

NOT CONFIDENTIAL

**ANTI-DUMPING COMMISSION INVESTIGATION ADC 242
NEWSPRINT EXPORTED FROM
FRANCE AND THE REPUBLIC OF KOREA**

**FIRST SUPPLEMENTARY SUBMISSION BY BOWATER KOREA
AS TO ALLEGED INJURY**

23 JULY 2014

We hereby submit, on behalf of Bowater Korea, Norske Skog's Second Quarter ("Q2") 2014 Report with its accompanying press release disseminated on July 17, 2014.¹ As indicated by the title of the press release—"Lower costs and improved margins"—the Q2 report reveals no sign of material injury to the Applicant, Norske Skog Industries Australia ("NSIA"). The parent company commented positively on NSIA's second quarter performance:

Operating revenue increased compared to the previous quarter, reflecting the start-up of the new magazine paper machine at Boyer. Demand for newsprint and magazine paper in Oceania was relatively stable in the first five months of the year, compared to the corresponding period last year. Cost of materials was flat on a per ton basis compared to the first quarter, with lower energy costs offsetting more chemical and pulp usage for magazine paper production. Capacity utilization was unchanged on 91%

¹ The July 17, 2014 press release can be found on Norske Skog's website at: http://cws.huginonline.com/N/105/PR/201407/1828232_5.html (last visited July 18, 2014). The Q2 2014 report can be found on Norske Skog's website at <http://hugin.info/105/R/1828232/633701.pdf> (last visited July 18, 2014).

Lodged on behalf of Bowater Korea by:

**Corrs Chambers Westgarth
Level 17
8 Chifley
8-12 Chifley Square
Sydney NSW 2000**

**Baker Hostetler LLP
1050 Connecticut Ave., NW
Suite 1100
Washington, D.C. 20036
United States of America**

in the quarter.²

Revenue increased, demand and costs remained stable, and production was running at nearly full capacity consistent with previous years and the company overall (88% in 2012, 88% in 2013,³ and 91% in Q1 2014).⁴ None of these data shows any indicia of injury claimed in NSIA's Application. There is no indication of sales lost to imports, price suppression from imports in the face of rising costs, nor capacity underutilization caused by unfair import competition.

Data comparisons between first and second quarter 2014 results show positive trends of improvement in NSIA's financial profile. Operating revenue and gross operating earnings rose.⁵ Operating earnings improved, and NSIA's gross operating margin rose from 8.1% in Q1 2014 to 10.9% in Q2 2014.⁶ Return on capital, production and deliveries all increased while capacity utilization remained steady at 91%. Year-to-date 2014 sales and production figures were lower than 2013 by comparison, a difference recognized by NSIA as attributable in significant part to the shutdown and conversion of the Boyer mill during Q1 and part of Q2 2014. The Boyer mill conversion, accomplished with a major subsidy from the Australian Government, was designed to restructure the mill for production of lightweight coated paper and had nothing to do with alleged unfair competition from newsprint imports.

The Q1 and Q2 2014 figures show that, while Norske Skog continues to rationalise and make transitions in response to the global decline in demand for newsprint, NSIA has been able to maintain control of more than 80% of the Australian newsprint market (protected through long-term contracts until 2020), while reducing its costs and maintaining profitability.

² See Exhibit A, "Lower costs and improved margins," at 1-2.

³ "Norske Skog: Brighter Prospects And Better Margins," Feb. 5, 2014.

⁴ "Norske Skog: Higher capacity utilisation and strengthened financial position," Globalnewswire, Apr. 24, 2014. Capacity utilization for the group in Newsprint outside Europe was 88% in 2012. [2012 Annual Report](#) at 39.

⁵ See Exhibit B, "Second Quarter 2014 Quarterly Report," at 5.

⁶ *Id.*

We share the view of Jeonju Paper Corporation, that “material injury caused by ‘dumping’ is not evident”⁷ in the data submitted by NSIA to the Commission, nor in the Annual Reports, Quarterly Statements or Press Releases that Norske Skog makes as a regulated, publicly traded company. These documents do not identify, nor do the financial performance data suggest, unfair import competition as a problem in the Australian market. As Jeonju has observed, “[f]rom all appearances, it would seem that the Applicant has been performing well in a weak and transforming market.”⁸

We note that the one substantial newsprint purchaser no longer purchasing from NSIA, Western Australia Newspapers (“WAN”), has reported to the Commission that it made the supply change for reasons unrelated to price. Consistent with the national movement for recycled newspaper,⁹ WAN has turned to newsprint with a high recycled content and has found that it “significantly reduce[d] the number of overprinted copies produced during each print run.”¹⁰

There are material differences between 100% recycled newsprint (what Bowater Korea sells in Australia) and the NSIA product that relies substantially on virgin fibre from radiata pine plantations. Customers are able to realize significant cost-savings through the use of 100% recycled newsprint, which is especially important in a shrinking market that is shrinking profits.

NSIA cannot and will not sell 100% recycled newsprint in Australia. WAN made an informed decision to prefer the 100% recycled product that has been contributing to WAN's bottom line in a manner unavailable from NSIA. Recycled newsprint requires less energy and raw material costs than newsprint made from predominantly virgin fibre. It leads to less waste in newspaper production and requires less ink and water.¹¹ Even though recycled newsprint and

⁷ See Jeonju Paper Corporation Submission dated July 3, 2014, Case 242 No. 009, at 19-21.

⁸ *Id.* at 21.

⁹ See Publishers National Environment Bureau, “Facts & Figures: How successful is recycling?” at <http://www.pneb.com.au/myPopup.php?id=52>.

¹⁰ See Seven West Media's Submission dated July 3, 2014, Case 242 No. 012, at 3.4.

¹¹ See Jeonju Submission dated July 3, 2014, Case 242 No. 009, at 13-14.

newsprint using virgin fibres may appear to be interchangeable, in the current newsprint market where cost efficiencies are life-and-death, these two products are not interchangeable.

Trade remedy relief would not protect NSIA's opportunity for sales to WAN and similar companies realizing gains from 100% recycled newsprint. Such supposed relief for NSIA would deny newsprint consumers in Australia the opportunity of alternative supplies and force consumers to sustain production inefficiencies for the sake of allowing one company to expand its monopolistic presence in the market.

We share the concern expressed by WAN that, in light of NSIA's long-term contractual practices, the Application for relief threatens to eliminate competition in Australia and to perpetuate NSIA's prices untethered from competitive prices in the world market.¹² NSIA is locked into long-term contracts with the major purchasers in the Australian market until 2020, which exposes the unfounded contention that NSIA's prices with its customers have been undermined or might be threatened by newsprint imports, necessitating offsetting relief from the Commission. NSIA's most recent financial statements celebrate commercial prosperity without even a hint of injury from allegedly unfair import competition.

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Andrew Korbel Andrew Percival</p> <p>Corrs Chambers Westgarth Level 17 8 Chifley 8-12 Chifley Square Sydney NSW 2000</p> | <p>Elliot J. Feldman Michael S. Snarr</p> <p>Baker Hostetler LLP 1050 Connecticut Ave., NW Suite 1100 Washington, D.C. 20036 United States of America</p> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

¹² See Seven West Media's Submission dated July 3, 2014, Case 242 No. 012 at 8.20-8.22, 9.13.

**ANTI-DUMPING COMMISSION INVESTIGATION ADC 242
NEWSPRINT EXPORTED FROM
FRANCE AND THE REPUBLIC OF KOREA**

The attached document entitled “*Press Release: Lower costs and improved margins*” is exhibit A referred to in the first supplementary submission, dated 23 July 2014, by Bowater Korea as to alleged injury.

Press release

Lower costs and improved margins

Norske Skog strengthened operations due to lower costs and improved efficiency in the second quarter. High production at the mills in a difficult market shows the relative competitive position of the group.

- The good trend with lower variable and fixed costs. Overall, we are in a better cost position this year compared to prior years, due to continued cost reduction programmes and better economies of scale at our remaining units, says Sven Ombudstvedt, President and CEO of Norske Skog.

Norske Skog's gross operating earnings (EBITDA) in the second quarter of 2014 were NOK 251 million, up from NOK 153 million in the first quarter. The increase was due to lower energy and fibre costs, and lapse of one-off effects at Boyer (start-up LWC), Walsum and Saugbrugs (start-up new pulp plant).

Loss after tax for the period amounted to NOK -114 million in the second quarter, compared to a profit of NOK 11 million in the first quarter of 2014. The result was impacted by unrealized foreign exchange losses of NOK 121 million. Net interest-bearing debt increased by NOK 152 million to NOK 6 952 million, of which NOK 136 million related to a negative currency effect due to a weaker Norwegian krone. A weaker Norwegian krone will be positive for the company's future results. Norske Skog repaid the remaining bonds of NOK 496 million with maturity in June. Cash flow from operating activities before net financial items was NOK 206 million in the second quarter, compared to NOK 54 in the first quarter.

- Cost reductions and lower interest expense after repayment of June-maturities will improve profitability. This coupled with the completion of the major investment program over the last two years will increase cash flow significantly ahead. At the same time, we will continuously monitor the market situation, and if necessary implement active capacity management to counteract the effects of market imbalances, says Sven Ombudstvedt, President and CEO of Norske Skog.

Market and segments

Europe

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

Cost of materials declined from the first quarter on a per ton basis, reflecting lower energy and fibre costs. Fixed costs were flat. Capacity utilization was 87% in the second quarter compared to 90% in the first quarter.

Australasia

Operating revenue increased compared to the previous quarter, reflecting the start-up of the new magazine paper machine at Boyer. Demand for newsprint and magazine paper in Oceania was relatively stable in the first five months of the year, compared to the corresponding period last year.

Norske Skogindustrier ASA

Karenslyst allé 49
P.O. Box 294 Skøyen, 0213 Oslo
Norway

Cost of materials was flat on a per ton basis compared to the first quarter, with lower energy costs offsetting more chemical and pulp usage for magazine paper production. Capacity utilization was unchanged on 91% in the quarter.

Key figures, second quarter of 2014 (NOK million)

| | Q2 2014 | Q1 2014 | Q2 2013 | 2013 |
|-------------------------------------------------------------|--------------|--------------|--------------|---------------|
| Operating revenue | 3 018 | 2 867 | 3 267 | 13 339 |
| Gross operating earnings (EBITDA) | 251 | 153 | 214 | 862 |
| Gross operating margin (%) | 8.3 | 5.3 | 6.6 | 6.5 |
| Gross operating earnings after depreciation | 71 | -28 | 16 | 134 |
| Restructuring expenses | 0 | -2 | 0 | -145 |
| Other gains and losses | 51 | 114 | -662 | -1 100 |
| Impairments | 0 | 0 | 0 | 0 |
| Operating earnings | 122 | 84 | -647 | -1 111 |
| Share of profit in associated companies | -3 | 8 | 4 | 26 |
| Financial items | -284 | -77 | -358 | -1 258 |
| Income taxes | 51 | -4 | 142 | 500 |
| Profit/loss for the period | -114 | 11 | -859 | -1 844 |
| Cash flow from operations before net financial items | 206 | 54 | 298 | 718 |

Outlook 2014

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.

Presentation and telephone conference

The interim financial statements will be presented in Karenslyst allé 2 in Oslo today at 08.30 CET, and transmitted live on Norske Skog's website www.norskeskog.com.

An international telephone conference, open to questions from the financial markets, will be held at 13:00 CET. Callers are asked to register before 12:50 CET. Conference call details: +44 1296 480 100, confirmation code: 806 083#

A recording of the presentation and conference will later be available on www.norskeskog.com.

Oslo, 17 July 2014

Norske Skog
Communications and Public Affairs

For further information:

Norske Skog media:
Vice President Corporate Communication
Carsten Dybevig
Mob: +47 917 63 117

Norske Skog financial markets:
Vice President Investor Relations
Tom Rogn
Mob: +47 948 55 659

**ANTI-DUMPING COMMISSION INVESTIGATION ADC 242
NEWSPRINT EXPORTED FROM
FRANCE AND THE REPUBLIC OF KOREA**

The attached document entitled “*Norske Skog: Second Quarter 2014 – Quarterly Report*” is exhibit B referred to in the first supplementary submission, dated 23 July 2014, by Bowater Korea as to alleged injury.



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.

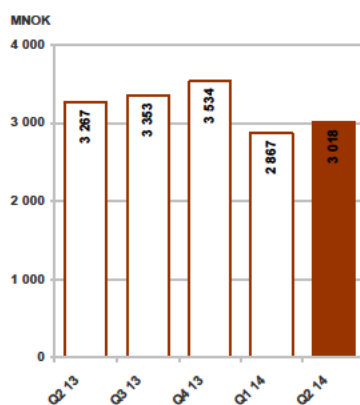
The parent company, Norske Skogindustrier ASA, is incorporated in Norway and has its head office at Skøyen in Oslo. The company is listed on the Oslo Stock Exchange.

KEY FIGURES (UNAUDITED)

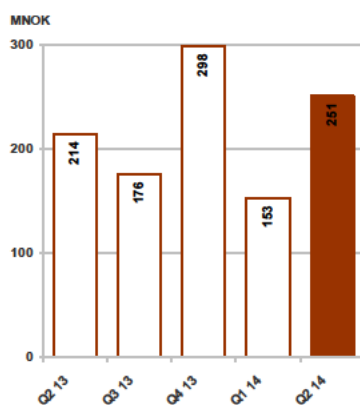
All amounts are presented in NOK million unless otherwise stated.

| | 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 |

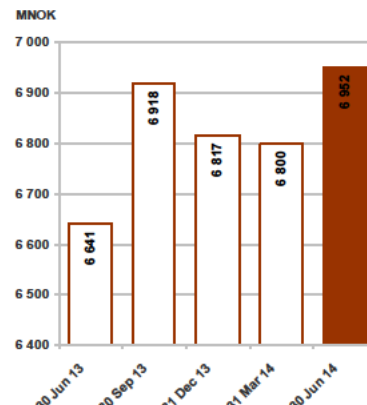
OPERATING REVENUE



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 Hatten
Board member



Karin Bing Orgland
Board member



Jon-Aksel Torgersen
Board member




Kjetil Bakkan
Board member



Paul Kristiansen
Board member



Svein Erik Veie
Board member



Sven Ombudstvedt
President and CEO

INTERIM FINANCIAL STATEMENTS, 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



Jarle Roth
Chair



Eilif Due
Board member



Siri Beate Hatten
Board member



Karin Bing Orgland
Board member



Jon-Aksel Torgersen
Board member




Kjetil Bakkan
Board member



Paul Kristiansen
Board member



Svein Erik Veie
Board member



Sven Ombudstvedt
President and CEO

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 Feamley 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 Hatten
Board member



Karin Bing Orgland
Board member



Jon-Aksel Torgersen
Board member



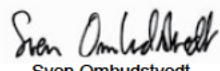
Kjetil Bakkan
Board member



Paul Kristiansen
Board member



Svein Erik Veie
Board member



Sven Ombudstvedt
President and CEO



NORSKE SKOGINDUSTRIER ASA

Karenslyst allé 49
P.O. Box 294 Skøyen, 0213 Oslo

Phone: +47 22 51 20 20

www.norskeskog.com

twitter: @Norske_Skog