ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2015 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	911 750 961
Organisasjonsform:	Allmennaksjeselskap
Foretaksnavn:	NORSKE SKOGINDUSTRIER ASA
Forretningsadresse:	Karenslyst allé 49 0279 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2015 - 31.12.2015

Konsern

Morselskap 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:	25.05.2016

Grunnlag for avgivelse

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

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Brønnøysundregistrene, 24.10.2019

Resultatregnskap

Beløp i: NOK	Note	2015	2014
RESULTATREGNSKAP			
Inntekter			
Operating revenue	3	119 000 000	121 000 000
Sum inntekter		**119 000 000**	**121 000 000**
Kostnader			
Employee benefit expenses	8	88 000 000	90 000 000
Depreciation	4	9 000 000	9 000 000
Other operating expenses		51 000 000	94 000 000
Restructuring expenses		4 000 000	0
Other gains and losses	10	0	0
Sum kostnader		**152 000 000**	**193 000 000**
Driftsresultat		**-33 000 000**	**-72 000 000**
Finansinntekter og finanskostnader			
Dividends received from group companies	6	300 000 000	765 000 000
Renteinntekt fra foretak i samme konsern	6	179 000 000	271 000 000
Annen renteinntekt	6	6 000 000	10 000 000
Gain from intragroup sales of shares	6	420 000 000	0
Gain from exchange of bonds	6	399 000 000	0
Gain from fair value hedge	6	90 000 000	0
Other financial income	6	23 000 000	4 000 000
Reversal impairment losses of investments in subsidiaries	6	0	558 000 000
Sum finansinntekter		**1 417 000 000**	**1 608 000 000**
Impairment of investments in subsidiaries	6	1 743 000 000	0
Rentekostnad til foretak i samme konsern	6	95 000 000	278 000 000
Annen rentekostnad	6	389 000 000	581 000 000
Other financial expenses	6	40 000 000	25 000 000
Realised/unrealised gains on foreign currency	6	573 000 000	903 000 000
Sum finanskostnader		**2 840 000 000**	**1 787 000 000**
Netto finans		**-1 423 000 000**	**-179 000 000**
Ordinært resultat før skattekostnad		**-1 456 000 000**	**-251 000 000**

Resultatregnskap

Beløp i: NOK	Note	2015	2014
Income taxes	11	26 000 000	634 000 000
Ordinært resultat etter skattekostnad		**-1 482 000 000**	**-885 000 000**
Årsresultat		**-1 482 000 000**	**-885 000 000**
Remeasurements of post employment benefit obligations		-1 000 000	-17 000 000
Tax effect on remeasurements of post emplyment benefit obligations		0	4 000 000
Totalresultat		**-1 483 000 000**	**-898 000 000**
Overføringer og disponeringer			
Udekket tap		-1 483 000 000	-898 000 000
Sum overføringer og disponeringer		**-1 483 000 000**	**-898 000 000**

Balanse

Beløp i: NOK	Note	2015	2014
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Intangible assets	4	12 000 000	15 000 000
Utsatt skattefordel	11	10 000 000	33 000 000
Sum immaterielle eiendeler		**22 000 000**	**48 000 000**
Varige driftsmidler			
Property, plant and equipment	4	16 000 000	22 000 000
Sum varige driftsmidler		**16 000 000**	**22 000 000**
Finansielle anleggsmidler			
Investering i datterselskap	5	7 016 000 000	12 511 000 000
Other non-current assets	12	484 000 000	2 177 000 000
Sum finansielle anleggsmidler		**7 500 000 000**	**14 688 000 000**
Sum anleggsmidler		**7 538 000 000**	**14 758 000 000**
Omløpsmidler			
Varer			
Fordringer			
Trade and other receivables	12	129 000 000	206 000 000
Sum fordringer		**129 000 000**	**206 000 000**
Investeringer			
Other current assets	13	5 000 000	5 000 000
Sum investeringer		**5 000 000**	**5 000 000**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents		261 000 000	397 000 000
Sum bankinnskudd, kontanter og lignende		**261 000 000**	**397 000 000**
Sum omløpsmidler		**395 000 000**	**608 000 000**
SUM EIENDELER		**7 933 000 000**	**15 366 000 000**

Balanse

Beløp i: NOK	Note	2015	2014
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Paid in equity		190 000 000	1 252 000 000
Sum innskutt egenkapital		**190 000 000**	**1 252 000 000**
Opptjent egenkapital			
Retained earnings and other reserves		-422 000 000	
Sum opptjent egenkapital		**-422 000 000**	
Sum egenkapital		**-232 000 000**	**1 252 000 000**
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	8	44 000 000	49 000 000
Utsatt skatt	11	0	0
Sum avsetninger for forpliktelser		**44 000 000**	**49 000 000**
Annen langsiktig gjeld			
Interest-bearing non-current liabilities	7,12	5 736 000 000	9 665 000 000
Other non-current liabilities		0	1 000 000
Sum annen langsiktig gjeld		**5 736 000 000**	**9 666 000 000**
Sum langsiktig gjeld		**5 780 000 000**	**9 715 000 000**
Kortsiktig gjeld			
Interest-bearing current liabilities	7,12	1 197 000 000	1 277 000 000
Tax payable	11	5 000 000	3 000 000
Trade and other payables	12	1 086 000 000	2 946 000 000
Other current liabilities		97 000 000	173 000 000
Sum kortsiktig gjeld		**2 385 000 000**	**4 399 000 000**
Sum gjeld		**8 165 000 000**	**14 114 000 000**
SUM EGENKAPITAL OG GJELD		**7 933 000 000**	**15 366 000 000**

Konsernets resultatregnskap

Beløp i: NOK	Note	2015	2014
RESULTATREGNSKAP			
Inntekter			
Operating revenue	3	11 538 000 000	12 150 000 000
Sum inntekter		**11 538 000 000**	**12 150 000 000**
Kostnader			
Endring i beholdning av varer under tilvirkning og ferdig tilvirkede varer		-59 000 000	30 000 000
Distribution costs		1 242 000 000	1 249 000 000
Cost of materials		6 876 000 000	7 228 000 000
Emplyee benefit expenses	12	1 848 000 000	1 908 000 000
Depreciation	4	767 000 000	735 000 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	4	0	0
Other operating expenses	14	878 000 000	934 000 000
Restructuring expenses	20	53 000 000	4 000 000
Other gains and losses	16	97 000 000	-3 000 000
Sum kostnader		**11 702 000 000**	**12 085 000 000**
Driftsresultat		**-164 000 000**	**65 000 000**
Finansinntekter og finanskostnader			
Share of profit in associated companies	19	-41 000 000	1 000 000
Dividends received	5	0	1 000 000
Annen renteinntekt	5	11 000 000	16 000 000
Gains from exchange of bonds	5	767 000 000	0
Gains from fair value hedge	5	90 000 000	0
Other financial income	5	25 000 000	0
Sum finansinntekter		**852 000 000**	**18 000 000**
Annen rentekostnad	5	929 000 000	617 000 000
Net unrealised/realised gains/losses on foreign currency	5	719 000 000	690 000 000
Other financial expenses	5	46 000 000	67 000 000
Sum finanskostnader		**1 694 000 000**	**1 374 000 000**
Netto finans		**-842 000 000**	**-1 356 000 000**

Konsernets resultatregnskap

Beløp i: NOK	Note	2015	2014
Ordinært resultat før skattekostnad		**-1 006 000 000**	**-1 291 000 000**
Income taxes	17	520 000 000	213 000 000
Ordinært resultat etter skattekostnad		**-1 526 000 000**	**-1 504 000 000**
Årsresultat		**-1 526 000 000**	**-1 504 000 000**
Minoritetsinteresser	20	0	0
Årsresultat etter minoritetsinteresser		**-1 526 000 000**	**-1 504 000 000**
Currency translation differences		304 000 000	647 000 000
Tax expense on translation differences		-280 000 000	182 000 000
Hedge of net investment in foreign operations		-108 000 000	-151 000 000
Tax expense on net investment hedge		0	10 000 000
Reclassified translation differences upon divestment of foreign operations		95 000 000	0
Other Items		0	-6 000 000
Remeaurements of post employment benefit obligations		5 000 000	-88 000 000
Tax effect on remeasurements of post employment benefit obligations		-4 000 000	20 000 000
Totalresultat		**-1 514 000 000**	**-890 000 000**
Overføringer og disponeringer			
Udekket tap		-1 514 000 000	-890 000 000
Sum overføringer og disponeringer		**-1 514 000 000**	**-890 000 000**

Konsernets balanse

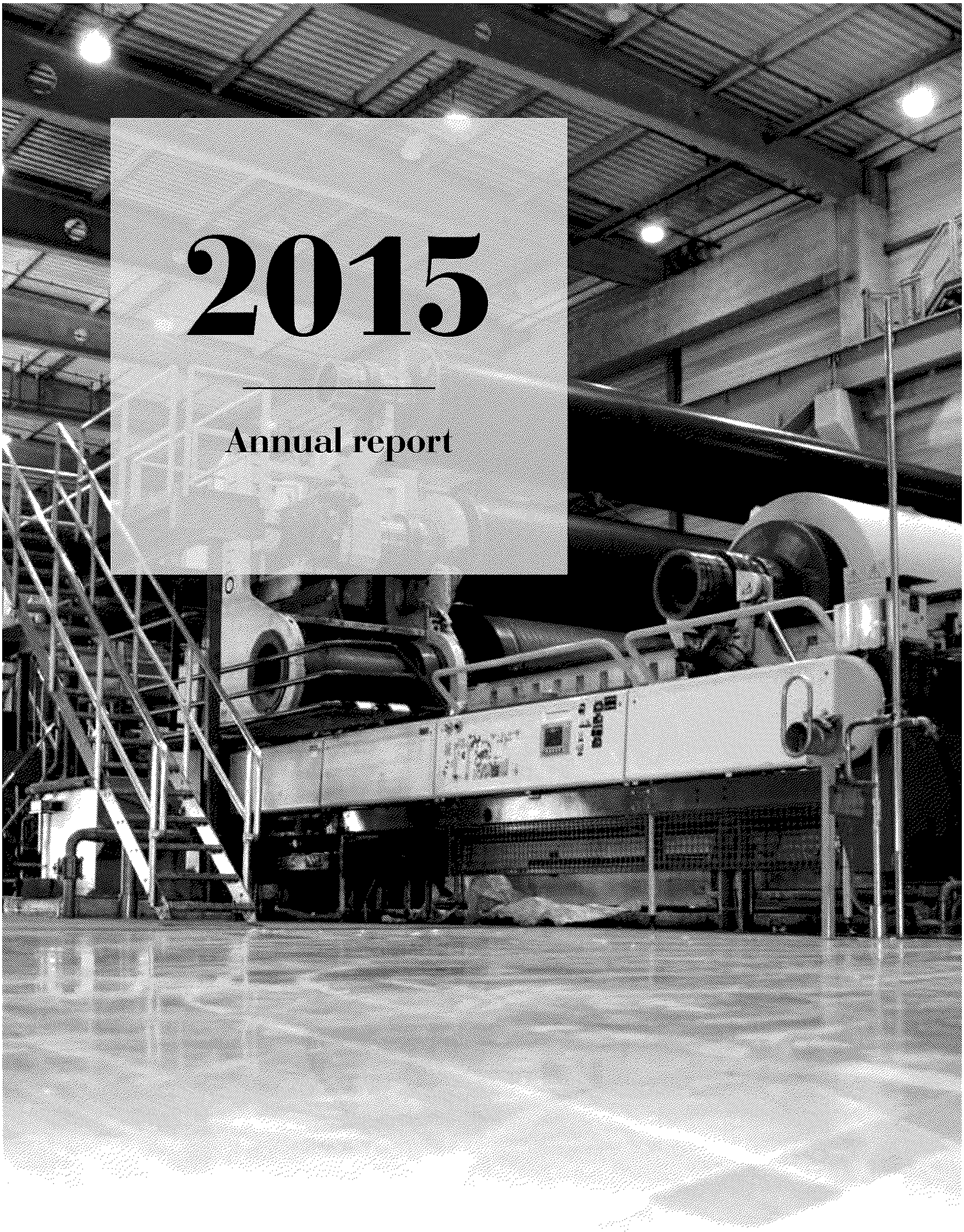
Beløp i: NOK	Note	2015	2014
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Other intangible assets	4	29 000 000	34 000 000
Utsatt skattefordel	17	0	598 000 000
Goodwill	4	58 000 000	58 000 000
Sum immaterielle eiendeler		**87 000 000**	**690 000 000**
Varige driftsmidler			
Land and buildings	4	1 904 000 000	2 245 000 000
Machinery and equipment	4	6 263 000 000	6 162 000 000
Other Property, plant and equipment	4	418 000 000	773 000 000
Sum varige driftsmidler		**8 585 000 000**	**9 180 000 000**
Finansielle anleggsmidler			
Investeringer i tilknyttet selskap	19	374 000 000	429 000 000
Other non-current assets	10	427 000 000	387 000 000
Sum finansielle anleggsmidler		**801 000 000**	**816 000 000**
Sum anleggsmidler		**9 473 000 000**	**10 686 000 000**
Omløpsmidler			
Varer			
Inventories	3,18	1 253 000 000	1 334 000 000
Sum varer		**1 253 000 000**	**1 334 000 000**
Fordringer			
Trade and other receivables	10	1 357 000 000	1 209 000 000
Sum fordringer		**1 357 000 000**	**1 209 000 000**
Investeringer			
Other current assets	18	41 000 000	38 000 000
Sum investeringer		**41 000 000**	**38 000 000**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	8	536 000 000	710 000 000

Konsernets balanse

Beløp i: NOK	Note	2015	2014
Sum bankinnskudd, kontanter og lignende		**536 000 000**	**710 000 000**
Sum omløpsmidler		**3 187 000 000**	**3 291 000 000**
SUM EIENDELER		**12 660 000 000**	**13 977 000 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Paid-in equity		12 302 000 000	12 302 000 000
Sum innskutt egenkapital		**12 302 000 000**	**12 302 000 000**
Opptjent egenkapital			
Retained earnings and other reserves	22	-12 531 000 000	-11 017 000 000
Sum opptjent egenkapital		**-12 531 000 000**	**-11 017 000 000**
Sum egenkapital		**-229 000 000**	**1 285 000 000**
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	13	276 000 000	820 000 000
Utsatt skatt	17	610 000 000	415 000 000
Sum avsetninger for forpliktelser		**886 000 000**	**1 235 000 000**
Annen langsiktig gjeld			
Interest-bearing non-current liabilities	6,11	7 453 000 000	6 592 000 000
Other non-current liabilities	18	631 000 000	692 000 000
Sum annen langsiktig gjeld		**8 084 000 000**	**7 284 000 000**
Sum langsiktig gjeld		**8 970 000 000**	**8 519 000 000**
Kortsiktig gjeld			
Interest-bearing current liabilities	11	1 676 000 000	1 679 000 000
Leverandørgjeld	18	1 921 000 000	2 172 000 000
Tax payable	17	15 000 000	13 000 000
Other current liabilities	18	307 000 000	309 000 000
Sum kortsiktig gjeld		**3 919 000 000**	**4 173 000 000**

Konsernets balanse

Beløp i: NOK	Note	2015	2014
Sum gjeld		**12 889 000 000**	**12 692 000 000**
SUM EGENKAPITAL OG GJELD		**12 660 000 000**	**13 977 000 000**



2015

Annual report

Norske Skog

REPORT OF THE BOARD OF DIRECTORS

Norske Skog 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. Norske Skog acquired its Australasian assets in 2000 and only produced newsprint in the region for a number of years. However, through the conversion of one of its newsprint machines, the group has since 2014 also produced magazine paper in Australia. Today, the production capacity in the segment is 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.

New technologies for distribution of content and advertisements have reduced the usage publication paper. The universality of the internet and penetration of handheld devices have made content available instantly and everywhere. As a result, world demand for publication paper peaked 10 years ago and has since experienced a secular decline. Demand for publication paper is however also cyclical, through ad spending and propensity to buy newspapers and magazines. Actual demand alternates around the secular trend pending on the business cycle.

The new electronic mediums have been successful in gaining market share through readership. On the revenue side however, paper has retained, surprisingly to many, a strong position. The vast majority of publishers, all with online editions of their publications, still see the lion's share of their revenue generation from the print edition. For newspapers, this figure is in excess of 90%.

Paper is old, but not old fashioned. Paper has unique characteristics in achieving attention for advertising and readability for knowledge transferral. The ubiquity advantage of the internet also brings challenges in the ability to stand out. Advertisers increasingly turn to paper to gain attention. Reading on paper brings no disturbances, it is you and the text and no temptations a click away. Turning pages engages you more than scrolling. Numerous research studies shows paper to be the better medium to deliver and obtain knowledge. A fact leading schools are taking to heart.

Everyone knows that paper is made from trees. Less known is that trees are abundant and that the environmental challenge is not to preserve trees, but to manage forests. There is today more forest land in the world than ever before. Wood is an underutilized resource. And to state the obvious, forest land management and rainforests preservation have nothing in common.

Paper is a renewable product, made from recycled paper and managed forest land. No material is more recycled than publication paper at in excess of 70%. The carbon footprint is very competitive to digital devices. It is energy intensive to produce paper from wood, much less so from recycled paper. Once produced, paper consumes no energy. A book will last generations in caring hands. An e-reader is energy intensive to produce, needs regular re-charging and no caring hands will ever make it last a generation.

The global economy has always experienced challenges, but particularly so since the financial crisis in 2008. Over the last decades, the supply shock from the entry of China to the world economy changed the economic order. Energy and raw material needs for the rising giant and its capacity for production of consumer goods disrupted producers, distributors and retailers in mature economies. The abundance of high quality, low price consumer goods made inflation targets difficult to reach. Ever lower interest rates to balance money with goods, encouraged investments and asset inflation. A build-up of excessive capacity resulted in numerous industries. Growth from excess is challenging. An outlook for modest growth seems likely.

As opposed to many industries, the publication paper industry has lived with declining demand for a decade. As such, the industry is adept at cost efficiencies and portfolio optimization. Reflecting recent capacity closures and announcement of conversion of capacity, the market balance is encouraging with price recovery in 2016. And benefitting from overcapacity in energy industries, production costs are easing.

NORSKE SKOG IN 2015

Norske Skog reached lower levels of gross operating earnings in 2015 compared to previous year, reflecting 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.

In February 2015, Norske Skog 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 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 Australiasia and share pledges in the European operating companies. The exchange notes are guaranteed, but are structurally subordinated to the SSNs. The remaining debt in Norske Skogindustrier ASA remains unsecured.

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 June last year, Norske Skog ceased to provide financing to the cash negative Walsum operations in Germany. The Walsum operations are no longer part of the group.

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 is now on an improved financial footing.

Norske Skog launched several growth initiatives beyond publication paper last year. A biogas facility is currently under construction at the Saugbrugs site in Norway and the group is progressing on biogas projects at other sites. The group also acquired the pellets producer Nature's Flame in New Zealand, the domestic market leader, and has ramped up production for exports. Norske Skog will consider extending pellets production to the newsprint site in New Zealand. And lastly, but not least the group last summer entered a joint venture for the conversion of the Bruck newsprint machine in Austria to tissue paper production. Since then the project has progress well with all permits in place and ground work completed. Regrettably, however the partnership did not develop as intended and Norske Skog is currently in discussions with alternative partners. Upon completion of the conversion, the adjacent magazine paper machine at Bruck will continue to produce publication paper.

INCOME STATEMENT AND CASH FLOW

During 2015 a number of factors impacted the income statement and cash flows. Operating revenue decreased following lower production and sales volumes compared to previous years. 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 compared to previous years.

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's operating revenue in 2015 was NOK 11.5 billion (NOK 12.2 billion in 2014). The reduction reflected lower prices and volumes and reduced production capacity, partly due to Walsum no longer being part of the group in the second half of the year. Delivery volumes were down 7% to 2.4 million tonnes, with challenging markets and reduced volumes from Walsum, compared to the previous year.

The weaker NOK in 2015 compared to 2014 had a positive effect on revenue generation, as close to all volumes are sold in foreign currencies. On the cost side however, the NOK depreciation had the opposite effect. Variable costs per tonne were higher, while fixed costs were lower despite the currency headwind.

The net positive currency effect was not able to offset the impact from lower prices and volumes. Gross operating earnings declined to NOK 753 million in 2015 (NOK 801 million). Gross operating margin was 6.5% in 2015 compared to 6.6% in 2014. The impact of reduced volumes and selling prices was approximately NOK 700 million. This negative effect was almost offset by reduced variable and fixed costs of approximately NOK 250 million and favourable movement of currencies and other smaller effects of approximately NOK 400 million.

Depreciation was NOK 767 million in 2015 (NOK 735 million). Restructuring expenses in 2015 amounted to NOK 53 million (NOK 4 million), mainly due to de-manning. Other gains and losses in 2015 were NOK -97 million (NOK 3 million), largely reflecting discontinued operations at Walsum.

Operating earnings were NOK -165 million in 2015 (NOK 65 million). The decline reflected the negative impact from restructuring expenses and other gains and losses.

Financial items in 2015 were NOK -801 million (NOK -1 357 million). Net interest expenses were NOK 918 million in 2015 (NOK 601 million). Net unrealised/realised loss on foreign mainly related to translation effects on debt denominated in foreign currencies were NOK -719 million in 2015 (NOK -690 million). The currency losses mirrored NOK depreciation. In the first quarter of 2015 a net gain of NOK 857 million was recognized following the completion of the refinancing in February and is included as part of financial income of NOK 893 million.

Income taxes recognized in the income statement for 2015 amounted to NOK -520 million (NOK -213 million). This included a non-cash write-off of deferred tax assets of NOK 482 million.

Loss for the period was NOK 1.5 billion in 2015 (NOK -1.5 billion). Earnings per share in 2015 were NOK -8.0 (NOK -7.9).

Net cash flow from operating activities was NOK -777 million in 2015 (NOK 200 million). Net cash generated from operations was NOK 116 million (NOK 989 million) reflecting the challenging operating environment in 2015. Cash from net financial items, primarily interest payments, was NOK -843 million (NOK -747 million), while taxes paid was NOK -50 million (NOK -42 million).

In 2015 Norske Skog 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 completed the issuance of a new EUR 290 million Senior Secured Notes (SSNs). Proceeds from the SSNs were used in a subsequent exchange offer 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. Following the exchange, maturities of approximately NOK 1.8 billion were extended and immediate deleveraging of close to NOK 500 million was achieved. Net interest bearing debt also was reduced by NOK 367 million 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 12.7 billion at 31 December 2015 (NOK 14 billion). Total non-current assets were NOK 9.5 billion at 31 December 2015 (NOK 10.7 billion). The reduction of NOK 1.2 billion reflected depreciation, disposals and deconsolidation of Walsum. Investments in property, plant and equipment were NOK 180 million in 2015 (NOK 274 million). Investments in 2015 mainly relates to operational capital expenditure but included the acquisition of Nature's Flame in New Zealand and in 2014 the completion of development projects at Saugbrugs in Norway and Boyer in Australia.

Total current assets were NOK 3.2 billion at 31 December 2015 (NOK 3.3 billion). The decrease reflected lower inventories and cash balances.

Total non-current liabilities were NOK 9.0 billion at 31 December 2015 (NOK 8.5 billion). Net interest-bearing debt, the main portion of non-current liabilities, increased by NOK 1.1 billion through 2015 and amounted to NOK 8.5 billion at 31 December 2015. The increase primarily constituted a non-cash currency loss on foreign denominated debt from the depreciation of the Norwegian krone. In October 2015, the remaining outstanding amount on a USD bond was redeemed at maturity.

Current liabilities decreased by approximately NOK 300 due to the net effect of reclassification of NOK 502 million from non-current to current liabilities and reduced trade and other payables.

Equity was NOK -229 million at 31 December 2015 (NOK 1 285 million). The decrease reflected loss for the period. Equity per share was NOK -1.2 at 31 December 2015 (NOK 6.8).

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's reporting structure in 2015 provided segment information for publication paper Europe and publication paper Australasia. Other activities largely comprise costs above the segment level.

Demand for newsprint and magazine paper declined in 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's European operations with sites in Norway, France and Austria. Annual production capacity is 2.0 million tonnes.

Operating revenue was NOK 8.1 billion in 2015 (NOK 9.0 billion). Gross operating earnings were NOK 413 million (NOK 582 million). The decline reflected lower prices and volumes as several producers in the industry were fighting for market share. Sales volumes for the group were down 11% to 1.8 million tonnes as production was reduced in the low pricing environment. Walsum, which is no longer are part of the group, contributed negatively to gross operating earnings in 2015. A weaker NOK is 2015 compared to 2014 was favourable to revenue generation, but had the opposite effect on reported costs. Fixed costs were however reduced despite the currency headwind reflecting ongoing cost initiatives and portfolio optimization. Demand for newsprint and magazine paper in Europe was 6% and 5% lower in 2015 respectively, compared to the year before. Capacity utilization in the segment Publication Paper Europe was 82% in 2015 (87%).

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 (NOK 3.2 billion). Gross operating earnings were NOK 361 million (NOK 287 million). The increase reflected the first full year of magazine paper production at Boyer in Australia, following ramp up of the machine through 2014. The Improvement was mitigated by significantly lower export prices for newsprint in Asia and a smaller domestic market in Australasia with secular decline in demand. The group has a considerable competitive advantage in Australasia as the sole domestic producer and hence favourable margins. Sales volumes increased by 5% to 0.6 million tonnes. A weaker NOK in the year compared to previous year increased the revenue line, but had the opposite effect on costs. Demand for newsprint in Oceania decreased by 15% in 2015, while demand for magazine paper declined by 1%. Capacity utilization in the segment Publication Paper Australasia was 91% in 2015 (92%).

OTHER ACTIVITIES

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

Among the financing solutions reached to date included an exchange offer to 2017 noteholders, issuance of new equity, the replacement and enlargement of an existing accounts receivables (AR) facility and other liquidity measures.

At the end of March 2016 Norske Skog 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.

In a separate transaction at the end of March 2016, Norske Skogindustrier ASA issued 63 million new shares to GSO and Cyrus at a price of NOK 2.24 per share. Total proceeds in cash amounted to NOK 142 million. The equity issue enhanced the group's equity and liquidity position. On 21 April the the board of directors announced the details of the repair issue to repair for the dilutive effect of the private placement completed on 31 March 2016. The repair issue will be directed to the company's shareholders registered on 22 April 2016. Shareholders who have the right to subscribe for shares in the repair issue will have the right to be allocated 0.1925 shares for each share that the shareholder holds at the subscription price of NOK 2.24. If all shares are subscribed this will provide the company with approximately NOK 70 million in new equity. The repair offering subscription period is expected to be completed end of May 2016. Furthermore the board of directors will ask shareholders for a renewed 50% authority for share capital increase at the annual general meeting on 25 May.

In April 2016, the exchange offer to 2017 noteholders was successfully completed with more than three quarters of holders voting in favour. Given the large acceptance, the offer was binding for all 2017 noteholders. All the remaining 2017 notes, amounting to EUR 218 million, were thus exchanged into a combination of new 2026 notes, perpetual notes with maturity in 2115 and a right to subscribe in cash for ordinary shares of the company. The completion of the exchange offer resulted in an immediate deleveraging and reduced net interest bearing debt and improved group equity by more than NOK 1 billion and reduced annual cash interest payments by more than NOK 100 million.

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

The board of directors believes that the combination of improved profitability and hence cash flow from operations as well as reduced cash interest payments is expected to facilitate the ability to service the capital structure in years to come. The Board will decide on the group's ability to complete the redemption of the 2016 bond in June based on cash balances, various liquidity initiatives and improved cash flow from operations in first half of 2016. The present amount outstanding on the 2016 bond is EUR 74 million following buy-backs in April.

Following the redemption of 2016 notes, 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 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 of the opinion that Norske Skog 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.

As a consequence of a write-off of tax assets in Norway and Australasia as part of the year-end consolidated financial statements, the equity of Norske Skog is negative and hence fell below 50% of the share capital at 31 December 2015. The Board of Directors does not believe that such a level is sufficient for the group. Following the completion of the exchange offer to 2017 noteholders and the issuance of new equity, the group equity level has been improved by more than NOK 1 billion. In accordance with the requirements of the Norwegian Public Limited Liability Companies Act section 3-5, the board of directors will account for Norske Skog's financial position at the upcoming annual general meeting (AGM) in May 2016.

ORGANISATION

BOARD OF DIRECTORS

Norske Skog's board of directors consists of Jon-Aksel Torgersen (chair), Eilif Due, Joanne Owen, Nils Ingemund Hoff and three employee-elected representatives Paul Kristiansen, Svein Erik Veie and Cecilie Jonassen. The board is elected by the general meeting. Following the resignation of Siri Hatlen, the Board of Directors does not comply with the requirement of 40% women in the Board. The election and remuneration committee is aware of the situation will take this into consideration when they address this and recommend a new board member so the Board fulfils the requirement following the annual general meeting.

CORPORATE MANAGEMENT

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

EMPLOYEES

Norske Skog had 2 557 employees at year end 2015 (2 942). The reduction reflected cease of operations as part of Norske Skog at Walsum in Germany

HEALTH AND SAFETY

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

RESEARCH AND DEVELOPMENT

Norske Skog's research and development work is performed at the individual business units and in cooperation with external research institutions. The work is coordinated centrally, where the aim is to leverage synergies and best practices throughout the group. There is a 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 has been stable at around 10% for many years. Norske Skog's board of directors consists of five members elected by the shareholders and three members elected by and among the employees. Following the resignation of one board member there are currently three men and one women among the shareholder elected members. There is one woman among the employee elected representatives. An exception from the gender balance requirement for employee elected board members is granted for companies with a total female percentage of less than 20%. Following the resignation of one board member in February, Norske Skog does currently not comply with the requirement for gender balance on boards of Norwegian public limited companies. The elections committee is working to identify a new member that will be nominated for election at the coming annual general meeting. 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 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 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'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 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 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 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. Corporate governance is described in a separate section of the annual report.

ENVIRONMENT

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

RESOURCES AND GREENHOUSE GAS EMISSIONS

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

Norske Skog 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 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 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 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 SKOGINDUSTRIER ASA (THE PARENT COMPANY)

The activities of Norske Skogindustrier ASA consist mainly of corporate functions for other entities in the group. Income of NOK 119 million (NOK 121 million) is primarily intercompany revenue from the services provided. There has been significant downsizing at the corporate headquarters during recent years. This is reflected in the company's lower employee benefit expenses and other operating expenses of NOK -138 million (NOK -184 million).

Financial items amounted to NOK -122 million (-179 million). This item included a net gain of 489 million from the deleveraging following the refinancing completed in first quarter of 2015. The financial items also included net interest costs of NOK -299 million (NOK -578 million) and negative currency effects of NOK -573 million (NOK -903 million). Income taxes is related to deferred tax assets, which has been expensed during 2015.

Net cash flow from operating activities in the parent company was negative with NOK -811 million (NOK -486 million). This amount was very much impacted by financial payments of NOK 447 million (NOK 624 million). The amount was reduced following the refinancing of the group in February 2015 when debt was reduced following the exchange of notes at parent level. At the end of 2015, Norske Skogindustrier ASA had 52 employees, of which 12 were women.

As a consequence of the impairment write-downs made as part of the year-end consolidated financial statement closing process announced earlier and its impact on the financial statements of Norske Skogindustrier, the Company's book equity is negative and hence below 50% of the share capital. In accordance with the requirements of the Norwegian Public Limited Liability Companies Act section 3-5, the board of directors will account for Norske Skogindustrier ASA and the group's financial position in the upcoming annual general meeting in May 2016.

In a separate transaction at the end of March 2016, Norske Skogindustrier ASA issued 63 million new shares to GSO and Cyrus at a price of NOK 2.24 per share. Total proceeds amounted to NOK 142 million. The equity issue enhanced the group's equity and liquidity position. An equity repair offering will be offered to existing shareholders following the private placement.

In April 2016, the exchange offer to 2017 noteholders was successfully completed with more than three quarters of holders voting in favour. Given the large acceptance, the offer was binding for all 2017 noteholders. All the remaining 2017 notes, amounting to EUR 218 million, were thus exchanged into a combination of new 2026 notes, perpetual notes with maturity in 2115 and a right to subscribe in cash for ordinary shares of the company. The completion of the exchange offer resulted in an immediate deleveraging and reduced net interest bearing debt and improved group equity by more than NOK 1 billion and reduced annual cash interest payments by more than NOK 100 million. Various other liquidity initiatives includes divestments of certain assets and a reduction in cash tied up in energy arrangements.

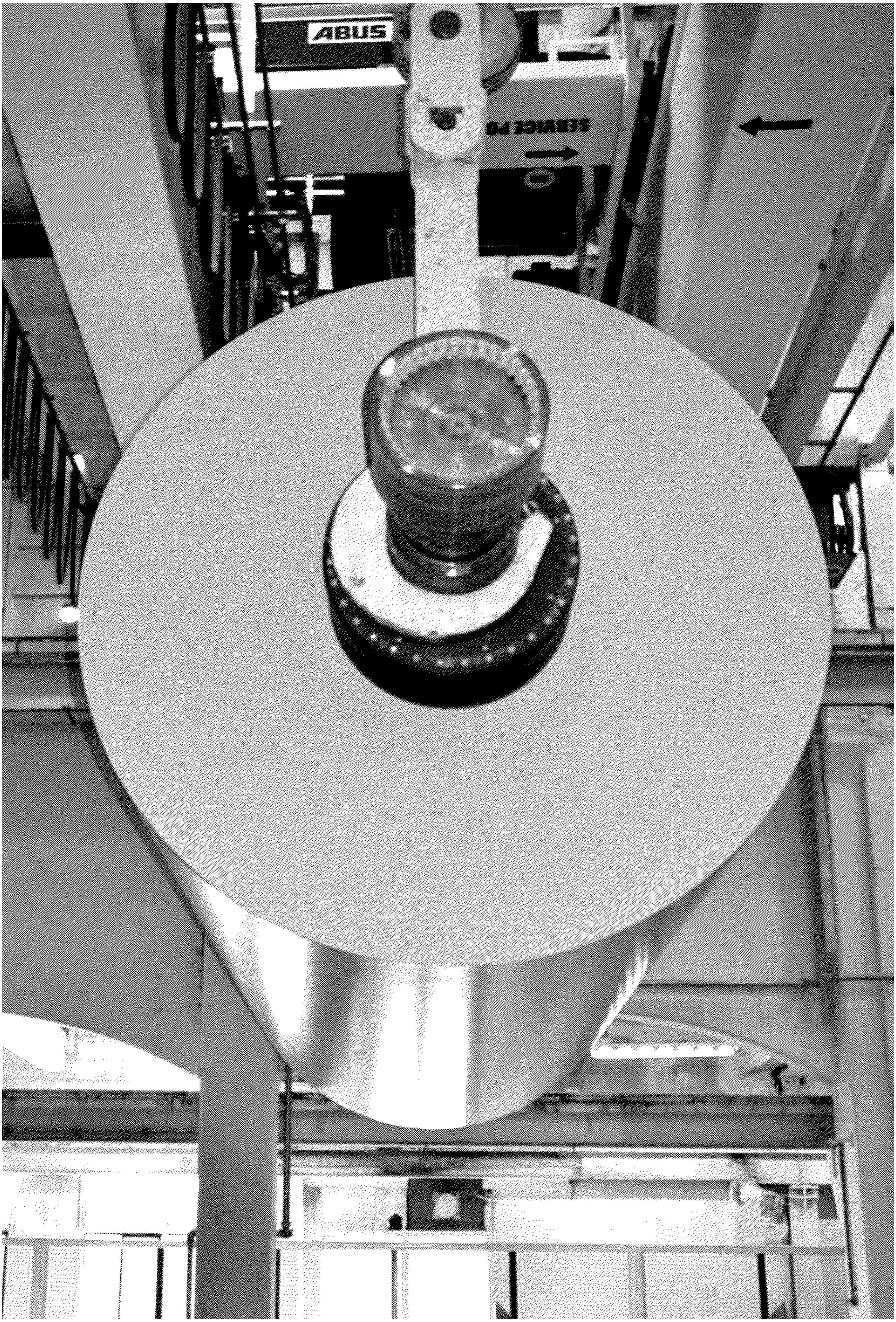
As described above the board of directors recognizes the challenging industry Norske Skog operates in and the remaining high financial leverage in Norske Skogindustrier ASA and the exposures to the groups various risks that could impact the financial performance, liquidity and equity in the parent company. The risk factors described for the group are also relevant for the parent company. Furthermore, in its capacity as the ultimate parent company of the group, Norske Skogindustrier ASA is also exposed to the risks of funding from the cash generating operations being available for the parent 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 loss for the year for Norske Skogindustrier ASA (the parent company) in 2015 was NOK -1 482 million (NOK -886 million) which has been allocated in its entirety to other paid-in equity. Distributable equity in Norske Skogindustrier ASA amounted to NOK 0 million at 31 December 2015.

SKØYEN 28 APRIL 2016 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA

Jon-Aksel Torgersen Chair	Eilif Due Board member	Nils Ingemund Hoff Board member
Cecilie Jonassen Board member	Joanne Owen Board member	Paul Kristiansen Board member
Svein Erik Veie Board member	Sven Ombudstvedt President and CEO	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Consolidated financial statements

NORSKE SKOGINDUSTRIER ASA

CONTENTS

CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	2015	2014
Operating revenue	3	**11 538**	**12 150**
Distribution costs		-1 242	-1 249
Cost of materials		-6 876	-7 228
Change in inventories		59	-30
Employee benefit expenses	12	-1 848	-1 908
Other operating expenses	14	-877	-935
Gross operating earnings		**753**	**801**
Depreciation	4	-767	-735
Restructuring expenses	20	-53	-4
Other gains and losses	16	-97	3
Impairments	4	0	0
Operating earnings		**-164**	**65**
Share of profit in associated companies	19	-41	1
Financial income	5	893	16
Financial expenses	5	-975	-684
Net unrealised/realised gains/losses on foreign currency	5	-719	-690
Profit/loss before income taxes		**-1 005**	**-1 291**
Income taxes	17	-520	-213
Profit/loss		**-1 526**	**-1 504**
Profit/loss attributable to:			
Owners of the parent		-1 526	-1 504
Non-controlling interests	21	0	0
Basic/diluted earnings per share (NOK)	22	-8.03	-7.92

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	2015	2014
Profit/loss	**-1 526**	**-1 504**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	304	647
Tax expense on translation differences	-280	182
Hedge of net investment in foreign operations	-108	-151
Tax expense on net investment hedge	0	10
Reclassified translation differences upon divestment of foreign operations	0	1
Reclassified hedging gain/loss on net investment upon divestment of foreign operations	95	0
Other items	0	-7
Total	**11**	**681**
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligations	5	-88
Tax effect on remeasurements of post employment benefit obligations	-4	20
Total	**1**	**-68**
Other comprehensive income	**12**	**614**
Comprehensive income	**-1 514**	**-890**
Comprehensive income attributable to:		
Owners of the parent	-1 514	-890
Non-controlling interests	0	0

CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	31.12.2015	31.12.2014
Assets			
Deferred tax asset	17	0	598
Intangible assets	4	87	92
Property, plant and equipment	3, 4	8 585	9 180
Investments in associated companies	19	374	429
Other non-current assets	10	426	387
Total non-current assets		**9 473**	**10 686**
Inventories	3, 18	1 253	1 334
Trade and other receivables	10	1 357	1 209
Cash and cash equivalents	8	536	710
Other current assets	18	40	39
Total current assets		**3 187**	**3 291**
Total assets		**12 660**	**13 977**
Shareholders' equity and liabilities			
Paid-in equity		12 302	12 302
Retained earnings and other reserves	22	-12 532	-11 017
Non-controlling interests	21	0	0
Total equity		**-229**	**1 285**
Pension obligations	13	276	820
Deferred tax liability	17	610	415
Interest-bearing non-current liabilities	6, 11	7 453	6 592
Other non-current liabilities	18	631	692
Total non-current liabilities		**8 970**	**8 519**
Interest-bearing current liabilities	11	1 676	1 679
Trade and other payables	18	1 921	2 172
Tax payable	17	15	13
Other current liabilities	18	308	309
Total current liabilities		**3 920**	**4 173**
Total liabilities		**12 889**	**12 692**
Total equity and liabilities		**12 660**	**13 977**

SKØYEN 28 APRIL 2016 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA

Jon-Aksel Torgersen
Chair

Eilif Due
Board member

Nils Ingemund Hoff
Board member

Cecilie Jonassen
Board member

Joanne Owen
Board member

Paul Kristiansen
Board member

Svein Erik Veie
Board member

Sven Ombudstvedt
President and CEO

CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	NOTE	2015	2014
Cash flow from operating activities			
Cash generated from operations		11 224	12 562
Cash used in operations		-11 108	-11 573
Cash flow from currency hedges and financial items		-22	-99
Interest payments received	5	10	13
Interest payments made	5	-831	-661
Taxes paid		-50	-42
Net cash flow from operating activities [1]	3	**-777**	**200**
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets	3, 4	-180	-274
Sales of property, plant and equipment and intangible assets		2	4
Dividend received	5	0	1
Purchase of shares in companies and other financial payments		-1	-8
Sales of shares in companies and other financial payments		-28	325
Net cash flow from investing activities		**-206**	**48**
Cash flow from financing activities			
New loans raised		2 614	569
Repayments of loans		-1 853	-1 209
Purchase/sale of treasury shares		0	0
Net cash flow from financing activities		**760**	**-640**
Foreign currency effects on cash and cash equivalents		50	86
Total change in cash and cash equivalents		**-173**	**-306**
Cash and cash equivalents 1 January		710	1 015
Cash and cash equivalents 31 December		536	710
[1] Reconciliation of net cash flow from operating activities			
Profit/loss before income taxes		-1 005	-1 291
Depreciation and impairments	4	767	735
Share of profit in associated companies	19	41	-1
Gains and losses from divestment of business activities and property, plant and equipment	16	102	17
Taxes paid		-50	-42
Change in trade and other receivables		-313	412
Change in inventories		-54	21
Change in trade and other payables		-152	37
Change in restructuring provision		38	-149
Financial items with no cash impact		-42	610
Gains and losses on commodity contracts and embedded derivatives	16	-9	-42
Value change biological assets	16	6	9
Disposal and repurchasing of renewable energy certificates		-37	-37
Change in environmental provisions with no cash impact		-27	-9
Change in pension obligations and other long term employee benefits		-25	-41
Other		-16	-29
Net cash flow from operating activities		**-777**	**200**

CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	PAID-IN EQUITY	RETAINED EARNINGS	HEDGE ACCOUNTING	OTHER EQUITY RESERVES	TOTAL BEFORE NON-CONTROLLING INTERESTS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Equity 1 January 2014	**12 302**	**-10 205**	**-190**	**269**	**2 175**	**0**	**2 175**
Profit/loss	0	-1 504	0	0	-1 504	0	-1 504
Other comprehensive income	0	0	-141	755	614	0	614
Equity 31 December 2014	**12 302**	**-11 708**	**-331**	**1 023**	**1 285**	**0**	**1 285**
Profit/loss	0	-1 526	0	0	-1 526	0	-1 526
Other comprehensive income	0	0	-108	120	12	0	12
Equity 31 December 2015	**12 302**	**-13 234**	**-439**	**1 142**	**-229**	**0**	**-229**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

Norske Skogindustrier ASA is incorporated in Norway and has its head office at Skøyen outside of Oslo. The company is listed on the Oslo Stock Exchange. The consolidated financial statements were authorised for issue by the board of directors in Norske Skogindustrier ASA on 28 April 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 and liquidity. 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 2014) and the closing exchange rates (31 December 2015 and 31 December 2014) applied in the balance sheet for the most important currencies for the Norske Skog group.

	Income statement		Balance sheet	
	2015	2014	31.12.2015	31.12.2014
AUD	6.06	5.68	6.45	6.09
EUR	8.94	8.36	9.62	9.04
GBP	12.32	10.37	13.07	11.57
NZD	5.63	5.22	6.04	5.83
USD	8.06	6.30	8.81	7.43

Change in accounting classification of financed amount from securitisation arrangements

Norske Skog's has made a smaller change in accounting classification of the financed amounts from securitisation arrangements in Norway, France and Australia with effect from fourth quarter 2015. Comparative figures for 2014 have been updated. The change in accounting classification implementation effects is further described in Note 11.

2. ACCOUNTING POLICIES

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

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

CONSOLIDATION

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Norske Skog group and its subsidiaries as at 31 December 2015. Control is achieved when the Norske Skog 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 group controls an investee if, and only if, the Norske Skog 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 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 group's voting rights and potential voting rights

The Norske Skog 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 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 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.

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

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

At the end of 2015, Norske Skog 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 group are focused on two business systems, namely Europe and Australasia. The segment structure is in line with how the group is managed internally. Norske Skog's chief operating decision maker is corporate management, who distribute resources and assess performance of the group's operating segments. According to the operating model, all mills have a direct reporting line to corporate management. The mills have been aggregated into two operating segments, publication paper Europe and publication paper Australasia, based on geographical location. Norske Skog has an integrated strategy in Europe and Australasia to maximize the profit in each region. The optimisation is carried out through coordinated sales and operational planning. The regional planning, in combination with structured sales and operational processes, ensures maximisation of profit.

Publication paper 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 had a total sales volume of newsprint and magazine paper of 2 432 000 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	**8 102**	**3 422**	**139**	**-125**	**11 538**
Distribution costs	-838	-400	-4	0	-1 242
Cost of materials	-5 007	-1 894	24	0	- 6 876
Change in inventories	41	15	2	0	59
Employee benefit expenses	-1 243	-515	-90	0	-1 848
Other operating expenses	-642	-267	-92	125	-877
Gross operating earnings	**413**	**361**	**-21**	**0**	**753**
Depreciation	-417	-339	-11	0	-767
Restructuring expenses	-31	-17	-4	0	-53
Other gains and losses	-142	-9	53	0	-97
Impairments	0	0	0	0	0
Operating earnings	**-176**	**-4**	**16**	**0**	**-164**
Share of operating revenue from external parties (%)	100	100	17		100

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

OPERATING REVENUE PER MARKET

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

	2015	2014
Norway	258	289
Rest of Europe	6 625	7 328
North America	603	610
South America	154	143
Australasia	2 988	2 847
Asia	673	610
Africa	236	323
Total	**11 538**	**12 150**

NET CASH FLOW FROM OPERATING ACTIVITIES

	2015	2014
Publication paper Europe	320	426
Publication paper Australasia	172	356
Other activities	-375	208
Total cash flow allocated to segments	**116**	**990**
Cash from net financial items	-843	-747
Taxes paid	-50	-42
Net cash flow from operating activities	**-777**	**200**

PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	2015	2014
Publication paper Europe	85	147
Publication paper Australasia	70	114
Other activities	25	13
Total	**180**	**274**

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	31.12.2014
Norway	2 513	2 713
Rest of Europe	2 170	2 522
Australasia	3 545	3 642
Activities not allocated to regions	358	303
Total	**8 585**	**9 180**

INVENTORIES

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

	31.12.2015	31.12.2014
Publication paper Europe	810	950
Publication paper Australasia	431	384
Other activities	13	0
Total	**1 253**	**1 334**

4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

INTANGIBLE ASSETS	GOODWILL	LICENSES AND PATENTS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost 1 January 2014	4 753	110	301	5 164
Additions	0	0	81	81
Disposals	0	-9	-158	-167
Reclassified from plant under construction	0	14	0	14
Currency translation differences	0	7	17	24
Acquisition cost 31 December 2014	**4 753**	**122**	**241**	**5 116**
Accumulated depreciation and impairments 1 January 2014	4 695	100	217	5 012
Depreciation	0	2	6	8
Disposals	0	-9	-2	-11
Currency translation differences	0	6	9	15
Accumulated depreciation and impairments 31 December 2014	**4 695**	**99**	**230**	**5 024**
Carrying value 31 December 2014	**58**	**23**	**11**	**92**
Acquisition cost 1 January 2015	4 753	122	241	5 116
Additions	0	0	25	25
Disposals	-1 378	-4	-34	-1 416
Reclassified from plant under construction	0	4	0	4
Currency translation differences	0	5	6	11
Acquisition cost 31 December 2015	**3 375**	**127**	**238**	**3 740**
Accumulated depreciation and impairments 1 January 2015	**4 695**	**99**	**230**	**5 024**
Depreciation	0	2	2	4
Disposals	-1 378	-2	-4	-1 384
Currency translation differences	0	5	4	9
Accumulated depreciation and impairments 31 December 2015	**3 317**	**104**	**232**	**3 653**
Carrying value 31 December 2015	**58**	**23**	**6**	**87**

Goodwill is not depreciated. Licenses, patents and other intangible assets are depreciated over a period from five to 20 years.

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

GOODWILL SPECIFIED PER ACQUISITION	ACQUISITION YEAR	31.12.2015	31.12.2014
Norske Skog Golbey	1995	58	58

PROPERTY, PLANT AND EQUIPMENT	BIOLOGICAL ASSETS	MACHINERY AND EQUIPMENT	LAND AND BUILDINGS	FIXTURES AND FITTINGS	PLANT UNDER CONSTRUCTION	TOTAL
Acquisition cost 1 January 2014	271	33 823	7 041	729	514	42 378
Additions	0	14	9	1	253	277
Disposals	0	-3 008	-19	-22	0	-3 049
Change in dismantling provision	0	0	0	0	0	0
Reclassification	0	-148	148	0	0	0
Reclassified from plant under construction	0	183	9	21	-227	-14
Currency translation differences	35	2 669	336	44	51	3 135
Acquisition cost 31 December 2014	**306**	**33 533**	**7 524**	**773**	**591**	**42 727**
Accumulated depreciation and impairments 1 January 2014	115	27 765	4 747	681	45	33 353
Depreciation	0	570	146	11	0	727
Value changes	9	0	0	0	0	9
Disposals	0	-3 000	-19	-21	0	-3 040
Reclassifications	0	-148	148	0	0	0
Currency translation differences	16	2 184	257	40	1	2 498
Accumulated depreciation and impairments 31 December 2014	**140**	**27 371**	**5 279**	**711**	**46**	**33 547**
Carrying value 31 December 2014	**166**	**6 162**	**2 245**	**62**	**545**	**9 180**
Acquisition cost 1 January 2015	306	33 533	7 524	773	591	42 727
Additions	0	27	14	1	144	186
Disposals	0	-4 190	-1 087	-137	-3	-5 417
Change in dismantling provision	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0
Reclassified from plant under construction	14	500	13	7	-538	-4
Currency translation differences	19	1 351	263	34	27	1 694
Acquisition cost 31 December 2015	**339**	**31 221**	**6 727**	**678**	**221**	**39 186**
Accumulated depreciation and impairments 1 January 2015	140	27 371	5 279	711	46	33 547
Depreciation	0	600	150	13	0	763
Value changes	6	0	0	0	0	6
Disposals	0	-4 127	-797	-136	0	-5 060
Reclassification	0	0	0	0	0	0
Currency translation differences	9	1 114	191	31	0	1 345
Accumulated depreciation and impairments 31 December 2015	**155**	**24 958**	**4 823**	**619**	**46**	**30 601**
Carrying value 31 December 2015	**184**	**6 263**	**1 904**	**59**	**175**	**8 585**

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. The capitalised borrowing costs in 2014 amounted to NOK 2 million, and the interest rate used was 8%.

Disposals in 2015 were primarily related to the divestments of Walsum Papier Gmbh in Germany as well as scrapping of fully depreciated assets that no longer have any technical values. Disposals in 2014 consists mainly of scrapping of fully depreciated assets at Norske Skog Tasman in New Zealand.

NON-CURRENT ASSETS HELD FOR SALE

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

ASSUMPTIONS APPLIED WHEN CALCULATING THE RECOVERABLE AMOUNT

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

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

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

Cash flow is calculated individually for each 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 has modelled the cash flows throughout the useful life of the paper machines. The model assumes that Norske Skog 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)

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'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 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 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 flowing 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'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
Carrying value 31 December 2015	**6 263**	**1 904**

EXPECTED USEFUL LIFE

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

In connection with the year-end closing process for 2015, Norske Skog 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 INCOME	2015	2014
Dividends received	0	1
Interest income	11	16
Gains from exchange of bonds	767	0
Gains from fair value hedge	90	0
Other financial income [1]	25	0
Total	**893**	**16**

FINANCIAL EXPENSES	2015	2014
Interest costs	-929	-617
Other financial expenses [2]	-46	-67
Total	**-975**	**-684**
Net unrealised/realised gains/losses on foreign currency	**-719**	**-690**
Financial items	**-801**	**-1 357**

[1] Other financial income in 2015 includes gains on the buy-back of bonds
[2] Other financial expenses in 2014 includes losses on the buy-back of bonds

On 22 January 2015, Norske Skog launched two separate offers (i) an offering of EUR 290 million Senior Secured Notes (SSN) due December 2019 and (ii) an exchange offer of existing notes.

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

More than 75% of the existing bond holders consented to the transactions, and approximately 45% of the existing bonds participated in the exchange offer. Norske Skog recognised a net gain in connection with the refinancing of NOK 767 million 2015, included in Gains from exchange of bonds.

6. MORTGAGES

LOANS SECURED BY MORTGAGES ON PROPERTY	31.12.2015	31.12.2014
EUR 290 million Senior Secured Bond Facility	2 790	0
Innovasjon Norge	95	0
Other mortgage debt	148	168

On 24 February 2015, Norske Skog completed the refinancing of a portion of its bond maturities through the issuance of EUR 290 million Senior Secured Notes (SSN) 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 EUR 290 million SSN are governed by a market standard secured high yield notes indenture which, among other things, includes asset sales limitations. For further information on the applicable terms, please see www.norskeskog.com /investors where the SSNs information memorandum is available with the detailed terms of the notes.

The Innovasjon Norge facility is secured by a first priority pledge on property, plant and equipment at our mills in Norske Skog Saugbrugs AS and Norske Skog Skogn AS. The book value of the pledged assets is NOK 2 462 million. 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

31.12.2015	NOTE	LOANS AND RECEIVABLES	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILBLE-FOR-SALE FINANCIAL ASSETS	NON-FINANCIAL ASSETS	TOTAL
Other non-current assets	10	22	259	145	0	426
Trade and other receivables	10	1 277	0	0	80	1 357
Cash and cash equivalents		536	0	0	0	536
Other current assets	18	13	27	0	0	40
Total		**1 848**	**286**	**145**	**80**	

	NOTE	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES AT AMORTISED COST	NON-FINANCIAL LIABILITIES	TOTAL
Interest-bearing non-current liabilities	11	0	7 453	0	7 453
Interest-bearing current liabilities	11	0	1 676	0	1 676
Other non-current liabilities	18	307	0	324	631
Trade and other payables	18	0	1 921	0	1 921
Other current liabilities	18	74	55	178	308
Total		**382**	**11 105**	**502**	

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

	NOTE	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES AT AMORTISED COST	NON-FINANCIAL LIABILITIES	TOTAL
Interest-bearing non-current liabilities	11	0	6 592	0	6 592
Interest-bearing current liabilities	11	0	1 679	0	1 679
Other non-current liabilities	18	266	0	426	692
Trade and other payables	18	0	2 172	0	2 172
Other current liabilities	18	90	17	202	309
Total		**356**	**10 460**	**627**	

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	167	167	0	0	167
Other non-current assets	**426**	**426**	**0**	**0**	**426**
Accounts receivable	1 112	1 112	0	0	1 112
Other receivables	166	166	0	0	166
Prepaid VAT	80	80	0	0	80
Trade and other receivables	**1 357**	**1 357**	**0**	**0**	**1 357**
Cash and cash equivalents	536	536	0	0	536
Derivatives	3	3	0	0	3
Commodity contracts	24	24	0	0	24
Current investments	13	13	0	0	13
Other current assets	**40**	**40**	**0**	**0**	**40**
Interest-bearing non-current liabilities[1]	7 453	3 875	0	3 703	172
Interest-bearing current liabilities	1 676	1 300	0	668	632
Total interest-bearing liabilities	**9 129**	**5 175**	**0**	**4 371**	**804**
Derivatives	269	269	0	0	269
Commodity contracts	38	38	0	18	20
Non-financial non-current liabilities	324	324	0	0	324
Other non-current liabilities	**631**	**631**	**0**	**18**	**613**
Accounts payable	1 087	1 087	0	0	1 087
Other payables	834	834	0	0	834
Trade and other payables	**1 921**	**1 921**	**0**	**0**	**1 921**
Derivatives	54	54	0	0	54
Commodity contracts	20	20	0	18	2
Non-financial current liabilities	234	234	0	0	234
Other current liabilities	**308**	**308**	**0**	**18**	**308**

31.12.2014	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
Derivatives	23	23	0	0	23
Commodity contracts	204	204	0	0	204
Miscellaneous other non-current assets	160	160	0	0	160
Other non-current assets	**387**	**387**	**0**	**0**	**387**
Accounts receivable	1 058	1 058	0	0	1 058
Other receivables	92	92	0	0	92
Prepaid VAT	59	59	0	0	59
Trade and other receivables	**1 209**	**1 209**	**0**	**0**	**1 209**
Cash and cash equivalents	710	710	0	0	710
Derivatives	6	6	0	0	6
Commodity contracts	17	17	0	0	17
Current investments	16	16	0	0	16
Other current assets	**39**	**39**	**0**	**0**	**39**
Interest-bearing non-current liabilities [1]	6 592	3 960	0	3 584	376
Interest-bearing current liabilities [1]	1 679	1 562	0	1 058	504
Total interest-bearing liabilities	**8 271**	**5 522**	**0**	**4 642**	**880**
Derivatives	242	242	0	0	242
Commodity contracts	24	24	0	6	18
Non-financial non-current liabilities	426	426	0	0	426
Other non-current liabilities	**692**	**692**	**0**	**6**	**692**
Accounts payable	1 272	1 272	0	0	1 272
Other payables	900	900	0	0	900
Trade and other payables	**2 172**	**2 172**	**0**	**0**	**2 172**
Derivatives	90	90	0	0	90
Commodity contracts	10	10	0	9	1
Non-financial current liabilities	219	219	0	0	219
Other current liabilities	**309**	**309**	**0**	**9**	**309**

[1] *The fair value of foreign bonds (interest-bearing liabilities) (Level 2) is assessed by using price indications from banks at the reporting data. 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 is exposed to various financial risk factors through the group's operating activities, including market risk (interest rate risk, currency risk and commodity risk), liquidity risk and credit risk. Norske Skog seeks to minimise losses and volatility on the group's earnings caused by adverse market movements. Moreover, Norske Skog monitors and manages financial risk based on internal policies and standards set forth by corporate management and approved by the board of directors. These written policies provide principles for the overall risk management as well as standards for managing currency risk, interest rate risk, credit risk, liquidity risk and the use of financial derivatives and non-derivative financial instruments. Compliance with policies and standards is continuously monitored. There were no breaches of these policies during 2015 or 2014.

MARKET RISK

a) Interest rate risk

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

INTEREST-BEARING ASSETS AND LIABILITIES	31.12.2015 FLOATING	FIXED	TOTAL	31.12.2014 FLOATING	FIXED	TOTAL
Interest-bearing liabilities	804	8 325	9 129	651	7 620	8 271
Interest-bearing assets	-536	0	-536	-710	0	-710
Net exposure	**268**	**8 325**	**8 593**	**-59**	**7 620**	**7 561**

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 (NOK 1 million lower/higher at 31 December 2014). 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 calculates a 12-month future cash flow exposure in each currency on a rolling basis. The rolling cash flow hedge program was closed during 2014. Norske Skog is currently only doing short term hedging activities. The result of the hedging is included in financial items in the income statement. Norske Skog did not use hedge accounting for the rolling cash flow hedge. The cash flow hedge from short term FX swaps generated a gain of NOK 2 million in 2015 (gain of NOK 2 million in 2014).

Translation risk - net investment hedge

The presentational currency of the Norske Skog group is NOK. Currency translation risk arises when the financial statements of subsidiaries, presented in local currencies, are translated into NOK. In order to reduce translation risk, assets and liabilities are allocated to the same currency.

Norske Skog's net investment hedging is carried out in accordance with IAS 39. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity and offset by translation differences from assets in subsidiaries. The gain or loss related to the ineffective portion is immediately recognised in the income statement. There was no ineffectiveness related to net investment hedge in 2015 or 2014. The effective portion recognised in equity was a loss of NOK 108 million in 2015 (loss of NOK 151 million in 2014). The portion of the debt portfolio to which hedge accounting does not apply, was somewhat smaller in 2015 than in 2014. The debt portfolio in 2014 and 2015 consist of EUR 2016 and EUR 2017 bonds that are issued by Norske Skogindustrier ASA. The Foreign exchange gains and losses from such liabilities are recognised in the income statement under financial items.

Cumulative currency translation differences of NOK 95 million were reclassified from equity to the income statement in 2015 as a result of the divestments of Walsum Papier Gmbh. Cumulative currency translation differences of NOK 1 million were reclassified from equity to the income statement in 2014 as a result of the divestments of Norske Skog Polska Sp. z.o.o. and Norske Skog Czech & Slovak Republic spol. s.r.o.

CHANGE IN FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS DESIGNATED AS NET INVESTMENT HEDGE	2015	2014
Changes in fair value of EUR bonds designated as net investment hedge	-187	-354
The effective portion recognised in equity	108	151
Portion without hedge accounting recognised in the income statement	-79	-203

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

- Norske Skog as a group comprises entities with different functional currencies. Derivative and non-derivative financial instruments of a monetary nature, denominated in currencies different from the functional currency of the entity, create foreign exchange rate exposure on the consolidated income statement. Moreover, foreign currency risk will also affect equity.
- Financial instruments denominated in the functional currency of the entity have no currency risk and will therefore not be applicable to this analysis. Furthermore, the foreign currency exposure of translating financial accounts of subsidiaries into the group's presentational currency is not part of this analysis.
- 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 532 million higher/lower (NOK 369 million higher/lower at 31 December 2014). 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. Because the portion of debt has increased in relation to the portion of cash, the effect on the income statement is higher in 2015 compared to 2014.

Given a 10% appreciation/depreciation of NOK, equity would have been NOK 118 million higher/lower (NOK 133 million higher/lower at 31 December 2014) as a result of foreign exchange gains/losses on financial instruments designated as net investment hedges. The sensitivity analysis on equity excludes the effects from the sensitivity analysis on the income statement, calculated above.

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

Some of Norske Skog's purchase and sales contracts are defined as financial instruments, or contain embedded derivatives, which fall within the scope of IAS 39. These financial instruments and embedded derivatives are measured in the balance sheet at fair value with value changes recognised through profit or loss. Commodity contracts are 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.

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

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

COMMODITY CONTRACTS WITHIN THE SCOPE OF IAS 39	FAIR VALUE 31.12.2015	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 is exposed to liquidity risk in a scenario when the group's cash flow from operating activities is not sufficient to cover payments of financial liabilities. In order to effectively mitigate liquidity risk, Norske Skog's liquidity risk management strategy focuses on maintaining sufficient cash, as well as securing available financing through committed credit facilities. Managing liquidity risk is centralised on a group level.

In order to uncover future liquidity risk, Norske Skog forecasts both short- and long-term cash flows. Cash flow forecasts include cash flows from operations, investments, financing activities and financial instruments. The group had current investments, cash and cash equivalents of NOK 536 million at 31 December 2015 (NOK 710 million at 31 December 2014. Restricted bank deposits amounted to NOK 236 million at 31 December 2015 (NOK 322 million at 31 December 2014).

The board of directors recognises the challenging markets that Norske Skog operates in with price and currency uncertainty. The board of directors will thus have a continuous focus on cash generation through 2016 to ensure sufficient liquidity for both debt maturities and the operations of Norske Skog. The ongoing initiatives to improve cash flow from operations and the significantly enhanced liquidity position of the group following the refinancing, should in the opinion of the board of directors provide prudent cash balances during 2016. Despite this leverage remains high and requires improved profitability, but the refinancing enables the group to focus on improving operations, cost initiatives and capital efficiency.

The new financing and refinancing announced 18 March 2016 will result in additional liquidity, extended bond maturities, reduced debt, lower cash interest payments and new equity. See Note 27 for further information.

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

MATURITY OF FINANCIAL LIABILITIES AND FINANCIAL INSTRUMENTS

31.12.2015	0 - 6 MONTHS	6 - 12 MONTHS	2017-2018	2019-2020	> 2021
Non-derivative financial instruments					
Principal payment on interest-bearing debt	-1 064	-20	-2 088	-2 800	-2 900
Projected interest payment on interest-bearing debt	-483	-278	-1 252	-777	-942
Trade payables	-1 087	0	0	0	0
Total	**-2 634**	**-298**	**-3 340**	**-3 577**	**-3 842**
Net settled derivative financial instruments					
Commodity contracts	-5	-2	-5	-3	0
Total	**-5**	**-2**	**-5**	**-3**	**0**
Total 2015	**-2 639**	**-300**	**-3 345**	**-3 580**	**-3 842**

In addition, the embedded derivatives in energy contracts will reverse over the contracts' period from 2016 to 2024.

31.12.2014	0 - 6 MONTHS	6 - 12 MONTHS	2016-2017	2018-2019	> 2020
Non-derivative financial instruments					
Principal payment on interest-bearing debt	-20	-1 196	-4 748	-30	-1 507
Projected interest payment on interest-bearing debt	-408	-161	-781	-216	-1 484
Trade payables	-1 272	0	0	0	0
Total	**-1 700**	**-1 357**	**-5 529**	**-246**	**-2 991**
Net settled derivative financial instruments					
Interest rate swaps - net cash flows [1]	0	0	0	0	0
Commodity contracts	-10	1	-6	0	0
Total	**-10**	**1**	**-6**	**0**	**0**
Gross settled derivative financial instruments[1]					
Foreign exchange contracts - outflows	0	0	0	0	0
Foreign exchange contracts - inflows	0	0	0	0	0
Cross-currency swaps - outflows	0	0	0	0	0
Cross-currency swaps - inflows	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**
Total 2014	**1 710**	**-1 356**	**-5 535**	**-246**	**-2 991**

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

CREDIT RISK

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

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

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

GOING CONCERN AND LIQUIDITY

In addition to the various refinancing initiatives described in note 27, the group has initiated a number of liquidity generating initiatives including the divestment of the group's Tasman geothermal power. The group has obtained commitments for interim financing of up to €20 million in connection with the sale of the geothermal plant. Other liquidity generating initiatives includes freeing 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.

The combination of improved profitability and hence cash flow from operations as well as reduced cash interest payments is expected to facilitate the ability to service the capital structure in years to come. The group's ability to complete the redemption of the 2016 bond in June based on cash balances, various liquidity initiatives and improved cash flow from operations will be decided upon in first half of 2016. The present amount outstanding on the 2016 bond is EUR 74 million following buy-backs in April.

Following a successful redemption of 2016 notes, the group will have no bond maturities until December 2019. To date in 2016, the operating environment has continued to improve compared to last year. However, there are inherent uncertainties with respect to operating environments, challenges for the world economy and risks for global financial turmoil.

Norske Skog operates with a high financial leverage, and is exposed to various risks that could impact the financial performance, liquidity and equity. The factors are an inherent uncertainty with respect to the going concern assumption. 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 directors and management 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 and management is of the of the opinion that Norske Skog 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 company 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 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
Financial assets at fair value through profit or loss				
Trading derivatives	0	0	0	0
Commodity contracts and embedded derivatives	0	0	286	286
Total	**0**	**0**	**286**	**286**
Financial liabilities at fair value through profit or loss				
Trading derivatives	0	-36	0	-36
Commodity contracts and embedded derivatives	0	0	-346	-346
Total	**0**	**-36**	**-346**	**-382**

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

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

	ASSETS	LIABILITIES
Opening balance	250	-341
Gains and losses recognised in profit or loss	35	-6
Currency translation differences	1	0
Closing balance	**286**	**-346**

Norske Skog's portfolio of commodity contracts consist mainly of physical energy contracts. The commodity contracts and Embedded derivatives classified as financial 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. Interest rate swaps, cross-currency swaps, forward rate agreements and foreign currency forward contracts are all valued by estimating the present value of future cash flows. Currency options are valued using recognised option pricing models. Quoted cash and swap rates are used as input for calculating zero coupon curves used for discounting.

The 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 (from 2015) applied to liability positions, based on Norske Skog's own credit risk.

In addition, Norske Skog has reassessed and concluded that general inflation indexes in long-term physical energy purchase contracts may be considered closely related, and accordingly not required to be accounted for separately, when the purpose and effect of including them is to ensure that the prices in the contracts are adjusted to the general price level where the transaction takes place.

The comparable figures for 2014 and 1 January 2014 in the consolidated balance sheet have been restated. The 2015 column below show the impact that would have been recognised in the income statement in 2015 if the change in accounting practice was not carried out. The following line items have been impacted in the consolidated balance sheet and income statement: Other gains and losses, Income tax, Deferred tax asset, Retained earnings and other reserves, Other non-current liabilities and Other current liabilities.

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	31.12.2014
Assets			
Commodity contracts	Energy price -2%	257	219
Liabilities			
Commodity contracts	Energy price -2%	-343	-338

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% (downwards shift of 2% in 2014).

	31.12.2015		31.12.2014	
DERIVATIVES	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Commodity contracts	255	-58	221	-34
Embedded derivatives	31	-22	29	-31
Total	**286**	**-80**	**250**	**-65**

The table above includes only derivatives, and the total amount may differ compared to other tables showing financial assets and liabilities. All active management contracts (forward rate contracts, currency options and forward contracts) were closed during 2014.

10. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	NOTE	31.12.2015	31.12.2014
Trade and other receivables			
Accounts receivable		1 112	1 058
Provision for bad debt		-105	-103
Other receivables		185	124
VAT receivables		80	59
Prepaid expenses		85	71
Total		**1 357**	**1 209**
Other non-current assets			
Loans to employees		1	1
Long-term shareholdings	23	145	139
Miscellaneous non-current receivables		21	20
Derivatives	7	28	23
Commodity contracts	7	231	204
Pension plan assets	13	0	0
Total		**426**	**387**

Norske Skog Bruck entered into a factoring facility agreement in October 2014. The facility has a limit of EUR 25 million and is not bearing financial covenants. Accounts receivable that have been sold are deducted from accounts receivable in the balance sheet. The utilisation at 31 December 2015 was NOK 125 million (31 December 2014 was NOK 75 million).

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

AGEING OF THE GROUP'S CURRENT RECEIVABLES	31.12.2015	31.12.2014
Not due	913	1 134
0 to 3 months	104	86
3 to 6 months	2	0
Over 6 months	93	92
Total [1]	**1 112**	**1 312**

[1] *Does not include provision for bad debt.*

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

11. INTEREST-BEARING LIABILITIES

	31.12.2015	31.12.2014
Bonds	8 777	7 344
Debt to financial institutions	302	394
Securitisation/Factoring Facilities	502	413
Total	**9 581**	**8 151**

INTEREST-BEARING DEBT BY CURRENCY	CURRENCY AMOUNT 31.12.2015	NOK 31.12.2015	NOK 31.12.2014
USD	156	1 370	2 663
EUR	801	7 707	4 908
AUD	27	175	183
NZD	1	6	11
Total interest-bearing debt in foreign currencies		**9 259**	**7 765**
Interest-bearing debt in NOK	322	322	386
Total interest-bearing debt		**9 581**	**8 151**

The average interest rate on pair value of debt at 31 December 2015 was 8.9% (7.4% at 31 December 2014). The average effective interest rate in 2015 was 10.8% (7.9% in 2014).

DEBT REPAYMENT

MATURITY OF THE GROUP'S TOTAL DEBT AT 31 DECEMBER 2015	DEBT BANKS	BONDS	TOTAL
2016	632	1 044	1 675
2017	47	2 044	2 091
2018	17	0	17
2019	18	2 790	2 807
2020	18	0	18
2021	20	1 530	1 550
2022	16	0	16
2023	18	534	552
2024-2033	18	836	854
Total	**804**	**8 777**	**9 581**

MATURITY OF THE GROUP'S TOTAL DEBT AT 31 DECEMBER 2014	DEBT BANKS	BONDS	TOTAL
2015	503	1 176	1 679
2016	97	1 171	1 268
2017	49	3 510	3 559
2018	29	0	29
2019	29	0	29
2020	30	0	30
2021	21	0	21
2022	15	0	15
2023-2033	34	1 487	1 521
Total	**807**	**7 344**	**8 151**

Total debt listed in the repayment schedule may differ from booked debt. This is due to premiums or discounts on issued bonds, hedge reserves and fair value of hedging. At 31 December 2015, the financial statements included a discount of NOK 522 million (discount of NOK 53 million at 31 December 2014). 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.

Norske Skog has changed its accounting practice with respect to classification of the financed amount from different securitisation arrangements in Norway, France and Australia during fourth quarter 2015. The change in accounting practice has resulted in a reclassification from interest-bearing non-current liabilities to interest-bearing current liabilities.

Norske Skog has changed its interpretation based on a reassessment of the securitisation loan arrangements. The financed amount represents a group of individual loans, which are settled individually at maturity of the accounts receivable. New loans are initiated on a consecutive basis based on new accounts receivable included under the securitisation agreement. The liability is in its nature current and Norske Skog does not have an unconditional right to defer settlement beyond twelve months. The liabilities are liabilities that are settled through its normal operating cycle. The corresponding accounts receivable is derecognised when the customer pays it.

The comparable figures for 2014 in the consolidated balance sheet have been updated. The following line items have been impacted in the consolidated balance sheet: Interest-bearing non-current liabilities and Interest-bearing current liabilities. The amount reclassified from Interest bearing non-current liabilities to Interest-bearing current liabilities was NOK 502 million at 31 December 2015 (NOK 412 million at 31 December 2014). The securitisation arrangements in question were entered into during 2014 and 2015. Except for the mentioned changes in classification in the balance sheet, no other changes in accounting treatment occurred from the updated assessment.

The Innovasjon Norge facility due 2019 holds a minimum equity covenant, and as consequence of breaching this clause in two consecutive quarters, the facility has been classified as short term in accordance with accounting practice with NOK 95 million falling due in first quarter 2016. A waiver of the minimum equity clause has been approved by Innovasjon Norge in 2016, and hence the original repayment plan with maturity in 2019 has been restored.

NET INTEREST-BEARING DEBT

As a result of the termination of a large part of the fair value hedge portfolio in the beginning of 2009, an amount was reclassified in the balance sheet. A hedge reserve (deferred income) amounting to NOK 70 million is included in interest-bearing debt as at 31 December 2015 (NOK 174 million at 31 December 2014). The hedge reserve does not constitute any payment obligation for the group, but will be amortised in the income statement over the term of the debt that has been hedged (i.e. until 2033).

The group's holding of own bonds in foreign currency amounted to EUR 19 million at 31 December 2015 (USD 42 million and EUR 132 million at 31 December 2014). These holdings are deducted from interest-bearing debt in NOK.

	31.12.2015
Interest-bearing non-current liabilities	7 453
Interest-bearing current liabilities	1 676
- Hedge reserve	70
- Cash and cash equivalents	536
Net interest-bearing debt	**8 523**

12. EMPLOYEE BENEFIT EXPENSES

EMPLOYEE BENEFIT EXPENSES	NOTE	2015	2014
Salaries including holiday pay		1 440	1 466
Social security contributions		314	326
Pension costs	13	36	37
Other employee benefit expenses		59	79
Total		**1 848**	**1 908**

NUMBER OF EMPLOYEES BY REGION	31.12.2015	31.12.2014
Europe	1 827	2 228
Australasia	688	690
Corporate functions (head office)	42	58
Total	**2 557**	**2 976**

The base salary for the president and chief executive officer (CEO) Sven Ombudstvedt at 31 December 2015 was NOK 4 440 000. Total salary and other benefits received by Ombudstvedt in 2015 amounted to NOK 8 017 016 (NOK 6 554 313 in 2014).

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

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

The annual bonus agreements for the CEO and other members of corporate management specify a maximum payment of 50% of base salary. The basis for calculating this bonus is set annually by the board and CEO. No members of corporate management have been given loans or granted securities or guarantees from the employer.

The total remuneration for the board of directors in 2015 was NOK 3 306 079 (NOK 3 583 698 in 2014). For the election and remuneration committee, the total remuneration was NOK 469 000 (NOK 454 400 in 2014).

Please see Note 9 in the parent company financial statements for further information on remuneration to executive employees.

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

2015	SALARY FOR 2015	PAYMENTS IN KIND ETC. FOR 2015 [1]	BONUS 2015 [2]	CONTRIBUTION DEFINED CONTRIBUTION SCHEMES 2015	GRANTED STOCK OPTIONS 2015 (NUMBER OF OPTIONS)
Sven Ombudstvedt (CEO)	4 609	288	2 388	732	130 000
Roar Ødelien (COO)	1 901	236	423	225	65 000
Rune Sollie (CFO) [4]	1 793	208	1 113	215	65 000
Lars P. Sperre (SVP) [4]	1 879	209	1 384	222	65 000

2014	SALARY FOR 2014	PAYMENTS IN KIND ETC. FOR 2014 [1]	BONUS 2014 [3]	CONTRIBUTION TO DEFINED CONTRIBUTION SCHEMES 2014	GRANTED STOCK OPTIONS 2014 (NUMBER OF OPTIONS)
Sven Ombudstvedt (CEO)	4 696	276	872	710	420 000
Roar Ødelien (COO)	1 860	223	322	211	210 000
Rune Sollie (CFO) [4]	1 500	193	356	195	210 000
Lars P. Sperre (SVP) [4]	1 743	208	308	101	210 000

[1] Includes car allowance, salary compensation for the transition to defined contribution pension, free telephone, etc.
[2] Based on results achieved in the financial year, partly paid in 2015 and in 2016.
[3] Based on results achieved in the financial year, paid in 2015.
[4] Lars P. Sperre was appointed senior vice president (SVP) corporate strategy & legal from April 2014. Rune Sollie was appointed CFO in January 2014.

LONG-TERM INCENTIVE PROGRAMME

The purpose of the company's long-term incentive programme is to secure a continued strong focus on the development of shareholder value. The current long-term incentive programme was launched in 2014, and is based on rolling scheme with awards of synthetic options targeting a positive share price development over a three-year period from the date of award of the relevant synthetic options. Within the frames of the programme, the board may grant synthetic options to the corporate management and other key employees, including managing directors of the Norwegian business units. The synthetic options are settled three years following the date they are awarded, but up to one third of the options may at the board's discretion be settled through a bonus payment each year after the relevant award. In 2014, 3 780 000 synthetic options were issued under the programme, and were awarded with 2 430 000 options on 16 July 2014 and 1 345 000 options on 2 June 2015. In 2016, 9 450 000 new synthetic options were issued under the programme. Of these 70% has been allocated for award in 2016 and 30% has been allocated for award in 2017. As of the date hereof, none of the synthetic options issued in 2016 have been awarded yet. Each option carries the right to be paid an amount in cash equal to (a) the fair market value less (b) the exercise price, including any hurdle rate added to the exercise price as of the exercise date. Fair market value is the volume weighted average trading price of the shares on Oslo Stock Exchange over a period of five trading days starting on the exercise date. The initial exercise price (strike price) for the synthetic options awarded in 2014 and 2015 were NOK 4.80 and NOK 3.85, respectively. The synthetic options issued in 2016 have a strike price of NOK 2.24, reflecting the subscription price applied in the private placement completed on 31 March 2015 and in the repair offering contemplated to be commenced at the end of May 2016. The exercise price for the synthetic options granted in 2014 and 2015 shall be increased by 10 per cent pro anno (the hurdle rate). The hurdle rate shall be added to the exercise price annually in arrears as of each anniversary of the award date, and shall from then be included in the basis for the calculation of further hurdle rate. The synthetic options issued in 2016 are not subject to a hurdle rate.

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

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

	SALARY	DIRECTORS FEE	REMUNERATION FOR COMMITTEE WORK
Jon-Aksel Torgersen	0	449	7
Jarle Roth [1]	0	174	7
Kjetil Bakkan [1]	536	97	0
Eilif Due	0	328	7
Siri Beate Hatlen [2]	0	328	116
Paul Kristiansen	566	328	122
Karin Bing Orgland [2]	0	328	153
Svein Erik Veie	517	328	0
Ole Enger [2]	0	231	0
Cecilie Jonassen	706	231	72

[1] Previous member who left the board during 2015.
[2] Previous member who left the board during 2016. Hatlen and Bing Orgland were members of the audit committee during 2015.

AUDITORS FEES
(in NOK 1 000, excluding VAT)

	PARENT COMPANY	NORWEGIAN SUBSIDIARIES AUDITED BY THE PARENT COMPANY AUDITOR	SUBSIDIARIES AUDITED BY GROUP AUDITORS	SUBSIDIARIES AUDITED BY OTHER AUDITORS	TOTAL
Audit fee	1 650	413	2 077	748	4 888
Audit-related assistance [1]	1 670	35	47	0	1 752
Tax assistance	0	0	32	0	32
Other fees	105	149	0	0	254
Total	**3 425**	**597**	**2 156**	**748**	**6 926**

[1] Audit-related assistance includes services, which only auditors can provide, such as 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 2 042 current and former employees are covered by such schemes. Of these, 375 people are covered by defined benefit plans and 1 667 people by defined contribution plans.

DESCRIPTION OF THE DEFINED BENEFIT PLANS

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

	BENEFIT IN % OF PENSIONABLE EARNINGS	YEARS OF SERVICE	PENSIONABLE AGE	EARLY RETIREMENT AGE	NUMBER OF MEMBERS
Norske Skogindustrier ASA	65	30	67	62	71
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 Skogindustrier ASA, Norske Skog Saugbrugs AS and Norske Skog Skogn AS are managed by a life insurance company and invested in accordance with the general guidelines governing investments by life insurance companies in Norway. With effect from the beginning of 2011, a new defined contribution scheme was introduced in Norway, with a contribution of 4% for earnings between 1 and 6 G and 8% between 6 and 12 G. The defined benefit plan was closed and now only covers employees born before 1 January 1959 who were employed before the closure.

When evaluating plan assets, 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	2014
Discount rate/expected return on plan assets	2.4%	2.2%
Salary adjustment	2.2%	2.4%
Social security increase/inflation rate	2.8%	3.0%
Pension growth rate	0.0%	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	2014
Current service cost	10	10
Pension cost defined contribution schemes	28	24
Accrued national insurance contributions	0	1
Recognised curtailment and settlement	-2	0
Net periodic pension cost	**36**	**35**
Net periodic interest cost	**11**	**23**

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	31.12.2014
Projected benefit obligations including national insurance contributions	-226	-310
Plan assets at fair value	222	281
Net plan assets/pension obligations (-) in the balance sheet	**-4**	**-29**

UNFUNDED PENSION PLANS	31.12.2015	31.12.2014
Projected benefit obligations including national insurance contributions	-272	-790
Net plan assets/pension obligations (-) in the balance sheet	**-276**	**-820**

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	31.12.2014
Pension liabilities in the balance sheet	-276	-820
Net pension obligations	**-276**	**-820**
Net unfunded pension plans	-272	-790
Net partly or fully funded pension plans	-4	-29

CHANGES IN PENSION OBLIGATIONS FOR PARTLY OR FULLY FUNDED PENSION PLANS	2015	2014
Balance 1 January	310	378
Deconsolidated company	0	0
Current years' service cost	8	17
Current years' interest cost	6	13
Pension paid	-2	-26
Curtailments/settlements	-59	-1
Other changes	-2	9
Currency translation differences	4	-8
Remeasurements	-39	-72
Balance 31 December	**226**	**310**

CHANGES IN PLAN ASSETS FOR PARTLY OR FULLY FUNDED PENSION PLANS	2015	2014
Balance 1 January	281	400
Divested companies	0	0
Return on plan assets	5	14
Curtailments/settlements	-48	-21
Other changes	0	-6
Employer contribution	18	17
Remeasurements	-32	-133
Currency translation differences	-2	10
Balance 31 December	**222**	**281**

CHANGES IN PENSION OBLIGATIONS FOR UNFUNDED PENSION PLANS	2015	2014
Balance 1 January	-790	-714
Deconsolidation of Walsum	535	0
Current years' service cost	-5	-4
Current year's interest cost	0	-18
Pension paid	6	21
Contributions to the plan assets	0	0
Curtailments/settlements	0	0
Other changes	1	0
Currency translation differences	-9	-44
Remeasurements	-8	-31
Balance 31 December	**-272**	**-790**

Remeasurements is mainly related to changes in financial assumptions.

SPESIFICATION OF REMEASUREMENT GAINS/LOSSES IN OTHER COMPREHENSIVE INCOME (OCI)	2015	2014
Return on plan assets	0	-1
Actuarial changes arising from changes in demographic assumptions	1	-56
Actuarial changes arising from changes in financial assumptions	0	-3
Experience adjustments + investment management costs	0	-3
Asset ceiling	0	-5
Total	**1**	**-68**

	2015		2014	
INVESTMENT PROFILE FOR PENSION FUNDS	FUNDS	DISTRIBUTION	FUNDS	DISTRIBUTION
Shares	23	10%	36	13%
Bonds	170	76%	177	63%
Properties and real estate	26	12%	22	8%
Money market	4	2%	47	17%
Other	0	0%	0	0%
Total	**222**		**281**	

SENSITIVITY ANALYSIS

Norske Skog 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%	-23	27
Salary adjustment - 0.5%	-8	8
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	2014
Maintenance materials and services		460	496
Marketing expenses		11	13
Administration, insurance, travel expenses etc.		218	211
Losses on accounts receivable		7	9
Operating leases	15	52	55
Research and development		1	2
Changes in environmental provisions		-26	-10
Miscellaneous expenses		153	158
Total		**877**	**935**
Specification of losses on accounts receivable			
Receivables written off during the period		4	6
Payments received on items previously written off		0	0
Change in provision for bad debt		3	3
Total		**7**	**9**

15. LEASES

OPERATING LEASES

The group recognised expenses of NOK 52 million in relation to operating leases in 2015. The equivalent expense in 2014 was NOK 55 million.

MINIMUM LEASE PAYMENTS RELATING TO OPERATING LEASES	31.12.2015	31.12.2014
Not later than one year	24	20
Later than one year and not later than five years	60	39
Later than five years	12	3
Total	**96**	**62**

FINANCE LEASES

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

MINIMUM LEASE PAYMENTS RELATING TO FINANCE LEASES	31.12.2015	31.12.2014
Not later than one year	26	24
Later than one year and not later than five years	96	89
Later than five years	84	100
Total	**206**	**213**
Future finance charges on finance leases	-74	-83
Present value of minimum lease payments	**132**	**130**

PRESENT VALUE OF MINIMUM LEASE PAYMENTS	31.12.2015	31.12.2014
Not later than one year	24	23
Later than one year and not later than five years	71	65
Later than five years	37	42
Total	**132**	**130**
Capitalised value of leased machinery and equipment	**101**	**103**

16. OTHER GAINS AND LOSSES

	2015	2014
Gains and losses from divestments and deconsolidating of business activities, property, plant and equipment	-101	-17
Changes in value – commodity contracts [1]	8	64
Changes in value – embedded derivatives	1	-22
Changes in value – biological assets	-6	-9
Other realised gains and losses	2	-13
Total	**-97**	**3**

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

The net loss on divestments of business activities, property, plant and equipment in 2015 of NOK 101 million was primarily related to deconsolidating of Walsum Papier GmbH and scrapping of equipment no longer in use.

In June 2015, the board of directors of Norske Skogindustrier ASA decided to cease the support of the operations at Walsum Papier GmbH. Thereafter local management at Walsum Papier GmbH filed for opening of insolvency proceedings. The company is currently under insolvency administration. Norske Skog is no longer the controlling owner of the mill, and Walsum Papier GmbH has therefore been deconsolidated.

The total loss of NOK 146 million on the deconsolidation includes a cumulative loss of NOK 95 million related to currency translation differences that were recognised directly in equity during the ownership period and reclassified to Other gains and losses upon deconsolidation .

A final settlement of the sales price in connection with the divestment of Catalyst Paper Corporation back in 2006 has been agreed in 2015. An accrual of NOK 44 million has been reversed in connection with the settlement. The last instalment from the settlement amounts to NOK 5 million and will be paid by Norske Skog in 2016.

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

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 and 2014 were due to negative change in producer price index in New Zealand.

Other realised gains and losses of NOK 13 million in 2014 were primarily related financial hedging of energy and sale of emission rights.

17. INCOME TAXES

TAX EXPENSE	2015	2014
Current tax expense	-41	-58
Change in deferred tax	-479	-155
Total	**-520**	**-213**

RECONCILIATION OF THE GROUP TAX EXPENSE	2015	2014
Profit/loss before income taxes	-1 005	-1 291
Computed tax at nominal tax rate of 27%	272	348
Differences due to different tax rates	82	5
Result from associated companies	-6	1
Exempted income/non-deductible expenses	-74	-28
Reversal tax provision	20	67
Adjustment previous years	0	0
Deferred tax asset not recognised	-822	-618
Other items	8	12
Total tax expense (-) income (+)	**-520**	**-213**
Effective tax rate	**-52%**	**-16%**

CURRENT TAX LIABILITY	31.12.2015	31.12.2014
Norway	18	6
Rest of Europe	-3	7
Outside Europe	0	0
Total	**15**	**13**

DEFERRED TAX - MOVEMENTS	2015	2014
Net deferred tax asset 1 January	183	149
Change in deferred tax in the income statement	-479	-155
Deconsolidation of subsidiaries	0	0
Tax on other comprehensive income	-284	212
Tax effect FX net investment hedge	0	0
Group tax allocation balance sheet	5	19
Currency translation differences	-35	-42
Net deferred tax asset/liability (-) 31 December	**-610**	**183**

DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY	31.12.2015	31.12.2014
Norway	0	578
Rest of Europe	0	0
Outside Europe	0	20
Deferred tax asset	**0**	**598**
Norway	0	-24
Rest of Europe	-376	-392
Outside Europe	-234	0
Deferred tax liability	**-610**	**-415**
Net deferred tax asset/liability (-)	**-610**	**183**

DEFERRED TAX DETAILS	31.12.2015	31.12.2014
Fixed assets, excess values and depreciation	-865	-665
Pensions	14	108
Provisions and other liabilities	164	136
Currency translation differences and financial instruments	390	337
Deferred tax current items	16	25
Tax losses and tax credit to carry forward	3 286	4 335
Deferred tax asset not recognised [1)]	-3 615	-4 093
Net deferred tax asset/liability (-)	**-610**	**183**

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	9 956	412	2 124	12 492
Tax losses to carry forward	**9 956**	**766**	**2 124**	**12 846**
Tax losses not recognised	-11 694	-669	-2 062	-14 425
Tax credits and other adjustments	1 738	-97	-62	1 579
Total tax losses and tax credits to carry forward (recognised)	**0**	**0**	**0**	**0**
Deferred tax asset	**0**	**0**	**0**	**0**
Tax rate	**25%**	**0**	**28%**	**25%**

LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2014	NORWAY	REST OF EUROPE	OUTSIDE EUROPE	TOTAL Restated
2015	0	11	0	11
2016	0	0	0	0
2017	0	117	0	117
2018	0	104	0	104
2019	0	43	0	43
2020	0	34	0	34
2021 and later	0	34	0	34
Indefinite expiry	**9 232**	**3 747**	**1 877**	**14 856**
Tax losses to carry forward	9 232	4 090	1 877	15 199
Tax losses not recognised [1]	-8 397	-4 104	-2 008	-14 509
Tax credits and other adjustments	1 307	14	202	1 523
Total tax losses and tax credits to carry forward (recognised)	**2 142**	**0**	**71**	**2 213**
Deferred tax asset	**578**	**0**	**20**	**598**
Tax rate	**27%**	**0**	**28%**	**27%**

[1] *Basis for deferred tax asset not recognised amounted to NOK 14 425 million at 31 December 2015. NOK 12 846 million was related to tax losses to carry forward and NOK 1 579 million was related to other deductible temporary differences. Deferred tax asset not recognised amounted to NOK 3 615 million at 31 December 2015. NOK 3 232 million was related to tax losses to carry forward and NOK 383 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.

18. SPECIFICATION OF BALANCE SHEET ITEMS

	NOTE	31.12.2015	31.12.2014
Inventories			
Raw materials and other production input		703	801
Semi-manufactured materials		12	17
Finished goods		538	516
Total	3	**1 253**	**1 334**
Other current assets			
Derivatives	7	3	6
Commodity contracts	7	24	17
Current investments	7	13	16
Total	7	**40**	**39**
Trade and other payables			
Accounts payable	7	1 087	1 272
Accrued labour costs and taxes		479	504
Accrued expenses		328	379
Other interest-free liabilities		27	16
Total		**1 921**	**2 172**
Other current liabilities			
Derivatives	7	54	80
Commodity contracts	7	20	10
Accrued emission rights		13	29
Accrued financial costs		166	172
Restructuring provision	20	55	17
Total		**308**	**309**
Other non-current liabilities			
Derivatives	7	269	242
Commodity contracts	7	38	24
Dismantling provision	20	71	65
Environmental provision	20	200	211
Deferred recognition of emission rights		0	18
Deferred recognition of government grants		43	53
Other non interest-bearing debt		11	79
Total		**631**	**692**

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	CARRYING VALUE 31.12.2014
Malaysian Newsprint Industries Sdn. Bhd.	33.7%	373	-23	-14	0	410
Other associated companies		1	0	0	-18	19
Total		**374**	**-23**	**-14**	**-18**	**429**

Investments in associated companies are accounted for in accordance with the equity method. Share of profit presented in the table above is the group's percentage share of profit after tax, adjusted for amortisation of surplus value at group level allocated to the investment at the time of acquisition. In 2014, the recognised share of profit/loss in associated companies amounted to NOK 1 million, currency translation differences amounted to NOK 51 million and additions/disposals amounted to NOK -218 million.

MALAYSIAN NEWSPRINT INDUSTRIES SDN. BHD. (MNI)
The company is incorporated in Kuala Lumpur, Malaysia, and is a producer of newsprint. The carrying value of Norske Skog's investment in MNI was NOK 373 million at 31 December 2015, which corresponds to Norske Skog'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. Norske Skog has performed an impairment test for the investment in MNI at 31 December 2015. Norske Skog 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's impairment testing did not conclude with any impairment needs. For a more thorough description of Norske Skog's impairment testing model, see Note 4. Based on the company's financial statements, operating revenue in 2015 was NOK 883 million (NOK 837 million in 2014) and net loss was NOK 70 million (net profit of NOK 43 million in 2014). Total assets amounted to NOK 1 668 million at 31 December 2015 (NOK 1 725 million at 31 December 2014) and total liabilities were NOK 519 million at 31 December 2015 (NOK 463 million at 31 December 2014).

20. PROVISIONS

	RESTRUCTURING PROVISION	DISMANTLING PROVISION	ENVIRONMENTAL PROVISION
Balance 1 January 2014	**166**	**56**	**193**
Changes and new provisions	4	6	-8
Utilised during the year	-153	-8	-4
Periodic unwinding of discount	0	3	8
Currency translation differences	0	8	22
Balance 31 December 2014	**17**	**65**	**211**
Changes and new provisions	53	0	0
Utilised during the year	-15	0	-26
Periodic unwinding of discount	0	2	6
Currency translation differences	0	3	8
Balance 31 December 2015	**55**	**71**	**200**

RESTRUCTURING PROVISION
The restructuring provision on NOK 55 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 Golbey (NOK 31 million), Norske Skog Saugbrugs (NOK 7 million) and head office (NOK 4 million).

The amount expensed in 2015 in relation to restructuring activities amounted to NOK 53 million. This relates mainly to the restructuring activities listed above. Total payments relating to restructuring activities in 2015 amounted to NOK 15 million. This relates mainly to Norske Skog Boyer (NOK 4 million), Norske Skog Skogn (NOK 4 million) and Norske Skog Tasman (NOK 4 million).

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

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

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, compared to NOK 65 million at 31 December 2014. The total amount is classified as non-current and will only be realised at the time of a future shut down of any of the Norske Skog production units. The provision is the net present value of the future estimated costs, calculated using a long-term risk-free interest rate. The periodic unwinding of the discount is recognised in the income statement line Financial 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 production units. The provision will mainly be realised in a future period upon a potential shut down of the production activities of any of the Norske Skog production units. Increased environmental requirements from local governments may also lead to realisation of this provision at an earlier point in time.

Provisions for future environmental obligations amounted to NOK 200 million at 31 December 2015 compared to NOK 211 million at 31 December 2014. The decrease is mainly due to decrease in environmental provision at Norske Skog Tasman. 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

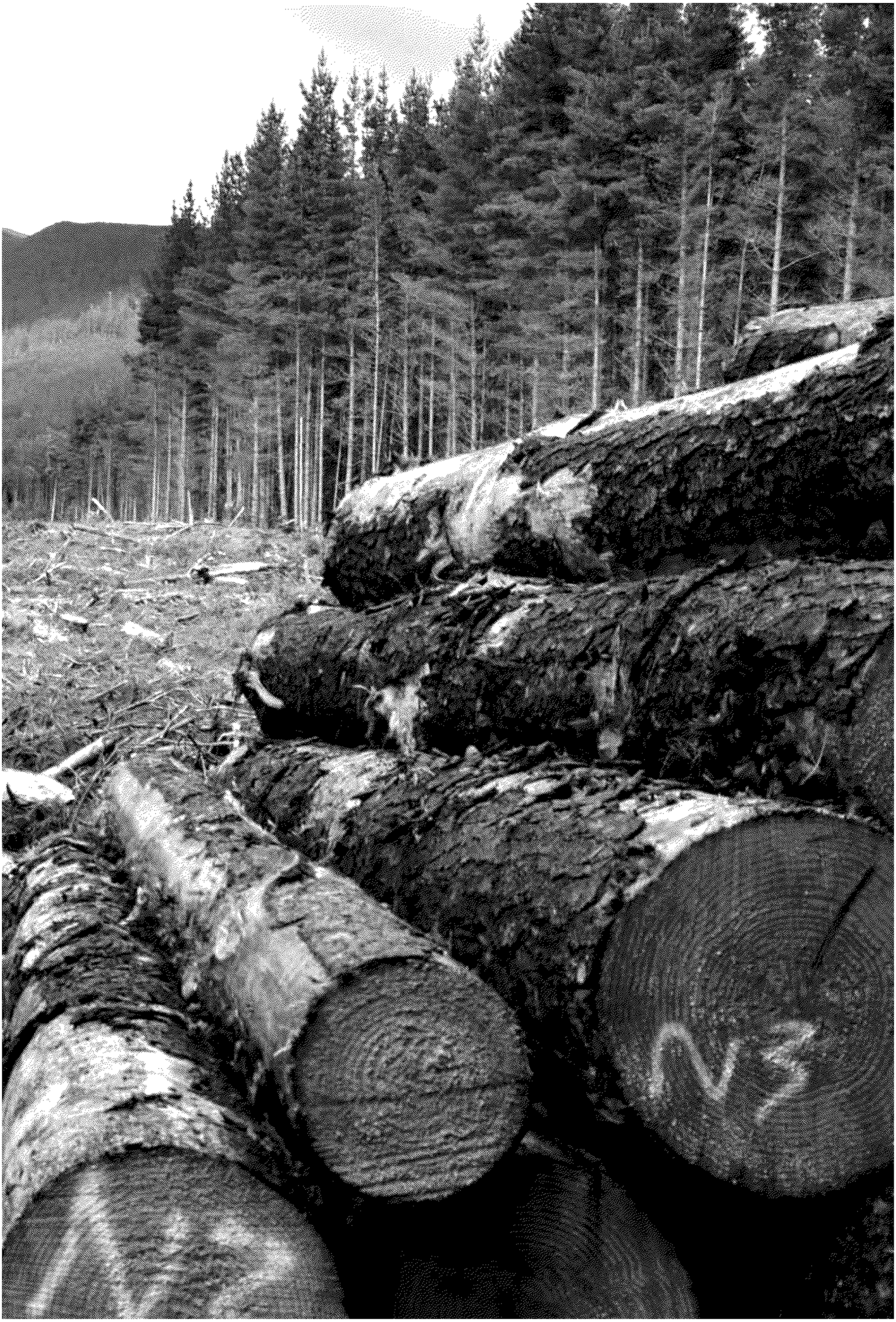
Norske Skog does not have any non-controlling interests.

22. EARNINGS AND DIVIDEND PER SHARE

	2015	2014
Profit/loss for the year in NOK million attributable to owners of the parent	-1 526	-1 504
Weighted average number of shares in 1 000	189 912	189 933
Basic and diluted earnings/loss per share in NOK [1]	-8.03	-7.92

[1] *There were no dilution effects in 2015 or 2014.*

No dividends were paid for the financial year 2015. The board of directors recommends that no dividend should be disbursed for the financial year 2015. The dividend decision will be made by the annual general meeting on 25 May 2016.



23. SHARES

SHARES IN SUBSIDIARIES	CURRENCY	SHARE CAPITAL (IN 1 000)	OWNERSHIP %
Shares in subsidiaries owned by the parent company			
Lysaker Invest AS, Oslo	NOK	109 371	100
Norske Skog Eiendom AS, Oslo	NOK	1 500	100
Norske Treindustrier AS, Oslo	NOK	834 680	100
Shares in subsidiaries owned by consolidated companies			
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 AS, Oslo, Norway	NOK	300 000	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 Holding AS, Oslo, Norway	NOK	300 000	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	821 186	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	5 011	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 (IN NOK 1 000)
Shares owned by the parent company				
Miscellaneous shares	NOK			**20**
Shares owned by other group companies				
Exeltium SAS, Paris, France	EUR	174 504	5	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
Pavatex Holding AG, Cham, Switzerland	CHF	92 698	5	43 180
SEM, Golbey, France	EUR	358	10	3 444
Other shares, each with book value below NOK 1 million				3 663
Total				**144 991**
Total shares included as financial assets				**145 011**

[1] *Carrying value for the shares is original cost less impairment.*

24. CAPITAL MANAGEMENT

Norske Skog's 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 group's external debt financing.

The main focus for the 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 financing and refinancing announced 18 March 2016 will result in additional liquidity, extended bond maturities, reduced debt, lower cash interest payments and new equity. See Note 27 for further information.

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 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 Australiasia and share pledges in the European operating companies. The exchange notes are guaranteed, but are structurally subordinated to the SSNs. The remaining debt in Norske Skogindustrier ASA remains unsecured. The group has one cash pool for the European entities. The cash pool is legally placed in the parent company Norske Skogindustrier ASA.

As a consequence of a write-off of tax assets in Norway and Australasia as part of the year-end consolidated financial statements, the equity of Norske Skog is negative and hence fell below 50% of the share capital at 31 December 2015. The Board of Directors does not believe that such a level is sufficient for the group. Following the completion of the exchange offer to 2017 noteholders and the issuance of new equity, the group equity level has been improved by more than NOK 1 billion. In accordance with the requirements of the Norwegian Public Limited Liability Companies Act section 3-5, the board of directors will account for Norske Skog's financial position at the upcoming annual general meeting (AGM) in May 2016.

25. CONTINGENT LIABILITIES

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

Norske Skog has continued the process related to simplification of the group's corporate structure in 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.

Norske Skog announced an Exchange offer to the 2016 bonds and the 2017 bonds 5 January 2016 (the "January Exchange Offers»). On 2 February 2016, the New York State Supreme Court issued a temporary restraining order preventing the closing of the January Exchange Offers. The temporary restraining order had been requested by Citibank, N.A., London Branch in its capacity as trustee under the indenture for the 2019 Senior Secured Notes (the "Plaintiff"). After Norske Skog removed the case to federal court, the United States District Court for the Southern District Court of New York issued an Order 8 March 2016 (the "Order") denying the motion of the Plaintiff for a preliminary injunction to prevent the closing of the January Exchange Offers, on the basis that the Plaintiff had not demonstrated that it would suffer irreparable harm in the absence of the requested injunction. The Order also lifted the temporary restraining order in respect of the January Exchange Offers that had been imposed by the New York State Supreme Court on February 2, 2016.

Nevertheless, due to the uncertainty with respect to the court case and the compelling need of Norske Skog to undertake transactions to resolve uncertainties regarding upcoming maturities, and equity and liquidity situation as expeditiously as possible and before any trials on the merits, Norske Skog decided to amend the terms of the January Exchange Offers. An amended exchange offer was announced 18 March 2016 for the 2017 bonds and the 2016 bond exchange offer was terminated.

26. RELATED PARTIES

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

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

In 2013, Norske Skog entered into a contract with Fram Eiendom (Fram Realinvest AS, Sjølyststranda Næring AS, Fram Eiendomsdrift AS and Skøyen Næringsbygg AS) for the lease of its head office at Skøyen. Torstein I. Tvenge, together with close family members, controls 100% of Fram Eiendom. Tvenge is also a shareholder of Norske Skogindustrier ASA. The lease contract for the head office has been entered into on normal commercial terms. Lease payments to Fram Eiendom recognised as an expense in 2015 amounted to NOK 4.2 million (NOK 4.1 million in 2014).

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 14 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 has executed a new securitization facility ("NSF") with GSO and Cyrus under which 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 will exclusively be 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.

On 31 March 2016, Norske Skog issued 63,460,714 new shares at a subscription price of NOK 2.24 in a private placement directed to GSO and Cyrus. The total proceeds of the private placement amounts to NOK 142,151,999.36. The share capital increase pertaining to the private placement has been duly registered in the Norwegian Register of Business Enterprises. Following the share capital increase, Norske Skog's registered share capital is NOK 253,406,340 divided into 253,406,340 ordinary shares each having a par value of NOK 1.00. The newly issued shares cannot be traded on the Oslo Stock Exchange before a listing prospectus has been completed and published, and have accordingly been issued with an ISIN separate from the ISIN of Norske Skog's listed shares pending completion of the prospectus.

The exchange offer to 2017 noteholders to exchange into new notes due in 2026, perpetual notes and the right to subscribe for equity expired on 6 April 2016. Approximately 76% of the aggregate principal amount of the 2017 notes accepted to participate in the exchange offer. This was above the 75% required threshold to bind all of the outstanding 2017 notes to the terms of the exchange offer. The noteholder meeting was held on 11 April 2016. The board of directors made a formal resolution about the execution of the exchange offer transactions on 12 April 2016. The exchange offer realized immediate de-leveraging and improved the book equity by more than NOK 1 billion, reduced the annual cash interest level by more than NOK 100 million and extended debt maturities from 2017 to 2026 and beyond.

The board has determined details for a repair issue to repair for the dilutive effect of the private placement completed on 31 March 2016 to funds under management by GSO Capital Partners LP and Cyrus Capital Partners, L.P. The repair issue is directed to the company's shareholders, with the exception of funds under management by GSO Capital Partners LP and Cyrus Capital Partners, L.P, and shareholders who are resident in jurisdictions in which the repair issue cannot legally be offered. The maximum number of shares to be issued in connection with the repair issue is 31 512 247 and the subscription price is NOK 2.24. Shareholders who have the right to subscribe for shares in the repair issue will have the right to be allocated 0.1925 shares for each share that the shareholder is registered with on the record date (22 April 2016). The subscription rights will not be transferrable. Over-subscription will be permitted, and shares that are not subscribed based on subscription rights will be allocated to shareholders who over-subscribe. Further information will be included in the prospectus, which will be prepared in connection with the repair issue.

In the period from quarter end to reporting first quarter 2016 on 21 April 2016, Norske Skog bought back in the market 2016 notes for a nominal amount of EUR 34.4 million. The remaining outstanding 2016 notes were thus reduced from EUR 108 million at quarter end to EUR 73.6 million as of the reporting date.

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


Welcome to
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Financial statements

NORSKE SKOGINDUSTRIER ASA

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INCOME STATEMENT

NOK MILLION	NOTE	2015	2014
Operating revenue	3	**119**	**121**
Employee benefit expenses	8	-88	-90
Other operating expenses		-50	-94
Gross operating earnings		**-20**	**-63**
Depreciation	4	-9	-9
Restructuring expenses		-4	0
Other gains and losses	10	0	0
Operating earnings		**-33**	**-72**
Financial income	6	1 418	1 608
Financial expenses	6	-2 267	-884
Net unrealised/realised gains/losses on foreign currency	6	-573	-903
Profit/loss before income taxes		**-1 456**	**-252**
Income taxes	11	-26	-634
Profit/loss		**-1 482**	**-886**

STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	2015	2014
Profit/loss	**-1 482**	**-886**
Remeasurements of post employment benefit obligations	-1	-16
Tax effect on remeasurements of post employment benefit obligations	0	4
Other comprehensive income	**-1**	**-12**
Comprehensive income	**-1 483**	**-898**

BALANCE SHEET

NOK MILLION	NOTE	31.12.2015	31.12.2014
Assets			
Deferred tax asset	11	10	33
Intangible assets	4	12	15
Property, plant and equipment	4	16	22
Investments in subsidiaries	5	7 016	12 511
Other non-current assets	12	484	2 177
Total non-current assets		**7 538**	**14 758**
Trade and other receivables	12	129	206
Cash and cash equivalents		261	397
Other current assets	13	5	5
Total current assets		**395**	**608**
Total assets		**7 933**	**15 366**
Shareholders' equity and liabilities			
Paid-in equity		0	1 252
Retained earnings and other reserves		-232	0
Total equity	14	**-232**	**1 252**
Pension obligations	8	44	49
Deferred tax liability	11	0	0
Interest-bearing non-current liabilities	7, 12	5 736	9 665
Other non-current liabilities		0	1
Total non-current liabilities		**5 780**	**9 716**
Interest-bearing current liabilities	7, 12	1 197	1 277
Trade and other payables	12	1 086	2 946
Tax payable	11	5	3
Other current liabilities		97	172
Total current liabilities		**2 385**	**4 399**
Total liabilities		**8 165**	**14 114**
Total equity and liabilities		**7 933**	**15 366**

SKØYEN 28 APRIL 2016– THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA

Jon-Aksel Torgersen
Chair

Eilif Due
Board member

Nils Ingemund Hoff
Board member

Cecilie Jonassen
Board member

Joanne Owen
Board member

Paul Kristiansen
Board member

Svein Erik Veie
Board member

Sven Ombudstvedt
President and CEO

STATEMENT OF CASH FLOWS

NOK MILLION	NOTE	2015	2014
Cash flow from operating activities			
Cash generated from operations		89	81
Cash used in operations		-447	124
Cash flow from currency hedges and financial items		-2	-75
Interest payments received		5	8
Interest payments made		-447	-624
Taxes paid		-8	1
Net cash flow from operating activities [1]		**-811**	**-486**
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets	4	0	-14
Change in intercompany balance with subsidiaries		2 233	668
Sales of shares in companies and other investments		-31	258
Net cash flow from investing activities		**2 202**	**913**
Cash flow from financing activities			
New loans raised		0	0
Repayments of loans		-1 544	-913
Purchase/sale of treasury shares		0	0
Net cash flow from financing activities		**-1 544**	**-913**
Foreign currency effects on cash and cash equivalents		18	81
Total change in cash and cash equivalents		**-135**	**-405**
Cash and cash equivalents 1 January		397	802
Cash and cash equivalents 31 December		261	397
[1] Reconciliation of net cash flow from operating activities			
Profit/loss before income taxes		-1 456	-252
Depreciation	4	9	9
Taxes paid		-8	1
Change in trade and other receivables		-17	-34
Change in trade and other payables		-312	322
Change in restructuring provision		4	-12
Financial items with no cash impact		978	-513
Change in environmental provisions with no cash impact		0	-1
Change in pension obligations and other long term employee benefits		-9	-6
Net cash flow from operating activities		**-811**	**-486**

STATEMENT OF CHANGES IN EQUITY

NOK MILLION	NOTE	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM	OTHER PAID-IN EQUITY	TOTAL PAID-IN EQUITY	RETAINED EARNINGS	TOTAL EQUITY
Equity 1 January 2014	14	**190**	**0**	**1 355**	**604**	**2 149**	**0**	**2 149**
Comprehensive income		0	0	0	0	0	-898	-898
Uncovered loss allocated other paid-in equity		0	0	-294	-604	-898	898	0
Equity 31 December 2014	14	**190**	**0**	**1 061**	**0**	**1 252**	**0**	**1 252**
Comprehensive income		0	0	0	0	0	-1 483	-1 483
Uncovered loss allocated other paid-in equity		-190	0	-1 061	0	-1 252	1 252	0
Equity 31 December 2015	14	**0**	**0**	**0**	**0**	**0**	**-232**	**-232**

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.

The financial statements were authorised for issue by the board of directors on 28 April 2016.

2. ACCOUNTING POLICIES

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

Requirements related to recognition and measurement applied to the company financial statements of Norske Skogindustrier ASA are identical to the ones described in Note 2 Accounting policies 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. OPERATING REVENUE BY GEOGRAPHICAL MARKET

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

OPERATING REVENUE BY GEOGRAPHICAL MARKET	2015	2014
Norway	46	48
Europe excluding Norway	58	61
Australasia	15	12
Total	**119**	**121**

Operating revenue arising from sales of internal services to other entities in the group amounted to NOK 115 million in 2015. The corresponding figure for 2014 was NOK 120 million. All transactions with other entities in the group are conducted in accordance with the arm's length principle.

4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

INTANGIBLE ASSETS	LICENSES AND PATENTS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost 1 January 2014	29	148	177
Reclassified from plant under construction	14	0	14
Acquisition cost 31 December 2014	**43**	**148**	**191**
Accumulated depreciation and impairments 1 January 2014	28	141	169
Depreciation	2	5	7
Accumulated depreciation and impairments 31 December 2014	**30**	**146**	**176**
Carrying value 31 December 2014	**13**	**2**	**15**
Acquisition cost 1 January 2015	43	148	191
Additions	0	0	0
Disposals	0	0	0
Reclassified from plant under construction	2	0	2
Acquisition cost 31 December 2015	**45**	**148**	**193**
Accumulated depreciation and impairments 1 January 2015	30	146	176
Depreciation	4	1	5
Accumulated depreciation and impairments 31 December 2015	**34**	**147**	**181**
Carrying value 31 December 2015	**11**	**1**	**12**

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

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

PROPERTY, PLANT AND EQUIPMENT	FIXTURES AND FITTINGS	PLANT UNDER CONSTRUCTION	TOTAL
Acquisition cost 1 January 2014	155	23	178
Additions	0	13	13
Reclassified from plant under construction	20	-34	-14
Acquisition cost 31 December 2014	**175**	**2**	**177**
Accumulated depreciation and impairments 1 January 2014	153	0	153
Disposals	2	0	2
Accumulated depreciation and impairments 31 December 2014	**155**	**0**	**155**
Carrying value 31 December 2014	**20**	**2**	**22**
Acquisition cost 1 January 2015	175	2	177
Additions	0	0	0
Disposals	0	0	0
Reclassified from plant under construction	0	-2	-2
Acquisition cost 31 December 2015	**175**	**0**	**175**
Accumulated depreciation and impairments 1 January 2015	155	0	155
Depreciation	4	0	4
Accumulated depreciation and impairments 31 December 2015	**159**	**0**	**159**
Carrying value 31 December 2015	**16**	**0**	**16**

Fixtures and fittings are depreciated on a linear basis over a period from three to ten years.

5. SHARES IN SUBSIDIARIES

SHARES IN SUBSIDIARIES	CURRENCY	SHARECAPITAL (IN 1 000)	OWNERSHIP %	CARRYING VALUE (IN NOK 1 000)
Lysaker Invest AS, Oslo	NOK	109 371	100	309 371
Norske Skog Eiendom AS, Oslo	NOK	1 500	100	16 548
Norske Treindustrier AS, Oslo	NOK	834 680	100	6 690 196
Total				**7 016 115**

The investment in subsidiaries have decreased from NOK 12 511 million to NOK 7 016 million during 2015. This in mainly due to impairment of investments in subsidiaries and that the group company structure was changed. Several of the subsidiaries were sold to Norske Treindustrier AS in January 2015 with a net gain of NOK 420 million.

IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES	NOTE	2015	2014
Norske Treindustrier AS		-1 468	1 160
Norske Skog Eiendom AS		-27	0
Norske Skog Saugbrugs AS		0	39
Norske Skog Walsum GmbH		0	-123
Norske Skog Walsum GmbH (intercompany loan)		-248	-573
Norske Skog Papers (Malaysia) Sdn. Bhd.		0	55
Total	6	**-1 743**	**558**

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	2014
Financial income			
Dividends received from group companies		300	765
External interest income		6	10
Interest income from group companies [1]		179	271
Reversal impairment losses of investments in subsidiaries	5	0	558
Gain from intragroup sales of shares [5]		420	0
Gain from Exchange of Bonds [4]		399	0
Gain from fair value hedge [4]		90	0
Other financial income [3]		25	4
Total		**1 418**	**1 608**
Financial expenses			
External interest expense		-389	-581
Interest expense from group companies [1]		-95	-278
Impairment of investments in subsidiaries	5	-1 743	0
Other financial expenses [2]		-40	-25
Total		**-2 267**	**-884**
Realised/unrealised gains on foreign currency		-573	-903
Financial items		**-1 423**	**-179**

[1] *Intercompany interest is calculated based on a standard margin, adjusted where necessary to reflect local market conditions and transfer pricing principles.*
[2] *Other financial expenses include losses from the divestment of subsidiaries.*
[3] *Other financial income in 2015 NOK 25 million was primarily related to gain from buy-back bonds.*
[4] *In February 2015 Norske Skog completed refinancing a portion of its bond maturities though the issuance of an EUR 290 million Senior Secured Notes (SSN) and exchange of existing bonds into new bonds with longer maturities. Gain from exchange and fair value hedge was respectively NOK 399 million and NOK 90 million. The new SSN was issued by the subsidiary Norske Skog AS and new exchanges bond was issued by the subsidiary Norske Skog Holding AS.*
[5] *In connection with refinancing the group company structure was changed. Several of the subsidiaries were sold to Norske Treindustrier AS with a gain of NOK 420 million.*

7. MATURITY OF INTEREST-BEARING LIABILITIES

MATURITY OF THE COMPANY'S DEBT AT 31.12.2015	DEBT BANKS	BONDS	TOTAL
2016	95	1 044	1 139
2017	0	2 044	2 044
2018	0	0	0
2019	0	0	0
2020	0	0	0
2021	0	0	0
2022	0	0	0
2023	0	0	0
2024-2033	0	836	836
Total	**95**	**3 924**	**4 019**

MATURITY OF THE COMPANY'S DEBT AT 31.12.2014	DEBT BANKS	BONDS	TOTAL
2015	40	1 176	1 216
2016	40	1 171	1 211
2017	27	3 510	3 537
2018	14	0	14
2019	14	0	14
2020	14	0	14
2021	7	0	7
2022-2033	0	1 487	1 487
Total	**155**	**7 344**	**7 500**

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

The Innovasjon Norge facility due 2019 holds a minimum equity covenant, and as consequence of breaching this clause in two consecutive quarters, the facility has been classified as short term in accordance with accounting practice with NOK 95 million falling due in first quarter 2016. A waiver of the minimum equity clause has been approved by Innovasjon Norge in 2016, and hence the original repayment plan with maturity in 2019 has been restored.

8. PAYROLL COSTS, PENSION COSTS AND OBLIGATIONS

EMPLOYEE BENEFIT EXPENSES	2015	2014
Salaries including holiday pay	62	55
Social security contributions	16	22
Pension costs	5	7
Other employee benefit expenses	5	6
Total	**88**	**90**

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

	31.12.2015	31.12.2014
Man-labour years	42	58

NET PERIODIC PENSION COST	2015	2014
Current service cost	1	2
Pension cost defined contribution schemes	3	3
Accrued national insurance contributions	0	0
Recognised curtailment and settlement	0	0
Net periodic pension cost	**4**	**5**
Net periodic interest cost	**1**	**1**

PENSION ASSET IN THE BALANCE SHEET	31.12.2015	31.12.2014
Projected benefit obligations	-43	-40
Plan assets at fair value	43	40
Net pension asset in the balance sheet	**0**	**0**

PENSION OBLIGATION IN THE BALANCE SHEET	31.12.2015	31.12.2014
Projected benefit obligations	-44	-49
Plan assets at fair value	0	0
Net pension obligation in the balance sheet	**-44**	**-49**

SPECIFICATION OF RE-MEASUREMENT GAINS/LOSSES IN OTHER COMPREHENSIVE INCOME (OCI)	2015	2014
Actuarial changes arising from changes in demographic assumptions	2	-7
Actuarial changes arising from changes in financial assumptions	0	0
Experience adjustments + investment management costs	-9	-5
Asset ceiling – asset adjustment	6	0
Total	**-1**	**-12**

SENSITIVITY ANALYSIS	Increase	Decrease
Discount rate – 0.5%	-5	5
Salary adjustment – 0.5%	1	-1

See Note 13 Pension costs and pension obligations in the consolidated financial statements for assumptions and further information.

9. SALARY AND OTHER REMUNERATION FOR SENIOR EXECUTIVES

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

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

FIXED SALARY

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

VARIABLE ELEMENTS

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

Annual incentive plans

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

Long-term incentive programme

The purpose of the company's long-term incentive programme is to secure a continued strong focus on the development of shareholder value. The current long-term incentive programme was launched in 2014, and is based on rolling scheme with awards of synthetic options targeting a positive share price development over a three-year period from the date of award of the relevant synthetic options. Within the frames of the programme, the board may grant synthetic options to the corporate management and other key employees, including managing directors of the Norwegian business units. The synthetic options are settled three years following the date they are awarded, but up to one third of the options may at the board's discretion be settled through a bonus payment each year after the relevant award. In 2014, 3 780 000 synthetic options were issued under the programme, and were awarded with 2 430 000 options on 16 July 2014 and 1 345 000 options on 2 June 2015. In 2016, 9 450 000 new synthetic options were issued under the programme. Of these 70% has been allocated for award in 2016 and 30% has been allocated for award in 2017. As of the date hereof, none of the synthetic options issued in 2016 have been awarded yet. Each option carries the right to be paid an amount in cash equal to (a) the fair market value less (b) the exercise price, including any hurdle rate added to the exercise price as of the exercise date. Fair market value is the volume weighted average trading price of the shares on Oslo Stock Exchange over a period of five trading days starting on the exercise date. The initial exercise price (strike price) for the synthetic options awarded in 2014 and 2015 were NOK 4.80 and NOK 3.85, respectively. The synthetic options issued in 2016 have a strike price of NOK 2.24, reflecting the subscription price applied in the private placement completed on 31 March 2015 and in the repair offering contemplated to be commenced at the end of May 2016. The exercise price for the synthetic options granted in 2014 and 2015 shall be increased by 10 per cent pro anno (the hurdle rate). The hurdle rate shall be added to the exercise price annually in arrears as of each anniversary of the award date, and shall from then be included in the basis for the calculation of further hurdle rate. The synthetic options issued in 2016 are not subject to a hurdle rate.

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

Further variable elements

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

PENSION PLANS

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

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

TERMINATION PAYMENT AGREEMENTS

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

10. OTHER GAINS AND LOSSES

OTHER GAINS AND LOSSES	2015	2014
Gains and losses on disposal of property, plant and equipment	0	0
Total	**0**	**0**

11. INCOME TAXES

TAX EXPENSE	2015	2014
Current tax expense	-3	-9
Change in deferred tax	-23	-625
Total	**-26**	**-634**

INCOME TAX RECONCILIATION	2015	2014
Profit/loss before income taxes	-1 456	-252
Computed tax at nominal tax rate of 27%	393	68
Exempted income/non-deductible expenses	962	266
Impairment of investments in subsidiaries	-1 246	-3
Adjustment previous years	4	-1
Change in tax rate	-42	4
Other items	-49	13
Change tax loss not recognised	-48	-981
Total tax expense (-)/income	**-26**	**-634**

DEFERRED TAX	2015	2014
Net deferred tax asset /liability (-) 1 January	33	695
Net deferred tax asset/liability (-) 1 January (restated)	0	0
Deferred tax charged in the income statement	-23	-625
Tax expense in other comprehensive income	0	4
Reclassification of group tax items	0	-41
Net deferred tax asset/liability (-) 31 December	**10**	**33**

DEFERRED TAX – DETAILS	31.12.2015	31.12.2014
Property, plant and equipment, excess values and depreciation	-95	-129
Pensions	11	13
Provisions and other liabilities	6	9
Currency translation differences and financial instruments	265	246
Current items	1	33
Tax losses and tax credit to carry forward	-179	-139
Net deferred tax asset/liability (-)	**10**	**33**

TAX LOSSES AND TAX CREDIT TO CARRY FORWARD - DETAILS	31.12.2015	31.12.2014
Tax losses to carry forward	6 888	6 636
Tax losses and other tax credits not recognised [1)]	-7 831	-7 354
Tax credits	217	202
Total losses to carry forward and tax credits	**-726**	**-516**
Tax losses and tax credit to carry forward	**-179**	**-139**
Tax rate	**25%**	**27%**

[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.*

12. INTERCOMPANY RECEIVABLES/LIABILITIES

NON-CURRENT INTERCOMPANY RECEIVABLES	31.12.2015	31.12.2014
Lysaker Invest AS	80	0
Norske Skog AS	78	0
Norske Skog Skogn AS	1	490
Norske Skog Saugbrugs AS	22	555
Norske Skog Industries Australia Ltd.	287	609
Norske Skog Walsum GmbH	0	123
Norske Skog France SARL	0	12
Norske Treindustrier AS	11	365
Other intercompany receivables	1	2
Total	**480**	**2 156**

CURRENT INTERCOMPANY RECEIVABLES	31.12.2015	31.12.2014
Lysaker Invest AS	29	68
Nornews AS	6	22
Norske Skog Skogn AS	1	0
Norske Skog Saugbrugs AS	0	1
Norske Skog Industries Australia Ltd.	26	0
Norske Skog Golbey SA	0	42
Norske Skog Danmark Aps	2	2
Norske Skog Nordic & Export Sales AS	0	1
Norske Skog Property AS	0	41
Other current intercompany receivables	1	2
Total	**65**	**179**

NON-CURRENT INTERCOMPANY LIABILITIES	31.12.2015	31.12.2014
Lysaker Invest AS	0	63
Nornews AS	0	65
Norske Skog Bruck GmbH	43	87
Norske Skog Golbey SA	237	176
Norske Skog Holding AS	1 963	0
Norske Skog Property AS	0	48
Norske Treindustrier AS	560	2 822
Total	**2 803**	**3 261**

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.

CURRENT INTERCOMPANY LIABILITIES	31.12.2015	31.12.2014
Norske Skog Skogn AS	54	117
Norske Skog Saugbrugs AS	34	222
Norske Skog Deutschland GmbH	37	37
Norske Skog Eiendom AS	30	263
Norske Skog Bruck GmbH	79	52
Norske Skog Golbey SA	58	134
Norske Skog Holding AS	585	0
Norske Skog Holland B.V.	22	19
Norske Skog Industries Australia Ltd.	0	200
Norske Skog France SARL	14	27
Norske Skog Tasman Ltd.	59	61
Norske Skog UK Ltd.	64	36
Norske Skog Walsum GmbH	0	7
Norske Treindustrier AS	18	1 440
Norske Skog Österreich GmbH	5	4
Wood and Logistics AS	0	14
Other current intercompany liabilities	2	6
Total	**1 061**	**2 639**

13. OTHER CURRENT ASSETS

OTHER CURRENT ASSETS	31.12.2015	31.12.2014
Current investments	5	5
Total	**5**	**5**

14. EQUITY

The share capital of the company at 31 December 2015 was NOK 189 945 626 and consisted of 189 945 626 shares, each with a nominal value of NOK 1. The number of treasury shares at 31 December 2015 was 19 667. The company purchased 300 000 and sold 280 643 treasury shares during the year.

As a consequence of the impairment write-downs made as part of the year-end consolidated financial statement closing process announced earlier and its impact on the financial statements of Norske Skogindustrier, the company's booked equity is below 50% of the share capital. In accordance with the requirements of the Norwegian Public Limited Liability Companies Act section 3-5, the board of directors will account for Norske Skogindustrier ASA and the group's financial position in the upcoming annual general meeting in May 2016.

In a separate transaction at the end of March 2016, Norske Skogindustrier ASA issued 63 million new shares to GSO and Cyrus at a price of NOK 2.24 per share. Total proceeds amounted to NOK 142 million. The equity issue enhanced the group's equity and liquidity position. An equity repair offering will be offered to existing shareholders following the private placement.

In April 2016, the exchange offer to 2017 noteholders was successfully completed with more than three quarters of holders voting in favour. Given the large acceptance, the offer was binding for all 2017 noteholders. All the remaining 2017 notes, amounting to EUR 218 million, were thus exchanged into a combination of new 2026 notes, perpetual notes with maturity in 2115 and a right to subscribe in cash for ordinary shares of the company. The completion of the exchange offer resulted in an immediate deleveraging and reduced net interest bearing debt and improved group equity by more than NOK 1 billion and reduced annual cash interest payments by more than NOK 100 million. Various other liquidity initiatives includes divestments of certain assets and a reduction in cash tied up in energy arrangements.

As described above the board of directors recognizes the challenging industry Norske Skog operates in and the remaining high financial leverage in Norske Skogindustrier ASA 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 the parent company. Furthermore, in its capacity as the ultimate parent company of the group, Norske Skogindustrier ASA is also exposed to the risks of funding from the cash generating operations being available for the parent company when required by way of intragroup loans or other capital transactions such as dividends. The business risk of the company is impacted by its high financial leverage which is exposed to currency developments in EUR and USD against NOK.

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

Norske Skogindustrier ASA has at 31 December 2015 no distributable equity.

PRINCIPAL SHAREHOLDERS	OWNERSHIP %
GSO Capital Partners	10.59
Dimensional Fund Advisors	4.37
Cyrus Capital	3.26
Nobelsystem Scandinavia AS	3.03
Allskog BA	2.79
Astrup Fearnley AS (see Note 26 Related parties in the consolidated financial statement)	2.73
Uthalden A/S	2.34
Fiducia AS (see Note 26 Related parties in the consolidated financial statement)	1.84
Barokk Invest AS	1.67
Ses AS	1.58
Swedbank Norge Marketmaking account	1.58
Danske Bank A/S (Nominee)	1.22
Skandinaviska Enskilda Banken	1.08
Sven Ombudstvedt (Elle Holding AS)	1.06
Torstein I. Tvenge	1.05
Alfaplan AS	1.04

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

SHAREHOLDERS ON THE BOARD OF DIRECTORS AS OF 28 APRIL 2016	NUMBER OF SHARES
Elected by the shareholders	
Jon-Aksel Torgersen, Oslo (0), Fiducia AS (3 486 644) (chair) (see Note 26 Related parties in the consolidated financial statement)	3 486 644
Eilif Due, Levanger (see Note 26 Related parties in the consolidated financial statement)	3 256
Nils Hoff, Bønes	0
Joanne Owen, London	0
Elected by the employees	
Cecilie Jonassen, Norske Skog Saugbrugs AS	1 943
Paul Kristiansen, Norske Skog Saugbrugs AS	22 491
Svein Erik Veie, Norske Skog Skogn AS	16 792
Shareholders among corporate management	
Sven Ombudstvedt (1 012 149), Elle Holding AS (1 000 000)	2 012 149
Rune Sollie (19 588), Tia Ynwa AS (134 295)	153 883
Lars P. Sperre	34 991
Roar Ødelien	0

15. GUARANTEES

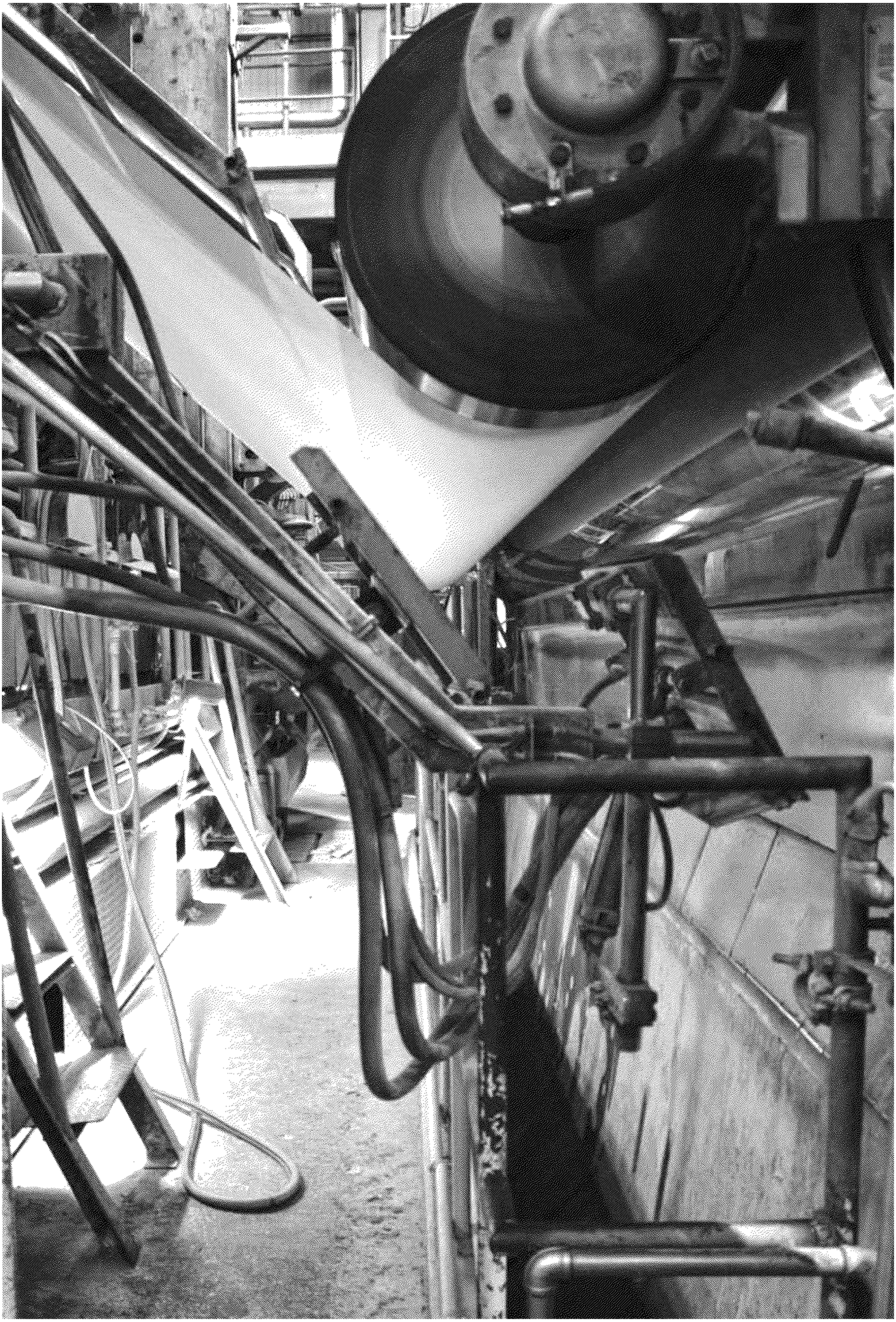
The company has guaranteed the EUR 290 million Senior Secured Note issued by Norske Skog AS with a total of NOK 2 790 million as at 31 December 2015 (no guaranteed debt as at 31 December 2014). Parent company guarantees on behalf of subsidiaries amounted to NOK 691 million at 31 December 2015 (NOK 672 million at 31 December 2014). The guarantees are mainly issued to electricity and transportation services in addition to the NOK 250 million facility to Sparebank 1 Gruppen Finans AS. Parent company bank guarantees on behalf of subsidiaries amounted to NOK 157 million at 31 December 2015 (NOK 162 million at 31 December 2014). The guarantees are mainly issued to electricity providers, customs- and VAT authorities.

16. RELATED PARTIES

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

17. 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

Dronning Eufemias gate 6, NO-0191 Oslo
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Medlemmer av Den norske revisorforening

To the Annual Shareholders' Meeting of
Norske Skogindustrier ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Norske Skogindustrier ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the balance sheet as at 31 December 2015, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

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

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

Auditor's responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 and the carrying value of property, plant and equipment 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 2.000 million should have been recognized applying the going concern assumption. If such impairment had been recognized book value of assets and equity would have been reduced by at least NOK 2.000 million respectively, which would lead to a significant negative equity for the group.

In the parent company financial statements investments in subsidiaries 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 2.000 million should have been recognized. If such impairment had been recognized book value of assets and equity would have been reduced by at least NOK 2.000 million respectively, which would lead to a significant negative equity for the parent company.

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 year then ended 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 year then ended 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 and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements and the going concern assumption 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's and the Group's financial situation is distressed. In our opinion, the equity is negative and the liquidity situation challenging. In our view it is a possibility that the Board of Directors may be held liable for continuing the operations without adequate equity or financing.

Oslo, 29 April 2016
ERNST & YOUNG AS

Eirik Tandrevold
State Authorised Public Accountant (Norway)

Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Torstein Kinden Helleland	11.01.2013	25.01.2013
Telefon	Deres referanse	Vår referanse
22078139	Knut Kårbø Erichsen	2013/44927

NORSKE SKOGINDUSTRIER ASA
Postboks 329
1326 LYSAKER

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Norske Skogindustrier ASA, org. nr. 911 750 961

Det vises til deres brev av 11. januar 2013 samt telefonsamtale i sakens anledning. Det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Norske Skogindustrier ASA.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Norske Skogindustrier ASA 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.

Bakgrunn
Norske Skogindustrier ASA er notert på Oslo Børs og har dispensasjon fra vphl § 5-13 vedrørende krav til språk ved informasjonspliktige opplysninger. Ca. 20 % av selskapets aksjonærer er utenlandske. De norske eierne er vesentlig profesjonelle investorer. Obligasjonslån utgjør det alt vesentlige av Norske Skogindustrier ASA sin samlede gjeldsfinansiering og 99, 3 % av obligasjonseierne er utenlandske. Konsernet driver med treforedling. Selskapet har 11 hel- og deleide papirfabrikker. Av disse er 9 lokalisert utenfor Norge. Konsernets offisielle arbeidsspråk er som en naturlig konsekvens av dette engelsk. Selskapet selger kun til bedriftsmarkedet og har ingen private kunder. Av konsernets totale driftsinntekter i 2011 stammer omlag 5 % fra salg til kunder lokalisert i Norge. Hoveddelen av den norske virksomheten i Norske Skogindustrier ASA er i dag samlet i de operative selskapene Norske Skog Skogn AS og Norske Skog Saugbrugs AS. Disse selskapene utarbeider årsregnskap og årsberetning på norsk. Siden disse selskapene er hjørnesteins bedrifter i sine lokale miljøer vil brukerne av disse regnskapene fortsatt få informasjon på norsk. Alle sentrale aktører og samarbeidspartnere innenfor 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	Besøksadresse:	Sentralbord
Postboks 9200 Grønland	Se www.skatteetaten.no	800 80 000
0134 Oslo	Org.nr: 996250318	Telefaks
For elektronisk henvendelse se www.skatteetaten.no		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 det vesentlige av obligasjonene er eiet av utenlandske investorer. Aksjene er eiet av utenlandske eller profesjonelle investorer. Selskapet driver virksomhet i en internasjonal bransje der alle aktører behersker og benytter engelsk språk. De norske datterselskapene er hjørnesteins bedrifter i sine lokale miljøer og vil fortsatt utarbeide årsregnskapene på norsk. Videre er det vektlagt at det vesentlige av omsetningen finner sted utenfor Norge.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland