

## INTRODUCTION

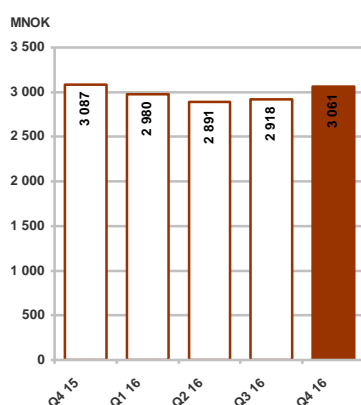
Norske Skog is a world leading producer of publication paper. Publication paper includes newsprint and magazine paper. The group has seven fully-owned mills in five countries and one partly-owned mill in Malaysia. The annual production capacity for the fully-owned mills is 2.7 million tonnes. Newsprint 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.

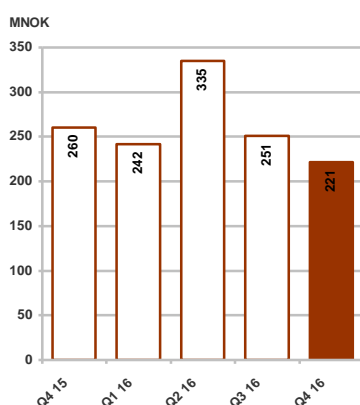
## KEY FIGURES (UNAUDITED)

NOK MILLION (unless otherwise stated)	Q4 2016	Q3 2016	Q4 2015 Restated	YTD 2016	YTD 2015 Restated
<b>INCOME STATEMENT</b>					
Operating revenue	3 061	2 918	3 087	11 849	11 538
Gross operating earnings	221	251	260	1 049	753
Operating earnings	-73	114	114	-1 065	-164
Profit/loss for the period	-124	190	-828	306	-1 526
Earnings per share (NOK)	-0.57	0.70	-4.36	1.17	-8.03
<b>CASH FLOW</b>					
Net cash flow from operating activities	-16	19	90	230	-777
Net cash flow from investing activities	78	-64	-65	-107	-206
Cash flow per share (NOK)	-0.06	0.07	0.47	0.82	-4.09
<b>OPERATING MARGIN AND PROFITABILITY (%)</b>					
Gross operating margin	7.2	8.6	8.4	8.9	6.5
Return on capital employed (annualised)	6.1	10.4	9.0	9.3	6.3
<b>PRODUCTION / DELIVERIES / CAPACITY UTILISATION</b>					
Production (1 000 tonnes)	620	628	624	2 506	2 444
Deliveries (1 000 tonnes)	656	621	650	2 520	2 432
Production / capacity (%)	92	93	89	93	85

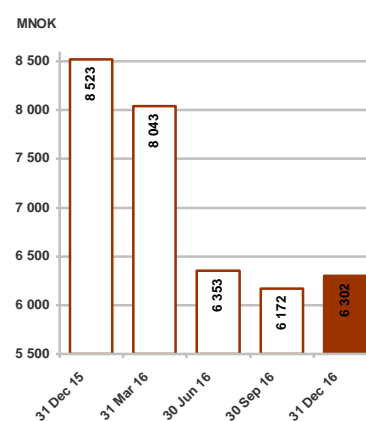
### OPERATING REVENUE



### GROSS OPERATING EARNINGS



### NET INTEREST-BEARING DEBT



	31 DEC 2016	30 SEP 2016	31 DEC 2015 Restated	1 JAN 2015 Restated
<b>BALANCE SHEET</b>				
Non-current assets	7 162	6 913	9 473	10 686
Current assets	3 082	3 298	3 187	3 291
Total assets	10 244	10 210	12 660	13 977
Equity	184	269	-229	1 285
Net interest-bearing debt	6 302	6 172	8 523	7 387

## REPORT OF THE BOARD OF DIRECTORS FOR THE FOURTH QUARTER OF 2016

- Gross operating earnings fourth quarter NOK 221 million, a decrease from NOK 251 million in the previous quarter
  - Headwinds in Europe from high spot electricity prices in Norway, NOK appreciation to GBP and elevated recovered paper prices
  - Tailwind in Australasia from higher average selling prices for magazine paper at Boyer
- Net interest-bearing debt increased by NOK 130 million to NOK 6 302 million
  - Negative unrealized currency effect from NOK depreciation to EUR and USD
- Cash flow from operations NOK 232 million before net financial items
  - Seasonal working capital release more than offsetting restructuring payments related to de-manning
- Loss for the period NOK 124 million, compared to a profit of NOK 190 in the previous quarter
  - After depreciation, reduced value of energy contracts, interest expenses and negative currency effect on debt
- Norske Skog has in 2017 discussed a significant refinancing of the group with key investors
  - The concept for an equity conversion of unsecured debt was welcomed, but specific investor demands could not be met

## INCOME STATEMENT

NOK MILLION	Q4 2016	Q3 2016	Q4 2015	YTD 2016	YTD 2015
Operating revenue	3 061	2 918	3 087	11 849	11 538
Distribution costs	-309	-313	-327	-1 229	-1 242
Cost of materials	-1 706	-1 689	-1 753	-6 777	-6 876
Change in inventories	-145	29	-103	-66	59
Fixed cost	-679	-694	-643	-2 727	-2 725
<b>Gross operating earnings</b>	<b>221</b>	<b>251</b>	<b>260</b>	<b>1 049</b>	<b>753</b>

Operating revenue increased from the third quarter with seasonally higher sales volumes. Publication paper prices were stable in the second half of 2016.

Variable costs increased per tonne reflecting high electricity prices in Norway and inflated recovered paper costs. Fixed costs were somewhat lower.

Gross operating earnings decreased quarter-over-quarter with cost inflation and margin contraction for the export business to the UK with GBP depreciation.

NOK MILLION	Q4 2016	Q3 2016	Q4 2015 Restated	YTD 2016	YTD 2015 Restated
Depreciation	-150	-156	-194	-682	-767
Restructuring expenses	-20	-1	-32	-67	-53
Other gains and losses	-125	20	79	-127	-97
Impairments	0	0	0	-1 238	0
<b>Operating earnings</b>	<b>-73</b>	<b>114</b>	<b>114</b>	<b>-1 065</b>	<b>-164</b>

Depreciation was flat at an annualized level of NOK 600 million. Restructuring expenses were mainly related to de-manning at Bruck in Austria.

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

NOK MILLION	Q4 2016	Q3 2016	Q4 2015 Restated	YTD 2016	YTD 2015 Restated
Share of profit in associated companies	-6	-3	-18	-211	-41
Financial items	-364	84	-376	1 044	-801
Income taxes	318	-5	-549	538	-520
<b>Profit/loss for the period</b>	<b>-124</b>	<b>190</b>	<b>-828</b>	<b>306</b>	<b>-1 526</b>

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

statement are higher than cash interest payments reflecting amortization of bond issuance costs and payment in kind (PIK) interest.

Financial items included net interest expenses and unrealized currency losses on foreign debt of around NOK 200 million and NOK 150 million respectively. Interest expenses through the income

Loss for the quarter after depreciation, other gains and losses and financial items was NOK 124 million.

## REFINANCING DISCUSSIONS WITH KEY INVESTORS

Norske Skog has in 2017 discussed a refinancing proposal with key equity and bondholders. The proposed transaction would have equitized all unsecured debt and enlarged and extended the senior secured note (SSN). The proposal followed consistent investor feedback through last autumn for the desirability of the group to reduce its debt and lower interest costs. Significant efforts were made to construct a balanced proposal acceptable for all investors within the realms of the possible. Specific investor demands were however beyond that scope and discussions were ended.

A deleveraged and recapitalized group would be in a better position to diversify its business model. Identified growth projects include biogas, tissue paper and wood pellets in addition to green energy savings and production of fibre based alternatives to other materials. A diversified Norske Skog with a strong balance sheet would also be an attractive consolidation partner for publication paper in Europe.

## DIVERSIFICATION BEYOND PUBLICATION PAPER

Norske Skog is aiming to generate 25% of group GOE from new businesses by 2020, but is in need of financing to achieve that target. The shift will predominantly involve identified investments in new green industries like biogas and wood pellets.

This year the group will add a new revenue stream, biogas. The biogas production at Saugbrugs in Norway will provide environmental friendly fuel to local busses. As such Norske Skog is succeeding not only in diversification, but also in entering a new green future. A similar project is under construction at the Golbey mill in France and at the Skogn mill in Norway, Norske Skog will provide the biomass for a new biogas facility adjacent to the paper site. There is scope for further biogas investments pending funding.

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

to Japan and Norske Skog has abundant access to fibre. Industrial scale pellets production at the Tasman site would require funding.

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

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

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

## SEGMENT INFORMATION

### PUBLICATION PAPER EUROPE

NOK MILLION (unless otherwise stated)	Q4 2016	Q3 2016	Q4 2015	YTD 2016	YTD 2015
Operating revenue	2 129	1 988	2 174	8 292	8 102
<b>Gross operating earnings</b>	<b>144</b>	<b>191</b>	<b>146</b>	<b>778</b>	<b>413</b>
Gross operating margin (%)	6.8	9.6	6.7	9.4	5.1
Return on capital employed (%) (annualised)	7.6	12.3	8.8	12.5	6.0
Production (1 000 tonnes)	453	458	452	1 838	1 790
Deliveries (1 000 tonnes)	486	447	476	1 853	1 784
Production / capacity (%)	91	92	86	92	82

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

Operating revenue increased from the previous quarter with seasonally higher sales volumes. Publication paper prices in Europe were flat in local currencies in the second half of 2016, apart from in the UK where import inflation pushed prices higher.

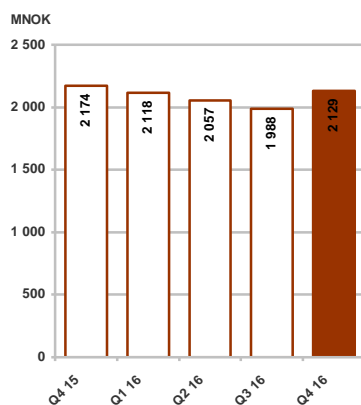
Variable costs increased per tonne with high spot electricity prices in Norway and elevated recovered paper costs. Fixed costs were somewhat lower.

Gross operating earnings declined with cost inflation and some margin contraction for the Norwegian newsprint exports to the UK due to continued pound weakness, which more than offset price increases in the UK.

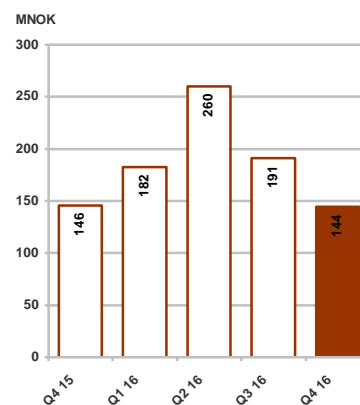
Demand for newsprint and magazine paper in Europe decreased by 3% through November compared to the same period the year before. For magazine paper there was end user substitution between grades, leading to a demand increase of 3% for SC paper and a demand drop of 7% for LWC paper.

Capacity utilisation remained high at 91% in the period.

#### OPERATING REVENUE



#### GROSS OPERATING EARNINGS



### PUBLICATION PAPER AUSTRALASIA

NOK MILLION (unless otherwise stated)	Q4 2016	Q3 2016	Q4 2015	YTD 2016	YTD 2015
Operating revenue	923	917	909	3 520	3 422
<b>Gross operating earnings</b>	<b>97</b>	<b>73</b>	<b>104</b>	<b>323</b>	<b>361</b>
Gross operating margin (%)	10.5	7.9	11.4	9.2	10.5
Return on capital employed (%) (annualised)	6.5	8.2	8.5	6.4	7.8
Production (1 000 tonnes)	166	171	172	668	654
Deliveries (1 000 tonnes)	170	174	174	667	648
Production / capacity (%)	94	97	96	95	91

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 despite lower sales volumes with higher average selling prices for magazine paper at Boyer and CO2 compensation at Tasman. Newsprint prices in Australasia were unchanged in the second half of 2016 as most volumes are on long term contracts, while Asian export prices improved.

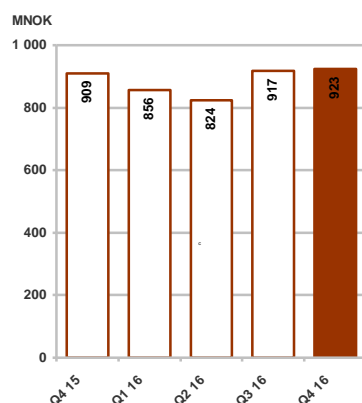
Both variable costs per tonne and fixed costs were stable in the quarter.

Gross operating earnings improved with better magazine paper prices and CO2 compensation. The CO2 compensation is recurring, but was not evenly distributed between quarters in 2016.

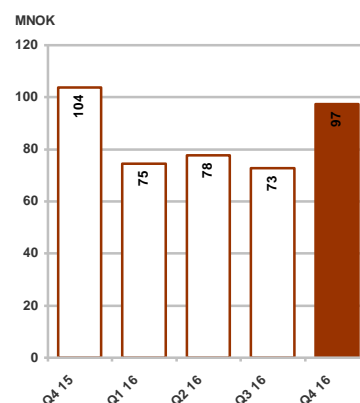
Demand for newsprint in Australasia declined by 10% through November compared to the same period the year before. Demand for magazine paper has been relatively stable in recent years.

Capacity utilisation remained high at 94% in the period.

### OPERATING REVENUE



### GROSS OPERATING EARNINGS



## OTHER ACTIVITIES

NOK MILLION	Q4 2016	Q3 2016	Q4 2015	YTD 2016	YTD 2015
Operating revenue	37	41	38	148	139
<b>Gross operating earnings</b>	<b>-20</b>	<b>-13</b>	<b>11</b>	<b>-51</b>	<b>-21</b>

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

## CASH FLOW

NOK MILLION	Q4 2016	Q3 2016	Q4 2015	YTD 2016	YTD 2015
Gross operating earnings	221	251	260	1 049	753
Change in working capital	76	-104	170	38	-519
Restructuring activities	-40	-20	-2	-74	-15
Other items	-23	-8	-43	-40	-103
Net financial items	-248	-96	-273	-723	-843
Taxes paid	-3	-4	-22	-20	-50
<b>Net cash flow from operating activities</b>	<b>-16</b>	<b>19</b>	<b>90</b>	<b>230</b>	<b>-777</b>
<b>Purchases of property, plant and equipment and intangible assets</b>	<b>-114</b>	<b>-65</b>	<b>-61</b>	<b>-302</b>	<b>-180</b>

Working capital decreased with seasonally higher sales volumes in the fourth quarter.

Restructuring activities mainly reflected payments related to de-manning at Bruck in Austria and in Australasia. Net financial items were primarily coupon payments on issued bonds.

Cash flow from purchases of property, plant and equipment and intangible assets was high in the quarter reflecting completion of a new biogas facility at Saugbrugs in Norway, as well as investments in energy efficiency in Australia.

## BALANCE SHEET

NOK MILLION	31 DEC 2016	30 SEP 2016	31 DEC 2015 Restated
Non-current assets	7 162	6 913	9 473
<b>Cash and cash equivalents</b>	<b>532</b>	<b>570</b>	<b>536</b>
Other current assets	2 550	2 727	2 651
Total assets	10 244	10 210	12 660
<b>Equity including non-controlling interests</b>	<b>184</b>	<b>269</b>	<b>-229</b>
Non-current liabilities	7 512	7 292	8 970
Current liabilities	2 548	2 649	3 920
<b>Net interest-bearing debt</b>	<b>6 302</b>	<b>6 172</b>	<b>8 523</b>

Net interest-bearing debt was NOK 6 302 million at quarter end, an increase of NOK 130 million in the period reflecting unfavourable foreign exchange movements.

Cash and cash equivalents amounted to NOK 532 million at quarter end.

## RELATED PARTIES

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

## RISK MANAGEMENT

Norske Skog conducts continuous evaluations of its operational and financial risk factors. The main risk exposures for the group are linked to price and volume developments for publication paper and the costs of key input factors such as energy and fibre. Currency movements and developments in the broader economic climate remain the largest uncertainties impacting all of the above. The high financial leverage of the group amplifies the business risks. For an elaborated description of risk factors and risk management please refer to the annual financial statements for 2015

## OUTLOOK

The market balance for publication paper in Europe is expected to improve with announced capacity conversions and closures in the industry. This has resulted in a favourable pricing environment for newsprint with operating rates to remain well above 90% throughout 2017. Cost inflation from recovered paper and Norwegian energy prices, together with Brexit headwinds, will however dampen the positive price effect.

The Asian export market for newsprint, constituting around a quarter of the Australasian business for the group, is encouraging with improved prices. Domestically in Australia and New Zealand the group has margin protection through long-term customer contracts, but the business is exposed to a secular decline in demand.

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

New businesses beyond publication paper will start to contribute meaningfully to gross operating earnings (GOE) this year, with the biogas facility at Saugbrugs in Norway coming on stream in the first quarter and the completion of the biogas facility at Golbey in France by year-end.

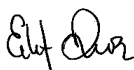
The group is targeting 25% of GOE to be generated from new businesses by 2020, with additional initiatives beyond biogas including tissue paper and wood pellets. The diversification strategy needs funding to be achieved. Norske Skog is unable to participate in the consolidation of publication paper in Europe with its current leverage.

Given the high level of leverage, interest costs and low equity the board of directors remains focused on improving these ratios. The board of directors has continuous attention to improving the underlying business as well as exploring further refinancing opportunities to deleverage the group. This will enable the group to be in a better position to diversify its business model and be an attractive consolidation partner for publication paper in Europe.

### SKØYEN, 7 FEBRUARY 2017 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA



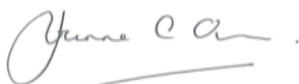
Henrik A. Christensen  
Chair



Eilif Due  
Board member



Nils Ingemund Hoff  
Board member



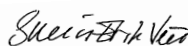
Joanne Owen  
Board member



Paul Kristiansen  
Board member



Cecilie Jonassen  
Board member



Svein Erik Veie  
Board member



Mimi K. Berdal  
Board member



Sven Ombudstvedt  
President and CEO

# INTERIM FINANCIAL STATEMENTS, FOURTH QUARTER OF 2016

## CONDENSED CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	Q4 2016	Q3 2016	Q4 2015 Restated	YTD 2016	YTD 2015 Restated
<b>Operating revenue</b>	5	<b>3 061</b>	<b>2 918</b>	<b>3 087</b>	<b>11 849</b>	<b>11 538</b>
Distribution costs		-309	-313	-327	-1 229	-1 242
Cost of materials		-1 706	-1 689	-1 753	-6 777	-6 876
Change in inventories		-145	29	-103	-66	59
Employee benefit expenses		-456	-477	-424	-1 855	-1 848
Other operating expenses		-224	-217	-220	-872	-877
<b>Gross operating earnings</b>		<b>221</b>	<b>251</b>	<b>260</b>	<b>1 049</b>	<b>753</b>
Depreciation	4	-150	-156	-194	-682	-767
Restructuring expenses		-20	-1	-32	-67	-53
Other gains and losses	7	-125	20	79	-127	-97
Impairments	3, 4	0	0	0	-1 238	0
<b>Operating earnings</b>		<b>-73</b>	<b>114</b>	<b>114</b>	<b>-1 065</b>	<b>-164</b>
Share of profit in associated companies	3	-6	-3	-18	-211	-41
Financial items		-364	84	-376	1 044	-801
<b>Profit/loss before income taxes</b>		<b>-443</b>	<b>195</b>	<b>-279</b>	<b>-232</b>	<b>-1 005</b>
Income taxes		318	-5	-549	538	-520
<b>Profit/loss for the period</b>		<b>-124</b>	<b>190</b>	<b>-828</b>	<b>306</b>	<b>-1 526</b>
<b>Profit/loss for the period attributable to:</b>						
Owners of the parent		-124	190	-828	306	-1 526
Non-controlling interests		0	0	0	0	0
Basic earnings per share (NOK)		-0.57	0.70	-4.36	1.17	-8.03
Diluted earnings per share (NOK)		-0.57	0.70	-4.36	1.17	-8.03

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

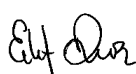
NOK MILLION	Q4 2016	Q3 2016	Q4 2015 Restated	YTD 2016	YTD 2015 Restated
<b>Profit/loss for the period</b>	<b>-124</b>	<b>190</b>	<b>-828</b>	<b>306</b>	<b>-1 526</b>
<b>Other comprehensive income</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Currency translation differences	56	-111	347	-246	304
Tax expense on translation differences	-7	0	-27	-21	-280
Hedge of net investment in foreign operations	0	0	-11	37	-108
Tax expense on net investment hedge	0	0	0	0	0
Reclassified translation differences upon divestment of foreign operations	0	0	0	0	95
Perpetual notes	0	0	0	148	0
<b>Total</b>	<b>50</b>	<b>-111</b>	<b>309</b>	<b>-82</b>	<b>11</b>
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Remeasurements of post employment benefit obligations	-10	0	5	-10	5
Tax effect on remeasurements of post employment benefit obligations	-1	0	-4	-1	-4
<b>Total</b>	<b>-11</b>	<b>0</b>	<b>1</b>	<b>-11</b>	<b>1</b>
<b>Other comprehensive income for the period</b>	<b>40</b>	<b>-111</b>	<b>310</b>	<b>-92</b>	<b>11</b>
<b>Comprehensive income for the period</b>	<b>-84</b>	<b>79</b>	<b>-518</b>	<b>214</b>	<b>-1 514</b>
<b>Comprehensive income for the period attributable to:</b>					
Owners of the parent	-84	79	-518	214	-1 514
Non-controlling interests	0	0	0	0	0

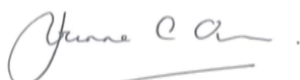


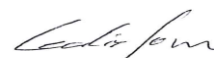

## CONDENSED CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	31 DEC 2016	30 SEP 2016	31 DEC 2015 Restated	1 JAN 2015 Restated
Deferred tax asset		257	0	0	598
Intangible assets	3, 4	30	20	87	92
Property, plant and equipment	3, 4	6 562	6 540	8 585	9 180
Investments in associated companies	3	151	159	374	429
Other non-current assets	7	161	193	426	387
<b>Total non-current assets</b>		<b>7 162</b>	<b>6 913</b>	<b>9 473</b>	<b>10 686</b>
Inventories		1 161	1 307	1 253	1 334
Trade and other receivables		1 345	1 188	1 357	1 209
Cash and cash equivalents	6	532	570	536	710
Other current assets	4, 7	44	232	40	39
<b>Total current assets</b>		<b>3 082</b>	<b>3 298</b>	<b>3 187</b>	<b>3 291</b>
<b>Total assets</b>		<b>10 244</b>	<b>10 210</b>	<b>12 660</b>	<b>13 977</b>
Paid-in equity		12 502	12 502	12 302	12 302
Retained earnings and other reserves		-12 318	-12 232	-12 532	-11 017
Non-controlling interests		0	0	0	0
<b>Total equity</b>		<b>184</b>	<b>269</b>	<b>-229</b>	<b>1 285</b>
Pension obligations		265	258	276	820
Deferred tax liability		293	346	610	415
Interest-bearing non-current liabilities	6	6 429	6 229	7 453	6 592
Other non-current liabilities	7	524	460	631	692
<b>Total non-current liabilities</b>		<b>7 512</b>	<b>7 292</b>	<b>8 970</b>	<b>8 519</b>
Interest-bearing current liabilities	6	466	576	1 676	1 679
Trade and other payables		1 868	1 785	1 921	2 172
Tax payable		11	10	15	13
Other current liabilities	7	204	278	308	309
<b>Total current liabilities</b>		<b>2 548</b>	<b>2 649</b>	<b>3 920</b>	<b>4 173</b>
<b>Total liabilities</b>		<b>10 060</b>	<b>9 941</b>	<b>12 889</b>	<b>12 692</b>
<b>Total equity and liabilities</b>		<b>10 244</b>	<b>10 210</b>	<b>12 660</b>	<b>13 977</b>

SKØYEN, 7 FEBRUARY 2017 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA


Henrik A. Christensen  
Chair

Eilif Due  
Board member

Nils Ingemund Hoff  
Board member

Joanne Owen  
Board member

Paul Kristiansen  
Board member

Cecilie Jonassen  
Board member

Svein Erik Veie  
Board member

Mimi K. Berdal  
Board member

Sven Ombudstvedt  
President and CEO

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	Q4 2016	Q3 2016	Q4 2015	YTD 2016	YTD 2015
Cash generated from operations	2 914	2 841	3 020	11 817	11 224
Cash used in operations	-2 681	-2 722	-2 636	-10 844	-11 108
Cash from net financial items	-248	-96	-273	-723	-843
Taxes paid	-3	-4	-22	-20	-50
<b>Net cash flow from operating activities <sup>1)</sup></b>	<b>-16</b>	<b>19</b>	<b>90</b>	<b>230</b>	<b>-777</b>
Purchases of property, plant and equipment and intangible assets	-114	-65	-61	-302	-180
Sales of property, plant and equipment and intangible assets	191	0	1	194	2
Dividend received	0	0	0	0	0
Purchase of shares in companies and other investments	0	0	0	0	-1
Sales of shares in companies and other investments	2	0	-6	1	-28
<b>Net cash flow from investing activities</b>	<b>78</b>	<b>-64</b>	<b>-65</b>	<b>-107</b>	<b>-206</b>
New loans raised	101	21	101	1 544	2 614
Repayments of loans	-206	-113	-295	-1 825	-1 853
New paid in equity	0	0	0	200	0
<b>Net cash flow from financing activities</b>	<b>-105</b>	<b>-92</b>	<b>-193</b>	<b>-82</b>	<b>760</b>
Foreign currency effects on cash and cash equivalents	5	-17	5	-45	50
<b>Total change in cash and cash equivalents</b>	<b>-38</b>	<b>-155</b>	<b>-163</b>	<b>-4</b>	<b>-173</b>
<b>Cash and cash equivalents at start of period</b>	<b>570</b>	<b>725</b>	<b>699</b>	<b>536</b>	<b>710</b>
<b>Cash and cash equivalents at end of period</b>	<b>532</b>	<b>570</b>	<b>536</b>	<b>532</b>	<b>536</b>
<b><sup>1) Reconciliation of net cash flow from operating activities</sup></b>					
Gross operating earnings	221	251	260	1 049	753
Change in working capital	76	-104	170	38	-519
Payments made relating to restructuring activities	-40	-20	-2	-74	-15
Adjustment for other items	-23	-8	-43	-40	-103
Cash flow from net financial items	-248	-96	-273	-723	-843
Taxes paid	-3	-4	-22	-20	-50
<b>Net cash flow from operating activities</b>	<b>-16</b>	<b>19</b>	<b>90</b>	<b>230</b>	<b>-777</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	Paid-in equity	Perpetual Notes	Retained earnings	Hedge accounting	Other equity reserves	Total before non-controlling interests	Non-controlling interests	Total equity
<b>Equity 1 January 2015</b>	<b>12 302</b>	<b>0</b>	<b>-11 708</b>	<b>-331</b>	<b>1 023</b>	<b>1 285</b>	<b>0</b>	<b>1 285</b>
Profit/loss for the period	0	0	-698	0	0	-698	0	-698
Other comprehensive income for the period	0	0	0	-97	-198	-295	0	-295
<b>Equity 30 September 2015</b>	<b>12 302</b>	<b>0</b>	<b>-12 406</b>	<b>-428</b>	<b>824</b>	<b>288</b>	<b>0</b>	<b>288</b>
Profit/loss for the period	0	0	-828	0	0	-828	0	-828
Other comprehensive income for the period	0	0	0	-11	319	309	0	309
<b>Equity 31 December 2015</b>	<b>12 302</b>	<b>0</b>	<b>-13 234</b>	<b>-439</b>	<b>1 143</b>	<b>-229</b>	<b>0</b>	<b>-229</b>
Profit/loss for the period	0	0	430	0	0	430	0	430
Perpetual notes	0	148	0	0	0	148	0	148
Proceeds from shares issued	199	0	0	0	0	199	0	199
Other comprehensive income for the period	0	0	0	37	-317	-280	0	-280
<b>Equity 30 September 2016</b>	<b>12 502</b>	<b>148</b>	<b>-12 803</b>	<b>-403</b>	<b>824</b>	<b>269</b>	<b>0</b>	<b>269</b>
Profit/loss for the period	0	0	-124	0	0	-124	0	-124
Other comprehensive income for the period	0	0	0	0	40	40	0	40
<b>Equity 31 December 2016</b>	<b>12 502</b>	<b>148</b>	<b>-12 928</b>	<b>-403</b>	<b>864</b>	<b>184</b>	<b>0</b>	<b>184</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 7 February 2017.

Norske Skog's accounting treatment of embedded derivatives in energy contracts in Norway was changed with effect from 1 January 2015. See note 2 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 2016 and Q3 2016) and the closing exchange rate (31 December 2016, 30 September 2016 and 31 December 2015) for the most important currencies for the Norske Skog group.

	Q4 2016	Q3 2016	31 DEC 2016	30 SEP 2016	31 DEC 2015
AUD	6.28	6.31	6.23	6.13	6.45
EUR	9.04	9.29	9.09	8.99	9.62
GBP	10.40	10.94	10.61	10.44	13.07
NZD	5.96	6.02	5.99	5.85	6.04
USD	8.38	8.32	8.62	8.05	8.81

## 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 2015. The interim financial statements are unaudited.

The accounting policies applied in the preparation of the interim financial statements are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2015, except for the adaptation of amended standards and new interpretations, which are mandatory from 1 January 2016. These changes are described in the consolidated financial statements for 2015.

Norske Skog has Euro denominated energy contracts in Norway, reducing the group's exposure to the Norwegian krone. Financially, a contract combining energy prices and currency exposures is considered a hybrid instrument, containing a host contract and an embedded derivative. When the embedded derivative is considered closely related to the host contract the embedded derivative is not separated from its host contract, while it is accounted for as a freestanding derivative when it is not considered closely related. Norske Skog previously accounted for the foreign currency element separately as an embedded derivative. In first quarter 2015 Norske

Skog changed the accounting principle to account for the combined contract as one contract without separation of an embedded foreign currency derivative.

This accounting treatment was applied for all four interim financial statements for 2015. Due to a preliminary assessment from the Financial Supervisory Authority of Norway (FSA) from March 2016 the new accounting treatment was reversed. The annual financial statements for 2015 were issued in compliance with the preliminary assessment from the FSA. On 27 June 2016 the FSA issued the final assessment containing the same conclusion on the accounting treatment. In the interim financial statements for 2016 the comparable figures for 2015 will be restated compared to the interim financial statements issued for the interim periods in 2015. The change in accounting principle was agreed with the auditor at that time. The full accounting effects of returning to the former accounting principles, and the current estimate had a net effect on reported equity of NOK 301 million at 31 December 2015. The change in accounting principle did not have any cash effect. See Note 7 for further information about energy contracts.

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

### 3. ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

#### *Estimated decline in value of property, plant and equipment, and investments in associated companies*

Property, plant and equipment are tested for possible impairment charges whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less sales costs or its value in use. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit. Norske Skog applies a scenario model for future cash flows discounted by the weighted average cost of capital (WACC) for calculating the present value of the assets. If the impairment tests indicate lower values than the carrying amounts, impairment will be recognized.

The key drivers of profitability in the industry and thus asset values for Norske Skog are product prices relative to production costs. The impairment model's starting point is the operating plan or budget for 2016, where contracted prices/costs are reflected when applicable.

As of 30 June 2016 for Norske Skog recognized an impairment charge of assets of approximately NOK 1.4 billion. The impairment charge related to the current business is related to the business in Australasia with NOK 947 million and NOK 291 million for the European business. In addition, an impairment of NOK 205 million for the associated company MNI was recognized.

An updated impairment test has been carried out as of 31 December 2016. The impairment test is based on the best estimate of future expectations of the current portfolio of assets taking into consideration external analysis of expected market developments for publication paper. Cash flow is calculated individually for each mill in the local currency that it will be generated over the estimated useful life of the individual machines. Useful life is estimated based on industry cost curves and development of the market. The discounted value is calculated by applying a required rate of return for the cash generating unit. The impairment test has been prepared consistent with the impairment test as of 30 June 2016. The test shows no need for further impairment as of 31 December 2016.

#### *Commodity contracts*

Commodity contracts that fail to meet the own-use exemption criteria in IAS 39 *Financial instruments – recognition and measurement* and embedded derivatives in commodity contracts are recognised in the balance sheet and valued at fair value. Fair values of commodity contracts and embedded derivatives in commodity contracts that are not traded in an active market, are assessed through valuation techniques. Norske Skog has one long-term energy contract in New Zealand. The electricity prices for long-term electricity contracts in New Zealand are not directly observable in the market for the whole contract length. Price forecasts from acknowledged external sources are used in the estimation of fair value. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

See Note 9 in the consolidated financial statements for 2015 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 2015 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 2016. 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	8 585	87	8 672
Additions <sup>1)</sup>	304	21	325
Depreciation	-672	-10	-682
Impairments <sup>2)</sup>	-1 180	-58	-1 238
Value changes	-12	0	-12
Disposals	-207	-10	-217
Currency translation differences	-256	0	-256
<b>Carrying value at end of period</b>	<b>6 562</b>	<b>30</b>	<b>6 592</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.

<sup>2)</sup> See Note 3 for basis for impairment charge

### SUMMARY OF CURRENT ASSETS HELD FOR SALE

	31 DEC 2016	30 SEP 2016	31 DEC 2015
Other current assets <sup>3)</sup>	0	204	0

<sup>3)</sup> Topp 1 was sold in Q4

### PROPERTY, PLANT AND EQUIPMENT PER SEGMENT

	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	TOTAL
Publication paper Europe	4 102	5	4 107
Publication paper Australasia	2 424	16	2 440
Other activities	36	9	45
<b>Total</b>	<b>6 562</b>	<b>30</b>	<b>6 592</b>

## 5. OPERATING SEGMENTS

The activities of the Norske Skog group are focused on two business systems, namely Europe and Australasia. The segment structure is in line with how the group is managed internally. Norske Skog's chief operating decision maker is corporate management, who distribute resources and assess performance of the group's operating segments. 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 improved newsprint used in newspapers, inserts, catalogues etc. Magazine paper includes the paper qualities super calendered (SC) and light weight coated (LWC).

Magazine paper is used in magazines, catalogues and advertising materials.

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

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

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

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

Q3 2016	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
<b>Operating revenue</b>	<b>1 988</b>	<b>917</b>	<b>41</b>	<b>-28</b>	<b>2 918</b>
Distribution costs	-203	-108	-2	0	-313
Cost of materials	-1 183	-504	-2	0	-1 689
Change in inventories	44	-18	3	0	29
Employee benefit expenses	-304	-142	-31	0	-477
Other operating expenses	-150	-73	-21	28	-217
<b>Gross operating earnings</b>	<b>191</b>	<b>73</b>	<b>-13</b>	<b>0</b>	<b>251</b>
Depreciation	-98	-55	-3	0	-156
Restructuring expenses	-1	0	0	0	-1
Other gains and losses	0	-3	23	0	20
Impairments	0	0	0	0	0
<b>Operating earnings</b>	<b>92</b>	<b>15</b>	<b>8</b>	<b>0</b>	<b>114</b>
Share of operating revenue from external parties (%)	100	100	36		100

Q4 2015 Restated	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	62	0	79
Impairments	0	0	0	0	0
<b>Operating earnings</b>	<b>27</b>	<b>17</b>	<b>70</b>	<b>0</b>	<b>114</b>
Share of operating revenue from external parties (%)	100	100	13		100

YTD 2016	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
<b>Operating revenue</b>	<b>8 292</b>	<b>3 520</b>	<b>148</b>	<b>-111</b>	<b>11 849</b>
Distribution costs	-820	-401	-8	0	-1 229
Cost of materials	-4 824	-1 944	-9	0	-6 777
Change in inventories	-61	-12	7	0	-66
Employee benefit expenses	-1 207	-549	-99	0	-1 855
Other operating expenses	-602	-291	-90	111	-872
<b>Gross operating earnings</b>	<b>778</b>	<b>323</b>	<b>-51</b>	<b>0</b>	<b>1 049</b>
Depreciation	-395	-275	-12	0	-682
Restructuring expenses	-26	-38	-3	0	-67
Other gains and losses	2	-32	-97	0	-127
Impairments	-291	-947	0	0	-1 238
<b>Operating earnings</b>	<b>67</b>	<b>-969</b>	<b>-163</b>	<b>0</b>	<b>-1 065</b>
Share of operating revenue from external parties (%)	100	100	28		100

YTD 2015 Restated	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	53	0	-97
Impairments	0	0	0	0	0
<b>Operating earnings</b>	<b>-176</b>	<b>-4</b>	<b>16</b>	<b>0</b>	<b>-164</b>
Share of operating revenue from external parties (%)	100	100	17		100

## OTHER ACTIVITIES

INCOME STATEMENT	Q4 2016	Q3 2016	Q4 2015	YTD 2016	YTD 2015
<b>OPERATING REVENUE</b>					
Corporate functions	24	23	31	93	112
Green energy	9	14	5	40	20
Miscellaneous	6	5	5	22	16
Eliminations	-2	-1	-3	-6	-9
<b>Total</b>	<b>37</b>	<b>41</b>	<b>38</b>	<b>148</b>	<b>139</b>
<b>GROSS OPERATING EARNINGS</b>					
Corporate functions	-19	-16	12	-54	-21
Green energy	-1	1	-2	-3	-1
Miscellaneous	0	3	1	6	1
Eliminations	0	0	0	0	0
<b>Total</b>	<b>-20</b>	<b>-13</b>	<b>11</b>	<b>-51</b>	<b>-21</b>



## 6. FINANCIAL ITEMS AND INTEREST-BEARING DEBT

### FINANCIAL ITEMS

NOK MILLION	Q4 2016	Q3 2016	Q4 2015	YTD 2016	YTD 2015
<b>Net interest expenses</b>	<b>-204</b>	<b>-206</b>	<b>-240</b>	<b>-910</b>	<b>-919</b>
Currency gains/losses <sup>1)</sup>	-147	256	-119	380	-719
Other financial items	-13	35	-17	1 574	836
<b>Total financial items</b>	<b>-364</b>	<b>84</b>	<b>-376</b>	<b>1 044</b>	<b>-801</b>

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

In first quarter 2016, Norske Skog launched a new exchange offer to the holder of the senior notes due in 2017 to exchange into new notes due in 2026, perpetual notes and the right to subscribe for equity. Norske Skog recognised a net gain, in connection with the exchange offer closed in April 2016, of about NOK 1 600 million in second quarter of 2016, which is included in Other financial items.

The 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 stronger NOK is unfavourable for the underlying business and the competitiveness of the Norwegian mills.

### 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 61 million is included in interest-bearing debt at

31 December 2016. The corresponding figure at 30 September 2016 was NOK 62 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.

NOK MILLION	31 DEC 2016
Interest-bearing non-current liabilities	6 429
Interest-bearing current liabilities	466
- Hedge reserve	61
- Cash and cash equivalents	532
<b>= Net interest-bearing debt</b>	<b>6 302</b>

### DEBT REPAYMENT SCHEDULE

CONTRACTUAL INSTALMENT PAYMENTS ON CURRENT AND NON-CURRENT INTEREST-BEARING DEBT	31 DEC 2016
2017 – first quarter	411
2017 – second quarter	14
2017 – third quarter	30
2017 – fourth quarter	11
2018	48
2019	2 670
2020	949
2021	1 362
2022	22
2023	546
2024	21
2025	8
2026	1 070
2027 to 2033	824
<b>Total</b>	<b>7 987</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.

Financed amounts from securitization arrangements is classified as interest-bearing current liabilities. This amounts to NOK 278 million in debt repayment in Q1 2017.

The financed amount represents a group of individual loans, which are settled individually at maturity of the accounts receivable. New

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

## BONDS

Bond financing constitutes the majority of Norske Skog's total debt financing. The 2026 and 2033 bonds and 2115 perpetual notes are issued by Norske Skogindustrier ASA and are unsecured. The 2021 and 2023 bonds are issued by Norske Skog Holding AS and are unsecured, but guaranteed. The 2019 bond is issued by Norske Skog AS and is guaranteed and secured. The table below shows Norske Skog's issued bonds at 31 December 2016.

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

MATURITY	CURRENCY	COUPON	NOMINAL VALUE	AMOUNT OUTSTANDING 31 DEC 2016
February 2023	USD	8.00%	USD 61 mill	USD 61 mill
October 2033	USD	7.125%	USD 200 mill	USD 95 mill
December 2019	EUR	11.75%	EUR 290 mill	EUR 290 mill
February 2021	EUR	8.00%	EUR 159 mill	EUR 148 mill
June 2026	EUR	3.50% / 3.50% PIK	EUR 117 mill	EUR 117 mill
December 2115	EUR	2.00% PIK	EUR 80 mill	EUR 80 mill

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

31 DEC 2016	ASSETS		LIABILITIES	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Energy contracts and embedded derivatives in energy contracts (level 3)	8	40	-67	-202
Energy contracts (level 2)	24	1	0	0
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>32</b>	<b>41</b>	<b>-67</b>	<b>-202</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. In valuation of derivative contracts the fair value includes the impact of credit risk. Credit risk adjustments are applied to derivative liability positions based on Norske Skog's own credit risk.

Higher energy prices have a positive impact on fair value. Energy prices in New Zealand have decreased in the short term and the long end of the price curve compared with previous quarter.

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

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

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

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

Gains and losses on level 3 financial instruments recognised in the income statement, line item Other gains and losses, amounted to NOK -117 million in the fourth quarter (NOK 15 million in the third quarter).

## 8. PRINCIPAL SHAREHOLDERS

PRINCIPAL SHAREHOLDERS AT 31 DEC 2016	NUMBER OF SHARES	OWNERSHIP %
GSO Special Sit.	36 893 853	13.22
Goldman Sachs & Co	20 614 269	7.39
Nobelssystem Scandinavia AS	8 100 000	2.90
Astrup Fearnley AS	6 469 688	2.32
SES AS	6 100 000	2.19
GSO Credit Alpha Trading	5 582 305	2.00
GSO Churchill Partners	5 448 533	1.95
Allskog BA	5 296 381	1.90
Uthalden A/S	4 830 000	1.73
Fiducia AS	4 776 810	1.71
Barokk Invest AS	4 050 000	1.45
Swedbank Norge Markets	3 577 500	1.28
GSO Credit-A- Partner	3 315 955	1.19
Skandinaviska Enskilda Banken	2 478 052	0.89
Clearstream Banking	2 456 976	0.88
Tveco AS	2 400 000	0.86
Alfaplan AS	2 367 500	0.85
GSO Oasis Credit Partners	2 169 082	0.78
Nordea Bank Finland	2 166 747	0.78
Danske Bank A/S	1 970 623	0.71
Other shareholders	147 930 721	53.02
<b>Total</b>	<b>278 994 995</b>	<b>100.00</b>

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

On 31 March 2016, Norske Skog issued 63 460 714 new shares at a subscription price of NOK 2.24 in a private placement directed to GSO and Cyrus. The total proceeds of the private placement amounts to NOK 142 151 999. The share capital increase pertaining to the private placement has been duly registered in the Norwegian Register of Business Enterprises.

On 14 June 2016, Norske Skog issued 25 588 655 new shares at subscription price of NOK 2.24 in connection with repair offering. The share capital increase has been duly registered in the Norwegian Register of Business Enterprises. As a consequence of the above share capital increases the new share capital of Norske Skogindustrier ASA at 30 June is NOK 278 994 995, divided into 278 994 995 shares, each with a par value of NOK 1.

## 9. THE NORSKE SKOG SHARE

	31 DEC 2016	30 SEP 2016	30 JUN 2016	31 DEC 2015 Restated
Share price (NOK)	2.84	2.93	2.50	2.66
Book value of equity per share (NOK)	0.66	0.97	0.68	-1.21

## 10. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after the balance sheet date with significant impact on the interim financial statements for the fourth quarter of 2016.

## 11. HISTORICAL FIGURES

INCOME STATEMENT	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015 Restated
<b>Operating revenue</b>	<b>3 061</b>	<b>2 918</b>	<b>2 891</b>	<b>2 980</b>	<b>3 087</b>
Variable costs	-2 160	-1 973	-1 884	-2 056	-2 183
Fixed costs	-679	-694	-671	-682	-643
<b>Gross operating earnings</b>	<b>221</b>	<b>251</b>	<b>335</b>	<b>242</b>	<b>260</b>
Depreciation	-150	-156	-186	-190	-194
Restructuring expenses	-20	-1	-46	0	-32
Other gains and losses	-125	20	-10	-12	79
Impairments	0	0	-1 238	0	0
<b>Operating earnings</b>	<b>-73</b>	<b>114</b>	<b>-1 146</b>	<b>40</b>	<b>114</b>
Share of profit in associated companies	-6	-3	-204	2	-18
Financial items	-364	84	1 359	-34	-376
<b>Profit/loss before income taxes</b>	<b>-443</b>	<b>195</b>	<b>9</b>	<b>7</b>	<b>-279</b>
Income taxes	318	-5	220	4	-549
<b>Profit/loss for the period</b>	<b>-124</b>	<b>190</b>	<b>229</b>	<b>11</b>	<b>-828</b>

SEGMENT INFORMATION	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
<b>Publication paper Europe</b>					
Operating revenue	2 129	1 988	2 057	2 118	2 174
Gross operating earnings	144	191	260	182	146
Deliveries (1 000 tonnes)	486	447	460	460	476
<b>Publication paper Australasia</b>					
Operating revenue	923	917	824	856	909
Gross operating earnings	97	73	78	75	104
Deliveries (1 000 tonnes)	170	174	158	165	174
<b>Other activities</b>					
Operating revenue	37	41	38	33	38
Gross operating earnings	-20	-13	-2	-15	11

BALANCE SHEET	31 DEC 2016	30 SEP 2016	30 JUN 2016	31 MAR 2015	31 DEC 2015 Restated
<b>Total non-current assets</b>	<b>7 162</b>	<b>6 913</b>	<b>7 198</b>	<b>9 149</b>	<b>9 473</b>
Inventories	1 161	1 307	1 322	1 287	1 253
Trade and other receivables	1 345	1 188	1 134	1 275	1 357
Cash and cash equivalents	532	570	725	1 472	536
Other current assets	44	232	238	35	40
<b>Total current assets</b>	<b>3 083</b>	<b>3 298</b>	<b>3 420</b>	<b>4 069</b>	<b>3 187</b>
<b>Total assets</b>	<b>10 244</b>	<b>10 210</b>	<b>10 618</b>	<b>13 218</b>	<b>12 660</b>
<b>Total equity</b>	<b>184</b>	<b>269</b>	<b>190</b>	<b>-154</b>	<b>-229</b>
<b>Total non-current liabilities</b>	<b>7 512</b>	<b>7 292</b>	<b>7 672</b>	<b>9 662</b>	<b>8 970</b>
Trade and other payables	1 868	1 785	1 870	1 947	1 921
Other current liabilities	680	864	886	1 763	1 999
<b>Total current liabilities</b>	<b>2 548</b>	<b>2 649</b>	<b>2 756</b>	<b>3 710</b>	<b>3 920</b>
<b>Total liabilities</b>	<b>10 060</b>	<b>9 941</b>	<b>10 428</b>	<b>13 372</b>	<b>12 889</b>
<b>Total equity and liabilities</b>	<b>10 244</b>	<b>10 210</b>	<b>10 618</b>	<b>13 218</b>	<b>12 660</b>

CASH FLOW	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
<b>Reconciliation of net cash flow from operating activities</b>					
Gross operating earnings	221	251	335	242	260
Change in operating working capital	115	-129	12	104	155
Payments made relating to restructuring activities	-40	-20	-2	-12	-2
Cash flow from net financial items	-248	-96	-279	-100	-273
Taxes paid	-3	-4	1	-15	-22
Other	-63	17	-24	-34	-28
<b>Net cash flow from operating activities</b>	<b>-16</b>	<b>19</b>	<b>42</b>	<b>185</b>	<b>90</b>
Purchases of property, plant and equipment and intangible assets	-114	-65	-74	-48	-61
Net divestments	193	0	2	0	-4
Dividend received	0	0	0	0	0
<b>Net cash flow from investing activities</b>	<b>78</b>	<b>-64</b>	<b>-73</b>	<b>-48</b>	<b>-65</b>
<b>Net cash flow from financing activities</b>	<b>-105</b>	<b>-92</b>	<b>-703</b>	<b>818</b>	<b>-193</b>
Foreign currency effects on cash and cash equivalents	5	-17	-13	-19	5
<b>Total change in cash and cash equivalents</b>	<b>-38</b>	<b>-155</b>	<b>-747</b>	<b>936</b>	<b>-163</b>