Norske Skog

2014

ANNUAL REPORT

CONTENTS

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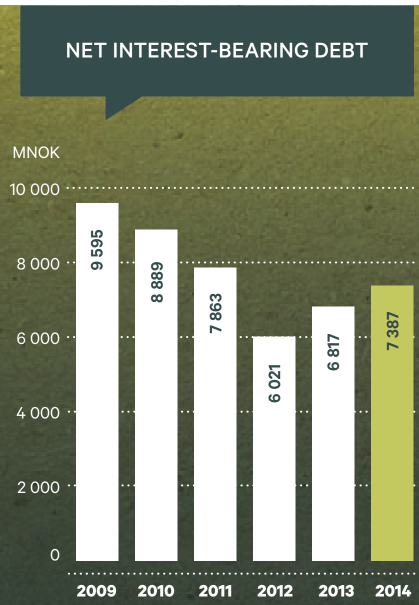
KEY FIGURES

	DEFINITIONS	2014	2013	2012	2011	2010	2009
INCOME STATEMENT							
Operating revenue		12 150	13 339	16 592	18 904	18 986	20 362
Gross operating earnings	1	801	862	1 485	1 515	1 413	2 185
Operating earnings		65	-1 111	-2 663	-2 701	-2 379	-1 325
Profit/loss		-1 504	-1 844	-2 781	-2 545	-2 469	-1 400
Earnings per share (NOK)		-7.92	-9.71	-14.63	-13.36	-12.97	-6.36
CASH FLOW							
Net cash flow from operating activities		200	68	982	455	397	1 697
Net cash flow from investing activities		48	-169	300	470	415	-587
Cash flow per share (NOK)		1.06	0.36	5.18	2.40	2.09	8.95
OPERATING MARGIN AND PROFITABILITY (%)							
Gross operating margin	2	6.6	6.5	9.0	8.0	7.4	10.7
Return on capital employed	3	5.6	3.3	7.9	6.3	5.4	17.0
Return on equity	4	-86.9	-58.3	-48.0	-28.9	-22.2	-10.9
Return on assets	5	0.6	-6.7	-14.5	-8.7	-7.5	-3.1
PRODUCTION / DELIVERIES / CAPACITY UTILISATION							
Production (1 000 tonnes)		2 612	3 039	3 555	3 832	3 998	3 895
Deliveries (1 000 tonnes)		2 616	3 050	3 588	3 857	4 013	3 894
Production / capacity (%)		88	88	88	87	89	79

		31.12.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009
BALANCE SHEET							
Non-current assets		10 686	10 611	11 393	15 803	19 271	23 546
Current assets		3 291	4 005	4 650	6 171	10 027	9 609
Total assets		13 977	14 617	16 043	21 974	29 297	33 155
Equity		1 285	2 175	4 151	7 433	10 183	12 015
Net interest-bearing debt	6	7 387	6 817	6 021	7 863	8 889	9 595
Gearing (net interest-bearing debt / equity)	7	5.75	3.13	1.45	1.06	0.87	0.80



DEFINITIONS KEY FIGURES

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

01 January

Norske Skog sold its remaining stake in the Brazilian operations at Pisa in Brazil to Papeles Bio Bio SA (formerly Norske Skog Bio Bio) which is controlled by Group BO / Pathfinder, a consortium of Chilean investors.

Norske Skog and CellMark AB entered into a long-term marketing agreement for sales of publication paper. CellMark will have the exclusive marketing rights for all Norske Skog products in the Asian markets.

02 February

The financial results for 2013 were reported. A weakening of the Norwegian krone improved operating margins, particularly for the Norwegian units, but at the same time this increased long-term debt, which is mostly in EUR and USD. Fixed costs were reduced, lower capacity in the market improved the margins. Norske Skog in 2013 had the best health, environment and safety performance in the company's history.

03 March

The Industry Minister Monica Mæland opened the new NOK 220 million thermo-mechanical pulp plant at Norske Skog Saugbrugs. The old pulp plant was replaced by a modern facility, which will supply pulp to the paper machines at a much lower cost than today. Cost savings consist mainly of lower energy and pulp consumption and lower maintenance costs.

04 April

Norske Skog's annual general meeting re-elected Eilif Due, Siri Beate Hatlen and Jon-Aksel Torgersen to the board of directors, and elected Karin Bing Orgland and Jarle Roth as new directors. The annual general meeting elected Jarle Roth as chair of the board.

Norske Skog continued to strengthen operations in a difficult market. Capacity utilisation in the first quarter remained high at 91 per cent, showing the competitiveness of the business units.

05 May

Norske Skog Australasia launched its new catalogue and magazine paper called Vantage, following a successful AUD 85 million conversion of one of the Boyer Mill's two newsprint machines to the production of 140 000 tonnes of Light Weight Coated (LWC) paper each year.

Norske Skog initiated the sale and liquidation of the complete Walsum PM4 production line, which was shut down in 2013.

06 June

Norske Skog received positive customer feedback on the first rolls of coated paper from the converted Boyer-machine at Tasmania in Australia.

07 July

Norske Skog reported strengthened operations due to lower costs and improved efficiency for the second quarter. Continued cost reduction programmes with lower variable and fixed costs and better economies of scale for the business units impacted the financial results.

08 August

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

09 September

Norske Skog won the prestigious award "Farmandprisen" for 2014 for best 2013 annual report among the small and medium sized listed companies on Oslo Stock Exchange. The award recognized Norske Skog's report as the best and most complete annual report for 2013. Norske Skog also won the award in 1991, 1999 and 2012.

10 October

For the third quarter, Norske Skog reported a continued positive trend of reduced costs and high production at the mills in a demanding market. The interest expense was reduced by replacing expensive bonds with cheaper securitisation facilities based on accounts receivables totalling so far around NOK 800 million.

11 November

Norske Skog Saugbrugs was awarded the European Union's environmental product certification Eco-label. Bruck, Golbey and Skogn mills have all been Eco-labelled before.

12 December

The French national Grand Prize for sustainable development was awarded to The Green Valley and Norske Skog Golbey. The Green Valley approach has been awarded the Grand Prize in the circular economy category of the National Enterprise and Environment contest. French minister of ecology, sustainable development & energy environment Ségolène Royal handed over the prize to managing director Yves Bailly at a national event in Lyon.

7 COUNTRIES

Skogn, Norway
Saugbrugs, Norway
Golbey, France
Walsum, Germany
Bruck, Austria

MNI, Malaysia – 34%
Albury, Australia
Boyer, Australia
Tasman, New Zealand

CORPORATE MANAGEMENT

CEO SVEN OMBUDSTVEDT

CFO RUNE SOLLIE

COO ROAR ØDELIEN

SVP LARS SPERRE

Sven Ombudstvedt
President and CEO

5 main priorities:

1. **Refinance the company and provide a runaway for Norske Skog to grow into our capital structure**
2. **Increase competitiveness through the reduction of fixed costs and a more optimised logistics chain from forest to customers**
3. **Create and exploit new business opportunities relating to existing facilities**
4. **Improve margins through optimising customer and product portfolio**
5. **Continue to influence the political framework in all areas in which we operate**

FUTURE ON PAPER

Norske Skog has strengthened its operational competitiveness through hard work and continuous improvement programs in all areas. We have removed the least efficient production lines and increased our average mill size. We have also focused on our geographical areas of strength in Europe and Oceania, in 2014 selling our remaining stake in the Brazilian operation.

At the same time we have made targeted investments in the plants with the best competitive position. For instance, in 2014 we opened a new thermo-mechanical pulp plant at Norske Skog Saugbrugs. We also started producing coated magazine paper at Norske Skog Boyer in Australia after a conversion from newsprint. This enabled us for the first time to provide customers in Australia and New Zealand with local access to this world-class product.

Our financial position has also improved. Interest expenses are reduced by repayments of expensive bond loans and by utilizing less expensive securitization facilities based on receivables. At the same time, some external factors are also contributing positively. Production capacity in the market has been removed, improving the market balance and supporting prices.

For our operations in Norway, the currency development during the latter half of 2014 has also clearly improved our competitive position, although this has the corresponding effect of increasing the group's debt, which is mostly denominated in euro and dollar. Beyond these internal improvements in Norske Skog and short-term market developments, we are sensing a renewed interest in print publications.

The coolest publication on the planet is, arguably, Monocle – a print magazine. While this is a niche publication, we are also seeing a broader trend towards restraining the flow of free editorial content on the Internet. Increasingly, publishers are realizing that they cannot produce quality journalism and then give it away based on flimsy ad formats that do not produce the revenue streams necessary to support quality journalism.

Online newspapers are increasingly constructing pay walls, and some are warning that they will start banning users who have installed ad-blockers. We believe this will increase interest in print publications. Free online reading will gradually be limited, and when users have to pay for the content anyway, more of them will probably prefer a print version of the publication.

Also, numerous studies confirm the strength and return on investment offered by well-designed print advertising. The retail store JC Penney will revitalize print as advertising medium again after abolishing it some years ago. Because they believe print ads are, in short, highly effective.

A look at financial numbers is also sobering for the digital prophets: Print is by far the leading revenue driver and still accounts for 93 per cent of all newspaper revenues, according to the World Association of Newspapers and News Publishers.

Paper is an enviromental friendly product. It is based on a completely renewable resource, wood. Waste products are used for bio energy, and most of the paper that is produced is eventually recycled. In Europe the recycling rate is 72 percent, according to the European Recovered Paper Council. This should be a source of pride for everyone in our industry.

Norske Skog is actively pursuing ways of making the wood-based supply chain even more efficient, sustainable and innovative. This includes production of new forms of wood pulp and bio fuels as well as changing ash from a waste product to a commercial resource.

There is no doubt that our industry has faced challenges over the last years, primarily due to overcapacity in the market, but at Norske Skog we have navigated through these challenges. For this, credit is due to our 3000 dedicated employees who make sure that we are able to supply high-quality publication paper to customers in more than 80 countries.

I am more confident than ever that the products we deliver have a long and successful future, and that Norske Skog will remain a leading supplier of these products.

STRATEGY FOR A WOOD-BASED FUTURE

Minister of Agriculture and Food Sylvi Listhaug on Skogn visit.

On 26 January 2015, a strategy group including representatives from government, industry and academia, presented its report Skog22 ("Forest22") to Norway's Minister of Agriculture and Food, Ms Sylvi Listhaug.

The report outlines a strategy aiming to quadruple total turnover of Norway's forest-related industry to NOK 180 billion (approximately EUR 20.5 billion) by 2045.

"This government sees a large potential in the forestry and wood industry. This is an industry that stands on its own two feet and lives with demanding international competition. We will now take the time to do a thorough review of the strategy document and all the proposals presented," said Listhaug as she received the report.

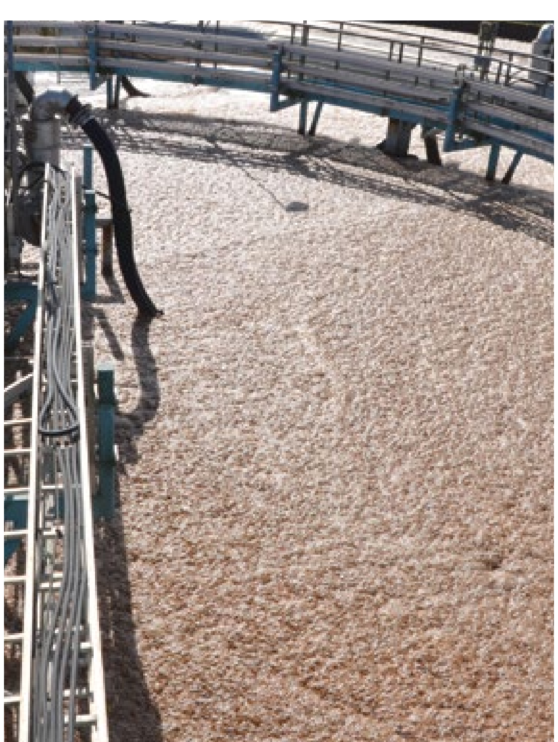
The history of Norway's forest-based export goes back to the 14th century. Today it is a thoroughly modern industry, and it has ample room to expand. While deforestation is a concern on a global scale, in Norway the trend is the opposite. Over the last 90 years the estimated volume of Norway's forests has increased threefold.

Norske Skog applauds all efforts to facilitate the sustainable and profitable use of this huge resource.

Recommendations range from increased research to improved regulatory framework as well as emphasis on responsible macroeconomic policies aimed to avoid currency and interest shocks that are particularly sensitive to a capital-intensive industry exposed to global markets.

"The forest and wood processing industry has a long term and sustainable future in Norway. Access to renewable raw material and energy, recyclable end products as well as the opportunities for cooperation between business and politicians that could provide the industry with world-leading regulatory framework and competitiveness," said Sven Ombudstvedt, President and CEO of Norske Skog.

"Norske Skog believes in the wood processing industry, in our renewable products and in the future," he added.



SLUDGE AND WASTEWATER BECOMES ENERGY

Paper is a renewable product, and Norske Skog has pursued various initiatives to make the entire value chain environmentally sustainable. This includes using sustainable wood fibre and recycled paper as raw material, improving energy efficiency, and finding ways to turn waste products into resources, in cooperation with various partners.

One example of this holistic view of the value chain is a project to utilize waste from Norske Skog Skogn as raw material for producing biogas.

A new company, Biokraft, has been established to construct a production facility that will make use of wastewater and sludge from Norske Skog Skogn that is today compressed and burned.

Biokraft will also use waste from the fish farming industry in the production process.

A new carbon tax on natural gas will be implemented from 1 July 2015 and will make biogas a much more competitive product in Norway.

The planned production from the first stage of the project is 120 gigawatt hours, equivalent to a 50 percent increase of biogas production in Norway. The goal is for the plant to be ready in the second half of 2016.

Biokraft aims to be Scandinavians leading provider of sustainable biofuels.

BIG PICTURE, BIG GAINS

Norske Skog Boyer, located on the island of Tasmania in Australia, in late 2013 joined with other leading industrial companies on the island in a campaign to increase understanding of their contribution to the economy of Tasmania.

The multi-media campaign, which was supported by a range of industry, business and community groups, was launched under the slogan "Take a Look at the Big Picture", and one element of the campaign was employees of the companies sharing proud and passionate stories about how they fit into the Big Picture.

The campaign succeeded in giving industry a unified and powerful voice in Tasmania.

Two areas of importance were energy and transportation, and here the campaign has contributed to tangible results for Norske Skog Boyer.

It pays to draw attention to the Big Picture – quite literally.

SAID ABOUT SKOG22:

The forest and wood processing industry has a long term and sustainable future in Norway. Access to renewable raw material and energy, recyclable end products as well as the opportunities for cooperation between business and politicians that could provide the industry with world-leading regulatory framework and competitiveness.

Sven Ombudstvedt
President and CEO

This government sees a large potential in the forestry and wood industry. This is an industry that stands on its own two feet and lives with demanding international competition. We will now take the time to do a thorough review of the strategy document and all the proposals presented.

Sylvi Listhaug
Minister of Agriculture and Food,

Rod Bender,
Boyer (Tasmania, Australia)

1. What is the key for future success for your mill?
2. What makes your mill special, what is your mill's competitive advantage?

1. We have converted a machine to manufacture LWC. As a result, success will hinge on quickly learning how to run a sustainable LWC business alongside the important business of making newsprint, book paper and high bright paper.

2. The main competitive advantage is the proud and passionate people who work here, but I would also include the key suppliers and contractors who cooperate with us.

INVESTMENT IN COATED PAPER WILL OPEN NEW MARKETS IN AUSTRALIA

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

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

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

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

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

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

Photos: Mark Hutchinson

TIMBER ON TRAINS

Producing paper requires huge amounts of woodlogs and chips as raw material. While log driving on rivers was the earliest transportation method, the modern logging industry mainly depends on rail or roads to get the logs to where the customers are.

Both methods have strengths. Logging trucks are flexible and economical for shorter distances, but rail transportation has substantial environmental advantages.

When these advantages can be combined with reduced cost, rail transport is the best of both worlds. This is what happened when Norske Skog Saugbrugs in Halden recently started receiving rail shipments of timber from a new terminal established at Follum, near Hønefoss, further west in Norway.

While the distance is not more than 181 kilometres, relatively short for rail to be competitive, this will save money for Norske Skog.

Other advantages are also easy to identify. The route from Follum to Halden runs through Oslo, Norway's capital, a heavily populated area with congested roads.
Starting with one logging train a week and increasing to two, the plan is to move 100,000 cubic meters in 2015. This is the equivalent of more than 2,600 logging trucks. The volume may be increased further next year.

In addition to reducing local traffic issues along the roads, rail transportation cuts carbon emissions, particularly in Norway, where hydropower is the overwhelmingly dominant source of electricity.

The investment in the Follum terminal and rail transportation is made by Viken Skog, a regional organization of forest owners.

From left: Karin Bing Orgland, Kjetil Bakkan, Eilif Due, Paul Kristiansen, Sven Ombudstvedt, Jon-Aksel Torgersen, Jarle Roth, Siri Beate Hatlen and Svein Erik Veie.

BOARD OF DIRECTORS

JARLE ROTH (54)

Board member, chairman since 2014

Residence:	Bærum
Education:	Master of Science in Business Administration, Norwegian School of Economics and Business Administration (Bergen, Norway)
Position:	CEO of Export Credit Norway
Director-ships:	Member of the board Ekornes ASA.

KJETIL BAKKAN (53)

Board member since 2012

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

EILIF DUE (60)

Board member since 2012

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

SIRI BEATE HATLEN (58)

Board member since 2012

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

PAUL KRISTIANSEN (59)

Board member since 2009

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

KARIN BING ORGLAND (55)

Board member since 2014

Residence:	Oslo
Education:	Master of Science in Business Administration from the Norwegian School of Economics and Business Administration (NHH) (Bergen, Norway).
Position:	Chair of the board and senior partner in Berghammeren AS
Director-ships:	Chair of the board of Norwegian Export Credit Guarantee Agency (GIEK) and Røisheim Hotell AS. Board member of Grieg Seafood ASA, Hav Eiendom AS, Norwegian Finans Holding ASA and Berghammeren AS

JON-AKSEL TORGERSEN (63)

Board member and deputy chairman since 2012

Residence:	Oslo
Education:	Master of business administration, University of St. Gallen (Switzerland)
Position:	Chief executive officer (CEO) Astrup Fearnley AS and Vergjedalsbruket A/S
Director-ships:	Chairman of the board Atlantic Container Line AB and Finnlines Plc Board member I.M. Skaugen SE and Awilco LNG. He is also chairman and board member of several companies in the Fearnley group

SVEIN ERIK VEIE (42)

Board member since 2010

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

CORPORATE MANAGEMENT

SVEN OMBUDSTVEDT (48)

CEO in Norske Skog since 2010

BACKGROUND:

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

RUNE SOLLIE (48)

CHIEF FINANCIAL OFFICER (CFO) in Norske Skog since 2014

BACKGROUND:

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

ROAR ØDELIEN (46)

CHIEF OPERATING OFFICER (COO) in Norske Skog since 2013

BACKGROUND:

2013 – dd	Chief operating officer (COO)
2012 – 2013	Group Warehouse Director, Carlsberg Supply Company AG
2010 – 2012	Warehouse Director, Ringnes AS
2007 – 2010	Logistics Manager, Ringnes AS
2006 – 2007	Commercial Director, SONY BMG Music Entertainment
2004 – 2006	Regional Manager, Grocery, Ringnes AS
2003 – 2004	Sales Director, Grocery, Midelfart & Co AS (P&G, J&J, etc)
2001 – 2002	Country Manager, Thomson Multimedia Norway
1999 – 2001	Key Account Manager, Philips Norge AS
1992 – 1999	Various positions in Norwegian retail business
EDUCATION:	Bachelor of Science in Business Administration from Buskerud and Vestfold University College (Norway)

LARS P. SPERRE (37)

SVP CORPORATE STRATEGY AND LEGAL in Norske Skog since 2006

BACKGROUND:

2014 – dd	Senior Vice President Strategy and Legal
2007 – 2014	Vice President Legal, Norske Skogindustrier ASA
2006 – 2007	Legal Counsel, Norske Skogindustrier ASA
2003 – 2006	Associate, Wikborg, Rein & Co. Law Firm, Oslo
2002 – 2003	Legal advisor, The Norwegian Export Credit Guarantee Agency
EDUCATION:	Practicing certificate from the Norwegian Bar Association. Master of Law, University of Bergen (Norway)

Milo Foster,
Albury (Australia)

1. What is the key for future success for your mill?
2. What makes your mill special, what is your mill's competitive advantage?

1. Two factors are key to Albury's future success: We must continuously improve mill gate cash cost, the variable and fixed cash operating cost before distribution, while at the same time maintaining the safest work environment.

2. I would definitely say that the highly innovative can-do culture of our workforce has been, still is and will continue to be our mill's most important competitive advantage.

DOING THE RIGHT THING – THE RIGHT WAY

We are a progressive and viable group with belief in the company, the products and the future.

OUR CORE VALUES
Our core values of openness, honesty and cooperation as well as our policies and guidelines build on the UN Universal Declaration of Human Rights and the 10 principles of UN Global Compact. Our values openness, honesty and cooperation guide our business activities and sustainability work across regions and are, together with our leadership principles, the fundament to ensure ethical and competitive business conduct within and on behalf of Norske Skog.

OUR BUSINESS GOALS AND RESPONSIBILITY
The Group's aim is to maximize shareholders' value through operations within the publication paper industry and other related industrial investments. Our attitude and ability to be entrepreneurial, empower each other and behave consistently, define our results in changing and challenging markets. Through reliable, responsible and sustainable conduct, we will win the trust and confidence of our stakeholders, both within and outside of Norske Skog. We monitor activities in order to achieve sustainable products and processes throughout the entire value chain. We continuously strive to maintain our status as the most attractive industry partner for suppliers and customers.

Our group has been a pioneer in setting a global standard for social responsibility and worker-management relations. We were the first international paper manufacturer to sign an agreement with the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) and the Norwegian United Federation of Trade Unions concerning employee rights on a global basis. We were also an early adopter of the 10 principles in the UN Global Compact. Through our development programme for managers and employees, the whole organisation is being familiarised with the values, ethical standards and good business conduct on which we build our business.

To meet the future sustainability expectations, we conduct our business mandates and activities according to internally developed Steering Documents, Power of Attorney structure and Operating Model. These provide the basic framework for our mandates and activities. The Steering Documents describe in general how Norske Skog employees are expected to carry out activities and operations. The Power of Attorney structure, as set out by the Board of Directors to the CEO and further delegated through the organisation, describes financial empowerment to individual positions. The Operating Model establishes the functional roles, responsibilities and dependencies for organisational bodies and top management positions in Norske Skog.

Norske Skog's business units have a high degree of independence and accountability. Local managers are responsible and accountable for decisions and results within their unit. However, we apply a uniform basis for our operations across countries and cultures with regard to HESQ (health, environment, safety and quality), people development, financial reporting and legal compliance. In these areas, our conduct must be based on the same sustainable principles to promote the shared interests of Norske Skog and our stakeholders.

BUSINESS CHALLENGES
Norske Skog still faces some major challenges that must be resolved: declining demand and handling of the significant debt maturities. The fall in demand in recent years is due to both to changes in macroeconomic conditions (so-called cyclical reasons) and structural changes in the industry, such as changing reading habits and the phasing out of soft demand or free distribution of newspapers.

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

Kjell-Arve Kure,
Saugbrugs (Norway)

1. What is the key for future success for your mill?
2. What makes your mill special, what is your mill's competitive advantage?

1. We need to be among the most cost efficient SC producers, while maintaining consistent quality and developing new SC products to increase profitability.

2. Saugbrugs has a leading position when it comes to SC products with low grammage, or paper density. We have attractive wood prices and energy-efficient processes, especially in fibre processing. We also have high competence in fibre processing and SC production.

SUSTAINABLE FUTURE
Norske Skog is committed to contributing to sustainable development. Customers, suppliers and the world at large can rely on us. We have a serious intention to produce and deliver products in a sustainable manner in collaboration with customers, suppliers and local communities.

Our business units are often cornerstones of local communities. These facilities work closely at the local level with communities to assist with other needs. Social responsibility involves remaining sensitive to the needs of local communities and aware of the impact our operations have upon them. It means maintaining an open dialogue and responding with local measures. It also means showing respect for, and building upon, local cultures and traditions.

STAKEHOLDER AND MATERIALITY ANALYSIS
Norske Skog will report in line with the new GRI G4 sustainability reporting guidelines. To do so, a stakeholder and materiality analysis was carried out considering the vital terms of the company's sustainability work. Corporate management and key personnel have discussed, evaluated and concluded on the effects the measured GRI G4 sustainability reporting guidelines will have on key operating performance and strategy development. The purpose of the assessment was to obtain a basis for comparison with the company's own assessments and thus, for prioritisations in this report and continued work on sustainability.

The stakeholders affect Norske Skog's decisions, activities and performance in many ways. In the stakeholder analysis part we have assessed to what extent different stakeholder groups are affected by our activities and/or to what extent they are affecting our sustainability work and performance. Our assessments build on our day-to-day interactions with key stakeholders as well as conducting interviews and reviewing homepages for selected stakeholders. In our opinion, our most important stakeholders are our own management and employees, local communities where we operate, investors and owners, creditors and lenders, our key suppliers, and regulatory authorities.

In the materiality analysis all 46 aspects of the GRI G4 guidelines were assessed on how important they are for Norske Skog and how important they are for our key stakeholders. The aspects cover the three main categories Economic, Environmental and Social. The Social category in turn covers the sub-categories Labour Practices and Decent Work, Human rights, Society, and Product Responsibility. The materiality analysis highlights areas of opportunity and risk that will be a fundamental to the group's strategy and integrated in daily operational activities.

The three main categories Economic, Environmental and Social represent vital but differentiated impacts on the group. The economic category reflects the fundamental ramifications and market conditions that encompass the underlying business case for Norske Skog's operations. The environmental issues have been a concern to a great number of stakeholders since the start-up of Norske Skog in 1962. The aspects of the environmental category have undergone a substantial quality improvement and the group has achieved significant results in collaboration with stakeholders, governmental authorities and employee initiatives.

The outcome of the materiality analysis is shown in the picture on the next page. It shows that economic performance, raw materials, energy, water, effluent and waste, anti-corruption, occupational health and safety, product and service labelling have the most vital impact for the firm and our stakeholders. Further, the aspects biodiversity, indigenous rights, freedom of association and collective bargaining, forced and compulsory labour have high impact to the stakeholders. For Norske Skog, both emissions and anti-competitive behavior will have serious impact on daily and long-term business performance, whereas aspects such as market presence, employment, security practices, marketing communications, customer privacy and compliance have the least impact for both stakeholders and the firm.

The impact on the firm and the stakeholders has some geographic differences described in the respective chapter in the CSR-report. Some of our mills are located in the vicinity of protected areas and/or along fresh water rivers or nearby salt-water recipients. Norske Skog has through the year been nationally recognized for its labour practices and decent work environment, and the outstanding health and safety performance compared to the industry average. The commercial organization in Norske Skog regularly performs customer surveys. The most important customers are followed up closely for each delivery.

The picture on the next page depicts the impact to both the stakeholders and the firm in a scale from low to high impact. Green area indicates the lowest level of reporting necessity, whereas the red area depicts the necessity to increase reporting and description of the issues in concern.

The corporate management will review the materiality analysis annually in connection with risk assessment and strategy work.

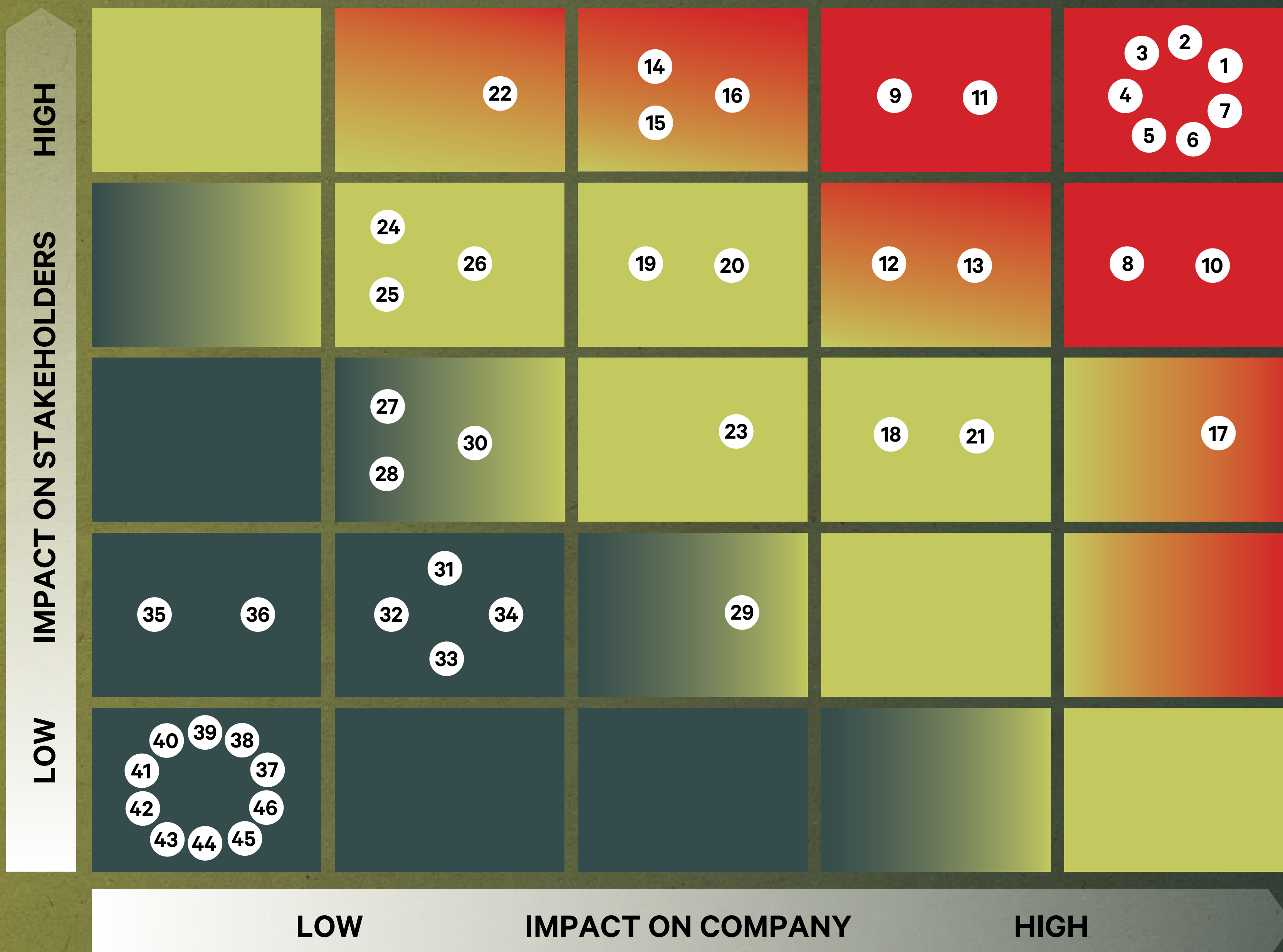
COMPLIANCE
The risk of non-compliance may entail unethical conduct and legal and financial consequences, and may affect our reputation negatively. Norske Skog emphasizes that the line organisation has the responsibility to comply with the Steering Documents. Compliance must take place where the risk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

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

The company has established a system where a compliance officer for the Group ensures that that the Steering Documents are up to date and ensures that adequate internal control systems exist globally and locally. Norske Skog has for a number of years maintained a whistle-blowing channel, where employees can report irregular conditions or matters he/she finds difficult to confront with superiors.

Norske Skog considers it important that each employee is ensured confidential and serious treatment of reported issues. Whistle blowing can be reported to:

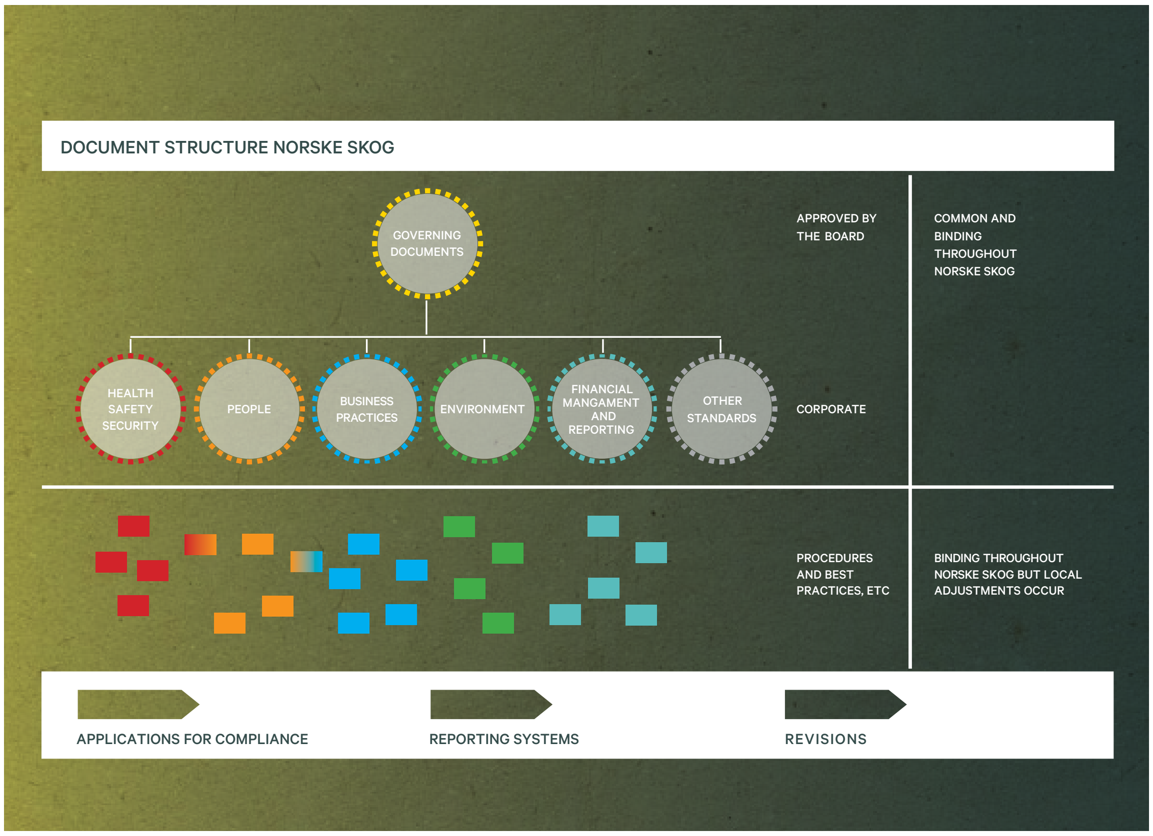
compliance@norskeskog.com.



1. Economic Performance
2. Materials
3. Water
4. Effluents and Waste
5. Occupational Health and Safety
6. Anti-corruption
7. Product and Service Labeling
8. Energy
9. Biodiversity
10. Emissions
11. Indigenous Rights
12. Compliance (environment)
13. Supplier Assessment for Labor Practices
14. Freedom of Association and Collective Bargaining
15. Child Labor
16. Forced or Compulsory Labor
17. Anti-competitive Behavior
18. Diversity and Equal Opportunity
19. Supplier Human Rights Assessment
20. Compliance (local communities)
21. Supplier Assessment for Impacts on Society
22. Procurement Practices
23. Products and Services (environment)
24. Indirect Economic Impacts
25. Non-discrimination
26. Local Communities
27. Supplier Environmental Assessment
28. Environmental Grievance Mechanisms
29. Human Rights Grievance Mechanisms
30. Customer Health and Safety
31. Equal Remuneration for Women and Men
32. Labor Practices Grievance Mechanisms
33. Public Policy
34. Grievance Mechanisms for Impacts on Society
35. Transport
36. Assessment (human rights)
37. Market Presence
38. Overall (environmental investments and costs)
39. Employment
40. Labor/Management Relations
41. Training and Education
42. Investment (human rights)
43. Security Practices
44. Marketing Communications
45. Customer Privacy
46. Compliance

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

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



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

Our identified nine key elements (standards) are:
- Leadership commitment
- Employee participation and safe behavior
- Training and competence
- Hazard and risk management
- Management systems, reviews, audits, inspections
- Performance measurement and reporting
- Emergency prep. and response
- Health
- Contractors
- PPE, Personal Protective Equipment

These Standards are applicable to all operations, throughout Norske Skog, which have the potential to adversely affect the health and safety of people, including employees, contractors, visitors and the public.

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

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

Norske Skog had an absence rate due to sickness of 3.8 per cent in 2014, an increase compared to last year. We achieved an H1 level, lost time injuries per million working hours, of 0.97 compared with 1.0 in 2013.

Our Norwegian business units have signed a letter of intent regarding a more inclusive workplace (IA Agreement) (with supplementary agreements). Although the IA Agreement is a distinctly Norwegian concept, it is fair to say that our other Business Units operate under similar conditions with the aim of reducing sickness absence rates and increasing focus on job attendance for all employees. The IA Agreement builds on a tripartite cooperation between the national authorities, the trade unions and the company. This cooperation ensures the participation of all parties involved.

The IA Agreement and Norske Skog's operational objective is to develop targets for our work to prevent sickness and absence and to establish verifiable activity targets to achieve a professional attitude to both preventive and reactive health care in the company.

The IA Agreement has been renewed until 2018 and continues the operational objectives for the cooperation:
- Reduction of sick leave
- Lower employee dropout rates and increase employment of people with functional impairments
- Increase the retirement age

Our work with the IA Agreement has been extended to apply to all of Norske Skog's local business units and is intended to be an integral part of our targeted HSE work.

All our business units also have local HSE forums where the company and trade unions have regular meetings to address local HSE issues. At these meetings, there should be an equal number of representatives from the company and the employees, with as many different groups as possible from within the organisation represented. If the organisation has Occupational Health Services, it should also be represented on the committee. Occupational Health Services should be an advisory and independent body, and represent the interests of both the employer and the employees.

Norske Skog has used Synergi Life for many years. Synergi Life is an operational risk management tool from DNV GL. We have a monthly Management Focus Report (MFR), which is distributed to all business units for internal distribution and includes type of injury and rates of injury, occupational disease rate, lost work days accidents, absenteeism, total number of work-related personal injuries and fatalities, by region, gender and business unit.

All business units report this information in Synergi, which is also a source for the transfer of experience and sharing of best practices. Reports from Synergi are analysed and form the basis for our internal HSE audits conducted by our HSE&Q staff at the group level.

EMPLOYEES

As of December 31, 2014, Norske Skog employed 2 976 people in Europe and Australasia. This is a reduction of approximately 300 employees from one year ago, mainly due to the closure of one paper machine in Germany. The turnover of people, including retirement, was ten percent. Our employment levels are not subject to seasonal variations and the share of temporary employments is less than two percent of the total.

Female share of total workforce	10 %
Females in management positions	10 %
Females in top management positions	13 %

Norske Skog fully complies with all laws regulating collective bargaining and recognises freedom of association. In 2014, unions represented 85 percent of our employees for collective bargaining purposes. Our commitment to respecting the freedom of association is embodied in the Global Framework Agreement on the Development of Good Working Relations, concluded by Norske Skog and the IndustriALL Global Union. Further, Norske Skog respects fundamental human rights and subscribes to the United Nations Global Compact principles. There has been no reported incidents of child labour, forced or compulsory labour during the reporting period. Nor has there been any reported incidents of discrimination in respect of employment or occupation. The risk of such incidents in the supply chain is considered low, and Norske Skog has no information about any violation by our suppliers.

SUBJECT	TARGET 2014	RESULT 2014	COMMENTS
Health & Safety			
H1[1)]	0	0.97	Improved from 1.0 in 2013
H2[2)]	< 7.43	10.1	Increase from 7.43 in 2013
Absence due to illness[3)]	< 3.6	3.8	Increase from 3.6 in 2013
Environment			
Percentage certified fibre (%)	100	82.0	2.8% better than 2013 results
Environmental index	0.96	1.03	Increase from 0.97 in 2013
Greenhouse gas reduction (%)	25 (2020)	32.1	32.1% below base year 2006

1) Lost time injuries per million working hours
2) Total number of injuries with and without lost time per million working hours
3) The target is for no business unit to have a higher absence due to sickness than 3.6%

NORSKE SKOG AND LOCAL COMMUNITIES

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

Sales revenue from production in Norske Skog in 2014 traced back to key stakeholders:

- Purchase of goods and services: NOK 9.4 billion
- Capital expenditures: NOK 0.3 billion
- Salaries: NOK 1.6 billion
- Taxes and public fees: NOK 0.4 billion
- Financial costs and working capital: NOK 0.3 billion

The list shows that Norske Skog is important for many parts of society. Down-stream the value chain, our paper is a vital source of income for newspapers and magazines, with all their journalists and other contributors, and a natural source of ideas for business people and other readers throughout the world. This network of businesses, communities and individuals generates significant value in the public and private sectors, as well as stability and other benefits to all affected individuals. To improve and maintain our role in society and as an important employer in local communities, our business units are encouraged to be active and open in their communication and contact with local stakeholders. Examples include reports to neighbors and other local stakeholders, open days for the public to inform about paper production, engagement in nature protection projects, support to local museums, involvement in sports and cultural initiatives, support to charitable organizations, as well as integration of immigrants and disabled persons through vocational training. We encourage employees to take part in local community work as many of them do. Most business units cooperate with educational institutions at different levels, such as visits from schools, colleges, high schools and universities, scholarships for students, trainees and apprentices working at our mills or engaged in project work.

Peter McCarty,
Tasman (New Zealand)

1. What is the key for future success for your mill?
2. What makes your mill special, what is your mill's competitive advantage?

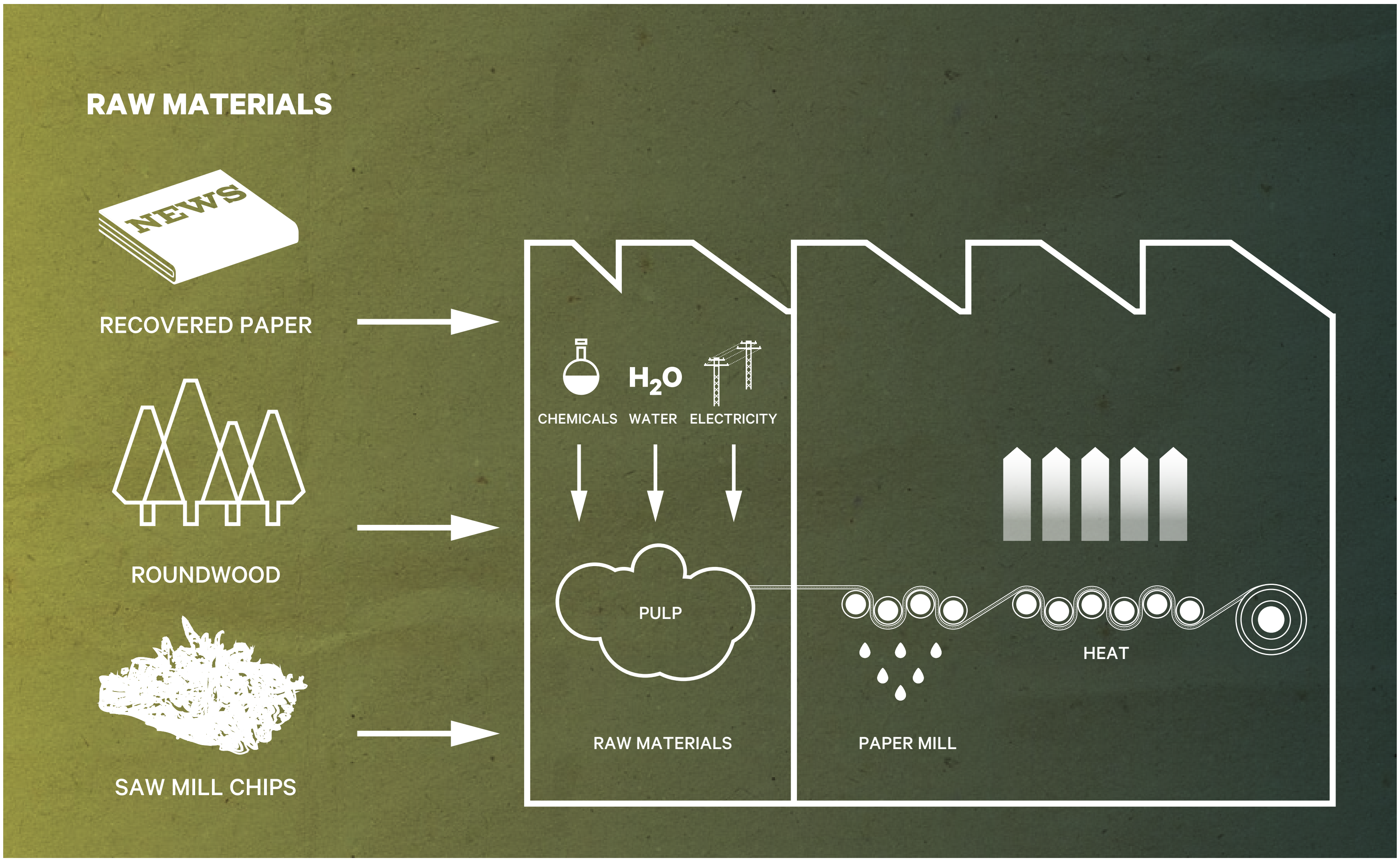
1. The domestic market is key. We also have consistent productivity and reasonable electricity pricing, and maintaining these at a favourable level is definitely important to our future success.

2. One thing that makes this site special is its opportunity for additional revenue streams as a result of its excellent infrastructure, in areas such as geothermal, electricity generation, water and proximity to a highly efficient port.

KEY FIGURES – EMPLOYEES

BUSINESS UNIT	NUMBER OF EMPLOYEES (FTE) END OF DECEMBER 2014			AVERAGE AGE OF ORDINARY EMPLOYEES	AVERAGE SENIORITY OF ORDINARY EMPLOYEES	FEMALE
	Ordinary	**Other employees**	**Total**	**End 2014**	**End 2014**	**End 2014**
Norske Skog Albury	174	11	185	46.8	15.8	8.7
Norske Skog Boyer	259	31	300	47.6	21.3	5.3
Norske Skog Tasman (NZ)	163	18	181	48.8	18.6	12.0
Australia non mills	21	3	24	45.3	12.1	32.0
Australasia total	**617**	**73**	**690**	**47.6**	**18.7**	**8.9**
Norske Skog Saugbrugs	514	68	582	46.0	21.0	8.0
Norske Skog Skogn	371	29	400	48.5	21.0	5.0
Corporate headquarter	40	18	58	45.8	8.6	20.0
Norway total	**925**	**115**	**1 040**	**47.0**	**20.5**	**7.3**
Norske Skog Bruck	405	52	457	43.6	20.3	8.4
Parec	26	-	26	45.7	16.7	7.7
Norske Skog Golbey	386	30	416	46.8	17.8	14.6
Norske Skog Walsum	255	25	280	49.0	27.0	6.0
Sales offices in Europe	62	5	67	43.0	11.0	60.0
Europe total	**1 134**	**112**	**1 246**	**45.9**	**20.4**	**12.8**
Norske Skog group total	**2 676**	**300**	**2 976**	**46.7**	**20.0**	**10.0**


VALMET



PAPER PRODUCTION

Norske Skog has the capacity to produce three million tonnes of publication paper each year, consisting of 1.9 tonnes of newsprint and 1.1 million tonnes of magazine paper.

The figures in this report contain the 100% owned mills at the end of December 2014 and figures compared to the same 100% owned mills in 2013.

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

PRODUCTION CAPACITY

TONNES PER BUSINESS UNIT 31.12.2014

	NEWSPRINT (INCLUDING IMPROVED NP)	SC (MAGAZINE PAPER)	LWC (MAGAZINE PAPER)	TOTAL CAPACITY BUSINESS UNIT
Skogn	570 000			570 000
Saugbrugs		510 000		510 000
Golbey	615 000			615 000
Bruck	125 000		270 000	395 000
Walsum			205 000	205 000
Total Europe	**1 310 000**	**510 000**	**475 000**	**2 295 000**
Albury	275 000			275 000
Boyer	150 000		140 000	290 000
Tasman	155 000			155 000
Total outside Europe	**580 000**		**140 000**	**720 000**
Total Norske Skog group	**1 890 000**	**510 000**	**615 000**	**3 015 000**

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

EVALUATION OF OUR ENVIRONMENTAL PERFORMANCE

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

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

For Norske Skog it is important that our suppliers are also aware of their impact on their society and employees. Existing and new suppliers are, through our general purchase conditions, obliged to follow the laws and jurisdictions of their operating country, both for labour practices and human rights.

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

We use “Paper Profile” as our standard for disclosing our products' environmental profile. For detailed information, see our web-page http://www.norskeskog.com/Products/Newsprint.aspx. And for general info on “Paper Profile” www.paperprofile.com.

In a world where increasing demands are being placed upon finite natural resources, and the ecosystems which supply them are more and more strained, it is important that our production processes are efficient and continuously improving. In addition to environmental management systems, Norske Skog has developed an internal environmental index to set targets and review our work to improve our resource use efficiency and reduce our emissions on a continuous basis. The goal is to use technology that meets the requirements of what the EU defines as the best available technology. The EU Commission finalized the BAT conclusions under the Industrial Emissions Directive 2010/75EU in September 2014. Norske Skog has revised the BAT levels to be used in the environmental index for 2015 accordingly. We have also implemented a water profile tool to compare, optimise, and reduce our water consumption. The EU Water Framework Directive establishes a legal framework to protect and restore clean water across Europe and ensure its long-term, sustainable use. Our European operations adhere to this directive and have established water management plans as required.

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

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

Norske Skog is committed to sustainable development of the environment and natural resources including taking care of different aspects related to bio-diversity. This is attained through close cooperation with local authorities and managing our operations within the framework of our operational permits.

Norske Skog does not have any IUCN Red List species and national conservation list species with habitats in areas affected by our operations.

The below table is an overview of listed protected areas directly adjacent to our operations.

NORSKE SKOG LOCATION	PROTECTED AREA			
	Type	Location	Size (ha)	Comments
Walsum, Germany	“Rheinaue Walsum” - Wetland Environmental conservation area	Immediate vicinity of mill site	550	“Rheinaue Walsum” became part of wetland “Unterer Niederrhein” in 1993
Tasman, New Zealand	Wetland - New Zealand Ramsar Record on 02 February 2001	Adjacent to treatment ponds - located several km from mill site	6	Restoring previous clarifier solids landfill area to wetland

Thomas Reibelt,
Bruck (Austria)

1. What is the key for future success for your mill?
2. What makes your mill special, what is your mill's competitive advantage?

1. The key is a flexible, competent, highly motivated and authorized organisation that quickly responds to changes in customer needs and our cost environment, while being open to business opportunities in the medium to long term.

2. We provide fully integrated production with excellent efficiencies, flexibility in terms of raw materials and energy supply, ideal-sized machines for economies of scale and product flexibility.

SUSTAINABLE RAW MATERIALS

Forestry and use of forest products play an important role in the combat of climate change. For the forest value chain to be a part of the climate change solution, the forests must be managed sustainably. Norske Skog has several systems and processes to make sure that all wood used in Norske Skog's products comes from sustainably managed forests. All Norske Skog mills utilising fresh fibre have third-party verified Chain of Custody (CoC) certification systems in place. The average share of certified fresh fibre in 2014 was 82%, an improvement of 3 percentage points compared to 2013.

FRESH FIBRE

In 2014, Norske Skog consumed 1.4 million tonnes of fresh fibre. Our goal is to have 100% certified fibre in our products. Norske Skog is not a significant forest owner. A very small proportion of the wood we use comes from our own forests in Australia. The ability to increase the share of certified wood therefore depends largely on decisions taken by forest owners. Norske Skog encourages its suppliers to adopt forest certification. These certificates are the most credible way to demonstrate our responsible procurement of wood fibre. The most environmentally friendly purchases are delivered by local, certified forests. Today, only a relatively small portion of the global forest area is certified. The two main global certification systems are the Forest Stewardship Council (FSC), and the Programme for the Endorsement of Forest Certification (PEFC). Norske Skog regards the two systems as equally valuable tools to demonstrate responsible management and stewardship of the forest resources that our company and customers rely upon. Both systems are based on inspections and auditing by independent third parties. We recognise our responsibility as the purchaser of wood through our global procurement rules.

These state that all wood used in our paper shall originate from sustainably managed forests. Such forests are defined as:

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

All Norske Skog business units that buy fresh fibre have traceability certificates. The choice of the mill certification system depends on the certification system used in the forests or plantations. Roundwood accounted for 67% of our consumption of fresh fibres in 2014. Sawmill chips, a by-product from the sawmill industry, accounted for the remaining 33%. The roundwood component of our fresh fibre came from both forests (63%) and plantations (37%). In all countries where Norske Skog sources wood, forest areas are increasing.

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

CERTIFICATION OF FRESH FIBRE THROUGH THE VALUE CHAIN

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

RECYCLED FIBRE

Recovered paper is an important fibre source for Norske Skog. In 2014, recycled fibre made up 32% of the raw materials used in our products. Mills utilising recovered paper consumed in total 0.906 million tonnes in 2014.

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

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

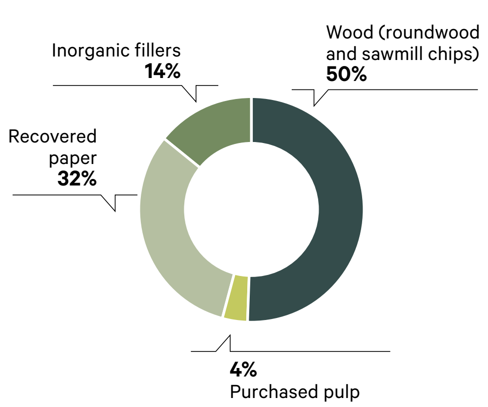
On a tonnage basis, our largest consumption of recovered paper takes place in continental Europe. The fibre source used at the different Norske Skog mills depends upon availability and economic considerations. The minimization of transport distances and costs is an increasingly important economic and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

FORESTS AND CLIMATE CHANGE

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

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

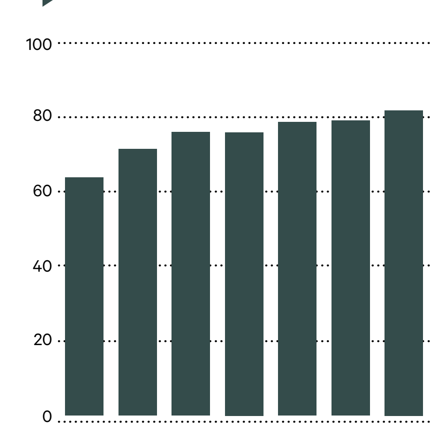
CONSUMPTION OF RAW MATERIAL

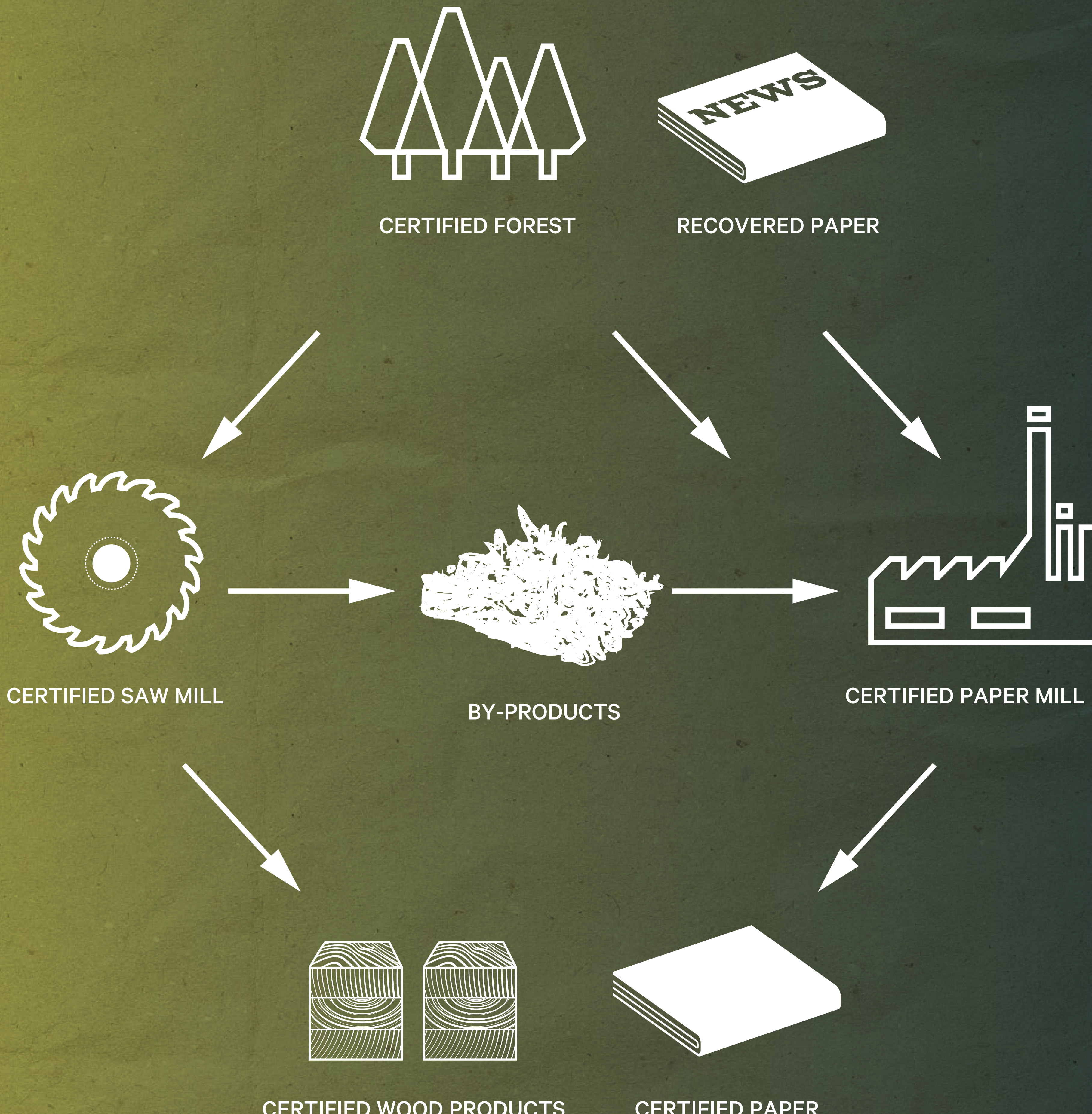


RECOVERED PAPER IN NEWSPRINT PRODUCTION

Norske Skog Albury, Australia	33 %
Norske Skog Bruck, Austria	92 %
Norske Skog Golbey, France	61 %
Norske Skog Skogn, Norway	28 %

CERTIFIED PROPORTION OF FRESH FIBRE (%)





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

ENERGY CONSUMPTION

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

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

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

The major use of electrical energy in mills which process fresh fibre is the process which mechanically converts wood chips into fibres. This process is called the thermo mechanical pulping (TMP) process. Paper production based on recovered paper consumes less energy because the fibres from recovered paper are more easily separated than those within wood. The group's average energy consumption per tonne of paper produced in 2014 was higher than in 2013. Five mills had lower or similar energy consumption per tonne of paper in 2014 compared to 2013.

52% of the total energy consumed by the group is electricity. In 2014, the remaining energy sources were fossil fuel (15%), bio-fuel (14%), heat recovery from TMP (12%) and other sources such as geothermal energy and heat (steam) purchased from third parties (7%). In 2014, 93% of electricity was purchased from the grid. A number of mills can generate a proportion of the electricity requirement themselves, based on bio-fuel, natural gas or geothermal sources. Norske Skog is a large producer of bioenergy. Organic waste from the production processes is used as bio-fuel where possible. Some mills also purchase bio-fuel from external suppliers.

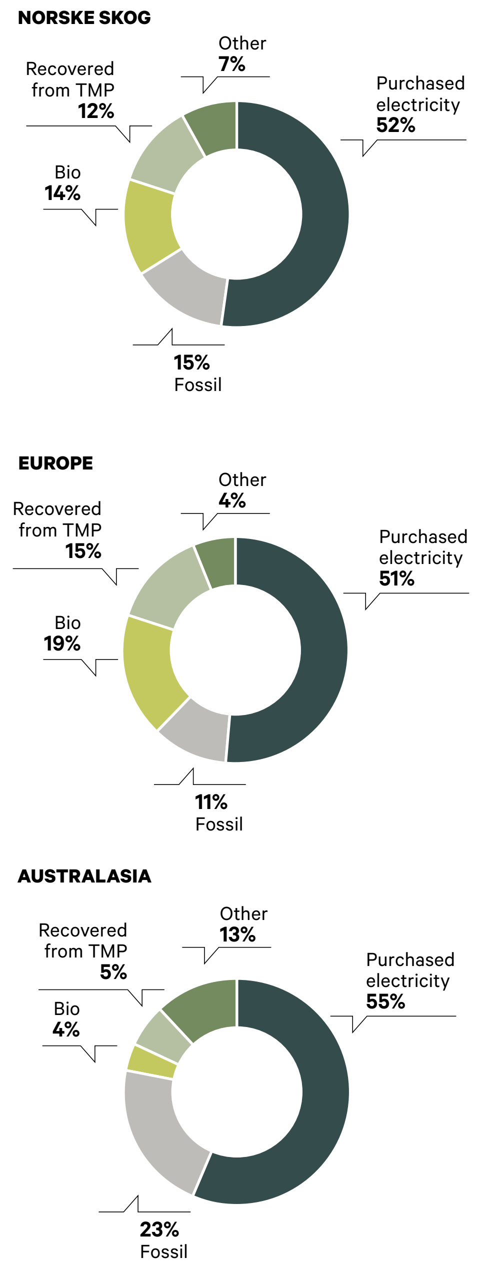
Natural gas is the most commonly used fossil fuel, with a share of 64%, down 2 percentage points from 2013. Coal constitutes 35% of fossil fuel consumption, up 2 percentage points from 2013. Oil makes up 0.3%, which is down compared to 2013.

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

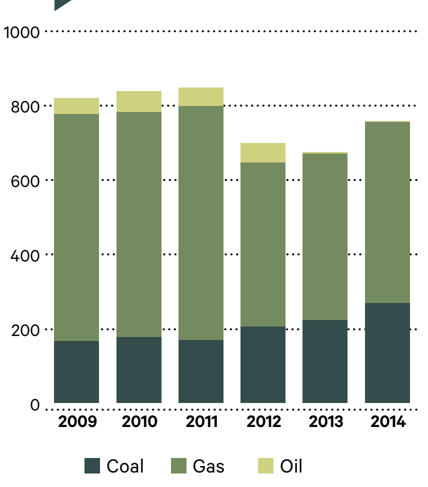
The share of purchased energy makes up about half of the energy consumption in Europe and 55% in Australasia. There is, however, significant variation in thermal energy sources used between different geographic regions. The Australasian mills mainly use fossil and geothermal energy. In Europe, the mills use mainly bio-fuel, fossil fuel and heat recovered from the production of thermo-mechanical pulp from fresh fibre.

NORSKE SKOG ENERGY CONSUMPTION (TOTAL AND BY REGION)

Total 10211 GWh; 3.91 MWh/tonne of paper



CONSUMPTION OF FOSSIL FUEL (KWh/TONNE OF PAPER)



NORSKE SKOG'S GREENHOUSE GAS EMISSIONS

As a large industry player, Norske Skog recognises its responsibility to reduce greenhouse gas emissions. In 2007, we established our goal of achieving 25% lower greenhouse gas emissions within 2020, compared with emissions in 2006. As of 2014, our emissions were 32% lower than in 2006.

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

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

OUR REDUCTION TARGET

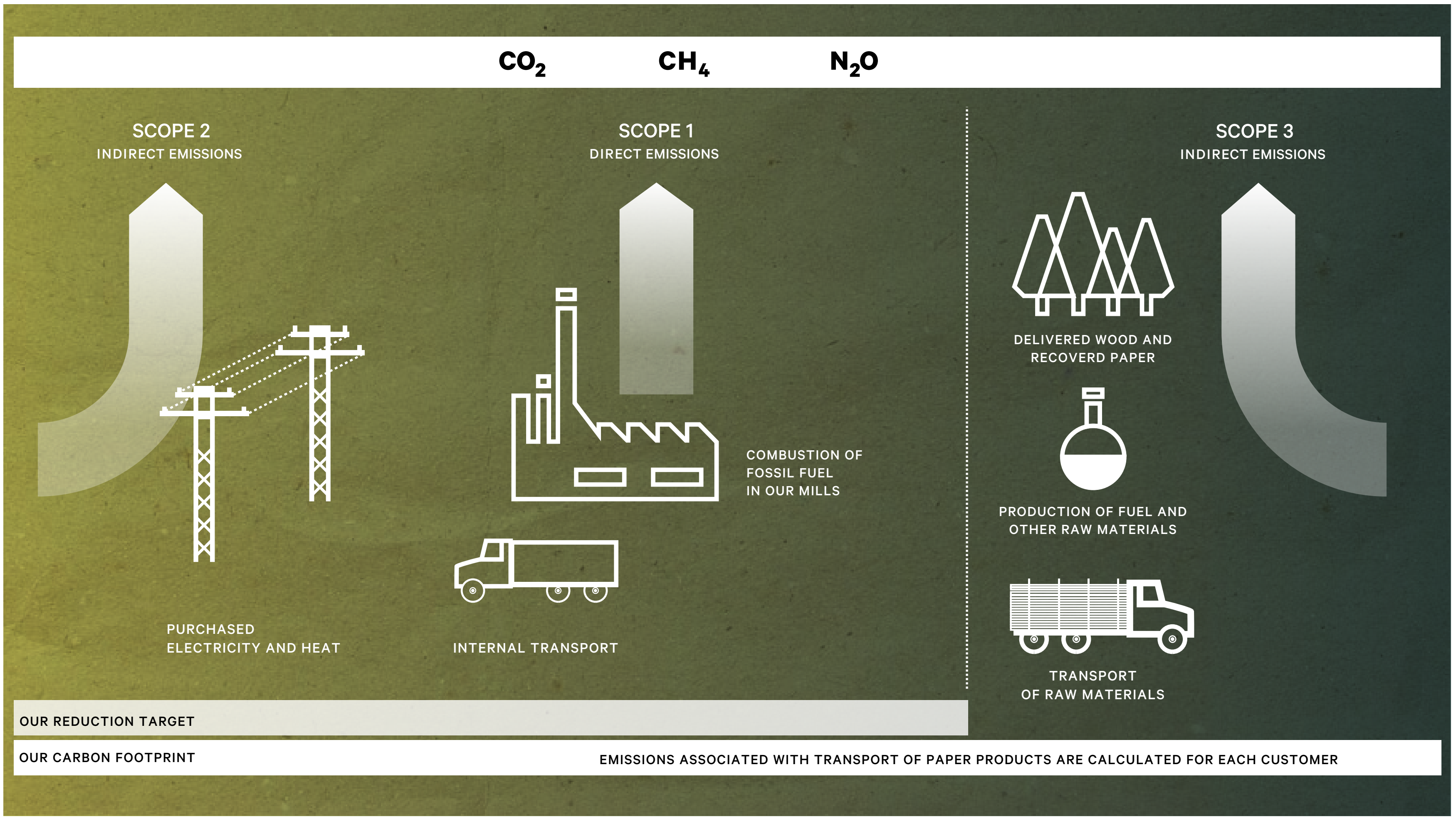
Norske Skog's target for reducing greenhouse gas emissions covers direct emissions (referred to as 'Scope 1' in the Greenhouse Gas Protocol) from the combustion of fossil fuels in boilers, combined heat and power plants, infrared drying equipment, mobile machinery and other mill site based equipment,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

Based on the above scope and emission estimation processes, Norske Skog operations emitted 1.57 million tonnes of fossil fuel derived CO_2-equivalents (including CO_2, CH_4 and N_2O) in 2014. The total emissions from our mills were reduced by 7% in 2014 compared to emissions in 2013. The main reason is lower paper production. The total emission reduction achieved to date, compared to our base year 2006 is 32%.

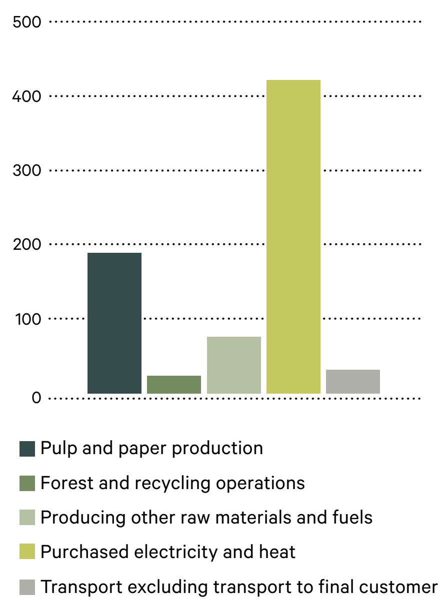
The greenhouse gas emissions arising from the combustion of bio-fuels are deemed to be 'carbon neutral' as only the net forest growth is harvested from sustainably managed forests and plantations, leaving the carbon stock stable. Direct emissions of biologically sequestered CO_2 from the combustion of organic residues such as wood and bark are estimated to be approximately 0.550 million tonnes.

NORSKE SKOG GREENHOUSE GAS EMISSIONS	CO_2 1 000	CH_4	N_2O	CO_2-equiv 1 000
Direct (Scope 1) Emissions	**tonnes**	**tonnes**	**tonnes**	**tonnes**
Direct emissions from stationary fuel combustion	462	19	3	466
Direct emissions from transportation and mobile sources	6	0	1	6
Total direct emissions	468	20	3	472
Indirect (Scope 2) Emissions				
Indirect emissions from steam and power imports	1 103	0	0	1 103
Total Fossil Fuel Based Emissions (Direct & Indirect)				
Direct & Indirect	1 571	20	3	1 575
CO_2 emissions from combustion of biomass *	550			

** Wood and bark residues only*



NORSKE SKOG CARBON FOOTPRINT
KG CO_2/TONNE OF PAPER



OUR CARBON FOOTPRINT

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

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

The average global carbon footprint per tonne of paper produced by the Norske Skog mills in 2014 was 742 kg CO_2 equivalents/tonne paper. This represents an increase of 2% compared to 2013. 1 336 kg/tonne biogenic CO_2 is estimated to be contained in the product. As seen in the figure, the largest contributor to our carbon footprint is purchased electricity and heat, which make up 57% of the emissions per tonne of paper. Pulp and paper production makes up 26%, forest and recycling operations 3%, production of other raw materials 10% and transport to the mills 4% of the total emissions per tonne of paper.

The carbon footprint varies considerably between the mills and regions, depending on the source of electricity and the type of fuel used to produce process heat. The emissions per tonne of paper production ranged from 414 kg CO_2-equivalents/tonne of paper in Europe to 1 783 kg CO_2-equivalents/tonne in Australasia.

CONTINUOUSLY IMPROVING OUR PRODUCTION PROCESSES

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

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

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

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

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

The table below shows the targets for 2014 and 2015 for the parameters included in the E-index, as well as the results achieved during the last four years. The EU Commission finalized the BAT conclusions under the Industrial Emissions Directive 2010/75EU in September 2014. Norske Skog has revised the BAT-levels to be used in the environmental index for 2015 accordingly. The higher E-index target for 2015 is a result of the new lower BAT-values. These figures represent production-weighted averages for all mills. In 2014, three mills reached their E-index targets.

Increased amount of COD and suspended solids in 4 of our mills is the main reason for not achieving the 2014 target. The increase is linked to periods with process stability challenges in the water effluent plants.

ENVIRONMENTAL INDEX	Achieved 2011	Achieved 2012	Achieved 2013	Achieved 2014	Target 2014	Target 2015
COD kg/tonne	4.61	3.7	3.9	4.2	3.5	3.7
Suspended solids kg/tonne	0.50	0.43	0.35	0.50	0.40	0.43
Nitrogen oxides g/GJ	95	89	95	95	97	97
Waste to landfill kg/tonne	21.2	16.8	14.8	13.3	14.0	15.5
Total energy consumption GJ/tonne	12.5	12.5	12.2	12.4	12.2	12.3
Environmental index	**1.10**	**1.03**	**0.96**	**1.03**	**0.96**	**1.02**

KEY FIGURES
FOR NORSKE SKOG'S WHOLLY-OWNED MILLS

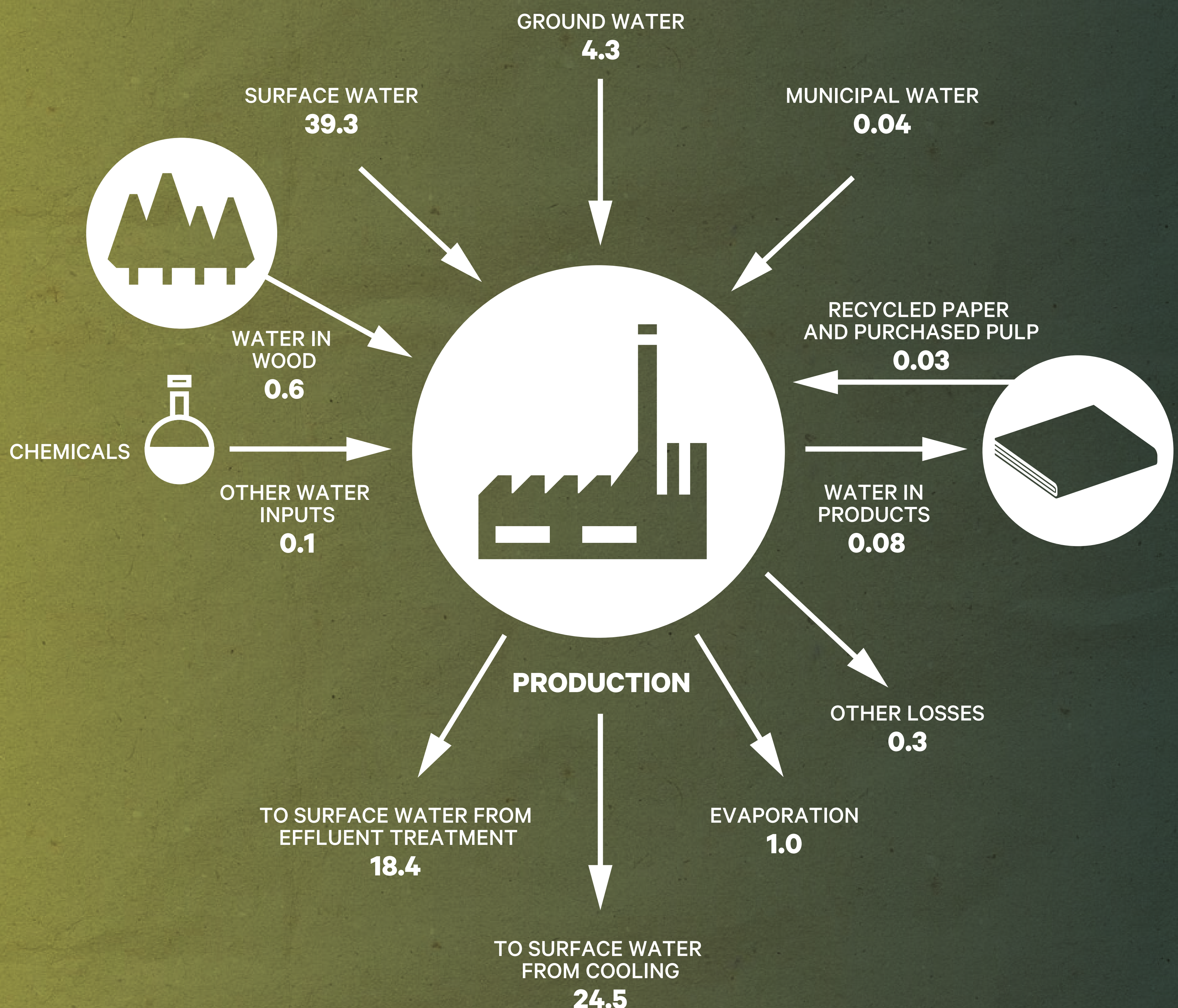
Consumption of raw materials		
Roundwood	m^3	2 371 000
Sawmill chips	m^3	1 190 000
Recovered paper	tonnes	906 000
Purchased pulp	tonnes	107 000
Inorganic fillers	tonnes	396 000
Energy		
Electricity	GWh	5 715
Heat	GWh	4 500
Discharges to water		
Discharged process water	mill m^3	48
Organic material (COD)	tonnes	11 092
Suspended Solid (SS)	tonnes	1 314
Phosphorus (Tot-P)	tonnes	37
Emission to air		
CO_2-equivalents (direct)	tonnes	472 000
SO_2	tonnes	205
NO_x	tonnes	846
Production waste		
Sludge (dry)	tonnes	280 000
Bark	tonnes	109 000
Other	tonnes	30 000
Products		
Newsprint grades	tonnes	1 659 000
Magazine paper	tonnes	956 000
Total	tonnes	2 615 000

Trond Sverre Flaten,
Walsum (Germany)

1. What is the key for future success for your mill?
2. What makes your mill special, what is your mill's competitive advantage?

1. I would say being customer focused and maintaining good and stable quality, high productivity and cost competitiveness.

2. We are situated in the middle of our main market, meaning low transport costs. We are also one of the few mills that in addition to offset can deliver LWC in gravure quality, and we have no limitation when it comes to reel width and core size.


GROUND WATER
4.3
SURFACE WATER
39.3
MUNICIPAL WATER
0.04
WATER IN
WOOD
0.6
RECYCLED PAPER
AND PURCHASED PULP
0.03
CHEMICALS
OTHER WATER
INPUTS
0.1
WATER IN
PRODUCTS
0.08
PRODUCTION
OTHER LOSSES
0.3
TO SURFACE WATER FROM
EFFLUENT TREATMENT
18.4
EVAPORATION
1.0
TO SURFACE WATER
FROM COOLING
24.5

Amund Saxrud,
Skogn (Norway)

1. What is the key for future success for your mill?
2. What makes your mill special, what is your mill's competitive advantage?

1. Our ambition is to make Skogn one of the most cost-effective and profitable newsprint suppliers in the market and thereby ensuring full utilization of all the machines at the mill.

2. Norske Skog Skogn delivers standard newsprint and improved newsprint to markets where we are competitive on logistics costs. We have an excellent infrastructure and a flexible staff that makes us cost competitive.

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

The figure presents the 2014 water profile for Norske Skog. The profile has been developed by examining the major inputs and outputs of water in the manufacturing process. The data presented is a combination of all eight wholly owned mills and represents a 'group average'.

The total water use per tonne of paper in 2014 decreased by 2% compared to 2013. 98% of the water entering our mills is returned to rivers and lakes after treatment. Approximately 2% is returned to the atmosphere as water vapour, retained in the products or used for irrigation of forest plantations or agricultural areas.

WATER SUPPLY

The majority of fresh water used by Norske Skog's mills (88%) originates from surface water sources. A further 10% is supplied from ground water supplies and a relatively small amount, 0.1%, comes from municipal water supplies.

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

WATER USE

The majority of water which enters our mills (55%) is used to cool machinery and equipment performing electricity or steam generation and/or pulp and paper manufacturing activities. The rest of the water is used in the papermaking processes ("process" water).

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

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

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

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

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

EMISSIONS TO AIR AND DISCHARGE TO WATER

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

SOLID RESIDUES AND EMISSIONS TO AIR

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

In 2014, the emission of sulphur dioxide per tonne of paper was down by 11% compared to 2013. The emissions of NOx per tonne of paper were up by 6% compared to last year.

The total quantity of production waste generated by the group in 2014 was 419 000 dry tonnes. This is a reduction of about 17 000 tonnes compared to 2013. In 2014, 143 000 tonnes of ash were generated from combustion, an increase of 5 600 tonnes compared to 2013.

The residues from the production processes are reused or disposed of in a number of ways as shown in the figure. Where possible, process residues are used to generate energy for the pulp and paper manufacturing process. In 2014, 77% of the waste was used as bio-fuel, up from 75% in 2013. Other residues, for example ash, are used in concrete or brick making, or in road construction. Agricultural re-use is also an option for some ash and organic materials. Part of the production residues are deposited in landfills. Many of our mills participate in projects to find alternative or additional methods of reusing the by-products from the production processes. Hazardous waste amounted to 506 tonnes in 2014. Hazardous waste is disposed through authorized collection systems in accordance with national regulations.

WATER DISCHARGES

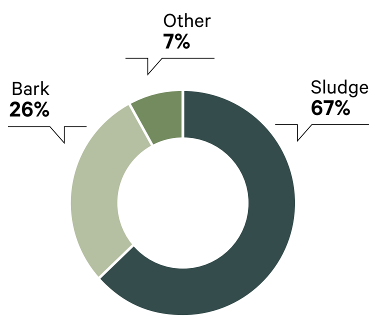
Water is generally used and recovered multiple times through the pulp and papermaking processes before finally being discharged to a number of treatment stages. These treatments remove solid particles as well as dissolved organic material, making the water suitable for safe return to the natural environment. In 2014, water discharge from the production process per tonne of paper was up 5% compared to 2013. The discharges of dissolved organic material and suspended matters per tonne of paper increased by 9% and 43% compared to 2013. The discharge of nitrogen and phosphorus increased by 13% and 32% compared to 2013. The difference in results from one year to the next is the result of many factors, including process improvements, utilization of equipment, production issues and product changes.

During 2014, the mills Norske Skog Saugbrugs, Norske Skog Albury and Norske Skog Tasman reported to the local authorities that they had incidents resulting in exceeding permit limits linked to the quality of discharged water. None of these overruns resulted in sanctions from the authorities.

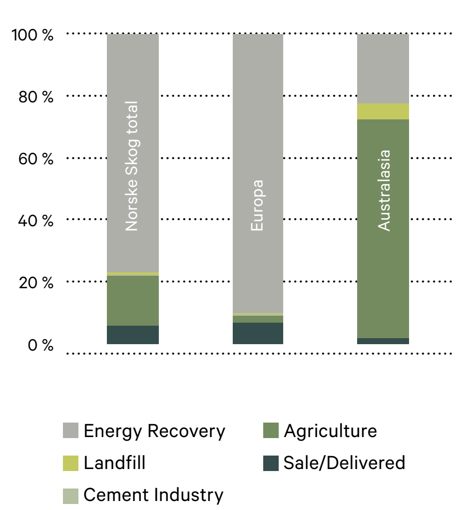
Norske Skog does not use bleaching chemicals containing chlorine in any mills. Chlorinated organic compounds are therefore not created and AOX is not included in our emission reporting.

PRODUCTION WASTE

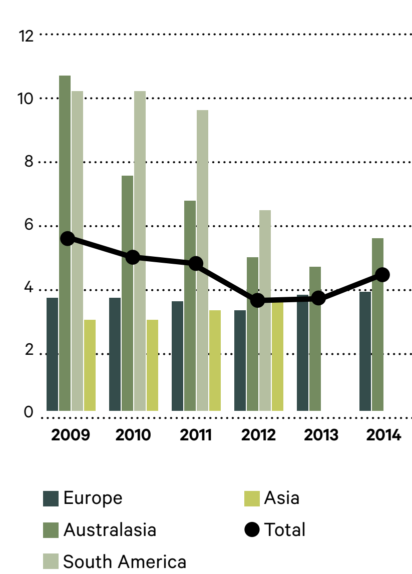
Total 420 000 tonnes



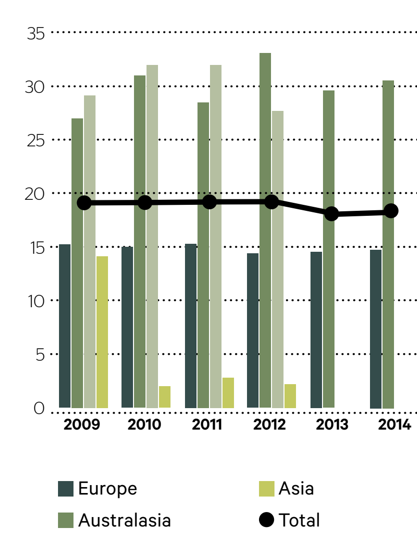
DISPOSAL OF MILL PRODUCTION WASTE



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



TRENDS IN DISCHARGES OF WASTEWATER
PER TONNE OF PAPER



MILL FIGURES

		Bruck	Golbey	Saugbrugs	Skogn
PRODUCTION					
Paper	tonnes	375 034	537 832	429 250	450 874
CONSUMPTION					
Roundwood	1 000 m^3	215	171	537	567
Sawmill chips	1 000 m^3	0	358	136	185
Recovered paper	1 000 tonnes	205	444	0	160
Purchased pulp	1 000 tonnes	27	0	41	0
Pigments and fillers	1 000 tonnes	100	17	134	31
Electric power	MWh/tonne	1.17	1.66	2.51	2.39
	GWh	440	895	1077	1 079
Thermal energy [1]	GJ/tonne	4.23	5.62	6.05	6.06
	TJ	1 585	3 023	2 597	2 734
DISCHARGE TO WATER					
Treated process water	m^3/tonne	13.0	10.1	17.5	16.8
	1 000 m^3	4 870	5 450	7 491	7 587
Organic material (COD)	kg/tonne	3.3	1.9	6.4	4.3
	tonnes	1 231	1 027	2 739	1 953
Suspended solids (SS)	kg/tonne	0.3	0.1	0.7	0.7
	tonnes	130	55	318	294
Phosphorus (tot-P)	g/tonne	4.2	14.6	14.2	16.2
	tonnes	1.6	7.9	6.1	7.3
AIR EMISSIONS [2]					
CO_2-e (fossil) (total direct)	tonne/tonne	0.486	0.065	0.004	0.008
CO_2-e (fossil) (indirect)	tonne/tonne	0.040	0.125	0.016	0.014
CO_2-e (fossil) (total)	1 000 tonnes	197	102	8	10
WASTE [3]					
Waste to landfill	kg/tonne	0.83	2.40	19.56	16.85
	tonnes	310	1 292	8 394	7 600
MANAGEMENT SYSTEMS					
Environmental MS [4]	Certificate	ISO/EMAS	ISO	ISO	ISO
CoC-systems	Certificate	PEFC/FSC	PEFC/FSC	PEFC/FSC	PEFC/FSC
FORESTRY CERTIFICATION [5]					
Certified (PEFC or FSC)	%	88	66	83	89

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

Walsum	Albury	Boyer	Tasman
195 447	261 999	219 849	144 385
0	371	482	28
215	3	0	293
0	98	0	0
32	0	5	0
74	0	36	5
2.21	2.49	2.92	3.45
431	652	643	498
7.12	6.51	8.83	8.29
1 392	1 706	1 941	1 197
18.0	10.8	36.6	56.7
3 508	2 828	8 044	8 190
3.6	2.9	9.9	3.6
703	749	2 168	524
0.1	0.1	1.3	1.3
11	34	286	185
9.7	4.5	51.8	n.r.
1.9	1.2	11.4	n.r.
0.052	0.188	0.862	0.002
1.124	2.216	0.351	0.883
230	630	267	131
0	6.67	70.98	6.52
0	1 749	15 605	941
ISO/EMAS	ISO	ISO	ISO
PEFC/FSC	PEFC	PEFC/FSC	FSC
79	83	99	74

Yves Bailly,
Golbey (France)

1. What is the key for future success for your mill?
2. What makes your mill special, what is your mill's competitive advantage?

1. In order to maintain our position as Europe's leading newsprint mill, we must make continuous improvements, find and implement new solutions, develop a lean and flexible organisation and create new revenue streams.

2. The mill is large, modern, efficient and located in the heart of Europe – with an ambition to proactively shape our future. I would also emphasize our strong entrepreneurial culture and committed people.

TO THE MANAGEMENT OF NORSKE SKOGINDUSTRIER ASA

INDEPENDENT AUDITOR'S REPORT

We have reviewed the environmental information presented in Norske Skog's 2014 Annual Report, pages 15 - 35 ("the Report"). The Report is the responsibility of and has been approved by the management of the Company. Our responsibility is to draw a conclusion based on our review.

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

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

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

CONCLUSION

Based on our review, nothing has come to our attention causing us not to believe that:

- The environmental aspects presented in the Report comprise the most significant ones at corporate level.
- Norske Skog has applied procedures, as summarised on page 36, for the purpose of collecting, compiling and validating environmental data from its reporting units for inclusion in the Report.
- The aggregated information accumulated as a result of the procedures noted above is consistent with the data reported from reporting units and appropriately reflected in the Report.
- The environmental information for 2014 reported from a sample of two reporting units (Norske Skog Skogn and Norske Skog Boyer) was reported according to the procedures noted above and was consistent with the source documentation presented to us.
- Norske Skog applies a reporting practice for its environmental reporting aligned with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, version G4, reporting principles. The GRI Index referred to on page 36 in the Report appropriately reflects where relevant information on each of the elements and performance indicators of the GRI guidelines is to be found within the Norske Skog Annual Report 2014. The UN Global Compact table referred to on page 36, appropriately reflects where relevant information is presented in the Norske Skog Annual Report 2014.

Oslo, 11 March 2015
Deloitte AS

Eivind Skaug
State Authorized Public Accountant

Frank Dahl
Deloitte Sustainability

ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY REPORTING

The environment report contains information which Norske Skog believes covers the material environmental aspects of the value chain of the company's activities. Environmental data for 2014 includes wholly owned paper mills which were part of the group as at 31 December 2014.

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

Norske Skog also supports the work to develop a global standard for reporting of sustainable development. We therefore use the Global Reporting Initiative's (GRI) guidelines for reporting relating to sustainability as a tool in our work to report environmental and corporate responsibility. Our reporting practice is, in our view, for all practical purposes in line with the GRI reporting routines. On our website, (www.norskeskog.com/gri.aspx), there is a GRI table containing references to where in the annual report relevant information about the various aspects and indicators in GRI can be found. In our opinion, our reporting for 2014 is in accordance with level CORE of GRI-G4.

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

REPORT OF THE BOARD OF DIRECTORS

Norske Skog is one of the world's leading producers of newsprint and magazine paper with an annual production capacity of three million tonnes. Around three quarters of the group's production capacity is located in Europe, consisting of a relatively balanced portfolio of newsprint and magazine paper. The remaining quarter of the group's production capacity consists of newsprint and magazine paper capacity located in Australasia. Historically, Norske Skog has only produced newsprint in Australasia, but through the conversion of one newsprint machine at the Boyer mill in Australia to magazine paper last year, the group is now also in the magazine paper market in the region. Norske Skog is the sole domestic producer of newsprint and magazine paper in Australasia. Following the conversion, four fifths of the group's capacity in the region is newsprint.

The publication paper industry is mature and demand for paper is in secular decline, with migration of advertising and content from print to digital media. However, paper has certain unique characteristics in achieving attention for advertising and readability for knowledge transferral. Recently, web only strategies from publishers and retailers have been overturned and print editions re-launched. Furthermore, paper is a renewable product, made from recycled paper and growing forests, with a competitive carbon footprint compared to digital devices. No product is more recycled than publication paper at 72%. The role of paper is changing in the digital age, but paper remains a unique and key medium.

The European economy has seen weak growth since the global financial crisis in 2007. Imbalances within the European Union (EU) have made it challenging to adjust to the new normal, as fiscal policies have been country specific, while monetary policy has been Eurozone wide. Governments has thus struggled to reignite growth in the economy with demand strangled by deleveraging and the Euro remaining too strong to boost export activity. Political failure to implement needed structural reforms has exacerbated the problem. The publication paper industry is cyclical through advertisement spending and demand for newspapers and magazines. The business cycle has thus amplified the secular demand decline for publication paper. Reduced demand has led to capacity closures, as the industry has realigned the supply side to a new and smaller market. The outlook for the European economy is for continued weak growth. The business cycle effect should therefore be relatively neutral in 2015, while already announced capacity closures should support the operating environment in the industry.

In Australasia, the demand decline for newsprint levelled out last year following a significant decrease in 2013. Strategic shifts by publishers, in a region with historical high paper usage per capita, led to the 2013 decrease. The now converging level of paper usage should therefore lead to a similar secular decline in Australasia as in other mature markets. Australasian demand for magazine paper decreased slightly in 2014.

NORSKE SKOG IN 2014

Norske Skog generated a weak gross operating result in 2014, reflecting an oversupplied magazine paper market in Europe, which depressed margins and due to a prolonged ramp-up of the new magazine paper machine at Boyer in Australia. The delayed ramp-up led to a significant negative contribution from the newly converted machine in 2014.

Norske Skog completed two large development projects in 2014. At the Saugbrugs mill in Norway, a more energy efficient pulping facility was commissioned, reducing electricity usage. And at Boyer in Tasmania, the conversion of one newsprint machine to coated magazine paper, gave the group exposure to a new market in the region. To optimise the usage of the mill sites, Norske Skog further facilitates access for entrepreneurial initiatives at several locations.

In January 2014, Norske Skog divested its remaining 49% stake in Norske Skog Pisa in Brazil to a consortium of Chilean investors. The consortium had already bought a 51% stake in Pisa in 2013. In 2012, the consortium acquired Norske Skog Bio Bio in Chile.

INCOME STATEMENT AND CASH FLOW

Norske Skog's operating revenue in 2014 was NOK 12 billion (NOK 13 billion in 2013). The reduction largely reflected lower capacity in the group following the closure of one machine at Walsum in Germany in December 2013, the divestment of the Singburi mill in Thailand in October 2013 and the deconsolidation of the Pisa mill in Brazil from July 2013. Delivery volumes were down 14% to 2.6 million tonnes.

Gross operating earnings were NOK 801 million in 2014 (NOK 862 million). Depreciation was NOK 735 million in 2014 (NOK 728 million).

Restructuring expenses in 2014 amounted to NOK 4 million (NOK 145 million). Other gains and losses in 2014 were NOK 3 million (NOK -1 100 million).

Operating earnings were NOK 65 million in 2014 (NOK -1.1 billion). The improvement reflected the neutral impact from restructuring expenses and other gains and losses.

Financial items in 2014 were NOK -1 357 million (NOK -1 258 million). Net interest expenses were NOK 601 million in 2014 (NOK 614 million). Currency losses, related to translation effects on debt denominated in foreign currencies, were NOK 690 million in 2014 (NOK 618 million). The loss resulted from NOK depreciation through the year.

Income taxes recognised in the income statement for 2014 amounted to NOK -213 million (NOK 500 million). The tax charge reflected reduced deferred tax assets in Norway and France.

Loss for the period was NOK -1.5 billion in 2014 (NOK -1.8 billion). Earnings per share in 2014 were NOK -7.9 (NOK -9.7).

Cash flow from operations, after change in working capital, paid interest, restructuring activities and taxes, was NOK 200 million in 2014 (NOK 68 million).

BALANCE SHEET

Total assets were NOK 14.0 billion at 31 December 2014, compared with NOK 14.6 billion at 31 December 2013. The reduction of NOK 0.6 billion largely reflected reduced working capital as FX effects outweighed depreciation. Total non-current assets were NOK 10.7 billion at 31 December 2014, compared to NOK 10.6 billion at 31 December 2013. Cash investments in property, plant and equipment were NOK 274 million in 2014 (NOK 529 million). The lower investment level reflected the completion of the development projects at Saugbrugs and Boyer.

Total current assets were NOK 3.3 billion at 31 December 2014, compared with NOK 4.0 billion at 31 December 2013. The decrease was primarily due to reduced working capital.

Total non-current liabilities were NOK 8.9 billion at 31 December 2014, compared with NOK 8.8 billion at 31 December 2013.

Net interest-bearing debt increased by NOK 570 million through 2014 and amounted to NOK 7.4 billion at 31 December 2014.The increase reflected a non-cash currency loss on debt denominated in foreign currencies. . During 2014 amounts were drawn on the accounts receivable facilities established in Norway, France and Austria and the NOK bonds NSG 15, 17 and 18 were repaid

Equity was NOK 1.3 billion at 31 December 2014, compared with NOK 2.2 billion at 31 December 2013. The decrease reflected loss for the period, in partoffset by a positive currency translation difference recorded in other comprehensive income. Equity per share was NOK 7 at 31 December 2014, compared to NOK 11 at 31 December 2013.

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

DIVIDEND PROPOSAL

Based on weak earnings and the company's financial position, the board recommends that no dividend is disbursed for the financial year 2014.

SEGMENT ACTIVITY AND MARKET DEVELOPMENT

Norske Skog's reporting structure in 2014 provided segment information for publication paper Europe and publication paper Australasia. Other activities largely comprise costs above the segment level.

Demand for newsprint and magazine paper declined in all markets in 2014. World demand for newsprint and magazine paper decreased by 7% and 3% respectively. The decrease reflected a weak world economy with the structural decline in mature markets amplified by the business cycle. The outlook for the world economy has improved into 2015.

As a response to the weak demand, capacity closures amounting to more than 2 million tonnes of publication paper were announced in Europe and North America during 2014.

PUBLICATION PAPER EUROPE

The segment includes the Norske Skog's newsprint and magazine paper operations in Norway, France, Austria and Germany. Annual production capacity is 2.3 million tonnes.

Operating revenue was NOK 9.0 billion in 2014 (NOK 9.4 billion). Gross operating earnings were NOK 582 million (NOK 326 million). The improvement reflected margin expansion with higher prices for newsprint and lower costs following from ongoing cost reduction efforts. Variable costs were relatively stable. Sales volumes were down 11% to 2.0 million tonnes, following the closure of one machine at Walsum in December 2013.

Demand for newsprint and magazine paper in Europe was 6% and 3% lower in 2014 respectively, compared to the year before. Capacity utilisation for the group in Publication Paper Europe was 87% in 2014 (89%).

PUBLICATION PAPER AUSTRALASIA

The segment includes the group's newsprint and magazine paper operations in Australia and New Zealand. Annual production capacity is 0.7 million tonnes.

Operating revenue in 2013 was NOK 3.2 billion (NOK 3.9 billion) and gross operating earnings were NOK 287 million (NOK 593 million). The reduction in gross operating earnings resulted from a negative contribution from the new magazine paper machine at Boyer due to a prolonged ramp-up following conversion from newsprint and divestments. Sales volumes declined by 24% to 0.6 million tonnes, reflecting divestments of Pisa in Brazil and Singburi in Thailand.

Demand for newsprint in Oceania decreased by 6% in 2014, while demand for magazine paper declined by 2%. Capacity utilisation for the group in Publication Paper Australasia was 92% in 2014 (88%), when adjusted for the downtime at Boyer during conversion in the first quarter of 2014.

OTHER ACTIVITIES

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

PROFITABILITY IMPROVEMENTS AND FINANCIAL POSITION

Newsprint paper prices increased into 2014 due to a healthy supply/demand balance in the segment. Magazine paper remained oversupplied during 2014. Cost of materials were stable throughout the year, while fixed costs initiatives continued. Fixed costs for the group was NOK 2.8 billion in 2014, compared to NOK 3.0 billion the year before.

Several factors were favourable for the group when entering 2015. The converted machine at Boyer was operating in accordance with its business plan and should therefore provide a significant positive contribution to gross operating earnings. Currency levels, with a weak NOK and strong USD, were positive for the group. Norske Skog has a large cost base in NOK and all export business out of Europe is invoiced in USD. The improved relative cost position should therefore be margin enhancing. Lower energy prices was a further benefit for the group as a large energy consumer. Already announced capacity closure, both in North America and Europe, should support publication prices when completed during 2015, internationally and in Europe respectively.

During 2014, the board had full focus on bond maturities in 2015 and beyond, and considered several options. The outcome of this was that on 22 January 2015, Norske Skog launched two separate offers:

(i) an offering of EUR 250 million Senior Secured Notes (SSN) due December 2019 to achieve a broader refinancing and debt extension of the group's capital structure and (ii) an exchange offer of existing notes.

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

Following these transactions, the capital structure of the group has improved significantly through enhanced liquidity, immediate de-leveraging and an extended maturity profile.

The board of directors however recognises the challenging markets that Norske Skog operates in with price and currency uncertainty. The board of directors will thus have a continuous focus on cash generation through 2015 to ensure sufficient liquidity for both debt maturities and the operations of Norske Skog. The ongoing initiatives to improve cash flow from operations and the significantly enhanced liquidity position of the group following the refinancing, should in the opinion of the board of directors provide prudent cash balances during 2015.

Despite this leverage remains high and requires improved profitability, but the refinancing enables the group to focus on improving operations, cost initiatives and capital efficiency.

ORGANISATION

BOARD OF DIRECTORS

Norske Skog's board of directors consists of Jarle Roth (chair), Eilif Due, Siri Beate Hatlen, Karin Bing Orgland, Jon-Aksel Torgersen and three employee-elected representatives Kjetil Bakkan, Paul Kristiansen and Svein Erik Veie. The board is elected by the general meeting.

CORPORATE MANAGEMENT

Norske Skog's corporate management consists of Sven Ombudstvedt (president and CEO), Rune Sollie (CFO), Roar Ødelien (COO) and Lars P. Sperre (SVP Corporate Strategy & Legal).

EMPLOYEES

Norske Skog had 2 942 employees at the end of 2014. At the end of 2013, there were 3 237 employees. The reduction during 2014 reflected the closure of one machine at Walsum in Germany in December 2013 and group wide ongoing cost reduction initiatives.

HEALTH AND SAFETY

Norske Skog aims to have zero injuries among employees. Health and safety is a corporate responsibility, followed up by the individual business units. All near misses and injuries are reported in a global system. Experiences from every single incident are shared with the entire organisation. The H1-value, which represents lost-time injuries per million working hours, was 0.97 in 2014. Norske Skog had an absence rate due to sickness of 3.8% in 2014.

RESEARCH AND DEVELOPMENT

Norske Skog's research and development work is performed at the individual business units and in cooperation with external research institutions. The work is coordinated centrally, where the aim is to leverage synergies and best practices throughout the group. There is a continuous focus on developing new paper products to meet market expectations. An example is the research at Saugbrugs on how to apply nano-cellulose to improve paper production.

GENDER EQUALITY, GENDER BALANCE AND DIVERSITY

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

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

EMPLOYEE REPRESENTATIVES

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

COOPERATION PROJECTS

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

RISK MANAGEMENT

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

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

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

Norske Skog is not vertically integrated and has to source input factors from third parties. The supply of these input factors is largely covered by long-term contracts which reduce cost fluctuations.

Financial risk management includes currency and liquidity planning. The balance sheet is secured by matching currency denomination of debt and assets. Norske Skog has bonds outstanding issued in EUR and USD, replicating cash flows from the European assets and the export business outside Europe. The interest rates on these bonds are largely fixed, providing predictability. Liquidity is ensured by a sufficient cash balance and open credit lines linked to accounts receivables (AR) facilities.

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

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

ENVIRONMENT

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

RESOURCES AND GREENHOUSE GAS EMISSIONS

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

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

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

OUTLOOK FOR 2015

Publication paper prices in Europe were relatively stable into 2015, beyond certain foreign exchange effects, particular in the UK market. The market balance for newsprint and magazine paper is expected to improve into the second half of 2015, when already announced capacity closures in the industry have been completed. We find it prudent to emphasize the uncertainty related to these forecasts, due to both volatile markets and currency fluctuations.

Paper prices in Australasia are to a large degree stable reflecting long term pricing contracts and a large logistical disadvantage for non-domestic producers. Export volumes for newsprint out of Australasia track international prices in Asia and is still expected to be challenging.

The new magazine paper machine at Boyer in Australia should give a significantly positive contribution to gross operating earnings in 2015. Last year the machine was a significant negative contributor due to a prolonged ramp-up.

Variable costs for the group are expected to remain relatively stable. Fixed costs initiatives continue.

NORSKE SKOGINDUSTRIER ASA (THE PARENT COMPANY)

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

Financial items amounted to NOK -179 million in 2014. This item included reversal of prior year's impairment losses related to carrying value of shares in subsidiaries of NOK 558 million and dividends from subsidiaries and other companies of NOK 765 million. Reversal of prior year's impairment losses of shares in subsidiaries was a consequence of increased values of the underlying assets. Financial items also included net interest costs of NOK 578 million and negative currency effects of NOK 903 million. Income taxes is related to deferred tax asset, which has been expensed during 2014. Due to uncertainty related to the timing of utilisation of tax loss carry forward, a significant part of the deferred tax asset was expensed in 2014.

Net cash flow from operating activities in the parent company was negative with NOK 486 million in 2014. This amount was very much impacted by financial payments of NOK 624 million.

At the end of 2014, Norske Skogindustrier ASA had 58 employees, of which 18 were women.

LOSS ALLOCATION

The net loss for the year for Norske Skogindustrier ASA (the parent company) in 2014 was NOK -886 million which has been allocated in its entirety to other paid-in equity. Distributable equity in Norske Skogindustrier ASA amounted to NOK 1,061 million at 31 December 2014.

SKØYEN 11 MARCH 2015 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA

Jarle Roth Chair	Eilif Due Board member	Siri Beate Hatlen Board member
Jon-Aksel Torgersen Board member	Kjetil Bakkan Board member	Karin Bing Orgland Board member
Paul Kristiansen Board member	Svein Erik Veie Board member	Sven Ombudstvedt President and CEO

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CONSOLIDATED FINANCIAL STATEMENTS

NORSKE SKOGINDUSTRIER ASA

CONTENTS

CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	2014	2013
Operating revenue	3	**12 150**	**13 339**
Distribution costs		-1 249	-1 398
Cost of materials		-7 228	-8 017
Change in inventories		-30	-45
Employee benefit expenses	12	-1 908	-2 002
Other operating expenses	14	-935	-1 014
Gross operating earnings		**801**	**862**
Depreciation	4	-735	-728
Restructuring expenses	20	-4	-145
Other gains and losses	16	3	-1 100
Impairments	4	0	0
Operating earnings		**65**	**-1 111**
Share of profit in associated companies	19	1	26
Financial items	5	-1 357	-1 258
Profit/loss before income taxes		**-1 291**	**-2 344**
Income taxes	17	-213	500
Profit/loss		**-1 504**	**-1 844**
Profit/loss attributable to:			
Owners of the parent		-1 504	-1 844
Non-controlling interests	21	0	0
Basic/diluted earnings per share (NOK)	22	-7.92	-9.71

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	2014	2013
Profit/loss	**-1 504**	**-1 844**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	647	140
Tax expense on translation differences	182	-30
Hedge of net investment in foreign operations	-151	-243
Tax expense on net investment hedge	10	-4
Reclassified translation differences upon divestment of foreign operations	1	221
Reclassified hedging gain/loss on net investment upon divestment of foreign operations	0	-361
Tax expense on reclassifications	0	101
Other items	-7	1
Tax expense on other items	0	0
Total	**681**	**-175**
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligations	-88	52
Tax effect on remeasurements of post employment benefit obligations	20	1
Total	**-68**	**53**
Other comprehensive income	**614**	**-122**
Comprehensive income	**-890**	**-1 966**
Comprehensive income attributable to:		
Owners of the parent	-890	-1 967
Non-controlling interests	0	1

CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	31.12.2014	31.12.2013
Assets			
Deferred tax asset	17	598	541
Intangible assets	4	92	152
Property, plant and equipment	3, 4	9 180	9 025
Investments in associated companies	19	429	595
Other non-current assets	10	387	299
Total non-current assets		**10 686**	**10 611**
Inventories	3, 18	1 334	1 274
Trade and other receivables	10	1 209	1 574
Cash and cash equivalents	8	710	1 015
Other current assets	18	39	141
Total current assets		**3 291**	**4 005**
Total assets		**13 977**	**14 617**
Shareholders' equity and liabilities			
Paid-in equity		12 302	12 302
Retained earnings and other reserves	22	-11 017	-10 127
Non-controlling interests	21	0	0
Total equity		**1 285**	**2 175**
Pension obligations	13	820	714
Deferred tax liability	17	415	392
Interest-bearing non-current liabilities	6, 11	7 004	6 973
Other non-current liabilities	18	692	699
Total non-current liabilities		**8 931**	**8 779**
Interest-bearing current liabilities	11	1 267	1 044
Trade and other payables	18	2 172	2 040
Tax payable	17	13	39
Other current liabilities	18	309	540
Total current liabilities		**3 761**	**3 662**
Total liabilities		**12 692**	**12 441**
Total equity and liabilities		**13 977**	**14 617**

SKØYEN 11 MARCH 2015 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA

Jarle Roth
Chair

Eilif Due
Board member

Siri Beate Hatlen
Board member

Jon-Aksel Torgersen
Board member

Kjetil Bakkan
Board member

Karin Bing Orgland
Board member

Paul Kristiansen
Board member

Svein Erik Veie
Board member

Sven Ombudstvedt
President and CEO

CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	NOTE	2014	2013
Cash flow from operating activities			
Cash generated from operations		12 562	13 490
Cash used in operations		-11 573	-12 745
Cash flow from currency hedges and financial items		-99	6
Interest payments received	5	13	22
Interest payments made	5	-661	-650
Taxes paid		-42	-56
Net cash flow from operating activities [1]	3	**200**	**68**
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets	3, 4	-274	-529
Sales of property, plant and equipment and intangible assets		4	23
Dividend received	5	1	18
Purchase of shares in companies and other financial payments		-8	-68
Sales of shares in companies and other financial payments		325	387
Net cash flow from investing activities		**48**	**-169**
Cash flow from financing activities			
New loans raised		569	873
Repayments of loans		-1 209	-1 024
Purchase/sale of treasury shares		0	0
Net cash flow from financing activities		**-640**	**-151**
Foreign currency effects on cash and cash equivalents		86	74
Total change in cash and cash equivalents		**-306**	**-178**
Cash and cash equivalents 1 January		1 015	1 194
Cash and cash equivalents 31 December		710	1 015
[1] Reconciliation of net cash flow from operating activities			
Profit/loss before income taxes		-1 291	-2 344
Depreciation/impairments	4	735	728
Share of profit in associated companies	19	-1	-26
Gains and losses from divestment of business activities and property, plant and equipment	16	17	178
Taxes paid		-42	-56
Change in trade and other receivables		412	151
Change in inventories		21	36
Change in trade and other payables		37	-23
Change in restructuring provision		-149	23
Financial items with no cash impact		610	637
Gains and losses on commodity contracts and embedded derivatives	16	-42	907
Adjustments for items with no cash impact		-107	-143
Net cash flow from operating activities		**200**	**68**

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	0	-1 844	0	0	-1 844	0	-1 844
Other comprehensive income	0	0	-507	385	-123	1	-122
Change in non-controlling interest – divested operations	0	0	0	0	0	-10	-10
Equity 31 December 2013	**12 302**	**-10 205**	**-190**	**269**	**2 175**	**0**	**2 175**
Profit/loss	0	-1 504	0	0	-1 504	0	-1504
Other comprehensive income	0	0	-141	755	614	0	614
Equity 31 December 2014	**12 302**	**-11 708**	**-331**	**1 023**	**1 285**	**0**	**1 285**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

Norske Skogindustrier ASA is incorporated in Norway and has its head office at Skøyen outside of Oslo. The company is listed on the Oslo Stock Exchange. The consolidated financial statements were authorised for issue by the board of directors in Norske Skogindustrier ASA on 11 March 2015.

The annual financial statements are presented in English only.

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

The table below shows the average un-weighted monthly foreign exchange rates applied in the income statement (2014 and 2013) and the closing exchange rates (31 December 2014 and 31 December 2013) applied in the balance sheet for the most important currencies for the Norske Skog group.

	Income statement		Balance sheet	
	2014	2013	31.12.2014	31.12.2013
AUD	5.68	5.68	6.09	5.43
EUR	8.36	7.81	9.04	8.38
GBP	10.37	9.19	11.57	10.05
NZD	5.22	4.82	5.83	5.00
USD	6.30	5.87	7.43	6.08

2. ACCOUNTING POLICIES

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

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

CONSOLIDATION

a) Subsidiaries

Subsidiaries are all entities over which the group is deemed to have control. The group will have control if it has the power to govern the financial and operating policies, and has exposure to and the power to affect variable returns. Control is generally accompanying a shareholding of more than half of the voting rights.

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

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

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

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

c) Disposal of subsidiaries

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

d) Associates

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

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

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

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

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

SEGMENT REPORTING

Reportable segments

The activities in the group are divided into two operating segments: publication paper Europe and publication paper Australasia. The segment structure is in line with the group's operating model implemented in 2014. The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources, making strategic decisions and assessing performance of the group's mills, has been identified as corporate management. The mills have a direct reporting line to corporate management.

Accounting policies applied in the segment reporting

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

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

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

FOREIGN CURRENCY TRANSLATION

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

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

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

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

c) Group companies
The results and financial position of all group entities which have a functional currency different from the presentational currency are translated into the presentational currency as follows:
i. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet, ii. Income and expenses for each income statement are translated at average exchange rates, iii. All resulting exchange differences are booked to comprehensive income and presented in other equity reserves.

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

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

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

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

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

The residual value and useful life of property, plant and equipment are reviewed and adjusted. Impairment test of property, plant and equipment are performed annually or more frequently if indicators of impairment are identified. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

INTANGIBLE ASSETS

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

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

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS
Intangible assets, which have an indefinite useful life, for example goodwill, are not subject to amortisation, but are tested annually for impairment. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which cash flows are

separately identifiable (cash-generating units). At each balance sheet date, the possibility of reversing impairment losses in prior periods is evaluated (except for goodwill).

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

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

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

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

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

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

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

a) Hedging of a net investment in a foreign operation (net investment hedge),
b) Derivatives at fair value through profit or loss.

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

Accounting for derivatives follows the intentions underlying the associated contract. At the time a contract is entered into, it is defined as either a hedging or a trading contract.

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

b) Derivatives at fair value through profit or loss
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognised in the income statement.

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

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

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

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

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

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

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

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

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

BOND LOANS

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

CURRENT AND DEFERRED INCOME TAX

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

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

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

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

PENSION OBLIGATIONS, BONUS ARRANGEMENTS AND OTHER EMPLOYEE BENEFITS

a) Pension obligations

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

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

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

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

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

b) Share-based remuneration

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

A revised long-term incentive plan was launched in 2014. The plan targets a positive share price development over a three-year period from 2014 to 2017 and allows the board to grant synthetic share options to the corporate management and other key employees, including managing directors of the Norwegian business units. During the vesting period, the liability recognised at each reporting date is the IFRS 2 fair value of the award at that date multiplied by the expired portion of the vesting period. See also Note 12.

c) Bonus arrangements

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

PROVISIONS

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

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

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

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

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

REVENUE RECOGNITION

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

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

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

- "D" terms, where the group delivers the goods to the purchaser at the agreed destination, usually the purchaser's premises. The point of sale is when the goods are delivered to the purchaser. If the customer is invoiced before delivery of the goods purchased, revenue is only recognised if the customer has taken over a significant part of the gain and loss potential related to those goods,

- "C" terms, where the group arranges and pays for the external transport of the goods, but the group no longer bears any responsibility for the goods once they have been handed over to the transporter in accordance with the terms of the contract. The point of sale is when the goods are handed over to the transporter contracted by the seller,
- "F" terms, where the purchaser arranges and pays for the transport. The point of sale is when the goods are handed over to the transporter contracted by the purchaser.

DIVIDEND INCOME

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

INTEREST INCOME

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

LEASES

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

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

GOVERNMENT GRANTS

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

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

EMISSION RIGHTS

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

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

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

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

NEW AND AMENDED INTERPRETATIONS AND STANDARDS ADOPTED BY THE GROUP

The following standards are mandatory for the first time for annual periods beginning on or after 1 January 2014 (the new standards adopted by the group, has not had a significant impact on the financial statements):

IFRS 10 Consolidated financial statements

IFRS 10 builds on the existing principles that define the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control. The standard has been adopted with effect from 1 January 2014. It has not had a significant impact on the financial statements.

IFRS 11 Joint arrangements

IFRS 11 removes the option for jointly controlled entities to use proportionate consolidation. Instead, the equity method of accounting must be used. The standard specifies two main categories of joint control: joint ventures and joint operations. For joint ventures, joint control is recognised in accordance with the equity method, but for joint operations, the parties shall recognise their rights in the assets and liabilities included in the collaboration. The standard has been adopted with effect from 1 January 2014. It has not had a significant impact on the financial statements.

IFRS 12 Disclosures of interests in other entities

The standard contains disclosure requirements for all forms of interests in other entities, including joint ventures, associated companies, special purpose entities and other off balance sheet entities. The standard has been adopted with effect from 1 January 2014. It has not had a significant impact on the financial statements.

IAS 27 Separate financial statements (revised)

The rules for consolidated financial statements are replaced by the new IFRS 10 and IFRS 12. What remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The standard has been adopted with effect from 1 January 2014. It has not had a significant impact on the financial statements.

IAS 28 Investments in associates and joint ventures (revised)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed, and the standard now describes the application of the equity method to investments in joint ventures in addition to associates. The standard has been adopted with effect from 1 January 2014. It has not had a significant impact on the financial statements.

IAS 32 – Financial instruments: presentation (amendment)

The amendments clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. The standard has been adopted with effect from 1 January 2014. It has not had a significant impact on the financial statements.

IFRIC 21 – Levies

The group has adopted IFRIC 21 Levies with a date of initial application of 1 January 2014. The group operates in a number of countries where it is subject to government levies. The interpretation clarifies that a levy is not recognised until the obligation event specified in the legislation occurs, even if there is no realistic opportunity to avoid the obligation. The standard has not had a significant impact on the financial statements.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015. None of these has been early adopted in 2014. New standards and amendments that are expected to have an impact on the consolidated financial statements are listed below:

IFRS 9 Financial instruments

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. IT also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The standard is mandatory for annual periods beginning 1 January 2018 or later. The group has not fully assessed the impact of the adoption of IFRS 9.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer loyalty programmes. The standard is mandatory for annual periods beginning 1 January 2017 or later. A final analysis of the consequences of IFRS 15 has not yet been completed.

There are no other IFRSs or IFRIC interpretations, not yet effective, that are expected to have a material impact on the financial statements.

IMPORTANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

a) Critical judgment in applying the group's accounting policies

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the end of the reporting period. Norske Skog has for instance applied judgment when identifying and recognising embedded derivatives, when choosing to present certain items as "Other gains and losses" as separate line items and presenting profit or loss from associated companies after operating earnings. It is important to note that the use of a different set of assumptions for the presentation of the consolidated financial statements could have resulted in significant changes in the line items presented.

b) Estimated decline in value of intangible assets and property, plant and equipment (PPE)

The group performs impairment tests to assess whether there has been a decline in the value of intangible assets and PPE. These are written down to their recoverable amount when the recoverable amount is lower than the carrying value of the asset. The recoverable amount from assets or cash-generating units is determined by calculating the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Calculation of value in use requires use of estimates. See Note 4 for further information.

c) Annual assessment of the remaining economic life of PPE

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

d) Provision for future environmental obligations

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

e) Residual value and dismantling provision

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

f) Fair value of derivatives and other financial instruments

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

g) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that the tax assets will be realised. Significant judgment is required to determine the amount that can be recognised. The recognised amount depends foremost on the expected timing and level of future taxable profits. The judgments relate primarily to tax losses carried forward in Norske Skog's Norwegian operations. When an entity has a history of recent losses, the deferred tax asset arising from unused tax losses is recognised only to the extent that there is convincing evidence that sufficient future taxable profit will be generated. Estimated future taxable profit is not considered as convincing evidence unless the entity demonstrates the ability of generating significant taxable profit in the near future accounting periods or there are certain other events providing sufficient evidence of future taxable profit. The recognition of deferred tax assets is based on a number of assumptions based on management's best judgments. See Note 17 for further information.

h) Pensions

The present value of the pension obligation depends on several input factors that are determined by means of a number of actuarial assumptions. The assumptions used in calculating the net pension expense (income) include the discount rate and salary adjustment. Changes in these assumptions will affect the carrying value of the pension obligation. See Note 13 for further information.

3. OPERATING SEGMENTS

REPORTABLE SEGMENTS

Norske Skog is a producer of publication paper. Publication paper includes newsprint and magazine paper. Newsprint encompasses standard newsprint and other paper qualities used in newspapers, inserts, catalogues, etc. These paper qualities, measured in grammes per square meter, will normally be in the range 40-57 g/m2. Magazine paper encompasses the paper qualities super calendered (SC), machine finished coated (MFC) and light weight coated (LWC). These paper qualities are used in magazines, periodicals, catalogues and brochures.

At the end of 2014, Norske Skog had nine fully or partly owned paper mills in seven countries. Two of the mills produce only magazine paper, one produces both magazine paper and newsprint and six mills produce newsprint only.

The composition of Norske Skog's operating segments was changed with effect from 1 January 2014. The activities of the Norske Skog group are now 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.

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

PUBLICATION PAPER EUROPE

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

PUBLICATION PAPER AUSTRALASIA

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.

OTHER ACTIVITIES

Activities in the group that do not fall into the operating segments publication paper Europe and publication paper Australasia 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.

REVENUES AND EXPENSES NOT ALLOCATED TO OPERATING SEGMENTS

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

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

MAJOR CUSTOMERS

Norske Skog had a total sales volume of newsprint and magazine paper of 2 616 000 tonnes in 2014, of which sales to the group's largest customer constituted approximately 300 000 tonnes. Total sales volume in 2014 of newsprint and magazine paper to the five largest customers in Europe and Australasia amounted to approximately 300 000 and 390 000 tonnes respectively.

OPERATING REVENUE AND EXPENSES PER OPERATING SEGMENT

2014	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	**9 001**	**3 158**	**120**	**-128**	**12 150**
Distribution costs	-864	-385	0	0	-1 249
Cost of materials	-5 452	-1 760	-15	-1	-7 228
Change in inventories	-57	27	0	0	-30
Employee benefit expenses	-1 339	-480	-90	0	-1 908
Other operating expenses	-708	-274	-82	129	-935
Gross operating earnings	**582**	**287**	**-67**	**0**	**801**
Depreciation	-398	-328	-9	0	-735
Restructuring expenses	-2	-2	0	0	-4
Other gains and losses	-5	-33	41	0	3
Impairments	0	0	0	0	0
Operating earnings	**177**	**-77**	**-36**	**0**	**65**
Share of operating revenue from external parties (%)	99	100	1		100

2013	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	**9 432**	**3 871**	**313**	**-276**	**13 339**
Distribution costs	-967	-431	0	0	-1 398
Cost of materials	-5 954	-2 027	-156	120	-8 017
Change in inventories	-33	-12	0	0	-45
Employee benefit expenses	-1 377	-528	-97	0	-2 002
Other operating expenses	-775	-279	-117	156	-1 014
Gross operating earnings	**326**	**593**	**-56**	**0**	**862**
Depreciation	-359	-354	-15	0	-728
Restructuring expenses	-133	0	-13	0	-145
Other gains and losses	8	-182	-926	0	-1 100
Impairments	0	0	0	0	0
Operating earnings	**-158**	**57**	**-1 011**	**0**	**-1 111**
Share of operating revenue from external parties (%)	96	100	17		100

OPERATING REVENUE PER MARKET

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

	2014	2013
Norway	289	267
Rest of Europe	7 328	7 627
North America	610	806
South America	143	238
Australasia	2 847	2 650
Asia	610	1 497
Africa	323	254
Total	**12 150**	**13 339**

NET CASH FLOW FROM OPERATING ACTIVITIES

	2014	2013
Publication paper Europe	426	688
Publication paper Australasia	356	268
Other activities	208	-210
Total cash flow allocated to segments	**990**	**746**
Cash from net financial items	-747	-622
Taxes paid	-42	-56
Net cash flow from operating activities	**200**	**68**

PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	2014	2013
Publication paper Europe	147	170
Publication paper Australasia	114	333
Other activities	13	25
Total	**274**	**529**

PROPERTY, PLANT AND EQUIPMENT PER GEOGRAPHICAL REGION

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

	31.12.2014	31.12.2013
Norway	2 713	2 857
Rest of Europe	2 522	2 461
Australasia	3 642	3 447
Activities not allocated to regions	303	260
Total	**9 180**	**9 025**

INVENTORIES

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

	31.12.2014	31.12.2013
Publication paper Europe	950	978
Publication paper Australasia	384	296
Other activities	0	0
Total	**1 334**	**1 274**


DANGER
DO NOT
STAND IN THE PATH
OF MOVING ROLLS
DANGER
EQUIPMENT
STARTS WITHOUT
WARNING
EMERGENCY STOP

4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

INTANGIBLE ASSETS	GOODWILL	LICENSES AND PATENTS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost 1 January 2013	4 753	107	362	5 222
Additions	0	0	206	206
Disposals	0	-3	-256	-259
Currency translation differences	0	6	-11	-5
Acquisition cost 31 December 2013	**4 753**	**110**	**301**	**5 164**
Accumulated depreciation and impairments 1 January 2013	4 695	93	202	4 990
Depreciation	0	2	16	18
Amortisation of credit facility	0	0	8	8
Value changes	0	0	43	43
Disposals	0	-1	-47	-48
Currency translation differences	0	6	-5	1
Accumulated depreciation and impairments 31 December 2013	**4 695**	**100**	**217**	**5 012**
Carrying value 31 December 2013	**58**	**10**	**84**	**152**
Acquisition cost 1 January 2014	4 753	110	301	5 164
Additions	0	0	81	81
Disposals	0	-9	-158	-167
Reclassified from plant under construction	0	14	0	14
Currency translation differences	0	7	17	24
Acquisition cost 31 December 2014	**4 753**	**122**	**241**	**5 116**
Accumulated depreciation and impairments 1 January 2014	4 695	100	217	5 012
Depreciation	0	2	6	8
Disposals	0	-9	-2	-11
Currency translation differences	0	6	9	15
Accumulated depreciation and impairments 31 December 2014	**4 695**	**99**	**230**	**5 024**
Carrying value 31 December 2014	**58**	**23**	**11**	**92**

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

GOODWILL SPECIFIED PER ACQUISITION	ACQUISITION YEAR	31.12.2014	31.12.2013
Norske Skog Golbey	1995	58	58

PROPERTY, PLANT AND EQUIPMENT	BIOLOGICAL ASSETS	MACHINERY AND EQUIPMENT	LAND AND BUILDINGS	FIXTURES AND FITTINGS	PLANT UNDER CONSTRUCTION	TOTAL
Acquisition cost 1 January 2013	311	34 133	7 165	712	538	42 859
Additions	0	245	1	4	315	565
Disposals	-21	-2 272	-540	-41	-9	-2 883
Change in dismantling provision	0	-31	0	0	0	-31
Reclassified from plant under construction	0	295	44	2	-341	0
Currency translation differences	-19	1 453	371	52	11	1 868
Acquisition cost 31 December 2013	**271**	**33 823**	**7 041**	**729**	**514**	**42 378**
Accumulated depreciation and impairments 1 January 2013	136	27 622	4 852	663	53	33 326
Depreciation	0	621	78	11	0	710
Value changes	-15	0	0	0	0	-15
Disposals	0	-1 891	-451	-40	-9	-2 391
Currency translation differences	-6	1 413	268	47	1	1 723
Accumulated depreciation and impairments 31 December 2013	**115**	**27 765**	**4 747**	**681**	**45**	**33 353**
Carrying value 31 December 2013	**156**	**6 058**	**2 294**	**48**	**469**	**9 025**
Acquisition cost 1 January 2014	271	33 823	7 041	729	514	42 378
Additions	0	14	9	1	253	277
Disposals	0	-3 008	-19	-22	0	-3 049
Change in dismantling provision	0	0	0	0	0	0
Reclassification	0	-148	148	0	0	0
Reclassified from plant under construction	0	183	9	21	-227	-14
Currency translation differences	35	2 669	336	44	51	3 135
Acquisition cost 31 December 2014	**306**	**33 533**	**7 524**	**773**	**591**	**42 727**
Accumulated depreciation and impairments 1 January 2014	115	27 765	4 747	681	45	33 353
Depreciation	0	570	146	11	0	727
Value changes	9	0	0	0	0	9
Disposals	0	-3 000	-19	-21	0	-3 040
Reclassification	0	-148	148	0	0	0
Currency translation differences	16	2 184	257	40	1	2 498
Accumulated depreciation and impairments 31 December 2014	**140**	**27 371**	**5 279**	**711**	**46**	**33 547**
Carrying value 31 December 2014	**166**	**6 162**	**2 245**	**62**	**545**	**9 180**

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

The difference between total additions and purchases of property, plant, equipment and intangible assets in the consolidated statement of cash flows is due to capitalised allocated emission allowances, finance leases, capitalised borrowing costs and accruals for payments. Capitalised borrowing costs in 2014 amounted to NOK 2 million, and the interest rate used was 8%. The capitalised borrowing costs in 2013 amounted to NOK 14 million, and the interest rate used was 8%.

Disposals in 2014 consists mainly of scrapping of fully depreciated assets at Norske Skog Tasman.

NON-CURRENT ASSETS HELD FOR SALE

Norske Skog did not have any non-current assets held for sale at 31 December 2014.

ASSUMPTIONS APPLIED WHEN CALCULATING THE RECOVERABLE AMOUNT

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

Norske Skog's composition of cash-generating units were reviewed in connection with the revision of its segment structure. The new composition of cash-generating units is aligned with the structure in the internal management reporting system in the Norske Skog group. Publication paper Europe and publication paper Australasia represent the two business systems and the products (Newsprint and Magazine paper) that the group is focusing on in its communication with customers, suppliers, employees and the financial market. The basis for the chosen composition of cash-generating units reflects both market and industrial fundamentals for publication paper, and the way Norske Skog follows up the mills operationally and financially. The different mills within the two business systems works together to generate cash inflows. Reflecting customer substitution between different Newsprint and Magazine paper grades it is not operationally meaningful to distinguish at the product level.

The cash-generating unit publication paper Europe consists of Norske Skog Golbey (France), Norske Skog Bruck (Austria), Norske Skog Walsum (Germany), Norske Skog Skogn (Norway) and Norske Skog Saugbrugs (Norway). The cash-generating unit publication paper Australasia consists of Norske Skog Albury (Australia), Norske Skog Boyer (Australia) and Norske Skog Tasman (New Zealand). Each of the two cash-generating units consists of several mills that together are creating a business system. Production can be moved between the mills, based on what gives best profitability for the group as a whole.

Cash flow is calculated individually for each business unit, based on the estimated useful life. The paper industry is a capital-intensive industry where investment decisions are made based on projects with a long time horizon. The production machines have a long technical life, while useful lives are linked to industry cost curves and the size of the market. The estimated remaining useful life of the individual paper machines forms the basis for determining the length of the cash flow period. Estimated useful life for the individual paper machines in the group varies from two to 20 years. For the majority of the paper machines, including those with the highest carrying value, the expected useful life varies from 12 to 20 years. Technical and commercial obsolescence are the main input factors when expected usage of the different paper machines are assessed. Sales volumes develop in accordance with the useful lives of the different paper machines in the group.

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

When calculating value in use at the end of 2014, the discount rate after tax was in the interval from 6.2% to 8.9% (6.1% to 8.1% in 2013). The applied discount rate after tax for publication paper Europe was in the interval from 6.2% to 7.5% and publication paper Australasia was in the interval from 8.4% to 8.9%. The discount rate before tax for publication paper Europe was in in the interval from 9.2 % to 10.3% and publication paper Australasia was in the interval from 12% to 12.4%. The main reason for differences in discount rate is due to country specific interest rate levels.

Different conceptual industry scenarios is considered in the impairment testing. By interpolation between the different conceptual scenarios, all possible outcomes are implicitly considered. The different scenarios are weighted by an estimated probability assigned to each outcome. The impairment testing at 31 December 2014 was based on the operating plan for the group for 2015 as approved by the board of directors.

SENSITIVITY TO ESTIMATES OF RECOVERABLE AMOUNT

The estimation of recoverable amount is based on assumptions regarding the future development of several factors. These include price development for finished goods, sales volumes, currency rates and interest rates. This means that there will be uncertainty when it comes to the outcome of these calculations. Norske Skog has performed sensitivity analyses using the variables mentioned above to predict how fluctuations would influence 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. Assuming that the current profit level remains for the key assets, there will be no impairment losses. A reduction in sales price and sales volumes for the whole group in the cash flow period of 5% will cause a reduction in recoverable amount in the order of NOK 3 200 million and NOK 1 300 million respectively. Correspondingly, a 1% increase in the discount rate will cause a reduction in the recoverable amount of NOK 700 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 200 million.

PROPERTY, PLANT AND EQUIPMENT ALLOCATED TO CASH-GENERATING UNITS

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

	MACHINERY AND EQUIPMENT	LAND AND BUILDINGS
Publication paper Europe	2 933	1 880
Publication paper Australasia	3 229	365
Other activities	0	0
Carrying value 31 December 2014	**6 162**	**2 245**

EXPECTED USEFUL LIFE

Norske Skog has conducted sensitivity analyses with respect to changes in expected useful life of the group's paper machines. If the expected useful life of all the group's paper machines is reduced by one year, the annual depreciation charge will increase by around NOK 70 million.

In connection with the year-end closing process for 2014, Norske Skog performed a review of the expected remaining useful lives of PPE. The expected useful life for the converted Paper Machine 2 at Norske Skog Boyer has been extended with effect from 1 January 2015, as the machine last year was converted to Magazine paper from Newsprint. In addition, a minor extension in the useful life of Paper Machine 10 at Norske Skog Walsum has been made. No other changes in useful life will be made in 2015 compared to those applied in 2014. Because the level of depreciation in 2014 by far exceeded purchases of PPE and the mentioned extensions in useful life from 1 January 2015, the future annual depreciation amount is expected to decrease.

5. FINANCIAL ITEMS

FINANCIAL INCOME	2014	2013
Dividends received	1	18
Interest income	16	21
Other financial income	0	0
Total	**16**	**39**

FINANCIAL EXPENSES	2014	2013
Interest costs	-617	-636
Other financial expenses [1]	-67	-43
Total	**-684**	**-679**
Realised/unrealised gains on foreign currency	**-690**	**-618**
Financial items	**-1 357**	**-1 258**

[1] Other financial expenses includes losses on the buy-back of bonds.

6. MORTGAGES

LOANS SECURED BY MORTGAGES ON PROPERTY	31.12.2014	31.12.2013
Other mortgage debt	168	183

CARRYING VALUE OF ASSETS SECURING THIS DEBT	31.12.2014	31.12.2013
Property, plant and equipment	191	174

Norske Skogindustrier ASA has negative pledge clauses in its bank and bond agreements, with the possibility to give security up to certain thresholds. Mortgage loans per 31 December 2014 and 31 December 2013 consisted of facilities secured by land and forest areas taken up at Norske Skog Boyer in Australia, and were executed within the negative pledge limits.

7. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31.12.2014	NOTE	LOANS AND RECEIVABLES	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE-FOR-SALE FINANCIAL ASSETS	NON-FINANCIAL ASSETS	TOTAL
Other non-current assets	10	21	227	139	0	387
Trade and other receivables	10	1 150	0	0	59	1 209
Cash and cash equivalents		710	0	0	0	710
Other current assets	18	16	23	0	0	39
Total		**1 896**	**250**	**139**	**59**	

	NOTE	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES AT AMORTISED COST	NON-FINANCIAL LIABILITIES	TOTAL
Interest-bearing non-current liabilities	11	0	7 004	0	7 004
Interest-bearing current liabilities	11	0	1 267	0	1 267
Other non-current liabilities	18	266	0	426	692
Trade and other payables	18	0	2 172	0	2 172
Other current liabilities	18	90	17	202	309
Total		**356**	**10 460**	**627**	

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

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

FINANCIAL ASSETS AND LIABILITIES

	31.12.2014		31.12.2013	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Derivatives	23	23	14	14
Commodity contracts	204	204	122	122
Miscellaneous other non-current assets	160	160	163	163
Other non-current assets	**387**	**387**	**299**	**299**
Accounts receivable	1 058	1 058	1 303	1 303
Other receivables	92	92	202	202
Prepaid VAT	59	59	69	69
Trade and other receivables	**1 209**	**1 209**	**1 574**	**1 574**
Cash and cash equivalents	710	710	1 015	1 015
Derivatives	6	6	20	20
Commodity contracts	17	17	9	9
Current investments	16	16	112	112
Other current assets	**39**	**39**	**141**	**141**
Interest-bearing non-current liabilities [1]	7 004	4 373	6 973	4 350
Interest-bearing current liabilities	1 267	1 149	1 044	1 031
Total interest-bearing liabilities	**8 271**	**5 522**	**8 017**	**5 381**
Derivatives	242	242	259	259
Commodity contracts	24	24	12	12
Non-financial non-current liabilities	426	426	428	428
Other non-current liabilities	**692**	**692**	**699**	**699**
Accounts payable	1 272	1 272	1 103	1 103
Other payables	900	900	937	937
Trade and other payables	**2 172**	**2 172**	**2 040**	**2 040**
Derivatives	80	80	116	116
Commodity contracts	10	10	18	18
Non-financial current liabilities	219	219	405	405
Other current liabilities	**309**	**309**	**540**	**540**

[1] The fair value of non-current bank loan debt is based on cash flows discounted using the swap rate, plus the credit default swap (CDS). The fair value of foreign bonds is calculated using price indications from banks. The fair value of Norwegian bonds is based on quotes from Reuters, when these are available. In other instances, published assessment values at 1 January 2015 are used.

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

8. FINANCIAL RISK AND HEDGE ACCOUNTING

FINANCIAL RISK FACTORS

Norske Skog is exposed to various financial risk factors through the group's operating activities, including market risk (interest rate risk, currency risk and commodity risk), liquidity risk and credit risk. Norske Skog seeks to minimise losses and volatility on the group's earnings caused by adverse market movements. Moreover, Norske Skog monitors and manages financial risk based on internal policies and standards set forth by corporate management and approved by the board of directors. These written policies provide principles for the overall risk management as well as standards for managing currency risk, interest rate risk, credit risk, liquidity risk and the use of financial derivatives and non-derivative financial instruments. Compliance with policies and standards is continuously monitored. There were no breaches of these policies during 2014 or 2013.

MARKET RISK

a) Interest rate risk

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

		31.12.2014			31.12.2013	
INTEREST-BEARING ASSETS AND LIABILITIES	FLOATING	FIXED	TOTAL	FLOATING	FIXED	TOTAL
Interest-bearing liabilities	651	7 620	8 271	519	7 395	7 914
Interest-bearing assets	-710	0	-710	-1 015	0	-1 015
Net exposure	**-59**	**7 620**	**7 561**	**-496**	**7 395**	**6 899**

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

INTEREST RATE SENSITIVITY ANALYSIS

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

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

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

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

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

- Results are presented net of tax, using the Norwegian statutory tax rate of 27%.

The interest rate sensitivity analysis is based on a parallel shift in the yield curve for each relevant currency to which Norske Skog is exposed. Following a 50 basis point downward/upward parallel shift in the yield curve in all interest rate markets to which Norske Skog is exposed, net earnings would have been NOK 1 million higher/lower at 31 December 2014 (NOK 2 million lower/higher at 31 December 2013). Change in net interest payments accounts for NOK 1million, and the total change in market values of derivatives carried at fair value through profit or loss accounts for NOK 0 million.

b) Currency risk

Transaction risk - cash flow hedge

The group has revenues and expenses in various currencies. The major currencies are NOK, EUR, USD, GBP, AUD and NZD. Transaction risk arises because the group has a different currency split on income and expenses. Norske Skog calculates a 12-month future cash flow exposure in each currency on a rolling basis. The result of the hedging is included in Financial items in the income statement. Norske Skog does not use hedge accounting for the rolling cash flow hedge. The rolling cash flow hedge generated a gain of NOK 2 million in 2014 (loss of NOK 66 million in 2013). Over time, currency losses or earnings are expected to offset increased or reduced future gross operating earnings. The cash flow hedge program was closed during 2014.

Translation risk - net investment hedge

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

Norske Skog's net investment hedging is carried out in accordance with IAS 39. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity and offset by translation differences from assets in subsidiaries. The gain or loss related to the ineffective portion is immediately recognised in the income statement. There was no ineffectiveness related to net investment hedge in 2014 or 2013. The effective portion recognised in equity was a loss of NOK 151million in 2014 (loss of NOK 243 million in 2013). The portion of the debt portfolio to which hedge accounting does not apply, was somewhat smaller in 2014 than in 2013. The Foreign exchange gains and losses from such liabilities are recognised in the income statement under Financial items.

Cumulative currency translation differences of NOK 1 million were reclassified from equity to the income statement in 2014 as a result of the divestments of Norske Skog Polska Sp. z.o.o. and Norske Skog Czech & Slovak Republic spol. s.r.o.. Cumulative currency translation differences of NOK 39 million were reclassified from equity to the income statement in 2013 as a result of the divestments of Norske Skog Pisa Ltda. in Brazil and Norske Skog (Thailand) Co. Ltd.

CHANGE IN FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS DESIGNATED AS NET INVESTMENT HEDGE	2014	2013
Changes in spot value of financial instruments [1]	-354	-528
The effective portion recognised in equity	-151	-243
Portion without hedge accounting recognised in the income statement	-203	-286

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

Foreign exchange - sensitivity analysis on financial instruments

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

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

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

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

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

- Other currency derivatives that are recognised at fair value through profit and loss will affect the income statement. These effects come mainly from currency derivatives and financial liabilities managed as economic net investment hedges which do not qualify for hedge accounting according to IAS 39.

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

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

At 31 December 2014, if NOK had appreciated 10% against all currencies to which the group has significant exposure, net profit after tax from financial instruments would have been NOK 369 million higher (NOK 265 million higher at 31 December 2013). If NOK had depreciated by 10% at 31 December 2014 against all currencies to which the group has significant exposure, net profit after tax from financial instruments would have been NOK 369 million lower (NOK 285 million lower at 31 December 2013). Net profit after tax is affected in a non-linear manner in 2013 due to changes in the fair value of options. The effect of the sensitivity analysis on the income statement is mainly caused by changes in fair value of derivatives designated as rolling cash flow hedge, and foreign exchange gains/losses on the translation of EUR and USD denominated debt for which there is no hedge accounting. Because the portion of debt has increased in relation to the portion of cash, the effect on the income statement is higher in 2014 compared to 2013.

Given a 10% appreciation/depreciation of NOK, equity would have been NOK 133 million higher/lower (NOK 189 million higher/lower at 31 December 2013) as a result of foreign exchange gains/losses on financial instruments designated as net investment hedges. The sensitivity analysis on equity excludes the effects from the sensitivity analysis on the income statement, calculated above.

c) Commodity risk

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

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

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

Norske Skog's portfolio of commodity contracts consists mainly of physical energy contracts. Fair value of commodity contracts is especially sensitive to future changes in energy prices. The fair value of embedded derivatives in physical contracts depends on currency and price index fluctuations. The energy contracts in Norway are nominated in EUR. These contracts contain embedded derivatives that are sensitive to changes in exchange rates. NOK weakened against EUR during 2014, which had a negative effect on the fair value of the embedded derivatives.

In April 2013, Norske Skog Saugbrugs signed a new long-term energy contract for the supply of electricity for the paper mill in Halden. The new energy contract secures an annual supply of 1.0

TWh up to 31 December 2020. The agreement entered into force on 1 May 2013. The contract ensures almost full energy coverage for Norske Skog Saugbrugs over the contract period. During 2013, Norske Skogindustrier ASA also terminated its long-term group energy contract from 1998 that applied for energy supply in Southern Norway.

Sensitivity analysis for commodity contracts

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

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

COMMODITY CONTRACTS WITHIN THE SCOPE OF IAS 39		FAIR VALUE 31.12.2014	RESULT NET OF TAX CHANGE DOWN	RESULT NET OF TAX CHANGE UP
Energy price	change 10%	193	-167	180
Currency	change 10%	193	0	0

Sensitivity analysis for embedded derivatives

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

EMBEDDED DERIVATIVES		FAIR VALUE 31.12.2014	RESULT NET OF TAX CHANGE DOWN	RESULT NET OF TAX CHANGE UP
Currency	change 10%	-293	243	-207
Price index	change 2.5%	-293	4	-4

LIQUIDITY RISK

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

In order to uncover future liquidity risk, Norske Skog forecasts both short- and long-term cash flows. Cash flow forecasts include cash flows stemming from operations, investments, financing activities and financial instruments. The group had current investments, cash and cash equivalents of NOK 710 million at 31 December 2014 (NOK 1 015 million at 31 December 2013). None credit facility at 31 December 2014 (undrawn credit facility of NOK 250 million at 31 December 2013). See Note 11 for more information regarding the maturity of facilities. Restricted bank deposits amounted to NOK 322 million at 31 December 2014 (NOK 258 million at 31 December 2013).

The board of directors recognises the challenging markets that Norske Skog operates in with price and currency uncertainty. The board of directors will thus have a continuous focus on cash generating trough 2015 to ensure sufficient liquidity for both debt maturities and the operations of Norske Skog. The ongoing initiatives to improve cash flow from operations and the significantly enhanced liquidity position of the group following the refinancing, should in the opinion of the board of directors provide prudent cash balances during 2015. Despite this leverage remains high and requires improved profitability, but the refinancing enables the group to focus on improving operations, cost initiatives and capital efficiency.

In February 2015, Norske Skog completed the refinancing of a portion of its bond maturities. See Note 27 for further information.

The following table shows the contractual maturities of non-derivative financial liabilities and other derivative financial instruments. All amounts disclosed in the table are undiscounted cash flows. Furthermore, amounts denominated in foreign currency are translated to NOK using closing rates at 31 December. These amounts consist of trade payables, interest payments and principal payments on derivative and non-derivative financial instruments. Variable rate interest cash flows are calculated using the forward yield curve. Projected interest payments are based on the maturity schedule at 31 December without accounting for forecasted refinancing and/or other changes in the liability portfolio. All other cash flows are based on the group's positions held at 31 December 2014.

MATURITY OF FINANCIAL LIABILITIES AND FINANCIAL INSTRUMENTS

31.12.2014	0 - 6 MONTHS	6 - 12 MONTHS	2016-2017	2018-2019	> 2019
Non-derivative financial instruments					
Principal payment on interest-bearing debt	-20	-1 196	-4 748	-30	-1 507
Projected interest payment on interest-bearing debt	-408	-161	-781	-216	-1 484
Trade payables	-1 272	0	0	0	0
Total	**-1 700**	**-1 357**	**-5 529**	**-246**	**-2 991**
Net settled derivative financial instruments					
Interest rate swaps - net cash flows[1)]	0	0	0	0	0
Commodity contracts	-10	1	-6	0	0
Total	**-10**	**1**	**-6**	**0**	**0**
Gross settled derivative financial instruments [1)]					
Foreign exchange contracts - outflows	0	0	0	0	0
Foreign exchange contracts - inflows	0	0	0	0	0
Cross-currency swaps - outflows	0	0	0	0	0
Cross-currency swaps - inflows	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**
Total 2014	**1 710**	**-1 356**	**-5 535**	**-246**	**-2 991**

[1)] All active management contracts have been close during 2014. None derivatives contracts at year end 2014.

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

CREDIT RISK

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

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

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


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U1604
Norske Skog

9. DERIVATIVES

Fair value of derivatives

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

31.12.2014	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value through profit or loss				
Trading derivatives	0	0	0	0
Derivatives used for hedging	0	0	0	0
Commodity contracts and embedded derivatives	0	0	250	250
Total	**0**	**0**	**250**	**250**
Financial liabilities at fair value through profit or loss				
Trading derivatives	0	-15	0	-15
Derivatives used for hedging	0	0	0	0
Commodity contracts and embedded derivatives	0	0	-341	-341
Total	**0**	**-15**	**-341**	**-356**

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

The following table shows the changes in level 3 instruments at 31 December 2014.

	ASSETS	LIABILITIES
Opening balance	144	-317
Gains and losses recognised in profit or loss	100	-39
Currency translation differences	7	16
Closing balance	**250**	**-341**

Norske Skog's portfolio of commodity contracts consist mainly of physical energy contracts. The commodity contracts classified as financial contracts are mainly related to energy contracts in Australia and New Zealand. Embedded derivatives are mainly related to energy contracts in Norway. Fair value of commodity contracts is sensitive to estimates of future energy prices. Fair value of embedded derivatives is sensitive to estimates of currency exchange rates and price indices.

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

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

is applied to assets positions based on credit risk associated with the counter-party. Debit value adjustment is (from 2014) applied to liability positions, based on Norske Skog's own credit risk.

The following table is presented in accordance with IFRS 13.94, showing the fair value of commodity contracts in level 3 given a change in assumptions to a reasonably possible alternative.

FAIR VALUE OF DERIVATIVES IN LEVEL 3 GIVEN A REASONABLY POSSIBLE ALTERNATIVE	31.12.2014	31.12.2013
Assets		
Commodity contracts	219	112
Liabilities		
Commodity contracts	-338	-314

The electricity prices for long-term electricity contracts in New Zealand are not directly observable in the market for the whole contract length. A change in the forecast to a reasonably possible alternative would change the fair value. For the energy contracts in New Zealand, a reasonably possible alternative at 31 December 2014 would be a downwards parallel shift of the long end of the forward curve of 2% (downwards shift of 2% in 2013).

	31.12.2014		31.12.2013	
DERIVATIVES	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Net investment hedge [1]				
Cross-currency contracts	0	0	0	-21
Total	**0**	**0**	**0**	**-21**
Other derivatives				
Forward rate contracts	0	0	0	-12
Currency options	0	0	1	-9
Forward contracts	0	0	15	-46
Commodity contracts	221	-34	132	-29
Embedded derivatives	29	-322	17	-288
Total	**250**	**-356**	**165**	**-384**
Total derivatives				
Forward rate contracts	0	0	0	-12
Currency options	0	0	1	-9
Forward contracts	0	0	15	-46
Cross-currency contracts	0	0	0	-21
Commodity contracts	221	-34	132	-29
Embedded derivatives	29	-322	17	-288
Total	**250**	**-356**	**165**	**-405**

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

All active management contracts (Forward rate contracts, Currency options and forward contracts) have been close during 2014.

[1] Norske Skog terminated the remaining cross-currency contracts in the net investment hedge portfolio in 2014.

10. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	NOTE	31.12.2014	31.12.2013
Trade and other receivables			
Accounts receivable		1 058	1 303
Provision for bad debt		-103	-90
Other receivables		124	233
VAT receivables		59	69
Prepaid expenses		71	59
Total		**1 209**	**1 574**
Other non-current assets			
Loans to employees		1	1
Long-term shareholdings	23	139	125
Miscellaneous non-current receivables		20	15
Derivatives	7	23	14
Commodity contracts	7	204	122
Pension plan assets	13	0	22
Total		**387**	**299**

Norske Skog Bruck entered into a factoring facility agreement in October 2014. The facility has a limit of EUR 25 million and is not bearing financial covenants. Accounts receivable that have been sold are deducted from accounts receivable in the balance sheet. The utilisation at 31 December 2014 was NOK 75 million.

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

AGEING OF THE GROUP'S CURRENT RECEIVABLES	31.12.2014	31.12.2013
Not due	1 134	1 443
0 to 3 months	86	127
3 to 6 months	0	8
Over 6 months	92	86
Total [1]	**1 312**	**1 664**

[1] Does not include provision for bad debt.

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

11. INTEREST-BEARING LIABILITIES

	31.12.2014	31.12.2013
Bonds	7 344	7 402
Debt to financial institutions	394	615
Securitisation / Factoring Facilities	413	
Total	**8 151**	**8 017**

INTEREST-BEARING DEBT BY CURRENCY	CURRENCY AMOUNT 31.12.2014	NOK 31.12.2014	NOK 31.12.2014
USD	358	2 663	2 179
EUR	543	4 908	4 423
AUD	30	183	192
NZD	2	11	0
Total interest-bearing debt in foreign currencies		**7 765**	**6 794**
Interest-bearing debt in NOK	386	386	1 223
Total interest-bearing debt		**8 151**	**8 017**

The average interest rate at 31 December 2014 was 7.4% (8.1% at 31 December 2013).

DEBT REPAYMENT

MATURITY OF THE GROUP'S TOTAL DEBT AT 31 DECEMBER 2014	DEBT BANKS	BONDS	TOTAL
2015	91	1 176	1 267
2016	305	1 171	1 476
2017	253	3 510	3 763
2018	29		29
2019	29		29
2020	30		30
2021	21		21
2022	15		15
2023-2033	34	1 487	1 521
Total	**807**	**7 344**	**8 151**

MATURITY OF THE GROUP'S TOTAL DEBT AT 31 DECEMBER 2013	DEBT BANKS	BONDS	TOTAL
2014	166	881	1 047
2015	64	962	1 027
2016	66	1 086	1 153
2017	41	3 256	3 297
2018	34	0	34
2019	35	0	35
2020	36	0	36
2021	25	0	25
2022-2033	44	1 217	1 261
Total	**511**	**7 402**	**7 913**

Total debt listed in the repayment schedule may differ from booked debt. This is due to premiums or discounts on issued bonds, hedge reserves and fair value of hedging. At 31 December 2014, the financial statements included a discount of NOK 53 million (discount of NOK 86 million at 31 December 2013). Premiums or discounts on issued bonds are amortised in the income statement over the lifetime of the issued bonds. See Note 6 for loans secured by mortgage.

NET INTEREST-BEARING DEBT

As a result of the termination of a large part of the fair value hedge portfolio in the beginning of 2009, an amount was reclassified in the balance sheet. A hedge reserve (deferred income) amounting to NOK 174 million is included in interest-bearing debt as at 31 December 2014 (NOK 185 million at 31 December 2013). The hedge reserve does not constitute any payment obligation for the group, but will be amortised in the income statement over the term of the debt that has been hedged (i.e. until 2033).

The group's holding of own bonds in foreign currency amounted to USD 42 million and EUR 132 million at 31 December 2014 (USD 42 million and EUR 132 million at 31 December 2013). These holdings are deducted from interest-bearing debt in NOK.

	31.12.2014
Interest-bearing non-current liabilities	7 004
Interest-bearing current liabilities	1 267
- Hedge reserve	174
- Cash and cash equivalents	710
Net interest-bearing debt	**7 387**

12. EMPLOYEE BENEFIT EXPENSES

EMPLOYEE BENEFIT EXPENSES	NOTE	2014	2013
Salaries including holiday pay		1 466	1 564
Social security contributions		326	315
Pension costs	13	37	13
Other employee benefit expenses		79	110
Total		**1 908**	**2 002**

NUMBER OF EMPLOYEES BY REGION	31.12.2014	31.12.2013
Europe	2 228	2 508
South America	0	0
Australasia	690	701
Asia	0	0
Corporate functions (head office)	58	66
Total	**2 976**	**3 275**

The base salary for the president and chief executive officer (CEO) Sven Ombudstvedt at 31 December 2014 was NOK 4 360 000. Total salary and other benefits received by Ombudstvedt in 2014 amounted to NOK 6 554 313 (NOK 5 483 715 in 2013).

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

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

The annual bonus agreements for the CEO and other members of corporate management specify a maximum payment of 50% of base salary. The basis for calculating this bonus is set annually by the board and CEO. No members of corporate management have been given loans or granted securities or guarantees from the employer.
The total remuneration to members of the board in 2014 was NOK 4 038 098 (NOK 4 513 660 in 2013), including remuneration to members of the audit, election- and remuneration committees of NOK 979 583 (NOK 1 086 666 in 2013).
Please see Note 10 in the parent company financial statements for further information on remuneration to executive employees.

REMUNERATION FOR MEMBERS OF CORPORATE MANAGEMENT (in NOK 1 000)
In accordance with the code of conduct for corporate governance recommended by the Oslo Stock Exchange, salary, payments in kind and bonus for members of corporate management are specified below.

2014	SALARY FOR 2014	PAYMENTS IN KIND ETC. FOR 2014 [1]	BONUS 2014 [2]	CONTRIBUTION DEFINED CONTRIBUTION SCHEMES 2014	GRANTED STOCK OPTIONS 2014 (NUMBER OF OPTIONS)
Sven Ombudstvedt (CEO)	4 696	276	872	710	420 000
Roar Ødelien (COO)	1 860	223	322	211	210 000
Rune Sollie (CFO)	1 500	193	356	195	210 000
Lars P. Sperre (SVP)	1 743	208	308	101	210 000

	SALARY FOR 2013	PAYMENTS IN KIND ETC. FOR 2013 [1]	BONUS 2013 [2]	CONTRIBUTION DEFINED CONTRIBUTION SCHEMES 2013
Sven Ombudstvedt (CEO)	4 498	282	0	704
Roar Ødelien (COO)	450	53	0	53
Rune Gjessing (CFO)	2 557	228	1 225	313

[1] Includes car allowance, salary compensation for the transition to defined contribution pension, free telephone, etc.
[2] Based on results achieved in the financial year.
Lars P. Sperre was appointed senior vice president (SVP) corporate strategy & legal from April 2014. Rune Sollie was appointed CFO in January 2014. Roar Ødelien was appointed chief operating officer (COO) from October 2013.

LONG-TERM INCENTIVE PROGRAMME

A revised long-term incentive plan was launched in 2014. The plan targets a positive share price development over a three-year period from 2014 to 2017 and allows the board to grant synthetic share options to the corporate management and other key employees, including managing directors of the Norwegian business units. The synthetic options are to be settled in 2017, at the board's discretion, a maximum of one third of the total number of options can be awarded through a bonus payment each year. The long-term incentive program issued in total 3 780 000 synthetic options. At the start of the program, (award date 17 July 2014) 2 250 000 synthetic options were awarded, leaving 1 530 000 synthetic options to be granted later. Each option carries the right to be paid an amount in cash equal to (a) the fair market value less (b) the exercise price, including any hurdle rate added to the exercise price as of the exercise date. Fair market value is the volume weighted average trading price of the shares on Oslo Stock Exchange over a period of five trading days starting on the exercise date. The exercise date is the latter of the date falling three years after the award date or the date of publication of the company's interim financial statements for the first six months of 2017. The initial exercise price (strike price) for the synthetic options was NOK 4.80. The exercise price shall be increased by 10 per cent pro anno (the hurdle rate). The hurdle rate shall be added to the exercise price annually in arrears as of each anniversary of the award date, and shall from then be included in the basis for the calculation of further hurdle rate.

The ultimate cost of a cash-settled share-based transaction is the actual cash paid to the counterparty, which will be the fair value at settlement date. The periodic determination of this liability is at each reporting date between grant and settlement the fair value of the award. The fair value of the award is determined in accordance with the specific requirements in IFRS 2. During the vesting period, the liability recognised at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period. All changes in the liability are recognised in profit or loss for the period. The fair value of the liability is determined by applying an option pricing model, taking into account the terms and conditions on which the cash-settled transaction was granted, and the extent to which the employees have rendered services to date. Norske Skog has made a fair value measurement of the liability using a Black & Scholes model for European call options with no dividends.

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

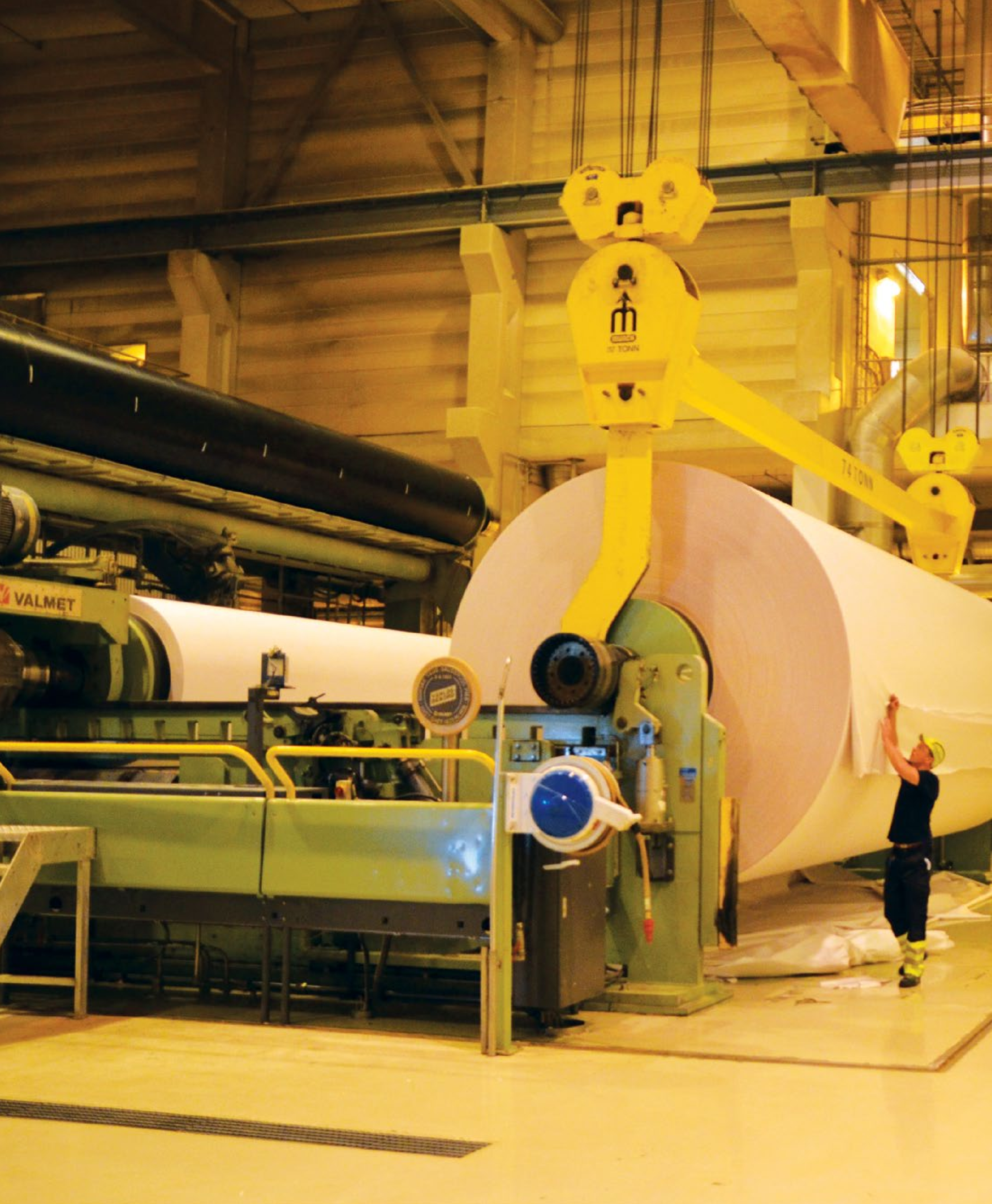
	SALARY	DIRECTORS FEE	REMUNERATION FOR COMMITTEE WORK
Jarle Roth	0	427	14
Eivind Reiten [1]	0	160	20
Ingelise Arntsen [1]	0	89	0
Kjetil Bakkan	537	326	0
Eilif Due	0	326	27
Siri Beate Hatlen	0	326	102
Finn Johnsson [1]	0	89	55
Paul Kristiansen	518	326	142
Karen Kvalevåg [1]	0	89	42
Karin Bing Orgland	0	237	90
Jon-Aksel Torgersen	0	326	34
Svein Erik Veie	505	326	0

[1] Previous member who left the board during 2014.

AUDITORS FEES
(in NOK 1 000, excluding VAT)

	PARENT COMPANY	NORWEGIAN SUBSIDIARIES AUDITED BY THE PARENT COMPANY AUDITOR	SUBSIDIARIES AUDITED BY GROUP AUDITORS	SUBSIDIARIES AUDITED BY OTHER AUDITORS	TOTAL
Audit fee	1 192	374	1 615	971	4 152
Audit-related assistance [1]	270	0	90	0	360
Tax assistance	516	0	611	0	1 127
Other fees	15	0	0	0	15
Total	**1 994**	**374**	**2 316**	**971**	**5 654**

[1] Audit-related assistance includes services, which only auditors can provide, such as the limited review of interim financial statements, agreed control procedures etc.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13. PENSION COSTS AND PENSION OBLIGATIONS

Norske Skog has various pension schemes in accordance with local conditions and practices in the countries in which the group operates. A total of 2 872 current and former employees are covered by such schemes. Of these, 1 076 people are covered by defined benefit plans and 1 796 people by defined contribution plans.

DESCRIPTION OF THE DEFINED BENEFIT PLANS

The key terms in Norske Skog's major defined benefit plans are shown in the table below.

	BENEFIT IN % OF PENSIONABLE EARNINGS	YEARS OF SERVICE	PENSIONABLE AGE	EARLY RETIREMENT AGE	NUMBER OF MEMBERS
Norske Skogindustrier ASA	65	30	67	62	69
Norske Skog Saugbrugs AS	65	30	67	62	213
Norske Skog Skogn AS	65	30	67	62	155
Norske Skog Walsum GmbH	50-70	40	65-67	63	602
Norske Skog Paper Mills (Australia) Ltd.	50		65	55	11

The defined benefit schemes in Norway cover people between 56 and 67 years of age, who were employed before 1 January 2011. The defined benefit obligations in Norway only encompass active members (a small number of people in early retirement until the end of 2015), since they leave the defined benefit scheme (having a paid-up policy) when they retire.

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

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

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

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

In addition to the benefit obligation funded through insurance plans, the group has unfunded benefit obligations, of which Norske Skog Walsum GmbH is the largest. The defined benefit scheme at Norske Skog Walsum GmbH was curtailed at the level it had at 31 December 2010, meaning there is no increase in the obligation as a result of salary increases or the time worked for the company after this date. The majority of employees covered by the defined benefit scheme at Norske Skog Walsum are in their late fifties and sixties. Number of retired people is 183. The unfunded obligations also include estimated future obligations relating to the former Norwegian early retirement scheme, pensions to former owners of subsidiaries as well as pensions for senior management and directors. Obligations relating to senior management pensions are partly funded through a supplementary retirement plan with a life insurance company.

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

ASSUMPTIONS MADE WHEN CALCULATING FUTURE BENEFIT OBLIGATIONS IN NORWAY	2014	2013
Discount rate/expected return on plan assets	2.2%	3.6%
Salary adjustment	2.4%	2.5%
Social security increase/inflation rate	3.0%	3.5%
Pension growth rate	0.0%	0.0%

The discount rate applied for the pension schemes in Norway for 2014 is based on the interest rate for covered bonds. Subsidiaries can deviate from these assumptions if local conditions require this. The discount rates applied vary from1.9% to 3.7%. For Norske Skog Walsum GmbH, the discount rate used is 1.9% (2013: 3.5%). Norske Skog has used the mortality table in Norway (K2013BE).

NET PERIODIC PENSION COST	2014	2013
Current service cost	10	17
Pension cost defined contribution schemes	24	23
Accrued national insurance contributions	1	1
Recognised curtailment and settlement	0	-28
Net periodic pension cost	**35**	**13**
Net periodic interest cost	**23**	**21**

Estimated payments to the group's defined benefit pension schemes in 2015 amount to NOK 40 million (NOK 30 million in 2014).

PENSION PLANS IN THE BALANCE SHEET

PARTLY OR FULLY FUNDED PENSION PLANS	31.12.2014	31.12.2013
Projected benefit obligations including national insurance contributions	-310	-378
Plan assets at fair value	281	400
Net plan assets/pension obligations (-) in the balance sheet	**-29**	**22**

UNFUNDED PENSION PLANS	31.12.2014	31.12.2013
Projected benefit obligations including national insurance contributions	-790	-714
Net plan assets/pension obligations (-) in the balance sheet	**-820**	**-714**

SPECIFICATION OF PENSION PLANS IN THE BALANCE SHEET	NOTE	31.12.2014	31.12.2013
Pension assets in the balance sheet	10	0	22
Pension liabilities in the balance sheet		-820	-714
Net pension obligations		**-820**	**-692**
Net unfunded pension plans		-790	-714
Net partly or fully funded pension plans		-29	22

CHANGES IN PENSION OBLIGATIONS FOR PARTLY OR FULLY FUNDED PENSION PLANS	2014	2013
Balance 1 January	378	510
Divested companies	0	-35
Current years' service cost	17	12
Current years' interest cost	13	0
Pension paid	-26	-19
Curtailments/settlements	-1	-58
Other changes	9	-28
Currency translation differences	-8	3
Remeasurements	-72	-7
Balance 31 December	**310**	**378**

CHANGES IN PLAN ASSETS FOR PARTLY OR FULLY FUNDED PENSION PLANS	2014	2013
Balance 1 January	400	479
Divested companies	0	-35
Return on plan assets	14	11
Curtailments/settlements	-21	-55
Other changes	-6	0
Employer contribution	17	0
Remeasurements	-133	0
Currency translation differences	10	0
Balance 31 December	**281**	**400**

CHANGES IN PENSION OBLIGATIONS FOR UNFUNDED PENSION PLANS	2014	2013
Balance 1 January	-714	-577
Divested companies	0	6
Current year's service cost	-4	-6
Current year's interest cost	-18	-18
Pension paid	21	34
Contributions to the plan assets	0	0
Curtailments/settlements	0	0
Other changes	0	-90
Currency translation differences	-44	0
Remeasurements	-31	-63
Balance 31 December	**-790**	**-714**

Remeasurements is mainly related to changes in financial assumptions.

	2014		2013	
INVESTMENT PROFILE FOR PENSION FUNDS	FUNDS	DISTRIBUTION	FUNDS	DISTRIBUTION
Shares	36	13%	79	20%
Bonds	177	63%	212	53%
Properties and real estate	22	8%	38	10%
Money market	47	17%	54	13%
Other	0	0%	17	4%
Total	**281**		**400**	

SENSITIVITY ANALYSIS

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

SENSITIVITY	INCREASE	DECREASE
Discount rate - 0.5%	-69	67
Salary adjustment - 0.5%	-12	11
Future national security - 1.0%	-42	11
Future pension – 1.0%	N/A	N/A

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

14. OTHER OPERATING EXPENSES

	2014	2013
Maintenance materials and services	496	549
Marketing expenses	13	16
Administration, insurance, travel expenses etc.	211	251
Losses on accounts receivable	9	13
Operating leases	55	63
Research and development	2	2
Changes in environmental provisions	-10	-61
Miscellaneous expenses	158	181
Total	**935**	**1 014**
Specification of losses on accounts receivable		
Receivables written off during the period	6	6
Payments received on items previously written off	0	0
Change in provision for bad debt	3	7
Total	**9**	**13**

15. LEASES

OPERATING LEASES

The group recognised expenses of NOK 55 million in relation to operating leases in 2014. The equivalent expense in 2013 was NOK 63 million.

MINIMUM LEASE PAYMENTS RELATING TO OPERATING LEASES	31.12.2014	31.12.2013
Not later than one year	20	20
Later than one year and not later than five years	39	36
Later than five years	3	7
Total	**62**	**63**

FINANCE LEASES

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

MINIMUM LEASE PAYMENTS RELATING TO FINANCE LEASES	31.12.2014	31.12.2013
Not later than one year	24	23
Later than one year and not later than five years	89	81
Later than five years	100	106
Total	**213**	**210**
Future finance charges on finance leases	-83	-86
Present value of minimum lease payments	**130**	**124**

PRESENT VALUE OF MINIMUM LEASE PAYMENTS	31.12.2014	31.12.2013
Not later than one year	23	21
Later than one year and not later than five years	65	60
Later than five years	42	43
Total	**130**	**124**
Capitalised value of leased property, plant and equipment (machinery and equipment)	**103**	**106**

16. OTHER GAINS AND LOSSES

	2014	2013
Gains and losses from divestments of business activities, property, plant and equipment	-17	-178
Changes in value – commodity contracts [1)]	64	-402
Changes in value – embedded derivatives	-22	-403
Changes in value – biological assets	-9	-14
Other realised gains and losses	-13	-102
Total	**3**	**-1 100**

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

The net loss on divestments of business activities, property, plant and equipment in 2014 of NOK 17 million was primarily related scrapping of equipment no longer in use.

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

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

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

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

Norske Skog's portfolio of commodity contracts consists mainly of physical energy contracts. The fair value of commodity contracts is especially sensitive to future changes in energy prices. The fair value of embedded derivatives in physical contracts is influenced by currency and price index fluctuations. A sensitivity analysis of the impact on profit after tax of fluctuations in energy prices, currency and price indices is given in Note 8. The valuation techniques used are described in Note 9. The gain on commodity contracts in 2014 were due to negative change in Producer price index in New Zealand. In 2013 the losses were due to lower expected future energy prices.

Other realised gains and losses of NOK 13 million in 2014 were primarily related financial hedging of energy and sale of emission rights. Other realised gains and losses of NOK -102 million in 2013 were primarily related to the termination of the long-term group agreement from 1998 that applied to the supply of energy in Southern Norway.

17. INCOME TAXES

TAX EXPENSE	2014	2013
Current tax expense	-58	-100
Change in deferred tax	-155	600
Total	**-213**	**500**

RECONCILIATION OF THE GROUP TAX EXPENSE	2014	2013
Profit/loss before income taxes	-1 291	-2 344
Computed tax at nominal tax rate of 27% (2013: 28%)	348	656
Differences due to different tax rates	5	-4
Result from associated companies	1	7
Exempted income/non-deductible expenses	-28	-4
Reversal tax provision	67	-23
Divestment of subsidiaries	0	-52
Adjustment previous years	0	28
Deferred tax asset not recognised	-617	-149
Other items	12	40
Total tax expense (-) income (+)	**-213**	**500**

CURRENT TAX LIABILITY	31.12.2014	31.12.2013
Norway	6	0
Rest of Europe	7	21
Outside Europe	0	18
Total	**13**	**39**

DEFERRED TAX - MOVEMENTS	2014	2013
Net deferred tax (-) liability 1 January	149	-180
Deferred tax charged in the income statement	-155	600
Divestment of subsidiaries	0	-176
Tax expense in other comprehensive income	212	68
Tax effect FX net investment hedge	0	-65
Group tax allocation balance sheet	19	-41
Currency translation differences	-42	-57
Net deferred tax asset/liability (-) 31 December	**183**	**149**

DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY	31.12.2014	31.12.2013
Norway	578	539
Rest of Europe	0	0
Outside Europe	20	2
Deferred tax asset	**598**	**541**
Norway	-24	0
Rest of Europe	-392	-249
Outside Europe	0	-143
Deferred tax liability	**-415**	**-392**
Net deferred tax asset/liability (-)	**183**	**149**

DEFERRED TAX DETAILS	31.12.2014	31.12.2013
Fixed assets, excess values and depreciation	-665	-544
Pensions	108	79
Provisions and other liabilities	136	-1
Currency translation differences and financial instruments	337	-305
Deferred tax current items	25	57
Tax losses and tax credit to carry forward	4 335	4 005
Deferred tax asset not recognised [1]	-4 093	-3 142
Net deferred tax asset/liability (-)	**183**	**149**

LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2014	NORWAY	REST OF EUROPE	OUTSIDE EUROPE	TOTAL
2015		11		11
2016		0		0
2017		117		117
2018		104		104
2019		43		43
2020		34		34
2021 and later		34		34
Indefinite expiry	**9 232**	**3 747**	**1 877**	**14 856**
Tax losses to carry forward	9 232	4 090	1 877	15 199
Tax losses not recognised	-8 397	-4 104	-2 008	-14 509
Tax credits and other adjustments	1 307	14	202	963
Total tax losses and tax credits to carry forward – recognised	**2 142**	**0**	**71**	**2 213**
Deferred tax asset	**578**	**0**	**20**	**598**
Tax rates	**27%**	**0**	**28%**	**27%**

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

[1] Deferred tax asset not recognised amounted to NOK 4 093 million at 31 December 2014. NOK 3 856 million was related to tax losses to carry forward and NOK 237 million was related to other deductible temporary differences. Deferred tax asset not recognised amounted to NOK 3 142 million at 31 December 2013. NOK 2 937 million was related to tax losses to carry forward and NOK 205 million was related to other deductible temporary differences.

Deferred tax asset arising from the carry forward of unused tax losses is tested against expected future taxable profit on entity level. Total tax losses to carry forward recognised amounts to NOK 754 million at 31 December 2014, whereof NOK 540 million came from Norway and NOK 214 million from outside Europe. Long-term financial forecast for the Norske Skog group for the next three to four years period is used as basis for capitalisation of deferred tax assets.

Tax payable consist mainly of income taxes, withholding taxes and a part of CVAE tax in France.

Individual companies may have permanent differences, such as received dividends, which are generally non-taxable.

Indirect tax regimes are complex in many jurisdictions and between jurisdictions in cross-border sales. Basis for indirect taxes may differ from taxes related to stamp duty tax on restructuring and business combinations.

Current and deferred taxes are recognised as expense or income in the consolidated income statement. Taxes on translation differences, net investment hedge, other reclassifications or re-measurements of post-employment benefit obligations are recognised in other comprehensive income.

18. SPECIFICATION OF BALANCE SHEET ITEMS

	NOTE	31.12.2014	31.12.2013
Inventories			
Raw materials and other production input		801	747
Semi-manufactured materials		17	11
Finished goods		516	516
Total	3	**1 334**	**1 274**
Other current assets			
Derivatives	7	6	20
Commodity contracts	7	17	9
Current investments	7	16	112
Total		**39**	**141**
Trade and other payables			
Accounts payable	7	1 272	1 104
Accrued labour costs and taxes		504	455
Accrued expenses		379	465
Other interest-free liabilities		16	16
Total		**2 172**	**2 040**
Other current liabilities			
Derivatives	7	80	116
Commodity contracts	7	10	18
Accrued emission rights		29	39
Accrued financial costs		172	201
Restructuring provision	20	17	166
Total		**309**	**540**
Other non-current liabilities			
Derivatives	7	242	259
Commodity contracts	7	24	12
Dismantling provision	20	65	56
Environmental provision	20	211	193
Deferred recognition of emission rights		18	101
Deferred recognition of government grants		53	61
Other non interest-bearing debt		79	17
Total		**692**	**699**

19. INVESTMENTS IN ASSOCIATED COMPANIES

COMPANY	SHARE 31.12.2014	CARRYING VALUE 31.12.2014	SHARE OF PROFIT/LOSS 2014	CURRENCY TRANSLATION DIFFERENCES	ADDITIONS	CARRYING VALUE 31.12.2014
Malaysian Newsprint Industries Sdn. Bhd.	33.7%	410	15	52	0	343
Norske Skog Pisa Ltda.	0.0%	0	0	-1	-222	223
Other associated companies		19	-14	0	4	29
Total		**429**	**1**	**51**	**-218**	**595**

Investments in associated companies are accounted for in accordance with the equity method. Share of profit presented in the table above is the group's percentage share of profit after tax, adjusted for amortisation of surplus value at group level allocated to the investment at the time of acquisition. In 2013, the recognised share of profit/loss in associated companies amounted to NOK 26 million, currency translation differences amounted to NOK 4 million and additions/disposals amounted to NOK 225 million.

MALAYSIAN NEWSPRINT INDUSTRIES SDN. BHD. (MNI)

The company is incorporated in Kuala Lumpur, Malaysia, and is a producer of newsprint. The carrying value of Norske Skog's investment in MNI was NOK 410 million at 31 December 2014, which corresponds to Norske Skog's share (33.7%) of the equity in MNI's company financial statements. Based on the company's financial statements, operating revenue in 2014 was NOK 837 million (NOK 946 million in 2013) and net profit was NOK 43 million (NOK 77 million in 2013). Total assets amounted to NOK 1 725 million at 31 December 2014 (NOK 1 579 million at 31 December 2013) and total liabilities were NOK 463 million at 31 December 2014 (NOK 765 million at 31 December 2013).

NORSKE SKOG PISA LTDA.

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

20. PROVISIONS

	RESTRUCTURING PROVISION	DISMANTLING PROVISION	ENVIRONMENTAL PROVISION
Balance 1 January 2013	**140**	**92**	**250**
Changes and new provisions	135	-31	-59
Utilised during the year	-122	-9	-4
Periodic unwinding of discount	0	3	8
Currency translation differences	13	1	-2
Balance 31 December 2013	**166**	**56**	**193**
Changes and new provisions	4	6	-8
Utilised during the year	-153	-8	-4
Periodic unwinding of discount	0	3	8
Currency translation differences	0	8	22
Balance 31 December 2014	**17**	**65**	**211**

RESTRUCTURING PROVISION

The restructuring provision on NOK 17 million at 31 December 2014 is classified in the balance sheet line item Other current liabilities. The provision includes various restructuring activities included provision for severance payments and other costs at Norske Skog Bruck (NOK 5 million), Norske Skog Walsum (NOK 2 million) and Norske Skog Skogn (NOK 8 million).

The amount expensed in 2014 in relation to restructuring activities amounted to NOK 4 million. This relates mainly to the restructuring activities listed above. Total payments relating to restructuring activities in 2014 amounted to NOK 153 million. This relates mainly to the closure of PM4 at Norske Skog Walsum (NOK 127 million) and head office (NOK 12 million),

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

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

DISMANTLING PROVISION

Provisions related to future dismantling costs arising from a future closing down of production facilities amounted to NOK 65 million at 31 December 2014, compared to NOK 56 million at 31 December 2013. The total amount is classified as non-current and will only be realised at the time of a future shut down of any of the Norske Skog production units. The provision is the net present value of the future estimated costs, calculated using a long-term risk-free interest rate. The periodic unwinding of the discount is recognised in the income statement line Financial items. The opposite entry for dismantling provision and change in provision estimates is Property, plant and equipment.

Discount rates and assumptions included as part of the best estimate will impact the future carrying value of the dismantling provision. To illustrate the sensitivity, a reduction in the future discount rate of one percentage point would increase the provision by approximately NOK 9 million, with a corresponding increase in future depreciation on property, plant and equipment.

ENVIRONMENTAL PROVISION

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

Provisions for future environmental obligations amounted to NOK 211 million at 31 December 2014 compared to NOK193 million at 31 December 2013. The increase is due to currency translation effects and lower discount rates. Resources spent on environmental activities during 2014 amounted to NOK 4 million.

The carrying value of the provision is the best estimate made by measuring the expected value of the specific obligations, discounted to present value using a long-term risk-free interest rate when the time value of money is material. Changes in factors included in the expected value will impact the carrying value of the obligation. To illustrate the sensitivity, a reduction in the future discount rate by one percentage point would increase the provision by approximately NOK 24 million. Changes in accounting estimates not related to assets are classified as operating items in the income statement, and the periodic unwinding of the discount is recognised within the income statement line Financial items.

21. NON-CONTROLLING INTERESTS

	2014	2013
Non-controlling interests at 1 January	0	9
Profit/loss for the year attributable to non-controlling interests	0	0
Changes in non-controlling interests	0	-10
Dividend paid to non-controlling interests	0	0
Currency translation differences	0	1
Non-controlling interests at 31 December	**0**	**0**

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

22. EARNINGS AND DIVIDEND PER SHARE

	2014	2013
Profit/loss for the year in NOK million attributable to owners of the parent	-1 504	-1 844
Weighted average number of shares in 1 000	189 933	189 866
Basic and diluted earnings/loss per share in NOK [1)]	-7.92	-9.71

[1)] There were no dilution effects in 2014 or 2013.

No dividends were paid for the financial year 2013. The board of directors recommends that no dividend should be disbursed for the financial year 2014. The dividend decision will be made by the annual general meeting on 16 April 2015.

23. SHARES

SHARES INCLUDED AS FINANCIAL ASSETS	CURRENCY	SHARE CAPITAL (IN 1 000)	OWNERSHIP %	CARRYING VALUE (IN NOK 1 000)
Shares owned by the parent company				
Miscellaneous shares	NOK			20
Shares owned by other group companies				
Exeltium SAS, Paris, France	EUR	174 504	5	75 373
Exeltium 2 SAS, Paris, France	EUR	3 440	5	1 482
Fjord-IT AS, Oslo, Norway	NOK	215	8	3 002
Licella Fibre Fuels Pty Ltd., Sydney, Australia	AUD	2 857	12.5	15 220
Pavatex Holding AG, Cham, Switzerland	CHF	92 698	5	40 565
Other shares, each with book value below NOK 1 million	NOK			3 011
Total				**138 653**
Total shares included as financial assets				**138 672**

SHARES IN SUBSIDIARIES	CURRENCY	SHARE CAPITAL (IN 1 000)	OWNERSHIP %	CARRYING VALUE (IN NOK 1 000)
Shares in Norwegian subsidiaries owned by the parent company				
Lysaker Invest AS, Oslo	NOK	109 371	100	309 371
Nornews AS, Oslo	NOK	100	100	100
Norske Skog Eiendom AS, Oslo	NOK	1 500	100	190 681
Norske Skog Holding AS, Oslo	NOK	30	100	60
Norske Skog Kraft AS, Oslo	NOK	100	100	115
Norske Skog Nordic & Export Sales AS, Oslo	NOK	1 100	100	324
Norske Skog Property AS, Oslo	NOK	5 000	100	8 554
Norske Skog Saugbrugs AS, Halden	NOK	1 052 100	100	2 075 120
Norske Skog Shared Services AS, Levanger	NOK	840	100	1 072
Norske Skog Skogn AS, Levanger	NOK	1 052 100	100	1 810 779
Norske Treindustrier AS, Oslo	NOK	417 340	100	6 600 196
nsiFocus AS, Oslo	NOK	100	100	100
Wood and Logistics AS, Oslo	NOK	3 000	100	3 093
Total				**10 999 566**
Shares in foreign subsidiaries owned by the parent company				
Norske Skog Adria d.o.o., Trzin, Slovenia	EUR	21	100	164
Norske Skog Belgium N.V., Antwerp, Belgium	EUR	62	100	3 479
Norske Skog Bruck GmbH, Bruck, Austria	EUR	20 000	99.9	81 397
Norske Skog Danmark ApS, Værløse, Denmark	DKK	200	100	25
Norske Skog Deutschland GmbH, Augsburg, Germany	EUR	520	100	6 715
Norske Skog Espana S.A., Madrid, Spain	EUR	60	100	14 788
Norske Skog France SARL, Paris, France	EUR	235	100	7 939
Norske Skog Golbey SAS, Golbey, France	EUR	137 388	100	971 969
Norske Skog Holland B.V., Amsterdam, The Netherlands	EUR	170 100	100	41 387
Norske Skog Hungary Kft., Budapest, Hungary	HUF	3 000	100	110
Norske Skog Italia SrL, Milan, Italy	EUR	10	95	84
Norske Skog Österreich GmbH, Graz, Austria	EUR	35	100	360
Norske Skog Papers (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia	MYR	5 009	100	383 243
Norske Skog (Schweiz) AG, Zürich, Switzerland	CHF	50	100	193
Norske Skog (UK) Ltd., London, United Kingdom	GBP	100	100	2
Norske Skog Walsum GmbH, Duisburg, Germany	EUR	150 025	100	0
Total				**1 511 853**
Total shares in subsidiaries owned by the parent company				**12 511 419**

SHARES IN SUBSIDIARIES	CURRENCY	SHARE CAPITAL (IN 1 000)	OWNERSHIP %
Shares in other companies owned by consolidated companies			
Norske Skog AS	NOK	30	100
Norske Skog (Australasia) Pty Ltd., Sydney, Australia	AUD	21 000	100
Norske Skog (Australia) No. 2 Pty Ltd., Sydney, Australia	AUD	0	100
Norske Skog Bruck GmbH, Bruck, Austria	EUR	20 000	0.1
Norske Skog Capital (Australia) Pty Ltd., Sydney, Australia	AUD	223 000	100
Norske Skog Capital (New Zealand) Ltd., Auckland, New Zealand	NZD	1	100
Norske Skog Holdings (No.1) Ltd., Auckland, New Zealand	NZD	0	100
Norske Skog Holdings (No.2) Ltd., Auckland, New Zealand	NZD	0	100
Norske Skog Holdings (No.3) Ltd., Auckland, New Zealand	NZD	1	100
Norske Skog Holdings (Schweiz) AG, Zug, Switzerland	CHF	100 100	100
Norske Skog Industries Australia Ltd., Sydney, Australia	AUD	190 000	100
Norske Skog Industries Canada Ltd., British Columbia, Canada	CAD	821 186	100
Norske Skog Italia SrL, Milan, Italy	EUR	10	5
Norske Skog Overseas Holdings AG, Zürich, Switzerland	CHF	100	100
Norske Skog Paper Mills (Australia) Ltd., Tasmania, Australia	AUD	7 539	100
Norske Skog Papier Recycling GmbH, Bruck, Austria	EUR	291	100
Norske Skog Tasman Ltd., Auckland, New Zealand	NZD	725 000	100

24. CAPITAL RISK MANAGEMENT

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

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

See Note 8 for futher information on the debt maturity and Note 27 for futher information on the refinancing of bonds after the balance sheet date.

25. CONTINGENT LIABILITIES

Norske Skog is an international company that, through its ongoing business operations, will be exposed to litigation and claims from public authorities and contracting parties 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 2014. 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.

26. RELATED PARTIES

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

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

In 2013, Norske Skog entered into a contract with Fram Eiendom (Fram Realinvest AS, Sjølyststranda Næring AS, Fram Eiendomsdrift AS and Skøyen Næringsbygg AS) for the lease of its head office at Skøyen. Torstein I. Tvenge, together with close family members, controls 100% of Fram Eiendom. Tvenge is also a shareholder of Norske Skogindustrier ASA. The lease contract for the head office has been entered into on normal commercial terms. Lease payments to Fram Eiendom recognised as an expense in 2014 amounted to NOK 4.1 million.

Purchases of goods and services by associated company Malaysian Newsprint Industries Sdn. Bhd. (MNI) from other companies in the Norske Skog group during 2014 amounted to NOK 0 million (NOK 10 million in 2013). There were no amounts payable by MNI to the Norske Skog group at 31 December 2014 or 31 December 2013.

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

27. EVENTS AFTER THE BALANCE SHEET DATE

On 22 January 2015, Norske Skog launched two separate offers (i) an offering of EUR 290 million (EUR 179 million) Senior Secured Notes (SSN) due December 2019 to achieve a broader refinancing and debt extension of the group's capital structure and (ii) an exchange offer of existing notes.

On 24 February 2015, Norske Skog completed the refinancing of a portion of its bond maturities through the issuance of EUR 290 million senior secured notes (SSN) and the exchange of existing bonds into new bonds with longer maturities. Norske Skog has extended the maturities on a significant portion of its indebtedness, with new notes maturing in 2019, 2021 and 2023. The new EUR 290 million SSN mature in December 2019 and will be structurally senior to all remaining existing notes and notes issued in the exchange offer. The SSN is secured by among other things share pledge in operating subsidiaries, new intermediate holding companies, and in addition asset pledge in the Australasian business. The terms of the SSN include customary default and cross default terms, and the pool of security can be enforced upon in a continuing default scenario under the SSNs. The exchange notes will be structurally junior to the SSN, but structurally senior to remaining existing notes and mature in 2021 and 2023. The remaining existing notes will be structurally junior to the SSN and exchange notes.

More than 75% of the existing bond holders consented to the transactions, and approximately 45% of the existing bonds participated in the exchange offer. Immediate de-leveraging of around NOK 500 million was realized in the refinancing. This leads to a significant improvement in the group's total liquidity, despite a short-term increase in the cost of borrowings.

In January, prior to the offering of the SSN and the exchange offer, several changes in the Norske Skog corporate structure were made. Norske Skog AS was established as the issuer of the SSN, while Norske Skog Holding AS was established as the offeror of the exchange notes.

The chair of the board at Norske Skogindustrier ASA Jarle Roth has informed the election committee that he is not a candidate for re-election as chair. The election committee unanimously proposes that Jon-Aksel Torgersen take over as new chair at the annual general meeting on 16 April 2015. Jon-Aksel Torgersen has been director of the board since 2012, and has extensive management and board experience from Norwegian and international industry, shipping and finance.

There have been no other events after the balance sheet date with significant impact on the financial statements for 2014.

The table below shows the Norske Skog group's issued bonds maturity profile after the completed refinancing at 24 February 2015.

MATURITY	CURRENNCY	COUPON	ORIGINAL AMOUNT		OUTSTANDING AMOUNT 24 FEB 2015	
October 2015	USD	6.125%	USD	200 mill	USD	41 mill
October 2033	USD	7.125%	USD	200 mill	USD	95 mill
June 2016	EUR	11.75%	EUR	150 mill	EUR	121 mill
June 2017	EUR	7.00%	EUR	500 mill	EUR	218 mill
December 2019	EUR	11.75%	EUR	290 mill	EUR	290 mill
February 2021	EUR	8.00%	EUR	159 mill	EUR	159 mil
February 2023	EUR	8.00%	EUR	61 mill	EUR	61 mill

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FINANCIAL
STATEMENTS

NORSKE SKOGINDUSTRIER ASA

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INCOME STATEMENT

NOK MILLION	NOTE	2014	2013
Operating revenue	3	**121**	**254**
Cost of materials		0	-99
Employee benefit expenses	9	-90	-95
Other operating expenses		-94	-114
Gross operating earnings		**-63**	**-54**
Depreciation	4	-9	-15
Restructuring expenses		0	-13
Other gains and losses	11	0	-193
Operating earnings		**-72**	**-275**
Financial items	6	-179	-2 406
Profit/loss before income taxes		**-252**	**-2 681**
Income taxes	12	-634	685
Profit/loss		**-886**	**-1 996**

STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	2014	2013
Profit/loss	**-886**	**-1 996**
Remeasurements of post employment benefit obligations	-16	-18
Tax effect on remeasurements of post employment benefit obligations	4	5
Other comprehensive income	**-12**	**-13**
Comprehensive income	**-898**	**-2 009**

BALANCE SHEET

NOK MILLION	NOTE	31.12.2014	31.12.2013
Assets			
Deferred tax asset	12	33	695
Intangible assets	4	15	8
Property, plant and equipment	4	22	25
Investments in subsidiaries	5	12 511	11 757
Other non-current assets	13	2 177	5 422
Total non-current assets		**14 758**	**17 907**
Trade and other receivables	13	206	192
Cash and cash equivalents		397	802
Other current assets	14	5	51
Total current assets		**608**	**1 045**
Total assets		**15 366**	**18 952**
Shareholders' equity and liabilities			
Paid-in equity		1 252	2 149
Retained earnings and other reserves		0	0
Total equity	15	**1 252**	**2 149**
Pension obligations	9	49	43
Deferred tax liability	12	0	0
Interest-bearing non-current liabilities	8, 13	9 665	11 301
Other non-current liabilities		1	15
Total non-current liabilities		**9 716**	**11 359**
Interest-bearing current liabilities	8, 13	1 277	1 063
Trade and other payables		2 946	4 092
Tax payable	12	3	0
Other current liabilities		172	288
Total current liabilities		**4 399**	**5 444**
Total liabilities		**14 114**	**16 803**
Total equity and liabilities		**15 366**	**18 952**

SKØYEN 11 MARCH 2015 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA

Jarle Roth
Chair

Eilif Due
Board member

Siri Beate Hatlen
Board member

Jon-Aksel Torgersen
Board member

Kjetil Bakkan
Board member

Karin Bing Orgland
Board member

Paul Kristiansen
Board member

Svein Erik Veie
Board member

Sven Ombudstvedt
President and CEO

STATEMENT OF CASH FLOWS

NOK MILLION	NOTE	2014	2013
Cash flow from operating activities			
Cash generated from operations		81	264
Cash used in operations		124	-406
Cash flow from currency hedges and financial items		-75	16
Interest payments received		8	14
Interest payments made		-624	-624
Taxes paid		1	-16
Net cash flow from operating activities [1]		**-486**	**-752**
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets	4	-14	-25
Sales of property, plant and equipment and intangible assets		0	0
Dividend received		0	17
Change in intercompany balance with subsidiaries		668	374
Sales of shares in companies and other investments		258	261
Net cash flow from investing activities		**913**	**627**
Cash flow from financing activities			
New loans raised		0	523
Repayments of loans		-913	-597
Purchase/sale of treasury shares		0	0
Net cash flow from financing activities		**-913**	**-74**
Foreign currency effects on cash and cash equivalents		81	69
Total change in cash and cash equivalents		**-405**	**-130**
Cash and cash equivalents 1 January		802	932
Cash and cash equivalents 31 December		397	802
[1] Reconciliation of net cash flow from operating activities			
Profit/loss before income taxes		-252	-2 681
Depreciation/impairments	4	9	15
Gains and losses from disposal of property, plant and equipment	11	0	1
Taxes paid		1	-16
Change in trade and other receivables		-34	8
Change in trade and other payables		322	-71
Change in restructuring provision		-12	1
Financial items with no cash impact		-513	1 811
Gains and losses on commodity contracts and embedded derivatives	11	0	192
Adjustments for items with no cash impact		-7	-12
Net cash flow from operating activities		**-486**	**-752**

STATEMENT OF CHANGES IN EQUITY

NOK MILLION	NOTE	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM	OTHER PAID-IN EQUITY	TOTAL PAID-IN EQUITY	RETAINED EARNINGS	TOTAL EQUITY
Equity 1 January 2013	15	**190**	**0**	**1 355**	**2 613**	**4 158**	**0**	**4 158**
Comprehensive income		0	0	0	0	0	-2 009	-2 009
Uncovered loss allocated other paid-in equity		0	0	0	-2 009	-2 009	2 009	0
Equity 31 December 2013	15	**190**	**0**	**1 355**	**604**	**2 149**	**0**	**2 149**
Comprehensive income		0	0	0	0	0	-898	-898
Uncovered loss allocated other paid-in equity		0	0	-294	-604	-898	898	0
Equity 31 December 2014		**190**	**0**	**1 061**	**0**	**1 252**	**0**	**1 252**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. ACCOUNTING POLICIES

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

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

The financial statements were authorised for issue by the board of directors on 11 March 2015.

3. OPERATING REVENUE BY GEOGRAPHICAL MARKET

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

	2014	2013
Norway	48	166
Europe excluding Norway	61	74
South America	0	2
Australasia	12	11
Asia	0	1
Total	**121**	**254**

Operating revenue arising from sales of internal services to other entities in the group amounted to NOK 120 million in 2014. The corresponding figure for 2013 was NOK 247 million, of which NOK 106 million related to energy and NOK 141 million to internal services. All transactions with other entities in the group are conducted in accordance with the arm's length principle.

4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

INTANGIBLE ASSETS	LICENSES AND PATENTS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost 1 January 2013	29	137	166
Additions	0	43	43
Disposals	0	-32	-32
Acquisition cost 31 December 2013	**29**	**148**	**177**
Accumulated depreciation and impairments 1 January 2013	28	108	136
Depreciation	0	15	15
Amortisation of credit facility	0	8	8
Disposals	0	-32	-32
Value changes	0	42	42
Accumulated depreciation and impairments 31 December 2013	**28**	**141**	**169**
Acquisition cost 1 January 2014	29	148	177
Reclassified from plant under construction	14	0	14
Acquisition cost 31 December 2014	**43**	**148**	**191**
Accumulated depreciation and impairments 1 January 2014	28	141	169
Depreciation	2	5	7
Accumulated depreciation and impairments 31 December 2014	**30**	**146**	**176**
Carrying value 31 December 2014	**13**	**2**	**15**

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

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

PROPERTY, PLANT AND EQUIPMENT	LAND AND BUILDINGS	FIXTURES AND FITTINGS	PLANT UNDER CONSTRUCTION	TOTAL
Acquisition cost 1 January 2013	1	172	0	173
Additions	0	2	23	25
Disposals	-1	-19	0	-20
Acquisition cost 31 December 2013	**0**	**155**	**23**	**178**
Accumulated depreciation and impairments 1 January 2013	0	172	0	172
Disposals	0	-19	0	-19
Accumulated depreciation and impairments 31 December 2013	**0**	**153**	**0**	**153**
Carrying value 31 December 2013	**0**	**2**	**23**	**25**
Acquisition cost 1 January 2014	0	155	23	178
Additions	0	0	13	13
Reclassified from plant under construction	0	20	-34	-14
Acquisition cost 31 December 2014	**0**	**175**	**2**	**177**
Accumulated depreciation and impairments 1 January 2014	0	153	0	153
Depreciation	0	2	0	2
Accumulated depreciation and impairments 31 December 2014	**0**	**155**	**0**	**155**
Carrying value 31 December 2014	**0**	**20**	**2**	**22**

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

5. IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES

	NOTE	2014	2013
Norske Treindustrier AS		1 160	0
Norske Skog Saugbrugs AS		39	0
Norske Skog Walsum GmbH		-123	-630
Norske Skog Walsum GmbH (intercompany loan)		-573	0
Norske Skog Golbey S.A.		0	429
Norske Skog Papers (Malaysia) Sdn. Bhd.		55	-47
Total	6	**558**	**-248**

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

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

6. FINANCIAL ITEMS

	NOTE	2014	2013
Financial income			
External dividends		0	17
Dividends received from group companies		765	129
External interest income		10	14
Interest income from group companies [1]		271	396
Reversal impairment losses of investments in subsidiaries	5	558	0
Other financial income		4	5
Total		**1 608**	**561**
Financial expenses			
External interest expense		-581	-609
Interest expense from group companies [1]		-278	-558
Impairment of investments in subsidiaries	5	0	-248
Other financial expenses [2]		-25	-212
Total		**-884**	**-1 627**
Realised/unrealised gains on foreign currency		-903	-1 340
Financial items		**-179**	**-2 406**

[1] Intercompany interest is calculated based on a standard margin, adjusted where necessary to reflect local market conditions and transfer pricing principles.
[2] Other financial expenses include losses from the divestment of subsidiaries.

7. DERIVATIVES

	31.12.2014		31.12.2013	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Total derivatives [1]				
Interest rate swaps	0	0	0	0
Forward rate agreements	0	0	0	-12
Currency options	0	0	1	-9
Forward contracts	0	0	15	-46
Cross-currency contracts	0	0	0	-21
Total	**0**	**0**	**16**	**-88**

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

All active management contracts have been closed during 2014 and there are no derivative contracts at year-end 2014. Financial risk is managed at group level (see Note 8 in the consolidated financial statements). The fair value of derivatives is discussed further in Note 2 and Note 9 in the consolidated financial statements.

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

8. MATURITY OF INTEREST-BEARING LIABILITIES

MATURITY OF THE COMPANY'S DEBT AT 31.12.2014	DEBT BANKS	BONDS	TOTAL
2015	91	1 176	1 267
2016	305	1 171	1 476
2017	253	3 510	3 763
2018	29	0	29
2019	29	0	29
2020	30	0	30
2021	21	0	21
2022-2033	49	1 487	1 536
Total	**807**	**7 344**	**8 151**

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

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

9. PAYROLL COSTS, PENSION COSTS AND OBLIGATIONS

EMPLOYEE BENEFIT EXPENSES	2014	2013
Salaries including holiday pay	55	64
Social security contributions	22	21
Pension costs	7	7
Other employee benefit expenses	6	3
Total	**90**	**95**

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

	31.12.2014	31.12.2013
Man-labour years	58	66

NET PERIODIC PENSION COST	2014	2013
Current service cost	2	3
Pension cost defined contribution schemes	3	3
Accrued national insurance contributions	0	0
Recognised curtailment and settlement	0	1
Net periodic pension cost	**5**	**7**
Net periodic interest cost	**1**	**1**

PENSION ASSET IN THE BALANCE SHEET	31.12.2014	31.12.2013
Projected benefit obligations	-40	-73
Plan assets at fair value	40	77
Net pension asset in the balance sheet	**0**	**4**

PENSION OBLIGATION IN THE BALANCE SHEET	31.12.2014	31.12.2013
Projected benefit obligations	-49	-43
Plan assets at fair value	0	0
Net pension obligation in the balance sheet	**-49**	**-43**

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

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

10. SALARY AND OTHER REMUNERATION FOR SENIOR EXECUTIVES

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

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

FIXED SALARY

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

VARIABLE ELEMENTS

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

Annual incentive plans

The company has operated bonus schemes for executives and employees for a number of years, to ensure that important commercial goals receive adequate priority. These annual incentive plans for corporate management provide a maximum payout corresponding to 50 % of annual base salary. The performance figures are based on financial, operational and individual criteria.

Long-term incentive programme

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

The programme was continued for 2008 and 2009. It was continued for 2010 with some changes: the maximum annual bonus from the programme was set to NOK 4 million for the CEO and NOK 2 million for other members of corporate management (instead of a fixed number of shares), and the bonus after tax must be used to purchase shares until the total shareholding in the company corresponds to a certain number of shares (200 000 for the CEO and 100 000 for other members of corporate management). The programme was continued for 2011 and 2012, but there was no offer for 2013 or 2014. The programme was applicable for the CEO and one previous member of corporate management and will be concluded in 2015.

A revised long-term incentive plan was launched in 2014. The plan targets a positive share price development over a three-years period from 2014 to 2017 and allows the board to grant synthetic share options to the corporate management and other key employees, including managing directors of the Norwegian business units. The synthetic options are to be settled in 2017, at the board's discretion, a maximum of one third of the total number of options can be awarded through a bonus payment each year. The long-term incentive program issued in total 3 780 000 synthetic options. At the start of the program, (award date 17 July 2014) 2 250 000 synthetic options were awarded, leaving 1 530 000 synthetic options to be granted later. Each option carries the right to be paid an amount in cash equal to (a) the fair market value less (b) the exercise price, including any hurdle rate added to the exercise price as of the exercise date. Fair market value is the volume weighted average trading price of the shares on Oslo Stock Exchange over a period of five trading days starting on the exercise date. The exercise date is the latter of the date falling three years after the award date or the date of publication of the company's interim financial statements for the first six months of 2014. The initial exercise price (strike price) for the synthetic options was NOK 4.80. The exercise price shall be increased by 10 per cent pro anno (the hurdle rate). The hurdle rate shall be added to the exercise price annually in arrears as of each anniversary of the award date, and shall from then be included in the basis for the calculation of further hurdle rate.

The long-term incentive plan launched in 2014 fells within the scope of IFRS 2 Share-based payments. A share-based payment transaction is a transaction in which the company receives services from the employee of those services in a share-based payment arrangement. A cash-settled share-based payment transaction is a share-based payment transaction in which the entity acquires services by incurring a liability to transfer cash to the employee of those services for amounts that are based on the price of the shares in the company. IFRS 2 applies not only to awards of shares but also to awards of cash of a value equivalent to the value, or a movement in the value, of a particular number of shares, which is the case for the long-term incentive plan. The ultimate cost of a cash-settled share-based transaction is the actual cash paid to the counterparty, which will be the fair value at settlement date. The periodic determination of this liability is at each reporting date between grant and settlement the fair value of the award. The fair value of the award is determined in accordance with the specific requirements in IFRS 2. During the vesting period, the liability recognised at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period. All changes in the liability are recognised in profit or loss for the period. The fair value of the liability is determined by applying an option pricing model, taking into account the terms and conditions on which the cash-settled transaction was granted, and the extent to which the employees have rendered services to date. Norske Skog has made a fair value measurement of the liability using a Black & Scholes model for European call options with no dividends.

Further variable elements

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

PENSION PLANS

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

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

TERMINATION PAYMENT AGREEMENTS

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

11. OTHER GAINS AND LOSSES

	2014	2013
Gains and losses on disposal of property, plant and equipment	0	-1
Changes in value of commodity contracts [1]	0	-192
Total	**0**	**-193**

[1] Related to a long-term energy contract, previously measured at fair value that was sold in 2013. The loss in 2013 of NOK 192 million is due to lower expected future energy prices, volumes utilised during 2013 and cancellation of the long term-term group energy contract from 1998 that applied for energy supply in Southern Norway.

12. INCOME TAXES

TAX EXPENSE	2014	2013
Current tax expense	-9	-6
Change in deferred tax	-625	691
Total	**-634**	**685**

INCOME TAX RECONCILIATION	2014	2013
Profit/loss before income taxes	-252	-2 681
Computed tax at nominal tax rate of 27% (2013: 28%)	68	751
Exempted income/non-deductible expenses	266	-248
Impairment of investments in subsidiaries	-3	153
Adjustment previous years	-1	14
Change in tax rate from 28% to 27%	4	-22
Other items	13	37
Change tax loss not recognised	-981	0
Total tax expense (-)/income	**-634**	**685**

DEFERRED TAX	2014	2013
Net deferred tax asset /liability (-) 1 January	695	43
Net deferred tax asset/liability (-) 1 January (restated)	0	43
Deferred tax charged in the income statement	-625	691
Tax expense in other comprehensive income	4	5
Reclassification of group tax items	-41	-44
Net deferred tax asset/liability (-) 31 December	**33**	**695**

DEFERRED TAX – DETAILS	31.12.2014	31.12.2013
Property, plant and equipment, excess values and depreciation	-129	-160
Pensions	13	10
Provisions and other liabilities	9	1
Currency translation differences and financial instruments	246	63
Current items	33	67
Tax losses and tax credit to carry forward	-139	714
Net deferred tax asset/liability (-)	**33**	**695**

LOSSES TO CARRY FORWARD AND TAX CREDITS	31.12.2014	31.12.2013
Losses to carry forward	6 636	5 957
Tax losses not recognised [1)]	-7 354	-3 600
Tax credits	202	202
Total losses to carry forward and tax credits	**-516**	**2 559**
Deferred tax asset/liability (-)	**-139**	**714**

[1)] The value of the tax losses and other tax credits are written down, subsequently the tax losses are lower than total tax benefits not recognised.

13. INTERCOMPANY RECEIVABLES/LIABILITIES

	31.12.2014	31.12.2013
NON-CURRENT INTERCOMPANY RECEIVABLES		
Norske Skog Skogn AS	490	1 529
Norske Skog Saugbrugs AS	555	1 572
Norske Skog Industries Australia Ltd.	609	1 574
Norske Skog Walsum GmbH	123	476
Norske Skog France SARL	12	11
Norske Treindustrier AS	365	0
Other intercompany receivables	2	1
Total	**2 156**	**5 163**
CURRENT INTERCOMPANY RECEIVABLES		
Lysaker Invest AS	68	0
Norske Skog Skogn AS	0	3
Norske Skog Saugbrugs AS	1	0
Norske Skog Walsum GmbH	0	95
Norske Treindustrier AS	0	4
Nornews AS	22	19
Norske Skog Golbey SA	42	44
Norske Skog Holdings B.V.	0	27
Norske Skog Danmark Aps	2	0
Norske Skog Nordic & Export Sales AS	1	3
Norske Skog Property AS	41	0
Other current intercompany receivables	2	3
Total	**179**	**198**
NON-CURRENT INTERCOMPANY LIABILITIES		
Lysaker Invest AS	63	66
Nornews AS	65	63
Norske Skog Bruck GmbH	87	0
Norske Skog Golbey SA	176	589
Norske Skog Holding AS	0	47
Norske Skog Property AS	48	0
Norske Treindustrier AS	2 822	3 749
Total	**3 261**	**4 514**

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

	31.12.2014	31.12.2013
CURRENT INTERCOMPANY LIABILITIES		
Norske Skog Skogn AS	117	97
Norske Skog Saugbrugs AS	222	257
Lysaker Invest AS	0	1 656
Norske Skog Deutschland GmbH	37	43
Norske Skog Eiendom AS	263	254
Norske Skog Bruck GmbH	52	157
Norske Skog Golbey SA	134	412
Norske Skog Holding AS	0	9
Norske Skog Holland B.V.	19	16
Norske Skog Industries Australia Ltd.	200	161
Norske Skog France SARL	27	28
Norske Skog Tasman Ltd.	61	158
Norske Skog UK Ltd.	36	13
Norske Skog Walsum GmbH	7	0
Norske Treindustrier AS	1 440	775
Oxenøen Finans AS	0	139
Wood and Logistics AS	14	14
Other current intercompany liabilities	10	12
Total	**2 639**	**4 201**

14. OTHER CURRENT ASSETS

	31.12.2014	31.12.2013
Derivatives	0	16
Current investments	5	35
Total	**5**	**51**

15. EQUITY

The share capital of the company at 31 December 2014 was NOK 189 945 626 and consisted of 189 945 626 shares, each with a nominal value of NOK 1. The number of treasury shares at 31 December 2014 was 310. The company purchased 201 000 and sold 221 169 treasury shares during the year.

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

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

SPECIFICATION OF DISTRIBUTABLE EQUITY	31.12.2014
Other paid-in equity	0
Share premium	1 061
Distributable equity	**1 061**

PRINCIPAL SHAREHOLDERS	OWNERSHIP %
Nobelsystem Scandinavia AS	5,42
Kontrari AS	5,05
Dimensional Fund Advisors	3,54
Skandinaviska Enskilda Banken	3,31
AT Skog BA	3,19
Allskog BA	2,79
Astrup Fearnley AS	2,73
Uthalden A/S	2,34
Nil Spectatio Finans AS	2,22
Nordnet Bank AB (Nominee)	1,80
Danske Bank A/S (Nominee)	1,70
Fiducia AS	1,57
Barokk Invest AS	1,45
Sothic Capital Management	1,42
AS Havlide	1,21
SES AS	1,16
Alfaplan AS	1,05
Torstein I. Tvenge	1,05
Myra Matsenter AS	1,05

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

SHAREHOLDERS ON THE BOARD OF DIRECTORS	NUMBER OF SHARES
Elected by the shareholders	
Jarle Roth, Oslo (chair)	40 000
Eilif Due, Levanger	3 256
Jon-Aksel Torgersen, Oslo (0), Fiducia AS (2 986 644)	2 986 644
Elected by the employees	
Kjetil Bakkan, Norske Skog Skogn	16 532
Paul Kristiansen, Norske Skog Saugbrugs	18 608
Svein Erik Veie, Norske Skog Skogn	12 909
Shareholders among corporate management	
Sven Ombudstvedt (705 061), Elle Holding AS (1 000 000)	1 705 061
Rune Sollie (15 705), Tia Ynwa AS (87 500)	103 205
Lars P. Sperre	31 108
Roar Ødelien	0

16. GUARANTEES

The company has not guaranteed any debt on behalf of its subsidiaries as at 31 December 2014 (no guaranteed debt as at 31 December 2013). Parent company guarantees on behalf of subsidiaries amounted to NOK 672 million at 31 December 2014 (NOK 653 million at 31 December 2013). Parent company bank guarantees on behalf of subsidiaries amounted to NOK 162 million at 31 December 2014 (NOK 107 million at 31 December 2013).

17. RELATED PARTIES

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

18. EVENTS AFTER THE BALANCE SHEET DATE

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

Building a better working world

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To the Annual Shareholders' Meeting of
Norske Skogindustrier ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Norske Skogindustrier ASA, comprising the financial statements for the parent company and the group. The financial statements of the parent company and the group comprise the balance sheet as at 31 December 2014, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and the International Financial Reporting Standards as adopted by the EU for the financial statements of the group, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the parent company and the group.

2

Opinion on the financial statements of the parent company

In our opinion, the financial statements of Norske Skogindustrier ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the company as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the group as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 11 March 2015
ERNST & YOUNG AS

Finn Kinserdal
State Authorised Public Accountant (Norway)

DECLARATION FORM THE BOARD OF DIRECTORS AND CEO

We declare that to the best of our knowledge, the financial statements for the period 1 January to 31 December 2014 have been prepared in accordance with prevailing accounting practices, and that the information in the financial statements provides a correct impression of the company's and the group's assets, liabilities, financial position and result as a whole. We also declare that the annual report provides a correct overview of the development, result and position of the company and the group, along with a description of the key risk and uncertainty factors which the company and the group face.

SKØYEN 11 MARCH 2015 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA

Jarle Roth Chair	Eilif Due Board member	Siri Beate Hatlen Board member
Jon-Aksel Torgersen Board member	Kjetil Bakkan Board member	Karin Bing Orgland Board member
Paul Kristiansen Board member	Svein Erik Veie Board member	Sven Ombudstvedt President and CEO

CORPORATE GOVERNANCE IN NORSKE SKOG

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

The board of directors of Norske Skog has a strong focus on ensuring compliance with applicable corporate governance standards. Norske Skog is subject to reporting requirements for corporate governance pursuant to Section 3-3b the Norwegian Accounting Act, and complies with the Norwegian Code of Practice for Corporate Governance (the "Code", see www.nues.no, English pages). This corporate governance statement follows the structure of the Code published on 30 October 2014.

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

Corporate Governance is continuously addressed by the board, and this corporate governance statement has been approved by the board.

1. IMPLEMENTATION AND REPORTING

Deviations from the Code are explained where relevant in this statement. Norske Skog's Steering Documents and corporate governance principles are fundamental for the company's corporate governance and value creation. Compliance with the Steering Documents is mandatory for employees and others acting on the company's behalf, and similar conduct and ethical standards are expected in partnerships, joint ventures and partially owned subsidiaries. The Steering Documents, which can be found on the company's website, include Norske Skog's values, and define ethical fundaments for the company's operations.

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

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

2. BUSINESS

Norske Skog's business purpose is set out in the Articles of Association, article 2: "The objective of the company is to operate wood processing activities and associated activities. The company may participate in other commercial activity by subscribing to shares or in other ways". The overall strategic guidelines involve producing at the lowest possible cost, seeking out growth that strengthens profit and focusing on core activities. The Articles of Association are available on the company's website.

3. EQUITY AND DIVIDENDS

Equity

As at 31 December 2014, Norske Skog's consolidated total equity was NOK 1,285 million, which is equivalent to 9.2% of total assets. The board considers the equity to be adequate to the company's objectives, strategy and risk profile. The board closely monitors the developments of the equity.

Dividends

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

Purchase of treasury shares

The annual general meeting in 2014 authorised the board to purchase treasury shares, for the sole purpose of offering employees the opportunity to purchase shares at rebated prices in a limited employee share purchase programme, and up to a nominal value of NOK 3,800,000, however at no time exceeding 2% of outstanding shares. The shares should be acquired at the stock exchange quoted share price. The authorisation was granted for the period up to the next annual general meeting. On 31 December 2014, Norske Skog owned a total of 310 treasury shares. During 2014, a total of 221,169 shares were sold to Norwegian employees at a discount of up to 20% and with a maximum discount of NOK 1,500 per employee as a part of the employee share purchase programme. The shares are subject to a one year lock-up period from the date of acquisition by the relevant employee.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

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

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

5. FREELY NEGOTIABLE SHARES

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

6. GENERAL MEETINGS

The general meeting is the shareholders' forum and the supreme governing body of the company. The Articles of Association do not impede the shareholders' rights as provided by the Public Limited Liability Companies Act. The board sets the agenda for the general meeting. In accordance with applicable laws and deadlines, the minutes from the general meeting are published externally and on the company's website.

At the general meeting in April 2014, 58 shareholders and shareholder proxies were present, representing 81,924,993 shares out of a total of 189,945,926 voting shares, corresponding to 43.14% of the total number of voting shares. The company strives to promote the shareholders' rights and opportunities to carry out their rights in the general meetings:

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

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

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

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

- The deadline for giving notice of attendance to the general meeting is set as close to the date of the meeting as possible. In 2014, the deadline was two days before the annual general meeting.

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

- The summons for the general meeting will be given, and the general meeting will be chaired by the chair of the board. The company's Articles of Association include a provision on election of another chairperson for the general meeting.

The Code recommends that the general meeting elects board members individually. Traditionally, Norske Skog's general meeting is invited to elect the board members collectively to promote the board as a qualified team and in accordance with legal requirements for gender representation. Norske Skog does not require the entire board's presence at the general meeting. However, the chair of the board will be present, and employee representatives and a number of shareholder elected members will regularly be present. Furthermore, the corporate management will at least be represented by the CEO and the CFO. In line with the above, Norske Skog does not require the entire election and remuneration committee's presence at the general meeting. However, the chair of the committee will be present to explain the committee's proposal.

7. ELECTION AND REMUNERATION COMMITTEE

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

The shareholder representatives, including the chair of the committee, are elected by the general meeting. The election and remuneration committee proposes shareholder candidates for election to the board, and shall ensure that the board has a sound composition of competencies and capacity to perform the responsibilities of the board, including with respect to the company's strategic development, financial matters and supervision of the operations and continuous improvement initiatives.

Furthermore, representation of shareholders as well as providing a good working climate in the board, are important elements in evaluating and proposing candidates. Upon its own discretion, the election and remuneration committee may engage company resources and external consultants to assist in search for candidates. As a basis for its work, the committee also invites shareholders' input, interviews board members and the CEO, and reviews the board's self evaluation.

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

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

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

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

8. THE BOARD'S COMPOSITION AND INDEPENDENCE

According to the Articles of Association, the board of Norske Skog shall have between seven and ten board members. The current number of board members is eight, including three employee representatives. For the employee representatives, personal alternate members have been elected. Of the five shareholder elected board members, two are women and three are men. Hence, the Public Limited Liability Companies Act requirement for gender representation is fulfilled. All employee representatives are men. Their representation fulfils the legal requirements for gender representation, due to the exemption set out in the Public Limited Liability Companies Act regarding gender representation for employee representatives.

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

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

As at 31 December 2014, the chair Jarle Roth held 40,000 shares, Jon-Aksel Torgersen held 2,986,644 shares through his wholly-owned company Fiducia AS, Eilif Due personally held 3,256 shares, Kjetil Bakkan personally held 16,532 shares, Paul Kristiansen personally held 18,608 shares and Svein Erik Veie personally held 12,909 shares.

As at 31 December 2014, the CEO Sven Ombudstvedt personally held 705,061 shares, as well as an additional 1,000,000 shares held through his wholly-owned company Elle Holding AS, the CFO Rune Sollie personally held 15,705 shares, as well as an additional 87,500 shares held through his wholly-owned company Tia Ynwa AS and the SVP Corporate Strategy & Legal Lars P. Sperre personally held 31,108 shares.

9. THE WORK OF THE BOARD

The board's main tasks comprise the overall responsibility for the management of the company, and overseeing the daily administration and operations of the company. Throughout 2014, the board has concentrated a significant amount of time on strategic and financial matters. Efforts and results within the areas of health, environment and safety are annually reported comprehensively to the board, and the CEO reports on health, environment and safety, operations and market developments in every board meeting.

The board prepares an annual plan for its work, clearly setting out strategic, financial, operational and organisational matters for discussion and resolution. In addition to addressing the matters on such plan, the board continuously addresses matters and processes which require the board's involvement from time to time.

The board has two sub-committees: An audit committee, as required by the Public Limited Liability Companies Act, and a compensation committee. No board member serves as a member of both committees. The board manual sets out clear mandates on defined areas of responsibility for both committees. The committees undertake preparatory discussions and submit their recommendations to the full board, but do not adopt any resolutions.

The audit committee focused on the company's financial reporting and internal control function in 2014. The compensation committee focused on the company's long term incentive program in 2014, in accordance with the resolution made at the annual general meeting in April 2014. The external auditor and the CFO attend the meetings of the audit committee. The CEO attends the meetings of the compensation committee, except when the CEO's remuneration is being discussed.

The full board held twelve physical meetings in 2014, which was four more than its annual plan. One matter wase resolved by written resolutions and one matter was resolved by phone meeting. The audit committee held seven meetings in 2014. The compensation committee held four meetings in 2014.

Due to the continuous efforts of strengthening the cash flow of the company, the board has granted a relatively low capital expenditure frame. The board has carried out a self assessment with a statistical survey and a follow-up board discussion. The outcome of the self assessment has been presented to the election and remuneration committee.

The board manual

The board has adopted a board manual. Minor updates were made to the manual in December 2013 and no amendments were made in 2014. The mandate for the compensation committee was reviewed in December 2010 and the mandate for the audit committee was reviewed in December 2012.

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

In light of the board members' status as primary insiders of Norske Skog, the company's instruction for primary insiders is a part of the board manual. This instruction was revised in October 2012.

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

10. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

Norske Skog has clearly established channels and procedures for reporting and handling instances of possible serious misconduct (whistle blowing). It is the opinion of the board that Norske Skog's internal control and systems for risk management are adequate and proportionate to the nature and complexity of the company's operations and financial situation. Further information is provided in the notes to the financial statements.

11. REMUNERATION OF THE BOARD

The remuneration of the board is decided by the general meeting on the basis of the election and remuneration committee's proposal. The committee considers the level of responsibility, complexity and time consumption, as well as the required expertise, for the board members. Proposals for annual adjustments of the remuneration of the board are based on considerations to ensure that Norske Skog remains attractive and competitive on the market for governing bodies' competencies.

No board member has carried out specific tasks or commissions for the company in addition to the directorship, and no other remuneration has been paid to any board member than the ordinary board remuneration.

Separate remuneration is stipulated for the chair of the board and members of committees under the board. For 2014, remuneration of the board amounts to:

1. The remuneration for the chair of the board is NOK 591 000 per year.

2. The remuneration for the other members of the board is NOK 328 000 per year.

3. The remuneration for the alternate members of the board is NOK 13 500 per meeting.

4. The remuneration for the members of the committees of the board is NOK 6 800 per meeting. Separate rates apply for the audit committee.

5. The remuneration for the chair of the audit committee is NOK 105 000 per year with the addition of NOK 6 800 per meeting.

6. The remuneration for other members of the audit committee is NOK 68 000 per year with the addition of NOK 6 800 per meeting.

7. Travel and lodging expenses are reimbursed in accordance with the state travel allowance scale.

The total remuneration for the board of directors in 2014 was NOK 3 583 698. For the election and remuneration committee, the total remuneration was NOK 454 400. For further information, reference is made to note 12 in the consolidated financial statements.

12. REMUNERATION OF EXECUTIVE PERSONNEL

Norske Skog has adopted guidelines for remuneration of the corporate management. These guidelines are included in the board' statement on salary and other remuneration to executive employees, which is a part of the documentation presented to the annual general meeting. The guidelines set out the main principles for salaries and other compensatory elements. Performance related remuneration of the corporate management is linked to the financial performance of the company, and the individual member of management's contribution thereto. In general, the guidelines ensure alignment of financial interests between the shareholders and the corporate management.

The CEO's remuneration terms are reviewed and decided annually by the board following preparatory discussions in the board's compensation committee. The remuneration consists of base salary, annual performance bonus, pension and other benefits. The decision on the CEO's remuneration takes into consideration the overall performance of the CEO and the company, and the market development for CEO remuneration in companies of similar complexity, size and industries. The remuneration for other members of the corporate management is decided by the CEO, and the performance related remuneration consist of the same elements as for the CEO.

Performance based elements are calculated on the basis of quantifiable objective targets as well as on quantifiable targets falling within areas over which the respective executives have a reasonable influence. More information about corporate management remuneration is available in the financial statements, notes 10 (Norske Skogindustrier ASA) and 12 (consolidated financial statements).

In addition, Norske Skog established a long-term incentive program in 2014, in accordance with the resolution made at the annual general meeting in April 2014. The program consists of synthetic options with a term of minimum three years, and is limited to a maximum number equal to 2% of the issued shares in the company.

13. INFORMATION AND COMMUNICATIONS

Information in Norske Skog's financial statements shall provide a correct impression of the company's results, cash flow, assets and liabilities. Financial reporting follows International Financial Reporting Standards, and through open communication to shareholders and financial markets, Norske Skog ensures transparency and equality to facilitate our stakeholders' assessment of the company's financial situation.

Press releases in connection with quarterly financial statements are presented to the board before being published. Outside of the general meeting, the company's administration maintains an active dialogue with the shareholders, investors and other relevant interested parties. The company's annually published financial calendar is available on www.norskeskog.com/investors. The responsibilities on communication have been clearly defined among corporate management and members of the administration, including routines applicable should an extraordinary situation occur. When publishing annual and interim reports, the company holds public presentations that are simultaneously broadcasted over the internet. Information sent to shareholders by mail is simultaneously published on www.norskeskog.com.

14. TAKE-OVERS

The board has established clear principles for how it will act in the event of a take-over bid, hereunder that it will act in agreement with the Code and Norwegian law. The principles emphasise the importance of equal treatment of existing shareholders. They further warrant that the board will ensure sufficient information in time and content for the shareholders to assess a possible bid, including issuing a statement to the shareholders with the board's assessment of such bid, together with a valuation prepared by an independent expert. A sale of a significant part of the company will require approval by the general meeting. The board will not without decision by the general meeting attempt to hinder a take-over bid for the company.

15. AUDITOR

The auditor presents an annual audit plan, describing the auditor's understanding of the industry and significant risks, as well as the audit approach to be applied. The auditor participates in audit committee meetings, and board meetings when discussing the quarterly and financial statements or otherwise requested. During 2014, the auditor has participated in discussions with the audit committee without corporate management being present, and for 2015 such time is scheduled with the full board. The company has effective guidelines for the ability of the auditor to perform non-audit services for the company upon approval by the audit committee. The company informs the general meeting about the auditor's fees for audit and non-audit services.

The board regularly assesses the quality and efficiency of the work of the auditor.

SHARES AND SHARE CAPITAL

NORSKE SKOG'S SHAREHOLDER POLICY

The shareholder policy is as follows:

- Norske Skog's goal is to provide competitive return for the shareholders.
- Norske Skog's shares shall be freely negotiable and based on the principle one share – one vote.
- The dividend policy shall be competitive and responsible.
- Norske Skog's capital structure shall be adapted to the company's strategy and business risk.
- The work of the board and the corporate management shall be based on the principle of equal treatment for all the company's shareholders.

DIVIDEND PROPOSAL

Based on weak earnings and the company's financial position, the board recommends that no dividend be paid for the financial year 2014.

LONG-TERM INCENTIVE PROGRAMME

In accordance with a resolution at the annual general meeting in 2014, the Board of Norske Skogindustrier ASA in July 2014 approved a new synthetic option program for senior executives. The incentive program runs over three years and totals 3.8 million synthetic options. At the beginning of the program, 60% of the synthetic options were awarded. The synthetic options are a proxy for cash payments and not options to buy shares. The exercise price for the options is NOK 4.80, adjusted for an additional 10% per annum. The programme is described in detail in the notes to the financial statements for the Norske Skog Group (Note 12) and Norske Skogindustrier ASA (Note 10).

SHARES AND SHARE CAPITAL

Norske Skog's shares have been listed on the Oslo Stock Exchange since 1976. In 2014, a total of 177.4 million Norske Skog shares were traded on the Oslo Stock Exchange, compared with 238.8 million in 2013.

The Norske Skog share price was NOK 3.84 on 30 December 2014, compared with NOK 4.83 on 2 January 2014. The highest price in 2014, based on close-of-trading prices, was NOK 6.07 on 13 January, and the lowest price was NOK 3.47 on 30 October.

On 31 December 2014, the share capital of Norske Skog was NOK 189 945 626, consisting of 189 945 626 shares with a face value of NOK 1. All shares have equal rights.

At the beginning of 2014, Norske Skog owned 20 479 treasury shares. In June, 201 000 shares were bought, and 221 169 shares were later sold to employees in connection with an employee share programme in Norway. Norske Skog's holding of treasury shares was 310 shares as of 31 December 2014.

On 31 December 2014, the largest individual Norwegian shareholder was Nobelsystem Scandinavia AS, with an ownership interest of 5.4%. On 31 December 2014, the foreign ownership was 18%, compared with 21% on 31 December 2013. Foreign shareholders are, to a large extent, registered through investment banks, and based on information gathered, none of them own more than 5%.

Based on the information in the Norwegian Registry of Securities, Norske Skog had 20 928 shareholders in total on 31 December 2014, of which 1 050 resided outside of Norway.

INFORMATION TO THE FINANCIAL MARKET

Around 20 Norwegian and international companies publish analytical reports on Norske Skog, directed towards both equity and bond investors. An overview of these companies can be found on Norske Skog's website.

FINANCIAL CALENDAR FOR 2015

- **27 February:** Interim financial statements, fourth quarter 2014
- **6 April:** Silent period begins
- **16 April:** General Meeting
- **23 April:** Interim financial statements, first quarter 2015
- **29 June:** Silent period begins
- **16 July:** Interim financial statements, second quarter 2015
- **5 October:** Silent period begins
- **22 October:** Interim financial statements, third quarter 2015


VALMET

KEY FIGURES RELATED TO SHARES

	Definitions	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Nominal value (NOK/share)		1	1	1	10	10	10	10	10	10	10
Average number of shares excluding shares held in treasury (1 000)		189 933	189 866	189 827	189 904	189 904	189 663	189 501	189 412	189 258	142 878
Net earnings per share after tax (NOK)	1	-7.92	-9.71	-14.63	-13.36	-12.97	-6.36	-14.33	-3.26	-14.84	-5.98
Cash flow per share after tax (NOK)	2	1.06	0.36	5.18	2.40	2.09	8.95	10.43	11.43	14.60	21.42
Dividend per share (NOK)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.50	5.50
Price/cash flow ratio	3	3.62	13.17	0.76	1.88	6.62	1.07	1.29	3.95	7.35	5.01
Number of shares 31 December (1 000)		189 946	189 946	189 946	189 946	189 946	189 946	189 946	189 946	189 946	189 946
Share prices high		6.07	4.80	8.00	22.50	14.35	17.60	45.85	118.50	114.00	124.86
Share prices low		3.47	2.44	3.43	2.58	6.82	7.93	13.15	30.75	83.00	86.50
Share prices 31 December		3.84	4.74	3.96	4.52	13.85	9.55	13.50	45.20	107.50	107.25
Trading volume (Oslo Stock Exchange) 1 000 shares		177 368	238 814	385 768	617 404	444 134	527 525	786 990	659 648	230 507	186 297
Number of shareholders 31 December		20 928	21 521	24 322	23 955	24 779	26 936	26 812	23 871	22 967	23 646
Number of foreign shareholders 31 December		1 050	1 104	1 185	1 228	1 291	1 320	1 355	1 400	1 361	1 355
Foreign shareholding 31 December		17.57 %	20.84 %	19.02 %	23.07 %	35.92 %	25.1 %	40.5 %	48.9 %	67.0 %	56.9 %
Market value (NOK million)		729	900	752	859	2 630	1 812	2 564	8 586	20 419	20 372

Definitions

1. Net earnings per share after tax = Profit for the year : Average number of shares
2. Cash-flow per share after tax = Cash flow : Average number of shares
3. Price/cash flow ratio = Share price 31.12. : Cash flow per share after tax

SHARES OWNED BY MEMBERS OF CORPORATE BODIES

AS OF 31 DECEMBER 2014

BOARD OF DIRECTORS

Jarle Roth, Lommedalen (chair)	40 000
Eilif Due, Levanger	3 256
Siri Beate Hatlen, Hosle	0
Karin Bing Orgland, Oslo	0
Jon-Aksel Torgersen, Oslo	0
- Fiducia AS	2 986 644
Kjetil Bakkan, Norske Skog Skogn	16 532
Paul Kristiansen, Norske Skog Saugbrugs	18 608
Svein Erik Veie, Norske Skog Skogn	12 909

EMPLOYEE-ELECTED ALTERNATE BOARD MEMBERS (PERSONAL):

Håvard Busklein (for Kjetil Bakkan), Levanger	0
Carl Fredrik Nilsen (for Paul Kristiansen), Halden	0
Børre Selen (for Svein Erik Veie), Steinkjer	3 205

THE CORPORATE MANAGEMENT

CEO Sven Ombudstvedt	708 266
- Elle Holding AS	1 000 000
Chief Operating Officer Roar Ødelien	0
Chief Financial Officer Rune Sollie	15 705
- Tia Ynwa AS	87 500
Senior Vice President Lars P. Sperre	31 108

AUDITOR

Ernst & Young AS	0

PRINCIPAL SHAREHOLDERS

Principal shareholders at 31 December 2014	Number of shares	Ownership %
Nobelsystem Scandinavia AS	10 300 000	5.42
Kontrari AS	9 600 000	5.05
Dimensional Fund Advisors	6 721 165	3.54
Skandinaviska Enskilda Banken	6 295 000	3.31
AT Skog BA	6 065 911	3.19
Allskog BA	5 295 662	2.79
Astrup Fearnley AS	5 189 688	2.73
Uthalden A/S	4 450 000	2.34
NIL Spectatio Finans AS	4 225 116	2.22
Nordnet Bank AB (Nominee)	3 410 940	1.80
Danske Bank A/S (Nominee)	3 232 118	1.70
Fiducia AS	2 986 644	1.57
Barokk Invest AS	2 760 403	1.45
Sothic Capital Management	2 694 300	1.42
AS Havlide	2 296 466	1.21
Ses AS	2 200 000	1.16
Alfaplan AS	2 000 000	1.05
Torstein I. Tvenge	2 000 000	1.05
Myra Matsenter AS	1 989 192	1.05
Shareholders with < 1% ownership	**106 233 021**	**55.93**
Total	**189 945 626**	**100.00**

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

ARTICLES OF ASSOCIATION FOR NORSKE SKOGINDUSTRIER ASA

Last amended in the general meeting 11 April 2013

ARTICLE 1 THE COMPANY FORM AND NAME

The company is a public limited liability company. The company's name is Norske Skogindustrier ASA.

ARTICLE 2 OBJECTIVE

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

ARTICLE 3 REGISTERED OFFICE

The company is registered in Norway, and has its corporate management and registered office in Oslo municipality.

ARTICLE 4 SHARE CAPITAL AND SHARES

The company's share capital amounts to NOK 189 945 626, divided into 189 945 626 shares each with a nominal value of NOK 1,-. The company's shares shall be registered in the Norwegian Central Securities Depository (VPS).

ARTICLE 5 BOARD OF DIRECTORS

The company's board of directors will consist of a minimum of seven and a maximum of ten directors, elected for a term of one year. No person can be elected to the board after reaching the age of 70.

The general meeting elects the board of directors and the chair of the board every year, and determines the remuneration payable to directors. The board of directors is responsible for appointing a chief executive, to be known as the president and chief executive officer, and for determining his/her remuneration. The board of directors appoints a member of the board, the chief executive or named employees to sign for the company.

ARTICLE 6 ELECTION- AND REMUNERATION COMMITTEE

The company will have an election- and remuneration committee consisting of four members elected by the general meeting for a term of one year, as well as an employee representative to be appointed by the Norwegian Works Council with the right to speak and make suggestions in matters of election, and the right to vote in remuneration matters. The chair of the election- and remuneration committee is elected by the general meeting and remuneration of the members of the committee will be determined by the general meeting.

The election- and remuneration committee will have the following tasks:

i) To issue a recommendation to the general meeting concerning election of shareholder-elected members of the board and the chair of the board.
ii) To issue a recommendation to the general meeting concerning the remuneration of board members, hereunder the chair of the board and the board's committees.
iii) To issue a recommendation to the general meeting concerning the election of members of the election- and remuneration committee, hereunder the chair of the committee.
iv) To issue a recommendation to the general meeting concerning the remuneration of members of the election- and remuneration committee.

The general meeting can stipulate more detailed guidelines for the work of the election committee.

ARTICLE 7 GENERAL MEETING

Notice of the general meeting will be issued within the deadline set by the Public Limited Liability Companies Act in writing to all shareholders with a known address. The right to participate and vote in the general meeting can only be exercised when the acquisition of shares is registered in the shareholder register on the fifth business day before the general meeting (registration date). The general meeting will be held in the local municipality in which the company has its registered office or in Oslo.

When the documents which apply to matters which are up for discussion and voting at the general meeting in the company have been made available to the shareholders on the company's website, the board can decide to not send the documents to the shareholders. A shareholder can, however, demand to have documents pertaining to matters on the agenda of the general meeting sent to him or her. The company cannot request any compensation for sending documents to the shareholders.

The annual general meeting will:

1. Approve the annual accounts, including the directors' report, and the consolidated accounts, and approve the profit and loss account and balance sheet.

2. Determine the application of the profit or coverage of the loss for the year in accordance with the approved balance sheet, including the declaration of any dividend.

3. Discuss and vote over the board's declaration on determination of salary and other remuneration for senior employees.

4. Approve the auditor's fee.

5. Elect the shareholders' representatives to the board of directors, as well as to the election- and remuneration committee, as well as stipulate any remuneration to members and alternate members of these bodies.

6. Deal with any other business stated in the notice of the meeting.

Matters which a shareholder wants to put before the general meeting for discussion and voting must be communicated in writing to the board at least seven days prior to the deadline for issuing a notice of a general meeting enclosing a proposed motion or reason for putting the matter on the agenda. Notice of the general meeting will be given, and the general meeting will be opened and chaired, by the chair of the board. The general meeting may, upon proposal presented in the meeting or before by the board, a board member or a shareholder, with simple majority of the cast votes, elect another person to chair the meeting. Should there be more than one candidate, the one that has received the most votes shall be elected.

Shareholders can vote in writing in advance in matters up for discussion and voting at the company's general meetings. Such votes can also be cast through electronic communication. The option of voting in advance is contingent upon the existence of a satisfactory method for verifying the identity of the voter. The board of directors will determine if such a method exists prior to each individual general meeting. The board of directors can stipulate more detailed guidelines for written advance votes. It must emerge from the notice of the general meeting whether voting in advance is allowed and which guidelines have been stipulated for any such voting in advance.

Norske Skog

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