbon stock stable. Direct emissions of biologically sequestered CO_2 from the combustion of organic residues such as wood and bark are estimated to be approximately 0.530 million tonnes.

NORSKE SKOG GREENHOUSE GAS EMISSIONS	CO_2 1 000	CH_4	N_2O	CO_2-equiv 1 000
Direct (Scope 1) Emissions	**tonnes**	**tonnes**	**tonnes**	**tonnes**
Direct emissions from stationary fuel combustion	460	19	3	461
Direct emissions from transportation and mobile sources	6	0	1	7
Total direct emissions	467	20	3	468
Indirect (Scope 2) Emissions				
Indirect emissions from steam and power imports	1 223	0	0	1 223
Total Fossil Fuel Based Emissions (Direct & Indirect)				
Direct & Indirect	1 689	20	3	1 691
CO_2 emissions from combustion of biomass *	532			

** Wood and bark residues only*



NORSKE SKOG CARBON FOOTPRINT
KG CO_2/TONNE OF PAPER



OUR CARBON FOOTPRINT

Based on the CEPI carbon footprint tool, our carbon footprint covers emissions from the following elements of our value chain:

- Pulp and paper production
- Forest and recycling operations
- Producing other raw materials and fuels
- Purchased electricity and heat
- Transport- excluding transport to final customer which is calculated on a case by case basis
- Carbon stored in forest products (biogenic carbon) is reported separately.

The average global carbon footprint per tonne of paper produced by the Norske Skog mills in 2013 was 727 kg/tonne fossil CO_2 equivalents. This represents a reduction of 4% compared to 2012. 1 250 kg/tonne biogenic CO_2 is estimated to be contained in the product.

As seen in the figure, the largest contributor to our carbon footprint is purchased electricity and heat, which make up 59% of the emissions per tonne of paper. Pulp and paper production makes up 24%, forest and recycling operations 3%, production of other raw materials 10% and transport to the mills 4% of the total emissions per tonne of paper.

The carbon footprint varies considerably between the mills and regions, depending on the source of electricity and the type of fuel used to produce process heat. The emissions per tonne of paper production ranged between 445 kg CO_2-equivalents/tonne of paper in Europe to 1 736 kg CO_2-equivalents/tonne in Australasia.

CONTINUOUSLY IMPROVING OUR PRODUCTION PROCESSES

Norske Skog's environmental policy commits us to continuous improvement in the environmental performance of our business units.

The wish to measure this continuous improvement in our mills and as a company over the short and long term led us to implement an environment index (E-index) several years ago. The E-index forms part of the regular reporting by the mills to corporate management and the board. In addition to being a performance reporting tool it allows us to:

- establish and review mill specific targets
- identify areas for additional investment
- demonstrate the environmental improvements following process changes or investments.

Mill performance is measured in the index against a standard which should be attainable with the use of Best Available Technology (BAT) or best practice, as described in the European Union IPPC reference document. An index value of 1.0 or less indicates that the mill has an environmental standard which satisfies the ambitious levels which can be attained with BAT or best practice. The BAT level of performance is mill specific and is a function of age, technology, investment history and operational performance.

The environmental index for the whole group is calculated as an average of each mill's index score weighted by production volumes.

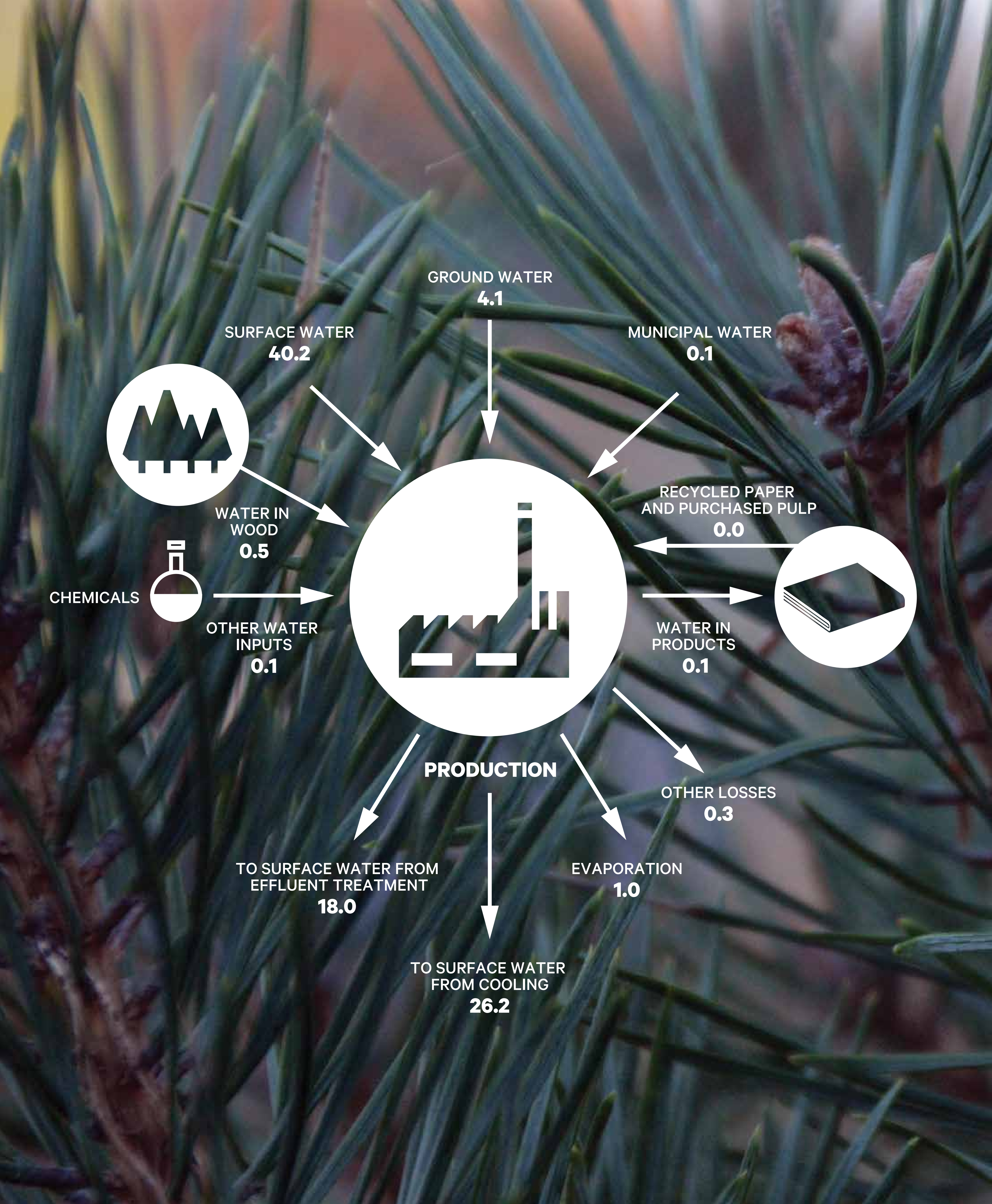
The table below shows the targets for 2013 and 2014 for the parameters included in the E-index, as well as the results achieved during the last four years. These figures represent production-weighted averages for all mills. In 2013, six mills reached their E-index targets.

Better results were achieved for four of the six specific parameters compared to 2012. Overall, there was a significant improvement compared to 2012 and the group's ambitious 2013 target was reached. Changes in production levels and process changes within mills will impact the individual mill and company E-Index scores.

ENVIRONMENTAL INDEX	Achieved 2010	Achieved 2011	Achieved 2012	Achieved 2013	Target 2013	Target 2014
COD kg/tonne	4.79	4.61	3.7	4.01	3.5	3.5
Suspended solids kg/tonne	0.56	0.50	0.43	0.36	0.43	0.40
Nitrogen oxides g/GJ	106	95	89	95	95	97
Waste to landfill kg/tonne	21.4	21.2	16.8	14.8	15.5	14.0
Total energy consumption GJ/tonne	12.6	12.5	12.5	12.2	12.1	12.2
Environmental index	**1.14**	**1.10**	**1.03**	**0.97**	**0.97**	**0.96**

KEY FIGURES
FOR NORSKE SKOG'S WHOLLY-OWNED MILLS

Consumption of raw materials		
Roundwood	m^3	2 571 000
Sawmill chips	m^3	1 310 000
Recovered paper	tonnes	945 000
Purchased pulp	tonnes	137 000
Inorganic fillers	tonnes	430 000
Energy		
Electricity	GWh	6 190
Heat	GWh	4 800
Discharges to water		
Discharged process water	mill m^3	51
Organic material (COD)	tonnes	11 467
Suspended Solid (SS)	tonnes	1 025
Phosphorus (Tot-P)	tonnes	32
Emission to air		
CO_2-equivalents (direct)	tonnes	468 000
SO_2	tonnes	257
NO_x	tonnes	854
Production waste		
Sludge (dry)	tonnes	276 000
Bark	tonnes	125 000
Other	tonnes	35 000
Products		
Newsprint grades	tonnes	1 796 000
Magazine paper	tonnes	1 058 000
Total	tonnes	2 854 000


GROUND WATER
4.1
SURFACE WATER
40.2
MUNICIPAL WATER
0.1
RECYCLED PAPER
AND PURCHASED PULP
0.0
WATER IN
WOOD
0.5
CHEMICALS
OTHER WATER
INPUTS
0.1
WATER IN
PRODUCTS
0.1
PRODUCTION
OTHER LOSSES
0.3
TO SURFACE WATER FROM
EFFLUENT TREATMENT
18.0
EVAPORATION
1.0
TO SURFACE WATER
FROM COOLING
26.2

THE MYTH:
PAPER IS BAD FOR THE ENVIRONMENT

THE FACT:
PAPER IS ONE OF THE FEW TRULY SUSTAINABLE PRODUCTS

THE NORSKE SKOG WATER PROFILE GLOBAL AVERAGE WATER USE M^3/TONNE OF PAPER

The figure presents the 2013 water profile for Norske Skog. The profile has been developed by examining the major inputs and outputs of water in the manufacturing process. The data presented is a combination of all eight wholly-owned mills and represents a 'group average'.

The total water use per tonne of paper in 2013 increased by 15% compared to 2012. The increase was due to increased use of cooling water. 98% of the water entering our mills is returned to rivers and lakes after treatment. Approximately 2% is returned to the atmosphere as water vapour, retained in the products or used for irrigation of forest plantations or agricultural areas.

WATER SUPPLY

The majority of fresh water used by Norske Skog's mills (89%) originates from surface water sources. A further 9% is supplied from ground water supplies and a relatively small amount, 0.2%, comes from municipal water supplies.

Water also enters the manufacturing process through the raw materials which are purchased. Fibre based raw materials (wood, wood chips, recycled fibre and purchased pulp) constitute approximately 1% of water input. Non-fibre raw materials (such as chemicals and steam) make up the balance.

WATER USE

The majority of water which enters our mills (58%) is used to cool machinery and equipment performing electricity or steam generation and/or pulp and paper manufacturing activities. The rest of the water is used in the papermaking processes ("process" water).

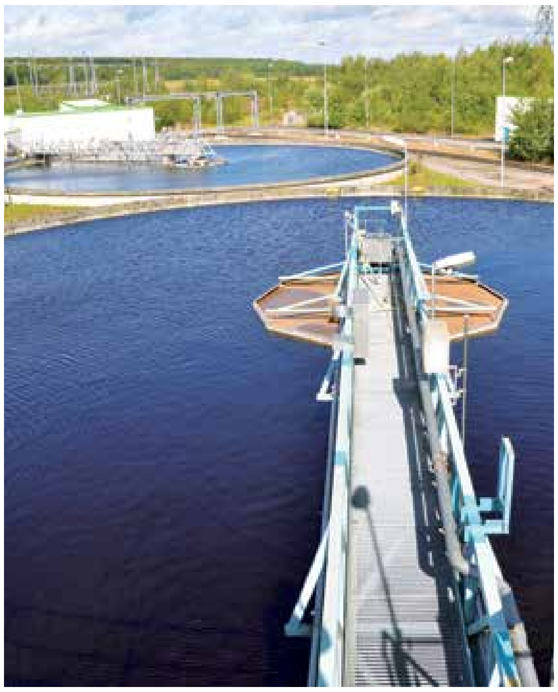
Most mill effluents are discharged to river and lake systems after treatment. No effluent is discharged to groundwater aquifers.

WATER FOOTPRINT: THE TOTAL WATER CONSUMPTION IN THE PAPER VALUE CHAIN

Mankind's increasing use of freshwater resources places a strain on global water resources. Policies and practices for sustainable use of this natural resource are a prerequisite for a sustainable global development. To help assess the impact of different products on water resources, different water footprint tools are under development. Water footprint accounting includes monitoring of both direct and indirect use of freshwater, measured over the full supply chain. For paper products, this includes water evaporated during tree growth (green water), water consumed during the production phase (blue water) and the water required to assimilate the discharged pollutants based on existing ambient water quality standards (grey water).

It is important to realise that the water footprint figure itself does not reveal much about the actual impact of operations at the local watershed level. A low water footprint could be less sustainable than a high water footprint. For instance, the water footprint for paper depends mainly on the time it takes for trees to grow. Trees use a lot of water to grow and paper will therefore have a large water footprint. Boreal forests are characterised by a humid climate, where precipitation is higher than evaporation. Forests sustain and slow down the surface runoff, preventing flooding, erosion and leaching of nutrients. A sustainability assessment using many indicators is needed to gain understanding of whether mill operation and forest management practices are within the boundaries of what a water catchment can sustainably support.

Norske Skog will implement water footprint reporting when an international standard has been agreed upon. In the meantime, we will report our water profile. Water scarcity is not an issue in any of the forest or plantation areas supplying Norske Skog or in any area where our mills are located. 98% of the water entering Norske Skog mills is returned to rivers and lakes after treatment.



EMISSIONS TO AIR AND DISCHARGE TO WATER

Manufacturing pulp and paper requires raw materials and energy. Norske Skog's environmental policy requires us to make efficient use of these resources and to continuously reduce our emissions and discharges.

SOLID RESIDUES AND EMISSIONS TO AIR

Emissions to air occur primarily from energy generation processes, and the majority of solid wastes occur from the processing of fibre inputs (wood or recovered paper) and from the treatment of effluent (fibre and biological solids). Most of our mills have their own boilers or incinerators for producing thermal energy from these solid residues. Fossil fuels in the form of natural gas, oil and coal may also be used. The main emissions associated with these activities include carbon dioxide, particulates, sulphur dioxide and nitrogen oxides. A number of technologies are used to reduce and control these discharges. Ash residues result from combustion processes involving solid fuels.

In 2013, the emission of sulphur dioxide per tonne of paper was down by 18% compared to 2012, due to reduced use of fossil fuel. The emissions of NOx per tonne of paper were up by 14% compared to last year.

The total quantity of production waste generated by the group in 2013 was 436 000 dry tonnes. This is a decrease of about 12 000 tonnes compared to 2012. In 2013, 137 000 tonnes of ash were generated from combustion, a decrease of 8 600 tonnes compared to 2012.

The residues from the production processes are reused or disposed of in a number of ways as shown in the figure. Where possible, process residues are used to generate energy for the pulp and paper manufacturing process. In 2013, 75% of the waste was used as bio-fuel, up from 73% in 2012. Other residues, for example ash, are used in concrete or brick making, or in road construction. Agricultural re-use is also an option for some ash and organic materials. Part of the production residues are deposited in landfills. Many of our mills participate in projects to find alternative or additional methods of reusing the by-products from the production processes. Hazardous waste amounted to 449 tonnes in 2013. Hazardous waste is disposed through authorised collection systems in accordance with national regulations.

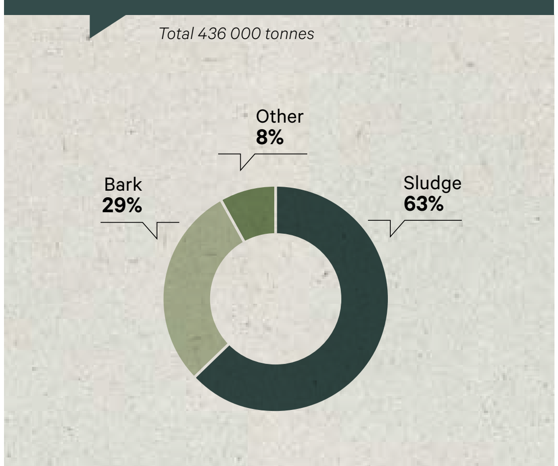
WATER DISCHARGES

Water is generally used and recovered multiple times through the pulp and paper-making processes before finally being discharged to a number of treatment stages. These treatments remove solid particles as well as dissolved organic material, making the water suitable for safe return to the natural environment. In 2013, water consumption in the production process per tonne of paper was up 3% compared to 2012. The discharges of dissolved organic material and nitrogen per tonne of paper increased by 10% and 14% compared to 2012. The discharge of suspended matter and phosphorus were reduced by 16% and 12% compared to 2012. The difference in results from one year to the next is the result of many factors, including process improvements, utilisation of equipment, production issues and product changes.

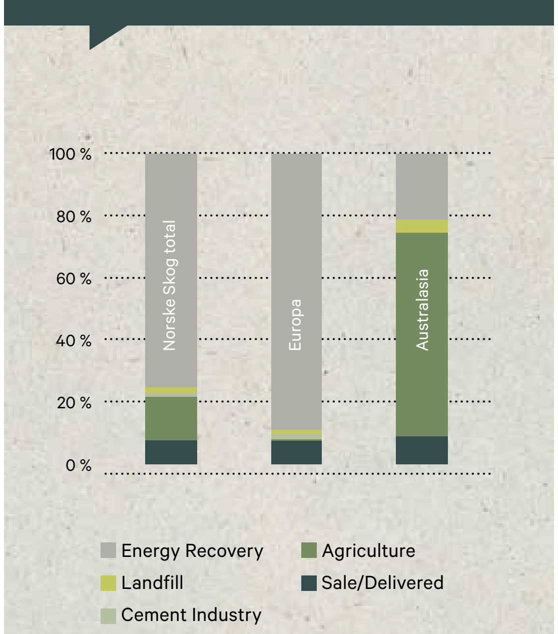
During 2013, the mills Norske Skog Saugbrugs and Norske Skog Albury reported to the local authorities that they had incidents resulting in exceeding permit limits linked to the quality of discharged water. None of these overruns resulted in sanctions from the authorities.

Norske Skog does not use bleaching chemicals containing chlorine in any mills. Chlorinated organic compounds are therefore not created and AOX is not included in our emission reporting.

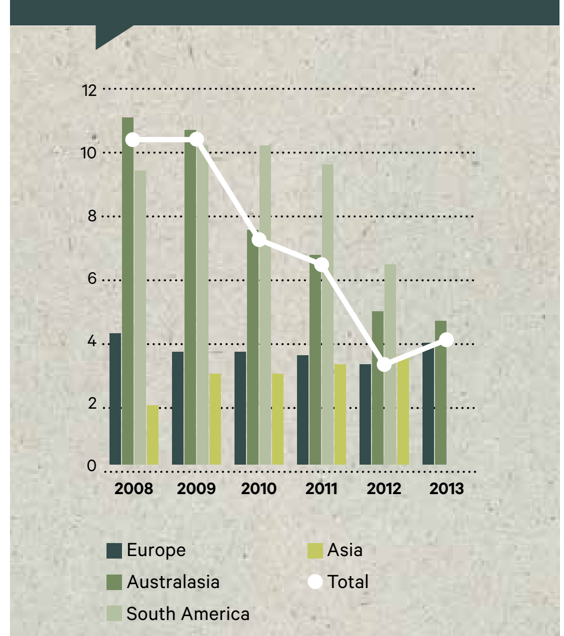
PRODUCTION WASTE



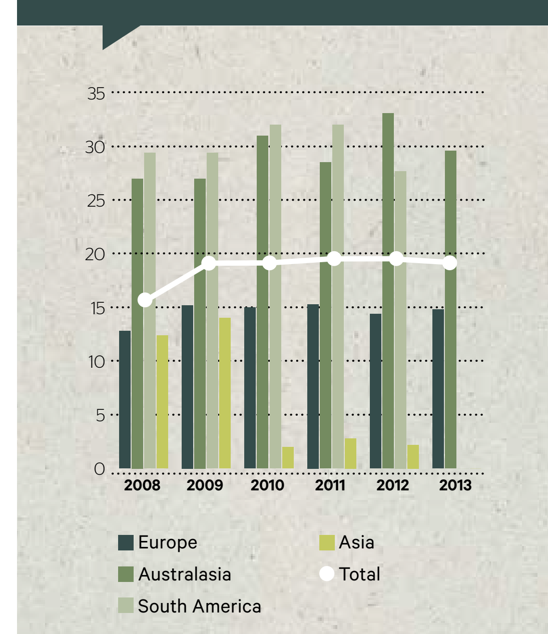
DISPOSAL OF MILL PRODUCTION WASTE



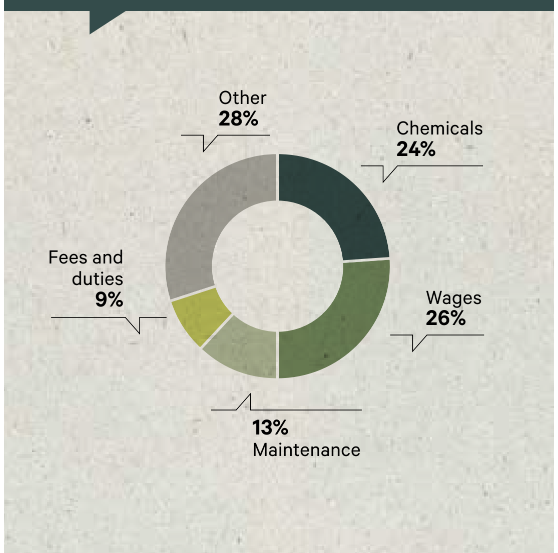
TRENDS IN DISCHARGES OF ORGANIC SUBSTANCES (COD) PER TONNE OF PAPER



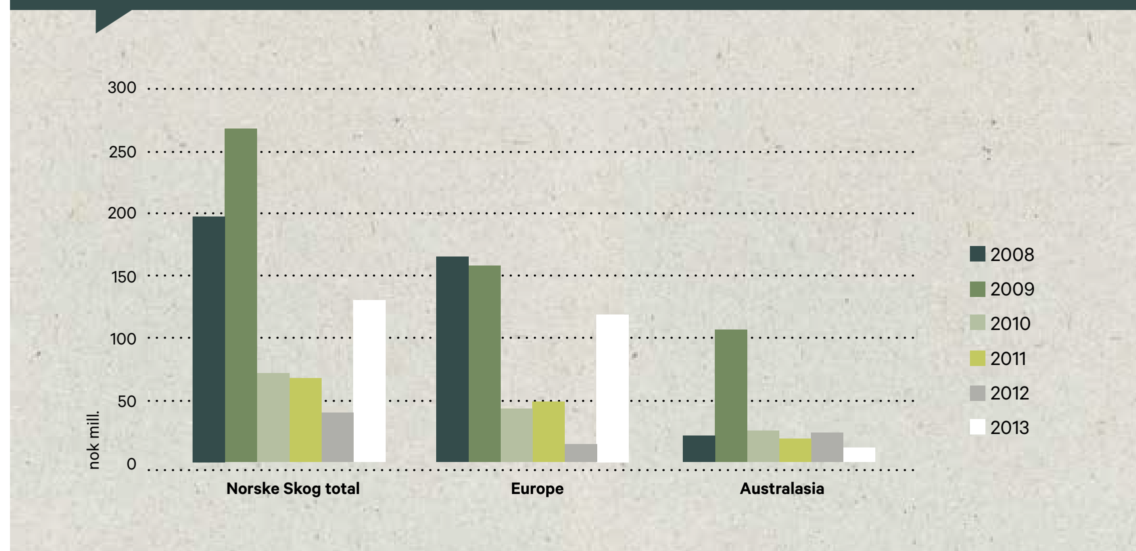
TRENDS IN DISCHARGES OF WASTEWATER PER TONNE OF PAPER



ENVIRONMENT - RELATED OPERATING COSTS, BY TYPE OF COST



ENVIRONMENT-RELATED INVESTMENTS



ENVIRONMENT-RELATED INVESTMENTS, OPERATING COSTS AND TRANSPORT

Environmental investments of NOK 108 million were made at our mills in 2013. Most of the investments regarded waste handling, energy saving and reduction of emissions to the receiving water. Most mills implemented a number of smaller environmental related initiatives as part of their continuous improvement programs.

The presentation of environment related investments often only covers the expenditure side of the equation. While some investments are made to meet changes in regulations, a large proportion of investments are also made to provide financial or other business benefits. For example, investments in new equipment or technology which reduce water use will also reduce energy consumption because a lower volume of water is pumped, heated or treated. Investments in solid waste handling systems are often made to improve the suitability of the waste for combustion and heat recovery. Improvements in chemical handling often have an improved health and safety dimension.

ENVIRONMENT-RELATED OPERATING COSTS

Approximately NOK 235 million of environment-related operating costs were incurred in 2013, equivalent to approximately NOK 82 per tonne of paper produced. Chemicals in treatment plants and payroll costs were responsible for 24% and 26% respectively. Maintenance accounted for 13%. Government taxes and other charges relating to operating and monitoring treatment plants and waste management accounted for the remainder.

TRANSPORT

Norske Skog strives continually to have efficient logistics systems for the materials it purchases and for its products. Efficient systems contribute to the reduction of transport-related costs and greenhouse gas emissions. The ongoing optimisation of our logistics arrangements is done in co-operation with our transport providers.

TRANSPORT OF RAW MATERIALS

The most environmentally friendly form of wood sourcing is to be supplied by local, certified wood sources, because it minimises transport distances and requires sustainable logging. Recycled fibre is a globally traded commodity, with the same environmental considerations as when purchasing wood. Truck transport is the primary raw material transport method, accounting for approximately 78% of inwards transport in 2013. Transport via ship and train accounted for 14% and 8% respectively.

TRANSPORT OF PRODUCTS

In 2013, we transported 2.85 million tonnes of paper to our customers. A large proportion of the paper is exported. This means that the distribution methods used to transport our finished products differ from the transport methods for raw materials.

There was a small change in transport methods compared to 2012. Truck transport continues to be the dominant distribution method, with 41% of our finished products being transported by truck. Rail and ship transportation amounted to 24% and 35% respectively.

MILL FIGURES

		Bruck	Golbey	Saugbrugs	Skogn
PRODUCTION					
Paper	tonnes	346 535	576 699	461 448	476 005
CONSUMPTION					
Roundwood	1 000 m^3	184	229	587	587
Sawmill chips	1 000 m^3	0	313	113	198
Recovered paper	1 000 tonnes	205	472	0	171
Purchased pulp	1 000 tonnes	25	0	44	0
Pigments and fillers	1 000 tonnes	89	16	146	30
Electric power	MWh/tonne	1.16	1.67	2.53	2.30
	GWh	402	964	1 169	1 092
Thermal energy [1)]	GJ/tonne	4.55	5.65	5.81	5.85
	TJ	1 578	3 258	2 681	2 777
DISCHARGE TO WATER					
Treated process water	m^3/tonne	13.7	9.8	20.3	16.7
	1 000 m^3	4 756	5 647	9 375	7 910
Organic material (COD)	kg/tonne	3.1	1.8	5.6	5.0
	tonnes	1 082	1 061	2 593	2 356
Suspended solids (SS)	kg/tonne	0.3	0.1	0.4	0.6
	tonnes	89	51	180	262
Phosphorus (tot-P)	g/tonne	3.7	15.1	10.1	17.1
	tonnes	1.3	8.7	4.7	8.1
AIR EMISSIONS [2)]					
CO_2-e (fossil) (total direct)	tonne/tonne	0.498	0.055	0.003	0.010
CO_2-e (fossil) (indirect)	tonne/tonne	0.029	0.125	0.015	0.014
CO_2-e (fossil) (total)	1 000 tonnes	183	104	8	11
WASTE [3)]					
Waste to landfill	kg/tonne	1.14	3.51	18.85	36.29
	tonnes	396	2 024	8 699	17 275
MANAGEMENT SYSTEMS					
Environmental MS [4)]	Certificate	ISO/EMAS	ISO	ISO	ISO
CoC-systems	Certificate	PEFC/FSC	PEFC/FSC	PEFC/FSC	PEFC/FSC
FORESTRY CERTIFICATION [5)]					
Certified (PEFC or FSC)	%	82	69	81	84

[1)] Includes heat recovered from the production process
[2)] Emissions from production, internal transport and purchased energy
[3)] Production waste (organic and inorganic)
[4)] ISO = ISO 14001, EMAS = EU Eco management and audit scheme
[5)] Of the quantity roundwood + sawmill chips + purchased pulp

Walsum	Albury	Boyer	Tasman
370 813	246 182	228 901	147 561
0	383	552	49
397	0	0	286
0	97	0	0
68	0	0	0
139	0	4	5
1.94	2.56	3.06	3.45
718	630	698	510
6.28	6.70	7.9	8.27
2 329	1 649	1804	1 220
14.2	11.2	30.7	58.3
5 273	2 763	7 029	8 609
4.1	1.9	7.1	5.1
1 528	473	1 625	750
0.1	0.1	0.76	1.4
50	18	174	201
7.0	2.8	25.2	n.r.
2.6	0.7	5.77	n.r.
0.053	0.195	0.828	0.002
0.976	2.276	0.366	0.818
381	608	273	121
0.00	8.78	55.07	2.68
0	2 162	12 606	395
ISO/EMAS	ISO	ISO	ISO
PEFC/FSC	PEFC	PEFC/FSC	FSC
84	59	98	73

INDEPENDENT AUDITOR'S REPORT

TO THE MANAGEMENT OF NORSKE SKOGINDUSTRIER ASA

We have reviewed the environmental information presented in Norske Skog's 2013 Annual Report, pages 20 – 36 ("the Report"). The Report is the responsibility of and has been approved by the management of the Company. Our responsibility is to draw a conclusion based on our review.

We have based our work on the international standard ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. The objective and scope of the engagement were agreed with the management of the Company and included those subject matters on which we have concluded below.

Based on an assessment of materiality and risks, our work included analytical procedures and interviews as well as a review on a sample basis of evidence supporting the subject matters.

We believe that our work provides an appropriate basis for us to conclude with a limited level of assurance on the subject matters. In such an engagement, less assurance is obtained than would be the case had an audit-level engagement been performed.

CONCLUSION

In conclusion, in all material respects, nothing has come to our attention that causes us not to believe that:

- The environmental aspects presented in the Report comprise the most significant ones at corporate level.
- Norske Skog has applied procedures, as summarised on page 36, for the purpose of collecting, compiling and validating environmental data from its reporting units for inclusion in the Report.
- The aggregated information accumulated as a result of the procedures noted above is consistent with the data reported from reporting units and appropriately reflected in the Report.
- The environmental information for 2013 reported from a sample of two reporting units (Norske Skog Bruck and Norske Skog Saugbrugs) was reported according to the procedures noted above and was consistent with the source documentation presented to us.
- Norske Skog applies a reporting practice for its environmental reporting aligned with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines reporting principles. The GRI Index referred to on page 36 in the Report appropriately reflects where relevant information on each of the elements and performance indicators of the GRI guidelines is to be found within the Norske Skog Annual Report 2013. The UN Global Compact table referred to on page 36, appropriately reflects where relevant information is presented in the Norske Skog Annual Report 2013.

Oslo, 26 February 2014
Deloitte AS

Eivind Skaug
State Authorized Public Accountant

Frank Dahl
Deloitte Sustainability

ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY REPORTING

The environment report contains information which Norske Skog believes covers the material environmental aspects of the value chain of the company's activities. Environmental data for 2013 includes wholly owned paper mills which were part of the group as at 31 December 2013.

Comparison with 2012 is made based on adjusted 2012 figures (taking out the units sold or closed in 2013)

Environmental data has been collected from the mills using established reporting routines. These include monthly standardised reporting for the key environmental data as well as a standardised collection of supplementary information on an annual basis. The monthly reporting includes production, consumption of raw materials, energy consumption, emissions and discharges and waste. Data from this reporting is collated by the environment manager on the group level in standardised monthly reports to the corporate management and to the board quarterly. The basis and methodology for the reporting on greenhouse gas emissions and the Environmental Index is described on pages 27 and 29. The figures in the environmental report are collated and processed with a view towards an as uniform and practical presentation of data as possible.

Norske Skog also supports the work to develop a global standard for reporting of sustainable development. We therefore use the Global Reporting Initiative's (GRI) guidelines for reporting relating to sustainability as a tool in our work to report environmental and corporate responsibility. Our reporting practice is, in our view, for all practical purposes in line with the GRI reporting routines. On our website, (www.norskeskog.com/gri.aspx), there is a GRI table containing references to where in the annual report relevant information about the various elements and key indicators in GRI can be found. In our opinion, our reporting for 2013 meets with the Level B requirements in accordance with the guidelines.

Norske Skog is committed to contribute to sustainable development. We have signed the UN Global Compact, are members of Global Compact Nordic Network (GCNN), where participants from Denmark, Finland, Norway and Sweden discuss common challenges and the implementation of the ten principles in the UN Global Compact. There is a UN Global Compact table, with reference to where in the annual report relevant information about the ten principles can be found, on our website (www.norskeskog.com/globalcompact.aspx).

REPORT OF THE BOARD OF DIRECTORS

Norske Skog is one of the world's leading producers of newsprint and magazine paper with an annual production capacity of three million tonnes. Around three quarters of the group's production capacity is located in Europe, consisting of a relatively balanced portfolio of newsprint and magazine paper. At the end of 2013, the remaining quarter of the group's production capacity was newsprint capacity located in Australasia. However, in the first quarter of 2014, Norske Skog commissioned production of coated magazine paper in Australasia, through conversion of one newsprint machine at the Boyer mill in Australia. Norske Skog is the sole domestic producer of newsprint and magazine paper in Australasia. Following the conversion, four fifths of the group's capacity in the region is newsprint.

Demand for publication paper is in structural decline, with migration of advertising and content from print to digital media. However, paper has certain unique characteristics in achieving attention for advertising and readability for knowledge transferral. Furthermore, paper is a renewable product, made from recycled paper and growing forests, with a competitive carbon footprint compared to digital devices. The role of paper is thus changing in the digital age, but paper will remain a key disseminator of information.

The European economy is struggling with feeble growth in a post financial crisis world. Deleveraging by governments and households, resulting in output shortfalls and high unemployment, has adversely affected advertisement spending and demand for newspapers and magazines. The structural demand decline for publication paper has been amplified by the business cycle. Reduced demand has forced the industry to close capacity and realign the supply side to the new, smaller market. The outlook for the European economy has improved into 2014.

In Australasia, the demand for newsprint decreased significantly in 2013. The decline originated from strategic shifts by publishers in a region with high paper usage per capita compared to other mature markets. Converging levels of paper usage should therefore lead to a more modest decline in newsprint demand. Australasian demand for coated magazine paper increased in 2013.

NORSKE SKOG IN 2013

Norske Skog generated a weak gross operating result in 2013, due to depressed margins in oversupplied markets. Norske Skog closed one machine at the Tasman mill in New Zealand and one machine at the Walsum mill in Germany during 2013. The group further divested its operations in Brazil and Thailand. These changes streamlined Norske Skog's operations around its two business systems in Europe and Australasia.

Norske Skog conducted two large development projects in 2013. At the Saugbrugs mill in Norway, a more energy efficient pulping facility was built, reducing electricity usage. Saugbrugs also secured long-term electricity supply by entering a new contract with Statkraft, the Norwegian state-owned utility, in the spring of 2013. At Boyer in Tasmania, one newsprint machine was converted to coated magazine paper, giving the group exposure to a new market in the region. To optimise the usage of the mill sites, Norske Skog further facilitates access for entrepreneurial initiatives at several locations.

In June 2013, the corporate headquarter was moved from large premises on the outskirts of Oslo to significantly smaller, less expensive and more modern facilities in Oslo.

Towards the end of 2013, Norske Skog entered new long-term contracts with its two largest customers in Australasia, extending the visibility for the domestic business in the region until 2020.

INCOME STATEMENT AND CASH FLOW

Norske Skog's operating revenue in 2013 was NOK 13 billion (NOK 17 billion in 2012). The reduction was largely driven by reduced capacity in the group throughout the year, due to closures and divestments. Delivery volumes were down 15% to 3.1 million tonnes.

Gross operating earnings were NOK 862 million in 2013 (NOK 1 485 million). Depreciation was NOK 728 million in 2013 (NOK 935 million).

Restructuring expenses in 2013 amounted to NOK 145 million (NOK 118 million) and consisted mainly of provisions related to the closure of one machine at Walsum in Germany. Other gains and losses in 2013 were NOK -1.1 billion (NOK -1.0 billion) and were largely due to reduced mark to market valuation of the group's energy contracts recognised on the balance sheet.

Operating earnings were NOK -1.1 billion in 2013 (NOK -2.7 billion). The improvement reflected the fact that there were no impairments in 2013, compared to impairments of NOK 2.1 billion in 2012.

Financial items in 2013 were NOK -1 258 million (NOK -117 million). Net interest expenses were NOK 614 million in 2013 (NOK 585 million). Currency losses, related to translation effects on debt denominated in foreign currencies and from operational cash flow hedging, were NOK 618 million in 2013 (gain of NOK 359 million). The loss resulted from NOK depreciation through the year.

Income relating to income taxes recognised in the income statement for 2013 amounted to NOK 500 million (NOK 69 million). Tax income reflects pre-tax losses.

Loss for the period was NOK -1.8 billion in 2013 (NOK -2.8 billion). Earnings per share in 2013 were NOK -9.7 (NOK -14.6).

Cash flow from operations, after change in working capital, paid interest, restructuring activities and taxes, was NOK 68 million in 2013 (NOK 982 million).

BALANCE SHEET

Total assets were NOK 14.6 billion at 31 December 2013, compared with NOK 16.0 billion at 31 December 2012. The reduction of NOK 1.4 billion reflected divestments, the fact that the level of investments was lower than the depreciation level, and reduced working capital. Total non-current assets were NOK 10.6 billion at 31 December 2013, compared to NOK 11.4 billion at 31 December 2012. Cash investments in property, plant and equipment were NOK 529 million in 2013 (NOK 492 million). The high investment level reflected the development projects at Saugbrugs and Boyer.

Total current assets were NOK 4.0 billion at 31 December 2013, compared with NOK 4.7 billion at 31 December 2012. The decrease was primarily due to reduced working capital.

Total non-current liabilities were NOK 8.8 billion at 31 December 2013, compared with NOK 9.1 billion at 31 December 2012.

Net interest-bearing debt increased by NOK 796 million through 2013 and amounted to NOK 6.8 billion at 31 December 2013. The increase reflected negative net cash flow and a non-cash currency loss on debt denominated in foreign currencies.

Equity was NOK 2.2 billion at 31 December 2013, compared with NOK 4.2 billion at 31 December 2012. The reduction of NOK 2.0 billion mirrored the negative result in the income statement and currency translation differences. Equity per share was NOK 11 at 31 December 2013, compared to NOK 22 at 31 December 2012.

The board confirms that the report of the board of directors and financial statements give a true and fair view of the company's financial position, and that the financial statements have been prepared on the going concern basis.

DIVIDEND PROPOSAL

Based on weak earnings and the company's financial position, the board recommends that no dividend is disbursed for the financial year 2013.

SEGMENT ACTIVITY AND MARKET DEVELOPMENT

Norske Skog's reporting structure in 2013 provided segment information for Newsprint Europe, Newsprint outside Europe and Magazine paper. Other activities largely comprise costs above the segment level.

Demand for newsprint and magazine paper declined in all markets in 2013. World demand for newsprint and magazine paper decreased by 5% and 2% respectively. The decrease reflected a weak world economy with the structural decline in mature markets amplified by the business cycle. The outlook for the world economy has improved into 2014.

NEWSPRINT EUROPE

The segment includes the Skogn mill in Norway, the Golbey mill in France and one of two paper machines at Bruck in Austria. Annual production capacity is 1.3 million tonnes, accounting for around two fifths of Norske Skog's total capacity.

Operating revenue was NOK 4.4 billion in 2013 (NOK 4.5 billion). Gross operating earnings were NOK 309 million (NOK 365 million). The reduction reflected margin contraction with lower prices in the first half of the year. Variable costs were relatively stable, while fixed costs declined with ongoing cost reduction programmes. Sales volumes were flat at 1.2 million tonnes.

Demand for newsprint in Europe including improved qualities was 4% lower in 2013 compared to the year before. Capacity utilisation for the group in Newsprint Europe was 90% in 2013 (88%).

NEWSPRINT OUTSIDE EUROPE

The segment includes Norske Skog's newsprint operations in Australia and New Zealand. Total production capacity is 0.7 million tonnes, a reduction of 0.5 million tonnes during 2013 following the closure of one machine at Tasman in New Zealand and the divestments of Pisa in Brazil and Singburi in Thailand.

Operating revenue in 2013 was NOK 3.8 billion (NOK 5.3 billion) and gross operating earnings were NOK 606 million (NOK 879 million). The reduction in gross operating earnings resulted from portfolio changes and the transition in Australia into magazine paper. Sales volumes declined by 26% to 0.8 million tonnes. Long-term customer contracts in Australasia were extended to 2020.

Demand for newsprint in Oceania fell by 17% in 2013. Capacity utilisation for the group in Newsprint outside Europe was 88% in 2013 (88%), reflecting the conversion project at Boyer.

MAGAZINE PAPER

The segment includes Saugbrugs in Norway, Walsum in Germany and one of two paper machines at Bruck in Austria. Total production capacity is 1.0 million tonnes, a reduction of 0.2 million tonnes through 2013 following the closure of one machine at Walsum. The segment is relatively evenly exposed to uncoated and coated magazine paper.

Operating revenue in 2013 was NOK 5.0 billion (NOK 6.3 billion). Gross operating earnings were NOK 12 million (NOK 349 million). The zero margin constituted a loss making Walsum with overcapacity of coated magazine paper in Europe. Sales volumes declined by 20% to 1.0 million tonnes.

Demand for uncoated and coated magazine paper in Europe decreased by 4% and 7% respectively in 2013. Capacity utilisation for the group's magazine paper operations was 87% in 2013 (87%).

OTHER ACTIVITIES

Other activities consist mainly of unallocated group costs and purchase and resale activities to the business units. Negative operating earnings mainly constitute a reduction in the value of energy contracts recognised on the balance sheet.

PROFITABILITY IMPROVEMENTS AND FINANCIAL POSITION

Prices for publication paper increased in the second half of 2013, as a result of the industry being forced to close unprofitable capacity in a declining market.

The NOK depreciated against major currencies through 2013. A weak NOK is supportive for Norske Skog, which has a large cost base in Norway and most of its revenue in other currencies.

Cost of materials were stable throughout the year, while fixed costs initiatives continued. The annual level of fixed costs for the group was NOK 2.7 billion in the fourth quarter of 2013, compared to NOK 3.4 billion the year before.

Developments for prices, currencies and costs were favourable when entering 2014 compared to the beginning of 2013.

During 2013, Norske Skog entered into a new NOK 250 million factoring facility with Sparebank 1 Gruppen financed by trade receivables from the mills at Skogn and Saugbrugs in Norway. The former revolving credit facility, with a banking syndicate consisting of DNB, Nordea, SEB and Citi, was repaid and cancelled. The new factoring facility, which does not include financial covenants, remained undrawn at year-end 2013.

Proceeds still pending from the divestment of Pisa in Brazil, amounting to USD 35 million, will be received during the first half of 2014.

At the end of 2013, Norske Skog had cash holdings and credit lines that provided sufficient liquidity to meet debt maturities in 2014. However, the board of directors recognises the challenging markets that Norske Skog operates in, and the seasonally lower cash flow in the first half of the year. As a consequence, the board of directors has continuous focus on having sufficient cash flow for operations throughout 2014. To ensure sufficient liquidity for both debt maturities and operations Norske Skog has, in addition to improving cash flow from operations, a number of ongoing initiatives that, in the opinion of the board of directors, should in total provide sufficient cash flows during 2014.

ORGANISATION

BOARD OF DIRECTORS
Norske Skog's board of directors consists of Eivind Reiten (chair), Eilif Due, Siri Beate Hatlen, Finn Johnsson, Karen Kvalevåg, Ingelise Arntsen, Jon-Aksel Torgersen and three employee-elected representatives Kjetil Bakkan, Paul Kristiansen and Svein Erik Veie. The board is elected by the general meeting.

CORPORATE MANAGEMENT
Norske Skog's corporate management consists of Sven Ombudstvedt (president and CEO), Rune Sollie (CFO) and Roar Ødelien (COO).

EMPLOYEES
Norske Skog had approximately 3 200 employees at the end of 2013. At the end of 2012, there were approximately 4 000 employees. The reduction during 2013 reflected divestments of Pisa in Brazil and Singburi in Thailand, capacity closure at Tasman in New Zealand and ongoing cost reduction initiatives.

HEALTH AND SAFETY
Norske Skog aims to have zero injuries among employees. Health and safety is a corporate responsibility, followed up by the individual business units. All near misses and injuries are reported in a global system. Experiences from every single incident are shared with the entire organisation. The H1-value, which represents lost-time injuries per million working hours, was 1.06 in 2013. Norske Skog had had an absence rate due to sickness of 3.6% in 2013.

RESEARCH AND DEVELOPMENT
Norske Skog's research and development work is performed at the individual business units and in cooperation with external research institutions. The work is coordinated centrally by Norske Skog, where the aim is to leverage synergies and best practices throughout the group.

GENDER EQUALITY, GENDER BALANCE AND DIVERSITY
The paper industry has traditionally had few female employees. The proportion of women in Norske Skog has been stable at around 10% for many years.

Norske Skog's board of directors consists of seven members elected by the shareholders and three members elected by and among the employees. There are four men and three women among the shareholder-elected members. All of the employee-elected representatives are men. An exception from the gender balance requirement for employee-elected board members is granted for companies with a total female percentage of less than 20%. Norske Skog complies with the requirement for gender balance on boards of Norwegian public limited companies.

EMPLOYEE REPRESENTATIVES
Norske Skog signed a renewal in 2013 of the global employee rights agreement with Norwegian Federation of Trade Unions and the International Federation of Chemical, Energy, Mine and General worker's unions (ICEM).

COOPERATION PROJECTS
Norske Skog and the environmental foundation Bellona have signed a partnership agreement to create a more environmentally-friendly supply chain. The collaboration aims to reduce the environmental impact of current production, utilising logs in a better way and finding the right commercial environmental solutions for production of bio-energy and bio-waste.

RISK MANAGEMENT
Norske Skog performs an annual Enterprise Risk Management (ERM) evaluation based on reports from all operating units and key functions. The report is presented to the board and is part of the group's risk management activities.

The main risk exposures for the group are linked to price and volume developments for newsprint and magazine paper and the costs of key input factors such as energy and fibre. Currency movements and developments in the broader economic climate remain the largest uncertainties impacting all of the above. High financial leverage in group amplifies the business risk.

Norske Skog's operations are concentrated on the production of newsprint and magazine paper in Europe and Australasia. Exposure to both newsprint and magazine paper gives product related diversification and two distinct business systems provide geographic diversification.

Norske Skog is not vertically integrated and has to source input factors from third parties. The supply of these input factors is largely covered by long-term contracts which reduce cost fluctuations. The group thus entails an element of virtual vertical integration.

Financial risk management includes currency and liquidity planning. Cash flows are protected through currency hedging, while the balance sheet is secured by matching currency denomination of debt and assets. The group hedges a large portion of the expected cash flow in foreign currencies on a rolling basis for the next nine to 12 months. Norske Skog has issued bonds denominated in EUR, USD and NOK. The interest rates on these bonds are largely fixed, providing predictability. Liquidity is ensured by healthy cash balances and open credit lines.

Norske Skog performs credit evaluations of counterparties. The group's general insurance is managed centrally through a well-established insurance programme.

Risk factors are further discussed in Note 8 in the consolidated financial statements. Corporate governance is described in a separate section of the annual report.

ENVIRONMENT
Norske Skog sets environmental targets for each individual production unit, with clear procedures for performance reporting. The group's annual report is prepared in accordance with the Global Reporting Initiative (GRI). In 2003, Norske Skog signed the UN Global Compact treaty, for compliance with the principles of human rights, employee rights, the environment and anti-corruption work. All of Norske Skog's business units are certified in accordance with ISO 14001. For further details of Norske Skog's GRI and UN Global Compact reporting, please see Norske Skog's website, www.norskeskog.com/responsibility.

RESOURCES AND GREENHOUSE GAS EMISSIONS
Use of recovered paper is an important part of the group's energy and climate work. Recovered paper requires less energy in the production process than wood, and thereby reduces greenhouse gas emissions.

Norske Skog prioritises the procurement of logs and wood chips from certified forestry. The company's procurement policy is that all wood must come from sustainable forests. All of Norske Skog business units have traceability certificates to document the origin of wood.

Norske Skog has determined to reduce its greenhouse gas emissions by 25% from 2006 to 2020. The reduction target includes direct greenhouse gas emissions from paper production, and indirect emissions from purchased electricity and heat. The goal will be achieved through a combination of energy conservation and use of alternative energy sources.

OUTLOOK FOR 2014
Prices in Europe are expected to improve into 2014 with better market balance for newsprint and SC magazine paper. The current level of the NOK exchange rate is further

supportive to revenues. In Australasia, the conversion of one newsprint machine to coated magazine paper will contribute to a larger domestic business from the second quarter. Production in Australasia will be low in the first quarter due to the conversion. Variable costs for the group are expected to remain relatively stable when measured in local currencies. Fixed costs will decline following the machine closure at Walsum and ongoing cost reduction programmes.

NORSKE SKOGINDUSTRIER ASA (THE PARENT COMPANY)

The activities of Norske Skogindustrier ASA consist primarily of corporate functions and service centre activities for other Norwegian entities in the group. There has been significant downsizing at the corporate headquarters during recent years. This was reflected in the company's lower employee benefit expenses and other operating expenses.

Restructuring expenses were related to downsizing at the company headquarters at Skøyen and changes in corporate management. Other gains and losses in the income statement consisted primarily of gains and losses on commodity contracts and embedded derivatives of NOK 192 million.

Financial items amounted to NOK -2.4 billion in 2013. This item included impairment of the carrying value of shares in subsidiaries of NOK 248 million and dividends from subsidiaries and other companies of NOK 146 million. Impairment of shares in subsidiaries was a consequence of reduced values of the underlying assets. Financial items also included net interest costs of NOK 757 million and negative currency effects of NOK 1.3 billion.

Net cash flow from operating activities in the parent company was negative with NOK 752 million in 2013. This amount included financial payments of NOK 624 million. The net increase in working capital of NOK 63 million also contributed to the negative cash flow from operations.

At the end of 2013, Norske Skogindustrier ASA had 66 employees, of which 14 were women.

LOSS ALLOCATION

The net loss for the year for Norske Skogindustrier ASA (the parent company) in 2013 was NOK 2.0 billion, which has been allocated in its entirety to other paid-in equity. Distributable equity in Norske Skogindustrier ASA amounted to NOK 2.0 billion at 31 December 2013.

SKØYEN 26 FEBRUARY 2014 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA

Eivind Reiten Chair	Eilif Due Board member	Siri Beate Hatlen Board member	Finn Johnsson Board member
Karen Kvalevåg Board member	Ingelise Arntsen Board member	Jon-Aksel Torgersen Board member	Kjetil Bakkan Board member
Paul Kristiansen Board member	Svein Erik Veie Board member	Sven Ombudstvedt President and CEO	

13

CONSOLIDATED
FINANCIAL STATEMENTS

NORSKE SKOGINDUSTRIER ASA

CONTENTS

42

	CONSOLIDATED FINANCIAL STATEMENTS	**42**
	Consolidated income statement	**45**
	Consolidated statement of comprehensive income	**45**
	Consolidated balance sheet	**46**
	Consolidated statement of cash flows	**47**
	Consolidated statement of changes in group equity	**48**

50

	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	**50**
1	General information	**50**
2	Accounting policies	**50**
3	Operating segments	**56**
4	Intangible assets and property, plant and equipment	**60**
5	Financial items	**63**
6	Mortgages	**63**
7	Financial instruments	**64**
8	Financial risk and hedge accounting	**66**
9	Derivatives	**71**
10	Receivables and other non-current assets	**73**
11	Interest-bearing liabilities	**74**
12	Employee benefit expenses	**76**
13	Pension costs and pension obligations	**80**
14	Other operating expenses	**83**
15	Leases	**83**
16	Other gains and losses	**84**
17	Income taxes	**85**
18	Specification of balance sheet items	**87**
19	Investments in associated companies	**90**
20	Provisions	**91**
21	Non-controlling interests	**92**
22	Earnings and dividend per share	**92**
23	Shares	**93**
24	Capital risk management	**95**
25	Contingent liabilities	**95**
26	Related parties	**95**
27	Events after the balance sheet date	**95**

CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	2013	2012 Restated
Operating revenue	3	**13 339**	**16 592**
Distribution costs		-1 398	-1 645
Cost of materials		-8 017	-9 564
Change in inventories		-45	-156
Employee benefit expenses	12	-2 002	-2 491
Other operating expenses	14	-1 014	-1 252
Gross operating earnings		**862**	**1 485**
Depreciation	4	-728	-935
Restructuring expenses	20	-145	-118
Other gains and losses	16	-1 100	-1 009
Impairments	4	0	-2 086
Operating earnings		**-1 111**	**-2 663**
Share of profit in associated companies	19	26	-70
Financial items	5	-1 258	-117
Profit/loss before income taxes		**-2 344**	**-2 849**
Income taxes	17	500	69
Profit/loss		**-1 844**	**-2 781**
Profit/loss attributable to:			
Owners of the parent		-1 844	-2 778
Non-controlling interests	21	0	-3
Basic/diluted earnings per share (NOK)	22	-9.71	-14.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	2013	2012 Restated
Profit/loss	**-1 844**	**-2 781**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	140	-511
Tax expense on translation differences	-30	-36
Hedge of net investment in foreign operations	-243	224
Tax expense on net investment hedge	-4	13
Reclassified translation differences upon divestment of foreign operations	221	130
Reclassified hedging gain/loss on net investment upon divestment of foreign operations	-361	-222
Tax expense on reclassifications	101	62
Other items	1	2
Tax expense on other items	0	0
Total	**-175**	**-338**
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligations	52	-82
Tax effect on remeasurements of post employment benefit obligations	1	-7
Total	**53**	**-89**
Other comprehensive income	**-122**	**-427**
Comprehensive income	**-1 966**	**-3 208**
Comprehensive income attributable to:		
Owners of the parent	-1 967	-3 204
Non-controlling interests	1	-4

CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	31.12.2013	31.12.2012 Restated	01.01.2012 Restated
Assets				
Deferred tax asset	17	541	313	355
Intangible assets	4	152	232	148
Property, plant and equipment	3, 4	9 025	9 533	12 622
Investments in associated companies	19	595	339	422
Other non-current assets	10	299	976	2 242
Total non-current assets		**10 611**	**11 393**	**15 789**
Inventories	3, 18	1 274	1 370	1 867
Trade and other receivables	10	1 574	1 816	2 732
Cash and cash equivalents	8	1 015	1 194	1 200
Other current assets	18	141	271	372
Total current assets		**4 005**	**4 650**	**6 171**
Total assets		**14 617**	**16 043**	**21 960**
Shareholders' equity and liabilities				
Paid-in equity		12 302	12 302	12 303
Retained earnings and other reserves	22	-10 127	-8 161	-4 957
Non-controlling interests	21	0	9	13
Total equity		**2 175**	**4 151**	**7 359**
Pension obligations	13	714	629	598
Deferred tax liability	17	392	493	498
Interest-bearing non-current liabilities	11	6 973	7 208	8 407
Other non-current liabilities	18	699	762	736
Total non-current liabilities		**8 779**	**9 092**	**10 239**
Interest-bearing current liabilities	11	1 044	203	931
Trade and other payables	18	2 040	2 114	2 480
Tax payable	17	39	43	31
Other current liabilities	18	540	441	920
Total current liabilities		**3 662**	**2 801**	**4 362**
Total liabilities		**12 441**	**11 892**	**14 601**
Total equity and liabilities		**14 617**	**16 043**	**21 960**

SKØYEN, 26 FEBRUARY 2014 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA

Eivind Reiten
Chair

Eilif Due
Board member

Siri Beate Hatlen
Board member

Finn Johnsson
Board member

Karen Kvalevåg
Board member

Ingelise Arntsen
Board member

Jon-Aksel Torgersen
Board member

Kjetil Bakkan
Board member

Paul Kristiansen
Board member

Svein Erik Veie
Board member

Sven Ombudstvedt
President and CEO

CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	NOTE	2013	2012 Restated
Cash flow from operating activities			
Cash generated from operations		13 490	17 037
Cash used in operations		-12 745	-15 261
Cash flow from currency hedges and financial items		6	-77
Interest payments received		22	39
Interest payments made		-650	-692
Taxes paid		-56	-64
Net cash flow from operating activities [1]	3	**68**	**982**
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets	3	-529	-492
Sales of property, plant and equipment and intangible assets		23	101
Dividend received		18	10
Purchase of shares in companies and other investments		-68	0
Sales of shares in companies and other investments		387	682
Net cash flow from investing activities		**-169**	**300**
Cash flow from financing activities			
New loans raised		873	1 183
Repayments of loans		-1 024	-2 440
Purchase/sale of treasury shares		0	-1
Net cash flow from financing activities		**-151**	**-1 258**
Foreign currency effects on cash and cash equivalents		74	-31
Total change in cash and cash equivalents		**-178**	**-6**
Cash and cash equivalents 1 January		1 194	1 200
Cash and cash equivalents 31 December		1 015	1 194
[1] Reconciliation of net cash flow from operating activities			
Profit/loss before income taxes		-2 344	-2 849
Depreciation/impairments	4	728	3 021
Share of profit in associated companies	19	-26	70
Gains and losses from divestment of business activities and property, plant and equipment	16	178	-39
Taxes paid		-56	-64
Change in trade and other receivables		151	445
Change in inventories		36	181
Change in trade and other payables		-23	-161
Change in restructuring provision		23	-64
Financial items with no cash impact		637	-612
Gains and losses on commodity contracts and embedded derivatives	16	907	1 042
Adjustments for items with no cash impact		-143	12
Net cash flow from operating activities		**68**	**982**

CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	PAID-IN EQUITY	RETAINED EARNINGS	HEDGE ACCOUNTING	OTHER EQUITY RESERVES	TOTAL BEFORE NON-CONTROLLING INTERESTS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Equity 1 January 2012	**12 303**	**-5 584**	**240**	**461**	**7 420**	**13**	**7 433**
Effect of implementation of IAS 19R	0	0	0	-74	-74	0	-74
Equity 1 January 2012 (restated)	**12 303**	**-5 584**	**240**	**387**	**7 346**	**13**	**7 359**
Profit/loss	0	-2 778	0	0	-2 778	-3	-2 781
Other comprehensive income	0	0	77	-504	-427	0	-427
Change in holding of treasury shares	-1	0	0	0	-1	0	-1
Equity 31 December 2012	**12 302**	**-8 361**	**317**	**-116**	**4 142**	**9**	**4 151**
Profit/loss	0	-1 844	0	0	-1 844	0	-1 844
Other comprehensive income	0	0	-507	385	-123	1	-122
Change in non-controlling interest – divested operations	0	0	0	0	0	-10	-10
Equity 31 December 2013	**12 302**	**-10 205**	**-190**	**269**	**2 175**	**0**	**2 175**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Norske Skogindustrier ASA ("the company") and its subsidiaries (together "the group") manufacture, distribute and sell publication paper. This includes newsprint and magazine paper. The group has nine fully and partly owned mills in seven countries.

Norske Skogindustrier ASA is incorporated in Norway and has its head office at Skøyen outside of Oslo. The company is listed on the Oslo Stock Exchange. The consolidated financial statements were authorised for issue by the board of directors in Norske Skogindustrier ASA on 26 February 2014.

All amounts are presented in NOK million unless otherwise stated. There may be some small differences in the summation of columns due to rounding.

The annual financial statements are presented in English only.

ADOPTION OF THE AMENDED IAS 19 – RESTATEMENT OF 2012 FIGURES

Norske Skog implemented the amended accounting standard IAS 19 *Employee benefits* from 1 January 2013, with full retrospective application. Comparative figures for 2012 have been restated in accordance with the amended standard. Since the amendment has been applied retrospectively, the consolidated balance sheet at 1 January 2012 has been included in the consolidated financial statements. The implementation effects of the amended standard are further described in Note 13.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements of Norske Skogindustrier ASA are set out below. The policies have been consistently applied to all periods presented, unless otherwise stated.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRIC), as adopted by the European Union (EU). They have been prepared under the historical cost convention, as modified by the revaluation of biological assets, available-for-sale financial assets and financial assets at fair value through profit or loss.

CONSOLIDATION

a) Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights.

The group also assesses whether control exists where it does not have more than 50% of the voting power, but is able to govern the financial and operating policies by virtue of de-facto control. Important factors when assessing de-facto control are whether or not the group can choose the board of directors and whether the group's voting rights give the group the power to govern the financial and operating policies etc.

Subsidiaries are fully consolidated from the date at which control is transferred to the group. They are de-consolidated from the date on which such control ceases.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. The accounting policies of subsidiaries have been amended where necessary to ensure consistency with the policies adopted by the group.

b) Change in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Upon further acquisition of shares in subsidiaries from non-controlling interests, the difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary, is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

c) Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

d) Associates

Associates are all entities over which the group exercises significant influence but not control, generally accompanying a shareholding of 20% to 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. The investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The group's share of post acquisition profit or loss is recognised in the income statement as Share of profit in associated companies and is assigned to the carrying value of the investment, together with the group's share of other comprehensive income in the associated company. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Profits and losses resulting from transactions between the group and its associates are recognised in the consolidated financial statements only to the extent of unrelated investors' interests in the associates.

At each reporting date, the group determines whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the amount as Share of profit in associated companies.

Dilution gains and losses arising in investments in associates are recognised in the income statement. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

SEGMENT REPORTING

Reportable segments

The activities in the group are divided into two operating segments: newsprint and magazine paper. The newsprint segment is further segregated into two geographical regions, newsprint Europe and newsprint outside of Europe. The segment structure is in line with the group operating model implemented in 2011. The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources, making strategic decisions and assessing performance of the group's mills, has been identified as corporate management. The mills have a direct reporting line to corporate management.

Accounting policies applied in the segment reporting

Recognition, measurement and classification applied in the segment reporting are consistent with the accounting principles applied for the consolidated income statement and balance sheet. The option in IFRS 8 allowing different accounting policies to be applied in the segment reporting and group reporting is, for transparency reasons, not applied in Norske Skog.

Performance measurement

The group assesses the performance of the operating segments based on a measure of gross operating earnings (adjusted EBITDA) and gross operating earnings after depreciation (adjusted EBIT). These items exclude the effects of expenditure not deemed to be part of the regular operating activities of the segment, such as restructuring expenses, impairments, gains and losses from sales of non-current assets and changes in fair value of certain energy contracts and biological assets.

Intercompany transactions

The revenue reported per operating segment includes both sales to external parties and sales to other segments. Intra-segment sales are eliminated in the consolidated financial statements. All sales transactions between operating segments are carried out at arm's length prices as if sold or transferred to independent third parties.

FOREIGN CURRENCY TRANSLATION

a) Functional and presentational currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic location in which the entity operates (the "functional currency"). The consolidated financial statements are presented in NOK, which is both the functional and presentational currency of the parent company.

b) Transactions and balances

Foreign currency transactions are translated into the entity's functional currency using the exchange rate prevailing on the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement. Gains and losses subject to hedge accounting and relating to currency positions qualifying as net investment hedges and which are hedge accounted, are booked as part of comprehensive income.

Exchange differences arising from the settlement of accounts receivable/payable and unrealised gains/losses on the same positions are recognised in Operating revenue/Cost of materials respectively. Exchange differences arising from the settlement of other items are recognised within Financial items.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement as Financial items.

c) Group companies

The results and financial position of all group entities which have a functional currency different from the presentational currency are translated into the presentational currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
ii. Income and expenses for each income statement are translated at average exchange rates,
iii. All resulting exchange differences are booked to comprehensive income and presented in other equity reserves.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are booked as part of comprehensive income and presented in other equity reserves. When a foreign operation is fully or partially sold, such exchange differences are booked out of comprehensive income and recognised in the income statement line Other gains and losses as part of the gain or loss on sale.

PROPERTY, PLANT AND EQUIPMENT

Land and buildings comprise mainly mills, machinery and office premises. All property, plant and equipment (PPE) is shown at historical cost less subsequent depreciation and impairments. Historical cost includes expenditure directly attributable to the acquisition of the items. The residual value of production equipment is defined as the realisable value after deduction of the estimated cost of dismantling and removal of the asset. If the estimated cost exceeds the estimated value, the net liability is added to the cost of the related asset, and a provision is recognised as a liability in the balance sheet.

Borrowing costs which are directly related to qualifying assets are recognised as part of the acquisition cost for the qualifying asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives.

The residual value and useful life of assets are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and included in the income statement line Other gains and losses.

BIOLOGICAL ASSETS

Biological assets are measured upon initial recognition and at the end of each reporting period at fair value less estimated point-of-sale costs, unless fair value cannot be reliably measured. A gain or loss arising on initial recognition, and from changes in fair value during a period, is reported in net profit or loss for the period in which it arises. When fair value cannot be reliably estimated, the asset is measured at cost less any accumulated depreciation and any accumulated impairment losses.

INTANGIBLE ASSETS

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

b) Patents and licenses

Patents and licenses have a finite useful life and are recognised at historical cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patents and licences over their estimated useful lives.

c) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire the specific software and bring it into use, and amortised over their estimated useful lives. Costs associated with maintaining computer software are recognised as an expense as they are incurred. Costs which are directly associated with the development of identifiable and unique software products controlled by the group, and which are likely to generate economic benefits exceeding the costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development personnel and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets which have an indefinite useful life, for example goodwill, are not subject to amortisation, but are tested annually for impairment. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which cash flows are separately identifiable (cash-generating units). At each balance sheet date, the possibility of reversing impairment losses in prior periods is evaluated (except for goodwill).

NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

FINANCIAL ASSETS

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. This classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if it was acquired principally for the purpose of short-term sale or if so designated by management. Derivatives are also categorised as held for trading unless designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Non-financial commodity contracts where the relevant commodity is readily convertible to cash, and where the contracts are not for own use, fall within the scope of IAS 39 *Financial Instruments – recognition and measurement*. Such contracts are treated as derivatives in accordance with IAS 39. Norske Skog has a long-term energy contract in New Zealand that is treated as a derivative and measured at fair value through profit or loss. Furthermore, the energy contracts in Norway are nominated in EUR and contain embedded derivatives that are recognised at fair value through profit or loss. See Notes 7, 8 and 9 for more information. Commodity contracts within the scope of IAS 39 are classified as current assets, unless they are expected to be realised more than 12 months after the balance sheet date. In that case, they are classified as non-current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. Loans and receivables maturing less than 12 months after the balance sheet date are classified as current assets and presented as Trade and other receivables or Cash and cash equivalents in the balance sheet. Items maturing later than 12 months after the balance sheet date are presented within Other non-current assets.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives which are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

DERIVATIVES AND HEDGING

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates derivatives as either:

a) Hedges of the fair value of fixed interest loans (fair value hedge),
b) Hedging of a net investment in a foreign operation (net investment hedge),
c) Derivatives at fair value through profit or loss.

Upon inception of a transaction, the group documents the relationship between the hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment of whether the derivatives that are used are highly effective in offsetting changes in fair values or cash flows of hedged items. This assessment is documented both at hedge inception and on an ongoing basis through the hedging period.

Accounting for derivatives follows the intentions underlying the associated contract. At the time a contract is entered into, it is defined as either a hedging or a trading contract. Norske Skog uses hedge accounting for a large amount of its economic hedging portfolio.

a) Fair value hedge

Changes in the fair value of derivatives that qualify as hedging and which are effective, are recorded in the income statement, together with any changes in the fair value of the of the hedged asset or liability that are attributable to the hedged risk. The ineffective part of the hedging relationship is booked as an interest cost within Financial items. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item for which the effective interest method is used, is amortised over the period to maturity. Hedging instruments that are terminated prior to maturity will be treated in the same way. If the underlying hedged item is realised or repurchased prior to maturity, any associated hedging reserve/amortised cost is recognised in the income statement on a one-to-one basis.

b) Net investment hedge

Gains and losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement line Financial items. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of or sold.

c) Derivatives at fair value over profit or loss

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognised in the income statement.

The fair value of quoted investments is based on the current market price. If the market for a financial asset is not active, the group applies valuation techniques to establish the fair value. These include the use of recent arm's length transactions, reference to other instruments which are substantially the same, and discounted cash flow analyses defined to reflect the issuer's specific circumstances (see also Note 9).

SHARES, BONDS, CERTIFICATES, BILLS, ETC.

Shares, bonds and certificates classified as financial assets at fair value through profit or loss are valued at market value, with changes in fair value recognised in the income statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Drawn bank overdrafts are shown as Interest-bearing current liabilities in the balance sheet.

INVENTORY

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method, or average purchase price. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

TRADE RECEIVABLES

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when objective evidence exists that the group will be unable to collect the entire amount due in accordance with the original terms of each receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between proceeds (net of transaction costs) and redemption value is recognised in the income statement over the period of the borrowing, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities, unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Interest costs are recognised in profit or loss in the period in which they are incurred.

BOND LOANS

The value of bond loans in the balance sheet is reduced by holdings of Norske Skog bonds. Amounts above or below amortised costs upon buy-back are recognised in the income statement in the same period the buy-back occurs.

CURRENT AND DEFERRED INCOME TAX

The group's income tax expense includes current tax based on taxable profit in group companies, change of deferred income taxes for the financial period and adjustments to previous periods. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the carrying amount of assets and liabilities in the consolidated financial statements and their tax bases.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Deferred tax assets are offset against deferred tax liabilities when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to set-off current tax assets against current deferred tax liabilities.

PENSION OBLIGATIONS, BONUS ARRANGEMENTS AND OTHER EMPLOYEE BENEFITS

a) Pension obligations

Group companies operate various pension schemes. These are generally funded through payments to insurance companies, as determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans.

A defined benefit plan is one which defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds which are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating to the terms of the related pension liability, or alternatively a government bond interest rate if such bonds do not exist.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. These contributions are made to publicly- or privately-administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been made. These contributions are recognised as an employee benefit expense in the period the contribution relates to. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Share-based remuneration

Up to and including 2012, the group had a long-term incentive plan where the allocation of synthetic options to members of corporate management was based on the development of the company's share price in relation to a defined group of listed paper producers. The programme resulted in a cash payout if the options were exercised. The fair value of the liability was measured at each balance sheet date and on the settlement date. The plan was discontinued from 2013. See also Note 12.

c) Bonus arrangements

The group accrues for bonus arrangements when there exists a contractual obligation, or past practice has created a constructive obligation.

PROVISIONS

Provisions for environmental restoration, dismantling costs, restructuring activities and legal claims are recognised when the group has a present legal or constructive obligation as a result of past events, an outflow of resources is more likely than not to be required to settle the obligation and the amount can be reliably estimated.

Restructuring provisions comprise mainly employee termination payments. Restructuring costs are costs which are not related to the ongoing operations. This includes for example severance (redundancy) payments, early retirement or other arrangements for employees leaving the company, external costs relating to coaching, counselling and assistance finding new jobs, or external costs to lawyers and legal advisors in relation to the de-manning process, and lease termination penalties. Provisions are not recognised for future operating losses.

Salary which is earned while the employee contributes to the ongoing operations is not classified as restructuring costs. This includes for example salary in the notice period when the employee is working during the notice period, or bonuses earned whilst the employee contributes to the normal operations. These are booked as normal employee benefit expenses. Costs for projects related to improvements are generally ordinary operating costs.

Where a number of similar obligations exist, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the best estimate of the expenditure required to settle the present obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised within Financial items.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the group. The group's revenue consists almost exclusively of the sale of goods, and the principle for recognition of revenue is the same for newsprint and magazine paper.

Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer. This will depend upon the buyer's delivery terms and will be in the range from the finalisation of the production to delivery of the goods to the buyer.

The group's terms of delivery are based on Incoterms 2010, which are the official rules for the interpretation of trade terms issued by the International Chamber of Commerce. The timing of revenue recognition is largely dependent on these delivery terms. The group's sales are covered by the following main categories of terms:

- "D" terms, where the group delivers the goods to the purchaser at the agreed destination, usually the purchaser's premises. The point of sale is when the goods are delivered to the

purchaser. If the customer is invoiced before delivery of the goods purchased, revenue is only recognised if the customer has taken over a significant part of the gain and loss potential related to those goods,
- "C" terms, where the group arranges and pays for the external transport of the goods, but the group no longer bears any responsibility for the goods once they have been handed over to the transporter in accordance with the terms of the contract. The point of sale is when the goods are handed over to the transporter contracted by the seller,
- "F" terms, where the purchaser arranges and pays for the transport. The point of sale is when the goods are handed over to the transporter contracted by the purchaser.

DIVIDEND INCOME

Dividend income is recognised when the right to receive payment is established.

INTEREST INCOME

Interest income is recognised using the effective interest method. This is the interest rate that gives a net present value of the cash flow from the loan that is equal to its carrying value.

LEASES

Leases in which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Leases relating to property and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised in the balance sheet to the lower of the fair value of the lease property and the present value of the minimum lease payments. Lease payments are apportioned between finance charge and reduction of the outstanding liability, giving a constant periodic rate of interest on the remaining balance of the liability. The leased property is depreciated according to the same principles applied for other non-current assets. The corresponding rental obligation, net of finance charges, is included in other long-term payables. If the leasing period is shorter than the economic life of the asset and it is unlikely that the group will purchase the asset at the end of the leasing period, the asset is depreciated over the leasing period.

GOVERNMENT GRANTS

Government grants (except for emission rights, described below) are recognised as income over the period necessary to match the grants on a systematic basis to the costs that they are intended to compensate for. Government grants in the form of compensation for losses which have already been incurred, or in the form of direct financial support which is not directly related to future costs, are recognised as income in the same period as they are awarded.

Government grants related to assets are presented in the balance sheet as deferred income or as a reduction of the cost price of the assets the grant relates to. The grant is then recognised in the income statement either through future periodic income recognition or as a future reduction in the depreciation charge.

EMISSION RIGHTS

There is no accounting standard or interpretation in IFRS regarding the accounting treatment for emission allowances or renewable energy certificates. Received allowances are recognised in the balance sheet as intangible assets at the market value on the date the rights are granted. The difference between fair value and the nominal amount paid for the rights is recognised in the balance as a government grant (deferred income).

Emissions are recognised in the income statement as Cost of materials, and the government grant (deferred revenue) is recognised concurrently with emission costs. Unused credits (deferred income) and used allowances are netted against the carrying amount of intangible asset recognised in the balance sheet, when the individual contracts for emission allowances fall due for settlement.

If the received allowances are sufficient to cover the company's emissions, there will be no net cost or net income in gross operating earnings. If it is necessary to acquire additional allowances on the open market, a provision is made based on actual emissions.

If the number of allowances received exceeds actual consumption, the surplus is sold in the market. The gain/loss from the sale is presented as Other gains and losses.

NEW AND AMENDED INTERPRETATIONS AND STANDARDS ADOPTED BY THE GROUP

The following standards are mandatory for the first time for annual periods beginning on or after 1 January 2013:

IAS 1 Financial statement presentation (amendment)

The main change resulting from the amendment is that items in the statement of other comprehensive income that will be reclassified to profit or loss at a future point in time are now presented separately from items that will never be reclassified. The standard has been adopted with effect from 1 January 2013, and presentation in the statement of other comprehensive income has been updated in line with the amendment.

IAS 19 Employee benefits (revised)

The revised standard requires that all actuarial gains and losses shall be recognised in other comprehensive income as they occur (i.e. elimination of the corridor approach), all past service costs shall be recognised immediately, and interest cost and expected return on plan assets shall be replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The net interest element is classified within Financial items. The revised standard was implemented by Norske Skog from 1 January 2013, with full retrospective application. See Note 13 for more information regarding the impact of the revised standard.

IFRS 13 Fair value measurement

The standard provides a precise definition of fair value and a gives a unified description of how fair value should be determined by IFRS, and defines what additional information should be provided when fair value is used. The standard does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required or permitted by other standards. The standard has been adopted with effect from 1 January 2013, and note disclosure for items that are measured at fair value has been updated in line with the standard.

IFRS 7 – Financial instruments: disclosures (amendment)

The amendments require an entity to disclose information regarding the effect of netting arrangements on an entity's financial position. The amendment has not had a significant impact on the financial statements.

IAS 16 Property, plant and equipment (amendment)

The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. This has not had an impact on the financial statements as the changes had already been implemented.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014. None of these have been early adopted in 2013. New standards and amendments that are expected to have an impact on the consolidated financial statements are listed below:

IFRS 10 Consolidated financial statements

IFRS 10 builds on the existing principles that define the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control. The standard is mandatory for annual periods beginning 1 January 2014 or later. It is not expected that the standard will have a material impact on the financial statements.

IFRS 11 Joint arrangements

IFRS 11 removes the option for jointly controlled entities to use proportionate consolidation. Instead, the equity method of accounting must be used. The standard specifies two main categories of joint control: joint ventures and joint operations. For joint ventures, joint control is recognised in accordance with the equity method, but for joint operations, the parties shall recognise their rights in the assets and liabilities included in the collaboration. The standard is mandatory for annual periods beginning 1 January 2014 or later. It is not expected that the standard will have a material impact on the financial statements.

IFRS 12 Disclosures of interests in other entities

The standard contains disclosure requirements for all forms of interests in other entities, including joint ventures, associated companies, special purpose entities and other off balance sheet entities. The standard is mandatory for annual periods beginning 1 January 2014 or later. It is not expected that it will have a material impact on presentation in the financial statements.

IFRS 9 Financial Instruments
IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. The new standard requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition, and depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the financial assets. For financial liabilities, the standard retains most of the IAS 39 requirements. The standard has not yet been endorsed by the EU. The group has not fully assessed the impact of the adoption of IFRS 9.

IAS 27 Separate financial statements (revised)
The rules for consolidated financial statements are replaced by the new IFRS 10 and IFRS 12. What remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The changes are mandatory for annual periods beginning 1 January 2014 or later. The changes are not expected to have a significant impact on the separate financial statements.

IAS 28 Investments in associates and joint ventures (revised)
As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed, and the standard now describes the application of the equity method to investments in joint ventures in addition to associates. The change is mandatory for annual periods beginning 1 January 2014 or later. It is not expected that the change will have a significant impact on the financial statements.

IAS 32 – Financial instruments: presentation (amendment)
The amendments clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. The changes are effective for annual periods beginning on 1 January 2014 or later. It is not expected that the changes will have a significant impact on the financial statements.

IMPORTANT ACCOUNTING ESTIMATES AND ASSUMPTIONS
The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions for the future. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Estimates and assumptions which represent a substantial risk for significant changes in the capitalised value of assets and liabilities during the coming fiscal year are discussed below.

a) Estimated decline in value of intangible assets and property, plant and equipment (PPE)
The group performs periodic tests to assess whether there has been a decline in the value of intangible assets and PPE. These are written down to their recoverable amount when the recoverable amount is lower than the carrying value of the asset. The recoverable amount from assets or cash-generating units is determined by calculating the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Calculation of value in use requires use of estimates.

The group's cash-generating units are Europe newsprint, Australasia newsprint, Europe magazine paper (light weight coated (LWC)) and Norske Skog Saugbrugs (Norway) magazine paper (super-calendered (SC)). The cash-generating unit Europe newsprint consists of Norske Skog Golbey (France), Norske Skog Bruck Paper Machine 3 (Austria) and Norske Skog Skogn (Norway). The cash-generating unit Australasia newsprint consists of Norske Skog Albury (Australia), Norske Skog Boyer (Australia) and Norske Skog Tasman (New Zealand). The cash-generating unit Europe magazine paper (light weight coated (LWC)) consists of Norske Skog Walsum (Germany) and Norske Skog Bruck Paper Machine 4 (Austria). In cases where several mills are part of a cash-generating unit, this is because production can be moved between the mills, based on what gives best profitability for the group as a whole.

The capitalised value of intangible assets and PPE within the cash-generating units is measured against the value in use of intangible assets and PPE within these units. A possible future change in the composition of the group's cash-generating units could lead to changes in the value in use within these cash-generating units, which could in turn mean a future decline in the value of intangible assets and PPE.

Calculating the value in use of intangible assets and PPE within the cash-generating units is based on estimated discounted cash flows. The cash flow horizon in the impairment model is consistent with the useful life of each paper machine in the group. The board-approved operating plan for the next year forms the basis for calculating expected future cash flows. In the impairment testing, sales prices are assumed to exhibit a decline in real terms and variable costs are assumed to decline in real terms, with lower demand for input factors due to a shrinking industry.

The estimation of recoverable amount is based on assumptions regarding the future development of several factors. These include price development for finished goods, sales volumes, currency rates and interest rates. This means that there will be uncertainty when it comes to the outcome of the calculations. Norske Skog performs sensitivity analyses using the variables mentioned above to predict how fluctuations will impact recoverable amount. In relation to the assumptions made in the calculation of the present value of future cash flows, recoverable amount is most sensitive to changes in prices of finished goods, sales volumes and the discount rate used. Changes in these factors will have the effect of altering the value of cash flows and thereby also the value in use within the cash-generating units. Significant changes in prognoses and long-term prices could accordingly mean a future fall in the value of intangible assets and PPE.

The required rate of return applied when discounting future cash flows is crucial for the calculated value of intangible assets and PPE. A future increase in the required rate of return when discounting future cash flows will reduce value in use and could in turn mean a future decline in the value of intangible assets and PPE.

b) Annual assessment of the remaining economic life of PPE
The group conducts annual reviews of the remaining economic life of PPE. An increase or decrease in the remaining economic life will have an impact on future depreciation, as well as affect the cash flow horizon for calculating value in use. Economic life is estimated by considering the expected usage, physical wear and tear, as well as technical and commercial development. Assessment of future developments in demand in the markets Norske Skog's products are sold is central to the assessment of the economic life of the group's mills. Expected future demand, together with the competitiveness of Norske Skog's mills, is crucial for the determination of economic life. In addition, legal or other restrictions relating to usage could affect the economic life of the mills in the group.

c) Provision for future environmental obligations
The group's provision for future environmental obligations is based on a number of assumptions made using management's best judgment. Changes in any of these assumptions could have an impact on the group's provision and group costs. See Note 20 for further information.

d) Residual value and dismantling provision
The residual value of the group's production equipment is valued as the anticipated realisable value on the balance sheet date, after deducting the estimated costs relating to asset dismantling, removal and restoration. If the estimated costs exceed the estimated residual values, the net liability is added to the fixed asset cost in the balance sheet and a provision is recognised as a liability. The group performs a review of the residual value of its production equipment at the end of each accounting year. Residual value is affected by short-term changes in the underlying assumptions, for example scrap metal prices. A change in the residual value could have an impact on future depreciation costs. The provision for dismantling costs is based on a number of assumptions made using management's best judgment. See Note 20 for further information.

e) Fair value of derivatives and other financial instruments
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. See Note 9 for more information.

f) Pensions
The present value of the pension obligation depends on several input factors that are determined by means of a number of actuarial assumptions. The assumptions used in calculating the net pension expense (income) include the discount rate, salary adjustment and pension increase. Changes in these assumptions will affect the carrying value of the pension obligation.

3. OPERATING SEGMENTS

REPORTABLE SEGMENTS

The group is divided into two operating segments: newsprint and magazine paper. The segment selection is based on the products manufactured and on the organisational structure used in the group's internal performance measurement and resource allocation. The newsprint segment is further divided into two geographical regions, newsprint Europe and newsprint outside Europe.

At the end of 2013, Norske Skog had ten fully or partly owned paper mills in eight countries. Two of the mills produce only magazine paper, one produces both magazine paper and newsprint and seven produce newsprint only. Both the newsprint and the magazine paper segment represent an aggregation of the paper machines in the group producing the two paper qualities.

Newsprint

The newsprint segment encompasses production and sale of standard newsprint and other paper qualities used in newspapers, inserts, catalogues, etc. These paper qualities, measured in grammes per square meter, will normally be in the range 40-57 g/m^2.

Magazine paper

The magazine paper segment encompasses production and sale of the paper qualities super calendered (SC), machine finished coated (MFC) and light weight coated (LWC). These paper qualities are used in magazines, periodicals, catalogues and brochures.

Other activities

Activities in the group that do not fall into the operating segments newsprint or magazine paper are presented under other activities. This includes purchase and resale of energy to the group's mills, corporate functions, real estate activities and the purchase and resale of wood. Following the divestment of the global recovered paper business Reparco in 2012, the group no longer has operating revenue or gross operating earnings related to recovered paper. Amounts relating to recovered paper in 2012 are included within other activities.

REVENUES AND EXPENSES NOT ALLOCATED TO OPERATING SEGMENTS

Norske Skog manages non-current debt, taxes and cash positions on a group basis. Consequently, financial items and tax expenses are presented only for the group as a whole.

The group's investment in associated companies accounted for in accordance with the equity method is primarily related to its 33.7% share in Malaysian Newsprint Industries Sdn. Bhd., which is described in more detail in Note 19 Investments in associated companies.

MAJOR CUSTOMERS

Norske Skog had a total sales volume of newsprint and magazine paper of 3 050 000 tonnes in 2013, of which sales to the group's largest customer constituted approximately 329 000 tonnes.

OPERATING REVENUE AND EXPENSES PER OPERATING SEGMENT

2013	NEWSPRINT	MAGAZINE PAPER	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	**8 701**	**4 992**	**313**	**-667**	**13 339**
Distribution costs	-896	-503	0	0	-1 398
Cost of materials	-5 105	-3 229	-156	473	-8 017
Change in inventories	-40	-6	0	0	-45
Employee benefit expenses	-1 111	-794	-97	0	-2 002
Other operating expenses	-643	-449	-117	194	-1 014
Gross operating earnings	**906**	**12**	**-56**	**0**	**862**
Depreciation	-565	-148	-15	0	-728
Restructuring expenses	2	-134	-13	0	-145
Other gains and losses	-178	4	-926	0	-1 100
Impairments	0	0	0	0	0
Operating earnings	**165**	**-266**	**-1 011**	**0**	**-1 111**
Share of operating revenue from external parties (%)	100	93	17		100

2012 Restated	NEWSPRINT	MAGAZINE PAPER	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	**10 145**	**6 254**	**2 315**	**-2 122**	**16 592**
Distribution costs	-1 021	-558	-67	1	-1 645
Cost of materials	-5 627	-3 802	-1 988	1 852	-9 564
Change in inventories	-101	-51	-4	0	-156
Employee benefit expenses	-1 349	-956	-186	0	-2 491
Other operating expenses	-795	-539	-187	269	-1 252
Gross operating earnings	**1 252**	**349**	**-116**	**0**	**1 485**
Depreciation	-705	-212	-18	0	-935
Restructuring expenses	-121	20	-17	0	-118
Other gains and losses	-41	84	-1 052	0	-1 009
Impairments	-1 338	-694	-54	0	-2 086
Operating earnings	**-953**	**-452**	**-1 258**	**0**	**-2 663**
Share of operating revenue from external parties (%)	99	96	24		100

OPERATING REVENUE PER MARKET

The allocation of operating revenue by market is based on customer location.

	2013	2012
Norway	267	609
Rest of Europe	7 627	8 864
North America	806	847
South America	238	1 026
Australasia	2 650	3 193
Asia	1 497	1 788
Africa	254	265
Total	**13 339**	**16 592**

NET CASH FLOW FROM OPERATING ACTIVITIES

	2013	2012
Newsprint	758	1 542
Magazine paper	198	572
Other activities	-210	-338
Total cash flow allocated to segments	**746**	**1 776**
Cash from net financial items	-622	-729
Taxes paid	-56	-64
Net cash flow from operating activities	**68**	**982**

PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	2013	2012
Newsprint	367	382
Magazine paper	137	108
Other activities	25	2
Total	**529**	**492**

PROPERTY, PLANT AND EQUIPMENT PER GEOGRAPHICAL REGION

The table below shows property, plant and equipment allocated to Norske Skog's country of domicile and other regions in which the group holds assets. The allocation is based on the location of the production facilities.

	31.12.2013	31.12.2012
Norway	2 857	2 921
Rest of Europe	2 461	2 239
Australasia	3 447	3 635
Asia	0	83
South America	0	379
Activities not allocated to regions	260	277
Total	**9 025**	**9 533**

INVENTORIES

Inventories include raw materials, work in progress, finished goods and other production materials.

	31.12.2013	31.12.2012
Newsprint	704	833
Magazine paper	570	521
Other activities	0	15
Total	**1 274**	**1 370**


BLANCHET
le Maillon Fournisseur-Client

4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

INTANGIBLE ASSETS	GOODWILL	LICENSES AND PATENTS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost 1 January 2012	5 684	111	245	6 040
Additions	0	1	251	252
Disposals	-931	0	-126	-1 057
Currency translation differences	0	-5	-8	-13
Acquisition cost 31 December 2012	**4 753**	**107**	**362**	**5 222**
Accumulated depreciation and impairments 1 January 2012	5 626	93	173	5 892
Depreciation	0	3	20	23
Impairments	0	1	1	2
Amortisation of credit facility	0	0	16	16
Disposals	-931	0	0	931
Currency translation differences	0	-4	-8	-12
Accumulated depreciation and impairments 31 December 2012	**4 695**	**93**	**202**	**4 990**
Carrying value 31 December 2012	**58**	**14**	**160**	**232**
Acquisition cost 1 January 2013	4 753	107	362	5 222
Additions	0	0	206	206
Disposals	0	-3	-256	-259
Currency translation differences	0	6	-11	-5
Acquisition cost 31 December 2013	**4 753**	**110**	**301**	**5 164**
Accumulated depreciation and impairments 1 January 2013	4 695	93	202	4 990
Depreciation	0	2	16	18
Amortisation of credit facility	0	0	8	8
Value changes	0	0	43	43
Disposals	0	-1	-47	-48
Currency translation differences	0	6	-5	1
Accumulated depreciation and impairments 31 December 2013	**4 695**	**100**	**217**	**5 012**
Carrying value 31 December 2013	**58**	**10**	**84**	**152**

Goodwill is not depreciated. Licenses, patents and other intangible assets are depreciated over a period from five to 20 years.
Other intangible assets consist mainly of capitalised development costs related to customising of software.

GOODWILL SPECIFIED PER ACQUISITION	ACQUISITION YEAR	31.12.2013	31.12.2012
Norske Skog Golbey	1995	58	58

PROPERTY, PLANT AND EQUIPMENT	BIOLOGICAL ASSETS	MACHINERY AND EQUIPMENT	LAND AND BUILDINGS	FIXTURES AND FITTINGS	PLANT UNDER CONSTRUCTION	TOTAL
Acquisition cost 1 January 2012	342	42 386	9 328	877	294	53 227
Additions	0	58	3	2	426	489
Disposals	-13	-5 615	-1 874	-133	-13	-7 648
Change in dismantling provision	0	-9	0	0	0	-9
Reclassified from plant under construction	0	131	23	4	-158	0
Currency translation differences	-18	-2 818	-315	-38	-11	-3 200
Acquisition cost 31 December 2012	**311**	**34 133**	**7 165**	**712**	**538**	**42 859**
Accumulated depreciation and impairments 1 January 2012	169	33 181	6 415	795	45	40 605
Depreciation	0	723	167	22	0	912
Impairments	0	1 774	293	9	8	2 084
Value changes	-7	0	0	0	0	-7
Disposals	-17	-5 348	-1 796	-128	0	-7 289
Currency translation differences	-9	-2 708	-227	-35	0	-2 979
Accumulated depreciation and impairments 31 December 2012	**136**	**27 622**	**4 852**	**663**	**53**	**33 326**
Carrying value 31 December 2012	**175**	**6 511**	**2 313**	**49**	**485**	**9 533**
Acquisition cost 1 January 2013	311	34 133	7 165	712	538	42 859
Additions	0	245	1	4	315	565
Disposals	-21	-2 272	-540	-41	-9	-2 883
Change in dismantling provision	0	-31	0	0	0	-31
Reclassified from plant under construction	0	295	44	2	-341	0
Currency translation differences	-19	1 453	371	52	11	1 868
Acquisition cost 31 December 2013	**271**	**33 823**	**7 041**	**729**	**514**	**42 378**
Accumulated depreciation and impairments 1 January 2013	136	27 622	4 852	663	53	33 326
Depreciation	0	621	78	11	0	710
Value changes	-15	0	0	0	0	-15
Disposals	0	-1 891	-451	-40	-9	-2 391
Currency translation differences	-6	1 413	268	47	1	1 723
Accumulated depreciation and impairments 31 December 2013	**115**	**27 765**	**4 747**	**681**	**45**	**33 353**
Carrying value 31 December 2013	**156**	**6 058**	**2 294**	**48**	**469**	**9 025**

Norske Skog owns forests in Australia. These assets are valued at fair value less estimated point-of-sale costs. Changes in value are reported in the income statement line Other gains and losses. Machinery and equipment is depreciated over a period from ten to 25 years. Buildings and other property are depreciated over a period from ten to 40 years. Fixtures and fittings are depreciated over a period from three to ten years. Land and plant under construction are not depreciated.

The difference between total additions and purchases of property, plant, equipment and intangible assets in the consolidated statement of cash flows is due to capitalised allocated emission allowances, finance leases, capitalised borrowing costs and accruals for payments. Capitalised borrowing costs in 2013 amounted to NOK 14 million, and the interest rate used was 8%. There were no capitalised borrowing costs in 2012.

Disposals in 2013 were primarily related to the divestments of Norske Skog Pisa Ltda. in Brazil and Norske Skog (Thailand) Company Ltd. in Thailand, as well as scrapping of fully depreciated assets that no longer have any technical value. Disposals in 2012 were primarily related to the divestments of Papeles Norske Skog Bio Bio S.A. in Chile, Norske Skog Follum AS in Norway, Norske Skog Parenco B.V. in the Netherlands and the global recovered paper business, Reparco.

NON-CURRENT ASSETS HELD FOR SALE
Norske Skog did not have any non-current assets held for sale at 31 December 2013.

ASSUMPTIONS APPLIED WHEN CALCULATING THE RECOVERABLE AMOUNT

PPE and intangible non-current assets are written down to their recoverable amount when this is lower than the carrying value of the asset. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of future cash flows expected to arise from an asset or cash-generating unit. Norske Skog applies the value in use approach when calculating recoverable amount for its cash-generating units.

When calculating value in use, the group is divided into the following cash-generating units: Europe newsprint, Australasia newsprint, Europe magazine paper (light weight coated (LWC)) and Norske Skog Saugbrugs (Norway) magazine paper (super-calendered (SC)). The cash-generating unit Europe newsprint consists of Norske Skog Golbey (France), Norske Skog Bruck Paper Machine 3 (Austria) and Norske Skog Skogn (Norway). The cash-generating unit Australasia newsprint consists of Norske Skog Albury (Australia), Norske Skog Boyer (Australia) and Norske Skog Tasman (New Zealand). The cash-generating unit Europe magazine paper (light weight coated (LWC)) consists of Norske Skog Walsum (Germany) and Norske Skog Bruck Paper Machine 4 (Austria). In cases where several mills are part of a cash-generating unit, this is because production can be moved between the mills, based on what gives best profitability for the group as a whole.

Norske Skog calculates the value in use in the impairment testing by using a weighted average cost of capital model (WACC).

Nominal cash flow is estimated in the currency in which it will be generated. The value is calculated by discounting based on a required rate of return on capital that is relevant for the cash-generating unit or the individual asset. The required rate of return is based on the interest rate on ten year government bonds in the currency of the cash flow estimate, an industry debt yield premium, industry beta and an equity risk premium. In certain instances, a country-specific risk premium relevant to the cash-generating unit or individual asset has been added.

When calculating value in use at the end of 2013, the discount rate after tax was in the interval from 6.1% to 8.1% (6.3% to 14.6% in 2012). The applied discount rate for Europe newsprint was in the interval from 6.5% to 6.9%, Australasia newsprint was in the interval from 7.9% to 8.1%, Europe magazine paper (light weight coated (LWC)) was in the interval from 6.1% to 6.5% and Norske Skog Saugbrugs (Norway) magazine paper (super-calendered (SC)) was 6.9%.

Cash flow is calculated individually for each business unit, based on the estimated useful life. The paper industry is a capital intensive industry where investment decisions are made based on projects with a long time horizon. The production machines have a long technical life, while useful lives are linked to industry cost curves and the size of the market. The estimated remaining useful life of the individual paper machines forms the basis for determining the length of the cash flow period. For both sales prices and input prices, a continued decline in real terms is expected, as historically observed. Sales volumes develop in accordance with the useful lives of the different paper machines in the group. Projections of these assumptions result in a gradual improvement in margins, from depressed levels at the current point in the business cycle to a normalisation with economic activity. The impairment testing at 31 December 2013 was based on the operating plan for the group for 2014 as approved by the board of directors.

The cash flow decreases gradually over time as the capacity of the group declines, reflecting assumed closures of machines as they reach the end of their useful lives.

SENSITIVITY TO ESTIMATES OF RECOVERABLE AMOUNT

The estimation of recoverable amount is based on assumptions regarding the future development of several factors. These include price development for finished goods, sales volumes, currency rates and interest rates. This means that there will be uncertainty when it comes to the outcome of these calculations. Norske Skog has performed sensitivity analyses using the variables mentioned above to predict how fluctuations will impact recoverable amount. In relation to the assumptions made in the calculation of the present value of future cash flows, recoverable amount is most sensitive to changes in prices of finished goods, sales volumes and the discount rate used. A reduction in sales price and sales volumes for the whole group in the cash flow period of 5% will cause a reduction in recoverable amount in the order of NOK 3 200 million and NOK 1 500 million respectively. Correspondingly, a 1% increase in the discount rate will cause a reduction in the recoverable amount of NOK 1 000 million. An appreciation of NOK of 1% against all other functional currencies in the Norske Skog group will cause a reduction in the recoverable amount of NOK 400 million.

PROPERTY, PLANT AND EQUIPMENT ALLOCATED TO CASH-GENERATING UNITS

The table below shows machinery and equipment and land and buildings allocated to Norske Skog's cash-generating units.

	MACHINERY AND EQUIPMENT	LAND AND BUILDINGS
Europe newsprint	2 089	896
Australasia newsprint	2 785	280
Europe magazine paper (light weight coated (LWC))	411	390
Norske Skog Saugbrugs (Norway) magazine paper (super-calendered (SC))	770	631
Other activities	3	97
Carrying value 31 December 2013	**6 058**	**2 294**

EXPECTED USEFUL LIFE

Norske Skog has conducted sensitivity analyses with respect to changes in expected useful life of the group's paper machines. If the expected useful life of all the group's paper machines is reduced by one year, the annual depreciation charge will increase by around NOK 100 million.

In connection with the year-end closing process for 2013, Norske Skog performed a review of the expected remaining useful lives of PPE. No changes in useful life will be made in 2014 compared to those applied in 2013. Due to the fact that the level of depreciation in 2013 exceeded purchases of PPE, the future annual depreciation amount is expected to decrease.

5. FINANCIAL ITEMS

FINANCIAL INCOME	2013	2012 Restated
Dividends received	18	10
Interest income	21	29
Other financial income [1)]	0	187
Total	**39**	**226**

FINANCIAL EXPENSES	2013	2012 Restated
Interest costs	-636	-615
Other financial expenses	-43	-87
Total	**-679**	**-702**
Realised/unrealised gains on foreign currency	**-618**	**359**
Financial items	**-1 258**	**-117**

[1)] Other financial income includes gains on the buy-back of bonds.

6. MORTGAGES

LOANS SECURED BY MORTGAGES ON PROPERTY	31.12.2013	31.12.2012
Other mortgage debt	183	212

CARRYING VALUE OF ASSETS SECURING THIS DEBT	31.12.2013	31.12.2012
Property, plant and equipment	174	179

Norske Skogindustrier ASA has negative pledge clauses in its bank and bond agreements, with the possibility to give security up to certain thresholds. Mortgage loans per 31 December 2013 and 31 December 2012 consisted of facilities secured by land and forest areas taken up at Norske Skog Boyer in Australia, and were executed within the negative pledge limits.

7. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31.12.2013	NOTE	LOANS AND RECEIVABLES	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE-FOR-SALE FINANCIAL ASSETS	NON-FINANCIAL ASSETS	TOTAL
Other non-current assets	10	16	136	125	22	299
Trade and other receivables	10	1 505	0	0	69	1 574
Cash and cash equivalents		1 015	0	0	0	1 015
Other current assets	18	112	29	0	0	141
Total		**2 648**	**165**	**125**	**91**	

	NOTE	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES AT AMORTISED COST	NON-FINANCIAL LIABILITIES	TOTAL
Interest-bearing non-current liabilities	11	0	6 973	0	6 973
Interest-bearing current liabilities	11	0	1 044	0	1 044
Other non-current liabilities	18	271	0	428	699
Trade and other payables	18	0	2 040	0	2 040
Other current liabilities	18	134	166	240	540
Total		**405**	**10 223**	**668**	

31.12.2012 Restated	NOTE	LOANS AND RECEIVABLES	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE-FOR-SALE FINANCIAL ASSETS	NON-FINANCIAL ASSETS	TOTAL
Other non-current assets	10	24	831	110	11	976
Trade and other receivables	10	1 637	0	0	178	1 816
Cash and cash equivalents		1 194	0	0	0	1 194
Other current assets	18	54	217	0	0	271
Total		**2 908**	**1 048**	**110**	**189**	

	NOTE	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES AT AMORTISED COST	NON-FINANCIAL LIABILITIES	TOTAL
Interest-bearing non-current liabilities	11	0	7 208	0	7 208
Interest-bearing current liabilities	11	0	203	0	203
Other non-current liabilities	18	165	0	597	762
Trade and other payables	18	0	2 114	0	2 114
Other current liabilities	18	32	140	269	441
Total		**198**	**9 665**	**866**	

FINANCIAL ASSETS AND LIABILITIES

	31.12.2013		31.12.2012 Restated	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Derivatives	14	14	237	237
Commodity contracts	122	122	594	594
Miscellaneous other non-current assets	163	163	145	145
Other non-current assets	**299**	**299**	**976**	**976**
Accounts receivable	1 303	1 303	1 508	1 508
Other receivables	202	202	129	129
Prepaid VAT	69	69	179	179
Trade and other receivables	**1 574**	**1 574**	**1 816**	**1 816**
Cash and cash equivalents	1 015	1 015	1 194	1 194
Derivatives	20	20	157	157
Commodity contracts	9	9	60	60
Current investments	112	112	54	54
Other current assets	**141**	**141**	**271**	**271**
Interest-bearing non-current liabilities [1)]	6 973	4 350	7 208	6 351
Interest-bearing current liabilities [2)]	1 044	1 031	203	203
Total interest-bearing liabilities	**8 017**	**5 381**	**7 411**	**6 554**
Derivatives	259	259	128	128
Commodity contracts	12	12	37	37
Non-financial non-current liabilities	428	428	597	597
Other non-current liabilities	**699**	**699**	**762**	**762**
Accounts payable	1 103	1 103	1 071	1 071
Other payables	937	937	1 043	1 043
Trade and other payables	**2 040**	**2 040**	**2 114**	**2 114**
Derivatives	116	116	3	3
Commodity contracts	18	18	29	29
Non-financial current liabilities	405	405	409	409
Other current liabilities	**540**	**540**	**441**	**441**

[1)] The fair value of non-current bank loan debt is based on cash flows discounted using the swap rate, plus the credit default swap (CDS). The fair value of foreign bonds is calculated using price indications from banks. The fair value of Norwegian bonds is based on quotes from Bloomberg, when these are available. In other instances, published assessment values at 1 January 2014 are used.

[2)] The fair value of current borrowings equals their carrying amount, as the impact of discounting is not considered to be significant.

There is some uncertainty associated with the calculated fair value of interest-bearing liabilities. The fair value calculation is based on acknowledged valuation principles according to IFRS, but is not necessarily an estimate of the amount the group would have to cover if it were to repay all its debt to all lenders.

8. FINANCIAL RISK AND HEDGE ACCOUNTING

FINANCIAL RISK FACTORS

Norske Skog is exposed to various financial risk factors through the group's operating activities, including market risk (interest rate risk, currency risk and commodity risk), liquidity risk and credit risk. Norske Skog seeks to minimise losses and volatility on the group's earnings caused by adverse market movements. Moreover, Norske Skog monitors and manages financial risk based on internal policies and standards set forth by corporate management and approved by the board of directors. These written policies provide principles for the overall risk management as well as standards for managing currency risk, interest rate risk, credit risk, liquidity risk and the use of financial derivatives and non-derivative financial instruments. Compliance with policies and standards is continuously monitored. There were no breaches of these policies during 2013 or 2012.

MARKET RISK

a) Interest rate risk

The goal of interest rate risk management is to secure the lowest possible interest rate payments over time within acceptable risk limits. In the current challenging situation in the publication paper market, Norske Skog has secured most of the interest rate payments by primarily paying fixed interest rates on its loan obligations.

	31.12.2013			31.12.2012		
INTEREST-BEARING ASSETS AND LIABILITIES	FLOATING	FIXED	TOTAL	FLOATING	FIXED	TOTAL
Interest-bearing liabilities	519	7 395	7 914	613	6 694	7 307
Interest-bearing assets	-1 015	0	-1 015	-1 194	0	-1 194
Net exposure	**-496**	**7 395**	**6 899**	**-581**	**6 694**	**6 113**

All amounts presented in the table are notional amounts. Total interest-bearing liabilities will therefore differ from booked amounts due to bond discounts/premiums, hedge reserve, and unrealised effects from fair value hedging (see Note 11 Interest-bearing liabilities). Floating rate exposure is calculated without accounting for potential future refinancing.

The interest rate swap in the fair value hedge portfolio was terminated in 2012.

Interest rate sensitivity analysis

In accordance with IFRS 7 *Financial instruments - disclosures*, an interest rate sensitivity analysis is presented showing the effects of changes in market interest rates on interest costs and interest income, as well as equity where applicable. The analysis is based on the following assumptions:

- Floating rate debt is exposed to changes in market interest rates, i.e. the interest costs or interest income associated with such instruments will fluctuate based on changes in market rates. These changes are accounted for in the sensitivity analysis. The result is based on the assumption that all other factors are kept constant.

- Changes in market rates on fixed rate debt will only affect the income statement if they are measured at fair value. Thus, fixed rate instruments recognised at amortised cost will not represent an interest rate risk as defined by IFRS 7. Such instruments will therefore not have any influence on the sensitivity analysis.

- Changes in fair value of interest rate derivatives that are not designated as a fair value hedge of the group's liabilities, and which are subsequently measured at fair value through profit or loss, are taken into consideration in the sensitivity analysis.

- Currency derivatives will only affect the sensitivity analysis to a very limited extent upon changes in the discount rate.

- Results are presented net of tax, using the Norwegian statutory tax rate of 28%.

The interest rate sensitivity analysis is based on a parallel shift in the yield curve for each relevant currency to which Norske Skog is exposed. Following a 50 basis point downward/upward parallel shift in the yield curve in all interest rate markets to which Norske Skog is exposed, net earnings would have been NOK 2 million higher/lower at 31 December 2013 (NOK 3 million lower/higher at 31 December 2012). Change in net interest payments accounts for NOK 1 million, and the total change in market values of derivatives carried at fair value through profit or loss accounts for NOK 1 million. Floating rate debt has decreased in 2013 due to repayments.

b) Currency risk

Transaction risk - cash flow hedge

The group has revenues and expenses in various currencies. The major currencies are NOK, EUR, USD, GBP, AUD and NZD. Transaction risk arises because the group has a different currency split on income and expenses. Norske Skog calculates a 12-month future cash flow exposure in each currency on a rolling basis. The result of the hedging is included in Financial items in the income statement. Norske Skog does not use hedge accounting for the rolling cash flow hedge. The rolling cash flow hedge generated a loss of NOK 66 million in 2013 (gain of NOK 149 million in 2012). Over time, currency losses or earnings are expected to offset increased or reduced future gross operating earnings.

Translation risk - net investment hedge

The presentational currency of the Norske Skog group is NOK. Currency translation risk arises when the financial statements of subsidiaries, presented in local currencies, are translated into NOK. In order to reduce translation risk, assets and liabilities are allocated to the same currency. In addition to traditional debt instruments, all combined currency and interest rate swaps and forward exchange contracts are also used for hedging net investments in foreign subsidiaries.

Norske Skog's net investment hedging is carried out in accordance with IAS 39. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity and offset by translation differences from assets in subsidiaries. The gain or loss related to the ineffective portion is immediately recognised in the income statement. There was no ineffectiveness related to net investment hedge in 2013 or 2012. The effective portion recognised in equity was a loss of NOK 243 million in 2013 (gain of NOK 2 million in 2012).

Hedge accounting of USD loans was stopped in 2012 following the divestment that year of Papeles Norske Skog Bio Bio S.A. in Chile and change of functional currency from USD to BRL for Norske Skog Pisa Ltda. in Brazil. Foreign exchange gains and losses from such liabilities are recognised in the income statement under Financial items. Cumulative currency translation differences of NOK 39 million were reclassified from equity to the income statement in 2013 as a result of the divestments of Norske Skog Pisa Ltda. in Brazil and Norske Skog (Thailand) Co. Ltd. Cumulative currency translation differences of NOK 30 million were reclassified to the income statement in 2012 as a result of the divestments of Papeles Norske Skog Bio Bio S.A. in Chile, Norske Skog Parenco B.V, in the Netherlands and the global recovered paper business, Reparco.

CHANGE IN FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS DESIGNATED AS NET INVESTMENT HEDGE	2013	2012
Changes in spot value of financial instruments [1]	-528	206
The effective portion recognised in equity	-243	2
Portion without hedge accounting recognised in the income statement	-286	204

[1] Includes the change in the value of FX forward contracts, cross-currency swap contracts and bonds.

Foreign exchange - sensitivity analysis on financial instruments
The following foreign exchange sensitivity analysis calculates the sensitivity of derivatives and non-derivative financial instruments on net profit and equity, based on a defined appreciation/depreciation of NOK against relevant currencies, keeping all other variables constant. The analysis is based on several assumptions, including:

- Norske Skog as a group comprises entities with different functional currencies. Derivative and non-derivative financial instruments of a monetary nature, denominated in currencies different from the functional currency of the entity, create foreign exchange rate exposure on the consolidated income statement. Moreover, foreign currency risk will also affect equity.

- Financial instruments denominated in the functional currency of the entity have no currency risk and will therefore not be applicable to this analysis. Furthermore, the foreign currency exposure of translating financial accounts of subsidiaries into the group's presentational currency is not part of this analysis.

- Sensitivity on commodity contracts and embedded derivatives is presented separately under "Commodity risk".

- Currency derivatives and foreign currency debt that are designated as net investment hedges and qualify for hedge accounting according to IAS 39 will only affect equity.

- Other currency derivatives that are recognised at fair value through profit and loss will affect the income statement. These effects come mainly from currency derivatives designated as hedging of the group's 12-month rolling cash flow exposure, and financial liabilities managed as economic net investment hedges which do not qualify for hedge accounting according to IAS 39.

- Other non-derivative financial instruments accounted for in the analysis comprise cash and cash equivalents, accounts payable, accounts receivable and borrowings denominated in currencies different from the functional currency of the entity.

- Correlation effects between currencies are not taken into account. Figures are presented net of tax.

At 31 December 2013, if NOK had appreciated 10% against all currencies to which the group has significant exposure, net profit after tax from financial instruments would have been NOK 265 million higher (NOK 292 million higher at 31 December 2012). If NOK had depreciated by 10% at 31 December 2013 against all currencies to which the group has significant exposure, net profit after tax from financial instruments would have been NOK 285 million lower (NOK 292 million lower at 31 December 2012). Net profit after tax is affected in a non-linear manner due to changes in the fair value of options. The effect of the sensitivity analysis on the income statement is mainly caused by changes in fair value of derivatives designated as rolling cash flow hedge, and foreign exchange gains/losses on the translation of EUR and USD denominated debt for which there is no hedge accounting. Due to the fact that the portion of debt has decreased in relation to the portion of cash, the effect on the income statement is lower in 2013 compared to 2012.

Given a 10% appreciation/depreciation of NOK, equity would have been NOK 189 million higher/lower (NOK 180 million higher/lower at 31 December 2012) as a result of foreign exchange gains/losses on financial instruments designated as net investment hedges. The sensitivity analysis on equity excludes the effects from the sensitivity analysis on the income statement, calculated above.

c) Commodity risk
A major part of Norske Skog's global commodity demand is secured through long-term contracts. Norske Skog only uses financial instruments to a limited extent to hedge these contracts. The hedging ratio represents a trade-off between risk exposure and the opportunity to take advantage of short-term price drops in the spot market. Hedging levels are regulated through mandates approved by the board of directors.

Some of Norske Skog's purchase and sales contracts are defined as financial instruments, or contain embedded derivatives, which fall within the scope of IAS 39. These financial instruments and embedded derivatives are measured in the balance sheet at fair value with value changes recognised through profit or loss. Commodity contracts are either financial contracts for the purpose of trading or hedging, or physical commodity contracts that are not for the purpose of own use. The embedded derivatives are common in physical commodity contracts and comprise a wide variety of derivative characteristics.

Changes in fair value of commodity contracts reflect unrealised gains or losses and are calculated as the difference between market price and contract price, discounted to present value. Some commodity contracts are bilateral contracts or embedded derivatives in bilateral contracts, for which there exists no active market. Therefore, valuation techniques are used as much as possible, with the use of available market information. Techniques that reflect how the market could be expected to price instruments are used in non-observable markets.

Norske Skog's portfolio of commodity contracts consists mainly of physical energy contracts. Fair value of commodity contracts is especially sensitive to future changes in energy prices. The fair value of embedded derivatives in physical contracts depends on currency and price index fluctuations. The energy contracts in Norway are nominated in EUR. These contracts contain embedded derivatives that are sensitive to changes in exchange rates. NOK weakened against EUR during 2013, which had a negative effect on the fair value of the embedded derivatives.

In April 2013, Norske Skog Saugbrugs signed a new long-term energy contract for the supply of electricity for the paper mill in Halden. The new energy contract secures an annual supply of 1.0 TWh up to 31 December 2020. The agreement entered into force on 1 May 2013. The contract ensures almost full energy coverage for Norske Skog Saugbrugs over the contract period. During 2013, Norske Skogindustrier ASA also terminated its long-term group energy contract from 1998 that applied for energy supply in Southern Norway.

In March 2012, Norske Skog sold long-term excess energy in Norway for NOK 170 million.

Sensitivity analysis for commodity contracts
Trading and hedging mandates have been established for energy activity. Financial trading and hedging activities are carried out bilaterally with banks and trading companies.

When calculating fair value of future and forward contracts, cash flows are by principle assumed to occur in the middle of the period. Currency effects arise when contract values nominated in foreign currencies are translated into the reporting currency. Net profit after tax is affected in a non-linear manner due to changes in the fair value of options.

COMMODITY CONTRACTS WITHIN THE SCOPE OF IAS 39		FAIR VALUE 31.12.2013	RESULT NET OF TAX CHANGE DOWN	RESULT NET OF TAX CHANGE UP
Energy price	change 10%	102	-157	167
Currency	change 10%	102	0	0

Sensitivity analysis for embedded derivatives
Embedded derivatives are common features in physical commodity contracts. The most common embedded derivatives are price indices, hereunder national consumer price and producer price indices. Some embedded derivatives have option features. The analysis below combines all indices into one price index. Currency effects will arise when contract values nominated in foreign currencies are translated to NOK.

EMBEDDED DERIVATIVES		FAIR VALUE 31.12.2013	RESULT NET OF TAX CHANGE DOWN	RESULT NET OF TAX CHANGE UP
Currency	change 10%	-270	380	-381
Price index	change 2.5%	-270	5	-7

LIQUIDITY RISK
Norske Skog is exposed to liquidity risk in a scenario when the group's cash flow from operating activities is not sufficient to cover payments of financial liabilities. In order to effectively mitigate liquidity risk, Norske Skog's liquidity risk management strategy focuses on maintaining sufficient cash, as well as securing available financing through committed credit facilities. Managing liquidity risk is centralised on a group level.

In order to uncover future liquidity risk, Norske Skog forecasts both short- and long-term cash flows. Cash flow forecasts include cash flows stemming from operations, investments, financing activities and financial instruments. The group had current investments, cash and cash equivalents of NOK 1 015 million at 31 December 2013 (NOK 1 194 million at 31 December 2012) and an undrawn credit facility of NOK 250 million at 31 December 2013 (undrawn credit facility of NOK 1 028 million at 31 December 2012). See Note 11 for more information regarding the maturity of facilities. Restricted bank deposits amounted to NOK 258 million at 31 December 2013 (NOK 211 million at 31 December 2012).

At the end of 2013, Norske Skog had cash holdings and credit lines that provided sufficient liquidity to meet debt maturities in 2014. However, the board of directors recognises the challenging markets that Norske Skog operates in, and the seasonally lower cash flow in the first half of the year. As a consequence, the board of directors has continuous focus on having sufficient cash flow for operations throughout 2014. To ensure sufficient liquidity for both debt maturities and operations Norske Skog has, in addition to improving cash flow from operations, a number of ongoing and possible initiatives that, in the opinion of the board of directors, should in total provide sufficient cash flows during 2014.

The following table shows the contractual maturities of non-derivative financial liabilities and other derivative financial instruments. All amounts disclosed in the table are undiscounted cash flows. Furthermore, amounts denominated in foreign currency are translated to NOK using closing rates at 31 December. These amounts consist of trade payables, interest payments and principal payments on derivative and non-derivative financial instruments. Variable rate interest cash flows are calculated using the forward yield curve. Projected interest payments are based on the maturity schedule at 31 December without accounting for forecasted refinancing and/or other changes in the liability portfolio. All other cash flows are based on the group's positions held at 31 December 2013.

MATURITY OF FINANCIAL LIABILITIES AND FINANCIAL INSTRUMENTS

31.12.2013	0 - 6 MONTHS	6 - 12 MONTHS	2015-2016	2017-2018	> 2018
Non-derivative financial instruments					
Principal payment on interest-bearing debt	-791	-255	-2 180	-3 331	-1 357
Projected interest payment on interest-bearing debt	-459	-151	-893	-410	-1 302
Trade payables	-1 103	0	0	0	0
Total	**-2 353**	**-406**	**-3 073**	**-3 741**	**-2 659**
Net settled derivative financial instruments					
Interest rate swaps - net cash flows	-3	-3	-8	0	0
Commodity contracts	1	5	-2	1	0
Total	**-2**	**2**	**-10**	**1**	**0**
Gross settled derivative financial instruments					
Foreign exchange contracts - outflows	-900	0	0	0	0
Foreign exchange contracts - inflows	869	0	0	0	0
Cross-currency swaps - outflows	-4	-225	0	0	0
Cross-currency swaps - inflows	3	202	0	0	0
Total	**-32**	**-23**	**0**	**0**	**0**
Total 2013	**-2 387**	**-427**	**-3 083**	**-3 740**	**-2 659**

31.12.2012	0 - 6 MONTHS	6 - 12 MONTHS	2014-2015	2016-2017	> 2017
Non-derivative financial instruments					
Principal payment on interest-bearing debt	-54	-150	-1 901	-3 911	-1 291
Projected interest payment on interest-bearing debt	-345	-233	-1 012	-628	-1 282
Trade payables	-1 071	0	0	0	0
Total	**-1 470**	**-383**	**-2 913**	**-4 539**	**-2 573**
Net settled derivative financial instruments					
Interest rate swaps - net cash flows	-3	-3	-13	0	0
Commodity contracts	4	-1	5	0	0
Total	**1**	**-4**	**8**	**0**	**0**
Gross settled derivative financial instruments					
Foreign exchange contracts - outflows	-2 204	-434	0	0	0
Foreign exchange contracts - inflows	2 251	444	0	0	0
Cross-currency swaps - outflows	-5	-5	-244	0	0
Cross-currency swaps - inflows	3	3	205	0	0
Total	**45**	**9**	**-39**	**0**	**0**
Total 2012	**-1 424**	**-379**	**-2 960**	**-4 539**	**-2 573**

CREDIT RISK

Norske Skog makes a credit evaluation of all financial trading counterparties. Based on the evaluation, a limit on credit exposure is established for each counterparty. These limits are monitored continuously in relation to unrealised profit on financial instruments and placements. The maximum credit risk arising from financial instruments is represented by the carrying amount of financial assets in the balance sheet. This includes derivatives with positive market value except for embedded derivatives. Embedded derivatives are not subjected to credit risk, as there are no future cash flows associated with such derivatives.

Norske Skog trades with a group of large Nordic and international banks which are publicly rated in the interval from AA- to A-. The credit risk on deposits and derivative transactions is spread across these banks.

Norske Skog's procedures for credit management of European trade receivables, and the authority to approve credit lines to customers of European business units, are regulated by a policy drafted and maintained by a centralised credit management function at the head office. The operational responsibility to act within the guidelines as set out by this policy lies with each business unit. For operations outside of Europe, customer credit management is handled locally.


ABB

9. DERIVATIVES

Fair value of derivatives

The table below classifies financial instruments measured in the balance sheet at fair value, by valuation method. The different valuation methods are described as levels and are defined as follows:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability are not based on observable market data (i.e. unobservable inputs).

31.12.2013	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value through profit or loss				
Trading derivatives	0	16	0	16
Derivatives used for hedging	0	0	0	0
Commodity contracts	0	5	144	149
Total	**0**	**21**	**144**	**165**
Financial liabilities at fair value through profit or loss				
Trading derivatives	0	-67	0	-67
Derivatives used for hedging	0	-21	0	-21
Commodity contracts	0	0	-317	-317
Total	**0**	**-88**	**-317**	**-405**

31.12.2012	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value through profit or loss				
Trading derivatives	0	80	0	80
Derivatives used for hedging	0	13	0	13
Commodity contracts	0	8	947	955
Total	**0**	**101**	**947**	**1 048**
Financial liabilities at fair value through profit or loss				
Trading derivatives	0	-46	0	-46
Derivatives used for hedging	0	-2	0	-2
Commodity contracts	0	0	-150	-150
Total	**0**	**-48**	**-150**	**-198**

The following table shows the changes in level 3 instruments at 31 December 2013.

	ASSETS	LIABILITIES
Opening balance	947	-150
Investments in the period	0	0
Compensation from sales in the period	0	0
Transfers into level 3	0	0
Transfers out of level 3 [1)]	-108	20
Gains and losses recognised in profit or loss	-696	-187
Closing balance	**143**	**-317**

[1)] Transfers out of level 3 in 2013 related to energy contracts in the companies Norske Skog Pisa Ltda. and Nordica Energia Ltda. in Brazil, which were sold in 2013.

The fair value of derivatives that are not traded in an active market (over-the-counter derivatives) is determined using various valuation techniques. Interest rate swaps, cross-currency swaps, forward rate agreements and foreign currency forward contracts are all valued by estimating the present value of future cash flows. Currency options are valued using recognised option pricing models. Quoted cash and swap rates are used as input for calculating zero coupon curves used for discounting. The exchange rates used are the quoted closing rates at 31 December.

The fair value of commodity contracts recognised in the balance sheet is calculated by using quotes from actively traded markets when available. Otherwise, price forecasts from acknowledged external sources are used. Commodity contracts that fail to meet the own-use exemption criteria in IAS 39 are recognised in the balance sheet and valued on the same principle as financial contracts. Some of these are long-term energy contracts. In calculating the fair value of embedded derivatives, valuation techniques are used in the absence of observable market inputs. Embedded currency options are calculated using a Black 76 valuation model, where some input assumptions have been made in absence of an active long-term option market.

The following table is presented in accordance with IFRS 7.27, showing the fair value of commodity contracts in level 3 given a change in assumptions to a reasonably possible alternative.

FAIR VALUE OF DERIVATIVES IN LEVEL 3 GIVEN A REASONABLY POSSIBLE ALTERNATIVE	31.12.2013	31.12.2012
Assets		
Commodity contracts	112	827
Liabilities		
Commodity contracts	-314	-145

The electricity prices for long-term electricity contracts in New Zealand are not directly observable in the market for the whole contract length. A change in the forecast to a reasonably possible alternative would change the fair value. For the energy contracts in New Zealand, a reasonably possible alternative at 31 December 2013 would be a downwards parallel shift of the long end of the forward curve of 2% (downwards shift of 3% in 2012).

	31.12.2013		31.12.2012	
DERIVATIVES	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Net investment hedge				
Forward contracts	0	0	13	0
Cross-currency contracts	0	-21	0	-2
Total	**0**	**-21**	**13**	**-2**
Fair value hedge [1]				
Interest rate swaps	0	0	0	0
Total	**0**	**0**	**0**	**0**
Other derivatives [2]				
Interest rate swaps	0	0	0	-16
Forward rate contracts	0	-12	0	-4
Currency options	1	-9	30	-18
Forward contracts	15	-46	50	-8
Commodity contracts	132	-29	654	-66
Embedded derivatives	17	-288	301	-84
Total	**165**	**-384**	**1 035**	**-196**
Total derivatives				
Interest rate swaps	0	0	0	-16
Forward rate contracts	0	-12	0	-4
Currency options	1	-9	30	-18
Forward contracts	15	-46	63	-8
Cross-currency contracts	0	-21	0	-2
Commodity contracts	132	-29	654	-66
Embedded derivatives	17	-288	301	-84
Total	**165**	**-405**	**1 048**	**-198**

The table above includes only derivatives, and the total amount may differ compared to other tables showing financial assets and liabilities.

[1] Norske Skog terminated the remaining interest rate swap in the fair value hedge portfolio in 2012.

[2] Includes the active mandate portfolio, embedded derivatives in physical contracts, commodity hedging contracts and rolling cash flow hedging. Norske Skog does not use hedge accounting for rolling cash flow hedging and hedging of commodity costs. These contracts are presented at fair value through profit or loss.

10. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	NOTE	31.12.2013	31.12.2012 Restated
Trade and other receivables			
Accounts receivable		1 303	1 508
Provision for bad debt		-90	-80
Other receivables		233	130
VAT receivables		69	178
Prepaid expenses		59	80
Total		**1 574**	**1 816**
Other non-current assets			
Loans to employees		1	2
Long-term shareholdings	23	125	110
Miscellaneous non-current receivables		15	22
Derivatives	7	14	237
Commodity contracts	7	122	594
Pension plan assets	13	22	11
Total		**299**	**976**

The credit risk on trade and other receivables is continuously monitored, independent of due date. The group's sales are mainly to large customers with a low degree of default. Collateral as security is not normally requested. Further information regarding the group's credit policy for sales is provided in Note 8.

AGEING OF THE GROUP'S CURRENT RECEIVABLES	31.12.2013	31.12.2012
Not due	1 443	1 561
0 to 3 months	127	260
3 to 6 months	8	5
Over 6 months	86	70
Total [1]	**1 664**	**1 896**

[1] Does not include provision for bad debt.

The maximum credit risk exposure at the year end is the fair value of each class of receivable mentioned above.

11. INTEREST-BEARING LIABILITIES

	31.12.2013	31.12.2012
Bonds	7 402	6 787
Debt to financial institutions	615	624
Total	**8 017**	**7 411**

INTEREST-BEARING DEBT BY CURRENCY	CURRENCY AMOUNT 31.12.2013	NOK 31.12.2013	NOK 31.12.2012
USD	358	2 179	1 826
EUR	527	4 423	4 185
AUD	35	192	242
THB	0	0	19
Total interest-bearing debt in foreign currencies		**6 794**	**6 272**
Interest-bearing debt in NOK		1 223	1 139
Total interest-bearing debt		**8 017**	**7 411**

The average interest rate at 31 December 2013 was 8.1% (7.5% at 31 December 2012).

DEBT REPAYMENT

MATURITY OF THE GROUP'S TOTAL DEBT AT 31.12.2013	DEBT BANKS	BONDS	TOTAL
2014	166	881	1 047
2015	64	962	1 027
2016	66	1 086	1 153
2017	41	3 256	3 297
2018	34	0	34
2019	35	0	35
2020	36	0	36
2021	25	0	25
2022-2033	44	1 217	1 261
Total	**511**	**7 402**	**7 913**

MATURITY OF THE GROUP'S TOTAL DEBT AT 31.12.2012	DEBT BANKS	BONDS	TOTAL
2013	204	0	204
2014	64	888	952
2015	68	881	949
2016	67	951	1 018
2017	42	2 852	2 893
2018	35	0	35
2019	35	0	35
2020	36	0	36
2021-2033	72	1 112	1 185
Total	**623**	**6 684**	**7 307**

Total debt listed in the repayment schedule may differ from booked debt. This is due to premiums or discounts on issued bonds, hedge reserves and fair value of hedging. At 31 December 2013, the financial statements included a discount of NOK 86 million (discount of NOK 85 million at 31 December 2012). Premiums or discounts on issued bonds are amortised in the income statement over the lifetime of the issued bonds. See Note 6 for loans secured by mortgage.

As a result of the termination of a large part of the fair value hedge portfolio in the beginning of 2009, an amount was reclassified in the balance sheet. A hedge reserve (deferred income) amounting to NOK 185 million is included in interest-bearing debt as at 31 December 2013 (NOK 196 million at 31 December 2012). The hedge reserve does not constitute any payment obligation for the group, but will be amortised in the income statement over the term of the debt that has been hedged (i.e. until 2033).

At 31 December 2013, the group's holding of own bonds amounted to NOK 170 million of Norwegian bonds (NOK 163 million at 31 December 2012). The group's holding of own bonds in foreign currency amounted to USD 42 million and EUR 132 million at 31 December 2013 (USD 42 million and EUR 132 million at 31 December 2012). These holdings are deducted from interest-bearing debt in NOK.

NET INTEREST-BEARING DEBT

	31.12.2013
Interest-bearing non-current liabilities	6 973
Interest-bearing current liabilities	1 044
- Hedge reserve	185
- Cash and cash equivalents	1 015
Net interest-bearing debt	**6 817**

12. EMPLOYEE BENEFIT EXPENSES

EMPLOYEE BENEFIT EXPENSES	NOTE	2013	2012 Restated
Salaries including holiday pay		1 564	1 944
Social security contributions		315	224
Pension costs	13	13	65
Other employee benefit expenses		110	258
Total		**2 002**	**2 491**

NUMBER OF EMPLOYEES BY REGION	31.12.2013	31.12.2012
Europe	2 508	2 557
South America	0	294
Australasia	701	814
Asia	0	239
Corporate functions (head office)	66	82
Total	**3 275**	**3 986**

The base salary for the president and chief executive officer (CEO) Sven Ombudstvedt at 31 December 2013 was NOK 4 275 000. Total salary and other benefits received by Ombudstvedt in 2013 amounted to NOK 6 084 016.

The CEO's retirement age is 64. Early retirement benefits and salary over 12 G (base amount in the Norwegian national insurance scheme) are covered by a supplementary agreement for corporate management. The CEO entered the company's defined contribution pension plan from 1 January 2011.

The mutual period of notice for the CEO is six months. If circumstances arise in which the company and the CEO, by mutual agreement, terminate the contract of employment in the best interests of the company, the CEO is entitled to severance pay equivalent to payment of base salary for 18 months after the end of the notice period. The amount receivable by other members of corporate management under the same circumstances is severance pay equivalent to payment of base salary for nine months.

The annual bonus agreements for the CEO and other members of corporate management specify a maximum payment of 50% of base salary. The basis for calculating this bonus is set annually by the board and CEO. No members of corporate management have been given loans or granted securities or guarantees from the employer.

The total remuneration to members of the board in 2013 was NOK 4 513 660, including remuneration to members of the audit, election- and remuneration committees of NOK 1 086 666.

Please see Note 10 in the parent company financial statements for further information on remuneration to executive employees.

REMUNERATION FOR MEMBERS OF CORPORATE MANAGEMENT
(in NOK 1 000)

In accordance with the code of conduct for corporate governance recommended by the Oslo Stock Exchange, salary, payments in kind and bonus for members of corporate management are specified below.

	BASE SALARY 31.12.2013	PAYMENTS IN KIND ETC. FOR 2013 [1]	BONUS 2013 [2]
Sven Ombudstvedt (CEO)	4 275	1 221	1 365
Roar Ødelien (COO)	1 800	84	0
Rune Gjessing (CFO)	2 450	678	2 065

[1] Includes car allowance, provision in connection with the book reserve pension scheme, salary compensation for the transition to defined contribution pension, free telephone, etc.
[2] Based on results achieved in 2012, paid in 2013.

Roar Ødelien was appointed chief operating officer (COO) from October 2013. Prior to that, Trond Stangeby was hired in as a consultant. Total consultancy fees for 2013 were NOK 2 980 883. No other bonus or payments in kind were paid to Stangeby during 2013.

LONG-TERM INCENTIVE PROGRAMME

The board of directors adopted new principles for the long-term incentive programme in 2007, whereby the criteria for awarding synthetic shares to corporate management is related to Total Shareholder Return (TSR – development of the share price including dividend payments), such that this must be above average for a defined group of paper manufacturers, including Norske Skog. A positive TSR for the period is also an absolute condition. This scheme will yield a 30% payout if Norske Skog performs better than the average for the reference group and a full payout if the company falls within the best quartile. Progress is measured over a three-year period, with a new period beginning each year. This scheme involves no dilution effect.

The programme was continued for 2010 with some changes: the maximum annual bonus from the programme was set to NOK 4 million for the CEO and NOK 2 million for other members of corporate management (instead of a fixed number of shares), and the bonus after tax must be used to purchase shares until the total shareholding in the company corresponds to a certain number of shares (200 000 for the CEO and 100 000 for other members of corporate management). The programme was continued for 2012 but there was no offer for 2013. The programme was applicable for the CEO and one previous member of corporate management.

REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS AND COMMITTEE MEMBERS
(in NOK 1 000)

	SALARY	DIRECTORS FEE	REMUNERATION FOR COMMITTEE WORK
Eivind Reiten	0	572	47
Ingelise Arntsen	0	230	0
Kjetil Bakkan	536	317	0
Eilif Due	0	317	47
Siri Beate Hatlen	0	317	106
Finn Johnsson	0	317	142
Paul Kristiansen	513	317	146
Karen Kvalevåg	0	317	106
Åse Aulie Michelet [1)]	0	87	13
Jon-Aksel Torgersen	0	317	34
Svein Erik Veie	497	317	0

[1)] Previous member who left the board during 2013.

AUDITORS FEES
(in NOK 1 000, excluding VAT)

	PARENT COMPANY	NORWEGIAN SUBSIDIARIES AUDITED BY THE PARENT COMPANY AUDITOR	SUBSIDIARIES AUDITED BY GROUP AUDITORS	SUBSIDIARIES AUDITED BY OTHER AUDITORS	TOTAL
Audit fee	1 866	940	2 260	121	5 188
Audit-related assistance [1)]	0	5	99	0	104
Tax assistance	0	198	0	0	198
Other fees	430	56	666	0	1 152
Total	**2 297**	**1 199**	**3 025**	**121**	**6 642**

[1)] Audit-related assistance includes services which only auditors can provide, such as the limited review of interim financial statements, agreed control procedures etc.

13. PENSION COSTS AND PENSION OBLIGATIONS

Norske Skog has various pension schemes in accordance with local conditions and practices in the countries in which the group operates. A total of 3 191 current and former employees are covered by such schemes. Of these, 1 093 people are covered by defined benefit plans and 2 098 people by defined contribution plans.

DESCRIPTION OF THE DEFINED BENEFIT PLANS
The key terms in Norske Skog's major defined benefit plans are shown in the table below.

	BENEFIT IN % OF PENSIONABLE EARNINGS	YEARS OF SERVICE	PENSIONABLE AGE	EARLY RETIREMENT AGE	NUMBER OF MEMBERS
Norske Skogindustrier ASA	65	30	67	62	49
Norske Skog Saugbrugs AS	65	30	67	62	219
Norske Skog Skogn AS	65	30	67	62	175
Norske Skog Walsum GmbH	50-70	40	65-67	63	446
Norske Skog Paper Mills (Australia) Ltd.	50		65	55	12

The defined benefit schemes in Norway cover people between 55 and 67 years of age, who were employed before 1 January 2011. The defined benefit obligations in Norway only encompass active members (a small number of people in early retirement until the end of 2015), since they leave the defined benefit scheme (having a paid-up policy) when they retire.

Plan assets of the pension schemes in Norske Skogindustrier ASA, Norske Skog Saugbrugs AS and Norske Skog Skogn AS are managed by a life insurance company and invested in accordance with the general guidelines governing investments by life insurance companies in Norway. With effect from the beginning of 2011, a new defined contribution scheme was introduced in Norway, with a contribution of 4% for earnings between 1 and 6 G and 8% between 6 and 12 G. The defined benefit plan was closed and now only covers employees born before 1 January 1959 who were employed before the closure.

When evaluating plan assets, their estimated value at 31 December is used. This estimated value is corrected every year in accordance with the figures for the market value of the assets provided by the insurance company.

Expected return on plan assets is based on historical return and the investment profile of the plan assets.

When measuring incurred obligations, the estimated obligation at 31 December is used. This estimated obligation is corrected every year in accordance with the figures for incurred pension obligations provided by the actuary.

In addition to the benefit obligation funded through insurance plans, the group has unfunded benefit obligations, of which Norske Skog Walsum GmbH is the largest. The defined benefit scheme at Norske Skog Walsum GmbH was curtailed at the level it had at 31 December 2010, meaning there is no increase in the obligation as a result of salary increases or the time worked for the company after this date. The majority of employees covered by the defined benefit scheme at Norske Skog Walsum are in their late fifties and sixties. The unfunded obligations also include estimated future obligations relating to the former Norwegian early retirement scheme, pensions to former owners of subsidiaries as well as pensions for senior management and directors. Obligations relating to senior management pensions are partly funded through a supplementary retirement plan with a life insurance company.

In addition to defined benefit plans, there are also various defined contribution plans.

ASSUMPTIONS MADE WHEN CALCULATING FUTURE BENEFIT OBLIGATIONS IN NORWAY	2013	2012
Discount rate	3.6%	3.2%
Expected return on plan assets	3.6%	3.2%
Salary adjustment	2.5%	3.0%
Social security increase/inflation rate	3.5%	3.25%
Pension growth rate	0.0%	0.0%

The discount rate applied for the pension schemes in Norway for 2013 is based on the interest rate for covered bonds. Subsidiaries can deviate from these assumptions if local conditions require this. The discount rates applied vary from 3.3% to 3.6%. For Norske Skog Walsum GmbH, the discount rate used is 3.5%. From 2013 Norske Skog has used the new mortality table in Norway (K2013).

NET PERIODIC PENSION COST	2013	2012 Restated
Current service cost	17	37
Pension cost defined contribution schemes	23	25
Accrued national insurance contributions	1	3
Recognised curtailment and settlement	-28	0
Net periodic pension cost	**13**	**65**
Net periodic interest cost	**21**	**18**

Estimated payments to the group's defined benefit pension schemes in 2014 amount to NOK 30 million.

PENSION PLANS IN THE BALANCE SHEET

PARTLY OR FULLY FUNDED PENSION PLANS	31.12.2013	31.12.2012 Restated
Projected benefit obligations including national insurance contributions	-378	-520
Plan assets at fair value	400	479
Net plan assets/pension obligations (-) in the balance sheet	**22**	**-41**

UNFUNDED PENSION PLANS	31.12.2013	31.12.2012 Restated
Projected benefit obligations including national insurance contributions	-714	-577
Net plan assets/pension obligations (-) in the balance sheet	**-714**	**-577**

SPECIFICATION OF PENSION PLANS IN THE BALANCE SHEET	NOTE	2013	2012 Restated
Pension assets in the balance sheet	10	22	11
Pension liabilities in the balance sheet		-714	-629
Net pension obligations		**-692**	**-618**
Net unfunded pension plans		-714	-577
Net partly or fully funded pension plans		22	-41

CHANGES IN PENSION LIABILITIES FOR PARTLY OR FULLY FUNDED PENSION PLANS	2013	2012 Restated
Balance 1 January	510	1 066
Divested companies	-35	-561
Current year's service cost	12	2
Current year's interest cost	0	2
Pension paid	-19	-29
Curtailments/settlements	-58	10
Other changes	-28	26
Currency translation differences	3	-3
Remeasurements	-7	7
Balance 31 December	**378**	**520**

CHANGES IN PLAN ASSETS FOR PARTLY OR FULLY FUNDED PENSION PLANS	2013	2012 Restated
Balance 1 January	479	962
Divested companies	-35	-487
Return on plan assets	11	17
Curtailments/settlements	-55	-4
Other changes	0	-8
Currency translation differences	0	-1
Balance 31 December	**400**	**479**

Actuarial gains and losses are adjusted in previous years.

CHANGES IN PENSION OBLIGATIONS FOR UNFUNDED PENSION PLANS	2013	2012 Restated
Balance 1 January	-577	-510
Divested companies	6	64
Current year's service cost	-6	-9
Current year's interest cost	-18	-17
Pension paid	34	6
Contributions to the plan assets	0	0
Curtailments/settlements	0	-15
Other changes	-90	45
Currency translation differences	0	0
Remeasurements	-63	-141
Balance 31 December	**-714**	**-577**

	2013		2012	
INVESTMENT PROFILE FOR PENSION FUNDS	FUNDS	DISTRIBUTION	FUNDS	DISTRIBUTION
Shares	79	20%	114	24%
Bonds	212	53%	241	50%
Properties and real estate	38	10%	58	12%
Money market	54	13%	50	11%
Other	17	4%	16	3%
Total	**400**		**479**	

ADOPTION OF THE AMENDED IAS 19 – RESTATEMENT OF 2012 FIGURES

Norske Skog implemented the amended standard IAS 19 *Employee benefits* from 1 January 2013, with full retrospective application. Comparable figures for 2012 have been restated, except for changes to the carrying value of assets that include employee benefit costs in the carrying value (property, plant and equipment and inventories).

The most significant change in the amended IAS 19 is the removal of the corridor approach for actuarial gains and losses. Actuarial gains and losses are now recognised in the balance sheet immediately, with a charge or credit to other comprehensive income (OCI) in the periods in which they occur. These are not reclassified to profit or loss in later periods.

In accordance with the amended standard, the interest expense (income) is calculated on the net defined benefit liability (asset) by applying the discount rate to the net defined benefit liability (asset). The net interest element is classified within Financial items. The comparable figures for 2012 in the consolidated income statement and consolidated balance sheet have been restated.

SENSITIVITY ANALYSIS

Norske Skog has performed sensitivity analyses for the most important assumptions related to defined benefit schemes to predict how fluctuations will impact pension liabilities in the consolidated balance sheet. In relation to the assumptions made in the calculation of pension obligations the amount is most sensitive to changes in discount rate, salary adjustment and pension growth rate. The sensitivity of the pension obligation is shown in the table below:

SENSITIVITY	INCREASE	DECREASE
Discount rate - 0.5%	-60	67
Salary adjustment - 0.5%	10	-10
Future national security - 1.0%	-8	9
Future pension – 1.0%	75	N/A

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

14. OTHER OPERATING EXPENSES

	2013	2012
Maintenance materials and services	549	619
Marketing expenses	16	17
Administration, insurance, travel expenses etc.	251	314
Losses on accounts receivable	13	17
Operating leases	63	79
Research and development	2	3
Change in environmental provisions	-61	2
Miscellaneous expenses	181	201
Total	**1 014**	**1 252**
Specification of losses on accounts receivable		
Receivables written off during the period	6	8
Payments received on items previously written off	0	0
Change in provision for bad debt	7	9
Total	**13**	**17**

15. LEASES

OPERATING LEASES

The group recognised expenses of NOK 63 million in relation to operating leases in 2013. The equivalent expense in 2012 was NOK 79 million.

MINIMUM LEASE PAYMENTS RELATING TO OPERATING LEASES	31.12.2013	31.12.2012
Not later than one year	20	45
Later than one year and not later than five years	36	80
Later than five years	7	5
Total	**63**	**130**

FINANCE LEASES

Leases of property, plant and equipment where control and substantially all the risks have been transferred to the group are classified as finance leases. Finance leases are capitalised at the inception of the lease, at the lower of the fair value of the asset and net present value of the minimum lease payments. The capitalised value is depreciated on a linear basis over the estimated economic life.

MINIMUM LEASE PAYMENTS RELATING TO FINANCE LEASES	31.12.2013	31.12.2012 Restated
Not later than one year	23	24
Later than one year and not later than five years	81	88
Later than five years	106	134
Total	**210**	**246**
Future finance charges on finance leases	-86	-105
Present value of minimum lease payments	**124**	**141**

PRESENT VALUE OF MINIMUM LEASE PAYMENTS	31.12.2013	31.12.2012
Not later than one year	21	23
Later than one year and not later than five years	60	66
Later than five years	43	52
Total	**124**	**141**
Capitalised value of leased property, plant and equipment (machinery and equipment)	**106**	**125**

16. OTHER GAINS AND LOSSES

	2013	2012
Gains and losses from divestments of business activities, property, plant and equipment	-178	39
Changes in value – commodity contracts [1)]	-402	-1 109
Changes in value – embedded derivatives	-403	220
Changes in value – biological assets	-14	-7
Other realised gains and losses	-102	-152
Total	**-1 100**	**-1 009**

[1)] Long-term financial contracts and commodity contracts that no longer meet the requirement in IAS 39.5 related to own use are measured at fair value.

The net loss on divestments of business activities, property, plant and equipment in 2013 of NOK 178 million was primarily related to the divestments of Norske Skog Pisa Ltda. in Brazil and Norske Skog (Thailand) Co. Ltd. in Thailand.

On 14 June 2013, Norske Skog signed an agreement for the sale of 51% of its shares in Norske Skog Pisa Ltda. in Brazil. The transaction was completed on 27 June 2013. The total loss of NOK 218 million on the divestment consisted of NOK 95 million relating to the divestment of 51% of the shares, and NOK 123 million relating to the remaining 49% stake which was recognised in the balance sheet as an associated company in line with the equity method of accounting at 31 December 2013. The loss on the remaining 49% stake consisted of the difference between the book value of the net assets derecognised and the fair value of the investment in associated company. See Note 19 Investments in associated companies for more information. The loss on the divested 51% stake included NOK 12 million relating to currency translation differences and net investment hedge that were recognised directly in equity during the ownership period and reclassified to Other gains and losses upon loss of control.

On 5 October 2013, Norske Skog signed an agreement for the sale of its shares in the company that owns and operates the mill at Singburi in Thailand, Norske Skog (Thailand) Co. Ltd. The transaction was completed on 21 November 2013. Norske Skog Singburi was deconsolidated from this date and a gain of NOK 49 million was recognised. This amount included a gain of NOK 35 million related to currency translation differences that were recognised directly in equity during the ownership period and reclassified to Other gains and losses upon divestment.

The net loss on divestments of business activities, property, plant and equipment also included a loss of NOK 26 million in relation to input VAT on transaction costs incurred upon the divestments of mills in South Korea and China in previous years. The Norwegian VAT authorities claim that this amount is not deductible. However, Norske Skog does not agree with this claim and expects to take out legal proceedings. Norske Skog has no outstanding payments to the VAT authorities in relation to this amount and has expensed the full amount in 2013, due to uncertainty regarding the outcome of this case. The remaining amount included in the net loss on divestments of business activities, property, plant and equipment included a gain of NOK 23 million on divestments of non production related property.

The gain on divestments of business activities, property, plant and equipment in 2012 of NOK 39 million was primarily related to the divestments of Papeles Norske Skog Bio Bio S.A. in Chile, Norske Skog Follum AS in Norway, Norske Skog Parenco B.V, in the Netherlands and the global recovered paper business, Reparco (in total NOK 38 million). The remaining amount was mainly related to the sale of non-production related property.

Norske Skog's portfolio of commodity contracts consists mainly of physical energy contracts. The fair value of commodity contracts is especially sensitive to future changes in energy prices. The fair value of embedded derivatives in physical contracts is influenced by currency and price index fluctuations. A sensitivity analysis of the impact on profit after tax of fluctuations in energy prices, currency and price indices is given in Note 8. The valuation techniques used are described in Note 9. The losses on commodity contracts in 2013 and 2012 were due to lower expected future energy prices, and volumes utilised during 2013 and 2012. The gains and losses on embedded derivatives in 2013 and 2012 were mainly driven by currency fluctuations.

Other realised gains and losses of NOK -102 million in 2013 were primarily related to the termination of the long-term group agreement from 1998 that applied to the supply of energy in Southern Norway. Other realised gains and losses of NOK -152 million in 2012 were primarily related to the sale of 680 GWh of excess energy in Southern Norway. The sale generated a loss of NOK 153 million.

17. INCOME TAXES

TAX EXPENSE	2013	2012
Current tax expense	-100	-96
Change in deferred tax	600	165
Total	**500**	**69**

RECONCILIATION OF THE GROUP TAX EXPENSE	2013	2012
Profit/loss before income taxes	-2 344	-2 849
Computed tax at nominal tax rate of 28%	656	798
Differences due to different tax rates	-4	-7
Result from associated companies	7	-19
Exempted income/non-deductible expenses	-4	5
Change in tax legislation and tax rates	-23	-8
Divestment of subsidiaries [1)]	-52	11
Adjustment previous years	28	-5
Deferred tax asset not recognised	-149	-693
Other items	40	-13
Total tax expense	**500**	**69**

CURRENT TAX LIABILITY	31.12.2013	31.12.2012
Norway	0	0
Rest of Europe	21	41
Outside Europe	18	2
Total	**39**	**43**

DEFERRED TAX - MOVEMENTS	2013	2012 Restated
Net deferred tax liability 1 January	-180	-148
Effect of implementation of IAS 19R	0	5
Net deferred tax liability 1 January (restated)	-180	-143
Deferred tax charged in the income statement	600	165
Divestment of subsidiaries	-176	-224
Tax expense in other comprehensive income	68	31
Tax effect termination USD net investment hedge	-65	0
Group tax allocation balance sheet	-41	-4
Currency translation differences	-57	-5
Net deferred tax asset/liability (-) 31 December	**149**	**-180**

DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY	31.12.2013	31.12.2012 Restated
Norway	539	116
Rest of Europe	0	0
Outside Europe	2	197
Deferred tax asset	**541**	**313**
Norway	0	0
Rest of Europe	-249	-212
Outside Europe	-143	-281
Deferred tax liability	**-392**	**-493**
Net deferred tax asset/liability (-)	**149**	**-180**

DEFERRED TAX DETAILS	31.12.2013	31.12.2012 Restated
Fixed assets, excess values and depreciation	-544	-393
Pensions	79	110
Provisions and other liabilities	-1	-82
Currency translation differences and financial instruments	-305	-493
Deferred tax current items	57	41
Tax losses and tax credit to carry forward	4 005	3 753
Deferred tax asset not recognised [2)]	-3 142	-3 116
Net deferred tax asset/liability (-)	**149**	**180**

LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2013	NORWAY	REST OF EUROPE	OUTSIDE EUROPE	TOTAL
2014	0	85	0	85
2015	0	10	0	10
2016	0	0	0	0
2017	0	109	0	109
2018	0	97	0	97
2019 and later	0	102	0	102
Indefinite expiry	9 373	3 285	1 272	13 930
Tax losses to carry forward	**9 373**	**3 687**	**1 272**	**14 332**
Tax losses not recognised	-6 059	-3 329	-1 265	-10 653
Total tax losses to carry forward – recognised	**3 314**	**358**	**7**	**3 680**
Deferred tax asset	**895**	**118**	**2**	**1 015**

LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2012	NORWAY	REST OF EUROPE	OUTSIDE EUROPE	TOTAL
2013	0	98	0	98
2014	0	74	0	74
2015	0	9	0	9
2016	0	0	0	0
2017	0	95	0	95
2018 and later	0	147	0	147
Indefinite expiry	8 709	2 411	1 308	12 428
Tax losses to carry forward	**8 709**	**2 835**	**1 308**	**12 852**
Tax losses not recognised [3)]	-5 956	-2 554	-1 018	-9 528
Total tax losses to carry forward – recognised	**2 753**	**281**	**290**	**3 324**
Deferred tax asset	**771**	**97**	**82**	**950**

The group has significant tax losses in several jurisdictions. These losses are included as a deferred tax asset to the extent it is expected that sufficient earnings will be earned within the time limitations applicable in the various jurisdictions. The table above summarises from which geographical areas the losses arose, as well as the portion of the losses that are not recognised as a deferred tax asset.

[1)] In 2013, the amount was related to tax exemption on the divestment of subsidiaries in Norske Skog Pisa Ltda. in Brazil and Norske Skog (Thailand) Co. Ltd. in Thailand. In 2012, the amount was related to tax exemption on the divestment of subsidiaries in Norway (Norske Skog Follum AS), Chile (Norske Skog Bio Bio S.A.) and the Netherlands (Norske Skog Parenco B.V.).

[2)] Deferred tax asset not recognised amounted to NOK 3 142 million at 31 December 2013. NOK 2 937 million was related to tax losses to carry forward and NOK 205 million was related to other deductible temporary differences. Deferred tax asset not recognised amounted to NOK 3 116 million at 31 December 2012. NOK 2 746 million was related to tax losses to carry forward and NOK 370 million was related to other deductible temporary differences.

[3)] In 2012, an amount of NOK 5 956 million was added to tax losses to carry forward in Norway. This was a result of tax deductible losses that arose following a legal restructuring of the company structure. Deferred tax asset is not recognised on the amount.

18. SPECIFICATION OF BALANCE SHEET ITEMS

	NOTE	31.12.2013	31.12.2012 Restated
Inventories			
Raw materials and other production input		747	789
Semi-manufactured materials		11	10
Finished goods		516	570
Total	3	**1 274**	**1 370**
Other current assets			
Derivatives	7	20	157
Commodity contracts	7	9	60
Current investments	7	112	54
Total		**141**	**271**
Trade and other payables			
Accounts payable		1 104	1 071
Accrued labour costs and taxes		455	612
Accrued expenses		465	368
Other interest-free liabilities		16	63
Total		**2 040**	**2 114**
Other current liabilities			
Derivatives	7	116	3
Commodity contracts	7	18	29
Accrued emission rights		39	69
Accrued financial costs		201	200
Restructuring provision	20	166	140
Total		**540**	**441**
Other non-current liabilities			
Derivatives	7	259	128
Commodity contracts	7	12	37
Dismantling provision	20	56	92
Environmental provision	20	193	250
Deferred recognition of emission rights		101	109
Deferred recognition of government grants		61	65
Other non interest-bearing debt		17	81
Total		**699**	**762**

19. INVESTMENTS IN ASSOCIATED COMPANIES

COMPANY	SHARE 31.12.2013	CARRYING VALUE 31.12.2013	SHARE OF PROFIT/LOSS 2013	CURRENCY TRANSLATION DIFFERENCES	ADDITIONS	CARRYING VALUE 31.12.2012
Malaysian Newsprint Industries Sdn. Bhd.	33.7%	343	26	6	0	311
Norske Skog Pisa Ltda.	49%	223	0	-2	225	0
Other associated companies		29	0	0	0	28
Total		**595**	**26**	**4**	**225**	**339**

Investments in associated companies are accounted for in accordance with the equity method. Share of profit presented in the table above is the group's percentage share of profit after tax, adjusted for amortisation of surplus value at group level allocated to the investment at the time of acquisition. In 2012, the recognised share of profit in associated companies amounted to NOK 20 million, currency translation differences amounted to NOK -14 million and reversed impairments amounted to NOK 89 million.

MALAYSIAN NEWSPRINT INDUSTRIES SDN. BHD. (MNI)

The company is incorporated in Kuala Lumpur, Malaysia, and is a producer of newsprint. The carrying value of Norske Skog's investment in MNI was NOK 343 million at 31 December 2013, which corresponds to Norske Skog's share (33.7%) of the equity (including redeemable preference shares and share premium) in MNI's company financial statements. Based on the company's financial statements, operating revenue in 2013 was NOK 946 million (NOK 991 million in 2012) and net profit was NOK 77 million (NOK 59 million in 2012). Total assets amounted to NOK 1 579 million at 31 December 2013 (NOK 1 570 million at 31 December 2012) and total liabilities were NOK 765 million at 31 December 2013 (NOK 918 million at 31 December 2012).

NORSKE SKOG PISA LTDA.

On 14 June 2013, Norske Skog signed an agreement for the sale of 51% of its shares in Norske Skog Pisa Ltda. in Brazil. The transaction was completed with effect from 27 June 2013. Following the transaction, Norske Skog was no longer the controlling owner of the mill, and Norske Skog Pisa was therefore deconsolidated from 27 June 2013. Norske Skog's remaining share of 49% has been accounted for as an associated company in accordance with the equity method. At the time of the initial divestment, Norske Skog had also agreed upon the terms of sale for the remaining 49% of its shares in Norske Skog Pisa. In January 2014, Norske Skog renegotiated the terms of the sale of the remaining stake, with an accelerated timeline, and a sales price of USD 37 million. The value of the investment in Norske Skog Pisa Ltda. at the end of December reflects the agreed sales price of USD 37 million (NOK 223 million). The sales proceeds will be received in the second quarter of 2014. The gain (loss) from the sale of the shares in Norske Skog Pisa Ltda., including the value adjustment at 31 December 2013, has been classified within the income statement line item Other gains and losses. See Note 16 for further information.

20. PROVISIONS

	RESTRUCTURING PROVISION	DISMANTLING PROVISION	ENVIRONMENTAL PROVISION
Balance 1 January 2012	**363**	**102**	**283**
Changes and new provisions	99	-9	2
Utilised during the year	-182	0	-35
Periodic unwinding of discount	0	3	10
Divestment of subsidiaries	-136	0	0
Currency translation differences	-4	-4	-10
Balance 31 December 2012	**140**	**92**	**250**
Changes and new provisions	135	-31	-59
Utilised during the year	-122	-9	-4
Periodic unwinding of discount	0	3	8
Currency translation differences	13	1	-2
Balance 31 December 2013	**166**	**56**	**193**

RESTRUCTURING PROVISION

The restructuring provision of NOK 166 million at 31 December 2013 is classified in the balance sheet line Other current liabilities. NOK 138 million of this provision related to severance payments and other costs at Norske Skog Walsum, where it was decided during 2013 to permanently stop production at one paper machine (PM4). The machine ceased paper production in December 2013. Various other restructuring activities included provisions for severance payments and other costs of NOK 13 million as a result of the ongoing downsizing at head office and changes in corporate management, NOK 7 million at Norske Skog Bruck, and NOK 5 million at Norske Skog Boyer.

The amount expensed in 2013 in relation to restructuring activities amounted to NOK 145 million. This amount related mainly to the provisions listed above, offset by the recognition of NOK 10 million income due to the release of provisions expensed in 2012 at Norske Skog Tasman (NOK 6 million), Norske Skog Golbey (NOK 3 million) and Norske Skog Skogn (NOK 1 million). Total cash flow relating to restructuring activities in 2013 amounted to NOK 122 million, and related mainly to Norske Skog Tasman (NOK 77 million), Norske Skog Walsum (NOK 20 million) and head office (NOK 13 million).

The restructuring provision at 31 December 2012 was NOK 140 million. The largest item in this provision (NOK 81 million) related to the decision to permanently close 160 000 tonnes of newsprint capacity at Norske Skog Tasman in New Zealand. Other provisions included NOK 28 million in relation to a cost reduction programme at Norske Skog Walsum, NOK 12 million in relation to severance payments and other costs as a result of the ongoing downsizing at head office, NOK 6 million in relation to redundancies at Norske Skog Golbey and NOK 6 million in relation to redundancies at Norske Skog Skogn.

The amount expensed in 2012 in relation to restructuring activities amounted to NOK 118 million. This related mainly to the restructuring activities mentioned above (NOK 105 million at Norske Skog Tasman, NOK 17 million at head office, NOK 8 million at Norske Skog Golbey, and NOK 4 million at Norske Skog Skogn), as well as NOK 11 million related to severance payments and other costs following the closure of Norske Skog's shared service centre located in Antwerp in Belgium. These amounts were offset by the recognition of NOK 24 million income due to the release of provisions expensed in 2011 at Norske Skog Walsum (NOK 21 million) and Norske Skog Bruck (NOK 3 million), as a result of more employees working during the notice period than anticipated. Total cash flow relating to restructuring activities in 2012 amounted to NOK 182 million. This amount related mainly to Norske Skog Follum and Norske Skog Tasman.

DISMANTLING PROVISION

Provisions related to future dismantling costs arising from a future closing down of production facilities amounted to NOK 56 million at 31 December 2013, compared to NOK 92 million at 31 December 2012. The total amount is classified as non-current and will only be realised at the time of a future shut down of any of the Norske Skog production units. The provision is the net present value of the future estimated costs, calculated using a long-term risk-free interest rate. The periodic unwinding of the discount is recognised in the income statement line Financial items. The opposite entry for dismantling provision and change in provision estimates is Property, plant and equipment.

Discount rates and assumptions included as part of the best estimate will impact the future carrying value of the dismantling provision. To illustrate the sensitivity, a reduction in the future discount rate of one percentage point would increase the provision by approximately NOK 4 million, with a corresponding increase in future depreciation on property, plant and equipment.

ENVIRONMENTAL PROVISION

The group's provision for environmental obligations is presented in the balance sheet as Other non-current liabilities. The provision is related to estimated future costs for cleaning up any environmental pollution caused by Norske Skog production units. The provision will mainly be realised in a future period upon a potential shut down of the production activities of any of the Norske Skog production units. Increased environmental requirements from local governments may also lead to realisation of this provision at an earlier point in time.

Provisions for future environmental obligations amounted to NOK 193 million at 31 December 2013 compared to NOK 250 million at 31 December 2012. The decrease in provision was mainly a result of a downwards revision of the environmental provision at the mills in Australasia and lower discount rates. Resources spent on environmental activities during 2013 amounted to NOK 4 million.

The carrying value of the provision is the best estimate made by measuring the expected value of the specific obligations, discounted to present value using a long-term risk-free interest rate when the time value of money is material. Changes in factors included in the expected value will impact the carrying value of the obligation. To illustrate the sensitivity, a reduction in the future discount rate by one percentage point would increase the provision by approximately NOK 14 million. Changes in accounting estimates not related to assets are classified as operating items in the income statement, and the periodic unwinding of the discount is recognised within the income statement line Financial items.

21. NON-CONTROLLING INTERESTS

	2013	2012
Non-controlling interests at 1 January	9	13
Profit/loss for the year attributable to non-controlling interests	0	-3
Changes in non-controlling interests	-10	0
Dividend paid to non-controlling interests	0	0
Currency translation differences	1	-1
Non-controlling interests at 31 December	**0**	**9**

Following the divestments of Norske Skog Pisa Ltda. and Norske Skog (Thailand) Co. Ltd. in 2013, Norske Skog does not have any remaining non-controlling interests.

22. EARNINGS AND DIVIDEND PER SHARE

	2013	2012
Profit/loss for the year in NOK million attributable to owners of the parent	-1 844	-2 778
Weighted average number of shares in 1 000	189 866	189 827
Basic and diluted earnings/loss per share in NOK [1)]	-9.71	-14.63

[1)] There were no dilution effects in 2013 or 2012.

No dividends were paid for the financial year 2012. The board of directors recommends that no dividend should be disbursed for the financial year 2013. The dividend decision will be made by the annual general meeting on 10 April 2014.

23. SHARES

SHARES INCLUDED AS FINANCIAL ASSETS	CURRENCY	SHARE CAPITAL (IN 1 000)	OWNERSHIP %	CARRYING VALUE (IN NOK 1 000)
Shares owned by the parent company				
Miscellaneous shares	NOK			177
Shares owned by other group companies				
Exeltium SAS, Paris, France	EUR	174 504	5	69 918
Exeltium 2 SAS, Paris, France	EUR	3 440	5	1 375
Fjord-IT AS, Oslo, Norway	NOK	215	8	3 002
Licella Fibre Fuels Pty Ltd., Sydney, Australia	AUD	2 857	12.5	13 565
Pavatex Holding AG, Cham, Switzerland	CHF	92 698	5	34 234
Other shares, each with book value below NOK 1 million	NOK			3 139
Total				**125 233**
Total shares included as financial assets				**125 411**

SHARES IN SUBSIDIARIES	CURRENCY	SHARE CAPITAL (IN 1 000)	OWNERSHIP %	CARRYING VALUE (IN NOK 1 000)
Shares in Norwegian subsidiaries owned by the parent company				
Lysaker Invest AS, Oslo	NOK	1 504 371	100	2 004 371
Nornews AS, Oslo	NOK	100	100	100
Norske Skog Eiendom AS, Oslo	NOK	1 500	100	190 681
Norske Skog Holding AS, Oslo	NOK	5 000	100	8 554
Norske Skog Kraft AS, Oslo	NOK	100	100	115
Norske Skog Nordic & Export Sales AS, Oslo	NOK	1 100	100	324
Norske Skog Saugbrugs AS, Halden	NOK	50 100	100	1 034 120
Norske Skog Shared Services AS, Levanger	NOK	840	100	1 072
Norske Skog Skogn AS, Levanger	NOK	50 100	100	808 779
Norske Treindustrier AS, Oslo	NOK	417 340	100	5 440 196
nsiFocus AS, Oslo	NOK	100	100	100
Wood and Logistics AS, Oslo	NOK	3 000	100	3 093
Total				**9 491 506**
Shares in foreign subsidiaries owned by the parent company				
Norske Skog Adria d.o.o., Trzin, Slovenia	EUR	21	100	164
Norske Skog Belgium N.V., Antwerp, Belgium	EUR	62	100	3 479
Norske Skog Bruck GmbH, Bruck, Austria	EUR	20 000	99.9	165 918
Norske Skog Czech & Slovak Republic spol. s.r.o., Prague, Czech Republic	CZK	400	100	112
Norske Skog Danmark ApS, Værløse, Denmark	DKK	200	100	25
Norske Skog Deutschland GmbH, Augsburg, Germany	EUR	520	100	10 063
Norske Skog Espana S.A., Madrid, Spain	EUR	60	100	14 788
Norske Skog France SARL, Paris, France	EUR	235	100	7 939
Norske Skog Golbey SAS, Golbey, France	EUR	137 388	100	1 581 944
Norske Skog Holdings B.V., Amsterdam, The Netherlands	EUR	170 100	100	13 705
Norske Skog Hungary Kft., Budapest, Hungary	HUF	3 000	100	110
Norske Skog Italia SrL, Milan, Italy	EUR	10	95	84
Norske Skog Österreich GmbH, Graz, Austria	EUR	35	100	360
Norske Skog Papers (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia	MYR	5 009	100	343 596
Norske Skog Polska Sp. z.o.o., Warsaw, Poland	PLN	50	100	110
Norske Skog (Schweiz) AG, Zürich, Switzerland	CHF	50	100	193
Norske Skog (UK) Ltd., London, United Kingdom	GBP	100	100	2
Norske Skog Walsum GmbH, Duisberg, Germany	EUR	150 025	100	122 997
Total				**2 265 588**
Total shares in subsidiaries owned by the parent company				**11 757 094**

SHARES IN SUBSIDIARIES	CURRENCY	SHARE CAPITAL (IN 1 000)	OWNERSHIP %
Shares in other companies owned by consolidated companies			
Norske Skog (Australasia) Pty Ltd., Sydney, Australia	AUD	21 000	100
Norske Skog (Australia) No. 2 Pty Ltd., Sydney, Australia	AUD	0	100
Norske Skog Bruck GmbH, Bruck, Austria	EUR	20 000	0.1
Norske Skog Capital (Australia) Pty Ltd., Sydney, Australia	AUD	223 000	100
Norske Skog Capital (New Zealand) Ltd., Auckland, New Zealand	NZD	1	100
Norske Skog CI Ltd., Georgetown, Cayman Islands	CHF	13	100
Norske Skog Holdings (No.1) Ltd., Auckland, New Zealand	NZD	0	100
Norske Skog Holdings (No.2) Ltd., Auckland, New Zealand	NZD	0	100
Norske Skog Holdings (No.3) Ltd., Auckland, New Zealand	NZD	1	100
Norske Skog Holdings (Schweiz) AG, Zug, Switzerland	CHF	100 100	100
Norske Skog Industries Australia Ltd., Sydney, Australia	AUD	0	100
Norske Skog Industries Canada Ltd., British Columbia, Canada	CAD	642 243	100
Norske Skog Italia SrL, Milan, Italy	EUR	10	5
Norske Skog Overseas Holdings AG, Zürich, Switzerland	CHF	100	100
Norske Skog Paper Mills (Australia) Ltd., Tasmania, Australia	AUD	7 539	100
Norske Skog Papier Recycling GmbH, Bruck, Austria	EUR	291	100
Norske Skog Tasman Ltd., Auckland, New Zealand	NZD	725 000	100
Oxenøen Finans AS, Oslo, Norway	NOK	1 120	100
Pan Asia Paper Trading Co. Pty. Ltd., Sydney, Australia	USD	5 000	100

24. CAPITAL RISK MANAGEMENT

Norske Skog's objective when managing capital is to maximise return on equity within the limits set by the group's external debt financing.

In order to improve the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

25. CONTINGENT LIABILITIES

Norske Skog is an international company that, through its ongoing business operations, will be exposed to litigation and claims from public authorities and contracting parties. Norske Skog has an ongoing process related to simplification of the group's corporate structure. This, in combination with changes in individual countries' tax laws, could increase the group's tax exposure. The group's assessment is that sufficient provisions have been made for the aforementioned conditions.

26. RELATED PARTIES

All transactions with related parties are conducted in accordance with the arm's length principle.

Some of Norske Skogindustrier ASA's shareholders are forest owners delivering forestry products to the group's production units in Norway. One of the board members, Eilif Due, is a forest owner who supplies wood to the group on normal commercial terms. All contracts for supply of wood are entered into through forest owner associations or companies.

In 2013, Norske Skog entered into a contract with Skøyen Næringsbygg AS for the lease of its head office at Skøyen. Torstein I. Tvenge is chairman of the board of Skøyen Næringsbygg AS, and controls 100% of the shares in the company, together with close family members. Tvenge is also a shareholder of Norske Skogindustrier ASA. The lease contract for the head office has been entered into on normal commercial terms.

Purchases of goods and services by associated company Malaysian Newsprint Industries Sdn. Bhd. (MNI) from other companies in the Norske Skog group during 2013 amounted to NOK 10 million (NOK 2 million in 2012). There were no amounts payable by MNI to the Norske Skog group at 31 December 2013 or 31 December 2012.

None of the board members receive remuneration for their work for the company from any source other than the company itself.

27. EVENTS AFTER THE BALANCE SHEET DATE

In January 2014, Norske Skog entered into a long-term marketing agreement with CellMark AB for sale of publication paper in the Asian markets. The parties will establish a new distributor in Singapore, NorCell Asia, which will have the exclusive marketing rights for all Norske Skog products to be sold in the Asian markets. Norske Skog will transfer its current sales operations and sales staff in Singapore from Pan Asia Paper Trading Co. Pty. Ltd. to NorCell Asia.

In January 2014, the terms of sale for Norske Skog's remaining 49% stake in Norske Skog Pisa Ltda. in Brazil were renegotiated, with an accelerated timeline, and a sales price of USD 37 million. The value of the investment in associated company at 31 December 2013 has been updated to reflect the agreed sales price. See Note 19 Investments in associated companies for further information.

Rune Sollie was appointed Chief Financial Officer (CFO) in Norske Skogindustrier ASA in January 2014. Sollie has broad experience from various financial positions within Norwegian industry.

13

FINANCIAL STATEMENTS

NORSKE SKOGINDUSTRIER ASA

CONTENTS

FINANCIAL STATEMENTS		**96**
	Income statement	**99**
	Statement of comprehensive income	**99**
	Balance sheet	**100**
	Statement of cash flows	**101**
	Statement of changes in equity	**102**
NOTES TO THE FINANCIAL STATEMENTS		**102**
1	General information	**102**
2	Accounting policies	**102**
3	Operating revenue by geographical market	**103**
4	Intangible assets and property, plant and equipment	**103**
5	Impairment of investments in subsidiaries	**104**
6	Financial items	**105**
7	Derivatives	**105**
8	Maturity of interest-bearing liabilities	**106**
9	Payroll costs, pension costs and obligations	**107**
10	Salary and other remuneration for senior executives	**108**
11	Other gains and losses	**109**
12	Income taxes	**110**
13	Intercompany receivables/liabilities	**111**
14	Other current assets	**112**
15	Equity	**113**
16	Guarantees	**115**
17	Related parties	**115**
18	Events after the balance sheet date	**115**

INCOME STATEMENT

NOK MILLION	NOTE	2013	2012 Restated
Operating revenue	3	**254**	**915**
Cost of materials		-99	-724
Employee benefit expenses	9	-95	-130
Other operating expenses		-114	-166
Gross operating earnings		**-54**	**-104**
Depreciation	4	-15	-16
Restructuring expenses		-13	-16
Other gains and losses	11	-193	-765
Operating earnings		**-275**	**-901**
Financial items	6	-2 406	-2 342
Profit/loss before income taxes		**-2 681**	**-3 243**
Income taxes	12	685	189
Profit/loss		**-1 996**	**-3 053**

STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	2013	2012 Restated
Profit/loss	**-1 996**	**-3 053**
Remeasurements of post employment benefit obligations	-18	34
Tax effect on remeasurements of post employment benefit obligations	5	-10
Other comprehensive income	**-13**	**24**
Comprehensive income	**-2 009**	**-3 029**

BALANCE SHEET

NOK MILLION	NOTE	31.12.2013	31.12.2012 Restated	01.01.2012 Restated
Assets				
Deferred tax asset	12	695	87	116
Intangible assets	4	8	30	61
Property, plant and equipment	4	25	1	2
Investments in subsidiaries	5	11 757	17 148	19 659
Other non-current assets	13	5 422	5 654	6 981
Total non-current assets		**17 907**	**22 920**	**26 820**
Trade and other receivables	13	192	134	486
Cash and cash equivalents		802	932	931
Other current assets	14	51	178	167
Total current assets		**1 045**	**1 243**	**1 584**
Total assets		**18 952**	**24 164**	**28 403**
Shareholders' equity and liabilities				
Paid-in equity		2 149	4 158	7 188
Retained earnings and other reserves		0	0	0
Total equity	15	**2 149**	**4 158**	**7 188**
Pension obligations	9	43	28	60
Deferred tax liability	12	0	44	236
Interest-bearing non-current liabilities	8, 13	11 301	15 304	15 994
Other non-current liabilities		15	56	56
Total non-current liabilities		**11 359**	**15 432**	**16 346**
Interest-bearing current liabilities	8, 13	1 063	273	1 013
Trade and other payables		4 092	4 053	3 243
Tax payable	12	0	10	2
Other current liabilities		288	237	611
Total current liabilities		**5 444**	**4 574**	**4 870**
Total liabilities		**16 803**	**20 006**	**21 216**
Total equity and liabilities		**18 952**	**24 164**	**28 403**

SKØYEN, 26 FEBRUARY 2014 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA

Eivind Reiten
Chair

Eilif Due
Board member

Siri Beate Hatlen
Board member

Finn Johnsson
Board member

Karen Kvalevåg
Board member

Ingelise Arntsen
Board member

Jon-Aksel Torgersen
Board member

Kjetil Bakkan
Board member

Paul Kristiansen
Board member

Svein Erik Veie
Board member

Sven Ombudstvedt
President and CEO

STATEMENT OF CASH FLOWS

NOK MILLION	NOTE	2013	2012 Restated
Cash flow from operating activities			
Cash generated from operations		264	939
Cash used in operations		-406	-1 249
Cash flow from currency hedges and financial items		16	-74
Interest payments received		14	28
Interest payments made		-624	-662
Taxes paid		-16	-30
Net cash flow from operating activities [1)]		**-752**	**-1 048**
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets		-25	-1
Sales of property, plant and equipment and intangible assets		0	44
Dividend received		17	6
Change in intercompany balance with subsidiaries		374	1 990
Sales of shares in companies and other investments		261	250
Net cash flow from investing activities		**627**	**2 289**
Cash flow from financing activities			
New loans raised		523	900
Repayments of loans		-597	-2 126
Purchase/sale of treasury shares		0	-1
Net cash flow from financing activities		**-74**	**-1 227**
Foreign currency effects on cash and cash equivalents		69	-13
Total change in cash and cash equivalents		**-130**	**1**
Cash and cash equivalents 1 January		932	931
Cash and cash equivalents 31 December		802	932
[1)] Reconciliation of net cash flow from operating activities			
Profit/loss before income taxes		-2 681	-3 243
Depreciation/impairments	4	15	16
Gains and losses from disposal of property, plant and equipment	11	1	-10
Taxes paid		-16	-30
Change in trade and other receivables		8	23
Change in trade and other payables		-71	-221
Change in restructuring provision		1	7
Financial items with no cash impact		1 811	1 633
Gains and losses on commodity contracts and embedded derivatives	11	192	775
Adjustments for items with no cash impact		-12	2
Net cash flow from operating activities		**-752**	**-1 048**

STATEMENT OF CHANGES IN EQUITY

NOK MILLION	NOTE	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM	OTHER PAID-IN EQUITY	TOTAL PAID-IN EQUITY	RETAINED EARNINGS	TOTAL EQUITY
Equity 1 January 2012	15	**1 899**	**0**	**3 355**	**1 947**	**7 201**	**0**	**7 201**
Effect of implementation of IAS 19R		0	0	0	-13	-13	0	-13
Equity 1 January 2012 (restated)		**1 899**	**0**	**3 355**	**1 934**	**7 188**	**0**	**7 188**
Comprehensive income		0	0	0	0	0	- 3 029	-3 029
Change in holding of treasury shares		0	-1	0	0	-1	0	-1
Reduction of nominal value and conversion of share premium reserve to other paid in equity		-1 710	1	-2 000	3 708	0	0	0
Uncovered loss allocated other paid-in equity		0	0	0	-3 029	-3 029	3 029	0
Equity 31 December 2012	15	**190**	**0**	**1 355**	**2 613**	**4 158**	**0**	**4 158**
Comprehensive income		0	0	0	0	0	-2 009	-2 009
Uncovered loss allocated other paid-in equity		0	0	0	-2 009	-2 009	2 009	0
Equity 31 December 2013		**190**	**0**	**1 355**	**604**	**2 149**	**0**	**2 149**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

All amounts are presented in NOK million unless otherwise stated. There may be some small differences in the summation of columns due to rounding.

ADOPTION OF THE AMENDED IAS 19 – RESTATEMENT OF 2012 FIGURES

Norske Skog implemented the amended accounting standard IAS 19 *Employee benefits* from 1 January 2013, with full retrospective application. Comparative figures for 2012 have been restated in accordance with the amended standard. Since the amendment has been applied retrospectively, the balance sheet at 1 January 2012 has been included in the financial statements.

2. ACCOUNTING PRINCIPLES

The company financial statements of Norske Skogindustrier ASA are prepared in accordance with the Norwegian Accounting Act § 3-9 and International Financial Reporting Standards (IFRS) with respect to recognition and measurement. Disclosures to the financial statements are prepared in accordance with Norwegian Generally Accepted Accounting Principles (N GAAP) and the Norwegian Accounting Act (IFRS light).

Requirements related to recognition and measurement applied to the company financial statements of Norske Skogindustrier ASA are identical to the ones described in Note 2 in the consolidated financial statements, with the exception of shares in subsidiaries which are recognised at cost in the company financial statements, as well as fair value hedge and net investment hedge which are only recognised at group level.

The financial statements were authorised for issue by the board of directors on 26 February 2014.

3. OPERATING REVENUE BY GEOGRAPHICAL MARKET

Norske Skogindustrier ASA's operating revenue consists mainly of the sale of goods and services to other entities in the group.

	2013	2012
Norway	166	807
Europe excluding Norway	74	88
South America	2	7
Australasia	11	11
Asia	1	2
Total	**254**	**915**

Operating revenue arising from sales to other entities in the group amounted to NOK 247 million in 2013, of which energy amounted to NOK 106 million and internal services NOK 141 million. The corresponding figure for 2012 was NOK 817 million, of which NOK 635 million related to energy and NOK 182 million to internal services. All transactions with other entities in the group are conducted in accordance with the arm's length principle.

4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

INTANGIBLE ASSETS	LICENSES AND PATENTS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost 1 January 2012	28	137	165
Additions	1	0	1
Acquisition cost 31 December 2012	**29**	**137**	**166**
Accumulated depreciation and impairments 1 January 2012	28	76	104
Depreciation	0	16	16
Amortisation of credit facility	0	16	16
Accumulated depreciation and impairments 31 December 2012	**28**	**108**	**136**
Carrying value 31 December 2012	**1**	**29**	**30**
Acquisition cost 1 January 2013	29	137	166
Additions	0	43	43
Disposals	0	-32	-32
Acquisition cost 31 December 2013	**29**	**148**	**177**
Accumulated depreciation and impairments 1 January 2013	28	108	136
Depreciation	0	15	15
Amortisation of credit facility	0	8	8
Disposals	0	-32	-32
Value changes	0	42	42
Accumulated depreciation and impairments 31 December 2013	**28**	**141**	**169**
Carrying value 31 December 2013	**1**	**7**	**8**

Licenses, patents and other intangible assets are depreciated on a straight-line basis over a period from three to 20 years.

Other intangible assets consist mainly of capitalised development costs relating to customising of software.

PROPERTY, PLANT AND EQUIPMENT	LAND AND BUILDINGS	FIXTURES AND FITTINGS	PLANT UNDER CONSTRUCTION	TOTAL
Acquisition cost 1 January 2012	2	172	0	174
Disposals	-1	0	0	-1
Acquisition cost 31 December 2012	**1**	**172**	**0**	**173**
Accumulated depreciation and impairments 1 January 2012	0	172	0	172
Accumulated depreciation and impairments 31 December 2012	**0**	**172**	**0**	**172**
Carrying value 31 December 2012	**1**	**0**	**0**	**1**
Acquisition cost 1 January 2013	1	172	0	173
Additions	0	2	23	25
Disposals	-1	-19	0	-20
Acquisition cost 31 December 2013	**0**	**155**	**23**	**178**
Accumulated depreciation and impairments 1 January 2013	0	172	0	172
Disposals	0	-19	0	-19
Accumulated depreciation and impairments 31 December 2013	**0**	**153**	**0**	**153**
Carrying value 31 December 2013	**0**	**2**	**23**	**25**

Fixtures and fittings are depreciated on a linear basis over a period from three to ten years. Land is not depreciated.

5. IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES

	NOTE	2013	2012
Norske Treindustrier AS [1]		0	-2 324
Norske Skog Saugbrugs AS		0	-39
Norske Skog Pisa Ltda.		0	-121
Norske Skog Walsum GmbH		-630	-259
Norske Skog Golbey S.A.		429	0
Norske Skog Papers (Malaysia) Sdn. Bhd.		-47	0
Total	6	**-248**	**-2 743**

Investments in subsidiaries are tested for impairment in accordance with IAS 36 *Impairment of Assets*. Shares in subsidiaries are written down to their recoverable amount when the recoverable amount is lower than the carrying value of the investment. For impairment testing purposes, investments in subsidiaries are grouped in the same manner as the cash-generating units for the group. The carrying amount of investments in subsidiaries within each cash-generating unit is measured against the recoverable amount of investments in subsidiaries within this cash-generating unit.

See Note 23 in the consolidated financial statements for a specification of shares in subsidiaries and other shares.

[1] Impairment in 2012 of the investment in Norske Treindustrier AS was related to a reduction in value of underlying assets in Australia and New Zealand.

6. FINANCIAL ITEMS

FINANCIAL INCOME	NOTE	2013	2012 Restated
External dividends		17	6
Dividends received from group companies		129	217
External interest income		14	19
Interest income from group companies [1]		396	516
Other financial income [2]		5	283
Total		**561**	**1 041**

FINANCIAL EXPENSES		2013	2012 Restated
External interest expense		-609	-589
Interest expense from group companies [1]		-558	-556
Impairment of investments in subsidiaries	5	-248	-2 743
Other financial expenses [3]		-212	-36
Total		**-1 627**	**-3 924**
Realised/unrealised gains on foreign currency		-1 340	541
Financial items		**-2 406**	**-2 342**

[1] Intercompany interest is calculated based on a standard margin, adjusted where necessary to reflect local market conditions and transfer pricing principles.
[2] Other financial income mainly includes gains from the divestment of subsidiaries and gains on the buy-back of bonds.
[3] Other financial expenses for 2013 include losses from the divestment of subsidiaries.

7. DERIVATIVES

	31.12.2013		31.12.2012	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Total derivatives [1]				
Interest rate swaps	0	0	0	-16
Forward rate agreements	0	-12	0	-4
Currency options	1	-9	30	-18
Forward contracts	15	-46	63	-8
Cross-currency contracts	0	-21	0	-37
Commodity contracts	0	0	208	-15
Total	**16**	**-88**	**301**	**-98**

[1] Includes active management portfolio, interest rate swaps not subject to hedge accounting, financial commodity hedging contracts and rolling cash flow hedging. Norske Skog does not use hedge accounting for rolling cash flow hedging and hedging of commodity costs. The physical commodity contract within the scope of IAS 39 was sold during 2013. These contracts are presented at fair value through profit or loss.

Financial risk is managed at group level (see Note 8 in the consolidated financial statements). The fair value of derivatives is discussed further in Note 2 and Note 9 in the consolidated financial statements.

Currency and interest rate hedges are entered into by the parent company and the effects stay there. Commodity, energy and financial hedging of energy contracts are entered into by the subsidiaries and the effects stay at that level.

8. MATURITY OF INTEREST-BEARING LIABILITIES

MATURITY OF THE COMPANY'S DEBT AT 31.12.2013	DEBT BANKS	BONDS	TOTAL
2014	25	881	906
2015	25	962	987
2016	25	1 086	1 111
2017	25	3 256	3 281
2018	25	0	25
2019	25	0	25
2020	25	0	25
2021-2033	13	1 217	1 230
Total	**188**	**7 402**	**7 590**

MATURITY OF THE COMPANY'S DEBT AT 31.12.2012	DEBT BANKS	BONDS	TOTAL
2013	25	0	25
2014	25	888	913
2015	25	881	906
2016	25	951	976
2017	25	2 852	2 877
2018	25	0	25
2019	25	0	25
2020-2033	38	1 112	1 150
Total	**213**	**6 684**	**6 897**

Foreign currency debt is presented at the current rate of exchange in the instalment profile. Debt used as an instrument for hedging net investments in foreign currencies is presented at historical cost in the balance sheet. For more information, see Note 11 Interest-bearing liabilities in the consolidated financial statements.

9. PAYROLL COSTS, PENSION COSTS AND OBLIGATIONS

EMPLOYEE BENEFIT EXPENSES	2013	2012 Restated
Salaries including holiday pay	64	79
Social security contributions	21	29
Pension costs	7	8
Other employee benefit expenses	3	14
Total	**95**	**130**

The company is required by law to have a pension scheme for all employees. The company's pension plan is compliant with the requirements in the Norwegian Act relating to mandatory occupational pension. Detailed information on salary and other compensation for senior employees, as well as information regarding audit fees, can be found in Note 12 in the consolidated financial statements.

	31.12.2013	31.12.2012
Man-labour years	66	82

NET PERIODIC PENSION COST	2013	2012 Restated
Current service cost	3	4
Pension cost defined contribution schemes	3	3
Accrued national insurance contributions	0	1
Recognised curtailment and settlement	1	0
Net periodic pension cost	**7**	**8**
Net periodic interest cost	**1**	**1**

PENSION ASSET IN THE BALANCE SHEET	2013	2012 Restated
Projected benefit obligations	-73	-88
Plan assets at fair value	77	101
Net pension asset in the balance sheet	**4**	**13**

PENSION OBLIGATION IN THE BALANCE SHEET	2013	2012 Restated
Projected benefit obligations	-43	-41
Plan assets at fair value	0	0
Net pension obligation in the balance sheet	**-43**	**-41**

SENSITIVITY ANALYSIS	Increase	Decrease
Discount rate – 0.5%	-6	6
Salary adjustment – 0.5%	2	-2

See Note 13 in the consolidated financial statements for assumptions and further information.

10. SALARY AND OTHER REMUNERATION FOR SENIOR EXECUTIVES

According to the provision in section 6-16a of the Norwegian Public Limited Companies Act (cf. section 5-6, third subsection), the annual general meeting (AGM) shall consider the board's declaration regarding the determination of pay and other remuneration for senior executives in the coming financial year. The board will propose the declaration at the AGM for consideration and a vote.

The board of Norske Skogindustrier ASA has had a remuneration committee since 2000, which considers issues relating to the compensation of the president and chief executive officer (CEO) and other members of corporate management. When the methods for assessing salary and possible bonuses, options and other incentive schemes are to be determined, the committee will ensure that the size and scope of compensation and pay reflect the responsibilities and duties of the recipient, and that these arrangements contribute to long-term value creation for all the shareholders.

FIXED SALARY

The board has not established any upper and/or lower limits to the amounts which can be paid to senior executives in the company as fixed salary in the coming financial year. See also Note 12 in the consolidated financial statements.

VARIABLE ELEMENTS

In addition to fixed salary, the company has a bonus and incentive programme designed to help harmonise the priorities of corporate management with the strategies and goals for the business established by the board:

Annual bonus agreements

The company has operated bonus schemes for executives and employees for a number of years, to ensure that important commercial goals receive adequate priority. These annual bonus agreements for corporate management provide a maximum payout corresponding to six months' salary. The performance figures are based on financial, operational and individual criteria.

Long-term incentive programme

The purpose of the company's long-term incentive programme is to secure a continued strong focus on the development of shareholder value. The board adopted new principles for the long-term incentive programme in 2007, where the criteria for awarding synthetic shares to corporate management is tied to Total Shareholder Return (TSR – development of the share price including dividend payments), such that this must be above average for a defined group of 10 listed paper manufacturers, including Norske Skog. A positive TSR for the period is also an absolute condition. This scheme will yield a 30% payout if Norske Skog performs better than the average for the reference group and a full payout if the company falls within the best quartile. Progress is measured over a three-year period, with a new period beginning each year. There is no dilution effect as a result of the scheme.

The programme was continued for 2008 and 2009. It was continued for 2010 with some changes: the maximum annual bonus from the programme was set to NOK 4 million for the CEO and NOK 2 million for other members of corporate management (instead of a fixed number of shares), and the bonus after tax must be used to purchase shares until the total shareholding in the company corresponds to a certain number of shares (200 000 for the CEO and 100 000 for other members of corporate management). The programme was continued for 2011 and 2012, but there was no offer for 2013. The programme was applicable for the CEO and one previous member of corporate management.

Further variable elements

Further variable elements include a fixed mileage allowance, newspapers, mobile phone and coverage of the costs of broadband communication in accordance with established standards.

PENSION PLANS

Norske Skogindustrier ASA introduced the current defined contribution plan with effect from 1 January 2011, with a contribution of 4% for earnings between 1 and 6 G (base amount in the Norwegian national insurance scheme) and 8% between 6 and 12 G. The previous scheme with pensionable age of 67 and providing a pension of approximately 65% of ordinary salary at retirement, and 60% from the age of 77 including national insurance, was closed from 31 December 2010, and now only covers employees who were born prior to 1 January 1959 and who were employed in the company before the closure. The company also has a supplementary scheme for the part of salary exceeding 12 G, and there is a separate early retirement pension scheme from 64 to 67 years for corporate management, previously referred to as insured supplementary plans. It was decided to terminate these insured supplementary plans with effect from 1 January 2007 and they were replaced by a book reserve arrangement for the pension part, a disability insurance and a group life insurance (annual base salary) replacing dependents' pensions. Corporate management is covered by a special group life insurance policy with payments limited to three times the annual salary and a maximum of 80 G. Old age pension for the part of salary exceeding 12 G was also changed to a defined contribution plan from 1 January 2011. At the time of the change, employees who were born before 1 January 1959 were given the opportunity to continue with the defined benefit plan. Norske Skog provided salary compensation for employees who were at a financial disadvantage because of the change from a defined benefit to a defined contribution plan, both in the main plan and in the plan for salary above 12 G. This salary compensation was based on certain assumptions about the future at the time of the change, including return on assets, salary adjustment, change in the base amount (G) and inflation. The compensation will not be changed even if these factors should turn out to be different from the assumptions.

The defined benefit plan for the part of salary exceeding 12 G was closed from 1 January 2011, and no new members will enter the scheme. The same applies for the early retirement scheme for corporate management.

TERMINATION PAYMENT AGREEMENTS

The mutual period of notice for the CEO is six months. If circumstances arise in which the company and the CEO, by mutual agreement, terminate the contract of employment in the best interests of the company, the CEO is entitled to severance pay equivalent to payment of base salary for 18 months after the end of the notice period. The amount receivable by other members of corporate management under the same circumstances is severance pay equivalent to payment of base salary for nine months.

11. OTHER GAINS AND LOSSES

	2013	2012
Gains and losses on disposal of property, plant and equipment	-1	10
Changes in value of commodity contracts [1)]	-192	-775
Total	**-193**	**-765**

[1)] Relates to a long-term energy contract that is measured at fair value. The loss of NOK 192 million is due to lower expected future energy prices, volumes utilised during 2013 and cancellation of the long term-term group energy contract from 1998 that applied for energy supply in Southern Norway. The loss in 2012 of NOK 775 million was mainly due to lower expected future energy prices, as well as NOK 153 million arising from sale of part of the contract, and NOK 80 million due to volumes utilised during 2012.

12. INCOME TAXES

TAX EXPENSE	2013	2012
Current tax expense	-6	-47
Change in deferred tax	691	236
Total	**685**	**189**

INCOME TAX RECONCILIATION	2013	2012
Profit/loss before income taxes	-2 681	-3 243
Computed tax at nominal tax rate of 28%	751	908
Exempted income/non-deductible expenses	-248	31
Impairment of investments in subsidiaries	153	-768
Adjustment previous years	14	-15
Change in tax rate from 28% to 27%	-22	0
Other items	37	34
Total tax expense	**685**	**189**

DEFERRED TAX	2013	2012 Restated
Net deferred tax asset/liability (-) 1 January	43	-125
Effect of implementation of IAS 19R	0	5
Net deferred tax asset/liability (-) 1 January (restated)	43	-120
Deferred tax charged in the income statement	691	236
Tax expense in other comprehensive income	5	-10
Reclassification of group tax items	-44	-63
Net deferred tax asset/liability (-) 31 December	**695**	**43**

DEFERRED TAX – DETAILS	31.12.2013	31.12.2012 Restated
Property, plant and equipment, excess values and depreciation	-160	-209
Pensions	10	7
Provisions and other liabilities	1	-25
Currency translation differences and financial instruments	63	-350
Deferred tax current items	67	9
Tax losses and tax credit to carry forward	714	611
Net deferred tax asset/liability (-)	**695**	**43**

LOSSES TO CARRY FORWARD AND TAX CREDITS	31.12.2013	31.12.2012
Losses to carry forward	5 957	5 414
Tax losses not recognised [1]	-3 600	-3 500
Tax credits	202	202
Total losses to carry forward and tax credits	**2 559**	**2 116**
Deferred tax asset	**714**	**611**

[1] Tax losses to carry forward are mainly related to tax deductible losses that arose following a legal restructuring of the company structure. Deferred tax asset is not recognised on the amount.

13. INTERCOMPANY RECEIVABLES/LIABILITIES

	31.12.2013	31.12.2012
Non-current intercompany receivables		
Norske Skog Skogn AS	1 529	1 401
Norske Skog Saugbrugs AS	1 572	1 441
Crown Forest Industries Ltd.	0	16
Norske Skog Industries Australia Ltd.	1 574	1 964
Norske Skog Industries Canada Ltd.	0	239
Norske Skog Walsum GmbH	476	382
Norske Skog France SARL	11	0
Other intercompany receivables	1	11
Total	**5 163**	**5 454**
Current intercompany receivables		
Norske Skog Skogn AS	3	17
Norske Skog Saugbrugs AS	0	4
Norske Skog Walsum GmbH	95	0
Norske Treindustrier AS	4	0
Nornews AS	19	16
Norske Skog Golbey SA	44	63
Norske Skog Holdings B.V.	27	3
Norske Skog Nordic & Export Sales AS	3	0
Other current intercompany receivables	3	7
Total	**198**	**110**
Non-current intercompany liabilities		
Lysaker Invest AS	66	63
Nornews AS	63	60
Norske Skog Golbey SA	589	491
Norske Skog Holding AS	47	44
Norske Treindustrier AS	3 749	7 678
Total	**4 514**	**8 336**

All non-current intercompany debt falls due for repayment at least 12 months after the balance sheet date. The majority of this debt has a considerably longer term to maturity.

	31.12.2013	31.12.2012
Current intercompany liabilities		
Norske Skog Skogn AS	97	38
Norske Skog Saugbrugs AS	257	254
Lysaker Invest AS	1 656	1 529
Norske Skog Deutschland GmbH	43	46
Norske Skog Eiendom AS	254	235
Norske Skog Bruck GmbH	157	117
Norske Skog Golbey SA	412	189
Norske Skog Holding AS	9	4
Norske Skog Holland B.V.	16	13
Norske Skog Industries Australia Ltd.	161	232
Norske Skog France SARL	28	24
Norske Skog Tasman Ltd.	0	248
Norske Skog UK Ltd.	13	15
Norske Skog Walsum GmbH	0	85
Norske Treindustrier AS	775	974
Oxenøen Finans AS	139	141
Wood and Logistics AS	14	20
Other current intercompany liabilities	12	20
Total	**4 043**	**4 184**

14. OTHER CURRENT ASSETS

	31.12.2013	31.12.2012
Derivatives	16	133
Current investments	35	45
Total	**51**	**178**

15. EQUITY

The share capital of the company at 31 December 2013 was NOK 189 945 626 and consisted of 189 945 626 shares, each with a nominal value of NOK 1. The number of treasury shares at 31 December 2013 was 20 479. The company purchased 350 000 and sold 465 319 treasury shares during the year.

On 25 April 2012, the general assembly resolved to reduce the nominal value of the company's shares from NOK 10 to NOK 1, and to transfer NOK 2 000 million from share premium reserve to other paid-in equity. Total value transferred to other paid in equity amounted to NOK 3 708 million. This resolution came in addition to the resolution on 12 April 2007 to transfer NOK 7 000 million from share premium reserve to other paid-in equity.

The variances between other paid-in equity and distributable equity are specified below:

SPECIFICATION OF DISTRIBUTABLE EQUITY	31.12.2013
Other paid-in equity	604
Share premium	1 355
Distributable equity	**1 959**

PRINCIPAL SHAREHOLDERS	OWNERSHIP %
Nobelsystem Scandinavia AS	4.90
AT Skog BA	3.38
Dimensional Fund Advisors	3.30
Nordnet Bank AB (Nominee)	3.06
Allskog BA	2.79
Astrup Fearnley AS	2.73
Skandinaviska Enskilda Banken	2.51
Uthalden A/S	2.01
Danske Bank A/S (Nominee)	1.78
Fiducia AS	1.57
Swedbank Norge Marketmaking acc.	1.46
Spectatio Finans AS	1.31
AS Havlide	1.21
Awilco Invest AS	1.16
AS Herdebred	1.11
Torstein I. Tvenge	1.05
Nordea Bank PLC Finland (Nominee)	1.05

The shareholder list is provided by RD:IR and VPS, through the Nominee ID service. The information is obtained through the analysis of beneficial ownership and fund manager information provided in replies to disclosure of ownership notices issued to all custodians on the Norske Skogindustrier ASA share register. Whilst every reasonable effort is made to verify all data, neither RD:IR nor VPS can guarantee the accuracy of the analysis.

SHAREHOLDERS ON THE BOARD OF DIRECTORS	NUMBER OF SHARES
Elected by the shareholders	
Eivind Reiten, Oslo (chair) (0), Mocca Holding AS (37 914)	37 914
Eilif Due, Levanger	3 256
Jon-Aksel Torgersen, Oslo (0), Fiducia AS (2 986 644)	2 986 644
Elected by the employees	
Kjetil Bakkan, Norske Skog Skogn	16 532
Paul Kristiansen, Norske Skog Saugbrugs	15 403
Svein Erik Veie, Norske Skog Skogn	9 704

SHAREHOLDERS AMONG CORPORATE MANAGEMENT	NUMBER OF SHARES
Sven Ombudstvedt (705 061), Elle Holding AS (1 000 000)	1 705 061
Roar Ødelien	0

16. GUARANTEES

The company has not guaranteed any debt on behalf of its subsidiaries as at 31 December 2013 (no guaranteed debt as at 31 December 2012). Parent company guarantees on behalf of subsidiaries amounted to NOK 653 million at 31 December 2013 (NOK 271 million at 31 December 2012). Parent company bank guarantees on behalf of subsidiaries amounted to NOK 107 million at 31 December 2013 (NOK 87 million at 31 December 2012).

17. RELATED PARTIES

A description of transactions with related parties is given in Note 26 in the consolidated financial statements.

18. EVENTS AFTER THE BALANCE SHEET DATE

A description of events after the balance sheet date is given in Note 27 in the consolidated financial statements.


Norske Skog
TASMAN
NZ STOCK

To the Annual Shareholders' Meeting of Norske Skogindustrier ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Norske Skogindustrier ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2013, income statement, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet as at 31 December 2013, income statement, statement of comprehensive income, changes in equity, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with simplified IFRS pursuant to § 3-9 of the Norwegian Accounting Act and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of Norske Skogindustrier ASA as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with simplified IFRS pursuant to § 3-9 of the Norwegian Accounting Act.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of the group Norske Skogindustrier ASA as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposal for coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 3 March 2014
PricewaterhouseCoopers AS

Fredrik Melle
State Authorised Public Accountant (Norway)

(2)

DECLARATION FORM THE BOARD OF DIRECTORS AND CEO

We declare that to the best of our knowledge, the financial statements for the period 1 January to 31 December 2013 have been prepared in accordance with prevailing accounting practices, and that the information in the financial statements provides a correct impression of the company's and the group's assets, liabilities, financial position and result as a whole. We also declare that the annual report provides a correct overview of the development, result and position of the company and the group, along with a description of the key risk and uncertainty factors which the company and the group face.

SKØYEN, 26 FEBRUARY 2014 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA

Eivind Reiten Chair	Eilif Due Board member	Siri Beate Hatlen Board member	Finn Johnsson Board member
Karen Kvalevåg Board member	Ingelise Arntsen Board member	Jon-Aksel Torgersen Board member	Kjetil Bakkan Board member
Paul Kristiansen Board member	Svein Erik Veie Board member	Sven Ombudstvedt President and CEO	


DU 12 AU 22 SEPTEMBRE
Géant
Casino
LAVE-LINGE FRONTAL

CORPORATE GOVERNANCE IN NORSKE SKOG

Norske Skogindustrier ASA is a Norwegian based paper manufacturer with global production and sales operations. Norske Skog's goal is to increase shareholder value, through profitable and sustainable production of publication paper. Norske Skog is listed on the Oslo Stock Exchange and is subject to Norwegian securities legislation and stock exchange regulations, as well as international bond market regulations.

Norske Skog is subject to reporting requirements for corporate governance under the Norwegian Accounting Act § 3-3b, and voluntarily complies with the "Norwegian Code of Practice for Corporate Governance" ("NCGB Code", see www.nues.no, English pages). This corporate governance report follows the structure of the version of NCGB Code as published on 23 October 2012.

Corporate governance principles as referred to in this report define roles and responsibilities, powers and processes, between and within governing bodies, such as the general meeting, the board of directors (hereinafter the board) and the corporate management. For further information about corporate bodies and corporate governance issues, please visit Norske Skog's website www.norskeskog.com.

This corporate governance report has been discussed and commented on by the board, and will be presented for discussion by Norske Skog's general meeting on 10 April 2014.

1. REPORT ON CORPORATE GOVERNANCE

The NCGB Code is on the board's agenda annually. Deviations from the NCGB Code are explained where relevant in this report.

Norske Skog's Steering Documents and corporate governance principles are fundamental for the company's corporate governance and value creation. Compliance with the Steering Documents is mandatory for employees and others acting on the company's behalf, and similar conduct and ethical standards are expected in partnerships, joint ventures and partially owned subsidiaries.

The Steering Documents, which can be found on the company's website, include Norske Skog's values, and define ethical fundaments for the company's operations. The Steering Documents confirm that the company's aim is to maximize shareholder value through operations within the publication paper industry. The company values are openness, honesty and cooperation, and guide our behaviour across regions. These values, together with the leadership principles, are the fundament to ensure ethical and competitive business conduct within and on behalf of Norske Skog.

Further, the Steering Documents constitute the company's social responsibility policy through providing the basic requirements for sustainable operations with regard to health and safety, environment, people (fairness, equality and merit based opportunities), corporate conduct (anti-corruption, legal compliance and business ethics), as well as financial management and reporting. Key international standards and agreements create a basis for the Steering Documents, hereunder the UN Global Compact and the ICEM agreement.

2. BUSINESS

Norske Skogindustrier ASA's business purpose is set out in the Articles of Association, article 2:

"The objective of the company is to operate wood processing activities and associated activities. The company may participate in other commercial activity by subscribing to shares or in other ways".

The overall strategic guidelines involve producing at the lowest possible cost, seeking out growth that strengthens profit and focusing on core activities.

The Articles of Association are available on the company's website.

3. EQUITY AND DIVIDENDS

Equity

At 31 December 2013, Norske Skog's consolidated total equity was NOK 2 175 million, which is equivalent to 14.9% of total assets. The board considers the equity to be adequate to the company's objectives, strategy and risk profile. The board closely monitors the developments of the equity.

Dividends

It follows from Norske Skog's shareholder policy that the dividend policy shall be competitive and responsible. Due to the financial results of the company, no dividends have been disbursed in the past few years. The board and corporate management strive towards getting the company into a dividend position again.

Purchase of treasury shares

The 2013 general meeting authorised the board to purchase treasury shares, for the sole purpose of offering employees the opportunity to purchase shares at rebated prices in a limited employee share purchase programme, and up to a nominal value of NOK 9 250 000, however at no time exceeding 5% of outstanding shares. The shares should be acquired at the listed share price. The authorisation was granted for a period up to the next general meeting.

On 31 December 2013, Norske Skog owned a total of 20 479 treasury shares. During 2013, a total of 465 319 shares were sold to Norwegian employees at a discount up to 20% and with a maximum discount of NOK 1 500 per employee as a part of the limited employee share purchase programme. The shares are subject to a one-year lock-in period from the date of acquisition by the relevant employee.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Norske Skogindustrier ASA has one share class. Shareholders shall be treated equally, and voting rights are based on the principle one share – one vote. The board members shall act independently of special interests. Pursuant to the Steering Documents and the board's manual, the members of the board and the corporate management shall notify the board if they have any material interest in any transaction entered into by the company.

All transactions with related parties are conducted in accordance with the arm's length principle. For information on transactions with related parties, please see note 26 in the consolidated financial statements.

5. FREELY NEGOTIABLE SHARES

The Articles of Association do not impose any restriction on the negotiability of Norske Skog's shares, and pursuant to the Steering Documents for Financial Management and Reporting, the Norske Skog share shall be freely negotiable.

6. GENERAL MEETINGS

The general meeting is the shareholders' forum and the supreme governing body of the company. The Articles of Association do not impede the shareholders' rights as provided by the Public Limited Companies Act. The board sets the agenda for the general meeting. In agreement with applicable laws and deadlines, the minutes from the general meeting are published externally and on the website, as well as sent to Oslo Stock Exchange. At the general meeting in April 2013, 50 shareholders and shareholder proxies were present, representing 43 190 221 shares out of a total of 189 809 828 voting shares, corresponding to 22.75% of the total number of voting shares. The company strives to promote the shareholders' rights and opportunities to carry out their rights in the general meetings:

- The summons and documentation for the general meeting, including the proposal by the election and remuneration committee, are made available on the company's website and distributed to the shareholders.

- Any shareholder may, by written and justified notification to the board no later than seven days before the due date for submitting of the summons, require items to be included in the agenda for the general meeting.

- Participation at the general meeting is made possible by registering voting in advance, electronically or in writing, also on individual agenda items.

- The summons and documentation for the general meeting are sufficiently detailed and comprehensive for the shareholders to assess, discuss and vote on the matters presented to the general meeting.

- The deadline for giving notice of attendance to the general meeting is set as close to the date of the meeting as possible. In 2013, the deadline was two days before the Annual general meeting.

- The company's external auditor will attend the general meeting and present conclusions in the auditor's report.

- Notice of the general meeting will be given, and the general meeting will be chaired by the chair of the board. The company's Articles of Association contain arrangements to elect another chairperson for the general meeting.

The NCGB Code recommends that the general meeting elects board members individually. Traditionally, Norske Skog's general meeting is invited to elect the board members collectively to promote the board as a qualified team and in agreement with legal requirements for gender representation.

Norske Skog does not require the entire board's presence at the general meeting. However, the chair of the board will be present, and employee representatives and a number of shareholder elected members will regularly be present. Further, the corporate management will at least be represented by the CEO and the CFO. In line with the above, Norske Skog does not require the entire election- and remuneration committee's presence at the general meeting. However, the chair of the committee will be present to explain the committee's proposal.

7. ELECTION - AND REMUNERATION COMMITTEE

Pursuant to the Articles of Association, Norske Skog has an election- and remuneration committee with four shareholder representatives and one employee representative.

The shareholder representatives, including the chair of the committee, are elected by the general meeting.

The election- and remuneration committee proposes shareholder candidates for election to the board, with the aim of securing Norske Skog's needs for optimal value creation, through a variety of competencies and contributions among the directors. Further, representation of shareholders as well as providing a good working climate in the board, are important elements in evaluating and proposing candidates.

Upon its own discretion, the election- and remuneration committee may engage company resources and external consultants to assist in search for candidates. As a basis for its work, the committee also invites shareholders' input, interviews board members and the CEO, and reviews the board's self evaluation.

The election- and remuneration committee further proposes its own succession candidates. Members of the committee should be independent from the board and the corporate management. With today's shareholder structure, the Norwegian forest owners are the only shareholder group directly represented in the committee.

The committee further proposes remuneration for the governing bodies, including itself. Whereas the employee representative on the committee does not have voting rights regarding shareholder candidate proposals, he or she has voting rights with regard to remuneration of all members of governing bodies.

The election- and remuneration committee's justified proposals for election and remuneration of members of the governing bodies are submitted to the shareholders, together with the other documentation for the general meeting.

Norske Skog provides information on its website about members of the election- and remuneration committee.

8. THE BOARD 'S COMPOSITION AND INDEPENDENCE

Board composition and election

According to the Articles of Association, Norske Skog shall have not less than seven and not more than ten board members. The current number of board members is ten, including three employee representatives. For the employee representatives, personal alternate members have been elected. Of the seven shareholder-elected board members, three are women and four are men. Hence, the Public Limited Companies Act requirement for 40% representation of each gender is fulfilled. All employee representatives are men. Their representation fulfils legal requirements for gender representation, due to the exemption set out in the Act regarding gender representation for employee representatives.

No shareholder or shareholder group holds more than 10% of the shares in the company. All Norske Skog directors are independent and act autonomously of the company's main business partners, corporate management and shareholders. However, board member Eilif Due has strong connections to the Norwegian forest owners, which on a consolidated basis own approximately 6.5% of the company. Board member Jon-Aksel Torgersen is among the larger personal shareholders of the company, and additionally represents large shareholder interests through his employer's and related companies' shareholdings.

All shareholder-elected directors are elected for one year at a time. All current directors have a statistical attendance at board- and committee meetings of near 100%. Neither the company's external auditor, nor any member of the corporate management, is a member of the board. The CEO and the CFO attend all board meetings, and the auditor attends board meetings in connection with quarterly and annual financial statements.

Directors' and corporate management's shareholdings

At 31 December 2013, the chair Eivind Reiten held 37 914 shares through his wholly-owned company Mocca Invest AS, Jon-Aksel Torgersen held 2 986 644 shares through his wholly-owned company Fiducia AS, Eilif Due personally held 3 256 shares, Kjetil Bakkan personally held 16 532 shares, Paul Kristiansen personally held 15 403 shares and Svein Erik Veie personally held 9 704 shares. Further, employee-elected alternate board member Trond Bjørken personally held 6 657 shares.

At 31 December 2013, the CEO Sven Ombudstvedt personally held 705 061 shares, as well as an additional 1 000 000 shares held through his wholly-owned company Elle Holding AS.

9. THE WORK OF THE BOARD

The duties and work of the board and its subcommittees

The board's main tasks comprise the overall responsibility for the management of the company, and overseeing the daily administration and operations of the company. Throughout

2013, the board has concentrated a significant amount of time on strategic and financial issues. Efforts and results within the areas of health, environment and safety are annually reported comprehensively to the board, and the CEO reports on health, environment and safety-, operations and market developments in every board meeting.

The board develops an annual plan for its work, clearly setting out strategic, financial, operational and organisational issues for discussion and resolution. In addition to adhering to its plan, the board discusses upcoming issues and processes which require the board's involvement.

The board has two sub-committees: An audit committee, as required by the Public Limited Company Act, and a compensation committee. No board member serves as a member of both committees. The board manual sets out clear mandates on defined areas for both committees. The committees undertake preparatory discussions and report their recommendations to the full board, but do not adopt any resolutions. The audit committee focused on the company's financial reporting and internal control function in 2013, whereas the compensation committee had no particular area of focus in 2013. The external auditor attends the meetings of the audit committee, as do the CEO and the CFO. The CEO attends the meetings of the compensation committee, except when issues relating to his own remuneration are being discussed.

The full board held nine physical meetings in 2013, which was one more than its annual plan. Four issues were resolved by written resolutions and one issue was resolved by phone meeting. The audit committee held four meetings in 2013. The compensation committee held three meetings in 2013.

Due to the continuous efforts of strengthening the cash flow of the company, the board has granted a relatively low capital expenditure frame.

The board has carried out a self assessment with a statistical survey and a follow-up board discussion. The outcome of the self assessment has been presented to the election- and remuneration committee.

The board manual

The board has issued a board manual. Minor updates were made to the manual in December 2013. The mandate for the compensation committee was reviewed in December 2010 and the mandate for the audit committee was reviewed in December 2012.

The board manual sets out the directors' duties. Employee representatives have the same rights and obligations as shareholder-elected board members. Further, the manual prescribes the general loyalty obligation of the board members towards the company and to ensure equal treatment of shareholders. To maintain the board members' independence, they may not assume business relations and special tasks for the company in addition to their directorship, without informing the full board, and any remuneration for such tasks requires board approval.

In light of the board members' status as primary insiders of Norske Skog, the company's instruction for primary insiders is made as part of the board manual. This instruction was comprehensively reviewed in May 2010, and partly updated in October 2012.

The board manual clarifies responsibilities of the chair of the board and the CEO, the board's obligations towards the general meeting, and the quorum and voting procedures in board meetings. The board manual further sets out specific mandates for the two board committees. The mandate for the audit committee includes the accounting and financial reporting processes of the company, as well as the company's enterprise risk management, control functions and external auditing. The mandate for the compensation committee covers the board's discussion on salary and other remuneration for the CEO and the corporate management. Further, the compensation committee serves as advisory board to the CEO regarding remuneration- and pension principles for all employees.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The board's responsibility and the purpose of risk management and internal control

The board is ultimately responsible for the management of the company. Consequently, the board is also responsible for evaluating and controlling the company's risk position. Norske Skog's enterprise risk management processes is based on COSO's Enterprise Risk Management framework, and cover financial, operational, market and organisational risks. By this delineation of risk control, all sustainability and responsibility areas covered by Norske Skog's Steering Documents are also covered by its enterprise risk management processes and reported to the board. The system is based on the management teams in each business unit and in key corporate functions regularly reporting potential risk factors to the company's risk management function, and updated risk pictures provide a basis for the agenda-setting for the corporate management meetings and adequate follow-up.

The internal control systems within the CFO organisation primarily cover the financial reporting structure and processes. However, the Business Control function established in 2012, replacing the Internal Audit function, also provides more analytical planning and decision support to the business lines. Furthermore, it co-ordinates and carries out reviews and audits when needed.

Routines for internal control over financial reporting are defined in Norske Skog's internal control documentation (Financial Closing Manual and Financial Closing Checklist). Responsibilities are clearly defined in terms of execution, documentation and control. The group also has a power of attorney structure which describes and regulates financial empowerment to individual positions.

Norske Skog has clearly established channels and procedures for reporting and handling instances of possible serious misconduct (whistle blowing).

It is the opinion of the board that Norske Skog's internal control and systems for risk management are adequate and proportionate to the nature and complexity of the company's operations and financial situation. Further information is provided in the notes to the financial statements.

11. REMUNERATION OF THE BOARD

The remuneration of the board is decided by the general meeting on the basis of the election- and remuneration committee's justified proposal. The committee considers the level of responsibility, complexity and time consumption, as well as the required expertise, for the board members. Proposals for annual adjustments of the remuneration of the board are based on considerations to ensure that Norske Skog remains attractive and competitive on the market for governing bodies' competencies.

No board member has carried out specific tasks or commissions for the company in addition to the directorship, and no other remuneration has been paid to any board member than the ordinary board remuneration.

Separate remuneration is stipulated for the chair of the board and members of committees under the board. For 2013, remuneration of the board amounts to:

1. The remuneration for the chair of the board is NOK 577 000 per year.

2. The remuneration for the other members of the board is NOK 320 000 per year.

3. The remuneration for the alternate members of the board is NOK 13 200 per meeting.

4. The remuneration for the members of the committees of the board is NOK 6 700 per meeting. Separate rates apply for the audit committee.

5. The remuneration for the chair of the audit committee is NOK 103 000 per year with the addition of NOK 6 700 per meeting.

6. The remuneration for other members of the audit committee is NOK 67 000 per year with the addition of NOK 6 700 per meeting.

7. Travel and lodging expenses are reimbursed in accordance with the state travel allowance scale

The total remuneration for the board of directors in 2013 was NOK 4 066 160. For the election- and remuneration committee, the total remuneration was NOK 447 500. For further information, reference is made to note 12 in the consolidated financial statements.

12. REMUNERATION OF EXECUTIVE PERSONNEL

Norske Skog has guidelines for remuneration of corporate management. These guidelines are communicated to the general meeting, and set out the main principles behind salaries and other compensatory elements. Performance related remuneration of corporate management is linked to the financial performance of the company, and the individual's contribution thereto.

In general, the guidelines ensure alignment of financial interests between the shareholders and the corporate management.

The CEO's remuneration terms are reviewed and decided annually by the board following preparatory discussions in the board's compensation committee. The remuneration decision takes into consideration the overall performance of the CEO and the company, and the market development for CEO remuneration in companies of similar complexity, size and industries.

The remuneration for other members of corporate management is decided by the CEO. The structure of the corporate management incentive system is determined by the board and presented as information to the general meeting. The incentive system consists of base salary, annual bonus agreement, pension and other benefits. Performance-based elements are calculated on the basis of quantifiable objective targets as well as on quantifiable targets falling within areas over which the respective executives have a reasonable influence. More information about corporate management remuneration is available in the financial statements, notes 10 (Norske Skogindustrier ASA) and 12 (consolidated financial statements).

In addition, Norske Skog has operated a long-term ownership incentive programme for corporate management since 2007. The programme has been subject to revisions and adjustments, but the main features of the programme have remained stable. There will be no allocation under the programme for 2013.

13. INFORMATION AND COMMUNICATIONS

Information in Norske Skog's financial statements shall provide a correct impression of the company's results, cash flow, assets and liabilities. Financial reporting follows International Financial Reporting Standards, and through open communication to shareholders and financial markets, Norske Skog ensures transparency and equality to facilitate our stakeholders' assessment of the company's financial situation. Press releases in connection with quarterly financial statements are presented to the board before being published.

Outside of the general meeting, the company's administration maintains an active dialogue with the shareholders, investors and other relevant interested parties. The company's annually published financial calendar is available on www.norskeskog.com/investors. The tasks of communication have been clearly defined among corporate management and members of the administration, including routines applicable should an extraordinary situation occur. When publishing annual and interim reports, the company holds public presentations that are simultaneously broadcast over the internet. Information sent to shareholders by mail is simultaneously published on www.norskeskog.com.

14. TAKE-OVERS

The board has established clear principles for how it will act in the event of a take-over bid, hereunder that it will act in agreement with the NCGB Code and Norwegian law.

The principles emphasise the importance of equal treatment of existing shareholders. They further warrant that the board will ensure sufficient information in time and content for the shareholders to assess a possible bid, hereunder issue a statement to the shareholders with the board's assessment of such bid. A sale of a significant part of the company will require approval by the general meeting.

The board will not without decision by the general meeting attempt to hinder a take-over bid for the company.

15. AUDITOR

The auditor presents an annual audit plan, describing the auditor's understanding of the industry and significant risks, as well as the audit approach to be applied.

The auditor participates in audit committee meetings, and board meetings when discussing the quarterly and financial statements or otherwise requested. During 2013, the auditor has participated in discussions with the audit committee without corporate management being present, and for 2014 such time is scheduled with the full board. The company has effective guidelines for the ability of the auditor to perform non-audit services for the company upon approval by the audit committee. The company informs the general meeting about the auditor's fees for audit and non-audit services.

The board regularly assesses the quality and efficiency of the work of the auditor.

SHARES AND SHARE CAPITAL

NORSKE SKOG'S SHAREHOLDER POLICY

The shareholder policy is as follows:

- Norske Skog's goal is to provide competitive return for the shareholders.
- Norske Skog's shares shall be freely negotiable and based on the principle one share – one vote.
- The dividend policy shall be competitive and responsible.
- Norske Skog's capital structure shall be adapted to the company's strategy and business risk.
- The work of the board and the corporate management shall be based on the principle of equal treatment for all the company's shareholders.

DIVIDEND PROPOSAL

Based on weak earnings and the company's financial position, the board recommends that no dividend be paid for the financial year 2013.

LONG-TERM INCENTIVE PROGRAMME

Since 2007, Norske Skog has operated a long-term incentive programme for corporate management, based on relative return on shares. The programme is described in detail in the notes to the financial statements for the Norske Skog Group (Note 12) and Norske Skogindustrier ASA (Note 10).

SHARES AND SHARE CAPITAL

Norske Skog's shares have been listed on the Oslo Stock Exchange since 1976. In 2013, a total of 238.8 million Norske Skog shares were traded on the Oslo Stock Exchange, compared with 385.8 million in 2012. On average, each share was traded 1.25 times in 2013.

The Norske Skog share price was NOK 4.74 on 30 December 2013, compared with NOK 4.18 on 2 January 2013. The highest price in 2013, based on close-of-trading prices, was NOK 4.80 on 27 December, and the lowest price was NOK 2.44 on 11 June.

On 31 December 2013, the share capital in Norske Skog was NOK 189 945 626, consisting of 189 945 626 shares with a face value of NOK 1. All shares have equal rights.

At the beginning of 2013, Norske Skog owned 135 798 treasury shares. In June, 350 000 shares were bought, and 485 798 shares were later sold to employees in connection with the share sale programme to employees in Norway. Norske Skog's holding of treasury shares was 20 479 shares as of 31 December 2013.

On 31 December 2013, the largest individual Norwegian shareholder was Nobelsystem Scandinavia AS, with an ownership interest of 4.9%. On 31 December 2013, foreign ownership was 21%, compared with 19% on 31 December 2012. The foreign shareholders are, to a large extent, registered through investment banks, and based on the gathered information, none of them own more than 5%.

Based on the information in the Norwegian Registry of Securities, Norske Skog had 21 521 shareholders in total as at 31 December 2013, of which 1 104 resided outside of Norway.

INFORMATION TO THE FINANCIAL MARKET

Around 20 Norwegian and international companies follow Norske Skog and publish analyses of the company, directed towards both the equity and bond markets. An overview of these companies can be found on Norske Skog's website.

FINANCIAL CALENDAR FOR 2014

- 20 January: Silent period begins
- 5 February: Interim financial statements, fourth quarter 2013
- 7 April: Silent period begins
- 10 April: General Meeting
- 24 April: Interim financial statements, first quarter 2014
- 30 June: Silent period begins
- 17 July: Interim financial statements, second quarter 2014
- 6 October: Silent period begins
- 23 October: Interim financial statements, third quarter 2014

KEY FIGURES RELATED TO SHARES

	Definitions	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Nominal value (NOK/share)		1	1	10	10	10	10	10	10	10	10
Average number of shares excluding shares held in treasury (1 000)		189 866	189 827	189 904	189 904	189 663	189 501	189 412	189 258	142 878	132 430
Net earnings per share after tax (NOK)	1	-9.71	-14.63	-13.36	-12.97	-6.36	-14.33	-3.26	-14.84	-5.98	4.95
Cash flow per share after tax (NOK)	2	0.36	5.18	2.40	2.09	8.95	10.43	11.43	14.60	21.42	22.04
Dividend per share (NOK)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.50	5.50	6.00
Price/earnings ratio	3	-	-	-	-	-	-	-	-	-	26.50
Price/cash flow ratio	4	13.17	0.76	1.88	6.62	1.07	1.29	3.95	7.35	5.01	5.90
Payout ratio (%)		-	-	-	-	-	-	-	-	-	121.20
Number of shares 31 December (1 000)		189 946	189 946	189 946	189 946	189 946	189 946	189 946	189 946	189 946	133 137
Share prices high		4.80	8.00	22.50	14.35	17.60	45.85	118.50	114.00	124.86	146.50
Share prices low		2.44	3.43	2.58	6.82	7.93	13.15	30.75	83.00	86.50	110.00
Share prices 31 December		4.74	3.96	4.52	13.85	9.55	13.50	45.20	107.50	107.25	131.00
Trading volume (Oslo Stock Exchange) 1 000 shares		238 814	385 768	617 404	444 134	527 525	786 990	659 648	230 507	186 297	157 839
Number of shareholders 31 December		21 521	24 322	23 955	24 779	26 936	26 812	23 871	22 967	23 646	23 851
Number of foreign shareholders 31 December		1 104	1 185	1 228	1 291	1 320	1 355	1 400	1 361	1 355	1 271
Foreign shareholding 31 December		20.84%	19.02%	23.07%	35.92%	25.1%	40.5%	48.9%	67.0%	56.9%	38.2%
Market value (NOK million)		900	752	859	2 630	1 812	2 564	8 586	20 419	20 372	17 441

Definitions

1. Net earnings per share after tax = Profit for the year : Average number of shares
2. Cash-flow per share after tax = Cash flow : Average number of shares
3. Price/earnings ratio = Share price 31.12. : Net earnings per share after tax
4. Price/cash flow ratio = Share price 31.12. : Cash flow per share after tax

SHARES OWNED BY MEMBERS OF CORPORATE BODIES

AS OF 31 DECEMBER 2013

BOARD OF DIRECTORS	
Eivind Reiten, Oslo (chair)	0
- Mocca Holding AS	37 914
Ingelise Arntsen, Bergen	0
Eilif Due, Levanger	3 256
Siri Beate Hatlen, Hosle	0
Finn Johnsson, Gøteborg	0
Karen Kvalevåg, Snarøya	0
Jon-Aksel Torgersen, Oslo	0
- Fiducia AS	2 986 644
Kjetil Bakkan, Norske Skog Skogn	16 532
Paul Kristiansen, Norske Skog Saugbrugs	15 403
Svein Erik Veie, Norske Skog Skogn	9 704

EMPLOYEE-ELECTED ALTERNATE BOARD MEMBERS (PERSONAL):	
Håvard Busklein (for Kjetil Bakkan), Levanger	0
Carl Fredrik Nilsen (for Paul Kristiansen), Halden	0
Trond Bjørken (for Svein Erik Veie), Inderøy	6 657

THE CORPORATE MANAGEMENT	
CEO Sven Ombudstvedt	705 061
- Elle Holding AS	1 000 000
Senior vice president Roar Ødelien	0
Senior vice president Rune Sollie [1]	12 500
- Tia Ynwa AS [1]	87 500

AUDITOR	
PricewaterhouseCoopers AS	0

[1] Shares purchased in 2014.

PRINCIPAL SHAREHOLDERS

Principal Shareholders at 31 December 2013	Number of shares	Ownership %
Nobelsystem Scandinavia AS	9 300 000	4.90
AT Skog BA	6 414 115	3.38
Dimensional Fund Advisors	6 275 346	3.30
Nordnet Bank AB (Nominee)	5 820 385	3.06
Allskog BA	5 295 662	2.79
Astrup Fearnley AS	5 189 688	2.73
Skandinaviska Enskilda Banken	4 775 000	2.51
Uthalden A/S	3 820 000	2.01
Danske Bank A/S (Nominee)	3 378 304	1.78
Fiducia AS	2 986 644	1.57
Swedbank Norge Marketmaking acc.	2 767 000	1.46
Spectatio Finans AS	2 480 000	1.31
AS Havlide	2 296 466	1.21
Awilco Invest AS	2 200 000	1.16
AS Herdebred	2 112 005	1.11
Torstein I. Tvenge	2 000 000	1.05
Nordea Bank PLC Finland (Nominee)	1 985 500	1.05
Shareholders with < 1% ownership	120 849 511	63.62
Total	**189 945 626**	**100.00**

The data is provided by RD:IR and VPS, through the Nominee ID service. The data is obtained through the analysis of beneficial ownership and fund manager information provided in replies to disclosure of owner-ship notices issued to all custodians on the Norske Skogindustrier ASA share register. Whilst every reasonable effort is made to verify all data, neither RD:IR nor VPS can guarantee the accuracy of the analysis.

ARTICLES OF ASSOCIATION FOR NORSKE SKOGINDUSTRIER ASA

Last amended in the general meeting 11 April 2013

ARTICLE 1 THE COMPANY FORM AND NAME

The company is a public limited liability company. The company's name is Norske Skogindustrier ASA.

ARTICLE 2 OBJECTIVE

The objective of the company is to operate wood processing activities and associated activities. The company may participate in other commercial activity by subscribing to shares or in other ways.

ARTICLE 3 REGISTERED OFFICE

The company is registered in Norway, and has its corporate management and registered office in Oslo municipality.

ARTICLE 4 SHARE CAPITAL AND SHARES

The company's share capital amounts to NOK 189 945 626, divided into 189 945 626 shares each with a nominal value of NOK 1,-. The company's shares shall be registered in the Norwegian Central Securities Depository (VPS).

ARTICLE 5 BOARD OF DIRECTORS

The company's board of directors will consist of a minimum of seven and a maximum of ten directors, elected for a term of one year. No person can be elected to the board after reaching the age of 70.

The general meeting elects the board of directors and the chair of the board every year, and determines the remuneration payable to directors. The board of directors is responsible for appointing a chief executive, to be known as the president and chief executive officer, and for determining his/her remuneration. The board of directors appoints a member of the board, the chief executive or named employees to sign for the company.

ARTICLE 6 ELECTION- AND REMUNERATION COMMITTEE

The company will have an election- and remuneration committee consisting of four members elected by the general meeting for a term of one year, as well as an employee representative to be appointed by the Norwegian Works Council with the right to speak and make suggestions in matters of election, and the right to vote in remuneration matters. The chair of the election- and remuneration committee is elected by the general meeting and remuneration of the members of the committee will be determined by the general meeting.

The election- and remuneration committee will have the following tasks:

i) To issue a recommendation to the general meeting concerning election of shareholder-elected members of the board and the chair of the board.
ii) To issue a recommendation to the general meeting concerning the remuneration of board members, hereunder the chair of the board and the board's committees.
iii) To issue a recommendation to the general meeting concerning the election of members of the election- and remuneration committee, hereunder the chair of the committee.
iv) To issue a recommendation to the general meeting concerning the remuneration of members of the election- and remuneration committee.

The general meeting can stipulate more detailed guidelines for the work of the election committee.

ARTICLE 7 GENERAL MEETING

Notice of the general meeting will be issued within the deadline set by the Public Limited Liability Companies Act in writing to all shareholders with a known address. The right to participate and vote in the general meeting can only be exercised when the acquisition of shares is registered in the shareholder register on the fifth business day before the general meeting (registration date). The general meeting will be held in the local municipality in which the company has its registered office or in Oslo.

When the documents which apply to matters which are up for discussion and voting at the general meeting in the company have been made available to the shareholders on the company's website, the board can decide to not send the documents to the shareholders. A shareholder can, however, demand to have documents pertaining to matters on the agenda of the general meeting sent to him or her. The company cannot request any compensation for sending documents to the shareholders.

The annual general meeting will:

1. Approve the annual accounts, including the directors' report, and the consolidated accounts, and approve the profit and loss account and balance sheet.

2. Determine the application of the profit or coverage of the loss for the year in accordance with the approved balance sheet, including the declaration of any dividend.

3. Discuss and vote over the board's declaration on determination of salary and other remuneration for senior employees.

4. Approve the auditor's fee.

5. Elect the shareholders' representatives to the board of directors, as well as to the election- and remuneration committee, as well as stipulate any remuneration to members and alternate members of these bodies.

6. Deal with any other business stated in the notice of the meeting.

Matters which a shareholder wants to put before the general meeting for discussion and voting must be communicated in writing to the board at least seven days prior to the deadline for issuing a notice of a general meeting enclosing a proposed motion or reason for putting the matter on the agenda. Notice of the general meeting will be given, and the general meeting will be opened and chaired, by the chair of the board. The general meeting may, upon proposal presented in the meeting or before by the board, a board member or a shareholder, with simple majority of the cast votes, elect another person to chair the meeting. Should there be more than one candidate, the one that has received the most votes shall be elected.

Shareholders can vote in writing in advance in matters up for discussion and voting at the company's general meetings. Such votes can also be cast through electronic communication. The option of voting in advance is contingent upon the existence of a satisfactory method for verifying the identity of the voter. The board of directors will determine if such a method exists prior to each individual general meeting. The board of directors can stipulate more detailed guidelines for written advance votes. It must emerge from the notice of the general meeting whether voting in advance is allowed and which guidelines have been stipulated for any such voting in advance.

Norske Skog

NORSKE SKOGINDUSTRIER ASA
Karenslyst allé 49 / P.O. Box 294 Skøyen, 0213 Oslo / Phone: +47 22 51 20 20 / www.norskeskog.com / twitter: @Norske_Skog