Norske Skog

2019 ANNUAL REPORT

We took some vital and brave steps in 2019 that will have great effects on the company in the years to come.

Sven Ombudstvedt, CEO of Norske Skog


Photo: Carsten Dybevig

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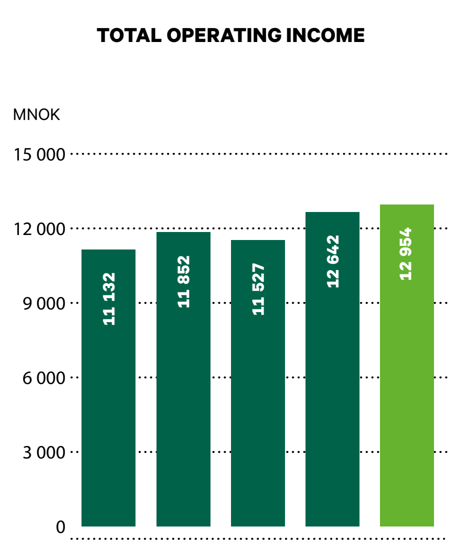
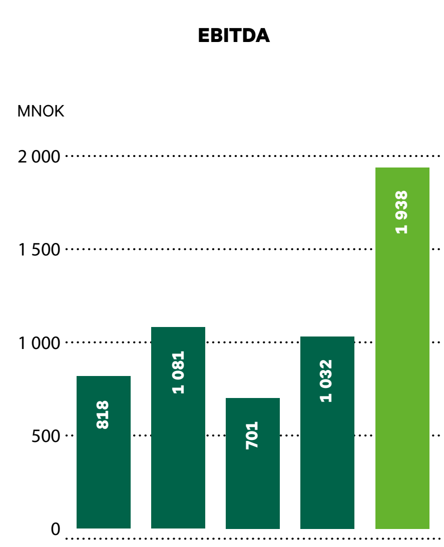
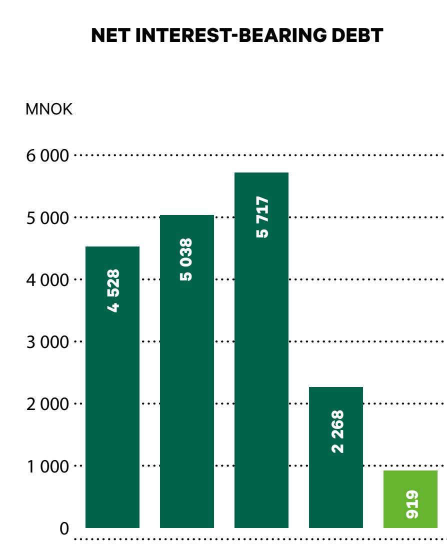
KEY FIGURES

NOK MILLION (UNLESS OTHERWISE STATED)	2015	2016	2017	2018	2019
INCOME STATEMENT					
Total operating income	11 132	11 852	11 527	12 642	12 954
EBITDA*	818	1 081	701	1 032	1 938
Operating earnings	19	-947	-1 702	926	2 398
Profit/loss for the period	-1 318	-972	-3 551	1 525	2 044
Earnings per share (NOK)**	-15.98	-11.78	-43.04	18.48	24.77
CASH FLOW					
Net cash flow from operating activities	146	514	404	881	602
Net cash flow from operating activities per share (NOK)**	1.77	6.23	4.89	10.68	7.30
Net cash flow from investing activities	-174	-105	-278	-188	-180
OPERATING MARGIN AND PROFITABILITY (%)					
EBITDA margin*	7.3	9.1	6.1	8.2	15.0
Return on capital employed (annualised)*	5.2	8.9	6.6	14.1	28.5
PRODUCTION/DELIVERIES/CAPACITY UTILISATION					
Production (1 000 tonnes)	2 366	2 506	2 494	2 492	2 310
Deliveries (1 000 tonnes)	2 356	2 520	2 491	2 485	2 285
Production / capacity (%)	85	93	93	95	89
BALANCE SHEET					
Non-current assets	9 620	7 184	4 939	4 789	5 248
Assets held for sale	0	0	0	0	631
Current assets	3 512	3 313	3 170	3 776	4 360
Total assets	13 133	10 497	8 109	8 565	10 240
Equity	4 729	2 090	-1 427	2 365	5 493
Net interest-bearing debt	4 528	5 038	5 717	2 268	919

**As defined in Alternative Performance Measures*
***Adjusted for the share split on 18 September 2019 pursuant to which the number of shares was increased from 30 000 to 82 500 000*







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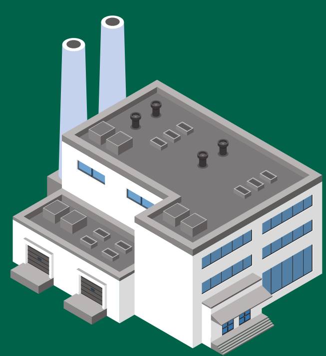
PAPER MILLS
IN 5 COUNTRIES



Skogn, Norway
Saugbrugs, Norway
Golbey, France
Bruck, Austria
Boyer, Australia
Tasman, New Zealand

CEO
Sven Ombudstvedt

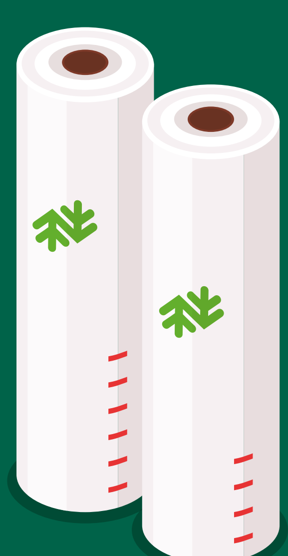
Corporate management

CFO	COO	SVP	SVP	SVP
Rune Sollie	**Amund Saxrud**	**Tore Hansesætre**	**Lars P.S. Sperre**	**Robert Wood**
		Strategic projects	*Strategy*	*Commercial*

Employees

2 359

12%
female
employees



88%
certified fibres

81%
Electricity and renewable energy

0.47 Lost time injuries per million working hours

BRAVE STEPS IN 2019 LEAVE US WITH A PROMISING FUTURE

Our employees represent the heartbeat of our company, and I am very impressed with their efforts and commitments.

We took some vital and brave steps in 2019 that will have great effects on the company in the years to come. Our mill teams have proven great ability to create profit and run our core operations effectively in a declining market. We have delivered the best operating performance in many years; in addition, we have the best health and safety results in the history of Norske Skog. Further, we issued a bond of EUR 125 million in June, and Saugbrugs was fully included in the Norwegian CO2-compensation scheme. The huge milestone was, however, when we went public on the Oslo Stock Exchange on 18 October, preparing us for future success and creating a base for new opportunities.

There has also been some tough choices along the way. Thursday 5th December marked the end of an era as the Albury Mill ceased newsprint production. Since 1981, the mill and its employees have made an outstanding contribution to the local community and the Australian economy.

At Norske Skog, we are acutely aware that we are in charge of our own destiny. We need to remain competitive in a fiercely competitive global marketplace, and we need to be innovative, creating new products and exploring new business opportunities.

Norske Skog's long-term strategy remains to improve the core business, to convert certain of the group's paper machines and to diversify the business within the bioenergy, fibre and biochemical markets. Although our employees are committed to deliver quality publication paper every day, Norske Skog is actively developing new revenue streams in synergy with existing paper production. In the years ahead of us, we will launch new green products. All these initiatives will be profitable and sustainable:

- At Bruck in Austria, we are investing in a new 50MW wide range energy boiler, utilizing refuse derived fuels and paper production residuals. This will improve the carbon footprint, further strengthen the mill's profitability and create new business beyond publication paper.
- At Saugbrugs, we will work to develop a new type of bio-composite that may be used in furniture, packaging materials and car interiors. We will develop sustainable solutions related to plastic raw materials by fibre blending, technology development and testing of bio-composites. This will contribute to decreased plastic consumption by creating new, green products with significantly reduced carbon footprint.
- Our biogas facilities at Golbey and Saugbrugs already contribute positively to our earnings, but more impressively, it has reduced our carbon footprint substantially. We will invest further to improve our biogas activities, and we are proud to be a global forerunner in the circular economy.
- At Nature's Flame in New Zealand, we have doubled the output of wood pellets to an annual capacity of 85 000 tonnes delivering to our domestic customers as well as markets in Asia.
- Likewise, there are also numerous encouraging initiatives at the Tasman (New Zealand), Skogn (Norway) and Boyer (Australia) mills.

We need to be innovative, creating new products and exploring new business opportunities.

Our core values are openness, honesty and cooperation. Our policies and guidelines build on the UN Universal Declaration of Human Rights and the 10 principles of UN Global Compact. These values guide our business activities and sustainability work across regions and are, together with our leadership principles, the fundament to ensure an ethical and competitive business conduct within and on behalf of Norske Skog. To further demonstrate our commitment, we have prepared a sustainability report aligned with the UN Sustainable Development Goals (SDGs). Some of the goals express the challenges we meet in our daily operations. Others have less direct relevance to our business, but they still constitute important goals to the communities we belong. Norske Skog is contributing to the fulfilment of the SDGs we may impact to the best of our competences.

I want to send my thanks and warm thoughts to all my colleagues running the mills 24/7 every day of the year. Our employees represent the heartbeat of our company, and I am very impressed with their efforts and commitments. Let us continue to join forces together – we have a promising future ahead of us.

SVEN OMBUDSTVEDT
CEO

BOARD OF DIRECTORS

JOHN CHIANG
Chair since 2019
Board member since 2018

Residence:
London, United Kingdom

Education:
Master of Business Administration, Harvard Business School (USA)

Bachelor of Science in Industrial Engineering and a Minor in Economics, Stanford University (USA)

Position:
Senior Partner and Portfolio Manager of Oceanwood Capital Management, (London, UK)

Directorships:
Chair of NS Norway Holding AS

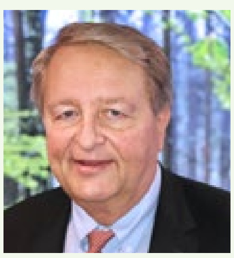
IDUNN GANGAUNE FINNANGER
Board member since 2019

Residence:
Trondheim, Norway

Education:
Master of Technology Electric Power Engineering, Norwegian University of Science and Technology (NTNU), Trondheim (Norway)

Position:
Head of Asset Management and Asset Manager, TrønderEnergi, General Manager Driva Kraftverk DA, General Manager Usma Kraft AS

Directorships:
Board member of 6AM Accelerator AS



ARVID GRUNDEKJØN
Board member since 2018

Residence:
Oslo, Norway

Education:
Executive programme, Harvard Business School (USA)

Master of Law, University of Oslo (Norway)

Master of Business and Economics, Norwegian School of Economics (Norway)

Position:
Investor and professional board member.

Directorships:
Currently on 18 different boards of directors, chair of Infima AS, Creati Estate AS, Cardid AS, Stiftelsen Fullriggeren Sørlandet and board member of KLP Eiendom and Strømme Foundation

TRINE-MARIE HAGEN
Board member since 2019

Residence:
Oslo, Norway

Education:
Four-year programme in economics and business administration consisting of three years at bachelor/undergraduate level and one year at master/graduate level (Nw: Siviløkonom), Norwegian School of Economics (NHH).

First section of law studies (Nw: 1. avdeling), University of Bergen

Position:
Group CFO Felleskjøpet Agri SA

Directorships:
Member of the board in subsidiaries of Felleskjøpet Agri SA

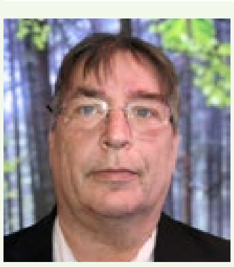
ANNELI FINSRUD NESTENG
Board member since 2019

Residence:
Lier, Norway

Education:
Master of Science in Industrial Economics and Technology Management (Universität Karlsruhe (TH)

Position:
Managing Director Hydro Aluminium Rolled Products AS

Directorships:
Member of the board Hydro Aluminium Rolled Products AS



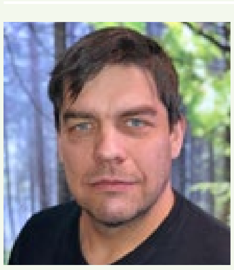
PAUL KRISTIANSEN
Board member since 2019

Residence:
Ski, Norway

Education:
Certificate of apprenticeship as process operator

Position:
Main employee representative Norske Skog Saugbrugs. Line driver at Norske Skog Saugbrugs

Directorships:
Chair Norske Skog Works Council Norway, deputy chair European Works Council, member of Global Works Council, member of the section council Fellesforbundet, council member in Halden Municipality (Labour Party) and board member of Halden Municipality Pension Fund



SVEIN ERIK VEIE
Board member since 2019

Residence:
Levanger, Norway

Education:
Process operator and industrial mechanic

Position:
Main employee representative Norske Skog Skogn, 1. machine operator Skogn

Directorships:
Chair Fellesforbundet dept. 461, representative to Fellesforbundet board, member of European Works Council and Global Employee Forum and member of Fellesforbundets department management forum Trøndelag

CORPORATE MANAGEMENT

SVEN OMBUDSTVEDT
Chief Executive Officer (CEO)
In Norske Skog since 2010

Background:r
SCD SAS:
- Senior Vice President

Yara International ASA:
- Chief Financial Officer and Head of Strategy
- Senior Vice President Upstream Operations

Norsk Hydro ASA:
- Senior Vice President Corporate Strategy
- Various positions in Hydro Agri and Norsk Hydro

Education:
Master in International Management from Thunderbird (USA)

Bachelor in Business Administration from Pacific Lutheran University (USA)

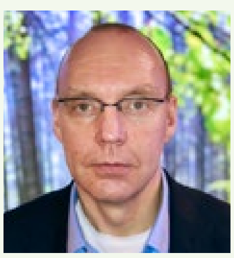
RUNE SOLLIE
Chief Financial Officer (CFO)
In Norske Skog since 2014

Background:
Senior Director Financial Reporting & Compliance, Statoil Fuel & Retail AS

Various positions in UNIconsult AS, Yara International ASA and KPMG AS

Education:
State Authorised Public Accountant, Norwegian School of Economics (Norway)

Bachelor of Science in Accounting and Auditing from Oslo University College (Norway)



AMUND SAXRUD
Chief Operating Officer (COO)
In Norske Skog since 1996

Background:
Norske Skog:
- Managing Director Norske Skog Skogn

- Production Manger Norske Skog Follum

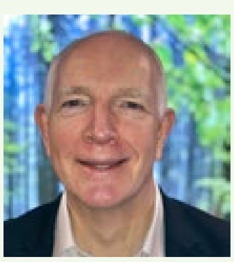
- Performance Manager Norske Skog Follum

- Production Manager in Pulp and Energy are Norske Skog Follum

- Department manager Energy/Effluent

- Process engineer

Education:
Master of Science degree from Faculty of Chemistry and Chemical Technology at the Norwegian Institute of Technology (NTH)



ROBERT A. WOOD
Senior Vice President Commercial
In Norske Skog since 1987

Background:
Norske Skog:
- Vice President Commercial

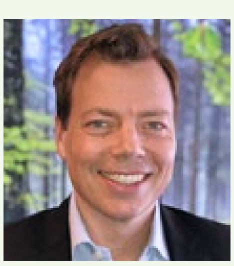
- Managing Director Central European Hub

- Vice President European Sales

- General Manager Norske Skog PanAsia (Shanghai)

Various positions in Commercial Consulting Co. Ltd. (China), Herald and Times (Glasgow), Strathclyde Police (Glasgow).

Education:
Bachelor of Science (1st Class Hons), University of Strathclyde (Scotland)



LARS P. S. SPERRE
Senior Vice President Corporate Strategy
In Norske Skog since 2006

Background:
Norske Skog:
- President and Chief Executive Officer

- Senior Vice President Corporate Strategy & Legal

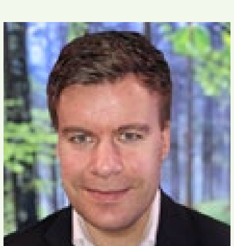
- Vice President Legal

- Legal Counsel

Associate lawyer, Wikborg Rein

Education:
Practising Certificate (2005)

Master of Law (Cand. Jur.), University of Bergen (2002)



TORE HANSESÆTRE
Senior Vice President Strategic Projects
In Norske Skog since 2009

Background:
Norske Skog:
- Chief Operating Officer

- Vice President Operations

- Manager Operation Support

- Senior Advisor Business Performance

- Corporate Strategy Analyst

Education:
Master of Science in Industrial Economics and Technology Management, Norwegian University of Science and Technology (NTNU), Trondheim (Norway)

Norske Skog Saugbrugs granted CO2-compensation

The Ministry of Climate and Environment amends The Norwegian Environment Agency's decision of 19 December 2013 on the basis for CO2-compensation for Norske Skog Saugbrugs AS. The changes are that Saugbrugs will not receive a reduction in CO2-compensation for the years 2018, 2019 and 2020.

Sven Ombudstvedt, CEO of Norske Skog, commented:

- This is a very gratifying message, and I would like to pay tribute to the Government, which has used the legal scope here to provide one of the world's most climate-friendly paper mills with CO2 compensation in line with other qualified industries".

The Minister of Climate and Environment Ola Elvestuen, Minister of Industry Torbjørn Røe Isaksen, CEO Sven Ombudstvedt and Managing Director of Saugbrugs Kjell Arve Kure was present in a common press conference at Saugbrugs. Along with the Mayor of Halden Thor Edquist, they all elaborated on the very positive decision made.

From left Sven Ombudstvedt, Kjell Arve Kure, Ola Elvestuen, Thor Edquist, Joakim Karlsen, Torbjørn Røe-Isaksen and Ingjerd Schou.

From left Sven Ombudstvedt and Enzo Zadra.

Bruck Mill wins President's Health & Safety Award for 2019

The prize was awarded for excellent emergency preparedness, and their outstanding facilities for managing health and safety risks in the operation.

Picture: Enzo Zadra, Managing Director at Bruck mill receiving the President's H&S award from Sven Ombudstvedt, CEO Norske Skog

"I want to congratulate Bruck mill with the President's Health & Safety (H&S) award for 2019. I am personally very impressed and thankful for their efforts to keep employees at Bruck safe at work. Bruck has a positive trend of fewer incidents, and they are the mill who does the most audits", says Sven Ombudstvedt.

The purpose of the President's H&S award is to strengthen engagement and stimulate H&S attitude and activity, as well as give support to the winners and thanks to all employees for their contribution to the results. Another goal for the award is to develop and exchange experience and good practice regarding H&S through competition. The award will stimulate H&S awareness and continuation of positive H&S progress.

In the picture from left are the CEO Sven Ombudstvedt and then the board members: Arvid Grundekjøn, Anneli Finsrud Nesteng, Trine-Marie Hagen, Idunn Gangaune Finnanger and John Chiang (chair).

Norske Skog share is trading at **Oslo Stock Exchange** (OSE)

In an official opening ceremony at Oslo Stock Exchange on 18 October 2019, Norske Skog ASA became publically listed. CEO Sven Ombudstvedt rang "the bell" at exactly 09:00 CET on 18 October 2019. The board of directors, the management team and advisors attended the ceremony.

CEO Sven Ombudstvedt expressed:

"We are very satisfied to be back on Oslo Stock Exchange. We have strong assets and a very promising balance sheet. Norske Skog has a strong market positions in Europe and Australasia. In addition, new promising, green growth initiatives within fibre, bio-energy and -chemicals will soon be an increasing part of our operations in synergy with the existing paper production."

Jens Borge honoured with prize for his HSEQ Leadership

Norske Skog's Corporate Vice President Health Safety Environment & QA (HSEQ) Jens Borge was awarded the Norwegian Paper Industry Prize for 2019. The prize was awarded to Mr. Borge for his strong commitment and engagement for improved health safety and environmental work in the Norwegian and international pulp and paper industry.

The committee awarding the prize on behalf of the PFI Foundation gives the following description of Mr. Jens Borge's qualifications for the prize:

"Jens Borge is actively committed to share learnings across locations, both in Norske Skog and in the industry. A key example of this is the introduction of shared standards and reporting tools, SYNERGI, for HSEQ in Norske Skog, which enables strong routines and learning across mills throughout the company. He established and currently leads the health and safety committee in CEPI (The Confederation of European Paper Industries) to ensure learning across the pulp and paper industry in Europe. He systematically works on sharing knowledge and "best practices" between mills and units."

Congratulations to Jens Borge!

Professor Størker Moe and Jens Borge.

Norske Skog Saugbrugs and Borregaard collaborating on bio-composites

Innovation Norway has allocated NOK 17 million for research and development of fibre composites at Norske Skog Saugbrugs and Borregaard. The parties will work to develop a new type of bio-composite that may include furniture, packaging and car interiors. Norske Skog and Borregaard will develop sustainable solutions related to plastic raw materials, fibre blending, technology development and testing of bio-composites.

- We want to contribute to decreased plastic consumption by creating new, green products with significantly reduced carbon footprint. Another goal is to find good solutions to recycle substantially more plastic than today, says Kjell-Arve Kure, Managing Director at Norske Skog Saugbrugs.

In a research project amounting to NOK 20 million, Norske Skog Saugbrugs will seek to find solutions to problems related to plastic raw materials, fibre blending, technology development and bio-composite testing. The research and development to produce bio-composites will mainly take place at a demonstration plant being built at Norske Skog Saugbrugs.

Deanne Heier with the award.

Deanne Heier from Norske Skog Boyer won prestigious award

Deanne Heier from Norske Skog Boyer, won the well contested inaugural Brice Charles Landman Memorial Award for the Young Professional of the Year at this year's APPITA Awards dinner in Melbourne.

"I was very pleased, and honored to receive the award. It was also humbling because there are many talented young professionals in the industry and I have enjoyed getting to know some of them better through the Appita Young Professionals Network. I also feel very grateful to all the people who have supported and encouraged me through my career to date," says Deanne Heier winner of the award.

She is now looking forward to completing the final semester of her Master of Bioproduct Manufacturing Engineering degree that she is studying through NSEEF support at BioPRIA, Monash University.

Collaboration on business development

Norske Skog Skogn and Levanger municipality initiated a collaboration to develop the industrial areas at Fiborgtangen, one of central Norway's largest industrial areas. The municipality of Levanger wants to further develop the industrial base in the municipality of Levanger. Through a possible ownership of the industrial areas at Fiborgtangen, the municipality of Levanger will be able to better control the further business development in the municipality.

Norske Skog Skogn is considering possible sales of the commercial areas on Fiborgtangen to the municipality of Levanger and possibly other co-investors. Parts of the areas have already been worked on, while some of the areas are still empty. Norske Skog Skogn currently produces steam, electricity and heated water that can be utilized by new establishments in the area. The total area on Fiborgtangen is 400 acres.

Norske Skog Golbey: Green Valley Energie project preferred in a public tender

The Minister of Ecological Transition selected the Green Valley Energie (GVE) project as part of the French Energy Regulatory Commission's (CRE) call for tenders for the development of biomass cogeneration plants. The GVE project, supported by a partnership between Norske Skog Golbey (NSG) and Véolia Industries Global Solutions (Véolia), involves the design and construction of a new biomass cogeneration plant: Green Valley Energie.

The Green Valley Energie project was among the 14 winners of the invitation to tender for the development of biomass cogeneration plants announced on December 13 by Élisabeth Borne, Minister for the Ecological Transition.

- Norske Skog is honoured by being choosen by the CRE to deliver new green energy. The new energy plant will both deliver steam to the industry and electricity to the grid, a perfect utilization of the biomass resources. We believe this energy plant will trigger new investments and secure the industry business cluster in the Green Valley ahead, says Sven Ombudstvedt, CEO of Norske Skog group.

This new industrial facility aims to produce steam for all Green Valley industries, as well as green electricity. The energy will be produced from waste from the production of pulp and biomass in the form of class B wood. The biomass cogeneration unit will produce 200 GWh of electricity and more than 500 GWh of steam annually.

Photo: Carsten Dybevig

ABOUT NORSKE SKOG'S OPERATIONS

Norske Skog is a global producer of both newsprint and magazine publication paper. The group has a total production capacity of 2.3 million tonnes split between the group's six mills in Europe and Australasia. In Europe, the group operates four mills, two in Norway, one in France and one in Austria, with a combined 1.9 million tonnes of publication paper production capacity. The group estimates that it is the third largest European producer of publication paper and the group exports products to North America, Africa and the Middle East, which are the most important export destinations from Europe. In Australasia, the group operates one mill in Australia and one mill in New Zealand with a combined 0.4 million tonnes of publication paper production capacity. The group is the sole producer of newsprint and magazine publication paper in the region where the group has a leading position in a concentrated newsprint and magazine paper market and only competes with imports. Our mills in Australia and New Zealand also export to Asia.

The group's newsprint paper products include standard and improved grades, while the group's magazine paper products comprise uncoated super-calendared paper ("SC") and lightweight coated paper ("LWC"). The end uses of the group's products are mainly newspapers and magazines, but also include catalogues, inserts/flyers, supplements, free-sheets, directories, direct mail, brochures and book paper. The group sells its products under well-known brands, including Nornews, Norbright, NorX, Norstar, Norcote, NorSC, Norbook, Vantage and Tasman Directory. The group's customers include publishers of leading newspapers and magazines in Europe, Australasia and the rest of the world. The group has longstanding relationships with several of its largest customers.

In Europe, the group serves a diversified customer base including internationally recognised publishers, retailers and commercial printers, with the top 15 customers representing approximately 30% of revenue.

The group's market shares based on production capacity for newsprint, SC magazine paper and LWC magazine paper in Western Europe are approximately 22%, 12% and 4% respectively, according to PPPC. In Australasia the group is the sole producer of publication paper, but the group estimates a market share in terms of publication paper delivery of approximately 85% for newsprint and 25% for magazine paper.

The group has approximately 2 350 employees. In addition to the traditional publication paper business, new growth initiatives related to renewable energy, biochemical products and fibre products have been launched.

STAKEHOLDER AND MATERIALITY ANALYSIS

The stakeholders affect Norske Skog's decisions, activities and performance in many ways. In our opinion, our most important stakeholders are our own employees, local communities where we operate, investors and owners, customers and our key suppliers. When determining which sustainability topics that are the most material ones for Norske Skog, we have also assessed to what extent different stakeholder groups are affected by our activities and/or to what extent they are affecting our sustainability work and performance. This is based on our on-going interactions and dialogues with the different stakeholder groups. One example is that the commercial organization in Norske Skog regularly performs customer surveys. The most important customers are followed up closely for each delivery. Other examples of cooperation and interaction with different stakeholders are included under the different sections of the sustainability report.

The materiality analysis highlights areas of opportunity and risk that will be fundamental to the group's strategy and integrated in daily operational activities. Environmental issues have been a concern to a great number of stakeholders since the start-up of Norske Skog in 1962. The aspects of the environmental category have undergone a substantial quality improvement. The group has achieved significant results in collaboration with stakeholders, national authorities and employee initiatives. Norske Skog has also through the years been nationally recognized for its labour practices and excellent work environment, and the outstanding health and safety performance compared to the industry average.

During 2019 our materiality analysis has been revised and approved by the Corporate management. The outcome of the materiality review shows that the GRI Standards topics Economic performance, Anti-corruption, Emissions (including greenhouse gas emissions), Effluents and waste, and Occupational health and safety have the most vital impact on Norske Skog and our stakeholders. For Norske Skog, the topics Raw materials and Anti-competitive behaviour will also have serious impact on daily and long-term business performance.

This priority is reflected in the sustainability report and included in the presentations related to each of the 17 UN Sustainable Development Goals. A total overview of which GRI Standards we report on can be seen from the GRI Index presented on our homepages:

https://www.norskeskog.com/Responsibility/Corporate-social-responsibility-(CSR)/Global-Reporting-Initiative-(GRI)/GRI-table

NORSKE SKOG AND THE UN SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Norske Skog supports all 17 SDGs, but realize that some are more relevant to our business than others.

The UN Sustainable Development Goals (SDGs), adopted by world leaders in September 2015, are a call for action for all countries and businesses to promote prosperity while protecting the planet. The 17 SDGs address the global challenges we face, including those related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice. The SDGs interconnect and it is important that the world achieves each of the SDGs and its targets set for 2030.

Norske Skog supports all 17 SDGs, but realize that some are more relevant to our business than others. During 2019, we have assessed which of these 17 goals that we consider are the most relevant for Norske Skog, and those where we believe we can make a difference and contribute positively.

WE HAVE ASKED OURSELVES THESE QUESTIONS:

- To what extent do the SDGs affect our operations and business strategies?
- To what extent may we influence and contribute to the achievement of the specific goal?

Our assessment included input from a workshop with representatives from all our mills focusing on which of the SDGs that are the most relevant ones for our operations. We believe that we can make the greatest difference and contribute positively through the prioritized SDGs highlighted in the illustration.

We have summarized what the prioritized SDGs mean to us in one sentence: Norske Skog shall create value for people and society in a responsible way, while maintaining a sustainable environment and use of natural resources.

To be a profitable business is fundamental for creating jobs and value for society through our operations and products. Profit must be created in a sustainable and responsible way. This means that, besides being a financially profitable business, we must have a strong governance practice, the way we operate must be safe for our employees, and we need to continuously improve through innovation.

Our operations must be based on sustainable sourcing, e.g. using certified wood and chips documented through Chain of Custody. We must be resource and energy effective in all our operations. Environmental impacts from our supply chain and our mills must be minimized.

For each of the prioritized SDGs we summarize in this report how we relate to the goals, e.g. our ambitions and relevant targets and actions initiated or planned. We will in 2020 work on developing our own goals and measure our performance. For the SDGs considered less relevant to Norske Skog, we provide a brief description of ambitions and perfomance.

UN SUSTAINABLE DEVELOPMENT GOALS (SDGS),
where the most relevant to Norske Skog are marked in colour

Norske Skog shall create value for people and society in a responsible way, while maintaining a sustainable environment and use of natural resources.

Photo: Enzo Zadra

Strategic priorities

Our attitude and ability to be entrepreneurial, empower each other and behave consistently, define our results in changing and challenging markets. Through reliable, responsible and sustainable conduct, we will win the trust and confidence of our stakeholders, both within and outside of Norske Skog. We monitor activities in order to achieve sustainable products and processes throughout the entire value chain. We continuously strive to maintain our status as the most attractive industry partner for suppliers and customers.

Norske Skog's long-term strategy remains:
- Core business: improve and optimise cash flow
- Conversion: convert certain of the groups paper machines
- Diversification: diversify within bioenergy, fibre and biochemicals

Our strategic business priorities, retaining a successful and responsible core business, while developing opportunities for growth in bio-sourced products and the bio-economy, gives us a well-defined foundation for our work related to the prioritized SDGs.

Compliance

Non-compliant and unethical conduct can have severe consequences, and entails both substantial economic losses and reputational damage. Norske Skog's aim is to be a "best in class" industry partner for our suppliers, customers and other business relations, and an attractive investment for our shareholders.

Norske Skog has common standards for all business units and employees to ensure compliance (the Steering Guidelines), and a code of conduct which all of our business partners shall adhere to. This strengthens the quality of our operations and promotes our predictability and credibility with customers, suppliers and other partners, and consequently Norske Skog's commercial position. Norske Skog has established a system where a compliance officer for the group ensures that that the Steering Guidelines are up to date and ensures that adequate internal control systems exist globally and locally. However, the responsibility to comply with the Steering Guidelines on a day-to-day basis lies with the line organisation at each of our business units as compliance must take place where the risk lies, primarily in the production and commercial operations and their associated activities.

Norske Skog has for a number of years maintained a whistle-blowing channel, where an employee can report irregular conditions or matters he/she finds difficult to report directly to immediate superiors. Norske Skog considers it important that each employee is ensured confidential and serious treatment of reported issues. Non-compliant and unethical conduct can be reported to compliance@norskeskog.com

About the sustainability report

Norske Skog is committed to contribute to sustainable development and supports the ten principles in the UN Global Compact.

Norske Skog also supports the work to develop a global standard for reporting of sustainable development. We therefore use the Global Reporting Initiative's (GRI) Standards for reporting relating to sustainability as a tool in our work to report environmental and corporate responsibility. Our reporting practice is, in our view, for all practical purposes in line with the GRI Standards reporting principles.

The sustainability information which Norske Skog believes covers the material sustainability aspects. For the environmental data it covers the value chain of the company's activities. Sustainability data for 2019 includes all owned mills at 31 December 2019.

Environmental data has been collected from the mills using established reporting routines. These include monthly standardised reporting for the key environmental data as well as a standardised collection of supplementary information on an annual basis. Data from this reporting is collated by the environment manager on the group level in standardised monthly reports to the corporate management and to the board quarterly. Similarly, people data and health and safety data are collected from the mills and reported to corporate management monthly and to the board quarterly.

PRIORITISED SDGS

Ensure healthy lives and promote well-being for all at all ages

3 GOOD HEALTH AND WELL-BEING

Business themes that Norske Skog focuses on:
- Occupational health and safety
- Reduce premature mortality through prevention and treatment
- Promote mental health and well-being

Ambition:
Health and Safety has the highest priority for Norske Skog, twenty four hours a day, seven days a week. Norske Skog's health and safety programme at the business units, called "Take Care 24 hours", is adapted to our different cultures, requirements and local requirements where we operate, but shall always meet the requirements of our health and safety standards for international activities. Our goal is a safe working environment where health and safety receive equal attention in planning and in the daily operations of the company.

All employees in Norske Skog shall take responsibility for improving the working environment for themselves, their colleagues, visitors and sub-contractors. Internal cooperation, involving sharing of experience and best practice, enables us to adapt preventive activities to all our business units. Through the activities in Take Care 24 hours, the group stimulates and encourages the same attitudes and behaviour at work and during our spare time, for our own employees and their families. At Norske Skog, we believe that issues relating to health, safety and the environment must be fully integrated into all our activities at every level and not managed as a separate and distinct function. That is why everyone working in Norske Skog – whether an employee or contractor – is accountable for the company's health, environmental and safety performance.

The Process for Safety Excellence (PSE) is an ongoing, structured process integrated into the day-to-day business of the company. Its aim is to achieve the highest level of health, safety and environmental performance. It applies to every organisation within Norske Skog and every activity carried out by its employees and contractors. PSE focuses on three management components, people, assets and systems. Each component includes nine elements (standards), which provide the framework for health, safety and loss prevention efforts.

Our identified nine key elements (standards) are:
- Leadership commitment
- Employee participation and safe behaviour
- Training and competence
- Hazard and risk management
- Management systems, reviews, audits, inspections
- Performance measurement and reporting
- Emergency preparation and response
- Health
- Contractors

These standards are applicable to all operations, throughout Norske Skog, which have the potential to adversely affect the health and safety of people, including employees, contractors, visitors and the public.

The objectives of these standards are as follows:
- To define the minimum requirements for the Health and Safety Systems at all levels of operation
- To provide a framework for Health and Safety Systems measurement
- To encourage a consistent approach to Health and Safety Systems
- To assist with the identification and sharing of current best practice between business units
- To provide the business units the opportunity to assess themselves against the Standards and continually improve their systems
- To enable inter-mill/unit reviews to provide an external perspective and recommendations for improvement

Where Norske Skog has no operational responsibility, but has an equity stake, or where significant Norske Skog assets are involved in a subcontracting site, arrangements shall be made to ensure that comparable standards of safety are maintained. We strongly believe in Behavioural Based Safety Observations and Audits. These are observations of people's workplace behaviour that enables positive feedback for safe behaviour, recognition and correction of unsafe acts.

Our Norwegian business units have signed a letter of intent regarding a more inclusive workplace (IA Agreement with supplementary agreements). Although the IA Agreement is a distinctly Norwegian concept, it is fair to say that our other business units operate under similar conditions with the aim of reducing sickness absence rates and increasing focus on job attendance for all employees. The IA Agreement builds on a tripartite cooperation between the national authorities, the trade unions and the company. This cooperation ensures the participation of all parties involved.

The IA Agreement and Norske Skog's operational objective is to develop targets for our work to prevent sickness and absence and to establish verifiable activity targets to achieve a professional attitude to both preventive and reactive health care in the company.

All our business units also have local health, safety and environmental (HSE) forums where the company and trade unions have regular meetings to address local HSE issues. At these meetings, there should be an equal number of representatives from the company and the employees, with as many different groups as possible from within the organisation represented. If the organisation has Occupational Health Services, it should also be represented on the committee. Occupational Health Services should be an advisory and independent body, and represent the interests of both the employer and the employees.

Norske Skog has used Synergi Life for many years. Synergi Life is an operational risk management tool from DNV GL. We have a monthly Management Focus Report (MFR), which is distributed to all business units for internal distribution and includes type of injury and rates of injury, occupational disease rate, lost work days accidents, absenteeism, total number of work-related personal injuries and fatalities, by region and business unit. All business units report this information in the Synergi Life data base system (Synergi), which is also a source for the transfer of experience and sharing of best practices. Reports from Synergi are analysed and form the basis for our internal HSE audits conducted by our HSE staff at the group level.

Norske Skog is committed to provide a safe working environment for our employees, contractors and visitors. Health and safety considerations are integrated into the day-to-day business of Norske Skog and apply to every organisation within Norske Skog and every activity carried out by its employees and contractors.

Norske Skog aims to have zero injuries, reduce sickness absence rates and to increase focus on job attendance for all employees.

Performance:

Norske Skog had an absence rate due to sickness of 3.7 per cent in 2019. This is at the same level as last years. We achieved an all-time low result in H1 level, lost time injuries per million working hours, of 0.47.

The IA Agreement has been renewed and continues the operational objectives for the cooperation:

- Reduce sick leave
- Reduce employment dropout rates
- Increase employment of people with functional impairments
- Increase the retirement age

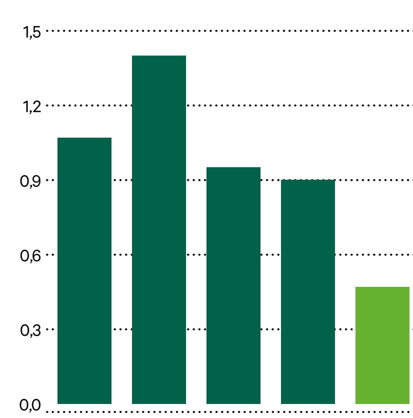
Our work with the IA Agreement has been extended to apply to all of Norske Skog's business units and is intended to be an integral part of our targeted health, safety and environmental (HSE) work.

HEALTH & SAFETY AMBITIONS	RESULT 2019	STRETCH TARGET 2019 and 2020	COMMENTS
H1 [1]	0.47	0	Best result ever in Norske Skog
H2 [2]	9.8	0	
Absence due to illness	3.7	NA	

[1] *Lost time injuries per million working hours*

[2] *Total number of injuries with and without lost time per million working hours*

H1 DEVELOPMENT



Ensure availability and sustainable management of water and sanitation for all

Business themes that Norske Skog focuses on:

- Improved water quality through effluent treatment
- Improved water efficiency through reduction, reusing, recovering, recycling and replenishing of water.

Ambition:

Norske Skog is committed to maintain a sustainable environment and responsible use of natural resources. We are committed to foster innovation and implement continuous improvement activities in order to have no or only minimal adverse impact on the environment.

Water shall generally be used and recovered multiple times through the pulp and papermaking processes before finally being discharged to a number of treatment stages. These treatments remove solid particles as well as dissolved organic material, making the water suitable for safe return to the natural environment. Norske Skog are committed to follow the ambitious water permit goals given by the local authorities.

Norske Skog Environmental Index (E-index) forms part of the regular reporting by the mills to corporate management and the board.

Mill performance is measured in the index against a standard, which should be attainable with the use of Best Available Technology (BAT) or best practice, as described in the European Union IPPC reference document. An index value of 1.0 or less indicates that the mill has an environmental standard, which satisfies the ambitious levels that can be attained with BAT or best practice. The environmental index for the whole group is calculated as an average of each mill's index score weighted by production volumes.

Performance:

The water usage in 2019 is shown in the illustration on page 24. 98% of the water taken into the mills is returned to the waterways after treatment to fulfil the local quality requirements for water discharges.

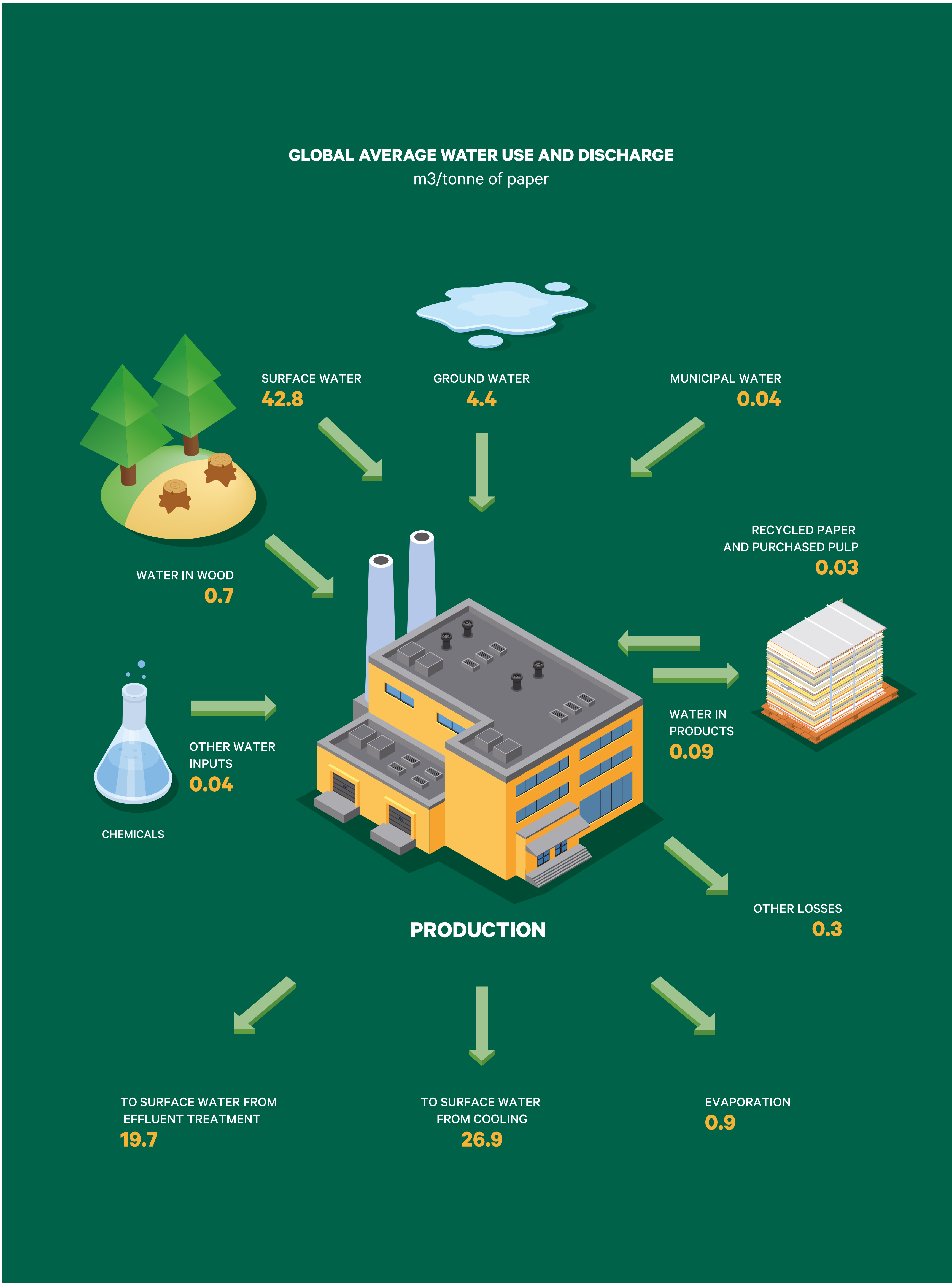
Permit breaches are reported and managed according to standard procedures. Any permit breaches will be continuously monitored and discussed with supervisory authorities.

Norske Skog does not use bleaching chemicals containing chlorine in any mills. Chlorinated organic compounds are therefore not created and AOX is not included in our emission reporting.

The table below shows the targets for 2019 and 2020 for the parameters included in the E-index, as well as the results achieved during the last five years. The EU Commission finalized the BAT conclusions under the Industrial Emissions Directive 2010/75EU in September 2014. Norske Skog has since 2015 used revised BAT-levels in the environmental index.

Please refer to SDG 14 to read more about discharges of water into the natural environment.

ENVIRONMENTAL INDEX		Achieved 2015	Achieved 2016	Achieved 2017	Achieved 2018	Achieved 2019	Target 2019	Target 2020
Discharged process water	m3/tonne	16.9	16.8	17.2	17.7	19.6	16.5	17.3
COD	kg/tonne	4.2	4.9	5.1	4.3	4.0	4.0	4.1
Suspended solids	kg/tonne	0.51	0.69	0.89	0.61	0.58	0.47	0.49
Nitrogen oxides	g/GJ	89.8	87.0	93.2	89.2	93.3	101	101
Waste to landfill	kg/tonne	19.4	17.0	22.7	25.5	23.4	21.4	21.6
Total energy consumption	GJ/tonne	12.3	12.4	12.4	12.0	12.8	12.2	11.9
Environmental index		**1.13**	**1.16**	**1.29**	**1.18**	**1.18**	**1.10**	**1.12**



GLOBAL AVERAGE WATER USE AND DISCHARGE
m3/tonne of paper
SURFACE WATER
42.8
GROUND WATER
4.4
MUNICIPAL WATER
0.04
WATER IN WOOD
0.7
RECYCLED PAPER AND PURCHASED PULP
0.03
OTHER WATER INPUTS
0.04
CHEMICALS
WATER IN PRODUCTS
0.09
OTHER LOSSES
0.3
PRODUCTION
TO SURFACE WATER FROM EFFLUENT TREATMENT
19.7
TO SURFACE WATER FROM COOLING
26.9
EVAPORATION
0.9

Ensure access to affordable, reliable, sustainable and modern energy for all

Business themes that Norske Skog focuses on:
- Energy efficiency
- Renewable energy
- Increased production of bioenergy

Ambition:
The production of paper is an energy intensive process. Energy is consumed mainly for two purposes:
- To separate, process and transport fibre and water (electrical energy)
- To provide process heat and to dry the paper (thermal energy)

The major use of electrical energy in mills which process fresh fibre is the process which mechanically converts wood chips into fibres. This process is called the thermo mechanical pulping (TMP) process. Paper production based on recovered paper consumes less energy because the fibres from recovered paper are more easily separated than those within wood.

Thermal energy is used for the heating and drying of paper. In contrast with electrical energy, thermal energy is mostly generated within the mill. The sources of this energy include recovered heat from the thermo mechanical pulping or effluent treatment processes, combustion of mill residues, purchased biofuel, oil, gas or coal. In some cases, the thermal energy is supplied by external third parties or in the form of geothermal energy.

Norske Skog has comprehensive programs in place to continuously reduce energy consumption and to become more environmentally friendly by changing the sources of energy.

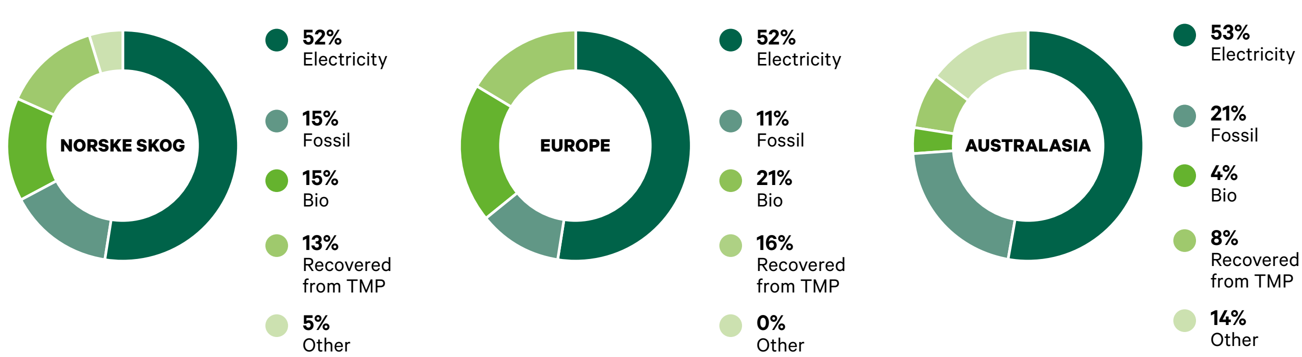
Norske Skog is utilising the mill effluent to produce biogas with its own biogas plants at Saugbrugs and Golbey. Effluent from Skogn is delivered to an external biogas plant adjacent to the mill. Norske Skog will continue to explore projects within bioenergy that support and develop the business. At Bruck in Austria, the group is investing in a new 50MW wide range energy boiler, utilizing refuse derived fuels and paper production residuals.

In France, the Minister of Ecological Transition selected the project submitted by Green Valley Energie (GVE) as part of the CRE5.3 call for tenders. This project, supported by a partnership between Norske Skog Golbey (NSG) and Véolia Industries Global Solutions (Véolia), involves the design and construction of a new biomass cogeneration plant, which will produce 200 GWh of electricity and more than 500 GWh of steam.

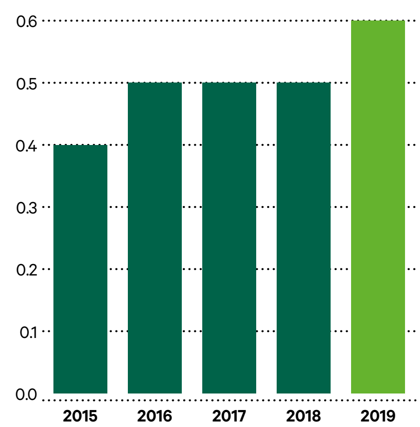
Performance:
Thermal energy, mostly heat recovery from the thermo mechanical pulping (TMP) or effluent treatment processes or from combustion of mill residues (biofuel), is used for the heating and drying of paper. This accounts for in total about 29%, whereas electricity covers about 52% and fossil 14% of the total energy consumption in 2019.

NORSKE SKOG ENERGY CONSUMPTION (TOTAL AND BY REGION)

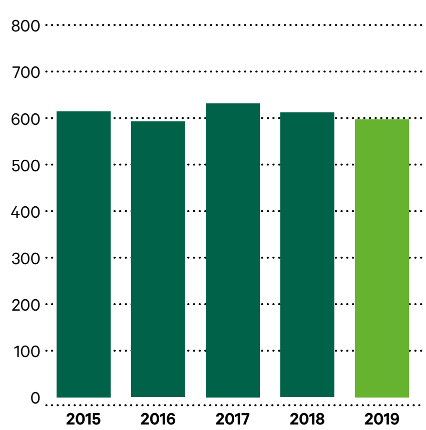
Total 9 518 GWh, 4.12 MWh/tonne of paper



CONSUMPTION OF RECOVERED HEAT FROM TERMO-MECHANICAL PRODUCTION
MWh/tonne



CONSUMPTION OF FOSSIL FUEL PER TONNE PAPER
KWh/tonne



80% of the production related waste generated at the site is used to generate thermal energy.

Biogas facilities have been constructed at the Golbey and Saugbrugs paper mills, providing energy for the mills operations and opportunity for energy sales to external customers. The biogas plants employ biowaste from paper production as fuel, contributing to a reduced carbon footprint and an improved environmental profile for the group.

The bio-pellets plant in New Zealand has an annual capacity of approximately 85 000 tonnes. The group upgraded the facility in 2019 approximately doubling its capacity from 40 000 tonnes to 85 000 tonnes annual production capacity. The additional production capacity is aimed at producing industrial grade pellet fuels for both the domestic New Zealand commercial and industrial market, as well as for the rapidly growing Japanese and Korean green energy generation markets.

A final investment decision on a EUR 72 million investment in a waste-to-energy facility at the Bruck paper mill was taken in June 2019. The facility is estimated to provide new revenue from waste handling as well as cost savings in the publication paper production. Bruck delivers enough heat to the local district heating system to supply 1 500 households (30 GWh).

Minimization of transport distances and costs make up important economic and environmental considerations.

Please refer to SDG 12 to read more about waste handling.

Photo: Carsten Dybevig

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Business themes that Norske Skog focuses on:

- Encourage innovation by research and development
- New and/or improved products with better performance

Ambition:

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

Norske Skog continuously engages in low-cost R&D activities to explore new revenue sources. The efforts include both near-term and long-term projects across a wide range of initiatives. The initiatives are at various stages of the development cycle, from early-stage research to final stages of implementation, and range from bioenergy production to development of biochemical and fibre products.

Investments into projects for alternative use of fibre and development of biochemicals are being done in the form of pilot plants that, if successful, can contribute to growth when commercialised.

The group's six paper mills are material industrial sites that offers up possible attractive brown field investment opportunities for investments such as packaging grades productions, since a material part of the infrastructure at a publication paper mill can be re-used for packaging grades production such as containerboard. In addition, the logistics flow of inbound raw materials and outbound finished goods materials are very similar and offers synergies compared to a green field investment alternative. Finally, an existing publication paper mill will normally have all required permits and licenses in place for such a large-scale industrial production and the modification of exiting permits to a different type of production may offer a less comprehensive and a quicker process compared to a green field investment alternative.

Norske Skog has set a strategic target that up to a quarter of their EBITDA shall come from new revenue streams outside the core publication paper business within the next three to four years.

Performance:

In addition to the traditional publication paper business, new growth initiatives related to renewable energy, biochemical products and fibre products have been launched.

Norske Skog employs dedicated R&D staff at all the paper mills, engaging in both the development of new publication paper products and researching opportunities within biochemical and fibre products than can replace petrochemical products. In addition to the R&D staff, the group employs personnel involved in developing and executing on opportunities for biogas, waste-to-energy facilities and alternative or additional methods of reusing the by-products from the production processes. The business units are all continuously working on improving existing publication paper products.

Norske Skog engages in several early-phase research projects into biochemical and fibre products. This includes Cyrene, which could represent the first biochemical solvent for use in the pharmaceutical industry to replace petrochemical products. The group is also engaged in developing nanofibrils for use in among others paper products, paint, glue, 3D composites and additives in nutritional products. The group engages in development of fibre-based construction boards, the first of its kind, with high strength, low weight and without the use of glue and chemicals. The boards can be used in all types of building construction, interior products and more.

The group has performed high-level feasibility studies on certain conversion options on the paper machines at the group's six paper mills. Attractive conversion options have been identified from a technical perspective and the group will continue to develop these options and the commercial side of a conversion project. There is no imminent, material investment plans in the group for a conversion project.

We are a producer of bioenergy. Please read more about existing and up-coming bioenergy initiatives in SDG 7.

Ensure sustainable consumption and production patterns

Business themes that Norske Skog focuses on:

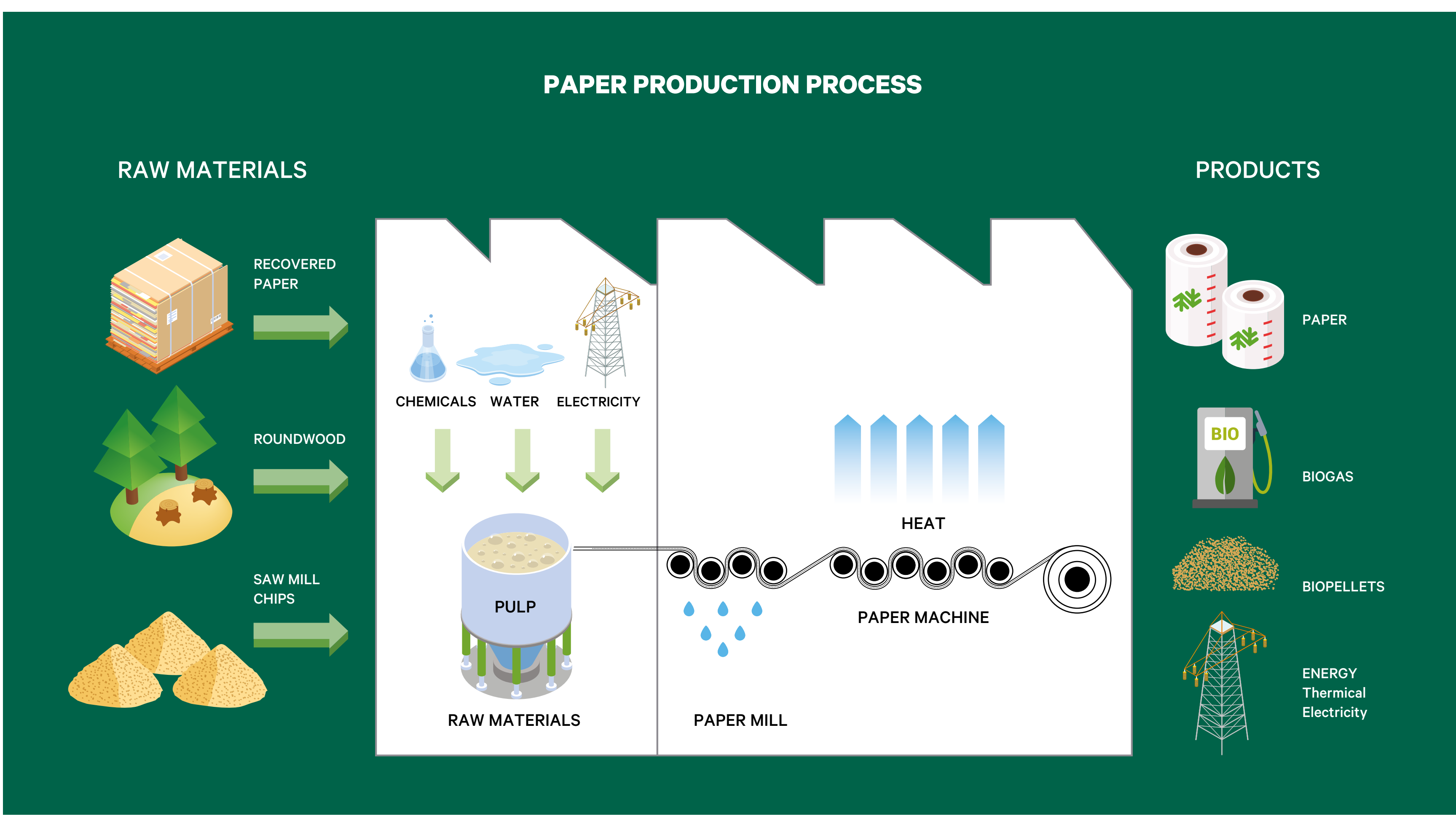
- Sustainable sourcing
- Resource efficiency of products and services
- Materials recycling
- Product and service information and labelling

Ambition:

The highly simplified diagram below illustrates the paper production process. Main input materials are wood and/or recovered paper, as well as electricity and chemicals. Wood and recovered fibres are separated during pulp production in two different processes.

Pulp production based on recovered paper consumes less energy than production from fresh fibre because the fibres in recovered paper are more easily separated than those within wood. In the paper machine, the pulp passes along a web, firstly through a wet section, then a press section and finally through a drying section. The paper is finally rolled up on reels, and then cut to the sizes ordered by the customer. During this process, more than 90% of the wood fibres in trees are converted to paper products. The residues from the production processes are reused or disposed of in a number of ways; Energy recover, landfill, agriculture or sale/delivered. Where possible, process residues are used to generate energy for the pulp and paper manufacturing process.

Some customers want paper based entirely on recovered paper. However, a value chain based only on recovered paper is not sustainable. About one third of the paper is lost in the recovered paper cycle. Factors such as consumer awareness, waste disposal and collection systems and alternative uses for used paper influence its collection rate. The structure and strength of the fibres of paper degrade with successive use. Recovered paper fibres that are no longer suitable for papermaking are rejected in our mill pulping processes and are generally used as a source of renewable energy. To make the recovered paper value chain sustainable, fresh fibre from forests, plantations or sawmill by-products must be added.



We will only use raw materials from sustainably managed sources. Our goal is to have 100% certified wood in our products.

Key objectives in all our business units are efficient production processes with high yield on raw material and energy utilisation. Norske Skog expects all of our business partners to comply with the applicable laws, regulations and principles set out in Norske Skog's Code of Conduct.

Norske Skog shall have an environmental performance that supports our customers in reaching their environmental objectives.

Performance:

Norske Skog has systems and processes to make sure that all wood used in Norske Skog's products comes from sustainably managed forests. All Norske Skog mills utilising fresh fibre have third-party verified Chain of Custody (CoC) certification systems in place. The average share of certified fresh fibre in 2019 was 88%, the same as last year.

In 2019, Norske Skog consumed 3.68 million m^3 of fresh fibre and 0.78 million tonnes of recovered paper. On a tonnage basis, our largest consumption of recovered paper takes place in continental Europe. The fibre source used at the different Norske Skog mills depends upon availability and economic considerations. The minimization of transport distances and costs is an increasingly important economic and environmental consideration.

The total quantity of production waste generated by the group in 2019 was 398 300 dry tonnes. 141 500 tonnes of ash were generated from combustion. In 2019, 80% of the waste was used as biofuel. Other residues, for example ash, are used in concrete or brick making, or in road construction. Agricultural re-use is also an option for some ash and organic materials. Part of the production residues are deposited in landfills. Hazardous waste amounted to 430 tonnes in 2019. Hazardous waste is disposed through authorized collection systems in accordance with national regulations.

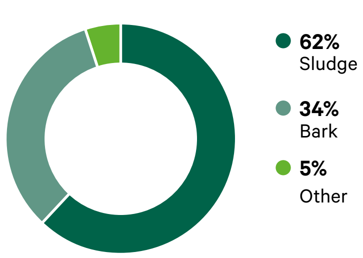
Many of our mills participate in projects to find alternative or additional methods of reusing the by-products from the production processes.

Our products come with an environmental product declaration for paper (Paper Profile) which guide the paper buyer according to environmental performance on standardized environmental parameters. All of Norske Skog's business units are certified in accordance with ISO 9001 and 14001.

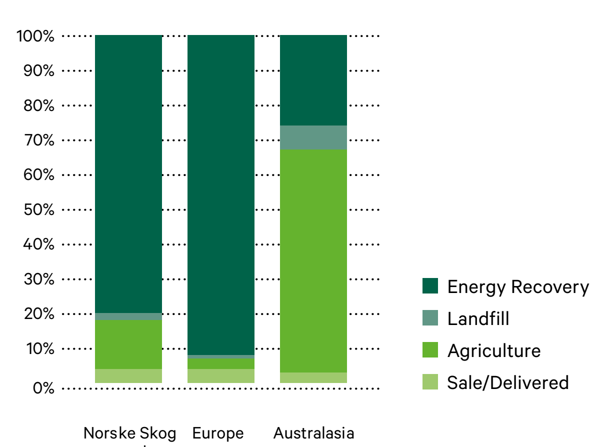
Please refer to SDG 15 to read more about sustainably managed forest and Norske Skog fibre sourcing and to SDG 7 to read about energy utilisation.

PRODUCTION WASTE

Total 397 695 tonnes



DISPOSAL OF MILL PRODUCTION WASTE



Take urgent action to combat climate change and its impacts

Business themes that Norske Skogfocuses on:

- Energy efficiency
- Greenhouse gas emissions
- Climate risk

Ambition:

Emissions to air occur primarily from energy generation processes, and the majority of solid wastes occur from the processing of fibre inputs (wood or recovered paper) and from the treatment of effluent (fibre and biological solids). Most of our mills have their own boilers or incinerators for producing thermal energy from these solid residues. Fossil fuels in the form of natural gas, oil and coal may also be used. The main emissions associated with these activities include carbon dioxide, particulates, sulphur dioxide and nitrogen oxides. A number of technologies are used to reduce and control these discharges. Ash residues result from combustion processes involving solid fuels.

Norske Skog has integrated reduction of greenhouse gas emissions as a key part of our business strategy. The goal is to reduce energy consumption, change the sources of energy and to optimize the use of process chemicals and transport. We will actively participate in the work to combat climate change.

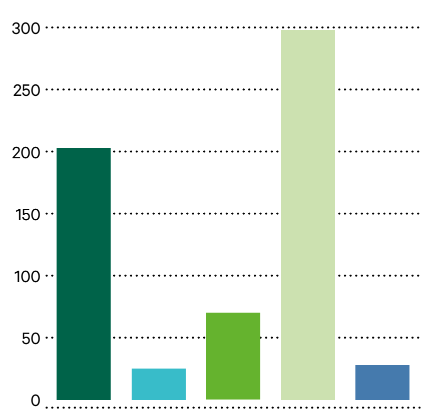
Climate change is the environmental issue receiving the greatest attention today. In 2007, Norske Skog established a greenhouse gas reduction target of 25% in total emissions by 2020.

The European Union and related national governments have set forth new ambitious goals to reach carbon neutral societies by 2045. Norske Skog together with other European and Norwegian industries, have adopted these ambitious goals and through our industrial organizations presented a proposed industrial road map

- Pulp and paper production
- Forest and recycling operations
- Producing other raw materials and fuels
- Purchased electricity and heat
- Transport excluding transport to final customer

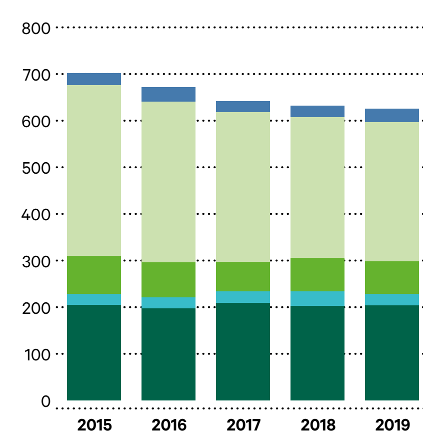
CARBON FOOTPRINT IN 2019 PER TYPE OF GREENHOUSE GAS EMISSIONS

Kg CO_2/tonne of paper



CARBON FOOTPRINT DEVELOPMENT

Kg CO_2/tonne of paper



NORSKE SKOG GREENHOUSE GAS EMISSIONS	CO_2	CH_4	N_2O	CO_2-equiv 1000
Direct (Scope 1) Emissions	**1000 tonnes**	**tonnes**	**tonnes**	**tonnes**
Direct emissions from stationary fuel combustion	459	18	3	460
Direct emissions from transportation and mobile sources	5	0	1	5
Total direct emissions	464	19	3	466
Indirect (Scope 2) Emissions				
Indirect emissions from steam and power imports	689	0	0	689
Total Fossil Fuel Based Emissions (Direct & Indirect)				
Direct & Indirect	1 153	19	3	1 155
CO_2 emissions from combustion of biomass *	599	0	0	0

** Wood and bark residues only*

to reach this ambition by 2045. The EU together with member state governments have introduced a comprehensive energy plan including various common and state programs within technology development, energy efficiency and energy consumption to fulfill this ambitious goal.

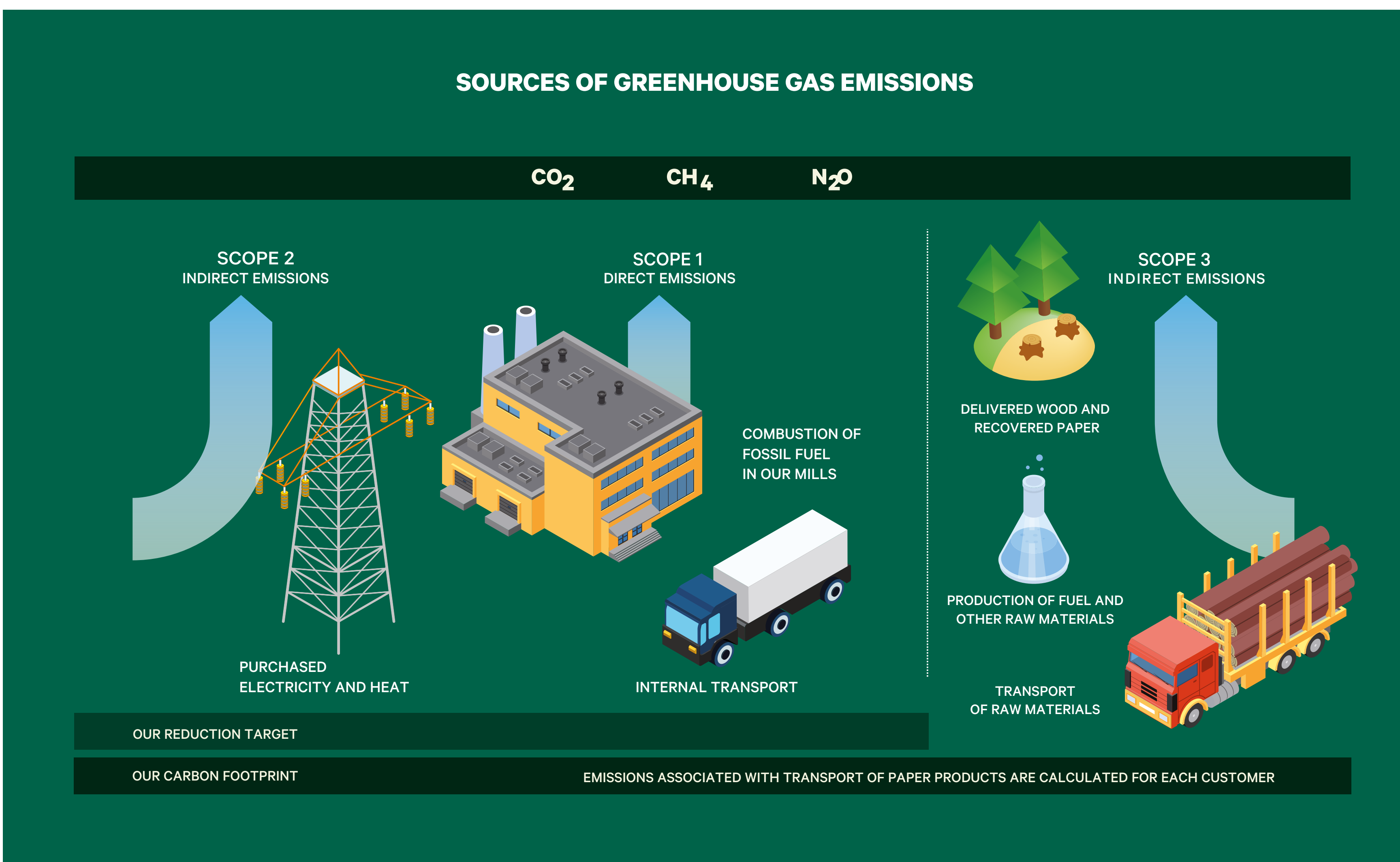
Performance:
Our carbon footprint, based on the CEPI carbon footprint tool, covers emissions from several elements of our value chain:

- Pulp and paper production
- Forest and recycling operations
- Producing other raw materials and fuels
- Purchased electricity and heat
- Transport: excluding transport to final customer which is calculated on a case by case basis

Carbon stored in forest products (biogenic carbon) is reported separately. We are working hard to reduce our carbon footprint and in 2019 we reached a level of 625 kg CO2/tonne of paper – a reduction of 1.1% from 2018. Our greenhouse gas emissions were reduced by 6.1% from 2018. By 2019, we have achieved a reduction of 36% since 2007, which is 11% point above the target.

Some of our mills are located in areas where drought/access to water and/or flooding might become a risk with changed climate. In 2020, Norske Skog will perform a more thorough review of the climate risks related to our mills.

Please refer to SDG 7 to read more about energy consumption and production.



Conserve and sustainably use the oceans, seas and marine resources for sustainable development

Business themes that Norske Skogfocuses on:

- Improved water quality through effluent treatment

Ambition:

Water discharges from production processes are treated in a number of stages to remove solid particles and dissolved organic material. Nutrients such as nitrogen and phosphorus are added during this effluent treatment. The addition of nutrients should be at a minimum.

Norske Skog objective is to prevent and reduce pollution of all kinds. We are committed to follow the EU Water Framework Directive and the ambitious water permit goals given by the local authorities. Our objective is to minimize our effect on the surrounding ecosystems.

Performance:

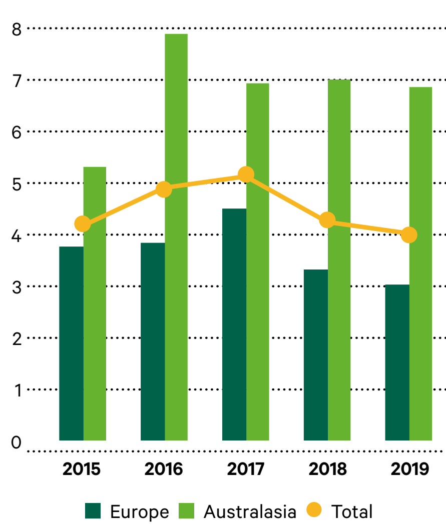
Four mills (Albury, Golbey, Saugbrugs and Skogn) reported minor non-compliance issues to the respective local authorities in 2019. None of the instances have resulted in any further actions from the authorities.

The discharges of dissolved organic material and suspended matters per tonne of paper were both down by 6% compared to 2018. The discharge of nitrogen increased by 17% and discharge of phosphorus decreased by 27% compared to 2018. The difference in results from one year to the next is the result of many factors, including process improvements, utilization of equipment, production issues and product changes.

Please refer to SDG 6 about water usage, treatment of water discharge and Norske Skog E-index.

TRENDS IN DISCHARGES OF ORGANIC SUBSTANCES (COD)

Kg per tonne of paper



TRENDS IN DISCHARGES OF SUSPENDED SOLIDS (SS) PER TONNE OF PAPER

Kg per tonne of paper

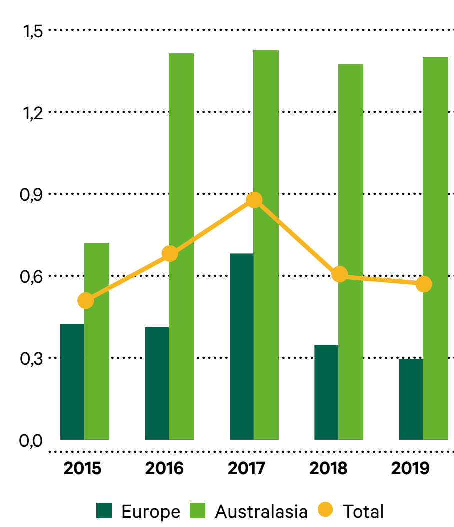



Photo: Carsten Dybevig

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss

Business themes that Norske Skog focuses on:

- Deforestation and forest degradation
- Landscapes forest management and fibre sourcing

Ambition:

Forestry and use of forest products play an important role in the combat of climate change. For the forest value chain to be a part of the climate change solution, the forests must be managed sustainably. Norske Skog has systems and processes to make sure that all wood used in Norske Skog's products comes from sustainably managed forests. All Norske Skog mills utilising fresh fibre have third-party verified Chain of Custody (CoC) certification systems in place. Our goal is to have 100% certified wood in our products.

The main global forest challenges are related to deforestation in developing countries and forest biodiversity degradation through the logging of high-conservation areas in many parts of the world. In order to meet these challenges, we need to ensure that more of the world's forest areas are managed on a sustainable basis. Forest certification is an important tool in this context.

Performance:

Norske Skog is not a forest owner. The ability to increase the share of certified wood therefore depends largely on decisions made by forest owners.

The roundwood component of our fresh fibre came from both forests (67%) and plantations (33%). In all countries where Norske Skog sources wood, forest areas are increasing.

The average share of certified fresh fibre in 2019 was 88%, the same as in 2018.

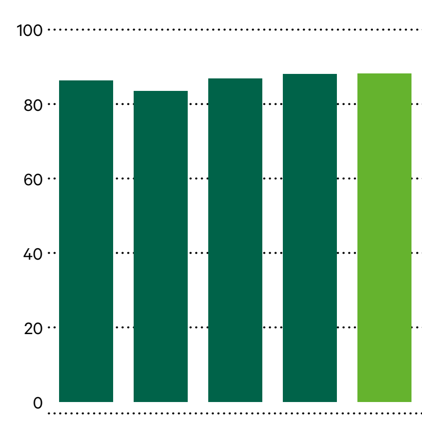
In 2019, Norske Skog consumed 3.68 million m^3 of fresh fibre and 0.78 million tonnes of recovered paper.

Roundwood accounted for 70% of our consumption of fresh fibres in 2019. Sawmill chips, a by-product from the sawmill industry, accounted for the remaining 30%.

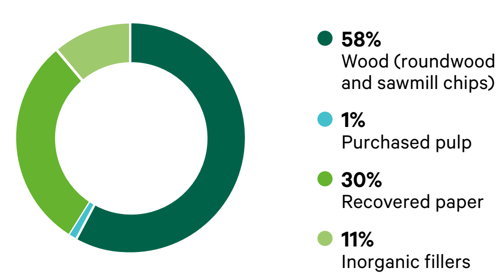
Please refer to SDG 12 to read about sustainable sourcing and recycling of paper.

CERTIFIED PROPORTION OF FRESH FIBRE (%)

Roundwood and chips



CONSUMPTION OF RAW MATERIAL IN 2019



RECOVERED PAPER IN NEWSPRINT PRODUCTION

Norske Skog Albury, Australia [1]	27%
Norske Skog Bruck, Austria	77%
Norske Skog Golbey, France	60%
Norske Skog Skogn, Norway	16%

[1] *Albury ceased production December 5, 2019.*

FLOW OF SUSTAINABLE RAW MATERIALS

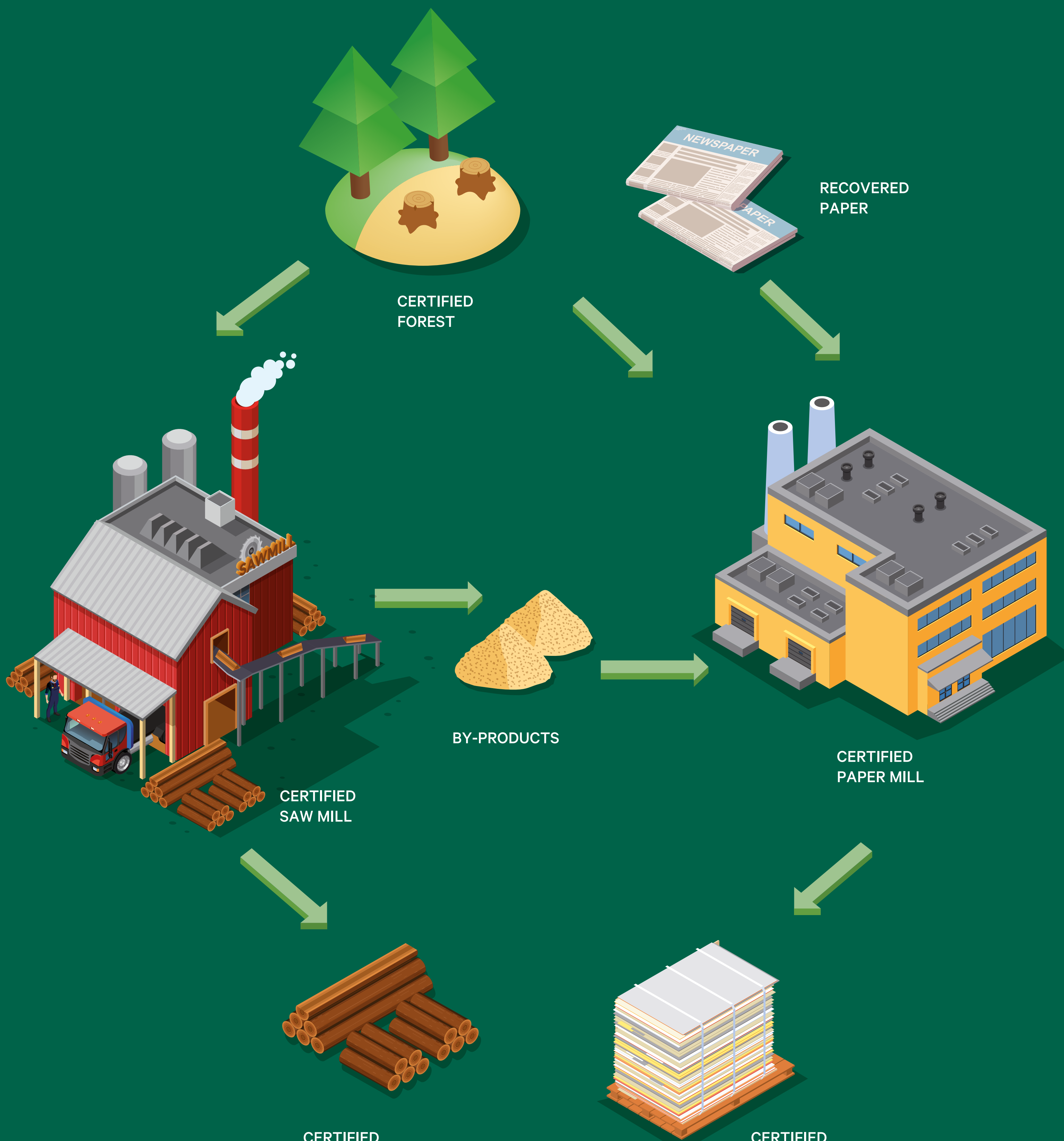
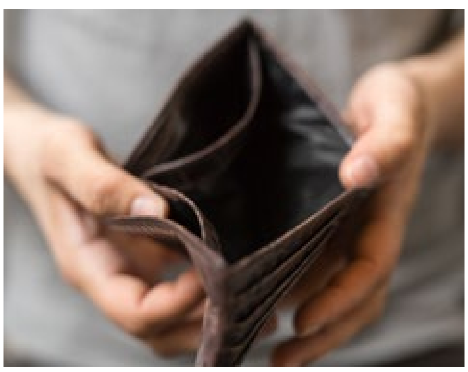


Photo: Carsten Dybevig

HOW NORSKE SKOG RELATES TO THE OTHER SDGs

End poverty in all its forms everywhere

Earnings, wages and benefits



Ambition:
We aim to maximize the group's value through reliable, responsible and sustainable conduct throughout our operations

Performance:
We achieved a great increase in profits since last year and safeguarded employment for our workers. Our mills are producing profitably at full capacity.

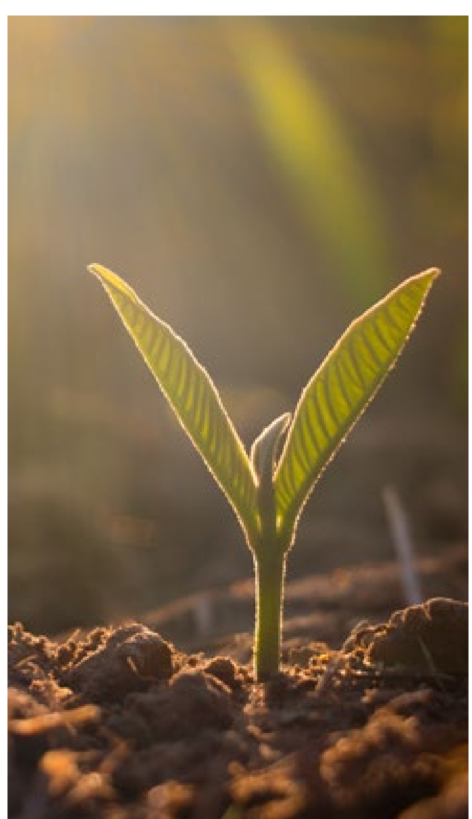
Our business units are often cornerstones of local communities. These facilities work closely with the local communities through open dialogue

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Ambition:
Norske Skog and our business should not have a negative impact on sustainable agriculture.

Performance:
We do not have a significant impact on food systems or agriculture nor are we operating in societies with high poverty.

We deliver organic materials from production waste to agriculture for re-use.



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Ambition:
Norske Skog's people and organisation strategy is to maintain a business oriented, international organisation that attracts and retains highly competent and motivated employees on all levels around the world. We strive to give people the opportunity to grow personally and professionally in a stimulating working environment.

Our goal is to have a broad access to qualified personnel in a short and long time perspective.

Performance:
Our employees are our most important resource.

Most business units cooperate with educational institutions at different levels, such as visits from schools, colleges, high schools and universities, scholarships for students, trainees and apprentices working at our mills or engaged in project work.

Our business units employ and educate a large number of apprentices and trainees, which constitutes the single most important competence and work-force resource. Some business units manage apprentices in numbers beyond their own recruitment needs.

5 GENDER EQUALITY

Achieve gender equality and empower all women and girls

Diversity and equal opportunity

Ambition:

Norske Skog shall promote diversity and inclusion by providing equal employment and career opportunities and treat all employees fairly and with respect. Competence is the key for both the company and the individual.

Performance:

The paper industry has traditionally attracted few female employees. At Norske Skog the share of female employee has been around 10% for many years; in 2019, the female share of the total workforce was 12%. We have succeeded in increasing the female share in top management positions to 15%, which encourages us to continue look for female talents for a wider range of roles in our company.

PROPORTION OF FEMALE DEVELOPMENT

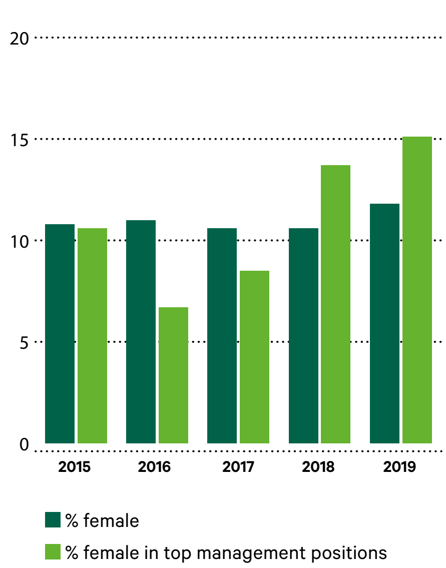
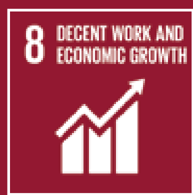


Photo: Erik Sandersen



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Business themes that Norske Skog focuses on:

- Employment
- Non-discrimination
- Elimination of forced or compulsory labour

Ambition:

Norske Skog is committed to promoting diversity and inclusion by providing equal employment opportunities and treating all employees fairly and with respect.

All employees and others acting on behalf of Norske Skog are expected to conduct business in an ethical manner and must comply with applicable laws and regulations at all times.

Norske Skog fully complies with all laws regulating collective bargaining and recognises freedom of association. Our commitment to respect the freedom of association is embodied in the Global Framework Agreement on the Development of Good Working Relations, concluded by Norske Skog and the IndustriALL Global Union.

Norske Skog respects and supports the human rights of all individuals potentially affected by our operations and subscribes to the United Nations Global Compact principles.

In January 2020 Norske Skog Australia signed the first Modern Slavery and Trafficking Statement, as required under the Australian Federal Modern Slavery Act of 2018. The purpose is to outline our approach and commitment to ensuring that the group has robust frameworks and processes in place to establish zero tolerance level for modern slavery and human trafficking in our business and value chain. Norske Skog is obliged to operate responsible and adhering to the highest ethical standards across business units.

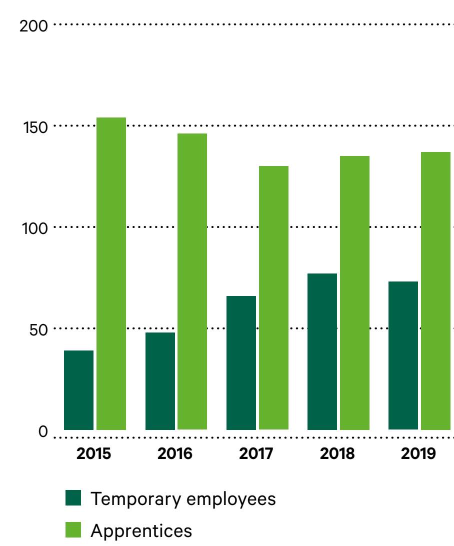
Performance:

As of 31 December 2019, Norske Skog employed 2 359 people in Europe and Australasia. This is a reduction of eighty-five employees from one year ago. The turnover of people, including retirement, was close to 9%. Our employment levels are not subject to seasonal variations, and the share of temporary employment is around 3% of the total.

In 2019, unions represented 83.3% of our employees for collective bargaining purposes.

There has been no reported incidents of child labour, forced or compulsory labour during the reporting period. Nor has there been any reported incidents of discrimination in respect of employment or occupation. The risk of such incidents in the supply chain is considered low, and a high-level risk assessment of suppliers has not provided information or indications of any violation by our suppliers.

DEVELOPMENT OF APPRENTICES AND TEMPORARY EMPLOYEES



Reduce inequality within and among countries

Diversity and equal opportunity

Ambition:
Norske Skog is committed to an inclusive work culture, and appreciates and recognizes that all people are unique and valuable and should be respected for their individual abilities and views.

Norske Skog is working to encourage the Norwegian Discrimination Act's objective within our business. This include activities to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin colour, language, religion and faith.

Performance:
Our Norwegian business units are part of a nationwide agreement to reduce absence due to sickness and to promote an inclusive workplace ("IA Agreement"). Although the IA Agreement is a distinctly Norwegian concept, it is fair to say that our other business units operate under similar conditions with the aim of reducing sickness absence rates and increasing focus on job attendance for all employees. The IA Agreement builds on a tripartite cooperation between the national authorities, the trade unions and The Confederation of Norwegian Enterprise (NHO). This cooperation ensures the participation of all parties involved.

Make cities and human settlements inclusive, safe, resilient and sustainable

Ambition:
Several business units are located in immediate proximity to a local town. Norske Skog aim to be a strong and solid contributor for these towns. This is achieved by working with the community in various ways, both authorities and private partners.

Our activities affect employees, suppliers, customers and partners in many countries, regions, towns and villages. Our decisions and activities, production and sales have an impact on a multitude of individuals, groups and companies, both financially and otherwise. We recognize our impact and consider this when making decisions.

Performance:
To improve and maintain our role in society and as an important employer in local communities, our business units are encouraged to be active and open in their communication and contact with local stakeholders. Examples include reports to neighbours and other local stakeholders, open days for the public to inform about our business, engagement in nature protection projects, support to local museums, involvement in sports and cultural initiatives, support to charitable organizations, as well as integration of immigrants and disabled persons through vocational training. We encourage employees to take part in local community work as many of them do.

Photo: Carsten Dybevig

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Business themes that Norske Skog focuses on:

- Effective, accountable and transparent governance
- Compliance with laws and regulations
- Anti-corruption

Ambition:

Norske Skog's goal is to create competitive shareholder values within our strategic goals. Important instruments for achieving this objective include good principles for corporate governance and a clearly defined division of responsibilities and roles between Norske Skog's governing bodies. Norske Skog adheres to the Norwegian Code of Practice for Corporate Governance (the "Code", see www.nues.no).

All employees and others acting on behalf of Norske Skog must act in compliance with applicable laws and regulations and ethical guidelines at all times. Norske Skog has a zero tolerance-policy for non-compliant behaviour and will take necessary actions in order to respond to any breaches that may occur.

Performance:

To meet future sustainability expectations, we conduct our business mandates and activities according to internally developed Steering Guidelines, Power of Attorney structures and Operating Models. These provide the basic framework for our mandates and activities.

Norske Skog's business units have a high degree of independence and accountability. Local managers are responsible and accountable for decisions and results within their unit. Norske Skog has common standards of conduct for all business units and employees through our Steering Guidelines. We apply a uniform basis for our operations across countries and cultures with regard to HESQ (health, environment, safety and quality), people development, financial reporting and legal compliance. In these areas, our conduct must be based on the same sustainable principles to promote the shared interests of Norske Skog and our stakeholders.

Norske Skog has for a number of years maintained a reporting (whistle-blowing) channel, where employees and other stakeholders can report on possible unethical and/or unlawful behaviour, and be assured confidential and serious treatment of their reports. Any confirmed non-compliance will be followed-up with fair consequences.

17 PARTNERSHIPS FOR THE GOALS

Strengthen the means of implementation and revitalize the global partnership for sustainable development

Business themes that Norske Skog focuses on:

- Supporting UN Global Compact

Ambition:

Norske Skog aims to contribute to a sustainable development. This should be done in close cooperation with our main stakeholders.

Performance:

We were the first international paper manufacturer to sign an agreement with the IndustriAll Global Union (former: International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) and the Norwegian United Federation of Trade Unions concerning employee rights on a global basis.

Our group has been a pioneer in setting a global standard for social responsibility and worker-management relations. We were also an early adopter of the 10 principles in the UN Global Compact.

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

KEY FIGURES

KEY FIGURES – EMPLOYEES

Business Unit	Number of employees (FTE) 31 December 2019				% Female	Female share in% Top mngt positions	Female share in% Other mngt positions	% of employees covered by trade union collective agreements
	Ordinary	Temporary	Apprentices	Total	End 2019	End 2019	End 2019	End 2019
Norske Skog Albury [1)]	40	0	0	40	5.0	0	0	0
Norske Skog Boyer	246	7	15	268	4.5	16.7	11.5	76.1
Norske Skog Tasman (NZ)	156	8	5	169	11.0	40.0	0	71.0
Natures Flame	13	1	0	14	21.4	0	0	0
Australasia Shared Services	48	1	0	49	42.0	20.0	12.0	0
Australasia total	**503**	**17**	**20**	**540**	**10.6**	**17.4**	**6.3**	**59.2**
Norske Skog Saugbrugs	464	12	41	517	8.0	0	12.0	92.0
Norske Skog Skogn	348	23	28	399	8.5	11.1	5.8	90.0
Corporate Headquarter	34	0	0	34	26.5	0	22.2	8.8
Norway total	**846**	**35**	**69**	**950**	**8.9**	**4.5**	**9.8**	**87.8**
Norske Skog Bruck	375	19	28	422	9.0	0	31.0	100.0
Norske Skog Papier Recycling	34	0	0	34	11.8	0	0	100.0
Norske Skog Golbey	334	2	20	356	16.0	17.0	11.3	100.0
Sales offices in Europe	57	0	0	57	60.4	44.0	8.7	11.4
Europe total	**800**	**21**	**48**	**869**	**15.7**	**23.7**	**14.1**	**93.7**
Norske Skog group total	**2 149**	**73**	**137**	**2 359**	**11.8**	**15.1**	**10.2**	**83.3**

[1)] *Norske Skog Albury ceased production December 2019*

PRODUCTION CAPACITY

Business Unit	Capacity, tonnes/year: Newsprint (including improved NP)	SC (magazine paper)	LWC (magazine paper)	Total capacity
Skogn	500 000	-	-	500 000
Saugbrugs	-	455 000	-	455 000
Golbey	565 000	-	-	565 000
Bruck	125 000	-	260 000	385 000
Total Europe	**1 190 000**	**455 000**	**260 000**	**1 905 000**
Tasman	150 000	-	-	150 000
Boyer	150 000	-	135 000	285 000
Total Australasia	**300 000**	**-**	**135 000**	**435 000**
Total Norske Skog group	**1 490 000**	**455 000**	**395 000**	**2 340 000**

KEY FIGURE OPERATIONS

		2015	2016	2017	2018	2019
Health & Safety						
H1 [1)]		1.1	1.4	1.0	0.9	0.5
H2 [2)]		9.7	8.0	7.3	7.4	9.8
Absence due to illness	%	3.8	3.8	3.5	3.8	3.7
People						
Total employees	FTE	2 557	2 462	2 414	2 444	2 359
Temporary employees	FTE	39	48	66	77	73
Apprentices	FTE	154	146	130	135	137
Average age of employees	FTE	46.6	46.8	47.0	47.3	47.1
Female employees	%	10.8	11.0	10.6	10.6	11.8
Female in top management position	%	10.6	6.7	8.5	13.7	15.1
Female in management position	%	10.0	11.5	8.5	10.1	10.2
Employees w/ collective agreements	%	82.6	84.6	84.3	84.1	83.3

1) Number of personal injuries with absence x 1 000 000 / number of worked hours.
2) Number of personal injuries with medical treatment x 1 000 000 / number of worked hours.

		2015	2016	2017	2018	2019
Production						
Paper	tonnes	2 366 000	2 506 000	2 494 000	2 492 000	2 310 000
Consumption of raw materials						
Roundwood	m^3	2 452 000	2 868 000	2 810 000	2 785 000	2 586 000
Sawmill chips	m^3	934 000	968 000	1 018 000	1 031 000	1 093 000
Recovered paper	tonnes	844 000	834 000	814 000	871 000	777 000
Purchased pulp	tonnes	70 000	55 000	50 000	43 000	31 000
Inorganic fillers	tonnes	320 000	324 000	320 000	308 000	282 000
Energy consumption						
Electricity	GWh	5 138	5 596	5 571	5 526	5 316
Heat	GWh	4 000	4 240	4 325	4 161	4 202
Discharges to water						
Discharged process water	mill m^3	43	44	46	48	46
Organic material (COD)	tonnes	9 886	12 286	12 831	10 623	9 226
Suspended Solid (SS)	tonnes	1 212	1 723	2 227	1 529	1 329
Phosphorus (Tot-P)	tonnes	35	41	41	31	37
Nitrogen (Tot-N)	tonnes	261	314	302	280	303
Emission to air						
CO2-equivalents (direct)	tonnes	475 000	485 000	514 000	500 000	466 000
SO2	tonnes	265	217	198	175	162
NOX	tonnes	780	763	908	772	786
Production waste						
Sludge (dry)	tonnes	258 000	254 000	246 000	249 000	246 000
Bark	tonnes	104 000	114 000	98 000	128 000	133 000
Other	tonnes	18 000	23 000	14 000	25 500	18 000

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To the Management of Norske Skog ASA

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON NORSKE SKOG'S SUSTAINABILITY REPORT FOR 2019

We have been engaged by the Management of Norske Skog ASA to provide limited assurance in respect of the information presented in the Sustainable Report section ("the Report") included in the Norske Skog – Annual Report 2019. Our responsibility is to provide a limited level of assurance on the subject matters concluded on below.

Management's Responsibilities

The Management of Norske Skog is responsible for the preparation and presentation of the Report and that it has been prepared in accordance with the reporting criteria described in the Report, including the GRI Standards. The Management is also responsible for establishing such internal controls that they determine are necessary to ensure that the information is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a limited assurance conclusion on the information in the Report. We have conducted our work in accordance with ISAE 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board.

Deloitte AS is subject to International Standard on Quality Control 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Considering the risk of material misstatement, our work included analytical procedures and interviews with management and individual resources responsible for the preparation of the Report and for sustainability management at corporate level, as well as a review on a sample basis of evidence supporting the information in the Report.

We believe that our work provides an appropriate basis for us to provide a conclusion with a limited level of assurance on the subject matters.

Deloitte.

Conclusions

Based on our work, nothing has come to our attention causing us not to believe that:

- Norske Skog has applied procedures to identify, collect, compile and validate sustainability information for 2019 to be included in the Report, as described in the Report.
- Sustainability information presented for 2019 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- The environmental information for 2019 reported from a sample of two reporting units (Norske Skog Saugbrugs and Norske Skog Boyer) was reported according to the procedures noted above and was consistent with the source documentation presented to us.
- Norske Skog applies a reporting practice for its sustainability reporting aligned with the Global Reporting Initiative (GRI) Standards reporting principles and the reporting fulfils in accordance level Core according to the GRI Standards. Norske Skog's GRI index referred to from the Report appropriately reflects where information on each of the disclosures of the GRI Standards is to be found within the Norske Skog – Annual Report 2019.

Oslo, March 13, 2020
Deloitte AS

Eivind Skaug

Eivind Skaug
State Authorised Public Accountant

Frank Dahl

Frank Dahl
Deloitte Sustainability

SHARE INFORMATION

On 18 October 2019, Norske Skog ASA was listed on the Oslo Stock Exchange with the ticker NSKOG.

Norske Skog aims to provide long-term value growth and an attractive return for its shareholders which exceeds that of relevant investment alternatives, this ambition will be supported by a competitive and responsible dividend policy and a conservative capital structure. All shares have equal rights and are freely transferable.

Corporate management and board of directors are committed to serve all shareholders and potential new investors with consistent, accessible and immediate disclosure of relevant information through Oslo Stock Exchange, media and financial newswires. Norske Skog has a policy of equal treatment of all stakeholders to the group.

DIVIDEND POLICY AND PROPOSAL

Norske Skog's dividend policy is to pay dividends reflecting the underlying earnings and cash flow while ensuring efficient capital allocation in the group. When deciding the dividend level, the board of directors will among other things take into consideration capital expenditure plans, financing requirements and maintaining the appropriate strategic flexibility of the group.

Dividend payments are restricted under the group's EUR 125 million bond issue of maximum up to 75% of the adjusted net profit for the previous financial year, subject to the incurrence test being met.

The board of directors has proposed a dividend of NOK 6.25 per share for the financial year 2019, to be approved by the Annual General Meeting on 16 April 2020.

LONG-TERM INCENTIVE PROGRAMME

The board of directors has approved a synthetic option program for senior executive employees in Norske Skog. By year-end 2019, 4 125 million synthetic options had been awarded. The programme is described in detail in the notes to the financial statements, see Note 12 Employee benefit expenses in the consolidated financial statements.

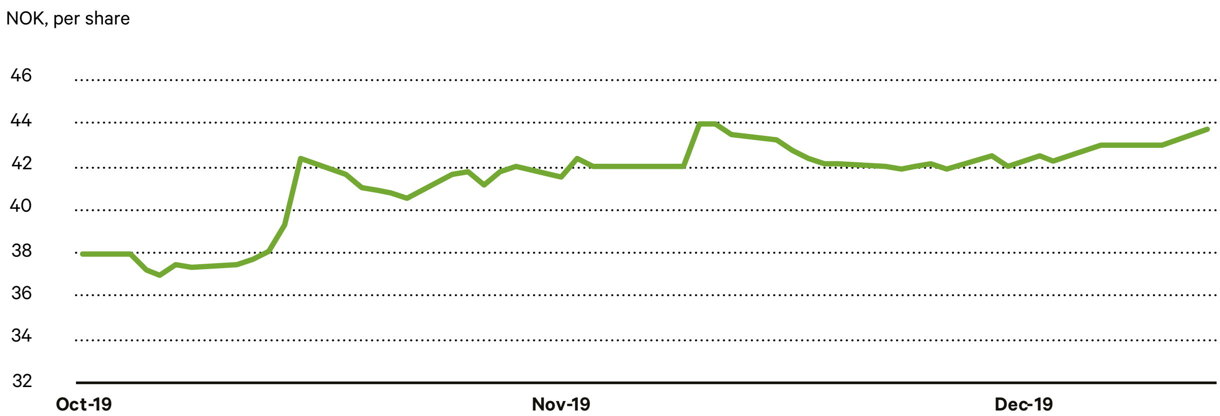
SHARES AND SHARE CAPITAL

From the listing on 18 October 2019 to 31 December 2019 a total of 10 681 770 Norske Skog shares have been traded in the market, excluding (i) the base offering and (ii) the over-allotment as part of the initial public offering on 18 October 2019, and (iii) the shares purchased as part of stabilisation activities carried out until 30 October 2019 and formally ended on 12 November 2019. The average daily trading volume in 2019, adjusted for the listing related volume, was 217 995 shares.

NO. OF SHARES

Base offering of existing shares	30 000 000
15% over-allotment	4 500 000
Offering	**34 500 000**
Stabilisation purchases	4 161 386
Traded volume related to listing	**38 661 386**
Total traded volume in 2019	49 343 156
Total traded volume in 2019 adjusted for listing related volume	**10 681 770**

The Norske Skog share price was NOK 43.70 on 30 December 2019, representing a market value of approximately NOK 3.6 billion. The highest price in 2019, based on close-of-trading prices, was NOK 43.99 on 27 November, and the lowest price was NOK 37.00 on 23 October. Norske Skog was listed on 18 October 2019 with a share price of NOK 38.00.



On 31 December 2019, the share capital of Norske Skog was NOK 330 000 000, consisting of 82 500 000 shares each with a par value of NOK 4.00. All shares have equal rights.

On 31 December 2019, the largest shareholder was NS Norway Holding AS with 52 161 386 shares corresponding to a 63.2% ownership share. On 31 December 2019, the foreign ownership was 15.7%. Based on the information in the Norwegian Registry of Securities, Norske Skog had a total of 2 120 shareholders on 31 December 2019 of which 92 resided outside of Norway.

NO. OF SHARES INTERVAL	No. of shareholders	No. of shares	% of share capital
1 - 100	305	13 663	0
101 - 1 000	1 237	524 418	1
1 001 - 10 000	436	1 357 228	2
10 001 - 100 000	91	2 997 834	4
100 001 - 1 000 000	44	16 290 306	20
above 1 000 000	7	61 316 551	74
Total	**2 120**	**82 500 000**	**100**

SHAREHOLDER CITIZENSHIP	No. of shareholders	No. of shares	% of share capital
Norway	2 028	69 517 816	84
Sweden	21	4 271 989	5
United Kingdom	15	825 653	1
Other	56	7 884 542	10
Total	**2 120**	**82 500 000**	**100**

ANALYST COVERAGE

As of year-end 2019, three Nordic financial analysts provided market updates and estimates for financial results directed towards holders of the Norske Skog share. In addition, two Nordic financial analysts provided similar updates directed towards holders of the Norske Skog bonds. An overview of the analyst coverage for Norske Skog can be found on www.norskeskog.com/investors.

2020 ANNUAL GENERAL MEETING

The Norske Skog Annual General Meeting will take place on Thursday 16 April 2020 at MESH, Oslo.

FINANCIAL CALENDAR FOR 2020

- 16 April: Annual General Meeting
- 23 April: Interim financial statements, Q1 2020
- 16 July: Interim financial statements, Q2 2020
- 22 October: Interim financial statements, Q3 2020

CORPORATE GOVERNANCE

Norske Skog ASA is a Norwegian based paper manufacturer with production and sales operations In Europe and Australasia. Norske Skog's goal is to increase shareholder value, through profitable and sustainable production of publication paper and other fibre related business. Norske Skog ASA is a Norwegian registered public limited liability company listed on the Oslo Stock Exchange and is subject to Norwegian law, including Norwegian securities legislation and stock exchange regulations.

The board of directors of Norske Skog has a strong focus on ensuring compliance with applicable corporate governance standards. Norske Skog is subject to reporting requirements for corporate governance pursuant to Section 3-3b the Norwegian Accounting Act, and complies with the Norwegian Code of Practice for Corporate Governance (the "Code", see www.nues.no, English pages).

Corporate governance principles as referred to in this statement define roles and responsibilities, powers and processes, between and within governing bodies, such as the general meeting, the board of directors and the corporate management. For further information on corporate bodies and corporate governance matters, please visit Norske Skog's website www.norskeskog.com.

Corporate governance is continuously addressed by the board of directors, and the board of directors has approved this corporate governance statement.

1. IMPLEMENTATION AND REPORTING

This corporate governance statement follows the structure of the Code published on 17 October 2018. Deviations from the Code are explained where relevant in this statement.

The corporate governance principles adopted by Norske Skog are set out in the company's Corporate Governance Policy, and are fundamental for the company's corporate governance and value creation. Norske Skog's Corporate Governance Policy is based on the Code and, as such, it is designed to establish a basis for good corporate governance and to support achievement of the company's core objectives on behalf of its shareholders, including the achievement of sustainable profitability for the shareholders of Norske Skog. The manner in which Norske Skog is governed is vital to the development of its value over time.

Norske Skog believes that good corporate governance involves openness, honesty and cooperation between all parties involved in and with the group: the shareholders, the board of directors and executive management, employees, customers, suppliers, public authorities and the society in general.

By pursuing the principles set out in the Corporate Governance Policy, the board of directors and management shall contribute to achieving the following objectives:

- Openness and honesty. Communication with the interest groups of Norske Skog shall be based on openness and honesty on issues relevant for the evaluation of the development and position of the company.
- Independence. The relationship between the board of directors, the management and the shareholders shall be based on independence. Independence shall ensure that decisions are made on an unbiased and neutral basis.
- Equal treatment. One of Norske Skog's primary objectives is equal treatment and equal rights for all shareholders.
- Control and management. Good control and corporate governance mechanisms shall contribute to predictability and reduce the level of risks for shareholders and other interest groups.

The development of, and improvements in, the company's Corporate Governance Policy are ongoing and important processes that the board of directors and management have continuous focus on.

2. BUSINESS

Norske Skog's business purpose is set out in the Articles of Association, article 2: "The company's objective is to conduct wood processing industry, investing activities and activities related to this, as well as providing headquarter services for the group, including raise of external loans and conducting group financing arrangements." The Articles of Association are available on the company's website. The business of the company is conducted in accordance with the targets, strategies and risk profile determined by the board of directors, within the scope of the company's business purpose. The board of directors considers the targets, strategies and risk profile of the company on a continuous basis.

The company has established guidelines and principles which are used to integrate considerations to human rights, employee rights and social matters, the external environment and anti-corruption efforts in its business strategies, its day-to-day operations and in relation to its stakeholders. This includes, but is not limited to the Norske Skog Steering Guidelines and the Code of Conduct. Compliance with the Steering Guidelines and the Code of Conduct is mandatory for all employees in the group and others acting on the group's behalf, and similar conduct and ethical standards are expected in partnerships, joint ventures and partially owned subsidiaries. The Steering Guidelines and the Code of Conduct can be found on the company's website.

Sustainability and corporate social responsibility are integrated parts of the group's business. The group's sustainability report is included in the sustainability report section of the annual report.

3. EQUITY AND DIVIDENDS

SHARE CAPITAL

The share capital of Norske Skog is set out in the Articles of Association, article 4. The company's share capital at year end 2019 and as of the date hereof Is NOK 330 000 000, divided into 82 500 000 shares, each with a nominal value of NOK 4.00.

EQUITY

The board of directors is responsible for ensuring that the group is adequately capitalised relative to the risk and scope of operations and that the capital requirements set forth in laws and regulations are met. The company shall have an equity capital at a level appropriate to its objectives, strategy and risk profile. The board of directors shall continuously monitor the group's capital situation and shall immediately take adequate steps if the company's equity or liquidity is less than adequate.

Norske Skog's consolidated total equity as at 31 December 2019 was NOK 5 493 million, which is equivalent to 53.6% of total assets (for Norske Skog ASA, the total equity was NOK 4 313 million, which is equivalent to 64.3% of total assets).

DIVIDEND POLICY

It follows from Norske Skog's Corporate Governance Policy that the company shall, at all times, have a clear and predictable dividend policy established by the board of directors. The dividend policy forms the basis for the board of directors' proposals on dividend payments to the company's general meeting.

The company's current dividend policy is to pay dividends reflecting the underlying earnings and cash flow while ensuring efficient capital allocation in the group. When deciding the dividend level, the board of directors will among other things take into consideration capital expenditure plans, financing requirements and maintaining the appropriate strategic flexibility of the group.

For the financial year 2019, the board of directors has proposed that the annual general meeting approves a dividend of NOK 6.25 per share.

PURCHASE OF TREASURY SHARES

The general meeting in 2019 authorised the board of directors to purchase treasury shares up to a nominal value of NOK 33 000 000, which is equivalent to 10% of the company's share capital. The authorisation was granted for the period up to the annual general meeting in 2020. As of the date hereof, the authorisation has not been used.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

The company has only one class of shares. Each share in the company carries one vote, and all shares carry equal rights, including the right to participate in general meetings. All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

In the event of an increase in share capital through issuance of new shares, a decision to deviate from existing shareholders' pre-emptive rights to subscribe for shares shall be justified. Where the board of directors resolves to issue shares and deviate from the pre-emptive rights of existing shareholders pursuant to an authorisation granted to the board of directors by the general meeting, the justification will be publicly disclosed in a stock exchange announcement issued in connection with the share issuance.

Any transactions in treasury shares carried out by the company shall be carried out on the Oslo Stock Exchange, and in any case at the prevailing stock exchange price. In the event that there is limited liquidity in the company's shares, the company will consider other ways to ensure equal treatment of shareholders. Any transaction in treasury shares by the company is subject to notification requirements, and shall be publically disclosed in a stock exchange announcement.

In the event of transactions that are considered to be non-immaterial between the company and its shareholders, a shareholder's parent company, members of the board of directors, executive personnel or close associates to any such party, the board of directors shall arrange for an independent third-party valuation. This will, however, not apply for transactions that are subject to the approval of the general meeting pursuant to the provisions in the Norwegian Public Limited Liability Companies Act. Independent valuations shall also be procured for transactions between companies within the group if any of the companies involved have minority shareholders.

Please refer to Note 22 Related Parties in the consolidated financial statements for further information on transactions with related parties.

5. FREELY NEGOTIABLE SHARES

The shares of the company are freely negotiable and there are no limitations on any party's ability to own or vote for shares in the company.

6. GENERAL MEETINGS

The general meeting is the shareholders' forum and the supreme governing body of the company. The Articles of Association do not limit the shareholders' rights as provided by the Public Limited Liability Companies Act. The board of directors sets the agenda for the general meeting. The minutes from the general meeting are published externally and on the company's website, in accordance with applicable laws and deadlines.

The board of directors shall ensure that as many of the company's shareholders as possible are able to exercise their voting rights at the company's general meetings, and that the general meeting is an effective forum for shareholders and the board of directors, which shall be facilitated through the following:

- the resolutions and any supporting documentation shall be sufficiently detailed, comprehensive and specific allowing shareholders to understand and form a view on all matters to be considered at the general meeting;
- deadlines for shareholders to give notice of their attendance at the general meeting shall be set as close to the date of the general meeting as practically possible. The time limit may not expire earlier than five days before the meeting;
- the chair of the general meeting shall if determined by the general meeting provide for that the shareholders are able to vote separately on each candidate nominated for election to Norske Skog's Board of Directors and other corporate bodies (if applicable);
- the chair of the board of directors and the chair of the nomination committee shall be present at general meetings, while other members of the board of directors, the nomination committee, the audit committee and the remuneration committee, as well as the auditor shall be present at general meetings where matters of relevance for such committees/persons are on the agenda; and
- the board of directors shall make arrangements to ensure that an independent chair for the general meeting is appointed.

Shareholders who are unable to be present at the general meeting shall be given the opportunity to be represented by proxy and to vote by proxy. The company shall in this respect:

- provide information on the procedure for attending by proxy;
- nominate a person who will be available to vote on behalf of shareholders as their proxy; and
- prepare a proxy form, which shall, to the extent this is possible, be set up so that it is possible to vote on each of the items on the agenda and the candidates nominated for election.

Deviations from the Code: The Code recommends that the general meeting elects board members individually. Traditionally, Norske Skog's general meeting is invited to elect the board members collectively to promote the board of directors as a qualified team and in accordance with legal requirements for gender representation. The Code furthermore recommends that the entire board of directors is present at general meetings. Norske Skog does not require the entire board of directors' presence at general meetings. However, the chair of the board will be present, and a number of board members will regularly be present. Furthermore, the corporate management will at least be represented by the CEO and the CFO. In line with the above, Norske Skog does not require the entire nomination committee's presence at general meetings. However, the chair of the committee will be present to explain the committee's proposal.

7. NOMINATION COMMITTEE

Pursuant to the Articles of Association, article 8, the company shall have a nomination committee consisting of between one and three members. The company's general meeting elects the members and the chair of the nomination committee and determines their remuneration. The majority of the members of the nomination committee shall be independent from the company's board of directors and executive management. No more than one member of the nomination committee should be a member of the board of directors, and any such member should not offer himself for election to the board of directors. The CEO and other members of the executive management shall not be members of the nomination committee. The composition of the nomination committee should be such that the interests of shareholders in general are represented. The nomination committee currently consists of one member, Matthew Joseph Turner, who serves as the sole member and chair of the committee. Mr Turner is an employee of Oceanwood Capital Management Ltd, an entity associated with funds managing the company's largest shareholder, NS Norway Holding AS. Due to internal guidelines in Oceanwood Capital Management Ltd, Mr Turner does not receive remuneration for his role as chair of the nomination committee.

The general meeting shall approve the instructions for the nomination committee. These instructions set out the objectives, responsibilities and functions of the nomination committee, and provide guidelines for rotation of its members. The company shall provide information regarding the composition of the nomination committee, the members of the nomination committee and deadlines for submitting proposals to the nomination committee as part of its recommendations to the general meeting.

The nomination committee shall recommend candidates for the election of members and chair of the board of directors, candidates for the election of members and chair of the nomination committee, and remuneration of the members of the board of directors and the nomination committee.

The nomination committee's recommendation of candidates to the nomination committee shall ensure that they represent a broad group of the company's shareholders. The nomination committee's recommendation of candidates to the board of directors shall ensure that the board of directors is composed to comply with legal requirements and principles of corporate governance. The nomination committee shall justify why it is proposing each candidate separately. The proposals from the nomination committee shall include a reasoning for its proposal, as well as a statement on how it has carried out its work. The nomination committee's proposal shall include information about the candidates, and shall be made available at the latest in accordance with the 21 days' notice rule to call for a general meeting. Shareholders shall be given the opportunity to submit proposals to the nomination committee for candidates for election to the board of directors and other appointments in a simple and practical manner. A date for when such proposals must be submitted to be considered by the nomination committee shall be communicated.

8. THE BOARD OF DIRECTORS' COMPOSITION AND INDEPENDENCE

According to the Articles of Association, the board of directors of Norske Skog shall have between three and eight board members. The current number of board members is seven. The composition of the board of directors should ensure that the board of directors has the expertise, capacity and diversity needed to achieve the company's goals, handle its main challenges and promote the common interests of all shareholders. Each board member should have sufficient time available to devote to his or her appointment as a board member. The number of board members should be determined on this basis. Furthermore, individuals of the board of directors shall be willing and able to work as a team, resulting in the board of directors working effectively as a collegial body.

The board of directors shall be composed so that it can act independently of any special interests. A majority of the shareholder-elected members of the board of directors shall be independent of the executive management and material business connections of the company. At least two of the members of the board of directors shall be independent of shareholders that owns or controls 10% or more of the company's shares or votes, and meaning that there are no circumstances or relations that may be expected to be able to influence the independence of the board members' assessments.

The members of the board of directors and the chair of the board of directors shall be elected by the company's general meeting. No member of the company's executive management shall be members of the board of directors. At least half of the members of the board of directors shall reside in Norway or another EEA country. Both genders shall be represented on the board of directors in compliance with the gender representation requirements set out in section 6-11a of the Norwegian Public Limited Liability Companies Act. The term of office for the board members shall not be longer than two years at a time. Members of the board of directors may be re-elected. The election of the members of the board of directors should be phased so that the entire board of directors is not replaced at the same time.

Please refer to the description in the board of directors section of the annual report for further information on the expertise, experience and independence of the members of the board of directors, as well as the board members' respective shareholdings in the company. The board members have a statistic attendance at board meetings of nearly 100%.

Members of the board of directors are encouraged to own shares in the company. However, caution should be taken not to let this encourage a short-term approach, which is not in the best interests of the company and its shareholders in the longer term.

The nomination committee's proposal to the general meeting (as further described in item 7 above) shall include detailed information on candidates for the board of directors (both appointments and re-elections), and shall be made available at the latest in accordance with the 21 days' notice rule to call for a general meeting.

9. THE WORK OF THE BOARD OF DIRECTORS

The board of directors' main tasks comprise the overall responsibility for the management of the company, and overseeing the daily administration and operations of the company. The work of the board of directors is carried out in accordance with the rules and standards applicable to the group, as described in the company's rules of procedure for the board of directors of Norske Skog. The rules of procedure for the board of directors include detailed description of duties and responsibilities of the board members, as well as working and meeting procedures.

The board of directors prepares an annual plan for its work, clearly setting out strategic, financial, operational and organisational matters for discussion and resolution. In addition to addressing the matters on such plan, the board of directors continuously addresses matters and processes which require the board of directors' involvement from time to time. Throughout 2019 and into 2020, the board of directors has concentrated a significant amount of time on strategic development and financial and capital markets matters. Efforts and results within the areas of health, environment and safety are annually reported comprehensively to the board of directors, and the CEO reports on health, environment and safety, operations and market developments in every board meeting.

The board of directors has two sub-committees, an audit committee, as required by the Public Limited Liability Companies Act, and a remuneration committee. The members of the audit committee are Arvid Grundekjøn (chair), John Chiang and Trine-Marie Hagen. The members of the remuneration committee are John Chiang (chair) and Arvid Grundekjøn. The company's Corporate Governance Policy includes a set of instructions for each of the committee's, describing defined areas of responsibility. The committees undertake preparatory discussions and submit their recommendations to the full board of directors.

The audit committee focused on the company's financial reporting and internal control function in 2019. The remuneration committee did not have separate meetings outside ordinary board meetings in 2019. The external auditor and the CFO attend the meetings of the audit committee. The CEO attends the meetings of the remuneration committee, except when the CEO's remuneration is being discussed.

In 2019, the board of directors held ten physical meetings, four telephone meetings, and three matters were resolved by written resolutions. The audit committee and the remuneration committee were appointed on 30 October 2019 and 5 September 2019, respectively. The audit committee held one meeting in 2019 and the remuneration committee did not hold separate meetings in 2019.

The board of directors shall annually evaluate its performance and expertise for the previous year. This evaluation shall include the composition of the board of directors and the manner in which its members functions, both individually and as a group, in relation to the objectives set out for its work. The report shall be made available to the nomination committee. Due to the significant change in board member composition in connection with the company's public listing in October 2019, the annual evaluation was not carried out in 2019.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The board of directors is responsible for ensuring that the company has sound and appropriate internal control systems and systems for risk management, and that these systems are proportionate to and reflect the extent and nature of the company's activities. Having effective internal control systems and systems for risk management in place are important to prevent the group from situations that can damage its reputation and financial standing. Furthermore, effective and proper internal control and risk management are important factors when building and maintaining trust, to reach the company's objectives, and ultimately create value. Having in place an effective internal control system means that the company is better suited to manage commercial risk, operational risk, the risk of breaching legislation and regulations as well as other forms of risk that may be material to the company. As such, there is a correlation between the company's internal control systems and effective risk management. The internal control system shall also address the organisation and execution of the company's financial reporting, as well as cover the company's guidelines for how it integrates considerations related to stakeholders into its creation of value. Norske Skog shall comply with all laws and regulations that apply to the group's business activities.

Norske Skog's enterprise risk management processes are based on COSO's Enterprise Risk Management framework, and cover financial, operational, market and organisational risks. By this delineation of risk control, all sustainability and responsibility areas covered by Norske Skog's Steering Guidelines are also covered by its enterprise risk management processes and is reported to the board of directors. The system is based on the management teams in each business unit and in key corporate functions annually reporting potential risk factors to the company's risk management function, which in turn provide a basis for the agenda of the corporate management meetings and adequate follow-up measures. In addition, Norske Skog annually reviews and reports on sustainability in accordance with GRI's Sustainability Reporting Standards. The annual review is carried out by an independent and internationally recognised audit firm. Further information on the group's sustainability reporting is provided in the group's sustainability report included in the sustainability report section of the annual report.

The internal control systems within the finance organisation primarily cover the financial reporting structure and processes. Routines for internal control over financial reporting are defined in Norske Skog's internal control documentation (Financial Closing Manual and Financial Closing Checklist). Responsibilities are clearly defined in terms of execution, documentation and control. As part of the continuous focus on compliance, regular reviews of business processes, investments or other issues are carried out. These compliance processes are carried out on the basis of risk assessments, and support the business in improving internal control and achieving the set goals. The group also has a power of attorney structure which describes and regulates financial empowerment to individual positions.

In addition, Norske Skog has implemented internal routines to ensure continuous attention and efforts on maintaining high compliance standards throughout the group. These internal routines are set out in Norske Skog's Continuous Compliance Program, and include a number of compliance related activities that shall be carried out over the course of a calendar year.

Norske Skog has clearly established channels and procedures for reporting and handling instances of possible serious misconduct (whistle blowing). Such channels are described on our website, intranet and in the Steering Guidelines.

It is the opinion of the board of directors that Norske Skog's internal control and systems for risk management are adequate and proportionate to the nature and complexity of the company's operations and financial situation.

11. REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the board of directors is decided by the annual general meeting on the basis of the nomination committee's proposal. The committee considers the level of responsibility, complexity and time consumption, as well as the required expertise, for the board members. Proposals for annual adjustments of the remuneration of the board of directors are based on considerations to ensure that Norske Skog remains attractive and competitive on the market for governing bodies' competencies.

No board member has carried out specific tasks or commissions for the company in addition to the directorship, and Norske Skog has not paid other remuneration to any board member than the ordinary board remuneration.

Separate remuneration is set for the chair and members of the board of directors and respective committees under the board of directors. The current remuneration amounts are as follows:

1. The remuneration for the chair of the board is NOK 0 (zero) per year. [*]

2. The remuneration for the other members of the board is NOK 300 000 per year.
4. The remuneration for the chair of the audit committee is NOK 60 000 per year.
5. The remuneration for other members of the audit committee is NOK 30 000 per year.
4. The remuneration for the chair of the remuneration committee is NOK 0 (zero) per year. (*)
5. The remuneration for other members of the remuneration committee is NOK 20 000 per year.
6. Travel expenses in connection with board and committee meetings are paid in accordance with the Norwegian Government's Travel Allowance Regulation.

(*) *John Chiang, chair of the board, chair of the remuneration committee and member of the audit committee, is a partner of Oceanwood Capital Management LLP, an entity associated with funds managing the company's largest shareholder, NS Norway Holding AS. Due to internal guidelines in Oceanwood Capital Management LLP, Mr Chiang does not receive remuneration for his role as chair of the board, chair of the remuneration committee and member of the audit committee.*

The total remuneration for the board of directors in 2019, including committee work, was NOK 1 365 000. For further information, reference is made to Note 12 Employee Benifit Expenses in the consolidated financial statements.

12. REMUNERATION OF EXECUTIVE PERSONNEL

Norske Skog has adopted guidelines for remuneration of executive personnel. These guidelines are included in the board of directors' statement on salary and other remuneration to executive employees, which is a part of the documentation presented to the annual general meeting. The guidelines set out the main principles for salaries and other compensatory elements. Performance related remuneration of the corporate management is linked to the financial performance of the company, and the individual executive's contribution thereto. In general, the guidelines ensure alignment of financial interests between the shareholders and the corporate management.

The CEO's remuneration terms are reviewed and decided annually by the board of directors following preparatory discussions in the board of directors' remuneration committee. The remuneration consists of base salary, annual performance bonus, pension and other benefits. The decision on the CEO's remuneration takes into consideration the overall performance of the CEO and the company, and the market development for CEO remuneration in companies of similar complexity, size and industries. The remuneration for other members of executive personnel is decided by the CEO, and the performance related remuneration consist of the same elements as for the CEO.

Performance based elements are calculated on the basis of quantifiable objective targets as well as on quantifiable targets falling within areas over which the respective executives have a reasonable influence. More information about remuneration of executive personnel is available in the financial statements, Notes 10 Board Statement on Remuneration for Senior Executives (Norske Skog ASA) and 12 Employee Benifit Expenses (consolidated financial statements).

In addition, Norske Skog established a long-term incentive program based on synthetic stock options. The program mirrors the financial outcome of an actual stock option with an initial "exercise price" (which corresponds to the price per share set in the initial public offering carried out in 2019) and a mechanic to fix a "fair market value" in the future when the options is exercised (3-5 years following award of the options). The long-term incentive program is described in Note 12 of the consolidated financial statements for 2019.

13. INFORMATION AND COMMUNICATIONS

The company has establish guidelines for its reporting of financial and other information based on openness and taking into account the requirement of equal treatment in the securities market. These guidelines are set out in the company's Communication Policy and the Investor Relations Policy.

The company provides on a continuous basis its shareholders, the Oslo Stock Exchange and the securities market and the financial market in general with timely and precise information about the company and its operations. Such information is published through the Oslo Stock Exchange's information system and the company's website. Information is typically given in the form of annual reports, half-year reports, quarterly reports, press releases, notices to the stock exchange and through published investor presentations in accordance with what is deemed appropriate and required at any given time. Financial reporting follows International Financial Reporting Standards, and through open and proactive communication with investors and financial markets, including through regular presentations, Norske Skog ensures transparency and equality to facilitate our stakeholders' assessment of the company. The company furthermore regularly provides information on its long-term potential, including strategies, value drivers and risk factors. Information to Norske Skog's investors will also be published simultaneously through the Oslo Stock Exchange's information system and/or the company's website.

The company publishes an annual, electronic financial calendar with an overview of dates for important events, such as the annual general meeting, interim financial reports, public presentations and payment of dividends, if applicable. The information is made available in English and Norwegian.

Unless there are applicable exemptions that is appropriate to utilise in the specific situation, Norske Skog promptly discloses all inside information (as defined by the Norwegian Securities Trading Act. In addition, Norske Skog provides information about certain events, e.g. by the board of directors and the general meeting concerning dividends, mergers/demergers or changes to the share capital, the issuing of subscription rights, convertible loans and all agreements of major importance that are entered into by Norske Skog and related parties.

Separate guidelines have been Implemented regarding handling of inside information, and these follow from the instructions for handling of inside information and the instructions for primary insiders. The rules of procedure for the board of directors set out whom in the board of directors is entitled to publically speak on behalf of the company, and the Communication Policy defines the responsibility of communications on behalf of the company in various matters.

14. TAKE-OVERS

The board of directors has established clear principles in the Corporate Governance Policy for how it will act in the event of a take-over bid, hereunder that it will act in accordance with the Code and Norwegian law. The principles emphasise the importance of equal treatment of existing shareholders. They further warrant that the board of directors will ensure sufficient information in time and content for the shareholders to assess a possible bid, including issuing a statement to the shareholders with the board of directors' assessment of such bid, together with a valuation prepared by an independent expert. A sale of a significant part of the company will require approval by the general meeting. The board of directors will not without decision by the general meeting attempt to hinder a take-over bid for the company.

15. AUDITOR

The auditor presents an annual audit plan, describing the auditor's understanding of the industry and significant risks, as well as the audit approach to be applied. The auditor participates in audit committee meetings when discussing the quarterly financial statements and other audit related matters, and attends board meetings when otherwise requested. The auditor annually confirms its independence in writing. During 2019 and 2020, the auditor has participated in discussions with the audit committee. Furthermore, the auditor has met with the board of directors without the corporate management being present, and reviewed the company's internal control procedures. The company has effective guidelines for the ability of the auditor to perform non-audit services for the company upon approval by the audit committee. The company informs the general meeting about the auditor's fees for audit and non-audit services.

The board of directors regularly assesses the quality and efficiency of the work of the auditor.

Photo: Carsten Dybevig

REPORT OF THE BOARD OF DIRECTORS

Norske Skog is one of the leading producers of publication paper in the world, with an annual production capacity of 2.3 million tons. The group is geographically diverse with production sites in Europe and Australasia. In Europe, the group has four production sites, two in Norway, one in France and one in Austria. The European segment is the largest with1.9 million tonnes of capacity, of which 1.2 million tonnes is newsprint and 0.7 million tonnes is magazine paper. In Australasia, the group has one production site in Australia and one in New Zealand. The production capacity in the Australasian segment is 0.3 million tonnes newsprint and 0.1 million tonnes magazine paper. Norske Skog is the only domestic producer of publication paper in Australia and New Zealand. In New Zealand Natures Flame produces 85,000 tonnes of pellets which are used domestically and exported to Asia.

NORSKE SKOG IN 2019

The year 2019 has, as many years in Norske Skog ASA's recent history, been an eventful year. Following the completion of the financial restructuring in 2018, the company has taken great steps in normalising its relationships with stakeholders of the group.

In June, the company issued a EUR 125 million bond in the Norwegian market. The issuance marked the company's return to the financial market and the bond was subsequently listed on the Oslo Stock Exchange. The proceeds from the bond was used to repay the Norwegian Securitisation Facility ("NSF") held by Oceanwood and for general corporate purposes.

On 18 October 2019, Norske Skog ASA was listed on the Oslo Stock Exchange with the ticker NSKOG. Oceanwood sold 36.8 % of their holding and remain the largest shareholder in the company post listing, but we now also have a broad base of domestic and International shareholder. The total number of shareholders was 2 120 as at 31 December 2019.

The European segments experienced a positive operating environment during 2019 with improved results at all European entities. The price increases in the publication paper market heading into 2019 was the basis for this, and although there was some softening of prices in the second half of the year, there was also a reduction in energy costs, recovered paper prices and wood prices partially offsetting the price decreases. In 2019, Saugbrugs was granted full CO2 compensation from 2018 onward, after having been curtailed since the inception of the Norwegian scheme in 2013.

Given the domestic decline in consumption in Australia and New Zealand, the business in the region has for many years been exposed to an increasing share of export of newsprint into Asian markets. This has given significant exposure to volatile Asian prices as well as currency exposure. The high share of export and the steep fall in Asian prices at the end of 2018 made the operating environment in the region very challenging and the results for the year were not satisfactory. As sole producer in the region, there will from time to time be a need to take measures to protect profitability and in October 2019 it was announced that the Albury mill would be sold to Visy. The production stopped on 5 December 2019. Since start up the mill in 1981 it produced a total of 8 million tonnes of newsprint, which if rolled out would stretch 124 million kilometres.

Following the closure of Albury, the operations in the region will continue to be optimised to the demand development in the region and to realise values.

INCOME STATEMENT AND CASH FLOW

Norske Skog's operating income was NOK 13 billion in 2019 (NOK 12.6 billion). The increase reflected higher prices within most publication paper segments in Europe, but also gains from asset sales both in Europe and Australia. At Bruck, a power plant was sold, while in Australia the sale of water rights as well as termination of an energy contract in relation to the closure of Albury gave rise to gains. In Europe however, costs of materials also decreased with lower fibre and energy prices. Employee benefit expenses increased year-on-year mainly due to increased mandatory profit sharing in Europe as a result of the financial performance. EBITDA increased to NOK 1 938 million in 2019 (NOK 1 032 million), mostly driven by the positive operating environment in Europe and gains from transactions.

Depreciation was NOK 456 million in 2019 (NOK 446 million). Restructuring expenses in 2019 amounted to NOK 223 million (NOK 15 million) and is mainly related to the closure of Albury and corresponding redundancy payments. Derivatives and other fair value adjustments in 2019 ended at NOK 1 348 million (NOK 355 million), largely reflecting the impact of valuations of certain elements in the energy contracts in Norway related to change in prices in publication paper and wood.

Operating earnings ended at NOK 2 398 million in 2019 (NOK 926 million). The improvement reflects better market conditions in Europe, gains from sale of assets and the impact of valuations of certain elements in the energy contracts in Norway.

Net financial items in 2019 were NOK -206 million (NOK 677 million). Discharge of debt of NOK 1 115 million was included in financial income in 2018. Net interest expenses of NOK 153 million in 2019 (NOK 725 million) following the reduction of debt and refinancing including the issuance of EUR 125 million bond which reduced the interest cost. Currency gains of NOK 26 million (NOK 201 million) is reduced and reflects the reduced sensitivity to currency after the discharge of debt.

Income taxes for 2019 amounted to NOK 149 million (NOK 78 million) reflecting the higher tax payable due to improved results and increase in deferred tax asset. Profit for the period was NOK 2.0 billion in 2019 (NOK 1.5 billion).

Net cash flow from operating activities ended at NOK 602 million in 2019 (NOK 881 million). Cash from operations was NOK 1 005 million (NOK 971 million) reflecting the improved operating environment in 2019, but was also impacted by deferral of payments for CO2 compensation and sale of assets where proceeds will be received in 2020. Net interest payments was NOK 114 million (NOK 27 million), an increase as limited interest was paid on the financial debt in 2018. Taxes paid was NOK 251 million in 2019 (NOK 20 million). Taxes paid are related to the operations in Golbey and Bruck.

BALANCE SHEET

Total assets were NOK 10.2 billion at 31 December 2019 (NOK 8.6 billion). Total non-current assets were NOK 5.2 billion at 31 December 2019 (NOK 4.8 billion). The main increase is related to the in non-current part of change in value of embedded derivatives in energy contracts that are linked to changes in paper prices. Maintenance investments in property, plant and equipment amounted to NOK 254 million in 2019 (NOK 221 million). Investments in addition to the capex related maintenance investment for 2019 included the expansion of the pellets factory in Taupo in New Zealand and a rebuild in Saugbrugs to use carbonate instead of clay which reduces costs as well as making it possible to produce other paper grades.

Total current assets were NOK 4.4 billion at 31 December 2019 (NOK 3.8 billion), with cash and cash equivalents of NOK 970 million at 31 December 2019 (NOK 912 million).

The increase in current assets is mainly related to increase in inventory and receivable as well at the current part of increase in embedded derivatives in energy contracts.

Total non-current liabilities were NOK 2.4 billion at 31 December 2019 (NOK 3.3 billion). Total current liabilities were NOK 2.4 billion (NOK 2.9 billion). The main contributor in the reduced liabilities during the year was the refinancing and the subsequent repayment of NSF and conversion of debt to equity. Net interest bearing debt at 31 December 2019 was NOK 919 million (NOK 2 268 million).

Equity was NOK 5.5 billion at 31 December 2019 (NOK 2.4 billion). The increase reflected the profit for 2019 as well as the conversion of NOK 1.1 billion from debt to equity.

RISK MANAGEMENT

The main risk exposures for the group follow a continued negative demand development in key sectors within publication papers. Accordingly, price developments are pressured and volatile. The group is also exposed to movements in the price of key input factors such as energy, recovered paper and fibre. Thus efforts to continue to improve efficiencies and develop purchasing strategies are key to mitigate these risk factors. The group's revenues and costs are partly hedged from a currency point of view; providing some risk reduction but significant movements, particularly in the NOK, pose financial risk for the group.

Norske Skog's operations are predominantly production of publication paper in Europe and Australasia. The demand for publication paper will likely continue to decrease and the market balance is over time dependent on future closures of production capacity either permanently or through conversions to other paper grades. Exposure to both newsprint and magazine paper grades give some product diversification. Business segments located on opposite sides of the world provide geographical diversification. The group's efforts to convert machines or develop new fibre based and bio-related products may gradually diversify the activities.

Norske Skog is not vertically integrated back into forest resources and therefore has to source wood fibre from third parties. The supply of this wood fibre is to a certain extent covered by long-term contracts which reduce cost fluctuations.

Norske Skog will continue its work to improve the core business, convert certain of the group's paper machines and diversify the business within bioenergy, fibre and biochemical.

Financial risk management includes currency and liquidity planning. Currency volatility is to a certain extent mitigated by natural hedging where income and expenses are matched in the same currency. Norske Skog has loans predominantly denominated in EUR, replicating cash flows from the EUR based European market. Liquidity is ensured by maintaining sufficient cash balances and open credit lines linked to accounts receivables facilities and a revolving credit facility. Norske Skog continuously assesses the most competitive funding sources for the group.

Norske Skog performs credit evaluations of counterparties. The group's insurance programme is managed centrally through a well-established insurance program. Risk factors are further discussed in Note 8 Financial Risk in the consolidated financial statements.

CORPORATE GOVERNANCE

Norske Skog's goal is to create competitive shareholder values. Important instruments for achieving this objective include good principles for corporate governance and a clearly defined division of responsibilities and roles between the company's governing bodies. Further details are described in the corporate governance section in the annual report and on www.norskeskog.com.

SUSTAINABILITY

We are a progressive and viable group with belief in Norske Skog, the products and the future. At Norske Skog, we are committed to reducing our environmental impact through sustainable operations and continuous improvement. To achieve this, we make sure that our environmental management programs and standards are an integral part of all our activities. Details of environmental responsibility and corporate social responsibility are described in the Sustainability report section in the annual report and on www.norskeskog.com.

HEALTH AND SAFETY

Norske Skog aims to have zero injuries among employees. All near misses and injuries are reported in our global Health Safety and Environment system. Experiences from every single incident are shared within the entire organisation. Lost-time injuries per million working hours, was 0.5 in 2019 (0.9). Norske Skog had an absence rate due to sickness of 3.7% in 2019 (3.8%).

EMPLOYEES, GENDER EQUALITY, GENDER BALANCE AND DIVERSITY

The Norske Skog group had 2 359 employees at year end 2019 (2 444). The paper industry has traditionally had few female employees. At Norske Skog, the share of female employees has been around 10% for many years. The board of directors consists of seven members, four men and three women. Norske Skog is working to encourage the Norwegian Discrimination Act's objective within our business. This includes activities to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin colour, language, religion and faith.

RESEARCH AND DEVELOPMENT

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

Investments into projects for alternative use of fibre and development of bio-chemicals are being made in the form of pilot or demonstration plants that, if successful, can contribute to growth when commercialised. Norske Skog will continue to explore projects within bioenergy that support and develop the business. In December 2019, Norske Skog Saugbrugs and Borregaard received a grant from Innovation Norway for research and development and to build a demonstration plant for fibre composite.

GOING CONCERN

In accordance with the provisions in the Norwegian Accounting Act, the board of directors has assessed the going concern assumption as basis for preparing and presenting the financial statements. As at 31 December 2019, the equity of the company is NOK 5.5 billion giving and equity ratio of approximately 54%. Based on the results for the company and group for 2019, the solidity and available liquidity the board of directors confirms that the assumption applies and that the financial statements have been prepared on a going concern basis.

OUTLOOK FOR 2020

The market balance for publication paper in Europe has weakened due to higher demand decline in 2019 than the long-term trend. Prices declined into the fourth quarter, and further price decreases are expected in first half of 2020. The impact of the lower sales prices will to some degree be offset by decreased input cost from energy, pulpwood and recovered paper.

Despite the closure of newsprint production at Albury in Australia, hence a significant reduction in export of newsprint, and a regional delivery optimization, we expect a challenging operating environment in the region in 2020. The group will therefore continue to optimize operations in the region as well as seek to realize added value at the facilities beyond the current production of publication paper.

Norske Skog will continue its work to improve the core business, convert certain of the group's paper machines and diversify the business within bioenergy, fibre and biochemical.

Norske Skog remains determined to further improve its business platform. The group will continue to focus on developing initiatives to improve the competitiveness of the mills though continuous cost reductions, development of our core business, investment in promising new growth projects, and be an attractive consolidation partner for publication paper in Europe.

The group will continue to employ strong capital discipline and the company's dividend policy remains unchanged.

NORSKE SKOG ASA (THE PARENT COMPANY)

The parent company, Norske Skog ASA, is incorporated in Norway and has its head office at Skøyen in Oslo. The activities of Norske Skog ASA consist of holding shares in the operating companies and conducting the head office functions of the Norske Skog group. At 31 December 2019 the company had 33 employees.

Operating revenue NOK 98 million (NOK 97 million) is primarily from the services provided within the group. Employee benefit expenses NOK 93 million (NOK 81 million) and other operating expenses NOK 74 million (NOK 57 million) are related to the headquarter functions.

Net financial items amounted to NOK 1 095 million (NOK 939 million) mainly reflecting dividends received from subsidiaries in 2019. In 2018 net financial items reflected derecognition of debt following the completion of the financial restructuring. The profit for the year for Norske Skog ASA was NOK 1 004 million in 2019 (NOK 882 million).

Net cash flow from operating activities was NOK -47 million (NOK -121 million). The higher interest payments is due to limited interests paid on outstanding debt in 2018.

Total assets were NOK 6.7 billion at 31 December 2019 (NOK 5.7 billion). Total non-current assets were NOK 5.1 billion at 31 December 2019 (NOK 4.8 billion). Total non-current liabilities were NOK 1.5 billion at 31 December 2019 (NOK 2.2 billion) while current liabilities decreased from NOK 1.4 billion to NOK 0.9 billion following repayment of the NSF loan.

Equity was NOK 4.3 billion at 31 December 2019 (NOK 2.2 billion). The increase reflected the profit for 2019 as well as the conversion of NOK 1.1 billion from debt to equity.

Lost-time injuries per million working hours, was 0 in 2019 (0) in Norske Skog ASA. The company had an absence rate due to sickness of 1.2% in 2019 (0.8%).

The risk factors described for the group are also relevant for the parent company. Furthermore, Norske Skog ASA is also exposed to the risks of funding from the cash generating operations not being available for the company when required, whether by way of intragroup loans or other capital transactions such as dividend payments.

PROFIT/LOSS ALLOCATION

The profit for the year for Norske Skog ASA (the parent company) in 2019 was NOK 1 004 million (NOK 882 million). The profit for the year was allocated to retained earnings.

DIVIDEND PROPOSAL

The board of directors recommends a payment of dividend for the financial year 2019 of NOK 516 million (NOK 6.25 per share).

SKØYEN, 5 MARCH 2020
THE BOARD OF DIRECTORS OF NORSKE SKOG ASA

John Chiang Chair	Arvid Grundekjøn Board member	Anneli Finsrud Nesteng Board member	Trine-Marie Hagen Board member
Idunn Gangaune Finnanger Board member	Svein Erik Veie Board member	Paul Kristiansen Board member	Sven Ombudstvedt CEO

Photo: Enzo Zadra

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	2019	2018
Operating revenue		12 200	12 428
Other operating income	6	754	214
Total operating income	3	**12 954**	**12 642**
Distribution costs		-1 242	-1 303
Cost of materials		-6 861	-7 520
Employee benefit expenses	12	-1 938	-1 856
Other operating expenses	14	-977	-931
Restructuring expenses	19	-223	-15
Depreciation	4	-456	-446
Impairments	4	-209	0
Derivatives and other fair value adjustments	16	1 348	355
Operating earnings	3	**2 398**	**926**
Financial income	5	15	1 289
Financial expenses	5	-247	-813
Net unrealised/realised gains/losses on foreign currency	5	26	201
Profit/Loss before income taxes		**2 192**	**1 603**
Income taxes	17	-149	-78
Profit/Loss after tax		**2 044**	**1 525**
Basic earnings per share (NOK)	20	24.77	18.48
Diluted earnings per share (NOK)	20	24.77	18.48

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	2019	2018
Profit/Loss after tax	**2 044**	**1 525**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	6	24
Total	**6**	**24**
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligations	-29	-8
Tax effect on remeasurements of post employment benefit obligations	5	1
Total	**-24**	**-7**
Other comprehensive income	**-18**	**17**
Total comprehensive income	**2 026**	**1 542**

CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	31.12.2019	31.12.2018
Assets			
Deferred tax asset	17	137	64
Intangible assets	4	38	30
Property, plant and equipment	3, 4	3 685	4 483
Other non-current assets	10	1 388	211
Total non-current assets		**5 248**	**4 789**
Assets held for sale	4	**631**	**0**
Inventories	3, 18	1 427	1 304
Trade and other receivables	10	1 573	1 403
Cash and cash equivalents	8	970	912
Other current assets	18	390	157
Total current assets		**4 360**	**3 776**
Total assets		**10 240**	**8 565**
Equity and liabilities			
Paid-in equity		8 510	7 409
Retained earnings and other reserves		-3 018	-5 044
Total equity		**5 493**	**2 365**
Pension obligations	13	295	271
Deferred tax liability	17	316	328
Interest-bearing non-current liabilities	11, 18	1 470	2 318
Other non-current liabilities	18	312	353
Total non-current liabilities		**2 393**	**3 270**
Interest-bearing current liabilities	11, 18	419	862
Trade and other payables	18	1 685	1 864
Tax payable	17	62	87
Other current liabilities	18	188	118
Total current liabilities		**2 354**	**2 931**
Total liabilities		**4 747**	**6 200**
Total equity and liabilities		**10 240**	**8 565**

SKØYEN, 5 MARCH 2020
THE BOARD OF DIRECTORS OF NORSKE SKOG ASA

J. Chiang
John Chiang
Chair

Arvid Grundekjøn
Board member

Anneli Finsrud Nesteng
Board member

Trine-Marie Hagen
Board member

Idunn Gangaune Finnanger
Board member

Svein Erik Veie
Board member

Paul Kristiansen
Board member

Sven Ombudstvedt
Sven Ombudstvedt
CEO

CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	NOTE	2019	2018
Cash flow from operating activities			
Cash generated from operations	3	12 563	12 735
Cash used in operations		-11 558	-11 765
Cash flow from currency hedges and financial items		-38	-43
Interest payments received	5	12	8
Interest payments made	5	-126	-35
Taxes paid		-251	-20
Net cash flow from operating activities [1]	3	**602**	**881**
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets [2]	3, 4	-369	-279
Sales of property, plant and equipment and intangible assets		223	1
Purchase of shares in companies and other investments		-48	-31
Sales of shares in companies and other investments		14	121
Net cash flow from investing activities		**-180**	**-188**
Cash flow from financing activities			
New loans raised		1 438	332
Repayments of loans		-1 782	-370
Other cash flow from financing activities		0	-178
Net cash flow from financing activities		**-344**	**-215**
Foreign currency effects on cash and cash equivalents		-21	3
Total change in cash and cash equivalents		**57**	**480**
Cash and cash equivalents 1 January		912	433
Cash and cash equivalents 31 December		970	912
[1] Reconciliation of net cash flow from operating activities			
Profit/loss before income taxes		2 192	1 603
Depreciation and impairments	4	664	446
Gains and losses from divestment of business activities and property, plant and equipment		-414	-1
Taxes paid		-251	-20
Change in trade and other receivables		44	94
Change in inventories		-152	-165
Change in trade and other payables		-155	66
Change in restructuring provision		56	-11
Financial items with no cash impact		55	-747
Derivatives and other fair value adjustments	16	-1 378	-365
Disposal and repurchasing of renewable energy certificates		-34	-4
Change in environmental provisions with no cash impact		-1	-4
Change in pension obligations and other long term employee benefits		-7	-8
Other		-18	-3
Net cash flow from operating activities		**602**	**881**
[2] Whereof maintenance capex		-254	-221

CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	NOTE	PAID-IN EQUITY	OTHER PAID-IN EQUITY	RETAINED EARNINGS	TOTAL EQUITY
Equity 1 January 2018		**5 160**	**0**	**-6 586**	**-1 427**
Derecognition of debt	5	0	2 249	0	2 249
Profit after tax		0	0	1 525	1 525
Other comprehensive income		0	0	17	17
Equity 31 December 2018		**5 160**	**2 249**	**-5 044**	**2 365**
Increase paid-in capital [1)]	22	1 102	0	0	1 102
Profit after tax		0	0	2 044	2 044
Other comprehensive income		0	0	-18	-18
Equity 31 December 2019		**6 261**	**2 249**	**-3 018**	**5 493**

[1)] *Increase of paid-in capital in 2019 through conversion of debt to equity.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Norske Skog ASA ("the company") and its subsidiaries (together "the group") manufacture, distribute and sell publication paper. This includes newsprint and magazine paper. As of 31 December 2019, the group has six mills in five countries (Norway, France, Austria, Australia and New Zealand), with an annual production capacity of 2.3 million tonnes. In addition to the traditional publication paper business, new growth initiatives related to renewable energy, biochemical products and fibre products have been launched.

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

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). The consolidated 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 corresponding amounts for prior year in parenthesis. The consolidated financial statements were authorised for issue by the board of directors in Norske Skog ASA on 5 March 2020.

The table below shows the average monthly foreign exchange rates applied in the income statement and the closing exchange rates applied in the balance sheet for the most important currencies for the group.

	Income statement		Balance sheet	
	2019	2018	31.12.2019	31.12.2018
AUD	6.12	6.08	6.17	6.13
EUR	9.85	9.60	9.86	9.95
GBP	11.24	10.85	11.59	11.12
NZD	5.80	5.63	5.92	5.83
USD	8.80	8.13	8.78	8.69

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements of Norske Skog ASA are set out below. The consolidated financial statements 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. The policies have been consistently applied to all periods presented, unless otherwise stated. They have been prepared under the assumption of going concern.

CONSOLIDATION

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Norske Skog group and its subsidiaries as at 31 December 2019. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if, and only if, the group has:

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

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

b) Associates

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

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

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

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

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. 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. Activities that are not part of the operating segments are included in other activities.

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 and the internal management reporting.

Performance measurement

The group assesses the performance of the operating segments based on a measure of EBITDA. 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, changes in fair value of certain energy contracts, embedded derivatives in energy contracts and value change of biological assets. See APM for further information related to performance measurement other than financial measure defined or specific in the applicable financial reporting framework (IFRS).

Intercompany transactions

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

FOREIGN CURRENCY TRANSLATION

a) Functional and presentational currency

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

b) Transactions and balances

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

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

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

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 on monthly basis,
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 are booked as part of comprehensive income and presented in other equity reserves. When a foreign operation is derecognized, such exchange differences are booked out of comprehensive income and recognised in the income statement line Other operating income/Other operating expenses as part of the gain or loss of the transaction.

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 operating income/Other operating expenses.

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) 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.

b) 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, 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 for non-financial assets other than 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. Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The group classifies its financial assets and liabilities in the following three categories: at fair value through profit or loss, at amortised cost, and at fair value through other comprehensive income. 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. The group has an expected credit loss model for trade receivables, whereby expected credit losses are recognized based on ageing categories of trade receivables that includes all receivables. Norske Skog has historically low levels of realised bad debts in trade receivables.

a) Financial assets at fair value through profit or loss

The group continued measuring at fair value the financial assets previously classified 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 IFRS 9 and such contracts are treated as derivatives. The group has a long-term energy contract in New Zealand that is treated as a derivative and measured at fair value through profit or loss. Embedded derivatives are separated from the host contract and accounted for as a derivative if the economic characteristics are not closely related to the economic characteristics and risk of the host contract. See Notes 7, 8 and 9 for more information. Commodity contracts within the scope of IFRS 9 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) Amortised cost

Amortised cost includes cash, loans and receivables, and are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Items classified as amortised cost are current items maturing less than 12 months after the balance sheet date, and are 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) Fair value through other comprehensive income
Investments in other shares not held for trade purpose are classified as fair value through other comprehensive income. For the groups investments in other shares, there are no active market. Fair value for these investments is determined applying valuation technics in according to level three in the valuation hierarchy.

DERIVATIVES AND HEDGE ACTIVITIES
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item represent hedge activities. These derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognised in the income statement.

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

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.

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 invoiced amount and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The impairment model for financial assets under IFRS 9 require recognition of doubtful receivables allowances based on expected credit losses. The group has an expected credit loss model for trade receivables, whereby expected credit losses are recognized based on ageing categories of trade receivables that includes all receivables.

INVENTORY
Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average cost. 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 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.

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 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 to lawyers and legal advisors in relation to the restructuring process, lease termination costs and onerous contracts.

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.

CURRENT AND DEFERRED INCOME TAX
The group's income tax expense includes current tax based on taxable profit for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. 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.

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

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

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

b) Share-based remuneration

A long-term incentive (LTI) programme was launched in October 2019. The LTI programme falls within the scope of IFRS 2 Share-based payments. A share based payment transaction is a transaction in which the company receives services from the employee of those services in a share-based payment arrangement. A cash-settled share-based payment transaction is a share-based payment transaction in which the entity acquires services by incurring a liability to transfer cash to the employee of those services for amounts that are based on the price of the shares in the company. IFRS 2 applies not only to awards of shares but also to awards of cash of a value equivalent to the value, or a movement in the value, of a particular number of shares, which is the case for the long-term incentive plan. The ultimate cost of a cash-settled share-based transaction is the actual cash paid to the counterparty, which will be the fair value at settlement date.

The periodic determination of this liability is at each reporting date between grant and settlement the fair value of the award. The fair value of the award is determined in accordance with the specific requirements in IFRS 2. During the vesting period, the liability recognised at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period. All changes in the liability are recognised in profit or loss for the period. The fair value of the liability is determined by applying an option pricing model, taking into account the terms and conditions on which the cash-settled transaction was granted, and the extent to which the employees have rendered services to date.

c) Bonus arrangements

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

d) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between fair value of 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.

DERECOGNITION

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

PAID-IN EQUITY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners as treasury shares until the shares are cancelled or reissued.

REVENUE RECOGNITION

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods or services. The application of the core principle in IFRS 15 is carried out in five steps in which the group's sales contracts have been analysed based on. The first two steps are to identify the contract with the customer and identify each party's rights regarding the goods or services transferred. After identifying the contract with the customer, a vendor identifies the contract into performance obligations. A performance obligation is a promise by a vendor to transfer goods or services to a customer. Each performance obligation is distinct being either a good or service from which the customer can benefit on its own. Norske Skog group generates revenue mainly from sale of newspaper and magazine paper products.

Customer contracts can be identified through orders of products with terms and prices according to individual agreements. Performance obligations are clearly identified as the products are delivered based on customer contract. The third and fourth steps, a vendor determines the transaction price of the entire contract and then allocates the transaction price among the different performance obligations that have been identified. The prices received by the group, are divided into fixed and variable parts. The variable consideration comprises payment discount and volume rebates. The amount expected to be paid as discount or rebates are deducted from sales in line with estimates of the amount of the discount the customer is entitled to. In case the product do not meet the quality as specified in the agreement, an estimation of potential claim is to be taken into account at time of the sales. Further, the prices received do not include financing components and no significant contracts identified where the group act as an agent. In the fifth step, we assess when each performance obligation is satisfied (point in time or over period) and revenue are recognized

Revenues in the group consists almost exclusively of the sale of goods. In practical terms, the timing of revenue recognition is based on the delivery terms for the different markets and customers, and where revenue is recognised at point in time. It is important to make sure that all performance obligations are fulfilled, and the customer can benefit on its own. If the customer cannot obtain control of the good or service, the revenue cannot be recognised.

Norske Skog'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:

- 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 recognized if the customer has taken over a significant part of the gain and loss potential relating to the 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.

Norske Skog may deliver a product to another party, such as a dealer or retailer, for sale to end customers. In these circumstances, the company is required to assess whether the other party has obtained control of the product. If the other party has not obtained control, the product may be held in a consignment arrangement. In such case, the company does not recognise the revenue until the product is controlled by the end customer.

Variable considerations can arise for a wide range of reasons, including discounts, rebates, refunds, credits, performance bonuses, penalties or other similar items. Variable considerations are only included in the transaction price if it is highly probable that a significant reversal in the amount of revenue recognised will not occur.

DIVIDEND INCOME

Dividend income is recognised when the right to receive payment is established, which is generally when the shareholders approve the dividend.

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.

GOVERNMENT GRANTS

Government grants 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.

LEASES

The group has applied IFRS 16 using the modified retrospective approach with effect from 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term ("right-of-use asset"). The new leases standard requires lessees to recognise right-of-use asset and liabilities for most leases, which is a significant change from requirements under the previous accounting standard IAS 17. Exceptions for short term leases, low value leases, non-lease components and intangible assets have been adapted by the group. The right-of-use assets is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease or the group's incremental borrowing rate. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. Other variable lease payments are expensed in the period to which they relate.

Right-of-use assets are initially measured at the amount of the lease liability reduced for any lease incentives received. Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

LEASES CLASSIFIED AS OPERATING LEASES UNDER IAS 17 (RECOGNITION PRINCIPLES IN 2018)

Leases in which the lessor retains substantially all the risks and rewards of ownership were classified as operating leases in 2018. 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.

NEW AND AMENDED INTERPRETATIONS AND STANDARDS ADOPTED BY THE GROUP

a) New standards effective from 1 January 2019

Effective 1 January 2019 the group adopted the new leasing standard IFRS 16 using the modified retrospective approach and accordingly comparative information for 2018 has not been restated. The standard were applied to the leases retrospectively with the cumulative effect of initially applying IFRS 16 as an adjustment to the opening equity at the date of the initial application. The impact on accounting for the group's operating leases for machinery and properties are described out below.

The effect on the balance sheet 1 January 2019 were as follows:

- Increased right-of-use assets and lease liability: NOK 127 million

The full year effect for 2019 on the consolidated financial statements are estimated as follows:

- Decreased operating expenses: NOK 41 million
- Increased interest expenses: NOK 10 million
- Increased depreciations: NOK 35 million

The interpretation of IFRIC 23 Uncertainty over Income Tax Treatments is effective for annual reporting period beginning on or after 1 January 2019. The interpretation clarifies how to consider uncertain tax treatment within the scope of IAS 12 Income Taxes. Uncertainty over income tax treatments arises when it is uncertain whether taxation authorities will approve an entity's tax treatments. The interpretation had no effects on the 2019 financial statements but might have effects on tax issues going forward.

Other amendments to IFRS are not expected to have a material impact on the financial statements for 2019.

b) New standards, interpretations and amendments not yet effective

The most significant standards which have been issued by the IASB that are effective for the future period beginning 1 January 2020 but not early adopted by the group are the following:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

IMPORTANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the end of the reporting period. The group has for instance applied judgment when identifying and recognising embedded derivatives, when choosing the definitions of the alternative performance measures (APM). It is important to note that the use of a different set of assumptions for the presentation of the consolidated financial statements could have resulted in significant changes in the line items presented. New interpretations, pronouncements or practices that changes the way these requirements are applied for the group may have significant impact on the company's financial statements.

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

The group performs impairment tests to assess whether there has been a decline in the value of intangible assets and PPE. 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.

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 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. 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 are made on company level and on basis of long term financial forecast of taxable income. The judgments relate primarily to tax losses carried forward in Norske Skog's Norwegian and Australian 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 group is a producer of publication paper. Publication paper includes newsprint and magazine paper. Newsprint encompasses standard newsprint and other paper qualities used in newspapers, inserts, catalogues, etc. These paper qualities, measured in grammes per square meter, will normally be in the range 40-52 g/m2. Magazine paper encompasses the paper qualities super calendered (SC) and light weight coated (LWC). These paper qualities are used in magazines, periodicals, catalogues and brochures.

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

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

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

Other activities
Activities in the group that do not fall into the operating segments publication paper Europe or publication paper Australasia are presented under other activities. This includes corporate functions, energy (commodity contracts and embedded derivatives in commodity contracts), green energy and other holding company activities.

REVENUE FROM CONTRACTS WITH CUSTOMERS
Total revenues, cash flows and contract balances from contracts with customers has been disaggregated and presented in the segment tables below. Contract with customers are recognized upon satisfaction of a performance obligation by transferring the promised goods to a customer and measured at point in time for the sale of products to the customer. Sale of publication papers and other products are non-interest bearing receivables, generally on terms of 20-60 days.

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.

MAJOR CUSTOMERS
Norske Skog had a total sales volume of newsprint and magazine paper of 2 285 000 tonnes in 2019, of which sales to the group's largest customer constituted approximately 235 000 tonnes. Total sales volume in 2019 of newsprint and magazine paper to the five largest customers in Europe and Australasia amounted to approximately 345 000 and 290 000 tonnes respectively.

OPERATING REVENUE AND EXPENSES PER OPERATING SEGMENT

2019	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	9 213	2 956	158	-127	12 200
Other operating income	370	372	11	0	754
Total operating income	**9 583**	**3 328**	**170**	**-127**	**12 954**
Distribution costs	-874	-355	-13	0	-1 242
Cost of materials	-5 113	-1 750	-23	25	- 6 861
Employee benefit expenses	-1 329	-509	-100	0	-1 938
Other operating expenses	-735	-256	-88	102	-977
EBITDA	**1 533**	**459**	**-54**	**0**	**1 938**
Restructuring expenses	-6	-205	-12	0	-233
Depreciation	-337	-107	-11	0	-456
Impairments	0	-209	0	0	-209
Derivatives and other fair value adjustments	0	-40	1 389	0	1 348
Operating earnings	**1 189**	**-102**	**1 311**	**0**	**2 398**
Share of operating revenue from external parties (%)	100	100	43		100

2018	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	9 033	3 353	145	-104	12 428
Other operating income	167	45	3	0	214
Total operating income	**9 200**	**3 398**	**148**	**-104**	**12 642**
Distribution costs	-909	-384	-11	0	-1 303
Cost of materials	-5 544	-1 962	-16	3	- 7 520
Employee benefit expenses	-1 245	-523	-88	0	-1 856
Other operating expenses	-688	-271	-72	101	-931
EBITDA	**813**	**257**	**-39**	**0**	**1 032**
Restructuring expenses	-9	1	-6	0	-15
Depreciation	-322	-116	-9	0	-446
Derivatives and other fair value adjustments	0	-22	377	0	355
Operating earnings	**482**	**121**	**323**	**0**	**926**
Share of operating revenue from external parties (%)	100	100	35		100

OPERATING REVENUE PER GEOGRAPHICAL MARKET

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

	2019	2018
Norway	315	259
Rest of Europe	8 266	8 092
North America	490	487
Australasia	2 083	2 046
Asia	993	1 402
Africa	53	141
Total	**12 200**	**12 428**

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.

	31.12.2019	31.12.2018
Europe	3 179	3 235
Australasia	506	1 248
Total	**3 685**	**4 483**

CASH FLOW FROM CONTRACTS WITH CUSTOMERS

	2019	2018
Publication paper Europe	9 431	9 356
Publication paper Australasia	3 043	3 343
Other activities	89	37
Total	**12 563**	**12 735**

NET CASH FLOW FROM OPERATING ACTIVITIES

	2019	2018
Publication paper Europe	1 158	955
Publication paper Australasia	-119	172
Other activities	-34	-155
Total cash flow allocated to segments	1 005	971
Cash from net financial items	-151	-70
Taxes paid	-251	-20
Net cash flow from operating activities	**602**	**881**

PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	2019	2018
Publication paper Europe	229	187
Publication paper Australasia	88	75
Other activities	53	16
Total	**369**	**279**

INVENTORIES

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

	31.12.2019	31.12.2018
Publication paper Europe	1 022	924
Publication paper Australasia	390	371
Other activities	15	9
Total	**1 427**	**1 304**

TRADE RECEIVABLES

	31.12.2019	31.12.2018
Publication paper Europe	588	715
Publication paper Australasia	422	239
Other activities	22	46
Total	**1 033**	**1 001**

4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Impairment test is performed at 31 December 2019 as the performance for the Australasia cash generating unit in 2019 have been poorer and the outlook for 2020 has become weaker as reflected in the most recent financial budget for 2020. Based on the test performed an impairment charge of NOK 155 million is recognised on the assets related to the Tasman paper mill. In addition, an impairment charge of NOK 54 million is recognized related to the closure of the Albury mill in 2019.

The impairment test performed shows no need for impairments for the other cash generating units as of 31 December 2019.

ASSUMPTIONS APPLIED WHEN CALCULATING THE RECOVERABLE AMOUNT

Intangible non-current assets and property, plant and equipment (PPE) 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 (CGU) 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. Magazine paper (Boyer) and super calendared paper (Saugbrugs) are assessed to generate independent cash inflows and to be separate CGUs. Europe Newsprint, Australasia Newsprint, Magazine and Super Calendered (SC) represent the four cash generating units that the group is focusing on in its follow-up operationally and commercially as communication with customers, suppliers, employees. The different mills within a CGU works together to generate cash inflows.

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 4 to 15 years. Sales volumes develop in accordance with the useful lives of the different paper machines in the group. Norske Skog has modelled the cash flows throughout the useful life of the paper machines. The timing of capacity closures follow from RISI cost curve positioning and RISI market demand projections. RISI is the leading global source for forest products information and data (www.risi.com).

Nominal cash flow is estimated in the currency in which it will be generated. The value is calculated by discounting based on a required rate of return on capital that is relevant for the cash-generating unit. The required rate of return, or weighted average cost of capital (WACC), 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 is also included in the required rate of return on capital.

The key drivers of profitability in the industry and thus asset values for the group are product prices relative production costs. The starting point for the impairment test is the financial budget 2020 approved by the board of directors. Beyond 2020 sales prices are increased by inflation adjusted by a factor assuming that not all cost increases are passed on to customers. Costs beyond 2020 is extrapolated from historical figures by inflation. The inflation rates applied in the period are estimated by country, and is in the range of 1.4% to 2.5%. Contracted prices/costs are reflected when applicable. Additionally, one scenario using RISI price estimates and one scenario using a 2.0% price decline across all grades in 2020 was considered.

In the end of 2019 the market balance and prices for publication paper in Europe has weakened due to higher decline in demand than the long-term trend. The impact of lower sales prices will to some degree be offset by decreased input cost from energy, pulpwood and recovered paper. Despite the closure of newsprint production at Albury in Australia, hence a significant reduction in export of newsprint, and a regional delivery optimization, we expect a challenging operating environment in the Australasian region in 2020, continuing with low prices on the exports into Asia. For the ongoing years, we have assumed in the impairment model that the industry will be rational and close down capacity beyond 2021 leading to a stable utilization rate in line with the decline in demand. Consequently, prices are expected to increase less than costs in 2020 and 2021.

An impairment charge of non-current assets of NOK 209 million was recognised in 2019 whereof of NOK 155 million relates to assets at the Taman paper mill (Australasia Newsprint CGU). In addition, an impairment charge of NOK 54 million was recognized for assets at the Albury mill related to the closure of the site. When calculating value in use at 31 December 2019, the discount rate after tax (WACC) was 8.7% for Norway, 7.3% for France, 7.2% for Austria, 8.4% for Australia and 8.7% for New Zealand. The reason for differences in discount rates are different interest rate levels, different tax rates and country specific risks.

For 2018 no impairment indicators were identified and thus the cash generating units were not tested for fixed assets impairment as at 31 December 2018.

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. In relation to the assumptions made in a 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. The sensitivities are applied in all scenarios throughout the forecasting period. A partial sensitivity analysis would result in the following impairments as at 31 December 2019 if the calculated impairment/headroom are a negative amount.

SENSITIVITY	HEADROOM	IMPAIRMENT
5% decrease in the sales price	0	-1 330
5% decrease in volume	20	0
1% increase in the discount rate (WACC)	42	0

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 as of 31 December 2019.

	MACHINERY AND EQUIPMENT	LAND AND BUILDINGS
Europe Newsprint	1 849	589
Australasia Newsprint	12	89
Magazine	228	197
Super Calendared	272	197
Other	2	9
Carrying value 31 December 2019	**2 362**	**903**

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 slightly.

In connection with the year-end closing process for 2019, Norske Skog performed a review of the expected remaining useful lives of PPE. The useful life of most of the machines were reduced by one year in accordance with last year assumption. The reduction in useful life has a negative impact on the estimated recoverable amount of the mills. As the level of depreciation in 2019 exceeded purchases of PPE the future annual depreciation related to the amount is expected to decrease for the traditional publication paper business.

INTANGIBLE ASSETS	OTHER INTANGIBLE ASSETS	LICENSES AND PATENTS	TOTAL
Additions	19	16	35
Disposals	-60	-1	-61
Currency translation differences	-4	0	-4
Acquisition cost 31 December 2018	**103**	**101**	**204**
Accumulated depreciation and impairments 1 January 2018	135	76	211
Depreciation	4	8	12
Disposals	-44	-1	-45
Currency translation differences	-4	0	-4
Accumulated depreciation and impairments 31 December 2018	**91**	**83**	**174**
Carrying value 31 December 2018	**12**	**18**	**30**
Acquisition cost 1 January 2019	**103**	**101**	**204**
Additions	68	3	71
Reclassified from plant under construction	0	1	1
Disposals	-90	-24	-114
Currency translation differences	1	0	1
Acquisition cost 31 December 2019	**82**	**81**	**163**
Accumulated depreciation and impairments 1 January 2019	91	83	174
Depreciation	4	7	11
Disposals	-43	-18	-61
Currency translation differences	2	-1	1
Accumulated depreciation and impairments 31 December 2019	**54**	**71**	**125**
Carrying value 31 December 2019	**28**	**10**	**38**

Licenses, patents and other intangible assets are depreciated over a period from five to 20 years. Other intangible assets consist mainly of capitalised development costs related to customising of software.

PROPERTY, PLANT AND EQUIPMENT	BIOLOGICAL ASSETS	MACHINERY AND EQUIPMENT	LAND AND BUILDINGS	FIXTURES AND FITTINGS	RIGHT-OF-USE ASSETS	PLANT UNDER CONSTRUCTION	TOTAL
Acquisition cost 1 January 2018	367	31 405	6 784	530	0	439	39 525
Additions	0	38		1	0	225	265
Disposals	0	-29	0	-15	0	0	-44
Reclassified from plant under construction	14	319	21	5	0	-359	0
Currency translation differences	-15	-272	-5	1	0	-5	-296
Acquisition cost 31 December 2018	**366**	**31 461**	**6 801**	**522**	**0**	**300**	**39 450**
Accumulated depreciation and impairments							
1 January 2018	210	28 565	5 529	478	0	45	34 827
Depreciation	0	318	106	10	0	0	434
Impairment	0	0	0	0	0	0	0
Value changes	12	0	0	0	0	0	12
Disposals	0	-28	0	-15	0	0	-43
Currency translation differences	-7	-259	2	1	0	0	-263
Accumulated depreciation and impairments 31 December 2018	**215**	**28 596**	**5 637**	**474**	**0**	**45**	**34 967**
Carrying value 31 December 2018	**151**	**2 865**	**1 164**	**48**	**0**	**255**	**4 483**
Acquisition cost 1 January 2019	366	31 461	6 801	522	0	300	39 450
Addition due to implementation of IFRS 16	0	0	0	0	127	0	127
Additions	0	131	13	10	37	250	441
Disposals	0	-110	-56	-1	0	0	-167
Reclassified to assets held for sale	-382	-4 501	-268	-44	-13	-101	-5 309
Reclassified from plant under construction	14	102	25	6	0	-148	-1
Currency translation differences	2	56	-10	-2	-2	0	44
Acquisition cost 31 December 2019	**0**	**27 139**	**6 505**	**491**	**149**	**301**	**34 585**
Accumulated depreciation and impairments							
1 January 2019	215	28 596	5 637	474	0	45	34 967
Depreciation	0	302	97	11	-35	0	445
Impairment	0	203	0	0	0	6	209
Value changes	11	0	0	0	0	0	11
Disposals	0	-87	-13	-1	0	0	-101
Reclassified to assets held for sale	-228	-4 295	-109	-43	-3	0	-4 678
Currency translation differences	2	58	-10	-2	-1	0	47
Accumulated depreciation and impairments 31 December 2019	**0**	**24 777**	**5 602**	**439**	**31**	**51**	**30 900**
Carrying value 31 December 2019	**0**	**2 362**	**903**	**52**	**118**	**250**	**3 685**

Norske Skog owns forests in Australia reported as Biological assets in 2018 and as assets held for sale at year end 2019. 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.

Right-of-use assets is further described in Note 15.

The difference between total additions in the table above and purchases of property, plant, equipment and intangible assets in the consolidated statement of cash flows is due to capitalised allocated emission allowances, finance leases, capitalised borrowing costs and accruals for payments.

Norske Skog has not capitalised borrowing costs in 2019 or 2018.

Disposals in 2019 and 2018 were primarily related to scrapping of fully depreciated assets that no longer have any technical values.

NON-CURRENT ASSETS HELD FOR SALE

On 2 October 2019, Norske Skog entered into an asset sale agreement for the sale of the Albury mill and the operating assets of Norske Skog Paper Mills (Albury) Pty Limited to the Australian packaging group Visy for approximately NOK 520 million. Non-current assets included in the agreement of NOK 334 million are classified as assets held for sale. In addition the Tasmanian forest assets with a carrying value of NOK 297 million is classified as assets held for sale as of 31 December 2019. See Note 23 for further information.

Norske Skog did not have any non-current assets held for sale at 31 December 2018.

5. FINANCIAL ITEMS

FINANCIAL ITEMS	2019	2018
Financial income		
Interest income	12	10
Gain from discharge of debt	0	1 115
Other financial income	4	164
Total	**15**	**1 289**
Financial expenses		
Interest expense	-165	-735
Share of losses in associated companies	-36	-9
Other financial expenses	-46	-69
Total	**-247**	**-813**
Realised/unrealised gains / (losses) on foreign currency	26	201
Financial items	**-206**	**677**

Other financial income in 2018 includes gain from sale of 33.7% shares of Malaysian Newsprint Industries Sdn. Bhd. of NOK 107 million.

Interest expense for 2018 include repayment fee for the EUR 290 million senior secured notes.

In 2018 Norske Skog's efforts to address the unsustainable capital structure was resolved when NS Norway Holding AS, a wholly owned subsidiary of Oceanwood Special Situations Malta Limited, acquired the shares in Norske Skog AS. On 23 November 2017, Oceanwood, having accumulated the majority of the Norske Skog AS' Senior Secured Notes EUR 290 million ("SSNs"), announced that it was terminating the restructuring discussions and that it was instructing the security agent, Citibank, N.A., London Branch, to take enforcement action over the pledge on the entire issued share capital of Norske Skog AS. This would facilitate the sale of Norske Skog AS along with its direct and indirect subsidiaries, to the highest bidder for cash pursuant to a competitive public auction process. The auction process for the sale of the shares in Norske Skog AS, which was publicly launched on 13 December 2017, ended when NS Norway Holding AS, completed the sale and purchase agreement with Citibank, N.A., London Branch, as security agent for the shares of Norske Skog AS. The proceeds from the public auction was distributed to the holders of the debt in Norske Skog AS. The outcome of the auction process resulted in that Norske Skog AS was discharged from all liabilities regarding the SSN and a EUR 15.9 Liquidity Facility. The process leading up to the discharge was in line with the creditor agreements prior to the bankruptcy in the prior parent. In the creditor agreements the prior parent, Norske Skog Holding AS, had pledged the shares in Norske Skog AS, thus the distribution to the creditor in Norske Skog AS of NOK 2 249 million was settled and recognised through equity. The remaining carrying amount of the discharged debt including transaction costs is included in the income statement as a financial gain of NOK 1 115 million.

6. OTHER OPERATING INCOME

OTHER OPERATING INCOME	2019	2018
Gain on sale of non-current assets	436	0
Other	318	214
Total	**754**	**214**

Gain on sale of non-current assets in 2019 consists of termination of energy contract and sale of water rights at Albury of NOK 346 million and gain on sale of power plant at Bruck of NOK 89 million.

7. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31.12.2019

FINANCIAL ASSETS	NOTE	AMORTISED COST	FAIR VALUE THROUGH PROFIT OR LOSS	FAIR VALUE THROGH OTHER COMPRENESIVE INCOME	NON-FINANCIAL ASSETS	TOTAL
Other non-current assets	10	13	1 259	113	4	1 388
Trade and other receivables	10	1 573	0	0	0	1 573
Cash and cash equivalents		970	0	0	0	970
Other current assets	18	50	340	0	0	390
Total		**3 237**	**1 599**	**113**	**4**	

FINANCIAL LIABILITIES	NOTE	FAIR VALUE THROUGH PROFIT OR LOSS	AMORTISED COST	NON-FINANCIAL LIABILITIES	TOTAL
Interest-bearing non-current liabilities	11, 18	0	1 470	0	1 470
Interest-bearing current liabilities	11, 18	0	419	0	419
Other non-current liabilities	18	14	0	297	312
Trade and other payables	18	0	1 685	0	1 685
Other current liabilities	18	78	61	50	188
Total		**92**	**3 635**	**347**	

31.12.2018

FINANCIAL ASSETS	NOTE	AMORTISED COST	FAIR VALUE THROUGH PROFIT OR LOSS	FAIR VALUE THROGH OTHER COMPRENESIVE INCOME	NON-FINANCIAL ASSETS	TOTAL
Other non-current assets	10	11	87	112	1	211
Trade and other receivables	10	1 340	0	0	62	1 403
Cash and cash equivalents		912	0	0	0	912
Other current assets	18	52	104	0	0	157
Total		**2 317**	**191**	**112**	**63**	

FINANCIAL LIABILITIES	NOTE	FAIR VALUE THROUGH PROFIT OR LOSS	AMORTISED COST	NON-FINANCIAL LIABILITIES	TOTAL
Interest-bearing non-current liabilities	11, 18	0	2 318	0	2 318
Interest-bearing current liabilities	11, 18	0	862	0	862
Other non-current liabilities	18	24	0	330	353
Trade and other payables	18	0	1 864	0	1 864
Other current liabilities	18	66	6	47	118
Total		**90**	**5 049**	**337**	

FAIR VALUE MEASUREMENT HIERARCHY FOR FINANCIAL ASSETS AND LIABILITIES

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability are not based on observable market data (i.e. unobservable inputs).

31.12.2019	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
Derivatives	1 168	1 168	0	0	1 168
Commodity contracts	89	89	0	0	89
Miscellaneous other non-current assets	129	129	0	0	129
Other non-current assets	**1 388**	**1 388**	**0**	**0**	**1 388**
Accounts receivable	1 033	1 033	0	0	1 033
Other receivables	488	488	0	0	488
Prepaid VAT	52	52	0	0	52
Trade and other receivables	**1 573**	**1 573**	**0**	**0**	**1 573**
Cash and cash equivalents	**970**	**970**	**0**	**0**	**970**
Derivatives	163	163	0	0	163
Commodity contracts	177	177	0	24	153
Current investments	50	50	0	0	50
Other current assets	**390**	**390**	**0**	**24**	**366**
Interest-bearing non-current liabilities	1 470	1 539	0	1 276	263
Interest-bearing current liabilities	419	419	0	0	419
Total interest-bearing liabilities	**1 889**	**1 958**	**0**	**1 276**	**682**
Derivatives	0	0	0	0	0
Commodity contracts	14	14	0	14	0
Non-financial non-current liabilities	297	297	0	0	297
Other non-current liabilities	**312**	**312**	**0**	**14**	**297**
Accounts payable	868	868	0	0	868
Other payables	817	817	0	0	817
Trade and other payables	**1 685**	**1 685**	**0**	**0**	**1 685**
Derivatives	1	1	0	0	1
Commodity contracts	73	73	0	17	56
Non-financial current liabilities	114	114	0	0	114
Other current liabilities	**188**	**188**	**0**	**17**	**161**

31.12.2018	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
Derivatives	86	86	0	0	86
Commodity contracts	1	1	0	0	1
Miscellaneous other non-current assets	124	124	0	0	124
Other non-current assets	**211**	**211**	**0**	**0**	**211**
Accounts receivable	1 001	1 001	0	0	1 001
Other receivables	339	339	0	0	339
Prepaid VAT	62	62	0	0	62
Trade and other receivables	**1 403**	**1 403**	**0**	**0**	**1 403**
Cash and cash equivalents	**912**	**912**	**0**	**0**	**912**
Derivatives	6	6	0	0	6
Commodity contracts	98	98	0	0	98
Current investments	53	53	0	0	53
Other current assets	**157**	**157**	**0**	**0**	**157**
Interest-bearing non-current liabilities	2 318	2 318	0	0	2 318
Interest-bearing current liabilities	862	862	0	0	862
Total interest-bearing liabilities	**3 180**	**3 180**	**0**	**0**	**3 180**
Derivatives	0	0	0	0	0
Commodity contracts	24	24	0	14	10
Non-financial non-current liabilities	329	329	0	0	329
Other non-current liabilities	**353**	**353**	**0**	**14**	**339**
Accounts payable	1 026	1 026	0	0	1 026
Other payables	838	838	0	0	838
Trade and other payables	**1 864**	**1 864**	**0**	**0**	**1 864**
Derivatives	9	9	0	0	9
Commodity contracts	57	57	0	48	9
Non-financial current liabilities	52	52	0	0	52
Other current liabilities	**118**	**118**	**0**	**48**	**70**

The fair value of bonds (Interest-bearing liabilities) (Level 2) is assessed by using price indications from banks at the reporting data. There is some uncertainty associated with the calculated fair value of Level 3 interest-bearing liabilities. The fair value calculation on other interest-bearing liabilities (Level 3) is based on acknowledged valuation principles according to IFRS, but is not necessarily an estimate of the amount the group would have to cover if it were to repay all its debt to all lenders.

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

8. FINANCIAL RISK

FINANCIAL RISK MANAGEMENT

The main risk exposures for the group are linked to uncertainty to price and volume developments for publication paper and the costs of key input factors such as energy and fibre. Weaker demand than expected for the group's products can affect profitability and associated cash flows in a negative way. The group operates in a multicurrency environment, where the main currencies of importance for the business are EUR, GBP, USD, AUD and NZD. Currency movements between these currencies, as well as against NOK, may influence demand as well as prices and costs of key input factors. Liquidity is ensured by maintaining sufficient cash balances and open credit lines linked to accounts receivables facilities. Norske Skog continuously assess the most competitive funding sources for the group.

There is uncertainty about the changes in the broader economic climate development and more adverse developments than expected may influence all of the above. The aforementioned risks may all affect future results. The factors are an inherent uncertainty when the board makes its assessments.

Norske Skog's operations are predominantly production of publication paper in Europe and Australasia. Exposure to both newsprint and magazine paper grades give some product diversification. Business segments located on opposite sides of the world provide geographical diversification. The group's green diversification strategy will gradually shift the focus beyond publication paper. Norske Skog has implemented and will continue to implement further operational enhancements, increased revenue initiatives, cost improvement measures as well as working capital management measures, to improve our cash flow. The group has one cash pool for the European entities and the cash pool is legally placed in Norske Skog ASA. Identified growth projects include biogas, wood pellets and tissue paper in addition to green energy savings and production of fibre based alternatives to other materials. A diversified Norske Skog with a stronger balance sheet could be an attractive consolidation partner for publication paper in Europe.

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

FINANCIAL RISK FACTORS

The group is exposed to various financial risk factors through the group's operating activities, including market risk (interest rate risk, currency risk and commodity risk), liquidity risk and credit risk. The group seeks to minimise losses and volatility on the group's earnings caused by adverse market movements. Moreover, the group monitors and manages financial risk based on internal policies and standards set forth by corporate management and approved by the board of directors. These written policies provide principles for the overall risk management as well as standards for managing currency risk, interest rate risk, credit risk, liquidity risk and the use of financial derivatives and non-derivative financial instruments.

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.

	31.12.2019			31.12.2018		
INTEREST-BEARING ASSETS AND LIABILITIES	**FLOATING**	**FIXED**	**TOTAL**	**FLOATING**	**FIXED**	**TOTAL**
Interest-bearing liabilities	1 680	209	**1 889**	576	1 272	**1 848**
Interest-bearing assets	-839	0	**-839**	-725	0	**-725**
Net exposure	**841**	**209**	**1 050**	**-149**	**1 272**	**1 123**

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

Interest rate sensitivity analysis

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

- Floating rate debt is exposed to changes in market interest rates, i.e. the interest costs or interest income associated with such instruments will fluctuate based on changes in market rates. These changes are accounted for in the sensitivity analysis. The result is based on the assumption that all other factors are kept constant.

- Changes in market rates on fixed rate debt will only affect the income statement if they are measured at fair value. Thus, fixed rate instruments recognised at amortised cost will not represent an interest rate risk as defined by IFRS 7. Such instruments will therefore not have any influence on the sensitivity analysis.

- Results are presented net of tax, using the Norwegian statutory tax rate of 22%.

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 0 million higher (downward shift) and NOK 1 millon lower (upward shift) at 31 December 2019 (NOK 1 million higher/lower at 31 December 2018). Change in net interest payments accounts for NOK 4 million, and the total change in market values of derivatives carried at fair value through profit or loss accounts for NOK 0 million.

b) Currency risk

Transaction risk - cash flow hedge

The group has revenues and expenses in various currencies. The major currencies are NOK, EUR, USD, GBP, AUD and NZD. Transaction risk arises because the group has a different currency split on income and expenses. In 2019 Norske Skog initiated hedging of its cash flows in foreign currencies. The hedged currencies include EUR, GBP, USD and AUD. The result of the hedging is included in Net unrealised/realisted gains/losses on foreign currency in the income statement. The cash flow hedges resulted in a realized loss of NOK 5 million in 2019. The remaining unrealized hedging contracts is recognized with at a fair value of NOK 15 million.

Translation risk - net investment hedge

The group does not have any net investment hedges.

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.

- 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".

- 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 IFRS 9.

- 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 2019, if NOK had appreciated/depreciated 10% against all currencies to which the group has significant exposure, net profit after tax from financial instruments would have been NOK 65 million higher/lower (NOK 151 million higher/lower at 31 December 2018). The effect of the sensitivity analysis on the income statement is mainly caused by foreign exchange gains/losses on the translation of EUR denominated debt for which there is no hedge accounting.

c) Commodity risk

A major part of the group global commodity demand is secured through long-term contracts. The group 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 the group purchase and sales contracts are defined as financial instruments, or contain embedded derivatives, which fall within the scope of IFRS 9. These financial instruments and embedded derivatives are measured in the balance sheet at fair value with value changes recognised through profit or loss. Commodity contracts are financial contracts for the purpose of either trading or hedging. The embedded derivatives are common in physical commodity contracts and comprise a wide variety of derivative characteristics.

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

The group portfolio of commodity contracts mainly consists of physical energy contracts. The fair value of embedded derivatives in physical contracts depends on currency, paper price 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 strengthen against EUR during 2019, which had a posetive effect on the fair value of the embedded derivatives.

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 IFRS 9		FAIR VALUE 31.12.2019	NET PROFIT AFTER TAX - INCREASE	NET PROFIT AFTER TAX - DECREASE
Energy price	change 10%	+164	+93	-93
Currency	change 10%	+164	0	0

Sensitivity analysis for embedded derivatives

Embedded derivatives are common features in physical commodity contracts. The most common embedded derivatives are price indices, including 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 31.12.2019	NET PROFIT AFTER TAX - INCREASE	NET PROFIT AFTER TAX - DECREASE
Currency	change 10%	+1 328	-262	262
Price index	change 2.5%	+1 328	2	-2
Spruce pulpwood	change 5.0%	+1 328	+50	-52
Paper prices	change 5.0%	+1 328	-444	198

LIQUIDITY RISK

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

In order to uncover future liquidity risk, the group forecasts both short- and long-term cash flows. Cash flow forecasts include cash flows from operations, investments, financing activities and financial instruments. The group had cash and cash equivalents of NOK 970 million at 31 December 2019 (NOK 912 million at 31 December 2018). Restricted bank deposits amounted to NOK 127 million at 31 December 2019, (NOK 187 million at 31 December 2018).

The table “Financial liability payments” in Note 11 shows the contractual maturities of non-derivative financial liabilities. 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 2019. These amounts consist of trade payables and interest payments. Variable rate interest cash flows are calculated using the forward yield curve. Projected interest payments are based on the maturity schedule at 31 December 2019 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 2019.

CREDIT RISK

The group makes a credit evaluation of all financial trading counterparties. Based on the evaluation, a limit on credit exposure is established for each counterparty. These limits are monitored continuously in relation to unrealised profit on financial instruments and placements. The maximum credit risk arising from financial instruments is represented by the carrying amount of financial assets in the balance sheet.

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

Photo: Carsten Dybevig

9. DERIVATIVES

FAIR VALUE OF DERIVATIVES

The table below classifies financial instruments within the scope of IFRS 9 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).

31.12.2019	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	24	0	24
Commodity contracts and embedded derivatives	0	0	1 574	1 574
Total	**0**	**24**	**1 574**	**1 598**
Financial liabilities at fair value through profit or loss				
Trading derivatives	0	-56	0	-56
Derivatives used for hedging	0	-9	0	-9
Commodity contracts and embedded derivatives	0	0	-23	-23
Total	**0**	**-65**	**-23**	**-88**

31.12.2018	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value through profit or loss				
Trading derivatives	0	0	0	0
Commodity contracts and embedded derivatives	0	0	191	191
Total	**0**	**0**	**191**	**191**
Financial liabilities at fair value through profit or loss				
Trading derivatives	0	-62	0	-62
Commodity contracts and embedded derivatives	0	0	-28	-28
Total	**0**	**-62**	**-28**	**-90**

The following table shows the changes in level 3 instruments at 31 December 2019.

	ASSETS	LIABILITIES
Opening balance	191	-28
Gains and losses recognised in profit or loss	1 378	-5
Currency translation differences	5	0
Closing balance	**1 574**	**-23**

Norske Skog's portfolio of commodity contracts consist mainly of physical energy contracts. The commodity contracts and embedded derivatives classified as financial within the scope of IFRS 9 contracts are mainly related to energy contracts in Australia and New Zealand. Fair value of commodity contracts is sensitive to estimates of future energy prices. Fair value of embedded derivatives is sensitive to estimates of exchange rates, price indices and paper prices.

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. Quoted cash and swap rates are used as input for calculating zero coupon curves used for discounting.

The fair value of commodity contracts recognised in the balance sheet is calculated by using quotes from actively traded markets when available. Otherwise, price forecasts from acknowledged external sources are used. Commodity contracts that fail to meet the own-use exemption criteria in IFRS 9 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.

The following table is presented in accordance with IFRS 13.94, showing the fair value of all commodity contracts in level 3 within the scope of IFRS 9 given a change in assumptions to a reasonably possible alternative.

FAIR VALUE OF DERIVATIVES IN LEVEL 3 GIVEN A REASONABLY POSSIBLE ALTERNATIVE		31.12.2019	31.12.2018
Assets			
Commodity contracts	Energy price -5%	238	99
Embedded derivatives	Energy price -5%	1 331	92
Total		**1 569**	**191**
Liabilities			
Commodity contracts	Energy price -5%	-22	-21
Embedded derivatives	Energy price -5%	-1	-10
Total		**-23**	**-31**

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 2019 would be a downwards parallel shift of the long end of the forward curve of 2% (downwards shift of 2% in 2018).

	31.12.2019		31.12.2018	
DERIVATIVES	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Commodity contracts	267	-87	92	-9
Embedded derivatives	1 331	-1	99	-81
Total	**1 598**	**-88**	**191**	**-90**

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

10. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	NOTE	31.12.2019	31.12.2018
Trade and other receivables			
Accounts receivable		1 035	1 001
Provision for bad debt		-49	-57
VAT receivables		52	62
Prepaid expenses		141	128
Other receivables		394	268
Total		**1 573**	**1 403**
Other non-current assets			
Long-term shareholdings	21	113	112
Derivatives		1 168	86
Commodity contracts		89	1
Pension plan assets	13	4	1
Loans to employees		1	1
Other non-current receivables		12	10
Total	7	**1 388**	**211**

Norske Skog Bruck, Norske Skog Skogn and Norske Skog Saugbrugs have factoring facility agreements where the future cash flow on certain accounts receivables are sold. The facility has a limit of EUR 25 million for Norske Skog Bruck and a combined limit of NOK 400 million for Norske Skog Skogn and Norske Skog Saugbrugs. There are no financial covenants in these factoring facility agreements. Accounts receivable that have been sold are deducted from accounts receivable in the balance sheet. The utilisation at 31 December 2019 was NOK 375 million (31 December 2018 was NOK 404 million).

As of 31 December 2019 advances received from contracts with customers amounted to NOK 5 million and other revenue accruals for invoice not sent amounted to NOK 1 million (31 December 2018 was respectively NOK 16 million and NOK 2 millon).

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	31.12.2019	31.12.2018
Not due	1 489	1 328
0 to 3 months	90	91
3 to 6 months	0	0
Over 6 months	44	40
Total [1]	**1 623**	**1 459**

[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

INTEREST-BEARING DEBT, OUTSTANDING AMOUNTS (MNOK)	31.12.2019	31.12.2018
Bonds	1 233	0
Debt to financial institutions	219	276
Debt to Oceanwood controlled entities	0	2 509
Factoring Facilities	343	395
Total	**1 794**	**3 180**

INTEREST-BEARING DEBT BY CURRENCY	CURRENCY AMOUNT 31.12.2019	NOK 31.12.2019	NOK 31.12.2018
EUR	164	1 621	2 625
AUD	13	77	385
Total interest-bearing debt in foreign currencies		**1 698**	**3 010**
Interest-bearing debt in NOK	96	96	170
Total interest-bearing debt		**1 794**	**3 180**

In June 2019 Norske Skog ASA issued a EUR 125 million senior secured bond. The bond matures in June 2022 and has an interest rate of EURIBOR (zero floor) + 6% with quarterly interest payments. The net proceeds from the issuance were used to refinance EUR 105 million in existing debt, and for general corporate purposes. The bond is secured by share pledges over the material subsidiaries and asset pledges in the mill owning entities in Norway, Australia and New Zealand. In addition, fulfilment of the obligations under the bond is secured by on-demand guarantees from by material subsidiaries.

In addition, in June 2019, Norske Skog ASA established a revolving credit facility of EUR 31 million. The facility has a tenor of three years and shares security with the bond, but with priority ahead of the bond. The facility was undrawn per 31.12.2019.

The financial covenants applicable to Norske Skog ASA on a consolidated basis are (i) unrestricted cash and cash equivalents of minimum NOK 100 million, and (ii) net interest-bearing debt to EBITDA less than 2.75x. The EBITDA used in the financial covenants calculations may differ from the EBITDA shown in the financial reporting due to adjustment requirements in the financing agreements.

The remaining financing arrangements for the group includes leasing, factoring, and other credit facilities in the mill owning entities.

Norske Skog Skogn AS and Norske Skog Saugbrugs AS have pledged its account receivables in favour of its factoring providers. Saugbrugs Bioenergi AS, a wholly owned subsidiary of Norske Skog Saugbrugs AS, has pledged certain parts of its property and assets in favour of the lenders under a credit facility financing its biogas facility. Norske Skog Golbey SAS has pledged certain parts of its property, in an amount of up to EUR 13 million, in favour of a bank guarantor under a guarantee to one of its energy suppliers.

In Q2 2019, the remaining debt of NOK 1.1 billion to Oceanwood controlled entities was converted to equity.

On 31 December 2018, loans from various Oceanwood controlled entities constituted the majority of Norske Skog's debt financing. This included a securitization facility (NSF) of EUR 100 million secured by inventory of the mill in France.

On 28 September 2018, Norske Skog AS' obligations under the Senior Secured Notes (SSNs) was discharged. From this date the obligation was derecognised. See further details in the consolidated statement of changes in group equity.

The average interest rate at 31 December 2019 was 6.1% (7.8% at 31 December 2018).

SCHEDULED DEBT REPAYMENTS

SCHEDULED REPAYMENT OF THE GROUP'S FINANCIAL DEBT AT 31.12.2019	OTHER LOANS	BONDS	TOTAL
2020	388	0	388
2021	33	0	33
2022	35	1 233	1 267
2023	36	0	36
2024	32	0	32
2025	11	0	11
2026	11	0	11
2027-	16	0	16
Total	**561**	**1 233**	**1 794**

SCHEDULED REPAYMENT OF THE GROUP'S FINANCIAL DEBT AT 31.12.2018	OTHER LOANS	BONDS	TOTAL
2019	862	0	862
2020	282	0	282
2021	95	0	95
2022	1 831	0	1 831
2023	37	0	37
2024	33	0	33
2025	13	0	13
2026-	27	0	27
Total	**3 180**	**0**	**3 180**

The debt amounts set out above may differ from the carrying value in the balance sheet due to the amortized cost principle and exclusion of debt items related to IFRS 16. At 31 December 2019, the financial statements included discounts in an amount of NOK 26 million (none at 31 December 2018), and the amount of interest bearing debt related to IFRS 16 was NOK 121 million.

Trade payables amounted to NOK 868 million at 31 December 2019 (NOK 1 026 million at 31 December 2018)

Drawn amounts from securitization arrangements is classified as interest-bearing current liabilities. This amounts to NOK 343 million in scheduled repayments in 2020. The financed amount represents a group of individual loans, which are settled individually at maturity of the accounts receivable. New loans are initiated on a consecutive basis based on new accounts receivable included under the securitization agreement. The liability is in its nature current and Norske Skog does not have an unconditional right to defer settlement beyond twelve months. The liabilities are liabilities that are settled through its normal operating cycle. The corresponding accounts receivable is derecognised when the customer pays it.

As per 31 December 2019, Norske Skog ASA and its subsidiaries had issued bank guarantees in an amount of NOK 184 million.

Norske Skog Skogn AS and Norske Skog Saugbrugs AS have pledged certain parts of its assets and machinery, in an amount of up to NOK 200 million, to its energy suppliers under long term energy supply agreements. The security has priority behind the EUR 125 million senior secured bond.

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

				NON-CASH CHANGES			
	NOTE	1.1.2019	CASH FLOWS	RECLASSIFICATION[2]	OTHER	FOREIGN EXCHANGE MOVEMENT	31.12.2019
Interest-bearing non-current liabilities [1]	18	994	1 187	-776	92 [4]	-27	1 470
Interest-bearing current liabilities [1]	18	854	-1 277	776	72 [4]	-6	419
Net liabilities group companies	18	1 332	-254	0	-1 062 [3]	-16	0
Total liabilities from financing activities		**3 180**		**0**	**-904**	**-49**	**1 889**

[1] Except for liabilities to group companies
[2] Reclassification between non-current and current term liabilities
[3] Conversion of debt to equity adjusted for accrued interest
[4] New Leasing debt and Implementation of IFRS 16

				NON-CASH CHANGES			
	NOTE	1.1.2018	CASH FLOWS	RECLASSIFICATION[2]	OTHER	FOREIGN EXCHANGE MOVEMENT	31.12.2018
Interest-bearing non-current liabilities [1]	18	245	-44	779	0	13	994
Interest-bearing current liabilities [1]	18	4 773	24	-779	-3 082 [3]	-81	854
Net liabilities group companies	18	1 341	-17	0	37 [4]	-29	1 332
Other financing activities			-178				
Total liabilities from financing activities		**6 360**					**3 180**

[1] Except for liabilities to group companies
[2] Reclassification between non-current and current term liabilities
[3] Discharge of EUR 290 million Senior Secured Notes and the EUR 15.9 million Liquidity facility
[4] Accrued interest added to principal

12. EMPLOYEE BENEFIT EXPENSES

EMPLOYEE BENEFIT EXPENSES	NOTE	2019	2018
Salaries including holiday pay		1 478	1 406
Social security contributions		330	322
Pension costs	13	70	70
Other employee benefit expenses		60	58
Total		**1 938**	**1 856**

NUMBER OF EMPLOYEES BY REGION	31.12.2019	31.12.2018
Europe	1 786	1 743
Australasia	540	671
Corporate functions (head office)	33	30
Total	**2 359**	**2 444**

The base salary for the Chief Executive Officer (CEO) Sven Ombudstvedt at 31 December 2019 was NOK 4 750 000. Total salary and other benefits received by Ombudstvedt in 2019 amounted to NOK 10 419 000.

Niels Petter Wright was CEO from 1 December 2018 to 28 March 2019. In 2019 he received a total amount of NOK 7 548 853 including salary, benefits, pension contribution and severance payment.

The CEO's retirement age is 70. The CEO is covered by the company's collective defined contribution pension plan and by a supplementary plan for salary over 12 G (base amount in the Norwegian national insurance scheme).

The mutual period of notice for the CEO is six months. If circumstances arise in which the company decides to terminate the CEO's contract of employment in the best interests of the company, the CEO is entitled to a severance pay equivalent to payment of base salary for nine 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 six to nine months.

The annual bonus agreements for the CEO and other members of corporate management specify a maximum bonus opportunity of 50% of base salary. The basis for calculating this bonus is set annually by the board of directors and the CEO. In addition, there has been project bonus payments to members of the corporate management. No members of corporate management have been given loans or granted securities or guarantees from the employer.

Please see Note 10 Board statement on remuneration for senior executive in the parent company financial statements, for further information on remuneration to executive employees.

REMUNERATION FOR MEMBERS OF CORPORATE MANAGEMENT

(in NOK 1 000, unless otherwise stated)

In accordance with the code of conduct for corporate governance recommended by the Oslo Stock Exchange, salary, benefits in kind and bonus for members of corporate management are specified below.

2019	SALARY	BENIFITS IN KIND ETC. [1]	BONUS [2]	CONTRIBUTION TO DEFINED CONTRIBUTION SCHEMES	NUMBER OF AWARDED SYNTHETIC OPTIONS
Sven Ombudstvedt (CEO) [4]	2 375	96	7 560	388	546 000
Lars P. S. Sperre (SVP)	3 652	227	4 485	537	292 000
Rune Sollie (CFO)	2 161	195	3 237	263	292 000
Amund Saxrud (COO) [5]	374	56	190	36	292 000
Tore Hansesætre (SVP) [6]	2 095	205	2 174	256	292 000
Robert Wood (SVP) [7]	1 884	41	750	225	292 000

2018	SALARY	BENIFITS IN KIND ETC. [1]	BONUS [2]	CONTRIBUTION TO DEFINED CONTRIBUTION SCHEMES
Nils Petter Wright (CEO) [8]	358	14	0	59
Lars P. S. Sperre (CEO) [9]	3 931	243	5 299	702
Rune Sollie (CFO)	1 898	197	1 704	262
Tore Hansesætre (COO) [6]	1 641	195	1 855	202
Robert Wood (SVP) [7]	1 790	35	298	215

[1] Includes car allowance, insurance, free telephone, etc.
[2] Based on results achieved in the financial year, partly paid in 2019 and in 2020.
[3] Based on results achieved in the financial year, partly paid in 2018 and in 2019.
[4] Sven Ombudstvedt appointed President and CEO from 1 July 2019 and served as acting CEO from 28 March 2019 to 1 July 2019.
[5] Amund Saxrud appointed COO 15 October 2019.
[6] Tore Hansesætre served as COO up to 15 October 2019 and SVP Strategic Projects from 15 October 2019.
[7] Robert Wood is employed by Norske Skog (UK) Ltd. but works fully for Norske Skog ASA as SVP Commercial.
[8] Nils Petter Wright served as CEO from 1 December 2018 to 28 March 2019.
[8] Lars P. S. Sperre served as CEO up to 30 November 2018 and SVP from 1 December 2018.

LONG-TERM INCENTIVE PROGRAMME

The purpose of the company's long-term incentive programme is to secure a continued strong focus on the development of shareholder value. The current long-term incentive programme was launched in October 2019, and is based on a scheme with awards of synthetic options targeting a positive share price development over a three to five year period from the date of award of the relevant synthetic options. Within the frames of the programme, the board may grant synthetic options to the corporate management and other key employees. The total frame of the long-term incentive program is 5% of the shares outstanding with a total of 4 125 000 synthetic options issued. The exercise dates of the synthetic options is the date on which the first quarterly financial reporting is made following three years after the award date, and each date on which a subsequent quarterly financial report is made in the period up to five years after the award date.

In 2019, 4 125 000 synthetic options were issued under the programme, and were awarded on 31 October 2019. Each option carries the right to be paid an amount in cash equal to (a) the fair market value less (b) the exercise price. The option do not entitle the holder to acquire or subscribe for shares. The initial exercise price (strike price) for the synthetic options awarded in 2019 were NOK 38.00.

Norske Skog has made a fair value measurement of the liability using a Black & Scholes model for European call options with no dividends. The long-term incentive programme expense in 2019 were NOK 2.6 million in total and NOK 1.3 million for the members of corporate management. Share price of NOK 43.70 and volatility of 26.1% is used in the Black & Scholes calculation at 31 December 2019.

REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS AND COMMITTEE MEMBERS

(in NOK 1 000)

	SALARY	DIRECTOR'S FEE	REMUNERATION FOR COMMITTEE WORK
John Chiang [3) 4)]	0	0	0
Idunn Gangaune Finnanger [1)]	0	61	0
Arvid Grundekjøn [3) 4)]	0	450	16
Trine-Marie Hagen [1) 3)]	0	61	8
Paul Kristiansen	563	61	0
Anneli Finsrud Nesteng [1)]	0	61	0
Sven Ombudstvedt [2)]	2 375	600	0
Svein Erik Veie	708	61	0

1) New board members as of 18 October 2019.
2) Sven Ombudstvedt board member until 8 September 2019.
3) John Chang, Arvid Grundekjøn and Trine-Marie Hagen are members of the audit committee.
4) John Chang and Arvid Grundekjøn are members of the remuneration committee.

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	875	652	2 981	569	5 077
Audit-related assistance [1)]	305	318	573	0	1 196
Tax assistance	0	0	124	275	398
Other fees	142	8	771	197	1 118
Total	**1 321**	**977**	**4 450**	**1 041**	**7 789**

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

13. PENSION COSTS AND PENSION OBLIGATIONS

Norske Skog has various pension schemes in accordance with local conditions and practices in the countries in which the group operates. A total of 1 785 active and former employees are covered by such schemes. Of these, 215 people are covered by defined benefit plans and 1 570 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	ACTIVE MEMBERS
Norske Skog Saugbrugs AS	65	30	70	62	65
Norske Skog Skogn AS	65	30	70	62	79
Norske Skog Deutschland GmbH		35	65	65	10

The defined benefit plan in Norske Skog Deutschland GmbH is closed.

The defined benefit schemes in Norway cover people between 61 and 67 years of age, who were employed before 1 January 2011. The defined benefit obligations in Norway only encompass active members, since they leave the defined benefit scheme (having a paid-up policy) when they retire.

Plan assets of the pension schemes in Norske Skog Saugbrugs AS and Norske Skog Skogn AS are managed by a life insurance company and invested in accordance with the general guidelines governing investments by life insurance companies in Norway. With effect from the beginning of 2011, a new defined contribution scheme was introduced in Norway, with a contribution of 4% for earnings up to 7.1 G and 10% between 7.1 and 12 G. The defined benefit plan was closed and now only covers employees born before 1 January 1959 who were employed before the closure.

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

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

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

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

ASSUMPTIONS MADE WHEN CALCULATING FUTURE BENEFIT OBLIGATIONS IN NORWAY	2019	2018
Discount rate/expected return on plan assets	2.3%	2.6%
Salary adjustment	2.0%	2.0%
Social security increase/inflation rate	2.0%	2.0%
Pension growth rate	0.7%	0.8%

The discount rate applied for the pension schemes in Norway for 2019 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 1.05% to 2.3% and salary adjustments vary from 2.0% to 2.8%. Norske Skog has used the mortality table in Norway (K2013BE) and Richttafeln 2018G in Germany.

NET PERIODIC PENSION COST	2019	2018
Current service cost	3	4
Pension cost defined contribution schemes	68	66
Net periodic pension cost	**70**	**70**
Net periodic interest cost	**5**	**4**

Estimated payments to the group's defined benefit pension schemes in 2020 amounts to NOK 12 million.

PENSION PLANS IN THE BALANCE SHEET

PARTLY OR FULLY FUNDED PENSION PLANS	31.12.2019	31.12.2018
Projected benefit obligations including national insurance contributions	-163	-161
Plan assets at fair value	158	157
Net plan assets/pension obligations (-) in the balance sheet	**-5**	**-4**

UNFUNDED PENSION PLANS	31.12.2019	31.12.2018
Projected benefit obligations including national insurance contributions	-287	-265

The defined benefit pension plans relates to Europe. A minor defined benefit pension plan in Australia was closed during 2015.

SPECIFICATION OF PENSION PLANS IN THE BALANCE SHEET	31.12.2019	31.12.2018
Pension assets in the balance sheet	4	1
Pension liabilities in the balance sheet	-295	-271
Net pension obligations in the balance sheet	**-291**	**-270**
Net unfunded pension plans	-287	-265
Net partly or fully funded pension plans	-5	-4

CHANGES IN PENSION OBLIGATIONS FOR PARTLY OR FULLY FUNDED PENSION PLANS	2019	2018
Balance 1 January	161	158
Deconsolidated company	0	-5
Current years' service cost	3	4
Current years' interest cost	4	4
Pension paid	-4	-2
Curtailments/settlements	0	0
Other changes	0	19
Re-measurements	-3	-16
Balance 31 December	**163**	**161**

CHANGES IN PLAN ASSETS FOR PARTLY OR FULLY FUNDED PENSION PLANS	2019	2018
Balance 1 January	157	152
Divested companies	0	-5
Return on plan assets	4	4
Pension paid	-2	-1
Curtailments/settlements	0	0
Other changes	0	24
Employer contribution	7	7
Re-measurements	-8	-24
Balance 31 December	**158**	**157**

CHANGES IN PENSION OBLIGATIONS FOR UNFUNDED PENSION PLANS	2019	2018
Balance 1 January	-265	-255
Current years' service cost	-10	-9
Current year's interest cost	-4	-3
Pension paid	1	1
Currency translation differences and other changes	11	5
Re-measurements	-19	-4
Balance 31 December	**-287**	**-265**

SPESIFICATION OF RE-MEASUREMENT GAINS/LOSSES IN OTHER COMPREHENSIVE INCOME (OCI)	2019	2018
Return on plan assets	0	0
Actuarial changes arising from changes in demographic assumptions	0	0
Actuarial changes arising from changes in financial assumptions	-25	-3
Experience adjustments + investment management costs	-4	-7
Asset ceiling	0	2
Total	**-29**	**-8**

	2019		2018	
INVESTMENT PROFILE FOR PENSION FUNDS	FUNDS	DISTRIBUTION	FUNDS	DISTRIBUTION
Shares	23	15%	24	15%
Bonds	100	62%	96	61%
Properties and real estate	21	13%	21	14%
Money market	12	8%	13	8%
Other	1	1%	1	1%
Total	**158**	**100%**	**157**	**100%**

SENSITIVITY ANALYSIS

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

SENSITIVITY	INCREASE	DECREASE
Discount rate - 0.5%	-13	14
Salary adjustment - 0.5%	2	-2
Future national security - 1.0%	-5	5
Future pension - 0.5%	12	-11

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

14. OTHER OPERATING EXPENSES

	NOTE	2019	2018
Maintenance materials and services		549	498
Marketing expenses		8	9
Administration, insurance, travel expenses etc.		213	206
Operating leases	15	14	48
Losses from divestments of property, plant and equipment		21	0
Other expenses		172	171
Total		**977**	**931**
Specification of losses on accounts receivable included in other expenses			
Receivables written off during the period		10	4
Payments received on items previously written off		0	0
Change in provision for bad debt		-8	9
Total		**2**	**13**

Photo: Hege Jonassen

15. RIGHT-OF-USE ASSETS AND FINANCE LEASES

RIGHT-OF-USE ASSETS

The group contracts includes several assets such as machinery and equipment, land and buildings and fixture and fittings. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified assets for a period of time in exchange for consideration. Right-of-use assets are initially measured at cost. Non-lease components will be separated if these are identifiable. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The right-of-use assets is depreciated on a linear basis over the contract period, currently mainly less than five years. The group's right-of-use assets are categorized and presented in the table below:

RIGHT-OF-USE ASSETS	MACHINERY AND EQUIPMENT	LAND AND BUILDINGS	FIXTURES AND FITTINGS	TOTAL
Additions and implementation of right-of-use assets	101	61	3	164
Depreciation	-24	-11	-1	-35
Reclassified to assets held for sale	-10	0	0	-10
Currency translation differences	0	-1	0	-1
Carrying value 31 December 2019	**67**	**50**	**1**	**118**

LEASE PAYMENTS RELATED TO RIGHT-OF-USE ASSETS	NOTE	31.12.2019
Not later than one year		38
Later than one year and not later than five years		94
Later than five years		12
Total		**144**
Future finance charges on right-of-use assets		23
Present value of liabilities on right-of-use assets	19	**121**

The group has elected not to recognise a lease liability for short term leases or for leases of low value assets. Payments made under such leases are expensed are include in operating expenses. Certain variable lease payments are not permitted to be recognised as leases liabilities and are expensed as incurred.

VARIABLE LEASE, SHORT TERM AND LOW VALUE LEASE EXPENSES	NOTE	2019
Expense relating to variable lease payments not included in the measurement of lease liabilities		4
Short term lease expense		7
Low-value lease expense		3
Total	14	**14**

The new standard IFRS 16 Leases were implemented 1 January 2019 using the modified retrospective method without restatement of comparative figures. See table below for the effect on the balance sheet at 1 January 2019:

RECONCILIATION OF LEASING LIABILITES AS OF 1 January 2019	
Total future minimum lease payments relating to operating leases	156
Adjusted for	
Non-lease not included in the minimum leases payments	12
Exemption for short term leases	-7
Exemption for variable leases	-5
Effect from discounting at the incremental borrowing rate as of January 1 2019	-29
Discounted operating lease commitments 1 January 2019	**127**
Finance lease liabilities as of 31 December 2018	94
Lease liabilities as of 1 January 2019	221
Weighted average borrowing rate of 1 January 2019	8%

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	31.12.2019	31.12.2018
Not later than one year	36	23
Later than one year and not later than five years	78	90
Later than five years	1	16
Total	**115**	**129**
Future finance charges on finance leases	26	-35
Present value of minimum lease payments	**89**	**94**

PRESENT VALUE OF MINIMUM LEASE PAYMENTS	31.12.2019	31.12.2018
Not later than one year	24	22
Later than one year and not later than five years	64	64
Later than five years	1	8
Total	**89**	**94**
Capitalised value of leased machinery and equipment	**9**	**27**

The group recognised interest expense of NOK 10 million in 2019 of financial lease and right-of-use assets.

Repayment on lease liabilities include in the line Repayment of loans in the consolidated statement of cash flow of NOK 47 million in 2019.

16. DERIVATIVES AND OTHER FAIR VALUE ADJUSTMENT

	2019	2018
Changes in value – commodity contracts [1)]	141	69
Changes in value – embedded derivatives	1 248	308
Changes in value – biological assets	-11	-12
Other realised gains and losses	-30	-10
Total	**1 348**	**355**

[1)] *Long-term financial contracts and commodity contracts that no longer meet the requirement in IFRS 9 related to own use are measured at fair value.*

The gain on commodity contracts is due to higher forecasted future energy prices in New Zealand over the contract period.

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, sales prices, pulpwood prices 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.

In December 2018 two Norwegian energy contracts containing currency embedded derivatives were terminated, and replaced with new contracts which also includes embedded derivatives. The liability on embedded derivatives in the old contracts was derecognized. The embedded derivatives are sensitive to change in paper, pulpwood and FX. The base line for price assumptions used in the initial valuation was the forecasts as of fourth quarter 2018 when the electricity contracts started. The external forecast prices on paper is lower at year end 2019 compared to fourth quarter 2018 which have a significant positive effect on the embedded derivatives. NOK has strengthen against EUR and Pulpwood prices has decline during 2019, which has had a positive effect on the fair value of the embedded derivatives.

Total gain recognized on the embedded derivatives in 2019 amounts to NOK 1 248 and NOK 308 million in 2018. .

Other realised gains and losses of NOK -30 million in 2019 and NOK -10 million in 2018 primarily related to financial hedging of energy.

17. INCOME TAXES

TAX EXPENSE	2019	2018
Current tax expense	-225	-101
Change in deferred tax	77	23
Total	**-149**	**-78**

RECONCILIATION OF THE GROUP TAX EXPENSE	2019	2018
Profit/loss before income taxes	2 192	1 603
Computed tax at nominal tax rate of 22%/23%	-482	-369
Differences due to different tax rates	-14	-11
Exempted income/non-deductible expenses	30	-9
Adjustment previous years	-2	-5
Change in tax rate	-51	29
Deferred tax asset not recognised	393	288
Other items	-22	-1
Total tax expense (-) income (+)	**-149**	**-78**
Effective tax rate	**7%**	**5%**

CURRENT TAX LIABILITY	31.12.2019	31.12.2018
Norway	0	0
Rest of Europe	62	71
Outside Europe	0	16
Total	**62**	**87**

DEFERRED TAX - MOVEMENTS	2019	2018
Net deferred tax asset 1 January	-264	-284
Change in deferred tax in the income statement	77	23
Deconsolidation of subsidiaries	0	0
Tax on other comprehensive income	-5	-1
Tax effect FX net investment hedge	0	0
Group tax allocation balance sheet	0	0
Currency translation differences	13	-2
Net deferred tax asset/liability (-) 31 December	**-179**	**-264**

DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY	31.12.2019	31.12.2018
Norway	137	64
Rest of Europe	0	0
Outside Europe	0	0
Deferred tax asset	**137**	**64**
Norway	0	0
Rest of Europe	316	328
Outside Europe	0	0
Deferred tax liability	**-316**	**-328**
Net deferred tax asset/liability (-)	**-179**	**-264**

DEFERRED TAX DETAILS	31.12.2019	31.12.2018
Fixed assets, excess values and depreciation	140	139
Pensions	3	3
Provisions and other liabilities	163	128
Currency translation differences and financial instruments	-137	-1
Deferred tax current items	10	9
Tax losses and tax credit to carry forward	616	523
Deferred tax asset not recognised	-976	-1 064
Net deferred tax asset/liability (-)	**-179**	**-264**

LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2019	NORWAY	REST OF EUROPE	OUTSIDE EUROPE	TOTAL
2020	0	0	0	0
2021	0	0	0	0
2022	0	0	0	0
2023	0	0	0	0
2024 and later	0	0	0	0
Indefinite expiry	2 203	0	439	2 643
Tax losses to carry forward	**2 203**	**0**	**439**	**2 643**
Temporary differences	-146	0	1 261	1 115
Tax losses and temporary differences not recognised	-1 435	0	-1 701	-3 135
Total tax losses and tax credits to carry forward (recognised)	**623**	**0**	**0**	**623**
Deferred tax asset	**137**	**0**	**0**	**137**
Tax rate	**22%**	**19-33%**	**28-30%**	

LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2018	NORWAY	REST OF EUROPE	OUTSIDE EUROPE	TOTAL
2019	0	0	0	0
2020	0	0	0	0
2021	0	0	0	0
2022	0	0	0	0
2023 and later	0	0	0	0
Indefinite expiry	2 166	62	597	2 825
Tax losses to carry forward	**2 166**	**62**	**597**	**2 825**
Temporary differences	-1 422	0	-1 047	-2 469
Tax losses and temporary differences not recognised	-3 295	-2	-1 644	-4 941
Total tax losses and tax credits to carry forward (recognised)	**293**	**60**	**0**	**353**
Deferred tax asset	**64**	**0**	**0**	**64**
Tax rate	**22%**	**19-33%**	**28-30%**	

Deferred tax asset arising from the carry forward of unused tax losses is tested against expected future taxable profit on entity level. NOK 137 million is recognised as deferred tax assets in the consolidated financial statements as of 31 December 2019. NOK 75 million relates to Norske Skog Saugbrugs AS and NOK 62 million to Norske Skog Skogn AS. The judgement are made on basis of conservative estimates of taxable income for the next near term period. No further productivity enhancements or cost reduction programs are taken into account when estimating future taxable income.

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

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

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

18. SPECIFICATION OF BALANCE SHEET ITEMS

	NOTE	31.12.2019	31.12.2018
Inventories			
Raw materials and other production input		824	784
Semi-manufactured materials		11	8
Finished goods		593	512
Total	3	**1 427**	**1 304**
Other current assets			
Derivatives		163	6
Commodity contracts		177	98
Current investments		50	53
Total	7	**390**	**157**
Trade and other payables			
Accounts payable		868	1 026
Accrued labour costs and taxes		540	516
Accrued expenses		274	316
Other interest-free liabilities		3	6
Total	7	**1 685**	**1 864**
Other current liabilities			
Derivatives		1	9
Commodity contracts		73	57
Accrued emission rights		50	47
Accrued financial costs		4	0
Restructuring provision	19	61	6
Total	7	**188**	**118**
Other non-current liabilities			
Commodity contracts		14	24
Dismantling provision	19	55	81
Environmental provision	19	201	195
Deferred recognition of government grants		25	23
Other non interest-bearing debt		15	30
Total	7	**312**	**353**
Interest-bearing non-current liabilities			
Bond adjusted for amortization		1 206	0
Debt to financial institutions		174	994
Leasing obligations related to right-of-use assets	15	90	0
Interest-bearing non-current liabilities		0	1 324
Total	7	**1 470**	**2 318**
Interest-bearing current liabilities			
Debt to financial institutions and bond adjusted for amortization		45	459
Securitisation/factoring facilities		343	395
Leasing obligations related to right-of-use assets	15	31	0
Interest-bearing current liabilities		0	8
Total	7	**419**	**862**

19. PROVISIONS

	RESTRUCTURING PROVISION	DISMANTLING PROVISION	ENVIRONMENTAL PROVISION
Balance 1 January 2018	**17**	**76**	**200**
Changes and new provisions	15	5	-4
Utilised during the year	-26	0	0
Periodic unwinding of discount	0	2	5
Currency translation differences	0	-1	-6
Balance 31 December 2018	**6**	**81**	**195**
Changes and new provisions	223	-29	0
Utilised during the year	-167	0	0
Periodic unwinding of discount	0	2	5
Currency translation differences	-1	1	1
Balance 31 December 2019	**61**	**55**	**201**

RESTRUCTURING PROVISION

Restructuring provision is included in the balance sheet line Other current liabilities. The restructuring provision of NOK 61 million at 31 December 2019 includes various restructuring activities included provision for severance payments and other costs (Publication paper Europe NOK 5 million and Publication Paper Australasia NOK 56 million). The amount expensed in 2019 in relation to restructuring activities amounted to NOK 223 million (Publication paper Europe NOK 18 million and Publication Paper Australasia NOK 205 million)

The restructuring provision of NOK 6 million at 31 December 2018 includes various restructuring activities included provision for severance payments and other costs (Publication paper Europe). The amount expensed in 2018 in relation to restructuring activities amounted to NOK 14 million.

DISMANTLING PROVISION

Provisions related to future dismantling costs arising from a future closing down of production facilities amounted to NOK 55 million at 31 December 2019, compared to NOK 81 million at 31 December 2018.

The total amount is classified as non-current and will only be realised at the time of a future shut down of any of the Norske Skog production units. The provision is the net present value of the future estimated costs, calculated using a long-term risk-free interest rate. The periodic unwinding of the discount is recognised in the income statement line Financial expenses. The opposite entry for dismantling provision and change in provision estimates is Property, plant and equipment.

Discount rates and assumptions included as part of the best estimate will impact the future carrying value of the dismantling provision. To illustrate the sensitivity, a reduction in the future discount rate of one percentage point would increase the provision by approximately NOK 5 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 201 million at 31 December 2019 compared to NOK 195 million at 31 December 2018. Resources spent on environmental activities during 2019 amounted to NOK 0.

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 25 million. Changes in accounting estimates not related to assets are classified as operating items in the income statement, and the periodic unwinding of the discount is recognised within the income statement line Financial expenses.

CONTINGENT LIABILITIES

Norske Skog is an international company that, through its ongoing business operations, will be exposed to

20. EARNINGS AND DIVIDEND PER SHARE

	2019	2018
Profit/loss for the year in NOK million attributable to owners of the parent	2 044	1 525
Weighted average number of shares in million	82.5	82.5
Basic earnings/loss per share in NOK [1)]	24.77	18.48
Diluted earnings/loss per share in NOK [1)]	24.77	18.48

[1)] Adjusted for the share split on 18 September 2019 pursuant to which the number of shares was increased from 30 000 to 82 500 000.

No dividends were paid in the financial year 2019. The board of directors recommends a payment of dividend of NOK 6.25 per share should be disbursed for the financial year 2019. The dividend decision will be made by the annual general meeting on 16 April 2020.

21. SHARES

SHARES IN SUBSIDIARIES	CURRENCY	SHARE CAPITAL (IN 1 000)	OWNERSHIP%
Shares in subsidiaries owned by the parent company			
Nornews AS, Oslo, Norway	NOK	200	100
Norske Skog Bruck GmbH, Bruck, Austria	EUR	10 000	100
Norske Skog Golbey SAS, Golbey, France	EUR	62 365	100
Norske Skog Industries Australia Ltd., Sydney, Australia	AUD	340 000	100
Norske Skog Papers (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia	MYR	5 011	100
Norske Skog Saugbrugs AS, Halden, Norway	NOK	115 230	100
Norske Skog Skogn AS, Levanger, Norway	NOK	115 230	100
Shares in subsidiaries owned by consolidated companies			
Advanced Hygiene Solution GmbH, Bruck, Austria	EUR	40	100
Bruck Fibre GmbH, Bruck, Austria	EUR	35	100
Green Valley Energie, France	EUR	50	100
Norske Skog Adria d.o.o, Trzin,Slovenia	EUR	21	100
Norske Skog (Australasia) Pty Ltd., Sydney, Australia	AUD	21 000	100
Norske Skog (Australia) No. 2 Pty Ltd., Sydney, Australia	AUD	0	100
Norske Skog Capital (Australia) Pty Ltd., Sydney, Australia	AUD	0	100
Norske Skog Capital (New Zealand) Ltd., Auckland, New Zealand	NZD	1	100
Norske Skog Deutschland GmbH, Augsburg, Germany	EUR	520	100
Norske Skog France SARL, Paris, France	EUR	135	100
Norske Skog Holdings (No.1) Ltd., Auckland, New Zealand	NZD	0	100
Nature’s Flame Ltd., Auckland, New Zealand	NZD	15 250	100
Norske Skog Italia SrL, Milan, Italy	EUR	20	100
Norske Skog Paper Mills (Albury) Pty Limited, Sydney, Australia	AUD	5 230	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
Norske Skog Österreich GmbH, Graz, Austria	EUR	35	100
Norske Skog (Schweiz) AG, Zürich, Switzerland	CHF	50	100
Norske Skog (UK) Ltd., London, United Kingdom	GBP	100	100
Saugbrugs Bioenergi AS, Halden, Norway	NOK	3 000	100
Topp1 Energy Limited, Auckland, New Zealand	NZD	16 391	100

SHARES INCLUDED AS FINANCIAL ASSETS	CURRENCY	SHARE CAPITAL (IN 1 000)	OWNERSHIP%	CARRYING VALUE (NOK)
Shares owned by parent				
Shelterwood AS, Oslo, Norway	NOK	2 400	3	1
Shares owned by other group companies				
Circa Group Pty Ltd, Melbourne, Australia	AUD	3 286	10	9
Exeltium SAS, Paris, France	EUR	12 384	5	83
Exeltium 2 SAS, Paris, France	EUR	3 440	5	2
Licella Holding Ltd., Sydney, Australia	AUD	255 433	1	12
SEM, Golbey, France	EUR	1 640	22	4
Other shares, each with book value below NOK 1 million				6
Total				**112**

22. RELATED PARTIES

Oceanwood Special Situations Malta Limited is a related party to Norske Skog through the ownership in NS Norway Holding AS (parent company).

On 13 May 2019, the company entered into an agreement with the parent company for the purchase of a receivable which the parent company had towards Norske Skog Industries Australia Ltd. The total purchase price was NOK 254 million. The purchase price was settled by way of a long-term loan from NS Norway Holding AS to the company with an interest rate of 8% set at marked based terms in accordance with the group's transfer pricing policy.

On 31 May 2019 the company's general meeting resolved to increase the company's share capital with NOK 30 million. The share contribution was settled by way of a set-off against outstanding loans in the total amount of NOK 1 102 million which its parent company had towards the company.

In June 2019, the company repaid the Norwegian Securitization Facility (NSF) of NOK 786 million (including interest) and settled the remaining intercompany loans from Oceanwood. Following the settlements in June 2019 there are no shareholder loans to related parties.

Balances and transactions between the group and subsidiaries, as listed in Note 21, have been eliminated on consolidation and are not disclosed in this note.

Remuneration for corporate management and board of director's is presented in Note 12.

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

23. EVENTS AFTER THE BALANCE SHEET DATE

Norske Skog has entered into an agreement to sell its Tasmanian forest assets to a fund controlled by the Australian based investment manager New Forests Pty Ltd for a sales price of AUD 62.5 million (NOK 388 million). The book value of the assets were NOK 297 million per 31 December 2019. The sale will be accompanied by a long term wood supply agreement to provide pulpwood to the Boyer Mill.

There have been no other events after the balance sheet date with significant impact on the financial statements for 2019.

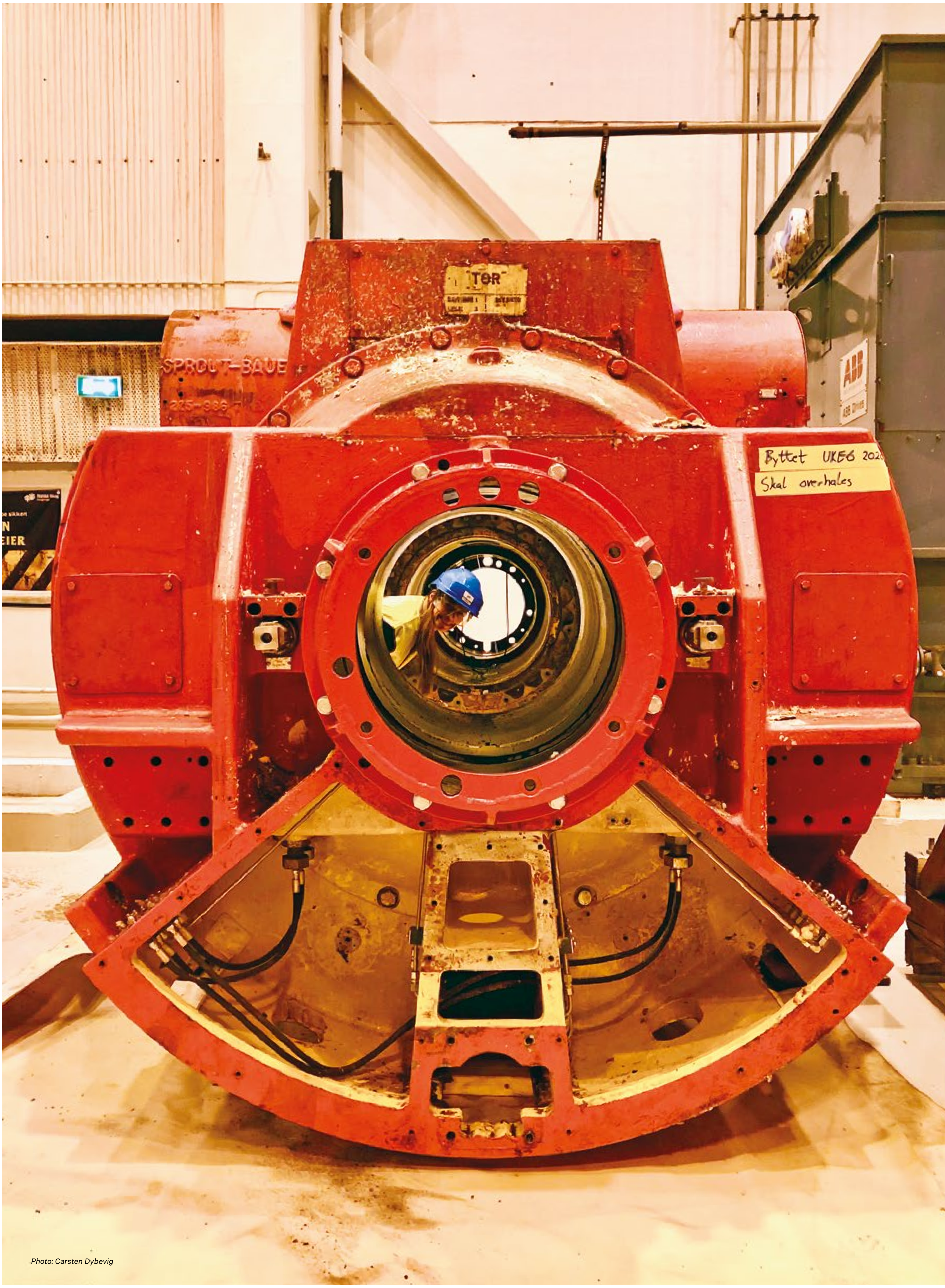


Photo: Carsten Dybevig

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

INCOME STATEMENT

NOK MILLION	NOTE	2019	2018
Operating revenue	3	97	96
Other operating income		1	1
Total operating income		**98**	**97**
Employee benefit expenses	9	-93	-81
Other operating expenses		-74	-57
Restructuring expenses		-12	-6
Depreciation	4	-6	-5
Operating earnings		**-88**	**-52**
Financial income	7	1 350	1 405
Financial expenses	7	-309	-646
Net unrealised/realised gains/losses on foreign currency	7	53	181
Financial items		**1 095**	**939**
Profit/Loss before income taxes		**1 007**	**887**
Income taxes	11	-3	-5
Profit/Loss after tax		**1 004**	**882**

STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	2019	2018
Profit/Loss after tax	**1 004**	**882**
Remeasurements of post employment benefit obligations	0	-5
Tax effect on remeasurements of post employment benefit obligations	0	1
Other comprehensive income	**0**	**-4**
Comprehensive income	**1 004**	**878**

BALANCE SHEET

NOK MILLION	NOTE	31.12.2019	31.12.2018
Assets			
Intangible assets	4	8	11
Property, plant and equipment	4	21	0
Investments in subsidiaries	6	3 770	4 062
Other non-current assets	13	1 251	760
Total non-current assets		**5 050**	**4 833**
Trade and other receivables	13	**934**	**335**
Cash and cash equivalents		697	568
Other current assets		28	8
Total current assets		**1 659**	**911**
Total assets		**6 709**	**5 745**
Equity and liabilities			
Paid-in equity		3 651	2 549
Retained earnings and other reserves		662	-342
Total equity	5	**4 313**	**2 207**
Interest-bearing non-current liabilities	8,13	1 512	2 179
Total non-current liabilities		**1 512**	**2 179**
Interest-bearing current liabilities	8,13	831	1 333
Tax payable	11	0	0
Other current liabilities		53	25
Total current liabilities		**884**	**1 358**
Total liabilities		**2 397**	**3 537**
Total equity and liabilities		**6 709**	**5 745**

SKØYEN, 5 MARCH 2020
THE BOARD OF DIRECTORS OF NORSKE SKOG ASA

John Chiang Chair	Arvid Grundekjøn Board member	Anneli Finsrud Nesteng Board member	Trine-Marie Hagen Board member
Idunn Gangaune Finnanger Board member	Svein Erik Veie Board member	Paul Kristiansen Board member	Sven Ombudstvedt CEO

STATEMENT OF CASH FLOWS

NOK MILLION	NOTE	2019	2018
Cash flow from operating activities			
Cash generated from operations		121	55
Cash used in operations		-163	-210
Cash flow from financial items		-12	-10
Interest payments received		90	66
Interest payments made		-80	-16
Taxes paid		-3	-5
Net cash flow from operating activities		**-47**	**-121**
Cash flow from investing activities			
Purchases of equipment and intangible assets	4	-10	-16
Other financial payments		-6	-2
Sales of shares in companies	7	97	0
Net cash flow from investing activities		**81**	**-18**
Cash flow from financing activities			
New loans raised		1 189	0
Repayments of loans		-1 402	-187
Change in intercompany balance with group		312	790
Net cash flow from financing activities		**100**	**603**
Foreign currency effects on cash and cash equivalents		-4	5
Total change in cash and cash equivalents		**129**	**468**
Cash and cash equivalents 1 January		568	100
Cash and cash equivalents 31 December [1]		697	568
[1] Whereof restricted cash		10	18

STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	NOTE	SHARE CAPITAL	SHARE PREMIUM	OTHER PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
Equity 1 January 2018		**300**	**0**	**0**	**-1 220**	**-920**
Derecognition of debt	7	0	0	2 249	0	2 249
Comprehensive income		0	0	0	878	878
Equity 31 December 2018		**300**	**0**	**2 249**	**-342**	**2 207**
Issue of share capital		30	1 072	0	0	1 102
Comprehensive income		0	0	0	1 004	1 004
Equity 31 December 2019	5	**330**	**1 072**	**2 249**	**662**	**4 313**

Photo: Carsten Dybevig

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The financial statements were authorised for issue by the board of directors on 5 March 2020.

2. ACCOUNTING POLICIES

The financial statements for Norske Skog ASA have been prepared and presented in accordance with simplified IFRS pursuant to section 3-9 of the Norwegian Accounting Act.

Requirements related to recognition and measurement applied to the company financial statements of Norske Skog ASA are identical to the ones described in Note 2 Accounting policies in the consolidated financial statements, with the exception of shares in subsidiaries which are recognised at lower of cost and net-realizable value in the company financial statements.

3. OPERATING REVENUE BY GEOGRAPHICAL MARKET

The company's operating revenue consists mainly of the sale of services to other entities in the group. Operating revenue arising from sales of internal services to other entities in the group amounted to NOK 96 million in 2019. The corresponding figure for 2018 were NOK 96 million.

OPERATING REVENUE BY GEOGRAPHICAL MARKET	2019	2018
Norway	34	36
Europe excluding Norway	47	44
Australasia	17	16
Total	**97**	**97**

4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

INTANGIBLE ASSETS	LICENSES AND PATENTS
Acquisition cost 1 January 2018	0
Additions	16
Reclassified from plant under construction	0
Acquisition cost 31 December 2018	**16**
Accumulated depreciation and impairments 1 January 2018	0
Depreciation	5
Accumulated depreciation and impairments 31 December 2018	5
Carrying value 31 December 2018	**11**
Acquisition cost 1 January 2019	16
Additions	2
Reclassified from plant under construction	0
Acquisition cost 31 December 2019	**18**
Accumulated depreciation and impairments 1 January 2019	5
Depreciation	5
Accumulated depreciation and impairments 31 December 2019	**10**
Carrying value 31 December 2019	**8**

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

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

PROPERTY, PLANT AND EQUIPMENT	FIXTURES AND FITTINGS	RIGHT-OF-USE ASSETS	PLANT UNDER CONSTRUCTION	TOTAL
Acquisition cost 1 January 2018	0	0	0	0
Additions	0	0	1	1
Reclassified from plant under construction	0	0	0	0
Acquisition cost 31 December 2018	**0**	**0**	**1**	**1**
Accumulated depreciation and impairments 1 January 2018	0	0	0	0
Accumulated depreciation and impairments 31 December 2018	**0**	**0**	**0**	**0**
Carrying value 31 December 2018	**0**	**0**	**1**	**1**
Acquisition cost 1 January 2019	0	0	1	1
Additions	0	14	7	21
Reclassified from plant under construction	1	0	-1	0
Acquisition cost 31 December 2019	**1**	**14**	**7**	**21**
Accumulated depreciation and impairments 1 January 2019	0	0	0	0
Depreciation	0	1	0	1
Accumulated depreciation and impairments 31 December 2019	**0**	**1**	**0**	**1**
Carrying value 31 December 2019	**1**	**13**	**7**	**21**

Fixtures and fittings and right-of-use assets are depreciated on a linear basis over a period from three to ten years.

5. EQUITY

The share capital of Norske Skog ASA at 31 December 2019 was NOK 330 million and consisted of 82 500 00 shares, each with a nominal value of NOK 4.00. The share capital were increased from by NOK 30 million to NOK 330 million with a resolution made 31 May 2019. All shares have been created under the Norwegian Public Limited Companies Act, and are validly issued and fully paid.

NS Norway Holding AS acquired 100% of the shares in Norske Skog AS on 28 September 2018. Following the listing of the company on Oslo Stock Exchange 18 October 2019, NS Norway Holding AS' ownership share were reduced to 63.23%. The principal shareholders at 31 December 2019 is as follows:

PRINCIPAL SHAREHOLDERS AT 31.12.2019	NUMBER OF SHARES	OWNERSHIP%
NS NORWAY HOLDING AS[1)]	52 161 386	63.23
ARCTIC FUNDS PLC	2 350 000	2.85
HANDELSBANKEN NORDISKA SMABOLAG	1 880 000	2.28
DPAM INVEST B	1 606 189	1.95
MP PENSJON PK	1 208 976	1.47
CLIENS SVERIGE FOKUS	1 100 000	1.33
VERDIPAPIRFONDET EIKA SPAR	1 010 000	1.22
SEB PRIME SOLUTIONS SISSENER CANOP	1 000 000	1.21
VERDIPAPIRFONDET FIRST GENERATOR	933 929	1.13
RBC INVESTOR SERVICES BANK S.A.	886 111	1.07
FRAM REALINVEST AS	850 000	1.03
VERDIPAPIRFONDET EIKA NORGE	850 000	1.03
TVECO AS	825 000	1.00
VERDIPAPIRFONDET DELPHI NORGE	750 000	0.91
VERDIPAPIRFONDET HOLBERG NORGE	650 000	0.79
WENAASGRUPPEN AS	550 000	0.67
OM HOLDING AS	522 965	0.63
PACTUM AS	520 000	0.63
MANDATUM LIFE INSURANCE COM LTD-7	513 889	0.62
HOLMEN SPESIALFOND	500 000	0.61
Other shareholders	11 831 555	14.34
Total	**82 500 000**	**100.00**

The shareholder list is extracted from VPS. Whilst every reasonable effort is made to verify all data, VPS can not guarantee the accuracy of the analysis.

SHARES OWNED BY MEMBERS OF THE BOARD OF DIRECTORS AS OF 31 DECEMBER 2019	NUMBER OF SHARES
John Chiang[2)]	26 315
Arvid Grundekjøn	7 894
Anneli Finsrud Nesteng	0
Trine-Marie Hagen	0
Idunn Gangaune Finnanger	0
Paul Kristiansen	0
Svein Erik Veie	0

SHARES OWNED BY MEMBERS OF CORPORATE MANAGEMENT AS OF 31 DECEMBER 2019	NUMBER OF SHARES
Sven Ombudstvedt	52 631
Lars P. S. Sperre	28 947
Rune Sollie	26 315
Robert Wood	5 263
Tore Hansesætre	5 263
Amund Saxrud	0

1) *See Note 22 Related parties in the consolidated financial statement.*

2) *John Chiang own his shares through nominee account in UBS AG. Mr Chiang was nominated to the Board of Directors due to his role as the Senior Partner at Ocenwood Capital Management LLP. Mr. Chiang also serves as the chair of the group's parent company NS Norway Holding AS.*

6. SHARES IN SUBSIDIARIES

SHARES IN SUBSIDIARIES	CURRENCY	SHARE CAPITAL (IN MILLION)	OWNERSHIP%	CARRYING VALUE (IN NOK MILLION)
Norske Skog Skogn AS, Levanger, Norway	NOK	115.2	100	560
Norske Skog Saugbrugs AS, Halden, Norway	NOK	115.2	100	334
Nornews AS, Oslo, Norway	NOK	0.2	100	3
Norske Skog Bruck GmbH, Bruck, Austria	EUR	10.0	100	522
Norske Skog Golbey SAS, Golbey, France	EUR	62.4	100	1 595
Norske Skog Industries Australia Ltd., Sydney, Australia	AUD	340.0	100	757
Norske Skog Papers (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia	MYR	5.0	100	0
Total				**3 770**

Investments in subsidiaries are tested for impairment in accordance with IAS 36 Impairment of assets. Shares in subsidiaries are written down to their recoverable amount when the recoverable amount is lower than the carrying value of the investment. For impairment testing purposes, investments in subsidiaries are grouped in the same manner as the cash-generating units for the group. The carrying amount of investments in subsidiaries within each cash-generating unit is measured against the recoverable amount of investments in subsidiaries within this cash-generating unit.

The investment in subsidiaries have decreased from NOK 4 062 million to NOK 3 770 million during 2019 due to:

- impairment of NOK 182 million on the shares in Norske Skog Industries Australia Ltd.
- increase of new share capital of NOK 5 million and impairment of NOK 4 million in Nornews AS
- reversal of impairment of NOK 7 million and repayment of paid-in capital of NOK 118 million on the shares in Norske Skog Papers (Malaysia) Sdn. Bhd

7. FINANCIAL ITEMS

FINANCIAL ITEMS	NOTE	2019	2018
Financial income			
Dividends		1 165	55
Interest income		6	2
Interest income from group companies		84	64
Reversal of impairment of investments in subsidiaries	6	0	111
Gains from discharge of debt		0	1 115
Other financial income	7	96	58
Total		**1 350**	**1 405**
Financial expenses			
External interest expense		-116	-608
Interest expense from group companies [1]		-4	-15
Impairment of investments in subsidiaries	6	-179	0
Other financial expenses		-8	-23
Total		**-309**	**-646**
Gains / (losses) on foreign currency		53	181
Financial items		**1 095**	**939**

Dividends includes dividend received from the subsidiaries Norske Skog Skogn AS, Norske Skog Saugbrugs AS, Norske Skog Golbey S.A.S and Norske Skog Bruck GmbH.

Other financial income for 2019 includes gain on sale of the shares in Norske Skog Hydro GmbH of NOK 96 million.

External interest expense for 2018 include repayment fee for the EUR 290 million senior secured notes (SSN).

Gains from discharge of debt relates to termination of the SSN. See Note 5 Financial items in the consolidated financial statements for further information.

8. MATURITY OF INTEREST-BEARING LIABILITIES

MATURITY OF THE COMPANY'S DEBT AT 31.12.2019	BONDS	OTHER LOANS	TOTAL
2020	0	0	0
2021	0	0	0
2022	1 233	0	1 233
Total	**1 233**	**0**	**1 233**

MATURITY OF THE COMPANY'S DEBT AT 31.12.2018	BONDS	OTHER LOANS	TOTAL
2019	0	406	406
2020	0	0	0
2021	0	61	61
2022	0	1 796	1 796
Total	**0**	**2 262**	**2 262**

The table above shows contractual scheduled repayments. Foreign currency debt is presented using exchange rate at 31 December.

For more information, see Note 11 Interest-bearing liabilities in the consolidated financial statements.

9. PAYROLL COSTS, PENSION COSTS AND OBLIGATIONS

EMPLOYEE BENEFIT EXPENSES	2019	2018
Salaries including holiday pay	77	62
Social security contributions	11	11
Pension costs	2	2
Other employee benefit expenses	3	6
Total	**93**	**81**

The company is required by law to have a pension scheme for all employees. The company's pension plan is compliant with the requirements in the Norwegian Act relating to mandatory occupational pension. See also Note 12 Employee benefit expenses in the consolidated financial statements for further information.

	31.12.2019	31.12.2018
Employees	33	30

NET PERIODIC PENSION/INTEREST COST	2019	2018
Current service cost	0	0
Pension cost defined contribution schemes	2	2
Net periodic pension cost	**2**	**2**
Net periodic interest cost	**0**	**0**

PENSION ASSET IN THE BALANCE SHEET	31.12.2019	31.12.2018
Net pension asset in the balance sheet	1	1

PENSION OBLIGATION IN THE BALANCE SHEET	31.12.2019	31.12.2018
Projected benefit obligations	-24	-23
Plan assets at fair value	24	24
Net pension obligation in the balance sheet	**1**	**1**

SENSITIVITY ANALYSIS	Increase	Decrease
Discount rate – 0.5%	-2	2
Salary adjustment – 0.5%	0	0

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

Photo: Alessandro Tavola

10. BOARD STATEMENT ON REMUNERATION FOR SENIOR EXECUTIVES

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

The board of Norske Skog ASA has had a remuneration committee since 2019, which considers issues relating to the compensation of the Chief Executive Officer (CEO) and other members of corporate management. When the methods for assessing salary and possible bonuses, options and other incentive schemes are to be determined, the committee will ensure that the size and scope of compensation and pay reflect the responsibilities and duties of the recipient, and that these arrangements contribute to long-term value creation for all the shareholders.

FIXED SALARY

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

VARIABLE ELEMENTS

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

Annual incentive plans

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

Long-term incentive programme

The purpose of the company's long-term incentive programme is to secure a continued strong focus on the development of shareholder value. The current long-term incentive programme was launched in October 2019, and is based on a scheme with awards of synthetic options targeting a positive share price development over a three to five year period from the date of award of the relevant synthetic options. Within the frames of the programme, the board may grant synthetic options to the corporate management and other key employees. The total frame of the long-term incentive program is 5% of the shares outstanding with a total of 4 125 000 synthetic options issued. The exercise date of the synthetic options are the date on which the first quarterly financial reporting is made following three years after the award date, and each date on which a subsequent quarterly financial report is made in the period up to five years after the award date. For further information on the long-term incentive program, see Note 12 Employee benefit expenses in the consolidated financial statements.

Benefits in kind

Benefits in kind include a fixed mileage allowance, insurance, newspapers, mobile phone and coverage of the costs of broadband communication in accordance with established standards.

PENSION PLANS

Norske Skog ASA has a defined contribution plan with a contribution of 4% for earnings up to 12 G (base amount in the Norwegian national insurance scheme) and an additional contribution of 6% between 7.1 G and 12 G. The defined benefit plan was closed in 2011 and now only covers employees born prior to 1 January 1959 and who were employed in the company before the closure. The company has a supplementary pension scheme for the part of salary exceeding 12 G. The corporate management is covered by a special group life insurance policy with payments limited to three times the annual salary and a maximum of 80 G.

TERMINATION PAYMENT AGREEMENTS

The mutual period of notice for the CEO is six months. If circumstances arise in which the company and the CEO, by mutual agreement, terminate the contract of employment in the best interests of the company, the CEO is entitled to severance pay equivalent to payment of base salary for nine 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 six to nine months.

Account of the impact for the company and shareholders of agreements relating to other remuneration than ordinary salary entered into or amended in 2019 The annual incentive schemes in 2019 yielded a disbursement to CEO and other members of corporate management of NOK 18.4 million including bonuses for specific projects. The long-term incentive programme did not give basis for payments in 2019.

THE BOARD'S STATEMENT ON DETERMINATION OF SALARY AND OTHER REMUNERATION FOR 2019

The board aims to apply the main principles and guidelines described above to both fixed salary and other remuneration to the company's executives for the current financial year.

11. INCOME TAXES

TAX EXPENSE	2019	2018
Current tax expense	-3	-5
Change in deferred tax	0	0
Total	**-3**	**-5**

INCOME TAX RECONCILIATION	2019	2018
Profit/loss before income taxes	1 007	887
Computed tax at nominal tax rate of 22%/23%	-222	-204
Exempted income/non-deductible expenses	-8	-16
Dividend	256	0
Gain on sale of share	21	0
Discharge of debt (exempted income)	0	314
Impairment of investments in subsidiaries	-39	0
Reversal of impairment of investments in subsidiaries	0	26
Debt forgiveness	0	-314
Adjustments previous years	-2	-5
Change tax loss not recognised	-7	199
Withholding tax	-3	-5
Total tax expense(-)/income	**-3**	**-5**

TEMPORARY DIFFERENCES AND TAX LOSSES - DETAILS	31.12.2019	31.12.2018
Financial debt and currency translation	43	-84
Provisions and other liabilities	-2	0
Pensions	1	1
Tax losses to carry forward	-818	-663
Tax losses and other tax credits not recognised [1)]	776	747
Basis for deferred tax	0	0

DEFERRED TAX	31.12.2019	31.12.2018
Net deferred tax asset/liability (-)	**0**	**0**

[1)] *The value of tax losses and other tax credits are written down, subsequently the tax losses are lower than total tax benefits not recognised.*

12. GUARANTEES

The company has issued bank guarantees in an amount of NOK 18 million at 31 December 2019. In addition, the company has issued guarantees in an amount of NOK 112 million at 31 December 2019 (NOK 115 million at 31 December 2018) on behalf of Norske Skog Saugbrugs AS, Norske Skog Skogn AS and Norske Skog Bruck GmbH.

13. INTERCOMPANY RECEIVABLES/LIABILITIES

	31.12.2019	31.12.2018
Non-current intercompany receivables		
Norske Skog Skogn AS	549	129
Norske Skog Saugbrugs AS	365	149
Norske Skog Industries Australia Ltd.	263	457
Norske Skog (Australasia) Pty Ltd	48	0
Norske Skog Tasman Ltd.	24	24
Total	**1 249**	**760**
Current intercompany receivables		
Norske Skog Nordic & Export Sales AS	0	2
Norske Skog Skogn AS	0	40
Norske Skog Saugbrugs AS	71	57
Norske Skog (Australasia) Pty Ltd	300	145
Norske Skog Industries Australia Ltd.	486	0
Norske Skog Italia SrL	1	4
Norske Skog Tasman Ltd.	3	0
Nornews AS	13	12
NS Norway Holding AS	3	0
Saugbrugs Bioenergi AS	17	14
Total	**894**	**274**
Non-current intercompany liabilities		
Norske Skog Bruck GmbH	87	116
Norske Skog Golbey S.A.S	208	207
NS Norway Holding AS	0	1 077
Total	**295**	**1 400**
Current intercompany liabilities		
Norske Skog Skogn AS	52	7
Norske Skog Saugbrugs AS	9	11
Norske Skog Bruck GmbH	248	131
Norske Skog Golbey S.A.S	477	618
Norske Skog Deutschland GmbH	33	41
Norske Skog (UK) Ltd.	1	1
Norske Skog France SARL	5	1
Norske Skog Österreich GmbH	4	2
Norske Skog Tasman Ltd.	0	3
Norske Skog Papers (Malaysia) Sdn. Bhd.	0	112
NS Norway Holding AS	0	8
Total	**829**	**936**

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

14. RELATED PARTIES

A description of transactions with related parties is given in Note 22 Related parties in the consolidated financial statements.

15. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after the balance sheet date with significant impact on the financial statements for 2019.

ALTERNATIVE PERFORMANCE MEASURES

The European Securities and Markets Authority's (ESMA) has defined new guidelines for alternative performance measures (APM). An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specific in the applicable financial reporting framework (IFRS). The company uses EBITDA, EBITDA margin and return on capital employed (annualized) to measure operating performance on group level. It is the company's view that the APMs provides the investors relevant and specific operating figures which may enhance their understanding of the performance. EBITDA, EBITDA margin, variable costs, fixed costs, return on capital employed and net interest-bearing debt are defined by the company below.

EBITDA: Operating earnings for the period, before restructuring expenses, depreciation and amortization and impairment charges, derivatives and other fair value adjustments, determined on an entity, combined or consolidated basis. EBITDA is used for providing consisting information of operating performance and cash generating which is relative to other companies and frequently used by other stakeholders.

	2019	2018
Operating earnings	2 398	926
Restructuring expenses	223	15
Depreciation	456	446
Impairments	209	0
Derivatives and other fair value adjustments	-1 348	-355
EBITDA	**1 938**	**1 032**

EBITDA margin: EBITDA / total operating income. EBITDA margin assist in providing a more comprehensive analysis of operating performance relative to other companies.

	2019	2018
EBITDA	1 938	1 032
Total operating income	12 954	12 642
EBITDA margin	**15.0%**	**8.2%**

Variable costs: Distribution costs + cost of materials.

	2019	2018
Distribution costs	1 242	1 303
Cost of materials	6 861	7 520
Variable costs	**8 102**	**8 823**

Fixed costs: Employee benefit expenses + other operating expenses.

	2019	2018
Employee benefit expenses	1 938	1 856
Other operating expenses	977	931
Fixed costs	**2 914**	**2 787**

Return on capital employed (annualised): (Annualised EBITDA – Annualised Capital expenditure) / Capital employed (average).

Return on capital employed assist in providing a more comprehensive analysis of returns relative to other companies.

	2019	2018
EBITDA	1 938	1 032
Capital expenditure	369	279
Average capital employed	5 464	5 335
Return on capital employed (annualised)	**28.5%**	**14.1%**

	31.12.2019	31.12.2018
Intangible assets	38	30
Tangible assets	3 685	4 483
Assets held for sale	631	0
Inventory	1 427	1 304
Trade and other receivables	1 573	1 403
Trade and other payables	-1 685	-1 864
Capital employed	**5 670**	**5 356**

Net interest-bearing debt: Net interest-bearing debt consist of bond issued and other interest-bearing liabilities (current and non-current) reduced by cash and cash equivalent.

	31.12.2019	31.12.2018
Interest-bearing non-current liabilities	1 470	2 318
Interest-bearing current liabilities	419	862
- Cash and cash equivalents	-970	912
Net interest-bearing debt	**919**	**2 268**

Capital expenditure (Capex): Purchases of property, plant and equipment and intangible assets.

Maintenance capex: Capex required to maintain the group's current business in accordance with GAAP according to the latest annual financial statements (but excluding any capex for the development of new business).

STATEMENT FROM THE BOARD OF DIRECTORS AND THE CEO

in compliance with section 5-5 in the securities trading act

We declare that to the best of our knowledge, the financial statements for the period 1 January to 31 December 2019 have been prepared in accordance with applicable accounting standard, and that the information in the financial statements give a true and fair view of the company's and the group's assets, liability, financial position and result as a whole.

We confirm that the board of directors' report provides a true and fair view of the development and performance of the business and the position of the company and the group, as well as a description of the key risk, uncertainty factors which the company, and the group is facing.

SKØYEN, 5 MARCH 2020
THE BOARD OF DIRECTORS OF NORSKE SKOG ASA

John Chiang
Chair

Arvid Grundekjøn
Board member

Anneli Finsrud Nesteng
Board member

Trine-Marie Hagen
Board member

Idunn Gangaune Finnanger
Board member

Svein Erik Veie
Board member

Paul Kristiansen
Board member

Sven Ombudstvedt
CEO

BDO AS
Munkedamsveien 45
Postboks 1704 Vika
0121 Oslo

Independent Auditor's Report

To the General Meeting in Norske Skog ASA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Norske Skog ASA.

The financial statements comprise:	In our opinion:
• The financial statements of the parent company, which comprise the balance sheet as at 31 December 2019, income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and • The financial statements of the group, which comprise the balance sheet as at 31 December 2019, and income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.	• The financial statements are prepared in accordance with the law and regulations. • The accompanying financial statements give a true and fair view of the financial position of Norske Skog ASA as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act. • The accompanying financial statements give a true and fair view of the financial position of the group Norske Skog ASA as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How the key audit matter was addressed in the audit
VALUATION OF PROPERTY, PLANT AND EQUIPMENT (PPE)	
The global market for the group's publication paper business has been, and is still, declining. Because of this, there is a risk that the groups PPE booked value exceeds the net present value of future cash flows, i.e. recoverable amount of PPE, indicating that impairment may be required. Accordingly, valuation of PPE has been identified as an important area in connection with the audit of the consolidated financial statements. Management has identified impairment indicators and has performed impairment tests accordingly. Based on this test, an impairment of MNOK 155 has been recognized (total MNOK 209 including impairment of assets held for sale). We refer to the description in note 4 to the consolidated financial statements.	Our audit procedures included, amongst others, a thorough and detailed review of the model used by management to calculate the recoverable amount of PPE, including assessment of assumptions such as WACC. We also challenged the assumptions for future cash flows provided by management. We evaluated management's views on the general market developments as well as the interpretations and use of these views in light of the requirements to use reasonable and supportable data as set forth in IAS 36. As part of this evaluation, we reviewed the degree of achievement for the 2019 forecasts and the degree of accuracy reached when comparing actual results to plans and forecasts for prior periods.
SALE OF THE PRODUCTION PLANT IN ALBURY, AUSTRALIA	
On 2 October 2019, Norske Skog entered into an asset sale agreement of the Albury Mill to the Australian packaging group Visy for MAUD 85. Production has ceased at Albury on 5 December 2019. As at 31 December 2019 the sale had not been formally completed. The complexity of the transaction lead us to identify this as an important aspect of the audit. We refer to the descriptions in notes 4 and 6 to the consolidated financial statements.	The work performed with regards to the sale of Albury Mill is as follows; IFRS 5 assessment to consider if the assets should be classified as asset held for sale as at 31 December 2019. Review of sale contract and review of calculation of expected gain/loss on sale of Albury to ensure the assets/ liabilities relating to the Mill are correctly measured as at 31 December 2019.
EMBEDDED DERIVATIVES	
The Norwegian subsidiaries of Norske Skog ASA has entered into long term purchasing contracts for energy in euro. These contracts include price adjustments related to price of paper and the price of spruce pulpwood. The	We have reviewed the management's assessment of the accounting treatment under IFRS. In addition, our audit procedures included, amongst others, a thorough and detailed review of the model used by

management has identified the currency element and the price adjustment elements as embedded derivatives, to be measured at fair value under IFRS. This measurement involves a certain level of judgement. This, and the complexity of embedded derivatives in general, made this an important audit area. We refer to the descriptions in notes 7, 8 and 9 in the consolidated financial statements.	management to calculate the fair value of the embedded derivatives, including assessment of inputs, such as paper prices.
REVENUE RECOGNITION	
In connection with the audit of the operating subsidiaries, factors implying that there is an inherent risk that the operating paper mills may overstate revenues were identified. Based on this, revenue recognition in these entities were considered a risk in our audit of the consolidated financial statements.	The audit of revenues was based on a detailed understanding of the revenue recognition accounting policies and the process of recording revenues according to the defined polices, including relevant control activities over this process. We performed tests regarding the operating effectiveness of these controls. In addition, we performed detailed tests of the entities' cut-off procedures to verify correct cut-off based on the entities' terms of delivery.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report and other information in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements for the parent company in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, and for the preparation of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management

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determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to:
https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of 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 profit 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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 6 March 2020
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Terje Tvedt
State Authorised Public Accountant

Photo: Carsten Dybevig

Norske Skog

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