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LISTING PARTICULARS

NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES

# Norske Skog AS

## €290,000,000 11.75% Senior Secured Notes due 2019

# Norske Skog Holding AS

## €159,017,000 8.00% Senior Notes due 2021
## US$60,649,000 8.00% Senior Notes due 2023

Paper Funding S.A., a public limited liability company (*société anonyme*) organized and existing under the laws of Luxembourg (the ''**Temporary Notes Issuer**'' or ''**Paper Funding**''), issued (the ''**Offering**'') €290,000,000 in aggregate principal amount of 11.75% Senior Secured Notes due 2019 (the ''**Temporary Notes**'') on February 9, 2015, (the ''**Temporary Notes Issue Date**''). The share capital of the Temporary Notes Issuer is owned by a Dutch foundation (*stichting*). As further explained below, the Temporary Notes were exchanged for Senior Secured Notes (as defined herein) on February 24, 2015, and do not exist anymore.

On the date on which the Proposed Exchange Offers (as defined herein) and Proposed Consent Solicitations (as defined herein) were consummated (the ''**Escrow Release Date**'' or the ''**Issue Date**''), the Temporary Notes have been exchanged (the ''**Exchange**'') for an equal aggregate principal amount of 11.75% Senior Secured Notes due 2019 (the ''**Senior Secured Notes**'') issued by Norske Skog AS, a private limited company organized under the laws of Norway (the ''**Senior Secured Notes Issuer**'' and together with the Exchange Notes Issuer (as defined herein), the ''**Issuer**'') and an indirect wholly-owned subsidiary of Norske Skogindustrier ASA (the ''**Parent**''). The Senior Secured Notes Issuer exchanged €290,000,000, aggregate principal amount of Temporary Notes for Senior Secured Notes. The principal amount of Senior Secured Notes (the ''**Exchanged Amount**'') issued and exchanged for Temporary Notes on the Escrow Release Date was equal to €290,000,000.

Concurrently with the closing of the Offering of the Temporary Notes, and upon consummation of the Proposed Exchange Offers and Proposed Consent Solicitations the Issuer deposited pre-funded interest on the portion of the Temporary Notes that exceeds the Minimum Principal Amount through the Escrow Longstop Date (as defined below) (the ''**Pre-Funded Amount**'') and the Initial Purchasers (as defined below) deposited the gross proceeds of the Offering (together with the Pre-Funded Amount, the ''**Escrow Funds**'') into an escrow account held in the name of the Temporary Notes Issuer (the ''**Escrow Account**'') pursuant to the terms of an escrow agreement (the ''**Escrow Agreement**'') dated as of the Temporary Notes Issue Date among the Temporary Notes Issuer, the Parent, the Senior Secured Notes Issuer, Citibank N.A., London Branch, as trustee (the ''**Trustee**'') and as escrow agent (the ''**Escrow Agent**'') and Citibank, N.A., London Branch, as security agent (the ''**Temporary Notes Security Agent**''). The release of the Escrow Funds (the ''**Escrow Release**'') was subject to the delivery of an officer's certificate of the Senior Secured Notes Issuer and the Temporary Notes Issuer to the Escrow Agent certifying, among other things, that the Proposed Exchange Offers and Proposed Consent Solicitations has been consummated substantially concurrently with the Escrow Release and certifying that the aggregate principal amount of Senior Secured Notes exchanged for Temporary Notes was not greater than the Permitted Amount (as defined herein).

Concurrently with the Offering, Norske Skog Holding AS (the ''**Exchange Notes Issuer**''), the direct parent company of the Senior Secured Notes Issuer (and, together with the Parent and Norske Treindustrier AS, the **''Parent Guarantors**''), offered the eligible holders of each series of the Parent's Existing Notes to exchange (the ''**Proposed Exchange Offers**'') any and all of each series of outstanding Existing Notes for newly-issued Euro-denominated senior notes due 2021 (the ''**Exchange Notes due 2021**'') and US dollar-denominated senior notes due 2023 (the ''**Exchange Notes due 2023**'') and, together with the Exchange Notes due 2021, the ''**Exchange Notes**'', and, collectively with the Senior Secured Notes, the ''**Notes**'', unless the context requires otherwise) of the Exchange Notes Issuer and, if applicable to such series, cash, pursuant to the terms of the Proposed Exchange Offers. On the Issue Date, the Exchange Notes Issuer issued (159,017,000 8.00% Exchange Notes due 2021 and US$60,649,000 8.00% Exchange Notes due 2023. The Exchange Notes Issuer also solicited consents (the ''**Proposed Consent Solicitations**'') from the eligible holders of each series of Existing Notes to amend important provisions of the outstanding Existing Notes pursuant to the terms of the Proposed Consent Solicitations.

The Senior Secured Notes bear interest at a rate of 11.75% and will mature on December 15, 2019. The Senior Secured Notes Issuer will pay interest on the Notes semi-annually on each of June 15 and December 15, commencing on June 15, 2015. The Senior Secured Notes Issuer may redeem all or a portion of the Notes prior to February 15, 2017 at a redemption price equal to 100% of the principal amount of the Senior Secured Notes redeemed plus accrued and unpaid interest and additional amounts, if any, to the redemption date and a ''make-whole'' premium, as described in these listing particulars. The Senior Secured Notes may be redeemed at any time on or after February 15, 2017 at the redemption prices set forth in these listing particulars. At any time prior to February 15, 2017, the Senior Secured Notes Issuer may also redeem up to 35% of the aggregate principal amount of the Senior Secured Notes at a redemption price equal to 111.75% plus accrued and unpaid interest and additional amounts, if any, *provided* that at least 65% of the aggregate principal amount of the Senior Secured Notes remain outstanding, with the net proceeds of one or more specified equity offerings. Additionally, the Senior Secured Notes Issuer may redeem all of the Senior Secured Notes upon the occurrence of certain changes in applicable tax law at a redemption price equal to 100% of the principal amount of such Senior Secured Notes, plus accrued and unpaid interest and additional amounts, if any. If a change of control occurs, each holder of the Senior Secured Notes may require the Senior Secured Notes Issuer to repurchase all or a portion of its Senior Secured Notes at 101% of their principal amount plus accrued and unpaid interest and additional amounts, if any.

The Exchange Notes due 2021 bear interest at a rate of 8.00% and will mature on February 24, 2021. The Exchange Notes due 2023 bear interest at a rate of 8.00% and will mature on February 24, 2023. The Exchanges Notes Issuer will pay interest on each series of the Exchange Notes semi-annually on each of February 24, and August 24, commencing on August 24, 2015. Subject to the limitations set forth in ''*Description of the Senior Secured Notes—Optional Redemption*'', the Exchange Notes Issuer may redeem all or a portion of the Exchange Notes prior to February 24, 2018 at a redemption price equal to 100%, plus accrued and unpaid interest and additional amounts, if any, to the redemption date and the applicable ''make-whole'' premium, as described in these listing particulars. Subject to the limitations set forth in ''*Description of the Senior Secured Notes—Optional Redemption*'', the Exchange Notes may be redeemed at any time on or after February 24, 2018, in each case, at the redemption prices set forth in these listing particulars. Additionally, the Exchange Notes Issuer may redeem all of any series of the Exchange Notes upon the occurrence of certain changes in applicable tax law at a redemption price equal to 100% of the principal amount of such series of Exchange Notes, plus accrued and unpaid interest and additional amounts, if any. If a change of control occurs, each Holder of the Exchange Notes may require the Exchange Notes Issuer to repurchase all or a portion of its Exchange Notes at 101% of their principal amount plus accrued and unpaid interest and additional amounts, if any.

The Senior Secured Notes are senior obligations of the Senior Secured Notes Issuer. The Senior Secured Notes are guaranteed (the ''**Guarantees**'' and, each, a ''**Guarantee**'') on a senior secured basis by the Parent Guarantors and by certain of the Issuer's subsidiaries (the ''**Subsidiary Guarantors**'' and, together with the Parent Guarantors, the ''**Guarantors**''). The Senior Secured Notes are secured by the capital stock of the Guarantors (other than the Parent) and certain other subsidiaries of the Parent and by certain other assets of the Senior Secured Notes Issuer and the Guarantors. See ''*Description of the Senior Secured Notes—Security*''.

The Exchange Notes are general obligations of the Issuer and are guaranteed by the Parent Guarantors and the Subsidiary Guarantors on a senior basis by the Parent Guarantors and on a senior subordinated basis by the Subsidiary Guarantors under the indenture dated as of the Issue Date (the ''**Exchange Notes Indenture**'') between, among others, the Issuers, the Guarantors and the Trustee. The Notes and the Guarantees will be unsecured.

The Senior Secured Notes are general obligations of the Issuer and are senior in right of payment to all existing and future indebtedness of the Senior Secured Notes Issuer that is subordinated in right of payment to the Senior Secured Notes, are *pari passu* in right of payment with all existing and future indebtedness of the Senior Secured Notes Issuer that is not subordinated in right of payment to the Senior Secured Notes, are unconditionally guaranteed by the Guarantors, are effectively senior to all the existing and future indebtedness of the Senior Secured Notes Issuer that is unsecured or secured by liens junior to the liens securing the Senior Secured Notes, are effectively subordinated to all existing and future indebtedness of the Senior Secured Notes Issuer that is secured by property and assets that do not secure the Senior Secured Notes, to the extent of the value of the property and assets securing such indebtedness, and are effectively subordinated to all obligations of the subsidiaries of the Issuer that do not guarantee the Senior Secured Notes.

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF market of the Luxembourg Stock Exchange (the ''**Euro MTF Market**''). The Euro MTF Market is not a regulated market within the meaning of the provisions of Directive 2004/39/EC. These Listing Particulars constitute a prospectus for purposes of Luxembourg law on prospectuses for securities dated July 10, 2005, as amended.

The delivery of the Notes was made to investors in book-entry form, through Euroclear SA/NV (''**Euroclear**''), Clearstream Banking, société anonyme (''**Clearstream**''), or the Depository Trust Company (''**DTC**'') in each case on the Escrow Release Date.

**Investing in the Notes involves risks. See ''*Risk Factors*'' beginning on page 27.**

**The Notes and the Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended (the ''Securities Act''), or the securities laws of any other jurisdiction. Accordingly, the Notes and the Guarantees are being offered and sold inside the United States only to qualified institutional buyers (''QIBs'') in accordance with Rule 144A under the Securities Act (''Rule 144A'') and outside the United States in offshore transactions in accordance with Regulation S under the Securities Act (''Regulation S''). Prospective purchasers that are QIBs are hereby notified that the Initial Purchasers may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See ''*Transfer Restrictions*'' and ''*Plan of Distribution*'' for additional information about eligible offerees and transfer restrictions.**

Issue price of the Senior Secured Notes: 97.500% plus accrued interest, if any, from the Escrow Release Date.
Issue price of the Exchange Notes: 100.000% plus accrued interest, if any, from the Escrow Release Date.

*Joint Global Coordinators and Joint Bookrunners*

**Goldman Sachs International** **Citigroup**

The date of these listing particulars is July 14, 2015.

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## IMPORTANT INFORMATION ABOUT THESE LISTING PARTICULARS

IN CONNECTION WITH THIS OFFERING, GOLDMAN SACHS INTERNATIONAL (THE ''**STABILIZING MANAGER**'') (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF A STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

We are providing these listing particulars only to prospective purchasers of the Notes and the Guarantees.

These listing particulars have been prepared by us solely for use in connection with the Offering. These listing particulars do not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire any Notes or the Guarantees. Each prospective investor, by accepting delivery of these listing particulars, agrees to the foregoing.

You are responsible for making your own examination of us and our business and your own assessment of the merits and risks of investing in the Notes and the Guarantees. You may contact us if you need any additional information. By purchasing the Notes or the Guarantees, you will be deemed to have acknowledged that:

- You have reviewed these listing particulars;
- you have had an opportunity to request any additional information that you need from us; and
- Goldman Sachs International and Citigroup Global Markets Limited, as initial purchasers (the ''**Initial Purchasers**'') are not responsible for, and are not making any representation to you concerning, our future performance or the accuracy or completeness of these listing particulars.

In addition, none of us, the Initial Purchasers or any of our or their respective representatives is making any representation to you regarding the legality of an investment in the Notes or the Guarantees, and we are not providing you with any legal, business, tax or other advice in these listing particulars. You should consult with your own advisors as needed to assist you in making your investment decision and to advise you on whether you are legally permitted to purchase the Notes or the Guarantees.

These listing particulars do not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes or the Guarantees in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or Guarantees or possess these listing particulars. You must also obtain any consents or approvals that you need in order to purchase any Notes or Guarantees. We and the Initial Purchasers are not responsible for your compliance with these legal requirements.

We are offering the Notes and the Guarantees in reliance on exemptions from the registration requirements of the Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The Notes and the Guarantees have not been recommended by any U.S. federal, state or any non-U.S. securities authorities, nor have any such authorities determined that these listing particulars is accurate or complete. Any representation to the contrary is a criminal offense in certain countries.

The Notes and the Guarantees are subject to restrictions on resale and transfer as described under ''*Transfer Restrictions*'' and ''*Plan of Distribution*.'' By purchasing any Notes or Guarantees, you will be deemed to have made certain acknowledgments, representations and agreements as described in those sections of these listing particulars. You may be required to bear the financial risks of investing in the Notes or the Guarantees for an indefinite period of time.

Neither the delivery of these listing particulars at any time after the date of publication nor any subsequent commitment to purchase the Notes or the Guarantees shall, under any circumstances, create an implication that there has been no change in the information set forth in these listing particulars or in our business since the date of these listing particulars.

The Initial Purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in these listing particulars. Nothing contained in these listing particulars is, or shall be relied upon as, a promise or representation by the Initial Purchasers as to the past or future. To the fullest extent permitted by law, the Initial Purchasers do not accept any responsibility for the contents of these listing particulars or for any other statement made or purported to be made by the Issuer or any Guarantor in connection with the Offering. The Initial Purchasers accordingly disclaim all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of these listing particulars or any such statement. The Initial Purchasers do not undertake to review the financial condition or affairs of the Issuer or any Guarantor during the life of the Notes and the Guarantees or to advise any investor or potential investor in the Notes or the Guarantees of any information coming to the attention of the Initial Purchasers.

We reserve the right to withdraw the Offering pursuant to these listing particulars at any time. We are making the Offering subject to the terms described in these listing particulars and the purchase agreement relating to the Notes (the ''**Purchase Agreement**''). We and the Initial Purchasers may, for any reason, reject any offer to purchase the Notes or the Guarantees in whole or in part, sell less than the entire principal amount of the Notes or the Guarantees offered hereby or allocate to any purchaser less than all of the Notes or the Guarantees for which it has subscribed.

The information set forth in relation to sections of these listing particulars describing clearing and settlement arrangements, including the section entitled *''Book-Entry, Delivery and Form''*, is subject to change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream or DTC currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, we accept no further responsibility in respect of such information.

## NOTICE TO NEW HAMPSHIRE RESIDENTS

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED 1988, AS AMENDED (“RSA 421-B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISION OF THIS PARAGRAPH.**

## NOTICE TO U.S. INVESTORS

The Offering is being made in the United States in reliance upon an exemption from registration under the Securities Act for an offer and sale of the Notes and the Guarantees which does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements. See *''Transfer Restrictions.''* These listing particulars are being provided (1) to a limited number of United States investors that the Issuer and the Guarantors reasonably believe to be QIBs under Rule 144A for informational use solely in connection with their consideration of the purchase of the Notes and (2) to investors outside the United States in connection with offshore transactions complying with Rule 903 or Rule 904 of Regulation S. The Notes and the Guarantees described in these listing particulars have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the ''**SEC**''), any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC, any state securities commission in the United States or any such securities commission or authority passed upon the accuracy or adequacy of these listing particulars. Any representation to the contrary is a criminal offense.

## NOTICE TO INVESTORS IN THE UNITED KINGDOM

These listing particulars are for distribution only to, and is only directed at, persons who (i) are outside the United Kingdom, (ii) have professional experience in matters relating to investments falling within

Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the ''**Financial Promotion Order**''), (iii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the ''**FSMA**'')) in connection with the issue or sale of any Notes may otherwise lawfully be communicated (all such persons together being referred to as ''**relevant persons**''). These listing particulars is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which these listing particulars relates is available only to relevant persons and will be engaged in only with relevant persons. The Notes are being offered solely to ''**qualified investors**'' as defined in the Prospectus Directive (as defined below) and accordingly the offer of Notes is not subject to the obligation to publish a prospectus within the meaning of the Prospectus Directive. Any person who is not a relevant person should not act or rely on these listing particulars or any of its contents.

## NOTICE TO INVESTORS IN THE GRAND DUCHY OF LUXEMBOURG

These listing particulars have not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*) (the ''**CSSF**'') for purposes of public offering or sale in the Grand Duchy of Luxembourg. Accordingly, the Notes may not be offered or sold to the public in the Grand Duchy of Luxembourg, directly or indirectly, and neither these listing particulars nor any other offering circular, prospectus, form of application, advertisement or other material related to such offer may be distributed, or otherwise be made available in or from, or published in, the Grand Duchy of Luxembourg except if a prospectus has been duly approved by the CSSF in accordance with the law of 10 July 2005, on prospectuses for securities, as amended (the ''**Prospectus Law**'') or the offer benefits from an exemption to or constitutes a transaction otherwise not subject to the requirement to publish a prospectus for the purpose of the Prospectus Law.

## NOTICE TO INVESTORS IN NORWAY

These listing particulars have not been and will not be registered with the Financial Supervisory Authority of Norway. Accordingly, these listing particulars may not be made available, nor may Notes otherwise be marketed or offered for sale, in Norway other than in circumstances that are exempted from the prospectus requirements under the Norwegian Securities Trading Act (2007) chapter 7.

## NOTICE TO INVESTORS IN AUSTRALIA

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (the ''**Australian Corporations Act**'')) in relation to the Notes has been or will be lodged with the Australian Securities and Investments Commission (''**ASIC**''). Notes may not (directly or indirectly) be offered for issue or sale, nor may applications for the issue, subscription or purchase of the Notes be invited, in, to or from Australia (including an offer or invitation which is received by a person in Australia) and no offering memorandum, advertisement or other offering material relating to the Notes may be distributed or published in Australia unless (i) the aggregate consideration payable by each offeree or invitee is at least AU$500,000 (or its equivalent in other currencies, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Australian Corporations Act, (ii) the offer or invitation does not constitute an offer to a ''retail client'' as defined under and for the purposes of Section 761G of the Australian Corporations Act, (iii) such action complies with all applicable laws, regulations and directives and (iv) such action does not require any document to be lodged with ASIC.

Credit ratings in respect of the Notes or the Issuer are for distribution to persons who are not a ''retail client'' within the meaning of section 761G of the Australian Corporations Act and are also sophisticated investors, professional investors or other investors in respect of whom disclosure is not required under Part 6D.2 or 7.9 of the Australian Corporations Act and in all cases in such circumstances as may be permitted by applicable laws in any jurisdiction in which an investor may be located. Anyone who is not such a person is not entitled to receive these listing particulars and anyone who receives these listing particulars must not distribute it to any person who is not entitled to receive it.

## NOTICE TO INVESTORS IN SWITZERLAND

These listing particulars do not constitute a public offering prospectus as that term is understood pursuant to Article 652a of the Swiss Code of Obligations. We have not applied for a listing of the Notes on the SWX Swiss Exchange and consequently the information presented in these listing particulars does not necessarily comply with the information standards set out in the relevant listing rules. The Notes may not be publicly offered or sold in Switzerland. The Notes may be offered or sold only to a selected number of individual investors in Switzerland, under circumstances which will not result in the Notes being a public offering within the meaning of Article 652a of the Swiss Code of Obligations. Each copy of these listing particulars is addressed to a specifically named recipient and shall not be passed to a third party.

## NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

These listing particulars have been prepared on the basis that all offers of Notes will be made pursuant to an exemption under the Prospectus Directive, as amended, as implemented in member states of the European Economic Area (the ''**EEA**''), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes which are subject of the Offering must only do so in circumstances in which no obligation arises for the Issuer, the Guarantors or the Initial Purchasers to produce a prospectus for such offer. None of the Issuer, the Guarantors or the Initial Purchasers have authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in these listing particulars. The expression ''**Prospectus Directive**'' means Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC and the amendments thereto (including the 2010 PD Amending Directive, in the case of Early Implementing Member States (as defined below)), and includes any relevant implementing measure in the Relevant Member State (as defined below). The expression ''**2010 PD Amending Directive**'' means Directive 2010/73/EU of the European Parliament and of the Council of November 24, 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a ''**Relevant Member State**''), including each Relevant Member State that has implemented the 2010 PD Amending Directive (each an ''**Early Implementing Member State**''), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the ''**Relevant Implementation Date**''), no offer has been made and no offer will be made of the Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, the Notes may be offered in that Relevant Member State at any time to:

(a) ''qualified investors'' as defined in the Prospectus Directive, including:

  (i) (in the case of Relevant Member States other than Early Implementing Member States), legal entities that are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities, or any legal entity that has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 million; and (iii) an annual turnover of more than €50 million as shown in its last annual or consolidated accounts; or

  (ii) (in the case of Early Implementing Member States), persons or entities who or that are described in points (1) to (4) of Section I of Annex II to Directive 2004/39/EC of the European Parliament and of the Council of April 21, 2004 on Markets in Financial Instruments (''**Directive 2004/39/EC**''), and those who are treated on request as professional clients in accordance with Annex II to Directive 2004/39/EC, or recognized as eligible counterparties in accordance with Article 24 of Directive 2004/39/EC unless they have requested that they be treated as non-professional clients; or

(b) fewer than 100 or, in the case of Early Implementing Member States, 150, natural or legal persons (other than ''qualified investors'' as defined in the Prospectus Directive) in any Relevant Member State subject to obtaining the prior consent of the Issuer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, *provided* that no such offer of Notes shall result in a requirement for the publication by the Issuer or the Initial Purchasers of a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this provision, the expression ''offer of Notes to the public'' in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as such expression may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Each subscriber for or purchaser of the Notes in the Offering located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a ''qualified investor'' within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, the Guarantors, the Initial Purchasers, our legal advisors and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the Offering.

## DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

These listing particulars contain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 and the securities laws of other jurisdictions. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words ''believes,'' ''estimates,'' ''aims,'' ''targets,'' ''anticipates,'' ''expects,'' ''intends,'' ''plans,'' ''continues,'' ''ongoing,'' ''potential,'' ''product,'' ''projects,'' ''guidance,'' ''seeks,'' ''may,'' ''will,'' ''could,'' ''would,'' ''should'' or, in each case, their negative, or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout these listing particulars and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, competition in areas of our business, outlook and growth prospects, strategies and the industry in which we operate. Examples of such forward-looking statements include, but are not limited to, statements concerning:

- expectations as to our future profitability and ability to generate sufficient cash flow to meet our liquidity needs;
- the consummation and completion of the Proposed Exchange Offers and the Proposed Consent Solicitations;
- expectations as to the impact of the economy on our business, financial condition and results of operations;
- expectations as to the sustainability of the publication print industry in general and of newsprint in particular;
- the likelihood of future consolidation within our industry and the impact on capacity and paper prices that such consolidation may have;
- the outcome of our strategy to advance industry consolidation through acquisitions and/or strategic partnerships and alliances;
- the outcome of our operational changes and cost saving initiatives;
- actions of our competitors and the expected consequences thereof;
- expectations as to increases in operating revenue, market share and certain expenses, including interest expense, in respect of certain of our operations, and estimations of the factors that will cause such expected increases;
- the level of demand for publication paper;
- price levels and trends in prices for our products;

- the value of our long-term energy contracts and our ability to sell energy;
- exchange rate fluctuations;
- expectations regarding the price and availability of various energy sources and the raw materials, such as wood and recovered paper, used in our manufacturing processes;
- operational risks and our production capacity globally and at particular mills;
- our financial condition and prospects, our access to liquidity, the sufficiency of our working capital and the sufficiency of our existing credit facilities; and
- our expected growth.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in these listing particulars. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in these listing particulars, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those material differences include:

- the outcome of the Proposed Exchange Offers and the Proposed Consent Solicitations;
- the impact of changes in accounting standards, including IFRS;
- the outcome, cost and impact of certain legal and administrative proceedings and investigations and the sufficiency of our available defenses and responses;
- the cost and availability of our raw materials, including energy, wood, recovered paper and chemical pulp;
- adverse trends in the global economy and related impact on the advertising industry;
- trends in the publication paper industry and domestic, regional and international market conditions;
- future prices and demand for our products;
- the effects of competition, including our competitors' responses to continuing overcapacity in the newsprint and magazine paper industries or to other industry trends;
- publication paper industry consolidation;
- the effects of acquisitions, alliances and/or strategic partnerships;
- inflation and fluctuations in the exchange rate between the Norwegian kroner and the currencies of paper-exporting countries and the countries in which we operate or sell our products;
- the effects of and compliance with environmental laws and regulations and the impact of any environmental liabilities and expenditures;
- changes in the political or economic conditions in the countries in which we operate or sell our products;
- future changes in environmental and health and safety laws and regulations and estimations as to the materiality of any related costs;
- weather conditions or catastrophic damage;
- the occurrence of industrial accidents at our mills;
- rising postal costs;
- the availability of third party transportation providers;
- the availability and cost of insurance;
- labor disputes or work stoppages;

- technological changes; and
- the assumptions underlying any such forward-looking statements.

The foregoing factors and others described under *''Risk Factors''* should not be construed as exhaustive. Due to such uncertainties and risks, investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of these listing particulars. We urge you to read the sections of these listing particulars entitled *''Risk Factors''*, *''Management's Discussion and Analysis of Financial Condition and Results of Operations''*, *''Industry and Market Overview''* and *''Business''* for a more detailed discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in these listing particulars may not occur. Moreover, we operate in a very competitive and rapidly changing environment. We may face new risks from time to time, and it is not possible for us to predict all such risks; nor can we assess the impact of all such risks on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results.

The forward-looking statements are based on plans, estimates and projections as they are currently available to our management. We undertake no obligation, and do not expect, to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in these listing particulars.

## CERTAIN DEFINITIONS

In these listing particulars:

''**AU$**'' or ''**Australian dollars**'' means the lawful currency of Australia;

''**Board**'' or ''**Board of Directors**'' means the Board of Directors of the Parent;

''**Escrow Account**'' means the segregated escrow account into which the Pre-Funded Amount and the gross proceeds of the Offering of the Temporary Notes were deposited pursuant to the Escrow Agreement;

''**Escrow Agent**'' means Citibank, N.A., London Branch;

''**Escrow Agreement**'' means the the escrow agreement by and among the Temporary Notes Issuer, the Senior Secured Notes Issuer, the Parent, the Trustee, the Temporary Notes Security Agent and the Escrow Agent, dated the Temporary Notes Issue Date, in respect of the Escrow Account;

''**Escrow Account Charge**'' means the pledge over the Escrow Account to be pledged in favor of the Trustee for the benefit of the holders of the Temporary Notes on the Temporary Notes Issue Date;

''**Escrow Longstop Date**'' means March 31, 2015;

''**Escrow Release Date**'' means February 24, 2015, the date on which the proceeds from the Offering of the Temporary Notes were released from escrow to the Temporary Notes Issuer, which was the same day on which such proceeds were used to acquire the Senior Secured Notes and effect the Exchange;

''**EURIBOR**'' means the European Interbank Offered Rate;

''**Euro**'', ''**EUR**'', ''**euro**'' or ''**€**'' means the currency of the participating member states in the third stage of the Economic and Monetary Union of the Treaty establishing the European Economic Community;

''**Excess Notes**'' means Temporary Notes in excess of the Exchanged Amount;

''**Exchange**'' means the mandatory exchange of an aggregate principal amount of Temporary Notes for an equal aggregate principal amount of Senior Secured Notes;

''**Exchange Act**'' means the United States Securities Exchange Act of 1934, as amended;

''**Exchange Notes**'' means the Exchange Notes due 2021 and the Exchange Notes due 2023;

''**Exchange Notes Issuer**'' means Norske Skog Holding AS, a limited company organized under the laws of Norway;

''**Exchanged Amount**'' means the principal amount of Senior Secured Notes issued and exchanged for Temporary Notes on the Escrow Release Date equal to €290,000,000;

''**Existing Notes**'' means collectively, the Parent's outstanding senior notes as more fully described in ''*Description of Other Indebtedness*'';

''**Group**'', ''**we**'', ''**us**'' or ''**our**'' means the Parent and its consolidated subsidiaries, taken as a whole;

''**Guarantors**'' means the Parent Guarantors and the Subsidiary Guarantors;

''**Issue Date**'' means the date of issuance of the Senior Secured Notes;

''**Issuer**'' means Norske Skog AS, a limited company organized under the laws of Norway and Norske Skog Holding AS, a limited company organized under the laws of Norway;

''**IFRS**'' means the International Financial Reporting Standard, as adopted by the European Union;

''**Intercreditor Agreement**'' means the intercreditor agreement entered into on or about the Issue Date between, *inter alios*, the Issuer, the Guarantors, the Trustee and the Security Agent;

''**NOK**'', ''**krone**'' or ''**kroner**'' means the lawful currency of the Kingdom of Norway;

''**Offering**'' means the issuance of the Notes;

''**Parent**'' means Norske Skogindustrier ASA on an unconsolidated basis, unless the context otherwise requires;

''**Parent Guarantors**'' means the Parent, Norske Treindustrier AS (and, also, with respect to the Senior Secured Notes Issuer, Norske Skog Holding AS);

‘‘**Paying Agent**’’ means Citibank, N.A., London Branch;

‘‘**Permitted Amount**’’ means the maximum amount of secured indebtedness that the Parent and its subsidiaries may issue under the Parent’s Existing Notes from time to time;

‘‘**pound**’’ or ‘‘**pounds sterling**’’ means the lawful currency of the United Kingdom;

‘‘**Proposed Consent Solicitations**’’ means the solicitation of consents to amend certain provisions of the indenture and fiscal agency agreements governing the terms of the Existing Notes;

‘‘**Proposed Exchange Offers**’’ means the offer by the Exchange Notes Issuer to holders of the Parent’s Existing Notes to exchange such Existing Notes for certain combinations of cash consideration and Exchange Notes, as further described under the caption ‘‘*Summary—The Transactions—The Proposed Exchange Offers’’ and ‘‘—The Proposed Consent Solicitations*’’;

‘‘**qualified investors**’’ means persons who are ‘‘qualified investors’’ within the meaning of Article 2(1)(e) of the Prospectus Directive;

‘‘**Registrar**’’ means Citibank, N.A., London Branch;

‘‘**Securities Act**’’ means the United States Securities Act of 1933, as amended;

‘‘**Security Agent**’’ means Citibank, N.A., London Branch;

‘‘**Senior Secured Notes Issuer**’’ means Norske Skog AS, a limited company organized under the laws of Norway;

‘‘**Special Mandatory Redemption Date**’’ means a date that is no later than the fifth business day after notice of a Special Mandatory Redemption Event (as defined herein) is delivered (but in any case no later than the fifth business day) after the Escrow Longstop Date;

‘‘**Subsidiary Guarantors**’’ means 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, also, with respect to the Exchange Notes, Norske Skog AS);

‘‘**Temporary Notes Issuer**’’ means Paper Funding;

‘‘**Temporary Notes Security Agent**’’ means Citibank, N.A., London Branch;

‘‘**Transactions**’’ means the Offering, the Proposed Exchange Offers and the Proposed Consent Solicitations;

‘‘**Transfer Agent**’’ means Citibank, N.A., London Branch;

‘‘**Trustee**’’ means Citibank, N.A., London Branch;

‘‘**United Kingdom**’’ or ‘‘**UK**’’ means the United Kingdom of Great Britain, Northern Ireland, Guernsey, Jersey and the Isle of Man;

‘‘**United States**’’ or ‘‘**U.S.**’’ means the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia; and

‘‘**U.S.$**’’, ‘‘**USD**’’ or ‘‘**U.S. dollars**’’ means the lawful currency of the United States.

For definitions of industry-specific and other technical terminology, please see the section of these listing particulars entitled ‘‘*Glossary*’’.

## INDUSTRY AND MARKET INFORMATION

The information contained in ''*Exchange Rates*'', ''*Summary*'', ''*Management's Discussion and Analysis of Financial Condition and Results of Operations*'', ''*Industry and Market Overview*'' and ''*Business*'' includes extracts from information and data, including industry and market data and estimates from publicly available resources and industry and market consultants. Although we believe such sources to be reliable and we accept responsibility for the accurate extraction and reproduction of such information and data, neither we nor the Initial Purchasers have independently verified the accuracy of such information and data and neither we nor the Initial Purchasers accept further responsibility in respect thereof.

In particular, information and data contained in these listing particulars relating to the publication paper industry and certain economic measures have been extracted or derived from reports, presentations or other sources produced by, among others, the Pulp and Paper Products Council (**"PPPC"**) and Resource Information System, Inc. (**"RISI"**).

The accuracy of such information is subject to the availability and reliability of the data supporting such information and neither the published information nor the underlying data has been independently verified by us. In addition, the methodology of each of PPPC and RISI and of other industry sources for collecting, analyzing and presenting information and data, and therefore the reported information, may differ from that used by us to compile data relating to our operations and from the methodologies employed by other industry consultants and participants. Each of PPPC and RISI and other industry sources may use certain information and data that is not 'accurate and may use certain assumptions in the preparation of their reported information, and such assumptions could prove to be inaccurate.

No assurance can be given that the third party information used in these listing particulars reflects all relevant events and transactions occurring in the relevant publication paper market. Neither PPPC nor RISI has made any representation, express or implied, and neither has accepted any responsibility with respect to, the accuracy or completeness of any of the information contained in these listing particulars. Furthermore, certain data have been derived or extracted from our own internal estimates.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Financial Data

These listing particulars includes the audited consolidated financial information of the Parent as of and for the years ended December 31, 2011, 2012, 2013 and 2014 (together, the ''**Audited Consolidated Financial Statements**''). These listing particulars also includes the unaudited condensed consolidated financial information of the Parent as of and for the nine months ended September 30, 2014 (with September 30, 2013 comparative financial information) (the ''**Unaudited Condensed Consolidated Financial Statements**'' and, together with the Audited Consolidated Financial Statements, the ''**Consolidated Financial Statements**''). For purposes of these listing particulars, references to ''our'' financial information or results of operations refer to the financial information or results of operations of the Parent.

The Consolidated Financial Statements included in these listing particulars have been prepared in accordance with International Financial Reporting Standards (''**IFRS**'') as adopted by the European Union and are presented in Norwegian kroner. The Parent is the holding company of the Group and will provide a senior Guarantee of the Notes. The Parent's shares are listed on the Oslo Stock Exchange under the ticker symbol ''NSG''. Under the reporting covenant for the Notes, the Parent will be the reporting entity for the Group. See ''*Description of the Senior Secured Notes—Certain Covenants—Reports''.*

The Senior Secured Notes Issuer was formed on November 18, 2014 and the Exchange Notes Issuer was formed on November 5, 2014 for the purpose of facilitating this Offering, the Escrow Release, the Proposed Exchange Offers and the Proposed Consent Solicitations (collectively, the ''**Transactions**''). The Exchange Notes Issuer is the direct subsidiary of Norske Treindustrier AS, which is the direct subsidiary of the Parent. The Senior Secured Notes Issuer is the direct subsidiary of the Exchange Notes Issuer. The Senior Secured Notes Issuer and the Exchange Notes Issuer will have no revenue-generating or operating assets of their own, other than, in the case of the Exchange Notes Issuer, the ownership of the shares of the Senior Secured Notes Issuer, and in the case of the Senior Secured Notes Issuer, the ownership of the shares of its subsidiaries. We have not prepared, and do not present in these listing particulars, consolidated or unconsolidated financial statements for the Senior Secured Notes Issuer or the Exchange Notes Issuer. See *''Summary—Summary Corporate Structure and Financing''*. The results of operations and financial condition of the Senior Secured Notes Issuer and of the Exchange Notes Issuer may differ from the results of operations and the financial condition of the Parent, including without limitation, due to the impact of results of certain operating subsidiaries of the Parent that are not consolidated subsidiaries of the Senior Secured Notes Issuer or of the Exchange Notes Issuer.

Our unaudited consolidated statement of income data for the twelve months ended September 30, 2014 has been derived by adding our historical consolidated statement of income data for the financial year ended December 31, 2013 and the nine months ended September 30, 2014 and subtracting our historical consolidated statement of income data for the nine months ended September 30, 2013.

IFRS differs in certain respects from generally accepted accounting principles in the United States (''**U.S. GAAP**''). The Parent has not prepared and does not currently intend to prepare its Consolidated Financial Statements in, or reconcile them to, U.S. GAAP. Prospective investors should consult their own professional advisers for an understanding of the differences between U.S. GAAP and IFRS.

The financial information included in these listing particulars is not intended to comply with the reporting requirements of the SEC and will not be subject to review by the SEC.

### Pro Forma Financial Information

We present in these listing particulars certain unaudited consolidated pro forma financial information as at and for the twelve months ended September 30, 2014 on an as adjusted basis to give effect to the Transactions, including the issuance of the Notes and the assumed application of the net proceeds in the Proposed Exchange Offers. For a description of certain of the assumptions made with respect to the application of the net proceeds of the Offering in the Proposed Exchange Offers, see ''*Summary—The Transactions—The Proposed Exchange Offers*'' and ''*Use of Proceeds*''. The unaudited pro forma financial information set forth in these listing particulars is based on available information and certain assumptions and estimates that we believe are reasonable and may differ from the actual adjusted amounts.

Our unaudited pro forma financial data presented herein has been prepared for informational purposes only, and does not purport to represent what our actual financial position or consolidated interest expense would have been had the Transactions occurred on (i) September 30, 2014, for the purposes of the calculation of pro forma net interest-bearing liabilities and pro forma secured net interest-bearing liabilities and (ii) October 1, 2013, for the purposes of the calculation of pro forma net finance costs, nor does it purport to represent our consolidated interest expense or actual financial position at any future date. Our historical results may not be indicative of our future results following the consummation of the Transactions. The unaudited pro forma financial data presented in these listing particulars has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act or any generally accepted accounting standards.

**Rounding**

Certain amounts that appear in these listing particulars, including financial data and operating data, have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them and amounts expressed as percentages may not total 100% when aggregated.

**Non-IFRS and Other Financial Measures**

In the income statement of our Consolidated Financial Statements, we present gross operating earnings for the Group, and in our segment reporting, we assess the performance of our operating segments based on a measure of gross operating earnings. Gross operating earnings excludes the effects of expenditure not deemed to be part of regular operating activities. Gross operating earnings represents operating earnings before depreciation, restructuring expenses, other gains and losses (such as gains and losses from sales of non-current assets and changes in the fair value of certain energy contracts and biological assets) and impairments. In the section of these listing particulars titled ''*Management's Discussion and Analysis of Financial Condition and Results of Operations*'', we discuss the operating performance of the Group and our operating segments based on gross operating earnings, which measure is presented in our Consolidated Financial Statements. In certain other sections of these listing particulars, including ''*Summary'' and ''Summary Consolidated Financial and Other Data*'', we use the term ''EBITDA'', as defined below, in lieu of the term gross operating earnings due to the familiarity of the term EBITDA to prospective investors in the Notes. In these listing particulars, EBITDA is defined on the same basis as gross operating earnings. For a reconciliation of EBITDA to profit/loss, see ''*Summary Consolidated Financial and Other Data*''.

These listing particulars present non-IFRS measures and ratios, including EBITDA, capital expenditures, cash conversion, net secured interest-bearing liabilities, net interest-bearing debt, pro forma secured net interest-bearing liabilities, pro forma net interest-bearing liabilities, pro forma finance costs and the related leverage and coverage ratios calculated using such non-IFRS measures that are not required by, or presented in accordance with, IFRS. We present non-IFRS measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our operating results as reported under IFRS. Non-IFRS measures and ratios such as EBITDA, capital expenditures, cash conversion, net interest-bearing debt, net secured interest-bearing liabilities, pro forma secured net interest-bearing liabilities, pro forma net interest-bearing liabilities, pro forma financial costs and the related leverage and coverage ratios are not measurements of our performance or liquidity under IFRS or any other generally accepted accounting principles. Other companies in our industry may calculate these measures differently and, consequently, our presentation may not be readily comparable to other companies' figures. In particular, you should not consider EBITDA or cash conversion as an alternative to (a) operating earnings or profit/loss for the period (as determined in accordance with IFRS) as a measure of our operating performance, (b) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under generally accepted accounting principles. EBITDA, capital expenditures, cash conversion, net secured interest-bearing liabilities, net interest-bearing debt, pro forma secured net interest-bearing liabilities, pro forma net interest-bearing liabilities, pro forma finance costs, and the related leverage and coverage ratios have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for an analysis of our results as reported under IFRS.

**Constant Perimeter Financial Information**

We present in these listing particulars certain financial information that our management has prepared on a ''constant perimeter'' basis, which includes only the historical operating results of our eight currently operational mills, Bruck, Golbey, Skogn, Albury, Boyer, Tasman, Walsum and Saugbrugs (the ''**Constant Perimeter Financial Information**'') that has neither been audited nor reviewed by our independent auditors. See ''*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability—Significant disposals or reductions in capacity*''.

The purpose of presenting such Constant Perimeter Financial Information is for informational purposes only and solely to assist prospective investors in assessing the comparability of our financial results during the periods under review. The Constant Perimeter Financial Information has been prepared by our management based on a compilation of financial data from our Consolidated Financial Statements and our management accounts. Due to the nature of such Constant Perimeter Financial Information, our management has made certain adjustments, assumptions and estimates in the preparation of such information. The Constant Perimeter Financial Information does not reflect results from our operations recorded as Other Activities in our Consolidated Financial Statements, which would require significant further adjustments and assumptions due to the difficulties in allocating revenues and costs to appropriate assets given the changes to the Group's structure. The Constant Perimeter Financial Information does not purport to represent pro forma financial information and has not been prepared in accordance with the procedures of IFRS, any other generally accepted accounting procedures or the requirements of Regulation S-X of the Securities Act and has not been audited or reviewed under any generally accepted auditing standards. The Constant Perimeter Financial Information is not intended to represent or to be indicative of the consolidated results of operations that we would have reported had the disposals of our Pisa, Singburi, Bio Bio, Follum, Parenco and Reparco operations occurred on January 1, 2011.

See ''*Risk Factors—Risks Related to Our Business and Our Industry—The Constant Perimeter Financial Information included in these listing particulars has been compiled from non-IFRS financial data based on certain assumptions, adjustments and estimates made by our management and is unaudited and unreviewed by our auditors.*''

The Constant Perimeter Financial Information was prepared on the following basis:

- the results of the disposed businesses have been excluded for all periods prior to their disposition;
- the results of our current portfolio of mills are based on unaudited and unreviewed management accounts for the relevant period and no adjustments have been made for the discontinuance of certain operations at our Walsum and Tasman mills in 2013 (see ''*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability—Significant disposals or reductions in capacity*''); and
- the results of the continuing operations have not been adjusted to reflect any increases or decreases of revenue or increases or decreases in costs that may have been incurred had the disposals identified in ''*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability—Significant disposals or reductions in capacity*'' actually taken place on January 1, 2011.

**Production Capacity**

We estimate production capacity using the production capacity of our mills as a demonstrated maximum production output (in tons per year) which we derive by annualizing (based on 362 days) the average saleable paper production output (in tons per hour) from the three calendar months with the highest production volumes over the last twelve-month period that have a capacity utilization rate of greater than 90%. Our estimates of production capacity are unaudited and involve significant estimates and assumptions made by our management.

We use an average saleable production (in tons per hour) of the three calendar months with the highest production volumes in a twelve-month period as we believe it represents an accurate approximation of the maximum capabilities of the equipment and processes, and a repeatable high-performance production rate, given the same conditions. We use months in which we achieve a capacity utilization rate of greater than 90% because we believe these represent periods when minimum external factors,

such as scheduled stops for maintenance or holidays, have interrupted the normal operation of paper production.

We use 362-day years because time is required each year to perform work that can only be done during a paper machine stop. Paper machine shutdowns for operational and maintenance reasons are part of normal operations and are not intended to be included in our estimates.

With effect from January 1, 2011, we implemented a new calculation for the measurement of capacity at all of our mills, which assumes a lower paper weight (as measured in gsm) produced at the relevant mill. This change was introduced in response to a general trend towards thinner and lighter paper, particularly in Europe. This change affects the comparability of capacity figures for periods prior to January 1, 2011 as the new system for measuring capacity results in small differences in the capacity at certain of our mills.

## EXCHANGE RATES

The functional currency of the Parent and the presentation currency for the Consolidated Financial Statements included in these listing particulars is the Norwegian krone. Certain of our indebtedness is denominated in Euro and, to a lesser extent, U.S. dollars and Australian dollars and certain of our subsidiaries use a functional currency and a presentation currency other than the Norwegian krone that must be translated into Norwegian kroner for the purpose of preparing our Consolidated Financial Statements. See the notes to the Consolidated Financial Statements included elsewhere in these listing particulars for a description of the methodology we use to translate our financial position and results of operations from U.S. dollars or Euro to Norwegian kroner.

The following tables set forth, for the periods indicated, certain information concerning the exchange rates for Norwegian kronor expressed in NOK per U.S.$1.00 and in NOK per €1.00, in each case based upon the Bloomberg Composite Rate and rounded to four decimal places. The Bloomberg Composite Rate is a ''best market'' calculation in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. ''Average'' means the average of the exchange rates on the last business day of each month for annual averages and the average of the exchange rates on each business day during the relevant period for monthly averages. These exchange rates are provided only for the convenience of the reader. No representation is made that amounts in U.S.$ or € have been, could have been or could be converted into NOK, or vice versa.

As of March 19, 2015, the Bloomberg Composite Rate was NOK 8.1017 per U.S.$1.00 and NOK 8.6159 per €1.00.

The following tables set forth, for the periods indicated, certain information concerning the exchange rates for NOK, expressed in NOK per U.S.$1.00. The rates set forth below are provided solely for your convenience and were not used by us in the preparation of our Consolidated Financial Statements included elsewhere in these listing particulars. No representation is made that U.S.$ could have been, or could be, converted into NOK at that rate or at any other rate.

| Year[(1)] | High | Low | Average | Period End |
|---|---|---|---|---|
| | | (NOK per U.S.$) | | |
| 2010 | 6.6777 | 5.6169 | 6.0455 | 5.8329 |
| 2011 | 6.0246 | 5.2257 | 5.6073 | 5.9758 |
| 2012 | 6.1427 | 5.5588 | 5.8198 | 5.5588 |
| 2013 | 6.2532 | 5.4462 | 5.8800 | 6.0622 |
| 2014 | 7.2757 | 5.8862 | 6.2457 | 7.2757 |

(1) Source: Bloomberg Composite Rate.

| Month[(1)] | High | Low | Average | Period End |
|---|---|---|---|---|
| | | (NOK per U.S.$) | | |
| September 2014 | 6.4543 | 6.1915 | 6.3467 | 6.4280 |
| October 2014 | 6.7486 | 6.4429 | 6.5578 | 6.7486 |
| November 2014 | 7.0153 | 6.7307 | 6.8139 | 7.0153 |
| December 2014 | 7.4907 | 6.9200 | 7.2979 | 7.4881 |
| January 2015 | 7.8430 | 7.4608 | 7.6805 | 7.7490 |
| February 2015 | 7.7490 | 7.5239 | 7,5955 | 7.6715 |
| March 2015 | 8.3509 | 7.6715 | 7.9855 | 8.0578 |
| April 2015 | 8.1108 | 7.4940 | 7.8783 | 7.5399 |
| May 2015 | 7.8378 | 7.3087 | 7.5554 | 7.7984 |
| June 2015 | 7.9679 | 7.7174 | 7.8110 | 7.8372 |
| July 2015 (through July 8, 2015) | 8.2553 | 7.9002 | 8.0692 | 8.2553 |

(1) Source: Bloomberg Composite Rate.

The following tables set forth, for the periods indicated, certain information concerning the exchange rates for NOK, expressed in NOK per €1.00. The rates set forth below are provided solely for your convenience and were not used by us in the preparation of our Consolidated Financial Statements

included elsewhere in these listing particulars. No representation is made that Euro could have been, or could be, converted into NOK at that rate or at any other rate.

| Year[1] | High | Low | Average | Period End |
|---|---|---|---|---|
| | | (NOK per EUR) | | |
| 2010 | 8.3050 | 7.7383 | 8.0072 | 7.7976 |
| 2011 | 7.9427 | 7.5326 | 7.7980 | 7.7457 |
| 2012 | 7.7432 | 7.2606 | 7.4786 | 7.3357 |
| 2013 | 8.5357 | 7.2908 | 7.8117 | 8.3590 |
| 2014 | 9.0129 | 8.1054 | 8.3183 | 9.0129 |

(2) Source: Bloomberg Composite Rate.

| Month[1] | High | Low | Average | Period End |
|---|---|---|---|---|
| | | (NOK per EUR) | | |
| August 2014 | 8.4148 | 8.1410 | 8.2491 | 8.1410 |
| September 2014 | 8.2979 | 8.1127 | 8.1861 | 8.1175 |
| October 2014 | 8.4781 | 8.1417 | 8.3134 | 8.4571 |
| November 2014 | 8.7234 | 8.4215 | 8.4995 | 8.7234 |
| December 2014 | 9.3109 | 8.6457 | 8.9836 | 9.0595 |
| January 2015 | 9.1965 | 8.7098 | 8.9326 | 8.7469 |
| February 2015 | 8.7469 | 8.5530 | 8.6193 | 8.5876 |
| March 2015 | 8.8907 | 8.5209 | 8.6478 | 8.6452 |
| April 2015 | 8.7418 | 8.3509 | 8.5234 | 8.4556 |
| May 2015 | 8.5575 | 8.4293 | 8.3561 | 8.5664 |
| June 2015 | 8.8637 | 8.6903 | 8.7704 | 8.7405 |
| July 2015 (through July 8, 2015) | 9.1216 | 8.7500 | 8.9168 | 9.1216 |

(3) Source: Bloomberg Composite Rate.

## SUMMARY

*This summary highlights only selected information contained elsewhere in these listing particulars. It is not complete and does not contain all of the information investors should consider before investing in the Notes. Investors should read carefully these entire listing particulars. Investors should also read the information under ''Risk Factors'', beginning on page 27 of these listing particulars, for more information about important risks that they should consider before investing in the Notes. Any forward-looking statements are made subject to the information disclosed under ''Disclosure Regarding Forward-Looking Statements'' beginning on page v of these listing particulars.*

### Overview

We are a leading global publication paper company with total production capacity of 3.0 million tons at our eight mills in Europe and Australasia. We are one of the world's leading producers of newsprint and are a significant producer of magazine paper by production capacity. In Europe, we operate five mills in Norway, Germany, Austria and France with 2.3 million tons of publication paper production capacity, making us the third largest European producer of publication paper. In Australasia (which includes Australia, New Zealand, New Guinea and the neighboring islands), we operate two mills in Australia and one mill in New Zealand with 0.7 million tons of publication paper production capacity. We also operate Australasia's sole newsprint and magazine paper mills, making us a leading provider of publication paper in the region.

Our newsprint paper products include standard and improved grades, while our magazine paper products comprise uncoated super-calendared paper and light-weight coated paper. The end uses of our products are mainly newspapers and magazines, but also include catalogs, inserts/flyers, supplements, free-sheets, directories, direct mail and brochures. Our principal geographic markets for newsprint products are Europe and Australasia, while our main geographic markets for magazine paper products are Europe, Australasia and North America. We sell our products in these markets under well-known brands, including Nornews, Norbright, NorX, Norstar, Norcote, Norsc, Norbook, Vantage and Tasman Directory. Our customers include publishers of leading periodicals in Europe, Australasia and the rest of the world, and we have long-standing relationships with many of our top tier publishing clients.

For the nine months ended September 30, 2014, we estimate that our market shares, based on deliveries for newsprint and magazine paper in Europe, were approximately 13% and 7%, respectively, and that our share of sales by volume for newsprint in Australasia was approximately 83%. During the nine months ended September 30, 2014, approximately 55% of our operating revenues from the sale of publication paper in Australasia were generated from customers with whom we have long-term contractual arrangements.

Over the last five years, as a result of a strategic refocus, we have streamlined our business through a broad range of operational initiatives and investments, which we believe have positioned our business to improve its profitability and cash flow generation.

Across our Group, we have implemented continuous cost-improvement initiatives, including headcount reductions and working capital management measures, to improve our cash flow. Such measures include the increased use of receivables financings as well as our recent investment in and completion of a thermo-mechanical pulp, or TMP, facility at our Saugbrugs mill, which we expect to reduce electricity costs.

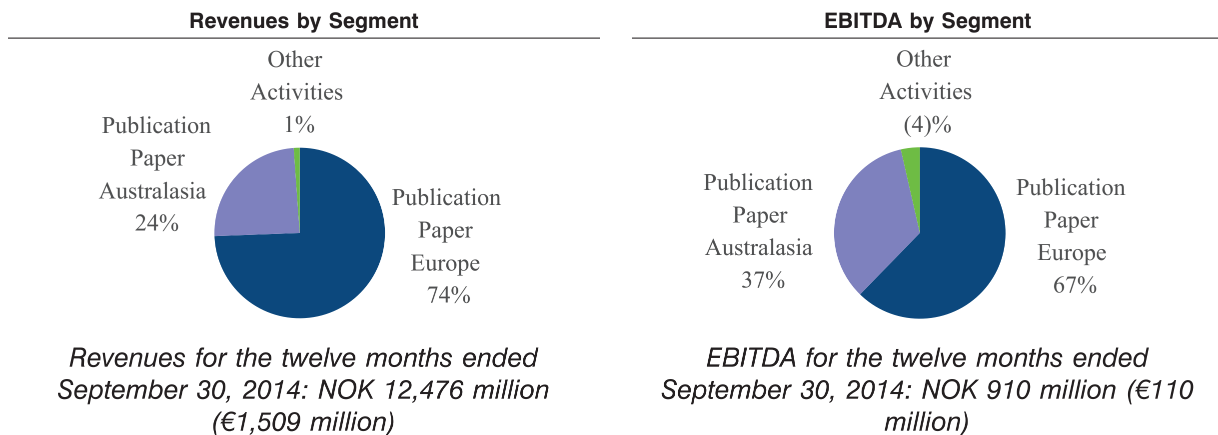
In Europe, we have improved our operating portfolio, retaining our best assets while strategically reducing underperforming capacity. We sold our Follum and Parenco mills in 2012, and closed one paper machine at our Walsum mill in 2013. In Australasia, we have maintained revenue visibility and stability by amending and prolonging long-term contracts with the region's two largest consumers of publication paper, securing stable revenues for our future. At the same time, we have diversified our Australasian product mix through the addition of magazine paper production capacity at our Boyer mill, where we are now the region's sole magazine paper producer.

We expect our past investments, when coupled with our renewed focus on key customer geographies, in Europe, where our customers are concentrated in the region's four largest economies, and in Australasia, where we are the leading producer, will enable us to benefit from anticipated improvements in the market for our products. In particular, we believe we are well-positioned to benefit from any future

declines in aggregate publication paper production capacity, any future increases in publication paper prices and any future improvements in publication paper mill utilization rates.

For the twelve months ended September 30, 2014, we generated NOK 12,476 million (€1,509 million) of consolidated operating revenue and NOK 910 million (€110 million) of consolidated EBITDA. Our Publication Paper Europe segment, our Publication Paper Australasia segment and our Other Activities segment represented 67%, 37% and −4%, respectively, of our total consolidated EBITDA for this period.

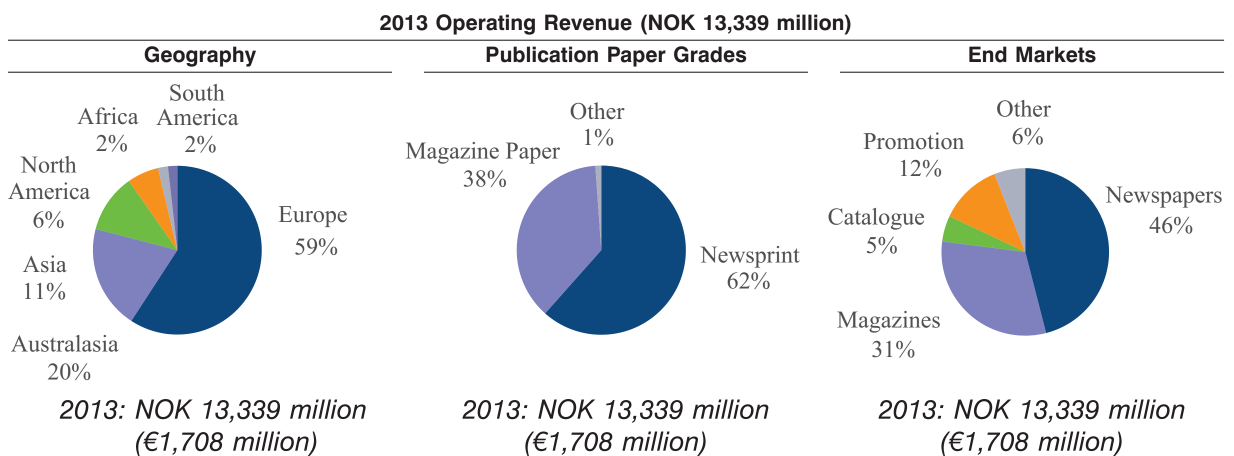
The following charts illustrate the breakdown of our consolidated operating revenue and EBITDA by segment for the twelve months ended September 30, 2014:




*Revenues for the twelve months ended September 30, 2014: NOK 12,476 million (€1,509 million)*

*EBITDA for the twelve months ended September 30, 2014: NOK 910 million (€110 million)*

The following charts illustrate the breakdown of our consolidated operating revenue for the year ended December 31, 2013, by geography, publication paper grade and end market.




*2013: NOK 13,339 million (€1,708 million)*

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*2013: NOK 13,339 million (€1,708 million)*

Our production and sales activities are predominantly divided in accordance with our reporting segments:

- **Europe:** in Europe, we operate five mills, including two in Norway, one in France, one in Germany and one in Austria:
  - Bruck (Austria): our Bruck mill produces both newsprint and coated mechanical paper, or LWC, with an annual production capacity of 120,000 tons and 260,000 tons, respectively.
  - Golbey (France): our Golbey mill is one of the leading newsprint mills in Europe, with an annual production capacity of 615,000 tons, and is strategically located in France, within easy reach of major European cities and close to important raw material supplies.
  - Saugbrugs (Norway): our Saugbrugs mill is one of the largest and most modern producers of uncoated mechanical paper, or SC, in the world with an annual production capacity of 530,000 tons.

- Skogn (Norway): our Skogn mill is the largest producer of newsprint in Norway with an annual production capacity of 565,000 tons. The mill serves customers worldwide, has its own port facilities and operates a route twice-a-week to the UK and Continental Europe.
- Walsum (Germany): our Walsum mill operates a PM10 paper machine with an annual production capacity of 200,000 tons of SC.

- **Australasia:** in Australasia, we operate three mills, including two in Australia and one in New Zealand:
  - Albury (Australia): our Albury mill has an annual production capacity of 270,000 tons, which is approximately 77% of the newsprint grades used in Australia each year. The Albury mill uses up to 35% recycled fiber, which is produced in Australia's first large scale newsprint de-inking facility that recycles around 100,000 tons of old newspapers and magazines each year. Albury is located in New South Wales, between Sydney and Melbourne.
  - Boyer (Australia): our Boyer mill has an annual production capacity of 150,000 tons of newsprint and 140,000 tons of LWC, which was partially converted in 2014 to produce coated mechanical paper.
  - Tasman (New Zealand): our Tasman mill supplies all of New Zealand's newsprint and telephone directory requirements, with export production throughout Asia and the South Pacific. The mill has an annual production capacity of 155,000 tons of newsprint.

**Publication Paper Industry Trends**

***Europe***

We believe that we are well-positioned to benefit from any price increases in the European publication paper sector. According to RISI forecasts, publication paper prices are expected to demonstrate a mixed development in 2015, with decreasing prices in the first half of the year, followed by increasing prices in the second half of the year. The price increases across all grades are expected to continue further in 2016. By the end of 2015, as compared to price levels at the end of 2014, Western European SC prices are expected to increase by 3.2%, LWC prices are expected to increase by 4.2% and newsprint prices are expected to decrease by 0.6%. In 2016, RISI expects average prices to increase by 5.1% in newsprint, 5.1% in SC and 5.9% in LWC from average 2015 price levels. We believe these forecasts imply that the publication paper sector is showing signs of stabilization from current pricing levels, despite somewhat mixed developments for 2015. Furthermore, we believe that the importance of print for publishers' revenue generation, publishers' investment in print sites, a stabilization of the decline of global publication paper demand and anticipated reductions in overcapacity will be factors that will influence positive pricing trends during the next few years.

According to PPPC, Western European newsprint demand declined by 4.7% for the nine months ended September 30, 2014 compared to the prior year period, 5.8% in 2013 and 10.6% in 2012. Uncoated mechanical paper demand declined by 5.4% for the nine months ended September 30, 2014, compared to the prior year period, and 1.6% in 2013 and 5.1% in 2012. Coated mechanical paper demand declined by 3.0% for the nine months ended September 30, 2014, compared to the prior year period, and 7.8% in 2013 and 8.9% in 2012. On the supply side, there have been significant capacity closures in recent years, with additional closures set to occur during the first quarter of 2015 following UPM Kymmene Corporation's (''**UPM**'') announced closure of approximately 800,000 tons of publication paper capacity in November 2014 and previous announcements of approximately 580,000 tons of capacity closure by other industry players, including Stora Enso Oyj (''**Stora Enso**''). We believe these industry dynamics are factors that could contribute to higher utilization rates and a potential improvement in the pricing environment in Europe.

***Australasia***

Similar to Europe, through September 30, 2014, the rate of decline of newsprint demand in Australasia fell to 6.1%, compared to 17.1% in 2013 and 11.9% in 2012. In response to reduced demand, we have significantly reduced newsprint capacity in the region by permanently closing one of our two paper machines at our Tasman mill in 2013, which had an annual newsprint capacity of 160,000 tons, and converting one of the paper machines at our Boyer mill from newsprint to coated mechanical, reducing newsprint capacity in the region by an additional 120,000 tons while adding 140,000 of LWC capacity.

In recent years, the import of publication paper into Australasia has been on a downward trend. Imports of newsprint decreased by 18.7% in 2012 and 9.2% in 2013, with no significant change in the nine months ended September 30, 2014 compared to the prior year period, while imports of coated mechanical decreased by 0.3% in 2012 and increased by 4.9% in 2013. For the nine months ended September 30, 2014, imports of coated mechanical declined by 20.9%. We believe this decrease in imports of newsprint and coated mechanical is, in part, the result of the conversion of one of the paper machines at our Boyer mill. As the sole producer in the region, we believe we have an advantage over our competitors who must incur transportation costs in order to access the market. According to PPPC, demand for coated mechanical declined by 12.0% for the nine months ended September 30, 2014 compared to the prior year period, following an increase of 4.4% in 2013. Because demand for coated mechanical remains significantly higher than local capacity following the conversion of our paper machine at our Boyer mill, we believe utilization rates will remain high. The uncoated mechanical market is covered solely by imports.

**Competitive and Credit Strengths**

We believe that we benefit from the following competitive and credit strengths:

***Strong market positions in Australasia and Europe***

We are the sole producer of newsprint and magazine paper in Australasia, where we have a leading position in a concentrated newsprint and magazine paper market and compete only against imports. In Europe, we are the third largest producer of publication paper and we export products to North America, Asia and North Africa, which are our most important export destinations from Europe. Based on our global reach and our longstanding commitment to and experience in the publication paper segment, we believe we are a preferred supplier in Australasia and Europe.

***Diversified revenue base with strong visibility***

We benefit from significant revenue diversification across geographies, paper grades and customers. We also benefit from long-term relationships with customers and high client retention rates. We believe that our customer base, which includes large top tier publishing groups with strong balance sheets, recognizes the importance of having a sustainable and reliable source of publication paper. This dynamic provides us with considerable recurring business and revenue visibility.

In Europe, we have long-standing and stable relationships with many of our customers, including relationships with most of our customers for more than five years and relationships with many customers for between 10 and 20 years. We believe that the creditworthiness of our customer base is validated by our ability to enter into significant factoring facilities in Norway, France and Austria. Our European customer contracts generally provide for quarterly adjustments of pricing.

In Australasia, we recently completed the conversion of one paper machine at our Boyer mill in Tasmania to enable the production of coated mechanical paper. This conversion has enabled us to diversify our regional product mix from newsprint. We are the sole local producer of newsprint and have integrated extensively with our customers' businesses, including, for example, through warehouse and inventory management, integrated supply chain processes, local support and other logistics services. We have long-term contracts with our two largest customers maturing in 2020, which provide us with strong revenue visibility. In addition, we are well-integrated within our customers' value chain due to our provision of warehousing services for newsprint customers and other logistical services. We believe that this integration provides value-added services that make us a strong preferred supplier.

***Efficient cost position***

The combination of our cost competitive assets, the strategic location of our mills and a stable supply of energy and raw materials provides us with an efficient cost position.

*Economies of scale*

We benefit from economies of scale in Europe, where the scale of our Saugbrugs, Skogn and Golbey mills enables us to have low production costs per ton. Our mills are well-positioned to reflect demand for the high value types of paper they produce. Our mix of newsprint and magazine production capabilities within our mills provides us with considerable operational synergies and flexibility. In addition, we have a long-standing continuous cost improvement program and have successfully reduced a number of our operating costs, streamlined our production processes and increased the efficiency of our mills.

*Efficient product distribution*

The favorable location of our mills enables us to achieve low delivered costs in our markets. In Europe, our mills are located adjacent to waterways or seaports and benefit from lower transportation costs of both inbound raw materials and outbound distribution of our finished products. In Australasia, we are the sole domestic newsprint and magazine paper producer, which provides us with a significant cost advantage over imports, and our mills are located in close proximity to the populated areas in the region.

*Stable supply sourcing*

Our long-term contracts for energy and favorable sources of wood provide us with stable sources of supply for our most significant energy and raw material requirements. Approximately 85% of our electricity requirements, our single largest expense item, are purchased under long-term contracts. We have long-term contracts in place that cover substantially all of the electricity requirements for our mills in Norway, and a significant portion of the electricity requirements for our other European operations. Our Australian and New Zealand mills likewise have long-term electricity contracts in place, and our Tasman mill also operates a geothermal energy plant that we commissioned in the first quarter of 2013. In addition, we have long-term contracts for supplies of wood to our Australasian operations and we have long-standing relationships with suppliers in Norway, as we are the country's largest buyer of pulp wood. The relative stability provided by our effective supply contracting and our relationships with reliable suppliers permits strong visibility in relation to costs and shields our operations from electricity and fiber cost fluctuations.

***Proven track record of operational streamlining and delivery on current initiatives***

We have responded to long-term structural decreases in demand with the closure of several of our machines and mills, such as our Union and Follum mills in Norway and our Steti mill in the Czech Republic, between 2006 and 2012. In 2013, we closed one of the two machines at our Tasman mill in New Zealand and one of the two machines at our Walsum mill in Germany. In total, we have reduced production capacity by more than 50% since December 31, 2005, from 6.9 million tons to 3.0 million tons as of September 30, 2014. These actions have significantly reduced our cost base. We have also reduced our fixed costs through headcount reductions and have increased our capital efficiency through the disposal of non-core assets, certain less competitive operations and mills outside of our core geographical regions of Europe and Australasia. These include two mills in South Korea, two mills in China, one mill in Brazil, one mill in Chile, one mill in the Netherlands and one mill in Thailand.

In response to structural changes in demand and in order to seize a market opportunity within magazine paper, we have also converted production capacity from newsprint to magazine paper. Following a NOK 500 million (€60 million) investment, our Boyer mill in Australia now produces coated mechanical paper on one converted machine, making it the sole domestic magazine paper producer in Australasia. Our ability to switch production has enabled us to better adapt to changes in demand between different paper products by reducing production capacity for products that have experienced reduced demand, and by increasing production capacity for products with increased demand. In addition, we have invested more than NOK 200 million (€25 million) in a TMP plant at our Saugbrugs mill, resulting in significant reduction of energy consumption in our fiber production at that mill, which has also enabled us to expand our product portfolio to new uncoated mechanical segments.

We continue to focus on the implementation of a variety of improvement initiatives and the identification of new sources of efficiency. We achieved total cost reductions of NOK 351 million (€45 million) during the nine months ended September 30, 2014. Some of our most successful ongoing improvement initiatives include operational and logistical enhancements at our Saugbrugs, Golbey and Albury mills as a result of reduced usage of chemicals and improved energy balance.

***Attractive free cash flow generation***

Over the past four years, we have continued to maintain strong cash flows prior to reflecting our debt service payments despite industry revenue declines. We have been able to bolster our cash flow generation by reducing our fixed cost base, improving our management of working capital and selectively selling assets.

Our strong focus on working capital management has resulted in an efficient and industry-leading working capital management system, as reflected by our reduced inventories and improved control of

accounts receivable. We have reduced our working capital positions from NOK 2,094 million (€270 million) as of December 31, 2011 to NOK 769 million (€92 million) as of December 31, 2013.

We believe that we have completed our major development capital expenditures and do not anticipate any substantial development investment programs in the near to medium-term. In recent years, maintenance capital expenditure requirements at our eight mills have remained relatively low and manageable, with capital expenditures of NOK 150 million (€20 million) and NOK 151 million (€19 million) for the years ended December 31, 2012 and 2013, respectively. For the nine months ended September 30, 2014, we spent NOK 112 million (€14 million) on maintenance capital expenditures. In addition, we have completed various one-time restructuring initiatives that negatively impacted our cash flows in recent years.

The combination of our ongoing cost reduction initiatives, efficient management of working capital and the sale of certain assets has contributed to our strong free cash flow generation. In particular, cash conversion, which is defined as EBITDA less changes in working capital and gross capital expenditures divided by EBITDA, was 44%, 98% and 58% for the years ended December 31, 2011, 2012 and 2013, respectively, and 80% for the twelve months ended September 30, 2014. Furthermore, we believe the completion of our development capital expenditures and one-time restructuring programs will position us to benefit from attractive cash flow conversion going forward. Excluding development capital expenditures, such as investments in our Boyer and Tasman mills, our cash conversion for the years ended December 31, 2011, 2012 and 2013 would have been 52%, 120% and 103%, respectively, and 102% for the twelve months ended September 30, 2014.

***Strong collateral***

The Senior Secured Notes will benefit from robust credit support, which will include senior Guarantees from our primary subsidiaries (the Subsidiary Guarantors), the parent companies of the Senior Secured Notes Issuer (the Parent Guarantors) and Security Interests (as defined below) over our principal revenue generating assets or security over the shares in the entities that own such revenue generating assets. For the year ended December 31, 2014, the Guarantors generated 108% of the Group's consolidated EBITDA, and as of December 31, 2014, held 89% of the Group's total assets, defined as total assets from all Group entities minus intercompany receivables and intercompany shares. Senior Secured Noteholders will receive share pledges over the issued share capital of each of Norske Treindustrier AS, the Exchange Notes Issuer, the Senior Secured Notes Issuer, the Subsidiary Guarantors, Norske Skog Walsum GmbH and Lysaker Invest AS. In addition, subject to the exclusion of certain assets and subject to certain prior-ranking security interests in accordance with the Agreed Security Principles (as defined below), the Senior Secured Notes will be secured by Security Interests to be granted under a general security deed (the equivalent of a fixed and floating charge) over the assets held by Norske Skog Industries Australia Limited, Norske Skog (Australasia) Pty Limited and Norske Skog Paper Mills (Australia) Limited (together, the ''**Australian Guarantors**'') and Norske Skog Tasman Limited (the ''**New Zealand Guarantor**'') which, for the nine months ended September 30, 2014, generated 33.1% of the Group's consolidated EBITDA, and as of September 30, 2014, held 34.3% of the Group's total assets. In addition, the Senior Secured Notes will be secured by all intercompany loans and receivables (excluding receivables relating to the Parent's cash pooling arrangements) owed to the Parent Guarantors, Norske Skog Shared Services AS, Lysaker AS, Norske Skog Eiendom AS, Norske Skog Kraft AS, nsiFocus AS, Wood and Logistics AS, Norske Skog Walsum GmbH, Norske Skog Holdings AG and Norske Skog Property AS, Norske Skog Overseas Holdings AS and NS Industries Canada Ltd. (together, without the Parent Guarantors, each an ''**Excluded Entity**'') by the Senior Secured Notes Issuer or any of the restricted subsidiaries of the Senior Secured Notes Issuer.

***Execution-focused management team with relevant experience***

We believe that our senior management team has the relevant experience to execute our strategy. Each of our regional management teams has an average tenure of 15 years at the Parent. We believe that we benefit from the experience and industry know-how of our senior corporate management team and the production know-how of the respective mill management teams, who have relevant experience in the global publication paper industry. In addition to experience in the publication paper industry globally, our corporate management team also has management experience from other commodities businesses. We maintain a flat and lean decentralized decision-making structure, which allows our local management teams to manage their day-to-day operations based on local market dynamics.

**Strategy**

The key elements of our strategy are as follows:

***Defend our leading position in the publication paper industry in Europe and Australasia***

With a leading position in both newsprint and magazine paper in Europe and Australasia, we are well-positioned to leverage our existing customer relationships. We believe we are a stable supplier of newsprint in Europe where we sell our products to some of the region's leading paper consumers, including financial printing operations, drop advertisement producers such as Bertelsmann Group (MOHN Media Mohndruck GmbH), Lidl Stiftung & Co. KG and Carrefour Procurement International and major news publishers such as News International Ltd. in the United Kingdom, RCS Media Group SpA in Italy, Axel Springer SE in Germany and Schibsted Trykk Oslo AS in Norway. We are the sole producer of publication paper in Australia and New Zealand and we are working to diversify our revenues. We aim to be the producer of choice for quality newsprint and magazine paper products in the European and Australasian markets, while maintaining and improving our position as a high-quality producer with a competitive cost base.

***Continue proactive capacity management***

We will continue to manage our production capacity in order to adjust to market developments proactively. In Europe, we have strategically reduced or converted capacity over the past three years, including, for example, our Follum and Parenco operations, to increase the operating margins of our continuing business. We will continue to monitor our asset base and market developments and consider measures to address our less competitive capacity. In Australasia, in line with the closure of one machine at our Tasman mill in 2013 and the conversion of one of our two newsprint machines at the Boyer mill in Australia to magazine paper production in 2014, we will continue our business system optimization in order to produce products where it is most cost-effective to do so.

***Continue to strengthen business model***

We will continue to invest in improvements to reduce costs and improve efficiency and quality. In Europe, we plan to invest in higher quality grades of newsprint products and focus on the extension of our product portfolio into selected new end use segments within publication paper as well as improve production mix quality at our Skogn mill. In Australasia, we are benefiting from our recent diversification to magazine paper production and we will leverage our new cost competitive position in magazine paper and our well-developed logistical system to serve export markets for newsprint.

***Address capital structure and achieve stability***

We intend to use the proceeds from the Offering to address a portion of our immediate and medium-term debt maturities through the implementation of the Proposed Exchange Offers. We will strive to reduce leverage in the medium-term to achieve a long-term sustainable capital structure. By reducing the amount of operational earnings committed to debt repayment obligations, we hope to achieve greater operational stability that will provide a basis for future sustained profitability.

***Carefully evaluate future consolidation opportunities***

We believe our industry needs to continue to better align capacity with demand, which we anticipate will be realized by industry consolidation in Europe. We will continue to evaluate selective opportunities to enhance our strategic and cost positions. However, any potential transaction will be structured with a focus on credit enhancement via careful evaluation of appropriate financing sources and terms.

**Recent Developments and Trading Update**

*The information in this section of the listing particulars is based on preliminary internal management accounts and includes estimates and assumptions, and is not based on the Consolidated Financial Statements for the quarter and for the year ended December 31, 2014. Undue reliance should not be placed on the information in this section of the listing particulars.*

*The information in this section has been prepared by, and is the responsibility of, our management, and has not been audited, reviewed or verified; no procedures have been completed by our auditors with respect thereto, and undue reliance should not be placed thereon. The information in this section is*

*subject to confirmation in the Group's Audited Consolidated Financial Statements and report for the year ended December 31, 2014.*

***Developments During the Quarter***

There were several developments that occurred during the fourth quarter of 2014 that are expected to impact the Group's businesses and gross operating earnings positively in 2015.

The prolonged ramp-up of the new magazine paper machine at Boyer in Australia was completed. During full year 2014, the ramp-up had a significant negative impact on gross operating earnings. With operations now running in accordance with the investment plan, and assuming this will continue, the new magazine paper machine at Boyer should contribute significantly towards gross operating earnings for full year 2015.

Foreign exchange rates moved in favor of the Group's operations as NOK depreciated against the Group's major currencies due to NOK correlation with lower oil prices. Since only a low single digit percentage of the Group's revenue is generated in NOK, and in excess of a third of the Group's total capacity is located in Norway, the competitiveness of the European business should be clearly enhanced by the NOK depreciation. Likewise, the depreciation of AUD relative to USD should impact the Australasian business positively, supporting the domestic price for magazine paper and the margins for exports to Asia.

The lower oil price is also a direct positive for the Group, given the energy intensity in production of paper from virgin fiber. The positive effect is somewhat mitigated by the Group's long-term energy contracts. However, the low oil price could possibly in addition bring indirect positive effects on other input factors, such as chemicals, which to a large degree are oil derivatives.

A number of substantial capacity closures in the publication paper industry were announced in the quarter. Price support is thus expected into the second half of 2015, when the announced closures are completed and the paper is no longer in the market.

We repaid the remaining NOK 185 million (€22 million) principal amount of our Norwegian 5.40% Senior Notes due 2014 on October 24, 2014.

***Fourth Quarter 2014***

The developments described above had limited impact on the Group's fourth quarter of 2014 operating results due to lag effects. Preliminary year-end reporting based on internal management accounts indicate revenue of somewhat above NOK 3 billion and gross operating earnings for the fourth quarter of 2014 broadly in-line with the third quarter of 2014 at approximately NOK 200 million. The effects of portfolio changes, and a reduction in provision for environmental obligations in the fourth quarter of 2013, limit the meaningfulness of a year over year comparison.

***Publication Paper Europe***

Revenue and volumes were relatively stable from the third quarter of 2014 to the fourth quarter of 2014. The weakness in Magazine Paper continued because of low industry operating rates with capacity reductions announced, but not yet completed in the quarter. Magazine Paper thus adversely impacted gross operating earnings, while Newsprint was more stable with a higher operating rate in the industry prior to the announced closures. The depreciation of NOK to a large degree occurred late in the quarter, and thus did not have a meaningful impact on the fourth quarter 2014 operating result.

***Publication Paper Australasia***

Revenue and volumes increased seasonally from the third quarter of 2014 to the fourth quarter of 2014 and the ramp-up at Boyer was completed. Both these factors contributed towards improved gross operating earnings in the quarter as compared to the prior quarter. The depreciation of AUD against USD benefited price negotiations for Magazine Paper into 2015. The exchange rate level should also support margins for the export business out of Australasia into Asia.

***Other Activities***

The negative contribution from Other Activities was larger in the fourth quarter of 2014 compared to the third quarter of 2014, due to year end closing of cost allocations.

***Cash Flow***

Cash flow from operations benefited from a seasonal release of working capital, more than offsetting interest payments in the quarter. Capital expenditures were somewhat higher than in the third quarter of 2014, reflecting volatility in investment spending. The redemptions of the remaining NOK bond in October was in part financed by proceeds from accounts receivables (AR) facilities. The Group's new AR facility, announced in September 2014 at Bruck in Austria, became effective in the quarter.

***Balance Sheet***

Considering the above cash flow movements, cash balances were somewhat higher at the end of the fourth quarter of 2014 compared to the end of the third quarter of 2014. Cash balances include restricted cash of approximately NOK 250 million. A liquidity buffer of around NOK 200 million is prudent to allow for daily volatility in working capital. Foreign denominated debt, when translated to NOK for accounting purposes, increased due to the depreciation of NOK from the end of the third quarter of 2014 to the end of the fourth quarter of 2014. Property, plant and equipment also increased due to NOK depreciation, while there will be a negative effect from Euro-denominated power contracts in Norway.

**The Parent**

Norske Skogindustrier ASA was registered in the Norwegian Companies Registry on March 22, 1989 as a public limited liability company, with registration number 911 750 961. The Parent's shares have been listed on the Oslo Stock Exchange since 1976, under the ticker symbol ''NSG''. The Parent's registered office is at P.O. Box 294, Skøyen, Karenslyst allé 49, 0213 Oslo, Norway.

**The Temporary Notes Issuer**

The Temporary Notes Issuer is Paper Funding, a public limited liability company (*société anonyme*) organized and existing under the laws of Luxembourg, which is a wholly-owned subsidiary of Stichting Paper Holdings, a Dutch Foundation (*stichting*) (the ''**Foundation**''). Both the Foundation and the Temporary Notes Issuer were formed solely for the purposes of the contemplated Transactions. The Temporary Notes issued by the Temporary Notes Issuer were exchanged for the Senior Secured Notes issued by the Senior Secured Notes Issuer on February 29, 2015 and do not exist anymore.

**The Senior Secured Notes Issuer**

The Senior Secured Notes Issuer of the Senior Secured Notes is Norske Skog AS, a Norwegian private limited liability company formed in connection with the Transactions. The Issuer is an indirect wholly-owned subsidiary of the Parent.

**The Exchange Notes Issuer**

The Exchange Notes Issuer of the Exchange Notes is Norske Skog Holding AS, a Norwegian private limited liability company formed in connection with the Transactions. The Exchange Notes Issuer is an indirect wholly-owned subsidiary of the Parent.

**The Transactions**

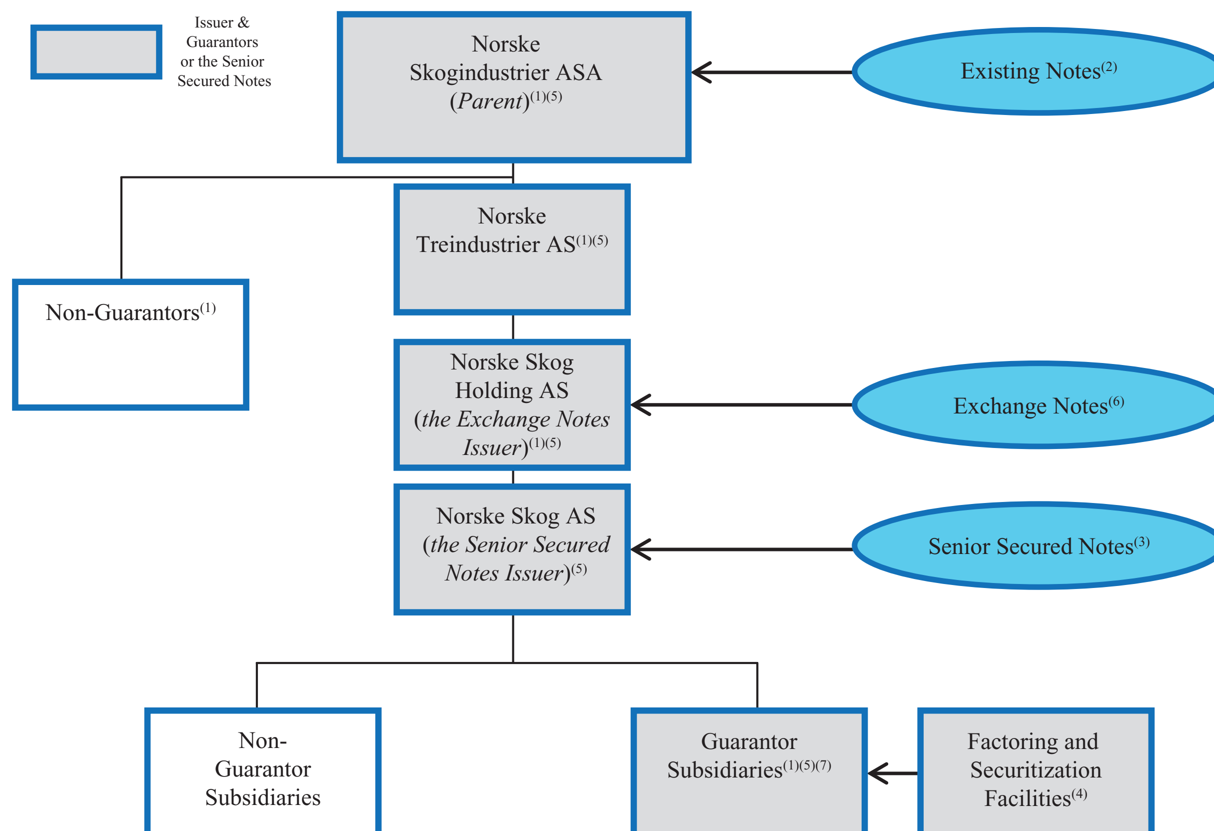
As part of our strategy to continue to actively manage our indebtedness, upon the Escrow Release, we used the proceeds from the Offering of the Senior Secured Notes to address a portion of the short-term and medium-term maturities of the Parent's outstanding Existing Notes, for working capital purposes and to pay the fees and expenses associated with the Transactions. The Parent's outstanding Existing Notes mature in 2015, 2016, 2017 and 2033. Concurrently with this Offering, the Exchange Notes Issuer offered the eligible holders of each series of the Parent's outstanding Existing Notes to exchange each series of Existing Notes for newly-issued Exchange Notes and, if applicable to such series, cash, pursuant to the terms of the Proposed Exchange Offers. The Exchange Notes Issuer also solicited consents from the eligible holders of each series of the Parent's outstanding Existing Notes through its Proposed Consent Solicitations. The Exchange Notes were issued by the Exchange Notes Issuer on February 24, 2015.

***The Escrow Release and Special Mandatory Redemption***

Prior to the closing of the Offering of the Temporary Notes, the Issuer deposited the Pre-Funded Amount in the Escrow Account held in the name of the Temporary Notes Issuer pursuant to the terms of the Escrow Agreement. Concurrently with the closing of the Offering of the Temporary Notes, and after consummation of the Proposed Exchange Offers and Proposed Consent Solicitations and the satisfaction of certain other conditions, the Initial Purchasers deposited the gross proceeds of the Offering into the Escrow Account which, together with the Pre-Funded Amount, comprised the Escrow Funds secured in favor of the Trustee for the benefit of the holders of the Temporary Notes. Following the completion of the Proposed Exchange Offers and the Proposed Consent Solicitations, the Senior Secured Notes Issuer exchanged €290.0 million aggregate principal amount of Temporary Notes for Senior Secured Notes.

## Summary Corporate Structure and Financing

The chart set forth below summarizes our corporate structure and total interest-bearing liabilities on a pro forma basis after giving effect to the issuance of the Senior Secured Notes and Exchange Notes. The chart presents our simplified corporate structure and does not reflect every entity within our Group.

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(1) As of and from the Escrow Release Date, each of the Parent, an indirect parent company of the Issuer, Norske Treindustrier AS, an indirect parent company of the Issuer, the Exchange Notes Issuer, the direct parent company of the Issuer, and the Subsidiary Guarantors guaranteed the Senior Secured Notes on a senior secured basis. The Senior Secured Notes are secured by a pledge of all of the shares of Norske Treindustrier AS, the Exchange Notes Issuer, the Issuer, the Subsidiary Guarantors, Norske Skog Walsum GmbH and Lysaker Invest AS as of the Escrow Release Date and certain other Collateral (as defined below). For the year ended December 31, 2014, the Guarantors generated 108% of the Group's consolidated EBITDA and, as of December 31, 2014, held 89% of the Group's total assets.

(2) Represents the Parent's outstanding Existing Notes. As of September 30, 2014, on an actual basis, without giving effect to the Transactions, the aggregate principal amount of the Parent's outstanding Existing Notes was NOK 6,517 million (€802.8 million), consisting of the following:

- U.S.$158.2 million (NOK 1,021 million) 6.125% Senior Notes due 2015 (the "**2015 Notes**");
- €129.6 million (NOK 1,052 million) 11.75% Senior Notes due 2016 (the "**2016 Notes**");
- €388.5 million (NOK 3,154 million) 7.00% Senior Notes due 2017 (the "**2017 Notes**"); and
- U.S.$200.0 million (NOK 1,290 million) 7.125% Senior Notes due 2033 (the "**2033 Notes**" and, together with the 2015 Notes, the 2016 Notes and the 2033 Notes, the "**Existing Notes**").

For further information regarding certain of our outstanding indebtedness, see "*Description of Other Indebtedness*."

(3) Represents the €290.0 million of Senior Secured Notes offered hereby.

(4) Certain of our Subsidiary Guarantors have entered into securitizations of receivables and/or factoring facilities, which as of September 30, 2014 provided €102.4 million (NOK 830.9 million) of committed financings comprised of the following:

- a NOK 250.0 million securitizations facility available through 2016 to our two Norwegian mill operations, Norske Skog Saugbrugs AS and Norske Skog Skogn AS;
- a €40.0 million (NOK 324.7 million) factoring facility available through 2017 to our French mill operations, Norske Skog Golbey S.A.;

- a €25.0 million (NOK 202.9 million) factoring facility available through 2017 to our Austrian mill operations, Norske Skog Bruck GmbH; and
- a AU$9.5 million (NOK 53.4 million) factoring facility available through 2017 to our Australasian mills operations, Norske Skog (Australasia) Pty Limited.

For further information regarding our financings facilities, see ''*Description of Other Indebtedness*.''

(5) On the Escrow Release Date, the Guarantors guaranteed the Senior Secured Notes Issuer's obligations under the Senior Secured Notes on a senior secured basis, subject to the restrictions and limitations contained herein. The Senior Secured Notes Issuer and the Guarantors provided, subject to the restrictions and limitations contained herein and in the Agreed Security Principles, first-priority pledges of the capital stock of Norske Treindustrier AS, the Exchange Notes Issuer, the Senior Secured Notes Issuer, the Subsidiary Guarantors, Norske Skog Walsum GmbH, Lysaker Invest AS and certain other assets of the Subsidiary Guarantors as more specifically described under ''*Description of the Senior Secured Notes—Security*'' to secure the Senior Secured Notes Issuer's and the Guarantors' obligations under the Senior Secured Notes. Certain future bank facilities and hedging obligations (if any) may be secured and guaranteed on the same basis as the Senior Secured Notes in accordance with the terms of the intercreditor agreement, dated on or about the Issue Date, among the Issuer, the Guarantors, the Security Agent and the Trustee (the ''**Intercreditor Agreement**''). Additionally, certain commercial and financial obligations of a number of Subsidiary Guarantors are secured over particular assets on a first-priority basis. In the event of enforcement of the Security Interests, the obligations under any such priority hedging obligations entered into for bona fide hedging purposes and not for speculative purposes or first-priority commercial and financial obligations may be satisfied in full before any payment can be made under the Senior Secured Notes. See ''*Description of Other Indebtedness*.''

The Senior Secured Notes are secured by a pledge of the capital stock of Norske Treindustrier AS, the Exchange Notes Issuer, the Senior Secured Notes Issuer, the Subsidiary Guarantors, Norske Skog Walsum GmbH and Lysaker Invest AS and certain other Collateral as of the Escrow Release Date. Certain security interests with respect to the real property of the Australian Guarantors will be registered no later than 90 days after the Escrow Release Date. The Collateral does not include the Excluded Assets (as defined herein) of the Subsidiary Guarantors and the assets of our operating subsidiaries that do not guarantee the Senior Secured Notes as described under ''*Limitations on Validity and Enforceability of the Guarantees and the Security Interests—Australia—Australian Securities*'' ''*Description of the Senior Secured Notes—Security*.''

(6) Represents the Exchange Notes issued by the Exchange Notes Issuer to holders of the Parent's Existing Notes pursuant to the Proposed Exchange Offers.

(7) The Parent holds 100% of the share capital of the Guarantor Subsidiaries, with the exception of Norske Skog Bruck GmbH, for which the Parent holds 99.9% of the share capital.

## The Offering

The following summary of the Offering contains basic information about the Senior Secured Notes, the Exchange Notes, the Guarantees and the Security Interests. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete understanding of the Notes, the Guarantees and the Security Interests, including certain definitions of terms used in this summary, see ''*Description of the Senior Secured Notes*'' and ''*Description of the Exchange Notes*''.

| | |
|---|---|
| **Senior Secured Notes Issuer** . . . . . | Norske Skog AS, a private limited company organized under the laws of Norway. |
| **Exchange Notes Issuer** . . . . . . . . . | Norske Skog Holding AS, a private limited company organized under the laws of Norway. |
| **Notes Offered** . . . . . . . . . . . . . . . . | €290,000,000 aggregate principal amount of 11.75% senior secured notes due 2019 issued by the Senior Secured Notes Issuer under the Senior Secured Notes Indenture.<br><br>€159,017,000 aggregate principal amount of 8.00% senior notes due 2021 issued by the Exchange Notes Issuer under the Exchange Notes Indenture.<br><br>US$ 60,649,000 aggregate principal amount of 8.00% senior notes due 2023 issued by the Exchange Notes Issuer under the Exchange Notes Indenture. |
| **Issue Date** . . . . . . . . . . . . . . . . . . . | February 24, 2015. |
| **Notes Maturity Date** . . . . . . . . . . . | December 15, 2019, with respect to the Senior Secured Notes February 24, 2021 with respect to the Exchange Notes due 2021 and February 24, 2023 with respect to the Exchange Notes due 2023. |
| **Interest Rate** . . . . . . . . . . . . . . . . . | 11.75% per annum with respect to the Senior Secured Notes, 8.00% per annum with respect to the Exchange Notes due 2021 and 8.00% per annum with respect to the Exchange Notes due 2023. |
| **Interest Payment Dates** . . . . . . . . . | Interest on the Senior Secured Notes will be paid semi-annually in arrears on each June 15 and December 15, commencing June 15, 2015. Interest on the Senior Secured Notes accrued from February 24, 2015.<br><br>Interest on the Exchange Notes will be paid semi-annually in arrears on each February 24 and August 24, commencing August 24, 2015, and accrued from February 24, 2015. |
| **Issue Price** . . . . . . . . . . . . . . . . . . | 97.500% plus an amount equal to the accrued interest on the Senior Secured Notes from the Issue Date.<br><br>100.00% with respect to each of the Existing Notes, plus an amount equal to the accrued interest on the Exchange Notes from the Issue Date. |
| **Denomination** . . . . . . . . . . . . . . . . | Each Senior Secured Note will be issued in global registered form and have a minimum denomination of €100,000 and integral multiples of €1,000 in excess thereof. Notes in denominations of less than €100,000 will not be available.<br><br>Each Exchange Note due 2021 will be issued in global registered form and have a minimum denomination of €100,000 and integral multiples of €1,000 in excess thereof. Exchange Notes due 2021 in denominations of less than €100,000 will not be available. |

Each Exchange Note due 2023 will be issued in global registered form and have a minimum denomination of US$150,000 and integral multiples of US$1,000 in excess thereof. Exchange Notes due 2023 in denominations of less than US$150,000 will not be available.

**Ranking of the Temporary Notes and the Senior Secured Notes . .**

The Senior Secured Notes are:

- general senior obligations of the Senior Secured Notes Issuer, secured as set forth under ''—*Security*'';
- ranked *pari passu* in right of payment with any existing and future indebtedness of the Senior Secured Notes Issuer that is not subordinated in right of payment to the Senior Secured Notes;
- ranked senior in right of payment to any existing and future indebtedness of the Senior Secured Notes Issuer that is expressly subordinated in right of payment to the Senior Secured Notes;
- guaranteed by the Parent Guarantors and the Subsidiary Guarantors;
- effectively subordinated to all existing and future secured indebtedness of the Senior Secured Notes Issuer and its subsidiaries that is secured by property and assets that do not secure the Senior Secured Notes, to the extent of the value of the property and assets securing such secured indebtedness; and
- effectively subordinated to all obligations of the subsidiaries of the Senior Secured Notes Issuer that do not guarantee the Senior Secured Notes. See ''*Description of Other Indebtedness—Intercreditor Agreement*''.

The Exchange Notes are:

- general unsecured senior obligations of the Exchange Notes Issuer;
- ranked *pari passu* in right of payment with any existing and future indebtedness of the Exchange Notes Issuer that is not subordinated in right of payment to the Exchange Notes;
- ranked senior in right of payment to any existing and future indebtedness of the Exchange Notes Issuer that is expressly subordinated in right of payment to the Exchange Notes;
- effectively subordinated to any existing or future indebtedness or obligation of the Exchange Notes Issuer and its subsidiaries that is secured by property and assets that do not secure the Exchange Notes, to the extent of the value of the property and assets securing such indebtedness;
- guaranteed on a senior unsecured basis by the Parent Guarantors and on an unsecured senior subordinated basis by the Subsidiary Guarantors; and
- structurally subordinated to any existing or future indebtedness of the Subsidiaries of the Issuer that are not

Guarantors, including obligations to trade creditors. See ''*Description of Other Indebtedness—Intercreditor Agreement*''.

**Guarantees** . . . . . . . . . . . . . . . . . . The Senior Secured Notes are guaranteed for the full amount of the principal and interest or other payments on a senior secured basis by the Parent Guarantors and the Subsidiary Guarantors.

The Exchange Notes are guaranteed for the full amount of the principal and interest or other payments on a senior basis by the Parent Guarantors and on a senior subordinated basis by the Subsidiary Guarantors.

For the year ended December 31, 2014, the Guarantors generated 108% of the Group's consolidated EBITDA, and as of December 31, 2014, held 89% of the Group's total assets.

**Ranking of the Guarantees** . . . . . . With respect to the Senior Secured Notes, the Guarantee of each Guarantor is:

- a senior obligation of the relevant Guarantor, secured as set forth under ''—*Security*'';
- ranked *pari passu* in right of payment with all existing and future indebtedness of such Guarantor that is not subordinated in right of payment to such Guarantee;
- ranked senior in right of payment to all existing and future indebtedness of such Guarantor that is expressly subordinated in right of payment to such Guarantee;
- effectively subordinated to all existing and future secured indebtedness of such Guarantor that is secured by property and assets that do not secure such Guarantee or that secure such Guarantee on a second-ranking basis, to the extent of the value of the property and assets securing such indebtedness.

With respect to the Exchange Notes, the Guarantee of each Parent Guarantor is:

- a general unsecured senior obligation of that Parent Guarantor;
- ranked *pari passu* in right of payment with any existing and future indebtedness of that Parent Guarantor that is not subordinated in right of payment to such Guarantee;
- ranked senior in right of payment to any existing and future indebtedness of such Parent Guarantor that is expressly subordinated in right of payment to such Guarantee; and
- effectively subordinated to any existing or future indebtedness or obligation of such Parent Guarantor that is secured by property and assets that do not secure such Guarantee, to the extent of the value of the property and assets securing such Indebtedness.

With respect to the Exchange Notes, the Guarantee of each Subsidiary Guarantor is:

- a general unsecured senior subordinated obligation of that Subsidiary Guarantor;
- subordinated in right of payment to all existing and future senior indebtedness of that Subsidiary Guarantor

(including that Subsidiary Guarantor's obligations under the Senior Secured Notes);

- ranked *pari passu* in right of payment with any existing and future indebtedness (other than senior indebtedness) of that Subsidiary Guarantor that is not subordinated in right of payment to such Guarantee;
- ranked senior in right of payment to any existing and future indebtedness of such Subsidiary Guarantor that is expressly subordinated in right of payment to such Guarantee; and
- effectively subordinated to any existing or future indebtedness (including the Senior Secured Notes) or obligation of such Subsidiary Guarantor that is secured by property and assets that do not secure such Guarantee, to the extent of the value of the property and assets securing such indebtedness.

The Guarantees will be subject to the terms of the Intercreditor Agreement. See ''*Description of Other Indebtedness—Intercreditor Agreement*''.

**Security** . . . . . . . . . . . . . . . . . . . . The Senior Secured Notes are secured (the ''**Security Interests**'') by a first-ranking security interest in all issued share capital of the Senior Secured Notes Issuer, the Guarantors (other than the Parent), Norske Skog Walsum GmbH and Lysaker Invest AS.

The Senior Secured Notes are also secured, subject to the Intercreditor Agreement, certain perfection requirements and the Agreed Security Principles, by Security Interests granted on an equal and ratable first-ranking basis over:

(a) all intercompany loans and receivables (excluding receivables relating to the Parent's cash pooling arrangements) owed to the Parent Guarantors, any Excluded Entity by the Senior Secured Notes Issuer or any of its restricted subsidiaries; and

(b) certain assets of Norske Skog Industries Australia Limited, (the holding company for the Group's Australian and New Zealand operations), Norske Skog (Australasia) Pty Limited, Norske Skog Paper Mills (Australia) Limited and Norske Skog Tasman Limited, other than certain of such assets which are subject to contractual restrictions on the grant or registration of security interests (and provided that in the case of certain assets already subject to security in favor of other persons where consent is given to the grant of security, the security will be second-ranking security);

(collectively, the ''**Collateral**''). See ''*Description of the Senior Secured Notes—Security*''.

Notwithstanding the above, Security Interests with respect to real property of the Australian Guarantors will be registered no later than 90 days after the Escrow Release Date.

The Collateral may also secure certain future indebtedness permitted under the Indenture. See ''*Risk Factors—Risks Related to the Notes and the Guarantees—Fraudulent conveyance laws and other limitations on the enforceability and*

*the amount of the Guarantees and the Security Interests may adversely affect their validity and enforceability*''.

Under the terms of the Intercreditor Agreement, the holders of the Senior Secured Notes will receive proceeds from enforcement of the Collateral only after certain super-senior priority obligations, including certain future hedging obligations permitted by the Indenture, have been repaid. See ''*Description of Other Indebtedness—Intercreditor Agreement*''.

The Security Interests may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. For more information on the Security Interests granted, see ''*Description of the Senior Secured Notes—Security*'' and for more information on potential limitations to the Security Interests, see ''*Limitations on Validity and Enforceability of the Guarantees and the Security Interests*'' and ''*Risk Factors—Risks Related to the Notes and the Guarantees*''.

The Security Interests may be released under certain circumstances. See ''*Risk Factors—Risks Related to the Collateral—There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Senior Secured Notes will be released automatically, without your consent or the Trustee or the Security Agent obtaining your further consent*,'' ''*Description of Other Indebtedness—Intercreditor Agreement*'' and ''*Description of the Senior Secured Notes—Security—Release of Liens*''.

The Exchange Notes will be unsecured obligations of the Issuer and the Guarantors and will not benefit from any security granted in favor of the Senior Secured Notes. See ''*Description of Other Indebtedness*''.

**Use of Proceeds** . . . . . . . . . . . . . . We will use the proceeds from the Offering of the Senior Secured Notes to address a portion of the short-term and medium- term maturities of the Parent's outstanding Existing Notes, for working capital purposes and to pay the fees and expenses associated with the Transactions. See ''*—The Transactions*'' and ''*Use of Proceeds*''.

**Intercreditor Agreement** . . . . . . . . Pursuant to the Intercreditor Agreement, the liens securing the Senior Secured Notes are first-priority liens that will rank equally with the liens that will secure certain future indebtedness. Certain future hedging obligations may be secured on a *pari passu* or senior basis to the Senior Secured Notes. The Collateral is secured by security documents for the benefit of holders of the Senior Secured Notes, counterparties to certain future hedging agreements and holders of certain other future indebtedness and obligations secured on a *pari passu* or junior basis, as permitted by the Indenture and the Intercreditor Agreement.

**Optional Redemption** . . . . . . . . . . The Senior Secured Notes Issuer may redeem all or part of the Senior Secured Notes at any time on or after February 15, 2017 at the redemption prices described under ''*Description of the Senior Secured Notes—Optional Redemption*,'' plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.

Prior to February 15, 2017, the Senior Secured Notes Issuer may redeem all or part of the Senior Secured Notes at a

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| | redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus the applicable ''make-whole'' premium.<br><br>At any time prior to February 15, 2017, the Senior Secured Notes Issuer may on one or more occasions redeem up to 35% of the aggregate principal amount of the Senior Secured Notes, using the net proceeds from certain equity offerings at a redemption price equal to 111.75% of the principal amount of the Senior Secured Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; *provided* that at least 65% of the aggregate principal amount of the Notes remains outstanding after the redemption. See ''*Description of the Senior Secured Notes—Optional Redemption*.''<br><br>The Exchange Notes Issuer may redeem all or part of the Exchange Notes at any time on or after February 24, 2018 at the redemption prices described under ''*Description of the Exchange Notes—Optional Redemption*,'' in each case, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.<br><br>Prior to February 24, 2018, the Exchange Notes Issuer may redeem all or part of the Exchange Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus the applicable ''make-whole'' premium. |
| **Additional Amounts; Tax Redemption** . . . . . . . . . . . . . . . . | All payments in respect of the Notes or with respect to any Guarantees will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, the Issuer, the relevant Guarantor or other payor, as applicable, will pay additional amounts so that the net amount you receive is no less than that which you would have received in the absence of such withholding or deduction. See ''*Description of the Senior Secured Notes—Additional Amounts*'' and ''*Description of the Exchange Notes—Additional Amounts*''. The Issuer may redeem the Notes in whole, but not in part, at any time, upon giving prior notice, if certain changes in tax law impose certain withholding taxes on amounts payable on the Notes, and, as a result, the Issuer or a Guarantor is required to pay additional amounts with respect to such withholding taxes. If the Issuer decides to exercise such redemption right, it must pay you a price equal to the principal amount of the Notes plus interest and additional amounts, if any, to the date of redemption. See ''*Description of the Senior Secured Notes—Optional Redemption—Redemption for Changes in Taxes*''. |
| **Change of Control** . . . . . . . . . . . . . | If the Parent experiences a change of control, the Issuer will be required to offer to repurchase the Notes at 101% of their principal amounts plus accrued interest to the date of such repurchase. See ''*Description of the Senior Secured Notes—Repurchase at the Option of Holders—Change of Control*'' and ''*Description of the Exchange Notes—Repurchase at the Option of Holders—Change of Control*''. |
| **Certain Covenants** . . . . . . . . . . . . | The Senior Secured Notes Issuer will issue the Senior Secured Notes under an indenture governing the Senior Secured Notes |

(the ''**Senior Secured Notes Indenture**'' and collectively with the Exchange Notes Indenture, the ''**Indenture**'' unless the context requires otherwise). The Senior Secured Notes Indenture limit, among other things, the ability of the Parent and its restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends, redeem capital stock and make certain investments;
- make certain other restricted payments;
- create or permit to exist certain liens;
- impose restrictions on the ability of the subsidiaries of the Issuer to pay dividends or make other payments to us;
- transfer, lease or sell certain assets including subsidiary stock;
- enter into certain transactions with affiliates; and
- impair the Security Interests for the benefit of the holders of the Senior Secured Notes.

Each of these covenants is subject to a number of significant exceptions and qualifications. See ''*Description of the Senior Secured Notes—Certain Covenants*'' and the related definitions.

The Exchange Notes Issuer will issue the Exchange Notes under an indenture governing the Exchange Notes (the ''**Exchange Notes Indenture**''). The Exchange Notes Indenture will limit, among other things, the ability of the Parent and its restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends, redeem capital stock and make certain investments;
- make certain other restricted payments;
- create or permit to exist certain liens;
- impose restrictions on the ability of the subsidiaries of the Issuer to pay dividends or make other payments to us;
- transfer, lease or sell certain assets including subsidiary stock; and
- enter into certain transactions with affiliates.

Each of these covenants is subject to a number of significant exceptions and qualifications. See ''*Description of the Exchange Notes—Certain Covenants*'' and the related definitions.

**Original Issue Discount** . . . . . . . . . The Senior Secured Notes may be treated as issued with original issue discount (''**OID**'') for U.S. federal income tax purposes. U.S. investors in the Senior Secured Notes will be subject to tax on OID (as ordinary income) as it accrues, in advance of the cash attributable to that income (and in addition to stated interest) if the Senior Secured Notes are treated as issued with OID for U.S. federal income tax purposes. For a

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| | discussion of the U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes, see "*Tax Considerations—Certain U.S. Federal Income Tax Considerations*". |
| | The Exchange Notes may be treated as issued with original issue discount ("**OID**") for U.S. federal income tax purposes. If the Exchange Notes are treated as issued with OID for U.S. federal income tax purposes, U.S. investors in the Exchange Notes will be subject to tax on OID (as ordinary income) as it accrues, in advance of the cash attributable to that income (and in addition to stated interest). For a discussion of the U.S. federal income tax consequences of the acquisition, ownership and disposition of the Exchange Notes, see "*Tax Consequences—Certain U.S. Federal Income Tax Considerations*". |
| **Transfer Restrictions** | The Notes and the Guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the Securities Act. See "*Transfer Restrictions*" and "*Plan of Distribution*". |
| **Clearing Information** | The Senior Secured Notes sold pursuant to Regulation S and Rule 144A of the Securities Act are expected to be accepted for clearance through the facilities of Euroclear and Clearstream. |
| | The Exchange Notes due 2021 are expected to be accepted for clearance through the facilities of Euroclear and Clearstream, and the Exchange Notes due 2023 are expected to be accepted for clearance through the Depositary Trust Company ("**DTC**"). |
| **Listing** | Application has been made for these listing particulars to be approved by the Luxembourg Stock Exchange and for the Notes to be admitted to the Official List of the Luxembourg Stock Exchange and admitted to trading on its Euro MTF Market. |
| **Listing Agent** | Banque Internationale à Luxembourg SA. |
| **Trustee** | Citibank, N.A., London Branch. |
| **Security Agent** | Citibank, N.A., London Branch. |
| **Registrar** | Citibank, N.A., London Branch. |
| **Temporary Notes Security Agent** | Citibank, N.A., London Branch. |
| **Transfer Agent and Paying Agent** | Citibank, N.A., London Branch. |
| **Governing Law** | The Senior Secured Notes Indenture and the Exchange Notes Indenture are governed by the laws of the State of New York. The Escrow Agreement, the Escrow Account Charge and the Intercreditor Agreement are governed by English law. The security documents are governed by the laws of the applicable jurisdictions in which Security Interests will be granted. The provisions of Articles 86 to 94-8 of the Luxembourg Law of 10 August 1915, as amended, on commercial companies, are excluded. |
| **Risk Factors** | Please see the "*Risk Factors*" section for a description of certain of the risks you should carefully consider before investing in the Notes. |

## SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present our summary consolidated historical financial information and other data as of and for the periods indicated. This information has been derived from our Audited Consolidated Financial Statements and from our Unaudited Condensed Consolidated Financial Statements, which are included elsewhere in these listing particulars. The Senior Secured Notes Issuer was registered under the Norwegian Companies Registry on November 18, 2014 and the Exchange Notes Issuer was registered under the Norwegian Companies Registry on November 5, 2014. There is no financial information regarding either the Senior Secured Notes Issuer and the Exchange Notes Issuer presented in these listing particulars.

Our Unaudited Condensed Consolidated Financial Statements contain all adjustments, consisting of normal recurring adjustments, which management considers necessary for a fair presentation of our financial position and results of operations for the periods presented. Operating results for the nine-month periods are not necessarily indicative of results for a full financial year, or any other periods. Our summary unaudited consolidated statement of income data for the twelve months ended September 30, 2014 has been derived by adding our historical consolidated statement of income data for the financial year ended December 31, 2013 and the nine months ended September 30, 2014 and subtracting our historical consolidated statement of income data for the nine months ended September 30, 2013.

Our unaudited consolidated pro forma financial information as at and for the twelve months ended September 30, 2014 provides certain information on an as adjusted basis to give effect to the Transactions, including the issuance of the Notes and the assumed application of the net proceeds in the Proposed Exchange Offers. Our unaudited consolidated pro forma financial information presented herein has been prepared for informational purposes only, and does not purport to represent what our actual financial position or consolidated interest expense would have been had the Transactions occurred on (i) September 30, 2014, for the purposes of the calculation of pro forma net interest-bearing liabilities and pro forma secured net interest-bearing liabilities and (ii) October 1, 2013, for the purposes of the calculation of pro forma net finance costs, nor does it purport to represent our consolidated interest expense or actual financial position at any future date.

This information is only a summary and should be read in conjunction with the information in the sections entitled "*Use of Proceeds*", "*Capitalization*", "*Selected Historical Financial Data*",

"*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our Consolidated Financial Statements and related notes included elsewhere in these listing particulars.

| | Year Ended December 31, | | | Nine Months Ended September 30, | | Twelve Months Ended September 30, 2014 | |
|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 | | |
| | (NOK in millions) | | | Unaudited (NOK in millions) | | Unaudited | |
| | | | | | | (EUR in millions)(1) | (NOK in millions) |
| **Income Statement Data**: | | | | | | | |
| Operating revenue | 18,904 | 16,592 | 13,339 | 9,805 | 8,942 | 1,509 | 12,476 |
| Distribution costs | (1,786) | (1,645) | (1,398) | (1,035) | (917) | (155) | (1,280) |
| Cost of materials | (11,243) | (9,564) | (8,017) | (5,964) | (5,388) | (900) | (7,441) |
| Change in inventories | (118) | (156) | (45) | 101 | 96 | (6) | (50) |
| Employee benefit expenses | (2,793) | (2,491) | (2,002) | (1,544) | (1,435) | (229) | (1,893) |
| Other operating expenses | (1,450) | (1,252) | (1,014) | (800) | (685) | (109) | (899) |
| **Gross operating earnings** | **1,515** | **1,485** | **862** | **564** | **612** | **110** | **910** |
| Depreciation | (1,658) | (935) | (728) | (533) | (547) | (90) | (742) |
| Restructuring expenses | (387) | (118) | (145) | 4 | 3 | (18) | (146) |
| Other gains and losses | (201) | (1,009) | (1,100) | (863) | 236 | (0) | (1) |
| Impairments | (1,969) | (2,086) | — | — | — | 0 | — |
| **Operating earnings** | **(2,701)** | **(2,663)** | **(1,111)** | **(829)** | **303** | **3** | **21** |
| Share of profit in associated companies | 198 | (70) | 26 | 17 | 5 | 2 | 14 |
| Financial items | (629) | (117) | (1,258) | (935) | (498) | (99) | (821) |
| **(Loss)/profit before income taxes** | **(3,132)** | **(2,849)** | **(2,344)** | **(1,747)** | **(190)** | **(95)** | **(787)** |
| Income taxes | 588 | 69 | 500 | 360 | (105) | 4 | 35 |
| **Net (loss)/profit** | **(2,545)** | **(2,781)** | **(1,844)** | **(1,387)** | **(296)** | **(91)** | **(753)** |

| | As of December 31, | | | As of September 30, | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | (NOK in millions) | | | Unaudited (NOK in millions) | |
| **Balance Sheet Data:** | | | | | |
| Cash and cash equivalents | 1,200 | 1,194 | 1,015 | 820 | 500 |
| Total assets | 21,974 | 16,043 | 14,617 | 15,153 | 13,173 |
| Total interest-bearing liabilities | 9,338 | 7,411 | 8,017 | 7,928 | 7,604 |
| Total equity | 7,433 | 4,151 | 2,175 | 2,712 | 2,012 |

| | Year Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | (NOK in millions) | | | Unaudited (NOK in millions) | |
| **Cash Flow Statement Data**: | | | | | |
| Net cash flow from operating activities | 455 | 982 | 68 | (245) | (224) |
| Net cash flow from investing activities | 470 | 300 | (169) | (127) | 120 |
| Net cash flow from financing activities | (4,170) | (1,258) | (151) | (72) | (436) |
| **Total change in cash and cash equivalents** | (3,240) | (6) | (178) | (374) | (515) |

| | Year Ended December 31, | | | Nine Months Ended September 30, | | Twelve Months Ended September 30, 2014 | |
|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 | | |
| | | | Unaudited (NOK in millions) | | | Unaudited | |
| | | | | | | (Euro in millions)[1] | (NOK in millions) |
| **Other Financial Data:[2]** | | | | | | | |
| Capital expenditures[3] | 490 | 492 | 529 | 352 | 201 | 46 | 378 |
| EBITDA[4] | 1,515 | 1,485 | 862 | 564 | 612 | 110 | 910 |
| Net secured interest-bearing liabilities[5] | (1,052) | (982) | (832) | (629) | (338) | (41) | (338) |
| Net interest-bearing debt[6] | 7,863 | 6,021 | 6,817 | 6,918 | 6,931 | 838 | 6,931 |

| | Twelve Months Ended September 30, 2014 | |
|---|---|---|
| | (Euro in millions, except ratios)[1] | (NOK in millions, except ratios) |
| **Pro-forma and Other Financial Data[2][7]** | | |
| Pro forma secured net interest-bearing liabilities[6][9] | 294 | 2,427 |
| Pro forma net interest-bearing liabilities[5][9] | 756 | 6,251 |
| Pro forma net finance costs[8] | 73 | 606 |
| Ratio of pro forma secured net interest-bearing liabilities to EBITDA[9] | 2.7x | |
| Ratio of pro forma net interest-bearing liabilities to EBITDA[9] | 6.9x | |
| Ratio of EBITDA to pro forma net finance costs | 1.5x | |

(1) The financial data for the twelve months ended September 30, 2014 has been translated for convenience only at the rate of NOK 8.2675 = €1.00, which is the unweighted monthly average exchange rate for the period from October 1, 2013 to September 30, 2014.

(2) Capital expenditures, EBITDA, net secured interest-bearing liabilities, net interest-bearing debt, pro forma net secured interest-bearing liabilities, pro forma net interest-bearing liabilities, pro forma net finance costs, the ratio of pro forma net secured interest-bearing liabilities to EBITDA, the ratio of pro forma net interest-bearing liabilities to EBITDA and the ratio of EBITDA to pro forma net finance costs are unaudited.

(3) Capital expenditures represents amounts spent on the maintenance of our mills, together with expenditure related to capital improvement projects at our mills such as those to improve quality of production and increase operating efficiency.

(4) EBITDA, for any relevant period, represents net profit/(loss) for the period before income taxes, financial items, share of (profit)/loss of associates impairments, other gains and losses, restructuring expenses and depreciation. EBITDA is not a recognized term under IFRS and is not intended to be an alternative to net (loss)/profit or profit before tax as a measure of operating performance or to net cash flows from operating activities as a measure of liquidity. Additionally, EBITDA is not intended to be a measure of free cash flow available for our discretionary use, as it does not take into account certain cash requirements such as interest payments, tax payments and debt service requirements. We present EBITDA along with our IFRS results to provide a more complete understanding of the factors and trends affecting our business than IFRS results alone. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to other similarly titled measures used by other companies. You should not consider EBITDA in isolation or as a substitute for profit for the year or operating earnings as determined by IFRS, or as a substitute for an analysis of our Consolidated Financial Statements. As described in the sections entitled ''*Presentation of Financial and Other Information*'', ''*Summary*'' and this ''*Summary Consolidated Financial and Other Data*'' of these listing particulars, we use the term ''EBITDA'' in lieu of the term gross operating earnings due to the familiarity of the term EBITDA to prospective investors in the Notes. In these listing particulars, EBITDA is defined on the same basis as gross operating earnings.

The following data sets forth a reconciliation of EBITDA to net (loss)/profit on a consolidated basis for the periods indicated:

| | Year Ended December 31, | | | Nine Months Ended September 30, | | Twelve Months Ended September 30, 2014 | |
|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 | | |
| | Unaudited | | | | | Unaudited | |
| | (NOK in millions) | | | | | (Euro in millions)[1] | (NOK in millions) |
| **Net (loss)/profit** | **(2,545)** | **(2,781)** | **(1,844)** | **(1,387)** | **(296)** | (91) | (753) |
| Income taxes | (588) | (69) | (500) | (360) | 105 | (4) | (35) |
| Financial items | 629 | 117 | 1,258 | 935 | 498 | 99 | 821 |
| Impairments | 1,969 | 2,086 | — | — | — | — | — |
| Other gains and losses | 201 | 1,009 | 1,100 | 863 | (236) | — | 1 |
| Restructuring expenses | 387 | 118 | 145 | (4) | (3) | 18 | 146 |
| Share of (profit)/loss of associates | (198) | 70 | (26) | (17) | (5) | (2) | (14) |
| Depreciation | 1,658 | 935 | 728 | 533 | 547 | 90 | 742 |
| **EBITDA** | 1,515 | 1,485 | 862 | 564 | 612 | 110 | 910 |

(5) Net secured interest-bearing liabilities includes the sum of secured interest-bearing current liabilities, secured interest-bearing long-term liabilities and any other secured financial instrument which bears interest, less cash and cash equivalents.

The following data sets forth a reconciliation of net secured interest-bearing liabilities to total secured interest-bearing liabilities on a consolidated basis for the periods indicated:

| | Year Ended December 31, | | | Nine Months Ended September 30, | | Twelve Months Ended September 30, 2014 | |
|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 | | |
| | Unaudited | | | | | Unaudited | |
| | (NOK in millions) | | | | | (Euro in millions)[1] | (NOK in millions) |
| **Total secured interest-bearing liabilities** | 148 | 212 | 183 | 191 | 162 | 20 | 162 |
| Cash and cash equivalents | 1,200 | 1,194 | 1,015 | 820 | 500 | 60 | 500 |
| **Net secured interest-bearing liabilities** | (1,052) | (982) | (832) | (629) | (338) | (41) | (338) |

(6) Net interest-bearing liabilities includes the sum of interest-bearing current liabilities, interest-bearing long-term liabilities and any other financial instrument which bears interest, less (i) cash and cash equivalents and (ii) any gain on fair value hedge (defined as any gain including former gains on terminated fair value hedge (hedge reserve)).

(7) Pro forma data gives effect to the issuance of €290.0 million in principal amount of Senior Secured Notes in this Offering and the application of the proceeds therefrom, assuming 100% of the aggregate principal amount of each series of Existing Notes accepted the Proposed Exchange Offers and Proposed Consent Solicitations, as described in ''*Use of Proceeds*'' and ''*Capitalization*''.

(8) Pro forma net finance costs represents assumed interest expense in respect of the Notes and related issuance costs as well as interest expense in respect of certain of the Parent's existing financing arrangements less the interest expense and related issuance costs in respect of the Existing Notes exchanged in the Proposed Exchange Offers.

(9) For the purposes of this calculation, the net interest-bearing liabilities is not adjusted for amortized cost. As of September 30, 2014, amortized costs amounted to NOK 62 million.

**Publication Paper Operational Data from Continuing Operations**

One of the principal factors affecting our financial results and their comparability across periods is the disposal of businesses. Since January 1, 2011, we have made five disposals of operational and closed mills and our recovered paper operations. As illustrated by the table and discussion under the section ''*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations*'', the comparability of our revenues and EBITDA over the periods indicated were significantly impacted by these disposals, which negatively impacted our Group's consolidated operating revenues and EBITDA.

*Constant Perimeter Financial Information*

Below we present our Constant Perimeter Financial Information which includes the historical operating and financial results of our existing portfolio of mills, Bruck, Golbey, Skogn, Albury, Boyer, Tasman, Walsum and Saugbrugs. The Constant Perimeter Financial Information has neither been audited nor reviewed by our independent auditors and includes information with respect to the production volumes, sales volumes, capacity, operating revenue, EBITDA and capital expenditures of the eight mills we currently operate. The Constant Perimeter Financial Information does not reflect results from our operations recorded as Other Activities in our Consolidated Financial Statements, which would require significant further adjustments and assumptions due to the difficulties in allocating revenues and costs to appropriate assets given the changes to the Group's structure. See ''*Presentation of Financial and Other Information—Constant Perimeter Financial Information*'' for additional details regarding the presentation of these results and their underlying assumptions. These assumptions are based on our historical unaudited management accounts and financial records, and they involve certain assumptions which were not at the time and have not since been reviewed with our auditors during the periods presented for conformity with IFRS reporting standards other than in conjunction with the presentation of our Consolidated Financial Statements. For a review of our historical operating results under IFRS, please see our Consolidated Financial Statements included in these listing particulars beginning on page F-1.

The Constant Perimeter Financial Information is not intended to represent or to be indicative of the consolidated results of operations our currently operational eight mills would have reported had the disposals of our Pisa, Singburi, Bio Bio, Follum, Parenco and Reparco operations occurred on January 1, 2011 and has not been adjusted to reflect any additional costs or revenues that might have resulted therefrom. Some of the factors that could have caused our financial performance to differ materially from that expressed or implied by the Constant Perimeter Financial Information had such disposals occurred on January 1, 2011 include increased expenses (including the need to incur additional materials or staff-related or other costs) due to increased production at our remaining mills during the historical period with an uncertain impact on our operating margin. Use of this financial data may, therefore, give an inaccurate reflection of what our current portfolio's operational results would have been had such disposals occurred on January 1, 2011.

The Constant Perimeter Financial Information is designed to aid comparability of our results across reporting periods. The purpose of such information is to illustrate the historical results of our current portfolio of operational mills as of September 30, 2014 and for the periods indicated. In particular, the table indicates the revenue decreases across our mill operations in each of the periods under review, even after having removed the negative impact of the disposals. The analysis further indicates that operating EBITDA for our current portfolio of mills decreased in each of 2011, 2012 and 2013 and has increased year-over-year with respect to both the twelve months and nine months ended September 30, 2014.

The following table presents the production volumes, sales volumes, revenue, EBITDA and capital expenditures for our operations at our Bruck, Golbey, Skogn, Albury, Boyer, Tasman, Walsum and Saugbrugs mills as reflected in our management accounts and accounting records for the periods indicated:

| | Year Ended December 31, | | | Nine Months Ended September 30, | | Twelve Months Ended September 30, | |
|---|---|---|---|---|---|---|---|
| | 2011[1] | 2012[1] | 2013 | 2013 | 2014 | 2013 | 2014 |
| | (in thousands of tons, except percentages) | | | | | | |
| **Production Volume** | **2,956** | **2,975** | **2,854** | **2,135** | **1,967** | **2,876** | **2,687** |
| Newsprint | 1,986 | 1,904 | 1,801 | 1,348 | 1,251 | 1,819 | 1,704 |
| Magazine Paper | 970 | 1,071 | 1,054 | 787 | 716 | 1,056 | 983 |
| **Sales Volume** | **2,969** | **2,998** | **2,867** | **2,105** | **1,940** | **2,884** | **2,701** |
| Newsprint | 1,988 | 1,923 | 1,814 | 1,326 | 1,230 | 1,821 | 1,719 |
| Magazine Paper | 981 | 1,076 | 1,052 | 780 | 709 | 1,063 | 982 |
| **Capacity** | **3,430** | **3,430** | **3,227** | **2,430** | **2,216** | **3,283** | **3,013** |
| Europe | 2,565 | 2,565 | 2,518 | 1,898 | 1,718 | 2,534 | 2,338 |
| Australasia | 865 | 865 | 709 | 533 | 498 | 749 | 674 |
| **Operating Rate** | **86.2%** | **86.7%** | **88.4%** | **87.8%** | **88.8%** | **87.6%** | **89.2%** |
| | (NOK in millions, except percentages) | | | | | | |
| **Revenue** | **14,159** | **13,533** | **12,500** | **9,051** | **8,904** | **12,400** | **12,353** |
| Change (%) (y-o-y) | **2.4%** | **(4.4)%** | **(7.6)%** | **(11.1)%** | **(1.6)%** | **(11.0)%** | **(0.4)%** |
| **EBITDA** | **1,444** | **1,259** | **814** | **520** | **647** | **751** | **942** |
| EBITDA Margin (%) | **10.2%** | **9.3%** | **6.5%** | **5.7%** | **7.3%** | **6.1%** | **7.6%** |
| **Capital Expenditure** | **402** | **471** | **519** | **344** | **201** | **542** | **375** |
| Operational Capex | 298 | 150 | 151 | 73 | 112 | 101 | 168 |
| Development Capex | 104 | 321 | 368 | 271 | 89 | 441 | 208 |

(1) Our results for 2011 and 2012 do not reflect the results of our sales offices which in each of those years accounted for less than 1% of our Group consolidated EBITDA.

The following table presents the average price per ton of publication paper sold for our operations at our Bruck, Golbey, Skogn, Albury, Boyer, Tasman, Walsum and Saugbrugs mills as reflected in our management accounts for the periods indicated:

| | Year Ended December 31, | | | Nine Months Ended September 30, | | Twelve Months Ended September 30, | |
|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 | 2013 | 2014 |
| | | | | (NOK) | | | |
| **Price per ton** | **4,623** | **4,435** | **4,251** | **4,206** | **4,420** | **4,213** | **4,408** |
| Newsprint | 4,378 | 4,259 | 4,018 | 3,988 | — | 4,006 | — |
| Magazine Paper | 5,120 | 4,746 | 4,656 | 4,577 | — | 4,569 | — |

# RISK FACTORS

*In addition to the other information contained in these listing particulars, you should carefully consider the following risk factors in evaluating an investment in the Notes and the Guarantees. Any of the risks described below, or additional risks not currently known to us or that we currently deem immaterial, could have a significant or material adverse effect on our business, financial condition, results of operations or prospects and result in a corresponding decline in the market price of the Notes. You could lose all or a substantial part of your investment.*

*These listing particulars also contain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks described below and elsewhere in these listing particulars. See ''Disclosure Regarding Forward-Looking Statements''.*

## Risks Related to Our Business and Our Industry

***We have a history of losses, and we may not be profitable or generate sufficient cash flow to meet our liquidity needs in the future.***

We have had a history of losses. For the years ended December 31, 2013, 2012 and 2011, we generated net losses of NOK 1,844 million, NOK 2,781 million and NOK 2,545 million, respectively. In addition, in recent periods, our operating cash flows and available capital resources have not been sufficient to meet our liquidity needs, including working capital, capital expenditures and debt service requirements. For the year ended December 31, 2013 and the nine months ended September 30, 2014, our net cash flow from operating activities was NOK 68 million and NOK (224) million, respectively. A failure to become profitable or to generate sufficient operating cash flow to meet our liquidity needs could adversely affect our ability to sustain operations, obtain additional funding, meet our debt service obligations, including with respect to the Notes, or continue as a going concern.

During recent years, we experienced weaker demand for our products due to depressed economic conditions, decreased circulation levels of newspapers and magazines and other trends in end-user preferences, which adversely impacted our results of operations and liquidity. Our future liquidity could be negatively impacted by many factors including, but not limited to, continued overcapacity in the paper industry, decreased prices for our finished products, reduced demand for publication paper, increased prices for raw materials, exchange rate fluctuations or other factors. If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to reduce or delay our business activities and capital expenditures, sell assets, obtain additional financing, restructure or refinance all or a portion of our indebtedness on or before maturity, including the Notes, or forego opportunities such as acquisitions of other businesses.

The availability, timing and terms of any alternative sources of liquidity will likely depend upon our financial condition and prevailing conditions in the financial markets. We cannot assure you that any future financing will be available to us at any given time or as to the reasonableness of the terms on which any future financing may be available. We cannot assure you that our current expectations of cash flow from operations (which will depend on numerous future factors and conditions, many of which are beyond our control) will be accurate. Such cash flow projections are merely estimates of future events and actual events will probably vary from current estimates, possibly materially.

***The publication paper industry has undergone significant fundamental changes in the last decade. This has resulted in periods of substantial overcapacity and intense competition among paper manufacturers, principally associated with declining demand in certain markets for publication paper, especially newsprint, which is likely to continue.***

Demand for our products is influenced by global economic trends, demographic trends, circulation levels of newspapers and magazines, technological developments, trends in end-user preferences and inventory levels maintained by our customers.

The rise of the internet and other electronic media, including as a replacement for print-based advertising, has fundamentally changed the market environment for our products and has resulted in a decline in demand in certain markets for publication paper. The decrease in demand for publication paper is structural, rather than cyclical, and we expect this trend to continue in the future. In particular, levels of demand for newsprint in certain historically significant markets, such as Europe, Australasia

and the United States, have declined and are likely to continue to decline. Newspaper and magazine publishers have developed electronic platforms and channels as supplements to their printed versions and significant advertising volumes have moved from printed to electronic media. These trends have had, and are likely to continue to have in the years to come, an adverse effect on the circulation levels of traditional print media and consequently on consumption of publication paper.

In the 1990s, we and many of our competitors made significant investments in Europe to increase production capacity. In the last decade, large amounts of new capacity have been built in Asia, especially in China, to cover the expected demand growth in that region. This has reduced the need for imports from North America and Europe. In the same period, the demand for newsprint has declined significantly in North America, and to some extent in Europe, due to the reasons mentioned above, which has led to excess capacity in both these regions.

Imbalance between production capacity and demand remains our and the industry's largest challenge, as this imbalance has contributed to significant downward pressure on selling prices for our products. While we are a significant participant in most of the markets in which we compete, neither our actions nor those of any one industry participant have more than a small influence on changes in product prices. According to PPPC, in 2013 global declines in capacity matched or exceeded the declines in global demand. Despite recent industry-wide efforts to consolidate, however, overcapacity is likely to continue to have an effect in the future. Any decline in demand and corresponding excess capacity could materially and adversely affect our business, results of operations and financial condition.

***We have a substantial amount of indebtedness maturing in 2015, 2016 and 2017 and we may not have adequate liquidity to satisfy our debt obligations as they become due.***

As of September 30, 2014, without giving pro forma effect to the Transactions, we had total interest-bearing liabilities of NOK 7,604 billion, including U.S.$158.2 million (NOK 1,021 million) of 2015 Notes, €129.6 million (NOK 1,052 million) of 2016 Notes and €388.5 million (NOK 3,154 million) of 2017 Notes. While we intend to use the proceeds of this Offering to address our near to medium-term maturities, we do not expect that the proceeds of this Offering, together with our anticipated cash flow from operations and other capital resources, will be sufficient to satisfy our debt obligations as they become due in 2015, 2016 and 2017. Our ability to satisfy these obligations will depend, in part, on the successful completion of the Proposed Exchange Offers and the Proposed Consent Solicitations, or one or more alternative transactions. The completion of this Offering is not contingent upon the completion of the Proposed Exchange Offers or the Proposed Consent Solicitations or any other transaction; however, if we do not receive the requisite consents for each series of the Parent's Existing Notes in the Proposed Consent Solicitations, or if sufficient consents are received for all series of Existing Notes but less than holders of a majority in principal amount of each series of Existing Notes tenders their Existing Notes in the Proposed Exchange Offers (unless the requirement for a majority in principal amount to exchange is waived by Norske Skog AS), the maximum amount of Senior Secured Notes to be issued in the Exchange for Temporary Notes will be €179.0 million.

There is no minimum tender condition for any series of Existing Notes in the Proposed Exchange Offers. If the Proposed Exchange Offers and Proposed Consent Solicitations are not completed, we intend to use the proceeds from this Offering to address a portion of the maturities of the Parent's Existing Notes in one or more alternative transactions. There can be no assurance that the Proposed Exchange Offers and Proposed Consent Solicitations will be completed, or as to the aggregate principal amount of each series of Existing Notes that will be exchanged for Exchange Notes.

While this Offering and the Proposed Exchange Offers and Proposed Consent Solicitations (if completed) may extend the maturities of a significant portion of our indebtedness, such transactions may also result in significantly higher interest costs. Moreover, even after the completion of the Proposed Exchange Offers, we may still have significant debt repayment obligations due in 2015, 2016 and 2017.

The Indenture governing the Notes and the indenture that will govern the Exchange Notes will impose significant limitations on our ability to refinance any of the unsecured debt securities that remain outstanding, including with respect to the grant of guarantees or security for any refinancing debt. In addition, if we do not have adequate liquidity to satisfy our debt obligations as they become due, there is an increased risk that the Guarantees and the Security Interests granted in favor of the Senior Secured Noteholders will be subject to claims that they should be limited, subordinated or set aside. See "*—Fraudulent conveyance laws and other limitations on the enforceability and the amount of the Guarantees and the Security Interests may adversely affect their validity and enforceability*".

***Even if we successfully consummate the Proposed Exchange Offers and Proposed Consent Solicitations or an alternative liability management transaction, our remaining indebtedness may impair our financial condition and our ability to grow and compete, and we may incur additional debt.***

We have a substantial amount of indebtedness. As of September 30, 2014, without giving pro forma effect to the Transactions, we had total interest-bearing liabilities of NOK 7,604 billion. Our high leverage has important consequences for our financial condition, including:

- requiring a substantial portion of our cash flow from operations for the payment of principal and interest on our debt and reducing our ability to use our cash flow to fund working capital, capital expenditures, the execution of our business strategy, acquisitions, operations and general corporate requirements;
- making it more difficult to refinance our obligations as they come due;
- increasing our vulnerability to general adverse economic, competitive and industry conditions;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, the execution of our business strategy, acquisitions, operations and other general corporate requirements;
- limiting our ability to make strategic acquisitions or causing us to make divestitures;
- limiting our ability to retain key employees or attract new employees;
- limiting our ability to retain and attract customers;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- limiting our ability to receive trade credit from our suppliers or otherwise placing us at a competitive disadvantage to other less-leveraged competitors.

The indenture and fiscal agency agreements governing the Parent's Existing Notes contain, and the indentures governing the Notes and the Exchange Notes will contain, certain restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could cause an acceleration of all of our debts.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future pursuant to the terms of the instruments governing our debt securities. If new indebtedness is added to our and our subsidiaries' current debt levels, the related risks that we and they now face could intensify.

***We will require a significant amount of cash to service our indebtedness, including the Notes, fund working capital and make planned capital expenditures.***

Our ability to make payments on and to refinance our indebtedness, including the Notes, and to fund working capital and planned capital expenditures will depend on our ability to generate cash flow in the future and our ability to borrow under our other lending facilities, to the extent of available borrowings. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If adverse regional and national economic conditions persist, worsen or fail to improve significantly, we could experience decreased revenues from our operations attributable to decreases in wholesale and consumer spending levels and could fail to generate sufficient cash to fund our liquidity needs or fail to satisfy the restrictive covenants and borrowing limitations that we are subject to under our indebtedness.

If our future cash flows and other capital resources (including availability under our factoring and securitization facilities) are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our capital expenditures;
- close or curtail operations at our mills and further reduce our sales and overhead staffs;
- dispose of assets;
- obtain additional debt or equity capital; or
- refinance all or a portion of our debt.

We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us, or otherwise in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. Any failure to generate sufficient cash flow or to access alternative sources of liquidity could have a material adverse effect on our business, results of operations and financial condition.

***The demand for our products is affected by cyclical factors.***

Much of the demand for our products is generated directly or indirectly by advertising, whether by newsprint publishers, printers, direct mail campaigns, magazine publishers or other ultimate end-users of paper. When the economy slows, advertising and promotional expenditures are generally reduced and our customers' demand for our products declines. These factors are beyond our control and we are therefore vulnerable to declines in economic conditions, such as during the recent global economic downturn.

***Prices for our finished products may fluctuate significantly.***

The markets for publication paper products such as newsprint and magazine paper are highly cyclical and have historically experienced significant price volatility. Because publication paper is a commodity-like product, there are generally few distinguishing qualities from producer to producer. This has resulted in strong price competition for our products, with price determined by supply relative to demand. Levels of supply and demand may differ between products and geographic regions.

Supply of publication paper is principally affected by production and capacity levels. In recent years, there has been significant excess capacity in the market, which resulted from fundamental changes that have taken place in our industry. In response to this, in common with other industry participants, we have reduced industry capacity through the idling and closure of paper machines and mills. However, to avoid the idling or closing of mills, some producers may choose to continue to operate at a loss for a period of time, which could prolong weak pricing environments due to over-supply in the industry as a whole. Therefore, despite capacity reductions, there is a risk that supply will continue to exceed demand, which may cause prices to fall and change the pattern of imports and exports between regions. Excess capacity can exacerbate price decreases in periods of declining demand and can delay price increases that would otherwise result from any future increase in demand.

Demand for publication paper fluctuates and is affected by general economic conditions and increased use of the internet and other electronic media, each of which impact end-user demand for publication paper as described above. In light of the potential for further structural decline in demand resulting from, for example, ever greater usage of the internet to deliver media content, we may not be able to increase or even maintain current price levels for our products.

Like other paper companies, we have limited influence over the timing and extent of price changes for our products, which are influenced by many factors outside our control and can often be volatile. In addition, despite our cost control initiatives, fixed costs continue to comprise a significant proportion of our cost structure. Therefore, we have only very limited scope to further reduce our fixed costs in response to downward pressure on selling prices for our products. Any further significant downturn in the price levels for our products would have a material adverse effect on our business, results of operations and financial condition.

***Prices for our raw materials are volatile and there can be no assurances that we will be able to obtain our raw materials, in particular energy, wood and recovered paper, at prices that will enable us to sell our products profitably, or at all.***

The main raw materials used by us in the production of our products are energy, wood and recovered paper, which accounted for 21%, 13% and 9%, respectively, of our total operating expenses for the year ended December 31, 2013. Since 2011, our results of operations have been negatively affected by an increase in the costs (on the basis of costs per ton of publication paper) for each of these inputs.

Our global manufacturing operations utilize electricity, geothermal energy, natural gas and the burning of waste wood for which we generally rely on third-party suppliers. As a result, we are susceptible to price volatility, in particular in energy and recovered paper prices. In addition, we may from time to time be subject to unpredictable supplies of our raw materials, and no assurance can be given that we would be able to source alternative supplies of raw materials in a timely or cost-effective manner or at all. In the year ended December 31, 2013, purchased electricity accounted for 53% of our energy expenses. Our

contracts with energy suppliers can vary as to price, quantity and duration. Our energy costs are also affected by various market factors, including supply and demand balance, fuel prices and local and national regulatory decisions.

While we have long-term contracts in place for a portion of our wood needs, there can be no assurance that we will have sufficient supplies of wood, recovered paper or other raw materials for all of our production needs, or that prices will remain at levels that will enable us to sell our finished products profitably, or at all.

Unlike many of our competitors, we are not vertically integrated. Our competitors that have greater degrees of vertical integration may have more secure access to, and better control of the cost of, raw materials. Producers with a greater degree of vertical integration may therefore have a competitive advantage over us. This is particularly significant in our magazine segment, as the manufacturing process is primarily based on the use of wood fiber and chemical pulp, each of which is particularly susceptible to significant price volatility.

The price for our products is determined primarily based on demand and we may therefore be unable, in the short term or at all, to pass on to our customers any increases in the cost of our raw materials. Any sustained increase in the cost of energy, wood or recovered paper prices would reduce our gross profit margins, which would have a material adverse effect on our business, financial condition and results of operations.

***Industry consolidation in Europe constitutes a key element of our business strategy. Failure to consummate consolidation transactions or to implement any of our business strategies successfully or unexpected developments in the publication paper industry could materially adversely affect our business and results of operations.***

We may be unable to implement our strategies or achieve the anticipated results of such strategies. Our strategies are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In particular, we believe industry consolidation in Europe is necessary in order to better align capacity with demand and we are actively seeking to achieve this through acquisitions, alliances and/or strategic partnerships with other industry participants. The success of this strategy depends on numerous factors, such as the participation of our competitors in such industry consolidation, our financial resources and those of our competitors, our ability to obtain adequate financing on acceptable terms, our ability to successfully evaluate and consummate any such consolidation transactions, the impact on our financial condition of any additional debt incurred in connection with any such consolidation transactions and the realization of the expected benefits of any such consolidation transactions when expected or to the extent anticipated. In addition, our strategy has been developed based on our predictions and assumptions as to future developments in the publication paper industry, which judgments are based on the experience of our management team. If we are unable to implement our key business strategies, or if the publication paper industry develops in a manner that we have not anticipated, it may have a material adverse effect on our business, results of operations and financial condition.

***We may not recognize the expected benefits of planned or completed investments or operational changes.***

As part of our ongoing operations, we regularly invest in new operations or adopt new operating policies intended to reduce costs or increase operating margins; however, there can be no assurance that such investments or operations will generate such intended benefits. For example, in 2012 we completed the construction of a geothermal power plant at our Tasman mill in New Zealand with the intention of reducing the cost of electricity for the site's operations and selling excess energy in local markets. As a result of declines in the cost of energy in New Zealand in 2012 and 2013, the spot price of electricity fell below those expected when the investment in the geothermal plant was approved and subsequent sales of excess energy from the geothermal plant's operations have been below initially budgeted expectations. Similarly, in the first quarter of 2014, we completed the conversion of one of our Boyer mill's two newsprint machines to magazine paper production. During the first half of 2014, the converted magazine paper machine did not reach the intended productivity levels expected under the project's anticipated timeline. Any future investments in capital expenditures, entry into joint ventures and/or adoption of new operating procedures may not generate the intended benefits and the failure to realize such benefits may have a material negative effect on the results of our operations.

***Our business and results of operations are affected by many general economic factors.***

Our business and results of operations are affected by many general economic factors, including the level of economic activity in the markets in which we operate. We are particularly vulnerable to economic conditions in Europe as our European segment operations represented 75.2% of our operating revenue for the nine months ended September 30, 2014. Despite our higher EBITDA during the nine months ended September 30, 2014 (which included the opening of our first magazine paper operations at our Boyer mill in Australia) as compared to the same period in 2013, if economic conditions in the markets in which we operate worsen, our financial condition and results of operations could be materially adversely affected in 2015 and beyond.

***The markets for publication paper products are highly competitive, and some of our competitors have advantages that may adversely affect our ability to compete with them.***

We compete against a large number of publication paper producers located around the world. Some of these companies benefit from vertical integration, product diversity, greater financial resources or economies of scale, or operate mills that are lower-cost producers of paper products than our mills, making them less vulnerable to adverse fluctuations in any one sector than we are. Furthermore, our competitors may be better positioned financially or operationally than we are to take advantage of consolidation opportunities which may arise, and there can be no assurances that a failure to take advantage of such opportunities on our behalf would not make us less competitive.

In order to remain competitive, we must also respond to changes in consumer preferences. For example, paper companies have historically responded to changes in consumer preferences by improving existing or developing new paper qualities, such as paper with increased recovered paper content, increased brightness or lower basis weight, and by increasing production of higher margin light-weight coated and super-calendared magazine paper. A failure to respond to such changes in consumer preferences could cause us to become less competitive.

Increased competition could result in a loss of market share, increased expenditures or reduced prices, any of which could have a material adverse effect on our results of operations. In addition, competitive market conditions may result in an inability to increase the selling prices of our products sufficiently or in time to offset the effects of increased costs without losing market share and aggressive pricing by competitors may force us to decrease prices in an attempt to maintain market share. In addition, our competitors may have a greater ability to reduce the price of their products, whether as a result of lower costs of production, greater economies of scale, greater financial resources or otherwise, which would further affect our ability to compete. Our business is concentrated in certain geographic regions and along product lines. Changes that would affect our key markets and/or products may have a disproportionate impact on our business relative to competitors that are more vertically-integrated and have greater geographic and product diversification.

An inability to remain competitive could have a material adverse effect on our business, results of operations and financial condition.

***Our manufacturing operations are subject to operational risks.***

The production of paper involves a significant degree of uncertainty and risk, both in terms of operational performance and costs. The effect of this degree of uncertainty and risk on our operations can be difficult to predict and is often influenced by factors outside our control. Our operations are subject to hazards and risks normally associated with industrial activity and exploitation of natural resources, such as:

- scarcity of natural resources required for production, such as wood and water;
- environmental hazards, including the discharge of pollutants or hazardous chemicals;
- requirements as to environmental remediation and the costs associated with decommissioning of machines or mills that we temporarily idle or permanently close;
- industrial accidents, electricity stoppages and equipment or asset failures;
- labor disputes;
- difficulty or delays in obtaining necessary permits and authorizations (e.g. environmental, land use and fire safety permits); and

- seismic activity and the impact of natural disasters, including earthquakes, droughts, floods and/or extreme weather conditions which may prevent access to our cold-weather ports.

The occurrence of such events may result in the death of, or personal injury to, mill workers, the loss of production equipment, damage to production facilities, the closure of mills, monetary losses, delays and unanticipated fluctuations in production, environmental damage, administrative fines, increased insurance costs and potential legal liabilities. For example, in February 2011, a fire at the pulp production system supplying our Saugbrugs mill in Norway caused extensive damage to the electrical cable system, forcing us to stop all operations of three paper machines, delaying the return to normal production levels until January 2012. The occurrence of such events in the future could have a material adverse effect on our business, results of operations or financial condition.

***We are subject to a wide variety of environmental laws and regulations, which may require us to make substantial expenditures or cause us to incur significant liabilities.***

We operate in an industry that is subject to extensive environmental regulation, which has become more stringent over time. We are subject to a wide variety of environmental laws and regulations in the jurisdictions in which we operate, governing, among other things, water use, air emissions, wood procurement, use of recycled materials, energy sources, the storage, handling, treatment, transportation and disposal of hazardous materials, the operation of our mills (including the noise impact of our operations), the protection of the environment, wildlife and natural resources and the remediation of environmental contamination. Our operations require us to obtain and comply with the terms and conditions of multiple environmental permits, many of which are difficult and costly to obtain and could be subject to legal challenge. Compliance with such laws and regulations at an international, regional, national, provincial and local level is an important aspect of our ability to continue our operations.

The risk of substantial environmental costs and liabilities is inherent in industrial operations, including the publication paper industry. Our failure to comply with applicable environmental laws, regulations or permit requirements may result in civil or criminal fines, penalties or enforcement actions. These may include regulatory or judicial orders curtailing our operations or requiring corrective or remedial measures, such as the installation of pollution control equipment, any of which could require us to make substantial expenditures or cause us to incur significant liabilities or curtail certain of our manufacturing operations.

Further, the adoption of increasingly strict environmental laws, regulations and enforcement policies, particularly those relating to air quality and water quality laws and standards related to climate change issues, such as reporting of greenhouse gas emissions, has resulted in the past, and could result in the future, in substantially increased compliance costs and liabilities. For example, if laws are introduced that require us to change, or impose other requirements in relation to, the sources of energy we currently use, it may result in a material increase in our operating expenses and require us to make significant capital expenditures aimed at ensuring compliance with such laws, regulations and policies. In addition, we cannot guarantee that we will not incur significant additional environmental costs and liabilities in relation to businesses or assets we may acquire, including liabilities incurred by such business or assets before we acquire them.

It is difficult to predict the future development of such laws and regulations in the jurisdictions in which we operate, or their impact on our future earnings and operations, and such laws and regulations may require capital expenditures to ensure compliance. Increased regulatory, environmental and similar costs and changes to operational requirements could reduce our profit margins and earnings and could have a material adverse impact on our business, results of operations and financial condition.

***Changes in the political or economic conditions in the countries in which we operate, or in which our products are sold, could adversely affect our results of operations and our business decisions.***

We manufacture products in various countries in Europe and Australasia and participate in a joint-venture in Malaysia. We sell products throughout the world. Our operations can, from time to time, attract heightened political scrutiny, as a result, for example, of the environmental impact of the use of wood to make paper. The economic and political climate of each country has a significant impact on our costs and the prices of, and demand for, our products. We conduct a substantial part of our operations in Europe, particularly in Norway and France, and as such, any adverse developments in those countries in particular or Europe in general, such as increases in tariffs or export duties, increases in tax or permit

payments relating to transportation, changes in regulation, scarcity in, or increased prices for, raw materials, a negative political environment or an economic downturn, can affect the cost of manufacturing and distributing our products and can affect the prices of our products and our sales volume. Any of these factors could adversely affect our business, results of operations and financial condition.

***We are exposed to credit and liquidity risks with respect to the receipt and timing of payments from our customers and liquidity risks with respect to the payment terms offered by our suppliers.***

We finance the acquisition of raw materials and the production and delivery of publication paper from working capital, credit lines or other financing sources. While we have implemented receivables financings in Europe and Australasia, our ability to fund our working capital requirements at any time will depend upon our future operating performance, our ability to generate sufficient cash and the receipt and timing of payments from our customers and the payment terms offered by our suppliers.

We face the risk of non-payment by our customers in connection with the sale of our products, particularly in respect of sales to commercial printers who have been particularly affected by the economic downturn and significant decreases in the demand for commercial printing in recent years. A continued weakness in the general economic environment may result in increased payment defaults by our customers and increased losses. As of December 31, 2013, we had NOK 1,303 million of accounts receivable, of which NOK 94 million was over three months past due. For the years ended December 31, 2013, 2012 and 2011, we had charges of NOK 90 million, NOK 80 million and NOK 98 million to our provision for bad debts.

Our financial position has been negatively affected by the global economic downturn, which made financing more difficult to obtain for us and for our customers and suppliers. We may experience irregular or insufficient cash flows that may make it difficult for us to meet our obligations to suppliers and customers in a timely manner or at all. Due to liquidity concerns, suppliers may require payments in advance from us on the purchase of certain raw materials. Delayed payment or non-payment by our customers, or requests for payment in advance by our suppliers, could have a material adverse effect on our cash flow, financial condition and results of operations.

***Exchange rate fluctuations could adversely impact our financial condition and results of operations.***

We are exposed to the impact of exchange rates in several ways which are significant to our financial condition and results of operations. We are exposed to transaction risks as a result of differences in the currency mix of our operating revenue, on the one hand, and our operating costs, on the other hand. For example, the majority of the operating revenue from the sales of publication paper from our Norwegian operations is denominated in Euros and UK pounds sterling, while a significant portion of the operating costs for such operations are denominated in Norwegian kroner. These imbalances have negatively impacted the results of such operations and some of our other operations in recent periods as a result of the relative strength of the Norwegian kroner. We hedge some of this risk by contracting for certain expenses in Euros instead of local currencies, in particular for energy costs; however, we have terminated our currency hedging arrangements and there can be no assurance that our existing contractual arrangements will fully protect us from transactional exchange rate risk or that we will be able to enter into future hedging arrangements on commercially reasonable terms.

We are also subject to translation risk because our Consolidated Financial Statements are presented in Norwegian kroner but only a portion of our revenues, assets and liabilities are located in Norway or denominated in Norwegian kroner. Exchange rate fluctuations could have a significant adverse effect on our income statement and balance sheet when we translate those revenues, assets and liabilities into Norwegian kroner at the exchange rate prevailing on the date of our Consolidated Financial Statements (or, in the case of revenues, at the period average). As of, and for the year ended, December 31, 2013, 28.4% of our revenues and 31.7% of our property, plant and equipment were allocated in Norway.

Additionally, currency fluctuations influence publication paper prices and trade flows and can also affect the relative competitive position of a paper mill, and there is a risk that fluctuations in exchange rates could adversely affect our competitiveness relative to our competitors in different countries. There can be no assurance that exchange rate fluctuations will not have a material adverse effect on our financial condition or results of operations.

***A downgrade in our debt ratings could result in increased interest and other financial expenses related to future borrowings, and could further restrict our access to additional capital or trade credit.***

Standard and Poor's Ratings Services (''**S&P**'') and Moody's Investors Service (''**Moody's**'') maintain credit ratings for us. Each of these ratings is currently below investment grade. On January 22, 2015, S&P downgraded our corporate credit rating and placed it on a negative watch, while Moody's downgraded our Probability of Default Rating (leaving our corporate credit rating unchanged). Any decision by these or other ratings agencies to downgrade such ratings in the future could result in increased interest and other financial expenses relating to our future borrowings, and could restrict our ability to obtain financing on satisfactory terms. In addition, any further downgrade could restrict our access to, and negatively impact the terms of, trade credit extended by our suppliers of raw materials.

***Our Australasian business is dependent on a limited number of customers, the loss of any one of which could have an adverse effect on our business, financial condition or results of operations.***

In Australasia, which contributed 24.9% of our operating revenue and 31.8% of our gross operating earnings for the nine months ended September 30, 2014, we derive most of our revenues from only a few customers. While we currently have long-term contracts in place with these customers, contracts will fall due for renewal in 2020. If we or the customers do not perform our respective obligations under such contracts, or if we lose any one of these customers without finding alternative sources of demand, our business reputation in the region would be significantly degraded. In such a situation, we may find it difficult to attract new customers or retain those customers with which we currently have relationships. Additionally, both our customers and our suppliers of raw materials may demand more restrictive terms or shorter contract durations in their contracts with our Australasian businesses. Any of these results, singularly or in aggregate, could have a material adverse effect on our business, financial condition or results of operations.

***The value of our energy contracts, and consequently our results of operations, may fluctuate significantly.***

We have entered into long-term energy supply contracts in most countries. In the event that the amount of energy we require for our operations in those geographies is less than that contracted for (for example, due to capacity reductions), we may resell the excess energy on the market and we may, from time to time, amend or sell our rights and obligations under such energy contracts. Under IFRS, the entire value of energy contracts that provide for excess supply must be valued at fair value. Contracts for energy that are for our own use do not have to be valued at fair value, but if they include embedded derivatives, the imbedded derivatives must be valued at fair value. Fair value is calculated as the present value of cash flows over the life of the contract. Changes in fair value are recorded as income or expense, as applicable, in our income statement. Since the fair value is based on market expectations for energy prices and currency exchange rates, interest rates, price indices and the discount rate used, additional volatility is introduced in our results. Due to volatility in the market price of energy and certain other relevant parameters, it is impossible to predict what the impact will be on our results of operations or financial condition from quarter to quarter. Accordingly, we cannot assure you that fluctuations in the value of our energy contracts will not have a material adverse effect on our business, results of operations and financial condition.

***We depend on third parties for certain transportation services.***

We rely primarily on third parties for transportation of our products to our customers and transportation of our raw materials to us, in particular by truck and train. If any third-party transportation provider fails to deliver our products in a timely manner, we may be unable to sell them at full value. Similarly, if any transportation provider fails to deliver raw materials to us in a timely manner, we may be unable to manufacture our products on a timely basis. Shipments of products and raw materials may be delayed due to weather conditions, strikes or other events. Any failure of a third-party transportation provider to deliver raw materials or products in a timely manner could harm our reputation, negatively impact our customer relationships and have a material adverse effect on our business, financial condition and results of operations. In addition, our ability to deliver our products on a timely basis could be adversely affected by the lack of adequate availability of transportation services, especially rail capacity, whether because of work stoppages or otherwise. Furthermore, increases in the cost of our transportation

services, including as a result of rising fuel costs, could have a material adverse effect on our business, results of operations and financial condition.

***Rising postal costs could weaken demand for our paper products.***

A significant portion of paper is used in magazines, catalogs and other promotional mailings. Many of these materials are distributed through the mail. Future increases in the cost of postage could reduce the frequency of mailings, reduce the number of pages in magazine and advertising materials and/or cause catalogue and magazine publishers to use alternate methods to distribute their materials. Any of the foregoing could decrease the demand for our products, which could have a material adverse effect on our business, results of operation and financial condition.

***Our business could be adversely affected if we are unable to attract and retain appropriately skilled employees.***

Our future success depends on our ability to continue to attract and retain appropriately skilled employees for the operation and development of our business. This challenge is particularly acute as we are operating in a mature and declining industry. Any failure to retain and attract key members of our senior management team or other key personnel could have a material adverse effect on our business, results of operations and financial condition.

***Labor disputes may cause work stoppages, strikes and disruptions.***

We continually evaluate the cost efficiency of our mills, and we may make selective closures of our less efficient mills as part of a reduction in our aggregate capacity serving regions where we anticipate limited future growth. We have in the past implemented, and may again in the future implement, changes and restructuring measures, including mill and machine shutdowns, divestitures (such as Norske Skog Korea and Norske Skog Steti in the Czech Republic) and workforce reductions in order to decrease production costs, improve efficiency at our production facilities, exploit synergies and cope with the demands of a changing market. Substantially all of our employees involved in production are members of labor unions, and these measures or other reasons could result in labor disputes, strikes or disruptions which could, in turn, have an adverse effect on our business, results of operations and financial condition.

***Post-retirement plan obligations may affect our financial condition.***

We maintain defined benefit pension plans and other post-retirement benefit plans for certain retired employees. As of December 31, 2013 and 2012, our net pension obligations (net unfunded pension plans less net partly or fully funded pension plans) were NOK 692 million and NOK 618 million, respectively. Funding requirements for these plans are dependent on various factors, including interest rates, asset returns, regulatory requirements for funding purposes and changes to plan benefits. In 2014, we are required to contribute approximately NOK 32 million towards the underfunded liability of the defined benefit pension plans. Although we expect to continue to make contributions to fund post-retirement plan obligations and to meet legal funding obligations for the defined benefit pension plan, no assurance can be made that the underfunded liability under these plans will not be materially adverse to us in the future.

***The availability and cost of insurance cover can vary considerably from year to year as a result of events beyond our control, and this can result in our paying higher premiums and periodically being unable to maintain the levels or types of insurance carried.***

Although the insurance market has been stable for the last several years, it remains cyclical and catastrophic events can change the state of the insurance market, leading to sudden and unexpected increases in premiums and deductibles and unavailability of coverage due to reasons unrelated to our business. We have in the past experienced catastrophic events such as the fire at our Saugbrugs mill in February 2011, and if similar events were to occur in the future, such incidents could, along with other factors, cause our insurance premiums to increase or our insurance policies to be modified. For example, following the fire at our Saugbrugs mill in February 2011, our insurance policy was modified and we are now only covered for business interruptions lasting 11 days or more and up to 18 months. In addition, turmoil and volatility in the global financial markets may adversely affect the insurance market, which could result in some of the insurers in our insurance portfolio being unable to pay their share of claims. We are unable to assure you that actual losses will not exceed our insurance coverage or that such excess will not be material.

***We are, and may in the future be, a party to legal or regulatory proceedings, investigations and claims which could have a material adverse effect on our business, results of operations and financial condition.***

We are, and may in the future be, a party to legal or regulatory proceedings, investigations and claims arising out of the conduct of our business. The industry in which we operate has been, and may in the future continue to be, subject to heightened scrutiny in relation to environmental matters and the market in which we operate, which increases the likelihood that we are subject to legal proceedings and investigations. Any claims asserted against us may harm our reputation, regardless of their merit or eventual outcome. Should the ultimate judgments or settlements in any legal proceedings exceed our insurance coverage, or if the conclusions of any legal proceedings or investigations impose requirements in relation to our business, this could have a material adverse effect on our business, financial condition and results of operations.

***The Constant Perimeter Financial Information included in these listing particulars has been compiled from non-IFRS financial data based on certain assumptions, adjustments and estimates made by our management and is unaudited and unreviewed by our auditors.***

These listing particulars present our Constant Perimeter Financial Information which includes the historic operating financial results of our existing portfolio of mills, Bruck, Golbey, Skogn, Albury, Boyer, Tasman, Walsum and Saugbrugs. The Constant Perimeter Financial Information has neither been audited nor reviewed by our independent auditors and includes information with respect to the production volumes, sales volumes, capacity, operating revenue, EBITDA and capital expenditures of the eight mills we currently operate. The Constant Perimeter Financial Information does not reflect the results of our operations classified as Other activities in our Consolidated Financial Statements, which would require significant assumptions regarding the allocation of revenues and costs on a constant perimeter basis due to historic changes in the Group's structure. See ''*Presentation of Financial and Other Information—Constant Perimeter Financial Information*'' and ''*Summary—Summary Consolidated Financial and Other Information*'' for additional details regarding the presentation of these results and their underlying assumptions. These assumptions are based on our historical unaudited management accounts and financial records, and they involve certain assumptions which were not at not at the time and have not since been reviewed with our auditors during the periods presented for conformity with IFRS reporting standards other than in conjunction with the presentation of our Consolidated Financial Statements. For a review of our historical operating results under IFRS, please see the Consolidated Financial Statements included in these listing particulars beginning on page F-1.

The Constant Perimeter Financial Information is not intended to represent or to be indicative of the consolidated results of operations that our currently operational eight mills would have reported had the disposals of our Pisa, Singburi, Bio Bio, Follum, Parenco and Reparco operations occurred on January 1, 2011 and has not been adjusted to reflect any additional costs or revenues that might have resulted therefrom. Some of the factors that could have caused our financial performance to differ materially from that expressed or implied by the Constant Perimeter Financial Information had such disposals occurred on January 1, 2011 include increased expenses (including the need to incur additional materials or staff-related or other costs) due to increased production at our remaining mills during the historical period with an uncertain impact on our operating margin. Use of this financial data may, therefore, give an inaccurate reflection of what our current portfolio's operational results would have been had such disposal's occurred on January 1, 2011.

**Risks Related to the Notes and the Guarantees**

***To service the Notes and our other indebtedness, we will require a significant amount of cash, and our ability to generate cash will depend on many factors beyond our control.***

Our ability to make payments on the Notes and our other indebtedness, refinance our indebtedness and fund planned capital expenditures and working capital requirements will partly depend on our ability to generate cash in the future. This ability is, to a certain extent, subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. See ''*—Risks Related to Our Business and Our Industry*''.

We cannot assure you that we will generate sufficient cash flow from operations, that we will realize anticipated operating improvements on schedule or that future borrowings will be available to us in an amount sufficient to enable us to service and repay the Notes and our other indebtedness or to fund our

other liquidity needs. If we are unable to satisfy our debt obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our indebtedness, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We cannot assure you that any refinancing, debt restructuring or additional financing would be possible, that any assets could be sold or that, if sold, the timing of the sales and the amount of proceeds realized from those sales would be sufficient to generate sufficient cash flows, or that additional financing could be obtained on acceptable terms.

***If we default under our debt covenants, we may not be able to meet our payment obligations.***

The indenture and the fiscal agency agreements governing the Parent's Existing Notes contain, and the indentures governing the Notes and the Exchange Notes will contain, a number of significant covenants that restrict our corporate activities, including our ability to:

- incur additional debt;
- make restricted payments, including dividends or other distributions;
- create liens;
- sell assets;
- in the case of our restricted subsidiaries, enter into arrangements that restrict dividends or other payments to us;
- engage in transactions with affiliates;
- create unrestricted subsidiaries; and
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

Our ability to comply with these covenants and restrictions may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, this would also result in an event of default under the Notes, Existing Notes and Exchange Notes. If the Existing Notes, the Notes or any other material financing arrangement that we enter into were to be accelerated, our assets may be insufficient to repay in full the Notes and our other debt.

***If the Parent, Norske Treindustrier AS, the Exchange Notes Issuer or the Issuer's subsidiaries are unable to make distributions and other payments to the Issuer, the Issuer may be unable to pay amounts due on the Notes.***

The Notes are obligations of the Issuer and the Senior Secured Notes are guaranteed by the Guarantors only, and not by any of our other subsidiaries. The Issuer is a holding company that does not directly conduct any business operations. The Issuer's only assets are the capital stock of its subsidiaries, many of which are themselves holding companies. Because the Issuer's operations are conducted solely by its subsidiaries, the Issuer expects to obtain the funds required to make payments of principal or interest on the Notes through cash dividends, distributions or other transfers from its subsidiaries and/or payments to the Issuer by the Parent, Norske Treindustrier AS and/or the Exchange Notes Issuer of funds received by the Parent through the Group's intracompany financing arrangements. Therefore, the Issuer's ability to make payments of principal or interest on the Notes will be contingent upon the Issuer's subsidiaries generating sufficient cash, or the availability of cash under the Parent's cash pooling facility and from other intracompany funding arrangements, or from other payments, to make payments to the Issuer. The Parent, Norske Treindustrier AS, the Exchange Notes Issuer and the Issuer's subsidiaries may not be able to make distributions to the Issuer. Moreover, because some of the Guarantors are holding companies, the ability of such Guarantors to make payments on their Guarantees will be dependent on similar factors. The terms of certain of our outstanding debt and the indentures governing the Notes contain or will contain a number of significant covenants that restrict the Issuer's ability, and the ability of its subsidiaries to, among other things, pay dividends or make other distributions, make capital expenditures, incur additional debt and grant guarantees. In addition, any payment of interest, dividends, distributions, loans or advances by the Parent, Norske Treindustrier AS, the Exchange Notes Issuer or the Issuer's subsidiaries to the Issuer could be subject to restrictions on

dividends or repatriation of earnings under applicable local law, monetary transfer restrictions and foreign currency exchange regulations in the jurisdictions in which the subsidiaries operate.

Our subsidiaries are separate and distinct legal entities and those of our subsidiaries that do not guarantee the Notes have no obligation, contingent or otherwise, to pay any amounts due pursuant to the Notes or to make any funds available therefor, whether by dividends, loans, distributions or other payments, and do not guarantee the payment of interest on, or principal of, the Notes. The Notes are not guaranteed by any of the subsidiaries that comprise the German publication paper production business at our Walsum mill site. Any right that the Issuer or the Guarantors have to receive any assets of any of our operating subsidiaries upon the liquidation or reorganization of those subsidiaries that do not guarantee the Notes, and the consequent right of holders of Notes to realize proceeds from the sale of their assets, may be effectively subordinated to the claims of such subsidiaries creditors, including trade creditors and holders of debt issued by such subsidiaries.

***The Guarantees by the Subsidiary Guarantors are subordinated to our existing and future senior debt and the Exchange Notes are subject to restrictions on payment and enforcement.***

The Guarantees by the Subsidiary Guarantors are unsecured senior subordinated obligations of the Subsidiary Guarantors and each is:

- subordinated in right of payment to all existing and future senior indebtedness of that Subsidiary Guarantor (including that Subsidiary Guarantor's obligations under the Senior Secured Notes and certain commercial and financial obligations of a number of Guarantors);
- ranked *pari passu* in right of payment with any existing and future indebtedness (other than senior indebtedness) of that Subsidiary Guarantor that is not subordinated in right of payment to such Guarantee;
- ranked senior in right of payment to any existing and future indebtedness of such Subsidiary Guarantor that is expressly subordinated in right of payment to such Guarantee; and
- effectively subordinated to any existing or future secured indebtedness (including the Senior Secured Notes) or obligation of such Subsidiary Guarantor that is secured by property and assets that do not secure such Guarantee, to the extent of the value of the property and assets securing such indebtedness.

In addition, no enforcement action with respect to the Guarantees (or any future Guarantee of the Exchange Notes, if any) may be taken unless (subject to certain limited exceptions): (i) any enforcement action has been taken with respect to senior debt (provided the Trustee and Holders of the Exchange Notes will be limited to taking the same action); (ii) an insolvency event has occurred in relation to the Issuer; (iii) with respect to any enforcement action on a Subsidiary Guarantor, an insolvency event has occurred with respect to the relevant Subsidiary Guarantor; (iv) there is a default on the Exchange Notes outstanding after a period of 179 days after the date on which the Security Agent or Senior Secured Notes Trustee with respect to senior debt delivers written notice of such default; (v) the expiry of any other standstill period outstanding at the date the standstill period referred to in (iv) above commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy); (vi) a default has occurred resulting from a failure to pay principal on the Exchange Notes at maturity or (vii) the Holders of the Senior Secured Notes have given their consent to the proposed action. See ''*Description of Other Indebtedness—Intercreditor Agreement*''.

Upon any distribution to the creditors of a Subsidiary Guarantor in a liquidation, administration, bankruptcy, moratorium of payments, dissolution or other winding-up of such Subsidiary Guarantor, the Holders of senior debt of such Subsidiary Guarantors will be entitled to be paid in full before any payment may be made with respect to its Guarantee. As a result, Holders of the Exchange Notes may receive less, ratably, than the Holders of senior debt of the Subsidiary Guarantors, including the Holders of the Senior Secured Notes, and may not receive payment in respect of the Guarantees.

A Guarantee will terminate and be released upon, among other things, the sale or other disposition of all or substantially all of the assets of the relevant Guarantor, the designation of such Guarantor as an unrestricted subsidiary, the legal defeasance, covenant defeasance or satisfaction or discharge of the Exchange Notes and in accordance with an enforcement action pursuant to the provisions of the Intercreditor Agreement. See ''*Description of the Exchange Notes—Note Guarantees—Note Guarantees Release*''.

In addition, the Intercreditor Agreement contains significant restrictions with respect to payments of the Exchange Notes, including payments by the Issuer. If there is a payment default under the Senior Secured Notes, or if a senior payment stop notice is issued following an non-payment event of default under the Senior Secured Notes, then payments will not be permitted to be made in respect of the Exchange Notes unless the payment is made by the Issuer and funded directly or indirectly with amounts which have not been received by the Issuer from its subsidiaries.

In some circumstances, for instance where payments were received on the Exchange Notes in breach of the Intercreditor Agreement, Holders would be required to turn over such payments to the Security Agent for redistribution. In addition, although the Holders of the Exchange Notes are generally entitled to enforce their claims against the Issuer pursuant to the terms of the Exchange Notes Indenture, nevertheless the Intercreditor Agreement places limits on enforcement to the extent it would prejudice the enforcement by senior creditors of their security granted by the Issuer. See ''*Description of Other Indebtedness—Intercreditor Agreement*''.

As of September 30, 2014, after giving effect to the Exchange Offers and Consent Solicitations and assuming 100% participation therein, we would have had an aggregate principal amount of outstanding financial liabilities (excluding derivative liabilities) that ranked senior to the Guarantees of €260 million.

***Claims of our secured creditors will have priority with respect to their security over the claims of unsecured creditors, to the extent of the value of the assets securing such indebtedness.***

Claims of our secured creditors have priority with respect to the assets securing their indebtedness over the claims of our unsecured creditors. None of the assets that will secure the Senior Secured Notes will secure the Exchange Notes. Accordingly, each Guarantee will be effectively subordinated to the Guarantors' obligations under the Senior Secured Notes and any other secured indebtedness or obligations of the relevant Guarantor to the extent of the value of such assets. In the event of any foreclosure, dissolution, winding up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any Guarantor that has any such secured indebtedness or obligations, Holders of such secured indebtedness or obligations will have prior claims to the assets of such Guarantor that constitute their collateral. Subject to the limitations referred to under the caption ''—Fraudulent conveyance laws and other limitations on the enforceability and the amount of the Guarantees may adversely affect their validity and enforceability'', the Holders of the Exchange Notes will participate ratably with all Holders of the unsecured indebtedness of each relevant Guarantor (other than indebtedness to which the Guarantees have been expressly subordinated), and, potentially with all of their other general creditors, based upon the respective amounts owed to each Holder or creditor, in the remaining assets of the relevant Guarantor (if any). In the event that any of the secured indebtedness of the relevant Guarantor becomes due or the creditors thereunder proceed against the operating assets that secured such indebtedness, the assets remaining after repayment of that secured indebtedness may not be sufficient to repay all amounts owing in respect of the relevant Guarantee. As a result, Holders of Exchange Notes may receive less, ratably, than Holders of secured indebtedness of the relevant Guarantor and may not receive payment in respect of the Guarantees.

As of September 30, 2014, after giving effect to the Exchange Offers, the Consent Solicitations (assuming 100% participation therein) and the issuance of the Senior Secured Notes, we would have had an aggregate principal amount of €260 million of secured financial liabilities (excluding derivative liabilities) outstanding. We will be permitted to borrow substantial additional indebtedness, including senior debt, in the future, under the terms of the Exchange Notes Indenture.

***Fraudulent conveyance laws and other limitations on the enforceability and the amount of the Guarantees and the Security Interests may adversely affect their validity and enforceability.***

The Issuer's obligations under the Senior Secured Notes will be guaranteed by, and secured on a first-priority basis by certain assets of, the Guarantors and the ordinary shares, common stock or similar common equity interests (other than for directors' qualifying shares and equity interests of a similar nature) in each of the Guarantors (other than the Parent) as well as Norske Skog Walsum GmbH and Lysaker Invest AS. The Senior Secured Notes, the Guarantees and the Security Interests may be subject to claims that they should be limited or subordinated in favor of our existing and future creditors under the laws of their jurisdiction of organization, including Australia, Austria, France, Germany, Norway, New Zealand or other applicable jurisdictions. Enforcement of each Guarantee and any relevant Security Interest will be limited to the extent of the amount which can be guaranteed or secured by a particular

Guarantor without rendering the Guarantee or Security Interest voidable or otherwise ineffective under applicable law. In addition, enforcement of any of the Guarantees and the Security Interest against any Guarantor will be subject to certain defenses available to Guarantors and security providers generally. These laws and defenses include those that relate to fraudulent conveyance or transfer, insolvency, voidable preferences, financial assistance, corporate purpose or benefit, preservation of share capital, thin capitalization and defenses affecting the rights of creditors generally. Moreover, limitations arise under various provisions or principles of corporate law under the laws of certain of the jurisdictions in which the Guarantors are organized which include rules governing capital maintenance under which, among others, the risks associated with a Guarantee on account of a parent company's debt need to be reasonable and economically and operationally justified from the guarantor's or grantor's perspective, as well as thin capitalization and fraudulent transfer principles. If these limitations are not observed, the Guarantees by these Guarantors could be subject to legal challenge. In these jurisdictions, the Guarantees will contain language limiting the amount of debt guaranteed so that applicable local law restrictions will not be violated. No assurance can be given that such limiting language will be accepted by a court of law in the jurisdictions of the relevant Guarantor. Accordingly, if you were to enforce the Guarantees by a Guarantor in one of these jurisdictions, your claims are likely to be limited.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance and similar laws, a court could subordinate or void any Guarantee or the Security Interest provided by such Guarantor if it found that:

- the Guarantee was incurred or the Security Interest was created with actual intent to hinder, delay or defraud creditors or shareholders of the Guarantor;
- the Guarantor did not receive fair consideration or reasonably equivalent value for the Guarantee or Security Interest;
- the Guarantor was insolvent or was rendered insolvent because of the Guarantee or Security Interest; or the Guarantor becomes insolvent within a specified ''hardening period'' following the issue of the Senior Secured Notes;
- the Guarantor was undercapitalized or became undercapitalized because of the Guarantee or Security Interest;
- the Guarantor intended to incur, or believed that it would incur, debts beyond its ability to pay at maturity;
- the Guarantee or the Security Interest was not in the best interests or for the benefit of the Guarantor; or
- the amount paid or payable under the Guarantee or realized from the Security Interest was in excess of the maximum amount permitted by law.

The measure of insolvency for purposes of fraudulent conveyance and similar laws varies depending on the law applied. Generally, however, a Guarantor would be considered insolvent if it could not pay its debts as they became due. In such circumstances, if a court voided such Guarantee or Security Interest, or held it unenforceable, you would cease to have any claim in respect of the Guarantor and would be a creditor solely of the Issuer and the remaining Guarantors. You could also be required to return payments previously received from any such Guarantor. See ''*Limitations on Validity and Enforceability of the Guarantees and the Security Interests*''.

***Enforcement of the Senior Secured Notes and the Security Interests across multiple jurisdictions may be difficult.***

The Senior Secured Notes will be issued by the Issuer, which is incorporated under the laws of Norway, and guaranteed by the Guarantors, which are organized or incorporated under the laws of multiple jurisdictions. In the event of insolvency or a similar event, proceedings could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor. The rights under the Guarantees and the Collateral will thus be subject to the laws of a number of jurisdictions, and it may be difficult to effectively enforce such rights in multiple bankruptcy, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights. In addition, the bankruptcy, insolvency, administration and other laws of the jurisdiction of organization of the Issuer and the Guarantors may be materially different from, or in conflict with, one another, including creditors'

rights, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceeding. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect the ability to enforce the Security Interests and to realize any recovery under the Senior Secured Notes and the Guarantees. See ''*Service of Process and Enforcement of Certain Liabilities*''.

***Although the occurrence of specific change of control events affecting the Parent will permit you to require us to repurchase your Notes, we may not be able to repurchase your Notes.***

Upon the occurrence of specific change of control events affecting the Parent, you will have the right to require us to repurchase your Notes at 101% of their principal amount, plus accrued and unpaid interest. Our ability to repurchase your Notes upon such a change of control event would be limited by our access to funds at the time of the repurchase and the terms of our debt agreements, which agreements could restrict or prohibit such a repurchase. Upon a change of control event, we may be required immediately to repay the outstanding principal, any accrued interest on and any other amounts owed by us under one or more of our credit facilities or offer to repurchase other notes that we have issued. The source of funds for these repayments would be our available cash or cash generated from other sources. However, we cannot assure you that we will have sufficient funds available upon a change of control to make these repayments and any required repurchases of tendered notes. See *''—We have a substantial amount of indebtedness maturing in 2015, 2016 and 2017 and we may not have adequate liquidity to satisfy our debt obligations as they become due''.*

***You may not be able to sell your Notes.***

There is no existing market for the Notes. No application will be made to list the Temporary Notes or admit them for trading on any stock exchange. Although we will apply to list the Senior Secured Notes on the Official List of the Luxembourg Stock Exchange and to have the Senior Secured Notes admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange, we cannot assure you that the Notes will remain listed. The Initial Purchasers of the Notes have informed us that they intend to make a market in the Notes after completing this Offering. However, the Initial Purchasers are not obligated to make a market in the Notes and may cease market making at any time. In addition, changes in the overall market for high yield securities and changes in our financial performance or in the markets where we operate may adversely affect the liquidity of the trading market in these Notes and the market price quoted for these Notes. As a result, we cannot assure you that an active trading market will actually develop for these Notes.

Historically, the markets for non-investment grade debt such as the Notes have been subject to disruptions that have caused substantial volatility in their prices. The market, if any, for the Notes may be subject to similar disruptions. Any disruptions may have an adverse effect on the holders of the Notes.

***The transfer of Notes is restricted.***

The Notes have not been registered under the Securities Act or the securities laws of any jurisdiction and unless so registered, may not be offered or sold except pursuant to an exemption from, or transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See ''*Notice to U.S. Investors*'' and ''*Transfer Restrictions*''.

***The interests of our shareholders may be inconsistent with the interests of holders of the Notes.***

The interests of our various shareholders could conflict with the interests of the holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. Our shareholders could cause us to pursue acquisitions, divestitures, financings, dividend distributions or other transactions (subject to the limitations set forth in the Indenture) that, in their judgment, could enhance their equity investments, although such transactions might involve risks to holders of the Notes. Furthermore, no assurance can be given that our shareholders will not sell all or any part of their respective shareholdings at any time or that they will not look to reduce their holding by means of a sale to a strategic investor, an equity offering or otherwise. Such divestitures may trigger a change of control under the Indenture. See ''*—Risks Related to the Notes and the Guarantees—Although the occurrence of specific change of control events affecting the Parent will permit you to require us to repurchase your Notes, we may not be able to repurchase your Notes*''.

***Investors may face foreign exchange risks by investing in the Notes.***

The Notes will be denominated and payable in Euros. If investors measure their investment returns by reference to a currency other than Euros, an investment in the Notes will entail foreign exchange related risks due to, among other factors, possible significant changes in the value of Euros relative to the currency by reference to which such investors measure the return on their investments. These changes may be due to economic, political and other factors over which we have no control. The depreciation of the Euro against the currency by reference to which such investors measure the return on their investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which such investors measure the return on their investments. Investments in the Notes denominated in a currency other than United States dollars by United States investors may also result in important tax consequences as a result of foreign exchange gains or losses, if any. See ''*Tax Considerations—Certain U.S. Federal Income Tax Considerations*'' and ''*—Risk Related to Taxation*''.

***You may not be able to recover in civil proceedings for U.S. securities law violations.***

The Temporary Notes Issuer, the Issuer and all of the Guarantors are companies incorporated outside the United States. All of the directors and executive officers of the Temporary Notes Issuer, the Issuer and the Guarantors are non-residents of the United States. Although the Temporary Notes Issuer, the Issuer and the Guarantors have submitted to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on the directors and executive officers of the Temporary Notes Issuer, the Issuer or the Guarantors. In addition, as most of the assets of the Temporary Notes Issuer, the Issuer and the Guarantors and those of their respective directors and executive officers are located outside of the United States, you may be unable to enforce against them judgments obtained in the U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States. Furthermore, we have been informed that it is questionable whether a court in Austria, Australia or the other home jurisdictions of the Issuer or the Guarantors located outside the United States would accept jurisdiction and impose civil liability if proceedings were commenced in such court predicated solely upon U.S. federal securities laws.

Among other countries, the United States, Austria and Australia do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for payment of money rendered by a federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, may not be enforceable, either in whole or in part, in Austria or Australia or other jurisdictions.

***Australian, Austrian, French, German, Luxembourg, Norwegian and New Zealand insolvency laws and the laws of other jurisdictions may provide you with less protection than U.S. bankruptcy law.***

In the event that any one or more of the Issuer, the Guarantors, any future Guarantors, if any, or any other of the subsidiaries experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. The insolvency and other laws of different jurisdictions may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfers, preferences, transactions at an undervalue and transactions defrauding creditors, the validity of certain floating charges, priority of governmental and other creditors, ability to obtain or claim interest following the commencement of insolvency proceedings and the duration of the proceedings. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights under the Guarantees or the Collateral in these jurisdictions and limit any amounts that you may receive.

**Risks Related to the Collateral**

***The Senior Secured Notes will be secured only to the extent of the value of the assets that have been granted as security for the Senior Secured Notes.***

If there is an event of default on the Senior Secured Notes, the holders of the Senior Secured Notes will be secured only to the extent of the value of the assets underlying their Security Interest. Not all of the Issuer's and the Guarantors' assets secure the Senior Secured Notes and the Issuer and the Guarantors will not be required to take action to perfect all liens on assets which do secure the Senior Secured

Notes. In particular, the Senior Secured Notes and the Guarantees are not secured by the property and assets of our paper mills in Austria, France, Germany or Norway. In addition, the Senior Secured Notes and the Guarantees will not be secured by certain receivables or related proceeds under our existing and future factoring and securitization programs. In the future, the obligations to provide additional Guarantees and grant additional Security Interests over assets, or a particular type or class of assets, whether as a result of the acquisition or creation of future assets or subsidiaries, the designation of an unrestricted subsidiary as a restricted subsidiary or otherwise, is subject to certain agreed security principles (the ''**Agreed Security Principles**''). The Agreed Security Principles set forth in the Indenture set out a number of limitations on the rights of the holders of the Senior Secured Notes to be granted a Security Interest in certain circumstances. The operation of the Agreed Security Principles may result in, among other things, the amount recoverable under any Collateral provided being limited or a Security Interest not being granted over a particular type or class of assets. Accordingly, the Agreed Security Principles may affect the value of the Security Interest provided by the Issuer and the Guarantors. To the extent that the claims of the holders of the Senior Secured Notes exceed the value of the assets securing those Senior Secured Notes and other obligations, those claims will rank equally with the claims of the holders of all other existing and future senior unsecured indebtedness ranking *pari passu* with the Senior Secured Notes. As a result, if the value of the assets pledged as security for the Senior Secured Notes is less than the value of the claims of the holders of the Senior Secured Notes, those claims may not be satisfied in full before the claims of certain unsecured creditors are paid. Furthermore, upon enforcement against any Collateral, under the terms of the Intercreditor Agreement, the claims of the holders of the Senior Secured Notes to the proceeds of such enforcement may rank junior to the claims of hedge counterparties in respect of certain ''priority'' hedging agreements and the claims of creditors of certain ''super senior'' secured indebtedness, in each case, to the extent permitted to be incurred under the Group's financing agreements (including the Indenture) or *pari passu* with the claims of the creditors of certain other indebtedness secured by the Collateral. In such instances, holders of the Senior Secured Notes will receive less from the proceeds of the Collateral in an enforcement action than if they were not required to share proceeds.

***The Existing Notes are structurally subordinated to the Senior Secured Notes, the Exchange Notes and all of the creditors of any of the Parent's non-Guarantor subsidiaries.***

While the Exchange Notes are guaranteed by certain of the subsidiaries of the Issuer, the Existing Notes will not be guaranteed by any subsidiaries of the Parent. Such non-Guarantor subsidiaries will have no obligation, contingent or otherwise, to pay any amount due pursuant to the Existing Notes or to make any funds available therefor, whether by dividends, loans, distributions or other payments. As a result, the Existing Notes will be structurally subordinated to the claims of creditors of any such subsidiaries, including the subsidiaries that Guarantee the Exchange Notes and the Senior Secured Notes, in addition to the Senior Secured Notes and the Exchange Notes. All obligations of the Parent's subsidiaries, including trade payables and the Guarantees of the Exchange Notes and the Senior Secured Notes, will have to be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise, to the Parent.

***The effects of the Senior Secured Notes offering and the Exchange Offers and Consent Solicitations on the Existing Notes could materially and adversely affect the credit risk inherent in, and significantly reduce protections afforded in, Existing Notes not validly tendered and accepted pursuant to the Exchange Offers.***

Any Existing Notes not validly tendered pursuant to the Exchange Offers will remain outstanding. While there is no minimum acceptance condition for the Exchange Offers, if the required threshold for the applicable Consent Solicitation in respect of a series of Existing Notes is attained, the Proposals in respect of such series of Existing Notes will become operative, and Holders of the applicable Existing Notes that are not tendered and accepted pursuant to the Exchange Offers will be subject to the terms of the Existing Notes as modified notwithstanding the fact that they did not deliver consents. If the Proposals in respect of a series of Existing Notes become operative, depending on the series, some or substantially all of the restrictive covenants and (if applicable) the related events of default will be eliminated. As a result, non-tendering Holders will no longer be entitled to the benefit of such provisions, which existed for the protection and benefit of Holders of the Existing Notes. The Existing Notes Indenture and Agency Agreements, as so amended, will continue to govern the terms of all Existing Notes that remain outstanding after the consummation of the Exchange Offers. Accordingly, we and our subsidiaries may take certain actions in the future previously prohibited under the Existing Notes that

could adversely affect the market prices of the Existing Notes and otherwise increase the risks related to your investment in the Existing Notes. See ''*The Proposals*''.

***Holders of Existing Notes (other than the 2033 Notes) that are exchanged for Exchange Notes will be subject to increased risk that we will be unable to repay (or refinance) the Exchange Notes when they mature.***

Eligible Holders of Existing Notes (other than the 2033 Notes) are being offered Exchange Notes with a later maturity than the Existing Notes they presently hold, which mature in 2015, 2016 and 2017. Eligible Holders who tender their Existing Notes and whose tender is accepted for exchange will be exposed to the risk of nonpayment on the Exchange Notes they hold for a longer period of time than non-tendering Holders. For instance, following the maturity date of a given series of Existing Notes, but prior to the maturity date of the Exchange Notes, we may become subject to an insolvency or similar proceeding. If so, Holders of that series of Existing Notes who opted not to participate in the Exchange Offers may have been paid in full, and there is a risk that the Holders of Existing Notes who did opt to participate in the Exchange Offers and whose Existing Notes were accepted for exchange with the Exchange Notes would not be paid in full.

***If not all Eligible Holders exchange their Existing Notes for Exchange Notes in the Exchange Offers, we will have ongoing obligations related to such remaining Existing Notes, which (other than the 2033 Notes) will mature prior to the Exchange Notes.***

The Existing Notes Indenture and Agency Agreements require us, among other things, to make interest payments in cash on the Existing Notes on a semi-annual basis. We will be required to continue to make such payments until all of the Existing Notes that are not tendered mature, are repaid in full or are otherwise repurchased or retired. There is not a minimum tender amount condition for any of the Existing Notes in the Exchange Offers, so a substantial amount of Existing Notes may remain outstanding following the consummation of the Exchange Offers and Consent Solicitations. In addition, the Exchange Notes will mature after the Senior Secured Notes (which mature in 2019) and certain of our other indebtedness. We will be required to repay Holders of the Existing Notes (other than the 2033 Notes) before the principal under the Exchange Notes is required to be repaid and we may not have the ability to borrow or otherwise raise the funds necessary to repay such amounts when due. Additionally, after such repayments we may not have sufficient cash to repay amounts owed under the Exchange Notes at maturity and may not have the ability to borrow or otherwise raise the funds necessary to repay such amounts.

***Any Existing Notes that are not tendered in the Exchange Offers may be acquired, redeemed or repaid on terms that may be viewed as more, or less, favorable than the terms of the Exchange Notes offered in the Exchange Offers.***

We (or other parties acting on our behalf) may acquire, redeem or repay Existing Notes that are not tendered in the Exchange Offers through open market purchases, privately negotiated transactions, other tender or exchange offers, redemptions, repayment at maturity or such other means as we deem appropriate. Any such transactions will occur upon the terms and at the prices as we may determine in our sole discretion, which may be more or less favorable than the terms of the Exchange Offers, and could be for cash or other consideration. We may choose to pursue any or none of these alternatives, or combinations thereof, in the future.

***The value of the Collateral securing the Senior Secured Notes may not be sufficient to satisfy the obligations under the Senior Secured Notes.***

No appraisal of the value of the Collateral has been made in connection with this Offering, and the fair market value of the Collateral may be subject to fluctuations based on factors that include, among others, general economic conditions, industry conditions and similar factors. The amount to be received upon a sale of the Collateral would be dependent on numerous factors, including, but not limited to, the actual fair market value of the Collateral at such time, the timing and the manner of the sale and the availability of buyers. By its nature, some of the assets that comprise the Collateral may be illiquid and may have no readily ascertainable market value. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, the Collateral may not be sold in a timely or orderly manner, and the proceeds from any sale or liquidation of the Collateral may not be sufficient to repay the obligations under the Senior Secured Notes.

To the extent that other first-priority Security Interests, pre-existing liens, liens permitted under the Indenture and the indentures governing the Existing Notes or the Exchange Notes and other rights encumber any of the Collateral securing the Senior Secured Notes, the holders of those liens and rights may have or may exercise rights and remedies with respect to the Collateral that could adversely affect the value of the Collateral and the ability of the Security Agent to realize or foreclose on the Collateral.

The Collateral does not include certain of our assets, including the property and assets of our paper mills in Austria, France, Germany or Norway, or the bank accounts of the Parent and our European operating subsidiaries. We presently have factoring and securitization programs in Europe and Australia, and the receivables and related proceeds under the European program will not secure the Senior Secured Notes. To the extent that the Senior Secured Notes are secured by receivables which are already secured pursuant to the Australian factoring arrangements, the Noteholders' security will be second-ranking. In addition, the General Security Deed (as defined below) granting fixed and floating security over the assets of the Australian Guarantors does not include certain assets of the Australian Guarantors, including 29 tracts of land and standing timber on 333 tracts of land owned by Norske Skog Paper Mills (Australia) Limited and pledged in favor of the State of Tasmania to secure the payment obligations of Norske Skog Paper Mills (Australia) Limited under the terms of a loan agreement executed by Norske Skog Paper Mills (Australia) Limited and the government of the State of Tasmania.

***Certain of the Collateral will be second-ranking and subordinated in right of payment to existing security.***

Certain of the Collateral is comprised of assets already pledged to secure other obligations of our Australian Guarantors under existing trade, financing and/or leasing agreements. Under the terms of an amendment in 2012 to our supply and recovered paper agreement with News Limited (the ''**News Agreement**''), a significant amount was payable by News Limited to Norske Skog (Australasia) Pty Limited. Payments of these sums are required to be applied by Norske Skog (Australasia) Pty Limited to Australian manufacturing cost reduction initiatives during the first three years of the agreement. Norske Skog Paper Mills (Australia) Limited granted a first-ranking mortgage in favor of News Limited in respect of these amounts over real property consisting of the majority of real property at our Albury mill site (but which real property does not include the Albury mill itself) (the ''**Albury Real Property**''). Two mortgages have been granted to secure Norske Skog (Australasia) Pty Limited's obligations under the News Agreement, both of which have been registered. The amount secured under the News Agreement will reduce in accordance with an amortization schedule set out in the agreement and is currently expected to reduce to nil in July 2015, whereupon the security granted in favor of the Security Agent over the Albury Real Property will become a first-ranking pledge of security (by way of the registration of a property mortgage) in favor of the holders of the Senior Secured Notes. See ''*Description of Other Indebtedness*''.

Norske Skog Paper Mills (Australia) Limited granted two mortgages with respect to 310 tracts of land comprised of certain of the properties upon which are located the standing timber included in the Excluded Assets (the ''**Boyer Real Property**'' and together with the Albury Real Property, the ''**Second Lien Property**'') to secure its obligations under 15-year woodchipping services agreement with Bis Industries Limited executed in 2009 (the ''**Bis Agreement**''). The mortgages with respect to the Boyer Real Property are registered with the Tasmanian Land Titles Office and state that they will be released once the obligations of Norske Skog Paper Mills (Australia) Limited under the Bis Agreement terminate and all moneys owed to Bis Industries Limited have been paid in full. Until such time as the relevant Australian Guarantors' obligations under the News Agreement and the Bis Agreement are paid in full or terminated, as the case may be, the security interests in the Second Lien Property securing the obligations of the Issuer under the Indenture will rank behind and be expressly subordinated in right of payment to the Security Interests in the Second Lien Property granted in favor of News Limited and Bis Industries Limited. See ''*Description of Other Indebtedness*''.

The Collateral will include a Security Interest in all intercompany loans and receivables (excluding receivables relating to the Parent Guarantor's cash pooling arrangements) owed to the Parent Guarantors and any Excluded Entity as lenders or obligees, by the Issuer or any of the restricted subsidiaries of the Issuer. The Intercreditor Agreement will also provide that the obligations under these loans shall be released in the event of an enforcement against the Collateral. However, the release of these intercompany loans may be limited by challenges or other claims on the grounds that such intercompany loans should be limited, subordinated or voided in favor of third-party creditors of the lenders of such loans under applicable law. For example, the intercompany loans could be challenged

because the loans are between related parties, were not made for adequate consideration or should be treated as a preference to the extent that the lender is deemed to be insolvent.

If an event of default occurs and the obligations under the Senior Secured Notes are accelerated, the Senior Secured Notes and the Guarantees will rank equally with the creditors of other unsubordinated and unsecured indebtedness of the Issuer or relevant Guarantor with respect to any property or assets that are excluded from the Collateral.

The Senior Secured Notes will be secured on a *pari passu* basis by first-priority Security Interests and subject to Permitted Collateral Liens (as defined below). The Senior Secured Notes will be effectively subordinated in right of payment from the proceeds of enforcement of the Collateral to certain ''priority'' hedging obligations and certain other ''super senior'' secured indebtedness, in each case, to the extent permitted to be incurred under the Group's financing arrangements. The Indenture governing the Senior Secured Notes will permit us to incur additional indebtedness secured by a lien that ranks equally with the Senior Secured Notes. Any such indebtedness may further limit the recovery from the realization of the value of such Collateral available to satisfy the claims of holders of the Senior Secured Notes. The creditors of other indebtedness secured or to be secured (or deemed to be so secured pursuant to the Intercreditor Agreement) over the Collateral on a *pari passu* basis with the Senior Secured Notes will be entitled to be paid out of the proceeds of the Collateral upon a security enforcement action on a *pari passu* basis with holders of the Senior Secured Notes.

There may not be sufficient Collateral to repay the obligations under the Senior Secured Notes and any additional indebtedness that would be secured on the same basis as the Senior Secured Notes offered hereby. In addition, liquidating the Collateral securing the Senior Secured Notes may not result in proceeds in an amount sufficient to pay any amounts due under the Senior Secured Notes after also satisfying the obligations to pay any creditors with *pari passu* liens. If the proceeds of any sale of Collateral are not sufficient to repay all amounts due on the Senior Secured Notes, the holders of the Senior Secured Notes (to the extent not repaired from the proceeds of the sale of the Collateral) would have only a senior unsecured, unsubordinated claim against the Issuer's and the Guarantors' remaining assets.

***The Security Interests in the Collateral will not be granted directly to the holders of the Senior Secured Notes.***

The Security Interests in the Collateral that will secure the obligations of the Issuer under the Senior Secured Notes and the obligations of the Guarantors under the Guarantees will not be granted directly to the holders of the Senior Secured Notes but will be granted only in favor of the Security Agent for the first-lien obligations, including the Senior Secured Notes, and any future first-lien obligations permitted to be secured by the Collateral under the Indenture. The Indenture and the Intercreditor Agreement will provide that only the Security Agent has the right to enforce the security documents. As a consequence, holders of the Senior Secured Notes will not have direct Security Interests and will not be entitled to take enforcement action in respect of the Collateral securing the Senior Secured Notes, except through the Trustee for the Senior Secured Notes, who will provide instructions to the Security Agent for the Collateral.

In certain jurisdictions in which Security Interests are being provided in favor of the Senior Secured Notes, including Austria, France and Germany, due to the laws and jurisprudence governing the creation and perfection of security interests and enforceability of such security interests, the relevant security documents and/or the Intercreditor Agreement will provide for the creation of ''parallel debt'' obligations in favor of the Security Agent, and the Security Interests in such jurisdictions will secure the parallel debt only, and may not directly secure the obligations under the Senior Secured Notes and the other indebtedness secured by the Collateral. The parallel debt construct has not been tested in court in certain of these jurisdictions and to the extent that the Security Interests in the Collateral created under the parallel debt construct are successfully challenged by other parties, holders of the Senior Secured Notes will not receive any proceeds from an enforcement of the Security Interests in the Collateral. See ''*Limitations on Validity and Enforceability of the Guarantees and the Security Interests*''.

***The Issuer and the Guarantors will have control over the Collateral, and the sale of particular assets could reduce the pool of assets securing the Senior Secured Notes.***

The security documents allow the Issuer and the Guarantors to remain in possession of, retain exclusive control over, freely operate and collect, invest and dispose of any income from the Collateral securing

the Senior Secured Notes. So long as no default or event of default under the Indenture would result therefrom, the Issuer and the Guarantors may, among other things, without any release or consent by the Trustee or Security Agent, conduct ordinary course activities with respect to the Collateral such as selling, factoring, abandoning or otherwise disposing of Collateral and making ordinary course cash payments, including repayments of indebtedness.

***There are circumstances other than repayment or discharge of the Senior Secured Notes under which the Collateral securing the Senior Secured Notes will be released automatically, without your consent or the Trustee or the Security Agent obtaining your further consent.***

Under a variety of circumstances, the Collateral securing the Senior Secured Notes will be released automatically, including:

- a sale, transfer or other disposal of such Collateral in a transaction that does not violate the asset sale covenant of the Indenture;
- with respect to Collateral held by a Guarantor, upon the release of such Guarantor from its Guarantee; and
- in connection with an enforcement sale permitted under the Intercreditor Agreement.

The Indenture will also permit the Parent to designate one or more restricted subsidiaries that are Guarantors as unrestricted subsidiaries. If the Parent designates a Guarantor as an unrestricted subsidiary for purposes of the Indenture governing the Senior Secured Notes, all the liens on the Collateral owned by such subsidiary and any Guarantees of the Senior Secured Notes by such subsidiary will be released under the Indenture. Designation of an unrestricted subsidiary will reduce the aggregate value of the Collateral securing the Senior Secured Notes to the extent that liens on the assets of the unrestricted subsidiary will be released. Under the Indenture, the Collateral will also be released in the event that the Senior Secured Notes achieve investment grade status until such time as the Senior Secured Notes cease to have investment grade status. The Collateral may also be released with the consent of holders of at least 90% of the aggregate principal amount of the Senior Secured Notes then outstanding.

***It may be difficult to realize the value of the Collateral securing the Senior Secured Notes.***

The Collateral securing the Senior Secured Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture and/or the Intercreditor Agreement and accepted by other creditors that have the benefit of super senior, first-priority or second-priority Security Interests in the Collateral securing the Senior Secured Notes from time to time, whether on or after the date the Senior Secured Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral securing the Senior Secured Notes and the ability of the Security Agent to realize or foreclose on such Collateral. Furthermore, the first-priority ranking of Security Interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or re-characterization under the laws of certain jurisdictions. In addition, the Security Interests securing the Senior Secured Notes over certain Collateral in or under the laws of Australia and New Zealand will (in respect of land already pledged to News Limited and Bis Industries Limited held by Norske Skog Paper Mills (Australia) Limited, in respect of certain of Norske Skog (Australasia) Limited's receivables secured pursuant to factoring arrangements with Bibby Financial Services and in respect of land held by Norske Skog Tasman Ltd that will be unperfected only until the removal of the caveat to grant a lease to Mighty River Power Limited, upon which the Security Interest will be promptly perfected) be junior or unperfected Security Interests and holders of the Senior Secured Notes will have to rely on the provisions of the Intercreditor Agreement for the treatment of such junior Security Interests as Security Interests ranking *pari passu* with other first-ranking Security Interests securing other indebtedness of the Parent, the Issuer and the restricted subsidiaries.

The Security Interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests in collateral. For example, the Security Agent may need to obtain the consent of a third party to enforce a security interest. We cannot assure you that the Security Agent will be able to obtain any such consents. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security

Agent may not have the ability to foreclose upon those assets and the value of the Collateral may significantly decrease.

The enforcement of share pledges may not be successful if the entities in which the shares are pledged are subject to existing agreements limiting their ability to make dividends to new shareholders (such as profit and loss pooling agreements) or limiting the control over such entity (such as domination agreements). The laws of certain jurisdictions do not generally permit an appropriation of pledged assets by the pledgee upon the occurrence of an enforcement event and usually require the sale of the relevant collateral through a formal disposal process involving a public auction. Certain waiting periods and notice requirements may apply to such disposal process.

In addition, our business requires a variety of national, state and local permits and licenses. The continued operation of properties that comprise part of the Collateral and which depend on the maintenance of such permits and licenses may be prohibited. Our business is subject to regulations and permitting requirements and may be adversely affected if we are unable to comply with existing regulations or requirements or changes in applicable regulations or requirements. In the event of foreclosure, the transfer of such permits and licenses may be prohibited or may require us to incur significant cost and expense. Further, we cannot assure you that the applicable governmental authorities will consent to the transfer of all such permits. If the regulatory approvals required for such transfers are not obtained or are delayed, the foreclosure may be delayed, a temporary shutdown of operations may result and the value of the Collateral may be significantly decreased.

***The Collateral is subject to casualty risks.***

We intend to continue to maintain insurance or otherwise insure against hazards in the manner described in these listing particulars. There are, however, certain losses that may be either uninsurable or not economically insurable, in whole or in part. Insurance proceeds may not compensate us fully for our losses. If there is a complete or partial loss of any of the Collateral, the insurance proceeds may not be sufficient to satisfy all of the secured obligations, including the Senior Secured Notes and the Guarantees. In addition, even if there is sufficient insurance coverage, if there is a total or partial loss of certain Collateral, there may be significant delays in obtaining replacement Collateral.

***The rights of holders in the Collateral may be adversely affected by the Security Interests in Collateral not being perfected or being junior Security Interests.***

In some jurisdictions, applicable law requires that a security interest in certain tangible and intangible assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party and/or the grantor of the Security Interest, such as filings, registration or the publication of notices. The Security Interests in the Collateral may not be perfected, and their priority may not be retained, with respect to the obligations under the Senior Secured Notes, if the Security Agent and/or the grantor of the Security Interest does not take the actions necessary to perfect any of the Security Interests on, or prior to, the date that the security is granted or as otherwise required by the laws of the relevant jurisdiction. In particular, certain real property in New Zealand that includes our Tasman mill is subject to a caveat that prevents registration of the first-lien security interest granted in favor of the holders of the Senior Secured Notes until the caveat is removed following the conclusion of negotiations of a lease agreement in respect of certain third-party facilities on the property (which registration will be undertaken promptly after such conclusion thereof). In addition, applicable law in some jurisdictions requires that certain property and rights acquired after the grant of a general security interest, such as real property, equipment subject to a certificate and certain proceeds, can only be perfected at the time such property and rights are acquired and identified.

***You will not have a perfected Security Interest in certain of the Collateral on the Issue Date.***

Until up to 90 days following the Issue Date, you will not have a perfected Security Interest in certain of the Collateral securing the Issuer and the Guarantors' obligations under the Senior Secured Notes.

Subject to certain Agreed Security Principles, we will be required under the Indenture to perfect security over the Australian Guarantors' real property Collateral within 90 days following the Issue Date. See ''*Description of the Senior Secured Notes—Security*''. Failure to comply with these obligations would constitute a default under the Indenture.

Any issues that we are not able to resolve in connection with the delivery of Collateral may negatively impact the value of the Collateral.

***Existing mortgages or other rights, including grants to local governments or third parties and certain water rights, may become enforceable and may impact the value of the Collateral.***

The Issuer and the Guarantors have limited obligations to perfect some of the Security Interests in the Collateral. There can be no assurance that the Trustee or the Security Agent for the Senior Secured Notes will monitor, or that the Issuer or Guarantors will inform the Trustee or Security Agent of, the future acquisition of property and rights that constitute Collateral, and that the necessary action will be taken to properly perfect the Security Interest in such after-acquired Collateral. The Trustee and the Security Agent have no obligation to monitor the acquisition of additional property or rights that constitute Collateral or the perfection of any Security Interest. Such failure may result in the loss of the Security Interest in the Collateral or the priority of the Security Interest in favor of the Senior Secured Notes against third parties.

***The grant of Collateral to secure the Senior Secured Notes or the contractual subordination of the claims of certain of our creditors might be challenged or voidable in an insolvency proceeding.***

The grant of Collateral and the contractual subordination of certain claims in favor of the Security Agent under the Intercreditor Agreement may be voidable by the grantor or by an insolvency trustee, liquidator, receiver or administrator or by other creditors, or may be otherwise set aside by a court if certain events or circumstances exist or occur, including, among others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant or contractual subordination permits certain parties to receive a greater recovery than if the grant or contractual subordination had not been given and an insolvency proceeding in respect of the grantor is commenced within a legally specified ''clawback'' period following the grant. See ''*Limitations on Validity and Enforceability of the Guarantees and the Security Interests*''.

***Creditors under certain hedging obligations permitted to be incurred under the Indenture will be entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Senior Secured Notes.***

The Senior Secured Notes and the Guarantees will be secured by the same Collateral securing the obligations under certain hedging obligations that we may enter into in the future. Pursuant to the Intercreditor Agreement and the Indenture, the liabilities under certain hedging obligations may have priority over any amounts received from the sale of the Collateral pursuant to an enforcement action taken with respect to the Collateral. As such, proceeds from enforcement sales of capital stock and other assets that are part of the Collateral must first be applied in satisfaction of obligations under such ''priority'' hedging obligations (and certain other ''super senior'' indebtedness to the extent permitted to be incurred under the Group's financing arrangements) and thereafter to repay on a *pari passu* basis the obligations of the Issuer and the Guarantors under the Senior Secured Notes and the Guarantees and certain other *pari passu* indebtedness of the Issuer and the Guarantors permitted to be incurred and secured by the Collateral pursuant to the Indenture and the Intercreditor Agreement. Accordingly, you may not be able to recover on the Collateral if in the event of any realization or enforcement of the Collateral the then outstanding claims under certain ''priority'' hedging obligations (and certain ''super senior'' indebtedness) are greater than the proceeds realized, and if there are any remaining proceeds following repayment of certain ''priority'' hedging obligations (and certain ''super senior'' indebtedness) in full, such proceeds shall be shared pro rata and *pari passu* between the holders of the Senior Secured Notes and certain other *pari passu* creditors.

***Under the Intercreditor Agreement, the holders of the Senior Secured Notes will be required to share recovery proceeds with other secured creditors, have limited ability to enforce the security documents and have agreed that the Collateral may be released in certain circumstances without their consent.***

Creditors of future indebtedness secured by the Collateral will each accede to the Intercreditor Agreement with, among others, the agents and representatives of the other indebtedness secured by the Collateral. Other creditors may become parties to the Intercreditor Agreement in the future. Among other things, the Intercreditor Agreement governs the enforcement of the security documents, the sharing in any recoveries from such enforcement and the release of the Collateral by the Security Agent.

The Intercreditor Agreement provides that the Security Agent may release the Collateral in connection with sales of assets pursuant to a permitted disposal or enforcement sale and in other circumstances permitted by the relevant financing documents. Therefore, the Collateral available to secure the Senior Secured Notes could be reduced in connection with the sales of assets or otherwise, subject to the requirements of the financing documents and the Indenture governing the Senior Secured Notes.

Moreover, the enforcement of the Security Interests in respect of our Austrian subsidiary may be limited if a court-appointed trustee (*Kurator*) is appointed under Austrian law. Following the appointment of such court-appointed trustee, neither the trustee for the Senior Secured Notes nor individual Senior Secured Noteholders will have the power to instruct the Security Agent to enforce the Senior Secured Noteholders' collective rights under the Senior Secured Notes. No assurance can be given that such court-appointed trustee will exercise its powers in accordance with the best interests of the Senior Secured Noteholders. In addition, the Noteholders will not be able to direct the actions taken on their behalf by the court-appointed trustee.

### Risks Related to Taxation

***Payments under the Notes may be subject to withholding tax under the Savings Directive on the taxation of savings income.***

Under EC Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the ''**Savings Directive**''), each member state of the European Union (a ''**Member State**'') is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a paying agent (within the meaning of the Savings Directive) located within its jurisdiction to, or for the benefit of, an individual resident or certain limited types of entities established in that other Member State. However, for a transitional period, Austria and Luxembourg will instead apply a withholding system in relation to such payments unless during such period they elect otherwise, deducting tax at a rate of 35% (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). The transitional period is to terminate at the end of the first full financial year following agreement by certain non-European Union (''**EU**'') countries to the exchange of information relating to such payments. Further to Law of November 25, 2014, as of January 1, 2015, and within the scope of the Savings Directive, the automatic exchange of information for all interest and interest-assimilated payments made or ascribed by a Luxembourg paying agent to or for the immediate benefit of individuals resident and so-called residual entities established in another Member State will replace the 35% withholding tax.

A number of non-EU countries have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or for the benefit of, an individual resident or certain limited types of entities established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entities established in one of those territories.

The EU Council adopted certain changes to the Savings Directive on March 24, 2014. Members States have until January 1, 2016 to adopt national laws to implement these changes (which laws must then be applied from January 1, 2017). The changes, when implemented, will broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment to an individual were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to the Savings Directive, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a paying agent with a specified office in an Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive or any other directives implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to the Savings Directive or any agreement entered into by a new EU Member State with (i) any other state or (ii) any relevant dependent

or associated territory of any EU Member State providing for measures equivalent to or the same as those provided by the Directive.

***The Notes may be treated as issued with OID for U.S. federal income tax purposes.***

The Notes may be treated as issued with OID for U.S. federal income tax purposes. U.S. investors in the Notes will generally be required to include OID in their gross income as it accrues in advance of the receipt of cash payments attributable to such income using the constant yield method if the Notes are treated as issued with OID for U.S. federal income tax purposes. See ''*Tax Considerations—Certain U.S. Federal Income Tax Considerations—Original Issue Discount*''.

## USE OF PROCEEDS

The net proceeds from the Offering were €277.8 million.

We will use the proceeds to address a portion of the short-term and medium-term maturities of the Parent's Existing Notes, for working capital purposes and to pay the fees and expenses associated with the Transactions. The Existing Notes mature in 2015, 2016, 2017 and 2033.

We did not receive any cash proceeds from the Exchange Offers.

## CAPITALIZATION

The following table sets forth, on a consolidated basis, our cash and cash equivalents and capitalization as of December 31, 2014, as adjusted for the offering, the payment of related fees and expenses and the amendment of certain of our debt facilities. All values stated in the following table are book values except as otherwise stated. You should read the following table in conjunction with *''Use of Proceeds''*, ''*Selected Historical Financial Data*,'' ''*Management's Discussion and Analysis of Financial Condition and Results of Operations*'' and our Consolidated Financial Statements and related notes included elsewhere in these listing particulars. Unless otherwise indicated, the NOK figures presented in respect of the Notes and the proceeds therefrom have been calculated using an exchange rate of €1.00 = NOK 9.0365 and $1.00 = NOK 7.4332, as well as AU$1.00 = NOK 6.0881, the quoted rates of the Norwegian Central Bank at the close of business on December 31, 2014.

| | As of December 31, 2014 | |
|---|---|---|
| | **Actual** | **As Adjusted[2]** |
| | (Unaudited) (NOK in millions) | |
| **Cash and cash equivalents[1]** | 710 | 710 |
| **Secured long-term interest-bearing liabilities (including current portion)**: | | |
| Notes offered hereby (Senior Secured Notes) | — | 2,621 |
| Other secured long-term interest-bearing liabilities[3] | 156 | 156 |
| Securitizations facilities[4] | 412 | 412 |
| **Total secured long-term interest-bearing liabilities** | 568 | 3,189 |
| **Unsecured long-term interest-bearing liabilities (including current portion):** | | |
| Notes offered hereby (Exchange Notes due 2021) | — | 1,437 |
| Notes offered hereby (Exchange Notes due 2023) | — | 451 |
| Existing Notes: | | |
| —6.125% Senior Notes due October 2015 | 1,176 | 304 |
| —11.75% Senior Notes due June 2016 | 1,171 | 1,097 |
| —7.00% Senior Notes due June 2017 | 3,510 | 1,971 |
| —7.125% Senior Notes due October 2033 | 1,487 | 705 |
| Credit facilities: | | |
| —Innovasjon Norge facilities | 65 | 65 |
| Other interest-bearing liabilities[5] | 174 | 174 |
| **Total unsecured long-term interest-bearing liabilities** | 7,583 | 6,204 |
| **Total interest-bearing liabilities** | 8,151 | 9,393 |
| **Total equity** | 2,037 | 2,037 |
| **Total capitalization** | 10,188 | 11,430 |

(1) Includes restricted cash of NOK 289 million (€35.6 million). A liquidity buffer of approximately NOK 200 million (€24.6 million) is prudent to allow for daily volatility in working capital.

(2) As adjusted represents the net proceeds from the issuance of €290,000,000 in aggregate principal amount of the Senior Secured Notes, of €159,017,000 in aggregate principal amount of the Exchange Notes due 2021 and of US$60,649,000 in aggregate principal amount of the Exchange Notes due 2023.

(3) Represents borrowings under a loan from the State of Tasmania of AU$10.7 million (NOK 65.3 million (€7.2 million)) secured over land forest area in Tasmania and secured borrowings under our Innovasjon Norge facilities which total €10 million (NOK 90 million) secured over certain Norske Skog Skogn property, plant and assets in Norway. See ''*Description of Other Indebtedness*.''

(4) Represents our securitization facilities, drawings under which totaled NOK 412.4 million on December 31, 2014, comprised of NOK 208.3 million drawn under facilities tied to our Saugbrugs and Skogn mills (of the NOK 250 million limit) and €22.6 million (NOK 204 million) drawn under our Golbey mill's facility (of the €40.0 million limit).

(5) Represents amounts drawn under other unsecured local lending facilities totaling NOK 37 million and local leases totaling NOK 137 million (including AU$16.8 million (NOK 102 million) under the Bis Industries Limited Services Agreement).

## SELECTED HISTORICAL FINANCIAL DATA

The following table presents our selected consolidated historical financial information as of and for the periods indicated. This information has been derived from our Consolidated Financial Statements, which are included elsewhere in these listing particulars. Our Unaudited Condensed Consolidated Financial Statements have been prepared on the same basis as our Audited Consolidated Financial Statements and, in our opinion, include all adjustments, consisting of normal recurring adjustments that we consider necessary for a fair presentation of our results of operations for such periods. Operating results for any interim period are not necessarily indicative of the results for any full fiscal year. The Senior Secured Notes Issuer was registered under the Norwegian Companies Registry on November 18, 2014 and the Exchange Notes Issuer was registered under the Norwegian Companies Registry on November 5, 2014. There is no financial information regarding either the Senior Secured Notes Issuer and the Exchange Notes Issuer presented in these listing particulars.

This selected consolidated historical financial data should be read in conjunction with ''*Management's Discussion and Analysis of Financial Condition and Results of Operations*'' and our Consolidated Financial Statements and related notes included elsewhere in these listing particulars.

| | Year Ended December 31, | | | Nine Months Ended September 30, | | Twelve Months Ended September 30, 2014 | |
|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 | | |
| | (NOK in millions) | | | Unaudited (NOK in millions) | | Unaudited | |
| | | | | | | (EUR in millions)[1] | (NOK in millions) |
| **Income Statement Data**: | | | | | | | |
| Operating revenue | 18,904 | 16,592 | 13,339 | 9,805 | 8,942 | 1,509 | 12,476 |
| Distribution costs | (1,786) | (1,645) | (1,398) | (1,035) | (917) | (155) | (1,280) |
| Cost of materials | (11,243) | (9,564) | (8,017) | (5,964) | (5,388) | (900) | (7,441) |
| Change in inventories | (118) | (156) | (45) | 101 | 96 | (6) | (50) |
| Employee benefit expenses | (2,793) | (2,491) | (2,002) | (1,544) | (1,435) | (229) | (1,893) |
| Other operating expenses | (1,450) | (1,252) | (1,014) | (800) | (685) | (109) | (899) |
| **Gross operating earnings** | **1,515** | **1,485** | **862** | **564** | **612** | **110** | **910** |
| Depreciation | (1,658) | (935) | (728) | (533) | (547) | (90) | (742) |
| Restructuring expenses | (387) | (118) | (145) | 4 | 3 | (18) | (146) |
| Other gains and losses | (201) | (1,009) | (1,100) | (863) | 236 | (0) | (1) |
| Impairments | (1,969) | (2,086) | — | — | — | 0 | — |
| **Operating earnings** | **(2,701)** | **(2,663)** | **(1,111)** | **(829)** | **303** | **3** | **21** |
| Share of profit in associated companies | 198 | (70) | 26 | 17 | 5 | 2 | 14 |
| Financial items | (629) | (117) | (1,258) | (935) | (498) | (99) | (821) |
| **(Loss)/profit before income taxes** | **(3,132)** | **(2,849)** | **(2,344)** | **(1,747)** | **(190)** | **(95)** | **(787)** |
| Income taxes | 588 | 69 | 500 | 360 | (105) | 4 | 35 |
| **Net (loss)/profit** | **(2,545)** | **(2,781)** | **(1,844)** | **(1,387)** | **(296)** | **(91)** | **(753)** |

| | As of December 31, | | | As of September 30, | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | (NOK in millions) | | | Unaudited (NOK in millions) | |
| **Balance Sheet Data:** | | | | | |
| Cash and cash equivalents | 1,200 | 1,194 | 1,015 | 820 | 500 |
| Total assets | 21,974 | 16,043 | 14,617 | 15,153 | 13,173 |
| Total equity | 7,433 | 4,151 | 2,175 | 2,712 | 2,012 |

| | Year Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | (NOK in millions) | | | Unaudited (NOK in millions) | |
| **Cash Flow Statement Data**: | | | | | |
| Net cash flow from operating activities | 455 | 982 | 68 | (245) | (224) |
| Net cash flow from investing activities | 470 | 300 | (169) | (127) | 120 |
| Net cash flow from financing activities | (4,170) | (1,258) | (151) | (72) | (436) |
| **Total change in cash and cash equivalents** | (3,240) | (6) | (178) | (374) | (515) |

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion of our financial condition and results of operations should be read in conjunction with the information included in ''Selected Historical Financial Data'', ''Business'' and the Consolidated Financial Statements and the notes related thereto included elsewhere in these listing particulars. The discussion includes forward-looking statements that reflect the current view of management and involve risks and uncertainties. Our actual results could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in these listing particulars, particularly under ''Risk Factors'' and ''Disclosure Regarding Forward-Looking Statements''.*

### Overview

We are a leading global publication paper company with total production capacity of 3.0 million tons at our eight mills in Europe and Australasia. We are one of the world's leading producers of newsprint and are a significant producer of magazine paper by production capacity. In Europe, we operate five mills in Norway, Germany, Austria and France with 2.3 million tons of publication paper production capacity, making us the third largest European producer of publication paper. In Australasia (which includes Australia, New Zealand, New Guinea and the neighboring islands), we operate two mills in Australia and one mill in New Zealand with 0.7 million tons of publication paper production capacity. We also operate Australasia's sole newsprint and magazine paper mills, making us a leading provider of publication paper in the region.

Our newsprint paper products include standard and improved grades, while our magazine paper products comprise uncoated super-calendared paper and light-weight coated paper. The end uses of our products are mainly newspapers and magazines, but also include catalogs, inserts/flyers, supplements, free-sheets, directories, direct mail and brochures. Our principal geographic markets for newsprint products are Europe and Australasia, while our main geographic markets for magazine paper products are Europe, Australasia and North America. We sell our products in these markets under well-known brands, including Nornews, Norbright, NorX, Norstar, Norcote, Norsc, Norbook, Vantage and Tasman Directory. Our customers include publishers of leading periodicals in Europe, Australasia and the rest of the world, and we have long-standing relationships with many of our top tier publishing clients.

### Positioning Within the Industry

#### *Overview of Industry Trends*

Significant trends affecting the paper industry include (i) a fundamental structural change in paper consumption as demand for global paper consumption declines and (ii) a geographic shift in production and demand from traditional markets, such as North America and Western Europe, to Asia and Latin America.

A long-term demand decline for paper globally has been driven principally by technological developments which are influencing economic, demographic and end-user preference trends. Alternative methods of media consumption that have shifted consumer preferences towards digital platforms have negatively impacted publication paper. Global overcapacity has been driven by this demand decline and exacerbated by some capacity buildup in Asia over the past decade.

To reduce the levels of overcapacity and address the current market imbalance, industry participants have engaged in both consolidation and capacity closures, which have resulted in substantial capacity reductions in North America, Western Europe, Japan and other traditional markets. North America has been a first mover in consolidation and reduction of capacity over the past several years with Europe following. Both markets have become more consolidated, which has helped to address the overcapacity issues. North America remains a more consolidated market than Europe, except in relation to uncoated mechanical, which suggests that there is still room for consolidation in the European publication paper markets.

#### *Our Response*

As a result of the broader industry declines, we have endured a protracted period of operational losses. We have sought to address the long-term decline in publication paper demand through a series of

divestments and production facility closures as well as diversification of our production capacity. See ''—*Factors Affecting Comparability—Significant disposals or reductions in capacity*''. The net effect of these actions has been to reduce our production capacity by 32% from 4.3 million tons of annual production capacity as of December 31, 2010 to 3.0 million tons of annual production capacity as of September 30, 2014. In reducing our capacity, we have retained our operations in Europe and Australasia, which we believe benefit from significant intra-regional synergies, while divesting our operations in Asia and Latin America where we lacked such synergies.

In addition to capacity reduction, and in order to improve our operating margins, we have also made various investments in cost reduction initiatives and higher margin production lines at certain of our continuing operating facilities. See ''—*Liquidity and Capital Resources—Capital expenditures*''. Our renewed focus on optimizing our working capital has increased our ability to make such investments. Our working capital requirements have declined faster than other Group requirements since 2011. We have reduced our working capital requirements primarily through reductions in inventories and an improved control of accounts receivable. See ''—*Liquidity and Capital Resources—Working Capital Requirements*''.

### Operating Segments

With effect from January 1, 2014, we manage and operate our business through two operating segments: Publication Paper Europe and Publication Paper Australasia. Activities of our Group that do not fall into either of the two operating segments are presented under Other Activities.

*Europe.* The Publication Paper Europe segment encompasses production and sale of newsprint and magazine paper in Europe. Our five European mills and the regional sales organization are included in the operating segment Publication Paper Europe.

*Australasia.* The Publication Paper Australasia segment encompasses production and sale of newsprint and magazine paper in Australasia. Our three mills in Australasia and the regional sales organization are included in the operating segment Publication Paper Australasia.

*Other Activities.* Activities in our Group that do not fall into either Publication Paper Europe or Publication Paper Australasia are presented under Other Activities. This includes mainly corporate functions and some minor real estate activities.

*Eliminations.* Eliminations represent intra-group eliminations. Since January 1, 2014, eliminations generally relate to intra-group services, primarily corporate headquarters operations. Historically, in addition to intra-group services, eliminations included sales of energy to internal parties and other activities. Eliminations items reduce both operating revenue and cost of materials.

As described under ''—*Factors Affecting Comparability—Changes in reporting segments*'', during the periods under review in this discussion, we have changed our operating segments with effect from January 1, 2012 and, again, with effect from January 1, 2014.

### Significant Factors Affecting Our Results of Operations

Our business is affected by a number of important trends and factors. The most significant of these trends and factors are discussed below.

#### *Paper prices and volumes*

The primary factors affecting our results of operations are the prices and volumes of newsprint and magazine paper that we sell.

*Publication paper prices.* The prices at which we are able to sell our newsprint and magazine paper depend mainly on the balance between supply and demand and, to a lesser extent, on the quality characteristics of our publication paper and the destinations and terms of delivery. Since 2011, most of our European newsprint contracts allow for price adjustment on a quarterly or semi-annually basis, which, while tying our revenues more closely to fluctuations in market prices for newsprint and enabling us to respond more flexibly, introduces more volatility into our results over the course of any given year. Newsprint in Australasia is generally sold under contracts with pricing fixed for several years. Magazine paper is typically sold under contracts with terms of up to one year with pricing adjusted on a quarterly basis.

*Production capacity.* During the last 15 years, digital distribution of published media content and advertisements has become increasingly widespread. This development has challenged the publication paper industry, which has endured a protracted structural decline in demand, the effects of which have been exacerbated by cyclical demand declines tied to the 2008-2009 financial crisis and its effects on subsequent global economic growth. For paper makers, it has at times been difficult to react quickly to the effects of structural and cyclical demand shortfalls, which has resulted in industry-wide overcapacity.

*Volumes sold.* The volumes of newsprint and magazine paper we are able to sell are mainly affected by market demand and by the inventory levels of our customers.

*Market demand for newsprint and magazine paper.* The global demand for publication paper is strongly influenced by macroeconomic factors, consumer preferences and technological changes. Contractions in the economy typically lead to reductions in advertising spending and, as much of the demand for our products is generated directly or indirectly by advertising, our results will fluctuate with the general state of the economy.

*Consumer preferences and habits.* Demand for our products is also impacted by changes in consumer preferences and habits. With the rise of the Internet and electronic media, the publication paper industry in North America has witnessed a structural change in demand, with a decline in demand for most parts of print media, and newspapers in particular. In Europe, this trend has been less pronounced, but we currently expect that publication paper demand in Europe will continue to decline gradually. To the extent that advertising by electronic media continues to represent an increasing share of the advertising market at the expense of print media, or if consumer preferences or more stringent environmental regulations further disfavor paper, our revenues will be impacted.

***Increases in the cost of our raw materials and energy***

Our key raw materials are energy and fiber. Fiber is sourced as wood and as recovered paper. Energy and fiber costs represented 43% of our operating expenses for the nine months ended September 30, 2014. Input factor costs have in general been stable in recent years. This stability is a result of relatively modest input factor price volatility due to our contracting structure for energy and wood as well as improvements in fiber and energy consumption as a result of investments at some of our mills.

*Energy.* We are a producer of publication paper, which is among the most energy-intensive types of paper to produce. Energy is our single most important expense, and amounted to 21% of our operating expenses for the nine months ended September 30, 2014. For this same period, 53% of our energy cost related to the purchase of electricity, while the remainder mainly related to purchases of thermal energy used to dry paper. As of September 30, 2014, approximately 85% of our Group-wide electricity requirements were bought under long-term contracts. As a cost of publication paper production, our exposure to spot market energy prices is limited primarily to the European continent. See ''—*Fluctuation in the value of energy contracts*'' for a description of the impact of fluctuations of energy contracts on our results of operations.

*Wood.* We source wood for our operations through a variety of means. We purchase our wood in Australia pursuant to long-term contracts, and for the Boyer mill, approximately 70% of its wood requirements are sourced from its 20,000 hectares of forest assets. In Norway and continental Europe, wood is purchased pursuant to short- and medium-term contracts.

*Recovered paper.* Recovered paper supplies are largely purchased through short-term contracts, mainly at market prices. There have been relatively small fluctuations in recovered paper prices in recent years. We primarily use recovered paper in our European newsprint operations.

*Transportation.* Transportation costs comprise both the costs related to the delivery of our finished products to our customers, which are recorded in our income statement as distribution costs, and costs related to the delivery of raw materials to our mills, which are recorded in our income statement as cost of materials. We are responsible for the shipping costs in respect of the majority of our raw material purchases and sales of our finished products and our results are therefore subject to changes in transportation costs, largely due to fluctuations in fuel prices.

### *Fluctuation in the value of energy contracts*

We enter into energy supply contracts based on our estimates of the amount of energy we will require to operate our business in the future. Under certain of these contracts, due to capacity reductions or other reasons, the amount of energy we require is less than we contracted for, and we resell the excess energy in the market. Historically, energy resales were a significant factor affecting our results. Presently, however, most of our mills are sourced to need and energy resales will not be expected to have the same impact on our future results of operations. In addition to resale revenues, we operate a geo-thermal energy production facility co-located at our mill in New Zealand from which we generate revenue from sales of excess energy into the spot energy market.

Under IFRS, contracts containing embedded derivatives are valued either with the whole contract or separately at fair value. Fair value is calculated as the difference between the projected market price and the projected contract price over the contract period, discounted to present value. Changes in fair value are recorded as income or expense, as applicable, in our income statement. Since the fair value is based on market expectations for energy prices and currency, interest rates and price indices, changes in fair value produce large fluctuations in our results of operations due to the large volumes and contract lengths associated with energy contracts. We revalue our energy contracts every quarter. Due to volatility in the market price of energy and certain currencies, it is impossible to predict what the impact of such revaluation will be on our income statement and balance sheet from quarter to quarter. These accounting effects have no impact on cash flow.

As of September 30, 2014, the book value of our commodity contracts and embedded derivatives in commodity contracts was NOK 56 million. The fluctuations are non-cash items that are recorded in the income statement under other gains and losses.

### *Fluctuations in currency exchange rates*

Our Consolidated Financial Statements are presented in Norwegian kroner. Items reflected in the consolidated financial statements of each of our subsidiaries are initially recorded using the currency of the primary economic location in which the entity operates (except for the years ended December 31, 2011, 2012 and 2013 for our subsidiaries in Latin America, where the functional currency was the U.S. dollar). Transactions in currencies other than an entity's functional currency are recorded at the exchange rate prevailing on the date of the transaction. Foreign exchange gains or losses resulting from the settlement of these transactions and from translation of monetary assets and liabilities denominated in foreign currencies at period-end exchange rates are recognized as realized/unrealized gains or losses on foreign currency in our income statement. Exchange rate differences arising from the settlement of accounts receivable/payable and unrealized gains/losses on the same positions are recognized in operating revenue/cost of materials, respectively. Gains and losses that relate to borrowings, cash and cash equivalents and currency hedging are presented in our income statement as financial items. Subsequently, upon consolidation, the accounts of our subsidiaries that are presented in currencies other than Norwegian kroner are translated into Norwegian kroner at Norges Bank's official rates prevailing on our balance sheet date. Income and expense items are translated at the average exchange rates for the period. Any exchange differences arising are recognized as comprehensive income and presented in other equity reserves.

Our results of operations are subject to both translation effects and transaction effects as a result of fluctuations in exchange rates. While our reporting currency is the Norwegian kroner, our subsidiaries generate revenue and incur costs primarily in Euro, U.S. dollars, pounds sterling, Australian dollars and New Zealand dollars (in addition to Norwegian kroner). For example, for the year ended December 31, 2013, 77.0% of our operating revenues were derived from European markets other than Norway and from Australasian markets, where prices and costs are denominated and paid in currencies other than Norwegian kroner. As of September 30, 2014, 91.8% of our total interest-bearing non-current liabilities were denominated in currencies other than Norwegian kroner, with approximately 58.5% denominated in Euro and 30.8% in U.S. dollars. Consequently, our results are affected by any material depreciation or appreciation of these currencies against the Norwegian kroner.

Currency transaction effects primarily relate to our Norwegian operations, which incur expenses mainly in Norwegian kroner, but which sell a large proportion of their output on the export market and generate revenue in foreign currency (primarily Euro, pounds sterling and U.S. dollars). However, we currently do not have any outstanding currency hedging agreements (see ''—*Impact from currency changes and other factors under financial items*'').

From time to time, we hedge parts of our expected cash flow in foreign currency. The purpose of this is to improve predictability of our cash flows. Forward contracts and options may be used to hedge cash flows. See ''—*Qualitative and Quantitative Disclosures about Market Risk—Exchange rate risk*''.

***Increases in interest rates***

We primarily have fixed-rate borrowings, which are carried as liabilities on our balance sheet. As of September 30, 2014, the total carrying value of all total interest-bearing liabilities was NOK 7,604 million, and the total value of cash and cash equivalents was NOK 500 million.

For a discussion of our past hedging activities with respect to interest rates, see ''—*Qualitative and Quantitative Disclosures about Market Risk—Interest rate risk*''.

***Impact of decline in value of fixed assets***

We are required to determine the value of our fixed assets (principally the machines we use in our mills) whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Such events can include the closure of a mill or a reduction in the production capacity of a mill. When the carrying amount exceeds the net present value of future cash flows from the asset, the difference is recorded as an impairment charge in our income statement.

***Cost control and operational efficiency***

A proportion of our total operating expenses are fixed, which means that profitability, particularly in an environment of declining prices, depends in part on cost control and operating efficiency. During the periods under review, we have implemented a number of cost control and operational efficiency programs and measures, and we continue to monitor opportunities to implement further programs and measures. In addition to mill closures and disposals and production suspensions, these programs and measures have included the optimization of energy usage at our mills, the consolidation of sales and distribution resources and use of sales agents and the streamlining of headquarter operations. Due to the combination of mill closures and disposals and cost-reduction initiatives, our employee headcount decreased from 5,078 employees as of December 31, 2011 to 2,944 employees as of September 30, 2014. In general, the effects of cost control and operational efficiency programs and measures are reflected in improvements in operating expense items, gross operating earnings and gross operating margins. We may also record restructuring expenses in connection with cost-reduction initiatives, which can be significant. For example, we recorded NOK 59 million of restructuring expenses in 2011 for a cost-reduction program at the Walsum mill.

***Acquisitions and disposals***

During the periods under review we have made a number of significant disposals and reductions in capacity. In addition, in the future we may make further disposals and other reductions in capacity and potentially may make acquisitions in line with our business strategy. Any of these actions may significantly affect our financial condition and results of operations. See ''—*Factors Affecting Comparability—Significant disposals or reductions in capacity*''. We may incur substantial additional debt in connection with any acquisition.

***Seasonality***

In general, market demand for our products is not constant over the year. We typically experience strong seasonal demand in the fourth quarter due to Christmas advertising and Christmas catalogs, and in the Northern hemisphere, we experience a seasonal increase in demand in the second quarter due to the printing of holiday brochures ahead of the summer holiday season. For example, for the three months ended March 31, 2014, we generated gross operating earnings of NOK 153 million, while our gross operating earnings for the three months ended December 31, 2013 were NOK 298 million. For reasons related to operational efficiency, we maintain production levels relatively stable throughout the year, such that seasonal increases in demand are satisfied through inventory. Consequently, changes in inventories can be significant from quarter to quarter, although from one year to the next, the overall change in inventories is typically small.

**Factors Affecting Comparability**

The key factors affecting comparability of our results of operations during the periods under review include:

***Changes in reporting segments***

Due to changes in our business and the way we operate and manage our business during the periods under review, we have made several changes to our operating segments. These changes affect comparability of our results of operations during the periods under review.

Effective January 1, 2014, we reorganized our operations into two geographically-oriented operating segments: Publication Paper Europe and Publication Paper Australasia. During the years ended December 31, 2013 and 2012, we had previously organized our operating segments by geography and product class in three operating segments: Newsprint Europe, Newsprint Outside Europe and Magazine Paper. The two Newsprint segments reported figures for the newsprint assets located in Europe and the rest of the world, respectively, and the results of our European magazine paper operations were reported under Magazine Paper. Prior to 2012, in addition to our two Newsprint operating segments and our Magazine Paper operating segment, we maintained an Energy operating segment. The activities of the Energy operating segment have been included in our financial reporting under Other Activities with effect from January 1, 2012.

In these listing particulars, we have presented our financial results for the nine months ended September 30, 2013 to reflect the retrospective effect of the January 1, 2014 change to operating segments as if such change had occurred January 1, 2013. We have not prepared or presented in these listing particulars operating segment information reflecting the retrospective effect of the January 1, 2014 change to operating segments for the years ended December 31, 2011 and 2012.

In this discussion, in order to enhance the comparability of the results of operations for our operating segments, the segment financial information for the year ended December 31, 2011 has been presented to give effect to the January 1, 2012 elimination of the Energy operating segment and the inclusion of the Energy operating segment's prior activities within Other Activities as if such change had occurred with effect from January 1, 2011.

The comparability of the operating segment financial data for the years ended December 31, 2011 and 2012 is also impacted by the reclassification of the results of operations of the Parenco mill (whose single paper mill had the capability to produce both newsprint and magazine paper). During 2011, the results of operations of the Parenco mill were reported in the Newsprint Europe operating segment; during 2012, the Parenco mill's results of operations were reported in the Magazine Paper operating segment. The Parenco mill was disposed of in August 2012.

***Significant disposals or reductions in capacity***

During the periods under review, as part of our strategy to streamline and refocus our business, we have disposed of a number of our businesses and assets and reduced production capacity through permanent closures:

- *Disposal of Brazilian Pisa operations (2013).* We sold a majority interest in the Pisa business in Brazil, which had an annual production capacity of 185,000 tons in June 2013 and sold the remaining 49% minority interest in 2014.
- *Disposal of Thailand Singburi operations (2013).* We sold the Singburi newsprint mill in Thailand in November 2013.
- *Closure of Walsum paper machine (2013).* We permanently closed one of the paper mills at the Walsum mill in Germany with an annual production capacity of 225,000 tons of coated paper in December 2013.
- *Closure of Tasman paper machine (2013).* We permanently closed one of the two paper mills at the Tasman mill in New Zealand with an annual production capacity of 160,000 tons of newsprint in January 2013.
- *Disposal of Chilean Bio Bio operations (2012).* We sold the Bio Bio newsprint mill in Chile in 2012.

- *Disposal of Follum mill (2012).* In December 2011, we closed the Follum mill in Norway, which produced newsprint and magazine paper. In June 2012, we sold the land and the energy contracts related to the mill.
- *Disposal of Parenco mill (2012).* We sold the Parenco mill in the Netherlands, which produced newsprint and magazine paper, in August 2012.
- *Disposal of Reparco (2012).* We sold the Reparco global recovered paper business in August 2012.
- *Disposal of Brazilian assets (2011).* We sold certain Brazilian forestry holdings and energy sales operations in 2011.

The disposal of businesses and assets and the reduction of production capacity have a number of effects on our results of operations. In general, disposals and reductions of capacity result in decreases in operating revenues, operating expenses and gross operating earnings in subsequent periods. In some cases, the disposal of a profitable business, such as the Pisa mill in Brazil, can negatively impact gross operating margins in subsequent periods. We may recognize one-time gains or losses as a result of disposals, which are recorded as other gains and losses in the income statement. We have generally applied a portion of the proceeds from disposals to reduce our indebtedness.

We generally will record restructuring expenses in connection with reductions of capacity through closures. For example, we recorded NOK 287 million of restructuring expenses in 2011 in connection with the closure of the Follum mill (which was subsequently sold) and NOK 105 million of restructuring expenses in 2012 in connection with the closure of newsprint capacity at the Tasman mill. We may also record significant impairment charges with respect to the planned closure of capacity. Closures may also have a positive impact on working capital and operating cash flow, due to the release of working capital following such closure.

***Implementation of accounting standard IAS 19***

We implemented the amended accounting standard IAS 19 Employee Benefits with effect from January 1, 2013, with full retrospective application. We have included restated 2012 financial information for the purposes of comparison in these listing particulars to give effect to this implementation. For a description of the implementation effects of amended accounting standard IAS 19, see note 13 to our Consolidated Financial Statements for the year ended December 31, 2013.

***Impact from currency changes and other factors under financial items***

Effective from October 2014, we terminated our remaining currency hedging agreements. Historically, our forward contracts and currency options were subject to fair market valuation at the end of each financial quarter, changes in which were recognized in our income statement as a financial item. As a result, the currency impact of changes in exchange rates on our results, which is recognized in our income statement, could be significant. Net translation effects in respect of foreign currency-denominated debt could also be significant, primarily in U.S. dollar-denominated debt, as we do not have many assets in U.S. dollars. Translation differences on most of the other debt denominated in foreign currencies were generally together with assets in the same currency, and the translation difference was recognized in equity. Furthermore, we have from time to time repurchased our debt securities as part of the management of our capital structure and have recognized gains and losses as a result of such repurchases.

| | Year Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | (NOK in millions) | | | Unaudited (NOK in millions) | |
| Realized/unrealized gains/losses on currency | (43) | 359 | (618) | (448) | 16 |
| Gains on buy-back of bonds | 203 | 187 | 0 | 0 | (7) |

***Disruptions or other stoppages in production capacity***

Our results of operations can be impacted by disruptions or other stoppages in our production capacity. These events can be due to involuntary reasons, such as fires, or voluntary reasons, such as the

conversion of a paper machine or the temporary idling (or the reduction in utilization rates) of a paper machine to address issues such as inventory build-ups or energy price developments. The impact on our results of operations of such events depends on the nature of the disruption or stoppage, and other factors such as whether the event is covered by insurance (including business interruption insurance to cover lost margins).

From mid-December 2013 until April 2014, operations at one of the two paper machines at our Boyer mill were suspended. While the machine was offline, we converted the machine to produce magazine paper instead of newsprint. The converted machine is our first magazine paper machine in Australasia, and the only magazine producing machine in that market. During the period of the machine's conversion, production capacity at our Boyer facility declined from 22,500 tons of newsprint per month to 12,500 tons of newsprint per month. Following the conversion, the Boyer mill has capacity to produce 12,500 tons of newsprint per month and 11,667 tons of magazine paper per month. As a result of the conversion, revenues and gross operating earnings for the Publication Paper Australasia operating segment for the nine months ended September 30, 2014 were negatively impacted. We expect that our results of operations will be positively impacted as the Boyer magazine paper machine reaches its anticipated production and performance levels.

On February 2, 2011, there was a fire at our Saugbrugs mill in Norway, which produces super-calendared magazine paper and has an annual production capacity of 545,000 tons of super-calendared magazine paper. That fire caused extensive damage to the cable system in the TMP plant that supplies the mill's machines with wood fiber. As a result, all operations of the mill's paper machines were halted. The Saugbrugs mill did not return to normal production levels until January 2012. We maintain insurance coverage that includes both the lost contribution margin (business interruption insurance) and property damage stemming from covered events. As a result of the 2011 fire at Saugbrugs, a provision for the estimated business interruption compensation was recognized, whereby gross operating earnings were negatively affected by NOK 11 million, which was equivalent to the insurance policy deductible. Additionally, we recognized an impairment of NOK 8 million for the assets damaged during the year ended December 31, 2011 and a gain of NOK 83 million for the year ended December 31, 2011 in other gains and losses relating to the insurance compensation received for property damage.

### Explanation of Key Income Statement Items

#### *Operating revenue*

Operating revenue represents the fair value of the consideration received or receivable from the sale of our products, and is stated net of any applicable value added tax, rebates and sales and after eliminating sales within the Group.

Our operating revenue consists almost exclusively of the sale of goods, and the recognition of revenue is the same for newsprint and magazine paper. Operating revenue is typically recognized at a point in time between finalization of production of our products and delivery of the products to our customer, depending on the buyer's delivery terms.

#### *Operating expenses*

Operating expenses are comprised of distribution costs, cost of raw materials, changes in inventories, employee benefit expenses and other operating expenses.

*Distribution costs.* Distribution costs represent the cost of transporting our finished products to our customers.

*Cost of materials.* Cost of materials includes the raw materials used to make our products, which includes the price of various energy sources used by our mills, wood, recovered paper and pulp, together with distribution costs related to delivering the raw materials to our mills.

*Changes in inventories.* Inventories are stated at the lower of cost and net realizable value and the change in inventories from a prior period is recognized as a change in inventories. Gains or losses on the sale of our inventories are recognized on a first-in-first-out basis.

*Employee benefit expenses.* Employee benefit expenses include salaries, bonuses and the cost of other employee benefits such as payments to defined benefit and defined contribution plans.

*Other operating expenses.* Other operating expenses includes costs relating to maintenance, administration, changes in environmental provisions and other miscellaneous expenses.

*Gross operating earnings.* In the income statement of our Consolidated Financial Statements, we present gross operating earnings for the Group, and in our segment reporting, we assess the performance of our operating segments based on a measure of gross operating earnings. Gross operating earnings excludes the effects of expenditure not deemed to be part of regular operating activities. Gross operating earnings represents operating earnings before depreciation, restructuring expenses, other gains and losses (such as gains and losses from sales of non-current assets and changes in the fair value of certain energy contracts and biological assets) and impairments. In these listing particulars, EBITDA is defined on the same basis as gross operating earnings. For a reconciliation of EBITDA to profit/loss, see ''*Summary Consolidated Financial and Other Data*'' and ''*Presentation of Financial and Other Information—Non-IFRS and Other Financial Measures.*''

### *Restructuring expenses*

Restructuring expenses include redundancy payments, early retirement payments and other arrangements for employees leaving the Group, legal costs in relation to reduction in headcount and legal and other costs associated with disposals and other restructuring transactions, including mill or paper machine closures. We do not recognize provisions for future operating losses.

### *Other gains and losses*

Other gains and losses includes gains and losses on disposals, gains and losses that arise from changes in fair value of our commodity contracts, embedded derivatives in energy contracts and biological (forestry) assets and gains or losses arising upon the sale of our rights to purchase energy under our long-term energy contracts.

### *Impairments*

An impairment loss is recognized for the amount by which the carrying amount of a relevant asset exceeds its recoverable amount and is recognized as a charge to our income statement through impairments.

### *Share of profit in associate companies*

We account for investments in associated companies in accordance with the equity method. Our share of profit is recognized as our percentage share of profit after tax, adjusted for amortization of surplus value at Group level allocated to the investment at the time of acquisition.

We own a 33.7% minority interest in Malaysian Newsprint Industries Sdn. Bhd. (''**MNI**''), which is our only material associated company. See note 19 to our Consolidated Financial Statements for the year ended December 31, 2013 for further information regarding MNI.

### *Financial items*

*Financial income.* Financial income includes interest income and gains on the repurchase of outstanding bonds.

*Financial expenses.* Financial expenses include interest costs and other financial items such as finance costs related to financing arrangements.

*Realized/unrealized gain and loss on foreign currency.* Realized/unrealized gain and loss on foreign currency represents gains and losses on our currency hedging and on our loans denominated in currencies other than Norwegian kroner, resulting from fluctuations in foreign currency exchange rates.

## Recent Developments and Trading Update

For a description of recent developments, see ''*Summary—Recent Developments and Trading Update*''.

### Results of Operations

The following table sets forth key line items from our income statement for the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2013 and 2014.

| | Year Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | Audited (NOK in millions) | | | Unaudited (NOK in millions) | |
| **Operating revenue** | **18,904** | **16,592** | **13,339** | **9,805** | **8,942** |
| Distribution costs | (1,786) | (1,645) | (1,398) | (1,035) | (917) |
| Cost of materials | (11,243) | (9,564) | (8,017) | (5,964) | (5,388) |
| Change in inventories | (118) | (156) | (45) | 101 | 96 |
| Employee benefit expenses | (2,793) | (2,491) | (2,002) | (1,544) | (1,435) |
| Other operating expenses | (1,450) | (1,252) | (1,014) | (800) | (685) |
| **Gross operating earnings** | **1,515** | **1,485** | **862** | **564** | **612** |
| Depreciation | (1,658) | (935) | (728) | (533) | (547) |
| Restructuring expenses | (387) | (118) | (145) | 4 | 3 |
| Other gains and losses | (201) | (1,009) | (1,100) | (863) | 236 |
| Impairments | (1,969) | (2,086) | 0 | 0 | 0 |
| **Operating earnings** | **(2,701)** | **(2,663)** | **(1,111)** | **(829)** | **303** |
| Share of profit (loss) in associated companies | 198 | (70) | 26 | 17 | 5 |
| Financial items | (629) | (117) | (1,258) | (935) | (498) |
| **(Loss)/profit before income taxes** | **(3,132)** | **(2,849)** | **(2,344)** | **(1,747)** | **(190)** |
| Income taxes | 588 | 69 | 500 | 360 | (105) |
| **Net (loss)/profit for the period** | **(2,545)** | **(2,781)** | **(1,844)** | **(1,387)** | **(296)** |

### Nine Months Ended September 30, 2014 Compared with Nine Months Ended September 30, 2013

Effective January 1, 2014, we reorganized our operations into two geographically-oriented operating segments: Publication Paper Europe and Publication Paper Australasia. See ''—*Factors Affecting Comparability—Changes in reporting segments*''.

#### *Operating revenue*

Operating revenue in the nine months ended September 30, 2014 decreased by 8.8% to NOK 8,942 million compared to NOK 9,805 million in the nine months ended September 30, 2013. Sales volumes (as measured by deliveries) in Europe in the nine months ended September 30, 2014 were 8.4% lower than sales volumes in the nine months ended September 30, 2013. Sales volumes in Australasia in the nine months ended September 30, 2014 were 30.9% lower than Australasian sales volumes in the nine months ended September 30, 2013. These reductions in our sales volumes were the principal factor for the decline in our operating revenues for the nine months ended September 30, 2014.

The following table sets forth our production volumes and sales volumes by operating segment for the nine months ended September 30, 2013 and 2014.

| | Production Volume | | Sales Volume | |
|---|---|---|---|---|
| | Nine Months Ended September 30, | | Nine Months Ended September 30, | |
| | 2013 | 2014 | 2013 | 2014 |
| | (thousand tons) | | | |
| Europe | 1,659 | 1,508 | 1,639 | 1,502 |
| Australasia | 642 | 459 | 634 | 438 |
| **Total** | **2,301** | **1,967** | **2,273** | **1,940** |

The following table sets forth our operating revenue by segment for the nine months ended September 30, 2013 and 2014.

| | Nine Months Ended September 30, | | | | |
|---|---|---|---|---|---|
| | 2013 | % of Operating Revenue | 2014 | % of Operating Revenue | % Change |
| | Unaudited (NOK in millions, except percentages) | | | | |
| Operating revenue by segment | | | | | |
| Europe | 6,764 | 69.0% | 6,720 | 75.2% | (0.7)% |
| Australasia | 3,014 | 30.7% | 2,229 | 24.9% | (26.1)% |
| Other Activities | 272 | 2.8% | 101 | 1.1% | (62.9)% |
| Eliminations[1] | (245) | (2.5)% | (108) | (1.2)% | (55.9)% |
| **Total** | **9,805** | **100%** | **8,942** | **100%** | **(8.8)%** |

(1) Intercompany transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

*Europe.* Operating revenue in our European segment decreased by 0.7% to NOK 6,720 million in the nine months ended September 30, 2014, compared to NOK 6,764 million in the nine months ended September 30, 2013. This decrease in operating revenue was principally due to lower sales volume attributable to the closure of one of two paper machines at the Walsum mill in December 2013, which was partly offset by improved pricing. Total volume of publication paper sold by us in Europe in the nine months ended September 30, 2014 decreased by 8.4% to 1,502,000 tons, compared to 1,639,000 tons in the nine months ended September 30, 2013. Demand for European publication paper fell 4.0% during the nine months ended September 30, 2014, which reflected a decline in demand for European newsprint of 5.1% and a decline in demand for European magazine paper of 3.2% as compared to the nine months ended September 30, 2013. During the nine months ended September 30, 2014, prices for European newsprint increased slightly while prices for European magazine paper decreased in the same period compared to the nine months ended September 30, 2013, based on prices in Germany established by RISI. SC prices were flat, while LWC prices decreased slightly.

*Australasia.* Operating revenue from our Australasian segment decreased by 26.1% to NOK 2,229 million in the nine months ended September 30, 2014, compared to NOK 3,014 million in the nine months ended September 30, 2013. The decline reflects the impact of the divestments of Pisa in Brazil (June 2013) and Singburi in Thailand (November 2013) and lost production capacity from our Boyer mill during the conversion of one of its two paper machines to magazine paper operations during the first quarter of 2014. Demand for Australasian publication paper fell 4.1% during the nine months ended September 30, 2014, which reflected a decline in demand for Australasian newsprint of 6.1% and a decline in demand for Australasian magazine paper of 2.4%. Prices for Australasian newsprint remained relatively flat for the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013 due to our long-term contracts with our two largest customers in that market.

*Other Activities.* Operating revenue from Other Activities decreased to NOK 101 million in the nine months ended September 30, 2014, from NOK 272 million in the nine months ended September 30, 2013. The decrease in operating revenue was primarily due to lower intercompany sales of energy and wood, which reflected our decision to transfer responsibility for the sourcing of energy and wood from our corporate group to the mills themselves.

*Operating expenses*

The following table sets forth our expenses by segment for the nine months ended September 30, 2013 and 2014.

| | Europe | | Australasia | | Other Activities | | Eliminations | | Norske Skog Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Nine Months Ended September 30, | | | | | | | | | |
| | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 |
| | Unaudited (NOK in millions) | | | | | | | | | |
| **Operating Revenue** | **6,764** | **6,720** | **3,014** | **2,229** | **272** | **101** | **(245)** | **(108)** | **9,805** | **8,942** |
| Distribution costs | (713) | (647) | (322) | (270) | 0 | 0 | 0 | 0 | (1,035) | (917) |
| Cost of materials | (4,337) | (4,111) | (1,602) | (1,276) | (145) | (1) | 120 | 0 | (5,964) | (5,388) |
| Change in inventories | 73 | 14 | 28 | 81 | 0 | 0 | 0 | 1 | 101 | 96 |
| Employee benefit expenses | (1,055) | (1,004) | (404) | (361) | (85) | (70) | 0 | 0 | (1,544) | (1,435) |
| Other operating expenses | (565) | (520) | (262) | (208) | (98) | (65) | 125 | 108 | (800) | (685) |
| **Operating Expenses** | **6,597** | **6,268** | **2,562** | **2,034** | **328** | **136** | **245** | **108** | **9,241** | **8,329** |
| **Gross operating earnings** | **167** | **452** | **453** | **195** | **(56)** | **(35)** | **0** | **0** | **564** | **612** |
| Depreciation | (260) | (295) | (261) | (247) | (11) | (5) | (1) | 0 | (533) | (547) |
| Gross operating earnings after depreciation | (93) | 157 | 192 | (52) | (67) | (40) | (1) | 0 | 31 | 65 |
| Restructuring expenses | 0 | 3 | 4 | 0 | 0 | 0 | 0 | 0 | 4 | 3 |
| Other gains and losses | 8 | 4 | (194) | (24) | (676) | 256 | (1) | 0 | (863) | 236 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Operating Earnings** | **(86)** | **164** | **2** | **(76)** | **(744)** | **215** | **(1)** | **0** | **(829)** | **303** |

Operating expenses in the nine months ended September 30, 2014 decreased by 9.9% to NOK 8,329 million, compared to NOK 9,241 million in the nine months ended September 30, 2013. As a percentage of operating revenue, operating expenses decreased from 94.3% of operating revenue in the nine months ended September 30, 2013 to 93.1% of operating revenue in the nine months ended September 30, 2014. The decrease was primarily due to reduced production capacity in the Group, lower production and delivery volumes and the effect of ongoing cost improvement initiatives.

*Distribution costs.* Distribution costs decreased by 11.4% to NOK 917 million in the nine months ended September 30, 2014 from NOK 1,035 million in the nine months ended September 30, 2013. As a percentage of operating revenue, distribution costs decreased from 10.6% of operating revenue in the nine months ended September 30, 2013 to 10.3% of operating revenue in the nine months ended September 30, 2014. The decrease in distribution costs relative to operating revenue is primarily attributable to the closure of one paper machine at Walsum, the impact of the conversion of one paper machine at the Boyer mill to magazine paper and the resulting shift in customer mix away from exports.

*Cost of materials.* Cost of materials decreased in the nine months ended September 30, 2014 by 9.7% to NOK 5,388 million from NOK 5,964 million in the nine months ended September 30, 2013. As a percentage of operating revenue, cost of materials decreased from 60.8% of operating revenue in the nine months ended September 30, 2013 to 60.3% of operating revenue in the nine months ended September 30, 2014. The reduction in material costs was primarily due to reduced production volumes. Prices for both fiber and energy remained relatively stable.

*Employee benefit expenses.* Employee benefit expenses decreased by 7.1% to NOK 1,435 million in the nine months ended September 30, 2014 from NOK 1,544 million in the nine months ended September 30, 2013. As a percentage of operating revenue, employee benefit expenses increased from 15.7% of operating revenue in the nine months ended September 30, 2013 to 16.1% of operating revenue in the nine months ended September 30, 2014. The decrease in employee benefit expenses was primarily due to cost reduction initiatives and the effect of disposals of non-European facilities during 2013, including Pisa and Singburi and the closure of one paper machine at Walsum. We had 2,944 employees as of September 30, 2014 compared to 3,531 employees as of September 30, 2013.

*Other operating expenses.* Other operating expenses, which primarily include maintenance expenses, administration, insurance, travel, operating leases and other miscellaneous expenses, decreased in the

nine months ended September 30, 2014 by 14.4% to NOK 685 million from NOK 800 million in the nine months ended September 30, 2013. As a percentage of operating revenue, other operating expenses decreased from 8.2% of operating revenue in the nine months ended September 30, 2013 to 7.7% of operating revenue in the nine months ended September 30, 2014. The reduction in other operating expenses is primarily attributable to reduced maintenance and other operating expenses stemming from the closure of one paper machine at Walsum and the effects of the conversion of one paper machine at the Boyer mill to magazine paper.

#### ***Gross operating earnings***

Gross operating earnings (operating earnings before depreciation, restructuring expenses, other gains and losses and impairments) were NOK 612 million in the nine months ended September 30, 2014 compared to NOK 564 million in the nine months ended September 30, 2013, an increase of 8.5%. As a percentage of operating revenue, gross operating earnings increased from 5.8% in the nine months ended September 30, 2013 to 6.8% in the nine months ended September 30, 2014. The increase in gross operating earnings was primarily due to somewhat higher prices in Europe more than offsetting the negative short-term impact of the closure of one Walsum paper machine and conversion of one paper machine at the Boyer mill.

*Europe.* Gross operating earnings were NOK 452 million in the nine months ended September 30, 2014 compared to NOK 167 million in the nine months ended September 30, 2013, an increase of 170.7%, primarily due to improved paper prices in Europe, positive currency effects and reduced fixed costs resulting from the closure of one paper machine at our Walsum mill. Gross operating earnings increased as a percentage of segment operating revenue from 2.5% in the nine months ended September 30, 2013 to 6.7% in the nine months ended September 30, 2014 primarily due to improved pricing for publication paper in Europe.

*Australasia.* Gross operating earnings were NOK 195 million in the nine months ended September 30, 2014 compared to NOK 453 million in the nine months ended September 30, 2013, a decrease of 57.0%, primarily due to the disposal of our operations in Thailand and Brazil and the short term negative impact of the conversion of one newsprint machine to magazine paper at the Boyer mill. Gross operating earnings decreased as a percentage of segment operating revenue from 15.0% in the nine months ended September 30, 2013 to 8.7% in the nine months ended September 30, 2014, which reflects the impact of the disposal of profitable operations in Brazil as well as lower newsprint pricing.

*Other Activities.* Gross operating earnings were negative NOK 35 million in the nine months ended September 30, 2014, an improvement on the gross operating earnings of negative NOK 56 million in the nine months ended September 30, 2013. The improvement was primarily attributable to reduced costs of corporate functions.

#### ***Depreciation***

Depreciation increased by 2.6% to NOK 547 million in the nine months ended September 30, 2014, compared to NOK 533 million in the nine months ended September 30, 2013. As a percentage of operating revenue, depreciation increased from 5.4% of operating revenue in the nine months ended September 30, 2013 to 6.1% of operating revenue in the nine months ended September 30, 2014. The increase in depreciation is primarily due to increased depreciation at the Saugbrugs facility related to the major capital expenditure project at the mill completed in early 2014. Depreciation for the nine months ended September 30, 2013 also included the effects of a one-time adjustment to a recording of depreciation made in respect of the Tasman mill in 2012.

#### ***Other gains and losses***

For the nine months ended September 30, 2014, we recorded a gain from other gains and losses of NOK 236 million, compared to a loss of NOK 863 million in the nine months ended September 30, 2013. This increase in other gains primarily related to changes in the value of energy contracts stemming from currency effects and improved energy pricing. Additionally, during the nine months ended September 30, 2013, we recorded a one-time loss from the sale of the Pisa business of NOK 195 million.

### *Impairments*

No impairment charges were recognized in the nine months ended September 30, 2014 or the nine months ended September 30, 2013.

### *Operating earnings*

Operating earnings was NOK 303 million in the nine months ended September 30, 2014, compared to a loss of NOK 829 million in the nine months ended September 30, 2013. The primary reason for the increase in operating earnings in the nine months ended September 30, 2014 was the improvement in gross operating earnings and other gains and losses.

### *Financial items*

The following table sets forth details of the financial items included in our income statement for the periods indicated.

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2013 | 2014 |
| | Unaudited (NOK in millions) | |
| Net interest costs (excluding interest rate derivatives) | (462) | (441) |
| Realized/unrealized gains/losses on interest-rate derivatives | 7 | 1 |
| Realized/unrealized (loss)/gain on currency | (448) | (16) |
| Other financial items | (32) | (42) |
| **Total financial items** | **(935)** | **(498)** |

Total financial items amounted to a loss of NOK 498 million in the nine months ended September 30, 2014, compared to a loss of NOK 935 million in the nine months ended September 30, 2013. This decrease in losses was primarily due to the effects of the strengthening of the NOK against the Euro and the U.S. dollar on the value of our debt denominated in such currencies.

### *Income taxes*

We recognized tax expense in the nine months ended September 30, 2014 of NOK 105 million, compared to tax income of NOK 360 million in the nine months ended September 30, 2013. The change in income tax was primarily due to reduced loss before income taxes, reduced deferred tax assets in Norway and re-assessment of tax positions in the Group during the nine months ended September 30, 2014.

### *Net profit/loss*

Net loss was NOK 296 million in the nine months ended September 30, 2014, compared to a net loss of NOK 1,387 million in the nine months ended September 30, 2013.

## Year Ended December 31, 2013 Compared with Year Ended December 31, 2012

### *Operating revenue*

Operating revenue in 2013 decreased by 19.6% to NOK 13,339 million, compared to NOK 16,592 million in 2012. This decrease was principally due to reduced sales volumes following closures of capacity and disposals and, to a lesser extent, lower sales prices.

The following table sets forth our production volumes and sales volumes by operating segment for the years ended December 31, 2012 and 2013.

| | Production Volume | | Sales Volume | |
|---|---|---|---|---|
| | Years Ended December 31, | | Years Ended December 31, | |
| | 2012 | 2013 | 2012 | 2013 |
| | (thousand tons) | | | |
| Newsprint | 2,258 | 1,985 | 2,280 | 2,001 |
| Europe | 1,181 | 1,178 | 1,187 | 1,188 |
| Outside of Europe | 1,077 | 807 | 1,093 | 813 |
| Magazine Paper | 1,297 | 1,054 | 1,308 | 1,049 |
| **Total** | **3,555** | **3,039** | **3,588** | **3,050** |

The following table sets forth our operating revenue by segment and, for our Newsprint segment, by geographical sub-segment, for the years ended December 31, 2012 and 2013.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2012 | % of Operating Revenue | 2013 | % of Operating Revenue | % Change |
| | (NOK in millions, except percentages) | | | | |
| **Operating revenue by segment and geography**[(1)] (if applicable) | | | | | |
| Newsprint | 10,145 | 61.1 | 8,701 | 65.2 | (14.2) |
| Europe | *4,528* | *27.3* | *4,437* | *33.3* | *(2.0)* |
| Outside Europe | *5,263* | *31.7* | *3,809* | *28.6* | *(27.6)* |
| Sales offices and eliminations | *356* | *2.1* | *455* | *3.4* | *28.5* |
| Magazine Paper | 6,254 | 37.7 | 4,992 | 37.4 | (20.2) |
| Other Activities | 2,315 | 14.0 | 313 | 2.3 | (86.5) |
| Eliminations[(2)] | (2,122) | (12.8) | (667) | (5.0) | (68.6) |
| **Total** | **16,592** | **100%** | **13,339** | **100%** | **19.6%** |

(1) The geographical allocation of operating revenue is based on production location.

(2) Intercompany transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

*Newsprint.* Operating revenue from our Newsprint segment in 2013 decreased by 14.2% to NOK 8,701 million, compared to NOK 10,145 million in 2012. Total volume of newsprint sold in 2013 decreased by 12.2% to 2,001,000 tons, compared to 2,280,000 tons in 2012. The decrease in operating revenue for newsprint was primarily due to reduced capacity.

—*Europe.* Operating revenue from our Newsprint segment in Europe decreased by 2.0% to NOK 4,437 million in 2013, compared to NOK 4,528 million in 2012, which reflected the impact of the closure and disposal of our Follum mill in Norway (March 2012) as well as lower European newsprint prices. Total volume of European newsprint sold by us in 2013 remained flat at 1,188,000 tons, compared to 1,187,000 tons in 2012. While aggregate demand for newsprint in Europe declined by 5.8% during 2013, demand for improved and other uncoated grades of newsprint increased by 0.6%. Sales prices for our newsprint in Europe (measured in Euro) were 5.0% lower in 2013 than in 2012.

—*Outside Europe.* Operating revenue from our Newsprint segment outside Europe decreased by 27.6% to NOK 3,809 million in 2013, compared to NOK 5,263 million in 2012. The decrease was primarily attributable to the sales of our operations in Chile, Brazil and Thailand and the closure of one newsprint paper machine at Tasman in New Zealand in January 2013. Total volume of newsprint sold by us outside of Europe in 2013 declined from 1,093,000 tons in 2012 to 813,000 tons in 2013. The decline in demand for newsprint in Australasia was 17.0% and reflected, to a large extent, strategic changes in the distribution of printed publications by leading publishers in Australasia. Sales prices for our newsprint outside of Europe decreased slightly in 2013 as compared to 2012.

*Magazine Paper.* Operating revenue from our Magazine Paper segment in 2013 decreased by 20.2% to NOK 4,992 million, compared to NOK 6,254 million in 2012. Total volume of magazine paper sold by us in 2013 decreased by approximately 20.2% to 1,049,000 tons, compared to 1,308,000 tons in 2012. The decrease in operating revenue was primarily due to the sale of our Parenco facilities in the Netherlands and the closure of the Follum mill. Demand for magazine paper in Europe declined broadly with a 0.6% decrease in demand for uncoated mechanical paper and a demand decline of 6.4% for coated mechanical paper. Sales prices (measured in Euro) for magazine paper in Europe decreased slightly in 2013 compared to 2012, based on prices in Germany established by RISI.

*Other Activities.* Operating revenue from Other Activities in 2013 decreased to NOK 313 million, compared to NOK 2,315 million in 2012. The decrease reflected less intercompany sales of energy and wood as responsibility for these operations was transferred from the corporate group to the mills during 2013. The decrease also reflected the impact of the sale in August 2012 of the Reparco global recovered paper business (whose results of operations were reported in this segment).

### *Operating expenses*

The following table sets forth our expenses by segment for the years ended December 31, 2012 and 2013.

| | Newsprint | | Magazine Paper | | Other Activities | | Eliminations | | Norske Skog Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Year Ended December 31, | | | | | | | | | |
| | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 |
| | (NOK in millions) | | | | | | | | | |
| **Operating Revenue** | **10,145** | **8,701** | **6,254** | **4,992** | **2,315** | **313** | **(2,122)** | **(667)** | **16,592** | **13,339** |
| Distribution costs | (1,021) | (896) | (558) | (503) | (67) | — | 1 | — | (1,645) | (1,398) |
| Cost of materials | (5,627) | (5,105) | (3,802) | (3,229) | (1,988) | (156) | 1,852 | 473 | (9,564) | (8,017) |
| Change in inventories | (101) | (40) | (51) | (6) | (4) | — | — | — | (156) | (45) |
| Employee benefit expenses | (1,349) | (1,111) | (956) | (794) | (186) | (97) | — | — | (2,491) | (2,002) |
| Other operating expenses | (795) | (643) | (539) | (449) | (187) | (117) | 269 | 194 | (1,252) | (1,014) |
| **Operating Expenses** | **(8,893)** | **(7,795)** | **(5,906)** | **(4,981)** | **(2,432)** | **(370)** | **2,122** | **667** | **(15,108)** | **(12,477)** |
| **Gross operating earnings** | **1,252** | **906** | **349** | **12** | **(116)** | **(56)** | **—** | **—** | **1,485** | **862** |
| Depreciation | (705) | (565) | (212) | (148) | (18) | (15) | — | — | (935) | (728) |
| **Gross operating earnings after depreciation** | **547** | **341** | **137** | **(136)** | **(134)** | **(71)** | **—** | **—** | **550** | **134** |
| Restructuring expenses | (121) | 2 | 20 | (134) | (17) | (13) | — | — | (118) | (145) |
| Other gains and losses | (41) | (178) | 84 | 4 | (1,052) | (926) | — | — | (1,009) | (1,100) |
| Impairments | (1,338) | — | (694) | — | (54) | — | — | — | (2,086) | 0 |
| **Operating Earnings** | **(953)** | **165** | **(452)** | **(266)** | **(1,258)** | **(1,011)** | **—** | **—** | **(2,663)** | **(1,111)** |

Operating expenses in 2013 decreased by 17.4% to NOK 12,477 million, from NOK 15,108 million in 2012. As a percentage of operating revenue, operating expenses increased from 91.0% of operating revenue in 2012 to 93.5% of operating revenue in 2013. The reduction in operating expenses in 2013 was due to lower production and sales volumes stemming from our disposals and closures of capacity. Production volumes decreased by 14.5% in 2013 as compared to 2012.

*Distribution costs.* Distribution costs decreased in 2013 by 15.0% to NOK 1,398 million from NOK 1,645 million in 2012, which the reflected the impact of disposals and capacity closures. As a percentage of operating revenue, distribution costs increased from 9.9% of operating revenue in 2012 to 10.5% of operating revenue in 2013. This increase in distribution costs relative to operating revenues was primarily due to the change in customer mix and location relative to our continuing portfolio operations following capacity closures and disposals in 2012 and 2013.

*Cost of materials.* Cost of materials decreased in 2013 by 16.2% to NOK 8,017 million from NOK 9,564 million in 2012. As a percentage of operating revenue, cost of materials increased from 57.6% of operating revenue in 2012 to 60.1% of operating revenue in 2013. The decrease in the total cost of materials was principally due to reductions in capacity due to our disposals and capacity closures. The increase in costs of materials relative to our operating revenue reflects the impact of generally higher per unit energy costs in Europe due to new contracts and higher per unit wood costs for our magazine paper operations.

*Employee benefit expenses.* Employee benefit expenses decreased by 19.6% to NOK 2,002 million in 2013 from NOK 2,491 million in 2012. As a percentage of operating revenue, employee benefit expenses were stable at 15.0% for 2012 and 2013. The decrease in employee benefit expenses was primarily due to the effect of disposals and capacity closures. We had 3,237 employees as of December 31, 2013 and 3,987 employees as of December 31, 2012.

*Other operating expenses.* Other operating expenses, which primarily include maintenance expenses, administration, insurance, travel, operating leases and other miscellaneous expenses, decreased in 2013 by 19.0% to NOK 1,014 million from NOK 1,252 million in 2012. As a percentage of operating revenue, other operating expenses were stable at 7.5% in 2012 and 7.6% in 2013.

### *Gross operating earnings*

Gross operating earnings (operating earnings before depreciation, restructuring expenses, other gains and losses and impairments) were NOK 862 million in 2013 compared to NOK 1,485 million in 2012, a decrease of 42.0%. As a percentage of operating revenue, gross operating earnings decreased from 9.0% of operating revenue in 2012 to 6.5% of operating revenue in 2013. Gross operating earnings were lower in 2013 primarily due to disposals and capacity closures and weaker prices.

*Newsprint.* Gross operating earnings for our Newsprint segment were NOK 906 million in 2013 compared to NOK 1,252 million in 2012, a decrease of 27.6%, principally due to the reductions in capacity due to disposals and capacity closures. As a percentage of our Newsprint operating revenue, gross operating earnings from our Newsprint operations decreased from 12.3% in 2012 to 10.4% in 2013, which decline primarily reflects weaker pricing for newsprint as well as the relatively higher per unit distribution and material costs of our continuing operations outside of Europe.

*—Europe.* Our Newsprint segment in Europe generated gross operating earnings of NOK 309 million in 2013 compared to NOK 365 million in 2012, a decrease of 15.3%. The decline was principally due to the closure and disposal of the Follum facility and Parenco in March and August of 2012, respectively. As a percentage of segment operating revenue, gross operating earnings from our European Newsprint segment decreased from 8.1% in 2012 to 7.0% in 2013, which decrease primarily resulted from weaker pricing.

*—Outside Europe.* Gross operating earnings of our Newsprint segment outside Europe were NOK 606 million in 2013 compared to NOK 879 million in 2012, a decrease of 31.1%, principally due to the divestment of our Pisa operations in Brazil, weaker pricing at our continuing operations and higher per unit distribution costs at our Boyer facility. As a percentage of segment operating revenue, gross operating earnings from our non-European Newsprint segment decreased from 16.7% in 2012 to 15.9% in 2013, which decrease reflected generally weaker pricing for newsprint and the impact of disposals, including the profitable Pisa operations.

*Magazine Paper.* Gross operating earnings from our Magazine Paper segment were NOK 12 million in 2013 and NOK 349 million in 2012. The decrease principally reflected the impact of the closure of our Magazine Paper operations at our Walsum facility as well as the closure of Follum in Norway, the disposal of Parenco in the Netherlands and weak results at our Bruck facility in Austria. The results also reflected higher per unit costs for both wood and energy at our continuing magazine paper operations.

*Other Activities.* Gross operating earnings from our Other Activities were negative NOK 56 million in 2013 and negative NOK 116 million in 2012. The improvement primarily is due to a more streamlined headquarters function following cost reduction initiatives.

### *Depreciation*

Depreciation decreased by 22.1% to NOK 728 million in 2013 compared to NOK 935 million in 2012. The decrease was due to lower depreciation charges at our Walsum and Tasman facilities in 2013 following significant impairments recorded in 2012. As a percentage of operating revenue, depreciation decreased from 5.6% of operating revenue in 2012 to 5.5% of operating revenue in 2013.

### *Restructuring expenses*

In 2013, restructuring expenses were NOK 145 million compared to NOK 118 million in 2012. Restructuring expenses in 2013 consisted primarily of charges related to severance payments and other

costs in connection with the closure of a paper machine at Walsum. Restructuring expenses in 2012 primarily related to the closure of a newsprint paper machine at Tasman.

### *Other gains and losses*

The following table sets forth other gains and losses for the periods indicated.

| | Year Ended December 31, | |
|---|---|---|
| | **2012** | **2013** |
| | **Unaudited (NOK in millions)** | |
| Gains and losses from divestment of business activities, property, plant and equipment | 39 | (178) |
| Changes in value—commodity contracts | (1,109) | (402) |
| Changes in value—embedded derivatives | 220 | (403) |
| Changes in value—biological assets | (7) | (14) |
| Other realized gains and losses | (152) | (102) |
| **Total** | **(1,009)** | **(1,100)** |

For the year ended December 31, 2013, we recorded a loss from other gains and losses of NOK 1,100 million, compared to a loss of NOK 1,009 million in 2012. In 2013, 73.2% of our losses from other gains and losses stemmed from losses incurred due to changes in the value of commodity contracts (NOK 402 million) and embedded derivatives (NOK 403 million). The losses on commodities contracts were primarily due to lower than expected future energy prices and currency effects. These currency effects also accounted for the losses on embedded derivatives contracts. The losses in 2013 were primarily related to the appreciation of the Euro relative to the Norwegian kroner.

The losses from divestment of business activities, property, plant and equipment of NOK 178 million in 2013 related primarily to losses of NOK 218 million incurred in the divestment of the Pisa operations in Brazil, which were partly offset by gains of NOK 49 million from the sale of the Singburi operations in Thailand and adjustments for the reclassification of certain of these losses and gains upon the loss of control of these companies. We also recognized a gain of NOK 23 million from the sale of non-production related property, which further offset these losses. We also included a loss of NOK 26 million in relation to input VAT on transaction costs incurred upon the divestments of mills in South Korea and China in previous years.

### *Impairments*

We recognized no impairment charges in 2013 compared to NOK 2,086 million in 2012. The 2012 impairment charges related primarily to the revaluation of our operations at our Tasman and Walsum facilities following the decision to close one newsprint machine at our Tasman facility and the closure of one magazine paper machine at our Walsum facility.

### *Operating earnings*

We recognized operating earnings of negative NOK 1,111 million in 2013 compared to operating earnings of negative NOK 2,663 million in 2012. The primary reason for the decrease in losses in 2013 compared to 2012 was the impact of significant impairment charges recognized in 2012.

### *Financial items*

The following table sets forth details of the financial items included in our income statements for the periods indicated.

| | Year Ended December 31, | |
|---|---|---|
| | 2012 | 2013 |
| | (NOK in millions) | |
| **Financial income:** | | |
| Dividends received | 10 | 18 |
| Interest income | 29 | 21 |
| Realized/unrealized gain on foreign currency | 359 | — |
| Other financial income | 187 | — |
| **Total financial income** | **585** | **39** |
| **Financial expenses:** | | |
| Interest cost | 615 | 636 |
| Realized/unrealized loss on foreign currency | — | 618 |
| Other financial expense | 87 | 43 |
| **Total financial expenses** | **702** | **1,297** |
| **Total financial items** | **(117)** | **(1,258)** |

Total financial items amounted to a loss of NOK 1,258 million for the year ended December 31, 2013 compared to a loss of NOK 117 million for the year ended December 31, 2012. The increase in loss is primarily due to the effects of the depreciation of the Norwegian kroner against other major currencies in 2013 on the value of debt denominated in such non-NOK currencies. Other financial income in 2012 reflects the gain on purchases of our debt securities in 2012.

### *Income taxes*

We recognized a tax income in 2013 of NOK 500 million compared to NOK 69 million in 2012, which increase was primarily due to a significant recognition of deferred tax in 2013 as compared to 2012.

### *Net profit/loss*

Net loss was NOK 1,844 million in 2013 compared to a net loss of NOK 2,781 million in 2012.

## Year Ended December 31, 2012 Compared with Year Ended December 31, 2011

Prior to 2012, in addition to our two Newsprint operating segments and our Magazine Paper operating segment, we maintained an Energy operating segment. Effective January 1, 2012, the activities of the Energy operating segment have been included in our financial reporting under Other Activities. See ''—*Factors Affecting Comparability—Changes in reporting segments*''.

### *Operating revenue*

Operating revenue in 2012 decreased by 12.2% to NOK 16,592 million compared to NOK 18,904 million in 2011. The reduction in operating revenue was primarily due to lower sales volumes as a result of the global decline in demand in the market and the impact of disposals and capacity closures.

The following table sets forth our production volumes and sales volumes by operating segment for the years ended December 31, 2011 and 2012.

| | Production Volume | | Sales Volume | |
|---|---|---|---|---|
| | Years Ended December 31, | | Years Ended December 31, | |
| | 2011 | 2012 | 2011 | 2012 |
| | (thousand tons) | | | |
| Newsprint | 2,673 | 2,258 | 2,678 | 2,280 |
| Europe | 1,488 | 1,181 | 1,488 | 1,187 |
| Outside of Europe | 1,185 | 1,077 | 1,190 | 1,093 |
| Magazine Paper | 1,159 | 1,297 | 1,178 | 1,308 |
| **Total** | **3,832** | **3,555** | **3,857** | **3,588** |

The following table sets forth our operating revenue by segment and, for our Newsprint segment, by geographical sub-segment for the years ended December 31, 2011 and 2012.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2011 | % of Operating Revenue | 2012 | % of Operating Revenue | % Change |
| | (NOK in millions, except percentages) | | | | |
| **Operating revenue by segment and geography**[1] (if applicable) | | | | | |
| Newsprint | 11,967 | 63.3% | 10,145 | 61.1% | (15.2)% |
| Europe | 6,034 | 31.9% | 4,528 | 27.3% | (25.0)% |
| Outside Europe | 5,681 | 30.0% | 5,263 | 31.7% | (7.3)% |
| Sales offices and eliminations | 254 | 1.3% | 356 | 2.1% | 39.4% |
| Magazine Paper | 6,291 | 33.3% | 6,254 | 37.7% | (0.6)% |
| Other Activities | 3,690[3] | 19.5% | 2,315 | 14.0% | (37.3)% |
| Eliminations[2] | (3,043) | (16.1)% | (2,122) | (12.8)% | (30.3)% |
| **Total** | **18,904** | **100%** | **16,592** | **100%** | **(12.2)%** |

(1) The geographical allocation of operating revenue is based on production location.

(2) Intercompany transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred.

(3) As reflected in note 3 to our 2011 Audited Consolidated Financial Statements and representing the sum of NOK 1,497 million operating revenue from our Energy segment and NOK 2,193 million operating revenue from our Other Activities segment as presented in note 3 to our 2011 Audited Consolidated Financial Statements.

*Newsprint.* Operating revenue from our Newsprint segment decreased by 15.2% to NOK 10,145 million in 2012, compared to NOK 11,967 million in 2011. Total volume of newsprint sold in 2012 decreased by 14.9% to 2,280,000 tons, compared to 2,678,000 tons in 2011. The decrease in operating revenue was primarily due to the closure and disposal of our Follum mill in Norway (March 2012), the divestment of our Bio Bio mill in Chile (May 2012) and the reclassification of Parenco mill operations within our Magazine Paper segment effective January 1, 2012. See *''—Factors Affecting Comparability—Changes in reporting segments''*.

*—Europe.* Operating revenue from our Newsprint segment in Europe decreased by 25.0% to NOK 4,528 million in 2012 compared to NOK 6,034 million in 2011, reflecting the impact of the closure of our Follum mill and the reclassification of the Parenco mill operations within the Magazine Paper segment. Total volume of European newsprint sold in 2012 decreased by 20.2% to 1,187,000 tons compared to 1,488,000 tons in 2011. The decrease in our European sales volumes principally related to the closure of Follum. Demand for newsprint in Europe fell 13.0% in 2012 as compared to 2011. Newsprint prices in Europe decreased slightly from 2011 to 2012.

*—Outside Europe.* Operating revenue from our Newsprint segment outside Europe decreased by 7.3% to NOK 5,263 million in 2012 compared to NOK 5,681 million in 2011, principally due to the divestment of our Bio Bio operations in Chile. Total volume of newsprint sold outside of Europe

decreased by 8.2% to 1,093,000 tons in 2012 compared to 1,190,000 tons in 2011, which decrease was largely due to the disposal of Bio Bio. Demand for newsprint in Oceania fell 12% in 2012 as compared to 2011 while demand for newsprint in Latin America fell 8.0% over the same time period. Newsprint prices outside of Europe remained relatively stable, improving slightly in 2012 as compared to 2011.

*Magazine Paper.* Operating revenue from our Magazine Paper segment in 2012 decreased by 0.6% to NOK 6,254 million compared to NOK 6,291 million in 2011. The decrease in operating revenues reflected weaker pricing for magazine paper in 2012 as compared to 2011. Total volume of magazine paper sold in 2012 increased by 11.0% to 1,308,000 tons, compared to 1,178,000 tons in 2011. The increase in sales volumes reflected the net impact of the reclassification of the Parenco mill operations and the consolidation of its results within the Magazine Paper operating segment and the resumption of production at the Saugsbrug mill which had undergone repairs following a fire at the mill in February 2011. Demand for uncoated and coated mechanical paper in Europe fell 5.0% and 8.0%, respectively, in 2012 as compared to 2011. Prices for magazine paper in Europe were also relatively stable, but declined slightly in 2012 as compared to 2011.

*Other Activities.* Operating revenue from Other Activities decreased by 37.2% to NOK 2,315 million in 2012 compared to NOK 3,690 million in 2011. The decrease reflected the divestment of the Reparco global recovered paper business and a lower level of intercompany sales of energy and wood in Norway.

### *Operating expenses*

The following table sets forth our expenses by segment for the years ended December 31, 2011 and 2012.

| | Newsprint | | Magazine Paper | | Other Activities | | Eliminations | | Norske Skog Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 |
| **Operating Revenue** | **11,967** | **10,145** | **6,291** | **6,254** | **3,690** | **2,315** | **(3,043)** | **(2,122)** | **18,904** | **16,592** |
| Distribution costs | (1,129) | (1,021) | (577) | (558) | (80) | (67) | 0 | 1 | (1,786) | (1,645) |
| Cost of materials | (6,904) | (5,627) | (3,775) | (3,802) | (3,237) | (1,988) | 2,674 | (1,852) | (11,243) | (9,564) |
| Change in inventories | (13) | (101) | (104) | (51) | (1) | (4) | 0 | 0 | (118) | (156) |
| Employee benefit expenses | (1,597) | (1,349) | (976) | (956) | (220) | (186) | 0 | 0 | (2,793) | (2,491) |
| Other operating expenses | (1,006) | (795) | (568) | (539) | (245) | (187) | 370 | 269 | (1,450) | (1,252) |
| **Operating Expenses** | **(10,649)** | **(8,893)** | **(6,000)** | **(5,906)** | **(3,783)** | **(2,432)** | **—** | **—** | **(17,390)** | **(15,108)** |
| **Gross operating earnings** | **1,318** | **1,252** | **291** | **349** | **(95)** | **(116)** | **0** | **0** | **1,515** | **1,485** |
| Depreciation | (1,145) | (705) | (488) | (212) | (25) | (18) | 0 | 0 | (1,658) | (935) |
| **Gross operating earnings after depreciation** | **173** | **547** | **(197)** | **137** | **(120)** | **(134)** | **0** | **0** | **(143)** | **550** |
| Restructuring expenses | (160) | (121) | (217) | 20 | (11) | (17) | 0 | 0 | (387) | (118) |
| Other gains and losses | 20 | (41) | 115 | 84 | (337) | (1,052) | 0 | 0 | (201) | (1,009) |
| Impairments | (624) | (1,338) | (1,345) | (694) | 0 | (54) | 0 | 0 | (1,969) | (2,086) |
| **Operating Earnings** | **(589)** | **(953)** | **(1,644)** | **(452)** | **(468)** | **(1,258)** | **0** | **0** | **(2,701)** | **(2,663)** |

Operating expenses in 2012 decreased by 13.1% to NOK 15,108 million compared to NOK 17,390 million in 2011. The reduction in operating expenses in 2012 was primarily due to reduced capacity in the Group stemming from disposals and capacity closures as well as effects from cost initiatives.

*Distribution costs.* Distribution costs decreased by 7.9% to NOK 1,645 million in 2012 from NOK 1,786 million in 2011 primarily due to the closure of our Follum mill in Norway and the sale of our Bio Bio operations in Chile. As a percentage of operating revenue, distribution costs increased from 9.4% of operating revenue in 2011 to 9.9% of operating revenue in 2012. This increase in distribution costs relative to operating earnings was primarily due to changes in customer mix as our continuing operations (particularly our newsprint operations outside of Europe) increased their relative volume of exports as compared to local sales.

*Cost of materials.* Cost of materials decreased by 14.9% to NOK 9,564 million in 2012 from NOK 11,243 million in 2011 primarily due to reduced capacity following the closure of our Follum mill and the sale of our Bio Bio operations. As a percentage of operating revenue, cost of materials decreased from 59.5% of operating revenue in 2011 to 57.6% of operating revenue in 2012. This decrease in cost of materials relative to operating revenues primarily reflected lower per unit fiber prices in Europe, which

offset increases in per unit costs for wood and energy outside of Europe, as well as the effects of costs savings initiatives.

*Employee benefit expenses.* Employee benefit expenses decreased by 10.8% to NOK 2,491 million in 2012 from NOK 2,793 million in 2011 primarily as a result of the closure of the Follum mill and the sale of our Bio Bio operations. As a percentage of operating revenue, employee benefit expenses increased slightly from 14.8% of operating revenue in 2011 to 15.0% of operating revenue in 2012, which reflected the net effect of slightly higher employee expenses at our newsprint operations outside of Europe offset by savings in employee expenses in our European Newsprint operating segment. We had 3,986 employees as of December 31, 2012 and 5,075 employees as of December 31, 2011.

*Other operating expenses.* Other operating expenses, which primarily include maintenance expenses, administration, insurance, travel, operating leases and other miscellaneous expenses, decreased by 13.7% to NOK 1,252 million in 2012 from NOK 1,450 million in 2011 primarily due to the closure of the Follum mill and sale of our Bio Bio operations in Chile. As a percentage of operating revenue, other operating expenses were stable at 7.5% of operating revenue in 2012 as compared to 7.7% of operating revenue in 2011. The slight decrease in other operating expenses relative to operating expenses was primarily due to cost savings initiatives.

### *Gross operating earnings*

Gross operating earnings (operating earnings before depreciation, restructuring expenses, other gains and losses and impairments) were NOK 1,485 million in 2012 compared to NOK 1,515 million in 2011, a decrease of 2.0%. As a percentage of operating revenue, gross operating earnings increased from 8.0% of operating revenue in 2011 to 9.0% of operating revenue in 2012. The lower gross operating earnings in 2012 were primarily due to weaker pricing for certain of our newsprint operations.

*Newsprint.* Gross operating earnings from our Newsprint segment were NOK 1,252 million in 2012 compared to NOK 1,318 million in 2011, a decrease of 5.0%, principally due to weaker pricing for our newsprint sales from our Golbey and Tasman mills as well as effects of the disposal of our Bio Bio operations in Chile.

—*Europe.* Gross operating earnings from our Newsprint segment in Europe were NOK 365 million in 2012 compared to NOK 387 million in 2011, a decrease of 5.7%, principally due to weaker newsprint sales pricing from our Golbey mill and the reclassification of our Parenco mill operations within our Magazine Paper segment. As a percentage of segment operating revenues, gross operating earnings from our European Newsprint segment increased from 6.4% of operating revenues in 2011 to 8.1% of operating revenues in 2012 as a result of improvements in employee expenses and lower per unit costs of materials (fiber and energy) in Europe.

—*Outside Europe.* Gross operating earnings from our Newsprint segment outside Europe were NOK 879 million in 2012 and NOK 915 million in 2011, a decrease of 3.9%, principally due to the sale of our Bio Bio operations in Chile and weaker pricing for sales of newsprint from our Tasman operations. As a percentage of segment operating revenue, gross operating earnings of our non-European Newsprint segment increased from 16.1% in 2011 to 16.7% in 2012, which reflected the generally improved pricing for non-European newsprint sales, which were offset by higher per unit material (energy and wood) and per unit distribution costs.

*Magazine Paper.* Gross operating earnings of our Magazine Paper segment were NOK 349 million in 2012 and NOK 291 million in 2011, an increase of 19.9%, reflecting contributions from Saugbrugs following the fire in 2011 which more than offset the negative impacts of the Follum mill closure and reclassification of the Parenco operations within our Magazine Paper segment. As a percentage of segment operating revenues, gross operating earnings from our Magazine Paper segment increased to 5.6% of operating revenues in 2012 from 4.6% of operating revenues in 2011. The increase in gross operating earnings relative to operating revenue reflected the reduced per units costs of wood and energy for our Magazine Paper operations in 2012, which were offset by slightly reduced pricing for magazine paper over the same period.

*Other Activities.* Gross operating earnings from our Other Activities segment were negative NOK 116 million in 2012 and NOK 95 million in 2011, primarily due to higher costs for corporate functions, including costs in connection with the relocation of the former head office.

### *Depreciation*

Depreciation decreased by 43.6% to NOK 935 million in 2012 compared to NOK 1,658 million in 2011. As a percentage of operating revenue, depreciation decreased from 8.8% of operating revenue in 2011 to 5.6% of operating revenue in 2012. The decrease in depreciation expense in 2012 was primarily due to NOK 1,969 million of impairment charges recorded in 2011.

### *Restructuring expenses*

Restructuring expenses decreased by NOK 269 million to NOK 118 million in 2012, compared with NOK 387 million in 2011. Restructuring expenses in 2012 consisted primarily of severance payments as well as expenses stemming from the decision to permanently close one paper machine and 160,000 tons of newsprint capacity at Tasman in New Zealand in January 2013. Restructuring expenses in 2011 related primarily to the decision in December 2011 to close the Follum mill, which closure and disposal was completed in June 2012.

### *Other gains and losses*

The following table sets forth other gains and losses for the periods indicated.

| | Year Ended December 31, | |
|---|---|---|
| | **2011** | **2012** |
| | **(NOK in millions)** | |
| Gains and losses from divestment of business activities, property, plant and equipment | 354 | 39 |
| Changes in value—commodity contracts | (652) | (1,109) |
| Changes in value—embedded derivatives | 50 | 220 |
| Changes in value—biological assets | 35 | (7) |
| Other realized gains and losses | 12 | (152) |
| **Total** | **(201)** | **(1,009)** |

For the year ended December 31, 2012, we recorded a loss from other gains and losses of NOK 1,009 million, compared to a loss of NOK 201 million in 2011. The losses in 2012 primarily relate to changes in the book value of energy contracts and embedded derivatives in energy contracts.

### *Impairments*

Impairment charges were NOK 2,086 million in 2012 and NOK 1,969 million in 2011. The impairment charges in 2012 primarily relate to the decision to close one paper machine at the Tasman mill in New Zealand and one magazine paper machine at the Walsum mill. The impairment charges in 2011 include impairments relating to changes in production at the Parenco mill and the Saugbrugs mill and the closure of the Follum mill.

### *Operating earnings*

We recognized negative operating earnings of NOK 2,663 million in 2012 compared to negative operating earnings of NOK 2,701 million in 2011.

***Financial items***

The following table sets forth details of the financial items included in our income statement for the periods indicated.

| | Year Ended December 31, | |
|---|---|---|
| | 2011 | 2012 |
| | (NOK in millions) | |
| **Financial income:** | | |
| Dividends received | 1 | 10 |
| Interest income | 74 | 29 |
| Realized/unrealized gain on foreign currency | 392 | 359 |
| Other financial income | 163 | 187 |
| **Total financial income** | **630** | **585** |
| **Financial expenses:** | | |
| Interest cost | 770 | 615 |
| Realized/unrealized loss on foreign currency | 435 | — |
| Other financial expense | 54 | 87 |
| **Total financial expenses** | **1,259** | **702** |
| **Net financial items** | **(629)** | **(117)** |

Total financial items amounted to a loss of NOK 117 million for the year ended December 31, 2012 as compared to a loss of NOK 629 million for the year ended December 31, 2011. The decrease in loss is primarily due to the effects of the appreciation of the Norwegian kroner against other major currencies in 2012 on the value of debt denominated in such non-NOK currencies. Other financial income in both 2011 and 2012 reflects the gain on purchases of our debt securities.

***Income taxes***

We recognized a tax income of NOK 69 million in 2012 compared to a tax income of NOK 588 million in 2011. The reduced income taxes were primarily due to reduced loss before income tax, an increase in tax losses not recognized and reduced recognition of tax assets in 2012.

***Net profit/loss***

Net loss for the year was NOK 2,781 million in 2012 compared to a net loss of NOK 2,545 million in 2011.

**Liquidity and Capital Resources**

***Liquidity risk management***

We are exposed to liquidity risk in a scenario where our cash flow from operating activities is not sufficient to cover payments of financial liabilities. In order to effectively mitigate liquidity risk, our risk management strategy focuses on maintaining sufficient cash and securing available financing through committed credit facilities. Managing liquidity risk is centralized on a Group level.

In order to manage future liquidity risk, we forecast both short-term and long-term cash flows. Cash flow forecasts include cash flows stemming from operations, investments, asset sales, financing activities and financial instruments.

***Liquidity***

Historically, our principal source of liquidity has been our operating cash flows, committed credit facilities asset sales and issuances of debt securities. In recent periods, our operating cash flows have not been sufficient to meet our liquidity needs, including working capital, capital expenditures and debt service requirements. For the year ended December 31, 2013 and the nine months ended September 30, 2014, our net cash flow from operating activities was NOK 68 million and NOK (224) million, respectively. In addition, during 2013 we reduced the size of and subsequently canceled, our committed revolving credit facility, which we partly replaced with a securitization facility at our Norwegian mills. We have supplemented our liquidity needs with asset dispositions and the

establishment of factoring and securitization facilities. We have also obtained government grants and loans in connection with certain of our capital expenditures projects.

We will use the proceeds from the Offering of the Temporary Notes to address a portion of the short-term and medium-term maturities of the Parent's Existing Notes, for working capital purposes and to pay the fees and expenses associated with the Transactions. The outstanding Existing Notes mature in 2015, 2016, 2017 and 2033.

We believe that our expected operating cash flows, together with available borrowings, cash on hand and the proceeds from this Offering, will be adequate to meet our working capital requirements, anticipated capital expenditures and scheduled interest and principal payments on our indebtedness during 2015. While the Offering of the Temporary Notes and the Proposed Exchange Offers and Proposed Consent Solicitations will extend the maturities of a significant portion of our indebtedness, such transactions will also result in significantly higher interest costs. There can be no assurance that we will generate sufficient operating cash flows or proceeds from asset dispositions, or that future debt and equity financing will be available to us in an amount sufficient to meet our liquidity needs.

The Parent's auditors, Ernst & Young, have informed us that, in their view, our financial statements for the third quarter of 2014 do not contain required disclosures addressing the going concern uncertainty as the Parent, in their opinion, needs profit improvement and/or reduction of debt/refinancing/new equity in order to continue its operations. The Parent's Board of Directors authorized for issuance the Consolidated Financials Statements on October 22, 2014, and noted in the Directors' Report for the Third Quarter of 2014 that the Board has full focus on the Parent's upcoming bond maturity in October 2015 and is considering several options. As discussed in this section of the listing particulars, we will use the proceeds from the Offering of the Temporary Notes to (among other things) address a portion of the short-term and medium-term maturities of the Parent's Existing Notes (including through the Proposed Exchange Offers) and for working capital purposes.

We believe that the potential significant risks to our liquidity include:

- a reduction in operating cash flows due to a decline in the profitability of our business, which could be due to downturns in our performance, the publication paper industry in Europe or Australasia or general economic conditions;
- if the Proposed Exchange Offers and Proposed Consent Solicitations are not consummated, our short-term and medium-term maturity indebtedness will require us to repay U.S.$158.2 million, €129.6 million and €388.5 million in 2015, 2016 and 2017, respectively, including maturities in 2016 and 2017; and
- a reduction in sales or gross operating earnings due to our inability to successfully manage working capital and attain further operational cost savings.

If our future operating cash flows and other capital resources (including availability under our factoring and securitization facilities) are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our capital expenditures;
- close or curtail operations at our mills and further reduce our sales and overhead staffs;
- dispose of assets;
- obtain additional debt or equity capital; or
- refinance all or a portion of our debt.

There can be no assurance that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms. In addition, the terms of our debt, including the Notes and our outstanding Existing Notes, limit, and any future debt may limit, our ability to pursue any of these alternatives.

### Cash Flows

| | Year Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | | | | Unaudited | |
| | (NOK in millions) | | | | |
| Net cash flow from/(used in) operating activities | 455 | 982 | 68 | (245) | (224) |
| Net cash flow from/(used in) investing activities | 470 | 300 | (169) | (127) | 120 |
| Net cash flow from/(used in) in financing activities | (4,170) | (1,258) | (151) | (72) | (436) |
| Total change in cash and cash equivalents | (3,240) | (6) | (178) | (374) | (515) |
| Cash and cash equivalents | 1,200 | 1,194 | 1,015 | 820 | 500 |

*Net cash flow from/(used in) operating activities*

Net cash flow used in operating activities, after paid financial items and taxes, was NOK 224 million for the nine months ended September 30, 2014, compared with net cash flow used in operating activities of NOK 245 million for the nine months ended September 30, 2013. Cash from net financial items was NOK 532 million in the nine months ended September 30, 2014, and we paid taxes of NOK 25 million in the same period. Cash from net financial items was NOK 437 million in the nine months ended September 30, 2013, and we paid taxes of NOK 43 million in the same period. Net cash flow used in operating activities for the nine months September 30, 2014 was negatively impacted by a high level of payments made for restructuring activities during the period, but positively impacted by the release of working capital following the closure of a paper machine at the Walsum mill in December 2013 and the transfer of our marketing and sales operations for publication paper in the Asian markets to NorCell Asia under a new long-term marketing agreement with CellMark AB.

Net cash flow from operating activities, after paid financial items and taxes, was NOK 68 million for the year ended December 31, 2013, compared with NOK 982 million for the year ended December 31, 2012 and NOK 455 million for the year ended December 31, 2011. Cash flow from operating activities was lower in 2013 compared to 2012 primarily due to lower gross operating earnings in 2013 and the strong positive impact in 2012 from the release of working capital following the disposals of the Follum mill and the Parenco mill.

*Net cash flow from/(used in) investing activities*

Net cash flow from investing activities was NOK 120 million for the nine months ended September 30, 2014 and net cash flow used in investing activities was NOK 127 million for the nine months ended September 30, 2013. In the nine months ended September 30, 2014, cash used for capital expenditures, including for the conversion project at the Boyer mill and the Saugbrugs TMP project, was more than offset by cash received from disposals.

Net cash flow used in investing activities was NOK 169 million for the year ended December 31, 2013, net cash flow from investing activities was NOK 300 million for the year ended December 31, 2012 and net cash flow from investing activities was NOK 470 million for the year ended December 31, 2011. In the year ended December 31, 2013, cash used for capital expenditures was only partly offset by cash received from disposals.

*Net cash flow used in financing activities*

Net cash flow used in financing activities was NOK 436 million for the nine months ended September 30, 2014 and NOK 72 million for the nine months ended September 30, 2013. Cash flow used in financing activities for the nine months ended September 30, 2014 were primarily driven by bond repayments, the repayment of a government loan used to fund investments in the Boyer mill, the repayment of a local loan at the Bruck mill, the repayment of debt outstanding under existing credit facilities and the financing of our factoring facilities at Golbey, Saugbrugs and Skogn.

Net cash flow used in financing activities was NOK 151 million for the year ended December 31, 2013 and included repayments of our government loan used to fund investments in the Boyer mill, repayment of a local loan at our Bruck mill and the repayment of certain local credit lines and factoring facilities. Net cash flow used in financing activities was NOK 1,258 million for the year ended December 31, 2012 and NOK 4,170 million for the year ended December 31, 2011.

*Cash and cash equivalents*

Surplus cash flow generated by our operations is mostly held in our liquidity reserve, resulting in cash and cash equivalents on our balance sheet of NOK 500 million as of September 30, 2014 and NOK 820 million as of September 30, 2013.

Surplus cash flow generated by our operations resulted in cash and cash equivalents of NOK 1,015 million as of December 31, 2013, NOK 1,194 million as of December 31, 2012 and NOK 1,200 million as of December 31, 2011.

**Working Capital Requirements**

We actively monitor and manage our working capital requirements. Generally, our working capital requirements are seasonal and we experience slightly lower cash flow in the first half of the year due to the ramp up in working capital and production of inventories. The focus on optimizing our working capital has been a top priority and our working capital requirements have declined faster than other Group requirements since 2011. We have reduced our working capital requirements primarily through reductions in inventories and an improved control of accounts receivable. The release of working capital over the past three years has been a positive contributor to our cash flow.

**Debt Arrangements**

The following table sets forth a breakdown of our outstanding liabilities under the debt instruments specified below as of September 30, 2014.

| | As of September 30, 2014 | |
|---|---|---|
| | Total[(1)(2)] | % |
| | (unaudited) (NOK in millions) | |
| **Funding Instrument:** | | |
| **Credit facilities and other borrowings** | **793** | **10.6%** |
| Innovasjon Norge facilities | 165 | 2.2 |
| Other interest-bearing liabilities | 628 | 8.4% |
| **International bonds** | **6,702** | **89.4%** |
| 5.4% Senior Notes due October 2014[(2)] | 185 | 2.5% |
| 6.125% Senior Notes due October 2015 | 1,021 | 13.6% |
| 11.75% Senior Notes due June 2016 | 1,052 | 14.0% |
| 7% Senior Notes due June 2017 | 3,154 | 42.1% |
| 7.125% Senior Notes due October 2033 | 1,290 | 17.2% |
| **Total** | **7,495** | **100%** |

(1) Total debt listed herein may differ from debt recognized on our balance sheet as a result of premiums or discounts on issued bonds, hedge reserves and fair value hedging.

(2) Excludes our 5.4% Senior Notes due October 2014, which were repaid at maturity on October 24, 2014 with available cash.

Our subsidiaries enter into short-term and long-term credit facilities, factoring facilities and other borrowings from time to time to fund their operations and working capital needs. As of September 30, 2014, there was a total balance outstanding on the credit facilities and other borrowings by our subsidiaries of NOK 628 million.

Of the outstanding borrowings of our subsidiaries, as of September 30, 2014, NOK 66.7 million were in the form of government project loans offered by the Tasmanian government, which have most recently been used to fund capital improvements to the Boyer mill. The loans mature in 2017 and contain no financial covenants.

Our ability to access the international or Norwegian bond markets in the future depends on conditions in the capital markets at the relevant time. See ''*Risk Factors—Risks Related to Our Business and Our Industry—Even if we successfully consummate the Proposed Exchange Offers and Consent Solicitations or an alternative liability management transaction, our remaining indebtedness may impair our financial condition and our ability to grow and compete, and we may incur additional debt*''.

### Capital Expenditures

For the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2014, we recorded capital expenditures of NOK 490 million, NOK 492 million, NOK 529 million and NOK 201 million, respectively.

#### *Capital expenditures of continuing operations*

The following table and subsequent analysis sets forth our capital expenditures by category for our operations at our Bruck, Golbey, Skogn, Albury, Boyer, Tasman, Walsum and Saugbrugs mills for the periods indicated:

| | Year ended December 31, | | | Nine months ended September 30, |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 |
| | (NOK in millions) | | | |
| Operational Capital Expenditures | 298 | 150 | 151 | 112 |
| Development Capital Expenditures | 104 | 321 | 368 | 89 |
| **Total Capital Expenditures** | **402** | **471** | **519** | **201** |

*Operational.* Operational Capital Expenditures are comprised of investments intended to maintain/preserve the current business, including maintaining current competitiveness regarding productivity, quality, safety and the environment.

*Development.* Our Development Capital Expenditures include investments in improving the current business.

Our capital expenditures in the nine months ended September 30, 2014 totaled NOK 201 million and were comprised of:

- NOK 112 million of Operational Capital Expenditures, which were mainly minor maintenance projects at our different mills.
- NOK 89 million of Development Capital Expenditures, of which NOK 41 million was invested at our Boyer mill, finalizing the project of converting one paper machine and NOK 34 million was invested at our Saugbrugs mill, finalizing the new TMP plant which ultimately cost NOK 188 million.

Our capital expenditures in the year ended December 31, 2013 totaled NOK 519 million and were comprised of:

- NOK 151 million of Operational Capital Expenditures. The unit with the biggest portion of the NOK 151 million was our headquarters, where NOK 25 million were invested to upgrade our central IT systems.
- NOK 368 million of Development Capital Expenditures, of which NOK 242 million was invested at our Boyer mill and NOK 82 million was invested at our Saugbrugs mill. The investments at our Boyer mill were mainly related to the conversion of one paper machine to magazine paper production while we commenced construction of the new TMP plant at our Saugsbrug mill.

Our capital expenditures in the year ended December 31, 2012 totaled NOK 471 million and were comprised of:

- NOK 150 million of Operational Capital Expenditures, of which NOK 67 million was invested at our two Norwegian mills.
- NOK 321 million of Development Capital Expenditures, of which NOK 108 million and NOK 110 million was invested at our Boyer and Tasman mills, respectively. In 2012, we started work on the AUD 84.8 million conversion project of one paper machine to the production of magazine paper at our Boyer mill and we finalized and commissioned the geothermal power plant at our Tasman mill.

Our capital expenditures in the year ended December 31, 2011 totaled NOK 402 million and were comprised of:

- NOK 298 million of Operational Capital Expenditures, of which NOK 129 million was invested in our Saugbrugs mill. The main portion of this investment was related to the rebuilding of the TMP plant following the fire in the first quarter.

- NOK 104 million of Development Capital Expenditures, of which NOK 64 million was invested at our Tasman mill where the main portion of the investment was related to the construction start-up of the NZD 43 million geothermal power plant.

We estimate that our total capital expenditures for 2014 will be approximately NOK 250 million, of which the remaining investments will be for Operational Capital Expenditures related to minor maintenance projects at several of our mills.

We estimate that our total capital expenditures for 2015 will be NOK 156 million, substantially all of which is expected to be Operational Capital Expenditures.

### Contractual Obligations

The following table sets forth the maturity of our contractual obligations as of September 30, 2014 (as adjusted to give effect to the issuance of the Notes):

| Year | Less Than 1 Year | 1 - 5 Years | Over 5 Years | Total |
|---|---|---|---|---|
| | | (NOK in millions) | | |
| As adjusted long-term debt obligations[1] | 262 | 7,829 | 1,302 | 9,392 |
| Capital lease obligations | 23 | 81 | 106 | 210 |
| Operating lease obligations | 20 | 36 | 7 | 63 |
| **Total** | **305** | **7,946** | **1,415** | **9,665** |

(1) Total debt listed herein may differ from debt recognized on our balance sheet, as a result of premiums or discounts on issued bonds, hedge reserves and fair value hedging.

We have unfunded pension benefit obligations, the largest of which relates to the Walsum pension scheme. As of September 30, 2014, December 31, 2013 and December 31, 2012, our net pension obligations (net unfunded pension plans less net partly or fully funded pension plans) were NOK 681 million, NOK 692 million and NOK 618 million, respectively.

### Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors. We do not have any material exposure associated with non-consolidated conduits, structured investment vehicles or collateralized debt obligations.

### Derivatives

We use derivative instruments to hedge our exposure to the fluctuation in exchange rates and commodity prices, primarily energy prices.

### Qualitative and Quantitative Disclosures about Market Risk

We are exposed to various financial risks through our operating activities, including market risk (interest rate risk, currency risk and commodity price risk), liquidity risk and credit risk. We seek to minimize losses and volatility on our earnings caused by adverse market movements. We monitor and manage 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 exchange rate 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.

#### *Interest rate risk*

There has historically been a correlation between economic trends and interest rate movements, with interest rates falling during an economic downturn and rising in an economic recovery. We seek to structure our debt portfolio such that interest costs partly offset changes in revenue as a consequence of changes in the economic climate. 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, we have secured most of the interest rate payments by primarily paying fixed interest rates on our debt obligations.

The following table sets forth, by interest rate type, our interest-bearing assets and liabilities with corresponding hedges, for the periods indicated:

| | Year Ended December 31, 2011 | | | Year Ended December 31, 2012 | | | Year Ended December 31, 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Floating | Fixed | Total | Floating | Fixed | Total | Floating | Fixed | Total |
| | | | | | (NOK in millions) | | | | |
| Interest-bearing liabilities | 1,564 | 7,481 | 9,045 | 613 | 6,694 | 7,307 | 519 | 7,395 | 7,914 |
| Interest-bearing assets | (1,200) | — | (1,200) | (1,194) | — | (1,194) | (1,015) | — | (1,015) |
| Net exposure before hedging | 364 | 7,481 | 7,845 | (581) | 6,694 | 6,113 | (496) | 7,395 | 6,899 |
| Fair value hedge | 195 | (195) | — | — | — | — | — | — | — |
| Cash flow hedge | — | — | — | — | — | — | — | — | — |
| Net exposure after hedging | 559 | 7,286 | 7,845 | (581) | 6,694 | 6,113 | (496) | 7,395 | 6,899 |

All amounts presented in the table above are notional amounts. Total interest-bearing liabilities will therefore differ from booked total amounts due to bond discount/premiums, hedge reserve and unrealized effects of fair value hedging. Floating rate exposure is calculated without accounting for potential future refinancing.

As of December 31, 2013, our net exposure after hedging to interest-bearing liabilities amounted to NOK 6,899 million, compared with NOK 6,113 million as of December 31, 2012 and NOK 7,845 million as of December 31, 2011. As of December 31, 2013, 107.2% of our net exposure after hedging to interest-bearing liabilities related to fixed rate liabilities, compared with 109.5% as of December 31, 2012 and 92.9% as of December 31, 2011.

***Exchange rate risk***

Due to our position as an international paper production company with a significant cost base in Norway, we incur significant costs in Norwegian kroner while our sales are predominantly in foreign currencies.

We are exposed to currency risk in the following areas:

- translation risk, where assets and debt valued in foreign currencies have to be translated into Norwegian kroner on our balance sheet; and
- transaction risk, which arises as a result of our positive cash flow being predominantly in foreign currencies, while our negative cash flow is predominantly in Norwegian kroner.

Translation risk arises when our accounts are consolidated in Norwegian kroner and translation differences arise on assets and debt denominated in foreign currencies. The value of our assets and debt are adjusted for this translation difference, thereby affecting important key ratios such as our gearing ratio (net interest-bearing debt to equity). Translation risk is managed by ensuring that our net debt is denominated in a mix of currencies in which we also hold assets, in order to reduce fluctuations in key financial ratios resulting from currency rate movements. However, the net investment hedging is also organized in such a way as to distribute debt to currencies in which we have positive cash flows. In the past, we have used currency and interest rate swaps and foreign exchange contracts to hedge net investments in foreign subsidiaries.

In the past, we have used various financial instruments to hedge our exposure to currency transaction risk. In general, we calculate a twelve-month future cash flow exposure in each currency on a rolling basis (the "**rolling cash flow hedge**"). At any one time, a portion of our twelve-month expected cash flow exposure is hedged using forward contracts and currency options. This portion may be as low as zero and as high as 100%, but our benchmark is 75%. Our aim is to postpone the effect of currency fluctuations on our cash flow. The hedging instruments we may use are forward foreign exchange contracts and currency options, currency swaps, cross-currency swaps and loans denominated in foreign currencies. We do not use hedge accounting for the rolling cash flow hedge. The rolling cash flow hedge generated a loss of NOK 66 million in 2013, a gain of NOK 149 million in 2012 and a loss of

NOK 13 million in 2011. Over time, currency losses or earnings are expected to offset increased or reduced future gross operating earnings.

*Sensitivity analysis*

As of December 31, 2013, if the NOK had appreciated 10% against all currencies to which we have significant exposure, net profit after tax from financial instruments would have been NOK 265 million higher (NOK 292 million higher as of December 31, 2012 and NOK 464 million higher as of December 31, 2011). If the NOK had depreciated by 10% as of December 31, 2013 against all currencies to which we have significant exposure, net profit after tax from financial instruments would have been NOK 285 million lower (NOK 292 million lower as of December 31, 2012 and NOK 503 million lower as of December 31, 2011). Net profit after tax is affected in a non-linear manner due to changes in fair value of options. The effect of the sensitivity analysis on our income statement is mainly caused by changes in fair value of derivatives designated as rolling cash flow hedge, and foreign exchange gains/losses on the translation of Euro and U.S. dollar denominated debt for which there is no hedge accounting. Due to the fact that the portion of debt decreased in relation to the portion of cash, the effect on the income statement was lower in 2013 compared to 2012.

Given a 10% appreciation/depreciation of the Norwegian kroner, equity would have been NOK 189 million higher/lower (NOK 180 million higher/lower as of December 31, 2012 and NOK 378 million higher/lower as of December 31, 2011) 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 above-calculated sensitivity analysis on our income statement.

***Commodity risk***

A major part of our global commodity demand, primarily energy, is purchased through long-term contracts. We only use financial instruments to a small degree 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.

Certain of our purchase and sales contracts are derivatives, or contain embedded derivatives, which fall within the scope of IAS 39. These derivatives are measured in our balance sheet at fair value with value changes recognized through profit or loss. Commodity contracts are either financial contracts for the purpose of trading or hedging, or physical commodity contracts that are not for the purpose of our own use. 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 unrealized 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. Hence, valuation techniques which use available market information are used as much as possible. In the absence of observable market information, valuation techniques that reflect how the market could be expected to price instruments are used.

Our portfolio of commodity contracts consists mostly of physical energy contracts. Fair value of commodity contracts is therefore especially sensitive to future changes in energy prices. The fair value of embedded derivatives in physical contracts depends on currency and price index fluctuations.

In April 2013, we signed a new long-term energy contract for the supply of electricity for our paper mill in Halden. The new energy contract secures an annual supply of 1.0 terawatt-hours (''**TWh**'') up to December 2020. The agreement became effective on May 1, 2013. The contract ensures almost full energy coverage for the paper mill in Halden over the contract period. During 2013, we also terminated one of our long-term group energy contracts from 1998 that we used for energy supply in Southern Norway.

*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.

| | % Change | Fair Value at December 31, 2013 | Result Net of Tax Change Down | Result Net of Change Up |
|---|---|---|---|---|
| | (NOK in millions, except percentages) | | | |
| Energy price | 10% | 102 | (157) | 167 |
| Currency | 10% | 102 | — | — |

***Credit risk***

We make 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 unrealized profit on financial instruments and placements. The maximum credit risk arising from financial instruments is represented by the carrying amount of financial assets on our 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.

We trade with a group of large Nordic and international banks which are publicly rated in the interval from AA− to A− (unchanged from 2012). The credit risk on deposits and derivative transactions is spread across theses banks.

Our 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 centralized credit management function at our 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.

**Critical Accounting Policies**

Our principal accounting policies are described in more detail in note 2 to our Consolidated Financial Statements for the year ended December 31, 2013 included elsewhere in these listing particulars. The preparation of our Consolidated Financial Statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported. Estimates are based on historical experience and various other assumptions that are believed to be reasonable, though actual results and timing could differ from the estimates.

Management believes that the accounting policies below represent those matters requiring the exercise of judgment where a different opinion could result in the greatest changes to reported results.

***Estimated decline in value of intangible assets and property, plant and equipment ("PPE")***

We perform periodic tests to assess whether there has been a decline in the value of intangible assets and tangible fixed assets. Tangible fixed assets and intangible assets are written down to their recoverable amount when the recoverable amount is lower than the assets carrying value. The recoverable amount from assets or cash-generating units is determined by calculating the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Calculation of value in use requires use of estimates.

The capitalized value of intangible assets and PPE within the cash-generating units is measured against the value in use of intangible assets and PPE within these units. A possible future change in the composition of our cash-generating units could mean changes in the value in use within cash-generating units, which could, in turn, mean a future decline in the value of intangible assets and tangible fixed assets.

Calculating the value in use of intangible assets and PPE within the cash-generating units is based on estimated discounted cash flows. The cash flow horizon in the impairment model is consistent with the useful life of each paper machine in the group. The board-approved operating plan for the next year forms the basis for calculating expected cash flows. In the impairment testing, sales prices are assumed

to exhibit a decline in real terms and variable costs are assumed to decline in real terms, with lower demand for input factors due to a shrinking industry.

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 the calculations. We perform sensitivity analyses using the variables mentioned above to predict how fluctuations will impact recoverable amount. 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. Changes in these factors will have the effect of altering the value of cash flows and thereby also the value in use within the cash-generating units. Significant changes in prognoses and long-term prices could accordingly mean a future fall in the value of intangible assets and tangible fixed assets.

The required rate of return applied when discounting future cash flows is crucial for the calculated value of intangible assets and PPE. A future increase in the required return when discounting future cash flows will reduce value in use and could, in turn, mean a future decline in the value of intangible assets and PPE.

***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. We use our judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

The contracts are recognized in our balance sheet in accordance with IAS 39, which means that the value consists of the difference between the estimated market price and contract price over the contract period, discounted to present value. If the market for contracts is not active, we apply 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.

The value can fluctuate significantly from quarter to quarter due to changes in expected future energy prices, and is also affected by changes in exchange rates, price indices and the discount rate used.

***Annual assessment of the remaining economic life of tangible fixed assets***

We make annual assessments of the remaining economic life of tangible fixed assets. An increase or decrease in the remaining economic life could have an effect on future depreciation.

***Provision for future environmental obligations***

Our 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 our provision and costs.

Provisions for environmental restoration, dismantling costs, restructuring activities and legal claims are recognized when we have 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.

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 recognized 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 recognized within financial items.

As of December 31, 2013, we had a provision for future environmental obligations of NOK 193 million which are presented on our balance sheet as other non-current liabilities.

***Residual value and dismantling provision***

The residual value of our production equipment is valued as the anticipated realizable value on our 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 our balance sheet and a provision is recognized as a liability. We perform a review of the residual value of our 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.

***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) includes the discount rate. Changes in these assumptions will affect the carrying value of the pension obligation.

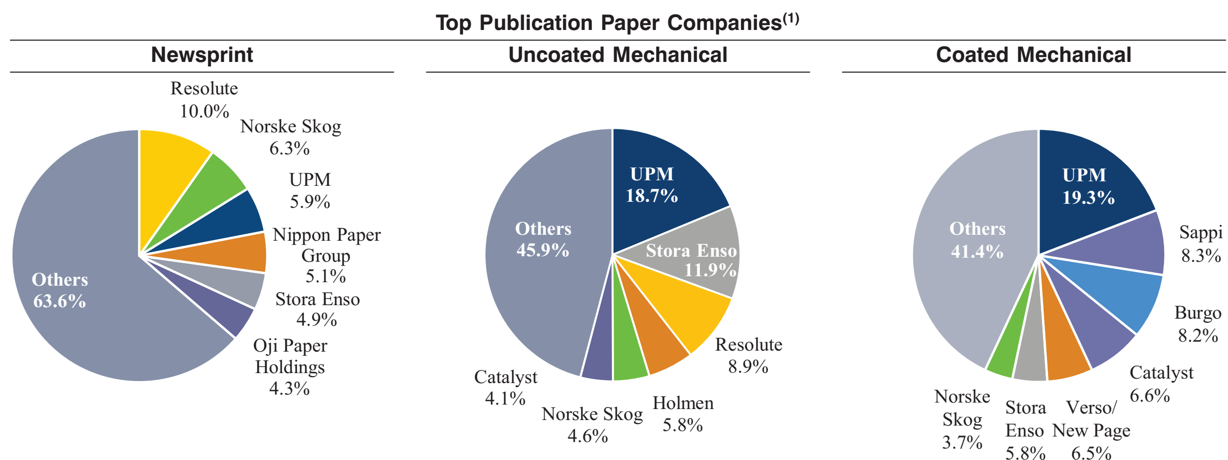
*In these listing particulars, we rely on and refer to information regarding our business and the markets in which we operate and compete. We have generally obtained the market and competitive position data in these listing particulars from industry publications and from surveys or studies conducted by third-party sources. We believe that these industry publications, survey and studies are reliable. However, we cannot assure you of the accuracy and completeness of such information and we have not independently verified such industry and market data. In addition, in many cases we have made statements in these listing particulars regarding our industry and our position in the industry based on our experience and our own investigation of market conditions. We cannot assure you that any of these assumptions are accurate or correctly reflect our position in the industry, and none of our internal surveys or information have been verified by any independent sources. These statements contain words such as ''we estimate'', ''we expect'', ''we believe'' or ''in our view,'' and as such do not purport to cite to or summarize any third-party or independent source and should not be so read.*

*Certain of the industry and market data presented in these listing particulars contain forward-looking statements, including forecasted pricing trends and anticipated capacity reductions and closures. These forecasts or estimates could differ materially from those anticipated in such forward-looking statements.*

The paper industry can be broadly divided into three segments: (i) printing and writing papers, consisting of newsprint and magazine paper (also referred to as ''publication paper'' or ''mechanical paper'') and wood-free paper; (ii) packaging and specialty papers, consisting various types of packaging, sack and label papers and (iii) tissue, consisting of various hygiene and personal care papers and products.

The charts below set forth the world's largest publication paper producers by capacity as of September 30, 2014. The list is dominated by Nordic, North American and Japanese participants. Most of these companies, unlike us, have major production capacity within other segments of the pulp and paper industry in addition to publication paper.

**Top Publication Paper Companies[(1)]**




Source: RISI World Graphic Paper Capacity (Sep-2014) (adjusted for announced closures and mergers and acquisitions)

(1) RISI September 2014 data adjusted for UPM, Stora Enso and Fabryka Papieru Myszkow announced closures in 2014. UPM has been adjusted for a capacity reduction of 345,000 tons of newsprint, 235,000 tons of uncoated mechanical and 225,000 tons of coated mechanical. Stora Enso has been adjusted for a capacity reduction of 520,000 tons of coated mechanical. Fabryka Papieru Myszkow has been adjusted for a capacity reduction of 60,000 tons of newsprint. As adjusted for acquisition of New Page by Verso completed on January 7, 2015 and related divestiture of Biron and Rumford mills to Catalyst with capacities of c. 370,000 tons and c. 385,000 tons of coated mechanical, respectively.

## Demand Drivers

Significant trends affecting the paper industry include (i) a fundamental structural change in paper consumption as demand for global paper consumption declines and (ii) a geographic shift in production and demand from traditional markets, such as North America and Western Europe, to Asia and Latin America. Long-term demand for paper globally is driven by economic, demographic and end-user preference trends, as well as by technological development.

Technological development and shifting consumer preferences towards digital platforms have negatively impacted publication paper demand over the past decade. Nonetheless, the evidence suggests that there is a long-term need for publication paper. According to the World Association of Newspaper and News Publishers, print remains by far the most important source of revenue for news publishers, accounting for 93% of newspaper revenue as of 2014, with only 7% of revenue derived from electronic media. The continued need for printed media is confirmed by our two most important customers in Australasia, News Limited and Fairfax Media Limited, which together account for approximately 50% of our Australasia revenue. News Limited and Fairfax Media Limited are large multi-platform media companies but they continue to derive the majority of their revenues from traditional printing and continue to make large investments in printing equipment.

***Newsprint***

In 2013, global newsprint demand fell by 5.1%, or 1.6 million tons, with all key regions declining. The decline was most severe in North America (9.5%) and Western Europe (5.8%), which together accounted for approximately 60% of the overall decline. In Asia, demand decreased by 1.7% due to a 7.5% decline in China.

The decline in Western European demand for newsprint was driven by a 6.2% decline in paid-for circulation and a loss in pagination (the number of printed pages per printed work) of approximately 2.0% according to PPPC estimates. A 6.5% fall in the consumption of free daily newspapers also contributed to the decline, which was mainly due to the carry-over effect of circulation reductions that had already taken place in 2012. The only mitigating factor was a positive swing in consumer stocks, especially in Spain and Germany. Australasian newsprint saw a significant decline of 17.1% year-over-year due to strategic shifts by publishers in a region with high paper usage per capita compared to other mature markets.

Through the first half of 2014, newsprint demand in Western Europe decreased only 2.7%, despite paid-for circulation decreasing by 5.5% and pagination remaining flat or slightly decreasing according to PPPC estimates. The downgrading of improved newsprint (categorized in uncoated mechanical) to newsprint in Germany and France limited the decline in demand for regular newsprint grades year-to-date during the nine months ended September 30, 2014. There have also been some indications of stock-building in the big-five markets (Germany, UK, Italy, France and Spain) which help to explain the changes during the nine months ended September 30, 2014. In Australasia, the decrease in newsprint was lower than the previous three years at 6.1%.

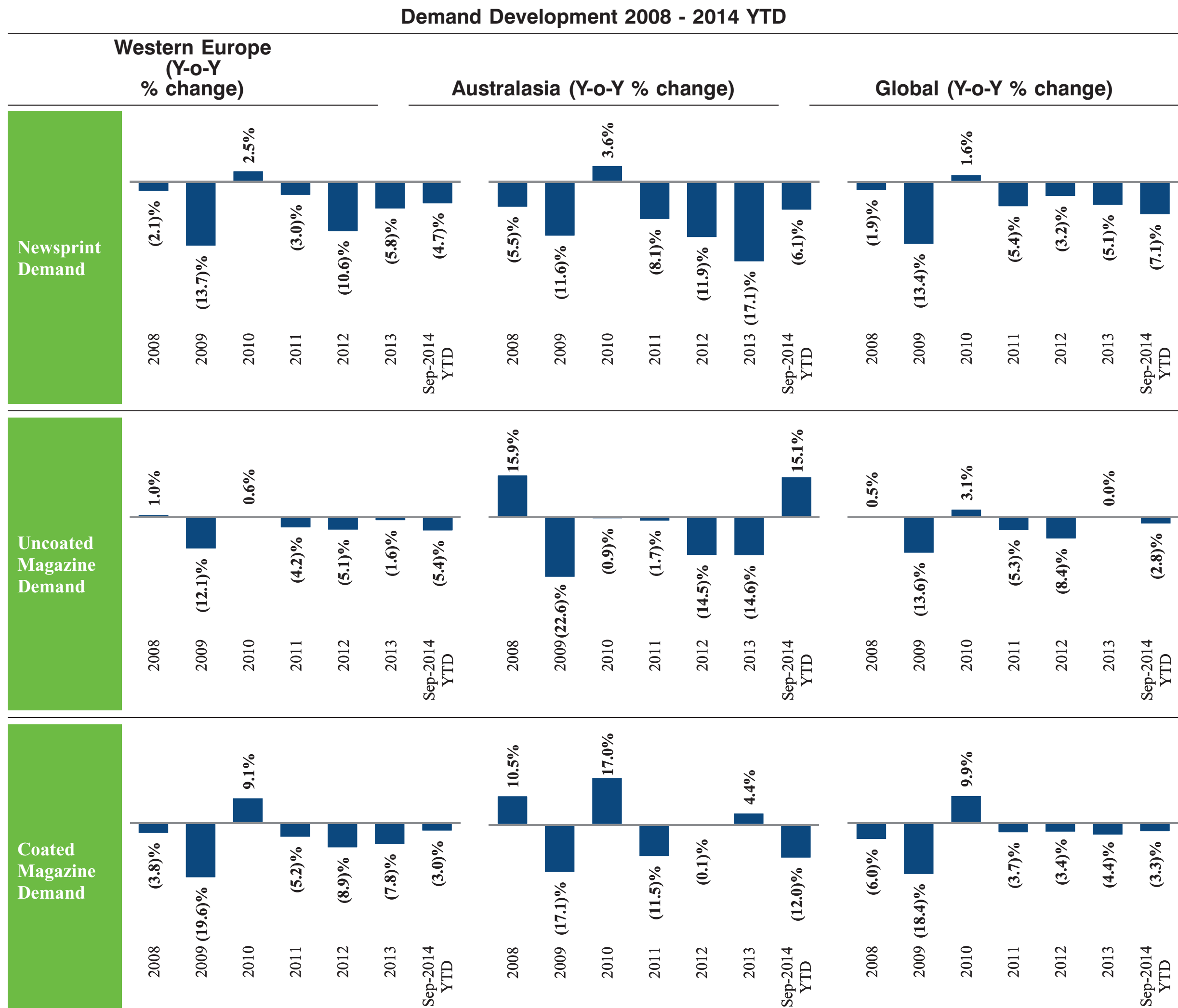
***Uncoated mechanical***

Global demand for uncoated mechanical papers declined at an average annual rate of 5.0% from 2008 to 2013. The decline in Western Europe in 2013 was only 1.6%, compared to a decline of 5.1% in the previous year. Global uncoated mechanical demand decreased by 2.8% year-to-date as of September 2014. In SC mechanical, the decline year-to-date was highly concentrated in Western Europe (7.2%), partly driven by demand shifting to coated grades.

***Coated mechanical***

Global demand for coated mechanical papers declined at an average annual rate of 4.4% from 2008 to 2013. In 2013, demand in Western Europe fell by 7.8%, but increased by 4.4% in Australasia. During the

nine months ended September 30, 2014, global demand for coated mechanical paper decreased by 3.3% year-over-year largely as a result of a 7.4% decrease in North America.




Source: PPPC (Sep 2014)

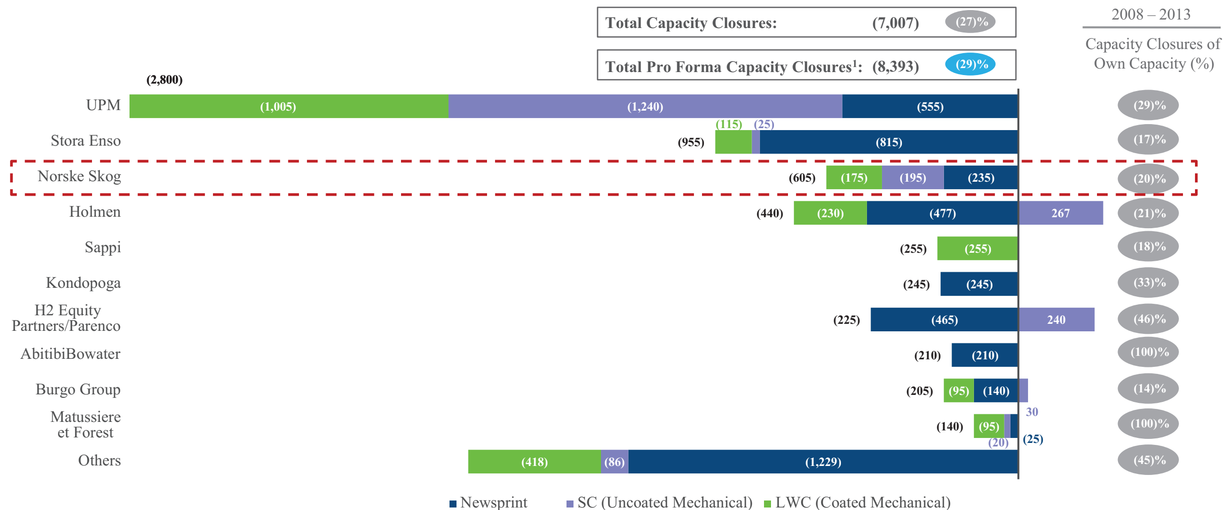
### Capacity Development

Global overcapacity has been largely driven by demand decline and some capacity build-up in Asia over the past decade. As a result, and in order to maintain some market balance, capacity has been substantially reduced in North America, Western Europe, Japan and other traditional markets.

#### *Historical closures*

From 2008 to 2013, capacity in newsprint, uncoated mechanical and coated mechanical papers was reduced by a total of approximately seven million tons, or 27% of 2008 total capacity. Over this period, we reduced our capacity by over 0.6 million tons, or 20% of our total capacity.

**Capacity Closures in Western Europe (2008 - 2013 in kton)**




Source: RISI (2014)

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(1) Includes UPM announced closures due in the first quarter of 2015 (345,000 tons of capacity reductions in newsprint, 235,000 tons in SC and 225,000 tons in LWC); Stora Enso (Corbehem & Veitsiluoto, 330,000 tons and 190,000 tons of capacity reductions in coated mechanical) and Fabryka Papieru Myszkow (60,000 tons of capacity reduction in newsprint).

(2) Includes a 520,000 ton capacity reduction by Stora Enso in the first half of 2014, a 60,000 ton capacity reduction by Fabryka Papiere Myszkow in the first quarter of 2014 and an expected 805,000 ton capacity reduction by UPM in the first quarter of 2015.

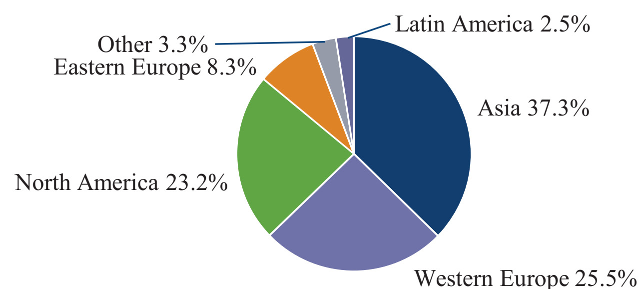
### *Recently announced closures*

A significant amount of closures have taken place or been announced over the past year. In Europe, for example, approximately 600,000 tons of capacity reductions have taken place. Furthermore, in November 2014, UPM announced approximately 800,000 tons of additional capacity closures that are expected to take place in the first quarter of 2015. Similarly, in North America, approximately 1,300,000 tons of closures are expected to have occurred by the end of first quarter of 2015.

### *Newsprint*

In 2013, Western European newsprint capacity decreased by 9.3%, with 790,000 tons removed from the market. The majority of the newsprint volume decline was the result of the closure of five paper machines, of which three were closed by Stora Enso. On an annual basis, the three closures removed a combined 655,000 tons of capacity. The Burgo Group and Holmen AB also carried out significant capacity reductions. In addition, some large changes in grade mix at several mills resulted in lower newsprint capacity. The recent announcement of closures by UPM is expected to further reduce newsprint capacity by an additional 345,000 tons in the first quarter of 2015.

**Newsprint Capacity by Region**

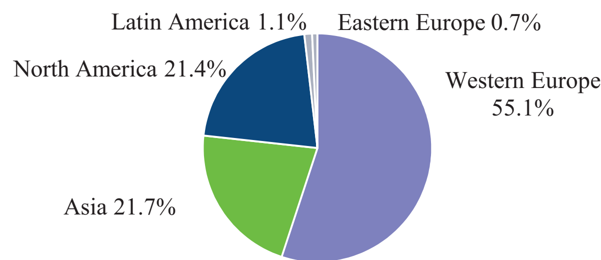



Source: PPPC (Sep 2014)

### *Coated mechanical paper*

Global coated mechanical paper capacity (adjusted for idled machines) has declined at an average annual rate of 4.1% per year from 2008 to 2013. In 2013, the decline was 4.3% as compared to 2012, largely driven by a 7.1% reduction in North American capacity and a 3.8% reduction in Western Europe capacity. During 2014, Stora Enso closed two machines with an aggregate capacity of 520,000 tons. Furthermore, UPM recently announced its intention to permanently close down a paper mill in Finland in the first quarter of 2015, which will remove an additional 225,000 tons of coated mechanical paper capacity from the market. The combined impact of Stora Enso's closures and UPM's announced closure correspond to a 8.7% reduction of Western European capacity compared to year-end 2013 capacity. In contrast, the conversion of one of our machines at our Boyer mill in Australasia from newsprint to coated mechanical paper in the second quarter of 2014 increased annual capacity by 140,000 tons. The Boyer mill is the only producer of coated mechanical paper in the region.

**Coated Mechanical Paper Capacity by Region**

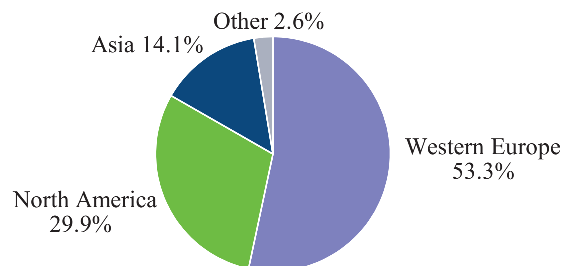



Source: PPPC (Sep 2014)

### *Uncoated mechanical paper*

In 2013, Western European SC paper capacity declined by a record 6.3%. A total of 325,000 tons of capacity reductions were driven by three closures. In contrast, other uncoated mechanical paper capacity (which includes Uncoated Mechanical Improved ("**UMI**") and Uncoated Mechanical Others ("**UMO**"), as defined by PPPC) rose marginally, as a 150,000 ton increase in the UMI category was almost completely offset by a 125,000 ton drop in the UMO segment. Recently, UPM announced its intention to permanently close down a paper mill in Finland in the first quarter of 2015 with 235,000 tons of uncoated mechanical paper capacity, corresponding to 3.1% of Western European uncoated mechanical capacity compared to year-end 2013 capacity.

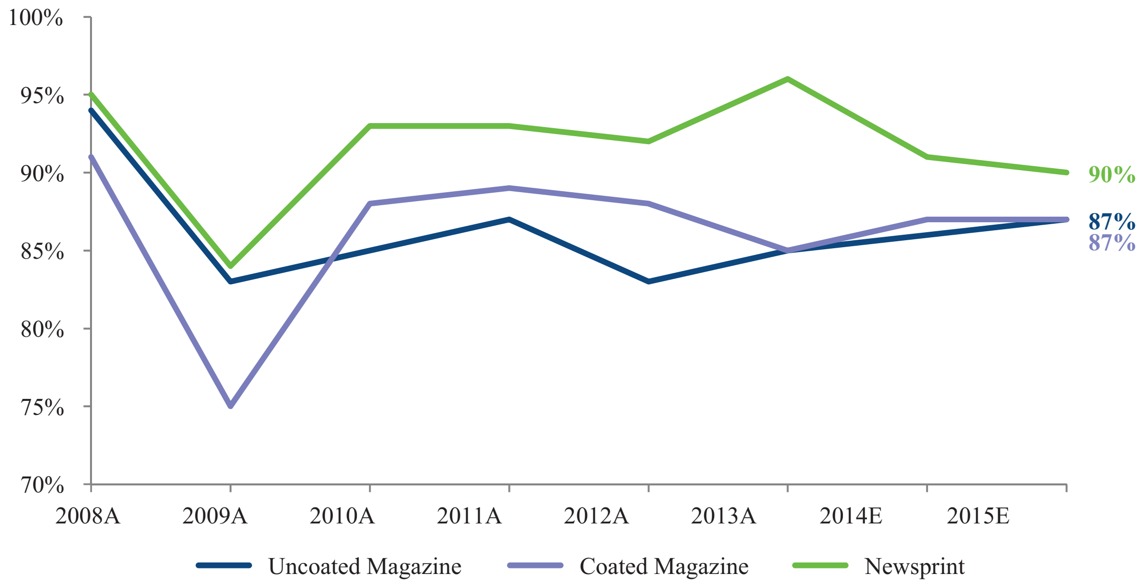
**Uncoated Mechanical Paper Capacity by Region**




Source: PPPC (Sep 2014)

The continuous trend of capacity reductions has helped drive higher utilization rates (calculated as production divided by capacity) throughout the industry and has supported profitability and pricing levels. Utilization rates are generally seen as a good indication of the existing balance between demand and supply. High utilization rates imply that there is a relatively small amount of overcapacity in the market, which in turn implies a more favorable pricing environment for the producers.

**Utilization Rates in Western Europe**

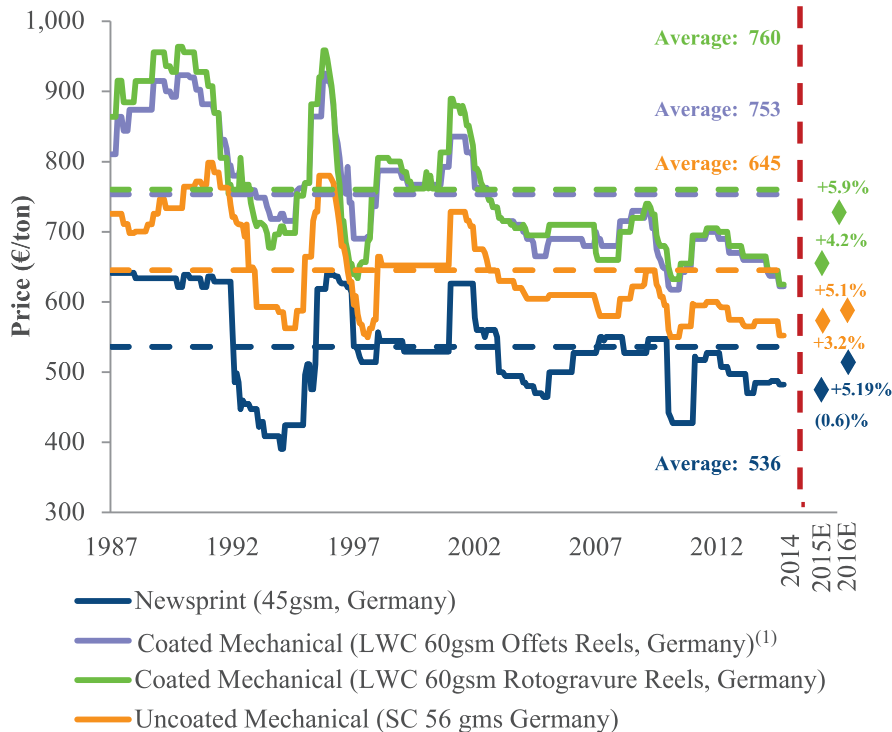



Source: PPPC (2014), Western Europe

**Pricing**

We believe ongoing capacity reductions in Europe have helped to support utilization rates in the industry, which, in turn, have supported a relatively stable pricing environment. According to RISI, industry pricing is expected to improve in the second half of 2015 and in 2016.

**Paper Price Development 1987 - December 2014 and Forecasts**




Source: RISI for both historical and forecast data. Forecasts as of January 2015. Forecast data refers to Western European prices and historical data refers to prices in Germany. 2015E forecasted percentage changes in prices refer to changes in prices from the fourth quarter of 2014 to the fourth quarter of 2015. 2016E forecasted percentage changes in prices refer to changes in average prices in 2015 to average prices in 2016.

Note: Utilization rate is defined as Total Deliveries/Adjusted Capacity. Total Deliveries is defined as Demand—Imports + Exports.

(1) Forecasts available only for 60gsm Rotogravure Reels and therefore LWC 60gsm Offsets Reels forecasts not shown.

***Newsprint***

Prices for Western European newsprint have stabilized after decreasing significantly in 2009 to 2010. After recovering in 2011, newsprint prices have followed a gradual downward trend. According to RISI estimates, newsprint prices are expected to continue to decrease in the first half of 2015 but recover in the second half, resulting in a 0.6% decrease in prices at year end 2015 compared to year end 2014. RISI expects newsprint prices to continue to increase in 2016, with average prices increasing by 5.1% year over year.

***Uncoated mechanical***

Despite the weak market conditions, uncoated mechanical paper prices in Western Europe stabilized somewhat in the fourth quarter of 2014. According to RISI estimates, prices are however expected to continue to decrease somewhat in the first half of 2015 but recover in the second half to price levels that are 3.2% above 2014 year end levels. Average 2015 price levels are expected to increase by 5.1% year on year in 2016 according to RISI estimates.

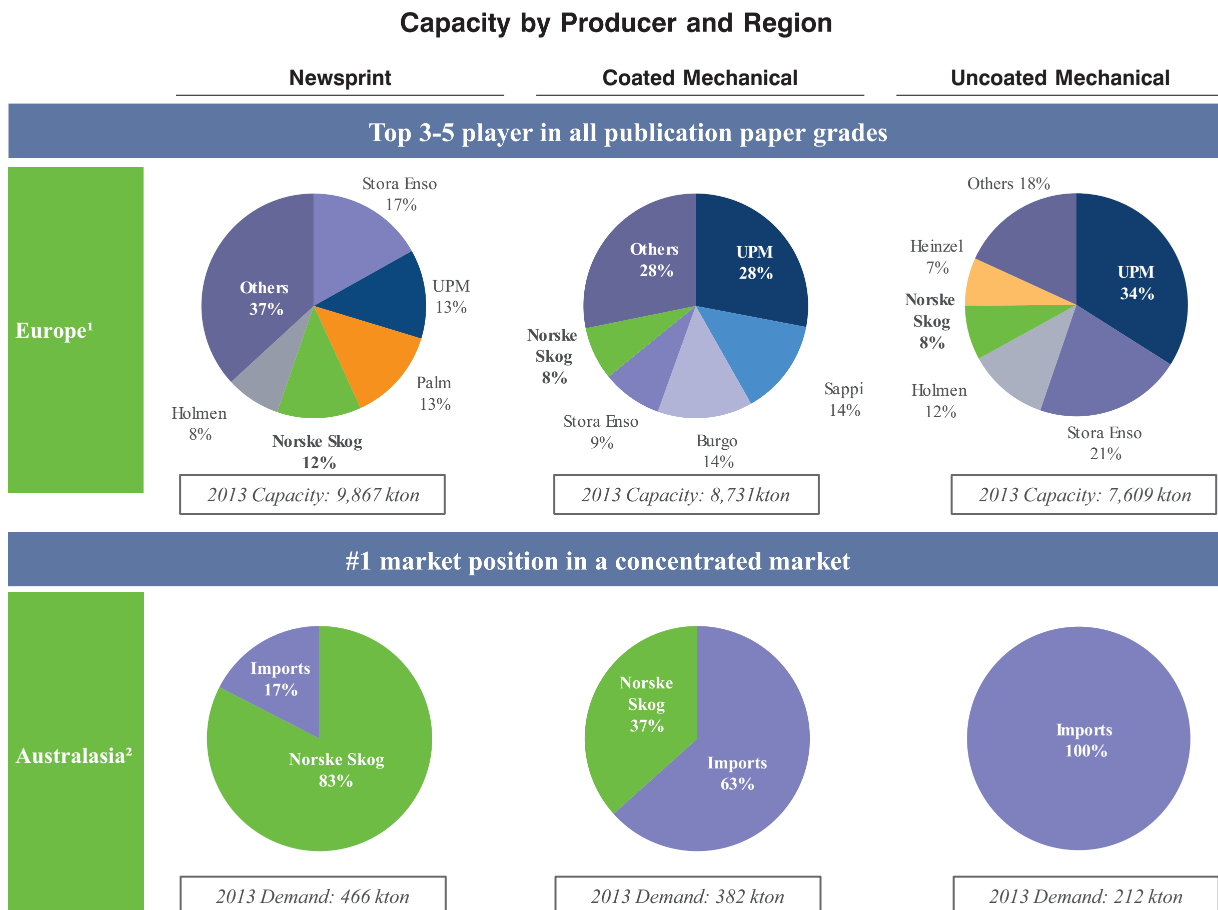
***Coated mechanical***

The rate of decline of Western European coated mechanical paper prices stabilized in the fourth quarter of 2014, but RISI expects prices to decline somewhat further in the first half of 2015 before recovering in the second half to price levels that are 4.2% above 2014 year end price levels. Average 2015 price levels are expected to increase by 5.9% year on year in 2016 according to RISI estimates.

**Competitive Landscape**

The North American and European markets have become more consolidated over the past several years, which has helped to address the supply and demand imbalance. The chart below describes current capacity by producer across geographies.

**Capacity by Producer and Region**




Source: RISI World Graphic Paper Capacity Report (2014), PPPC (2014), Parent information.

Note: Pro forma adjusted for announced UPM Stora Enso and Fabryka Papiere Myszkow closures.

### *Europe*

In Europe, we remain among the top five producers in all grades in which we compete (measured in production capacity). In 2013, we were the fourth largest newsprint producer with 12.0% market share based on capacity, the fifth largest producer of coated mechanical paper with 8.0% market share and the fourth largest producer of uncoated mechanical paper with 8.0% market share (according to RISI data adjusted for recent closure announcements). North America remains a more consolidated market than Europe, except in relation to uncoated mechanical paper, which suggests that there is room for further consolidation in the publication paper markets.

### *Australasia*

We are the sole newsprint producer in Australasia with an estimated 83% market share, based on our delivered volume and after taking imports into consideration. After the conversion of one of our two newsprint machines at the Boyer mill, which became fully operational in the second quarter of 2014, we also became the sole producer of coated mechanical paper in the region and expect to cover approximately 35% of demand by the end of 2014 (with the remainder being served by imports). We also supply approximately 150,000 tons of newsprint per annum to the broader Asian market through our trading partner, NorCell Asia.

## Raw Materials and Other Key Inputs

### *Energy (including electricity)*

Energy is a key input for the paper and packaging industry. In addition to providing energy to run paper machines, a significant amount of energy is used in the mechanical pulp process where wood is chipped in large grinders that are run by electronic motors. Steam is also used in the thermo-mechanical pulp process, which is generated from other processes that also require the use of energy.

### *Pulp*

Pulp for paper making can be either mechanically or chemically produced. Mechanical pulp is manufactured by grinding wood usually at site using electricity and steam. Chemical pulp, which is often purchased on the open market, is manufactured using a chemical process where fibers are separated from lignin and other wood residuals. The majority of our pulp is mechanical and is manufactured rather than purchased from the market.

Chemical pulp prices have followed an upward trend since the end of 2002. After steep declines in the price of chemical pulp from 2008 to 2011, prices increased from 2012 to the first half of 2014. Because we use mostly mechanical pulp in our operations, and given recent closures of certain mills that used chemical pulp, our exposure to such price changes in minimal.

### *Recovered Paper*

In addition to pulp, another important source of fiber for the paper industry is recovered paper. Recovered paper is primarily used in the production of newsprint, containerboard and paperboard as a cheaper alternate to virgin fiber. Two of the larger sources of recovered paper are recycled corrugated containers and newspapers. Recovered paper prices have remained largely stable since 2012, within a price range of €120 - 125 per ton.

## Paper Grade and Other Definitions

### *Newsprint*

Newsprint is low cost, short life-cycle paper that is mostly used to print daily and weekly newspapers and advertising inserts. It is designed for use on printing presses that employ a long web of paper rather than individual sheets. Newsprint is mainly used by publishers and printers due to its low cost relative to other paper grades. The demand for optical and printability properties is lower than for other printing and writing papers, and the main requirements are sufficient strength to run through modern high-speed web printing presses and the ability to accept four-color printing at qualities that meet the needs of typical newspaper advertisers. Newsprint is manufactured mainly from recycled fiber or mechanical pulp, but may also be manufactured from bleached chemical pulp.

***Magazine papers***

Magazine paper is generally of higher quality than newsprint and can be either uncoated or coated. The specific grade of magazine paper chosen depends on the print quality needed (e.g. due to magazine appearance). Coated mechanical papers have a thin layer of coating on both sides that provides a glossy finish and have better printing properties and appearance. Generally, coated mechanical paper is used for magazines, brochures, catalogs, advertising materials and promotional products. Magazine papers are produced mainly from mechanical pulp and recycled fiber, but may also from bleached chemical pulp.

# BUSINESS

## Overview

We are a leading global publication paper company with total production capacity of 3.0 million tons at our eight mills in Europe and Australasia. We are one of the world's leading producers of newsprint and are a significant producer of magazine paper by production capacity. In Europe, we operate five mills in Norway, Germany, Austria and France with 2.3 million tons of publication paper production capacity, making us the third largest European producer of publication paper. In Australasia (which includes Australia, New Zealand, New Guinea and the neighboring islands), we operate two mills in Australia and one mill in New Zealand with 0.7 million tons of publication paper production capacity. We also operate Australasia's sole newsprint and magazine paper mills, making us a leading provider of publication paper in the region.

Our newsprint paper products include standard and improved grades, while our magazine paper products comprise uncoated super-calendared paper and light-weight coated paper. The end uses of our products are mainly newspapers and magazines, but also include catalogs, inserts/flyers, supplements, free-sheets, directories, direct mail and brochures. Our principal geographic markets for newsprint products are Europe and Australasia, while our main geographic markets for magazine paper products are Europe, Australasia and North America. We sell our products in these markets under well-known brands, including Nornews, Norbright, NorX, Norstar, Norcote, Norsc, Norbook, Vantage and Tasman Directory. Our customers include publishers of leading periodicals in Europe, Australasia and the rest of the world, and we have long-standing relationships with many of our top tier publishing clients.

For the nine months ended September 30, 2014, we estimate that our market shares, based on deliveries for newsprint and magazine paper in Europe, were approximately 13% and 7%, respectively, and that our share of sales by volume for newsprint in Australasia was approximately 83%. During the nine months ended September 30, 2014, approximately 55% of our operating revenues from the sale of publication paper in Australasia were generated from customers with whom we have long-term contractual arrangements.

Over the last five years, as a result of a strategic refocus, we have streamlined our business through a broad range of operational initiatives and investments, which we believe have positioned our business to improve its profitability and cash flow generation.

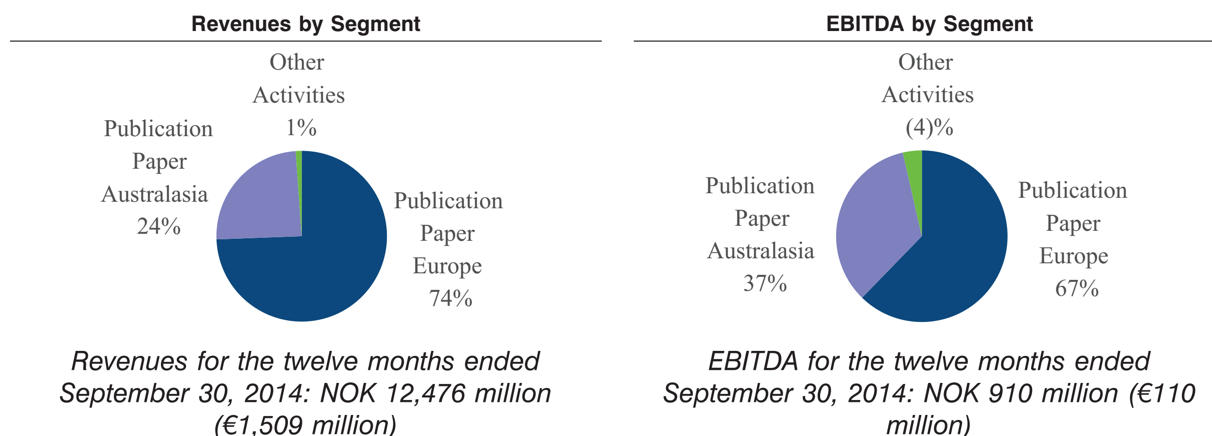
Across our Group, we have implemented continuous cost-improvement initiatives, including headcount reductions and working capital management measures, to improve our cash flow. Such measures include the increased use of receivables financings as well as our recent investment in and completion of a thermo-mechanical pulp, or TMP, facility at our Saugbrugs mill, which we expect to reduce electricity costs.

In Europe, we have improved our operating portfolio, retaining our best assets while strategically reducing underperforming capacity. We sold our Follum and Parenco mills in 2012, and closed one paper machine at our Walsum mill in 2013. In Australasia, we have maintained revenue visibility and stability by amending and prolonging long-term contracts with the region's two largest consumers of publication paper, securing stable revenues for our future. At the same time, we have diversified our Australasian product mix through the addition of magazine paper production capacity at our Boyer mill, where we are now the region's sole magazine paper producer.

We expect our past investments, when coupled with our renewed focus on key customer geographies, in Europe, where our customers are concentrated in the region's four largest economies, and in Australasia, where we are the leading producer, will enable us to benefit from anticipated improvements in the market for our products. In particular, we believe we are well-positioned to benefit from any future declines in aggregate publication paper production capacity, any future increases in publication paper prices and any future improvements in publication paper mill utilization rates.

For the twelve months ended September 30, 2014, we generated NOK 12,476 million (€1,509 million) of consolidated operating revenue and NOK 910 million (€110 million) of consolidated EBITDA. Our Publication Paper Europe segment, our Publication Paper Australasia segment and our Other Activities segment represented 67%, 37% and −4%, respectively, of our total consolidated EBITDA for this period.

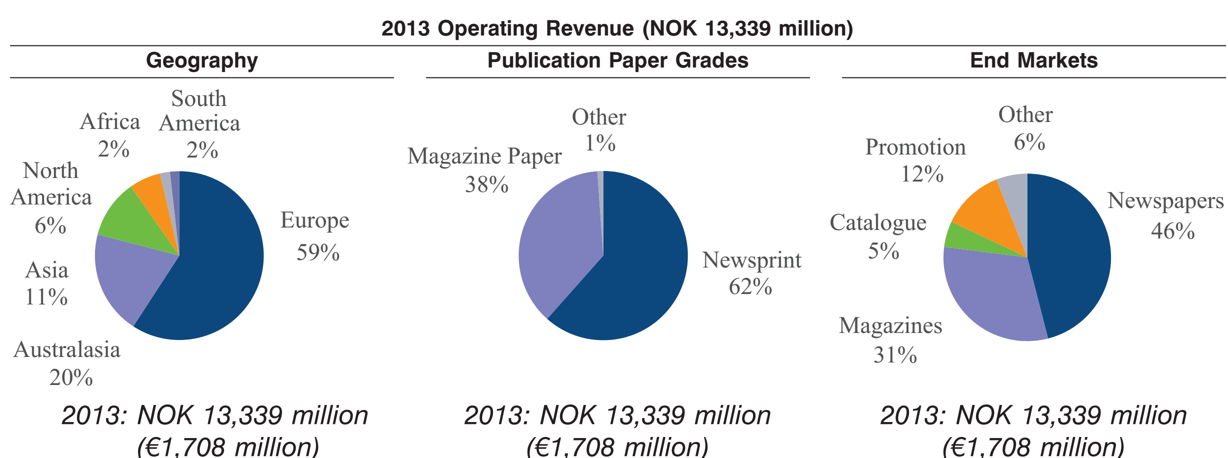
The following charts illustrate the breakdown of our consolidated operating revenue and EBITDA by segment for the twelve months ended September 30, 2014:




*Revenues for the twelve months ended September 30, 2014: NOK 12,476 million (€1,509 million)*

*EBITDA for the twelve months ended September 30, 2014: NOK 910 million (€110 million)*

The following charts illustrate the breakdown of our consolidated operating revenue for the year ended December 31, 2013, by geography, publication paper grade and end market.




*2013: NOK 13,339 million (€1,708 million)*

*2013: NOK 13,339 million (€1,708 million)*

*2013: NOK 13,339 million (€1,708 million)*

## Competitive Strengths

We believe that we benefit from the following competitive and credit strengths:

### *Strong market positions in Australasia and Europe*

We are the sole producer of newsprint and magazine paper in Australasia, where we have a leading position in a concentrated newsprint and magazine paper market and compete only against imports. In Europe, we are the third largest producer of publication paper and we export products to North America, Asia and North Africa, which are our most important export destinations from Europe. Based on our global reach and our longstanding commitment to and experience in the publication paper segment, we believe we are a preferred supplier in Australasia and Europe.

### *Diversified revenue base with strong visibility*

We benefit from significant revenue diversification across geographies, paper grades and customers. We also benefit from long-term relationships with customers and high client retention rates. We believe that our customer base, which includes large top tier publishing groups with strong balance sheets, recognizes the importance of having a sustainable and reliable source of publication paper. This dynamic provides us with considerable recurring business and revenue visibility.

In Europe, we have long-standing and stable relationships with many of our customers, including relationships with most of our customers for more than five years and relationships with many customers for between 10 and 20 years. We believe that the creditworthiness of our customer base is validated by

our ability to enter into significant factoring facilities in Norway, France and Austria. Our European customer contracts generally provide for quarterly adjustments of pricing.

In Australasia, we recently completed the conversion of one paper machine at our Boyer mill in Tasmania to enable the production of coated mechanical paper. This conversion has enabled us to diversify our regional product mix from newsprint. We are the sole local producer of newsprint and have integrated extensively with our customers' businesses, including, for example, through warehouse and inventory management, integrated supply chain processes, local support and other logistics services. We have long-term contracts with our two largest customers maturing in 2020, which provide us with strong revenue visibility. In addition, we are well-integrated within our customers' value chain due to our provision of warehousing services for newsprint customers and other logistical services. We believe that this integration provides value-added services that make us a strong preferred supplier.

***Efficient cost position***

The combination of our cost competitive assets, the strategic location of our mills and a stable supply of energy and raw materials provides us with an efficient cost position.

*Economies of scale*

We benefit from economies of scale in Europe, where the scale of our Saugbrugs, Skogn and Golbey mills enables us to have low production costs per ton. Our mills are well-positioned to reflect demand for the high value types of paper they produce. Our mix of newsprint and magazine production capabilities within our mills provides us with considerable operational synergies and flexibility. In addition, we have a long-standing continuous cost improvement program and have successfully reduced a number of our operating costs, streamlined our production processes and increased the efficiency of our mills.

*Efficient product distribution*

The favorable location of our mills enables us to achieve low delivered costs in our markets. In Europe, our mills are located adjacent to waterways or seaports and benefit from lower transportation costs of both inbound raw materials and outbound distribution of our finished products. In Australasia, we are the sole domestic newsprint and magazine paper producer, which provides us with a significant cost advantage over imports, and our mills are located in close proximity to the populated areas in the region.

*Stable supply sourcing*

Our long-term contracts for energy and favorable sources of wood provide us with stable sources of supply for our most significant energy and raw material requirements. Most of our electricity requirements, our single largest expense item, are purchased under long-term contracts. We have long-term contracts in place that cover substantially all of the electricity requirements for our mills in Norway, and a significant portion of the electricity requirements for our other European operations. Our Australian and New Zealand mills likewise have long-term electricity contracts in place, and our Tasman mill also operates a geothermal energy plant that we commissioned in the first quarter of 2013. In addition, we have long-term contracts for supplies of wood to our Australasian operations and we have long-standing relationships with suppliers in Norway, as we are the country's largest buyer of pulp wood. The relative stability provided by our effective supply contracting and our relationships with reliable suppliers permits strong visibility in relation to costs and shields our operations from electricity and fiber cost fluctuations.

***Proven track record of operational streamlining and delivery on current initiatives***

We have responded to long-term structural decreases in demand with the closure of several of our machines and mills, such as our Union and Follum mills in Norway and our Steti mill in the Czech Republic, between 2006 and 2012. In 2013, we closed one of the two machines at our Tasman mill in New Zealand and one of the two machines at our Walsum mill in Germany. In total, we have reduced production capacity by more than 50% since December 31, 2005, from 6.9 million tons to 3.0 million tons as of September 30, 2014. These actions have significantly reduced our cost base. We have also reduced our fixed costs through headcount reductions and have increased our capital efficiency through the disposal of non-core assets, certain less competitive operations and mills outside of our core geographical regions of Europe and Australasia. These include two mills in South Korea, two mills in China, one mill in Brazil, one mill in Chile, one mill in the Netherlands and one mill in Thailand.

In response to structural changes in demand and in order to seize a market opportunity within magazine paper, we have also converted production capacity from newsprint to magazine paper. Following a NOK 500 million (€60 million) investment, our Boyer mill in Australia now produces coated mechanical paper on one converted machine, making it the sole domestic magazine paper producer in Australasia. Our ability to switch production has enabled us to better adapt to changes in demand between different paper products by reducing production capacity for products that have experienced reduced demand, and by increasing production capacity for products with increased demand. In addition, we have invested more than NOK 200 million (€25 million) in a TMP plant at our Saugbrugs mill, resulting in significant reduction of energy consumption in our fiber production at that mill, which has also enabled us to expand our product portfolio to new uncoated mechanical segments.

We continue to focus on the implementation of a variety of improvement initiatives and the identification of new sources of efficiency. We achieved total cost reductions of NOK 351 million (€45 million) during the nine months ended September 30, 2014. Some of our most successful ongoing improvement initiatives include operational and logistical enhancements at our Saugbrugs, Golbey and Albury mills as a result of reduced usage of chemicals and improved energy balance.

***Attractive free cash flow generation***

Over the past four years, we have continued to maintain strong cash flows prior to reflecting our debt service payments despite industry revenue declines. We have been able to bolster our cash flow generation by reducing our fixed cost base, improving our management of working capital and selectively selling assets.

Our strong focus on working capital management has resulted in an efficient and industry-leading working capital management system, as reflected by our reduced inventories and improved control of accounts receivable. We have reduced our working capital positions from NOK 2,094 million (€270 million) as of December 31, 2011 to NOK 769 million (€92 million) as of December 31, 2013.

We believe that we have completed our major development capital expenditures and do not anticipate any substantial development investment programs in the near to medium-term. In recent years, maintenance capital expenditure requirements at our eight mills have remained relatively low and manageable, with capital expenditures of NOK 150 million (€20 million) and NOK 151 million (€19 million) for the years ended December 31, 2012 and 2013, respectively. For the nine months ended September 30, 2014, we spent NOK 112 million (€14 million) on maintenance capital expenditures. In addition, we have completed various one-time restructuring initiatives that negatively impacted our cash flows in recent years.

The combination of our ongoing cost reduction initiatives, efficient management of working capital and the sale of certain assets has contributed to our strong free cash flow generation. In particular, cash conversion, which is defined as EBITDA less changes in working capital and gross capital expenditures divided by EBITDA, was 44%, 98% and 58% for the years ended December 31, 2011, 2012 and 2013, respectively, and 80% for the twelve months ended September 30, 2014. Furthermore, we believe the completion of our development capital expenditures and one-time restructuring programs will position us to benefit from attractive cash flow conversion going forward. Excluding development capital expenditures, such as investments in our Boyer and Tasman mills, our cash conversion for the years ended December 31, 2011, 2012 and 2013 would have been 52%, 120% and 103%, respectively, and 102% for the twelve months ended September 30, 2014.

***Strong collateral***

The Senior Secured Notes benefit from robust credit support, which include senior Guarantees from our primary subsidiaries (the Subsidiary Guarantors), the parent companies of the Senior Secured Notes Issuer (the Parent Guarantors) and Security Interests over our principal revenue generating assets or security over the shares in the entities that own such revenue generating assets. For the year ended December 31, 2014, the Guarantors generated 108% of the Group's consolidated EBITDA, and as of December 31, 2014, held 89% of the Group's total assets, defined as total assets from all Group entities minus intercompany receivables and intercompany shares. Senior Secured Noteholders received share pledges over the issued share capital of each of Norske Treindustrier AS, the Exchange Notes Issuer, the Senior Secured Notes Issuer, the Subsidiary Guarantors, Norske Skog Walsum GmbH and Lysaker Invest AS. In addition, subject to the exclusion of certain assets and subject to certain prior-ranking security interests in accordance with the Agreed Security Principles, the Senior Secured Notes are

secured by Security Interests to be granted under a general security deed (the equivalent of a fixed and floating charge) over the assets held by the Australian Guarantors and the New Zealand Guarantor which, for the nine months ended September 30, 2014, generated 33.1% of the Group's consolidated EBITDA, and as of September 30, 2014, held 34.3% of the Group's total assets. In addition, the Senior Secured Notes are secured by all intercompany loans and receivables (excluding receivables relating to the Parent Guarantor's cash pooling arrangements) owed to the Parent Guarantors or any Excluded Entity by the Senior Secured Notes Issuer or by the restricted subsidiaries of the Senior Secured Notes Issuer.

***Execution-focused management team with relevant experience***

We believe that our senior management team has the relevant experience to execute our strategy. Each of our regional management teams has an average tenure of 15 years at the Parent. We believe that we benefit from the experience and industry know-how of our senior corporate management team and the production know-how of the respective mill management teams, who have relevant experience in the global publication paper industry. In addition to experience in the publication paper industry globally, our corporate management team also has management experience from other commodities businesses. We maintain a flat and lean decentralized decision-making structure, which allows our local management teams to manage their day-to-day operations based on local market dynamics.

**Strategy**

The key elements of our strategy are as follows:

***Defend our leading position in the publication paper industry in Europe and Australasia***

With a leading position in both newsprint and magazine paper in Europe and Australasia, we are well-positioned to leverage our existing customer relationships. We believe we are a stable supplier of newsprint in Europe where we sell our products to some of the region's leading paper consumers, including financial printing operations, drop advertisement producers such as Bertelsmann Group (MOHN Media Mohndruck GmbH), Lidl Stiftung & Co. KG and Carrefour Procurement International and major news publishers such as News International Ltd. in the United Kingdom, RCS Media Group SpA in Italy, Axel Springer SE in Germany and Schibsted Trykk Oslo AS in Norway. We are the sole producer of publication paper in Australia and New Zealand and we are working to diversify our revenues. We aim to be the producer of choice for quality newsprint and magazine paper products in the European and Australasian markets, while maintaining and improving our position as a high-quality producer with a competitive cost base.

***Continue proactive capacity management***

We will continue to manage our production capacity in order to adjust to market developments proactively. In Europe, we have strategically reduced or converted capacity over the past three years, including, for example, our Follum and Parenco operations, to increase the operating margins of our continuing business. We will continue to monitor our asset base and market developments and consider measures to address our less competitive capacity. In Australasia, in line with the closure of one machine at our Tasman mill in 2013 and the conversion of one of our two newsprint machines at the Boyer mill in Australia to magazine paper production in 2014, we will continue our business system optimization in order to produce products where it is most cost-effective to do so.

***Continue to strengthen business model***

We will continue to invest in improvements to reduce costs and improve efficiency and quality. In Europe, we plan to invest in higher quality grades of newsprint products and focus on the extension of our product portfolio into selected new end use segments within publication paper as well as improve production mix quality at our Skogn mill. In Australasia, we are benefiting from our recent diversification to magazine paper production and we will leverage our new cost competitive position in magazine paper and our well-developed logistical system to serve export markets for newsprint.

***Address capital structure and achieve stability***

We intend to use the proceeds from the Offering to address a portion of our immediate and medium-term debt maturities through the implementation of the Proposed Exchange Offers. We will strive to reduce

leverage in the medium-term to achieve a long-term sustainable capital structure. By reducing the amount of operational earnings committed to debt repayment obligations, we hope to achieve greater operational stability that will provide a basis for future sustained profitability.

#### *Carefully evaluate future consolidation opportunities*

We believe our industry needs to continue to better align capacity with demand, which we anticipate will be realized by industry consolidation in Europe. We will continue to evaluate selective opportunities to enhance our strategic and cost positions. However, any potential transaction will be structured with a focus on credit enhancement via careful evaluation of appropriate financing sources and terms.

### Our History and Development

We were founded in 1962 by the Norwegian forest owners' association in cooperation with private and public interests. In 1966, we commenced production of newsprint at our first paper machine, a fully integrated newsprint mill located in Skogn in Norway and, by 1989, after a period of industry consolidation, we became the sole Norwegian publication paper producer. During the 1990s, we began to expand our operations outside Norway and in other parts of Europe. Since 1999, through various acquisitions, we have become a global publication paper company. While expanding our operations, we also refocused them, selling off operating units involved in manufacturing other paper grades, chemical pulp and building materials to concentrate on our core area of publication papers. In more recent periods, in order to maintain sustainable prices for our products affected by industry-wide excess capacity, as well as reduce our operating costs, we have selectively reduced capacity through shutdowns and divesting certain assets.

From 2006 to date, we engaged in several reorganizations in order to reduce debt and strengthen our balance sheet. We shut down or sold several of our mills, particularly in Asia, to address severely underperforming assets where we saw little potential. In 2012 and 2013, we sold our Parenco mill in the Netherlands and our mills in Brazil and Thailand and closed down one machine at the Walsum mill. In addition, our share in the sales offices of Norske Skog Czech & Slovak Republic spol.s r.o (Czech Republic) and Norske Skog Polska Sp.z o.o. (Poland) were sold in June 2014.

### Reinvestment Projects

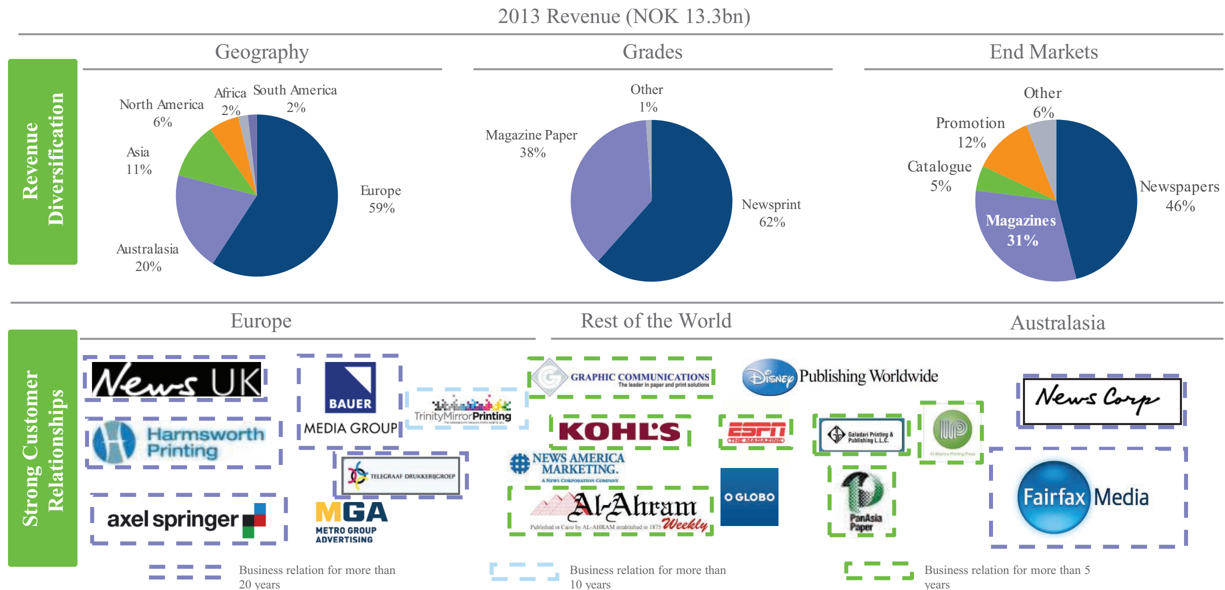
In the first half of 2014, we completed significant reinvestment projects at two of our facilities. At our Saugbrugs site in Norway we upgraded our onsite pulping equipment and invested in a new TMP plant, which will reduce the consumption of energy and chemical pulp at that mill. As a result, we have streamlined our operations at Saugbrugs, which we believe will result in decreased operational expenses and reduced recurring fixed costs. The modernization will also allow for reduced property taxes and improved staffing. In Australasia, our Boyer mill conversion was completed in the first half of 2014 after we converted one of our newsprint machines to magazine paper production. We believe the conversion of one of our two newsprint machines to magazine paper production at the facility will ultimately result in higher margins going forward.

### Our Products and Operations

#### *Publication paper*

We are a fully focused manufacturer of publication paper. Our product range consists of newsprint and magazine paper. We produce newsprint in standard and improved grades, for use in daily and free newspapers, inserts, directories and advertising supplements. We also produce two different types of magazine paper: uncoated super-calendared paper, or SC, and light-weight coated paper, or LWC. Our magazine-grade paper is used primarily for commercial printing, magazines, advertising, direct mail, inserts, flyers and catalogs.

The graph below illustrates the broad distribution of our products across the globe and provides a sampling of our principle customer base:




*Newsprint*

Our newsprint products represented 62% of our total production capacity as of September 30, 2014. Our main products are marketed under the following brands:

| Brand Name | Characteristics | End Use | Printing Method |
|---|---|---|---|
| *Nornews* | High quality newsprint with superior printability and runnability characteristics | Newspapers, free-sheets, directories, supplements, inserts/ flyers | Cold set web offset, flexo, letterpress |
| *Norbright, Norstar and Norx* | Improved paper grades suited for both cold set and heat set web offset printing, with brightness and bulk that differentiates it from standard newsprint | Supplements, inserts/ flyers, direct mail, newspapers, free-sheets, directories, periodicals, books | Cold set web offset, heat set web offset, letterpress |
| *Tasman Directory* | Light weight paper with good sheet strength aimed at achieving exceptional press performance while providing opacity and brightness for superior colour reproduction | Telephone directories | Cold set web offset, heat set web offset |

We manufacture newsprint-grade paper at six of our eight mills in Europe and Australasia. We also manufacture newsprint at our mill in Malaysia in which we have a 33.7% minority stake.

*Magazine paper*

Our magazine paper products represented 38% of our total production capacity as of September 30, 2014. These products are marketed under the following brands:

| Brand Name | Characteristics | End Use | Printing Method |
|---|---|---|---|
| *Norcote* | Light weight and medium weight coated paper produced in several variations, with standard and improved brightness levels, gloss or matte finish and a wide selection of basis weights; physical characteristics include uniform web profile and high winding quality | Magazines, catalogs, supplements, direct mail, inserts/flyers | Heat set web offset, rotogravure |
| *Vantage* | Lightweight on-machine coated paper in a range of basis weights with high print gloss | Catalogs, inserts, flyers, magazines, direct mail | Heat set web offset printing |
| *Norsc* | Super calendared paper; Uncoated paper with high grade of filler giving high gloss and superior reproduction quality specifically in rotogravure; is also used at an increased rate as a substitute for coated publishing grades | Magazines, catalogs, inserts/flyers, direct mail, supplements | Heat set web offset, rotogravure |

We produce magazine paper in our four wholly-owned mills in Norway, Austria, Germany, and since 2014, in Australia as the sole domestic producer.

***Publication Paper Europe***

Publication Paper Europe accounted for 75% of our operating revenue, 74% of our gross operating earnings and 76% of our total production capacity for the nine months ended September 30, 2014.

In Europe, we have a total of five wholly-owned mills producing publication paper in Norway, France, Austria and Germany with a combined production capacity of 2,290,000 tons as of September 30, 2014, making us the third largest producer of publication paper in Europe by capacity. Newsprint and magazine production capacity in 2014 from our European mills totalled 1,300,000 tons and 990,000 tons, respectively.

*Raw materials*

The principal raw materials we use in newsprint paper production are pulp made from wood or recovered paper from recycled newspapers and magazines. For magazine paper, we also use chemical pulp and coating chemicals, in addition to the pulp from wood. In Norway, we purchase wood mainly through annual contracts for both price and volume. For our Golbey, Bruck and Walsum mills, we obtain wood from a number of local suppliers with contract durations ranging from three months to one year, with a set price for the relevant period. The wood for Golbey and Walsum is sourced through a joint

venture purchasing company, Sapin, in which we and Sappi Limited each own a 50% share. The wood for Bruck is also sourced through a joint venture purchasing company, Papierholz Austria, in which we own a 7.5% share along with Sappi Austria (42.5%), Mondi Frantschach (25%) and Heinzel-Group Zellstoff Pöls (25%).

Similarly, our recovered paper supplies are mainly sourced locally by the relevant mill. Our recovered paper supplies for the Golbey mill are sourced locally by the mill, both through direct agreement with communities and local collectors and national trading companies. Recovered paper for our Bruck mill is sourced through both a 100% owned company, Norske Skog Papier Recycling, and a joint venture purchasing company, Austria Papier Recycling GmbH, which is owned by us and two other Austrian mills, UPM Kymmene Austria and Laakirchen Paper, which is 100% owned by the Heinzl Group. For our Skogn mill in Norway, recovered paper is also primarily sourced locally in the same way, but supplemented with some imports from the United Kingdom and the Netherlands. Purchase agreements for recovered paper for volume and price varies from monthly to one year, with a mix of fixed pricing and variable pricing adjusted with reference to market prices.

Chemical pulp for magazine production at our Saugbrugs, Bruck and Walsum mills is sourced both through a common group contract and by local suppliers. The contracts vary from one to three years and provide for monthly price adjustment, linked to the European reference prices for chemical pulp.

*Sales and distribution*

We sell publication paper to a large number of established and creditworthy customers, ranging from commercial printers and corporations such as Bertelsmann Group (Mohn Druck), Lidl and Carrefour, to publishers such as News International Ltd. in the United Kingdom, RCS Quotidiani SpA in Italy, Axel Springer AG in Germany and Schibsted in Norway.

The majority of our publication paper production is sold under fixed price contracts that include both fixed volume sales and sales as a percentage of our customers' requirements. Prior to 2011, our newsprint contracts were typically longer than the quarterly magazine contracts, with a term of one year and with pricing fixed at the beginning of the term for the entire year. However, beginning in 2011, we have negotiated mainly three month contracts with European newsprint customers, with subsequent quarterly price re-negotiations.

Our publication paper operations sell their products directly to our customers through a sales force based in the main European markets. Newsprint exports from our European operations are sold by our Oslo-based export department through sales agents and distributors outside of Europe. Export volumes contributed approximately 10% of total European newsprint sales as of September 30, 2014, with the main markets being Egypt, Turkey, the United Arab Emirates, India and North Africa. Exports from our European magazine operations, which contributed approximately 25% of total European magazine sales as of September 30, 2014, are also sold by sales agents and distributors outside of Europe. Key export markets are, among others, the United States, Mexico and South Africa.

The European sales operation is organized around five sales hubs: London, Paris, Oslo, Augsburg and Milan. Each hub is responsible for sales activities in specified markets and consists of both order fulfilment teams and sales professionals. Sales opportunities are referred to product management professionals at the relevant mill that would fulfil the order, who then contract directly with the customer. All sales hubs handle both newsprint and magazine sales.

We have implemented customer service applications in order to integrate our products and operations into our customers' operations. In Europe, we provide administrative services including electronic on demand shipping, customs document transfer and tax notification, print program management for our retail customers and integrated marketing efforts. We also provide technical advice, instructing our clients on how to optimize their use of our products through different printing methods and equipment.

*Competition*

The market for publication paper in Europe is highly competitive. According to PPPC, we currently provide 13% of newsprint, 6% of coated mechanical paper and 7% of uncoated mechanical paper capacity in Europe. Our principal competitors in Europe include UPM Kymmene Corporation, Stora Enso Oyj, Holmen AB, Cartiere Burgo SpA. Newsprint and magazine paper are generally subject to the same supply and demand trends, although newsprint is still approximately 80% consumed by newspapers and printed in cold set. However, a growing share of newsprint is being printed in heat set

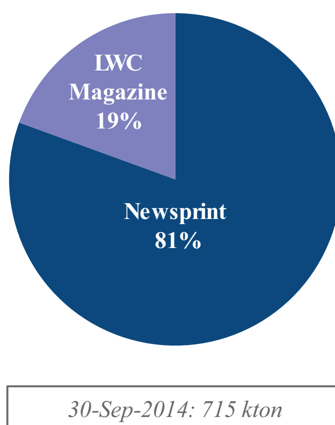
for free standing advertising. Magazine paper is more exposed to advertising trends and printed in a variety of printing methods. Advertising content typically comprises a larger proportion of magazine publications than newspapers and magazine paper has a larger share going to direct commercial usage, such as door drop.

Depending on the capacity utilization of the production facilities of North American paper companies, as well as the strength of the U.S. dollar, our newsprint products sold in Europe also compete with exports to Europe from North America, where our primary competitor is Resolute Forest Products. North American market share (by volume) of the newsprint market in Europe has declined from approximately 7% in 2000 to approximately 2.6% for the nine months ended September 30, 2014.

***Publication Paper Australasia***

Publication Paper Australasia accounted for 25% of our operating revenue, 32% of our gross operating earnings and 24% of our total production capacity as of the nine months ended September 30, 2014. We have three mills in Australasia, two in Australia and one in New Zealand, with a total production capacity of 715,000 tons. Each of the three mills has one newsprint machine, contributing to a total regional newsprint capacity of 575,000 tons (or 19% of our total production capacity). As of April 1, 2014, after the conversion of one paper machine at our Boyer mill from newsprint to coated mechanical, we had 140,000 tons of magazine paper capacity in the region (or 19.6% of our total production capacity in the region).

Australasia Capacity by Grade




*Raw materials*

The majority of the raw material needed for our operations in Australasia is procured under medium- and long-term contracts, with expiry as late as 2023, depending on location and type of material supplied. Materials required vary from mill to mill as further described below.

*Albury:* Albury is currently the only newsprint mill to utilize recovered paper within the Australasian region. It consumes approximately 100,000 tons of recycled paper, of which about 35% is publishers' waste, with the balance purchased on the spot market. Approximately 415,000 cubic meters of wood are also used at Albury, with 80% being supplied under medium-term contracts (with expiry dates ranging up to 2018). The balance of Albury's wood needs is purchased on the spot market.

*Boyer:* Boyer owns and manages 20,000 hectares of forest assets that supply the majority (approximately 65%) of its total wood fiber requirements. The balance of its wood fiber requirements are purchased under long-term supply contracts with expiry ranging from 2015 to 2022. Approximately 560,000 cubic meters of wood are used at Boyer. The Boyer mill purchases its main coating chemicals for the production of magazine paper from a supplier that recently built a new chemical plant at our mill site, in connection with the start-up of our magazine production in 2014.

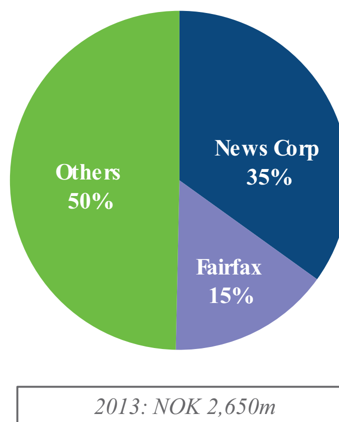
*Tasman:* Tasman benefits from relatively low cost wood fiber, of which approximately 335,000 cubic meters are consumed per year. Long-term contracts for the supply of logs are in place, with expiry between 2020 and 2029. Woodchip supply contracts are for between three to five years.

***Sales and distribution***

Our operations in Australasia generally sell their newsprint products to newspaper publishers and commercial printers of preprint advertising, whose products are inserted into newspapers or delivered by other means. The principal markets for our Australasian newsprint are Australia and New Zealand, with approximately 30% of our Australasian production exported to the Pacific Islands and other Asian markets. Our magazine products from Boyer are generally sold to major catalogue, insert and flyer printers, more than 85% of which are delivered in Australia.

Our publication paper in Australia and New Zealand is sold directly to our customers by our Australasian sales force. With effect from the second half of 2013, we entered into new contracts with durations of seven years with our two largest customers, News Limited and Fairfax Media Limited. Both long-term contracts provide for annual price adjustment in the first two to five years, while the remaining period is determined with reference to U.S. dollar pricing of the relevant publication paper product. In 2014, approximately 55% of our Australasian deliveries were covered by these long-term newsprint agreements. The magazine contracts are mainly negotiated every three months with the Australian catalogue and advertising customers.

Australasia Revenue Split by Customer




*2013: NOK 2,650m*

In Australasia, we provide a similar range of administrative services and technical advice to that which we provide in Europe. See *''—Publication Paper Europe—Sales and distribution''*. In addition, we provide various services including warehousing services, automatic inventory replenishing and logistics services. We also offer a direct debit within seven days of delivery.

*Competition*

In Australia and New Zealand, we are the only domestic producer of publication paper and currently provide 83% of newsprint and account for nearly 37% of the coated mechanical paper market in the region based on sales volume. We face competition from companies that import paper, mainly from newsprint producers in Korea and Indonesia and magazine producers in Japan and Europe. Given the structure of the Australian publishing market, with few, large players, the ability of any one supplier to dictate pricing is more limited than would otherwise be the case in the face of relatively limited supply.

## Production Facilities

### *Overview*

The following table illustrate our production capacity by paper grade and the location of our mills.

**Europe**

| Mill | Grade | Capacity (in tons) |
|---|---|---|
| Bruck | Newsprint | 120,000 |
| | Coated mechanical (LWC) | 260,000 |
| Golbey | Newsprint | 615,000 |
| Saugbrugs | Uncoated mechanical (SC) | 530,000 |
| Skogn | Newsprint | 565,000 |
| Walsum | Coated mechanical (LWC) | 200,000 |
| **Total** | | **2,290 kton** |
| Of which | 1,300 kton Newsprint<br>530 kton Uncoated mechanical (SC)<br>460 kton Coated mechanical (LWC) | |

**Australasia**

| Mill | Grade | Capacity (in tons) |
|---|---|---|
| Albury | Newsprint | 270,000 |
| Boyer | Newsprint | 150,000 |
| | Coated mechanical (LWC) | 140,000 |
| Tasman | Newsprint | 155,000 |
| **Total** | | **715 kton** |
| Of which | 575 kton Newsprint<br>140 kton Coated mechanical (LWC) | |

The following table provides information as to our annual production capacity for newsprint and magazine paper in each region as of December 31, 2013[(1)]:

| | Number of Paper Machines | Capacity[(2)] (Tons) | % of Total Capacity |
|---|---|---|---|
| **Europe**: | | | |
| Newsprint | 6 | 1,300,000 | 43 |
| Magazine paper | 5 | 990,000 | 33 |
| | 11 | 2,290,000 | |
| **Australasia**: | | | |
| Newsprint | 3 | 575,000 | 19 |
| Magazine | 1 | 140,000 | 5 |
| | 4 | 715,000 | 24 |
| **Total newsprint** | **9** | **1,875,000** | **62** |
| **Total magazine paper** | **6** | **1,130,000** | **38** |
| **Total publication paper** | **15** | **3,005,000** | **100** |

(1) Capacity figures adjusted for Boyer conversion from newsprint to magazine paper in the first quarter of 2014.

(2) Capacity figures do not include our proportionate share of the capacity of MNI (95,000 tons).

### *Europe*

We have five publication paper mills in Europe, which had a combined annual production capacity of 2,290,000 tons as of September 30, 2014. We produce newsprint at three of our five mills, which had a combined annual production capacity of 1,300,000 tons as of December 31, 2013. We produce magazine paper at three of our five mills, which had a combined annual production capacity of 990,000 tons as of December 31, 2013.

The following table sets forth information on the production capacity of our European mills for the periods indicated. We wholly own each of our mills in Europe.

| | Location | Product(s) | Number of Paper Machines per Product | Main Paper Grade(s) | Total Production Capacity (Tons) Year Ended December 31, 2013 | 2012 |
|---|---|---|---|---|---|---|
| Saugbrugs | Norway | Magazine | 3 | SC | 530,000 | 530,000 |
| Skogn | Norway | Newsprint | 3 | Newsprint | 565,000 | 550,000 |
| Golbey | France | Newsprint | 2 | Newsprint | 615,000 | 630,000 |
| Bruck | Austria | Newsprint | 1 | Newsprint | 120,000 | 125,000 |
| | | Magazine | 1 | LWC | 260,000 | 270,000 |
| Walsum | Germany | Magazine Paper | 1 | LWC | 200,000 | 425,000 |
| **Total Europe** | | | **11** | | **2,290,000** | **2,530,000** |

*Saugbrugs operations*

Our Saugbrugs mill in Norway produces super-calendared magazine paper and has three paper machines. Total production capacity and utilization at our Saugbrugs mill were 530,000 tons and 86%, respectively, as of and for the year ended December 31, 2013, with an actual production of 457,000 tons. Our Saugbrugs mill has a long-term power contract until 2020 for delivery of 1.01 TWh of electricity annually, which is sufficient to cover approximately 91% of its expected annual energy consumption. The machines at our Saugbrugs mill use internally produced mechanical pulp and purchased chemical pulp in the manufacturing process. In 2013 and 2014, we invested in a new TMP plant, which improves the consumption of energy and chemical pulp at the Saugbrugs mill. As of June 30, 2014, the new TMP plant was fully operating at the projected efficiency level.

*Skogn operations*

Our Skogn mill is the largest of our two plants located in Norway by production capacity and has three paper machines. Commissioned in 1966, its total production capacity and utilization were 565,000 tons and 84%, respectively, as of and for the year ended December 31, 2013, with an actual production of 476,000 tons of newsprint. Located on the coast in Central Norway, it is well-positioned for deliveries by ocean freight, and in 2013, exported 75% of its production volume, of which more than two-thirds went to the United Kingdom. The mill benefits from a stable supply of wood fiber and has long-term power

contracts until 2023 for delivery of 0.8 TWh of electricity annually, which is sufficient to cover approximately 70% of its expected annual energy consumption. According to RISI, as of December 31, 2012, Skogn's position on the manufacturing cash cost curve for newsprint (assuming Frankfurt delivery) ranked it among the lowest in Europe.

*Golbey operations*

Our Golbey mill, which we began operating in 1992, represented our first business outside of Norway. Its main product is standard newsprint with total production capacity and utilization of 615,000 tons and 95%, respectively, as of and for the year ended December 31, 2013, with an actual production of 582,000 tons. Golbey's machines are the newest and most productive of our mills. This productivity, along with sourcing agreements with local communities for recovered paper and sawmill partners for wood, has enabled Golbey to attain a leading cost position. According to RISI, as of December 31, 2012, Golbey's manufacturing cash costs for newsprint was ranked among the lowest of European newsprint producers. Our Golbey mill, together with other members of an industrial consortium established by the top 30 French industrial energy consumers , has long-term power contracts for delivery of 0.36 TWh of electricity annually until 2030, which is sufficient to cover approximately one-third of the expected annual energy consumption of the mill. The remaining energy demand of Golbey is covered by energy purchases via a French regulated tariff structure called ARENH.

*Bruck operations*

Our Bruck mill, which we acquired in 1996, was commissioned in 1953 and produces standard newsprint, using primarily mechanical pulp and recycled fiber. Its newsprint production capacity and utilization were 120,000 tons and 100%, respectively, as of and for the year ended December 31, 2013, with an actual production of 120,000 tons of newsprint. Bruck is served by its own power plant and can generate approximately 0.4 TWh of electricity, which is sufficient for its expected annual energy consumption.

In addition to newsprint, Bruck also produces light-weight coated mechanical paper on a paper machine commissioned in 1989, which uses mechanical pulp produced from wood and recycled fiber and purchased chemical pulp in the manufacturing process. Its total magazine paper production capacity and utilization were 260,000 tons and 87%, respectively, as of and for the year ended December 31, 2013, with an actual production of 226,000 tons of light-weight coated. However, following the closure of one machine at Walsum at the end of 2013, the production at Bruck's magazine machine has been increased to almost its full capacity. Bruck benefits from low cost on-machine coating technology and, according to RISI, Bruck's cash manufacturing costs (assuming Frankfurt delivery) for magazine paper was ranked among the lowest in Europe as of December 31, 2012.

*Walsum operations*

Our Walsum mill, which is located in Germany, produces light-weight coated mechanical paper and has one paper machine, which uses mechanical pulp and purchased chemical pulp in the manufacturing process. The mill's total production capacity and utilization were 200,000 tons and 99%, respectively, as of and for the year ended December 31, 2013, after the permanent closure of one paper machine. The mill's favorable location on the Rhine River provides easy access to raw materials and sea freight. The mill consumes approximately 0.4 TWh of electricity annually, which is purchased from the market on a spot basis or pursuant to short-term contracts.

***Australasia***

We have three publication paper mills in Australasia, which had a combined annual production capacity of 715,000 tons as of September 30, 2014. Our total production from our Australasian mills was 622,645 tons in 2013.

The following table sets forth information on the newsprint production capacity of our Australasian mills for the periods indicated:

| | Location | Product(s) | Number of Paper Machines per Product | Main Paper Grade(s) | Total Production Capacity (Tons) Year Ended December 31, 2013 | 2012 |
|---|---|---|---|---|---|---|
| Albury | Australia | Newsprint | 1 | Newsprint | 270,000 | 280,000 |
| Boyer | Australia | Newsprint | 1 | Newsprint | 150,000 | 270,000 |
| | | Magazine | 1 | LWC | 140,000[(1)] | |
| Tasman | New Zeeland | Newsprint | 1 | Newsprint | 155,000 | 155,000 |
| **Total Australasia** | | | **4** | | **715,000** | **695,000** |

(1) Boyer PM2 with annual newsprint capacity of 120,000 tons as of December 31, 2013. The capacity of 140,000 tons of magazine reflects the capacity after the machine was converted to LWC production in the first quarter of 2014.

***Albury operations***

Our Albury mill is the youngest mill in the Australasian segment. Its single machine was commissioned in 1981 and produces standard newsprint. The mill underwent a significant rebuild in 2006, which included the addition of a shoe press. Total production capacity and utilization at our Albury mill were 270,000 tons and 91%, respectively, as of and for the year ended December 31, 2013, with an actual production of 246,000 tons of newsprint. Our Albury mill has a long-term power contract until 2022 for delivery of approximately 0.7 TWh of electricity annually, which is sufficient to cover all of its expected annual energy consumption. In addition, our Albury mill purchases gas to produce steam under a contract terminating in 2016. Prior to the termination of this contract, another gas supply agreement will need to be finalized, and preparations are being made for its negotiation. It is expected that any new gas supply arrangement will come at a greater cost than current arrangements. Gas prices in the eastern Australian market are rising and moving away from the domestic price of gas towards the international market price of gas (which has, in the past, been much higher than the domestic price paid). Albury benefits from a favorable location with low distribution costs to the major Australian metropolitan regions of Melbourne and Sydney. Albury produces newsprint using both wood and recycled fiber. Almost 90% of the mill's consumption of wood is supplied by medium-term contracts with terms varying from 2015 to 2018, 35% of the recycled paper is sourced directly from publishers' waste.

*Boyer operations*

Our Boyer mill was the first mill in our Australasian segment to commence newsprint production. It has two machines, one producing standard and improved newsprint, and one producing LWC magazine paper, using principally wood fiber, the majority of which we source from our own self-managed forests. The first machine, PM2, was commissioned in 1952 and rebuilt in 1991, and during the first quarter of 2014, was converted from newsprint to LWC production. The second machine, PM3, commenced production in 1969 and was rebuilt in 1989 and 1996. Boyer's total production capacity is 150,000 tons of newsprint and 140,000 tons of LWC. In order to achieve the conversion of the PM2 newsprint machine, we had to shut down the machine during the first quarter of 2014. Production of LWC was ramped up during the second quarter of 2014, resulting in a production loss of around 40,000 tons. The PM2 machine started up again in the first half of 2014 and the production of LWC is now running at full capacity. The utilization rate for the newsprint machine was 86% for the year ended December 31, 2013. Our Boyer mill has a long-term power contract until 2020 for delivery of approximately 0.8 TWh of electricity annually, which is sufficient to cover all of its expected annual energy consumption. The gas needed for drying the LWC paper is sourced through a long-term contract to late 2018.

*Tasman operations*

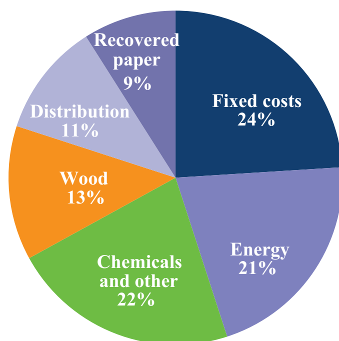
Our Tasman mill, located in New Zealand, has one paper machine that produces standard and improved newsprint grades using principally wood fiber. The machine, PM3, was rebuilt in 2006. Its total production capacity and utilization were 155,000 tons and 95%, respectively, as of and for the year ended December 31, 2013, with an actual production of 148,000 tons of newsprint. Our Tasman mill has a long-term power contract until 2023 for delivery of 0.64 TWh of electricity annually, which is sufficient to cover the annual energy consumption. In January 2013, our Tasman mill commissioned a NZD 43 million investment for the construction of a geothermal power plant to provide an additional source of energy for the mill. The geothermal energy plant is operated by the mill, producing and selling energy both to the mill and to the grid.

### Raw Materials

The principal raw materials used to manufacture our products are energy, wood, recovered paper, chemicals and inorganic fillers and chemical pulp. The prices of these raw materials are subject to commodity price fluctuations. Due to competitive pressures and the fixed-price nature of our customer contracts, the prices of our products are not always correlated with increases and decreases in the cost of raw materials. See ''*Risk Factors—Risks Related to Our Business and Our Industry—Prices for our raw materials are volatile and there can be no assurances that we will be able to obtain our raw materials, in particular energy, wood and recovered paper, at prices that will enable us to sell our products profitably, or at all*''.

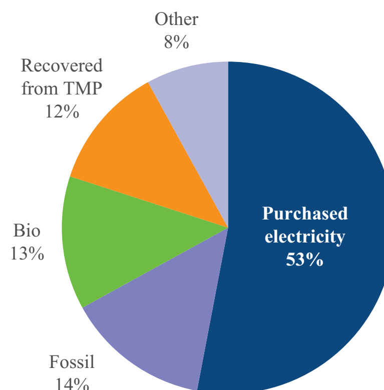
The graphs below provide an overview of our principle cost components and a profile of our use of energy, which is our principle operating cost:

Group Cost Base Constituents




*Total 2013: NOK 12,477m*

Group Energy Cost Constituents




*Total 2013: 12,670 GWh*

***Energy***

Energy constitutes our largest operating expense, and we are focused on reducing energy consumption. Energy accounted for 21% of our total operating expenses as of and for the nine months ended September 30, 2014. Of the amount spent on energy, 53% was related to electricity expenses. Approximately 85% of our electricity consumption is purchased under long-term contracts for fixed volumes and price expiring in 2020, which were entered into in Norway, France, Australia and New Zealand. We are constantly working on different energy saving programs, including optimization of steam supply, whereby less steam is used for making electricity when the price of purchasing electricity is low. This strategy also reduces the use of natural gas and greenhouse gas emissions to the environment. Several of our business units have also changed their operational patterns to exploit 24-hour fluctuations in electricity prices. In addition to reducing our energy consumption, we have reduced our exposure to fluctuations in energy prices by entering into long-term supply contracts. See ''*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Our Results of Operations—Fluctuation in the value of energy contracts*''.

*Europe*

In Norway, long-term contracts with fixed volumes and price expiring in 2020 cover most of the energy consumption of our Skogn and Saugbrugs mills. Along with other members of an industrial consortium, we signed a long-term electricity contract in 2010, which expires in 2030, covering about one-third of Golbey's energy consumption. The remaining energy demand of Golbey is covered by energy purchases via a French regulated tariff structure called ARENH. Our operation in Bruck in Austria owns a natural gas-fired co-generation plant, which gives us an arbitrage opportunity between gas and electricity prices. Our operations in Germany are set up in a way that enables us to take advantage of the sometimes large spread between day and night electricity prices. Our exposure to spot prices in electricity and gas is mainly in continental Europe.

*Australasia*

Our operations in Australasia source most of their energy needs by purchasing electricity from third parties, with most energy consumption covered by long-term contracts. Each of our mills in Australasia purchases electricity through long-term contracts with fixed volumes and price, which expire between 2020 and 2023. In addition, our Albury mill purchases gas to produce steam under contract until 2016, and the gas needed for drying the LWC paper at the Boyer mill is sourced through a long-term contract to late 2018. Our Tasman operations also operate a geothermal energy plant commissioned in January 2013.

***Wood***

Wood purchases for our mills accounted for 13% of our total operating expenses as of and for the nine months ended September 30, 2014. Total wood consumption by our wholly-owned mills for the year ended December 31, 2013 was 4.2 million cubic meters at a total cost of NOK 1,610 million. We purchase our wood in Australia pursuant to long-term contracts with fixed volumes and price expiring in 2020. At our Boyer mill, approximately 69% of its forest supply is derived from its 20,000 hectares of forest assets. In Norway and continental Europe, wood is purchased pursuant to short- and medium-term contracts. In every country where we source wood, the area of land under forest is increasing.

***Recovered paper***

Recovered paper is an important fiber source for us. As of September 30, 2014, purchases of recovered paper accounted for 9% of our total operating expenses. In the year ended December 30, 2013, we consumed 1.1 million tons, of which 0.85 million tons was consumed in Europe. We purchase our recovered paper through short- to medium-term contracts, mostly from local producers. Their prices for recovered paper, which are largely driven by strong demand from China, has been stable in both 2013 and 2014.

***Chemical pulp***

As of September 30, 2014, purchases of chemical pulp accounted for 4% of our total operating expenses. Consumption of chemical pulp, which is used primarily in the production of magazine paper,

was approximately 140,000 tons in 2013. In Europe, chemical pulp for magazine production is sourced both through a common group contract and by local suppliers at Bruck and Walsum. The contract pricing is subject to a monthly adjustment with reference to a third-party reference price. The price for chemical pulp increased in 2013 and 2014, largely as a result of strong demand in China.

### Transportation

#### *Raw materials*

Recycled fiber is a globally traded commodity, but environmental considerations apply when we are purchasing this material. Trucks are the predominant method we use for transporting raw materials to our mills, representing approximately 78% of inward transport in 2013. Ship and train deliveries of raw materials to our mills accounted for 14% and 8%, respectively, of inward transport in 2013.

#### *Finished products*

We typically transport our products by various means, including by sea, truck and rail. We ship products from our Norwegian mills primarily using coastline ports that are equipped with modern deep sea docks. Products from our other European mills are transported and distributed on the European continent primarily by truck and by rail. Paper produced by our operations in Australasia is mostly sold in the country in which it is produced and is generally transported by ship, truck and rail. The volume exported to Asia is transported by ship.

For the year ended December 31, 2013, 41% of our finished products (by volume) were transported to customers via trucks, while ship and rail transport represented 35% and 24%, respectively, of outward transport.

### Health and Safety

Health and safety is the responsibility of the management at the Parent level and, ultimately, of the Chief Executive Officer, but the health and safety results of all units is monitored by our head office. All near-misses and injuries are reported via a group-wide follow up system, and experiences from each individual incident are shared throughout the organization. We conduct training and educational programs to improve health and safety conditions and reduce the frequency of workplace accidents. Most of our mills observe a strictly non-smoking policy and we implemented a standardized protection equipment program in 2014. Absence due to illness in the group in 2013 was 3.6%. Boyer, the regional office in Sydney, Tasman, Skogn, Golbey and our head office reported zero lost-time injuries in 2013.

We must comply with a number of law and regulations regarding health and safety in the countries in which we operate. In Norway, the most important law concerning health and safety is the Norwegian Employment Act, which imposes a duty on us to provide a safe and secure working environment. We have policies and procedures in place to facilitate compliance with our obligation to protect the health and safety of our employees in all of our operations in Norway, which includes consultation with employee representatives, the appointment of local HES&Q Managers and personal safety representatives in each of our operating locations, and the establishment of a working environment committee with particular duties and authorities in relation to health, security and the working environment within our operations. The Labour Inspection Authority enforces safety and environmental standards in workplaces in Norway, and the Norwegian Employment Act includes a whistle-blowing procedure, which provides employees the right to notify certain supervisory authorities or other public authorities in relation to any breaches of health and safety requirements. Corresponding laws and regulations apply to the business units in the other countries in which we operate.

### Environment

We operate in an industry that is subject to extensive environmental regulation, which has become more stringent over time. The laws and regulations to which we are subject govern, among other things, water use, air emissions, wood procurement, use of recycled materials, energy sources, the storage, handling, treatment, transportation and disposal of hazardous materials, the operation of our mills (including the noise impact of our operations), the protection of the environment, natural resources and endangered species, and the remediation of environmental contamination. Our operations require us to obtain and comply with the terms and conditions of multiple environmental permits, many of which are difficult and costly to obtain and could be subject to legal challenge. Compliance with such laws and regulations at

an international, regional, national, provincial and local level is an important aspect of our ability to continue our operations.

Environmental standards applicable to us are established by the laws and regulations of the countries in which we operate, standards adopted by regulatory agencies and our permits and licenses, each of which is subject to periodic and increasingly stringent modifications and requirements. Violations of these laws, regulations or permits and licenses may result in substantial civil and criminal fines, penalties, and possibly orders to cease the violating operations or to conduct or pay for corrective works. In some instances, violations may also result in the suspension or revocation of permits and licenses.

As a result of the global geographic footprint of our mills, our production operations are subject to a variety of environmental laws and regulations. Further, as we principally operate in developed countries, such laws and regulations, compliance monitoring and enforcement are often stringent. We face the most rigorous environmental regulation in Europe and we aim for all our consolidated mills worldwide to operate in accordance with standards defined by the European Union.

The Industrial Emissions Directive 2010/75EU lays down rules on integrated prevention and control of pollution arising from industrial activities and the use of best available techniques (''**BAT**'') is a basic requirement of this directive. The EU Commission implementing decision of September 26, 2014 established the BAT conclusions under Directive 2010/75/EU for the production of pulp, paper and board. The BAT conclusions cover important areas including environmental management systems, waste management, waste water and emissions to water, energy consumption and efficiency. The national laws in the European countries in which we operate regulate waste disposal and place restrictions on land filling materials, which establish a preference for waste management methods of prevention, reuse and recycling. In Norway, Austria and Germany, only inert ash and slag from thermal recycling and incineration may be placed in landfill sites.

In addition, we are also subject to Regulation 1907/2006 of the European Parliament and of the Council of December 18, 2006 concerning the registration, evaluation, authorization and restriction of chemicals, which, although not directly applicable to pulp and paper, applies to a number of raw materials that we source and to certain intermediate substances in the pulp production processes. Under the EU Timber Regulation 995/2010 (''**EUTR**'') we are required to conduct due diligence in relation to our suppliers when placing timer or timber products on the EU market for the first time. Additionally, the EUTR requires economic operators in the sector to maintain supplier and customer records in order to facilitate tracing and transparency throughout the supply chain. The countries in which we own production facilities have all ratified the Kyoto Protocol relating to the reduction of greenhouse gas emissions, and we are subject to the national laws, which implement that Protocol. Further, as an operator in an energy intensive sector governed by the EU Emissions Trading Scheme we are obliged to comply with the cap and trade policy, which aids countries in meeting their commitments to reduce greenhouse gas emissions. In addition, we are subject to Directive 2004/35/EC of the European Parliament and of the Council of April 21, 2004 concerning environmental liability and the prevention and remedying of environmental damage. Directive 2004/35/EC aims to prevent and remedy the pollution of water, damage to biodiversity and land contamination that causes serious harm to human health. As an operator, if any of our activities causes environmental damage, we may be required under that Directive to restore damage caused and/or pay for the clean-up and restoration, irrespective of whether we were at fault in causing the damage.

We also comply with local and national law and regulations in each of the countries in which we operate. We believe that by requiring compliance by all of our operations worldwide with European Union regulation and standards, we facilitate substantial compliance in all of the jurisdictions in which we have operations.

The risk of substantial environmental costs and liabilities is inherent in industrial operations, including the publication paper industry. The pulp and paper production process generates effluent containing organic compounds and nutrients, which can lead to eutrophication and a lack of oxygen in vulnerable water environments. Our mills therefore have external treatment plants to reduce our discharges into water. For example, at our Albury operations, Albury is permitted to discharge effluent containing salt into the Murray River under its licence with the Environment Protection Authority. However, the licence also requires Albury to undertake a Green Offset Scheme which involves the removal of an offset amount of salt from another part of the Murray River catchment area. All of our paper mills generate air emissions. The air emissions are mainly the result of energy production from the burning of biofuel and

fossil fuel. The main air emissions are sulphur dioxide, nitrogen dioxide and particulate (ash and dust), in addition to carbon dioxide from the burning of fossil fuel.

Particulate matter from boilers is the main cause of local emissions to the air from our paper mills. All the mills have filters that keep these emissions at very low levels. In 2007, we established a greenhouse gas reduction target of 25% by 2020 compared to 2006 levels. At the end of 2013, we reached a reduction of 27% of our greenhouse gas emissions. We may also engage in carbon emission units programs, under appropriate local legislation. For example, in Australia, we were issued with free permits to cover some of our carbon emissions under a carbon tax and emission trading scheme. This program was stopped by the Australian government on July 1, 2014 and there is no certainty as to whether such a program would be implemented again in the future. If such a program were to be implemented, there is no certainty as to what form such program would take, or of the extent to which the Albury and/or Boyer mills would be affected by the program.

We have developed an internal environmental index to set targets and review our work to improve our resource efficiency and reduce our emissions on a continuous basis. All our wholly-owned mills utilizing fresh fiber have third-party verified chain-of-custody certification systems in place.

As part of our environmental policy, it is our aim that all of our production units should have certified environmental management systems. At present, all of our wholly-owned mills are certified in accordance with the ISO 14001 standard of the International Organization for Standardization. In addition, our majority-owned mill operated by Malaysian Newsprint Industries Sdn. Bhd. operates in compliance in all material respects with applicable environmental laws and regulations. Nevertheless, the risk of environmental infractions is inherent in our industry, and, from time to time, we have experienced minor non-compliance with such laws and regulations, or with the conditions of our emissions or other permits, and may do so again in the future.

### Insurance

We have a centrally administered Global Insurance program at our head office. This program includes insurance covering property damage and business interruption, general third-party liability, directors and officers, crime and cargo. Our property damage cover provides protection at full replacement value, while the business interruption is covered for an 18-month indemnity period. We have high local focus on procedures and internal activities for preventive loss activities at every mill. In addition, in every 15 to 18 month interval, we perform a comprehensive risk audit program together with a highly qualified risk engineer from our insurer. The outcome of each individual survey audit is analyzed, and based on the resulting benchmark, we implement a best practice method for our mills in order to minimize risk.

We believe that we have obtained favorable global insurance terms and conditions for the Global Insurance program, and we are currently halfway through a three-year policy period.

### Employees

As of December 31, 2013, we had 3,274 employees (excluding MNI, which had 350 permanent employees). The following table provides details of our employees by business regions (excluding MNI) for the periods indicated:

| | As of and for the Year Ended December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| Europe | 3,352 | 2,557 | 2,508 |
| South America | 533 | 294 | 0 |
| Australasia | 855 | 807 | 693 |
| Asia | 238 | 246 | 7 |
| Corporate functions (head office) | 98 | 82 | 66 |
| **Total** | **5,075** | **3,986** | **3,274** |

Our mill workers are unionized in all of the countries in which we operate. We have collective bargaining agreements in place with several different unions, which relate to employees in each of our mills. Our collective bargaining agreements typically have durations of between 12 and 24 months. We have not experienced any major strikes in recent years. In addition to trade unions, we also consult with various local, national and European works councils, which primarily fulfill advisory roles. We are required under

certain circumstances to consult with one or more of the works councils before proceeding with certain transactions or activities, particularly in relation to any major reorganization. We believe that we have good relationships with the unions representing our employees and the works councils.

We run various pension schemes in accordance with local conditions and practices in the countries in which we operate. As of December 31, 2013, the majority of current and former employees were covered by such schemes, of which many were covered by defined benefit plans, with the remainder being covered by defined contribution plans. We have unfunded pension benefit obligations, of which the obligations in relation to the Walsum pension scheme are the largest. As of September 30, 2014, December 31, 2013 and December 31, 2012, our net pension obligations (net unfunded pension plans less net partly or fully funded pension plans) were NOK 681 million, NOK 692 million and NOK 618 million, respectively.

In 2012, the net unfunded pension obligations were restated to NOK 618 million according to amended IAS 19, mainly caused by the removal of the corridor approach for actuarial gains and losses. The comparable figures in previous years are not restated due to divestment of subsidiaries.

**Legal Proceedings**

In the ordinary course of our business we are party to a number of legal proceedings. None of these proceedings, either individually or in the aggregate, is expected to have a material adverse effect on us or our financial condition, taking into account insurance coverage and provisions made for potential exposures.

## DIRECTORS, MANAGEMENT AND CORPORATE GOVERNANCE

### Board of Directors

Our Board of Directors is made up of seven to ten members who serve one-year terms. Our Board of Directors currently has eight voting members. Our employees elect three of the members of the Board of Directors and our shareholders elect the rest through the general meeting of shareholders (the ''**General Meeting**''). In addition, our employees nominate three deputy members who may act as designates of the members of the Board of Directors nominated by the employees. The following table sets out the name, age and the year of initial appointment for each of the members of the Board of Directors as of the date of these listing particulars:

| Name | Age | Elected to Board |
|---|---|---|
| Jarle Roth | 54 | Chairman since 2014 |
| Jon-Aksel Torgersen | 62 | 2012 |
| Siri Hatlen | 57 | 2012 |
| Karin Bing Orgland | 54 | 2014 |
| Eilif Due | 60 | 2012 |
| Kjetil Bakkan | 52 | 2012 |
| Paul Kristiansen | 58 | 2009 |
| Svein Erik Veie | 41 | 2010 |

On January 19, 2015, the Chairman of the Board of Directors informed the Nomination Committee that he will not be a candidate for reelection as Chairman. The Nomination Committee unanimously proposed that Jon-Aksel Torgersen be elected as new Chairman at the Annual General Meeting on April 16, 2015.

The following is a brief biography of each member of the Board:

### Jarle Roth

Jarle Roth has served as the chairman of our Board of Directors since 2014. Since 2012, Mr. Roth has held the position as Chief Executive Officer of Eksportkreditt Norge AS. Mr. Roth currently serves as the vice chairman of the board of Ekornes ASA. Mr. Roth graduated from the Norwegian School of Economics (NHH, Norway) in 1987 with a Master of Science. Mr. Roth has previously held positions as the Deputy Chief Executive Officer of Umoe Gruppen AS and President and Chief Executive Officer of Unitor ASA.

### Jon-Aksel Torgersen

Jon-Aksel Torgersen has served as a member of our Board of Directors since 2012. Since 1992, Mr. Torgersen has held the position of Chief Executive Officer of Astrup Fearnley AS, and since 2001, the position of Chief Executive Officer of Vergjedalsbruket AS (merged with Astrup Fearnley AS in December 2014, with Mr. Torgersen as Chief Executive Officer). Mr. Torgersen currently serves as chairman of the board of Atlantic Container Line AB, Fearnleys AS, Fearnleys Asia Singapore PTE. LTD., Rødskog Shipbrokers LTD., Finnlines Plc, Fearnley Offshore AS, Fearnley Offshore Supply AS, Fearnley Securities AS, Fearnley Finans AS, Libra Fearnley Energy A/S, Fearngas PTE.LTD (Singapore) and Fiducia AS, and as a board member of I.M. Skaugen SE, Awilco LNG, AS Meraker Brug, Fearnley Advisors AS, Investment Committee Transportation Recovery Fund and Foundation Thomas Fearnley, Heddy and Nils Astrup. Mr. Torgersen graduated from the University of St. Gallen (Switzerland) in 1975 with a Master of Business Administration.

### Siri Beate Hatlen

Siri Beate Hatlen has served as a member of our Board of Directors since 2012. Ms. Hatlen previously held positions as Chief Executive Officer of Oslo University Hospital from 2009 to 2011 and Executive Vice President of Statkraft AS from 2007 to 2009. Ms. Hatlen currently serves as chair of the board of Entra ASA, Sevan Marine ASA, Youth Olympics Lillehammer 2016, The Norwegian Board of Technology, Norwegian University of Life Science and DNT Oslo&Omegn and as a board member of Eksportkreditt Norge AS, Kitron ASA, Norwegian Glacier Museum and Nobel Peace Center. Ms. Hatlen graduated from NTH (now NTNU, Norway) with a Master of Process Engineering in 1980 and received an MBA from INSEAD (France) in 1991.

**Karin Bing Orgland**

Karin Bing Orgland has served as a member of our Board of Directors since 2014. Ms. Orgland currently serves as chairman of the board of the Norwegian Export Credit Guarantee Agency (GIEK) and Røisheim Hotell AS. Ms. Orgland previously held different management positions within the DNB group, including the position as Group Executive Vice President with the responsibility for Retail Banking (including Personal and Corporate Banking) from 2009 to 2013. She served as the chairman of the board of DnB Finans AS from 2007 to 2011 and as a member of the board of DnB Liv / Vital ASA from 2011 to 2013. Ms. Orgland also serves as a board member of Grieg Seafood ASA, Norwegian Finans Holding ASA, HAV Eiendom AS, INI A/S, Røisheim Eiendom AS and Berghammeren AS. Ms. Orgland graduated from the Norwegian School of Economics (NHH, Norway) in 1982 with a Master of Business Administration.

**Eilif Due**

Eilif Due has served as a member of our Board of Directors since 2012. Mr. Due previously held positions in various North Sea oil platform projects. Mr. Due currently serves as chairman of the board of Allskog SA, Hoff SA and as board member of Arcus AS, Vectura AS and of Norsk Landbrukssamvirke (the Norwegian agricultural co-operative). Mr. Due graduated from NTH (now NTNU, Norway) with a Master of Science in 1977 and from the Norwegian Business School (BI, Norway) with a foundation program in business administration in 1982.

**Paul Kristiansen**

Paul Kristiansen has served as an employee representative on our Board of Directors since 2009 and on the board of Norske Skog Saugbrugs AS since 2011. Mr. Kristiansen serves as the chairman of the Issuer's Saugbrugs Works Council and Norwegian Work Council, and is also the secretary of the Issuer's European Works Council and a member of the Issuer's Global Works Council. Mr. Kristiansen is a member of the section council and a member of the control committee of the Norwegian United Federation of Trade Unions. Mr. Kristiansen also serves as a municipal council member in Halden municipal (Labour Party) and as a member of the board of the pension fund for Halden municipal.

**Svein Erik Veie**

Svein Erik Veie has served as an employee representative on our Board of Directors since 2010 and of the board of directors of Norske Skog Skogn AS since 2011. Mr. Veie has been employed in various positions at Norske Skog Skogn AS from 1996 to 2008. Mr. Veie currently serves as Norske Skog Skogn AS' employee representative for the members of the labor union Fellesforbundet, and is also a member of the central union board. Mr. Veie has since 2011 served as a municipal council member in Levanger municipal (Labour Party) and as the deputy chairman of the plan and development committee in Levanger municipal. Mr. Veie currently is also the fourth deputy board member of the board of Innherred renovasjon and the meeting deputy board member of the Labour Party in Nord Trøndelag.

**Kjetil Bakkan**

Kjetil Bakkan has served as an employee representative on our Board of Directors since 2012. Mr. Bakkan has held the position of Senior Purchaser at our Skogn mill since 2013 and has served as an employee representative and chairman in the local department of the Norwegian Engineers and Managers Association (FLT-LO) union since 2012. Mr. Bakkan is also chairman of the Lyshagen shop, a member of the Issuer's Norwegian Works Council and a professional associate judge in the regional District Court and Court of Appeal.

The business address of each director is our registered office, which is P.O. Box 294 Skøyen, 0213 Oslo, Norway.

**General Meeting**

The General Meeting is our highest corporate body. The General Meeting, among other functions, elects the shareholder elected members of the Board of Directors and the chairman of the Board of Directors. In addition, the General Meeting, among other functions, approves the annual accounts, the annual report and any distribution of dividends.

### Corporate Management

The following table sets out the name, age and title for each member of our corporate management as of the date of these listing particulars:

| Name | Age | Title |
|---|---|---|
| Sven Ombudstvedt | 48 | President and Chief Executive Officer |
| Rune Sollie | 48 | Chief Financial Officer |
| Roar Ødelien | 46 | Chief Operating Officer |
| Lars P. Sperre | 38 | Senior Vice President Corporate Strategy & Legal |

The following is a brief biography of each member of our corporate management:

#### Sven Ombudstvedt

Sven Ombudstvedt has served as our President and Chief Executive Officer since 2010. From 2008 to 2009, Mr. Ombudstvedt served as Senior Vice President at SCD SAS (Paris). From 2006 to 2008, Mr. Ombudstvedt was the Chief Financial Officer and Head of Strategy at Yara International ASA. In the period between 1991 and 2006, Mr. Ombudstvedt held various leading positions in Norsk Hydro ASA and Yara International ASA. Mr. Ombudstvedt received a Bachelor of Business Administration from the Pacific Lutheran University in 1988, and received a Master of International Management from Thunderbird in 1989.

#### Rune Sollie

Rune Sollie has served as our Chief Financial Officer since 2014. From 2011 to 2013, Mr. Sollie was the Senior Financial Reporting & Compliance Director for Statoil Retail & Fuel AS. From 2009 to 2011, Mr. Sollie was a Partner at UNIconsult AS. From 2005 to 2009, Mr. Sollie was the Chief Accounting Officer for Yara International ASA. Mr. Sollie received a Master of Science in Auditing from the Norwegian School of Economics (NHH, Norway) and is a State Authorized Public Accountant.

#### Roar Ødelien

Roar Ødelien has served as our Chief Operating Officer since 2013. From 2012 to 2013, Mr. Ødelien was the Group Warehouse Director of Carlsberg Supply Company AG. From 2010 to 2012, Mr. Ødelien was the Warehouse Director of Ringnes AS. From 2008 to 2010, Mr. Ødelien was the Senior Logistics Manager Warehouse of Ringnes AS. Mr. Ødelien received a Bachelor of Sciences in Business Administration from Buskerud and Vestfold University College (Norway) in 1990.

#### Lars P. Sperre

Lars P. Sperre has served as our Senior Vice President Corporate Strategy & Legal since 2014. From 2007 to 2014, Mr. Sperre was our Vice President Legal and, from 2006 to 2007, our Legal Counsel. Mr. Sperre graduated from the University of Bergen with a Cand. Jur. degree in 2002 and obtained his Practising Certificate in 2005.

The business address of each member of our corporate management is our registered office, which is P.O. Box 294 Skøyen, 0213 Oslo, Norway.

### Remuneration

#### *Board of Directors and committee members*

The remuneration of members of our Board of Directors is stipulated by the General Meeting and reflects responsibility, expertise and time spent. The remuneration for members of our Board of Directors is not linked to results, and share options are not issued to members of the Board of Directors.

The annual remuneration for the chairman of the Board of Directors is NOK 591,000 and the other members of the Board of Directors each receive NOK 328,000. The alternate members of the Board of Directors receive NOK 13,500 for each meeting they attend. Directors receive NOK 6,800 for each committee meeting they attend, with the exception of the audit committee, as further discussed below. The aggregate remuneration to the Board of Directors in 2013 was NOK 4,513,660.

The following table sets forth compensation paid in the year ended December 31, 2013 for members of our Board of Directors and its committees, where applicable:

| | Salary | Director's Fee | Remuneration for Committee Work |
|---|---|---|---|
| | (NOK in thousands) | | |
| Eivind Reiten | — | 572 | 47 |
| Ingelise Arntsen | — | 230 | — |
| Kjetil Bakkan | 536 | 317 | — |
| Eilif Due | — | 317 | 47 |
| Siri Beate Hatlen | — | 317 | 106 |
| Finn Johnsson | — | 317 | 142 |
| Paul Kristiansen | 513 | 317 | 146 |
| Karen Kvalevåg | — | 317 | 106 |
| Åse Aulie Michelet(1) | — | 87 | 13 |
| Jon-Aksel Torgersen | — | 317 | 34 |
| Svein Erik Veie | 497 | 317 | — |

(1) Mr. Michelet resigned from the Board of Directors during 2013.

***The audit committee***

The chair of the audit committee receives NOK 105,000 per year and NOK 6,800 for each audit committee meeting he attends. Other members of the audit committee receive NOK 68,000 per year and NOK 6,800 for each audit committee meeting they attend.

***Internal Board of Directors remuneration***

No remuneration is disbursed to our employees for Board of Directors positions in Group companies. Likewise, remuneration for elected positions in companies where we own an interest falls to the Parent. The same applies to cases where employees have been elected to these positions as a result of their position within the Group.

***Corporate management***

The remuneration committee recommends the salary and other terms for the Chief Executive Officer, and the principles for stipulating salaries and any bonus or other incentive schemes for the corporate management, to the Board of Directors. The Board of Directors stipulates the remuneration of the Chief Executive Officer and the principles for the remuneration of the corporate management, with the goal that compensation to, and remuneration of, executive employees shall contribute to the long-term creation of value for shareholders. Guidelines and principles for stipulating the salaries of executive employees and performance-related incentive schemes, as well as an account of the executive salary policy for the previous fiscal year, are subject to special consideration by the General Meeting.

## SHARE CAPITAL AND SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

### Share Capital

The ordinary shares of the Parent have been listed on the Oslo Stock Exchange since 1976. As of December 31, 2014, the share capital was NOK 189,945,626, divided into 189,945,626 shares with a nominal value of NOK 1. The Parent does not have any other classes of share capital. All shares have equal rights. As of December 31, 2014, the Parent held 310 of its shares as treasury shares. The Board of Directors of the Parent is authorized to increase the Parent's share capital by up to NOK 94,972,763 (constituting approximately 50% of the outstanding shares as of December 31, 2014), by way of new share issuance. We do not currently have in issue any convertible debt securities, exchangeable debt securities or debt securities with warrants attached. The share capital is fully paid up.

### Principal Shareholders

The following table lists each shareholder holding 3% or more of our issued share capital as of December 31, 2014:

| Name | Percentage of Issued Share Capital |
|---|---|
| Nobelsystem Scandinavia AS | 5.42% |
| Kontrari AS | 5.05% |
| Dimensional Fund Advisors | 3.54% |
| Skandinaviska Enskilda Banken[(1)] | 3.31% |
| AT Skog BA | 3.19% |

(1) Nominee shareholder.

### Security Ownership of Directors and Corporate Management

As of December 31, 2014, the members of our Board of Directors held a combined total of 91,305 shares, while corporate management held a combined total of 1,842,579 shares.

The following tables set forth share ownership on an individual basis for our Board of Directors and corporate management as of December 31, 2014:

#### *Board of Directors*

| Name | Number of Shares |
|---|---|
| Jarle Roth | 40,000 |
| Jon-Aksel Torgersen[(1)] | 2,986,644 |
| Siri Hatlen | 0 |
| Karin Bing Orgland | 0 |
| Eilif Due | 3,256 |
| Kjetil Bakkan | 16,532 |
| Paul Kristiansen | 18,608 |
| Svein Erik Veie | 12,909 |

(1) Shares held through a controlled company.

#### *Corporate management*

| Name | Number of Shares |
|---|---|
| Sven Ombudstvedt[(1)] | 1,708,266 |
| Rune Sollie[(1)] | 103,205 |
| Roar Ødelien | 0 |
| Lars P. Sperre | 31,108 |

(1) A portion of the shareholding is held through a controlled company.

## RELATED PARTY TRANSACTIONS

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

For a description of related party transactions, please see note 26 to our 2013 Audited Consolidated Financial Statements included on page F-74 of these listing particulars, note 27 to our 2012 Audited Consolidated Financial Statements included on page F-136 of these listing particulars and note 27 to our 2011 Audited Consolidated Financial Statements included on page F-197 of these listing particulars.

## DESCRIPTION OF OTHER INDEBTEDNESS

Our existing indebtedness comprises a variety of arrangements, including debt securities issued in the global capital markets. For further information on our existing indebtedness, see ''*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*''.

The following is a summary of certain provisions of the documents listed below governing certain of our indebtedness. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

As described in ''*Use of Proceeds*'', we will use the proceeds of the Notes, together with cash on hand, to facilitate a discounted exchange for the Existing Notes.

### Innovasjon Norge Facilities

On May 15, 2009, we entered into two facility agreements with substantially identical terms with Innovasjon Norge for an aggregate amount of NOK 250 million. The facilities are used for general corporate purposes. We are the only borrower under each facility.

As of September 30, 2014, the aggregate amount outstanding under the facilities was NOK 165 million. The final maturity date of each facility is June 10, 2021. The interest rate for borrowings under each facility is a commercial floating rate of interest which may be adjusted unilaterally by Innovasjon Norge from time to time with a one week notice period.

Each facility contains customary undertakings, subject in each case to certain customary exceptions and materiality thresholds, including, among others, restrictions on disposals of assets, dividends, change of business, loans and acquisitions, and restrictions on subsidiary indebtedness and guarantees. Each facility also restricts us and each of our subsidiaries from granting security over assets or revenue (negative pledge).

We will secure approximately €10 million of our obligations under the facilities by granting a first lien security interest over certain assets of Norske Skog Skogn and, if required, Norske Skog Saugbrugs AS. Certain companies will provide guarantees for approximately €10 million of the facilities.

### SpareBank 1 Gruppen Finans AS Factoring Agreements

On November 25, 2013, each of our subsidiaries Norske Skog Saugbrugs AS and Norske Skog Skogn AS entered into separate factoring agreements with SpareBank 1 Gruppen Finans AS. The terms of the two factoring agreements are identical. The factoring agreements expire on November 30, 2016; however, the parties may agree to prolong the term of the agreements.

Pursuant to the factoring agreements, each of the subsidiaries is obliged, during the term of the applicable factoring agreement, to immediately and continually (on a daily basis) transfer any and all eligible receivables (as specified in each of the factoring agreements) to SpareBank 1 Gruppen Finans AS. The factoring agreements are entered into on a limited recourse basis, which means that SpareBank 1 Gruppen Finans AS will only have the right to seek recovery under the receivables transferred to SpareBank 1 Gruppen Finans AS from time to time during the term of the factoring agreements, and will not have the right to recover directly from Norske Skog Saugbrugs AS and Norske Skog Skogn AS, respectively, or any of their assets, with respect to any outstanding credit owed under the purchased receivables.

All receivables (present and future) subject to the factoring agreements are assigned to SpareBank 1 Gruppen Finans AS as security for any breach of any of the representations and warranties provided by Norske Skog Saugbrugs AS and Norske Skog Skogn AS, respectively, under the factoring agreements. In this regard, floating charges of trade receivables have been registered with the Norwegian Register of Mortgaged Movable Property in the amount of NOK 250 million in respect of Norske Skog Saugbruks AS and Norske Skog Skogn AS. Additionally, the service accounts for the receivables under the factoring arrangements are pledged to, and blocked in favor of, SpareBank 1 Gruppen Finans AS.

The maximum overall factoring amount under each factoring agreement is NOK 250 million. Outstanding amounts at any given time reflect the sum of all advances (financing) paid out by SpareBank 1 Gruppen Finans AS for outstanding receivables due to the respective participating subsidiary as well as any payable debits credited to such subsidiaries' account made by SpareBank 1 Gruppen Finans AS.

### Crédit Agricole Facilities

On April 11, 2014, Norske Skog Golbey S.A. entered into a non-recourse receivables factoring facility agreement with Crédit Agricole Leasing & Factoring for a maximum aggregate amount of EUR 40 million. This factoring facility was extended for an initial period of three years at an interest rate equal to three-month EURIBOR plus a margin. It is secured by a cash deposit equal at any time to 8% of the outstanding amount of transferred receivables. The servicing of the transferred receivables is undertaken by Norske Skog Golbey S.A.

This factoring facility contains customary undertakings and customary termination events.

### Eurofactor AG Facilities

On September 8, 2014, Norske Skog Bruck GmbH entered into a non-recourse silent factoring agreement with Eurofactor AG. The term of the factoring agreement ends on April 30, 2017, with automatic prolongation for an indefinite period of time in case no notice is given until October 31, 2016.

Pursuant to the agreement, Norske Skog Bruck GmbH is obliged to immediately and continually offer for purchase any and all receivables from deliveries or services towards any of its debtors located in specified jurisdictions to Eurofactor AG, with the latter being obliged under certain conditions to accept and subsequently to purchase the offered receivables. Certain customers of Norske Skog Bruck GmbH are explicitly excluded from the factoring arrangement.

All receivables (present and future) subject to the factoring agreement are assigned to Eurofactor AG for security purposes. In addition, the service account for the receivables in connection with the factoring arrangement is pledged to Eurofactor AG.

The maximum overall factoring amount is €25 million being determined by the sum of the purchase price paid out by Eurofactor AG for still outstanding claims against all debtors of Norske Skog Bruck GmbH plus payable debits upon Norske Skog Bruck GmbH's account made or to be made by Eurofactor AG.

### International Bonds

As of September 30, 2014, we had bonds issued in the international bond markets with a book value of NOK 6,517 million consisting of the bonds set forth below.

#### *6.125% Senior Notes due October 2015*

On October 2, 2003, we issued U.S.$ 200 million 6.125% Senior Notes due 2015. As of September 30, 2014, the aggregate amount of 2015 Notes outstanding was U.S.$158.2 million (NOK 1,021 million). The proceeds of the offering were used to repay existing indebtedness (including the purchase of our then outstanding debt securities) and for general corporate purposes.

As of September 30, 2014, the interest rate payable on the 2015 Notes was 6.125% per annum, payable semi-annually in arrears on April 15 and October 15 of each year, commencing on April 15, 2004. The 2015 Notes mature on October 15, 2015.

The 2015 Notes are the senior debt obligations of the Parent and are not guaranteed. The terms and conditions of the 2015 Notes are governed by New York law. The notes contain certain covenants, subject in each case to certain customary exceptions, including a limitation on liens, a limitation on sale and leaseback transactions and restrictions on consolidation, merger or sale. The 2015 Notes also contain customary events of default, with customary exceptions and certain materiality thresholds.

The 2015 Notes provide that we may, at our option, redeem the 2015 Notes prior to their scheduled maturity date at an amount equal to the greater of (i) the principal amount then outstanding, plus accrued but unpaid interest and (ii) the sum of the present values of the remaining scheduled payments on the relevant notes discounted, on a semi-annual basis, at a rate equal to the applicable U.S. treasury rate, plus 40 basis points, together with accrued and unpaid interest to the date of redemption. Additionally, we may also redeem the 2015 Notes for certain tax reasons at their principal amount plus accrued and unpaid interest. The notes may be purchased by us or by any of our affiliates in the open market.

The 2015 Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market thereof.

### *11.75% Senior Notes due June 2016*

On June 7, 2011, we issued €150 million 11.0% Senior Notes due 2016. As of September 30, 2014, the aggregate amount of 2016 Notes outstanding was €129.6 million (NOK 1,052 million). The proceeds of the offering were used to repay the amount outstanding under our 2006 Revolving Credit Facility and to pay fees and expenses related to the offering.

As of September 30, 2014, the interest rate payable on the 2016 Notes was 11.75% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, commencing on December 11, 2011. The 2016 Notes mature on June 15, 2016.

The 2016 Notes are the senior debt obligations of the Parent and are not guaranteed. The terms and conditions of the 2016 Notes are governed by New York law. The 2016 Notes contain certain covenants, subject in each case to certain customary exceptions, including limits on the Parent's ability to: incur additional debt; make restricted payments, including dividends or other distributions; create certain liens; sell assets; in the case of our restricted subsidiaries, enter into arrangements that restrict dividends or other payments to us; engage in transactions with affiliates; create unrestricted subsidiaries and consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis. The 2016 Notes also contain customary events of default, with customary exceptions and certain materiality thresholds.

The 2016 Notes provide that we may redeem the 2016 Notes for certain tax reasons at their principal amount plus accrued and unpaid interest. The 2016 Notes may be purchased by us or by any of our subsidiaries at any price.

In the event that any person (or persons acting together) acquires more than 50% of the voting rights at our General Meeting or the right to appoint a majority of directors to our Board of Directors and such event is followed within 90 days of notice being given to the lenders of such an event by a credit rating downgrade, then each holder will be entitled to require us to redeem their 2016 Notes at 101% of their principal amount plus accrued and unpaid interest.

The 2016 Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market thereof.

### *7.00% Senior Notes due June 2017*

On June 26, 2007, we issued €500 million 7.00% Senior Notes due 2017. As of September 30, 2014, the aggregate amount of 2017 Notes outstanding was €388.5 million (NOK 3,154 million). The proceeds of the offering were used for general corporate purposes and for the refinancing of existing indebtedness.

As of September 30, 2014, the interest rate payable on the 2017 Notes was 7.00% per annum, payable annually in arrears on June 26 of each year, commencing on June 26, 2008. The 2017 Notes mature on June 26, 2017.

The 2017 Notes are the senior debt obligations of the Parent and are not guaranteed. The terms and conditions of the 2017 Notes are governed by English law. The 2017 Notes contain certain covenants, subject in each case to certain customary exceptions, including a negative pledge, a limitation on sale and leaseback transactions and restrictions on consolidation, merger or sale. The 2017 Notes also contain customary events of default, with customary exceptions and certain materiality thresholds.

The 2017 Notes provide that we may redeem the 2017 Notes for certain tax reasons at their principal amount plus accrued and unpaid interest. The 2017 Notes may be purchased by us or by any of our subsidiaries at any price.

In the event that any person (or persons acting together) acquires more than 50% of the voting rights at our General Meeting or the right to appoint a majority of directors to our Board of Directors and such event is followed within 90 days of notice being given to the lenders of such an event by a credit rating downgrade, then each holder of 2017 Notes will be entitled to require us to redeem their 2017 Notes at 101% of their principal amount plus accrued and unpaid interest.

The 2017 Notes are listed on the Irish Stock Exchange.

### *7.125% Senior Notes due October 2033*

On October 2, 2003, we issued U.S.$200 million 7.125% Senior Notes due 2033. As of September 30, 2014, the aggregate amount of 2033 Notes outstanding was U.S.$200 million (NOK 1,290 million). The proceeds of the offering were used to repay existing indebtedness (including the purchase of our then outstanding debt securities) and for general corporate purposes.

As of September 30, 2014, the interest rate payable on the 2033 Notes was 7.125% per annum, payable semi-annually in arrears on April 15 and October 15 of each year, commencing on April 15, 2004. The 2033 Notes mature on October 15, 2033.

The 2033 Notes are the senior debt obligations of the Parent and are not guaranteed. The terms and conditions of the 2033 Notes are governed by New York law. The 2033 Notes contain certain covenants, subject in each case to certain customary exceptions, including a limitation on liens, a limitation on sale and leaseback transactions and restrictions on consolidation, merger or sale. The 2033 Notes also contain customary events of default, with customary exceptions and certain materiality thresholds.

The 2033 Notes provide that we may, at our option, redeem the 2033 Notes prior to their scheduled maturity date at an amount equal to the greater of (i) the principal amount then outstanding, plus accrued but unpaid interest and (ii) the sum of the present values of the remaining scheduled payments on the relevant notes discounted, on a semi-annual basis, at a rate equal to the applicable U.S. treasury rate, plus 40 basis points, together with accrued and unpaid interest to the date of redemption. Additionally, we may also redeem the 2033 Notes for certain tax reasons at their principal amount plus accrued and unpaid interest. The notes may be purchased by us or by any of our affiliates in the open market.

The 2033 Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market thereof.

## Purchase or Exchange of Existing Bonds

From time to time, we enter into transactions for the repurchase of our existing bonds, either in open market transactions or otherwise. When we buy back bonds, we may either cancel such bonds or hold them. Upon the cancellation of such bonds, the aggregate principal amount outstanding in respect of such bond issuances is reduced. If we continue to hold such bonds, this is deducted from the value of our interest-bearing liabilities on our balance sheet. At December 31, 2013, we held NOK 170 million of Norwegian bonds (compared to NOK 163 million at December 31, 2012 and NOK 361 million at December 31, 2011). As of December 31, 2013, we held U.S.$42 million and €132 million of foreign currency bonds (compared to U.S.$42 million and €132 million as of December 31, 2012 and U.S.$29 million and €63 million as of December 31, 2011).

Any gain or loss associated with the buy-back of bonds is recognized on our income statement as a gain or loss in the same period the buy-back occurs. For the year ended December 31, 2013, we did not conduct any bond buy backs and did not recognize any gain or loss on the buy-back of our bonds, compared with a gain of NOK 187 million for the year ended December 31, 2012 and a gain of NOK 203 million for the year ended December 31, 2011.

## Other Arrangements

### *Enova Grant*

Norske Skog Saugbrugs AS was awarded a grant from the Norwegain National Energy Agency (‘‘**Enova**’’) on June 14, 2012. The grant covered 22.7% of the approved and incurred project costs related to the development of the Saugbrugs TMP operations. The grant is limited to a maximum amount of NOK 50 million. As of November 25, 2014, NOK 30 million had been disbursed to Norske Skog Saugbrugs AS. Total disbursements are estimated to amount to between NOK 45 million and NOK 46 million, as the total project costs will be lower than originally estimated (originally NOK 220 million).

The development of the TMP operations commenced on October 1, 2012 and are scheduled to be fully completed on December 1, 2014. The grant is conditional upon the TMP operations contributing to the production of 70,200,000 kWh per year in domestic environment-friendly energy production and/or savings. Measurements to determine compliance will begin effective January 1, 2015. In the event that the project at completion fails to provide the anticipated energy savings set out in the grant letter, Enova can withdraw a corresponding amount of the grant and potentially request repayment of certain monies

disbursed to Norske Skog Saugbrugs AS. Norske Skog Saugbrugs AS has not granted any security for Enova's potential claim for repayment of part of the grant, which means that any such claim would rank *pari passu* with all other unsecured claims against Norske Skog Saugbrugs AS.

**Tasmanian Government Loan**

On December 20, 2012, the government of the State of Tasmania entered into a loan agreement (the ''**Tasmanian Government Loan**'') with Norske Skog Paper Mills (Australia) Limited to provide a commitment of up to AU$13.0 million in loans under the Tasmanian Development Act of 1983. The Tasmanian Government Loan was granted to assist in funding the conversion of Boyer PM2 from a machine which manufactured standard newsprint to one which manufactures lightweight coated paper. Under the terms of the Tasmanian Government Loan, Norske Skog Paper Mills (Australia) Limited is obligated to make quarterly payments on drawn amounts at an interest rate set in accordance with local government lending rates. In the event the full amount is drawn, the Parent is obligated to pay AU$1.31 million each quarter until the drawn amount is repaid.

To secure its obligations to the State of Tasmania under the Tasmanian Government Loan, Norske Skog Paper Mills (Australia) Limited has granted a security deed to the State of Tasmania providing: (1) a profit a prendre (the ''**Profit a Prendre**'') in respect of 333 land titles (the ''**Profit a Prendre Land**'') which permits the State of Tasmania to harvest forestry assets growing thereon (which has been registered on the Australian Personal Property Securities Register); (2) a mortgage and charge over the trees (the ''**Trees**'') comprising the softwood tree plantation growing on the Profit a Prendre Land and the proceeds thereof (which mortgage and charge has been registered on the Australian Personal Property Securities Register); and (3) a mortgage and charge over other land corresponding to 29 land titles (the ''**Other Land''**) not included in the Profit a Prendre Land (which has been registered with the Tasmanian Land Titles Office) (the Trees and the Other Land, collectively, the ''**Tasmanian Secured Property**''). The security deed granting the Profit a Prendre and the corresponding security over the Trees and the Other Land will be released when all moneys and all obligations due to the State of Tasmania are repaid or performed. The Parent currently expects to repay all obligations to the State of Tasmania by January 2017. Upon repayment of the Tasmanian Government Loan, a first-ranking Security Interest will be granted over the Tasmanian Secured Property to secure our obligations under the Senior Secured Notes.

**Bis Industries Limited Services Agreement**

On February 9, 2009, Norske Skog Paper Mills (Australia) Limited entered into a services agreement (the ''**Services Agreement**'') with Bis Industries Limited (''**Bis**'') for the provision of woodchipping services. Under the terms of the Service Agreement, Bis agreed to provide woodchipping services at the Boyer mill site for a duration of 15 years from the date of completion of construction of a woodchipping facility at the Boyer mill site which Bis would lease from Norske Skog Paper Mills (Australia) Limited. Finalization of the site occurred in late 2008. To secure its obligations under the Services Agreement, Norske Skog Paper Mills (Australia) Limited granted mortgages with respect to 310 tracts of the Profit and Prendre Land in favor of Bis. These mortgages are registered with the Tasmanian Land Titles Office and state that they will be released once the obligations of Norske Skog Paper Mills (Australia) Limited under the Services Agreement terminate and all moneys owed to Bis have been paid in full. The Senior Secured Notes will be secured by a second-ranking Security Interest in all of the land in Tasmania secured under the the mortgages pledged to Bis pursuant to the Services Agreement, which second-ranking Security Interest will become a first-ranking Security Interest upon repayment of the amounts due to Bis if such repayment occurs prior to the maturity of the Notes.

**Bibby Invoice Discounting Facility**

In November 2014, Norske Skog (Australasia) Pty Limited entered into a formal offer with Bibby Financial Services (''**Bibby**'') for an invoice discounting facility in relation to the Vantage sales pursuant to which Norske Skog (Australasia) Pty Limited's receivables attributable to its Vantage business will be sold to Bibby (which sale will be permitted under the terms of the General Security Deed). The initial funding limit has been set at AU$9.5 million. Under the terms of the offer, Bibby will provide an initial payment of up to 85% of approved debtors. To secure certain of Norske Skog (Australasia) Limited's obligations under the documentation, it is proposed that Norske Skog (Australasia) Limited provides a first-ranking security over the remainder of its present and future receivables. Such obligations will be primarily obligations arising as a result of a breach of warranty or undertaking by Norske Skog (Australasia) Pty

Limited in relation to the receivables. Norske Skog Industries Australia Limited will also grant a limited guarantee. Norske Skog (Australasia) Limited has paid the application fee and returned a signed copy of the offer to Bibby to indicate its acceptance of the terms set out in the offer.

We anticipate that definitive documentation relating to this facility will be executed in early 2015. The Senior Secured Notes will be secured by a second-ranking security interest over Norske Skog (Australasia) Pty Limited's non-Vantage receivables which are subject to prior-ranking security under the factoring arrangements.

**News Limited Newsprint Supply and Recovered Paper Agreement**

In 2013, Norske Skog (Australasia) Pty Limited, Norske Skog Paper Mills (Australia) Limited and News Limited entered into an agreement for the supply by Norske Skog (Australasia) Pty Limited of paper products to News Limited in Australia and the purchase by Norske Skog Paper Mills (Australia) Limited of News Limited's recovered paper at a percentage of the price at which it was supplied. For a duration of seven years from October 1, 2013, Norske Skog (Australasia) Pty Limited agrees to supply and deliver paper products to News Limited. News Limited is required to purchase a minimum quantity of paper products from Norske Skog (Australasia) Pty Limited during each contract year. If Norske Skog (Australasia) Pty Limited supplies newsprint to other major Australian newspapers at a more favorable price, the agreement includes a mechanism for price-matching. Norske Skog Paper Mills (Australia) Limited must purchase recovered paper from News Limited on terms no less favorable than those offered to third parties (including Fairfax Media Limited). In addition, certain payments aggregating AU$22.6 million were payable under the agreement by News Limited to Norske Skog (Australasia) Pty Limited, referable to prior contractual arrangements. These payments are required to be applied by Norske Skog (Australasia) Pty Limited to Australian manufacturing cost reduction initiatives during the first three years of the agreement. Norske Skog (Australasia) Pty Limited was required to grant, or procure the grant of, a first ranking mortgage or other appropriate security interest in favor of News Limited in respect of these amounts, reducing in accordance with an amortization schedule set out in the agreement. Two mortgages have been granted by Norske Skog Paper Mills (Australia) Limited to secure Norske Skog (Australasia) Pty Limited's obligations under this agreement, both of which have been registered. One of the mortgages is in respect of land on which effluent from the mill is discharged under the Green Offset Scheme discussed above. At September 30, 2014, the unamortized amount secured by the mortgages was AU$11.9 million, which will reduce to nil by June 30, 2015. Norske Skog (Australasia) Pty Limited is required to repay the unamortization portion of these amounts upon the occurrence of an insolvency event, a termination right arising in favor of News Limited and certain other limited circumstances.

The Senior Secured Notes will be secured by a second-ranking Security Interest in all of the land in New South Wales secured under the mortgages pledged to News Limited, which second-ranking Security Interest will become a first-ranking Security Interest upon repayment of Norske Skog (Australasia) Pty Limited's obligations under the agreement in July 2015.

**Performance Obligations**

Certain of the Australian Guarantors have also entered into a number of agreements which (while not strictly creating financial indebtedness) impose certain performance obligations. These include guarantees in respect of payment obligations under delivery contracts, minimum supply obligations in respect of paper products supplied to certain of their customers and an obligation to continue to operate the converted magazine paper machine at the Boyer mill for a period of two years following the completion of the machine conversion in 2013.

**Intercreditor Agreement**

***General***

To establish the relative rights of certain of our creditors under our financing arrangements, the Issuer, the Parent Guarantors, the Subsidiary Guarantors and any other entity which accedes or otherwise becomes a party to the Intercreditor Agreement as a debtor (together the ''**Debtors**'') will be parties to the Intercreditor Agreement to be entered into on or about the Issue Date with, among others, the Security Agent. Each of the Trustee for the Senior Secured Notes issued in exchange for the Temporary Notes (the ''**SSN Trustee**'') and the trustee for the Exchange Notes (the ''**Exchange Notes Trustee**''), respectively, will accede to the Intercreditor Agreement on or about the Issue Date.

The Intercreditor Agreement allows for accession by certain future creditors in order to share (to the extent set out in the Intercreditor Agreement) in the relevant Transaction Security (as defined below) as further discussed below, including:

(a) lenders, holders or other creditors of future ''Permitted Super Senior Financing Debt'' (as defined below), which may receive proceeds from the enforcement of Transaction Security in priority to holders of the Senior Secured Notes;

(b) ''priority'' hedge counterparties pursuant to certain hedging arrangements which the relevant Debtor and hedge counterparty may designate as ''priority'' hedging arrangements, which ''priority'' hedging arrangements may receive proceeds from the enforcement of Transaction Security in priority to holders of the Senior Secured Notes along with any Permitted Super Senior Financing Debt;

(c) lenders, holders or other creditors of certain future ''Permitted Senior Financing Debt'' (as defined below), which may be secured by the Transaction Security on a *pari passu* basis with (among other liabilities) the Senior Secured Notes;

(d) ''non-priority'' hedge counterparties pursuant to certain hedging arrangements, which may be secured by the Transaction Security on a *pari passu* basis with (among other liabilities) the Senior Secured Notes and are not ''priority'' hedging arrangements; and

(e) lenders, holders or other creditors of future ''Permitted Parent Financing Debt'' (as defined below), which may be secured by the Transaction Security on a ''junior'' basis to the Senior Secured Notes.

The Intercreditor Agreement will be governed by English law and sets out, among other things, the relative ranking of certain indebtedness of the Debtors, the relative ranking of certain security granted by the Debtors, when payments can be made in respect of certain debt of the Debtors, when enforcement action can be taken in respect of that indebtedness, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events, turnover provisions and when certain Transaction Security and claims may be released to pursuant to a Distressed Disposal (as defined below) or a non-Distressed Disposal.

Capitalized terms set forth and used in this summary of the Intercreditor Agreement may have different meanings from that given to such terms and used elsewhere in these listing particulars.

***Definitions***

The following capitalized terms used in this summary of the Intercreditor Agreement have the meaning given to them below:

''**Agent**'' means any Senior Secured Notes Trustee, any Senior Notes Trustee, any Super Senior Creditor Representative, any Senior Creditor Representative, any Subordinated Creditor Representative and the Security Agent, as the context requires.

''**Agent Liabilities**'' means all present and future liabilities and obligations, whether actual or contingent, of the Parent and/or any Debtor to any Agent under the Debt Documents.

''**Creditors**'' means on and from the Senior Notes Issue Date, the Senior Creditors, the Subordinated Creditors and the intra-Group lenders.

''**Debt Document**'' means the Intercreditor Agreement, the Hedging Agreements, the Permitted Super Senior Financing Documents, the Senior Secured Notes Finance Documents, the Permitted Senior Financing Documents, the Senior Notes Finance Documents, the Permitted Parent Financing Documents, the security documents, any agreement evidencing the terms of the intra-Group liabilities and any other document designated as such by the Security Agent and the Parent.

''**Debt Financing Agreement**'' means the indenture pursuant to which the senior secured notes issued in exchange for the Temporary Notes will be issued (the ''**SSN Indenture**''), the indenture pursuant to which the Exchange Notes will be issued (the ''**Exchange Notes Indenture**''), any Permitted Super Senior Financing Agreement, any Permitted Senior Financing Agreement and any Permitted Parent Financing Agreement.

''**Distress Event**'' means any of an acceleration event which is continuing or the enforcement of any of the Transaction Security.

''**Financing Vehicle**'' means a member of the Group which:

(a) has been established for the purpose of, or whose principal purpose is, incurring or issuing indebtedness or making, purchasing or investing in loans, securities or other financial assets; and

(b) does not own any shares or equivalent ownership interests in a member of the Group which is a subsidiary of an issuer or, as the case may be, a borrower of any outstanding Senior Secured Notes or outstanding Permitted Senior Financing Debt.

''**Group**'' means the Parent and its Restricted Subsidiaries.

''**Hedge Counterparty**'' means any person which is or becomes a party to the Intercreditor Agreement as a Hedge Counterparty, provided that such person has not ceased to be a Hedge Counterparty.

''**Hedging Agreement**'' means, at the election of the Parent, any agreement entered into or to be entered into by a Debtor (or any member of the Group that is to become a Debtor) and a Hedge Counterparty in relation to a derivative or hedging arrangement entered into (or which has or will be allocated) to satisfy any minimum hedging requirements under any of the Debt Financing Agreements and/or for any purpose not prohibited by the terms of the Debt Financing Agreements at the time the relevant agreement is entered into.

''**Hedging Liabilities**'' means the liabilities owed by any Debtor to the Hedge Counterparties under or in connection with any Hedging Agreements (excluding certain swap obligations of such Debtor).

''**Junior Guarantee**'' means each guarantee by a member of the Group (other than a holding company of a Subordinated Debt Issuer) of any obligations of a member of the Group under the Subordinated Finance Documents which is expressly subject to the provisions of the Intercreditor Agreement.

''**Junior Guarantee Liabilities**'' means the liabilities owed by any Junior Guarantor to any Subordinated Finance Party under the Junior Guarantees (excluding, for the avoidance of doubt, any Senior Notes Trustee Amounts).

''**Junior Guarantor**'' means any member of the Group which has given a Junior Guarantee under or in connection with a Subordinated Finance Document, unless it has ceased to be a Junior Guarantor in accordance with the terms of the relevant Subordinated Finance Documents.

''**Majority Permitted Parent Financing Creditors**'' means, in relation to any Permitted Parent Financing Debt, the requisite number or percentage of Permitted Parent Financing Creditors under the Permitted Parent Financing Agreement on whose instructions the relevant Subordinated Creditor Representative is required to act in relation to the relevant matter.

''**Majority Permitted Senior Financing Creditors**'' means, in relation to any Permitted Senior Financing Debt, the requisite number or percentage of Permitted Senior Financing Creditors under the Permitted Senior Financing Agreement on whose instructions the Senior Creditor Representative is required to act in relation to the relevant matter.

''**Majority Permitted Super Senior Financing Creditors"** means, in relation to any Permitted Super Senior Financing Debt, the requisite number or percentage of Permitted Super Senior Financing Creditors under the Permitted Super Senior Financing Agreement on whose instructions the Super Senior Creditor Representative is required to act in relation to the relevant matter.

''**Majority Senior Secured Creditors**'' means, at any time, those Senior Secured Creditors whose Senior Secured Credit Participations at that time aggregate more than 50% of the total Senior Secured Credit Participations at that time.

''**Majority Senior Secured Notes Creditors**'' means, at any time, those Senior Secured Notes Creditors whose Senior Secured Note Credit Participations at that time aggregate more than 50% of the total Senior Secured Note Credit Participations at that time.

''**Majority Subordinated Creditors**'' means, at any time, those Subordinated Creditors whose Subordinated Credit Participations at that time aggregate to more than 50% of the total aggregate amount of all Subordinated Credit Participations at that time.

''**Majority Super Senior Creditors**'' means, at any time, those Super Senior Creditors whose Super Senior Credit Participations at that time aggregate more than 66⅔% of the total Super Senior Credit Participations at that time.

''**Payment**'' means, in respect of any liabilities or obligations, a payment, prepayment, repayment, redemption, defeasance or discharge of those liabilities or obligations.

''**Permitted Parent Financing Agent Liabilities**'' means the Agent Liabilities owed by the Debtors to the relevant Subordinated Creditor Representative under or in connection with the Permitted Parent Financing Documents.

''**Permitted Parent Financing Agreement**'' means, in relation to any Permitted Parent Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Parent Financing Debt is made available or, as the case may be, issued.

''**Permitted Parent Financing Creditors**'' means, in relation to any Permitted Parent Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Parent Financing Debt from time to time (including the applicable Subordinated Creditor Representative).

''**Permitted Parent Financing Debt**'' means any indebtedness incurred by a Subordinated Debt Issuer as an issuer of debt securities or, as the case may be, a borrower under a loan or credit or debt facility and which is notified to the Security Agent by the Parent in writing as indebtedness to be treated as ''Permitted Parent Financing Debt'' for the purposes of the Intercreditor Agreement (provided that incurrence of such indebtedness (including, for the avoidance of doubt, the priority and ranking of such indebtedness with respect to payment, the Transaction Security or recovery of proceeds of enforcement of such Transaction Security (in each case, to the extent such indebtedness is expressed to benefit from Transaction Security) is not prohibited by the terms of the Secured Debt Documents and (i) (in the case of indebtedness under a loan or credit or debt facility) the providers of such indebtedness have agreed to become a party to the Intercreditor Agreement as a Subordinated Creditor and (ii) (in all cases), the agent, trustee or other relevant representative in respect of that Permitted Parent Financing Debt has agreed to become a party to the Intercreditor Agreement as a Subordinated Creditor and Subordinated Creditor Representative).

''**Permitted Parent Financing Documents**'' means, in relation to any Permitted Parent Financing Debt, the Permitted Parent Financing Agreement, any fee letter entered into under or in connection with the Permitted Parent Financing Agreement and any other document or instrument relating to that Permitted Parent Financing Debt and designated as such by the Parent and the Subordinated Creditor Representative in respect of that Permitted Parent Financing Debt.

''**Permitted Parent Financing Liabilities**'' means all liabilities of any Debtor to any Permitted Parent Financing Creditors under or in connection with the Permitted Parent Financing Documents.

''**Permitted Senior Financing Agent Liabilities**'' means the Agent Liabilities owed by the Debtors to the relevant Senior Creditor Representative under or in connection with the Permitted Senior Financing Documents.

''**Permitted Senior Financing Agreement**'' means, in relation to any Permitted Senior Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Senior Financing Debt is made available or, as the case may be, issued.

''**Permitted Senior Financing Creditors**'' means, in relation to any Permitted Senior Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Senior Financing Debt from time to time (including the applicable Senior Creditor Representative).

''**Permitted Senior Financing Debt**'' means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Parent in writing as indebtedness to be treated as ''Permitted Senior Financing Debt'' for the purposes of the Intercreditor Agreement (provided that incurrence of such indebtedness (including, for the avoidance of doubt, the priority and ranking of such indebtedness with respect to payment, the Transaction Security or recovery of proceeds of enforcement of such Transaction Security (in each case, to the extent such indebtedness is expressed to benefit from Transaction Security) is not prohibited by the terms of the Secured Debt Documents and (i) (in the case of indebtedness under a loan or credit or debt facility) the providers of such indebtedness have agreed to become a party to the Intercreditor Agreement as a Senior Secured Creditor and (ii) (in all cases) the agent, trustee or other relevant representative in respect of that Permitted Senior Financing Debt has agreed to become a party to the Intercreditor Agreement as a Senior Secured Creditor and Senior Creditor Representative.

‘‘**Permitted Senior Financing Documents**’’ means, in relation to any Permitted Senior Financing Debt, the Permitted Senior Financing Agreement, any fee letter entered into under or in connection with the Permitted Senior Financing Agreement and any other document or instrument relating to that Permitted Senior Financing Debt and designated as such by the Parent and the Senior Creditor Representative in respect of that Permitted Senior Financing Debt.

‘‘**Permitted Senior Financing Liabilities**’’ means all liabilities of any Debtor to any Permitted Senior Financing Creditors under or in connection with the Permitted Senior Financing Documents.

‘‘**Permitted Subordinated Payments**’’ means the Payments of Subordinated Liabilities permitted under the terms of the Intercreditor Agreement, as further described below in the section ‘‘*—Restrictions Relating to Subordinated Creditors and Subordinated Liabilities—Permitted Subordinated Payments*.’’

‘‘**Permitted Super Senior Financing Agent Liabilities**’’ means the Agent Liabilities owed by the Debtors to the relevant Super Senior Creditor Representative under or in connection with the Permitted Super Senior Financing Documents.

‘‘**Permitted Super Senior Financing Agreement**’’ means, in relation to any Permitted Super Senior Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Super Senior Financing Debt is made available or, as the case may be, issued.

‘‘**Permitted Super Senior Financing Creditors**’’ means, in relation to any Permitted Super Senior Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Super Senior Financing Debt from time to time (including the applicable Super Senior Creditor Representative).

‘‘**Permitted Super Senior Financing Debt**’’ means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Parent in writing as indebtedness to be treated as ‘‘Permitted Super Senior Financing Debt’’ for the purposes of the Intercreditor Agreement (provided that incurrence of such indebtedness (including, for the avoidance of doubt, the priority and ranking of such indebtedness with respect to payment, the Transaction Security or recovery of proceeds of enforcement of such Transaction Security (in each case, to the extent such indebtedness is expressed to benefit from Transaction Security) is not prohibited by the terms of the Secured Debt Documents and either (i) the providers of such indebtedness have agreed to become a party to the Intercreditor Agreement as a Super Senior Creditor, or (ii) the agent, trustee or other relevant representative in respect of that Permitted Super Senior Financing Debt has agreed to become a party to the Intercreditor Agreement as a Super Senior Creditor and Super Senior Creditor Representative.

‘‘**Permitted Super Senior Financing Discharge Date**’’ means the first date on which all of the Permitted Super Senior Financing Liabilities have been fully and finally discharged.

‘‘**Permitted Super Senior Financing Documents**’’ means, in relation to any Permitted Super Senior Financing Debt, the Permitted Super Senior Financing Agreement, any fee letter entered into under or in connection with the Permitted Super Senior Financing Agreement and any other document or instrument relating to that Permitted Super Senior Financing Debt and designated as such by the Parent and the Super Senior Creditor Representative in respect of that Permitted Super Senior Financing Debt.

‘‘**Permitted Super Senior Financing Liabilities**’’ means all liabilities of any Debtor to any Permitted Super Senior Financing Creditors under or in connection with the Permitted Super Senior Financing Documents.

‘‘**Primary Creditors**’’ means the Senior Creditors and the Subordinated Creditors.

‘‘**Qualifying Instructions**’’ mean, in relation to any enforcement or other action contemplated by the Intercreditor Agreement in connection with any enforcement, instructions which comply with certain ‘‘security enforcement principles,’’ as summarized below under the caption ‘‘*—Enforcement of Security—Security Enforcement Principles*’’.

‘‘**Secured Debt Documents**’’ means the Senior Secured Notes Finance Documents, the Permitted Super Senior Financing Documents, the Permitted Senior Financing Documents, the Hedging Agreements, the Senior Notes Finance Documents and/or the Permitted Parent Financing Documents, as the context requires.

‘‘**Secured Party**’’ means, to the extent legally possible, the Security Agent, any receiver or delegate and each of the Agents, arrangers, the Senior Creditors and the Subordinated Creditors (in the case of any Transaction Security securing all or any part of the Subordinated Liabilities), to the extent the Parent has

agreed that the relevant Senior Notes or relevant Permitted Parent Financing Debt (as applicable) is to benefit from that Shared Security) from time to time but, to the extent required by the Intercreditor Agreement, only if each such party is or has become a party to the Intercreditor Agreement.

''**Senior Creditor Representative**'' means, in relation to any Permitted Senior Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Senior Financing Debt.

''**Senior Creditors**'' means the Super Senior Creditors and the Senior Secured Creditors.

''**Senior Debt Documents**'' means the Permitted Super Senior Financing Documents, the Senior Secured Notes Finance Documents and/or the Permitted Senior Financing Documents, as the context requires.

''**Senior Discharge Date**'' means the first date on which all of the Senior Secured Notes Liabilities, the Permitted Super Senior Financing Liabilities, the Permitted Senior Financing Liabilities and the Hedging Liabilities have been fully and finally discharged.

''**Senior Financing Agreement**'' means any Senior Secured Notes Indenture, any Permitted Super Senior Financing Agreement and/or any Permitted Senior Financing Agreement, as the context requires.

''**Senior Guarantee**'' means each guarantee by a member of the Group (other than a Junior Guarantor) of any obligations of a member of the Group under the Subordinated Finance Documents which is expressly subject to the provisions of the Intercreditor Agreement.

''**Senior Guarantor**'' means any member of the Group which has given a Senior Guarantee under or in connection with a Subordinated Finance Document, unless it has ceased to be a Senior Guarantor in accordance with the terms of the relevant Subordinated Finance Documents.

''**Senior Liabilities**'' means the Permitted Super Senior Financing Liabilities, the ''priority'' Hedging Liabilities, the Senior Secured Notes Liabilities, the Permitted Senior Financing Liabilities and the ''non-priority'' Hedging Liabilities

''**Senior Liabilities Transfer**'' means a transfer of the Senior Secured Notes Liabilities, any Permitted Super Senior Financing Liabilities and any Permitted Senior Financing Liabilities to all or any of the Subordinated Creditors as provided for in the Intercreditor Agreement and as further set out in the section below ''*—Option to Purchase: Subordinated Creditors*.''

''**Senior Noteholders**'' means the registered holders from time to time of the applicable Senior Notes, as determined in accordance with the relevant Senior Notes Indenture(s).

''**Senior Notes**'' means high yield notes, exchange notes, debt securities and/or other debt instruments issued or to be issued by any member of the Group which are notified to the Security Agent by the Parent in writing as indebtedness to be treated as ''Senior Notes'' for the purposes of the Intercreditor Agreement (and shall include, for the avoidance of doubt, the Exchange Notes).

''**Senior Notes Creditors**'' means on and from the Senior Notes Issue Date, the Senior Noteholders and each Senior Notes Trustee.

''**Senior Notes Finance Documents**'' means the Senior Notes, each Senior Notes Indenture, the Senior Guarantees in respect of the Senior Notes, the Junior Guarantees in respect of the Senior Notes, the Intercreditor Agreement, the security documents (if and to the extent expressed to secure the Senior Notes Liabilities) and any other document entered into in connection with the Senior Notes and designated a Senior Notes Finance Document by the Parent and the applicable Senior Notes Trustee (which, for the avoidance of doubt, excludes any document to the extent it sets out rights of the initial purchasers of the Senior Notes (in their capacities as initial purchasers) against any member of the Group).

''**Senior Notes Finance Parties**'' means any Senior Notes Trustee (on behalf of itself and the Senior Noteholders which it represents), any Senior Noteholder and the Security Agent.

''**Senior Notes Indenture**'' means each indenture pursuant to which any Senior Notes are issued (and shall include, for the avoidance of doubt, the Exchange Notes Indenture).

''**Senior Notes Issue Date**'' means, in respect of each Senior Notes Indenture, the first date on which a Senior Note is issued pursuant to that Senior Notes Indenture.

‘‘**Senior Notes Liabilities**’’ means on and from the first Senior Notes Issue Date, liabilities owed by the Debtors to the Senior Notes Finance Parties under the Senior Notes Finance Documents (excluding any Senior Notes Trustee Amounts).

‘‘**Senior Notes Trustee**’’ means any entity acting as trustee under any issue of Senior Notes (to the extent it has acceded to the Intercreditor Agreement) (and shall include, for the avoidance of doubt, the Exchange Notes Trustee).

‘‘**Senior Notes Trustee Amounts**’’ means in relation to a Senior Notes Trustee (a) amounts in respect of costs and expenses, (b) any provisions (including indemnity provisions) for costs and expenses; (c) all compensation for services provided and (d) all out-of-pocket costs and expenses payable to that Senior Notes Trustee (or any adviser, receiver, delegate, attorney, agent or appointee thereof) under the Senior Notes Finance Documents.

‘‘**Senior Secured Credit Participation**’’ means (a) in relation to a Senior Secured Notes Creditor, the principal amount of outstanding Senior Secured Notes Liabilities held by that Senior Secured Notes Creditor, (b) in relation to a ‘‘non-priority’’ Hedge Counterparty, amounts which are or would be payable to it under any Hedging Agreements (subject to the conditions outlined in the Intercreditor Agreement) and (c) in relation to a Permitted Senior Financing Creditor, the aggregate amount of its commitments under each Permitted Senior Financing Agreement and/or the principal amount of outstanding Permitted Senior Financing Debt held by that Permitted Senior Financing Creditor.

‘‘**Senior Secured Creditors**’’ means the Senior Secured Notes Creditors, the ‘‘non-priority’’ Hedge Counterparties and/or the Permitted Senior Financing Creditors, as the context requires.

‘‘**Senior Secured Note Credit Participations**’’ means, in relation to a Senior Secured Notes Creditor, the principal amount of outstanding Senior Secured Notes Liabilities held by that Senior Secured Notes Creditor.

‘‘**Senior Secured Noteholders**’’ means the registered holders from time to time of the applicable Senior Secured Notes, as determined in accordance with the relevant Senior Secured Notes Indenture(s).

‘‘**Senior Secured Notes**’’ means high yield notes, exchange notes, debt securities and/or other debt instruments issued or to be issued by any member of the Group which are notified to the Security Agent by the Parent in writing as indebtedness to be treated as ‘‘Senior Secured Notes’’ for the purposes of the Intercreditor Agreement (and shall include, for the avoidance of doubt, the senior secured notes issued in exchange for the Temporary Notes (the ‘‘**SSNs**’’)).

‘‘**Senior Secured Notes Creditors**’’ means the Senior Secured Noteholders and each Senior Secured Notes Trustee.

‘‘**Senior Secured Notes Finance Documents**’’ means the Senior Secured Notes, each Senior Secured Notes Indenture, each guarantee granted by a member of the Group in respect of the Senior Secured Notes, the Intercreditor Agreement, the security documents and any other document entered into in connection with the Senior Secured Notes and designated a Senior Secured Notes Finance Document by the Parent and the applicable Senior Secured Notes Trustee (which, for the avoidance of doubt, excludes any document to the extent it sets out rights of the initial purchasers of the Senior Secured Notes (in their capacities as initial purchasers) against any member of the Group).

‘‘**Senior Secured Notes Finance Parties**’’ means any Senior Secured Notes Trustee (on behalf of itself and the Senior Secured Noteholders which it represents), any Senior Secured Noteholder and the Security Agent.

‘‘**Senior Secured Notes Indenture**’’ means each indenture pursuant to which any Senior Secured Notes are issued (and shall include, for the avoidance of doubt, the SSN Indenture).

‘‘**Senior Secured Notes Liabilities**’’ means liabilities owed by the Debtors to the Senior Secured Notes Finance Parties under the Senior Secured Notes Finance Documents (excluding any Senior Secured Notes Trustee Amounts).

‘‘**Senior Secured Notes/Permitted Financing Credit Participations**’’ means the aggregate of all the Senior Secured Credit Participations at any time of the Senior Secured Notes Creditors and the Permitted Senior Financing Creditors.

''**Senior Secured Notes Trustee**'' means any entity acting as trustee under any issue of Senior Secured Notes (to the extent it has acceded to the Intercreditor Agreement) (and shall include, for the avoidance of doubt, the SSN Trustee).

''**Senior Secured Notes Trustee Amounts**'' means in relation to a Senior Secured Notes Trustee (a) amounts in respect of costs and expenses, (b) any provisions (including indemnity provisions) for costs and expenses; (c) all compensation for services provided and (d) all out-of-pocket costs and expenses payable to that Senior Secured Notes Trustee (or any adviser, receiver, delegate, attorney, agent or appointee thereof) under the Senior Secured Notes Finance Documents.

''**Senior Secured Parties**'' means the Secured Parties other than the Subordinated Finance Parties.

''**Subordinated Agent**'' has the meaning given to the term under the caption ''*—Enforcement Action Enforcement on Behalf of Subordinated Creditors*''.

''**Subordinated Credit Participation**'' means (a) in relation to a Senior Notes Creditor, the principal amount of outstanding Senior Notes Liabilities held by that Senior Noteholder and (b) in relation to a Permitted Parent Financing Creditor, the aggregate amount of its commitments under each Permitted Parent Financing Agreement and/or the principal amount of outstanding Permitted Parent Financing Debt held by that Permitted Parent Financing Creditor.

''**Subordinated Creditor Representative**'' means, in relation to any Permitted Parent Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Parent Financing Debt.

''**Subordinated Creditors**'' means the Senior Notes Creditors and any Permitted Parent Financing Creditors.

''**Subordinated Debt Issuer**'' means, in relation to any Senior Notes or Permitted Parent Financing Debt, the member of the Group which is the issuer or, as the case may be, the borrower of those Senior Notes (which, in respect of the Exchange Notes, shall be Norske Skog Holding AS) or that Permitted Parent Financing Debt, provided that no member of the Group which is:

(a) an issuer or, as the case may be, a borrower of any outstanding Senior Secured Notes or outstanding Permitted Senior Financing Debt; or

(b) a subsidiary of a member of the Group falling within paragraph (a) above (other than a subsidiary which is a Financing Vehicle),

may be a Subordinated Debt Issuer.

''**Subordinated Discharge Date**'' means the first date on which all of the Senior Notes Liabilities and the Permitted Parent Financing Liabilities have been fully and finally discharged.

''**Subordinated Finance Documents**'' means the Senior Notes Finance Documents and the Permitted Parent Financing Documents.

''**Subordinated Finance Parties**'' means the Senior Notes Finance Parties and the Permitted Parent Financing Creditors.

''**Subordinated Liabilities**'' means the Senior Notes Liabilities and any Permitted Parent Financing Liabilities.

''**Super Senior Creditors**'' means the Permitted Super Senior Financing Creditors and the ''priority'' Hedge Counterparties.

''**Super Senior Credit Participations**'' means (a) in relation to a ''priority'' Hedge Counterparty, amounts which are or would be payable to it under any Hedging Agreements (subject to the conditions outlined in the Intercreditor Agreement) and (b) in relation to a Permitted Super Senior Financing Creditor, the aggregate amount of its commitments under each Permitted Super Senior Financing Agreement and/or the principal amount of outstanding Permitted Super Senior Financing Debt held by that Permitted Super Senior Financing Creditor.

''**Super Senior Creditor Representative**'' means, in relation to any Permitted Super Senior Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Super Senior Financing Debt.

''**Super Senior Liabilities**'' means the Permitted Super Senior Financing Liabilities and the ''priority'' Hedging Liabilities.

''**Transaction Security**'' has the meaning given to it under the caption *''—Ranking and Priority—Priority of Security*''.

***Ranking and Priority***

*Priority of Debts*

Subject to the provisions set out in the caption ''—*Subordinated Liabilities and Security*'' below, the Intercreditor Agreement provides that the liabilities owed by the Debtors (other than any Subordinated Debt Issuer to the extent relating to liabilities in respect of Senior Notes and/or Permitted Parent Financing Debt where that Subordinated Debt Issuer is the issuer or the borrower) to the Primary Creditors shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

- first, the Permitted Super Senior Financing Liabilities, the Senior Secured Notes Liabilities, the Permitted Senior Financing Liabilities, the Hedging Liabilities, the Subordinated Liabilities (other than the Junior Guarantee Liabilities), the Senior Secured Notes Trustee Amounts and the Senior Notes Trustee Amounts *pari passu* and without any preference amongst them;
- second, the Junior Guarantee Liabilities *pari passu* and without any preference amongst them; and
- third, the intra-Group liabilities *pari passu* and without any preference amongst them.

The liabilities owed by any Subordinated Debt Issuer (to the extent relating to liabilities in respect of Senior Notes and/or Permitted Parent Financing Debt where that Subordinated Debt Issuer is the issuer or the borrower) to the Primary Creditors shall rank *pari passu* in right and priority of payment without any preference among them.

*Priority of Security*

The Intercreditor Agreement provides that the security interests created or expressed to be created over the Group's assets in respect of the obligations of members of the Group to the Secured Parties under the Secured Debt Documents (collectively, the ''**Transaction Security**''), shall secure the liabilities (but only to the extent that such security is expressed to secure those liabilities) in the following order:

- first, the Permitted Super Senior Financing Liabilities, the Senior Secured Notes Liabilities, the Permitted Senior Financing Liabilities, the Hedging Liabilities, the Senior Secured Notes Trustee Amounts and the Senior Notes Trustee Amounts *pari passu* and without any preference amongst them; and
- second, the Senior Notes Liabilities and the Permitted Parent Financing Liabilities *pari passu* and without any preference amongst them.

*Subordinated Liabilities and Security*

The Senior Notes Liabilities and the Permitted Parent Financing Liabilities (if any) owed by a Subordinated Debt Issuer (to the extent relating to liabilities in respect of Senior Notes and/or Permitted Parent Financing Debt where that Subordinated Debt Issuer is the issuer or the borrower) are senior obligations of that Subordinated Debt Issuer. Notwithstanding the preceding sentence, until the Senior Discharge Date, the Senior Notes Creditors and the Permitted Parent Financing Creditors may not take any steps to appropriate the assets of a Subordinated Debt Issuer subject to the security documents in connection with any Enforcement Action (as defined below), other than as expressly permitted by the Intercreditor Agreement.

*Intra-Group Liabilities*

The Intercreditor Agreement provides that the intra-Group liabilities of the Group are postponed and subordinated to the liabilities owed by the Debtors to the Primary Creditors.

***Restrictions Relating to Senior Liabilities***

The Parent and the Debtors may make payments of the Senior Liabilities, the Senior Notes Trustee Amounts and the Senior Secured Notes Trustee Amounts at any time.

The Intercreditor Agreement provides that the Senior Creditors, the Parent and the Debtors may at any time amend or waive the terms of the Permitted Super Senior Financing Documents, the Senior Secured Notes Finance Documents and/or the Permitted Senior Financing Documents in accordance with their respective terms from time to time (and subject only to any consent required under them).

*Security and Guarantees: Senior Creditors*

The Senior Creditors may take, accept or receive the benefit of:

(a) any security interest from any member of the Group (the ''**Security Provider**'') in respect of any of the Senior Liabilities (in addition to the shared security) provided that to the extent legally possible and subject to certain ''agreed security principles'' set out in the SSN Indenture (the ''**Agreed Security Principles**''), at the same time:

  (i) the Security Provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);

  (ii) all amounts actually received or recovered by any Senior Creditor with respect to any such security interest shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption ''—*Application of Proceeds*''; and

  (iii) such security interest may only be enforced in accordance with the provisions set out under the caption ''—*Enforcement of Security—Security Held by Other Creditors*''.

(b) any guarantee, indemnity or other assurance against loss from any member of the Group (the ''**Guarantee Provider**'') in respect of any of the Senior Liabilities in addition to those in:

  (i) any Permitted Super Senior Financing Document, any Senior Secured Notes Indenture or any Permitted Senior Financing Document;

  (ii) the Intercreditor Agreement; or

  (iii) any guarantee, indemnity or other assurance against loss in respect of any of the liabilities, the benefit of which (however conferred) is, to the extent legally possible and subject to certain agreed security principles,

  provided that, to the extent legally possible, and subject to the Agreed Security Principles,

  (x) the Guarantee Provider becomes party to the Intercreditor Agreement as a debtor (if not already a party in that capacity); and

  (y) such guarantee, indemnity or assurance against loss is expressed to be subject to the terms of the Intercreditor Agreement.

(c) any security interest, guarantee, indemnity or other assurance against loss from any member of the Group in connection with:

  (i) any escrow or similar or equivalent arrangements entered into in respect of amounts which are being held (or will be held) by a person which is not a member of the Group prior to release of those amounts to a member of the Group; or

  (ii) any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Permitted Super Senior Financing Liabilities, Senior Secured Notes Liabilities and/or Permitted Senior Financing Liabilities (in each case not prohibited by the terms of the Intercreditor Agreement).

*Option to Purchase: Senior Secured Creditors*

Senior Secured Noteholders holding at least a simple majority of the Senior Secured Notes Liabilities or Permitted Senior Financing Creditors holding at least a simple majority of the Permitted Senior Financing Liabilities (the ''**Senior Secured Acquiring Creditors**'') may, after the occurrence of an acceleration event which is continuing, by giving not less than ten (10) days' notice to the Security Agent, require the transfer to them (or to a nominee or nominees), in accordance with the applicable transfer provisions of the Intercreditor Agreement, of all, but not part, of the rights, benefits and obligations in respect of the

Permitted Super Senior Financing Liabilities (a ''**Permitted Super Senior Financing Liabilities Transfer**'') if:

(i) that transfer is lawful and, subject to paragraph (ii) below, otherwise permitted by the terms of the Permitted Super Senior Financing Agreements;

(ii) any conditions relating to such a transfer contained in the Permitted Super Senior Financing Agreements are complied with, other than:

  (a) any requirement to obtain the consent of, or consult with, a member of the Group in relation to such transfer, which consent or consultation shall not be required; and

  (b) to the extent to which all the Senior Secured Acquiring Creditors provide cash cover for any letter of credit, the consent of the relevant letter of credit issuing bank relating to such transfer;

(iii) any Super Senior Creditor Representative, on behalf of the Permitted Super Senior Financing Creditors, is paid an amount equal to the aggregate of:

  (a) any amounts provided as cash cover by the Senior Secured Acquiring Creditors for any letter of credit (as envisaged in paragraph (ii)(b) above);

  (b) all of the Permitted Super Senior Financing Liabilities at that time (whether or not due), including all amounts that would have been payable under the Permitted Super Senior Financing Agreements if the Permitted Super Senior Financing Debt was being prepaid by the relevant Debtors on the date of that payment; and

  (c) all costs and expenses (including legal fees) incurred by the Super Senior Creditor Representative and/or the Permitted Super Senior Financing Creditors and/or the Security Agent as a consequence of giving effect to that transfer.

(iv) as a result of that transfer, the Permitted Super Senior Financing Creditors have no further actual or contingent liability to a Debtor under the Permitted Super Senior Financing Documents.

(v) an indemnity is provided from each of the Senior Secured Acquiring Creditors (other than any Senior Agent (as defined below)) or from another third party acceptable to all the Permitted Super Senior Financing Creditors in a form reasonably satisfactory to each Permitted Super Senior Financing Creditor in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Permitted Super Senior Financing Creditor in consequence of any sum received or recovered by any Permitted Super Senior Financing Creditor from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Permitted Super Senior Financing Creditor for any reason;

(vi) the transfer is made without recourse to, or representation or warranty from, the Permitted Super Senior Financing Creditors, except that each Permitted Super Senior Financing Creditor shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer; and

(vii) the Subordinated Creditors have not exercised their rights to purchase as described under the provisions set out in the caption ''—*Option to Purchase: Subordinated Creditors*'' or, having exercised such rights, have not failed to complete the acquisition of the relevant Senior Liabilities in accordance with such provisions.

Subject to the Intercreditor Agreement, the Senior Secured Acquiring Creditors may only require a Permitted Super Senior Financing Liabilities Transfer if, at the same time, they require a transfer of ''priority'' Hedging Liabilities in accordance with the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no Permitted Super Senior Financing Liabilities Transfer may be required to be made.

At the request of a Senior Agent (on behalf of the Senior Secured Acquiring Creditors), the Permitted Super Senior Financing Creditors shall notify that Senior Agent of the foregoing payable sums in connection with such transfer.

***Instructing Group***

The term ''**Instructing Group**'' means, at any time:

(i) subject to paragraph (ii) below, the Majority Super Senior Creditors and the Majority Senior Secured Creditors (in each case acting through its respective Agent (other than in respect of any Hedge Counterparty)); and

(ii) in relation to instructions with respect to any enforcement:

(a) prior to the Permitted Super Senior Financing Discharge Date, the Majority Super Senior Creditors and the Majority Senior Secured Creditors (in each case acting through its respective Agent), provided that:

(A) the Security Agent will act in accordance with instructions given by the Majority Senior Secured Creditors (in each case provided the same are Qualifying Instructions), provided further that if:

A. the Permitted Super Senior Financing Liabilities have not been fully discharged within six months of the later of (x) the date of the first instructions of enforcement given to the Security Agent, and (y) the first day enforcement action can be taken under applicable law; or

B. the Majority Senior Secured Creditors have either not made a determination as to the method of enforcement (and notified the Security Agent of such determination in writing) or appointed a financial advisor to assist them in making such determination within three months of the date of the first instructions of enforcement given to the Security Agent; or

C. an Insolvency Event is continuing with respect to a Debtor in respect of Super Senior Liabilities; or

D. the Majority Senior Secured Creditors have either not made a determination as to the method of enforcement (and notified the Security Agent of that determination in writing) or appointed a financial advisor to assist them in making the determination and the Majority Super Senior Creditors determine in good faith that a delay in issuing enforcement instructions could be reasonably expected to have a material adverse effect on the ability to effect a distressed sale or on the expected realization proceeds and issue enforcement instructions to the Security Agent

then, in relation to such enforcement, the Security Agent shall thereafter follow any instructions that are given (whether at the same time or subsequently) up until the Permitted Super Senior Financing Discharge Date by the Majority Super Senior Creditors (in each case provided the same are Qualifying Instructions) to the exclusion of those given by the Majority Senior Secured Creditors (to the extent conflicting with the instructions given by the Majority Senior Secured Creditors), and Instructing Group in relation to such enforcement shall mean the Majority Super Senior Creditors; and

(B) on or after the Permitted Super Senior Financing Discharge Date but before the Senior Discharge Date, the Majority Senior Secured Creditors; and

(iii) on or after the Senior Discharge Date but before the Subordinated Discharge Date, and subject always to the provisions under the caption ''—Restrictions Relating to Subordinated Creditors and Subordinated Liabilities—Restrictions on Enforcement by Subordinated Creditors'', the relevant Subordinated Agent (as defined below) (acting on the instructions of the Majority Subordinated Creditors).

***Restrictions Relating to Subordinated Creditors and Subordinated Liabilities***

*Restriction on Payment and Dealings*

The Intercreditor Agreement provides that, until the Senior Discharge Date, each Subordinated Debt Issuer shall not (and the Parent shall ensure that no member of the Group will):

(i) pay, repay, prepay, redeem, acquire or defease any principal, interest or other amount on or in respect of, or make any distribution in respect of, any Subordinated Liabilities in cash or in kind or

apply any such money or property in or towards discharge of any Subordinated Liabilities except as permitted by the provisions set out below under the captions ''— *Permitted Subordinated Payments*,'' ''—*Permitted Parent Enforcement*,'' and the fourth paragraph under the caption ''—*Effect of Insolvency Event; Filing of Claims*'' or by a refinancing of the Senior Notes or the Permitted Parent Financing Debt as permitted by the Intercreditor Agreement;

(ii) exercise any set-off against any Subordinated Liabilities, except as permitted by the provisions set out in the caption ''—*Permitted Parent Payments*'' below, the provisions set out in the caption ''—*Restrictions on Enforcement by Subordinated Creditors*'' below or the fourth paragraph under the caption ''—*Effect of Insolvency Event; Filing of Claims*'' below or by a refinancing of the Senior Notes or the Permitted Parent Financing Debt as permitted by the Intercreditor Agreement; or

(iii) create or permit to subsist any security interest over any assets of any member of the Group or give any guarantee (and the Senior Notes Trustee or Subordinated Creditor Representative, as the case may be, may not, and no Subordinated Creditor may, accept the benefit of any such security or guarantee from any member of the Group) for, or in respect of, any Subordinated Liabilities other than:

(a) the Senior Guarantees and the Junior Guarantees;

(b) (to the extent not prohibited by the terms of the Debt Financing Agreements) at the option of the Parent, all or any of the Transaction Security (provided that, for the avoidance of doubt, each of the parties agrees that the Transaction Security shall rank and secure any Senior Notes and any Permitted Parent Financing Debt as set out under the caption ''—*Ranking and Priority—Priority of Security*);''

(c) (to the extent not prohibited by the terms of the Debt Financing Agreements) any security over any assets of any Subordinated Debt Issuer (other than, without prejudice to paragraph (b) above, shares over which the Parent has granted security and loan receivables over which a Subordinated Debt Issuer has granted security); and

(d) (to the extent not prohibited by the terms of the Debt Financing Agreements) any other security or guarantee provided by a member of the Group (the ''**Credit Support Provider**'') provided that to the extent legally possible and subject to the Agreed Security Principles,

(A) the Credit Support Provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);

(B) all amounts actually received or recovered by any Subordinated Agent or Subordinated Creditor with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption ''—*Application of Proceeds*;''

(C) any such security may only be enforced in accordance with the provisions set out under the caption ''—*Enforcement of Security—Security Held by Other Creditors*;'' and

(D) any such guarantee is expressed to be subject to the Intercreditor Agreement; and

(e) (to the extent not prohibited by the terms of the Debt Financing Agreements) any security, guarantee, indemnity or other assurance against loss from any member of the Group in connection with:

(A) any escrow or similar or equivalent arrangements entered into in respect of amounts which are being held (or will be held) by a person which is not a member of the Group prior to release of those amounts to a member of the Group; or

(B) any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Senior Secured Notes Liabilities, Permitted Super Senior Financing Liabilities and/or Permitted Senior Financing Liabilities (in each case provided that such defeasance, redemption, prepayment, repayment, purchase or other discharge is not prohibited by the terms of the Intercreditor Agreement).

*Permitted Subordinated Payments*

A Subordinated Debt Issuer may make Payments in respect of the Subordinated Liabilities at any time in accordance with the terms of the Subordinated Finance Documents in its capacity as a borrower or

issuer thereunder. A Parent Guarantor may make Payments in respect of Subordinated Liabilities at any time in accordance with the terms of the relevant Subordinated Finance Documents in its capacity as a guarantor thereunder.

In addition to and without limiting the foregoing, prior to the Senior Discharge Date, any member of the Group may make payments in respect of the Subordinated Liabilities at any time:

(i) if:

(a) the payment is of:

(A) any of the principal amount or capitalised interest on the Subordinated Liabilities which is either (1) not prohibited from being paid by the Senior Financing Agreements; or (2) paid on or after the final maturity date of the relevant Subordinated Liabilities; or

(B) any other amount which is not an amount of principal or previously capitalized interest;

(b) no Subordinated Payment Stop Notice (as defined below) is outstanding; and

(c) no payment default under the Senior Financing Agreements (a "**Senior Payment Default**") has occurred and is continuing; or

(ii) if the Majority Permitted Super Senior Financing Creditors, the Majority Permitted Senior Financing Creditors and the Majority Senior Secured Notes Creditors (in each case acting through their respective Agent) give prior consent to the payment being made;

(iii) if the payment is of a Senior Notes Trustee Amount;

(iv) of any costs and expenses of any holder of security in relation to protection, preservation or enforcement of such security;

(v) of costs, commissions, taxes, fees and expenses incurred in respect of or in relation to (or reasonably incidental to) any of the Subordinated Finance Documents (including in relation to any reporting or listing requirements under such documents);

(vi) of costs, commissions, taxes, fees and expenses incurred in respect of or in relation to (or reasonably incidental to) any refinancing of the Subordinated Liabilities not prohibited by the Senior Debt Documents;

(vii) if the payment is funded directly or indirectly with Permitted Parent Financing Debt;

(viii) of any consent fee payment (and any indemnities and fees under any consent solicitation agent documentation) and any costs and expenses in connection with any amendment or waiver of any Subordinated Finance Documents which, in the good faith determination of the Parent, is required to be paid in order to obtain the relevant amendment, waiver or consent; or

(ix) of any other amount not exceeding €1,500,000 (or its equivalent) in aggregate in any fiscal year of the Parent.

On or after the Senior Discharge Date, the Debtors may make payments in respect of the Subordinated Liabilities at any time.

*Payment Blockage Provisions*

Until the Senior Discharge Date, except with the consent of the Majority Permitted Super Senior Financing Creditors, the Majority Permitted Senior Financing Creditors and the Majority Senior Secured Notes Creditors (in each case acting through their respective Agent), no Subordinated Debt Issuer shall make (and the Parent shall procure that no other member of the Group will make), and no Subordinated Finance Party may receive from any other members of the Group any Permitted Subordinated Payment (other than Senior Notes Trustee Amounts and except as provided in paragraph (vii) under the caption "*—Permitted Subordinated Payments*" above) if:

(i) a Senior Payment Default is continuing; or

(ii) an event of default under any Senior Secured Notes Indenture, any Permitted Super Senior Financing Documents or the Permitted Senior Financing Documents (a "**Senior Event of Default**") (other than a Senior Payment Default) is continuing, from the date which is one business day after the date on which any Senior Secured Notes Trustee, any Super Senior Creditor Representative and

any Senior Creditor Representative (together, the ‘‘**Senior Agents**’’ and each a ‘‘**Senior Agent**’’) delivers a payment stop notice (a ‘‘**Subordinated Payment Stop Notice**’’) specifying the event or circumstance in relation to that Senior Event of Default to the Parent, the Security Agent and the Subordinated Agents until the earliest of:

(a) the date falling 179 days after delivery of that Subordinated Payment Stop Notice;

(b) in relation to payments of the Subordinated Liabilities, if a subordinated standstill period is in effect at any time after delivery of that Subordinated Payment Stop Notice, the date on which that standstill period expires;

(c) the date on which the relevant Senior Event of Default has been remedied or waived in accordance with the applicable Senior Financing Agreement (as applicable);

(d) the date on which the Senior Agent which delivered the relevant Subordinated Payment Stop Notice delivers a notice to the Parent, the Security Agent and the Subordinated Agents cancelling the Subordinated Payment Stop Notice;

(e) the Senior Discharge Date; and

(f) the date on which the Security Agent or a Subordinated Agent takes Enforcement Action permitted under the Intercreditor Agreement against a Debtor,

*provided*, *further*, that nothing in the preceding paragraph shall prevent the Subordinated Debt Issuer or a Senior Guarantor making Payments (or the Subordinated Creditors receiving any such Payments) in respect of the Subordinated Liabilities as contemplated in the first paragraph under the caption ‘‘*—Restrictions Relating to Subordinated Creditors and Subordinated Liabilities—Permitted Subordinated Payments*’’ above, but only to the extent that Payment is not funded from the proceeds of a payment received from a member of the Group which is otherwise prohibited under the preceding paragraph.

Unless each of the Subordinated Agents waives this requirement, (i) a new Subordinated Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Subordinated Payment Stop Notice; and (ii) no Subordinated Payment Stop Notice may be delivered by a Senior Agent in reliance on a Senior Event of Default more than 60 days after the date that Senior Agent received notice of that Senior Event of Default.

The Senior Agents may only serve one Subordinated Payment Stop Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of the Senior Agents to issue a Subordinated Payment Stop Notice in respect of any other event or set of circumstances. No Subordinated Payment Stop Notice may be served in respect of a Senior Event of Default which had been notified to the Agents at the time at which an earlier Subordinated Payment Stop Notice was issued.

Any failure to make a payment due under the Subordinated Finance Documents as a result of the issue of a Subordinated Payment Stop Notice or the occurrence of a Senior Payment Default shall not prevent (i) the occurrence of an event of default (as defined in any Subordinated Finance Document, as applicable) as a consequence of that failure to make a payment in relation to the relevant Subordinated Finance Document; or (ii) the issue of a Subordinated Enforcement Notice (as defined below) on behalf of the Subordinated Creditors.

*Payment Obligations and Capitalization of Interest Continue*

Neither the relevant Subordinated Debt Issuer nor any other Debtor shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under any Subordinated Finance Document by the operation of the provisions set out under each section above under the caption ‘‘*—Restrictions Relating to Subordinated Creditors and Subordinated Liabilities*’’ even if its obligation to make such payment is restricted at any time by the terms of any of those provisions.

The accrual and capitalization of interest (if any) in accordance with the Subordinated Finance Documents shall continue notwithstanding the issue of a Subordinated Payment Stop Notice.

*Cure of Payment Stop*

If:

(i) at any time following the issue of a Subordinated Payment Stop Notice or the occurrence of a Senior Payment Default, that Subordinated Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Payment Default ceases to be continuing; and

(ii) the relevant Subordinated Debt Issuer or the relevant Debtor then promptly pays to the Subordinated Creditors an amount equal to any payments which had accrued under the Subordinated Finance Documents and which would have been Permitted Subordinated Payments but for that Subordinated Payment Stop Notice or Senior Payment Default,

then any event of default (including any cross default or similar provision under any other Debt Document) which may have occurred as a result of that suspension of payments shall be waived, and any Subordinated Enforcement Notice which may have been issued as a result of that event of default shall be waived, in each case without any further action being required on the part of the Subordinated Creditors or any other Creditor.

*Restrictions on Amendments and Waivers*

The Intercreditor Agreement provides that the Subordinated Creditors, the Subordinated Debt Issuers and the other Debtors may amend or waive the terms of the Senior Notes Finance Documents and/or the Permitted Parent Financing Documents in accordance with their terms at any time (and subject only to any consent required under them).

*Restrictions on Enforcement by Subordinated Creditors*

Until the Senior Discharge Date, except with the prior consent of or as required by an Instructing Group:

(i) no Subordinated Creditor shall direct the Security Agent to enforce, or otherwise require the enforcement of any Transaction Security; and/or

(ii) no Subordinated Creditor shall take or require the taking of any Enforcement Action in relation to the Junior Guarantee Liabilities,

except as permitted under the provisions set out below under the caption ''—*Permitted Subordinated Enforcement*'', *provided*, however, that no such action required by the Security Agent need be taken except to the extent the Security Agent otherwise is entitled under the Intercreditor Agreement to direct such action.

*Option to Purchase: Subordinated Creditors*

Subject to the following two paragraphs, any of the Subordinated Agents (on behalf of the Subordinated Creditors) may, after an acceleration event under the Senior Secured Notes or in relation to any Permitted Super Senior Financing Debt or Permitted Senior Financing Debt which is continuing, by giving not less than 10 days' notice to the Security Agent, require the transfer to the Subordinated Creditors (or to a nominee or nominees) of all, but not part, of the rights, benefits and obligations in respect of the Senior Liabilities if:

(i) that transfer is lawful and, subject to paragraph (ii) below, otherwise permitted or not prohibited by the terms of the Senior Secured Notes Indenture(s), each Permitted Super Senior Financing Agreement and each Permitted Senior Financing Agreement (as applicable);

(ii) any conditions relating to such a transfer contained in any Senior Secured Notes Indenture(s) (in the case of the Senior Secured Notes Liabilities), each Permitted Super Senior Financing Agreement (in the case of the Permitted Super Senior Financing Liabilities) and each Permitted Senior Financing Agreement (in the case of the Permitted Senior Financing Liabilities) are complied with, in each case, other than as specified in the Intercreditor Agreement;

(iii) each of the applicable Senior Secured Notes Trustee (on behalf of the relevant Senior Secured Notes Creditors), the applicable Senior Creditor Representative (on behalf of the relevant Permitted Senior Financing Creditors) and the applicable Super Senior Creditor Representative (on behalf of the relevant Permitted Super Senior Financing Creditors) is paid the amounts required under the Intercreditor Agreement;

(iv) as a result of that transfer, the Senior Secured Notes Creditors, the Permitted Super Senior Financing Creditors and the Permitted Senior Financing Creditors have no further actual or contingent liability to the Parent or any other Debtor under the relevant Secured Debt Documents;

(v) an indemnity is provided from each Subordinated Creditor (other than any Subordinated Agent) (or from another third party acceptable to all the Senior Secured Notes Creditors, Permitted Super Senior Financing Creditors and Permitted Senior Financing Creditors) in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by each Senior Secured Notes Creditor, Permitted Super Senior Financing Creditor or Permitted Senior Financing Creditor in consequence of any sum received or recovered by any such party from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Senior Secured Notes Creditor, Permitted Super Senior Financing Creditor or Permitted Senior Financing Creditor for any reason; and

(vi) the transfer is made without recourse to, or representation or warranty from, the Senior Secured Notes Creditors, the Permitted Super Senior Financing Creditors or the Permitted Senior Financing Creditors, except that each of the foregoing creditors shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer.

Subject to the provisions of the Intercreditor Agreement, a Subordinated Agent (on behalf of all the Subordinated Creditors) may only require a Senior Liabilities Transfer if, at the same time, they require a transfer of Hedging Liabilities and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no transfer of Senior Liabilities may be required to be made.

At the request of the relevant Subordinated Agent (on behalf of all the relevant Subordinated Creditors), the Senior Secured Notes Trustee, any relevant Senior Creditor Representative and any relevant Super Senior Creditor Representative shall notify the Subordinated Agents of the foregoing payable sums in connection with such transfer.

***Enforcement Action***

The term ''**Enforcement Action**'' comprises:

(i) in relation to any liabilities:

   (a) the acceleration of any liabilities or the making of any declaration that any liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Senior Creditor or a Subordinated Creditor to perform its obligations under, or of any voluntary or mandatory prepayment arising under, any of the Debt Documents);

   (b) the making of any declaration that any liabilities are payable on demand;

   (c) the making of a demand in relation to a liability that is payable on demand;

   (d) the making of any demand against any member of the Group in relation to any guarantee liabilities of that member of the Group;

   (e) the exercise of any right to require any member of the Group to acquire any liability (including exercising any put or call option against any member of the Group for the redemption or purchase of any liability other than in connection with an asset sale offer or a change of control offer (howsoever described) as set out in the Senior Secured Notes Finance Documents or Senior Notes Finance Documents (or any other similar or equivalent provision of any of the relevant Secured Debt Documents)) and excluding any such right which arises as a result of any voluntary tender offer or exchange offer for Senior Secured Notes at a time when no default is continuing (including exercising any put or call option against any member of the Group for the redemption or purchase of any liability);

   (f) the exercise of any right of set-off, account combination or payment netting against any member of the Group in respect of any liabilities other than the exercise of any such right:

      (A) as close-out netting by a Hedge Counterparty or by a hedging ancillary lender;

      (B) as payment netting by a Hedge Counterparty or by a hedging ancillary lender;

      (C) as inter-hedging agreement netting by a Hedge Counterparty;

(D) as inter-hedging ancillary document netting by a hedging ancillary lender; and/or

(E) which is otherwise permitted by the terms of any of the Secured Debt Documents, in each case to the extent that the exercise of that right gives effect to a permitted payment; and

(g) the suing for, commencing or joining of any legal or arbitration proceedings against any member of the Group to recover any liabilities;

(ii) the premature termination or close-out of any hedging transaction under any hedging agreement, save to the extent permitted by the Intercreditor Agreement;

(iii) the taking of any steps to enforce or require the enforcement of any Transaction Security (including the crystallization of any floating charge forming part of the Transaction Security),

(iv) the entering into any composition, compromise, assignment or similar arrangement with any member of the Group which owes any liabilities, or has given any security, guarantee or indemnity or other assurance against loss in respect of the liabilities (other than any action permitted under the Intercreditor Agreement or pursuant to any debt buy-back, tender offer, exchange offer or similar or equivalent arrangement not otherwise prohibited by the Debt Documents); or

(v) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, examiner, administrator or similar officer) in relation to the winding up, dissolution, examinership, administration or reorganization of any member of the Group which owes any liabilities, or has given any security, guarantee, indemnity or other assurance against loss in respect of any of the liabilities, or any of such member of the Group's assets or any suspension of payments or moratorium of any indebtedness of any such member of the Group, or any analogous procedure or step in any jurisdiction,

except that the following shall not constitute Enforcement Action:

(i) the taking of any action falling above which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of liabilities, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods; or

(ii) a Senior Creditor or Subordinated Creditor bringing legal proceedings against any person solely for the purpose of: (a) obtaining injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any Debt Document to which it is party, (b) obtaining specific performance (other than specific performance of an obligation to make a payment) with no claim for damages or (c) requesting judicial interpretation of any provision of any Debt Document to which it is party with no claim for damages; or

(iii) bringing legal proceedings against any person in connection with any securities violation, securities or listing regulations or common law fraud; or

(iv) to the extent entitled by law, the taking of any action against any creditor (or any agent, trustee or receiver acting on behalf of that creditor) to challenge the basis on which any sale or disposal is to take place pursuant to the powers granted to those persons under any relevant documentation; or

(v) any person consenting to, or the taking of any other action pursuant to or in connection with, any merger, consolidation, reorganization or any other similar or equivalent step or transaction initiated or undertaken by a member of the Group (or any analogous procedure or step in any jurisdiction) that is not prohibited by the terms of the Secured Debt Documents to which it is a party; or

(vi) allegations of material misstatements or omissions made in connection with the offering materials relating to any Permitted Senior Financing Debt incurred by way of an issue of high yield notes, debt securities or other similar instrument (''Permitted Senior Financing Debt Notes'') or in reports furnished to the registered holders from time to time of the applicable Permitted Senior Financing Debt Notes (as determined in accordance with the relevant Permitted Senior Financing Document) or any exchange on which the Permitted Senior Financing Debt Notes are listed by a member of the Group pursuant to the information and reporting requirements under the relevant Permitted Senior Financing Documents; or

(vii) allegations of material misstatements or omissions made in connection with the offering materials relating to any Permitted Parent Financing Debt incurred by way of an issue of high yield notes, debt

securities or other similar instrument (''Permitted Parent Financing Debt Notes'') or in reports furnished to the registered holders from time to time of the applicable Permitted Parent Financing Debt Notes (as determined in accordance with the relevant Permitted Parent Financing Document) or any exchange on which the Permitted Parent Financing Debt Notes are listed by a member of the Group pursuant to the information and reporting requirements under the relevant Permitted Parent Financing Documents; or

(vii) allegations of material misstatements or omissions made in connection with the offering materials relating to any Senior Secured Notes or in reports furnished to the registered holders from time to time of the applicable Senior Secured Notes (as determined in accordance with the relevant Senior Secured Notes Indenture) or any exchange on which the Senior Secured Notes are listed by a member of the Group pursuant to the information and reporting requirements under the relevant Senior Secured Notes Indenture; or

(viii) allegations of material misstatements or omissions made in connection with the offering materials relating to any Senior Notes or in reports furnished to the registered holders from time to time of the applicable Senior Notes (as determined in accordance with the relevant Senior Notes Indenture) or any exchange on which the Senior Notes are listed by a member of the Group pursuant to the information and reporting requirements under the relevant Senior Notes Indenture.

*Permitted Subordinated Enforcement*

The restrictions set out in the caption ''*—Restrictions on Enforcement by Subordinated Creditors*'' above will not apply if:

(i) an event of default (as defined in any Senior Notes Indenture and any Permitted Parent Financing Agreement, as applicable, each a ''**Subordinated Event of Default**'') (the ''**Relevant Subordinated Default**'') is continuing;

(ii) each Senior Agent has received a notice of the Relevant Subordinated Default specifying the event or circumstance in relation to the Relevant Subordinated Default from the Senior Notes Trustee or the Subordinated Creditor Representative, as the case may be;

(iii) a Subordinated Standstill Period (as defined below) has elapsed; and

(iv) the Relevant Subordinated Default is continuing at the end of the relevant Subordinated Standstill Period.

Promptly upon becoming aware of a Subordinated Event of Default, the Senior Notes Trustee or the Subordinated Creditor Representative, as the case may be, may by notice (a ''**Subordinated Enforcement Notice**'') in writing notify the Senior Agents of the existence of such Subordinated Event of Default.

*Subordinated Standstill Period*

In relation to a Relevant Subordinated Default, a Subordinated Standstill Period shall mean the period beginning on the date (the ''**Subordinated Standstill Start Date**'') the relevant Senior Agent serves a Subordinated Enforcement Notice on each of the Senior Agents in respect of such Relevant Subordinated Default and ending on the earlier to occur of:

(i) the date falling 179 days after the Subordinated Standstill Start Date (the ''**Subordinated Standstill Period**'');

(ii) the date the Senior Secured Parties take any Enforcement Action in relation to a Junior Guarantor of the Senior Notes and any Permitted Parent Financing Debt; provided, however, that if a Subordinated Standstill Period ends pursuant to this paragraph, the Subordinated Finance Parties may only take the same Enforcement Action in relation to the Junior Guarantor as the Enforcement Action taken by the Senior Secured Parties against such Junior Guarantor and not against any other member of the Group;

(iii) the date of an Insolvency Event in relation to the relevant Subordinated Debt Issuer or a particular Senior Guarantor or Junior Guarantor against whom Enforcement Action is to be taken (other than such Insolvency Event arising solely as a result of any action taken by the relevant Subordinated Agent on behalf of the relevant Subordinated Creditors, in which case Enforcement Action is to be

taken only against such particular Subordinated Debt Issuer, Senior Guarantor or Junior Guarantor);

(iv) the expiry of any other Subordinated Standstill Period outstanding at the date such first mentioned Subordinated Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);

(v) the date on which the consent of each Super Senior Creditor Representative (acting on the instructions of the Majority Permitted Super Senior Financing Creditors), Senior Secured Notes Trustee (acting on behalf of the Senior Secured Noteholders) and each Senior Creditor Representative (acting on the instructions the Majority Permitted Senior Financing Creditors) has been obtained; and

(vi) a failure to pay the principal amount outstanding under the Senior Notes or on any Permitted Parent Financing Debt, as the case may be, at the final stated maturity of the amounts outstanding under the Senior Notes or on the Permitted Parent Financing Debt, as the case may be.

*Subsequent Subordinated Event of Default*

The Subordinated Finance Parties may take Enforcement Action under the provisions set out in caption ''—*Permitted Subordinated Enforcement*'' above in relation to a Relevant Subordinated Default even if, at the end of any relevant Subordinated Standstill Period or at any later time, a further Subordinated Standstill Period has begun as a result of any other Subordinated Event of Default.

*Enforcement on Behalf of Subordinated Creditors*

If the Security Agent has notified each of the Senior Notes Trustee and any Subordinated Creditor Representative (collectively, the ''**Subordinated Agents**'' and each, a ''**Subordinated Agent**'') that it is enforcing security created pursuant to any security document over shares of a Senior Guarantor or Junior Guarantor, no Subordinated Creditor may take any action referred to under the provisions set out under the caption ''— *Permitted Subordinated Enforcement*'' above against that Senior Guarantor or Junior Guarantor while the Security Agent is taking steps to enforce that security in accordance with the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

***Effect of Insolvency Event; Filing of Claims***

The Intercreditor Agreement provides that, among other things, after the occurrence of an Insolvency Event in relation to any Debtor, or, following an acceleration event which is continuing, any member of the Group, any party entitled to receive a distribution out of the assets of that member of the Group (in the case of a Senior Creditor, only to the extent that such amount constitutes enforcement proceeds) in respect of liabilities owed to that party shall, subject to receiving payment instructions and any other relevant information from the Security Agent and to the extent it is able to do so, direct the person responsible for the distribution of the assets of that member of the Group to pay that distribution to the Security Agent until the liabilities owing to the Secured Parties have been paid in full. In this respect, the Security Agent shall apply distributions paid to it in accordance with the provisions set out under the caption ''—*Application of Proceeds*'' below.

Subject to certain exceptions, to the extent that any member of the Group's liabilities are discharged by way of set off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that member of the Group, any creditor which benefited from that set off shall (in the case of a Senior Creditor, only to the extent that such amount constitutes enforcement proceeds) pay an amount equal to the amount of the liabilities owed to it which are discharged by that set off to the Security Agent for application in accordance with the provisions set out under the caption ''—*Application of Proceeds*'' below.

Subject to the provisions set out under the caption ''— *Application of Proceeds*'' below, if the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any of the liabilities, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards the liabilities.

After the occurrence of an Insolvency Event in relation to any Debtor (or, following an acceleration event which is continuing, any member of the Group), each creditor irrevocably authorizes the Security Agent, on its behalf, to:

(i) take any Enforcement Action (in accordance with the terms of the Intercreditor Agreement) against that member of the Group;

(ii) demand, sue, prove and give receipt for any or all of that member of the Group's liabilities;

(iii) collect and receive all distributions of, or on account of, any or all of that member of the Group's liabilities; and

(iv) file claims, take proceedings and do all other things the Security Agent considers reasonably necessary to recover that member of the Group's liabilities.

Each creditor will:

(i) do all things that the Security Agent reasonably requests in order to give effect to the matters referred to in this ''—*Effect of Insolvency Event; Filing of Claims*'' section; and

(ii) if the Security Agent is not entitled to take any of the actions contemplated by this ''—*Effect of Insolvency Event; Filing of Claims*'' section or if the Security Agent requests that a creditor take that action, undertake that action itself in accordance with the instructions of the Security Agent or grant a power of attorney to the Security Agent (on such terms as the Security Agent may reasonably require, although neither the Senior Secured Notes Trustee nor the Senior Notes Trustee shall be under an obligation to grant such powers of attorney) to enable the Security Agent to take such action.

***Turnover***

Subject to certain exceptions, the Intercreditor Agreement provides that, if any creditor receives or recovers from any member of the Group:

(i) any payment or distribution of, or on account of or in relation to, any of the liabilities which is prohibited under the Intercreditor Agreement or, following the occurrence of an acceleration event where a Super Senior Creditor Representative, the Senior Secured Notes Trustee or a Senior Creditor Representative declare in writing to the Security Agent that a ''senior distress event'' has occurred and such ''senior distress event'' is continuing, any Hedging Liabilities, Senior Secured Notes Liabilities, Senior Notes Liabilities, Permitted Super Senior Financing Liabilities, Permitted Senior Financing Liabilities or Permitted Parent Financing Liabilities;

(ii) other than as referred to in the second paragraph under the caption ''—*Effect of Insolvency Event; Filing of Claims*'' above, any amount by way of set off in respect of any of the liabilities owed to it which does not give effect to a payment permitted under the Intercreditor Agreement;

(iii) any amount:

  (a) on account of, or in relation to, any of the liabilities after the occurrence of a Distress Event or as a result of any litigation or proceedings against a member of the Group (other than after the occurrence of an Insolvency Event in respect of that member of the Group); or

  (b) by way of set-off in respect of any of the liabilities owed to it after the occurrence of a Distress Event,

  other than, in each case, any amount received or recovered in accordance with the provisions set out below the caption ''—*Application of Proceeds*'' and, in the case of intra-Group liabilities, any amount received in accordance with the Intercreditor Agreement;

(iv) the proceeds of any enforcement of any Transaction Security except in accordance with the provisions set out below under the caption ''—*Application of Proceeds*''; or

(v) subject to certain exceptions, any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any member of Group which is not in accordance with the provisions set out in the caption ''—*Application of Proceeds*'' and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that member of Group,

that creditor will, subject to certain exceptions:

(A) in relation to receipts and recoveries not received or recovered by way of set-off: (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement, and (y) promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(B) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that receipt or recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

***Enforcement of Security***

*Enforcement Instructions*

The Security Agent may refrain from enforcing the Transaction Security unless instructed otherwise by (i) an Instructing Group; or (ii) if required as set out under the third paragraph of this section, the Majority Subordinated Creditors, and in each case unless indemnified and/or secured and/or prefunded to its satisfaction.

Subject to the Transaction Security having become enforceable in accordance with its terms and subject to the following paragraph: (i) an Instructing Group; or (ii) to the extent permitted to enforce or to require the enforcement of the Transaction Security prior to the Senior Discharge Date as described under the caption ''—*Restrictions Relating to Subordinated Creditors and Subordinated Liabilities*'' above, the Majority Subordinated Creditors, may give or refrain from giving instructions to the Security Agent to enforce, or refrain from enforcing, the Transaction Security as they see fit, provided that the instructions as to enforcement given by the Instructing Group are Qualifying Instructions.

Prior to the Senior Discharge Date, (i) if an Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the Transaction Security or (ii) in the absence of instructions from an Instructing Group, and, in each case, an Instructing Group has not required any Debtor to make a Distressed Disposal, the Security Agent shall give effect to any instructions to enforce the Transaction Security which the Majority Subordinated Creditors are then entitled to give to the Security Agent as described under the caption ''—*Restrictions Relating to Subordinated Creditors and Subordinated Liabilities*'' above, *provided* that the instructions as to enforcement given by the Majority Subordinated Creditors are Qualifying Instructions, *provided further* that, if an Instructing Group gives (at that time or subsequently) Qualifying Instructions, the Security Agent shall act in accordance with such Qualifying Instructions, and *provided further* that the Majority Subordinated Creditors shall only be entitled to give instructions to the Security Agent to enforce or refrain or cease from enforcing Transaction Security to the extent such Transaction Security is expressed to secure the Subordinated Liabilities.

Subject to certain provisions of the Intercreditor Agreement, no Secured Party shall have any independent power to enforce, or to have recourse to, or have any independent power to exercise any rights or powers arising under the security documents, or may enforce any Transaction Security, except through the Security Agent in a manner contemplated by the Intercreditor Agreement.

*Manner of Enforcement*

If the Transaction Security is being enforced as set forth above under the caption ''—*Enforcement Instructions*,'' the Security Agent shall enforce the Transaction Security in such manner (including, without limitation, the selection of any administrator, examiner or equivalent officer of any Debtor to be appointed by the Security Agent) as:

(i) an Instructing Group; or

(ii) prior to the Senior Discharge Date, if (i) the Security Agent has, pursuant to the third paragraph under the caption ''—*Enforcement of Security*'' above, given effect to instructions given by the Majority Subordinated Creditors to enforce the Transaction Security; and (ii) an Instructing Group has not given instructions as to the manner of enforcement of the Transaction Security, the Majority Subordinated Creditors,

shall instruct (provided that any such instructions are consistent with certain ''security enforcement principles,'' as set out below) or, in the absence of any such instructions, as the Security Agent sees fit, in each case, taking into account the requirements of each relevant security document and the ''security enforcement principles,'' as set out below.

*Security Enforcement Principles*

The following is a summary of the ''security enforcement principles'', which are set out in the Intercreditor Agreement:

(a) It shall be the primary and overriding aim of any enforcement of the Transaction Security to achieve the ''Security Enforcement Objective''. The ''**Security Enforcement Objective**'' means maximizing, so far as is consistent with a prompt and expeditious realization of value from an enforcement of the Transaction Security, recovery by the Primary Creditors.

(b) The security enforcement principles may be amended, varied or waived with the prior written consent of the Majority Super Senior Creditors and the Majority Senior Secured Creditors, provided that no additional obligations may be imposed on a member of the Group without the consent of the Parent.

(c) The Transaction Security will be enforced and other action as to enforcement will be taken such that either:

  i. all proceeds of enforcement are received by the Security Agent in cash for distribution in accordance with the provisions set out under the caption ''—*Application of Proceeds—Order of Application*'' (the ''**Enforcement Proceeds Waterfall**''); or

  ii. in the event that the Majority Senior Secured Creditors are issuing instructions as to the enforcement of the Transaction Security, sufficient proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the Enforcement Proceeds Waterfall, the Super Senior Liabilities are repaid and discharged in full (unless the Majority Super Senior Creditors agree otherwise).

(d) The Enforcement Action must be prompt and expeditious, it being acknowledged that, subject to the other provisions of the Intercreditor Agreement, the time frame for the realization of value from the enforcement of the Transaction Security or a Distressed Disposal will be determined by the Instructing Group, provided that it is consistent with the Security Enforcement Objective.

(e) On:

  i. a proposed enforcement of any of the Transaction Security over assets other than shares in a member of the Group, where the aggregate book value of such assets exceeds €5,000,000 (or its equivalent); or

  ii. a proposed enforcement of any of the Transaction Security over some or all of the shares in a member of the Group over which transaction security exists,

  the Security Agent shall, upon instruction from the Instructing Group (unless it is incompatible with enforcement proceedings in a relevant jurisdiction) appoint an internationally recognized investment bank or a ''big four'' accounting firm or other reputable, third party independent professional firm which is regularly engaged in providing valuations of businesses or assets, in each case as selected by the Security Agent acting reasonably and in good faith (an ''**Advisor**''), to opine as expert that the proceeds received from any such enforcement are fair from a financial point of view after taking into account all relevant circumstances (including the method of enforcement) (an ''**Advisor's Opinion**'').

(f) The Security Agent shall be under no obligation to appoint an Advisor or to seek the advice of an Advisor, unless expressly required to do so by these security enforcement principles or any other provision of the Intercreditor Agreement.

(g) The Advisor's Opinion (or any equivalent opinion obtained by the Security Agent in relation to any other enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) will be conclusive evidence that the Security Enforcement Objective has been met.

(h) Where the Instructing Group is the Majority Senior Secured Creditors, the Majority Senior Secured Creditors may waive the requirement for an Advisor's Opinion where sufficient proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the Enforcement Proceeds Waterfall, the Super Senior Liabilities are repaid and discharged in full.

(i) In the event that an enforcement of the Transaction Security is over assets and shares referred to in paragraph (e)(i) or (e)(ii) above and such enforcement is conducted by way of ''public auction'', the Super Senior Creditors and the Senior Secured Creditors shall be entitled to participate in such auction on the basis of equal information and access rights as other bidders and financiers in the auction. Nothing in this paragraph (i) shall require enforcement of the Transaction Security to take place by way of public auction.

(j) In the absence of written notice from a secured party or group of secured parties that are not part of the relevant Instructing Group that such secured part(y/ies) object to any enforcement of the Transaction Security on the grounds that such Enforcement Action does not aim to achieve the Security Enforcement Objective (an ''**Objection**''), the Security Agent is entitled to assume that such enforcement of the Transaction Security is in accordance with the Security Enforcement Objective.

(k) If the Security Agent receives an Objection (and without prejudice to the ability of the Security Agent to rely on other advisers and/or exercise its own judgment in accordance with the Intercreditor Agreement), an Advisor's Opinion (or any equivalent opinion referred to in paragraph (g) above) to the effect that the particular action could reasonably be said to be aimed at achieving the Security Enforcement Objective will be conclusive evidence that the requirement of paragraph (a) above has been met.

*Exercise of Voting Rights*

To the fullest extent permitted under applicable law, each creditor (other than any Senior Secured Notes Trustee or Senior Notes Trustee) agrees with the Security Agent that it will cast its vote in any proposal put to the vote by, or under the supervision of, any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Group as instructed by the Security Agent. The Security Agent shall give instructions for the purposes of this paragraph as directed by an Instructing Group. Notwithstanding the foregoing, nothing in this paragraph entitles any party to exercise or require any other creditor under the Intercreditor Agreement to exercise its power of voting or representation to waive, reduce, discharge, extend the due date for payment or otherwise reschedule any of the liabilities owed to that creditor.

*Waiver of Rights*

To the extent permitted under applicable law and subject to certain provisions of the Intercreditor Agreement, each of the Secured Parties and the Debtors waives all rights it may otherwise have to require that the Transaction Security be enforced in any particular order or manner or at any particular time, or that any sum received or recovered from any person, or by virtue of the enforcement of any of the Transaction Security or of any other security interest, which is capable of being applied in or towards discharge of any of the secured obligations, is so applied.

*Security Held by Other Creditors*

If any Transaction Security is held by a creditor other than the Security Agent, then that creditor may only enforce that security in accordance with instructions given by an Instructing Group pursuant to the terms of the Intercreditor Agreement (and for this purpose references to the Security Agent shall be construed as references to that creditor).

*Duties Owed*

Pursuant to the Intercreditor Agreement, each of the Secured Parties and the Debtors acknowledges that, in the event that the Security Agent enforces, or is instructed to enforce, the Transaction Security prior to the Senior Discharge Date, the duties of the Security Agent and of any receiver or delegate owed to the Secured Parties in respect of the method, type and timing of that enforcement or of the

exploitation, management or realization of any of that security shall be no different to or greater than the duty that is owed by the Security Agent, receiver or delegate to the Debtors under general law.

***Proceeds of Disposals***

*Non-Distressed Disposals*

The Security Agent agrees and is irrevocably authorized and instructed that it shall (at the request and cost of the Parent) promptly release (or procure that any other relevant person releases):

(i) any security (and/or any other claim relating to a Debt Document) over any asset which is the subject of:

  (a) a disposal not prohibited by the terms of the Debt Financing Agreements (including a disposal to a member of the Group, but without prejudice to any obligation of any member of the Group in a Debt Financing Agreement to provide replacement security); or

  (b) any other transaction not prohibited by the terms of any Debt Financing Agreement pursuant to which that asset will cease to be held or owned by a member of the Group;

(ii) any security (and/or any other claim relating to a Debt Document) over any document or agreement in order for any member of the Group to effect any amendment or waiver in respect of that document or agreement or otherwise exercise any rights, comply with any obligations or take any action in relation to that document or agreement (in each case to the extent not prohibited by the terms of any Debt Financing Agreement);

(iii) any security (and/or any other claim relating to a Debt Document) over any asset of any member of the Group which has ceased to be a Debtor or will cease to be a Debtor simultaneously with such release; and

(iv) any security (and/or any other claim relating to a Debt Document) over any other asset to the extent that such release is in accordance with the terms of the Debt Financing Agreements.

In the case of a disposal of shares or other ownership interests in a Debtor (or any holding company of any Debtor), or any other transaction pursuant to which a Debtor (or any holding company of any Debtor) will cease to be a member of the Group or a Debtor, the Security Agent (on behalf of itself and the Secured Parties) shall (at the request and cost of the relevant Debtor or the Parent) promptly release (or procure the release of) that Debtor and its subsidiaries from all present and future liabilities under the Secured Debt Documents and the respective assets of such Debtor and its subsidiaries from the Transaction Security and the Secured Debt Documents.

When making any request for a release pursuant to this ''—*Non-Distressed Disposals*'' section, the Parent shall confirm in writing to the Security Agent that:

(i) in the case of any release requested pursuant to paragraph (i) or (ii) above, the relevant disposal or other action is not prohibited by the terms of any Debt Financing Agreement; or

(ii) in the case of any release requested pursuant to paragraph (iv) above, the relevant release is in accordance with terms of the Debt Financing Agreements,

and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

The Security Agent shall (at the cost and expense of the relevant Debtor or the Parent but without the need for any further consent, sanction, authority or further confirmation from any Creditor or Debtor) promptly enter into such documentation and/or take such other action as the Parent (acting reasonably) shall require to give effect to any release or other matter described in the paragraph above.

If any member of the Group is required or not prohibited under the Senior Debt Documents, to apply the proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of the Permitted Super Senior Financing Liabilities, the Hedging Liabilities, the Senior Secured Notes Liabilities or the Permitted Senior Financing Liabilities (as applicable) then no such application of those proceeds shall require the consent of any other party or Subordinated Creditor or will result in any breach of any Subordinated Finance Document and any such application shall discharge in full any obligation to apply those proceeds in prepayment, redemption or any other discharge or reduction of any Subordinated Liabilities.

*Distressed Disposals*

Generally, a ''**Distressed Disposal**'' is a disposal of an asset of a member of the Group which is (a) being effected at the request of an Instructing Group in circumstances where Transaction Security has become enforceable in accordance with the terms of the relevant security document(s), (b) being effected by enforcement of Transaction Security in accordance with the terms of the relevant security document(s) or (c) being effected, after the occurrence of a Distress Event, by a Debtor to a person or persons which is not a member of the Group.

If a Distressed Disposal is being effected, the Security Agent is irrevocably authorized (at the cost of the relevant Debtor or the Parent and without any consent, sanction, authority or further confirmation from any creditor or Debtor):

(i) to release the Transaction Security or any other claim over that asset and execute and deliver or enter into any release of that security or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(ii) if the asset which is disposed of consists of shares in the capital of a Debtor, to release:

(a) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities, its guarantee liabilities and its other liabilities;

(b) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and

(c) any other claim of an intra-Group lender, or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor,

on behalf of the relevant creditors, Debtors and Agents;

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release:

(a) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities, its guarantees liabilities and its other liabilities;

(b) any Transaction Security granted by that holding company or any subsidiary of that holding company over any of its assets; and

(c) any other claim of any intra-Group lender or another Debtor over that holding company's assets or the assets of any subsidiary of that holding company,

on behalf of the relevant creditors, Debtors and Agents;

(iv) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the liabilities or the Debtor liabilities owed by that Debtor or holding company or any subsidiary of that Debtor or holding company:

(a) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those liabilities or Debtor liabilities (the ''**Transferee**'') will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all or part of those liabilities or Debtor liabilities; provided that, notwithstanding any other provision of any Debt Document, the Transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and

(b) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of: all (and not part only) of the liabilities owed to the Primary Creditors and all or part of any other liabilities and the Debtor liabilities,

on behalf of, in each case, the relevant creditors and Debtors;

(v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the ''**Disposed Entity**'') and the Security Agent (acting in accordance with the

Intercreditor Agreement) decides to transfer to another Debtor (the "**Receiving Entity**") all or any part of the Disposed Entity's obligations or any obligations of any subsidiary of that Disposed Entity in respect of the intra-Group liabilities or the Debtor liabilities, to execute and deliver or enter into any agreement to:

(a) agree to the transfer of all or part of the obligations in respect of those intra-Group liabilities or Debtor liabilities on behalf of the relevant intra-Group lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

(b) (if the Receiving Entity is a holding company of the Disposed Entity which is also a guarantor of Senior Liabilities) to accept the transfer of all or part of the obligations in respect of those intra-Group liabilities or Debtor liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those intra-Group liabilities or Debtor liabilities are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities or Debtor liabilities) shall be paid to the Security Agent for application in accordance with the provisions set out under the caption "—*Application of Proceeds*" as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities or Debtor liabilities has occurred, as if that disposal of liabilities or Debtor liabilities had not occurred.

In the case of a Distressed Disposal effected by, or at the request of, the Security Agent (acting in accordance with the Intercreditor Agreement), the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of liabilities in order to achieve a higher price).

Where borrowing liabilities, guarantee liabilities and/or other liabilities in relation to a member of the Group would otherwise be released pursuant to the terms of the Intercreditor Agreement, the creditor concerned may elect (subject to certain conditions) to have those borrowing liabilities, guarantee liabilities and/or, as the case may be, other liabilities transferred to the Parent in which case the Security Agent is irrevocably authorized (to the extent legally possible and at the cost of the relevant Debtor or the Parent and without any consent, sanction, authority or further confirmation from any creditor or Debtor) to execute such documents as are required to so transfer those liabilities.

If prior to the Subordinated Discharge Date, a Distressed Disposal is being effected such that, generally, the guarantees of the Senior Notes and the guarantees of any Permitted Parent Financing Debt or any Transaction Security over the assets of a Subordinated Debt Issuer, any Senior Guarantor or any Junior Guarantor will be released and/or any Subordinated Liabilities will be released, it is a further condition to the release that either:

(i) each Subordinated Agent has approved the release; or

(ii) where shares or assets of a Senior Guarantor or a Junior Guarantor or assets of a Subordinated Debt Issuer are sold:

  (a) the proceeds of such sale or disposal are in cash (or substantially in cash);

  (b) all claims of the Senior Creditors (other than in relation to performance bonds or guarantees or similar instruments) against a member of the Group (if any), all of whose shares (other than any minority interest not owned by members of the Group) are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all security under the security documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale; *provided* that, if each Senior Agent (acting reasonably and in good faith):

    (A) determines that the Senior Creditors will recover a greater amount if any such claim is sold or otherwise transferred to the purchaser or one of its affiliates and not released or discharged; and

    (B) serves a written notice on the Security Agent confirming the same,

  the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

(c) such sale or disposal is made:

(A) pursuant to a public auction in respect of which the Primary Creditors are entitled to participate; or

(B) where a financial adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal, that the amount received in connection therewith, generally, is fair from a financial point of view.

***Application of Proceeds***

*Order of Application*

The Intercreditor Agreement provides that all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Debt Document or in connection with the realization or enforcement of all or any part of the Transaction Security (for the purposes of this ''—*Application of Proceeds*'' section and the ''—*Equalization of the Senior Creditors*'' section, the ''**Recoveries**'') shall be applied by the Security Agent at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this ''—Application of Proceeds'' section), in the following order of priority:

(i) in discharging any sums owing to any Super Senior Creditor Representative (in respect of Permitted Super Senior Financing Agent Liabilities), any Senior Creditor Representative (in respect of Permitted Senior Financing Agent Liabilities), any Subordinated Creditor Representative (in respect of Permitted Parent Financing Agent Liabilities), any Senior Secured Notes Trustee Amounts or Senior Notes Trustee Amounts or any sums owing to the Security Agent, any receiver or any delegate, on a pro rata and *pari passu* basis;

(ii) in payment of all costs and expenses incurred by any Agent or Primary Creditor in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(iii) in payment to:

(a) the ''priority'' Hedge Counterparties; and

(b) any Super Senior Creditor Representative;

for application towards the discharge of:

(x) the ''priority'' Hedging Liabilities (on a pro rata basis between the ''priority'' Hedging Liabilities of each ''priority'' Hedge Counterparty); and

(y) the liabilities of the Debtors owing to the arrangers with respect to the Permitted Super Senior Financing Debt and the Permitted Super Senior Financing Liabilities (other than the Permitted Super Senior Financing Agent Liabilities) (in accordance with the terms of the Permitted Super Senior Financing Documents and, if there is more than one Permitted Super Senior Financing Agreement, on a *pro rata* basis between the Permitted Super Senior Financing Debt in respect of each Permitted Super Senior Financing Agreement),

on a *pro rata* basis and *pari passu* between the immediately preceding paragraphs (iii)(x) and (y) above;

(iv) in payment to:

(a) each Senior Secured Notes Trustee on its own behalf and on behalf of the Senior Secured Noteholders;

(b) the ''non-priority'' Hedge Counterparties; and

(c) each Senior Creditor Representative on its own behalf and on behalf of the arrangers with respect to the Permitted Senior Financing Debt and the Permitted Senior Financing Creditors; and

for application towards the discharge of:

(i) the Senior Secured Notes liabilities (other than sums owing to the Security Agent) (in accordance with the terms of the Senior Secured Notes Indenture and the other finance documents for the Senior Secured Notes);

(ii) the ''non-priority'' Hedging Liabilities (on a *pro rata* basis between the ''non-priority'' Hedging Liabilities of each ''non-priority'' Hedge Counterparty);

(iii) the liabilities of the Debtors owing to the arrangers with respect to the Permitted Senior Financing Debt and the Permitted Senior Financing Liabilities (other than the Permitted Senior Financing Agent Liabilities) (in accordance with the terms of the Permitted Senior Financing Documents and, if there is more than one Permitted Senior Financing Agreement, on a *pro rata* basis between the Permitted Senior Financing Debt in respect of each Permitted Senior Financing Agreement),

on a *pro rata* basis and *pari passu* between the immediately preceding paragraphs (i) to (iii) above;

(v) in payment to:

(a) each Senior Notes Trustee on its own behalf and on behalf of the Senior Noteholders; and

(b) each Subordinated Creditor Representative on its own behalf and on behalf of the arrangers under the Permitted Parent Financing Debt and the Permitted Parent Financing Creditors,

for application towards the discharge of:

(i) the Senior Notes Liabilities (other than any sums owing to the Security Agent) (in accordance with the terms of the Senior Notes Finance Documents); and

(ii) the liabilities of the Debtors owing to the arrangers with respect to the Permitted Parent Financing Debt and the Permitted Parent Financing Liabilities (other than the Permitted Parent Financing Agent Liabilities) (in accordance with the terms of the Permitted Parent Financing Documents and, if there is more than one Permitted Parent Financing Agreement, on a *pro rata* basis between the Permitted Parent Financing Debt in respect of each Permitted Parent Financing Agreement),

on a *pro rata* basis and *pari passu* between the immediately preceding paragraphs (i) and (ii) above;

(vi) if none of the Debtors is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor; and

(vii) the balance, if any, in payment to the relevant Debtor.

*Liabilities of the Subordinated Debt Issuer*

Generally, all amounts from time to time received or recovered by the Security Agent from or in respect of a Subordinated Debt Issuer pursuant to the terms of any Debt Document (other than in connection with the realization or enforcement of all or any part of the Transaction Security) shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law, in the following order of priority:

(i) in accordance with paragraph (i) under the caption ''*—Application of Proceeds—Order of Application*'';

(ii) in accordance with paragraphs (iv) and (v) under the caption ''*—Application of Proceeds—Order of Application*,'' provided that payments will be made on a *pro rata* basis and *pari passu* between each of the payments referred to in the foregoing paragraphs (iv) and (to the extent relating to liabilities in respect of Senior Notes and/or Permitted Parent Financing Debt where the relevant Subordinated Debt Issuer is the issuer or, as the case may be, the borrower) (v);

(iii) if none of the Debtors is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor; and

(iv) the balance, if any, in payment to the relevant Debtor.

### *Equalization of the Senior Secured Creditors*

The Intercreditor Agreement generally provides that if, for any reason, any Senior Liabilities remain unpaid after the relevant enforcement date and the resulting losses are not borne by the Super Senior Creditors and the Senior Secured Creditors in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the Super Senior Creditors and the Senior Secured Creditors at the relevant enforcement date (or, in the case of Recoveries resulting from the realization or enforcement of all or any part of the Transaction Security or a transaction in lieu thereof, in a manner reflecting the order of priority contemplated under the caption ''*—Application of Proceeds—Order of Application*''), the Super Senior Creditors and Senior Secured Creditors (subject, in the case of amounts owing to the applicable trustee, to the terms of the Intercreditor Agreement) will make such payments among themselves as the Security Agent shall require to put the Super Senior Creditors and Senior Secured Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions (or, as the case may be, to otherwise reflect the order of priority contemplated under the caption ''*—Application of Proceeds—Order of Application*'').

### *Debt Refinancing*

The Intercreditor Agreement permits any of the liabilities under certain of the Debt Documents to be refinanced, replaced, exchanged, extended, supplemented, increased or otherwise restructured in whole or in part from time to time including by way of Permitted Super Senior Financing Debt, Permitted Senior Financing Debt and/or Permitted Parent Financing Debt or the issue of additional Senior Secured Notes and/or Senior Notes) (each a ''**Debt Refinancing**''). Each party to the Intercreditor Agreement shall be required to enter into any amendment to or replacement of the then current Secured Debt Documents and/or take such other action as is required by the Parent in order to facilitate such a Debt Refinancing, including changes to, the taking of, or release and retake of, any guarantee or security, subject to certain conditions. At the option of the Parent, a Debt Refinancing may be made available on a basis which is senior to, *pari passu* with or junior to any of the other liabilities, shall be entitled to benefit from all or any of the Transaction Security, may be made available on a secured or unsecured basis (subject to certain restrictions) and may be effected in whole or in part by way of a debt exchange, non-cash rollover or other similar or equivalent transaction, in each case unless otherwise prohibited by the Debt Financing Agreements. Under the terms of the Intercreditor Agreement, each agent, each Secured Party and each Primary Creditor agrees that it shall co-operate with the Parent, each other member of the Group and each Agent in order to facilitate any Debt Refinancing (including by way of, at the request and cost of the Parent, executing any document or agreement and/or giving instructions to any person).

### *Required Consents*

The Intercreditor Agreement provides that, subject to certain exceptions, it and/or a security document may be amended or waived only with the written consent of:

(i) if any Permitted Super Senior Financing Debt has been incurred and the relevant amendment or waiver (the ''**Proposed Amendment**'') is prohibited by the terms of the relevant Permitted Super Senior Financing Agreement, the Super Senior Creditor Representative in respect of that Permitted Super Senior Financing Debt (if applicable, acting on the instructions of the Majority Permitted Super Senior Financing Creditors)

(ii) if any Senior Secured Notes have been issued and the Proposed Amendment is prohibited by the terms of the relevant Senior Secured Notes Indenture, the Senior Secured Notes Trustee;

(iii) if any Permitted Senior Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Senior Financing Agreement, the Senior Creditor Representative in respect of that Permitted Senior Financing Debt (if applicable, acting on the instructions of the Majority Permitted Senior Financing Creditors);

(iv) if any Senior Notes have been issued and if the Proposed Amendment is prohibited by the terms of the relevant Senior Notes Indenture, the Senior Notes Trustee;

(v) if any Permitted Parent Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Parent Financing Agreement, the Subordinated Creditor Representative in respect of that Permitted Parent Financing Debt (if applicable, acting on the instructions of the Majority Permitted Parent Financing Creditors);

(vi) if a Hedge Counterparty is providing hedging to a Debtor under a hedging agreement, that Hedge Counterparty (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Hedge Counterparty and is an amendment or waiver which is expressed to require the consent of that Hedge Counterparty under the applicable hedging agreement, as notified by the Parent to the Security Agent at the time of the relevant amendment or waiver); and

(vii) the Parent.

Notwithstanding the foregoing, any amendment or waiver of any Secured Debt Document that is made or effected in connection with the incurrence of certain additional debt and/or refinancing debt, a ''non-Distressed Disposal'' (see ''—*Proceeds of Disposals—Non-Distressed Disposals*''), any other provision of the Intercreditor Agreement or in connection with any other provision of any Secured Debt Document (provided that such amendment or waiver is not expressly prohibited by the terms of any other Secured Debt Document), respectively, shall be binding on all parties to the Intercreditor Agreement.

The Intercreditor Agreement or a security document may be amended or waived by the Parent and the Security Agent without the consent of any other party if that amendment or waiver is to cure defects or omissions, resolve ambiguities or inconsistencies or reflect changes of a minor, technical or administrative nature or as otherwise for the benefit of all or any of the Secured Parties. Any amendment, waiver or consent which relates only to the rights or obligations applicable to creditors under a particular Debt Financing Agreement (and which does not materially and adversely affect the rights or interests of creditors under other Debt Financing Agreements) may be approved with only the consent of the Agent in respect of that Debt Financing Agreement and the Parent.

*Amendments and Waivers: Security Documents*

Subject to the paragraph below and to certain exceptions under the Intercreditor Agreement and unless the provisions of any Debt Document expressly provide otherwise, the Security Agent may, if authorized by an Instructing Group, and if the Parent consents, amend the terms of, waive any of the requirements of or grant consents under, any of the security documents which shall be binding on each party.

Subject to the second and third paragraphs of the section captioned ''—*Exceptions*'' below, any amendment or waiver of, or consent under, any security document which would adversely affect the nature or scope of the charged property or the manner in which the proceeds of enforcement of the Transaction Security are distributed requires approval as set out under the section captioned ''—*Required Consents*.''

*Exceptions*

Subject to the following paragraphs of this ''—*Exceptions*'' section, an amendment, waiver or consent which adversely relates to the express rights or obligations of an Agent, an arranger or the Security Agent (in each case in such capacity) may not be effected without the consent of that Agent, that arranger or the Security Agent (as the case may be) at such time.

The foregoing shall not apply:

- to any release of Transaction Security, claim or liabilities; or
- to any consent,

which, in each case, the Security Agent gives in accordance with the provisions set out in the caption ''—Proceeds of Disposals'' above.

The first paragraph of this ''—*Exceptions*'' section shall apply to an arranger only to the extent that the arranger liabilities are then owed to that arranger.

***Agreement to Override***

Unless expressly stated otherwise in the Intercreditor Agreement, the Intercreditor Agreement overrides anything in the Debt Documents to the contrary.

# DESCRIPTION OF THE SENIOR SECURED NOTES

Norske Skog AS (the ''**Issuer**'') will issue the Senior Secured Notes (throughout this ''*Description of the Senior Secured Notes*'', the ''**Notes**'') under an indenture (the ''**Indenture**'') among the Issuer, Norske Skogindustrier ASA (the ''**Parent Guarantor**''), Norske Treindustrier AS (the ''**First Intermediate Parent Guarantor**''), Norske Skog Holdings AS (the ''**Second Intermediate Parent Guarantor**'' and, together with the Parent Guarantor and the First Intermediate Parent Guarantor, the ''**Parent Guarantors**''), the Subsidiary Guarantors (as defined herein), Citibank, N.A., London Branch, as trustee (in such capacity, the ''**Trustee**''), and as security agent (in such capacity, the ''**Security Agent**''), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended (the ''**U.S. Securities Act**''). Unless the context requires otherwise, references in this ''*Description of the Senior Secured Notes*'' to the Notes include the Notes and any Additional Notes (as defined herein) that are issued. The terms of the Notes include those set forth in the Indenture. The Indenture will not incorporate or include any of the provisions of the U.S. Trust Indenture Act of 1939, as amended.

The Indenture will be subject to the terms of the Intercreditor Agreement (as defined herein) and any Additional Intercreditor Agreements (as defined below). The terms of the Intercreditor Agreement are important to understanding the relative ranking of indebtedness and security, the ability to make payments in respect of indebtedness, procedures for undertaking enforcement action, subordination of certain indebtedness, turnover obligations, release of Security Interests (as defined herein) and Note Guarantees (as defined herein), and the payment waterfall for amounts received by the Security Agent. See ''*Description of Other Indebtedness—Intercreditor Agreement*'' for a description of the material terms of the Intercreditor Agreement.

This ''*Description of the Senior Secured Notes*'' is intended to be an overview of the material provisions of the Notes and the Indenture and refers to the Security Documents (as defined herein) and the Intercreditor Agreement. Since this description of the terms of the Notes is only a summary, you should refer to the Notes, the Indenture, the Security Documents and the Intercreditor Agreement for complete descriptions of the obligations of the Issuer and the Guarantors and your rights.

Certain defined terms used in this description but not defined below under ''*—Certain Definitions*'' have the meanings assigned to them in the Indenture. You can find the definitions of certain terms used in this description under the subheading ''*—Certain Definitions*''. In this description, the term ''Issuer'' refers only to Norske Skog AS, and not to any of its Subsidiaries.

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

## Brief Description of the Notes

### *The Notes*

The Notes will, upon issuance:

- be general senior obligations of the Issuer, secured as set forth under ''*—Security*'';
- rank *pari passu* in right of payment with any existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes;
- rank senior in right of payment to any existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- be effectively subordinated to any existing or future Indebtedness or obligation of the Issuer and its Subsidiaries that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness;
- be guaranteed by the Guarantors; and
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of the Issuer that are not Guarantors, including obligations to trade creditors.

Under the terms of the Intercreditor Agreement, the holders of the Notes will receive proceeds from the enforcement of the Collateral only after certain super senior priority obligations, including certain Hedging Obligations, have been repaid in full.

***The Note Guarantees***

The Notes will be guaranteed (each such guarantee, a ''**Note Guarantee**'') by the Guarantors. In addition, if required by the covenant described under ''—*Certain Covenants—Limitations on Issuances of Guarantees of Indebtedness*,'' certain other Restricted Subsidiaries may provide a Note Guarantee in the future.

The Note Guarantee of each Guarantor will:

- be a general senior obligation of that Guarantor, secured as set forth under ''—*Security*'';
- rank *pari passu* in right of payment with any existing and future Indebtedness of that Guarantor that is not subordinated in right of payment to such Note Guarantee;
- rank senior in right of payment to any existing and future Indebtedness of such Guarantor that is expressly subordinated in right of payment to such Note Guarantee; and
- be effectively subordinated to any existing or future Indebtedness or obligation of such Guarantor that is secured by property and assets that do not secure such Note Guarantee, to the extent of the value of the property and assets securing such Indebtedness.

The Note Guarantees will be subject to certain limitations, including, among other things, general statutory limitations, capital maintenance, financial assistance, corporate benefit, fraudulent preference, ''thin capitalization'' rules, retention of title claims and similar principles.

**Principal, Maturity and Interest**

The Issuer issued €290,000,000 in aggregate principal amount of Notes in exchange for an equal aggregate principal amount of Temporary Notes. The Issuer may issue additional Notes (''**Additional Notes**'') under the Indenture from time to time after this offering. Any issuance of Additional Notes is subject to all of the covenants in the Indenture, including the covenant described below under the caption ''—*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*''. The Notes and any Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise provided in the Indenture. The Issuer will issue Notes in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will mature on December 15, 2019 and will be repayable at par.

Interest on the Notes will accrue at the rate of 11.75% per annum. Interest on the Notes will be payable semi-annually in arrears on June 15 and December 15, commencing on June 15, 2015. Interest on overdue principal and interest, including Additional Amounts, if any, will accrue at a rate that is 1% higher than the interest rate on the Notes. The Issuer will make each interest payment to the holders of record on the immediately preceding June 1 and December 1.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

**Paying Agent and Registrar for the Notes**

The Issuer will maintain one or more paying agents (each, a ''**Paying Agent**'') for the Notes in the City of London. The Issuer will ensure that it maintains a Paying Agent in a member state of the Pre-Expansion European Union that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC (as amended from time to time) or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, such directive. The initial Paying Agent will be Citibank, N.A., London Branch in London.

The Issuer will also maintain one or more registrars (each, a ''**Registrar**'') with offices in London. The Issuer will also maintain a transfer agent in London. The initial Registrar will be Citibank, N.A., London Branch. The initial transfer agent will be Citibank, N.A., London Branch. The Registrar and the transfer agent will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time and will make payments on and facilitate transfers of Definitive Registered Notes on the behalf of the Issuer.

The Issuer may change the Paying Agents, the Registrars or the transfer agents without prior notice to the holders. For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or transfer agent in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange.

**Note Guarantees**

***General***

The obligations of the Issuer pursuant to the Notes, including any payment obligation resulting from a Change of Control, will be guaranteed, jointly and severally on a senior basis, by the Guarantors.

As of and for the year ended December 31, 2014, the Guarantors accounted for 108% of the Parent Guarantor's consolidated EBITDA and held 89% of the Parent Guarantor's total assets. For information on the calculation of EBITDA, see ''*Presentation of Financial and Other Information—Non-IFRS and Other Financial Measures*''.

Each Note Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the U.S. Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Note Guarantee. See ''*Risk Factors—Risks Related to the Notes and the Guarantees—Fraudulent conveyance laws and other limitations on the enforceability and the amount of the Guarantees and the Security Interests may adversely affect their validity and enforceability*.'' and ''*Limitations on Validity and Enforceability of the Guarantees and the Security Interests*''.

A substantial portion of the operations of the Issuer will be conducted through its Restricted Subsidiaries. Claims of creditors of non-Guarantor Restricted Subsidiaries, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred and minority stockholders (if any) of those Restricted Subsidiaries generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including holders of the Notes. The Notes and each Note Guarantee therefore will be effectively subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of Restricted Subsidiaries of the Issuer (other than the Guarantors). Although the Indenture will limit the incurrence of Indebtedness, Disqualified Stock and preferred stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture does not impose any limitation on the incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or preferred stock under the Indenture. See ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*''.

***Note Guarantees Release***

The Note Guarantee of a Guarantor will terminate and be released upon:

- with respect to a Subsidiary Guarantor, a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a direct or indirect holding company), or the sale or disposition of all or substantially all the assets of the Guarantor, if the sale or other disposition does not violate the Indenture (including, without limitation, the covenant described under the captions ''*Repurchase at the Option of Holders—Change of Control*'' and ''*Merger, Consolidation or Sale of Assets*'') and the Guarantor ceases to be a Restricted Subsidiary of the Parent Guarantor as a result of the sale or other disposition;
- the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;
- legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in ''*—Legal Defeasance and Covenant Defeasance*'' and ''*—Satisfaction and Discharge*'';
- in accordance with an enforcement action pursuant to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;

- as described under ''—*Amendment, Supplement and Waiver*'';
- as described in the second paragraph of the covenant described below under ''—*Certain Covenants—Limitations on Issuances of Guarantees of Indebtedness*''; or
- as a result of a transaction permitted by ''—*Certain Covenants—Merger, Consolidation or Sale of Assets*''.

The Trustee shall take all necessary actions reasonably requested by the Issuer, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee without the consent of the holders or any other action or consent on the part of the Trustee.

**Transfer and Exchange**

Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by one or more global Notes in registered form without interest coupons attached (the ''**144A Global Notes**''), and Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by one or more global Notes in registered form without interest coupons attached (the ''**Reg S Global Notes**'' and together with the 144A Global Notes, the ''**Global Notes**'').

Ownership of interests in the Global Notes (the ''**Book-Entry Interests**'') will be limited to persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under ''*Transfer Restrictions*''. In addition, transfers of Book-Entry Interests between participants in Euroclear or Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in each 144A Global Note, may be transferred to a person who takes delivery in the form of Book-Entry Interests in the applicable Reg S Global Note, only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act.

Book-Entry Interests in each Reg S Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the applicable 144A Global Note only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a ''qualified institutional buyer'' within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under ''*Transfer Restrictions*'' and in accordance with any applicable securities laws of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the applicable Registrar of instructions relating thereto and any certificates and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under ''*Transfer Restrictions*''.

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof, to persons who take delivery thereof in the

form of Definitive Registered Notes. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, furnish certain certificates and opinions and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any Taxes payable in connection with such transfer or exchange.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Definitive Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

**Security**

***General***

On the Issue Date, the Notes will be secured by a first-ranking security interest in all issued share capital of the First Intermediate Parent Guarantor, the Second Intermediate Parent Guarantor, the Issuer, the Subsidiary Guarantors, Norske Skog Walsum GmbH and Lysaker Invest AS.

Subject to the other paragraphs of this section, on the Issue Date, the Notes will also be secured by a first-ranking security interest in:

(1) the land, plant and machinery at the Boyer and Albury mills owned by Norske Skog Paper Mills (Australia) Ltd;

(2) the land, plant and machinery at the Tasman mill owned by the New Zealand Guarantor (which will be registered in favor of the holders of the Notes promptly following the removal of a caveat on the land title subsequent to the conclusion of an ongoing lease negotiation);

(3) all of the bank accounts of Norske Skog Paper Mills (Australia) Ltd and the New Zealand Guarantor;

(4) all of the inventory of Norske Skog Paper Mills (Australia) Ltd and the New Zealand Guarantor;

(5) all of the other assets of Norske Skog Paper Mills (Australia) Ltd and the New Zealand Guarantor; and

(6) all intercompany loans and receivables (excluding receivables relating to the Parent Guarantor's cash pooling arrangements) between any Parent Guarantor or any Excluded Entity, as lender or obligee, and the Issuer or any of its Restricted Subsidiaries, as borrower or obligor.

The security over any bank accounts, intellectual property and proceeds of inventory and receivables held by the Australian Guarantors will recognize that the Australian Guarantors may deal freely with those assets as part of their operations and that there may be existing prior-ranking security over those assets (or prior-ranking security may in the future be created over those assets). In addition, the Australian Guarantors will be permitted to deal in certain surplus land and redundant plant and equipment without restriction.

Subject to the other paragraphs of this section, the Notes will be secured by a second-ranking security interest in:

(1) all of the land in New South Wales covered by the mortgages pledged to News Limited to secure the obligations of Norske Skog Paper Mills (Australia) Ltd and Norske Skog (Australasia) Pty Limited under the Newsprint Supply and Recovered Paper Agreement with News Limited, which second-ranking security interest will become a first-ranking security interest upon repayment of Norske Skog (Australasia) Pty Limited's obligations under the agreement in July 2015; and

(2) all of the land in Tasmania covered by the mortgages pledged to Bis Industries Limited to secure Norske Skog Paper Mills (Australia) Limited's obligations under its Limited Services Agreement with Bis Industries Limited, which second-ranking security interest will become a first-ranking security

interest upon repayment of the amounts due to Bis Industries Limited if such repayment occurs prior to the maturity of the Notes; and

(3) Norske Skog (Australasia) Pty Limited's non-Vantage receivables which are subject to prior-ranking security under its factoring arrangements with Bibby Financial Services.

Following the repayment of the loans outstanding under Norske Skog Paper Mills (Australia) Limited's Loan Agreement with the State of Tasmania, which are scheduled to mature in January 2017, the Indenture will provide that the Issuer will cause the Notes and the Note Guarantees to be secured by a first-ranking security interest in the land and standing timber stock in Tasmania owned by Norske Skog Paper Mills (Australia) Limited, which is presently charged to the State of Tasmania to secure amounts outstanding under the existing charge and Loan Agreement. See ''*Description of Other Indebtedness—Tasmanian Government Loan*''.

Notwithstanding the foregoing, the Australian Guarantors will have 90 days following the Issue Date to execute and register all real property mortgages and caveats with respect to their real property assets securing their obligations under the Notes.

Subject to certain conditions, including compliance with the covenants described under ''*—Certain Covenants—Impairment of Security Interest*'' and ''*—Certain Covenants—Liens*,'' the Parent Guarantor and its Restricted Subsidiaries will be permitted to grant security over the Collateral in connection with future issuances of Indebtedness, including Additional Notes, as permitted under the Indenture.

The Collateral will be pledged pursuant to the Security Documents to the Security Agent on behalf of the holders of the Notes and holders of the other secured obligations that are secured by the Collateral. Any other security interests that may in the future be granted to secure obligations under the Notes, any Note Guarantees and the Indenture would also constitute Collateral.

Notwithstanding the foregoing, certain assets may not be secured or such security perfected in accordance with the Agreed Security Principles, including (without limitation):

- if the cost of providing security is not proportionate to the benefit accruing to the holders and the other secured parties;
- if providing such security requires consent of a third party and, if the asset is material, such consent cannot be obtained after the use of reasonable endeavors;
- if providing such security would be prohibited by applicable law, general statutory limitations, financial assistance, corporate benefit, fraudulent preference, ''thin capitalization'' rules or similar matters or entering into the Security Documents would conflict with the fiduciary duties of directors, contravene any legal or regulatory prohibition or result in a risk of personal or criminal liability on the part of directors or officers; and
- if perfecting such security would have an unreasonable adverse effect on the ability of the security grantor to conduct its operations and business in the ordinary course as otherwise permitted by this Indenture.

The assets that comprise the Collateral may also secure on a first-ranking basis certain future Hedging Obligations, certain of which may be entitled to payment from the proceeds of an enforcement of the Collateral in priority to the Notes, and may also secure any Additional Notes and certain future other Indebtedness. The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the holders of the Notes.

No appraisals of the Collateral have been made in connection with the issuance of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See ''*Risk Factors—Risks Related to the Collateral—The Senior Secured Notes will be secured only to the extent of the value of the assets that have been granted as security for the Senior Secured Notes*.''

***Priority***

The relative priority with regard to the security interests in the Collateral that are created by the Security Documents (the ''**Security Interests**'' and each, a ''**Security Interest**'') as between (a) the counterparties under certain Hedging Obligations, (b) the Trustee, the Security Agent and the holders of the Notes under the Indenture, and (c) the creditors of certain other Indebtedness permitted to be

secured by the Collateral, respectively, is established by the terms of the Intercreditor Agreement, the Indenture and the Security Documents, which provide, among other things, that the obligations under certain Hedging Obligations and the Notes are secured equally and ratably by a first-priority Security Interest; however, under the terms of the Intercreditor Agreement, the holders of Notes will only receive proceeds from the enforcement of the Collateral after certain super senior priority obligations, including certain Hedging Obligations, have been paid in full. See ''*Description of Other Indebtedness—Intercreditor Agreement.*'' In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. See ''*—Release of Liens,'' ''—Certain Covenants—Impairment of Security Interest*'' and ''*—Certain Definitions—Permitted Collateral Liens.*''

***Security Documents***

Under the Security Documents, the Issuer and the Guarantors will grant security over the Collateral to secure the payment when due of the Issuer's and the Guarantors' payment obligations under the Notes, the Note Guarantees and the Indenture. The Security Documents will be entered into by the relevant security provider and the Security Agent as agent and, in relation to the Australian and New Zealand security documents, security trustee for the secured parties. When entering into the Security Documents, the Security Agent will act in its own name, but for the benefit of the secured parties (including itself, the Trustee and the holders of Notes from time to time). Under the Intercreditor Agreement, the Security Agent will also act as an agent and, in relation to the Australian and New Zealand security documents, security trustee, of the counterparties under certain Hedging Obligations in relation to the Security Interests created in favor of such parties.

The Indenture will provide that, to the extent permitted by applicable law, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee and the holders of the Notes. As a consequence of such contractual provisions, holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee under the Indenture, who will (subject to the provisions of the Indenture and the Intercreditor Agreement) provide instructions to the Security Agent.

The Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Notes and the Indenture, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Notes and the Indenture have been discharged. However, the Security Interests with respect to the Notes and the Indenture may be released under certain circumstances as provided under ''*—Release of Liens*.''

In the event that the Parent Guarantor or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement was successful, the holders may not be able to recover any amounts under the Security Documents. See ''*Risk Factors—Risks Related to the Notes and the Guarantees*'' and ''*—Risks Related to the Collateral*.''

***Enforcement of Security Interest***

The Indenture and the Intercreditor Agreement will restrict the ability of the holders or the Trustee to enforce the Security Interests and will provide for the release of the Security Interests created by the Security Documents in certain circumstances upon enforcement by certain hedge counterparties. These limitations are described under ''*Description of Other Indebtedness—Intercreditor Agreement''* and *''Limitations on Validity and Enforceability of the Guarantees and the Security Interests.*'' The ability to enforce the Security Interests may also be restricted by similar arrangements in relation to future Indebtedness that is secured on the Collateral in compliance with the Indenture and the Intercreditor Agreement.

***Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound***

The Indenture will provide that the Parent Guarantor, its Restricted Subsidiaries and the Trustee will be authorized (without any further consent of the holders of the Notes) to enter into the Intercreditor Agreement to give effect to the provisions described in the section entitled ''*Description of Other Indebtedness—Intercreditor Agreement*''.

The Indenture will also provide that each holder of the Notes, by accepting such Note, will be deemed to have:

(1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents;

(2) agreed to be bound by the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents; and

(3) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents.

See the sections entitled ''*Risk Factors—Risks Related to the Collateral—The Security Interests in the Collateral will not be granted directly to the holders of the Senior Secured Notes.*'' and ''*Description of Other Indebtedness—Intercreditor Agreement''.*

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the covenant described under ''*—Certain Covenants—Additional or Amended Intercreditor Agreements''.*

### *Release of Liens*

The Parent Guarantor and its Restricted Subsidiaries will be entitled to release the Security Interests in respect of the Collateral under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of Collateral to a Person that is not the Parent Guarantor or a Restricted Subsidiary (but excluding any transaction subject to ''*—Certain Covenants—Merger, Consolidation or Sale of Assets*''), if such sale or other disposition does not violate the covenant described under ''*—Repurchase at the Option of Holders—Asset Sales*'' or is otherwise permitted in accordance with the Indenture, but only in respect of the assets sold or otherwise disposed of;

(2) in the case of a Guarantor that is released from its Note Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) as described under ''*—Amendment, Supplement and Waiver*'';

(4) upon payment in full of principal, interest and all other obligations on the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in ''*—Legal Defeasance and Covenant Defeasance*'' and ''*—Satisfaction and Discharge*'';

(5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary; or

(6) as otherwise permitted in accordance with the Indenture.

In addition, the Security Interests created by the Security Documents will be released (a) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as may be permitted by the covenant described under ''*—Certain Covenants—Impairment of Security Interest*''.

The Security Agent and the Trustee (but only if required) will take all necessary action reasonably requested by the Issuer to effectuate any release of Collateral securing the Notes and the Note Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document.

Each of the releases set forth above shall be effected by the Security Agent without the consent of the holders or any action on the part of the Trustee (unless action is required by it to effect such release).

### **Additional Amounts**

All payments made by or on behalf of the Issuer or any Guarantors under or with respect to the Notes (whether or not in the form of Definitive Registered Notes) or any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on

account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor is then incorporated or organized, engaged in business or otherwise resident for tax purposes or any political subdivision thereof or therein or (2) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any subsequent Guarantor (including, without limitation, the jurisdiction of any Paying Agent) or any political subdivision thereof or therein (each of (1) and (2), a "**Tax Jurisdiction**") will at any time be required to be made from any payments under or with respect to the Notes or any Note Guarantee, including, without limitation, payments of principal, redemption price, purchase price, interest or premium, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received in respect of such payments by each holder of Notes after such withholding, deduction or imposition (including any such withholding, deduction or imposition from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided*, *however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes that would not have been imposed or levied but for the existence of any present or former connection between the holder or the beneficial owner of the Notes and the relevant Tax Jurisdiction (including, without limitation, being a citizen, national or resident of such Tax Jurisdiction for tax purposes or having been engaged in a trade or business, being, or having been, physically present in or having had a permanent establishment in such Tax Jurisdiction), other than the acquisition or holding of such Note, the exercise or enforcement of rights under such Note or the Indenture or under a Note Guarantee or the receipt of any payments in respect of such Note or a Note Guarantee;

(2) any Taxes imposed or levied as a result of the presentation of a Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(3) any estate, inheritance, gift, sales, personal property, transfer or similar Taxes;

(4) any Taxes withheld, deducted, imposed or levied on a payment to an individual that are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, such Directive;

(5) any Taxes imposed on or with respect to a payment made to a holder or beneficial owner of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union;

(6) any Taxes payable other than by deduction or withholding from payments made under, or with respect to, the Notes or with respect to any Note Guarantee;

(7) any Taxes imposed, levied or withheld by reason of the failure of the holder or beneficial owner of Notes to comply with any reasonable written request of the Issuer (made at a time that would enable the holder or beneficial owner acting reasonably to comply with that request) to satisfy any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally entitled to provide such certification or documentation;

(8) any combination of items (1) through (7) above.

In addition to the foregoing, the Issuer and the Guarantors will also pay and indemnify the holder of Notes for any present or future stamp, issue, registration, court or documentary Taxes, or any other excise or property Taxes, charges or similar levies (including penalties and interest related thereto) which are levied by any Tax Jurisdiction (or any jurisdiction if such Taxes are required to be paid in connection with the enforcement of the Notes, the Indenture or any other document referred to therein following the occurrence of an Event of Default with respect to the Notes) on the execution, delivery,

issuance, or registration of any of the Notes, the Indenture, any Note Guarantee or any other document or instrument referred to therein, or the enforcement of any of the Notes.

If the Issuer or any Guarantor, as the case may be, will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Note Guarantee, each of, the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee and the Paying Agents on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 45 days prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate(s) must also set forth any other information reasonably necessary to enable the Paying Agents to pay Additional Amounts to holders on the relevant payment date. The Trustee and the Paying Agents shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

The Issuer or the relevant Guarantor will make or cause to be made all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will furnish to the Trustee, within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by such entity. Upon request, copies of Tax receipts or other evidence of payments, as the case may be, will be made available by the Trustee to the holders or beneficial owners of the Notes.

Whenever in the Indenture, the Notes, or in this ''*Description of the Senior Secured Notes*'' there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes or any Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is incorporated, engaged in business for tax purposes or resident for tax purposes or any jurisdiction from or through which such Person makes any payment on the Notes (or any Note Guarantee) and any department or political subdivision thereof or therein.

**Optional Redemption**

At any time prior to February 15, 2017, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes (including Additional Notes) issued under the Indenture, upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 111.75% of the principal amount of the Notes redeemed, in each case, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds of an Equity Offering; *provided* that:

(1) at least 65% of the aggregate principal amount of the Notes originally issued under the Indenture (excluding Notes held by the Parent Guarantor and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such Equity Offering.

At any time prior to February 15, 2017, the Issuer may on any one or more occasions redeem all or a part of the Notes upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding two paragraphs and except pursuant to ''—*Redemption for Changes in Taxes*'', the Notes will not be redeemable at the Issuer's option prior to February 15, 2017.

On or after February 15, 2017, the Issuer may on any one or more occasions redeem all or a part of the Notes upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed, to the applicable date of redemption, if redeemed during the twelve month period beginning on February 15 of the years indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date:

| Redemption Year | Price |
|---|---|
| 2017 | 105.875% |
| 2018 | 102.9375% |
| 2019 and thereafter | 100.000% |

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

### Redemption for Changes in Taxes

The Issuer may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 10 nor more than 60 days' prior notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described in ''—*Selection and Notice*''), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a ''**Tax Redemption Date**'') and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes or any Note Guarantee, the Issuer or relevant Guarantor is or would be required to pay Additional Amounts (but, in the case of the relevant Guarantor, only if such amounts cannot be paid by the Issuer or another Guarantor who can pay such amount without the obligation to pay Additional Amounts), and the Issuer and/or the relevant Guarantors cannot avoid any such payment obligation by taking reasonable measures available (including, making payment through a Paying Agent located in another jurisdiction), and the requirement arises as a result of:

(1) any amendment to, or change in, the laws or any regulations or rulings promulgated thereunder of a relevant Tax Jurisdiction which change or amendment has not been publicly announced as formally proposed before and which becomes effective on or after the date of these listing particulars (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date of these listing particulars, such later date); or

(2) any amendment to, or change in, an official interpretation or application of such laws, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change has not been publicly announced as formally proposed before and which becomes effective on or after the date of these listing particulars (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date of these listing particulars, such later date).

In the case of Additional Amounts required to be paid as a result of the Issuer or the relevant Guarantor conducting business other than in the place of its organization, such amendment or change must be announced and become effective on or after the date in which the Issuer or the relevant Guarantor, as the case may be, begins to conduct business giving rise to the relevant withholding or deduction.

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer or the relevant Guarantor would be obligated to make such payment or withholding if a payment in respect of the Notes or any Note Guarantees were then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee an opinion of independent tax counsel (the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld)) to the effect

that there has been such amendment or change which would entitle the Issuer to redeem the Notes hereunder. In addition, before the Issuer publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee an Officer's Certificate to the effect that it cannot avoid its obligation to pay Additional Amounts by the Issuer taking reasonable measures available to it.

The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders.

The foregoing provisions shall apply (a) to a Guarantor only after such time as such Guarantor is obligated to make at least one payment on the Notes and (b) mutatis mutandis to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a change or amendments occurring after the time such successor Person becomes a party to the Indenture.

For the avoidance of doubt, the implementation of European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such directive will not be a change or amendment for such purposes.

### Mandatory Redemption

The Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

### Repurchase at the Option of Holders

#### *Change of Control*

If a Change of Control occurs, each holder of Notes will have the right to require the Issuer to repurchase all or any part (in integral multiples of €1,000; *provided* that Notes of €100,000 or less may only be redeemed in whole and not in part) of that holder's Notes pursuant to a Change of Control Offer on the terms set forth in the Indenture. In the Change of Control Offer, the Issuer will offer a payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased to the date of purchase (the ''**Change of Control Payment**''), subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Issuer will mail a notice to each holder of the Notes at such holder's registered address or otherwise deliver a notice in accordance with the procedures described under ''*—Selection and Notice*'', stating that a Change of Control Offer is being made and offering to repurchase Notes on the date (the ''**Change of Control Payment Date**'') specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed or delivered, pursuant to the procedures required by the Indenture and described in such notice. The Issuer will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent or tender agent for such Change of Control Offer, as applicable, an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer.

The Paying Agent or tender agent for such Change of Control Offer, as applicable, will promptly mail (or cause to be delivered) to each holder of Notes properly tendered the Change of Control Payment for

such Notes, and the Trustee (or an authentication agent approved by it) will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The ability of the Issuer to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. The future Indebtedness of the Issuer and its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of the Notes of their right to require the Issuer to repurchase the Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the ability of the Issuer to pay cash to the holders of the Notes upon a repurchase may be limited by its then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) a notice of redemption has been given pursuant to the Indenture as described above under the caption ''—*Optional Redemption*'', unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of ''all or substantially all'' of the properties or assets of the Issuer and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase ''substantially all'', there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Issuer to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain.

The provisions under the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the consent of the holders of a majority in principal amount of the Notes prior to the occurrence of the Change of Control.

If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notices relating to the Change of Control Offer in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notices on the official website of the Luxembourg Stock Exchange.

***Asset Sales***

The Parent Guarantor will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:

(1) the Parent Guarantor (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by the Parent Guarantor or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as recorded on the balance sheet of the Parent Guarantor or any Restricted Subsidiary (other than contingent liabilities), that are assumed by the transferee of any such assets and as a result of which the Parent Guarantor and its Restricted Subsidiaries are no longer obligated with respect to such liabilities or are indemnified against further liabilities;

(b) any securities, notes or other obligations received by the Parent Guarantor or any such Restricted Subsidiary from such transferee that are converted by the Parent Guarantor or such Restricted Subsidiary into cash or Cash Equivalents within 90 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion;

(c) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Parent Guarantor and each other Restricted Subsidiary are released from any Guarantee of such Indebtedness in connection with such Asset Sale; and

(d) consideration consisting of Indebtedness of the Parent Guarantor or any Guarantor received from Persons who are not the Parent Guarantor or any Restricted Subsidiary that is cancelled.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale (except (a) when the Net Proceeds from a single transaction or series of related transactions exceeds €20.0 million in aggregate (other than an Asset Sale of the New Zealand Power Plant, the Net Proceeds of which may be applied as set forth in this paragraph) or (b) when such Net Proceeds constitute Excess Cumulative Proceeds (as defined herein)), the Parent Guarantor (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds (at the option of the Parent Guarantor or such Restricted Subsidiary):

(1) to purchase the Notes pursuant to an offer to all holders of the Notes at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to (but not including) the date of purchase (a ''**Notes Offer**'');

(2) to make a capital expenditure; or

(3) any combination of the foregoing.

Pending the final application of any Net Proceeds, the Parent Guarantor (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings in any manner that is not prohibited by the Indenture.

When the aggregate amount of Net Proceeds from (a) Asset Sales that are not applied or invested as provided in the second paragraph of this covenant exceeds €15.0 million (the aggregate amount of Net Proceeds not so applied or invested, ''**Excess Proceeds**''), (b) a single transaction or series of related transactions exceeds €20.0 million in aggregate (other than an Asset Sale of the New Zealand Power Plant, the Net Proceeds of which may be applied as set forth in the second paragraph of this section), or (c) Asset Sales in excess of the Cumulative Asset Sale Threshold exceeds €15.0 million (the ''**Excess Cumulative Proceeds**''), in each case, within ten Business Days thereof, the Issuer will make an offer (an ''**Asset Sale Offer**'') to all holders of Notes and may make an offer to all holders of other Pari Passu Indebtedness to purchase, prepay or redeem with the Excess Proceeds, the Net Proceeds or the Excess Cumulative Proceeds, as applicable, the maximum principal amount of Notes and such other Pari Passu Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds, Net Proceeds or Excess Cumulative Proceeds, as the case may be. The offer price for the Notes in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds, Net Proceeds or the Excess Cumulative Proceeds, as applicable, remain after consummation of an Asset Sale Offer, the Issuer may use those Excess Proceeds, Net Proceeds or Excess Cumulative Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other Pari Passu Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds, Net Proceeds or Excess Cumulative Proceeds so applied, the Notes and such other Pari Passu Indebtedness, if applicable, will be selected to be purchased on a pro

rata basis (or in the manner described under ''—*Selection and Notice*''), based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds, Net Proceeds or Excess Cumulative Proceeds will be reset at zero.

The Issuer will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to a Change of Control Offer or an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Offer or Asset Sale Offer provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control Offer or Asset Sale Offer provisions of the Indenture by virtue of such compliance.

#### *Selection and Notice*

If less than all of the Notes are to be redeemed at any time, the Trustee or the Registrar, as appropriate, will select Notes for redemption on a pro rata basis (or, in the case of Notes issued in global form as discussed under ''*Book-Entry, Delivery and Form*'', based on a method that most nearly approximates a pro rata selection as the Trustee deems fair and appropriate), unless otherwise required by law or applicable stock exchange or depository requirements. The Trustee and the Registrar shall not be liable for selections made by it in accordance with this paragraph.

No Notes shall be redeemed in part if the resulting Note would have a minimum denomination that is less than €100,000. Notices of redemption will be mailed by first class mail at least ten but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

For Notes which are represented by global certificates held on behalf of Euroclear, notices may be given by delivery of the relevant notices to Euroclear for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Notes are listed on the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, any such notice to the holders of the relevant Notes shall also be published in a newspaper having a general circulation in Luxembourg or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange, in connection with any redemption, the Issuer will notify the Luxembourg Stock Exchange of any change in the principal amount of Notes outstanding.

### Certain Covenants

#### *Suspension of Covenants when Notes Rated Investment Grade*

If on any date following the Issue Date:

(1) the Notes have achieved Investment Grade Status; and

(2) no Default or Event of Default shall have occurred and be continuing on such date,

then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (such period, the ''**Suspension Period**''), the covenants specifically listed under the following captions in these listing particulars will no longer be applicable to the Notes and any related default provisions of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries:

(1) ''—*Repurchase at the Option of Holders—Asset Sales*'';

(2) ''—*Restricted Payments*'';

(3) ''—*Incurrence of Indebtedness and Issuance of Preferred Stock*'';

(4) ''—*Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*'';

(5) ''—*Designation of Restricted and Unrestricted Subsidiaries*'';

(6) ''—*Transactions with Affiliates*''; and

(7) clause (4) of the first paragraph of the covenant described under ''—*Merger, Consolidation or Sale of Assets—The Issuer and the Parent Guarantor*''.

Such covenants will not, however, be of any effect with regard to the actions of the Parent Guarantor and the Restricted Subsidiaries properly taken during the continuance of the Suspension Period; *provided* that (1) with respect to Restricted Payments made after any such reinstatement, the amount of Restricted Payments will be calculated as though the covenant described under the caption ''—*Restricted Payments*'' had been in effect prior to, but not during, the Suspension Period and (2) all Indebtedness incurred, or Disqualified Stock or preferred stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to clause (2) of the second paragraph of the caption ''—*Incurrence of Indebtedness and Issuance of Preferred Stock*''. Upon the occurrence of a Suspension Period, the amount of Net Proceeds and Excess Proceeds shall be reset at zero.

There can be no assurance that the Notes will ever achieve or maintain Investment Grade Status.

***Restricted Payments***

The Parent Guarantor will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Parent Guarantor's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Parent Guarantor or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Parent Guarantor's or any of its Restricted Subsidiaries' Equity Interests in their capacity as holders (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Parent Guarantor or any of its Restricted Subsidiaries and other than dividends or distributions payable to the Parent Guarantor or a Restricted Subsidiary);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Parent Guarantor) any Equity Interests of the Parent Guarantor or any direct or indirect parent entity of the Parent Guarantor;

(3) make any principal payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Issuer or any Guarantor (excluding the Notes, any Pari Passu Indebtedness and any intercompany Indebtedness between or among the Parent Guarantor and any of its Restricted Subsidiaries), except (i) a payment of principal at the Stated Maturity thereof or (ii) the purchase, repurchase or other acquisition of Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal installment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase or other acquisition and at a purchase price not to exceed 100% of the principal amount thereof; or

(4) make any Restricted Investment.

(all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as ''**Restricted Payments**''), unless, at the time of any such Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(b) the Issuer would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least €1.00 of additional Senior Indebtedness pursuant to the first paragraph of the covenant described below under the caption ''—*Incurrence of Indebtedness and Issuance of Preferred Stock*''; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Parent Guarantor and its Restricted Subsidiaries since the Issue Date (excluding

Restricted Payments permitted by clauses (2), (3), (5), (6), (9) and (10) of the next succeeding paragraph), is less than the sum, without duplication, of:

(i) 50% of the Consolidated Net Income of the Parent Guarantor for the period (taken as one accounting period) from January 1, 2015 to the end of the Parent Guarantor's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(ii) 100% of the aggregate net cash proceeds and the Fair Market Value of marketable securities received by the Parent Guarantor since the Issue Date as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Parent Guarantor (other than Disqualified Stock and other than net cash proceeds to the extent such net cash proceeds have been used to incur Indebtedness or issue Disqualified Stock or preferred stock pursuant to clause (14) of the second paragraph of ''—*Incurrence of Indebtedness and Issuance of Preferred Stock*'') or from the issue or sale of convertible or exchangeable Disqualified Stock of the Parent Guarantor or convertible or exchangeable debt securities of the Parent Guarantor, in each case that have been converted into or exchanged for Equity Interests of the Parent Guarantor (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Parent Guarantor); *plus*

(iii) to the extent that any Restricted Investment that was made after the Issue Date is (a) sold, disposed of or otherwise cancelled, liquidated or repaid, 100% of the aggregate amount received in cash and the Fair Market Value of the marketable securities received by the Parent Guarantor or any Restricted Subsidiary, or (b) made in an entity that subsequently becomes a Restricted Subsidiary, 100% of the Fair Market Value of the Restricted Investment of the Parent Guarantor and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; *plus*

(iv) to the extent that any Unrestricted Subsidiary of the Parent Guarantor designated as such after the Issue Date is redesignated as a Restricted Subsidiary or is merged or consolidated into the Parent Guarantor or a Restricted Subsidiary, or all of the assets of such Unrestricted Subsidiary are transferred to the Parent Guarantor or a Restricted Subsidiary, the Fair Market Value of the property received by the Parent Guarantor or Restricted Subsidiary or the Parent Guarantor's Restricted Investment in such Subsidiary as of the date of such redesignation, merger, consolidation or transfer of assets, to the extent such investments reduced the restricted payments capacity under this clause (c) and were not previously repaid or otherwise reduced; *plus*

(v) 100% of any dividends or distributions received by the Parent Guarantor or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Parent Guarantor for such period; *plus*

(vi) upon the full and unconditional release of a Restricted Investment constituting a Guarantee made by the Parent Guarantor or one of its Restricted Subsidiaries to any Person (other than the Parent Guarantor or another Restricted Subsidiary of the Parent Guarantor), an amount equal to the amount of such Guarantee to the extent such amount is not otherwise included in the preceding clause (iii) or (iv).

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Indenture;

(2) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Parent Guarantor) of, Equity Interests of the Parent Guarantor (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Parent Guarantor; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded

from clause (c)(ii) of the preceding paragraph and will not be considered to be net cash proceeds from an Equity Offering for purposes of the ''Optional Redemption'' provisions of the Indenture;

(3) the repurchase, redemption, defeasance or other acquisition or retirement for value of (i) Subordinated Indebtedness of the Issuer, any Guarantor or any Restricted Subsidiary with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness or (ii) Existing Parent Notes (other than the Parent Guarantor's 7.125% senior notes due 2033);

(4) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Parent Guarantor or any Restricted Subsidiary held by any current or former officer, director, employee or consultant of the Parent Guarantor or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed €3.0 million in any calendar year (with unused amounts in any calendar year being carried over to succeeding calendar years); and *provided*, *further*, that such amount in any calendar year may be increased by an amount not to exceed the cash proceeds from the sale of Equity Interests of the Parent Guarantor or a Restricted Subsidiary received by the Parent Guarantor or a Restricted Subsidiary during such calendar year, in each case, to members of management, directors or consultants of the Parent Guarantor, any of its Restricted Subsidiaries or any of its direct or indirect parent companies to the extent the cash proceeds from the sale of Equity Interests have not otherwise been applied to the making of Restricted Payments pursuant to clause (c)(ii) of the preceding paragraph or clause (2) of this paragraph;

(5) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(6) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Parent Guarantor or any preferred stock of any Restricted Subsidiary issued on or after the Issue Date in accordance with the covenant described below under the caption ''—*Incurrence of Indebtedness and Issuance of Preferred Stock*'';

(7) the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of the Parent Guarantor;

(8) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Parent Guarantor or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Equity Interests of the Parent Guarantor (other than Disqualified Stock), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Equity Interests of the Parent Guarantor (other than Disqualified Stock); *provided* that the total aggregate amount of Restricted Payments made under this clause (8) does not exceed €2.0 million in any calendar year with unused amounts from such calendar year (but not including unused amounts from any prior calendar year) being available for use during the immediately succeeding calendar year;

(9) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of its Equity Interests (other than the Parent Guarantor or any Restricted Subsidiary) then entitled to participate in such dividends on no more than a pro rata basis;

(10) the payment of any Securitization Fees and purchases of Securitization Assets and related assets pursuant to a Securitization Repurchase Obligation in connection with a Qualified Securitization Financing;

(11) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Indebtedness (1) upon a Change of Control to the extent required by the agreements governing such Subordinated Indebtedness at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness (or such higher amount specified in any such agreements), but only if the Parent Guarantor shall have complied with its obligations under the

covenants described under ''*Repurchase at the Option of Holders—Change of Control*'' and the Parent Guarantor repurchased all Notes tendered pursuant to the offer required by such covenants prior to offering to purchase, purchasing or repaying such Subordinated Indebtedness or (2) if, following an Asset Sale Offer pursuant to which the Parent Guarantor shall have complied with its obligations under the covenant described under ''*Repurchase at the Option of Holders—Asset Sales*'' and repurchased all Notes tendered pursuant to the offer required by such covenant prior to offering to purchase, purchasing or repaying such Subordinated Indebtedness; or

(12) so long as no Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed €5.0 million since the Issue Date.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Parent Guarantor or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. Unsecured Indebtedness shall not be deemed to be subordinate or junior to secured Indebtedness by virtue of its nature as unsecured Indebtedness.

***Incurrence of Indebtedness and Issuance of Preferred Stock***

The Parent Guarantor will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, ''**incur**'') any Indebtedness (including Acquired Debt), and the Parent Guarantor will not, and will not permit any Restricted Subsidiary to, issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided*, *however*, that the Parent Guarantor and its Restricted Subsidiaries may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock and the Restricted Subsidiaries may issue preferred stock, if on the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preferred stock is issued, as the case may be, (1) the Parent Guarantor's Fixed Charge Coverage Ratio for the Parent Guarantor's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preferred stock is issued, as the case may be, would have been at least 2.0 to 1.0, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or preferred stock had been issued, as the case may be, at the beginning of such four-quarter period; and (2) to the extent that the Indebtedness is Senior Indebtedness of the Issuer and its Restricted Subsidiaries, the Parent Guarantor's Consolidated Senior Leverage Ratio for the Parent Guarantor's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred would have been less than 2.75 to 1.0, on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom). Notwithstanding the foregoing, Restricted Subsidiaries of the Parent Guarantor that are not Guarantors may not incur Indebtedness pursuant to this paragraph if, after giving *pro forma* effect to such incurrence or issuance (including *pro forma* application of the net proceeds therefrom), the aggregate amount of Indebtedness of Restricted Subsidiaries that are not Guarantors incurred or issued pursuant to this paragraph would exceed €25.0 million.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, ''**Permitted Debt**''):

(1) the incurrence by the Issuer and any Guarantor of additional Indebtedness under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) not to exceed €10.0 million, *plus* in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) Indebtedness of the Parent Guarantor or any Restricted Subsidiary outstanding on the Issue Date (including the HoldCo Exchange Notes and the HoldCo Exchange Note Guarantees (*provided* that the HoldCo Exchange Note Guarantee of each Subsidiary Guarantor shall be expressly subordinated to the prior payment in full in cash of all Obligations under the Note Guarantee of such Subsidiary Guarantor), but excluding any Indebtedness repaid with the proceeds of the Notes);

(3) the incurrence by the Issuer of Indebtedness represented by the Notes issued on the Issue Date and by the Guarantors of the Note Guarantees;

(4) the Guarantee (a) by the Second Intermediate Parent Guarantor of the Existing 2016 Notes and (b) the Guarantee by any Restricted Subsidiary of the Parent Guarantor of Indebtedness of the Second Intermediate Parent Guarantor on a basis that is subordinated to or *pari passu* with such Guarantor's Guarantee of the HoldCo Exchange Notes;

(5) Permitted Refinancing Indebtedness or Disqualified Stock of the Parent Guarantor or any Restricted Subsidiary and Permitted Refinancing Indebtedness or preferred stock of any Restricted Subsidiary in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge, any Indebtedness, Disqualified Stock and preferred stock (other than intercompany Indebtedness) that was permitted by the Indenture to be incurred by the Parent Guarantor or a Restricted Subsidiary, as the case may be, under the first paragraph of this covenant or clauses (2), (3), (5) or (14) of this paragraph;

(6) the incurrence by the Parent Guarantor or any Restricted Subsidiary of intercompany Indebtedness between or among the Parent Guarantor or any Restricted Subsidiary; *provided* that:

   (a) such Indebtedness must be unsecured and ((i) except in respect of intercompany current liabilities incurred in the ordinary course of business in connection with the cash management operations of the Parent Guarantor and its Restricted Subsidiaries and (ii) only to the extent legally permitted (the Parent Guarantor and its Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)) expressly subordinated to the prior payment in full in cash of all Obligations under the Notes or the Note Guarantees; and

   (b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Parent Guarantor or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Parent Guarantor or a Restricted Subsidiary, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Parent Guarantor or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the issuance by any Restricted Subsidiary to the Parent Guarantor or to any of its Restricted Subsidiaries of preferred stock; *provided* that:

   (a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Parent Guarantor or a Restricted Subsidiary; and

   (b) any sale or other transfer of any such preferred stock to a Person that is not either the Parent Guarantor or a Restricted Subsidiary,

   will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (7);

(8) the incurrence by the Issuer or any Guarantor of Hedging Obligations in the ordinary course of business and not for speculative purposes;

(9) the Guarantee by the Parent Guarantor or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary of the Issuer to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Note Guarantee, then the Guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed; *provided, further,* that the Guarantee of any Indebtedness shall comply with the covenant described under ''—*Limitations on Issuances of Guarantees of Indebtedness*'';

(10) the incurrence by the Parent Guarantor or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, captive insurance companies, bankers' acceptances, performance and surety bonds in the ordinary course of business;

(11) the incurrence by the Parent Guarantor or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within 30 Business Days;

(12) Indebtedness represented by Guarantees of any Management Advances;

(13) Indebtedness incurred in any Qualified Securitization Financing;

(14) so long as no Default or Event of Default has occurred and is continuing, Indebtedness, Disqualified Stock or preferred stock of the Issuer or any Guarantor in an aggregate outstanding principal amount or liquidation preference which, when taken together with any Permitted Refinancing Indebtedness in respect thereof and the principal amount and liquidation preference of all other Indebtedness, Disqualified Stock and preferred stock incurred pursuant to this cause and then outstanding, will not exceed 50% of the net cash proceeds received by the Parent Guarantor from the issuance or sale (other than to a Restricted Subsidiary) of Equity Interests (other than Disqualified Stock) of the Parent Guarantor or from the net cash proceeds of cash contributions made to the common equity capital of the Parent Guarantor, in each case, subsequent to the Issue Date; *provided,* however, that the Parent Guarantor and the Restricted Subsidiaries have not made a Restricted Payment under clause (c)(ii) of the first paragraph or under the second paragraph of the covenant described under the caption ''—*Restricted Payments*'' in reliance thereon;

(15) Indebtedness of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any of its Restricted Subsidiaries or Indebtedness incurred in connection with the acquisition of any Person that becomes a Restricted Subsidiary of the Issuer; *provided*, however, with respect to this clause (15), that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be incurred, the Issuer would have been able to incur €1.00 of additional Senior Indebtedness pursuant to the first paragraph of this covenant after giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (15);

(16) Indebtedness arising from agreements of the Parent Guarantor or a Restricted Subsidiary providing for customary indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Equity Interests of a Subsidiary, *provided* that the maximum liability of the Parent Guarantor and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Parent Guarantor and its Restricted Subsidiaries in connection with such disposition;

(17) Indebtedness of the Parent Guarantor and its Restricted Subsidiaries in respect of (A) letters of credit, surety, performance or appeal bonds, performance or completion guarantees, judgment, advance payment, customs, value added tax or other tax guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers compensation obligations, and (B) any customary cash management, cash pooling or netting or setting off arrangements; *provided*, *however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing;

(18) if the aggregate principal amount of Notes outstanding immediately following the consummation, withdrawal or termination of the Exchange Offer is less than €290,000,000, Indebtedness of the Issuer or any Restricted Subsidiary of the Issuer that is a Guarantor in an aggregate principal amount at any time outstanding, including all Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (18), not to exceed the Applicable First Lien Amount;

(19) if the aggregate principal amount of Notes outstanding immediately following the consummation, withdrawal or termination of the Exchange Offer is less than €290,000,000, Indebtedness of the Issuer or any Restricted Subsidiary of the Issuer that is a Guarantor in an aggregate principal amount at any time outstanding, including all Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (19), not to exceed the Applicable Second Lien Amount;

(20) Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries incurred under governmental-provided or governmental-sponsored loan arrangements (or financings of a similar nature), the proceeds of which Indebtedness shall be used for capital expenditures, in an aggregate principal amount at any time outstanding, including all Indebtedness incurred to renew, refund,

refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (20), not to exceed €10.0 million;

(21) Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries, the proceeds of which Indebtedness shall be used for capital expenditures, in an aggregate principal amount at any time outstanding, including all Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (21), not to exceed €10.0 million; and

(22) Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries, the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Qualified Securitization Financing, including all Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (22).

For purposes of determining compliance with this ''*Incurrence of Indebtedness and Issuance of Preferred Stock*'' covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (22) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Parent Guarantor, in its sole discretion, will be permitted to classify such item of Indebtedness on the date of its incurrence and will only be required to include the amount and type of such Indebtedness in one of such clauses and will be permitted on the date of such incurrence to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in the first and second paragraphs of this covenant from time to time to reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant.

The accrual of interest or preferred stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified Stock or the requalification of commitments or obligations not treated as Indebtedness as of the Issue Date (including, without limitation, capital leases) due to a change in IFRS will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant. For purposes of determining compliance with any euro-denominated restriction on the incurrence of Indebtedness, the euro-equivalent principal amount of Indebtedness denominated in a different currency shall be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred; *provided*, however, that (i) if such Indebtedness denominated in non-euro currency is subject to a Currency Exchange Protection Agreement with respect to the euro the amount of such Indebtedness expressed in euro will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and (ii) the euro-equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date. The principal amount of any Permitted Refinancing Indebtedness incurred in the same currency as the Indebtedness being refinanced will be the euro-equivalent of the Indebtedness refinanced determined on the date such Indebtedness was originally incurred, except that to the extent that:

(1) such euro-equivalent was determined based on a Currency Exchange Protection Agreement, in which case the Permitted Refinancing Indebtedness will be determined in accordance with the preceding sentence; and

(2) the principal amount of the Permitted Refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, in which case the euro-equivalent of such excess will be determined on the date such Permitted Refinancing Indebtedness is being incurred.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Parent Guarantor or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

(1) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

   (i) the Fair Market Value of such assets at the date of determination; and

   (ii) the amount of the Indebtedness of the other Person.

***Liens***

The Parent Guarantor will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien on any of its property or assets (including Capital Stock of any other Person), whether owned on the date of the Indenture or thereafter acquired, securing any Indebtedness, except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens, or (2) if such Lien is not a Permitted Lien, to the extent that all payments due under the Indenture, the Notes and any Note Guarantees are secured on an equal and ratable *pari passu* basis with the Obligations so secured (and if such Obligations so secured are subordinated in right of payment to either the Notes or any Note Guarantee, on a senior priority basis) until such time as such Obligations are no longer secured by a Lien and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien thereby created in favor of the Notes or any such Note Guarantee pursuant to the preceding clause (a)(2) will be automatically and unconditionally released and discharged upon (i) the release and discharge of the initial Lien to which it relates, (ii) in the case of any such Lien in favor of any such Note Guarantee, upon the termination and discharge of such Note Guarantee in accordance with the terms of the Indenture or (iii) any sale, exchange or transfer (other than a transfer constituting a transfer of all or substantially all of the assets of the Parent Guarantor that is governed by the provisions of the covenant described under ''—*Merger, Consolidation or Sale of Assets*'' below) to any Person not an Affiliate of the Parent Guarantor of the property or assets secured by such initial Lien, or of all of the Capital Stock held by the Parent Guarantor or any Restricted Subsidiary in, or all or substantially all the assets of, any Restricted Subsidiary creating such initial Lien.

***Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

The Parent Guarantor will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Parent Guarantor or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Parent Guarantor or any Restricted Subsidiary;

(2) make loans or advances to the Parent Guarantor or any Restricted Subsidiary; or

(3) sell, lease or transfer any of its properties or assets to the Parent Guarantor or any Restricted Subsidiary,

*provided* that (x) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to the Parent Guarantor or any Restricted Subsidiary to other Indebtedness incurred by the Parent Guarantor or any Restricted Subsidiary, in each case, shall not be deemed to constitute such an encumbrance or restriction.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Indebtedness and Credit Facilities as in effect on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date;

(2) the Indenture, the Notes and the Note Guarantees;

(3) agreements (a) governing other Indebtedness permitted to be incurred under the provisions of the covenant described above under the caption ''—*Incurrence of Indebtedness and Issuance of Preferred Stock*'' and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the restrictions therein are not materially less favorable to the holders of the Notes than is customary in comparable financings (as determined in good faith by the Parent Guarantor) or (b) constituting an Additional Intercreditor Agreement;

(4) applicable law, rule, regulation or order or the terms of any license, authorization, concession or permit;

(5) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Parent Guarantor or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

(6) customary non-assignment and similar provisions in contracts, leases, joint venture agreements and licenses entered into in the ordinary course of business;

(7) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;

(8) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the property and assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(9) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(10) Liens permitted to be incurred under the provisions of the covenant described above under the caption ''—*Liens*'' that limit the right of the debtor to dispose of the assets subject to such Liens;

(11) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment), which limitation is applicable only to the assets that are the subject of such agreements;

(12) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into in the ordinary course of business;

(13) any encumbrance or restriction effected in connection with a Qualified Securitization Financing; and

(14) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (13), or in this clause (14); *provided* that the terms and conditions of any such encumbrances or restrictions are no more restrictive in any material respect than those under or pursuant to the agreement so extended, renewed, refinanced or replaced.

***Merger, Consolidation or Sale of Assets***

*The Issuer and the Parent Guarantor*

Neither the Issuer nor the Parent Guarantor will, directly or indirectly: (1) consolidate or merge with or into another Person, or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets as an entirety or substantially as an entirety, in one or more related transactions, to another Person, unless:

(1) either: (a) the Issuer or the Parent Guarantor, as applicable, is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Issuer or the Parent Guarantor) or to which such sale, assignment, transfer, conveyance, lease or other

disposition has been made is an entity organized or existing under the laws of Norway, any member state of the Pre-Expansion European Union, Switzerland, Canada, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger (if other than the Issuer or the Parent Guarantor) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of the Issuer or the Parent Guarantor, as applicable, under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) the Issuer, the Parent Guarantor or the Person formed by or surviving any such consolidation or merger (if other than the Issuer or the Parent Guarantor) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made, as applicable, would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period be permitted to incur at least €1.00 of additional Senior Indebtedness pursuant to the first paragraph of the covenant described above under the caption ''*—Incurrence of Indebtedness and Issuance of Preferred Stock*''; and

(5) the Issuer or the Parent Guarantor delivers to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer's Certificate and opinion of counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture comply with this covenant.

*The Guarantors*

No Guarantor (other than the Parent Guarantor and a Guarantor whose Note Guarantee is to be released in accordance with the terms of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);

(2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into it, unless:

    (A) the other Person is the Issuer or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposal;

    (B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Note Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) and all obligations of the Guarantor under the Security Documents; and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

    (C) the net cash proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Indenture.

The provisions set forth in this ''*Merger, Consolidation or Sale of Assets*'' covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) any Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents and clauses (1) and (4) under the heading ''*—The Issuer and the Parent Guarantor*'' shall apply to such transaction; and (iv) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal

form of such entity; *provided*, however, that clauses (1), (2) and (4) under the heading ''—*The Issuer and the Parent Guarantor*'' or clause (3) under the heading ''—*The Guarantors*,'' as the case may be, shall apply to any such transaction.

***Transactions with Affiliates***

The Parent Guarantor will not, and will not cause or permit any of its Restricted Subsidiaries to, make any payment to or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Parent Guarantor (each, an ''**Affiliate Transaction**'') involving aggregate payments or consideration in excess of €2.5 million, unless:

(1) the Affiliate Transaction is on terms that are no less favorable to the Parent Guarantor or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Parent Guarantor or such Restricted Subsidiary with an unrelated Person; and

(2) the Parent Guarantor delivers to the Trustee:

   (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €7.5 million, a resolution of the Board of Directors of the Parent Guarantor set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Parent Guarantor (or, in the event there is only one such disinterested member, by such disinterested member); and, in addition,

   (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €15.0 million, an opinion of an accounting, appraisal or investment banking firm of international standing, or other recognized independent expert of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series of related transactions is (i) fair from a financial point of view taking into account all relevant circumstances or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreement, collective bargaining agreement, consultant, employee benefit arrangements with any employee, consultant, officer or director of the Parent Guarantor or any Restricted Subsidiary, including under any stock option, stock appreciation rights, stock incentive or similar plans, entered into in the ordinary course of business;

(2) transactions between or among the Parent Guarantor and/or its Restricted Subsidiaries;

(3) transactions with a Person (other than an Unrestricted Subsidiary of the Parent Guarantor) that is an Affiliate of the Parent Guarantor solely because the Parent Guarantor owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) payment of reasonable and customary fees, indemnification and similar arrangements (including the payment of directors' and officers' insurance premiums) and reimbursements of expenses and legal fees (pursuant to indemnity arrangements or otherwise) of officers, directors, employees or consultants of the Parent Guarantor or any of its Restricted Subsidiaries;

(5) any issuance of Equity Interests (other than Disqualified Stock) of the Parent Guarantor to Affiliates of the Parent Guarantor;

(6) any Investment (other than a Permitted Investment) or other Restricted Payment, in either case, that does not violate the provisions of the Indenture described above under the caption ''—*Restricted Payments*'';

(7) any Permitted Investment described in clauses (4), (5), (6), (8), (10), (11) and (14) of the definition thereof;

(8) transactions pursuant to, or contemplated by any agreement in effect on the Issue Date and transactions pursuant to any amendment, modification or extension to such agreement, so long as such amendment, modification or extension, taken as a whole, is not materially more disadvantageous to the holders of the Notes than the original agreement as in effect on the Issue Date;

(9) the entering into any agreement to pay and the payment of Management Advances and the payment of fees and expenses related to the offering as set forth under the caption ''*Use of Proceeds*'';

(10) transactions with customers, client, suppliers or purchasers or sellers of goods or services or providers of employees or other labor, in each case, in the ordinary course of business and otherwise in compliance with the terms of the Indenture that are fair to the Parent Guarantor or the Restricted Subsidiaries, in the reasonable determination of the members of the Board of Directors of the Parent Guarantor or the senior management thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person; and

(11) any transaction effected as part of a Qualified Securitization Financing.

***Payments for Consent***

The Parent Guarantor will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Parent Guarantor and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, to exclude holders of Notes in any jurisdiction where (i) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or (ii) the payment of the consideration therefor would require the Parent Guarantor or any of its Restricted Subsidiaries to file a tender offer statement, registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of Norway or of the European Union or its member states), which the Parent Guarantor in its sole discretion determines (acting in good faith) (A) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction); or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

***Lines of Business***

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Permitted Business, except to such extent as would not be material to the Parent Guarantor and its Restricted Subsidiaries, taken as a whole.

***Limitations on Issuances of Guarantees of Indebtedness***

The Parent Guarantor will not permit any Restricted Subsidiary to, directly or indirectly, Guarantee any Indebtedness in excess of €10.0 million unless such Restricted Subsidiary simultaneously executes and delivers to the Trustee a supplemental indenture providing for a Note Guarantee by such Restricted Subsidiary on a joint and several basis with each other Guarantor (if any), which Note Guarantee shall be senior to or *pari passu* with such Subsidiary's Guarantee of such other Indebtedness, provided that (i) a Restricted Subsidiary's Note Guarantee may be limited in amount to the extent required by fraudulent conveyance, corporate benefit, financial assistance or other similar laws (but, in such a case (A) each of the Parent Guarantor and its Restricted Subsidiaries will use their reasonable best efforts to overcome the relevant legal limit and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant limit and (B) the relevant Note Guarantee shall be given on an equal and ratable basis with the guarantee of any other Indebtedness giving rise to the obligation to Guarantee the Notes), (ii) for so long as it is not permissible under applicable law for a Restricted Subsidiary to become a Guarantor, such Restricted Subsidiary need not

become a Guarantor (but, in such a case, each of the Parent Guarantor and its Restricted Subsidiaries will use their reasonable best efforts to overcome the relevant legal prohibition precluding the giving of the Note Guarantee and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant limit, and shall give such Note Guarantee at such time (and to the extent) that it thereafter becomes permissible) and (iii) no such Note Guarantee will be required as a result of any Guarantee granted in connection with the operation of cash management or cash pooling programs. Upon the execution and delivery of such supplemental indentures, such Restricted Subsidiary shall become a Guarantor.

Notwithstanding the foregoing, any Note Guarantee created pursuant to the provisions described in the first paragraph of this covenant shall provide by its terms that it shall be automatically and unconditionally released and discharged upon (a) (i) such Subsidiary ceasing to be a Restricted Subsidiary (including as a result of any sale, exchange or transfer (including by way of merger or consolidation), to any Person, of all of the Capital Stock of such Restricted Subsidiary) or (ii) a sale, lease, conveyance or other disposition of all or substantially all of the assets of such Restricted Subsidiary, in each case of sub-clauses (i) and (ii), in compliance with the covenant described under ''*Repurchase at the Option of Holders—Asset Sales*'' (including the requirements relating to the application of proceeds) and otherwise in compliance with the Indenture or (b) the release by the holders of the Indebtedness of the Restricted Subsidiary described in the preceding paragraph of their guarantee by such Restricted Subsidiary (including any deemed release upon payment in full of all obligations under such Indebtedness) (but not under the relevant guarantee)), at a time when (i) no other Indebtedness in excess of €10.0 million has been guaranteed by such Restricted Subsidiary; or (ii) the holders of all such other Indebtedness in excess of €10.0 million which is guaranteed by such Restricted Subsidiary also release their guarantee by such Restricted Subsidiary (including any deemed release upon payment in full of all obligations under such Indebtedness (but not under the relevant guarantee)).

If and so long as the Notes are listed on the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Parent Guarantor will publish notice of the release of or the granting of such Note Guarantee in Luxembourg in the manner described below in ''*—Notices*'', at the offices of the Paying Agent or, to the extent and in the manner permitted by such rules, post such reports on the official website of the Luxembourg Stock Exchange.

***Designation of Restricted and Unrestricted Subsidiaries***

The Board of Directors of the Parent Guarantor may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if (1) such designation would not cause a Default and (2) the Issuer would, at the time of such designation, have been permitted to incur at least €1.00 of additional Senior Indebtedness pursuant to the first paragraph of the covenant under the caption ''*—Incurrence of Indebtedness and Issuance of Preferred Stock*''. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Parent Guarantor and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption ''*—Restricted Payments*'' or under one or more clauses of the definition of Permitted Investments, as determined by the Parent Guarantor. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Parent Guarantor may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of the Parent Guarantor as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a copy of a resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption ''*—Restricted Payments*''. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption ''*—Incurrence of Indebtedness and Issuance of Preferred Stock*'', the Parent Guarantor will be in default of such covenant. The Board of Directors of the Parent Guarantor may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a

Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption ''—*Incurrence of Indebtedness and Issuance of Preferred Stock*'', calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence following such designation.

***Holding Company and Excluded Entity Limitations***

None of the Parent Guarantors, any Excluded Entity (other than Norske Skog Walsum GmbH) or the Issuer shall own any assets other than:

(a) assets owned on the Issue Date;

(b) bank accounts and cash, Cash Equivalents, assets owned in connection with cash-pooling arrangements, any Indebtedness of the Parent Guarantor or any Restricted Subsidiary and intellectual property and contractual rights in the ordinary course of business (consistent with past practices on the Issue Date);

(c) with respect to the Parent Guarantor, shares of the First Intermediate Parent Guarantor and intercompany Indebtedness with the First Intermediate Parent Guarantor;

(d) with respect to the First Intermediate Parent Guarantor, shares of the Second Intermediate Parent Guarantor, shares in each Excluded Entity and intercompany Indebtedness with the Second Intermediate Parent Guarantor (to the extent secured as Collateral);

(e) with respect to the Second Intermediate Parent Guarantor, shares of the Issuer and intercompany Indebtedness with the Issuer; and

(f) other assets that are *de minimis* in nature with a fair market value not to exceed, with respect to any such individual Person, €10.0 million in the aggregate.

The Parent Guarantor shall continue to hold directly 100% of the share capital (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by another Person) of the First Intermediate Parent Guarantor. The First Intermediate Parent Guarantor shall continue to hold directly 100% of the share capital (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by another Person) of the Second Intermediate Parent Guarantor. The Second Intermediate Parent Guarantor shall continue to hold directly 100% of the share capital (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by another Person) of the Issuer.

The Parent Guarantor shall cause any Excluded Entity that after the Issue Date is or becomes a Material Subsidiary to execute and deliver a supplemental indenture providing for the Guarantee of the Notes by such Excluded Entity.

***Maintenance of Listing***

The Parent Guarantor will use its commercially reasonable efforts to maintain the listing of the Notes on the Luxembourg Stock Exchange for so long as such Notes are outstanding; *provided* that if at any time the Parent Guarantor determines that it will not maintain such listing, it will obtain prior to the delisting of the Notes from the Luxembourg Stock Exchange, and thereafter use its commercially reasonable efforts to maintain, a listing of such Notes on another recognized stock exchange in Western Europe.

***Reports***

So long as any Notes are outstanding, the Parent Guarantor will furnish to the Trustee:

(1) within 120 days after the end of each of the Parent Guarantor's fiscal years, annual reports containing the following information: (a) an audited consolidated balance sheet of the Parent Guarantor (or any predecessor entity) as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Parent Guarantor for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information of the Parent Guarantor (which need not comply with Article 11 of Regulation S-X under the U.S. Exchange Act), together with explanatory footnotes, for any acquisition or disposition of an entity or business or group of related entities or businesses that have occurred since the

beginning of the most recently completed fiscal year as to which such annual report relates and that, individually or in the aggregate, have Consolidated EBITDA or consolidated assets that represent greater than 20% of the pre-acquisition Consolidated EBITDA or consolidated assets of the Parent Guarantor, in each case for the most recently ended four fiscal quarters for which financial statements are available (unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or clause (3) below (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Parent Guarantor will provide, in the case of a material acquisition, acquired company financials); and (c) an operating and financial review of the audited financial statements with a level of detail that is substantially comparable to that in these listing particulars, including a discussion of the results of operations (including a discussion by business segment), financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies;

(2) within 60 days of each of the first three fiscal quarters in each fiscal year of the Parent Guarantor beginning with the fiscal quarter ending March 31, 2015, quarterly reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods for the Parent Guarantor (or any predecessor entity), together with condensed footnote disclosure; (b) *pro forma* income statement and balance sheet information of the Parent Guarantor (which need not comply with Article 11 of Regulation S-X under the U.S. Exchange Act), together with explanatory footnotes, for any acquisition or disposition of an entity or business or group of related entities or businesses that have occurred since the beginning of the most recently completed fiscal quarter as to which such report relates and that, individually or in the aggregate, have Consolidated EBITDA or consolidated assets that represent greater than 20% of the pre-acquisition Consolidated EBITDA or consolidated assets of the Parent Guarantor, in each case for the most recently ended four fiscal quarters for which financial statements are available (unless such *pro forma* information has been provided in a previous report pursuant to this clause (2) or clause (3) below (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Parent Guarantor will provide, in the case of a material acquisition, acquired company financials)); and (c) an operating and financial review of the unaudited financial statements (including a discussion by business segment), including a discussion of the consolidated financial condition and results of operations of the Parent Guarantor (or any predecessor entity) and any material change between the current quarterly period and the corresponding period of the prior year; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring of the Parent Guarantor and the Restricted Subsidiaries, taken as a whole, or any changes of the Chief Executive Officer, Chief Financial Officer or any senior vice president at the Parent Guarantor or change in auditors of the Parent Guarantor or any other material event that the Parent Guarantor announces publicly, a report containing a description of such event.

*provided*, however, that the reports set forth in clauses (1), (2) and (3) above will not be required to (i) contain any reconciliation to U.S. generally accepted accounting principles or (ii) include separate financial statements for any Guarantors or non-Guarantor Subsidiaries of the Parent Guarantor.

In addition, if the Parent Guarantor has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Parent Guarantor and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Parent Guarantor.

All financial statements shall be prepared in accordance with IFRS. Except as provided for above, no report need include separate financial statements for the Parent Guarantor or Subsidiaries of the Parent Guarantor or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in these listing particulars.

In addition, for so long as any Notes remain outstanding, the Parent Guarantor has agreed that it will furnish to the holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

Contemporaneously with the furnishing of each such report discussed above, the Parent Guarantor will also (a) file a press release with the appropriate internationally recognized wire services in connection with such report and (b) post such report on the Parent Guarantor's website. The Parent Guarantor will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and so long as the Notes are listed on the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, at the offices of the Paying Agent or, to the extent and in the manner permitted by such rules, post such reports on the official website of the Luxembourg Stock Exchange.

***Impairment of Security Interest***

The Parent Guarantor shall not, and shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Liens with respect to the Collateral (it being understood, subject to the proviso below, that the incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Liens with respect to the Collateral) for the benefit of the Trustee and the holders, and the Parent Guarantor shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that (i) the Parent Guarantor and its Restricted Subsidiaries may incur Permitted Collateral Liens and the Collateral may be discharged and released in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement and (ii) the applicable Security Documents may be amended from time to time to cure any ambiguity, mistake, omission, defect, manifest error or inconsistency therein; *provided*, however, that in the case of clauses (i) and (ii) above, except with respect to any discharge or release in accordance with the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of the Parent Guarantor and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate or resolution from the Chief Financial Officer or the Board of Directors of the Parent Guarantor, in form and substance reasonably satisfactory to the Trustee, which confirms the solvency of the Parent Guarantor and its Restricted Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an opinion of counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, released, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to each of the Trustee and the Security Agent being indemnified and secured to its satisfaction) consent to such amendments without the need for instructions from the holders.

***Additional or Amended Intercreditor Agreements***

The Indenture will provide that, at the request of the Issuer, in connection with the incurrence by the Parent Guarantor or its Restricted Subsidiaries of any Indebtedness, the Parent Guarantor, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized representatives) an intercreditor agreement (an ''**Additional Intercreditor Agreement**'') or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the holders), including containing substantially the same terms with respect

to release of Note Guarantees and priority and release of the Security Interests, and to provide, if applicable, for subordinated Indebtedness or Indebtedness secured by a Lien or Liens junior to the Security Interests in respect of the Notes, in each case as permitted by the terms of the Indenture; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement.

The Indenture also will provide that, at the direction of the Issuer and without the consent of holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Parent Guarantor or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or any Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the holders in any material respect. In connection with such matters, the Trustee shall be entitled to receive and rely on absolutely an opinion of counsel and an Officer's Certificate. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under ''—*Amendment, Supplement and Waiver*,'' and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided*, however, that such transaction would not be prohibited by the covenant described under ''—*Restricted Payments*''.

The Indenture also will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement, (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement.

***Further Assurances***

Subject to the Intercreditor Agreement, the Parent Guarantor will, and will procure that each of its Restricted Subsidiaries will, at its own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonably require (1) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents; and (2) if such Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. Subject to the Intercreditor Agreement, the Parent Guarantor will, and will procure that each of its Restricted Subsidiaries will, execute all transfers, conveyances, assignments and releases of such assets, whether to the Security Agent or to its nominees; and give all notices, orders and directions which the Security Agent may, in each case, reasonably request.

**Events of Default and Remedies**

Each of the following is an ''**Event of Default**'':

(1) default for 30 days in the payment when due of interest or Additional Amounts, if any, with respect to the Notes;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;

(3) failure by the Issuer or any Guarantor to comply with the provisions described under the captions ''*—Certain Covenants—Merger, Consolidation or Sale of Assets*''; ''*—Repurchase at the Option of Holders—Change of Control*'' or ''*—Repurchase at the Option of Holders—Asset Sales*'';

(4) failure by the Issuer or the relevant Guarantor for 60 days after written notice to the Issuer by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the agreements in the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents (other than a default in performance, or breach, of covenant or agreement which is specifically dealt with in clauses (1), (2) or (3));

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Parent Guarantor or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Parent Guarantor or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, if that default:

    (a) is caused by a failure to pay principal of such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a ''**Payment Default**''); or

    (b) results in the acceleration of such Indebtedness prior to its express maturity,

    and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates €25.0 million or more;

(6) failure by the Parent Guarantor or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of €25.0 million (exclusive of any amounts that an insurance company has acknowledged liability for), which judgments shall not have been discharged or waived and there shall have been a period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal, waiver or otherwise, shall not have been in effect;

(7) except as permitted by the Indenture (including with respect to any limitations), any Note Guarantee of the Parent Guarantor or a Significant Subsidiary of the Parent Guarantor (or any group of Guarantors that, taken together, would constitute a Significant Subsidiary of the Parent Guarantor) is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or the Issuer, the Parent Guarantor or any Guarantor that is a Significant Subsidiary of the Parent Guarantor (or any group of Guarantors that, taken together, would constitute a Significant Subsidiary of the Parent Guarantor) or any Person acting on behalf of any such Guarantor, denies or disaffirms its obligations under its Note Guarantee;

(8) with respect to Collateral having a fair market value in excess of €25.0 million, (a) any Security Interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or (b) any such Security Interest created thereunder shall be declared invalid or unenforceable or the Parent Guarantor or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for ten days; and

(9) certain events of bankruptcy or insolvency described in the Indenture with respect to the Parent Guarantor or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Issuer and any Guarantor, all principal of, and premium, if any (and including, in any event, an amount that would have been due as Applicable Premium pursuant to the Issuer opting to redeem the Notes under the second paragraph of ''*Optional Redemption*'' had the Notes been redeemed on the relevant acceleration date), interest and any other monetary obligations on the outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all principal of, and premium, if any (and including, in any event, an amount that would have been due as Applicable Premium pursuant to the Issuer opting to redeem the Notes under the second paragraph of ''*Optional Redemption*'' had the Notes been redeemed on the relevant acceleration date), interest and any other monetary obligations in respect of the Notes to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or Additional Amounts or premium, if any.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes unless such holders have offered (and if accepted, provided) to the Trustee indemnity or security (including by way of pre-funding) satisfactory to it against any loss, liability or expense. Except (subject to the provisions described under ''*—Amendment, Supplement and Waiver*'') to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding Notes have requested the Trustee to pursue the remedy;

(3) such holders have offered the Trustee reasonable security or indemnity against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of not less than a majority in aggregate principal amount of the Notes outstanding may, on behalf of the holders of all outstanding Notes, waive any past default under the Indenture and its consequences, except a continuing default in the payment of the principal of, premium, if any, any Additional Amounts or interest on any Note held by a non-consenting holder (which may only be waived with the consent of each holder of Notes affected).

The Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Indenture.

**No Personal Liability of Directors, Officers, Employees and Stockholders**

No director, officer, employee, incorporator or stockholder of the Issuer or any of their shareholders or Affiliates, as such, will have any liability for any obligations of the Issuer or the Guarantors under the Notes, the Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under applicable securities laws.

**Legal Defeasance and Covenant Defeasance**

The Issuer may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate, elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of any Guarantors discharged with respect to their Note Guarantees (''**Legal Defeasance**'') except for:

(1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest (including Additional Amounts) or premium, if any, on, such Notes when such payments are due from the trust referred to below;

(2) the Issuer's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's and the Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Indenture (''**Covenant Defeasance**'') and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, all Events of Default described under ''—*Events of Default and Remedies*'' (except those relating to payments on the Notes or, solely with respect to the Issuer, bankruptcy or insolvency events) will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuer must irrevocably deposit with the Trustee or another entity designated by the Trustee for this purpose, in trust, for the benefit of the holders of the Notes, cash in euros, non-callable Euro Government Obligations or a combination of cash in euros and non-callable Euro Government Obligations, in amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest (including Additional Amounts and premium, if any) on the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuer must deliver to the Trustee an opinion of United States counsel reasonably acceptable to the Trustee confirming that (a) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee an opinion of United States counsel reasonably acceptable to the Trustee confirming that the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) the Issuer must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer or others; and

(5) the Issuer must deliver to the Trustee an Officer's Certificate and an opinion of counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

**Amendment, Supplement and Waiver**

Except as provided otherwise in the succeeding paragraphs, the Indenture, the Notes and any Note Guarantee may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture, the Notes and the Note Guarantees may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); *provided* that, if any amendment, waiver or other modification will only affect one series of the Notes, only the consent of a majority in principal amount of the then outstanding Notes of such series shall be required.

Unless (i) consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Notes or (ii) consented to by each holder of Notes adversely affected thereby (in each case including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), an amendment, supplement or waiver may not:

(1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described above under the caption ''*—Repurchase at the Option of Holders*'');

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(4) impair the right of any holder of Notes to receive payment of principal of and interest on such holder's Notes on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such holder's Notes or any Guarantee in respect thereof;

(5) waive a Default or Event of Default in the payment of principal of, or interest, Additional Amounts or premium, if any, on, the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the Payment Default that resulted from such acceleration);

(6) make any Note payable in money other than that stated in the Notes;

(7) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, the Notes;

(8) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the caption ''*—Repurchase at the Option of Holders*'');

(9) release any security interests granted for the benefit of the holders in the Collateral other than in accordance with the terms of the Notes, Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement or the Indenture;

(10) release any Guarantor from any of its obligations under its Note Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement or any Additional Intercreditor Agreement;

(11) make any change to the ranking or priority of the Notes; or

(12) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of Notes, the Issuer, any Guarantors, the Trustee and the Security Agent (as applicable) may amend or supplement the Indenture, the Notes and any Note Guarantee:

(1) to cure any ambiguity, defect or inconsistency that is not adverse to holders of the Notes;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the U.S. Internal Revenue Code (the ''**Code**''), or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code);

(3) to provide for the assumption of the Issuer's or a Guarantor's obligations to holders of Notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as applicable;

(4) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder in any material respect;

(5) to conform the text of the Indenture, the Security Documents, the Notes or the Note Guarantees to any provision of this ''*Description of the Senior Secured Notes*'' to the extent that such provision in this ''*Description of the Senior Secured Notes*'' was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Note Guarantees;

(6) to release any Note Guarantee in accordance with the terms of the Indenture;

(7) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the Issue Date;

(8) to allow any Person to execute a Guarantee with respect to the Notes and/or a supplemental indenture in connection therewith;

(9) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document;

(10) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the holders, in any property which is required by the Security Documents to be mortgaged, pledged or hypothecated, or in which a Security Interest is required to be granted to the Security Agent, or to the extent necessary to grant a Security Interest in the Collateral for the benefit of any Person; *provided* that the granting of such Security Interest is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under ''*—Certain Covenants—Impairment of Security Interest*'' is complied with; or

(11) as provided in ''*—Certain Covenants—Additional or Amended Intercreditor Agreements*''.

The consent of the holders of Notes is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

In connection with such matters, the Trustee shall be entitled to receive and rely on absolutely an opinion of counsel and an Officer's Certificate.

**Satisfaction and Discharge**

The Indenture, and the rights of the Trustee and the holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents, will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1) either:

  (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Trustee for cancellation; or

  (b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee or another entity designated by the Trustee for this purpose as trust funds in trust solely for the benefit of the holders, cash in euros, non-callable Euro Government Obligations or a combination of cash in euros and non-callable Euro Government Obligations, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee or such entity for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(2) the Issuer or any Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and

(3) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver an Officer's Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

**Judgment Currency**

Any payment on account of an amount that is payable in euros which is made to or for the account of any holder or the Trustee in lawful currency of any other jurisdiction (the ''**Judgment Currency**''), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer or any Guarantor, shall constitute a discharge of the Issuer or the Guarantor's obligation under the Indenture and the Notes or Note Guarantee, as the case may be, only to the extent of the amount of euros with such holder or the Trustee, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of euros that could be so purchased is less than the amount of euros originally due to such holder or the Trustee, as the case may be, the Issuer and the Guarantors shall indemnify and hold harmless the holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture or the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

**Concerning the Trustee**

The Issuer shall deliver written notice to the Trustee within 30 days of becoming aware of the occurrence of a Default or an Event of Default. The Trustee will be permitted to engage in transactions with the Issuer and any Guarantor; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security and/or indemnity (including by way of pre-funding) satisfactory to it against any loss, liability or expense.

The Issuer and the Guarantors jointly and severally will indemnify the Trustee for certain claims, liabilities and expenses incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with its duties.

**Listing**

Application has been made to list the Notes on the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market.

**Additional Information**

Anyone who receives these listing particulars may, following the Issue Date, obtain a copy of the Indenture, without charge by writing to the Issuer, at Karenlyst allé 40, N-0279 Oslo, Norway.

So long as the Notes are listed on the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange shall so require, copies, current and future, of all of the Issuer's annual audited consolidated financial statements and the Issuer's unaudited consolidated interim financial statements may be obtained, free of charge, during normal business hours at the offices of the Paying Agent or, to the extent and in the manner permitted by such rules, on the official website of the Luxembourg Stock Exchange.

### Governing Law

The Indenture, the Notes and the Note Guarantees will be governed by, and construed in accordance with, the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder will be governed by, and construed in accordance with, the laws of England and Wales. The Security Documents will be governed by the laws of the jurisdictions in which the assets and property comprising the Collateral are located. The provisions of Articles 86 to 94-8 of the Luxembourg Law of 10 August 1915, as amended on commercial companies, are excluded.

### Consent to Jurisdiction and Service of Process

The Indenture will provide that the Issuer and each Guarantor will appoint Corporate Service Company as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Note Guarantees brought in any U.S. federal or New York State court located in the Borough of Manhattan, The City of New York and will submit to such jurisdiction.

### Enforceability of Judgments

Since a substantial portion of the assets of the Issuer and the Guarantors are outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, may not be collectable within the United States. See ''*Service of Process and Enforcement of Certain Liabilities*''.

### Prescription

Claims against the Issuer or any Guarantor for the payment of principal or Additional Amounts, if any, on the Notes, will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed six years after the applicable due date for payment of interest.

### Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

''**Acquired Debt**'' means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

''**Affiliate**'' of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, ''control,'' as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms ''controlling,'' ''controlled by'' and ''under common control with'' have correlative meanings.

''**Agreed Security Principles**'' means the agreed security principles as set out in an annex to the Indenture as in effect on the Issue Date, as applied reasonably and in good faith by the Issuer.

''**Applicable Premium**'' means, with respect to any Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of the Note; or

(2) the excess of:

   (a) the present value at such redemption date of (i) the redemption price of the Note at February 15, 2017 (as set forth under the caption ''*—Optional Redemption*'') plus (ii) all required interest payments due on the Note through February 15, 2017 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points; over

   (b) the principal amount of the Note;

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer may engage.

''**Applicable First Lien Amount**'' means €290,000,000 minus the greater of (i) €235,000,000 and (ii) the aggregate principal amount of Notes outstanding immediately following the consummation of the Exchange Offer.

''**Applicable Second Lien Amount**'' means €235,000,000 minus the aggregate principal amount of Notes outstanding immediately following the consummation of the Exchange Offer, but not less than zero.

''**Asset Sale**'' means:

(1) the sale, lease, conveyance or other disposition of any assets by the Parent Guarantor or any of its Restricted Subsidiaries; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Parent Guarantor and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption ''*—Repurchase at the Option of Holders—Change of Control*'' and/or the provisions described above under the caption ''*—Certain Covenants—Merger, Consolidation or Sale of Assets*'' and not by the provisions described under the caption ''*—Repurchase at the Option of Holders—Asset Sales*''; and

(2) the issuance of Equity Interests by any Restricted Subsidiary or the sale by the Parent Guarantor or any of its Restricted Subsidiaries of Equity Interests in any of the Restricted Subsidiaries (in each case, other than directors' qualifying shares).

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than €2.0 million;

(2) a transfer of assets or Equity Interests between or among the Parent Guarantor and any Restricted Subsidiary;

(3) an issuance of Equity Interests by a Restricted Subsidiary to the Parent Guarantor or to a Restricted Subsidiary;

(4) the sale, lease or other transfer of accounts receivable, inventory or other assets in the ordinary course of business and any sale or other disposition of damaged, worn-out or obsolete assets or assets that are no longer useful in the conduct of the business of the Parent Guarantor and its Restricted Subsidiaries;

(5) licenses and sublicenses by the Parent Guarantor or any of its Restricted Subsidiaries in the ordinary course of business;

(6) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(7) the granting of Liens not prohibited by the covenant described above under the caption ''*—Liens*'';

(8) the sale or other disposition of cash or Cash Equivalents;

(9) a Restricted Payment that does not violate the covenant described above under the caption ''*—Certain Covenants—Restricted Payments*'', a Permitted Investment or any transaction specifically excluded from the definition of Restricted Payment;

(10) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the foreclosure, condemnation or any similar action with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(12) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Parent Guarantor or any Restricted Subsidiary to such Person) related to such assets;

(13) any sale, transfer, lease or other disposition of the real property in respect of the Walsum mill; *provided* that any cash or Cash Equivalents received must be applied to pay for costs and expenses related to the Walsum mill and its operations, including (without limitation) any liabilities, restructuring, redundancy or similar costs; and

(14) any sale, transfer or other disposition of Securitization Assets and related assets in connection with any Qualified Securitization Financing.

''**Asset Sale Offer**'' has the meaning assigned to that term in the Indenture governing the Notes.

''**Australian Guarantors**'' means Norske Skog Industries Australia Limited, Norske Skog (Australasia) Pty Limited and Norske Skog Paper Mills (Australia) Limited.

''**Beneficial Owner**'' has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular ''person'' (as that term is used in Section 13(d)(3) of the U.S. Exchange Act), such ''person'' will be deemed to have beneficial ownership of all securities that such ''person'' has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms ''Beneficially Owns'' and ''Beneficially Owned'' have a corresponding meaning.

''**Board of Directors**'' means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the board of directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

''**Bund Rate**'' means, as of any redemption date, the rate per annum equal to the equivalent yield to maturity as of such redemption date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(a) ''**Comparable German Bund Issue**'' means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to February 15, 2017 and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to February 15, 2017; *provided*, however, that, if the period from such redemption date to February 15, 2017 is less than one year, a fixed maturity of one year shall be used;

(b) ''**Comparable German Bund Price**'' means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(c) ''**Reference German Bund Dealer**'' means any dealer of German Bundesanleihe securities appointed by the Issuer in good faith; and

(d) ''**Reference German Bund Dealer Quotations**'' means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its

principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt am Main, Germany time on the third Business Day preceding the relevant date.

''**Business Day**'' means a day other than a Saturday, Sunday or other day on which banking institutions in London, Luxembourg or Oslo or a place of payment under the Indenture are authorized or required by law to close.

''**Capital Lease Obligation**'' means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet (excluding the footnotes thereto) prepared in accordance with IFRS (for purposes of this definition, as in effect on the Issue Date), and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty. For the avoidance of doubt, operating leases will not be deemed a Capital Lease Obligation.

''**Capital Stock**'' means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

''**Cash Equivalents**'' means:

(1) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the Pre-Expansion European Union, the United States of America, Switzerland, Norway or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the Pre-Expansion European Union or the United States of America, Switzerland, Norway or Canada, as the case may be, and which are not callable or redeemable at the Issuer's option;

(2) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union or of the United States of America or any state thereof, Switzerland, Norway or Canada; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of €250.0 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated ''A-1'' or higher by Moody's or A+ or higher by S&P or the equivalent rating category of another internationally recognized rating agency;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within one year after the date of acquisition; and

(5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition.

''**Change of Control**'' means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Parent Guarantor and its Restricted Subsidiaries taken as a whole to any Person (including any ''person'' (as that term is used in Section 13(d)(3) of the U.S. Exchange Act));

(2) the adoption of a plan relating to the liquidation or dissolution of the Parent Guarantor other than in a transaction which complies with the covenant described under the caption ''—*Certain Covenants—Merger, Consolidation or Sale of Assets*'';

(3) the consummation of any transaction the result of which is that any Person (including any ''person'' as defined above) becomes the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of the Parent Guarantor measured by voting power rather than number of shares, whether as a result of issuance of securities of the Parent Guarantor, amalgamation, consolidation, liquidation or dissolution of the Parent Guarantor or otherwise; or

(4) the first day on which a majority of the members of the Board of Directors of the Parent Guarantor are not Continuing Directors.

''**Change of Control Offer**'' has the meaning assigned to that term in the Indenture governing the Notes.

''**Collateral**'' means (1) the assets of each of the Issuer and the Guarantors for which a Lien has been created to secure the Notes and the Note Guarantees pursuant to the Security Documents and (2) any other asset in which a security interest has been or will be granted pursuant to any Security Document to secure the Obligations under the Indenture, the Notes or any Notes Guarantee.

''**Consolidated EBITDA**'' means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus the following to the extent deducted in calculating such Consolidated Net Income, without duplication:

(1) provision for taxes based on income or profits of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*

(2) the Fixed Charges of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*

(3) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees) and other non-cash charges and expenses (including without limitation write-downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting on the Parent Guarantor and its Restricted Subsidiaries for such period) of the Parent Guarantor and its Restricted Subsidiaries (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period or amortization of a prepaid cash charge or expense that was paid in a prior period) for such period; *plus*

(4) any expenses, charges or other costs related to the issuance of any Capital Stock, or any Permitted Investment, acquisition, disposition, recapitalization or listing or the incurrence of Indebtedness permitted to be incurred under the covenant described above under the caption ''—*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*'' (including refinancing thereof) whether or not successful, including (i) such fees, expenses or charges related to any incurrence of Indebtedness issuance and (ii) any amendment or other modification of any incurrence; *plus*

(5) any foreign currency translation gains and losses (including gains and losses related to currency remeasurements of Indebtedness) of the Parent Guarantor and its Restricted Subsidiaries; *plus*

(6) the amount of any minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Restricted Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Equity Interests held by such parties; *plus*

(7) all expenses incurred directly in connection with any early extinguishment of Indebtedness; *minus*

(8) non-cash items increasing such Consolidated Net Income for such period (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (12) of the definition of Consolidated Net Income), other than the reversal of a reserve for cash charges in a future period in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with IFRS.

''**Consolidated Net Income**'' means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Subsidiaries which are Restricted Subsidiaries for such

period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiary), determined in accordance with IFRS and without any reduction in respect of preferred stock dividends; *provided* that:

(1) any goodwill or other impairment charges will be excluded;

(2) the net income (loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary which is a Subsidiary of the Person;

(3) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph under the caption ''—*Certain Covenants—Restricted Payments*'', any net income (loss) of any Restricted Subsidiary (other than any Guarantor) will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Parent Guarantor (or any Guarantor that holds the Equity Interests of such Restricted Subsidiary, as applicable) by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture, (c) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary (including pursuant to the Intercreditor Agreement) and other restrictions with respect to such Restricted Subsidiary that taken as a whole, are not materially less favorable to the holders of the Notes than such restrictions in effect on the Issue Date and (d) any restriction listed under clauses (2), (3) or (4) of the second paragraph of the covenant described above under the caption ''—*Certain Covenants—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*'') except that the Parent Guarantor's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Parent Guarantor or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than any Guarantor), to the limitation contained in this clause);

(4) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Parent Guarantor or any Restricted Subsidiaries (including pursuant to any sale leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Parent Guarantor) or in connection with the sale or disposition of securities will be excluded;

(5) (a) any extraordinary, exceptional or unusual gain, loss or charge, (b) any asset impairments charges, or the financial impacts of natural disasters (including fire, flood and storm and related events), (c) any cash or non-cash charges or reserves in respect of any restructuring, redundancy, integration or severance or (d) any expenses, charges, reserves or other costs related to the Offering and the Transactions will be excluded;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity-based awards will be excluded;

(7) all deferred financing costs written off and premium paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness will be excluded;

(8) any one time non-cash charges or any increases in amortization or depreciation, in each case, in relation to any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Parent Guarantor or its Subsidiaries will be excluded;

(9) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;

(10) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies will be excluded;

(11) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Parent Guarantor or any Restricted Subsidiary owing to the Parent Guarantor or any Restricted Subsidiary will be excluded; and

(12) the cumulative effect of a change in accounting principles will be excluded.

''**Consolidated Senior Leverage**'' means, as of any date of determination, the sum without duplication of the total amount of outstanding Senior Indebtedness of the Parent Guarantor and its Restricted Subsidiaries (excluding Hedging Obligations entered into for bona fide hedging purposes and not for speculative purposes (as determined in good faith by the Parent Guarantor)).

''**Consolidated Senior Leverage Ratio**'' means, as of any date of determination, the ratio of (a) the Consolidated Senior Leverage of such Person on such date to (b) the Consolidated EBITDA of the Parent Guarantor for the Parent Guarantor's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding such date on which such additional Indebtedness is incurred. In the event that the specified Person or any of its Subsidiaries which are Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Consolidated Senior Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Senior Leverage Ratio is made (the ''**Calculation Date**''), then the Consolidated Senior Leverage Ratio will be calculated giving pro forma effect (as determined in good faith by a responsible accounting or financial officer of the Parent Guarantor) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period. The pro forma calculation of the Consolidated Senior Leverage Ratio shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to one or more of the categories of ''Permitted Debt'' set forth in the paragraph under ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*'' or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge was made using the proceeds of Indebtedness pursuant to one or more of the categories of ''Permitted Debt'' set forth in the paragraph under ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*''.

In addition, for purposes of calculating the Consolidated EBITDA for such period:

(1) acquisitions that have been made by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith and certified by a responsible accounting or financial officer of the Parent Guarantor and may include anticipated expense and cost reduction synergies, in connection with any acquisition) as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(4) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and

(5) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness).

‘‘**Consolidated Total Assets**’’ means, with respect to any specified Person at any time, the total assets of such Person and its Subsidiaries which are Restricted Subsidiaries, in each case as shown on the most recent balance sheet of such Person, determined on a consolidated basis in accordance with IFRS.

‘‘**Contingent Obligations**’’ means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness (‘‘**primary obligations**’’) of any other Person (the ‘‘**primary obligor**’’), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

  (a) for the purchase or payment of any such primary obligation; or

  (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

‘‘**continuing**’’ means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

‘‘**Continuing Directors**’’ means, as of any date of determination, any member of the Board of Directors of the Parent Guarantor who:

(1) was a member of such Board of Directors on the Issue Date; or

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

‘‘**Credit Facilities**’’ means, one or more debt facilities, instruments or arrangements incurred by the Issuer or any Subsidiary Guarantor (including commercial paper facilities and overdraft facilities) or indentures or trust deeds, in each case with banks, other institutions or investors, providing for revolving credit loans, term loans, performance guarantees, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit, notes, bonds, debentures or other corporate debt instruments or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks or institutions and whether provided under one or more credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term ‘‘Credit Facilities’’ shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Parent Guarantor as additional borrowers, issuers or guarantors thereunder, (3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

‘‘**Cumulative Asset Sale Threshold**’’ means (a) €35.0 million in aggregate since the Issue Date if the gross proceeds from the sale of the Notes is greater than or equal to €200.0 million and (b) €50.0 million in aggregate since the Issue Date if the gross proceeds from the sale of the Notes is less than €200.0 million.

‘‘**Currency Exchange Protection Agreement**’’ means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar or agreement or other

similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

''**Default**'' means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

''**Disqualified Stock**'' means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the six-month anniversary of the date that the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption ''*—Certain Covenants—Restricted Payments*''. For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock, such Fair Market Value to be determined as set forth herein.

''**EBITDA**'' means, with respect to any specified Person for any period, operating profit for the period, before deducting depreciation and amortization and impairment charges, determined on an entity, combined or consolidated basis, as applicable, *pro forma* for any disposition.

''**Equity Interests**'' means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

''**Equity Offering**'' means an offering of Capital Stock (other than Disqualified Stock) of the Parent Guarantor pursuant to (1) a registration statement that has been declared effective by the SEC pursuant to the U.S. Securities Act (other than a registration statement on Form S-8 or otherwise relating to equity securities issuable under any employee benefit plan of the Parent Guarantor) or a public offering outside of the United States, or (2) Rule 144A and/or Regulation S or other private placement exemption under the U.S. Securities Act to professional market investors or similar persons.

''**Euro-Equivalent**'' means, with respect to any monetary amount in a currency other than euros, at any time for the determination thereof, the amount of euros at the spot rate for the purchase of euro with the applicable foreign currency as published under ''Currency Rates'' in the section of the *Financial Times* entitled ''Currencies, Bonds & Interest Rates'' on the date that is two Business Days prior to such determination.

''**Euro Government Obligations**'' means a direct obligation, or obligations guaranteed by a member state of the Pre-Expansion European Union, and the payment for which such member state of the Pre-Expansion European Union pledges its full faith and credit.

''**Exchange Offer**'' means the exchange offer for the Existing Parent Notes set forth in the Exchange Offer and Consent Solicitation Memorandum, dated January 22, 2015, as amended or supplemented.

''**Excluded Entity**'' means each of Norske Skog Shared Services AS, Lysaker AS, Norske Skog Eiendom AS, Norske Skog Kraft AS, nsiFocus AS, Wood and Logistics AS, Norske Skog Walsum GmbH Norske Skog Property AS, Norske Skog Overseas Holdings AS, NS Industries Canada Ltd. and Norske Skog Holdings AG.

''**Existing 2016 Notes**'' means the Parent Guarantor's 11.75% senior notes due 2016.

''**Existing Parent Notes**'' means the Parent Guarantor's 6.125% senior notes due 2015, 11.75% senior notes due 2016, 7.00% senior notes due 2017 and 7.125% senior notes due 2033.

''**Fair Market Value**'' means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by the Parent Guarantor's Chief Executive Officer, Chief Financial Officer or responsible accounting or financial officer of the Parent Guarantor.

''**Fixed Charge Coverage Ratio**'' means, with respect to any specified Person for any period, the ratio of the Consolidated EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Subsidiaries which are Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the ''**Calculation Date**''), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Parent Guarantor) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided*, *however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the one or more of the categories of ''Permitted Debt'' set forth in the second paragraph under ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*'' or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge was made using the proceeds of Indebtedness incurred pursuant to one or more of the categories of ''Permitted Debt'' set forth in the second paragraph under ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*''.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith and certified by a responsible accounting or financial officer of the Parent Guarantor and may include anticipated expense and cost reduction synergies in connection with any acquisition) as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Subsidiaries which are Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness).

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Net Income and Consolidated Senior Leverage Ratio, in each case, in connection with calculations for acquisitions (but not other unrelated transactions), calculations will be as determined in good faith by a responsible financial or chief accounting officer of the Parent Guarantor (including in respect of anticipated cost savings and synergies) as though the full effect of synergies and cost savings were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Parent Guarantor) of costs savings programs and synergies that have been initiated by the Parent Guarantor or

its Restricted Subsidiaries as though such cost savings programs and synergies had been fully implemented on the first day of the relevant period.

''**Fixed Charges**'' means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense (net of interest income) of such Person and its Subsidiaries which are Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt discount (but not debt issuance costs, commissions, fees and expenses), non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments), the interest component of deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings (and excluding commissions, discounts, yield and other fees and charges related to any Qualified Securitization Financing); *plus*

(2) the consolidated interest expense of such Person and its Subsidiaries which are Restricted Subsidiaries that was capitalized during such period; *plus*

(3) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Subsidiaries which are Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Subsidiaries which are Restricted Subsidiaries; *plus*

(4) net payments and receipts (if any) pursuant to interest rate Hedging Obligations (excluding amortization of fees) with respect to Indebtedness; *plus*

(5) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of any Restricted Subsidiary, other than dividends on Equity Interests payable to the Parent Guarantor or a Restricted Subsidiary, *times* (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Parent Guarantor.

''**Guarantee**'' means a guarantee other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business, of all or any part of any Indebtedness (whether arising by agreements to keep-well, to take or pay or to maintain financial statement conditions, pledges of assets or otherwise).

''**Guarantors**'' means the Parent Guarantors, each Subsidiary Guarantor and each other Restricted Subsidiary that executes a Note Guarantee in accordance with the provisions of the Indenture, and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of the Indenture.

''**Hedging Obligations**'' means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements, (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates, including Currency Exchange Protection Agreements, or commodity prices.

''**HoldCo Exchange Notes**'' means any senior notes due 2021, senior notes due 2023 or senior notes due 2033 issued by the Second Intermediate Parent Guarantor in exchange for Existing Parent Notes pursuant to the terms of the exchange offer set forth in the Exchange Offer and Consent Solicitation Memorandum, dated January 22, 2015, as amended or supplemented.

''**HoldCo Exchange Note Guarantees**'' means the Guarantee by the Issuer and each Guarantor of the Second Intermediate Parent Guarantor's obligations under the HoldCo Exchange Notes and the indenture relating thereto.

"**IFRS**" means International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union as in effect from time to time except as set forth in the definition of "Capital Lease Obligations".

"**Indebtedness**" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments for which such Person is responsible or liable;

(3) representing reimbursement obligations in respect of letters of credit, bankers' acceptances or similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence);

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than one year after such property is acquired or such services are completed; and

(6) representing any Hedging Obligations;

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with IFRS. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

The term "Indebtedness" shall not include:

(1) any lease of property which would be considered an operating lease under IFRS and any Guarantee given by the Parent Guarantor or a Restricted Subsidiary of the Parent Guarantor in the ordinary course of business solely in connection with, and in respect of, the obligations of the Parent Guarantor or a Restricted Subsidiary under any operating lease;

(2) Contingent Obligations in the ordinary course of business;

(3) in connection with the purchase by the Parent Guarantor or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; or

(4) for the avoidance of doubt, any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

"**Independent Financial Advisor**" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided*, however, that such firm or appraiser is not an Affiliate of the Issuer.

"**Intercreditor Agreement**" means the Intercreditor Agreement dated on or about the Issue Date, by and among, *inter alios*, the Issuer, the Guarantors, the Security Agent and the Trustee, as amended from time to time.

"**Investment Grade Status**" shall occur when the Notes are rated Baa3 or higher by Moody's and BBB− or higher by S&P (or, if either such entity ceases to rate the Notes, the equivalent investment grade credit rating from any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Parent Guarantor as a replacement agency).

"**Investments**" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for

consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as Investments on a balance sheet (excluding the footnotes) prepared in accordance with IFRS. If the Parent Guarantor or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Parent Guarantor will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Parent Guarantor's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption ''—*Certain Covenants—Restricted Payments*''. The acquisition by the Parent Guarantor or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Parent Guarantor or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption ''—*Certain Covenants—Restricted Payments*''. Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value and, to the extent applicable, shall be determined based on the equity value of such Investment.

''**Issue Date**'' means the date of issuance of the Notes (other than Additional Notes).

''**Lien**'' means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement or any lease in the nature thereof.

''**Management Advances**'' means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers or employees of the Parent Guarantor or any Restricted Subsidiary:

(1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;

(2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or

(3) in the ordinary course of business and (in the case of this clause (3)) not exceeding €2.0 million in the aggregate outstanding at any time.

''**Material Subsidiary**'' means an Excluded Entity that, for the most recently completed financial year after the Issue Date, represents 5% or more of the operating revenue, EBITDA or total assets (excluding any intercompany loans or balances of the Excluded Entity) of the Parent Guarantor and its Restricted Subsidiaries.

''**Moody's**'' means Moody's Investors Service, Inc.

''**Net Proceeds**'' means the aggregate cash proceeds received by the Parent Guarantor or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration or Cash Equivalents substantially concurrently received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, and all distributions and other payments required to be made to minority interest holders (other than the Parent Guarantor or any Subsidiary) in Subsidiaries or joint ventures as a result of such Asset Sale, and any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with IFRS.

''**New Zealand Guarantor**'' means Norske Skog Tasman Ltd, the owner of the Tasman mill.

''**New Zealand Power Plant**'' means any sale, transfer, lease or other disposition of the Tasman geothermal power plant.

''**Non-Recourse Debt**'' means Indebtedness as to which neither the Parent Guarantor nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable as a guarantor or otherwise.

''**Note Guarantee**'' means the Guarantee by each Guarantor of the Issuer's obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

''**Notes Documents**'' means the Notes (including Additional Notes), the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

''**Obligations**'' means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

''**Offering**'' has the meaning given to such term in these listing particulars.

''**Officer**'' means, with respect to any Person, the Chief Executive Officer or the Chief Financial Officer or director of the Person or a responsible accounting or financial officer of the Person.

''**Officer's Certificate**'' means a certificate signed by an Officer.

''**Pari Passu Indebtedness**'' means any Indebtedness of the Issuer or any Guarantor that does not constitute Subordinated Indebtedness.

''**Permitted Business**'' means (1) any businesses, services or activities engaged in by the Parent Guarantor or any of the Restricted Subsidiaries on the Issue Date and (2) any businesses, services and activities engaged in by the Parent Guarantor or any of the Restricted Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

''**Permitted Collateral Liens**'' means Liens on the Collateral:

(a) that are described in one or more of clauses (3), (4), (5), (6), (7), (11), (12), (16) and (18) of the definition of ''Permitted Liens'' and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral; or

(b) to secure:

  (i) the Notes (other than any Additional Notes);

  (ii) Indebtedness permitted to be incurred under clause (2) of the first paragraph and under clauses (1), (18), (19), (20) and (21) of the second paragraph of the covenant described under ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*''; *provided* that the Liens securing Indebtedness incurred pursuant to clause (19) of the second paragraph of the covenant described under ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*'' shall be on a basis junior to the Liens securing the Notes (or lower on a waterfall upon recovery of enforcement proceeds); *provided, further*, that Indebtedness incurred under clause (20) and (21) of the second paragraph of the covenant described under ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*'' and secured by a Permitted Collateral Lien pursuant to this paragraph shall not be secured by a Permitted Lien on assets or property that are not Collateral pursuant to clause (28) of the definition of ''Permitted Liens'';

  (iii) Indebtedness with respect to Hedging Obligations described under clause (8) of the second paragraph of the covenant described under ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*;'' and

  (iv) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (iii);

*provided, further,* that each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; *provided*, *further*, that all property and assets (including, without limitation, the Collateral) securing such Indebtedness (including any guarantees thereof or Permitted Refinancing Indebtedness thereof) secure the Notes and the Indenture on a senior or *pari passu* basis or if such Liens are incurred on any Subordinated Indebtedness (including any Permitted Refinancing Indebtedness thereof) such Liens shall rank junior to the Liens on the Collateral securing the Notes and the Indenture (including by application of payment order, turnover or equalization provisions substantially consistent with the corresponding provisions set forth in the Intercreditor Agreement or any Additional Intercreditor Agreement), except to the extent provided in clause (b)(iii) above with respect to proceeds from enforcement of the Collateral. The Indebtedness secured pursuant to clause (b)(iii) of this definition (but

no other Indebtedness) can have ''super-priority'' status with respect to proceeds from the enforcement of the Collateral in accordance with the terms of the Intercreditor Agreement.

''**Permitted Investments**'' means:

(1) any Investment in a Restricted Subsidiary;

(2) any Investment in cash and Cash Equivalents;

(3) any Investment by the Parent Guarantor or any Restricted Subsidiary in a Person, if as a result of such Investment:

 (a) such Person becomes a Restricted Subsidiary; or

 (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Parent Guarantor or a Restricted Subsidiary;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption ''*—Repurchase at the Option of Holders—Asset Sales*'';

(5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Parent Guarantor;

(6) any Investments received in compromise or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Parent Guarantor or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (B) litigation, arbitration or other disputes;

(7) any Investment in connection with a Qualified Securitization Financing, including Investments of funds held in accounts permitted or required by the arrangements governing such Qualified Securitization Financing or any related Indebtedness;

(8) Investments in receivables owing to the Parent Guarantor or any Restricted Subsidiary created or acquired in the ordinary course of business;

(9) Investments represented by Hedging Obligations, which obligations are permitted by clause (8) of the second paragraph of the covenant entitled ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*'';

(10) Investments in the Notes and any other Indebtedness of the Parent Guarantor or any Restricted Subsidiary;

(11) any Guarantee of Indebtedness of the Parent Guarantor or a Restricted Subsidiary permitted to be incurred by the covenant described above under the caption ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*'';

(12) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased as required by the terms of such Investment as in existence on the Issue Date;

(13) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption ''*—Merger, Consolidation or Sale of Assets*'' after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation.

(14) Investments consisting of the contribution to a joint venture of some or all of the assets, property, shares and/or capital stock of a wholly-owned Subsidiary comprising, when taken together with all other Investments made pursuant to this clause (14) that are at the time outstanding, not to exceed 3% of Consolidated Total Assets; *provided* that if an Investment is made pursuant to this clause in a

Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described above under the caption ''*—Certain Covenants—Restricted Payments*'', such Investment, if applicable, shall thereafter be deemed to have been made pursuant to clause (1) or (3) of the definition of ''Permitted Investments'' and not this clause;

(15) Management Advances; and

(16) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (16) that are at the time outstanding, not to exceed €10.0 million; *provided* that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to this covenant described above under the caption ''*—Certain Covenants—Restricted Payments*'', such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (3) of the definition of ''Permitted Investments'' and not this clause.

''**Permitted Liens**'' means:

(1) Liens in favor of the Parent Guarantor or any of its Restricted Subsidiaries;

(2) Liens on property (including Capital Stock) of a Person existing at the time such Person becomes a Restricted Subsidiary or is merged with or into or consolidated with the Parent Guarantor or any Restricted Subsidiary; *provided* that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary or such merger or consolidation, were not incurred in contemplation thereof and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary or is merged with or into or consolidated with the Parent Guarantor or any Restricted Subsidiary;

(3) Liens to secure the performance of statutory obligations, trade contracts, insurance, surety or appeal bonds, workers compensation obligations, pension obligations, unemployment insurance, social security insurance, leases (including, without limitation, statutory and common law landlord's liens), performance bonds, surety and appeal bonds or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);

(4) Liens existing on the Issue Date;

(5) Liens for taxes, assessments or governmental charges or claims that (a) are not yet due and payable or (b) are being contested in good faith by appropriate proceedings;

(6) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;

(7) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(8) Liens created for the benefit of (or to secure) the Notes (or any Note Guarantees);

(9) Liens to secure any Permitted Refinancing Indebtedness (excluding Liens to secure Permitted Refinancing Indebtedness initially secured pursuant to clause (30) of this definition) permitted to be incurred under the Indenture; *provided*, however, that:

   (a) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

   (b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses,

including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(10) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(11) filing of Uniform Commercial Code financing statements under U.S. state law (or similar filings under applicable jurisdiction) in connection with operating leases in the ordinary course of business;

(12) bankers' Liens, rights of setoff or similar rights and remedies as to deposit accounts, Liens arising out of judgments or awards not constituting an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(13) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(14) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(15) leases (including operating leases), licenses, subleases and sublicenses of assets (including real property and intellectual property rights) in the ordinary course of business;

(16) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;

(17) Liens on Securitization Assets and related assets incurred in connection with any Qualified Securitization Financing or any Indebtedness incurred pursuant to clause (22) of the second paragraph of the covenant entitled ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*'';

(18) (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Parent Guarantor or any Restricted Subsidiary has easement rights or on any real property leased by the Parent Guarantor or any Restricted Subsidiary and subordination or similar agreements relating thereto and (ii) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(19) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(20) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(21) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(22) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of the Parent Guarantor or any Restricted Subsidiary's business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;

(23) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Parent Guarantor or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net proceeds of such disposal;

(24) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(25) Liens on any proceeds loan made by the Parent Guarantor or any Restricted Subsidiary in connection with any future incurrence of Indebtedness permitted under the Indenture and securing that Indebtedness;

(26) Liens created on any asset of the Parent Guarantor or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Parent Guarantor or a Restricted Subsidiary securing any loan to finance the acquisition of such assets;

(27) Liens over treasury stock of the Parent Guarantor or a Restricted Subsidiary purchased or otherwise acquired for value by the Parent Guarantor or such Restricted Subsidiary pursuant to a stock buy-back scheme or other similar plan or arrangement;

(28) Liens incurred to secure Indebtedness incurred pursuant to clauses (1), (20) and (21) of the second paragraph of the covenant entitled ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*''; *provided,* that Indebtedness incurred under clause (20) and (21) of the second paragraph of the covenant described under ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*'' and secured by a Permitted Collateral Lien pursuant to paragraph (b)(ii) of the definition of ''Permitted Collateral Liens'' shall not be secured by a Permitted Lien on assets or property that are not Collateral pursuant to this clause (28);

(29) Liens on bank accounts constituting part of a cash management program to secure Indebtedness incurred pursuant to clause (17)(B) of the second paragraph of the covenant entitled ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*'';

(30) Liens on escrowed proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such case, in either case, to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose; and

(31) any extension, renewal, refinancing or replacement, in whole or in part, of any Lien described in the foregoing clauses (1) through (30) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced.

''**Permitted Refinancing Indebtedness**'' means any Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, exchange, defease or discharge other Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries (other than intercompany Indebtedness (other than any proceeds loan)); *provided* that:

(1) the aggregate principal amount (or accreted value, if applicable), or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has (a) a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (ii) after the final maturity date of the Notes and (b) has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; provided, however, that Permitted Refinancing Indebtedness used to renew, refund, refinance, replace, exchange, defease or discharge the Parent Guarantor's senior notes due 2033 shall, in lieu of clause (a) and (b), be required to have a final maturity date that is on or after January 1, 2022;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is expressly, contractually, subordinated in right of payment to the Notes or the Note Guarantees, as the case may be, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes or the Note Guarantees, as the case may be, on terms at least as favorable to the holders of Notes or the Note Guarantees, as the case may be, as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged, and, if secured, the Collateral securing such Permitted Refinancing Indebtedness

does not include property or assets that did not secure the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;

(4) if the Issuer or any Guarantor was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged, such Indebtedness is Incurred either by the Issuer or by a Guarantor; and

(5) such Permitted Refinancing Indebtedness shall not include Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary, Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor or Indebtedness of a Restricted Subsidiary of the Parent Guarantor that refinances the Existing Parent Notes.

''**Person**'' means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

''**Pre-Expansion European Union**'' means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

''**Qualified Securitization Financing**'' means any financing pursuant to which the Issuer or any Guarantor may sell, convey or otherwise transfer to any other Person or grant a security interest in, any Securitization Assets (and related assets) in any aggregate principal amount equivalent to the Fair Market Value of such Securitization Assets (and related assets) of the Issuer or any of its Restricted Subsidiaries; *provided* that (a) the covenants, events of default and other provisions applicable to such financing shall be on market terms (as determined in good faith by the Issuer's board of directors of senior management) at the time such financing is entered into, (b) the interest rate applicable to such financing shall be a market interest rate (as determined in good faith by the Issuer's board of directors or senior management) at the time such financing is entered into and (c) such financing shall be non-recourse to the Issuer or any of its Restricted Subsidiaries except to a limited extent customary for such transactions.

''**Restricted Investment**'' means an Investment other than a Permitted Investment.

''**Restricted Subsidiary**'' means any Subsidiary of the Parent Guarantor that is not an Unrestricted Subsidiary.

''**S&P**'' means Standard & Poor's Ratings Group.

''**SEC**'' means the U.S. Securities and Exchange Commission.

''**Securitization Assets**'' means any accounts receivable, bank accounts, inventory, royalty or revenue streams from sales of inventory subject to a Qualified Securitization Financing.

''**Securitization Fees**'' means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not the Issuer or a Restricted Subsidiary in connection with any Qualified Securitization Financing.

''**Securitization Repurchase Obligation**'' means any obligation of a seller of Securitization Assets in a Qualified Securitization Financing to repurchase Securitization Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

''**Security Documents**'' means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

''**Senior Indebtedness**'' means (without double counting) (1) Indebtedness for borrowed money of the Parent Guarantors that is secured by a Lien, (2) Indebtedness for borrowed money of each Restricted Subsidiary of the Parent Guarantor that is not a Guarantor or the Issuer, and (3) Indebtedness for borrowed money of the Issuer and its Restricted Subsidiaries. The term ''Senior Indebtedness'' shall not include any Guarantee of Indebtedness by the Issuer or any of its Restricted Subsidiaries (including the HoldCo Exchange Note Guarantees) which Guarantee is subordinated to the Notes and the Note

Guarantees, as applicable, pursuant to the terms of the Intercreditor Agreement or an Additional Intercreditor Agreement.

''**Shareholder's Equity**'' means at any time an amount equal to total shareholder's equity as set forth in the Issuer's consolidated balance sheet as of the most recently completed fiscal quarter or year for which financial statements are available, excluding for the avoidance of any doubt, minority interests.

''**Significant Subsidiary**'' means, at the date of determination, any Restricted Subsidiary that together with its Subsidiaries which are Restricted Subsidiaries (1) for the most recent fiscal year, accounted for more than 10% of the consolidated revenues of the Parent Guarantor or (2) as of the end of the most recent fiscal year, was the owner of more than 10% of the consolidated assets of the Parent Guarantor.

''**Stated Maturity**'' means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

''**Subordinated Indebtedness**'' means all Indebtedness of the Parent Guarantor and its Restricted Subsidiaries that is not *pari passu* in right of payment to the Notes and the Note Guarantees and secured on an equal and ratable basis.

''**Subsidiary**'' means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

''**Subsidiary Guarantors**'' means 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 Saubrugs AS, Norske Skog Skogn AS and Norske Skog Tasman Limited, and any other Guarantor other than the Parent Guarantors.

''**Tax**'' means any tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other additions thereto, and, for the avoidance of doubt, including any withholding or deduction for or on account of Tax).

''**Taxes**'' and ''**Taxation**'' shall be construed to have corresponding meanings.

''**U.S. Exchange Act**'' means the United States Securities Exchange Act of 1934, as amended.

''**U.S. Securities Act**'' means the United States Securities Act of 1933, as amended.

''**Unrestricted Subsidiary**'' means any Subsidiary of the Parent Guarantor (other than the Issuer or any successor to the Issuer) that is designated by the Board of Directors of the Parent Guarantor as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by the covenant described above under the caption ''*—Certain Covenants—Transactions with Affiliates*'', is not party to any agreement, contract, arrangement or understanding with the Parent Guarantor or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Parent Guarantor or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Parent Guarantor; and

(3) is a Person with respect to which neither the Parent Guarantor nor any Restricted Subsidiary has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

''**Voting Stock**'' of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

''**Weighted Average Life to Maturity**'' means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amounts of such Indebtedness.

## DESCRIPTION OF THE EXCHANGE NOTES

Norske Skog Holding AS (the ''**Exchange Notes Issuer**'') will issue the Exchange Notes (as defined below) under an indenture (the ''**Exchange Notes Indenture**'') among the Exchange Notes Issuer, Norske Skogindustrier ASA (the ''**Parent Guarantor**''), Norske Treindustrier AS (the ''**First Intermediate Parent Guarantor**'' and, together with the Parent Guarantor and the First Intermediate Parent Guarantor, the ''**Parent Guarantors**''), the Subsidiary Guarantors (as defined herein), and Citibank, N.A., London Branch, as trustee (the ''**Trustee**'') in a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended (the ''**U.S. Securities Act**''). Unless the context requires otherwise, references in this ''*Description of the Exchange Notes*'' to the Exchange Notes include the Exchange Notes and any Additional Exchange Notes (as defined herein) that are issued. The terms of the Exchange Notes include those set forth in the Exchange Notes Indenture. The Exchange Notes Indenture will not incorporate or include any of the provisions of the U.S. Trust Indenture Act of 1939, as amended.

The Exchange Notes Indenture will be subject to the terms of the Intercreditor Agreement (as defined herein) and any Additional Intercreditor Agreements (as defined below). The terms of the Intercreditor Agreement are important to understanding the relative ranking of indebtedness, the ability to make payments in respect of indebtedness, procedures for undertaking enforcement action, subordination of certain indebtedness, turnover obligations, and release of Exchange Note Guarantees (as defined herein). See ''*Description of Other Indebtedness—Intercreditor Agreement*'' for a description of the material terms of the Intercreditor Agreement.

This ''*Description of the Exchange Notes*'' is intended to be an overview of the material provisions of the Exchange Notes and the Exchange Notes Indenture and refers to the Intercreditor Agreement (as defined herein). Since this description of the terms of the Exchange Notes is only a summary, you should refer to the Exchange Notes, the Exchange Notes Indenture and the Intercreditor Agreement for complete descriptions of the obligations of the Exchange Notes Issuer and the Guarantors and your rights.

Certain defined terms used in this description but not defined below under ''*—Certain Definitions*'' have the meanings assigned to them in the Exchange Notes Indenture. You can find the definitions of certain terms used in this description under the subheading ''*—Certain Definitions*''. In this description, the term ''Exchange Notes Issuer'' refers only to Norske Skog Holding AS, and not to any of its Subsidiaries.

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Exchange Notes Indenture.

### Brief Description of the Exchange Notes

#### *The Exchange Notes*

The Exchange Notes will, upon issuance:

- be general unsecured senior obligations of the Exchange Notes Issuer;
- rank *pari passu* in right of payment with any existing and future Indebtedness of the Exchange Notes Issuer that is not subordinated in right of payment to the Exchange Notes;
- rank senior in right of payment to any existing and future Indebtedness of the Exchange Notes Issuer that is expressly subordinated in right of payment to the Exchange Notes;
- be effectively subordinated to any existing or future Indebtedness or obligation of the Exchange Notes Issuer and its Subsidiaries that is secured by property and assets that do not secure the Exchange Notes, to the extent of the value of the property and assets securing such Indebtedness;
- be guaranteed on a senior unsecured basis by the Parent Guarantors and on an unsecured senior subordinated basis by the Subsidiary Guarantors; and
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of the Exchange Notes Issuer that are not Guarantors, including obligations to trade creditors.

#### *The Exchange Note Guarantees*

The Exchange Notes will be guaranteed (each such guarantee, an ''**Exchange Note Guarantee**'') by the Guarantors. In addition, if required by the covenant described under ''*—Certain Covenants—Limitations*

*on Issuances of Guarantees of Indebtedness*,'' certain other Restricted Subsidiaries may provide an Exchange Note Guarantee in the future.

The Exchange Note Guarantee of each Parent Guarantor will:

- be a general unsecured senior obligation of that Parent Guarantor;
- rank *pari passu* in right of payment with any existing and future Indebtedness of that Parent Guarantor that is not subordinated in right of payment to such Exchange Note Guarantee;
- rank senior in right of payment to any existing and future Indebtedness of such Parent Guarantor that is expressly subordinated in right of payment to such Exchange Note Guarantee; and
- be effectively subordinated to any existing or future Indebtedness or obligation of such Parent Guarantor that is secured by property and assets that do not secure such Exchange Note Guarantee, to the extent of the value of the property and assets securing such Indebtedness.

The Exchange Note Guarantee of each Subsidiary Guarantor will:

- be a general unsecured senior subordinated obligation of that Subsidiary Guarantor;
- be subordinated in right of payment to all existing and future Senior Indebtedness of that Subsidiary Guarantor (including that Subsidiary Guarantor's obligations under the New Senior Secured Notes);
- rank *pari passu* in right of payment with any existing and future Indebtedness (other than Senior Indebtedness) of that Subsidiary Guarantor that is not subordinated in right of payment to such Exchange Note Guarantee;
- rank senior in right of payment to any existing and future Indebtedness of such Subsidiary Guarantor that is expressly subordinated in right of payment to such Exchange Note Guarantee; and
- be effectively subordinated to any existing or future Indebtedness (including the New Senior Secured Notes) or obligation of such Subsidiary Guarantor that is secured by property and assets that do not secure such Exchange Note Guarantee, to the extent of the value of the property and assets securing such Indebtedness.

The Exchange Note Guarantees will be subject to certain limitations, including, among other things, general statutory limitations, capital maintenance, financial assistance, corporate benefit, fraudulent preference, ''thin capitalization'' rules, retention of title claims and similar principles.

**Principal, Maturity and Interest**

The Exchange Notes Issuer issued €159.017 million aggregate principal amount of 8.00% Senior Notes due 2021 (the ''**2021 Notes**'') and US$60.649 million aggregate principal amount of 8.00% Senior Notes due 2023 (the ''**2023 Notes**'' and, together with the 2021 Notes, the ''**Exchange Notes**''). The Exchange Notes Issuer may issue additional Exchange Notes (''**Additional Exchange Notes**'') under the Exchange Notes Indenture from time to time after this offering. Any issuance of Additional Exchange Notes is subject to all of the covenants in the Exchange Notes Indenture, including the covenant described below under the caption ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*''. The Exchange Notes and any Additional Exchange Notes subsequently issued under the Exchange Notes Indenture will be treated as a single class for all purposes under the Exchange Notes Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise provided in the Exchange Notes Indenture. The Exchange Notes Issuer issued 2021 Notes in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Exchange Notes Issuer issued 2023 Notes in denominations of $150,000 and integral multiples of $1,000 in excess thereof. The 2021 Notes will mature on February 24, 2021 and will be repayable at par and the 2023 Notes will mature on February 24, 2023 and will be repayable at par.

Interest on the 2021 Notes accrues at the rate of 8.00% per annum and interest on the 2023 Notes accrues at the rate of 8.00% per annum. Interest on the Exchange Notes are payable semi-annually in arrears on February 24 and August 24, commencing on August 24, 2015. Interest on overdue principal and interest, including Additional Amounts, if any, will accrue at a rate that is 1% higher than the interest rate on the Exchange Notes. The Exchange Notes Issuer will make each interest payment to the holders of record on the immediately preceding February 9 and August 9.

Interest on the Exchange Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

**Paying Agent and Registrar for the Exchange Notes**

The Exchange Notes Issuer will maintain one or more paying agents (each, a ''**Paying Agent**'') for the Exchange Notes in the City of London . The Exchange Notes Issuer will ensure that it maintains a Paying Agent in a member state of the Pre-Expansion European Union that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC (as amended from time to time) or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, such directive. The initial Paying Agent will be Citibank, N.A., London Branch in London.

The Exchange Notes Issuer will also maintain one or more registrars (each, a ''**Registrar**'') with offices in London. The Exchange Notes Issuer will also maintain a transfer agent in London. The initial Registrar will be Citibank, N.A., London Branch. The initial transfer agent will be Citibank, N.A., London Branch. The Registrar and the transfer agent will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time and will make payments on and facilitate transfers of Definitive Registered Notes on the behalf of the Exchange Notes Issuer.

The Exchange Notes Issuer may change the Paying Agents, the Registrars or the transfer agents without prior notice to the holders. For so long as the Exchange Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Exchange Notes Issuer will publish a notice of any change of Paying Agent, Registrar or transfer agent in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange.

**Exchange Note Guarantees**

***General***

The obligations of the Exchange Notes Issuer pursuant to the Exchange Notes, including any payment obligation resulting from a Change of Control, will be guaranteed, jointly and severally, on an unsecured senior subordinated unsecured basis by the Subsidiary Guarantors. The obligations of the Exchange Notes Issuer pursuant to the Exchange Notes will be guaranteed, jointly and severally, on a senior unsecured basis by the Parent Guarantors.

As of and for the year ended December 31, 2014, the Guarantors accounted for 108% of the Parent Guarantor's consolidated EBITDA and held 89% of the Parent Guarantor's total assets. For information on the calculation of EBITDA, see ''*Presentation of Financial and Other Information—Non- IFRS and Other Financial Measures*''.

Each Exchange Note Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the U.S. Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Exchange Note Guarantee could be significantly less than amounts payable with respect to the Exchange Notes, or a Guarantor may have effectively no obligation under its Exchange Note Guarantee. See ''*Risk Factors—Risks Related to the Notes and the Guarantees—Fraudulent conveyance laws and other limitations on the enforceability and the amount of the Guarantees and the Security Interests may adversely affect their validity and enforceability.*'' and ''*Limitations on Validity and Enforceability of the Guarantees*''.

A substantial portion of the operations of the Exchange Notes Issuer will be conducted through its Restricted Subsidiaries. Claims of creditors of non-Guarantor Restricted Subsidiaries, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred and minority stockholders (if any) of those Restricted Subsidiaries generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Exchange Notes Issuer and the Guarantors, including holders of the

Exchange Notes. The Exchange Notes and each Exchange Note Guarantee therefore will be effectively subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of Restricted Subsidiaries of the Exchange Notes Issuer (other than the Guarantors). Although the Exchange Notes Indenture will limit the incurrence of Indebtedness, Disqualified Stock and preferred stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Exchange Notes Indenture does not impose any limitation on the incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or preferred stock under the Exchange Notes Indenture. See ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*''.

***Subordination of the Subsidiary Guarantors' Exchange Note Guarantees***

Each of the Subsidiary Guarantor's Exchange Note Guarantees is a senior subordinated Guarantee, which means that, pursuant to the terms of the Intercreditor Agreement, each such Exchange Note Guarantee ranks behind, and is expressly subordinated to, all the existing and future Senior Indebtedness of the relevant Subsidiary Guarantor, the holders of which (or their representatives) are party to the Intercreditor Agreement or any Additional Intercreditor Agreement, including any obligations owed by the relevant Subsidiary Guarantor under the Senior Secured Notes. The ability to take enforcement action against the Subsidiary Guarantors under their Exchange Note Guarantees is subject to significant restrictions imposed by the Intercreditor Agreement and the terms of the Exchange Note Guarantees, and may be subject to significant restrictions in any Additional Intercreditor Agreements entered into after the Issue Date. For a description of the restrictions imposed by the Intercreditor Agreement, see ''*Description of Other Indebtedness—Intercreditor Agreement*.''

Because of the foregoing subordination provisions, it is likely that holders of Senior Indebtedness and other creditors of a Subsidiary Guarantor would recover disproportionately more than the holders of the Exchange Notes recover in any insolvency or similar proceeding relating to such Subsidiary Guarantor. In any case, there may be insufficient assets, or no assets, remaining to pay the principal of or interest on the Exchange Notes.

Further, the obligations of the Subsidiary Guarantor under its Exchange Note Guarantee will be limited as necessary to prevent the relevant Exchange Note Guarantee from constituting a fraudulent conveyance under applicable law, or otherwise to reflect limitations under applicable law or capital maintenance regulations. See ''*Risk Factors—Risks Related to the Notes and the Guarantees—Fraudulent conveyance laws and other limitations on the enforceability and the amount of the Guarantees and the Security Interests may adversely affect their validity and enforceability*.'' and ''*Limitations on Validity and Enforceability of the Guarantees and the Security Interests*''.

***Exchange Note Guarantees Release***

The Exchange Note Guarantee of a Guarantor will terminate and be released upon:

- with respect to a Subsidiary Guarantor, a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a direct or indirect holding company), or the sale or disposition of all or substantially all the assets of the Guarantor, if the sale or other disposition does not violate the Exchange Notes Indenture (including, without limitation, the covenants described under the captions ''*Repurchase at the Option of Holders—Change of Control*'' and ''*Certain Covenants—Merger, Consolidation or Sale of Assets*'') and the Guarantor ceases to be a Restricted Subsidiary of the Parent Guarantor as a result of the sale or other disposition;
- the designation in accordance with the Exchange Notes Indenture of the Guarantor as an Unrestricted Subsidiary;
- legal defeasance, covenant defeasance or satisfaction and discharge of the Exchange Notes, as provided in ''*—Legal Defeasance and Covenant Defeasance*'' and ''*—Satisfaction and Discharge*'';
- in accordance with an enforcement action pursuant to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under ''*—Amendment, Supplement and Waiver*'';
- as described in the second paragraph of the covenant described below under ''*—Certain Covenants—Limitations on Issuances of Guarantees of Indebtedness*''; or

- as a result of a transaction permitted by ''*—Certain Covenants—Merger, Consolidation or Sale of Assets*''.

The Trustee shall take all necessary actions reasonably requested by the Exchange Notes Issuer, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Exchange Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee without the consent of the holders or any other action or consent on the part of the Trustee.

**Transfer and Exchange**

Exchange Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by one or more global Exchange Notes in registered form without interest coupons attached (the ''**144A Global Notes**''). The 144A Global Notes representing the 2021 Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream. The 144A Global Notes representing the 2033 Notes will, on the Issue Date, be deposited with a custodian for The Depository Trust Company (''**DTC**'') and registered in the name of Cede & Co., as nominee of DTC.

Exchange Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by one or more global Exchange Notes in registered form without interest coupons attached (the ''**Reg S Global Notes**'' and together with the 144A Global Notes, the ''**Global Notes**''). During the 40-day ''distribution compliance period'' (as such term is defined in Rule 902 of Regulations S under the Securities Act), the Reg S Global Notes representing the 2033 Notes will initially be credited within DTC for the accounts of Euroclear and Clearstream. After the 40-day distribution compliance period ends, investors may also hold their interests in the applicable permanent Reg S Global Note for the 2033 Notes through organizations other than Clearstream or Euroclear that are DTC participants. The Regulation S Global Notes representing the 2021 Notes will, on the Issue Date, be deposited and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

During the 40-day distribution compliance period, book-entry interests in the Reg S Global Notes may be (1) held only through Euroclear or Clearstream or through DTC for the account of Euroclear and Clearstream, and (2) transferred only to non-U.S. persons under Regulations S or qualified institutional buyers under Rule 144A.

Ownership of interests in the Global Notes (the ''**Book-Entry Interests**'') will be limited to persons that have accounts with Euroclear or Clearstream, with respect to the 2021 Notes, and DTC, with respect to the 2033 Notes, or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under ''*Transfer Restrictions*''. In addition, transfers of Book-Entry Interests between participants in Euroclear, the participants in Clearstream or the participants in DTC, will be effected by Euroclear, Clearstream or DTC, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear, Clearstream or DTC, as applicable, and their respective participants.

Book-Entry Interests in each 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the applicable Reg S Global Note denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Exchange Notes Indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act.

Book-Entry Interests in each Reg S Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the applicable 144A Global Note denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Exchange Notes Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a ''qualified institutional buyer'' within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under ''*Transfer Restrictions*'' and in accordance with any applicable securities laws of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book- Entry Interest in the Global Note from which it was transferred and will

become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 or US$150,000 principal amount, as applicable, and integral multiples of €1,000 or $1,000, as applicable, in excess thereof, upon receipt by the applicable Registrar of instructions relating thereto and any certificates and other documentation required by the Exchange Notes Indenture. It is expected that such instructions will be based upon directions received by Euroclear, Clearstream or DTC, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Exchange Notes Indenture or as otherwise determined by the Exchange Notes Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Transfer Restrictions*".

Subject to the restrictions on transfer referred to above, Exchange Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 or US$150,000 principal amount, as applicable, and integral multiples of €1,000 or $1,000, as applicable, in excess thereof, to persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Exchange Notes Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, furnish information regarding the account of the transferee at Euroclear, Clearstream or DTC, as applicable, to furnish certain certificates and opinions and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any Taxes payable in connection with such transfer or exchange.

Notwithstanding the foregoing, the Exchange Notes Issuer is not required to register the transfer of any Exchange Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the applicable Exchange Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of applicable Exchange Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

***Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound***

The Exchange Notes Indenture will provide that the Parent Guarantor, its Restricted Subsidiaries and the Trustee will be authorized (without any further consent of the holders of the Exchange Notes) to enter into the Intercreditor Agreement to give effect to the provisions described in the section entitled "*Description of Other Indebtedness—Intercreditor Agreement*".

The Exchange Notes Indenture will also provide that each holder of the Exchange Notes, by accepting such Note, will be deemed to have:

(1) appointed and authorized the Trustee to give effect to the provisions in the Intercreditor Agreement and any Additional Intercreditor Agreements;

(2) agreed to be bound by the provisions of the Intercreditor Agreement and any Additional Intercreditor Agreements; and

(3) irrevocably appointed the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements.

See the section entitled "*Description of Other Indebtedness—Intercreditor Agreement*".

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the covenant described under "*—Certain Covenants—Additional or Amended Intercreditor Agreements*".

**Additional Amounts**

All payments made by or on behalf of the Exchange Notes Issuer or any Guarantors under or with respect to the Exchange Notes (whether or not in the form of Definitive Registered Notes) or any Exchange Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Exchange Notes Issuer or any Guarantor is then incorporated or organized, engaged in business or otherwise resident for tax purposes or any political subdivision thereof or therein or (2) any jurisdiction from or through which payment is made by or on behalf of the Exchange Notes Issuer or any subsequent Guarantor (including, without limitation, the jurisdiction of any Paying Agent) or any political subdivision thereof or therein (each of (1) and (2), a ''**Tax Jurisdiction**'') will at any time be required to be made from any payments under or with respect to the Exchange Notes or any Exchange Note Guarantee, including, without limitation, payments of principal, redemption price, purchase price, interest or premium, the Exchange Notes Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the ''**Additional Amounts**'') as may be necessary in order that the net amounts received in respect of such payments by each holder of Exchange Notes after such withholding, deduction or imposition (including any such withholding, deduction or imposition from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided*, *however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes that would not have been imposed or levied but for the existence of any present or former connection between the holder or the beneficial owner of the Exchange Notes and the relevant Tax Jurisdiction (including, without limitation, being a citizen, national or resident of such Tax Jurisdiction for tax purposes or having been engaged in a trade or business, being, or having been, physically present in or having had a permanent establishment in such Tax Jurisdiction), other than the acquisition or holding of such Note, the exercise or enforcement of rights under such Note or the Exchange Notes Indenture or under a Exchange Note Guarantee or the receipt of any payments in respect of such Note or a Exchange Note Guarantee;

(2) any Taxes imposed or levied as a result of the presentation of a Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(3) any estate, inheritance, gift, sales, personal property, transfer or similar Taxes;

(4) any Taxes withheld, deducted, imposed or levied on a payment to an individual that are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, such Directive;

(5) any Taxes imposed on or with respect to a payment made to a holder or beneficial owner of Exchange Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union;

(6) any Taxes payable other than by deduction or withholding from payments made under, or with respect to, the Exchange Notes or with respect to any Exchange Note Guarantee;

(7) any Taxes imposed, levied or withheld by reason of the failure of the holder or beneficial owner of Exchange Notes to comply with any reasonable written request of the Exchange Notes Issuer (made at a time that would enable the holder or beneficial owner acting reasonably to comply with that request) to satisfy any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally entitled to provide such certification or documentation;

(8) any combination of items (1) through (7) above.

In addition to the foregoing, the Exchange Notes Issuer and the Guarantors will also pay and indemnify the holder of Exchange Notes for any present or future stamp, issue, registration, court or documentary Taxes, or any other excise or property Taxes, charges or similar levies (including penalties and interest related thereto) which are levied by any Tax Jurisdiction (or any jurisdiction if such Taxes are required to be paid in connection with the enforcement of the Exchange Notes, the Exchange Notes Indenture or any other document referred to therein following the occurrence of an Event of Default with respect to the Exchange Notes) on the execution, delivery, issuance, or registration of any of the Exchange Notes, the Exchange Notes Indenture, any Exchange Note Guarantee or any other document or instrument referred to therein, or the enforcement of any of the Exchange Notes.

If the Exchange Notes Issuer or any Guarantor, as the case may be, will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Exchange Notes or any Exchange Note Guarantee, each of, the Exchange Notes Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee and the Paying Agents on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 45 days prior to that payment date, in which case the Exchange Notes Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate(s) must also set forth any other information reasonably necessary to enable the Paying Agents to pay Additional Amounts to holders on the relevant payment date. The Trustee and the Paying Agents shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

The Exchange Notes Issuer or the relevant Guarantor will make or cause to be made all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Exchange Notes Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Exchange Notes Issuer or the relevant Guarantor will furnish to the Trustee, within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Exchange Notes Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by such entity. Upon request, copies of Tax receipts or other evidence of payments, as the case may be, will be made available by the Trustee to the holders or beneficial owners of the Exchange Notes.

Whenever in the Exchange Notes Indenture, the Exchange Notes, or in this ''Description of the Exchange Notes'' there is mentioned, in any context, the payment of amounts based upon the principal amount of the Exchange Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Exchange Notes or any Exchange Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Exchange Notes Indenture, any transfer by a holder or beneficial owner of its Exchange Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Exchange Notes Issuer or any Guarantor is incorporated, engaged in business for tax purposes or resident for tax purposes or any jurisdiction from or through which such Person makes any payment on the Exchange Notes (or any Exchange Note Guarantee) and any department or political subdivision thereof or therein.

### Optional Redemption

#### *Optional Redemption of the 2021 Notes*

At any time prior to February 24, 2018, the Exchange Notes Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of 2021 Notes (including Additional Notes) issued under the Exchange Notes Indenture, upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 108.000% of the principal amount of the Exchange Notes redeemed, in each case, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption

(subject to the rights of holders of Exchange Notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds of an Equity Offering; *provided* that:

(1) at least 65% of the aggregate principal amount of the 2021 Notes originally issued under the Exchange Notes Indenture (excluding Exchange Notes held by the Parent Guarantor and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such Equity Offering.

At any time prior to February 24, 2018, the Exchange Notes Issuer may on any one or more occasions redeem all or a part of the 2021 Notes upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Exchange Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of the Exchange Notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding two paragraphs and except pursuant to ''—*Redemption for Changes in Taxes*'', the 2021 Notes will not be redeemable at the Exchange Notes Issuer's option prior to February 24, 2018.

On or after February 24, 2018, the Exchange Notes Issuer may on any one or more occasions redeem all or a part of the 2021 Notes upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Exchange Notes redeemed, to the applicable date of redemption, if redeemed during the twelve month period beginning on February 24 of the years indicated below, subject to the rights of holders of Exchange Notes on the relevant record date to receive interest on the relevant interest payment date:

| Redemption Year | Price |
|---|---|
| 2018 | 104.000% |
| 2019 | 102.000% |
| 2020 and thereafter | 100.000% |

### *Optional Redemption of the 2023 Notes*

If the 2023 Notes are issued, at any time prior to February 24, 2018, the Exchange Notes Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of 2023 Notes (including Additional Exchange Notes) issued under the Exchange Notes Indenture, upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 108.000% of the principal amount of the Exchange Notes redeemed, in each case, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the rights of holders of Exchange Notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds of an Equity Offering; *provided* that:

(1) at least 65% of the aggregate principal amount of the 2023 Notes originally issued under the Exchange Notes Indenture (excluding Exchange Notes held by the Parent Guarantor and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such Equity Offering.

At any time prior to February 24, 2018, the Exchange Notes Issuer may on any one or more occasions redeem all or a part of the 2023 Notes upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Exchange Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of the Exchange Notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding two paragraphs and except pursuant to ''—*Redemption for Changes in Taxes*'', the 2023 Notes will not be redeemable at the Exchange Notes Issuer's option prior to February 24, 2018.

On or after February 24, 2018, the Exchange Notes Issuer may on any one or more occasions redeem all or a part of the 2023 Notes upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and

Additional Amounts, if any, on the Exchange Notes redeemed, to the applicable date of redemption, if redeemed during the twelve month period beginning on February 24 of the years indicated below, subject to the rights of holders of Exchange Notes on the relevant record date to receive interest on the relevant interest payment date:

| Redemption Year | Price |
|---|---|
| 2018 | 104.000% |
| 2019 | 102.000% |
| 2020 and thereafter | 100.000% |

The Exchange Notes Issuer shall not be permitted to redeem the 2023 Notes pursuant to the provisions set forth in the first, second and fourth paragraphs of this section until all outstanding 2021 Notes are redeemed or repaid.

### *Optional Redemption of the 2033 Notes*

If the 2033 Notes are issued, at any time prior to February 24, 2018, the Exchange Notes Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of 2033 Notes (including Additional Exchange Notes) issued under the Exchange Notes Indenture, upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 108.000% of the principal amount of the Exchange Notes redeemed, in each case, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the rights of holders of Exchange Notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds of an Equity Offering; *provided* that:

(1) at least 65% of the aggregate principal amount of the 2033 Notes originally issued under the Exchange Notes Indenture (excluding Exchange Notes held by the Parent Guarantor and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such Equity Offering.

At any time prior to February 24, 2018, the Exchange Notes Issuer may on any one or more occasions redeem all or a part of the 2033 Notes upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Exchange Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of the Exchange Notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding two paragraphs and except pursuant to ''—*Redemption for Changes in Taxes*'', the 2033 Notes will not be redeemable at the Exchange Notes Issuer's option prior to February 24, 2018.

On or after February 24, 2018, the Exchange Notes Issuer may on any one or more occasions redeem all or a part of the 2033 Notes upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Exchange Notes redeemed, to the applicable date of redemption, if redeemed during the twelve month period beginning on February 24 of the years indicated below, subject to the rights of holders of Exchange Notes on the relevant record date to receive interest on the relevant interest payment date:

| Redemption Year | Price |
|---|---|
| 2018 | 104.000% |
| 2019 | 102.000% |
| 2020 and thereafter | 100.000% |

The Exchange Notes Issuer shall not be permitted to redeem the 2033 Notes pursuant to the provisions set forth in the first, second and fourth paragraphs of this section until all 2021 Notes are redeemed or repaid.

### *General*

Unless the Exchange Notes Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Exchange Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption and notice may, in the Exchange Notes Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

### Redemption for Changes in Taxes

The Exchange Notes Issuer may redeem the Exchange Notes, in whole but not in part, at its discretion at any time upon giving not less than 10 nor more than 60 days' prior notice to the holders of the Exchange Notes (which notice will be irrevocable and given in accordance with the procedures described in ''—*Selection and Notice*''), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Exchange Notes Issuer for redemption (a ''**Tax Redemption Date**'') and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the Exchange Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Exchange Notes or any Exchange Note Guarantee, the Exchange Notes Issuer or relevant Guarantor is or would be required to pay Additional Amounts (but, in the case of the relevant Guarantor, only if such amounts cannot be paid by the Exchange Notes Issuer or another Guarantor who can pay such amount without the obligation to pay Additional Amounts), and the Exchange Notes Issuer and/or the relevant Guarantors cannot avoid any such payment obligation by taking reasonable measures available (including, making payment through a Paying Agent located in another jurisdiction), and the requirement arises as a result of:

(1) any amendment to, or change in, the laws or any regulations or rulings promulgated thereunder of a relevant Tax Jurisdiction which change or amendment has not been publicly announced as formally proposed before and which becomes effective on or after the date of these listing particulars (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date these listing particulars, such later date); or

(2) any amendment to, or change in, an official interpretation or application of such laws, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change has not been publicly announced as formally proposed before and which becomes effective on or after the date of these listing particulars (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date of these listing particulars, such later date).

In the case of Additional Amounts required to be paid as a result of the Exchange Notes Issuer or the relevant Guarantor conducting business other than in the place of its organization, such amendment or change must be announced and become effective on or after the date in which the Exchange Notes Issuer or the relevant Guarantor, as the case may be, begins to conduct business giving rise to the relevant withholding or deduction.

The Exchange Notes Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Exchange Notes Issuer or the relevant Guarantor would be obligated to make such payment or withholding if a payment in respect of the Exchange Notes or any Exchange Note Guarantees were then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of the Exchange Notes pursuant to the foregoing, the Exchange Notes Issuer will deliver to the Trustee an opinion of independent tax counsel (the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld)) to the effect that there has been such amendment or change which would entitle the Exchange Notes Issuer to redeem the Exchange Notes hereunder. In addition, before the Exchange Notes Issuer publishes or mails notice of redemption of the Exchange Notes as described above, it will deliver to the Trustee an Officer's Certificate to the effect that it cannot avoid its obligation to pay Additional Amounts by the Exchange Notes Issuer taking reasonable measures available to it.

The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders.

The foregoing provisions shall apply (a) to a Guarantor only after such time as such Guarantor is obligated to make at least one payment on the Exchange Notes and (b) mutatis mutandis to any successor Person, after such successor Person becomes a party to the Exchange Notes Indenture, with respect to a change or amendments occurring after the time such successor Person becomes a party to the Exchange Notes Indenture.

For the avoidance of doubt, the implementation of European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such directive will not be a change or amendment for such purposes.

**Mandatory Redemption**

The Exchange Notes Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Exchange Notes.

**Repurchase at the Option of Holders**

***Change of Control***

If a Change of Control occurs, each holder of Exchange Notes will have the right to require the Exchange Notes Issuer to repurchase all or any part (in integral multiples of €1,000 or US$1,000, as the case may be; *provided* that Exchange Notes of €100,000 or US$150,000, as the case may be, or less may only be redeemed in whole and not in part) of that holder's Exchange Notes pursuant to a Change of Control Offer on the terms set forth in the Exchange Notes Indenture. In the Change of Control Offer, the Exchange Notes Issuer will offer a payment in cash equal to 101% of the aggregate principal amount of Exchange Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, on the Exchange Notes repurchased to the date of purchase (the ''**Change of Control Payment**''), subject to the rights of holders of Exchange Notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Exchange Notes Issuer will mail a notice to each holder of the Exchange Notes at such holder's registered address or otherwise deliver a notice in accordance with the procedures described under ''*—Selection and Notice*'', stating that a Change of Control Offer is being made and offering to repurchase Exchange Notes on the date (the ''**Change of Control Payment Date**'') specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed or delivered, pursuant to the procedures required by the Exchange Notes Indenture and described in such notice. The Exchange Notes Issuer will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the Exchange Notes as a result of a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Exchange Notes Indenture, the Exchange Notes Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Exchange Notes Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Exchange Notes Issuer will, to the extent lawful:

(1) accept for payment all Exchange Notes or portions of Exchange Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent or tender agent for such Change of Control Offer, as applicable, an amount equal to the Change of Control Payment in respect of all Exchange Notes or portions of Exchange Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Exchange Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Exchange Notes or portions of Exchange Notes being purchased by the Exchange Notes Issuer.

The Paying Agent or tender agent for such Change of Control Offer, as applicable, will promptly mail (or cause to be delivered) to each holder of Exchange Notes properly tendered the Change of Control Payment for such Exchange Notes, and the Trustee (or an authentication agent approved by it) will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Exchange Notes surrendered, if any. The Exchange Notes Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Exchange Notes Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Exchange Notes Indenture are applicable. Except as described above with respect to a Change of Control, the Exchange Notes Indenture does not contain provisions that permit the holders of the Exchange Notes to require that the Exchange Notes Issuer repurchase or redeem the Exchange Notes in the event of a takeover, recapitalization or similar transaction.

The ability of the Exchange Notes Issuer to repurchase Exchange Notes pursuant to a Change of Control Offer may be limited by a number of factors. The Senior Secured Notes contain, and future Indebtedness of the Exchange Notes Issuer and its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of the Exchange Notes of their right to require the Exchange Notes Issuer to repurchase the Exchange Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Exchange Notes Issuer. Finally, the ability of the Exchange Notes Issuer to pay cash to the holders of the Exchange Notes upon a repurchase may be limited by its then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

The Exchange Notes Issuer will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Exchange Notes Indenture applicable to a Change of Control Offer made by the Exchange Notes Issuer and purchases all Exchange Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) a notice of redemption has been given pursuant to the Exchange Notes Indenture as described above under the caption ''—*Optional Redemption*'', unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of ''all or substantially all'' of the properties or assets of the Exchange Notes Issuer and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase ''substantially all'', there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Exchange Notes to require the Exchange Notes Issuer to repurchase its Exchange Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Exchange Notes Issuer and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain.

The provisions under the Exchange Notes Indenture relating to the Exchange Notes Issuer's obligation to make an offer to repurchase the Exchange Notes as a result of a Change of Control may be waived or modified with the consent of the holders of a majority in principal amount of the Exchange Notes prior to the occurrence of the Change of Control.

If and for so long as the Exchange Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Exchange Notes Issuer will publish notices relating to the Change of Control Offer in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notices on the official website of the Luxembourg Stock Exchange.

***Asset Sales***

The Parent Guarantor will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:

(1) the Parent Guarantor (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by the Parent Guarantor or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

    (a) any liabilities, as recorded on the balance sheet of the Parent Guarantor or any Restricted Subsidiary (other than contingent liabilities), that are assumed by the transferee of any such assets and as a result of which the Parent Guarantor and its Restricted Subsidiaries are no longer obligated with respect to such liabilities or are indemnified against further liabilities;

    (b) any securities, notes or other obligations received by the Parent Guarantor or any such Restricted Subsidiary from such transferee that are converted by the Parent Guarantor or such Restricted Subsidiary into cash or Cash Equivalents within 90 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion;

    (c) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Parent Guarantor and each other Restricted Subsidiary are released from any Guarantee of such Indebtedness in connection with such Asset Sale; and

    (d) consideration consisting of Indebtedness of the Parent Guarantor or any Guarantor received from Persons who are not the Parent Guarantor or any Restricted Subsidiary that is cancelled.

Within 395 days after the receipt of any Net Proceeds from an Asset Sale, the Parent Guarantor (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds (at the option of the Parent Guarantor or such Restricted Subsidiary):

(1) to purchase the Exchange Notes pursuant to an offer to all holders of the Exchange Notes at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to (but not including) the date of purchase (a ''**Notes Offer**'');

(2) to make a capital expenditure;

(3) to purchase, repurchase, prepay, redeem or repay any Senior Secured Notes, any other Senior Indebtedness or any Existing Parent Notes (other than the Parent Guarantor's 7.125% senior notes due 2033); or

(4) any combination of the foregoing.

Pending the final application of any Net Proceeds, the Parent Guarantor (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings in any manner that is not prohibited by the Exchange Notes Indenture.

When the aggregate amount of Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant exceeds €15.0 million (''**Excess Proceeds**''), the Exchange Notes Issuer will make an offer (an ''**Asset Sale Offer**'') to all holders of Exchange Notes and may make an offer to all holders of other Pari Passu Indebtedness to purchase, prepay or redeem with the Excess Proceeds or the Net Proceeds maximum principal amount of Exchange Notes and such other Pari Passu Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price for the Exchange Notes in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of Exchange Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Exchange Notes Issuer may use those Excess Proceeds or Net Proceeds for any purpose not otherwise prohibited by the Exchange Notes Indenture. If the aggregate principal amount of Exchange Notes and other Pari Passu Indebtedness tendered into (or to be prepaid or redeemed in connection with) such

Asset Sale Offer exceeds the amount of Excess Proceeds so applied, the Exchange Notes and such other Pari Passu Indebtedness, if applicable, will be selected to be purchased on a pro rata basis (or in the manner described under ''—*Selection and Notice*''), based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Exchange Notes Issuer will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with each repurchase of Exchange Notes pursuant to a Change of Control Offer or an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Offer or Asset Sale Offer provisions of the Exchange Notes Indenture, the Exchange Notes Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control Offer or Asset Sale Offer provisions of the Exchange Notes Indenture by virtue of such compliance.

### *Selection and Notice*

If less than all of the Exchange Notes are to be redeemed at any time, the Trustee or the Registrar, as appropriate, will select Exchange Notes for redemption on a pro rata basis (or, in the case of Exchange Notes issued in global form as discussed under ''*Book-Entry, Delivery and Form*'', based on a method that most nearly approximates a pro rata selection as the Trustee deems fair and appropriate), unless otherwise required by law or applicable stock exchange or depository requirements. The Trustee and the Registrar shall not be liable for selections made by it in accordance with this paragraph.

No Exchange Notes shall be redeemed in part if the resulting Note would have a minimum denomination that is less than €100,000 or US$150,000, as the case may be. Notices of redemption will be mailed by first class mail at least ten but not more than 60 days before the redemption date to each holder of Exchange Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Exchange Notes or a satisfaction and discharge of the Exchange Notes Indenture.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Exchange Notes upon cancellation of the original Note. Exchange Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Exchange Notes or portions of Exchange Notes called for redemption.

For Exchange Notes which are represented by global certificates held on behalf of Euroclear, Clearstream or DTC, notices may be given by delivery of the relevant notices to Euroclear, Clearstream or DTC, as applicable, for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Exchange Notes are listed on the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, any such notice to the holders of the relevant Exchange Notes shall also be published in a newspaper having a general circulation in Luxembourg or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange, in connection with any redemption, the Exchange Notes Issuer will notify the Luxembourg Stock Exchange of any change in the principal amount of Exchange Notes outstanding.

## Certain Covenants

### *Suspension of Covenants when Exchange Notes Rated Investment Grade*

If on any date following the Issue Date:

(1) the Exchange Notes have achieved Investment Grade Status; and

(2) no Default or Event of Default shall have occurred and be continuing on such date,

then, beginning on that day and continuing until such time, if any, at which the Exchange Notes cease to have Investment Grade Status (such period, the ''**Suspension Period**''), the covenants specifically listed under the following captions in these listing particulars will no longer be applicable to the

Exchange Notes and any related default provisions of the Exchange Notes Indenture will cease to be effective and will not be applicable to the Exchange Notes Issuer and its Restricted Subsidiaries:

(1) ''*—Repurchase at the Option of Holders—Asset Sales*'';

(2) ''*—Restricted Payments*'';

(3) ''*—Incurrence of Indebtedness and Issuance of Preferred Stock*'';

(4) ''*—Layering*'';

(5) ''*—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*'';

(6) ''*—Designation of Restricted and Unrestricted Subsidiaries*'';

(7) ''*—Transactions with Affiliates*''; and

(8) clause (4) of the first paragraph of the covenant described under ''*—Merger, Consolidation or Sale of Assets—The Exchange Notes Issuer and the Parent Guarantor*''.

Such covenants will not, however, be of any effect with regard to the actions of the Parent Guarantor and the Restricted Subsidiaries properly taken during the continuance of the Suspension Period; *provided* that (1) with respect to Restricted Payments made after any such reinstatement, the amount of Restricted Payments will be calculated as though the covenant described under the caption ''*—Restricted Payments*'' had been in effect prior to, but not during, the Suspension Period and (2) all Indebtedness incurred, or Disqualified Stock or preferred stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to clause (2) of the second paragraph of the caption ''*—Incurrence of Indebtedness and Issuance of Preferred Stock*''. Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

There can be no assurance that the Exchange Notes will ever achieve or maintain Investment Grade Status.

***Restricted Payments***

The Parent Guarantor will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Parent Guarantor's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Parent Guarantor or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Parent Guarantor's or any of its Restricted Subsidiaries' Equity Interests in their capacity as holders (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Parent Guarantor or any of its Restricted Subsidiaries and other than dividends or distributions payable to the Parent Guarantor or a Restricted Subsidiary);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Parent Guarantor) any Equity Interests of the Parent Guarantor or any direct or indirect parent entity of the Parent Guarantor;

(3) make any principal payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Existing Parent Notes or any Subordinated Indebtedness of the Exchange Notes Issuer or any Guarantor (excluding any intercompany Indebtedness between or among the Parent Guarantor and any of its Restricted Subsidiaries), except (i) a payment of principal at the Stated Maturity thereof or (ii) the purchase, repurchase or other acquisition of Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal installment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase or other acquisition and at a purchase price not to exceed 100% of the principal amount thereof; or

(4) make any Restricted Investment.

(all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as ''**Restricted Payments**''), unless, at the time of any such Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(b) the Exchange Notes Issuer would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least €1.00 of additional Indebtedness pursuant to the first paragraph of the covenant described below under the caption ''—*Incurrence of Indebtedness and Issuance of Preferred Stock*''; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Parent Guarantor and its Restricted Subsidiaries since the Issue Date (excluding Restricted Payments permitted by clauses (2), (3), (5), (6), (9) and (10) of the next succeeding paragraph), is less than the sum, without duplication, of:

(i) 50% of the Consolidated Net Income of the Parent Guarantor for the period (taken as one accounting period) from January 1, 2015 to the end of the Parent Guarantor's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(ii) 100% of the aggregate net cash proceeds and the Fair Market Value of marketable securities received by the Parent Guarantor since the Issue Date as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Parent Guarantor (other than Disqualified Stock and other than net cash proceeds to the extent such net cash proceeds have been used to incur Indebtedness or issue Disqualified Stock or preferred stock pursuant to clause (14) of the second paragraph of ''—*Incurrence of Indebtedness and Issuance of Preferred Stock*'') or from the issue or sale of convertible or exchangeable Disqualified Stock of the Parent Guarantor or convertible or exchangeable debt securities of the Parent Guarantor, in each case that have been converted into or exchanged for Equity Interests of the Parent Guarantor (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Parent Guarantor); *plus*

(iii) to the extent that any Restricted Investment that was made after the Issue Date is (a) sold, disposed of or otherwise cancelled, liquidated or repaid, 100% of the aggregate amount received in cash and the Fair Market Value of the marketable securities received by the Parent Guarantor or any Restricted Subsidiary, or (b) made in an entity that subsequently becomes a Restricted Subsidiary, 100% of the Fair Market Value of the Restricted Investment of the Parent Guarantor and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; *plus*

(iv) to the extent that any Unrestricted Subsidiary of the Parent Guarantor designated as such after the Issue Date is redesignated as a Restricted Subsidiary or is merged or consolidated into the Parent Guarantor or a Restricted Subsidiary, or all of the assets of such Unrestricted Subsidiary are transferred to the Parent Guarantor or a Restricted Subsidiary, the Fair Market Value of the property received by the Parent Guarantor or Restricted Subsidiary or the Parent Guarantor's Restricted Investment in such Subsidiary as of the date of such redesignation, merger, consolidation or transfer of assets, to the extent such investments reduced the restricted payments capacity under this clause (c) and were not previously repaid or otherwise reduced; *plus*

(v) 100% of any dividends or distributions received by the Parent Guarantor or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Parent Guarantor for such period; *plus*

(vi) upon the full and unconditional release of a Restricted Investment constituting a Guarantee made by the Parent Guarantor or one of its Restricted Subsidiaries to any Person (other than the Parent Guarantor or another Restricted Subsidiary of the Parent Guarantor), an amount equal to the amount of such Guarantee to the extent such amount is not otherwise included in the preceding clause (iii) or (iv).

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of

declaration or notice, the dividend or redemption payment would have complied with the provisions of the Exchange Notes Indenture;

(2) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Parent Guarantor) of, Equity Interests of the Parent Guarantor (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Parent Guarantor; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph and will not be considered to be net cash proceeds from an Equity Offering for purposes of the ''Optional Redemption'' provisions of the Exchange Notes Indenture;

(3) the repurchase, redemption, defeasance or other acquisition or retirement for value of (i) Subordinated Indebtedness of the Exchange Notes Issuer, any Guarantor or any Restricted Subsidiary with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness or (ii) Existing Parent Notes (other than the Parent Guarantor's 7.125% senior notes due 2033);

(4) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Parent Guarantor or any Restricted Subsidiary held by any current or former officer, director, employee or consultant of the Parent Guarantor or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed €3.0 million in any calendar year (with unused amounts in any calendar year being carried over to succeeding calendar years); and *provided*, *further*, that such amount in any calendar year may be increased by an amount not to exceed the cash proceeds from the sale of Equity Interests of the Parent Guarantor or a Restricted Subsidiary received by the Parent Guarantor or a Restricted Subsidiary during such calendar year, in each case, to members of management, directors or consultants of the Parent Guarantor, any of its Restricted Subsidiaries or any of its direct or indirect parent companies to the extent the cash proceeds from the sale of Equity Interests have not otherwise been applied to the making of Restricted Payments pursuant to clause (c)(ii) of the preceding paragraph or clause (2) of this paragraph;

(5) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(6) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Parent Guarantor or any preferred stock of any Restricted Subsidiary issued on or after the Issue Date in accordance with the covenant described below under the caption ''—*Incurrence of Indebtedness and Issuance of Preferred Stock*'';

(7) the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of the Parent Guarantor;

(8) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Parent Guarantor or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Equity Interests of the Parent Guarantor (other than Disqualified Stock), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Equity Interests of the Parent Guarantor (other than Disqualified Stock); *provided* that the total aggregate amount of Restricted Payments made under this clause (8) does not exceed €2.0 million in any calendar year with unused amounts from such calendar year (but not including unused amounts from any prior calendar year) being available for use during the immediately succeeding calendar year;

(9) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of its Equity Interests (other than the Parent Guarantor or any Restricted Subsidiary) then entitled to participate in such dividends on no more than a pro rata basis;

(10) the payment of any Securitization Fees and purchases of Securitization Assets and related assets pursuant to a Securitization Repurchase Obligation in connection with a Qualified Securitization Financing;

(11) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Indebtedness (1) upon a Change of Control to the extent required by the agreements governing such Subordinated Indebtedness at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness (or such higher amount specified in any such agreements), but only if the Parent Guarantor shall have complied with its obligations under the covenants described under ''*Repurchase at the Option of Holders—Change of Control*'' and the Parent Guarantor repurchased all Exchange Notes tendered pursuant to the offer required by such covenants prior to offering to purchase, purchasing or repaying such Subordinated Indebtedness or (2) if, following an Asset Sale Offer pursuant to which the Parent Guarantor shall have complied with its obligations under the covenant described under ''*Repurchase at the Option of Holders—Asset Sales*'' and repurchased all Exchange Notes tendered pursuant to the offer required by such covenant prior to offering to purchase, purchasing or repaying such Subordinated Indebtedness; or

(12) so long as no Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed €5.0 million since the Issue Date.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Parent Guarantor or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. Unsecured Indebtedness shall not be deemed to be subordinate or junior to secured Indebtedness by virtue of its nature as unsecured Indebtedness.

***Incurrence of Indebtedness and Issuance of Preferred Stock***

The Parent Guarantor will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, ''**incur**'') any Indebtedness (including Acquired Debt), and the Parent Guarantor will not, and will not permit any Restricted Subsidiary to, issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided*, *however*, that the Parent Guarantor and its Restricted Subsidiaries may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock and the Restricted Subsidiaries may issue preferred stock, if on the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preferred stock is issued, as the case may be, the Parent Guarantor's Fixed Charge Coverage Ratio for the Parent Guarantor's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preferred stock is issued, as the case may be, would have been at least 2.0 to 1.0, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or preferred stock had been issued, as the case may be, at the beginning of such four-quarter period. Notwithstanding the foregoing, Restricted Subsidiaries of the Parent Guarantor that are not Guarantors may not incur Indebtedness pursuant to this paragraph if, after giving *pro forma* effect to such incurrence or issuance (including *pro forma* application of the net proceeds therefrom), the aggregate amount of Indebtedness of Restricted Subsidiaries that are not Guarantors (or the Exchange Notes Issuer) incurred or issued pursuant to this paragraph would exceed €25.0 million.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, ''**Permitted Debt**''):

(1) the incurrence by the Exchange Notes Issuer and any Guarantor of additional Indebtedness under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) not to exceed €10.0 million, *plus* in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) Indebtedness of the Parent Guarantor or any Restricted Subsidiary outstanding on the Issue Date (including the Senior Secured Notes, but excluding any Indebtedness repaid with the proceeds of the Senior Secured Notes);

(3) the incurrence by the Exchange Notes Issuer of Indebtedness represented by the Exchange Notes issued on the Issue Date and by the Guarantors of the Exchange Note Guarantees;

(4) the Guarantee (a) by the Exchange Notes Issuer of the Existing 2016 Notes and (b) by any Restricted Subsidiary of the Parent Guarantor of Indebtedness of the Exchange Notes Issuer on a basis that is subordinated to or *pari passu* with such Guarantor's Exchange Note Guarantee; *provided*, however that any Guarantee pursuant to clause (a) shall be expressly subordinated to the Exchange Note Guarantees and shall be automatically released upon the release of the Exchange Note Guarantees;

(5) Permitted Refinancing Indebtedness or Disqualified Stock of the Parent Guarantor or any Restricted Subsidiary and Permitted Refinancing Indebtedness or preferred stock of any Restricted Subsidiary in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge, any Indebtedness, Disqualified Stock and preferred stock (other than intercompany Indebtedness) that was permitted by the Exchange Notes Indenture to be incurred by the Parent Guarantor or a Restricted Subsidiary, as the case may be, under the first paragraph of this covenant or clauses (2), (3), (5) or (14) of this paragraph;

(6) the incurrence by the Parent Guarantor or any Restricted Subsidiary of intercompany Indebtedness between or among the Parent Guarantor or any Restricted Subsidiary; *provided* that:

   (a) such Indebtedness must be unsecured and ((i) except in respect of intercompany current liabilities incurred in the ordinary course of business in connection with the cash management operations of the Parent Guarantor and its Restricted Subsidiaries and (ii) only to the extent legally permitted (the Parent Guarantor and its Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)) expressly subordinated to the prior payment in full in cash of all Obligations under the Exchange Notes or the Exchange Note Guarantees; and

   (b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Parent Guarantor or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Parent Guarantor or a Restricted Subsidiary, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Parent Guarantor or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the issuance by any Restricted Subsidiary to the Parent Guarantor or to any of its Restricted Subsidiaries of preferred stock; *provided* that:

   (a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Parent Guarantor or a Restricted Subsidiary; and

   (b) any sale or other transfer of any such preferred stock to a Person that is not either the Parent Guarantor or a Restricted Subsidiary,

   will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (7);

(8) the incurrence by the Exchange Notes Issuer or any Guarantor of Hedging Obligations in the ordinary course of business and not for speculative purposes;

(9) the Guarantee by the Parent Guarantor or any Restricted Subsidiary of Indebtedness of the Exchange Notes Issuer or any Restricted Subsidiary of the Exchange Notes Issuer to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Exchange Notes or a Exchange Note Guarantee, then the Guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed; *provided, further*, that the Guarantee of any Indebtedness shall comply with the covenant described under ''*—Limitations on Issuances of Guarantees of Indebtedness*'';

(10) the incurrence by the Parent Guarantor or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, captive insurance companies, bankers' acceptances, performance and surety bonds in the ordinary course of business;

(11) the incurrence by the Parent Guarantor or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within 30 Business Days;

(12) Indebtedness represented by Guarantees of any Management Advances;

(13) Indebtedness incurred in any Qualified Securitization Financing;

(14) so long as no Default or Event of Default has occurred and is continuing, Indebtedness, Disqualified Stock or preferred stock of the Exchange Notes Issuer or any Guarantor in an aggregate outstanding principal amount or liquidation preference which, when taken together with any Permitted Refinancing Indebtedness in respect thereof and the principal amount and liquidation preference of all other Indebtedness, Disqualified Stock and preferred stock incurred pursuant to this cause and then outstanding, will not exceed 50% of the net cash proceeds received by the Parent Guarantor from the issuance or sale (other than to a Restricted Subsidiary) of Equity Interests (other than Disqualified Stock) of the Parent Guarantor or from the net cash proceeds of cash contributions made to the common equity capital of the Parent Guarantor, in each case, subsequent to the Issue Date; *provided,* however, that the Parent Guarantor and the Restricted Subsidiaries have not made a Restricted Payment under clause (c)(ii) of the first paragraph or under the second paragraph of the covenant described under the caption ''—*Restricted Payments*'' in reliance thereon;

(15) Indebtedness of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Exchange Notes Issuer or any of its Restricted Subsidiaries or Indebtedness incurred in connection with the acquisition of any Person that becomes a Restricted Subsidiary of the Exchange Notes Issuer; *provided*, however, with respect to this clause (15), that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be incurred, the Exchange Notes Issuer would have been able to incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (15);

(16) Indebtedness arising from agreements of the Parent Guarantor or a Restricted Subsidiary providing for customary indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Equity Interests of a Subsidiary, *provided* that the maximum liability of the Parent Guarantor and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Parent Guarantor and its Restricted Subsidiaries in connection with such disposition;

(17) Indebtedness of the Parent Guarantor and its Restricted Subsidiaries in respect of (A) letters of credit, surety, performance or appeal bonds, performance or completion guarantees, judgment, advance payment, customs, value added tax or other tax guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers compensation obligations, and (B) any customary cash management, cash pooling or netting or setting off arrangements; *provided*, *however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing;

(18) if the aggregate principal amount of Senior Secured Notes outstanding immediately following the consummation, withdrawal or termination of the Exchange Offer is less than €250,000,000, Indebtedness of the Senior Secured Notes Issuer or any Restricted Subsidiary of the Senior Secured Notes Issuer that is a Guarantor in an aggregate principal amount at any time outstanding, including all Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (18), not to exceed the Applicable Senior Secured Amount;

(19) [Reserved];

(20) Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries incurred under governmental-provided or governmental-sponsored loan arrangements (or financings of a similar nature), the proceeds of which Indebtedness shall be used for capital expenditures, in an aggregate principal amount at any time outstanding, including all Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (20), not to exceed €10.0 million;

(21) Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries, the proceeds of which Indebtedness shall be used for capital expenditures, in an aggregate principal amount at any time outstanding, including all Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (21), not to exceed €10.0 million;

(22) Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries, the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Qualified Securitization Financing, including all Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (22); and

(23) Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries, if on the date on which such additional Indebtedness is incurred, the Parent Guarantor's Consolidated Senior Leverage Ratio for the Parent Guarantor's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred would have been less than 3.0 to 1.0, on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom).

For purposes of determining compliance with this ''*Incurrence of Indebtedness and Issuance of Preferred Stock*'' covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (23) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Parent Guarantor, in its sole discretion, will be permitted to classify such item of Indebtedness on the date of its incurrence and will only be required to include the amount and type of such Indebtedness in one of such clauses and will be permitted on the date of such incurrence to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in the first and second paragraphs of this covenant from time to time to reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant.

The accrual of interest or preferred stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified Stock or the requalification of commitments or obligations not treated as Indebtedness as of the Issue Date (including, without limitation, capital leases) due to a change in IFRS will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant. For purposes of determining compliance with any euro-denominated restriction on the incurrence of Indebtedness, the euro-equivalent principal amount of Indebtedness denominated in a different currency shall be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred; *provided*, however, that (i) if such Indebtedness denominated in non-euro currency is subject to a Currency Exchange Protection Agreement with respect to the euro the amount of such Indebtedness expressed in euro will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and (ii) the euro-equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date. The principal amount of any Permitted Refinancing Indebtedness incurred in the same currency as the Indebtedness being refinanced will be the euro-equivalent of the Indebtedness refinanced determined on the date such Indebtedness was originally incurred, except that to the extent that:

(1) such euro-equivalent was determined based on a Currency Exchange Protection Agreement, in which case the Permitted Refinancing Indebtedness will be determined in accordance with the preceding sentence; and

(2) the principal amount of the Permitted Refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, in which case the euro-equivalent of such excess will be determined on the date such Permitted Refinancing Indebtedness is being incurred.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Parent Guarantor or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

(1) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

  (i) the Fair Market Value of such assets at the date of determination; and

  (ii) the amount of the Indebtedness of the other Person.

***Layering***

No Subsidiary Guarantor will incur any Indebtedness that is contractually subordinated in right of payment to any Senior Indebtedness of such Subsidiary Guarantor and senior in right of payment to such Subsidiary Guarantor's Exchange Note Guarantee; provided, however, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any Senior Indebtedness of any Subsidiary Guarantor solely by virtue of being unsecured, by virtue of being secured with different collateral, by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment- ordering provisions affecting different tranches of Indebtedness under a Credit Facility.

***Liens***

The Parent Guarantor will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien on any of its property or assets (including Capital Stock of any other Person), whether owned on the date of the Exchange Notes Indenture or thereafter acquired, securing any Indebtedness, except (1) Permitted Liens, or (2) if such Lien is not a Permitted Lien, to the extent that all payments due under the Exchange Notes Indenture, the Exchange Notes and any Exchange Note Guarantees are secured on an equal and ratable *pari passu* basis with the Obligations so secured (and if such Obligations so secured are subordinated in right of payment to either the Exchange Notes or any Exchange Note Guarantee, on a senior priority basis) until such time as such Obligations are no longer secured by a Lien.

Any such Lien thereby created in favor of the Exchange Notes or any such Exchange Note Guarantee pursuant to the preceding clause (2) will be automatically and unconditionally released and discharged upon (i) the release and discharge of the initial Lien to which it relates, (ii) in the case of any such Lien in favor of any such Exchange Note Guarantee, upon the termination and discharge of such Exchange Note Guarantee in accordance with the terms of the Exchange Notes Indenture or (iii) any sale, exchange or transfer (other than a transfer constituting a transfer of all or substantially all of the assets of the Parent Guarantor that is governed by the provisions of the covenant described under ''—*Merger, Consolidation or Sale of Assets*'' below) to any Person not an Affiliate of the Parent Guarantor of the property or assets secured by such initial Lien, or of all of the Capital Stock held by the Parent Guarantor or any Restricted Subsidiary in, or all or substantially all the assets of, any Restricted Subsidiary creating such initial Lien.

***Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

The Parent Guarantor will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Parent Guarantor or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Parent Guarantor or any Restricted Subsidiary;

(2) make loans or advances to the Parent Guarantor or any Restricted Subsidiary; or

(3) sell, lease or transfer any of its properties or assets to the Parent Guarantor or any Restricted Subsidiary,

*provided* that (x) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to the Parent Guarantor or any Restricted Subsidiary to other Indebtedness incurred by the Parent Guarantor or any Restricted Subsidiary, in each case, shall not be deemed to constitute such an encumbrance or restriction.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Indebtedness and Credit Facilities as in effect on the Issue Date (including the Senior Secured Notes Indenture) and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date;

(2) the Exchange Notes Indenture, the Exchange Notes, the Exchange Note Guarantees and the Intercreditor Agreement;

(3) agreements (a) governing other Indebtedness permitted to be incurred under the provisions of the covenant described above under the caption ''*—Incurrence of Indebtedness and Issuance of Preferred Stock*'' and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the restrictions therein are not materially less favorable to the holders of the Exchange Notes than is customary in comparable financings (as determined in good faith by the Parent Guarantor) or (b) constituting an Additional Intercreditor Agreement;

(4) applicable law, rule, regulation or order or the terms of any license, authorization, concession or permit;

(5) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Parent Guarantor or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Exchange Notes Indenture to be incurred;

(6) customary non-assignment and similar provisions in contracts, leases, joint venture agreements and licenses entered into in the ordinary course of business;

(7) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;

(8) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the property and assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(9) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(10) Liens permitted to be incurred under the provisions of the covenant described above under the caption ''*—Liens*'' that limit the right of the debtor to dispose of the assets subject to such Liens;

(11) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment), which limitation is applicable only to the assets that are the subject of such agreements;

(12) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into in the ordinary course of business;

(13) any encumbrance or restriction effected in connection with a Qualified Securitization Financing; and

(14) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (13), or in this clause (14); *provided* that the terms and conditions of any such encumbrances or restrictions are no more restrictive in any material respect than those under or pursuant to the agreement so extended, renewed, refinanced or replaced.

***Merger, Consolidation or Sale of Assets***

*The Exchange Notes Issuer and the Parent Guarantor*

Neither the Exchange Notes Issuer nor the Parent Guarantor will, directly or indirectly: (1) consolidate or merge with or into another Person, or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets as an entirety or substantially as an entirety, in one or more related transactions, to another Person, unless:

(1) either: (a) the Exchange Notes Issuer or the Parent Guarantor, as applicable, is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Exchange Notes Issuer or the Parent Guarantor) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made is an entity organized or existing under the laws of Norway, any member state of the Pre-Expansion European Union, Switzerland, Canada, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger (if other than the Exchange Notes Issuer or the Parent Guarantor) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of the Exchange Notes Issuer or the Parent Guarantor, as applicable, under the Exchange Notes, the Exchange Notes Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement, as applicable;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) the Exchange Notes Issuer, the Parent Guarantor or the Person formed by or surviving any such consolidation or merger (if other than the Exchange Notes Issuer or the Parent Guarantor) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made, as applicable, would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period be permitted to incur at least €1.00 of additional Indebtedness pursuant to the first paragraph of the covenant described above under the caption ''—*Incurrence of Indebtedness and Issuance of Preferred Stock*''; and

(5) the Exchange Notes Issuer or the Parent Guarantor delivers to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer's Certificate and opinion of counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture comply with this covenant.

*The Guarantors*

No Guarantor (other than the Parent Guarantor and a Guarantor whose Exchange Note Guarantee is to be released in accordance with the terms of the Exchange Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);

(2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into it, unless:

(A) the other Person is the Exchange Notes Issuer or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposal;

(B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Exchange Note Guarantee and the Exchange Notes Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee); and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

(C) the net cash proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Exchange Notes Indenture.

The provisions set forth in this ''*Merger, Consolidation or Sale of Assets*'' covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Exchange Notes Issuer, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) any Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Exchange Notes Issuer or another Guarantor; (iii) any consolidation or merger of the Exchange Notes Issuer into any Guarantor; *provided* that, if the Exchange Notes Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Exchange Notes Issuer under the Exchange Notes, the Exchange Notes Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement and clauses (1) and (4) under the heading ''*—The Exchange Notes Issuer and the Parent Guarantor*'' shall apply to such transaction; and (iv) the Exchange Notes Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided*, however, that clauses (1), (2) and (4) under the heading ''*—The Exchange Notes Issuer and the Parent Guarantor*'' or clause (3) under the heading ''*—The Guarantors*,'' as the case may be, shall apply to any such transaction.

***Transactions with Affiliates***

The Parent Guarantor will not, and will not cause or permit any of its Restricted Subsidiaries to, make any payment to or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Parent Guarantor (each, an ''**Affiliate Transaction**'') involving aggregate payments or consideration in excess of €2.5 million, unless:

(1) the Affiliate Transaction is on terms that are no less favorable to the Parent Guarantor or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Parent Guarantor or such Restricted Subsidiary with an unrelated Person; and

(2) the Parent Guarantor delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €7.5 million, a resolution of the Board of Directors of the Parent Guarantor set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Parent Guarantor (or, in the event there is only one such disinterested member, by such disinterested member); and, in addition,

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €15.0 million, an opinion of an accounting, appraisal or investment banking firm of international standing, or other recognized independent expert of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series of related transactions is (i) fair from a financial point of view taking into account all relevant circumstances or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreement, collective bargaining agreement, consultant, employee benefit arrangements with any employee, consultant, officer or director of the Parent Guarantor or any Restricted Subsidiary, including under any stock option, stock appreciation rights, stock incentive or similar plans, entered into in the ordinary course of business;

(2) transactions between or among the Parent Guarantor and/or its Restricted Subsidiaries;

(3) transactions with a Person (other than an Unrestricted Subsidiary of the Parent Guarantor) that is an Affiliate of the Parent Guarantor solely because the Parent Guarantor owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) payment of reasonable and customary fees, indemnification and similar arrangements (including the payment of directors' and officers' insurance premiums) and reimbursements of expenses and legal fees (pursuant to indemnity arrangements or otherwise) of officers, directors, employees or consultants of the Parent Guarantor or any of its Restricted Subsidiaries;

(5) any issuance of Equity Interests (other than Disqualified Stock) of the Parent Guarantor to Affiliates of the Parent Guarantor;

(6) any Investment (other than a Permitted Investment) or other Restricted Payment, in either case, that does not violate the provisions of the Exchange Notes Indenture described above under the caption ''—*Restricted Payments*'';

(7) any Permitted Investment described in clauses (4), (5), (6), (8), (10), (11) and (14) of the definition thereof;

(8) transactions pursuant to, or contemplated by any agreement in effect on the Issue Date and transactions pursuant to any amendment, modification or extension to such agreement, so long as such amendment, modification or extension, taken as a whole, is not materially more disadvantageous to the holders of the Exchange Notes than the original agreement as in effect on the Issue Date;

(9) the entering into any agreement to pay and the payment of Management Advances and the payment of fees and expenses related to the offering as set forth under the caption ''*Use of Proceeds*'';

(10) transactions with customers, client, suppliers or purchasers or sellers of goods or services or providers of employees or other labor, in each case, in the ordinary course of business and otherwise in compliance with the terms of the Exchange Notes Indenture that are fair to the Parent Guarantor or the Restricted Subsidiaries, in the reasonable determination of the members of the Board of Directors of the Parent Guarantor or the senior management thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person; and

(11) any transaction effected as part of a Qualified Securitization Financing.

***Payments for Consent***

The Parent Guarantor will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Exchange Notes for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Exchange Notes Indenture or the Exchange Notes unless such consideration is offered to be paid and is paid to all holders of the Exchange Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Parent Guarantor and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Exchange Notes Indenture, to exclude holders of Exchange Notes in any jurisdiction where (i) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or (ii) the payment of the consideration therefor would require the Parent Guarantor or any of its Restricted Subsidiaries to file a tender offer statement, registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of Norway or of the European Union or its member

states), which the Parent Guarantor in its sole discretion determines (acting in good faith) (A) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction); or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

***Lines of Business***

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Permitted Business, except to such extent as would not be material to the Parent Guarantor and its Restricted Subsidiaries, taken as a whole.

***Limitations on Issuances of Guarantees of Indebtedness***

The Parent Guarantor will not permit any Restricted Subsidiary to, directly or indirectly, Guarantee any Indebtedness in excess of €10.0 million unless such Restricted Subsidiary simultaneously executes and delivers to the Trustee a supplemental indenture providing for a Exchange Note Guarantee by such Restricted Subsidiary on a joint and several basis with each other Guarantor (if any), which Exchange Note Guarantee shall be subordinated to such Subsidiary's Guarantee of Senior Indebtedness and senior to or *pari passu* with such Subsidiary's Guarantee of Indebtedness (other than Senior Indebtedness), provided that (i) a Restricted Subsidiary's Exchange Note Guarantee may be limited in amount to the extent required by fraudulent conveyance, corporate benefit, financial assistance or other similar laws (but, in such a case (A) each of the Parent Guarantor and its Restricted Subsidiaries will use their reasonable best efforts to overcome the relevant legal limit and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant limit and (B) the relevant Exchange Note Guarantee shall be given on an equal and ratable basis with the guarantee of any other Indebtedness giving rise to the obligation to Guarantee the Exchange Notes), (ii) for so long as it is not permissible under applicable law for a Restricted Subsidiary to become a Guarantor, such Restricted Subsidiary need not become a Guarantor (but, in such a case, each of the Parent Guarantor and its Restricted Subsidiaries will use their reasonable best efforts to overcome the relevant legal prohibition precluding the giving of the Exchange Note Guarantee and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant limit, and shall give such Exchange Note Guarantee at such time (and to the extent) that it thereafter becomes permissible) and (iii) no such Exchange Note Guarantee will be required as a result of any Guarantee granted in connection with the operation of cash management or cash pooling programs. Upon the execution and delivery of such supplemental indentures, such Restricted Subsidiary shall become a Guarantor.

Notwithstanding the foregoing, any Exchange Note Guarantee created pursuant to the provisions described in the first paragraph of this covenant shall provide by its terms that it shall be automatically and unconditionally released and discharged upon (a) (i) such Subsidiary ceasing to be a Restricted Subsidiary (including as a result of any sale, exchange or transfer (including by way of merger or consolidation), to any Person, of all of the Capital Stock of such Restricted Subsidiary) or (ii) a sale, lease, conveyance or other disposition of all or substantially all of the assets of such Restricted Subsidiary, in each case of sub-clauses (i) and (ii), in compliance with the covenant described under ''*Repurchase at the Option of Holders—Asset Sales*'' (including the requirements relating to the application of proceeds) and otherwise in compliance with the Exchange Notes Indenture or (b) the release by the holders of the Indebtedness of the Restricted Subsidiary described in the preceding paragraph of their guarantee by such Restricted Subsidiary (including any deemed release upon payment in full of all obligations under such Indebtedness) (but not under the relevant guarantee)), at a time when (i) no other Indebtedness in excess of €10.0 million has been guaranteed by such Restricted Subsidiary; or (ii) the holders of all such other Indebtedness in excess of €10.0 million which is guaranteed by such Restricted Subsidiary also release their guarantee by such Restricted Subsidiary (including any deemed release upon payment in full of all obligations under such Indebtedness (but not under the relevant guarantee)).

If and so long as the Exchange Notes are listed on the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Parent Guarantor will publish notice of the release of or the granting of such Exchange Note Guarantee in Luxembourg in the manner described below in ''*—Notices*'', at the offices of the Paying Agent or, to the

extent and in the manner permitted by such rules, post such reports on the official website of the Luxembourg Stock Exchange.

### *Designation of Restricted and Unrestricted Subsidiaries*

The Board of Directors of the Parent Guarantor may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if (1) such designation would not cause a Default and (2) the Exchange Notes Issuer would, at the time of such designation, have been permitted to incur at least €1.00 of additional Indebtedness pursuant to the first paragraph of the covenant under the caption ''—*Incurrence of Indebtedness and Issuance of Preferred Stock*''. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Parent Guarantor and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption ''—*Restricted Payments*'' or under one or more clauses of the definition of Permitted Investments, as determined by the Parent Guarantor. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Parent Guarantor may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of the Parent Guarantor as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a copy of a resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption ''—*Restricted Payments*''. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Exchange Notes Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption ''—*Incurrence of Indebtedness and Issuance of Preferred Stock*'', the Parent Guarantor will be in default of such covenant. The Board of Directors of the Parent Guarantor may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption ''—*Incurrence of Indebtedness and Issuance of Preferred Stock*'', calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence following such designation.

### *Holding Company and Excluded Entity Limitations*

None of the Parent Guarantors, any Excluded Entity (other than Norske Skog Walsum GmbH) or the Exchange Notes Issuer shall own any assets other than:

(a) assets owned on the Issue Date;

(b) bank accounts and cash, Cash Equivalents, assets owned in connection with cash-pooling arrangements, any Indebtedness of the Parent Guarantor or any Restricted Subsidiary and intellectual property and contractual rights in the ordinary course of business (consistent with past practices on the Issue Date);

(c) with respect to the Parent Guarantor, shares of the First Intermediate Parent Guarantor and intercompany Indebtedness with the First Intermediate Parent Guarantor;

(d) with respect to the First Intermediate Parent Guarantor, shares of the Exchange Notes Issuer, shares in each Excluded Entity and intercompany Indebtedness with the Exchange Notes Issuer;

(e) with respect to the Exchange Notes Issuer, shares of the Senior Secured Notes Issuer and intercompany Indebtedness with the Senior Secured Notes Issuer; and

(f) other assets that are *de minimis* in nature with a fair market value not to exceed, with respect to any such individual Person, €10.0 million in the aggregate.

The Parent Guarantor shall continue to hold directly 100% of the share capital (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by another Person) of the First Intermediate Parent Guarantor. The First Intermediate Parent Guarantor shall continue to hold directly 100% of the share capital (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by another Person) of the Exchange Notes Issuer. The Exchange Notes Issuer shall continue to hold directly 100% of the share capital (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by another Person) of the Senior Secured Notes Issuer.

The Parent Guarantor shall cause any Excluded Entity that after the Issue Date is or becomes a Material Subsidiary to execute and deliver a supplemental indenture providing for the Guarantee of the Exchange Notes by such Excluded Entity.

***Maintenance of Listing***

The Parent Guarantor will use its commercially reasonable efforts to maintain the listing of the Exchange Notes on the Luxembourg Stock Exchange for so long as such Exchange Notes are outstanding; *provided* that if at any time the Parent Guarantor determines that it will not maintain such listing, it will obtain prior to the delisting of the Exchange Notes from the Luxembourg Stock Exchange, and thereafter use its commercially reasonable efforts to maintain, a listing of such Exchange Notes on another recognized stock exchange in Western Europe.

***Reports***

So long as any Exchange Notes are outstanding, the Parent Guarantor will furnish to the Trustee:

(1) within 120 days after the end of each of the Parent Guarantor's fiscal years, annual reports containing the following information: (a) an audited consolidated balance sheet of the Parent Guarantor (or any predecessor entity) as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Parent Guarantor for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information of the Parent Guarantor (which need not comply with Article 11 of Regulation S-X under the U.S. Exchange Act), together with explanatory footnotes, for any acquisition or disposition of an entity or business or group of related entities or businesses that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates and that, individually or in the aggregate, have Consolidated EBITDA or consolidated assets that represent greater than 20% of the pre- acquisition Consolidated EBITDA or consolidated assets of the Parent Guarantor, in each case for the most recently ended four fiscal quarters for which financial statements are available (unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or clause (3) below (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Parent Guarantor will provide, in the case of a material acquisition, acquired company financials); and (c) an operating and financial review of the audited financial statements with a level of detail that is substantially comparable to that in these listing particulars, including a discussion of the results of operations (including a discussion by business segment), financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies;

(2) within 60 days of each of the first three fiscal quarters in each fiscal year of the Parent Guarantor beginning with the fiscal quarter ending March 31, 2015, quarterly reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods for the Parent Guarantor (or any predecessor entity), together with condensed footnote disclosure; (b) *pro forma* income statement and balance sheet information of the Parent Guarantor (which need not comply with Article 11 of Regulation S-X under the U.S. Exchange Act), together with explanatory footnotes, for any acquisition or disposition of an entity or business or group of related entities or businesses that have occurred since the beginning of the most recently completed fiscal quarter as to which such report relates and that, individually or in the aggregate, have Consolidated EBITDA or consolidated assets that represent greater than 20% of the

pre-acquisition Consolidated EBITDA or consolidated assets of the Parent Guarantor, in each case for the most recently ended four fiscal quarters for which financial statements are available (unless such *pro forma* information has been provided in a previous report pursuant to this clause (2) or clause (3) below (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Parent Guarantor will provide, in the case of a material acquisition, acquired company financials)); and (c) an operating and financial review of the unaudited financial statements (including a discussion by business segment), including a discussion of the consolidated financial condition and results of operations of the Parent Guarantor (or any predecessor entity) and any material change between the current quarterly period and the corresponding period of the prior year; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring of the Parent Guarantor and the Restricted Subsidiaries, taken as a whole, or any changes of the Chief Executive Officer, Chief Financial Officer or any senior vice president at the Parent Guarantor or change in auditors of the Parent Guarantor or any other material event that the Parent Guarantor announces publicly, a report containing a description of such event.

*provided*, however, that the reports set forth in clauses (1), (2) and (3) above will not be required to (i) contain any reconciliation to U.S. generally accepted accounting principles or (ii) include separate financial statements for any Guarantors or non- Guarantor Subsidiaries of the Parent Guarantor.

In addition, if the Parent Guarantor has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Parent Guarantor and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Parent Guarantor.

All financial statements shall be prepared in accordance with IFRS. Except as provided for above, no report need include separate financial statements for the Parent Guarantor or Subsidiaries of the Parent Guarantor or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in these listing particulars.

In addition, for so long as any Exchange Notes remain outstanding, the Parent Guarantor has agreed that it will furnish to the holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

Contemporaneously with the furnishing of each such report discussed above, the Parent Guarantor will also (a) file a press release with the appropriate internationally recognized wire services in connection with such report and (b) post such report on the Parent Guarantor's website. The Parent Guarantor will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and so long as the Exchange Notes are listed on the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, at the offices of the Paying Agent or, to the extent and in the manner permitted by such rules, post such reports on the official website of the Luxembourg Stock Exchange.

### *Additional or Amended Intercreditor Agreements*

The Exchange Notes Indenture will provide that, at the request of the Exchange Notes Issuer, in connection with the incurrence by the Parent Guarantor or its Restricted Subsidiaries of any Indebtedness, the Parent Guarantor, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized representatives) an intercreditor agreement (an "**Additional Intercreditor Agreement**") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the holders), including containing substantially the same terms with respect to release of Exchange Note Guarantees, and to provide, if applicable, for Senior Indebtedness or Subordinated Indebtedness, in each case as permitted by the terms of the Exchange Notes Indenture; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Exchange Notes Indenture or the Intercreditor Agreement.

The Exchange Notes Indenture also will provide that, at the direction of the Exchange Notes Issuer and without the consent of holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Parent Guarantor or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking senior or junior in right of payment to the Exchange Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or any Additional Intercreditor Agreement, (4) secure the Exchange Notes (including Additional Exchange Notes) or any other Indebtedness permitted to be secured under the Exchange Notes Indenture, (5) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (6) make any other change to any such agreement that does not adversely affect the holders in any material respect. In connection with such matters, the Trustee shall be entitled to receive and rely on absolutely an opinion of counsel and an Officer's Certificate. The Exchange Notes Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the holders of the majority in aggregate principal amount of the Exchange Notes then outstanding, except as otherwise permitted below under "—*Amendment, Supplement and Waiver*," and the Exchange Notes Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Exchange Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Exchange Notes Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Exchange Notes thereby; *provided*, however, that such transaction would not be prohibited by the covenant described under "—*Restricted Payments*".

The Exchange Notes Indenture also will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement, (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement.

**Events of Default and Remedies**

Each of the following is an "**Event of Default**":

(1) default for 30 days in the payment when due of interest or Additional Amounts, if any, with respect to the Exchange Notes;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Exchange Notes;

(3) failure by the Exchange Notes Issuer or any Guarantor to comply with the provisions described under the captions "—*Certain Covenants—Merger, Consolidation or Sale of Assets*"; "—*Repurchase at the Option of Holders—Change of Control*" or "—*Repurchase at the Option of Holders—Asset Sales*";

(4) failure by the Exchange Notes Issuer or the relevant Guarantor for 60 days after written notice to the Exchange Notes Issuer by the Trustee or the holders of at least 25% in aggregate principal amount of the Exchange Notes then outstanding voting as a single class to comply with any of the agreements in the Exchange Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement(other than a default in performance, or breach, of covenant or agreement which is specifically dealt with in clauses (1), (2) or (3));

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Parent Guarantor or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Parent Guarantor

or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, if that default:

(a) is caused by a failure to pay principal of such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a ''**Payment Default**''); or

(b) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates €25.0 million or more;

(6) failure by the Parent Guarantor or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of €25.0 million (exclusive of any amounts that an insurance company has acknowledged liability for), which judgments shall not have been discharged or waived and there shall have been a period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal, waiver or otherwise, shall not have been in effect;

(7) except as permitted by the Exchange Notes Indenture (including with respect to any limitations), any Exchange Note Guarantee of the Parent Guarantor or a Significant Subsidiary of the Parent Guarantor (or any group of Guarantors that, taken together, would constitute a Significant Subsidiary of the Parent Guarantor) is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or the Exchange Notes Issuer, the Parent Guarantor or any Guarantor that is a Significant Subsidiary of the Parent Guarantor (or any group of Guarantors that, taken together, would constitute a Significant Subsidiary of the Parent Guarantor) or any Person acting on behalf of any such Guarantor, denies or disaffirms its obligations under its Exchange Note Guarantee; and

(8) certain events of bankruptcy or insolvency described in the Exchange Notes Indenture with respect to the Parent Guarantor or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Exchange Notes Issuer and any Guarantor, all outstanding Exchange Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Exchange Notes may declare all amounts in respect of the Exchange Notes to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Exchange Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Exchange Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or Additional Amounts or premium, if any.

Subject to the provisions of the Exchange Notes Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Exchange Notes Indenture at the request or direction of any holders of Exchange Notes unless such holders have offered (and if accepted, provided) to the Trustee indemnity or security (including by way of pre-funding) satisfactory to it against any loss, liability or expense. Except (subject to the provisions described under ''*—Amendment, Supplement and Waiver*'') to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder of a Note may pursue any remedy with respect to the Exchange Notes Indenture or the Exchange Notes unless:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding Exchange Notes have requested the Trustee to pursue the remedy;

(3) such holders have offered the Trustee reasonable security or indemnity against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) holders of a majority in aggregate principal amount of the then outstanding Exchange Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of not less than a majority in aggregate principal amount of the Exchange Notes outstanding may, on behalf of the holders of all outstanding Exchange Notes, waive any past default under the Exchange Notes Indenture and its consequences, except a continuing default in the payment of the principal of, premium, if any, any Additional Amounts or interest on any Note held by a non-consenting holder (which may only be waived with the consent of each holder of Exchange Notes affected).

The Exchange Notes Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Exchange Notes Indenture.

**No Personal Liability of Directors, Officers, Employees and Stockholders**

No director, officer, employee, incorporator or stockholder of the Exchange Notes Issuer or any of their shareholders or Affiliates, as such, will have any liability for any obligations of the Exchange Notes Issuer or the Guarantors under the Exchange Notes, the Exchange Notes Indenture, the Exchange Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Exchange Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Exchange Notes. The waiver may not be effective to waive liabilities under applicable securities laws.

**Legal Defeasance and Covenant Defeasance**

The Exchange Notes Issuer may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate, elect to have all of its obligations discharged with respect to the outstanding Exchange Notes and all obligations of any Guarantors discharged with respect to their Exchange Note Guarantees (''**Legal Defeasance**'') except for:

(1) the rights of holders of outstanding Exchange Notes to receive payments in respect of the principal of, or interest (including Additional Amounts) or premium, if any, on, such Exchange Notes when such payments are due from the trust referred to below;

(2) the Exchange Notes Issuer's obligations with respect to the Exchange Notes concerning issuing temporary Exchange Notes, registration of Exchange Notes, mutilated, destroyed, lost or stolen Exchange Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Exchange Notes Issuer's and the Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the Exchange Notes Indenture.

In addition, the Exchange Notes Issuer may, at its option and at any time, elect to have the obligations of the Exchange Notes Issuer and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Exchange Notes Indenture (''**Covenant Defeasance**'') and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Exchange Notes. In the event Covenant Defeasance occurs, all Events of Default described under ''*—Events of Default and Remedies*'' (except those relating to payments on the Exchange Notes or, solely with respect to the Exchange Notes Issuer, bankruptcy or insolvency events) will no longer constitute an Event of Default with respect to the Exchange Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Exchange Notes Issuer must irrevocably deposit with the Trustee or another entity designated by the Trustee for this purpose, in trust, for the benefit of the holders of the Exchange Notes, cash in euros, non-callable Euro Government Obligations or a combination of cash in euros and non-callable Euro Government Obligations (in the case of the Euro-denominated Exchange Notes) and cash in US dollars, non-callable US Government Obligations or a combination of cash in US dollars and non-callable US Government Obligations (in the case of the US dollar-denominated Exchange Notes), in amounts as will be sufficient, in the opinion of a nationally recognized

investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest (including Additional Amounts and premium, if any) on the outstanding Exchange Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Exchange Notes Issuer must specify whether the Exchange Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Exchange Notes Issuer must deliver to the Trustee an opinion of United States counsel reasonably acceptable to the Trustee confirming that (a) the Exchange Notes Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding Exchange Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Exchange Notes Issuer must deliver to the Trustee an opinion of United States counsel reasonably acceptable to the Trustee confirming that the holders of the outstanding Exchange Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) the Exchange Notes Issuer must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Exchange Notes Issuer with the intent of preferring the holders of Exchange Notes over the other creditors of the Exchange Notes Issuer with the intent of defeating, hindering, delaying or defrauding any creditors of the Exchange Notes Issuer or others; and

(5) the Exchange Notes Issuer must deliver to the Trustee an Officer's Certificate and an opinion of counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

**Amendment, Supplement and Waiver**

Except as provided otherwise in the succeeding paragraphs, the Exchange Notes Indenture, the Exchange Notes and any Exchange Note Guarantee may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Exchange Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Exchange Notes), and any existing Default or Event of Default or compliance with any provision of the Exchange Notes Indenture, the Exchange Notes and the Exchange Note Guarantees may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Exchange Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Exchange Notes); *provided* that, if any amendment, waiver or other modification will only affect one series of the Exchange Notes, only the consent of a majority in principal amount of the then outstanding Exchange Notes of such series shall be required.

Unless (i) with respect to each series of Exchange Notes, consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Exchange Notes of such series of or (ii) consented to by each holder of Exchange Notes adversely affected thereby (in each case including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Exchange Notes), an amendment, supplement or waiver may not:

(1) reduce the principal amount of Exchange Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Exchange Notes (other than provisions relating to the covenants described above under the caption ''—*Repurchase at the Option of Holders*'');

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(4) impair the right of any holder of Exchange Notes to receive payment of principal of and interest on such holder's Exchange Notes on or after the due dates therefore or to institute suit for the

enforcement of any payment on or with respect to such holder's Exchange Notes or any Guarantee in respect thereof;

(5) waive a Default or Event of Default in the payment of principal of, or interest, Additional Amounts or premium, if any, on, the Exchange Notes (except a rescission of acceleration of the Exchange Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Exchange Notes and a waiver of the Payment Default that resulted from such acceleration);

(6) make any Note payable in money other than that stated in the Exchange Notes;

(7) make any change in the provisions of the Exchange Notes Indenture relating to waivers of past Defaults or the rights of holders of Exchange Notes to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, the Exchange Notes;

(8) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the caption ''—*Repurchase at the Option of Holders*'');

(9) release any Guarantor from any of its obligations under its Exchange Note Guarantee or the Exchange Notes Indenture, except in accordance with the terms of the Exchange Notes Indenture and the Intercreditor Agreement or any Additional Intercreditor Agreement;

(10) make any change to the ranking or priority of the Exchange Notes; or

(11) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of Exchange Notes, the Exchange Notes Issuer, any Guarantors, the Trustee and the Security Agent (as applicable) may amend or supplement the Exchange Notes Indenture, the Exchange Notes and any Exchange Note Guarantee:

(1) to cure any ambiguity, defect or inconsistency that is not adverse to holders of the Exchange Notes;

(2) to provide for uncertificated Exchange Notes in addition to or in place of certificated Exchange Notes (*provided* that the uncertificated Exchange Notes are issued in registered form for purposes of Section 163(f) of the U.S. Internal Revenue Code (the ''**Code**''), or in a manner such that the uncertificated Exchange Notes are described in Section 163(f)(2)(B) of the Code);

(3) to provide for the assumption of the Exchange Notes Issuer's or a Guarantor's obligations to holders of Exchange Notes and Exchange Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Exchange Notes Issuer's or such Guarantor's assets, as applicable;

(4) to make any change that would provide any additional rights or benefits to the holders of Exchange Notes or that does not adversely affect the legal rights under the Exchange Notes Indenture of any such holder in any material respect;

(5) to conform the text of the Exchange Notes Indenture, the Exchange Notes or the Exchange Note Guarantees to any provision of this Description of the Exchange Notes to the extent that such provision in this Description of the Exchange Notes was intended to be a verbatim recitation of a provision of the Exchange Notes Indenture, the Exchange Notes or the Exchange Note Guarantees;

(6) to release any Exchange Note Guarantee in accordance with the terms of the Exchange Notes Indenture;

(7) to provide for the issuance of Additional Exchange Notes in accordance with the limitations set forth in the Exchange Notes Indenture as of the Issue Date;

(8) to allow any Person to execute a Guarantee with respect to the Exchange Notes and/or a supplemental indenture in connection therewith;

(9) to evidence and provide for the acceptance and appointment under the Exchange Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Exchange Notes Document; or

(10) as provided in ''—*Certain Covenants—Additional or Amended Intercreditor Agreements*''.

The consent of the holders of Exchange Notes is not necessary under the Exchange Notes Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

For the purposes of calculating the aggregate principal amount of the Exchange Notes that have consented to or voted in favor of any amendment, supplement or waiver, the Euro Equivalent of the aggregate principal amount of any US dollar- denominated Exchange Notes shall be as of the Issue Date.

In connection with such matters, the Trustee shall be entitled to receive and rely on absolutely an opinion of counsel and an Officer's Certificate.

### Satisfaction and Discharge

The Exchange Notes Indenture, and the rights of the Trustee and the holders under the Intercreditor Agreement and any Additional Intercreditor Agreement will be discharged and will cease to be of further effect as to all Exchange Notes issued thereunder, when:

(1) either:

  (a) all Exchange Notes that have been authenticated, except lost, stolen or destroyed Exchange Notes that have been replaced or paid and Exchange Notes for whose payment money has been deposited in trust and thereafter repaid to the Exchange Notes Issuer, have been delivered to the Trustee for cancellation; or

  (b) all Exchange Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Exchange Notes Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee or another entity designated by the Trustee for this purpose as trust funds in trust solely for the benefit of the holders, cash in euros, non-callable Euro Government Obligations or a combination of cash in euros and non-callable Euro Government Obligations, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Exchange Notes not delivered to the Trustee or such entity for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(2) the Exchange Notes Issuer or any Guarantor has paid or caused to be paid all sums payable by it under the Exchange Notes Indenture; and

(3) the Exchange Notes Issuer has delivered irrevocable instructions to the Trustee under the Exchange Notes Indenture to apply the deposited money toward the payment of the Exchange Notes at maturity or on the redemption date, as the case may be.

In addition, the Exchange Notes Issuer must deliver an Officer's Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

### Judgment Currency

Any payment on account of an amount that is payable in euros, in the case of the euro-denominated Exchange Notes, and US dollars in the case of the US dollar- denominated Exchange Notes, which is made to or for the account of any holder or the Trustee in lawful currency of any other jurisdiction (the "**Judgment Currency**"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Exchange Notes Issuer or any Guarantor, shall constitute a discharge of the Exchange Notes Issuer or the Guarantor's obligation under the Exchange Notes Indenture and the Exchange Notes or Exchange Note Guarantee, as the case may be, only to the extent of the amount of euros or US dollars, as the case may be, with such holder or the Trustee, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of euros or US dollars, as the case may be, that could be so purchased is less than the amount of euros originally due to such holder or the Trustee, as the case may be, the Exchange Notes Issuer and the Guarantors shall indemnify and hold harmless the

holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Exchange Notes Indenture or the Exchange Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

**Concerning the Trustee**

The Exchange Notes Issuer shall deliver written notice to the Trustee within 30 days of becoming aware of the occurrence of a Default or an Event of Default. The Trustee will be permitted to engage in transactions with the Exchange Notes Issuer and any Guarantor; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Exchange Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Exchange Notes Indenture provides that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Exchange Notes Indenture at the request of any holder of Exchange Notes, unless such holder has offered to the Trustee security and/or indemnity (including by way of pre-funding) satisfactory to it against any loss, liability or expense.

The Exchange Notes Issuer and the Guarantors jointly and severally will indemnify the Trustee for certain claims, liabilities and expenses incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with its duties.

**Listing**

Application has been made to list the Exchange Notes on the Luxembourg Stock Exchange and to admit the Exchange Notes to trading on the Euro MTF Market.

**Additional Information**

Anyone who receives these listing particulars may, following the Issue Date, obtain a copy of the Exchange Notes Indenture, without charge by writing to the Exchange Notes Issuer at P.O. Box 294, Skøyen, Karenslyst allé 49, 0213 Oslo, Norway.

So long as the Exchange Notes are listed on the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange shall so require, copies, current and future, of all of the Exchange Notes Issuer's annual audited consolidated financial statements and the Exchange Notes Issuer's unaudited consolidated interim financial statements may be obtained, free of charge, during normal business hours at the offices of the Paying Agent or, to the extent and in the manner permitted by such rules, on the official website of the Luxembourg Stock Exchange.

**Governing Law**

The Exchange Notes Indenture, the Exchange Notes and the Exchange Note Guarantees will be governed by, and construed in accordance with, the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder will be governed by, and construed in accordance with, the laws of England and Wales.

**Consent to Jurisdiction and Service of Process**

The Exchange Notes Indenture will provide that the Exchange Notes Issuer and each Guarantor will appoint Corporate Service Company as its agent for service of process in any suit, action or proceeding with respect to the Exchange Notes Indenture, the Exchange Notes and the Exchange Note Guarantees brought in any U.S. federal or New York State court located in the Borough of Manhattan, The City of New York and will submit to such jurisdiction.

### Enforceability of Judgments

Since a substantial portion of the assets of the Exchange Notes Issuer and the Guarantors are outside the United States, any judgment obtained in the United States against the Exchange Notes Issuer or any Guarantor, may not be collectable within the United States. See ''*Service of Process and Enforcement of Certain Liabilities*''.

### Prescription

Claims against the Exchange Notes Issuer or any Guarantor for the payment of principal or Additional Amounts, if any, on the Exchange Notes, will be prescribed ten years after the applicable due date for payment thereof. Claims against the Exchange Notes Issuer or any Guarantor for the payment of interest on the Exchange Notes will be prescribed six years after the applicable due date for payment of interest.

### Certain Definitions

Set forth below are certain defined terms used in the Exchange Notes Indenture. Reference is made to the Exchange Notes Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

''**Acquired Debt**'' means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

''**Affiliate**'' of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, ''control,'' as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms ''controlling,'' ''controlled by'' and ''under common control with'' have correlative meanings.

''**Applicable Premium**'' means, with respect to any Note on any redemption date,

in the case of the 2021 Notes the greater of:

(1) 1.0% of the principal amount of such 2021 Note; or

(2) the excess of:

    (a) the present value at such redemption date of (i) the redemption price of such 2021 Note at February 24, 2018 (as set forth under the caption ''—*Optional Redemption*'') plus (ii) all required interest payments due on such 2021 Note through February 24, 2018 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points; over

    (b) the outstanding principal amount of such 2021 Note;

in the case of the 2023 Notes, the greater of:

(1) 1.0% of the principal amount of such 2023 Note; or

(2) the excess of:

    (a) the present value at such redemption date of (i) the redemption price of the Note at February 24, 2018 (as set forth under the caption ''—*Optional Redemption*'') plus (ii) all required interest payments due on such 2023 Note through February 24, 2018 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

    (b) the outstanding principal amount of such 2023 Note; and

in the case of the 2033 Notes, the greater of:

(1) 1.0% of the principal amount of such 2033 Note; or

(2) the excess of:

(a) the present value at such redemption date of (i) the redemption price of the Note at February 24, 2018 (as set forth under the caption ''—*Optional Redemption*'') plus (ii) all required interest payments due on such 2033 Note through February 24, 2018 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

(b) the outstanding principal amount of such 2033 Note;

as calculated by the Exchange Notes Issuer or on behalf of the Exchange Notes Issuer by such Person as the Exchange Notes Issuer may engage.

''**Applicable Senior Secured Amount**'' means €250,000,000 *minus* the the aggregate principal amount of Senior Secured Notes outstanding immediately following the consummation of the Exchange Offer.

''**Asset Sale**'' means:

(1) the sale, lease, conveyance or other disposition of any assets by the Parent Guarantor or any of its Restricted Subsidiaries; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Parent Guarantor and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Exchange Notes Indenture described above under the caption ''—*Repurchase at the Option of Holders—Change of Control*'' and/or the provisions described above under the caption ''—*Certain Covenants—Merger, Consolidation or Sale of Assets*'' and not by the provisions described under the caption ''—*Repurchase at the Option of Holders—Asset Sales*''; and

(2) the issuance of Equity Interests by any Restricted Subsidiary or the sale by the Parent Guarantor or any of its Restricted Subsidiaries of Equity Interests in any of the Restricted Subsidiaries (in each case, other than directors' qualifying shares).

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than €2.0 million;

(2) a transfer of assets or Equity Interests between or among the Parent Guarantor and any Restricted Subsidiary;

(3) an issuance of Equity Interests by a Restricted Subsidiary to the Parent Guarantor or to a Restricted Subsidiary;

(4) the sale, lease or other transfer of accounts receivable, inventory or other assets in the ordinary course of business and any sale or other disposition of damaged, worn-out or obsolete assets or assets that are no longer useful in the conduct of the business of the Parent Guarantor and its Restricted Subsidiaries;

(5) licenses and sublicenses by the Parent Guarantor or any of its Restricted Subsidiaries in the ordinary course of business;

(6) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(7) the granting of Liens not prohibited by the covenant described above under the caption ''—*Liens*'';

(8) the sale or other disposition of cash or Cash Equivalents;

(9) a Restricted Payment that does not violate the covenant described above under the caption ''—*Certain Covenants—Restricted Payments*'', a Permitted Investment or any transaction specifically excluded from the definition of Restricted Payment;

(10) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the foreclosure, condemnation or any similar action with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(12) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Parent Guarantor or any Restricted Subsidiary to such Person) related to such assets;

(13) any sale, transfer, lease or other disposition of the real property in respect of the Walsum mill; provided that any cash or Cash Equivalents received must be applied to pay for costs and expenses related to the Walsum mill and its operations, including (without limitation) any liabilities, restructuring, redundancy or similar costs; and

(14) any sale, transfer or other disposition of Securitization Assets and related assets in connection with any Qualified Securitization Financing.

‘‘**Asset Sale Offer**’’ has the meaning assigned to that term in the Exchange Notes Indenture governing the Exchange Notes.

‘‘**Beneficial Owner**’’ has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular ‘‘person’’ (as that term is used in Section 13(d)(3) of the U.S. Exchange Act), such ‘‘person’’ will be deemed to have beneficial ownership of all securities that such ‘‘person’’ has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms ‘‘Beneficially Owns’’ and ‘‘Beneficially Owned’’ have a corresponding meaning.

‘‘**Board of Directors**’’ means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the board of directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

‘‘**Bund Rate**’’ means, as of any redemption date, the rate per annum equal to the equivalent yield to maturity as of such redemption date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(a) ‘‘**Comparable German Bund Issue**’’ means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to February 24, 2018 and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the 2021 Notes and of a maturity most nearly equal to February 24, 2018; *provided*, however, that, if the period from such redemption date to February 24, 2018 is less than one year, a fixed maturity of one year shall be used;

(b) ‘‘**Comparable German Bund Price**’’ means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Exchange Notes Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(c) ‘‘**Reference German Bund Dealer**’’ means any dealer of German Bundesanleihe securities appointed by the Exchange Notes Issuer in good faith; and

(d) ''**Reference German Bund Dealer Quotations**'' means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Exchange Notes Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Exchange Notes Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt am Main, Germany time on the third Business Day preceding the relevant date.

''**Business Day**'' means a day other than a Saturday, Sunday or other day on which banking institutions in London, Luxembourg or Oslo or a place of payment under the Exchange Notes Indenture are authorized or required by law to close.

''**Capital Lease Obligation**'' means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet (excluding the footnotes thereto) prepared in accordance with IFRS (for purposes of this definition, as in effect on the Issue Date), and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty. For the avoidance of doubt, operating leases will not be deemed a Capital Lease Obligation.

''**Capital Stock**'' means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

''**Cash Equivalents**'' means:

(1) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the Pre-Expansion European Union, the United States of America, Switzerland, Norway or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the Pre-Expansion European Union or the United States of America, Switzerland, Norway or Canada, as the case may be, and which are not callable or redeemable at the Exchange Notes Issuer's option;

(2) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union or of the United States of America or any state thereof, Switzerland, Norway or Canada; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of €250.0 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated ''A-1'' or higher by Moody's or A+ or higher by S&P or the equivalent rating category of another internationally recognized rating agency;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within one year after the date of acquisition; and

(5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition.

‘‘**Change of Control**’’ means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Parent Guarantor and its Restricted Subsidiaries taken as a whole to any Person (including any ‘‘person’’ (as that term is used in Section 13(d)(3) of the U.S. Exchange Act));

(2) the adoption of a plan relating to the liquidation or dissolution of the Parent Guarantor other than in a transaction which complies with the covenant described under the caption ‘‘—*Certain Covenants—Merger, Consolidation or Sale of Assets*’’;

(3) the consummation of any transaction the result of which is that any Person (including any ‘‘person’’ as defined above) becomes the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of the Parent Guarantor measured by voting power rather than number of shares, whether as a result of issuance of securities of the Parent Guarantor, amalgamation, consolidation, liquidation or dissolution of the Parent Guarantor or otherwise; or

(4) the first day on which a majority of the members of the Board of Directors of the Parent Guarantor are not Continuing Directors.

‘‘**Change of Control Offer**’’ has the meaning assigned to that term in the Exchange Notes Indenture governing the Exchange Notes.

‘‘**Consolidated EBITDA**’’ means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus the following to the extent deducted in calculating such Consolidated Net Income, without duplication:

(1) provision for taxes based on income or profits of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*

(2) the Fixed Charges of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*

(3) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees) and other non-cash charges and expenses (including without limitation write-downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting on the Parent Guarantor and its Restricted Subsidiaries for such period) of the Parent Guarantor and its Restricted Subsidiaries (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period or amortization of a prepaid cash charge or expense that was paid in a prior period) for such period; *plus*

(4) any expenses, charges or other costs related to the issuance of any Capital Stock, or any Permitted Investment, acquisition, disposition, recapitalization or listing or the incurrence of Indebtedness permitted to be incurred under the covenant described above under the caption ‘‘—*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*’’ (including refinancing thereof) whether or not successful, including (i) such fees, expenses or charges related to any incurrence of Indebtedness issuance and (ii) any amendment or other modification of any incurrence; *plus*

(5) any foreign currency translation gains and losses (including gains and losses related to currency remeasurements of Indebtedness) of the Parent Guarantor and its Restricted Subsidiaries; *plus*

(6) the amount of any minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Restricted Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Equity Interests held by such parties; *plus*

(7) all expenses incurred directly in connection with any early extinguishment of Indebtedness; *minus*

(8) non-cash items increasing such Consolidated Net Income for such period (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (12) of the definition of Consolidated Net Income), other than the reversal of a reserve for cash charges in a future period in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with IFRS.

''**Consolidated Net Income**'' means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Subsidiaries which are Restricted Subsidiaries for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiary), determined in accordance with IFRS and without any reduction in respect of preferred stock dividends; *provided* that:

(1) any goodwill or other impairment charges will be excluded;

(2) the net income (loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary which is a Subsidiary of the Person;

(3) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph under the caption ''*—Certain Covenants—Restricted Payments*'', any net income (loss) of any Restricted Subsidiary (other than any Guarantor) will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Parent Guarantor (or any Guarantor that holds the Equity Interests of such Restricted Subsidiary, as applicable) by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Exchange Notes or the Exchange Notes Indenture, (c) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary (including pursuant to the Intercreditor Agreement) and other restrictions with respect to such Restricted Subsidiary that taken as a whole, are not materially less favorable to the holders of the Exchange Notes than such restrictions in effect on the Issue Date and (d) any restriction listed under clauses (2), (3) or (4) of the second paragraph of the covenant described above under the caption ''*—Certain Covenants—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*'') except that the Parent Guarantor's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Parent Guarantor or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than any Guarantor), to the limitation contained in this clause);

(4) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Parent Guarantor or any Restricted Subsidiaries (including pursuant to any sale leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Parent Guarantor) or in connection with the sale or disposition of securities will be excluded;

(5) (a) any extraordinary, exceptional or unusual gain, loss or charge, (b) any asset impairments charges, or the financial impacts of natural disasters (including fire, flood and storm and related events), (c) any cash or non-cash charges or reserves in respect of any restructuring, redundancy, integration or severance or (d) any expenses, charges, reserves or other costs related to the Offering and the Transactions will be excluded;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity-based awards will be excluded;

(7) all deferred financing costs written off and premium paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness will be excluded;

(8) any one time non-cash charges or any increases in amortization or depreciation, in each case, in relation to any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Parent Guarantor or its Subsidiaries will be excluded;

(9) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;

(10) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies will be excluded;

(11) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Parent Guarantor or any Restricted Subsidiary owing to the Parent Guarantor or any Restricted Subsidiary will be excluded; and

(12) the cumulative effect of a change in accounting principles will be excluded.

''**Consolidated Senior Leverage**'' means, as of any date of determination, the sum without duplication of the total amount of outstanding Senior Leverage of the Parent Guarantor and its Restricted Subsidiaries (excluding Hedging Obligations entered into for bona fide hedging purposes and not for speculative purposes (as determined in good faith by the Parent Guarantor)).

''**Consolidated Senior Leverage Ratio**'' means, as of any date of determination, the ratio of (a) the Consolidated Senior Leverage of such Person on such date to (b) the Consolidated EBITDA of the Parent Guarantor for the Parent Guarantor's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding such date on which such additional Indebtedness is incurred. In the event that the specified Person or any of its Subsidiaries which are Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Consolidated Senior Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Senior Leverage Ratio is made (the ''**Calculation Date**''), then the Consolidated Senior Leverage Ratio will be calculated giving pro forma effect (as determined in good faith by a responsible accounting or financial officer of the Parent Guarantor) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period. The pro forma calculation of the Consolidated Senior Leverage Ratio shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to one or more of the categories of ''Permitted Debt'' set forth in the paragraph under ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*'' or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge was made using the proceeds of Indebtedness pursuant to one or more of the categories of ''Permitted Debt'' set forth in the paragraph under ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*''.

In addition, for purposes of calculating the Consolidated EBITDA for such period:

(1) acquisitions that have been made by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith and certified by a responsible accounting or financial officer of the Parent Guarantor and may include anticipated expense and cost reduction synergies in connection with any acquisition) as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(4) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and

(5) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the

entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness).

''**Consolidated Total Assets**'' means, with respect to any specified Person at any time, the total assets of such Person and its Subsidiaries which are Restricted Subsidiaries, in each case as shown on the most recent balance sheet of such Person, determined on a consolidated basis in accordance with IFRS.

''**Contingent Obligations**'' means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness (''**primary obligations**'') of any other Person (the ''**primary obligor**''), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

   (a) for the purchase or payment of any such primary obligation; or

   (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

''**continuing**'' means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

''**Continuing Directors**'' means, as of any date of determination, any member of the Board of Directors of the Parent Guarantor who:

(1) was a member of such Board of Directors on the Issue Date; or

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

''**Credit Facilities**'' means, one or more debt facilities, instruments or arrangements incurred by the Exchange Notes Issuer or any Subsidiary Guarantor (including commercial paper facilities and overdraft facilities) or indentures or trust deeds, in each case with banks, other institutions or investors, providing for revolving credit loans, term loans, performance guarantees, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit, notes, bonds, debentures or other corporate debt instruments or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks or institutions and whether provided under one or more credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term ''Credit Facilities'' shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Parent Guarantor as additional borrowers, issuers or guarantors thereunder, (3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

''**Currency Exchange Protection Agreement**'' means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar or agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

‘‘**Default**’’ means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

‘‘**Disqualified Stock**’’ means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the six-month anniversary of the date that the Exchange Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption ‘‘*—Certain Covenants—Restricted Payments*’’. For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Exchange Notes Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock, such Fair Market Value to be determined as set forth herein.

‘‘**EBITDA**’’ means, with respect to any specified Person for any period, operating profit for the period, before deducting depreciation and amortization and impairment charges, determined on an entity, combined or consolidated basis, as applicable, *pro forma* for any disposition.

‘‘**Equity Interests**’’ means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

‘‘**Equity Offering**’’ means an offering of Capital Stock (other than Disqualified Stock) of the Parent Guarantor pursuant to (1) a registration statement that has been declared effective by the SEC pursuant to the U.S. Securities Act (other than a registration statement on Form S-8 or otherwise relating to equity securities issuable under any employee benefit plan of the Parent Guarantor) or a public offering outside of the United States, or (2) Rule 144A and/or Regulation S or other private placement exemption under the U.S. Securities Act to professional market investors or similar persons.

‘‘**Euro-Equivalent**’’ means, with respect to any monetary amount in a currency other than euros, at any time for the determination thereof, the amount of euros at the spot rate for the purchase of euro with the applicable foreign currency as published under ‘‘Currency Rates’’ in the section of the *Financial Times* entitled ‘‘Currencies, Bonds & Interest Rates’’ on the date that is two Business Days prior to such determination.

‘‘**Euro Government Obligations**’’ means a direct obligation, or obligations guaranteed by a member state of the Pre-Expansion European Union, and the payment for which such member state of the Pre-Expansion European Union pledges its full faith and credit.

‘‘**Exchange Offer**’’ means the exchange offer for the Existing Parent Notes set forth in the exchange offer and consent solicitation memorandum, dated January 22, 2015, as amended or supplemented.

‘‘**Excluded Entity**’’ means each of Norske Skog Shared Services AS, Lysaker AS, Norske Skog Eiendom AS, Norske Skog Kraft AS, nsiFocus AS, Wood and Logistics AS, Norske Skog Walsum GmbH, Norske Skog Property AS, Norske Skog Overseas Holdings AS, NS Industries Canada Ltd. and Norske Skog Holdings AG.

‘‘**Existing 2016 Notes**’’ means the Parent Guarantor’s 11.75% senior notes due 2016.

‘‘**Existing Parent Notes**’’ means the Parent Guarantor’s 6.125% senior notes due 2015, 11.75% senior notes due 2016, 7.00% senior notes due 2017 and 7.125% senior notes due 2033.

‘‘**Fair Market Value**’’ means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by the Parent Guarantor’s Chief Executive Officer, Chief Financial Officer or responsible accounting or financial officer of the Parent Guarantor.

‘‘**Fixed Charge Coverage Ratio**’’ means, with respect to any specified Person for any period, the ratio of the Consolidated EBITDA of such Person for such period to the Fixed Charges of such Person for such

period. In the event that the specified Person or any of its Subsidiaries which are Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the ''**Calculation Date**''), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Parent Guarantor) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided*, *however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the one or more of the categories of ''Permitted Debt'' set forth in the second paragraph under ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*'' or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge was made using the proceeds of Indebtedness incurred pursuant to one or more of the categories of ''Permitted Debt'' set forth in the second paragraph under ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*''.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith and certified by a responsible accounting or financial officer of the Parent Guarantor and may include anticipated expense and cost reduction synergies in connection with any acquisition) as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Subsidiaries which are Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness).

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Net Income and Consolidated Senior Leverage Ratio, in each case, in connection with calculations for acquisitions (but not other unrelated transactions), calculations will be as determined in good faith by a responsible financial or chief accounting officer of the Parent Guarantor (including in respect of anticipated cost savings and synergies) as though the full effect of synergies and cost savings were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Parent Guarantor) of costs savings programs and synergies that have been initiated by the Parent Guarantor or its Restricted Subsidiaries as though such cost savings programs and synergies had been fully implemented on the first day of the relevant period.

''**Fixed Charges**'' means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense (net of interest income) of such Person and its Subsidiaries which are Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt discount (but not debt issuance costs, commissions, fees and expenses), non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments), the interest component of deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings (and excluding commissions, discounts, yield and other fees and charges related to any Qualified Securitization Financing); *plus*

(2) the consolidated interest expense of such Person and its Subsidiaries which are Restricted Subsidiaries that was capitalized during such period; *plus*

(3) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Subsidiaries which are Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Subsidiaries which are Restricted Subsidiaries; *plus*

(4) net payments and receipts (if any) pursuant to interest rate Hedging Obligations (excluding amortization of fees) with respect to Indebtedness; *plus*

(5) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of any Restricted Subsidiary, other than dividends on Equity Interests payable to the Parent Guarantor or a Restricted Subsidiary, *times* (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Parent Guarantor.

''**Guarantee**'' means a guarantee other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business, of all or any part of any Indebtedness (whether arising by agreements to keep-well, to take or pay or to maintain financial statement conditions, pledges of assets or otherwise).

''**Guarantors**'' means the Parent Guarantors, each Subsidiary Guarantor and each other Restricted Subsidiary that executes a Exchange Note Guarantee in accordance with the provisions of the Exchange Notes Indenture, and their respective successors and assigns, in each case, until the Exchange Note Guarantee of such Person has been released in accordance with the provisions of the Exchange Notes Indenture.

''**Hedging Obligations**'' means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements, (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates, including Currency Exchange Protection Agreements, or commodity prices.

''**IFRS**'' means International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union as in effect from time to time except as set forth in the definition of ''Capital Lease Obligations''.

''**Indebtedness**'' means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments for which such Person is responsible or liable;

(3) representing reimbursement obligations in respect of letters of credit, bankers' acceptances or similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence);

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than one year after such property is acquired or such services are completed; and

(6) representing any Hedging Obligations;

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with IFRS. In addition, the term ''Indebtedness'' includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

The term ''Indebtedness'' shall not include:

(1) any lease of property which would be considered an operating lease under IFRS and any Guarantee given by the Parent Guarantor or a Restricted Subsidiary of the Parent Guarantor in the ordinary course of business solely in connection with, and in respect of, the obligations of the Parent Guarantor or a Restricted Subsidiary under any operating lease;

(2) Contingent Obligations in the ordinary course of business;

(3) in connection with the purchase by the Parent Guarantor or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; or

(4) for the avoidance of doubt, any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

''**Independent Financial Advisor**'' means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Exchange Notes Issuer.

''**Intercreditor Agreement**'' means the Intercreditor Agreement dated on or about the Issue Date, by and among, *inter alios*, the Exchange Notes Issuer, the Guarantors, the Security Agent and the Trustee, as amended from time to time.

''**Investment Grade Status**'' shall occur when the Exchange Notes are rated Baa3 or higher by Moody's and BBB− or higher by S&P (or, if either such entity ceases to rate the Exchange Notes, the equivalent investment grade credit rating from any other ''nationally recognized statistical rating organization'' within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Parent Guarantor as a replacement agency).

''**Investments**'' means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as Investments on a balance sheet (excluding the footnotes) prepared in accordance with IFRS. If the Parent Guarantor or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Parent Guarantor will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Parent Guarantor's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption ''*—Certain Covenants—Restricted Payments*''. The acquisition by the Parent Guarantor or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an

Investment by the Parent Guarantor or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption ''—*Certain Covenants—Restricted Payments*''. Except as otherwise provided in the Exchange Notes Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value and, to the extent applicable, shall be determined based on the equity value of such Investment.

''**Issue Date**'' means the date of issuance of the Exchange Notes (other than Additional Exchange Notes).

''**Lien**'' means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement or any lease in the nature thereof.

''**Management Advances**'' means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers or employees of the Parent Guarantor or any Restricted Subsidiary:

(1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;

(2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or

(3) in the ordinary course of business and (in the case of this clause (3)) not exceeding €2.0 million in the aggregate outstanding at any time.

''**Material Subsidiary**'' means an Excluded Entity that, for the most recently completed financial year after the Issue Date, represents 5% or more of the operating revenue, EBITDA or total assets (excluding any intercompany loans or balances of the Excluded Entity) of the Parent Guarantor and its Restricted Subsidiaries.

''**Moody's**'' means Moody's Investors Service, Inc.

''**Net Proceeds**'' means the aggregate cash proceeds received by the Parent Guarantor or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration or Cash Equivalents substantially concurrently received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, and all distributions and other payments required to be made to minority interest holders (other than the Parent Guarantor or any Subsidiary) in Subsidiaries or joint ventures as a result of such Asset Sale, and any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with IFRS.

''**Non-Recourse Debt**'' means Indebtedness as to which neither the Parent Guarantor nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable as a guarantor or otherwise.

''**Exchange Note Guarantee**'' means the Guarantee by each Guarantor of the Exchange Notes Issuer's obligations under the Exchange Notes Indenture and the Exchange Notes, executed pursuant to the provisions of the Exchange Notes Indenture.

''**Exchange Notes Documents**'' means the Exchange Notes (including Additional Exchange Notes), the Exchange Notes Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreements.

''**Obligations**'' means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

''**Officer**'' means, with respect to any Person, the Chief Executive Officer or the Chief Financial Officer or director of the Person or a responsible accounting or financial officer of the Person.

''**Officer's Certificate**'' means a certificate signed by an Officer.

''**Pari Passu Indebtedness**'' means any Indebtedness of the Exchange Notes Issuer or any Guarantor that ranks equally in right of payment to the Exchange Notes or the Exchange Notes Guarantees, as the case may be.

''**Permitted Business**'' means (1) any businesses, services or activities engaged in by the Parent Guarantor or any of the Restricted Subsidiaries on the Issue Date and (2) any businesses, services and activities engaged in by the Parent Guarantor or any of the Restricted Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

''**Permitted Investments**'' means:

(1) any Investment in a Restricted Subsidiary;

(2) any Investment in cash and Cash Equivalents;

(3) any Investment by the Parent Guarantor or any Restricted Subsidiary in a Person, if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary; or

(b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Parent Guarantor or a Restricted Subsidiary;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption ''*—Repurchase at the Option of Holders—Asset Sales*'';

(5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Parent Guarantor;

(6) any Investments received in compromise or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Parent Guarantor or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (B) litigation, arbitration or other disputes;

(7) any Investment in connection with a Qualified Securitization Financing, including Investments of funds held in accounts permitted or required by the arrangements governing such Qualified Securitization Financing or any related Indebtedness;

(8) Investments in receivables owing to the Parent Guarantor or any Restricted Subsidiary created or acquired in the ordinary course of business;

(9) Investments represented by Hedging Obligations, which obligations are permitted by clause (8) of the second paragraph of the covenant entitled ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*'';

(10) Investments in the Exchange Notes and any other Indebtedness of the Parent Guarantor or any Restricted Subsidiary;

(11) any Guarantee of Indebtedness of the Parent Guarantor or a Restricted Subsidiary permitted to be incurred by the covenant described above under the caption ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*'';

(12) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased as required by the terms of such Investment as in existence on the Issue Date;

(13) Investments acquired after the Issue Date as a result of the acquisition by the Exchange Notes Issuer or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into the Exchange Notes Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption ''*—Merger, Consolidation or Sale of Assets*'' after the Issue Date to the extent that such Investments were not

made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation.

(14) Investments consisting of the contribution to a joint venture of some or all of the assets, property, shares and/or capital stock of a wholly-owned Subsidiary comprising, when taken together with all other Investments made pursuant to this clause (14) that are at the time outstanding, not to exceed 3% of Consolidated Total Assets; *provided* that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described above under the caption ''*—Certain Covenants—Restricted Payments*'', such Investment, if applicable, shall thereafter be deemed to have been made pursuant to clause (1) or (3) of the definition of ''Permitted Investments'' and not this clause;

(15) Management Advances; and

(16) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (16) that are at the time outstanding, not to exceed €10.0 million; *provided* that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to this covenant described above under the caption ''*—Certain Covenants—Restricted Payments*'', such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (3) of the definition of ''Permitted Investments'' and not this clause.

''**Permitted Liens**'' means:

(1) Liens in favor of the Parent Guarantor or any of its Restricted Subsidiaries;

(2) Liens on property (including Capital Stock) of a Person existing at the time such Person becomes a Restricted Subsidiary or is merged with or into or consolidated with the Parent Guarantor or any Restricted Subsidiary; *provided* that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary or such merger or consolidation, were not incurred in contemplation thereof and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary or is merged with or into or consolidated with the Parent Guarantor or any Restricted Subsidiary;

(3) Liens to secure the performance of statutory obligations, trade contracts, insurance, surety or appeal bonds, workers compensation obligations, pension obligations, unemployment insurance, social security insurance, leases (including, without limitation, statutory and common law landlord's liens), performance bonds, surety and appeal bonds or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);

(4) Liens existing on the Issue Date (including Liens to secure the Senior Secured Notes);

(5) Liens for taxes, assessments or governmental charges or claims that (a) are not yet due and payable or (b) are being contested in good faith by appropriate proceedings;

(6) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;

(7) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(8) Liens created for the benefit of (or to secure) the Exchange Notes (or any Exchange Note Guarantees);

(9) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Exchange Notes Indenture; *provided*, however, that:

(a) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien

(plus improvements and accessions to, such property or proceeds or distributions thereof); and

(b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(10) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(11) filing of Uniform Commercial Code financing statements under U.S. state law (or similar filings under applicable jurisdiction) in connection with operating leases in the ordinary course of business;

(12) bankers' Liens, rights of setoff or similar rights and remedies as to deposit accounts, Liens arising out of judgments or awards not constituting an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(13) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(14) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(15) leases (including operating leases), licenses, subleases and sublicenses of assets (including real property and intellectual property rights) in the ordinary course of business;

(16) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;

(17) Liens on Securitization Assets and related assets incurred in connection with any Qualified Securitization Financing or any Indebtedness incurred pursuant to clause (22) of the second paragraph of the covenant entitled ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*'';

(18) (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Parent Guarantor or any Restricted Subsidiary has easement rights or on any real property leased by the Parent Guarantor or any Restricted Subsidiary and subordination or similar agreements relating thereto and (ii) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(19) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(20) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(21) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(22) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of the Parent Guarantor or any Restricted Subsidiary's business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;

(23) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Parent Guarantor or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net proceeds of such disposal;

(24) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(25) Liens on any proceeds loan made by the Parent Guarantor or any Restricted Subsidiary in connection with any future incurrence of Indebtedness permitted under the Exchange Notes Indenture and securing that Indebtedness;

(26) Liens created on any asset of the Parent Guarantor or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Parent Guarantor or a Restricted Subsidiary securing any loan to finance the acquisition of such assets;

(27) Liens over treasury stock of the Parent Guarantor or a Restricted Subsidiary purchased or otherwise acquired for value by the Parent Guarantor or such Restricted Subsidiary pursuant to a stock buy-back scheme or other similar plan or arrangement;

(28) [Reserved];

(29) Liens on bank accounts constituting part of a cash management program to secure Indebtedness incurred pursuant to clause (17)(B) of the second paragraph of the covenant entitled ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*'';

(30) Liens on escrowed proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such case, in either case, to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(31) Liens on assets or property of the Parent Guarantor or any Restricted Subsidiary securing any Senior Indebtedness of a Subsidiary Guarantor that is permitted to be incurred under the first paragraph of the covenant entitled ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*'' or clauses (1), (8), (13), (18), (20), (21) and (23) of the the second paragraph of the covenant entitled ''*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*''; and

(32) any extension, renewal, refinancing or replacement, in whole or in part, of any Lien described in the foregoing clauses (1) through (31) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced.

''**Permitted Refinancing Indebtedness**'' means any Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, exchange, defease or discharge other Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries (other than intercompany Indebtedness (other than any proceeds loan)); *provided* that:

(1) the aggregate principal amount (or accreted value, if applicable), or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has (a) a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (ii) after the final maturity date of the Exchange Notes and (b) has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; provided, however, that Permitted Refinancing Indebtedness used to renew, refund, refinance, replace, exchange, defease or discharge the Parent Guarantor's senior notes due 2033 shall, in lieu of clause (a) and (b), be required to have a final maturity date that is on or after January 1, 2022;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is expressly, contractually, subordinated in right of payment to the Exchange Notes or the Exchange

Note Guarantees, as the case may be, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Exchange Notes or the Exchange Note Guarantees, as the case may be, on terms at least as favorable to the holders of Exchange Notes or the Exchange Note Guarantees, as the case may be, as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged, and, if secured, the collateral securing such Permitted Refinancing Indebtedness does not include property or assets that did not secure the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;

(4) if the Exchange Notes Issuer or any Guarantor was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged, such Indebtedness is Incurred either by the Exchange Notes Issuer or by a Guarantor; and

(5) such Permitted Refinancing Indebtedness shall not include Indebtedness of the Exchange Notes Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary, Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Exchange Notes Issuer or a Guarantor or Indebtedness of a Restricted Subsidiary of the Parent Guarantor that refinances the Existing Parent Notes.

''**Person**'' means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

''**Pre-Expansion European Union**'' means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

''**Qualified Securitization Financing**'' means any financing pursuant to which the Exchange Notes Issuer or any Guarantor may sell, convey or otherwise transfer to any other Person or grant a security interest in, any Securitization Assets (and related assets) in any aggregate principal amount equivalent to the Fair Market Value of such Securitization Assets (and related assets) of the Exchange Notes Issuer or any of its Restricted Subsidiaries; *provided* that (a) the covenants, events of default and other provisions applicable to such financing shall be on market terms (as determined in good faith by the Exchange Notes Issuer's board of directors of senior management) at the time such financing is entered into, (b) the interest rate applicable to such financing shall be a market interest rate (as determined in good faith by the Exchange Notes Issuer's board of directors or senior management) at the time such financing is entered into and (c) such financing shall be non-recourse to the Exchange Notes Issuer or any of its Restricted Subsidiaries except to a limited extent customary for such transactions.

''**Restricted Investment**'' means an Investment other than a Permitted Investment.

''**Restricted Subsidiary**'' means any Subsidiary of the Parent Guarantor that is not an Unrestricted Subsidiary.

''**S&P**'' means Standard & Poor's Ratings Group.

''**SEC**'' means the U.S. Securities and Exchange Commission.

''**Securitization Assets**'' means any accounts receivable, bank accounts, inventory, royalty or revenue streams from sales of inventory subject to a Qualified Securitization Financing.

''**Securitization Fees**'' means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not the Exchange Notes Issuer or a Restricted Subsidiary in connection with any Qualified Securitization Financing.

''**Securitization Repurchase Obligation**'' means any obligation of a seller of Securitization Assets in a Qualified Securitization Financing to repurchase Securitization Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

''**Senior Indebtedness**'' means, whether outstanding on the Issue Date or thereafter incurred:

(1) the Senior Secured Notes and guarantees thereof; and

(2) any other Indebtedness of the Exchange Notes Issuer or any Guarantor permitted to be incurred under the terms of the Exchange Notes Indenture, unless the instrument under which such Indebtedness is incurred (or the Intercreditor Agreement or any Additional Intercreditor Agreement to which such Indebtedness is subject) expressly provides, in the case of the Exchange Notes Issuer or any Parent Guarantor, that it is subordinated in right of payment to the Exchange Notes or such Parent Guarantor's Exchange Note Guarantee, or in the case of any Subsidiary Guarantor, that it is on a parity with or subordinated in right of payment to the Exchange Note Guarantee of such Subsidiary Guarantor, including, without limitation, any Subordinated Indebtedness, and all Obligations with respect to any of the foregoing.

Notwithstanding anything to the contrary in the preceding, Senior Indebtedness will not include:

(1) any obligation of the Parent Guarantor or any Restricted Subsidiary between or among the Parent Guarantor or any Restricted Subsidiary;

(2) any liability for taxes owed or owing by the Parent Guarantor or any Restricted Subsidiary;

(3) any Indebtedness, guarantee or obligation of the Exchange Notes Issuer or any Guarantor that is expressly subordinate or junior in right of payment to any other Indebtedness, guarantee or obligation of the Exchange Notes Issuer or any Guarantor;

(4) any Indebtedness under the Exchange Notes or Exchange Notes Guarantees or other Indebtedness of the Exchange Notes Issuer or any Parent Guarantor that is supported by a guarantee of a Subsidiary Guarantor on a basis that is pari passu with or subordinated in right of payment to the Exchange Notes Guarantees of the Subsidiary Guarantors;

(5) any Indebtedness under the Existing Parent Notes; or

(6) any Capital Stock.

''**Senior Leverage**'' means (without double counting) (1) Indebtedness for borrowed money of the Exchange Notes Issuer and the Parent Guarantors that is secured by a Lien or guaranteed by any Subsidiary Guarantor on a basis that is senior in right of payment to such Subsidiary Guarantor's Exchange Note Guarantee, (2) Indebtedness for borrowed money of each Restricted Subsidiary of the Parent Guarantor that is not a Guarantor or the Exchange Notes Issuer, and (3) Indebtedness for borrowed money of the Senior Secured Notes Issuer and its Restricted Subsidiaries. The term ''Senior Leverage'' shall not include any Guarantee of Indebtedness by the Senior Secured Notes Issuer or any of its Restricted Subsidiaries (including the Exchange Note Guarantees) which Guarantee is subordinated to the Senior Secured Notes and the Guarantees of the Senior Secured Notes, as applicable, pursuant to the terms of the Intercreditor Agreement or an Additional Intercreditor Agreement.

''**Senior Secured Notes Issuer**'' means Norske Skog AS.

''**Senior Secured Notes Indenture**'' means the indenture, to be dated as of the Issue Date, governing the Senior Secured Notes, as amended.

''**Senior Secured Notes**'' means the Senior Secured Notes due 2021 to be issued by the Senior Secured Notes Issuer on the Issue Date.

''**Significant Subsidiary**'' means, at the date of determination, any Restricted Subsidiary that together with its Subsidiaries which are Restricted Subsidiaries (1) for the most recent fiscal year, accounted for more than 10% of the consolidated revenues of the Parent Guarantor or (2) as of the end of the most recent fiscal year, was the owner of more than 10% of the consolidated assets of the Parent Guarantor.

''**Stated Maturity**'' means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

''**Subordinated Indebtedness**'' means, in the case of the Issuer and each Parent Guarantor, any Indebtedness that is expressly subordinated or junior in right of payment to the Exchange Notes or the Exchange Note Guarantee of such Parent Guarantor, respectively, and, in the case of each Subsidiary Guarantor, any Indebtedness that is expressly subordinated or junior in right of payment to the Exchange Note Guarantee of such Subsidiary Guarantor.

''**Subsidiary**'' means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

''**Subsidiary Guarantors**'' means the Senior Secured Notes Issuer, 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 Saubrugs AS, Norske Skog Skogn AS and Norske Skog Tasman Limited, and any other Guarantor other than the Parent Guarantors.

''**Tax**'' means any tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other additions thereto, and, for the avoidance of doubt, including any withholding or deduction for or on account of Tax).

''**Taxes**'' and ''**Taxation**'' shall be construed to have corresponding meanings.

''**Treasury Rate**'' means the yield to maturity at the time of computation of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such statistical release is not so published or available, any publicly available source of similar market date selected by the Exchange Notes Issuer in good faith)) most nearly equal to the period from the redemption date to February 24, 2018; provided, however, that if the period from the redemption date to February 24, 2018 is not equal to the constant maturity of a U.S. Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by a linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of U.S. Treasury securities for which such yields are given, except that if the period from the redemption date to February 24, 2018 is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year shall be used.

''**U.S. Exchange Act**'' means the United States Securities Exchange Act of 1934, as amended.

''**U.S. Government Obligations**'' means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

''**U.S. Securities Act**'' means the United States Securities Act of 1933, as amended.

''**Unrestricted Subsidiary**'' means any Subsidiary of the Parent Guarantor (other than the Exchange Notes Issuer or any successor to the Exchange Notes Issuer) that is designated by the Board of Directors of the Parent Guarantor as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by the covenant described above under the caption ''*—Certain Covenants—Transactions with Affiliates*'', is not party to any agreement, contract, arrangement or understanding with the Parent Guarantor or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Parent Guarantor or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Parent Guarantor; and

(3) is a Person with respect to which neither the Parent Guarantor nor any Restricted Subsidiary has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

‘‘**Voting Stock**’’ of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

‘‘**Weighted Average Life to Maturity**’’ means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amounts of such Indebtedness.

# BOOK-ENTRY, DELIVERY AND FORM

## General

The Temporary Notes sold within the United States to QIBs pursuant to Rule 144A and the Senior Secured Notes issued in respect of certain of such Temporary Notes will initially be represented by one or more global notes in registered form without interest coupons attached (the ''**Rule 144A Global Notes**''). The Temporary Notes sold outside the United States pursuant to Regulation S and the Senior Secured Notes issued in respect of certain of such Temporary Notes will initially be represented by one or more global notes in registered form without interest coupons attached (the ''**Regulation S Global Notes**'' and, together with the 144A Global Notes, the ''**Global Notes**''). The Global Notes will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Ownership of interests in the 144A Global Notes (''**144A Book-Entry Interests**'') and ownership of interests in the Regulation S Global Notes (the ''**Regulation S Book-Entry Interests**'' and, together with the 144A Book-Entry Interests, the ''**Book-Entry Interests**'') will be limited to persons who have accounts with Euroclear and/or Clearstream or persons who may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. The Book-Entry Interests in Global Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interests in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or ''holders'' of Notes under the Temporary Notes Indenture or the Indenture, as applicable, for any purpose.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or their or its respective nominee) will be considered the sole holder of Global Notes for all purposes under the Temporary Notes Indenture and the Indenture. As such, participants must rely on the procedures of Euroclear and/or Clearstream and indirect participants must rely on the procedures of Euroclear and/or Clearstream and the participants through which they own Book-Entry Interests in order to exercise any rights of holders of the Notes under the Temporary Notes Indenture and the Indenture.

None of the Temporary Notes Issuer, the Issuer, the Trustee, the Paying Agent, the Registrar or the Transfer Agent under the Temporary Notes Indenture or the Indenture or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

## Issuance of Definitive Registered Notes

Under the terms of the Temporary Notes Indenture and the Indenture, owners of Book-Entry Interests will receive definitive Notes in registered form (the ''**Definitive Registered Notes**''):

- if Euroclear or Clearstream notifies the Temporary Notes Issuer or the Issuer that it is unwilling or unable to continue to act as depository for the Global Notes and a successor depository is not appointed by the Temporary Notes Issuer or the Issuer within 120 days;
- if Euroclear or Clearstream so requests following an event of default under the Temporary Notes Indenture or the Indenture; or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the Temporary Notes Indenture or the Indenture and enforcement action is being taken in respect thereof under the Temporary Notes Indenture or the Indenture.

In such an event, the Temporary Notes Issuer or the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream (in accordance with their respective customary procedures and based

upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in ''*Transfer Restrictions*'' unless that legend is not required by the Temporary Notes Indenture or the Indenture or applicable law.

**Redemption of Global Notes**

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream, as applicable, will distribute the amount received by them or it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by them or it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Temporary Notes Issuer and the Issuer understand that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided*, *however*, that no Book-Entry Interest of less than €100,000 principal amount at maturity may be redeemed in part.

**Payments on Global Notes**

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Temporary Notes Issuer or the Issuer to the Paying Agent. In turn, the Paying Agent will make such payments to the common depository or its nominee for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures. We will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under ''*Description of the Senior Secured Notes—Additional Amounts*.'' If any such deduction or withholding is required to be made, then, to the extent described under ''*Description of the Senior Secured Notes—Additional Amounts*,'' we will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. We expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Temporary Notes Indenture and the Indenture, the Temporary Notes Issuer or the Issuer and the Trustee will treat the registered holder of the Global Notes (i.e., the common depositary for Euroclear or Clearstream (or its nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Temporary Notes Issuer, the Issuer, the Trustee, the Registrar, the Transfer Agent or the Paying Agent or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest;
- Euroclear, Clearstream or any participant or indirect participant; or
- any other matters relating to the actions and practices of Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

### Currency and Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes, will be paid to holders of interest in such Notes through Euroclear and/or Clearstream in Euro.

### Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Temporary Notes Issuer and the Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

### Transfers

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear's and Clearstream's rules and will be settled in immediately available funds. If a holder of Notes requires the physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states that require the physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Global Notes will bear a legend to the effect set forth under ''*Transfer Restrictions*.'' Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under ''*Transfer Restrictions*.''

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a ''qualified institutional buyer'' within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under ''*Transfer Restrictions*'' and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under ''*Description of the Senior Secured Notes—Transfer and Exchange*,'' and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See ''*Transfer Restrictions.*''

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

### Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Temporary Notes Issuer and the Issuer provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Temporary Notes Issuer, the Issuer or any of the Initial Purchasers is responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Euroclear and Clearstream have no record of or relationship with persons holding through their account holders. Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

### Global Clearance and Settlement Under the Book-Entry System

The Senior Secured Notes represented by the Global Notes are expected to be admitted to trading on the Euro MTF Market and listed on the Official List of the Luxembourg Stock Exchange. The Issuer expects that secondary trading in any Notes will be settled in accordance with rules and operating procedures of Euroclear, Clearstream and/or the Luxembourg Stock Exchange.

Although Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee or the Paying Agent will have any responsibility for the performance by Euroclear, Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

### Initial Settlement

Initial settlement for the Notes will be made in Euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

### Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

# TAX CONSIDERATIONS

## Certain Norwegian Tax Considerations

The following is a general presentation of certain Norwegian tax consequences resulting from the acquisition, ownership and disposition of the Notes. This presentation does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase the Notes. In particular, this presentation does not consider any specific facts or circumstances that may apply to a particular purchaser subject to special tax regimes, such as banks, insurance companies or tax-exempt organizations. This summary is based on the laws currently in force and as applied on the date of these listing particulars in the Kingdom of Norway which are subject to change, possibly with retroactive effect.

Prospective purchasers of the Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of the Notes, including the effect of any state or local taxes under the tax laws applicable in the kingdom of Norway and each country of which they are residents or whose tax laws apply to them for other reasons.

Please note that for the purpose of the summary below, a reference to a Norwegian or non-Norwegian holder of Notes refers to the tax residency and not the nationality of the holder.

### *Taxation of interest*

*Norwegian holders of Notes*

Both corporate and individual holders of Notes who are tax residents of Norway are subject to Norwegian tax on interest received with a flat tax rate currently at 27%. For Norwegian holders holding Notes issued with a discount (compared to the nominal value) such discount will be taxed in the year of the realization of the Notes.

Any interest received in foreign currency is converted to Norwegian kroner when calculating the taxable interest income.

*Non-Norwegian holders of Notes*

In general, payments of interest on Notes issued to holders who are not tax residents of Norway are not subject to Norwegian tax. Payments to non-Norwegian holders of Notes may therefore be made without any withholding tax or deduction for any Norwegian taxes, duties, assessments or governmental charges.

If the Notes are held by an individual or by a company not tax resident of Norway, that is performing business activities in Norway, and the Notes are effectively connected with such business activities in Norway, interest received will be taxed in Norway with a tax rate of 27%.

### *Taxation of capital gains or losses on disposal of Notes*

*Norwegian holders of Notes*

Capital gains realized by Norwegian holders of Notes upon the sale, disposal or other redemption of Notes will be subject to Norwegian taxation at the rate of 27%. Corresponding losses will be tax deductible.

The taxable gain or deductible loss is calculated for each Note and is, in broad terms, equal to the sales price less the Norwegian Notes holders' cost price of the Note, including costs incurred in relation to the acquisition or realization of the Note. Any gain received in foreign currency when realizing Notes is converted to Norwegian kroner when calculating the taxable gain.

*Non-Norwegian holders of Notes*

Capital gains realized by non-Norwegian holders of Notes upon the sale, disposal or other redemption of Notes are normally not subject to Norwegian tax. Corresponding losses will generally not be tax deductible.

Such capital gains may be taxable in Norway if the non-Norwegian holder of Notes is performing a business activity in Norway and the Notes are effectively connected with such business activity.

***Net wealth tax***

*Corporate holders*

Both Norwegian and non-Norwegian corporate holders of Notes are exempt from Norwegian net wealth tax.

*Individual holders*

Individual holders of Notes who are tax residents of Norway are liable to Norwegian net wealth tax. The value of the Notes is included in the basis for the computation of net wealth tax imposed on such holders of Notes. The value for assessment purposes for listed Notes is the listed value as of 1 January in the year of assessment. Unlisted Notes will normally be valued at face value. Currently, the marginal net wealth tax rate is 1% of the taxpayer's net wealth.

Non-resident individual holders of Notes are not liable to pay net wealth tax in Norway on the value of the Notes unless Notes are effectively connected with a business that the individual holder of Notes carries out in Norway.

**Certain U.S. Federal Income Tax Considerations**

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below), including the exchange of Temporary Notes for Senior Secured Notes and, potentially, cash. This summary deals only with initial purchasers of Temporary Notes at the issue price that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-U.S. or other tax laws. This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Notes in connection with a trade or business conducted outside of the United States, U.S. expatriates or investors whose functional currency is not the U.S. dollar).

As used herein, the term ''U.S. Holder'' means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect. We have not and will not seek any rulings from the U.S. Internal Revenue Service (the ''**IRS**'') regarding the matters discussed below. No assurance can be given that IRS would not assert, or that a court would not sustain, a different position concerning the tax consequences of the acquisition, ownership or disposition of the Notes from the tax consequences described below.

**THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. IT IS NOT INTENDED TO BE RELIED UPON BY PURCHASERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE**

**U.S. INTERNAL REVENUE CODE. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF THE NOTES, INCLUDING, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

### *Treatment of the Notes*

In certain circumstances (i) the Temporary Notes Issuer may be required to redeem a portion of the Temporary Notes for cash and (ii) the Issuer may be obligated to make additional payments on the Notes in excess of the stated interest and principal amount (e.g., as described under ''*Description of the Senior Secured Notes—Additional Amounts*''). The possibility of such redemption and/or such payments could be viewed as causing the Notes to be treated as ''contingent payment debt instruments'' for U.S. federal income tax purposes (''**CPDIs**''). If the Notes were to be treated as CPDIs, U.S. Holders may be required to recognize income for U.S. federal income tax purposes at different times and in different amounts than described below, to treat any income realized on a taxable disposition of a Note as ordinary income rather than capital gain, and to suffer other adverse U.S. federal income tax consequences. Although the issue is not free from doubt, the Issuer intends to take the position (to the extent it is required to do so) that the Notes should not be treated as CPDIs. Our determination that the Notes should not be treated as CPDIs is binding on a holder unless the holder discloses its contrary position in the manner required by applicable regulations. Prospective purchasers of the Notes are urged to consult their tax advisers regarding the U.S. federal income tax consequences in the event the Notes were to be treated as CPDIs. The remainder of this discussion assumes that the Notes will not be so treated.

### *Treatment of the Exchange of Temporary Notes for Senior Secured Notes*

Following the Proposed Exchange Offers and Proposed Consent Solicitations, an amount of Temporary Notes will be exchanged for Senior Secured Notes and a portion of the Temporary Notes may be redeemed for cash. Depending upon the terms of this exchange and possible redemption, including whether the entire amount of Temporary Notes are exchanged for Senior Secured Notes, it is possible that the Exchange could be treated as a taxable exchange for U.S. federal income tax purposes, as discussed in more detail below.

#### *Exchange of the entire amount of Temporary Notes for Senior Secured Notes*

Although the issue is not free from doubt, if the entire amount of the Temporary Notes are exchanged for Senior Secured Notes, and no portion of the Temporary Notes are redeemed for cash, the Issuer expects to take the position (to the extent it is required to do so) that the exchange of the Temporary Notes for Senior Secured Notes should not be treated as a taxable exchange for U.S. federal income tax purposes. It is possible, however, that the Internal Revenue Service could take a contrary view, and seek to treat the exchange of Temporary Notes for Senior Secured Notes, in the case where the entire amount of the Temporary Notes are exchanged for Senior Secured Notes (and no portion of the Temporary Notes are redeemed for cash), as a taxable exchange for U.S. federal income tax purposes.

If the exchange of Temporary Notes for Senior Secured Notes is not treated as a taxable exchange for U.S. federal income tax purposes, a U.S. Holder would not recognize any income, gain or loss in connection with such transaction and would have the same adjusted tax basis in the Senior Secured Notes as the U.S. Holder had in the Temporary Notes exchanged therefor. Moreover, the holding period for the Senior Secured Notes would generally include the holding period for the Temporary Notes.

#### *Exchange of Temporary Notes in part for Senior Secured Notes and partial redemption of Temporary Notes for cash*

Although the issue is not free from doubt, if the Temporary Notes are exchanged in part for Senior Secured Notes and are partially redeemed for cash, the Issuer expects to take the position (to the extent it is required to do so) that the receipt of Senior Secured Notes in exchange for Temporary Notes should be treated as a taxable exchange for U.S. federal income tax purposes. It is possible, however, that the Internal Revenue Service could take a contrary view, and seek to treat the exchange of Temporary Notes for Senior Secured Notes, in the case where Temporary Notes are exchanged in part for Senior Secured Notes and are partially redeemed for cash for cash, as not constituting a taxable exchange for U.S. federal income tax purposes.

If the exchange of Temporary Notes for Senior Secured Notes is treated as a taxable exchange, U.S. Holders would generally recognize gain or loss in connection with such exchange (as described below under ''—*Sale and Other Taxable Disposition of the Notes*'') and would have a new holding period and a new tax basis in the Senior Secured Notes for U.S. federal income tax purposes. In addition, if the fair market value of the Senior Secured Notes at the time of such exchange is less than the principal amount of the Senior Secured Notes (by more than a statutorily defined de minimis amount), the Senior Secured Notes may be treated as issued with OID (as described below under ''—*Original Issue Discount*''). In the event that the exchange of Temporary Notes for Senior Secured Notes is treated as a taxable exchange, the issue price of the Senior Secured Notes is expected to be equal to the fair market value of the Senior Secured Notes at the time of the Exchange because it is expected that a substantial amount of the Senior Secured Notes will be treated as traded on an established market for U.S. federal income tax purposes. If the Senior Secured Notes are not so treated, then other rules would apply for purposes of determining the issue price of the Senior Secured Notes. The remainder of this discussion assumes that, in the event that the exchange of Temporary Notes for Senior Secured Notes is treated as a taxable exchange, the issue price of the Senior Secured Notes will be equal to the fair market value of the Senior Secured Notes at the time of the exchange.

Holders are urged to consult their tax advisers regarding the U.S. federal income tax consequences to them of the exchange of Temporary Notes for Senior Secured Notes and, potentially, cash, including the determination of the issue price of the Senior Secured Notes in the event that the exchange of the Temporary Notes for Senior Secured Notes is treated as a taxable exchange.

***Payments of interest***

*General.* Interest on a Note will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such holder's method of accounting for U.S. federal income tax purposes. Interest paid by the Issuer on the Notes and OID accrued with respect to the Notes (as described below under ''—*Original Issue Discount*'') constitutes income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

*Foreign currency denominated interest.* The amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in Euros in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within each taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within each taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in Euros, the accrual basis U.S. Holder may recognise U.S. source exchange gain or loss (taxable as U.S.-source ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

***Original Issue Discount***

*General.* Since the Temporary Notes will be treated as issued with more than a de minimis amount of OID, a U.S. Holder will be required to include a portion of the OID in gross income as interest in each

taxable year or portion thereof in which the U.S. Holder holds such Notes even if the U.S. Holder has not received a cash payment in respect of the OID. The same requirements will apply with respect to the Senior Secured Notes if the Senior Secured Notes are treated as issued with more than a de minimis amount of OID.

In general, notes will be treated as issued with more than a de minimis amount of OID if the amount of OID is not less than 0.25 per cent. multiplied by the product of the stated redemption price at maturity and the number of complete years to maturity from the issue date. The amount of a note's OID is the excess of the note's stated redemption price at maturity over its issue price. The issue price of a note issued for cash is the first price at which a substantial amount of notes included in the issue of which the note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The issue price of a note that is traded on an established market and is issued for property (such as the Senior Secured Notes issued in exchange for the Temporary Notes, in the event that such exchange is treated as a taxable exchange and the Senior Secured Notes are treated as traded on an established market, in each case, for U.S. federal income tax purposes) generally is the fair market value of such note, determined as of the issue date. In general, the stated redemption price at maturity of a note is the total of all payments provided by such a note that are not payments of qualified stated interest. In general, an interest payment on a note is qualified stated interest if it is one of a series of stated interest payments on the note that are unconditionally payable at least annually at a single fixed rate. The stated redemption price at maturity of a note is generally its principal amount.

U.S. Holders of notes treated as issued with more than a de minimis amount of OID must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of such notes. The amount of OID includible in income by a U.S. Holder of such a note is the sum of the daily portions of OID with respect to the note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the note (''**accrued OID**''). The daily portion is determined by allocating to each day in any ''accrual period'' a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a note may be of any length selected by the U.S. Holder and may vary in length over the term of the note as long as (i) no accrual period is longer than one year; and (ii) each scheduled payment of interest or principal on the note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the note's adjusted issue price at the beginning of the accrual period and the note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of interest on the note allocable to the accrual period. The ''adjusted issue price'' of a note at the beginning of any accrual period is the issue price of the note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of payments previously made on the note that were not interest payments.

Any OID for an accrual period will be determined in Euros and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above under ''Payments of Interest''. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or retirement of a note), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

*Election to treat all interest as OID.* A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under ''—*Original Issue Discount—General*'', with certain modifications. For purposes of this election, interest includes interest, OID, market discount and *de minimis* market discount, as adjusted by any amortisable bond premium or acquisition premium. This election generally applies only to the note with respect to which it is made and may not be revoked without the consent of the IRS. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

***Sale and other taxable disposition of the Notes***

A U.S. Holder generally will recognise gain or loss on the sale or other taxable disposition of a Note equal to the difference between the amount realised on the sale or disposition and the U.S. Holder's adjusted tax basis of the Note. A U.S. Holder's adjusted tax basis in a Note purchased with Euros generally will be

its U.S. dollar cost (as defined below), increased by the amount of any OID included in the U.S. Holder's income with respect to the Note and reduced by the amount of any principal paid on the Note. A U.S. Holder's adjusted tax basis in the Senior Secured Notes, in the event that the exchange of Temporary Notes for Senior Secured Notes is treated as a taxable exchange, generally is expected to be equal to the fair market value of the Senior Secured Notes on the date they are issued, increased by the amount of any OID included in the U.S. Holder's income with respect to the Senior Secured Note and reduced by the amount of any principal paid on the Senior Secured Note. The U.S. dollar cost of a Note purchased with Euros generally will be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Notes traded on an established securities market, within the meaning of the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. The amount realised on a sale or other taxable disposition for an amount in Euros will be the U.S. dollar value of this amount on the date of sale or disposition, or the settlement date for the sale, in the case of Notes traded on an established securities market, within the meaning of the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). The amount realised by a U.S. holder with respect to the receipt of the Senior Secured Notes, in the event that the exchange of Temporary Notes for Senior Secured Notes is treated as a taxable exchange, generally is expected to be equal to the fair market value of the Senior Secured Notes on the date they are issued.

A U.S. Holder generally is expected to recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or other taxable disposition of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note, in the case of Notes purchased with Euros, or the fair market value of the Senior Secured Notes at the time of the exchange of Temporary Notes for Senior Secured Notes, in the event that the exchange of Temporary Notes for Senior Secured Notes is treated as a taxable exchange (i) on the date of sale or other taxable disposition and (ii) the date on which the U.S. Holder purchased the Note, in the case of Notes purchased with Euros, or the date on which the U.S. Holder received the Senior Secured Notes, in the event that the exchange of Temporary Notes for Senior Secured Notes is treated as a taxable exchange. Any such exchange rate gain or loss (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest) will be realised only to the extent of total gain or loss realised on the sale or other taxable disposition. Except to the extent resulting from changes in exchange rates, gain or loss recognised by a U.S. Holder on the sale or other taxable disposition of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year.

Gain or loss realised by a U.S. Holder on the sale or other taxable disposition of a Note generally will be U.S. source. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale or other taxable disposition of Notes.

***Disposition of foreign currency***

Foreign currency received as interest on a Note or on the sale or other taxable disposition of a Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other taxable disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

***Backup withholding and information reporting***

Payments of principal and interest on, and the proceeds of the sale, retirement or other disposition of Notes by a U.S. paying agent or other U.S. intermediary (and accruals of OID) will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments, including payments of accrued OID, if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

***Reportable transactions***

A U.S. taxpayer that participates in a ''reportable transaction'' will be required to disclose its participation to the IRS. Under the relevant rules, if the Notes are denominated in a foreign currency, a U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations (U.S.$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases generally is imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules.

***Foreign financial asset reporting***

U.S. taxpayers that own certain foreign financial assets, including debt of non-U.S. entities, with an aggregate value in excess of U.S.$50,000 at the end of the taxable year or U.S.$75,000 at any time during the taxable year (or, for certain individuals living outside the United States and married individuals filing joint returns, certain higher thresholds) may be required to file an information report with respect to such assets with their tax returns. The Notes are expected to constitute foreign financial assets subject to these requirements unless the Notes are held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). U.S. Holders should consult their tax advisers regarding the application of the rules relating to foreign financial asset reporting.

**Certain Luxembourg Tax Considerations**

The following paragraphs provide information on certain material Luxembourg tax consequences of purchasing, owning and disposing of the Temporary Notes. It does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase or sell the Temporary Notes. It is based on the laws, regulations and administrative and judicial interpretations presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. This information does not take into account the specific circumstances of particular investors. Prospective investors should consult their own professional advisors as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used in the sub-headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers only to Luxembourg tax law and/or concepts. Also, please note that a reference to Luxembourg income tax generally encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu*). Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

**Taxation of the Holders of Temporary Notes**

***Withholding Tax***

Under the existing laws of Luxembourg and with the possible exception of interest to certain individual holders there is no withholding tax on payments of principal, premium or interest, or on accrued but unpaid interest, in respect of the Temporary Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Temporary Notes.

In accordance with the law of November 25, 2014, Luxembourg will elect out the withholding system in favor of an automatic exchange of information under the Council Directive 2003/48/EC on the taxation of Savings income with effect as from January 1, 2015. Payments of interests to individual holders of Temporary Notes or to certain so-called residual entities will then no longer be subject to any withholding tax.

According to the Law of December 23, 2005 as amended, interest payments on the Temporary Notes paid by a Luxembourg paying agent will be subject to a withholding tax of 10% (the ''**10% withholding tax**'') if such payments are made for the immediate benefit of individuals resident in Luxembourg.

In the event that interest is paid to a Luxembourg resident individual, the beneficiary may opt for the application of the 10% withholding tax in accordance with the Law of December 23, 2005 (the ''**10% tax**'').

The 10% withholding tax and the 10% tax will operate a full discharge of income tax for Luxembourg resident individuals acting in the context of the management of their private wealth. Responsibility for withholding such will be assumed by the Luxembourg Paying Agent.

Interest on the Temporary Notes paid by a Luxembourg paying agent to residents of Luxembourg which are not individuals will not be subject to any withholding tax.

**Taxes on income and capital gains**

***Non-Resident holders of Temporary Notes***

Non-resident holders of Temporary Notes, not having a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which the Temporary Notes or income therefrom are attributable, are not subject to Luxembourg income taxes on income accrued or received, redemption premiums or issue discounts, under the Temporary Notes nor on capital gains realised on the disposal or redemption of the Temporary Notes.

Non-resident holders who have a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which the Temporary Notes are allocable, are subject to Luxembourg corporate income tax and municipal business tax on interest accrued or received, redemption premiums or issue discounts and on any gains realised upon the sale or disposal of the Temporary Notes.

***Resident holders of Temporary Notes***

*Individuals*

If held in the context of carrying on an enterprise, any interest income, whether paid or accrued, and any capital gain or foreign exchange result whether realised or accrued, derived from the Temporary Notes is subject to Luxembourg income taxes (income tax levied at progressive rates and municipal business tax). The 10% withholding tax levied is credited against their final tax liability.

If held in the context of managing private wealth, interest income received is subject to income tax at progressive rates unless the 10% withholding tax or the 10% tax applied. Furthermore, capital gains realised upon disposal of Temporary Notes are taxable if realised within six months from their acquisition or if their disposal precedes the acquisition of the Temporary Notes. Upon redemption of the Temporary Notes, Luxembourg resident individuals must include the portion of the redemption price corresponding to accrued but unpaid interest in their taxable income, unless the 10% withholding tax or the 10% tax has been levied.

*Corporate holders*

Resident corporate holders of the Temporary Notes are always deemed to hold the Notes in the context of carrying on an enterprise. As such, any interest income, whether paid or accrued, and any capital gain or foreign exchange result whether realised or accrued, derived from the Temporary Notes is subject to Luxembourg income taxes (corporate income tax and municipal business tax).

***Net wealth tax***

*Individuals are not subject to net wealth tax.*

Resident corporate holders of the Temporary Notes as well as permanent establishments of non-resident corporate holders of the Temporary Notes, to which such notes are allocable, are subject to Luxembourg net wealth tax on the fair market value of the Temporary Notes, unless they benefit from a specific exemption.

### *Value Added Tax*

There is no Luxembourg value added tax payable in respect of payments in consideration for the issue of the Temporary Notes or in respect of the payment of interest or principal under the Temporary Notes or a transfer of the Temporary Notes.

### *Luxembourg gift and inheritance taxes*

Inheritance tax is levied in Luxembourg at progressive rates (depending on the value of the assets inherited and the degree of relationship). No Luxembourg inheritance tax will be due in respect of the Temporary Notes unless the holder of the latter resides in Luxembourg at the time of his/her death. No gift tax is due upon the donation of Temporary Notes unless such donation is registered in Luxembourg (which is generally not required).

### *Other Taxes*

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the holders of the Temporary Notes as a consequence of their issuance. No Luxembourg registration tax, stamp duty or other similar tax or duty is due either in case of a subsequent repurchase, redemption or transfer of the Temporary Notes. A fixed or an ad valorem registration duty may however apply (i) upon voluntary registration of the Temporary Notes in Luxembourg (there is in principle no obligation to register the Temporary Notes in Luxembourg though), (ii) in case of legal proceedings before a Luxembourg court or (iii) in case the documents relating to the Temporary Notes must be produced before an official Luxembourg authority (*autorité constituée*).

### *US Foreign Account Tax Compliance Act (''FATCA'')*

On 28 March 2014, the governments of the United States of America and the Grand Duchy of Luxembourg signed an inter-governmental agreement (''IGA'') in the form of a Model 1 agreement. A memorandum of understanding was also issued. The IGA is subject to ratification by Luxembourg's parliament and implementation of the IGA will be through Luxembourg's domestic legislative procedure. The legislative proposal to implement the IGA into Luxembourg law (''Luxembourg IGA Legislation'') is not public at the time of publication of this prospectus. Under this scenario, it is not possible for the Temporary Notes Issuer to make a final assessment of the requirements that FATCA provisions will place upon it.

FATCA provisions may imply a 30% withholding tax for the Temporary Notes Issuer or for the Noteholders unless the Issuer and Noteholder comply with certain tax compliance obligations.

The Temporary Notes Issuer commits to take all the necessary actions in order to comply with its FATCA obligations and in order that the Issuer and its Noteholders are not exposed to the 30% withholding tax under FATCA.

## TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Guarantees have not been and will not be registered under the Securities Act, or securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable securities laws of any other jurisdiction. Accordingly, the Notes and Guarantees offered hereby are being offered and sold only to QIBs in accordance with Rule 144A under the Securities Act and outside the United States in offshore transactions in reliance on Regulation S.

We have not registered and will not register the Notes or the Guarantees under the Securities Act, and therefore the Notes and the Guarantees may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Issuer is offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States, to QIBs; and
- outside the United States, in offshore transactions in accordance with Regulation S.

We use the terms ''offshore transaction'' and ''United States'' with the meanings given to them in Regulation S.

You, by your acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and each Initial Purchasers as follows:

(1) You understand that the Notes and the Guarantees are being offered for resale in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the Notes have not been and will not be registered under the Securities Act and that (i) if in the future you decide to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (a) in the United States to a person whom you reasonably believe is a QIB in a transaction meeting the requirements of Rule 144A, (b) outside the United States in a transaction complying with Regulation S or (c) in compliance with the registration requirements of the Securities Act or pursuant to exemption therefrom or in any transaction not subject thereto, and in each case in compliance with the conditions for transfer set out in paragraph (5) below, in each case in accordance with any applicable securities laws of any state of the United States, and that (ii) you will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from you of the resale restrictions referred to in (A) above.

(2) You are neither the Issuer's ''affiliate'' (as defined in Rule 144), nor acting on its behalf, and that you are either:

    (i) a QIB, and are aware that any sale of Notes to you will be made in reliance on Rule 144A and such acquisition of Notes will be for your own account or for the account of another QIB; or

    (ii) purchasing the Notes outside the United States in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that neither we nor the Initial Purchasers, nor any person representing us or the Initial Purchasers, has made any representation to you with respect to the offer or sale of any Notes, other than the information contained in these listing particulars, which listing particulars have been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial Purchasers nor any person representing the Initial Purchasers makes any representation or warranty as to the accuracy or completeness of these listing particulars.

(4) You have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.

(5) You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the

property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act.

(6) You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by the acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes only (i) to the Issuer, the Guarantors or any subsidiary thereof, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, an exemption from the registration requirements of the Securities Act or in any transaction not subject thereto, (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and in compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to our and the Trustee's rights prior to any such offer, sale or transfer, to require that a certificate of transfer in the form appearing in the Indenture is completed and delivered by the transferor to the Trustee.

(7) Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE ''**U.S. SECURITIES ACT**''), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD, EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER FOR THE BENEFIT OF THE ISSUER AND THE GUARANTORS AND ANY OF THEIR SUCCESSORS IN INTEREST (1) REPRESENTS THAT (A) IT IS A ''QUALIFIED INSTITUTIONAL BUYER'' (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION, (2) AGREES THAT IT WILL NOT PRIOR TO THE DATE WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY [RULE 144] [REGULATION S] UNDER THE U.S. SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE DATE OF ORIGINAL ISSUE AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THE NOTES (OR ANY PREDECESSOR THERETO) (THE ''**RESALE RESTRICTION TERMINATION DATE**'') RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR A BENEFICIAL INTEREST IN THIS NOTE EXCEPT (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) TO A PERSON THAT THE SELLER, AND ANY PERSON ACTING ON ITS BEHALF, REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION COMPLYING WITH RULE 144A UNDER THE U.S. SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT, (D) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT, AND IN EACH OF SUCH CASES IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OF THE UNITED STATES AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. *PROVIDED* THAT THE ISSUER, THE TRUSTEE AND THE REGISTRAR SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (C) PRIOR TO THE END OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT OR PURSUANT TO CLAUSE (D) PRIOR TO THE RESALE RESTRICTION TERMINATION DATE TO REQUIRE THAT AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO THE ISSUER, THE TRUSTEE AND THE REGISTRAR IS COMPLETED AND DELIVERED BY THE TRANSFEROR. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING RESTRICTIONS. AS USED HEREIN, THE TERMS ''OFFSHORE TRANSACTION'',

''UNITED STATES'', AND ''U.S. PERSON'' HAVE THE MEANING GIVEN TO THEM BY REGULATION S UNDER THE U.S. SECURITIES ACT;

And each purchaser acknowledges that each Temporary Note and each Senior Secured Note, in each case, if treated as issued with original issue discount for U.S. federal income tax purposes, will contain a legend substantially to the following effect:

THIS NOTE WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR PURPOSES OF SECTIONS 1272, 1273 AND 1275 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. THE HOLDER OF THIS NOTE MAY OBTAIN THE ISSUE PRICE, AMOUNT OF ORIGINAL ISSUE DISCOUNT, ISSUE DATE AND YIELD TO MATURITY BY CONTACTING THE LEGAL COUNSEL AT THE ISSUER AT THE FOLLOWING PHONE NUMBER: +47 22 51 20 20.

A purchaser of Notes will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(8) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.

(9) You acknowledge that until 40 days after the commencement of the Offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

(10) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agree that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer accurate, you shall promptly notify the Initial Purchasers. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

## PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreement (the ''**Purchase Agreement**'') dated as of the date of these listing particulars, the Temporary Notes Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase, the Temporary Notes.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Temporary Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel.

The Initial Purchasers propose to offer the Temporary Notes initially at the price indicated on the cover page hereof. After the initial offering of the Temporary Notes, the offering price and other selling terms of the Temporary Notes may from time to time be varied by the Initial Purchasers without notice. Sales of the Temporary Notes by the Initial Purchasers in the United States may be made through affiliates of the Initial Purchasers.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Purchase Agreement provides that the Temporary Notes Issuer, the Issuer and the Guarantors will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. The Issuer and the Guarantors have agreed, subject to certain limited exceptions, not to offer, sell, contract to sell or otherwise dispose of, except as provided under the Purchase Agreement, any securities of, or guaranteed by, the Temporary Notes Issuer, the Issuer or any of the Guarantors that are substantially similar to the Notes during the period from the date of the Purchase Agreement through and including the date that is 90 days after the date of the Purchase Agreement, without the prior written consent of the representatives of the Initial Purchasers.

The Notes and the Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except to QIBs in reliance on Rule 144A and outside the United States in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under ''*Important Information About these Listing Particulars*'' and ''*Transfer Restrictions*.'' The Initial Purchasers have represented, warranted and agreed that each:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by the Initial Purchasers in connection with the issuance or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Temporary Notes Issuer, the Issuer or the Guarantors; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of these listing particulars or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes and the Guarantees may not be offered or sold, directly or indirectly, and neither these listing particulars nor any other offering material or advertisements in connection with the Notes and the Guarantees may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. These listing particulars do not constitute an offer to sell or a solicitation of an offer to purchase Notes in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession these listing particulars comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the Exchange, the distribution of these listing particulars and resale of the Notes. See ''*Important Information about these Listing Particulars*'' and ''*Transfer Restrictions*.''

The Notes and the Guarantees are a new issue of securities for which there currently is no market. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade the Notes on the Euro MTF Market thereof; however, we cannot assure you that such listing will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See *''Risk Factors—Risks Related to the Notes and the Guarantees—You may not be able to sell your Notes''.*

In connection with the Offering and the Exchange, the Stabilizing Manager, or a person acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager may bid for and purchase Notes in the open markets for the purpose of pegging, fixing or maintaining the price of the Notes. The Stabilizing Manager may also over-allot the Offering, creating a syndicate short position, and may bid for and purchase Temporary Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager may bid for and purchase Notes in market-making transactions as permitted by applicable laws and regulations. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See *''Risk Factors—Risks Related to the Notes and the Guarantees—You may not be able to sell your Notes''.*

These stabilizing transactions and covering transactions may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the Offering and the Exchange are made and, if commenced, may be discontinued at any time at the sole discretion of Goldman Sachs International. If these activities are commenced, they must end no later than the earlier of 30 days after the Temporary Notes Issue Date and 60 days after the date of the allotment of the Temporary Notes. These transactions may be effected in the over-the-counter market or otherwise.

In the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. The Initial Purchasers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The Initial Purchasers and their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses. In particular, Citigroup Global Markets Limited or its affiliates have a lending relationship with us and may hedge their credit exposure to us consistent with their customary risk management policies.

## LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND THE SECURITY INTERESTS

Set forth below is a summary of certain limitations on the enforceability of the Guarantees and the Security Interests in some of the jurisdictions in which the Guarantees or the Collateral are being provided. It is a summary only, and proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and collect payment in full under the Notes, the Guarantees and the Security Interests in the Collateral. Also set forth below is a brief description of certain aspects of insolvency law in Norway, Australia, Austria, France, Germany and New Zealand.

### European Union

The Temporary Notes Issuer, the Issuer and several of the Guarantors are organized under the laws of Member States of the European Union.

Pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings, as amended, (the ''**EU Insolvency Regulation**''), which applies within the European Union, other than Denmark, the courts of the Member State in which a company's ''centre of main interests'' (as that term is used in Article 3(1) of the EU Insolvency Regulation) is situated have jurisdiction to open main insolvency proceedings. The determination of where a company has its center of main interests is a question of fact on which the courts of the different Member States may have differing and even conflicting views. To date, no final decisions have been made in cases that have been brought before the European Court of Justice in relation to questions of interpretation of the effects of the E.U. Insolvency Regulation throughout the European Union.

Although there is a presumption under Article 3(1) of the EU Insolvency Regulation that a company has its center of main interests in the Member State in which it has its registered office in the absence of proof to the contrary, Preamble 13 of the EU Insolvency Regulation states that the center of main interests of a ''debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties.'' The courts have taken into consideration a number of factors in determining the center of main interests of a company, including in particular where board meetings are held, the location where the company conducts the majority of its business or has its head office and the location where the majority of the company's creditors are established. A company's center of main interests may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition.

The E.U. Insolvency Regulation applies to insolvency proceedings that are collective insolvency proceedings of the types referred to in Annex A to the EU Insolvency Regulation.

If the center of main interests of a company is in one Member State (other than Denmark) under Article 3(2) of the E.U. Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open insolvency proceedings against that company only if such company has an ''establishment'' in the territory of such other Member State. An ''establishment'' is defined to mean a place of operations where the company carries on non-transitory economic activity with human means and goods. The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State.

Where main proceedings have been opened in the Member State in which the company has its center of main interests, any proceedings opened subsequently in another Member State in which the company has an establishment (secondary proceedings) are limited to ''winding-up proceedings'' listed in Annex B of the E.U. Insolvency Regulation. Where main proceedings in the Member State in which the company has its center of main interests have not yet been opened, territorial insolvency proceedings can only be opened in another Member State where the company has an establishment where either: (a) insolvency proceedings cannot be opened in the Member State in which the company's center of main interests is situated under that Member State's law; or (b) the territorial insolvency proceedings are opened at the request of a creditor that is domiciled, habitually resident or has its registered office in the other Member State or whose claim arises from the operation of the establishment.

The courts of all Member States (other than Denmark) must recognize the judgment of the court opening main proceedings that will be given the same effect in the other Member States so long as no secondary proceedings have been opened there. The liquidator appointed by a court in a Member State that has jurisdiction to open main proceedings (because the company's center of main interests is there) may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State), subject to certain limitations, so long as no insolvency proceedings have been opened in that other Member State or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

**Norway**

***Limitations on Guarantees and Security Interests provided by Guarantors incorporated in Norway***

Section 8-10 of the Norwegian Private Limited Companies Act of 1997 No. 44/Norwegian Public Limited Companies Act of 1997 No. 45 (*Aksjeloven* and *Allmennaksjeloven*) (respectively and together, the ''**Acts**'', and each an ''**Act**''), restricts a Norwegian private or public limited liability company from providing financial assistance (including to put assets at disposal, grant loans or provide security or guarantees) in connection with the acquisition of its shares or the shares in the parent company (and any intermediate parent company). Such financial assistance may only be provided within the limits of the company's distributable reserves and subject to the assistance being provided on ordinary commercial terms and the claim for repayment or restitution being adequately secured. Financial assistance may only be provided in connection with the acquisition of shares in the company which are fully paid. Before such financial assistance is granted certain procedural rules must be complied with. The board of directors shall ensure that the beneficial parties are subject to a credit assessment and the board will have to prepare a statement which, inter alia, describes the background for and terms and consequences of the financial assistance. Such statement will have to be presented to the general meeting of the company, who in turn must approve the financial assistance. The restrictions on financial assistance applies irrespective of whether the company in which shares are acquired is a Norwegian or foreign company, and there are no general exemptions available except for special cases of real estate financing and employee share purchase programs. The restriction applies not only to granting of loans, guarantees and securities, but also to making assets available and other transfers which are not lawful distributions in accordance with the Acts. The assistance is restricted if made ''in connection with'' the acquisition of the shares, which may also cover financial assistance after completion of the acquisition, for instance by way of a refinancing of acquisition debt or a subsequent merger of a target company and the acquiring entity.

In addition to the restrictions with regard to unlawful financial assistance outlined above, Section 8-7 of the Acts restricts a Norwegian limited liability company from granting credit to, guaranteeing or providing security for the obligations of, its shareholders or a party related to the shareholder beyond its distributable reserves (free equity) and then further provided that satisfactory security for repayment/recovery has been established. This restriction does not, however, apply to any granting of credit to or security/guarantee for the obligations of a parent company or another company within the same ''group''. This exemption must be read in conjunction with the group definition in Section 1-3 of the Acts which, broadly speaking, includes Norwegian limited liability companies. Furthermore, there is an exemption for the granting of credit to or security/guarantee for the obligations of any other legal entity (or the subsidiary of such other legal entity) which has such a decisive influence over the company as mentioned in Section 1-3 of the Acts provided that the credit, security or guarantee is established in order to benefit the financial interests of the group of companies. Section 1-3 defines decisive influence as holding at least such number of shares in the company which represents a majority of the votes in the company or has the right to elect or discharge a majority of the members of the board of directors of such company. In practice, this exception will therefore be applicable to a Norwegian wholly-owned subsidiary of a foreign company, provided that the guarantee is established in order to benefit the financial interests of the group of companies.

As a consequence of these restrictions, the value of the Guarantees and any security provided by a Norwegian guarantor may be reduced to zero to the extent it secured obligations relating to the acquisition of shares in itself or its parent company. In addition, the Guarantees or security interest infringing the limitations set forth in Section 8-10 and 8-7 of the Acts will be void, and any funds paid out will have to be repaid. Finally, an illegal arrangement of this kind may give rise to directors' liability issues.

As a general rule under Norwegian law, the board of directors of a Norwegian private or public limited liability company have a fiduciary duty to act in the interest of the company. Thus, the board of directors of a company is only permitted to resolve to guarantee the obligations of another group company to the extent this is in the interest of the company. This means that the board of directors in each case must carefully evaluate whether the benefits to it from guaranteeing the obligations of such other company equals or outweighs the obligations of the same.

The Guarantees and the Security Interests provided by Norwegian companies are subject to limitation language substantially in the form as follows:

''The obligations and liabilities of any Guarantor incorporated in Norway in its capacity as a Guarantor (each a ''**Norwegian Guarantor**'') shall not cover any indebtedness or liability which, if they did so extend, would cause an infringement of section 8-10 and/or section 8-7 cf. section 1-3, or any of the other provisions in chapter 8 III, of the Norwegian Private Limited Companies Act 1997 (the ''**Norwegian Companies Act**'') regulating unlawful financial assistance and other prohibited loans, guarantees and joint and several liability as well as providing of security, and it is understood and agreed that the liability of any Norwegian Guarantor only applies to the extent permitted by the above-mentioned provisions of the Norwegian Companies Act. Under no circumstances shall the obligations and liabilities of any Norwegian Guarantor cover the debt and/or other liabilities incurred in respect of the purchase of the shares in such Norwegian Guarantor or the shares in any of such Norwegian Guarantor's Holding Companies.''

The limitations set forth in section 8-10 and/or section 8-7 cf. section 1-3 of the Acts will apply mutatis mutandis to any security created by a Norwegian Guarantor under the Collateral and to any guarantee, indemnity, any similar obligation resulting in a payment obligation and payment, including, but not limited to, set-off, pursuant to the Collateral and made by any Norwegian Guarantor. Such limitations on the liabilities and obligations of any Norwegian Guarantor may have the effect of reducing the amount of obligations or liabilities assumed and/or the amount guaranteed or secured to zero, to the extent to which any proceeds under the Notes are used in connection with the acquisition of shares in the Norwegian Guarantor or its parent).

***Insolvency***

Norwegian insolvency legislation is regulated by the Norwegian Bankruptcy Act of June 8, 1984 No. 58 (*Konkursloven*) (the ''**Bankruptcy Act**''), which sets forth the various procedures to be followed both in the case of court-administered debt negotiations and bankruptcy proceedings, and the Creditors Recovery Act of June 8, 1984 No. 59 (*Dekningsloven*) (the ''**Recovery Act**'') containing provisions on, among other things, the priority of claims.

The key features of the Norwegian bankruptcy proceedings are (i) the seizure and subsequent disposal of the debtor's assets, (ii) the assessment and ranking of claims, (iii) the testing and revocation of transactions (including the securing of existing claims) made prior to bankruptcy, (iv) the handling of the debtor's contractual relationships and (v) the distribution of funds (if any) in accordance with the priority rules. If the business operations of the bankrupt company are continued, they are in practice continued at the risk of, and only to the extent guaranteed by, the creditors.

Bankruptcy proceedings may be opened provided that the debtor is insolvent. Both the debtor (by the representation of the Board of Directors) and the creditors (holding or pretending to hold a claim) can petition for bankruptcy.

There are two requirements for a debtor to be deemed to be insolvent. The debtor must (i) be unable to service its debt as it becomes due, such payment difficulties not being of a temporary nature and (ii) the debtor must be in ''deficit'' (the company's debts must exceed the sum of its assets and revenue, based on real, not book, values).

During bankruptcy proceedings the debtor's assets are controlled by the court-appointed liquidator (usually a lawyer), on behalf of the bankruptcy estate. The main task of the liquidator is to turn all the debtor's assets into cash in the manner assumed to be most profitable for the estate (the creditors), and then distribute the available cash to the rightful creditors.

All of the debtor's assets will in practice be seized by the bankruptcy estate, and the debtor may not dispose of the seized assets in any way while the bankruptcy proceedings are ongoing. The bankruptcy estate may also seize assets held by third-parties, if these assets are acquired from the debtor in an

unlawful manner, or if the acquisition lacks legal protection, or if the transaction can be reversed according to the Recovery Act. The bankruptcy estate is a separate legal entity, which is authorized to exercise all ownership interests and rights with respect to the seized assets, including, but not limited to, the realization of assets.

Secured creditors are, in principle, not deemed to be part of the bankruptcy proceedings to the extent the value of the security is sufficient to cover the underlying obligations of the debtor. The secured creditors may, in principle, realize the security, and cover their claims; however, keeping in mind that the realization of a number of categories of security during the first six months after the opening of a bankruptcy will be subject to the approval of the bankruptcy estate (the same principles apply to official debt negotiations). The bankruptcy estate has the right, subject to certain conditions being fulfilled, to realize the security with a wiping out effect on unmet liens and divide the proceeds between the secured creditors and other holding legal rights in the assets.

Furthermore, the bankruptcy estate has a statutory first lien of up to 5% of the estimated value or sales value of all assets secured by the debtor for its own debt or by a third-party for the debtor's indebtedness. Such statutory lien is not applicable to financial security (cash deposits and financial instruments) established pursuant to the Norwegian Financial Collateral Act No. 17/2004 (the ''**Financial Collateral Act**'') or the Norwegian Liens Act No. 2/1980 section 6-4 (9).

Any under-secured amount (any amount exceeding the value of the assets securing the relevant creditor's claim) will be deemed an ordinary (unsecured) trade claim.

In a Norwegian bankruptcy, the creditors will be paid according to the following priority:

- secured claims (valid and perfected security covered up to the value of the secured asset—either after the realization by the secured creditor itself or after realization undertaken by the bankruptcy estate);
- super-priority claims (claims that arise during the bankruptcy proceedings, liquidator's costs and obligations of the estate);
- salary claims (within certain limitations);
- tax claims (such as withholding tax and value-added tax within certain limitations);
- ordinary unsecured claims (all other claims unless subordinated, including unsecured debt, trade creditors and indemnity claims); and
- subordinated claims (including interest incurred after the opening of bankruptcy proceedings, claims subordinated by agreement, liquidated damages and penalty claims).

Pursuant to the Recovery Act, the bankruptcy estate may be entitled to set aside or reverse transactions carried out in the three to twelve month period (and, in respect of transactions in favor of related parties, up to two years) before the opening of the bankruptcy proceedings, such as extraordinary payments of certain creditors, security established for existing debt and transactions at an undervalue. The bankruptcy estate may also, under certain circumstances, be entitled to set aside or reverse transactions made in bad faith or negligently which in an improper manner increase the debtor's debt, favor one or more creditors at the expense of others or deprive the debtor of assets which may otherwise have served to cover the creditors' claims, in which case the time limit for challenges by the estate is increased to ten years.

***Solvent enforcement***

Enforcement of security normally requires that the pledgee or chargee files an application to the enforcement authorities for the enforcement of the security. Certain types of security may, however, be enforced without the involvement of the enforcement authority or a court, typically security established pursuant to the Financial Collateral Act and charges over monetary claims. A provision granting the secured party such right of enforcement is typically included in any security agreement between the pledgor/chargor and the secured party.

Enforcement of a guarantee claim against a solvent guarantor will in principal require a final, legally binding judgment by a court (unless the guarantee is made as an enforceable promissory note). Thereafter the creditor may apply to the enforcement authorities for enforcement of his or her claim against the assets of the guarantor.

***Creation and enforcement of security***

Norwegian law provides for effectively creating security over a range of closely defined asset types (a floating charge may be established over certain asset types of a Norwegian company).

As a main rule, a secured creditor does not have a general step-in right to security assets in an enforcement situation and agreements on enforcement cannot validly be entered into prior to the occurrence of an event of default. Instead, enforcement must be sought through the Norwegian courts and/or the Norwegian enforcement authorities. However, this is different for shares in a Norwegian limited company. If the secured party is a financial institution, the shares are considered financial collateral, and the parties are free (within reasonable limits) to agree on the enforcement process in the share pledge agreement.

Also, for specific security assets, and under certain circumstances, a creditor may take possession or directly enforce its rights upon enforcement. This is the case for security established over receivables (such as trade receivables or bank account claims) whereby the secured party may instruct the relevant debtor to pay the outstanding amounts directly to the secured party instead of the chargor.

The concept of a security trustee, as it is understood under common law, does not exist under Norwegian law. In practice, in an arrangement with a security agent acting on behalf of the secured parties, as these exist from time to time, it is generally recognized under Norwegian law that the security agent will be able to enforce the security on behalf of the secured parties and apply any proceeds to the secured parties. In order to commence any legal action regarding a claim (for enforcement purposes or otherwise) against the debtor the security agent may, however, be required to disclose to the court the identity of the creditors and have the creditors join in or participate as claimants in the proceedings. It has been established by the Norwegian Supreme Court that a bond trustee for an undisclosed number of bondholders can, based on the provisions in the bond agreement, take legal action against the issuer on behalf of and in lieu of the bondholders and without having to disclose the entity of the bondholders.

**Luxembourg**

Luxembourg insolvency proceedings may have a material adverse effect on the Temporary Notes Issuer's business and assets and the Temporary Notes Issuer's obligations under the Temporary Notes. Under Luxembourg insolvency laws, your ability to receive payment on the Temporary Notes may be more limited than under United States bankruptcy laws. The following types of proceedings (altogether referred to as insolvency proceedings) may be opened against the Temporary Notes Issuer having its registered office or center of main interests in Luxembourg:

- bankruptcy (*faillite*) proceedings, the opening of which may be requested by the company or by any of its creditors; following such a request, a competent Luxembourg court may open bankruptcy proceedings if the company (i) is unable to pay its debts as they fall due (*cessation des paiements*), and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*); if a court finds that these conditions are met without any request, it may also open bankruptcy proceedings on its own motion;
- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the company and not by its creditors; a reorganization order requires the prior approval by more than 50% (fifty per cent.) in number of the creditors representing more than 50% (fifty per cent.) of the company's liabilities in order to take effect; and
- voluntary composition with creditors (*concordat préventif de faillite*), upon request only by the company (subject to obtaining the consent of the majority of its unsecured creditors representing at least 75% (seventy-five per cent.) of the company's liabilities) and not by its creditors. The court's decision to admit a company to a composition with participating creditors triggers a provisional stay on enforcement of claims by participating creditors while other creditors may pursue their claims individually.

In addition to these insolvency proceedings, your ability to receive payment on the Temporary Notes may be affected by a decision of a court to grant a suspension of payments (*sursis de paiement*) or to put the Temporary Notes Issuer into judicial liquidation (*liquidation judiciaire*). Judicial winding up proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or seriously breaching the laws governing commercial companies. The management of such winding up proceedings will generally follow the rules of bankruptcy proceedings.

Generally, during the insolvency proceedings, all enforcement measures by general secured and unsecured creditors against the company are stayed, while certain secured creditors (pledgees or mortgagees) retain the ability to settle separately while the debtor is in bankruptcy. Collateral over which a security right has been granted will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus of enforcement proceeds is realized). During controlled management proceedings, enforcement measures are suspended until the final reorganisation order from the adjudicating court, declarations of default and any subsequent acceleration upon the occurrence of an event of default may not be enforceable and participating secured creditors in composition proceedings are required to abandon their security. Under the Luxembourg Act dated August 5, 2005 concerning financial collateral arrangements, as amended (the ''Collateral Act''), secured creditors holding qualifying collateral in the form of financial instruments or claims may enforce their security during the insolvency proceedings without court approval outside the general body of creditors and satisfy their claim in order of their priority in the enforcement proceeds.

Liabilities of the Temporary Notes Issuer in respect of the Temporary Notes will, in the event of a liquidation of the Temporary Notes Issuer following bankruptcy or judicial winding-up proceedings, rank junior to the cost of such proceedings (including any debt incurred for the purpose of such bankruptcy or judicial winding-up) and those debts of the Temporary Notes Issuer that are entitled to priority under Luxembourg law. Preferential rights arising by operation of law under Luxembourg law include:

- certain amounts owed to the Luxembourg Revenue;
- value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise;
- social security contributions; and
- remuneration owed to employees.

Luxembourg insolvency law may also affect transactions entered into or payments made by the Temporary Notes Issuer during the hardening period (*période suspecte*) (which is a maximum of 6 (six) months and 10 (ten) days) preceding the judgment adjudicating the insolvency proceedings, in particular, the granting of a security right for antecedent debt, the payment of debt not due (whether or not payment is made in cash or by way of assignment, sale, set-off or by any other means) or of debt due by any means other than cash or bill of exchange or the sale of assets without consideration or with substantially inadequate consideration. These transactions must be declared null and void, in all circumstances, at the request of the competent Luxembourg insolvency official (including any *commissaire, juge-commissaire, liquidateur or curateur* or similar official). Further, if the insolvency official demonstrates that (i) an adequate payment in relation to a due debt was made during the hardening period to the detriment of the general body of creditors, and/or (ii) the party receiving such payment knew that the company had ceased payments when such payment occurred, the insolvency official has the power, among other things, to invalidate such preferential transaction. Notwithstanding the above, a financial collateral arrangement under the Collateral Act entered into after the opening of liquidation proceedings or the entry into force of reorganization measures is valid and binding against third parties or insolvency officials notwithstanding the hardening period if the collateral taker proves that it was unaware of the opening of such proceedings or of the taking of such measures or that it could not reasonably have been aware of them. Generally, if the insolvency official demonstrates that the Issuer has given a preference to any person by defrauding the rights of creditors generally, a competent insolvency official (acting on behalf of the creditors) has the power to challenge such preferential transaction (including the granting of security right with fraudulent intent) without limitation of time.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in an automatic termination of contracts except for personal (*intuitu personae*) contracts, that is, contracts for which the identity of the company or its solvency were crucial. However, the insolvency official may choose to terminate certain onerous contracts. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue *vis-à-vis* the bankruptcy estate. Insolvency proceedings may hence have a material adverse effect on the Temporary Notes Issuer's business and assets and the Temporary Notes Issuer's obligations under the Temporary Notes (as Temporary Notes Issuer).

Finally, international aspects of Luxembourg bankruptcy, controlled management or composition proceedings may be subject to the EU Insolvency Regulation.

**Australia**

***Australian securities***

Each Australian Guarantor will grant a Security Interest over its present and future assets, including the shares held by it in its subsidiaries (subject to and in accordance with the Agreed Security Principles). Security will also be granted over the shares in Norske Skog Industries Australia Limited. The Security Interests will be granted under a general security deed, a specific security deed (in respect of the shares of Norske Skog Industries Australia Limited) and separate real property mortgages. Pursuant to the Agreed Security Principles, certain assets will be Excluded Assets. These will include assets which are subject to contractual restrictions on the grant of security interests and assets which are secured in favour of specific third parties where the grant of further security over those assets is not permitted (where there is such existing security and consent is given to the grant of the Security Interest, the security will be second-ranking security).

Accordingly, the Excluded Assets will (except to the extent consent is given by the existing security holders to the grant of security to the Noteholders) include, among other assets:

- the land over which mortgages have been granted by Norske Skog Paper Mills (Australia) Limited to News Limited (see ''*Description of Other Indebtedness—Other Arrangements—News Limited Newsprint Supply and Recovered Paper Agreement*'') which consent is expected to be given;
- the Profit a Prendre Land, Trees and Other Land over which Norske Skog Paper Mills (Australia) Limited has granted security in favour of the State of Tasmania (see ''*Description of Other Indebtedness—Other Arrangements—Tasmanian Government Loan*'');
- 310 tracts of the Profit a Prendre Land over which Norske Skog Paper Mills (Australia) Limited has granted security in favour of Bis Industries Limited (see ''*Description of Other Indebtedness—Other Arrangements—Bis Industries Limited Services Agreement*''); and
- Norske Skog (Australasia) Pty Limited's present and future receivables attributable to its Vantage magazine business, which it has sold to Bibby Financial Services (see ''*Description of Other Indebtedness—Other Arrangements—Bibby Invoice Discounting Facility*'').

Subject to the preceding paragraph, Security Interests will cover bank accounts, intellectual property, limited parcels of land which are subject to potential sale processes and proceeds of inventory and receivables, that are held by the Australian Guarantors. However, the security will recognise that the Australian Guarantors may deal freely with those assets as part of their operations and that there may be prior ranking security over those assets (or prior ranking security may be created over those assets). The Security Interests will also extend to real property except where this is not permitted by a negative pledge.

***Insolvency processes***

Under Australian law, a company will be insolvent if it is unable to pay its debts as and when they become due and payable. Australian courts have held that this is a question of fact which involves consideration of the company's financial position as a whole, taking into account commercial realities.

As three of the Subsidiary Guarantors are located in Australia, proceedings may be commenced in Australia against those entities should any of them become insolvent.

Insolvency proceedings in Australia can take a number of forms, the most relevant for Noteholders being the voluntary administration, liquidation and receivership processes. The law relating to these proceedings is complex and detailed. The below is only a brief summary of the key features which are likely to be relevant to Noteholders.

***Voluntary administration***

The voluntary administration process in Australia is governed by Part 5.3A of the Australian Corporations Act. Voluntary administration is an out-of-court insolvency procedure that can be initiated by the directors of a company, a secured creditor who is entitled to enforce a security interest over the whole, or substantially the whole, of the property of the company, or if the company is already in liquidation, by its liquidator. As unsecured creditors, the Holders of the Exchange Notes will therefore be unable to initiate the voluntary administration process. Additionally, while a company is in voluntary administration,

unsecured creditors may not begin, continue or enforce these claims against the company without the administrator's consents or the court's permission.

Outside the voluntary administration procedure, Australian law imposes a strict duty on directors of a company to prevent insolvent trading. For directors, failure to prevent insolvent trading carries with it a risk of personal liability under section 588G of the Australian Corporations Act, which if established can result in civil and criminal penalties. If a company is found to have traded whilst insolvent, directors can be personally liable for debts incurred by the company whilst the company was insolvent. Upon the appointment of a voluntary administrator, the directors cease to control the company and their liability for future trading ceases (although liability continues in respect of trading prior to the administrators' appointment). Accordingly, voluntary administration can be described as a ''safe harbor'' for directors and, as a result, is a step commonly taken by directors where they become concerned that a company may be insolvent or is likely to become insolvent in future.

The procedure involves the appointment of an administrator to a company that is, or is likely to become, insolvent. It is a temporary process in the sense that it is not an end in itself. Rather, the administrator assumes management of the company's business, property and affairs (the directors' powers being suspended) for a short time with a view to either:

- maximizing the chances of the company, or its business, remaining in existence; or
- if it is not possible for the company or its business to remain in existence, resulting in a better return for the company's creditors and members than would result if the company were to enter liquidation.

In large administrations it is common for the administration (and therefore the moratorium period (referred to below)) to be extended by the Court, and this could be for up to 6 to 18 months.

Once an administrator has been appointed, the administrator must investigate the company's business, property, affairs and financial circumstances (and the directors are required to assist the administrator in doing this). Two meetings of creditors are held. The first is held within eight business days of the administrators' appointment. The purpose of that meeting is largely to confirm the appointment of the administrator, or to enable creditors to resolve to replace that administrator.

The second meeting is held within 20 business days of the administrators' appointment. If the administration occurs during the Christmas or Easter holiday period, the period is 25 business days. Prior to the second meeting, the administrator must formulate an opinion as to whether the administration should end (thus returning the company to the directors, for example because the company can continue to trade on a solvent basis), the company should be subject to a deed of company arrangement (in essence, a contract that binds all creditors, the company and sometimes others and seeks to restructure/rehabilitate the company), or the company should be wound up, and must report to creditors. At the second meeting, creditors may resolve on one of those three outcomes by a simple majority resolution. The capacity to vote on the resolution gives creditors a significant measure of control over the outcome of the voluntary administration procedure, in particular whether a deed of company arrangement is approved or whether the company goes into liquidation.

There is a risk that a Court may make an order under section 444F of the Australian Corporations Act preventing the secured creditor from realising or dealing with its secured interest if doing so would have a material adverse effect on achieving the purposes of a deed of company arrangement approved by creditors at the end of the administration. However, such an order will only be made if the secured creditor's interests will be adequately protected.

During the voluntary administration procedure, a statutory moratorium is imposed which prevents the enforcement of Security Interests against the company and its assets. There are exceptions to the moratorium which apply if the relevant security interest has been perfected within the meaning of the *Personal Property Securities Act 2009* of Australia (''**PPS Act**''), which is summarised below. In particular, a creditor that holds a security interest over the whole, or substantially the whole, of the property of the company is permitted to enforce its security interest within the 13 business day period from the commencement of the administration.

It is common for secured lenders to take security over the whole or substantially the whole of the property of Australian companies to avail themselves of this exception. However, it should be noted that under Australian law, the meaning of ''substantially the whole'' of a company's property remains unsettled. It will likely be interpreted under applicable state law and will be dependent upon particular

facts and circumstances. As a result, there is a degree of uncertainty as to whether security has been taken over ''substantially the whole'' of the assets and the conclusion may be different for each of the Australian Guarantors.

The extent of the Excluded Assets at the time of voluntary administration may preclude a finding that the Noteholders have security over ''substantially the whole'' of the assets, which would prevent the Security Agent from being able to appoint a receiver to take control of enforcement during the first 13 business days after the company goes into voluntary administration. The Noteholders would instead be bound by the moratorium, although they may have rights to enforce during the administration period in some limited circumstances (such as where secured property is perishable, where the administrator consents or leave of the court is granted). In deciding whether the Noteholders do have security over ''substantially the whole'' of the assets, it will also be necessary to consider whether the Noteholders have any security interests over certain assets which are not owned by the Australian Guarantors, but are held by them under arrangements which, under the PPS Act, are security interests, such as interests as lessee or purchaser under certain leases and retention of title arrangements. The Security Interests granted by the Australian Guarantors will be over those assets, provided they are not Excluded Assets.

***Liquidation***

In Australia, company liquidations can commence voluntarily (by resolution of the company's members, if the company is solvent) or by Court order (on the application of the company, a creditor, a contributory, a director, a liquidator or provisional liquidator or certain regulatory bodies).

One further procedure which could occur is provisional liquidation, in which the Australian courts can appoint an independent office holder to take control of the company with powers similar to a liquidator for the period between the filing of the application to wind up the company and the Court hearing the application. For the purposes of this document, provisional liquidation would have a substantially similar effect on the company as liquidation, so the procedure is not separately outlined here. Accordingly, references in this document to a liquidator can be considered to include a provisional liquidator, except where specifically stated.

Once a liquidator has been appointed, the liquidator takes control of the company's affairs. The liquidator has similar powers as a voluntary administrator to carry on and conduct the company's business. However, the liquidator can exercise those powers only to the beneficial conduct of the winding-up of the company. The approval of creditors or the court is also required for the liquidator to enter into certain contracts on the company's behalf, including those with obligations or arrangements that endure longer than three months.

The liquidator also has powers and duties to investigate the conduct of the company's business and affairs prior to the liquidation. Investigations include transactions entered into by the company, the conduct of its directors and officers. Other functions and powers of the liquidator include gathering in the assets of the company, discharging its liabilities and distributing the remaining assets in accordance with the statutory priority regime set out in the Australian Corporations Act. In that regard, the Noteholders will rank in priority to unsecured creditors of the Australian Guarantors on a liquidation. Throughout the course of the liquidation the directors' powers cease and, once the liquidation is finalized, the company is ultimately deregistered and dissolved.

After the commencement of a winding up of a company by the court, during an administration and after the passing of a resolution for voluntary winding up, a transfer of shares issued by the company pursuant to the enforcement of a security interest over those shares will be void as against the company unless the court makes an order authorizing the transfer, or the liquidator or administrator (as applicable) gives written consent.

The Australian Corporations Act provides for a number of grounds under which a liquidator may apply to the Court for a declaration that a security interest granted by the company in the lead up to its insolvency be deemed void. A brief summary of the types of transactions that can be deemed voidable (and therefore ''clawed back'' by a liquidator) include:

- ***Unfair Preference:*** this is a transaction between the company and the creditor that results in the creditor receiving from the company, in respect of an unsecured debt, more than the creditor would

receive on a winding up of the company. A security interest could be declared void (and therefore unenforceable) if a liquidator establishes to a Court that:

- it is an unfair preference;
- it was granted (or an act was done to give effect to it) when the company was insolvent (or the company became insolvent as a result of entry into (or giving effect to) the transaction); and
- it was granted into during the six months prior to the liquidator's appointment.

- ***Uncommercial Transaction:*** this is a transaction of a company that a reasonable person in the company's position would not have entered into, having regard to the benefits and detriment to the company, the benefits to the other parties to the transaction and any other matters the Court considers relevant. A security interest could be declared void if a liquidator establishes to a Court that:
  - it is an uncommercial transaction;
  - it was granted (or an act was done to give effect to it) when the company was insolvent (or the company became insolvent as a result of entry into (or giving effect to) the transaction); and
  - it was granted during the two years prior to the liquidators' appointment.
- ***Transaction to Defeat, Delay or Interfere with the Rights of Creditors:*** a liquidator could also seek to set aside a security interest if it established to a Court that:
  - the company granted the security interest for the purpose, or for purposes including the purpose, of defeating, delaying, or interfering with, the rights of any or all of its creditors on a winding up of the company;
  - the security interest was granted (or an act was done to give effect to it) when the company was insolvent (or the company became insolvent as a result of entry into (or giving effect to) the transaction); and
  - the security interest was granted during the 10 years prior to the liquidators' appointment.
- ***Unreasonable director-related transactions:*** certain transactions involving a director or a close associate of a director may be liable to be set aside if it can be demonstrated that a reasonable person in the company's circumstances would not have entered into them, having regard to:
  - the benefit or detriment to the company in entering into the transaction;
  - the benefit to other parties to the transaction; and
  - any other relevant matter.
- ***Circulating Security Interest:*** this is a security interest granted by the company over certain or all of its ''circulating assets''.

  There are two tests for whether an asset is a circulating asset. Certain assets (such as trade accounts and inventory), will be circulating assets unless the secured party has ''control'' (which is defined under the PPS Act as including control within the ordinary meaning of that term) of the asset and registers that it has control on the PPSR. All other assets will be ''circulating assets'' only where the secured party has given the grantor express or implied authority to transfer the asset in the ordinary course of business free of the security interest.

  Preferred creditor claims (for example, employee entitlements, auditor's fees and administrator's indemnity for costs) will have priority over the holder of a circulating security interest under the Australian Corporations Act.

  A liquidator can apply to set aside a circulating security interest that was granted in the six months leading up to the liquidator's appointment, unless the company establishes that it was solvent immediately after granting the security interest, or that the security interest:
  - secures an advance paid to the company (or interest on such advance), at or after that time and as consideration for the circulating security interest (subject to limited exceptions);
  - secures the amount of a liability under a guarantee or other obligation undertaken at or after that time on behalf of, or for the benefit of, the company; or

- secures an amount payable for property or services supplied to the company (or interest of such an amount) at or after that time (unless the amount payable exceeds the market value of the property or services when supplied to the company).

***Guarantees—liability to be set aside***

A ''**transaction**'' for the purposes of the voidable transaction legislation is given a wide meaning and includes a guarantee given by a body. Under Australian law, a guarantee given by a company may also be set aside on a number of other grounds. For example, a guarantee may be unenforceable against a guarantor if the directors of the guarantor did not comply with their duties to act in good faith for the benefit of the guarantor and for a proper purpose in giving the guarantee. The issue is particularly relevant where a company provides a guarantee in relation to the obligations of another member of its corporate family, as is the case for the guarantees given by the Australian Guarantors with respect to the Notes. However, a director of a wholly-owned subsidiary is taken to act in good faith in the best interests of the subsidiary if the subsidiary's constitution expressly authorizes the director to act in the best interests of the holding company, the director acts in good faith in the best interests of the holding company and the subsidiary is not insolvent at the time the director acts and does not become insolvent because of the director's act.

In determining whether there is sufficient benefit, all relevant facts and circumstances of the transaction need to be considered by the directors, including the benefits and detriments to the Australian Guarantor in giving the guarantee, and the respective benefits to the other parties involved in the transaction.

Whether a guarantee entered into in breach of directors' duties can be avoided against a party relying on the guarantee depends on certain factors, including the state of knowledge of that party, and whether the party knew of or suspected the breach. Under Australian law, a person is entitled to assume that the directors have properly performed their duties to the company unless that person knows or suspects that the assumption is incorrect.

***Voidable transactions—consequences for the Noteholders***

With respect to the Australian Guarantors, Noteholders will need to be mindful of the following:

- the security granted to the Noteholders may be at risk of being subject to an order that the new security is a voidable transaction, should one or more of the Subsidiary Guarantors have an administrator or liquidator appointed to it within the relevant period(s) noted above following the grant of security for repayment of the Notes;
- if any of the guarantees from an Australian Guarantor is avoided, it is possible that Noteholders would be left with a claim solely against the Issuer and the other Subsidiary Guarantors and payments received from the relevant Australian Guarantor may need to be repaid; and
- pursuant to the *Cross Border Insolvency Act 2008* of Australia, Australia adopted the United Nations Commission on International Trade Law Model Law on Cross Border Insolvency (''**Model Law**''). The Model Law includes provisions for the co-operation of the Australian courts with representatives of foreign insolvency proceedings and provides for the facilitation of those insolvency proceedings in Australia.

***Receivership***

Receivers are typically appointed by a person to whom the company has granted security and acts as the company's agent. Their appointment and powers are usually governed by the terms of the security under which they are appointed, although they also have statutory powers in addition to the powers conferred under the security. The receiver's principal task is to take possession and control of the secured property and realize the property subject to the security and pay the proceeds to the security holder. A receiver would pay the net proceeds of sale to the appointing creditor (after paying prior security holders, other priority creditors, expenses and costs of receivership). Receivership is a regime implemented for the benefit of the secured creditor that appoints the receiver. In contrast, both administration and liquidation are regimes aimed at securing the best outcome for all of the company's creditors as a whole and the members.

The receiver's principal duty is to realize the secured property to preserve the value of the secured property pending its sale and to sell sufficient secured assets to satisfy the appointing creditor's

outstanding debt. A receiver has statutory and general law duties intended to, among other things, protect unsecured creditors (it owes residual duties to the company, unsecured creditors and shareholders, as an officer of the company). Receivers are under a duty when realizing security to obtain not less than market value or, where there is no market value, the best price that is reasonably obtainable, having regard to the circumstances existing when the property is sold. Where a company grants security over an asset, the proceeds of enforcement must generally be remitted to the holder of the security, although certain claims in relation to the proceeds of circulating assets will rank in priority to the holder of the security (in accordance with section 433 of the Australian Corporations Act), as summarized below:

- if the proceeds are from contracts of insurance and the insurance policy is in respect of liability to third parties, the proceeds must be paid to the third party in respect of whom the liability was incurred;
- auditor's fees and expenses if ASIC has refused consent to the auditor's resignation for the period between the date of the refusal and the date the receiver was appointed;
- wages, superannuation contributions and superannuation guarantee charges payable by the company in respect of services rendered to the company by the employees prior to the date the receiver was appointed;
- all amounts due on or before the date the receiver is appointed in respect of leave of absence owing to employees;
- retrenchment payments; and
- all amounts which have been advanced by other parties to the company for the purpose of paying wages, superannuation contributions or payments in respect of leave of absence or termination of employment.

During a receivership, there is no moratorium in place and other creditors may pursue debts and claims against the company.

***Security Interests over Australian property***

The general law and various State and Commonwealth statutory regimes govern security interests over Australian property. The applicable law will depend on, among other things, the nature of the property the subject of the security.

***Security over land***

The most common security over land and interests in land in Australia takes the form of a legal mortgage. While legal mortgages under common law involve the transfer of legal title to the mortgagee, under the Torrens title regime adopted by each Australian State and Territory, title remains with the mortgagor. The Torrens title mortgage gains its status as a legal mortgage by virtue of registration on the applicable State or Territory register and the mortgagee is generally given the same rights (via statute) as a common law mortgagee. It is also possible to take an equitable mortgage over land (and a Torrens title mortgage which remains unregistered will operate as an equitable mortgage). However, an equitable mortgage will not enjoy the priority afforded to a legal mortgage. Torrens title mortgages can be granted over freehold and leasehold estates as well as over other mortgages.

There will be separate real property mortgages granted by Norske Skog Paper Mills (Australia) Limited over the Albury site (in New South Wales) and Boyer site (in Tasmania), subject to the Agreed Security Principles, which will be registered at the relevant State land titles office (the "**Mortgages**").

***Priority of Torrens title mortgages***

The priority of a registered Torrens title mortgage will, broadly speaking (and in the absence of fraud), be subject to:

- any competing security interest which was registered at an earlier time; and
- certain claims preferred by applicable laws (discussed below).

This is similar to the general law position in relation to legal interests except that at general law, a legal interest will be subject to any prior interest of a third party of which the holder of the security interest had actual or constructive notice at the time of grant of the security interest.

If any of the Mortgages are to be registered as second ranking in respect of any land, a priority arrangement with the first ranking mortgagee may be required to regulate, among other things, decision making, enforcement rights and the sharing of enforcement proceeds.

As noted above, if a Torrens title mortgage is not registered, it will take effect as an equitable mortgage and would be subject to, among other things:

- prior legal interests acquired for value without actual or constructive notice of the security and interests registered under the Torrens title regime with respect to the mortgaged property;
- prior equitable interests (with some exceptions);
- a later equitable interest if the mortgagee has engaged in postponing conduct (being conduct such as fraud or gross negligence which allowed the creation of the subsequent interest); and
- certain claims preferred by applicable laws (discussed below).

Claims which may be preferred under applicable laws (which are not specific to security over land) include:

- statutory charges which legislation provides will take priority over existing registered interests (such as a charge on the land to secure unpaid rates or land tax);
- claims relating to the taking of further advances, being rules which provide priority to a later security interest to the extent that the holder of the earlier security interest made subsequent advances in circumstances where it had notice of the later security (although there are a number of exceptions to this under general law and under some of the State and Territory Torrens title regimes);
- interests in relation to circulating Security Interests and floating charges (discussed above); and
- in some cases, liens arising by operation of law.

***Enforcement of Torrens title mortgages***

Under the Mortgages, subject to any agreed priority arrangements, the Security Agent will be entitled to enforce the mortgages following a declared default. It may need to give applicable statutory notices and wait until expiry of applicable grace periods.

Enforcement action available in relation to the Mortgages may include:

- becoming a mortgagee-in-possession of the property;
- exercising a power of sale in respect of the property; or
- appointing a receiver to the mortgagor.

***Security over personal property under Australian law—overview of the PPS Act***

*Background*

The PPS Act establishes a national regime for taking security over personal property. It applies to a security interest with a requisite connection to Australia. The PPS Act governs Security Interests over all kinds of personal property (with limited exceptions described below) and regardless of whether the person granting the security interest is a company or an individual.

*Application and terminology*

Personal property under the PPS Act does not include land (including interests in fixtures) and certain statutory rights, licenses and entitlements that are declared not to be personal property for the purposes of the PPS Act (such as mining tenements and certain security interests in water rights). In addition, the PPS Act does not apply to various interests (such as rights of set-off and liens arising by operation of law). Security over property which is excluded from the PPS Act and any other security interests to which the PPS Act does not apply are governed by the general law and specific State and Territory legislation (such as the statutes in relation to Torrens title land).

The PPS Act defines Security Interests broadly and by using a functional approach. As a result, any transaction which creates an interest in personal property which secures payment or performance of an obligation will constitute a security interest (including transactions such as retention of title arrangements, turnover trusts and hire purchase arrangements). In addition, certain interests are deemed to be Security Interests regardless of whether they secure payment or performance of an obligation (such as the interest of a lessor under a PPS lease (which is, broadly, a lease of goods for a term of more than one year (or in the case of motor vehicles, aircraft or watercraft, for a term of more than 90 days)) or the assignee of certain receivables). As a result, many arrangements not traditionally considered to be Security Interests will appear on the Personal Property Securities Register (''**PPSR**'').

The PPS Act refers to the person who has granted the security interest as the 'grantor' and property the subject of a security interest as 'collateral'. The PPS Act includes rules relating to priority, the status of other competing interests, (known as the taking free rules, which are discussed below in relation to priority) and enforcement. The enforcement provisions do not apply to property of a company while a receiver or receiver and manager is appointed to it and do not affect a secured creditor's contractual or general law rights of enforcement.

*Perfection*

In order to attain the best possible priority under the PPS Act and to prevent the security interest from vesting in the grantor on insolvency, a security interest must be perfected. The most common method of perfection is by registration of the security interest on the PPSR. Where the grantor is a company, a security interest which is perfected solely by registration must be registered within 20 business days after the relevant security agreement came into force or at least six months prior to the commencement of the winding up or administration of the company or the execution of a deed of company arrangement by the company. If those time limits are not complied with, the security interest remains subject to a vesting risk for 6 months after registration. If a security interest vests, the secured party loses its interest in the collateral. In practical terms the property which is the subject of a security interest which has vested in the grantor will be added to the pool of assets available to creditors of the grantor generally.

Other methods of perfection include taking possession or control of the collateral (in each case in accordance with the PPS Act). Those methods of perfection are only available in relation to specific types of property. Perfection by possession is only available for goods and certain other categories of personal property (such as certificated investment instruments). Perfection by control is only possible for certain types of financial property such as shares, units and bonds and, for a secured party that is an ADI, a bank accounts held with that ADI (discussed below). Security Interests perfected solely by possession or control will not appear on the PPSR.

Perfection can be lost if, for example, a secured party ceases to have possession or control of collateral (and did not also have a registration in respect of the interest).

The Security Interests which will arise under the general security deed to be granted over the assets of each of Norske Skog Industries Australia Limited, Norske Skog (Australasia) Pty Limited and Norske Skog Paper Mills (Australia) Limited (the ''**General Security Deed**'') and the specific security deed to be granted over the shares of Norske Skog Industries Australia Limited will be perfected by registration on the PPSR. Security over the shares in the Australian Guarantors will also be perfected by control. To accomplish this, the Security Agent will retain the Australian Guarantors' share certificates and blank transfer forms for those shares signed by the security provider (but with the details of the transferee left blank) and in default situations would be able to transfer or otherwise deal with the shares. The ability to transfer the shares will be facilitated by the blank transfer forms.

*Commingling*

If the Noteholders have a security interest in goods (for example, trees, pulp or recovered paper) that are later manufactured, processed or commingled with other goods so that their identity is lost in another product or mass, that security interest continues in the product or mass.

For the purposes of the default priority rules in the PPS Act, perfection of a security interest in goods that later become part of the product or mass is taken to be perfection of the security interest in the product or mass.

If a security interest is later granted over the product or mass as a whole, the PPS Act regulates priorities between security interests by providing that any priority that the continuing security interest has over another security interest in the product or mass is limited to the value of the goods on the day on which they became part of the product or mass.

If more than one security interest is granted over the goods before they are processed or commingled, a perfected security interest continuing in the product or mass will have priority over an unperfected security interest continuing in the same product or mass. If there is more than one perfected security interest continuing in the product or mass, each perfected security interest is entitled to share in the product or mass according to the ratio that the obligation secured by the perfected security interest bears to the sum of the obligations secured by all perfected security interests in the same product or mass. A similar regime applies in respect of unperfected security interests. For these purposes, the obligations secured by a security interest does not exceed the value of the goods on the day on which the goods became part of the product or mass. Perfected PMSIs (described below) in goods that continue in the product or mass have priority over non-PMSIs in such goods and non-PMSIs in the product or mass given by the same grantor.

*Transfer of collateral in breach of the security agreement*

Collateral under a security agreement can be transferred despite a prohibition in the relevant security agreement if the collateral would be able to be transferred but for the prohibition. However, such action does not otherwise prejudice the secured party's rights, including the right to call a default under the security agreement. In addition, the security interest will continue in the transferred collateral and will attach to any proceeds of the sale unless the security agreement provides otherwise (in each case, subject to the application of the taking free rules).

***Nature of the General Security Deed***

The General Security Deed will be prepared in accordance with the Agreed Security Principles. It will be expressed to operate as something akin to a floating charge under common law over all revolving assets and to a fixed charge over all other secured property. This floating charge will become fixed upon the occurrence of an insolvency-type event or upon notice being given by the Security Agent following a declared default. To the extent the security granted by the General Security Deed is over real property, it will not create a mortgage that is capable of being registered on a real property register. Rather it will create a fixed charge over the real property that the Australian Guarantors are not entitled to deal in and a floating charge over the real property that the Australian Guarantors are entitled to deal in. Any such charge will rank behind any mortgage registered over the same property on a real property register. Similarly, the security interest over the personal property created by the General Security Deed will be second ranking to certain existing security that has been given by the Australian Guarantors.

***Priority of the General Security Deed under the PPS Act***

The PPS Act includes general default priority rules as well as specific rules in relation to certain types of Security Interests. Under those rules:

- perfected Security Interests take priority over unperfected Security Interests;
- priority as between perfected interests is determined by the time of perfection (subject to other specific rules including those listed below) and priority as between unperfected interests is determined by the time of attachment;
- subject to some exceptions, certain Security Interests which are purchase money security interests (each, a "**PMSI**") will take priority over Security Interests which are not PMSIs if the PMSI is registered within the timeframes specified in the PPS Act by a registration that indicates that it is a PMSI. A PMSI is a security interest in collateral that secures all or part of its purchase price (for example, a hire purchase agreement or retention of title arrangement) or a security interest where the secured party has provided value to enable the grantor to acquire the collateral. It also includes the interest of a lessor or bailor of goods under a PPS lease and the interest of a consignor under a commercial consignment;
- a security interest perfected by control will take priority over a Security Interest perfected by possession or registration (regardless of the time of creation or perfection of those other interests); and
- the priority afforded to a security interest will apply to all advances secured by that interest and secured parties may enter into agreements with each other to regulate the priority of their Security Interests which will override the position which would otherwise apply under the PPS Act.

Under the PPS Act, security held by an authorised deposit taking institution or ''ADI'' (which is a corporation authorised under the Banking Act 1959 of Australia and would cover most banks) over an account held with that institution is automatically perfected by control. This means that creditors with security over ADI accounts need to consider entering into contractual arrangements with the account bank in order to obtain priority for their interests. Other interests may take priority over PPS Act Security Interests, such as recipients of certain payments and acquirers of certain instruments and execution creditors, while certain claims are preferred on insolvency, such as those discussed above in relation to circulating Security Interests and floating charges.

### *Taking free rules under the PPS Act*

There are also a number of circumstances in which a third party (such as a purchaser or lessee of collateral) can take the collateral free of a perfected security interest. These include (subject to exceptions) where the sale or lease is in the ordinary course of the grantor's business (unless the buyer or lessee actually knew it would breach the security agreement) and where a purchaser of shares or other investment instruments buys those instruments in the ordinary course of trading on a prescribed financial market.

In some circumstances, buyers and lessees can take free of Security Interests even where it is not in the ordinary course of the seller or lessor's business and the purchaser or lessee knows a security interest prohibiting the sale or lease exists. One example is where collateral which can be registered by serial number under the PPS Act (such as motor vehicles, watercraft, aircraft assets and certain intellectual property) is not registered by reference to that serial number (even if the security interest in this collateral is otherwise perfected).

### *Enforcement of the General Security Deed*

Enforcement of Security Interests in Australia can generally be carried out by the holder of the security interest (or a person appointed by it) without court process. The General Security Deed will be able to be enforced following a declared default. Enforcement action may include taking possession of the secured property, exercising a power to sell the secured property or appointing a receiver or receiver and manager to manage and/or sell the secured property.

A receiver or receiver and manager appointed by a secured creditor will have certain powers which will be set out in the General Security Deed, as well as statutory powers, as discussed above. See ''*Limitations on Validity and Enforceability of the Guarantees and Security Interests—Australia—Receivership*''.

### *Stamp duty*

If the collateral the subject of the security is located in the State of New South Wales or taken to be located in the State of New South Wales for the purposes of applicable stamp duty legislation, an amount of mortgage duty will be payable on the relevant Security Documents on a proportional basis. To the extent that such stamp duty has not been paid (including any applicable penalties and interest), the Security Documents may not be enforceable in an Australian court and this may adversely affect the ability of the Security Agent to enforce the security.

## Austria

### *Insolvency law*

One of the Guarantors, Norske Skog Bruck GmbH, is organized under the laws of Austria, and has its centre of main interest in Austria or, at least has assets located in Austria (''**Austrian Guarantor**''). Therefore in the event of insolvency of the Austrian Guarantor insolvency proceedings governed by Austrian law, in particular by the Austrian Insolvency Act (Federal Law Gazette No. 337/1914 as last amended by Federal Law Gazette No. 69/2014; *Insolvenzordnung*), may be opened in Austria.

The Austrian Insolvency Act regulates on the one hand the liquidation proceedings concerning legal entities in which a debtor's assets or the company as a whole are sold and the resulting proceeds are distributed among its creditors. On the other hand it provides restructuring proceedings enabling the debtor to discharge its liabilities with quota payments and to continue its activities under certain conditions. The insolvency laws of Austria may not be as favorable to your interests as a creditor as the insolvency laws of other jurisdictions. Your ability to recover payments due on the Notes under the

Austrian Insolvency Act may therefore be limited to a greater extent than under the insolvency laws governing other Guarantors or the Issuer.

The following is a brief description of certain aspects of Austrian insolvency law.

***The Austrian Insolvency Act (Insolvenzordnung)***

Insolvency proceedings (*Insolvenzverfahren*) must be opened by the competent court upon application by the debtor or a creditor whenever a company is (i) illiquid (*zahlungsunfähig*), i.e., unable to pay its debts in due time, (ii) or is over-indebted in terms of insolvency law (*insolvenzrechtlich überschuldet*), i.e., when the liabilities exceed its assets at liquidation values (*rechnerische Überschuldung*) and the company has a negative prospect for its continued existence (*negative Fortbestehensprognose*). In addition, restructuring proceedings (*Sanierungsverfahren*) may also be initiated, if the risk of the debtor's inability to pay its debts is at least imminent (*drohende Zahlungsunfähigkeit*) and the debtor files an application for the opening of such proceedings.

If a restructuring plan (*Sanierungsplan*) offering a quota of at least 20% to the unsecured creditors within a maximum of two years is presented together with the application for the opening of insolvency proceedings, the insolvency proceedings will be initiated as restructuring proceedings; if no such restructuring plan is presented with the insolvency proceedings application, the insolvency proceedings will be initiated as bankruptcy proceedings (*Konkursverfahren*). A debtor may also present such a restructuring plan in the course of a bankruptcy proceeding whereby the bankruptcy proceeding will be continued as a restructuring proceeding.

Restructuring plans intend to discharge the debtor from a part of its debts (up to 80%) and to enable the debtor to continue its business activities. A qualified simple majority of unsecured creditors has to approve the restructuring plan. Qualified simple majority means a simple majority (in number) of unsecured creditors present at the hearing, representing more than 50% of the total sum of these unsecured creditors' claims present at the hearing. If the restructuring plan is accepted by the creditors, confirmed by the court and fulfilled by the debtor, the latter is released from the rest of its debts. If the debtor files qualified documents together with a restructuring plan offering a quota of at least 30% in its application for the opening of insolvency proceedings, the debtor is entitled to self administration under supervision of a restructuring administration (*Sanierungsverfahren mit Eigenverwaltung unter Aufsicht eines Verwalters*). If the realization of a restructuring plan fails, the insolvency proceeding will be continued as bankruptcy proceedings.

Unless the debtor meets the requirements for self administration, the debtor is not any longer in the position to dispose assets subject to insolvency (*Insolvenzmasse*) as of the opening of insolvency proceedings. The opening takes effect as of 12:00 a.m. of the day following the publication of the receiving order in the official insolvency data base (www.edikte.justiz.gv.at). Legal acts of the debtor in relation to the debtor's assets take no effect towards the creditors after the initiation of insolvency proceedings. Unless the debtor meets the requirements for self administration, the court appoints an insolvency administrator (*Insolvenzverwalter*) along with its decision on the opening of the insolvency proceedings, and, if it deems this necessary in view of the size of the debtor's business, a creditors' committee (*Gläubigerausschuss*) to assist the insolvency administrator. After the opening of insolvency proceedings without self administration (bankruptcy proceedings or restructuring proceedings) only the insolvency administrator is entitled to act on behalf of the debtor's estate.

The insolvency administrator's main task is to administer and realize the assets of the debtor's estate effectively. According to Austrian insolvency law, the insolvency administrator shall continue the debtor's business in order to enable a potential reorganization of the debtor's business either by realizing the debtor's restructuring plan (which he may also apply for during the bankruptcy proceedings) or by selling the debtor's business. If neither a restructuring plan nor the sale of the debtor's business is possible, the insolvency administrator will break up the company and the bankruptcy proceedings will ultimately lead to the sale and distribution of the debtor's assets and the debtor will remain liable for its residual debts. If the debtor meets the requirements for self administration, the debtor is monitored by a restructuring administrator (*Sanierungsverwalter*) appointed by the court to whom certain transactions are reserved.

Unsecured creditors (*Insolvenzgläubiger*) must file their claims with the competent court within the time period set out in the court order on the opening of insolvency proceedings (usually two months). At the examination hearing (*Prüfungstagsatzung*), which is held by the competent court, the insolvency administrator must declare whether he acknowledges or contests a claim filed by unsecured creditors. If

the insolvency administrator acknowledges a creditor's claim, the creditor is entitled to participate in the insolvency proceeding, which means that such creditor will receive the quota that is distributed to the unsecured creditors. If a creditor's claim is contested by the insolvency administrator, the creditor must assert its claim in civil proceedings in order to maintain its right to participate in the insolvency proceedings.

Claims of unsecured creditors in insolvency proceedings, which were created before the opening of the proceedings, rank *pari passu*. Taxes, social security contributions, wages and salaries are not, as such, privileged or preferential claims under Austrian insolvency law. Claims which lawfully arose against the debtor's estate after the opening of the proceedings, so called privileged claims (*Masseforderungen*) or claims which are secured by collateral (e.g., by a mortgage, a pledge over bank accounts or shares, an assignment of receivables for security purposes or a security transfer of moveable assets), so called preferential claims (*Absonderungsrechte*), enjoy priority in insolvency proceedings. Creditors of preferential claims have a right to preferential satisfaction from the proceeds of the realization of the assets serving as collateral, thereby excluding unsecured creditors. However, such secured creditors may participate in the pro rata distribution only to the extent that the proceeds from the realization of the collateral issued to them did not cover their claims or if they have waived their right to preferential treatment. Secured creditors do not have a voting right on the restructuring plan to the extent their claim is covered by security.

The costs of the insolvency proceedings and certain liabilities accrued during insolvency proceedings rank prior to all other claims. Creditors with a right of separation of assets (*Aussonderungsberechtigte*), such as creditors with retention of title, remain unaffected by the opening of insolvency proceedings though they may be barred from exercising their rights for a maximum period of six months following the opening of insolvency proceedings, if the exercise of such rights would endanger the carrying on of the debtor's business and the interdiction does not cause severe personal or economic damage to the secured creditor. The same applies for secured creditors of preferential claims (*Absonderungsberechtigte*).

Once formal insolvency proceedings have been opened, creditors cannot satisfy their claims by obtaining an execution lien against the assets of the debtor. All execution proceedings against the debtor are stayed (*Vollstreckungssperre*). Execution liens obtained within 60 days prior to the opening of formal proceedings expire. A contractual stipulation providing for the right to withdraw from the agreement or for an automatic termination in the event of opening of insolvency proceedings against the other party is not enforceable. However, this provision does not apply to certain agreements listed in section 20 (4) of the Austrian Insolvency Act.

Austrian law also provides for certain creditors to be subordinated by law (in particular, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the return of funds or payment of a consideration).

Powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings.

***The Austrian Business Reorganisation Act (Unternehmensreorganisationsgesetz)***

The Austrian Business Reorganisation Act (Federal Law Gazette No. 114/1997 as last amended by Federal Law Gazette No. 58/2010; *Unternehmensreorganisationsgesetz*) governs business reorganizations, which are designed to enable businesses in temporary financial distress to continue their business after having undergone a reorganization procedure. Only the debtor may apply for the opening of such a procedure, provided that the debtor is still solvent at the time of its application and is faced with the urgent need for reorganisation (*Reorganisationsbedarf*). The urgent need for reorganisation is statutorily presumed if both the quota of own funds (*Eigenmittelquote*) is less than 8% and the fictitious duration of debt redemption (*fiktive Schuldentilgungsdauer*) exceeds 15 years. Contractual provisions that stipulate a termination right in the event of reorganization proceedings are invalid.

***The right of avoidance (contestation) in the event of insolvency proceedings***

Legal actions and legal transactions that have taken place within certain suspect periods prior to the opening of insolvency proceedings may be subject to an avoidance claim by the insolvency administrator according to the Austrian Insolvency Act. Basic requirements of such avoidance are: (i) the successful avoidance must result in an increase of the debtor's estate (*Befriedigungstauglichkeit*); (ii) the

challenged legal action or challenged legal transaction took place within a certain ''hardening'' period (which vary from 60 days to 10 years depending on the parties involved in the contested legal action or transaction) and must have caused a direct or indirect discrimination of the other creditors (*Gläubigerbenachteiligung*); and (iii) the avoidance claim must be filed by the insolvency administrator within one year after the opening of the insolvency proceedings.

In particular, the following legal transactions and legal acts are voidable:

- Avoidance due to intended discrimination (*Anfechtung wegen Benachteiligungsabsicht*): Transactions concluded by the debtor in order to discriminate other creditors may be challenged, if they were entered within 10 years preceding the opening of insolvency proceedings and the other party knew about the debtor's intention to discriminate. In the event that a transaction has a discriminatory effect on other creditors and the contractual counter party should have been aware of this effect, the period is shortened to two years prior to the opening of the insolvency proceedings. If the legal act was concluded with close relatives (relatives, in-laws) the transaction may be challenged, unless the relative can prove that he or she did not have, and was not negligent in not having, knowledge of the debtor's discriminatory intent (i.e. the burden of proof is shifted to the relative). Should the debtor be a legal entity with the capacity to be party to legal proceedings, members of the managing and supervisory bodies of the debtor as well as the debtor's shareholders with unlimited liability and as the debtor's controlling shareholders or shareholders with a participation of at least 25% are deemed to be close relatives.
- Avoidance due to squandering of assets (*Anfechtung wegen Vermögensverschleuderung*): Avoidance may apply to certain contracts, including purchase and exchange contracts, entered into by the debtor that are considered a squandering of assets at the expense of other creditors, if the counterparty had, or should have had, knowledge of such squandering. Squandering of assets is assumed if an obvious incongruity exists between the performance and the consideration. Transactions that took place within one year prior to the opening of insolvency proceedings are effected in case of squandering.
- Avoidance of transactions without consideration and analogous transactions (*Anfechtung wegen unentgeltlicher oder ihnen gleichgestellter Verfügungen*): Dispositions of the debtor that were concluded without consideration or are equivalent to such dispositions may be challenged if concluded within two years prior to the opening of insolvency proceedings. Examples for such dispositions are: donations, acknowledgement of debt, collateralisation of existing liabilities and payment of someone else's debt. If the debtor receives any economic benefit or interest in return considered as adequate consideration (*angemessenes Entgelt*) the disposition may not be challenged.
- Avoidance due to preferential treatment (*Anfechtung wegen Begünstigung*): The payment of or the granting of security to a creditor (*Befriedigung oder Sicherstellung*) after or within 60 days prior to a material insolvency or application for the opening of insolvency proceedings or thereafter may be avoided if (i) the creditor obtained security or satisfaction to which it was not, or not in that way or at that time, entitled, unless it was not favored by this transaction (objective preferential treatment) or (ii) the creditor knew or should have known that the debtor acted with the intention to privilege the creditor (subjective preferential treatment) or (iii) the creditor is a close relative, unless such relative can prove that he or she did not have, and was not negligent in not having, knowledge of the debtor's discriminatory intent. Material insolvency means illiquidity or over-indebtedness in terms of insolvency law. Objective preferential treatment does not require any subjective elements on part of the counterparty; in particular the counterparty's knowledge of the financial condition of the debtor is irrelevant. Subjective preferential treatment requires the debtor's intention to favor a creditor and the creditor's knowledge of the debtor's intention. Such transactions carried out more than one year before the opening of the insolvency proceedings may not be contested.
- Avoidance due to knowledge of material insolvency (*Anfechtung wegen Kenntnis der Zahlungsunfähigkeit*): Legal acts carried out after material insolvency or after application for the opening of insolvency proceedings could be subject to appeal, if the legal act (i) constitutes the payment of or the granting of security to a creditor or (ii) is considered to be a directly or indirectly disadvantageous transaction (*nachteiliges Rechtsgeschäft*). Legal acts by which a creditor's claim is satisfied or secured may only be challenged, if the creditor knew or was negligent in not knowing of the material insolvency or pending insolvency application.

A transaction is considered disadvantageous where the chances of satisfaction of the claims of the other creditors are worsened due to the transaction or if such agreements are directly disadvantageous to other creditors and the contracting partner knew or should have known of the debtor's material insolvency or pending insolvency application.

Disadvantageous transactions of the debtor concluded with non-creditors may be challenged if such agreements are either directly or indirectly disadvantageous to creditors, but only if the contracting partner (i) knew or should have known of the debtor's material insolvency or pending insolvency application and (ii) the disadvantage for the insolvency estate was objectively predictable at the time of the transaction; in particular when a restructuring plan is obviously inappropriate (*offensichtlich untaugliches Sanierungskonzept*).

A transaction is considered indirectly disadvantageous (*sonst nachteilig*) if the transaction is objectively balanced, i.e. not directly disadvantageous but the transaction nonetheless lowers the recovery rate of creditors. In case of an indirectly disadvantageous transaction the contracting partner must prove that the disadvantage to the insolvency estate was objectively unpredictable. If the contracting partner and thus beneficiary of the satisfaction/securing or disadvantageous act is a close relative, he or she must in addition prove that he or she had, and was not negligent in having, no knowledge of the debtor's illiquidity or insolvency petition.

In addition, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also avoid any transactions according to the Austrian Avoidance Act (Federal Law Gazette No. 337/1914 as last amended by Federal Law Gazette No. 29/2010; *Anfechtungsordnung*) outside of formal insolvency proceedings. The conditions for such action vary to a certain extent from the rules described above, and the avoidance periods are calculated from the date when such other creditor exercises its rights of avoidance in the courts.

***Perfection of Share Pledge***

Pursuant to Austrian law, the creation of a valid (contractual) pledge requires both a contractual basis for the pledge (the so-called title) and perfection of the pledge (the so-called mode). While the pledge agreement between the pledgor and the pledgee constitutes the title, the relevant mode for perfection depends on the type of asset to be pledged. A pledge over shares in an Austrian limited liability company (*Gesellschaft mit beschrankter Haftung*) may be perfected by serving a written notification of the pledge on the company the shares of which are pledged. In addition, the pledge over the shares should be recorded in the pledgor's books and accounts (*Buchvermerk*) so as to ensure that any person inspecting such books and accounts easily becomes aware of the pledge over the shares. No valid and enforceable security interest is created until the share pledge is appropriately perfected. The enforcement of a pledge over shares in an Austrian limited liability company will be subject to mandatory provisions of Austrian law which aim at protecting the interest of the pledgor, such as, for example, the requirement to obtain valuation of the shares prior to the enforcement and the restriction not to sell the shares for a price lower than the value of the shares according to the valuation.

***Subsidiary Guarantee***

*Corporate law capital maintenance rules*

The enforcement of upstream and cross stream guarantees provided by the Austrian Guarantor are limited by strict capital maintenance rules imposed by Austrian corporate law, including the Austrian Stock Corporation Act (Federal Law Gazette No. 98/1965 as last amended by Federal Law Gazette No. 40/2014; *Aktiengesetz*) and the Austrian Act on Limited Liability Companies (Federal Law Gazette No. 58/1906 as last amended by Federal Law Gazette No. 13/2014; *Gesetz über Gesellschaften mit beschränkter Haftung*). These rules protect the entire assets of an Austrian Guarantor on behalf of their respective creditors. The entire set of corporate assets, even those exceeding the stated capital, falls under the capital maintenance rules. Shareholder distributions by an Austrian Guarantor may only be made under explicitly specified conditions. Accordingly shareholders have the right to receive dividend payments only if these payments are restricted to the amount of net profits shown in the approved annual financial statements and not prohibited by law or the respective subsidiary's articles of association and further provided that the shareholder(s) resolved on the disbursement of such dividend payment.

An Austrian Guarantor may not make any other asset-reducing payments to a group company (not being a direct or indirect subsidiary), except (i) in the context of repayments within the scope of stated

capital decreases, or (ii) payments and distributions within the scope of a permitted arm's length transaction. Any distributions or payments to an affiliated company (not being a direct or indirect subsidiary; respectively to a third party to the benefit of such an affiliated company) without an adequate consideration would be considered as a violation of the Austrian capital maintenance rules.

A violation of Austrian capital maintenance rules by an Austrian Guarantor would result in the invalidity of the relevant transaction between the Austrian Guarantor and the shareholder (or between the Austrian Guarantor and a third party if the transaction has been undertaken by an Austrian Guarantor for the benefit of its shareholder e.g. by providing an upstream or cross stream guarantee for the financing to the parent company).

Austrian capital maintenance rules are subject to ongoing court decisions. We cannot assure you that future court rulings may not further limit the enforceability of the guarantees, which could negatively affect its ability to make payment on the Notes offered hereby or the ability of the subsidiaries to make payments on the guarantees.

Irrespective of considerations of Austrian capital maintenance rules, the recoverability under certain Guarantees granted by the Australian Guarantor may be limited owing to the subordination and other factors. See ''*Risks Related to the Notes and the Guarantees—The Guarantees by the Subsidiary Guarantors will be subordinated to our existing and future senior debt and the Notes are subject to restrictions on payment and enforcement*''.

*Equity Replacement Law*

The Austrian Act on Equity Replacements (Federal Law Gazette No. 92/2003 as last amended by Federal Law Gazette No. 58/2010; *Eigenkapitalersatzgesetz*) contains detailed provisions regarding specific circumstances in which shareholder loans are considered as company equity. In particular, loans granted by a shareholder in a financial crisis (i.e. the subsidiary is insolvent, over-indebted or the requirements of a business reorganization procedure are met) are deemed to be equity replacing. In a financial crisis, equity replacing shareholder loans may not be repaid and any security interest granted in connection with such loans may not be enforced. This means that in insolvency proceedings, respective claims are subordinated (i.e. there is no right for separation (*Aussonderungsrecht*) or a right for separate satisfaction (*Absonderungsrecht*)). A shareholder is, according to the Austrian Act on Equity Replacements, (i) a shareholder with controlling participation, (ii) a shareholder with a participation of at least 25%, and (iii) any person not holding a participation in the company but having a controlling influence (*beherrschender Einfluss*).

Furthermore, a person granting a loan/credit to a company is to be considered as shareholder if (i) it holds participation or other rights in a third person which has a controlling influence regarding the company granted the loan/credit, (ii) it indirectly holds at least 33% of the participation rights in the company granted the loan/credit or (iii) it holds controlling direct or indirect participation rights in a company which holds at least 25% of the participation rights in the company granted the loan/credit.

Prior to the enactment of the Act on Equity Replacements the Austrian Supreme Court had developed even stricter rules on equity replacing shareholder loans compared to the rules stipulated in the Austrian Act on Equity Replacements. In this context, it is uncertain whether the rules on equity replacing shareholder loans also apply to (controlling) atypical pledgees (*atypische Pfandgläubiger*) and/or under what specific circumstances a secured lender may qualify as atypical pledgee.

*Parallel debt*

Under Austrian law, certain accessory security interests such as pledges require that the pledgee and the creditor be the same person. Such security interests cannot be held on behalf of third parties who do not hold the secured claim. The Noteholders will not be party to the security documents relating to the Collateral. In order for the Noteholders to benefit from security interests under accessory Collateral, the Intercreditor Agreement will provide for the creation of a parallel debt. Pursuant to the parallel debt, the Security Trustee becomes the holder of a claim equal to each amount payable by an obligor under the Notes and the Guarantees. The pledges governed by Austrian law will directly secure the parallel debt. The parallel debt concept as such is not known under Austrian law and a parallel debt governed by a foreign law has not been tested under Austrian law, and there is accordingly no certainty that it will be held enforceable under Austrian law.

*Enforcement of civil liabilities restrictions*

According to the Austrian Enforcement Act (Federal Law Gazette No. 79/1896 as last amended by Federal Law Gazette No. 69/2014; *Exekutionsordnung*), foreign judgments are only enforceable in Austria if the reciprocity is warranted by a bilateral or multilateral treaty between the countries involved or by a respective directive (*Verordnung*) of the Austrian government. The Republic of Austria and the United States have not entered into a treaty regarding the reciprocal recognition and enforcement of judgments rendered in either court in civil and commercial matters. In this regard, there is also no directive of the Austrian government in place. Therefore, the courts of Austria will not recognize and/or enforce a judgment obtained in the courts of the United States, be it a judgment rendered by a United States federal or state court. Accordingly, the subject matter upon which a judgment has been obtained in a United States federal or state court must be re-litigated before Austrian courts in accordance with applicable Austrian Civil Procedure Laws (*Zivilprozessverfahren*). A judgment by a federal state court of the United States will be regarded by an Austrian court only as evidence of the outcome of the dispute to which such judgment relates, and an Austrian court has to re-hear the dispute. Only after having obtained a final judgment before an Austrian court can enforcement procedures be initiated under the Austrian Enforcement Act.

*Director in fact*

A person granted the rights of information and control that actually influences the management of an Austrian Guarantor could, depending on the extent of such rights granted and the actual use of such rights, qualify as a director in fact (*faktischer Geschäftsführer*). The director in fact has the same obligations and liability as a regular director appointed in accordance with applicable Austrian corporate law. Therefore a person qualifying as such could be liable for any acts made in connection with the management of the company; in particular towards the company and the creditors of the company.

***Banking law restrictions***

The Austrian Banking Act (Federal Law Gazette No. 532/1993 as last amended by Federal Law Gazette No. 59/2014; *Bankwesengesetz*) regulates certain banking activities. Companies may in general only conduct these banking activities on a commercial basis (*gewerblich*) if they have been granted a banking license by the Austrian financial market authority (*Finanzmarktaufsichtsbehörde*). In addition, the Austrian Securities Supervision Act 2007 (Federal Law Gazette No. 60/2007 as last amended by Federal Law Gazette No. 59/2014; *Wertpapieraufsichtsgesetz 2007*), regulates certain activities which qualify as investment services and investment activities; such activities include the reception and transmission of orders in relation to one or more financial instruments, portfolio management and investment advice. Entities may in general only conduct such regulated activities on a commercial basis if they have either been granted a banking license or an investment service license by the Austrian financial market authority.

Besides any entity licensed by the Austrian supervisory authority to conduct regulated activities within the meaning of the Austrian Banking Act and the Austrian Securities Supervision Act also credit institutions or investment firms, respectively authorized in a member state of the European Economic Area, may conduct certain of the regulated activities in Austria. Such entity may conduct the relevant activities in Austria either by an established branch office or by way of the freedom to provide services, insofar as such activities are authorized under the legal provisions of the Member State of incorporation and the relevant notification procedure in line with the European law directive 2013/36/EU or the European law directive 2004/39/EC as amended and the relevant local laws have been complied with.

Accordingly, any entity which intends to conduct activities on a commercial basis regulated by the Austrian Banking Act or the Austrian Securities Supervision Act in Austria or from outside of Austria into Austria, requires a respective license or successful completion of EEA notification procedures. Conducting such regulated activities in Austria without the necessary license or successful completion of EEA notification procedures can trigger administrative fines and civil law sanctions. The Austrian Banking Act provides that whoever conducts (a) banking services set out in Art 4 (1) (1) of EU regulation 575/2013 without the required authorization is guilty of an administrative offence and may be subject to an administrative fine of up to EUR 5 million or up to twice the value of the economic benefit derived from such violation if not qualified as a criminal offense; or (b) other banking/investment services without the required authorization is guilty of an administrative offence and may be subject to an administrative fine of up to EUR 100,000, if not qualified as a criminal offense. A monetary penalty of up to EUR 100,000 is also set forth in the Austrian Securities Supervision Act for conducting certain activities

mentioned therein without the necessary license, if not qualified as a criminal offense. Furthermore, whoever conducts such regulated activities unlicensed shall not be entitled to any compensation connected with such activities (interests, commissions, fees, etc.) though the concluded transaction agreements remain valid. Sureties (*Bürgschaften*) and guarantees granted in connection therewith on the other side are ineffective. In addition, civil lawsuits for unfair competition by competitors are possible.

***Stamp duty***

Under the Austrian Stamp Duty Act (Federal Law Gazette No. 267/1957 as last amended by Federal Gazette No. 13/2014; *Gebührengesetz*), stamp duty is triggered upon the creation of a document (*Urkunde*; a term which has a specific technical meaning within the context of the Austrian Stamp Duty Act) on certain dutiable transactions enumerated in the Austrian Stamp Duty Act. Dutiable transactions include e.g., lease agreements, sureties, assignments and mortgages. Stamp duty on loan and credit agreements has been abolished as of January 1, 2011.

According to the Austrian Stamp Duty Act, stamp duty amounts in the case of:

(a) sureties (*Bürgschaft*) are 1% of the secured amount (a guarantee may be treated as a surety for stamp duty purposes, if the guarantor under the guarantee does not explicitly waive all claims, remedies or defenses with respect to the underlying guaranteed transaction and the guarantee is not considered to be abstract); and

(b) assignments are 0.8% of the consideration, or 0.8% of the secured amount in case of an assignment for security (*Sicherungszession*); however, not more than the assigned receivables.

Dutiable transactions relating to the granting of security (in particular sureties, assignments, mortgages) may be exempt from stamp duty, if such transaction (exclusively) secures claims under a loan or credit agreement.

Austrian stamp duty is basically triggered if a document on a dutiable transaction is created in Austria. Irrespective of the country of document creation, stamp duty may be triggered if (i) the transaction parties' (habitual) residence, seat, (factual) management or place of business is located in Austria and (ii) the transaction concerns an asset situated in Austria or a party to the transaction is entitled or obliged to perform under the transaction in Austria.

If the creation of a document outside of Austria did not trigger Austrian stamp duty, stamp duty may be triggered if the document (or a certified copy thereof) is imported into Austria and (i) the transaction concerns an Austrian situated asset or a party to the transaction is entitled or obliged to performance under the transaction in Austria, or (ii) a legally relevant action is taken in Austria based on the transaction or official use of the document (or a certified copy thereof).

Austrian stamp duty may also be triggered by a document that refers to a dutiable transaction in a qualified manner (so called confirming document; *rechtsbezeugende Urkunde*). A confirming document within the present context is constituted if the parties to and the nature of the transaction referred to may be derived from the document. Such document may (already) trigger Austrian stamp duty if signed by one of the parties and sent to the other party or its representative (or even a testifying third party). Accordingly, any notices, references, confirmations, reports, protocols or correspondence (including e-mails) containing information on the parties' rights and obligations could constitute confirming documentation. Further, stamp duty may be triggered by a so called substitute document (*Ersatzurkunde*) on a dutiable transaction or a document that incorporates by reference a document on a dutiable transaction; e.g. a signed protocol on an orally agreed transaction.

If Austrian stamp duty is triggered the parties to the transaction are jointly and severally liable; unless only one party is obliged to perform under the relevant transaction, then the party in whose interest the document was created is liable for the stamp duty (e.g. the creditor in case of a surety). Other persons involved in the transaction (as well as certain persons, if they violate their responsibility to notify the competent tax authorities in this regard) are secondarily liable for the triggered stamp duty. Agreements between the parties as to who shall bear the stamp duty are not relevant for the tax authorities but may be honored within their discretion.

If stamp duty was triggered and not duly paid or the competent tax office was not duly notified of a dutiable transaction, the competent tax office may, within its discretion, increase the stamp duty up to 100% depending on whether the taxpayer could have recognized that the stamp duty was triggered, the

notification was made with slight or substantial delay or provisions of the Austrian Stamp Duty Act had been infringed for the first time or repeatedly.

### *Appointment of a trustee (Kurator)*

Austrian mandatory law (The Trustee Act (*Kuratorgesetz; RGBl 1874/49, last amended by BGBl 1991/10*) and the Trustee Supplemental Act (*Kuratorenerganzungsgesetz; RGBl 1877/111, last amended by BGBl 1929/222*)) in certain cases like court trials or insolvency proceedings initiated over an issuer's assets in Austria provide that noteholders cannot exercise their rights under the notes on their own behalf but only collectively via a trustee (*Kurator*) appointed by the competent court for all noteholders, if the noteholders rights are endangered or a third party's rights are delayed due to a lack of common representation of the noteholders. Following an appointment of such a court-appointed trustee, neither the Trustee for the Notes nor individual Noteholders will have the power to instruct the Security Agent to the extent such instructions relate to the collective rights of the Noteholders. No assurance can be given that such powers will vest in the court appointed trustee, and, even if they vest in the court appointed trustee, that the court-appointed trustee will exercise its powers in accordance with the best interests of the Noteholders.

### France

The following is a general description of certain aspects of the prevention of corporate difficulties and insolvency proceedings governed by French law as currently in force for informational purposes only and does not address all the French legal considerations that may be relevant to holders of the Notes. References to the holders of the Notes below include the holders of the Notes acting through, or in place of, the Issuer with respect to the Collateral or the Guarantees, as applicable.

French laws and proceedings affecting creditors include debt rescheduling pursuant to Articles 1244-1 *et seq*. of the French Civil Code (*Code civil*), *mandat ad hoc* proceedings (*mandats ad hoc*), conciliation proceedings (*procédure de conciliation*), safeguard proceedings (*procédure de sauvegarde*), accelerated safeguard proceedings (*procédure de sauvegarde accélérée*), accelerated financial safeguard proceedings (*sauvegarde financière accélérée*) and judicial reorganization or liquidation proceedings (*redressement* or *liquidation judiciaire*). In general, French insolvency legislation favors the continuation of a business and the protection of employment over the payment of creditors.

Under the EU Insolvency Regulation, if a debtor is located in the European Union (other than Denmark), French courts shall have jurisdiction over the main insolvency proceedings if the center of the debtor's main interests is situated in France. In the case of a company or legal person, the place of the registered office shall be presumed to be the ''center of its main interests'' in the absence of proof to the contrary. In determining whether the ''center of main interests'' of a company is in France, French courts will take into account a broad range of factual elements.

French insolvency law was last modified by Ordinances n° 2014-326 dated March 12, 2014, Ordinance 2014-1088 dated September 26, 2014 and Decree No 2014-736 dated July 1, 2014 that entered into force on July 1, 2014.

### *Grace periods*

In addition to the pre-insolvency and insolvency laws discussed below, the holders of the Notes could, like any other creditors, be subject to Articles 1244-1 *et seq*. of the French Civil Code (*Code civil*).

Pursuant to Articles 1244-1 *et seq*. of the French Civil Code, French courts may, in any civil proceedings involving the debtor, whether initiated by the debtor or the creditor, taking into account the debtor's financial position and the creditor's financial needs, defer or otherwise reschedule the payment dates of payment obligations over a maximum period of two years and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate that is lower than the contractual rate (but not lower than the legal rate set by the French Central Bank (*Banque de France*), which is 0.04% per annum in respect of year 2014) or that payments made shall first be allocated to the repayment of principal. If a court order under Articles 1244-1 *et seq*. of the French Civil Code is made, it will suspend any pending enforcement measures, and any contractual interest or penalty for late payment will not accrue or be due during the period ordered by the court. A creditor cannot contract out of such grace periods. When the debtor benefits from a conciliation proceeding, these statutory provisions shall be read in combination with Article L.611-7 of the French Commercial Code (see ''—*Conciliation Proceedings*'').

***Insolvency test***

Under French law, a company is considered to be insolvent (*en état de cessation des paiements*) when it is unable to pay its debts as they fall due with its available assets taking into account available credit lines, existing debt rescheduling agreements and moratoria.

***Mandat ad hoc and conciliation proceedings***

A French company facing difficulties without being cash flow insolvent (or for less than 45 days in the case of conciliation proceedings) may request the opening of court-assisted proceedings (*mandat ad hoc* or conciliation), the aim of which is to reach an agreement with the debtor's main creditors and stakeholders e.g. agreement to reduce or reschedule its indebtedness. These proceedings may only be initiated by the debtor company itself, in its sole discretion. *Mandat ad hoc* and conciliation are informal and confidential (subject to the below) proceedings carried out under the aegis of a court-appointed officer (*mandataire ad hoc* or *conciliateur*, whose name can be suggested by the debtor) itself under the supervision of the President of the relevant court (usually the Commercial Court), which do not involve any stay of the claims nor pending proceedings. As a consequence, creditors are not barred from taking legal action against the company to recover their claims, but, in practice, they usually accept to do so for the duration of the proceedings. In any event, the debtor retains the right to petition the relevant judge for a grace period (in conciliation proceedings the President of the court), as set forth above and below. In conciliation proceedings, the decision would be taken after having heard the conciliator (Article L. 611-7 of the French Commercial Code).

*Mandat ad hoc* and conciliation proceedings may also be used at the request of the debtor and after the opinion of the participating creditors has been sought to prepare the sale of all or part of the business of the debtor with a view to implement such sale (*plan de cession*) in a subsequent insolvency proceeding. To ensure transparency, the public prosecutor must be consulted on any offer formalized in the context of such conciliation proceeding.

Contractual provisions modifying the terms of an outstanding contract, by diminishing the rights or increasing the obligations of the debtor solely by reason of the appointment of a *mandataire ad hoc* or the opening of conciliation proceedings, or any request made to this end are deemed null and void.

Equally, contractual provisions that would, as the sole result of the opening of *a mandat ad hoc* proceedings or the opening of conciliation proceedings, make the debtor bear the fees of the creditor's counsel relating to such proceedings for the portion that would exceed three quarters of the total fee of the relevant counsel are null and void.

***Mandat ad hoc proceedings***

French law does not provide for any specific rule in respect of *mandat ad hoc* proceedings, except that these proceedings (i) are confidential by law (save for their disclosure for statutory auditors if any) and (ii) may only be initiated by the debtor company itself, in its sole discretion. *Mandat ad hoc* proceedings are not limited in time and are informal proceedings carried out under the supervision of the president of the relevant court (usually the Commercial Court), which do not involve any stay of the proceedings.

A company that is facing any type of difficulties (but which is not insolvent; see ''—*Insolvency Test*'' above) may request from the President of the court the appointment of a *mandataire ad hoc*, whose name it can suggest. The *mandataire ad hoc*'s duties are determined by the court. Such *mandataire ad hoc* is usually appointed in order to facilitate negotiations with the debtor's main creditors but he cannot coerce the creditors into accepting any proposal. The agreement reached by the parties (if any) with the help of such *mandataire ad hoc* can be reported by the latter to the president of the court but is not approved by the court. The restructuring agreement between the company and its main creditors will be negotiated on a purely consensual and voluntary basis; those creditors not willing to take part cannot be bound by the arrangement.

***Conciliation proceedings***

A French company may, in its sole discretion, apply for the opening of conciliation proceedings, provided it (i) is not insolvent (see ''—*Insolvency Test*'' above), or has been insolvent for fewer than 45 days and (ii) experiences current or predictable legal, economic or financial difficulties. The debtor petitions the president of the Commercial Court for the appointment of a conciliator (whose name it can suggest) in charge of assisting the debtor in negotiating with some or all of its creditors and/or trade

partners an agreement that provides for the restructuring of its indebtedness. Conciliation proceedings are confidential and may last up to five months. During the proceedings, creditors may continue to sue individually for payment of their claims but they usually in practice accept not to do so. In addition, the debtor retains the right to petition the president of the Commercial Court for a grace period.

With regard to the grace periods under Articles 1244-1 of the French Civil Code, the judge having opened conciliation proceedings (i) may grant a grace period even when the formal notice asking the debtor to pay was sent before conciliation proceedings commenced (and not only during conciliation proceedings) and (ii) may grant a grace period during the implementation of the conciliation agreement (and not only during conciliation proceedings).

This agreement may be either acknowledged (*constaté*) by the president of the court or approved (*homologué*) by the court.

While the agreement (whether acknowledged or approved) is being implemented, by law (i) any individual proceedings by creditors with respect to the claims included in the agreement are suspended, (ii) accrued interest of the claims governed by the restructuring agreement cannot bear themselves interest (notwithstanding Article 1154 of the French Civil Code) and (iii) the debtor retains the right to petition the President of the Court who opened conciliation proceedings for debt rescheduling (pursuant to Article 1244-1 of the French Civil Code mentioned above) in relation to claims of non-consenting creditors (other than public creditors) who were called to the conciliation, in which case the decision would be taken after having heard the *conciliator* appointed to supervise the performance of the restructuring agreement (*mandataire à l'exécution de l'accord*), and taking into account the actual implementation of the restructuring agreement by the debtor.

The conciliator acting as ''*mandataire à l'exécution de l'accord*'' may monitor the implementation of the conciliation agreement, when the conciliation agreement is approved by the Court.

The acknowledgement of the agreement by the president of the court upon all parties' request, gives the agreement the legal force of a final judgment, which means that it constitutes a judicial title that can be enforced by the parties without further recourse to a judge (*titre exécutoire*), but the conciliation proceedings remain confidential.

The conciliation agreement can also be approved by the court upon the debtor's request. The approval by the Court, which is subject to the satisfaction of certain conditions, will make the existence of the conciliation proceedings public (not the content of the agreement—save for the information of the employees' representatives if any) will have the following specific consequences:

- creditors who provided new money, goods or services designed to ensure the continuation of the business of the distressed company (other than shareholders providing new equity) in the course of conciliation proceedings leading to an approved conciliation agreement or in application of an approved conciliation agreement will have priority of payment over all pre-proceeding and post-proceeding claims (other than certain pre-proceeding employment claims and post-proceeding procedural costs) (the ''**New Money Lien**''), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings; and
- in the event of subsequent safeguard proceedings, accelerated safeguard proceedings, accelerated financial safeguard proceedings, judicial reorganization or liquidation proceedings, the payment date of claims benefiting from the New Money Lien may not be rescheduled without their holders' consent;
- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of the *cessation des paiements* and therefore the commencement date of the suspect period cannot be set by the court as of a date earlier than the date of the approval of the agreement by the court.

A third party having granted a guarantee (*sûreté personnelle*) or a security interest (*sûreté réelle*) can benefit from the grace periods granted to the debtor during conciliation proceedings as well as from the provisions of the approved or acknowledged agreement.

In the event of a breach of the agreement, any party to the agreement can petition the court for its termination. The commencement of subsequent insolvency proceedings will automatically put an end to the conciliation agreement, in which case the creditors will recover their claims and Security Interests, except amounts already paid to them.

Conciliation proceedings, in the context of which a draft plan has been negotiated and is supported by a large majority of creditors without reaching unanimity, will be a mandatory preliminary step of the accelerated safeguard and accelerated financial safeguard proceedings, as described below.

*Court-administered proceedings—safeguard, accelerated safeguard proceedings, accelerated financial safeguard proceedings, reorganization and liquidation proceedings*

Court-administered proceedings may be initiated:

- in the event of safeguard proceedings, upon petition by the debtor only (for accelerated safeguard proceedings, accelerated financial safeguard proceedings, as described below); and
- in the event of judicial reorganization or liquidation, upon petition by the debtor, any creditor or the public prosecutor.

*Opening*

The debtor may file for safeguard, accelerated safeguard or accelerated financial safeguard proceedings at any time it is facing difficulties that it cannot overcome. Regular safeguard proceedings can only be opened, if the debtor is not insolvent (*en état de cessation des paiements*) whereas accelerated safeguard proceedings or accelerated financial safeguard proceedings may be opened as long as it was not insolvent for more than 45 days when it initially requested the opening of conciliation.

It is required to petition for the opening of judicial reorganization proceedings (if recovery is possible) or judicial liquidation proceedings (if recovery is manifestly not possible) within 45 days of the date upon which the insolvency (date de cessation des paiements) occurred. If it fails to do so (or if it fails to file for conciliation alternatively), its directors and officers may be subject to civil liability. Creditors of the company do not attend the hearing before the court at which the opening of safeguard, accelerated safeguard or accelerated financial safeguard proceedings is requested. The same applies for the hearing before the court at which the opening of reorganization or liquidation proceedings is requested, save for the creditor having requested it, as the case may be.

*Observation period—judicial bodies*

The period from the date of the court decision commencing the proceedings (whether a safeguard or a judicial reorganization) to the date on which the court takes a decision on the outcome of the proceedings is called the ''observation period'' and may last up to 18 months.

During the observation period, a court-appointed administrator, whose name can be suggested by the debtor in safeguard proceedings, investigates the business of the company.

In safeguard proceedings, the administrator's mission is limited to either supervising or assisting the debtor's management and assisting it in preparing a safeguard plan for the company.

In judicial reorganization proceedings, the administrator's mission is usually to assist the management and to make proposals for the reorganization of the company, which may include a business continuation plan (equivalent to a safeguard plan) and/or the sale of all or part of the company's business to a third party. In judicial reorganization, the court may also decide that the administrator will manage the company alone by replacing the debtor's management.

Judicial liquidation proceedings entail the relief of the debtor of the management and there is no observation period in such proceedings. The outcome of liquidation proceedings, which is decided by the court without a vote of the creditors, may be a sale of the business plan and/or isolated sales of the debtor's assets in order to discharge the debtor's liabilities. Where a sale of the business (partial or not) is contemplated, the court may authorize a temporary continuation of the business for a maximum period of three months (renewable once for a period of three months at the Public Prosecutor's request) whose effects are similar to an observation period.

***End of proceedings***

At the end of the observation period, if the Court considers that the company can survive as a going concern, it will adopt a safeguard or reorganization plan which will entail a restructuring and/or rescheduling of debts and may entail the divestiture of some or all of the debtor's assets and businesses (a sale of the entire business is not possible in a safeguard plan).

At any time during the observation period, the court may convert safeguard proceedings into reorganization proceedings (i) upon its own initiative, if the debtor appears to have been insolvent (*en état de cessation des paiements*) before the opening of the proceedings, or (ii) at the debtors' request, or upon request of the administrator, the creditors' representative or the Public Prosecutor or upon its own initiative in the case where the debtor is cash-flow insolvent or (iii) at the debtors' request, or upon request of the administrator, the creditors' representative or the Public Prosecutor in case no plan has been adopted by the relevant creditors' committee and, if any, bondholders' assembly (as described below), if the approval of a safeguard plan is manifestly impossible and if the company would shortly become insolvent should safeguard proceedings be closed. At any time during safeguard or reorganization proceedings, the court may also convert such proceedings into liquidation proceedings if the debtor is cash flow insolvent and its recovery is manifestly impossible.

***Safeguard plan or reorganization plan***

The manners in which the liabilities will be settled, as provided for in the plan (debt remissions and payment times) must be submitted to the creditors during a consultation, prior to the plan being approved by the court. The rules governing consultation vary according to the size of the business.

***"Ordinary" consultation:*** For debtors whose accounts are not certified by a statutory auditor or prepared by a chartered accountant, and who do not have more than 150 employees or €20 million of revenue, the administrator notifies the proposals for the settlement of debts to the court-appointed creditors' representative, who, individually or collectively, obtains the agreement of each creditor who filed a proof of claim, regarding the debt rescheduling or write-offs or debt-to-equity swaps proposed.

The French Commercial Code does not state whether the proposals for settlement can vary according to the creditor. According to legal commentaries and established practice, in the absence of a specific legislative prohibition, varying treatment of creditors should be possible, provided that it is justified by the specific position of the creditors. In practice, it is also possible to make alternative proposals at the consultation stage (which generally breaks down into a short-term option, with debt remissions and rapid payment of the balance, and a long-term option, with 100% repayment of the debts over 10 years, the courts tend to impose a long-term solution).

Creditors whose payment terms are not affected by the plan or who are paid in cash in full as soon as the plan is approved or upon admission of their claims are not consulted.

In the event of a consultation in writing, if a creditor does not respond within 30 days from receipt of the letter from the creditors' representative, such creditor is deemed to have accepted the debt rescheduling and/or write-off. However, with respect to debt-to-equity swap proposals, the creditors' representatives must obtain the agreement of each individual creditor in writing. The creditors' representative keeps a list of the responses from creditors, which is notified to the debtor, the administrator and the monitors.

Within the framework of an ordinary consultation, if the creditors refuse the proposals that were submitted to them, the court that approves the safeguard or reorganisation plan can only impose uniform debt deferrals over a maximum period of 10 years (it being noted that debts whose maturity dates exceed the duration of the plan are not concerned and their maturity dates shall remain the same). Any debt write-off or debt-to-equity swap is contingent on individual acceptance.

The first payment must be made within a year of the judgment adopting the plan (in the third and subsequent years, the amount of each annual instalment must be of at least 5% of the total amount of the admitted debt claims).

*Committee-based consultation:* For debtors who exceed the aforementioned thresholds, or for debtors who do not but with the authorization of the supervisory judge, the court-appointed administrator sets up two creditors' committees, on the basis of the debts that arose prior to the opening judgment: one for credit institutions (or assimilated institutions and entities having granted credit or advances in favor of the debtor) and their successive assignees having a claim against the debtor, and the other for suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's

suppliers. These committees will be consulted on the safeguard or reorganisation plan drafted by the debtor's management with the assistance of the judicial administrator during the observation period. In addition, any member of a committee may submit an alternative safeguard or reorganisation plan to the debtor and the court-appointed administrator it being specified that these alternative plans are subject (i) to the preparation of a report for each alternative plan from the administrator and (ii) to the same two-thirds majority vote in each committee and by a two-thirds majority vote of the general meeting of the holders of the Notes (although the holders of the Notes are not permitted to present their own alternative plan) for their approval.

The committees must vote on the safeguard or reorganisation plan within a minimum of 15 days of its submission. The plan must be approved by a vote of each committee, constituting a two-thirds majority of the outstanding claims of the creditors casting a vote. The amounts of the claims secured by a trust (*fiducie*) granted as security interest by the debtor are not taken into account. In addition, creditors for whom the plan does not provide any modification of their repayment schedule or provides for a payment of their claims in cash in full as soon as the plan is adopted or as soon as their claims are admitted do not take part in the vote.

If there are any holders of the Notes, they are required to vote on the plan during a general meeting of all holders of the Notes held for that purpose and approve the plan at the same two-thirds majority vote. Approval of the plan at the two-thirds majority shall, if the plan is approved by the court, bind all the members of the committees and the holders of the Notes (including those who voted against the adoption of the plan). The plan submitted to the committees and the holders of the Notes, if any, must take into account subordination agreements entered into by the creditors before the commencement of the proceedings, may treat creditors differently if it is justified by their differences in situation and may notably include debt rescheduling or write-offs, and/or debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholder consent).

Each creditor member of a creditors committee and each note holder must, if applicable, inform the judicial administrator of the existence of any agreement which makes the exercise of its vote subject to any conditions or whose purpose is the full or total payment by a third party of its claim as well as of any subordination agreement. The judicial administrator shall then submit to the creditor/note holder a proposal for the computation of its voting rights in the creditors committee/bondholders general meeting. In the event of a disagreement, the creditor/note holder or the judicial administrator may request that the matter be decided by the president of the applicable court in summary proceedings (*en référé*).

If, the creditors' committees and the meeting of the holders of the Notes approve the plan, and subject to verification by the court that the interests of all creditors are sufficiently safeguarded and to a rescheduling of the claims of creditors who are not members of the committees or general meeting of holders of the Notes (as discussed hereinafter), the court will approve the plan.

For those creditors outside the creditors' committee or the meeting of the holders of the Notes, they are consulted following the ''ordinary'' consultation process (see above).

In the event that the debtor company's proposed safeguard or reorganisation plan is not approved by both committees and the general meeting of holders of the Notes within the first six months of the observation period (it being noted that this 6 month period may be extended by the court at the request of the judicial administrator to the extent it does not exceed the duration of the observation period), either because they do not vote on the plan or because they reject it, the court can still adopt a safeguard or reorganisation plan in the time remaining until the end of the observation period. In such a case the rules are the same as those applicable to creditors who are not part of the committees and who are not holders of the Notes (see the ''ordinary'' consultation described above). The administrator notifies the proposals for the settlement of debts to the court-appointed creditors' representative, who, individually or collectively, obtains the agreement of each creditor who filed a proof of claim, regarding the debt rescheduling or write-offs or debt-to-equity swaps proposed. If the creditors refuse the proposals that were submitted to them, the court that approves the safeguard on reorganization plan can only impose uniform debt deferrals over a maximum period of 10 years. Any debt write-off or debt-to-equity swap is contingent on individual acceptance.

Creditors for whom the plan does not provide any amendment to their repayment terms or provides for a full repayment in cash of their claims as soon as the plan is adopted or as soon as their claims are admitted do not need to be consulted on the plan.

The creditors' representative in safeguard or reorganisation proceedings can summon a shareholder to pay any outstanding amount due over the shares he subscribed.

The opening judgment of safeguard or reorganisation proceedings leads to the immediate maturity of the amount not paid up of the share capital.

When the court mandates the administrator to convene the shareholder general meetings, in order to vote on the modifications of the articles of association provided by the plan, the administrator may decide that the general meeting will rule on first convening, by the majority of the votes held by the shareholders attending the meeting or represented at the meeting, provided that said shareholders hold at least half the shares with voting rights. On second convening, the common law provisions relating to the quorum and majority requirements shall apply .

In reorganization proceedings, in case the shareholders' equity has not been restored, the administrator may appoint a trustee (*mandataire en justice*) to vote in place of the shareholders refusing to vote to restore the shareholder's equity if the plan provides for a modification of the equity to the benefit of any third party undertaking to comply with the recovery plan.

*Specific case—creditors that are public institutions:* Public creditors (financial administrations, social security and unemployment insurance organizations) may agree to grant debt remissions under conditions that are similar to those that would be granted by a private economic operator placed in the same position, under normal market conditions. Public creditors may also decide to enter into subordination agreements for liens or mortgages, or relinquish these Security Interests. Public creditors are consulted under specific conditions, within the framework of a commission before which the heads of finance departments of the organizations and institutions concerned are represented. The tax administrators may grant relief from all direct taxes. With regard to indirect taxes, relief may only be granted from default interest, adjustments, penalties or fines.

In the event that safeguard (or judicial reorganization) proceedings are opened against the French Guarantor, the holders of the Notes, if credit institutions or assimilated institutions, would vote on any draft plan proposed by the French Guarantor as members of the credit institutions committee.

A safeguard or reorganisation plan (the approval of which would require a two-thirds majority vote of each committee and the general meeting of the holders of the Notes) prepared by the French Guarantor' management and proposed by the French Guarantor to its creditors could include, among other things, debt rescheduling or the cancellation of debts, and/or debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholders' consent). Holders of the Notes could, as members of the audit institutions committee, veto such plan if they reach a blocking minority (i.e., their claims represent more than one-third of the claims of those creditors casting a vote in the meeting). Conversely, if a two-thirds majority is reached in each committee or meeting and the plan is subsequently approved by the relevant court, the plan will bind all the creditors of the French Guarantor (including holders of the Notes, and the members of the creditor's committees who voted against the adoption of the plan during the vote taken by the applicable general meeting of holders of the Notes or committee).

As a general matter, only the legal owner of the claim will be invited onto the credit institutions' committee. Accordingly, a person holding only an economic interest therein will not itself be a member of the credit institutions' committee.

***Accelerated safeguard proceedings and accelerated financial safeguard proceedings***

A debtor in the course of *conciliation* proceedings may request commencement of accelerated safeguard or accelerated financial safeguard proceedings. The accelerated safeguard or accelerated financial safeguard proceedings have been designed to ''fast-track'' the regular safeguard proceedings relating to large companies. The regime applicable to accelerated safeguard or accelerated financial safeguard proceedings is roughly the regime applicable to the regular safeguard proceeding to the extent compatible with the accelerated timing in accelerated safeguard and or accelerated financial safeguard proceedings, therefore some provisions relating in particular to ongoing contracts and restitution claims formed by owners are excluded by law.

The accelerated safeguard proceeding has effect against pre-insolvency creditors that have to file a proof of claim (see below) and as a consequence trade creditors notably will be involved in the accelerated safeguard proceedings, whereas accelerated financial safeguard proceedings only involve financial creditors (i.e. members of the credit institutions committee and the bondholders' general

assembly), with no impact on suppliers or public creditors notably (who will thus continue to be paid according to their applicable contract terms and are not subject to the automatic stay applicable during the observation period).

The regime applicable to accelerated financial safeguard proceedings is similar to the one applicable to accelerated safeguard proceedings (which is now designed as the common accelerated proceeding, the accelerated financial safeguard proceedings being a variety of the latter, designed to ''fast-track'' purely financial difficulties).

To be eligible to accelerated safeguard or accelerated financial safeguard proceedings, the debtor must fulfill the following conditions:

- the debtor must be subject to ongoing *conciliation* proceedings when it applies for the opening of the accelerated safeguard or accelerated financial safeguard proceedings;
- the debtor must not be insolvent for more than 45 days when it initially requested the opening of *conciliation*;
- as is the case for regular safeguard proceedings, the debtor must face difficulties that it is not in a position to overcome;
- in the context of *conciliation* proceedings, the debtor must have prepared a draft safeguard plan that aims to protect its operations in the long run and which is likely to be supported, within the group of those creditors who will be affected by the accelerated safeguard proceedings, by a sufficiently large majority of them to allow a likely adoption of the plan by the relevant creditors' committees and bondholders general assembly if any within the duration of the procedure i.e. three months for accelerated safeguard proceedings or a maximum of two months for accelerated financial safeguard proceedings;
- the debtor must (i) have its accounts certified by a statutory auditor or established by an accounting expert and have (x) more than twenty employees; or (y) have a turnover greater than €3 million excluding any applicable taxes; or (z) have total assets in its balance sheet greater than €1.5 million or (ii) establish consolidated financial statements in accordance with article L. 233-16 of the French Commercial Code; and
- the debtor must exceed the thresholds provided for to constitute creditors' committee (see above) or the court shall have ordered such constitution in the opening decision.

Where accelerated safeguard proceedings are opened, the creditors committees (only the credit institutions committee in accelerated financial safeguard proceedings) and the bondholders' general assembly are convened and are required to vote on the proposed accelerated safeguard plan within the minimum period of 15 days of delivery of the proposed plan (applicable in safeguard proceedings) (eight days in accelerated financial safeguard proceedings).

The plan is adopted following the same majority rules as in regular safeguard proceedings and it may notably provide for a debt rescheduling, and/or debt cancellation, and/or conversion of debt into equity (requiring the relevant shareholder consent).

The total duration of the accelerated safeguard proceedings is three months, while the duration of the accelerated financial safeguard proceedings is one month, unless the court decides to extend it by one additional month. If no plan is adopted by the creditors committee(s) and the bondholders' general assembly at the relevant majority rules within such timeframe, the Court shall terminate the accelerated safeguard or accelerated financial safeguard proceedings and may not impose any uniform debt rescheduling.

***Judicial reorganization or liquidation proceedings***

Judicial reorganization or liquidation proceedings (*redressement* or *liquidation judiciaire*) may be initiated against or by a company only if it is insolvent (see ''—*Insolvency Test*'') and, for the liquidation proceedings only, if the company's recovery is manifestly impossible. The company is required to petition for insolvency proceedings (or for conciliation proceedings) within 45 days of becoming insolvent. If it does not, de jure managers (including directors) and, as the case may be, de facto managers may incur civil liability. Such proceedings may also be initiated by any creditor or the public prosecutor.

The date of insolvency (*cessation des paiements*) is deemed to be the date of the court order commencing proceedings, unless the court sets an earlier date, which may be up to 18 months before the date of the court order. Except for fraud, the date of insolvency may not be fixed at an earlier date than the date of the final court decision that approved an agreement (*homologation*) in the context of conciliation proceedings. The date of insolvency is important because it marks the beginning of the suspect period. Certain transactions undertaken during the suspect period may be void or voidable.

Under the judicial reorganization the administrator appointed by the court will assist the debtor in making some or all the management decisions (*mission d'assistance*) and may also be empowered by the court to take over the management and control the company (*mission d'administration*). The opening of liquidation proceedings entails the relief of the debtor of the management.

The court order commencing the proceedings may order either the reorganization or the liquidation of the company. In the event of reorganization, an administrator is usually appointed by the court (*administrateur judiciaire*) to investigate the business of the company during an initial observation period, which may last up to 18 months, and makes proposals either for the reorganization of the company (by helping the debtor to elaborate a reorganization plan—see above), or the sale of the business (plan de cession) or the liquidation of the company. Committees of creditors and meetings of the holders of the Notes may be created under the same conditions as in safeguard proceedings. At any time during this observation period, the court can order the liquidation of the company. At the end of the observation period, the outcome of the proceedings is decided by the court.

Concerning the liquidation proceedings, there are two possible outcomes of such liquidation scenario:

- a sale of the business (*plan de cession)*, or
- a sale of the assets one by one (via auction sales or sales on an amicable basis).

The Court may terminate the proceedings when the interest of the continuation of the liquidation process is disproportionate compared to the difficulty to sell the assets. The Court may also appoint a *mandataire* in charge of continuing ongoing lawsuits and allocate the amounts received from these lawsuits.

***Void and voidable transactions***

''**Void transactions**'' include transactions or payments entered into during the suspect period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no consideration, contracts under which the reciprocal obligations of the company significantly exceed those of the other party, payments of debts not due at the time of payment, payments made in a manner that is not commonly used in the ordinary course of business, any escrow ordered by a judicial decision if such decision is not final when reorganization or liquidation proceedings are commenced, security granted for debts previously incurred, any provisional measures (unless the writ of attachment or seizure predates the date of insolvency), operations relating to stock options, fiduciary transfers (unless the transfer is made as security for indebtedness entered into simultaneously) and modifications to existing fiduciary transfers securing previous debts, declarations of non-seizability (*declaration d'insaisissabilité)*.

''**Voidable transactions**'' include payments for due debts made from the date of insolvency, transactions for consideration and notices of attachments made to third parties (*avis à tiers détenteur*), seizures (*saisie attribution*) and oppositions made during the suspect period if the party dealing with the debtor company knew that it was insolvent (see ''—*Insolvency Test*''). Transactions relating to the transfer of assets for no consideration are also voidable when entered into during the six-month period prior to the beginning of the suspect period.

***Creditors' liability***

Pursuant to Article L. 650-1 of the French Commercial Code as interpreted by case law, where safeguard, judicial reorganization or judicial liquidation proceedings have been commenced, creditors may be held liable for the losses suffered as a result of facilities granted to the debtor only if the granting of such facilities was wrongful and, in the case of fraud, interference with the management of the debtor or if the security or guarantees taken to support the facilities are disproportionate to such facilities. In addition, any security or guarantees taken to support facilities in respect of which a creditor is found liable in such circumstances can be cancelled or reduced by the court.

If a creditor has repeatedly interfered in the company's management, it can be deemed to be a de facto manager of such company (*dirigeant de fait*). In such a case, Article L. 651-2 of the French Commercial Code provides that, if judicial liquidation proceedings (*liquidation judiciaire*) have been commenced against the debtor, the creditor may be liable for bearing the excess of liabilities over the company's assets, along with the other managers (whether de jure or de facto), as the case may be, if it is established that their mismanagement contributed to the company's shortfall of assets. If such conditions are met, French courts will decide whether the managers should bear all or part of the shortfall amount.

***Status of creditors during safeguard proceedings, accelerated financial safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings***

As a general rule, creditors domiciled in France whose claims arose prior to the commencement of the proceedings must file a proof of claim with the court-appointed creditors' representative (*mandataire judiciaire*) within two months of the publication of the court order in the *Bulletin Officiel des Annonces Civiles et Commerciales* (in an exception, the deadline begins upon the receipt of an individual notification for those creditors whose claims arose out of a published contract or who benefit from a published security interest); this period is extended to four months for creditors domiciled outside France. Where the debtor has informed the creditors' representative of the existence of a claim and no proof of claim has been filed yet, such claim is deemed filed with the creditors' representative. Creditors are allowed to confirm a proof of claim made on their behalf. Creditors who have not submitted their claims during the relevant period, whose claims are not deemed filed with the creditors' representative, save for a ratification by the creditor of a proof of claim made on its behalf, are barred, except with respect to very limited exceptions, from receiving distributions made in accordance with the proceedings. Employees are not subject to such limits and are preferential creditors under French law.

In accelerated safeguard and accelerated financial safeguard proceedings, the debts held by creditors affected by the opening of the relevant proceedings that took part in the conciliation negotiation are listed by the debtor and certified by its statutory auditor (or, in its absence, its accountant) are thus deemed to have been filed. Although such creditors can file proofs of claim pursuant to the regular process, they may also avail themselves of this simplified alternative and merely adjust the amounts of their claims as set forth on the list prepared by the debtor (within the two or four months' time limit). Those creditors who did not take part in the conciliation proceedings (even though they would be party to the creditors' committee or the bondholders' general assembly) would have to file their proofs of claim within the aforementioned legal time limit.

From the date of the court order commencing the insolvency proceedings (safeguard, accelerated safeguard, accelerated financial safeguard, judicial reorganization or liquidation proceedings), the company is prohibited from paying (i) debts outstanding prior to that date, subject to specified exceptions, which essentially concern the set-off of interrelated debts and payments made to recover assets for which recovery is justified by the continued operation of the business, provided that such payments are authorized by the bankruptcy judge and (ii) debts arising after the opening of the proceedings if such debts are not useful to the proceedings (post-opening, non-privileged debts). During this period, creditors may not pursue any legal action against the company with respect to any claim arising prior to the court order commencing the proceedings or, as the case may be, for the aforementioned post-opening, non-privileged debts if the objective of such legal action is:

- to obtain an order for or a payment of a sum of money by the company to the creditor (however, the creditor may require that the court fix the amount due); or
- to terminate a contract for the non payment of pre-petition amounts owed by the company; or
- to enforce the creditor's rights against any assets of the company, except where such asset, whether tangible or intangible, movable or immovable, is located in another Member State, in which case the rights *in rem* of creditors thereon would not be affected by the insolvency procedure, in accordance with the terms of Article 5 of EU Insolvency Regulation 1346/2000.

Debts arising after the commencement of the proceedings and which relate to expenses necessary for the business's activities during the observation period or are for the requirements of the proceedings, or are in consideration for a service rendered to the debtor during this period, must be paid as and when they fall due and, if such is not the case, they will be given priority over debts incurred prior to the commencement of the proceedings (with certain limited exceptions, such as the New Money Lien).

In accelerated safeguard and accelerated financial safeguard proceedings, however, the above rules only apply to the creditors that are subject to the accelerated safeguard proceedings and the accelerated financial safeguard proceedings respectively (see above).

The debtor draws a list of the claims of its creditors having participated in the conciliation proceedings, which is certified by its statutory auditors (or in its absence, its accountant). Although such creditors can file proofs of claims pursuant to the regular process, they may also avail themselves of this simplified alternative and merely adjust the amounts of their claims as set forth in the list prepared by the debtor (within the two or four months' time limit). Those creditors who did not take part in the conciliation proceeding (but who would be impacted by the proceedings) would have to file their proofs of claim within the aforementioned legal time limits.

Contractual provisions that would accelerate the payment of the company's obligations upon the occurrence of the opening of safeguard or judicial reorganization proceedings, accelerated safeguard or accelerated financial safeguard proceedings are not enforceable under French law. The opening of liquidation proceedings, however, automatically accelerates the maturity of all of a company's obligations unless the continued operation of the business with a view to the adoption of a plan for the sale of the business (*plan de cession*) is ordered by the court (three months, renewable once), in which case the acceleration of the obligations will only occur on the date of the court decision adopting the plan for the sale of the business or on the date on which the continued operation of the business ends. Contractual provisions pursuant to which the opening of the proceedings constitutes an event of default are not enforceable against the debtor, as well as, according to a decision of the French Supreme Court dated January 14, 2014, n°12-22.909, ''contractual provisions modifying the conditions of continuation of an ongoing contract, diminishing the rights or increasing the obligations of the debtor solely upon the opening of reorganization proceedings'' (which should also apply in case of safeguard, accelerated safeguard or accelerated financial safeguard proceedings).

The court-appointed administrator may elect to terminate ongoing contracts (*contrats en cours*) which he or she believes the debtor will not be able to continue to perform. On the contrary, he or she may require the continuation of such contracts provided that the company fully performs its post-petition contractual obligations, or may decide not to continue them. During reorganization proceedings, when the ongoing contract involves the payment of a sum of money, this payment must be made in cash, unless the administrator obtains extended payment deadlines from the contractual partner of the debtor has been deleted; the administrator is under an obligation to verify that by continuing the contract he or she does not risk creating a foreseeable damage for the contractual partner.

The court can also set a time period during which the assets that it deems necessary to the continuation of the business of the debtor may not be sold without its consent.

If the court adopts a plan for the sale of the business in judicial reorganization or liquidation proceedings with a temporary continuation of the business, the proceeds from the sale will be allocated for the payment of creditors according to their ranking.

If the court decides to order the judicial liquidation of the company, the court will appoint a liquidator to sell the assets of the company and settle the relevant debts in accordance with their ranking. However, in practice, if a plan for the sale of the business is under consideration, the court will usually appoint a judicial administrator to manage the company and organize such sale of the business.

French insolvency law assigns priority to the payment of certain preferential creditors, including employees, officials appointed by the insolvency court as required by the regulations relating to insolvency proceedings, creditors who, as part of the approved conciliation agreement, have provided new money or goods or services, certain secured creditors in the event of judicial liquidation proceedings, post-petition creditors, the French State, other pre-petition secured creditors and pre-petition unsecured creditors.

***Limitations on the Guarantees***

The liabilities and obligations of the French Guarantor are subject to:

- certain exceptions, including to the extent of any obligations which, if incurred, would constitute prohibited financial assistance within the meaning of Article L. 225-216 of the French Commercial Code or misuse of the corporate assets within the meaning of Articles L. 241-3, L. 242-6 or L. 244-1 of the French Commercial Code; and

- French corporate benefit rules, in particular and without limitation, should a guarantee be granted by the French Guarantor that is a subsidiary of the Issuer, a guarantee limitation amount would apply corresponding to an amount equal to the proceeds from the Offering applied by the Issuer for the direct or indirect benefit of the French Guarantor through any intercompany loans to the French Guarantor or its subsidiaries and outstanding on the date a payment is made under the Guarantee.

Accordingly, any guarantee by the French Guarantor will be given in consideration of, and limited to, the amounts of the proceeds of the Notes (if any) that will be made available by the Issuer to the French Guarantor and/or the subsidiaries of that French Guarantor (if any), via intercompany loan arrangements or otherwise, in each case to the extent such loans are outstanding to the French Guarantor and/or its subsidiaries at the time when a payment is required under the Guarantee. By virtue of this limitation, the French Guarantor's obligation under the Guarantee could be significantly less than amounts payable with respect to the Notes, or the French Guarantor may have effectively no obligation under its Guarantee.

In addition, if the French Guarantor receives, in return for issuing the Guarantee, an economic return that is less than the economic benefit such French Guarantor would obtain in a transaction entered into on an arm's-length basis, the difference between the actual economic benefit and that in a comparable arm's-length transaction could be taxable or non tax deductible under certain circumstances.

Under French financial assistance rules, a court could void any guarantee or security document that constitutes prohibited financial assistance. Under French corporate benefit rules, a court could subordinate or void any guarantee or security document and, if payment or enforcement had already been made under the relevant guarantee or security document, require that the recipient return the payment or security documents or the security interest thereunder to the relevant guarantor, if the court found that the guarantor did not derive an overall corporate benefit from the transaction involving the grant of the guarantee or security interest as a whole. Existence of corporate benefit is a factual matter which must be determined on a case-by-case basis. Based on current case law certain inter-group transactions (including up-stream guarantees) can be in the corporate interest of the relevant company, in particular, where the following four criteria are fulfilled:

- existence of a genuine group of companies to which the guarantor and the person whose obligations are being guaranteed belong operating under a common strategy aimed at a common objective and the guarantee or security documents, and the transaction to which they relate, must be entered into in furtherance of the common economic interest of the group as a whole and the liability under the guarantee should be commensurate with such group benefit;
- the risk assumed by the guarantor must be proportionate to the benefit;
- the guarantor must receive an actual and adequate benefit, consideration or advantage from the transaction involving the granting by it of the guarantee or security interest which is commensurate with the liability which it takes on under the guarantee or security interest; and
- the obligations of the guarantor under the guarantee or security interest must not exceed its financial capability.

The existence of a real and adequate benefit to the French Guarantor and whether the amounts guaranteed are commensurate with the benefit received are matters of fact as to which French case law provides no clear guidance.

***Limitation on enforcement of Security Interests***

Security Interests governed by French law may only secure payment obligations and may only be enforced following a payment default (including following acceleration) and may only secure obligations up to the secured amount that is due and remaining unpaid. Under French law, pledges over assets may generally be enforced at the option of the secured creditors either (i) pursuant to a judicial process (x) by way of a sale of the pledged assets in a public auction (the proceeds of the sale being paid to the secured creditors) or (y) by way of the judicial foreclosure (*attribution judiciaire*) of the pledged assets or (ii) by way of contractual foreclosure (*attribution conventionnelle* or *pacte commissoire*) of the pledged assets to the secured creditors, following which the secured creditors become the legal owner of the pledged assets.

If the secured creditors choose to enforce by way of foreclosure (whether a judicial foreclosure or private foreclosure), the secured liabilities would be deemed extinguished up to the value of the foreclosed

assets. In proceedings regarding an *attribution judiciaire* or a *pacte commissoire*, an expert is appointed to value the collateral (in this case, the securities). If the value of the collateral exceeds the amount of secured debt, the secured creditor may be required to pay the pledgor an amount (the *soulte*) equal to the difference between the value of the securities and the amount of the secured debt. This is true regardless of the actual amount of proceeds ultimately received by the secured creditor from a subsequent sale of the Collateral.

If the value of such securities is less than the amount of the secured debt, the relevant amount owed to the relevant creditors will be reduced by an amount equal to the value of such securities, and the remaining amount owed to such creditors will be unsecured.

Should the holders of the security over such collateral decline to request the judicial or contractual foreclosure of the securities, an enforcement of the pledged securities could be undertaken through a public auction in accordance with applicable law. Since such public auction procedures are not designed for a sale of a business as a going concern, however, it is possible that the sale price received in any such public auction might not reflect the value of our business as a going concern.

***Parallel debt***

Under French law, certain ''accessory'' Security Interests such as pledges require that the pledgee and the creditor be the same person. Such Security Interests cannot be held on behalf of the creditors by third parties who do not hold the secured claim, unless they act as Trustees (*fiduciaires*) under Article 2011 of the French Civil Code or as security agents (*agents des sûretés*) under Article 2328-1 of the French Civil Code, which is not the case here for the security documents governed by French law. The holders of interests in the Notes from time to time will not be parties to the security documents. In order to permit the holders of the Notes to benefit indirectly from a secured claim, the Intercreditor Agreement will provide for the creation of a ''Parallel Debt.'' Pursuant to such Parallel Debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Indenture and the Intercreditor Agreement (see ''*Risk Factors—Risks Related to the Collateral—The Security Interests in the Collateral will not be granted directly to the holders of the Notes*''). The pledges governed by French law will directly secure the Parallel Debt, will not directly secure the obligations under the Notes and may not secure the other indebtedness secured by the Collateral. There is one published decision of the French Supreme Court (*Cour de cassation*) on Parallel Debt mechanisms (*Cass. com.* September 13, 2011 n°10-25533 Belvédère) relating to a bond documentation governed by New York law. Such a decision recognized the enforceability in France of certain rights (especially the filing of claims in safeguard proceedings) of a security agent benefiting from a Parallel Debt. In particular, the French Supreme Court upheld the proof of claim of the legal holders of a Parallel Debt claim, considering that it did not contravene French international public policy (*ordre public international*) rules. The ruling was made on the basis that the French debtor was not exposed to double payment or artificial liability as a result of the Parallel Debt mechanism. Although this court decision is generally viewed by legal practitioners and academics as recognition by French courts of Parallel Debt structures in such circumstances, there can be no assurance that such a structure will be effective in all cases before French courts. Indeed, it should be noted that the legal issue addressed by it is limited to the proof of claims. The French court was not asked to generally uphold French Security Interests securing a Parallel Debt. It is also fair to say that case law on this matter is scarce and based on a case-by-case analysis. Such a decision should not be considered as a general recognition of the enforceability in France of the rights of a security agent benefiting from a Parallel Debt claim and no assurance can be given that such a structure will be effective in all cases before French courts. There is no certainty that the Parallel Debt construction will eliminate or mitigate the risk of unenforceability under French law. To the extent that the Security Interests in the Collateral created under the Parallel Debt structure are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of the security interest in the Collateral securing the Parallel Debt.

***Trustee***

Pledges governed by French law may also be granted to the benefit of the Security Agent as Trustee for the holders of the Notes in accordance with the provisions of the Indenture, and may therefore not directly be granted to holders of the Notes. A concept of ''trust'' has been recognized for tax purposes by Article 792-0 *bis* of the FTC and the French Supreme Court (*Cour de cassation*) has held, in the Belvédère decision referred to above in respect of the Parallel Debt concept, that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a

creditor in safeguard proceedings opened in France. However, while substantial comfort may be derived from the above, France has not ratified the La Haye Convention of July 1, 1985 on the law applicable to trusts and on their recognition, so that the concept of ''trust'' has not been generally recognized under French law. To the extent that the Security Interests in the Collateral created under the trust construct are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of the security interest in the Collateral securing the trustee rights.

### ***Fraudulent conveyance***

French law contains specific provisions dealing with fraudulent conveyance both in and outside insolvency proceedings, the ''*action paulienne*'' provisions, which offer creditors protection against a decrease in their means of recovery. A legal act performed by a person (including, without limitation, an agreement pursuant to which such person guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of such person's or a third party's obligations, enters into additional agreements benefiting from existing security and any other legal act having similar effect) can be challenged in or outside insolvency proceedings of the relevant person by the creditors' representative (*mandataire judiciaire*), the commissioner of the safeguard or recovery plan (*commissaire à l'exécution du plan*), insolvency proceedings of the relevant person or by any of the creditors of the relevant person outside insolvency proceedings or any creditor who was prejudiced in its means of recovery as a consequence of the act in or outside insolvency proceedings, and may be declared unenforceable against third parties if: (i) the person performed such acts without an obligation to do so; (ii) the creditor concerned or, in the case of the person's insolvency proceedings, any creditor, was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the act was performed both the person and the counterparty to the transaction knew or should have known that one or more of such person's creditors (existing or future) would be prejudiced in their means of recovery, unless the act was entered into for no consideration (*à titre gratuit*), in which case such knowledge of the counterparty is not necessary for a successful challenge on grounds of fraudulent conveyance. If a court found that the granting of a guarantee by the French Guarantor involved a fraudulent conveyance that did not qualify for any defence under applicable law, then the granting of such guarantee could be declared unenforceable against third parties or declared unenforceable against the creditor who lodged the claim in relation to the relevant act. As a result of such successful challenges, holders of the Notes may not enjoy the benefit of the Guarantee and the value of any consideration that holders of the Notes received with respect to the Guarantee could also be subject to recovery from the holders of the Notes and, possibly, from subsequent transferees. In addition, under such circumstances, holders of the Notes might be held liable for any damages incurred by prejudiced creditors of the French Guarantor as a result of the fraudulent conveyance.

## **Germany**

### ***Insolvency***

In the event of insolvency of a guarantor or a provider of collateral organized under the laws of Germany and/or having its centre of main interests in Germany (the ''**German Providers**'') any main insolvency proceedings would most likely be initiated in Germany. Such proceedings would then be governed by German law.

The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*), may not be as favorable to creditors as the insolvency laws of other jurisdictions, including, inter alia, in respect of priority of creditors, the ability to obtain post-petition interest as well as Security Interests and the duration of the insolvency proceedings, and hence may limit the ability of creditors to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws.

The following is a brief description of certain aspects of the insolvency laws of Germany.

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but require that the debtor (*Insolvenzschuldner*) and/or a creditor files a petition for the opening of insolvency proceedings (*Antrag auf Eröffnung des Insolvenzverfahrens*). Insolvency proceedings under German law with respect to a debtor incorporated or established as a German limited liability company (*Gesellschaft mit beschränkter Haftung*), a German stock corporation (*Aktiengesellschaft*) a European law stock corporation (*Societas Europaea*, or *SE*) or any other corporation or partnership not having an individual as a personally liable shareholder, can be initiated by

either the debtor or the creditor in the event of over-indebtedness (*Überschuldung*) or illiquidity (*Zahlungsunfähigkeit*) of the debtor. A debtor is illiquid if it is unable to pay its debts as and when they fall due. A debtor is considered over-indebted when its liabilities exceed the value of its assets unless a continuation of the business is predominantly likely. Whether the debtor's liabilities exceed the value of its assets must be assessed on the basis of an over-indebtedness balance sheet to be drawn up on the basis of the liquidation values. The continuation of the business is predominantly likely if — as a decision to be taken by the company's management at its own discretion — it is more likely than not (>50%) that within, as a rule of thumb, the current and the subsequent financial year, the company will be able to pay its debts as and when they fall due. If a German limited liability company, a German stock corporation (*Aktiengesellschaft*), a European law stock corporation (*Societas Europaea*, or *SE*), any other limited liability company or any company not having an individual as personally liable shareholder gets into a situation of illiquidity and/or over-indebtedness, the management of such company is obliged to file for insolvency without undue delay (*ohne schuldhaftes Zögern*), however, at the latest within 21 days after illiquidity or over-indebtedness have occurred. Non-compliance with these obligations exposes management to both damage claims as well as sanctions under criminal law. In addition, the debtor is entitled, but not obliged, to file for insolvency proceedings if it unlikely to be able to pay its debts as and when they fall due in the future (*drohende Zahlungsunfähigkeit*).

If a company faces imminent illiquidity and/or is over-indebted but not yet illiquid it may also file for preliminary ''debtor-in-possession'' moratorium proceedings (''*Schutzschirmverfahren*'') unless — from a third party perspective — there is no reasonable chance for a successful restructuring. Upon such filing by the debtor, the court will appoint a preliminary trustee (*vorläufiger Sachwalter*) and prohibit enforcement measures (other than with respect to immoveable assets). The court may also resolve other preliminary measures to protect the debtor from creditor enforcement actions for up to three months. During that period, the debtor shall prepare an insolvency plan which ideally will be implemented in ''debtor-in-possession'' proceedings (*Eigenverwaltung*) after main insolvency proceedings have been opened.

The insolvency proceedings are administered by the competent insolvency court which monitors the due performance of the proceedings. Upon receipt of the insolvency petition (whether it aims for debtor-in-possession moratorium proceedings as outlined above or at ordinary insolvency proceedings), the insolvency court may and usually take preliminary measures to secure the insolvency estate (*Insolvenzmasse*) during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets other than immovable assets during these preliminary proceedings and will, in almost all cases, appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*), unless the debtor has applied for so-called ''debtor-in-possession'' proceedings (*Eigenverwaltung*) in which event the court will only appoint a preliminary trustee (*vorläufiger Sachwalter*) who will supervise the management of the affairs by the debtor. The duty of the preliminary administrator is, in particular, to safeguard and to preserve the insolvency estate (*Insolvenzmasse*), to verify the existence of a reason for the opening of insolvency proceedings (*Insolvenzeröffnungsgrund*) and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings.

During preliminary insolvency proceedings a ''preliminary creditors' committee'' (*vorläufiger Gläubigerausschuss*) can be appointed by the court if the debtor satisfies two of the following three requirements (in the financial year prior to the insolvency filing): a balance sheet total in excess of €4,840,000 (after deducting an equity shortfall if the debtor is over indebted), revenues of at least €9,680,000 in the 12 months prior to the last day of the financial year preceding the filing and/or fifty or more employees in the yearly average. The requirements apply to the respective entity without taking into account the assets of other group companies. The preliminary creditors' committee will be able to participate in certain important decisions made in the preliminary insolvency proceedings. It will have, for example, the power to influence the following: the selection of a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*) or an insolvency administrator (*Insolvenzverwalter*), orders for ''debtor-in-possession'' proceedings (*Anordnung der Eigenverwaltung*), and the appointment of a preliminary trustee (*vorläufiger Sachwalter*).

The court orders the opening (*Eröffnungsbeschluss*) of formal insolvency proceedings (*eröffnetes Insolvenzverfahren*) if certain requirements are met, in particular if there is a reason for the opening of insolvency proceedings (i.e. over-indebtedness and/or (pending) illiquidity) and if there are sufficient assets to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open formal insolvency proceedings if third

parties, for instance creditors, advance the costs themselves. In the absence of such advancement, the petition for opening of insolvency proceedings will be dismissed for insufficiency of assets (*Abweisung mangels Masse*) following which the company will be deemed dissolved and put into liquidation.

Upon the opening of formal insolvency proceedings, the right to administer and dispose over the business and assets of the debtor passes to the insolvency administrator (*Insolvenzverwalter*) who is appointed by the insolvency court unless the so-called ''debtor-in-possession'' (*Eigenverwaltung*) is ordered, in which event the court will only appoint a trustee (*Sachwalter*) who will supervise the management of the affairs by the debtor. The creditors are only entitled to change the individual appointed as insolvency administrator at the occasion of the first creditors' assembly (*erste Gläubigerversammlung*) with such change requiring that (i) a simple majority of votes cast (by heads and amount of insolvency claims) has voted in favor of the proposed individual to become insolvency administrator and (ii) the proposed individual being eligible as officeholder, i.e. sufficiently qualified, business-experienced and impartial.

The insolvency administrator has full administrative and disposal authority over the debtor's assets, whereas the debtor is no longer entitled to dispose of its assets. The insolvency administrator (or in case of debtor-in-possession, the debtor) may raise new financial indebtedness and incur other liabilities to continue the debtor's operations, and satisfaction of these liabilities as preferential debts of the insolvency estate (*Masseschulden*) will be preferred to any liabilities created by the debtor (or a preliminary insolvency administrator/trustee prior to the opening of formal insolvency proceedings (including secured debt, subject to rights of separate satisfaction (*Absonderungsrechte*) and other Security Interests). The insolvency administrator or trustee may, on the grounds of avoidance (*Insolvenzanfechtung*), also challenge transactions that are deemed detrimental to insolvency creditors and which were effected prior to the opening of formal insolvency proceedings. All creditors, whether secured or unsecured (unless they have a right to segregate an asset from the insolvency estate (*Aussonderungsrecht*) as opposed to a preferential right (*Absonderungsrecht*)), wishing to assert claims against the debtor need to participate in the insolvency proceedings. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims separately, but can instead only enforce them in compliance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*). Any individual enforcement action (*Zwangsvollstreckung*) already brought against the debtor by any of its creditors is subject to an automatic stay once formal insolvency proceedings have been opened (and may be subject to such stay already prior to the opening of formal insolvency proceedings). Secured creditors are generally not entitled to enforce any security interest outside the insolvency proceedings. In the insolvency proceedings, however, certain secured creditors have preferential rights (*Absonderungsrechte*) regarding the enforcement of their security interest. Depending on the legal nature of the security interest, entitlement to enforce such security is either vested with the secured creditor or the insolvency administrator. The insolvency administrator generally has the sole right (i) to realize any moveable assets within its possession which are subject to preferential rights (*Absonderungsrechte*) (e.g., pledges over movable assets and rights (*Mobiliarpfandrechte*) or transfers of title by way of security (*Sicherungsübereignung*)) as well (ii) to collect any claims that have been assigned by way of security (*Sicherungsabtretungen*). In case that the enforcement right is vested in the insolvency administrator, the enforcement proceeds, less certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*) which, in aggregate, usually add up to 9% of the gross enforcement proceeds, and less German value added tax (*Umsatzsteuer*) at a rate of currently 19% thereon (if applicable), are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims.

The unencumbered assets of the debtor serve to satisfy the creditors of the insolvency estate (*Massegläubiger*) first (including the costs of the insolvency proceedings). Typically, liabilities resulting from acts of the insolvency administrator after commencement of formal insolvency proceedings constitute liabilities of the insolvency estate. Most other claims (*Insolvenzforderungen*), in particular claims of unsecured creditors unless they are subordinated as a matter of statutory law, will be satisfied on a pro rata basis if and to the extent there is cash remaining in the insolvency estate of the debtor (*Insolvenzmasse*) after all Security Interests and prior-ranking liabilities have been settled and paid. A different distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and which requires, among others and subject to certain exceptions, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules. Under German insolvency laws, it is possible to implement a

debt-to-equity swap through an insolvency plan. However, it will not be possible to force a creditor of debt into a debt-to-equity swap if it does not consent to such debt-to-equity swap.

The right of a creditor to preferred satisfaction (*Absonderungsrecht*) may not necessarily prevent the insolvency administrator from using a movable asset that is subject to this right. The insolvency administrator, however, may then be required to compensate the creditor for the loss in value of such movable asset.

If a company faces imminent illiquidity and/or is over-indebted (but not yet illiquid) it may also file for insolvency in the form of a protection scheme (*Schutzschirmverfahren*). In such a case and upon request of the debtor, the court will prohibit enforcement measures (other than with respect to immoveable assets) and may implement other preliminary measures to protect the debtor from creditor enforcement actions for a period of up to three months. During such period, the debtor shall, together with its creditors and a preliminary trustee (*vorläufiger Sachwalter*), prepare an insolvency plan which ideally will be implemented in formal self-administration proceedings (*Eigenverwaltung*) after formal insolvency proceedings have been opened.

Under German insolvency law, there is no group insolvency concept, which means there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In case of a group of companies, each entity has, from an insolvency laws point of view, to be dealt with separately. As a consequence, there is, in particular, no pooling of claims amongst the respective entities of a group, but rather claims of and vis-à-vis each entity have to be dealt with separately. In 2013, the German Federal Ministry of Justice (*Bundesjustizministerium*) has released a draft Bill to Facilitate the Handling of Group Insolvencies (*Entwurf eines Gesetzes zur Erleichterung der Bewältigung von Konzerninsolvenzen*). While the draft Bill does not propose to abolish the principle of separate insolvency proceedings in relation to each group entity, it stipulates four key amendments of the German Insolvency Act in order to facilitate an efficient administration of group insolvencies: (1) a single court may be competent for each group entity insolvency proceedings; (2) the appointment of an identical person as insolvency administrator for all group companies is facilitated; (3) certain coordination obligations are imposed on insolvency courts, insolvency administrators and creditors' committees; and (4) certain parties may apply for ''coordination proceedings'' (*Koordinationsverfahren*) and the appointment of a ''coordination insolvency administrator'' (*Koordinationsverwalter*) with the ability to propose a ''coordination plan'' (*Koordinationsplan*). It is currently unclear if and when, and whether in its current or modified form, this Bill might be adopted by parliament.

Other than secured and unsecured creditors, German insolvency law provides for certain creditors to be subordinated by law (in particular, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the return of funds or payment of a consideration), while claims of a person who becomes a creditor of the insolvency estate only after the opening of insolvency proceedings generally rank senior to the claims of regular, unsecured creditors.

Powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings. Certain executory contracts become unenforceable at such time unless and until the insolvency administrator opts for performance.

Under German insolvency law, termination rights, automatic termination events or ''escape clauses'' entitling one party to terminate an agreement, or resulting in an automatic termination of an agreement, upon the opening of insolvency proceedings in respect of the other party, the filing for insolvency or the occurrence of reasons justifying the opening of insolvency proceedings (*insolvenzbezogene Kündigungsrechte oder Lösungsklauseln*) may be invalid if they frustrate the election right of the insolvency administrator whether or not to perform the contract unless they reflect termination rights applicable under statutory law. This may also relate to agreements that are not governed by German law.

Under certain circumstances, restrictive covenants and undertakings in finance documents may result in the relevant creditor being considered to hold a ''shareholder-like position'' (*gesellschafterähnliche Stellung*) in the relevant debtor company. In that event, in an insolvency proceeding over the assets of such debtor, the claims against such debtor would be treated as a subordinated insolvency claim (*nachrangige Insolvenzforderungen*), meaning that dividends on such claim would only be made if all non-subordinated creditors' claims have been fully satisfied. Subordinated insolvency claims are not eligible to participate in the insolvency proceedings over the assets of the debtor unless the insolvency court handling the case has granted special permission allowing these subordinated insolvency claims to be filed which is not granted in the majority of insolvency cases governed by German law as in most

cases, the insolvency estate will not be sufficient to make any dividends on subordinated insolvency claims.

***Hardening periods and fraudulent transfer***

In the event of insolvency proceedings with respect to a German Provider, which would most likely be based on and governed by the insolvency laws of Germany, the guarantee or security interest provided by that entity could be subject to potential challenges by an insolvency administrator (*Insolvenzverwalter*) under the rules of avoidance as set out in the German Insolvency Code (*Insolvenzordnung*).

Under these rules, an insolvency administrator (or in the event of debtor-in possession proceedings, the trustee (*Sachwalter*)), may challenge acts (*Rechtshandlungen*) and transactions (*Rechtsgeschäfte*) that are deemed detrimental to the insolvency estate and have been effected prior to the opening of formal insolvency proceedings. Such challengeable transactions can include payments under any guarantee or security or the granting of any guarantee or security interest. In the event that a transaction is successfully challenged, the beneficiaries of such guarantee (such as the holders of Notes) or such security interest would be under an obligation to repay the amount already received under the relevant security or guarantee, or to waive the guarantee or security interest. In particular, a transaction detrimental to the insolvency estate may be challenged according to the German Insolvency Code in the following cases:

- any act (*Rechtshandlung*) or transaction (*Rechtsgeschäft*) granting a creditor, or enabling an insolvency creditor to obtain security (*Sicherung*) or satisfaction for a debt (*Befriedigung*) can be avoided if such act was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings, if at the time of the transaction the debtor was illiquid (*zahlungsunfähig*), which means such debtor was unable to pay its debt when due and the creditor had knowledge thereof, or (ii) after a petition for the opening of insolvency proceedings has been filed and the creditor had knowledge of such illiquidity or of the filing of such petition (or knowledge of circumstances which imperatively suggesting such cash flow insolvency);
- any act (*Rechtshandlung*) or transaction (*Rechtsgeschäft*) granting a creditor, or enabling an insolvency creditor to obtain security or satisfaction to which such creditor was not entitled or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled to such security or satisfaction can be avoided if such act was effected in the month prior to the filing of a petition for the opening of insolvency proceedings; if such act was effected in the second and third month prior to the filing, it can be avoided if at the time of such act (i) the debtor was cash illiquid, or (ii) the creditor knew that the transaction would be detrimental to the creditors of the debtor (or knowledge of circumstances which imperatively suggesting such detrimental effects);
- any transaction (*Rechtsgeschäft*) effected by the debtor which is directly detrimental to the creditors of the debtor, or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable if it was entered into, can be avoided if the transaction was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings against the debtor, if at the time of the transaction the debtor was illiquid and the other party to the transaction had knowledge thereof or (ii) after a petition for the opening of insolvency proceedings has been filed against the debtor and the other party to the transaction had knowledge of either the debtor's illiquidity or such filing at the time of the transaction;
- any act by the debtor without adequate consideration (e.g. whereby a debtor grants security for a third party debt) might be regarded as having been granted gratuitously (*unentgeltlich*); a gratuitous transaction can be avoided if it was effected in the four years prior to the filing of a petition for the opening of insolvency proceedings against the debtor;
- any act performed by the debtor, including the granting of guarantees and security interest, during a period of 10 years prior to the filing of the petition for the opening of insolvency proceedings or after such filing, if the debtor acted with the intention to prejudice its creditors can be avoided if the other party had knowledge of such intention at the time of such act;
- any non-gratuitous contract concluded between the debtor and a related party of the debtor which directly operates to the detriment of the creditors can be avoided unless such contract was concluded within two years prior to the filing for the opening of insolvency proceedings or the other

party had no knowledge of the debtor's intention to disadvantage its creditors; in terms of corporate entities, the term ''related party'' includes, subject to certain limitations, members of the management or supervisory board, shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons that are spouses, relatives or members of the household of any of the foregoing persons;

- any act that provides security or satisfaction for a claim of a shareholder for repayment of a shareholder loan (*Gesellschafterdarlehen*) or an economically equivalent claim can be avoided;
- (i) in the event it provided security, if the act was effected in the last 10 years prior to the filing of a petition for opening of insolvency proceedings or thereafter or (ii) in the event it resulted in satisfaction, if the act was effected in the last year prior to the filing of a petition for opening of insolvency proceedings or thereafter; or
- a transaction whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party can be avoided if the transaction was effected in the last year prior to the filing of a petition for opening of insolvency proceedings or thereafter and if a shareholder of the debtor had granted security or was liable as a guarantor (*Bürge*) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

In this context, ''knowledge'' is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor (e.g., an entity subject to the German insolvency laws) was subject to illiquidity, that a petition for the opening of insolvency proceedings has been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person is deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if it knew of the debtor's imminent illiquidity and that the transaction prejudiced the debtor's creditors. With respect to a ''related party'', there is a general statutory presumption that such party had knowledge.

If a guarantee or collateral by any German Provider was avoided or held unenforceable for any reason, a holder of the Notes would cease to have any claim or benefit in respect thereof. Any amounts received from a transaction that had been avoided would have to be repaid to the insolvent estate.

Furthermore, even in the absence of an insolvency proceeding, a third-party creditor who has obtained an enforcement order (*Vollstreckungstitel*) but has failed to obtain satisfaction of its enforceable claims by a levy of execution, under certain circumstances, has the right to avoid certain transactions, such as the payment of debt and the granting of security pursuant to the German Act on Avoidance (*Anfechtungsgesetz*). The prerequisites differ to a certain extent from the rules described above and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

In addition, under German law, a creditor who provided additional, or extended existing funding to a debtor or obtained security from a debtor may be liable in tort if such creditor was aware of the debtor's (impending) insolvency or of circumstances indicating such debtor's (impending) insolvency at the time such funding was provided or extended or such security was granted. The German Federal Supreme Court (*Bundesgerichtshof*) held that this could be the case if, for example, the creditor was to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of bonos mores (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the debtor as the grantor of the guarantee or security was close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

***Parallel debt***

Under German law, any ''accessory'' Security Interests such as pledges (*Pfandrechte*) require that the pledgee and the creditor be the same person. Such Security Interests cannot be held on behalf of third parties who do not hold the secured claim. The holders of the Notes, will not be party to the security documents relating to the Collateral. In order for the holders of the Notes to benefit from Collateral under ''accessory'' security documents, the Intercreditor Agreement will provide for the creation of a ''parallel debt''. Pursuant to the parallel debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Notes and the Guarantees. The pledges governed by German law will directly secure the parallel debt. The parallel debt procedure has not been tested in court under German law, and there is no certainty that it will eliminate or mitigate the risk of unenforceability posed by German law. Further, if the parallel debt is novated from the Security Agent to a new security agent or

another third party, any German law governed accessory Security Interests such as pledges (*Pfandrechte*) would extinguish and would therefore need to be re-created with the consequence that hardening periods would start again from the date of recreation of security.

***Limitations on enforcement***

If a German guarantor is incorporated in Germany in the form of a German limited liability company (*Gesellschaft mit beschränkter Haftung* or ''**GmbH**''), the granting of collateral (including a guarantee of the notes) by a German guarantor is subject to certain provisions of the German Limited Liability Company Act (the ''**GmbHG**''), including rules on capital maintenance.

As a general rule, sections 30 and 31 of the GmbHG (''**Sections 30 and 31**'') prohibit a GmbH from disbursing its assets to its shareholders to the extent that the amount of the GmbH's net assets (*i.e.,* assets minus liabilities and liability reserves) is or would fall below, or increases or would increase an existing shortfall of, the amount of its stated share capital (*Begründung oder Vertiefung einer Unterbilanz*). Guarantees granted by a GmbH in order to guarantee liabilities of a direct or indirect parent or sister company are considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to guarantee liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31 and to protect management from personal liability, it is standard market practice for credit agreements, indentures, guarantees and security documents to contain so-called ''limitation language'' in relation to subsidiaries in the legal form of a GmbH or limited liability partnership with a GmbH as its sole general partner (a GmbH & Co. KG) incorporated or established in Germany. Pursuant to such limitation language, the beneficiaries of the guarantees agree to enforce the guarantees against the German subsidiary only to the extent that such enforcement would not result in the GmbH's (or, in case of a GmbH & Co. KG, its general partner's) net assets falling below, or increasing an existing shortfall of, its stated share capital (provided that the determination and calculation of such shortfall is subject to certain adjustments and exemptions). Accordingly, any security and any guarantee provided by any German guarantor will contain such limitation language in the manner described. This could lead to a situation in which the respective guarantee granted by a GmbH or a GmbH & Co. KG cannot be enforced at all.

German capital maintenance rules are subject to evolving case law. Future court rulings may further limit the access of a shareholder to assets of its subsidiaries constituted in the form of a GmbH or of a GmbH & Co. KG, the general partner or general partners of which is or are a GmbH, which can negatively affect the ability of any German guarantor to make payments under the guarantee.

Furthermore, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding so-called destructive interference (*existenzvernichtender Eingriff*) (i.e., a situation where a shareholder deprives a German limited liability company of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of a subsidiary guarantee granted by any German guarantor. In such case, the amount of proceeds to be realized in an enforcement process may be reduced, even to nil. According to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), a security agreement may be void due to tortious inducement of breach of contract if a creditor knows about the distressed financial situation of the debtor and anticipates that the debtor will only be able to grant collateral by disregarding the vital interests of its other business partners. It cannot be ruled out that German courts may apply this case law with respect to the granting of a subsidiary guarantee by any German guarantor.

Furthermore, under German law a secured party is, upon request by the relevant security grantor, obligated to release security if the realizable value of the security is significantly higher than the value of the obligations secured by such security.

**New Zealand**

Norske Skog Tasman Limited is a limited liability company incorporated under the laws of New Zealand (the ''**New Zealand Guarantor**''). All share capital in the New Zealand Guarantor is owned by Norske Skog Industries Australia Limited. The New Zealand Guarantor will guarantee the Notes and will grant a general security interest over all its present and after acquired property (subject to agreed exceptions including in respect of trade receivables subject to factoring arrangements) as security for its obligations under the guarantee.

The following is only a summary of the processes and relevant issues relating to security interests, enforcement and insolvency proceedings under New Zealand law (the rules relating to which are detailed and can be complex).

***Enforcement of Guarantee with respect to the Exchange Notes***

The Guarantee is a contractual obligation that is unsecured and subordinated in accordance with its terms. The Guarantee will rank pari passu with all other unsecured and unsubordinated indebtedness of the New Zealand Guarantor in a liquidation of the New Zealand Guarantor. The Guarantee is enforceable by bringing proceedings in the courts of New Zealand against the New Zealand Guarantor.

***Enforcement of Guarantee with respect to the Senior Secured Notes***

The guarantee will be governed by the laws of the State of New York and the security agreement will be governed by the laws of New Zealand. Such general security agreement will include an agreement by the New Zealand Guarantor to grant a first ranking mortgage over the land comprising the mill site of the New Zealand Guarantor but such mortgage will not be required to be registered immediately on the New Zealand land register maintained by Land Information New Zealand (''**LINZ**'').

Priority of interests registered on the LINZ register against New Zealand land is generally determined by order in time of registration. LINZ registration of the mortgage over the mill site (in order to achieve perfection and best priority of such mortgage) cannot take place until a caveat against dealings (which is LINZ registered against the certificate of title to the mill site) recording the grant of a lease to Mighty River Power Limited is discharged (this is expected to occur when the lease is LINZ registered and all associated issues are resolved). Accordingly only an equitable agreement to mortgage the mill site rather than a duly perfected LINZ registered mortgage will be possible at the outset (without the discharge occurring as noted above), but the general security agreement shall include a covenant by the New Zealand Guarantor to register the mortgage of the mill site with LINZ as soon as the caveat is removed.

In addition all shares of the New Zealand Guarantor owned by Norske Skog Industries Australia Limited will be made subject to a New Zealand law governed specific security agreement granted by Norske Skog Industries Australia Limited in favour of the Security Agent in support of the obligations of Norske Skog Industries Australia Limited as guarantor of the Notes (such guarantee to be governed by the laws of the State of New York).

***Enforcement of Security Interests***

*Mortgage of land—statutory notice required before power of sale can be exercised*

In order for a secured party to exercise a right to sell mortgaged land pursuant to a registered mortgage, the secured party must first serve statutory notice (in accordance with the New Zealand Property Law Act 2007) on the mortgagor, subsequent mortgagees and guarantors of its intention to exercise its power to sell the mortgaged property. The minimum notice period is 20 working days. Pending expiry of such notice, the mortgagee may market the property and may enter into an agreement to sell the property, provided that it is conditional on the statutory notice having expired un-remedied.

Enforcement by exercise of a right to sell mortgaged land pursuant to the terms of an unregistered agreement to mortgage land (as initially contemplated pursuant to the general security agreement described above) is uncertain and will be subject to serious practical difficulties. Accordingly additional steps or legal remedies (if available) may be required to be exercised in order to perfect or elevate an unregistered agreement to mortgage land to a registered mortgage before such mortgage is enforceable in practice.

*Personal Property Securities Act 1999*

The New Zealand Personal Property Securities Act 1999 (''**PPSA**'') establishes a code for determining the validity and priority of the claims of secured creditors and other parties with interests in personal property. The PPSA is based on similar regimes operating in North America and a similar regime came into full force in Australia in early 2012.

Under the PPSA as a general rule, priority between secured parties with a perfected security interest in the same collateral is determined by the order in which the secured parties took possession or

registered financing statements against the collateral on the New Zealand Personal Property Securities Register. However, the priority rules under the PPSA are complex and there are a number of specific priority rules that modify the general rule in certain circumstances (including without limitation in respect of perfected ''purchase money security interests'' which if properly perfected may enjoy 'super priority'' in respect of the collateral subject to such interest). In addition, any security interest (mortgage) in respect of real property requires separate (first in time) registration on the land register maintained by LINZ in order to ensure best priority.

The PPSA also regulates the enforcement of Security Interests in collateral by secured parties. The secured party and the debtor can agree to contract out of certain of the debtor's statutory rights that would otherwise apply on enforcement and this shall be reflected in the New Zealand law security agreements entered into by the New Zealand Guarantor and its shareholder.

*Other duties, obligations and limitations*

The enforceability and priority of a New Zealand law guarantee and security interest (and the application of the proceeds thereof) is also subject to general law and statutory duties, obligations and limitations, including without limitation the following where applicable:

(i) there are certain categories of claims which could have preferred status over the claims of Senior Secured Note holders under New Zealand law such as claims for wages, salaries or compensation and claims for certain taxes;

(ii) the right of a party granting security to redeem the property subject to security by tender of payment in full of the money secured at any time prior to the sale of that property;

(iii) the provisions of the Property Law Act 2007 and the Land Transfer Act 1952, in respect of the enforcement of or the priority of a mortgage security in respect of land or goods;

(iv) the obligation of a secured party (or receiver) to exercise its power of sale in good faith and to obtain on sale the best price reasonably obtainable at the time of sale for the asset sold.

***Service of process/commencement of proceedings***

*Commencement of proceeding in New Zealand against the New Zealand Guarantor*

Whilst a New Zealand court has jurisdiction over any New Zealand company, if the Security Agent commenced proceedings against the New Zealand Guarantor in New Zealand, it is possible that an application could be made by the New Zealand Guarantor to stay proceedings on the basis that New Zealand is not the most appropriate or convenient forum for the action. Even if the New Zealand court concludes it is an appropriate or convenient forum, further difficulties may arise in seeking to found a claim before a New Zealand court upon a breach of requirements of U.S. statutes, including in particular seeking to enforce liabilities predicated upon U.S. federal or state securities laws. Whether a New Zealand court will apply a foreign statute generally depends on the relevant choice of law rule (directing that the law of that foreign country will govern the matter) and the legal category to which the courts assign the foreign cause of action. For public policy reasons, a New Zealand court will ordinarily decline to apply a foreign statute which is a penal, revenue or public law of the foreign country.

Additionally, a New Zealand court will not give effect to a choice of law provision or an agreement to submit to the jurisdiction of a certain court if to do so would be contrary to public policy including without limitation, where a New Zealand court considers that the choice of governing law is not bona fide (and is not connected with the commercial realities of the guarantee) or legal.

***Enforcement of U.S. judgments***

The New Zealand Reciprocal Enforcement of Judgments Act 1934 provides the primary statutory basis for the recognition and enforcement of foreign judgements in New Zealand. However, neither the Reciprocal Enforcement of Judgments Act 1934 nor any other legislation provides for the recognition and enforcement in New Zealand of judgements of a New York State court or federal court of the United States of America sitting in New York City (or any appellate court with jurisdiction over any such court) as New Zealand and the US have no formal arrangements for enforcing judgments.

Accordingly, whether a judgment of such a court would be recognised and given effect to by a New Zealand court, following the commencement of a new action in the courts of New Zealand but without

any re-trial or re-examination of the merits of the action, would be determined by applicable common law principles. Under those principles this would depend upon a number of factors, including whether:

(i) the relevant New York State court or federal court of the United States of America sitting in New York City (or any appellate court with jurisdiction over any such court) (as the case may be) had jurisdiction over the defendant determined in accordance with the rules of private international law applied by the New Zealand courts (broadly, if the defendant has submitted or agreed to submit to the jurisdiction of the courts or is resident or present in that jurisdiction);

(ii) the judgment of such court was (1) final and conclusive; (2) for a debt or definite sum of money; (3) not in respect of taxes, fines or penalties; (4) not obtained by fraud or in a manner contrary to natural justice; and (5) not contrary to New Zealand public policy; and

(iii) service of process in relation to the proceedings in the relevant U.S. court were properly effected in accordance with New Zealand law.

In addition, subject to certain exceptions, enforcement in New Zealand courts of a U.S. court judgment must be sought within six years of the date the U.S. court judgment became enforceable in the United States.

There is doubt as to the enforceability in New Zealand courts of judgments of U.S. courts obtained in actions predicated upon liability provisions of the United States federal or state securities laws where the action is not in respect of purely civil liability, i.e. it is, instead, in respect of a penalty or tax. More generally, however, it is not contrary to public policy to enforce a judgment merely because the cause of action on which it was obtained is not known to New Zealand law.

***Insolvency proceedings***

In New Zealand the usual processes for dealing with corporate insolvency are very similar to those in Australia. These processes are voluntary administration, liquidation, receivership, statutory management, creditors' compromises and creditors' schemes of arrangement, a summary of each of which is set out below.

*Voluntary administration*

The New Zealand Companies Act 1993 provides for the appointment of a voluntary administrator to an insolvent company (or a company that may in the future become insolvent). The New Zealand voluntary administration regime is generally modelled on the equivalent Australian regime and the provisions of the Companies Act are substantially the same as the equivalent provisions under Australian law. Voluntary administration is intended to maximise the chances of a company (or its business) continuing in existence or, if that is not possible, providing a better return for creditors than immediate liquidation.

A company can be placed into administration by its directors, a liquidator, a secured creditor who has a security interest over substantially the whole of the company's property or the Court on the application of a creditor or certain others.

On the appointment of an administrator a moratorium on enforcement action commences such that creditors cannot take steps to enforce any debts or security against the company without the consent of the administrator or the leave of the Court. However, the moratorium does not apply to secured creditors who hold a security interest over all or substantially all of the company's assets, if those creditors elect to enforce their security interest within the 10 working days after the company goes into administration. Nor does the moratorium apply to secured creditors who have already taken steps to enforce the security interest prior to the administration.

During the administration, the administrator has control over the company's business and property (except for company property in respect of which a secured creditor has appointed a receiver). The administrator can manage and dispose of any business or property and can perform any function and exercise any power on the company's behalf that the company could perform if it were not in an administration.

The moratorium will expire when the creditors vote (at the ''watershed meeting'') to return the company to its directors, to appoint a liquidator or to execute a deed of company arrangement. The watershed meeting must be held within 25 working days after the commencement of the administration (or longer if the Court has approved an extension to the convening period). If a deed of company arrangement is

approved by a majority in number representing 75% by value of creditors it is binding on all unsecured creditors as well as secured creditors who have voted in favor of the deed of company arrangement.

*Liquidation*

Liquidation is a statutory winding up process which can be initiated by the company's shareholders, directors or by the Court (on the application by, among others, creditors if the Court is satisfied the company is unable to pay its debts). Liquidation involves the realisation and distribution of a company's assets. Liquidators are appointed and operate in accordance with Part 16 of the New Zealand Companies Act 1993.

Once appointed, the liquidator takes over the management of the company, realises its assets, pays its creditors and distributes the balance (if any) to the company's shareholders. A liquidator has limited powers to carry on the business of the company. A liquidator is able to challenge insolvent transactions, or transactions at undervalue, terminate certain contracts, disclaim onerous property, compromise claims and sell the company's assets and/or business.

Secured creditors generally stand outside the liquidation process and separately realise their secured property. To the extent there is a shortfall, the secured creditor can claim in the liquidation as an unsecured creditor for that shortfall. Similarly, if there is a surplus after realisation the secured creditor must account to the liquidator for that surplus.

After realising the company's assets, the liquidator must apply the proceeds towards their own fees and expenses, followed by paying preferential creditors (generally in the nature of employee payments and taxes) and then general unsecured creditors. Each creditor will share in the proceeds proportionately.

*Receivership*

In New Zealand, receivership is the most common form of enforcement procedure in respect of insolvent companies who have granted security over their assets. Receivership is initiated by a secured party in relation to some or all of the assets of the company over which that secured party holds a security interest. The right to appoint receivers, and the scope of a receiver's powers, are generally a matter of contract under the terms of the relevant security agreement. The appointment and conduct of receivers is also regulated by the New Zealand Receiverships Act 1993 and the common law.

The appointment of a receiver does not create a moratorium in relation to the company or its assets and other creditors can continue to enforce their rights and remedies against the company or its assets subject to the prior ranking rights of the secured creditor.

A receiver is under a statutory duty to act: (i) in good faith and for a proper purpose; and (ii) must exercise his/her powers in the best interests of the appointing secured creditor. To the extent consistent with those duties, a receiver must exercise his/her powers with a reasonable regard to the insolvent company, others claiming an interest in the receivership property, unsecured creditors and guarantors of the insolvent company.

The receiver owes residual duties to the company, its sureties, unsecured creditors and shareholders to have reasonable regard to the interests of those persons.

*Statutory management*

A statutory manager may be appointed to a New Zealand company pursuant to the New Zealand Corporations (Investigations and Management) Act 1989. Statutory managers are only rarely appointed in cases of corporate insolvency.

Statutory managers are appointed where it is considered by the New Zealand Financial Markets Authority that the company is acting fraudulently or recklessly or that it is necessary to protect the interests of shareholders or creditors or for any other reason in the public interest and such interests cannot be adequately protected in another way.

While a company is under statutory management, there is a moratorium which prevents any proceedings or enforcement action being taken or continued by any person (including secured creditors) against the corporation without the statutory manager's consent. There is also a prohibition on the transfer or removal of any assets of the company without the statutory manager's consent.

A statutory manager has broad powers to manage and carry on the business of the company, challenge insolvent transactions, terminate certain contracts, disclaim onerous property, compromise claims and sell its assets and/or business.

A statutory manager is also entitled to suspend, in whole or in part, the payment of any debts or the discharge of any obligation. There is no limit on the period during which the moratorium or suspension may continue.

*Creditors' compromises*

A creditors' compromise is a binding arrangement between an insolvent company and its creditors concerning payment of the company's debts other than in accordance with the strict legal rights of those creditors. The compromise may involve the suspension or deferral of payments, the acceptance of a lesser sum as full and final settlement or instalment arrangements, or the conversion of debt into equity.

Compromise arrangements are made under Part 14 of the New Zealand Companies Act 1993. The directors, a receiver or a liquidator may propose a compromise as of right, and a creditor or a shareholder may propose a compromise with the leave of the Court. Part 14 requires a distinction to be made between classes of creditors. Although each class of creditors vote on the proposal separately, the resolution must be the same for each class. Each class must approve the proposal by a majority by number and by 75% in value of creditors who voted in that class. Unless a proposal provides otherwise, the approval of the compromise is conditional upon all classes voting in favor of the proposal.

A compromise once approved by the required majority of creditors, will bind all creditors to whom notice of the compromise proposal was given, including even those that do not agree with it. However, a creditor who voted against the compromise may challenge the compromise by applying to the Court within 10 working days after notice of the result of the voting was given to the creditor. If the Court is satisfied that the compromise is unfairly prejudicial to that creditor or the class of creditors to which that creditor belongs, the Court may make an order that the creditor is not bound by the compromise.

Until the compromise is approved, there is no moratorium on creditors taking enforcement steps against the company.

*Court-approved schemes of arrangement and compromises*

A rarely used process in the insolvency of companies is a Court-approved compromise, a scheme of arrangement or an amalgamation under Part 15 of the New Zealand Companies Act 1993. Part 15 allows a compromise to be approved by the Court outside of the Part 14 process discussed under ''Creditors' Compromises'' section above.

A Court may, on the application of a company or any of its shareholders or creditors, order that a compromise, arrangement or amalgamation be binding on the company and on such other persons or classes of persons including creditors as the Court may specify. Any order may be made on such terms and conditions as the Court thinks fit. However, as the Court has a duty to ensure that the rights of affected creditors are adequately protected, the Court is likely to order that the creditors vote on the proposed compromise before it considers whether to approve it.

***Limitations on enforcement under insolvency legislation***

*Liquidation*

A liquidator must ascertain and realise the company's assets. Where a company is placed in liquidation its recent transactions will in the normal course be placed under scrutiny by the liquidator. A liquidator has wide statutory powers to do this. As an example, and as discussed in more detail below, a liquidator has the power to void certain insolvent transactions between the company and a creditor, void certain security granted by a company in favor of a creditor, recover any excess paid by a company to a creditor in a transaction at an undervalue and make a claim against a director who has breached his or her duties under the Companies Act.

Upon liquidation, existing court proceedings are automatically stayed, and proceedings against the company cannot be commenced or continued without leave of the court or the liquidator's consent.

*Voidable transactions*

The liquidator has the ability to set aside insolvent transactions entered into during the specified period. An insolvent transaction is one entered into when the company is unable to pay its due debts and which enables a person to receive more than would have been likely in liquidation. The specified period is two years before the date of commencement of the liquidation (''**specified period**''). In respect of transactions occurring within the six months prior to the commencement of the liquidation (the ''**restricted period**''), there is a presumption that the company was insolvent at the time the transaction occurred.

*Voidable charges*

The liquidator has the ability to set aside a charge or security interest entered into during the specified period if immediately after the charge or security interest was granted, the company was unable to pay its due debts (except to the extent of valuable consideration given at or after the time of the granting of the charge or security interest). In respect of a charge or security interest created within the restricted period (as defined above), there is a presumption that the company was insolvent at the time the charge or security interest was granted.

*Process for setting aside voidable transactions or charges*

A liquidator must give notice to a recipient creditor of its challenge to a transaction or charge, and a creditor must object to the liquidator's notice within 20 working days. A creditor can oppose a liquidator's challenge on limited bases, such as that the creditor gave value and acted in good faith, or that the company and the creditor had a continuing business relationship which operates to set-off value given and received over the course of the relationship.

*Transactions at an undervalue*

A liquidator may recover any excess paid by a company to a creditor in a transaction at an undervalue during the specified period, in circumstances where the value received by the company was less than the value received by the person, and the company was unable to pay its due debts when it entered the transaction (or become unable to pay its due debts as a result of entering into the transaction).

*Other grounds*

A guarantee or security interest granted by a company may also be set aside on other grounds under New Zealand law. For instance a guarantee may be unenforceable against the guaranteeing company if the directors of the guarantor did not comply with their duties to act in good faith for the benefit of the guaranteeing company (or where permitted by its constitution, its holding company) and for a proper purpose in giving the guarantee, in circumstances where the party relying on the guarantee knew of or suspected (or ought to have known or suspected) the breach. In addition, if the granting of a guarantee or security interest is a major transaction or involves financial assistance and there has been a failure to obtain shareholder or entitled person approval/agreement as required by the New Zealand Companies Act 1993 (or the company's constitution), it may be set aside on the basis that the action taken by the company or the board (in breach of the Companies Act or constitution) is unfairly prejudicial to the relevant shareholder or entitled person applying to the Court.

*Voidable transactions—consequences for Noteholders*

With respect to the New Zealand Guarantor, Noteholders will need to be particularly mindful of the following risks given these aspects of New Zealand law and the risk factors identified earlier in these listing particulars:

- the Guarantee and the security given by the New Zealand Guarantor will be at risk of being set aside if the New Zealand Guarantor is placed in liquidation within the specified period (as defined above). This risk will be greater if the liquidation occurs during the restricted period (as defined above), as there will be a presumption that the New Zealand Guarantor was unable to pay its debts at the time of issue of the Notes; and
- if the Guarantee from the New Zealand Guarantor is set aside, Noteholders may be left without a claim on the New Zealand Guarantor and will have to rely solely on a claim against the Issuer and the other Subsidiary Guarantors, and any payments received from the New Zealand Guarantor may have to be repaid.

## SERVICE OF PROCESS AND ENFORCEMENT OF CERTAIN LIABILITIES

The Issuers are private limited companies incorporated under the laws of Norway. The Guarantors are incorporated in Norway, Australia, Austria, France, Germany and New Zealand.

Many of our directors, officers and other executives are neither residents nor citizens of the United States. Furthermore, most of our assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or us or to enforce against them or us judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, we and the Guarantors have appointed, or will appoint, an agent for the service of process in New York. It may be possible for investors to effect service of process within Norway and Guarantor jurisdictions upon those persons or us or over our subsidiaries provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

If a judgment is obtained in a U.S. court against any of the Issuers, us, any Guarantor or any security provider, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for the countries in which we, the Issuer and the Guarantors are located, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

### Norway

Norwegian courts will, as a general rule, not recognize or enforce judgments rendered by a foreign court unless provided by Norwegian law Norway has entered into a bilateral or multilateral treaty with the relevant country or countries regarding the recognition and enforcement of judgments and subject to the provisions of Section 19-16 of the Norwegian Dispute Act of 2005 No. 90 (*Tvisteloven*), (the ''**Dispute Act**''). Pursuant to the Lugano Convention on the Recognition of Judgments in Civil and Commercial Matters (the ''**Lugano Convention**''), which is incorporated into Norwegian national law, Norwegian courts will recognize as a valid judgment, and enforce, any final civil judgment obtained in a foreign court in a state that is a party to the Lugano Convention, without a further examination of the merits of the case. The exceptions stated in the Lugano Convention itself will apply.

If there is no treaty between Norway and the relevant jurisdiction regarding the recognition and enforcement of judgments, or the relevant treaty is not applicable, a judgment rendered by a foreign court (e.g., the courts of United States) may nevertheless be recognized and enforced in Norway without further examination of the merits of the case, provided that the foreign proceedings and the judgment itself fulfil the conditions stated in the Norwegian Enforcement Act of 1992 No. 86 (*Tvangsfullbyrdelsesloven*) and the Dispute Act. Where a Norwegian party has accepted the jurisdiction of a foreign court in a written agreement, any judgment rendered pursuant to that agreement will be enforceable in Norway in accordance with the provisions of Sections 4-6 and 19-16 of the Dispute Act. However, a judgment will not be recognized in Norway if such recognition would be contrary to mandatory laws or to Norwegian public policy considerations.

### Australia

The United States and Australia do not have a treaty which provides for the reciprocal recognition and enforcement of judgments in civil matters. Further, United States courts are not listed in the Foreign Judgments Regulations 1992 made under the Foreign Judgments Act 1991 of Australia. Therefore, there is no statutory recognition or statutory enforcement in Australia of any judgment obtained in a court in the United States. Instead, a judgment made by a U.S. court can only be enforced in Australia under the common law regime.

Under that regime, any final, conclusive and unsatisfied judgment *in personam* (that is, that imposes a personal obligation on the defendant) of a U.S. court which has jurisdiction as determined under the rules of private international law of Australia, and is for a definite sum of money (not being a sum in respect of taxes or other charges of a like nature or in respect of a fine or other penalty), and is between the same parties, may be enforceable by the judgment creditor against the judgment debtor by action in

the Australian courts (without re-examination of the merits of the issues determined by the proceedings in the U.S. court) unless certain circumstances apply, including:

- the proceeding in the U.S. court involved a denial of the principles of natural justice recognized by the courts of Australia;
- the U.S. judgment is contrary to the public policy of Australia;
- the U.S. judgment was obtained by fraud; or
- the U.S. judgment includes multiple or punitive damages or where the proceedings in such court were of a penal nature.

**Austria**

According to the Austrian Enforcement Act (Federal Law Gazette No. 79/1896 as last amended by Federal Law Gazette No. 69/2014; *Exekutionsordnung*), foreign judgments are only enforceable in Austria if the reciprocity is warranted by a bilateral or multilateral treaty between the countries involved or by a respective directive (*Verordnung*) of the Austrian government. The Republic of Austria and the United States have not entered into a treaty regarding the reciprocal recognition and enforcement of judgments rendered in either courts civil and commercial matters. In this regard, there is also no directive of the Austrian government in place. Therefore, the courts of Austria will not recognize and/or enforce a judgment obtained in the courts of the United States, be it a judgment rendered by a United States federal or state court. Accordingly, the subject matter upon which a judgment has been obtained in a United States federal or state court must be re-litigated before Austrian courts in accordance with applicable Austrian Civil Procedure Laws (*Zivilprozessverfahren*). A judgment by a federal or state court of the United States will be regarded by an Austrian court only as evidence of the outcome of the dispute to which such judgment relates, and an Austrian court has to re-hear the dispute. Only after having obtained a final judgment before an Austrian court can enforcement procedures be initiated under the Austrian Enforcement Act.

**France**

We have been advised by our French counsel that the United States and France are not parties to a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, and which is enforceable in the United States, would not directly be recognized or enforceable in France.

A party in whose favor such judgment was rendered could initiate enforcement proceedings (*exequatur*) in France before the relevant civil court (*Tribunal de Grande Instance*) that has exclusive jurisdiction over such matter.

Enforcement in France of such U.S. judgment could be obtained following proper (i.e., non ex parte) proceedings if the civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French court of the merits of the foreign judgment):

- such U.S. judgment was issued by a court that had jurisdiction over the case;
- such U.S. judgment does not contravene French international public policy rules (*ordre public international*), both pertaining to the merits and to the procedure of the case, including fair trial rights;
- such U.S. judgment is not tainted with fraud under French law (i.e., the parties did not submit the dispute to a foreign court in order to maliciously avoid the application of French law);
- such U.S. judgment does not conflict with a French judgment or a foreign judgment that has become effective in France; and
- in addition, please note that a clear position has not yet been established in French case law as to whether proceedings pending before French courts at the time enforcement of the foreign judgment is sought and having the same or similar subject matter as this judgment may have an impact on enforcement in France of the foreign judgment.

If the French civil court is satisfied that such conditions are met, the U.S. judgment will benefit from the res judicata effect as of the date of the decision of the French civil court and will thus be declared enforceable in France after all remedies have been exhausted. However, the decision granting the exequatur is subject to appeal.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French criminal law No. 68-678 of July 26, 1968, as modified by French ordinance No. 80-538 of July 16, 1980 and French ordinance No. 2000-916 of September 19, 2000 (relating to the communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action. Pursuant to the regulations above, the U.S. authorities would have to comply with international (the 1970 Hague Convention on the Taking of Evidence Abroad) or French procedural rules to obtain evidence in France or from French persons.

Similarly, French data protection rules (law No. 78-17 of January 6, 1978 on data processing, data files and individual liberties, as most recently modified by law No. 2014-344 of March 17, 2014) can limit under certain circumstances the possibility of obtaining information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

Furthermore, if an original action is brought in France, French courts may refuse to apply foreign law or part of foreign law designated by the applicable French rule of conflict (including the law chosen by the parties to govern their contract) if the application of such law (in the case at hand) is deemed to contravene French international public policy (as determined on a case-by-case basis by French courts) or in case of overriding mandatory rules. Furthermore, in an action brought in France on the basis of U.S. federal or state securities laws, French courts may not have the requisite power to grant all the remedies sought.

Pursuant to articles 14 and 15 of the French Civil Code, a French national (either a company or an individual) can sue a foreign defendant before French courts in connection with the performance of obligations contracted by the foreign defendant in France with a French person or in a foreign country with French persons (article 14) and can be sued by a foreign claimant before French courts in connection with the performance of obligations contracted by the French national in a foreign country with the foreign claimant (article 15). For a long time, case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against its will to appear before a jurisdiction other than French courts. However, according to recent case law, the French courts' jurisdiction over French nationals is no longer mandatory to the extent an action has been commenced before a court in a jurisdiction that has sufficient contacts with the litigation and the choice of jurisdiction is not fraudulent. More specifically, according to this recent case law, a French defendant can no longer challenge the jurisdiction of a foreign tribunal on the basis of article 15 of the French civil code in circumstances where the foreign tribunal has otherwise jurisdiction. In addition, French and foreign claimants may waive their rights respectively to benefit from the provisions of articles 14 and 15 of the French Civil Code, including by way of conduct by voluntarily appearing before the foreign court.

Our French counsel has also advised us that the French Supreme Court (*Cour de cassation*) has recently held that a contractual provision submitting one party to the exclusive jurisdiction of a court and giving another party the discretionary option to choose any competent jurisdiction was invalid on the ground that it was discretionary (*potestative*). Accordingly any provisions to the same effect in any relevant documents would not be binding on the party submitted to the exclusive jurisdiction of the court or prevent a French party from bringing an action before the French courts. However this decision was rendered on the basis of the Brussels Regulation and as such would not apply to non-intra-EU disputes.

**Germany**

The United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of court judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final and conclusive judgment by any U.S. federal or state court for payment based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, would not automatically be enforceable in Germany. A final judgment by a U.S. federal or state court, however, may be recognized and enforced in Germany in an action of exequatur before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally would not reinvestigate and review

the merits of the original matter decided by a U.S. court, except as noted below. The recognition and enforcement of a U.S. judgment by a German court would be conditional upon a number of factors, including but not limited to the following:

- the judgment being final under U.S. federal or state law;
- the U.S. court having had jurisdiction over the original proceeding under German law;
- the defendant having had the chance to defend herself or himself against an unduly or untimely served complaint;
- the judgment was not given in default of appearance and the defendant invokes such default or the defendant was not served with the document which instituted the proceedings properly or within sufficient time to enable him to arrange for his or her defence;
- the judgment is not irreconcilable with a judgment given in Germany or a previous, recognizable foreign judgment recognition in Germany or the proceedings leading to such judgment are irreconcilable with proceedings that were filed (*rechtshängig*) in Germany previously;
- the judgment of the U.S. court not being consistent with the judgment of a German court or a recognized judgment of a foreign court handed down before the judgment of the U.S. court;
- the enforcement of the judgment by the U.S. court being compatible with the substantial foundations of German law (e.g. *ordre public*), including without limitation, fundamental rights (*Grundrechte*) guaranteed by virtue of the German Basic Law (*Grundgesetz*); and
- generally, the guarantee of reciprocity.

Enforcement and foreclosure based on U.S. judgments may be sought against German defendants after having received an enforcement or exequatur decision from a competent German court in accordance with the above principles. Subject to the foregoing, purchasers of securities may be able to enforce judgments in civil and commercial matters obtained from U.S. federal or state courts in Germany. We cannot, however, assure you that attempts to enforce judgments in Germany will be successful under all circumstances. In particular, the remedies need to be of a specific kind and type for which an enforcement procedure exists under German law. Also, if circumstances have arisen after the date on which such foreign judgment became res judicata, a defence against execution may arise.

If an original action is brought before a German court, and the court does not decline jurisdiction, the court may apply not only EU and German rules of civil procedure, but also certain substantive provisions of the EU and German law that are regarded as mandatory and may refuse to apply U.S. law provisions, particularly those relating to certain remedies, if the relevant application violates German public policy.

In particular, the recognition and enforcement of punitive damages is usually denied by German courts as incompatible with the substantial foundations of German law. Moreover, a German court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

Enforcement is also subject to the effect of any applicable bankruptcy, insolvency, reorganization, liquidation or moratorium as well as other similar laws affecting creditor's rights generally.

German civil procedure differs substantially from U.S. civil procedure in a number of respects. With respect to the production of evidence, for example, U.S. federal and state law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may, prior to trial, compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under German law.

**New Zealand**

There is doubt as to the enforceability in New Zealand courts of judgments of U.S. courts, obtained in actions predicated upon the liability provisions of the United States federal or state securities laws where the action is not in respect of purely civil liability, i.e. it is, instead, in respect of a penalty or tax. More generally, however, it is not contrary to public policy to enforce a judgment merely because the cause of action on which it was obtained is not known to New Zealand law.

The New Zealand Reciprocal Enforcement of Judgments Act 1934 provides the primary statutory basis for the recognition and enforcement of foreign judgements in New Zealand. However, neither the Reciprocal Enforcement of Judgments Act 1934 nor any other legislation provides for the recognition and enforcement in New Zealand of judgements of a New York State court or federal court of the United States of America sitting in New York City (or any appellate court with jurisdiction over any such court) as New Zealand and the US have no formal arrangements for enforcing judgments.

Accordingly, whether a judgment of such a court would be recognised and given effect to by a New Zealand court, following the commencement of a new action in the courts of New Zealand but without any re-trial or re-examination of the merits of the action, would be determined by applicable common law principles. Under those principles this would depend upon a number of factors, including whether:

(iv) the relevant New York State court or federal court of the United States of America sitting in New York City (or any appellate court with jurisdiction over any such court) (as the case may be) had jurisdiction over the defendant, determined in accordance with the rules of private international law applied by the New Zealand courts (broadly, if the defendant has submitted or agreed to submit to the jurisdiction of the courts or is resident or present in that jurisdiction);

(v) the judgment of such court was (1) final and conclusive; (2) for a debt or definite sum of money; (3) not in respect of taxes, fines or penalties; (4) not obtained by fraud or in a manner contrary to natural justice; and (5) not contrary to New Zealand public policy; and

(vi) service of process in relation to the proceedings in the relevant U.S. court were properly effected in accordance with New Zealand law.

In addition, subject to certain exceptions, enforcement in New Zealand courts of a U.S. court judgment must be sought within six years of the date the U.S. court judgment became enforceable in the United States.

**Luxembourg**

Although there is no treaty between Luxembourg and the United States regarding the reciprocal enforcement of judgments, a valid, final and conclusive judgment against the Temporary Notes Issuer, obtained from a state or federal court of the United States, which judgment remains in full force and effect, may be enforced through a court of competent jurisdiction in Luxembourg, subject to compliance with the enforcement procedures (*exequatur*) as set out in the relevant provisions of the Luxembourg New Civil Procedure Code. Pursuant to Luxembourg case law, the granting of *exequatur* is subject to the following requirements:

(a) the U.S. judgment must be enforceable in the United States;

(b) the U.S. court awarding the judgment must have had jurisdiction both according to its own laws and to the Luxembourg conflict of jurisdictions rules;

(c) the U.S. court procedure must have been regular according to the laws of the United States and must not violate the rights of defence;

(d) the U.S. court must have applied the law which is designated by Luxembourg conflict of law rules, or, at least, the order must not contravene the principles underlying these rules (based on case law and legal doctrine, it is not certain that this condition would still be required for an exequatur to be granted by a Luxembourg court);

(e) the U.S. judgment must not contravene Luxembourg international public policy or must not have been given in proceedings of a tax or criminal nature; and

(f) the U.S. judgment must not have been rendered subsequent to an evasion of Luxembourg law (*fraude à la loi*).

Subject to the above conditions, Luxembourg courts do currently not review the merits of a foreign judgment even though there is no statutory prohibition for such review.

## LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon by Linklaters LLP with respect to United States federal, New York law, French law, German law and Luxembourg law and by Advokatfirmaet Wiersholm AS with respect to Norwegian law. Certain legal matters relating to this Offering will be passed upon for the Initial Purchasers by Milbank, Tweed, Hadley & McCloy LLP with respect to matters of United States federal, New York law and German law and by Advokatfirmaet Thommessen AS with respect to matters of Norwegian law.

## INDEPENDENT AUDITORS

The Parent's Consolidated Financial Statements as of and for the years ended December 31, 2011, 2012 and 2013 included in these listing particulars have been audited by PricewaterhouseCoopers AS, independent auditors, who are independent accountants as stated in their reports and whose audit partners are members of the Norwegian Institute of Public Accountants. See *''Listing and General Information—No Incorporation of Our Annual or Interim Reports''* for information in relation to our Consolidated Financial Statements included in these listing particulars.

Effective January 1, 2014, we engaged Ernst & Young to serve as our independent auditors. As a result, the Parent's Consolidated Financial Statements as of and for the years ended December 31, 2014 included in these listing particulars have been audited by Ernst & Young.

## WHERE YOU CAN FIND OTHER INFORMATION

For so long as any of the Notes are ''restricted securities'' within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act nor exempt from the reporting requirements under Rule 12g3-2(b) of the Exchange Act, provide to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act. Any such request should be directed to us. All the above documents will be available at our registered office.

We are not currently subject to the periodic reporting and other information requirements of the Exchange Act. However, pursuant to the Indenture and so long as the Notes are outstanding, we will furnish periodic information to holders of the Notes. See ''*Description of the Senior Secured Notes—Certain Covenants—Reports*''. For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market of that exchange and the rules and regulations of the Luxembourg Stock Exchange so require, copies of such information will be available for review during normal business hours on any business day at our registered office. See ''*Listing and General Information*''.

## LISTING AND GENERAL INFORMATION

### Listing and Expenses

| | |
|---|---|
| (i) Listing: | Luxembourg Stock Exchange |
| (ii) Admission to trading: | Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade the Notes on the Euro MTF Market thereof. |

The Notes have been accepted for clearance and settlement through Euroclear, Clearstream or DTC. The tables below list the Common Code and the International Securities Identification Number (''**ISIN**'') for the Notes represented either by Regulation S Global Notes or Rule 144A Global, as applicable.

***With respect to the Senior Secured Notes:***

| | Common Code | ISIN |
|---|---|---|
| Regulation S Notes | 118166329 | XS1181663292 |
| Rule 144A Notes | 118166353 | XS1181663532 |

***With respect to the Exchange Notes due 2021:***

| | Common Code | ISIN |
|---|---|---|
| Regulation S Notes | 119390915 | XS1193909154 |
| Rule 144A Notes | 119390796 | XS1193907968 |

***With respect to the Exchange Notes due 2023:***

| | Common Code | ISIN |
|---|---|---|
| Regulation S Notes | 119550955 | USR59730AA00 |
| Rule 144A Notes | 119550998 | US65653AAA88 |

### The Senior Secured Notes Issuer

The Senior Secured Notes Issuer is a private limited company subject to the Norwegian Private Limited Companies Act. The Senior Secured Notes Issuer was registered under the Norwegian Companies Registry on November 18, 2014 with registration number 914483549. The registered office and headquarters of the Senior Secured Notes Issuer is located at Karenlyst allé 49, N-0279, Oslo, Norway, and the phone number of the Issuer is +47 22 51 20 20. The Senior Secured Issuer acts as a holding company. The corporate purpose of the Senior Secured Notes Issuer, as described in its article of association consists of investments and related activities. For recent financial information about the Senior Secured Notes Issuer, see the balance sheet as of December 31, 2014 and November 30, 2014 provided elsewhere in the listing particulars. Since December 31, 2014, the Senior Secured Notes Issuer has not been involved in any activity except the issuance of the Senior Secured Notes. The Senior Secured Notes Issuer has a registered share capital of NOK 300,000.00 and the registered share capital has been fully paid up. The Senior Secured Notes Issuer does not have any indebtedness except the Senior Secured Notes issued hereby. The Board of Directors of the Senior Secured Notes Issuer is composed of Rune Sollie, as Chairman, Lars Sperre and Sven Ombudstvedt. The address of the members of the Board of Directors of the Senior Secured Notes Issuer is Karenlyst allé 49, 0279 Oslo, Norway. The Senior Secured Notes Issuer will prepare financial statements on a yearly basis going forward. The financial statements of the Senior Secured Notes Issuer will be audited by Ernst & Young AS, having their office at Oslo Atrium, Dronning Eufemias gate 6, 0154 Oslo, Norway. Copies of the financial statements will be available for review during normal business hours on any business day at our registered office. The Senior Secured Notes Issuer will not prepare any interim financial statements and the first annual financial statements available for the Senior Secured Notes Issuer will be prepared for the period ended December 31, 2015.

### The Exchange Notes Issuer

The Exchange Notes Issuer is a private limited company subject to the Norwegian Private Limited Companies Act. The Exchange Notes Issuer was registered under the Norwegian Companies Registry on November 5, 2014 with registration number 914483557. The registered office and headquarters of the Issuer is located at Karenlyst allé 49, N-0279, Oslo, Norway, and the phone number of the Issuer is +47 22 51 20 20. The corporate purpose of the Exchange Notes Issuer, as described in its article of association, consists of investments and related activities. For recent financial information about the Exchange Notes Issuer, see the balance sheet as of December 31, 2014 and November 30, 2014 provided elsewhere in the listing particulars. Since December 31, 2014, the Exchange Notes Issuer has not been involved in any activity except the issuance of the Exchange Notes. The Exchange Notes Issuer has a registered share capital of NOK 300,000.00 and the registered share capital has been fully paid up. The Exchange Notes Issuer does not have any indebtedness except the Exchange Notes issued hereby. The Board of Directors of the Exchange Notes Issuer is composed of Rune Sollie, as Chairman, Lars Sperre and Sven Ombudstvedt. The address of the members of the Board of Directors of the Exchange Notes Issuer is Karenlyst allé 49, 0279 Oslo, Norway. The Exchange Notes Issuer will prepare financial statements on a yearly basis going forward. The financial statements of the Exchange Notes Issuer will be audited by Ernst & Young AS, having their office at Oslo Atrium, Dronning Eufemias gate 6, 0154 Oslo, Norway. Copies of the financial statements will be available for review during normal business hours on any business day at our registered office. The Exchange Notes Issuer will not prepare any interim financial statements and the first annual financial statements available for the Exchange Notes Issuer will be prepared for the period ended December 31, 2015.

### Resolutions, Authorizations and Approvals by Virtue of Which the Notes have Been Issued

The Issuers have obtained all necessary consents, approvals and authorizations in connection with the issue of the Notes. The issue of the Notes was approved by resolutions of the Boards of Directors of the Issuers passed on January 19, 2015.

### The Guarantors

— Norske Skog Holding AS is a limited company incorporated on November 5, 2014 under the Laws of Norway, under company registration number 914 483 557, having its registered office at Karenslyst allé 49, 0279 Oslo, Norway, and a registered share capital of NOK 300,000.00. It is the holding company of the Senior Secured Notes Issuer.

— Norske Skogindustrier ASA is a public limited company incorporated on March 13, 1873 under the Laws of Norway, under company registration number 911 750 961, having its registered office at Karenslyst allé 49, 0279 Oslo, Norway, and a registered share capital of NOK 189,945,626.00. It is the parent company of the Group.

— Norske Skog (Australasia) Pty Limited is a proprietary limited company incorporated on April 16, 1987 under the Corporations Law of New South Wales, registered under Australian company number 003 274 673, having its registered office at Level 9, 59-61 Goulburn Street, Sydney, NSW, 2000, and a registered share capital of AU$21,000,000. It is the regional sales company for the Australasian publication paper business.

— Norske Skog Bruck GmbH is a limited liability company incorporated on December 30, 1995 under the Laws of Austria, registered with the Austrian commercial register under company registration number 140650 p, having its registered office at Fabriksgasse 10, 8600 Bruck, Austria, and registered share capital of €10,000,000.00. It is an operating company within the Group that provides newsprint and magazine paper.

— Norske Skog Golbey SAS is a limited company incorporated on September 4, 1989 under the Laws of France, having its registered office at route Jean-Charles Pellerin, Zone Industrielle III, 89190 Golbey, France, registered in the Commerce and Companies Register of Epinal under the company number 349 690 644, with an issued share capital of €62,364,874.00. It is an operating company within the Group that provides newsprint paper.

— Norske Skog Industries Australia Limited is a public limited company, incorporated on November 22, 1989 under the Corporations Law of New South Wales, registered under Australian company number 003 902 985, having its registered office at Level 9, 59-61 Goulburn Street,

Sydney, NSW, 2000, and a registered share capital of AU$190,000,005. It is the holding company for the Group's Australian and New Zealand operations.

— Norske Skog Paper Mills (Australia) Limited is a public limited company incorporated on March 15, 1938 under the Corporations Law of Tasmania, registered under Australian company number 009 477 132, having its registered office at Level 9, 59-61 Goulburn Street, Sydney, NSW, 2000, and a registered share capital of AU$7,538,573. It is an operating company within the Group that provides newsprint from the Albury mill and newsprint and magazine paper from the Boyer mill.

— Norske Skog Saugbrugs AS is a limited company incorporated on March 8, 2011 under the Laws of Norway under company registration number 996 732 703, having its registered office at Tistedals gate 9-11, 1772 Halden, Norway, and a registered share capital of NOK 1,052,100,000.00. It is an operating company within the Group that provides magazine paper.

— Norske Skog Skogn AS is a limited company incorporated on March 8, 2011 under the Laws of Norway, under company registration number 996 732 673, having its registered office at Sjøvegen 108, 7620 Skogn, Norway, and a registered share capital of NOK 1,052,100,000.00. It is an operating company within the Group that provides newsprint paper.

— Norske Skog Tasman Limited is a limited liability company incorporated on 25 July 2000 under the laws of New Zealand having its registered office at C/- Norkse Skog Tasman Limited, Fletcher Avenue, Kawerau , New Zealand with registered company number 1046952 with 725,000,100 issued shares. It is the owner and operator of the Tasman mill producing newsprint paper.

— Norske Treindustrier AS is a limited company incorporated on November 12, 1993, under the Laws of Norway, under company registration number 967 902 500, having its registered office at Karenslyst allé 49, 0279 Oslo, Norway, and a registered share capital of NOK 417,340,000.00. It is an intermediate holding company for the Australasian publication paper operations of the Group.

**No Incorporation of Website**

The contents of our websites do not form part of these listing particulars.

**No Incorporation of Our Annual or Interim Reports**

Our publicly available annual reports, each comprising a statement of corporate social responsibility, a report of the Board of Directors, our annual Audited Consolidated Financial Statements and our audited unconsolidated financial information, and our publicly available interim reports, are not included in these listing particulars or incorporated by reference into these listing particulars except for our Consolidated Financial Statements, which are included in these listing particulars beginning on page F-1, and our Board of Directors' reports incorporated by reference from our annual reports.

**Post-Issuance Reporting**

Except as otherwise provided herein, we do not intend to provide post-issuance information regarding the Notes. For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange, the organizational documents of the Parent, the Senior Secured Notes Issuer and the Exchange Notes Issuer, along with the Indenture and our Consolidated Financial Statements as of, and for the four years ended December 31, 2011, 2012, 2013 and 2014, as well as our most recent annual Consolidated Financial Statements and any interim Unaudited Consolidated Financial Statements and any updated organizational documents, will be available at the office of the Paying Agent during normal business hours.

**Litigation**

Except as disclosed elsewhere in these Listing Particulars, the Group is not involved nor has been involved during the twelve months preceding the date of these Listing Particulars, in any litigation, arbitration or administrative proceedings which would, individually or in the aggregate, have a material adverse effect on its results of operations, condition (financial or other) or general affairs and, so far as it is aware, having made all reasonable inquiries, there are no such litigation, arbitration or administrative proceedings pending or threatened.

### No Material Adverse Change

Except as disclosed in these Listing Particulars, there has been no material adverse change in the Group's consolidated financial and trading position since December 31, 2014 (being the last day of the period in respect of which the Group published its latest annual audited consolidated financial statements).

### Initial Purchasers

The Initial Purchasers are Goldman Sachs International, an investment bank located at Peterborough Court, 133 Fleet Street, London EC4A 2BB, UK and Citigroup Global Markets Limited, an investment bank located at Canada Square, London E14 5LB, UK.

## GLOSSARY

The following definitions apply throughout this document unless the context requires otherwise:

| | |
|---|---|
| **Australasia** . . . . . . . . . . . . . . | means Australia, New Zealand, New Guinea and the neighboring islands. |
| **chemical pulp** . . . . . . . . . . . . | means pulp produced by treating wood chips with chemicals in a pressure vessel (known as a digester) which removes lignin and other wood sugars leaving only the cellulose fibers. |
| **coated paper** . . . . . . . . . . . . . | means paper which is coated with clay and usually super calendared to produce a glossy surface. |
| **fine paper** . . . . . . . . . . . . . . . | means a general term for writing and printing paper of high quality, usually made from at least 90% bleached chemical pulp. |
| **gsm** . . . . . . . . . . . . . . . . . . . . | means ''grams per square meter'', a measurement of weight per square meter of a given paper grade. |
| **LWC** . . . . . . . . . . . . . . . . . . . | means light weight coated paper and is a coated mechanical paper grade. |
| **mechanical pulp** . . . . . . . . . . | means pulp produced from the logs or wood chips by mechanically breaking the bonds between wood fibers, as opposed to chemical methods. |
| **newsprint** . . . . . . . . . . . . . . . | means printing paper used primarily in newspapers and made largely from mechanical or recycled pulp and sometimes a portion of chemical pulp is added to provide greater strength. |
| **PPPC** . . . . . . . . . . . . . . . . . . | means the Pulp and Paper Products Council. |
| **publication paper** . . . . . . . . . | means newsprint and magazine paper. |
| **pulp** . . . . . . . . . . . . . . . . . . . | means wood fibers and lignin in a wet or dry state derived from wood from a variety of pulping processes, including cooking, refining and grinding. |
| **recovered paper** . . . . . . . . . . | means used newspapers and magazines, paper recovered from offices and printing works, used packaging. |
| **RISI** . . . . . . . . . . . . . . . . . . . . | means Resource Information System, Inc. |
| **SC** . . . . . . . . . . . . . . . . . . . . . | means super calendared paper and is an uncoated mechanical paper grade. |
| **TMP** . . . . . . . . . . . . . . . . . . . | means thermo mechanical pulp which is a type of mechanical pulp produced by grinding pre heated and steamed woodchips between two large counter rotating discs. |
| **ton** . . . . . . . . . . . . . . . . . . . . | means a metric ton, which is equal to 1,000 kilograms or 2,204.59 pounds. |

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**NORSKE SKOG HOLDING AS**

**BALANCE SHEET**

**AS OF DECEMBER 31, 2014**

| | DEC 2014 | NOV 2014 |
|---|---|---|
| Deferred tax asset | 0 | 0 |
| Intangible assets | 0 | 0 |
| Property, plant and equipment | 0 | 0 |
| Investments in associated companies | 0 | 0 |
| Other non-current assets | 60,000 | 60,000 |
| **Total non-current assets** | **60,000** | **60,000** |
| Inventories | 0 | 0 |
| Trade and other receivables | 0 | 0 |
| Cash and cash equivalents | 60,000 | 60,000 |
| Other current assets | 0 | 0 |
| **Total current assets** | **60,000** | **60,000** |
| **Total assets** | **120,000** | **120,000** |
| Paid-in equity | 49,433 | 49,433 |
| Retained earnings and other reserves | 0 | 0 |
| Non-controlling interests | 0 | 0 |
| **Total equity** | **49,433** | **49,433** |
| Pension obligations | 0 | 0 |
| Deferred tax liability | 0 | 0 |
| Interest-bearing non-current liabilities | 0 | 0 |
| Other non-current liabilities | 0 | 0 |
| **Total non-current liabilities** | **0** | **0** |
| Interest-bearing current liabilities | 0 | 0 |
| Trade and other payables | 70,567 | 70,567 |
| Tax payable | 0 | 0 |
| Other current liabilities | 0 | 0 |
| **Total current liabilities** | **70,567** | **70,567** |
| **Total liabilities** | **70,567** | **70,567** |
| **Total equity and liabilities** | **120,000** | **120,000** |

**NORSKE SKOG AS**

**BALANCE SHEET**

**AS OF DECEMBER 31, 2014**

| | DEC 2014 | NOV 2014 |
|---|---|---|
| Deferred tax asset | 0 | 0 |
| Intangible assets | 0 | 0 |
| Property, plant and equipment | 0 | 0 |
| Investments in associated companies | 0 | 0 |
| Other non-current assets | 0 | 0 |
| **Total non-current assets** | **0** | **0** |
| Inventories | 0 | 0 |
| Trade and other receivables | 0 | 0 |
| Cash and cash equivalents | 60,000 | 60,000 |
| Other current assets | 0 | 0 |
| **Total current assets** | **60,000** | **60,000** |
| **Total assets** | **60,000** | **60,000** |
| Paid-in equity | 49,433 | 49,433 |
| Retained earnings and other reserves | 0 | 0 |
| Non-controlling interests | 0 | 0 |
| **Total equity** | **49,433** | **49,433** |
| Pension obligations | 0 | 0 |
| Deferred tax liability | 0 | 0 |
| Interest-bearing non-current liabilities | 0 | 0 |
| Other non-current liabilities | 0 | 0 |
| **Total non-current liabilities** | **0** | **0** |
| Interest-bearing current liabilities | 0 | 0 |
| Trade and other payables | 10,567 | 10,567 |
| Tax payable | 0 | 0 |
| Other current liabilities | 0 | 0 |
| **Total current liabilities** | **10,567** | **10,567** |
| **Total liabilities** | **10,567** | **10,567** |
| **Total equity and liabilities** | **60,000** | **60,000** |

**NORSKE SKOG**

**INTERIM FINANCIAL STATEMENTS, FIRST QUARTER OF 2015**

**CONDENSED CONSOLIDATED INCOME STATEMENT**

| NOK MILLION | NOTE | Q1 2015 | Q4 2014 Restated | Q1 2014 Restated | YTD 2015 | YTD 2014 Restated |
|---|---|---|---|---|---|---|
| **Operating revenue** | 5 | **2 886** | **3 208** | **2 867** | **2 886** | **2 867** |
| Distribution costs | | −298 | −331 | −299 | −298 | −299 |
| Cost of materials | | −1 805 | −1 839 | −1 817 | −1 805 | −1 817 |
| Change in inventories | | 141 | −125 | 107 | 141 | 107 |
| Employee benefit expenses | | −496 | −473 | −471 | −496 | −471 |
| Other operating expenses | | −236 | −249 | −234 | −236 | −234 |
| **Gross operating earnings** | | **192** | **190** | **153** | **192** | **153** |
| Depreciation | 4 | −193 | −188 | −181 | −193 | −181 |
| Restructuring expenses | | −3 | −7 | −2 | −3 | −2 |
| Other gains and losses | 7 | 121 | 29 | 38 | 121 | 38 |
| Impairments | 3, 4 | 0 | 0 | 0 | 0 | 0 |
| **Operating earnings** | | **116** | **24** | **8** | **116** | **8** |
| Share of profit in associated companies | | −7 | −4 | 8 | −7 | 8 |
| Financial items | | 600 | −858 | −77 | 600 | −77 |
| **Profit/loss before income taxes** | | **709** | **−839** | **−61** | **709** | **−61** |
| Income taxes | | −46 | −178 | 16 | −46 | 16 |
| **Profit/loss for the period** | | **663** | **−1 017** | **−45** | **663** | **−45** |
| **Profit/loss for the period attributable to:** | | | | | | |
| Owners of the parent | | 663 | −1 017 | −45 | 663 | −45 |
| Non-controlling interests | | 0 | 0 | 0 | 0 | 0 |
| Basic/diluted earnings per share (NOK) | | 3.49 | −5.35 | −0.24 | 3.49 | −0.24 |

## NORSKE SKOG

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

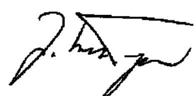
| NOK MILLION | Q1 2015 | Q4 2014 Restated | Q1 2014 Restated | YTD 2015 | YTD 2014 Restated |
|---|---|---|---|---|---|
| **Profit/loss for the period** | **663** | **–1 017** | **–45** | **663** | **–45** |
| **Other comprehensive income** | | | | | |
| ***Items that may be reclassified subsequently to profit or loss*** | | | | | |
| Currency translation differences | –369 | 573 | 38 | –369 | 38 |
| Tax expense on translation differences | 189 | 157 | 25 | 189 | 25 |
| Hedge of net investment in foreign operations | 58 | –192 | 24 | 58 | 24 |
| Tax expense on net investment hedge | 0 | 10 | 0 | 0 | 0 |
| Reclassified translation differences upon divestment of foreign operations | 0 | 0 | 0 | 0 | 0 |
| Reclassified hedging gain/loss on net investment upon divestment of foreign operations | 0 | 0 | 0 | 0 | 0 |
| Tax expense on reclassifications | 0 | 0 | 0 | 0 | 0 |
| Other items | 0 | 0 | 0 | 0 | 0 |
| Tax expense on other items | 0 | 0 | 0 | 0 | 0 |
| ***Total*** | **–123** | **548** | **87** | **–123** | **87** |
| ***Items that will not be reclassified subsequently to profit or loss*** | | | | | |
| Remeasurements of post employment benefit obligations | 0 | –68 | 0 | 0 | 0 |
| Tax effect on remeasurements of post employment benefit obligations | 0 | 0 | 0 | 0 | 0 |
| ***Total*** | **0** | **0** | **0** | **0** | **0** |
| **Other comprehensive income for the period** | **–123** | **481** | **87** | **–123** | **87** |
| **Comprehensive income for the period** | **540** | **–535** | **42** | **540** | **42** |
| **Comprehensive income for the period attributable to:** | | | | | |
| Owners of the parent | 540 | –535 | 42 | 540 | 42 |
| Non-controlling interests | 0 | 0 | 0 | 0 | 0 |

**NORSKE SKOG**

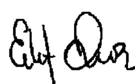
**CONDENSED CONSOLIDATED BALANCE SHEET**

| NOK MILLION | NOTE | 31 MAR 2015 | 31 DEC 2014 Restated | 31 MAR 2014 Restated | 1 JAN 2014 Restated |
|---|---|---|---|---|---|
| Deferred tax asset | | 288 | 520 | 519 | 472 |
| Intangible assets | 4 | 97 | 92 | 115 | 152 |
| Property, plant and equipment | 3, 4 | 8 973 | 9 180 | 8 995 | 9 025 |
| Investments in associated companies | | 433 | 429 | 376 | 595 |
| Other non-current assets | 7 | 502 | 387 | 366 | 299 |
| **Total non-current assets** | | **10 293** | **10 607** | **10 371** | **10 542** |
| Inventories | | 1 455 | 1 334 | 1 377 | 1 274 |
| Trade and other receivables | | 1 181 | 1 209 | 1 458 | 1 574 |
| Cash and cash equivalents | 6 | 1 306 | 710 | 878 | 1 015 |
| Other current assets | 7 | 56 | 39 | 116 | 141 |
| **Total current assets** | | **3 997** | **3 291** | **3 829** | **4 005** |
| **Total assets** | | **14 290** | **13 899** | **14 199** | **14 548** |
| Paid-in equity | | 12 302 | 12 302 | 12 302 | 12 302 |
| Retained earnings and other reserves | | −10 266 | −11 805 | −9 900 | −9 942 |
| Non-controlling interests | | 0 | 0 | 0 | 0 |
| **Total equity** | | **2 037** | **1 497** | **2 403** | **2 360** |
| Pension obligations | | 792 | 820 | 706 | 714 |
| Deferred tax liability | | 396 | 415 | 378 | 392 |
| Interest-bearing non-current liabilities | 6 | 8 117 | 7 004 | 7 038 | 6 973 |
| Other non-current liabilities | 7 | 461 | 474 | 449 | 479 |
| **Total non-current liabilities** | | **9 766** | **8 713** | **8 572** | **8 559** |
| Interest-bearing current liabilities | 6 | 393 | 1 267 | 814 | 1 044 |
| Trade and other payables | | 1 800 | 2 172 | 1 860 | 2 040 |
| Tax payable | | 3 | 13 | 22 | 39 |
| Other current liabilities | 7 | 291 | 236 | 528 | 506 |
| **Total current liabilities** | | **2 487** | **3 688** | **3 225** | **3 628** |
| **Total liabilities** | | **12 253** | **12 401** | **11 797** | **12 187** |
| **Total equity and liabilities** | | **14 290** | **13 899** | **14 199** | **14 548** |

**SKØYEN, 22 APRIL 2015—THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA**



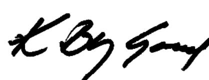
Jon-Aksel Torgersen
Chair



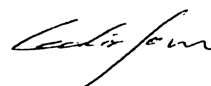
Eilif Due
Board member

Ole Enger
Board member

Siri Beate Hatlen
Board member

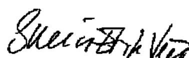


Karin Bing Orgland
Board member



Cecilie Jonassen
Board member

Paul Kristiansen
Board member



Svein Erik Veie
Board member

Sven Ombudstvedt
President and CEO

**NORSKE SKOG**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

| NOK MILLION | Q1 2015 | Q4 2014 | Q1 2014 | YTD 2015 | YTD 2014 |
|---|---|---|---|---|---|
| Cash generated from operations | 2 849 | 3 371 | 3 180 | 2 849 | 3 180 |
| Cash used in operations | −3 225 | −2 714 | −3 108 | −3 225 | −3 108 |
| Cash from net financial items | −131 | −216 | −58 | −131 | −58 |
| Taxes paid | −11 | −17 | −17 | −11 | −17 |
| **Net cash flow from operating activities** [(1)] | **−518** | **425** | **−4** | **−518** | **−4** |
| Purchases of property, plant and equipment and intangible assets | −26 | −74 | −116 | −26 | −116 |
| Sales of property, plant and equipment and intangible assets | 1 | 2 | 1 | 1 | 1 |
| Dividend received | 0 | 0 | 0 | 0 | 0 |
| Purchase of shares in companies and other investments | −1 | 0 | −3 | −1 | −3 |
| Sales of shares in companies and other investments | 0 | 0 | 51 | 0 | 51 |
| **Net cash flow from investing activities** | **−26** | **−72** | **−67** | **−26** | **−67** |
| New loans raised | 2 315 | 91 | 173 | 2 315 | 173 |
| Repayments of loans | −1 184 | −295 | −238 | −1 184 | −238 |
| **Net cash flow from financing activities** | **−1 131** | **−204** | **−65** | **−1 131** | **−65** |
| Foreign currency effects on cash and cash equivalents | 10 | 61 | −1 | 10 | −1 |
| **Total change in cash and cash equivalents** | **597** | **210** | **−137** | **597** | **−137** |
| **Cash and cash equivalents at start of period** | 710 | 500 | 1 015 | 710 | 1 015 |
| **Cash and cash equivalents at end of period** | 1 306 | 710 | 878 | 1 306 | 878 |

(1) **Reconciliation of net cash flow from operating activities**

| | Q1 2015 | Q4 2014 | Q1 2014 | YTD 2015 | YTD 2014 |
|---|---|---|---|---|---|
| Gross operating earnings | 192 | 190 | 153 | 192 | 153 |
| Change in working capital | −546 | 522 | 40 | −546 | 40 |
| Payments made relating to restructuring activities | −4 | −9 | −111 | −4 | −111 |
| Adjustment for other items | −17 | −46 | −10 | −17 | −10 |
| Cash flow from net financial items | −131 | −216 | −58 | −131 | −58 |
| Taxes paid | −11 | −17 | −17 | −11 | −17 |
| **Net cash flow from operating activities** | **−518** | **425** | **−4** | **−518** | **−4** |

## NORSKE SKOG

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

| NOK MILLION | Paid-in equity | Retained earnings | Hedge accounting | Other equity reserves | Total before non-controlling interests | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| **Equity 1 January 2014** | **12 302** | **−10 205** | **−190** | **269** | **2 175** | **0** | **2 175** |
| Effect of changed accounting practice | 0 | 185 | 0 | 0 | 185 | 0 | 185 |
| **Equity 1 January 2014 (restated)** | **12 302** | **−10 020** | **−190** | **269** | **2 360** | **0** | **2 360** |
| Profit/loss for the period | 0 | −45 | 0 | 0 | −45 | 0 | −45 |
| Other comprehensive income for the period | 0 | 0 | 24 | 63 | 87 | 0 | 87 |
| **Equity 31 March 2014** | **12 302** | **−10 065** | **−166** | **332** | **2 403** | **0** | **2 403** |
| Profit/loss for the period | 0 | −1 432 | 0 | 0 | −1 432 | 0 | −1 432 |
| Other comprehensive income for the period | 0 | 0 | −165 | 691 | 526 | 0 | 526 |
| Non-controlling interest — divested operations | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Equity 31 December 2014** | **12 302** | **−11 497** | **−331** | **1 023** | **1 497** | **0** | **1 497** |
| Profit/loss for the period | 0 | 663 | 0 | 0 | 663 | 0 | 663 |
| Other comprehensive income for the period | 0 | 0 | 58 | −181 | −123 | 0 | −123 |
| **Equity 31 March 2015** | **12 302** | **−10 834** | **−273** | **842** | **2 037** | **0** | **2 037** |

## 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 April 2015.

Norske Skog's accounting treatment of embedded derivatives in energy contracts in Norway has been changed with effect from 1 January 2015.

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

The table below shows the applied average (un-weighted monthly) quarterly foreign exchange rates (Q1 2015 and Q4 2014) and the closing exchange rate (31 March 2015, 31 December 2015 and 1 January 2014) for the most important currencies for the Norske Skog group.

| | Q1 2015 | Q4 2014 | 31 MAR 2015 | 31 DEC 2014 | 1 JAN 2014 |
|---|---|---|---|---|---|
| AUD . . . . . . . . . . . . | 6.10 | 5.88 | 6.15 | 6.09 | 5.43 |
| EUR . . . . . . . . . . . . | 8.73 | 8.59 | 8.70 | 9.04 | 8.38 |
| GBP . . . . . . . . . . . . | 11.75 | 10.89 | 11.97 | 11.57 | 10.05 |
| NZD . . . . . . . . . . . . | 5.83 | 5.38 | 6.05 | 5.83 | 5.00 |
| USD . . . . . . . . . . . . | 7.75 | 6.88 | 8.09 | 7.43 | 6.08 |

### 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 2014. 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 2014, except for the adaptation of amended standards and new interpretations, which are mandatory from 1 January 2015. These changes are described in the annual financial statements for 2014.

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

From the first quarter of 2015, Norske Skog has changed its accounting practice for embedded derivatives in energy contracts in Norway. The new accounting policy is assessed to result in financial reporting that is more aligned to the rationale for requiring separation of embedded derivatives and will accordingly result in more relevant and less volatile information being presented to the users of the financial statements. In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates*, 2014 figures in the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet and condensed consolidated statement of cash flows have been restated. The implementation effects of the amended practices are further described in Note 7.

### 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.

## 3. ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (Continued)

*Estimated decline in value of intangible assets and property, plant and equipment*

Intangible assets which have an indefinite useful life and goodwill are not subject to amortisation, but are tested annually for impairment. Property, plant and equipment, and intangible assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit. Norske Skog applies a weighted average cost of capital (WACC) model for calculating the present value of future cash flows. Calculation of value in use requires use of estimates.

There was no indication that further impairments or reversals of previous impairments should be made at 31 March 2015.

*Commodity contracts and embedded derivatives in commodity contracts measured at fair value*

Commodity contracts that fail to meet the own-use exemption criteria in IAS 39 *Financial instruments—recognition and measurement* are recognised in the balance sheet and valued at fair value. Fair values of commodity contracts and embedded derivatives in commodity contracts which are not traded in an active 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 annual financial statements for 2014 for more information regarding the calculation of fair value of derivatives.

*Provisions*

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

Provisions for future environmental and dismantling liabilities are based on a number of assumptions made using management's best judgment. See Note 2 in the annual financial statements for 2014 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 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.

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

| JAN - MAR | PROPERTY, PLANT AND EQUIPMENT | INTANGIBLE ASSETS | TOTAL |
|---|---|---|---|
| Carrying value at start of period | 9 180 | 92 | 9 272 |
| Additions(*) | 26 | 21 | 47 |
| Depreciation | –191 | –2 | –193 |
| Impairments | 0 | 0 | 0 |
| Value changes | –2 | 0 | –2 |
| Disposals | 0 | –14 | –14 |
| Currency translation differences | –40 | 0 | –40 |
| **Carrying value at end of period** | **8 973** | **97** | **9 070** |

(*) 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.

### PROPERTY, PLANT AND EQUIPMENT PER SEGMENT

| | PROPERTY, PLANT AND EQUIPMENT | INTANGIBLE ASSETS | TOTAL |
|---|---|---|---|
| Publication paper Europe | 5 033 | 14 | 5 047 |
| Publication paper Australasia | 3 919 | 11 | 3 930 |
| Other activities | 21 | 72 | 93 |
| **Total** | **8 973** | **97** | **9 070** |

## 5. OPERATING SEGMENTS

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

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

Activities that are not part of the operating segments are included in other activities.

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

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.

## 5. OPERATING SEGMENTS (Continued)

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

| Q1 2015 | PUBLICATION PAPER EUROPE | PUBLICATION PAPER AUSTRALASIA | OTHER ACTIVITIES | ELIMINATIONS | NORSKE SKOG GROUP |
|---|---|---|---|---|---|
| **Operating revenue** | **2 026** | **863** | **29** | **−31** | **2 886** |
| Distribution costs | −197 | −102 | 0 | 0 | −298 |
| Cost of materials | −1 364 | −475 | 34 | 0 | −1 805 |
| Change in inventories | 131 | 11 | 0 | 0 | 141 |
| Employee benefit expenses | −335 | −130 | −32 | 0 | −496 |
| Other operating expenses | −166 | −72 | −30 | 31 | −236 |
| **Gross operating earnings** | **95** | **95** | **2** | **0** | **192** |
| Depreciation | −105 | −86 | −2 | 0 | −193 |
| Restructuring expenses | 0 | −3 | 0 | 0 | −3 |
| Other gains and losses | 1 | −1 | 120 | 0 | 121 |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| **Operating earnings** | **−9** | **5** | **120** | **0** | **116** |
| Share of operating revenue from external parties (%) | 100 | 100 | 2 | | 100 |

| Q4 2014 (restated) | PUBLICATION PAPER EUROPE | PUBLICATION PAPER AUSTRALASIA | OTHER ACTIVITIES | ELIMINATIONS | NORSKE SKOG GROUP |
|---|---|---|---|---|---|
| **Operating revenue** | **2 280** | **930** | **19** | **−21** | **3 208** |
| Distribution costs | −217 | −115 | 0 | 0 | −331 |
| Cost of materials | −1 341 | −484 | −14 | 0 | −1 839 |
| Change in inventories | −71 | −54 | 0 | 0 | −125 |
| Employee benefit expenses | −335 | −119 | −20 | 0 | −473 |
| Other operating expenses | −188 | −65 | −17 | 21 | −249 |
| **Gross operating earnings** | **129** | **92** | **−32** | **0** | **190** |
| Depreciation | −103 | −81 | −4 | 0 | −188 |
| Restructuring expenses | −5 | −2 | 0 | 0 | −7 |
| Other gains and losses | −9 | −9 | 47 | 0 | 29 |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| **Operating earnings** | **13** | **−1** | **11** | **0** | **24** |
| Share of operating revenue from external parties (%) | 100 | 100 | 5 | | 100 |

## 5. OPERATING SEGMENTS (Continued)

| Q1 2014 (restated) | PUBLICATION PAPER EUROPE | PUBLICATION PAPER AUSTRALASIA | OTHER ACTIVITIES | ELIMINATIONS | NORSKE SKOG GROUP |
|---|---|---|---|---|---|
| **Operating revenue** | **2 211** | **658** | **34** | **−35** | **2 867** |
| Distribution costs | −220 | −79 | 0 | 0 | −299 |
| Cost of materials | −1 459 | −356 | −1 | −1 | −1 817 |
| Change in inventories | 95 | 12 | 0 | 0 | 107 |
| Employee benefit expenses | −330 | −117 | −24 | 0 | −471 |
| Other operating expenses | −176 | −65 | −29 | 36 | −234 |
| **Gross operating earnings** | **121** | **54** | **−21** | **0** | **153** |
| Depreciation | −98 | −79 | −4 | 0 | −181 |
| Restructuring expenses | −2 | 0 | 0 | 0 | −2 |
| Other gains and losses | 0 | −11 | 48 | 0 | 38 |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| **Operating earnings** | **21** | **−36** | **24** | **0** | **8** |
| Share of operating revenue from external parties (%) | 98 | 100 | 1 | | 100 |

### OTHER ACTIVITIES

| INCOME STATEMENT | Q1 2015 | Q4 2014 | Q1 2014 | YTD 2015 | YTD 2014 |
|---|---|---|---|---|---|
| **OPERATING REVENUE** | | | | | |
| Corporate functions | 27 | 17 | 32 | 27 | 32 |
| Miscellaneous | 8 | 5 | 8 | 8 | 8 |
| Eliminations | −6 | −3 | −7 | −6 | −7 |
| **Total** | **29** | **19** | **34** | **29** | **34** |
| **GROSS OPERATING EARNINGS** | | | | | |
| Corporate functions | 1 | −32 | −15 | 1 | −15 |
| Miscellaneous | 0 | 0 | −6 | 0 | −6 |
| Eliminations | 0 | 0 | 0 | 0 | 0 |
| **Total** | **2** | **−32** | **−21** | **2** | **−21** |

## 6. FINANCIAL ITEMS AND INTEREST-BEARING DEBT

### FINANCIAL ITEMS

| | Q1 2015 | Q4 2014 | Q1 2014 | YTD 2015 | YTD 2014 |
|---|---|---|---|---|---|
| **Net interest expenses** | **−205** | **−161** | **−154** | **−205** | **−154** |
| Currency gains/losses(*) | −71 | −674 | 94 | −71 | 94 |
| Other financial items | 877 | −24 | −17 | 877 | −17 |
| **Total financial items** | **600** | **−858** | **−77** | **600** | **−77** |

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

On 22 January 2015, Norske Skog launched two separate offers (i) an offering of EUR 290 million (EUR 179 million) Senior Secured Notes (SSN) due December 2019 to achieve a broader refinancing and debt extension of the group's capital structure 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 senior secured notes (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

## 6. FINANCIAL ITEMS AND INTEREST-BEARING DEBT (Continued)

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 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 869 million in first quarter 2015, included in Other financial items in the table above.

In January, prior to the offering of the SSN and the exchange offer, several changes in the Norske Skog corporate structure were made. Norske Skog AS was established as the issuer of the SSN, while Norske Skog Holding AS was established as the offeror of the exchange notes.

### NET INTEREST-BEARING DEBT

Norske Skog has recognised an amount in the balance sheet as a result of the termination of a large part of the fair value hedge portfolio in the first half of 2009. A hedge reserve (deferred income) amounting to NOK 78 million is included in interest-bearing debt at 31 March 2015. The corresponding figure at 31 December 2014 was NOK 174 million.

The hedge reserve does not constitute any payment obligation for the group, but will be amortised in the income statement over the lifetime of the debt that has been hedged. The change in the hedge reserve this quarter is due to realisation of a part of the hedge reserve as a consequence of the exchange offer.

| 31 MARCH 2015 | REPORTED KEY FIGURES |
|---|---|
| Interest-bearing non-current liabilities | 8 117 |
| Interest-bearing current liabilities | 393 |
| —Hedge reserve | 78 |
| —Cash and cash equivalents | 1 306 |
| **= Net interest-bearing debt** | **7 126** |

### DEBT REPAYMENT SCHEDULE

| CONTRACTUAL INSTALMENT PAYMENTS ON CURRENT AND NON-CURRENT INTEREST-BEARING DEBT | 31 MAR 2015 |
|---|---|
| 2015—second quarter | 22 |
| 2015—third quarter | 21 |
| 2015—fourth quarter | 335 |
| 2016 | 1 299 |
| 2017 | 2 049 |
| 2018 | 29 |
| 2019 | 2 553 |
| 2020 | 27 |
| 2021 | 1 398 |
| 2022 | 15 |
| 2023 | 508 |
| 2024 to 2033 | 785 |
| **Total** | **9 042** |

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.

## 6. FINANCIAL ITEMS AND INTEREST-BEARING DEBT (Continued)

### BONDS

Bond financing constitutes the majority of Norske Skog's total debt financing. The 2015, 2016, 2017 and 2033 bonds are issued by Norske Skogindustrier ASA and are unsecured. The 2019 bond is issued by Norske Skog AS and is secured. The 2021 and 2023 bonds are issued by Norske Skog Holding AS and are unsecured. The table below shows Norske Skog's issued bonds at 31 March 2015.

| MATURITY | CURRENCY | COUPON | ORIGINAL AMOUNT | OUTSTANDING AMOUNT 31 MAR 2015 |
|---|---|---|---|---|
| October 2015 | USD | 6.125% | USD 200 mill | USD 38 mill |
| February 2023 | USD | 8.00% | USD 61 mill | USD 61 mill |
| October 2033 | USD | 7.125% | USD 200 mill | USD 95 mill |
| June 2016 | EUR | 11.75% | EUR 150 mill | EUR 115 mill |
| June 2017 | EUR | 7.00% | EUR 500 mill | EUR 212 mill |
| December 2019 | EUR | 11.75% | EUR 290 mill | EUR 290 mill |
| February 2021 | EUR | 8.00% | EUR 159 mill | EUR 159 mill |

Norske Skog has bought back bonds for approximately NOK 135 million (par value) in aggregate of bonds falling due in 2015, 2016 and 2017 during the first quarter of 2015. Annually saved interest cost on the bought back bonds amounts to approximately NOK 12 million.

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

| | ASSETS | | LIABILITIES | |
|---|---|---|---|---|
| 31 MAR 2015 | CURRENT | NON-CURRENT | CURRENT | NON-CURRENT |
| Energy contracts and embedded derivatives in energy contracts (level 3) | 38 | 347 | −11 | −51 |
| Energy contracts (level 2) | 0 | 0 | −23 | −34 |
| Other raw material contracts (level 3) | 2 | 0 | 0 | 0 |
| Other derivatives and financial instruments carried at fair value (level 2) | 0 | 0 | 0 | 0 |
| **Total** | **40** | **347** | **−34** | **−85** |

Norske Skog's portfolio of commodity contracts consists primarily of physical energy contracts. The fair value of commodity contracts is particularly sensitive to future fluctuations in energy prices. The fair value of embedded derivatives in physical contracts depends on currency and price index fluctuations.

Higher energy prices have a positive impact on fair value. Energy prices in New Zealand have increased in the short end of the price curve while the prices in the long end are virtually unchanged 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 117 million in the first quarter of 2015 (NOK −187 million in the fourth quarter of 2014).

Norske Skog has changed its accounting principle for embedded derivatives in energy contracts in Norway with effect from 1 January 2015, with full retrospective application. Comparable figures for 2014

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

have been restated. Since the change in accounting principle is applied retrospectively, the balance sheet at 1 January 2014 has been included in the interim financial statements for the first quarter of 2015.

The change in accounting principle regards which economic characteristics and risks of embedded derivatives that are considered closely related to a power purchase or sale contract between buyers and sellers in Norway. An embedded foreign currency derivative is closely related, and shall accordingly not be accounted for separately, if it is commonly used in the economic environment in which the transaction takes place. As of 1 January 2015, Norske Skog has changed its interpretation of what is considered an economic environment for the purpose of separation of embedded foreign currency derivatives in non-financial contracts, so that the Norwegian and Nordic power market is considered an economic environment for these purposes. Norske Skog has assessed EUR to be a commonly used currency in the Norwegian and Nordic power market, including in long-term contracts to buy or sell physical power between buyers and sellers in this market. The energy market in Europe is further assessed to be an integrated economic environment where contracts to buy and sell power are commonly denominated in EUR. 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 in the condensed consolidated balance sheet have been restated. The following line items have been impacted in the condensed consolidated balance sheet: Deferred tax asset, Retained earnings and other reserves, Other non-current liabilities and Other current liabilities. Retained earnings and other reserves were increased by NOK 185 million at 1 January 2014 (increased by NOK 130 million at 31 March 2014 and increased by NOK 212 million at 31 December 2014).

## 8. PRINCIPAL SHAREHOLDERS

| PRINCIPAL SHAREHOLDERS AT 31 MARCH 2015 | NUMBER OF SHARES | OWNERSHIP % |
|---|---|---|
| Nobelsystem Scandinavia AS | 9 850 000 | 5.19 |
| Kontrari AS | 9 650 000 | 5.08 |
| Dimensional Fund Advisors | 6 721 165 | 3.54 |
| Allskog BA | 5 295 662 | 2.79 |
| Astrup Fearnley AS | 5 189 688 | 2.73 |
| Nil Spectatio Finans AS | 4 498 615 | 2.37 |
| Uthalden A/S | 4 450 000 | 2.34 |
| Skandinaviska Enskilda Banken | 4 024 000 | 2.12 |
| AT Skog BA | 3 870 203 | 2.04 |
| Nordnet Bank AB (Nominee) | 3 437 053 | 1.81 |
| Regent AS | 3 209 544 | 1.69 |
| Danske Bank A/S (Nominee) | 3 139 164 | 1.65 |
| Fiducia AS | 2 986 644 | 1.57 |
| Barokk Invest AS | 2 710 000 | 1.43 |
| SES AS | 2 200 000 | 1.16 |
| Alfaplan AS | 2 040 000 | 1.07 |
| Torstein I. Tvenge | 2 000 000 | 1.05 |
| UBS Wealth Management (Nominee) | 1 891 615 | 1.00 |
| Shareholders with < 1% ownership | 112 782 273 | 59.38 |
| **Total** | **189 945 626** | **100.00** |

## 9. THE NORSKE SKOG SHARE

| | 31 MAR 2015 | 31 DEC 2014 Restated | 30 SEP 2014 Restated | 30 JUN 2014 Restated | 31 MAR 2014 Restated |
|---|---|---|---|---|---|
| Share price (NOK) | 4.57 | 3.84 | 3.94 | 4.92 | 4.90 |
| Book value of equity per share (NOK) | 10.72 | 7.88 | 10.70 | 12.78 | 12.65 |

## 10. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after the balance sheet date with significant impact on the interim financial statements for the first quarter of 2015.

## 11. HISTORICAL FIGURES

| INCOME STATEMENT | Q1 2015 | Q4 2014 Restated | Q3 2014 Restated | Q2 2014 Restated | Q1 2014 Restated |
|---|---|---|---|---|---|
| **Operating revenue** | **2 886** | **3 208** | **3 057** | **3 018** | **2 867** |
| Variable costs | −1 962 | −2 296 | −2 144 | −2 057 | −2 009 |
| Fixed costs | −733 | −722 | −705 | −710 | −705 |
| **Gross operating earnings** | **192** | **190** | **208** | **251** | **153** |
| Depreciation | −193 | −188 | −186 | −180 | −181 |
| Restructuring expenses | −3 | −7 | 5 | 0 | −2 |
| Other gains and losses | 121 | 29 | −33 | 5 | 38 |
| **Operating earnings** | **116** | **24** | **−6** | **76** | **8** |
| Share of profit in associated companies | −7 | −4 | 0 | −3 | 8 |
| Financial items | 600 | −858 | −138 | −284 | −77 |
| **Profit/loss before income taxes** | **709** | **−839** | **−143** | **−211** | **−61** |
| Income taxes | −46 | −178 | −124 | 63 | 16 |
| **Profit/loss for the period** | **663** | **−1 017** | **−267** | **−148** | **−45** |

| SEGMENT INFORMATION | Q1 2015 | Q4 2014 | Q3 2014 | Q2 2014 | Q1 2014 |
|---|---|---|---|---|---|
| **Publication paper Europe** | | | | | |
| Operating revenue | 2 026 | 2 280 | 2 244 | 2 266 | 2 211 |
| Gross operating earnings | 95 | 129 | 159 | 173 | 121 |
| Deliveries (1 000 tonnes) | 436 | 496 | 508 | 504 | 490 |
| **Publication paper Australasia** | | | | | |
| Operating revenue | 863 | 930 | 816 | 755 | 658 |
| Gross operating earnings | 95 | 92 | 59 | 82 | 54 |
| Deliveries (1 000 tonnes) | 155 | 180 | 161 | 147 | 130 |
| **Other activities** | | | | | |
| Operating revenue | 29 | 19 | 33 | 34 | 34 |
| Gross operating earnings | 2 | −32 | −10 | −4 | −21 |

## 11. HISTORICAL FIGURES (Continued)

| BALANCE SHEET | 31 MAR 2015 | 31 DEC 2014 Restated | 30 SEP 2014 Restated | 30 JUN 2014 Restated | 31 MAR 2014 Restated |
|---|---|---|---|---|---|
| **Total non-current assets** | **10 293** | **10 607** | **9 903** | **10 464** | **10 371** |
| Inventories | 1 455 | 1 334 | 1 382 | 1 456 | 1 377 |
| Trade and other receivables | 1 181 | 1 209 | 1 321 | 1 176 | 1 458 |
| Cash and cash equivalents | 1 306 | 710 | 500 | 580 | 878 |
| Other current assets | 56 | 39 | 25 | 55 | 116 |
| **Total current assets** | **3 997** | **3 291** | **3 227** | **3 268** | **3 829** |
| **Total assets** | **14 290** | **13 899** | **13 131** | **13 732** | **14 199** |
| **Total equity** | **2 037** | **1 497** | **2 033** | **2 427** | **2 403** |
| **Total non-current liabilities** | **9 766** | **8 713** | **8 715** | **8 885** | **8 572** |
| Trade and other payables | 1 800 | 2 172 | 1 844 | 1 907 | 1 860 |
| Other current liabilities | 687 | 1 517 | 539 | 513 | 1 365 |
| **Total current liabilities** | **2 487** | **3 688** | **2 383** | **2 420** | **3 225** |
| **Total liabilities** | **12 253** | **12 401** | **11 098** | **11 305** | **11 797** |
| **Total equity and liabilities** | **14 290** | **13 899** | **13 131** | **13 732** | **14 199** |

| CASH FLOW | Q1 2015 | Q4 2014 | Q3 2014 | Q2 2014 | Q1 2014 |
|---|---|---|---|---|---|
| **Reconciliation of net cash flow from operating activities** | | | | | |
| Gross operating earnings | 192 | 190 | 208 | 251 | 153 |
| Change in operating working capital | −489 | 437 | −117 | 62 | 27 |
| Payments made relating to restructuring activities | −4 | −9 | −12 | −21 | −111 |
| Cash flow from net financial items | −131 | −216 | −15 | −458 | −58 |
| Taxes paid | −11 | −17 | −6 | −2 | −17 |
| Other | −75 | 40 | −25 | −84 | 3 |
| **Net cash flow from operating activities** | **−518** | **425** | **31** | **−252** | **−4** |
| Purchases of property, plant and equipment and intangible assets | −26 | −74 | −55 | −29 | −116 |
| Net divestments | 0 | 1 | 10 | 261 | 49 |
| Dividend received | 0 | 0 | 0 | 0 | 0 |
| **Net cash flow from investing activities** | **−26** | **−72** | **−44** | **231** | **−67** |
| **Net cash flow from financing activities** | **−1 131** | **−204** | **−58** | **−313** | **−65** |
| Foreign currency effects on cash and cash equivalents | **10** | **61** | **−9** | **36** | **−1** |
| **Total change in cash and cash equivalents** | **−597** | **210** | **−80** | **−298** | **−137** |

**NORSKE SKOGINDUSTRIER ASA**

**CONSOLIDATED INCOME STATEMENT**

**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

| NOK MILLION | NOTE | 2014 | 2013 |
|---|---|---|---|
| **Operating revenue** | 3 | **12 150** | **13 339** |
| Distribution costs | | −1 249 | −1 398 |
| Cost of materials | | −7 228 | −8 017 |
| Change in inventories | | −30 | −45 |
| Employee benefit expenses | 12 | −1 908 | −2 002 |
| Other operating expenses | 14 | −935 | −1 014 |
| **Gross operating earnings** | | **801** | **862** |
| Depreciation | 4 | −735 | −728 |
| Restructuring expenses | 20 | −4 | −145 |
| Other gains and losses | 16 | 3 | −1 100 |
| Impairments | 4 | 0 | 0 |
| **Operating earnings** | | **65** | **−1 111** |
| Share of profit in associated companies | 19 | 1 | 26 |
| Financial items | 5 | −1 357 | −1 258 |
| **Profit/loss before income taxes** | | **−1 291** | **−2 344** |
| Income taxes | 17 | −213 | 500 |
| **Profit/loss** | | **−1 504** | **−1 844** |
| **Profit/loss attributable to:** | | | |
| Owners of the parent | | −1 504 | −1 844 |
| Non-controlling interests | 21 | 0 | 0 |
| Basic/diluted earnings per share (NOK) | 22 | −7.92 | −9.71 |

**NORSKE SKOGINDUSTRIER ASA**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

| NOK MILLION | 2014 | 2013 |
|---|---|---|
| **Profit/loss** | **−1 504** | **−1 844** |
| **Other comprehensive income** | | |
| ***Items that may be reclassified subsequently to profit or loss*** | | |
| Currency translation differences | 647 | 140 |
| Tax expense on translation differences | 182 | −30 |
| Hedge of net investment in foreign operations | −151 | −243 |
| Tax expense on net investment hedge | 10 | −4 |
| Reclassified translation differences upon divestment of foreign operations | 1 | 221 |
| Reclassified hedging gain/loss on net investment upon divestment of foreign operations | 0 | −361 |
| Tax expense on reclassifications | 0 | 101 |
| Other items | −7 | 1 |
| Tax expense on other items | 0 | 0 |
| **Total** | **681** | **−175** |
| ***Items that will not be reclassified subsequently to profit or loss*** | | |
| Remeasurements of post employment benefit obligations | −88 | 52 |
| Tax effect on remeasurements of post employment benefit obligations | 20 | 1 |
| **Total** | **−68** | **53** |
| **Other comprehensive income** | **614** | **−122** |
| **Comprehensive income** | **−890** | **−1 966** |
| **Comprehensive income attributable to:** | | |
| Owners of the parent | −890 | −1 967 |
| Non-controlling interests | 0 | 1 |

**NORSKE SKOGINDUSTRIER ASA**

**CONSOLIDATED BALANCE SHEET**

**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

| NOK MILLION | NOTE | 31.12.2014 | 31.12.2013 |
|---|---|---|---|
| **Assets** | | | |
| Deferred tax asset | 17 | 598 | 541 |
| Intangible assets | 4 | 92 | 152 |
| Property, plant and equipment | 3, 4 | 9 180 | 9 025 |
| Investments in associated companies | 19 | 429 | 595 |
| Other non-current assets | 10 | 387 | 299 |
| **Total non-current assets** | | **10 686** | **10 611** |
| Inventories | 3, 18 | 1 334 | 1 274 |
| Trade and other receivables | 10 | 1 209 | 1 574 |
| Cash and cash equivalents | 8 | 710 | 1 015 |
| Other current assets | 18 | 39 | 141 |
| **Total current assets** | | **3 291** | **4 005** |
| **Total assets** | | **13 977** | **14 617** |
| **Shareholders' equity and liabilities** | | | |
| Paid-in equity | | 12 302 | 12 302 |
| Retained earnings and other reserves | 22 | – 11 017 | – 10 127 |
| Non-controlling interests | 21 | 0 | 0 |
| **Total equity** | | **1 285** | **2 175** |
| Pension obligations | 13 | 820 | 714 |
| Deferred tax liability | 17 | 415 | 392 |
| Interest-bearing non-current liabilities | 6, 11 | 7 004 | 6 973 |
| Other non-current liabilities | 18 | 692 | 699 |
| **Total non-current liabilities** | | **8 931** | **8 779** |
| Interest-bearing current liabilities | 11 | 1 267 | 1 044 |
| Trade and other payables | 18 | 2 172 | 2 040 |
| Tax payable | 17 | 13 | 39 |
| Other current liabilities | 18 | 309 | 540 |
| **Total current liabilities** | | **3 761** | **3 662** |
| **Total liabilities** | | **12 692** | **12 441** |
| **Total equity and liabilities** | | **13 977** | **14 617** |

**SKØYEN, 11 MARCH 2015—THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA**

[Signatures]

**NORSKE SKOGINDUSTRIER ASA**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

| NOK MILLION | NOTE | 2014 | 2013 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash generated from operations | | 12 562 | 13 490 |
| Cash used in operations | | −11 573 | −12 745 |
| Cash flow from currency hedges and financial items | | −99 | 6 |
| Interest payments received | 5 | 13 | 22 |
| Interest payments made | 5 | −661 | −650 |
| Taxes paid | | −42 | −56 |
| **Net cash flow from operating activities(1)** | 3 | **200** | **68** |
| **Cash flow from investing activities** | | | |
| Purchases of property, plant and equipment and intangible assets | 3, 4 | −274 | −529 |
| Sales of property, plant and equipment and intangible assets | | 4 | 23 |
| Dividend received | 5 | 1 | 18 |
| Purchase of shares in companies and other financial payments | | −8 | −68 |
| Sales of shares in companies and other financial payments | | 325 | 387 |
| **Net cash flow from investing activities** | | **48** | **−169** |
| **Cash flow from financing activities** | | | |
| New loans raised | | 569 | 873 |
| Repayments of loans | | −1 209 | −1 024 |
| Purchase/sale of treasury shares | | 0 | 0 |
| **Net cash flow from financing activities** | | **−640** | **−151** |
| Foreign currency effects on cash and cash equivalents | | 86 | 74 |
| **Total change in cash and cash equivalents** | | **−306** | **−178** |
| Cash and cash equivalents 1 January | | 1 015 | 1 194 |
| Cash and cash equivalents 31 December | | 710 | 1 015 |

(1) **Reconciliation of net cash flow from operating activities**

| | NOTE | 2014 | 2013 |
|---|---|---|---|
| Profit/loss before income taxes | | −1 291 | −2 344 |
| Depreciation/impairments | 4 | 735 | 728 |
| Share of profit in associated companies | 19 | −1 | −26 |
| Gains and losses from divestment of business activities and property, plant and equipment | 16 | 17 | 178 |
| Taxes paid | | −42 | −56 |
| Change in trade and other receivables | | 412 | 151 |
| Change in inventories | | 21 | 36 |
| Change in trade and other payables | | 37 | −23 |
| Change in restructuring provision | | −149 | 23 |
| Financial items with no cash impact | | 610 | 637 |
| Gains and losses on commodity contracts and embedded derivatives | 16 | −42 | 907 |
| Adjustments for items with no cash impact | | −107 | −143 |
| **Net cash flow from operating activities** | | **200** | **68** |

## NORSKE SKOGINDUSTRIER ASA

## CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

## FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

| NOK MILLION | PAID-IN EQUITY | RETAINED EARNINGS | HEDGE ACCOUNTING | OTHER EQUITY RESERVES | TOTAL BEFORE NON-CONTROLLING INTERESTS | NON-CONTROLLING INTERESTS | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|
| **Equity 1 January 2013** | **12 302** | **−8 361** | **317** | **−116** | **4 142** | **9** | **4 151** |
| Profit/loss | 0 | −1 844 | 0 | 0 | −1 844 | 0 | −1 844 |
| Other comprehensive income | 0 | 0 | −507 | 385 | −123 | 1 | −122 |
| Change in non-controlling interest — divested operations | 0 | 0 | 0 | 0 | 0 | −10 | −10 |
| **Equity 31 December 2013** | **12 302** | **−10 205** | **−190** | **269** | **2 175** | **0** | **2 175** |
| Profit/loss | 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** |

## 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 nine fully and partly owned mills in seven 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 11 March 2015.

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 (2014 and 2013) and the closing exchange rates (31 December 2014 and 31 December 2013) applied in the balance sheet for the most important currencies for the Norske Skog group.

| | Income statement | | Balance sheet | |
|---|---|---|---|---|
| | 2014 | 2013 | 31.12.2014 | 31.12.2013 |
| AUD | 5.68 | 5.68 | 6.09 | 5.43 |
| EUR | 8.36 | 7.81 | 9.04 | 8.38 |
| GBP | 10.37 | 9.19 | 11.57 | 10.05 |
| NZD | 5.22 | 4.82 | 5.83 | 5.00 |
| USD | 6.30 | 5.87 | 7.43 | 6.08 |

## 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) Subsidiaries

Subsidiaries are all entities over which the group is deemed to have control. The group will have control if it has the power to govern the financial and operating policies, and has exposure to and the power to affect variable returns. Control is generally accompanying a shareholding of more than half of the voting rights.

Subsidiaries are fully consolidated from the date at which control is transferred to the group. They are de-consolidated from the date on which such control ceases.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. The accounting policies of subsidiaries have been amended where necessary to ensure consistency with the policies adopted by the group.

### b) Change in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Upon further acquisition of shares in subsidiaries from non-controlling interests, the

## 2. ACCOUNTING POLICIES (Continued)

difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary, is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

### c) Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### d) 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.

## 2. ACCOUNTING POLICIES (Continued)

### 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 items.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement as Financial items.

#### 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.

## 2. ACCOUNTING POLICIES (Continued)

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.

## 2. ACCOUNTING POLICIES (Continued)

### 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. Furthermore, the energy contracts in Norway are nominated in EUR and contain embedded derivatives that are recognised at fair value through profit or loss. See

## 2. ACCOUNTING POLICIES (Continued)

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 re-measured 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 line 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) (see also Note 9).

## 2. ACCOUNTING POLICIES (Continued)

### 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.

## 2. ACCOUNTING POLICIES (Continued)

### 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.

### 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.

## 2. ACCOUNTING POLICIES (Continued)

### b) Share-based remuneration

Up to and including 2012, the group had a long-term incentive plan where the allocation of synthetic options to members of corporate management was based on the development of the company's share price in relation to a defined group of listed paper producers. The programme resulted in a cash payout if the options were exercised. The fair value of the liability was measured at each balance sheet date and on the settlement date. The plan was discontinued from 2013.

A revised 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.

**2. ACCOUNTING POLICIES (Continued)**

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

## 2. ACCOUNTING POLICIES (Continued)

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. 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 following standards are mandatory for the first time for annual periods beginning on or after 1 January 2014 (the new standards adopted by the group, has not had a significant impact on the financial statements):

### IFRS 10 Consolidated financial statements

IFRS 10 builds on the existing principles that define the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control. The standard has been adopted with effect from 1 January 2014. It has not had a significant impact on the financial statements.

### IFRS 11 Joint arrangements

IFRS 11 removes the option for jointly controlled entities to use proportionate consolidation. Instead, the equity method of accounting must be used. The standard specifies two main categories of joint control: joint ventures and joint operations. For joint ventures, joint control is recognised in accordance with the equity method, but for joint operations, the parties shall recognise their rights in the assets and liabilities included in the collaboration. The standard has been adopted with effect from 1 January 2014. It has not had a significant impact on the financial statements.

### IFRS 12 Disclosures of interests in other entities

The standard contains disclosure requirements for all forms of interests in other entities, including joint ventures, associated companies, special purpose entities and other off balance sheet entities. The standard has been adopted with effect from 1 January 2014. It has not had a significant impact on the financial statements.

### IAS 27 Separate financial statements (revised)

The rules for consolidated financial statements are replaced by the new IFRS 10 and IFRS 12. What remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in

## 2. ACCOUNTING POLICIES (Continued)

separate financial statements. The standard has been adopted with effect from 1 January 2014. It has not had a significant impact on the financial statements.

### IAS 28 Investments in associates and joint ventures (revised)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed, and the standard now describes the application of the equity method to investments in joint ventures in addition to associates. The standard has been adopted with effect from 1 January 2014. It has not had a significant impact on the financial statements.

### IAS 32—Financial instruments: presentation (amendment)

The amendments clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. The standard has been adopted with effect from 1 January 2014. It has not had a significant impact on the financial statements.

### IFRIC 21—Levies

The group has adopted IFRIC 21 Levies with a date of initial application of 1 January 2014. The group operates in a number of countries where it is subject to government levies. The interpretation clarifies that a levy is not recognised until the obligation event specified in the legislation occurs, even if there is no realistic opportunity to avoid the obligation. The standard has not had a significant impact on the financial statements.

### New standards, interpretations and amendments to existing standards

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015. None of these has been early adopted in 2014. 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.

### 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 2017 or later. A final analysis of the consequences of IFRS 15 has not yet been completed.

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

## 2. ACCOUNTING POLICIES (Continued)

represent a substantial risk for significant changes in the capitalised value 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.

### 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. These are written down to their recoverable amount when the recoverable amount is lower than the carrying value of the asset. The recoverable amount from assets or cash-generating units is determined by calculating the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Calculation of value in use requires use of estimates. 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.

## 2. ACCOUNTING POLICIES (Continued)

### 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/m$^2$. 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 2014, Norske Skog had nine fully or partly owned paper mills in seven countries. Two of the mills produce only magazine paper, one produces both magazine paper and newsprint and six mills produce newsprint only.

The composition of Norske Skog's operating segments was changed with effect from 1 January 2014. The activities of the Norske Skog group are now focused on two business systems, namely Europe and Australasia. The segment structure is in line with how the group is managed internally. Norske Skog's chief operating decision maker is corporate management, who distribute resources and assess performance of the group's operating segments. According to the operating model, all mills have a direct reporting line to corporate management. The mills have been aggregated into two operating segments, publication paper Europe and publication paper Australasia, based on geographical location. Norske Skog has an integrated strategy in Europe and Australasia to maximize the profit in each region. The optimisation is carried out through coordinated sales- and operational planning. The regional planning, in combination with structured sales and operational processes, ensures maximisation of profit.

The comparative figures for 2013 have been restated in accordance with the new segment structure.

## 3. OPERATING SEGMENTS (Continued)

### Publication paper Europe

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

### 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 and publication paper Australasia are presented under other activities. This includes corporate functions, real estate activities, energy (commodity contracts and embedded derivatives in commodity contracts) and other holding company activities.

### 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 2 616 000 tonnes in 2014, of which sales to the group's largest customer constituted approximately 300 000 tonnes. Total sales volume in 2014 of newsprint and magazine paper to the five largest customers in Europe and Australasia amounted to approximately 300 000 and 390 000 tonnes respectively.

### OPERATING REVENUE AND EXPENSES PER OPERATING SEGMENT

| 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 |

## 3. OPERATING SEGMENTS (Continued)

| 2013 | PUBLICATION PAPER EUROPE | PUBLICATION PAPER AUSTRALASIA | OTHER ACTIVITIES | ELIMINATIONS | NORSKE SKOG GROUP |
|---|---|---|---|---|---|
| **Operating revenue** | **9 432** | **3 871** | **313** | **−276** | **13 339** |
| Distribution costs | −967 | −431 | 0 | 0 | −1 398 |
| Cost of materials | −5 954 | −2 027 | −156 | 120 | −8 017 |
| Change in inventories | −33 | −12 | 0 | 0 | −45 |
| Employee benefit expenses | −1 377 | −528 | −97 | 0 | −2 002 |
| Other operating expenses | −775 | −279 | −117 | 156 | −1 014 |
| **Gross operating earnings** | **326** | **593** | **−56** | **0** | **862** |
| Depreciation | −359 | −354 | −15 | 0 | −728 |
| Restructuring expenses | −133 | 0 | −13 | 0 | −145 |
| Other gains and losses | 8 | −182 | −926 | 0 | −1 100 |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| **Operating earnings** | **−158** | **57** | **−1 011** | **0** | **−1 111** |
| Share of operating revenue from external parties (%) | 96 | 100 | 17 | | 100 |

### OPERATING REVENUE PER MARKET

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

| | 2014 | 2013 |
|---|---|---|
| Norway | 289 | 267 |
| Rest of Europe | 7 328 | 7 627 |
| North America | 610 | 806 |
| South America | 143 | 238 |
| Australasia | 2 847 | 2 650 |
| Asia | 610 | 1 497 |
| Africa | 323 | 254 |
| **Total** | **12 150** | **13 339** |

### NET CASH FLOW FROM OPERATING ACTIVITIES

| | 2014 | 2013 |
|---|---|---|
| Publication paper Europe | 426 | 688 |
| Publication paper Australasia | 356 | 268 |
| Other activities | 208 | −210 |
| **Total cash flow allocated to segments** | **990** | **746** |
| Cash from net financial items | −747 | −622 |
| Taxes paid | −42 | −56 |
| **Net cash flow from operating activities** | **200** | **68** |

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

| | 2014 | 2013 |
|---|---|---|
| Publication paper Europe | 147 | 170 |
| Publication paper Australasia | 114 | 333 |
| Other activities | 13 | 25 |
| **Total** | **274** | **529** |

## 3. OPERATING SEGMENTS (Continued)

### 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.

| | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Norway | 2 713 | 2 857 |
| Rest of Europe | 2 522 | 2 461 |
| Australasia | 3 642 | 3 447 |
| Activities not allocated to regions | 303 | 260 |
| **Total** | **9 180** | **9 025** |

### INVENTORIES

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

| | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Publication paper Europe | 950 | 978 |
| Publication paper Australasia | 384 | 296 |
| Other activities | 0 | 0 |
| **Total** | **1 334** | **1 274** |

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

| INTANGIBLE ASSETS | GOODWILL | LICENSES AND PATENTS | OTHER INTANGIBLE ASSETS | TOTAL |
|---|---|---|---|---|
| Acquisition cost 1 January 2013 | **4 753** | **107** | **362** | **5 222** |
| Additions | 0 | 0 | 206 | 206 |
| Disposals | 0 | −3 | −256 | −259 |
| Currency translation differences | 0 | 6 | −11 | −5 |
| **Acquisition cost 31 December 2013** | **4 753** | **110** | **301** | **5 164** |
| Accumulated depreciation and impairments 1 January 2013 | **4 695** | **93** | **202** | **4 990** |
| Depreciation | 0 | 2 | 16 | 18 |
| Amortisation of credit facility | 0 | 0 | 8 | 8 |
| Value changes | 0 | 0 | 43 | 43 |
| Disposals | 0 | −1 | −47 | −48 |
| Currency translation differences | 0 | 6 | −5 | 1 |
| **Accumulated depreciation and impairments 31 December 2013** | **4 695** | **100** | **217** | **5 012** |
| **Carrying value 31 December 2013** | **58** | **10** | **84** | **152** |
| 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** |

## 4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (Continued)

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 | 31.12.2014 | 31.12.2013 |
|---|---|---|---|
| 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 2013 | **311** | **34 133** | **7 165** | **712** | **538** | **42 859** |
| Additions | 0 | 245 | 1 | 4 | 315 | 565 |
| Disposals | −21 | −2 272 | −540 | −41 | −9 | −2 883 |
| Change in dismantling provision | 0 | −31 | 0 | 0 | 0 | −31 |
| Reclassified from plant under construction | 0 | 295 | 44 | 2 | −341 | 0 |
| Currency translation differences | −19 | 1 453 | 371 | 52 | 11 | 1 868 |
| **Acquisition cost 31 December 2013** | **271** | **33 823** | **7 041** | **729** | **514** | **42 378** |
| Accumulated depreciation and impairments 1 January 2013 | **136** | **27 622** | **4 852** | **663** | **53** | **33 326** |
| Depreciation | 0 | 621 | 78 | 11 | 0 | 710 |
| Value changes | −15 | 0 | 0 | 0 | 0 | −15 |
| Disposals | 0 | −1 891 | −451 | −40 | −9 | −2 391 |
| Currency translation differences | −6 | 1 413 | 268 | 47 | 1 | 1 723 |
| **Accumulated depreciation and impairments 31 December 2013** | **115** | **27 765** | **4 747** | **681** | **45** | **33 353** |
| **Carrying value 31 December 2013** | **156** | **6 058** | **2 294** | **48** | **469** | **9 025** |
| 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 |
| Reclassification | 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** |

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 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. Capitalised borrowing costs in 2014 amounted to NOK 2 million, and the interest rate used was 8%. The capitalised borrowing costs in 2013 amounted to NOK 14 million, and the interest rate used was 8%.

Disposals in 2014 consists mainly of scrapping of fully depreciated assets at Norske Skog Tasman.

## 4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (Continued)

### Non-current assets held for sale

Norske Skog did not have any non-current assets held for sale at 31 December 2014.

### 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. The new 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 Walsum (Germany), 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 business unit, based on the estimated useful life. The paper industry is a capital-intensive industry where investment decisions are made based on projects with a long time horizon. 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 two to 20 years. For the majority of the paper machines, including those with the highest carrying value, the expected useful life varies from 12 to 20 years. Technical and commercial obsolescence are the main input factors when expected usage of the different paper machines are assessed. Sales volumes develop in accordance with the useful lives of the different paper machines in the group.

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 2014, the discount rate after tax was in the interval from 6.2% to 8.9% (6.1% to 8.1% in 2013). The applied discount rate after tax for publication paper Europe was in the interval from 6.2% to 7.5% and publication paper Australasia was in the interval from 8.4% to 8.9%. The discount rate before tax for publication paper Europe was in in the interval from 9.2% to 10.3% and publication paper Australasia was in the interval from 12% to 12.4%. The main reason for differences in discount rate is due to country specific interest rate levels.

## 4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (Continued)

Different conceptual industry scenarios is considered in the impairment testing. By interpolation between the different conceptual scenarios, all possible outcomes are implicitly considered. The different scenarios are weighted by an estimated probability assigned to each outcome. The impairment testing at 31 December 2014 was based on the operating plan for the group for 2015 as approved by the board of directors.

### 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. Norske Skog has performed sensitivity analyses using the variables mentioned above to predict how fluctuations would influence recoverable amount. 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. Assuming that the current profit level remains for the key assets, there will be no impairment. A reduction in sales price and sales volumes for the whole group in the cash flow period of 5% will cause a reduction in recoverable amount in the order of NOK 3 200 million and NOK 1 300 million respectively. Correspondingly, a 1% increase in the discount rate will cause a reduction in the recoverable amount of NOK 700 million. An appreciation of NOK of 1% against all other functional currencies in the Norske Skog group will cause a reduction in the recoverable amount of NOK 200 million.

### 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 | 2 933 | 1 880 |
| Publication paper Australasia | 3 229 | 365 |
| Other activities | 0 | 0 |
| **Carrying value 31 December 2014** | **6 162** | **2 245** |

### 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 70 million.

In connection with the year-end closing process for 2014, Norske Skog performed a review of the expected remaining useful lives of PPE. The expected useful life for the converted Paper Machine 2 at Norske Skog Boyer has been extended with effect from 1 January 2015, as the machine last year was converted to Magazine paper from Newsprint. In addition, a minor extension in the useful life of Paper Machine 10 at Norske Skog Walsum has been made. No other changes in useful life will be made in 2015 compared to those applied in 2014. Because the level of depreciation in 2014 by far exceeded purchases of PPE and the mentioned extensions in useful life from 1 January 2015, the future annual depreciation amount is expected to decrease.

## 5. FINANCIAL ITEMS

| | 2014 | 2013 |
|---|---|---|
| **Financial income** | | |
| Dividends received | 1 | 18 |
| Interest income | 16 | 21 |
| Other financial income | 0 | 0 |
| **Total** | **16** | **39** |
| **Financial expenses** | | |
| Interest costs | −617 | −636 |
| Other financial expenses[1] | −67 | −43 |
| **Total** | **−684** | **−679** |
| **Realised/unrealised gains on foreign currency** | **−690** | **−618** |
| **Financial items** | **−1 357** | **−1 258** |

(1) Other financial expenses includes losses on the buy-back of bonds.

## 6. MORTGAGES

| | 31.12.2014 | 31.12.2013 |
|---|---|---|
| **Loans secured by mortgages on property** | | |
| Other mortgage debt | 168 | 183 |
| **Carrying value of assets securing this debt** | | |
| Property, plant and equipment | 191 | 174 |

Norske Skogindustrier ASA has negative pledge clauses in its bank and bond agreements, with the possibility to give security up to certain thresholds. Mortgage loans per 31 December 2014 and 31 December 2013 consisted of facilities secured by land and forest areas taken up at Norske Skog Boyer in Australia, and were executed within the negative pledge limits.

## 7. FINANCIAL INSTRUMENTS

### CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

| 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** | |

## 7. FINANCIAL INSTRUMENTS (Continued)

| | 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 | 7 004 | 0 | 7 004 |
| Interest-bearing current liabilities | 11 | 0 | 1 267 | 0 | 1 267 |
| 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** | |

| 31.12.2013 | 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 | 16 | 136 | 125 | 22 | 299 |
| Trade and other receivables | 10 | 1 505 | 0 | 0 | 69 | 1 574 |
| Cash and cash equivalents | | 1 015 | 0 | 0 | 0 | 1 015 |
| Other current assets | 18 | 112 | 29 | 0 | 0 | 141 |
| **Total** | | **2 648** | **165** | **125** | **91** | |

| | 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 | 6 973 | 0 | 6 973 |
| Interest-bearing current liabilities | 11 | 0 | 1 044 | 0 | 1 044 |
| Other non-current liabilities | 18 | 271 | 0 | 428 | 699 |
| Trade and other payables | 18 | 0 | 2 040 | 0 | 2 040 |
| Other current liabilities | 18 | 134 | 166 | 240 | 540 |
| **Total** | | **405** | **10 223** | **668** | |

## 7. FINANCIAL INSTRUMENTS (Continued)

### FINANCIAL ASSETS AND LIABILITIES

| | 31.12.2014 | | 31.12.2013 | |
|---|---|---|---|---|
| | CARRYING AMOUNT | FAIR VALUE | CARRYING AMOUNT | FAIR VALUE |
| Derivatives | 23 | 23 | 14 | 14 |
| Commodity contracts | 204 | 204 | 122 | 122 |
| Miscellaneous other non-current assets | 160 | 160 | 163 | 163 |
| **Other non-current assets** | **387** | **387** | **299** | **299** |
| Accounts receivable | 1 058 | 1 058 | 1 303 | 1 303 |
| Other receivables | 92 | 92 | 202 | 202 |
| Prepaid VAT | 59 | 59 | 69 | 69 |
| **Trade and other receivables** | **1 209** | **1 209** | **1 574** | **1 574** |
| Cash and cash equivalents | 710 | 710 | 1 015 | 1 015 |
| Derivatives | 6 | 6 | 20 | 20 |
| Commodity contracts | 17 | 17 | 9 | 9 |
| Current investments | 16 | 16 | 112 | 112 |
| **Other current assets** | **39** | **39** | **141** | **141** |
| Interest-bearing non-current liabilities[(1)] | 7 004 | 4 373 | 6 973 | 4 350 |
| Interest-bearing current liabilities | 1 267 | 1 149 | 1 044 | 1 031 |
| **Total interest-bearing liabilities** | **8 271** | **5 522** | **8 017** | **5 381** |
| Derivatives | 242 | 242 | 259 | 259 |
| Commodity contracts | 24 | 24 | 12 | 12 |
| Non-financial non-current liabilities | 426 | 426 | 428 | 428 |
| **Other non-current liabilities** | **692** | **692** | **699** | **699** |
| Accounts payable | 1 272 | 1 272 | 1 103 | 1 103 |
| Other payables | 900 | 900 | 937 | 937 |
| **Trade and other payables** | **2 172** | **2 172** | **2 040** | **2 040** |
| Derivatives | 80 | 80 | 116 | 116 |
| Commodity contracts | 10 | 10 | 18 | 18 |
| Non-financial current liabilities | 219 | 219 | 405 | 405 |
| **Other current liabilities** | **309** | **309** | **540** | **540** |

(1) The fair value of non-current bank loan debt is based on cash flows discounted using the swap rate, plus the credit default swap (CDS). The fair value of foreign bonds is calculated using price indications from banks. The fair value of Norwegian bonds is based on quotes from Reuters, when these are available. In other instances, published assessment values at 1 January 2015 are used.

There is some uncertainty associated with the calculated fair value of interest-bearing liabilities. The fair value calculation 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.

## 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

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

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 2014 or 2013.

### 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

| | 31.12.2014 | | | 31.12.2013 | | |
|---|---|---|---|---|---|---|
| | FLOATING | FIXED | TOTAL | FLOATING | FIXED | TOTAL |
| Interest-bearing liabilities | 651 | 7 620 | 8 271 | 519 | 7 395 | 7 914 |
| Interest-bearing assets | −710 | 0 | −710 | −1 015 | 0 | −1 015 |
| **Net exposure** | **−59** | **7 620** | **7 561** | **−496** | **7 395** | **6 899** |

All amounts presented in the table are notional amounts. Total interest-bearing liabilities will therefore differ from booked amounts due to bond discounts/premiums, hedge reserve, and unrealised effects from fair value hedging (see Note 11 Interest-bearing liabilities). 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.
- Changes in fair value of interest rate derivatives that are not designated as a fair value hedge of the group's liabilities, and which are subsequently measured at fair value through profit or loss, are taken into consideration in the sensitivity analysis.
- Currency derivatives will only affect the sensitivity analysis to a very limited extent upon changes in the discount rate.
- 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 1 million higher/lower at 31 December 2014 (NOK 2 million lower/higher at 31 December 2013). Change in net interest payments accounts for NOK 1million, and the total change in market values of derivatives carried at fair value through profit or loss accounts for NOK 0 million.

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

### 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 result of the hedging is included in Financial items in the income statement. Norske Skog does not use hedge accounting for the rolling cash flow hedge. The rolling cash flow hedge generated a gain of NOK 2 million in 2014 (loss of NOK 66 million in 2013). Over time, currency losses or earnings are expected to offset increased or reduced future gross operating earnings. The cash flow hedge program was closed during 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. In addition to traditional debt instruments, all combined currency and interest rate swaps and forward exchange contracts are also used for hedging net investments in foreign subsidiaries.

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 2014 or 2013. The effective portion recognised in equity was a loss of NOK 151million in 2014 (loss of NOK 243 million in 2013). The portion of the debt portfolio to which hedge accounting does not apply, was somewhat smaller in 2014 than in 2013. The Foreign exchange gains and losses from such liabilities are recognised in the income statement under Financial items.

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.. Cumulative currency translation differences of NOK 39 million were reclassified from equity to the income statement in 2013 as a result of the divestments of Norske Skog Pisa Ltda. in Brazil and Norske Skog (Thailand) Co. Ltd.

**CHANGE IN FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS DESIGNATED AS NET INVESTMENT HEDGE**

| | 2014 | 2013 |
|---|---|---|
| Changes in spot value of financial instruments[1] | −354 | −528 |
| The effective portion recognised in equity | −151 | −243 |
| Portion without hedge accounting recognised in the income statement | −203 | −286 |

(1) Includes the change in the value of FX forward contracts, cross-currency swap contracts and bonds.

*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.

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

- Financial instruments denominated in the functional currency of the entity have no currency risk and will therefore not be applicable to this analysis. Furthermore, the foreign currency exposure of translating financial accounts of subsidiaries into the group's presentational currency is not part of this analysis.
- Sensitivity on commodity contracts and embedded derivatives is presented separately under ''Commodity risk''.
- Currency derivatives and foreign currency debt that are designated as net investment hedges and qualify for hedge accounting according to IAS 39 will only affect equity.
- Other currency derivatives that are recognised at fair value through profit and loss will affect the income statement. These effects come mainly from currency derivatives and financial liabilities managed as economic net investment hedges which do not qualify for hedge accounting according to IAS 39.
- Other non-derivative financial instruments accounted for in the analysis comprise cash and cash equivalents, accounts payable, accounts receivable and borrowings denominated in currencies different from the functional currency of the entity.
- Correlation effects between currencies are not taken into account. Figures are presented net of tax.

At 31 December 2014, if NOK had appreciated 10% against all currencies to which the group has significant exposure, net profit after tax from financial instruments would have been NOK 369 million higher (NOK 265 million higher at 31 December 2013). If NOK had depreciated by 10% at 31 December 2014 against all currencies to which the group has significant exposure, net profit after tax from financial instruments would have been NOK 369 million lower (NOK 285 million lower at 31 December 2013). Net profit after tax is affected in a non-linear manner in 2013 due to changes in the fair value of options. The effect of the sensitivity analysis on the income statement is mainly caused by changes in fair value of derivatives designated as rolling cash flow hedge, and 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 2014 compared to 2013.

Given a 10% appreciation/depreciation of NOK, equity would have been NOK 133 million higher/lower (NOK 189 million higher/lower at 31 December 2013) 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 either financial contracts for the purpose of trading or hedging, or physical commodity contracts that are not for the purpose of own use. 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

**8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)**

market information. Techniques that reflect how the market could be expected to price instruments are used in non-observable markets.

Norske Skog's portfolio of commodity contracts consists mainly of physical energy contracts. Fair value of commodity contracts is especially sensitive to future changes in energy prices. The fair value of embedded derivatives in physical contracts depends on currency and price index fluctuations. The energy contracts in Norway are nominated in EUR. These contracts contain embedded derivatives that are sensitive to changes in exchange rates. NOK weakened against EUR during 2014, which had a negative effect on the fair value of the embedded derivatives.

In April 2013, Norske Skog Saugbrugs signed a new long-term energy contract for the supply of electricity for the paper mill in Halden. The new energy contract secures an annual supply of 1.0 TWh up to 31 December 2020. The agreement entered into force on 1 May 2013. The contract ensures almost full energy coverage for Norske Skog Saugbrugs over the contract period. During 2013, Norske Skogindustrier ASA also terminated its long-term group energy contract from 1998 that applied for energy supply in Southern Norway.

*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 31.12.2014 | RESULT NET OF TAX CHANGE DOWN | RESULT NET OF TAX CHANGE UP |
|---|---|---|---|---|
| Energy price | change 10% | 193 | −167 | 180 |
| Currency | change 10% | 193 | 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 31.12.2014 | RESULT NET OF TAX CHANGE DOWN | RESULT NET OF TAX CHANGE UP |
|---|---|---|---|---|
| Currency | change 10% | −293 | 243 | −207 |
| Price index | change 2.5% | −293 | 4 | −4 |

**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

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

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 stemming from operations, investments, financing activities and financial instruments. The group had current investments, cash and cash equivalents of NOK 710 million at 31 December 2014 (NOK 1 015 million at 31 December 2013). None credit facility at 31 December 2014 (undrawn credit facility of NOK 250 million at 31 December 2013). See Note 11 for more information regarding the maturity of facilities. Restricted bank deposits amounted to NOK 322 million at 31 December 2014 (NOK 258 million at 31 December 2013).

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 2015 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 2015.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.

In February 2015, Norske Skog completed the refinancing of a portion of its bond maturities. 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 2014.

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

### MATURITY OF FINANCIAL LIABILITIES AND FINANCIAL INSTRUMENTS

| 31.12.2014 | 0 - 6 MONTHS | 6 - 12 MONTHS | 2016 - 2017 | 2018 - 2019 | > 2019 |
|---|---|---|---|---|---|
| **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.

| 31.12.2013 | 0 - 6 MONTHS | 6 - 12 MONTHS | 2015 - 2016 | 2017 - 2018 | > 2018 |
|---|---|---|---|---|---|
| **Non-derivative financial instruments** | | | | | |
| Principal payment on interest-bearing debt | −791 | −255 | −2 180 | −3 331 | −1 357 |
| Projected interest payment on interest-bearing debt | −459 | −151 | −893 | −410 | −1 302 |
| Trade payables | −1 103 | 0 | 0 | 0 | 0 |
| **Total** | **−2 353** | **−406** | **−3 073** | **−3 741** | **−2 659** |
| **Net settled derivative financial instruments** | | | | | |
| Interest rate swaps—net cash flows | −3 | −3 | −8 | 0 | 0 |
| Commodity contracts | 1 | 5 | −2 | 1 | 0 |
| **Total** | **−2** | **2** | **−10** | **1** | **0** |
| **Gross settled derivative financial instruments** | | | | | |
| Foreign exchange contracts—outflows | −900 | 0 | 0 | 0 | 0 |
| Foreign exchange contracts—inflows | 869 | 0 | 0 | 0 | 0 |
| Cross-currency swaps—outflows | −4 | −225 | 0 | 0 | 0 |
| Cross-currency swaps—inflows | 3 | 202 | 0 | 0 | 0 |
| **Total** | **−32** | **−23** | **0** | **0** | **0** |
| **Total 2013** | **−2 387** | **−427** | **−3 083** | **−3 740** | **−2 659** |

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

### 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.

## 9. DERIVATIVES

### Fair value of derivatives

The table below classifies financial 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).

| 31.12.2014 | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | |
| Trading derivatives | 0 | 0 | 0 | 0 |
| Derivatives used for hedging | 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 |
| Derivatives used for hedging | 0 | 0 | 0 | 0 |
| Commodity contracts and embedded derivatives | 0 | 0 | −341 | −341 |
| **Total** | **0** | **−15** | **−341** | **−356** |

## 9. DERIVATIVES (Continued)

| 31.12.2013 | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | |
| Trading derivatives | 0 | 16 | 0 | 16 |
| Derivatives used for hedging | 0 | 0 | 0 | 0 |
| Commodity contracts and embedded derivatives | 0 | 5 | 144 | 149 |
| **Total** | **0** | **21** | **144** | **165** |
| **Financial liabilities at fair value through profit or loss** | | | | |
| Trading derivatives | 0 | −67 | 0 | −67 |
| Derivatives used for hedging | 0 | −21 | 0 | −21 |
| Commodity contracts and embedded derivatives | 0 | 0 | −317 | −317 |
| **Total** | **0** | **−88** | **−317** | **−405** |

The following table shows the changes in level 3 instruments at 31 December 2014.

| | ASSETS | LIABILITIES |
|---|---|---|
| Opening balance | 144 | −317 |
| Gains and losses recognised in profit or loss | 100 | −39 |
| Currency translation differences | 7 | 16 |
| **Closing balance** | **250** | **−341** |

Norske Skog's portfolio of commodity contracts consist mainly of physical energy contracts. The commodity contracts classified as financial contracts are mainly related to energy contracts in Australia and New Zealand. Embedded derivatives are mainly related to energy contracts in Norway. Fair value of commodity contracts is sensitive to estimates of future energy prices. Fair value of embedded derivatives is sensitive to estimates of currency exchange rates and 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 exchange rates used are the quoted closing rates at 31 December.

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. Embedded currency options are calculated using a Black 76 valuation model, where some input assumptions have been made in absence of an active long-term option market.

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 2014) applied to liability positions, based on Norske Skog's own credit risk.

## 9. DERIVATIVES (Continued)

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

| FAIR VALUE OF DERIVATIVES IN LEVEL 3 GIVEN A REASONABLY POSSIBLE ALTERNATIVE | 31.12.2014 | 31.12.2013 |
|---|---|---|
| **Assets** | | |
| Commodity contracts | 219 | 112 |
| **Liabilities** | | |
| Commodity contracts | −338 | −314 |

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 2014 would be a downwards parallel shift of the long end of the forward curve of 2% (downwards shift of 2% in 2013).

| | 31.12.2014 | | 31.12.2013 | |
|---|---|---|---|---|
| DERIVATIVES | ASSETS | LIABILITIES | ASSETS | LIABILITIES |
| **Net investment hedge[(1)]** | | | | |
| Cross-currency contracts | 0 | 0 | 0 | −21 |
| **Total** | **0** | **0** | **0** | **−21** |
| **Other derivatives** | | | | |
| Forward rate contracts | 0 | 0 | 0 | −12 |
| Currency options | 0 | 0 | 1 | −9 |
| Forward contracts | 0 | 0 | 15 | −46 |
| Commodity contracts | 221 | −34 | 132 | −29 |
| Embedded derivatives | 29 | −322 | 17 | −288 |
| **Total** | **250** | **−356** | **165** | **−384** |
| **Total derivatives** | | | | |
| Forward rate contracts | 0 | 0 | 0 | −12 |
| Currency options | 0 | 0 | 1 | −9 |
| Forward contracts | 0 | 0 | 15 | −46 |
| Cross-currency contracts | 0 | 0 | 0 | −21 |
| Commodity contracts | 221 | −34 | 132 | −29 |
| Embedded derivatives | 29 | −322 | 17 | −288 |
| **Total** | **250** | **−356** | **165** | **−405** |

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) have been close during 2014.

(1) Norske Skog terminated the remaining cross-currency contracts in the net investment hedge portfolio in 2014.

## 10. RECEIVABLES AND OTHER NON-CURRENT ASSETS

| | NOTE | 31.12.2014 | 31.12.2013 |
|---|---|---|---|
| **Trade and other receivables** | | | |
| Accounts receivable | | 1 058 | 1 303 |
| Provision for bad debt | | −103 | −90 |
| Other receivables | | 124 | 233 |
| VAT receivables | | 59 | 69 |
| Prepaid expenses | | 71 | 59 |
| **Total** | | **1 209** | **1 574** |
| **Other non-current assets** | | | |
| Loans to employees | | 1 | 1 |
| Long-term shareholdings | 23 | 139 | 125 |
| Miscellaneous non-current receivables | | 20 | 15 |
| Derivatives | 7 | 23 | 14 |
| Commodity contracts | 7 | 204 | 122 |
| Pension plan assets | 13 | 0 | 22 |
| **Total** | | **387** | **299** |

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 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 | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Not due | 1 134 | 1 443 |
| 0 to 3 months | 86 | 127 |
| 3 to 6 months | 0 | 8 |
| Over 6 months | 92 | 86 |
| **Total**[1] | **1 312** | **1 664** |

(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

| | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Bonds | 7 344 | 7 402 |
| Debt to financial institutions | 394 | 615 |
| Securitisation / Factoring Facilities | 413 | |
| **Total** | **8 151** | **8 017** |

## 11. INTEREST-BEARING LIABILITIES (Continued)

| INTEREST-BEARING DEBT BY CURRENCY | CURRENCY AMOUNT 31.12.2014 | NOK 31.12.2014 | NOK 31.12.2013 |
|---|---|---|---|
| USD | 358 | 2 663 | 2 179 |
| EUR | 543 | 4 908 | 4 423 |
| AUD | 30 | 183 | 192 |
| NZD | 2 | 11 | 0 |
| **Total interest-bearing debt in foreign currencies** | | **7 765** | **6 794** |
| Interest-bearing debt in NOK | 386 | 386 | 1 223 |
| **Total interest-bearing debt** | | **8 151** | **8 017** |

The average interest rate at 31 December 2014 was 7.4% (8.1% at 31 December 2013).

### DEBT REPAYMENT

| MATURITY OF THE GROUP'S TOTAL DEBT AT 31 DECEMBER 2014 | DEBT BANKS | BONDS | TOTAL |
|---|---|---|---|
| 2015 | 91 | 1 176 | 1 267 |
| 2016 | 305 | 1 171 | 1 476 |
| 2017 | 253 | 3 510 | 3 763 |
| 2018 | 29 | | 29 |
| 2019 | 29 | | 29 |
| 2020 | 30 | | 30 |
| 2021 | 21 | | 21 |
| 2022 | 15 | | 15 |
| 2023 - 2033 | 34 | 1 487 | 1 521 |
| **Total** | **807** | **7 344** | **8 151** |

| MATURITY OF THE GROUP'S TOTAL DEBT AT 31 DECEMBER 2013 | DEBT BANKS | BONDS | TOTAL |
|---|---|---|---|
| 2014 | 166 | 881 | 1 047 |
| 2015 | 64 | 962 | 1 027 |
| 2016 | 66 | 1 086 | 1 153 |
| 2017 | 41 | 3 256 | 3 297 |
| 2018 | 34 | 0 | 34 |
| 2019 | 35 | 0 | 35 |
| 2020 | 36 | 0 | 36 |
| 2021 | 25 | 0 | 25 |
| 2022 - 2033 | 44 | 1 217 | 1 261 |
| **Total** | **511** | **7 402** | **7 913** |

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 2014, the financial statements included a discount of NOK 53 million (discount of NOK 86 million at 31 December 2013). 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.

### 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 174 million is included in interest-bearing debt as at 31 December 2014 (NOK 185 million at 31 December 2013). 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).

## 11. INTEREST-BEARING LIABILITIES (Continued)

The group's holding of own bonds in foreign currency amounted to USD 42 million and EUR 132 million at 31 December 2014 (USD 42 million and EUR 132 million at 31 December 2013). These holdings are deducted from interest-bearing debt in NOK.

| | 31.12.2014 |
|---|---|
| Interest-bearing non-current liabilities | 7 004 |
| Interest-bearing current liabilities | 1 267 |
| —Hedge reserve | 174 |
| —Cash and cash equivalents | 710 |
| **Net interest-bearing debt** | **7 387** |

## 12. EMPLOYEE BENEFIT EXPENSES

| EMPLOYEE BENEFIT EXPENSES | NOTE | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| Salaries including holiday pay | | 1 466 | 1 564 | 1 944 |
| Social security contributions | | 326 | 315 | 224 |
| Pension costs | 13 | 37 | 13 | 65 |
| Other employee benefit expenses | | 79 | 110 | 258 |
| **Total** | | **1 908** | **2 002** | **2 491** |

| NUMBER OF EMPLOYEES BY REGION | 31.12.2014 | 31.12.2013 | 31.12.2012 |
|---|---|---|---|
| Europe | 2 228 | 2 508 | 2 557 |
| South America | 0 | 0 | 294 |
| Australasia | 690 | 701 | 814 |
| Asia | 0 | 0 | 239 |
| Corporate functions (head office) | 58 | 66 | 82 |
| **Total** | **2 976** | **3 275** | **3 986** |

The base salary for the president and chief executive officer (CEO) Sven Ombudstvedt at 31 December 2014 was NOK 4 360 000. Total salary and other benefits received by Ombudstvedt in 2014 amounted to NOK 6 554 313 (NOK 5 483 715 in 2013).

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 to members of the board in 2014 was NOK 4 038 098 (NOK 4 513 660 in 2013), including remuneration to members of the audit, election- and remuneration committees of NOK 979 583 (NOK 1 086 666 in 2013).

Please see Note 10 in the parent company financial statements for further information on remuneration to executive employees.

## 12. EMPLOYEE BENEFIT EXPENSES (Continued)

**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.

| 2014 | SALARY FOR 2014 | PAYMENTS IN KIND ETC. FOR 2014 (1) | BONUS 2014 (2) | CONTRIBUTION 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) . . . . . . | 1 500 | 193 | 356 | 195 | 210 000 |
| Lars P. Sperre (SVP) . . . . . | 1 743 | 208 | 308 | 101 | 210 000 |

| 2013 | SALARY FOR 2013 | PAYMENTS IN KIND ETC. FOR 2013 (1) | BONUS 2013 (2) | CONTRIBUTION DEFINED CONTRIBUTION SCHEMES 2013 |
|---|---|---|---|---|
| Sven Ombudstvedt (CEO) . . . . . . . . . . . | 4 498 | 282 | 0 | 704 |
| Roar Ødelien (COO) . . . . . . . . . . . . . . . | 450 | 53 | 0 | 53 |
| Rune Gjessing (CFO) . . . . . . . . . . . . . . | 2 557 | 228 | 1 225 | 313 |

(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.

Lars P. Sperre was appointed senior vice president (SVP) corporate strategy & legal from April 2014. Rune Sollie was appointed CFO in January 2014. Roar Ødelien was appointed chief operating officer (COO) from October 2013.

### Long-term incentive programme

A revised 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. The synthetic options are to be settled in 2017, but at the board's discretion, a maximum of one third of the total number of options can be awarded through a bonus payment each year. The long-term incentive program issued in total 3 780 000 synthetic options. At the start of the program, (award date 17 July 2014) 2 250 000 synthetic options were awarded, leaving 1 530 000 synthetic options to be granted later. 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 exercise date is the latter of the date falling three years after the award date or the date of publication of the company's interim financial statements for the first six months of 2017. The initial exercise price (strike price) for the synthetic options was NOK 4.80. The exercise price 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 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

### 12. EMPLOYEE BENEFIT EXPENSES (Continued)

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 |
|---|---|---|---|
| Jarle Roth | 0 | 427 | 14 |
| Eivind Reiten [(1)] | 0 | 160 | 20 |
| Ingelise Arntsen [(1)] | 0 | 89 | 0 |
| Kjetil Bakkan | 537 | 326 | 0 |
| Eilif Due | 0 | 326 | 27 |
| Siri Beate Hatlen | 0 | 326 | 102 |
| Finn Johnsson [(1)] | 0 | 89 | 55 |
| Paul Kristiansen | 518 | 326 | 142 |
| Karen Kvalevåg [(1)] | 0 | 89 | 42 |
| Karin Bing Orgland | 0 | 237 | 90 |
| Jon-Aksel Torgersen | 0 | 326 | 34 |
| Svein Erik Veie | 505 | 326 | 0 |

(1) Previous member who left the board during 2014.

**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 | 1 192 | 374 | 1 615 | 971 | 4 152 |
| Audit-related assistance [(1)] | 270 | 0 | 90 | 0 | 360 |
| Tax assistance | 516 | 0 | 611 | 0 | 1 127 |
| Other fees | 15 | 0 | 0 | 0 | 15 |
| **Total** | **1 994** | **374** | **2 316** | **971** | **5 654** |

(1) Audit-related assistance includes services, which only auditors can provide, such as the limited review of interim financial statements, agreed 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 2 872 current and former employees are covered by such schemes. Of these, 1 076 people are covered by defined benefit plans and 1 796 people by defined contribution plans.

## 13. PENSION COSTS AND PENSION OBLIGATIONS (Continued)

### 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 | 69 |
| Norske Skog Saugbrugs AS | 65 | 30 | 67 | 62 | 213 |
| Norske Skog Skogn AS | 65 | 30 | 67 | 62 | 155 |
| Norske Skog Walsum GmbH | 50 - 70 | 40 | 65 - 67 | 63 | 602 |
| Norske Skog Paper Mills (Australia) Ltd. | 50 | | 65 | 55 | 11 |

The defined benefit schemes in Norway cover people between 56 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.

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, their estimated value at 31 December is used. 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 incurred obligations, the estimated obligation at 31 December is used. 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, of which Norske Skog Walsum GmbH is the largest. The defined benefit scheme at Norske Skog Walsum GmbH was curtailed at the level it had at 31 December 2010, meaning there is no increase in the obligation as a result of salary increases or the time worked for the company after this date. The majority of employees covered by the defined benefit scheme at Norske Skog Walsum are in their late fifties and sixties. Number of retired people is 183. The unfunded obligations also 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 | 2014 | 2013 | 2012 |
|---|---|---|---|
| Discount rate/expected return on plan assets | 2.2% | 3.6% | 3.2% |
| Salary adjustment | 2.4% | 2.5% | 3.0% |
| Social security increase/inflation rate | 3.0% | 3.5% | 3.25% |
| Pension growth rate | 0.0% | 0.0% | 0.0% |

## 13. PENSION COSTS AND PENSION OBLIGATIONS (Continued)

The discount rate applied for the pension schemes in Norway for 2014 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 from1.9% to 3.7%. For Norske Skog Walsum GmbH, the discount rate used is 1.9% (2013: 3.5%). Norske Skog has used the mortality table in Norway (K2013BE).

| NET PERIODIC PENSION COST | 2014 | 2013 | 2012 Restated |
|---|---|---|---|
| Current service cost | 10 | 17 | 37 |
| Pension cost defined contribution schemes | 24 | 23 | 25 |
| Accrued national insurance contributions | 1 | 1 | 3 |
| Recognised curtailment and settlement | 0 | −28 | 0 |
| **Net periodic pension cost** | **35** | **13** | **65** |
| **Net periodic interest cost** | **23** | **21** | **18** |

Estimated payments to the group's defined benefit pension schemes in 2015 amount to NOK 40 million (NOK 30 million in 2014).

### PENSION PLANS IN THE BALANCE SHEET

| PARTLY OR FULLY FUNDED PENSION PLANS | 31.12.2014 | 31.12.2013 | 31.12.2012 Restated |
|---|---|---|---|
| Projected benefit obligations including national insurance contributions | −310 | −378 | −520 |
| Plan assets at fair value | 281 | 400 | 479 |
| **Net plan assets/pension obligations (−) in the balance sheet** | **−29** | **22** | **−41** |

| UNFUNDED PENSION PLANS | 31.12.2014 | 31.12.2013 | 31.12.2012 Restated |
|---|---|---|---|
| Projected benefit obligations including national insurance contributions | −790 | −714 | −577 |
| **Net plan assets/pension obligations (−) in the balance sheet** | **−820** | **−714** | **−577** |

| SPECIFICATION OF PENSION PLANS IN THE BALANCE SHEET | NOTE | 31.12.2014 | 31.12.2013 | 31.12.2012 Restated |
|---|---|---|---|---|
| Pension assets in the balance sheet | 10 | 0 | 22 | 11 |
| Pension liabilities in the balance sheet | | −820 | −714 | −629 |
| **Net pension obligations** | | **−820** | **−692** | **−618** |
| Net unfunded pension plans | | −790 | −714 | −577 |
| Net partly or fully funded pension plans | | −29 | 22 | −41 |

| CHANGES IN PENSION OBLIGATIONS FOR PARTLY OR FULLY FUNDED PENSION PLANS | 2014 | 2013 | 2012 Restated |
|---|---|---|---|
| Balance 1 January | 378 | 510 | 1 066 |
| Divested companies | 0 | −35 | −561 |
| Current years' service cost | 17 | 12 | 2 |
| Current years' interest cost | 13 | 0 | 2 |
| Pension paid | −26 | −19 | −29 |
| Curtailments/settlements | −1 | −58 | 10 |
| Other changes | 9 | −28 | 26 |
| Currency translation differences | −8 | 3 | −3 |
| Remeasurements | −72 | −7 | 7 |
| **Balance 31 December** | **310** | **378** | **520** |

## 13. PENSION COSTS AND PENSION OBLIGATIONS (Continued)

| CHANGES IN PLAN ASSETS FOR PARTLY OR FULLY FUNDED PENSION PLANS | 2014 | 2013 | 2012 Restated |
|---|---|---|---|
| Balance 1 January | 400 | 479 | 962 |
| Divested companies | 0 | −35 | −487 |
| Return on plan assets | 14 | 11 | 17 |
| Curtailments/settlements | −21 | −55 | −4 |
| Other changes | −6 | 0 | −8 |
| Employer contribution | 17 | 0 | |
| Remeasurements | −133 | 0 | |
| Currency translation differences | 10 | 0 | −1 |
| **Balance 31 December** | **281** | **400** | **479** |

| CHANGES IN PENSION OBLIGATIONS FOR UNFUNDED PENSION PLANS | 2014 | 2013 | 2012 Restated |
|---|---|---|---|
| Balance 1 January | −714 | −577 | −510 |
| Divested companies | 0 | 6 | 64 |
| Current years' service cost | −4 | −6 | −9 |
| Current year's interest cost | −18 | −18 | −17 |
| Pension paid | 21 | 34 | 6 |
| Contributions to the plan assets | 0 | 0 | 0 |
| Curtailments/settlements | 0 | 0 | −15 |
| Other changes | 0 | −90 | 45 |
| Currency translation differences | −44 | 0 | 0 |
| Remeasurements | −31 | −63 | −141 |
| **Balance 31 December** | **−790** | **−714** | **−577** |

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

| | 2014 | | 2013 | |
|---|---|---|---|---|
| INVESTMENT PROFILE FOR PENSION FUNDS | FUNDS | DISTRIBUTION | FUNDS | DISTRIBUTION |
| Shares | 36 | 13% | 79 | 20% |
| Bonds | 177 | 63% | 212 | 53% |
| Properties and real estate | 22 | 8% | 38 | 10% |
| Money market | 47 | 17% | 54 | 13% |
| Other | 0 | 0% | 17 | 4% |
| **Total** | **281** | | **400** | |

## SENSITIVITY ANALYSIS

Norske Skog has performed sensitivity analyses 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% | −69 | 67 |
| Salary adjustment − 0.5% | −12 | 11 |
| Future national security − 1.0% | −42 | 11 |
| 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.

## 14. OTHER OPERATING EXPENSES

| | 2014 | 2013 |
|---|---|---|
| Maintenance materials and services | 496 | 549 |
| Marketing expenses | 13 | 16 |
| Administration, insurance, travel expenses etc. | 211 | 251 |
| Losses on accounts receivable | 9 | 13 |
| Operating leases | 55 | 63 |
| Research and development | 2 | 2 |
| Changes in environmental provisions | −10 | −61 |
| Miscellaneous expenses | 158 | 181 |
| **Total** | **935** | **1 014** |
| **Specification of losses on accounts receivable** | | |
| Receivables written off during the period | 6 | 6 |
| Payments received on items previously written off | 0 | 0 |
| Change in provision for bad debt | 3 | 7 |
| **Total** | **9** | **13** |

## 15. LEASES

### OPERATING LEASES

The group recognised expenses of NOK 55 million in relation to operating leases in 2014. The equivalent expense in 2013 was NOK 63 million.

| MINIMUM LEASE PAYMENTS RELATING TO OPERATING LEASES | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Not later than one year | 20 | 20 |
| Later than one year and not later than five years | 39 | 36 |
| Later than five years | 3 | 7 |
| **Total** | **62** | **63** |

### 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 | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Not later than one year | 24 | 23 |
| Later than one year and not later than five years | 89 | 81 |
| Later than five years | 100 | 106 |
| **Total** | **213** | **210** |
| Future finance charges on finance leases | −83 | −86 |
| **Present value of minimum lease payments** | **130** | **124** |

| PRESENT VALUE OF MINIMUM LEASE PAYMENTS | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Not later than one year | 23 | 21 |
| Later than one year and not later than five years | 65 | 60 |
| Later than five years | 42 | 43 |
| **Total** | **130** | **124** |
| **Capitalised value of leased property, plant and equipment (machinery and equipment)** | **103** | **106** |

## 16. OTHER GAINS AND LOSSES

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Gains and losses from divestments of business activities, property, plant and equipment | −17 | −178 | 39 |
| Changes in value—commodity contracts[1] | 64 | −402 | −1 109 |
| Changes in value—embedded derivatives | −22 | −403 | 220 |
| Changes in value—biological assets | −9 | −14 | −7 |
| Other realised gains and losses | −13 | −102 | −152 |
| **Total** | **3** | **−1 100** | **−1 009** |

(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 2014 of NOK 17 million was primarily related scrapping of equipment no longer in use.

The net loss on divestments of business activities, property, plant and equipment in 2013 of NOK 178 million was primarily related to the divestments of Norske Skog Pisa Ltda. in Brazil and Norske Skog (Thailand) Co. Ltd. in Thailand.

On 14 June 2013, Norske Skog signed an agreement for the sale of 51% of its shares in Norske Skog Pisa Ltda. in Brazil. The transaction was completed on 27 June 2013. The total loss of NOK 218 million on the divestment consisted of NOK 95 million relating to the divestment of 51% of the shares, and NOK 123 million relating to the remaining 49% stake which was recognised in the balance sheet as an associated company in line with the equity method of accounting at 31 December 2013. The loss on the remaining 49% stake consisted of the difference between the book value of the net assets derecognised and the fair value of the investment in associated company. See Note 19 Investments in associated companies for more information. The loss on the divested 51% stake included NOK 12 million relating to currency translation differences and net investment hedge that were recognised directly in equity during the ownership period and reclassified to Other gains and losses upon loss of control.

On 5 October 2013, Norske Skog signed an agreement for the sale of its shares in the company that owns and operates the mill at Singburi in Thailand, Norske Skog (Thailand) Co. Ltd. The transaction was completed on 21 November 2013. Norske Skog Singburi was deconsolidated from this date and a gain of NOK 49 million was recognised. This amount included a gain of NOK 35 million related to currency translation differences that were recognised directly in equity during the ownership period and reclassified to Other gains and losses upon divestment.

The net loss on divestments of business activities, property, plant and equipment also included a loss of NOK 26 million in relation to input VAT on transaction costs incurred upon the divestments of mills in South Korea and China in previous years. The Norwegian VAT authorities claim that this amount is not deductible. However, Norske Skog does not agree with this claim and expects to take out legal proceedings. Norske Skog has no outstanding payments to the VAT authorities in relation to this amount and has expensed the full amount in 2013, due to uncertainty regarding the outcome of this case. The remaining amount included in the net loss on divestments of business activities, property, plant and equipment included a gain of NOK 23 million on divestments of non production related property.

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 2014 were due to negative change in Producer price index in New Zealand. In 2013 the losses were due to lower expected future energy prices.

Other realised gains and losses of NOK 13 million in 2014 were primarily related financial hedging of energy and sale of emission rights. Other realised gains and losses of NOK −102 million in 2013 were primarily related to the termination of the long-term group agreement from 1998 that applied to the supply of energy in Southern Norway.

## 17. INCOME TAXES

| TAX EXPENSE | 2014 | 2013 |
|---|---|---|
| Current tax expense | −58 | −100 |
| Change in deferred tax | −155 | 600 |
| **Total** | **−213** | **500** |

| RECONCILIATION OF THE GROUP TAX EXPENSE | 2014 | 2013 |
|---|---|---|
| Profit/loss before income taxes | −1 291 | −2 344 |
| Computed tax at nominal tax rate of 27% (2013: 28%) | 348 | 656 |
| Differences due to different tax rates | 5 | −4 |
| Result from associated companies | 1 | 7 |
| Exempted income/non-deductible expenses | −28 | −4 |
| Reversal tax provision | 67 | −23 |
| Divestment of subsidiaries | 0 | −52 |
| Adjustment previous years | 0 | 28 |
| Deferred tax asset not recognised | −617 | −149 |
| Other items | 12 | 40 |
| **Total tax expense (−) income (+)** | **−213** | **500** |

| CURRENT TAX LIABILITY | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Norway | 6 | 0 |
| Rest of Europe | 7 | 21 |
| Outside Europe | 0 | 18 |
| **Total** | **13** | **39** |

| DEFERRED TAX—MOVEMENTS | 2014 | 2013 |
|---|---|---|
| Net deferred tax (−) liability 1 January | 149 | −180 |
| Deferred tax charged in the income statement | −155 | 600 |
| Divestment of subsidiaries | 0 | −176 |
| Tax expense in other comprehensive income | 212 | 68 |
| Tax effect FX net investment hedge | 0 | −65 |
| Group tax allocation balance sheet | 19 | −41 |
| Currency translation differences | −42 | −57 |
| **Net deferred tax asset/liability (−) 31 December** | **183** | **149** |

| DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Norway | 578 | 539 |
| Rest of Europe | 0 | 0 |
| Outside Europe | 20 | 2 |
| **Deferred tax asset** | **598** | **541** |
| Norway | −24 | 0 |
| Rest of Europe | −392 | −249 |
| Outside Europe | 0 | −143 |
| **Deferred tax liability** | **−415** | **−392** |
| **Net deferred tax asset/liability (−)** | **183** | **149** |

## 17. INCOME TAXES (Continued)

| DEFERRED TAX DETAILS | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Fixed assets, excess values and depreciation | −665 | −544 |
| Pensions | 108 | 79 |
| Provisions and other liabilities | 136 | −1 |
| Currency translation differences and financial instruments | 337 | −305 |
| Deferred tax current items | 25 | 57 |
| Tax losses and tax credit to carry forward | 4 335 | 4 005 |
| Deferred tax asset not recognised(1) | −4 093 | −3 142 |
| **Net deferred tax asset/liability (−)** | **183** | **149** |

| LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2014 | NORWAY | REST OF EUROPE | OUTSIDE EUROPE | TOTAL |
|---|---|---|---|---|
| 2015 | | 11 | | 11 |
| 2016 | | 0 | | 0 |
| 2017 | | 117 | | 117 |
| 2018 | | 104 | | 104 |
| 2019 | | 43 | | 43 |
| 2020 | | 34 | | 34 |
| 2021 and later | | 34 | | 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 | −8 397 | −4 104 | −2 008 | −14 509 |
| Tax credits and other adjustments | 1 307 | 14 | 202 | 963 |
| **Total tax losses and tax credits to carry forward—recognised** | **2 142** | **0** | **71** | **2 213** |
| **Deferred tax asset** | **578** | **0** | **20** | **598** |
| **Tax rates** | **27%** | **0** | **28%** | **27%** |

| LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2013 | NORWAY | REST OF EUROPE | OUTSIDE EUROPE | TOTAL |
|---|---|---|---|---|
| 2014 | 0 | 85 | 0 | 85 |
| 2015 | 0 | 10 | 0 | 10 |
| 2016 | 0 | 0 | 0 | 0 |
| 2017 | 0 | 109 | 0 | 109 |
| 2018 | 0 | 97 | 0 | 97 |
| 2019 and later | 0 | 102 | 0 | 102 |
| Indefinite expiry | 9 373 | 3 285 | 1 272 | 13 930 |
| **Tax losses to carry forward** | **9 373** | **3 687** | **1 272** | **14 332** |
| Tax losses not recognised(1) | −6 059 | −3 329 | −1 265 | −10 653 |
| **Total tax losses to carry forward—recognised** | **3 314** | **358** | **7** | **3 680** |
| **Deferred tax asset** | **895** | **118** | **2** | **1 015** |

(1) Deferred tax asset not recognised amounted to NOK 4 093 million at 31 December 2014. NOK 3 856 million was related to tax losses to carry forward and NOK 237 million was related to other deductible temporary differences. Deferred tax asset not recognised amounted to NOK 3 142 million at 31 December 2013. NOK 2 937 million was related to tax losses to carry forward and NOK 205 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. Total tax losses to carry forward recognised amounts to NOK 754 million at 31 December 2014, whereof NOK 540 million came from Norway and NOK 214 million from outside Europe. Long-term financial forecast for the Norske Skog group for the next three to four years period is used as basis for capitalisation of deferred tax assets.

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

## 17. INCOME TAXES (Continued)

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 re-measurements of post-employment benefit obligations are recognised in other comprehensive income.

## 18. SPECIFICATION OF BALANCE SHEET ITEMS

| | NOTE | 31.12.2014 | 31.12.2013 |
|---|---|---|---|
| **Inventories** | | | |
| Raw materials and other production input | | 801 | 747 |
| Semi-manufactured materials | | 17 | 11 |
| Finished goods | | 516 | 516 |
| **Total** | **3** | **1 334** | **1 274** |
| **Other current assets** | | | |
| Derivatives | 7 | 6 | 20 |
| Commodity contracts | 7 | 17 | 9 |
| Current investments | 7 | 16 | 112 |
| **Total** | | **39** | **141** |
| **Trade and other payables** | | | |
| Accounts payable | 7 | 1 272 | 1 104 |
| Accrued labour costs and taxes | | 504 | 455 |
| Accrued expenses | | 379 | 465 |
| Other interest-free liabilities | | 16 | 16 |
| **Total** | | **2 172** | **2 040** |
| **Other current liabilities** | | | |
| Derivatives | 7 | 80 | 116 |
| Commodity contracts | 7 | 10 | 18 |
| Accrued emission rights | | 29 | 39 |
| Accrued financial costs | | 172 | 201 |
| Restructuring provision | 20 | 17 | 166 |
| **Total** | | **309** | **540** |
| **Other non-current liabilities** | | | |
| Derivatives | 7 | 242 | 259 |
| Commodity contracts | 7 | 24 | 12 |
| Dismantling provision | 20 | 65 | 56 |
| Environmental provision | 20 | 211 | 193 |
| Deferred recognition of emission rights | | 18 | 101 |
| Deferred recognition of government grants | | 53 | 61 |
| Other non interest-bearing debt | | 79 | 17 |
| **Total** | | **692** | **699** |

## 19. INVESTMENTS IN ASSOCIATED COMPANIES

| COMPANY | SHARE 31.12.2014 | CARRYING VALUE 31.12.2014 | SHARE OF PROFIT/LOSS 2014 | CURRENCY TRANSLATION DIFFERENCES | ADDITIONS/ DISPOSALS | CARRYING VALUE 31.12.2013 |
|---|---|---|---|---|---|---|
| Malaysian Newsprint Industries Sdn. Bhd. | 33.7% | 410 | 15 | 52 | 0 | 343 |
| Norske Skog Pisa Ltda. | 0.0% | 0 | 0 | −1 | −222 | 223 |
| Other associated companies | | 19 | −14 | 0 | 4 | 29 |
| **Total** | | **429** | **1** | **51** | **−218** | **595** |

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 2013, the recognised share of profit/loss in associated companies amounted to NOK 26 million, currency translation differences amounted to NOK 4 million and additions/disposals amounted to NOK 225 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 410 million at 31 December 2014, which corresponds to Norske Skog's share (33.7%) of the equity in MNI's company financial statements. Based on the company's financial statements, operating revenue in 2014 was NOK 837 million (NOK 946 million in 2013) and net profit was NOK 43 million (NOK 77 million in 2013). Total assets amounted to NOK 1 725 million at 31 December 2014 (NOK 1 579 million at 31 December 2013) and total liabilities were NOK 463 million at 31 December 2014 (NOK 765 million at 31 December 2013).

### Norske Skog Pisa Ltda.

On 14 June 2013, Norske Skog signed an agreement for the sale of 51% of its shares in Norske Skog Pisa Ltda. in Brazil. The transaction was completed with effect from 27 June 2013. Following the transaction, Norske Skog was no longer the controlling owner of the mill, and Norske Skog Pisa was therefore deconsolidated from 27 June 2013. At the time of the initial divestment, Norske Skog had also agreed upon the terms of sale for the remaining 49% of its shares in Norske Skog Pisa. In January 2014, Norske Skog renegotiated the terms of the sale of the remaining stake, with an accelerated timeline, and a sales price of USD 37 million. The value of the investment in Norske Skog Pisa Ltda. at the end of December 2013 reflected the agreed sales price of USD 37 million (NOK 223 million). The sales proceeds was received in the second quarter of 2014. The gain (loss) from the sale of the shares in Norske Skog Pisa Ltda., including the value adjustment at 31 December 2013, was classified within the income statement line item Other gains and losses in 2013. See Note 16 for further information.

## 20. PROVISIONS

| | RESTRUCTURING PROVISION | DISMANTLING PROVISION | ENVIRONMENTAL PROVISION |
|---|---|---|---|
| **Balance 1 January 2013** | **140** | **92** | **250** |
| Changes and new provisions | 135 | −31 | −59 |
| Utilised during the year | −122 | −9 | −4 |
| Periodic unwinding of discount | 0 | 3 | 8 |
| Currency translation differences | 13 | 1 | −2 |
| **Balance 31 December 2013** | **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** |

## 20. PROVISIONS (Continued)

### Restructuring provision

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),

The restructuring provision at 31 December 2013 was NOK 166 million. NOK 138 million of this provision related to severance payments and other costs at Norske Skog Walsum, where it was decided during 2013 to permanently stop production at one paper machine (PM4). The machine ceased paper production in December 2013. Various other restructuring activities included provisions for severance payments and other costs of NOK 13 million as a result of the ongoing downsizing at head office and changes in corporate management, NOK 7 million at Norske Skog Bruck, and NOK 5 million at Norske Skog Boyer.

The amount expensed in 2013 in relation to restructuring activities amounted to NOK 145 million. This amount related mainly to the provisions listed above, offset by the recognition of NOK 10 million income due to the release of provisions expensed in 2012 at Norske Skog Tasman (NOK 6 million), Norske Skog Golbey (NOK 3 million) and Norske Skog Skogn (NOK 1 million). Total cash flow relating to restructuring activities in 2013 amounted to NOK 122 million, and related mainly to Norske Skog Tasman (NOK 77 million), Norske Skog Walsum (NOK 20 million) and head office (NOK 13 million).

### Dismantling provision

Provisions related to future dismantling costs arising from a future closing down of production facilities amounted to NOK 65 million at 31 December 2014, compared to NOK 56 million at 31 December 2013. 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 items. 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 9 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 211 million at 31 December 2014 compared to NOK 193 million at 31 December 2013. The increase is due to currency translation effects and lower discount rates. Resources spent on environmental activities during 2014 amounted to NOK 4 million.

## 20. PROVISIONS (Continued)

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 items.

## 21. NON-CONTROLLING INTERESTS

| | 2014 | 2013 |
|---|---|---|
| Non-controlling interests at 1 January | 0 | 9 |
| Profit/loss for the year attributable to non-controlling interests | 0 | 0 |
| Changes in non-controlling interests | 0 | −10 |
| Dividend paid to non-controlling interests | 0 | 0 |
| Currency translation differences | 0 | 1 |
| **Non-controlling interests at 31 December** | **0** | **0** |

Following the divestments of Norske Skog Pisa Ltda. and Norske Skog (Thailand) Co. Ltd. in 2013, Norske Skog does not have any remaining non-controlling interests.

## 22. EARNINGS AND DIVIDEND PER SHARE

| | 2014 | 2013 |
|---|---|---|
| Profit/loss for the year in NOK million attributable to owners of the parent | −1 504 | −1 844 |
| Weighted average number of shares in 1 000 | 189 933 | 189 866 |
| Basic and diluted earnings/loss per share in NOK[1] | −7.92 | −9.71 |

(1) There were no dilution effects in 2014 or 2013.

No dividends were paid for the financial year 2013. The board of directors recommends that no dividend should be disbursed for the financial year 2014. The dividend decision will be made by the annual general meeting on 16 April 2015.

## 23. SHARES

| 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 | 75 373 |
| Exeltium 2 SAS, Paris, France | EUR | 3 440 | 5 | 1 482 |
| Fjord-IT AS, Oslo, Norway | NOK | 215 | 8 | 3 002 |
| Licella Fibre Fuels Pty Ltd., Sydney, Australia | AUD | 2 857 | 12.5 | 15 220 |
| Pavatex Holding AG, Cham, Switzerland | CHF | 92 698 | 5 | 40 565 |
| Other shares, each with book value below NOK 1 million | NOK | | | 3 011 |
| **Total** | | | | **138 653** |
| **Total shares included as financial assets** | | | | **138 672** |

## 23. SHARES (Continued)

| SHARES IN SUBSIDIARIES | CURRENCY | SHARE CAPITAL (IN 1 000) | OWNERSHIP % | CARRYING VALUE (IN NOK 1 000) |
|---|---|---|---|---|
| **Shares in Norwegian subsidiaries owned by the parent company** | | | | |
| Lysaker Invest AS, Oslo | NOK | 109 371 | 100 | 309 371 |
| Nornews AS, Oslo | NOK | 100 | 100 | 100 |
| Norske Skog Eiendom AS, Oslo | NOK | 1 500 | 100 | 190 681 |
| Norske Skog Holding AS, Oslo | NOK | 30 | 100 | 60 |
| Norske Skog Kraft AS, Oslo | NOK | 100 | 100 | 115 |
| Norske Skog Nordic & Export Sales AS, Oslo | NOK | 1 100 | 100 | 324 |
| Norske Skog Property AS, Oslo | NOK | 5 000 | 100 | 8 554 |
| Norske Skog Saugbrugs AS, Halden | NOK | 1 052 100 | 100 | 2 075 120 |
| Norske Skog Shared Services AS, Levanger | NOK | 840 | 100 | 1 072 |
| Norske Skog Skogn AS, Levanger | NOK | 1 052 100 | 100 | 1 810 779 |
| Norske Treindustrier AS, Oslo | NOK | 417 340 | 100 | 6 600 196 |
| nsiFocus AS, Oslo | NOK | 100 | 100 | 100 |
| Wood and Logistics AS, Oslo | NOK | 3 000 | 100 | 3 093 |
| **Total** | | | | **10 999 566** |
| **Shares in foreign subsidiaries owned by the parent company** | | | | |
| Norske Skog Adria d.o.o., Trzin, Slovenia | EUR | 21 | 100 | 164 |
| Norske Skog Belgium N.V., Antwerp, Belgium | EUR | 62 | 100 | 3 479 |
| Norske Skog Bruck GmbH, Bruck, Austria | EUR | 20 000 | 99.9 | 81 397 |
| Norske Skog Danmark ApS, Værløse, Denmark | DKK | 200 | 100 | 25 |
| Norske Skog Deutschland GmbH, Augsburg, Germany | EUR | 520 | 100 | 6 715 |
| Norske Skog Espana S.A., Madrid, Spain | EUR | 60 | 100 | 14 788 |
| Norske Skog France SARL, Paris, France | EUR | 235 | 100 | 7 939 |
| Norske Skog Golbey SAS, Golbey, France | EUR | 137 388 | 100 | 971 969 |
| Norske Skog Holland B.V., Amsterdam, The Netherlands | EUR | 170 100 | 100 | 41 387 |
| Norske Skog Hungary Kft., Budapest, Hungary | HUF | 3 000 | 100 | 110 |
| Norske Skog Italia SrL, Milan, Italy | EUR | 10 | 95 | 84 |
| Norske Skog Österreich GmbH, Graz, Austria | EUR | 35 | 100 | 360 |
| Norske Skog Papers (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia | MYR | 5 009 | 100 | 383 243 |
| Norske Skog (Schweiz) AG, Zürich, Switzerland | CHF | 50 | 100 | 193 |
| Norske Skog (UK) Ltd., London, United Kingdom | GBP | 100 | 100 | 2 |
| Norske Skog Walsum GmbH, Duisburg, Germany | EUR | 150 025 | 100 | 0 |
| **Total** | | | | **1 511 853** |
| **Total shares in subsidiaries owned by the parent company** | | | | **12 511 419** |

## 23. SHARES (Continued)

| SHARES IN SUBSIDIARIES | CURRENCY | SHARE CAPITAL (IN 1 000) | OWNERSHIP % |
|---|---|---|---|
| **Shares in other companies owned by consolidated companies** | | | |
| Norske Skog AS | NOK | 30 | 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 Bruck GmbH, Bruck, Austria | EUR | 20 000 | 0.1 |
| 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 Holdings (No.1) Ltd., Auckland, New Zealand | NZD | 0 | 100 |
| Norske Skog Holdings (No.2) Ltd., Auckland, New Zealand | NZD | 0 | 100 |
| Norske Skog Holdings (No.3) Ltd., Auckland, New Zealand | NZD | 1 | 100 |
| Norske Skog Holdings (Schweiz) AG, Zug, Switzerland | CHF | 100 100 | 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 | 5 |
| Norske Skog Overseas Holdings AG, Zürich, Switzerland | CHF | 100 | 100 |
| Norske Skog Paper Mills (Australia) Ltd., Tasmania, Australia | AUD | 7 539 | 100 |
| Norske Skog Papier Recycling GmbH, Bruck, Austria | EUR | 291 | 100 |
| Norske Skog Tasman Ltd., Auckland, New Zealand | NZD | 725 000 | 100 |

## 24. CAPITAL RISK MANAGEMENT

Norske Skog's objective when managing capital is to maximise return on equity within the limits set by the group's external debt financing.

In order to improve the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

See Note 8 for further information on the debt maturity and Note 27 for further information on the refinancing of bonds after the balance sheet date.

## 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 2014. The simplification of the group's corporate structure in combination with changes in individual countries' tax laws could increase the group's tax exposure. However, due to completed reorganisations and tax assessments, the overall tax exposure has decreased during the last years.

## 26. RELATED PARTIES

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

Some of 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.

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 2014 amounted to NOK 4.1 million.

Purchases of goods and services by associated company Malaysian Newsprint Industries Sdn. Bhd. (MNI) from other companies in the Norske Skog group during 2014 amounted to NOK 0 million (NOK 10 million in 2013). There were no amounts payable by MNI to the Norske Skog group at 31 December 2014 or 31 December 2013.

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

On 22 January 2015, Norske Skog launched two separate offers (i) an offering of EUR 290 million (EUR 179 million) Senior Secured Notes (SSN) due December 2019 to achieve a broader refinancing and debt extension of the group's capital structure 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 senior secured notes (SSN) and the exchange of existing bonds into new bonds with longer maturities. Norske Skog has 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 will be structurally senior to all remaining existing notes and notes issued in the exchange offer. The SSN is secured by among other things share pledge in operating subsidiaries, new intermediate holding companies, and in addition asset pledge in the Australasian business. The terms of the SSN include customary default and cross default terms, and the pool of security can be enforced upon in a continuing default scenario under the SSNs. The exchange notes will be structurally junior to the SSN, but structurally senior to remaining existing notes and mature in 2021 and 2023. The remaining existing notes will be 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. Immediate de-leveraging of around NOK 500 million was realized in the refinancing. This leads to a significant improvement in the group's total liquidity, despite a short-term increase in the cost of borrowings.

In January, prior to the offering of the SSN and the exchange offer, several changes in the Norske Skog corporate structure were made. Norske Skog AS was established as the issuer of the SSN, while Norske Skog Holding AS was established as the offeror of the exchange notes.

The chair of the board at Norske Skogindustrier ASA Jarle Roth has informed the election committee that he is not a candidate for re-election as chair. The election committee unanimously proposes that Jon-Aksel Torgersen take over as new chair at the annual general meeting on 16 April 2015. Jon-Aksel Torgersen has been director of the board since 2012, and has extensive management and board experience from Norwegian and international industry, shipping and finance.

There have been no other events after the balance sheet date with significant impact on the financial statements for 2014.

## 27. EVENTS AFTER THE BALANCE SHEET DATE (Continued)

The table below shows the Norske Skog group's issued bonds maturity profile after the completed refinancing at 24 February 2015.

| MATURITY | CURRENNCY | COUPON | ORIGINAL AMOUNT | | OUTSTANDING AMOUNT 24 FEB 2015 | |
|---|---|---|---|---|---|---|
| October 2015 . . . | USD | 6.125% | USD | 200 mill | USD | 41 mill |
| October 2033 . . . | USD | 7.125% | USD | 200 mill | USD | 95 mill |
| June 2016 . . . . . . | EUR | 11.75% | EUR | 150 mill | EUR | 121 mill |
| June 2017 . . . . . . | EUR | 7.00% | EUR | 500 mill | EUR | 218 mill |
| December 2019 . . | EUR | 11.75% | EUR | 290 mill | EUR | 290 mill |
| February 2021 . . . | EUR | 8.00% | EUR | 159 mill | EUR | 159 mil |
| February 2023 . . . | EUR | 8.00% | EUR | 61 mill | EUR | 61 mill |

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Oslo Atrium, P.O.Box 20, NO-0051 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 2014, 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 audit opinion on the financial statements for the parent company and the group.

*Opinion on the financial statements of the parent company*

In our opinion, the financial statements of Norske Skogindustrier ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the company as at 31 December 2014 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.

*Opinion on the financial statements of the group*

In our opinion, the financial statements of the group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the group as at 31 December 2014 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.

**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, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

*Opinion on registration and documentation*

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

Oslo, 11 March 2015
ERNST & YOUNG AS

Finn Kinserdal
State Authorised Public Accountant (Norway)

**NORSKE SKOG**

**UNAUDITED CONDENSED INCOME STATEMENT**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013**

| NOK MILLION | NOTE | Q3 2014 | Q2 2014 | Q3 2013 | YTD 2014 | YTD 2013 |
|---|---|---|---|---|---|---|
| **Operating revenue** | 6 | **3 057** | **3 018** | **3 353** | **8 942** | **9 805** |
| Distribution costs | | −312 | −306 | −367 | −917 | −1 035 |
| Cost of materials | | −1 798 | −1 773 | −2 004 | −5 388 | −5 964 |
| Change in inventories | | −34 | 22 | −46 | 96 | 101 |
| Employee benefit expenses | | −477 | −487 | −501 | −1 435 | −1 544 |
| Other operating expenses | | −228 | −223 | −257 | −685 | −800 |
| **Gross operating earnings** | | **208** | **251** | **176** | **612** | **564** |
| Depreciation | 4 | −186 | −180 | −136 | −547 | −533 |
| Restructuring expenses | | 5 | 0 | 3 | −3 | 4 |
| Other gains and losses | 8 | 70 | 51 | −47 | 236 | −863 |
| Impairments | 3, 4 | 0 | 0 | 0 | 0 | 0 |
| **Operating earnings** | | **97** | **122** | **−4** | **303** | **−829** |
| Share of profit in associated companies | | 0 | −3 | 9 | 5 | 17 |
| Financial items | | −138 | −284 | −245 | −498 | −935 |
| **Profit/loss before income taxes** | | **−40** | **−165** | **−240** | **−190** | **−1 747** |
| Income taxes | | −152 | 51 | 94 | −105 | 360 |
| **Profit/loss for the period** | | **−192** | **−114** | **−147** | **−296** | **−1 387** |
| **Profit/loss for the period attributable to:** | | | | | | |
| Owners of the parent | | −192 | −114 | −147 | −296 | −1 387 |
| Non-controlling interests | | 0 | 0 | 0 | 0 | 0 |
| Basic/diluted earnings per share (NOK) | | −1.01 | −0.60 | −0.77 | −1.56 | −7.31 |

**NORSKE SKOG**

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013**

| NOK MILLION | Q3 2014 | Q2 2014 | Q3 2013 | YTD 2014 | YTD 2013 |
|---|---|---|---|---|---|
| **Profit/loss for the period** | **–192** | **–114** | **–147** | **–296** | **–1 387** |
| **Other comprehensive income** | | | | | |
| ***Items that may be reclassified subsequently to profit or loss*** | | | | | |
| Currency translation differences | –187 | 222 | 144 | 74 | 148 |
| Tax expense on translation differences | 0 | 0 | –22 | 25 | –7 |
| Hedge of net investment in foreign operations | 61 | –44 | –56 | 41 | –187 |
| Tax expense on net investment hedge | 0 | 0 | –1 | 0 | –3 |
| Reclassified translation differences upon divestment of foreign operations | 0 | 1 | –7 | 1 | 255 |
| Reclassified hedging gain/loss on net investment upon divestment of foreign operations | 0 | 0 | 0 | 0 | –361 |
| Tax expense on reclassifications | 0 | 0 | 0 | 0 | 101 |
| Other items | 0 | –7 | 0 | –7 | 1 |
| Tax expense on other items | 0 | 0 | 0 | 0 | 0 |
| ***Total*** | **–127** | **172** | **58** | **133** | **–53** |
| ***Items that will not be reclassified subsequently to profit or loss*** | | | | | |
| Remeasurements of post employment benefit obligations | 0 | 0 | 0 | 0 | 0 |
| Tax effect on remeasurements of post employment benefit obligations | 0 | 0 | 0 | 0 | 0 |
| ***Total*** | **0** | **0** | **0** | **0** | **0** |
| **Other comprehensive income for the period** | **–127** | **172** | **58** | **133** | **–53** |
| **Comprehensive income for the period** | **–318** | **58** | **–89** | **–164** | **–1 440** |
| **Comprehensive income for the period attributable to:** | | | | | |
| Owners of the parent | –318 | 58 | –89 | –164 | –1 441 |
| Non-controlling interests | 0 | 0 | 0 | 0 | 1 |

**NORSKE SKOG**

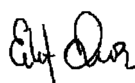
**UNAUDITED BALANCE SHEET**

**AS OF SEPTEMBER 30, 2014 AND 2013**

| NOK MILLION | NOTE | 30 SEP 2014 | 30 JUN 2014 | 31 DEC 2013 | 30 SEP 2013 |
|---|---|---|---|---|---|
| Deferred tax asset | | 412 | 621 | 541 | 560 |
| Intangible assets | 4, 6 | 77 | 85 | 152 | 275 |
| Property, plant and equipment | 3, 4, 6 | 8 720 | 9 057 | 9 025 | 9 150 |
| Investments in associated companies | 5 | 401 | 392 | 595 | 598 |
| Other non-current assets | 8 | 323 | 344 | 299 | 416 |
| **Total non-current assets** | | **9 934** | **10 500** | **10 611** | **10 999** |
| Inventories | | 1 382 | 1 456 | 1 274 | 1 493 |
| Trade and other receivables | | 1 321 | 1 176 | 1 574 | 1 695 |
| Cash and cash equivalents | 7 | 500 | 580 | 1 015 | 820 |
| Other current assets | 8 | 37 | 55 | 141 | 145 |
| **Total current assets** | | **3 239** | **3 268** | **4 005** | **4 154** |
| **Total assets** | | **13 173** | **13 767** | **14 617** | **15 153** |
| Paid-in equity | | 12 302 | 12 302 | 12 302 | 12 302 |
| Retained earnings and other reserves | | −10 291 | −9 972 | −10 127 | −9 601 |
| Non-controlling interests | | 0 | 0 | 0 | 10 |
| **Total equity** | | **2 012** | **2 331** | **2 175** | **2 712** |
| Pension obligations | | 696 | 718 | 714 | 641 |
| Deferred tax liability | | 274 | 408 | 392 | 509 |
| Interest-bearing non-current liabilities | 7 | 7 332 | 7 391 | 6 973 | 7 018 |
| Other non-current liabilities | 8 | 460 | 470 | 699 | 804 |
| **Total non-current liabilities** | | **8 763** | **8 987** | **8 779** | **8 972** |
| Interest-bearing current liabilities | 7 | 272 | 314 | 1 044 | 910 |
| Trade and other payables | | 1 844 | 1 907 | 2 040 | 2 171 |
| Tax payable | | 11 | 11 | 39 | 32 |
| Other current liabilities | 8 | 272 | 217 | 540 | 356 |
| **Total current liabilities** | | **2 398** | **2 449** | **3 662** | **3 469** |
| **Total liabilities** | | **11 161** | **11 437** | **12 441** | **12 441** |
| **Total equity and liabilities** | | **13 173** | **13 767** | **14 617** | **15 153** |

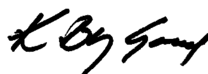
**SKØYEN, 22 OCTOBER 2014—THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA**

Jarle Roth
Chair

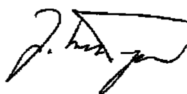


Eilif Due
Board member

Siri Beate Hatlen
Board member



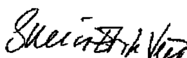
Karin Bing Orgland
Board member



Jon-Aksel Torgersen
Board member

Kjetil Bakkan
Board member

Paul Kristiansen
Board member



Svein Erik Veie
Board member

Sven Ombudstvedt
President and CEO

**NORSKE SKOG**

**UNAUDITED CASH FLOW STATEMENT**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013**

| NOK MILLION | Q3 2014 | Q2 2014 | Q3 2013 | YTD 2014 | YTD 2013 |
|---|---|---|---|---|---|
| Cash generated from operations | 2 933 | 3 078 | 3 222 | 9 191 | 9 861 |
| Cash used in operations | −2 880 | −2 871 | −3 200 | −8 859 | −9 626 |
| Cash from net financial items | −15 | −458 | −108 | −532 | −437 |
| Taxes paid | −6 | −2 | −6 | −25 | −43 |
| **Net cash flow from operating activities[(1)]** | **31** | **−252** | **−91** | **−224** | **−245** |
| Purchases of property, plant and equipment and intangible assets | −55 | −29 | −110 | −201 | −352 |
| Sales of property, plant and equipment and intangible assets | 1 | 0 | 4 | 2 | 23 |
| Dividend received | 0 | 0 | 16 | 1 | 16 |
| Purchase of shares in companies and other investments | 0 | −4 | 0 | −8 | −39 |
| Sales of shares in companies and other investments | 9 | 265 | 5 | 326 | 226 |
| **Net cash flow from investing activities** | **−44** | **231** | **−85** | **120** | **−127** |
| New loans raised | 75 | 229 | 95 | 478 | 844 |
| Repayments of loans | −134 | −543 | −689 | −914 | −916 |
| **Net cash flow from financing activities** | **−58** | **−313** | **−594** | **−436** | **−72** |
| Foreign currency effects on cash and cash equivalents | −9 | 36 | 15 | 25 | 69 |
| **Total change in cash and cash equivalents** | **−80** | **−298** | **−755** | **−515** | **−374** |
| **Cash and cash equivalents at start of period** | 580 | 878 | 1 575 | 1 015 | 1 194 |
| **Cash and cash equivalents at end of period** | 500 | 580 | 820 | 500 | 820 |

(1) **Reconciliation of net cash flow from operating activities**

| | Q3 2014 | Q2 2014 | Q3 2013 | YTD 2014 | YTD 2013 |
|---|---|---|---|---|---|
| Gross operating earnings | 208 | 251 | 176 | 612 | 564 |
| Change in working capital | −136 | 44 | −104 | −53 | 79 |
| Payments made relating to restructuring activities | −12 | −21 | −10 | −144 | −114 |
| Adjustment for other items | −7 | −66 | −40 | −82 | −136 |
| Cash flow from net financial items | −15 | −458 | −108 | −532 | −437 |
| Taxes paid | −6 | −2 | −6 | −25 | −43 |
| **Net cash flow from operating activities** | **31** | **−252** | **−91** | **−224** | **−245** |

**NORSKE SKOG**

**UNAUDITED STATEMENT OF CHANGES IN GROUP EQUITY**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013**

| NOK MILLION | Paid-in equity | Retained earnings | Hedge accounting | Other equity reserves | Total before non-controlling interests | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| **Equity 1 January 2013** | **12 302** | **−8 361** | **317** | **−116** | **4 142** | **9** | **4 151** |
| Profit/loss for the period | 0 | −1 240 | 0 | 0 | −1 240 | 0 | −1 240 |
| Other comprehensive income for the period | 0 | 0 | −393 | 283 | −110 | 1 | −109 |
| **Equity 30 June 2013** | **12 302** | **−9 601** | **−76** | **167** | **2 791** | **10** | **2 801** |
| Profit/loss for the period | 0 | −147 | 0 | 0 | −147 | 0 | −147 |
| Other comprehensive income for the period | 0 | 0 | −57 | 115 | 58 | 0 | 58 |
| **Equity 30 September 2013** | **12 302** | **−9 748** | **−133** | **282** | **2 702** | **10** | **2 712** |
| Profit/loss for the period | 0 | −457 | 0 | 0 | −457 | 0 | −457 |
| Other comprehensive income for the period | 0 | 0 | −57 | −12 | −69 | 0 | −69 |
| Non-controlling interest—divested operations | 0 | 0 | 0 | 0 | 0 | −10 | −10 |
| **Equity 31 December 2013** | **12 302** | **−10 205** | **−190** | **269** | **2 175** | **0** | **2 175** |
| Profit/loss for the period | 0 | −104 | 0 | 0 | −104 | 0 | −104 |
| Other comprehensive income for the period | 0 | 0 | −20 | 279 | 259 | 0 | 259 |
| **Equity 30 June 2014** | **12 302** | **−10 308** | **−210** | **548** | **2 331** | **0** | **2 331** |
| Profit/loss for the period | 0 | −192 | 0 | 0 | −192 | 0 | −192 |
| Other comprehensive income for the period | 0 | 0 | 61 | −187 | −127 | 0 | −127 |
| **Equity 30 September 2014** | **12 302** | **−10 500** | **−149** | **359** | **2 012** | **0** | **2 012** |

## 1. GENERAL INFORMATION

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

Norske Skog's segment structure has been changed with effect from 1 January 2014. See Note 6 Operating segments for more information.

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

The interim financial statements were authorised for issue by the board of directors in Norske Skogindustrier ASA on 22 October 2014.

## 2. ACCOUNTING POLICIES

The interim financial statements of Norske Skog have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim financial statements do not include all information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements for 2013. The interim financial statements are unaudited.

The accounting policies applied in the preparation of the interim financial statements are consistent with those applied in the preparation of the annual financial statements for the year ended 31 December 2013, except for the adaptation of amended standards and new interpretations, which are mandatory from 1 January 2014. These changes are described in the annual financial statements for 2013.

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

## 3. ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

*Estimated decline in value of intangible assets and property, plant and equipment*

Intangible assets which have an indefinite useful life and goodwill are not subject to amortisation, but are tested annually for impairment. Property, plant and equipment, and intangible assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit. Norske Skog applies a weighted average cost of capital (WACC) model for calculating the present value of future cash flows. Calculation of value in use requires use of estimates.

There was no indication that further impairments or reversals of previous impairments should be made at 30 September 2014.

*Commodity contracts and embedded derivatives in commodity contracts measured at fair value*

Commodity contracts that fail to meet the own-use exemption criteria in IAS 39 *Financial instruments—recognition and measurement* are recognised in the balance sheet and valued at fair value. Fair values of commodity contracts and embedded derivatives in commodity contracts which are not traded in an active 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

## 3. ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (Continued)

of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

See Note 9 in the annual financial statements for 2013 for more information regarding the calculation of fair value of derivatives.

*Provisions*

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

Provisions for future environmental and dismantling liabilities are based on a number of assumptions made using management's best judgment.

See Note 2 in the annual financial statements for 2013 for a more thorough description of important accounting estimates and assumptions impacting the preparation of financial statements.

*Contingent liabilities*

Norske Skog is an international company that, through its ongoing business operations, will be exposed to litigation and claims from public authorities and contracting parties.

Norske Skog has an ongoing process related to simplification of the group's corporate structure. This, in combination with changes in individual countries' tax laws, could increase the group's tax exposure.

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

| JAN - SEP | PROPERTY, PLANT AND EQUIPMENT | INTANGIBLE ASSETS | TOTAL |
|---|---|---|---|
| Carrying value at start of period | 9 025 | 152 | 9 177 |
| Additions(*) | 205 | 75 | 280 |
| Depreciation | −541 | −6 | −547 |
| Impairments | 0 | 0 | 0 |
| Value changes | −6 | 0 | −6 |
| Disposals | −9 | −148 | −157 |
| Currency translation differences | 46 | 4 | 50 |
| **Carrying value at end of period** | **8 720** | **77** | **8 797** |

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

## 5. DIVESTMENT OF OPERATIONS

In January 2014, the terms of sale for Norske Skog's remaining 49% stake in Norske Skog Pisa Ltda. in Brazil were renegotiated, with an accelerated timeline and a sales price of USD 37 million. The transaction was completed on 17 January. Following this, Norske Skog has no remaining interests in South America, and the investment in associated company in Pisa (NOK 223 million at the end of 2013) has been derecognised from the balance sheet. The value at the end of 2013 reflected the agreed sales price, so the transaction did not result in any additional income statement impact in 2014. The sales proceeds from the transaction was received during the second quarter of 2014.

Norske Skog's share in the sales offices Norske Skog Czech & Slovak Republic spol.s r.o (Czech Republic) and Norske Skog Polska Sp.z o.o. (Poland) were sold in June 2014.

## 6. OPERATING SEGMENTS

The composition of Norske Skog's operating segments was changed with effect from 1 January 2014. The activities of the Norske Skog group are now focused on two business systems, namely Europe and Australasia. The segment structure is in line with how the group is managed internally. Norske Skog's chief operating decision maker is corporate management, who distribute resources and assess performance of the group's operating segments. According to the operating model, all mills have a direct reporting line to corporate management. The mills have been aggregated into two operating segments, publication paper Europe and publication paper Australasia, based on geographical location. Norske Skog has an integrated strategy in Europe and Australasia to maximize the profit in each region. The optimisation is carried out through coordinated sales- and operational planning. The regional planning, in combination with structured sales and operational processes, ensures maximisation of profit.

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

Activities that are not part of the operating segments are included in other activities.

The comparative figures for 2013 have been restated in accordance with the new segment structure.

| Q3 2014 | PUBLICATION PAPER EUROPE | PUBLICATION PAPER AUSTRALASIA | OTHER ACTIVITIES | ELIMINATIONS | NORSKE SKOG GROUP |
|---|---|---|---|---|---|
| **Operating revenue** | **2 244** | **816** | **33** | **−36** | **3 057** |
| Distribution costs | −212 | −101 | 0 | 0 | −312 |
| Cost of materials | −1 315 | −482 | −1 | 0 | −1 798 |
| Change in inventories | −58 | 24 | 0 | 0 | −34 |
| Employee benefit expenses | −328 | −126 | −23 | 0 | −477 |
| Other operating expenses | −172 | −73 | −20 | 36 | −228 |
| **Gross operating earnings** | **159** | **59** | **−10** | **0** | **208** |
| Depreciation | −99 | −87 | −1 | 0 | −186 |
| Restructuring expenses | 5 | 0 | 0 | 0 | 5 |
| Other gains and losses | 1 | −8 | 77 | 0 | 70 |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| **Operating earnings** | **67** | **−36** | **66** | **0** | **97** |

## 6. OPERATING SEGMENTS (Continued)

| Q2 2014 | PUBLICATION PAPER EUROPE | PUBLICATION PAPER AUSTRALASIA | OTHER ACTIVITIES | ELIMINATIONS | NORSKE SKOG GROUP |
|---|---|---|---|---|---|
| **Operating revenue** | **2 266** | **755** | **34** | **−37** | **3 018** |
| Distribution costs | −216 | −90 | 0 | 0 | −306 |
| Cost of materials | −1 337 | −439 | 1 | 0 | −1 773 |
| Change in inventories | −23 | 46 | 0 | 0 | 22 |
| Employee benefit expenses | −346 | −118 | −23 | 0 | −487 |
| Other operating expenses | −172 | −71 | −17 | 36 | −223 |
| **Gross operating earnings** | **173** | **82** | **−4** | **0** | **251** |
| Depreciation | −98 | −81 | −1 | 0 | −180 |
| Restructuring expenses | 0 | 0 | 0 | 0 | 0 |
| Other gains and losses | 3 | −6 | 54 | 0 | 51 |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| **Operating earnings** | **77** | **−4** | **49** | **0** | **122** |

| Q3 2013 | PUBLICATION PAPER EUROPE | PUBLICATION PAPER AUSTRALASIA | OTHER ACTIVITIES | ELIMINATIONS | NORSKE SKOG GROUP |
|---|---|---|---|---|---|
| **Operating revenue** | **2 455** | **892** | **47** | **−41** | **3 353** |
| Distribution costs | −262 | −105 | 0 | 0 | −367 |
| Cost of materials | −1 519 | −481 | −5 | 1 | −2 004 |
| Change in inventories | −49 | 2 | 0 | 0 | −46 |
| Employee benefit expenses | −351 | −121 | −29 | 0 | −501 |
| Other operating expenses | −190 | −74 | −33 | 40 | −257 |
| **Gross operating earnings** | **83** | **113** | **−20** | **0** | **176** |
| Depreciation | −90 | −43 | −4 | 0 | −136 |
| Restructuring expenses | −1 | 4 | 0 | 0 | 3 |
| Other gains and losses | 4 | −5 | −46 | 0 | −47 |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| **Operating earnings** | **−3** | **69** | **−70** | **0** | **−4** |

## 6. OPERATING SEGMENTS (Continued)

### OPERATING SEGMENT PUBLICATION PAPER EUROPE

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

| INCOME STATEMENT | Q3 2014 | Q2 2014 | Q3 2013 | YTD 2014 | YTD 2013 |
|---|---|---|---|---|---|
| **Operating revenue** | **2 244** | **2 266** | **2 455** | **6 720** | **6 764** |
| Distribution costs | −212 | −216 | −262 | −647 | −713 |
| Cost of materials | −1 315 | −1 337 | −1 519 | −4 111 | −4 337 |
| Change in inventories | −58 | −23 | −49 | 14 | 73 |
| Employee benefit expenses | −328 | −346 | −351 | −1 004 | −1 055 |
| Other operating expenses | −172 | −172 | −190 | −520 | −565 |
| **Gross operating earnings** | **159** | **173** | **83** | **452** | **167** |
| Depreciation | −99 | −98 | −90 | −295 | −260 |
| Restructuring expenses | 5 | 0 | −1 | 3 | 0 |
| Other gains and losses | 1 | 3 | 4 | 4 | 8 |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| **Operating earnings** | **67** | **77** | **−3** | **164** | **−86** |
| Share of operating revenue from external parties (%) | 100 | 100 | 95 | 99 | 96 |

### OPERATING SEGMENT PUBLICATION PAPER AUSTRALASIA

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

| INCOME STATEMENT | Q3 2014 | Q2 2014 | Q3 2013 | YTD 2014 | YTD 2013 |
|---|---|---|---|---|---|
| **Operating revenue** | **816** | **755** | **892** | **2 229** | **3 014** |
| Distribution costs | −101 | −90 | −105 | −270 | −322 |
| Cost of materials | −482 | −439 | −481 | −1 276 | −1 602 |
| Change in inventories | 24 | 46 | 2 | 81 | 28 |
| Employee benefit expenses | −126 | −118 | −121 | −361 | −404 |
| Other operating expenses | −73 | −71 | −74 | −208 | −262 |
| **Gross operating earnings** | **59** | **82** | **113** | **195** | **453** |
| Depreciation | −87 | −81 | −43 | −247 | −261 |
| Restructuring expenses | 0 | 0 | 4 | 0 | 4 |
| Other gains and losses | −8 | −6 | −5 | −24 | −194 |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| **Operating earnings** | **−36** | **−4** | **69** | **−76** | **2** |
| Share of operating revenue from external parties (%) | 100 | 100 | 100 | 100 | 100 |

## 6. OPERATING SEGMENTS (Continued)

### OTHER ACTIVITIES

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

| INCOME STATEMENT | Q3 2014 | Q2 2014 | Q3 2013 | YTD 2014 | YTD 2013 |
|---|---|---|---|---|---|
| **Operating revenue** | **33** | **34** | **47** | **101** | **272** |
| Distribution costs | 0 | 0 | 0 | 0 | 0 |
| Cost of materials | −1 | 1 | −5 | −1 | −145 |
| Change in inventories | 0 | 0 | 0 | 0 | 0 |
| Employee benefit expenses | −23 | −23 | −29 | −70 | −85 |
| Other operating expenses | −20 | −17 | −33 | −65 | −98 |
| **Gross operating earnings** | **−10** | **−4** | **−20** | **−35** | **−56** |
| Depreciation | −1 | −1 | −4 | −5 | −11 |
| Restructuring expenses | 0 | 0 | 0 | 0 | 0 |
| Other gains and losses | 77 | 54 | −46 | 256 | −676 |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| **Operating earnings** | **66** | **49** | **−70** | **215** | **−744** |
| Share of operating revenue from external parties (%) | 0 | 0 | 18 | 0 | 15 |
| **OPERATING REVENUE** | | | | | |
| Energy | 0 | 0 | 0 | 0 | 106 |
| Real estate activities | 0 | 0 | 0 | 0 | 0 |
| Corporate functions | 32 | 32 | 36 | 97 | 113 |
| Miscellaneous | 8 | 8 | 19 | 24 | 77 |
| Eliminations | −7 | −7 | −8 | −20 | −23 |
| **Total** | **33** | **34** | **47** | **101** | **272** |
| **GROSS OPERATING EARNINGS** | | | | | |
| Energy | 0 | 0 | 0 | 0 | 0 |
| Real estate activities | 0 | 0 | 0 | 0 | −1 |
| Corporate functions | −10 | −3 | −19 | −28 | −52 |
| Miscellaneous | 0 | −1 | −1 | −7 | −3 |
| Eliminations | 0 | 0 | 0 | 0 | 0 |
| **Total** | **−10** | **−4** | **−20** | **−35** | **−56** |

### PROPERTY, PLANT AND EQUIPMENT PER SEGMENT

| | PROPERTY, PLANT AND EQUIPMENT | INTANGIBLE ASSETS | TOTAL |
|---|---|---|---|
| Publication paper Europe | 5 031 | 0 | 5 031 |
| Publication paper Australasia | 3 654 | 15 | 3 670 |
| Other activities | 35 | 61 | 97 |
| **Total** | **8 720** | **77** | **8 797** |

## 7. INTEREST-BEARING DEBT

### NET INTEREST-BEARING DEBT

Norske Skog has recognised an amount in the balance sheet as a result of the termination of a large part of the fair value hedge portfolio in the first half of 2009. A hedge reserve (deferred income) amounting to NOK 173 million is included in interest-bearing debt at 30 September 2014. The corresponding figure at 30 June 2014 was NOK 172 million.

The hedge reserve does not constitute any payment obligation for the group, but will be amortised in the income statement over the lifetime of the debt that has been hedged.

| 30 SEP 2014 | REPORTED KEY FIGURES |
|---|---|
| Interest-bearing non-current liabilities | 7 332 |
| Interest-bearing current liabilities | 272 |
| —Hedge reserve | 173 |
| —Cash and cash equivalents | 500 |
| **—Net interest-bearing debt** | **6 931** |

### DEBT REPAYMENT SCHEDULE

| CONTRACTUAL INSTALMENT PAYMENTS ON CURRENT AND NON-CURRENT INTEREST-BEARING DEBT | 30 SEP 2014 |
|---|---|
| 2014—fourth quarter | 209 |
| 2015 | 1 107 |
| 2016 | 1 384 |
| 2017 | 3 356 |
| 2018 | 28 |
| 2019 | 28 |
| 2020 | 28 |
| 2021 | 20 |
| 2022 | 14 |
| 2023 to 2033 | 1 320 |
| **Total** | **7 494** |

Total debt listed in the repayment schedule may differ from the carrying value in the balance sheet.

This is due to premiums and discounts on issued bonds and hedge reserve.

### BONDS

Bond financing constitutes the majority of Norske Skog's total debt financing. All bonds are issued by Norske Skogindustrier ASA and are unsecured. The table below shows Norske Skog's issued bonds at 30 September 2014.

| MATURITY | CURRENCY | COUPON | ORIGINAL AMOUNT | OUTSTANDING AMOUNT 30 SEP 2014 |
|---|---|---|---|---|
| October 2015 | USD | 6.125% | USD 200 mill | USD 158 mill |
| October 2033 | USD | 7.125% | USD 200 mill | USD 200 mill |
| June 2016 | EUR | 11.75% | EUR 150 mill | EUR 130 mill |
| June 2017 | EUR | 7.00% | EUR 500 mill | EUR 388 mill |
| October 2014 | NOK (NSG 15) | 5.40% | NOK 300 mill | NOK 185 mill |

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

| | ASSETS | | LIABILITIES | |
|---|---|---|---|---|
| 30 SEP 2014 | CURRENT | NON-CURRENT | CURRENT | NON-CURRENT |
| Energy contracts and embedded derivatives in energy contracts (level 3) | 17 | 155 | −22 | −77 |
| Energy contracts (level2) | 0 | 12 | −5 | |
| Other raw material contracts (level 3) | 5 | 0 | 0 | 0 |
| Other derivatives and financial instruments carried at fair value (level 2) | 0 | 0 | −29 | 0 |
| **Total** | **22** | **167** | **−56** | **−77** |

Norske Skog's portfolio of commodity contracts consists primarily of physical energy contracts. The fair value of commodity contracts is particularly sensitive to future fluctuations in energy prices. The fair value of embedded derivatives in physical contracts depends on currency and price index fluctuations.

Higher energy prices have a positive impact on fair value. Energy prices in New Zealand are virtually unchanged compared with the previous quarter.

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

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

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

Gains and losses on level 3 financial instruments recognised in the income statement, line item Other gains and losses, amounted to NOK 96 million in the third quarter (NOK −27 million in the second quarter).

## 9. PRINCIPAL SHAREHOLDERS

| PRINCIPAL SHAREHOLDERS AT 30 SEPTEMBER 2014 | NUMBER OF SHARES | OWNERSHIP % |
|---|---|---|
| Nobelsystem Scandinavia AS | 10 100 000 | 5.32 |
| Kontrari AS | 9 000 000 | 4.74 |
| Dimensional Fund Advisors | 6 708 773 | 3.53 |
| Skandinaviska Enskilda Banken | 6 149 000 | 3.24 |
| AT Skog BA | 6 065 911 | 3.19 |
| Allskog BA | 5 295 662 | 2.79 |
| Astrup Fearnley AS | 5 189 688 | 2.73 |
| Uthalden A/S | 4 350 000 | 2.29 |
| Nordnet Bank AB (Nominee) | 4 246 055 | 2.24 |
| Nil Spectatio Finans AS | 4 204 476 | 2.21 |
| Danske Bank A/S (Nominee) | 3 264 251 | 1.72 |
| Fiducia AS | 2 986 644 | 1.57 |
| Swedbank Norge Marketmaking ac. | 2 925 000 | 1.54 |
| JPMorgan Asset Management | 2 663 977 | 1.40 |
| AS Havlide | 2 296 466 | 1.21 |
| SES AS | 2 200 000 | 1.16 |
| AS Herdebred | 2 112 005 | 1.11 |
| Barokk Invest AS | 2 050 000 | 1.08 |
| Torstein I. Tvenge | 2 000 000 | 1.05 |
| Alfaplan AS | 1 990 000 | 1.05 |
| Shareholders with < 1% ownership | 104 147 718 | 54.83 |
| **Total** | **189 945 626** | **100.00** |

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

## 10. THE NORSKE SKOG SHARE

| | 30 SEP 2014 | 30 JUN 2014 | 31 MAR 2014 | 31 DEC 2013 | 30 SEP 2013 |
|---|---|---|---|---|---|
| Share price (NOK) | 3.94 | 4.92 | 4.90 | 4.74 | 3.43 |
| Book value of equity per share (NOK) | 10.59 | 12.27 | 11.97 | 11.45 | 14.50 |

## 11. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after the balance sheet date with significant impact on the interim financial statements for the third quarter of 2014.

## 12. HISTORICAL FIGURES

| INCOME STATEMENT | Q3 2014 | Q2 2014 | Q1 2014 | Q4 2013 | Q3 2013 |
|---|---|---|---|---|---|
| **Operating revenue** | **3 057** | **3 018** | **2 867** | **3 534** | **3 353** |
| Variable costs | −2 144 | −2 057 | −2 009 | −2 563 | −2 418 |
| Fixed costs | −705 | −710 | −705 | −673 | −759 |
| **Gross operating earnings** | **208** | **251** | **153** | **298** | **176** |
| Depreciation | −186 | −180 | −181 | −196 | −136 |
| Restructuring expenses | 5 | 0 | −2 | −149 | 3 |
| Other gains and losses | 70 | 51 | 114 | −237 | −47 |
| **Operating earnings** | **97** | **122** | **84** | **−283** | **−4** |
| Share of profit in associated companies | 0 | −3 | 8 | 9 | 9 |
| Financial items | −138 | −284 | −77 | −323 | −245 |
| **Profit/loss before income taxes** | **−40** | **−165** | **15** | **−597** | **−240** |
| Income taxes | −152 | 51 | −4 | 140 | 94 |
| **Profit/loss for the period** | **−192** | **−114** | **11** | **−457** | **−147** |

| SEGMENT INFORMATION | Q3 2014 | Q2 2014 | Q1 2014 | Q4 2013 | Q3 2013 |
|---|---|---|---|---|---|
| **Publication paper Europe** | | | | | |
| Operating revenue | 2 244 | 2 266 | 2 211 | 2 668 | 2 455 |
| Gross operating earnings | 159 | 173 | 121 | 159 | 83 |
| Deliveries (1 000 tonnes) | 508 | 504 | 490 | 599 | 576 |
| **Publication paper Australasia** | | | | | |
| Operating revenue | 816 | 755 | 658 | 857 | 892 |
| Gross operating earnings | 59 | 82 | 54 | 140 | 113 |
| Deliveries (1 000 tonnes) | 161 | 147 | 130 | 178 | 187 |
| **Other activities** | | | | | |
| Operating revenue | 33 | 34 | 34 | 41 | 47 |
| Gross operating earnings | −10 | −4 | −21 | 0 | −20 |

| BALANCE SHEET | 30 SEP 2014 | 30 JUN 2014 | 31 MAR 2014 | 31 DEC 2013 | 30 SEP 2013 |
|---|---|---|---|---|---|
| **Total non-current assets** | **9 934** | **10 500** | **10 419** | **10 611** | **10 999** |
| Inventories | 1 382 | 1 456 | 1 377 | 1 274 | 1 493 |
| Trade and other receivables | 1 321 | 1 176 | 1 458 | 1 574 | 1 695 |
| Cash and cash equivalents | 500 | 580 | 878 | 1 015 | 820 |
| Other current assets | 37 | 55 | 119 | 141 | 145 |
| **Total current assets** | **3 239** | **3 268** | **3 832** | **4 005** | **4 154** |
| **Total assets** | **13 173** | **13 767** | **14 251** | **14 617** | **15 153** |
| **Total equity** | **2 012** | **2 331** | **2 273** | **2 175** | **2 712** |
| **Total non-current liabilities** | **8 763** | **8 987** | **8 728** | **8 779** | **8 972** |
| Trade and other payables | 1 844 | 1 907 | 1 860 | 2 040 | 2 171 |
| Other current liabilities | 555 | 542 | 1 390 | 1 623 | 1 298 |
| **Total current liabilities** | **2 398** | **2 449** | **3 251** | **3 662** | **3 469** |
| **Total liabilities** | **11 161** | **11 437** | **11 978** | **12 441** | **12 441** |
| **Total equity and liabilities** | **13 173** | **13 767** | **14 251** | **14 617** | **15 153** |

## 12. HISTORICAL FIGURES (Continued)

| CASH FLOW | Q3 2014 | Q2 2014 | Q1 2014 | Q4 2013 | Q3 2013 |
|---|---|---|---|---|---|
| **Reconciliation of net cash flow from operating activities** | | | | | |
| Gross operating earnings | 208 | 251 | 153 | 298 | 176 |
| Change in operating working capital | −117 | 62 | 27 | 282 | −119 |
| Payments made relating to restructuring activities | −12 | −21 | −111 | −8 | −10 |
| Cash flow from net financial items | −15 | −458 | −58 | −184 | −108 |
| Taxes paid | −6 | −2 | −17 | −14 | −6 |
| Other | −25 | −84 | 3 | −61 | −25 |
| **Net cash flow from operating activities** | **31** | **−252** | **−4** | **313** | **−91** |
| Purchases of property, plant and equipment and intangible assets | −55 | −29 | −116 | −176 | −110 |
| Net divestments | 10 | 261 | 49 | 132 | 9 |
| Dividend received | 0 | 0 | 0 | 2 | 16 |
| **Net cash flow from investing activities** | **−44** | **231** | **−67** | **−42** | **−85** |
| **Net cash flow from financing activities** | **−58** | **−313** | **−65** | **−80** | **−594** |
| Foreign currency effects on cash and cash equivalents | −9 | 36 | −1 | 5 | 15 |
| **Total change in cash and cash equivalents** | **−80** | **−298** | **−137** | **195** | **−755** |

**NORSKE SKOGINDUSTRIER ASA**

**CONSOLIDATED INCOME STATEMENT**

**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

| NOK MILLION | NOTE | 2013 | 2012 Restated |
|---|---|---|---|
| **Operating revenue** | 3 | **13 339** | **16 592** |
| Distribution costs | | −1 398 | −1 645 |
| Cost of materials | | −8 017 | −9 564 |
| Change in inventories | | −45 | −156 |
| Employee benefit expenses | 12 | −2 002 | −2 491 |
| Other operating expenses | 14 | −1 014 | −1 252 |
| **Gross operating earnings** | | **862** | **1 485** |
| Depreciation | 4 | −728 | −935 |
| Restructuring expenses | 20 | −145 | −118 |
| Other gains and losses | 16 | −1 100 | −1 009 |
| Impairments | 4 | 0 | −2 086 |
| **Operating earnings** | | **−1 111** | **−2 663** |
| Share of profit in associated companies | 19 | 26 | −70 |
| Financial items | 5 | −1 258 | −117 |
| **Profit/loss before income taxes** | | **−2 344** | **−2 849** |
| Income taxes | 17 | 500 | 69 |
| **Profit/loss** | | **−1 844** | **−2 781** |
| **Profit/loss attributable to:** | | | |
| Owners of the parent | | −1 844 | −2 778 |
| Non-controlling interests | 21 | 0 | −3 |
| Basic/diluted earnings per share (NOK) | 22 | −9.71 | −14.63 |

**NORSKE SKOGINDUSTRIER ASA**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

| NOK MILLION | 2013 | 2012 Restated |
|---|---|---|
| **Profit/loss** | **−1 844** | **−2 781** |
| **Other comprehensive income** | | |
| ***Items that may be reclassified subsequently to profit or loss*** | | |
| Currency translation differences | 140 | −511 |
| Tax expense on translation differences | −30 | −36 |
| Hedge of net investment in foreign operations | −243 | 224 |
| Tax expense on net investment hedge | −4 | 13 |
| Reclassified translation differences upon divestment of foreign operations | 221 | 130 |
| Reclassified hedging gain/loss on net investment upon divestment of foreign operations | −361 | −222 |
| Tax expense on reclassifications | 101 | 62 |
| Other items | 1 | 2 |
| Tax expense on other items | 0 | 0 |
| **Total** | **−175** | **−338** |
| ***Items that will not be reclassified subsequently to profit or loss*** | | |
| Remeasurements of post employment benefit obligations | 52 | −82 |
| Tax effect on remeasurements of post employment benefit obligations | 1 | −7 |
| **Total** | **53** | **−89** |
| **Other comprehensive income** | **−122** | **−427** |
| **Comprehensive income** | **−1 966** | **−3 208** |
| **Comprehensive income attributable to:** | | |
| Owners of the parent | −1 967 | −3 204 |
| Non-controlling interests | 1 | −4 |

**NORSKE SKOGINDUSTRIER ASA**

**CONSOLIDATED BALANCE SHEET**

**AS OF DECEMBER 31, 2013 AND 2012**

| NOK MILLION | NOTE | 31.12.2013 | 31.12.2012 Restated | 01.01.2012 Restated |
|---|---|---|---|---|
| **Assets** | | | | |
| Deferred tax asset | 17 | 541 | 313 | 355 |
| Intangible assets | 4 | 152 | 232 | 148 |
| Property, plant and equipment | 3, 4 | 9 025 | 9 533 | 12 622 |
| Investments in associated companies | 19 | 595 | 339 | 422 |
| Other non-current assets | 10 | 299 | 976 | 2 242 |
| **Total non-current assets** | | **10 611** | **11 393** | **15 789** |
| Inventories | 3, 18 | 1 274 | 1 370 | 1 867 |
| Trade and other receivables | 10 | 1 574 | 1 816 | 2 732 |
| Cash and cash equivalents | 8 | 1 015 | 1 194 | 1 200 |
| Other current assets | 18 | 141 | 271 | 372 |
| **Total current assets** | | **4 005** | **4 650** | **6 171** |
| **Total assets** | | **14 617** | **16 043** | **21 960** |
| **Shareholders' equity and liabilities** | | | | |
| Paid-in equity | | 12 302 | 12 302 | 12 303 |
| Retained earnings and other reserves | 22 | −10 127 | −8 161 | −4 957 |
| Non-controlling interests | 21 | 0 | 9 | 13 |
| **Total equity** | | **2 175** | **4 151** | **7 359** |
| Pension obligations | 13 | 714 | 629 | 598 |
| Deferred tax liability | 17 | 392 | 493 | 498 |
| Interest-bearing non-current liabilities | 11 | 6 973 | 7 208 | 8 407 |
| Other non-current liabilities | 18 | 699 | 762 | 736 |
| **Total non-current liabilities** | | **8 779** | **9 092** | **10 239** |
| Interest-bearing current liabilities | 11 | 1 044 | 203 | 931 |
| Trade and other payables | 18 | 2 040 | 2 114 | 2 480 |
| Tax payable | 17 | 39 | 43 | 31 |
| Other current liabilities | 18 | 540 | 441 | 920 |
| **Total current liabilities** | | **3 662** | **2 801** | **4 362** |
| **Total liabilities** | | **12 441** | **11 892** | **14 601** |
| **Total equity and liabilities** | | **14 617** | **16 043** | **21 960** |

**SKØYEN, 26 FEBRUARY 2014—THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA**

**NORSKE SKOGINDUSTRIER ASA**

**CONSOLIDATED CASH FLOW STATEMENT**

**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

| NOK MILLION | NOTE | 2013 | 2012 Restated |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash generated from operations | | 13 490 | 17 037 |
| Cash used in operations | | – 12 745 | – 15 261 |
| Cash flow from currency hedges and financial items | | 6 | – 77 |
| Interest payments received | | 22 | 39 |
| Interest payments made | | – 650 | – 692 |
| Taxes paid | | – 56 | – 64 |
| **Net cash flow from operating activities**[(1)] | 3 | **68** | **982** |
| **Cash flow from investing activities** | | | |
| Purchases of property, plant and equipment and intangible assets | 3 | – 529 | – 492 |
| Sales of property, plant and equipment and intangible assets | | 23 | 101 |
| Dividend received | | 18 | 10 |
| Purchase of shares in companies and other investments | | – 68 | 0 |
| Sales of shares in companies and other investments | | 387 | 682 |
| **Net cash flow from investing activities** | | **– 169** | **300** |
| **Cash flow from financing activities** | | | |
| New loans raised | | 873 | 1 183 |
| Repayments of loans | | – 1 024 | – 2 440 |
| Purchase/sale of treasury shares | | 0 | – 1 |
| **Net cash flow from financing activities** | | **– 151** | **– 1 258** |
| Foreign currency effects on cash and cash equivalents | | 74 | – 31 |
| **Total change in cash and cash equivalents** | | **– 178** | **– 6** |
| Cash and cash equivalents 1 January | | 1 194 | 1 200 |
| Cash and cash equivalents 31 December | | 1 015 | 1 194 |

(1) **Reconciliation of net cash flow from operating activities**

| | NOTE | 2013 | 2012 Restated |
|---|---|---|---|
| Profit/loss before income taxes | | – 2 344 | – 2 849 |
| Depreciation/impairments | 4 | 728 | 3 021 |
| Share of profit in associated companies | 19 | – 26 | 70 |
| Gains and losses from divestment of business activities and property, plant and equipment | 16 | 178 | – 39 |
| Taxes paid | | – 56 | – 64 |
| Change in trade and other receivables | | 151 | 445 |
| Change in inventories | | 36 | 181 |
| Change in trade and other payables | | – 23 | – 161 |
| Change in restructuring provision | | 23 | – 64 |
| Financial items with no cash impact | | 637 | – 612 |
| Gains and losses on commodity contracts and embedded derivatives | 16 | 907 | 1 042 |
| Adjustments for items with no cash impact | | – 143 | 12 |
| **Net cash flow from operating activities** | | **68** | **982** |

**NORSKE SKOGINDUSTRIER ASA**

**CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

| 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 2012** | **12 303** | **−5 584** | **240** | **461** | **7 420** | **13** | **7 433** |
| Effect of implementation of IAS 19R | 0 | 0 | 0 | −74 | −74 | 0 | −74 |
| **Equity 1 January 2012 (restated)** | **12 303** | **−5 584** | **240** | **387** | **7 346** | **13** | **7 359** |
| Profit/loss | 0 | −2 778 | 0 | 0 | −2 778 | −3 | −2 781 |
| Other comprehensive income | 0 | 0 | 77 | −504 | −427 | 0 | −427 |
| Change in holding of treasury shares | −1 | 0 | 0 | 0 | −1 | 0 | −1 |
| **Equity 31 December 2012** | **12 302** | **−8 361** | **317** | **−116** | **4 142** | **9** | **4 151** |
| Profit/loss | 0 | −1 844 | 0 | 0 | −1 844 | 0 | −1 844 |
| Other comprehensive income | 0 | 0 | −507 | 385 | −123 | 1 | −122 |
| Change in non-controlling interest—divested operations | 0 | 0 | 0 | 0 | 0 | −10 | −10 |
| **Equity 31 December 2013** | **12 302** | **−10 205** | **−190** | **269** | **2 175** | **0** | **2 175** |

## 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 nine fully and partly owned mills in seven 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 26 February 2014.

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 annual financial statements are presented in English only.

### Adoption of the amended IAS 19—restatement of 2012 figures

Norske Skog implemented the amended accounting standard IAS 19 *Employee benefits* from 1 January 2013, with full retrospective application. Comparative figures for 2012 have been restated in accordance with the amended standard. Since the amendment has been applied retrospectively, the consolidated balance sheet at 1 January 2012 has been included in the consolidated financial statements. The implementation effects of the amended standard are further described in Note 13.

## 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) Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights.

The group also assesses whether control exists where it does not have more than 50% of the voting power, but is able to govern the financial and operating policies by virtue of de-facto control. Important factors when assessing de-facto control are whether or not the group can choose the board of directors and whether the group's voting rights give the group the power to govern the financial and operating policies etc.

Subsidiaries are fully consolidated from the date at which control is transferred to the group. They are de-consolidated from the date on which such control ceases.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. The accounting policies of subsidiaries have been amended where necessary to ensure consistency with the policies adopted by the group.

#### b) Change in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Upon further acquisition of shares in subsidiaries from non-controlling interests, the difference between the fair value of any consideration paid and the relevant share acquired of the

## 2. ACCOUNTING POLICIES (Continued)

carrying value of net assets of the subsidiary, is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

### c) Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### d) 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: newsprint and magazine paper. The newsprint segment is further segregated into two geographical regions, newsprint Europe and newsprint outside of Europe. The segment structure is in line with the group operating model implemented in 2011. 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.

## 2. ACCOUNTING POLICIES (Continued)

### 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 (adjusted EBITDA) and gross operating earnings after depreciation (adjusted EBIT). 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 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 items.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement as Financial items.

#### 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.

## 2. ACCOUNTING POLICIES (Continued)

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 assets are reviewed and adjusted, if appropriate, at each balance sheet date. 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.

**2. ACCOUNTING POLICIES (Continued)**

**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 are either 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. Furthermore, the energy contracts in Norway are nominated in EUR and contain embedded derivatives that are recognised at fair value through profit or loss. See

**2. ACCOUNTING POLICIES (Continued)**

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 re-measured 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) Hedges of the fair value of fixed interest loans (fair value hedge),

b) Hedging of a net investment in a foreign operation (net investment hedge),

c) 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. Norske Skog uses hedge accounting for a large amount of its economic hedging portfolio.

**a) Fair value hedge**

Changes in the fair value of derivatives that qualify as hedging and which are effective, are recorded in the income statement, together with any changes in the fair value of the of the hedged asset or liability that are attributable to the hedged risk. The ineffective part of the hedging relationship is booked as an interest cost within Financial items. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item for which the effective interest method is used, is amortised over the period to maturity. Hedging instruments that are terminated prior to maturity will be treated in the same way. If the underlying hedged item is realised or repurchased prior to maturity, any associated hedging reserve/amortised cost is recognised in the income statement on a one-to-one basis.

**b) 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

**2. ACCOUNTING POLICIES (Continued)**

immediately in the income statement line Financial items. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of or sold.

**c) Derivatives at fair value over 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 (see also Note 9).

**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.

## 2. ACCOUNTING POLICIES (Continued)

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 draw-down 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.

### 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.

## 2. ACCOUNTING POLICIES (Continued)

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 relates 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

Up to and including 2012, the group had a long-term incentive plan where the allocation of synthetic options to members of corporate management was based on the development of the company's share price in relation to a defined group of listed paper producers. The programme resulted in a cash payout if the options were exercised. The fair value of the liability was measured at each balance sheet date and on the settlement date. The plan was discontinued from 2013. 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.

## 2. ACCOUNTING POLICIES (Continued)

### 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 economic 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.

## 2. ACCOUNTING POLICIES (Continued)

### 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. 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 following standards are mandatory for the first time for annual periods beginning on or after 1 January 2013:

### IAS 1 Financial statement presentation (amendment)

The main change resulting from the amendment is that items in the statement of other comprehensive income that will be reclassified to profit or loss at a future point in time are now presented separately from items that will never be reclassified. The standard has been adopted with effect from 1 January 2013, and presentation in the statement of other comprehensive income has been updated in line with the amendment.

### IAS 19 Employee benefits (revised)

The revised standard requires that all actuarial gains and losses shall be recognised in other comprehensive income as they occur (i.e. elimination of the corridor approach), all past service costs shall be recognised immediately, and interest cost and expected return on plan assets shall be replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The net interest element is classified within Financial items. The revised standard was implemented by Norske Skog from 1 January 2013, with full retrospective application. See Note 13 for more information regarding the impact of the revised standard.

## 2. ACCOUNTING POLICIES (Continued)

### IFRS 13 Fair value measurement

The standard provides a precise definition of fair value and a gives a unified description of how fair value should be determined by IFRS, and defines what additional information should be provided when fair value is used. The standard does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required or permitted by other standards. The standard has been adopted with effect from 1 January 2013, and note disclosure for items that are measured at fair value has been updated in line with the standard.

### IFRS 7—Financial instruments: disclosures (amendment)

The amendments require an entity to disclose information regarding the effect of netting arrangements on an entity's financial position. The amendment has not had a significant impact on the financial statements.

### IAS 16 Property, plant and equipment (amendment)

The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. This has not had an impact on the financial statements as the changes had already been implemented.

### New standards, interpretations and amendments to existing standards

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014. None of these have been early adopted in 2013. New standards and amendments that are expected to have an impact on the consolidated financial statements are listed below:

### IFRS 10 Consolidated financial statements

IFRS 10 builds on the existing principles that define the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control. The standard is mandatory for annual periods beginning 1 January 2014 or later. It is not expected that the standard will have a material impact on the financial statements.

### IFRS 11 Joint arrangements

IFRS 11 removes the option for jointly controlled entities to use proportionate consolidation. Instead, the equity method of accounting must be used. The standard specifies two main categories of joint control: joint ventures and joint operations. For joint ventures, joint control is recognised in accordance with the equity method, but for joint operations, the parties shall recognise their rights in the assets and liabilities included in the collaboration. The standard is mandatory for annual periods beginning 1 January 2014 or later. It is not expected that the standard will have a material impact on the financial statements.

### IFRS 12 Disclosures of interests in other entities

The standard contains disclosure requirements for all forms of interests in other entities, including joint ventures, associated companies, special purpose entities and other off balance sheet entities. The standard is mandatory for annual periods beginning 1 January 2014 or later. It is not expected that it will have a material impact on presentation in the financial statements.

### IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. The new standard requires financial assets to be classified into two measurement

## 2. ACCOUNTING POLICIES (Continued)

categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition, and depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the financial assets. For financial liabilities, the standard retains most of the IAS 39 requirements. The standard has not yet been endorsed by the EU. The group has not fully assessed the impact of the adoption of IFRS 9.

### IAS 27 Separate financial statements (revised)

The rules for consolidated financial statements are replaced by the new IFRS 10 and IFRS 12. What remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The changes are mandatory for annual periods beginning 1 January 2014 or later. The changes are not expected to have a significant impact on the separate financial statements.

### IAS 28 Investments in associates and joint ventures (revised)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed, and the standard now describes the application of the equity method to investments in joint ventures in addition to associates. The change is mandatory for annual periods beginning 1 January 2014 or later. It is not expected that the change will have a significant impact on the financial statements.

### IAS 32—Financial instruments: presentation (amendment)

The amendments clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. The changes are effective for annual periods beginning on 1 January 2014 or later. It is not expected that the changes will have a significant impact on the financial statements.

### Important accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions for the future. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Estimates and assumptions which represent a substantial risk for significant changes in the capitalised value of assets and liabilities during the coming fiscal year are discussed below.

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

The group performs periodic tests to assess whether there has been a decline in the value of intangible assets and PPE. These are written down to their recoverable amount when the recoverable amount is lower than the carrying value of the asset. The recoverable amount from assets or cash-generating units is determined by calculating the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Calculation of value in use requires use of estimates.

The group's cash-generating units are Europe newsprint, Australasia newsprint, Europe magazine paper (light weight coated (LWC)) and Norske Skog Saugbrugs (Norway) magazine paper (super-calendered (SC)). The cash-generating unit Europe newsprint consists of Norske Skog Golbey (France), Norske Skog Bruck Paper Machine 3 (Austria) and Norske Skog Skogn (Norway). The cash-generating unit Australasia newsprint consists of Norske Skog Albury (Australia), Norske Skog Boyer (Australia) and Norske Skog Tasman (New Zealand). The cash-generating unit Europe magazine paper (light weight coated (LWC)) consists of Norske Skog Walsum (Germany) and Norske Skog Bruck Paper Machine 4 (Austria). In cases where several mills are part of a cash-generating unit, this is because production can be moved between the mills, based on what gives best profitability for the group as a whole.

The capitalised value of intangible assets and PPE within the cash-generating units is measured against the value in use of intangible assets and PPE within these units. A possible future change in the composition of the group's cash-generating units could lead to changes in the value in use within these

## 2. ACCOUNTING POLICIES (Continued)

cash-generating units, which could in turn mean a future decline in the value of intangible assets and PPE.

Calculating the value in use of intangible assets and PPE within the cash-generating units is based on estimated discounted cash flows. The cash flow horizon in the impairment model is consistent with the useful life of each paper machine in the group. The board-approved operating plan for the next year forms the basis for calculating expected future cash flows. In the impairment testing, sales prices are assumed to exhibit a decline in real terms and variable costs are assumed to decline in real terms, with lower demand for input factors due to a shrinking industry.

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 the calculations. Norske Skog performs sensitivity analyses using the variables mentioned above to predict how fluctuations will impact recoverable amount. 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. Changes in these factors will have the effect of altering the value of cash flows and thereby also the value in use within the cash-generating units. Significant changes in prognoses and long-term prices could accordingly mean a future fall in the value of intangible assets and PPE.

The required rate of return applied when discounting future cash flows is crucial for the calculated value of intangible assets and PPE. A future increase in the required rate of return when discounting future cash flows will reduce value in use and could in turn mean a future decline in the value of intangible assets and PPE.

### b) 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.

### c) 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.

### d) 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.

## 2. ACCOUNTING POLICIES (Continued)

### e) 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 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 for more information.

### f) 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, salary adjustment and pension increase. Changes in these assumptions will affect the carrying value of the pension obligation.

## 3. OPERATING SEGMENTS

### Reportable segments

The group is divided into two operating segments: newsprint and magazine paper. The segment selection is based on the products manufactured and on the organisational structure used in the group's internal performance measurement and resource allocation. The newsprint segment is further divided into two geographical regions, newsprint Europe and newsprint outside Europe.

At the end of 2013, Norske Skog had ten fully or partly owned paper mills in eight countries. Two of the mills produce only magazine paper, one produces both magazine paper and newsprint and seven produce newsprint only. Both the newsprint and the magazine paper segment represent an aggregation of the paper machines in the group producing the two paper qualities.

### Newsprint

The newsprint segment encompasses production and sale of standard newsprint and other paper qualities used in newspapers, inserts, catalogs, etc. These paper qualities, measured in grammes per square meter, will normally be in the range 40-57 g/m$^2$.

### Magazine paper

The magazine paper segment encompasses production and sale of the paper qualities super calendered (SC), machine finished coated (MFC) and light weight coated (LWC). These paper qualities are used in magazines, periodicals, catalogs and brochures.

### Other activities

Activities in the group that do not fall into the operating segments newsprint or magazine paper are presented under other activities. This includes purchase and resale of energy to the group's mills, corporate functions, real estate activities and the purchase and resale of wood. Following the divestment of the global recovered paper business Reparco in 2012, the group no longer has operating revenue or gross operating earnings related to recovered paper. Amounts relating to recovered paper in 2012 are included within other activities.

### 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.

## 3. OPERATING SEGMENTS (Continued)

### Major customers

Norske Skog had a total sales volume of newsprint and magazine paper of 3 050 000 tonnes in 2013, of which sales to the group's largest customer constituted approximately 329 000 tonnes.

### OPERATING REVENUE AND EXPENSES PER OPERATING SEGMENT

| 2013 | NEWSPRINT | MAGAZINE PAPER | OTHER ACTIVITIES | ELIMINATIONS | NORSKE SKOG GROUP |
|---|---|---|---|---|---|
| **Operating revenue** | **8 701** | **4 992** | **313** | **−667** | **13 339** |
| Distribution costs | −896 | −503 | 0 | 0 | −1 398 |
| Cost of materials | −5 105 | −3 229 | −156 | 473 | −8 017 |
| Change in inventories | −40 | −6 | 0 | 0 | −45 |
| Employee benefit expenses | −1 111 | −794 | −97 | 0 | −2 002 |
| Other operating expenses | −643 | −449 | −117 | 194 | −1 014 |
| **Gross operating earnings** | **906** | **12** | **−56** | **0** | **862** |
| Depreciation | −565 | −148 | −15 | 0 | −728 |
| Restructuring expenses | 2 | −134 | −13 | 0 | −145 |
| Other gains and losses | −178 | 4 | −926 | 0 | −1 100 |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| **Operating earnings** | **165** | **−266** | **−1 011** | **0** | **−1 111** |
| Share of operating revenue from external parties (%) | 100 | 93 | 17 | | 100 |

| 2012 Restated | NEWSPRINT | MAGAZINE PAPER | OTHER ACTIVITIES | ELIMINATIONS | NORSKE SKOG GROUP |
|---|---|---|---|---|---|
| **Operating revenue** | **10 145** | **6 254** | **2 315** | **−2 122** | **16 592** |
| Distribution costs | −1 021 | −558 | −67 | 1 | −1 645 |
| Cost of materials | −5 627 | −3 802 | −1 988 | 1 852 | −9 564 |
| Change in inventories | −101 | −51 | −4 | 0 | −156 |
| Employee benefit expenses | −1 349 | −956 | −186 | 0 | −2 491 |
| Other operating expenses | −795 | −539 | −187 | 269 | −1 252 |
| **Gross operating earnings** | **1 252** | **349** | **−116** | **0** | **1 485** |
| Depreciation | −705 | −212 | −18 | 0 | −935 |
| Restructuring expenses | −121 | 20 | −17 | 0 | −118 |
| Other gains and losses | −41 | 84 | −1 052 | 0 | −1 009 |
| Impairments | −1 338 | −694 | −54 | 0 | −2 086 |
| **Operating earnings** | **−953** | **−452** | **−1 258** | **0** | **−2 663** |
| Share of operating revenue from external parties (%) | 99 | 96 | 24 | | 100 |

## 3. OPERATING SEGMENTS (Continued)

### OPERATING REVENUE PER MARKET

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

| | 2013 | 2012 |
|---|---|---|
| Norway | 267 | 609 |
| Rest of Europe | 7 627 | 8 864 |
| North America | 806 | 847 |
| South America | 238 | 1 026 |
| Australasia | 2 650 | 3 193 |
| Asia | 1 497 | 1 788 |
| Africa | 254 | 265 |
| **Total** | **13 339** | **16 592** |

### NET CASH FLOW FROM OPERATING ACTIVITIES

| | 2013 | 2012 |
|---|---|---|
| Newsprint | 758 | 1 542 |
| Magazine paper | 198 | 572 |
| Other activities | −210 | −338 |
| **Total cash flow allocated to segments** | **746** | **1 776** |
| Cash from net financial items | −622 | −729 |
| Taxes paid | −56 | −64 |
| **Net cash flow from operating activities** | **68** | **982** |

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

| | 2013 | 2012 |
|---|---|---|
| Newsprint | 367 | 382 |
| Magazine paper | 137 | 108 |
| Other activities | 25 | 2 |
| **Total** | **529** | **492** |

### 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.

| | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Norway | 2 857 | 2 921 |
| Rest of Europe | 2 461 | 2 239 |
| Australasia | 3 447 | 3 635 |
| Asia | 0 | 83 |
| South America | 0 | 379 |
| Activities not allocated to regions | 260 | 277 |
| **Total** | **9 025** | **9 533** |

## 3. OPERATING SEGMENTS (Continued)

### INVENTORIES

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

| | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Newsprint | 704 | 833 |
| Magazine paper | 570 | 521 |
| Other activities | 0 | 15 |
| **Total** | **1 274** | **1 370** |

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

| INTANGIBLE ASSETS | GOODWILL | LICENSES AND PATENTS | OTHER INTANGIBLE ASSETS | TOTAL |
|---|---|---|---|---|
| Acquisition cost 1 January 2012 | 5 684 | 111 | 245 | 6 040 |
| Additions | 0 | 1 | 251 | 252 |
| Disposals | −931 | 0 | −126 | −1 057 |
| Currency translation differences | 0 | −5 | −8 | −13 |
| **Acquisition cost 31 December 2012** | **4 753** | **107** | **362** | **5 222** |
| Accumulated depreciation and impairments 1 January 2012 | 5 626 | 93 | 173 | 5 892 |
| Depreciation | 0 | 3 | 20 | 23 |
| Impairments | 0 | 1 | 1 | 2 |
| Amortisation of credit facility | 0 | 0 | 16 | 16 |
| Disposals | −931 | 0 | 0 | 931 |
| Currency translation differences | 0 | −4 | −8 | −12 |
| **Accumulated depreciation and impairments 31 December 2012** | **4 695** | **93** | **202** | **4 990** |
| **Carrying value 31 December 2012** | **58** | **14** | **160** | **232** |
| Acquisition cost 1 January 2013 | **4 753** | **107** | **362** | **5 222** |
| Additions | 0 | 0 | 206 | 206 |
| Disposals | 0 | −3 | −256 | −259 |
| Currency translation differences | 0 | 6 | −11 | −5 |
| **Acquisition cost 31 December 2013** | **4 753** | **110** | **301** | **5 164** |
| Accumulated depreciation and impairments 1 January 2013 | **4 695** | **93** | **202** | **4 990** |
| Depreciation | 0 | 2 | 16 | 18 |
| Amortisation of credit facility | 0 | 0 | 8 | 8 |
| Value changes | 0 | 0 | 43 | 43 |
| Disposals | 0 | −1 | −47 | −48 |
| Currency translation differences | 0 | 6 | −5 | 1 |
| **Accumulated depreciation and impairments 31 December 2013** | **4 695** | **100** | **217** | **5 012** |
| **Carrying value 31 December 2013** | **58** | **10** | **84** | **152** |

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 | 31.12.2013 | 31.12.2012 |
|---|---|---|---|
| Norske Skog Golbey | 1995 | 58 | 58 |

## 4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (Continued)

| PROPERTY, PLANT AND EQUIPMENT | BIOLOGICAL ASSETS | MACHINERY AND EQUIPMENT | LAND AND BUILDINGS | FIXTURES AND FITTINGS | PLANT UNDER CONSTRUCTION | TOTAL |
|---|---|---|---|---|---|---|
| Acquisition cost 1 January 2012 | 342 | 42 386 | 9 328 | 877 | 294 | 53 227 |
| Additions | 0 | 58 | 3 | 2 | 426 | 489 |
| Disposals | −13 | −5 615 | −1 874 | −133 | −13 | −7 648 |
| Change in dismantling provision | 0 | −9 | 0 | 0 | 0 | −9 |
| Reclassified from plant under construction | 0 | 131 | 23 | 4 | −158 | 0 |
| Currency translation differences | −18 | −2 818 | −315 | −38 | −11 | −3 200 |
| **Acquisition cost 31 December 2012** | **311** | **34 133** | **7 165** | **712** | **538** | **42 859** |
| Accumulated depreciation and impairments 1 January 2012 | 169 | 33 181 | 6 415 | 795 | 45 | 40 605 |
| Depreciation | 0 | 723 | 167 | 22 | 0 | 912 |
| Impairments | 0 | 1 774 | 293 | 9 | 8 | 2 084 |
| Value changes | −7 | 0 | 0 | 0 | 0 | −7 |
| Disposals | −17 | −5 348 | −1 796 | −128 | 0 | −7 289 |
| Currency translation differences | −9 | −2 708 | −227 | −35 | 0 | −2 979 |
| **Accumulated depreciation and impairments 31 December 2012** | **136** | **27 622** | **4 852** | **663** | **53** | **33 326** |
| **Carrying value 31 December 2012** | **175** | **6 511** | **2 313** | **49** | **485** | **9 533** |
| Acquisition cost 1 January 2013 | **311** | **34 133** | **7 165** | **712** | **538** | **42 859** |
| Additions | 0 | 245 | 1 | 4 | 315 | 565 |
| Disposals | −21 | −2 272 | −540 | −41 | −9 | −2 883 |
| Change in dismantling provision | 0 | −31 | 0 | 0 | 0 | −31 |
| Reclassified from plant under construction | 0 | 295 | 44 | 2 | −341 | 0 |
| Currency translation differences | −19 | 1 453 | 371 | 52 | 11 | 1 868 |
| **Acquisition cost 31 December 2013** | **271** | **33 823** | **7 041** | **729** | **514** | **42 378** |
| Accumulated depreciation and impairments 1 January 2013 | **136** | **27 622** | **4 852** | **663** | **53** | **33 326** |
| Depreciation | 0 | 621 | 78 | 11 | 0 | 710 |
| Value changes | −15 | 0 | 0 | 0 | 0 | −15 |
| Disposals | 0 | −1 891 | −451 | −40 | −9 | −2 391 |
| Currency translation differences | −6 | 1 413 | 268 | 47 | 1 | 1 723 |
| **Accumulated depreciation and impairments 31 December 2013** | **115** | **27 765** | **4 747** | **681** | **45** | **33 353** |
| **Carrying value 31 December 2013** | **156** | **6 058** | **2 294** | **48** | **469** | **9 025** |

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 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. Capitalised borrowing costs in 2013 amounted to NOK 14 million, and the interest rate used was 8%. There were no capitalised borrowing costs in 2012.

Disposals in 2013 were primarily related to the divestments of Norske Skog Pisa Ltda. in Brazil and Norske Skog (Thailand) Company Ltd. in Thailand, as well as scrapping of fully depreciated assets that no longer have any technical value. Disposals in 2012 were primarily related to the divestments of Papeles Norske Skog Bio Bio S.A. in Chile, Norske Skog Follum AS in Norway, Norske Skog Parenco B.V. in the Netherlands and the global recovered paper business, Reparco.

### Non-current assets held for sale

Norske Skog did not have any non-current assets held for sale at 31 December 2013.

## 4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (Continued)

### 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.

When calculating value in use, the group is divided into the following cash-generating units: Europe newsprint, Australasia newsprint, Europe magazine paper (light weight coated (LWC)) and Norske Skog Saugbrugs (Norway) magazine paper (super-calendered (SC)). The cash-generating unit Europe newsprint consists of Norske Skog Golbey (France), Norske Skog Bruck Paper Machine 3 (Austria) and Norske Skog Skogn (Norway). The cash-generating unit Australasia newsprint consists of Norske Skog Albury (Australia), Norske Skog Boyer (Australia) and Norske Skog Tasman (New Zealand). The cash-generating unit Europe magazine paper (light weight coated (LWC)) consists of Norske Skog Walsum (Germany) and Norske Skog Bruck Paper Machine 4 (Austria). In cases where several mills are part of a cash-generating unit, this is because production can be moved between the mills, based on what gives best profitability for the group as a whole.

Norske Skog calculates the value in use in the impairment testing by using a weighted average cost of capital model (WACC).

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. In certain instances, a country-specific risk premium relevant to the cash-generating unit or individual asset has been added.

When calculating value in use at the end of 2013, the discount rate after tax was in the interval from 6.1% to 8.1% (6.3% to 14.6% in 2012). The applied discount rate for Europe newsprint was in the interval from 6.5% to 6.9%, Australasia newsprint was in the interval from 7.9% to 8.1%, Europe magazine paper (light weight coated (LWC)) was in the interval from 6.1% to 6.5% and Norske Skog Saugbrugs (Norway) magazine paper (super-calendered (SC)) was 6.9%.

Cash flow is calculated individually for each business unit, based on the estimated useful life. The paper industry is a capital intensive industry where investment decisions are made based on projects with a long time horizon. 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. For both sales prices and input prices, a continued decline in real terms is expected, as historically observed. Sales volumes develop in accordance with the useful lives of the different paper machines in the group. Projections of these assumptions result in a gradual improvement in margins, from depressed levels at the current point in the business cycle to a normalisation with economic activity. The impairment testing at 31 December 2013 was based on the operating plan for the group for 2014 as approved by the board of directors.

The cash flow decreases gradually over time as the capacity of the group declines, reflecting assumed closures of machines as they reach the end of their useful lives.

### 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. Norske Skog has performed sensitivity analyses using the variables mentioned above to predict how fluctuations will impact recoverable amount. In relation to the assumptions made in the

## 4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (Continued)

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. A reduction in sales price and sales volumes for the whole group in the cash flow period of 5% will cause a reduction in recoverable amount in the order of NOK 3 200 million and NOK 1 500 million respectively. Correspondingly, a 1% increase in the discount rate will cause a reduction in the recoverable amount of NOK 1 000 million. An appreciation of NOK of 1% against all other functional currencies in the Norske Skog group will cause a reduction in the recoverable amount of NOK 400 million.

### 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 |
|---|---|---|
| Europe newsprint | 2 089 | 896 |
| Australasia newsprint | 2 785 | 280 |
| Europe magazine paper (light weight coated (LWC)) | 411 | 390 |
| Norske Skog Saugbrugs (Norway) magazine paper (super-calendered (SC)) | 770 | 631 |
| Other activities | 3 | 97 |
| **Carrying value 31 December 2013** | **6 058** | **2 294** |

### 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 100 million.

In connection with the year-end closing process for 2013, Norske Skog performed a review of the expected remaining useful lives of PPE. No changes in useful life will be made in 2014 compared to those applied in 2013. Due to the fact that the level of depreciation in 2013 exceeded purchases of PPE, the future annual depreciation amount is expected to decrease.

## 5. FINANCIAL ITEMS

| | 2013 | 2012 Restated |
|---|---|---|
| **Financial income** | | |
| Dividends received | 18 | 10 |
| Interest income | 21 | 29 |
| Other financial income[(1)] | 0 | 187 |
| **Total** | **39** | **226** |
| **Financial expenses** | | |
| Interest costs | −636 | −615 |
| Other financial expenses | −43 | −87 |
| **Total** | **−679** | **−702** |
| **Realised/unrealised gains on foreign currency** | **−618** | **359** |
| **Financial items** | **−1 258** | **−117** |

(1) Other financial income includes gains on the buy-back of bonds.

## 6. MORTGAGES

| | 31.12.2013 | 31.12.2012 |
|---|---|---|
| **Loans secured by mortgages on property** | | |
| Other mortgage debt | 183 | 212 |
| **Carrying value of assets securing this debt** | | |
| Property, plant and equipment | 174 | 179 |

Norske Skogindustrier ASA has negative pledge clauses in its bank and bond agreements, with the possibility to give security up to certain thresholds. Mortgage loans per 31 December 2013 and 31 December 2012 consisted of facilities secured by land and forest areas taken up at Norske Skog Boyer in Australia, and were executed within the negative pledge limits.

## 7. FINANCIAL INSTRUMENTS

### CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

| 31.12.2013 | 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 | 16 | 136 | 125 | 22 | 299 |
| Trade and other receivables | 10 | 1 505 | 0 | 0 | 69 | 1 574 |
| Cash and cash equivalents | | 1 015 | 0 | 0 | 0 | 1 015 |
| Other current assets | 18 | 112 | 29 | 0 | 0 | 141 |
| **Total** | | **2 648** | **165** | **125** | **91** | |

| | 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 | 6 973 | 0 | 6 973 |
| Interest-bearing current liabilities | 11 | 0 | 1 044 | 0 | 1 044 |
| Other non-current liabilities | 18 | 271 | 0 | 428 | 699 |
| Trade and other payables | 18 | 0 | 2 040 | 0 | 2 040 |
| Other current liabilities | 18 | 134 | 166 | 240 | 540 |
| **Total** | | **405** | **10 223** | **668** | |

| 31.12.2012 Restated | 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 | 24 | 831 | 110 | 11 | 976 |
| Trade and other receivables | 10 | 1 637 | 0 | 0 | 178 | 1 816 |
| Cash and cash equivalents | | 1 194 | 0 | 0 | 0 | 1 194 |
| Other current assets | 18 | 54 | 217 | 0 | 0 | 271 |
| **Total** | | **2 908** | **1 048** | **110** | **189** | |

## 7. FINANCIAL INSTRUMENTS (Continued)

| | 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 | 7 208 | 0 | 7 208 |
| Interest-bearing current liabilities | 11 | 0 | 203 | 0 | 203 |
| Other non-current liabilities | 18 | 165 | 0 | 597 | 762 |
| Trade and other payables | 18 | 0 | 2 114 | 0 | 2 114 |
| Other current liabilities | 18 | 32 | 140 | 269 | 441 |
| **Total** | | **198** | **9 665** | **866** | |

### FINANCIAL ASSETS AND LIABILITIES

| | 31.12.2013 | | 31.12.2012 Restated | |
|---|---|---|---|---|
| | CARRYING AMOUNT | FAIR VALUE | CARRYING AMOUNT | FAIR VALUE |
| Derivatives | 14 | 14 | 237 | 237 |
| Commodity contracts | 122 | 122 | 594 | 594 |
| Miscellaneous other non-current assets | 163 | 163 | 145 | 145 |
| **Other non-current assets** | **299** | **299** | **976** | **976** |
| Accounts receivable | 1 303 | 1 303 | 1 508 | 1 508 |
| Other receivables | 202 | 202 | 129 | 129 |
| Prepaid VAT | 69 | 69 | 179 | 179 |
| **Trade and other receivables** | **1 574** | **1 574** | **1 816** | **1 816** |
| **Cash and cash equivalents** | **1 015** | **1 015** | **1 194** | **1 194** |
| Derivatives | 20 | 20 | 157 | 157 |
| Commodity contracts | 9 | 9 | 60 | 60 |
| Current investments | 112 | 112 | 54 | 54 |
| **Other current assets** | **141** | **141** | **271** | **271** |
| Interest-bearing non-current liabilities(1) | 6 973 | 4 350 | 7 208 | 6 351 |
| Interest-bearing current liabilities(2) | 1 044 | 1 031 | 203 | 203 |
| **Total interest-bearing liabilities** | **8 017** | **5 381** | **7 411** | **6 554** |
| Derivatives | 259 | 259 | 128 | 128 |
| Commodity contracts | 12 | 12 | 37 | 37 |
| Non-financial non-current liabilities | 428 | 428 | 597 | 597 |
| **Other non-current liabilities** | **699** | **699** | **762** | **762** |
| Accounts payable | 1 103 | 1 103 | 1 071 | 1 071 |
| Other payables | 937 | 937 | 1 043 | 1 043 |
| **Trade and other payables** | **2 040** | **2 040** | **2 114** | **2 114** |
| Derivatives | 116 | 116 | 3 | 3 |
| Commodity contracts | 18 | 18 | 29 | 29 |
| Non-financial current liabilities | 405 | 405 | 409 | 409 |
| **Other current liabilities** | **540** | **540** | **441** | **441** |

(1) The fair value of non-current bank loan debt is based on cash flows discounted using the swap rate, plus the credit default swap (CDS). The fair value of foreign bonds is calculated using price indications from banks. The fair value of Norwegian bonds is based on quotes from Bloomberg, when these are available. In other instances, published assessment values at 1 January 2014 are used.

## 7. FINANCIAL INSTRUMENTS (Continued)

(2) The fair value of current borrowings equals their carrying amount, as the impact of discounting is not considered to be significant.

There is some uncertainty associated with the calculated fair value of interest-bearing liabilities. The fair value calculation 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.

## 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 2013 or 2012.

### 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 | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| | FLOATING | FIXED | TOTAL | FLOATING | FIXED | TOTAL |
| Interest-bearing liabilities | 519 | 7 395 | 7 914 | 613 | 6 694 | 7 307 |
| Interest-bearing assets | – 1 015 | 0 | – 1 015 | – 1 194 | 0 | – 1 194 |
| **Net exposure** | **496** | **7 395** | **6 899** | **– 581** | **6 694** | **6 113** |

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

The interest rate swap in the fair value hedge portfolio was terminated in 2012.

*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.

**8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)**

- Changes in fair value of interest rate derivatives that are not designated as a fair value hedge of the group's liabilities, and which are subsequently measured at fair value through profit or loss, are taken into consideration in the sensitivity analysis.
- Currency derivatives will only affect the sensitivity analysis to a very limited extent upon changes in the discount rate.
- Results are presented net of tax, using the Norwegian statutory tax rate of 28%.

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 2013 (NOK 3 million lower/higher at 31 December 2012). Change in net interest payments accounts for NOK 1 million, and the total change in market values of derivatives carried at fair value through profit or loss accounts for NOK 1 million. Floating rate debt has decreased in 2013 due to repayments.

**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 result of the hedging is included in Financial items in the income statement. Norske Skog does not use hedge accounting for the rolling cash flow hedge. The rolling cash flow hedge generated a loss of NOK 66 million in 2013 (gain of NOK 149 million in 2012). Over time, currency losses or earnings are expected to offset increased or reduced future gross operating earnings.

*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. In addition to traditional debt instruments, all combined currency and interest rate swaps and forward exchange contracts are also used for hedging net investments in foreign subsidiaries.

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 2013 or 2012. The effective portion recognised in equity was a loss of NOK 243 million in 2013 (gain of NOK 2 million in 2012).

Hedge accounting of USD loans was stopped in 2012 following the divestment that year of Papeles Norske Skog Bio Bio S.A. in Chile and change of functional currency from USD to BRL for Norske Skog Pisa Ltda. in Brazil. Foreign exchange gains and losses from such liabilities are recognised in the income statement under Financial items. Cumulative currency translation differences of NOK 39 million were reclassified from equity to the income statement in 2013 as a result of the divestments of Norske Skog Pisa Ltda. in Brazil and Norske Skog (Thailand) Co. Ltd. Cumulative currency translation differences of NOK 30 million were reclassified to the income statement in 2012 as a result of the divestments of

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

Papeles Norske Skog Bio Bio S.A. in Chile, Norske Skog Parenco B.V, in the Netherlands and the global recovered paper business, Reparco.

| CHANGE IN FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS DESIGNATED AS NET INVESTMENT HEDGE | 2013 | 2012 |
|---|---|---|
| Changes in spot value of financial instruments[(1)] | −528 | 206 |
| The effective portion recognised in equity | −243 | 2 |
| Portion without hedge accounting recognised in the income statement | −286 | 204 |

(1) Includes the change in the value of FX forward contracts, cross-currency swap contracts and bonds.

*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.
- Sensitivity on commodity contracts and embedded derivatives is presented separately under ''Commodity risk''.
- Currency derivatives and foreign currency debt that are designated as net investment hedges and qualify for hedge accounting according to IAS 39 will only affect equity.
- Other currency derivatives that are recognised at fair value through profit and loss will affect the income statement. These effects come mainly from currency derivatives designated as hedging of the group's 12-month rolling cash flow exposure, 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 2013, if NOK had appreciated 10% against all currencies to which the group has significant exposure, net profit after tax from financial instruments would have been NOK 265 million higher (NOK 292 million higher at 31 December 2012). If NOK had depreciated by 10% at 31 December 2013 against all currencies to which the group has significant exposure, net profit after tax from financial instruments would have been NOK 285 million lower (NOK 292 million lower at 31 December 2012). Net profit after tax is affected in a non-linear manner due to changes in the fair value of options. The effect of the sensitivity analysis on the income statement is mainly caused by changes in fair value of derivatives designated as rolling cash flow hedge, and foreign exchange gains/losses on the translation of EUR and USD denominated debt for which there is no hedge accounting. Due to the fact that the portion of debt has decreased in relation to the portion of cash, the effect on the income statement is lower in 2013 compared to 2012.

Given a 10% appreciation/depreciation of NOK, equity would have been NOK 189 million higher/lower (NOK 180 million higher/lower at 31 December 2012) as a result of foreign exchange gains/losses on

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

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 either financial contracts for the purpose of trading or hedging, or physical commodity contracts that are not for the purpose of own use. The embedded derivatives are common in physical commodity contracts and comprise a wide variety of derivative characteristics.

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

Norske Skog's portfolio of commodity contracts consists mainly of physical energy contracts. Fair value of commodity contracts is especially sensitive to future changes in energy prices. The fair value of embedded derivatives in physical contracts depends on currency and price index fluctuations. The energy contracts in Norway are nominated in EUR. These contracts contain embedded derivatives that are sensitive to changes in exchange rates. NOK weakened against EUR during 2013, which had a negative effect on the fair value of the embedded derivatives.

In April 2013, Norske Skog Saugbrugs signed a new long-term energy contract for the supply of electricity for the paper mill in Halden. The new energy contract secures an annual supply of 1.0 TWh up to 31 December 2020. The agreement entered into force on 1 May 2013. The contract ensures almost full energy coverage for Norske Skog Saugbrugs over the contract period. During 2013, Norske Skogindustrier ASA also terminated its long-term group energy contract from 1998 that applied for energy supply in Southern Norway.

In March 2012, Norske Skog sold long-term excess energy in Norway for NOK 170 million.

*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 31.12.2013 | RESULT NET OF TAX CHANGE DOWN | RESULT NET OF TAX CHANGE UP |
|---|---|---|---|---|
| Energy price | change 10% | 102 | – 157 | 167 |
| Currency | change 10% | 102 | 0 | 0 |

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

*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 31.12.2013 | RESULT NET OF TAX CHANGE DOWN | RESULT NET OF TAX CHANGE UP |
|---|---|---|---|---|
| Currency | change 10% | −270 | 380 | −381 |
| Price index | change 2.5% | −270 | 5 | −7 |

### 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 stemming from operations, investments, financing activities and financial instruments. The group had current investments, cash and cash equivalents of NOK 1 015 million at 31 December 2013 (NOK 1 194 million at 31 December 2012) and an undrawn credit facility of NOK 250 million at 31 December 2013 (undrawn credit facility of NOK 1 028 million at 31 December 2012). See Note 11 for more information regarding the maturity of facilities. Restricted bank deposits amounted to NOK 258 million at 31 December 2013 (NOK 211 million at 31 December 2012).

At the end of 2013, Norske Skog had cash holdings and credit lines that provided sufficient liquidity to meet debt maturities in 2014. However, the board of directors recognises the challenging markets that Norske Skog operates in, and the seasonally lower cash flow in the first half of the year. As a consequence, the board of directors has continuous focus on having sufficient cash flow for operations throughout 2014. To ensure sufficient liquidity for both debt maturities and operations Norske Skog has, in addition to improving cash flow from operations, a number of ongoing and possible initiatives that, in the opinion of the board of directors, should in total provide sufficient cash flows during 2014.

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 2013.

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

### MATURITY OF FINANCIAL LIABILITIES AND FINANCIAL INSTRUMENTS

| 31.12.2013 | 0 - 6 MONTHS | 6 - 12 MONTHS | 2015 - 2016 | 2017 - 2018 | > 2018 |
|---|---|---|---|---|---|
| **Non-derivative financial instruments** | | | | | |
| Principal payment on interest-bearing debt | −791 | −255 | −2 180 | −3 331 | −1 357 |
| Projected interest payment on interest-bearing debt | −459 | −151 | −893 | −410 | −1 302 |
| Trade payables | −1 103 | 0 | 0 | 0 | 0 |
| **Total** | **−2 353** | **−406** | **−3 073** | **−3 741** | **−2 659** |
| **Net settled derivative financial instruments** | | | | | |
| Interest rate swaps—net cash flows | −3 | −3 | −8 | 0 | 0 |
| Commodity contracts | 1 | 5 | −2 | 1 | 0 |
| **Total** | **−2** | **2** | **−10** | **1** | **0** |
| **Gross settled derivative financial instruments** | | | | | |
| Foreign exchange contracts—outflows | −900 | 0 | 0 | 0 | 0 |
| Foreign exchange contracts—inflows | 869 | 0 | 0 | 0 | 0 |
| Cross-currency swaps—outflows | −4 | −225 | 0 | 0 | 0 |
| Cross-currency swaps—inflows | 3 | 202 | 0 | 0 | 0 |
| **Total** | **−32** | **−23** | **0** | **0** | **0** |
| **Total 2013** | **−2 387** | **−427** | **−3 083** | **−3 740** | **−2 659** |

| 31.12.2012 | 0 - 6 MONTHS | 6 - 12 MONTHS | 2014 - 2015 | 2016 - 2017 | > 2017 |
|---|---|---|---|---|---|
| **Non-derivative financial instruments** | | | | | |
| Principal payment on interest-bearing debt | −54 | −150 | −1 901 | −3 911 | −1 291 |
| Projected interest payment on interest-bearing debt | −345 | −233 | −1 012 | −628 | −1 282 |
| Trade payables | −1 071 | 0 | 0 | 0 | 0 |
| **Total** | **−1 470** | **−383** | **−2 913** | **−4 539** | **−2 573** |
| **Net settled derivative financial instruments** | | | | | |
| Interest rate swaps—net cash flows | −3 | −3 | −13 | 0 | 0 |
| Commodity contracts | 4 | −1 | 5 | 0 | 0 |
| **Total** | **1** | **−4** | **8** | **0** | **0** |
| **Gross settled derivative financial instruments** | | | | | |
| Foreign exchange contracts—outflows | −2 204 | −434 | 0 | 0 | 0 |
| Foreign exchange contracts—inflows | 2 251 | 444 | 0 | 0 | 0 |
| Cross-currency swaps—outflows | −5 | −5 | −244 | 0 | 0 |
| Cross-currency swaps—inflows | 3 | 3 | 205 | 0 | 0 |
| **Total** | **45** | **9** | **−39** | **0** | **0** |
| **Total 2012** | **−1 424** | **−379** | **−2 960** | **−4 539** | **−2 573** |

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

### 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.

## 9. DERIVATIVES

### Fair value of derivatives

The table below classifies financial 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).

| 31.12.2013 | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | |
| Trading derivatives | 0 | 16 | 0 | 16 |
| Derivatives used for hedging | 0 | 0 | 0 | 0 |
| Commodity contracts | 0 | 5 | 144 | 149 |
| **Total** | **0** | **21** | **144** | **165** |
| **Financial liabilities at fair value through profit or loss** | | | | |
| Trading derivatives | 0 | −67 | 0 | −67 |
| Derivatives used for hedging | 0 | −21 | 0 | −21 |
| Commodity contracts | 0 | 0 | −317 | −317 |
| **Total** | **0** | **−88** | **−317** | **−405** |

## 9. DERIVATIVES (Continued)

| 31.12.2012 | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | |
| Trading derivatives | 0 | 80 | 0 | 80 |
| Derivatives used for hedging | 0 | 13 | 0 | 13 |
| Commodity contracts | 0 | 8 | 947 | 955 |
| **Total** | **0** | **101** | **947** | **1 048** |
| **Financial liabilities at fair value through profit or loss** | | | | |
| Trading derivatives | 0 | –46 | 0 | –46 |
| Derivatives used for hedging | 0 | –2 | 0 | –2 |
| Commodity contracts | 0 | 0 | –150 | –150 |
| **Total** | **0** | **–48** | **–150** | **–198** |

The following table shows the changes in level 3 instruments at 31 December 2013.

| | ASSETS | LIABILITIES |
|---|---|---|
| Opening balance | 947 | –150 |
| Investments in the period | 0 | 0 |
| Compensation from sales in the period | 0 | 0 |
| Transfers into level 3 | 0 | 0 |
| Transfers out of level 3[1] | –108 | 20 |
| Gains and losses recognised in profit or loss | –696 | –187 |
| **Closing balance** | **143** | **–317** |

(1) Transfers out of level 3 in 2013 related to energy contracts in the companies Norske Skog Pisa Ltda. and Nordica Energia Ltda. in Brazil, which were sold in 2013.

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 exchange rates used are the quoted closing rates at 31 December.

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. Embedded currency options are calculated using a Black 76 valuation model, where some input assumptions have been made in absence of an active long-term option market.

The following table is presented in accordance with IFRS 7.27, showing the fair value of commodity contracts in level 3 given a change in assumptions to a reasonably possible alternative.

| FAIR VALUE OF DERIVATIVES IN LEVEL 3 GIVEN A REASONABLY POSSIBLE ALTERNATIVE | 31.12.2013 | 31.12.2012 |
|---|---|---|
| **Assets** | | |
| Commodity contracts | 112 | 827 |
| **Liabilities** | | |
| Commodity contracts | –314 | –145 |

## 9. DERIVATIVES (Continued)

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 2013 would be a downwards parallel shift of the long end of the forward curve of 2% (downwards shift of 3% in 2012).

| | 31.12.2013 | | 31.12.2012 | |
|---|---|---|---|---|
| DERIVATIVES | ASSETS | LIABILITIES | ASSETS | LIABILITIES |
| **Net investment hedge** | | | | |
| Forward contracts | 0 | 0 | 13 | 0 |
| Cross-currency contracts | 0 | −21 | 0 | −2 |
| **Total** | **0** | **−21** | **13** | **−2** |
| **Fair value hedge[(1)]** | | | | |
| Interest rate swaps | 0 | 0 | 0 | 0 |
| **Total** | **0** | **0** | **0** | **0** |
| **Other derivatives[(2)]** | | | | |
| Interest rate swaps | 0 | 0 | 0 | −16 |
| Forward rate contracts | 0 | −12 | 0 | −4 |
| Currency options | 1 | −9 | 30 | −18 |
| Forward contracts | 15 | −46 | 50 | −8 |
| Commodity contracts | 132 | −29 | 654 | −66 |
| Embedded derivatives | 17 | −288 | 301 | −84 |
| **Total** | **165** | **−384** | **1 035** | **−196** |
| **Total derivatives** | | | | |
| Interest rate swaps | 0 | 0 | 0 | −16 |
| Forward rate contracts | 0 | −12 | 0 | −4 |
| Currency options | 1 | −9 | 30 | −18 |
| Forward contracts | 15 | −46 | 63 | −8 |
| Cross-currency contracts | 0 | −21 | 0 | −2 |
| Commodity contracts | 132 | −29 | 654 | −66 |
| Embedded derivatives | 17 | −288 | 301 | −84 |
| **Total** | **165** | **−405** | **1 048** | **−198** |

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

(1) Norske Skog terminated the remaining interest rate swap in the fair value hedge portfolio in 2012.

(2) Includes the active mandate portfolio, embedded derivatives in physical contracts, commodity hedging contracts and rolling cash flow hedging. Norske Skog does not use hedge accounting for rolling cash flow hedging and hedging of commodity costs. These contracts are presented at fair value through profit or loss.

## 10. RECEIVABLES AND OTHER NON-CURRENT ASSETS

| | NOTE | 31.12.2013 | 31.12.2012 Restated |
|---|---|---|---|
| **Trade and other receivables** | | | |
| Accounts receivable | | 1 303 | 1 508 |
| Provision for bad debt | | −90 | −80 |
| Other receivables | | 233 | 130 |
| VAT receivables | | 69 | 178 |
| Prepaid expenses | | 59 | 80 |
| **Total** | | **1 574** | **1 816** |
| **Other non-current assets** | | | |
| Loans to employees | | 1 | 2 |
| Long-term shareholdings | 23 | 125 | 110 |
| Miscellaneous non-current receivables | | 15 | 22 |
| Derivatives | 7 | 14 | 237 |
| Commodity contracts | 7 | 122 | 594 |
| Pension plan assets | 13 | 22 | 11 |
| **Total** | | **299** | **976** |

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 | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Not due | 1 443 | 1 561 |
| 0 to 3 months | 127 | 260 |
| 3 to 6 months | 8 | 5 |
| Over 6 months | 86 | 70 |
| **Total**[1] | **1 664** | **1 896** |

(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

| | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Bonds | 7 402 | 6 787 |
| Debt to financial institutions | 615 | 624 |
| **Total** | **8 017** | **7 411** |

| INTEREST-BEARING DEBT BY CURRENCY | CURRENCY AMOUNT 31.12.2013 | NOK 31.12.2013 | NOK 31.12.2012 |
|---|---|---|---|
| USD | 358 | 2 179 | 1 826 |
| EUR | 527 | 4 423 | 4 185 |
| AUD | 35 | 192 | 242 |
| THB | 0 | 0 | 19 |
| **Total interest-bearing debt in foreign currencies** | | **6 794** | **6 272** |
| Interest-bearing debt in NOK | | 1 223 | 1 139 |
| **Total interest-bearing debt** | | **8 017** | **7 411** |

The average interest rate at 31 December 2013 was 8.1% (7.5% at 31 December 2012).

## 11. INTEREST-BEARING LIABILITIES (Continued)

### DEBT REPAYMENT

| MATURITY OF THE GROUP'S TOTAL DEBT AT 31 DECEMBER 2013 | DEBT BANKS | BONDS | TOTAL |
|---|---|---|---|
| 2014 | 166 | 881 | 1 047 |
| 2015 | 64 | 962 | 1 027 |
| 2016 | 66 | 1 086 | 1 153 |
| 2017 | 41 | 3 256 | 3 297 |
| 2018 | 34 | 0 | 34 |
| 2019 | 35 | 0 | 35 |
| 2020 | 36 | 0 | 36 |
| 2021 | 25 | 0 | 25 |
| 2022 - 2033 | 44 | 1 217 | 1 261 |
| **Total** | **511** | **7 402** | **7 913** |

| MATURITY OF THE GROUP'S TOTAL DEBT AT 31 DECEMBER 2012 | DEBT BANKS | BONDS | TOTAL |
|---|---|---|---|
| 2013 | 204 | 0 | 204 |
| 2014 | 64 | 888 | 952 |
| 2015 | 68 | 881 | 949 |
| 2016 | 67 | 951 | 1 018 |
| 2017 | 42 | 2 852 | 2 893 |
| 2018 | 35 | 0 | 35 |
| 2019 | 35 | 0 | 35 |
| 2020 | 36 | 0 | 36 |
| 2021 - 2033 | 72 | 1 112 | 1 185 |
| **Total** | **623** | **6 684** | **7 307** |

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 2013, the financial statements included a discount of NOK 86 million (discount of NOK 85 million at 31 December 2012). 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.

### 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 185 million is included in interest-bearing debt as at 31 December 2013 (NOK 196 million at 31 December 2012). 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).

At 31 December 2013, the group's holding of own bonds amounted to NOK 170 million of Norwegian bonds (NOK 163 million at 31 December 2012). The group's holding of own bonds in foreign currency amounted to USD 42 million and EUR 132 million at 31 December 2013 (USD 42 million and EUR 132 million at 31 December 2012). These holdings are deducted from interest-bearing debt in NOK.

| | 31.12.2013 |
|---|---|
| Interest-bearing non-current liabilities | 6 973 |
| Interest-bearing current liabilities | 1 044 |
| —Hedge reserve | 185 |
| —Cash and cash equivalents | 1 015 |
| **Net interest-bearing debt** | **6 817** |

## 12. EMPLOYEE BENEFIT EXPENSES

| EMPLOYEE BENEFIT EXPENSES | NOTE | 2013 | 2012 Restated |
|---|---|---|---|
| Salaries including holiday pay | | 1 564 | 1 944 |
| Social security contributions | | 315 | 224 |
| Pension costs | 13 | 13 | 65 |
| Other employee benefit expenses | | 110 | 258 |
| **Total** | | **2 002** | **2 491** |

| NUMBER OF EMPLOYEES BY REGION | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Europe | 2 508 | 2 557 |
| South America | 0 | 294 |
| Australasia | 701 | 814 |
| Asia | 0 | 239 |
| Corporate functions (head office) | 66 | 82 |
| **Total** | **3 275** | **3 986** |

The base salary for the president and chief executive officer (CEO) Sven Ombudstvedt at 31 December 2013 was

NOK 4 275 000. Total salary and other benefits received by Ombudstvedt in 2013 amounted to NOK 6 084 016.

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 to members of the board in 2013 was NOK 4 513 660, including remuneration to members of the audit, election- and remuneration committees of NOK 1 086 666.

Please see Note 10 in the parent company financial statements for further information on remuneration to executive employees.

## 12. EMPLOYEE BENEFIT EXPENSES (Continued)

### 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.

| | BASE SALARY 31.12.2013 | PAYMENTS IN KIND ETC. FOR 2013[1] | BONUS 2013[2] |
|---|---|---|---|
| Sven Ombudstvedt (CEO) | 4 275 | 1 221 | 1 365 |
| Roar Ødelien (COO) | 1 800 | 84 | 0 |
| Rune Gjessing (CFO) | 2 450 | 678 | 2 065 |

(1) Includes car allowance, provision in connection with the book reserve pension scheme, salary compensation for the transition to defined contribution pension, free telephone, etc.

(2) Based on results achieved in 2012, paid in 2013.

Roar Ødelien was appointed chief operating officer (COO) from October 2013. Prior to that, Trond Stangeby was hired in as a consultant. Total consultancy fees for 2013 were NOK 2 980 883. No other bonus or payments in kind were paid to Stangeby during 2013.

**Long-term incentive programme**

The board of directors adopted new principles for the long-term incentive programme in 2007, whereby the criteria for awarding synthetic shares to corporate management is related to Total Shareholder Return (TSR—development of the share price including dividend payments), such that this must be above average for a defined group of paper manufacturers, including Norske Skog. A positive TSR for the period is also an absolute condition. This scheme will yield a 30% payout if Norske Skog performs better than the average for the reference group and a full payout if the company falls within the best quartile. Progress is measured over a three-year period, with a new period beginning each year. This scheme involves no dilution effect.

The programme was continued for 2010 with some changes: the maximum annual bonus from the programme was set to NOK 4 million for the CEO and NOK 2 million for other members of corporate management (instead of a fixed number of shares), and the bonus after tax must be used to purchase shares until the total shareholding in the company corresponds to a certain number of shares (200 000 for the CEO and 100 000 for other members of corporate management). The programme was continued for 2012 but there was no programme for 2013.

## 12. EMPLOYEE BENEFIT EXPENSES (Continued)

### REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS AND COMMITTEE MEMBERS

(in NOK 1 000)

| | SALARY | DIRECTORS FEE | REMUNERATION FOR COMMITTEE WORK |
|---|---|---|---|
| Eivind Reiten | 0 | 572 | 47 |
| Ingelise Arntsen | 0 | 230 | 0 |
| Kjetil Bakkan | 536 | 317 | 0 |
| Eilif Due | 0 | 317 | 47 |
| Siri Beate Hatlen | 0 | 317 | 106 |
| Finn Johnsson | 0 | 317 | 142 |
| Paul Kristiansen | 513 | 317 | 146 |
| Karen Kvalevåg | 0 | 317 | 106 |
| Åse Aulie Michelet[(1)] | 0 | 87 | 13 |
| Jon-Aksel Torgersen | 0 | 317 | 34 |
| Svein Erik Veie | 497 | 317 | 0 |

(1) Previous member who left the board during 2013.

### 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 | 1 866 | 940 | 2 260 | 121 | 5 188 |
| Audit-related assistance[(1)] | 0 | 5 | 99 | 0 | 104 |
| Tax assistance | 0 | 198 | 0 | 0 | 198 |
| Other fees | 430 | 56 | 666 | 0 | 1 152 |
| **Total** | **2 297** | **1 199** | **3 025** | **121** | **6 642** |

(1) Audit-related assistance includes services which only auditors can provide, such as the limited review of interim financial statements, agreed 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 3 191 current and former employees are covered by such schemes. Of these, 1 093 people are covered by defined benefit plans and 2 098 people by defined contribution plans.

## 13. PENSION COSTS AND PENSION OBLIGATIONS (Continued)

### 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 | 49 |
| Norske Skog Saugbrugs AS | 65 | 30 | 67 | 62 | 219 |
| Norske Skog Skogn AS | 65 | 30 | 67 | 62 | 175 |
| Norske Skog Walsum GmbH | 50 - 70 | 40 | 65 - 67 | 63 | 446 |
| Norske Skog Paper Mills (Australia) Ltd. | 50 | | 65 | 55 | 12 |

The defined benefit schemes in Norway cover people between 55 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.

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, their estimated value at 31 December is used. 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 incurred obligations, the estimated obligation at 31 December is used. 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, of which Norske Skog Walsum GmbH is the largest. The defined benefit scheme at Norske Skog Walsum GmbH was curtailed at the level it had at 31 December 2010, meaning there is no increase in the obligation as a result of salary increases or the time worked for the company after this date. The majority of employees covered by the defined benefit scheme at Norske Skog Walsum are in their late fifties and sixties. The unfunded obligations also 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 | 2013 | 2012 |
|---|---|---|
| Discount rate | 3.6% | 3.2% |
| Expected return on plan assets | 3.6% | 3.2% |
| Salary adjustment | 2.5% | 3.0% |
| Social security increase/inflation rate | 3.5% | 3.25% |
| Pension growth rate | 0.0% | 0.0% |

## 13. PENSION COSTS AND PENSION OBLIGATIONS (Continued)

The discount rate applied for the pension schemes in Norway for 2013 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 3.3% to 3.6%. For Norske Skog Walsum GmbH, the discount rate used is 3.5%. From 2013 Norske Skog has used the new mortality table in Norway (K2013).

| NET PERIODIC PENSION COST | 2013 | 2012 Restated |
|---|---|---|
| Current service cost | 17 | 37 |
| Pension cost defined contribution schemes | 23 | 25 |
| Accrued national insurance contributions | 1 | 3 |
| Recognised curtailment and settlement | −28 | 0 |
| **Net periodic pension cost** | **13** | **65** |
| **Net periodic interest cost** | **21** | **18** |

Estimated payments to the group's defined benefit pension schemes in 2014 amount to NOK 30 million.

## PENSION PLANS IN THE BALANCE SHEET

| PARTLY OR FULLY FUNDED PENSION PLANS | 31.12.2013 | 31.12.2012 Restated |
|---|---|---|
| Projected benefit obligations including national insurance contributions | −378 | −520 |
| Plan assets at fair value | 400 | 479 |
| **Net plan assets/pension obligations (−) in the balance sheet** | **22** | **−41** |

| UNFUNDED PENSION PLANS | 31.12.2013 | 31.12.2012 Restated |
|---|---|---|
| Projected benefit obligations including national insurance contributions | −714 | −577 |
| **Net plan assets/pension obligations (−) in the balance sheet** | **−714** | **−577** |

| SPECIFICATION OF PENSION PLANS IN THE BALANCE SHEET | NOTE | 31.12.2013 | 31.12.2012 Restated |
|---|---|---|---|
| Pension assets in the balance sheet | 10 | 22 | 11 |
| Pension liabilities in the balance sheet | | −714 | −629 |
| **Net pension obligations** | | **−692** | **−618** |
| Net unfunded pension plans | | −714 | −577 |
| Net partly or fully funded pension plans | | 22 | −41 |

| CHANGES IN PENSION OBLIGATIONS FOR PARTLY OR FULLY FUNDED PENSION PLANS | 2013 | 2012 Restated |
|---|---|---|
| Balance 1 January | 510 | 1 066 |
| Divested companies | −35 | −561 |
| Current year's service cost | 12 | 2 |
| Current year's interest cost | 0 | 2 |
| Pension paid | −19 | −29 |
| Curtailments/settlements | −58 | 10 |
| Other changes | −28 | 26 |
| Currency translation differences | 3 | −3 |
| Remeasurements | −7 | 7 |
| **Balance 31 December** | **378** | **520** |

## 13. PENSION COSTS AND PENSION OBLIGATIONS (Continued)

| CHANGES IN PLAN ASSETS FOR PARTLY OR FULLY FUNDED PENSION PLANS | 2013 | 2012 Restated |
|---|---|---|
| Balance 1 January | 479 | 962 |
| Divested companies | −35 | −487 |
| Return on plan assets | 11 | 17 |
| Curtailments/settlements | −55 | −4 |
| Other changes | 0 | −8 |
| Currency translation differences | 0 | −1 |
| **Balance 31 December** | **400** | **479** |

| CHANGES IN PENSION OBLIGATIONS FOR UNFUNDED PENSION PLANS | 2013 | 2012 Restated |
|---|---|---|
| Balance 1 January | −577 | −510 |
| Divested companies | 6 | 64 |
| Current year's service cost | −6 | −9 |
| Current year's interest cost | −18 | −17 |
| Pension paid | 34 | 6 |
| Contributions to the plan assets | 0 | 0 |
| Curtailments/settlements | 0 | −15 |
| Other changes | −90 | 45 |
| Currency translation differences | 0 | 0 |
| Remeasurements | −63 | −141 |
| **Balance 31 December** | **−714** | **−577** |

| | 2013 | | 2012 | |
|---|---|---|---|---|
| INVESTMENT PROFILE FOR PENSION FUNDS | FUNDS | DISTRIBUTION | FUNDS | DISTRIBUTION |
| Shares | 79 | 20% | 114 | 24% |
| Bonds | 212 | 53% | 241 | 50% |
| Properties and real estate | 38 | 10% | 58 | 12% |
| Money market | 54 | 13% | 50 | 11% |
| Other | 17 | 4% | 16 | 3% |
| **Total** | **400** | | **479** | |

### ADOPTION OF THE AMENDED IAS 19—RESTATEMENT OF 2012 FIGURES

Norske Skog implemented the amended standard IAS 19 *Employee benefits* from 1 January 2013, with full retrospective application. Comparable figures for 2012 have been restated, except for changes to the carrying value of assets that include employee benefit costs in the carrying value (property, plant and equipment and inventories).

The most significant change in the amended IAS 19 is the removal of the corridor approach for actuarial gains and losses. Actuarial gains and losses are now recognised in the balance sheet immediately, with a charge or credit to other comprehensive income (OCI) in the periods in which they occur. These are not reclassified to profit or loss in later periods.

In accordance with the amended standard, the interest expense (income) is calculated on the net defined benefit liability (asset) by applying the discount rate to the net defined benefit liability (asset). The net interest element is classified within Financial items. The comparable figures for 2012 in the consolidated income statement and consolidated balance sheet have been restated.

### SENSITIVITY ANALYSIS

Norske Skog has performed sensitivity analyses 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

## 13. PENSION COSTS AND PENSION OBLIGATIONS (Continued)

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% | –60 | 67 |
| Salary adjustment – 0.5% | 10 | –10 |
| Future national security – 1.0% | –8 | 9 |
| Future pension – 1.0% | 75 | 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.

## 14. OTHER OPERATING EXPENSES

| | 2013 | 2012 |
|---|---|---|
| Maintenance materials and services | 549 | 619 |
| Marketing expenses | 16 | 17 |
| Administration, insurance, travel expenses etc. | 251 | 314 |
| Losses on accounts receivable | 13 | 17 |
| Operating leases | 63 | 79 |
| Research and development | 2 | 3 |
| Change in environmental provisions | –61 | 2 |
| Miscellaneous expenses | 181 | 201 |
| **Total** | **1 014** | **1 252** |
| **Specification of losses on accounts receivable** | | |
| Receivables written off during the period | 6 | 8 |
| Payments received on items previously written off | 0 | 0 |
| Change in provision for bad debt | 7 | 9 |
| **Total** | **13** | **17** |

## 15. LEASES

### OPERATING LEASES

The group recognised expenses of NOK 63 million in relation to operating leases in 2013. The equivalent expense in 2012 was NOK 79 million.

| MINIMUM LEASE PAYMENTS RELATING TO OPERATING LEASES | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Not later than one year | 20 | 45 |
| Later than one year and not later than five years | 36 | 80 |
| Later than five years | 7 | 5 |
| **Total** | **63** | **130** |

### 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

## 15. LEASES (Continued)

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 | 31.12.2013 | 31.12.2012 Restated |
|---|---|---|
| Not later than one year | 23 | 24 |
| Later than one year and not later than five years | 81 | 88 |
| Later than five years | 106 | 134 |
| **Total** | **210** | **246** |
| Future finance charges on finance leases | −86 | −105 |
| **Present value of minimum lease payments** | **124** | **141** |

| PRESENT VALUE OF MINIMUM LEASE PAYMENTS | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Not later than one year | 21 | 23 |
| Later than one year and not later than five years | 60 | 66 |
| Later than five years | 43 | 52 |
| **Total** | **124** | **141** |
| **Capitalised value of leased property, plant and equipment (machinery and equipment)** | **106** | **125** |

## 16. OTHER GAINS AND LOSSES

| | 2013 | 2012 |
|---|---|---|
| Gains and losses from divestments of business activities, property, plant and equipment | −178 | 39 |
| Changes in value—commodity contracts[1] | −402 | −1 109 |
| Changes in value—embedded derivatives | −403 | 220 |
| Changes in value—biological assets | −14 | −7 |
| Other realised gains and losses | −102 | −152 |
| **Total** | **−1 100** | **−1 009** |

(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 2013 of NOK 178 million was primarily related to the divestments of Norske Skog Pisa Ltda. in Brazil and Norske Skog (Thailand) Co. Ltd. in Thailand.

On 14 June 2013, Norske Skog signed an agreement for the sale of 51% of its shares in Norske Skog Pisa Ltda. in Brazil. The transaction was completed on 27 June 2013. The total loss of NOK 218 million on the divestment consisted of NOK 95 million relating to the divestment of 51% of the shares, and NOK 123 million relating to the remaining 49% stake which was recognised in the balance sheet as an associated company in line with the equity method of accounting at 31 December 2013. The loss on the remaining 49% stake consisted of the difference between the book value of the net assets derecognised and the fair value of the investment in associated company. See Note 19 Investments in associated companies for more information. The loss on the divested 51% stake included NOK 12 million relating to currency translation differences and net investment hedge that were recognised directly in equity during the ownership period and reclassified to Other gains and losses upon loss of control.

On 5 October 2013, Norske Skog signed an agreement for the sale of its shares in the company that owns and operates the mill at Singburi in Thailand, Norske Skog (Thailand) Co. Ltd. The transaction was completed on 21 November 2013. Norske Skog Singburi was deconsolidated from this date and a gain of NOK 49 million was recognised. This amount included a gain of NOK 35 million related to currency translation differences that were recognised directly in equity during the ownership period and reclassified to Other gains and losses upon divestment.

## 16. OTHER GAINS AND LOSSES (Continued)

The net loss on divestments of business activities, property, plant and equipment also included a loss of NOK 26 million in relation to input VAT on transaction costs incurred upon the divestments of mills in South Korea and China in previous years. The Norwegian VAT authorities claim that this amount is not deductible. However, Norske Skog does not agree with this claim and expects to take out legal proceedings. Norske Skog has no outstanding payments to the VAT authorities in relation to this amount and has expensed the full amount in 2013, due to uncertainty regarding the outcome of this case. The remaining amount included in the net loss on divestments of business activities, property, plant and equipment included a gain of NOK 23 million on divestments of non production related property.

The gain on divestments of business activities, property, plant and equipment in 2012 of NOK 39 million was primarily related to the divestments of Papeles Norske Skog Bio Bio S.A. in Chile, Norske Skog Follum AS in Norway, Norske Skog Parenco B.V, in the Netherlands and the global recovered paper business, Reparco (in total NOK 38 million). The remaining amount was mainly related to the sale of non-production related property.

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 losses on commodity contracts in 2013 and 2012 were due to lower expected future energy prices, and volumes utilised during 2013 and 2012. The gains and losses on embedded derivatives in 2013 and 2012 were mainly driven by currency fluctuations.

Other realised gains and losses of NOK −102 million in 2013 were primarily related to the termination of the long-term group agreement from1998 that applied to the supply of energy in Southern Norway. Other realised gains and losses of NOK −152 million in 2012 were primarily related to the sale of 680 GWh of excess energy in Southern Norway. The sale generated a loss of NOK 153 million.

## 17. INCOME TAXES

| TAX EXPENSE | 2013 | 2012 |
|---|---|---|
| Current tax expense | −100 | −96 |
| Change in deferred tax | 600 | 165 |
| **Total** | **500** | **69** |

| RECONCILIATION OF THE GROUP TAX EXPENSE | 2013 | 2012 |
|---|---|---|
| Profit/loss before income taxes | −2 344 | −2 849 |
| Computed tax at nominal tax rate of 28% | 656 | 798 |
| Differences due to different tax rates | −4 | −7 |
| Result from associated companies | 7 | −19 |
| Exempted income/non-deductible expenses | −4 | 5 |
| Change in tax legislation and tax rates | −23 | −8 |
| Divestment of subsidiaries[(1)] | −52 | 11 |
| Adjustment previous years | 28 | −5 |
| Deferred tax asset not recognised | −149 | −693 |
| Other items | 40 | −13 |
| **Total tax expense** | **500** | **69** |

## 17. INCOME TAXES (Continued)

| CURRENT TAX LIABILITY | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Norway | 0 | 0 |
| Rest of Europe | 21 | 41 |
| Outside Europe | 18 | 2 |
| **Total** | **39** | **43** |

| DEFERRED TAX—MOVEMENTS | 2013 | 2012 Restated |
|---|---|---|
| Net deferred tax liability 1 January | −180 | −148 |
| Effect of implementation of IAS 19R | 0 | 5 |
| Net deferred tax liability 1 January (restated) | −180 | −143 |
| Deferred tax charged in the income statement | 600 | 165 |
| Divestment of subsidiaries | −176 | −224 |
| Tax expense in other comprehensive income | 68 | 31 |
| Tax effect termination USD net investment hedge | −65 | 0 |
| Group tax allocation balance sheet | −41 | −4 |
| Currency translation differences | −57 | −5 |
| **Net deferred tax asset/liability (−) 31 December** | **149** | **−180** |

| DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY | 31.12.2013 | 31.12.2012 Restated |
|---|---|---|
| Norway | 539 | 116 |
| Rest of Europe | 0 | 0 |
| Outside Europe | 2 | 197 |
| **Deferred tax asset** | **541** | **313** |
| Norway | 0 | 0 |
| Rest of Europe | −249 | −212 |
| Outside Europe | −143 | −281 |
| **Deferred tax liability** | **−392** | **−493** |
| **Net deferred tax asset/liability (−)** | **149** | **−180** |

| DEFERRED TAX DETAILS | 31.12.2013 | 31.12.2012 Restated |
|---|---|---|
| Fixed assets, excess values and depreciation | −544 | −393 |
| Pensions | 79 | 110 |
| Provisions and other liabilities | −1 | −82 |
| Currency translation differences and financial instruments | −305 | −493 |
| Deferred tax current items | 57 | 41 |
| Tax losses and tax credit to carry forward | 4 005 | 3 753 |
| Deferred tax asset not recognised[2] | −3 142 | −3 116 |
| **Net deferred tax asset/liability (−)** | **149** | **180** |

## 17. INCOME TAXES (Continued)

| LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2013 | NORWAY | REST OF EUROPE | OUTSIDE EUROPE | TOTAL |
|---|---|---|---|---|
| 2014 | 0 | 85 | 0 | 85 |
| 2015 | 0 | 10 | 0 | 10 |
| 2016 | 0 | 0 | 0 | 0 |
| 2017 | 0 | 109 | 0 | 109 |
| 2018 | 0 | 97 | 0 | 97 |
| 2019 and later | 0 | 102 | 0 | 102 |
| Indefinite expiry | 9 373 | 3 285 | 1 272 | 13 930 |
| **Tax losses to carry forward** | **9 373** | **3 687** | **1 272** | **14 332** |
| Tax losses not recognised | −6 059 | −3 329 | −1 265 | −10 653 |
| **Total tax losses to carry forward—recognised** | **3 314** | **358** | **7** | **3 680** |
| **Deferred tax asset** | **895** | **118** | **2** | **1 015** |

| LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2012 | NORWAY | REST OF EUROPE | OUTSIDE EUROPE | TOTAL |
|---|---|---|---|---|
| 2013 | 0 | 98 | 0 | 98 |
| 2014 | 0 | 74 | 0 | 74 |
| 2015 | 0 | 9 | 0 | 9 |
| 2016 | 0 | 0 | 0 | 0 |
| 2017 | 0 | 95 | 0 | 95 |
| 2018 and later | 0 | 147 | 0 | 147 |
| Indefinite expiry | 8 709 | 2 411 | 1 308 | 12 428 |
| **Tax losses to carry forward** | **8 709** | **2 835** | **1 308** | **12 852** |
| Tax losses not recognised(3) | −5 956 | −2 554 | −1 018 | −9 528 |
| **Total tax losses to carry forward—recognised** | **2 753** | **281** | **290** | **3 324** |
| **Deferred tax asset** | **771** | **97** | **82** | **950** |

The group has significant tax losses in several jurisdictions. These losses are included as a deferred tax asset to the extent it is expected that sufficient earnings will be earned within the time limitations applicable in the various jurisdictions. The table above summarises from which geographical areas the losses arose, as well as the portion of the losses that are not recognised as a deferred tax asset.

(1) In 2013, the amount was related to tax exemption on the divestment of subsidiaries in Norske Skog Pisa Ltda. in Brazil and Norske Skog (Thailand) Co. Ltd. in Thailand. In 2012, the amount was related to tax exemption on the divestment of subsidiaries in Norway (Norske Skog Follum AS), Chile (Norske Skog Bio Bio S.A.) and the Netherlands (Norske Skog Parenco B.V.).

(2) Deferred tax asset not recognised amounted to NOK 3 142 million at 31 December 2013. NOK 2 937 million was related to tax losses to carry forward and NOK 205 million was related to other deductible temporary differences. Deferred tax asset not recognised amounted to NOK 3 116 million at 31 December 2012. NOK 2 746 million was related to tax losses to carry forward and NOK 370 million was related to other deductible temporary differences.

(3) In 2012, an amount of NOK 5 956 million was added to tax losses to carry forward in Norway. This was a result of tax deductible losses that arose following a legal restructuring of the company structure. Deferred tax asset is not recognised on the amount.

## 18. SPECIFICATION OF BALANCE SHEET ITEMS

| | NOTE | 31.12.2013 | 31.12.2012 Restated |
|---|---|---|---|
| **Inventories** | | | |
| Raw materials and other production input | | 747 | 789 |
| Semi-manufactured materials | | 11 | 10 |
| Finished goods | | 516 | 570 |
| **Total** | 3 | **1 274** | **1 370** |
| **Other current assets** | | | |
| Derivatives | 7 | 20 | 157 |
| Commodity contracts | 7 | 9 | 60 |
| Current investments | 7 | 112 | 54 |
| **Total** | | **141** | **271** |
| **Trade and other payables** | | | |
| Accounts payable | | 1 104 | 1 071 |
| Accrued labour costs and taxes | | 455 | 612 |
| Accrued expenses | | 465 | 368 |
| Other interest-free liabilities | | 16 | 63 |
| **Total** | | **2 040** | **2 114** |
| **Other current liabilities** | | | |
| Derivatives | 7 | 116 | 3 |
| Commodity contracts | 7 | 18 | 29 |
| Accrued emission rights | | 39 | 69 |
| Accrued financial costs | | 201 | 200 |
| Restructuring provision | 20 | 166 | 140 |
| **Total** | | **540** | **441** |
| **Other non-current liabilities** | | | |
| Derivatives | 7 | 259 | 128 |
| Commodity contracts | 7 | 12 | 37 |
| Dismantling provision | 20 | 56 | 92 |
| Environmental provision | 20 | 193 | 250 |
| Deferred recognition of emission rights | | 101 | 109 |
| Deferred recognition of government grants | | 61 | 65 |
| Other non interest-bearing debt | | 17 | 81 |
| **Total** | | **699** | **762** |

## 19. INVESTMENTS IN ASSOCIATED COMPANIES

| COMPANY | SHARE 31.12.2013 | CARRYING VALUE 31.12.2013 | SHARE OF PROFIT/LOSS 2013 | CURRENCY TRANSLATION DIFFERENCES | ADDITIONS | CARRYING VALUE 31.12.2012 |
|---|---|---|---|---|---|---|
| Malaysian Newsprint Industries Sdn. Bhd. | 33.7% | 343 | 26 | 6 | 0 | 311 |
| Norske Skog Pisa Ltda. | 49% | 223 | 0 | −2 | 225 | 0 |
| Other associated companies | | 29 | 0 | 0 | 0 | 28 |
| **Total** | | **595** | **26** | **4** | **225** | **339** |

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 2012, the recognised share of profit in associated companies amounted to NOK 20 million, currency translation differences amounted to NOK −14 million and reversed impairments amounted to NOK 89 million.

## 19. INVESTMENTS IN ASSOCIATED COMPANIES (Continued)

### 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 343 million at 31 December 2013, which corresponds to Norske Skog's share (33.7%) of the equity (including redeemable preference shares and share premium) in MNI's company financial statements. Based on the company's financial statements, operating revenue in 2013 was NOK 946 million (NOK 991 million in 2012) and net profit was NOK 77 million (NOK 59 million in 2012). Total assets amounted to NOK 1 579 million at 31 December 2013 (NOK 1 570 million at 31 December 2012) and total liabilities were NOK 765 million at 31 December 2013 (NOK 918 million at 31 December 2012).

### Norske Skog Pisa Ltda.

On 14 June 2013, Norske Skog signed an agreement for the sale of 51% of its shares in Norske Skog Pisa Ltda. in Brazil. The transaction was completed with effect from 27 June 2013. Following the transaction, Norske Skog was no longer the controlling owner of the mill, and Norske Skog Pisa was therefore deconsolidated from 27 June 2013. Norske Skog's remaining share of 49% has been accounted for as an associated company in accordance with the equity method. At the time of the initial divestment, Norske Skog had also agreed upon the terms of sale for the remaining 49% of its shares in Norske Skog Pisa. In January 2014, Norske Skog renegotiated the terms of the sale of the remaining stake, with an accelerated timeline, and a sales price of USD 37 million. The value of the investment in Norske Skog Pisa Ltda. at the end of December reflects the agreed sales price of USD 37 million (NOK 223 million). The sales proceeds will be received in the second quarter of 2014. The gain (loss) from the sale of the shares in Norske Skog Pisa Ltda., including the value adjustment at 31 December 2013, has been classified within the income statement line item Other gains and losses. See Note 16 for further information.

## 20. PROVISIONS

| | RESTRUCTURING PROVISION | DISMANTLING PROVISION | ENVIRONMENTAL PROVISION |
|---|---|---|---|
| **Balance 1 January 2012** | **363** | **102** | **283** |
| Changes and new provisions | 99 | −9 | 2 |
| Utilised during the year | −182 | 0 | −35 |
| Periodic unwinding of discount | 0 | 3 | 10 |
| Divestment of subsidiaries | −136 | 0 | 0 |
| Currency translation differences | −4 | −4 | −10 |
| **Balance 31 December 2012** | **140** | **92** | **250** |
| Changes and new provisions | 135 | −31 | −59 |
| Utilised during the year | −122 | −9 | −4 |
| Periodic unwinding of discount | 0 | 3 | 8 |
| Currency translation differences | 13 | 1 | −2 |
| **Balance 31 December 2013** | **166** | **56** | **193** |

### Restructuring provision

The restructuring provision of NOK 166 million at 31 December 2013 is classified in the balance sheet line Other current liabilities. NOK 138 million of this provision related to severance payments and other costs at Norske Skog Walsum, where it was decided during 2013 to permanently stop production at one paper machine (PM4). The machine ceased paper production in December 2013. Various other restructuring activities included provisions for severance payments and other costs of NOK 13 million as a result of the ongoing downsizing at head office and changes in corporate management, NOK 7 million at Norske Skog Bruck, and NOK 5 million at Norske Skog Boyer.

The amount expensed in 2013 in relation to restructuring activities amounted to NOK 145 million. This amount related mainly to the provisions listed above, offset by the recognition of NOK 10 million income

## 20. PROVISIONS (Continued)

due to the release of provisions expensed in 2012 at Norske Skog Tasman (NOK 6 million), Norske Skog Golbey (NOK 3 million) and Norske Skog Skogn (NOK 1 million). Total cash flow relating to restructuring activities in 2013 amounted to NOK 122 million, and related mainly to Norske Skog Tasman (NOK 77 million), Norske Skog Walsum (NOK 20 million) and head office (NOK 13 million).

The restructuring provision at 31 December 2012 was NOK 140 million. The largest item in this provision (NOK 81 million) related to the decision to permanently close 160 000 tonnes of newsprint capacity at Norske Skog Tasman in New Zealand. Other provisions included NOK 28 million in relation to a cost reduction programme at Norske Skog Walsum, NOK 12 million in relation to severance payments and other costs as a result of the ongoing downsizing at head office, NOK 6 million in relation to redundancies at Norske Skog Golbey and NOK 6 million in relation to redundancies at Norske Skog Skogn.

The amount expensed in 2012 in relation to restructuring activities amounted to NOK 118 million. This related mainly to the restructuring activities mentioned above (NOK 105 million at Norske Skog Tasman, NOK 17 million at head office, NOK 8 million at Norske Skog Golbey, and NOK 4 million at Norske Skog Skogn), as well as NOK 11 million related to severance payments and other costs following the closure of Norske Skog's shared service centre located in Antwerp in Belgium. These amounts were offset by the recognition of NOK 24 million income due to the release of provisions expensed in 2011 at Norske Skog Walsum (NOK 21 million) and Norske Skog Bruck (NOK 3 million), as a result of more employees working during the notice period than anticipated. Total cash flow relating to restructuring activities in 2012 amounted to NOK 182 million. This amount related mainly to Norske Skog Follum and Norske Skog Tasman.

### Dismantling provision

Provisions related to future dismantling costs arising from a future closing down of production facilities amounted to NOK 56 million at 31 December 2013, compared to NOK 92 million at 31 December 2012. 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 items. 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 4 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 193 million at 31 December 2013 compared to NOK 250 at 31 December 2012. The decrease in provision was mainly a result of a downwards revision of the environmental provision at the mills in Australasia and lower discount rates. Resources spent on environmental activities during 2013 amounted to NOK 4 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

## 20. PROVISIONS (Continued)

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 14 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 items.

## 21. NON-CONTROLLING INTERESTS

| | 2013 | 2012 |
|---|---|---|
| Non-controlling interests at 1 January | 9 | 13 |
| Profit/loss for the year attributable to non-controlling interests | 0 | −3 |
| Changes in non-controlling interests | −10 | 0 |
| Dividend paid to non-controlling interests | 0 | 0 |
| Currency translation differences | 1 | −1 |
| **Non-controlling interests at 31 December** | **0** | **9** |

Following the divestments of Norske Skog Pisa Ltda. and Norske Skog (Thailand) Co. Ltd. in 2013, Norske Skog does not have any remaining non-controlling interests.

## 22. EARNINGS AND DIVIDEND PER SHARE

| | 2013 | 2012 |
|---|---|---|
| Profit/loss for the year in NOK million attributable to owners of the parent | −1 844 | −2 778 |
| Weighted average number of shares in 1 000 | 189 866 | 189 827 |
| Basic and diluted earnings/loss per share in NOK[1] | −9.71 | −14.63 |

(1) There were no dilution effects in 2013 or 2012.

No dividends were paid for the financial year 2012. The board of directors recommends that no dividend should be disbursed for the financial year 2013. The dividend decision will be made by the annual general meeting on 10 April 2014.

## 23. SHARES

| 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 | | | 177 |
| **Shares owned by other group companies** | | | | |
| Exeltium SAS, Paris, France | EUR | 174 504 | 5 | 69 918 |
| Exeltium 2 SAS, Paris, France | EUR | 3 440 | 5 | 1 375 |
| Fjord-IT AS, Oslo, Norway | NOK | 215 | 8 | 3 002 |
| Licella Fibre Fuels Pty Ltd., Sydney, Australia | AUD | 2 857 | 12.5 | 13 565 |
| Pavatex Holding AG, Cham, Switzerland | CHF | 92 698 | 5 | 34 234 |
| Other shares, each with book value below NOK 1 million | NOK | | | 3 139 |
| **Total** | | | | **125 233** |
| **Total shares included as financial assets** | | | | **125 411** |

## 23. SHARES (Continued)

| SHARES IN SUBSIDIARIES | CURRENCY | SHARE CAPITAL (IN 1 000) | OWNERSHIP % | CARRYING VALUE (IN NOK 1 000) |
|---|---|---|---|---|
| **Shares in Norwegian subsidiaries owned by the parent company** | | | | |
| Lysaker Invest AS, Oslo | NOK | 1 504 371 | 100 | 2 004 371 |
| Nornews AS, Oslo | NOK | 100 | 100 | 100 |
| Norske Skog Eiendom AS, Oslo | NOK | 1 500 | 100 | 190 681 |
| Norske Skog Holding AS, Oslo | NOK | 5 000 | 100 | 8 554 |
| Norske Skog Kraft AS, Oslo | NOK | 100 | 100 | 115 |
| Norske Skog Nordic & Export Sales AS, Oslo | NOK | 1 100 | 100 | 324 |
| Norske Skog Saugbrugs AS, Halden | NOK | 50 100 | 100 | 1 034 120 |
| Norske Skog Shared Services AS, Levanger | NOK | 840 | 100 | 1 072 |
| Norske Skog Skogn AS, Levanger | NOK | 50 100 | 100 | 808 779 |
| Norske Treindustrier AS, Oslo | NOK | 417 340 | 100 | 5 440 196 |
| nsiFocus AS, Oslo | NOK | 100 | 100 | 100 |
| Wood and Logistics AS, Oslo | NOK | 3 000 | 100 | 3 093 |
| **Total** | | | | **9 491 506** |
| **Shares in foreign subsidiaries owned by the parent company** | | | | |
| Norske Skog Adria d.o.o., Trzin, Slovenia | EUR | 21 | 100 | 164 |
| Norske Skog Belgium N.V., Antwerp, Belgium | EUR | 62 | 100 | 3 479 |
| Norske Skog Bruck GmbH, Bruck, Austria | EUR | 20 000 | 99.9 | 165 918 |
| Norske Skog Czech & Slovak Republic spol. s.r.o., Prague, Czech Republic | CZK | 400 | 100 | 112 |
| Norske Skog Danmark ApS, Værløse, Denmark | DKK | 200 | 100 | 25 |
| Norske Skog Deutschland GmbH, Augsburg, Germany | EUR | 520 | 100 | 10 063 |
| Norske Skog Espana S.A., Madrid, Spain | EUR | 60 | 100 | 14 788 |
| Norske Skog France S.A.R.L., Paris, France | EUR | 235 | 100 | 7 939 |
| Norske Skog Golbey SAS, Golbey, France | EUR | 137 388 | 100 | 1 581 944 |
| Norske Skog Holdings B.V., Amsterdam, The Netherlands | EUR | 170 100 | 100 | 13 705 |
| Norske Skog Hungary Kft., Budapest, Hungary | HUF | 3 000 | 100 | 110 |
| Norske Skog Italia SrL, Milan, Italy | EUR | 10 | 95 | 84 |
| Norske Skog Österreich GmbH, Graz, Austria | EUR | 35 | 100 | 360 |
| Norske Skog Papers (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia | MYR | 5 009 | 100 | 343 596 |
| Norske Skog Polska Sp. z.o.o., Warsaw, Poland | PLN | 50 | 100 | 110 |
| Norske Skog (Schweiz) AG, Zürich, Switzerland | CHF | 50 | 100 | 193 |
| Norske Skog (UK) Ltd., London, United Kingdom | GBP | 100 | 100 | 2 |
| Norske Skog Walsum GmbH, Duisberg, Germany | EUR | 150 025 | 100 | 122 997 |
| **Total** | | | | **2 265 588** |
| **Total shares in subsidiaries owned by the parent company** | | | | **11 757 094** |

## 23. SHARES (Continued)

| SHARES IN SUBSIDIARIES | CURRENCY | SHARE CAPITAL (IN 1 000) | OWNERSHIP % |
|---|---|---|---|
| **Shares in other companies owned by consolidated companies** | | | |
| 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 Bruck GmbH, Bruck, Austria | EUR | 20 000 | 0.1 |
| 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 CI Ltd., Georgetown, Cayman Islands | CHF | 13 | 100 |
| Norske Skog Holdings (No.1) Ltd., Auckland, New Zealand | NZD | 0 | 100 |
| Norske Skog Holdings (No.2) Ltd., Auckland, New Zealand | NZD | 0 | 100 |
| Norske Skog Holdings (No.3) Ltd., Auckland, New Zealand | NZD | 1 | 100 |
| Norske Skog Holdings (Schweiz) AG, Zug, Switzerland | CHF | 100 100 | 100 |
| Norske Skog Industries Australia Ltd., Sydney Australia | AUD | 0 | 100 |
| Norske Skog Industries Canada Ltd. | CAD | 642 243 | 100 |
| Norske Skog Italia SrL, Milan, Italy | EUR | 10 | 5 |
| Norske Skog Overseas Holdings AG, Zürich, Switzerland | CHF | 100 | 100 |
| Norske Skog Paper Mills (Australia) Ltd., Tasmania, Australia | AUD | 7 539 | 100 |
| Norske Skog Papier Recycling GmbH, Bruck, Austria | EUR | 291 | 100 |
| Norske Skog Tasman Ltd., Auckland, New Zealand | NZD | 725 000 | 100 |
| Oxenøen Finans AS, Oslo, Norway | NOK | 1 120 | 100 |
| Pan Asia Paper Trading Co. Pty. Ltd., Sydney, Australia | USD | 5 000 | 100 |

## 24. CAPITAL RISK MANAGEMENT

Norske Skog's objective when managing capital is to maximise return on equity within the limits set by the group's external debt financing.

In order to improve the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## 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. Norske Skog has an ongoing process related to simplification of the group's corporate structure. This, in combination with changes in individual countries' tax laws, could increase the group's tax exposure. The group's assessment is that sufficient provisions have been made for the aforementioned conditions.

## 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.

In 2013, Norske Skog entered into a contract with Skøyen Næringsbygg AS for the lease of its head office at Skøyen. Torstein I. Tvenge is chairman of the board of Skøyen Næringsbygg AS, and controls 100% of the shares in the company, together with close family members. Tvenge is also a shareholder of Norske Skogindustrier ASA. The lease contract for the head office has been entered into on normal commercial terms.

Purchases of goods and services by associated company Malaysian Newsprint Industries Sdn. Bhd. (MNI) from other companies in the Norske Skog group during 2013 amounted to NOK 10 million (NOK 2 million in 2012). There were no amounts payable by MNI to the Norske Skog group at 31 December 2013 or 31 December 2012.

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

## 27. EVENTS AFTER THE BALANCE SHEET DATE

In January 2014, Norske Skog entered into a long-term marketing agreement with CellMark AB for sale of publication paper in the Asian markets. The parties will establish a new distributor in Singapore, NorCell Asia, which will have the exclusive marketing rights for all Norske Skog products to be sold in the Asian markets. Norske Skog will transfer its current sales operations and sales staff in Singapore from Pan Asia Paper Trading Co. Pty. Ltd. to NorCell Asia.

In January 2014, the terms of sale for Norske Skog's remaining 49% stake in Norske Skog Pisa Ltda. in Brazil were renegotiated, with an accelerated timeline, and a sales price of USD 37 million. The value of the investment in associated company at 31 December 2013 has been updated to reflect the agreed sales price. See Note 19 Investments in associated companies for further information.

Rune Sollie was appointed Chief Financial Officer (CFO) In Norske Skogindustrier ASA in January 2014. Sollie has broad experience from various financial positions within Norwegian industry.

To the Annual Shareholders' Meeting of Norske Skogindustrier ASA

**Independent auditor's report**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Norske Skogindustrier ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2013, income statement, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet as at 31 December 2013, income statement, statement of comprehensive income, changes in equity, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

*The Board of Directors and the Managing Director's Responsibility for the Financial Statements*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with simplified IFRS pursuant to § 3-9 of the Norwegian Accounting Act and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director 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 audit opinion.

*Opinion on the financial statements of the parent company*

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of Norske Skogindustrier ASA as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with simplified IFRS pursuant to § 3-9 of the Norwegian Accounting Act.

*PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo*
*T: 02316, org. no.: 987* 009 *713 MVA,* www.pwc.no
*Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap*

*Opinion on the financial statements of the group*

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of the group Norske Skogindustrier ASA as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

**Report on Other Legal and Regulatory Requirements**

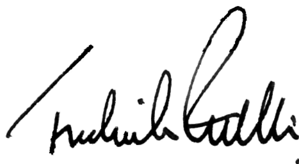
*Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of 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 management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 3 March 2014
**PricewaterhouseCoopers AS**



Fredrik Melle
State Authorised Public Accountant (Norway)

**NORSKE SKOGINDUSTRIER ASA**

**CONSOLIDATED INCOME STATEMENT**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

| NOK MILLION | NOTE | 2012 | 2011 |
|---|---|---|---|
| **Operating revenue** | **3** | **16 592** | **18 904** |
| Distribution costs | | −1 645 | −1 786 |
| Cost of materials | | −9 564 | −11 243 |
| Change in inventories | | −156 | −118 |
| Employee benefit expenses | 12 | −2 512 | −2 793 |
| Other operating expenses | 14 | −1 252 | −1 450 |
| **Gross operating earnings** | | **1 464** | **1 515** |
| Depreciation | 4 | −935 | −1 658 |
| Restructuring expenses | 16 | −118 | −387 |
| Other gains and losses | 17 | −1 009 | −201 |
| Impairments | 4 | −2 086 | −1 969 |
| **Operating earnings** | | **−2 684** | **−2 701** |
| Share of profit in associated companies | 20 | −70 | 198 |
| Financial items | 5 | −96 | −629 |
| **Profit/loss before income taxes** | | **−2 849** | **−3 132** |
| Income taxes | 18 | 69 | 588 |
| **Profit/loss for the year** | | **−2 781** | **−2 545** |
| **Profit/loss for the year attributable to:** | | | |
| Owners of the parent | | −2 778 | −2 536 |
| Non-controlling interests | 22 | −3 | −8 |
| Basic/diluted earnings per share (NOK) | 23 | −14.63 | −13.36 |

**NORSKE SKOGINDUSTRIER ASA**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

| NOK MILLION | 2012 | 2011 |
|---|---|---|
| **Profit/loss for the year** | **−2 781** | **−2 545** |
| **Other comprehensive income** | | |
| Currency translation differences | −511 | 69 |
| Tax expense on translation differences | −36 | −68 |
| Hedge of net investment in foreign operations | 224 | 19 |
| Tax expense on net investment hedge | 13 | −268 |
| Reclassified translation differences upon divestment of foreign operations | 130 | 51 |
| Reclassified hedging gain/loss on net investment upon divestment of foreign operations | −222 | −9 |
| Tax expense on reclassifications | 62 | 0 |
| Other items | 2 | 2 |
| Tax expense on other items | 0 | 0 |
| **Other comprehensive income** | **−337** | **−205** |
| **Comprehensive income** | **−3 118** | **−2 749** |
| **Comprehensive income attributable to:** | | |
| Owners of the parent | −3 115 | −2 740 |
| Non-controlling interests | −3 | −9 |

**NORSKE SKOGINDUSTRIER ASA**

**CONSOLIDATED BALANCE SHEET**

**AS OF DECEMBER 31, 2012 AND 2011**

| NOK MILLION | NOTE | 31.12.2012 | 31.12.2011 |
|---|---|---|---|
| **Assets** | | | |
| Deferred tax asset | 18 | 321 | 352 |
| Intangible assets | 4 | 232 | 148 |
| Property, plant and equipment | 4 | 9 533 | 12 622 |
| Investments in associated companies | 20 | 339 | 422 |
| Other non-current assets | 10 | 986 | 2 258 |
| **Total non-current assets** | | **11 411** | **15 803** |
| Inventories | 19 | 1 370 | 1 867 |
| Trade and other receivables | 10 | 1 816 | 2 732 |
| Cash and cash equivalents | 8 | 1 194 | 1 200 |
| Other current assets | 19 | 271 | 372 |
| **Total current assets** | | 4 650 | **6 171** |
| **Total assets** | | **16 061** | **21 974** |
| **Shareholders' equity and liabilities** | | | |
| Paid-in equity | | 12 302 | 12 303 |
| Retained earnings and other reserves | 23 | −7 998 | −4 883 |
| Non-controlling interests | 22 | 9 | 13 |
| **Total equity** | | **4 314** | **7 433** |
| Pension obligations | 13 | 495 | 541 |
| Deferred tax liability | 18 | 498 | 500 |
| Interest-bearing non-current liabilities | 11 | 7 208 | 8 407 |
| Other non-current liabilities | 19 | 762 | 736 |
| **Total non-current liabilities** | | **8 963** | **10 184** |
| Interest-bearing current liabilities | 11 | 203 | 931 |
| Trade and other payables | 19 | 2 097 | 2 474 |
| Tax payable | 18 | 43 | 31 |
| Other current liabilities | 19 | 441 | 920 |
| **Total current liabilities** | | **2 784** | **4 356** |
| **Total liabilities** | | **11 747** | **14 540** |
| **Total equity and liabilities** | | **16 061** | **21 974** |

**LYSAKER, 1 MARCH 2013—THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA**

## NORSKE SKOGINDUSTRIER ASA

## CONSOLIDATED CASH FLOW STATEMENT

## FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

| NOK MILLION | NOTE | 2012 | 2011 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash generated from operations | | 17 037 | 18 726 |
| Cash used in operations | | −15 261 | −17 594 |
| Cash flow from currency hedges and financial items | | −77 | 216 |
| Interest payments received | | 39 | 47 |
| Interest payments made | | −692 | −820 |
| Taxes paid | | −64 | −121 |
| **Net cash flow from operating activities** [(1)] | 3 | **982** | **455** |
| **Cash flow from investing activities** | | | |
| Purchases of property, plant and equipment and intangible assets | 3 | −492 | −490 |
| Sales of property, plant and equipment and intangible assets | | 101 | 246 |
| Dividend received | | 10 | 0 |
| Purchase of shares in companies and other investments | | 0 | −63 |
| Sales of shares in companies and other investments | | 682 | 777 |
| **Net cash flow from investing activities** | | **300** | **470** |
| **Cash flow from financing activities** | | | |
| New loans raised | | 1 183 | 1 141 |
| Repayments of loans | | −2 440 | −5 311 |
| Purchase/sale of treasury shares | | −1 | 0 |
| **Net cash flow from financing activities** | | **−1 258** | **−4 170** |
| Foreign currency effects on cash and cash equivalents | | −31 | 5 |
| **Total change in cash and cash equivalents** | | **−6** | **−3 240** |
| Cash and cash equivalents 1 January | | 1 200 | 4 440 |
| Cash and cash equivalents 31 December | | 1 194 | 1 200 |

(1) **Reconciliation of net cash flow from operating activities**

| | NOTE | 2012 | 2011 |
|---|---|---|---|
| Profit/loss before income taxes | | −2 849 | −3 132 |
| Depreciation/impairments | 4 | 3 021 | 3 627 |
| Share of profit in associated companies | 20 | 70 | −198 |
| Gains and losses from divestment of business activities and property, plant and equipment | 17 | −39 | −354 |
| Taxes paid | | −64 | −121 |
| Change in trade and other receivables | | 445 | −178 |
| Change in inventories | | 181 | 59 |
| Change in trade and other payables | | −161 | −246 |
| Change in restructuring provision | | −64 | 310 |
| Financial items with no cash impact | | −633 | 72 |
| Gains and losses on commodity contracts and embedded derivatives | 17 | 1 042 | 602 |
| Adjustments for items with no cash impact | | 33 | 14 |
| **Net cash flow from operating activities** | | **982** | **455** |

**NORSKE SKOGINDUSTRIER ASA**

**CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

| 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 2011** | **12 303** | **−3 048** | **489** | **416** | **10 161** | **22** | **10 183** |
| Profit/loss for the year | 0 | −2 536 | 0 | 0 | −2 536 | −8 | −2 545 |
| Other comprehensive income | 0 | 0 | −249 | 45 | −204 | −1 | −205 |
| **Equity 31 December 2011** | **12 303** | **−5 584** | **240** | **461** | **7 420** | **13** | **7 433** |
| Profit/loss for the year | 0 | −2 778 | 0 | 0 | −2 778 | −3 | −2 781 |
| Other comprehensive income | 0 | 0 | 77 | −414 | −337 | 0 | −337 |
| Change in holding of treasury shares | −1 | 0 | 0 | 0 | −1 | 0 | −1 |
| **Equity 31 December 2012** | **12 302** | **−8 361** | **317** | **47** | **4 305** | **9** | **4 314** |

## 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 11 fully and partly owned mills on four continents.

Norske Skogindustrier ASA is incorporated in Norway and has its head office at Lysaker 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 1 March 2013.

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

With effect from 2012, the annual financial statements will only be presented in English.

### Reclassification in the balance sheet

A review of the classification of balance sheet items was performed during 2012. This resulted in reclassification of restructuring liabilities in the balance sheet from Trade and other payables to Other current liabilities. The modified classification is applied retrospectively, and comparative figures in the balance sheet have been restated. The change had an impact of NOK 140 million at 31 December 2012 and NOK 363 million at 31 December 2011.

## 2. ACCOUNTING PRINCIPLES

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) Subsidiaries*

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights.

The group also assesses whether control exists where it does not have more than 50% of the voting power, but is able to govern the financial and operating policies by virtue of de-facto control. Important factors when assessing de-facto control are whether or not the group can choose the board of directors and whether the group's voting rights give the group the power to govern the financial and operating policies etc.

Subsidiaries are fully consolidated from the date at which control is transferred to the group. They are de-consolidated from the date on which such control ceases.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. The accounting policies of subsidiaries have been amended where necessary to ensure consistency with the policies adopted by the group.

*b) Change in ownership interests in subsidiaries without loss of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Upon further acquisition of shares in subsidiaries from non-controlling interests, the difference between the fair value of any consideration paid and the relevant share acquired of the

## 2. ACCOUNTING PRINCIPLES (Continued)

carrying value of net assets of the subsidiary, is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

*c) Disposal of subsidiaries*

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

*d) 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: newsprint and magazine paper. The newsprint segment is further segregated into two geographical regions, newsprint Europe and newsprint outside of Europe. The segment structure is in line with the group operating model implemented in 2011. 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.

## 2. ACCOUNTING PRINCIPLES (Continued)

*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 (adjusted EBITDA) and gross operating earnings after depreciation (adjusted EBIT). 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 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''). Functional currency for the group's activities in Brazil was changed from USD to BRL with effect from 2012, in order to more accurately reflect the primary economic environment in which the Pisa mill operates. 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 items.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement as Financial items.

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,

## 2. ACCOUNTING PRINCIPLES (Continued)

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 as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity, and translated at the closing rate.

### 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. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of PPE.

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 assets are reviewed and adjusted, if appropriate, at each balance sheet date. 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. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

## 2. ACCOUNTING PRINCIPLES (Continued)

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, and 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 are either 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—*

## 2. ACCOUNTING PRINCIPLES (Continued)

*recognition and measurement*. Such contracts are treated as derivatives in accordance with IAS 39. Norske Skog currently has energy contracts in Norway that do not meet the own use criteria according to IAS 39.5. The contracts must therefore be treated as derivatives and are booked to fair value through profit or loss (see also Notes 7, 8 and 9). 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 re-measured 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) Hedges of the fair value of fixed interest loans (fair value hedge),

b) Hedging of a net investment in a foreign operation (net investment hedge),

c) 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. Norske Skog uses hedge accounting for a large amount of its economic hedging portfolio.

*a) Fair value hedge*

Changes in the fair value of derivatives that qualify as hedging and which are effective, are recorded in the income statement, together with any changes in the fair value of the of the hedged asset or liability that are attributable to the hedged risk. The ineffective part of the hedging relationship is booked as an interest cost within Financial items. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item for which the effective interest method is used, is amortised over the period to maturity. Hedging instruments that are terminated prior to maturity will be treated in the same way. If the underlying hedged item is realised or repurchased prior to maturity, any associated hedging reserve/amortised cost is recognised in the income statement on a one-to-one basis.

**2. ACCOUNTING PRINCIPLES (Continued)**

*b) 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 line Financial items. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of or sold.

*c) Derivatives at fair value over 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 (see also Note 9).

**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.

## 2. ACCOUNTING PRINCIPLES (Continued)

### 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 draw-down 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.

### 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, together with adjustments for unrecognised actuarial gains or losses and unrecognised past service

## 2. ACCOUNTING PRINCIPLES (Continued)

costs. 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.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are allocated to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past-service costs are amortised on a straight-line basis over the vesting period.

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 relates 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*

The group has a long-term incentive plan where the allocation of synthetic options to members of corporate management is based on the development of the company's share price in relation to a defined group of listed paper producers. The programme results in a cash payout if the options are exercised. The fair value of the liability is measured at each balance sheet date and on the settlement date. 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

## 2. ACCOUNTING PRINCIPLES (Continued)

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

**2. ACCOUNTING PRINCIPLES (Continued)**

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 economic 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. 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.

### Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividend is approved in the general meeting.

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

There are no new standards or interpretations that are effective for annual periods for the first time for annual periods beginning on or after 1 January 2012 that have had a material impact on the consolidated financial statements.

### New standards, interpretations and amendments to existing standards

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012. None of these have been early adopted in 2012. New standards

## 2. ACCOUNTING PRINCIPLES (Continued)

and amendments that are expected to have an impact on the consolidated financial statements are listed below:

*IAS 1 Financial statement presentation (amendment)*

The main change resulting from the amendment is that Items in the statement of other comprehensive income that will be reclassified to profit or loss at a future point in time must be presented separately from items that will never be reclassified. The amendment is effective for annual periods beginning 1 July 2012 or later.

*IAS 19 Employee benefits (revised)*

The revised standard requires that all actuarial gains and losses shall be recognised in other comprehensive income as they occur (i.e. elimination of the corridor approach), all past service costs shall be recognised immediately, and that interest cost and expected return on plan assets shall be replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The amendment is effective for annual periods beginning 1 January 2013 or later. See Note 13 for more information regarding the impact of the revised standard.

*IAS 27 Separate financial statements (revised)*

The rules for consolidated financial statements are replaced by the new IFRS 10 and IFRS 12. What remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The changes are effective for annual periods beginning 1 January 2014 or later. The changes are not expected to have a significant impact on the separate financial statements.

*IAS 32—Financial instruments: presentation (amendment)*

The amendments clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. The changes are effective for annual periods beginning on 1 January 2014 or later. It is not expected that the changes will have a significant impact on the financial statements.

*IFRS 7—Financial instruments: disclosures (amendment)*

The amendments require an entity to disclose information regarding the effect of netting arrangements on an entity's financial position. The changes are effective for annual periods beginning on 1 January 2013 or later. It is not expected that the changes will have a significant impact on the financial statements.

*IAS 28 Investments in associates and joint ventures (revised)*

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed, and the standard now describes the application of the equity method to investments in joint ventures in addition to associates. The change is effective for annual periods beginning 1 January 2014 or later. It is not expected that the change will have a significant impact on the financial statements.

*IFRS 9 Financial Instruments*

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. The new standard requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition, and depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the financial assets. For financial liabilities, the standard retains most of the IAS 39 requirements. The standard is effective for annual periods beginning 1 January 2015 or later. The standard has not yet been endorsed by the EU. The group has not fully assessed the impact of the adoption of IFRS 9.

## 2. ACCOUNTING PRINCIPLES (Continued)

*IFRS 10 Consolidated financial statements*

IFRS 10 builds on the existing principles that define the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control. The standard is effective for annual periods beginning 1 January 2014 or later. The standard is not expected to have a material impact on the financial statements.

*IFRS 11 Joint arrangements*

IFRS 11 removes the option for jointly controlled entities to use proportionate consolidation. Instead, the equity method of accounting must be used. The standard specifies two main categories of joint control: joint ventures and joint operations. For joint ventures, joint control is recognised in accordance with the equity method, but for joint operations, the parties shall recognise their rights in the assets and liabilities included in the collaboration. The standard is mandatory for annual periods beginning 1 January 2014 or later. It is not expected to have a material impact on the financial statements.

*IFRS 12 Disclosures of interests in other entities*

The standard contains disclosure requirements for all forms of interests in other entities, including joint ventures, associated companies, special purpose entities and other off balance sheet entities. The group has not considered the impact of IFRS 12, but the standard only affects the presentation in the financial statements. The standard is mandatory for annual periods beginning 1 January 2014 or later.

*IFRS 13 Fair value measurement*

The standard provides a precise definition of fair value and a gives a unified description of how fair value should be determined by IFRS, and defines what additional information should be provided when fair value is used. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards. The standard is mandatory for annual periods beginning 1 January 2013 or later. The group uses fair value as the measurement criterion for certain assets and liabilities, but has not yet fully considered the impact of IFRS 13.

*Annual improvements May 2012*

Various improvements to existing standards were issued in May 2012, and are mandatory for annual periods beginning 1 January 2013 or later, but have not yet been endorsed by the EU. None of the changes are expected to have a significant impact on the consolidated financial statements, but the changes which are relevant for Norske Skog are:

*IAS 16 Property, plant and equipment:* this improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

*IAS 34 Interim financial reporting:* the amendment provides clarification regarding reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 *Operating segments*.

There are no other standards or interpretations that are not yet effective that are expected to have a material impact for the group.

**Important accounting estimates and assumptions**

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions for the future. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Estimates and assumptions which represent a substantial risk

## 2. ACCOUNTING PRINCIPLES (Continued)

for significant changes in the capitalised value of assets and liabilities during the coming fiscal year are discussed below.

*a) Estimated decline in value of intangible assets and property, plant and equipment (PPE)*

The group performs periodic tests to assess whether there has been a decline in the value of intangible assets and PPE. These are written down to their recoverable amount when the recoverable amount is lower than the carrying value of the asset. The recoverable amount from assets or cash-generating units is determined by calculating the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Calculation of value in use requires use of estimates.

The group's cash-generating units are Europe newsprint, Australasia newsprint, Norske Skog Pisa (Brazil) newsprint, Norske Skog Singburi (Thailand) newsprint, Europe magazine paper (light weight coated (LWC)) and Norske Skog Saugbrugs (Norway) magazine paper (super-calendered (SC)). The cash-generating unit Europe newsprint consists of Norske Skog Golbey (France), Norske Skog Bruck Paper Machine 3 (Austria) and Norske Skog Skogn (Norway). The cash-generating unit Australasia newsprint consists of Norske Skog Albury (Australia), Norske Skog Boyer (Australia) and Norske Skog Tasman (New Zealand). The cash-generating unit Europe magazine paper (light weight coated (LWC)) consists of Norske Skog Walsum (Germany) and Norske Skog Bruck Paper Machine 4 (Austria). In cases where several mills are part of a cash-generating unit, this is because production can be moved between the mills, based on what gives best profitability for the group as a whole.

The capitalised value of intangible assets and PPE within the cash-generating units is measured against the value in use of intangible assets and PPE within these units. A possible future change in the composition of the group's cash-generating units could lead to changes in the value in use within these cash-generating units, which could in turn mean a future decline in the value of intangible assets and PPE.

Calculating the value in use of intangible assets and PPE within the cash-generating units is based on estimated discounted cash flows. The cash flow horizon in the impairment model is consistent with the useful life of each paper machine in the group. The board-approved operating plan for the next year forms the basis for calculating expected future cash flows. In the impairment testing, sales prices are assumed to exhibit a decline in real terms and variable costs are assumed to decline in real terms, with lower demand for input factors due to a shrinking industry.

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 the calculations. Norske Skog performs sensitivity analyses using the variables mentioned above to predict how fluctuations will impact recoverable amount. 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. Changes in these factors will have the effect of altering the value of cash flows and thereby also the value in use within the cash-generating units. Significant changes in prognoses and long-term prices could accordingly mean a future fall in the value of intangible assets and PPE.

The required rate of return applied when discounting future cash flows is crucial for the calculated value of intangible assets and PPE. A future increase in the required rate of return when discounting future cash flows will reduce value in use and could in turn mean a future decline in the value of intangible assets and PPE.

*b) 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

## 2. ACCOUNTING PRINCIPLES (Continued)

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.

*c) 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 21 for further information.

*d) 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 21 for further information.

*e) 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 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 for more information.

*f) 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. Changes in these assumptions will affect the carrying value of the pension obligation.

## 3. OPERATING SEGMENTS

### Reportable segments

The group is divided into two operating segments: newsprint and magazine paper. The segment selection is based on the products manufactured and on the organisational structure used in the group's internal performance measurement and resource allocation. The newsprint segment is further divided into two geographical regions, newsprint Europe and newsprint outside Europe. The composition of Norske Skog's operating segments was changed with effect from 1 January 2012. Activities relating to energy, which were previously included in a separate segment, are now included within other activities. This is because there is no longer a central unit within the group for monitoring and controlling activities related to energy. The group still has operating revenue and operating expenses relating to energy, but the bulk of the revenue is from units within the group. The activities related to energy therefore have little importance for Norske Skog's ongoing operations. The comparative figures for 2011 have been restated in accordance with the new segment structure.

At the end of 2012, Norske Skog had 11 fully or partly owned paper mills on four continents. Two of the mills produce only magazine paper, one produces both magazine paper and newsprint and eight produce newsprint only. Both the newsprint and the magazine paper segment represent an aggregation of the paper machines in the group producing the two paper qualities.

## 3. OPERATING SEGMENTS (Continued)

*Newsprint*

The newsprint segment encompasses production and sale of standard newsprint and other paper qualities used in newspapers, inserts, catalogs, etc. These paper qualities, measured in grammes per square meter, will normally be in the range 40-57 g/m$^2$.

*Magazine paper*

The magazine paper segment encompasses production and sale of the paper qualities super calendered (SC), machine finished coated (MFC) and light weight coated (LWC). These paper qualities are used in magazines, periodicals, catalogs and brochures.

*Other activities*

Activities in the group that do not fall into the operating segments newsprint or magazine paper are presented under other activities. This includes purchase and resale of energy to the group's mills, corporate functions, real estate activities, trading and sorting of recovered paper and purchase and resale of wood.

### 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 20 Investments in associated companies.

### Major customers

Norske Skog had a total sales volume of newsprint and magazine paper of 3 588 000 tonnes in 2012, of which sales to the group's largest customer constituted approximately 401 000 tonnes.

### OPERATING REVENUE AND EXPENSES PER OPERATING SEGMENT

| 2012 | NEWSPRINT | MAGAZINE PAPER | OTHER ACTIVITIES | ELIMINATIONS | NORSKE SKOG GROUP |
|---|---|---|---|---|---|
| **Operating revenue** | **10 145** | **6 254** | **2 315** | **−2 122** | **16 592** |
| Distribution costs | −1 021 | −558 | −67 | 1 | −1 645 |
| Cost of materials | −5 627 | −3 802 | −1 988 | 1 852 | −9 564 |
| Change in inventories | −101 | −51 | −4 | 0 | −156 |
| Employee benefit expenses | −1 350 | −975 | −187 | 0 | −2 512 |
| Other operating expenses | −795 | −539 | −187 | 269 | −1 252 |
| **Gross operating earnings** | **1 252** | **330** | **−118** | **0** | **1 464** |
| Depreciation | −705 | −212 | −18 | 0 | −935 |
| Restructuring expenses | −121 | 20 | −17 | 0 | −118 |
| Other gains and losses | −41 | 84 | −1 052 | 0 | −1 009 |
| Impairments | −1 338 | −694 | −54 | 0 | −2 086 |
| **Operating earnings** | **−953** | **−471** | **−1 259** | **0** | **−2 684** |
| Share of operating revenue from external parties (%) | 99 | 96 | 24 | | 100 |

## 3. OPERATING SEGMENTS (Continued)

| 2011 | NEWSPRINT | MAGAZINE PAPER | OTHER ACTIVITIES | ELIMINATIONS | NORSKE SKOG GROUP |
|---|---|---|---|---|---|
| **Operating revenue** | **11 967** | **6 291** | **3 688** | **−3 042** | **18 904** |
| Distribution costs | −1 129 | −577 | −80 | 0 | −1 786 |
| Cost of materials | −6 904 | −3 775 | −3 237 | 2 674 | −11 243 |
| Change in inventories | −13 | −104 | −1 | 0 | −118 |
| Employee benefit expenses | −1 597 | −976 | −220 | 0 | −2 793 |
| Other operating expenses | −1 006 | −568 | −245 | 369 | −1 450 |
| **Gross operating earnings** | **1 318** | **291** | **−95** | **0** | **1 515** |
| Depreciation | −1 145 | −488 | −25 | 0 | −1 658 |
| Restructuring expenses | −160 | −217 | −11 | 0 | −387 |
| Other gains and losses | 20 | 115 | −337 | 0 | −201 |
| Impairments | −624 | −1 345 | 0 | 0 | −1 969 |
| **Operating earnings** | **−589** | **−1 644** | **−468** | **0** | **−2 701** |
| Share of operating revenue from external parties (%) | 99 | 95 | 30 | | 100 |

### OPERATING REVENUE PER MARKET

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

| | 2012 | 2011 |
|---|---|---|
| Norway | 609 | 996 |
| Rest of Europe | 8 864 | 9 695 |
| North America | 847 | 1 023 |
| South America | 1 026 | 1 507 |
| Australasia | 3 193 | 3 657 |
| Asia | 1 788 | 1 678 |
| Africa | 265 | 348 |
| **Total** | **16 592** | **18 904** |

### NET CASH FLOW FROM OPERATING ACTIVITIES

| | 2012 | 2011 |
|---|---|---|
| Newsprint | 1 542 | 915 |
| Magazine paper | 572 | 262 |
| Other activities | −338 | −45 |
| **Total cash flow allocated to segments** | **1 776** | **1 132** |
| Cash from net financial items | −729 | −557 |
| Taxes paid | −64 | −121 |
| **Net cash flow from operating activities** | **982** | **455** |

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

| | 2012 | 2011 |
|---|---|---|
| Newsprint | 382 | 325 |
| Magazine paper | 108 | 156 |
| Other activities | 2 | 9 |
| **Total** | **492** | **490** |

## 3. OPERATING SEGMENTS (Continued)

### INVENTORIES

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

| | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Newsprint | 833 | 1 088 |
| Magazine paper | 521 | 735 |
| Other activities | 15 | 44 |
| **Total** | **1 370** | **1 867** |

### 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.

| | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Norway | 2 921 | 2 994 |
| Rest of Europe | 2 239 | 3 155 |
| Australasia | 3 635 | 5 157 |
| Asia | 83 | 159 |
| South America | 379 | 855 |
| Activities not allocated to regions | 277 | 302 |
| **Total** | **9 533** | **12 622** |

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

| INTANGIBLE ASSETS | GOODWILL | LICENSES AND PATENTS | OTHER INTANGIBLE ASSETS | TOTAL |
|---|---|---|---|---|
| Acquisition cost 1 January 2011 | 5 684 | 111 | 225 | 6 020 |
| Additions | 0 | 0 | 99 | 99 |
| Disposals | 0 | 0 | −81 | −81 |
| Currency translation differences | 0 | 0 | 2 | 2 |
| **Acquisition cost 31 December 2011** | **5 684** | **111** | **245** | **6 040** |
| Accumulated depreciation and impairments 1 January 2011 | 5 626 | 90 | 144 | 5 860 |
| Depreciation | 0 | 3 | 0 | 22 |
| Amortisation of credit facility | 0 | 0 | 9 | 9 |
| Disposals | 0 | 0 | −1 | −1 |
| Currency translation differences | 0 | 0 | 2 | 2 |
| **Accumulated depreciation and impairments 31 December 2011** | **5 626** | **93** | **173** | **5 892** |
| **Carrying value 31 December 2011** | **58** | **18** | **72** | **148** |
| Acquisition cost 1 January 2012 | 5 684 | 111 | 245 | 6 040 |
| Additions | 0 | 1 | 251 | 252 |
| Disposals | −931 | 0 | −126 | −1 057 |
| Currency translation differences | 0 | −5 | −8 | −13 |
| **Acquisition cost 31 December 2012** | **4 753** | **107** | **362** | **5 222** |
| Accumulated depreciation and impairments 1 January 2012 | 5 626 | 93 | 173 | 5 892 |
| Depreciation | 0 | 3 | 20 | 23 |
| Impairments | 0 | 1 | 1 | 2 |
| Amortisation of credit facility | 0 | 0 | 16 | 16 |
| Disposals | −931 | 0 | 0 | 931 |
| Currency translation differences | 0 | −4 | −8 | −12 |
| **Accumulated depreciation and impairments 31 December 2012** | **4 695** | **93** | **202** | **4 990** |
| **Carrying value 31 December 2012** | **58** | **14** | **160** | **232** |

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 | 31.12.2012 | 31.12.2011 |
|---|---|---|---|
| Norske Skog Golbey | 1995 | 58 | 58 |

## 4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (Continued)

| PROPERTY, PLANT AND EQUIPMENT | BIOLOGICAL ASSETS | MACHINERY AND EQUIPMENT | LAND AND BUILDINGS | FIXTURES AND FITTINGS | PLANT UNDER CONSTRUCTION | TOTAL |
|---|---|---|---|---|---|---|
| Acquisition cost 1 January 2011 | 438 | 42 430 | 9 055 | 943 | 176 | 53 042 |
| Additions | 0 | 50 | 68 | 7 | 408 | 533 |
| Disposals | −120 | −279 | −136 | −76 | −8 | −619 |
| Change in dismantling provision | 0 | 3 | 0 | 0 | 0 | 3 |
| Reclassification | 0 | −138 | 138 | 0 | 0 | 0 |
| Reclassified from plant under construction | 16 | 59 | 207 | 4 | −286 | 0 |
| Currency translation differences | 8 | 261 | −4 | −1 | 4 | 268 |
| **Acquisition cost 31 December 2011** | **342** | **42 386** | **9 328** | **877** | **294** | **53 227** |
| Accumulated depreciation and impairments 1 January 2011 | 105 | 30 659 | 5 549 | 820 | 0 | 37 133 |
| Depreciation | 7 | 1 192 | 408 | 29 | 0 | 1 636 |
| Impairments | 14 | 1 478 | 410 | 22 | 45 | 1 969 |
| Value changes | −35 | 0 | 0 | 0 | 0 | −35 |
| Reclassification | 0 | −65 | 65 | 0 | 0 | 0 |
| Disposals | 74 | −230 | −16 | −76 | 0 | −248 |
| Currency translation differences | 4 | 147 | −1 | 0 | 0 | 150 |
| **Accumulated depreciation and impairments 31 December 2011** | **169** | **33 181** | **6 415** | **795** | **45** | **40 605** |
| **Carrying value 31 December 2011** | **173** | **9 205** | **2 913** | **82** | **249** | **12 622** |
| Acquisition cost 1 January 2012 | 342 | 42 386 | 9 328 | 877 | 294 | 53 227 |
| Additions | 0 | 58 | 3 | 2 | 426 | 489 |
| Disposals | −13 | −5 615 | −1 874 | −133 | −13 | −7 648 |
| Change in dismantling provision | 0 | −9 | 0 | 0 | 0 | −9 |
| Reclassified from plant under construction | 0 | 131 | 23 | 4 | −158 | 0 |
| Currency translation differences | −18 | −2 818 | −315 | −38 | −11 | −3 200 |
| **Acquisition cost 31 December 2012** | **311** | **34 133** | **7 165** | **712** | **538** | **42 859** |
| Accumulated depreciation and impairments 1 January 2012 | 169 | 33 181 | 6 415 | 795 | 45 | 40 605 |
| Depreciation | 0 | 723 | 167 | 22 | 0 | 912 |
| Impairments | 0 | 1 774 | 293 | 9 | 8 | 2 084 |
| Value changes | −7 | 0 | 0 | 0 | 0 | −7 |
| Disposals | −17 | −5 348 | −1 796 | −128 | 0 | −7 289 |
| Currency translation differences | −9 | −2 708 | −227 | −35 | 0 | −2 979 |
| **Accumulated depreciation and impairments 31 December 2012** | **136** | **27 622** | **4 852** | **663** | **53** | **33 326** |
| **Carrying value 31 December 2012** | **175** | **6 511** | **2 313** | **49** | **485** | **9 533** |

Norske Skog owns forests in Australia and Brazil. 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

## 4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (Continued)

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 and purchases of property, plant, equipment and intangible assets in the cash flow statement is due to capitalised allocated emission allowances, finance leases and accruals for payments. In 2011, acquisition costs of NOK 138 million and accumulated depreciation of NOK 65 million were reclassified from machinery to land and buildings.

Disposals in 2012 were primarily related to the divestments of Papeles Norske Skog Bio Bio S.A. in Chile, Norske Skog Follum AS in Norway, Norske Skog Parenco B.V. in the Netherlands and the global recovered paper business, Reparco. Disposals in 2011 were primarily related to the sale of Norske Skog Florestal Ltda. in Brazil and scrapping of fully depreciated assets that no longer have any technical value.

### Non-current assets held for sale

Norske Skog did not have any non-current assets held for sale per 31 December 2012.

### 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.

When calculating value in use, the group is divided into the following cash-generating units: Europe newsprint, Australasia newsprint, Norske Skog Pisa (Brazil) newsprint, Norske Skog Singburi (Thailand) newsprint, Europe magazine paper (light weight coated (LWC)) and Norske Skog Saugbrugs (Norway) magazine paper (super-calendered (SC)). The cash-generating unit Europe newsprint consists of Norske Skog Golbey (France), Norske Skog Bruck Paper Machine 3 (Austria) and Norske Skog Skogn (Norway). The cash-generating unit Australasia newsprint consists of Norske Skog Albury (Australia), Norske Skog Boyer (Australia) and Norske Skog Tasman (New Zealand). The cash-generating unit Europe magazine paper (light weight coated (LWC)) consists of Norske Skog Walsum (Germany) and Norske Skog Bruck Paper Machine 4 (Austria). In cases where several mills are part of a cash-generating unit, this is because production can be moved between the mills, based on what gives best profitability for the group as a whole.

Norske Skog has made some changes with respect to how value in use is calculated in the impairment testing performed at 31 December 2012. From the fourth quarter of 2012, the adjusted present value model (APV) for calculating the present value of future cash flows has been replaced by a weighted average cost of capital model (WACC).

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. In certain instances, a country-specific risk premium relevant to the cash-generating unit or individual asset has been added.

When calculating value in use at the end of 2012, the discount rate after tax was in the interval from 6.3% to 14.6% (8.6% to 12.4% in 2011, but then calculated as adjusted present value (APV) and hence not directly comparable). The calculations are based on cash flow and the required rate of return after tax. The applied discount rate for Europe newsprint was in the interval from 6.9% to 7.1%, Australasia newsprint was in the interval from 7.9% to 8.3%, Norske Skog Pisa (Brazil) newsprint was 14.6%, Norske Skog Singburi (Thailand) newsprint was 10.1%, Europe magazine paper (light weight coated (LWC)) was in the interval from 6.3% to 6.9% and Norske Skog Saugbrugs (Norway) magazine paper (super-calendered (SC)) was 7.1%.

## 4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (Continued)

Cash flow is calculated individually for each business unit, based on the estimated useful life. The paper industry is a capital intensive industry where investment decisions are made based on projects with a long time horizon. The production machines have a long technical life. The estimated remaining useful life of the individual paper machines forms the basis for determining the length of the cash flow period. For both sales prices and input prices, a continued decline in real terms is expected, as historically observed. In the impairment testing at 31 December 2012, real term sales prices are assumed to decline by approximately 10% during the next ten year period, while sales volumes are expected to develop in accordance with the useful lives of the different paper machines in the group. Projection of these assumptions will result in a gradual improvement in margins, from levels at the bottom of the business cycle to a normalisation with return to trend economic growth. The impairment testing at 31 December 2012 was based on the operating plan for the group for 2013 as approved by the board of directors.

The cash flow decreases gradually over time as the capacity of the group declines, reflecting assumed closures of machines as they reach the end of their useful lives.

### 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. Norske Skog has performed sensitivity analyses using the variables mentioned above to predict how fluctuations will impact recoverable amount. 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. A reduction in sales price and sales volumes for the whole group in the cash flow period of 5% will cause a reduction in recoverable amount in the order of NOK 4 800 million and NOK 1 700 million respectively. Correspondingly, a 1% increase in the discount rate will cause a reduction in the recoverable amount of NOK 800 million. An appreciation of NOK of 1% against all other functional currencies in the Norske Skog group will cause a reduction in the recoverable amount of NOK 300 million.

### Impairment losses recognised in 2012

Norske Skog assessed the recoverable amount at each quarter-end during 2012. Total impairments recognised in 2012 amounted to NOK 2 086 million. These impairments consisted of NOK 1 338 million in the operating segment newsprint outside Europe, NOK 694 million in the operating segment magazine paper and NOK 54 in other activities. The impairments arose mainly as a result of lower sales price expectations and reduced cash flow horizon.

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

| 31 December 2012 | MACHINERY AND EQUIPMENT | LAND AND BUILDINGS |
|---|---|---|
| Europe newsprint | 2 048 | 898 |
| Australasia newsprint | 3 018 | 246 |
| Norske Skog Pisa (Brazil) newsprint | 318 | 45 |
| Norske Skog Singburi (Thailand) newsprint | 41 | 41 |
| Europe magazine paper (light weight coated (LWC)) | 382 | 350 |
| Norske Skog Saugbrugs (Norway) magazine paper (super-calendered (SC)) | 701 | 628 |
| Other activities | 3 | 105 |
| **Carrying value** | **6 511** | **2 313** |

## 4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (Continued)

### 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 150 million.

In connection with the year-end closing process for 2012, Norske Skog performed a review of the expected remaining useful lives of PPE. The outcome of the review was that the lifetimes of some of the group's paper machines were reduced with effect from 1 January 2013. The reduced useful lives were reflected in the cash flow horizon, resulting in impairments in the operating segments newsprint and magazine paper. Due to impairment losses recognised in 2012, the future annual depreciation will decrease.

## 5. FINANCIAL ITEMS

| FINANCIAL INCOME | 2012 | 2011 |
|---|---|---|
| Dividends received | 10 | 1 |
| Interest income | 29 | 74 |
| Other financial income[(1)] | 187 | 206 |
| **Total** | **226** | **281** |

| FINANCIAL EXPENSES | 2012 | 2011 |
|---|---|---|
| Interest costs | −615 | −770 |
| Other financial expenses | −66 | −54 |
| **Total** | **−681** | **−868** |
| **Realised/unrealised gains on foreign currency** | **359** | **−43** |
| **Financial items** | **−96** | **−629** |

(1) Other financial income includes gains on the buy-back of bonds.

## 6. MORTGAGES

| LOANS SECURED BY MORTGAGES ON PROPERTY | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Other mortgage debt | 212 | 148 |

| CARRYING VALUE OF ASSETS SECURING THIS DEBT | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Property, plant and equipment | 179 | 172 |

Norske Skogindustrier ASA has negative pledge clauses in its bank and bond agreements, with the possibility to give security up to certain thresholds. Mortgage loans per 31 December 2012 and 31 December 2011 consisted of facilities secured by land and forest areas taken up at Norske Skog Boyer in Australia, and were executed within the negative pledge limits.

## 7. FINANCIAL INSTRUMENTS

### CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

| 31.12.2012 | NOTE | Financial assets at fair value through profit or loss | Loans and receivables | Available-for-sale financial assets | Non-financial assets | Total |
|---|---|---|---|---|---|---|
| Other non-current assets | 10 | 831 | 24 | 110 | 21 | 986 |
| Trade and other receivables | 10 | 0 | 1 637 | 0 | 178 | 1 816 |
| Cash and cash equivalents | | 0 | 1 194 | 0 | 0 | 1 194 |
| Other current assets | 19 | 217 | 54 | 0 | 0 | 271 |
| **Total** | | **1 048** | **2 908** | **110** | **199** | |

| | 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 | 7 208 | 0 | 7 208 |
| Interest-bearing current liabilities | 11 | 0 | 203 | 0 | 203 |
| Other non-current liabilities | 19 | 165 | 0 | 597 | 762 |
| Trade and other payables | 19 | 0 | 2 097 | 0 | 2 097 |
| Other current liabilities | 19 | 32 | 140 | 269 | 441 |
| **Total** | | **198** | **9 647** | **866** | |

| 31.12.2011 | NOTE | Financial assets at fair value through profit or loss | Loans and receivables | Available-for-sale financial assets | Non-financial assets | Total |
|---|---|---|---|---|---|---|
| Other non-current assets | 10 | 2 029 | 39 | 117 | 73 | 2 258 |
| Trade and other receivables | 10 | 0 | 2 614 | 0 | 117 | 2 732 |
| Cash and cash equivalents | | 0 | 1 200 | 0 | 0 | 1 200 |
| Other current assets | 19 | 327 | 45 | 0 | 0 | 372 |
| **Total** | | **2 356** | **3 898** | **117** | **190** | |

| | 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 | 8 407 | 0 | 8 407 |
| Interest-bearing current liabilities | 11 | 0 | 931 | 0 | 931 |
| Other non-current liabilities | 19 | 191 | 0 | 546 | 736 |
| Trade and other payables | 19 | 0 | 2 474 | 0 | 2 474 |
| Other current liabilities | 19 | 320 | 363 | 237 | 920 |
| **Total** | | **511** | **12 175** | **783** | |

## 7. FINANCIAL INSTRUMENTS (Continued)

### FINANCIAL ASSETS AND LIABILITIES

| | 31.12.2012 | | 31.12.2011 | |
|---|---|---|---|---|
| | CARRYING AMOUNT | FAIR VALUE | CARRYING AMOUNT | FAIR VALUE |
| Derivatives | 237 | 237 | 12 | 12 |
| Commodity contracts | 594 | 594 | 2 017 | 2 017 |
| Miscellaneous other non-current assets | 155 | 155 | 229 | 229 |
| **Other non-current assets** | **986** | **986** | **2 258** | **2 258** |
| Accounts receivable | 1 508 | 1 508 | 2 373 | 2 373 |
| Other receivables | 129 | 129 | 241 | 241 |
| Prepaid VAT | 179 | 179 | 117 | 117 |
| **Trade and other receivables** | **1 816** | **1 816** | **2 732** | **2 732** |
| Cash and cash equivalents | 1 194 | 1 194 | 1 200 | 1 200 |
| Derivatives | 157 | 157 | 18 | 18 |
| Commodity contracts | 60 | 60 | 309 | 309 |
| Current investments | 54 | 54 | 45 | 45 |
| **Other current assets** | **271** | **271** | **372** | **372** |
| Interest-bearing non-current liabilities(1) | 7 208 | 6 351 | 8 407 | 5 473 |
| Interest-bearing current liabilities(2) | 203 | 203 | 931 | 931 |
| **Total interest-bearing liabilities** | **7 411** | **6 554** | **9 338** | **6 403** |
| Derivatives | 128 | 128 | 0 | 0 |
| Commodity contracts | 37 | 37 | 190 | 190 |
| Non-financial non-current liabilities | 597 | 597 | 546 | 546 |
| **Other non-current liabilities** | **762** | **762** | **736** | **736** |
| Accounts payable | 1 071 | 1 071 | 1 189 | 1 189 |
| Other payables | 1 026 | 1 026 | 1 285 | 1 285 |
| **Trade and other payables** | **2 097** | **2 097** | **2 474** | **2 474** |
| Derivatives | 3 | 3 | 201 | 201 |
| Commodity contracts | 29 | 29 | 119 | 119 |
| Non-financial current liabilities | 409 | 409 | 616 | 616 |
| **Other current liabilities** | **441** | **441** | **920** | **920** |

(1) The fair value of non-current bank loan debt is based on cash flows discounted using the swap rate, plus the credit default swap (CDS). The fair value of foreign bonds is calculated using price indications from banks. The fair value of Norwegian bonds is based on quotes from Bloomberg, when these are available. In other instances, published assessment values at 1 January 2013 are used.

(2) The fair value of current borrowings equals their carrying amount, as the impact of discounting is not considered to be significant.

There is uncertainty as to the calculated fair value of interest-bearing liabilities. The fair value calculation 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.

## 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 2012 or 2011.

### 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 WITH CORRESPONDING HEDGES

| | 31.12.2012 | | | 31.12.2011 | | |
|---|---|---|---|---|---|---|
| | FLOATING | FIXED | TOTAL | FLOATING | FIXED | TOTAL |
| Interest-bearing liabilities | 613 | 6 694 | 7 307 | 1 564 | 7 481 | 9 045 |
| Interest-bearing assets | −1 194 | 0 | −1 194 | −1 200 | 0 | −1 200 |
| **Net exposure before hedging** | **−581** | **6 694** | **6 113** | **364** | **7 481** | **7 845** |
| Fair value hedge | 0 | 0 | 0 | 195 | −195 | 0 |
| **Net exposure after hedging** | **−581** | **6 694** | **6 113** | **559** | **7 286** | **7 845** |

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

*Interest rate risk—fair value hedge*

Changes in the fair value of derivatives which are designated and qualify as fair value hedges in accordance with IAS 39 *Financial Instruments—recognition and measurement* are recorded in the income statement together with any changes in the fair value of the hedged asset or liability which are attributable to the hedged risk. The market value of hedging instruments terminated before maturity remains within interest-bearing debt as an adjustment of amortised cost, until the underlying hedged item is realised. The remaining interest rate swap in the fair value hedge portfolio was terminated in 2012.

### CHANGE IN FAIR VALUE OF INTEREST RATE DERIVATIVES AND CORRESPONDING HEDGED ITEMS

| | 2012(2) | 2011 |
|---|---|---|
| Changes in fair value of interest rate swaps | 0 | 3 |
| Changes in fair value of underlying debt (hedged item) | 0 | −4 |
| Ineffectiveness recognised in the income statement(1) | 0 | 1 |

(1) Ineffectiveness is presented in the income statement line Financial items.

(2) The hedge accounting was terminated at 31 December 2011.

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

*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.
- Change in fair value of interest rate swaps that are designated as fair value hedge on the group's fixed rate bonds will not influence the sensitivity calculation of either the income statement or equity. As a result of fair value hedge accounting, the changes in fair value of interest rate swaps recognised in the income statement are, to a large extent, offset by opposite changes in fair value of the underlying hedged item. Potential ineffectiveness stemming from retrospective effectiveness testing of the hedging relationship is regarded as insignificant to this analysis.
- Changes in fair value of interest rate derivatives that are not designated as a fair value hedge of the group's liabilities, and which are subsequently measured at fair value through profit or loss, are taken into consideration in the sensitivity analysis.
- Currency derivatives will only affect the sensitivity analysis to a very limited extent upon changes in the discount rate.
- Results are presented net of tax, using the Norwegian statutory tax rate of 28%.

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 3 million higher/lower at 31 December 2012 (NOK 2 million lower/higher at 31 December 2011). Change in net interest payments accounts for NOK 1 million, and the total change in market values of derivatives carried at fair value through profit or loss accounts for NOK 2 million. Floating rate debt has decreased in 2012 due to repayments.

### 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 result of the hedging is included in Financial items in the income statement. Norske Skog does not use hedge accounting for the rolling cash flow hedge. The rolling cash flow hedge generated a gain of NOK 149 million in 2012 (loss of NOK 13 million in 2011). Over time, currency losses or earnings are expected to offset increased or reduced future gross operating earnings.

*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. In addition to traditional

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

debt instruments, all combined currency and interest rate swaps and forward exchange contracts are also used for hedging net investments in foreign subsidiaries.

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 2012 or 2011. The effective portion recognised in equity was a gain of NOK 2 million in 2012 (gain of NOK 19 million in 2011). The portion of the debt portfolio to which hedge accounting does not apply was somewhat smaller in 2012 than in 2011. Hedge accounting of USD loans was stopped in the first quarter of 2012 due to the divestment of Papeles Norske Skog Bio Bio S.A. in Chile and change of functional currency from USD to BRL for Norske Skog Pisa Ltda. in Brazil. Foreign exchange gains and losses from such liabilities are recognised in the income statement under Financial items. Cumulative currency translation differences of NOK −30 million were reclassified to the income statement in 2012 as a result of the divestments of Papeles Norske Skog Bio Bio S.A. in Chile, Norske Skog Parenco B.V, in the Netherlands and the global recovered paper business, Reparco. During 2011, cumulative currency translation differences of NOK 12 million were reclassified to the income statement as a result of the divestment of the sales office Norske Skog (USA) Inc.

### CHANGE IN FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS DESIGNATED AS NET INVESTMENT HEDGE

| | 2012 | 2011 |
|---|---|---|
| Changes in spot value of financial instruments[(1)] | 206 | −91 |
| Effective portion recognised in equity | 2 | 19 |
| Portion without hedge accounting recognised in the income statement | 204 | −110 |

(1) Includes the change in the value of FX forward contracts, cross-currency swap contracts and bonds.

*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.
- Sensitivity on commodity contracts and embedded derivatives is presented separately under ''Commodity risk''.
- Currency derivatives and foreign currency debt that are designated as net investment hedges and qualify for hedge accounting according to IAS 39 will only affect equity.
- Other currency derivatives that are recognised at fair value through profit and loss will affect the income statement. These effects come mainly from currency derivatives designated as hedging of the group's 12-month rolling cash flow exposure, and financial liabilities managed as economic net investment hedges which do not qualify for hedge accounting according to IAS 39.

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

- 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 2012, if NOK had appreciated 10% against all currencies to which the group has significant exposure, net profit after tax from financial instruments would have been NOK 292 million higher (NOK 464 million higher at 31 December 2011). If NOK had depreciated by 10% at 31 December 2012 against all currencies to which the group has significant exposure, net profit after tax from financial instruments would have been NOK 292 million lower (NOK 503 million lower at 31 December 2011). Net profit after tax is affected in a non-linear manner due to changes in the fair value of options. The effect of the sensitivity analysis on the income statement is mainly caused by changes in fair value of derivatives designated as rolling cash flow hedge, and foreign exchange gains/losses on the translation of EUR and USD denominated debt for which there is no hedge accounting. Due to the fact that the portion of debt has decreased in relation to the portion of cash, the effect on the income statement is lower in 2012 compared to 2011.

Given a 10% appreciation/depreciation of NOK, equity would have been NOK 180 million higher/lower (NOK 378 million higher/lower at 31 December 2011) 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 either financial contracts for the purpose of trading or hedging, or physical commodity contracts that are not for the purpose of own use. 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. Hence, valuation techniques, with the use of available market information, are used as much as possible. Techniques that reflect how the market could be expected to price instruments are used in non-observable markets.

Norske Skog's portfolio of commodity contracts consists mostly of physical energy contracts. Fair value of commodity contracts is therefore especially sensitive to future changes in energy prices. The fair value of embedded derivatives in physical contracts depends on currency and price index fluctuations.

In March 2012, Norske Skog sold long-term excess energy in Norway for NOK 170 million and in May 2011, Norske Skog sold the energy company Enerpar-Energias do Paraná Ltda. in Brazil for NOK 410 million.

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

*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. The trading portfolio for energy in Norway was terminated in 2011.

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 31.12.2012 | RESULT NET OF TAX CHANGE DOWN | RESULT NET OF TAX CHANGE UP |
|---|---|---|---|---|
| Energy price | change 25% | 588 | −835 | 835 |
| Currency | change 10% | 588 | −27 | 26 |

*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 31.12.2012 | RESULT NET OF TAX CHANGE DOWN | RESULT NET OF TAX CHANGE UP |
|---|---|---|---|---|
| Currency | change 10% | 217 | 195 | −225 |
| Price index | change 2.5% | 217 | 10 | −10 |

**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 stemming from operations, investments, financing activities and financial instruments. The group had current investments, cash and cash equivalents of NOK 1 194 million at 31 December 2012 (NOK 1 200 million at 31 December 2011) and an undrawn credit facility of NOK 1 028 million at 31 December 2012 (fully drawn credit facilities of NOK 1 086 million at 31 December 2011). See Note 11 for more information regarding the maturity of facilities. Restricted bank deposits amounted to NOK 211 million at 31 December 2012 (NOK 172 million at 31 December 2011).

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

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

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 2012.

### MATURITY OF FINANCIAL LIABILITIES AND FINANCIAL INSTRUMENTS

| 31.12.2012 | 0 - 6 MONTHS | 6 - 12 MONTHS | 2014 - 2015 | 2016 - 2017 | > 2017 |
|---|---|---|---|---|---|
| **NON-DERIVATIVE FINANCIAL INSTRUMENTS** | | | | | |
| Principal payment on interest-bearing debt | −54 | −150 | −1 901 | −3 911 | −1 291 |
| Projected interest payment on interest-bearing debt | −345 | −233 | −1 012 | −628 | −1 282 |
| Trade payables | −1 071 | 0 | 0 | 0 | |
| **Total** | **−1 470** | **−383** | **−2 913** | **−4 539** | **−2 573** |
| **NET SETTLED DERIVATIVE FINANCIAL INSTRUMENTS** | | | | | |
| Interest rate swaps—net cash flows | −3 | −3 | −13 | 0 | 0 |
| Commodity contracts | 4 | −1 | 5 | 0 | 0 |
| **Total** | **1** | **−4** | **8** | **0** | **0** |
| **GROSS SETTLED DERIVATIVE FINANCIAL INSTRUMENTS** | | | | | |
| Foreign exchange contracts—outflows | −2 204 | −434 | 0 | 0 | 0 |
| Foreign exchange contracts—inflows | 2 251 | 444 | 0 | 0 | 0 |
| Cross-currency swaps—outflows | −5 | −5 | −244 | 0 | 0 |
| Cross-currency swaps—inflows | 3 | 3 | 205 | 0 | 0 |
| **Total** | **45** | **9** | **−39** | **0** | **0** |
| **Total 2012** | **−1 424** | **−379** | **−2 960** | **−4 539** | **−2 573** |

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

| 31.12.2011 | 0 - 6 MONTHS | 6 - 12 MONTHS | 2013 - 2014 | 2015 - 2016 | > 2016 |
|---|---|---|---|---|---|
| **NON-DERIVATIVE FINANCIAL INSTRUMENTS** | | | | | |
| Principal payment on interest-bearing debt | −764 | −167 | −1 008 | −2 176 | −4 930 |
| Projected interest payment on interest-bearing debt | −414 | −253 | −1 276 | −926 | −1 710 |
| Trade payables | −2 837 | 0 | 0 | 0 | 0 |
| **Total** | **−4 015** | **−420** | **−2 284** | **−3 102** | **−6 640** |
| **NET SETTLED DERIVATIVE FINANCIAL INSTRUMENTS** | | | | | |
| Interest rate swaps—net cash flows | −14 | 4 | −2 | −5 | 1 |
| Commodity contracts | 0 | 0 | 0 | 0 | 0 |
| **Total** | **−14** | **4** | **−2** | **−5** | **1** |
| **GROSS SETTLED DERIVATIVE FINANCIAL INSTRUMENTS** | | | | | |
| Foreign exchange contracts—outflows | −3 617 | −267 | 0 | 0 | 0 |
| Foreign exchange contracts—inflows | 3 483 | 266 | 0 | 0 | 0 |
| Cross-currency swaps—outflows | −542 | −6 | −271 | 0 | 0 |
| Cross-currency swaps—inflows | 449 | 5 | 213 | 0 | 0 |
| **Total** | **−241** | **2** | **−60** | **−5** | **1** |
| **Total 2011** | **−4 270** | **−414** | **−2 346** | **−3 112** | **−6 638** |

### Credit risk

Norske Skog makes a credit evaluation of all financial trading counterparties. The credit risk evaluation is based on credit rating and CDS (Credit Default Swap). 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.

## 9. DERIVATIVES

### Fair value of derivatives

The table below classifies financial 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).

| 31.12.2012 | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|---|---|---|---|
| **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** | | | | |
| Trading derivatives | 0 | 80 | 0 | 80 |
| Derivatives used for hedging | 0 | 13 | 0 | 13 |
| Commodity contracts | 0 | 8 | 947 | 955 |
| **Total** | **0** | **101** | **947** | **1 048** |
| **FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS** | | | | |
| Trading derivatives | 0 | –46 | 0 | –46 |
| Derivatives used for hedging | 0 | –2 | 0 | –2 |
| Commodity contracts | 0 | 0 | –150 | –150 |
| **Total** | **0** | **–48** | **–150** | **–198** |

| 31.12.2011 | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|---|---|---|---|
| **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** | | | | |
| Trading derivatives | 0 | 23 | 0 | 23 |
| Derivatives used for hedging | 0 | 8 | 0 | 8 |
| Commodity contracts | 0 | 7 | 2 317 | 2 324 |
| **Total** | **0** | **38** | **2 317** | **2 355** |
| **FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS** | | | | |
| Trading derivatives | 0 | –177 | 0 | –177 |
| Derivatives used for hedging | 0 | –21 | 0 | –21 |
| Commodity contracts | 0 | 0 | –309 | –309 |
| **Total** | **0** | **–198** | **–309** | **–507** |

The following table shows the changes in level 3 instruments at 31 December 2012.

| | ASSETS | LIABILITIES |
|---|---|---|
| Opening balance | 2 317 | –309 |
| Investments in the period | 0 | 0 |
| Compensation from sales in the period[1] | –170 | 0 |
| Transfers into level 3 | 0 | 0 |
| Transfers out of level 3 | 0 | 0 |
| Gains and losses recognised in profit or loss | –1 200 | 159 |
| **Closing balance** | **947** | **–150** |

(1) Sales in the period consist of sale of excess energy from one of the contracts in Norway. Gains and losses related to the realised volume from contracts in level 3 are recognised in the income statement line Other gains and losses.

## 9. DERIVATIVES (Continued)

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 exchange rates used are the quoted closing rates at 31 December.

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. Embedded currency options are calculated using a Black 76 valuation model, where some input assumptions have been made in absence of an active long-term option market.

The following table is presented in accordance with IFRS 7.27, showing the fair value of commodity contracts in level 3 given a change in assumptions to a reasonably possible alternative.

| FAIR VALUE OF DERIVATIVES IN LEVEL 3 GIVEN A REASONABLY POSSIBLE ALTERNATIVE | 31.12.2012 | 31.12.2011 |
|---|---|---|
| **Assets** | | |
| Commodity contracts | 827 | 2 220 |
| **Liabilities** | | |
| Commodity contracts | −145 | −314 |

The electricity prices for long-term electricity contracts in Norway and 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 Norway, a reasonably possible alternative at 31 December 2012 would be a downwards parallel shift of the forward curve of 3% (downwards shift of 3% in 2011). In New Zealand, a reasonably possible alternative at 31 December

## 9. DERIVATIVES (Continued)

2012 would be a downwards parallel shift of the long end of the forward curve of 3%. (upwards shift of 2% in 2011).

| DERIVATIVES | 31.12.2012 | | 31.12.2011 | |
|---|---|---|---|---|
| | ASSETS | LIABILITIES | ASSETS | LIABILITIES |
| **Net investment hedge** | | | | |
| Forward contracts | 13 | 0 | 0 | −18 |
| Cross-currency contracts | 0 | −2 | 0 | −3 |
| **Total** | **13** | **−2** | **0** | **−21** |
| **Fair value hedge** (1) | | | | |
| Interest rate swaps | 0 | 0 | 8 | 0 |
| **Total** | **0** | **0** | **8** | **0** |
| **Other derivatives** (2) | | | | |
| Interest rate swaps | 0 | −16 | 0 | −19 |
| Forward rate contracts | 0 | −4 | 3 | −3 |
| Currency options | 30 | −18 | 12 | −21 |
| Forward contracts | 50 | −8 | 8 | −134 |
| Commodity contracts | 654 | −66 | 2 201 | −182 |
| Embedded derivatives | 301 | −84 | 123 | −127 |
| **Total** | **1 035** | **−196** | **2 347** | **−486** |
| **Total derivatives** | | | | |
| Interest rate swaps | 0 | −16 | 8 | −19 |
| Forward rate contracts | 0 | −4 | 3 | −3 |
| Currency options | 30 | −18 | 12 | −21 |
| Forward contracts | 63 | −8 | 8 | −152 |
| Cross-currency contracts | 0 | −2 | 0 | −3 |
| Commodity contracts | 654 | −66 | 2 201 | −182 |
| Embedded derivatives | 301 | −84 | 123 | −127 |
| **Total** | **1 048** | **−198** | **2 355** | **−507** |

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

(1) Norske Skog terminated the remaining interest rate swap in the fair value hedge portfolio in 2012. The notional principal amount of the underlying debt was NOK 195 million at 31 December 2011.

(2) Includes the active mandate portfolio, embedded derivatives in physical contracts, commodity hedging contracts and rolling cash flow hedging. Norske Skog does not use hedge accounting for rolling cash flow hedging and hedging of commodity costs. These contracts are presented at fair value through profit or loss.

## 10. RECEIVABLES AND OTHER NON-CURRENT ASSETS

| | NOTE | 31.12.2012 | 31.12.2011 |
|---|---|---|---|
| **TRADE AND OTHER RECEIVABLES** | | | |
| Accounts receivable | | 1 508 | 2 373 |
| Provision for bad debt | | −80 | −98 |
| Other receivables | | 130 | 267 |
| VAT receivables | | 178 | 117 |
| Prepaid expenses | | 80 | 73 |
| **Total** | | **1 816** | **2 732** |
| **OTHER NON-CURRENT ASSETS** | | | |
| Loans to employees | | 2 | 12 |
| Long-term shareholdings | 24 | 110 | 117 |
| Miscellaneous non-current receivables | | 22 | 27 |
| Derivatives | 7 | 237 | 12 |
| Commodity contracts | 7 | 594 | 2 017 |
| Pension plan assets | 13 | 21 | 73 |
| **Total** | | **986** | **2 258** |

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 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Not due | 1 561 | 2 416 |
| 0 to 3 months | 260 | 327 |
| 3 to 6 months | 5 | 10 |
| Over 6 months | 70 | 77 |
| **Total** (1) | **1 896** | **2 830** |

(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

| | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Bonds | 6 787 | 8 616 |
| Debt to financial institutions | 624 | 722 |
| **Total** | **7 411** | **9 338** |

| INTEREST-BEARING DEBT BY CURRENCY | CURRENCY AMOUNT 31.12.2012 | NOK 31.12.2012 | NOK 31.12.2011 |
|---|---|---|---|
| USD | 328 | 1 826 | 2 442 |
| EUR | 570 | 4 185 | 4 678 |
| NZD | 0 | 0 | 30 |
| AUD | 42 | 242 | 319 |
| THB | 105 | 19 | 85 |
| **Total interest-bearing debt in foreign currencies** | | **6 272** | **7 554** |
| Interest-bearing debt in NOK | | 1 139 | 1 784 |
| **Total interest-bearing debt** | | **7 411** | **9 338** |

The average interest rate at 31 December 2012 was 7.5% (6.6% at 31 December 2011).

## 11. INTEREST-BEARING LIABILITIES (Continued)

### DEBT REPAYMENT

| MATURITY OF THE GROUP'S DEBT AT 31 DECEMBER 2012 | DEBT BANKS | BONDS | TOTAL |
|---|---|---|---|
| 2013 | 204 | 0 | 204 |
| 2014 | 64 | 888 | 952 |
| 2015 | 68 | 881 | 949 |
| 2016 | 67 | 951 | 1 018 |
| 2017 | 42 | 2 852 | 2 893 |
| 2018 | 35 | 0 | 35 |
| 2019 | 35 | 0 | 35 |
| 2020 | 36 | 0 | 36 |
| 2021 - 2033 | 72 | 1 112 | 1 185 |
| **Total** | **623** | **6 684** | **7 307** |

| MATURITY OF THE GROUP'S DEBT AT 31 DECEMBER 2011 | DEBT BANKS | BONDS | TOTAL |
|---|---|---|---|
| 2012 | 276 | 655 | 931 |
| 2013 | 58 | 0 | 58 |
| 2014 | 52 | 898 | 950 |
| 2015 | 41 | 1 027 | 1 068 |
| 2016 | 38 | 1 070 | 1 108 |
| 2017 | 35 | 3 483 | 3 518 |
| 2018 | 35 | 0 | 35 |
| 2019 | 66 | 0 | 66 |
| 2020 - 2033 | 112 | 1 199 | 1 311 |
| **Total** | **714** | **8 330** | **9 045** |

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 hedging. At 31 December 2012, the financial statements included a discount of NOK 57 million (discount of NOK 91 million at 31 December 2011). 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.

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 196 million was included in interest-bearing debt as at 31 December 2012 (NOK 270 million at 31 December 2011). 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.

Total interest-bearing debt is impacted by unrealised currency effects on forward contracts and on cross-currency swap contracts. This will also differ from booked debt. At 31 December 2012, this effect decreased debt by NOK 132 million (debt was decreased by NOK 84 million at 31 December 2011).

At 31 December 2012, the group's holding of own bonds amounted to NOK 163 million of Norwegian bonds (NOK 361 million at 31 December 2011). The group's holding of own bonds in foreign currency amounted to USD 42 million and EUR 132 million, respectively (USD 29 million and EUR 63 million at 31 December 2011). These holdings are deducted from interest-bearing debt in NOK.

### LOAN COVENANTS

The financial loan covenants in the group's credit facility of EUR 140 million consist of an interest coverage ratio (adjusted EBITDA / net interest expense) and a debt ratio (adjusted net interest-bearing

## 11. INTEREST-BEARING LIABILITIES (Continued)

debt / adjusted EBITDA). According to the agreement, all key figures are calculated using a 12-month average exchange rate. The group's bond loans do not include financial covenants.

| 31.12.2012 | REPORTED KEY FIGURES | KEY FIGURES ACCORDING TO LOAN AGREEMENT (1) |
|---|---|---|
| Interest-bearing non-current liabilities | 7 208 | 7 385 |
| Interest-bearing current liabilities | 203 | 207 |
| —Hedge reserve | 196 | 205 |
| —Cash and cash equivalents | 1 194 | 1 221 |
| **Net interest-bearing debt** | **6 021** | **6 166** |
| Adjusted net interest-bearing debt (2) | | 6 248 |

(1) Calculated using the average exchange rate per month for the last 12-month period.

(2) Adjusted net interest-bearing debt according to definition in loan agreement.

| 31.12.2012 | REPORTED FIGURES | LOAN COVENANTS (2) |
|---|---|---|
| EBITDA (last 12 months) | 1 464 | |
| Adjusted EBITDA (1) (last 12 months) | 1 395 | |
| Net interest expense (last 12 months) | 586 | |
| Adjusted net interest-bearing debt / Adjusted EBITDA | 4.48 | <4.75 |
| EBITDA / Net interest expense | 2.38 | >2.25 |

(1) Adjusted EBITDA consists of gross operating earnings for the group, excluding units that have been sold during the last 12 months.

(2) The loan covenants presented in the table are at 31 December 2012.

| LOAN COVENANTS 2012 | 31.03.2012 | 30.06.2012 | 30.09.2012 | 31.12.2012 |
|---|---|---|---|---|
| Adjusted net interest-bearing debt / Adjusted EBITDA | <6.00 | <5.50 | <5.00 | <4.75 |
| Adjusted EBITDA / Net interest expense | >1.75 | >2.00 | >2.25 | >2.25 |

| LOAN COVENANTS 2013 | 31.03.2013 | 30.06.2013 | 30.09.2013 | 31.12.2013 |
|---|---|---|---|---|
| Adjusted net interest-bearing debt / Adjusted EBITDA | <4.25 | <4.00 | <3.75 | <3.50 |
| Adjusted EBITDA / Net interest expense | >2.50 | >2.50 | >2.75 | >2.75 |

| LOAN COVENANTS 2014 | 31.03.2014 |
|---|---|
| Adjusted net interest-bearing debt / Adjusted EBITDA | <3.50 |
| Adjusted EBITDA / Net interest expense | >2.75 |

## 12. EMPLOYEE BENEFIT EXPENSES

| EMPLOYEE BENEFIT EXPENSES | NOTE | 2012 | 2011 |
|---|---|---|---|
| Salaries including holiday pay | | 1 944 | 2 199 |
| Social security contributions | | 224 | 249 |
| Pension costs | 13 | 83 | 66 |
| Other employee benefit expenses | | 261 | 279 |
| **Total** | | **2 512** | **2 793** |

| NUMBER OF EMPLOYEES BY REGION | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Europe | 2 557 | 3 352 |
| South America | 294 | 533 |
| Australasia | 814 | 854 |
| Asia | 239 | 238 |
| Corporate functions (head office) | 82 | 98 |
| **Total** | **3 986** | **5 075** |

The base salary for the president and chief executive officer (CEO) Sven Ombudstvedt at 31 December 2012 was NOK 4 200 000. Total salary and other benefits received by Ombudstvedt in 2012 amounted to NOK 5 119 025.

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 company issues a guarantee 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 12 months and a guarantee of six 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.

Remuneration to members of the corporate assembly and the board amounted to NOK 338 500 and NOK 3 751 828 respectively in 2012.

Please see Note 10 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.

| | BASE SALARY 31.12.2012 | PAYMENTS IN KIND ETC. FOR 2012[(1)] | BONUS 2012[(2)] |
|---|---|---|---|
| Sven Ombudstvedt (CEO) | 4 200 | 1 187 | 500 |
| Rune Gjessing (CFO) | 2 400 | 576 | 451 |

(1) Includes car allowance, provision in connection with the book reserve pension scheme, salary compensation for the transition to defined contribution pension, free telephone, etc.

(2) Based on results achieved in 2011, paid in 2012.

## 12. EMPLOYEE BENEFIT EXPENSES (Continued)

The chief operating officer (COO), Trond Stangeby, is hired in as a consultant. Total consultancy fees for 2012 were NOK 2 665 875. No other bonus or payments in kind were paid to the COO during 2012.

### Long-term incentive programme

The board of directors adopted new principles for the long-term incentive programme in 2007, whereby the criteria for awarding synthetic shares to corporate management is related to Total Shareholder Return (TSR—development of the share price including dividend payments), such that this must be above average for a defined group of paper manufacturers, including Norske Skog. A positive TSR for the period is also an absolute condition. This scheme will yield a 30% payout if Norske Skog performs better than the average for the reference group and a full payout if the company falls within the best quartile. Progress is measured over a three-year period, with a new period beginning each year. This scheme involves no dilution effect.

The programme was continued for 2010 with some changes: the maximum annual bonus from the programme was set to NOK 4 million for the CEO and NOK 2 million for other members of corporate management (instead of a fixed number of shares), and the bonus after tax must be used to purchase shares until the total shareholding in the company corresponds to a certain number of shares (200 000 for the CEO and 100 000 for other members of corporate management). The programme was continued for 2012. There will be no programme for 2013.

### REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS AND COMMITTEE MEMBERS

(in NOK 1 000)

| | SALARY | DIRECTORS FEE | REMUNERATION FOR COMMITTEE WORK |
|---|---|---|---|
| Eivind Reiten | | 646 | 26 |
| Gisèle Marchand[1] | | 196 | 50 |
| Kjetil Bakkan | 509 | 207 | 6 |
| Eilif Due | | 207 | 7 |
| Helge Evju[1] | | 150 | 19 |
| Alexandra Bech Gjørv[1] | | 150 | 33 |
| Siri Beate Hatlen | | 207 | 43 |
| Finn Johnsson | | 357 | 73 |
| Paul Kristiansen | 525 | 357 | 108 |
| Karen Kvalevåg | | 207 | 50 |
| Åse Aulie Michelet | | 357 | 26 |
| Inge Myrlund[1] | 663 | 150 | |
| Jon-Aksel Torgersen | | 207 | |
| Svein Erik Veie | 483 | 357 | |

(1) Previous members who left the board during 2012.

## 12. EMPLOYEE BENEFIT EXPENSES (Continued)

### 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 | 1 849 | 1 053 | 4 651 | 337 | 7 890 |
| Audit-related assistance[1] | 0 | 158 | 256 | 0 | 414 |
| Tax assistance | 0 | 0 | 56 | 0 | 56 |
| Other fees | 2 550 | 2 956 | 1 109 | 0 | 6 615 |
| **Total** | **4 399** | **4 167** | **6 072** | **337** | **14 975** |

(1) Audit-related assistance includes services which only auditors can provide, such as the limited review of interim financial statements, agreed 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 3 278 current and former employees are covered by such schemes. Of these, 998 people are covered by defined benefit plans and 2 280 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 | 52 |
| Norske Skog Saugbrugs AS | 65 | 30 | 67 | 62 | 254 |
| Norske Skog Skogn AS | 65 | 30 | 67 | 62 | 194 |
| Norske Skog Walsum GmbH | 50 - 70 | 40 | 65 - 67 | 63 | 464 |
| Norske Skog Tasman Ltd. | 50 - 70 | | 65 | | 19 |
| Norske Skog Paper Mills (Australia) Ltd. | 50 | | 65 | 55 | 13 |

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, their estimated value at 31 December is used. 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 incurred obligations, the estimated obligation at 31 December is used. This estimated obligation is corrected every year in accordance with the figures for incurred pension obligations provided by the actuary.

## 13. PENSION COSTS AND PENSION OBLIGATIONS (Continued)

In addition to the benefit obligation funded through insurance plans, the group has unfunded benefit obligations, of which Norske Skog Walsum GmbH is the largest. 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 | 2012 | 2011 |
|---|---|---|
| Discount rate | 3.2% | 2.6% |
| Expected return on plan assets | 3.2% | 4.1% |
| Salary adjustment | 3.0% | 3.0% |
| Social security increase/inflation rate | 3.25% | 3.0% |
| Pension increase | 0.0% | 0.1% |

The discount rate applied for the pension schemes in Norway for 2012 is based on the interest rate for covered bonds, and not the interest rate for government bonds as used previously. The impact of this change is an increase in the discount rate, since the interest rate for covered bonds is higher than the interest rate on government bonds.

Subsidiaries can deviate from these assumptions if local conditions require this. The discount rates applied vary from 2.5% to 4.5%. For Norske Skog Walsum GmbH, the discount rate used is 4.5%.

| NET PERIODIC PENSION COST | 2012 | 2011 |
|---|---|---|
| Current service cost | 37 | 71 |
| Interest cost | 31 | 60 |
| Pension cost defined contribution schemes | 25 | 31 |
| Expected return on plan assets | −17 | −45 |
| Accrued national insurance contributions | 3 | 3 |
| Expensed portion of changes in early retirement plan | 0 | −115 |
| Recognised curtailment and settlement | 0 | 38 |
| Actuarial gains and losses | 4 | 22 |
| **Net periodic pension cost** | **83** | **66** |

Estimated payments to the group's defined benefit pension schemes in 2013 amount to NOK 30 million.

## RECONCILIATION OF THE PENSION PLANS' FINANCIAL STATUS WITH THE BALANCE SHEET

| PARTLY OR FULLY FUNDED PENSION PLANS | 31.12.2012 | 31.12.2011 | 31.12.2010 | 31.12.2009 | 31.12.2008 |
|---|---|---|---|---|---|
| Projected benefit obligations | −500 | −1 060 | −1 543 | −1 921 | −2 319 |
| Plan assets at fair value | 479 | 962 | 1 475 | 1 692 | 2 122 |
| **Plan assets in excess of/less than obligations (−)** | **−21** | **−97** | **−68** | **−229** | **−197** |
| Differences in estimates not taken to income statement | −7 | 147 | 90 | 370 | 250 |
| **Net plan assets/pension obligations (−)** | **−28** | **49** | **22** | **141** | **53** |
| Accrued national insurance contributions | −10 | −9 | −17 | −54 | −24 |
| **Net plan assets/pension obligations in the balance sheet** | **−38** | **40** | **5** | **87** | **29** |

## 13. PENSION COSTS AND PENSION OBLIGATIONS (Continued)

| UNFUNDED PENSION PLANS | 31.12.2012 | 31.12.2011 | 31.12.2010 | 31.12.2009 | 31.12.2008 |
|---|---|---|---|---|---|
| Projected benefit obligations | −570 | −527 | −504 | −635 | −452 |
| **Plan assets in excess of/less than obligations (−)** | **−570** | **−527** | **−504** | **−635** | **−452** |
| Differences in estimates not taken to income statement | 141 | 27 | 35 | 0 | −58 |
| **Net plan assets/pension obligations (−)** | **−429** | **−500** | **−469** | **−635** | **−510** |
| Accrued national insurance contributions | −7 | −9 | −6 | 0 | −22 |
| **Net plan assets/pension obligations in the balance sheet** | **−436** | **−509** | **−475** | **−635** | **−532** |

| RECONCILIATION OF THE PENSION PLANS WITH THE BALANCE SHEET | NOTE | 31.12.2012 | 31.12.2011 |
|---|---|---|---|
| Pension assets in the balance sheet | 10 | 21 | 73 |
| Pension liabilities in the balance sheet | | −495 | −542 |
| **Net pension obligations** | | **−474** | **−469** |
| Net unfunded pension plans | | −436 | −509 |
| Net partly or fully funded pension plans | | −38 | 40 |

| CHANGES IN PENSION LIABILITIES FOR PARTLY OR FULLY FUNDED PENSION PLANS | 2012 | 2011 |
|---|---|---|
| Balance 1 January | 1 060 | 1 543 |
| Divested companies | −571 | 0 |
| Current year's service cost | 2 | 39 |
| Current year's interest cost | 2 | 39 |
| Pension paid | −29 | −27 |
| Actuarial gains and losses | 3 | 17 |
| Curtailments/settlements | 10 | −571 |
| Other changes | 26 | 22 |
| Currency translation differences | −3 | −2 |
| **Balance 31 December** | **500** | **1 060** |

A return on plan assets of NOK 17 million is estimated for 2012. The actual return on the plan assets in 2011 was NOK 29 million, compared with an estimated return of NOK 45 million. The difference between the actual return and the estimated return is treated as an estimate difference.

| CHANGES IN PLAN ASSETS FOR PARTLY OR FULLY FUNDED PENSION PLANS | 2012 | 2011 |
|---|---|---|
| Balance 1 January | 962 | 1 475 |
| Divested companies | −487 | 0 |
| Return on plan assets | 17 | 45 |
| Actuarial gains and losses | −8 | −35 |
| Curtailments/settlements | −4 | −522 |
| Currency translation differences | −1 | −1 |
| **Balance 31 December** | **479** | **962** |

## 13. PENSION COSTS AND PENSION OBLIGATIONS (Continued)

Actuarial gains and losses are adjusted in previous years.

| CHANGES IN PENSION OBLIGATIONS FOR UNFUNDED PENSION PLANS | 2012 | 2011 |
|---|---|---|
| Balance 1 January | −509 | −475 |
| Divested companies | 48 | 0 |
| Current year's service cost | −9 | −32 |
| Current year's interest cost | −17 | −21 |
| Pension paid | 6 | 6 |
| Actuarial gains and losses | 6 | 1 |
| Contributions to the plan assets | 9 | 6 |
| Curtailments/settlements | −15 | 14 |
| Other changes | 45 | −10 |
| Currency translation differences | 0 | 2 |
| **Balance 31 December** | **−436** | **−509** |

| | 2012 | | 2011 | |
|---|---|---|---|---|
| INVESTMENT PROFILE FOR PENSION FUNDS | Funds | Distribution | Funds | Distribution |
| Shares | 114 | 24% | 196 | 20% |
| Bonds | 241 | 50% | 310 | 32% |
| Properties and real estate | 58 | 12% | 295 | 31% |
| Money market | 50 | 11% | 54 | 6% |
| Other | 16 | 3% | 107 | 11% |
| **Total** | **479** | | **962** | |

The revised standard IAS 19 *Employee benefits* is effective for annual periods beginning on or after 1 January 2013, and the amendment is to be applied retrospectively. Under the revised standard, the corridor approach is removed, and all re-measurement impacts (actuarial gains and losses) are to be recognised in Other Comprehensive Income, without any subsequent recirculation through the income statement. The change implies that the real net pension obligation (asset) is reflected in the balance sheet. The impact of implementing the amended IAS 19 is shown in the table below.

| EFFECT OF IMPLEMENTATION OF IAS 19R | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Change in pension obligation (+ increase, − decrease) | 134 | 40 |
| Change in deferred tax (+ increase, − decrease) | −43 | −12 |
| Net change in equity (+ increase, − decrease) | −91 | −28 |

## 14. OTHER OPERATING EXPENSES

| | 2012 | 2011 |
|---|---|---|
| Maintenance materials and services | 619 | 719 |
| Marketing expenses | 17 | 20 |
| Administration, insurance, travel expenses etc. | 314 | 351 |
| Losses on accounts receivable | 17 | 20 |
| Operating leases | 79 | 93 |
| Research and development | 3 | 9 |
| Changes in environmental provisions | 2 | 23 |
| Miscellaneous expenses | 201 | 216 |
| **Total** | **1 252** | **1 450** |
| **Specification of losses on accounts receivable** | | |
| Receivables written off during the period | 8 | 3 |
| Payments received on items previously written off | 0 | 0 |
| Change in provision for bad debt | 9 | 18 |
| **Total** | **17** | **20** |

## 15. LEASES

### Operating leases

The group recognised expenses of NOK 78 million in relation to operating leases in 2012. The equivalent expense in 2011 was NOK 93 million.

| MINIMUM LEASE PAYMENTS RELATING TO OPERATING LEASES | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Not later than one year | 45 | 42 |
| Later than one year and not later than five years | 80 | 55 |
| Later than five years | 5 | 1 |
| **Total** | **130** | **98** |

### 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 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Not later than one year | 24 | 29 |
| Later than one year and not later than five years | 88 | 98 |
| Later than five years | 134 | 165 |
| **Total** | **246** | **292** |
| Future finance charges on finance leases | – 105 | – 131 |
| **Present value of minimum lease payments** | **141** | **161** |

| PRESENT VALUE OF MINIMUM LEASE PAYMENTS | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Not later than one year | 23 | 27 |
| Later than one year and not later than five years | 66 | 72 |
| Later than five years | 52 | 62 |
| **Total** | **141** | **161** |
| **Capitalised value of leased property, plant and equipment (machinery and equipment)** | **125** | **146** |

## 16. RESTRUCTURING EXPENSES

Restructuring expenses of NOK 118 million in 2012 consisted mainly of severance payments of NOK 105 million as a result of the decision to permanently close 160 000 tonnes of newsprint capacity at Norske Skog Tasman in New Zealand. Other restructuring expenses included NOK 17 million in relation to severance payments and other costs as a result of the ongoing downsizing at head office and changes in corporate management, NOK 8 million in relation to redundancies at Norske Skog Golbey in France, NOK 11 million related to severance payments and other costs following the closure of Norske Skog's shared service centre located in Antwerp in Belgium, and NOK 4 million related to planned redundancies at Norske Skog Skogn. These amounts were offset by the recognition of NOK 24 million income due to the release of provisions expensed in 2011 at Norske Skog Walsum (NOK 21 million) and Norske Skog Bruck (NOK 3 million), as a result of more employees working during the notice period than anticipated.

Restructuring expenses of NOK 387 million in 2011 consisted mainly of NOK 287 million relating to provisions for severance pay and other payroll-related costs (NOK 115 million), and direct closure costs (NOK 172 million) following the decision to shut down the paper production at Norske Skog Follum. Other restructuring expenses recognised in 2011 consisted of NOK 59 million in relation to provisions for severance pay in connection with a cost reduction programme at Norske Skog Walsum, NOK 26 million in relation to the implementation of the new group operating model in May 2011, severance pay and other costs of NOK 13 million at Norske Skog Logistics in Antwerp, NOK 3 million at Norske Skog Focus and NOK 10 million at the head office at Lysaker. There were also some smaller adjustments to restructuring provisions made in earlier periods.

## 17. OTHER GAINS AND LOSSES

| | 2012 | 2011 |
|---|---|---|
| Gains and losses from divestments of business activities, property, plant and equipment | 39 | 354 |
| Changes in value—commodity contracts[1] | − 1 109 | − 652 |
| Changes in value—embedded derivatives | 220 | 50 |
| Changes in value—biological assets | − 7 | 35 |
| Other realised gains and losses | − 152 | 12 |
| **Total** | **− 1 009** | **− 201** |

(1) Long-term commodity contracts that no longer meet the requirement in IAS 39.5 related to own use are measured at fair value.

The gain on divestments of business activities, property, plant and equipment in 2012 of NOK 39 million was primarily related to the divestments of Papeles Norske Skog Bio Bio S.A. in Chile, Norske Skog Follum AS in Norway, Norske Skog Parenco B.V, in the Netherlands and the global recovered paper business, Reparco (in total NOK 38 million). The remaining amount was mainly related to the sale of non-production related property.

Norske Skog's portfolio of commodity contracts consists mostly of physical energy contracts. The fair value of commodity contracts is therefore 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. Note 8 provides a sensitivity analysis of the impact on profit after tax of fluctuations in energy prices, currency and price indices. The loss on commodity contracts in 2012 and 2011 was due to lower expected future energy prices, and volumes utilised during 2012 and 2011. The gain on embedded derivatives in 2012 and 2011 was mainly driven by currency fluctuations.

Other realised gains and losses of NOK − 152 million in 2012 were primarily related to the sale of 680 GWh of excess energy in Southern Norway. The sale generated a loss of NOK 153 million.

The gain on divestments of business activities, property, plant and equipment in 2011 of NOK 354 million was primarily related to the sale of Norske Skog Florestal Ltda. and Enerpar-Energias do Paraná Ltda. in Brazil (in total NOK 139 million) and property damage insurance compensation in connection with a fire

## 17. OTHER GAINS AND LOSSES (Continued)

at Norske Skog Saugbrugs (NOK 83 million). The remaining portion of the gain related primarily to the sale of non-production related property.

Other realised gains and losses of NOK 12 million in 2011 consisted mainly of gains from the sale of emission allowances.

## 18. INCOME TAXES

| TAX EXPENSE | 2012 | 2011 |
|---|---|---|
| Current tax expense | −96 | −195 |
| Change in deferred tax | 165 | 783 |
| **Total** | **69** | **588** |

| RECONCILIATION OF THE GROUP TAX EXPENSE | 2012 | 2011 |
|---|---|---|
| Profit/loss before income taxes | −2 849 | −3 132 |
| Computed tax at nominal tax rate of 28% | 798 | 877 |
| Differences due to different tax rates | −7 | −26 |
| Result from associated companies | −19 | 50 |
| Exempted income/non-deductible expenses | 5 | 11 |
| Change in tax legislation and tax rates | −8 | −4 |
| Divestment of subsidiaries (1) | 11 | −74 |
| Adjustment previous years and recognition of deferred tax assets | −5 | 122 |
| Tax losses not recognised | −693 | −379 |
| Other items | −13 | 11 |
| **Total tax expense** | **69** | **588** |

| CURRENT TAX LIABILITY | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Norway | 0 | 0 |
| Rest of Europe | 41 | 29 |
| Outside Europe | 2 | 2 |
| **Total** | **43** | **31** |

| DEFERRED TAX—MOVEMENTS | 2012 | 2011 |
|---|---|---|
| Net deferred tax liability 1 January | 148 | 786 |
| Deferred tax charged in the income statement | −165 | −783 |
| Divestment of subsidiaries | 224 | −166 |
| Tax expense in other comprehensive income | −39 | 336 |
| Currency translation differences | 9 | −25 |
| **Net deferred tax liability 31 December** | **177** | **148** |

| DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Norway | −128 | −26 |
| Rest of Europe | 0 | 0 |
| Outside Europe | −194 | −326 |
| **Deferred tax asset** | **−321** | **−352** |
| Norway | 0 | 0 |
| Rest of Europe | 217 | 204 |
| Outside Europe | 281 | 296 |
| **Deferred tax liability** | **498** | **500** |
| **Deferred tax liability—net** | **177** | **148** |

## 18. INCOME TAXES (Continued)

| DEFERRED TAX DETAILS | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Fixed assets, excess values and depreciation | 393 | 401 |
| Pensions | −63 | −49 |
| Provisions and other liabilities | 82 | 241 |
| Currency translation differences and financial instruments | 493 | 512 |
| Deferred tax current items | −41 | −113 |
| Tax losses and tax credit to carry forward | −3 753 | −2 043 |
| Deferred tax asset not recognised (2) | 3 065 | 1 198 |
| **Net deferred tax liability** | **177** | **148** |

| LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2012 | NORWAY | REST OF EUROPE | OUTSIDE EUROPE | TOTAL |
|---|---|---|---|---|
| 2013 | 0 | 98 | 0 | 98 |
| 2014 | 0 | 74 | 0 | 74 |
| 2015 | 0 | 9 | 0 | 9 |
| 2016 | 0 | 0 | 0 | 0 |
| 2017 | 0 | 95 | 0 | 95 |
| 2018 and later | 0 | 147 | 0 | 147 |
| Indefinite expiry | 8 709 | 2 411 | 1 308 | 12 428 |
| **Tax losses to carry forward** | **8 709** | **2 835** | **1 308** | **12 852** |
| Tax losses not recognised (3) | −5 956 | −2 554 | 1 018 | −9 528 |
| **Total tax losses to carry forward— recognised** | **2 753** | **281** | **290** | **3 324** |
| **Deferred tax asset** | **771** | **97** | **82** | **950** |

| LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2011 | NORWAY | REST OF EUROPE | OUTSIDE EUROPE | TOTAL |
|---|---|---|---|---|
| 2012 | 0 | 231 | 0 | 231 |
| 2013 | 0 | 103 | 0 | 103 |
| 2014 | 0 | 90 | 0 | 90 |
| 2015 | 0 | 19 | 0 | 19 |
| 2016 | 0 | 0 | 0 | 0 |
| 2017 and later | 0 | 776 | 0 | 776 |
| Indefinite expiry | 2 138 | 2 515 | 916 | 5 569 |
| **Tax losses to carry forward** | **2 138** | **3 734** | **916** | **6 788** |
| Tax losses not recognised | 0 | −3 177 | 0 | −3 177 |
| **Total tax losses to carry forward— recognised** | **2 138** | **557** | **916** | **3 611** |
| **Deferred tax asset** | **598** | **187** | **265** | **1 050** |

The group has significant tax losses in several jurisdictions. These losses are included as a deferred tax asset to the extent it is expected that sufficient earnings will be earned within the time limitations applicable in the various jurisdictions. The table above summarises from which geographical areas the losses arose, as well as the portion of the losses that are not recognised as a deferred tax asset.

(1) In 2012, the amount was related to tax exemption on the divestment of subsidiaries in Norway (Norske Skog Follum AS), Chile (Norske Skog Bio Bio S.A.) and the Netherlands (Norske Skog Parenco B.V.). In 2011, the amount was related to tax on the divestment of subsidiaries in Brazil (Enerpar-Energias do Paraná Ltda. and Norske Skog Florestal Ltda.).

(2) Deferred tax asset not recognised amounted to NOK 3 065 million at 31 December 2012. NOK 2 746 million was related to tax losses to carry forward and NOK 319 million was related to other deductible temporary differences. Deferred tax asset not recognised amounted to NOK 1 198 million at 31 December 2011. NOK 937 million was related to tax losses carried forward, and NOK 261 million was related to other tax deductible temporary differences.

(3) In 2012, an amount of NOK 5 956 million was added to tax losses to carry forward in Norway. This was a result of tax deductible losses that arose following a legal restructuring of the company structure. Deferred tax asset is not recognised on the amount.

## 19. SPECIFICATION OF BALANCE SHEET ITEMS

| | NOTE | 31.12.2012 | 31.12.2011 |
|---|---|---|---|
| **INVENTORIES** | | | |
| Raw materials and other production input | | 789 | 1 010 |
| Semi-manufactured materials | | 10 | 15 |
| Finished goods | | 570 | 842 |
| **Total** | 3 | **1 370** | **1 867** |
| **OTHER CURRENT ASSETS** | | | |
| Derivatives | 7 | 157 | 18 |
| Commodity contracts | 7 | 60 | 309 |
| Current investments | 7 | 54 | 45 |
| **Total** | | **271** | **372** |
| **TRADE AND OTHER PAYABLES** | | | |
| Accounts payable | | 1 071 | 1 189 |
| Accrued labour costs and taxes | | 595 | 670 |
| Accrued expenses | | 368 | 574 |
| Other interest-free liabilities | | 63 | 41 |
| **Total** | | **2 097** | **2 474** |
| **OTHER CURRENT LIABILITIES** | | | |
| Derivatives | 7 | 3 | 201 |
| Commodity contracts | 7 | 29 | 119 |
| Accrued emission rights | | 69 | 37 |
| Accrued financial costs | | 200 | 200 |
| Restructuring provision | 21 | 140 | 363 |
| **Total** | | **441** | **920** |
| **OTHER NON-CURRENT LIABILITIES** | | | |
| Derivatives | 7 | 128 | 0 |
| Commodity contracts | 7 | 37 | 190 |
| Dismantling provision | 21 | 92 | 102 |
| Environmental provision | 21 | 250 | 283 |
| Deferred recognition of emission rights | | 109 | 0 |
| Deferred recognition of government grants | | 65 | 82 |
| Other non interest-bearing debt | | 81 | 79 |
| **Total** | | **762** | **736** |

## 20. INVESTMENTS IN ASSOCIATED COMPANIES

| COMPANY | SHARE 31.12.2012 | CARRYING VALUE 31.12.2012 | SHARE OF PROFIT/LOSS 2012 | CURRENCY TRANSLATION DIFFERENCES | IMPAIRMENTS | CARRYING VALUE 31.12.2011 |
|---|---|---|---|---|---|---|
| Malaysian Newsprint Industries Sdn. Bhd. | 33.7% | 311 | 20 | −14 | −89 | 394 |
| Other associated companies | | 28 | 0 | 0 | 0 | 28 |
| **Total** | | **339** | **20** | **−14** | **−89** | **422** |

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 2011, the recognised share of loss in associated companies amounted to NOK 6 million, currency translation differences amounted to NOK 15 million and reversed impairments amounted to NOK 204 million.

## 20. INVESTMENTS IN ASSOCIATED COMPANIES (Continued)

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

The company is incorporated in Kuala Lumpur, Malaysia, and is a producer of newsprint. During 2012, MNI derecognised some assets in their financial statements, relating to property, plant and equipment that was no longer in use. Norske Skog's share of this derecognition was recognised in the consolidated financial statements in 2012, and amounted to NOK 183 million. Following this, Norske Skog was also able to reverse impairments previously recognised of NOK 94 million. The effect of the derecognition and reversal of previous impairments is presented net in the income statement, and is included in the line Share of profit in associated companies. The carrying value of Norske Skog's investment in MNI was NOK 311 million at 31 December 2012, which is equivalent to Norske Skog's share (33.7%) of the equity (including redeemable preference shares and share premium) in MNI's company financial statements. Based on the company's financial statements, operating revenue in 2012 was NOK 991 million (NOK 1 015 million in 2011) and net profit was NOK 59 million (NOK 16 million in 2011). Total assets amounted to NOK 1 570 million at 31 December 2012 (NOK 2 314 million at 31 December 2011) and total liabilities were NOK 918 million (NOK 1 143 million at 31 December 2011).

## 21. PROVISIONS

| | RESTRUCTURING PROVISION | DISMANTLING PROVISION | ENVIRONMENTAL PROVISION |
|---|---|---|---|
| **Balance 1 January 2011** | **90** | **92** | **254** |
| Changes and new provisions | 350 | 3 | 28 |
| Utilised during the year | −91 | 0 | −12 |
| Periodic unwinding of discount | 0 | 5 | 12 |
| Divestment of subsidiaries | 0 | 0 | −6 |
| Currency translation differences | 14 | 2 | 7 |
| **Balance 31 December 2011** | **363** | **102** | **283** |
| Changes and new provisions | 99 | −9 | 2 |
| Utilised during the year | −182 | 0 | −35 |
| Periodic unwinding of discount | 0 | 3 | 10 |
| Divestment of subsidiaries | −136 | 0 | 0 |
| Currency translation differences | −4 | −4 | −10 |
| **Balance 31 December 2012** | **140** | **92** | **250** |

### Restructuring provision

The restructuring provision of NOK 140 million at 31 December 2012 is classified in the balance sheet line Other current liabilities. A provision of NOK 136 million was released through the divestment of Norske Skog Follum AS in 2012. During 2012, it was decided to shut down one paper machine at Norske Skog Tasman, and a provision of NOK 86 million was recognised. Various other restructuring activities, mainly in Europe, amounted to NOK 13 million. Total cash flow relating to restructuring activities in 2012 amounted to NOK 182 million. This amount related mainly to Norske Skog Follum and Norske Skog Tasman. For further information see Note 16 Restructuring expenses.

### Dismantling provision

Provisions related to future dismantling costs arising from a future closing down of production facilities amounted to NOK 92 million at 31 December 2012, compared to NOK 102 million at 31 December 2011. 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 items. The opposite entry for dismantling provision and change in provision estimates is Property, plant and equipment.

## 21. PROVISIONS (Continued)

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 9 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 250 million at 31 December 2012 compared to NOK 283 at 31 December 2011. Resources spent on environmental activities during 2012 amounted to NOK 35 million, and were mainly related to activities in Norway, Brazil (Norske Skog Pisa) and New Zealand (Norske Skog Tasman). Other movements arose mainly a result of lower discount rates and currency translation differences.

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 items.

## 22. NON-CONTROLLING INTERESTS

| | 2012 | 2011 |
|---|---|---|
| Non-controlling interests at 1 January | 13 | 22 |
| Profit/loss for the year attributable to non-controlling interests | −3 | −8 |
| Changes in non-controlling interests | 0 | 0 |
| Dividend paid to non-controlling interests | 0 | 0 |
| Currency translation differences | −1 | −1 |
| **Non-controlling interests at 31 December** | **9** | **13** |

## 23. EARNINGS AND DIVIDEND PER SHARE

| | 2012 | 2011 |
|---|---|---|
| Profit/loss for the year in NOK million attributable to owners of the parent | −2 778 | −2 536 |
| Weighted average number of shares in 1 000 | 189 827 | 189 903 |
| Basic and diluted earnings/loss per share in NOK[1] | −14.63 | −13.36 |

(1) There were no dilution effects in 2012 or 2011.

No dividends were paid for the financial year 2011. The board of directors recommends that no dividend should be disbursed for the financial year 2012. The dividend decision will be made by the annual general meeting on 11 April 2013.

## 24. SHARES

| 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, each with book value below NOK 1 million | NOK | | | 1 042 |
| **Shares owned by other group companies** | | | | |
| Exeltium SAS, Paris, France | EUR | 174 504 | 4.78 | 61 233 |
| Exeltium 2 SAS, Paris, France | EUR | 3 440 | 5 | 1 207 |
| Licella Fibre Fuels Pty Ltd., Sydney, Australia | AUD | 2 857 | 12.5 | 14 444 |
| Pavatex Holding AG, Cham, Switzerland | CHF | 92 698 | 5 | 29 977 |
| Other shares, each with book value below NOK 1 million | NOK | | | 2 201 |
| **Total** | | | | **109 062** |
| **Total shares included as financial assets** | | | | **110 104** |

| SHARES IN SUBSIDIARIES | CURRENCY | SHARE CAPITAL (IN 1 000) | OWNERSHIP % | CARRYING VALUE (IN NOK 1 000) |
|---|---|---|---|---|
| **Shares in Norwegian subsidiaries owned by the parent company** | | | | |
| Lysaker Invest AS, Lysaker | NOK | 1 504 371 | 100 | 2 004 371 |
| Nornews AS, Lysaker | NOK | 100 | 100 | 100 |
| Norske Skog Eiendom AS, Lysaker | NOK | 1 500 | 100 | 190 681 |
| Norske Skog Holding AS, Lysaker | NOK | 5 000 | 100 | 8 554 |
| Norske Skog Kraft AS, Lysaker | NOK | 100 | 100 | 115 |
| Norske Skog Nordic & Export Sales AS, Lysaker | NOK | 1 100 | 100 | 324 |
| Norske Skog Saugbrugs AS, Halden | NOK | 50 100 | 100 | 1 073 120 |
| Norske Skog Shared Services AS, Lysaker | NOK | 840 | 100 | 1 072 |
| Norske Skog Skogn AS, Levanger | NOK | 50 100 | 100 | 808 779 |
| Norske Treindustrier AS, Lysaker | NOK | 3 917 340 | 100 | 9 940 196 |
| nsiFocus AS, Lysaker | NOK | 100 | 100 | 100 |
| Wood and Logistics AS, Lysaker | NOK | 3 000 | 100 | 3 093 |
| **Total** | | | | **14 030 506** |

## 24. SHARES (Continued)

| SHARES IN SUBSIDIARIES | CURRENCY | SHARE CAPITAL (IN 1 000) | OWNERSHIP % | CARRYING VALUE (IN NOK 1 000) |
|---|---|---|---|---|
| **Shares in foreign subsidiaries owned by the parent company** | | | | |
| Norske Skog (Schweiz) AG, Zürich, Switzerland | CHF | 50 | 100 | 193 |
| Norske Skog Czech & Slovak Republic spol. s.r.o., Prague, Czech Republic | CZK | 400 | 100 | 112 |
| Norske Skog Danmark ApS, Værløse, Denmark | DKK | 200 | 100 | 25 |
| Norske Skog Adria d.o.o., Trzin, Slovenia | EUR | 21 | 100 | 164 |
| Norske Skog Belgium N.V., Antwerp, Belgium | EUR | 62 | 100 | 3 479 |
| Norske Skog Bruck GmbH, Bruck, Austria | EUR | 20 000 | 99.9 | 165 918 |
| Norske Skog Deutschland GmbH, Augsburg, Germany | EUR | 520 | 100 | 10 063 |
| Norske Skog Espana S.A., Madrid, Spain | EUR | 684 | 100 | 15 787 |
| Norske Skog France S.A.R.L., Paris, France | EUR | 235 | 100 | 7 939 |
| Norske Skog Golbey S.A., Golbey, France | EUR | 137 388 | 100 | 1 153 153 |
| Norske Skog Holdings B.V., Amsterdam, The Netherlands | EUR | 170 100 | 100 | 13 705 |
| Norske Skog Italia SrL, Milan, Italy | EUR | 10 | 95 | 84 |
| Norske Skog Walsum GmbH, Duisberg, Germany | EUR | 150 025 | 100 | 752 997 |
| Norske Skog Österreich GmbH, Graz, Austria | EUR | 35 | 100 | 360 |
| Norske Skog (UK) Ltd., London, United Kingdom | GBP | 100 | 100 | 2 |
| Norske Skog Hungary Kft., Budapest, Hungary | HUF | 3 000 | 100 | 110 |
| Norske Skog Papers (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia | MYR | 5 009 | 100 | 390 596 |
| Norske Skog Polska Sp. z.o.o., Warsaw, Poland | PLN | 50 | 100 | 110 |
| Norske Skog Jämtland AB, Trångsviken, Sweden | SEK | 200 | 100 | 780 |
| Norske Skog Pisa Ltda., Jaguariaíva, Brazil | BRL | 222 243 | 99.9 | 641 332 |
| **Total** | | | | **3 156 908** |
| **Total shares in subsidiaries owned by the parent company** | | | | **17 187 414** |

## 24. SHARES (Continued)

| SHARES IN SUBSIDIARIES | CURRENCY | SHARE CAPITAL (IN 1 000) | OWNERSHIP % |
|---|---|---|---|
| **Shares in other companies owned by consolidated companies** | | | |
| 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 Capital (Australia) Pty Ltd., Sydney, Australia | AUD | 223 000 | 100 |
| Norske Skog Industries Australia Ltd., Sydney Australia | AUD | 0 | 100 |
| Norske Skog Paper Mills (Australia) Ltd., Tasmania, Australia | AUD | 7 539 | 100 |
| 33027 Yukon Inc., British Columbia, Canada | CAD | 16 277 | 100 |
| 0943240BC Ltd., Canada | CAD | 747 000 | 100 |
| Crown Forest Industries Ltd., Whitehorse, Canada | CAD | 388 823 | 100 |
| NS Industries Canada Ltd., British Columbia, Canada | CAD | 181 237 | 100 |
| Norske Skog CI Ltd., Georgetown, Cayman Islands | CHF | 13 | 100 |
| Norske Skog Forest Holdings AG, Zürich, Switzerland | CHF | 63 173 | 100 |
| Norske Skog Holdings (Schweiz) AG, Zug, Switzerland | CHF | 100 100 | 100 |
| Norske Skog Overseas Holdings AG, Zürich, Switzerland | CHF | 35 000 | 100 |
| Norske Skog Bruck GmbH, Bruck, Austria | EUR | 20 000 | 0.1 |
| Norske Skog Holland B.V., Amsterdam, The Netherlands | EUR | 45 | 100 |
| Norske Skog Italia SrL, Milan, Italy | EUR | 10 | 5 |
| Norske Skog Papier Recycling, Bruck, Austria | EUR | 291 | 100 |
| Norske Skog Canada Holding AS, Lysaker, Norway | NOK | 200 | 100 |
| Oxenøen Finans AS, Lysaker, Norway | NOK | 1 120 | 100 |
| Norske Skog Capital (New Zealand) Ltd., Auckland, New Zealand | NZD | 1 | 100 |
| Norske Skog Holdings (No.1) Ltd., Auckland, New Zealand | NZD | 0 | 100 |
| Norske Skog Holdings (No.2) Ltd., Auckland, New Zealand | NZD | 0 | 100 |
| Norske Skog Holdings (No.3) Ltd., Auckland, New Zealand | NZD | 1 | 100 |
| Norske Skog Tasman Ltd., Auckland, New Zealand | NZD | 600 000 | 100 |
| Norske Skog (Thailand) Company Ltd., Bangkok, Thailand | THB | 1 083 750 | 94 |
| Nórdica Energia Ltda., Curitiba, Brazil | USD | 1 600 | 100 |
| Norske Skog Pisa Ltda., Jaguariaíva, Brazil | BRL | 222 243 | 0.1 |
| Pan Asia Paper Trading Co. Pty. Ltd., Sydney, Australia | USD | 5 000 | 100 |

## 25. CAPITAL RISK MANAGEMENT

Norske Skog's objective when managing capital is to maximise return on equity within the limits set by the group's external debt financing.

In order to improve the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group monitors its capital structure on the basis of interest coverage ratio (adjusted EBITDA / net interest expense) and the debt ratio (adjusted net interest-bearing debt / adjusted EBITDA). The group was within the limits for the key figures at 31 December 2012. For more information see Note 11.

## 26. 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. At the end of 2012, the group was in dialogues with tax authorities in Norway and Australia regarding previously completed transactions. Norske Skog has an ongoing process related to simplification of the group's corporate structure. This, in combination with changes in individual countries' tax laws, could increase the group's tax exposure. The group's assessment is that sufficient provisions have been made for the aforementioned conditions.

## 27. 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 standardised terms. All contracts for supply of wood are entered into through forest owner associations or companies.

The associated company Malaysian Newsprint Industries Sdn. Bhd. (MNI) purchased recovered paper from the Reparco companies in the Norske Skog group, prior to the divestment of these companies in October 2012. Total purchases made during 2012 from Reparco amounted to NOK 1 million (NOK 5 million in 2011). Purchases of goods and services by MNI from other companies in the Norske Skog group during 2012 amounted to NOK 1 million (NOK 0 million in 2011). There were no amounts payable by MNI to the Norske Skog group at 31 December 2012 or 31 December 2011.

A former board member, Alexandra Bech Gjørv, is a partner in the law firm Hjort DA. Norske Skogindustrier ASA purchased services amounting to NOK 173 000 from this firm during 2012 (NOK 345 000 during 2011). Bech Gjørv left the board of directors during 2012.

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

## 28. EVENTS AFTER THE BALANCE SHEET DATE

In January 2013, Norske Skog signed a lease contract for its new head office. The head office will be located centrally at Skøyen in Oslo. The move will take place in early June 2013. Norske Skog has had its head office at Oxenøen in the municipality of Bærum, since 1998. Norske Skog and the landlord of the head office at Oxenøen have agreed to terminate the current lease contract during June 2013.

To the Annual Shareholders' Meeting of Norske Skogindustrier ASA

**Independent auditor's report**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Norske Skogindustrier ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2012, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet as at 31 December 2012, income statement, statement of comprehensive income, changes in equity, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

*The Board of Directors and the Managing Director's Responsibility for the Financial Statements*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with simplified IFRS pursuant to § 3-9 of the Norwegian Accounting Act and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director 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 audit opinion.

*Opinion on the financial statements of the parent company*

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of Norske Skogindustrier ASA as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with simplified IFRS pursuant to § 3-9 of the Norwegian Accounting Act.

*PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo*
*T: 02316, org. no.: 987* 009 713 *MVA,* www.pwc.no
*Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap*

*Opinion on the financial statements of the group*

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of the group Norske Skogindustrier ASA as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

**Report on Other Legal and Regulatory Requirements**

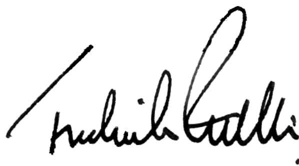
*Opinion on the Board of Directors' report and statement of corporate governance principles and practices*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and statement of corporate governance principles and practices concerning the financial statements and the going concern assumption, and the proposal for coverage of the loss 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 management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 1 March 2013
**PricewaterhouseCoopers AS**



Fredrik Melle
State Authorised Public Accountant (Norway)

**NORSKE SKOG GROUP**

**CONSOLIDATED INCOME STATEMENT**

**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

| NOK MILLION | NOTE | 2011 | 2010 |
|---|---|---|---|
| **Operating revenue** | 3 | **18 904** | **18 986** |
| Distribution costs | | −1 786 | −1 856 |
| Cost of materials | | −11 243 | −11 539 |
| Change in inventories | | −118 | −31 |
| Employee benefit expenses | 12 | −2 793 | −2 709 |
| Other operating expenses | 14 | −1 450 | −1 438 |
| **Gross operating earnings** | | **1 515** | **1 413** |
| Depreciation | 4 | −1 658 | −1 991 |
| **Gross operating earnings after depreciation** | | **−143** | **−578** |
| Restructuring expenses | 16 | −387 | −57 |
| Other gains and losses | 17 | −201 | −1 578 |
| Impairments | 4 | −1 969 | −165 |
| **Operating earnings** | | **−2 701** | **−2 379** |
| Share of profit in associated companies | 20 | 198 | −17 |
| Financial items | 5 | −629 | −924 |
| **Profit/loss before income taxes** | | **−3 132** | **−3 320** |
| Income taxes | 18 | 588 | 851 |
| **Net profit/loss for the year** | | **−2 545** | **−2 469** |
| Majority share of net profit/loss for the year | | −2 536 | −2 462 |
| Minority share of net profit/loss for the year | 22 | −8 | −6 |
| Basic/diluted earnings per share (in NOK) | 23 | −13.36 | −12.97 |

**NORSKE SKOG GROUP**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

| NOK MILLION | 2011 | 2010 |
|---|---|---|
| **Net profit/loss for the year** | **−2 545** | **−2 469** |
| **Other comprehensive income** | | |
| Currency translation differences | 69 | 532 |
| Tax expense on translation differences | −68 | −26 |
| Hedge of net investment in foreign operations | 19 | 162 |
| Tax expense on net investment hedge | −268 | −22 |
| Reclassifications to income statement (divestment of operations) | 42 | 0 |
| Tax expense on reclassifications | 0 | 0 |
| Other items | 2 | −9 |
| Tax expense on other items | 0 | 0 |
| **Other comprehensive income** | **−205** | **637** |
| **Comprehensive income** | **−2 749** | **−1 832** |
| Majority share of comprehensive income | −2 740 | −1 828 |
| Minority share of comprehensive income | −9 | −4 |

**NORSKE SKOG GROUP**

**CONSOLIDATED BALANCE SHEET**

**AS OF DECEMBER 31, 2011 AND 2010**

| NOK MILLION | NOTE | 31.12.2011 | 31.12.2010 |
|---|---|---|---|
| **Assets** | | | |
| Deferred tax asset | 18 | 352 | 137 |
| Other intangible assets | 4 | 148 | 160 |
| Property, plant and equipment | 4 | 12 622 | 15 909 |
| Investments in associated companies | 20 | 422 | 209 |
| Other non-current assets | 10 | 2 258 | 2 856 |
| **Total non-current assets** | | **15 803** | **19 271** |
| Inventories | 19 | 1 867 | 2 013 |
| Receivables | 10 | 2 732 | 2 485 |
| Cash and cash equivalents | | 1 200 | 4 440 |
| Other current assets | 19 | 372 | 1 089 |
| **Total current assets** | | **6 171** | **10 027** |
| **Total assets** | | **21 974** | **29 297** |
| **Shareholders' equity and liabilities** | | | |
| Paid-in equity | | 12 303 | 12 303 |
| Retained earnings and other reserves | 23 | −4 883 | −2 143 |
| Minority interests | 22 | 13 | 22 |
| **Total equity** | | **7 433** | **10 183** |
| Pension obligations | 13 | 541 | 559 |
| Deferred tax liability | 18 | 500 | 923 |
| Interest-bearing non-current liabilities | 11 | 8 407 | 11 717 |
| Other non-current liabilities | 19 | 736 | 676 |
| **Total non-current liabilities** | | **10 184** | **13 875** |
| Interest-bearing current liabilities | 11 | 931 | 1 954 |
| Trade and other payables | 19 | 2 837 | 2 845 |
| Tax payable | 18 | 31 | 32 |
| Other current liabilities | 19 | 557 | 409 |
| **Total current liabilities** | | **4 356** | **5 240** |
| **Total liabilities** | | **14 540** | **19 115** |
| **Total equity and liabilities** | | **21 974** | **29 297** |

**OXENØEN BRUG, 29 FEBRUARY 2012—THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA**

**NORSKE SKOG GROUP**

**CONSOLIDATED CASH FLOW STATEMENT**

**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

| NOK MILLION | NOTE | 2011 | 2010 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash generated from operations | | 18 726 | 18 920 |
| Cash used in operations | | –17 594 | –18 070 |
| Cash flow from currency hedges and financial items | | 216 | 257 |
| Interest payments received | | 47 | 46 |
| Interest payments made | | –820 | –823 |
| Taxes paid | | –121 | 67 |
| **Net cash flow from operating activities** | **3** | **455** | **397** |
| **Cash flow from investing activities** | | | |
| Purchases of property, plant and equipment and intangible assets | 3 | –490 | –411 |
| Sales of property, plant and equipment and intangible assets | | 246 | 168 |
| Acquisition of shares in companies and other financial payments made | | –63 | –112 |
| Sales of shares in companies and other financial payments received | | 777 | 770 |
| **Net cash flow from investing activities** | | **470** | **415** |
| **Cash flow from financing activities** | | | |
| New loans raised | | 1 141 | 53 |
| Repayments of loans | | –5 311 | –465 |
| Purchase/sale of treasury shares | | 0 | 1 |
| New equity | | 0 | 1 |
| **Net cash flow from financing activities** | | **–4 170** | **–409** |
| Foreign currency effects on cash and cash equivalents | | 5 | –204 |
| **Total change in cash and cash equivalents** | | **–3 240** | **199** |
| Cash and cash equivalents 1 January | | 4 440 | 4 241 |
| Cash and cash equivalents 31 December | | 1 200 | 4 440 |
| **Reconciliation of net cash flow from operating activities** | | | |
| Profit/loss before income taxes | | –3 132 | –3 320 |
| Depreciation/impairments | 4 | 3 627 | 2 156 |
| Share of profit in associated companies | 20 | –198 | 17 |
| Gains and losses from divestment of business activities and property, plant and equipment | 17 | –354 | –147 |
| Taxes paid | | –121 | 67 |
| Change in receivables | | 81 | –67 |
| Change in inventories | | 59 | 4 |
| Change in trade and other payables | | –178 | –182 |
| Financial items with no cash impact | | 72 | 404 |
| Gains and losses on commodity contracts and embedded derivatives | 17 | 602 | 1 582 |
| Adjustments for items with no cash impact | | –3 | –117 |
| **Net cash flow from operating activities** | | **455** | **397** |

## NORSKE SKOG GROUP

## CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

## FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

| NOK MILLION | Paid-in equity | Retained earnings | Hedge accounting | Other equity reserves | Total before minority interests | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|
| **Equity 1 January 2010** | **12 302** | **−583** | **349** | **−81** | **11 987** | **28** | **12 015** |
| Net profit/loss for the year | 0 | −2 462 | 0 | 0 | −2 462 | −6 | −2 469 |
| Other comprehensive income | 0 | 0 | 140 | 494 | 634 | 2 | 637 |
| Change in holding of treasury shares | 2 | 0 | 0 | 0 | 2 | 0 | 2 |
| Change in ownership in subsidiaries | 0 | −2 | 0 | 3 | 1 | −3 | −2 |
| **Equity 31 December 2010** | **12 303** | **−3 048** | **489** | **416** | **10 161** | **22** | **10 183** |
| Net profit/loss for the year | 0 | −2 536 | 0 | 0 | −2 536 | −8 | −2 545 |
| Other comprehensive income | 0 | 0 | −249 | 45 | −204 | −1 | −205 |
| **Equity 31 December 2011** | **12 303** | **−5 584** | **240** | **461** | **7 420** | **13** | **7 433** |

## 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 14 fully and partly owned mills on four continents.

Norske Skogindustrier ASA is incorporated in Norway and has its head office at Oxenøen 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 29 February 2012.

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

### Reclassification in the balance sheet

A review of the balance sheet was carried out during 2011. This resulted in reclassification of certain current asset and liability items. The modified classification has been applied retrospectively, and comparative figures in the balance sheet have been restated. Prepayments to suppliers have been moved from Other current assets to Receivables. The change has an effect of NOK 73 million as at 31 December 2011 and NOK 88 million as at 31 December 2010. Accrued financial costs and short-term obligations related to financial instruments are moved from Trade and other payables to Other current liabilities. The change has an effect of NOK 216 million as at 31 December 2011 and NOK 332 million as at 31 December 2010. Accrued expenses and provisions for goods received but not invoiced are reclassified from Other current liabilities to Trade and other payables. The change has an effect of NOK 46 million as at 31 December 2011 and NOK 103 million as at 31 December 2010.

## 2. ACCOUNTING PRINCIPLES

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) Subsidiaries*

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights.

The group also assesses whether control exists where it does not have more than 50% of the voting power, but is able to govern the financial and operating policies by virtue of de-facto control. An important factor when assessing de-facto control is whether or not the group can choose the board of directors.

Subsidiaries are fully consolidated from the date at which control is transferred to the group. They are de-consolidated from the date on which such control ceases.

Intercompany transactions, balances, income and expenses on transactions are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. The accounting policies of subsidiaries have been amended where necessary to ensure consistency with the policies adopted by the group.

**2. ACCOUNTING PRINCIPLES (Continued)**

*b) Change in ownership interests in subsidiaries without loss of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Upon further acquisition of shares in subsidiaries from non-controlling interests, the difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary, is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

*c) Disposal of subsidiaries*

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

*d) Associates*

Associates are all entities over which the group exercises significant influence but not control, generally held to accompany a shareholding of 20% to 50% of the voting rights. Investments in associates are accounted for by 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 profits or losses made by its associates is recognised as Share of profit in associated companies and is assigned to the carrying value of the investment, together with the group's share of 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 group financial statements only to the extent of unrelated investors' interests in the associates.

The group determines at each reporting date 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 three operating segments: newsprint, magazine paper and energy. The newsprint segment is further segregated into two geographical regions. 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 and assessing performance of the operating segments, has been identified as the corporate management team which makes strategic decisions.

## 2. ACCOUNTING PRINCIPLES (Continued)

*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 group's consolidated income statement and balance sheet. The option in IFRS 8 allowing different accounting policies to be applied in 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 (adjusted EBITDA) and gross operating earnings after depreciation (adjusted EBIT). 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 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 group 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 exception from this is the activities in South America, where USD is 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 at 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 items.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement as Financial items.

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 of the balance sheets 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,

## 2. ACCOUNTING PRINCIPLES (Continued)

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 as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity, and translated at the closing rate.

### Property, plant and equipment

Land and buildings comprise mainly mills, machinery and office premises. All property, plant and equipment (PPE) is shown at cost less subsequent depreciation and impairments. 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 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. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of PPE.

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 repairs and maintenance 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 the assets are reviewed and adjusted, if appropriate, at each balance sheet date. 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. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

## 2. ACCOUNTING PRINCIPLES (Continued)

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, and 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: financial assets at fair value through profit or loss, loans and receivables, and financial assets available for sale. This classification depends on the purpose for which the investments were acquired. Management determines the classification of an investment 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 are either 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—*

## 2. ACCOUNTING PRINCIPLES (Continued)

*recognition and measurement*. Such contracts are treated as derivatives in accordance with IAS 39. Norske Skog currently has energy contracts in Norway and South America that do not meet the own use criteria according to IAS 39.5. The contracts must therefore be treated as derivatives and are booked to fair value through profit or loss (see also Notes 7, 8 and 9). 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. They are included in current assets, except for those maturing later than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in Receivables and Cash and cash equivalents in the balance sheet.

*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 re-measured 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) Hedges of the fair value of fixed interest loans (fair value hedge),

b) Hedging of a net investment in a foreign operation (net investment hedge),

c) 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. Norske Skog uses hedge accounting for a large amount of its economic hedging portfolio.

*a) Fair value hedge*

Changes in the fair value of derivatives that qualify as hedging and which are effective, are recorded in the income statement, together with any changes in the fair value of the of the hedged asset or liability that are attributable to the hedged risk. The ineffective part of the hedging relationship is booked as an interest cost within Financial items. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item for which the effective interest method is used, is amortised over the period to maturity. Hedging instruments that are terminated prior to maturity will be treated in the same way. If the underlying hedged item is realised or repurchased prior to maturity, any associated hedging reserve/amortised cost is recognised in the income statement on a one-to-one basis.

## 2. ACCOUNTING PRINCIPLES (Continued)

*b) Net investment hedge*

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

*c) Derivatives at fair value over 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 (see also Note 9).

### 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.

## 2. ACCOUNTING PRINCIPLES (Continued)

### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated 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 draw-down 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 re-purchase are recognised in the income statement in the same period the re-purchase occurs.

### 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. A defined contribution plan is a pension plan under which the group makes fixed contributions to a separate entity.

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,

## 2. ACCOUNTING PRINCIPLES (Continued)

together with adjustments for unrecognised actuarial gains or losses and unrecognised past service costs. 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.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are allocated to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the group makes contributions 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 relates 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*

The group has a long-term incentive plan where the allocation of synthetic options to members of corporate management is based on the development of the company's share price in relation to a defined group of listed paper producers. The programme results in a cash payout if the options are exercised. The fair value of the liability is measured at each balance sheet date and on the settlement date. 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 salary costs. 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

## 2. ACCOUNTING PRINCIPLES (Continued)

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 comprises the fair value of the consideration received or receivables 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

## 2. ACCOUNTING PRINCIPLES (Continued)

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 economic 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. 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. Emission rights sold in advance are recognised as income in line with actual consumption.

### Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group financial statements in the period in which the dividend is approved in the general meeting.

### Important accounting estimates and assumptions

The group prepares estimates and makes assumptions for the future. Accounting estimates derived from these will, by definition, seldom accord fully with the final outcome. Estimates and assumptions which represent a substantial risk for significant changes in the capitalised value of assets and liabilities during the coming fiscal year are discussed below.

*a) Estimated decline in value of intangible assets and property, plant and equipment (PPE)*

The group performs periodic tests to assess whether there has been a decline in the value of intangible assets and PPE. These are written down to their recoverable amount when the recoverable amount is lower than the assets carrying value. The recoverable amount from assets or cash-generating units is determined by calculating the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Calculation of value in use requires use of estimates.

## 2. ACCOUNTING PRINCIPLES (Continued)

The group's cash-generating units are Europe newsprint, Europe magazine paper (light weight coated (LWC)), Australasia newsprint, South America newsprint, Norske Skog Saugbrugs magazine paper (super-calendered (SC)), Norske Skog Parenco magazine paper (NorCal), Norske Skog Follum magazine paper and Norske Skog Singburi newsprint. Norske Skog Parenco was included in the cash-generating unit Europe newsprint up to and including the second quarter of 2011. In recent years, production at the mill has gradually been converted from newsprint to magazine paper. For 2011, the bulk of production consisted of magazine paper (NorCal). Since Norske Skog Parenco is the only mill in the group producing this magazine paper quality, it is included as a separate cash-generating unit.

The capitalised value of intangible assets and PPE within the cash-generating units is measured against the value in use of intangible assets and PPE within these units. A possible future change in the composition of the group's cash-generating units could mean changes in the value in use within cash-generating units, which could in turn mean a future decline in the value of intangible assets and PPE.

Calculating the value in use of intangible assets and PPE within the cash-generating units is based on estimated discounted cash flows. Cash flow is estimated individually for up to ten years for each cash-generating unit based on expected economic life. Sales prices and prices for input factors are based on short-term forecasts in the first two years and long-term price prognoses thereafter. The estimated value of operations exceeding ten years is assessed as a terminal value based on the industry average for Enterprise Value / EBITDA, adjusted for the individual asset's technical state and cash-flow horizon.

The prognosis for long-term prices is an estimated equilibrium price level which the least cost-efficient mills in the industry need in order to survive an economic cycle. Only the capacity necessary to meet market requirements is included in the analysis. For paper prices, this is supported by analysis of the marginal producers' means to survive which is affected by elements of cost as well as the market balance. Budgeted figures and long-term prices that have been applied when determining future cash flows might change. Changes in these factors will have the effect of altering the value of cash flows and thereby also the value in use within the cash-generating units. Significant changes in prognoses and long-term prices could accordingly mean a future fall in the value of intangible assets and PPE.

The required rate of return applied when discounting future cash flows is crucial for the calculated value of intangible assets and PPE. A future increase in the required rate of return when discounting future cash flows will reduce value in use and could in turn mean a future decline in the value of intangible assets and PPE.

*b) 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.

*c) 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 21 for further information.

**2. ACCOUNTING PRINCIPLES (Continued)**

*d) 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 21 for further information.

*e) 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 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 for more information.

*f) 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) includes the discount rate. Changes in these assumptions will affect the carrying value of the pension obligation.

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

The group has adopted the following new and amended IFRSs in 2011:

*IAS 1 Presentation of financial statements (amendment)*

The change means that it is no longer required to show all items that are included in comprehensive income in the statement of changes in group equity. These may instead appear as a single sum. The group has previously presented the statement of changes in equity in accordance with the amended standard, and the change has therefore not affected the presentation in the financial statements.

*IAS 24 Related party transactions (amendment)*

The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. The amendment has not had a material impact on the disclosures given in the financial statements.

*IFRS 7 Financial instruments—disclosures (amendment)*

The change clarifies the information requirement relating to financial instruments, and has not had a material impact on the disclosures given in the financial statements.

IAS 32 *Financial instruments—presentation (amendment)*

The amendment concerns rights issues in foreign currencies. When the functional currency is different from the nominal currency of the shares, the standard opens for rights issues in the nominal currency of the shares not having to be classified as liabilities. The group does not have such instruments, and the amendment has therefore not had any impact on the financial statements.

## 2. ACCOUNTING PRINCIPLES (Continued)

*IFRS 3 Business combinations (amendment)*

The amendments relate to the measurement options for non-controlling interests, contingent consideration arising from business combinations prior to adoption of IFRS 3, and the accounting treatment of share-based payment awards. The amendments have not had any impact on the financial statements.

IFRIC 13—*Customer loyalty programmes*

The interpretation concerns the measurement of points earned in customer loyalty programmes. The group does not have these types of programme, and the changes have therefore not had any impact on the financial statements.

*IFRIC 14, IAS 19—Prepayments of a minimum funding requirement (amendment)*

The amendment permits a prepayment of future service cost to be recognised as an asset rather than a cost. The amendment has not had any impact on the financial statements.

*IFRIC 19 Extinguishing financial liabilities with equity instruments*

The interpretation clarifies the accounting treatment when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor. IFRIC 19 requires a gain or loss to be recognised in the income statement when a liability is settled through the issuance of the entity's own equity instruments. The group has not carried out this type of transaction, and the change has therefore not had any impact on the financial statements.

**New standards, interpretations and amendments to existing standards**

Listed below are new standards, interpretations and changes to published standards that are not yet mandatory, and for which early adoption is permitted. These have not been early adopted in 2011:

*IAS 1 Financial statement presentation (amendment)*

Items in the statement of comprehensive income that will be reclassified to profit or loss at a future point in time must be presented separately from items that will never be reclassified. The amendment is effective for annual periods beginning 1 July 2012 or later, but has not yet been approved by the EU.

*IAS 19 Employee benefits (amendment)*

The change means that all actuarial gains and losses shall be recognised in other comprehensive income as they occur (i.e. elimination of the corridor approach), all past service costs shall be recognised immediately, and that interest cost and expected return on plan assets shall be replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The amendment is effective for annual periods beginning 1 January 2013 or later, but has not yet been approved by the EU.

*IAS 27 Separate financial statements (revised)*

The rules for consolidated financial statements are replaced by the new IFRS 10 and IFRS 12. What remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The changes are effective for annual periods beginning 1 January 2013 or later, but have not yet been approved by the EU. The changes are not expected to have a significant impact on the separate financial statements.

## 2. ACCOUNTING PRINCIPLES (Continued)

*IAS 28 Investments in associates and joint ventures (revised)*

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed, and the standard now describes the application of the equity method to investments in joint ventures in addition to associates. The change is effective for annual periods beginning 1 January 2013 or later, but is not yet approved by the EU. It is not expected that the change will have a significant impact on the financial statements.

*IFRS 7 Financial Instruments—disclosures (amendment)*

The amendment introduces new disclosure requirements related to the derecognition of financial assets. The change applies to annual periods beginning 1 July 2011 or later, but has not yet been approved by the EU. It is not expected to have a significant effect on the note disclosures given.

*IFRS 9 Financial Instruments*

The new standard replaces the provisions on recognition, classification and measurement of financial assets and financial liabilities in the current IAS 39. The standard is effective for annual periods beginning 1 January 2015 or later. The standard has not yet been approved by the EU. The group has not fully assessed the impact of the adoption of IFRS 9.

*IFRS 10 Consolidated financial statements*

The new standard builds on the existing principles that define the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control. The standard is effective for annual periods beginning 1 January 2013 or later, but has not yet been approved by the EU. The group has not fully assessed the impact of the adoption of IFRS 10.

*IFRS 11 Joint arrangements*

The new standard removes the option for jointly controlled entities to use proportionate consolidation. Instead, the equity method of accounting must be used. IFRS 11 specifies two main categories of joint control: joint ventures and joint operations. For joint ventures, joint control is recognized in accordance with the equity method, but for joint operations, the parties shall recognize their rights in the assets and liabilities included in the collaboration. The standard is mandatory for annual periods beginning 1 January 2013 or later, but has not yet been approved by the EU. It is not expected to have a material impact on the financial statements.

*IFRS 12 Disclosures of interests in other entities*

The standard contains disclosure requirements for financial interests in subsidiaries, joint ventures, associated companies, special purpose entities and other off balance sheet entities. The group has not considered the impact of IFRS 12, but the standard only affects the presentation in the financial statements. The standard is mandatory for annual periods beginning 1 January 2013 or later, but has not yet been approved by the EU.

*IFRS 13 Fair value measurement*

The standard defines what is meant by fair value when the term is used in IFRS, provides a unified description of how fair value should be determined by IFRS, and defines what additional information should be provided when fair value is used. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards. The standard is mandatory for annual periods beginning 1 January 2013 or later, but has not yet been approved by the EU. The group uses fair value as the measurement criterion for certain assets and liabilities, but has not yet fully considered the impact of IFRS 13.

## 3. OPERATING SEGMENTS

### Reportable segments

The group is divided into three operating segments: newsprint, magazine paper and energy. The segment selection is based on the product and on the organisational structure used in the group's internal performance measurement and resource allocation. The newsprint segment is further divided into two geographical regions.

At the end of 2011, Norske Skog had 14 fully or partly owned paper mills on four continents. Two of the mills produce only magazine paper, three produce both magazine paper and newsprint and nine produce newsprint only. Norske Skog Parenco was included within the operating segment for newsprint, up to and including the third quarter of 2011. From the fourth quarter of 2011, the mill is included within the operating segment for magazine paper, since production at the mill has in recent years been gradually converted from newsprint to magazine paper. The bulk of production at the mill is now magazine paper (NorCal). Both the newsprint and the magazine paper segment represent an aggregation of the paper machines in the group producing the two paper qualities.

*Newsprint*

The newsprint segment encompasses production and sale of paper qualities which, measured in grammes per square meter, will normally be in the range 40-57 g/m$^2$. These paper qualities are for instance used in newspapers, and advertising materials.

*Magazine paper*

The magazine paper segment encompasses production and sale of the paper qualities super calendered (SC), machine finished coated (MFC), light weight coated (LWC) and NorCal. These paper qualities are for instance used in magazines, periodicals, catalogs and brochures.

*Energy*

The energy segment includes purchase and sale of energy for the group's mills in Norway, sale of excess energy in the spot market and the fair value of certain energy contracts and embedded derivatives in energy contracts. The sale of energy to the mills and in the spot market is reported as Operating revenue in the energy segment, while changes in fair value of energy contracts and embedded derivatives are reported as Other gains and losses.

*Other activities*

Activities in the group that do not fall into any of the three operating segments are presented under other activities. This includes corporate functions, real estate activities, trading and sorting of recovered paper and purchase and resale of wood.

### 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 20 Investments in associated companies.

### Major customers

Norske Skog had a total sales volume of newsprint and magazine paper of 3 857 000 tonnes in 2011, of which sales to the group's largest customer constituted approximately 430 000 tonnes.

## 3. OPERATING SEGMENTS (Continued)

### OPERATING REVENUE AND EXPENSES PER OPERATING SEGMENT

| 2011 | NEWSPRINT | MAGAZINE PAPER | ENERGY | OTHER ACTIVITIES | ELIMINATIONS | NORSKE SKOG GROUP |
|---|---|---|---|---|---|---|
| **Operating revenue** | **11 967** | **6 291** | **1 497** | **2 193** | **−3 043** | **18 904** |
| Distribution costs | −1 129 | −577 | 0 | −80 | 0 | −1 786 |
| Cost of materials | −6 904 | −3 775 | −1 493 | −1 744 | 2 674 | −11 243 |
| Change in inventories | −13 | −104 | 0 | −1 | 0 | −118 |
| Employee benefit expenses | −1 597 | −976 | 0 | −220 | 0 | −2 793 |
| Other operating expenses | −1 006 | −568 | −1 | −246 | 370 | −1 450 |
| **Gross operating earnings** | **1 318** | **291** | **3** | **−98** | **0** | **1 515** |
| Depreciation | −1 145 | −488 | 0 | −25 | 0 | −1 658 |
| **Gross operating earnings after depreciation** | **174** | **−197** | **3** | **−123** | **0** | **−143** |
| Restructuring expenses | −160 | −217 | 0 | −11 | 0 | −387 |
| Other gains and losses | 20 | 115 | −497 | 160 | 0 | −201 |
| Impairments | −624 | −1 345 | 0 | 0 | 0 | −1 969 |
| **Operating earnings** | **−589** | **−1 644** | **−494** | **26** | **0** | **−2 701** |
| Share of operating revenue from external parties (%) | 99 | 95 | 33 | 28 | | 100 |

| 2010 | NEWSPRINT | MAGAZINE PAPER | ENERGY | OTHER ACTIVITIES | ELIMINATIONS | NORSKE SKOG GROUP |
|---|---|---|---|---|---|---|
| **Operating revenue** | **11 535** | **6 288** | **2 218** | **2 154** | **−3 209** | **18 986** |
| Distribution costs | −1 108 | −632 | 0 | −116 | 0 | −1 856 |
| Cost of materials | −6 761 | −3 889 | −2 064 | −1 588 | 2 763 | −11 539 |
| Change in inventories | 6 | −35 | 0 | −1 | 0 | −31 |
| Employee benefit expenses | −1 617 | −854 | 0 | −238 | 0 | −2 709 |
| Other operating expenses | −996 | −573 | −4 | −310 | 446 | −1 438 |
| **Gross operating earnings** | **1 059** | **305** | **150** | **−100** | **0** | **1 413** |
| Depreciation | −1 421 | −520 | 0 | −49 | 0 | −1 991 |
| **Gross operating earnings after depreciation** | **−363** | **−215** | **150** | **−150** | **0** | **−578** |
| Restructuring expenses | −43 | −5 | 0 | −9 | 0 | −57 |
| Other gains and losses | 44 | 7 | −1 693 | 64 | 0 | −1 578 |
| Impairments | −165 | 0 | 0 | 0 | 0 | −165 |
| **Operating earnings** | **−527** | **−214** | **−1 543** | **−95** | **0** | **−2 379** |
| Share of operating revenue from external parties (%) | 98 | 95 | 49 | 28 | | 100 |

## 3. OPERATING SEGMENTS (Continued)

### OPERATING REVENUE PER MARKET

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

| | 2011 | 2010 |
|---|---|---|
| Norway | 996 | 1 693 |
| Rest of Europe | 9 695 | 10 276 |
| North America | 1 023 | 826 |
| South America | 1 507 | 1 311 |
| Australasia | 3 657 | 3 801 |
| Asia | 1 678 | 887 |
| Africa | 348 | 193 |
| **Total** | **18 904** | **18 986** |

### NET CASH FLOW FROM OPERATING ACTIVITIES

| | 2011 | 2010 |
|---|---|---|
| Newsprint | 915 | 726 |
| Magazine paper | 262 | 319 |
| Energy | −25 | 29 |
| Other activities | −20 | −225 |
| **Total before cash from net financial items and taxes paid** | **1 132** | **850** |
| Cash from net financial items | −557 | −520 |
| Taxes paid | −121 | 67 |
| **Net cash flow from operating activities** | **455** | **397** |

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

| | 2011 | 2010 |
|---|---|---|
| Newsprint | 325 | 319 |
| Magazine paper | 156 | 52 |
| Energy | 0 | 0 |
| Other activities | 9 | 39 |
| **Total** | **490** | **411** |

### INVENTORIES

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

| | 31.12.2011 | 31.12.2010 |
|---|---|---|
| Newsprint | 1 088 | 1 230 |
| Magazine paper | 735 | 744 |
| Energy | 0 | 0 |
| Other activities | 44 | 40 |
| **Total** | **1 867** | **2 013** |

## 3. OPERATING SEGMENTS (Continued)

### 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.

| | 31.12.2011 | 31.12.2010 |
|---|---|---|
| Norway | 2 994 | 3 571 |
| Rest of Europe | 3 155 | 4 820 |
| Australasia | 5 157 | 5 396 |
| Asia | 159 | 388 |
| South America | 855 | 1 177 |
| Activities not allocated to regions | 302 | 556 |
| **Total** | **12 622** | **15 909** |

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

| OTHER INTANGIBLE ASSETS | GOODWILL | LICENSES AND PATENTS | OTHER INTANGIBLE ASSETS | TOTAL |
|---|---|---|---|---|
| Acquisition cost 1 January 2010 | 5 684 | 112 | 251 | 6 047 |
| Additions | 0 | 0 | 62 | 62 |
| Disposals | 0 | −3 | −94 | −97 |
| Reclassified from plant under construction | 0 | 2 | 0 | 2 |
| Currency translation differences | 0 | 0 | 6 | 6 |
| **Acquisition cost 31 December 2010** | **5 684** | **111** | **225** | **6 020** |
| Accumulated depreciation and impairments 1 January 2010 | 5 626 | 90 | 123 | 5 839 |
| Depreciation | 0 | 5 | 20 | 25 |
| Impairments | 0 | 0 | 0 | 0 |
| Disposals | 0 | −3 | −8 | −11 |
| Currency translation differences | 0 | −2 | 9 | 7 |
| **Accumulated depreciation and impairments 31 December 2010** | **5 626** | **90** | **144** | **5 860** |
| **Carrying value 31 December 2010** | **58** | **21** | **81** | **160** |
| Acquisition cost 1 January 2011 | 5 684 | 111 | 225 | 6 020 |
| Additions | 0 | 0 | 99 | 99 |
| Disposals | 0 | 0 | −81 | −81 |
| Reclassified from plant under construction | 0 | 0 | 0 | 0 |
| Currency translation differences | 0 | 0 | 2 | 2 |
| **Acquisition cost 31 December 2011** | **5 684** | **111** | **245** | **6 040** |
| Accumulated depreciation and impairments 1 January 2011 | 5 626 | 90 | 144 | 5 860 |
| Depreciation | 0 | 3 | 0 | 22 |
| Impairments | 0 | 0 | 0 | 0 |
| Amortisation of credit facility | 0 | 0 | 9 | 9 |
| Disposals | 0 | 0 | −1 | −1 |
| Currency translation differences | 0 | 0 | 2 | 2 |
| **Accumulated depreciation and impairments 31 December 2011** | **5 626** | **93** | **173** | **5 892** |
| **Carrying value 31 December 2011** | **58** | **18** | **72** | **148** |

## 4. OTHER INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (Continued)

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 | 31.12.2011 | 31.12.2010 |
|---|---|---|---|
| Norske Skog Golbey | 1995 | 58 | 58 |

## 4. OTHER INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (Continued)

| PROPERTY, PLANT AND EQUIPMENT | BIOLOGICAL ASSETS | MACHINERY AND EQUIPMENT | LAND AND BUILDINGS | FIXTURES AND FITTINGS | PLANT UNDER CONSTRUCTION | TOTAL |
|---|---|---|---|---|---|---|
| Acquisition cost 1 January 2010 | 390 | 41 396 | 9 570 | 1 039 | 642 | 53 037 |
| Additions | 8 | 192 | 50 | 5 | 223 | 478 |
| Disposals | −13 | −415 | −173 | −80 | 0 | −681 |
| Dismantling provision | 0 | −37 | −140 | 0 | 0 | −177 |
| Transfer to assets held for sale | 0 | −7 | −142 | 0 | −2 | −151 |
| Reclassification | 0 | 140 | −140 | 0 | 0 | 0 |
| Reclassified from plant under construction | 12 | 509 | 174 | 5 | −702 | −2 |
| Currency translation differences | 41 | 652 | −144 | −26 | 15 | 538 |
| **Acquisition cost 31 December 2010** | **438** | **42 430** | **9 055** | **943** | **176** | **53 042** |
| Accumulated depreciation and impairments 1 January 2010 | 64 | 28 711 | 5 476 | 879 | 346 | 35 476 |
| Depreciation | 1 | 1 686 | 242 | 37 | 0 | 1 966 |
| Impairments | 0 | 147 | 45 | 0 | 0 | 192 |
| Reversal of impairments | 0 | 319 | 0 | 0 | −346 | −27 |
| Value changes | 30 | 0 | 0 | 0 | 0 | 30 |
| Transfer to assets held for sale | 0 | −3 | −9 | 0 | 0 | −12 |
| Disposals | −11 | −402 | −121 | −75 | 0 | −609 |
| Currency translation differences | 21 | 201 | −84 | −21 | 0 | 117 |
| **Accumulated depreciation and impairments 31 December 2010** | **105** | **30 659** | **5 549** | **820** | **0** | **37 133** |
| **Carrying value 31 December 2010** | **333** | **11 771** | **3 506** | **123** | **176** | **15 909** |
| Acquisition cost 1 January 2011 | 438 | 42 430 | 9 055 | 943 | 176 | 53 042 |
| Additions | 0 | 50 | 68 | 7 | 408 | 533 |
| Disposals | −120 | −279 | −136 | −76 | −8 | −619 |
| Dismantling provision | 0 | 3 | 0 | 0 | 0 | 3 |
| Reclassification | 0 | −138 | 138 | 0 | 0 | 0 |
| Reclassified from plant under construction | 16 | 59 | 207 | 4 | −286 | 0 |
| Currency translation differences | 8 | 261 | −4 | −1 | 4 | 268 |
| **Acquisition cost 31 December 2011** | **342** | **42 386** | **9 328** | **877** | **294** | **53 227** |
| Accumulated depreciation and impairments 1 January 2011 | 105 | 30 659 | 5 549 | 820 | 0 | 37 133 |
| Depreciation | 7 | 1 192 | 408 | 29 | 0 | 1 636 |
| Impairments | 14 | 1 478 | 410 | 22 | 45 | 1 969 |
| Reversal of impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Value changes | −35 | 0 | 0 | 0 | 0 | −35 |
| Reclassification | 0 | −65 | 65 | 0 | 0 | 0 |
| Disposals | 74 | −230 | −16 | −76 | 0 | −248 |
| Currency translation differences | 4 | 147 | −1 | 0 | 0 | 150 |
| **Accumulated depreciation and impairments 31 December 2011** | **169** | **33 181** | **6 415** | **795** | **45** | **40 605** |
| **Carrying value 31 December 2011** | **173** | **9 205** | **2 913** | **82** | **249** | **12 622** |

## 4. OTHER INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (Continued)

Norske Skog owns forests in Australia and Brazil. 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 and purchases of property, plant, equipment and intangible assets in the cash flow statement is due to capitalised allocated emission allowances, finance leases and accruals for payments. In 2011, acquisition costs of NOK 138 million and accumulated depreciation of NOK 65 million were reclassified from machinery to land and buildings. In 2010, NOK 140 million relating to a prior year reversal of dismantling provision was reclassified from land and buildings to machinery and equipment.

### Non-current assets held for sale

In the second quarter of 2010, Norske Skog initiated a sales process for some of the group's non-production related properties in Norway. The assets had a carrying value of NOK 139 million at 31 December 2010 and were reclassified from Property, plant and equipment to Other current assets, in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* The assets were classified as part of other activities in the segment reporting. The sale was completed in 2011. Norske Skog does not have any non-current assets held for sale per 31 December 2011.

### 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. From the third quarter of 2011, Norske Skog started to use an adjusted present value model (APV) for calculating the present value of future cash flows. The reason for this is that the present value model (NPV) used previously is not very well suited to assess the value of assets in companies with poorer credit rating than BBB+ or A−3.

Nominal cash flow is estimated in the currency in which it will be generated. In the adjusted present value model, the value is calculated by discounting based on a required rate of return on equity 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. This is adjusted for a specific operational risk relevant to Norske Skog, uncertainty in the estimated cash flow and, in certain instances, a country-specific risk premium relevant to the cash-generating unit or individual asset.

When calculating value in use at the end of 2011, the discount rate after tax was in the interval from 8.6% to 12.4% (7.7% to 10.8% in 2010, but then calculated as a weighted average cost of capital). The calculations are based on cash flow and the required rate of return after tax. Net present value of future cash flows after tax is adjusted for tax effects to arrive at the value in use when assessing impairment.

When calculating value in use, the group is divided into the following cash-generating units: Europe newsprint, Europe magazine paper (light weight coated (LWC)), Australasia newsprint, South America newsprint, Norske Skog Saugbrugs magazine paper (super-calendered (SC)), Norske Skog Parenco magazine paper (NorCal), Norske Skog Follum magazine paper and Norske Skog Singburi newsprint. Norske Skog Parenco was part of the cash-generating unit Europe newsprint, up to and including the second quarter of 2011. In recent years, production at the mill has gradually been converted from newsprint to magazine paper. For 2011, the bulk of the production consists of magazine paper (NorCal). Since Norske Skog Parenco is the only mill in the group producing this magazine paper quality, it has been included as a separate cash-generating unit from the third quarter. In cases where several mills are part of a cash-generating unit, this is because production can be moved between the mills, based on what gives best profitability for the group as a whole.

## 4. OTHER INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (Continued)

Cash flow is calculated individually for up to ten years for each cash-generating unit, based on the estimated useful life. The paper industry is a capital intensive industry where investment decisions are made based on projects with a long time horizon. The production machines have a long technical life. The estimated remaining useful life of the individual paper machines forms the basis for determining the length of the cash flow period. Sales prices and input prices are based on short-term forecasts in the first two years and on long-term forecasts for prices thereafter. The short-term forecasts are based on budgets from the mills, updated with the latest estimates for sales prices and prices for input factors. The expected value of operations beyond ten years is assessed as a terminal value based on industry average for the Enterprise Value / EBITDA, adjusted for the technical quality of the specific asset and the cash flow horizon. The rate of growth in the terminal value is zero.

The prognosis for long-term prices is an estimated equilibrium price level which the least cost-efficient mills in the industry need to survive an economic cycle. Only the capacity necessary to meet market requirements is included in the analysis. As for most industrial products, paper prices show a declining real price of approximately 1-2% per year. This means that the cash flow decreases gradually in the years where long-term prices are used.

### Sensitivity to estimates of recoverable amount

The estimation of recoverable amount is based on assumptions regarding the future development of several factors. These include future changes in the prices for finished goods, sales volumes, prices for input factors (wood, recovered paper, energy, development in salaries, etc.), investment in fixed assets, foreign exchange rates and interest rates. This means that there will be uncertainty when it comes to the outcome of the calculations. Norske Skog has conducted sensitivity analyses to assess how various changes in the assumptions made will impact the recoverable amount. In relation to the assumptions made in the present value calculations, recoverable amount is most sensitive to changes in the prices of finished goods, sales volumes and currency movements. A reduction in sales prices (from 2013) and sales volume in the cash flow period of 5% would result in a reduction in the recoverable amount in the order of NOK 5 400 million and NOK 1 900 million, respectively. Similarly, a weakening of USD of 5% would lead to a reduction in the recoverable amount of approximately NOK 800 million. A price increase of 5% on the input prices for wood, recovered paper, energy and labour would reduce the recoverable amount by approximately NOK 800 million, NOK 600 million, NOK 500 million and NOK 700 million, respectively.

### Impairment losses recognised in 2011

Norske Skog has assessed the recoverable amount at each quarter-end during 2011. Total impairments recognised in 2011 amounted to NOK 1 969 million. These impairments consist of NOK 96 million for Europe newsprint, NOK 139 million for Europe magazine paper (light weight coated (LWC)), NOK 103 million Australasia newsprint, NOK 241 million South America newsprint, NOK 184 million Norske Skog Singburi newsprint, NOK 244 million Norske Skog Saugbrugs magazine paper (super-calendered (SC)), NOK 35 million Norske Skog Follum magazine paper and NOK 927 million Norske Skog Parenco magazine paper (NorCal). The impairments have mainly arisen due to a higher required rate of return, reduced cash flow horizon, a stronger Norwegian krone (Norske Skog Saugbrugs magazine paper (super-calendered (SC)), the permanent closure of Norske Skog Follum, and changes in the composition of cash-generating units (Norske Skog Parenco magazine paper (NorCal)).

### 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 the group's paper machines is reduced by one year, the annual depreciation charge will increase by around NOK 200 million.

In connection with the year-end closing process for 2011, Norske Skog performed a review of the expected remaining useful lives of property, plant and equipment. The outcome of the review was that

## 4. OTHER INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (Continued)

the lifetimes of some of the group's paper machines were extended with effect from 1 January 2012. The extended useful life means that the future annual depreciation charge will be reduced.

## 5. FINANCIAL ITEMS

| FINANCIAL INCOME | 2011 | 2010 |
|---|---|---|
| Dividends received | 1 | 1 |
| Interest income | 74 | 75 |
| Realised/unrealised gain on foreign currency | 392 | 406 |
| Other financial income | 163 | 7 |
| **Total** | **630** | **489** |

| FINANCIAL EXPENSES | 2011 | 2010 |
|---|---|---|
| Interest cost | −770 | −828 |
| Realised/unrealised loss on foreign currency | −435 | −543 |
| Other financial expenses | −54 | −43 |
| **Total** | **−1 259** | **−1 414** |
| **Net financial items** | **−629** | **−924** |

## 6. MORTGAGES

| LOANS SECURED BY MORTGAGES ON PROPERTY | 31.12.2011 | 31.12.2010 |
|---|---|---|
| Other mortgage debt | 148 | 126 |

| CARRYING VALUE OF ASSETS SECURING THIS DEBT | 31.12.2011 | 31.12.2010 |
|---|---|---|
| Property, plant and equipment | 172 | 121 |

As a general principle, Norske Skogindustrier ASA and its subsidiaries do not pledge assets above a predefined threshold in their bank loan agreements. Mortgage loans per 31 December 2011 and 31 December 2010 related to land and forest areas at Norske Skog Boyer in Australia.

## 7. FINANCIAL INSTRUMENTS

### CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

| 31.12.2011 | NOTE | Financial assets at fair value through profit or loss | Loans and receivables | Available-for-sale financial assets | Non-financial assets | Total |
|---|---|---|---|---|---|---|
| Other non-current assets | 10 | 2 029 | 39 | 117 | 73 | 2 258 |
| Receivables | 10 | 0 | 2 614 | 0 | 117 | 2 732 |
| Cash and cash equivalents | | 0 | 1 200 | 0 | 0 | 1 200 |
| Other current assets | 19 | 327 | 45 | 0 | 0 | 372 |
| **Total** | | **2 356** | **3 898** | **117** | **190** | |

## 7. FINANCIAL INSTRUMENTS (Continued)

| | 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 | 8 407 | 0 | 8 407 |
| Interest-bearing current liabilities | 11 | 0 | 931 | 0 | 931 |
| Other non-current liabilities | 19 | 191 | 0 | 546 | 736 |
| Trade and other payables | 19 | 0 | 2 837 | 0 | 2 837 |
| Other current liabilities | 19 | 320 | 0 | 237 | 557 |
| **Total** | | **511** | **12 174** | **783** | |

| 31.12.2010 | NOTE | Financial assets at fair value through profit or loss | Loans and receivables | Available-for-sale financial assets | Non-financial assets | Total |
|---|---|---|---|---|---|---|
| Other non-current assets | 10 | 2 595 | 102 | 69 | 89 | 2 856 |
| Receivables | 10 | 0 | 2 400 | 0 | 85 | 2 485 |
| Cash and cash equivalents | | 0 | 4 440 | 0 | 0 | 4 440 |
| Other current assets | 19 | 905 | 45 | 0 | 139 | 1 089 |
| **Total** | | **3 500** | **6 987** | **69** | **313** | |

| | 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 | 11 717 | 0 | 11 717 |
| Interest-bearing current liabilities | 11 | 0 | 1 954 | 0 | 1 954 |
| Other non-current liabilities | 19 | 190 | 0 | 487 | 676 |
| Trade and other payables | 19 | 0 | 2 845 | 0 | 2 845 |
| Other current liabilities | 19 | 205 | 0 | 204 | 409 |
| **Total** | | **395** | **16 516** | **691** | |

## 7. FINANCIAL INSTRUMENTS (Continued)

### FINANCIAL ASSETS AND LIABILITIES

| | 31.12.2011 | | 31.12.2010 | |
|---|---|---|---|---|
| | CARRYING AMOUNT | FAIR VALUE | CARRYING AMOUNT | FAIR VALUE |
| Derivatives | 12 | 12 | 5 | 5 |
| Commodity contracts | 2 017 | 2 017 | 2 590 | 2 590 |
| Miscellaneous other non-current assets | 229 | 229 | 260 | 260 |
| **Other non-current assets** | **2 258** | **2 258** | **2 856** | **2 856** |
| Accounts receivable | 2 373 | 2 373 | 2 241 | 2 241 |
| Other receivables | 241 | 241 | 159 | 159 |
| Prepaid VAT | 117 | 117 | 85 | 85 |
| **Receivables** | **2 732** | **2 732** | **2 485** | **2 485** |
| Cash and cash equivalents | 1 200 | 1 200 | 4 440 | 4 440 |
| Derivatives | 18 | 18 | 279 | 279 |
| Commodity contracts | 309 | 309 | 626 | 626 |
| Current investments | 45 | 45 | 45 | 45 |
| Non-financial current assets | 0 | 0 | 139 | 139 |
| **Other current assets** | **372** | **372** | **1 089** | **1 089** |
| Interest-bearing non-current liabilities[(1)] | 8 407 | 5 473 | 11 717 | 10 152 |
| Interest-bearing current liabilities[(2)] | 931 | 931 | 1 954 | 1 960 |
| **Total interest-bearing liabilities** | **9 338** | **6 403** | **13 671** | **12 112** |
| Derivatives | 0 | 0 | 35 | 35 |
| Commodity contracts | 190 | 190 | 155 | 155 |
| Non-financial non-current liabilities | 546 | 546 | 487 | 487 |
| **Other non-current liabilities** | **736** | **736** | **676** | **676** |
| Derivatives | 0 | 0 | 0 | 0 |
| Accounts payable | 1 189 | 1 189 | 1 271 | 1 271 |
| Other accounts payable | 1 648 | 1 648 | 1 574 | 1 574 |
| **Trade and other payables** | **2 837** | **2 837** | **2 845** | **2 845** |
| Derivatives | 201 | 201 | 174 | 174 |
| Commodity contracts | 119 | 119 | 31 | 31 |
| Non-financial current liabilities | 237 | 237 | 204 | 204 |
| **Other current liabilities** | **557** | **557** | **409** | **409** |

(1) The fair value of non-current bank loan debt is based on cash flows discounted using the swap rate, plus the credit default swap (CDS). The fair value of foreign bonds is calculated using price indications from banks. The fair value of Norwegian bonds is based on quotes from Bloomberg, when these are available. In other instances, published assessment values at 1 January 2012 are used.

(2) The fair value of current borrowings equals their carrying amount, as the impact of discounting is not considered to be significant.

There is uncertainty as to the calculated fair value of interest-bearing liabilities. The fair value calculation 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.

## 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 have been no breaches of these policies during 2011 or 2010.

#### 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 WITH CORRESPONDING HEDGES

| | 31.12.2011 | | | 31.12.2010 | | |
|---|---|---|---|---|---|---|
| | FLOATING | FIXED | TOTAL | FLOATING | FIXED | TOTAL |
| Interest-bearing liabilities | 1 564 | 7 481 | 9 045 | 4 479 | 8 901 | 13 381 |
| Interest-bearing assets | −1 200 | 0 | −1 200 | −4 440 | 0 | −4 440 |
| **Net exposure before hedging** | **364** | **7 481** | **7 845** | **39** | **8 901** | **8 941** |
| Fair value hedge | 195 | −195 | 0 | 195 | −195 | 0 |
| **Net exposure after hedging** | **559** | **7 286** | **7 845** | **234** | **8 706** | **8 941** |

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

*Interest rate risk—fair value hedge*

Changes in the fair value of derivatives which are designated and qualify as fair value hedges in accordance with IAS 39 *Financial Instruments—recognition and measurement* are recorded in the income statement together with any changes in the fair value of the hedged asset or liability which are attributable to the hedged risk. The market value of hedging instruments terminated before maturity will remain within interest-bearing debt as adjustments of amortised cost, until the underlying hedged item is realised.

### CHANGE IN FAIR VALUE OF INTEREST RATE DERIVATIVES AND CORRESPONDING HEDGED ITEMS

| | 2011 | 2010 |
|---|---|---|
| Changes in fair value of interest rate swaps | 3 | 4 |
| Changes in fair value of underlying debt (hedged item) | −4 | −6 |
| Ineffectiveness recognised in the income statement[1] | 1 | 1 |

(1) Ineffectiveness is presented in the income statement line Financial items.

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

*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 their 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.
- Change in fair value of interest rate swaps that are designated as fair value hedge on the group's fixed rate bonds will not influence the sensitivity calculation of either the income statement or equity. As a result of fair value hedge accounting, the changes in fair value of interest rate swaps recognised in the income statement are, to a large extent, offset by opposite changes in fair value of the underlying hedged item. Potential ineffectiveness stemming from retrospective effectiveness testing of the hedging relationship is regarded as insignificant to this analysis.
- Changes in fair value of interest rate derivatives that are not designated as a fair value hedge of the group's liabilities, and which are subsequently measured at fair value through profit or loss, are taken into consideration in the sensitivity analysis.
- Currency derivatives will only affect the sensitivity analysis to a very limited extent upon changes in the discount rate.
- Results are presented net of tax, using the Norwegian statutory tax rate of 28 per cent.

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 2011 (NOK 2 million lower/higher at 31 December 2010). Change in net interest payments accounts for NOK 3 million, and the total change in market values of derivatives carried at fair value through profit or loss accounts for NOK −1 million. Floating rate debt has decreased in 2011 due to repayments.

### b) Currency risk

*Transaction risk—cash flow hedge*

The group has revenues and costs 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 result of the hedging is included in Financial items in the income statement. Norske Skog does not use hedge accounting for the rolling cash flow hedge. The rolling cash flow hedge generated a loss of NOK 13 million in 2011 (gain of NOK 58 million in 2010). Over time, currency losses or earnings are expected to offset increased or reduced future gross operating earnings.

*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. In addition to traditional

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

debt instruments, all combined currency and interest rate swaps and forward exchange contracts are also used for hedging net investments in foreign subsidiaries.

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 2011 and 2010. The effective portion recognised in equity was a gain of NOK 19 million in 2011 (gain of NOK 162 million in 2010). The portion of the debt portfolio to which hedge accounting does not apply, was somewhat smaller in 2011 than in 2010. The foreign exchange gains and losses from such liabilities are recognised in the income statement under Financial items. During 2011, cumulative currency translation differences of NOK 12 million were reclassified to the income statement as a result of the sale of the sales office Norske Skog (USA) Inc.

### CHANGE IN FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS DESIGNATED AS NET INVESTMENT HEDGE

| | 2011 | 2010 |
|---|---|---|
| Changes in spot value of financial instruments[1] | −91 | 281 |
| The effective portion recognised in equity | 19 | 162 |
| Portion without hedge accounting recognised in the income statement | −110 | 119 |

(1) Includes the change in the value of FX forward contracts, cross-currency swap contracts and bonds.

*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 group's consolidated income statement. Moreover, foreign currency risk will also affect equity.
- Financial instruments denominated in the functional currency of the entity have no currency risk and will therefore not be applicable to this analysis. Furthermore, the foreign currency exposure of translating financial accounts of subsidiaries into the group's presentational currency is not part of this analysis.
- Sensitivity on commodity contracts and embedded derivatives is presented separately under ''Commodity risk''.
- Currency derivatives and foreign currency debt that are designated as net investment hedges and qualify for hedge accounting according to IAS 39 will only affect equity.
- Other currency derivatives that are recognised at fair value through profit and loss will affect the income statement. These effects come mainly from currency derivatives designated as hedging of the group's 12-month rolling cash flow exposure, 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, 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.

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

At 31 December 2011, if NOK had appreciated ten per cent against all currencies to which the group has significant exposure, net profit after tax from financial instruments would have been NOK 464 million higher (NOK 259 million higher at 31 December 2010). If NOK had depreciated by ten per cent at 31 December 2011 against all currencies to which the group has significant exposure, net profit after tax from financial instruments would have been NOK 503 million lower (NOK 361 million lower at 31 December 2010). Net profit after tax is affected in a non-linear manner due to changes in the fair value of options. The effect of the sensitivity analysis on the income statement is mainly caused by changes in fair value of derivatives designated as rolling cash flow hedge, and foreign exchange gains/losses on the translation of EUR and USD denominated debt for which there is no hedge accounting. Due to the fact that the portion of debt has increased in relation to the portion of cash, the effect on the income statement is larger in 2011 compared to 2010.

Given a ten per cent appreciation/depreciation of NOK, equity would have been NOK 378 million higher/lower (NOK 560 million higher/lower at 31 December 2010) as a result of foreign exchange gains/losses on financial instruments designated as net investment hedges. The sensitivity on equity excludes the effects from the sensitivity 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 either financial contracts for the purpose of trading or hedging, or physical commodity contracts that are not for the purpose of own use. 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. Hence, valuation techniques, with the use of available market information, are used as much as possible. Techniques that reflect how the market could be expected to price instruments are used in non-observable markets.

Norske Skog's portfolio of commodity contracts consists mostly of physical energy contracts. Fair value of commodity contracts is therefore especially sensitive to future changes in energy prices. The fair value of embedded derivatives in physical contracts depends on currency and price index fluctuations.

In May 2011, Norske Skog sold the energy company Enerpar-Energias do Paraná Ltda. in Brazil for NOK 410 million and in June 2010 Norske Skog sold excess electricity in Southern Norway from its long-term Norwegian electricity contract for NOK 800 million.

*Sensitivity analysis for commodity contracts*

Trading and hedging mandates have been established for energy activity. Most financial trading and hedging activities are carried out at Nasdaq OMX Commodities (formerly Nord Pool), while some financial hedging is carried out bilaterally with banks and trading companies. The trading portfolio for energy in Norway was terminated in 2011.

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

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

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 31.12.2011 | RESULT NET OF TAX CHANGE DOWN | RESULT NET OF TAX CHANGE UP |
|---|---|---|---|---|
| Energy price | change 25% | 2 021 | −1 497 | 1 495 |
| Currency | change 10% | 2 021 | −56 | 56 |

*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 31.12.2011 | RESULT NET OF TAX CHANGE DOWN | RESULT NET OF TAX CHANGE UP |
|---|---|---|---|---|
| Currency | change 10% | −5 | 179 | −179 |
| Price index | change 2.5% | −5 | 8 | −8 |

**Liquidity risk**

Norske Skog is exposed to liquidity risk when payments of financial liabilities do not correspond to the group's cash flow from operating activities. 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, except for countries that have imposed restrictions on cross-border capital flow, where liquidity risk is managed locally.

In order to uncover future liquidity risk, Norske Skog forecasts both short- and long-term cash flows. Cash flow forecasts include cash flows stemming from operations, investments, financing activities and financial instruments. The group had current investments, cash and cash equivalents of NOK 1 200 million at 31 December 2011 (NOK 4 440 million at 31 December 2010) and an undrawn credit facility of NOK 1 086 million at 31 December 2011 (fully drawn credit facilities of NOK 3 125 million at 31 December 2010). See Note 11 for more information regarding the maturity of facilities.

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 2011.

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

### MATURITY OF FINANCIAL LIABILITIES AND FINANCIAL INSTRUMENTS

| 31.12.2011 | 0 - 6 MONTHS | 6 - 12 MONTHS | 2013 - 2014 | 2015 - 2016 | > 2016 |
|---|---|---|---|---|---|
| **NON-DERIVATIVE FINANCIAL INSTRUMENTS** | | | | | |
| Principal payment on interest-bearing debt | −764 | −167 | −1 008 | −2 176 | −4 930 |
| Projected interest payment on interest-bearing debt | −414 | −253 | −1 276 | −926 | −1 710 |
| Trade payables | −2 837 | 0 | 0 | 0 | 0 |
| **Total** | **−4 015** | **−420** | **−2 284** | **−3 102** | **−6 640** |
| **NET SETTLED DERIVATIVE FINANCIAL INSTRUMENTS** | | | | | |
| Interest rate swaps—net cash flows | −14 | 4 | −2 | −5 | 1 |
| Forward rate agreements | 0 | 0 | 0 | 0 | 0 |
| Commodity contracts | 0 | 0 | 0 | 0 | 0 |
| **Total** | **−14** | **4** | **−2** | **−5** | **1** |
| **GROSS SETTLED DERIVATIVE FINANCIAL INSTRUMENTS** | | | | | |
| Foreign exchange contracts—outflows | −3 617 | −267 | 0 | 0 | 0 |
| Foreign exchange contracts—inflows | 3 483 | 266 | 0 | 0 | 0 |
| Cross-currency swaps—outflows | −542 | −6 | −271 | 0 | 0 |
| Cross-currency swaps—inflows | 449 | 5 | 213 | 0 | 0 |
| **Total** | **−241** | **2** | **−60** | **−5** | **1** |
| **Total 2011** | **−4 270** | **−414** | **−2 346** | **−3 112** | **−6 638** |

| 31.12.2010 | 0 - 6 MONTHS | 6 - 12 MONTHS | 2012 - 2013 | 2014 - 2015 | > 2015 |
|---|---|---|---|---|---|
| **NON-DERIVATIVE FINANCIAL INSTRUMENTS** | | | | | |
| Principal payment on interest-bearing debt | −122 | −1 838 | −3 873 | −1 995 | −5 318 |
| Projected interest payment on interest-bearing debt | −578 | −243 | −1 117 | −966 | −2 062 |
| Trade payables | −3 040 | 0 | 0 | 0 | 0 |
| **Total** | **−3 740** | **−2 081** | **−4 991** | **−2 960** | **−7 380** |
| **NET SETTLED DERIVATIVE FINANCIAL INSTRUMENTS** | | | | | |
| Interest rate swaps—net cash flows | 17 | 22 | −13 | −3 | 1 |
| Forward rate agreements | 1 | −4 | 0 | 0 | 0 |
| Commodity contracts | −4 | 3 | 3 | 0 | 0 |
| **Total** | **14** | **21** | **−10** | **−3** | **1** |
| **GROSS SETTLED DERIVATIVE FINANCIAL INSTRUMENTS** | | | | | |
| Foreign exchange contracts—outflows | −3 706 | −1 422 | −48 | 0 | 0 |
| Foreign exchange contracts—inflows | 3 776 | 1 465 | 45 | 0 | 0 |
| Cross-currency swaps—outflows | −1 042 | −25 | −556 | −258 | 0 |
| Cross-currency swaps—inflows | 984 | 14 | 463 | 209 | 0 |
| **Total** | **26** | **53** | **−105** | **−52** | **1** |
| **Total 2010** | **−3 700** | **−2 007** | **−5 106** | **−3 015** | **−7 378** |

## 8. FINANCIAL RISK AND HEDGE ACCOUNTING (Continued)

### Credit risk

Norske Skog makes a credit evaluation of all financial trading counterparties. The credit risk evaluation is based on credit rating and CDS (Credit Default Swap). 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's routines for credit management of trade receivables and the authority to grant credit to customers are decentralised to the sales function. An integrated credit-assessment application is used to continuously monitor the development of overdue amounts.

## 9. DERIVATIVES

### Fair value of derivatives

The table below classifies financial 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).

| 31.12.2011 | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|---|---|---|---|
| **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** | | | | |
| Trading derivatives | 0 | 23 | 0 | 23 |
| Derivatives used for hedging | 0 | 8 | 0 | 8 |
| Commodity contracts | 0 | 7 | 2 317 | 2 324 |
| **Total** | **0** | **38** | **2 317** | **2 355** |
| **FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS** | | | | |
| Trading derivatives | 0 | −177 | 0 | −177 |
| Derivatives used for hedging | 0 | −21 | 0 | −21 |
| Commodity contracts | 0 | 0 | −309 | −309 |
| **Total** | **0** | **−198** | **−309** | **−507** |

## 9. DERIVATIVES (Continued)

| 31.12.2010 | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|---|---|---|---|
| **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** | | | | |
| Trading derivatives | 5 | 178 | 0 | 183 |
| Derivatives used for hedging | 0 | 106 | 0 | 106 |
| Commodity contracts | 0 | 12 | 3 202 | 3 214 |
| **Total** | **5** | **296** | **3 202** | **3 503** |
| **FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS** | | | | |
| Trading derivatives | 0 | −59 | 0 | −59 |
| Derivatives used for hedging | 0 | −149 | 0 | −149 |
| Commodity contracts | 0 | −8 | −179 | −187 |
| **Total** | **0** | **−216** | **−179** | **−395** |

The following table shows the changes in level 3 instruments at 31 December 2011.

| | ASSETS | LIABILITIES |
|---|---|---|
| Opening balance | 3 202 | −179 |
| Investments in the period | 0 | 0 |
| Compensation from sales in the period[1] | −453 | 53 |
| Transfers into level 3 | 0 | 0 |
| Transfers out of level 3 | 0 | 0 |
| Gains and losses recognised in profit or loss | −432 | −183 |
| Closing balance | 2 317 | −309 |

(1) Sales in the period include the contracts that were included in the sale of the energy company Enerpar-Energias do Paraná Ltda. in Brazil. Gains and losses related to the realised volume from contracts in level 3 are recognised in the income statement within Other gains and losses.

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 exchange rates used are the quoted closing rates at 31 December.

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. Embedded currency options are calculated using a Black 76 valuation model, where some input assumptions have been made in absence of an active long-term option market.

The following table is presented in accordance with IFRS 7.27, showing the fair value of commodity contracts in level 3 given a change in assumptions to a reasonably possible alternative.

## 9. DERIVATIVES (Continued)

### FAIR VALUE OF DERIVATIVES IN LEVEL 3 GIVEN A REASONABLY POSSIBLE ALTERNATIVE

| | 31.12.2011 | 31.12.2010 |
|---|---|---|
| **ASSETS** | | |
| Commodity contracts | 2 220 | 3 218 |
| **LIABILITIES** | | |
| Commodity contracts | −314 | −174 |

The electricity prices for long-term electricity contracts in Norway and 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 Norway, a reasonably possible alternative at 31 December 2011 would be a parallel shift downwards of the forward curve by three per cent. In New Zealand, a reasonably possible alternative would be a parallel shift upwards of the long end of the forward curve by two per cent.

| | 31.12.2011 | | 31.12.2010 | |
|---|---|---|---|---|
| DERIVATIVES | ASSETS | LIABILITIES | ASSETS | LIABILITIES |
| **NET INVESTMENT HEDGE** | | | | |
| Forward contracts | 0 | −18 | 2 | −27 |
| Cross-currency contracts | 0 | −3 | 0 | −5 |
| **Total** | **0** | **−21** | **2** | **−32** |
| **FAIR VALUE HEDGE[1]** | | | | |
| Interest rate swaps | 8 | 0 | 5 | 0 |
| **Total** | **8** | **0** | **5** | **0** |
| **OTHER DERIVATIVES[2]** | | | | |
| Interest rate swaps | 0 | −19 | 73 | −64 |
| Forward rate contracts | 3 | −3 | 10 | −13 |
| Currency options | 12 | −21 | 30 | −54 |
| Forward contracts | 8 | −134 | 167 | −43 |
| Commodity contracts | 2 201 | −182 | 3 202 | −120 |
| Embedded derivatives | 123 | −127 | 14 | −67 |
| **Total** | **2 347** | **−486** | **3 496** | **−361** |
| **TOTAL DERIVATIVES** | | | | |
| Interest rate swaps | 8 | −19 | 78 | −64 |
| Forward rate contracts | 3 | −3 | 10 | −13 |
| Currency options | 12 | −21 | 30 | −54 |
| Forward contracts | 8 | −152 | 169 | −70 |
| Cross-currency contracts | 0 | −3 | 0 | −5 |
| Commodity contracts | 2 201 | −182 | 3 202 | −120 |
| Embedded derivatives | 123 | −127 | 14 | −67 |
| **Total** | **2 355** | **−507** | **3 503** | **−395** |

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

(1) The notional principal amount of the underlying debt in the fair value hedge was NOK 195 million at 31 December 2011 (NOK 195 million at 31 December 2010).

(2) Includes the active mandate portfolio, embedded derivatives in physical contracts, commodity hedging contracts and rolling cash flow hedging. Norske Skog does not use hedge accounting for rolling cash flow hedging and hedging of commodity costs. These contracts are presented at fair value through profit or loss.

## 10. RECEIVABLES AND OTHER NON-CURRENT ASSETS

| | NOTE | 31.12.2011 | 31.12.2010 |
|---|---|---|---|
| **RECEIVABLES** | | | |
| Accounts receivable | | 2 373 | 2 241 |
| Provision for bad debt | | −98 | −111 |
| Other receivables | | 267 | 182 |
| VAT receivables | | 117 | 85 |
| Prepaid expenses | | 73 | 88 |
| **Total** | | **2 732** | **2 485** |
| **OTHER NON-CURRENT ASSETS** | | | |
| Loans to employees | | 12 | 15 |
| Long-term shareholdings | 24 | 117 | 69 |
| Miscellaneous non-current receivables | | 27 | 88 |
| Derivatives | 7 | 12 | 5 |
| Commodity contracts | 7 | 2 017 | 2 590 |
| Pension plan assets | 13 | 73 | 89 |
| **Total** | | **2 258** | **2 856** |

The group's credit policy for sales is centralised. 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.

| AGEING OF THE GROUP'S CURRENT RECEIVABLES | 31.12.2011 | 31.12.2010 |
|---|---|---|
| Not due | 2 416 | 2 186 |
| 0 to 3 months | 327 | 302 |
| 3 to 6 months | 10 | 10 |
| Over 6 months | 77 | 98 |
| **Total**[1] | **2 830** | **2 596** |

(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

| | 31.12.2011 | 31.12.2010 |
|---|---|---|
| Bonds | 8 616 | 9 806 |
| Debt to financial institutions | 722 | 3 865 |
| **Total** | **9 338** | **13 671** |

| INTEREST-BEARING DEBT BY CURRENCY | CURRENCY AMOUNT 31.12.2011 | NOK 31.12.2011 | NOK 31.12.2010 |
|---|---|---|---|
| USD | 407 | 2 442 | 4 108 |
| EUR | 603 | 4 678 | 7 174 |
| NZD | 7 | 30 | 62 |
| AUD | 52 | 319 | 392 |
| THB | 450 | 85 | 86 |
| **Total interest-bearing debt in foreign currencies** | | **7 554** | **11 822** |
| Interest-bearing debt in NOK | | 1 784 | 1 849 |
| **Total interest-bearing debt** | | **9 338** | **13 671** |

The average interest rate at 31 December 2011 was 6.6% (5.9% at 31 December 2010).

## 11. INTEREST-BEARING LIABILITIES (Continued)

### DEBT REPAYMENT

| MATURITY OF THE GROUP'S TOTAL DEBT AT 31 DECEMBER 2011 | DEBT BANKS | BONDS | TOTAL |
|---|---|---|---|
| 2012 | 276 | 655 | 931 |
| 2013 | 58 | 0 | 58 |
| 2014 | 52 | 898 | 950 |
| 2015 | 41 | 1 027 | 1 068 |
| 2016 | 38 | 1 070 | 1 108 |
| 2017 | 35 | 3 483 | 3 518 |
| 2018 | 35 | 0 | 35 |
| 2019 | 66 | 0 | 66 |
| 2020 - 2033 | 112 | 1 199 | 1 311 |
| **Total** | **714** | **8 330** | **9 045** |

| MATURITY OF THE GROUP'S TOTAL DEBT AT 31 DECEMBER 2010 | DEBT BANKS | BONDS | TOTAL |
|---|---|---|---|
| 2011 | 281 | 1 673 | 1 954 |
| 2012 | 3 185 | 655 | 3 840 |
| 2013 | 34 | 0 | 34 |
| 2014 | 34 | 924 | 958 |
| 2015 | 34 | 1 003 | 1 037 |
| 2016 | 33 | 0 | 33 |
| 2017 | 33 | 3 853 | 3 886 |
| 2018 | 33 | 0 | 33 |
| 2019 | 94 | 0 | 94 |
| 2020 - 2033 | 101 | 1 171 | 1 272 |
| **Total** | **3 862** | **9 279** | **13 141** |

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 hedging. At 31 December 2011, the accounts included a discount of NOK 91 million (discount of 51 million at 31 December 2010). 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.

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 270 million is included in interest-bearing debt as at 31 December 2011 (NOK 338 million at 31 December 2010). 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.

Total interest-bearing debt is affected by unrealised currency effects on forward contracts and on cross-currency swap contracts. This will also differ from booked debt. At 31 December 2011, this effect decreased debt by NOK 84 million (increased debt by NOK 236 million at 31 December 2010).

At 31 December 2011, the group's holding of its own bonds amounted to NOK 361 million of Norwegian bonds (NOK 334 million at 31 December 2010). The group's holding of own bonds in foreign currency amounted to USD 29 million and EUR 63 million, respectively (USD 125 million and EUR 7 million at 31 December 2010). This is deducted from interest-bearing debt in NOK.

### LOAN COVENANTS

In the second quarter of 2011, the credit facility of EUR 400 million was repaid. In the same quarter, Norske Skog signed a new three-year credit facility of EUR 140 million and a Euro-denominated bond loan of EUR 150 million with a maturity of five years. The loan terms were later renegotiated.

## 11. INTEREST-BEARING LIABILITIES (Continued)

The loan covenants in the group's credit facility of EUR 140 million are linked, among other things, to the interest coverage ratio (EBITDA / net interest expense) and the debt ratio (net interest-bearing debt / EBITDA). According to the agreement, all key figures are calculated using a 12-month average exchange rate. The group's bond loan does not include financial covenants.

| 31.12.2011 | REPORTED KEY FIGURES | KEY FIGURES ACCORDING TO LOAN AGREEMENT(1) |
|---|---|---|
| Interest-bearing non-current liabilities | 8 407 | 8 263 |
| Interest-bearing current liabilities | 931 | 929 |
| —Hedge reserve | 270 | 256 |
| —Fair value hedge | 5 | 5 |
| —Cash and cash equivalents | 1 200 | 1 130 |
| **Net interest-bearing debt** | **7 863** | **7 801** |
| Adjusted net interest-bearing debt(2) | | 7 887 |

(1) Calculated using the average exchange rate per month for the last 12-month period.

(2) Adjusted net interest-bearing debt according to definition in loan agreement.

| 31.12.2011 | REPORTED FIGURES | LOAN COVENANTS(2) |
|---|---|---|
| EBITDA (last 12 months) | 1 515 | |
| Adjusted EBITDA(1) (last 12 months) | 1 518 | |
| Net interest expense (last 12 months) | 674 | |
| Adjusted net interest-bearing debt / Adjusted EBITDA | 5.20 | <6.00 |
| EBITDA / Net interest expense | 2.25 | >1.75 |

(1) Adjusted EBITDA consists of gross operating earnings for the group, excluding units that have been sold during the last 12 months.

(2) The loan covenants presented in the table are as at 31 December 2011.

| LOAN COVENANTS 2012 | 31.03.2012 | 30.06.2012 | 30.09.2012 | 31.12.2012 |
|---|---|---|---|---|
| Adjusted net interest-bearing debt / Adjusted EBITDA | <6.00 | <5.50 | <5.00 | <4.75 |
| EBITDA / Net interest expense | >1.75 | >2.00 | >2.25 | >2.25 |

| LOAN COVENANTS 2013 | 31.03.2013 | 30.06.2013 | 30.09.2013 | 31.12.2013 |
|---|---|---|---|---|
| Adjusted net interest-bearing debt / Adjusted EBITDA | <4.25 | <4.00 | <3.75 | <3.50 |
| EBITDA / Net interest expense | >2.50 | >2.50 | >2.75 | >2.75 |

| LOAN COVENANTS 2014 | 31.03.2014 |
|---|---|
| Adjusted net interest-bearing debt / Adjusted EBITDA | <3.50 |
| EBITDA / Net interest expense | >2.75 |

## 12. EMPLOYEE BENEFIT EXPENSES

| EMPLOYEE BENEFIT EXPENSES | NOTE | 2011 | 2010 |
|---|---|---|---|
| Salaries including holiday pay | | 2 199 | 2 115 |
| Social security contributions | | 249 | 299 |
| Pension costs | 13 | 66 | – 17 |
| Other employee benefit expenses | | 279 | 312 |
| **Total** | | **2 793** | **2 709** |

| NUMBER OF EMPLOYEES BY REGION | 31.12.2011 | 31.12.2010 |
|---|---|---|
| Europe | 3 352 | 3 407 |
| South America | 533 | 587 |
| Australasia | 854 | 892 |
| Asia | 238 | 244 |
| Corporate functions (head office) | 98 | 127 |
| **Total** | **5 075** | **5 257** |

The base salary for the president and chief executive officer (CEO) Sven Ombudstvedt at 31 December 2011 was NOK 4 000 000. Total salary and other benefits received by Ombudstvedt in 2011 amounted to NOK 5 354 385.

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 and other members of corporate management is six months. If circumstances arise in which the company or the person concerned, by mutual agreement, terminates the contract of employment in the best interests of the company, the company issues a guarantee equivalent to payment of base salary for 18 months after the end of the notice period.

The annual bonus agreements for the CEO and other members of corporate management specify a maximum payment of 50 per cent of basic salary. The basis for calculating this bonus is set annually by the board and CEO.

Remuneration to members of the corporate assembly and the board amounted to NOK 523 100 and NOK 3 405 250 respectively in 2011.

Please see Note 10 in the parent company financial statements for further information on remuneration to executive employees.

### REMUNERATION FOR OTHER 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.

| | BASE SALARY 31.12.2011 | PAYMENTS IN KIND ETC. FOR 2011[1] | BONUS 2011[2] |
|---|---|---|---|
| Sven Ombudstvedt | 4 000 | 1 238 | 850 |
| Gaute Hjelmbrekke Andreassen | 2 340 | 679 | 458 |
| Rune Gjessing | 2 130 | 689 | 475 |
| Jan-Hinrich Clasen | 2 180 | 764 | 513 |
| Audun Røneid | 2 360 | 1 116 | 553 |
| Terry Hamilton | 2 180 | 715 | 426 |

(1) Includes car allowance, provision in connection with the book reserve pension scheme, salary compensation for the transition to defined contribution pension, free telephone, etc.

(2) Based on results achieved in 2010, paid in 2011.

## 12. EMPLOYEE BENEFIT EXPENSES (Continued)

### LONG-TERM OWNERSHIP PLAN

The board adopted new principles for the long-term incentive programme in 2007, whereby the criteria for awarding synthetic shares to corporate management is related to Total Shareholder Return (TSR—development of the share price including dividend payments), such that this must be above average for a defined group of 16 listed paper manufacturers, including Norske Skog. A positive TSR for the period is also an absolute condition. This scheme will yield a 30% payout if Norske Skog performs better than the average for the reference group and a full payout if the company falls within the best quartile. The maximum annual payouts are 35 000 synthetic shares for the CEO and 17 500 for other members of corporate management, subject to a ceiling of 1.25 times the annual salary in the relevant year. At least 50% of the allocation (after tax) from this programme must be applied to purchasing shares, which must be retained until the total shareholding corresponds to a gross annual salary. Progress is measured over a three-year period, with a new period beginning each year. This scheme involves no dilution effect.

The programme was continued for 2008 and 2009. It was also continued for 2010 with some changes: the maximum annual bonus from the programme was set to NOK 4 million for the CEO and NOK 2 million for other members of corporate management (instead of a fixed number of shares), the bonus after tax must be used to purchase shares until the total shareholding in the company corresponds a certain number of shares (200 000 for the CEO and 100 000 for other members of corporate management) and the number of companies in the defined reference group, including Norske Skog, was reduced to 12. The programme was continued for 2011, and it is proposed to continue with the programme for 2012.

### REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS AND COMMITTEE MEMBERS

(in NOK 1 000)

| | SALARY | DIRECTORS FEE | REMUNERATION FOR COMMITTEE WORK |
|---|---|---|---|
| Eivind Reiten | | 537 | 25 |
| Gisèle Marchand | | 386 | 90 |
| Helge Evju | | 295 | 6 |
| Aleksandra Bech Gjørv | | 295 | 59 |
| Finn Johnsson | | 150 | |
| Paul Kristiansen | 490 | 295 | 84 |
| Åse Aulie Michelet | | 150 | 6 |
| Inge Myrlund | 633 | 295 | |
| Svein Erik Veie | 458 | 295 | |
| Halvor Bjørken[(1)] | | 145 | 18 |
| Einar Jørgen Greve[(1)] | | 108 | |
| Ingrid Wiik[(1)] | | 145 | 18 |

(1) Previous members who left the board during 2011.

## 12. EMPLOYEE BENEFIT EXPENSES (Continued)

### 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 | 1 867 | 615 | 4 991 | 442 | 7 915 |
| Audit-related assistance[1] | 2 885 | 0 | 103 | 0 | 2 988 |
| Tax assistance | 0 | 0 | 133 | 33 | 166 |
| Other fees | 752 | 0 | 2 268 | 0 | 3 020 |
| **Total** | **5 504** | **615** | **7 495** | **475** | **14 089** |

(1) Audit-related assistance includes services which only auditors can provide, such as the limited review of interim financial statements, agreed 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 4 168 current and former employees are covered by such schemes. Of these, 1 618 people are covered by defined benefit plans and 2 550 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 | 55 |
| Norske Skog Follum AS | 65 | 30 | 67 | 62 | 142 |
| Norske Skog Saugbrugs AS | 65 | 30 | 67 | 62 | 292 |
| Norske Skog Skogn AS | 65 | 30 | 67 | 62 | 215 |
| Norske Skog Parenco B.V. | 70 | 40/37 | 65/62 | 60 | 259 |
| Norske Skog Walsum GmbH | 50 - 70 | 40 | 65 - 67 | 63 | 592 |

Plan assets of the pension schemes in Norske Skogindustrier ASA, Norske Skog Follum AS, 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 has been introduced in Norway, with a contribution of 4% for earnings between 1 and 6 G and 8% between 6 and 12 G. The previous defined benefit plan has been closed and covers employees born before 1 January 1959 who were employed before the closure. When changing a company pension plan, the provisions in the Company Pension Act open up for the possibility to opt out existing old-age-, dependent- and disability pensioners from the collective pension scheme and to ensure the same pension benefits by creating individual paid-up policies.

Plan assets in Norske Skog Parenco B.V. are managed and invested in accordance with general guidelines governing investments by pension fund companies in the Netherlands.

When evaluating plan assets, their estimated value at 31 December is used. 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 of plan assets is based on historical return and the investment profile of the plan assets.

## 13. PENSION COSTS AND PENSION OBLIGATIONS (Continued)

When measuring incurred obligations, the estimated obligation at 31 December is used. 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, of which Norske Skog Walsum GmbH is the largest. 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 | 2011 | 2010 |
|---|---|---|
| Discount rate | 2.6% | 3.7% |
| Expected return on plan assets | 4.1% | 5.1% |
| Salary adjustment | 3.0% | 3.5% |
| Social security increase/inflation rate | 3.0% | 3.8% |
| Pension increase | 0.1% | 1.0% |

Subsidiaries can deviate from these assumptions if local conditions require this.

| NET PERIODIC PENSION COST IN THE GROUP FINANCIAL STATEMENTS | 2011 | 2010 |
|---|---|---|
| Current service cost | 71 | 105 |
| Interest cost | 60 | 88 |
| Pension cost defined contribution schemes | 31 | 8 |
| Expected return on plan assets | −45 | −75 |
| Accrual national insurance contributions | 3 | 14 |
| Expensed portion of changes in early retirement plan | −115 | 8 |
| Recognised curtailment and settlement | 38 | −176 |
| Actuarial gains and losses | 22 | 11 |
| **Net periodic pension cost** | **66** | **−17** |

Estimated payments to the group pension schemes in 2012 amount to NOK 50 million.

### RECONCILIATION OF THE PENSION PLANS' FINANCIAL STATUS WITH THE GROUP BALANCE SHEET

| PARTLY OR FULLY FUNDED PENSION PLANS | 31.12.2011 | 31.12.2010 | 31.12.2009 | 31.12.2008 | 31.12.2007 |
|---|---|---|---|---|---|
| Projected benefit obligations | −1 060 | −1 543 | −1 921 | −2 319 | −2 186 |
| Plan assets at fair value | 962 | 1 475 | 1 692 | 2 122 | 2 347 |
| **Plan assets in excess of/less than obligations (−)** | **−97** | **−68** | **−229** | **−197** | **161** |
| Differences in estimates not taken to income statement | 147 | 90 | 370 | 250 | −159 |
| **Net plan assets/pension obligations (−)** | **49** | **22** | **141** | **53** | **2** |
| Accrued national insurance contributions | −9 | −17 | −54 | −24 | −36 |
| **Net plan assets/pension obligations in the balance sheet** | **40** | **5** | **87** | **29** | **−34** |

## 13. PENSION COSTS AND PENSION OBLIGATIONS (Continued)

| UNFUNDED PENSION PLANS | 31.12.2011 | 31.12.2010 | 31.12.2009 | 31.12.2008 | 31.12.2007 |
|---|---|---|---|---|---|
| Projected benefit obligations | −527 | −504 | −635 | −452 | −370 |
| **Plan assets in excess of/less than obligations (−)** | **−527** | **−504** | **−635** | **−452** | **−370** |
| Differences in estimates not taken to income statement | 27 | 35 | 0 | −58 | −25 |
| **Net plan assets/pension obligations (−)** | **−500** | **−469** | **−635** | **−510** | **−395** |
| Accrued national insurance contributions | −9 | −6 | 0 | −22 | 0 |
| **Net plan assets/pension obligations in the balance sheet** | **−509** | **−475** | **−635** | **−532** | **−395** |

| RECONCILIATION OF THE PENSION PLANS WITH THE GROUP BALANCE SHEET | NOTE | 31.12.2011 | 31.12.2010 |
|---|---|---|---|
| Pension assets in the balance sheet | 10 | 73 | 89 |
| Pension liabilities in the balance sheet | | −542 | −559 |
| **Net pension obligations** | | **−469** | **−470** |
| Net unfunded pension plans | | −509 | −475 |
| Net partly or fully funded pension plans | | 40 | 5 |

| CHANGES IN PENSION LIABILITIES FOR PARTLY OR FULLY FUNDED PENSION PLANS | 2011 | 2010 |
|---|---|---|
| Balance 1 January | 1 543 | 1 921 |
| Current year's service cost | 39 | 66 |
| Current year's interest cost | 39 | 66 |
| Pension paid | −27 | −66 |
| Actuarial gains and losses | 17 | −32 |
| Curtailments/settlements | −571 | −284 |
| Other changes | 22 | −96 |
| Currency translation differences | −2 | −32 |
| **Balance 31 December** | **1 060** | **1 543** |

A return on plan assets of NOK 45 million is estimated for 2011. The actual return on the plan assets in 2010 was NOK 60 million, compared with an estimated return of NOK 75 million. The difference between the actual return and the estimated return is treated as an estimate difference.

| CHANGES IN PLAN ASSETS FOR PARTLY OR FULLY FUNDED PENSION PLANS | 2011 | 2010 |
|---|---|---|
| Balance 1 January | 1 475 | 1 692 |
| Return on plan assets | 45 | 75 |
| Actuarial gains and losses | −35 | −107 |
| Contribution to the plan assets | 0 | 28 |
| Curtailments/settlements | −522 | −202 |
| Currency translation differences | −1 | −11 |
| **Balance 31 December** | **962** | **1 475** |

## 13. PENSION COSTS AND PENSION OBLIGATIONS (Continued)

Actuarial gains and losses are adjusted in previous years.

| CHANGES IN PENSION OBLIGATIONS FOR UNFUNDED PENSION PLANS | 2011 | 2010 |
|---|---|---|
| Balance 1 January | −475 | −635 |
| Current year's service cost | −32 | −39 |
| Current year's interest cost | −21 | −22 |
| Actuarial gains and losses | 1 | 125 |
| Contributions to the plan assets | 6 | 16 |
| Curtailments/settlements | 14 | 103 |
| Other changes | −4 | −46 |
| Currency translation differences | 2 | 23 |
| **Balance 31 December** | **−509** | **−475** |

| | 2011 | | 2010 | |
|---|---|---|---|---|
| INVESTMENT PROFILE FOR PENSION FUNDS | Funds | Distribution | Funds | Distribution |
| Shares | 196 | 20% | 280 | 19% |
| Bonds | 165 | 17% | 283 | 19% |
| Bonds held to maturity | 145 | 15% | 258 | 18% |
| Properties and real estate | 295 | 31% | 371 | 25% |
| Money market | 54 | 6% | 119 | 8% |
| Other | 107 | 11% | 164 | 11% |
| **Total** | **962** | | **1 475** | |

## 14. OTHER OPERATING EXPENSES

| | 2011 | 2010 |
|---|---|---|
| Maintenance materials and services | −719 | −751 |
| Marketing expenses | −20 | −24 |
| Administration costs, insurance, travel expenses etc. | −351 | −395 |
| Losses on accounts receivable | −20 | −24 |
| Operating leases | −93 | −102 |
| Research and development | −9 | −10 |
| Changes in environmental provisions | −23 | 107 |
| Miscellaneous expenses | −216 | −239 |
| **Total** | **−1 450** | **−1 438** |
| **Specification of losses on accounts receivable** | | |
| Receivables written off during the period | −3 | −17 |
| Payments received on items previously written off | 0 | 0 |
| Change in provision for bad debt | −18 | −7 |
| **Total** | **−20** | **−24** |

## 15. LEASES

### Operating leases

The group recognised costs of NOK 93 million in relation to operating leases in 2011. The equivalent cost in 2010 was NOK 102 million.

| MINIMUM LEASE PAYMENTS RELATING TO OPERATING LEASES | 31.12.2011 | 31.12.2010 |
|---|---|---|
| Not later than one year | 42 | 45 |
| Later than one year and not later than five years | 55 | 97 |
| Later than five years | 1 | 4 |
| **Total** | **98** | **146** |

## 15. LEASES (Continued)

### 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 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 | 31.12.2011 | 31.12.2010 |
|---|---|---|
| Not later than one year | 29 | 24 |
| Later than one year and not later than five years | 98 | 81 |
| Later than five years | 165 | 154 |
| **Total** | **292** | **259** |
| Future finance charges on finance leases | −131 | −124 |
| **Present value of minimum lease payments** | **161** | **135** |

| PRESENT VALUE OF MINIMUM LEASE PAYMENTS | 31.12.2011 | 31.12.2010 |
|---|---|---|
| Not later than one year | 27 | 10 |
| Later than one year and not later than five years | 72 | 30 |
| Later than five years | 62 | 95 |
| **Total** | **161** | **135** |
| **Capitalised value of the property, plant and equipment (machinery and equipment)** | **146** | **126** |

## 16. RESTRUCTURING EXPENSES

Restructuring expenses of NOK 387 million in 2011 consisted mainly of NOK 287 million relating to the decision to shut down the paper production at Norske Skog Follum. The provision for severance pay and other payroll-related costs was NOK 115 million, of which NOK −16 million was related to the reversal of pension liabilities. The provision for other direct closure costs was NOK 172 million, of which NOK 71 million was related to the write-down of inventories (raw materials, consumables, spare parts, etc.).

Restructuring expenses of NOK 59 million were recognised in relation to provisions for severance pay in connection with a cost reduction programme at Norske Skog Walsum. The new operating model in Norske Skog, implemented in May 2011, resulted in restructuring expenses of NOK 26 million, and consisted of severance pay and other costs of NOK 13 million at Norske Skog Logistics in Antwerp, NOK 3 million at Norske Skog Focus and NOK 10 million at the head office at Oxenøen. There were also some smaller adjustments to restructuring provisions made in earlier periods.

The restructuring expenses in 2010 of NOK 57 million consisted mainly of NOK 29 million incurred as a consequence of the reorganisation of the group's European sales organisation, and non-recurring expenses of NOK 32 million in relation to outsourcing of certain administrative functions.

## 17. OTHER GAINS AND LOSSES

| | 2011 | 2010 |
|---|---|---|
| Gains and losses from divestments of business activities, property, plant and equipment | 354 | 147 |
| Changes in value—commodity contracts[1] | −652 | −1 171 |
| Changes in value—embedded derivatives | 50 | −28 |
| Changes in value—biological assets | 35 | −40 |
| Other realised gains and losses | 12 | −486 |
| **Total** | **−201** | **−1 578** |

(1) Long term commodity contracts that no longer meet the requirement in IAS 39.5 related to own use are measured at fair value.

The gain on divestments of business activities, property, plant and equipment in 2011 of NOK 354 million related primarily to the sale of Norske Skog Florestal Ltda. and Enerpar-Energias do Paraná Ltda. in Brazil (in total NOK 139 million) and property damage insurance compensation in connection with the fire at Norske Skog Saugbrugs (NOK 83 million). The remaining portion of the gain related primarily to the sale of non-production related property.

The gain on divestments of business activities, property, plant and equipment in 2010 of NOK 147 million was primarily related to the sale of non-production related property and the insurance claim for property damage after the earthquake that hit Chile and Norske Skog Bio Bio in the first quarter of 2010.

Other realised gains and losses of NOK 12 million in 2011 consisted mainly of gains from the sale of emission allowances.

Other realised gains and losses of NOK −486 million in 2010 were primarily related to sale of 1 500 GWh of excess energy in Southern Norway. The sale generated a loss of NOK 382 million.

## 18. INCOME TAXES

| TAX EXPENSE | 2011 | 2010 |
|---|---|---|
| Current tax expense | −195 | −123 |
| Change in deferred tax | 783 | 974 |
| **Total** | **588** | **851** |

| RECONCILIATION OF THE GROUP TAX EXPENSE | 2011 | 2010 |
|---|---|---|
| Profit/loss before income taxes | −3 132 | −3 320 |
| Computed tax at nominal tax rate of 28% | 877 | 930 |
| Differences due to different tax rates | −26 | 90 |
| Result from associated companies | 50 | −2 |
| Exempted income/non-deductible expenses | 11 | −3 |
| Change in tax legislation and tax rates | −4 | −5 |
| Divestment of subsidiaries[1] | −74 | 0 |
| Adjustment previous years and recognition of deferred tax assets | 122 | 7 |
| Tax losses not recognised | −379 | −118 |
| Other items | 11 | −47 |
| **Total tax expense** | **588** | **851** |

(1) In 2011 the amount is related to tax on the divestment of subsidiaries in Brazil (Enerpar-Energias do Paraná Ltda. and Norske Skog Florestal Ltda.).

## 18. INCOME TAXES (Continued)

| CURRENT TAX LIABILITY | 31.12.2011 | 31.12.2010 |
|---|---|---|
| Norway | 0 | 0 |
| Rest of Europe | 29 | 15 |
| Outside Europe | 2 | 17 |
| **Total** | **31** | **32** |

| DEFERRED TAX—MOVEMENTS | 2011 | 2010 |
|---|---|---|
| Net deferred tax liability 1 January | 786 | 1 708 |
| Deferred tax charged in the income statement | −783 | −974 |
| Divestment of subsidiaries | −166 | 0 |
| Tax expense on other comprehensive income | 336 | 57 |
| Currency translation differences | −25 | −5 |
| **Net deferred tax liability 31 December** | **148** | **786** |

| DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY | 31.12.2011 | 31.12.2010 |
|---|---|---|
| Norway | −26 | 0 |
| Rest of Europe | 0 | −8 |
| Outside Europe | −326 | −129 |
| **Deferred tax asset** | **−352** | **−137** |
| Norway | 0 | 346 |
| Rest of Europe | 204 | 220 |
| Outside Europe | 296 | 356 |
| **Deferred tax liability** | **500** | **923** |
| **Deferred tax liability—net** | **148** | **786** |

| DEFERRED TAX DETAILS | 31.12.2011 | 31.12.2010 |
|---|---|---|
| Fixed assets, excess values and depreciation | 401 | 1 161 |
| Pensions | −49 | −50 |
| Provisions and other liabilities | 241 | 179 |
| Currency translation differences and financial instruments | 512 | 1 062 |
| Deferred tax current items | −113 | −15 |
| Tax losses and tax credit to carry forward | −2 043 | −2 416 |
| Tax losses and deferred tax asset not recognised [2] | 1 198 | 866 |
| **Net deferred tax liability** | **148** | **786** |

(2) Deferred tax asset not recognised amounted to NOK 1 198 million at 31 December 2011. NOK 937 million was related to tax losses carried forward, and NOK 261 million was related to other tax deductible temporary differences.

| LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2011 | NORWAY | REST OF EUROPE | OUTSIDE EUROPE | TOTAL |
|---|---|---|---|---|
| 2012 | 0 | 231 | 0 | 231 |
| 2013 | 0 | 103 | 0 | 103 |
| 2014 | 0 | 90 | 0 | 90 |
| 2015 | 0 | 19 | 0 | 19 |
| 2016 | 0 | 0 | 0 | 0 |
| 2017 and later | 0 | 776 | 0 | 776 |
| Indefinite expiry | 2 138 | 2 515 | 916 | 5 569 |
| **Tax losses to carry forward** | **2 138** | **3 734** | **916** | **6 788** |
| Tax losses not recognised | 0 | −3 177 | 0 | −3 177 |
| **Total tax losses to carry forward—recognised** | **2 138** | **557** | **916** | **3 611** |
| **Deferred tax asset** | **598** | **187** | **265** | **1 050** |

## 18. INCOME TAXES (Continued)

| LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2010 | NORWAY | REST OF EUROPE | OUTSIDE EUROPE | TOTAL |
|---|---|---|---|---|
| 2011 | 0 | 216 | 0 | 216 |
| 2012 | 0 | 233 | 0 | 233 |
| 2013 | 0 | 104 | 0 | 104 |
| 2014 | 0 | 91 | 0 | 91 |
| 2015 | 0 | 19 | 0 | 19 |
| 2016 and later | 0 | 637 | 0 | 637 |
| Indefinite expiry | 3 171 | 2 389 | 1 259 | 6 820 |
| **Tax losses to carry forward** | **3 171** | **3 689** | **1 259** | **8 120** |
| Tax losses not recognised | 0 | −2 988 | 0 | −2 988 |
| **Total tax losses to carry forward—recognised** | **3 171** | **701** | **1 259** | **5 131** |
| **Deferred tax asset** | **888** | **281** | **324** | **1 493** |

The group has significant tax losses in several jurisdictions. These losses are included as a deferred tax asset to the extent it is expected that sufficient earnings will be earned within the time limitations applicable in the various jurisdictions. The table above summarises from which geographical areas the losses arose, as well as the portion of the losses that are not recognised as a deferred tax asset.

Deferred tax is not recognised on unrealised gains and losses on debt in foreign currency which is included in the group net investment. Total unrealised tax asset was NOK 217 million at 31 December 2011. The corresponding amount at 31 December 2010 was an unrealised tax liability of NOK 72 million.

## 19. SPECIFICATION OF BALANCE SHEET ITEMS

| | NOTE | 31.12.2011 | 31.12.2010 |
|---|---|---|---|
| **INVENTORIES** | | | |
| Raw materials and other production input | | 1 010 | 1 038 |
| Semi-manufactured materials | | 15 | 20 |
| Finished goods | | 842 | 955 |
| **Total** | 3 | **1 867** | **2 013** |
| **OTHER CURRENT ASSETS** | | | |
| Assets held for sale | 4 | 0 | 139 |
| Derivatives | 7 | 18 | 279 |
| Commodity contracts | 7 | 309 | 626 |
| Current investments | 7 | 45 | 45 |
| **Total** | | **372** | **1 089** |
| **TRADE AND OTHER PAYABLES** | | | |
| Accounts payable | | 1 189 | 1 271 |
| Accrued labour costs and taxes | | 670 | 663 |
| Accrued expenses | | 574 | 718 |
| Restructuring provision | 21 | 363 | 90 |
| Other interest-free liabilities | | 41 | 103 |
| **Total** | | **2 837** | **2 845** |
| **OTHER CURRENT LIABILITIES** | | | |
| Derivatives | 7 | 201 | 174 |
| Commodity contracts | 7 | 119 | 31 |
| Accrued emission rights | | 37 | 46 |
| Accrued financial costs | | 200 | 158 |
| **Total** | | **557** | **409** |
| **OTHER NON-CURRENT LIABILITIES** | | | |
| Derivatives | 7 | 0 | 35 |
| Commodity contracts | 7 | 190 | 155 |
| Dismantling provision | 21 | 102 | 92 |
| Environmental provision | 21 | 283 | 254 |
| Deferred recognition of government grants | | 82 | 96 |
| Other non interest-bearing debt | | 79 | 44 |
| **Total** | | **736** | **676** |

## 20. INVESTMENTS IN ASSOCIATED COMPANIES

| COMPANY | SHARE 31.12.2011 | CARRYING VALUE 31.12.2011 | SHARE OF PROFIT/ LOSS 2011 | CURRENCY TRANSLATION DIFFERENCES AND DIVESTED ENTITIES | REVERSED IMPAIRMENTS | CARRYING VALUE 31.12.2010 |
|---|---|---|---|---|---|---|
| Malaysian Newsprint Industries Sdn. Bhd. | 33.7% | 394 | 6 | 6 | 204 | 178 |
| Other associated companies | | 28 | −12 | 9 | 0 | 31 |
| **Total** | | **422** | **−6** | **15** | **204** | **209** |

Investments in associated companies are consolidated in the group financial statements 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.

## 20. INVESTMENTS IN ASSOCIATED COMPANIES (Continued)

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

The company is incorporated in Kuala Lumpur, Malaysia, and is a producer of newsprint. The possibility to reverse previously-recognised impairments in associated companies was assessed at 31 December 2011. The impairment assessment for MNI concluded that there was basis for reversal of impairments recognised previously, amounting to NOK 204 million. The carrying value of Norske Skog's investment in MNI was NOK 394 million as at 31 December 2011, which is equivalent to Norske Skog's share (33.7%) of the equity in MNI's company financial statements. Based on the company's financial statements, operating revenue in 2011 was NOK 1 015 million (NOK 949 million in 2010) and net profit was NOK 16 million (NOK −14 million in 2010). Total assets amounted to NOK 2 314 million at 31 December 2011 (NOK 2 399 million at 31 December 2010) and total liabilities were NOK 1 143 million (NOK 1 240 million at 31 December 2010).

## 21. PROVISIONS

| | RESTRUCTURING PROVISION | DISMANTLING PROVISION | ENVIRONMENTAL PROVISION |
|---|---|---|---|
| **Balance 1 January 2010** | **339** | **250** | **286** |
| Changes and new provisions | 57 | −177 | −70 |
| Utilised during the year | −338 | 0 | −11 |
| Periodic unwinding of discount | 0 | 13 | 17 |
| Divestment of subsidiaries | 0 | 0 | 0 |
| Currency translation differences | 32 | 7 | 32 |
| **Balance 31 December 2010** | **90** | **92** | **254** |
| Changes and new provisions | 350 | 3 | 28 |
| Utilised during the year | −91 | 0 | −12 |
| Periodic unwinding of discount | 0 | 5 | 12 |
| Divestment of subsidiaries | 0 | 0 | −6 |
| Currency translation differences | 14 | 2 | 7 |
| **Balance 31 December 2011** | **363** | **102** | **283** |

### Restructuring provision

The restructuring provision of NOK 363 million at 31 December 2011 is classified in the balance sheet as current liabilities. In the fourth quarter of 2011, it was decided to shut down the paper production at Norske Skog Follum. Total provisions related to the closure were NOK 248 million at 31 December 2011, of which NOK 131 million related to severance payments and NOK 117 million was other expected costs related to the shut down of the operations and clearing of the site. Another material item was a provision of NOK 59 million related to a cost reduction programme at Norske Skog Walsum. For further information see Note 16 Restructuring expenses.

### Dismantling provision

Provisions related to future dismantling costs arising from a future closing down of production facilities amounted to NOK 102 million at 31 December 2011, compared to NOK 92 million at 31 December 2010. The total amount is classified as non-current and will only be realised at the time of a future closing 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 under Financial items. 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 percent point would increase the provision by approximately NOK 10 million, with a corresponding increase in future depreciation on property, plant and equipment.

## 21. PROVISIONS (Continued)

### 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 283 million as at 31 December 2011 compared to NOK 254 as at 31 December 2010. The movement is mainly a result of significantly lower discount rates.

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 27 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 Financial items.

## 22. MINORITY INTERESTS

| | 2011 | 2010 |
|---|---|---|
| Minority interests at 1 January | 22 | 28 |
| Net profit/loss for the year attributable to minority interests | −8 | −6 |
| Changes in minority interests | 0 | −2 |
| Dividend paid to minority interests | 0 | 0 |
| Currency translation differences | −1 | 2 |
| **Minority interests at 31 December** | **13** | **22** |

## 23. EARNINGS AND DIVIDEND PER SHARE

| | 2011 | 2010 |
|---|---|---|
| Majority share of net profit/loss for the year in NOK million | −2 536 | −2 462 |
| Weighted average number of shares in 1 000 | 189 903 | 189 830 |
| Basic and diluted earnings/loss per share in NOK(1) | −13.36 | −12.97 |

(1) There were no dilution effects in 2011 or 2010.

No dividends were paid for the financial year 2010. The board of directors recommends that no dividend should be disbursed for the financial year 2011. The dividend decision will be made by the annual general meeting on 25 April 2012.

## 24. SHARES

| 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, each with book value below NOK 1 million | NOK | | | 1 104 |
| *SHARES OWNED BY OTHER GROUP COMPANIES* | | | | |
| Exeltium SAS, Paris, France | EUR | 174 504 | 4.78 | 64 678 |
| Exeltium 2 SAS, Paris, France | EUR | 3 440 | 5 | 1 275 |
| Licella Fibre Fuels Pty Ltd., Sydney, Australia | AUD | 2 857 | 12.5 | 15 236 |
| Pavatex Holding AG, Cham, Switzerland | CHF | 92 698 | 5 | 31 664 |
| Pan Innovasjon AS, Hønefoss, Norway | NOK | 720 | 27.8 | 1 000 |
| Other shares, each with book value below NOK 1 million | NOK | | | 1 869 |
| **Total** | | | | **115 722** |
| **Total shares included as financial assets** | | | | **116 826** |

## 24. SHARES (Continued)

| SHARES IN SUBSIDIARIES | CURRENCY | SHARE CAPITAL (IN 1 000) | OWNERSHIP % | CARRYING VALUE (IN NOK 1 000) |
|---|---|---|---|---|
| *SHARES IN NORWEGIAN SUBSIDIARIES OWNED BY THE PARENT COMPANY* | | | | |
| Follum Industripark AS, Hønefoss | NOK | 1 100 | 100 | 14 020 |
| Lysaker Invest AS, Lysaker | NOK | 1 504 371 | 100 | 2 004 371 |
| Nornews AS, Lysaker | NOK | 100 | 100 | 100 |
| Norske Skog Eiendom AS, Lysaker | NOK | 1 500 | 100 | 190 681 |
| Norske Skog Follum AS, Hønefoss | NOK | 20 100 | 100 | 120 |
| Norske Skog Holding AS, Lysaker | NOK | 5 000 | 100 | 8 554 |
| Norske Skog Kraft AS, Lysaker | NOK | 100 | 100 | 0 |
| Norske Skog Nordic & Export Sales AS, Lysaker | NOK | 1 100 | 100 | 324 |
| Norske Skog Saugbrugs AS, Halden | NOK | 50 100 | 100 | 1 073 120 |
| Norske Skog Shared Services AS, Lysaker | NOK | 840 | 100 | 1 072 |
| Norske Skog Skogn AS, Levanger | NOK | 50 100 | 100 | 808 779 |
| Norske Treindustrier AS, Lysaker | NOK | 3 917 340 | 100 | 12 264 196 |
| nsiFocus AS, Lysaker | NOK | 100 | 100 | 100 |
| Reparco Global Holding AS, Lysaker | NOK | 200 | 100 | 1 520 |
| Wood and Logistics AS, Lysaker | NOK | 3 000 | 100 | 3 093 |
| **Total** | | | | **16 370 051** |
| *SHARES IN FOREIGN SUBSIDIARIES OWNED BY THE PARENT COMPANY* | | | | |
| Norske Skog (Schweiz) AG, Zürich, Switzerland | CHF | 50 | 100 | 193 |
| Norske Skog Czech & Slovak Republic spol. s.r.o., Prague, Czech Republic | CZK | 400 | 100 | 112 |
| Norske Skog Denmark ApS, Værløse, Denmark | DKK | 200 | 100 | 25 |
| NSI Insurance A/S, Hvidovre, Denmark | DKK | 500 | 100 | 14 391 |
| Norske Skog Adria d.o.o., Trzin, Slovenia | EUR | 21 | 100 | 164 |
| Norske Skog Belgium N.V., Antwerp, Belgium | EUR | 480 | 100 | 3 235 |
| Norske Skog Bruck GmbH, Bruck, Austria | EUR | 20 000 | 99.9 | 165 918 |
| Norske Skog Deutschland GmbH, Augsburg, Germany | EUR | 520 | 100 | 10 063 |
| Norske Skog Espana S.A., Madrid, Spain | EUR | 90 | 100 | 10 944 |
| Norske Skog Europe Recovered Paper N.V., Antwerp, Belgium | EUR | 62 | 99.9 | 493 |
| Norske Skog France sarl., Paris, France | EUR | 235 | 100 | 7 939 |
| Norske Skog Golbey SA, Golbey, France | EUR | 137 388 | 100 | 1 153 153 |
| Norske Skog Holdings B.V., Amsterdam, The Netherlands | EUR | 170 100 | 100 | 323 |
| Norske Skog Ireland Ltd., Clonmel, Ireland | EUR | 3 | 100 | 22 |
| Norske Skog Italia SrL, Milan, Italy | EUR | 10 | 95 | 84 |
| Norske Skog Logistics N.V., Antwerp, Belgium | EUR | 62 | 100 | 540 |
| Norske Skog Papier Recycling GmbH, Bruck, Austria | EUR | 291 | 100 | 102 |
| Norske Skog Walsum GmbH, Duisberg, Germany | EUR | 150 025 | 100 | 1 011 997 |
| Norske Skog Österreich GmbH, Graz, Austria | EUR | 35 | 100 | 360 |
| Norske Skog (UK) Ltd., London, United Kingdom | GBP | 100 | 100 | 2 |
| Norske Skog Hungary Kft., Budapest, Hungary | HUF | 3 000 | 100 | 110 |
| Norske Skog Papers (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia | MYR | 5 009 | 100 | 394 154 |
| Norske Skog Polska Sp. z.o.o., Warsaw, Poland | PLN | 50 | 100 | 110 |
| Norske Skog Jämtland AB, Trångsviken, Sweden | SEK | 200 | 100 | 780 |
| Norske Skog Pisa Ltda., Jaguariaíva, Brazil | USD | 95 912 | 99.9 | 513 441 |
| Papeles Norske Skog Bio Bio S.A., Concepción, Chile | USD | 66 682 | 0.1 | 614 |
| Norske Skog Pan Asia Co. Pte. Ltd., Singapore | USD | 723 322 | 100 | 0 |
| **Total** | | | | **3 289 269** |
| **Total shares in subsidiaries owned by the parent company** | | | | **19 659 320** |

## 24. SHARES (Continued)

| SHARES IN OTHER COMPANIES OWNED BY CONSOLIDATED COMPANIES | CURRENCY | SHARE CAPITAL (IN 1 000) | OWNERSHIP % |
|---|---|---|---|
| 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 Capital (Australia) Pty Ltd., Sydney, Australia | AUD | 223 000 | 100 |
| Norske Skog Industries Australia Ltd., Sydney, Australia | AUD | 0 | 100 |
| Norske Skog Paper Mills (Australia) Ltd., Tasmania, Australia | AUD | 7 539 | 100 |
| 33027 Yukon Inc., British Columbia, Canada | CAD | 19 245 | 100 |
| 33038 Yukon Inc., British Columbia, Canada | CAD | 27 382 | 100 |
| 4159641 Canada Inc. | CAD | 1 | 100 |
| 4246799 Canada Inc. | CAD | 1 294 385 | 100 |
| Crown Forest Holdings (1995) Inc., Whitehorse, Canada | CAD | 154 360 | 100 |
| Crown Forest Industries Ltd., Whitehorse, Canada | CAD | 1 691 813 | 100 |
| NS Industries Canada Ltd., British Columbia, Canada | CAD | 229 525 | 100 |
| Tasman Equipment Ltd., Vancouver, Canada | CAD | 1 | 100 |
| Norske Skog CI Ltd., Georgetown, Cayman Islands | CHF | 13 | 100 |
| Norske Skog Forest Holdings AG, Zürich, Switzerland | CHF | 63 173 | 100 |
| Norske Skog Holdings (Schweiz) AG, Zug, Switzerland | CHF | 100 100 | 100 |
| Norske Skog Overseas Holdings AG, Zürich, Switzerland | CHF | 35 000 | 100 |
| Norske Skog PanAsia (Shanghai) Commercial Consulting Co. Ltd., Shanghai, China | CNY | 1 126 | 67 |
| Reparco Trading (Tianjin) Co., Ltd., Tianjin, China | CNY | 2 051 | 100 |
| Norske Skog Bruck GmbH, Bruck, Austria | EUR | 20 000 | 0.1 |
| Norske Skog Europe Recovered Paper N.V., Antwerp, Belgium | EUR | 62 | 0.1 |
| Norske Skog Holland B.V., Amsterdam, The Netherlands | EUR | 45 | 100 |
| Norske Skog Italia SrL, Milan, Italy | EUR | 10 | 5 |
| Norske Skog Parenco B.V., Renkum, The Netherlands | EUR | 75 456 | 100 |
| Reparco Nederland B.V., Nijmegen, The Netherlands | EUR | 227 | 100 |
| Reparco Nijmegen B.V., Nijmegen, The Netherlands | EUR | 18 | 100 |
| Reparco Randstad B.V., Gravenhage, The Netherlands | EUR | 14 | 100 |
| Reparco Renkum B.V., Renkum, The Netherlands | EUR | 18 | 100 |
| Reparco Trading B.V., Nijmegen, The Netherlands | EUR | 46 | 100 |
| Reparco UK Ltd., Bolton, United Kingdom | GBP | 5 | 100 |
| Eidsverket AS, Lysaker, Norway | NOK | 620 | 100 |
| Klosterøya AS, Lysaker, Norway | NOK | 10 100 | 100 |
| Norske Skog Canada Holding AS, Lysaker, Norway | NOK | 200 | 100 |
| Oxenøen Eiendom AS, Lysaker, Norway | NOK | 1 120 | 100 |
| Norske Skog Capital (New Zealand) Ltd., Auckland, New Zealand | NZD | 1 | 100 |
| Norske Skog Holdings (No.1) Ltd., Auckland, New Zealand | NZD | 0 | 100 |
| Norske Skog Holdings (No.2) Ltd., Auckland, New Zealand | NZD | 0 | 100 |
| Norske Skog Holdings (No.3) Ltd., Auckland, New Zealand | NZD | 1 | 100 |
| Norske Skog Tasman Ltd., Auckland, New Zealand | NZD | 600 000 | 100 |
| Norske Skog (Thailand) Company Ltd., Bangkok, Thailand | THB | 1 083 750 | 94 |
| Nórdica Energia Ltda., Curitiba, Brazil | USD | 616 | 100 |
| Norske Skog Pisa Ltda., Jaguariaíva, Brazil | USD | 95 912 | 0.1 |
| Norske Skog US Recovered Paper Inc., Pasadena, USA | USD | 250 | 100 |
| Pan Asia Paper Trading Co. Pty. Ltd., Sydney, Australia | USD | 5 000 | 100 |
| Papeles Norske Skog Bio Bio S.A., Concepción, Chile | USD | 66 682 | 99.9 |

## 25. CAPITAL RISK MANAGEMENT

Norske Skog's objective when managing capital is to maximise return on equity within the limits set by the group's external debt financing.

In order to improve the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group monitors its capital structure on the basis of interest coverage ratio (EBITDA / net interest expense) and the debt ratio (net interest-bearing debt / EBITDA). The group was within the limits for the key figures as at 31 December 2011. For more information see Note 11.

The strategy for managing capital was changed in 2011, as a result of new loan covenants. Previously, the capital management was monitored on the basis of gearing, which was calculated as net interest-bearing debt divided by equity.

## 26. 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. At the end of 2011, the group is in dialogues with tax authorities in Norway and Australia regarding previously completed transactions. The ongoing simplification of the group's corporate structure, and changes individual countries' tax laws, could increase the group's tax exposure. The group's assessment is that sufficient provisions have been made for the aforementioned conditions.

## 27. 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. A former board member, Halvor Bjørken, is a forest owner who supplies wood to the group on normal standardised terms. Bjørken left the board of directors during 2011. All contracts for supply of wood are entered into through forest owner associations or companies.

The associated company Malaysian Newsprint Industries Sdn. Bhd. purchases recovered paper from Reparco companies in the Norske Skog group. The value of total purchases made during 2011 amounted to NOK 5 million (NOK 20 million in 2010), and total amounts payable to the Norske Skog group amounted to NOK 0 million as at 31 December 2011 (NOK 3 million as at 31 December 2010).

One of the board members, Alexandra Bech Gjørv, became a partner in the law firm Hjort DA in 2010. Norske Skogindustrier ASA purchased services amounting to NOK 345 000 from this firm during 2011 (NOK 148 000 during 2010).

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

## 28. EVENTS AFTER THE BALANCE SHEET DATE

### New long-term energy contract at Skogn

On 12 January 2012, Norske Skog signed a long-term energy contract with Nord-Trøndelag Elektrisitetsverk (NTE) for the supply of electricity for the paper mill at Skogn. The agreement ensures supply of 400 GWh per year until the end of 2018.

### Sale of excess energy

In February 2012, Norske Skog signed an agreement for the sale of part of an energy contract in Southern Norway. The sold portion of the contract had an annual supply of 680 GWh through to the end of 2020.

To the Annual Shareholders' Meeting of Norske Skogindustrier ASA

**Independent auditor's report**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Norske Skogindustrier ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2011, income statement, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet as at 31 December 2011, income statement, statement of comprehensive income, changes in equity, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

*The Board of Directors and the Managing Director's Responsibility for the Financial Statements*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with simplified IFRS pursuant to § 3-9 of the Norwegian Accounting Act and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director 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 audit opinion.

*Opinion on the financial statements of the parent company*

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of Norske Skogindustrier ASA as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with simplified IFRS pursuant to § 3-9 of the Norwegian Accounting Act.

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*Org.no.: 987 009 713 MVA, Medlem av Den norske Revisorforening*

*Opinion on the financial statements of the group*

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of the group Norske Skogindustrier ASA as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

**Report on Other Legal and Regulatory Requirements**

*Opinion on the Board of Directors' report and statement of corporate governance principles and practices*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and statement of corporate governance principles and practices concerning the financial statements and the going concern assumption, and the proposal for coverage of the loss 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 management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 29 February 2012
**PricewaterhouseCoopers AS**

Fredrik Melle
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

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**You should rely on the information contained in these Listing Particulars. Neither the Issuer nor the Initial Purchasers has authorized anyone to provide you with information that is different from the information contained herein. If given, any such information should not be relied upon. Neither the Issuer nor the Initial Purchasers is making an offer of the Notes in any jurisdiction where such offering is not permitted. You should not assume that the information contained in these Listing particulars is accurate as of any date other than the date of these Listing Particulars.**

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# Norske Skog AS

€290,000,000 11.75% Senior Secured Notes due 2019

# Norske Skog Holding AS

€159,017,000 8.0% Senior Notes due 2021

US$60,649,000 8.0% Senior Notes due 2023

*Joint Global Coordinators and Joint Bookrunners*

## Goldman Sachs International

## Citigroup

, 2015

# LISTING PARTICULARS