2017

SECOND QUARTER 2017

QUARTERLY REPORT

PRESENTATION

PRESS RELEASES

Norske Skog

INTRODUCTION

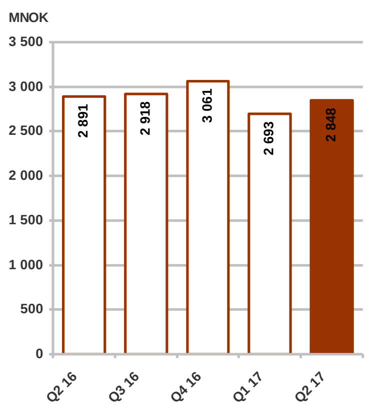
Norske Skog is a world leading producer of publication paper. Publication paper includes newsprint and magazine paper. The Norske Skog group has seven mills in five countries, with an annual production capacity of 2.7 million tonnes. Newsprint and magazine paper is sold through sales offices and agents to over 80 countries. The group has approximately 2 500 employees.

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

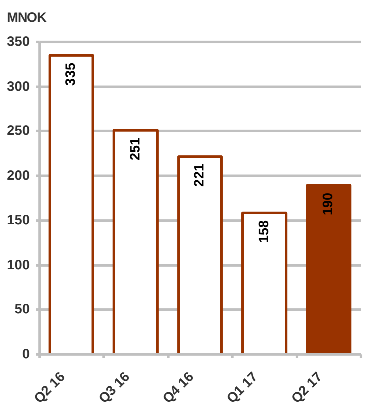
KEY FIGURES (UNAUDITED)

NOK MILLION (unless otherwise stated)	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
INCOME STATEMENT					
Operating revenue	2 848	2 693	2 891	5 541	5 870
Gross operating earnings	190	158	335	348	577
Operating earnings	-52	2	-1 146	-50	-1 106
Profit/loss for the period	-546	-274	229	-820	240
Earnings per share (NOK)	-1.97	-0.99	1.00	-2.97	1.06
CASH FLOW					
Net cash flow from operating activities	187	88	42	276	227
Net cash flow from investing activities	-98	-80	-73	-179	-121
Cash flow per share (NOK)	0.67	0.32	0.16	0.99	1.01
OPERATING MARGIN AND PROFITABILITY (%)					
Gross operating margin	6.7	5.9	11.6	6.3	9.8
Return on capital employed (annualised)	6.4	5.4	12.8	5.9	10.9
PRODUCTION / DELIVERIES / CAPACITY UTILISATION					
Production (1 000 tonnes)	612	625	620	1 238	1 258
Deliveries (1 000 tonnes)	604	595	618	1 199	1 242
Production / capacity (%)	91	93	92	92	93

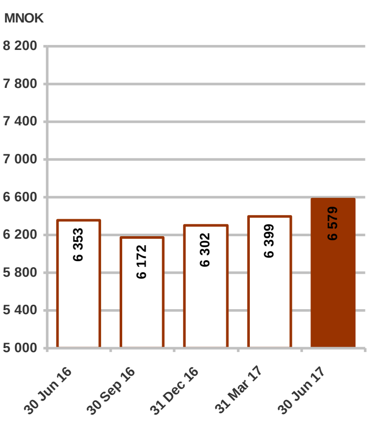
OPERATING REVENUE



GROSS OPERATING EARNINGS



NET INTEREST-BEARING DEBT



	30 JUN 2017	31 MAR 2017	30 JUN 2016
Non-current assets	7 043	7 233	7 198
Current assets	3 109	3 031	3 420
Total assets	10 152	10 263	10 618
Equity	-558	39	190
Net interest-bearing debt	6 579	6 399	6 353

REPORT OF THE BOARD OF DIRECTORS FOR THE SECOND QUARTER OF 2017

- Gross operating earnings second quarter NOK 190 million, an increase from NOK 158 million in the previous quarter
  - Europe: High maintenance costs and inflation of recovered paper prices offsetting positive currency effect
  - Australasia: Normal production following production problems at Boyer in 1Q17
- Net interest–bearing debt increased by NOK 180 million to NOK 6 579 million
  - Negative unrealized currency effect from NOK depreciation to EUR
- Cash flow from operations NOK 226 million before net financial items
  - Interest amounting to NOK 211 million was deferred by the application of grace periods in the quarter
- Loss for the period NOK 546 million, compared to NOK 274 million in the previous quarter
  - After depreciation, share of profit in associated companies and financial items
- Norske Skog's balance sheet is unsustainable with a negative equity of NOK 558 million
  - The board has called for an extraordinary general meeting on 24 August 2017 to give an update on the financial situation of the group

INCOME STATEMENT

NOK MILLION	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
Operating revenue	2 848	2 693	2 891	5 541	5 870
Distribution costs	-310	-292	-292	-602	-607
Cost of materials	-1 708	-1 693	-1 609	-3 401	-3 382
Change in inventories	30	101	17	131	50
Fixed cost	-670	-651	-671	-1 321	-1 354
Gross operating earnings	**190**	**158**	**335**	**348**	**577**

Operating revenue increased from the previous quarter with somewhat higher sales volumes and NOK depreciation. Publication paper prices were relatively stable in the first half of 2017.

Variable costs per tonne increased with inflation of recovered paper prices. Fixed costs were higher due to more maintenance work.

Gross operating earnings increased quarter-over-quarter, but higher costs reduced the positive revenue effect.

NOK MILLION	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
Depreciation	-157	-150	-186	-307	-376
Restructuring expenses	-10	0	-46	-9	-46
Other gains and losses	-75	-7	-10	-82	-22
Impairments	0	0	-1 238	0	-1 238
Operating earnings	**-52**	**2**	**-1 146**	**-50**	**-1 106**

Depreciation increase with NOK depreciation to NOK 157 million in the quarter.

Other gains and losses reflected a lower mark to market valuation of energy contracts in Norway due to NOK depreciation as the contracts are EUR denominated.

NOK MILLION	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
Share of profit in associated companies	-46	-6	-204	-52	-202
Financial items	-445	-260	1 359	-705	1 324
Income taxes	-3	-10	220	-13	224
Profit/loss for the period	**-546**	**-274**	**229**	**-820**	**240**

Share of profit in associated companies reflected equity method income accounting of the group's one-third stake in Malaysian Newsprint Industries (MNI). The board of MNI made a final decision to file a voluntary liquidation of MNI at the end of July 2017. The investment was henced decided written-off in the 2Q17 accounts.

Financial items included net interest expenses of somewhat above NOK 200 million and unrealized currency losses on foreign debt with NOK depreciation to EUR. Interest expenses through the income statement are amortized, while cash interest payments follow coupon dates on bonds. Coupon payments in the quarter amounting to NOK 211 million were deferred by application of grace periods.

Loss for the quarter after depreciation, share of profit in associated companies and financial items was NOK 546 million.

MARGIN IMPROVEMENT PROGRAM

Norske Skog has initiated an improvement program for a range of ongoing and a number of new initiatives across the group. The program focuses on profitability enhancements in the paper operations in conjunction with the growth strategy “25 by 20”. The ongoing and future identified initiatives adds up to an annual gross operating earnings improvement of around NOK 500 million from 2019. Actual performance will however be very sensitive to currency movements, sales prices and input factor costs. Investments of around NOK 200 million is estimated to be required to realize the full potential of the initiatives. The margin improvement program can hence not be implemented without a recapitalization of the group.

The program is far reaching, realizing margin improvements throughout the value chain. Initiatives include both revenue enhancing measures through further product and market optimization, variable costs improvements, especially around projects for energy efficiency and optimized sourcing and consumption of raw materials. The program includes targeted fixed cost initiatives, offsetting underlying inflation.

“25 by 20” DIVERSIFICATION BEYOND PUBLICATION PAPER

Norske Skog has identified projects resulting in more than 25% of group gross operating earnings from new businesses by 2020. Fruition of the diversification strategy is however dependent on new funding. The identified projects include investments in green industries like biogas and wood pellets in addition to production of tissue paper.

Norske Skog is also involved in research and development to enhance the use of renewable biomass in replacing existing products. This includes both new building materials and bio-solvents for pharmaceutical and agrichemical industries. Ramp-up for full scale production requires funding.

Reflecting Norske Skog's unsustainable balance sheet, the tissue project at Bruck in Austria has been delayed. The newsprint machine at the site will thus be closed at the end of next year and not this year as previously intended.

SEGMENT INFORMATION

PUBLICATION PAPER EUROPE

NOK MILLION (unless otherwise stated)	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
Operating revenue	1 954	1 861	2 057	3 815	4 175
Gross operating earnings	**123**	**135**	**260**	**259**	**442**
Gross operating margin (%)	6.3	7.3	12.6	6.8	10.6
Return on capital employed (%) (annualised)	5.1	6.7	16.2	5.9	13.6
Production (1 000 tonnes)	448	464	459	912	927
Deliveries (1 000 tonnes)	438	433	460	870	919
Production / capacity (%)	91	94	92	92	93

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

Operating revenue increased from the previous quarter with somewhat higher sales volumes and NOK depreciation to EUR and GBP.

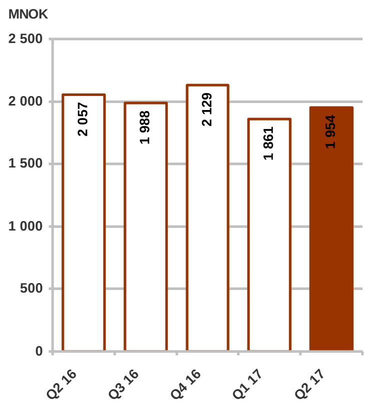
Variable cost increased per tonne due to inflation of recovered paper prices and NOK depreciation to EUR. Fixed costs were higher reflecting more maintenance work.

Gross operating earnings declined as higher costs offset the positive revenue effect.

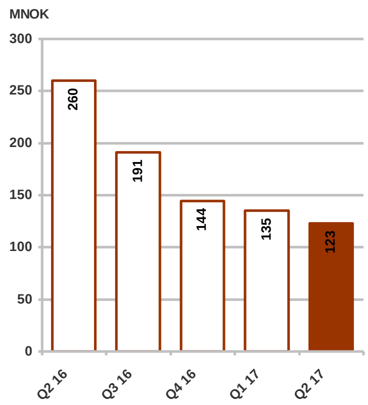
Demand for newsprint in Europe decreased by 6% through May this year compared to the same period last year. Magazine paper demand declined by 1% with SC paper increasing 2% and LWC paper decreasing 5%.

Capacity utilisation was 91% in the period.

EUROPE
OPERATING REVENUE



EUROPE
GROSS OPERATING EARNINGS



PUBLICATION PAPER AUSTRALASIA

NOK MILLION (unless otherwise stated)	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
Operating revenue	881	827	824	1 708	1 680
Gross operating earnings	**77**	**39**	**78**	**116**	**152**
Gross operating margin (%)	8.7	4.8	9.4	6.8	9.1
Return on capital employed (%) (annualised)	8.5	3.6	5.8	6.1	6.1
Production (1 000 tonnes)	164	161	161	326	331
Deliveries (1 000 tonnes)	167	162	158	328	323
Production / capacity (%)	93	91	91	92	94

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

Operating revenue increased from the previous quarter with higher LWC sales volumes and recurring CO2 compensation.

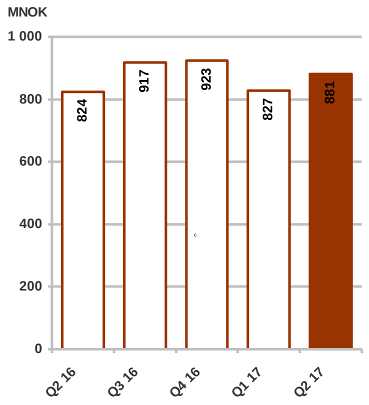
Both variable costs per tonne and fixed costs were flat in the quarter.

Gross operating earnings improved as the previous quarter was impacted by production problems at the Boyer mill and due to recurring CO2 compensation at the Tasman mill.

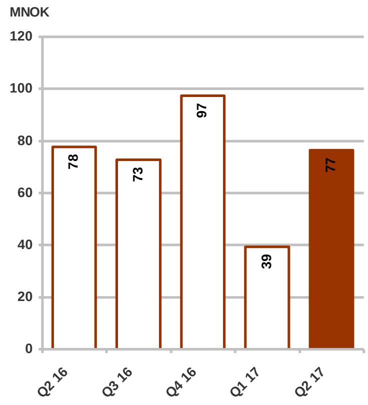
Demand for newsprint in Australasia declined by 17% through May this year compared to the same period last year. Demand for magazine paper declined by 9%.

Capacity utilisation was 93% in the period.

AUSTRALASIA
OPERATING REVENUE



AUSTRALASIA
GROSS OPERATING EARNINGS



OTHER ACTIVITIES

NOK MILLION	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
Operating revenue	43	35	38	78	71
Gross operating earnings	**-10**	**-17**	**-2**	**-27**	**-18**

Other activities is a cost centre consisting of unallocated group costs. The costs run at an annual level in excess of NOK 50 million, but are not uniformly distributed throughout the quarters of the year.

CASH FLOW

NOK MILLION	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
Gross operating earnings	190	158	335	348	577
Change in working capital	60	41	-11	101	66
Restructuring activities	-12	-16	-2	-27	-14
Other items	-3	-5	-1	-8	-9
Net financial items	-39	-87	-279	-127	-378
Taxes paid	-8	-3	1	-11	-14
Net cash flow from operating activities	**187**	**88**	**42**	**276**	**227**
Purchases of property, plant and equipment and intangible assets	**-75**	**-61**	**-74**	**-135**	**-123**

Despite higher production than sales volumes in the quarter, working capital was released by cash flow optimization measures.

Net financial items were small due to a delay of coupon payments on issued bonds in the quarter amounting to NOK 211 million by application of grace periods.

Purchases of property, plant and equipment and intangible assets included both maintenance capital expenditure and development investments.

BALANCE SHEET

NOK MILLION	30 JUN 2017	31 MAR 2017	30 JUN 2016
Non-current assets	7 043	7 233	7 198
Cash and cash equivalents	**496**	**466**	**725**
Other current assets	2 613	2 564	2 695
Total assets	10 152	10 263	10 618
Equity	**-558**	**39**	**190**
Non-current liabilities	7 940	7 639	7 672
Current liabilities	2 770	2 586	2 756
Net interest-bearing debt	**6 579**	**6 399**	**6 353**

Net interest-bearing debt was NOK 6 579 million at quarter end, an increase of NOK 180 million in the period reflecting NOK depreciation to EUR.

Group equity declined to a negative NOK 558 million with the loss for the period.

Cash and cash equivalents amounted to NOK 496 million at quarter end. The quarter end cash position was supported by delayed interest payments.

RELATED PARTIES

Some of the company's shareholders are forest owners who supply wood to the group's mills in Norway.

Norske Skog has entered into certain financing agreements with GSO. These are all done pursuant to applicable laws and regulations and relevant group financing terms. On 14 August 2017, GSO announced that they have sold all the shares in the company.

All transactions with related parties are conducted on normal commercial terms.

RISK MANAGEMENT

Norske Skog conducts continuous evaluations of its operational and financial risk factors. The main risk exposures for the group are linked to price and volume developments for publication paper and the costs of key input factors such as energy and fibre. Currency movements and developments in the broader economic climate remain the largest uncertainties impacting all of the above. The high financial leverage of the group amplifies the business risks. For an elaborated description of risk factors and risk management please refer to Note 3 and to the annual financial statements for 2016.

OUTLOOK

The market balance for publication paper in Europe is supported by industry capacity closures and conversions. This has resulted in a relative high operating rate for newsprint and SC magazine paper. The LWC magazine segmented though remains oversupplied.

Higher energy costs, cost inflation for recovered paper and NOK appreciation are headwinds for the group. Continued weak newsprint price in Asia are a challenge due to higher export volumes from Australasia reflecting a structural decline in domestic demand.

Norske Skog's identified green growth diversification strategy is in need of funding to be executed. In ongoing considerations around the recapitalization of the group, updated projected full year 2017 gross operating earnings for the group is around NOK 800 million. The downward revision from earlier outlook statements largely reflects external factors such as negative currency effects with a stronger NOK and a weaker USD, higher energy costs, increased exports to lower-margin Asian markets and continued weakness in the LWC market.

The board of directors recognizes the severity of the financial position and has called for an extraordinary general meeting on 24 August 2017 to provide the shareholders with, amongst other things, an update on the financial situation of the group.

The board of directors has decided to use the 30-day interest payment grace periods on its exchange notes due in 2021 and 2023 and, thereby postponing interest payments of about EUR 8.3 million, to support the operating business.

SKØYEN, 22 AUGUST 2017 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA

Henrik A. Christensen Chair	Eilif Due Board member	Nils Ingemund Hoff Board member
Joanne Owen Board member	Paul Kristiansen Board member	Cecilie Jonassen Board member
Svein Erik Veie Board member	Mimi K. Berdal Board member	Lars P.S Sperre President and CEO

INTERIM FINANCIAL STATEMENTS, SECOND QUARTER OF 2017

CONDENSED CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
Operating revenue	6	**2 848**	**2 693**	**2 891**	**5 541**	**5 870**
Distribution costs		-310	-292	-292	-602	-607
Cost of materials		-1 708	-1 693	-1 609	-3 401	-3 382
Change in inventories		30	101	17	131	50
Employee benefit expenses		-454	-434	-457	-887	-923
Other operating expenses		-217	-217	-214	-434	-431
Gross operating earnings		**190**	**158**	**335**	**348**	**577**
Depreciation	4	-157	-150	-186	-307	-376
Restructuring expenses		-10	0	-46	-9	-46
Other gains and losses	8	-75	-7	-10	-82	-22
Impairment	3	0	0	-1 238	0	-1 268
Operating earnings		**-52**	**2**	**-1 146**	**-50**	**-1 106**
Share of profit in associated companies	3,5	-46	-6	-204	-52	-202
Financial items	7	-445	-260	1 359	-705	1 324
Profit/loss before income taxes		**-543**	**-263**	**9**	**-807**	**16**
Income taxes		-3	-10	220	-13	224
Profit/loss for the period		**-546**	**-274**	**229**	**-820**	**240**
Basic earnings per share (NOK)		-1.97	-0.99	1.00	-2.97	1.06
Diluted earnings per share (NOK)		-1.97	-0.99	1.00	-2.97	1.06

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
Profit/loss for the period	**-546**	**-274**	**229**	**-820**	**240**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Currency translation differences	51	129	-77	180	-191
Reclassified translation differences upon divestment of foreign operations	-102	0	0	-102	0
Tax expense on translation differences	0	0	-13	0	-14
Hedge of net investment in foreign operations	0	0	0	0	37
Other comprehensive income for the period	**-50**	**129**	**-91**	**78**	**-169**
Total omprehensive income for the period	**-596**	**-145**	**138**	**-742**	**71**

CONDENSED CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	30 JUN 2017	31 MAR 2017	31 DEC 2016	30 JUN 2016
Deferred tax asset		262	264	257	0
Intangible assets	4	28	37	30	22
Property, plant and equipment	4	6 571	6 601	6 562	6 736
Investments in associated companies	3,5	1	147	151	174
Other non-current assets	8	181	184	161	266
Total non-current assets		**7 043**	**7 233**	**7 162**	**7 198**
Inventories		1 335	1 288	1 161	1 322
Trade and other receivables		1 202	1 216	1 345	1 134
Cash and cash equivalents		496	466	532	725
Other current assets	8	76	61	44	238
Total current assets		**3 109**	**3 031**	**3 082**	**3 420**
Total assets		**10 152**	**10 263**	**10 244**	**10 618**
Paid-in equity		12 502	12 502	12 502	12 502
Retained earnings and other reserves		-13 060	-12 463	-12 318	-12 312
Total equity		**-558**	**39**	**184**	**190**
Pension obligations		274	267	265	266
Deferred tax liability		313	301	293	357
Interest-bearing non-current liabilities	7	6 769	6 544	6 429	6 512
Other non-current liabilities	8	584	527	524	538
Total non-current liabilities		**7 940**	**7 639**	**7 512**	**7 672**
Interest-bearing current liabilities	7	364	380	466	630
Trade and other payables		1 959	1 896	1 868	1 870
Tax payable		8	12	11	11
Other current liabilities	8	440	297	204	245
Total current liabilities		**2 770**	**2 586**	**2 548**	**2 756**
Total liabilities		**10 710**	**10 225**	**10 060**	**10 428**
Total equity and liabilities		**10 152**	**10 263**	**10 244**	**10 618**

SKØYEN, 22 AUGUST 2017 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA

Henrik A. Christensen
Chair

Eilif Due
Board member

Nils Ingemund Hoff
Board member

Joanne Owen
Board member

Paul Kristiansen
Board member

Cecilie Jonassen
Board member

Svein Erik Veie
Board member

Mimi K. Berdal
Board member

Lars P.S. Sperre
President and CEO

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
Cash generated from operations	2 896	2 836	3 010	5 732	6 061
Cash used in operations	-2 661	-2 657	-2 690	-5 319	-5 441
Cash from net financial items	-39	-87	-279	-127	-378
Taxes paid	-8	-3	1	-11	-14
Net cash flow from operating activities [1)]	**187**	**88**	**42**	**276**	**227**
Purchases of property, plant and equipment and intangible assets	-75	-61	-74	-135	-123
Sales of property, plant and equipment and intangible assets	4	0	2	4	2
Purchase of shares in companies and other financial payments	-21	-19	0	-40	0
Other financial payments	-7	0	-1	-7	-1
Net cash flow from investing activities	**-98**	**-80**	**-73**	**-179**	**-121**
New loans raised	17	127	332	144	1 422
Repayments of loans	-88	-200	-1 093	-288	-1 507
New paid in equity	0	0	57	0	200
Net cash flow from financing activities	**-70**	**-73**	**-703**	**-144**	**115**
Foreign currency effects on cash and cash equivalents	11	0	-13	11	-33
Total change in cash and cash equivalents	**30**	**-66**	**-747**	**-36**	**189**
Cash and cash equivalents at start of period	466	532	1 472	532	536
Cash and cash equivalents at end of period	496	466	725	496	725
[1)] Reconciliation of net cash flow from operating activities					
Gross operating earnings	190	158	335	348	577
Change in working capital	60	41	-11	101	66
Payments made relating to restructuring activities	-12	-16	-2	-27	-14
Cash flow from net financial items	-39	-87	-279	-127	-378
Taxes paid	-8	-3	1	-11	-14
Adjustment for other items	-3	-5	-1	-8	-9
Net cash flow from operating activities	**187**	**88**	**42**	**276**	**227**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	Paid-in equity	Perpetual Notes	Retained earnings	Hedge accounting	Other equity reserves	Total equity
Equity 1 January 2016	**12 302**	**0**	**-13 234**	**-439**	**1 142**	**-229**
Profit/loss for the period	0	0	11	0	0	11
Proceeds from shares issued	142	0	0	0	0	-78
Other comprehensive income for the period	0	0	0	37	-115	142
Equity 31 March 2016	**12 444**	**0**	**-13 223**	**-403**	**1 028**	**-154**
Profit/loss for the period	0	0	229	0	0	229
Perpetual notes	0	148	0	0	0	148
Proceeds from shares issued	57	0	0	0	0	57
Other comprehensive income for the period	0	0	0	0	-91	-91
Equity 30 June 2016	**12 502**	**148**	**-12 994**	**-403**	**937**	**190**
Profit/loss for the period	0	0	66	0	0	66
Interest on perpetual notes	0	11	-11	0	0	0
Other comprehensive income for the period	0	0	0	0	-161	-161
Equity 31 December 2016	**12 502**	**159**	**-12 939**	**-403**	**864**	**184**
Profit/loss for the period	0	0	-274	0	0	-274
Interest on perpetual notes	0	4	-4	0	0	0
Other comprehensive income for the period	0	0	0	0	129	129
Equity 31 March 2017	**12 502**	**163**	**-13 217**	**-403**	**993**	**39**
Profit/loss for the period	0	0	-546	0	0	-546
Interest on perpetual notes	0	4	-4	0	0	0
Other comprehensive income for the period	0	0	0	0	-50	-50
Equity 30 June 2017	**12 502**	**167**	**-13 767**	**-403**	**943**	**-558**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The interim financial statements were authorised for issue by the board of directors in Norske Skogindustrier ASA on 22 August 2017.

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

The able below shows the applied average (un-weighted monthly) quarterly foreign exchange rates (Q2 2017 and Q1 2017) and the closing exchange rate (30 June 2017, 31 Mars 2017 and 31 December 2016) for the most important currencies for the Norske Skog group.

	Q2 2017	Q1 2017	30 JUN 2017	31 MAR 2017	31 DEC 2016
AUD	6.39	6.39	6.44	6.56	6.23
EUR	9.37	8.98	9.57	9.17	9.09
GBP	10.89	10.45	10.88	10.72	10.61
NZD	6.00	6.00	6.15	5.99	5.99
USD	8.52	8.44	8.39	8.58	8.62

2. ACCOUNTING POLICIES

The interim financial statements of Norske Skog have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim financial statements do not include all information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements for 2016. The interim financial statements are unaudited.

The accounting policies applied in the preparation of the interim financial statements are consistent with those applied in the preparation of the annual financial statements for the year ended 31 December 2016, except for the adaptation of amended standards and new interpretations, which are mandatory from 1 January 2017. These changes are described in the annual financial statements for 2016.

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

3. ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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

Property, plant and equipment are tested for possible impairment charges whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less sales costs or its value in use. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit. The key drivers of profitability in the industry and thus asset values for Norske Skog are product prices relative to production costs. Contracted prices/costs are reflected when applicable. If the impairment tests indicate lower values than the carrying amounts, impairment will be recognized.

In the second quarter of 2017, the group has recognized impairment of NOK 139 million in the ownership in Malaysian Newsprint Industries Sdn Bhd. See note 5 for more information.

Commodity contracts

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

The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

See Note 9 in the consolidated financial statements for 2016 for more information regarding the calculation of fair value of derivatives.

Provisions

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

Provisions for future environmental and dismantling liabilities are based on a number of assumptions made using management's best judgment. See Note 2 in the consolidated financial statements for 2016 for a more thorough description of important accounting estimates and assumptions impacting the preparation of financial statements.

Contingent liabilities

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

Norske Skog has continued the process related to simplification of the group's corporate structure in 2017. 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.

Going concern and liquidity risk

The board of directors recognizes the challenging industry Norske Skog operates in and the group's high leverage and interest expenses and liquidity risk. The main operating 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. 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; although the group has no bond maturities until 2019, it is unlikely that those bonds maturing in 2019 can be satisfied simply from group cash generation and there is significant uncertainty as to whether a refinancing of this maturity will be available or achievable. 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.

In light of the negative equity, high leverage, high interest cost and with an aim to improve the liquidity and financial position of the group, Norske Skog is discussing a recapitalisation with key stakeholders. Based on consistent investor feedback and broad agreement for the desirability to reduce debt and interest cost significant efforts were made to construct a balanced proposal acceptable for all investors. A deleveraged and recapitalized group would be in a better position to improve profitability and diversify its business model. Identified growth projects include biogas, wood pellets and tissue paper in addition to green energy savings and production of fibre based alternatives to other materials. A diversified Norske Skog with a stronger balance sheet could be an attractive consolidation partner for publication paper in Europe.

The outcome of the recapitalization prosess is uncertain and, in the event that the recapitalisation described in note 11 are not successful, a security enforcement process may be executed by the holders of the Senior Secured Notes (SSN). An enforcement process may result in the secured bondholders taking control of Norske Skog AS and its subsidiaries as collateral for their debt. Norske Skogindustrier ASA, Norske Treindustrier AS and Norske Skog Holding AS may therafter be forced to file for insolvency procedings.

The board of directors has assessed the going concern assumption as basis for preparing and presenting the interim financial statements. The board of directors has considered the uncertainties described above and the potential impact both on liquidity and equity has been thoroughly considered as it is important 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 well as the group's highly leveraged position. The group has received support to the operational business through standstill agreements on interest payments, as well as commitment letter for additional liquidity. 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 interim financial statements have been prepared on the going concern basis.

4. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

JAN-JUN 2017	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	TOTAL
Carrying value at start of period	6 562	30	6 592
Additions *)	136	10	146
Depreciation	-303	-4	-307
Value changes	-7	0	-7
Disposals	-1	-9	-10
Currency translation differences	184	1	185
Carrying value at end of period	**6 571**	**28**	**6 599**

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

PER OPERATING SEGMENTS

30 JUN 2017	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	TOTAL
Publication paper Europe	4 110	3	4 113
Publication paper Australasia	2 431	15	2 446
Other activities	30	10	40
Total	**6 571**	**28**	**6 599**

5. ASSOCIATED COMPANIES

The board of directors of Malaysian Newsprint Industries Sdn Bhd (MNI) made a final decision to file a voluntary liquidation of MNI at the end of July 2017. Norske Skog had a 33.7% ownership in MNI. In the second quarter of 2017, Norske Skog has recognized an impairment of NOK 139 million on the investment in associated companies.

Cumulative translation differences of NOK 102 million related to the investment is reclassified from equity to profit and loss and included in the net loss for the period. In addition a shareholder loan of NOK 14 million is written off, which is included in financial items. Apart from the one-off losses, the liquidation of MNI will not have any other impact on the group's financial accounts.

6. OPERATING SEGMENTS

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

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

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

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

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

Q2 2017	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	**1 954**	**881**	**43**	**-30**	**2 848**
Distribution costs	-210	-97	-3	0	-310
Cost of materials	-1 198	-495	-15	0	-1 708
Change in inventories	32	-6	4	0	30
Employee benefit expenses	-304	-134	-16	0	-454
Other operating expenses	-151	-72	-23	30	-217
Gross operating earnings	**123**	**77**	**-10**	**0**	**190**
Depreciation	-98	-56	-3	0	-157
Restructuring expenses	0	0	-3	0	-10
Other gains and losses	0	-3	-72	0	-75
Operating earnings	**19**	**18**	**-88**	**0**	**-52**
Share of operating revenue from external parties (%)	100	100	32		100

Q1 2017	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	**1 861**	**827**	**35**	**-30**	**2 693**
Distribution costs	-194	-97	-1	0	-292
Cost of materials	-1 206	-479	-8	0	-1 693
Change in inventories	105	-6	2	0	101
Employee benefit expenses	-279	-135	-20	0	-434
Other operating expenses	-152	-71	-24	30	-217
Gross operating earnings	**135**	**39**	**-17**	**0**	**158**
Depreciation	-96	-51	-3	0	-150
Restructuring expenses	0	0	0	0	0
Other gains and losses	0	-4	-3	0	-7
Operating earnings	**40**	**-15**	**-23**	**0**	**2**
Share of operating revenue from external parties (%)	100	100	17		100

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

YTD 2017	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	**3 815**	**1 708**	**78**	**-60**	**5 541**
Distribution costs	-405	-194	-4	0	-602
Cost of materials	-2 404	-974	-23	0	-3 401
Change in inventories	138	-13	6	0	131
Employee benefit expenses	-583	-268	-36	0	-887
Other operating expenses	-303	-144	-48	60	-434
Gross operating earnings	**259**	**116**	**-27**	**0**	**348**
Depreciation	-195	-107	-6	0	-307
Restructuring expenses	-6	0	-3	0	-9
Other gains and losses	0	-6	-75	0	-82
Operating earnings	**59**	**3**	**-111**	**0**	**-50**
Share of operating revenue from external parties (%)	100	100	25		100

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

OTHER ACTIVITIES

INCOME STATEMENT	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
OPERATING REVENUE					
Corporate functions	26	26	23	51	46
Green energy	13	5	11	18	17
Miscellaneous	6	6	5	12	10
Eliminations	-2	-2	-1	-4	-3
Total	**43**	**35**	**38**	**78**	**71**
GROSS OPERATING EARNINGS					
Corporate functions	-22	-23	-4	-46	-19
Green energy	2	-3	0	-2	-2
Miscellaneous	11	10	2	21	3
Eliminations	0	0	0	0	0
Total	**-10**	**-17**	**-2**	**-27**	**-18**

7. FINANCIAL ITEMS AND DEBT REPAYMENTS

FINANCIAL ITEMS

NOK MILLION	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
Net interest expenses	**-216**	**-203**	**-265**	**-419**	**-499**
Currency gains/losses *)	-207	-49	60	-256	271
Other financial items	-22	-8	1 563	-30	1 552
Total financial items	**-445**	**-260**	**1 359**	**-705**	**1 324**

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

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

However, a weaker NOK is favourable for the underlying business and the competitiveness of the Norwegian mills.

DEBT REPAYMENTS SCHEDULE

CONTRACTUAL INSTALLMENT PAYMENTS ON CURRENT AND NON-CURRENT INTEREST-BEARING DEBT	30 JUN 2017
2017 – third quarter	288
2017 –fourth quarter	47
2018	52
2019	2 814
2020	1 015
2021	1 440
2022	28
2023	539
2024	26
2025	12
2026	1 140
2027 to 2033	820
Total	**8 220**

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

Norske Skog has a securitization facility (NSF) of EUR 100 million of funding commitments secured by receivables and inventory of certain mills and certain collection bank accounts. The maturity of the loan facility is March 2020.

Financed amounts from securitization arrangements is classified as interest-bearing current liabilities. This amounts to NOK 265 million in debt repayment in Q3 2017.

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.

BONDS

Bond financing constitutes the majority of Norske Skog's total debt financing. The 2026 and 2033 bonds and 2115 perpetual notes are issued by Norske Skogindustrier ASA and are unsecured. The 2021 and 2023 bonds are issued by Norske Skog Holding AS and are unsecured, but guaranteed. The 2019 Senior Secured Notes (SSN) is issued by Norske Skog AS and is guaranteed and secured. The table below shows Norske Skog's issued bonds at 30 June 2017.

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

MATURITY	CURRENCY	COUPON	NOMINAL VALUE	AMOUNT OUTSTANDING 30 JUN 2017
February 2023	USD	8.00%	USD 61 mill	USD 61 mill
October 2033	USD	7.125%	USD 200 mill	USD 95 mill
December 2019	EUR	11.75%	EUR 290 mill	EUR 290 mill
February 2021	EUR	8.00%	EUR 159 mill	EUR 148 mill
June 2026	EUR	3.50% / 3.50% PIK	EUR 119 mill	EUR 119 mill
December 2115	EUR	2.00% PIK	EUR 80 mill	EUR 80 mill

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

	ASSETS		LIABILITIES	
30 JUN 2017	**CURRENT**	**NON-CURRENT**	**CURRENT**	**NON-CURRENT**
Energy contracts and embedded derivatives in energy contracts (level 3)	44	51	-77	-263
Energy contracts (level 2)	0	0	-27	-1
Other raw material contracts (level 3)	0	0	0	0
Other derivatives and financial instruments carried at fair value (level 2)	0	0	0	0
Total	**44**	**51**	**-104**	**-264**

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

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

The energy contracts in Norway are nominated in EUR. These contracts contain embedded derivatives that are recognised at fair value in accordance with IAS 39 *Financial instruments – recognition and measurement*. NOK has weakened against EUR during the quarter, which has had a negative effect on the fair value of the embedded derivatives.

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

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

Gains and losses on level 3 financial instruments recognised in the income statement, line item Other gains and losses, amounted to NOK -11 million in the second quarter (NOK -14 million in the first quarter).

9. PRINCIPAL SHAREHOLDERS

PRINCIPAL SHAREHOLDERS AT 22 AUGUST 2017	NUMBER OF SHARES	OWNERSHIP %
Kistefos AS	26 115 576	9.36
SES AS	12 000 000	4.30
Astrup Fearnley AS	8 469 688	3.04
Nordnet Bank AB	6 311 378	2.26
Fiducia AS	6 135 416	2.20
Allskog SA	5 296 381	1.90
Uthalden A/S	4 830 000	1.73
Kistefos Investment AS	4 447 304	1.59
Danske Bank A/S	4 173 783	1.50
Swedbank Norge Markets	3 577 500	1.28
Capreca AS	2 809 132	1.01
Nordea Bank Finland	2 576 307	0.92
Barokk Invest AS	2 500 000	0.90
Clearstream Banking	2 144 777	0.77
Skandinaviska Enskilda Banken, Swe	2 134 182	0.76
Nordnet Livsforskring	2 084 290	0.75
AT Skog BA	1 870 203	0.67
Suveren AS	1 852 797	0.66
The Bank of New York	1 723 223	0.62
Regent AS	1 693 757	0.61
Other shareholders	176 249 301	63.17
Total	**278 994 995**	**100.00**

The data is provided by VPS as of 22 August 2017. Whilst every reasonable effort is made to verify all data, VPS can not guarantee the accuracy of the analysis.

10. THE NORSKE SKOG SHARE

	30 JUN 2017	31 MAR 2017	31 DEC 2016	30 JUN 2016
Share price (NOK)	0.75	2.28	2.84	2.50
Book value of equity per share (NOK)	-2.00	0.14	0.66	0.68

11. EVENTS AFTER THE BALANCE SHEET DATE

Use of grace period and standstill agreements on interest payments

On June 14 2017, Norske Skog announced utilization of the 30-day contractual grace period under the Senior Secured Notes (SSN) with respect to the interest payment of EUR 17 million on the SSN that was due on 15 June 2017. On 13 July 2017, Norske Skog approved further deferral of the interest payment on the SSN past the end of the grace period. The subsequent deferral and non- payment of such interest payment past the end of the 30-day grace period constituted an event of default under the SSN. In light of this, the company and certain of its subsidiaries entered into a series of standstill agreements with certain holders of the SSN.

On 29 June 2017, Norske Skog announced utilization of the 30-day contractual grace period under each of the 2026 Notes and the Norwegian Securitisation Facility (NSF) with respect to the interest payments that were due on 30 June 2017, of total EUR 5 million.

On 27 July 2017, Norske Skog approved the further deferral of the coupon payment on the NSF past the end of the grace period. The subsequent deferral and non-payment of such interest payment past the end of the 30-day grace period constituted an event of default under the NSF. In light of this, the SSN Issuer entered into a series of standstill agreements with certain holders of the NSF.

On 27 July 2017, Norske Skog approved the further deferral of the interest payment on the 2026 Notes. The subsequent deferral and non-payment of the interest payment past the end of the 30-day grace period constituted an event of default under the 2026 Notes. The company has not entered into any standstill agreement in respect of the 2026 Notes.

On 22 August 2017, Norske Skog decided to use the 30-day interest payment grace periods on its exchange notes due in 2021 and 2023 and, thereby postponing interest payments of about EUR 8.3 million maturing 24 August 2017, to support the operating business.

Use of grace period do not influence the classification as interest bearing non-current liabilities in the balance sheet as of 30 June 2017 for the SSN, the NSF or the 2026 bonds. The subsequent deferral and non-payment of interest past the 30-days grace period is expected to result in classification of the liabilities as current in future reporting periods as the company may not defer the settlement beyond a 12-month period.

Update on recapitalization

On 2 June 2017, Norske Skog launched an exchange offer recapitalization proposal (June 2017 Exchange Offer) with the aim of significantly reducing the Group's debt levels and the related cash interest cost, addressing the capital structure constraints and improve the group's book equity by approximately NOK 3.5 billion.

On 11 July 2017, the company received a jointly supported transaction proposal from an ad hoc committee representing the majority of the holders of SSN (SSN AHC) and the holders of NSF.

The terms provide for the SSNs to be exchanged above par at 105.875% and for the NSF to be exchanged at par into a new EUR 350 million senior secured notes instrument and, in exchange for equitizing the secured debt exceeding the new EUR 350 million instrument, receiving 75% of the share capital of Norske Skog following the transaction. The remaining 25% of the share capital is to be allocated to other stakeholders, with 15% for the Existing Exchange Notes 2021/2023, 5% for the 2026 Notes, 2033 Notes and the 2115 Perpetual Notes, and 5% for the existing shareholders.

The June 2017 Exchange Offer launched by Norske Skog was further amended and extended up to 23 August 2017. While there was general support for a transaction from stakeholders that accomplished the general objectives of the June 2017 Exchange Offer, the offer did not receive any material tenders or consents from any class of holders of the notes.

Norske Skog has received a commitment letter for a EUR 16 million liquidity facility from the majority holders of the SSN bond and the NSF loan to support operational business. Norske Skog plans to launch a revised recapitalization proposal to improve the liquidity, equity and debt position of the group.

12. HISTORICAL FIGURES

INCOME STATEMENT	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Operating revenue	**2 848**	**2 693**	**3 061**	**2 918**	**2 891**
Variable costs	-1 988	-1 884	-2 160	-1 973	-1 884
Fixed costs	-670	-651	-679	-694	-671
Gross operating earnings	**190**	**158**	**221**	**251**	**335**
Depreciation	-157	-150	-150	-156	-186
Restructuring expenses	10	0	-20	-1	-46
Other gains and losses	-75	-7	-125	20	-10
Impairments	0	0	0	0	-1 238
Operating earnings	**-52**	**2**	**-73**	**114**	**-1 146**
Share of profit in associated companies	-46	-6	-6	-3	-204
Financial items	-445	-260	-364	84	1 359
Profit/loss before income taxes	**-543**	**-263**	**-443**	**195**	**9**
Income taxes	-3	-10	318	-5	220
Profit/loss for the period	**-546**	**-274**	**-124**	**190**	**229**

SEGMENT INFORMATION	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Publication paper Europe					
Operating revenue	1 954	1 861	2 129	1 988	2 057
Gross operating earnings	123	135	144	191	260
Deliveries (1 000 tonnes)	438	433	486	447	460
Publication paper Australasia					
Operating revenue	881	827	923	917	824
Gross operating earnings	77	39	97	73	78
Deliveries (1 000 tonnes)	167	162	170	174	158
Other activities					
Operating revenue	43	35	37	41	38
Gross operating earnings	-10	-17	-20	-13	-2

BALANCE SHEET	30 JUN 2017	31 MAR 2017	31 DEC 2016	30 SEP 2016	30 JUN 2016
Total non-current assets	**7 043**	**7 233**	**7 162**	**6 913**	**7 198**
Inventories	1 335	1 288	1 161	1 307	1 322
Trade and other receivables	1 202	1 216	1 345	1 188	1 134
Cash and cash equivalents	496	466	532	570	725
Other current assets	76	61	44	232	238
Total current assets	**3 109**	**3 031**	**3 082**	**3 298**	**3 420**
Total assets	**10 152**	**10 263**	**10 244**	**10 210**	**10 618**
Total equity	**-558**	**39**	**184**	**269**	**190**
Total non-current liabilities	**7 940**	**7 639**	**7 512**	**7 292**	**7 672**
Trade and other payables	1 959	1 896	1 868	1 785	1 870
Other current liabilities	811	689	680	864	886
Total current liabilities	**2 770**	**2 586**	**2 548**	**2 649**	**2 756**
Total liabilities	**10 710**	**10 225**	**10 060**	**9 941**	**10 428**
Total equity and liabilities	**10 152**	**10 263**	**10 244**	**10 210**	**10 618**

CASH FLOW	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Reconciliation of net cash flow from operating activities					
Gross operating earnings	190	158	221	251	335
Change in working capital	60	41	76	-104	-11
Payments made relating to restructuring activities	-12	-16	-40	-20	-2
Cash flow from net financial items	-39	-87	-248	-96	-279
Taxes paid	-8	-3	-3	-4	1
Other	-3	-5	-23	-8	-1
Net cash flow from operating activities	**187**	**88**	**-16**	**19**	**42**
Purchases of property, plant and equipment and intangible assets	-75	-61	-114	-65	-74
Net divestments	-24	-19	193	0	2
Dividend received	0	0	0	0	0
Net cash flow from investing activities	**-98**	**-80**	**78**	**-64**	**-73**
Net cash flow from financing activities	**-70**	**-73**	**-105**	**-92**	**-703**
Foreign currency effects on cash and cash equivalents	**11**	**0**	**5**	**-17**	**-13**
Total change in cash and cash equivalents	**30**	**-66**	**-38**	**-155**	**-747**

Responsibility Statement from the Board of Directors and President/CEO

We declare that to the best of our knowledge, the condensed consolidated interim financial statements for the period 1 January to 30 June 2017 have been prepared in accordance with IAS 34 – *Interim Financial Reporting* and give a true and fair view of the Norske Skog group's assets, liabilities, financial position and result as a whole. We also confirm to the best of our knowledge that the report of the board of directors gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related-party transactions.

SKØYEN, 22 AUGUST 2017 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA

Henrik A. Christensen Chair	Eilif Due Board member	Nils Ingemund Hoff Board member
Joanne Owen Board member	Paul Kristiansen Board member	Cecilie Jonassen Board member
Svein Erik Veie Board member	Mimi K. Berdal Board member	Lars P.S Sperre President and CEO

ALTERNATIVE PERFORMANCE MEASURES

The European Securities and Markets Authority's (ESMA) has defined new guidelines for alternative performance measures (APM). An APM is a financial measure of historical or future financial performance, financial position, or cash flow figures, other than a financial measure defined or specified in the applicable financial reporting framework.

In the interim financial statements for second quarter Norske Skog uses APMs as described below:

Gross operating earnings: Operating earnings for the period, before restructuring exenses, depreciation and amortization and impairment charges, other gains and losses, determined on an entity, combined or consolidated basis

Gross operated margin: Gross operating earnings / operating revenue

Capital expenditure: Purchases of property, plant and equipment and intangible assets

Basic earnings per share after tax: (Profit for the year – interest on perpetual notes) / average number of shares

Return on capital employed (annualised): (Annualised Gross operating earnings – Annualised Capital expenditure) / Capital employed (average)

RETURN ON CAPITAL EMPLOYED (ANNUALISED)	Q2 2017	Q1 2017	Q2 2016
Gross operating earnings	190	158	335
Capital expenditure	75	61	74
Average capital employed	7 212	7 238	8 186
Return on capital employed (annualised)	**6.4%**	**5.4%**	**12.7%**

CAPITAL EMPLOYED	30 JUN 2017	31 MAR 2017	30 JUN 2016
Intangible assets	28	37	22
Tangible assets	6 571	6 601	6 736
Inventory	1 335	1 288	1 322
Trade and other receivables	1 202	1 216	1 134
Trade and other payables	-1 959	-1 896	-1 870
Capital employed	**7 177**	**7 246**	**7 345**

NET INTEREST BEARING DEBT	30 JUN 2017	31 MAR 2017	30 JUN 2016
Interest bearing non-current liabilities	6 769	6 544	6 512
Interest bearing current liabilities	364	380	630
Hedge reserve	-58	-59	-64
Cash and cash equivalents	-496	-466	-725
Net interest bearing debt	**6 579**	**6 399**	**6 353**

2Q17 Presentation

23 August 2017

Norske Skog

Future on paper

- Print advertising still plays key role in the marketing mix
  - Direct mail and leaflet costs significantly reduced with modern print technology
  - Digital ads typically receive no more than a second's attention from consumers

- Online platforms turn to paper
  - Gwyneth Paltrow's wellness brand to create a quarterly print magazine
  - Publisher Condé Nast to distribute the magazine from September 2017

- Print remains the revenue source
  - More than 90% of newspaper revenue come from the print edition*

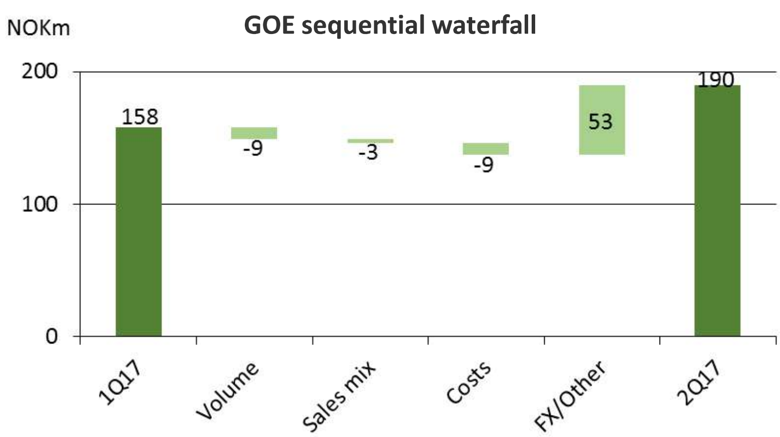
* WAN-IFRA

Improvement Australasia, higher costs Europe

- Gross operating earnings NOK 190m in 2Q17 (NOK 158m in 1Q17)
  - Europe: Higher costs offsetting positive currency effect
  - Australasia: Normal production at Boyer and CO2 compensation at Tasman
- Net debt increased by NOK 180m to NOK 6 579m
  - Negative unrealized currency effect from NOK depreciation to EUR
- Cash flow from operations NOK 226m before net financial items
  - Interest payments amounting to NOK 211m deferred in the quarter
- Loss for the period NOK 546m in 2Q17 (NOK 274m in 1Q17)
  - After depreciation, share of profit in associated companies and financial items
- Norske Skog's balance sheet unsustainable with negative equity of NOK 558m

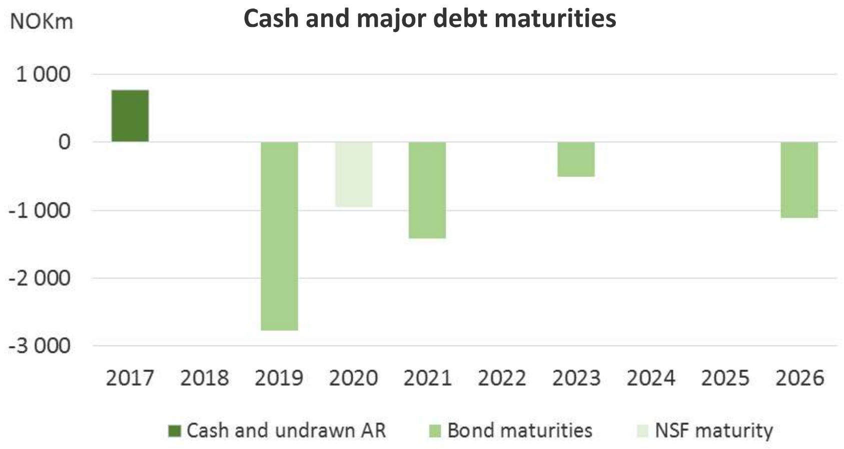
GOE better with improvement in Australasia

- Negative volume effect with lower production
- Higher costs due to more maintenance work
- Positive currency effect with NOK depreciation in 2Q17
- Recurring CO2 compensation at Tasman



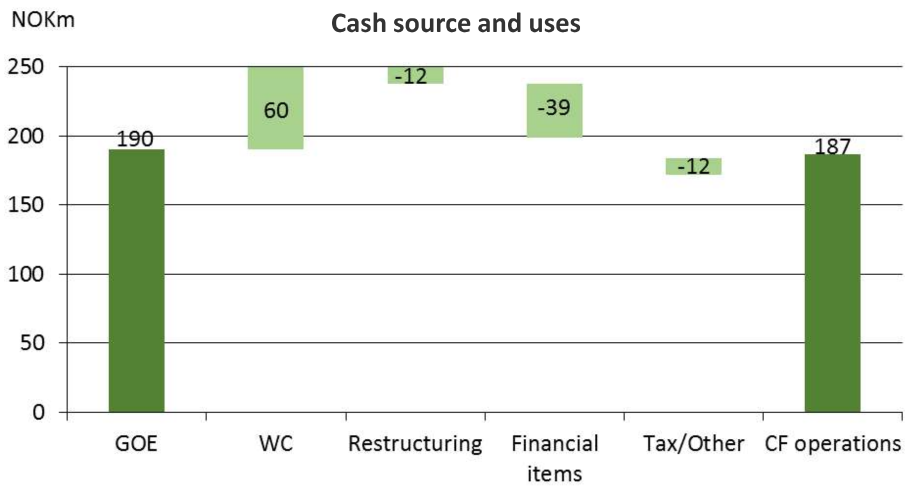
Norske Skog's debt is far too high

- Net debt increased by NOK 180m in the quarter to NOK 6 579m
- Debt need to be equitized for the group to continue as a going concern
  - No free cash flow after interest payments and needed capital expenditures



Interest payments have been deferred

- Working capital release more than offset restructuring payments related to cost reduction initiatives
- Cash interest payments amounting to NOK 221m were deferred in the quarter
  - Deferred interest payment to support the operating business



Group equity negative and trending lower

- Group book equity negative NOK 558m at end 2Q17
- Depreciation and financial items (NOK 350m) result in reduced equity every quarter
  - Depreciation NOK 150m and interest NOK 200m
    - Financial items also include FX on debt and effects from refinancing
    - Quarterly GOE has averaged just above NOK 200m in recent years
- Recapitalization to address equity situation is required

Margin improvement program in need of funding

- Umbrella program for a number of existing and new improvement initiatives
  - Profitability enhancements for paper operations in conjunction with the diversification strategy
- Far reaching program, realizing margin improvements throughout the value chain
  - Revenue enhancing measures through product and market optimization
  - Cost reductions through productivity enhancements, energy efficiency and improved logistics
- Ongoing and identified initiatives add to an annual improvement of NOK 500m from 2019
  - Actual performance however very sensitive to FX, sales prices and input factor costs
  - Investments of around NOK 200m needed to realize all initiatives but depending on successful recapitalization

Diversification strategy in need of recapitalization

- Identified green growth projects with potential to contribute 25% of GOE by 2020
  - Investments in biogas, wood pellets, tissue paper and R&D to enhance use of biomass alternatives
  - However, currently no funding available to facilitate the diversification strategy
- The tissue project at Bruck in Austria has been delayed due to the unsustainable financial position
  - Closure of the outdated newsprint machine from 1953 postponed by one year to end 2018

Newsprint and SC in balance, LWC oversupplied

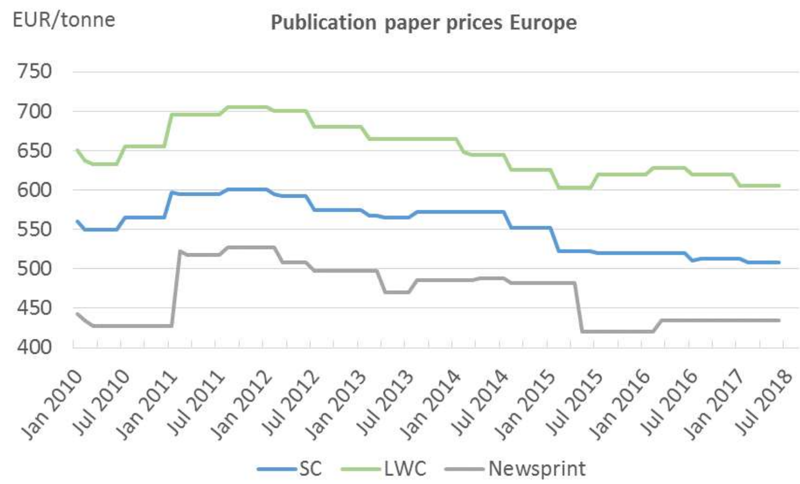
- Newsprint and SC magazine paper utilization rates favorable at around 90%
  - Capacity closures / conversions to retain relatively high utilization rate throughout 2017
- LWC magazine paper has a too low utilization in the mid 80s
  - No capacity has been announced closed / converted

Euro-Graph, June 2017

* Including improved

Utilization rates supporting prices in 2 of 3 segments

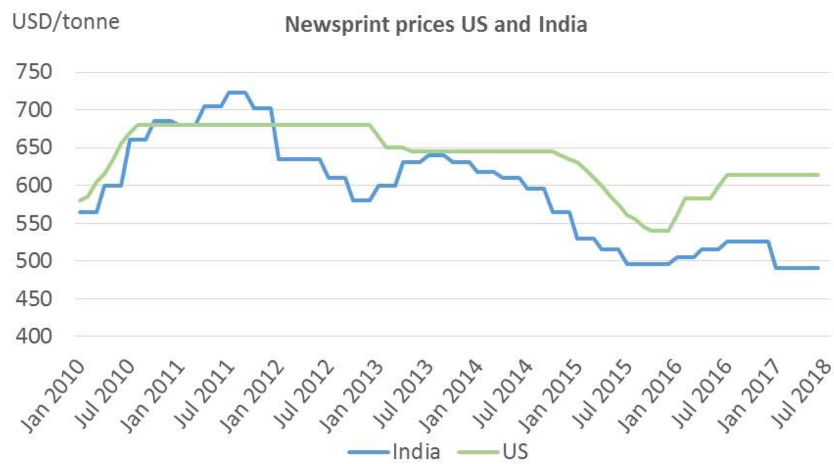
- European newsprint and SC magazine segments supported by industry closures / conversions
- LWC magazine segment in Europe is oversupplied, resulting in downward price pressure



RISI

Newsprint prices in India and US historically correlated

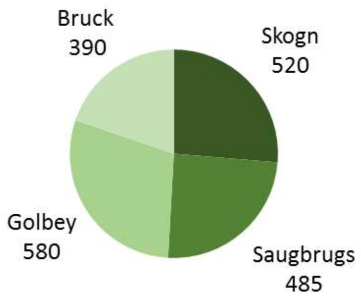
- Indian newsprint prices weakened in 1Q17 and are lagging far behind US prices



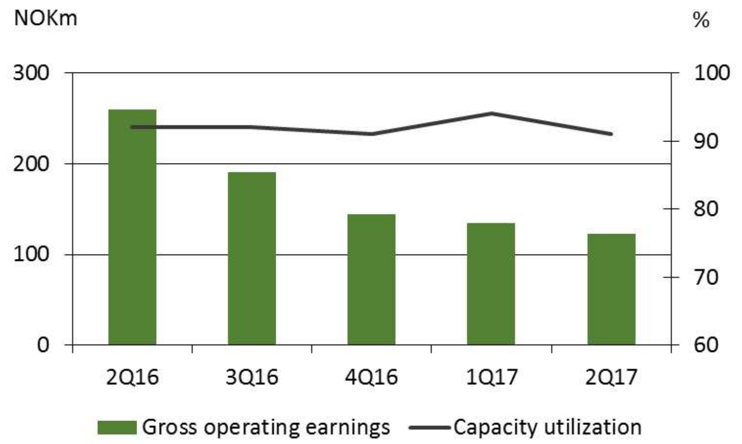
RISI

Publication paper Europe – Higher costs

Mill capacities ('000 tonnes)

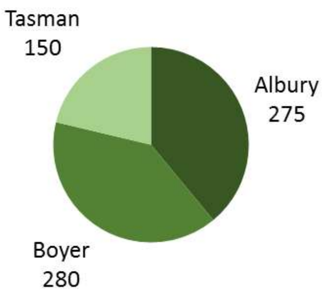


- GOE lower at NOK 123m with offsetting factors
  - Somewhat higher sales volumes and NOK depreciation
  - Recovered paper price inflation and more maintenance work

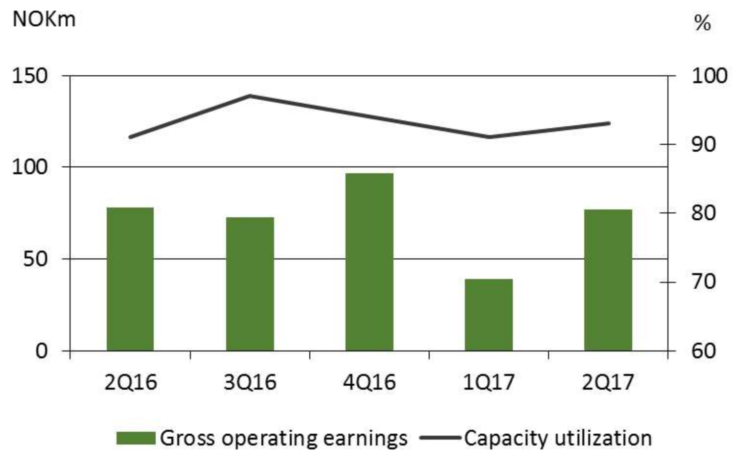


Publication paper Australasia – Increased revenue

Mill capacities ('000 tonnes)



- Normal production following disruption at Boyer in 1Q17
  - Increased revenue with more LWC sales and CO2 compensation
  - Flat costs development



Recapitalization needed

- Group headwinds from higher energy costs, cost inflation for recovered paper and FX
  - Operating environment in Europe supported by industry capacity closures / conversions
  - Less domestic demand and low Asian newsprint price challenge for Australasian business
- Projected full year 2017 GOE of around NOK 800m applied in recent recapitalization considerations
  - Last twelve months GOE performance as of 2Q17 was NOK 820m
- Current financial situation is unsustainable with tight liquidity and negative book equity
  - Group operations currently supported by unpaid interest
  - Group book equity negative NOK 558m
  - Group in need of funding to realize improvement program and diversification strategy
- The board of directors recognizes the severity of the financial position
  - An EGM has been called for 24 August 2017 to give an update on the financial position
- Operating business to be supported by new EUR 16 mill liquidity financing

23 August 2017

Press release

Stable operating performance

Norske Skog's gross operating earnings (EBITDA) in the second quarter 2017 were NOK 190 million, an increase from 158 million in the first quarter 2017. The European units contributed less to gross operating earnings than in the first quarter; whereas, the Australasian units gross operating earnings improved.

Operating earnings in the second quarter was NOK -52 million compared to positive operating earnings of NOK 2 million in the first quarter of 2017. Net loss in the second quarter was NOK 546 million compared with a net loss of NOK 274 million in the first quarter 2017. Cash flow from operating activities before net financial items seasonally increased from NOK 175 million in the first quarter 2017 to NOK 226 million in the second quarter 2017.

In Europe, a positive currency effect in the quarter was offset by high maintenance costs and inflation of recovered paper prices. Australasia had normal production after some production problems at Boyer in the first quarter. The Board decided to defer interest payment of NOK 211 mill on the existing 2019 senior secured notes (SSN), 2026 senior notes and the 2020 Norwegian Securitization Facility (NSF) to support the operating business, which contributed to the cash balance at the end of the quarter of NOK 496 million.

Net interest bearing debt increased by NOK 0.2 billion from the end of the first quarter to NOK 6.6 billion, as a result of a weaker Norwegian krone against the euro. The equity was negative NOK 558 million at the end of the second quarter compared to positive NOK 39 million at the end of the first quarter.

Norske Skog has received a commitment letter for a EUR 16 million liquidity facility from the majority holders of the SSN bond and the NSF loan to support operational business. Norske Skog plans to launch a revised recapitalization proposal to improve the liquidity, equity and debt position of the group. In addition, Norske Skog has introduced a cost reduction program for all operating units, which is targeted to add to an annual improvement of NOK 500 million from 2019. The program intends to realize margin improvements throughout the entire value chain, including both revenue and variable costs enhancing measures, and some targeted fixed cost initiatives, offsetting underlying inflation.

- We *continue to make our units more competitive and robust through a new comprehensive cost reduction programs. At the same time, there are significant progress in realizing the new growth initiatives. All these measures will be effectuated simultaneously but further progress depends on a successful outcome of the on-going recapitalization process*, says Lars P.S. Sperre, CEO of Norske Skog.

Norske Skogindustrier ASA

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Key figures, second quarter of 2017 (NOK million)

	Q2 2017	Q1 2017	Q2 2016	2016
Operating revenue	**2 848**	**2 693**	**2 891**	**11 849**
Gross operating earnings (EBITDA)	**190**	**158**	**335**	**1 049**
Gross operating margin (%)	6.7	5.9	11.6	8.9
Gross operating earnings after depreciation	**32**	**8**	**149**	**367**
Restructuring expenses	-10	-	-46	-67
Impairment	-	-	-1 238	-1 238
Other gains and losses	-75	-7	-10	-127
Operating earnings	**-52**	**2**	**-1 146**	**-1 065**
Share of profit in associated companies	-46	-6	-204	-211
Financial items	-445	-260	1 359	1 044
Income taxes	-3	- 10	220	538
Profit/loss for the period	**-546**	**-274**	**229**	**306**
Cash flow from operations before net financial items	**226**	**175**	**321**	**953**
Net interest bearing debt	**6 579**	**6 399**	**6 353**	**6 302**

Outlook

The market balance for publication paper in Europe is supported by industry capacity closures and conversions. This has resulted in a relative high operating rate for newsprint and SC magazine paper. The LWC magazine segmented though remains oversupplied.

Higher energy costs, cost inflation for recovered paper and NOK appreciation are headwinds for the group. Continued weak newsprint price in Asia are a challenge due to higher export volumes from Australasia reflecting a structural decline in domestic demand.

Norske Skog's identified green growth diversification strategy is in need of funding to be executed. In ongoing considerations around the recapitalization of the group, updated projected full year 2017 gross operating earnings for the group is around NOK 800 million. The downward revision from earlier outlook statements largely reflects external factors such as negative currency effects with a stronger NOK and a weaker USD, higher energy costs, increased exports to lower-margin Asian markets and continued weakness in the LWC market.

The board of directors recognizes the severity of the financial position and has called for an extraordinary general meeting on 24 August 2017 to provide the shareholders with, amongst other things, an update on the financial situation of the group. The board of Norske Skogindustrier ASA has decided to use the 30-day interest payment grace periods on its exchange notes due in 2021 and 2023 and, thereby postponing interest payments of about EUR 8.3 million, to support the operating business.

Markets and segments

Total annual production capacity for the group is 2.7 million tonnes. In Europe, the group capacity is 2.0 million tonnes, while in Australasia the capacity is 0.7 million tonnes. Capacity utilization for the group in the second quarter was 91% compared with 93% in the first quarter.

Europe

Operating revenue increased from the previous quarter with somewhat higher sales volumes and a weaker Norwegian krone to euro and British pound. Variable costs increased per tonne due to recovered paper inflation and NOK depreciation. Fixed costs were higher due to higher maintenance costs. Gross operating earnings declined as higher costs offset the positive revenue effect. Demand for newsprint paper decreased by 6% through May compared to the same period in 2016. Demand for SC magazine paper increased by 2%, while LWC dropped 5%. Capacity utilisation was high at 91% in the period (94% in the first quarter 2017).

Australasia

Operating revenue and gross operating earnings increased from the previous quarter due to higher LWC sales volume. Both variable cost per tonne and fixed costs remained stable in the quarter. Demand for newsprint and magazine paper in Australasia decreased respectively by 17% and 9% through May compared to the same period last year. Demand development is addressed by more low-margin export sale to Asian markets. Capacity utilisation was high at 93% in the period (91% in the first quarter 2017).

Update on new growth opportunities

Norske Skog is aiming to generate 25% of group GOE from new businesses by 2020, but is in need of financing to achieve that target. The shift will predominantly involve identified investments in new green industries.

Initiatives at Saugbrugs
The NOK 150 million biogas investment at Saugbrugs was officially opened by His Majesty the King Harald V of Norway on April 3. The biogas facility already contributes fully to gross operating earnings. Saugbrugs has, in addition, initiated growth projects related to the development of microfibrillated cellulose (MFC), fibreboard and biocarbon for the alloy industry.

Initiatives at Golbey
The Golbey biogas plant is under construction and is expected to be completed during 2017. The project will be financed locally. The plant will be connected to the biological-chemical treatment plant and be dimensioned to absorb all organic waste from the paper production. At the same time, Golbey is implementing new projects, which will combine synergies from the existing mill and a nearby industrial cluster.

Initiatives at Skogn
A biogas plant is under construction next to the Skogn mill in Norway. Norske Skog Skogn will be the supplier of raw material to this new biogas facility adjacent to the paper site.

Tissue project at Bruck
At the Bruck mill in Austria, Norske Skog intends to close its oldest and least efficient paper machine (125 000 tonnes) towards the end of 2018. The newsprint machine may be replaced by a new tissue machine. The 265 000 tonnes LWC machine will continue production.

Biochemicals at Boyer in Australia
The Tasmania based newsprint and magazine facility Boyer has started small-scale test production of new bio-based chemicals, applicable for the pharmaceutical industry.

Wood pellets in New Zealand
Nature's Flames pellets production has reached an annual capacity of 40 000 tonnes. Norske Skog considers to expand the production of pellets, given the considerable competitive export advantage and the abundance of fibre available in New Zealand. Wood pellets are a renewable alternative to fossil fuels in the large economies of South-East Asia.

Presentation and quarterly material
A recorded webcast of the CEO presentation, the quarterly financial statements and the presentation package are available on www.norskeskog.com. If you want to receive future Norske Skog press releases, you will have to subscribe to the press release through the website of Oslo Stock Exchange www.newsweb.no.

Norske Skog
Communications and Public Affairs

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23. august 2017

Pressemelding

Stabil drift

Norske Skogs brutto driftsresultat (EBITDA) i andre kvartal 2017 var NOK 190 millioner, en økning fra NOK 158 millioner i første kvartal 2017. De europeiske enhetene bidro mindre til brutto driftsresultat enn i første kvartal, mens de australske enhetene hadde et brutto driftsresultat som forventet.

Driftsresultatet i andre kvartal var NOK -52 millioner sammenlignet med et positivt driftsresultat på NOK 2 millioner i første kvartal 2017. Netto tap i andre kvartal var NOK 546 millioner sammenlignet med et netto tap på NOK 274 millioner i første kvartal 2017. Kontantstrøm fra operasjonelle aktiviteter før finansnetto ble sesongmessig økt fra NOK 175 millioner i første kvartal 2017 til NOK 226 millioner i andre kvartal 2017.

I Europa ble en positiv valutaeffekt i kvartalet motvirket av høye vedlikeholdskostnader og prisoppgang på resirkulert papir. Australasia hadde normal produksjon etter enkelte produksjonsproblemer ved Boyer i første kvartal. Styret besluttet å utsette rentebetaling av NOK 211 millioner på den eksisterende 2019 obligasjonen (SSN), 2026 obligasjonen og det sikrede 2020 lånet (NSF) for å understøtte driften, noe som bidro til en kontantbalanse ved utgangen av kvartalet på NOK 496 millioner.

Netto rentebærende gjeld økte med NOK 0,2 milliarder fra utgangen av første kvartal til NOK 6,6 milliarder som følge av svakere norsk krone mot euro. Egenkapitalen var negativ med NOK 558 millioner ved utgangen av andre kvartal sammenlignet med pluss NOK 39 millioner ved utgangen av første kvartal.

Norske Skog har mottatt et tilsagnsbrev på en likviditetsfasilitet på 16 millioner euro fra majoritetsinnehavere av SSN-obligasjonen og NSF-lånet for å møte sine driftsmessige kontantstrømbehov. Norske Skog planlegger å lansere et revidert rekapitaliseringsforslag for å forbedre konsernets likviditets-, egenkapital- og gjeldsposisjon. I tillegg har Norske Skog lansert et kostnadsreduksjonsprogram for alle driftsenheter, med målsetning å gi en årlig forbedring på NOK 500 mill fra 2019. Programmet har til hensikt å ta ut marginforbedringer gjennom hele verdikjeden, inkludert forbedringstiltak på både inntekter og variable kostnader, samt visse målrettede tiltak på faste kostnader, for å motvirke underliggende inflasjon.

– Vi fortsetter å gjøre enhetene mer konkurransedyktige og robuste gjennom et nytt omfattende kostnadsreduksjonsprogram. Samtidig er det betydelige fremskritt mot å realisere de nye vekstinitiativene. Alle disse tiltakene vil bli gjennomført samtidig, men videre fremdrift er avhengig av et vellykket resultat av den pågående rekapitaliseringsprosessen, sier Lars P.S. Sperre, konsernsjef i Norske Skog.

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www.norskeskog.com twitter: @Norske_Skog

Nøkkeltall, andre kvartal 2017 (NOK millioner)

	Q2 2017	Q1 2017	Q2 2016	2016
Driftsinntekter	**2 848**	**2 693**	**2 891**	**11 849**
Brutto driftsresultat (EBITDA)	**190**	**158**	**335**	**1 049**
Brutto driftsmargin (%)	6.7	5.9	11.6	8.9
Brutto driftsresultat etter avskrivninger	**32**	**8**	**149**	**367**
Restruktureringskostnader	-10	-	-46	-67
Nedskrivninger	-	-	-1 238	-1 238
Andre gevinster og tap	-75	-7	-10	-127
Driftsresultat	**-52**	**2**	**-1 146**	**-1 065**
Andel resultat tilknyttede selskaper	-46	-6	-204	-211
Finansposter	-445	-260	1 359	1 044
Skatt	-3	- 10	220	538
Resultat	**-546**	**-274**	**229**	**306**
Netto kontantstrøm fra driften før finansposter	**226**	**175**	**321**	**953**
Netto rentebærende gjeld	**6 579**	**6 399**	**6 353**	**6 302**

Utsikter

Markedsbalansen for publikasjonspapir i Europa understøttes av kapasitetsnedleggelser og konverteringer i bransjen. Dette har resultert i en relativt høy kapasitetsutnyttelse for avispapir og SC-magasinpapir. Segmentet LWC-magasinpapir preges imidlertid fortsatt av overkapasitet.

Høyere energikostnader, prisoppgang på resirkulert papir og sterkere norsk krone gir motvind for konsernet. Fortsatt svake avispapirpriser i Asia er en utfordring som følge av økte eksportvolumer fra Australasia, noe som reflekterer strukturell nedgang i innenlandsk etterspørsel.

Norske Skogs identifiserte, grønne vekststrategi trenger finansiering for å kunne gjennomføres. I de løpende vurderingene knyttet til rekapitaliseringen av konsernet er oppdatert prognose for brutto driftsresultat for konsernet for hele året 2017 rundt NOK 800 millioner. Nedjusteringen fra tidligere uttrykte utsikter reflekterer i stor grad eksterne faktorer som negative valutaeffekter på grunn av sterkere norsk krone og svakere amerikansk dollar, høyere energikostnader, økt eksport til markeder i Asia med lavere marginer og fortsatt svakt LWC-markedet.

Styret anerkjenner alvoret i den finansielle situasjonen og har innkalt til ekstraordinær generalforsamling 24. august 2017 for blant annet å gi aksjonærene en oppdatering om konsernets økonomiske situasjon. Styret i Norske Skogindustrier ASA har besluttet å utsette EUR 8,3 mill i rentebetalinger på 2021 og 2023 obligasjonene i inntil 30 dager iht låneavtalen for å understøtte driften.

Markeder og segmenter

Samlet årlig produksjonskapasitet for konsernet er 2,7 millioner tonn. I Europa er konsernets kapasitet 2,0 millioner tonn, mens i Australasia er kapasiteten 0,7 millioner tonn. Kapasitetsutnyttelsen for konsernet i andre kvartal var 91% sammenlignet med 93% i første kvartal.

<u>Europa</u>
Driftsinntektene økte fra forrige kvartal med noe høyere salgsvolum og en svakere norsk krone mot euro og britisk pund. Variable kostnader per tonn økte på grunn av økte priser på resirkulert papir og svakere norsk krone. Faste kostnader økte på grunn av høyere vedlikeholdskostnader. Brutto driftsresultat gikk ned da høyere kostnader oppveide den positive effekten på driftsinntektene. Etterspørselen etter avispapir ble redusert med 6% per mai sammenlignet med samme periode i 2016. Etterspørselen etter SC-magasinpapir økte med 2%, mens LWC falt med 5%. Kapasitetsutnyttelsen var høy, på 91% i perioden (94% i første kvartal 2017).

<u>Australasia</u>
Driftsinntekter og brutto driftsresultat økte fra foregående kvartal på grunn av høyere salgsvolum innen LWC. Både variable kostnader per tonn og faste kostnader var stabile i kvartalet. Etterspørselen etter avispapir og magasinpapir i Australasia falt henholdsvis 17% og 9% per mai sammenlignet med samme periode i fjor. Etterspørselsutviklingen blir

håndtert gjennom mer lavmargin-eksport til asiatiske markeder. Kapasitetsutnyttelsen var høy, på 93% i perioden (91% i første kvartal 2017).

Oppdatering av nye vekstprosjekter

Norske Skog har som mål å generere 25% av gruppens brutto driftsresultat (GOE) fra nye grønne virksomheter innen 2020, men har behov av finansiering for å oppnå dette målet. Skiftet vil hovedsakelig innebære identifiserte investeringer i nye grønne næringer.

Tiltak på Saugbrugs
Den NOK 150 millioner biogassanlegget på Saugbrugs ble offisielt åpnet av Hans Majestet Kong Harald V den 3. april. Biogassanlegget vil begynne å bidra fullt til brutto driftsresultatet fra andre kvartal i år. Saugbrugs har i tillegg initiert vekstprosjekter knyttet til utvikling av mikrofibrillær cellulose (nanocellulose), fiberplater og biokarbon for legeringsindustrien.

Vekstprosjekter Golbey
Biogassanlegget ved Golbey er under bygging og forventes å være ferdig i løpet av 2017. Prosjektet på Golbey vil bli finansiert lokalt. Anlegget vil bli tilknyttet det biologisk-kjemiske renseanlegget og være dimensjonert til å kunne forbruke hele bioavfallet fra papirproduksjonen. Golbey gjennomfører flere prosjekter, som kombinerer synergieffekter fra eksisterende anlegg og nærliggende industriklynger.

Tiltak på Skogn
Et biogassanlegg er under bygging ved siden av Skognfabrikken. Norske Skog Skogn vil være leverandør av biomasse til det nye biogassanlegget ved siden av papirfabrikken.

Mykpapir på Bruck
På Bruckfabrikken i Østerrike, vil Norske Skog stenge den eldste og minst effektive papirmaskinen (125 000 tonn) mot slutten av dette året. Avispapirmaskinen kan bli erstattet av en ny mykpapirmaskin. Den 265 000 tonn LWC Maskinen vil som i dag fortsette produksjonen.

Biokjemikalier på Boyer i Australia
Den Tasmania baserte avis- og magasinpapirfabrikken Boyer har i løpet av andre kvartal 2017 startet småskala prøveproduksjon av nye bio-baserte kjemikalier, som kan brukes i den farmasøytiske industrien.

Trepellets i New Zealand
Nature's Flames produksjon av trepellets har nådd en årlig kapasitet på 40 000 tonn. Norske Skog vurderer å utvide produksjonen av pellets, som følge av en betydelig konkurransefordel i eksportmarkedet og tilgjengelig virke på New Zealand. Trepellets er et fornybart alternativ til fossilt brensel for de store økonomiene i Sør-Øst Asia.

Presentasjon og kvartalsmateriell
Et opptak konsernsjefens presentasjon, kvartalsregnskapet og presentasjonspakke er tilgjengelig på www.norskeskog.com. Hvis du ønsker å motta Norske Skogs pressemeldinger på publiseringstidspunktet, må du abonnere på dette gjennom www.newsweb.no.

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