



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2015 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 914 483 557  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: NORSKE SKOG HOLDING AS  
Forretningsadresse: Karenslyst allé 49  
0279 OSLO

### Regnskapsår

Årsregnskapets periode: 05.11.2014 - 31.12.2015

### Konsern

Mørselskap i konsern: Ja  
Konsernregnskap lagt ved: Ja

### Regnskapsregler

Regler for små foretak benyttet: Nei  
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Forenklet IFRS  
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: IFRS

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Ole Jørgen Egner  
Dato for fastsettelse av årsregnskapet: 30.06.2016

### Grunnlag for avgivelse

År 2015: Årsregnskapet er elektronisk innlevert  
År 2014: Tall er hentet fra elektronisk innlevert årsregnskap fra 2015

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 08.08.2019



## Resultatregnskap

Beløp i: NOK	Note	2015	2014
<b>RESULTATREGNSKAP</b>			
<b>Kostnader</b>			
Other operating expenses		0	
<b>Sum kostnader</b>		<b>0</b>	
<b>Driftsresultat</b>		<b>0</b>	
<b>Finansinntekter og finanskostnader</b>			
Renteinntekt fra foretak i samme konsern	6	20 000 000	
Gains from exchange of bonds	6	368 000 000	
<b>Sum finansinntekter</b>		<b>388 000 000</b>	
Impairment of investments in subsidiaries	6	1 893 000 000	
Annen rentekostnad	6	182 000 000	
Realised/unrealised gains on foreign currency	6	33 000 000	
<b>Sum finanskostnader</b>		<b>2 108 000 000</b>	
<b>Netto finans</b>		<b>-1 720 000 000</b>	
<b>Ordinært resultat før skattekostnad</b>		<b>-1 720 000 000</b>	<b>0</b>
Income taxes	11	59 000 000	
<b>Ordinært resultat etter skattekostnad</b>		<b>-1 779 000 000</b>	<b>0</b>
<b>Årsresultat</b>		<b>-1 779 000 000</b>	<b>0</b>
Minoritetsinteresser		0	
<b>Årsresultat etter minoritetsinteresser</b>		<b>-1 779 000 000</b>	
Other comprehensive income		0	
<b>Totalresultat</b>		<b>-1 779 000 000</b>	
<b>Overføringer og disponeringer</b>			
Udekket tap		-1 779 000 000	
<b>Sum overføringer og disponeringer</b>		<b>-1 779 000 000</b>	



### Balanse

Beløp i: NOK	Note	2015	2014
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Utsatt skattefordel	11	0	
<b>Sum immaterielle eiendeler</b>		<b>0</b>	
<b>Varige driftsmidler</b>			
Property, plant and equipment	4	0	
<b>Sum varige driftsmidler</b>		<b>0</b>	
<b>Finansielle anleggsmidler</b>			
Investering i datterselskap	5	4 700 000 000	
Other non-current assets	12	1 963 000 000	
<b>Sum finansielle anleggsmidler</b>		<b>6 663 000 000</b>	
<b>Sum anleggsmidler</b>		<b>6 663 000 000</b>	<b>0</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Fordringer</b>			
Trade and other receivables	12	585 000 000	
<b>Sum fordringer</b>		<b>585 000 000</b>	
<b>Bankinnskudd, kontanter og lignende</b>			
Cash and cash equivalents		0	
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>0</b>	
<b>Sum omløpsmidler</b>		<b>585 000 000</b>	<b>0</b>
<b>SUM EIENDELER</b>		<b>7 248 000 000</b>	<b>0</b>

### BALANSE - EGENKAPITAL OG GJELD

#### Egenkapital



### Balanse

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
<b>Innskutt egenkapital</b>			
Pain-in equity		5 390 000 000	
<b>Sum innskutt egenkapital</b>		<b>5 390 000 000</b>	
<b>Sum egenkapital</b>	3	<b>5 390 000 000</b>	<b>0</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
Pensjonsforpliktelser	8	0	
Utsatt skatt	11	0	
<b>Sum avsetninger for forpliktelser</b>		<b>0</b>	
<b>Annen langsiktig gjeld</b>			
Interest-bearing non-current liabilities	7,12	1 741 000 000	
<b>Sum annen langsiktig gjeld</b>		<b>1 741 000 000</b>	
<b>Sum langsiktig gjeld</b>		<b>1 741 000 000</b>	<b>0</b>
<b>Kortsiktig gjeld</b>			
Tax payable	11	59 000 000	
Other current liabilities		58 000 000	
<b>Sum kortsiktig gjeld</b>		<b>117 000 000</b>	
<b>Sum gjeld</b>		<b>1 858 000 000</b>	<b>0</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>7 248 000 000</b>	<b>0</b>



## Konsernets resultatregnskap

Beløp i: NOK	Note	2015	2014
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Operating revenue	3	11 130 000 000	
<b>Sum inntekter</b>		<b>11 130 000 000</b>	
<b>Kostnader</b>			
Endring i beholdning av varer under tilvirkning og ferdig tilvirkede varer		-47 000 000	
Distribution costs		1 217 000 000	
Cost of materials		6 577 000 000	
Employee benefit expenses	12	1 686 000 000	
Depreciation	4	754 000 000	
Nedskrivning av varige driftsmidler og immaterielle eiendeler	4	0	
Other operating expenses		880 000 000	
Restructuring expenses		49 000 000	
Other gains and losses		-5 000 000	
<b>Sum kostnader</b>		<b>11 111 000 000</b>	
<b>Driftsresultat</b>		<b>19 000 000</b>	
<b>Finansinntekter og finanskostnader</b>			
Share of profit in associated companies	19	-23 000 000	
Dividends received	5	1 000 000	
Renteinntekt fra foretak i samme konsern	5	38 000 000	
Annen renteinntekt	5	5 000 000	
Gains from exchange of bonds	5	368 000 000	
<b>Sum finansinntekter</b>		<b>389 000 000</b>	
Rentekostnad til foretak i samme konsern	5	138 000 000	
Annen rentekostnad	5	526 000 000	
Other financial expenses	5	83 000 000	
Realised/unrealised gains on foreign currency	5	332 000 000	
<b>Sum finanskostnader</b>		<b>1 079 000 000</b>	
<b>Netto finans</b>		<b>-690 000 000</b>	



## Konsernets resultatregnskap

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
<b>Ordinært resultat før skattekostnad</b>		<b>-671 000 000</b>	<b>0</b>
Income taxes	17	533 000 000	
<b>Ordinært resultat etter skattekostnad</b>		<b>-1 204 000 000</b>	<b>0</b>
<b>Årsresultat</b>		<b>-1 204 000 000</b>	<b>0</b>
Minoritetsinteresser	21	0	
<b>Årsresultat etter minoritetsinteresser</b>		<b>-1 204 000 000</b>	
Currency translation differences		197 000 000	
Remeasurements of post employment benefit obligations		6 000 000	
Tax effect on remeasurements of post employment benefit obligations		-4 000 000	
<b>Totalresultat</b>		<b>-1 005 000 000</b>	



## Konsernets balanse

Beløp i: NOK	Note	2015	2014
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Intangible assets	4	17 000 000	
<b>Sum immaterielle eiendeler</b>		<b>17 000 000</b>	
<b>Varige driftsmidler</b>			
Land and buildings	4	1 904 000 000	
Machinery and equipment	4	6 264 000 000	
Property, plant and equipment	4	402 000 000	
<b>Sum varige driftsmidler</b>		<b>8 570 000 000</b>	
<b>Finansielle anleggsmidler</b>			
Investeringer i tilknyttet selskap	19	374 000 000	
Other non-current assets	10	2 622 000 000	
<b>Sum finansielle anleggsmidler</b>		<b>2 996 000 000</b>	
<b>Sum anleggsmidler</b>		<b>11 583 000 000</b>	<b>0</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
Inventories	3,18	1 253 000 000	
<b>Sum varer</b>		<b>1 253 000 000</b>	
<b>Fordringer</b>			
Trade and other receivables	10	2 479 000 000	
<b>Sum fordringer</b>		<b>2 479 000 000</b>	
<b>Investeringer</b>			
Other current assets	18	95 000 000	
<b>Sum investeringer</b>		<b>95 000 000</b>	
<b>Bankinnskudd, kontanter og lignende</b>			
Cash and cash equivalents	8	271 000 000	
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>271 000 000</b>	



### Konsernets balanse

Beløp i: NOK	Note	2015	2014
Sum omløpsmidler		4 098 000 000	0
<b>SUM EIENDELER</b>		<b>15 681 000 000</b>	<b>0</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Paid-in equity		7 169 000 000	
<b>Sum innskutt egenkapital</b>		<b>7 169 000 000</b>	
<b>Opptjent egenkapital</b>			
Retained earnings and other reserves	22	-1 750 000 000	
<b>Sum opptjent egenkapital</b>		<b>-1 750 000 000</b>	
<b>Sum egenkapital</b>		<b>5 419 000 000</b>	<b>0</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
Pensjonsforpliktelser	13	232 000 000	
Utsatt skatt	17	619 000 000	
<b>Sum avsetninger for forpliktelser</b>		<b>851 000 000</b>	
<b>Annen langsiktig gjeld</b>			
Interest-bearing non-current liabilities	6,11,1 8	6 003 000 000	
Other non-current liabilities	18	632 000 000	
<b>Sum annen langsiktig gjeld</b>		<b>6 635 000 000</b>	
<b>Sum langsiktig gjeld</b>		<b>7 486 000 000</b>	<b>0</b>
<b>Kortsiktig gjeld</b>			
Interest-bearing current liabilities	11,18	536 000 000	
Leverandørgjeld	18	1 878 000 000	
Tax payable	17	66 000 000	
Other current liabilities	18	296 000 000	
<b>Sum kortsiktig gjeld</b>		<b>2 776 000 000</b>	



## Konsernets balanse

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
Sum gjeld		10 262 000 000	0
<b>SUM EGENKAPITAL OG GJELD</b>		<b>15 681 000 000</b>	<b>0</b>



## Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Torstein Kinden Helleland	03.05.2016	23.05.2016
Telefon	Deres referanse	Vår referanse
22078139	Knut Kåre Erichsen	2016/422698

NORSKE SKOGINDUSTRIER ASA  
Postboks 294 Skøyen  
0213 OSLO

## Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Vi viser til deres brev mottatt 3. mai 2016 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper;

**Norske Skog Holding AS org. nr. 914 483 557**  
**Norske Skog AS org. nr. 914 483 549**

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering de overnevnte selskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

### Bakgrunn

Norske Skog Holding AS og Norske Skog AS er underkonsern i Norske Skogindustrier ASA konsernet som er det ultimate morselskapet i Norske Skog konsernet. Skattedirektoratet ga i 2013 Norske Skogindustrier ASA dispensasjon til å utarbeide årsregnskap og årsberetning på engelsk. Begge selskaper har børsnoterte obligasjoner som er registrert på Luxembourg Stock Exchange og må i den forbindelse rapportere på engelsk. Norske Skog har åtte hel- og deleide papirfabrikker, hvorav seks er lokalisert utenfor Norge. Per 31. mars 2016 hadde Norske Skog konsernet omlag 2 500 ansatte, hvorav ca. 1 600 utenfor Norge. Konsernets offisielle arbeidsspråk er engelsk. Hoveddelen av den norske virksomheten i Norske Skog er i dag samlet i de to fabrikkende selskapene Norske Skog Saugbrugs AS og Norske Skog Skogn AS. Disse to selskapene utarbeider på ordinær måte årsregnskap og årsberetning på norsk. Siden disse selskapene er hjørnesteins bedrifter i sine lokale miljøer er det viktig at regnskapsinformasjonen er lett tilgjengelig på norsk. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

### Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

Postadresse  
Postboks 9200 Grønland  
0134 Oslo

Besøksadresse: Sentralbord  
Se [www.skatteetaten.no](http://www.skatteetaten.no) 800 80 000  
Org.nr: 996250318 Telefaks  
E-post: [skatteetaten.no/sendepost](mailto:skatteetaten.no/sendepost) 22 17 08 60



I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

*”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”*

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *”informative regnskaper for ulike grupper av regnskapsbrukere”*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapene er eid av et selskap som har fått dispensasjon fra språkkravet. Eierkretsen er begrenset. Selskapene har et børsnotert obligasjonslån og må rapportere på engelsk. Virksomheten er internasjonal. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere innen bransjen selskapet opererer i behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad  
seniorrådgiver  
Rettsavdelingen, foretaksskatt  
Skattedirektoratet

Torstein Kinden Helleland

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer*



# REPORT OF THE BOARD OF DIRECTORS

Norske Skog Holding group (Norske Skog Holding) is one of the leading producers of publication paper in the world, with an annual production capacity of 2.7 million tonnes. Publication paper is the most established medium for distribution of content and advertisements, typically in the form of newspapers and magazines. The group is geographical diverse with production sites in Europe and Australasia. In Europe, the group has four production sites, two in Norway and one in France and Austria. In Australasia, the group has two sites in Australia and one in New Zealand. The European segment is the largest with 2.0 million tonnes of capacity, of which 1.2 million tonnes newsprint and 0.8 million tonnes magazine paper. The Australasia segment has production capacity of 0.6 million tonnes newsprint and 0.1 million tonnes magazine paper. Importantly, Norske Skog is the only domestic producer in the region, giving the group a considerable competitive advantage.

## NORSKE SKOG IN 2015

Norske Skog Holding reached lower levels of gross operating earnings in 2015 reflects an industry fight for market share in Europe, declining demand in Australasia and historically low prices for newsprint in Asia. The group is the sole producer of publication paper in Australasia, with better domestic margins compared to exports reflecting a considerable competitive advantage. A smaller domestic market in Australasia results in more exports to lower margin Asian markets.

However, the focus on market share in the European industry adversely affected publication paper prices beyond what anyone had foreseen as several producers preferred retaining volume to profitability. Reference prices in Germany, the largest market, declined by 15% in May 2015. Given the group's size and its exposure to the European market, the impact on revenue and cash flow was dramatic. As a reference, a 1% change in European pricing of publication paper across grades reduces the group's gross operating earnings by close to NOK 100 million. The resulting zero margin environment in Europe shifted more export volumes, exacerbating the price decline in Asia.

In February 2015, Norske Skogindustrier completed a refinancing of the group. The transactions involved the issuance of new secured debt, an extension of existing bond maturities and deleveraging. Upon completion, the group was fully funded with the newly issued secured debt trading above par. As part of refinancing, the structure of the debt in the group was also changed as two new holding companies were established, Norske Skog Holding AS and Norske Skog AS. Norske Skog Holding established Norske Skog AS for acquiring the shares in the operating companies ex. Norske Skog Walsum. Norske Skog Holding AS issued the EUR and USD exchange notes due in 2021 and 2023 respectively. Norske Skog AS issued the Senior Secured Notes (SSNs). The SSNs are secured by assets pledges in Australasia and share pledges in the European operating companies. The exchange notes are guaranteed, but are structurally subordinated to the SSNs.

In the midst of the significant shortfall in cash generation in 2015, the group prepared for new financing and refinancing through the autumn of last year. In March and April of this year, certain transactions were completed which included new liquidity facilities, an extension of debt maturities, deleveraging, reduced cash interest payments and issuance of new equity. Coupled with improved operations and outlook, Norske Skog Holding is now on an improved financial footing.

## INCOME STATEMENT AND CASH FLOW

During 2015 a number of factors impacted the income statement and cash flows. Operating revenue was impacted by lower production and sales volumes. Demand for newsprint and magazine paper in Europe decreased more than expected in the first half, but improved somewhat in the second half. In Australasia the decline in demand was in line with expectations. Reflecting weak publication paper markets in Europe and Australasia prices declined in the first part of the year, particularly in Germany impacting profitability for the European units but also in Asia prices declined considerably, impacting profitability of export sales from Australia and New Zealand. This also contributed to reduced revenue.

The mills reduced their capacity utilization to avoid low margin sales and to support the company's commercial policy which in turn led to



lower utilization rates for the mills. In second half, prices stabilized and some price increases were implemented for certain paper grades as well as announcement of further increases. Capacity utilization increased in the second half due to the seasonal demand as well as the effects of the closures in the first half. Despite a slight improvement in the second half the lower sales volumes and prices more than outweighed positive foreign exchange rate effects on product prices, resulting in reduced gross operating earnings.

Norske Skog Holdings consolidated operating revenue in 2015 was NOK 11.1 billion comprising sales in the operating companies in the period. Gross operating earnings were NOK 818 million in 2015. Gross operating margin was 7,3% in 2015. Depreciation was NOK 754 million in 2015. Restructuring expenses in 2015 amounted to NOK 49 million, mainly due to de-manning in operating companies. Other gains and losses in 2015 were NOK 5 million. Operating earnings were NOK 19 million in 2015.

Financial items in 2015 were NOK -667 million. Net interest expenses were NOK 621 million in 2015. Net unrealised/realised loss on foreign exchange, mainly related to translation effects on debt denominated in foreign currencies, were NOK 332 million in 2015. The currency losses mirrored NOK depreciation. In the first quarter of 2015 a net gain of NOK 368 million was recognized following the completion of the refinancing in February and is included as part of financial income of NOK 411 million.

Income taxes recognized in the income statement for 2015 amounted to NOK -533 million. This included a non-cash write-off of deferred tax assets of NOK 482 million.

Loss for the period was NOK 1.204 million in 2015. Earnings per share in 2015 were NOK -40 122.

Net cash flow from operating activities was NOK 88 million in 2015. Cash used in investing activities of NOK 174 million mainly relates to operational capital expenditure but includes the acquisition of Nature's Flame in New Zealand. Cash from financing activities, primarily from the issuance of SSNs and change in intercompany debt was NOK 340 million.

In 2015 Norske Skog Holding impairment tested fixed assets as in previous years. The Board of Directors concluded that there was sufficient head-room to support the existing book values of the fixed assets, based on applicable accounting standards, valuation principles and industry outlook. The impairment model considers three distinct scenarios for the European publication paper industry and the impact of these scenarios are applied to the current portfolio of assets. One scenario is backward looking, assuming a return to 2015 prices levels and cash negative margins as observed in the industry in last year (15% weight). The middle scenario assumes a cyclical uptick with prices above cash cost (50% weight), while the third scenario considers the effects from a consolidation of the industry (35% weight). In calculating impairment values, the cash negative scenario is unsustainable for the industry and has therefore been assigned the lowest probability. The middle scenario has been assigned the highest probability as this is considered most rational for the current industry structure and its participants supported by the price improvements observed. The industry is fragmented with a number of producers and with a clear need for consolidation. A consolidated scenarios assumes cost synergies in the industry are harvested. This has been assigned a probability between the other scenarios. As a consequence of continuous focus on cost reductions and portfolio optimization over many years Norske Skog has according to industry costs curves better than average and more competitive business units. The current book value per tonne for the asset portfolio of the group has been compared and are in line with, European peers. The company believes that the price and margin seen in previous years will not be sustainable. This view is supported by several capacity closures and conversion projects in the industry reflecting cash negative production of publication paper. This reduced capacity is expected to provide a basis for continued higher operating rates and improved profitability.

## BALANCE SHEET

In February 2015 Norske Skog Holding completed the issuance of a new EUR 290 million Senior Secured Notes (SSNs) in the subsidiary Norske Skog AS. Proceeds from the SSNs were used in a subsequent exchange offer in the ultimate parent company Norske Skogindustrier ASA to notes with maturities in 2015, 2016, 2017 and 2033 and for general corporate purposes. In the exchange, notes holders were offered a mix of cash and new notes in 2021 and 2023 issued by Norske Skog Holding AS. Following the exchange, maturities of approximately NOK 1.8 billion were extended and immediate deleveraging of close to NOK 500 million was achieved in the parent company Norske Skogindustrier ASA. Net interest bearing debt in Norske Skog Holding was recognised with NOK 367 million less than the nominal amount as the new notes were recognised at fair value, which was lower than the nominal amount. The difference between fair value and nominal amount is amortised over the duration of the notes.

Total assets were NOK 15.7 billion at 31 December 2015. Total non-current assets were NOK 11.6 billion at 31 December 2015. Investments in 2015 mainly relates to operational capital expenditure but includes the acquisition of Nature's Flame in New Zealand. Total current assets were NOK 4.1 billion at 31 December 2015.

Total non-current liabilities were NOK 7.5 billion at 31 December 2015. Net interest-bearing debt amounted to NOK 5.8 billion at 31 December 2015. The debt denominated in EUR and US increased during the year from the depreciation of the Norwegian krone. Current liabilities were NOK 2.8 billion at 31 December 2015.



Equity was NOK 5.4 billion at 31 December 2015. Equity per share was NOK 180 638 at 31 December 2015.

## DIVIDEND PROPOSAL

Based on weak earnings and the company's financial position, the board recommends that no dividend is disbursed for the financial year 2015.

## SEGMENT ACTIVITY AND MARKET DEVELOPMENT

Norske Skog Holding's reporting structure in 2015 provided segment information for publication paper Europe and publication paper Australasia.

Demand for newsprint and magazine paper declined in 2015. World demand for newsprint and magazine paper decreased by 9% and 6% respectively. The weak growth in the world economy amplified the structural decline in publication paper demand. Capacity closures in the industry have however led to high capacity utilization and price increases into 2016.

### PUBLICATION PAPER EUROPE

The segment constitutes Norske Skog Holding's European operations with sites in Norway, France and Austria. Annual production capacity is 2.0 million tonnes.

Operating revenue was NOK 7.7 billion in 2015 and gross operating earnings were NOK 458 million. Capacity utilization in the segment Publication Paper Europe was 82% in 2015.

### PUBLICATION PAPER AUSTRALASIA

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

Operating revenue in 2015 was NOK 3.4 billion and gross operating earnings were NOK 361 million. Capacity utilization in the segment Publication Paper Australasia was 91% in 2015.

## OTHER ACTIVITIES

Other activities mainly consist of Green Energy.

## PROFITABILITY IMPROVEMENTS, FINANCIAL POSITION AND THE GOING CONCERN ASSUMPTION

The market balance for publication paper in Europe is improved in 2016 compared to 2015, following capacity closures in the industry, which has contributed to high operating rates and better pricing across all publication paper grades. Recent announcements of further capacity closures and conversion projects in Europe, North America and Asia, is expected to support continued high operating rates in the industry. In Australasia, the domestic prices are stable with a considerable element of long term contracts, while Asian newsprint prices are benefitting from less exports from European and North American markets.

NOK depreciated through 2015 with a correlation to lower oil prices. Norske Skog Holding has one third of its total production capacity located in Norway and exports nearly all the volume in foreign currencies. Financially the group is thus net short NOK and benefits from a depreciation as an exporter. Lower oil prices influence energy markets in general, leading to reduced variable costs for the group. Fixed costs are expected to be at a lower level in 2016, reflecting cost initiatives through last year, which continue, and portfolio optimisation. The current portfolio of assets are among the best in Europe from an operational and cost perspective. This is expected to contribute to improved profitability for the group.

In the course of the challenging operating environment in 2015 and the impact this had on operating earnings and cash flow, the company has worked actively with financing solutions through the autumn of last year and the spring of 2016. The protection of value for all stakeholders, only possible with the group continuing as a going concern, was the overriding principle. To achieve this, the financing discussions focused on the needs of the company for deleveraging, maturity extension, a reduction in cash interest payments and improved operational liquidity.

At the end of March 2016 the subsidiary Norske Skog AS executed a New Securitization Facility (NSF) of EUR 100 million with GSO and Cyrus replacing previous NOK 250 million AR facility with Sparebank1. The NSF is secured by receivables and inventory of the mills of Norske Skog Saugbrugs AS and Norske Skog Skogn AS, the inventory of the mill of Norske Skog Golbey SAS and certain bank accounts. Beyond replacing the Sparebank1 facility, the proceeds from the NSF will exclusively be used to fund working capital and other operational liquidity needs for Norske Skog AS and the operating subsidiaries.

The group has initiated a number of liquidity generating initiatives including the divestment of the group's Tasman geothermal power. The



group has executed commitments for interim financing of up to €20 million in connection with the sale of the geothermal plant. Other liquidity generating initiatives includes to free up trapped cash in the group of up to EUR 10 million and liquidity available from optimization of working capital and existing factoring facilities. The group has factoring facilities with a total frame of around EUR 70 million of which currently 2/3 is utilised.

Following the redemption of 2016 notes on 15 June in the parent company Norske Skogindustrier ASA, the group will have no bond maturities until December 2019. This enables Norske Skog to concentrate all efforts in developing and improving its business units and continue work to restructure and consolidate the European publication paper industry. The board of directors will have a continuous focus on operational performance through 2016 and onwards. To date in 2016, the operating environment has continued to improve compared to last year. The board of directors are however fully aware of the inherent uncertainties with respect to operating environments, challenges for the world economy and risks for global financial turmoil.

The board of directors recognizes the challenging industry Norske Skog Holding operates in and the remaining high financial leverage of the group, and the exposures to various risks that could impact the financial performance, liquidity and equity. The factors are an inherent uncertainty when the board makes its assessments. The main risk exposures for the group are linked to uncertainty to price and volume developments for publication paper and the costs of key input factors such as energy and fibre. Weaker demand than expected for the group's products can impact profitability and associated cash flows in a negative way as well as uncertainty with regards to working capital movements and increased restrictions on cash balances. The group operates in a multicurrency environment, where the main currencies of importance for the business are EUR, GBP, USD and AUD. Currency movements between these currencies, as well as against NOK, may impact demand as well as prices and costs of key input factors. The business risk of the group is amplified by its high financial leverage. There is uncertainty with regards to the changes in the broader economic climate development and more adverse developments than expected may influence all of the above. The aforementioned risks may all impact on the operating plan for 2016. Nevertheless, the board of director's is confident that its assessment of the current and expected market conditions in 2016 is realistic given facts at hand.

Based on current knowledge with respect to the operational outlook, the improved liquidity of the group, both in the form of increased cash balances, reduced cash interest payments and extended bond maturities, and the improved group equity the board of directors is of the opinion that Norske Skog Holding is in an improved financial position for 2016 and going forward. However, given the challenging industry and that the level of equity at year end 2015 is inadequate the board of directors will continue working to improve all of the mentioned elements further.

In accordance with the provisions in the Norwegian Accounting Acts the board has assessed the going concern assumption as basis for preparing and presenting the financial statements. The board of directors has assessed the completed transactions as of this date as well as the likelihood of the completion other subsequent transactions, the uncertainty described above and the potential impact both on liquidity and equity and its importance for the going concern assumption. The board of directors has also considered the operating environment for the group and the industry in general going forward as these are reflected in the operating plan for 2016. The board of directors has further considered that the group is subject to many factors that are uncertain in nature and has evaluated these uncertainties in relation to the operations and operating environment when assessing the going concern assumption. Based on these considerations and reflecting inherent material uncertainties, also in relation to the application of the going concern assumption, the board of directors confirms that the assumption applies and that the financial statements have been prepared on the going concern basis.

## ORGANISATION

### BOARD OF DIRECTORS

Norske Skog Holding's board of directors consists of Rune Sollie (chair), Sven Ombudstvedt and Lars Sperre. The board is elected by the general meeting.

### EMPLOYEES

Norske Skog Holding had 2 515 employees at year end 2015. Norske Skog Holding AS has no employees.

### HEALTH AND SAFETY

Norske Skog Holding aims to have zero injuries among employees. Health and safety is a corporate responsibility, followed up by the individual business units. All near misses and injuries are reported in a global system. Experiences from every single incident are shared with the entire organisation. The H1-value, which represents lost-time injuries per million working hours, was 1.0 in 2015. Norske Skog had an absence rate due to sickness of 3,8% in 2015.



## RESEARCH AND DEVELOPMENT

Norske Skog Holding's research and development work is performed at the individual business units and in cooperation with external research institutions. The work is coordinated centrally, where the aim is to leverage synergies and best practices throughout the group. There is a continued focus on evolution of paper products to market expectations.

## GENDER EQUALITY, GENDER BALANCE AND DIVERSITY

The paper industry has traditionally had few female employees. The proportion of women in Norske Skog Holding has been stable at around 10% for many years. Norske Skog Holding AS's board of directors consists of three members elected by the shareholder. The group is aware of the increased diversity in the society and the impact this has on recruitment and work environment.

## COOPERATION PROJECTS

Norske Skog Holding and environmental foundation Bellona have signed a partnership agreement to create a more environmentally friendly supply chain. The collaboration aims to reduce the environmental impact of production, utilizing logs in a better way and commercializing production of bio energy and bio waste.

## RISK MANAGEMENT

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

The main risk exposures for the group are linked to price and volume developments for 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 influencing all of the above. The business risk of the group is amplified by its high financial leverage.

Norske Skog Holding's operations are predominantly production of publication paper in Europe and Australasia. Exposure to both newsprint and magazine paper grades give some product diversification. Business segments located on opposite sides of the world provide great geographical diversification. The growth initiatives launched last year will gradually diversify the group beyond publication paper.

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

Financial risk management includes currency and liquidity planning. Balance sheet volatility is mitigated by natural hedging, currency matching of debt and assets. Norske Skog Holding AS has issued bonds denominated in EUR and USD, replicating cash flows from the EUR based European market and USD based exports. The interest rates (coupons) on these bonds are fixed, providing predictability. Liquidity is ensured by sufficient cash balances, open credit lines linked to accounts receivables (AR) facilities at all times and the new financing agreement. Norske Skog carries out continuous efforts to ensure that it obtains the most competitive funding to the group, among other through obtaining the best possible current asset financing such as existing receivables financing.

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

Risk factors are further discussed in Notes 8 and 24 in the consolidated financial statements.

## ENVIRONMENT

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

## RESOURCES AND GREENHOUSE GAS EMISSIONS

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

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

Norske Skog Holding has determined to reduce its greenhouse gas emissions by 25% from 2006 to 2020. The reduction target includes direct



greenhouse gas emissions from paper production, and indirect emissions from purchased electricity and heat. The goal will be achieved through a combination of energy conservation and use of alternative energy sources.

## OUTLOOK FOR 2016

The market balance for publication paper in Europe is better in 2016 compared to last year, reflecting effects from capacity closures in the industry during 2015. This has led to high operating rates and improved pricing across all publication paper grades. The market balance is continuing to improve with recent announcements of capacity closures adding to the benefits experienced from closures last year. Reflecting closures and planned conversion projects out of publication paper in the industry, European operating rates for newsprint and LWC are expected to remain above 90% in both 2016 and 2017, after taking into account an expected secular decline in demand. This gives momentum to the positive pricing environment. The European SC market is gaining support from closures in North America. The Asian export market for newsprint, of increasing importance to Norske Skog Holding due to a smaller domestic market in Australasia, is encouraging with prices improving. There has also been announcements of capacity closures in Asia.

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 level of NOK 600 million per quarter by year end 2016 for the group.

The growth initiatives announced last year will start to contribute to gross operating earnings this year, and is expected to reach full run-rate contribution within a timeframe of 3-4 years.

Following the repayment of 2016 bonds and the completion of the exchange offer, equity and liquidity initiatives in spring 2016, debt has been reduced and extended, operational cash balances improved and cash interest payments reduced. This gives the company runway to benefit from a continued cyclical uptick and enable further work to restructure and consolidate the European publication paper industry.

## NORSKE SKOG HOLDING AS (THE PARENT COMPANY)

The activities of Norske Skog Holding AS consist of holding shares in Norske Skog AS and the company has no employees or operating activity of its own.

Net financial items amounted to NOK -1,720 million consisting of net interest costs of NOK 162 million and negative currency effects of NOK -33 million. Income taxes is related to deferred tax. In the first quarter of 2015 a net gain of NOK 368 million was recognized following the completion of the refinancing in February and is included in financial income. In addition net financial items included a write down of share in subsidiaries of NOK 1 893 million. Net loss for the year was NOK 1.8 billion.

Total assets were NOK 7.2 billion at 31 December 2015 and total non-current assets were NOK 6.7. Total current assets were NOK 0.6 billion at 31 December 2015.

Total non-current liabilities were NOK 1.7 billion at 31 December 2015. Net interest-bearing debt amounted to NOK 1.7 billion at 31 December 2015. The debt denominated in EUR and US increased during the year from the depreciation of the Norwegian krone. Current liabilities were NOK 117 million at 31 December 2015.

Net cash flow from operating activities in the company was negative with NOK 59 million related to interest payments. Cash from financing activities, primarily from the issuance of SSNs and change in intercompany debt was NOK 59 million.

The share capital of Norske Skog Holding AS at 31 December 2015 was NOK 300 000 000 and consisted of 30 000 shares, each with a nominal value of NOK 10 000. The share capital was initially NOK 30 000 when the company was founded. The share capital was increased in a private in-kind placement against the company's shareholder, Norske Treindustrier AS, 14 January 2015. The capital increase was made by increasing the nominal amount of each share from NOK 1 to NOK 10 000. The increase in share capital amounted in total to NOK 299 970 000, in addition to an increase in share premium of NOK 6 869 030 000. A private placement against Norske Treindustrier AS was carried out as consideration for the contribution in-kind. The contribution in-kind consisted of a combination of shares in operating subsidiaries and receivables from the sale of operating subsidiaries to Norske Skog Holding AS from Norske Treindustrier AS. Furthermore, all the shares in the operating subsidiaries were used as contribution in-kind or sold to the fully owned subsidiary Norske Skog AS.

Equity was NOK 5.4 billion at 31 December 2015. Equity per share was NOK 179 682 at 31 December 2015. Norske Skog Holding AS has at 31 December 2015 distributable equity of NOK 5 090 million.

As described above the board of directors recognizes the challenging industry Norske Skog Holding operates in and the remaining high financial leverage in Norske Skog Holding AS and the exposures to the groups various risks that could impact the financial performance, liquidity and equity in the parent company. The risk factors described for the group are also relevant for Norske Skog Holding AS. Furthermore, in its capacity intermediate holding company of the group, Norske Skog Holding AS is also exposed to the risks of funding from the cash



generating operations being available for the company when required by way of intragroup loans or other capital transactions such as dividends. The business risk of the company is impact by its high financial leverage which is exposed too currency developments in EUR and USD against NOK.

LOSS ALLOCATION

The net profit for the year for Norske Skog Holding AS (the parent company) in 2015 was NOK 1 779 million which has been allocated in its entirety to other paid-in equity.

Oslo, 20 June 2016

Rune Sjølie  
Chair

Sven Olufsdal  
Board member

Lars Spævre  
Board member



## CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	2015
Operating revenue	3	11 130
Distribution costs		-1 217
Cost of materials		-6 577
Change in inventories		47
Employee benefit expenses	12	-1 686
Other operating expenses	14	-879
<b>Gross operating earnings</b>		<b>818</b>
Depreciation	4	-754
Restructuring expenses	20	-49
Other gains and losses	16	5
Impairments	4	0
<b>Operating earnings</b>		<b>19</b>
Share of profit in associated companies	19	-23
Financial income	5	411
Financial expenses	5	-746
Net unrealised/realised gains/losses on foreign currency	5	-332
<b>Profit/loss before income taxes</b>		<b>-671</b>
Income taxes	17	-533
<b>Profit/loss</b>		<b>-1 204</b>
<b>Profit/loss attributable to:</b>		
Owners of the parent		-1 204
Non-controlling interests	21	0
Basic/diluted earnings per share (NOK)	22	-40 122



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

NOK MILLION		2015
Profit/loss		-1 204
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation differences		197
Tax expense on translation differences		0
Other items		0
Total		197
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Remeasurements of post employment benefit obligations		6
Tax effect on remeasurements of post employment benefit obligations		-4
Total		2
Other comprehensive income		199
Comprehensive income		-1 005
Comprehensive income attributable to:		
Owners of the parent		-1 005
Non-controlling interests	21	0



CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	31.12.2015
<b>Assets</b>		
Deferred tax asset	17	0
Intangible assets	4	17
Property, plant and equipment	3, 4	8 570
Investments in associated companies	19	374
Other non-current assets	10	2 622
<b>Total non-current assets</b>		<b>11 583</b>
Inventories	3, 18	1 253
Trade and other receivables	10	2 479
Cash and cash equivalents	8	271
Other current assets	13	94
<b>Total current assets</b>		<b>4 097</b>
<b>Total assets</b>		<b>15 681</b>
<b>Shareholders' equity and liabilities</b>		
Paid-in equity		7 169
Retained earnings and other reserves	22	-1 750
Non-controlling interests	21	0
<b>Total equity</b>		<b>5 419</b>
Pension obligations	13	232
Deferred tax liability	17	619
Interest-bearing non-current liabilities	5, 11, 18	6 003
Other non-current liabilities	18	531
<b>Total non-current liabilities</b>		<b>7 485</b>
Interest-bearing current liabilities	11, 18	536
Trade and other payables	18	1 878
Tax payable	17	66
Other current liabilities	18	295
<b>Total current liabilities</b>		<b>2 775</b>
<b>Total liabilities</b>		<b>10 262</b>
<b>Total equity and liabilities</b>		<b>15 681</b>

SKØYEN, 20 JUNE 2016 – THE BOARD OF DIRECTORS OF NORSKE SKOG HOLDING AS

Rune Solli  
Chair

Sven Ombudstvedt  
Board member

Lars Spørre  
Board member



CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	PAID-IN EQUITY	RETAINED EARNINGS	OTHER EQUITY RESERVES	TOTAL BEFORE NON- CONTROLLI NG INTERESTS	NON- CONTROLLI NG INTERESTS	TOTAL EQUITY
Opening balance per incorporation 5 November 2014	0	0	0	0	0	0
Contribution in kind 14 January 2015	7 169	-845	0	6 524	0	6 524
Profit/loss	0	-1 204	0	-1 204	0	-1 204
Group contributions	0	-100		-100	0	-100
Other comprehensive income	0	0	199	199	0	199
Equity 31 December 2015	7 169	-1 949	199	5 419	0	5 419



## CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	NOTE	2015
<b>Cash flow from operating activities</b>		
Cash generated from operations		10 872
Cash used in operations		-10 284
Cash flow from currency hedges and financial items		-20
Interest payments received	5	50
Interest payments made	5	-521
Taxes paid		-9
<b>Net cash flow from operating activities</b>	3	<b>88</b>
<b>Cash flow from investing activities</b>		
Purchases of property, plant and equipment and intangible assets	3, 4	-179
Sales of property, plant and equipment and intangible assets		2
Dividend received		0
Purchase of shares in companies and other financial payments		-1
Sales of shares in companies and other financial payments		3
<b>Net cash flow from investing activities</b>		<b>-174</b>
<b>Cash flow from financing activities</b>		
New loans raised		2 614
Repayments of loans		-305
New equity		0
Change in intercompany balance with group		-1 969
<b>Net cash flow from financing activities</b>		<b>340</b>
Foreign currency effects on cash and cash equivalents		18
<b>Total change in cash and cash equivalents</b>		<b>271</b>
Cash and cash equivalents per incorporation 5 November 2014		0
Cash and cash equivalents 31 December		271



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Norske Skog Holding AS ("the company") and its subsidiaries (together "the group") manufacture, distribute and sell publication paper. This includes newsprint and magazine paper. The group has eight fully and partly owned mills in six countries.

Norske Skog Holding AS is incorporated in Norway and has its head office at Skøyen outside of Oslo. Norske Skog Holding AS was founded 5 November 2014 and became owner of the operating entities (business units and sales offices) from the beginning of 2015. The consolidated financial statements covers the calendar year 2015 and were authorised for issue by the board of directors in Norske Skog Holding AS on 20 June 2016.

The consolidated financial statements are prepared and presented in accordance with International Financial Reporting Standards (IFRS). They have been prepared under the assumption of going concern. With respect to the material uncertainties assessed in that connection, please refer to Note 8, subsection Going concern, liquidity and capital risk management. The annual financial statements are presented in English only.

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

The table below shows the average un-weighted monthly foreign exchange rates applied in the income statement (2015) and the closing exchange rates (31 December 2015) applied in the balance sheet for the most important currencies for the Norske Skog Holding AS group.

	Income statement	Balance sheet
	2015	31.12.2015
AUD	6.06	6.45
EUR	8.94	9.62
GBP	12.32	13.07
NZD	5.63	6.04
USD	8.06	8.81



## 2. ACCOUNTING POLICIES

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

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

### Business Combinations

#### Acquisitions in 2015

In January 2015, the Norske Skog Holding AS group acquired 100% of the voting shares of the operating mills in the Norske Skog group and Normews AS. Norske Skog Holding AS group acquired 100% of the shares in Norske Skog Bruck GmbH, Norske Skog Skogn AS, Norske Skog Saugbrugs AS, Norske Skog Golbey SA, Norske Skog Industries Australia Ltd. (owns 100% of the shares in Norske Skog Paper Mills (Australia) Ltd and Norske Skog Tasman Ltd.) and Norske Skog Papers (Malaysia) Sdn Bhd (owns 33.3% of the shares in Malaysian Newsprint Industries Sdn Bhd). Normews AS is the owner of all the European sales companies. All the operating mills in the group are producing publication paper (newsprint and magazine paper). The Norske Skog AS group acquired the mills and the European sales companies as part of the restructuring of the Norske Skog group in connection with the refinancing conducted during first quarter 2015.

#### Accounting treatment of the business combinations

All the entities involved in the business combinations were previously part of the group accounts (Norske Skog group) for the ultimate parent company Norske Skogindustrier ASA. As this was a business combination of entities under common control, the carrying value of the assets and liabilities in the Norske Skog group consolidated financial statements were carried forward. Revenues and expenses are included from the acquisition date. Financial information for periods prior to the business combination under common control has not been restated.

### Consolidation

#### a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Norske Skog Holding AS group and its subsidiaries as at 31 December 2015. Control is achieved when the Norske Skog Holding AS group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Norske Skog Holding AS group controls an investee if, and only if, the Norske Skog Holding AS group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the group has less than a majority of the voting or similar rights of an investee, the Norske Skog Holding AS group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Norske Skog Holding AS group's voting rights and potential voting rights

The Norske Skog Holding AS group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Norske Skog Holding AS group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the group gains control until the date the group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Norske Skog Holding AS group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

#### b) Associates

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

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

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



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

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

## **Segment reporting**

### **Reportable segments**

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

Activities that are not part of the operating segments are included in other activities. During 2015 green energy, including Nature's Flame, has been included in other activities. Nature's Flame is a New Zealand based wood pellets producer, acquired in June 2015.



## Accounting policies applied in the segment reporting

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

## Performance measurement

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

## Intercompany transactions

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

## Foreign currency translation

### a) Functional and presentational currency

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

### b) Transactions and balances

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within Financial income/Financial expenses.

### c) Group companies

The results and financial position of all group entities which have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- ii. Income and expenses for each income statement are translated at average exchange rates,
- iii. All resulting exchange differences are booked to comprehensive income and presented in other equity reserves.

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

## Property, plant and equipment

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

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

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

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

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

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



## Biological assets

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

## Intangible assets

### a) Goodwill

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

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

### b) Patents and licenses

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

### c) Computer software

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

## Impairment of non-financial assets

Intangible assets, which have an indefinite useful life, for example goodwill, are not subject to amortisation, but are tested annually for impairment. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which cash flows are separately identifiable (cash-generating units). At each balance sheet date, the possibility of reversing impairment losses in prior periods is evaluated (except for goodwill).

## Non-current assets (or disposal groups) held for sale

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

## Financial assets

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

### a) Financial assets at fair value through profit or loss

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

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

### b) Loans and receivables

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



## c) Available-for-sale financial assets

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

## Derivatives and hedging

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

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

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

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

### a) Net investment hedge

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

### b) Derivatives at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognised in the income statement.

The fair value of quoted investments is based on the current market price. If the market for a financial asset is not active, the group applies valuation techniques to establish the fair value. These include the use of recent arm's length transactions, reference to other instruments which are substantially the same, and discounted cash flow analyses defined to reflect the issuer's specific circumstances. Fair value includes the impact of credit risk and the adjustment for credit risk is dependent on whether the derivative is in the money (asset) or out of the money (liability). Credit value adjustment is applied to assets positions based on credit risk associated with the counter-party. Debit value adjustment is (from 2015) applied to liability positions, based on Norske Skog's own credit risk.

## Shares, bonds, certificates, bills, etc.

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

## Cash and cash equivalents

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

## Inventory

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

## Trade receivables

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



## Trade payables

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

## Borrowings

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

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

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

## Bond loans

Amounts above or below amortised costs upon buy-back are recognised in the income statement in the same period the buy-back occurs.

## Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

## Current and deferred income tax

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

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

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

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

## Pension obligations, bonus arrangements and other employee benefits

### a) Pension obligations

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

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

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

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

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

### b) Share-based remuneration

A long-term incentive plan was launched in 2014. The plan targets a positive share price development over a three-year period from 2014 to 2017 and allows the board to grant synthetic share options to the corporate management and other key employees,



including managing directors of the Norwegian business units. During the vesting period, the liability recognised at each reporting date is the IFRS 2 fair value of the award at that date multiplied by the expired portion of the vesting period. See also Note 12.

#### c) Bonus arrangements

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

#### Provisions

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

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

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

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

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

#### Revenue recognition

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

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

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

- "D" terms, where the group delivers the goods to the purchaser at the agreed destination, usually the purchaser's premises. The point of sale is when the goods are delivered to the purchaser. If the customer is invoiced before delivery of the goods purchased, revenue is only recognised if the customer has taken over a significant part of the gain and loss potential related to those goods.
- "C" terms, where the group arranges and pays for the external transport of the goods, but the group no longer bears any responsibility for the goods once they have been handed over to the transporter in accordance with the terms of the contract. The point of sale is when the goods are handed over to the transporter contracted by the seller.
- "F" terms, where the purchaser arranges and pays for the transport. The point of sale is when the goods are handed over to the transporter contracted by the purchaser.

#### Dividend income

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

#### Interest income

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

#### Leases

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

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



## Government grants

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

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

## Emission Rights

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

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

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

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

## New and amended interpretations and standards adopted by the group

The group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2015, they did not have a material impact on the annual consolidated financial statements of the group. The nature and the impact of each new standard or amendment is described below:

### Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Norske Skog Holding AS group, since none of the entities within the group has defined benefit plans with contributions from employees or third parties.

### Annual improvements 2010-2012 Cycle

With the exception of the improvement relating to IFRS 2 *Share-based Payment* applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The group has applied these improvements for the first time in these consolidated financial statements. They include:

#### IFRS 2 *Share-based Payment*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions that are vesting conditions. The clarifications are consistent with how the Norske Skog Holding AS group has identified any performance and service conditions that are vesting conditions in previous periods.

#### IFRS 8 *Operating Segments*

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities

The Norske Skog Holding AS group has applied the aggregation criteria in IFRS 8.12. See further information with respect to application of the aggregation criteria in Note 3. The group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in Note 4 in this period's financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of her decision-making.

#### IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the Norske Skog Holding AS group during the current period.



## IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Norske Skog Holding AS group, as it does not receive any management services from other entities.

## IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

The Norske Skog Holding AS group is not a joint arrangement, and thus this amendment is not relevant for the group and its subsidiaries.

## IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Norske Skog Holding AS group does not apply the portfolio exception in IFRS 13.

## New standards, interpretations and amendments to existing standards not yet adopted by the group

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016. None of these has been early adopted in 2015. New standards and amendments that are expected to have an impact on the consolidated financial statements are listed below:

### IFRS 9 Financial instruments

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The standard is mandatory for annual periods beginning 1 January 2018 or later. The group has not fully assessed the impact of the adoption of IFRS 9 but at the current stage, no material impacts have been identified.

### IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer loyalty programmes. The standard is mandatory for annual periods beginning 1 January 2018 or later. A final analysis of the consequences of IFRS 15 has not yet been completed, but the initial assessment have not identified any material impacts.

### IFRS 16 Leases

IFRS 16 Leases replaces existing IFRS leases requirements, IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new leases standard requires lessees to recognise assets and liabilities for most leases, which is a significant change from current requirements. For lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The group has not yet assessed the implications on the consolidated financial statements.

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

## Important accounting estimates and assumptions

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

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

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

New interpretations, pronouncements or practices that changes the way these requirements are applied in Norske Skog Holding AS may have significant impact on the company's financial statements.

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



The group performs impairment tests to assess whether there has been a decline in the value of intangible assets and PPE. See Note 4 for further information.

**c) Annual assessment of the remaining economic life of PPE**

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

**d) Provision for future environmental obligations**

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

**e) Residual value and dismantling provision**

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

**f) Fair value of derivatives and other financial instruments**

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

**g) Deferred tax assets**

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

**h) Pensions**

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



## 3. OPERATING SEGMENTS

### Reportable segments

Norske Skog Holding AS group is a producer of publication paper. Publication paper includes newsprint and magazine paper. Newsprint encompasses standard newsprint and other paper qualities used in newspapers, inserts, catalogues, etc. These paper qualities, measured in grammes per square meter, will normally be in the range 40-57 g/m<sup>2</sup>. Magazine paper encompasses the paper qualities super calendered (SC), machine finished coated (MFC) and light weight coated (LWC). These paper qualities are used in magazines, periodicals, catalogues and brochures.

At the end of 2015, Norske Skog Holding AS group had eight fully or partly owned paper mills in six countries. One of the mills produce only magazine paper, two produces both magazine paper and newsprint and five mills produce newsprint only.

The activities of the Norske Skog Holding AS 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 Holding AS group 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 Europe

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.

### Publication paper Australasia

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

### Other activities

Activities in the group that do not fall into the operating segments publication paper Europe or publication paper Australasia are presented under other activities. This includes corporate functions, energy (commodity contracts and embedded derivatives in commodity contracts) and other holding company activities. During 2015 green energy, including Nature's Flame, has been included in other activities. Nature's Flame is a New Zealand based wood pellets producer, acquired in June 2015.

### Revenues and expenses not allocated to operating segments

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

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

### Major customers

Norske Skog Holding AS group had a total sales volume of newsprint and magazine paper of 2 356 000 tonnes in 2015, of which sales to the group's largest customer constituted approximately 280 000 tonnes. Total sales volume in 2015 of newsprint and magazine paper to the five largest customers in Europe and Australasia amounted to approximately 310 000 and 500 000 tonnes respectively.



## OPERATING REVENUE AND EXPENSES PER OPERATING SEGMENT

2015	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	7 688	3 422	20	0	11 130
Distribution costs	-814	-400	-4	0	-1 217
Cost of materials	-4 674	-1 894	-9	0	-6 577
Change in inventories	29	15	2	0	47
Employee benefit expenses	-1 166	-515	-2	0	-1 686
Other operating expenses	-603	-267	-9	0	-879
<b>Gross operating earnings</b>	<b>458</b>	<b>361</b>	<b>-2</b>	<b>0</b>	<b>818</b>
Depreciation	-414	-339	-2	0	-754
Restructuring expenses	-31	-17	0	0	-49
Other gains and losses	7	-9	6	0	5
Impairments	0	0	0	0	0
<b>Operating earnings</b>	<b>20</b>	<b>-4</b>	<b>3</b>	<b>0</b>	<b>19</b>
Share of operating revenue from external parties (%)	100	100	100		100

## OPERATING REVENUE PER MARKET

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

	2015
Norway	258
Rest of Europe	6 385
North America	582
South America	148
Australasia	2 880
Asia	649
Africa	228
<b>Total</b>	<b>11 130</b>



## NET CASH FLOW FROM OPERATING ACTIVITIES

	2015
Publication paper Europe	432
Publication paper Australasia	172
Other activities	-16
<b>Total cash flow allocated to segments</b>	<b>587</b>
Cash from net financial items	-491
Taxes paid	-9
<b>Net cash flow from operating activities</b>	<b>88</b>

## PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	2015
Publication paper Europe	84
Publication paper Australasia	70
Other activities	25
<b>Total</b>	<b>179</b>

## PROPERTY, PLANT AND EQUIPMENT PER GEOGRAPHICAL REGION

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

	31.12.2015
Norway	2 498
Rest of Europe	2 170
Australasia	3 545
Activities not allocated to regions	358
<b>Total</b>	<b>8 570</b>

## INVENTORIES

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

	31.12.2015
Publication paper Europe	810
Publication paper Australasia	431
Other activities	13
<b>Total</b>	<b>1 253</b>



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

INTANGIBLE ASSETS	LICENSES AND PATENTS	OTHER INTANGIBLE ASSETS	TOTAL
Historical acquisition cost from new companies	131	77	208
Additions	0	0	0
Disposals	-4	0	-4
Reclassified from plant under construction	1	2	3
Currency translation differences	5	5	10
<b>Acquisition cost 31 December 2015</b>	<b>133</b>	<b>84</b>	<b>217</b>
Historical accumulated depreciation from new companies	123	67	190
Depreciation	0	1	1
Disposals	0	0	0
Currency translation differences	5	4	9
<b>Accumulated depreciation and impairments 31 December 2015</b>	<b>128</b>	<b>72</b>	<b>200</b>
<b>Carrying value 31 December 2015</b>	<b>5</b>	<b>12</b>	<b>17</b>

Licenses, patents and other intangible assets are depreciated over a period from five to 20 years.

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

PROPERTY, PLANT AND EQUIPMENT	BIOLOGICAL ASSETS	MACHINERY AND EQUIPMENT	LAND AND BUILDINGS	FIXTURES AND FITTINGS	PLANT UNDER CONSTRUCTION	TOTAL
Historical acquisition cost from new companies	306	29 688	6 497	467	587	37 545
Additions	0	27	14	1	142	184
Disposals	0	-178	-18	0	0	-196
Reclassified from plant under construction	14	500	13	7	-537	-3
Currency translation differences	19	1 170	216	27	29	1 461
<b>Acquisition cost 31 December 2015</b>	<b>339</b>	<b>31 207</b>	<b>6 722</b>	<b>502</b>	<b>221</b>	<b>38 991</b>
Historical accumulated depreciation from new companies	140	23 587	4 530	427	45	28 729
Depreciation	0	594	150	9	0	753
Value changes	6	0	0	0	0	6
Disposals	0	-177	-18	0	0	-195
Currency translation differences	9	939	156	24	0	1 128
<b>Accumulated depreciation and impairments 31 December 2015</b>	<b>155</b>	<b>24 943</b>	<b>4 818</b>	<b>460</b>	<b>45</b>	<b>30 421</b>
<b>Carrying value 31 December 2015</b>	<b>184</b>	<b>6 264</b>	<b>1 904</b>	<b>42</b>	<b>176</b>	<b>8 570</b>

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

The difference between total additions in the table above and purchases of property, plant, equipment and intangible assets in the consolidated statement of cash flows is due to capitalised allocated emission allowances, finance leases, capitalised borrowing costs and accruals for payments. There was none capitalised borrowing cost capitalised during 2015.

Disposals in 2015 were primarily related scrapping of fully depreciated assets that no longer have any technical values.

#### Non-current assets held for sale

Norske Skog Holding AS group did not have any non-current assets held for sale at 31 December 2015.



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

##### Assumptions applied when calculating the recoverable amount

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

Norske Skog Holding AS group's composition of cash-generating units were reviewed in connection with the revision of its segment structure in 2014. The composition of cash-generating units is aligned with the structure in the internal management reporting system in the Norske Skog Holding AS group. Publication paper Europe and publication paper Australasia represent the two business systems and the products (Newsprint and Magazine paper) that the group is focusing on in its communication with customers, suppliers, employees and the financial market. The basis for the chosen composition of cash-generating units reflects both market and industrial fundamentals for publication paper, and the way Norske Skog Holding AS group follows up the mills operationally and financially. The different mills within the two business systems works together to generate cash inflows. Reflecting customer substitution between different Newsprint and Magazine paper grades it is not operationally meaningful to distinguish at the product level.

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

Cash flow is calculated individually for each mill. The production machines have a long technical life, while useful lives are linked to industry cost curves and the size of the market. The estimated remaining useful life of the individual paper machines forms the basis for determining the length of the cash flow period. Estimated useful life for the individual paper machines in the group varies from one to 19 years. Sales volumes develop in accordance with the useful lives of the different paper machines in the group. Norske Skog Holding AS group has modelled the cash flows throughout the useful life of the paper machines. The model assumes that the Norske Skog Holding AS group closes capacity in line with the secular decline in market demand. The timing of capacity closures follow from RISI cost curve positioning and RISI market demand projections. RISI is the leading global source for forest products information and data. ([www.risi.com](http://www.risi.com))

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

When calculating value in use at the end of 2015, the discount rate after tax (WACC) was 7.3% for Norway, 7.2% for France, 6.5% for Austria, 8.1% for Australia, 8.6% for New Zealand and 11.4% for Malaysia. The reason for differences in discount rates are different interest rate levels and country specific risks.

Three explicit scenarios for the group's current asset portfolio are considered in detail "Reactive", "Proactive" and "Consolidated". One scenario is backward looking, assuming a return to 2015 prices levels and cash negative margins as observed in the industry in last year (15% weight). The middle scenario assumes a cyclical uptick with prices above cash cost (50% weight), while the third scenario considers the effects from a consolidation of the industry (35% weight). Through interpolation between the three scenarios, all possible future scenarios are implicitly taken into account. The probability weighting of the three scenarios is in Norske Skog Holding AS group's view approached logically based on rational economic behaviour. The clearly most rational for the industry is to consolidate, while the reactive scenario is unsustainable given prices below cash cost of production, as observed last year. It follows the least rational scenario is less probable than the most rational scenario. The current market environment, proactive scenario, is given the highest probability weight reflecting the reality of the scenario, supported from announced closures of less competitive assets in the industry and the fact the scenario is sustainable, albeit with margins remaining below competitive returns on invested capital due to sunk cost investments. The probabilities applied are, "Reactive" 15%, "Proactive" 50% and "Consolidated" 35%. The impairment model is based on budget figures for 2016, which are different from reported figures for 2015. The budget for 2016 assumes better margins, compared to 2015, for the Norske Skog Holding AS group reflecting contracted higher prices and lower costs in addition to favourable currency levels.

The key drivers of profitability in the industry and thus asset values for Norske Skog Holding AS group are product prices relative production costs. The starting point in all scenarios are the 2016 budget prices and costs. The 2016 budget prices are on average below 2016 RISI price estimates. Contracted prices/costs are reflect when applicable. For 2017 "Reactive" assumes prices decline back to 2015 trough levels, "Proactive" assumes a modest continuation of the cyclical uptick experienced in 2016 with higher contract price and lower costs. "Consolidated" considers cost synergies and sales mix optimization from 2018. Beyond that, all model drivers are nominally extrapolated for all mills in all scenarios.

##### Sensitivity to estimates of recoverable amount

The estimation of recoverable amount is based on assumptions regarding the future development of several factors. These include price development for finished goods, sales volumes, currency rates and interest rates. This means that there will be uncertainty when it comes to the outcome of these calculations. In relation to the assumptions made in the calculation of the present value of future cash flows, recoverable amount is most sensitive to changes in prices of finished goods, sales volumes and the discount rate used. Given the assumptions outlined above, there is no impairment indication for fully owned assets. A partial sensitivity analysis would result in the following impairment indications. The sensitivities are applied in all scenarios throughout the forecasting period. Prices -5% impairment indication NOK 800 million, volume -5% impairment indication NOK 100 million, WACC +1% impairment indication NOK 100 million, NOK appreciation 5% no impairment indication.



### Property, plant and equipment allocated to cash-generating units

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

	MACHINERY AND EQUIPMENT	LAND AND BUILDINGS
Publication paper Europe	3 039	1 526
Publication paper Australasia	3 210	368
Other activities	14	10
<b>Carrying value 31 December 2015</b>	<b>6 263</b>	<b>1 904</b>

### Expected useful life

Norske Skog Holding AS group has conducted sensitivity analyses with respect to changes in expected useful life of the group's paper machines. If the expected useful life of all the group's paper machines is reduced by one year, the annual depreciation charge will increase by around NOK 60 million.

In connection with the year-end closing process for 2015, Norske Skog Holding AS group performed a review of the expected remaining useful lives of PPE. Reflecting a tissue conversion project of the newsprint site at Norske Skog Bruck, the expected useful life for the light weight coated (LWC) machine (PM4) was extended and the expected useful life of the newsprint (PM3) reduced. The carrying value 31 December 2015 of PM3 is significantly lower than the carrying value of PM4. The useful life of all other machines were reduced by one year, one year on. The reduction in useful life has a negative impact on the estimated recoverable amount of the mills. As the level of depreciation in 2015 by far exceeded purchases of PPE and the mentioned extension in useful life for the LWC machine at Bruck, the future annual depreciation amount is expected to decrease.



## 5. FINANCIAL ITEMS

FINANCIAL ITEMS	NOTE	2015
<b>Financial income</b>		
Dividends received		1
External interest income		5
Interest income from group companies <sup>1)</sup>		38
Gains from exchange of bonds		368
<b>Total</b>		<b>411</b>
<b>Financial expenses</b>		
External interest expense		-526
Interest expense from group companies <sup>1)</sup>		-138
Other financial expenses		-82
<b>Total</b>		<b>-746</b>
Realised/unrealised gains on foreign currency		-332
<b>Financial items</b>		<b>-667</b>

<sup>1)</sup> Intercompany interest is calculated based on a standard margin, adjusted where necessary to reflect local market conditions and transfer pricing principles.



## 6. MORTGAGES

	31.12.2015
<b>Loans secured by mortgages on property</b>	
EUR 290 million Senior Secured Bond Facility	2 790
Other mortgage debt	148

On 24 February 2015, Norske Skog completed the refinancing of a portion of its bond maturities through the issuance of EUR 290 million senior secured bond facility maturing in December 2019. The security package comprises a first-ranking security interest in the property, plant and machinery in our mills Albury and Boyer in Australia and Tasman in New Zealand, together with pledges over bank accounts, inventory, certain receivables and other assets in Australia and New Zealand. In addition, the security package includes a first-ranking security interest in all shares of and guarantees from Norske Skog Bruck GmbH, Norske Skog Golbey SAS, Norske Skog Industries Australia Limited, Norske Skog (Australasia) Pty Limited, Norske Skog Paper Mills (Australia) Limited, Norske Skog Saugbrugs AS, Norske Skog Skogn AS and Norske Skog Tasman Limited and a share capital security of Norske Skog Treindustrier AS, Norske Skog Walsum GmbH and Lysaker Invest AS. The remaining other mortgage debt is two facilities secured by land and forest areas taken up at Norske Skog Boyer in Australia.



## 7. FINANCIAL INSTRUMENTS

### CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

			FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE-FOR-SALE FINANCIAL ASSETS	NON-FINANCIAL ASSETS	
31.12.2015	NOTE	LOANS AND RECEIVABLES				TOTAL
Other non-current assets	10	18	259	2 346	0	2 622
Trade and other receivables	10	2 422	0	0	56	2 479
Cash and cash equivalents		271	0	0	0	271
Other current assets	18	67	27	0	0	94
<b>Total</b>		<b>2 778</b>	<b>286</b>	<b>2 346</b>	<b>56</b>	
			FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES AT AMORTISED COST	NON-FINANCIAL LIABILITIES	TOTAL
Interest-bearing non-current liabilities	11, 18		0	6 003	0	6 003
Interest-bearing current liabilities	11, 18		0	536	0	536
Other non-current liabilities	18		307	0	324	631
Trade and other payables	18		0	1 878	0	1 878
Other current liabilities	18		74	51	171	296
<b>Total</b>			<b>382</b>	<b>8 468</b>	<b>495</b>	

### FAIR VALUE MEASUREMENT HIERARCHY FOR FINANCIAL ASSETS AND LIABILITIES

The table below classifies financial assets and liabilities instruments measured in the balance sheet at fair value, by valuation method. The different valuation methods are described as levels and are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability are not based on observable market data (i.e. unobservable inputs).



31.12.2015	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
Derivatives	28	28	0	0	28
Commodity contracts	231	231	0	0	231
Miscellaneous other non-current assets	2 363	2 363	0	0	2 363
<b>Other non-current assets</b>	<b>2 622</b>	<b>2 622</b>	<b>0</b>	<b>0</b>	<b>2 622</b>
Accounts receivable	1 091	1 091	0	0	1 091
Other receivables	1 332	1 332	0	0	1 332
Prepaid VAT	56	56	0	0	56
<b>Trade and other receivables</b>	<b>2 479</b>	<b>2 479</b>	<b>0</b>	<b>0</b>	<b>2 479</b>
Cash and cash equivalents	271	271	0	0	271
Derivatives	3	3	0	0	3
Commodity contracts	24	24	0	0	24
Current investments	67	67	0	0	67
<b>Other current assets</b>	<b>94</b>	<b>94</b>	<b>0</b>	<b>0</b>	<b>94</b>
Interest-bearing non-current liabilities <sup>1)</sup>	6 003	4 315	0	2 660	1 655
Interest-bearing current liabilities	536	536	0	0	536
<b>Total interest-bearing liabilities</b>	<b>6 539</b>	<b>4 851</b>	<b>0</b>	<b>2 660</b>	<b>2 191</b>
Derivatives	269	269	0	0	269
Commodity contracts	38	38	0	18	20
Non-financial non-current liabilities	324	324	0	0	324
<b>Other non-current liabilities</b>	<b>631</b>	<b>631</b>	<b>0</b>	<b>18</b>	<b>613</b>
Accounts payable	1 042	1 042	0	0	1 042
Other payables	836	836	0	0	836
<b>Trade and other payables</b>	<b>1 878</b>	<b>1 878</b>	<b>0</b>	<b>0</b>	<b>1 878</b>
Derivatives	54	54	0	0	54
Commodity contracts	20	20	0	18	2
Non-financial current liabilities	221	221	0	0	221
<b>Other current liabilities</b>	<b>296</b>	<b>296</b>	<b>0</b>	<b>18</b>	<b>278</b>

<sup>1)</sup>The fair value of foreign bonds (Interest-bearing liabilities) (Level 2) is assessed by using price indications from banks at the reporting date. There is some uncertainty associated with the calculated fair value of Level 3 interest-bearing liabilities. The fair value of non-current bank loan debt (Level 3) is based on cash flows discounted using the swap rate, plus the credit default swap (CDS). The fair value calculation on other interest-bearing liabilities (Level 3) is based on acknowledged valuation principles according to IFRS, but is not necessarily an estimate of the amount the group would have to cover if it were to repay all its debt to all lenders.

The fair values of cash and cash equivalents, trade receivables and other receivables, other assets, trade payables and other payables and other current liabilities remain largely consistent with the book value due to the short maturities of such positions. The fair value of derivatives and commodity contracts is described in Note 9.



## 8. FINANCIAL RISK AND HEDGE ACCOUNTING

### FINANCIAL RISK FACTORS

Norske Skog Holding AS group is exposed to various financial risk factors through the group's operating activities, including market risk (interest rate risk, currency risk and commodity risk), liquidity risk and credit risk. Norske Skog Holding AS group seeks to minimise losses and volatility on the group's earnings caused by adverse market movements. Moreover, Norske Skog Holding AS group monitors and manages financial risk based on internal policies and standards set forth by corporate management and approved by the board of directors. These written policies provide principles for the overall risk management as well as standards for managing currency risk, interest rate risk, credit risk, liquidity risk and the use of financial derivatives and non-derivative financial instruments. Compliance with policies and standards is continuously monitored. There were no breaches of these policies during 2015.

### Market Risk

#### a) Interest rate risk

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

INTEREST-BEARING ASSETS AND LIABILITIES	31.12.2015		
	FLOATING	FIXED	TOTAL
Interest-bearing liabilities	706	4 348	5 055
Interest-bearing assets	-271	0	-271
Net exposure	435	4 348	4 783

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

#### Interest rate sensitivity analysis

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

- Floating rate debt is exposed to changes in market interest rates, i.e. the interest costs or interest income associated with such instruments will fluctuate based on changes in market rates. These changes are accounted for in the sensitivity analysis. The result is based on the assumption that all other factors are kept constant.
- Changes in market rates on fixed rate debt will only affect the income statement if they are measured at fair value. Thus, fixed rate instruments recognised at amortised cost will not represent an interest rate risk as defined by IFRS 7. Such instruments will therefore not have any influence on the sensitivity analysis.
- Results are presented net of tax, using the Norwegian statutory tax rate of 27%.

The interest rate sensitivity analysis is based on a parallel shift in the yield curve for each relevant currency to which Norske Skog is exposed. Following a 50 basis point downward/upward parallel shift in the yield curve in all interest rate markets to which Norske Skog is exposed, net earnings would have been NOK 2 million higher/lower at 31 December 2015. Change in net interest payments accounts for NOK 2 million, and the total change in market values of derivatives carried at fair value through profit or loss accounts for NOK 0 million.

#### b) Currency risk

##### Transaction risk - cash flow hedge

The group has revenues and expenses in various currencies. The major currencies are NOK, EUR, USD, GBP, AUD and NZD. Transaction risk arises because the group has a different currency split on income and expenses. Norske Skog Holding AS group has not done any cash flow hedging during 2015.

##### Translation risk - net investment hedge

Norske Skog Holding AS group do not do net investment hedge.

##### Foreign exchange - sensitivity analysis on financial instruments

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

- Norske Skog Holding AS as a group comprises entities with different functional currencies. Derivative and non-derivative financial instruments of a monetary nature, denominated in currencies different from the functional currency of the entity, create foreign exchange rate exposure on the consolidated income statement. Moreover, foreign currency risk will also affect equity.
- Financial instruments denominated in the functional currency of the entity have no currency risk and will therefore not be applicable to this analysis. Furthermore, the foreign currency exposure of translating financial accounts of subsidiaries into the group's presentational currency is not part of this analysis.
- Sensitivity on commodity contracts and embedded derivatives is presented separately under "commodity risk".
- Currency derivatives and foreign currency debt that are designated as net investment hedges and qualify for hedge accounting according to IAS 39 will only affect equity.
- Other currency derivatives that are recognised at fair value through profit and loss will affect the income statement. These effects come mainly from currency derivatives and financial liabilities managed as economic net investment hedges which do not qualify for hedge accounting according to IAS 39.



- Other non-derivative financial instruments accounted for in the analysis comprise cash and cash equivalents, accounts payable, accounts receivable and borrowings denominated in currencies different from the functional currency of the entity.
- Correlation effects between currencies are not taken into account. Figures are presented net of tax.

At 31 December 2015, if NOK had appreciated/depreciated 10% against all currencies to which the group has significant exposure, net profit after tax from financial instruments would have been NOK 338 million higher/lower. The effect of the sensitivity analysis on the income statement is mainly caused by foreign exchange gains/losses on the translation of EUR and USD denominated debt for which there is no hedge accounting.

### c) Commodity risk

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

Some of Norske Skog Holding AS group purchase and sales contracts are defined as financial instruments, or contain embedded derivatives, which fall within the scope of IAS 39. These financial instruments and embedded derivatives are measured in the balance sheet at fair value with value changes recognised through profit or loss. Commodity contracts are financial contracts for the purpose of either trading or hedging. The embedded derivatives are common in physical commodity contracts and comprise a wide variety of derivative characteristics.

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

Norske Skog Holding AS group portfolio of commodity contracts consists mainly of physical energy contracts. Fair value of commodity contracts is especially sensitive to future changes in energy prices. The fair value of embedded derivatives in physical contracts depends on currency and price index fluctuations. The energy contracts in Norway are nominated in EUR. These contracts contain embedded derivatives that are sensitive to changes in exchange rates. NOK weakened against EUR during 2015, which had a negative effect on the fair value of the embedded derivatives.

#### Sensitivity analysis for commodity contracts

Hedging mandates have been established for energy activity. Hedging activities are carried out with bilaterally agreements.

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

COMMODITY CONTRACTS WITHIN THE SCOPE OF IAS 39		FAIR VALUE 31.12.2015	RESULT NET OF TAX CHANGE DOWN	RESULT NET OF TAX CHANGE UP
Energy price	change 10%	197	-169	185
Currency	change 10%	197	0	0

#### Sensitivity analysis for embedded derivatives

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

EMBEDDED DERIVATIVES		FAIR VALUE 31.12.2015	RESULT NET OF TAX CHANGE DOWN	RESULT NET OF TAX CHANGE UP
Currency	change 10%	-292	175	-175
Price index	change 2.5%	-292	3	-3

### Liquidity risk

Norske Skog Holding AS group is exposed to liquidity risk in a scenario when the group's cash flow from operating activities is not sufficient to cover payments of financial liabilities. In order to effectively mitigate liquidity risk, Norske Skog's liquidity risk management strategy focuses on maintaining sufficient cash, as well as securing available financing through committed credit facilities. Managing liquidity risk is centralised on a group level. This is done in the Group's parent company Norske Skogindustrier ASA in 2015.

In order to uncover future liquidity risk, Norske Skog forecasts both short- and long-term cash flows. Cash flow forecasts include cash flows from operations, investments, financing activities and financial instruments. Norske Skog Holding AS had current investments, cash and cash equivalents of NOK 271 million at 31 December 2015. Restricted bank deposits amounted to NOK 173 million at 31 December 2015.

The board of directors recognises the challenging markets that Norske Skog Holding AS group operates in with price and currency uncertainty. The board of directors will thus have a continuous focus on cash generation through 2016 to ensure sufficient liquidity for both debt maturities and the operations of Norske Skog Holding AS group.

The following table shows the contractual maturities of non-derivative financial liabilities and other derivative financial instruments. All amounts disclosed in the table are undiscounted cash flows. Furthermore, amounts denominated in foreign currency are translated to NOK using closing rates at 31 December 2015. These amounts consist of trade payables, interest payments and principal payments on derivative and non-derivative financial instruments. Variable rate interest cash flows are calculated using the forward yield curve. Projected interest payments are based on the maturity schedule at 31 December 2015 without accounting for forecasted refinancing and/or other changes in the liability portfolio. All other cash flows are based on the group's positions held at 31 December 2015.

#### MATURITY OF FINANCIAL LIABILITIES AND FINANCIAL INSTRUMENTS



31.12.2015	0 - 6 MONTHS	6 - 12 MONTHS	2017-2018	2019-2020	> 2021
<b>Non-derivative financial instruments</b>					
Principal payment on interest-bearing debt	0	0	0	-2 790	-2 064
Projected interest payment on interest-bearing debt	-246	-246	-986	-658	-168
Trade payables	-1 042	0	0	0	0
<b>Total</b>	<b>-1 288</b>	<b>-246</b>	<b>-986</b>	<b>-3 448</b>	<b>-2 232</b>
<b>Net settled derivative financial instruments</b>					
Commodity contracts	-5	-2	-5	-3	0
<b>Total</b>	<b>-5</b>	<b>-2</b>	<b>-5</b>	<b>-3</b>	<b>0</b>
<b>Total 2015</b>	<b>-1 293</b>	<b>-248</b>	<b>-991</b>	<b>-3 451</b>	<b>-2 232</b>

### Credit risk

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

Norske Skog Holding AS group trades with Nordic and international banks which are publicly rated in the interval from AA- to A-. The credit risk on deposits and derivative transactions is spread across these banks. This is done in the Group's ultimate parent company Norske Skogindustrier ASA.

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

### Going concern and liquidity

The group has initiated a number of liquidity generating initiatives including the divestment of the group's Tasman geothermal power. The group has executed commitments for interim financing of up to €20 million in connection with the sale of the geothermal plant. Other liquidity generating initiatives includes to free up trapped cash in the group and liquidity available from optimization of working capital and existing factoring facilities. The group has factoring facilities with a total frame of around EUR 70 million of which currently 2/3 is utilised.

The board of directors believes that the combination of improved profitability and hence cash flow from operations is expected to facilitate the ability to service the capital structure in years to come.

The board of directors will have a continuous focus on operational performance through 2016 and onwards. To date in 2016, the operating environment has continued to improve compared to last year. The board of directors are however fully aware of the inherent uncertainties with respect to operating environments, challenges for the world economy and risks for global financial turmoil.

The board of directors recognizes the challenging industry Norske Skog Holding AS group operates in and the exposures to various risks that could impact the financial performance and liquidity. The factors are an inherent uncertainty when the board makes its assessments. The main risk exposures for the group are linked to uncertainty to price and volume developments for publication paper and the costs of key input factors such as energy and fibre. Weaker demand than expected for the group's products can impact profitability and associated cash flows in a negative way as well as uncertainty with regards to working capital movements. The group operates in a multicurrency environment, where the main currencies of importance for the business are EUR, GBP, USD and AUD. Currency movements between these currencies, as well as against NOK, may impact demand as well as prices and costs of key input factors. There is uncertainty with regards to the changes in the broader economic climate development and more adverse developments than expected may influence all of the above. The aforementioned risks may all impact on the operating plan for 2016. Nevertheless, the board of director's is confident that its assessment of the current and expected market conditions in 2016 is realistic given facts at hand.

In accordance with the provisions in the Norwegian Accounting Acts the board has assessed the going concern assumption as basis for preparing and presenting the financial statements. The board of directors has assessed the uncertainty described above and the potential impact on liquidity and its importance for the going concern assumption. The board of directors has also considered the operating environment for the group and the industry in general going forward as these are reflected in the operating plan for 2016. The board of directors has further considered that the group is subject to many factors that are uncertain in nature and has evaluated these uncertainties in relation to the operations and operating environment when assessing the going concern assumption. Based on these considerations and reflecting inherent material uncertainties, also in relation to the application of the going concern assumption, the board of directors confirms that the assumption applies and that the financial statements have been prepared on the going concern basis.

See Note 24 for information regarding capital management.



## 9. DERIVATIVES

### Fair value of derivatives

The table below classifies financial instruments within the scope of IAS 39 measured in the balance sheet at fair value, by valuation method. The different valuation methods are described as levels and are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability are not based on observable market data (i.e. unobservable inputs).

31.12.2015	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Financial assets at fair value through profit or loss</b>				
Trading derivatives	0	0	0	0
Commodity contracts and embedded derivatives	0	0	286	286
<b>Total</b>	<b>0</b>	<b>0</b>	<b>286</b>	<b>286</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Trading derivatives	0	-36	0	-36
Commodity contracts and embedded derivatives	0	0	-346	-346
<b>Total</b>	<b>0</b>	<b>-36</b>	<b>-346</b>	<b>-382</b>

The following table shows the changes in level 3 instruments at 31 December 2015.

	ASSETS	LIABILITIES
Opening balance	0	0
Additions in the period	250	-341
Gains and losses recognised in profit or loss	35	-6
Currency translation differences	1	0
<b>Closing balance</b>	<b>286</b>	<b>-346</b>

Norske Skog's portfolio of commodity contracts consist mainly of physical energy contracts. The commodity contracts and Embedded derivatives classified as financial instruments within the scope of IAS 39 contracts are mainly related to energy contracts in Australia and New Zealand. Fair value of commodity contracts is sensitive to estimates of future energy prices. Fair value of embedded derivatives is sensitive to estimates of price indices.

The fair value of derivatives that are not traded in an active market (over-the-counter derivatives) is determined using various valuation techniques. Quoted cash and swap rates are used as input for calculating zero coupon curves used for discounting.

The fair value of commodity contracts recognised in the balance sheet is calculated by using quotes from actively traded markets when available. Otherwise, price forecasts from acknowledged external sources are used. Commodity contracts that fail to meet the own-use exemption criteria in IAS 39 are recognised in the balance sheet and valued on the same principle as financial contracts. Some of these are long-term energy contracts. In calculating the fair value of embedded derivatives, valuation techniques are used in the absence of observable market inputs.

Fair value includes the impact of credit risk and the adjustment for credit risk is dependent on whether the derivative is in the money (asset) or out of the money (liability). Credit value adjustment is applied to assets positions based on credit risk associated with the counter-party. Debit value adjustment is applied to liability positions, based on Norske Skog's own credit risk.



The following table is presented in accordance with IFRS 13.94, showing the fair value of all commodity contracts in level 3 within the scope of IAS 39 given a change in assumptions to a reasonably possible alternative.

FAIR VALUE OF DERIVATIVES IN LEVEL 3 GIVEN A REASONABLY POSSIBLE ALTERNATIVE		31.12.2015
<b>Assets</b>		
Commodity contracts	Energy price -2%	257
<b>Liabilities</b>		
Commodity contracts	Energy price -2%	-343

The electricity prices for long-term electricity contracts in New Zealand are not directly observable in the market for the whole contract length. A change in the forecast to a reasonably possible alternative would change the fair value. For the energy contracts in New Zealand, a reasonably possible alternative at 31 December 2015 would be a downwards parallel shift of the long end of the forward curve of 2%

DERIVATIVES	31.12.2015	
	ASSETS	LIABILITIES
Commodity contracts	255	-58
Embedded derivatives	31	-22
<b>Total</b>	<b>286</b>	<b>-80</b>

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



## 10. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	NOTE	31.12.2015
<b>Trade and other receivables</b>		
Accounts receivable		1 091
Current receivable group companies		
Norske Skogindustrier ASA		1 186
Provision for bad debt		-105
Other receivables		182
VAT receivables		56
Prepaid expenses		69
<b>Total</b>		<b>2 479</b>
<b>Other non-current assets</b>		
Loans to employees		1
Non-current receivables group companies		
Norske Skogindustrier ASA		2 243
Long-term shareholdings	23	102
Miscellaneous non-current receivables		17
Derivatives	7	28
Commodity contracts	7	231
Pension plan assets	13	0
<b>Total</b>		<b>2 622</b>

Norske Skog Bruck have a factoring facility agreement. The facility has a limit of EUR 25 million and no financial covenants. Accounts receivable that have been sold are deducted from accounts receivable in the balance sheet. The utilisation at 31 December 2015 was NOK 125 million.

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

AGEING OF THE GROUP'S CURRENT RECEIVABLES	31.12.2015
Not due	2 385
0 to 3 months	104
3 to 6 months	2
Over 6 months	93
<b>Total <sup>1)</sup></b>	<b>2 584</b>

<sup>1)</sup> Does not include provision for bad debt.

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



## 11. INTEREST-BEARING LIABILITIES

	31.12.2015
Bonds	4 854
Debt to financial institutions	206
Securitisation / Factoring Facilities	502
<b>Total</b>	<b>5 562</b>

INTEREST-BEARING DEBT BY CURRENCY	CURRENCY AMOUNT 31.12.2015	NOK 31.12.2015
USD	81	534
EUR	480	4 612
AUD	27	175
NZD	1	6
<b>Total interest-bearing debt in foreign currencies</b>		<b>5 327</b>
Interest-bearing debt in NOK		235
<b>Total interest-bearing debt</b>		<b>5 562</b>

The average interest rate at 31 December 2015 was 9.48%.

### DEBT REPAYMENT

MATURITY OF THE COMPANY'S DEBT AT 31.12.2015	DEBT BANKS	BONDS	TOTAL
2016	537		537
2017	47		47
2018	17		17
2019	17	2 790	2 807
2020	18		18
2021	20	1 530	1 550
2022	16		16
2023	18	534	552
2024-2033	18		18
<b>Total</b>	<b>708</b>	<b>4 854</b>	<b>5 562</b>

Total debt listed in the repayment schedule may differ from booked debt. This is due to premiums or discounts on issued bonds. Premiums or discounts on issued bonds are amortised in the income statement over the lifetime of the issued bonds. See Note 6 for loans secured by mortgage. The facilities do not contain any material financial covenants.

### NET INTEREST-BEARING DEBT

	31.12.2015
Interest-bearing non-current liabilities	5 025
Interest-bearing current liabilities	537
- Cash and cash equivalents	271
<b>Net interest-bearing debt</b>	<b>5 833</b>



## 12. EMPLOYEE BENEFIT EXPENSES

EMPLOYEE BENEFIT EXPENSES	NOTE	2015
Salaries including holiday pay		1 318
Social security contributions		286
Pension costs	13	30
Other employee benefit expenses		52
<b>Total</b>		<b>1 686</b>

NUMBER OF EMPLOYEES BY REGION	31.12.2015
Europe	1 827
Australasia	688
Parent company	0
<b>Total</b>	<b>2 515</b>

The company has not paid any remuneration or other benefits, as there are no employees. There are no incentive programs. Norske Skogindustrier ASA manages the company. No management fee is paid for the services. No remuneration is paid to the board of directors.

### AUDITORS FEES

(in NOK 1 000, excluding VAT)

	PARENT COMPANY	NORWEGIAN SUBSIDIARIES AUDITED BY THE PARENT COMPANY AUDITOR	SUBSIDIARIES AUDITED BY GROUP AUDITORS	SUBSIDIARIES AUDITED BY OTHER AUDITORS	TOTAL
Audit fee	185	487	1 911	575	3 158
Audit-related assistance <sup>1)</sup>	0	35	0	0	35
Tax assistance	0	0	0	0	0
Other fees	0	0	0	0	0
<b>Total</b>	<b>185</b>	<b>522</b>	<b>1 911</b>	<b>575</b>	<b>3 193</b>

<sup>1)</sup> Audit-related assistance includes services, which only auditors can provide, such as the review of interim financial statements, agreed upon control procedures etc.



### 13. PENSION COSTS AND PENSION OBLIGATIONS

Norske Skog has various pension schemes in accordance with local conditions and practices in the countries in which the group operates. A total of 1 982 current and former employees are covered by such schemes. Of these, 311 people are covered by defined benefit plans and 1 671 people by defined contribution plans.

#### DESCRIPTION OF THE DEFINED BENEFIT PLANS

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

	BENEFIT IN % OF PENSIONABLE EARNINGS	YEARS OF SERVICE	PENSIONABLE AGE	EARLY RETIREMENT AGE	NUMBER OF MEMBERS
Norske Skog AS	0	0	0	0	0
Norske Skog Saugbrugs AS	65	30	67	62	149
Norske Skog Skogn AS	65	30	67	62	140
Norske Skog Deutschland GmbH	45	35	65	65	10

The defined benefit schemes in Norway cover people between 57 and 67 years of age, who were employed before 1 January 2011. The defined benefit obligations in Norway only encompass active members (a small number of people in early retirement until the end of 2015), since they leave the defined benefit scheme (having a paid-up policy) when they retire.

The defined benefit plan in Germany was closed and cover 10 previous employees.

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

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

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

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

In addition to the benefit obligation funded through insurance plans, the group has unfunded benefit obligations. The unfunded obligations include estimated future obligations relating to the former Norwegian early retirement scheme, pensions to former owners of subsidiaries as well as pensions for senior management and directors. Obligations relating to senior management pensions are partly funded through a supplementary retirement plan with a life insurance company.

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

ASSUMPTIONS MADE WHEN CALCULATING FUTURE BENEFIT OBLIGATIONS IN NORWAY	2015
Discount rate/expected return on plan assets	2.4%
Salary adjustment	2.2%
Social security increase/inflation rate	2.8%
Pension growth rate	0.0%

The discount rate applied for the pension schemes in Norway for 2015 is based on the interest rate for covered bonds. Subsidiaries can deviate from these assumptions if local conditions require this. The discount rates applied vary from 2.4% to 3.8% and salary adjustments vary from 2.2% to 3%. Norske Skog has used the mortality table in Norway (K2013BE) and RichttafelN 2005G in Germany.

NET PERIODIC PENSION COST	2015
Current service cost	7
Pension cost defined contribution schemes	25
Accrued national insurance contributions	0
Recognised curtailment and settlement	-2
<b>Net periodic pension cost</b>	<b>30</b>
<b>Net periodic interest cost</b>	<b>6</b>

Estimated payments to the group's defined benefit pension schemes in 2016 amounts to NOK 20 million (NOK 40 million in 2015).



## PENSION PLANS IN THE BALANCE SHEET

PARTLY OR FULLY FUNDED PENSION PLANS		31.12.2015
Projected benefit obligations including national insurance contributions		-183
Plan assets at fair value		179
<b>Net plan assets/pension obligations (-) in the balance sheet</b>		<b>-4</b>

UNFUNDED PENSION PLANS		31.12.2015
Projected benefit obligations including national insurance contributions		-228
<b>Net plan assets/pension obligations (-) in the balance sheet</b>		<b>-232</b>

The defined benefit pension plans relates to Europe. During the year a minor defined benefit pension plan in Australia was locked and the pension obligation is reduced with NOK 4 million. The major decrease of unfunded pension obligation relates to the deconsolidation of Walsum Papier GmbH amounting to NOK 535 million.

SPECIFICATION OF PENSION PLANS IN THE BALANCE SHEET		31.12.2015
Pension liabilities in the balance sheet		-232
<b>Net pension obligations</b>		<b>-232</b>
Net unfunded pension plans		-228
Net partly or fully funded pension plans		-4

CHANGES IN PENSION OBLIGATIONS FOR PARTLY OR FULLY FUNDED PENSION PLANS		2015
Balance 1 January		270
Deconsolidated company		0
Current years' service cost		7
Current years' interest cost		5
Pension paid		-1
Curtailments/settlements		-53
Other changes		0
Currency translation differences		4
Re-measurements		-49
<b>Balance 31 December</b>		<b>183</b>

CHANGES IN PLAN ASSETS FOR PARTLY OR FULLY FUNDED PENSION PLANS		2015
Balance 1 January		235
Divested companies		0
Return on plan assets		4
Curtailments/settlements		14
Other changes		-39
Employer contribution		-2
Re-measurements		-34
Currency translation differences		1
<b>Balance 31 December</b>		<b>179</b>



CHANGES IN PENSION OBLIGATIONS FOR UNFUNDED PENSION PLANS		2015
Balance 1 January		-207
Current years' service cost		-7
Current year's interest cost		0
Pension paid		4
Contributions to the plan assets		0
Curtailments/settlements		0
Other changes		-12
Currency translation differences		-3
Re-measurements		-6
<b>Balance 31 December</b>		<b>-231</b>

Re-measurements is mainly related to changes in financial assumptions.

SPECIFICATION OF RE-MEASUREMENT GAINS/LOSSES IN OTHER COMPREHENSIVE INCOME (OCI)		2015
Return on plan assets		0
Actuarial changes arising from changes in demographic assumptions		6
Actuarial changes arising from changes in financial assumptions		0
Experience adjustments + investment management costs		0
Asset ceiling		0
<b>Total</b>		<b>6</b>

INVESTMENT PROFILE FOR PENSION FUNDS	2015	
	FUNDS	DISTRIBUTION
Shares	27	15%
Bonds	134	75%
Properties and real estate	17	9%
Money market	1	1%
Other	0	0%
<b>Total</b>	<b>179</b>	

#### SENSITIVITY ANALYSIS

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

SENSITIVITY	INCREASE	DECREASE
Discount rate - 0.5%	-17	21
Salary adjustment - 0.5%	-7	7
Future national security - 1.0%	-3	1
Future pension - 1.0%	N/A	N/A

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. No data is available for decrease of future national security. The sensitivity analysis is based on actuarial calculations for the Norwegian schemes and correlated figures for the German scheme.



#### 14. OTHER OPERATING EXPENSES

	NOTE	2015
Maintenance materials and services		419
Marketing expenses		10
Administration, insurance, travel expenses etc.		188
Losses on accounts receivable		7
Operating leases	15	46
Research and development		1
Changes in environmental provisions		-26
Internal services to group companies		112
Miscellaneous expenses		123
<b>Total</b>		<b>879</b>
<b>Specification of losses on accounts receivable</b>		
Receivables written off during the period		4
Payments received on items previously written off		0
Change in provision for bad debt		3
<b>Total</b>		<b>7</b>



## 15. LEASES

### OPERATING LEASES

The group recognised expenses of NOK 46 million in relation to operating leases in 2015.

<b>MINIMUM LEASE PAYMENTS RELATING TO OPERATING LEASES</b>	<b>31.12.2015</b>
Not later than one year	24
Later than one year and not later than five years	60
Later than five years	12
<b>Total</b>	<b>96</b>

### FINANCE LEASES

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

<b>MINIMUM LEASE PAYMENTS RELATING TO FINANCE LEASES</b>	<b>31.12.2015</b>
Not later than one year	26
Later than one year and not later than five years	96
Later than five years	84
<b>Total</b>	<b>206</b>
Future finance charges on finance leases	-74
<b>Present value of minimum lease payments</b>	<b>132</b>

<b>PRESENT VALUE OF MINIMUM LEASE PAYMENTS</b>	<b>31.12.2015</b>
Not later than one year	24
Later than one year and not later than five years	71
Later than five years	37
<b>Total</b>	<b>132</b>

<b>Capitalised value of leased machinery and equipment</b>	<b>101</b>
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## 16. OTHER GAINS AND LOSSES

	2015
Gains and losses from divestments and deconsolidating of business activities, property, plant and equipment	0
Changes in value – commodity contracts <sup>1)</sup>	8
Changes in value – embedded derivatives	1
Changes in value – biological assets	-6
Other realised gains and losses	2
<b>Total</b>	<b>5</b>

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

Norske Skog's portfolio of commodity contracts consists mainly of physical energy contracts. The fair value of commodity contracts is especially sensitive to future changes in energy prices. The fair value of embedded derivatives in physical contracts is influenced by currency and price index fluctuations. A sensitivity analysis of the impact on profit after tax of fluctuations in energy prices, currency and price indices is given in Note 8. The valuation techniques used are described in Note 9. The gain on commodity contracts in 2015 were due to negative change in producer price index in New Zealand.



## 17. INCOME TAXES

TAX EXPENSE	2015
Current tax expense	-68
Change in deferred tax	-465
<b>Total</b>	<b>-533</b>

RECONCILIATION OF THE GROUP TAX EXPENSE	2015
Profit/loss before income taxes	-671
Computed tax at nominal tax rate of 27%	181
Differences due to different tax rates	2
Result from associated companies	-6
Exempted income/non-deductible expenses	-20
Reversal tax provision	0
Adjustment previous years	-10
Deferred tax asset not recognised	-677
Other items	-3
<b>Total tax expense (-) income (+)</b>	<b>-533</b>
<b>Effective tax rate</b>	<b>-79%</b>

CURRENT TAX LIABILITY	31.12.2015
Norway	59
Rest of Europe	7
Outside Europe	0
<b>Total</b>	<b>66</b>

DEFERRED TAX - MOVEMENTS	2015
Net deferred tax asset 1 January	-36
Change in deferred tax in the income statement	-465
Deconsolidation of subsidiaries	0
Tax on other comprehensive income	6
Tax effect FX net investment hedge	0
Group tax allocation balance sheet	-94
Currency translation differences	-30
<b>Net deferred tax asset/liability (-) 31 December</b>	<b>-619</b>

DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY	31.12.2015
Norway	0
Rest of Europe	0
Outside Europe	0
<b>Deferred tax asset</b>	<b>0</b>
Norway	0
Rest of Europe	-385
Outside Europe	-234
<b>Deferred tax liability</b>	<b>-619</b>
<b>Net deferred tax asset/liability (-)</b>	<b>-619</b>



DEFERRED TAX DETAILS	31.12.2015
Fixed assets, excess values and depreciation	-775
Pensions	3
Provisions and other liabilities	153
Currency translation differences and financial instruments	231
Deferred tax current items	17
Tax losses and tax credit to carry forward	1 010
Deferred tax asset not recognised <sup>1)</sup>	-1 258
<b>Net deferred tax asset/liability (-)</b>	<b>-619</b>

LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2015	NORWAY	REST OF EUROPE	OUTSIDE EUROPE	TOTAL
2016	0	0	0	0
2017	0	125	0	125
2018	0	111	0	111
2019	0	46	0	46
2020	0	36	0	36
2021	0	35	0	35
2022 and later	0	1	0	1
Indefinite expiry	1 511	97	2 124	3 732
<b>Tax losses to carry forward</b>	<b>1 511</b>	<b>451</b>	<b>2 124</b>	<b>4 086</b>
Tax losses not recognised	-2 628	-381	-2 062	-5 115
Tax credits and other adjustments	1 117	-70	-62	1 029
<b>Total tax losses and tax credits to carry forward (recognised)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Deferred tax asset</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Tax rate</b>	<b>25%</b>	<b>25-34%</b>	<b>28%</b>	<b>25%</b>

<sup>1)</sup> Basis for deferred tax asset not recognised amounted to NOK 5 115 million at 31 December 2015. NOK 4 086 million was related to tax losses to carry forward and NOK 1 029 million was related to other deductible temporary differences. Deferred tax asset not recognised amounted to NOK 1 258 million at 31 December 2015. NOK 1 010 million was related to tax losses to carry forward and NOK 248 million was related to other deductible temporary differences.

Deferred tax asset arising from the carry forward of unused tax losses is tested against expected future taxable profit on entity level. NOK 256 million is written down in 2015 as there was no tax profit in 2015 to offset tax losses to carry forward from prior year.

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

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

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

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

Provision for tax payable NOK 66 million, will be reversed with NOK 59 million in 2016 caused by group contribution.



18. SPECIFICATION OF BALANCE SHEET ITEMS

	NOTE	31.12.2015
<b>Inventories</b>		
Raw materials and other production input		703
Semi-manufactured materials		12
Finished goods		538
<b>Total</b>	<b>3</b>	<b>1 253</b>
<b>Other current assets</b>		
Derivatives	7	3
Commodity contracts	7	24
Current investments	7	9
Interest-free assets group		
Norske Skogindustrier ASA	7	58
<b>Total</b>	<b>7</b>	<b>94</b>
<b>Trade and other payables</b>		
Accounts payable	7	1 042
Accrued labour costs and taxes		465
Accrued expenses		306
Interest-free liabilities group		
Norske Skogindustrier ASA		53
Other interest-free liabilities		13
<b>Total</b>		<b>1 878</b>
<b>Other current liabilities</b>		
Derivatives	7	54
Commodity contracts	7	20
Accrued emission rights		13
Accrued financial costs		158
Restructuring provision	20	51
<b>Total</b>		<b>296</b>
<b>Other non-current liabilities</b>		
Derivatives	7	269
Commodity contracts	7	38
Dismantling provision	20	71
Environmental provision	20	200
Deferred recognition of emission rights		0
Deferred recognition of government grants		43
Other non interest-bearing debt		11
<b>Total</b>		<b>631</b>
<b>Interest-bearing non-current liabilities</b>		
Bond adjusted for amortization		4 348
Debt to financial institutions		170
Interest-bearing non-current liabilities group		
Norske Skogindustrier ASA		553
Lysaker Invest AS		338
Norske Treindustrier AS		593
<b>Total</b>	<b>7</b>	<b>6 003</b>
<b>Interest-bearing current liabilities</b>		
Debt to financial institutions		34
Securitisation / Factoring Facilities		502
<b>Total</b>	<b>7</b>	<b>536</b>



## 19. INVESTMENTS IN ASSOCIATED COMPANIES

COMPANY	SHARE 31.12.2015	CARRYING VALUE 31.12.2015	SHARE OF PROFIT/LOSS 2015	CURRENCY TRANSLATION DIFFERENCES	ADDITIONS/ DISPOSALS
Malaysian Newsprint Industries Sdn. Bhd.	33.7%	373	-23	-14	0
Other associated companies		1	0	0	-18
<b>Total</b>		<b>374</b>	<b>-23</b>	<b>-14</b>	<b>-18</b>

Investments in associated companies are accounted for in accordance with the equity method. Share of profit presented in the table above is the group's percentage share of profit after tax, adjusted for amortisation of surplus value at group level allocated to the investment at the time of acquisition.

### Malaysian Newsprint Industries Sdn. Bhd. (MNI)

The company is incorporated in Kuala Lumpur, Malaysia, and is a producer of newsprint. The carrying value of Norske Skog Holding AS group's investment in MNI was NOK 373 million at 31 December 2015, which corresponds to Norske Skog Holding AS group's share (33.7%) of the equity in MNI's company financial statements. No impairment charges were recognised in the last audited annual accounts of MNI. The Norske Skog Holding AS group has performed an impairment test for the investment in MNI at 31 December 2015. The Norske Skog Holding AS group has in the impairment testing valued MNI within the impairment model for the fully owned mills of the group. Considering the valuation assumptions, Norske Skog Holding AS group's impairment testing did not conclude with any impairment needs. For a more thorough description of Norske Skog Holding AS group's impairment testing model, see Note 4. Based on the company's financial statements, operating revenue in 2015 was NOK 883 million and net loss was NOK 70 million. Total assets amounted to NOK 1 658 million and total liabilities were NOK 519 million at 31 December 2015.



## 20. PROVISIONS

	RESTRUCTURING PROVISION	DISMANTLING PROVISION	ENVIRONMENTAL PROVISION
Addition from acquisition	15	85	211
Changes and new provisions	49	0	0
Utilised during the year	-14	0	-26
Periodic unwinding of discount	0	2	6
Currency translation differences	0	3	8
Balance 31 December 2015	51	71	200

### Restructuring provision

The restructuring provision on NOK 51 million at 31 December 2015 is classified in the balance sheet line item Other current liabilities. The provision includes various restructuring activities included provision for severance payments and other costs at Norske Skog Boyer (NOK 10 million), Norske Skog Gobey (NOK 31 million) and Norske Skog Saugbrugs (NOK 7 million).

The amount expended in 2015 in relation to restructuring activities amounted to NOK 49 million. This relates mainly to the restructuring activities listed above. Total payments relating to restructuring activities in 2015 amounted to NOK 14 million. This relates mainly to Norske Skog Boyer (NOK 4 million), Norske Skog Skogn (NOK 4 million) and Norske Skog Tasman (NOK 4 million).

### Dismantling provision

Provisions related to future dismantling costs arising from a future closing down of production facilities amounted to NOK 71 million at 31 December 2015. The total amount is classified as non-current and will only be realised at the time of a future shut down of any of the Norske Skog Holding AS group production units. The provision is the net present value of the future estimated costs, calculated using a long-term risk-free interest rate. The periodic unwinding of the discount is recognised in the income statement line Financial expenses. The opposite entry for dismantling provision and change in provision estimates is Property, plant and equipment.

Discount rates and assumptions included as part of the best estimate will impact the future carrying value of the dismantling provision. To illustrate the sensitivity, a reduction in the future discount rate of one percentage point would increase the provision by approximately NOK 10 million, with a corresponding increase in future depreciation on property, plant and equipment.

### Environmental provision

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

Provisions for future environmental obligations amounted to NOK 200 million at 31 December 2015. The provision mainly relates to the Australasian entities. Resources spent on environmental activities during 2015 amounted to NOK 26 million.

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



## **21. NON-CONTROLLING INTERESTS**

Norske Skog Holding AS group does not have any non-controlling interests.



## 22. EARNINGS AND DIVIDEND PER SHARE

	2015
Profit/loss for the year in NOK million attributable to owners of the parent	-1 204
Weighted average number of shares	30 000
Basic and diluted earnings/loss per share in NOK <sup>1)</sup>	-40 122

<sup>1)</sup> There were no dilution effects in 2015.

The board of directors recommends that no dividend should be disbursed for the financial year 2015.



### 23. SHARES

SHARES IN SUBSIDIARIES	CURRENCY	SHARE CAPITAL (IN 1 000)	OWNERSHIP %
<b>Shares in subsidiaries owned by the parent company</b>			
Norske Skog AS, Oslo	NOK	300 000	100
<b>Shares in subsidiaries owned by consolidated companies</b>			
Advanced Hygiene Solution GmbH, Bruck, Austria	EUR	40	100
Bruck Fibre GmbH, Bruck, Austria	EUR	35	100
Nornews AS, Oslo, Norway	NOK	100	100
Norske Skog Adria d.o.o., Trzin, Slovenia	EUR	21	100
Norske Skog (Australasia) Pty Ltd., Sydney, Australia	AUD	21 000	100
Norske Skog (Australia) No. 2 Pty Ltd., Sydney, Australia	AUD	0	100
Norske Skog Belgium N.V., Antwerp, Belgium	EUR	62	100
Norske Skog Bruck GmbH, Bruck, Austria	EUR	10 000	100
Norske Skog Capital (Australia) Pty Ltd., Sydney, Australia	AUD	223 000	100
Norske Skog Capital (New Zealand) Ltd., Auckland, New Zealand	NZD	1	100
Norske Skog Danmark ApS, Værløse, Denmark	DKK	200	100
Norske Skog Deutschland GmbH, Augsburg, Germany	EUR	520	100
Norske Skog Espana S.A., Madrid, Spain	EUR	60	100
Norske Skog France SARL, Paris, France	EUR	235	100
Norske Skog Golbey SAS, Golbey, France	EUR	137 388	100
Norske Skog Holdings (No.3) Ltd., Auckland, New Zealand	NZD	7 750	100
Norske Skog Holland B.V., Amsterdam, The Netherlands	EUR	245 105	100
Norske Skog Hungary Kft., Budapest, Hungary	HUF	3 000	100
Norske Skog Industries Australia Ltd., Sydney, Australia	AUD	190 000	100
Norske Skog Industries Canada Ltd., British Columbia, Canada	CAD	621 186	100
Norske Skog Italia Srl, Milan, Italy	EUR	10	100
Norske Skog Nordic & Export Sales AS, Oslo, Norway	NOK	1 100	100
Norske Skog Paper Mills (Australia) Ltd., Tasmania, Australia	AUD	7 539	100
Norske Skog Papers (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia	MYR	5 009	100
Norske Skog Papier Recycling GmbH, Bruck, Austria	EUR	291	100
Norske Skog Saugbrugs AS Halden, Norway	NOK	1 052 100	100
Norske Skog Skogn, Levanger, Norway	NOK	1 052 100	100
Norske Skog Tasman Ltd., Auckland, New Zealand	NZD	725 000	100
Norske Skog Österreich GmbH, Graz, Austria	EUR	35	100
Norske Skog (Schweiz) AG, Zürich, Switzerland	CHF	50	100
Norske Skog (UK) Ltd., London, United Kingdom	GBP	100	100
Panasia Paper Trading Co Pty Limited, Sydney, Australia	AUD	5 230	100
Saugbrugs Bioenergi AS, Halden, Norway	NOK	1 000	100

SHARES INCLUDED AS FINANCIAL ASSETS	CURRENCY	SHARE CAPITAL (IN 1 000)	OWNERSHIP %	CARRYING VALUE <sup>1)</sup> (IN NOK 1 000)
<b>Shares owned by other group companies</b>				
Exeltium SAS, Paris, France	EUR	174 504	5	80 232
Exeltium 2 SAS, Paris, France	EUR	3 440	5	1 578
Ignite Energy Resources Ltd., Sydney, Australia	AUD	229 014	1	12 894
SEM, Golbey, France	EUR	358	10	3 444
Other shares, each with book value below NOK 1 million				3 663
<b>Total</b>				<b>101 811</b>

<sup>1)</sup> Carrying value for the shares is original cost less impairment.



## 24. CAPITAL MANAGEMENT

Norske Skog Holding AS objective when managing capital is to ensure that the company is adequately capitalised, that the funding requirements are met and to maximise return on equity within the limits set by the Norske Skog Holding AS group's external debt financing.

The main focus for the Norske Skog Holding AS group is to reduce the overall debt burden. In order to improve the capital structure, the group pay no dividends to shareholders at present time and we have implemented continuous cost-improvement initiatives, including headcount reductions and working capital management measures, to improve our cash flow. The new securitisation financing announced 31 March 2016 will result in additional liquidity and lower cash interest payments. See Note 27 for further information.



## 25. CONTINGENT LIABILITIES

Norske Skog Holding AS and its subsidiaries is an international group 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.

The Norske Skog Holding AS group has simplified the group's corporate structure in 2015. The simplification of the group's corporate structure in combination with changes in individual countries' tax laws could increase the group's tax exposure. However, due to completed reorganisations and tax assessments, the overall tax exposure has decreased during the last years.



## 26. RELATED PARTIES

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

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

Chair of the board Jon-Aksel Torgersen in Norske Skogindustrier ASA is CEO of Astrup Fearnley AS. Astrup Fearnley AS owns shares in Norske Skogindustrier ASA. Mr. Torgersen also owns shares in Norske Skogindustrier ASA through his privately owned company Fiducia AS. See note 3 Equity in the parent company financial statements.

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



## 27. EVENTS AFTER THE BALANCE SHEET DATE

Norske Skog Holding AS fully owned subsidiary Norske Skog AS has executed a new securitization facility ("NSF") with GSO and Cyrus. Under the facility, they provide up to EUR 100 million of funding commitments secured by receivables and inventory of the mills of Norske Skog Saugbrugs AS and Norske Skog Skogn AS, the inventory of the mill of Norske Skog Golbey SAS and certain collection bank accounts. The proceeds from the NSF was exclusively used to replace the SpareBank1 Gruppen Finans AS Factoring Agreements and to fund working capital and other operational liquidity needs for the group's mills. The SpareBank1 Gruppen Finans AS Factoring Agreements were secured by the receivables of the mills of Norske Skog Saugbrugs AS and Norske Skog Skogn AS and certain collection bank accounts.

There have been no other events after the balance sheet date with significant impact on the financial statements for 2015.



FINANCIAL STATEMENTS NORSKE SKOG HOLDING AS

INCOME STATEMENT

NOK MILLION	NOTE	2015
Operating revenue		0
Cost of materials		0
Other operating expenses		0
Gross operating earnings		0
Depreciation		0
Restructuring expenses	4	0
Other gains and losses		0
Operating earnings	10	0
Financial income		0
Financial expenses	6	388
Net unrealised/realised gains/losses on foreign currency	6	-2 075
	6	-33
Profit/loss before income taxes		-1 720
Income taxes	11	-59
Profit/loss		-1 779



STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION		2015
Profit/loss		-1 779
Other comprehensive income		0
Comprehensive Income		-1 779




## BALANCE SHEET

NOK MILLION	NOTE	31.12.2015
<b>Assets</b>		
Deferred tax asset	11	0
Intangible assets	4	0
Property, plant and equipment	4	0
Investments in subsidiaries	5	4 700
Other non-current assets	12	1 963
<b>Total non-current assets</b>		<b>6 663</b>
Trade and other receivables	12	585
Cash and cash equivalents		0
Other current assets	13	0
<b>Total current assets</b>		<b>585</b>
<b>Total assets</b>		<b>7 248</b>
<b>Shareholders' equity and liabilities</b>		
Paid-in equity		5 390
Retained earnings and other reserves		0
<b>Total equity</b>	3	<b>5 390</b>
Pension obligations	8	0
Deferred tax liability	11	0
Interest-bearing non-current liabilities	7, 12	1 741
Other non-current liabilities		0
<b>Total non-current liabilities</b>		<b>1 741</b>
Interest-bearing current liabilities	7, 12	0
Trade and other payables	12	0
Tax payable	11	59
Other current liabilities		58
<b>Total current liabilities</b>		<b>117</b>
<b>Total liabilities</b>		<b>1 858</b>
<b>Total equity and liabilities</b>		<b>7 248</b>


SKØYEN, 20 JUNE 2016 – THE BOARD OF DIRECTORS OF NORSKE SKOG HOLDING AS



Rune Sotie  
Chair



Sven Ombudstved  
Board member



Lars Sperre  
Board member



STATEMENT OF CHANGES IN EQUITY

NOK MILLION	NOTE	SHARE CAPITAL	SHARE PREMIUM	OTHER PAID-IN EQUITY	TOTAL PAID-IN EQUITY	RETAINED EARNINGS	TOTAL EQUITY
Opening balance per incorporation 5 November 2014	3	0	0	0	0	0	0
Contributions in kind 14 January 2015		300	6 869	0	7 169	0	7 169
Comprehensive income		0	0	0	0	-1 779	-1 779
Uncovered loss allocated other paid in equity		0	-1 779		-1 779	1 779	0
Equity 31 December 2015	3	300	5 090	0	5 390	0	5 390



**STATEMENT OF CASH FLOWS**

NOK MILLION	NOTE	2015
<b>Cash flow from operating activities</b>		
Cash generated from operations		0
Cash used in operations		0
Interest payments received		0
Interest payments made		-59
<b>Net cash flow from operating activities</b>		<b>-59</b>
<b>Net cash flow from investing activities</b>		<b>-59</b>
<b>Cash flow from financing activities</b>		
New equity		0
Change in intercompany balance with group		59
<b>Net cash flow from financing activities</b>		<b>59</b>
Foreign currency effects on cash and cash equivalents		0
<b>Total change in cash and cash equivalents</b>		<b>0</b>
Cash and cash equivalents per incorporation 5 November 2014		0
Cash and cash equivalents 31 December		0



## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

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

Norske Skog Holding AS was founded 5 November 2014. The financial statements cover the period from 5 November 2014 until 31 December 2015.

The financial statements were authorised for issue by the board of directors on 20 June 2016.



## 2. ACCOUNTING POLICIES

The company financial statements of Norske Skog Holding AS are prepared in accordance with the Norwegian Accounting Act § 3-9 and International Financial Reporting Standards (IFRS) with respect to recognition and measurement. Disclosures to the financial statements are prepared in accordance with Norwegian Generally Accepted Accounting Principles (N GAAP) and the Norwegian Accounting Act (IFRS light and the related IFRS light 2014 regulation).

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



### 3. EQUITY

The share capital of Norske Skog Holding AS at 31 December 2015 was NOK 300 000 000 and consisted of 30 000 shares, each with a nominal value of NOK 10 000.

The share capital was initially NOK 30 000 when the company was founded, 5 November 2014. The share capital was increased in a private in-kind placement against the company's shareholder, Norske Treindustrier AS, 14 January 2015. The capital increase was made by increasing the nominal amount of each share from NOK 1 to NOK 10 000. The increase in share capital amounted in total to NOK 299 970 000, in addition to an increase in share premium of NOK 6 869 030 000. The capital increase was register at Brønnøysund Register Centre, 21 January 2015.

A private placement against Norske Treindustrier AS was carried out as consideration for the contribution in-kind. The contribution in-kind consisted of a combination of shares in operating subsidiaries and receivables from the sale of operating subsidiaries to Norske Skog Holding AS from Norske Treindustrier AS. Furthermore, all the shares in the operating subsidiaries were used as contribution in-kind or sold to the fully owned subsidiary Norske Skog AS.

Norske Skog Holding AS has at 31 December 2015 distributable equity of NOK 5 090 million.

PRINCIPAL SHAREHOLDERS	OWNERSHIP %
Norske Treindustrier AS	100.00



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

Norske Skog Holding AS does not have any intangible assets or property, plant and equipment.



## 5. SHARES IN SUBSIDIARIES

SHARES IN SUBSIDIARIES	CURRENCY	SHARE CAPITAL (IN 1 000)	OWNERSHIP %	CARRYING VALUE (IN NOK 1 000)
Norske Skog AS, Oslo	NOK	300 000	100	4 700 000
<b>Total</b>				<b>4 700 000</b>

The investment in subsidiary Norske Skog AS have decreased from NOK 6 593 million to NOK 4 743 million during 2015.

IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES	NOTE	2015
Norske Skog AS		1 893 000
<b>Total</b>	<b>6</b>	<b>1 893 000</b>

Investments in subsidiaries are tested for impairment in accordance with IAS 36 *Impairment of assets*. Shares in subsidiaries are written down to their recoverable amount when the recoverable amount is lower than the carrying value of the investment. For impairment testing purposes, investments in subsidiaries are grouped in the same manner as the cash-generating units for the group. The carrying amount of investments in subsidiaries within each cash-generating unit is measured against the recoverable amount of investments in subsidiaries within this cash-generating unit. For further information with respect to impairment testing, see Note 4 Intangible assets and property, plant and equipment in the consolidated financial statements.



## 6. FINANCIAL ITEMS

FINANCIAL ITEMS	NOTE	2015
<b>Financial income</b>		
Interest income from group companies <sup>1)</sup>		20
Gains from exchange of bonds		368
<b>Total</b>		<b>388</b>
<b>Financial expenses</b>		
External interest expense		-182
Impairment of investments in subsidiaries		-1 893
<b>Total</b>		<b>-2 075</b>
Realised/unrealised gains on foreign currency		-33
<b>Financial items</b>		<b>-1 720</b>

<sup>1)</sup> Intercompany interest is calculated based on a standard margin, adjusted where necessary to reflect local market conditions and transfer pricing principles.



## 7. MATURITY OF INTEREST-BEARING LIABILITIES

MATURITY OF THE COMPANY'S DEBT AT 31.12.2015	BONDS	TOTAL
2016	0	0
2017	0	0
2018	0	0
2019	0	0
2020	0	0
2021	1 530	1 530
2022	0	0
2023	534	534
Total	2 064	2 064

Foreign currency debt is presented using exchange rate at 31 December 2015. For more information, see Note 11 Interest-bearing liabilities in the consolidated financial statements.



## 8. PAYROLL COSTS, PENSION COSTS AND OBLIGATIONS

Norske Skog Holding AS does not have any own employees, see Note 9.



## 9. SALARY AND OTHER REMUNERATION FOR SENIOR EXECUTIVES

Norske Skog Holding AS is a purely holding company with no employees. Norske Skogindustrier ASA, which is the ultimate parent company in the Norske Skog group, employs all the members of the board of directors. The members of the board of directors did not receive any remuneration from Norske Skog Holding AS.



**10. OTHER GAINS AND LOSSES**

	2015
<b>OTHER GAINS AND LOSSES</b>	
Gains and losses on disposal of property, plant and equipment	0
<b>Total</b>	<b>0</b>



## 11. INCOME TAXES

TAX EXPENSE	2015
Current tax expense <sup>2)</sup>	-59
Change in deferred tax	0
<b>Total</b>	<b>-59</b>

INCOME TAX RECONCILIATION	2015
Profit/loss before income taxes	-1 720
Computed tax at nominal tax rate of 27%	464
Exempted income/non-deductible expenses	-12
Impairment of investments in subsidiaries	-500
Adjustment previous years	0
Change in tax rate	0
Other items	0
Change tax loss not recognised	-11
<b>Total tax expense(-)/income</b>	<b>-59</b>

CURRENT TAX LIABILITY	2015
Current tax expense <sup>2)</sup>	-59
<b>Total</b>	<b>-59</b>

DEFERRED TAX	2015
Net deferred tax asset /liability (-) 1 January	0
Deferred tax charged in the income statement	0
Tax expense in other comprehensive income	0
Reclassification of group tax items	0
<b>Net deferred tax asset/liability (-) 31 December</b>	<b>0</b>
<b>DEFERRED TAX – DETAILS</b>	<b>31.12.2015</b>
Property, plant and equipment, excess values and depreciation	0
Pensions	0
Provisions and other liabilities	0
Currency translation differences and financial instruments	0
Current items	11
Tax losses and tax credit to carry forward	-11
<b>Net deferred tax asset/liability (-)</b>	<b>0</b>

TAX LOSSES AND TAX CREDIT TO CARRY FORWARD - DETAILS	31.12.2015
Tax losses to carry forward	0
Tax losses and other tax credits not recognised <sup>1)</sup>	-44
Tax credits	0
<b>Total losses to carry forward and tax credits</b>	<b>-44</b>
<b>Tax losses and tax credit to carry forward</b>	<b>-11</b>
<b>Tax rate</b>	<b>25%</b>

- 1) The value of tax losses and other tax credits are written down, subsequently the tax losses are lower than total tax benefits not recognised.
- 2) Taxes payable will be offset by group contribution to parent company.



## 12. INTERCOMPANY RECEIVABLES/LIABILITIES

	31.12.2015
<b>NON-CURRENT INTERCOMPANY RECEIVABLES</b>	
Norske Skogindustrier ASA	1 963
<b>Total</b>	<b>1 963</b>
<b>CURRENT INTERCOMPANY RECEIVABLES</b>	
Norske Skogindustrier ASA	585
<b>Total</b>	<b>585</b>
<b>CURRENT INTERCOMPANY LIABILITIES</b>	
<b>Total</b>	<b>0</b>

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



### 13. OTHER CURRENT ASSETS

Norske Skog Holding AS does not have any current assets.



#### **14. GUARANTEES**

The company has guaranteed the EUR 290 million senior secured note issued by Norske Skog AS with a total of NOK 2 790 million as at 31 December 2015.



## **15. RELATED PARTIES**

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



## **16. EVENTS AFTER THE BALANCE SHEET DATE**

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



Statsautoriserte revisorer  
Ernst & Young AS

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Medlemmer av Den norske revisorforening

To the Annual Shareholders' Meeting of  
Norske Skog Holding AS

## AUDITOR'S REPORT

### Report on the financial statements

We have audited the accompanying financial statements of Norske Skog Holding AS, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the balance sheet as at 31 December 2015, the statements of income, comprehensive income, cash flows and changes in equity for the period 5 November 2014 to 31 December 2015 as well as a summary of significant accounting policies and other explanatory information.

#### *The Board of Directors' responsibility for the financial statements*

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

#### *Auditor's responsibility*

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

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



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion on the financial statements for the Parent Company and the Group.

#### *Basis for adverse opinion*

In the Group financial statements the company's investment in associates, the carrying value of property, plant and equipment and receivables on group companies are significantly overstated based on our analysis of recoverable amounts. These matters constitute in our view significant departures from International Financial Reporting Standards as adopted by the EU. In our opinion an impairment of at least NOK 4.800 million of investment in associates, property, plant and equipment and receivables on group companies should have been recognized applying the going concern assumption. If such impairment had been recognized in the Group financial statements book value of assets and equity would have been reduced by at least NOK 4.800 million respectively.

In the parent company financial statements investments in subsidiaries and receivables on group companies are significantly overstated based on our analysis of recoverable amounts. These matters constitute in our view a departure from the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway. In our opinion an impairment of at least NOK 4.800 million of investments in subsidiaries and receivables on group companies should have been recognized. If such impairment had been recognized in the parent company's financial statements book value of assets and equity would have been reduced by at least NOK 4.800 million respectively.

#### *Adverse opinion on the financial statements of the Parent Company*

In our opinion, because of the significance of the matters described in the Basis for adverse opinion paragraph, the financial statements do not present fairly the financial position of the Company as at 31 December 2015 and its financial performance and cash flows for the period 5 November 2014 to 31 December 2015 in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

#### *Adverse opinion on the financial statements of the Group*

In our opinion, because of the significance of the matters described in the Basis for adverse opinion paragraph, the consolidated financial statements do not present fairly the financial position of the Group as at 31 December 2015 and its financial performance and cash flows for the period 5 November 2014 to 31 December 2015 in accordance with the International Financial Reporting Standards as adopted by the EU.

Accordingly, the accounts as presented should in our opinion not be adopted as the Company's financial statements for 2015.

#### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to the Board of Directors' report and Note 8 to the financial statements and the matters described in the section "basis for adverse opinion" above, which indicates the existence of material uncertainties that may cast significant doubt on the Company's and the Group's ability to continue as a going concern and, therefore, that the entity and the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.



### Report on other legal and regulatory requirements

#### *Opinion on the Board of Directors' report*

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

#### *Opinion on registration and documentation*

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

#### *Other matters*

The Company is a part of Norske Skog Group cash-pool. The Company's and the Group's financial situation is distressed and the liquidity situation challenging. In our view it is a possibility that the Board of Directors may be held liable for continuing funding other companies in the Group.

Oslo, 21 June 2016  
ERNST & YOUNG AS

Eirik Tandrevold  
State Authorised Public Accountant (Norway)