

INTRODUCTION

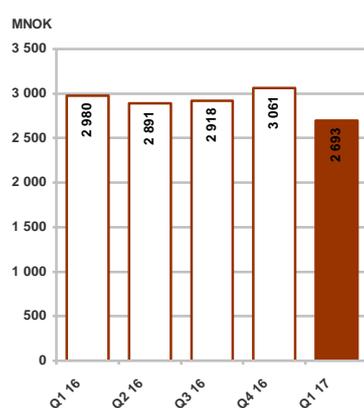
Norske Skog is a world leading producer of publication paper. Publication paper includes newsprint and magazine paper. The Norske Skog group has seven fully-owned mills in five countries and one partly-owned mill. The annual production capacity for the fully-owned mills is 2.7 million tonnes. Newsprint and magazine paper is sold through sales offices and agents to over 80 countries. The group has approximately 2 500 employees.

The parent company, Norske Skogindustrier ASA, is incorporated in Norway and has its head office at Skøyen in Oslo. The company is listed on the Oslo Stock Exchange, with the ticker NSG.

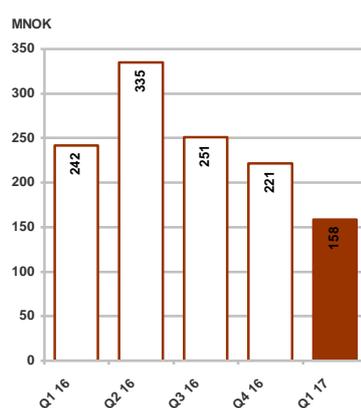
KEY FIGURES (UNAUDITED)

NOK MILLION (unless otherwise stated)	Q1 2017	Q4 2016	Q1 2016	YTD 2017	YTD 2016
INCOME STATEMENT					
Operating revenue	2 693	3 061	2 980	2 693	2 980
Gross operating earnings	158	221	242	158	242
Operating earnings	2	-73	40	2	40
Profit/loss for the period	-274	-124	11	-274	11
Earnings per share (NOK)	-0.99	-0.57	0.06	-0.99	0.06
CASH FLOW					
Net cash flow from operating activities	88	-16	185	88	185
Net cash flow from investing activities	-80	78	-48	-80	-48
Cash flow per share (NOK)	0.32	-0.06	0.97	0.32	0.97
OPERATING MARGIN AND PROFITABILITY (%)					
Gross operating margin	5.9	7.2	8.1	5.9	8.1
Return on capital employed (annualised)	5.4	5.9	8.5	5.4	8.5
PRODUCTION / DELIVERIES / CAPACITY UTILISATION					
Production (1 000 tonnes)	625	620	638	625	638
Deliveries (1 000 tonnes)	595	656	625	595	625
Production / capacity (%)	93	92	95	93	95

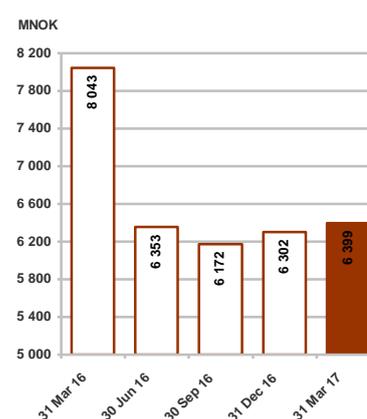
OPERATING REVENUE



GROSS OPERATING EARNINGS



NET INTEREST-BEARING DEBT



	31 MAR 2017	31 DEC 2016	31 MAR 2016
Non-current assets	7 233	7 162	9 149
Current assets	3 031	3 082	4 069
Total assets	10 263	10 244	13 218
Equity	39	184	-154
Net interest-bearing debt	6 399	6 302	8 043

REPORT OF THE BOARD OF DIRECTORS FOR THE FIRST QUARTER OF 2017

- Gross operating earnings first quarter NOK 158 million, a decrease from NOK 221 million in the previous quarter
 - Europe: Cost reduction efforts offsetting seasonally lower sales volumes
 - Australasia: Temporal production problems at Boyer, CO2 compensation in the previous quarter
- Net interest-bearing debt increased by NOK 97 million to NOK 6 399 million
 - Slight negative unrealized currency effect from NOK depreciation
- Cash flow from operations NOK 175 million before net financial items
 - Working capital release offsetting restructuring payments related to de-manning
- Loss for the period NOK 274 million, compared to NOK 124 million in the previous quarter
 - After depreciation, interest expenses and a slight negative currency effect on debt
 - Group book equity NOK 39 million (NOK 184 million by year-end)
- Norske Skog's debt level / interest payments too high to execute diversification strategy
 - The board is continuously exploring refinancing opportunities

INCOME STATEMENT

NOK MILLION	Q1 2017	Q4 2016	Q1 2016	YTD 2017	YTD 2016
Operating revenue	2 693	3 061	2 980	2 693	2 980
Distribution costs	-292	-309	-316	-292	-316
Cost of materials	-1 693	-1 706	-1 773	-1 693	-1 773
Change in inventories	101	-145	33	101	33
Fixed cost	-651	-679	-682	-651	-682
Gross operating earnings	158	221	242	158	242

Operating revenue decreased from the fourth quarter with seasonally lower sales volumes and temporal production problems at Boyer after a maintenance stop. Publication paper prices were relatively stable into 2017, while a weak pound in the quarter continued to weigh on the export margin to the UK from Norway.

Variable costs per tonne decreased with relatively less production of higher cost LWC magazine paper. Fixed costs were reduced due to ongoing cost reduction initiatives.

Gross operating earnings decreased quarter-over-quarter with seasonally lower sales volumes, temporal production problems at Boyer and a CO2 compensation benefitting the previous quarter.

NOK MILLION	Q1 2017	Q4 2016	Q1 2016	YTD 2017	YTD 2016
Depreciation	-150	-150	-190	-150	-190
Restructuring expenses	0	-20	0	0	0
Other gains and losses	-7	-125	-12	-7	-12
Operating earnings	2	-73	40	2	40

Depreciation was flat at a quarterly level of NOK 150 million.

Other gains and losses reflected a marginally lower mark to market valuation of energy contracts in New Zealand.

NOK MILLION	Q1 2017	Q4 2016	Q1 2016	YTD 2017	YTD 2016
Share of profit in associated companies	-6	-6	2	-6	2
Financial items	-260	-364	-34	-260	-34
Income taxes	-10	318	4	-10	4
Profit/loss for the period	-274	-124	11	-274	11

Share of profit in associated companies is equity method income accounting of the group's one-third stake in Malaysian Newsprint Industries (MNI).

Financial items included net interest expenses of around NOK 200 million and some unrealized currency losses on foreign debt. Interest

expenses through the income statement are amortized, while cash interest payments follow coupon dates on bonds.

Loss for the quarter after depreciation and financial items was NOK 274 million.

“25 by 20” DIVERSIFICATION BEYOND PUBLICATION PAPER

Norske Skog has identified projects resulting in more than 25% of group GOE from new businesses by 2020. Fruition of the diversification strategy is however dependent on new funding. The identified projects include investments in green industries like biogas and wood pellets in addition to production of tissue paper and other biomass products.

Norske Skog now has a new revenue stream, biogas, providing environmental friendly fuel to local busses. The new biogas facility at Saugbrugs in Norway was formally opened by His Majesty King Harald V of Norway on 3 April 2017.

Norske Skog has therefore succeeded both in diversification and in entering a new green future. A similar project is under construction at the Golbey mill in France and at the Skogn mill in Norway, Norske Skog will provide biomass to an adjacent facility. The biogas investments could be expanded with new funding.

In 2015, Norske Skog acquired Nature's Flame, the market leading wood pellets producer in New Zealand. The production of wood pellets has since been increased and export opportunities to Japan are being tested. Wood pellets are a renewable alternative to fossil fuels and an alternative to fulfil environmental obligations.

New Zealand is well suited for exports to Japan and Norske Skog has abundant access to fibre. Industrial scale pellets production at the Tasman site would require funding.

Norske Skog is continuously evolving to save energy. The SC magazine paper production at the Saugbrugs mill in Norway is the most energy efficient in the world. Several projects at all mills will ensure the group remains a leader in energy savings.

At the Bruck mill in Austria, Norske Skog intends to close its oldest and least efficient paper machine towards the end of this year. The old newsprint machine from 1953 will, pending financing, be replaced by a state of the art tissue machine.

Norske Skog is also involved in R&D to enhance the use of renewable biomass in replacing existing products. This includes both new building materials and bio-solvents for pharmaceutical and agrichemical industries. Ramp-up for full scale production would require funding.

SEGMENT INFORMATION

PUBLICATION PAPER EUROPE

NOK MILLION (unless otherwise stated)	Q1 2017	Q4 2016	Q1 2016	YTD 2017	YTD 2016
Operating revenue	1 861	2 129	2 118	1 861	2 118
Gross operating earnings	135	144	182	135	182
Gross operating margin (%)	7.3	6.8	8.6	7.3	8.6
Return on capital employed (%) (annualised)	6.7	6.6	11.0	6.7	11.0
Production (1 000 tonnes)	464	453	468	464	468
Deliveries (1 000 tonnes)	433	486	460	433	460
Production / capacity (%)	94	91	94	94	94

The segment constitutes Norske Skog's European operations in the publication paper market with mills in Norway, France and Austria. Annual production capacity is 2.0 million tonnes.

Operating revenue decreased from the previous quarter with seasonally lower sales volumes. Publication paper prices in Europe were relatively stable into 2017, while price increases in the UK partly compensated for a weaker pound.

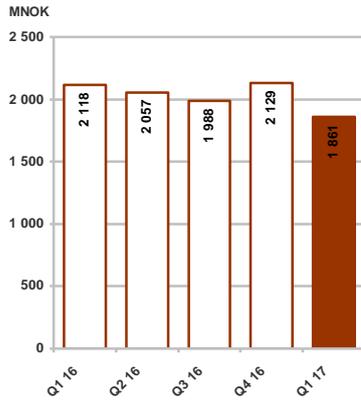
Variable costs decreased per tonne with less production of higher cost LWC magazine paper at Bruck. The LWC magazine paper segmented in Europe is oversupplied. Fixed costs were lower with ongoing cost reduction initiatives.

Gross operating earnings declined slightly as lower costs offset the impact from seasonally lower sales volumes.

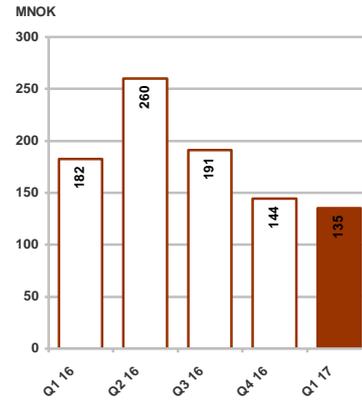
Demand for newsprint and magazine paper in Europe decreased by 6% through February compared to the same period the year before. For magazine, SC paper demand increased by 3% while LWC paper demand decline by 8% due to customer substitution between grades.

Capacity utilisation was high at 94% in the period.

**EUROPE
OPERATING REVENUE**



**EUROPE
GROSS OPERATING EARNINGS**



PUBLICATION PAPER AUSTRALASIA

NOK MILLION (unless otherwise stated)	Q1 2017	Q4 2016	Q1 2016	YTD 2017	YTD 2016
Operating revenue	827	923	856	827	856
Gross operating earnings	39	97	75	39	75
Gross operating margin (%)	4.8	10.5	8.7	4.8	8.7
Return on capital employed (%) (annualised)	3.6	6.4	5.6	3.6	5.6
Production (1 000 tonnes)	161	166	170	161	170
Deliveries (1 000 tonnes)	162	170	165	162	165
Production / capacity (%)	91	94	97	91	97

The segment consists of Norske Skog's operations in Australasia with mills in Australia and New Zealand. Annual production capacity is 0.7 million tonnes.

Operating revenue decreased from the previous quarter with temporal production problems at Boyer and more export sales of newsprint to Asia. Domestic newsprint prices in Australasia were relatively stable with significant volumes on long term contracts. Export prices to Asia were low in the quarter, but were increased by Norske Skog from 1 April 2017.

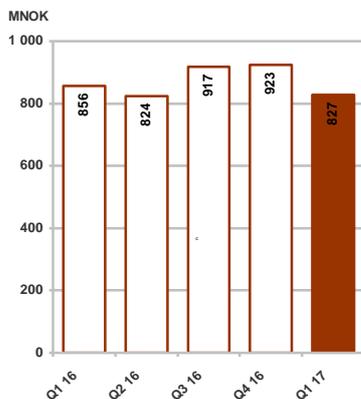
Both variable costs per tonne and fixed costs decreased in the quarter.

Gross operating earnings declined with temporal production problems, lower margin export sales and a challenging comparable as the previous quarter benefitted from a CO2 compensation.

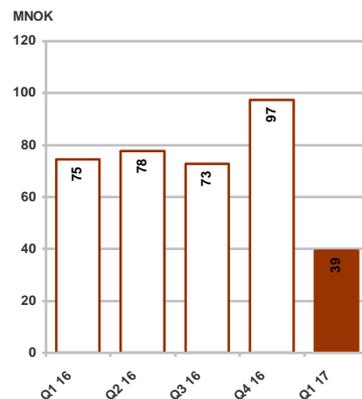
Demand for newsprint in Australasia declined by 11% through February compared to the same period the year before. Demand for magazine paper was relatively stable.

Capacity utilisation remained high at 91% in the period.

**AUSTRALASIA
OPERATING REVENUE**



**AUSTRALASIA
GROSS OPERATING EARNINGS**



OTHER ACTIVITIES

NOK MILLION	Q1 2017	Q4 2016	Q1 2016	YTD 2017	YTD 2016
Operating revenue	35	37	33	35	33
Gross operating earnings	-17	-20	-15	-17	-15

Other activities is a cost centre consisting of unallocated group costs. The costs run at an annual level in excess of NOK 50 million, but are not uniformly distributed throughout the quarters of the year.

CASH FLOW

NOK MILLION	Q1 2017	Q4 2016	Q1 2016	YTD 2017	YTD 2016
Gross operating earnings	158	221	242	158	242
Change in working capital	41	76	77	41	77
Restructuring activities	-16	-40	-12	-16	-12
Other items	-5	-23	-8	-5	-8
Net financial items	-87	-248	-100	-87	-100
Taxes paid	-3	-3	-15	-3	-15
Net cash flow from operating activities	88	-16	185	88	185
Purchases of property, plant and equipment and intangible assets	-61	-114	-48	-61	-48

Despite higher production than sales volumes in the quarter, working capital was released by cash flow optimization measures.

Restructuring activities mainly reflected payments related to demanning at Saugbrugs in Norway and Golbey in France.

Net financial items were primarily coupon payments on issued bonds.

Purchases of property, plant and equipment and intangible assets included both maintenance capital expenditure and development investments, predominately in new biogas facilities.

BALANCE SHEET

NOK MILLION	31 MAR 2017	31 DEC 2016	31 MAR 2016
Non-current assets	7 233	7 162	9 149
Cash and cash equivalents	466	532	1 472
Other current assets	2 564	2 550	2 597
Total assets	10 263	10 244	13 218
Equity including non-controlling interests	39	184	-154
Non-current liabilities	7 639	7 512	9 662
Current liabilities	2 586	2 548	3 710
Net interest-bearing debt	6 399	6 302	8 043

Net interest-bearing debt was NOK 6 399 million at quarter end, an increase of NOK 97 million in the period reflecting somewhat unfavourable foreign exchange movements.

Group equity declined to NOK 39 million with the loss for the period.

Cash and cash equivalents amounted to NOK 466 million at quarter end.

RELATED PARTIES

Some of the company's shareholders are forest owners who supply wood to the group's mills in Norway. Norske Skog has entered into certain financing agreements with GSO and Cyrus. These are all done pursuant to applicable laws and regulations and relevant group financing terms. All transactions with related parties are conducted on normal commercial terms.

RISK MANAGEMENT

Norske Skog conducts continuous evaluations of its operational and financial risk factors. The main risk exposures for the group are linked to price and volume developments for publication 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. The high financial leverage of the group amplifies the business risks. For an elaborated description of risk factors and risk management please refer to the annual financial statements for 2016.

OUTLOOK

The market balance for publication paper in Europe is supported by industry capacity closures and conversions. This has resulted in a high operating rate for newsprint and SC magazine paper. The LWC magazine segmented however remains oversupplied.

Norske Skog increased newsprint export prices to Asia by 5-10% with effect from the second quarter. Domestically in Australasia the group has margin protection through long-term customer contracts, but the business is exposed to a secular decline in demand.

Group sales volumes are expected to be on level with last year in 2017. Fixed cost initiatives target a group run rate of NOK 600 million per quarter by year-end.

New green businesses beyond publication paper will contribute to gross operating earnings this year, with the biogas facility at Saugbrugs in Norway now on stream and the completion of the biogas facility at Golbey in France by year-end.

The board of directors recognizes the challenging industry Norske Skog operates in and the group's high leverage and interest expenses. Although the group has no bond maturities until 2019, it remains unlikely that those bonds maturing in 2019 can be satisfied simply from group cash generation and there is significant uncertainty as to whether a refinancing of this maturity will be available or achievable.

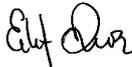
In light of the low level of equity, high leverage, high interest cost and with an aim to improve the financial position of the group, the board of directors will continue working to improve all of the mentioned elements further. Based on consistent investor feedback and broad agreement for the desirability to reduce debt Norske Skog will continue to pursue a recapitalisation proposal with key equity- and bondholders. The aim is to construct a balanced proposal acceptable for all investors.

Any transaction would seek to reduce leverage level by equitizing all unsecured bond debt and enlarge and extend the senior secured bond, reduce interest cost considerably while improving equity levels significantly. In addition, a recapitalisation transaction will be structured to provide a strong financial platform for the company's execution of its growth plan 25% in 2020. Furthermore a diversified Norske Skog group with a stronger balance sheet could be an attractive consolidation partner for publication paper transactions in Europe.

SKØYEN, 25 APRIL 2017 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA



Henrik A. Christensen
Chair



Eilif Due
Board member



Nils Ingemund Hoff
Board member



Joanne Owen
Board member



Paul Kristiansen
Board member



Cecilie Jonassen
Board member



Svein Erik Veie
Board member



Mimi K. Berdal
Board member



Sven Ombudstvedt
President and CEO

INTERIM FINANCIAL STATEMENTS, FIRST QUARTER OF 2017

CONDENSED CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	Q1 2017	Q4 2016	Q1 2016	YTD 2017	YTD 2016
Operating revenue	5	2 693	3 061	2 980	2 693	2 980
Distribution costs		-292	-309	-316	-292	-316
Cost of materials		-1 693	-1 706	-1 773	-1 693	-1 773
Change in inventories		101	-145	33	101	33
Employee benefit expenses		-434	-456	-465	-434	-465
Other operating expenses		-217	-224	-217	-217	-217
Gross operating earnings		158	221	242	158	242
Depreciation	4	-150	-150	-190	-150	-190
Restructuring expenses		0	-20	0	0	0
Other gains and losses	7	-7	-125	-12	-7	-12
Operating earnings		2	-73	40	2	40
Share of profit in associated companies		-6	-6	2	-6	2
Financial items		-260	-364	-34	-260	-34
Profit/loss before income taxes		-263	-443	7	-263	7
Income taxes		-10	318	4	-10	4
Profit/loss for the period		-274	-124	11	-274	11
Basic earnings per share (NOK)		-0.99	-0.57	0.06	-0.99	0.06
Diluted earnings per share (NOK)		-0.99	-0.57	0.06	-0.99	0.06

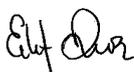
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	Q1 2017	Q4 2016	Q1 2016	YTD 2017	YTD 2016
Profit/loss for the period	-274	-124	11	-274	11
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Currency translation differences	129	56	-114	129	-114
Tax expense on translation differences	0	-7	-1	0	-1
Hedge of net investment in foreign operations	0	0	37	0	37
Total	129	50	-78	129	-78
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Remeasurements of post employment benefit obligations	0	-10	0	0	0
Tax effect on remeasurements of post employment benefit obligations	0	-1	0	0	0
Total	0	-11	0	0	0
Other comprehensive income for the period	129	40	-78	129	-78
Total comprehensive income for the period	-145	-84	-67	-145	-67

CONDENSED CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	31 MAR 2017	31 DEC 2016	31 MAR 2016
Deferred tax asset		264	257	0
Intangible assets	4	37	30	90
Property, plant and equipment	3, 4	6 601	6 562	8 323
Investments in associated companies		147	151	391
Other non-current assets	7	184	161	345
Total non-current assets		7 233	7 162	9 149
Inventories		1 288	1 161	1 287
Trade and other receivables		1 216	1 345	1 275
Cash and cash equivalents		466	532	1 472
Other current assets	7	61	44	35
Total current assets		3 031	3 082	4 069
Total assets		10 263	10 244	13 218
Paid-in equity		12 502	12 502	12 444
Retained earnings and other reserves		-12 463	-12 318	-12 598
Total equity		39	184	-154
Pension obligations		267	265	270
Deferred tax liability		301	293	586
Interest-bearing non-current liabilities	6	6 544	6 429	8 236
Other non-current liabilities	7	527	524	570
Total non-current liabilities		7 639	7 512	9 662
Interest-bearing current liabilities	6	380	466	1 346
Trade and other payables		1 896	1 868	1 947
Tax payable		12	11	13
Other current liabilities	7	297	204	404
Total current liabilities		2 586	2 548	3 710
Total liabilities		10 225	10 060	13 372
Total equity and liabilities		10 263	10 244	13 218

SKØYEN, 25 APRIL 2017 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA


Henrik A. Christensen
Chair

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Board member

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Board member

Svein Erik Veie
Board member

Mimi K. Berdal
Board member

Sven Ombudstvedt
President and CEO

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	Q1 2017	Q4 2016	Q1 2016	YTD 2017	YTD 2016
Cash generated from operations	2 836	2 914	3 051	2 836	3 051
Cash used in operations	-2 657	-2 681	-2 752	-2 657	-2 752
Cash from net financial items	-87	-248	-100	-87	-100
Taxes paid	-3	-3	-15	-3	-15
Net cash flow from operating activities ¹⁾	88	-16	185	88	185
Purchases of property, plant and equipment and intangible assets	-61	-114	-48	-61	-48
Sales of property, plant and equipment and intangible assets	0	191	0	0	0
Purchase of shares in companies and other financial payments	-19	0	0	-19	0
Sales of shares in companies and other financial payments	0	2	0	0	0
Net cash flow from investing activities	-80	78	-48	-80	-48
New loans raised	127	101	1 090	127	1 090
Repayments of loans	-200	-206	-414	-200	-414
New paid in equity	0	0	142	0	142
Net cash flow from financing activities	-73	-105	818	-73	818
Foreign currency effects on cash and cash equivalents	0	5	-19	0	-19
Total change in cash and cash equivalents	-66	-38	936	-66	936
Cash and cash equivalents at start of period	532	570	536	532	536
Cash and cash equivalents at end of period	466	532	1 472	466	1 472
^{1) Reconciliation of net cash flow from operating activities}					
Gross operating earnings	158	221	242	158	242
Change in working capital	41	76	77	41	77
Payments made relating to restructuring activities	-16	-40	-12	-16	-12
Adjustment for other items	-5	-23	-8	-5	-8
Cash flow from net financial items	-87	-248	-100	-87	-100
Taxes paid	-3	-3	-15	-3	-15
Net cash flow from operating activities	88	-16	185	88	185

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	Paid-in equity	Perpetual Notes	Retained earnings	Hedge accounting	Other equity reserves	Total equity
Equity 1 January 2016	12 302	0	-13 234	-439	1 142	-229
Profit/loss for the period	0	0	11	0	0	11
Proceeds from shares issued	142	0	0	0	0	-78
Other comprehensive income for the period	0	0	0	37	-115	142
Equity 31 March 2016	12 444	0	-13 223	-403	1 028	-154
Profit/loss for the period	0	0	295	0	0	295
Perpetual notes	0	148	0	0	0	148
Interest on perpetual notes	0	11	-11	0	0	0
Proceeds from shares issued	57	0	0	0	0	57
Other comprehensive income for the period	0	0	0	0	-161	-161
Equity 31 December 2016	12 502	159	-12 939	-403	864	184
Profit/loss for the period	0	0	-274	0	0	-274
Interest on perpetual notes	0	4	-4	0	0	0
Other comprehensive income for the period	0	0	0	0	129	129
Equity 31 March 2017	12 502	163	-13 217	-403	993	39

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Norske Skogindustrier ASA ("the company") and its subsidiaries ("the group") manufacture, distribute and sell publication paper. This includes newsprint and magazine paper.

The interim financial statements were authorised for issue by the board of directors in Norske Skogindustrier ASA on 25 April 2017.

All amounts in the interim financial statements are presented in NOK million unless otherwise stated. Due to rounding, there may be differences in the summation of columns and rows.

The table below shows the applied average (un-weighted monthly) quarterly foreign exchange rates and the closing exchange rate for the most important currencies for the Norske Skog group.

	Q1 2017	Q4 2016	31 MAR 2017	31 DEC 2016	31 MAR 2016
AUD	6.39	6.28	6.56	6.23	6.36
EUR	8.98	9.04	9.17	9.09	9.41
GBP	10.45	10.40	10.72	10.61	11.89
NZD	6.00	5.96	5.99	5.99	5.74
USD	8.44	8.38	8.58	8.62	8.27

2. ACCOUNTING POLICIES

The interim financial statements of Norske Skog have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim financial statements do not include all information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 2016. The interim financial statements are unaudited.

The accounting policies applied in the preparation of the interim financial statements are consistent with those applied in the preparation of the consolidated financial statements for 2016, except for the adaptation of amended standards and new interpretations, which are mandatory from 1 January 2017. These changes are described in the consolidated financial statements for 2016.

The new IFRS standards, IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers, are expected to be adopted by the group with effect from 1 January 2018. IFRS 9 is expected to change the nature and extent of the group's disclosures about its financial instruments. For IFRS 15 we have not identified any material impacts of the adoption. See Note 2 in the consolidated financial statements for 2016 for a further description of the impact on the financial statements of new standards, interpretations and amendments to existing standards not yet adopted by the group.

The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet mandatory.

3. ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

Preparation of interim financial statements in accordance with IFRS implies use of estimates, which are based on judgements and assumptions that affect the application of accounting principles and the reported amounts of assets, liabilities, revenues and expenses. Actual amounts might differ from such estimates.

Estimated decline in value of property, plant and equipment

Property, plant and equipment are tested for possible impairment charges whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less sales costs or its value in use. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit. The key drivers of profitability in the industry and thus asset values for Norske Skog are product prices relative to production costs. Contracted prices/costs are reflected when applicable. If the impairment tests indicate lower values than the carrying amounts, impairment will be recognized.

Commodity contracts

Commodity contracts and embedded derivatives in commodity contracts are measured at fair value. Commodity contracts that fail to meet the own-use exemption criteria in IAS 39 *Financial instruments*

– *recognition and measurement* are recognised in the balance sheet and valued at fair value. Fair values of commodity contracts and embedded derivatives in commodity contracts that are not traded in an active market, are assessed through valuation techniques. Norske Skog has one long-term energy contract in New Zealand. The electricity prices for long-term electricity contracts in New Zealand are not directly observable in the market for the whole contract length. Price forecasts from acknowledged external sources are used in the estimation of fair value.

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 in the consolidated financial statements for 2016 for more information regarding the calculation of fair value of derivatives.

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.

Provisions for future environmental and dismantling liabilities are based on a number of assumptions made using management's best judgment. See Note 2 in the consolidated financial statements for 2016 for a more thorough description of important accounting estimates and assumptions impacting the preparation of financial statements.

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 as well as assessments from public authorities in each country it operates. Norske Skog has continued the process related to simplification of the group's corporate structure in 2017. The simplification of the group's corporate structure in combination with changes in individual countries' tax laws could increase the group's tax exposure. However, due to completed reorganisations and tax assessments, the overall tax exposure has decreased during the last years.

4. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

JAN-MAR 2017	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	TOTAL
Carrying value at start of period	6 562	30	6 592
Additions ¹⁾	59	8	67
Depreciation	-148	-2	-150
Value changes	-3	0	-3
Disposals	-1	0	-1
Currency translation differences	132	1	133
Carrying value at end of period	6 601	37	6 638

¹⁾The difference between additions and the line Purchases of property, plant and equipment and intangible assets in the condensed consolidated statement of cash flows is due to finance leases, allocated emission allowances, accruals for payments and other additions with no cash impact.

PER OPERATING SEGMENTS

JAN-MAR 2017	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	TOTAL
Publication paper Europe	4 070	10	4 080
Publication paper Australasia	2 501	16	2 517
Other activities	31	11	42
Total	6 601	37	6 638

5. OPERATING SEGMENTS

The activities of the Norske Skog group are focused on two business systems, namely Europe and Australasia. The segment structure is in line with how the group is managed internally. Norske Skog's chief operating decision maker is corporate management, who distribute resources and assess performance of the group's operating segments. Norske Skog has an integrated strategy in Europe and Australasia to maximize the profit in each region. The optimisation is carried out through coordinated sales- and operational planning. The regional planning, in combination with structured sales and operational processes, ensures maximisation of profit.

Publication paper includes newsprint and magazine paper. Newsprint includes standard newsprint and improved newsprint used in newspapers, inserts, catalogues etc. Magazine paper includes the paper qualities super calendered (SC) and light weight coated (LWC). Magazine paper is used in magazines, catalogues and advertising materials.

The publication paper Europe segment encompasses production and sale of newsprint and magazine paper in Europe. All the four European mills and the regional sales organization are included in the operating segment publication paper Europe.

The publication paper Australasia segment encompasses production and sale of newsprint and magazine paper in Australasia. All the three mills in Australasia and the regional sales organization are included in the operating segment publication paper Australasia.

Activities in the group that do not fall into the operating segments are presented under other activities. This includes corporate functions, energy (commodity contracts and embedded derivatives in commodity contracts), Green energy business and other holding company activities.

Q1 2017	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	1 861	827	35	-30	2 693
Distribution costs	-194	-97	-1	0	-292
Cost of materials	-1 206	-479	-8	0	-1 693
Change in inventories	105	-6	2	0	101
Employee benefit expenses	-279	-135	-20	0	-434
Other operating expenses	-152	-71	-24	30	-217
Gross operating earnings	135	39	-17	0	158
Depreciation	-96	-51	-3	0	-150
Restructuring expenses	0	0	0	0	0
Other gains and losses	0	-4	-3	0	-7
Operating earnings	40	-15	-23	0	2
Share of operating revenue from external parties (%)	100	100	17		100

Q4 2016	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	2 129	923	37	-29	3 061
Distribution costs	-207	-100	-2	0	-309
Cost of materials	-1 211	-487	-8	0	-1 706
Change in inventories	-119	-26	1	0	-145
Employee benefit expenses	-286	-143	-27	0	-456
Other operating expenses	-161	-70	-21	29	-224
Gross operating earnings	144	97	-20	0	221
Depreciation	-94	-53	-3	0	-150
Restructuring expenses	-24	4	0	0	-20
Other gains and losses	0	-24	-100	0	-125
Operating earnings	25	25	-123	0	-73
Share of operating revenue from external parties (%)	100	100	26		100

Q1 2016	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	2 118	856	33	-27	2 980
Distribution costs	-214	-101	-1	0	-316
Cost of materials	-1 277	-498	2	0	-1 773
Change in inventories	11	22	0	0	33
Employee benefit expenses	-308	-132	-25	0	-465
Other operating expenses	-147	-72	-24	27	-217
Gross operating earnings	182	75	-15	0	242
Depreciation	-102	-85	-3	0	-190
Restructuring expenses	0	0	0	0	0
Other gains and losses	0	-2	-10	0	-12
Operating earnings	81	-13	-28	0	40
Share of operating revenue from external parties (%)	100	100	20		100

OTHER ACTIVITIES

INCOME STATEMENT	Q1 2017	Q4 2016	Q1 2016	YTD 2017	YTD 2016
OPERATING REVENUE					
Corporate functions	26	24	23	26	23
Green energy	5	9	5	5	5
Miscellaneous	6	6	5	6	5
Eliminations	-2	-2	-1	-2	-1
Total	35	37	33	35	33
GROSS OPERATING EARNINGS					
Corporate functions	-23	-19	-14	-23	-14
Green energy	-3	-1	-2	-3	-2
Miscellaneous	10	0	1	10	1
Eliminations	0	0	0	0	0
Total	-17	-20	-15	-17	-15

6. FINANCIAL ITEMS AND DEBT REPAYMENTS

FINANCIAL ITEMS

NOK MILLION	Q1 2017	Q4 2016	Q1 2016	YTD 2017	YTD 2016
Net interest expenses	-203	-204	-235	-203	-235
Currency gains/losses ¹⁾	-49	-147	211	-49	211
Other financial items	-8	-13	-10	-8	-10
Total financial items	-260	-364	-34	-260	-34

¹⁾ Currency gains and losses on accounts receivable and accounts payable are reported as Operating revenue and Cost of materials respectively.

The depreciation of the NOK in first quarter has impacted on the translation of debt into NOK at 31 March, resulting in unrealized currency loss.

However, a weaker NOK is favourable for the underlying business and the competitiveness of the Norwegian mills.

DEBT REPAYMENTS SCHEDULE

CONTRACTUAL INSTALLMENT PAYMENTS ON CURRENT AND NON-CURRENT INTEREST-BEARING DEBT	31 MAR 2017
2017 – second quarter	303
2017 – third quarter	39
2017 – fourth quarter	38
2018	42
2019	2 695
2020	958
2021	1 379
2022	27
2023	549
2024	26
2025	12
2026	1 084
2027 to 2033	827
Total	7 977

Total debt listed in the repayment schedule differ from the carrying value in the balance sheet. This is due to the amortized cost principle (discounts on issued bonds and transaction costs) and hedge reserve.

Financed amounts from securitization arrangements is classified as interest-bearing current liabilities. This amounts to NOK 288 million in debt repayment in Q2 2017.

The financed amount represents a group of individual loans, which are settled individually at maturity of the accounts receivable. New loans are initiated on a consecutive basis based on new accounts receivable included under the securitisation agreement. The liability is in its nature current and Norske Skog does not have an unconditional right to defer settlement beyond twelve months. The liabilities are liabilities that are settled through its normal operating cycle. The corresponding accounts receivable is derecognised when the customer pays it.

BONDS

Bond financing constitutes the majority of Norske Skog's total debt financing. The 2026 and 2033 bonds and 2115 perpetual notes are issued by Norske Skogindustrier ASA and are unsecured. The 2021 and 2023 bonds are issued by Norske Skog Holding AS and are unsecured, but guaranteed. The 2019 bond is issued by Norske Skog AS and is guaranteed and secured. The table below shows Norske Skog's issued bonds at 31 March 2017.

The 2026 bond has a 3.5% cash coupon and a 3.5% Payment in Kind ("PIK") interest element, which accrues throughout the duration of the bond and is paid at maturity. The 2115 perpetual note has a 2% coupon, which is payable at the company's option. Any interest deferred will be accrued at a 2% rate per annum. Perpetual notes are treated as equity.

MATURITY	CURRENCY	COUPON	NOMINAL VALUE	AMOUNT OUTSTANDING 31 MAR 2017
February 2023	USD	8.00%	USD 61 mill	USD 61 mill
October 2033	USD	7.125%	USD 200 mill	USD 95 mill
December 2019	EUR	11.75%	EUR 290 mill	EUR 290 mill
February 2021	EUR	8.00%	EUR 159 mill	EUR 148 mill
June 2026	EUR	3.50% / 3.50% PIK	EUR 117 mill	EUR 117 mill
December 2115	EUR	2.00% PIK	EUR 80 mill	EUR 80 mill

7. ENERGY CONTRACTS, DERIVATIVES AND FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

31 MAR 2017	ASSETS		LIABILITIES	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Energy contracts and embedded derivatives in energy contracts (level 3)	10	44	-97	-191
Energy contracts (level 2)	36	0	0	-1
Other raw material contracts (level 3)	0	0	0	0
Other derivatives and financial instruments carried at fair value (level 2)	0	0	0	0
Total	47	44	-97	-192

Norske Skog's portfolio of commodity contracts consists primarily of physical energy contracts. The fair value of commodity contracts is particularly sensitive to future fluctuations in energy prices. The fair value of embedded derivatives in physical contracts depends on currency and price index fluctuations. In valuation of derivative contracts the fair value includes the impact of credit risk. Credit risk adjustments are applied to derivative liability positions based on Norske Skog's own credit risk.

Higher energy prices have a positive impact on fair value. Energy prices in New Zealand have decreased in the short end of the price curve while the price in the long end are virtually unchanged compared to previous quarter.

The energy contracts in Norway are nominated in EUR. These contracts contain embedded derivatives that are recognised at fair value in accordance with IAS 39 *Financial instruments – recognition and measurement*. NOK has weakened against EUR during the

quarter, which has had a negative effect on the fair value of the embedded derivatives.

A decrease in estimates of consumer price indices has a positive impact on fair value. Consumer price indices, which affect the fair value, show only small changes compared with the previous quarter.

Changes in the value of energy-/commodity contracts and embedded derivatives in contracts are presented in the income statement line Other gains and losses. Realised effects from financial energy contracts are also included in this accounting line.

Gains and losses on level 3 financial instruments recognised in the income statement, line item Other gains and losses, amounted to NOK -14 million in the first quarter (NOK -117 million in the fourth quarter).

8. PRINCIPAL SHAREHOLDERS

PRINCIPAL SHAREHOLDERS AT 31 MAR 2017	NUMBER OF SHARES	OWNERSHIP %
GSO Special Sit.	36 893 853	13.22
Goldman Sachs & Co	20 614 269	7.39
Nobelssystem Scandinavia AS	8 464 849	3.03
SES AS	6 600 000	2.37
Astrup Fearnley AS	6 469 688	2.32
GSO Credit Alpha Trading	5 582 305	2.00
GSO Churchill Partners	5 448 533	1.95
Allskog SA	5 296 381	1.90
Fiducia AS	5 135 416	1.84
Uthalden A/S	4 830 000	1.73
Skandinaviska Enskilda Banken	4 728 052	1.69
Barokk Invest AS	4 050 000	1.45
Swedbank Norge Markets	3 577 500	1.28
GSO Credit-A- Partner	3 315 955	1.19
Clearstream Banking	2 375 986	0.85
Alfaplan AS	2 367 500	0.85
UBS AG	2 248 041	0.81
Nordea Bank Finland	2 241 747	0.80
GSO Oasis Credit Partners	2 169 082	0.78
Nordnet Bank AB	2 090 973	0.75
Danske Bank A/S	2 054 895	0.74
Other shareholders	142 439 970	51.05
Total	278 994 995	100.00

The data is provided by VPS. Whilst every reasonable effort is made to verify all data, VPS can not guarantee the accuracy of the analysis.

9. THE NORSKE SKOG SHARE

	31 MAR 2017	31 DEC 2016	31 MAR 2016
Share price (NOK)	2.28	2.84	1.95
Book value of equity per share (NOK)	0.14	0.66	-0.61

10. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after the balance sheet date with significant impact on the interim financial statements for the first quarter of 2017.

11. HISTORICAL FIGURES

INCOME STATEMENT	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Operating revenue	2 693	3 061	2 918	2 891	2 980
Variable costs	-1 884	-2 160	-1 973	-1 884	-2 056
Fixed costs	-651	-679	-694	-671	-682
Gross operating earnings	158	221	251	335	242
Depreciation	-150	-150	-156	-186	-190
Restructuring expenses	0	-20	-1	-46	0
Other gains and losses	-7	-125	20	-10	-12
Impairments	0	0	0	-1 238	0
Operating earnings	2	-73	114	-1 146	40
Share of profit in associated companies	-6	-6	-3	-204	2
Financial items	-260	-364	84	1 359	-34
Profit/loss before income taxes	-263	-443	195	9	7
Income taxes	-10	318	-5	220	4
Profit/loss for the period	-274	-124	190	229	11

SEGMENT INFORMATION	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Publication paper Europe					
Operating revenue	1 861	2 129	1 988	2 057	2 118
Gross operating earnings	135	144	191	260	182
Deliveries (1 000 tonnes)	433	486	447	460	460
Publication paper Australasia					
Operating revenue	827	923	917	824	856
Gross operating earnings	39	97	73	78	75
Deliveries (1 000 tonnes)	162	170	174	158	165
Other activities					
Operating revenue	35	37	41	38	33
Gross operating earnings	-17	-20	-13	-2	-15

BALANCE SHEET	31 MAR 2017	31 DEC 2016	30 SEP 2016	30 JUN 2016	31 MAR 2016
Total non-current assets	7 233	7 162	6 913	7 198	9 149
Inventories	1 288	1 161	1 307	1 322	1 287
Trade and other receivables	1 216	1 345	1 188	1 134	1 275
Cash and cash equivalents	466	532	570	725	1 472
Other current assets	61	44	232	238	35
Total current assets	3 031	3 082	3 298	3 420	4 069
Total assets	10 263	10 244	10 210	10 618	13 218
Total equity	39	184	269	190	-154
Total non-current liabilities	7 639	7 512	7 292	7 672	9 662
Trade and other payables	1 896	1 868	1 785	1 870	1 947
Other current liabilities	689	680	864	886	1 763
Total current liabilities	2 586	2 548	2 649	2 756	3 710
Total liabilities	10 225	10 060	9 941	10 428	13 372
Total equity and liabilities	10 263	10 244	10 210	10 618	13 218

CASH FLOW	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Reconciliation of net cash flow from operating activities					
Gross operating earnings	158	221	251	335	242
Change in operating working capital	-41	115	-129	12	104
Payments made relating to restructuring activities	-16	-40	-20	-2	-12
Cash flow from net financial items	-87	-248	-96	-279	-100
Taxes paid	-3	-3	-4	1	-15
Other	78	-63	17	-24	-34
Net cash flow from operating activities	88	-16	19	42	185
Purchases of property, plant and equipment and intangible assets	-61	-114	-65	-74	-48
Net divestments	-20	193	0	2	0
Dividend received	0	0	0	0	0
Net cash flow from investing activities	-80	78	-64	-73	-48
Net cash flow from financing activities	-73	-105	-92	-703	818
Foreign currency effects on cash and cash equivalents	0	5	-17	-13	-19
Total change in cash and cash equivalents	-66	-38	-155	-747	936

ALTERNATIVE PERFORMANCE MEASURES

The European Securities and Markets Authority's (ESMA) has defined new guidelines for alternative performance measures (APM). An APM is a financial measure of historical or future financial performance, financial position, or cash flow figures, other than a financial measure defined or specified in the applicable financial reporting framework.

In the interim financial statements for first quarter Norske Skog uses APMs as described below:

Gross operating earnings: Operating profit for the period, before deducting depreciation and amortization and impairment charges, determined on an entity, combined or consolidated basis

Gross operated margin: Gross operating earnings / operating revenue

Capital expenditure: Purchases of property, plant and equipment and intangible assets

Basic earnings per share after tax: (Profit for the year – interest on perpetual notes) / average number of shares

Return on capital employed (annualised): (Annualised Gross operating earnings – Annualised Capital expenditure) / Capital employed (average)

RETURN ON CAPITAL EMPLOYED (ANNUALISED)	Q1 2017	Q4 2016	Q1 2016
Gross operating earnings	158	221	242
Capital expenditure	61	114	48
Average capital employed	7 238	7 250	9 195
Return on capital employed (annualised)	5.4%	5.9%	8.5%

CAPITAL EMPLOYED	31 MAR 2017	31 DEC 2016	31 MAR 2016
Intangible assets	37	30	90
Tangible assets	6 601	6 562	8 323
Inventory	1 288	1 161	1 287
Trade and other receivables	1 216	1 345	1 275
Trade and other payables	-1 896	-1 868	-1 947
Capital employed	7 246	7 230	9 028

NET INTEREST BEARING DEBT	31 MAR 2017	31 DEC 2016	31 MAR 2016
Interest bearing non-current liabilities	6 544	6 429	8 236
Interest bearing current liabilities	380	466	1 346
-Hedge reserve	59	61	68
-Cash and cash equivalents	466	532	1 472
Net interest bearing debt	6 399	6 302	8 043