



Norske Skog

FIRST QUARTER 2014

INTRODUCTION

Norske Skog is a world leading producer of publication paper. Publication paper includes newsprint and magazine paper. The group has eight fully-owned mills in six countries and one partly-owned mill in Malaysia. The annual production capacity for the fully-owned mills is approximately three million tonnes. Newsprint and magazine paper

is sold through sales offices and agents to over 80 countries. The group has approximately 3 000 employees.

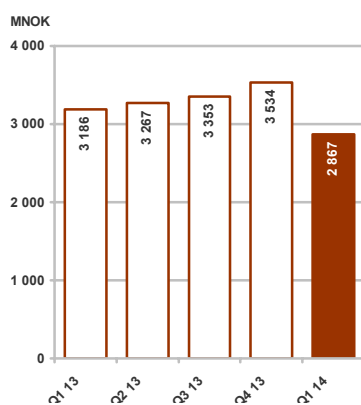
The parent company, Norske Skogindustrier ASA, is incorporated in Norway and has its head office at Skøyen in Oslo. The company is listed on the Oslo Stock Exchange.

KEY FIGURES (UNAUDITED)

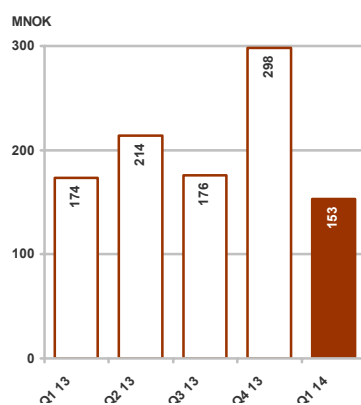
All amounts are presented in NOK million unless otherwise stated.

	Q1 2014	Q4 2013	Q1 2013	YTD 2014	YTD 2013
INCOME STATEMENT					
Operating revenue	2 867	3 534	3 186	2 867	3 186
Gross operating earnings	153	298	174	153	174
Operating earnings	84	-283	-178	84	-178
Profit/loss for the period	11	-457	-381	11	-381
Earnings per share (NOK)	0.06	-2.41	-2.01	0.06	-2.01
CASH FLOW					
Net cash flow from operating activities	-4	313	-106	-4	-106
Net cash flow from investing activities	-67	-42	-155	-67	-155
Cash flow per share (NOK)	-0.02	1.65	-0.56	-0.02	-0.56
OPERATING MARGIN AND PROFITABILITY (%)					
Gross operating margin	5.3	8.4	5.4	5.3	5.4
Return on capital employed ¹⁾	1.5	5.0	2.1	1.5	2.1
PRODUCTION / DELIVERIES / CAPACITY UTILISATION					
Production (1 000 tonnes)	649	738	777	649	777
Deliveries (1 000 tonnes)	620	777	750	620	750
Production / capacity (%)	91	89	87	91	87
BALANCE SHEET					
Non-current assets	10 419	10 611	10 999	10 655	11 531
Current assets	3 832	4 005	4 154	4 723	4 566
Total assets	14 251	14 617	15 153	15 378	16 097
Equity	2 273	2 175	2 712	2 801	4 070
Net interest-bearing debt	6 800	6 817	6 918	6 641	6 482

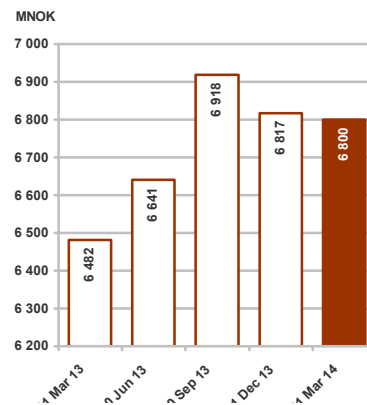
OPERATING REVENUE



GROSS OPERATING EARNINGS



NET INTEREST-BEARING DEBT



DEFINITIONS

¹⁾ Return on capital employed = (Gross operating earnings - Capital expenditure) : Capital employed (average)

REPORT OF THE BOARD OF DIRECTORS FOR THE FIRST QUARTER OF 2014

- First quarter 2014: Gross operating earnings NOK 153 million (NOK 298 million in the fourth quarter)
- Several negative one-offs in the quarter: Boyer conversion, Walsum optimisation to one machine, Saugbrugs start-up curve new TMP, in addition to seasonal effects
- Cash flow from operating activities NOK 54 million before net financial items in the quarter (NOK 497 million in the fourth quarter)
- Net interest-bearing debt decreased by NOK 17 million to NOK 6 800 million
- As of 23 April 2014, Norske Skog has bought back bonds with maturity in June 2014 amounting to NOK 301 million. Remaining amount outstanding NOK 395 million
- Profit for the period NOK 11 million (loss of NOK 457 million in the fourth quarter)
- Production of magazine paper at Boyer in Australia commissioned as planned. The first roll of coated magazine paper was produced on 8 April
- A new EUR 40 million factoring facility linked to trade receivables at Golbey in France was signed on 15 April with Crédit Agricole Leasing & Factoring

INCOME STATEMENT

	Q1 2014	Q4 2013	Q1 2013	YTD 2014	YTD 2013
Operating revenue	2 867	3 534	3 186	2 867	3 186
Gross operating earnings	153	298	174	153	174
Depreciation	-181	-196	-198	-181	-198
Operating earnings	84	-283	-178	84	-178
Profit/loss before income taxes	15	-597	-505	15	-505
Profit/loss for the period	11	-457	-381	11	-381

Operating revenue decreased from the previous quarter, reflecting the closure of one machine at Walsum in Germany, the standstill of one machine under conversion at Boyer in Australia, seasonally lower sales volumes and full deconsolidation of Singburi in Thailand.

Cost of materials was on level with the fourth quarter on a per tonne basis. Cost of materials consists mainly of energy and fibre in the forms of wood and recovered paper.

Fixed costs increased in the first quarter, due to a one-off reduction in environmental obligations in Australasia in the fourth quarter.

Gross operating earnings declined to NOK 153 million in the quarter, from NOK 298 million in the previous quarter. The decline reflected a loss at Boyer due to the conversion, a continued loss at Walsum with time lag in optimising production around one machine, start-up

problems at the new thermo-mechanical pulp plant at Saugbrugs and seasonal effects.

Depreciation decreased from the fourth quarter to a new level of NOK 181 million.

Profit for the period was NOK 11 million, reflecting offsetting items commented below under "Special items in operating earnings".

Global demand for newsprint declined by 4.6% in the first two months of the year compared to the corresponding period last year. There was a decrease of 3.5% for magazine paper in the same period.

Capacity utilisation for the group, adjusted for the Boyer conversion, was 91% in the first quarter (89% in the fourth quarter).

SPECIAL ITEMS IN OPERATING EARNINGS

	Q1 2014	Q4 2013	Q1 2013	YTD 2014	YTD 2013
Restructuring expenses	-2	-149	0	-2	0
Other gains and losses	114	-237	-153	114	-153

Other gains and losses consisted primarily of a mark-to-market increase in the value of energy contracts recognised on the balance sheet. The energy contracts in Norway are denominated in EUR to hedge NOK exposure. With NOK appreciation, the implied NOK

contract price decreased and the theoretical contract value improved. There was an increase in the value of energy contracts in New Zealand due to higher electricity prices.

FINANCIAL ITEMS

	Q1 2014	Q4 2013	Q1 2013	YTD 2014	YTD 2013
Net interest expenses incl. realised gain/loss on interest rate derivatives	-154	-160	-147	-154	-147
Unrealised gain/loss on interest rate derivatives	0	1	3	0	3
Net interest expenses	-154	-159	-144	-154	-144
Currency gains/losses ¹⁾	94	170	-170	94	-170
Other financial items	-17	6	-18	-17	-18
Total financial items	-77	-323	-333	-77	-333

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

Net interest expenses were 154 million in the quarter, which was slightly lower than the previous quarter. Currency gains of NOK 94

million were essentially related to debt denominated in foreign currency decreasing as a result of NOK appreciation.

CASH FLOW

	Q1 2014	Q4 2013	Q1 2013	YTD 2014	YTD 2013
Gross operating earnings	153	298	174	153	174
Change in working capital ¹⁾	40	243	-200	40	-200
Payments made relating to restructuring activities	-111	-8	-89	-111	-89
Adjustment for other items	-10	-23	-1	-10	-1
Cash flow from net financial items	-58	-184	16	-58	16
Taxes paid	-17	-14	-5	-17	-5
Net cash flow from operating activities	-4	313	-106	-4	-106
Purchases of property, plant and equipment and intangible assets	-116	-176	-117	-116	-117
Sales of property, plant and equipment, intangible assets, shares in companies and other investments.	52	162	2	52	2

¹⁾ Change in working capital includes changes in provisions and other receivables.

Net cash flow from operating activities was NOK -4 million. Working capital of NOK 40 million was released in the quarter, with trade financing entered into with CellMark in Asia offsetting the typical seasonal increase. Restructuring payments in the quarter largely related to the closure of one machine at Walsum in Germany.

Cash flow from net financial items was NOK -58 million and consisted primarily of paid interest and currency hedging.

Purchases of property, plant and equipment included development capital expenditure for the completion of the projects at Boyer in Australia and Saugbrugs in Norway, in addition to ordinary maintenance capital expenditure.

Sales of property, plant and equipment included dividends received, proceeds from the CellMark transaction and other working capital related cash releases.

BALANCE SHEET

	31 MAR 2014	31 DEC 2013	31 MAR 2013
Non-current assets	10 419	10 611	11 531
Cash and cash equivalents	878	1 015	971
Other current assets	2 954	2 990	3 595
Total assets	14 251	14 617	16 097
Equity including non-controlling interests	2 273	2 175	4 070
Non-current liabilities	8 728	8 779	9 240
Current liabilities	3 251	3 662	2 787
Net interest-bearing debt	6 800	6 817	6 482

Equity was NOK 2 273 million at 31 March 2014. The increase reflected the profit for the period and translation differences. Details are provided in the Statement of changes in group equity later in this report. Equity per share was NOK 12.

Net interest-bearing debt decreased by NOK 17 million to NOK 6 800 million at 31 March 2014. The reduction essentially reflected net cash flows offset by currency effects on foreign debt.

Cash and cash equivalents amounted to NOK 878 million at 31 March 2014.

SEGMENT INFORMATION

PUBLICATION PAPER EUROPE

	Q1 2014	Q4 2013	Q1 2013	YTD 2014	YTD 2013
Operating revenue	2 211	2 668	2 135	2 211	2 135
Gross operating earnings	121	159	68	121	68
Depreciation	-98	-99	-85	-98	-85
Operating earnings	21	-72	-19	21	-19
Gross operating margin (%)	5.5	6.0	3.2	5.5	3.2
Return on capital employed (%) ^{*)}	4.8	6.7	2.7	4.8	2.7
Production (1 000 tonnes)	518	573	556	518	556
Deliveries (1 000 tonnes)	490	599	529	490	529
Production / capacity (%)	90	91	88	90	88

^{*)} Annualised return on capital employed.

The segment constitutes Norske Skog's European operations in the publication paper market, with mills in Norway, France, Austria and Germany. Annual production capacity was 2 290 000 tonnes in the first quarter.

Operating revenue decreased from the previous quarter, reflecting the closure of one machine at Walsum in Germany and seasonally lower sales volumes. Higher average selling prices were mitigated by less exposure to the LWC market, due to the Walsum closure.

Cost of materials was on level compared to the previous quarter on a per tonne basis. Fixed costs declined, with a lower headcount at Walsum following the closure.

Gross operating earnings declined to NOK 121 million in the quarter, from NOK 159 million in the previous quarter. The decline reflected continued losses at Walsum, start-up problems at Saugbrugs and seasonal effects.

Demand for newsprint in Europe was flat in the first two months of the year compared to the corresponding period last year. Demand for magazine paper declined by 5%.

Capacity utilisation was 90% in the first quarter (91% in the fourth quarter).

PUBLICATION PAPER AUSTRALASIA

	Q1 2014	Q4 2013	Q1 2013	YTD 2014	YTD 2013
Operating revenue	658	857	1 043	658	1 043
Gross operating earnings	54	140	126	54	126
Depreciation	-79	-93	-109	-79	-109
Operating earnings	-36	56	19	-36	19
Gross operating margin (%)	8.1	16.3	12.1	8.1	12.1
Return on capital employed (%) ^{*)}	-0.6	3.8	11.2	-.6	11.2
Production (1 000 tonnes)	131	165	221	131	221
Deliveries (1 000 tonnes)	130	178	221	130	221
Production / capacity (%)	91	84	86	91	86

^{*)} Annualised return on capital employed.

The segment consists of Norske Skog's operations in Australasia. Annual production capacity in the segment was 565 000 tonnes in the first quarter, due to the ongoing machine conversion at Boyer in Australia.

Operating revenue decreased compared to the previous quarter, reflecting the standstill of the machine under conversion at Boyer. Furthermore, Singburi in Thailand was fully deconsolidated in the first quarter. In the fourth quarter of last year, Singburi was partially consolidated.

Cost of materials inflated somewhat on a per tonne basis from the previous quarter, reflecting higher energy prices in New Zealand. Fixed costs increased due to a one-off reduction in environmental obligations in Australasia in the fourth quarter.

Gross operating earnings decreased to NOK 54 million, from NOK 140 million in the fourth quarter. The decrease largely reflected the standstill at Boyer in the quarter and the one-off reduction in fixed costs in the fourth quarter.

Demand for newsprint in Oceania increased by 12% in the first two months of the year, compared to the corresponding period last year. Demand for magazine paper in Oceania declined by 4% in the same period.

Capacity utilisation, adjusted for the Boyer conversion, was 91% in the first quarter (84% in the fourth quarter).

OTHER ACTIVITIES

	Q1 2014	Q4 2013	Q1 2013	YTD 2014	YTD 2013
Operating revenue	34	41	136	34	136
Gross operating earnings	-21	0	-20	-21	-20
Depreciation	-4	-3	-4	-4	-4
Operating earnings	100	-267	-177	100	-177

Other activities consist mainly of unallocated group costs and purchase and resale activities to the business units. Operating earnings of NOK 100 million mainly constitute an increase in the

value of energy contracts. See "Special items in operating earnings" above.

HEALTH AND SAFETY

The H-value (the number of lost-time injuries per million working hours) was 1.13 in the 12 month period from 1 April 2013 to 31 March 2014.

EVENTS IN THE FIRST QUARTER OF 2014

Norske Skog entered a distribution and trade financing agreement with CellMark for the sale of publication paper in Asia.

The Minister of Trade and Industry formally opened the new thermo-mechanical pulp plant at Saugbrugs in Norway on 6 March.

The conversion project at Boyer in Australia progressed as planned. The first roll of magazine paper at the former newsprint machine was produced on 8 April.

Norske Skog signed a new EUR 40 million factoring facility with Crédit Agricole Leasing & Factoring on 15 April, linked to the trade receivables at Golbey in France.

RISK MANAGEMENT

Norske Skog conducts continuous evaluations of its operational and financial risk factors. The main operational risks are related to prices and sales volumes for newsprint and magazine paper, as well as the prices of key input factors such as wood, recovered paper and energy.

Financial risk management mainly includes currency, interest rate and liquidity risk. A description of risk factors and risk management is given in the annual financial statements for 2013.

SHARES

The foreign ownership share was 21% at the end of March 2014. An overview of the main shareholders at the end of March 2014 is included on page 16.

OUTLOOK

Publication paper prices in Europe improved into 2014, with a better market balance for newsprint and SC magazine paper. The European market for coated magazine paper remains weak.

The converted paper machine in Australia will contribute to gross operating earnings from the second quarter.

Variable costs for the group are expected to remain relatively stable. Fixed costs will decline following ongoing cost reduction programmes.

SKØYEN, 23 April 2014 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA



Jarle Roth
Chair



Eilif Due
Board member



Siri Beate Hatten
Board member



Karin Bing Orgland
Board member



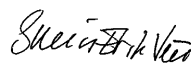
Jon-Aksel Torgersen
Board member




Kjetil Bakkan
Board member



Paul Kristiansen
Board member



Svein Erik Veie
Board member



Sven Ombudstvedt
President and CEO

INTERIM FINANCIAL STATEMENTS, FIRST QUARTER OF 2014

CONDENSED CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	Q1 2014	Q4 2013	Q1 2013	YTD 2014	YTD 2013
Operating revenue	6	2 867	3 534	3 186	2 867	3 186
Distribution costs		-299	-363	-326	-299	-326
Cost of materials		-1 817	-2 053	-1 966	-1 817	-1 966
Change in inventories		107	-147	80	107	80
Employee benefit expenses		-471	-458	-532	-471	-532
Other operating expenses		-234	-214	-268	-234	-268
Gross operating earnings		153	298	174	153	174
Depreciation	4	-181	-196	-198	-181	-198
Restructuring expenses		-2	-149	0	-2	0
Other gains and losses	8	114	-237	-153	114	-153
Impairments	3, 4	0	0	0	0	0
Operating earnings		84	-283	-178	84	-178
Share of profit in associated companies		8	9	5	8	5
Financial items		-77	-323	-333	-77	-333
Profit/loss before income taxes		15	-597	-505	15	-505
Income taxes		-4	140	124	-4	124
Profit/loss for the period		11	-457	-381	11	-381
Profit/loss for the period attributable to:						
Owners of the parent		11	-457	-381	11	-381
Non-controlling interests		0	0	0	0	0
Basic/diluted earnings per share (NOK)		0.06	-2.41	-2.01	0.06	-2.01

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	Q1 2014	Q4 2013	Q1 2013	YTD 2014	YTD 2013
Profit/loss for the period	11	-457	-381	11	-381
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Currency translation differences	38	-8	342	38	342
Tax expense on translation differences	25	-23	22	25	22
Hedge of net investment in foreign operations	24	-56	-61	24	-61
Tax expense on net investment hedge	0	-1	-2	0	-2
Reclassified translation differences upon divestment of foreign operations	0	-34	0	0	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	0
Tax expense on other items	0	0	0	0	0
Total	87	-122	301	87	301
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Remeasurements of post employment benefit obligations	0	52	0	0	0
Tax effect on remeasurements of post employment benefit obligations	0	1	0	0	0
Total	0	53	0	0	0
Other comprehensive income for the period	87	-69	301	87	301
Comprehensive income for the period	98	-526	-80	98	-80
Comprehensive income for the period attributable to:					
Owners of the parent	98	-526	-81	98	-81
Non-controlling interests	0	0	-1	0	-1

CONDENSED CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	31 MAR 2014	31 DEC 2013	31 MAR 2013
Deferred tax asset		567	541	471
Intangible assets	4, 6	115	152	145
Property, plant and equipment	3, 4, 6	8 995	9 025	9 746
Investments in associated companies	5	376	595	354
Other non-current assets	8	366	299	816
Total non-current assets		10 419	10 611	11 531
Inventories		1 377	1 274	1 445
Trade and other receivables		1 458	1 574	1 860
Cash and cash equivalents	7	878	1 015	971
Other current assets	8	119	141	290
Total current assets		3 832	4 005	4 566
Total assets		14 251	14 617	16 097
Paid-in equity		12 302	12 302	12 302
Retained earnings and other reserves		-10 030	-10 127	-8 243
Non-controlling interests		0	0	10
Total equity		2 273	2 175	4 070
Pension obligations		706	714	637
Deferred tax liability		378	392	493
Interest-bearing non-current liabilities	7	7 038	6 973	7 426
Other non-current liabilities	8	605	699	685
Total non-current liabilities		8 728	8 779	9 240
Interest-bearing current liabilities	7	814	1 044	225
Trade and other payables		1 860	2 040	2 014
Tax payable		22	39	47
Other current liabilities	8	554	540	502
Total current liabilities		3 251	3 662	2 787
Total liabilities		11 978	12 441	12 027
Total equity and liabilities		14 251	14 617	16 097

SKØYEN, 23 APRIL 2014 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA



Jarle Roth
Chair



Eilif Due
Board member



Siri Beate Hatlen
Board member



Karin Bing Orgland
Board member



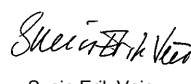
Jon-Aksel Torgersen
Board member



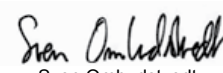
Kjetil Bakkan
Board member



Paul Kristiansen
Board member



Svein Erik Veie
Board member



Sven Ombudstvedt
President and CEO

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	Q1 2014	Q4 2013	Q1 2013	YTD 2014	YTD 2013
Cash generated from operations	3 180	3 629	3 184	3 180	3 184
Cash used in operations	-3 108	-3 118	-3 301	-3 108	-3 301
Cash from net financial items	-58	-184	16	-58	16
Taxes paid	-17	-14	-5	-17	-5
Net cash flow from operating activities ¹⁾	-4	313	-106	-4	-106
Purchases of property, plant and equipment and intangible assets	-116	-176	-117	-116	-117
Sales of property, plant and equipment and intangible assets	1	1	0	1	0
Dividend received	0	2	0	0	0
Purchase of shares in companies and other investments	-3	-29	-39	-3	-39
Sales of shares in companies and other investments	51	161	2	51	2
Net cash flow from investing activities	-67	-42	-155	-67	-155
New loans raised	173	29	121	173	121
Repayments of loans	-238	-109	-107	-238	-107
Net cash flow from financing activities	-65	-80	14	-65	14
Foreign currency effects on cash and cash equivalents	-1	5	-25	-1	-25
Total change in cash and cash equivalents	-137	195	-222	-137	-222
Cash and cash equivalents at start of period	1 015	820	1 194	1 015	1 194
Cash and cash equivalents at end of period	878	1 015	971	878	971
¹⁾ Reconciliation of net cash flow from operating activities					
Gross operating earnings	153	298	174	153	174
Change in working capital	40	243	-200	40	-200
Payments made relating to restructuring activities	-111	-8	-89	-111	-89
Adjustment for other items	-10	-23	-1	-10	-1
Cash flow from net financial items	-58	-184	16	-58	16
Taxes paid	-17	-14	-5	-17	-5
Net cash flow from operating activities	-4	313	-106	-4	-106

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
Equity 1 January 2013	12 302	-8 361	317	-116	4 142	9	4 151
Profit/loss for the period	0	-381	0	0	-381	0	-381
Other comprehensive income for the period	0	0	-64	364	300	1	301
Equity 31 March 2013	12 302	-8 742	253	247	4 060	10	4 070
Profit/loss for the period	0	-1 463	0	0	-1 463	0	-1 463
Other comprehensive income for the period	0	0	-443	22	-421	0	-421
Non-controlling interest – divested operations	0	0	0	0	0	-10	-10
Equity 31 December 2013	12 302	-10 205	-190	269	2 175	0	2 175
Profit/loss for the period	0	11	0	0	11	0	11
Other comprehensive income for the period	0	0	24	63	87	0	87
Equity 31 March 2014	12 302	-10 194	-166	332	2 273	0	2 273

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.

Norske Skog's segment structure has been changed with effect from 1 January 2014. See Note 6 Operating segments 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.

The interim financial statements were authorised for issue by the board of directors in Norske Skogindustrier ASA on 23 April 2014.

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 2013. 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 2013, except for the adaption of amended standards and new interpretations which are mandatory from 1 January 2014. These changes are described in the annual financial statements for 2013.

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 which 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. When calculating value in use at the end of the first quarter of 2014, the discount rate after tax was in the interval from 6.2% to 8.9%.

Calculation of value in use requires use of estimates. When estimating the value in use at 31 March 2014, there was no indication that further impairments should be made.

The possibility of reversing impairment losses recognised in prior periods on property, plant and equipment and intangible assets (except goodwill) has also been evaluated at 31 March 2014. No reversals of previous impairments have been recognised in the first quarter of 2014.

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

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 which 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 marked conditions existing at each balance sheet date. Due to higher expected future energy prices in both the short term and the long term of the contract period compared to the expectations at the end of the fourth quarter of 2013, the value of the contract has increased. At the same time, due to the weakening of NOK against EUR, the embedded derivatives in energy contracts for the Norwegian mills have had a positive value development during the first quarter of 2014.

See Note 9 in the annual financial statements for 2013 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 2013 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. Norske Skog has an ongoing process related to simplification of the group's corporate structure. This, in combination with changes in individual countries' tax laws, could increase the group's tax exposure.

4. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

JAN-MAR	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	TOTAL
Carrying value at start of period	9 025	152	9 177
Additions ¹⁾	116	18	134
Depreciation	-177	-4	-181
Impairments	0	0	0
Value changes	-3	0	-3
Disposals	-7	-51	-58
Currency translation differences	41	0	41
Carrying value at end of period	8 995	115	9 110

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.

5. DIVESTMENT OF OPERATIONS

In January 2014, the terms of sale for Norske Skog's remaining 49% stake in Norske Skog Pisa Ltda. in Brazil were renegotiated, with an accelerated timeline and a sales price of USD 37 million. The transaction was completed on 17 January. Following this, Norske Skog has no remaining interests in South America, and the investment in associated company in Pisa (NOK 223 million at the

end of 2013) has been derecognised from the balance sheet. The value at the end of 2013 reflected the agreed sales price, so the transaction did not result in any additional income statement impact in 2014. The sales proceeds from the transaction will be received during the second quarter of 2014.

6. OPERATING SEGMENTS

The composition of Norske Skog's operating segments was changed with effect from 1 January 2014. The group's activities are now focused on two business systems, namely Europe and Australasia. The segment structure is in line with how the group's operations are managed and monitored 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 group's 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 both Europe and Australasia to maximise earnings within each region. This optimisation is carried out through coordinated sales and operational

planning. Regional planning, in combination with structured sales and operational processes, ensures maximisation of earnings.

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 material.

Activities that are not part of the operating segments are included in other activities.

The comparative figures for 2013 have been restated in accordance with the new segment structure.

Q1 2014	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	2 211	658	34	-35	2 867
Distribution costs	-220	-79	0	0	-299
Cost of materials	-1 459	-356	-1	-1	-1 817
Change in inventories	95	12	0	0	107
Employee benefit expenses	-330	-117	-24	0	-471
Other operating expenses	-176	-65	-29	36	-234
Gross operating earnings	121	54	-21	0	153
Depreciation	-98	-79	-4	0	-181
Restructuring expenses	-2	0	0	0	-2
Other gains and losses	0	-11	124	0	114
Impairments	0	0	0	0	0
Operating earnings	21	-36	100	0	84

Q4 2013	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	2 668	857	41	-32	3 534
Distribution costs	-254	-109	0	0	-363
Cost of materials	-1 617	-426	-11	0	-2 053
Change in inventories	-106	-41	0	0	-147
Employee benefit expenses	-322	-124	-12	0	-458
Other operating expenses	-210	-17	-19	32	-214
Gross operating earnings	159	140	0	0	298
Depreciation	-99	-93	-3	0	-196
Restructuring expenses	-132	-4	-13	0	-149
Other gains and losses	0	13	-250	0	-237
Impairments	0	0	0	0	0
Operating earnings	-72	56	-267	0	-283

Q1 2013	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	2 135	1 043	136	-128	3 186
Distribution costs	-221	-105	0	0	-326
Cost of materials	-1 406	-551	-95	86	-1 966
Change in inventories	90	-10	0	0	80
Employee benefit expenses	-349	-155	-29	0	-532
Other operating expenses	-182	-95	-33	42	-268
Gross operating earnings	68	126	-20	0	174
Depreciation	-85	-109	-4	0	-198
Restructuring expenses	0	0	0	0	0
Other gains and losses	-2	2	-153	0	-153
Impairments	0	0	0	0	0
Operating earnings	-19	19	-177	0	-178

OPERATING SEGMENT PUBLICATION PAPER EUROPE

The operating segment publication paper Europe encompasses production and sale of newsprint and magazine paper in Europe. All

the five European mills and the regional sales organisation are included in the segment.

INCOME STATEMENT	Q1 2014	Q4 2013	Q1 2013	YTD 2014	YTD 2013
Operating revenue	2 211	2 668	2 135	2 211	2 135
Distribution costs	-220	-254	-221	-220	-221
Cost of materials	-1 459	-1 617	-1 406	-1 459	-1 406
Change in inventories	95	-106	90	95	90
Employee benefit expenses	-330	-322	-349	-330	-349
Other operating expenses	-176	-210	-182	-176	-182
Gross operating earnings	121	159	68	121	68
Depreciation	-98	-99	-85	-98	-85
Restructuring expenses	-2	-132	0	-2	0
Other gains and losses	0	0	-2	0	-2
Impairments	0	0	0	0	0
Operating earnings	21	-72	-19	21	-19
Share of operating revenue from external parties (%)	98	94	98	98	98

OPERATING SEGMENT PUBLICATION PAPER AUSTRALASIA

The operating segment publication paper Australia encompasses production and sale of newsprint and magazine paper in Australasia.

All the three mills in Australasia and the regional sales organisation are included in the segment.

INCOME STATEMENT	Q1 2014	Q4 2013	Q1 2013	YTD 2014	YTD 2013
Operating revenue	658	857	1 043	658	1 043
Distribution costs	-79	-109	-105	-79	-105
Cost of materials	-356	-426	-551	-405	-551
Change in inventories	12	-41	-10	12	-10
Employee benefit expenses	-117	-124	-155	-117	-155
Other operating expenses	-65	-17	-95	-65	-95
Gross operating earnings	54	140	126	54	126
Depreciation	-79	-93	-109	-79	-109
Restructuring expenses	0	-4	0	0	0
Other gains and losses	-11	13	2	-11	2
Impairments	0	0	0	0	0
Operating earnings	-36	56	19	-36	19
Share of operating revenue from external parties (%)	100	100	100	100	100

OTHER ACTIVITIES

Activities in the group that do not fall into the operating segments newsprint or magazine paper are presented under other activities.

This includes corporate functions, real estate activities, energy (commodity contracts and embedded derivatives in commodity contracts) and other holding company activities.

INCOME STATEMENT	Q1 2014	Q4 2013	Q1 2013	YTD 2014	YTD 2013
Operating revenue	34	41	136	34	136
Distribution costs	0	0	0	0	0
Cost of materials	-1	-11	-95	-1	-95
Change in inventories	0	0	0	0	0
Employee benefit expenses	-24	-12	-29	-24	-29
Other operating expenses	-29	-19	-33	-29	-33
Gross operating earnings	-21	0	-20	-21	-20
Depreciation	-4	-3	-4	-4	-4
Restructuring expenses	0	-13	0	0	0
Other gains and losses	124	-250	-153	124	-153
Impairments	0	0	0	0	0
Operating earnings	100	-267	-177	100	-177
Share of operating revenue from external parties (%)	1	28	9	1	9
OPERATING REVENUE					
Energy	0	0	79	0	79
Real estate activities	0	1	0	0	0
Corporate functions	32	29	38	32	38
Miscellaneous	8	19	27	8	27
Eliminations	-7	-7	-8	-7	-8
Total	34	41	136	34	136
GROSS OPERATING EARNINGS					
Energy	0	0	0	0	0
Real estate activities	0	0	-1	0	-1
Corporate functions	-15	1	-18	-15	-18
Miscellaneous	-6	0	-2	-6	-2
Eliminations	0	0	0	0	0
Total	-21	0	-20	-21	-20

OPERATING CASH FLOW

	Q1 2014	Q4 2013	Q1 2013	YTD 2014	YTD 2013
Publication paper Europe	165	454	-20	165	-20
Publication paper Australasia	-105	97	11	-105	11
Other activities	12	-41	-108	12	-108
Operating cash flow allocated to segments	72	511	-117	72	-117
Cash from net financial items	-58	-184	16	-58	16
Taxes paid	-17	-14	-5	-17	-5
Net cash flow from operating activities	-4	313	-106	-4	-106

PROPERTY, PLANT AND EQUIPMENT PER SEGMENT

	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	TOTAL
Publication paper Europe	5 206	23	5 229
Publication paper Australasia	3 756	30	3 786
Other activities	33	62	95
Total	8 995	115	9 110

7. INTEREST-BEARING DEBT

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 175 million is included in interest-bearing debt at 31 March 2014. The corresponding figure at 31 December 2013 was NOK 185 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 MARCH 2014	REPORTED KEY FIGURES
Interest-bearing non-current liabilities	7 038
Interest-bearing current liabilities	814
- Hedge reserve	175
- Cash and cash equivalents	878
= Net interest-bearing debt	6 800

DEBT REPAYMENT SCHEDULE

CONTRACTUAL INSTALMENT PAYMENTS ON CURRENT AND NON-CURRENT INTEREST-BEARING DEBT	31 MAR 2014
2014 – second quarter	543
2014 – third quarter	59
2014 – fourth quarter	205
2015	1 030
2016	1 327
2017	3 253
2018	27
2019	27
2020	27
2021	19
2022	14
2023 to 2033	1 227
Total	7 758

Total debt listed in the repayment schedule may differ from the carrying value in the balance sheet.

This is due to premiums and discounts on issued bonds and hedge reserve.

BONDS

Bond financing constitutes the majority of Norske Skog's total debt financing. All bonds are issued by Norske Skogindustrier ASA and are

unsecured. The table below shows Norske Skog's issued bonds at 31 March 2014.

MATURITY	CURRENCY	COUPON	ORIGINAL AMOUNT	OUTSTANDING AMOUNT 31 MAR 2014
October 2015	USD	6.125%	USD 200 mill	USD 158 mill
October 2033	USD	7.125%	USD 200 mill	USD 200 mill
June 2016	EUR	11.75%	EUR 150 mill	EUR 130 mill
June 2017	EUR	7.00%	EUR 500 mill	EUR 388 mill
June 2014	NOK (NSG 17)	15.5%	NOK 530 mill	NOK 408 mill
June 2014	NOK (NSG 18)	N3m + 11.5%	NOK 220 mill	NOK 88 mill
October 2014	NOK (NSG 15)	5.4%	NOK 300 mill	NOK 185 mill

Norske Skog has bought back bonds for approximately NOK 200 million (par value) in NSG17 and NSG18 during the first quarter of

2014. Saved interest cost to maturity on the bought back bonds amounted to approximately NOK 5 million.

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

31 MAR 2014	ASSETS		LIABILITIES	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Energy contracts and embedded derivatives in energy contracts	34	203	-81	-201
Other raw material contracts	4	1	0	0
Other derivatives and financial instruments carried at fair value	10	0	-41	-10
Total	48	204	-122	-211

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 in the short end of the price curve while prices in the long end are virtually unchanged compared with the 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 strengthened against EUR during the quarter, which has had a positive 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.

9. PRINCIPAL SHAREHOLDERS

PRINCIPAL SHAREHOLDERS AT 31 MARCH 2014	NUMBER OF SHARES	OWNERSHIP %
Nobelssystem Scandinavia AS	9 700 000	5.11
Skandinaviska Enskilda Banken	6 310 000	3.32
AT Skog BA	6 065 911	3.19
Nordnet Bank AB (Nominee)	5 410 571	3.11
Astrup Fearnley AS	5 189 688	2.85
Uthalden A/S	4 350 000	2.29
Citibank N.A. (Nominee)	4 239 299	2.23
Allskog BA	3 493 238	1.84
Spectatio Finans AS	3 364 345	1.77
Danske Bank A/S (Nominee)	3 181 548	1.67
Swedbank Norge Markets	3 000 000	1.58
Fiducia AS	2 986 644	1.57
Clearstream Banking SA (Nominee)	2 850 795	1.50
AS Havlide	2 296 466	1.21
SES AS	2 200 000	1.16
AS Herdebred	2 112 005	1.11
Barokk Invest AS	2 050 000	1.08
J.P.Morgan Chase Bank	2 022 208	1.06
Torstein I. Tvenge	2 000 000	1.05
Myra Matsenter	1 989 192	1.05
Alfaplan AS	1 900 000	1.00
Shareholders with < 1% ownership	113 233 716	59.24
Total	189 945 626	100.00

10. THE NORSKE SKOG SHARE

	31 MAR 2014	31 DEC 2013	30 SEP 2013	30 JUN 2013	31 MAR 2013
Share price (NOK)	4.90	4.74	3.43	2.67	3.05
Book value of equity per share (NOK)	11.97	11.45	14.50	14.70	21.39

11. 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 2014.

12. HISTORICAL FIGURES

INCOME STATEMENT	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Operating revenue	2 867	3 534	3 353	3 267	3 186
Variable costs	-2 009	-2 563	-2 418	-2 268	-2 212
Fixed costs	-705	-673	-759	-785	-801
Gross operating earnings	153	298	176	214	174
Depreciation	-181	-196	-136	-198	-198
Restructuring expenses	-2	-149	3	0	0
Other gains and losses	114	-237	-47	-662	-153
Operating earnings	84	-283	-4	-647	-178
Share of profit in associated companies	8	9	9	4	5
Financial items	-77	-323	-245	-358	-333
Profit/loss before income taxes	15	-597	-240	-1 001	-505
Income taxes	-4	140	94	142	124
Profit/loss for the period	11	-457	-147	-859	-381

SEGMENT INFORMATION	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Publication paper Europe					
Operating revenue	2 211	2 668	2 455	2 174	2 135
Gross operating earnings	121	159	83	16	68
Deliveries (1 000 tonnes)	490	599	576	534	529
Publication paper Australasia					
Operating revenue	658	857	892	1 079	1 043
Gross operating earnings	54	140	113	214	126
Deliveries (1 000 tonnes)	130	178	187	226	221
Other activities					
Operating revenue	34	41	47	88	136
Gross operating earnings	-21	0	-20	-16	-20

BALANCE SHEET	31 MAR 2014	31 DEC 2013	30 SEP 2013	30 JUN 2013	31 MAR 2013
Total non-current assets	10 419	10 611	10 999	10 655	11 531
Inventories	1 377	1 274	1 493	1 513	1 445
Trade and other receivables	1 458	1 574	1 695	1 462	1 860
Cash and cash equivalents	878	1 015	820	1 575	971
Other current assets	119	141	145	172	290
Total current assets	3 832	4 005	4 154	4 723	4 566
Total assets	14 251	14 617	15 153	15 378	16 097
Total equity	2 273	2 175	2 712	2 801	4 070
Total non-current liabilities	8 728	8 779	8 972	8 659	9 240
Trade and other payables	1 860	2 040	2 171	2 095	2 014
Other current liabilities	1 390	1 623	1 298	1 823	774
Total current liabilities	3 251	3 662	3 469	3 918	2 787
Total liabilities	11 978	12 441	12 441	12 576	12 027
Total equity and liabilities	14 251	14 617	15 153	15 378	16 097
CASH FLOW	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Reconciliation of net cash flow from operating activities					
Gross operating earnings	153	298	176	214	174
Change in operating working capital	27	282	-119	258	-81
Payments made relating to restructuring activities	-111	-8	-10	-15	-89
Cash flow from net financial items	-58	-184	-108	-346	16
Taxes paid	-17	-14	-6	-32	-5
Other	3	-61	-25	-128	-121
Net cash flow from operating activities	-4	313	-91	-48	-106
Purchases of property, plant and equipment and intangible assets	-116	-176	-110	-125	-117
Net divestments	49	132	9	238	-38
Dividend received	0	2	16	0	0
Net cash flow from investing activities	-67	-42	-85	113	-155
Net cash flow from financing activities	-65	-80	-594	508	14
Foreign currency effects on cash and cash equivalents	-1	5	15	30	25
Total change in cash and cash equivalents	-137	195	-755	604	-222



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