



Norske Skog

SECOND QUARTER 2014

QUARTERLY REPORT

INTRODUCTION

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

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

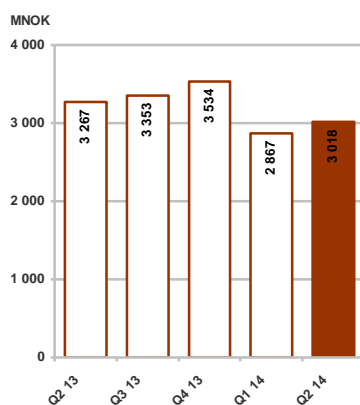
The parent company, Norske Skogindustrier ASA, is incorporated in Norway and has its head office at Skøyen in Oslo. The company is listed on the Oslo Stock Exchange.

KEY FIGURES (UNAUDITED)

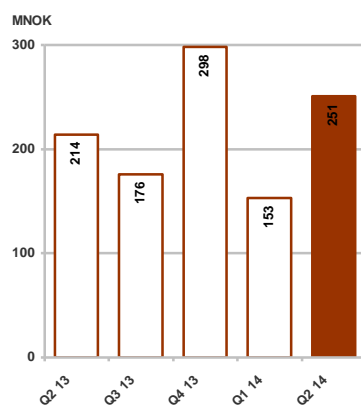
All amounts are presented in NOK million unless otherwise stated.

	Q2 2014	Q1 2014	Q2 2013	YTD 2014	YTD 2013
INCOME STATEMENT					
Operating revenue	3 018	2 867	3 267	5 885	6 453
Gross operating earnings	251	153	214	404	388
Operating earnings	122	84	-647	206	-824
Profit/loss for the period	-114	11	-859	-104	-1 240
Earnings per share (NOK)	-0.60	0.06	-4.53	-0.55	-6.53
CASH FLOW					
Net cash flow from operating activities	-252	-4	-48	-256	-154
Net cash flow from investing activities	231	-67	113	164	-42
Cash flow per share (NOK)	-1.33	-0.02	-0.25	-1.35	-0.81
OPERATING MARGIN AND PROFITABILITY (%)					
Gross operating margin	8.3	5.3	6.6	6.9	6.0
Return on capital employed ¹⁾	9.2	1.5	3.5	5.4	2.8
PRODUCTION / DELIVERIES / CAPACITY UTILISATION					
Production (1 000 tonnes)	656	649	771	1 306	1 548
Deliveries (1 000 tonnes)	651	620	759	1 271	1 510
Production / capacity (%)	88	91	87	89	87
	30 Jun 2014	31 MAR 2014	31 DEC 2013	30 SEP 2013	30 JUN 2013
BALANCE SHEET					
Non-current assets	10 500	10 419	10 611	10 999	10 655
Current assets	3 268	3 832	4 005	4 154	4 723
Total assets	13 767	14 251	14 617	15 153	15 378
Equity	2 331	2 273	2 175	2 712	2 801
Net interest-bearing debt	6 952	6 800	6 817	6 918	6 641

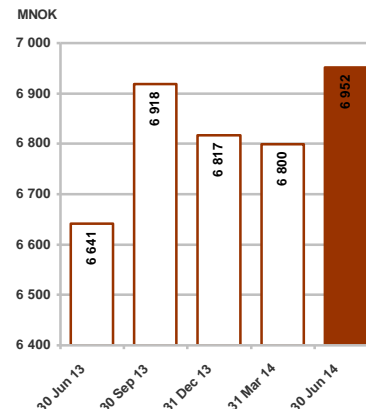
OPERATING REVENUE



GROSS OPERATING EARNINGS



NET INTEREST-BEARING DEBT



DEFINITIONS

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

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

- Second quarter 2014: Gross operating earnings NOK 251 million (NOK 153 million in the first quarter)
- Cash flow from operating activities NOK 206 million before net financial items in the quarter (NOK 54 million in the first quarter)
- Net interest-bearing debt increased by NOK 152 million to NOK 6 952 million, of which NOK 136 million reflected NOK depreciation against EUR and USD
- Loss for the period NOK 114 million (profit of NOK 11 million in the first quarter), driven by the above mentioned currency translation
- High coupon NOK bonds were redeemed in June, significantly reducing the annual level of interest payments

INCOME STATEMENT

	Q2 2014	Q1 2014	Q2 2013	YTD 2014	YTD 2013
Operating revenue	3 018	2 867	3 267	5 885	6 453
Gross operating earnings	251	153	214	404	388
Depreciation	-180	-181	-198	-361	-397
Operating earnings	122	84	-647	206	-824
Profit/loss before income taxes	-165	15	-1 001	-150	-1 506
Profit/loss for the period	-114	11	-859	-104	-1 240

Operating revenue increased from the previous quarter, due to the ramp-up of magazine paper production at Boyer in Australia and seasonally somewhat higher sales volumes.

Cost of materials declined from the first quarter on a per tonne basis. Lower energy and fibre costs were the main drivers. Fixed costs were flat.

Gross operating earnings improved to NOK 251 million in the quarter, from NOK 153 million in the previous quarter. The first quarter included negative one-offs at Boyer, Walsum and Saugbrugs.

Depreciation was in line with the first quarter at NOK 180 million.

Loss for the period came in at NOK 114 million after financials and other items.

Global demand for newsprint declined by 7% in the first five months of the year compared to the corresponding period last year. There was a decrease of 2% for magazine paper in the same period.

Capacity utilisation for the group was 88% in the second quarter (91% in the first quarter).

SPECIAL ITEMS IN OPERATING EARNINGS

	Q2 2014	Q1 2014	Q2 2013	YTD 2014	YTD 2013
Restructuring expenses	0	-2	0	-2	0
Other gains and losses	51	114	-662	165	-816

Other gains and losses consisted of a mark-to-market increase in the value of energy contracts recognised on the balance sheet. The value

of energy contracts are derived from exchanges rates, electricity prices and discount rates in accordance with IFRS standards.

FINANCIAL ITEMS

	Q2 2014	Q1 2014	Q2 2013	YTD 2014	YTD 2013
Net interest expenses incl. realised gain/loss on interest rate derivatives	-150	-154	-153	-303	-300
Unrealised gain/loss on interest rate derivatives	1	0	2	1	6
Net interest expenses	-149	-154	-150	-303	-295
Currency gains/losses ¹⁾	-121	94	-191	-26	-361
Other financial items	-15	-17	-17	-32	-35
Total financial items	-284	-77	-358	-361	-690

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

Net interest expenses were NOK 149 million in the quarter and slightly lower than in the previous quarter. Currency losses of

NOK 121 million were primarily related to debt denominated in EUR and USD increasing as a result of NOK depreciation.

CASH FLOW

	Q2 2014	Q1 2014	Q2 2013	YTD 2014	YTD 2013
Gross operating earnings	251	153	214	404	388
Change in working capital ¹⁾	44	40	225	84	25
Payments made relating to restructuring activities	-21	-111	-15	-132	-104
Adjustment for other items	-66	-10	-95	-76	-96
Cash flow from net financial items	-458	-58	-346	-516	-329
Taxes paid	-2	-17	-32	-19	-37
Net cash flow from operating activities	-252	-4	-48	-256	-154
Purchases of property, plant and equipment and intangible assets	-29	-116	-125	-146	-242
Sales of property, plant and equipment, intangible assets, shares in companies and other investments.	265	52	238	318	239

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

Net cash flow from operating activities was NOK -252 million. Working capital of NOK 44 million was released in the quarter, with continuous efforts to improve capital efficiency more than offsetting the build of magazine paper inventories at the new Boyer machine.

Cash flow from net financial items was NOK -458 million and largely consisted of annual interest payments.

Purchases of property, plant and equipment of NOK 29 million were pure maintenance capital expenditure, following the completion of investment projects at Boyer and Saugbrugs in the previous quarter.

Sales of property, plant and equipment were essentially the final proceeds from the divestment of Pisa in Brazil.

BALANCE SHEET

	30 JUN 2014	31 MAR 2014	31 DEC 2013	30 JUN 2013
Non-current assets	10 500	10 419	10 611	10 655
Cash and cash equivalents	580	878	1 015	1 575
Other current assets	2 688	2 954	2 990	3 148
Total assets	13 767	14 251	14 617	15 378
Equity including non-controlling interests	2 331	2 273	2 175	2 801
Non-current liabilities	8 987	8 728	8 779	8 659
Current liabilities	2 449	3 251	3 662	3 918
Net interest-bearing debt	6 952	6 800	6 817	6 641

Equity was NOK 2 331 million at 30 June 2014. The increase reflected exchange rate related translation differences. Details are provided in the statement of changes in group equity later in this report. Equity per share was NOK 12.

Net interest-bearing debt increased by NOK 152 million to NOK 6 952 million at 30 June 2014. The increase reflected currency

effects on EUR and USD denominated debt, with NOK depreciating towards the end of the quarter against major currencies.

Cash and cash equivalents amounted to NOK 580 million at 30 June 2014, following the redemption of the June bond maturities.

SEGMENT INFORMATION

PUBLICATION PAPER EUROPE

	Q2 2014	Q1 2014	Q2 2013	YTD 2014	YTD 2013
Operating revenue	2 266	2 211	2 174	4 476	4 309
Gross operating earnings	173	121	16	293	84
Depreciation	-98	-98	-85	-196	-171
Operating earnings	77	21	-63	98	-83
Gross operating margin (%)	7.6	5.5	0.7	6.5	1.9
Return on capital employed (%) ^{*)}	10.1	4.8	-1.0	7.5	0.8
Production (1 000 tonnes)	497	518	537	1 015	1 093
Deliveries (1 000 tonnes)	504	490	534	994	1 063
Production / capacity (%)	87	90	85	89	86

^{*)} Annualised return on capital employed.

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

Operating revenue increased due to seasonally somewhat higher sales volumes compared to the previous quarter.

Cost of materials declined from the first quarter on a per tonne basis, reflecting lower energy and fibre costs. Fixed costs were flat.

Gross operating earnings improved to NOK 173 million in the quarter, from NOK 121 million in the previous quarter. Reduced costs from a one-off high level in the first quarter drove the increase.

Demand for both newsprint and magazine paper in Europe decreased by 4% in the first five months of the year compared to the corresponding period last year.

Capacity utilisation was 87% in the second quarter (90% in the first quarter).

PUBLICATION PAPER AUSTRALASIA

	Q2 2014	Q1 2014	Q2 2013	YTD 2014	YTD 2013
Operating revenue	755	658	1 079	1 413	2 122
Gross operating earnings	82	54	213	136	340
Depreciation	-81	-79	-109	-160	-218
Operating earnings	-4	-36	-86	-41	-67
Gross operating margin (%)	10.9	8.1	19.8	9.6	16.0
Return on capital employed (%) *)	8.5	-0.6	11.2	4.0	7.4
Production (1 000 tonnes)	159	131	234	290	454
Deliveries (1 000 tonnes)	147	130	226	277	457
Production / capacity (%)	91	91	92	91	89

*) Annualised return on capital employed.

The segment consists of Norske Skog's operations in Australasia. Annual production capacity in the segment was 695 000 tonnes in the second quarter, with the completion of the machine conversion at Boyer.

Operating revenue increased compared to the previous quarter, reflecting the start-up of the new magazine paper machine at Boyer.

Cost of materials was flat on a per tonne basis compared to the first quarter, with lower energy costs offsetting more chemical and pulp usage for magazine paper production. Fixed costs were also flat.

Gross operating earnings increased to NOK 82 million, from

NOK 54 million in the first quarter. The increase largely reflected an improved contribution from Boyer.

Demand for newsprint in Oceania decreased by 3% in the first five months of the year, compared to the corresponding period last year. Demand for magazine paper in Australasia declined by 5% in the same period. Demand estimates are derived from shipment data. Underlying demand for magazine paper in Australasia was relatively flat.

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

OTHER ACTIVITIES

	Q2 2014	Q1 2014	Q2 2013	YTD 2014	YTD 2013
Operating revenue	34	34	88	68	224
Gross operating earnings	-4	-21	-16	-25	-36
Depreciation	-1	-4	-4	-5	-8
Operating earnings	49	100	-497	149	-674

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

earnings of NOK 49 million mainly constitute an increase in the value of energy contracts. See "special items in operating earnings" above.

HEALTH AND SAFETY

The H-value (the number of lost-time injuries per million working hours) was 1.36 in the 12 month period from 1 July 2013 to 30 June 2014.

RISK MANAGEMENT

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

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

SHARES

The foreign ownership share was 20% at the end of June 2014. An overview of the main shareholders at the end of June 2014 is included on page 16.

OUTLOOK

Publication paper prices in Europe are expected to remain relatively stable throughout 2014. The market balance for newsprint is acceptable, while the operating rate for magazine paper, which currently is not satisfactory, should improve with seasonal factors.

Sales volumes will be seasonally higher in the second half of 2014.

The new Boyer machine in Australia has ramped up and will contribute fully from the third quarter.

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

SKØYEN, 16 JULY 2014 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA



Jarle Roth
Chair



Eilif Due
Board member



Siri Beate Hatlen
Board member



Karin Bing Orgland
Board member



Jon-Aksel Torgersen
Board member




Kjetil Bakkan
Board member



Paul Kristiansen
Board member



Svein Erik Veie
Board member



Sven Ombudstvedt
President and CEO

INTERIM FINANCIAL STATEMENTS, SECOND QUARTER OF 2014

CONDENSED CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	Q2 2014	Q1 2014	Q2 2013	YTD 2014	YTD 2013
Operating revenue	6	3 018	2 867	3 267	5 885	6 453
Distribution costs		-306	-299	-342	-605	-668
Cost of materials		-1 773	-1 817	-1 994	-3 590	-3 960
Change in inventories		22	107	68	130	148
Employee benefit expenses		-487	-471	-510	-958	-1 043
Other operating expenses		-223	-234	-274	-457	-543
Gross operating earnings		251	153	214	404	388
Depreciation	4	-180	-181	-198	-361	-397
Restructuring expenses		0	-2	0	-2	0
Other gains and losses	8	51	114	-662	165	-816
Impairments	3, 4	0	0	0	0	0
Operating earnings		122	84	-647	206	-824
Share of profit in associated companies		-3	8	4	4	8
Financial items		-284	-77	-358	-361	-690
Profit/loss before income taxes		-165	15	-1 001	-150	-1 506
Income taxes		51	-4	142	46	266
Profit/loss for the period		-114	11	-859	-104	-1 240
Profit/loss for the period attributable to:						
Owners of the parent		-114	11	-859	-104	-1 240
Non-controlling interests		0	0	0	0	0
Basic/diluted earnings per share (NOK)		-0.60	0.06	-4.53	-0.55	-6.53

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	Q2 2014	Q1 2014	Q2 2013	YTD 2014	YTD 2013
Profit/loss for the period	-114	11	-859	-104	-1 240
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Currency translation differences	222	38	-336	260	6
Tax expense on translation differences	0	25	-7	25	15
Hedge of net investment in foreign operations	-44	24	-70	-20	-131
Tax expense on net investment hedge	0	0	0	0	-2
Reclassified translation differences upon divestment of foreign operations	1	0	262	1	262
Reclassified hedging gain/loss on net investment upon divestment of foreign operations	0	0	-361	0	-361
Tax expense on reclassifications	0	0	101	0	101
Other items	-7	0	1	-7	1
Tax expense on other items	0	0	0	0	0
Total	172	87	-410	259	-109
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Remeasurements of post employment benefit obligations	0	0	0	0	0
Tax effect on remeasurements of post employment benefit obligations	0	0	0	0	0
Total	0	0	0	0	0
Other comprehensive income for the period	172	87	-410	259	-109
Comprehensive income for the period	58	98	-1 269	155	-1 349
Comprehensive income for the period attributable to:					
Owners of the parent	58	98	-1 269	155	-1 350
Non-controlling interests	0	0	0	0	1

CONDENSED CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	30 JUN 2014	31 MAR 2014	31 DEC 2013	30 JUN 2013
Deferred tax asset		621	567	541	495
Intangible assets	4, 6	85	115	152	107
Property, plant and equipment	3, 4, 6	9 057	8 995	9 025	9 074
Investments in associated companies	5	392	376	595	599
Other non-current assets	8	344	366	299	380
Total non-current assets		10 500	10 419	10 611	10 655
Inventories		1 456	1 377	1 274	1 513
Trade and other receivables		1 176	1 458	1 574	1 462
Cash and cash equivalents	7	580	878	1 015	1 575
Other current assets	8	55	119	141	172
Total current assets		3 268	3 832	4 005	4 723
Total assets		13 767	14 251	14 617	15 378
Paid-in equity		12 302	12 302	12 302	12 302
Retained earnings and other reserves		-9 972	-10 030	-10 127	-9 511
Non-controlling interests		0	0	0	10
Total equity		2 331	2 273	2 175	2 801
Pension obligations		718	706	714	628
Deferred tax liability		408	378	392	505
Interest-bearing non-current liabilities	7	7 391	7 038	6 973	6 917
Other non-current liabilities	8	470	605	699	608
Total non-current liabilities		8 987	8 728	8 779	8 659
Interest-bearing current liabilities	7	314	814	1 044	1 496
Trade and other payables		1 907	1 860	2 040	2 095
Tax payable		11	22	39	30
Other current liabilities	8	217	554	540	297
Total current liabilities		2 449	3 251	3 662	3 918
Total liabilities		11 437	11 978	12 441	12 576
Total equity and liabilities		13 767	14 251	14 617	15 378

SKØYEN, 16 JULY 2014 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA



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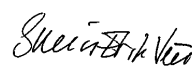
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Paul Kristiansen
Board member



Svein Erik Veie
Board member



Sven Ombudstvedt
President and CEO

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	Q2 2014	Q1 2014	Q2 2013	YTD 2014	YTD 2013
Cash generated from operations	3 078	3 180	3 455	6 258	6 639
Cash used in operations	-2 871	-3 108	-3 126	-5 979	-6 426
Cash from net financial items	-458	-58	-346	-516	-329
Taxes paid	-2	-17	-32	-19	-37
Net cash flow from operating activities ¹⁾	-252	-4	-48	-256	-154
Purchases of property, plant and equipment and intangible assets	-29	-116	-125	-146	-242
Sales of property, plant and equipment and intangible assets	0	1	19	1	18
Dividend received	0	0	0	0	0
Purchase of shares in companies and other investments	-4	-3	0	-8	-39
Sales of shares in companies and other investments	265	51	219	317	221
Net cash flow from investing activities	231	-67	113	164	-42
New loans raised	229	173	628	402	749
Repayments of loans	-543	-238	-119	-780	-227
Net cash flow from financing activities	-313	-65	508	-378	522
Foreign currency effects on cash and cash equivalents	36	-1	30	35	55
Total change in cash and cash equivalents	-298	-137	604	-435	381
Cash and cash equivalents at start of period	878	1 015	971	1 015	1 194
Cash and cash equivalents at end of period	580	878	1 575	580	1 575
¹⁾ Reconciliation of net cash flow from operating activities					
Gross operating earnings	251	153	214	404	388
Change in working capital	44	40	225	84	25
Payments made relating to restructuring activities	-21	-111	-15	-132	-104
Adjustment for other items	-66	-10	-95	-76	-96
Cash flow from net financial items	-458	-58	-346	-516	-329
Taxes paid	-2	-17	-32	-19	-37
Net cash flow from operating activities	-252	-4	-48	-256	-154

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	Paid-in equity	Retained earnings	Hedge accounting	Other equity reserves	Total before non-controlling interests	Non-controlling interests	Total equity
Equity 1 January 2013	12 302	-8 361	317	-116	4 142	9	4 151
Profit/loss for the period	0	-381	0	0	-381	0	-381
Other comprehensive income for the period	0	0	-64	364	300	1	301
Equity 31 March 2013	12 302	-8 742	253	247	4 060	10	4 070
Profit/loss for the period	0	-859	0	0	-859	0	-858
Other comprehensive income for the period	0	0	-329	-80	-410	0	-410
Equity 30 June 2013	12 302	-9 601	-76	167	2 791	10	2 801
Profit/loss for the period	0	-603	0	0	-603	0	-603
Other comprehensive income for the period	0	0	-114	102	-12	0	-12
Non-controlling interest - divested operations	0	0	0	0	0	-10	-10
Equity 31 December 2013	12 302	-10 205	-190	269	2 175	0	2 175
Profit/loss for the period	0	11	0	0	11	0	11
Other comprehensive income for the period	0	0	24	63	87	0	87
Equity 31 March 2014	12 302	-10 194	-166	332	2 273	0	2 273
Profit/loss for the period	0	-114	0	0	-114	0	-114
Other comprehensive income for the period	0	0	-44	216	172	0	172
Equity 30 June 2014	12 302	-10 308	-210	548	2 331	0	2 331

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

The interim financial statements were authorised for issue by the board of directors in Norske Skogindustrier ASA on 16 July 2014.

2. ACCOUNTING POLICIES

The interim financial statements of Norske Skog have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim financial statements do not include all information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements for 2013. The interim financial statements are unaudited.

The accounting policies applied in the preparation of the interim financial statements are consistent with those applied in the

preparation of the annual financial statements for the year ended 31 December 2013, except for the adaptation of amended standards and new interpretations, which are mandatory from 1 January 2014. These changes are described in the annual financial statements for 2013.

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

3. ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

Estimated decline in value of intangible assets and property, plant and equipment

Intangible assets which have an indefinite useful life and goodwill are not subject to amortisation, but are tested annually for impairment. Property, plant and equipment, and intangible assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit. Norske Skog applies a weighted average cost of capital (WACC) model for calculating the present value of future cash flows. Calculation of value in use requires use of estimates.

There was no indication that further impairments or reversals of previous impairments should be made at 30 June 2014.

Commodity contracts and embedded derivatives in commodity contracts measured at fair value

Commodity contracts that fail to meet the own-use exemption criteria in IAS 39 *Financial instruments – recognition and measurement* are recognised in the balance sheet and valued at fair value. Fair values of commodity contracts and embedded derivatives in commodity contracts which are not traded in an active market, are assessed through valuation techniques. Norske Skog has one long-term energy contract in New Zealand. The electricity prices for long-term electricity contracts in New Zealand are not directly observable in the market for

the whole contract length. Price forecasts from acknowledged external sources are used in the estimation of fair value. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

See Note 9 in the annual financial statements for 2013 for more information regarding the calculation of fair value of derivatives.

Provisions

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

Provisions for future environmental and dismantling liabilities are based on a number of assumptions made using management's best judgment.

See Note 2 in the annual financial statements for 2013 for a more thorough description of important accounting estimates and assumptions impacting the preparation of financial statements.

Contingent liabilities

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

Norske Skog has an ongoing process related to simplification of the group's corporate structure. This, in combination with changes in individual countries' tax laws, could increase the group's tax exposure.

4. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

JAN-JUN	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	TOTAL
Carrying value at start of period	9 025	152	9 177
Additions ¹⁾	151	72	223
Depreciation	-356	-5	-361
Impairments	0	0	0
Value changes	-5	0	-5
Disposals	-9	-137	-146
Currency translation differences	251	3	254
Carrying value at end of period	9 057	85	9 142

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

5. DIVESTMENT OF OPERATIONS

In January 2014, the terms of sale for Norske Skog's remaining 49% stake in Norske Skog Pisa Ltda. in Brazil were renegotiated, with an accelerated timeline and a sales price of USD 37 million. The transaction was completed on 17 January. Following this, Norske Skog has no remaining interests in South America, and the investment in associated company in Pisa (NOK 223 million at the end of 2013) has been derecognised from the balance sheet. The value at the end of 2013 reflected the agreed sales price, so the

transaction did not result in any additional income statement impact in 2014. The sales proceeds from the transaction was received during the second quarter of 2014.

Norske Skog's share in the sales offices Norske Skog Czech & Slovak Republic spol.s r.o (Czech Republic) and Norske Skog Polska Sp.z o.o. (Poland) were sold in June 2014.

6. OPERATING SEGMENTS

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.

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

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

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

Q2 2014	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	2 266	755	34	-37	3 018
Distribution costs	-216	-90	0	0	-306
Cost of materials	-1 337	-439	1	0	-1 773
Change in inventories	-23	46	0	0	22
Employee benefit expenses	-345	-118	-23	0	-487
Other operating expenses	-172	-71	-17	36	-223
Gross operating earnings	173	82	-4	0	251
Depreciation	-98	-81	-1	0	-180
Restructuring expenses	0	0	0	0	0
Other gains and losses	3	-6	54	0	51
Impairments	0	0	0	0	0
Operating earnings	77	-4	49	0	122

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

Q2 2013	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	2 174	1 079	88	-75	3 267
Distribution costs	-230	-111	0	0	-342
Cost of materials	-1 412	-570	-45	33	-1 994
Change in inventories	32	36	0	0	68
Employee benefit expenses	-355	-128	-27	0	-510
Other operating expenses	-192	-93	-32	42	-274
Gross operating earnings	16	213	-16	0	214
Depreciation	-85	-109	-4	0	-198
Restructuring expenses	0	0	0	0	0
Other gains and losses	6	-191	-478	0	-662
Impairments	0	0	0	0	0
Operating earnings	-63	-86	-497	0	-647

OPERATING SEGMENT 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.

INCOME STATEMENT	Q2 2014	Q1 2014	Q2 2013	YTD 2014	YTD 2013
Operating revenue	2 266	2 211	2 174	4 476	4 309
Distribution costs	-216	-220	-230	-436	-451
Cost of materials	-1 337	-1 459	-1 412	-2 796	-2 818
Change in inventories	-23	95	32	72	122
Employee benefit expenses	-346	-330	-355	-676	-704
Other operating expenses	-172	-176	-192	-348	-375
Gross operating earnings	173	121	16	293	84
Depreciation	-98	-98	-85	-196	-171
Restructuring expenses	0	-2	0	-2	0
Other gains and losses	3	0	6	3	4
Impairments	0	0	0	0	0
Operating earnings	77	21	-63	98	-83
Share of operating revenue from external parties (%)	100	98	97	99	97

OPERATING SEGMENT 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.

INCOME STATEMENT	Q2 2014	Q1 2014	Q2 2013	YTD 2014	YTD 2013
Operating revenue	755	658	1 079	1 413	2 122
Distribution costs	-90	-79	-111	-169	-217
Cost of materials	-439	-356	-570	-794	-1 121
Change in inventories	46	12	36	57	26
Employee benefit expenses	-118	-117	-128	-235	-283
Other operating expenses	-71	-65	-93	-136	-188
Gross operating earnings	82	54	213	136	340
Depreciation	-81	-79	-109	-160	-218
Restructuring expenses	0	0	0	0	0
Other gains and losses	-6	-11	-191	-16	-189
Impairments	0	0	0	0	0
Operating earnings	-4	-36	-86	-41	-67
Share of operating revenue from external parties (%)	100	100	100	100	100

OTHER ACTIVITIES

Activities in the group that do not fall into the operating segments are presented under other activities. This includes corporate functions, real estate activities, energy (commodity contracts and embedded

derivatives in commodity contracts) and other holding company activities.

INCOME STATEMENT	Q2 2014	Q1 2014	Q2 2013	YTD 2014	YTD 2013
Operating revenue	34	34	88	68	224
Distribution costs	0	0	0	0	0
Cost of materials	1	-1	-45	0	-140
Change in inventories	0	0	0	0	0
Employee benefit expenses	-23	-24	-27	-47	-56
Other operating expenses	-17	-29	-32	-45	-65
Gross operating earnings	-4	-21	-16	-25	-36
Depreciation	-1	-4	-4	-5	-8
Restructuring expenses	0	0	0	0	0
Other gains and losses	54	124	-478	178	-631
Impairments	0	0	0	0	0
Operating earnings	49	100	-497	149	-674
Share of operating revenue from external parties (%)	0	1	22	0	14
OPERATING REVENUE					
Energy	0	0	26	0	106
Real estate activities	0	0	0	0	0
Corporate functions	32	32	39	65	77
Miscellaneous	8	8	31	16	58
Eliminations	-7	-7	-8	-13	-16
Total	34	34	88	68	224
GROSS OPERATING EARNINGS					
Energy	0	0	0	0	0
Real estate activities	0	0	0	0	-1
Corporate functions	-3	-15	-15	-18	-33
Miscellaneous	-1	-6	0	-7	-2
Eliminations	0	0	0	0	0
Total	-4	-21	-16	-25	-36

OPERATING CASH FLOW

	Q2 2014	Q1 2014	Q2 2013	YTD 2014	YTD 2013
Publication paper Europe	99	165	263	264	242
Publication paper Australasia	155	-105	29	49	40
Other activities	-46	12	38	-34	-69
Operating cash flow allocated to segments	208	72	330	279	213
Cash from net financial items	-458	-58	-346	-516	-329
Taxes paid	-2	-17	-32	-19	-37
Net cash flow from operating activities	-252	-4	-48	-256	-154

PROPERTY, PLANT AND EQUIPMENT PER SEGMENT

	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	TOTAL
Publication paper Europe	5 176	0	5 176
Publication paper Australasia	3 847	23	3 870
Other activities	34	62	95
Total	9 057	85	9 142

7. INTEREST-BEARING DEBT

NET INTEREST-BEARING DEBT

Norske Skog has recognised an amount in the balance sheet as a result of the termination of a large part of the fair value hedge portfolio in the first half of 2009. A hedge reserve (deferred income) amounting to NOK 172 million is included in interest-bearing debt at 30 June 2014. The corresponding figure at 31 March 2014 was NOK 175 million.

The hedge reserve does not constitute any payment obligation for the group, but will be amortised in the income statement over the lifetime of the debt that has been hedged.

30 JUN 2014	REPORTED KEY FIGURES
Interest-bearing non-current liabilities	7 391
Interest-bearing current liabilities	314
- Hedge reserve	172
- Cash and cash equivalents	580
= Net interest-bearing debt	6 952

DEBT REPAYMENT SCHEDULE

CONTRACTUAL INSTALMENT PAYMENTS ON CURRENT AND NON-CURRENT INTEREST-BEARING DEBT	30 JUN 2014
2014 – third quarter	70
2014 – fourth quarter	206
2015	1 057
2016	1 574
2017	3 312
2018	28
2019	28
2020	29
2021	20
2022	14
2023 to 2033	1 264
Total	7 603

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

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

BONDS

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

unsecured. The table below shows Norske Skog's issued bonds at 30 June 2014.

MATURITY	CURRENCY	COUPON	ORIGINAL AMOUNT	OUTSTANDING AMOUNT 30 JUN 2014
October 2015	USD	6.125%	USD 200 mill	USD 158 mill
October 2033	USD	7.125%	USD 200 mill	USD 200 mill
June 2016	EUR	11.75%	EUR 150 mill	EUR 130 mill
June 2017	EUR	7.00%	EUR 500 mill	EUR 388 mill
October 2014	NOK (NSG 15)	5.40%	NOK 300 mill	NOK 185 mill

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

30 JUN 2014	ASSETS		LIABILITIES	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Energy contracts and embedded derivatives in energy contracts	34	181	-67	-134
Other raw material contracts	6	0	0	0
Other derivatives and financial instruments carried at fair value	0	0	-36	0
Total	40	181	-103	-134

Norske Skog's portfolio of commodity contracts consists primarily of physical energy contracts. The fair value of commodity contracts is particularly sensitive to future fluctuations in energy prices. The fair value of embedded derivatives in physical contracts depends on currency and price index fluctuations.

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

The embedded derivatives in energy contracts for the Norwegian mills

have had a positive value development during the second quarter of 2014.

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

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

9. PRINCIPAL SHAREHOLDERS

PRINCIPAL SHAREHOLDERS AT 30 JUNE 2014	NUMBER OF SHARES	OWNERSHIP %
Nobelssystem Scandinavia AS	10 000 000	5.26
Dimensional Fund Advisors	6 625 333	3.49
AT Skog BA	6 065 911	3.19
Skandinaviska Enskilda Banken	5 996 000	3.16
Allskog BA	5 295 662	2.79
Astrup Fearnley AS	5 189 688	2.73
Nordnet Bank AB (Nominee)	5 099 755	2.68
Uthalden A/S	4 350 000	2.29
Spectatio Finans AS	4 038 976	2.13
Danske Bank A/S (Nominee)	3 387 134	1.78
JPMorgan Asset Management	2 991 269	1.57
Fiducia AS	2 986 644	1.57
Swedbank Norge Marketmaking ac.	2 925 000	1.54
AS Havlide	2 296 466	1.21
Kontrari AS	2 248 935	1.18
SES AS	2 200 000	1.16
AS Herdebred	2 112 005	1.11
Barokk Invest AS	2 050 000	1.08
Torstein I. Tvenge	2 000 000	1.05
Alfaplan AS	1 990 000	1.05
Shareholders with < 1% ownership	110 096 848	57.96
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.

10. THE NORSKE SKOG SHARE

	30 JUN 2014	31 MAR 2014	31 DEC 2013	30 SEP 2013	30 JUN 2013
Share price (NOK)	4.92	4.90	4.74	3.43	2.67
Book value of equity per share (NOK)	12.27	11.97	11.45	14.50	14.70

11. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after the balance sheet date with significant impact on the interim financial statements for the second quarter of 2014.

12. HISTORICAL FIGURES

INCOME STATEMENT	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Operating revenue	3 018	2 867	3 534	3 353	3 267
Variable costs	-2 057	-2 009	-2 563	-2 418	-2 268
Fixed costs	-710	-705	-673	-759	-785
Gross operating earnings	251	153	298	176	214
Depreciation	-180	-181	-196	-136	-198
Restructuring expenses	0	-2	-149	3	0
Other gains and losses	51	114	-237	-47	-662
Operating earnings	122	84	-283	-4	-647
Share of profit in associated companies	-3	8	9	9	4
Financial items	-284	-77	-323	-245	-358
Profit/loss before income taxes	-165	15	-597	-240	-1 001
Income taxes	51	-4	140	94	142
Profit/loss for the period	-114	11	-457	-147	-859

SEGMENT INFORMATION	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Publication paper Europe					
Operating revenue	2 266	2 211	2 668	2 455	2 174
Gross operating earnings	173	121	159	83	16
Deliveries (1 000 tonnes)	504	490	599	576	534
Publication paper Australasia					
Operating revenue	755	658	857	892	1 079
Gross operating earnings	82	54	140	113	214
Deliveries (1 000 tonnes)	147	130	178	187	226
Other activities					
Operating revenue	34	34	41	47	88
Gross operating earnings	-4	-21	0	-20	-16

BALANCE SHEET	30 JUN 2014	31 MAR 2014	31 DEC 2013	30 SEP 2013	30 JUN 2013
Total non-current assets	10 500	10 419	10 611	10 999	10 655
Inventories	1 456	1 377	1 274	1 493	1 513
Trade and other receivables	1 176	1 458	1 574	1 695	1 462
Cash and cash equivalents	580	878	1 015	820	1 575
Other current assets	55	119	141	145	172
Total current assets	3 268	3 832	4 005	4 154	4 723
Total assets	13 767	14 251	14 617	15 153	15 378
Total equity	2 331	2 273	2 175	2 712	2 801
Total non-current liabilities	8 987	8 728	8 779	8 972	8 659
Trade and other payables	1 907	1 860	2 040	2 171	2 095
Other current liabilities	542	1 390	1 623	1 298	1 823
Total current liabilities	2 449	3 251	3 662	3 469	3 918
Total liabilities	11 437	11 978	12 441	12 441	12 576
Total equity and liabilities	13 767	14 251	14 617	15 153	15 378
CASH FLOW	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Reconciliation of net cash flow from operating activities					
Gross operating earnings	251	153	298	176	214
Change in operating working capital	62	27	282	-119	258
Payments made relating to restructuring activities	-21	-111	-8	-10	-15
Cash flow from net financial items	-458	-58	-184	-108	-346
Taxes paid	-2	-17	-14	-6	-32
Other	-84	3	-61	-25	-128
Net cash flow from operating activities	-252	-4	313	-91	-48
Purchases of property, plant and equipment and intangible assets	-29	-116	-176	-110	-125
Net divestments	261	49	132	9	238
Dividend received	0	0	2	16	0
Net cash flow from investing activities	231	-67	-42	-85	113
Net cash flow from financing activities	-313	-65	-80	-594	508
Foreign currency effects on cash and cash equivalents	36	-1	5	15	30
Total change in cash and cash equivalents	-298	-137	195	-755	604

Responsibility Statement from the Board of Directors and President/CEO

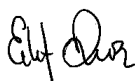
We declare that to the best of our knowledge, the condensed consolidated interim financial statements for the period 1 January to 30 June 2014 have been prepared in accordance with IAS 34 – *Interim Financial Reporting* and give a true and fair view of the Norske Skog group's assets, liabilities, financial position and result as a whole. We also confirm to the best of our knowledge that the report of

the board of directors gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related-party transactions.

SKØYEN, 16 JULY 2014 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA



Jarle Roth
Chair



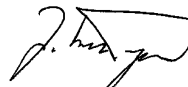
Eilif Due
Board member



Siri Beate Hatlen
Board member



Karin Bing Orgland
Board member



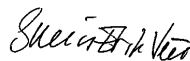
Jon-Aksel Torgersen
Board member



Kjetil Bakkan
Board member



Paul Kristiansen
Board member



Svein Erik Veie
Board member



Sven Ombudstvedt
President and CEO



Norske Skog

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