



**Norske Skog**

# THIRD QUARTER 2019

QUARTERLY REPORT

## INTRODUCTION

Norske Skog is a world leading producer of publication paper with strong market positions in Europe and Australasia. Publication paper includes newsprint and magazine paper. The Norske Skog group operates a total of seven mills in five countries, with an annual production capacity of 2.6 million tonnes. Newsprint and magazine paper is sold through sales offices and agents to over 80 countries. The group has approximately 2 400 employees. Norske Skog's Albury mill, with a production capacity of 265 000 tonnes of newsprint, will cease production by end of 2019.

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

The parent company, 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.

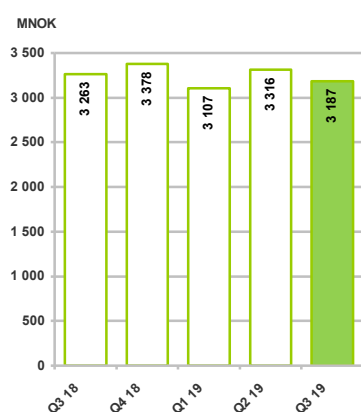
## KEY FIGURES

NOK MILLION (unless otherwise stated)	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
<b>INCOME STATEMENT</b>					
Total operating income	3 187	3 316	3 263	9 610	9 264
EBITDA*	505	444	302	1 378	833
Operating earnings	1 113	1 150	163	2 516	514
Profit/loss for the period	1 018	1 032	1 006	2 202	1 216
Earnings per share (NOK)**	12.33	12.51	12.20	26.69	14.74
<b>CASH FLOW</b>					
Net cash flow from operating activities	150	225	112	681	576
Net cash flow from operating activities per share (NOK)**	1.82	2.73	1.36	8.25	6.98
Net cash flow from investing activities	-1	-88	-71	-181	-80
<b>OPERATING MARGIN AND PROFITABILITY (%)</b>					
EBITDA margin*	15.8	13.4	9.3	14.3	9.0
Return on capital employed (annualised)*	30.2	26.8	18.2	27.4	16.6
<b>PRODUCTION / DELIVERIES / CAPACITY UTILISATION</b>					
Production (1 000 tonnes)	577	588	644	1 750	1 872
Deliveries (1 000 tonnes)	573	591	632	1 713	1 849
Production / capacity (%)	88	90	98	89	95

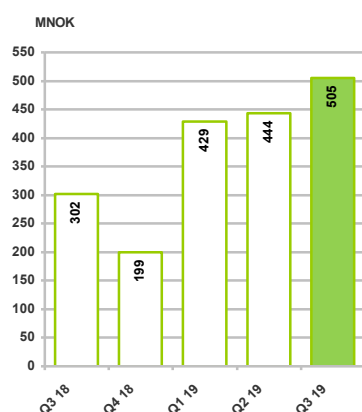
\*As defined in Alternative Performance Measures

\*\*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

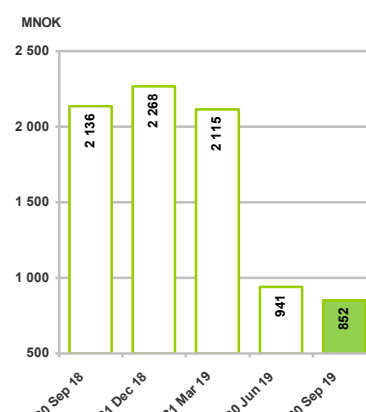
### TOTAL OPERATING INCOME



### EBITDA



### NET INTEREST-BEARING DEBT



NOK MILLION	30 SEP 2019	30 JUN 2019	31 DEC 2018	30 SEP 2018
<b>BALANCE SHEET</b>				
Non-current assets	5 675	5 512	4 789	4 586
Current assets	4 665	3 859	3 776	3 465
Total assets	10 340	9 372	8 565	8 051
Equity	5 649	4 560	2 365	1 969
Net interest-bearing debt	852	941	2 268	2 136

# REPORT OF THE BOARD OF DIRECTORS FOR THE THIRD QUARTER OF 2019

- Successful listing on Oslo Stock Exchange 18 October 2019
  - Strong interest from Norwegian and international investors
- Optimising asset portfolio with sale of the Albury mill (Australasia)
  - Ability to indentify and execute value enhancing transactions
- Net interest-bearing debt NOK 852 million at 30 September 2019
  - Proforma net interest-bearing debt after completion of sale of Albury of approximately NOK 150 million
- EBITDA for the period NOK 505 million, compared to NOK 444 million in the previous quarter
  - Includes recurring CO2 compensation at Saugbrugs
- Cash flow from operations NOK 150 million, a decrease from NOK 225 million in the previous quarter
  - Cash flow impacted by NOK 93 million of CO2 compensation granted in third quarter 2019, to be received in first half of 2020

## PROFIT/LOSS FOR THE PERIOD

NOK MILLION	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
Operating revenue	3 025	3 158	3 230	9 178	9 105
Other operating income	162	158	33	432	159
<b>Total operating income</b>	<b>3 187</b>	<b>3 316</b>	<b>3 263</b>	<b>9 610</b>	<b>9 264</b>
Distribution costs	-315	-308	-341	-927	-976
Cost of materials	-1 650	-1 853	-1 935	-5 190	-5 414
Fixed cost	-717	-711	-685	-2 115	-2 041
<b>EBITDA</b>	<b>505</b>	<b>444</b>	<b>302</b>	<b>1 378</b>	<b>833</b>

Operating revenue decreased from the previous quarter with slightly lower sales volumes and lower prices into the third quarter in Europe. Asian prices fell further in the third quarter. Other operating income for the third quarter includes gain on sale of water rights in relation to the sale of the Albury mill as well as previous year's CO2 compensation granted to Saugbrugs in August.

Variable costs per tonne decreased mainly due to reduced cost for pulpwood, recovered paper and energy in Europe as well as the CO2

compensation for 2019. Fixed costs increased slightly due to employee benefit expenses.

EBITDA increased quarter-over-quarter, mainly due to CO2 compensation.

NOK MILLION	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
Restructuring expenses	-8	-9	-4	-25	-9
Depreciation	-118	-113	-109	-343	-332
Impairments	38	0	0	38	0
Derivatives and other fair value adjustments	696	828	-26	1 468	23
<b>Operating earnings</b>	<b>1 113</b>	<b>1 150</b>	<b>163</b>	<b>2 516</b>	<b>514</b>

Depreciation of NOK -118 million is slightly above previous quarter reflecting the higher investments in 2019. Previous impairment related to Albury were reversed in the quarter following the reclassification to assets held for sale.

Derivatives and other fair value adjustments reflects a significant higher mark-to-market valuation of embedded derivatives. These are mainly related to energy contracts in Norway and are sensitive to

change in paper and pulpwood prices. The external forecast prices on paper have decreased and the prices on pulpwood decreased compared to the previous quarter. The decrease in forecast prices on paper is the most important factors and have a significant positive effect on the embedded derivatives in the third quarter of 2019.

NOK MILLION	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
Financial items	-89	-68	871	-148	753
Income taxes	-6	-50	-27	-165	-51
<b>Profit/loss for the period</b>	<b>1 018</b>	<b>1 032</b>	<b>1 006</b>	<b>2 202</b>	<b>1 216</b>

Financial items increased with NOK 21 million mainly due to increased unrealised currency loss on debt denominated in other currencies than NOK. Net interest expenses declined by NOK 14 million to NOK 28 million as a result of lower interest-bearing debt and interest costs following the repayment of the Norwegian Securitization Facility (NSF) and conversion of loans from the parent company, NS Norway Holding AS, to equity in the second quarter.

Income taxes year to date relates to the operations in Golbey and Bruck.

## DIVERSIFICATION BEYOND PUBLICATION PAPER

The Group has launched several growth initiatives beyond its traditional publication paper business. These initiatives broaden the operations of the Group, from renewable energy in the form of biogas to wood pellets to fibre-based construction boards. The initiatives are at various stages of the development cycle, ranging from early-phase research to final stages of implementation.

At the Bruck paper mill, a EUR 72 million investment in a waste-to-energy facility was decided in June 2019. This will provide additional revenue and cost savings potential.

By 2023, the Group expects approximately 25% of its EBITDA to be generated from non-paper growth initiatives.

The Group has an asset portfolio with attractive conversion potential and will continue to develop value enhancing transactions that strengthen underlying operations and support diversification.

## SEGMENT INFORMATION

### PUBLICATION PAPER EUROPE

NOK MILLION (unless otherwise stated)	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
Total operating income	2 321	2 528	2 341	7 215	6 664
<b>EBITDA</b>	<b>404</b>	<b>419</b>	<b>188</b>	<b>1 215</b>	<b>600</b>
EBITDA margin (%)	17.4	16.6	8.0	16.8	9.0
Return on capital employed (%) (annualised)	30.6	32.7	12.0	31.1	13.9
Production (1 000 tonnes)	435	433	476	1 314	1 394
Deliveries (1 000 tonnes)	426	441	464	1 283	1 363
Production / capacity (%)	90	90	99	91	96

The segment consists Norske Skog's European operations in the publication paper market with mills in Norway, France and Austria. Annual production capacity is 1.9 million tonnes.

Operating income decreased from the previous quarter with slightly lower sales volumes and a decrease in sales prices, but was positively impacted by CO2 compensation for 2018. Saugbrugs was given full CO2 compensation for 2018 and 2019 in August. CO2 compensation will be received first half 2020.

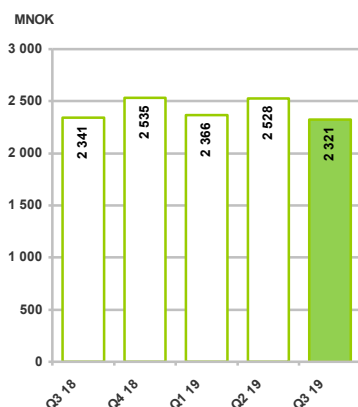
Variable cost per tonne decreased due to lower costs for pulpwood, recovered paper, energy and the impact of CO2 compensation for 2019. Fixed costs were lower compared to the previous quarter due to slightly lower employee benefit expenses.

EBITDA was in line with previous period, but the third quarter was positively impacted by the CO2 compensation recognised in the quarter with NOK 62 million for year-to-date for 2019 and NOK 31 million for 2018. CO2 compensation for 2019 was recognised as a reduction of energy cost.

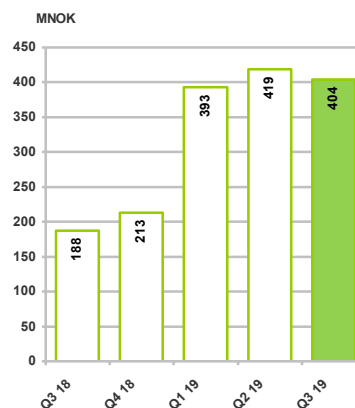
Demand for newsprint in Europe decreased by 6% through August this year compared to the same period last year. Magazine paper demand declined with Super Calendered paper decreasing 10% and Lightweight Coated paper decreasing 12%. (Source: Eurograph).

Capacity utilisation was 90% in the period.

**EUROPE  
TOTAL OPERATING INCOME**



**EUROPE  
EBITDA**



**PUBLICATION PAPER AUSTRALASIA**

NOK MILLION (unless otherwise stated)	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
Total operating income	852	774	908	2 373	2 568
<b>EBITDA</b>	<b>113</b>	<b>20</b>	<b>114</b>	<b>176</b>	<b>241</b>
EBITDA margin (%)	13.2	2.6	12.6	7.4	9.4
Return on capital employed (%) (annualised)	55.9	-2.7	32.2	14.0	19.6
Production (1 000 tonnes)	142	155	168	436	478
Deliveries (1 000 tonnes)	147	149	168	429	487
Production / capacity (%)	81	89	96	83	91

The segment consists of Norske Skog's operations in Australasia with mills in Australia and New Zealand. Annual production capacity is 0.7 million tonnes and will be reduced to 0.4 million tonnes following the cessation of newsprint at Albury in December 2019.

Operating income increased from the previous quarter due to a gain of NOK 92 million recognised in the quarter, from sale of water rights in relation to the sale of Albury. Sales volumes were in line with the previous quarter, Asian newsprint prices fell further in the quarter and impacted the EBITDA margin negatively.

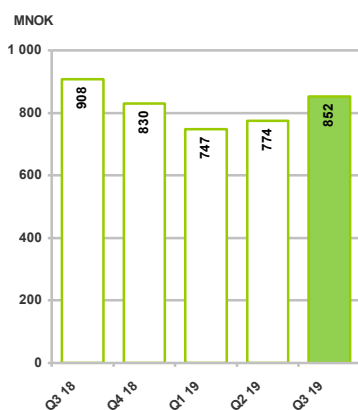
Both variable costs per tonne and fixed costs were reduced marginally in the quarter.

EBITDA increased due to the gain from sale of water rights. Despite favourable AUD exchange rates to USD for export sales, weak export prices impacted the EBITDA margin negatively.

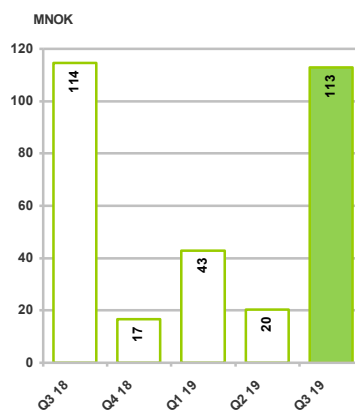
Demand for newsprint in Australasia declined by 8% through September this year compared to the same period last year. Demand for magazine paper decreased by 1%. (Source: official statistics).

Capacity utilisation was 81% in the period weakening from the previous quarter which reflected more market related downtime due to the low export prices in the period.

**AUSTRALASIA  
TOTAL OPERATING INCOME**



**AUSTRALASIA  
EBITDA**



## OTHER ACTIVITIES

NOK MILLION	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
Total operating income	43	44	42	121	111
<b>EBITDA</b>	<b>-12</b>	<b>5</b>	<b>0</b>	<b>-13</b>	<b>-8</b>

Operating income in other activities mainly consist of non-paper related operations defined as Green Energy which includes pellets and biogas. Other activities also include unallocated headquarter costs. The unallocated headquarter costs are approximately

NOK 40 million per annum, but are not uniformly distributed throughout the quarters of the year.

## CASH FLOW

NOK MILLION	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
EBITDA	505	444	302	1 378	833
Change in working capital	-180	35	-153	-220	-151
Restructuring activities	-10	-13	-9	-27	-15
Gain and losses from divestment of business activities and PPE	-89	-89	0	-179	-1
Net financial items	-34	-50	-14	-103	-47
Taxes paid	-16	-91	-6	-108	-14
Other items	-25	-11	-8	-60	-29
<b>Net cash flow from operating activities</b>	<b>150</b>	<b>225</b>	<b>112</b>	<b>681</b>	<b>576</b>
<b>Purchases of property, plant and equipment and intangible assets</b>	<b>-82</b>	<b>-78</b>	<b>-63</b>	<b>-237</b>	<b>-173</b>
-whereof maintenance capex	-51	-67	-56	-170	-132

Net cash flow from operating activities was NOK 150 million. Change in working capital (increase) includes the impact of the CO2

compensation of NOK 93 million recognised in the third quarter, but to be paid in 2020.

## BALANCE SHEET

NOK MILLION	30 SEP 2019	30 JUN 2019	31 DEC 2018	30 SEP 2018
Non-current assets	5 675	5 512	4 789	4 586
<b>Cash and cash equivalents</b>	<b>909</b>	<b>861</b>	<b>912</b>	<b>630</b>
Inventories, trade and other receivables and other current assets	3 756	2 998	2 864	2 834
Total assets	10 340	9 372	8 565	8 051
<b>Equity</b>	<b>5 649</b>	<b>4 560</b>	<b>2 365</b>	<b>1 969</b>
Non-current liabilities	2 438	2 403	3 270	2 407
Current liabilities	2 253	2 409	2 931	3 675
<b>Net interest-bearing debt</b>	<b>852</b>	<b>941</b>	<b>2 268</b>	<b>2 136</b>

Total assets increased in the third quarter mainly due to foreign exchange translation and higher mark-to-market valuation of embedded derivatives.

Net interest-bearing debt decreased from NOK 941 million to NOK 852 million in the quarter.

Cash and cash equivalents increased by NOK 48 million to NOK 909 million at quarter end and includes restricted cash of approximately NOK 150 million.

## OUTLOOK

The market balance for publication paper in Europe is supported by the announced capacity closures and conversions in the industry. Prices have declined into the third quarter and current price levels are expected into the coming quarter. The impact of the decrease in sales prices is to a large degree offset by decreased input cost from energy, pulp wood and recovered paper.

Following the cessation of newsprint at Albury in Australia in December 2019, the current export of production in excess of domestic consumption will be significantly reduced from its current

level. This will reduce the region's exposure to the volatile and currently low priced Asian market as well as reduce the currency exposure in the region. Driven by regional delivery optimisation and reduced exports, we expect regional EBITDA to improve by approximately NOK 80 million in 2020.

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 biochemicals.

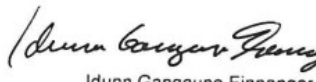
SKØYEN, 30 OCTOBER 2019  
THE BOARD OF DIRECTORS OF NORSKE SKOG ASA

  
Jen-Yue (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 Ombudstved  
CEO

## INTERIM FINANCIAL STATEMENTS, THIRD QUARTER OF 2019

### CONDENSED CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
Operating revenue		3 025	3 158	3 230	9 178	9 105
Other operating income		162	158	33	432	159
<b>Total operating income</b>	<b>5</b>	<b>3 187</b>	<b>3 316</b>	<b>3 263</b>	<b>9 610</b>	<b>9 264</b>
Distribution costs		-315	-308	-341	-927	-976
Cost of materials		-1 650	-1 853	-1 935	-5 190	-5 414
Employee benefit expenses		-482	-476	-463	-1 414	-1 377
Other operating expenses		-235	-235	-222	-701	-665
Restructuring expenses		-8	-9	-4	-25	-9
Depreciation	4	-118	-113	-109	-343	-332
Impairments	4	38	0	0	38	0
Derivatives and other fair value adjustments	7	696	828	-26	1 468	23
<b>Operating earnings</b>		<b>1 113</b>	<b>1 150</b>	<b>163</b>	<b>2 516</b>	<b>514</b>
Financial items	6	-89	-68	871	-148	753
<b>Profit/loss before income taxes</b>		<b>1 024</b>	<b>1 082</b>	<b>1 034</b>	<b>2 367</b>	<b>1 267</b>
Income taxes		-6	-50	-27	-165	-51
<b>Profit/loss for the period</b>		<b>1 018</b>	<b>1 032</b>	<b>1 006</b>	<b>2 202</b>	<b>1 216</b>
Basic earnings per share (NOK)		12.33	12.51	12.20	26.69	14.74
Diluted earnings per share (NOK)		12.33	12.51	12.20	26.69	14.74

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
<b>Profit/loss for the period</b>	<b>1 018</b>	<b>1 032</b>	<b>1 006</b>	<b>2 202</b>	<b>1 216</b>
<b>Items that may be reclassified subsequently to profit or loss</b>					
Currency translation differences	70	-28	-12	-20	-70
Tax expense on translation differences	0	0	0	0	0
<b>Other comprehensive income for the period</b>	<b>70</b>	<b>-28</b>	<b>-12</b>	<b>-20</b>	<b>-70</b>
<b>Total comprehensive income for the period</b>	<b>1 088</b>	<b>1 004</b>	<b>994</b>	<b>2 182</b>	<b>1 146</b>



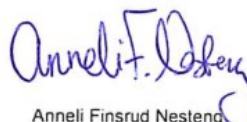
## CONDENSED CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	30 SEP 2019	30 JUN 2019	31 DEC 2018	30 SEP 2018
Deferred tax asset		64	64	64	64
Intangible assets	4	23	26	30	30
Property, plant and equipment	4	4 098	4 459	4 483	4 338
Other non-current assets	7	1 490	963	211	153
<b>Total non-current assets</b>		<b>5 675</b>	<b>5 512</b>	<b>4 789</b>	<b>4 586</b>
<b>Assets held for sale</b>	4	<b>446</b>	<b>0</b>	<b>0</b>	<b>0</b>
Inventories		1 530	1 547	1 304	1 300
Trade and other receivables		1 332	1 227	1 403	1 455
Cash and cash equivalents		909	861	912	630
Other current assets	7	447	224	157	79
<b>Total current assets</b>		<b>4 219</b>	<b>3 859</b>	<b>3 776</b>	<b>3 465</b>
<b>Total assets</b>		<b>10 340</b>	<b>9 372</b>	<b>8 565</b>	<b>8 051</b>
Paid-in equity	8	8 510	8 510	7 409	7 409
Retained earnings and other reserves		-2 862	-3 950	-5 044	-5 440
<b>Total equity</b>		<b>5 649</b>	<b>4 560</b>	<b>2 365</b>	<b>1 969</b>
Pension obligations		265	260	271	245
Deferred tax liability		327	326	328	330
Interest-bearing non-current liabilities	6	1 502	1 473	2 318	1 291
Other non-current liabilities	7	344	343	353	540
<b>Total non-current liabilities</b>		<b>2 438</b>	<b>2 403</b>	<b>3 270</b>	<b>2 407</b>
Interest-bearing current liabilities	6	259	329	862	1 475
Trade and other payables		1 691	1 796	1 864	1 841
Tax payable		142	144	87	45
Other current liabilities	7	161	140	118	314
<b>Total current liabilities</b>		<b>2 253</b>	<b>2 409</b>	<b>2 931</b>	<b>3 675</b>
<b>Total liabilities</b>		<b>4 691</b>	<b>4 811</b>	<b>6 200</b>	<b>6 082</b>
<b>Total equity and liabilities</b>		<b>10 340</b>	<b>9 372</b>	<b>8 565</b>	<b>8 051</b>


SKØYEN, 30 OCTOBER 2019  
THE BOARD OF DIRECTORS OF NORSKE SKOG ASA

  
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Board member

  
Idunn Gangaune Finnanger  
Board member

  
Svein Erik Veie  
Board member

  
Paul Kristiansen  
Board member

  
Sven Ombudstvedt  
CEO

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
Cash generated from operations	3 011	3 312	3 103	9 588	9 258
Cash used in operations	-2 811	-2 946	-2 971	-8 696	-8 622
Cash flow from currency hedges and financial items	-7	-9	-8	-24	-28
Interest payments received	4	2	2	8	5
Interest payments made	-30	-43	-8	-88	-23
Taxes paid	-16	-91	-6	-108	-14
<b>Net cash flow from operating activities <sup>1)</sup></b>	<b>150</b>	<b>225</b>	<b>112</b>	<b>681</b>	<b>576</b>
Purchases of property, plant and equipment and intangible assets	-82	-78	-63	-237	-173
Sales of property, plant and equipment and intangible assets	93	0	0	93	1
Purchase of shares in companies and other financial payments	-11	-15	-8	-41	-27
Sales of shares in companies and other financial instruments	0	4	0	4	120
<b>Net cash flow from investing activities</b>	<b>-1</b>	<b>-88</b>	<b>-71</b>	<b>-181</b>	<b>-80</b>
New loans raised	4	1 261	80	1 291	179
Repayments of loans	-104	-1 166	-206	-1 771	-451
<b>Net cash flow from financing activities</b>	<b>-100</b>	<b>95</b>	<b>-126</b>	<b>-479</b>	<b>-271</b>
Foreign currency effects on cash and cash equivalents	-1	-9	-3	-24	-27
<b>Total change in cash and cash equivalents</b>	<b>48</b>	<b>223</b>	<b>-87</b>	<b>-3</b>	<b>198</b>
<b>Cash and cash equivalents at start of period</b>	<b>861</b>	<b>638</b>	<b>718</b>	<b>912</b>	<b>433</b>
<b>Cash and cash equivalents at end of period</b>	<b>909</b>	<b>861</b>	<b>630</b>	<b>909</b>	<b>630</b>
<b><sup>1)</sup> Reconciliation of net cash flow from operating activities</b>					
Profit/loss before income taxes	1 024	1 082	1 034	2 367	1 267
Change in working capital	-180	35	-153	-220	-151
Change in restructuring provisions	-2	-3	-5	-2	-6
Depreciation and impairments	80	113	109	305	332
Derivatives and other fair value adjustments	-713	-829	23	-1 506	-37
Gain and losses from divestment of business activities and PPE	-89	-89	0	-179	-1
Net financial items without cash effect	55	18	-884	45	-800
Taxes paid	-16	-91	-6	-108	-14
Change in pension obligations and other employee benefits	-2	-4	-4	-9	-9
Adjustment for other items	-5	-7	-2	-12	-6
<b>Net cash flow from operating activities</b>	<b>150</b>	<b>225</b>	<b>112</b>	<b>681</b>	<b>576</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	Paid-in equity	Other paid-in equity	Retained earnings	Total equity
<b>Equity 1 January 2018</b>	<b>5 160</b>	<b>0</b>	<b>-6 586</b>	<b>-1 427</b>
Profit/loss for the period	0	0	210	210
Other comprehensive income for the period	0	0	-58	-58
<b>Equity 30 June 2018</b>	<b>5 160</b>	<b>0</b>	<b>-6 435</b>	<b>-1 275</b>
Profit/loss for the period	0	0	1 006	1 006
Derecognition of debt	0	2 249	0	2 249
Other comprehensive income for the period	0	0	-12	-12
<b>Equity 30 September 2018</b>	<b>5 160</b>	<b>2 249</b>	<b>-5 440</b>	<b>1 969</b>
Profit/loss for the period	0	0	309	309
Other comprehensive income for the period	0	0	87	87
<b>Equity 31 December 2018</b>	<b>5 160</b>	<b>2 249</b>	<b>-5 044</b>	<b>2 365</b>
Profit/loss for the period	0	0	1 184	1 184
Increase in share capital	1 102	0	0	1 102
Other comprehensive income for the period	0	0	-90	-90
<b>Equity 30 June 2019</b>	<b>6 261</b>	<b>2 249</b>	<b>-3 950</b>	<b>4 560</b>
Profit/loss for the period	0	0	1 018	1 018
Other comprehensive income for the period	0	0	70	70
<b>Equity 30 September 2019</b>	<b>6 261</b>	<b>2 249</b>	<b>-2 862</b>	<b>5 649</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Norske Skog ASA (“the company”) and its subsidiaries (“the group” or “Norske Skog”) produce, distribute and sell publication paper. This includes newsprint and magazine paper.

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

The table below shows the applied average (un-weighted monthly) foreign exchange rates per quarters and the closing exchange rate at month ends for the most important currencies for the Norske Skog group.

	Q3 2019	Q2 2019	30 SEP 2019	30 JUN 2019	31 DEC 2018
AUD	6.07	6.05	6.14	5.97	6.13
EUR	9.85	9.72	9.90	9.69	9.95
GBP	10.92	11.11	11.17	10.81	11.12
NZD	5.75	5.73	5.70	5.72	5.83
USD	8.86	8.65	9.09	8.52	8.69

## 2. ACCOUNTING POLICIES

The interim financial statements of Norske Skog have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not include all information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements for 2018. The interim financial statements are unaudited.

The accounting policies applied in the preparation of the interim financial statements are consistent with those applied in the preparation of the annual financial statements for the year ended 31 December 2018, except for the adaptation of amended standards and new interpretations, which are mandatory from 1 January 2019. These changes are described in the annual financial statements for 2018.

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

### *New standards adopted by the group*

IFRS 16 Leases is implemented on 1 January 2019 and impact on accounting for the group's operating leases for machinery and properties. The effect on the balance sheet 1 January 2019:

- 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 30 million

- Increased interest expenses: NOK 10 million

- Increased depreciations: NOK 30 million

## 3. ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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

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

### *Commodity contracts*

Norske Skog's portfolio of commodity contracts consist mainly of contracts that are settled through physical delivery. Embedded

derivatives in commodity contracts are measured at fair value and embedded derivatives that are not traded in an active market, are assessed through valuation techniques.

The fair value of embedded derivatives in physical contracts vary depending on changes in currency, paper prices, pulp wood and price indices. The energy contracts in Norway are nominated in EUR and contain embedded derivatives that are sensitive to changes in NOK against EUR.

Commodity contracts that fail to meet the own-use exemption criteria in IFRS 9 *Financial instruments* – recognition and measurement are recognised in the balance sheet and valued at fair value. Norske Skog has one long-term financial energy contract in New Zealand. The long-term electricity prices in New Zealand are not directly observable in the market for the whole contract length. Price forecasts from acknowledged external sources are used in the estimation of fair value.

The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. See Note 9 in the consolidated financial statements for 2018 for more information regarding the calculation of fair value of derivatives.

### Provisions

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

Provisions for future environmental and dismantling liabilities are based on a number of assumptions made using management's best judgment. See Note 2 in the consolidated financial statements for 2018 for a more thorough description of important accounting

estimates and assumptions impacting the preparation of financial statements.

### Contingent liabilities

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

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

JAN-SEP 2019	PROPERTY, PLANT AND EQUIPMENT	RIGHT-OF-USE ASSETS	TOTAL PROPERTY PLANT AND EQUIPMENT	INTANGIBLE ASSETS
Carrying value at start of period	4 483	0	4 483	30
Addition due to implementation of IFRS 16	0	127	127	0
Additions*	236	22	258	53
Depreciation	-311	-24	-335	-8
Impairments	38	0	38	0
Value changes	-9	0	-9	0
Disposals	0	0	0	-52
Assets held for sale	-436	-10	-446	0
Currency translation differences	-17	0	-17	0
<b>Carrying value at end of period</b>	<b>3 983</b>	<b>115</b>	<b>4 098</b>	<b>23</b>

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

As of 30 September 2019, non-current assets related to the Albury mill with a carrying value of NOK 446 million are classified as assets held for sale. Impairment of NOK 38 million for Albury was

reversed in the third quarter following the reclassification to assets held for sale.

### PER OPERATING SEGMENTS

30 SEP 2019	TOTAL PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
Publication paper Europe	3 168	8
Publication paper Australasia	875	5
Other activities	54	9
<b>Total</b>	<b>4 098</b>	<b>23</b>

## 5. OPERATING SEGMENTS

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

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

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

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

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

Q3 2019	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	2 258	754	43	-29	3 025
Other operating income	63	99	0	0	162
<b>Total operating income</b>	<b>2 321</b>	<b>852</b>	<b>43</b>	<b>-29</b>	<b>3 187</b>
Distribution costs	-219	-93	-3	0	-315
Cost of materials	-1 192	-456	-6	5	-1 650
Employee benefit expenses	-331	-128	-23	0	-482
Other operating expenses	-175	-63	-23	25	-235
<b>EBITDA</b>	<b>404</b>	<b>113</b>	<b>-12</b>	<b>0</b>	<b>505</b>
Restructuring expenses	-2	-6	0	0	-8
Depreciation	-87	-29	-3	0	-118
Impairments	0	38	0	0	38
Derivatives and other fair value adjustments	0	-16	711	0	696
<b>Operating earnings</b>	<b>316</b>	<b>101</b>	<b>697</b>	<b>0</b>	<b>1 113</b>
Share of operating revenue from external parties (%)	100	100	45		100

Q2 2019	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	2 386	768	34	-30	3 158
Other operating income	142	6	10	0	158
<b>Total operating income</b>	<b>2 528</b>	<b>774</b>	<b>44</b>	<b>-30</b>	<b>3 316</b>
Distribution costs	-213	-92	-3	0	-308
Cost of materials	-1 389	-467	-2	5	-1 853
Employee benefit expenses	-333	-127	-17	0	-476
Other operating expenses	-175	-68	-18	25	-235
<b>EBITDA</b>	<b>419</b>	<b>20</b>	<b>5</b>	<b>0</b>	<b>444</b>
Restructuring expenses	0	-7	-3	0	-9
Depreciation	-82	-28	-3	0	-113
Derivatives and other fair value adjustments	0	-9	837	0	828
<b>Operating earnings</b>	<b>337</b>	<b>-23</b>	<b>836</b>	<b>0</b>	<b>1 150</b>
Share of operating revenue from external parties (%)	100	100	47		100

Q3 2018	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	2 315	902	40	-27	3 230
Other operating income	26	6	1	0	33
<b>Total operating income</b>	<b>2 341</b>	<b>908</b>	<b>42</b>	<b>-27</b>	<b>3 263</b>
Distribution costs	-236	-102	-3	0	-341
Cost of materials	-1 440	-493	-2	0	-1 935
Employee benefit expenses	-312	-129	-21	0	-463
Other operating expenses	-164	-69	-15	27	-222
<b>EBITDA</b>	<b>188</b>	<b>114</b>	<b>0</b>	<b>0</b>	<b>302</b>
Restructuring expenses	0	0	-4	0	-4
Depreciation	-81	-26	-2	0	-109
Derivatives and other fair value adjustments	0	-5	-21	0	-26
<b>Operating earnings</b>	<b>107</b>	<b>83</b>	<b>-27</b>	<b>0</b>	<b>163</b>
Share of operating revenue from external parties (%)	100	100	39		100

YTD 2019	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	6 906	2 261	110	-99	9 178
Other operating income	309	112	11	0	432
<b>Total operating income</b>	<b>7 215</b>	<b>2 373</b>	<b>121</b>	<b>-99</b>	<b>9 610</b>
Distribution costs	-647	-271	-9	0	-927
Cost of materials	-3 852	-1 352	-11	25	-5 190
Employee benefit expenses	-976	-382	-57	0	-1 414
Other operating expenses	-525	-193	-58	75	-701
<b>EBITDA</b>	<b>1 215</b>	<b>176</b>	<b>-13</b>	<b>0</b>	<b>1 378</b>
Restructuring expenses	-3	-13	-10	0	-25
Depreciation	-250	-85	-8	0	-343
Impairments	0	38	0	0	38
Derivatives and other fair value adjustments	0	-30	1 499	0	1 468
<b>Operating earnings</b>	<b>962</b>	<b>87</b>	<b>1 467</b>	<b>0</b>	<b>2 516</b>
Share of operating revenue from external parties (%)	100	100	42		100

YTD 2018	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	6 546	2 529	109	-80	9 105
Other operating income	118	39	2	0	159
<b>Total operating income</b>	<b>6 664</b>	<b>2 568</b>	<b>111</b>	<b>-80</b>	<b>9 264</b>
Distribution costs	-682	-286	-7	0	-976
Cost of materials	-3 965	-1 448	-1	0	-5 414
Employee benefit expenses	-930	-391	-56	0	-1 377
Other operating expenses	-487	-202	-55	80	-665
<b>EBITDA</b>	<b>600</b>	<b>241</b>	<b>-8</b>	<b>0</b>	<b>833</b>
Restructuring expenses	-3	0	-6	0	-9
Depreciation	-241	-85	-6	0	-332
Derivatives and other fair value adjustments	0	-18	41	0	23
<b>Operating earnings</b>	<b>355</b>	<b>138</b>	<b>21</b>	<b>0</b>	<b>514</b>
Share of operating revenue from external parties (%)	100	100	31		100

## OTHER ACTIVITIES

INCOME STATEMENT	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
<b>OTHER OPERATING REVENUE</b>					
Corporate functions	24	24	26	72	77
Green energy and other	19	20	16	49	34
<b>Total</b>	<b>43</b>	<b>44</b>	<b>42</b>	<b>121</b>	<b>111</b>
<b>EBITDA</b>					
Corporate functions	-16	-5	-2	-27	-8
Green energy and other	4	10	3	13	1
<b>Total</b>	<b>-12</b>	<b>5</b>	<b>0</b>	<b>-13</b>	<b>-8</b>

## 6. FINANCIAL ITEMS AND DEBT REPAYMENTS

### FINANCIAL ITEMS

NOK MILLION	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
Net interest expenses	-28	-42	-376	-124	-686
Currency gains/losses*	-51	-16	147	6	279
Other financial items	-10	-9	1 099	-30	1 161
<b>Total financial items</b>	<b>-89</b>	<b>-68</b>	<b>871</b>	<b>-148</b>	<b>753</b>

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

### FINANCING

In June 2019 Norske Skog issued EUR 125 million senior secured notes. The bond matures in June 2022 and has an interest rate of EURIBOR (zero floor) + 6% with quarterly interest payments. The proceeds were mainly used to refinance existing debt.

In addition, in June 2019, Norske Skog established a revolving credit facility of EUR 31 million. The facility has a tenor of three years. The facility was undrawn per 30.09.2019 and is as such not included as interest-bearing debt. The remaining financing arrangements for the

group includes leasing, factoring, and other credit facilities on mill level.

Norske Skog shall in accordance with the bond covenants on a consolidated basis have (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 financial agreements.

### BONDS

MATURITY	CURRENCY	INTEREST RATE	NOMINAL VALUE	AMOUNT OUTSTANDING 30 SEP 2019
June 2022	EUR	EURIBOR + 6%	125	125

### DEBT REPAYMENT SCHEDULE\*

NOK MILLION	2019**	2020	2021	2022	2023-
Bonds	0	0	0	1 237	0
Debt to credit institutions	207	35	34	36	110
<b>Total</b>	<b>207</b>	<b>35</b>	<b>34</b>	<b>1 273</b>	<b>110</b>

\*Not including items relating to IFRS 16 and amortized costs.

\*\*Remainder of 2019. Expected debt installment are NOK 42 million.

Total debt listed in the repayment schedule differ from the carrying value in the balance sheet. This is due to the amortized cost principle.

The Norske Skog EUR 100 million Norwegian Securitization Facility (NSF) was repaid in June 2019.

Financed amounts from securitization arrangements is classified as interest-bearing current liabilities. This amounts to NOK 165 million in debt repayment in fourth quarter 2019. 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.

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

30 SEP 2019	ASSETS		LIABILITIES	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Energy contracts and embedded derivatives in energy contracts (level 3)	356	1 362	-28	-13
Energy contracts (level 2)	0	0	-71	-12
Other raw material contracts (level 3)	0	0	0	0
Other derivatives and financial instruments carried at fair value (level 2)	5	0	-9	0
<b>Total</b>	<b>361</b>	<b>1 362</b>	<b>-108</b>	<b>-25</b>



Norske Skog's portfolio of commodity contracts consists primarily of contracts that are settled through physical delivery. The fair value of financial energy contracts is particularly sensitive to future fluctuations in energy prices. The fair value of embedded derivatives in physical contracts depends on paper prices, pulpwood prices, currency and price index fluctuations.

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

The energy contracts in Norway are nominated in EUR. The energy contracts at Skogn and Saugbrugs expires at the end of 2026, and both contracts have a yearly consumption of approximately 876 000 MWh. The contract prices are sensitive to change in paper and pulpwood prices. These contracts contain embedded derivatives that are recognised at fair value in accordance with IFRS 9 *Financial instruments - recognition and measurement*. The assumed paper and pulpwood prices in the contract period are based on forecasts from external sources independent of the company. 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 compared to fourth quarter 2018 which have a significant positive effect on the embedded derivatives year to date. Forecast paper prices has decreased further in third

quarter compared to second quarter which have a significant positive effect on the embedded derivatives. Pulpwood prices is virtually unchanged from previous quarter.

NOK has weakened against EUR compared to the previous quarter, which has had a negative effect on the fair value of the embedded derivatives.

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

Gains and losses on level 3 financial instruments recognised in the income statement, line item Derivatives and other fair value adjustments, amounted to NOK 718 million in the third quarter (NOK 1 529 million year to date 2019).

Changes in the value of energy-/commodity contracts and embedded derivatives in contracts are presented in the income statement line Derivatives and other fair value adjustments. Realised effects from financial energy contracts are also included in this line.

See Note 8 in consolidated financial statements for 2018 for more information including sensitivity analyses regarding the calculation of fair value of commodity contracts and derivatives.

## 8. PRINCIPAL SHAREHOLDERS

	NUMBER OF SHARES	OWNERSHIP %
NS NORWAY HOLDING AS	48 000 000	58.18
ABG SUNDAL COLLIER ASA	4 135 000	5.01
ARTIC FUNDS PLC	2 200 000	2.67
HANDELSBANKEN NORDISKA SMABOLAG	1 840 000	2.23
CLIENS SVERIGE FOKUS	1 445 000	1.75
SEB PRIME SOLUTION SISSENER CANOPUS	1 400 000	1.70
MP PENSJON PK	1 215 054	1.47
FIRST GENERATOR	1 130 000	1.37
EIKA SPAR	1 010 000	1.22
RBC INVESTOR SERVICES BANK S.A	886 111	1.07
FRAM REALINVEST AS	850 000	1.03
EIKA NORGE	850 000	1.03
TVECO AS	825 000	1.00
DPAM INVEST B	800 000	0.97
VERDIPAPIRFONDET DELPHI NORGE	701 038	0.85
UBS AG	676 315	0.82
HOLBERG NORGE	650 000	0.79
CATELLA HEDGEFOND	596 909	0.72
WENAASGRUPPEN AS	550 000	0.67
MANDATUM LIFE INSURANCE COM LTD-7	513 889	0.62
Other shareholders	12 225 684	14.82
<b>Total</b>	<b>82 500 000</b>	<b>100.00</b>

The data is provided by VPS as of 29 October 2019. Whilst every reasonable effort is made to verify all data, VPS can not guarantee the accuracy of the analysis.

## 9. RELATED PARTIES

Ocenwood is a related party to Norske Skog through the ownership in NS Norway Holding AS.

On 13 May 2019, the company entered into an agreement with NS Norway Holding AS for the purchase of a receivable which NS Norway Holding AS 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 and sole shareholder, NS Norway Holding AS, had towards the company.

In June 2019, the company repaid the NSF of NOK 786 million (including interest) and settled the remaining intercompany loans purchased in May. Following the settlements in June 2019 there

are no shareholder loans to related parties as of 30 September 2019.

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

## 10. EVENTS AFTER THE BALANCE SHEET DATE

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 NOK 520 million (AUD 85 million). The sale of the mill and realization of excess water rights and termination of an energy contract, will generate total cash proceeds of approximately NOK 920 million. Norske Skog will pay redundancy payments and transaction costs of approximately NOK 215 million following the closure, resulting in net cash proceeds to Norske Skog of approximately NOK 700 mill. Included in the numbers above is gain on sale of water rights of NOK 92 million (AUD 15.2 million) which is recognized in third quarter 2019. The non-current assets included in the sales agreement are classified as assets held for sale in the balance sheet in accordance with IFRS 5 as of 30 September 2019.

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

There has been no other events after the balance sheet date with significant impact on the interim financial statements for the third quarter of 2019.

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## 11. HISTORICAL FIGURES

INCOME STATEMENT	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
<b>Total operating income</b>	<b>3 187</b>	<b>3 316</b>	<b>3 107</b>	<b>3 378</b>	<b>3 263</b>
Variable costs	-1 965	-2 161	-1 991	-2 433	-2 276
Fixed costs	-717	-711	-687	-746	-685
<b>EBITDA</b>	<b>505</b>	<b>444</b>	<b>429</b>	<b>199</b>	<b>302</b>
Restructuring expenses	-8	-9	-8	-6	-4
Depreciation	-118	-113	-113	-113	-109
Impairments	38	0	0	0	0
Derivatives and other fair value adjustment	696	828	-55	331	-26
<b>Operating earnings</b>	<b>1 113</b>	<b>1 150</b>	<b>253</b>	<b>412</b>	<b>163</b>
Share of profit in associated companies	0	0	0	-9	0
Financial items	-89	-68	8	-67	871
<b>Profit/loss before income taxes</b>	<b>1 024</b>	<b>1 082</b>	<b>261</b>	<b>336</b>	<b>1 034</b>
Income taxes	-6	-50	-109	-27	-27
<b>Profit/loss for the period</b>	<b>1 018</b>	<b>1 032</b>	<b>153</b>	<b>309</b>	<b>1 006</b>

SEGMENT INFORMATION	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
<b>Publication paper Europe</b>					
Total operating income	2 321	2 528	2 366	2 535	2 341
EBITDA	404	419	393	213	188
Deliveries (1 000 tonnes)	426	441	416	485	464
<b>Publication paper Australasia</b>					
Total operating income	852	774	747	830	908
EBITDA	113	20	43	17	114
Deliveries (1 000 tonnes)	147	149	133	150	168
<b>Other activities</b>					
Total operating income	43	44	34	37	42
EBITDA	-12	5	-6	-31	0

BALANCE SHEET	30 SEP 2019	30 JUN 2019	31 MAR 2019	31 DEC 2018	30 SEP 2018
<b>Total non-current assets</b>	<b>5 675</b>	<b>5 512</b>	<b>4 878</b>	<b>4 789</b>	<b>4 586</b>
Inventories	1 530	1 547	1 502	1 304	1 300
Trade and other receivables	1 332	1 227	1 223	1 403	1 455
Cash and cash equivalents	909	861	638	912	630
Other current assets	894	224	312	157	79
<b>Total current assets</b>	<b>4 665</b>	<b>3 859</b>	<b>3 675</b>	<b>3 776</b>	<b>3 465</b>
<b>Total assets</b>	<b>10 340</b>	<b>9 372</b>	<b>8 553</b>	<b>8 565</b>	<b>8 051</b>
<b>Total equity</b>	<b>5 649</b>	<b>4 560</b>	<b>2 456</b>	<b>2 365</b>	<b>1 969</b>
<b>Total non-current liabilities</b>	<b>2 438</b>	<b>2 403</b>	<b>3 417</b>	<b>3 270</b>	<b>2 407</b>
Trade and other payables	1 691	1 796	1 822	1 864	1 841
Other current liabilities	562	613	858	1 067	1 834
<b>Total current liabilities</b>	<b>2 253</b>	<b>2 409</b>	<b>2 680</b>	<b>2 931</b>	<b>3 675</b>
<b>Total liabilities</b>	<b>4 691</b>	<b>4 811</b>	<b>6 097</b>	<b>6 200</b>	<b>6 082</b>
<b>Total equity and liabilities</b>	<b>10 340</b>	<b>9 372</b>	<b>8 553</b>	<b>8 565</b>	<b>8 051</b>

CASH FLOW	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
<b>Reconciliation of net cash flow from operating activities</b>					
EBITDA	505	444	429	199	302
Change in working capital	-180	35	-75	146	-153
Payments made relating to restructuring activities	-10	-13	-4	-11	-9
Gain and losses from divestment of business activities and PPE	-89	-89	0	0	0
Cash flow from net financial items	-34	-50	-20	-23	-14
Taxes paid	-16	-91	-1	-6	-6
Other	-25	-11	-23	0	-8
<b>Net cash flow from operating activities</b>	<b>150</b>	<b>225</b>	<b>305</b>	<b>305</b>	<b>112</b>
Purchases of property, plant and equipment and intangible assets	-82	-78	-77	-105	-63
Net divestments	82	-11	-15	-3	-8
<b>Net cash flow from investing activities</b>	<b>-1</b>	<b>-88</b>	<b>-92</b>	<b>-109</b>	<b>-71</b>
<b>Net cash flow from financing activities</b>	<b>-100</b>	<b>95</b>	<b>-474</b>	<b>56</b>	<b>-126</b>
Foreign currency effects on cash and cash equivalents	-1	-9	-13	29	-3
<b>Total change in cash and cash equivalents</b>	<b>48</b>	<b>223</b>	<b>-274</b>	<b>282</b>	<b>-87</b>

## 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.

NOK MILLION	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
Operating earnings	1 113	1 150	163	2 516	514
Restructuring expenses	8	9	4	25	9
Depreciation	118	113	109	343	332
Impairments	-38	0	0	-38	0
Derivatives and other fair value adjustments	-696	-828	-26	-1 468	23
<b>EBITDA</b>	<b>505</b>	<b>444</b>	<b>302</b>	<b>1 378</b>	<b>833</b>

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

NOK MILLION	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
EBITDA	505	444	302	1 378	833
Total operating income	3 187	3 316	3 263	9 610	9 264
<b>EBITDA margin</b>	<b>15.8%</b>	<b>13.4%</b>	<b>9.3%</b>	<b>14.3%</b>	<b>9.0%</b>

**Variable costs:** Distribution costs + cost of materials

NOK MILLION	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
Distribution costs	315	308	341	927	976
Cost of materials	1 650	1 853	1 935	5 190	5 414
<b>Variable costs</b>	<b>1 965</b>	<b>2 161</b>	<b>2 276</b>	<b>6 117</b>	<b>6 390</b>

**Fixed costs:** Employee benefit expenses + other operating expenses.

NOK MILLION	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
Employee benefit expenses	482	476	463	1 414	1 377
Other operating expenses	235	235	222	701	665
<b>Fixed costs</b>	<b>717</b>	<b>711</b>	<b>685</b>	<b>2 115</b>	<b>2 041</b>

**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.

NOK MILLION	Q3 2019	Q2 2019	Q3 2018	YTD 2019	YTD 2018
EBITDA	505	444	302	1 378	833
Capital expenditure	82	79	63	237	173
Average capital employed	5 601	5 473	5 270	5 547	5 298
<b>Return on capital employed (annualised)</b>	<b>30.2%</b>	<b>26.8%</b>	<b>18.2%</b>	<b>27.4%</b>	<b>16.6%</b>

NOK MILLION	30 SEP 2019	30 JUN 2019	31 DEC 2018	30 SEP 2018
Intangible assets	23	26	30	30
Tangible assets	4 098	4 459	4 483	4 338
Assets held for sale	446	0	0	0
Inventory	1 530	1 547	1 304	1 300
Trade and other receivables	1 332	1 227	1 403	1 455
Trade and other payables	-1 691	-1 796	-1 864	-1 841
<b>Capital employed</b>	<b>5 738</b>	<b>5 464</b>	<b>5 356</b>	<b>5 282</b>

**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.

NOK MILLION	30 SEP 2019	30 JUN 2019	31 DEC 2018	30 SEP 2018
Interest bearing non-current liabilities	1 502	1 473	2 318	1 291
Interest bearing current liabilities	259	329	862	1 475
Cash and cash equivalents	-909	-861	-912	-630
<b>Net interest bearing debt</b>	<b>852</b>	<b>941</b>	<b>2 268</b>	<b>2 136</b>

**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).



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