

## INTRODUCTION

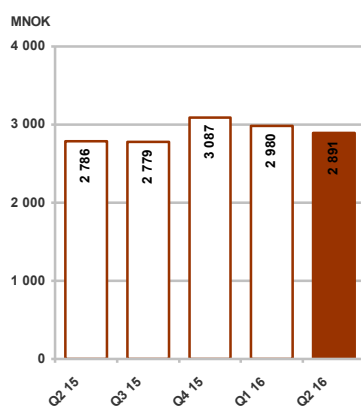
Norske Skog is a world leading producer of publication paper. Publication paper includes newsprint and magazine paper. The group has seven fully-owned mills in five countries and one partly-owned mill in Malaysia. The annual production capacity for the fully-owned mills is 2.7 million tonnes. Newsprint and magazine paper is sold through sales offices and agents to over 80 countries. The group has approximately 2 500 employees.

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

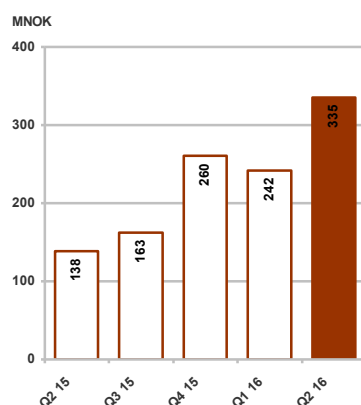
## KEY FIGURES (UNAUDITED)

NOK MILLION (unless otherwise stated)	Q2 2016	Q1 2016	Q2 2015 Restated	YTD 2016	YTD 2015 Restated
<b>INCOME STATEMENT</b>					
Operating revenue	2 891	2 980	2 786	5 870	5 672
Gross operating earnings	335	242	138	577	330
Operating earnings	-1 146	40	-352	-1 106	-111
Profit/loss for the period	229	11	-578	240	176
Earnings per share (NOK)	1.01	0.06	-3.04	1.07	0.93
<b>CASH FLOW</b>					
Net cash flow from operating activities	42	185	-252	227	-770
Net cash flow from investing activities	-73	-48	-56	-121	-83
Cash flow per share (NOK)	0.16	0.97	-1.33	1.01	-4.06
<b>OPERATING MARGIN AND PROFITABILITY (%)</b>					
Gross operating margin	11.6	8.1	5.0	9.8	5.8
Return on capital employed (annualised)	12.3	8.7	4.0	10.5	5.7
<b>PRODUCTION / DELIVERIES / CAPACITY UTILISATION</b>					
Production (1 000 tonnes)	620	638	603	1 258	1 227
Deliveries (1 000 tonnes)	618	625	596	1 242	1 187
Production / capacity (%)	92	95	82	93	83

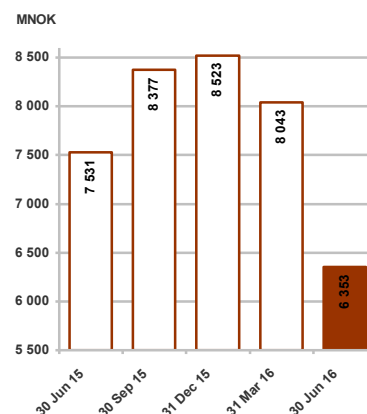
### OPERATING REVENUE



### GROSS OPERATING EARNINGS



### NET INTEREST-BEARING DEBT



NOK MILLION	30 JUN 2016	31 MAR 2016	31 DEC 2015 Restated	30 SEP 2015 Restated	30 JUN 2015 Restated
<b>BALANCE SHEET</b>					
Non-current assets	7 198	9 149	9 473	9 595	9 558
Current assets	3 420	4 069	3 187	3 294	3 331
Total assets	10 618	13 218	12 660	12 889	12 889
Equity	190	-154	-229	288	1 253
Net interest-bearing debt	6 353	8 043	8 523	8 377	7 531

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

- Gross operating earnings second quarter NOK 335 million, an increase from NOK 242 million in the previous quarter
- Net interest-bearing debt reduced by NOK 1 690 million to NOK 6 353 million
  - Significant reduction reflecting exchange offer to 2017 bondholders, proceeds from equity issue, positive unrealized currency effect of about NOK 60 million and cash flow from operations
- Profit for the period NOK 229 million, comparing to NOK 11 million in the previous quarter
  - Strong operational performance and reduced leverage offset by impairment charges of 1 443 million recognized at quarter end
- Group equity improved with profit for the period to NOK 190 million
  - Negative equity at the end of the first quarter improved by more than NOK 1 billion following the exchange offer, however the recognized impairment charges reduced the group equity
- The Board has called for an EGM to elect a new board and auditor on 10 August
  - Proposing BDO to be elected as new auditor for the group

## INCOME STATEMENT

NOK MILLION	Q2 2016	Q1 2016	Q2 2015	YTD 2016	YTD 2015
Operating revenue	2 891	2 980	2 786	5 870	5 672
Distribution costs	-292	-316	-296	-607	-595
Cost of materials	-1 609	-1 773	-1 682	-3 382	-3 486
Change in inventories	17	33	24	50	165
Fixed cost	-671	-682	-694	-1 354	-1 426
<b>Gross operating earnings</b>	<b>335</b>	<b>242</b>	<b>138</b>	<b>577</b>	<b>330</b>

Operating revenue decreased from the first quarter with a stronger NOK and slightly lower sales volumes. Publication paper prices remained stable in local currencies in the second quarter.

Resulting from the lower costs, gross operating earnings increased quarter-over-quarter.

Variable costs declined per tonne reflecting lower energy costs, in part helped by recurring CO2 compensation in France. Fixed costs decreased somewhat.

NOK MILLION	Q2 2016	Q1 2016	Q2 2015 Restated	YTD 2016	YTD 2015 Restated
Depreciation	-186	-190	-191	-376	-384
Restructuring expenses	-46	0	-15	-46	-18
Other gains and losses	-10	-12	-285	-22	-39
Impairments	-1 238	0	0	-1 238	0
<b>Operating earnings</b>	<b>-1 146</b>	<b>40</b>	<b>-352</b>	<b>-1 106</b>	<b>-111</b>

Depreciation charges were flat in the quarter around NOK 190 million.

Restructuring expenses related to optimisation of shared services in Australasia.

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

An impairment charge of NOK 1 238 million for wholly owned assets was reflected in the income statement at quarter end. The charge

reduced property, plant and equipment for Publication paper Europe and Publication paper Australasia with NOK 291 million and NOK 947 million respectively. The impairment resulted from accounting standards requiring more weight to be assigned to historical and current margins for the business units as opposed to a more forward looking assessment.

As a result of the impairment charge, quarterly depreciation will decline with about NOK 50 million.

NOK MILLION	Q2 2016	Q1 2016	Q2 2015 Restated	YTD 2016	YTD 2015 Restated
Share of profit in associated companies	-204	2	-9	-202	-16
Financial items	1 359	-34	-244	1 324	356
Income taxes	220	4	27	224	-53
<b>Profit/loss for the period</b>	<b>229</b>	<b>11</b>	<b>-578</b>	<b>240</b>	<b>176</b>

Share of profit in associated companies reflect equity method income accounting of the group's one-third stake in Malaysian Newsprint Industries (MNI). An impairment charge of NOK 205 million for MNI was recognised in the quarter.

Financial items largely reflected reduced leverage following the exchange offer to the 2017 bondholders. Net interest expenses in the period was NOK 265 million. Due to amortization of bond issuance costs and payment in kind (PIK) interest, interest expenses through

the income statement are higher than the actual cash interest payments. Unrealized currency gains amounted to NOK 60 million in the quarter. The currency gains reflected a decrease in foreign denominated debt due to NOK appreciation.

Profit for the quarter after depreciation, impairments and financial items was NOK 229 million.

## GROWTH OPPORTUNITIES BEYOND PUBLICATION PAPER

### Biogas in Europe

The Saugbrugs mill in Norway is completing a biogas facility and the Golbey mill in France announced a new biogas project on 13 July 2016. Onsite biogas brings twofold economic benefits; a new biogas revenue stream and reduced paper production costs. Biogas is further a renewable alternative to fossil fuels, which forms part of the carbon solution. Moreover, increased biogas use improves urban air quality.

### Wood pellets in New Zealand

Pellets production has ramped up to 40 000 tonnes annually at Nature's Flame, the pellets producer acquired last year. Norske Skog is considering further expanding the pellets production including to the Tasman newsprint site. The site has a considerable competitive advantage in exports to Asia given its favourable New Zealand location. Pellets bring significant environmental benefits in replacing fossil fuels for heating with renewable wood pellets.

### Tissue in Austria

Norske Skog is currently in discussions with partners for a brownfield project to produce tissue on site at Bruck in Austria.

The Bruck mill is ideally located for tissue production in an area close to key markets and benefits from onsite industrial infrastructure, synergies with large-scale magazine paper production and an experienced local management team.

Upon completion of the tissue project, the 125 000 tonnes newsprint machine at Bruck will be closed, while the onsite 265 000 tonnes LWC machine will continue production alongside the new tissue machine.

## SEGMENT INFORMATION

### PUBLICATION PAPER EUROPE

NOK MILLION (unless otherwise stated)	Q2 2016	Q1 2016	Q2 2015	YTD 2016	YTD 2015
Operating revenue	2 057	2 118	1 946	4 175	3 972
<b>Gross operating earnings</b>	<b>260</b>	<b>182</b>	<b>52</b>	<b>442</b>	<b>147</b>
Gross operating margin (%)	12.6	8.6	2.7	10.6	3.7
Return on capital employed (%) (annualised)	19.0	12.1	3.2	15.7	4.5
Production (1 000 tonnes)	459	468	443	927	910
Deliveries (1 000 tonnes)	460	460	441	919	877
Production / capacity (%)	92	94	80	93	81

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

Operating revenue decreased from the previous quarter with a stronger NOK. Sales volumes and European publication paper prices remained stable.

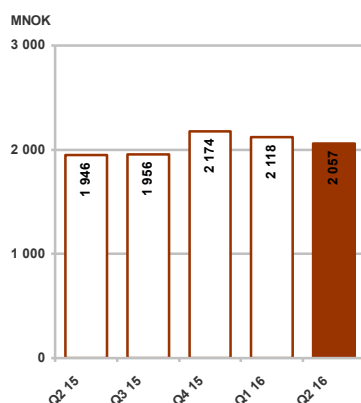
Variable costs declined per tonne with lower energy costs in France. Fixed costs were flat.

Gross operating earnings increased quarter-over-quarter with lower costs.

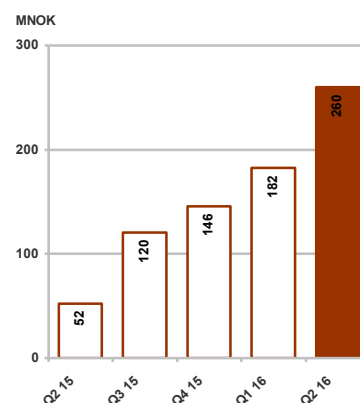
Demand for newsprint and magazine paper in Europe decreased by 3% through May compared to the same period the year before.

Capacity utilisation was high at 92% (94%) in the period.

#### OPERATING REVENUE



#### GROSS OPERATING EARNINGS



### PUBLICATION PAPER AUSTRALASIA

NOK MILLION (unless otherwise stated)	Q2 2016	Q1 2016	Q2 2015	YTD 2016	YTD 2015
Operating revenue	824	856	839	1 680	1 702
<b>Gross operating earnings</b>	<b>78</b>	<b>75</b>	<b>101</b>	<b>152</b>	<b>196</b>
Gross operating margin (%)	9.4	8.7	12.0	9.1	11.5
Return on capital employed (%) (annualised)	5.3	6.0	9.2	5.8	9.2
Production (1 000 tonnes)	161	170	160	331	317
Deliveries (1 000 tonnes)	158	165	155	323	310
Production / capacity (%)	91	97	89	94	89

The segment consists of Norske Skog's operations in Australasia with mills in Australia and New Zealand. Annual production capacity is 0.7 million tonnes.

Operating revenue decreased from the previous quarter with a stronger NOK and slightly lower sales volumes. Publication paper

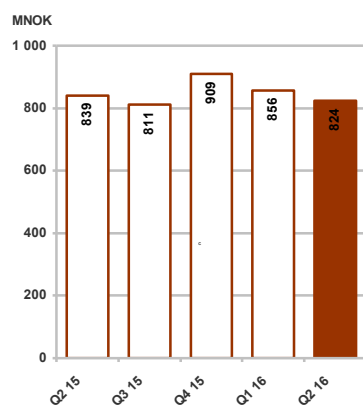
prices in Australasia remained stable as long term contracts are an important constituent of the business. Variable costs declined per tonne, while fixed costs were flat.

Gross operating earnings increased somewhat quarter-over-quarter.

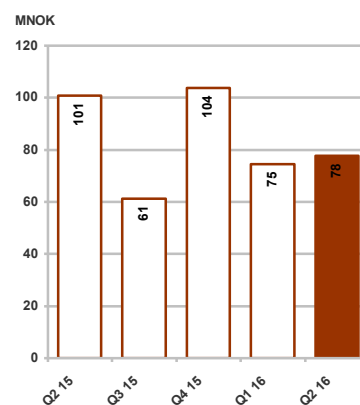
Demand for newsprint in Australasia decreased by 9% through May compared to the same period the year before. Demand for magazine paper was relatively stable.

Capacity utilisation was still high at 91% in the period, but lower than the record high 97% in the previous quarter due to commercial optimisation.

### OPERATING REVENUE



### GROSS OPERATING EARNINGS



### OTHER ACTIVITIES

NOK MILLION	Q2 2016	Q1 2016	Q2 2015	YTD 2016	YTD 2015
Operating revenue	38	33	32	71	61
<b>Gross operating earnings</b>	<b>-2</b>	<b>-15</b>	<b>-15</b>	<b>-18</b>	<b>-13</b>

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

### CASH FLOW

NOK MILLION	Q2 2016	Q1 2016	Q2 2015	YTD 2016	YTD 2015
Gross operating earnings	335	242	138	577	330
Change in working capital	-11	77	-9	66	-555
Restructuring activities	-2	-12	-1	-14	-5
Other items	-1	-8	-28	-9	-45
Net financial items	-279	-100	-341	-378	-472
Taxes paid	1	-15	-12	-14	-23
<b>Net cash flow from operating activities</b>	<b>42</b>	<b>185</b>	<b>-252</b>	<b>227</b>	<b>-770</b>
<b>Purchases of property, plant and equipment and intangible assets</b>	<b>-74</b>	<b>-48</b>	<b>-48</b>	<b>-123</b>	<b>-75</b>

Working capital increased slightly with high capacity utilization and build in inventories.

Net financial items were primarily coupon payments on issued bonds.

Cash flow from purchases of property, plant and equipment and intangible assets included both normal maintenance capital expenditures and progress on growth initiatives. Growth initiatives have separate project financing.

## BALANCE SHEET

NOK MILLION	30 JUN 2016	31 MAR 2016	30 JUN 2015 Restated
Non-current assets	7 198	9 149	9 558
<b>Cash and cash equivalents</b>	<b>725</b>	<b>1 472</b>	<b>896</b>
Other current assets	2 695	2 597	2 435
Total assets	10 618	13 218	12 889
<b>Equity including non-controlling interests</b>	<b>190</b>	<b>-154</b>	<b>1 253</b>
Non-current liabilities	7 672	9 662	7 954
Current liabilities	2 756	3 710	3 682
<b>Net interest-bearing debt</b>	<b>6 353</b>	<b>8 043</b>	<b>7 531</b>

Equity was NOK 190 million at the end of the second quarter. An improvement from lower debt following the exchange offer to 2017 bondholders and issuance of new equity was largely offset by recognized impairment charges at the end of the quarter. A specification of changes in equity is shown on page 10.

Net interest-bearing debt was NOK 6 353 million at quarter end, a significant decrease of NOK 1 690 million in the period. The reduction

reflected the financing activities, favourable currency movements and positive cash flow from operations in the second quarter.

Cash and cash equivalents amounted to NOK 725 million at quarter end.

## RELATED PARTIES

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

## RISK MANAGEMENT

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

## OUTLOOK

The market balance for publication paper in Europe is favourable due to a benign demand development and capacity closures. Newsprint prices in the UK increased into 2H16 reflecting British pound depreciation following Brexit. The European SC market is benefiting from a strong dollar and capacity closures in the US.

The Asian export market for newsprint, of increasing importance to Norske Skog due to a smaller domestic market in Australasia, is encouraging with price improvements. There continues to be strong demand from regional Indian newspapers.

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

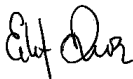
Sales volume will be seasonally higher in the second half, while margins should be on level with the first half.

Ongoing growth initiatives are expected to contribute marginally to gross operating earnings this year, but reach full run-rate potential within a timeframe of 3-4 years.

### SKØYEN, 19 JULY 2016 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA



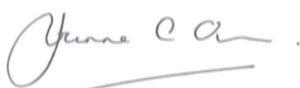
Jon-Aksel Torgersen  
Chair



Eilif Due  
Board member



Nils Ingemund Hoff  
Board member



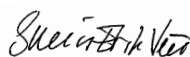
Joanne Owen  
Board member



Paul Kristiansen  
Board member



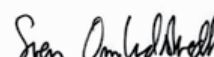
Cecilie Jonassen  
Board member



Svein Erik Veie  
Board member



Mimmi Berdal  
Board member



Sven Ombudstvedt  
President and CEO

# INTERIM FINANCIAL STATEMENTS, SECOND QUARTER OF 2016

## CONDENSED CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	Q2 2016	Q1 2016	Q2 2015 Restated	YTD 2016	YTD 2015 Restated
<b>Operating revenue</b>	5	<b>2 891</b>	<b>2 980</b>	<b>2 786</b>	<b>5 870</b>	<b>5 672</b>
Distribution costs		-292	-316	-296	-607	-595
Cost of materials		-1 609	-1 773	-1 682	-3 382	-3 486
Change in inventories		17	33	24	50	165
Employee benefit expenses		-457	-465	-475	-923	-972
Other operating expenses		-214	-217	-219	-431	-455
<b>Gross operating earnings</b>		<b>335</b>	<b>242</b>	<b>138</b>	<b>577</b>	<b>330</b>
Depreciation	4	-186	-190	-191	-376	-384
Restructuring expenses		-46	0	-15	-46	-18
Other gains and losses	7	-10	-12	-285	-22	-39
Impairments	3, 4	-1 238	0	0	-1 238	0
<b>Operating earnings</b>		<b>-1 146</b>	<b>40</b>	<b>-352</b>	<b>-1 106</b>	<b>-111</b>
Share of profit in associated companies	3	-204	2	-9	-202	-16
Financial items		1 359	-34	-244	1 324	356
<b>Profit/loss before income taxes</b>		<b>9</b>	<b>7</b>	<b>-605</b>	<b>16</b>	<b>229</b>
Income taxes		220	4	27	224	-53
<b>Profit/loss for the period</b>		<b>229</b>	<b>11</b>	<b>-578</b>	<b>240</b>	<b>176</b>
<b>Profit/loss for the period attributable to:</b>						
Owners of the parent		229	11	-578	240	176
Non-controlling interests		0	0	0	0	0
Basic/diluted earnings per share (NOK)		1.01	0.06	-3.04	1.07	0.93

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

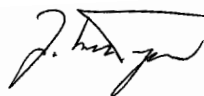
NOK MILLION	Q2 2016	Q1 2016	Q2 2015 Restated	YTD 2016	YTD 2015 Restated
<b>Profit/loss for the period</b>	<b>229</b>	<b>11</b>	<b>-578</b>	<b>240</b>	<b>176</b>
<b>Other comprehensive income</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Currency translation differences	-77	-114	-141	-191	-133
Tax expense on translation differences	-13	-1	-22	-14	-211
Hedge of net investment in foreign operations	0	37	-16	37	42
Tax expense on net investment hedge	0	0	0	0	0
Reclassified translation differences upon divestment of foreign operations	0	0	95	0	95
Perpetual notes	148	0	0	148	0
<b>Other comprehensive income for the period</b>	<b>59</b>	<b>-78</b>	<b>-84</b>	<b>-20</b>	<b>-207</b>
<b>Comprehensive income for the period</b>	<b>288</b>	<b>-67</b>	<b>-662</b>	<b>220</b>	<b>-31</b>
<b>Comprehensive income for the period attributable to:</b>					
Owners of the parent	288	-67	-662	220	-31
Non-controlling interests	0	0	0	0	0



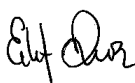
## CONDENSED CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	30 JUN 2016	31 MAR 2016	31 DEC 2015 Restated	30 JUN 2015 Restated	1 JAN 2015 Restated
Deferred tax asset		0	0	0	363	598
Intangible assets	3, 4	22	90	87	84	92
Property, plant and equipment	3, 4	6 736	8 323	8 585	8 395	9 180
Investments in associated companies	3	174	391	374	405	429
Other non-current assets	7	266	345	426	310	387
<b>Total non-current assets</b>		<b>7 198</b>	<b>9 149</b>	<b>9 473</b>	<b>9 558</b>	<b>10 686</b>
Inventories		1 322	1 287	1 253	1 306	1 334
Trade and other receivables		1 134	1 275	1 357	1 080	1 209
Cash and cash equivalents	6	725	1 472	536	896	710
Other current assets	4, 7	238	35	40	49	39
<b>Total current assets</b>		<b>3 420</b>	<b>4 069</b>	<b>3 187</b>	<b>3 331</b>	<b>3 291</b>
<b>Total assets</b>		<b>10 618</b>	<b>13 218</b>	<b>12 660</b>	<b>12 889</b>	<b>13 977</b>
Paid-in equity		12 502	12 444	12 302	12 302	12 302
Retained earnings and other reserves		-12 312	-12 598	-12 532	-11 049	-11 017
Non-controlling interests		0	0	0	0	0
<b>Total equity</b>		<b>190</b>	<b>-154</b>	<b>-229</b>	<b>1 253</b>	<b>1 285</b>
Pension obligations		266	270	276	275	820
Deferred tax liability		357	586	610	399	415
Interest-bearing non-current liabilities	6	6 512	8 236	7 453	6 791	6 592
Other non-current liabilities	7	538	570	631	490	692
<b>Total non-current liabilities</b>		<b>7 672</b>	<b>9 662</b>	<b>8 970</b>	<b>7 954</b>	<b>8 519</b>
Interest-bearing current liabilities	6	630	1 346	1 676	1 712	1 679
Trade and other payables		1 870	1 947	1 921	1 718	2 172
Tax payable		11	13	15	36	13
Other current liabilities	7	245	404	308	217	309
<b>Total current liabilities</b>		<b>2 756</b>	<b>3 710</b>	<b>3 920</b>	<b>3 682</b>	<b>4 173</b>
<b>Total liabilities</b>		<b>10 428</b>	<b>13 372</b>	<b>12 889</b>	<b>11 636</b>	<b>12 692</b>
<b>Total equity and liabilities</b>		<b>10 618</b>	<b>13 218</b>	<b>12 660</b>	<b>12 889</b>	<b>13 977</b>

## SKØYEN, 19 JULY 2016 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA




Jon-Aksel Torgersen  
Chair



Eilif Due  
Board member



Nils Ingemund Hoff  
Board member



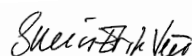
Joanne Owen  
Board member



Paul Kristiansen  
Board member



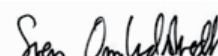
Cecilie Jonassen  
Board member



Svein Erik Veie  
Board member



Mimmi Berdal  
Board member



Sven Ombudstvedt  
President and CEO

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	Q2 2016	Q1 2016	Q2 2015	YTD 2016	YTD 2015
Cash generated from operations	3 010	3 051	2 723	6 061	5 571
Cash used in operations	-2 690	-2 752	-2 621	-5 441	-5 846
Cash from net financial items	-279	-100	-341	-378	-472
Taxes paid	1	-15	-12	-14	-23
<b>Net cash flow from operating activities <sup>1)</sup></b>	<b>42</b>	<b>185</b>	<b>-252</b>	<b>227</b>	<b>-770</b>
Purchases of property, plant and equipment and intangible assets	-74	-48	-48	-123	-75
Sales of property, plant and equipment and intangible assets	2	0	0	2	1
Dividend received	0	0	0	0	0
Purchase of shares in companies and other investments	0	0	0	0	-1
Sales of shares in companies and other investments	-1	0	-8	-1	-8
<b>Net cash flow from investing activities</b>	<b>-73</b>	<b>-48</b>	<b>-56</b>	<b>-121</b>	<b>-83</b>
New loans raised	332	1 090	86	1 422	2 401
Repayments of loans	-1 093	-414	-181	-1 507	-1 365
New paid in equity	57	142	0	200	0
<b>Net cash flow from financing activities</b>	<b>-703</b>	<b>818</b>	<b>-95</b>	<b>115</b>	<b>-1 035</b>
Foreign currency effects on cash and cash equivalents	-13	-19	-5	-33	5
<b>Total change in cash and cash equivalents</b>	<b>-747</b>	<b>936</b>	<b>-410</b>	<b>189</b>	<b>187</b>
<b>Cash and cash equivalents at start of period</b>	<b>1 472</b>	<b>536</b>	<b>1 306</b>	<b>536</b>	<b>710</b>
<b>Cash and cash equivalents at end of period</b>	<b>725</b>	<b>1 472</b>	<b>896</b>	<b>725</b>	<b>896</b>
<b><sup>1) Reconciliation of net cash flow from operating activities</sup></b>					
Gross operating earnings	335	242	138	577	330
Change in working capital	-11	77	-9	66	-555
Payments made relating to restructuring activities	-2	-12	-1	-14	-5
Adjustment for other items	-1	-8	-28	-9	-45
Cash flow from net financial items	-279	-100	-341	-378	-472
Taxes paid	1	-15	-12	-14	-23
<b>Net cash flow from operating activities</b>	<b>42</b>	<b>185</b>	<b>-252</b>	<b>227</b>	<b>-770</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	Paid-in equity	Retained earnings	Hedge accounting	Other equity reserves	Total before non-controlling interests	Non-controlling interests	Total equity
<b>Equity 1 January 2015</b>	<b>12 302</b>	<b>-11 708</b>	<b>-331</b>	<b>1 023</b>	<b>1 285</b>	<b>0</b>	<b>1 285</b>
Profit/loss for the period	0	754	0	0	754	0	754
Other comprehensive income for the period	0	0	58	-181	-123	0	-123
<b>Equity 31 March 2015</b>	<b>12 302</b>	<b>-10 954</b>	<b>-273</b>	<b>842</b>	<b>1 916</b>	<b>0</b>	<b>1 916</b>
Profit/loss for the period	0	-578	0	0	-578	0	-578
Other comprehensive income for the period	0	0	-16	-68	-84	0	-84
<b>Equity 30 June 2015</b>	<b>12 302</b>	<b>-11 533</b>	<b>-289</b>	<b>774</b>	<b>1 253</b>	<b>0</b>	<b>1 253</b>
Profit/loss for the period	0	-1 702	0	0	-1 702	0	-1 702
Other comprehensive income for the period	0	0	-150	367	217	0	217
<b>Equity 31 December 2015</b>	<b>12 302</b>	<b>-13 234</b>	<b>-439</b>	<b>1 143</b>	<b>-229</b>	<b>0</b>	<b>-229</b>
Profit/loss for the period	0	11	0	0	11	0	11
Proceeds from shares issued	142	0	0	0	142	0	142
Other comprehensive income for the period	0	0	37	-115	-78	0	-78
<b>Equity 31 March 2016</b>	<b>12 444</b>	<b>-13 223</b>	<b>-403</b>	<b>1 028</b>	<b>-154</b>	<b>0</b>	<b>-154</b>
Profit/loss for the period	0	229	0	0	229	0	229
Proceeds from shares issued	57	0	0	0	57	0	57
Other comprehensive income for the period	0	0	0	59	59	0	59
<b>Equity 30 June 2016</b>	<b>12 502</b>	<b>-12 994</b>	<b>-403</b>	<b>1 085</b>	<b>190</b>	<b>0</b>	<b>190</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

The interim financial statements were authorised for issue by the board of directors in Norske Skogindustrier ASA on 19 July 2016.

Norske Skog's accounting treatment of embedded derivatives in energy contracts in Norway was changed with effect from 1 January 2015. This accounting treatment was applied for all four interim financial statements for 2015. Due to a preliminary assessment from the Financial Supervisory Authority of Norway (FSA) from March 2016 the new accounting treatment was reversed. The annual financial statements for 2015 were issued in compliance with the preliminary assessment from the FSA. On 27 June 2016 the FSA issued the final assessment containing the same conclusion on the accounting treatment. In the interim financial statements for 2016 the

comparable figures for 2015 will be restated compared to the interim financial statements issued for the interim periods in 2015. See note 2 Accounting policies and Note 7 Energy contracts, derivatives and financial instruments carried at fair value for more information.

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

The table below shows the applied average (un-weighted monthly) quarterly foreign exchange rates (Q2 2016 and Q1 2016) and the closing exchange rate (30 June 2016, 31 March 2016 and 31 December 2015) for the most important currencies for the Norske Skog group.

	Q2 2016	Q1 2016	30 JUN 2016	31 MAR 2016	31 DEC 2015
AUD	6.16	6.23	6.23	6.36	6.45
EUR	9.32	9.53	9.30	9.41	9.62
GBP	11.86	12.38	11.25	11.89	13.07
NZD	5.70	5.73	5.96	5.74	6.04
USD	8.26	8.65	8.38	8.27	8.81

## 2. ACCOUNTING POLICIES

The interim financial statements of Norske Skog have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim financial statements do not include all information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements for 2015. The interim financial statements are unaudited.

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

Norske Skog has Euro denominated energy contracts in Norway, reducing the group's exposure to the Norwegian krone. Financially, a contract combining energy prices and currency exposures is considered a hybrid instrument, containing a host contract and an embedded derivative. When the embedded derivative is considered closely related to the host contract the embedded derivative is not

separated from its host contract, while it is accounted for as a freestanding derivative when it is not considered closely related. Norske Skog previously accounted for the foreign currency element separately as an embedded derivative. In first quarter 2015 Norske Skog changed the accounting principle to account for the combined contract as one contract without separation of an embedded foreign currency derivative. The change in accounting principle was agreed with the auditor at that time. As described above and in accordance with the FSA's assessment, Norske Skog needed to change the accounting principle governing the Norwegian energy contracts. The full accounting effects of returning to the former accounting principles, and the current estimate had a net effect on reported equity of NOK 301 million at 31 December 2015. The change in accounting principle did not have any cash effect. See Note 7 and Note 11 for further information.

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

## 3. ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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

Property, plant and equipment are tested for possible impairment charges whenever events or changes in circumstances indicate that

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

The key drivers of profitability in the industry and thus asset values for Norske Skog are product prices relative to production costs. The

impairment model's starting point is the operating plan or budget for 2016, where contracted prices/costs are reflected when applicable.

As announced on 24 May 2016, Norske Skog requested the consultancy BCG to prepare a comprehensive analysis of the paper markets that Norske Skog operates in. The analysis gives a forward looking view based on the dynamics that have been observed in the market as well as the key drivers for prices and volumes up to 2020. The conclusions of analysis are broadly in line with management views, but slightly more conservative on prices, margins and scenario probabilities.

The probability weighting of the three scenarios in the model has been under discussion in the second quarter 2016 impairment testing process. The management is of the opinion that a reversal towards a more sustainable industry structure represents the best estimate for cash flows over the life time of the paper machines.

The IFRS accounting standard IAS 36 however requires more weight to be assigned to historical and current margins, resulting in an impairment charge for Norske Skog assets of approximately NOK 1.4 billion. The impairment charge is mainly related to the business in Australasia with NOK 947 million and NOK 291 million for the European business. In addition an impairment of NOK 205 million for the associated company MNI was recognized.

The impairment test as of 30 June 2016 effectively assigns zero probability to the better scenario for a consolidation of the industry, as margins are capped on budget levels for 2016. The management however believes a consolidation of the industry is a real probability and clearly the most rational move for the industry.

#### Commodity contracts

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

Commodity contracts that fail to meet the own-use exemption criteria in IAS 39 *Financial instruments – recognition and measurement* are recognised in the balance sheet and valued at fair value. Fair values of commodity contracts and embedded derivatives in commodity

contracts that are not traded in an active market, are assessed through valuation techniques. Norske Skog has one long-term energy contract in New Zealand. The electricity prices for long-term electricity contracts in New Zealand are not directly observable in the market for the whole contract length. Price forecasts from acknowledged external sources are used in the estimation of fair value. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

See Note 9 in the annual financial statements for 2015 for more information regarding the calculation of fair value of derivatives.

#### Provisions

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

Provisions for future environmental and dismantling liabilities are based on a number of assumptions made using management's best judgment. See Note 2 in the annual financial statements for 2015 for a more thorough description of important accounting estimates and assumptions impacting the preparation of financial statements.

#### Contingent liabilities

Norske Skog is an international company that, through its ongoing business operations, will be exposed to litigation and claims from public authorities and contracting parties as well as assessments from public authorities in each country it operates.

Norske Skog has continued the process related to simplification of the group's corporate structure in 2016. The simplification of the group's corporate structure in combination with changes in individual countries' tax laws could increase the group's tax exposure. However, due to completed reorganisations and tax assessments, the overall tax exposure has decreased during the last years.

## 4. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

JAN-JUN	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	TOTAL
Carrying value at start of period	8 585	87	8 672
Additions <sup>*)</sup>	122	7	129
Depreciation	-373	-3	-376
Impairments <sup>***)</sup>	-1 180	-58	-1 238
Value changes	-8	0	-8
Disposals	-4	-11	-15
Disposals assets held for sale <sup>**)</sup>	-206	0	-206
Currency translation differences	-200	0	-200
<b>Carrying value at end of period</b>	<b>6 736</b>	<b>22</b>	<b>6 758</b>

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

<sup>\*\*)</sup> The Tasman geothermal power plant has been reclassified from Property plant and equipment to Other current assets from the second quarter of 2016 as a result of the ongoing process to sell the asset.

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

## SUMMERY OF NON-CURRENT ASSETS HELD FOR SALE

	30 JUN 2016	31 MAR 2016	31 DEC 2015
Other current assets	206	0	0

## PROPERTY, PLANT AND EQUIPMENT PER SEGMENT

	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	TOTAL
Publication paper Europe	4 238	2	4 240
Publication paper Australasia	2 461	9	2 470
Other activities	37	11	48
<b>Total</b>	<b>6 736</b>	<b>22</b>	<b>6 758</b>

## 5. OPERATING SEGMENTS

The activities of the Norske Skog group are focused on two business systems, namely Europe and Australasia. The segment structure is in line with how the group is managed internally. Norske Skog's chief operating decision maker is corporate management, who distribute resources and assess performance of the group's operating segments. According to the operating model, all mills have a direct reporting line to corporate management. The mills have been aggregated into two operating segments, publication paper Europe and publication paper Australasia, based on geographical location. Norske Skog has an integrated strategy in Europe and Australasia to maximize the profit in each region. The optimisation is carried out through coordinated sales- and operational planning. The regional planning, in combination with structured sales and operational processes, ensures maximisation of profit.

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

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

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

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

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

Q2 2016	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
<b>Operating revenue</b>	<b>2 057</b>	<b>824</b>	<b>38</b>	<b>-28</b>	<b>2 891</b>
Distribution costs	-196	-93	-2	0	-292
Cost of materials	-1 153	-455	-1	0	-1 609
Change in inventories	4	10	3	0	17
Employee benefit expenses	-308	-133	-16	0	-457
Other operating expenses	-144	-75	-24	28	-214
<b>Gross operating earnings</b>	<b>260</b>	<b>78</b>	<b>-2</b>	<b>0</b>	<b>335</b>
Depreciation	-101	-82	-3	0	-186
Restructuring expenses	-1	-42	-3	0	-46
Other gains and losses	2	-2	-10	0	-10
Impairments	-291	-947	0	0	-1 238
<b>Operating earnings</b>	<b>-131</b>	<b>-996</b>	<b>-18</b>	<b>0</b>	<b>-1 146</b>
Share of operating revenue from external parties (%)	100	100	30		100

Q1 2016	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
<b>Operating revenue</b>	<b>2 118</b>	<b>856</b>	<b>33</b>	<b>-27</b>	<b>2 980</b>
Distribution costs	-214	-101	-1	0	-316
Cost of materials	-1 277	-498	2	0	-1 773
Change in inventories	11	22	0	0	33
Employee benefit expenses	-308	-132	-25	0	-465
Other operating expenses	-147	-72	-24	27	-217
<b>Gross operating earnings</b>	<b>182</b>	<b>75</b>	<b>-15</b>	<b>0</b>	<b>242</b>
Depreciation	-102	-85	-3	0	-190
Restructuring expenses	0	0	0	0	0
Other gains and losses	0	-2	-10	0	-12
Impairments	0	0	0	0	0
<b>Operating earnings</b>	<b>81</b>	<b>-13</b>	<b>-28</b>	<b>0</b>	<b>40</b>
Share of operating revenue from external parties (%)	100	100	20		100

Q2 2015 Restated	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
<b>Operating revenue</b>	<b>1 946</b>	<b>839</b>	<b>32</b>	<b>-31</b>	<b>2 786</b>
Distribution costs	-201	-94	-1	0	-296
Cost of materials	-1 224	-456	-2	0	-1 682
Change in inventories	11	13	0	0	24
Employee benefit expenses	-328	-124	-22	0	-475
Other operating expenses	-150	-77	-22	30	-219
<b>Gross operating earnings</b>	<b>52</b>	<b>101</b>	<b>-15</b>	<b>0</b>	<b>138</b>
Depreciation	-103	-85	-3	0	-191
Restructuring expenses	1	-14	-3	0	-15
Other gains and losses	-165	-4	-117	0	-285
Impairments	0	0	0	0	0
<b>Operating earnings</b>	<b>-214</b>	<b>-1</b>	<b>-137</b>	<b>0</b>	<b>-352</b>
Share of operating revenue from external parties (%)	100	100	13		100

YTD 2016	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
<b>Operating revenue</b>	<b>4 175</b>	<b>1 680</b>	<b>71</b>	<b>-55</b>	<b>5 870</b>
Distribution costs	-410	-194	-4	0	-607
Cost of materials	-2 430	-953	1	0	-3 382
Change in inventories	15	32	3	0	50
Employee benefit expenses	-617	-265	-41	0	-923
Other operating expenses	-291	-147	-48	55	-431
<b>Gross operating earnings</b>	<b>442</b>	<b>152</b>	<b>-18</b>	<b>0</b>	<b>577</b>
Depreciation	-203	-167	-6	0	-376
Restructuring expenses	-1	-42	-3	0	-46
Other gains and losses	2	-5	-20	0	-22
Impairments	-291	-947	0	0	-1 238
<b>Operating earnings</b>	<b>-51</b>	<b>-1 008</b>	<b>-47</b>	<b>0</b>	<b>-1 106</b>
Share of operating revenue from external parties (%)	100	100	26		100

YTD 2015 Restated	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
<b>Operating revenue</b>	<b>3 972</b>	<b>1 702</b>	<b>61</b>	<b>-62</b>	<b>5 672</b>
Distribution costs	-398	-196	-1	0	-595
Cost of materials	-2 588	-931	32	0	-3 486
Change in inventories	141	23	0	0	165
Employee benefit expenses	-663	-254	-54	0	-972
Other operating expenses	-317	-149	-51	62	-455
<b>Gross operating earnings</b>	<b>147</b>	<b>196</b>	<b>-13</b>	<b>0</b>	<b>330</b>
Depreciation	-208	-170	-5	0	-384
Restructuring expenses	1	-17	-3	0	-18
Other gains and losses	-164	-4	129	0	-39
Impairments	0	0	0	0	0
<b>Operating earnings</b>	<b>-223</b>	<b>4</b>	<b>108</b>	<b>0</b>	<b>-111</b>
Share of operating revenue from external parties (%)	100	100	8		100

## OTHER ACTIVITIES

INCOME STATEMENT	Q2 2016	Q1 2016	Q2 2015	YTD 2016	YTD 2015
<b>OPERATING REVENUE</b>					
Corporate functions	23	23	27	46	55
Green energy	11	5	3	17	3
Miscellaneous	5	5	0	10	8
Eliminations	-1	-1	1	-3	-5
<b>Total</b>	<b>38</b>	<b>33</b>	<b>32</b>	<b>71</b>	<b>61</b>
<b>GROSS OPERATING EARNINGS</b>					
Corporate functions	-4	-14	-15	-19	-13
Green energy	0	-2	1	-2	1
Miscellaneous	2	1	-1	3	0
Eliminations	0	0	0	0	0
<b>Total</b>	<b>-2</b>	<b>-15</b>	<b>-15</b>	<b>-18</b>	<b>-13</b>



## 6. FINANCIAL ITEMS AND INTEREST-BEARING DEBT

### FINANCIAL ITEMS

	Q2 2016	Q1 2016	Q2 2015	YTD 2016	YTD 2015
<b>Net interest expenses</b>	<b>-265</b>	<b>-235</b>	<b>-226</b>	<b>-499</b>	<b>-432</b>
Currency gains/losses <sup>*)</sup>	60	211	-3	271	-74
Other financial items	1 563	-10	-15	1 552	862
<b>Total financial items</b>	<b>1 359</b>	<b>-34</b>	<b>-244</b>	<b>1 324</b>	<b>356</b>

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

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

The appreciation of the NOK in second quarter has impacted on the translation of debt into NOK at 30 June, resulting in unrealized currency gain.

However, a stronger NOK is unfavourable for the underlying business and the competitiveness of the Norwegian mills.

### NET INTEREST-BEARING DEBT

Norske Skog has recognised an amount in the balance sheet as a result of the termination of a large part of the fair value hedge portfolio in the first half of 2009. A hedge reserve (deferred income) amounting to NOK 64 million is included in interest-bearing debt at

30 June 2016. The corresponding figure at 31 March 2016 was NOK 68 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 2016	REPORTED KEY FIGURES
Interest-bearing non-current liabilities	6 512
Interest-bearing current liabilities	630
- Hedge reserve	64
- Cash and cash equivalents	725
<b>= Net interest-bearing debt</b>	<b>6 353</b>

### DEBT REPAYMENT SCHEDULE

CONTRACTUAL INSTALMENT PAYMENTS ON CURRENT AND NON-CURRENT INTEREST-BEARING DEBT	30 JUN 2016
2016 – third quarter	277
2016 – fourth quarter	116
2017	267
2018	24
2019	2 721
2020	956
2021	1 496
2022	19
2023	529
2024	18
2025	5
2026 to 2033	1 872
<b>Total</b>	<b>8 300</b>

Total debt listed in the repayment schedule differ from the carrying value in the balance sheet. This is due to the amortized cost principle (discounts on issued bonds and transaction costs) and hedge reserve.

Financed amounts from securitization arrangements is classified as interest-bearing current liabilities. This amounts to NOK 262 million in debt repayment in Q3 2016.

The financed amount represents a group of individual loans, which are settled individually at maturity of the accounts receivable. New loans are initiated on a consecutive basis based on new accounts receivable included under the securitisation agreement. The liability is in its nature current and Norske Skog does not have an unconditional

right to defer settlement beyond twelve months. The liabilities are liabilities that are settled through its normal operating cycle. The corresponding accounts receivable is derecognised when the customer pays it.

Topp1 Energy Ltd has entered into a new EUR 20 million credit facility financing the sales process of the Tasman geothermal power plant.

Norske Skog AS has entered into a new EUR 10 million short term facility.

## BONDS

Bond financing constitutes the majority of Norske Skog's total debt financing. The 2026 and 2033 bonds and 2115 perpetual notes are issued by Norske Skogindustrier ASA and are unsecured. The 2021 and 2023 bonds are issued by Norske Skog Holding AS and are unsecured, but guaranteed. The 2019 bond is issued by Norske Skog AS and is guaranteed and secured. The table below shows Norske Skog's issued bonds at 30 June 2016.

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

MATURITY	CURRENCY	COUPON	NOMINAL VALUE	OUTSTANDING AMOUNT 30 JUN 2016
February 2023	USD	8.00%	USD 61 mill	USD 61 mill
October 2033	USD	7.125%	USD 200 mill	USD 95 mill
December 2019	EUR	11.75%	EUR 290 mill	EUR 290 mill
February 2021	EUR	8.00%	EUR 159 mill	EUR 159 mill
June 2026	EUR	3.5% / 3.5% PIK	EUR 115 mill	EUR 115 mill
Dec 2115	EUR	2% PIK	EUR 79 mill	EUR 79 mill

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

30 JUN 2016	ASSETS		LIABILITIES	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Energy contracts and embedded derivatives in energy contracts (level 3)	6	150	-59	-218
Energy contracts (level 2)	13	0	0	-6
Other raw material contracts (level 3)	0	0	0	0
Other derivatives and financial instruments carried at fair value (level 2)	0	0	0	0
<b>Total</b>	<b>19</b>	<b>150</b>	<b>-59</b>	<b>-224</b>

Norske Skog's portfolio of commodity contracts consists primarily of physical energy contracts. The fair value of commodity contracts is particularly sensitive to future fluctuations in energy prices. The fair value of embedded derivatives in physical contracts depends on currency and price index fluctuations. In valuation of derivative contracts the fair value includes the impact of credit risk. Credit risk adjustments are applied to derivative liability positions based on Norske Skog's own credit risk.

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

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

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

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

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

Gains and losses on level 3 financial instruments recognised in the income statement, line item Other gains and losses, amounted to NOK -7 million in the second quarter (NOK -46 million in the first quarter).

## 8. PRINCIPAL SHAREHOLDERS

PRINCIPAL SHAREHOLDERS AT 30 JUN 2016	NUMBER OF SHARES	OWNERSHIP %
Goldman Sachs & Co	25 260 653	9.05
GSO Special Sit.	23 612 781	8.46
Euroclear Bank S.A.	20 464 497	7.34
Nobelssystem Scandinavia AS	8 500 000	3.05
Astrup Fearnley AS	6 469 688	2.32
SES AS	5 200 000	1.86
GSO Churchill Partners	4 701 165	1.69
Uthalden A/S	4 550 000	1.63
Fiducia AS	4 486 644	1.61
Barokk Invest AS	4 050 000	1.45
GSO Credit Alpha Trading	3 997 459	1.43
Swedbank Norge Markets	3 577 500	1.28
Allskog BA	3 493 957	1.25
Skandinaviska Enskilda Banken	2 734 674	0.98
Clearstream Banking	2 394 494	0.86
Torstein I. Tvenge	2 385 000	0.85
Alfaplan AS	2 367 500	0.85
Danske Bank AS	2 320 109	0.83
GSO Oasis Credit Partners	2 252 709	0.81
Nordea Bank Finland	2 201 432	0.79
Shareholders with < 1% ownership	143 974 733	51.60
<b>Total</b>	<b>278 994 995</b>	<b>100.00</b>

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

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

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

## 9. THE NORSKE SKOG SHARE

	30 JUN 2016	31 MAR 2016	31 DEC 2015 Restated	30 SEP 2015 Restated	30 JUN 2015 Restated
Share price (NOK)	2.50	1.95	2.66	2.01	3.58
Book value of equity per share (NOK)	0.68	-0.61	-1.21	1.52	6.60

## 10. EVENTS AFTER THE BALANCE SHEET DATE

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

## 11. HISTORICAL FIGURES

INCOME STATEMENT	Q2 2016	Q1 2016	Q4 2015 Restated	Q3 2015 Restated	Q2 2015 Restated
<b>Operating revenue</b>	<b>2 891</b>	<b>2 980</b>	<b>3 087</b>	<b>2 779</b>	<b>2 786</b>
Variable costs	-1 884	-2 056	-2 183	-1 960	-1 954
Fixed costs	-671	-682	-643	-656	-694
<b>Gross operating earnings</b>	<b>335</b>	<b>242</b>	<b>260</b>	<b>163</b>	<b>138</b>
Depreciation	-186	-190	-194	-190	-191
Restructuring expenses	-46	0	-32	-2	-15
Other gains and losses	-10	-12	79	-137	-285
Impairments	-1 238	0	0	0	0
<b>Operating earnings</b>	<b>-1 146</b>	<b>40</b>	<b>114</b>	<b>-167</b>	<b>-352</b>
Share of profit in associated companies	-204	2	-18	-7	-9
Financial items	1 359	-34	-376	-782	-244
<b>Profit/loss before income taxes</b>	<b>9</b>	<b>7</b>	<b>-279</b>	<b>-955</b>	<b>-605</b>
Income taxes	220	4	-549	81	27
<b>Profit/loss for the period</b>	<b>229</b>	<b>11</b>	<b>-828</b>	<b>-874</b>	<b>-578</b>

SEGMENT INFORMATION	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
<b>Publication paper Europe</b>					
Operating revenue	2 057	2 118	2 174	1 956	1 946
Gross operating earnings	260	182	146	120	52
Deliveries (1 000 tonnes)	460	460	476	431	441
<b>Publication paper Australasia</b>					
Operating revenue	824	856	909	811	839
Gross operating earnings	78	75	104	61	101
Deliveries (1 000 tonnes)	158	165	174	163	155
<b>Other activities</b>					
Operating revenue	38	33	38	40	32
Gross operating earnings	-2	-15	11	-19	-15

BALANCE SHEET	30 JUN 2016	31 MAR 2016	31 DEC 2015 Restated	30 SEP 2015 Restated	30 JUN 2015 Restated
<b>Total non-current assets</b>	<b>7 198</b>	<b>9 149</b>	<b>9 473</b>	<b>9 595</b>	<b>9 558</b>
Inventories	1 322	1 287	1 253	1 302	1 306
Trade and other receivables	1 134	1 275	1 357	1 270	1 080
Cash and cash equivalents	725	1 472	536	699	896
Other current assets	238	35	40	23	49
<b>Total current assets</b>	<b>3 420</b>	<b>4 069</b>	<b>3 187</b>	<b>3 294</b>	<b>3 331</b>
<b>Total assets</b>	<b>10 618</b>	<b>13 218</b>	<b>12 660</b>	<b>12 889</b>	<b>12 889</b>
<b>Total equity</b>	<b>190</b>	<b>-154</b>	<b>-229</b>	<b>288</b>	<b>1 253</b>
<b>Total non-current liabilities</b>	<b>7 672</b>	<b>9 662</b>	<b>8 970</b>	<b>8 700</b>	<b>7 954</b>
Trade and other payables	1 870	1 947	1 921	1 745	1 718
Other current liabilities	886	1 763	1 999	2 155	1 964
<b>Total current liabilities</b>	<b>2 756</b>	<b>3 710</b>	<b>3 920</b>	<b>3 901</b>	<b>3 682</b>
<b>Total liabilities</b>	<b>10 428</b>	<b>13 372</b>	<b>12 889</b>	<b>12 601</b>	<b>11 636</b>
<b>Total equity and liabilities</b>	<b>10 618</b>	<b>13 218</b>	<b>12 660</b>	<b>12 889</b>	<b>12 889</b>

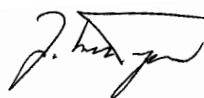
CASH FLOW	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
<b>Reconciliation of net cash flow from operating activities</b>					
Gross operating earnings	335	242	260	163	138
Change in operating working capital	12	104	155	-137	-1
Payments made relating to restructuring activities	-2	-12	-2	-8	-1
Cash flow from net financial items	-279	-100	-273	-98	-341
Taxes paid	1	-15	-22	-5	-12
Other	-24	-34	-28	-11	-35
<b>Net cash flow from operating activities</b>	<b>42</b>	<b>185</b>	<b>90</b>	<b>-96</b>	<b>-252</b>
Purchases of property, plant and equipment and intangible assets	-74	-48	-61	-45	-48
Net divestments	2	0	-4	-14	-8
Dividend received	0	0	0	0	0
<b>Net cash flow from investing activities</b>	<b>-73</b>	<b>-48</b>	<b>-65</b>	<b>-59</b>	<b>-56</b>
<b>Net cash flow from financing activities</b>	<b>-703</b>	<b>818</b>	<b>-193</b>	<b>-82</b>	<b>-95</b>
Foreign currency effects on cash and cash equivalents	-13	-19	5	40	-5
<b>Total change in cash and cash equivalents</b>	<b>-747</b>	<b>936</b>	<b>-163</b>	<b>-197</b>	<b>-410</b>

## Responsibility Statement from the Board of Directors and President/CEO

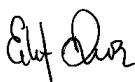
We declare that to the best of our knowledge, the condensed consolidated interim financial statements for the period 1 January to 30 June 2016 have been prepared in accordance with IAS 34 – *Interim Financial Reporting* and give a true and fair view of the Norske Skog group's assets, liabilities, financial 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, 19 JULY 2016 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA




Jon-Aksel Torgersen  
Chair



Eilif Due  
Board member



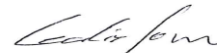
Nils Ingemund Hoff  
Board member



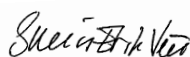
Joanne Owen  
Board member



Paul Kristiansen  
Board member



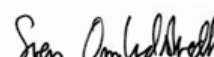
Cecilie Jonassen  
Board member



Svein Erik Veie  
Board member



Mimmi Berdal  
Board member



Sven Ombudstvedt  
President and CEO