

## INTRODUCTION

Norske Skog is a world leading producer of publication paper. Publication paper includes newsprint and magazine paper. The group has seven fully-owned mills in five countries and one partly-owned mill in Malaysia. 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.

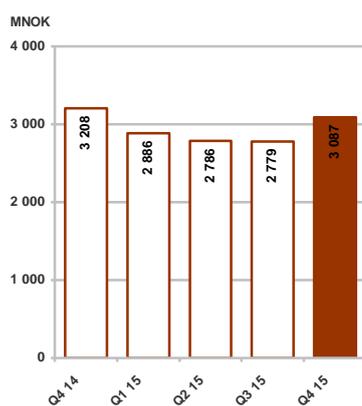
The parent company, Norske Skogindustrier ASA, is incorporated in Norway and has its head office at Skøyen in Oslo. The company is listed on the Oslo Stock Exchange, with the ticker NSG.

Norske Skog has changed its accounting principle for embedded derivatives in energy contracts in Norway with effect from 1 January 2015. Comparable figures for 2014 have been restated as a result of the change in accounting practice.

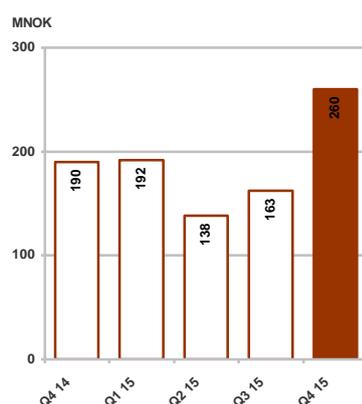
## KEY FIGURES (UNAUDITED)

NOK MILLION (unless otherwise stated)	Q4 2015	Q3 2015	Q4 2014 Restated	YTD 2015	YTD 2014 Restated
<b>INCOME STATEMENT</b>					
Operating revenue	3 087	2 779	3 208	11 538	12 150
Gross operating earnings	260	163	190	753	801
Operating earnings	61	13	24	-153	102
Profit/loss for the period	-304	-742	-1 017	-955	-1 477
Earnings per share (NOK)	-1.60	-3.91	-5.35	-5.03	-7.78
<b>CASH FLOW</b>					
Net cash flow from operating activities	90	-96	425	-777	200
Net cash flow from investing activities	-65	-59	-72	-206	48
Cash flow per share (NOK)	0.47	-0.51	2.24	-4.09	1.06
<b>OPERATING MARGIN AND PROFITABILITY (%)</b>					
Gross operating margin	8.4	5.9	5.9	6.5	6.6
Return on capital employed (annualised)	8.8	5.3	5.0	6.2	5.6
<b>PRODUCTION / DELIVERIES / CAPACITY UTILISATION</b>					
Production (1 000 tonnes)	624	593	645	2 444	2 612
Deliveries (1 000 tonnes)	650	595	676	2 432	2 616
Production / capacity (%)	89	85	86	85	88

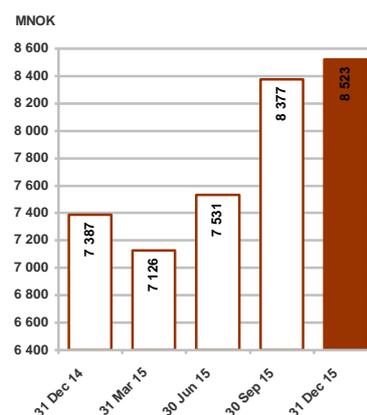
### OPERATING REVENUE



### GROSS OPERATING EARNINGS



### NET INTEREST-BEARING DEBT



NOK MILLION	31 DEC 2015	30 SEP 2015	30 JUN 2015	31 MAR 2015	31 DEC 2014 Restated
<b>BALANCE SHEET</b>					
Non-current assets	9 729	9 499	9 511	10 293	10 607
Current assets	3 187	3 294	3 331	3 997	3 291
Total assets	12 916	12 793	12 842	14 290	13 899
Equity	559	547	1 381	2 037	1 497
Net interest-bearing debt	8 523	8 377	7 531	7 126	7 387

## REPORT OF THE BOARD OF DIRECTORS FOR THE FOURTH QUARTER OF 2015

- Gross operating earnings Q4 2015 NOK 260 million, an increase from NOK 163 million in the previous quarter
  - Higher sales volumes, lower costs and an enhanced competitive position due to NOK depreciation
- NOK 200 million on the 2015 USD bond and a total cash interest in excess of NOK 250 million paid in the quarter
- Net interest-bearing debt NOK 8 523 million, an increase from NOK 8 377 million last quarter
  - Increase reflected unrealized currency losses on foreign denominated debt. Full year unrealized negative currency effect on net debt NOK 850 million
- The exchange offer launched on 5 January has been extended to February 26
  - The extension is due to a court order in New York for a temporary restraining order (TRO) requested by the trustee Citibank on behalf of certain 2019 bond holders
  - Required participation reached for the 2017 bonds, not reached for the 2016 bonds
- Year-end 2015 fixed assets valuations audit not yet finalized

## INCOME STATEMENT

NOK MILLION	Q4 2015	Q3 2015	Q4 2014	YTD 2015	YTD 2014
Operating revenue	3 087	2 779	3 208	11 538	12 150
Distribution costs	-327	-321	-331	-1 242	-1 249
Cost of materials	-1 753	-1 637	-1 839	-6 876	-7 228
Change in inventories	-103	-3	-125	59	-30
Fixed cost	-643	-656	-722	-2 725	-2 843
<b>Gross operating earnings</b>	<b>260</b>	<b>163</b>	<b>190</b>	<b>753</b>	<b>801</b>

Operating revenue increased from the previous quarter with higher sales volumes. Seasonally stronger demand supported volumes, amplified by the restart of one machine at Skogn in Norway mid-quarter. The machine had been out of operations for commercial reasons following a scheduled summer stop. Selling prices were relatively stable from the third to the fourth quarter last year.

Distribution costs decreased relative to operating revenue with an improved sales mix. Cost of materials increased with the higher

volume. Fixed costs declined despite the inflationary effect from NOK depreciation, reflecting the reversal of environmental provisions in Australasia.

Gross operating earnings improved quarter-over-quarter with higher volumes, lower costs and an enhanced competitive position for the Norwegian mills.

NOK MILLION	Q4 2015	Q3 2015	Q4 2014 Restated	YTD 2015	YTD 2014 Restated
Depreciation	-194	-190	-188	-767	-735
Restructuring expenses	-32	-2	-7	-53	-4
Other gains and losses	26	43	29	-86	39
Impairments	0	0	0	0	0
<b>Operating earnings</b>	<b>61</b>	<b>13</b>	<b>24</b>	<b>-153</b>	<b>102</b>

Depreciation charges were flat at a quarterly level just above NOK 190 million. Restructuring expenses mainly reflected provisions in relation to reduced employment. Other gains and losses included a reversal of an accrual following the sale of Sapin and an improvement

in the mark-to-market valuation of energy contracts in New Zealand. Sapin is a wood procurement company which Norske Skog owned together with Sappi. After ceasing operations at Walsum, Norske Skog sold its 50% stake to Sappi.

NOK MILLION	Q4 2015	Q3 2015	Q4 2014 Restated	YTD 2015	YTD 2014 Restated
Share of profit in associated companies	-18	-7	-4	-41	1
Financial items	-376	-782	-858	-801	-1 357
Income taxes	29	33	-178	40	-223
<b>Profit/loss for the period</b>	<b>-304</b>	<b>-742</b>	<b>-1 017</b>	<b>-955</b>	<b>-1 477</b>

Share of profit in associated companies included equity method income accounting of the group's one-third stake in Malaysian Newsprint Industries (MNI) and a loss in relation to the divestment of the 50% stake in Sapin.

related to bond issuances are amortized over the lifetime of the bonds. Unrealized currency losses were in excess of NOK 100 million in the quarter. The amount reflected an increase in non-hedge accounted debt due to NOK depreciation.

Financial items largely consists of interest expenses and unrealized currency gains/losses. Net interest expenses in the period was just short of NOK 250 million. Interest expenses through the income statement are higher than the actual cash interest payments, as costs

Loss for the quarter, after depreciation, other gains and losses and financial items, was NOK 304 million.

## GROWTH OPPORTUNITIES BEYOND PUBLICATION PAPER

### Biogas in Europe

The Saugbrugs mill in Norway is constructing a new biogas facility on schedule for completion by year-end 2016. Onsite biogas bring twofold economic benefits; a new biogas revenue stream and reduced paper production costs. Biogas is further a renewable alternative to fossil fuels, which forms part of the carbon solution. Moreover, increased biogas use improves urban air quality. Norske Skog is progressing on biogas projects at other mills.

advantage in exports to Asia, given its favourable New Zealand location. Pellets bring significant environmental benefits in replacing fossil fuels for heating with renewable wood pellets.

### Entering the tissue market

Norske Skog has entered into a joint venture (JV) with partner Roto-Cart for the conversion of the newsprint site at Bruck in Austria to tissue production. The project is progressing and will imply the closure of the 125 000 tons newsprint machine upon completion.

### Wood pellets in New Zealand

Pellets production has ramped up to 40 000 tonnes annually at Nature's Flame, the pellets producer acquired last year. Norske Skog is considering further expanding the pellets production including to the Tasman newsprint site. The site has a considerable competitive

## SEGMENT INFORMATION

### PUBLICATION PAPER EUROPE

NOK MILLION (unless otherwise stated)	Q4 2015	Q3 2015	Q4 2014	YTD 2015	YTD 2014
Operating revenue	2 174	1 956	2 280	8 102	9 001
<b>Gross operating earnings</b>	<b>146</b>	<b>120</b>	<b>129</b>	<b>413</b>	<b>582</b>
Gross operating margin (%)	6.7	6.2	5.7	5.1	6.5
Return on capital employed (%) (annualised)	8.8	6.9	6.2	6.0	7.4
Production (1 000 tonnes)	452	428	478	1 790	1 986
Deliveries (1 000 tonnes)	476	431	496	1 784	1 998
Production / capacity (%)	86	82	84	82	87

The segment constitutes Norske Skog's European operations in the publication paper market, with mills in Norway, France and Austria. Annual production capacity was 2.1 million tonnes in 2015.

Operating revenue increased from the previous quarter with higher sales volumes. Publication paper prices were relatively flat in the two periods.

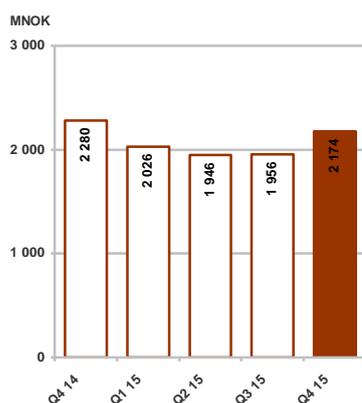
Variable costs increased with the higher volumes, while fixed costs were up partly due to the inflationary effect from NOK depreciation.

Gross operating earnings improved quarter-over-quarter reflecting the higher volumes and an enhanced competitive position for the Norwegian mills as NOK depreciated.

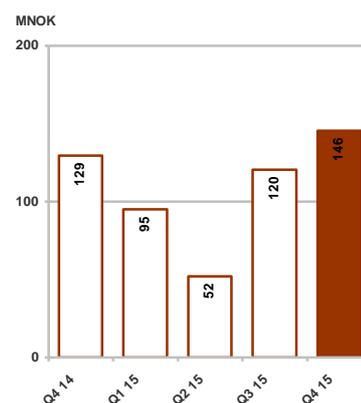
Demand for newsprint and magazine paper in Europe decreased by 6% and 5% respectively through November last year, compared to the same period the year before.

Capacity utilisation improved to 86% in the period with seasonality and the restart of one machine at Skogn in Norway in November 2015.

### OPERATING REVENUE



### GROSS OPERATING EARNINGS



### PUBLICATION PAPER AUSTRALASIA

NOK MILLION (unless otherwise stated)	Q4 2015	Q3 2015	Q4 2014	YTD 2015	YTD 2014
Operating revenue	909	811	930	3 422	3 158
<b>Gross operating earnings</b>	<b>104</b>	<b>61</b>	<b>92</b>	<b>361</b>	<b>287</b>
Gross operating margin (%)	11.4	7.6	9.9	10.5	9.1
Return on capital employed (%) (annualised)	7.8	5.0	6.6	7.7	4.7
Production (1 000 tonnes)	172	165	167	654	626
Deliveries (1 000 tonnes)	174	163	180	648	618
Production / capacity (%)	96	92	93	91	92

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 increased from the previous quarter with a combination of somewhat favourable pricing, sales volume and NOK depreciation.

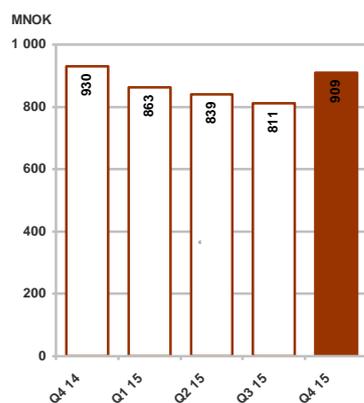
Variable costs increased with higher volumes and NOK depreciation. Fixed costs declined due to a reversal of environmental provisions, but were negatively impacted by inflationary effects from NOK depreciation.

Gross operating earnings improved quarter-over-quarter with favourable capacity utilization and the one-off cost reduction.

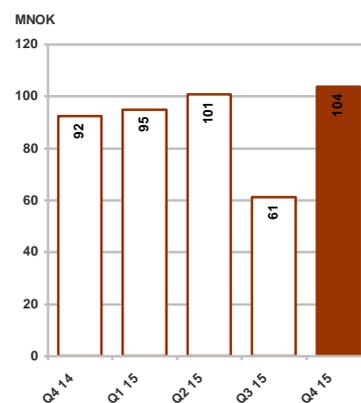
Demand for newsprint in Australasia decreased by around 9% through November last year, compared to the same period the year before. Demand for magazine paper was relatively stable.

Capacity utilisation was seasonally high at 96% in the period.

## OPERATING REVENUE



## GROSS OPERATING EARNINGS



## OTHER ACTIVITIES

NOK MILLION	Q4 2015	Q3 2015	Q4 2014	YTD 2015	YTD 2014
Operating revenue	38	40	19	139	120
<b>Gross operating earnings</b>	<b>11</b>	<b>-19</b>	<b>-32</b>	<b>-21</b>	<b>-67</b>

Other activities mainly consist of unallocated group costs and purchase and resale activities to the business units.

The positive contribution to gross operating earnings reflected year – end adjustments.

## CASH FLOW

NOK MILLION	Q4 2015	Q3 2015	Q4 2014	YTD 2015	YTD 2014
Gross operating earnings	260	163	190	753	801
Change in working capital	170	-134	522	-519	470
Restructuring activities	-2	-8	-9	-15	-154
Other items	-43	-14	-46	-103	-128
Net financial items	-273	-98	-216	-843	-747
Taxes paid	-22	-5	-17	-50	-42
<b>Net cash flow from operating activities</b>	<b>90</b>	<b>-96</b>	<b>425</b>	<b>-777</b>	<b>200</b>
<b>Purchases of property, plant and equipment and intangible assets</b>	<b>-61</b>	<b>-45</b>	<b>-74</b>	<b>-180</b>	<b>-274</b>

There was a seasonal release of working capital amounting to NOK 170 million in the period. Other items reflected among other things reversal of provisions. Net financial items were primarily coupon payments on issued bonds.

Cash flow from investing activities included both normal maintenance capital expenditures and progress on growth initiatives.

## BALANCE SHEET

NOK MILLION	31 DEC 2015	30 SEP 2015	31 DEC 2014 Restated
Non-current assets	9 729	9 499	10 607
<b>Cash and cash equivalents</b>	<b>536</b>	<b>699</b>	<b>710</b>
Other current assets	2 651	2 595	2 581
Total assets	12 916	12 793	13 899
<b>Equity including non-controlling interests</b>	<b>559</b>	<b>547</b>	<b>1 497</b>
Non-current liabilities	8 460	8 872	8 713
Current liabilities	3 897	3 373	3 688
<b>Net interest-bearing debt</b>	<b>8 523</b>	<b>8 377</b>	<b>7 387</b>

Equity was NOK 559 million at year-end 2015. The slight increase from the previous quarter reflected currency translation differences offsetting the loss for the period. Equity per share was NOK 3. A specification of changes in equity is shown on page 10. NOK depreciation and investments outweighed the effect of depreciation on assets.

Net interest-bearing debt was NOK 8 523 million at year-end 2015, an increase of NOK 146 million during the last quarter of the year. The increase reflected a negative currency effect on foreign denominated debt with NOK depreciation.

Cash and cash equivalents amounted to NOK 536 million at year-end.

## RELATED PARTIES

Some of the company's shareholders are forest owners who supply wood to the group's mills in Norway. 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. Challenging trading conditions currently and high financial leverage in the group amplifies the business risks. A further description of risk factors and risk management will be provided in the annual financial statements for 2015.

## OUTLOOK

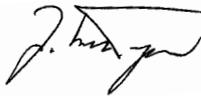
The market balance for newsprint and magazine paper in Europe improved during the autumn of last year with the effects from capacity closures in the industry. This has led to high operating rates into 2016

and improved pricing across all publication paper grades. The domestic prices in Australasia are stable, while Asian newsprint prices have increased somewhat.

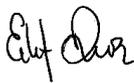
Favorable energy costs for our European mills and efficiency measures at all mills are expected to reduce variable costs by 2-3% per ton in 2016. Fixed costs initiatives continue at all mills towards a run-rate group level of NOK 600 million per quarter by year-end 2016.

The growth initiatives announced last year will start to contribute to gross operating earnings this year, and is expected to reach full run-rate contribution within a timeframe of 3-4 years.

### SKØYEN, 4 FEBRUARY 2016 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA



Jon-Aksel Torgersen  
Chair



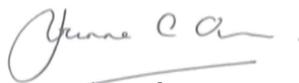
Eilif Due  
Board member



Siri Beate Hatlen  
Board member



Nils Ingemund Hoff  
Board member



Joanne Owen  
Board member



Cecilie Jonassen  
Board member



Paul Kristiansen  
Board member



Svein Erik Veie  
Board member



Sven Ombudstvedt  
President and CEO

# INTERIM FINANCIAL STATEMENTS, FOURTH QUARTER OF 2015

## CONDENSED CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	Q4 2015	Q3 2015	Q4 2014 Restated	YTD 2015	YTD 2014 Restated
<b>Operating revenue</b>	6	<b>3 087</b>	<b>2 779</b>	<b>3 208</b>	<b>11 538</b>	<b>12 150</b>
Distribution costs		-327	-321	-331	-1 242	-1 249
Cost of materials		-1 753	-1 637	-1 839	-6 876	-7 228
Change in inventories		-103	-3	-125	59	-30
Employee benefit expenses		-424	-453	-473	-1 848	-1 908
Other operating expenses		-220	-202	-249	-877	-935
<b>Gross operating earnings</b>		<b>260</b>	<b>163</b>	<b>190</b>	<b>753</b>	<b>801</b>
Depreciation	4	-194	-190	-188	-767	-735
Restructuring expenses		-32	-2	-7	-53	-4
Other gains and losses	8	26	43	29	-86	39
Impairments	3, 4	0	0	0	0	0
<b>Operating earnings</b>		<b>61</b>	<b>13</b>	<b>24</b>	<b>-153</b>	<b>102</b>
Share of profit in associated companies		-18	-7	-4	-41	1
Financial items		-376	-782	-858	-801	-1 357
<b>Profit/loss before income taxes</b>		<b>-333</b>	<b>-775</b>	<b>-839</b>	<b>-995</b>	<b>-1 254</b>
Income taxes		29	33	-178	40	-223
<b>Profit/loss for the period</b>		<b>-304</b>	<b>-742</b>	<b>-1 017</b>	<b>-955</b>	<b>-1 477</b>
<b>Profit/loss for the period attributable to:</b>						
Owners of the parent		-304	-742	-1 017	-955	-1 477
Non-controlling interests		0	0	0	0	0
Basic/diluted earnings per share (NOK)		-1.60	-3.91	-5.35	-5.03	-7.78

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	Q4 2015	Q3 2015	Q4 2014 Restated	YTD 2015	YTD 2014 Restated
<b>Profit/loss for the period</b>	<b>-304</b>	<b>-742</b>	<b>-1 017</b>	<b>-955</b>	<b>-1 477</b>
<b>Other comprehensive income</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Currency translation differences	297	8	573	-251	647
Tax expense on translation differences	27	42	157	280	182
Hedge of net investment in foreign operations	-11	-139	-192	-108	-151
Tax expense on net investment hedge	0	0	10	0	10
Reclassified translation differences upon divestment of foreign operations	0	0	0	95	0
Reclassified hedging gain/loss on net investment upon divestment of foreign operations	0	0	0	0	0
Tax expense on reclassifications	0	0	0	0	0
Other items	0	0	0	0	-7
Tax expense on other items	0	0	0	0	0
<b>Total</b>	<b>313</b>	<b>-89</b>	<b>548</b>	<b>16</b>	<b>681</b>
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Remeasurements of post employment benefit obligations	5	0	-88	5	-68
Tax effect on remeasurements of post employment benefit obligations	-4	0	20	-4	20
<b>Total</b>	<b>1</b>	<b>0</b>	<b>-68</b>	<b>1</b>	<b>-68</b>
<b>Other comprehensive income for the period</b>	<b>314</b>	<b>-89</b>	<b>481</b>	<b>17</b>	<b>614</b>
<b>Comprehensive income for the period</b>	<b>11</b>	<b>-831</b>	<b>-536</b>	<b>-937</b>	<b>-863</b>
<b>Comprehensive income for the period attributable to:</b>					
Owners of the parent	11	-831	-536	-937	-863
Non-controlling interests	0	0	0	0	0

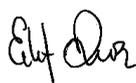
## CONDENSED CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	31 DEC 2015	30 SEP 2015	31 DEC 2014 Restated	1 JAN 2014 Restated
Deferred tax asset		256	285	520	472
Intangible assets	4	87	83	92	152
Property, plant and equipment	3, 4	8 585	8 391	9 180	9 025
Investments in associated companies		374	370	429	595
Other non-current assets	8	426	369	387	299
<b>Total non-current assets</b>		<b>9 729</b>	<b>9 499</b>	<b>10 607</b>	<b>10 542</b>
Inventories		1 253	1 302	1 334	1 274
Trade and other receivables		1 357	1 270	1 209	1 574
Cash and cash equivalents	7	536	699	710	1 015
Other current assets	8	40	23	39	141
<b>Total current assets</b>		<b>3 187</b>	<b>3 294</b>	<b>3 291</b>	<b>4 005</b>
<b>Total assets</b>		<b>12 916</b>	<b>12 793</b>	<b>13 899</b>	<b>14 548</b>
Paid-in equity		12 302	12 302	12 302	12 302
Retained earnings and other reserves		-11 744	-11 755	-10 805	-9 942
Non-controlling interests		0	0	0	0
<b>Total equity</b>		<b>559</b>	<b>547</b>	<b>1 497</b>	<b>2 360</b>
Pension obligations		276	287	820	714
Deferred tax liability		379	403	415	392
Interest-bearing non-current liabilities	7	7 428	7 825	7 004	6 973
Other non-current liabilities	8	377	357	474	479
<b>Total non-current liabilities</b>		<b>8 460</b>	<b>8 872</b>	<b>8 713</b>	<b>8 559</b>
Interest-bearing current liabilities	7	1 700	1 324	1 267	1 044
Trade and other payables		1 921	1 745	2 172	2 040
Tax payable		15	40	13	39
Other current liabilities	8	261	264	236	506
<b>Total current liabilities</b>		<b>3 897</b>	<b>3 373</b>	<b>3 688</b>	<b>3 628</b>
<b>Total liabilities</b>		<b>12 357</b>	<b>12 246</b>	<b>12 401</b>	<b>12 187</b>
<b>Total equity and liabilities</b>		<b>12 916</b>	<b>12 793</b>	<b>13 899</b>	<b>14 548</b>

## SKØYEN, 4 FEBRUARY 2015 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA



Jon-Aksel Torgersen  
Chair



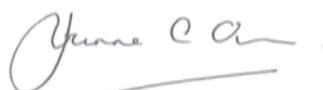
Eilif Due  
Board member



Siri Beate Hatlen  
Board member



Nils Ingemund Hoff  
Board member



Joanne Owen  
Board member



Cecilie Jonassen  
Board member



Paul Kristiansen  
Board member



Svein Erik Veie  
Board member



Sven Ombudstvedt  
President and CEO

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	Q4 2015	Q3 2015	Q4 2014	YTD 2015	YTD 2014
Cash generated from operations	3 020	2 633	3 371	11 224	12 562
Cash used in operations	-2 636	-2 626	-2 714	-11 108	-11 573
Cash from net financial items	-273	-98	-216	-843	-747
Taxes paid	-22	-5	-17	-50	-42
<b>Net cash flow from operating activities <sup>1)</sup></b>	<b>90</b>	<b>-96</b>	<b>425</b>	<b>-777</b>	<b>200</b>
Purchases of property, plant and equipment and intangible assets	-61	-45	-74	-180	-274
Sales of property, plant and equipment and intangible assets	1	0	2	2	4
Dividend received	0	0	0	0	1
Purchase of shares in companies and other investments	0	0	0	-1	-8
Sales of shares in companies and other investments	-6	-14	0	-28	325
<b>Net cash flow from investing activities</b>	<b>-65</b>	<b>-59</b>	<b>-72</b>	<b>-206</b>	<b>48</b>
New loans raised	101	111	91	2 614	569
Repayments of loans	-295	-193	-295	-1 853	-1 209
<b>Net cash flow from financing activities</b>	<b>-193</b>	<b>-82</b>	<b>-204</b>	<b>760</b>	<b>-640</b>
Foreign currency effects on cash and cash equivalents	5	40	61	50	86
<b>Total change in cash and cash equivalents</b>	<b>-163</b>	<b>-197</b>	<b>210</b>	<b>-173</b>	<b>-306</b>
<b>Cash and cash equivalents at start of period</b>	<b>699</b>	<b>896</b>	<b>500</b>	<b>710</b>	<b>1 015</b>
<b>Cash and cash equivalents at end of period</b>	<b>536</b>	<b>699</b>	<b>710</b>	<b>536</b>	<b>710</b>
<b><sup>1) Reconciliation of net cash flow from operating activities</sup></b>					
Gross operating earnings	260	163	190	753	801
Change in working capital	170	-134	522	-519	470
Payments made relating to restructuring activities	-2	-8	-9	-15	-154
Adjustment for other items	-43	-14	-46	-103	-128
Cash flow from net financial items	-273	-98	-216	-843	-747
Taxes paid	-22	-5	-17	-50	-42
<b>Net cash flow from operating activities</b>	<b>90</b>	<b>-96</b>	<b>425</b>	<b>-777</b>	<b>200</b>

## CONDENSED 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
<b>Equity 1 January 2014</b>	<b>12 302</b>	<b>-10 205</b>	<b>-190</b>	<b>269</b>	<b>2 175</b>	<b>0</b>	<b>2 175</b>
Effect of changed accounting practice	0	185	0	0	185	0	185
<b>Equity 1 January 2014 (restated)</b>	<b>12 302</b>	<b>-10 020</b>	<b>-190</b>	<b>269</b>	<b>2 360</b>	<b>0</b>	<b>2 360</b>
Profit/loss for the period	0	-460	0	0	-460	0	-460
Other comprehensive income for the period	0	0	41	91	132	0	132
<b>Equity 30 September 2014</b>	<b>12 302</b>	<b>-10 480</b>	<b>-149</b>	<b>360</b>	<b>2 033</b>	<b>0</b>	<b>2 033</b>
Profit/loss for the period	0	-1 017	0	0	-1 017	0	-1 017
Other comprehensive income for the period	0	0	-182	664	482	0	482
<b>Equity 31 December 2014</b>	<b>12 302</b>	<b>-11 497</b>	<b>-331</b>	<b>1 023</b>	<b>1 497</b>	<b>0</b>	<b>1 497</b>
Profit/loss for the period	0	-651	0	0	-651	0	-651
Other comprehensive income for the period	0	0	-97	-198	-295	0	-295
<b>Equity 30 September 2015</b>	<b>12 302</b>	<b>-11 148</b>	<b>-428</b>	<b>824</b>	<b>547</b>	<b>0</b>	<b>547</b>
Profit/loss for the period	0	-304	0	0	-304	0	-304
Other comprehensive income for the period	0	0	-11	324	314	0	314
<b>Equity 31 December 2015</b>	<b>12 302</b>	<b>-12 452</b>	<b>-439</b>	<b>1 147</b>	<b>559</b>	<b>0</b>	<b>559</b>

# 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 4 February 2016.

Norske Skog's accounting treatment of embedded derivatives in energy contracts in Norway has been changed with effect from 1 January 2015. See note 2 Accounting policies and Note 8 Energy contracts, derivatives and financial instruments carried at fair value for more information.

A minor update of Norske Skog's segment structure, within other activities, has been made in the second quarter of 2015. The change is related to the acquisition of Nature's Flame on New Zealand in June 2015. See Note 6 Operating segments for more information.

Norske Skog's accounting treatment of financed amounts from some securitisation arrangements was changed with effect from fourth quarter 2015. See note 2 Accounting policies and Note 7 Financial items and interest-bearing debt for more information.

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 (Q4 2015 and Q3 2015) and the closing exchange rate (31 December 2015, 30 September 2015 and 31 December 2014) for the most important currencies for the Norske Skog group.

	Q4 2015	Q3 2015	31 DEC 2015	30 SEP 2015	31 DEC 2014
AUD	6.14	5.96	6.45	5.98	6.09
EUR	9.34	9.14	9.62	9.52	9.04
GBP	12.94	12.75	13.07	12.90	11.57
NZD	5.68	5.35	6.04	5.42	5.83
USD	8.53	8.22	8.81	8.50	7.43

## 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 2014. 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 annual financial statements for the year ended 31 December 2014, except for the adaptation of amended standards and new interpretations, which are mandatory from 1 January 2015. These changes are described in the annual financial statements for 2014.

From the first quarter of 2015, Norske Skog has changed its accounting practice for embedded derivatives in energy contracts in Norway. The new accounting policy is assessed to result in financial reporting that is more aligned to the rationale for requiring separation of embedded derivatives and will accordingly result in more relevant and less volatile information being presented to the users of the

financial statements. In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates*, 2014 figures in the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet and condensed consolidated statement of cash flows have been restated. The implementation effects of the amended practices are further described in Note 8.

From the fourth quarter of 2015, Norske Skog has changed its accounting practice with respect to the classification of financed amounts from securitisation arrangements in Norway, France and Australia. Comparative figures for 2014 in the condensed consolidated balance sheet have been restated in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The implementation effects of the changed accounting practice are further described in Note 7.

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 intangible assets and property, plant and equipment*

Intangible assets that have an indefinite useful life and goodwill are not subject to amortisation, but are tested annually for impairment. Property, plant and equipment, and intangible 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. The recoverable amount is the higher of an asset's

fair value less costs to sell and 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. Norske Skog applies a weighted average cost of capital (WACC) model for calculating the present value of future cash flows. The group's cash-generating units are publication paper Europe and publication paper Australasia. The year-end audit of the 2015 impairment testing has not yet been finalised.

Commodity contracts and embedded derivatives in commodity contracts 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 annual financial statements for 2014 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 annual financial statements for 2014 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 2015. 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-DEC	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	TOTAL
Carrying value at start of period	9 180	92	9 272
Additions <sup>1)</sup>	182	29	211
Depreciation	-763	-4	-767
Impairments	0	0	0
Value changes	-6	0	-6
Disposals	-357	-32	-389
Currency translation differences	349	2	351
<b>Carrying value at end of period</b>	<b>8 585</b>	<b>87</b>	<b>8 672</b>

<sup>1)</sup> 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.

### PROPERTY, PLANT AND EQUIPMENT PER SEGMENT

	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	TOTAL
Publication paper Europe	4 669	5	4 675
Publication paper Australasia	3 876	11	3 887
Other activities	40	71	111
<b>Total</b>	<b>8 585</b>	<b>87</b>	<b>8 672</b>

## 5. OPERATIONS AT WALSUM

In June 2015, the board of directors of Norske Skogindustrier ASA decided to cease the support of the operations at Walsum Papier GmbH. Norske Skog is no longer the controlling owner of the mill, and Walsum Papier GmbH was therefore deconsolidated in the interim financial statements in the second quarter of 2015.

Walsum Papier GmbH was deconsolidated from the beginning of June 2015. A net loss of NOK 143 million was recognised in the last three quarters of 2015 in the income statement line Other gains and

losses. This amount includes a cumulative loss of NOK 95 million related to currency translation differences that were recognised directly in equity during the ownership period and reclassified to the income statement when the operations were terminated. The mentioned amount of NOK 95 million did consequently not have an adverse impact on the group's comprehensive income or on net equity in 2015.

The income statement for the Norske Skog group include figures from Walsum Papier GmbH up until 31 May 2015. Assets and liabilities

were derecognised in the Norske Skog group's balance sheet from the beginning of June 2015.

## 6. 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. According to the operating model, all mills have a direct reporting line to corporate management. The mills have been aggregated into two operating segments, publication paper Europe and publication paper Australasia, based on geographical location. 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 other paper qualities 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.

Activities that are not part of the operating segments are included in other activities. During second quarter of 2015 other activities has been extended with a sub-segment named Green energy. This sub-segment consist of Nature's Flame, a New Zealand based wood pellets producer acquired in June 2015.

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) and other holding company activities. From the second quarter of 2015, it also include the Green energy business.

Q4 2015	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
<b>Operating revenue</b>	<b>2 174</b>	<b>909</b>	<b>38</b>	<b>-34</b>	<b>3 087</b>
Distribution costs	-223	-103	-1	0	-327
Cost of materials	-1 255	-500	2	0	-1 753
Change in inventories	-86	-17	0	0	-103
Employee benefit expenses	-279	-132	-13	0	-424
Other operating expenses	-185	-52	-16	34	-220
<b>Gross operating earnings</b>	<b>146</b>	<b>104</b>	<b>11</b>	<b>0</b>	<b>260</b>
Depreciation	-104	-86	-3	0	-194
Restructuring expenses	-32	0	0	0	-32
Other gains and losses	18	0	8	0	26
Impairments	0	0	0	0	0
<b>Operating earnings</b>	<b>27</b>	<b>17</b>	<b>16</b>	<b>0</b>	<b>61</b>
Share of operating revenue from external parties (%)	100	100	13		100

Q3 2015	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
<b>Operating revenue</b>	<b>1 956</b>	<b>811</b>	<b>40</b>	<b>-29</b>	<b>2 779</b>
Distribution costs	-218	-101	-2	0	-321
Cost of materials	-1 163	-463	-10	0	-1 637
Change in inventories	-14	9	2	0	-3
Employee benefit expenses	-301	-129	-23	0	-453
Other operating expenses	-140	-67	-25	29	-202
<b>Gross operating earnings</b>	<b>120</b>	<b>61</b>	<b>-19</b>	<b>0</b>	<b>163</b>
Depreciation	-104	-82	-3	0	-190
Restructuring expenses	-1	0	-1	0	-2
Other gains and losses	4	-4	42	0	43
Impairments	0	0	0	0	0
<b>Operating earnings</b>	<b>19</b>	<b>-25</b>	<b>19</b>	<b>0</b>	<b>13</b>
Share of operating revenue from external parties (%)	100	100	35		100

Q4 2014 (restated)	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
<b>Operating revenue</b>	<b>2 280</b>	<b>930</b>	<b>19</b>	<b>-21</b>	<b>3 208</b>
Distribution costs	-217	-115	0	0	-331
Cost of materials	-1 341	-484	-14	0	-1 839
Change in inventories	-71	-54	0	0	-125
Employee benefit expenses	-335	-119	-20	0	-473
Other operating expenses	-188	-65	-17	21	-249
<b>Gross operating earnings</b>	<b>129</b>	<b>92</b>	<b>-32</b>	<b>0</b>	<b>190</b>
Depreciation	-103	-81	-4	0	-188
Restructuring expenses	-5	-2	0	0	-7
Other gains and losses	-9	-9	47	0	29
Impairments	0	0	0	0	0
<b>Operating earnings</b>	<b>13</b>	<b>-1</b>	<b>11</b>	<b>0</b>	<b>24</b>
Share of operating revenue from external parties (%)	100	100	5		100

YTD 2015	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
<b>Operating revenue</b>	<b>8 102</b>	<b>3 422</b>	<b>139</b>	<b>-125</b>	<b>11 538</b>
Distribution costs	-838	-400	-4	0	-1 242
Cost of materials	-5 007	-1 894	24	0	-6 876
Change in inventories	41	15	2	0	59
Employee benefit expenses	-1 243	-515	-90	0	-1 848
Other operating expenses	-642	-267	-92	125	-877
<b>Gross operating earnings</b>	<b>413</b>	<b>361</b>	<b>-21</b>	<b>0</b>	<b>753</b>
Depreciation	-417	-339	-11	0	-767
Restructuring expenses	-31	-17	-4	0	-53
Other gains and losses	-142	-9	64	0	-86
Impairments	0	0	0	0	0
<b>Operating earnings</b>	<b>-176</b>	<b>-4</b>	<b>27</b>	<b>0</b>	<b>-153</b>
Share of operating revenue from external parties (%)	100	100	17		100

YTD 2014 (restated)	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
<b>Operating revenue</b>	<b>9 001</b>	<b>3 158</b>	<b>120</b>	<b>-128</b>	<b>12 150</b>
Distribution costs	-864	-385	0	0	-1 249
Cost of materials	-5 452	-1 760	-15	-1	-7 228
Change in inventories	-57	27	0	0	-30
Employee benefit expenses	-1 339	-480	-90	0	-1 908
Other operating expenses	-708	-274	-82	129	-935
<b>Gross operating earnings</b>	<b>582</b>	<b>287</b>	<b>-67</b>	<b>0</b>	<b>801</b>
Depreciation	-398	-328	-9	0	-735
Restructuring expenses	-2	-2	0	0	-4
Other gains and losses	-5	-33	78	0	39
Impairments	0	0	0	0	0
<b>Operating earnings</b>	<b>177</b>	<b>-77</b>	<b>1</b>	<b>0</b>	<b>102</b>
Share of operating revenue from external parties (%)	99	100	1		100

## OTHER ACTIVITIES

INCOME STATEMENT	Q4 2015	Q3 2015	Q3 2014	YTD 2015	YTD 2014
<b>OPERATING REVENUE</b>					
Corporate functions	31	26	17	112	114
Green energy	5	13	0	20	0
Miscellaneous	5	3	5	16	29
Eliminations	-3	-2	-3	-9	-23
<b>Total</b>	<b>38</b>	<b>40</b>	<b>19</b>	<b>139</b>	<b>120</b>
<b>GROSS OPERATING EARNINGS</b>					
Corporate functions	12	-20	-32	-21	-59
Green energy	-2	1	0	-1	0
Miscellaneous	1	0	0	0	-8
Eliminations	0	0	0	-1	0
<b>Total</b>	<b>11</b>	<b>-19</b>	<b>-32</b>	<b>-21</b>	<b>-67</b>

## 7. FINANCIAL ITEMS AND INTEREST-BEARING DEBT

### FINANCIAL ITEMS

	Q4 2015	Q3 2015	Q4 2014	YTD 2015	YTD 2014
<b>Net interest expenses</b>	<b>-240</b>	<b>-247</b>	<b>-161</b>	<b>-918</b>	<b>-601</b>
Currency gains/losses <sup>1)</sup>	-119	-525	-674	-719	-690
Other financial items	-17	-10	-24	836	-66
<b>Total financial items</b>	<b>-376</b>	<b>-782</b>	<b>-858</b>	<b>-801</b>	<b>-1 357</b>

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

On 22 January 2015, Norske Skog launched two separate offers (i) an offering of EUR 290 million (EUR 179 million) Senior Secured Notes (SSN) due December 2019 and (ii) an exchange offer of existing notes.

On 24 February 2015, Norske Skog completed the refinancing of a portion of its bond maturities through the issuance of EUR 290 million senior secured notes (SSN) and the exchange of existing bonds into new bonds with longer maturities. Norske Skog extended the maturities on a significant portion of its indebtedness, with new notes maturing in 2019, 2021 and 2023. The new EUR 290 million SSN mature in December 2019 and is structurally senior to all remaining existing notes and notes issued in the exchange offer. The exchange

notes are structurally junior to the SSN, but structurally senior to remaining existing notes and mature in 2021 and 2023. The remaining existing are structurally junior to the SSN and exchange notes.

More than 75% of the existing bondholders consented to the transactions, and approximately 45% of the existing bonds participated in the exchange offer. Norske Skog recognised a net gain in connection with the refinancing of NOK 869 million in first quarter 2015, included in Other financial items in the table above.

In January, prior to the offering of the SSN and the exchange offer, several changes in the Norske Skog corporate structure were made.

Norske Skog AS was established as the issuer of the SSN, while Norske Skog Holding AS was established as the offeror of the exchange notes.

The continued depreciation of the NOK in fourth quarter has impacted on the translation of debt into NOK at 31 December, resulting in

unrealized currency loss. However, a weak NOK is favorable for the underlying business and the competitiveness of the Norwegian mills. The NOK has since quarter end appreciated against all the most important foreign currencies for the Norske Skog group (see Note 1).

## NET INTEREST-BEARING DEBT

Norske Skog has recognised an amount in the balance sheet as a result of the termination of a large part of the fair value hedge portfolio in the first half of 2009. A hedge reserve (deferred income) amounting to NOK 70 million is included in interest-bearing debt at 31 December 2015.

The corresponding figure at 30 September 2015 was NOK 72 million. The hedge reserve does not constitute any payment obligation for the group, but will be amortised in the income statement over the lifetime of the debt that has been hedged

31 DES 2015	REPORTED KEY FIGURES
Interest-bearing non-current liabilities	7 428
Interest-bearing current liabilities	1 700
- Hedge reserve	70
- Cash and cash equivalents	536
<b>= Net interest-bearing debt</b>	<b>8 523</b>

## DEBT REPAYMENT SCHEDULE

CONTRACTUAL INSTALMENT PAYMENTS ON CURRENT AND NON-CURRENT INTEREST-BEARING DEBT	31 DEC 2015
2016 – first quarter	608
2016 – second quarter	1 049
2016 – third quarter	5
2016 – fourth quarter	13
2017	2 091
2018	17
2019	2 807
2020	18
2021	1 550
2022	16
2023	552
2024	16
2025	2
2026 to 2033	836
<b>Total</b>	<b>9 581</b>

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.

Norske Skog has changed its accounting practice with respect to classification of the financed amount from different securitisation arrangements in Norway, France and Australia during fourth quarter 2015. The change in accounting practice has resulted in a reclassification from interest-bearing non-current liabilities to interest-bearing current liabilities, which amounts to NOK 502 mill in debt repayment in Q1 2016.

Norske Skog has changed its interpretation based on a reassessment of the securitisation loan arrangements. 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.

The comparable figures for 2014 in the consolidated balance sheet have been restated. The following line items have been impacted in the consolidated balance sheet: Interest-bearing non-current liabilities and Interest-bearing current liabilities. The amount reclassified from Interest-bearing non-current liabilities to Interest-bearing current liabilities was NOK 457 million at 30 September 2015 (NOK 412 million at 31 December 2014). The securitisation arrangements in question were entered into during 2014 and 2015. Except for the mentioned changes in classification in the balance sheet, no other changes in accounting treatment occurred from the updated assessment.

The Innovasjon Norge facility due 2019 holds a minimum equity covenant, and as consequence of breaching this clause in two consecutive quarters, the facility has been classified as short term in accordance with accounting practise with NOK 95 mill falling due in first quarter 2016. Innovasjon Norge has approved a waiver of the minimum equity clause, and hence the original repayment plan with maturity in 2019 has been restored.

## BONDS

Bond financing constitutes the majority of Norske Skog's total debt financing. The 2016, 2017 and 2033 bonds are issued by Norske Skogindustrier ASA and are unsecured. The 2019 bond is issued by Norske Skog AS and is secured. The 2021 and 2023 bonds are

issued by Norske Skog Holding AS and are unsecured. The table below shows Norske Skog's issued bonds at 31 December 2015.

MATURITY	CURRENCY	COUPON	ORIGINAL AMOUNT	OUTSTANDING AMOUNT 31 DES 2015
February 2023	USD	8.00%	USD 61 mill	USD 61 mill
October 2033	USD	7.125%	USD 200 mill	USD 95 mill
June 2016	EUR	11.75%	EUR 150 mill	EUR 108 mill
June 2017	EUR	7.00%	EUR 500 mill	EUR 212 mill
December 2019	EUR	11.75%	EUR 290 mill	EUR 290 mill
February 2021	EUR	8.00%	EUR 159 mill	EUR 159 mill

Norske Skog has bought back and repaid the remaining outstanding of the 2015 bond in October with USD 24 million in aggregate.

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

31 DEC 2015	ASSETS		LIABILITIES	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Energy contracts and embedded derivatives in energy contracts (level 3)	27	259	-10	-35
Energy contracts (level 2)	0	0	-18	-18
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
<b>Total</b>	<b>27</b>	<b>259</b>	<b>-28</b>	<b>-53</b>

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.

Higher energy prices have a positive impact on fair value. Energy prices in New Zealand have increased 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 38 million in the fourth quarter of 2015 (NOK 78 million in the third quarter of 2015).

Norske Skog has changed its accounting principle for embedded derivatives in energy contracts in Norway with effect from 1 January 2015, with full retrospective application. Comparable figures for 2014 have been restated. Since the change in accounting principle is applied retrospectively, the balance sheet at 1 January 2014 has been included in the interim financial statements in 2015.

The change in accounting principle regards which economic characteristics and risks of embedded derivatives that are considered closely related to a power purchase or sale contract between buyers and sellers in Norway. An embedded foreign currency derivative is

closely related, and shall accordingly not be accounted for separately, if it is commonly used in the economic environment in which the transaction takes place. As of 1 January 2015, Norske Skog has changed its interpretation of what is considered an economic environment for the purpose of separation of embedded foreign currency derivatives in non-financial contracts, so that the Norwegian and Nordic power market is considered an economic environment for these purposes. Norske Skog has assessed EUR to be a commonly used currency in the Norwegian and Nordic power market, including in long-term contracts to buy or sell physical power between buyers and sellers in this market. The energy market in Europe is further assessed to be an integrated economic environment where contracts to buy and sell power are commonly denominated in EUR. In addition, Norske Skog has reassessed and concluded that general inflation indexes in long-term physical energy purchase contracts may be considered closely related, and accordingly not required to be accounted for separately, when the purpose and effect of including them is to ensure that the prices in the contracts are adjusted to the general price level where the transaction takes place.

The comparable figures for 2014 in the condensed consolidated balance sheet have been restated. The following line items have been impacted in the condensed consolidated balance sheet: Deferred tax asset, Retained earnings and other reserves, Other non-current liabilities and Other current liabilities. Retained earnings and other reserves were increased by NOK 185 million at 1 January 2014 (increased by NOK 21 million at 30 September 2014 and increased by NOK 212 million at 31 December 2014).

## 9. PRINCIPAL SHAREHOLDERS

PRINCIPAL SHAREHOLDERS AT 31 DES 2015	NUMBER OF SHARES	OWNERSHIP %
GSO Capital Partners	20 124 672	10.59
Dimensional Fund Advisors	8 306 695	4.37
Cyrus Capital	6 200 000	3.26
Nobelssystem Scandinavia AS	5 750 000	3.03
Allskog BA	5 296 381	2.79
Astrup Fearnley AS	5 189 688	2.73
Uthalden A/S	4 450 000	2.34
Barokk Invest AS	3 180 000	1.67
SES AS	3 000 000	1.58
Swedbank Norge Marketmaking account	3 000 000	1.58
Danske Bank A/S (Nominee)	2 325 203	1.22
Skandinaviska Enskilda Banken	2 060 000	1.08
Torstein I. Tvenge	2 000 000	1.05
Alfaplan AS	1 980 000	1.04
Shareholders with < 1% ownership	117 082 987	61.64
<b>Total</b>	<b>189 945 626</b>	<b>100.00</b>

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 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 or VPS can guarantee the accuracy of the analysis.

## 10. THE NORSKE SKOG SHARE

	31 DEC 2015	30 SEP 2015	30 JUN 2015	31 MAR 2015	31 DES 2014 Restated
Share price (NOK)	2.66	2.01	3.58	4.57	3.84
Book value of equity per share (NOK)	2.94	2.88	7.54	10.72	7.88

## 11. EVENTS AFTER THE BALANCE SHEET DATE

On 5 January 2016, Norske Skog launched a new exchange offer to holders of the senior notes due in 2016 and 2017. GSO Capital Partners L.P. and Cyrus Capital Partners, L.P., which through their funds held around one third of the 2016 notes and around two thirds of the 2017 notes, supported the offer.

On 3 February 2016, the exchange offer was extended to 26 February 2016 due to a court order in New York for a temporary restraining order (TRO) requested by the trustee Citibank on behalf of certain 2019 note holders. The content of the exchange offer remained unchanged.

Conclusive court hearings will be made on 24 February 2016. Norske Skog see no merit in the allegations made by the plaintiff and will defend its position vigorously.

As of 12:00 noon London February 3, 2016, more than 40% of the aggregate principal amount of the 2016 Notes and approximately 80% of the aggregate principal amount of the 2017 Notes have been validly tendered in the Exchange Offers. Participation by 2016 Notes is still not at satisfactory levels.

## 12. HISTORICAL FIGURES

INCOME STATEMENT	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014 Restated
<b>Operating revenue</b>	<b>3 087</b>	<b>2 779</b>	<b>2 786</b>	<b>2 886</b>	<b>3 208</b>
Variable costs	-2 183	-1 960	-1 954	-1 962	-2 296
Fixed costs	-643	-656	-694	-733	-722
<b>Gross operating earnings</b>	<b>260</b>	<b>163</b>	<b>138</b>	<b>192</b>	<b>190</b>
Depreciation	-194	-190	-191	-193	-188
Restructuring expenses	-32	-2	-15	-3	-7
Other gains and losses	26	43	-276	121	29
<b>Operating earnings</b>	<b>61</b>	<b>13</b>	<b>-343</b>	<b>116</b>	<b>24</b>
Share of profit in associated companies	-18	-7	-9	-7	-4
Financial items	-376	-782	-244	600	-858
<b>Profit/loss before income taxes</b>	<b>-333</b>	<b>-775</b>	<b>-596</b>	<b>709</b>	<b>-839</b>
Income taxes	29	33	25	-46	-178
<b>Profit/loss for the period</b>	<b>-304</b>	<b>-742</b>	<b>-571</b>	<b>663</b>	<b>-1 017</b>

SEGMENT INFORMATION	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
<b>Publication paper Europe</b>					
Operating revenue	2 174	1 956	1 946	2 026	2 280
Gross operating earnings	146	120	52	95	129
Deliveries (1 000 tonnes)	476	431	441	436	496
<b>Publication paper Australasia</b>					
Operating revenue	909	811	839	863	930
Gross operating earnings	104	61	101	95	92
Deliveries (1 000 tonnes)	174	163	155	155	180
<b>Other activities</b>					
Operating revenue	38	40	32	29	19
Gross operating earnings	11	-19	-15	2	-32

BALANCE SHEET	31 DEC 2015	30 SEP 2015	30 JUN 2015	31 MAR 2015	31 DEC 2014 Restated
<b>Total non-current assets</b>	<b>9 729</b>	<b>9 499</b>	<b>9 511</b>	<b>10 293</b>	<b>10 607</b>
Inventories	1 253	1 302	1 306	1 455	1 334
Trade and other receivables	1 357	1 270	1 080	1 181	1 209
Cash and cash equivalents	536	699	896	1 306	710
Other current assets	40	23	49	56	39
<b>Total current assets</b>	<b>3 187</b>	<b>3 294</b>	<b>3 331</b>	<b>3 997</b>	<b>3 291</b>
<b>Total assets</b>	<b>12 916</b>	<b>12 793</b>	<b>12 842</b>	<b>14 290</b>	<b>13 899</b>
<b>Total equity</b>	<b>559</b>	<b>547</b>	<b>1 381</b>	<b>2 037</b>	<b>1 497</b>
<b>Total non-current liabilities</b>	<b>8 460</b>	<b>8 872</b>	<b>8 195</b>	<b>9 766</b>	<b>8 713</b>
Trade and other payables	1 921	1 745	1 718	1 800	2 172
Other current liabilities	1 977	1 628	1 549	687	1 517
<b>Total current liabilities</b>	<b>3 897</b>	<b>3 373</b>	<b>3 267</b>	<b>2 487</b>	<b>3 688</b>
<b>Total liabilities</b>	<b>12 357</b>	<b>12 246</b>	<b>11 461</b>	<b>12 253</b>	<b>12 401</b>
<b>Total equity and liabilities</b>	<b>12 916</b>	<b>12 793</b>	<b>12 842</b>	<b>14 290</b>	<b>13 899</b>

CASH FLOW	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
<b>Reconciliation of net cash flow from operating activities</b>					
Gross operating earnings	260	163	138	192	190
Change in operating working capital	155	-137	-1	-489	437
Payments made relating to restructuring activities	-2	-8	-1	-4	-9
Cash flow from net financial items	273	-98	-341	-131	-216
Taxes paid	-22	-5	-12	-11	-17
Other	-28	-11	-35	-75	40
<b>Net cash flow from operating activities</b>	<b>90</b>	<b>-96</b>	<b>-252</b>	<b>-518</b>	<b>425</b>
Purchases of property, plant and equipment and intangible assets	-61	-45	-48	-26	-74
Net divestments	-4	-14	-8	0	1
Dividend received	0	0	0	0	0
<b>Net cash flow from investing activities</b>	<b>-65</b>	<b>-59</b>	<b>-56</b>	<b>-26</b>	<b>-72</b>
<b>Net cash flow from financing activities</b>	<b>-193</b>	<b>-82</b>	<b>-95</b>	<b>1 131</b>	<b>-204</b>
Foreign currency effects on cash and cash equivalents	5	40	-5	10	61
<b>Total change in cash and cash equivalents</b>	<b>-163</b>	<b>-197</b>	<b>-410</b>	<b>597</b>	<b>210</b>