PROSPECTUS

NORSKE SKOG ASA

(Organisation number: 914 483 549)

Listing on Oslo Børs

Norske Skog AS 19/22 FRN C

ISIN NO 001085612.3

THIS PROSPECTUS SERVES AS A LISTING PROSPECTUS ONLY AS REQUIRED BY NORWEGIAN LAW AND REGULATIONS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO BUY, SUBSCRIBE OR SELL ANY OF THE SECURITIES DESCRIBED HEREIN, AND NO SECURITIES ARE BEING OFFERED OR SOLD PURSUANT TO IT.

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26 November 2019

Important information

This prospectus (together with the appendices, the "**Prospectus**") has been prepared by Norske Skog ASA (the "**Issuer**", together with its subsidiaries and its direct and indirect controlling entities, the "**Group**", each a "**Group Company**")) to provide information about the Group and its business in connection with the listing of the bonds issued in the Norske Skog AS 19/22 FRN C (the "**Bonds**" and the "**Bond Issue**") on Oslo Børs.

For the definitions of terms used throughout this Prospectus, see section 10 "Definitions and Glossary of Terms".

This Prospectus has been prepared to comply with the Norwegian Securities Trading Act of 29 June 2007 no. 75, as amended (the "**Norwegian Securities Trading Act**") and related secondary legislation, including Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended, and as implemented in Norway in accordance with Section 7-1 of the Norwegian Securities Trading Act (the "**EU Prospectus Regulation**"). This Prospectus has been prepared solely in the English language.

This Prospectus has been approved by the Financial Supervisory Authority of Norway (*Norwegian*: *Finanstilsynet*) (the "**NFSA**"), as competent authority under the EU Prospectus Regulation. The NFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the EU Prospectus Regulation, and such approval should not be considered as an endorsement of the Issuer or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

The Issuer has furnished the information in this Prospectus and accepts responsibility for the information contained herein. No other party makes any representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, nor shall be relied upon as, a promise or representation by any party. This Prospectus does not contain any offer to subscribe and/or purchase the Bonds.

All inquiries relating to this Prospectus should be directed to the Issuer. No person is authorized to give any information about, or make any representation on behalf of, the Issuer in connection with the Bonds, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Issuer.

The information contained herein is current as of the date of this Prospectus and subject to change, completion or amendment without notice. In accordance with Article 23 of the EU Prospectus Regulation, significant new factors, material mistakes or material inaccuracies relating to the information included in this Prospectus, which may affect the assessment of securities and which arises or is noted between the time when this Prospectus is approved by the NFSA and the listing of the Bonds on Oslo Børs, will be mentioned in a supplement to this Prospectus without undue delay. Neither the publication nor distribution of this Prospectus shall under any circumstances imply that there has been no change in the Group's affairs or that the information herein is correct as at any date subsequent to the date of this Prospectus.

This Prospectus shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Prospectus.

The distribution of this Prospectus in certain jurisdictions may be restricted by law. This Prospectus does not constitute an offer to buy, subscribe or sell any of the securities described herein, and no securities are being offered or sold pursuant to it. The Issuer requires persons in possession of this Prospectus to inform themselves about and to observe any such restrictions. This Prospectus serves as a listing prospectus as required by applicable laws and regulations.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or under the securities law of any other state or other jurisdiction in the United States and may not be offered, sold, pledged or otherwise transferred directly or indirectly within the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act and in compliance with applicable state securities laws of any state or other jurisdiction of the United States.

This Prospectus is not to be considered as legal, business or tax advice. Each investor should consult its own advisors as to legal, business, financial or tax aspect of this Prospectus and the Bonds, and any investors in any doubt about the content of this Prospectus should consult their stockbroker, bank manager, lawyer, accountant or other professional adviser.

Investing in the Bonds involves certain inherent risks. Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- **have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by**

reference in this Prospectus or any applicable supplement;

- **have access, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;**
- **have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;**
- **understand thoroughly the terms of the Bonds; and**
- **be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.**

For an overview of relevant risk factors for the Bonds, please see section 0 "Risk Factors" of this Prospectus.

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1. RISK FACTORS

1.1 General

An investment in the Bonds involves inherent risks. Before making a decision to invest in the Bonds, investors should carefully consider the risk factors and all information contained in this Prospectus, including the financial statements and related notes. An investment in the Bonds is only suitable for investors who understand the risks associated with this type of investment and who can afford a loss of all or part of their investment. The risks and uncertainties described in this Section 1 "Risk Factors" are the material known risks and uncertainties faced by the Group as of the date hereof that the Issuer believes are the material risks associated with this type of investment.

The risk factors included in this Section 1 "Risk factors" are presented in a limited number of categories, where each risk factor is sought placed in the most appropriate category based on the nature of the risk it represents. Within each category the risk factors deemed most material for the Group, taking into account their potential negative affect for the Issuer and its subsidiaries, including the Guarantors, and the probability of their occurrence, are set out first. This does not mean that the remaining risk factors are ranked in order of their materiality or comprehensibility, nor based on a probability of their occurrence. The absence of negative past experience associated with a given risk factor does not mean that the risks and uncertainties in that risk factor are not genuine and potential threats, and they should therefore be considered prior to making an investment decision. If any of the following risks were to materialize, either individually, cumulatively or together with other circumstances, it could have a material adverse effect on the Group and/or its business, results of operations, cash flows, financial condition and/or prospects, which may cause a decline in the value and trading price of the Bonds, resulting in loss of all or part of an investment in the Bonds.

1.2 Risk factors relating to the Group and the industry in which it operates

Changes in the publication paper industry has resulted in periods of substantial overcapacity and intense competition among paper manufacturers

Demand for the Group's products is influenced by global economic factors and trends, demographic trends, circulation levels of newspapers and magazines, technological developments, trends in end-user preferences and inventory levels maintained by the Group's customers. The increased digitalisation the last decades has fundamentally changed the market for the Group's products. As a result, there has been a decline in demand in certain markets for publication paper, especially newsprint. The decline is structural and the Issuer expects this trend to persist. Newspaper and magazine publishers have developed electronic platforms and channels as supplements to their printed versions and significant advertising volumes have moved from printed to electronic media. This trend is expected to continue, and it may in the future force newspaper and magazine publishers to replace their printed media with electronic platforms. Any decline in demand and corresponding excess capacity could materially and adversely affect the Group's business, results of operations, cash flows, financial condition and prospects.

The demand for the Group's products is affected by cyclical factors

A significant part of the demand for the Group's products, whether from newsprint publishers, printers, direct mail campaigns, magazine publishers or other ultimate end-users of paper, is generated directly or indirectly by advertising. In times of economic downturn, advertising and promotional expenditures are generally reduced and the demand for the Group's products decline, which may negatively affect the Group's business, results of operations, cash flows, financial condition and prospects.

Prices for the Group's products may fluctuate significantly

Due to the markets for publication paper products being cyclical, the Group has historically experienced significant price volatility. As the Group's products are generic and there are few distinguishing qualities from producer to producer, price competition for the Group's products is strong, with price determined by levels of supply and demand. Like other paper companies, the Group has limited influence over the timing and extent of price changes for its products, which are influenced by many factors outside the Group's control and can often be volatile. The Group’s business is working capital intensive, with earnings generated from margins being low relative to revenues. The Group is therefore sensitive to price fluctuations, also considering that the Group relative to its competitors have a high share of its revenues generated from publication paper production. Any significant downturn in the price levels for the Group's products, would have a material adverse effect on the Group's business, results of operations, cash flows, financial condition and prospects.

The markets in which the Group operates are highly competitive

The Group faces significant competition with respect to quality and price of its products as well as with respect to production costs. If the Group is unable to compete efficiently, it may be unable to maintain and/or increase its market shares and/or margins. Some competitors have advantages, such as vertical integration, product diversity, greater financial resources or economies of scale, which may adversely affect the Group's ability to compete on sustainable terms. Furthermore, the Group has a larger exposure to the paper market than certain of its competitors. An inability to remain competitive could have a material adverse effect on the Group's business, results of operations, cash flows, financial condition and prospects.

The Group's operations is dependent upon energy supply and exposed to changes in energy prices

The Group is unconditionally dependent on energy in its production. In case of loss of its energy contracts or serious disruptions to its electricity supply, and if other energy supply cannot be obtained in a timely and cost-effective manner, the Group might be unable to produce sufficient products to fulfil customer contracts, which would reduce cash flow and could impact customer relationships, which in result could have an adverse impact on the Group's trading and financial position. Further, energy costs comprise 20–25% of the Group's total costs and is the single biggest cost for the Group's paper mills, meaning that the Group's results of operations rely on the value of its energy contracts. In the event that the amount of required energy for the Group's production is less than contracted for, the Group may, under some contracts, resell the excess energy in the market. However, the market price of energy is volatile and fluctuations in the value of the energy contracts may have a material adverse effect on the Group's business, results of operations and financial condition. In certain cases, the Group may have contracted long-term energy prices which later turn out to be higher than prevailing market prices. In other cases, the Group has contracted low energy prices compared to prevailing market rates. If the Group is unable to renew its energy contracts or is unable to renew them at a satisfactory rate, it may have an adverse effect on the Group's business, results of operations, cash flows, financial condition and prospects.

The Group is dependent on raw materials, and prices for such materials are volatile

The Group's operations utilizes several raw materials, in particular energy, wood and recovered paper, and may from time to time be subject to unpredictable supplies of its raw materials, and no assurance can be given that the Group would be able to source alternative supplies of raw materials in a timely or cost-effective manner or at all. Any significant delay or loss of suppliers may have a material adverse effect on the Group's business, results of operations, cash flows, financial condition and prospects.

Further, the prices for the Group's raw materials are volatile and have increased in the last decade. There can be no assurances that the Group will be able to obtain its raw materials at prices that will enable the Group to sell products profitably, or at all. As the price for the Group's products is determined primarily by the market balance (demand to supply), the

Group may be unable to pass on to its customers any increases in the cost of its raw materials. Any sustained increase in the cost of raw materials would reduce the Group's gross profit margins, which would have a material adverse effect on the Group's business, results of operations, cash flows, financial condition and prospects.

The Group is exposed to exchange rate fluctuations

As a consequence of its international operations, including Norway, Austria, France, Australia and New Zealand, the Group is exposed to exchange rate fluctuations, such as when operating revenues and operating costs are denominated in different currencies (for example, the majority of the operating revenues from sales of publication paper from the Group's Norwegian operations are denominated in EUR, GBP and USD, while a significant portion of the operating costs for such operations are denominated in NOK) or that the Group's consolidated financial statements are presented in NOK, but only a part of the Group's revenues, costs and liability are denominated in NOK. The Group may enter into hedging agreements, but there can be no assurance that such arrangements will fully, or at all, protect the Group from exchange rate risk (in particular in the long term) or that the Group is able to enter into such hedging arrangements on commercially reasonable terms. Exchange rate fluctuations could have a significant adverse effect on the Group's results of operations, cash flows, financial conditions and prospects.

The Group is dependent upon a limited number of customers and has many short term contracts with both customers and suppliers

The Group has mostly short-term contracts with both customers and suppliers. Although the renewal rate of these contracts are high, there is a risk that contracts are not renewed, are terminated or renewed on less favourable terms. Furthermore, the Group derives most of its Australasia revenues from a limited number of customers, making it vulnerable to loss of any of these customers. If any customer or supplier contracts are not renewed, is terminated or renewed on less favourable terms or the Group is not able to attract new customers or suppliers to compensate for any loss of the Australasian customers, this may have a material adverse effect on the Group's business, results of operations, cash flows, financial condition and prospects.

The bankruptcies of Norske Skogindustrier ASA and certain of its subsidiaries may have negatively affected the Group's reputation, and consequential actions may be taken against members of the Group's Management or Board of Directors

In December 2017, the Issuer's former parent company, Norske Skogindustrier ASA, and certain of its subsidiaries, including Norske Treindustrier AS and Norske Skog Holding AS, filed for bankruptcy after failing to reach agreements with their creditors. Following the bankruptcy, NS Norway Holding AS, a wholly owned subsidiary of Oceanwood Special Situations Malta Limited ("**Oceanwood**"), entered into a sale and purchase agreement for 100 % of the shares in the Issuer and an asset purchase agreement with the bankruptcy estates of the bankrupt companies as sellers, see Section 4.1 ("Introduction to the Group) and 4.2 ("History and important events") for a further description of the bankruptcy. As part of the asset purchase agreement, the bankrupt's estate, as sellers, agreed to refrain from bringing any claim or institute any legal proceedings in respect of or declare any set-off against the Group with respect to any and all liabilities, claims, undertakings, obligations, whether present or future, contingent or actual, known or unknown, owed by any company in the Group to any of the sellers, provided however that such liabilities, claims, undertakings or obligations are not arising as a result of a criminal offence which may be subject to criminal liability in accordance with applicable national legislation.

As a consequence of the bankruptcies of Norske Skogindustrier ASA, and certain of its subsidiaries, including Norske Treindustrier AS and Norske Skog Holding AS, the Group's reputation may have been negatively affected, in particular in relation to its creditors (i.e. financial institutions, banks, bondholders, etc.) and business relations, which may result in the Group being unable to enter into favourable agreements related to its financing and indebtedness, or with its business relations.

Further, certain of the current members of the Group's Management and the Issuer's Board of Directors have been directors or officers in the bankrupted companies, and there is a risk that consequential actions in relation to the bankruptcies may be taken against such persons. Such actions have recently been brought forward against Jon-Aksel Torgersen and Sven Ombudstvedt in their capacity as chairman of the board and CEO of Norske Skogindustrier ASA, respectively, by way of complaints made to the Conciliation Board. The basis for the claim is that, according to the plaintiffs, Mr Torgersen as the chairman should not have supported and contributed to approve, and that Mr Ombudstvedt as the CEO should not have supported, one of several refinancing solutions that were being reviewed and discussed in 2016, involving a loan and certain other measures to refinance the debts of Norske Skogindustrier ASA, which, according to the plaintiffs, contributed to an unsustainable level of debt in Norske Skogindustrier ASA and eventually resulted in its bankruptcy. The Group is not party to these actions and does not consider them to have any significant effects on the Issuer and/or the Group but any such actions could result in loss of reputation for the Group, or resignation of key personnel.

Should any of these risks materialise, it may have a material adverse effect on the Group's business, results of operations, cash flows, financial condition and prospects.

The Group's manufacturing operations are subject to operational risks

The Group is heavily reliant on complex machinery for its operations and production of paper involves a significant degree of uncertainty and risk for the Group, both in terms of operational performance and costs. The Group’s paper mills consist of large scale machinery combining many components which are intended to run complex production processes on large volumes of raw materials with very low tolerance for output deviations, and with the exception of scheduled maintenance stops and certain market driven production stops, the paper mills are intended to run 24 hours a day throughout the year. The paper mills’ components suffer unexpected malfunctions from time to time, and are dependent on repairs and spare parts to resume operations, which may not be available in the short term. Unexpected malfunctions of the paper mills’ components may significantly affect the intended operational efficiency of the paper mills. Operational performance and costs can be difficult to predict and is often influenced by factors outside of the Group's control, such as scarcity of natural resources, environmental hazards and remediation, costs associated with decommissioning of machines, or mills that the Group temporarily idle or permanently close, labour disputes and strikes, difficulty or delays in obtaining governmental permits, damages or defects in electronic systems, industrial accidents, fire, and seismic activity and natural disasters. Should any of these risks materialise, it may result in the death of, or personal injury to, mill workers, the loss of production equipment, damage to production facilities, the closure of mills, monetary losses, delays and unanticipated fluctuations in production, environmental damage, administrative fines, increased insurance costs and potential legal liabilities, all which could have a material adverse effect on the Group's business, results of operations, cash flows, financial condition or prospects.

The Group is dependent on third parties for certain transportation services

The Group's products and raw materials are transported in heavy and large quantities, often over long distances. The Group's logistics are complex and include a mix of transportation methods, such as by ships, railroad and trucks. Furthermore, the logistics involve large quantities of voluminous and heavy paper products and raw materials, such as paper rolls, timber and additives necessary for the production process. The Group relies primarily on third parties for transportation of its products to customers and transportation of raw material to the Group. The sales contracts of the Group usually include firm obligations on both volumes and the time and place of delivery. If any third-party transportation provider fails to deliver products or raw material in a timely manner it could negatively impact the Group's reputation, customer relationships or delay production, which in result could have a material adverse effect on the Group's business, results of operations, cash flows, financial condition or prospects.

Changes in the political or economic conditions in the countries in which the Group operates may significantly impact demand, costs and prices for the Group's products

The Group manufactures products in Norway, France, Austria, New Zealand and Australia, and sells its products throughout the world. The economic and political climate of each country may have a significant impact on the Group's demand, costs and prices for its products. In recent years, political and economic conditions have affected the Group and the industry in which it operates. Examples on such conditions include restrictions on import and use of recovered paper, which is an essential raw material for several of the Group's mills, possible ban of distribution of unsolicited printed advertisements, which is an important utilization of the Group's products and in particular have been on the political agenda in France, CO2-compensation in certain European countries which constitute an important cost base factor in such jurisdictions (see also Section 8 "Recent Developments and Trends") and freight support arrangements in Australia. An example of political conditions affecting the Group is the decision by the Norwegian Environment Agency on 19 December 2013 to reduce the CO2-compensation granted to Norske Skog Saugbrugs AS, the operating company for the Group's Saugbrugs paper mill in Norway, for the years 2013 to 2020. The Ministry of Climate and Environment later amended the decision for the years 2018, 2019 and 2020 giving Norske Skog Saugbrugs AS full compensation in accordance with the regulation of CO2-compensation of 26 September 2013. See Section 8 "Recent Developments and Trends" for more information on the Ministry of Climate and Environment's decision. Furthermore, developments related to the United Kingdom's potential withdrawal from the European Union ("**Brexit**") is uncertain, and may affect the Group's exports to the United Kingdom. The Group has historically exported a significant yearly volume to the United Kingdom. If Brexit negatively impacts the logistics into the United Kingdom, or leads to increase of customs, VAT, other taxes and duties or otherwise increased costs, this may negatively affect the Group's business in the United Kingdom. Any changes in political or economic conditions in the countries in which the Group operates, could adversely affect the Group's business, results of operations, cash flows, financial condition or prospects.

1.3 Risks related to laws, regulations and litigations

The Group is subject to a wide variety of environmental laws and regulations

The Group operates in an industry that is subject to extensive environmental laws and regulations, which has become more stringent over time. The Group's operations require the Group to obtain and comply with the terms and conditions of multiple environmental permits. Many of these permits are difficult and costly to obtain and could be subject to legal challenges, in particular related to air and water quality. Each of the Group's mills are regularly assessed on an individual basis by authorities in the relevant jurisdiction, and permits given by the authorities may include requirements for the mills, the compliance of which can involve significant costs if they pertain to additional installations or renewal of existing equipment and machinery. Failure to comply with applicable environmental laws, regulations, permits and requirements may result in civil or criminal fines, penalties or enforcement actions. Changes in environmental laws and regulations occur on a regular basis in various jurisdictions, and changes in jurisdictions where the Group operates may have an impact on the Group which is materially different than to its competitors who operate in other jurisdictions, considering that the Group is the sole producer of publication paper in three of the five countries in which the Group operates (Norway, Australia and New Zealand). Thus, if changes occur in these jurisdictions the impact on the Group will be materially different than to its peers and competitors. The adoption of increasingly strict environmental laws, regulations and enforcement policies, particularly related to air and water quality, noise and climate change issues, such as reporting of greenhouse gas emissions, has in the past resulted in, and could in the future result in substantially increased compliance costs and liabilities. Increased operational requirements could reduce the Group's profit margins and earnings and could have a material adverse impact on the Group's business, results of operations, cash flows, financial condition and prospects.

1.4 Risks related to financing and market risk

The Group's existing or future debt arrangements could limit the Group's liquidity and flexibility in obtaining additional financing, in pursuing other business opportunities or corporate activities

The Group's main financing arrangements are (i) the Bonds, (ii) a EUR 31 million revolving credit facility (the "**RCF**") (of which no amount had been drawn as at 30 June 2019), (iii) EUR 40 million in factoring financing facilities (of which the equivalent of NOK 239.1 million was drawn as at 30 June 2019), and (iv) the equivalent of NOK 259.0 million in various smaller credit facilities. However, the Group may incur additional indebtedness in the future. This level of debt could have important consequences to the Group, including the following:

- The Group's ability to obtain additional financing for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may be unavailable on favourable terms;
- The Group's costs of borrowing could increase as it becomes more leveraged;
- The Group may need to use a substantial portion of its cash from operations to make principal and interest payments on its debt, reducing the funds that would otherwise be available for operations, future business opportunities and dividends to its shareholders;
- The Group's debt level could make it more vulnerable than its competitors with less debt to competitive pressure, a downturn in its business or the economy generally; and
- The Group's debt level may limit its flexibility in responding to changing business and economic conditions.

The Group's ability to service its future debt will depend upon, among other things, its future financial and operating performance, which will be affected by prevailing economic conditions as well as financial, business, regulatory and other factors, some of which are beyond its control. If the Group’s operating income is not sufficient to service its current or future indebtedness, the Group will be forced to take action such as reducing or delaying its business activities, acquisitions, investments or capital expenditures, restructuring or refinancing its debt or seeking additional equity capital. The Group may not be able to affect any of these remedies on satisfactory terms, or at all.

Restrictive covenants of the Bonds may lead to inability to finance operations, capital needs and to pursue business opportunities

The terms of the Bonds restricts the Issuer’s and the Group's ability to (i) make certain payments, (ii) merge, de-merge and dispose of assets, (iii) grant security over its assets, (iv) grant financial support, and (v) incur financial indebtedness. Even though these limitations are subject to carve-outs and limitations, some of the covenants could limit the Group's ability to finance future operations and capital needs and its ability to pursue activities that may be in the Issuer's and/or the Group's interest. The Group may be subject to affirmative, negative and other covenants contained in other agreements for financial indebtedness. A breach of any such covenants, ratios, tests or restrictions could result in an event of default. This could have a material adverse effect on the Group and its ability to carry on its business and operations and, in turn, the Issuer's ability to pay all or part of the interest or principal on the Bonds.

Interest rate fluctuations could affect the Group's cash flow and financial condition

The Group has incurred, and may in the future incur, significant amounts of debt. The Group is exposed to interest rate risk primarily in relation to its long-term borrowings issued at floating interest rates. If the Group were to hedge some or all of its interest rate exposure, there can be no assurance that such hedging arrangements will be effective. As such, movements in interest rates could materially and adversely affect the Group's business, results of operations, cash flows, financial condition and prospects.

Fluctuations in exchange rates could affect the Group's cash flow and financial condition

The Group operates in Norway, Austria, France, Australia and New Zealand and has historically had certain revenues and expenses in different currencies, which leads to sensitivity to exchange rates. Any fluctuations in exchange rates between NOK, EUR, GBP, USD, AUD and NZD could materially and adversely affect the Group's business, results of operations, cash flows, financial condition and/or prospects. For example, certain of the large sales contracts are entered into in a currency of which the Group does not have any considerable expenses. The Group may not have any financial hedging positions in place to limit the exposure to exchange rate fluctuations, and any financial hedging positions entered into may not adequately protect the Group against losses from such fluctuations.

1.5 Risks related to the Bonds

The Issuer is a holding company

The Issuer is a holding company without any operations and conducts its business through subsidiaries. Thus, the Issuer does not generate any cash and is dependent on cash generation and distribution from subsidiaries in order to meet its payment obligations under the Bonds. Contractual provisions, laws and the financial condition or operating requirements of the Issuer's subsidiaries may limit the Issuer's ability to obtain cash from its subsidiaries. Any inability to transfer cash from the Issuer's subsidiaries may mean that the Issuer is unable to meet its payment obligations under the Bond Terms, even though the Group may have sufficient cash resources on a consolidated basis to meet its obligations. This may negatively impact the Issuer's ability to perform its obligations under the Bonds.

Value of the security package

In case of a default by the Issuer under the Bonds, the bondholders will only be secured to the extent of the value of their collateral and the underlying security assets. All security is established on a first priority basis, subject to applicable law. Please see Section 3.3 ("Main terms of the Bonds") for a description of the status of the Bonds and the security assets granted as security for the Bonds. Further, the intercreditor agreement dated 24 June 2019 entered into between, among others, the Issuer and Nordic Trustee AS as security agent (the "**Intercreditor Agreement**") contains certain provisions regulating instruction rights over the security agent, including instructions as to enforcement. Upon certain conditions being met, such instruction right may be held entirely by a defined majority of such super senior creditors (whose claims will rank senior to the Bonds with respect to enforcement proceeds). Such super senior creditors may have conflicting interests with the bondholders in a default and enforcement scenario, including an incentive to take enforcement steps which may be detrimental to the value of the Bonds and recovery for the bondholders. As a consequence, and although the Bonds are secured obligations of the Issuer, there can be no assurance that the value of the security will be sufficient to cover all the outstanding amounts under the Bonds together with accrued interest and expenses in case of a default and/or if the Issuer enters into liquidation.

The guarantees and security interests may be subject to certain limitations

The guarantees and the security provided for the payment of the Bonds contain general limitation language to the effect that each guarantee and each security interest granted as well as any other obligation, liability or indemnification thereunder shall be limited, if and to the extent required by applicable law. Enforcement of any of the guarantees or the security interests against any guarantor and any grantor of security is also be subject to certain defences available to guarantors and grantors of security interests generally, more specifically:

(i) under Norwegian law, a Norwegian private limited liability company is for all practical purposes, prohibited from providing financial assistance (including placing funds at disposal, granting loans, or providing security or guarantees) in connection with the acquisition of its shares or in connection with the acquisition of shares in a parent company (including any intermediate parent company). As a consequence thereof, the value of guarantees and any security provided by a Norwegian subsidiary of the Issuer may be reduced to zero to the extent it secures obligations relating to the acquisition of shares in itself or its parent company. In addition, guarantees or security interest infringing the limitations will be void, and any funds paid out will have to be repaid;

(ii) under French law, any obligations of a guarantor must be in the interest of the Issuer itself and not in the personal interest of any of its officers (directly or indirectly). A company must also not participate in the acquisition or the subscription of shares in itself or in its holding company whether by way of the granting of a guarantee, a loan or a security. Furthermore, upstream and cross-stream guarantees must be in the interest of the Issuer. Corporate benefit is a question of fact but market practice is that the obligations and liabilities of a French guarantor shall be limited, at any time, to an amount equal to the amount which is directly or indirectly on-lent to such French guarantor under intercompany loan agreements and outstanding at the date a payment is to be made by such French guarantor. As a result, if no amounts is on-lent (directly or indirectly) to the French guarantor, the value of its guarantee will be zero; and

(iii) under Austrian law, (direct and indirect) shareholders of Austrian companies with limited liability are not entitled to demand any payments from such companies other than, most importantly, declared dividends. These rules also encompass any guarantee (or other collateral) granted by an Austrian limited liability company in order to guarantee liabilities of a (direct or indirect) shareholder. Such guarantee (or other collateral) is considered as a disbursement for purposes of Austrian capital maintenance rules and thus, would be invalid and unenforceable unless the granting of such guarantee (or other collateral) was at arm’s length terms (drittvergleichsfähig) or commercially justified (betrieblichgerechtfertigt). The granting of a guarantee (or other collateral) which bears the risk that the guarantor becomes insolvent (existenzbedrohendesRisiko) is never considered commercially justified. In practice, the most relevant situation in which an up-stream guarantee (or other collateral) granted by an Austrian guarantor should not constitute a breach of the Austrian capital maintenance rules is, where proceeds made available under the financial arrangement to be secured are on-lent to that Austrian guarantor. Up to the amount on-lent, payments made under an up-stream guarantee (or other collateral) are regarded as being permissible under the Austrian capital maintenance rules.

Due to the limitations described above, there is a risk of the value of such guarantees and security provided by any Group Company being reduced to zero.

The Bonds are structurally subordinated to liabilities of the Issuer's subsidiaries

The Bonds are subject to credit risk relating to the Group's ability to meet its payment obligations, which in turn is largely dependent upon the performance of the Group's operations and its financial position. Certain subsidiaries have substantial debt today (and may incur substantial debt in the future), e.g. in relation to finance leases, factoring facilities, project debt related to the Saubrugs and Golbey biogas production facilities and the contemplated investment in the Bruck incinerator.

Generally, creditors under indebtedness and trade creditors of the Issuer's subsidiaries will be entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to the Issuer, as a direct or indirect shareholder. Accordingly, in an enforcement scenario, creditors of the Issuer's subsidiaries will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiaries before the Issuer, as a direct or indirect shareholder, will be entitled to receive any distributions.

2. RESPONSIBILITY FOR THE PROSPECTUS

The board of directors of the Issuer accepts responsibility for the information contained in this Prospectus. The board of directors of the Issuer confirms, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of our knowledge, in accordance with the facts and contains no omissions likely to affect its import.

26 November 2019

Norske Skog ASA

____________________________ Jen-Yue (John) Chiang Chairman	____________________________ Arvid Grundekjøn Director
____________________________ Anneli Finsrud Nesteng Director	____________________________ Trine-Marie Hagen Director
____________________________ Idunn Gangaune Finnanger Director	____________________________ Svein Erik Veie Director
____________________________ Paul Kristiansen Director	

3. DESCRIPTION OF THE BONDS

3.1 Use of proceeds

The Issuer used the net proceeds from the Bond Issue (net of fees and legal costs of the Manager and the Bond Trustee) as follows:

(i) approximately EUR 105 million to repay the Norwegian Securitisation Facility ("**NSF**") held by Oceanwood, shareholder loans provided by NS Norway Holding AS and a factoring facility provided by Scottish Pacific (BFS) Pty Ltd; and

(ii) EUR 20 million for general corporate purposes of the Group.

3.2 Expenses related to the admission to trading

The Issuer's expenses related to the listing of the Bonds on Oslo Børs is approximately NOK 400,000.

3.3 Main terms of the Bonds

The summary below describes the principal terms of the Bonds. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Bond Terms attached to this Prospectus (as Appendix A) contains the complete terms and conditions of the Bonds.

ISIN:	NO0010856123.
The reference name of the Bond Issue:	Norske Skog AS 19/22 FRN C.
Issuer:	Norske Skog ASA.
Securities type:	Senior secured floating rate bonds.
Currency of the Bonds:	EUR.
Issue size:	EUR 125,000,000.
Nominal value:	The nominal value of each Bond is EUR 100,000.
Securities form:	The Bonds are electronically registered in book-entry form with Verdipapirsentralen ASA (VPS), Fred. Olsens gate 1, 0152 Oslo, Norway.
Issue Date:	14 June 2019.
Bond Trustee:	Nordic Trustee AS, org.nr. 963 342 624, Kronprinsesse Märthas plass 1, 0160 Oslo.
Interest bearing from and including:	Issue Date.
Interest bearing to:	Maturity Date.
Maturity Date:	14 June 2022.
Repayment procedure	The Bonds will mature in full on the Maturity Date and shall be redeemed by the Issuer on the Maturity Date at a price equal to 100% of the nominal value.
Interest Payment Dates:	Payment date quarterly each year starting on 14 September 2019 and ending on the Maturity Date.

Issue Price:	100% of the nominal value.
Interest Rate:	Reference Rate + 6.00 % per annum, where the Reference Rate shall mean: EURIBOR (European Interbank Offered Rate) 3 Months; (a) the interest rate displayed on Reuters screen EURIBOR01 (or through another system or website replacing it) as of or around 11.00 a.m. (Brussels time) on the Interest Quotation Day for the offering of deposits in Euro and for a period comparable to the relevant Interest Period; or, (b) if no screen rate is available for the relevant Interest Period: (i) the linear interpolation between the two closest relevant interest periods, and with the same number of decimals, quoted under paragraph (a) above; or (ii) a rate for deposits in the Bond currency for the relevant Interest Period as supplied to the Bond Trustee at its request quoted by a sufficient number of commercial banks reasonably selected by the Bond Trustee; or (c) if the interest rate under paragraph (a) is no longer available, the interest rate will be set by the Bond Trustee in consultation with the Issuer to: (i) any relevant replacement reference rate generally accepted in the market; or (ii) such interest rate that best reflects the interest rate for deposits in the Bond currency offered for the relevant Interest Period. In each case, if any such rate is below zero, the Reference Rate will be deemed to be zero. The current and historical level of EURIBOR 3 Month can be found at the following web page: https://www.euribor-rates.eu/euribor-rate-3-months.asp The Interest Rate as of the date of the Prospectus is 6.00 % p.a.
Day count fraction:	Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis). The Interest Rate will be reset at each Interest Quotation Day by the Bond Trustee, who will notify the Issuer and the Paying Agent and, if the Bonds are listed, the Exchange, of the new Interest Rate and the actual number of calendar days for the next Interest Period.
Business Day Convention:	If the last day of any Interest Period originally falls on a day that is not a Business Day, the Interest Period will be extended to include the first following Business Day

	unless that day falls in the next calendar month, in which case the Interest Period will be shortened to the first preceding Business Day (*Modified Following*).
Calculation Agent:	The Bond Trustee.
Business Day:	Any day on which both the VPS settlement system is open, and which is a TARGET Day.
TARGET Day:	Any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer payment system is open for the settlement of payments in euro.
Payment mechanics:	Interest and principal due for payment is credited the bank account nominated by each Bondholder in connection with its securities account in VPS.
Ranking of the Bonds:	The Bonds will constitute senior debt obligations of the Issuer. The Bonds will rank *pari passu* with each other and at least *pari passu* with all other obligations of the Issuer (save for such claims which are preferred by bankruptcy, insolvency, liquidation or other similar laws of general application). The Bonds will be secured on a *pari passu* basis with the other Secured Parties in respect of the Security, subject to the super senior status of (i) the RCF, (ii) any guarantee facility provided to the Issuer by a financial institution (the "**Issuing Bank**") under which the Issuing Bank provides a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument in respect of an underlying liability in the ordinary course of business of a Group Company (the "**Guarantee Facility**") and (iii) the obligations of any Group Company under a derivative transaction entered into with one or more hedge counterparties (the "**Permitted Hedging**"). The creditors under the RCF, the Issuing Bank and the Hedge Counterparties will receive (i) the proceeds from any enforcement of the Security and the Guarantees and certain distressed disposals and (ii) any payments following any other enforcement event prior to the holders of the Bonds (but otherwise rank *pari passu* in right of payment with the Bonds) in accordance with the waterfall provisions of the Intercreditor Agreement.
Security Interests:	(i) The obligations of the Issuer under the Bonds are secured by: (ii) (i) an assignment over any loan granted or to be granted to the Issuer by its shareholders; (iii) the Guarantees; (iv) a pledge over all shares owned by any Group Company in each of the Guarantors; (v) an assignment over any Intercompany Loans, or if recommendable under relevant laws, a pledge of receivables covering Intercompany Loans;

(vi) mortgages over the real property of the Skogn mill and the Saugbrugs mill (except for the Saugbrugs Development Properties) owned by Norske Skog Skogn AS and Norske Skog Saugbrugs AS, respectively;

(vii) a pledge over machinery and plant (*Norwegian: Driftstilbehørspant)* of each of Norske Skog Skogn AS and Norske Skog Saugbrugs AS;

(viii) a security interest by operation of law in any insurance taken out in respect of the property of each of the mills owned by Group Companies incorporated in Norway (except for the Saugbrugs Development Properties);

(ix) a general security deed (floating charge) granted by Norske Skog Tasman Limited over all its personal property with carve out rights in a security deposit that Norske Skog Tasman Limited has placed with the electricity regulator;

(x) a general security deed (floating charge) over the assets owned by Norske Skog (Australasia) Pty Limited, Norske Skog Industries Australia Limited, Norske Skog Paper Mills (Australia) Limited and Norske Skog Paper Mills (Albury) Pty Limited;

(xi) mortgages over the land and plant at the Albury mill granted by Norske Skog Paper Mills (Albury) Pty. Limited;

(xii) mortgages over the land and plant at the Boyer mill granted by Norske Skog Paper Mills (Australia) Limited; and

(xiii) registered mortgage over land at the Tasman mill that is not currently subject to caveats granted by Norske Skog Tasman Limited.

The secured amount for the Bonds in relation to the pledges described in (v) above is with respect to each of Norske Skog Skogn AS and Norske Skog Saugbrugs AS limited to EUR 180,000,000 and these assets are encumbered with second ranking security in favour of Statkraft Energi AS as security for obligations under the Group's energy contracts.

Guarantee: Each Guarantor has granted an unconditional and irrevocable corporate guarantee (*Norwegian: "selvskyldnerkausjon*") to Nordic Trustee AS as security agent for due and punctual performance of the Secured Obligations (as defined in the Intercreditor Agreement) (each a "**Guarantee**"). For any Guarantee provided by a Guarantor incorporated in Austria, the Guarantee shall constitute an abstract guarantee (*Austrian: "abstrakte Garantien"*).

"Secured Obligations" as defined in the Intercreditor Agreement: all the Liabilities and all other present and

future liabilities and obligations at any time due, owing or incurred by any member of the Group and by each Debtor to any Secured Party under the Debt Documents, both actual and contingent and whether incurred solely or jointly and as principal or surety or in any other capacity.

The Guarantees are governed by a Norwegian law guarantee agreement entered into between the Issuer, each of the Guarantors and Nordic Trustee AS as security agent. Pursuant to the Guarantee each of the Guarantors irrevocably and unconditionally jointly and severally:

a) guarantees to each Secured Party the due and punctual performance of all the Secured Obligations (including, for the avoidance of doubt, any interest and default interest accrued thereon at any time) by any member of the Group and by each Debtor to any Secured Party under the Debt Documents;

b) undertakes with each Secured Party that whenever any member of the Group or any Debtor does not pay to any Secured Party any amount when due under or in connection with any Debt Documents (or anything which would have been due if the Debt Document or the amount was enforceable, valid and not illegal), that Guarantor shall immediately on demand pay that amount as if it was the principal obligor (Norwegian: selvskyldnergarantist); and

c) agrees with each Secured Party that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify that Secured Party immediately on demand against any cost, loss or liability it incurs as a result of any member of the Group or any Debtor not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it to any Secured Party under any Debt Documents on the date when it would have been due. The amount payable by a Guarantor under this indemnity will not exceed the amount it would have had to pay under this Agreement if the amount claimed had been recoverable on the basis of a guarantee.

The maximum guarantee liability of each of the Guarantors pursuant to the Guarantee shall always be limited to EUR 374,400,000, plus the amount of any interest, commission, default interest, fees, costs and expenses accrued in respect thereof, however subject to specific limitations in accordance with applicable local law for relevant Guarantors.

Guarantors: Each Material Group Company and each of:

	(i) Nornews A/S; (ii) Norske Skog (Australasia) Pty Limited; (iii) Norske Skog Bruck GmbH; (iv) Norske Skog Skogn AS; (v) Norske Skog Saugbrugs AS; (vi) Norske Skog Golbey SAS; (vii)Norske Skog Industries Australia Limited; (viii) Norske Skog Tasman Limited.; (ix)Norske Skog Paper Mills (Australia) Limited; and (x) Norske Skog Paper Mills (Albury) Pty Limited.
Material Group Company:	The Issuer, any Guarantor and any Group Company who is nominated as such by the Issuer in accordance with clause 13.14 "Designation of Material Group Companies" of the Bond Terms.
Intercompany Loans:	Any loan or credit made by any Group Company to any Obligor where (a) the loan or credit is scheduled to be outstanding for at least 12 months and (b) the principal amount thereof is at least EUR 2,000,000 (or the equivalent amount in another currency) and which pursuant to the Intercreditor Agreement shall be fully subordinated to the claims under the Finance Documents, provided that no Financial Indebtedness under any cash pooling arrangement shall constitute an Intercompany Loan.
Obligor:	The Issuer and any Guarantors.
Saugbrugs Development Properties:	The real estate properties owned by Norske Skog Saugbrugs AS that are part of the plot that will be used as contribution in kind to the Issuer's joint venture Porsnes Utvikling AS.
Change of control:	"Change of Control Event" means if any person or group of persons under the same Decisive Influence in aggregate, other than any person or group under Decisive Influence by Oceanwood Capital Management Ltd., becomes the owner, directly or indirectly, of 50.00% or more of the outstanding shares and/or voting capital of the Issuer.
Make Whole Amount:	An amount equal to the sum of: (a) the present value on the Call Option Repayment Date of the First Call Price of the redeemed Bonds as if such payment originally had taken place on the First Call Date; and (b) the present value on the Call Option Repayment Date of the remaining interest payments of the redeemed Bonds, less any accrued and unpaid interest on the

redeemed Bonds as at the Call Option Repayment Date, to the First Call Date,

where the present value shall be calculated by using a discount rate of 0.50% and the Interest Rate for the remaining interest periods until the First Call Date shall be the applicable Interest Rate on the Call Option Repayment Date.

Call Option:	The Issuer may redeem all but not only some of the Outstanding Bonds on any Business Day from and including: (i) the Issue Date to, but not including, the First Call Date at a price equal to the Make Whole Amount; (ii) the First Call Date to, but not including, the interest payment in June 2021 at the First Call Price for each redeemed Bond; (iii) Interest Payment Date in June 2021 to, but not including, the Interest Payment Date in December 2021 at a price equal to 101.80%. of the Nominal Amount of reach redeemed Bond; and (iii) Interest payment date in December 2021 to, but not including, the Maturity Date at a price equal to 100.60% of the Nominal Amount for each redeemed Bond. Any redemption of Bonds pursuant to the above shall be determined based upon the redemption prices applicable on the Call Option Repayment Date. The Call Option may be exercised by the Issuer by written notice to the Bond Trustee and the Bondholders at least 10 Business Days prior to the proposed Call Option Repayment Date. Such notice sent by the Issuer is irrevocable and shall specify the Call Option Repayment Date. Unless the Make Whole Amount is set out in the written notice where the Issuer exercises the Call Option, the Issuer shall calculate the Make Whole Amount and provide such calculation by written notice to the Bond Trustee as soon as possible and at the latest within 3 Business Days from the date of the notice.
Put Option:	Upon the occurrence of a Change of Control Event, each Bondholder will have the right to require that the Issuer purchases all or some of the Bonds held by that the Bondholder at a price equal to 101% of the Nominal Amount. The Put Option must be exercised within 30 calendar days after the Issuer has given notice to the Bond Trustee and the Bondholders that a Change of Control Event has occurred. Once notified, the Bondholders' right to exercise the Put Option is irrevocable and will not be affected by any subsequent events related to the Issuer. Each Bondholder may exercise its Put Option by written notice to its account manager for the CSD, who will notify

	the Paying Agent of the exercise of the Put Option. The Put Option Repayment Date will be the 5th Business Day after the end of the 30 calendar days exercise period referred to in paragraph (b) above. However, the settlement of the Put Option will be based on each Bondholders holding of Bonds at the Put Option Repayment Date. If Bonds representing more than 90% of the Outstanding Bonds have been repurchased under a Put Option, the Issuer is entitled to repurchase all the remaining Outstanding Bonds at a price equal to 101% of the Nominal Amount by notifying the remaining Bondholders of its intention to do so no later than 10 Business Days after the Put Option Repayment Date. Such notice sent by the Issuer is irrevocable and shall specify the Call Option Repayment Date.
Optional redemption for tax purposes:	If the Issuer is or will be required to gross up any withheld tax imposed by law from any payment in respect of the Bonds under the Finance Documents as a result of a change in applicable law implemented after the date of these Bond Terms, the Issuer will have the right to redeem all, but not only some, of the Outstanding Bonds at a price equal to 100% of the Nominal Amount. The Issuer shall give written notice of such redemption to the Bond Trustee and the Bondholders at least 20 Business Days prior to the Tax Event Repayment Date, provided that no such notice shall be given earlier than 40 Business Days prior to the earliest date on which the Issuer would be obliged to withhold such tax were a payment in respect of the Bonds then due.
Equity Claw Back:	The Issuer may at any time from (but excluding) the Issue Date to (but excluding) the First Call Date on no less than 10 Business Days' prior notice use the net cash proceeds received by the Group from an IPO (less any Distribution made in connection with such IPO under item (ii)(a) of the definition of Permitted Distribution) to repay at the First Call Price, an amount of Bonds with Nominal Amount not exceeding EUR 43,750,000. Such redemptions shall be applied pro rata between the Bondholders in accordance with the procedures of the CSD.
Issuer's ownership of Bonds:	The Issuer may purchase and hold Bonds and such Bonds may be retained or sold (but not cancelled) in the Issuer's sole discretion.
Listing and admission to trading:	If approved by Oslo Børs following an application for listing, the Bonds will be listed on Oslo Børs on or about 4 December 2019.
Limitation of claims:	All claims under the Bond Terms for payment, including interest and principal, will be subject to the legislation regarding time-bar provisions of Norway, being three

	years for interest and ten years for repayment of principal.
Limitation of transferring of the Bonds:	The Bonds are freely transferable, subject to the following: (i) Bondholders may be subject to purchase or transfer restrictions with regard to the Bonds, as applicable from time to time under local laws to which a Bondholder may be subject (due e.g. to its nationality, its residency, its registered address, its place(s) for doing business). Each Bondholder must ensure compliance with local laws and regulations applicable at own cost and expense. (ii) Notwithstanding the above, a Bondholder which has purchased the Bonds in contradiction to mandatory restrictions applicable may nevertheless utilize its voting rights under the Bond Terms provided that the Issuer shall not incur any additional liability by complying with its obligations to such Bondholder.
Credit rating	N/A.
Bondholders' Meeting:	The Bondholders' Meeting represents the supreme authority of the Bondholders community in all matters relating to the Bonds. If a resolution by the Bondholders is required, such resolution shall be passed at a Bondholders' Meeting. Resolutions passed at Bondholders' Meetings are binding upon and prevail for all the Bonds.
Trustee:	Nordic Trustee AS, a company existing under the laws of Norway with registration number 963 342 624.
Role of Trustee:	The Bond Terms has been entered into by the Issuer and the Bond Trustee. The Bondholders shall be bound by the terms and conditions of the Bond Terms and any other Finance Document without any further action or formality being required to be taken or satisfied. The Bond Trustee acts as the representative of all the Bondholders, monitoring the Issuer's performance of obligations pursuant to the Bond Terms, supervising the timely and correct payment of principal or interest, arranging Bondholders' Meetings, and taking action on behalf of all the Bondholders as and if required. The Bond Trustee is always acting with binding effect on behalf of all the Bondholders. For further details of the Bond Trustee's role and authority as the Bondholders' representative, see clause 16 of the Bond Terms, which is available at www.stamdata.com.
Paying Agent:	DNB Bank ASA, Dronning Eufemias gate 30, 0191 Oslo, Norway. The Paying Agent is in charge of keeping the records in the VPS.

Securities Depository:	Verdipapirsentralen ASA (VPS), Fred. Olsens gate 1, 0152 Oslo, Norway.
Approval by the Board of Directors:	The Bond Issue was approved by the Board of Directors on 29 May 2019.
Governing Law:	Norwegian law.

4. BUSINESS OF THE GROUP

4.1 Introduction to the Group

The Group is a global producer of both newsprint publication paper and magazine publication paper. The Group has a total production capacity of 2,625,000 tonnes split between the Group's seven mills in Europe and Australasia. In Europe, the Group operates four mills, two in Norway, one in France and one in Austria, with combined 1,925,000 tonnes of publication paper production capacity. The Group estimates that it is the third largest European producer of publication paper, based on PPPC[1]. In Australasia (which includes Australia, New Zealand, New Guinea and the neighbouring islands), the Group operates two mills in Australia and one mill in New Zealand with a total of 700,000 tonnes of publication paper production capacity. The Group is the sole producer of newsprint and magazine publication paper in the region.

The Group's newsprint paper products include standard and improved grades, while the Group's magazine paper products comprise uncoated super-calendered 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 and brochures. 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 the Group's largest customers.

In Europe, the Group serves a diversified customer base including internationally recognised publishers, retailers and commercial printers, with top 15 customers representing approximately 30% of revenue. In Australasia, approximately 25% of the Group's revenue is provided by two major newspaper publishers in the region, News Corp Australia and Nine. The Group has entered contracts with the two publishers ending in 2024 and 2022, respectively. The contracts do not state minimum fixed volumes, but state that a certain share of their required publication paper volume shall be supplied by the Group.

The Group's estimated market share based on production capacity for newsprint, SC magazine and LWC magazine paper in Western Europe are approximately 22%, 12% and 4%, respectively[2]. 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 80% for newsprint and 30% for magazine paper.

[1] Source: Pulp and Paper Products Council (PPPC): Supply and Demand, Western European Printing & Writing Papers (February 2019), Pulp and Paper Products Council (PPPC): Supply and Demand, Western European Graphic Papers (February 2019)

[2] Source: Pulp and Paper Products Council (PPPC): Supply and Demand, Western European Printing & Writing Papers (February 2019), Pulp and Paper Products Council (PPPC): Supply and Demand, Western European Graphic Papers (February 2019)

Figure: Overview of the Group's market share in Western Europe

	Western Europe		
	Market capacity	**Norske Skog capacity**	**Market share**
New sprint*	5,387	1,200	22%
Magazine**	12,911	725	6%
SC	*3,843*	*460*	*12%*
LWC	*6,498*	*265*	*4%*

*Pulp and Paper Products Council (PPPC): Supply and Demand, Western European Graphic Papers (February 2019)
**Pulp and Paper Products Council (PPPC): Supply and Demand, Western European Printing & Writing Papers (February 2019). Note that magazine includes, in addition to SC and LWC, the uncoated mechanical grades UM improved and UM other

The Group continuously seeks to maintain its profitability margins and to increase its operational efficiency through contract negotiations, improvement initiatives and general cost control. Annually, these initiatives are estimated to contribute between NOK 300 million and NOK 400 million. In the first half of 2019, the Group has seen a material margin improvement resulting from the effect of several improvement initiatives, such as improved sourcing conditions of energy, improved long-term shipping agreement in Norway, and generally higher paper prices.

In addition to focusing on operational efficiency, the Group and its prior Norske Skog group of companies (the "**Former Group**") has historically been disciplined in evaluating and improving its paper mill portfolio, retaining larger and better performing mills, while strategically closing or divesting smaller and underperforming mills. The Former Group closed its Follum mill in Norway and sold the Parenco mill in the Netherlands in 2012. Further, the Former Group closed one of two paper machines at the Walsum mill in Germany end of 2013. In 2015, the Former Group stopped providing financial support to the Walsum mill and it is no longer part of the operations of the Group. Going forward, the Group continuously evaluates its paper mills, considering opportunities for conversion to other uses (including packaging), divestments and closures.

The Group is engaged in a wide range of different growth initiatives at various stages of the development cycle, covering everything from waste-to-energy boilers to development of biobased materials to be used as substitutes to existing petrochemical substitutes. The Group 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. Such new revenue streams will among other include revenues from waste handling in connection with the waste to energy boiler project at the Bruck mill.

Following an extended period of efforts to address the Former Group's unsustainable capital structure, the Former Group went through a financial restructuring process in 2017 whereby it was not possible to achieve a consensual financial restructuring and certain former parent companies filed for bankruptcy. The shares of the Issuer were thereafter subject to a public auction process in the first half of 2018. Oceanwood, through its wholly-owned subsidiary NS Norway Holding AS, was successful in acquiring as the Issuer in the process and became the sole, ultimate shareholder of the Group. In May 2019, the Group issued the Bonds of which approximately EUR 105 million was used to repay the NSF, shareholder loans provided by NS Norway Holding AS and a factoring facility provided by Scottish Pacific (BFS) Pty Ltd. The remaining EUR 20 million was used for general corporate purposes.

4.2 History and important events

4.2.1 Historic development

Norske Skog Skogn was founded in 1962 by the Norwegian forest owners' association in cooperation with private and public interests and formed the basis of the Norwegian operation a later expansions. In 1966, production of newsprint at the Former Group's first paper machine commenced, a fully integrated newsprint mill located in Skogn in Norway. By 1989, after a period of industry consolidation, the Former Group became the sole Norwegian publication paper producer. During the 1990s, the Former Group began to expand the operations outside Norway and in other parts of Europe. Since 1999, through various acquisitions, the Former Group has become a global publication paper company. While expanding the operations, the Former Group also refocused them, selling off operating units involved in producing other paper grades, chemical pulp and building materials to concentrate on the core area of publication papers. In more recent periods, in order to maintain sustainable prices for their products affected by industry-wide excess capacity, as well as reduce the operating costs, the Group has selectively reduced capacity through closures and divesting certain assets.

The Former Group, *inter alia,* closed or sold several of the mills, particularly in Asia, to address severely underperforming assets where the Former Group saw little potential. In 2012 and 2013, the Former Group sold the Parenco mill in the Netherlands and the mills in Brazil and Thailand and closed down one machine at the Walsum mill. In 2015, the Former Group stopped providing financial support to the Walsum mill and it is no longer part of the operations of the Group. In addition, a number of smaller sales offices have been sold or closed.

In October 2016, the board of directors of the Former Group's ultimate parent company (now in bankruptcy), Norske Skogindustrier ASA, initiated formal negotiations with its secured and unsecured creditors and other stakeholders regarding a consensual financial restructuring addressing the Group's unsustainable capital structure.

These negotiations continued until November 2017 when Oceanwood, having accumulated the majority of the Issuer's Senior Secured Notes EUR 290 million ("**SSNs**"), announced that it was terminating the restructuring discussions. Oceanwood instructed the security agent, Citibank, N.A., London Branch, to take enforcement action over the pledge on the entire issued share capital of the Issuer, which was and is the holding company for, and thus controlling, the Group's operative earning entities. This led to the board of directors of Norske Skogindustrier ASA filing for bankruptcy on 19 December 2017, which successively led to its subsidiaries Norske Treindustrier AS, Norske Skog Holding AS, Norske Skog Eiendom AS and Lysaker Invest AS also filing for bankruptcy.

This initiated the sale of the Issuer along with its direct and indirect subsidiaries through a competitive public auction process. The auction process for the sale of the shares in the Issuer, which was publicly announced on 13 December 2017, ended when NS Norway Holding AS, a wholly owned subsidiary of Oceanwood, entered into a sale and purchase agreement with Citibank, N.A., London Branch, as security agent regarding 100% of the share capital in the Issuer on 3 May 2018. Closing of the transaction occurred on 28 September 2018, and the proceeds from sale was distributed to the holders of the SSNs debt in the Issuer resulting in the Issuer being discharged from all liabilities regarding the SSN and a EUR 15.9 million liquidity facility.

Following the sale of the Group to NS Norway Holding AS, Oceanwood became the Issuer's sole ultimate shareholder. In addition to being the sole ultimate shareholder of the Group, Oceanwood had outstanding shareholder loans to the Group, through various intercompany loans and the NSF. Following the issue of the Bonds in May 2019, the NSF of NOK 786 million (including accrued interest) was repaid. In addition, the NOK 256 million (including interest) in intercompany shareholder loans was settled, partly in the first half of June, and partly following the settlement of the Bonds. Following the Issuer's general meeting resolution on 31 May 2019, NOK 1,102 million in intercompany, shareholder loans provided by Oceanwood through NS Norway Holding AS (including accrued interest) was converted to equity. After the settlement of total NOK 2,144, Oceanwood and NS Norway Holding AS had no outstanding loans to the Group as of 30 June 2019.

On 21 June 2019, the Issuer, as borrower, entered into the RCF with DNB Bank ASA, as lender.

On 2 October 2019, the Group entered into an asset sale agreement for the sale of the Albury mill and the operating assets of Norske Skog Paper Mills Albury Pty Ltd ("**Albury Assets**") to the Australian packaging group Visy for NOK 520 million (corresponding to AUD 85 million). The sale, including proceeds from additional transactions concerning realization of certain assets, including water and energy rights, will generate total cash proceeds of approximately NOK 920 million. The Group will continue to run the newsprint production at the mill until production is ceased by the end of December 2019, with closing of the transaction expected to occur in Q1 2020.

On 18 October 2019, all the shares in the Issuer were listed on Oslo Børs under the ticker "NSKOG". In connection with the listing, Oceanwood, through NS Norway Holding, made an initial public offering of shares in the Issuer, reducing its ownership to 63.23% of the shares in the Issuer.

4.2.2 Key milestones

The table below shows the Group's key milestones from its inception and up to the date of this Prospectus:

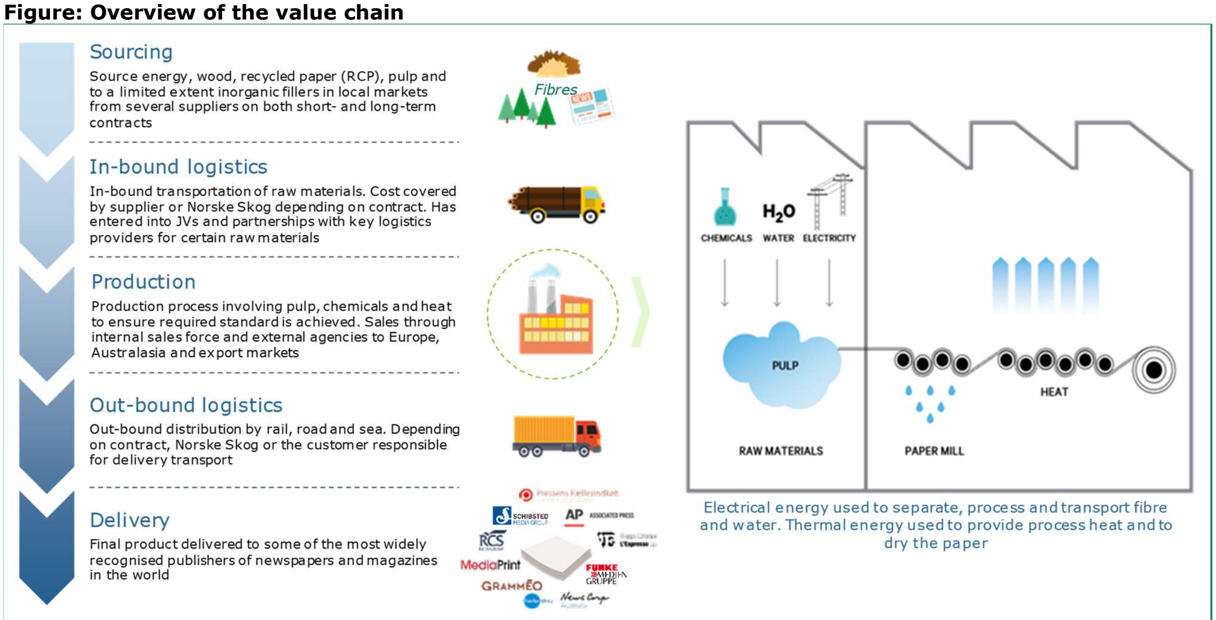
Year	Event
1962-1966....	• The company Norske Skog Skogn, which the current operations of the Group originate from, is founded by the Norwegian forest owners' association in cooperation with private and public interests. Norske Skog Skogn commences production of newsprint at the Group's first paper machine, a fully integrated newsprint mill located in Skogn in Norway.
1989.................	• The Former Group becomes the sole Norwegian publication paper producer after merging with Follum Fabrikker and acquiring Saugbrugsforeningen and 50% of the shares in Union.
1990-2000....	• The Former Group begins to expand its operations to outside of Norway by the construction of the Golbey mill in France and subsequent acquisition of mills in Europe, Korea, Malaysia and Thailand.
2000-2001....	• The Former Group acquires Fletcher Challenge Paper and mills in Australia, New Zealand, Chile and Brazil and later two mills in Europe.
2006-2015....	• The Former Group addresses its severely underperforming assets, where it sees little potential, in order to reduce debt and strengthen its balance sheet. In the following years, the Former Group shuts down or sells several of its mills.
2016-2017....	• Formal negotiations initiated with secured and unsecured creditors and other stakeholders regarding a capital restructuring. The Former Group's ultimate parent company, Norske Skogindustrier ASA, files for bankruptcy at the end of 2017.
2018.................	• The investment fund, Oceanwood, acquires the Group through its wholly owned subsidiary NS Norway Holding AS.
2019.................	• Issuance of the Bonds and repayment and conversion of all intercompany shareholder loans and other loans provided by Oceanwood and NS Norway Holding AS. • The Group sold the assets of the Albury Mill to Visy Industries Australia Pty Ltd ("**Visy**") for a possible conversion of the mill into packaging production. • Listing of the Issuer's shares on Oslo Børs.

4.3 Description of the Group's operations

4.3.1 Position of publication paper production in the value chain

The Group is a global producer of publication paper with production presence in Europe and Australasia, and exports to North America, Africa, the Middle East and Asia. The Group has limited vertical integration in the value chain, with approximately 24,000 hectares of forest assets in Tasmania (16,461 hectares owned with rights to in total 8,210 hectares owned by the Australian government and private joint ventures) as their only internal supply of fibre. The Group procures the majority of its fibre (including wood, recovered paper ("**RCP**"), pulp and to a limited extent inorganic fillers) to be used in the production process. Fibres are transported to the Group's paper mills for production of newsprint and magazine publication paper. The process requires energy (electrical and thermal), chemicals and water, with the majority purchased from third-party suppliers. The finished publication paper is transported by rail, road and sea for delivery to globally recognised publishers and retailers.

Figure: Overview of the value chain



4.3.2 Overview of publication paper products

The Group's products comprise a range of grades within newsprint and magazine publication paper. The Group produces newsprint in standard and improved grades, for use in daily and free newspapers, inserts, directories and advertising supplements. The Group also produces two different types of magazine paper, uncoated super-calendered paper and light-weight coated paper, with several grades within the two categories. The Group's magazine paper is used primarily for commercial printing, magazines, advertising, direct mail, inserts, flyers and catalogues.

Figure: The Group's publication paper production capacity as of 30 June 2019

Business unit	Country	Capacity (tonnes per year) as of Q2'19			
		Newsprint	SC magazine	LWC magazine	Total
Skogn	Norway	510,000			510,000
Saugbrugs	Norway		460,000		460,000
Golbey	France	565,000			565,000
Bruck	Austria	125,000		265,000	390,000
Europe		**1,200,000**	**460,000**	**265,000**	**1,925,000**
Albury	Australia	265,000			265,000
Boyer	Australia	150,000		135,000	285,000
Tasman	New Zealand	150,000			150,000
Australasia		**565,000**		**135,000**	**700,000**
Total		**1,765,000**	**460,000**	**400,000**	**2,625,000**

Newsprint

The Group's newsprint products represent around two thirds of the total production capacity. The Group produces newsprint-grade paper at six of the seven mills in Europe and Australasia.

Figure: Overview of the Group's main newsprint brands:

Brand name	Characteristics	End use	Printing method
Nornews	High quality newsprint with superior printability and runability characteristics	Newspapers, free-sheets, directories, supplements, inserts/flyers	Cold set web offset, flexo, letterpress
Norbright, Norstar and Norx	Improved paper grades suited for both cold set and heat set web offset printing, with brightness and bulk that differentiates it from standard newsprint	Supplements, inserts/flyers, direct mail, newspapers, free-sheets, directories, periodicals, books	Cold set web offset, heat set web offset, letterpress
Tasman Directory	Light weight paper with good sheet strength aimed at achieving exceptional performance while providing opacity and brightness for superior colour reproduction	Telephone directories	Cold set web offset, heat set web offset

Magazine paper

The Group's magazine paper products represents around one third of the total production capacity. The Group produces magazine paper at its Saugbrugs, Bruck and Boyer mills.

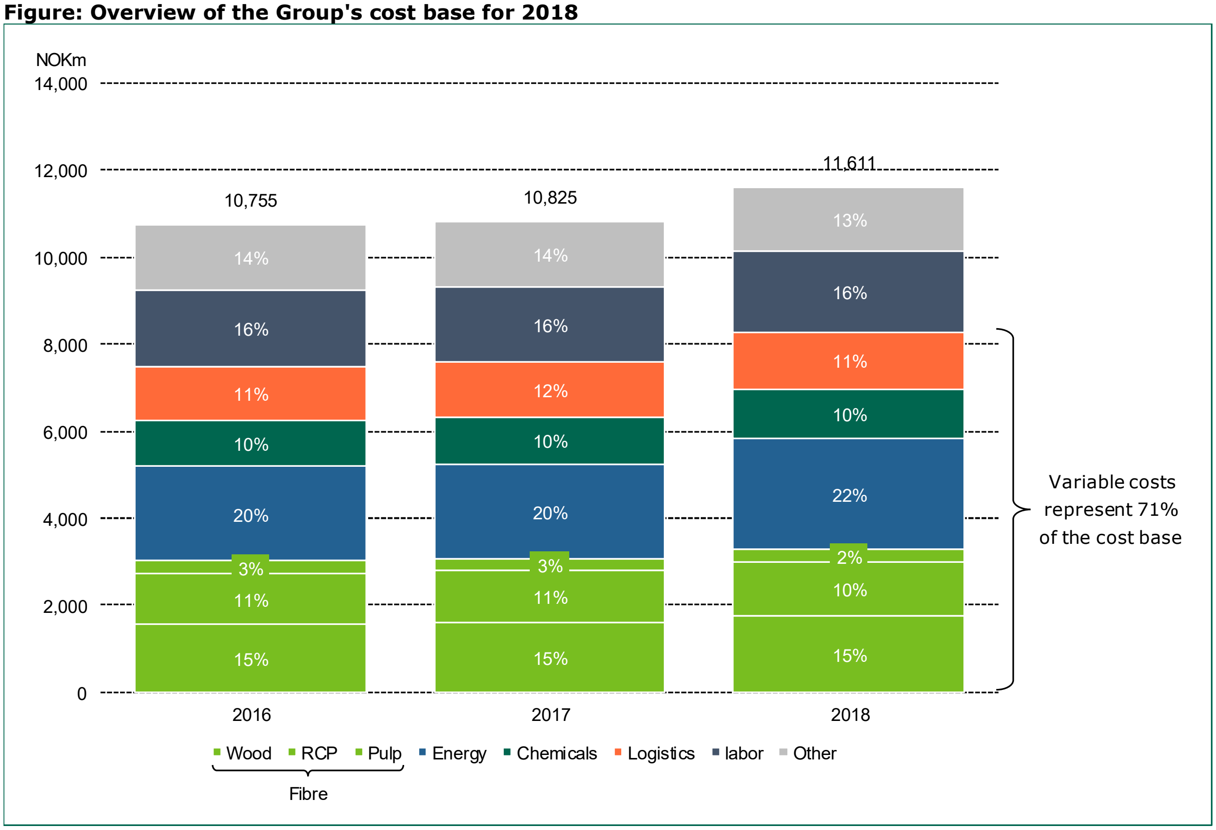
Figure: Overview of the Group's main magazine paper brands:

Brand name	Characteristics	End use	Printing method
Norcote	Light weight and medium weight coated paper produced in several variations, with standard and improved brightness levels, gloss or matte finish and a wide selection of basis weights; physical characteristics include uniform web profile and high winding quality	Magazines, catalogues, supplements, direct mail, inserts/flyers	Heat set web offset, rotogravure
Vantage	Light weight on-machine coated paper in a range of basis weights with high print gloss	Catalogues, inserts, flyers, magazines, direct mail	Heat set web offset printing
Norsc	Super calendered paper; Uncoated paper with high grade of filler giving high gloss and superior reproduction quality specifically in rotogravure; is also used at an increased rate as a substitute for coated publishing grades	Magazines, catalogues, inserts/flyers, direct mail, supplements	Heat set web offset, rotogravure

4.3.3 Input factors used by the Group in the production of publication paper

The Group is to a large extent dependent on fibre, energy, chemicals and labour in the production of publication paper, all of which are subject to price fluctuations depending on development in both the general economy and certain specific market and industry factors. Due to competitive pressure and the fixed price nature of customer contracts, the prices of the Group's products are not always correlated with increases and decreases in its cost base. Prices for fibre, energy, chemicals are volatile and there can be no assurances that the Group will be able to obtain these at prices that enable the Group to sell its products profitably or at all.

Figure: Overview of the Group's cost base for 2018



4.3.3.1 Fibre

In 2018, Norske Skog consumed 1.55 million tonnes of fresh fibre and 0.87 million tonnes of recovered paper. In addition, the Group purchased 0.04 million tonnes of pulp and 0.30 million tonnes of inorganic fillers. The main sources of fibre for the Group are wood, recovered paper and pulp.

Wood

Wood represents the only source of fresh fibre in the production process. For 2018, roundwood represented 73% of wood consumption (2,785,000 cubic metres) and the remaining 27% came from Sawmill chips (1,031,000 cubic metres), a by-product from the sawmill industry. Roundwood consumption came from both forests (66%) and plantations (34%).

Wood purchases for the mills accounted for approximately 15% of the cost base for 2018, or a total cost of approximately NOK 1.8 billion. In Norway and continental Europe, wood is purchased pursuant to short- and medium-term contracts. In Australasia, the Group purchases its wood in general to a larger extent than in Europe through medium and long-term contracts with fixed volumes and pricing. Several wood contracts are expiring between 2020 and 2025, but some also later than that. At the Boyer paper mill, most of the forest supply is derived from its 24,000 hectares of forest assets. In every country where the Group sources wood, the area of land with forestation is increasing.

Recovered paper

RCP is an important fibre source for the Group. A few customers want paper based entirely on RCP. However, a value chain based only on RCP 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 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.

On a tonnage basis, majority of recovered paper consumption takes place in continental Europe. For 2018, RCP as a share of fibre in newsprint production represented 33% at the Albury mill, 79% at the Bruck mill, 53% at the Golbey mill, and 26% at the Skogn mill. The fibre source used at the different mills depend upon availability and economic considerations. The minimisation of transport distances and costs is an increasingly important economic and environmental consideration.

For 2018, purchases of recovered paper accounted for approximately 10% of the cost base, or a total cost of approximately NOK 1.2 billion. The Group purchases RCP through short- to medium-term contracts, mostly from local suppliers.

Pulp
The Group purchases very limited amounts of pulp. For 2018, the Group purchased 43,000 tonnes of pulp. Purchased pulp is primarily used in the production of coated magazine paper. For 2018, purchased pulp accounted for approximately 2% of the cost base, or a total cost of approximately NOK 0.3 billion.

4.3.3.2 Energy

The production of paper is an energy intensive process. Energy is consumed mainly for two purposes:

1. To separate, process and transport fibre and water (electrical energy).

2. To provide process heat and to dry the paper (thermal energy).

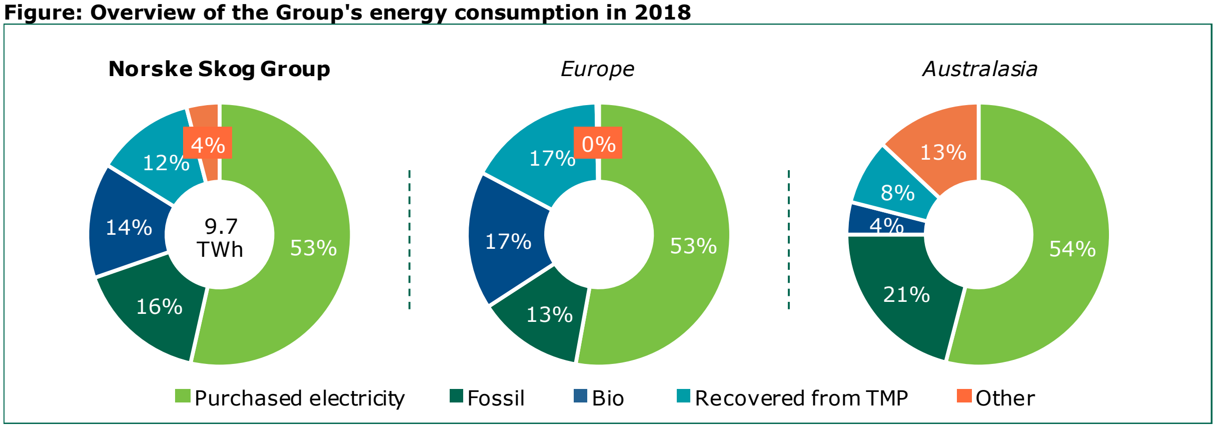
The major use of electrical energy in mills which process fresh fibre is the process which mechanically converts wood chips into fibres. This process is called the thermo mechanical pulping ("**TMP**") process, the end result is the product called mechanical pulp (as opposed to chemical pulp which is produced by combining wood chips and chemicals in large tanks often referred to as digesters). 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 TMP process, treatment of effluent (fibre and biological solids), combustion of mill residues, purchased bio-fuel, oil, gas and coal. The Group has a significant focus on its environmental profile and approximately 80% of the production related waste from the paper mills is used to generate thermal energy.

Approximately 6.8 TWh of energy supply is purchased, with the remaining energy supply coming from internal energy production. Total energy consumption for 2018 amounted to 9.8 TWh. The Group is utilising the mill effluent to produce biogas with own biogas plants at Saugbrugs and Golbey. The Skogn mill also produces effluent, however this is delivered to a newly build external biogas plant build close to the Skogn mill. The biogas plants deliver biogas equivalent to approximately 57 million litre of diesel fuel. In addition, the Group sees some energy production from the bio-pellets plant in New Zealand. The plant currently has an annual capacity of approximately 40,000 tonnes, but an upgrade to 85,000 tonnes is currently ongoing and will be ready in the fourth quarter of 2019.

In 2018, the Group consumed 5.5 TWh of electricity, 4.2 TWh of heat and a limited amount of other energy types. Bio-fuel and internal heat recovery supplies 26% of the total energy demand, electricity covers 53%, 16% comes from fossil fuel and remaining from other sources.

Figure: Overview of the Group's energy consumption in 2018



Approximately 60-70% of purchased energy is purchased under contracts specifying volumes and price, with the remaining purchased in the spot markets. All of the Group's mills have to some extent entered into energy contracts with large suppliers in the local markets. The long-term energy contracts secure stable supply of energy and reduce the exposure to fluctuations in energy prices. The Group believes energy could be sourced through other arrangements if these contracts are discontinued in the future, e.g. through entering into new energy contracts on a commercial basis or through spot purchase. The Group is constantly working on different energy savings programmes, including among other the planned Bruck waste to energy plant. This strategy also improves the environmental profile of the Group and reduces the carbon footprint.

Energy constitute a material operating expense to the Group and accounted for approximately 22% of the cost base in 2018, or a total cost of approximately NOK 2.6 billion.

4.3.3.3 Chemicals

Chemicals are mainly used in the production of magazine paper, with amount and type of chemicals used depending on the specification of the magazine paper. Majority of chemicals is sourced on contracts specifying price and volume from multiple suppliers in the individual markets. Chemicals constituted approximately 10% of the cost base in 2018, or a total cost of approximately NOK 1.1 billion.

4.3.3.4 Labour

As of 30 June 2019, the Group had 2,457 employees. The Group's mill workers are unionised in all of the countries in which the Group operates. The Group has collective bargaining agreements in place with several different unions, which relate to employees in each of the Group's mills. The collective bargaining agreements typically have durations of between 12 and 36 months. The Group has not experienced any major strikes in recent years. In addition to trade unions, the Group also consults with various local, national and European works councils, which primarily fulfil advisory roles. The Issuer and its subsidiaries are required under certain circumstances to consult with one or more of the works councils before proceeding with certain transactions or activities, particularly in relation to any major reorganisation. The Group believes that it has good relationships with the unions representing the Group's employees and the works councils. Labour accounted for approximately 16% of the cost base in 2018, or a total cost of approximately NOK 1.9 billion.

The Group runs various pension schemes in accordance with local conditions and practices in the countries in which they operate. As of 30 June 2019, the majority of current and former employees were covered by such schemes, mainly defined contribution plans.

4.3.4 Description of European operations

Publication Paper Europe accounted for 75% of the total operating income, 88% of the EBITDA and 73% of the Group's annual production capacity for the twelve months ended 30 June 2019.

In Europe, the Group has four wholly-owned publication paper mills, two in Norway (the Skogn and Saugbrugs mills), one in France (the Golbey mill) and one in Austria (the Bruck mill). Combined production capacity of 1,925,000 tonnes as of 30 June 2019, making the Group the third largest producer of publication paper in Western Europe by capacity. Production capacity is split between 1,200,000 tonnes newsprint and 725,000 tonnes magazine paper.

4.3.4.1 Overview of the Group's European mills

Skogn
The Group's Skogn mill, located in Skogn in Norway, is the larger of the two facilities located in Norway by production capacity, and has three paper machines. Commissioned in 1966, its total production capacity was 510,000 tonnes as of 30 June 2019. Located on the coast in Central Norway, it is well-positioned for deliveries by sea freight, and exports around three quarters of its production volume, of which more than two-thirds goes to the United Kingdom.

Saugbrugs
The Group's Saugbrugs mill, located in Halden in Norway, produces super-calendared magazine paper and has three paper machines. Total production capacity at the mill was 460,000 tonnes, as of 30 June 2019. The machines at the Saugbrugs mill use internally produced mechanical pulp and purchased chemical pulp in the manufacturing process. In 2013 and 2014, the Group invested in a new TMP plant, which improves the consumption of energy and chemical pulp at the Saugbrugs mill. Since 30 June 2014, the new TMP plant has been fully operating at the projected efficiency level.

Golbey
The Group's Golbey mill located in Golbey in the North East of France, which the Group began operating in 1992, represented its first business outside of Norway. Its main product is standard newsprint with total production capacity of 565,000 tonnes as of 30 June 2019. Golbey's machines are the newest and most productive across the Group's mills. This productivity, along with sourcing agreements with local communities for recovered paper and sawmill partners for wood, has enabled Golbey to attain a leading cost position.

Bruck
The Bruck mill, located in the Austrian state of Styria, was acquired by the Group in 1996. The mill was commissioned in 1953 and produces standard newsprint, using primarily mechanical pulp and recycled fibre. Its newsprint production capacity was 125,000 tonnes as of 30 June 2019. In addition to newsprint, Bruck also produces light-weight coated mechanical paper on a paper machine commissioned in 1989. The production process uses mechanical pulp (produced from wood and RCP), purchased pulp and chemicals. Its total magazine paper production capacity is 265,000 tonnes as of 30 June 2019.

FID 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 revenue and savings of EUR 20 million annually (this does not represent a forecast or imply any expected or estimated margins going forward).

In addition, the Bruck power plant was sold in June 2019, which resulted in a cash consideration of EUR 9.7 million.

4.3.4.2 Fibres

The Group mainly uses pulp from wood or RCP in its European production of newsprint. For coated magazine paper, the Group also uses purchased kraft pulp.

In Norway, the Group purchases wood mainly through annual and six months price and volume contracts from a wide range of local suppliers. For the Golbey and Bruck mills, the Group obtains wood from a number of local suppliers with contract durations ranging from three months to one year, with a set price for the relevant period.

The Group's Skogn paper mill source RCP locally and through imports from the United Kingdom and the Benelux. The Saugbrugs paper mill produces SC magazine paper, which does not apply RCP in the production process. Recovered paper supply for the Golbey mill is mainly sourced both through direct agreement with communities, local collectors and national trading companies. RCP for the Bruck mill is sourced through both a 100% owned company and a joint venture purchasing company. Recovered paper volume and price purchase agreements vary in length from one month to one year, with a mix of fixed pricing and variable pricing adjusted with reference to market prices.

Chemical pulp for magazine production at the Saugbrugs and Bruck mill is sourced both through a common group contract and by local suppliers. The contracts vary from one to three years and provide for monthly price adjustment, linked to the European reference prices for chemical pulp.

4.3.4.3 Energy

In Norway, long-term electricity contracts with Statkraft (entered into in 2018) specify terms for volume and price. These contracts expire in 2026 and cover for approximately 70% of the energy consumption of the Group's Skogn and Saugbrugs paper mills. In Europe, the Group signed a long-term electricity contract for Golbey in 2010 along with other members of an industrial consortium. The contract expires in 2030 and covers about one-third of Golbey's energy consumption. The remaining energy demand for Golbey is purchased in the market. The Group's operation in Bruck in Austria owns a natural gas-fired co-generation plant, which gives the Group an arbitrage opportunity between gas and electricity prices.

4.3.4.4 Sales and distribution

The Group sells publication paper to a large number of established customers, ranging from commercial printers and corporations like Lidl and Carrefour, to publishers like News International in the United Kingdom, RCS Quotidiani in Italy, Axel Springer in Germany and Schibsted in Norway. The customer base is highly diversified with top 15 customers accounting for approximately 30% of sales.

The majority of the publication paper is sold under contracts specifying terms for price and volume (both fixed volumes and volumes as a share of the customer's total requirement). The Group has sales contracts from 3 to 12 months with European customers, with some opening for price re-negotiations. The creditworthiness of the customer base is validated by the Group's ability to enter into significant factoring facilities in Norway, France and Austria.

Publication paper is both sold directly to customers through internal sales offices and external sales agencies. The internal European sales operation is organised around four sales hubs; London, Paris, Augsburg and Milan. Each office is responsible for sales activities in specified markets, and together they cover the core European markets and to some extent exports to North America, Africa and the Middle East. The offices comprise order fulfilment teams as well as sales professionals. Responsibility for fulfilment of sales orders are transferred to product management professionals at the relevant mill in direct contact with the customer. All sales hubs handle both newsprint and magazine sales.

In addition, the Group has sales agreements with several agencies including NorCell (US, Canada and Mexico), Björnberg (Poland and Czech Republic), Cellmark Iberica (Spain) and Aspapel (Portugal), covering both European markets and export markets. Approximately 90% of volume sold in Europe, with remaining volumes being exported to North America, Africa and the Middle East.

The Group has implemented several measures to integrate with its customers. In Europe, the Group provides administrative services including electronic on demand shipping, customs document transfer and tax notification, print program management for the Group's retail customers and integrated marketing efforts. The Group also provides technical advice, educating the Group's clients on how to optimise their use of the Group's products through different printing methods and equipment.

4.3.5 Description of Australasian operations

Publication Paper Australasia accounted for 25% of the total operating income, 14% of the EBITDA and 27% of the Group's annual production capacity for the twelve months ended 30 June 2019. The Group has three mills in Australasia, two in Australia and one in New Zealand, with a total production capacity of 700,000 tonnes. Each of the three mills has one newsprint machine, contributing to a total regional newsprint capacity of 565,000 tonnes. In addition, the Boyer paper mill has 135,000 tonnes of magazine paper capacity.

4.3.5.1 Overview over the Group's Australasia mills

Albury
The Albury mill, located in New South Wales in Australia, is the youngest mill in the Australasian segment. Its single machine was commissioned in 1981 and produces standard newsprint. The mill underwent a significant rebuild in 2006, which included the addition of a shoe press. Total production capacity at the Albury mill is 265,000 tonnes as of 30 June 2019. The Albury mill has an annual energy consumption of approximately 0.7 TWh of electricity annually, which is sufficient to cover all of its expected annual energy consumption. In addition to purchasing power to cover the energy consumption, the Albury mill purchases gas on the spot market to produce steam. Albury benefits from a favourable geographic location with low distribution costs to the major Australian metropolitan regions of Melbourne and Sydney. Albury produces newsprint using both wood and RCP. A clear majority of the mill's wood consumption is supplied by medium-term contracts. Approximately 35% of the recycled paper used at the Albury mill is sourced directly from publishers' waste.

In order to reduce the newsprint production capacity in Australasia and reduce the regions' export exposure to the Asian market, the Group entered into an asset sale agreement on 2 October 2019 for the sale of the Albury Assets to the Australian packaging group Visy for NOK 520 million (corresponding to AUD 85 million). The sale, including proceeds from additional transactions concerning realization of certain assets, including water and energy rights, will generate total cash proceeds of approximately NOK 920 million. The Group will continue to run the newsprint production at the mill until production is ceased by the end of December 2019. Transaction costs will amount to approximately NOK 215 million following the closure, including redundancy payments to the employees, resulting in net cash proceeds to Norske Skog from all transactions of approximately NOK 700 million. The transaction costs will impact the Group's adjusted net profit for 2019 (expected in Q4).

Closing of the Albury Assets transaction is expected to occur in Q1 2020, depending on and subject to customary closing conditions being met (or waived) by the respective parties, including transfer of wood supply and other material agreements, but no regulatory approvals. The agreement may be terminated by the parties if not completed within 31 July 2020. After completion of the transaction, Visy intends to initiate a study to explore the potential for a conversion of the mill into packaging production. Furthermore, the Group has entered into certain additional agreements for realisation of assets that are not part of the Albury Assets, of which the most significant are realization of certain energy and water rights.

The Albury mill had a revenue of approximately NOK 1,000 million in 2018. The Albury closure is expected to provide a positive EBITDA-effect of approximately NOK 80 million in 2020 due to optimisation of Norske Skog mill deliveries in the region and reduced export sales to low-margin Asian markets. The Albury mill has annual maintenance capex of approximately NOK 24 million and depreciation of approximately NOK 30 million. In addition, the transactions are expected to release some working capital in 2020. The transaction is expected to generate limited book value gains. The realisation of water and energy assets will generate a book value gain equivalent to the proceeds less transaction costs. The majority of the cash proceeds from the transactions are expected to be received in the first quarter of 2020.

Based on the Interim Financial Statements as per 30 June 2019, pro forma net debt taking into account the net proceeds from the sale of the Albury mill and the other related transactions, is approximately NOK 250 million.

Boyer
The Boyer mill, located at Tasmania in Australia, was the first mill in the Australasian segment to commence newsprint production. It has two machines, one producing standard and improved newsprint, and one producing LWC magazine paper, using principally wood fibre. Majority of wood is sourced from 24,000 hectares of owned forest. The total production capacity at the Boyer mill is 285,000 tonnes as of 30 June 2019, split into 150,000 tonnes of newsprint and 135,000 tonnes of LWC. The first machine, PM2, was commissioned in 1952 and rebuilt in 1991, and during the first quarter of 2014, was converted from newsprint to LWC production. The second machine, PM3, commenced production in 1969 and was rebuilt in 1989 and 1996. In order to achieve the conversion of the PM2 newsprint machine, the Group had to close the machine during the first quarter of 2014 resulting in a production loss of around 40,000 tonnes. The PM2 machine started up again in the beginning of Q2 2014 and the production of LWC was ramped up during the second quarter of 2014. The production of LWC is now running at full capacity.

The Boyer mill has a power contract until 2020 for delivery of approximately 0.8 TWh of electricity annually, which is sufficient to cover all of its expected annual energy consumption. The gas needed for drying the LWC paper is sourced through a contract expiring 2019.

Tasman
The Tasman mill, located in Kawerau in New Zealand, has one paper machine that produces standard and improved newsprint grades using principally wood fibre. The machine, PM3, was rebuilt in 2006. Its total production capacity is 150,000 tons as of 30 June 2019. The Tasman mill has a long-term power contract until 2023 for delivery of around 0.6 TWh of electricity annually, which is sufficient to cover the annual energy consumption.

4.3.5.2 Fibres

The majority of fibre needed for the operations in Australasia is procured under medium- and long-term contracts, with expiry as late as 2049, depending on location and type of material supplied.

The Albury paper mill (Australia) and the Tasman paper mill (New Zealand) consumed approximately 345,000 and 325,000 cubic meters of wood in 2018, respectively. The Boyer paper mill (Tasmania, Australia) owns and manages 24,000 hectares of forest assets that supply approximately 60-70% of its total wood fibre requirements, approximately 545,000 cubic meters of wood in 2018. Majority of supplied wood in Australasia is provided under medium- to long-term contracts, with remaining volumes purchased in the spot market.

The Albury paper mill is the only mill in Australasia to utilise RCP. It consumes approximately 85,000 tonnes of recovered paper, of which most of it is purchased in the spot market.

The Boyer paper mill is the only mill engaging in production of magazine paper. The paper mill purchases its main coating chemicals, carbonate, for the production of magazine paper from a supplier that has built a chemical plant at the mill site.

4.3.5.3 Energy

The Group's operations in Australasia source most of its energy by purchasing electricity from third parties, with most energy consumption covered by long-term contracts. Each of the paper mills in Australasia purchase electricity through contracts specifying volumes and price, and with expiry between 2020 and 2023. In addition, the Albury mill purchases gas to produce steam on the spot market, and the gas needed for drying the LWC paper at the Boyer mill is sourced through a contract expiring 2019.

4.3.5.4 Sales and distribution

The Group's operations in Australasia generally sell approximately two thirds of publication paper domestically and exports one third to Asia. Customers include newspaper publishers, commercial printers of preprint advertising, retailers publishing product catalogues and adverts, insert and flyer printers, and more. Approximately 25% of sales relate to two key customers, the newspaper publishers News Corp Australia and Nine.

The Group's publication paper in Australia and New Zealand is sold directly to its customers by the Australasian sales force mainly situated in Sydney and across smaller sales offices. The Group entered into new contracts with News Corp Australia and Nine lasting until 2024 and 2022, respectively. Both contracts provide for price adjustments and specify volumes as share of the total volume required by the two publishers. For magazine paper, contracts are mainly negotiated every three months with the Australian catalogue and advertising customers.

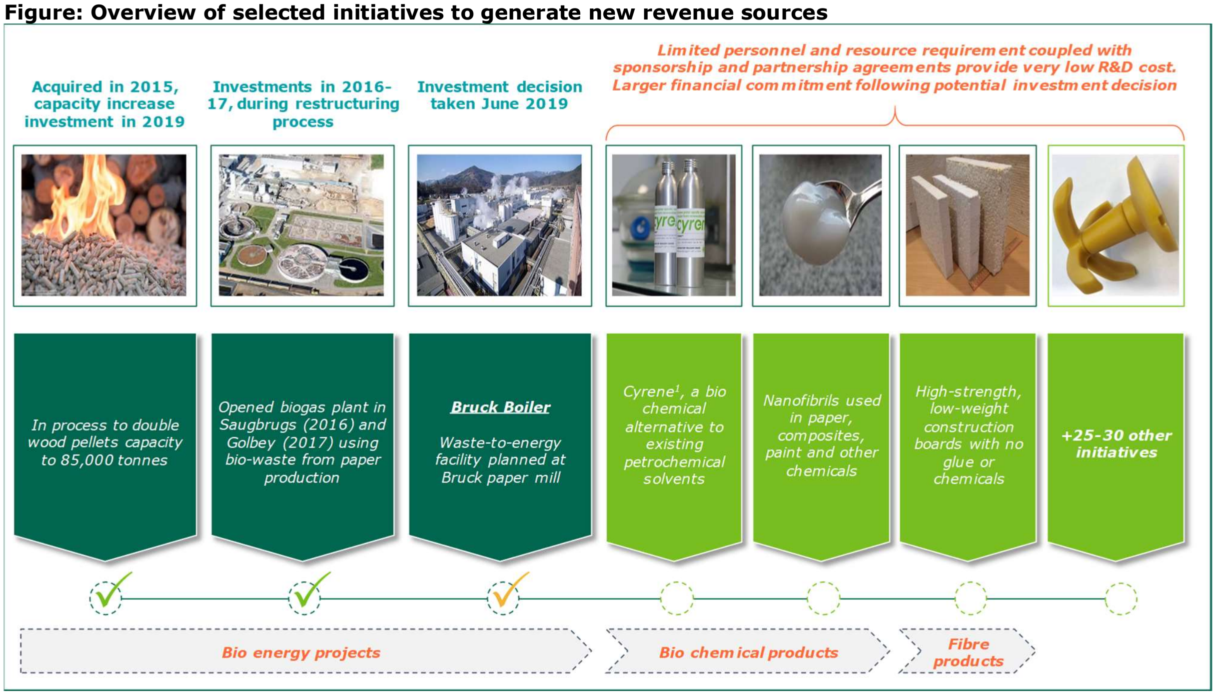
In Australasia, the Group provides a similar range of administrative services and technical advice to that which is provided in Europe. In addition, the Group provides various services including warehousing, automatic inventory replenishing and logistics. The Group believes that this integration provides value-added services that make it a strong preferred supplier.

4.3.6 New revenue sources

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 bio energy production to development of bio chemicals and fibre products.

The Group employs dedicated R&D staff at all the paper mills, engaging in both the development of new publication paper products and researching opportunities within bio chemical 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 and waste-to-energy facilities.

Figure: Overview of selected initiatives to generate new revenue sources



The Group is currently in the process of upgrading its wood pellets facility in New Zealand, approximately doubling its capacity from 40,000 tonnes to 85,000 tonnes annual production capacity.

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 bio-waste from paper production as fuel, contributing to reduced carbon footprint and improved environmental profile for the Group.

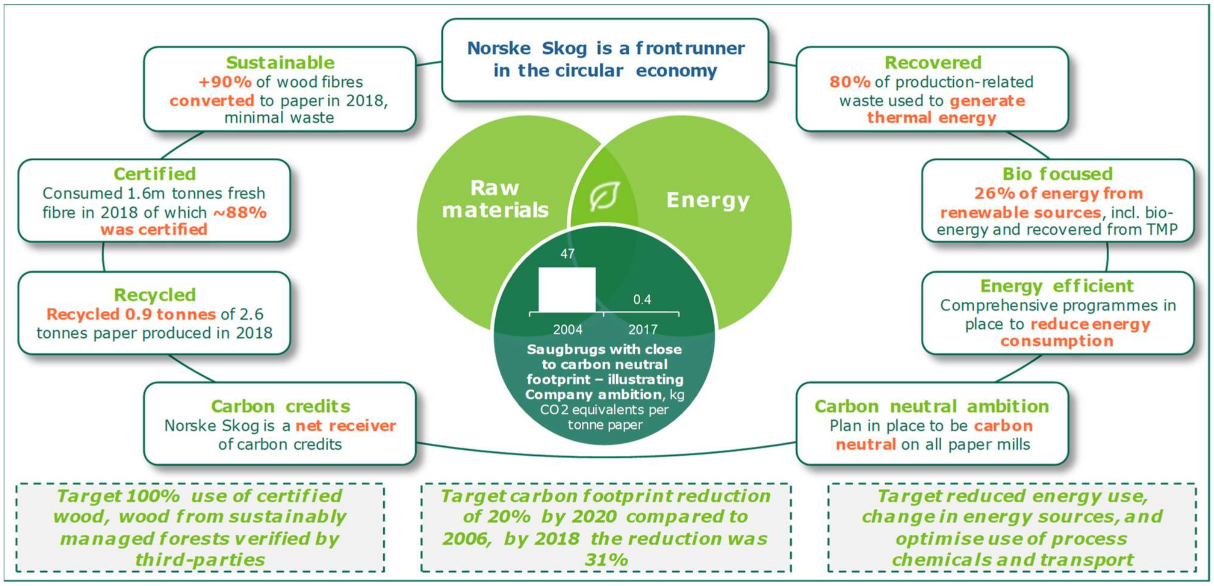
Final investment decision ("**FID**") on a EUR 72 million investment in a waste-to-energy facility at the Bruck paper mill was taken in June 2019. The facility is estimated to provide new revenue from waste handling as well as cost savings in the publication paper production of approximately EUR 20 million annually (this does not represent a forecast or imply any expected or estimated margins going forward).

The Group engages in several early-phase research projects into bio chemical and fibre products. This includes Cyrene, which could represent the first bio chemical 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, 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.

4.3.7 Environmental focus at the core of the production process and growth initiatives

Norske Skog has integrated reduction of greenhouse gas emissions as a key part of its business strategy. The goal is to reduce energy consumption, change the sources of energy and to optimise the use of process chemicals and transport. The Group is working to reduce its carbon footprint and in 2018 it reached a level of 632 kilograms of CO2 per tonne of paper, a reduction of 1.4% from 2017. The Group's greenhouse gas emissions was reduced with 6.5% from 2017.

Figure: Overview of selected environmental focus areas



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 the Group's 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.

The total quantity of production waste generated by the group in 2018 was 402,800 dry tonnes. In 2018, 147,500 tonnes of ash were generated from combustion.

The residues from the production processes are reused or disposed of in a number of ways. Where possible, process residues are used to generate energy for the pulp and paper manufacturing process. In 2018, 80% of the waste was used as bio-fuel. 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. Several of the mills participate in projects to find alternative or additional methods of reusing the by-products from the production processes. Hazardous waste amounted to 489 tonnes in 2018. Hazardous waste is disposed through authorized collection systems in accordance with national regulations.

Water is generally 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. In 2018, water discharge from the production process per tonne of paper was up 4% compared to 2017. The discharges of dissolved organic material and suspended matters per tonne of paper were down by 17% and 31% compared to 2017. The discharge of nitrogen decreased by 7% and discharge of phosphorus decreased by 23% compared to 2017. The difference in results from one year to the next is the result of many factors, including process improvements, utilisation of equipment, production issues and product changes.

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 the emission reporting.

4.3.8 Competitive position

The Group is a global producer of publication paper. In Europe, the Group estimates that it is the third largest 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. The Group is the sole producer of newsprint and magazine paper in Australasia, where the Group has a leading position in a concentrated newsprint and magazine paper market and only competes with imports. Australia and New Zealand also exports to Asia. Based on the global reach and the long-standing commitment to and experience in the publication paper segment, the Group believe it is a preferred supplier in Australasia and Europe.

As a result of its size and market position, the Group benefits from economies of scale. This enables low production cost per tonne, further strengthening its market position. The mills are positioned to reflect the demand for the high value paper types produced at the mills. The mix of newsprint and magazine production capabilities within the mills provides the Group with operational flexibility, and ability to target selected customer segments with a tailored publication paper portfolio.

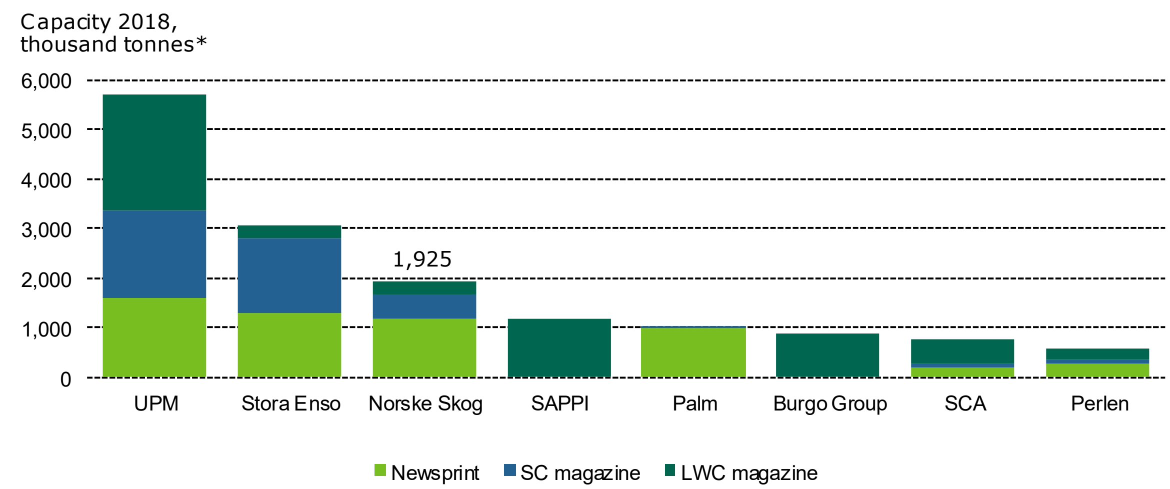
The Group aims to be the producer of choice for quality newsprint and magazine paper products in the European and Australasian markets, while maintaining and improving its position as a high-quality producer with a competitive cost base. Going forward, the Group will continue to focus on its service flexibility, delivery precision and product quality to remain a preferred supplier and maintain its industry position.

4.3.8.1 Competition in Europe

The market for publication paper in Western Europe is highly competitive. The Group estimates that it currently provides around 22% of newsprint, 12% of SC and 4% of coated mechanical paper (LWC) capacity in Western Europe[3]. The Group's principal competitors in Western Europe include UPM and Stora Enso. Newsprint and magazine papers are generally subject to the same supply and demand trends, although a clear majority of newsprint consumption is related to newspapers and printed in cold set. However, a growing share of newsprint is being printed in heat set for free standing advertising. Magazine paper is more exposed to advertising trends and printed in a variety of printing methods. Advertising content typically comprises a larger proportion of magazine publications than newspapers and magazine paper has a larger share going to direct commercial usage.

[3] Source: Pulp and Paper Products Council (PPPC): Supply and Demand, Western European Printing & Writing Papers (February 2019), Pulp and Paper Products Council (PPPC): Supply and Demand, Western European Graphic Papers (February 2019)

Figure: Western European production capacity by type of publication paper and company



*RISI Fastmarkets

Depending on the capacity utilisation of the production facilities of North American paper companies, as well as the strength of the US dollar, the Group's newsprint products sold in Europe also compete with exports to Europe from North America, where the Group's primary competitor is Resolute Forest Products.

4.3.8.2 Competition in Australasia

In Australia and New Zealand, the Group is the only domestic producer of publication paper. The Group faces competition from publication paper imports, mainly from newsprint producers in South Korea and Indonesia, as well as from magazine producers in Japan and Europe. The Group estimates that it currently represent approximately 80% of delivered newsprint volume and approximately 30% of delivered magazine paper volume.

4.4 Legal proceedings

From time to time, the Group is involved in litigation, disputes and other legal proceedings arising in the normal course of its business. Neither the Issuer nor any other company in the Group, including the Guarantors, is, nor has been, during the course of the preceding 12 months involved in any legal, governmental or arbitration proceedings which may have, or have had in the recent past, significant effects on the Issuer's and/or the Group’s financial position or profitability, and the Issuer is not aware of any such proceedings which are pending or threatened.

In December 2017, the Issuer's former parent company, Norske Skogindustrier ASA, and certain of its subsidiaries, including Norske Treindustrier AS and Norske Skog Holding AS, filed for bankruptcy after failing to reach agreements with their creditors. Consequential actions in relation to the bankruptcies have been taken against Jon-Aksel Torgersen and Sven Ombudstvedt in their capacity as chairman of the board and CEO of Norske Skogindustrier ASA, respectively, by way of complaints made to the Conciliation Board. The basis for the claim is that, according to the plaintiffs, Mr Torgersen as the chairman should not have supported and contributed to approve, and that Mr Ombudstvedt as the CEO should not have supported one of several refinancing solutions that were being reviewed, discussed and implemented in 2016, involving a loan and certain other measures to refinance the debts of Norske Skogindustrier ASA, which, according to the plaintiffs, contributed to an unsustainable level of debt in Norske Skogindustrier ASA and eventually resulted in its bankruptcy. The Group is not involved in the claims which have been made and does not consider them to have any significant effects on the Issuer's and/or the Group's financial position or profitability.

4.5 Material contracts outside the ordinary course

Neither the Issuer nor any other member of the Group, including the Guarantors, has entered into any material contracts outside the ordinary course of business for the two years prior to the date of this Prospectus. Further, the Group has not entered into any other contract outside the ordinary course of business that contains any provision under which any member of the Group has any obligation or entitlement that is material to the Group as of the date of this Prospectus.

5. BOARD OF DIRECTORS, MANAGEMENT AND CORPORATE GOVERNANCE

5.1 The Issuer's Board of Directors

The table below sets out the names and details of the members of the board of directors of the Issuer:

Name	***Position***
Jen-Yue (John) Chiang	Chairman
Arvid Gundekjøn	Board member
Anneli Finsrud Nesteng	Board member
Trine-Marie Hagen	Board member
Idunn Gangaune Finnanger	Board member
Paul Kristiansen	Board member
Svein Erik Veie	Board member

The Issuer's registered business address, Sjølyst plass 2, 0278 Oslo, Norway, serves as business address for the members of the Board of Directors in relation to their directorship in the Issuer.

Jen-Yue (John) Chiang, Chairman

Mr. Chiang joined the Board of Directors in October 2018 following Oceanwood's acquisition of the Group and was elected as the Issuer's chairman on 18 September 2019. Mr. Chiang was nominated to the Board of Directors due to his role as the Senior Partner at Oceanwood Capital Management LLP responsible for advising on and overseeing Oceanwood's investment in the Group. Mr. Chiang is based in London, UK and through his position as Senior Partner and Portfolio Adviser at Oceanwood Capital Management LLP he helps identify, evaluate, and recommend investments on behalf of the Oceanwood Group's limited partners and institutional investors. Except for Mr. Chiang's position in Oceanwood Capital Management LLP, he does not have any other principal activities outside the Issuer. Mr. Chiang also serves as the chairman of the Group's parent company NS Norway Holding AS. Mr. Chiang holds a Master of Business Administration from Harvard Business School (USA), and a Bachelor of Science in Industrial Engineering and a Minor in Economics from Stanford University (USA).

Arvid Grundekjøn, Board Member

Mr. Grundekjøn joined the Board of Directors in October 2018. He has previously held various managerial positions, including being the Group CEO of the Awilhelmsen group and the CEO of the companies Royal Caribbean Cruise Line AS, Petrojarl II AS and Spekter GNO II AS. Mr. Grundekjøn also holds political experience as he was the mayor of Kristiansand municipality from 2011 to 2015. Mr. Grundekjøn currently works as an investor and holds several directorships in various companies throughout different industries. In terms of principal activities outside the Issuer, Mr. Grundekjøn is a director of the board of the Strømme Foundation (Strømmestiftelsen) and Sørlandets Art Museum (Sørlandets Kunstmuseum) and the chairman of the AKO Art Foundation (AKO Kunststiftelse) and the Fullriggeren Sørlandet Foundation (Stiftelsen Fullriggeren Sørlandet). Mr. Grundekjøn has attended the Executive education program at Harvard Business School (USA), holds a Master of Law from the University of Oslo (Norway) and a Master of Business and Economics from the Norwegian School of Economics (Norway).

Anneli Finsrud Nesteng, Board Member

Anneli Finsrud Nesteng joined the Board of Directors with effect from the first day of the listing of the Issuer's shares on Oslo Børs, on 18 October 2019. Mrs. Nesteng is the managing director of Hydro Aluminium Rolled Products AS, a company involved in the aluminum industry and part of Norsk Hydro ASA. Mrs. Nesteng has been with Norsk Hydro ASA since 2008 and have held various management positions within Norsk Hydro ASA. Except for Mrs. Nesteng's management position in Hydro Aluminium Rolled Products AS, she does not have any other principal activities outside the Issuer. Mrs. Nesteng does not hold any board or management positions apart from being the managing director of Hydro Aluminium Rolled Products AS. Mrs. Nesteng holds a Master of Science in Industrial Economics Technology Management from Universität Karlsruhe (TH) (Germany).

Trine-Marie Hagen, Board Member

Trine-Marie Hagen joined the Board of Directors with effect from the first day of the listing of the Issuer's shares on Oslo Børs, on 18 October 2019. Mrs. Hagen is the group CFO of Felleskjøpet Agri SA, a supplier of technology and resources to the Norwegian agriculture industry. In addition to being the group CFO, Mrs. Hagen is a member of the board of several of Felleskjøpet Agri SA's subsidiaries. Except for Mrs. Hagen's positions in Felleskjøpet Agri SA and its subsidiaries, she does not have any other principal activities outside the Issuer. Prior to taking on her current position as group CFO of Felleskjøpet Agri SA, Mrs. Hagen was the group CFO of Ekornes AS and prior to that, the group CFO of Mentor Medier AS. Before joining Mentor Medier AS, Mrs. Hagen was an employee of the Former Group. Mrs. Hagen has attended the Norwegian School of Economics (Norway) where she completed their four year programme in economics and business administration consisting of three years at bachelor/undergraduate level and one year at master/graduate level (*Norwegian: Siviløkonom*). She has also completed the first year of law studies (*Norwegian: 1. avdeling*) at the University of Bergen (Norway).

Idunn Gangaune Finnanger, Board Member

Idunn Gangaune Finnanger joined the Board of Directors with effect from the first day of the listing of the Issuer's shares on Oslo Børs, on 18 October 2019. Mrs. Finnanger is employed as Asset Manager and Head of Technology at TrønderEnergi AS, a company with operations within hydraulic power and wind power. Mrs. Finnanger is also the general manager of Driva Kraftverk DA and Usma Kraft AS, both indirect subsidiaries of TrønderEnergi AS. Mrs. Finnanger has been with the TrønderEnergi group her entire career starting as a trainee in 2009 after graduating from the Norwegian University of Science and Technology (NTNU). Except for Mrs. Finnanger's position in TrønderEnergi AS and her directorship in NTNU Accel AS, she does not have any other principal activities outside the Issuer. Mrs. Finnanger holds a Master of Technology, Electric Power Engineering from the Norwegian University of Science and Technology (Norway).

Paul Kristiansen, Board Member

Paul Kristiansen joined the Board of Directors in February 2019 as a director, was elected as an observer on 22 August 2019, before again being appointed as a Board Member with effect from the first day of the listing of the Issuer's shares on Oslo Børs, on 18 October 2019. Mr. Kristiansen is also an employee of the Group, working as a line driver. Mr. Kristiansen serves the function as an employee representative on the Board of Directors, representing the labor union at the Group's Saugbrugs mill in Halden, Norway. In terms of principal activities outside the Issuer, Mr. Kristiansen is the chairman of the Group's Works Council for Norway, the deputy chairman of the Group's European Works Council, a member of the Group's Global

Works Council and a member of the section council of Norwegian United Federation of Trade Unions (Fellesforbundet).

Svein Erik Veie, Board Member

Svein Erik Veie joined the Board of Directors in February 2019 as a director, was elected as an observer on 22 August 2019, before again being appointed as a Board Member with effect from the first day of the listing of the Issuer's shares on Oslo Børs, on 18 October 2019. Mr. Veie is also an employee of the Group, working as a machine operator. Mr. Veie serves the function as an employee representative on the Board of Directors, representing the labor union at the Group's mill in Skogn, Norway. In terms of principal activities outside the Issuer, Mr. Veie is the chairman of the Norwegian United Federation of Trade Unions (Fellesforbundet) department 461, a representative on the Norwegian United Federation of Trade Unions board, a member of the Group's European Works Council and the Group's Global Employee Forum and a member of the Norwegian United Federation of Trade Unions department management forum Trøndelag.

5.2 The Board of Directors of the Guarantors

5.2.1 Nornews A/S

Name	***Position***	***Business address***
Robert Alexander Wood	Chairman	Sjølyst plass 2, 0278 Oslo, Norway

5.2.2 Norske Skog Skogn AS

Name	***Position***	***Business address***
Amund Saxrud	Chairman	Sjøvegen 108, 7620 Skogn, Norway
Lars Peder Sørvaag Sperre	Board member	Sjøvegen 108, 7620 Skogn, Norway
Rune Sollie	Board member	Sjøvegen 108, 7620 Skogn, Norway
Tore Hansesætre	Board member	Sjøvegen 108, 7620 Skogn, Norway
Robert Wood	Board member	Sjøvegen 108, 7620 Skogn, Norway
Svein Erik Veie	Board member (employee representative)	Sjøvegen 108, 7620 Skogn, Norway
Kjetil Bakkan	Board member (employee representative)	Sjøvegen 108, 7620 Skogn, Norway
Frode Letnes	Board member (employee representative)	Sjøvegen 108, 7620 Skogn, Norway

5.2.3 Norske Skog Saugbrugs AS

Name	*Position*	*Business address*
Amund Saxrud	Chairman	Tistedals gate 9-11, 1772 Halden, Norway
Lars Peder Sørvaag Sperre	Board member	Tistedals gate 9-11, 1772 Halden, Norway
Tore Hansesætre	Board member	Tistedals gate 9-11, 1772 Halden, Norway
Rune Sollie	Board member	Tistedals gate 9-11, 1772 Halden, Norway
Robert Wood	Board member	Tistedals gate 9-11, 1772 Halden, Norway
Paul Kristiansen	Board member (employee representative)	Tistedals gate 9-11, 1772 Halden, Norway
Øystein Bruce	Board member (employee representative)	Tistedals gate 9-11, 1772 Halden, Norway
Ole Anders Jansen	Board member (employee representative)	Tistedals gate 9-11, 1772 Halden, Norway

5.2.4 Norske Skog Bruck GmbH

Name	*Position*	*Business address*
Tore Hansesætre	Chairman	Fabriksgasse 10, A-8600 Bruk a.d. Mur, Austria
Lars Peder Sørvaag Sperre	Board member	Fabriksgasse 10, A-8600 Bruk a.d. Mur, Austria
Robert Wood	Board member	Fabriksgasse 10, A-8600 Bruk a.d. Mur, Austria
Andreas Grandl	Board member (employee representative)	Fabriksgasse 10, A-8600 Bruk a.d. Mur, Austria
Kurt Diepold	Board member (employee representative)	Fabriksgasse 10, A-8600 Bruk a.d. Mur, Austria

5.2.5 Norske Skog Golbey SAS

In accordance with French law, Norske Skog Golbey SAS does not have a board of directors.

5.2.6 Norske Skog Industries Australia Limited

Name	***Position***	***Business address***
Sven Ombudstvedt	Chairman	Level 7, 465 Victoria Avenue, Chatswood, NSW 2067, Sydney, Australia
Eric James Luck	Board member	Level 7, 465 Victoria Avenue, Chatswood, NSW 2067, Sydney, Australia
Lars Peder Sørvaag Sperre	Board member	Level 7, 465 Victoria Avenue, Chatswood, NSW 2067, Sydney, Australia
Rune Sollie	Board member	Level 7, 465 Victoria Avenue, Chatswood, NSW 2067, Sydney, Australia
Tore Hansesætre	Board member	Level 7, 465 Victoria Avenue, Chatswood, NSW 2067, Sydney, Australia

5.2.7 Norske Skog (Australasia) Pty Limited

Name	***Position***	***Business address***
Eric James Luck	Chairman	Level 7, 465 Victoria Avenue, Chatswood, NSW 2067, Sydney, Australia
Stephen Howell	Board member	Level 7, 465 Victoria Avenue, Chatswood, NSW 2067, Sydney, Australia
Milo Foster	Board member	Level 7, 465 Victoria Avenue, Chatswood, NSW 2067, Sydney, Australia
Dale Richards	Board member	Level 7, 465 Victoria Avenue, Chatswood, NSW 2067, Sydney, Australia

5.2.8 Norske Skog Paper Mills (Australia) Limited

Name	***Position***	***Business address***
Eric James Luck	Chairman	Level 7, 465 Victoria Avenue, Chatswood, NSW 2067, Sydney, Australia
Stephen Howell	Board member	Level 7, 465 Victoria Avenue, Chatswood, NSW 2067, Sydney, Australia
Dale Richards	Board member	Level 7, 465 Victoria Avenue, Chatswood, NSW 2067, Sydney, Australia

5.2.9 Norske Skog Paper Mills (Albury) Pty. Limited

Name	***Position***	***Business address***
Eric James Luck	Chairman	Level 7, 465 Victoria Avenue, Chatswood, NSW 2067, Sydney, Australia
Stephen Howell	Board member	Level 7, 465 Victoria Avenue, Chatswood, NSW 2067, Sydney, Australia
Milo Foster	Board member	Level 7, 465 Victoria Avenue, Chatswood, NSW 2067, Sydney, Australia

5.2.10 Norske Skog Tasman Limited

Name	***Position***	***Business address***
Eric James Luck	Board member	Level 7, 465 Victoria Avenue, Chatswood, NSW 2067, Sydney, Australia
Susan Flay	Board member	Level 7, 465 Victoria Avenue, Chatswood, NSW 2067, Sydney, Australia
Steve Brine	Board member	Level 7, 465 Victoria Avenue, Chatswood, NSW 2067, Sydney, Australia

5.3 Group Management

The Group's executive management team consists of 6 individuals. The names of the members of Management and their respective positions are presented in the table below. The Issuer's registered business address, Sjølyst plass 2, 0278 Oslo, Norway, serves as business address for all members of the Management in relation to their positions with the Group.

Name	Position
Sven Ombudstvedt	President and Chief Executive Officer
Rune Sollie	Chief Financial Officer
Tore Hansesætre	Senior Vice President Strategic Projects
Lars Peder Sørvaag Sperre	Senior Vice President Corporate Strategy
Robert Wood	Senior Vice President Commercial
Amund Axrud	Chief Operating Officer

None of the members of the Management holds any positions outside the Group that are of significance to their employment as members of the Management.

5.4 Management in the Guarantors

5.4.1 Nornews A/S

The company does not have a management.

5.4.2 Norske Skog Skogn AS

Name	Position
Bjørn Einar Ugedal	CEO/Mill manager
Paul-Anders Ertsås	Finance manager

5.4.3 Norske Skog Saugbrugs AS

Name	Position
Kjell-Arve Kure	CEO/Mill manager
Svein Ove Njåstad	Finance manager

5.4.4 Norske Skog Bruck GmbH

Name	***Position***
Enso Zadra	General manager
Alfred Semlitsch	Finance manager

5.4.5 Norske Skog Golbey SAS

Name	***Position***
Yves Bailly	Managing director
Jean Claude Pierrot	Finance manager

5.4.6 Norske Skog Industries Australia Limited

Name	***Position***
Erik Luck	Regional President
Steve Howell	Vice President SM&L
Nathan Bright	Vice President HR
Christina Cooper	Vice President Finance

5.4.7 Norske Skog (Australasia) Pty Limited

Name	***Position***
Steve Howell	Director and VP SM&L

5.4.8 Norske Skog Paper Mills (Australia) Limited

Name	***Position***
Dale Richards	Director and General Manager

5.4.9 Norske Skog Paper Mills (Albury) Pty. Limited

Name	***Position***
Milo Foster	Director and General Manager

5.4.10 Norske Skog Tasman Limited

Name	***Position***
Steve Brine	Director and General Manager

None of the members of the management of the Guarantors holds any positions outside the Group that are of significance to their employment as members of the management.

5.5 Conflicts of interest

Except for Jen-Yue (John) Chiang who was nominated to the Board of Directors due to his role as Senior Partner and Portfolio Adviser at Oceanwood Capital Management LLP, there are no actual or potential conflicts of interest between the Issuer or the Guarantors and the private interests or other duties of any of the members of their board of directors and their management. No persons involved in the issuance of the Bonds have any interests in it.

5.6 Audit committee

The Board of Directors has established an audit committee consisting of Arvid Grundekjøn (chairman), Jen-Yue (John) Chiang and Trine-Marie Hagen. Mr. Grundekjøn and Ms. Hagen both have relevant qualifications within accounting/auditing and is independent of the Issuer.

The primary purpose of the audit committee will be to act as a preparatory and advisory committee for the Board of Directors in monitoring the Group's internal control of the risk management and financial reporting. This includes but is not limited to:

- all critical accounting policies and practices;
- quality, integrity and control of the Group's financial statements and reports;
- compliance with legal and regulatory requirements;
- qualifications and independence of the external auditors; and
- performance of the internal audit function and external auditors.

The audit committee will report and make recommendations to the Board of Directors, but the Board of Directors will retain responsibility for implementing such recommendations.

5.7 Corporate Governance

The Issuer has adopted and implemented a corporate governance regime which complies with the Norwegian Code of Practice for Corporate Governance last updated 17 October 2018.

6. CORPORATE INFORMATION AND DESCRIPTION OF THE SHARE CAPITAL

6.1 Corporate information

6.1.1 The Issuer

The Issuer's registered and commercial name is "Norske Skog ASA". The Issuer is a public limited liability company organized and existing under the laws of Norway pursuant to the Norwegian Public Limited Companies Act. The Issuer was incorporated in Norway on 5 November 2014 as a private limited liability company. In the extraordinary General Meeting held on 22 August 2019, the Issuer was resolved converted from a private limited liability company to a public limited liability company and the conversion entered into force on 9 September 2019, and at the same time the Issuer's name changed from "Norske Skog AS" to "Norske Skog ASA". The Issuer's registration number in the Norwegian Register of Business Enterprises is 914 483 549 and its LEI code is 529900MYY60WXHHY3039.

The shares in the Issuer were listed on Oslo Børs on 18 October 2019 under the ticker "NSKOG".

The Issuer's registered office is located at Sjølyst plass 2, 0278 Oslo, Norway, and the Issuer's main telephone number at that address is +47 22 51 20 20 and its e-mail is info@norskeskog.com. The Issuer's website can be found at www.norskeskog.com. The content of www.norskeskog.com is not incorporated by reference into this Prospectus, nor does it in any other manner constitute a part of this Prospectus.

6.1.2 The Guarantors

Nornews A/S

The registered and commercial name of Nornews is "Nornews A/S". Nornews is a private limited liability company organized and existing under the laws of Norway pursuant to the Norwegian Private Limited Companies Act. Nornews was incorporated in Norway on 22 May 1968. Nornews' registration number in the Norwegian Register of Business Enterprises is 930 229 482 and its LEI code is 549300G3JCYZQQJVPK89.

Nornews' registered office is located at Sjølyst plass, 0278 Oslo, Norway, and the company's main telephone number at that address is +47 22 51 20 20. The company's website can be found at www.norskeskog.com. The content of www.norskeskog.com is not incorporated by reference into this Prospectus, nor does it in any other manner constitute a part of this Prospectus.

Norske Skog Skogn AS

The registered and commercial name of Norske Skog Skogn is "Norske Skog Skogn AS". Norske Skog Skogn is a private limited liability company organized and existing under the laws of Norway pursuant to the Norwegian Private Limited Companies Act. Norske Skog Skogn was incorporated in Norway on 8 March 2011. The company's registration number in the Norwegian Register of Business Enterprises is 996 732 673 and its LEI code is 549300WDDXENMZB59N36.

Norske Skog Skogn's registered office is located at Sjøvegen 108, 7620 Skogn, Norway, and the company's main telephone number at that address is +47 74 08 70 00. The company's website can be found at www.norskeskog.com. The content of www.norskeskog.com is not incorporated by reference into this Prospectus, nor does it in any other manner constitute a part of this Prospectus.

Norske Skog Saugbrugs AS

The registered and commercial name of Norske Skog Saugbrugs is "Norske Skog Saugbrugs AS". Norske Skog Saugbrugs is a private limited liability company organized and existing under the laws of Norway pursuant to the Norwegian Private Limited Companies Act. Norske Skog Saugbrugs was incorporated in Norway on 8 March 2011. The company's registration number in the Norwegian Register of Business Enterprises is 996 732 703 and its LEI code is 529900F6BNUR3RJ2WH29.

Norske Skog Saugbrugs' registered office is located at Tistedals gate 9-11, 1772 Halden, Norway, and the company's main telephone number at that address is +47 69 17 40 00. The company's website can be found at www.norskeskog.com. The content of www.norskeskog.com is not incorporated by reference into this Prospectus, nor does it in any other manner constitute a part of this Prospectus.

Norske Skog Bruck GmbH

The registered and commercial name of Norske Skog Bruck is "Norske Skog Bruck GmbH". Norske Skog Bruck is a private limited liability company (*German: Gesellschaft mit beschränkter Haftung*) organized and existing under the laws of Austria pursuant to the Austrian Limited Liability Companies Act. Norske Skog Bruck is registered with the Regional Court of Leoben under FN 140650 p and its LEI code is 529900M0GIRZAYZHJZ28. The company was incorporated in Austria on 17 September 1996.

Norske Skog Bruck's registered office is located at Fabriksgasse 10, 8600 Bruck, Austria, and the company's main telephone number at that address is +43 3862 800-0. The company's website can be found at www.norskeskog.com. The content of www.norskeskog.com is not incorporated by reference into this Prospectus, nor does it in any other manner constitute a part of this Prospectus.

Norske Skog Golbey SAS

The registered and commercial name of Norske Skog Golbey is "Norske Skog Golbey SAS". Norske Skog Golbey is a simplified joint-stock company (*French: Société par actions simplifiée à associé unique*) organized and existing under the laws of France pursuant to the French Company Act. Norske Skog Golbey was incorporated in France on 4 September 1989. The company's registration number is R.C.S. Epinal 349 690 644 and its LEI code is 894500TVYLH4Z7FJW174.

Norske Skog Golbey's registered office is located at route Jean-Charles Pellerin, 88190 Golbey, France, and the company's main telephone number at that address is + 333 29 68 68 68. The company's website can be found at www.norskeskog-golbey.com. The content of www.norskeskog-golbey.com is not incorporated by reference into this Prospectus, nor does it in any other manner constitute a part of this Prospectus.

Norske Skog Industries Australia Limited

The registered and commercial name of Norske Skog Industries Australia is "Norske Skog Industries Australia Limited". Norske Skog Industries Limited is a public company limited by shares organized and existing under the laws of New South Wales pursuant to the Corporations Law. Norske Skog Industries Australia was incorporated in Australia on 22 November 1989. The company's registration number is Australian Company Number (ACN) 033 902 985 and its LEI code is 894500XZB9YUWE812Q47.

Norske Skog Industries Australia's registered office is located at Level 7, 465 Victoria Avenue, Chatswood, NSW 2067, Sydney, Australia and the company's main telephone number at that address is +61 2 8268 2000 . The company's website can be found at www.norskeskog.com. The content of www.norskeskog.com is not incorporated by reference into this Prospectus, nor does it in any other manner constitute a part of this Prospectus.

Norske Skog (Australasia) Pty Limited

The registered and commercial name of Norske Skog (Australasia) is "Norske Skog (Australasia) Pty Limited". Norske Skog (Australasia) is a proprietary company limited by shares organized and existing under the laws of New South Wales pursuant to the Corporations Law. Norske Skog Industries Australia was incorporated in Australia on 6 April 1987. The company's registration number is (ACN) 003 274 673 and its LEI code is 894500Z1NHP0URDZ0284.

The registered office of Norske Skog (Australia) is located at Suite 7.02, Level 7, 465 Victoria Avenue, Chatswood NSW 2067, Australia and the company's main telephone number at that address is +61 2 8268 2000. The company's website can be found at www.norskeskog.com. The content of www.norskeskog.com is not incorporated by reference into this Prospectus, nor does it in any other manner constitute a part of this Prospectus.

Norske Skog Paper Mills (Australia) Limited

The registered and commercial name of Norske Skog Paper Mills (Australia) is "Norske Skog Paper Mills (Australia) Limited". Norske Skog Paper Mills (Australia) is a public company limited by shares organized and existing under the laws of Tasmania pursuant to the Corporations Law. Norske Skog Paper Mills (Australia) was incorporated in Australia on 15 March 1938. The company's registration number is (ACN) 009 477 132 and its LEI code is 894500Z1CELHKSQ7OY34.

The registered office of Norske Skog Paper Mills (Australia) is located at Boyer, Tasmania 7140 Australia, and the company's main telephone number at that address is +61 3 6261 0111. The company's website can be found at www.norskeskog.com. The content of www.norskeskog.com is not incorporated by reference into this Prospectus, nor does it in any other manner constitute a part of this Prospectus.

Norske Skog Paper Mills (Albury) Pty. Limited

The registered and commercial name of Norske Skog Paper Mills (Albury) is "Norske Skog Paper Mills (Albury) Pty. Limited". Norske Skog Paper Mills (Albury) is a proprietary company limited by shares organized and existing under the laws of New South Wales pursuant to the Corporations Act 2001. Norske Skog Paper Mills (Albury) was incorporated in Australia on 29 August 1995. The company's registration number is (ACN) 070 866 607 and its LEI code is 894500Z1HY597S23CI89.

The registered office of Norske Skog Paper Mills (Albury) is located at Hume Highway, Albury NSW 2640, Australia, and the company's main telephone number at that address is +61 2 6058 3111. The company's website can be found at www.norskeskog.com. The content of www.norskeskog.com is not incorporated by reference into this Prospectus, nor does it in any other manner constitute a part of this Prospectus.

Norske Skog Tasman Limited

The registered and commercial name of Norske Skog Tasman is "Norske Skog Tasman Limited". Norske Skog Tasman is a NZ limited company organized and existing under the laws of New Zealand. Norske Skog Tasman was incorporated in New Zealand on 25 July 2000. The company's registration number (NZBN) is 9429037204204 and its LEI code is 2549009YRCTHGNEUHP57.

The registered office of Norske Tasman is located at Fletcher Avenue, Kawerau, New Zealand, and the company's main telephone number at that address is +64 7 323 3999. The company's website can be found at www.norskeskog.com. The content of www.norskeskog.com is not incorporated by reference into this Prospectus, nor does it in any other manner constitute a part of this Prospectus.

6.2 Legal structure

6.2.1 The Issuer

The Issuer is the parent company of the Group. Its activities consist of holding shares in the operating companies and carrying out the head office functions of the Group. Thus, the Issuer does not generate any cash itself and is dependent on cash generation and distribution from its subsidiaries.

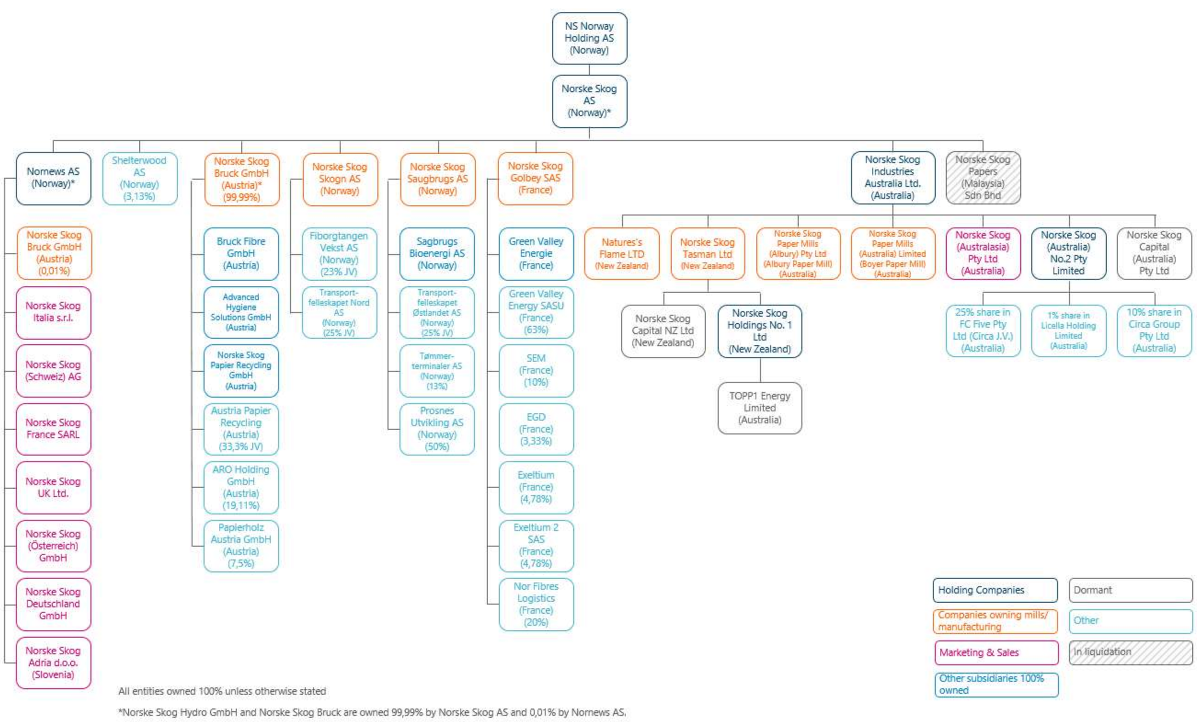
As of the date of this Prospectus, Oceanwood holds, through its wholly owned holding company NS Norway Holding AS, 63.23% of the shares in the Issuer.

No particular measures have been put in place to ensure that control is not abused by large shareholders. Minority shareholders are protected against abuse by relevant regulations in, inter alia, the Norwegian Public Limited Companies Act and the Norwegian Securities Trading Act.

6.2.2 The Group

The Group is headquartered in Oslo, Norway, and has operations in Norway, France, Austria, Australia and New Zealand.

The Group consists of a large number of subsidiaries, both Norwegian and foreign subsidiaries. All of the Issuer's subsidiaries are private limited liability companies incorporated under the laws of the applicable country of incorporation. The figure below illustrates the Group's structure as at the date of this Prospectus.



All the operating companies in Europe are directly owned by the Issuer, including Norske Skog Skogn AS, Norske Skog Saugbrugs AS, Norske Skog Bruck GmbH and Norske Skog Golbey SAS, while the European sales offices are owned by a direct subsidiary of the Issuer, Nornews A/S. The operating companies in Australia and New Zealand, including Norske Skog Paper Mills (Albury) Pty. Limited, Norske Skog Paper Mills (Australia) Limited and Norske Skog Tasman Limited, and the sales office for the Australasian region (Norske Skog (Australasia)

Pty Limited), are all owned by a direct subsidiary of the Issuer, Norske Skog Industries Australia Limited, which serves as a regional holding company.

The table below sets out brief information about subsidiaries directly owned by the Issuer:

Company	Country of incorporation	Activity	Ownership interest	Material
Nornews A/S	Norway	Holding company	100%	No
Norske Skog Bruck GmbH	Austria	Factory	99.99%[1]	Yes
Norske Skog Golbey SAS	France	Factory	100%	Yes
Norske Skog Industries Australia Limited	Australia	Holding company	100%	Yes
Norske Skog Papers (Malaysia) Sdn. Bhd.	Malaysia	In liquidation	100%	No
Norske Skog Saugbrugs AS	Norway	Factory	100%	Yes
Norske Skog Skogn AS	Norway	Factory	100%	Yes

1 The remaining 0.01% of the shares in Norske Skog Bruck GmbH is held by Nornews A/S.

The table below sets out brief information about the subsidiaries owned by other companies in the Group (consolidated companies):

Company	Country of incorporation	Activity	Ownership interest	Material
Advanced Hygiene Solution GmbH	Austria	Other	100%	No
Bruck Fibre GmbH.................................	Austria	Other	100%	No
Green Valley Energie.............................	France	Other	100%	No
Norske Skog Adria d.o.o	Slovenia	Sales office	100%	No
Norske Skog (Australasia) Pty Limited......	Australia	Sales office	100%	Yes
Norske Skog (Australia) No. 2 Pty Ltd.	Australia	Holding company	100%	No
Norske Skog Capital (Australia) Pty Ltd. ...	Australia	Dormant	100%	No
Norske Skog Capital (New Zealand) Ltd....	New Zealand	Dormant	100%	No
Norske Skog Deutschland GmbH.............	Germany	Sales office	100%	No
Norske Skog France SARL.......................	France	Sales office	100%	No
Norske Skog Holdings (No. 1) Ltd.	New Zealand	Holding company	100%	No
Nature's Flame Ltd................................	New Zealand	Factory	100%	No
Norske Skog Italia SrL...........................	Italy	Sales office	100%	No
Norske Skog Paper Mills (Australia) Limited.	Australia	Factory	100%	Yes
Norske Skog Papier Recycling GmbH	Austria	Other	100%	No
Norske Skog Tasman Limited.	New Zealand	Factory	100%	Yes
Norske Skog Österreich GmbH	Austria	Sales office	100%	No
Norske Skog (Schweiz) AG......................	Switzerland	Sales office	100%	No
Norske Skog (UK) Ltd............................	United Kingdom	Sales office	100%	No
Norske Skog Paper Mills (Albury) Pty Limited	Australia	Factory	100%	Yes
Saugbrugs Bioenergi AS	Norway	Factory	100%	No
Topp1 Energy Limited	New Zealand	Dormant	100%	No

The table below sets out brief information about shares included as financial assets owned by the Issuer or other companies within the Group:

Company	Country of incorporation	Activity and ownership	Ownership interest	Material
Shelterwood AS	Norway	Forestry investment company. Owned by the Issuer.	3%	No

Company	Country of incorporation	Activity and ownership	Ownership interest	Material
Circa Group Pty Ltd	Australia	Holding company. Owned by other Group Companies.	10%	No
Exeltium SAS	France	Energy company. Owned by other Group Companies.	5%	No
Exeltium 2 SAS	France	Energy company. Owned by other Group Companies.	5%	No
Licella Holding Limited.	Australia	Energy research company. Owned by other Group Companies.	1%	No
SEM	France	Local development company. Owned by other Group Companies.	10%	No

As at the date of this Prospectus, the Issuer is of the opinion that its holdings in the entities specified above are not likely to have a significant effect on the assessment of the Issuer's own assets and liabilities, financial condition or profit or losses.

6.2.3 Restructurings

See Section 4.2.1 "Historic development" for a brief description of the changes to the Group structure in connection with the bankruptcy of Norske Skogindustrier ASA.

6.3 Shareholders agreements

To the knowledge of the Issuer, there are no shareholders' agreements related to the shares in the Issuer or the Guarantors.

7. FINANCIAL INFORMATION

7.1 Financial statements

7.1.1 The Issuer

The Issuer has prepared consolidated audited financial statement as of, and for the years ended, 31 December 2018 and 31 December 2017, included as Appendix B to this Prospectus. The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). The financial statements have been audited by BDO AS, and the audit reports are included together with the financial statements in Appendix B.

The historical financial information is available on display as set out in section 9.2 "Documents on display" of this Prospectus.

7.1.2 The Norwegian Guarantors

Each of Nornews A/S, Norske Skog Skogn AS and Norske Skog Saugbrugs AS has prepared audited financial statement as of, and for the years ended, 31 December 2018 and 31 December 2017, included as Appendix C, Appendix D and Appendix E, respectively, to this Prospectus. The financial statements for each of the Norwegian Guarantors have been prepared in accordance with section 3-9 of the Norwegian Accounting Act 1998 and the regulation for "simplified IFRS" adopted by the Norwegian Ministry of Finance (*Norwegian: Finansdepartementet*) on 3 November 2014 (*Norwegian: Forskrift om forenklet IFRS av 3. November 2014)*. The financial statements for each the Norwegian Guarantors have been audited by BDO AS, and the audit reports are included together with the financial statements in Appendix C, Appendix D and Appendix E, respectively.

The historical financial information is available on display as set out in section 9.2 "Documents on display" of this Prospectus.

7.1.3 Norske Skog Bruck GmbH

Norske Skog Bruck GmbH has prepared audited financial statement as of, and for the years ended, 31 December 2018 and 31 December 2017, included as Appendix F to this Prospectus. The financial statements have been prepared in accordance with the Austrian Commercial Code (UGB), as amended. The financial statements have been audited by BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, and the audit reports are included together with the financial statements in Appendix F.

The historical financial information is available on display as set out in section 9.2 "Documents on display" of this Prospectus.

7.1.4 Norske Skog Golbey SAS

Norske Skog Golbey SAS has prepared audited financial statement as of, and for the years ended, 31 December 2018 and 31 December 2017, included as Appendix G to this Prospectus. The financial statements have been prepared in accordance with French accounting principles. The financial statements have been audited by BDO France, and the audit reports are included together with the financial statements in Appendix G.

The historical financial information is available on display as set out in section 9.2 "Documents on display" of this Prospectus.

7.1.5 The Australian Guarantors

Norske Skog Industries Australia Limited

Norske Skog Industries Australia Limited has prepared consolidated audited financial statement as of, and for the years ended, 31 December 2018 and 31 December 2017, included as Appendix H to this Prospectus. The financial statements includes financial statements for Norske Skog Industries Australia Limited as a consolidated entity consisting of Norske Skog Industries Australia Limited and its subsidiaries.

The financial statements have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other interpretations and authoritative pronouncements of the Australian Accounting Standard Board, and the Corporation Act 2001, as appropriate for profit orientated entities. For further information regarding accounting policies and the use of estimates and judgments, please refer to note 1 of the financial statements for the years ended 31 December 2018 and 31 December 2017.

The financial statements have been audited by BDO East Coast Partnership, and the audit reports are included together with the financial statements in Appendix H.

The historical financial information is available on display as set out in section 9.2 "Documents on display" of this Prospectus.

Norske Skog (Australasia) Pty Limited

Norske Skog (Australasia) Pty Limited has prepared audited financial statement as of, and for the years ended, 31 December 2018 and 31 December 2017, included as Appendix I to this Prospectus. The financial statements have been prepared in accordance with the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the disclosure requirements of; AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1048 'Interpretation of Standards' and AASB 1054 'Australian Additional Disclosures' as appropriate for for-profit oriented entities with the exception of Interpretation 1052 'Tax Consolidation Accounting', the presentation of a Statement of Changes in Equity and AASB 9 'Financial Instruments' which has not been applied to related party balances only; related party balances have been valued at their nominal amount.. The financial statements have been audited by BDO East Coast Partnership, and the audit reports are included together with the financial statements in Appendix I.

The historical financial information is available on display as set out in section 9.2 "Documents on display" of this Prospectus.

Norske Skog Paper Mills (Australia) Limited

Norske Paper Mills (Australia) Limited has prepared audited financial statement as of, and for the years ended, 31 December 2018 and 31 December 2017, included as Appendix J to this Prospectus. The financial statements have been prepared in accordance with the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the disclosure requirements of; AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1048 'Interpretation of Standards' and AASB 1054 'Australian Additional Disclosures' as appropriate for for-profit oriented entities with the exception of Interpretation 1052 'Tax Consolidation Accounting', the presentation of a Statement of Changes in Equity and AASB 9 'Financial Instruments' which has not been applied to related party balances only; related party balances have been valued at their nominal amount.. The financial statements have been audited by BDO East Coast Partnership, and the audit reports are included together with the financial statements in Appendix J.

The historical financial information is available on display as set out in section 9.2 "Documents on display" of this Prospectus.

Norske Skog Paper Mills (Albury) Pty. Limited

Norske Skog Paper Mills (Albury) Pty. Limited has prepared audited financial statement as of, and for the years ended, 31 December 2018, included as Appendix K to this Prospectus.

The financial statements have been prepared in accordance with the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the disclosure requirements of; AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1048 'Interpretation of Standards' and AASB 1054 'Australian Additional Disclosures' as appropriate for for-profit oriented entities with the exception of Interpretation 1052 'Tax Consolidation Accounting', the presentation of a Statement of Changes in Equity and AASB 9 'Financial Instruments' which has not been applied to related party balances only; related party balances have been valued at their nominal amount..

The financial statements have been audited by BDO East Coast Partnership, and the audit reports are included together with the financial statements in Appendix K. The auditor's report contains the following qualification as the Albury mill was acquired by the company on 1 July 2018:

"The assets, liabilities and trading activities of the Albury Mill were previously included within the financial report of a related entity, Norske Skog Paper Mills (Australia) Ltd, until 1 July 2018 when they were acquired by [Norske Skog Paper Mills (Albury) Pty. Limited]. As disclosed in note 3, this was considered a business combination under common control as both entities involved in the transaction were 100% owned subsidiaries of Norske Skog Industries Australia Limited.

We were unable to attend to observe the counting of the physical inventories held in Albury, being $18,559,833, at the acquisition date, and we were unable to satisfy ourselves by alternative means concerning inventory quantities held in Albury's warehouse at 1 July 2018. Since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the income for the year reported in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of [Norske Skog Paper Mills (Albury) Pty. Limited]in accordance with ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion."

The historical financial information is available on display as set out in section 9.2 "Documents on display" of this Prospectus.

7.1.6 Norske Skog Tasman Limited

Norske Skog Tasman Limited has prepared consolidated audited financial statement as of, and for the years ended, 31 December 2018 and 31 December 2017, included as Appendix L to this Prospectus. The financial statements includes financial statements for Norske Skog Tasman as a consolidated entity consisting of Norske Skog Tasman and its subsidiaries.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and comply with the New Zealand International Financial Reporting Standard Reduced Disclosure Regime (NZ IFRS RDR). For further information regarding accounting policies, please refer to note 2 of the financial statements for the years ended 31 December 2018 and 31 December 2017.

The financial statements have been audited by BDO Auckland, and the audit reports are included together with the financial statements in Appendix L.

The historical financial information is available on display as set out in section 9.2 "Documents on display" of this Prospectus.

7.2 Significant change in the financial performance

There have been no significant changes in the Group's financial performance since 30 September 2019.

8. RECENT DEVELOPMENTS AND TRENDS

The Group has in the first half of 2019 seen increasing selling prices for its products in Europe compared to the first and second half of 2018. Improved conditions for sourcing of energy and logistic in Norway have contributed to improve the profitability of the Group's Norwegian paper mills, which is expected to positively impact the Group's performance going forward.

However, newsprint prices in the export markets, especially in Asia, but also in the Middle East, have come down from the very high levels seen in the latter part of 2018 driven by weaker market balance. Prices and volumes in Asia and Europe have trended downwards entering second half of 2019, which may potentially have material effect on the Group's performance in the current financial year.

In addition, on 8 August 2019, the Norwegian Ministry of Climate and Environment amended the Norwegian Environment Agency's decision of 19 December 2013 on the basis for CO2 compensation for Norske Skog Saugbrugs AS, the operating company for the Group's Saugbrugs mill in Norway. As a result, Norske Skog Saugbrugs AS will receive full CO2-compensation for the Saugbrugs mill pursuant to the regulation of CO2-compensation of 26 September 2013 for the years 2018, 2019 and 2020 instead of reduced CO2-compensation. The future CO2-compensation depends on the CO2 quota price, but this will have a positive effect on the Issuer's financial performance going forward, all else equal.

The Norwegian Ministry of Climate and Environment's decision is contingent on the Norwegian Parliament increasing its total grant to Norwegian companies related to CO2-compensation in order to provide full CO2-compensation to Norske Skog Saugbrugs AS.

9. ADDITIONAL INFORMATION

9.1 Third party information

Part of the information given in the Prospectus has been sourced from third parties. Where information in this Prospectus has been sourced from a third party, the Issuer confirms that this information has been accurately reproduced and that, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

9.2 Documents on display

Copies of the following documents is available for inspection at the offices of the Issuer at Sjølyst plass 2, 0278, Oslo, Norway, during normal business hours from Monday to Friday each week (except public holidays) for the term of this Prospectus:

a) articles of association and certificate of registration of the Issuer;

b) the guarantee agreement;

c) 2017 and 2018 annual account for the Issuer;

d) 2017 and 2018 annual account for Norske Skog Skogn AS;

e) 2017 and 2018 annual account for Norske Skog Saugbrugs AS;

f) 2017 and 2018 annual account for Norske Skog Bruck GmbH;

g) 2017 and 2018 annual account for Norske Skog Golbey SAS;

h) 2017 and 2018 annual account for Norske Skog Industries Australia Limited;

i) 2017 and 2018 annual account for Norske Skog (Australasia) Pty Limited;

j) 2017 and 2018 annual account for Norske Skog Paper Mills (Australia) Limited;

k) 2017 and 2018 annual account for Norske Skog Paper Mills (Albury) Pty. Limited; and

l) 2017 and 2018 annual account for Norske Skog Tasman Limited.

9.3 Auditors

9.3.1 The Issuer and the Norwegian Guarantors

The Issuer’s and the Norwegian Guarantors' auditor is BDO AS, company registration number 993 606 650 with registered business address Munkedamsveien 45 A, N-0250 Oslo, Norway.

The partners of BDO AS are members of the Norwegian Institute of Public Accountants (*Norwegian: Den Norske Revisorforeningen*).

9.3.2 The Australian Guarantors

The Australian Guarantors' auditor is BDO East Coast Partnership, company registration number ABN 83 236 985 726 with registered business address Level 11, 1 Margaret St, Sydney, NSW 2000, Australia.

The partners of BDO East Coast Partnership are members of Institute of Chartered Accountants Australia and New Zealand.

9.3.3 Norske Skog Tasman Limited

Norske Skog Tasman's auditor is BDO Auckland, with registered business address Level 4, Building A, BDO Centre, 4 Graham Street, Auckland 1010, New Zealand.

The partners of BDO Auckland are members of Chartered Accountants Australia and New Zealand.

9.3.4 Norske Skog Bruck GmbH

Norske Skog Bruck's auditor is BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, company registration number 96046 w with registered business address QBC 4 Am Belvedere 4 Eingang, Karl-Popper-Straße 4, 1100 Wien, Austria.

The partners of BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft are members of chamber of tax advisers and auditors (*German: Kammer der Steuerberater und Wirtschaftsprüfer*).

9.3.5 Norske Skog Golbey SAS

Norske Skog Golbey's auditor is BDO France – Léger & Associés, company registration number 480 307 131 with registered business address 43-47 avenue de la Grande Armée – 75116 Paris, France.

The partner of BDO France, Eric Picarle, is member of CNCC (*French: Compagnie Nationale des Commissaires aux Comptes*).

9.4 The auditors' review

The auditors of the Issuer and the Guarantors have not audited, reviewed or produced any report on any other information provided in this Prospectus.

9.5 Advisor

Advokatfirmaet Wiersholm AS, with business address Dokkveien 1, 0250 Oslo, has acted as legal advisor to the Issuer.

10. DEFINITIONS AND GLOSSARY OF TERMS

Australian Guarantors	Norske Skog Industries Australia Limited, Norske Skog (Australasia) Pty Limited, Norske Skog Paper Mills Albury Pty. Limited and Norske Skog Paper Mills (Australia) Limited.
Bonds or the Bond Issue	The bonds issued by the Issuer under the name Norske Skog AS 19/22 FRN C.
Bond Terms	The bond terms dated 13 June 2019, entered into between the Issuer and Nordic Trustee AS as the bond trustee.
EU Prospective Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017.
Finance Documents	the Bond Terms, the Bond Trustee Fee Agreement, the Intercreditor Agreement, any Transaction Security Document, the Escrow Account Pledge, Any Security Agent Agreement and any other document designated by the Issuer and the Bond Trustee as a Finance Document.
Former Group	The Group and its prior Norske Skog group of companies.
Group	The Issuer together with its subsidiaries and its direct and indirect controlling entities.
Guarantee Facility	A guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument in respect of an underlying liability in the ordinary course of business of a Group Company granted by a Issuing Bank.
Intercreditor Agreement	The intercreditor agreement dated 24 June 2019 entered into between, among others, the Issuer and Nordic Trustee AS as security agent.
Issuer	Norske Skog ASA, a Norwegian public limited liability company with registration number 914 483 549.
Issuing Bank	A financial institution granting a guarantee facility to the Issuer.
NFSA	Financial Supervisory Authority of Norway (*Norwegian: Finanstilsynet*)
Norwegian Guarantors	Nornews A/S, Norske Skog Skogn AS and Norske Skog Saugbrugs AS.
Norwegian Securities Trading Act	Norwegian Securities Trading Act of 29 June 2007 no. 75.
NSF	The Norwegian Securitisation Facility granted by Oceanwood to the Issuer.
Oceanwood	Oceanwood Special Situations Malta Limited.
Permitted Hedging	A derivative transaction entered into with one or more hedge counterparties for the obligations of any Group Company.
Prospectus	This Prospectus, dated 26 November 2019.

RCF	The EUR 31 million revolving credit facility granted by DNB Bank ASA.
Secured Parties	The creditors under the RCF, the Issuing Bank and the hedge counterparties under a Permitted Hedging.
U.S Securities Act	The United States Securities Act of 1933, as amended.

Norske Skog ASA

Sjølyst plass 2, 0278 Oslo, Norway

phone: +47 22 51 20 20

e-mail: info@norskeskog.com

Internet: www.norskeskog.no

BOND TERMS

FOR

Norske Skog AS FRN senior secured EUR 125,000,000 bonds 2019/2022

ISIN NO0010856123

Contents

Clause **Page**

BOND TERMS between	
ISSUER:	Norske Skog AS, a company existing under the laws of Norway with registration number 914 483 549 and LEI-code 529900MYY60WXHHY3039; and
BOND TRUSTEE:	Nordic Trustee AS, a company existing under the laws of Norway with registration number 963 342 624 and LEI-code 549300XAKTM2BMKIPT85.
DATED:	13 June 2019
These Bond Terms shall remain in effect for so long as any Bonds remain outstanding.	

1. INTERPRETATION

1.1 Definitions

The following terms will have the following meanings:

"**Adjusted Net Profit**" means the Group's consolidated net profit (or loss) in accordance with GAAP according to the latest Annual Financial Statements, adjusted as follows:

(a) any loss or gain against book value arising from a disposal of assets shall be added back or deducted, respectively;

(b) any unrealised loss or gain against fair value of derivatives and commodity contracts and other mark-to-market effects of hedging shall be added back or deducted, respectively;

(c) any depreciation or appreciation charges made shall be added back; and

(d) any Maintenance Capex shall be deducted.

"**Affiliate**" means, in relation to any person:

(a) any person which is a Subsidiary of that person;

(b) any person who has Decisive Influence over that person (directly or indirectly); and

(c) any person which is a Subsidiary of an entity who has Decisive Influence (directly or indirectly) over that person.

"**Annual Financial Statements**" means the audited unconsolidated and consolidated annual financial statements of the Issuer for any financial year, prepared in accordance with GAAP, such financial statements to include a profit and loss account, balance sheet, cash flow statement, report of the board of directors and segment reporting commenting specifically on productions volumes, revenues and gross operating margins from the relevant business segments.

"**Attachment**" means any schedule, appendix or other attachment to these Bond Terms.

"**Australia**" means the Commonwealth of Australia.

"**Australian Controller**" has the meaning given to the term "controller" in section 9 of the Australian Corporations Act.

"**Australian Corporations Act**" means the Corporations Act 2001 (Australia).

"**Australian PPSA**" means the Personal Property Securities Act 2009 (Australia).

"**Bond Terms**" means these terms and conditions, including all Attachments which shall form an integrated part of these Bond Terms, in each case as amended and/or supplemented from time to time.

"**Bond Trustee**" means the company designated as such in the preamble to these Bond Terms, or any successor, acting for and on behalf of the Bondholders in accordance with these Bond Terms.

"**Bond Trustee Fee Agreement**" means the agreement entered into between the Issuer and the Bond Trustee relating among other things to the fees to be paid by the Issuer to the Bond Trustee for its obligations relating to the Bonds.

"**Bondholder**" means a person who is registered in the CSD as directly registered owner or nominee holder of a Bond, subject however to Clause 3.3 (*Bondholders' rights*).

"**Bondholders' Meeting**" means a meeting of Bondholders as set out in Clause 15 (*Bondholders' Decisions*).

"**Bonds**" means the debt instruments issued by the Issuer pursuant to these Bond Terms.

"**Boyer Wood Mill Security**" means the mortgage over the forest estates in Tasmania, Australia, owned by Norske Skog Paper Mills (Australia) Limited to the benefit of and under a wood mill lease agreement with BIS Industries Limited.

"**Bruck Boiler**" means a new waste incinerator at the Bruck mill, generating steam and electricity through on-site turbines, to be utilised in the paper production.

"**Bruck Boiler Facility**" means any Financial Indebtedness incurred by Norske Skog Bruck GmbH and/or its Subsidiary owning the Bruck Boiler, provided by a recognised bank or financial institution, up to an amount of EUR 58,000,000, for the purpose of funding the construction and development of the Bruck Boiler.

"**Bruck Boiler Security**" means the following security that may be used to secure the Group's obligations under the Bruck Boiler Facility:

(a) mortgages over the real property of the Bruck mill owned by Norske Skog Bruck GmbH;

(b) mortgages over plant and machinery directly related to and required for the operation of the Bruck Boiler;

(c) a pledge over any account in the name of Norske Skog Bruck GmbH, its Subsidiary owning the Bruck Boiler or any joint venture sourcing materials to be used as fuel in the boiler;

(d) a pledge over the shares in Norske Skog Bruck GmbH's Subsidiary owning the Bruck Boiler and/or any joint venture sourcing materials to be used as fuel in the boiler;

(e) an assignment of insurances policies for the project; and

(f) a guarantee by the Issuer in an amount not exceeding EUR 20,000,000.

"**Business Day**" means a day on which both the relevant CSD settlement system is open, and which is a TARGET Day.

"**Business Day Convention**" means that if the last day of any Interest Period originally falls on a day that is not a Business Day, the Interest Period will be extended to include the first following Business Day unless that day falls in the next calendar month, in which case the Interest Period will be shortened to the first preceding Business Day (*Modified Following)*.

"**Call Option**" has the meaning given to it in Clause 10.2 (*Voluntary early redemption – Call Option*).

"**Call Option Repayment Date**" means the settlement date for the Call Option determined by the Issuer pursuant to paragraph (c) of Clause 10.2 (*Voluntary early redemption – Call Option*) or a date agreed upon between the Bond Trustee and the Issuer in connection with such redemption of Bonds.

"**Change of Control Event**" means if any person or group of persons under the same Decisive Influence in aggregate, other than any person or group under Decisive Influence by Oceanwood Capital Management Ltd., becomes the owner, directly or indirectly, of 50.00 per cent. or more of the outstanding shares and/or voting capital of the Issuer.

"**Claw Back Repayment Date**" means the settlement date for the Claw Back determined by the Issuer pursuant to Clause 10.6 (*Equity Claw Back*) or a date agreed upon between the Bond Trustee and the Issuer in connection with such redemption of Bonds.

"**Compliance Certificate**" means a statement substantially in the form as set out in Attachment 1 hereto.

"**CSD**" means the central securities depository in which the Bonds are registered, being Verdipapirsentralen ASA (VPS).

"**Decisive Influence**" means a person having, as a result of an agreement or through the ownership of shares or interests in another person (directly or indirectly):

(a) a majority of the voting rights in that other person; or

(b) a right to elect or remove a majority of the members of the board of directors of that other person.

"**Default Notice**" means a written notice to the Issuer as described in Clause 14.2 (*Acceleration of the Bonds*).

"**Default Repayment Date**" means the settlement date set out by the Bond Trustee in a Default Notice requesting early redemption of the Bonds.

"**Distribution**" means declaring or making any dividend payment, repurchasing shares or making loans or other distributions including servicing or repaying any Shareholder Loans.

"**EBITDA**" means, in respect of the Relevant Period, the consolidated operating profit of the Group according to the latest Financial Report(s):

(a) before deducting any amount of tax on profits, gains or income paid or payable by any member of the Group;

(b) before deducting any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalised by any Group Company (calculated on a consolidated basis) in respect of that period;

(c) excluding any transaction costs incurred in connection with the issuance of the Bonds;

(d) excluding any items (positive or negative) of a one off, non-recurring, extraordinary, unusual or exceptional nature (including, without limitation, restructuring expenditures) not exceeding 5 per cent. of EBITDA for any Relevant Period;

(e) before taking into account any unrealised gains or losses on any derivative instrument (other than any derivative instruments which are accounted for on a hedge account basis);

(f) excluding the charge to profit represented by the expensing of stock options;

(g) after adding back or deducting, as the case may be, the amount of any loss or gain against book value arising on a disposal of any asset (other than in the ordinary course of trading) and any loss or gain arising from an upward or downward revaluation of any asset;

(h) after deducting the amount of any profit (or adding back the amount of any loss) of any member of the Group which is attributable to minority interests;

(i) after adding back or deducting, as the case may be, the Group's share of the profits or losses of entities which are not part of the Group;

(j) after adding back any losses to the extent covered by any insurance (covering loss of profits, business interruption or delay in start-up);

(k) before taking into account any income or charge attributable to a post-employment benefit scheme other than the current service costs attributable to the scheme; and

(l) after adding back any amount attributable to the amortisation, depreciation or depletion of assets of members of the Group.

"**Equity Claw Back**" shall have the meaning ascribed to such term in Clause 10.6 (*Equity Claw Back*).

"**Escrow Account**" means a EUR account in the name of the Issuer, pledged and blocked on first priority as security for the Issuer's obligations under the Finance Documents.

"**Escrow Account Pledge**" means the pledge over the Escrow Account, where the bank operating the account has waived any set-off rights.

"**Event of Default**" means any of the events or circumstances specified in Clause 14.1 (*Events of Default*).

"**Exchange**" means:

(a) Oslo Børs (the Oslo Stock Exchange); or

(b) any reputable regulated market as such term is understood in accordance with the Markets in Financial Instruments Directive (Directive 2004/39/EC) or the Markets in Financial Instruments Directive 2014/65/EU (MiFID II), as applicable.

"**Factoring Facility**" means the EUR 40,000,000 factoring facility provided by Credit Agricole Leasing & Factoring to Norske Skog Golbey SAS, or any replacement factoring facility provided the total outstanding amount of such replacement facility does not exceed EUR 40,000,000.

"**Finance Documents**" means these Bond Terms, the Bond Trustee Fee Agreement, the Intercreditor Agreement, any Transaction Security Document, the Escrow Account Pledge, any Security Agent Agreement and any other document designated by the Issuer and the Bond Trustee as a Finance Document.

"**Finance Lease**" means any lease or hire purchase contract entered into by a Group Company which would have been treated as a finance or capital lease for accounting purposes in accordance with GAAP (as applicable on the Issue Date).

"**Financial Indebtedness**" means any indebtedness for or in respect of:

(a) moneys borrowed (and debit balances at banks or other financial institutions);

(b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument, including the Bonds;

(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP (as applicable on the Issue Date), be treated as a finance or capital lease (meaning that the lease is capitalised as an asset and booked as a corresponding liability in the balance sheet);

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis provided that the requirements for de-recognition under GAAP are met);

(f) any derivative transaction entered into and, when calculating the value of any derivative transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that derivative transaction, that amount shall be taken into account);

(g) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of an underlying liability of a person which is not a Group Company which liability would fall within one of the other paragraphs of this definition;

(h) any amount raised by the issue of redeemable shares which are redeemable (other than at the option of the Issuer) before the Maturity Date or are otherwise classified as borrowings under GAAP;

(i) any amount of any liability under an advance or deferred purchase agreement, if (a) the primary reason behind entering into the agreement is to raise finance or (b) the agreement is in respect of the supply of assets or services and payment is due more than 120 calendar days after the date of supply;

(j) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing or otherwise being classified as a borrowing under GAAP; and

(k) without double counting, the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs (a) to (j) above.

"**Financial Reports**" means the Annual Financial Statements and the Interim Accounts.

"**Financial Support**" means any loans, guarantees, Security or other financial assistance (whether actual or contingent).

"**First Call Date**" means the Interest Payment Date falling in December 2020 (18 months after the Issue Date).

"**First Call Price**" means a price equal to 103 per cent. of the Nominal Amount.

"**GAAP**" means generally accepted accounting practices and principles in the country in which the Issuer is incorporated including, if applicable, the International Financial Reporting

Standards (IFRS) and guidelines and interpretations issued by the International Accounting Standards Board (or any predecessor and successor thereof), in force from time to time.

"**Golbey Bank Guarantee Security**" means a first ranking immovable hypothec on Norske Skog Golbey SAS' real property in the amount of EUR 13,000,000, granted in favour of Caisse d'Espargne as security for a bank guarantee in favour of energy supplier Exeltium.

"**Golbey Loans**" means existing unsecured local loans to Norske Skog Golbey SAS in an amount of maximum EUR 8,000,000 (or any refinancing thereof).

"**Governmental Facilities**" means any credit facility provided by any governmental or government owned organization or institution (not being a commercial financial institution) with an amount outstanding not exceeding EUR 10,000,000 in aggregate for the Group at any time.

"**Governmental Security**" means Security provided in relation to any Governmental Facilities, in each case ranking after the Security established by the Transaction Security Documents.

"**Group**" means the Issuer and its Subsidiaries from time to time.

"**Group Company**" means any person which is a member of the Group.

"**Guarantee**" means the unconditional and irrevocable Norwegian law guarantee and indemnity (Norwegian: "*selvskyldnerkausjon*") issued by each of the Guarantors in respect of the Secured Obligations. For any Guarantee provided by a Guarantor incorporated in Austria, the Guarantee shall constitute an abstract guarantee (Austrian: "*abstrakte Garantien*").

"**Guarantee Facility**" means any guarantee facility provided to the Issuer by an Issuing Bank under which the Issuing Bank will provide a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument in respect of an underlying liability in the ordinary course of business of a Group Company. "**Guarantor**" means each of:

(a) Nornews A/S;

(b) Norske Skog (Australasia) Pty Limited;

(c) Norske Skog Bruck GmbH;

(d) Norske Skog Skogn AS;

(e) Norske Skog Saugbrugs AS;

(f) Norske Skog Golbey SAS;

(g) Norske Skog Industries Australia Limited;

(h) Norske Skog Tasman Limited;

(i) Norske Skog Paper Mills (Australia) Limited;

(j) Norske Skog Paper Mills (Albury) Pty. Limited; and

(k) any Group Company which subsequently becomes a Material Group Company.

"**Hedge Counterparty**" means one or more hedge counterparties under any Permitted Hedging.

"**Incurrence Test**" shall have the meaning ascribed to such term in Clause 13.21 (*Incurrence Test*).

"**Initial Nominal Amount**" means the nominal amount of each Bond as set out in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*).

"**Initial Distribution**" means a Distribution which is made pursuant to paragraph (a) of Clause 2.3 (*Use of proceeds)*.

"**Insolvent**" means that a person:

(a) is unable or admits inability to pay its debts as they fall due;

(b) suspends making payments on any of its debts generally; or

(c) is otherwise considered insolvent or bankrupt within the meaning of the relevant bankruptcy legislation of the jurisdiction which can be regarded as its center of main interest as such term is understood pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings (as amended).

"**Intercompany Loan**" means any loan or credit made by any Group Company to any Obligor where (a) the loan or credit is scheduled to be outstanding for at least 12 months and (b) the principal amount thereof is at least EUR 2,000,000 (or the equivalent amount in another currency) and which pursuant to the Intercreditor Agreement shall be fully subordinated to the claims under the Finance Documents, provided that no Financial Indebtedness under any cash pooling arrangement shall constitute an Intercompany Loan.

"**Intercreditor Agreement**" means a Norwegian law governed intercreditor agreement to be entered into between, among others, the Issuer, the Bond Trustee, any RCF Creditors, any Issuing Bank and any Hedge Counterparty regarding, *inter alia*, the sharing of the Pre-Disbursement Security and Post-Disbursement Security.

"**Interest Payment Date**" means the last day of each Interest Period, the first Interest Payment Date being 14 September 2019 and the last Interest Payment Date being the Maturity Date.

"**Interest Period**" means, subject to adjustment in accordance with the Business Day Convention, the period between 14 March, 14 June, 14 September and 14 December each year, provided however that an Interest Period shall not extend beyond the Maturity Date.

"**Interest Rate**" means the percentage rate per annum which is the aggregate of the Reference Rate for the relevant Interest Period plus the Margin.

“**Interest Quotation Day**” means, in relation to any period for which Interest Rate is to be determined, 2 Quotation Business Days before the first day of the relevant Interest Period.

“**Interim Accounts**” means the unaudited consolidated quarterly financial statements of the Issuer for any quarter ending on a Quarter Date, drawn up according to GAAP, such accounts to include a profit and loss account, balance sheet, cash flow statement, management commentary, segment reporting commenting specifically on productions volumes, revenues and gross operating margins from the relevant business segments.

“**IPO**” means an initial public offering or similar transactions leading to a listing of the shares in the Issuer or the Parent on an Exchange.

“**ISIN**” means International Securities Identification Number, being the identification number of the Bonds.

“**Issue Date**” means 14 June 2019.

“**Issuer**” means the company designated as such in the preamble to these Bond Terms.

“**Issuer’s Bonds**” means any Bonds which are owned by the Issuer or any Affiliate of the Issuer.

“**Issuing Bank**” means any financial institution providing a Guarantee Facility and having acceded to the Intercreditor Agreement.

“**Leverage Ratio**” means the ratio of NIBD to EBITDA.

“**Listing Failure Event**” means:

(a) that the Bonds have not been admitted to listing on an Exchange within 6 months following the Issue Date, or

(b) in the case of a successful admission to listing, that a period of 6 months has elapsed since the Bonds ceased to be admitted to listing on an Exchange.

“**Liquidity**” means the aggregate book value of the Group's freely available and unrestricted cash and cash equivalents according to GAAP.

“**Longstop Date**” means 30 October 2019.

“**Maintenance Capex**” means the Group’s consolidated capitalised purchase (direct or indirect) of property, plant, equipment and intangible assets required to maintain the Group’s current business in accordance with GAAP according to the latest Annual Financial Statement (but excluding any capex for the development of new business, including any capex investments related to the Bruck Boiler).

“**Make Whole Amount**” means an amount equal to the sum of:

(a) the present value on the Call Option Repayment Date of the First Call Price of the redeemed Bonds as if such payment originally had taken place on the First Call Date; and

(b) the present value on the Call Option Repayment Date of the remaining interest payments of the redeemed Bonds, less any accrued and unpaid interest on the redeemed Bonds as at the Call Option Repayment Date, to the First Call Date,

where the present value shall be calculated by using a discount rate of 0.50 per cent. and the Interest Rate for the remaining interest periods until the First Call Date shall be the applicable Interest Rate on the Call Option Repayment Date.

"**Managers**" means ABG Sundal Collier ASA and DNB Markets, a part of DNB Bank ASA.

"**Margin**" means 6.00 per cent.

"**Material Adverse Effect**" means a material adverse effect on:

(a) the ability of the Issuer or any Guarantor to perform and comply with its obligations under any of the Finance Documents; or

(b) the validity or enforceability of any of the Finance Documents.

"**Material Group Company**" means the Guarantors and any Subsidiary of the Issuer which has subsequently been designated as a Material Group Company by the Issuer pursuant to Clause 13.14 (*Designation of Material Group Companies*).

"**Maturity Date**" means 14 June 2022, adjusted according to the Business Day Convention.

"**NIBD**" means, on a consolidated basis for the Group, the aggregate consolidated interest bearing debt (excluding any Shareholder Loans and Bonds owned by any Group Company) *less* Liquidity.

"**Nominal Amount**" means the Initial Nominal Amount (less the aggregate amount by which each Bond has been partially redeemed, if any, pursuant to Clause 10 (*Redemption and repurchase of Bonds*)), or any other amount following a split of Bonds pursuant to paragraph (j) of Clause 16.2 (*The duties and authority of the Bond Trustee*).

"**Norwegian Securitisation Facility**" means a secured loan with a principal amount of approximately EUR 78,500,000 provided by Oceanwood Opportunities Master Fund or an associated entity to the Issuer, secured by pledge over the inventory of Norske Skog Golbey SAS.

"**Obligor**" means the Issuer and any Guarantor(s).

"**Outstanding Bonds**" means any Bonds not redeemed or otherwise discharged.

"**Overdue Amount**" means any amount required to be paid by an Obligor under any of the Finance Documents but not made available to the Bondholders on the relevant Payment Date or otherwise not paid on its applicable due date.

"**Parent**" means NS Norway Holding AS, a company existing under the laws of Norway with registration number 920 596 363, being the sole direct owner of the Issuer.

"**Partial Payment**" means a payment that is insufficient to discharge all amounts then due and payable under the Finance Documents.

"**Paying Agent**" means the legal entity appointed by the Issuer to act as its paying agent with respect to the Bonds in the CSD.

"**Payment Date**" means any Interest Payment Date or any Repayment Date.

"**Permitted Hedging**" means any obligation of any Group Company under a derivative transaction entered into with a Hedge Counterparty in connection with protection against or benefit from fluctuation in any rate or price on a non-speculative basis or in the ordinary course of business.

"**Permitted Disposal**" means a sale, transfer or disposal of:

(a) the newsprint production mill owned by Norske Skog Paper Mills (Albury) Pty. Limited either as an asset transaction or as a sale of shares;

(b) the forest estates in Tasmania, Australia owned by Norske Skog Paper Mills (Australia) Limited;

(c) the shares in or assets of Norske Skog Hydro GmbH (Austria);

(d) the Saugbrugs Development Properties as contribution in kind from Norske Skog Saugbrugs AS to its joint venture investment Porsnes Utvikling AS; and

(e) any disposal of obsolete or redundant vehicles and equipment for cash,

in each case provided that such sale, transfer or disposal is carried out on arms-length terms.

"**Permitted Distribution**" means any Distribution:

(a) which is an Initial Distribution;

(b) which is (a) made using funds received by the Issuer as part of an IPO (less any funds utilized in an Equity Claw Back), provided the transaction is carried out in direct connection with such IPO or (b) made, provided the amount of such Distribution is immediately repaid to the Issuer in the form of equity or Shareholder Loans;

(c) which is made at a time when no IPO has occurred, up to 25 per cent. of the Adjusted Net Profit for the previous Financial Year, subject to the Incurrence Test being met and provided that such Distribution may not be made prior to 1 April 2020; or

(d) which is made at a time when an IPO has occurred, (a) up to 75 per cent. of the Adjusted Net Profit for the previous Financial Year subject to the Incurrence Test being met, or (b) made by way of a repurchase of own shares to cover its potential obligations under any bonus share program for its employees and board members (and provided no Event of Default has occurred or would result from such Distribution).

"**Permitted Financial Indebtedness**" means any Financial Indebtedness:

(a) arising under the Finance Documents;

(b) arising in relation to a Revolving Credit Facility, any Permitted Hedging and any Guarantee Facility, in each case subject to the Intercreditor Agreement;

(c) arising in relation to (a) a Factoring Facility and (b) in the period until 6 months following the Issue Date, the Scottish Pacific Factoring Facility;

(d) arising under any Finance Lease limited to an aggregate amount not exceeding EUR 12,000,000 (or the equivalent in other currencies) for the Group at any time;

(e) arising in the ordinary course of business under any lease agreement that would have been classified as an operational lease prior to the implementation of IFRS 16;

(f) arising in relation to the Saugbrugs Project Facility;

(g) arising under the Golbey Loans;

(h) arising in relation to the Bruck Boiler Facility provided that the Incurrence Test is met in connection with the signing of the term sheet for such facility;

(i) arising under any Governmental Facilities;

(j) up until the release from the Escrow Account, outstanding under the Norwegian Securitization Facility;

(k) incurred by the Issuer under any Shareholder Loans;

(l) arising under any Intercompany Loan or any other loan made by a member of the Group to another member of the Group (including under any cash pooling arrangement);

(m) incurred under any pension or tax liabilities in the ordinary course of business;

(n) of any person acquired by a member of the Group after the Issue Date, where the Financial Indebtedness is incurred under arrangements in existence at the date of acquisition, but not incurred or increased or having its maturity date extended in contemplation of, or since, that acquisition, and outstanding only for a period of 3 months following the date of that acquisition;

(o) arising out of any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of an underlying liability in the ordinary course of business of a Group Company; and

(p) any other Financial Indebtedness not permitted by the preceding paragraphs and the aggregate outstanding principal amount of which does not exceed an aggregate amount of EUR 5,000,000 (or the equivalent in other currencies) at any time.

"**Permitted Security**" means any Security:

(a) provided pursuant to the Finance Documents;

(b) in relation to a Revolving Credit Facility, any Permitted Hedging and any Guarantee Facility, in each case subject to the Intercreditor Agreement;

(c) up until the release from the Escrow Account, securing the Norwegian Securitization Facility;

(d) constituting the Statkraft Security;

(e) constituting the Bruck Boiler Security;

(f) in relation to the Saugbrugs Project Facility;

(g) constituting the Boyer Wood Mill Security;

(h) constituting the Golbey Bank Guarantee Security;

(i) by way of security in accounts receivable and account pledges in relation to the Factoring Facility provided to the Group Companies incorporated in Norway;

(j) constituting Governmental Security;

(k) provided for debt incurred pursuant to paragraph (o) of the definition of Permitted Financial Indebtedness;

(l) arising under any cash pooling, netting or set-off arrangement entered into by any Group Company in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances of Group Companies;

(m) arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to a Group Company in the ordinary course of business and not arising as a result of a default or omission by any Group Company that is continuing for a period of more than 30 calendar days;

(n) arising under any right of set-off arising under contracts entered into by Group Companies in the ordinary course of their day-to-day business;

(o) over or affecting any asset of any company which becomes a member of the Group after the Issue Date, where the Security is created prior to the date on which that company becomes a member of the Group, if:

(i) the Security was not created in contemplation of the acquisition of that company;

(ii) the principal amount secured has not increased in contemplation of or since the acquisition of that company; and

(iii) the Security is removed or discharged within 3 months of that company becoming a member of the Group; and

(p) any other Security not permitted by the preceding paragraphs securing indebtedness the principal amount of which does not at any time exceed, in the aggregate, EUR 5,000,000 (or the equivalent in other currencies).

"**Permitted Financial Support**" means any Financial Support:

(a) provided pursuant to the Finance Documents;

(b) in relation to a Revolving Credit Facility, any Permitted Hedging and any Guarantee Facility, in each case subject to the Intercreditor Agreement;

(c) provided under the Bruck Boiler Security;

(d) arising under any Intercompany Loan or any other loan made by a member of the Group to another member of the Group (including under any cash pooling arrangement);

(e) provided for debt incurred pursuant to paragraph (c), (f), (i), (j), (n) or (o) of Permitted Financial Indebtedness;

(f) made, granted or given by a member of the Group to any third party in the ordinary course of business; and

(g) not falling within any of the preceding sub-paragraphs, the aggregate outstanding principal amount of which does not at any time exceed, in the aggregate, EUR 5,000,000 (or the equivalent in other currencies).

"**Post-Disbursement Security**" means the security listed in paragraph (a)(xii) through (a)(xiv) of Clause 2.5 (*Transaction Security*).

"**Pre-Disbursement Security**" means the security listed in paragraph (a)(ii) through (a)(xi) of Clause 2.5 (*Transaction Security*).

"**Put Option**" shall have the meaning ascribed to such term in Clause 10.3 (*Mandatory repurchase due to a Put Option Event*).

"**Put Option Event**" means a Change of Control Event.

"**Put Option Repayment Date**" means the settlement date for the Put Option pursuant to Clause 10.3 (*Mandatory repurchase due to a Put Option Event*).

"**Quarter Date**" means each 31 March, 30 June, 30 September and 31 December.

"**Quotation Business Day**" means a day which is a Target Day.

"**RCF Finance Documents**" means the agreement(s) for the Revolving Credit Facility and other related or ancillary documents to that facility.

"**RCF Creditor**" means each finance party under the RCF Finance Documents.

"**Reference Rate**" shall mean EURIBOR (European Interbank Offered Rate) being;

(a) the interest rate displayed on Reuters screen EURIBOR01 (or through another system or website replacing it) as of or around 11.00 a.m. (Brussels time) on the Interest Quotation Day for the offering of deposits in Euro and for a period comparable to the relevant Interest Period; or,

(b) if no screen rate is available for the relevant Interest Period:

  (i) the linear interpolation between the two closest relevant interest periods, and with the same number of decimals, quoted under paragraph (a) above; or

  (ii) a rate for deposits in the Bond currency for the relevant Interest Period as supplied to the Bond Trustee at its request quoted by a sufficient number of commercial banks reasonably selected by the Bond Trustee; or

(c) if the interest rate under paragraph (a) is no longer available, the interest rate will be set by the Bond Trustee in consultation with the Issuer to:

  (i) any relevant replacement reference rate generally accepted in the market; or

  (ii) such interest rate that best reflects the interest rate for deposits in the Bond currency offered for the relevant Interest Period.

In each case, if any such rate is below zero, the Reference Rate will be deemed to be zero.

"**Relevant Jurisdiction**" means the country in which the Bonds are issued, being Norway.

"**Relevant Period**" means a period of twelve (12) consecutive calendar months ending on the relevant Quarter Date or, with respect to the making of an Incurrence Test, the most recent Quarter Date from the date that Incurrence Test is made.

"**Relevant Record Date**" means the date on which a Bondholder's ownership of Bonds shall be recorded in the CSD as follows:

(a) in relation to payments pursuant to these Bond Terms, the date designated as the Relevant Record Date in accordance with the rules of the CSD from time to time; or

(b) for the purpose of casting a vote with regard to Clause 15 (*Bondholders' Decisions*), the date falling on the immediate preceding Business Day to the date of that Bondholders' decision being made, or another date as accepted by the Bond Trustee.

"**Repayment Date**" means any Call Option Repayment Date, the Default Repayment Date, the Put Option Repayment Date, the Tax Event Repayment Date, the Longstop Date, any Claw Back Repayment Date or the Maturity Date.

"**Revolving Credit Facility**" means any revolving credit facility to be provided to the Issuer with an aggregate maximum commitment of EUR 31,000,000 (or the equivalent in any other currency).

"**Saugbrugs Development Properties**" means the real estate properties owned by Norske Skog Saugbrugs AS that are part of the plot that will be used as contribution in kind to the Issuer's joint venture Porsnes Utvikling AS.

"**Saugbrugs Project Facility**" means the facilities by Sparebanken 1 Østfold Akershus and Halden Kommunale Pensjonskasse originally provided to Saugbrugs Bioenergi AS in a total aggregate principal amount of NOK 93,800,000,000 (or any refinancing thereof).

"**Scottish Pacific Factoring Facility**" means the AUD 9,500,000,000 factoring facility provided by Scottish Pacific (BFS) Pty Ltd to Norske Skog (Australasia) Pty Limited.

"**Secured Obligations**" means all present and future obligations and liabilities of the Issuer and any Obligor under the Finance Documents.

"**Secured Parties**" means the Security Agent, the Bond Trustee on behalf of itself and the Bondholders, any RCF Creditors, any Issuing Bank and any Hedge Counterparties.

"**Securities Trading Act**" means the Securities Trading Act of 2007 no.75 of the Relevant Jurisdiction.

"**Security**" means a mortgage, charge, pledge, lien, security assignment or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect, including any "security interest" as defined in sections 12(1) or (2) of the Australian PPSA.

"**Security Agent**" means the Bond Trustee or any successor Security Agent, acting for and on behalf of the Secured Parties in accordance with any Security Agent Agreement or any other Finance Document.

"**Security Agent Agreement**" means any agreement other than these Bond Terms whereby the Security Agent is appointed to act as such in the interest of the Bond Trustee (on behalf of itself and the Bondholders).

"**Security Assets**" means the assets over which security is taken pursuant to the Transaction Security Documents.

"**Shareholder Loan**" means any loan granted or to be granted to the Issuer by its shareholders.

"**Statkraft Security**" means the pledge over machinery and plant and mortgages over the properties owned by each of Norske Skog Skogn AS and Norske Skog Saugbrugs AS, in each case ranking after the security established by the Transaction Security Documents.

"**Subsidiary**" means a company over which another company has Decisive Influence.

"**Summons**" means the call for a Bondholders' Meeting or a Written Resolution as the case may be.

"**TARGET Day**" means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer payment system is open for the settlement of payments in euro.

"**Tax Event Repayment Date**" means the date set out in a notice from the Issuer to the Bondholders pursuant to Clause 10.4 (*Early redemption option due to a tax event*).

"**Transaction Security**" means the Security created or expressed to be created in favour of the Security Agent (on behalf of the Secured Parties) pursuant to the Transaction Security Documents.

"**Transaction Security Documents**" means, collectively, all of the documents which shall be executed or delivered pursuant to Clause 2.5 (*Transaction Security*) other than the Escrow Account Pledge.

"**Voting Bonds**" means the Outstanding Bonds less the Issuer's Bonds.

"**Written Resolution**" means a written (or electronic) solution for a decision making among the Bondholders, as set out in Clause 15.5 (*Written Resolutions*).

1.2 Construction

In these Bond Terms, unless the context otherwise requires:

(a) headings are for ease of reference only;

(b) words denoting the singular number will include the plural and vice versa;

(c) references to Clauses are references to the Clauses of these Bond Terms;

(d) references to a time are references to Central European time unless otherwise stated;

(e) references to a provision of "**law**" is a reference to that provision as amended or re-enacted, and to any regulations made by the appropriate authority pursuant to such law;

(f) references to a "**regulation**" includes any regulation, rule, official directive, request or guideline by any official body;

(g) references to a "**person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, unincorporated organisation, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality;

(h) references to Bonds being "**redeemed**" means that such Bonds are cancelled and discharged in the CSD in a corresponding amount, and that any amounts so redeemed may not be subsequently re-issued under these Bond Terms;

(i) references to Bonds being "**purchased**" or "**repurchased**" by the Issuer means that such Bonds may be dealt with by the Issuer as set out in Clause 11.1 (*Issuer's purchase of Bonds*),

(j) references to persons "**acting in concert**" shall be interpreted pursuant to the relevant provisions of the Securities Trading Act; and

(k) an Event of Default is "**continuing**" if it has not been remedied or waived.

2. THE BONDS

2.1 Amount, denomination and ISIN of the Bonds

(a) The Issuer has resolved to issue a series of Bonds in the amount of EUR 125,000,000.

(b) The Bonds are denominated in Euro (EUR), being the single currency of the participating member states in accordance with the legislation of the European Community relating to Economic and Monetary Union.

(c) The Initial Nominal Amount of each Bond is EUR 100,000.

(d) The ISIN of the Bonds is NO0010856123. All Bonds issued under the same ISIN will have identical terms and conditions as set out in these Bond Terms.

2.2 Tenor of the Bonds

The tenor of the Bonds is from and including the Issue Date to but excluding the Maturity Date.

2.3 Use of proceeds

The Issuer shall use the net proceeds from the issuance of the Bonds as follows:

(a) up to EUR 100,000,000 to refinance the Norwegian Securitisation Facility and repay shareholder loans; and

(b) for general corporate purposes of the Group.

2.4 Status of the Bonds

(a) The Bonds will constitute senior debt obligations of the Issuer. The Bonds will rank *pari passu* between themselves and will rank at least *pari passu* with all other obligations of the Issuer (save for such claims which are preferred by bankruptcy, insolvency, liquidation or other similar laws of general application).

(b) The Bonds will be secured on a *pari passu* basis with the other Secured Parties in respect of the Transaction Security, subject to the super senior status of the Revolving Credit Facility, the Guarantee Facility and Permitted Hedging. The RCF Creditors, the Issuing Banks and the Hedge Counterparties will receive (i) the proceeds from any enforcement of the Transaction Security and the Guarantees and certain distressed disposals and (ii) any payments following any other enforcement event prior to the Bondholders (but otherwise rank *pari passu* in right of payment with the Bonds) in accordance with the waterfall provisions of the Intercreditor Agreement.

2.5 Transaction Security

(a) As Security for the due and punctual fulfilment of the Secured Obligations, the Issuer shall procure that the following Security is granted in favour of the Security Agent with first priority within the times agreed in Clause 6 (*Conditions for disbursement*):

<u>Pre-Settlement Security:</u>

(i) the Escrow Account Pledge;

<u>Pre-Disbursement Security:</u>

(ii) a pledge over all shares (100 per cent.) in the Issuer;

(iii) an assignment over any Shareholder Loan;

(iv) the Guarantees;

(v) a pledge over all shares owned by any Group Company in each of the Guarantors;

(vi) an assignment over any Intercompany Loans, or if recommendable under relevant laws, a pledge of receivables covering Intercompany Loans;

(vii) mortgages over the real property of the Skogn mill and the Saugbrugs mill (except for the Saugbrugs Development Properties) owned by Norske Skog Skogn AS and Norske Skog Saugbrugs AS, respectively;

(viii) a pledge over machinery and plant (Norwegian: *Driftstilbehørspant*) of each of Norske Skog Skogn AS and Norske Skog Saugbrugs AS;

(ix) a security interest by operation of law in any insurance taken out in respect of the property of each of the mills owned by Group Companies incorporated in Norway (except for the Saugbrugs Development Properties);

(x) a general security deed (floating charge) to be granted by Norske Skog Tasman Limited over all its personal property with carve out rights in a security deposit that Norske Skog Tasman Limited has placed with the electricity regulator;

(xi) a general security deed (floating charge) over the assets owned by Norske Skog (Australasia) Pty Limited, Norske Skog Industries Australia Limited, Norske Skog Paper Mills (Australia) Limited and Norske Skog Paper Mills (Albury) Pty. Limited);

<u>Post-Disbursement Security</u>

(xii) mortgages over the land and plant at the Albury mill granted by Norske Skog Paper Mills (Albury) Pty. Limited (previously part of Norske Skog Paper Mills (Australia) Limited);

(xiii) mortgages over the land and plant at the Boyer mill granted by Norske Skog Paper Mills (Australia) Limited; and

(xiv) registered mortgage over land at the Tasman mill that is not currently subject to caveats, granted by Norske Skog Tasman Limited.

(b) The Transaction Security and the Intercreditor Agreement shall be entered into on such terms and conditions as the Bond Trustee in its discretion deems appropriate in order to create the intended benefit for the Secured Parties under the relevant document.

(c) The Pre-Disbursement Security and the Post-Disbursement Security shall be shared between the Secured Parties in accordance with the terms of the Intercreditor Agreement. The Bond Trustee will, to the extent permitted by applicable law, act as Security Agent in respect of the Pre-Disbursement Security and the Post-Disbursement Security and any other security provided in accordance with the terms of the Intercreditor Agreement (unless otherwise set out in the Intercreditor Agreement for any Permitted Security not to be shared among the Secured Parties).

(d) The pledge over machinery and plant and mortgages over the properties owned by each of Norske Skog Skogn AS and Norske Skog Saugbrugs AS shall each be limited to an amount of EUR 180,000,000 in order to facilitate the second ranking Statkraft Security.

(e) The Bond Trustee (in its capacity as Security Agent) shall, pursuant to the terms of the Intercreditor Agreement:

(i) release any Guarantees and Security over shares or assets which are sold or otherwise disposed of:

(A) in any merger, de-merger or disposal permitted pursuant to Clause 13.6 (*Mergers and de-mergers*), Clause 13.11 (*Disposals*) and Clause 13.12 (*Ownership to mills*);

(B) as a Permitted Disposal; and

(C) following enforcement or insolvency;

(ii) release any Guarantee or Security provided by a Guarantor that ceases to be a Material Group Company; and

(iii) release the pledge over the shares in the Issuer upon an IPO (such release may, subject to closing mechanics and conditions acceptable to the Security Agent, be completed prior to the listing of such shares in order to facilitate the IPO or any transaction carried out in connection therewith), for the avoidance of doubt, notwithstanding anything to the contrary in the relevant Transaction Security Document.

3. THE BONDHOLDERS

3.1 Bond Terms binding on all Bondholders

(a) By virtue of being registered as a Bondholder (directly or indirectly) with the CSD, the Bondholders are bound by these Bond Terms and any other Finance Document, without any further action required to be taken or formalities to be complied with by the Bond Trustee, the Bondholders, the Issuer or any other party.

(b) The Bond Trustee is always acting with binding effect on behalf of all the Bondholders.

3.2 Limitation of rights of action

(a) No Bondholder is entitled to take any enforcement action, instigate any insolvency procedures, or take other legal action against the Issuer or any other party in relation to any of the liabilities of the Issuer or any other party under or in connection with the Finance Documents, other than through the Bond Trustee and in accordance with these Bond Terms, provided, however, that the Bondholders shall not be restricted from exercising any of their individual rights derived from these Bond Terms, including the right to exercise the Put Option.

(b) Each Bondholder shall immediately upon request by the Bond Trustee provide the Bond Trustee with any such documents, including a written power of attorney (in form and substance satisfactory to the Bond Trustee), as the Bond Trustee deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents. The Bond Trustee is under no obligation to represent a Bondholder which does not comply with such request.

3.3 Bondholders' rights

(a) If a beneficial owner of a Bond not being registered as a Bondholder wishes to exercise any rights under the Finance Documents, it must obtain proof of ownership of the Bonds, acceptable to the Bond Trustee.

(b) A Bondholder (whether registered as such or proven to the Bond Trustee's satisfaction to be the beneficial owner of the Bond as set out in paragraph (a) above) may issue one or more powers of attorney to third parties to represent it in relation to some or all of the Bonds held or beneficially owned by such Bondholder. The Bond Trustee shall only have to examine the face of a power of attorney or similar evidence of authorisation that has been provided to it pursuant to this Clause 3.3 (*Bondholders' rights*) and may assume that it is in full force and effect, unless otherwise is apparent from its face or the Bond Trustee has actual knowledge to the contrary.

4. ADMISSION TO LISTING

The Issuer shall use its reasonable endeavours to ensure that the Bonds are listed on an Exchange within 6 months of the Issue Date and thereafter remain listed on an Exchange until the Bonds have been redeemed in full.

5. REGISTRATION OF THE BONDS

5.1 Registration in the CSD

The Bonds shall be registered in dematerialised form in the CSD according to the relevant securities registration legislation and the requirements of the CSD.

5.2 Obligation to ensure correct registration

The Issuer will at all times ensure that the registration of the Bonds in the CSD is correct and shall immediately upon any amendment or variation of these Bond Terms give notice to the CSD of any such amendment or variation.

5.3 Country of issuance

The Bonds have not been issued under any other country's legislation than that of the Relevant Jurisdiction. Save for the registration of the Bonds in the CSD, the Issuer is under no obligation to register, or cause the registration of, the Bonds in any other registry or under any other legislation than that of the Relevant Jurisdiction.

6. CONDITIONS FOR DISBURSEMENT

6.1 Conditions precedent for disbursement to the Issuer

(a) Payment of the net proceeds from the issuance of the Bonds to the Escrow Account shall be conditional on the Bond Trustee having received in due time (as determined by the Bond Trustee) prior to the Issue Date each of the following documents, in form and substance satisfactory to the Bond Trustee:

(i) these Bond Terms duly executed by all parties hereto;

(ii) certified copies of all necessary corporate resolutions of the Issuer to issue the Bonds and execute the Finance Documents to which it is a party;

(iii) a certified copy of a power of attorney (unless included in the corporate resolutions) from the Issuer to relevant individuals for their execution of the Finance Documents to which it is a party, or extracts from the relevant register or similar documentation evidencing such individuals' authorisation to execute such Finance Documents on behalf of the Issuer;

(iv) certified copies of the Issuer's articles of association and of a full extract from the relevant company register in respect of the Issuer evidencing that the Issuer is validly existing;

(v) the Escrow Account Pledge duly executed by all parties thereto and perfected in accordance with applicable law;

(vi) copies of the Issuer's latest Financial Reports (if any);

(vii) confirmation that the applicable prospectus requirements (ref the EU prospectus directive (2003/71 EC)) concerning the issuance of the Bonds have been fulfilled;

(viii) copies of any necessary governmental approval, consent or waiver (as the case may be) required at such time to issue the Bonds;

(ix) confirmation that the Bonds are registered in the CSD (by obtaining an ISIN for the Bonds);

(x) copies of any written documentation used in marketing the Bonds or made public by the Issuer or the Managers in connection with the issuance of the Bonds;

(xi) the Bond Trustee Fee Agreement duly executed by the parties thereto; and

(xii) legal opinions or other statements as may be required by the Bond Trustee (including in respect of corporate matters relating to the Issuer and the legality, validity and enforceability of these Bond Terms and the Finance Documents).

(b) The net proceeds from the issuance of the Bonds (on the Escrow Account) will not be disbursed to the Issuer unless the Bond Trustee has received or is satisfied that it will receive in due time (as determined by the Bond Trustee) prior to such disbursement to the Issuer each of the following documents, in form and substance satisfactory to the Bond Trustee:

(i) a duly executed release notice from the Issuer, as set out in Schedule 2;

(ii) unless delivered under this Clause 6.1 (C*onditions precedent for disbursement to the Issuer*) paragraph (a) as pre-settlement conditions precedent:

(A) certified copies of all necessary corporate resolutions of each Obligor required to provide the Transaction Security and execute the Finance Documents to which it is a party;

(B) a certified copy of a power of attorney (unless included in the relevant corporate resolutions) from each Obligor to relevant individuals for their execution of the Finance Documents to which it is a party, or extracts from the relevant register or similar documentation evidencing such individuals' authorisation to execute such Finance Documents on behalf of the relevant Obligor; and

(C) certified copies of each Obligor's articles of association and of a full extract from the relevant company register in respect of each Obligor evidencing that the Obligors are validly existing;

(iii) the Transaction Security Documents (except for the Transaction Security Documents related to the Post-Disbursement Security) duly executed by all parties thereto and evidence of the establishment and perfection of the relevant Transaction Security (and any insurance covering the relevant Transaction Security);

(iv) statement from the Issuer confirming that no Financial Indebtedness, Financial Support or Security which would not constitute Permitted Financial Indebtedness, Permitted Financial Support or Permitted Security (respectively) exists within the Group;

(v) confirmation from the Issuer that no Event of Default has occurred and is continuing or will result from the release of funds from the Escrow Account;

(vi) any other Finance Documents duly signed by all parties thereto; and

(vii) legal opinions or other statements as may be required by the Bond Trustee (including in respect of corporate matters relating to the Obligors and the legality, validity and enforceability of the Finance Documents (unless delivered under this Clause 6.1 (C*onditions precedent for disbursement to the Issuer*) paragraph (a) as pre-settlement conditions precedent).

(c) The Bond Trustee, acting in its sole discretion, may, regarding this Clause 6.1 (C*onditions precedent for disbursement to the Issuer*), waive the requirements for documentation or decide that delivery of certain documents shall be made subject to an agreed closing procedure between the Bond Trustee and the Issuer.

6.2 Distribution

Disbursement of the proceeds from the issuance of the Bonds is conditional on the Bond Trustee's confirmation to the Paying Agent that the conditions in Clause 6.1 (*Conditions precedent for disbursement to the Issuer*) have been either satisfied in the Bond Trustee's discretion or waived by the Bond Trustee pursuant to paragraph (c) of Clause 6.1 above.

6.3 Conditions Subsequent

The Issuer shall procure that within 90 days after the date on which the net proceeds are released from the Escrow Account the Bond Trustee has received each of the following documents, in form and substance satisfactory to the Bond Trustee:

(a) the Transaction Security Documents related to the Post-Disbursement Security duly executed by all parties thereto and evidence of the establishment and perfection of the relevant Transaction Security created thereby; and

(b) legal opinions or other statements as may be required by the Bond Trustee (including in respect of corporate matters relating to the relevant Obligors and the legality, validity and enforceability of the Finance Documents (unless delivered under Clause 6.1 (C*onditions precedent for disbursement to the Issuer*)).

7. REPRESENTATIONS AND WARRANTIES

The Issuer makes the representations and warranties set out in this Clause 7 (*Representations and warranties*), in respect of itself and in respect of each other Group Company to the Bond Trustee (on behalf of the Bondholders) at the following times and with reference to the facts and circumstances then existing:

(a) at the date of these Bond Terms;

(b) at the Issue Date; and

(c) on each date of disbursement of proceeds from the Escrow Account.

7.1 Status

It is a limited liability company, duly incorporated and validly existing and registered under the laws of its jurisdiction of incorporation, and has the power to own its assets and carry on its business as it is being conducted.

7.2 Power and authority

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, these Bond Terms and any other Finance Document to which it is a party and the transactions contemplated by those Finance Documents.

7.3 Valid, binding and enforceable obligations

These Bond Terms and each other Finance Document to which it is a party constitutes (or will constitute, when executed by the respective parties thereto) its legal, valid and binding obligations, enforceable in accordance with their respective terms, and (save as provided for therein) no further registration, filing, payment of tax or fees or other formalities are necessary or desirable to render the said documents enforceable against it.

7.4 Non-conflict with other obligations

The entry into and performance by it of these Bond Terms and any other Finance Document to which it is a party and the transactions contemplated thereby do not and will not conflict with (i) any law or regulation or judicial or official order; (ii) its constitutional documents; or (iii) any agreement or instrument which is binding upon it or any of its assets.

7.5 No Event of Default

(a) No Event of Default exists or is likely to result from the making of any drawdown under these Bond Terms or the entry into, the performance of, or any transaction contemplated by, any Finance Document.

(b) No other event or circumstance has occurred which constitutes (or with the expiry of any grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event (howsoever described) under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which has or is likely to have a Material Adverse Effect.

7.6 Authorisations and consents

All authorisations, consents, approvals, resolutions, licenses, exemptions, filings, notarisations or registrations required:

(a) to enable it to enter into, exercise its rights and comply with its obligations under these Bond Terms or any other Finance Document to which it is a party; and

(b) to carry on its business as presently conducted and as contemplated by these Bond Terms,

have been obtained or effected and are in full force and effect.

7.7 Litigation

No litigation, arbitration or administrative proceedings or investigations of or before any court, arbitral body or agency which, if adversely determined, is likely to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened against it or any of its Subsidiaries.

7.8 Financial Reports

Its most recent Financial Reports fairly and accurately represent the assets and liabilities and financial condition as at their respective dates, and have been prepared in accordance with GAAP, consistently applied.

7.9 No Material Adverse Effect

Since the date of the most recent Financial Reports, there has been no change in its business, assets or financial condition that is likely to have a Material Adverse Effect.

7.10 No misleading information

Any factual information provided by it to the Bondholders or the Bond Trustee for the purposes of the issuance of the Bonds was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.

7.11 No withholdings

The Issuer is not required to make any deduction or withholding from any payment which it may become obliged to make to the Bond Trustee or the Bondholders under these Bond Terms.

7.12 Pari passu ranking

Its payment obligations under these Bond Terms or any other Finance Document to which it is a party ranks as set out in Clause 2.4.

7.13 Security

No Security exists over any of the present assets of any Group Company in conflict with these Bond Terms.

8. PAYMENTS IN RESPECT OF THE BONDS

8.1 Covenant to pay

(a) The Issuer will unconditionally make available to or to the order of the Bond Trustee and/or the Paying Agent all amounts due on each Payment Date pursuant to the terms of these Bond Terms at such times and to such accounts as specified by the Bond Trustee and/or the Paying Agent in advance of each Payment Date or when other payments are due and payable pursuant to these Bond Terms.

(b) All payments to the Bondholders in relation to the Bonds shall be made to each Bondholder registered as such in the CSD at the Relevant Record Date, by, if no specific order is made by the Bond Trustee, crediting the relevant amount to the bank account nominated by such Bondholder in connection with its securities account in the CSD.

(c) Payment constituting good discharge of the Issuer's payment obligations to the Bondholders under these Bond Terms will be deemed to have been made to each Bondholder once the amount has been credited to the bank holding the bank account nominated by the Bondholder in connection with its securities account in the CSD. If the paying bank and the receiving bank are the same, payment shall be deemed to have been made once the amount has been credited to the bank account nominated by the Bondholder in question.

(d) If a Payment Date or a date for other payments to the Bondholders pursuant to the Finance Documents falls on a day on which either of the relevant CSD settlement system or the relevant currency settlement system for the Bonds are not open, the payment shall be made on the first following possible day on which both of the said systems are open, unless any provision to the contrary have been set out for such payment in the relevant Finance Document.

8.2 Default interest

(a) Default interest will accrue on any Overdue Amount from and including the Payment Date on which it was first due to and excluding the date on which the payment is made at the Interest Rate plus 3 percentage points per annum.

(b) Default interest accrued on any Overdue Amount pursuant to this Clause 8.2 (*Default interest*) will be added to the Overdue Amount on each Interest Payment Date until the Overdue Amount and default interest accrued thereon have been repaid in full.

(c) Upon the occurrence of a Listing Failure Event and for as long as such Listing Failure Event is continuing, the interest on any principal amount outstanding under these Bonds Terms will accrue at the Interest Rate plus 1 percentage point per annum.

8.3 Partial Payments

(a) If the Paying Agent or the Bond Trustee receives a Partial Payment, such Partial Payment shall, in respect of the Issuer's debt under the Finance Documents be considered made for discharge of the debt of the Issuer in the following order of priority:

(i) firstly, towards any outstanding fees, liabilities and expenses of the Bond Trustee (and any Security Agent);

(ii) secondly, towards accrued interest due but unpaid; and

(iii) thirdly, towards any other outstanding amounts due but unpaid under the Finance Documents.

(b) Notwithstanding paragraph (a) above, any Partial Payment which is distributed to the Bondholders, shall, after the above mentioned deduction of outstanding fees, liabilities and expenses, be applied (i) firstly towards any principal amount due but unpaid and (ii) secondly, towards accrued interest due but unpaid, in the following situations;

(i) the Bond Trustee has served a Default Notice in accordance with Clause 14.2 (*Acceleration of the Bonds*); or

(ii) as a result of a resolution according to Clause 15 (*Bondholders' decisions*).

8.4 Taxation

(a) Each Obligor is responsible for withholding any withholding tax imposed by applicable law on any payments to be made by it in relation to the Finance Documents.

(b) The Obligors shall, if any tax is withheld in respect of the Bonds under the Finance Documents:

(i) gross up the amount of the payment due from it up to such amount which is necessary to ensure that the Bondholders or the Bond Trustee, as the case may be, receive a net amount which is (after making the required withholding) equal to the payment which would have been received if no withholding had been required; and

(ii) at the request of the Bond Trustee, deliver to the Bond Trustee evidence that the required tax deduction or withholding has been made.

(c) Any public fees levied on the trade of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise provided by law or regulation, and the Issuer shall not be responsible for reimbursing any such fees.

8.5 Currency

(a) All amounts payable under the Finance Documents shall be payable in the denomination of the Bonds set out in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*). If, however, the denomination differs from the currency of the bank account connected to the Bondholder's account in the CSD, any cash settlement may be exchanged and credited to this bank account.

(b) Any specific payment instructions, including foreign exchange bank account details, to be connected to the Bondholder's account in the CSD must be provided by the relevant Bondholder to the Paying Agent (either directly or through its account manager in the CSD) within 5 Business Days prior to a Payment Date. Depending on any currency exchange settlement agreements between each Bondholder's bank and the Paying Agent, and opening hours of the receiving bank, cash settlement may be delayed, and payment shall be deemed to have been made once the cash settlement has taken place, provided, however, that no default interest or other penalty shall accrue for the account of the Issuer for such delay.

8.6 Set-off and counterclaims

No Obligor may apply or perform any counterclaims or set-off against any payment obligations pursuant to these Bond Terms or any other Finance Document.

9. INTEREST

9.1 Calculation of interest

(a) Each Outstanding Bond will accrue interest at the Interest Rate on the Nominal Amount for each Interest Period, commencing on and including the first date of the Interest Period, and ending on but excluding the last date of the Interest Period.

(b) Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis). The Interest Rate will be reset at each Interest Quotation Day by the Bond Trustee, who will notify the Issuer and the Paying Agent and, if the Bonds are listed, the Exchange, of the new Interest Rate and the actual number of calendar days for the next Interest Period.

9.2 Payment of interest

Interest shall fall due on each Interest Payment Date for the corresponding preceding Interest Period and, with respect to accrued interest on the principal amount then due and payable, on each Repayment Date.

10. REDEMPTION AND REPURCHASE OF BONDS

10.1 Redemption of Bonds

The Outstanding Bonds will mature in full on the Maturity Date and shall be redeemed by the Issuer on the Maturity Date at a price equal to 100 per cent. of the Nominal Amount.

10.2 Voluntary early redemption - Call Option

(a) The Issuer may redeem all but not only some of the Outstanding Bonds (the "**Call Option**") on any Business Day from and including:

   (i) the Issue Date to, but not including, the First Call Date at a price equal to the Make Whole Amount;

   (ii) the First Call Date to, but not including, the Interest Payment Date in June 2021 at the First Call Price for each redeemed Bond;

   (iii) Interest Payment Date in June 2021 to, but not including, the Interest Payment Date in December 2021 at a price equal to 101.80 per cent. of the Nominal Amount for each redeemed Bond; and

   (iv) the Interest Payment Date in December 2021 to, but not including, the Maturity Date at a price equal to 100.60 per cent. of the Nominal Amount for each redeemed Bond.

(b) Any redemption of Bonds pursuant to Clause 10.2 (a) above shall be determined based upon the redemption prices applicable on the Call Option Repayment Date.

(c) The Call Option may be exercised by the Issuer by written notice to the Bond Trustee at least 10 Business Days prior to the proposed Call Option Repayment Date. Such notice sent by the Issuer is irrevocable and shall specify the Call Option Repayment Date. Unless the Make Whole Amount is set out in the written notice where the Issuer exercises the Call Option, the Issuer shall calculate the Make Whole Amount and provide such calculation by written notice to the Bond Trustee as soon as possible and at the latest within 3 Business Days from the date of the notice.

(d) Any Call Option exercised in part will be used for pro rata payment to the Bondholders in accordance with the applicable regulations of the CSD.

10.3 Mandatory repurchase due to a Put Option Event

(a) Upon the occurrence of a Put Option Event, each Bondholder will have the right (the "**Put Option**") to require that the Issuer purchases all or some of the Bonds held by that Bondholder at a price equal to 101 per cent. of the Nominal Amount.

(b) The Put Option must be exercised within 30 calendar days after the Issuer has given notice to the Bond Trustee and the Bondholders that a Put Option Event has occurred pursuant to Clause 12.3 (*Put Option Event*). Once notified, the Bondholders' right to exercise the Put Option is irrevocable and will not be affected by any subsequent events related to the Issuer.

(c) Each Bondholder may exercise its Put Option by written notice to its account manager for the CSD, who will notify the Paying Agent of the exercise of the Put Option. The Put Option Repayment Date will be the 5th Business Day after the end of the 30 calendar days exercise period referred to in paragraph (b) above. However, the settlement of the Put Option will be based on each Bondholders holding of Bonds at the Put Option Repayment Date.

(d) If Bonds representing more than 90 per cent. of the Outstanding Bonds have been repurchased pursuant to this Clause 10.3 (*Mandatory repurchase due to a Put Option Event*), the Issuer is entitled to repurchase all the remaining Outstanding Bonds at the price stated in paragraph (a) above by notifying the remaining Bondholders of its intention to do so no later than 10 Business Days after the Put Option Repayment Date. Such notice sent by the Issuer is irrevocable and shall specify the Call Option Repayment Date.

10.4 Early redemption option due to a tax event

If the Issuer is or will be required to gross up any withheld tax imposed by law from any payment in respect of the Bonds under the Finance Documents pursuant to Clause 8.4 (*Taxation*) as a result of a change in applicable law implemented after the date of these Bond Terms, the Issuer will have the right to redeem all, but not only some, of the Outstanding Bonds at a price equal to 100 per cent. of the Nominal Amount. The Issuer shall give written notice of such redemption to the Bond Trustee and the Bondholders at least 20 Business Days prior to the Tax Event Repayment Date, provided that no such notice shall be given earlier than 40 Business Days prior to the earliest date on which the Issuer would be obliged to withhold such tax were a payment in respect of the Bonds then due.

10.5 Mandatory early redemption at the Longstop Date

In the event that the conditions precedent set out in Clause 6.1 (*Conditions precedent for disbursement to the Issuer*) have not been fulfilled or waived by the Bond Trustee within the Longstop Date, the Issuer shall no later than five Business Days thereafter redeem the Bonds at a price of 101 per cent. of the Nominal Amount plus accrued interest, by, *inter alia*, applying the funds deposited on the Escrow Account for such redemption.

10.6 Equity Claw Back

The Issuer may at any time from (but excluding) the Issue Date to (but excluding) the First Call Date on no less than ten (10) Business Days' prior notice use the net cash proceeds received by the Group from an IPO (less any Distribution made in connection with such IPO under item (ii)(a) of the definition of Permitted Distribution) to repay at the First Call Price, an amount of Bonds with Nominal Amount not exceeding EUR 43,750,000 (an "**Equity Claw Back**").

Such redemptions shall be applied pro rata between the Bondholders in accordance with the procedures of the CSD.

11. PURCHASE AND TRANSFER OF BONDS

11.1 Issuer's purchase of Bonds

The Issuer may purchase and hold Bonds and such Bonds may be retained or sold (but not cancelled) in the Issuer's sole discretion, (including with respect to Bonds purchased pursuant to Clause 10.3 (*Mandatory repurchase due to a Put Option Event*).

11.2 Restrictions

(a) Certain purchase or selling restrictions may apply to Bondholders under applicable local laws and regulations from time to time. Neither the Issuer nor the Bond Trustee shall be responsible to ensure compliance with such laws and regulations and each Bondholder is responsible for ensuring compliance with the relevant laws and regulations at its own cost and expense.

(b) A Bondholder who has purchased Bonds in breach of applicable restrictions may, notwithstanding such breach, benefit from the rights attached to the Bonds pursuant to these Bond Terms (including, but not limited to, voting rights), provided that the Issuer shall not incur any additional liability by complying with its obligations to such Bondholder.

12. INFORMATION UNDERTAKINGS

12.1 Financial Reports

(a) The Issuer shall prepare Annual Financial Statements in the English language and make them available on its website (alternatively on another relevant information platform) as soon as they become available, and not later than 120 days after the end of the financial year.

(b) The Issuer shall prepare Interim Accounts in the English language and make them available on its website (alternatively on another relevant information platform) as soon as they become available, and not later than 60 days after the end of the relevant interim period.

12.2 Requirements as to Financial Reports

(a) The Issuer shall supply to the Bond Trustee, in connection with the publication of its Financial Reports pursuant to Clause 12.1 (*Financial Reports*), a Compliance Certificate with a copy of the Financial Reports attached thereto. The Compliance Certificate shall be duly signed by the chief executive officer or the chief financial officer of the Issuer, certifying, *inter alia*, that the Financial Reports are fairly representing its financial condition as at the date of those financial statements setting out (in reasonable detail) computations evidencing compliance with Clause 13.19 (*Financial Covenants*) as at such date.

(b) In addition to the Compliance Certificate to be provided by the Issuer in connection with the publication of its Financial Reports pursuant to Clause 12.1 (*Financial Reports*), the Issuer shall in connection with any event whereby compliance with the Incurrence Test is required provide to the Bond Trustee a Compliance Certificate which shall contain (among other) figures and calculations evidencing (in reasonable detail) compliance with the relevant Incurrence Test and the EBITDA.

(c) The Bond Trustee may make any Compliance Certificate referred to in the preceding paragraphs available to the Bondholders.

(d) The Issuer shall procure that the Financial Reports delivered pursuant to Clause 12.1 (*Financial Reports*) are prepared using GAAP consistently applied.

12.3 Put Option Event

The Issuer shall inform the Bond Trustee in writing as soon as possible after becoming aware that a Put Option Event has occurred.

12.4 Information: Miscellaneous

The Issuer shall:

(a) promptly inform the Bond Trustee in writing of any Event of Default or any event or circumstance which the Issuer understands or could reasonably be expected to understand may lead to an Event of Default and the steps, if any, being taken to remedy it;

(b) at the request of the Bond Trustee, report the balance of the Issuer's Bonds (to the best of its knowledge, having made due and appropriate enquiries);

(c) send the Bond Trustee copies of any statutory notifications of the Issuer, including but not limited to in connection with mergers, de-mergers and reduction of the Issuer's share capital or equity;

(d) if the Bonds are listed on an Exchange, send a copy to the Bond Trustee of its notices to the Exchange;

(e) if the Issuer and/or the Bonds are rated, inform the Bond Trustee of its and/or the rating of the Bonds, and any changes to such rating;

(f) inform the Bond Trustee of changes in the registration of the Bonds in the CSD; and

(g) within a reasonable time, provide such information about the Issuer's and the Group's business, assets and financial condition as the Bond Trustee may reasonably request.

13. GENERAL AND FINANCIAL UNDERTAKINGS

The Issuer undertakes to (and shall, where applicable, procure that the other Group Companies will) comply with the undertakings set forth in this Clause 13 (*General and financial Undertakings*).

13.1 Authorisations

The Issuer shall, and shall procure that each other Group Company will, in all material respects obtain, maintain and comply with the terms of any authorisation, approval, license and consent required for the conduct of its business as carried out from time to time if a failure to do so would have Material Adverse Effect.

13.2 Pari passu ranking

The Issuer shall, and shall ensure that each Obligor will, ensure that their obligations under these Bond Terms and any other Finance Document shall at all times rank at least *pari passu* as set out in Clause 2.4 (*Status of the Bonds*).

13.3 Compliance with laws

The Issuer shall, and shall procure that each other Group Company will, comply in all material respects with all laws and regulations to which it may be subject from time to time, if failure so to comply would have a Material Adverse Effect.

13.4 Continuation of business

No Obligor shall cease to carry on its business other than (with respect to any Guarantor) in connection with a permitted merger, de-merger and/or disposal. The Issuer shall procure that no material change is made to the general nature of the business of the Group from that carried on by the Group at the Issue Date.

13.5 Corporate status

Except for conversion from a Norwegian private limited liability company to a Norwegian public limited liability company, the Issuer shall not change its type of organisation or jurisdiction of incorporation. No Guarantor shall change its type of organisation or jurisdiction of incorporation if such change would have a Material Adverse Effect.

13.6 Mergers and de-mergers

The Issuer shall not, and shall procure that no other Group Company will, carry out:

(a) any merger or other business combination or corporate reorganisation involving the consolidation of assets and obligations of the Issuer or any other Group Company with any other person; or

(b) any demerger or other corporate reorganisation having the same or equivalent effect as a demerger;

if such merger, demerger, combination or reorganisation would have a Material Adverse Effect.

13.7 Dividend restrictions

(a) Except as permitted under paragraph (b) below, the Issuer shall not make any Distribution.

(b) Paragraph (a) above does not apply to any Permitted Distribution.

13.8 Financial Indebtedness

(a) Except as permitted under paragraph (b) below, the Issuer shall not, and shall procure that no other Group Company will, incur or allow to remain outstanding any Financial Indebtedness.

(b) Paragraph (a) above shall not prohibit any Group Company to incur, maintain or prolong any Permitted Financial Indebtedness.

13.9 Negative pledge

(a) Except as permitted under paragraph (b) below, the Issuer shall not, and shall procure that no other Group Company will, create or allow to subsist, retain, provide, prolong or renew any Security over any of its/their assets (whether present or future).

(b) Paragraph (a) above does not apply to any Permitted Security, provided that except pursuant to the Transaction Security Documents, the Statkraft Security and Governmental Security, no security shall be established over the Security Assets.

13.10 Financial support

(a) Except as permitted under paragraph (b) below, the Issuer shall not, and shall procure that no other Group Company will, make or grant any Financial Support to or for the benefit of any person.

(b) Paragraph (a) above does not apply to any Permitted Financial Support.

13.11 Disposals

The Issuer shall not, and shall procure that no other Group Company will, sell, transfer or otherwise dispose of:

(a) any shares in any Guarantors; or

(b) all or a material part of its assets or operations (other than to a Group Company),

unless such sale, transfer or disposal constitutes a Permitted Disposal.

13.12 Ownership to mills

Except for Permitted Disposals, the Issuer shall not, and shall ensure that no other Group Company will, sell, transfer or otherwise dispose of (directly or indirectly) any of the mills owned by any Group Company.

13.13 Arm's length transactions

Without limiting Clause 13.3 (*Compliance with laws*), the Issuer shall, and shall procure that each other Group Company will, conduct all transactions with any party on an arm's length basis.

13.14 Designation of Material Group Companies

(a) The Issuer shall (a) on the Issue Date (based on the Annual Financial Statements for 2018), (b) once every year (simultaneously with the publication by the Issuer of the Annual Financial Statements and the Compliance Certificate related thereto) (first time in 2020) and (c) upon the making of any acquisition of any entity or any merger or de-merger involving any Group Company:

(i) nominate as Material Group Companies:

(A) each Group Company which (on a consolidated basis in the case of a Group Company which itself has Subsidiaries) has earnings before interest, tax, depreciation and amortisation (calculated on the same basis as EBITDA) or net assets (excluding intra-Group items) representing 5 per cent. or more of EBITDA or the net assets of the Group (in each case calculated on a consolidated basis); and

(B) such Group Companies as are necessary to ensure that the Issuer and the Material Group Companies (calculated on an unconsolidated basis and excluding all intra-Group items and investments in Subsidiaries of any Group Company) in aggregate account for at least 85 per cent. of EBITDA and the net assets of the Group (in each case calculated on a consolidated basis),

in each case, determined by reference to relevant Compliance Certificate referred to above and the relevant audited Annual Financial Statements of the relevant companies, and

(ii) ensure that each such Material Group Company no later than 90 days after its nomination issues a Guarantee and that other Transaction Security in respect of such Material Group Company is established and perfected to the satisfaction of the Bond Trustee including the delivery of such opinions the Bond Trustee may request in relation thereto.

(b) The Issuer may also from time to time in its own discretion appoint such other Group Companies as Guarantors even if it is not a Material Group Company.

13.15 Subsidiaries' Distributions:

The Issuer shall not permit any other Group Company to create or permit to exist any contractual obligation or Security restricting the right of any Group Company to:

(a) pay dividends or make other Distributions to its shareholders;

(b) service any Financial Indebtedness to the Issuer;

(c) make any loans to the Issuer; or

(d) transfer any of its assets and properties to the Issuer;

if the creation of such contractual obligation is reasonably likely to prevent the Issuer from complying with any of its obligations under these Bond Terms.

13.16 Shareholder Loans

The Issuer shall ensure that (i) Shareholder Loans are fully subordinated to the Secured Obligations, and (ii) that no repayment of principal or payment of cash interest under any Shareholder Loans (other than as a Permitted Distribution) is carried out before all present and future obligations and liabilities under the Secured Obligations have been discharged in full, in each case pursuant to the terms of the Intercreditor Agreement.

13.17 Repayment of factoring facility

The Issuer shall ensure that the Scottish Pacific Factoring Facility is repaid in its entirety within 6 months following the Issue Date.

13.18 Insurances

The Issuer shall, and shall procure that each other Obligor will maintain with reputable insurance companies, funds or underwriters, insurances or captive arrangements with respect to its mills, factories, equipment and business against such liabilities, casualties and contingencies as are consistent with prudent business practice.

13.19 Use of funds in the Escrow Account

The Issuer shall only use the funds in the Escrow Account (i) in accordance with the purpose of the issuance of the Bonds as set out in Clause 2.3 (*Use of proceeds)*, (ii) for payment of fees and costs (including legal costs) due and owing related to the issuance of the Bonds and (iii) if applicable, for a Longstop Date redemption in accordance with Clause 10.5 (*Mandatory early redemption at the Longstop Date*).

13.20 Financial Covenants

The Issuer shall ensure that it complies at all times with the following covenants on a consolidated basis:

(a) **Leverage Ratio**: The Leverage Ratio shall not exceed 2.75x; and

(b) **Minimum Liquidity**: The Liquidity shall exceed NOK 100,000,000, and such compliance shall be tested quarterly upon delivery of each Compliance Certificate with reference to the preceding quarter. When calculating the Leverage Ratio, the EBITDA shall be calculated and adjusted in accordance with Clause 13.21 (*Calculations and calculation adjustments*).

13.21 Incurrence Test

The Incurrence Test is met if:

(a) the Leverage Ratio does not exceed:

(i) in connection with the signing of a term sheet for the Bruck Boiler Facility, 1.50x;

(ii) with respect to the making of any Distribution at a time when no IPO has occurred, 1.50x;

(iii) with respect to the making of any Distribution at a time when an IPO has occurred, 2.00x; and

(b) no Event of Default is outstanding or will occur as a result of the transaction for which the Incurrence Test is applied.

13.22 Calculations and calculation adjustments

(a) The calculation of the Leverage Ratio shall be made as per a testing date determined by the Issuer, falling no earlier than the last day of the period covered by the most recent Financial Report delivered to the Bond Trustee prior to the event relevant for the application of the Incurrence Test.

(b) For the purposes of calculating the Leverage Ratio for any Incurrence Test, the following pro forma adjustments shall apply:

(i) the figures for EBITDA for the Relevant Period ending on the last day of the period covered by the most recent Financial Report shall be used for the Incurrence Test, but adjusted so that:

(A) entities, assets or operations acquired by the Group during the Relevant Period, or after the end of the Relevant Period but before the relevant testing date, shall be included, pro forma, for the entire Relevant Period; and

(B) entities, assets or operations disposed of or discontinued by the Group during the Relevant Period, or after the end of the Relevant Period but before the relevant testing date, shall be excluded, pro forma, for the entire Relevant Period;

(ii) with respect to the signing of a term sheet for the Bruck Boiler Facility, the NIBD shall be adjusted to include the full commitment of the Bruck Boiler Facility (however, any cash balance resulting from the incurrence of such new Financial Indebtedness shall not reduce the NIBD); and

(iii) with respect to any Permitted Distribution, the Liquidity and NIBD shall be adjusted to exclude any amounts distributed through such Permitted Distribution.

(c) The Issuer shall provide to the Bond Trustee a Compliance Certificate in connection with any Incurrence Test showing the relevant Leverage Ratio.

13.23 Revolving Credit Facility

(a) The Issuer shall ensure that the aggregate maximum commitment under the Revolving Credit Facility does not at any time exceed EUR 31,000,000 (or the equivalent amount in any other currency) and that any amounts borrowed by it are applied towards general corporate and working capital purposes of the Group.

(b) All drawn loans under the Revolving Credit Facility shall be subject to simultaneous clean-down for two consecutive Business Days once every 12 months. Minimum 3 months shall elapse between each clean down.

13.24 Removal of caveats and registered mortgage over remaining land at Tasman mill and interim restrictions:

The Issuer shall use all reasonable efforts to procure that the registered caveats over the land covering the Tasman mill are removed or resolved as soon as possible. After the relevant caveats have been removed or resolved, the Issuer shall procure that mortgages are granted in favour of the Security Agent (on behalf of the Secured Parties) over the remaining real property covering the Tasman mill. Until such time as such mortgages are granted, the Issuer shall ensure that:

(a) Norske Skog Tasman Limited does not incur any Financial Indebtedness outside its ordinary course of business; and

(b) the land covering the Tasman mill and which is subject to caveats shall not be subject to any encumbrance or other Security (other than such caveats existing at the date of this term sheet).

14. EVENTS OF DEFAULT AND ACCELERATION OF THE BONDS

14.1 Events of Default

Each of the events or circumstances set out in this Clause 14.1 (*Events of Default*) shall constitute an Event of Default:

(a) Non-payment

An Obligor fails to pay any amount payable by it under the Finance Documents when such amount is due for payment, unless:

(i) its failure to pay is caused by administrative or technical error in payment systems or the CSD and payment is made within 5 Business Days following the original due date; or

(ii) in the discretion of the Bond Trustee, the Issuer has substantiated that it is likely that such payment will be made in full within 5 Business Days following the original due date.

(b) Breach of other obligations

An Obligor does not comply with any provision of the Finance Documents other than set out under paragraph (a) (*Non-payment*) above, unless such failure is capable of being remedied and is remedied within 20 Business Days after the earlier of the Issuer's actual knowledge thereof, or notice thereof is given to the Issuer by the Bond Trustee

(c) Misrepresentation

Any representation, warranty or statement (including statements in Compliance Certificates) made under or in connection with any Finance Documents is or proves to have been incorrect, inaccurate or misleading in any material respect when made or deemed to have been made, unless the circumstances giving rise to the misrepresentation are capable of remedy and are remedied within 20 Business Days of the earlier of the Bond Trustee giving notice to the Issuer or the Issuer becoming aware of such misrepresentation.

(d) Cross default

If for any Group Company:

(i) any Financial Indebtedness is not paid when due nor within any applicable grace period; or

(ii) any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described); or

(iii) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described), or

(iv) any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default (however described),

provided however that the aggregate amount of such Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (i) to (iv) above exceeds a total of EUR 10,000,000 (or the equivalent thereof in any other currency).

(e) Insolvency and insolvency proceedings

Any Group Company:

(i) is Insolvent; or

(ii) is object of any corporate action or any legal proceedings is taken in relation to:

(A) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) other than a solvent liquidation or reorganisation; or

(B) a composition, compromise, assignment or arrangement with any creditor which may materially impair its ability to perform its obligations under these Bond Terms; or

(C) the appointment of an Australian Controller, a liquidator (other than in respect of a solvent liquidation), receiver, administrative receiver, administrator, compulsory manager or other similar officer of any of its assets; or

(D) enforcement of any Security over any of its or their assets having an aggregate value exceeding the threshold amount set out in paragraph (d) of Clause 14.1 (*Cross default*) above; or

(E) for (A) - (D) above, any analogous procedure or step is taken in any jurisdiction in respect of any such company,

however this shall not apply to any petition which is frivolous or vexatious and is discharged, stayed or dismissed within 20 Business Days of commencement; or

(iii) is declared at risk pursuant to the Corporations (Investigation and Management) Act 1989 (New Zealand), or a statutory manager is appointed or a step is taken with a view to any such appointment in respect of it under that Act.

(f) Creditor's process

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of any Group Company having an aggregate value exceeding the threshold amount set out in paragraph (d) of Clause 14.1 (*Cross default*) above and is not discharged within 20 Business Days.

(g) Unlawfulness

It is or becomes unlawful for an Obligor to perform or comply with any of its obligations under the Finance Documents to the extent this may materially impair:

(i) the ability of such Obligor to perform its obligations under these Bond Terms; or

(ii) the ability of the Bond Trustee or any Security Agent to exercise any material right or power vested to it under the Finance Documents.

14.2 Acceleration of the Bonds

If an Event of Default has occurred and is continuing, the Bond Trustee may, in its discretion in order to protect the interests of the Bondholders, or upon instruction received from the Bondholders pursuant to Clause 14.3 (*Bondholders' instructions*) below, by serving a Default Notice:

(a) declare that the Outstanding Bonds, together with accrued interest and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, at which time they shall become immediately due and payable; and/or

(b) exercise (or direct the Security Agent to exercise) any or all of its rights, remedies, powers or discretions under the Finance Documents or take such further measures as are necessary to recover the amounts outstanding under the Finance Documents.

14.3 Bondholders' instructions

The Bond Trustee shall serve a Default Notice pursuant to Clause 14.2 (*Acceleration of the Bonds*) if:

(a) the Bond Trustee receives a demand in writing from Bondholders representing a simple majority of the Voting Bonds, that an Event of Default shall be declared, and a Bondholders' Meeting has not made a resolution to the contrary; or

(b) the Bondholders' Meeting, by a simple majority decision, has approved the declaration of an Event of Default.

14.4 Calculation of claim

The claim derived from the Outstanding Bonds due for payment as a result of the serving of a Default Notice will be calculated at the call prices set out in Clause 10.2 (*Voluntary early redemption – Call Option*), as applicable at the following dates (and regardless of the Default Repayment Date set out in the Default Notice);

(a) for any Event of Default arising out of a breach of Clause 14.1 (*Events of Default*) paragraph (a) (*Non-payment*), the claim will be calculated at the call price applicable at the date when such Event of Default occurred; and

(b) for any other Event of Default, the claim will be calculated at the call price applicable at the date when the Default Notice was served by the Bond Trustee.

However, if the situations described in (a) or (b) above takes place prior to the First Call Date, the calculation shall be based on the call price applicable on the First Call Date.

15. BONDHOLDERS' DECISIONS

15.1 Authority of the Bondholders' Meeting

(a) A Bondholders' Meeting may, on behalf of the Bondholders, resolve to alter any of these Bond Terms, including, but not limited to, any reduction of principal or interest and any conversion of the Bonds into other capital classes.

(b) The Bondholders' Meeting cannot resolve that any overdue payment of any instalment shall be reduced unless there is a pro rata reduction of the principal that has not fallen due, but may resolve that accrued interest (whether overdue or not) shall be reduced without a corresponding reduction of principal.

(c) The Bondholders' Meeting may not adopt resolutions which will give certain Bondholders an unreasonable advantage at the expense of other Bondholders.

(d) Subject to the power of the Bond Trustee to take certain action as set out in Clause 16.1 (*Power to represent the Bondholders*), if a resolution by, or an approval of, the Bondholders is required, such resolution may be passed at a Bondholders' Meeting. Resolutions passed at any Bondholders' Meeting will be binding upon all Bondholders.

(e) At least 50 per cent. of the Voting Bonds must be represented at a Bondholders' Meeting for a quorum to be present.

(f) Resolutions will be passed by simple majority of the Voting Bonds represented at the Bondholders' Meeting, unless otherwise set out in paragraph (g) below.

(g) Save for any amendments or waivers which can be made without resolution pursuant to Clause 17.1 (*Procedure for amendments and waivers*) paragraph (a), section (i) and (ii), a majority of at least 2/3 of the Voting Bonds represented at the Bondholders' Meeting is required for approval of any waiver or amendment of these Bond Terms.

15.2 Procedure for arranging a Bondholders' Meeting

(a) A Bondholders' Meeting shall be convened by the Bond Trustee upon the request in writing of:

(i) the Issuer;

(ii) Bondholders representing at least 1/10 of the Voting Bonds;

(iii) the Exchange, if the Bonds are listed and the Exchange is entitled to do so pursuant to the general rules and regulations of the Exchange; or

(iv) the Bond Trustee.

The request shall clearly state the matters to be discussed and resolved.

(b) If the Bond Trustee has not convened a Bondholders' Meeting within 10 Business Days after having received a valid request for calling a Bondholders' Meeting pursuant to paragraph (a) above, then the requesting party may call the Bondholders' Meeting itself.

(c) Summons to a Bondholders' Meeting must be sent no later than 10 Business Days prior to the proposed date of the Bondholders' Meeting. The Summons shall be sent to all Bondholders registered in the CSD at the time the Summons is sent from the CSD. If the Bonds are listed, the Issuer shall ensure that the Summons is published in accordance with the applicable regulations of the Exchange. The Summons shall also be published on the website of the Bond Trustee (alternatively by press release or other relevant information platform).

(d) Any Summons for a Bondholders' Meeting must clearly state the agenda for the Bondholders' Meeting and the matters to be resolved. The Bond Trustee may include additional agenda items to those requested by the person calling for the Bondholders' Meeting in the Summons. If the Summons contains proposed amendments to these Bond Terms, a description of the proposed amendments must be set out in the Summons.

(e) Items which have not been included in the Summons may not be put to a vote at the Bondholders' Meeting.

(f) By written notice to the Issuer, the Bond Trustee may prohibit the Issuer from acquiring or dispose of Bonds during the period from the date of the Summons until the date of the Bondholders' Meeting, unless the acquisition of Bonds is made by the Issuer pursuant to Clause 10 (*Redemption and Repurchase of Bonds*).

(g) A Bondholders' Meeting may be held on premises selected by the Bond Trustee, or if paragraph (b) above applies, by the person convening the Bondholders' Meeting (however to be held in the capital of the Relevant Jurisdiction). The Bondholders' Meeting will be opened and, unless otherwise decided by the Bondholders' Meeting, chaired by the Bond Trustee. If the Bond Trustee is not present, the Bondholders' Meeting will be opened by a Bondholder and be chaired by a representative elected by the Bondholders' Meeting (the Bond Trustee or such other representative, the "**Chairperson**").

(h) Each Bondholder, the Bond Trustee and, if the Bonds are listed, representatives of the Exchange, or any person or persons acting under a power of attorney for a Bondholder, shall have the right to attend the Bondholders' Meeting (each a "**Representative**"). The Chairperson may grant access to the meeting to other persons not being Representatives, unless the Bondholders' Meeting decides otherwise. In addition, each Representative has the right to be accompanied by an advisor. In case of dispute or doubt with regard to whether a person is a Representative or entitled to vote, the Chairperson will decide who may attend the Bondholders' Meeting and exercise voting rights.

(i) Representatives of the Issuer have the right to attend the Bondholders' Meeting. The Bondholders Meeting may resolve to exclude the Issuer's representatives and/or any person holding only Issuer's Bonds (or any representative of such person) from participating in the meeting at certain times, however, the Issuer's representative and any such other person shall have the right to be present during the voting.

(j) Minutes of the Bondholders' Meeting must be recorded by, or by someone acting at the instruction of, the Chairperson. The minutes must state the number of Voting Bonds represented at the Bondholders' Meeting, the resolutions passed at the meeting, and the results of the vote on the matters to be decided at the Bondholders' Meeting. The minutes shall be signed by the Chairperson and at least one other person. The minutes will be deposited with the Bond Trustee who shall make available a copy to the Bondholders and the Issuer upon request.

(k) The Bond Trustee will ensure that the Issuer, the Bondholders and the Exchange are notified of resolutions passed at the Bondholders' Meeting and that the resolutions are published on the website of the Bond Trustee (or other relevant electronically platform or press release).

(l) The Issuer shall bear the costs and expenses incurred in connection with convening a Bondholders' Meeting regardless of who has convened the Bondholders' Meeting, including any reasonable costs and fees incurred by the Bond Trustee.

15.3 Voting rules

(a) Each Bondholder (or person acting for a Bondholder under a power of attorney) may cast one vote for each Voting Bond owned on the Relevant Record Date, cf. Clause 3.3 (*Bondholders' rights*). The Chairperson may, in its sole discretion, decide on accepted evidence of ownership of Voting Bonds.

(b) Issuer's Bonds shall not carry any voting rights. The Chairperson shall determine any question concerning whether any Bonds will be considered Issuer's Bonds.

(c) For the purposes of this Clause 15 (*Bondholders' decisions*), a Bondholder that has a Bond registered in the name of a nominee will, in accordance with Clause 3.3 (*Bondholders' rights*), be deemed to be the owner of the Bond rather than the nominee. No vote may be cast by any nominee if the Bondholder has presented relevant evidence to the Bond Trustee pursuant to Clause 3.3 (*Bondholders' rights*) stating that it is the owner of the Bonds voted for. If the Bondholder has voted directly for any of its nominee registered Bonds, the Bondholder's votes shall take precedence over votes submitted by the nominee for the same Bonds.

(d) Any of the Issuer, the Bond Trustee and any Bondholder has the right to demand a vote by ballot. In case of parity of votes, the Chairperson will have the deciding vote.

15.4 Repeated Bondholders' Meeting

(a) Even if the necessary quorum set out in paragraph (e) of Clause 15.1 (*Authority of the Bondholders' Meeting*) is not achieved, the Bondholders' Meeting shall be held and voting completed for the purpose of recording the voting results in the minutes of the Bondholders' Meeting. The Bond Trustee or the person who convened the initial Bondholders' Meeting may, within 10 Business Days of that Bondholders' Meeting, convene a repeated meeting with the same agenda as the first meeting.

(b) The provisions and procedures regarding Bondholders' Meetings as set out in Clause 15.1 (*Authority of the Bondholders' Meeting*), Clause 15.2 (*Procedure for arranging a Bondholders' Meeting*) and Clause 15.3 (*Voting rules*) shall apply *mutatis mutandis* to a repeated Bondholders' Meeting, with the exception that the quorum requirements set out in paragraph (d) of Clause 15.1 (*Authority of the Bondholders' Meeting*) shall not apply to a repeated Bondholders' Meeting. A Summons for a repeated Bondholders' Meeting shall also contain the voting results obtained in the initial Bondholders' Meeting.

(c) A repeated Bondholders' Meeting may only be convened once for each original Bondholders' Meeting. A repeated Bondholders' Meeting may be convened pursuant to the procedures of a Written Resolution in accordance with Clause 15.5 (*Written Resolutions*), even if the initial meeting was held pursuant to the procedures of a Bondholders' Meeting in accordance with Clause 15.2 (*Procedure for arranging a Bondholders' Meeting*) and vice versa.

15.5 Written Resolutions

(a) Subject to these Bond Terms, anything which may be resolved by the Bondholders in a Bondholders' Meeting pursuant to Clause 15.1 (*Authority of the Bondholders' Meeting*) may also be resolved by way of a Written Resolution. A Written Resolution passed with the relevant majority is as valid as if it had been passed by the Bondholders in a Bondholders' Meeting, and any reference in any Finance Document to a Bondholders' Meeting shall be construed accordingly.

(b) The person requesting a Bondholders' Meeting may instead request that the relevant matters are to be resolved by Written Resolution only, unless the Bond Trustee decides otherwise.

(c) The Summons for the Written Resolution shall be sent to the Bondholders registered in the CSD at the time the Summons is sent from the CSD and published at the Bond Trustee's web site, or other relevant electronic platform or via press release.

(d) The provisions set out in Clause 15.1 (*Authority of the Bondholders' Meeting*), 15.2 (*Procedure for arranging a Bondholder's Meeting*), Clause 15.3 (*Voting Rules*) and Clause 15.4 (*Repeated Bondholders' Meeting*) shall apply *mutatis mutandis* to a Written Resolution, except that:

(i) the provisions set out in paragraphs (g), (h) and (i) of Clause 15.2 (*Procedure for arranging Bondholders Meetings*); or

(ii) provisions which are otherwise in conflict with the requirements of this Clause 15.5 (*Written Resolution*),

shall not apply to a Written Resolution.

(e) The Summons for a Written Resolution shall include:

(i) instructions as to how to vote to each separate item in the Summons (including instructions as to how voting can be done electronically if relevant); and

(ii) the time limit within which the Bond Trustee must have received all votes necessary in order for the Written Resolution to be passed with the requisite majority (the "**Voting Period**"), which shall be at least 10 Business Days but not more than 15 Business Days from the date of the Summons.

(f) Only Bondholders of Voting Bonds registered with the CSD on the Relevant Record Date, or the beneficial owner thereof having presented relevant evidence to the Bond

Trustee pursuant to Clause 3.3 (*Bondholders' rights*), will be counted in the Written Resolution.

(g) A Written Resolution is passed when the requisite majority set out in paragraph (e) or paragraph (f) of Clause 15.1 (*Authority of Bondholders' Meeting*) has been obtained, based on a quorum of the total number of Voting Bonds, even if the Voting Period has not yet expired. A Written Resolution will also be resolved if the sufficient numbers of negative votes are received prior to the expiry of the Voting Period.

(h) The effective date of a Written Resolution passed prior to the expiry of the Voting Period is the date when the resolution is approved by the last Bondholder that results in the necessary voting majority being obtained.

(i) If no resolution is passed prior to the expiry of the Voting Period, the number of votes shall be calculated at the close of business on the last day of the Voting Period, and a decision will be made based on the quorum and majority requirements set out in paragraphs (e) to (g) of Clause 15.1 (*Authority of Bondholders' Meeting*).

16. THE BOND TRUSTEE

16.1 Power to represent the Bondholders

(a) The Bond Trustee has power and authority to act on behalf of, and/or represent, the Bondholders in all matters, including but not limited to taking any legal or other action, including enforcement of these Bond Terms, and the commencement of bankruptcy or other insolvency proceedings against the Issuer, or others.

(b) The Issuer shall promptly upon request provide the Bond Trustee with any such documents, information and other assistance (in form and substance satisfactory to the Bond Trustee), that the Bond Trustee deems necessary for the purpose of exercising its and the Bondholders' rights and/or carrying out its duties under the Finance Documents.

16.2 The duties and authority of the Bond Trustee

(a) The Bond Trustee shall represent the Bondholders in accordance with the Finance Documents, including, *inter alia*, by following up on the delivery of any Compliance Certificates and such other documents which the Issuer is obliged to disclose or deliver to the Bond Trustee pursuant to the Finance Documents and, when relevant, in relation to accelerating and enforcing the Bonds on behalf of the Bondholders.

(b) The Bond Trustee is not obligated to assess or monitor the financial condition of the Issuer or any other Obligor unless to the extent expressly set out in these Bond Terms, or to take any steps to ascertain whether any Event of Default has occurred. Until it has actual knowledge to the contrary, the Bond Trustee is entitled to assume that no Event of Default has occurred. The Bond Trustee is not responsible for the valid execution or enforceability of the Finance Documents, or for any discrepancy between the indicative terms and conditions described in any marketing material presented to the Bondholders prior to issuance of the Bonds and the provisions of these Bond Terms.

(c) The Bond Trustee is entitled to take such steps that it, in its sole discretion, considers necessary or advisable to protect the rights of the Bondholders in all matters pursuant to the terms of the Finance Documents. The Bond Trustee may submit any instructions received by it from the Bondholders to a Bondholders' Meeting before the Bond Trustee takes any action pursuant to the instruction.

(d) The Bond Trustee is entitled to engage external experts when carrying out its duties under the Finance Documents.

(e) The Bond Trustee shall hold all amounts recovered on behalf of the Bondholders on separated accounts.

(f) The Bond Trustee will ensure that resolutions passed at the Bondholders' Meeting are properly implemented, provided, however, that the Bond Trustee may refuse to implement resolutions that may be in conflict with these Bond Terms, any other Finance Document, or any applicable law.

(g) Notwithstanding any other provision of the Finance Documents to the contrary, the Bond Trustee is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.

(h) If the cost, loss or liability which the Bond Trustee may incur (including reasonable fees payable to the Bond Trustee itself) in:

(i) complying with instructions of the Bondholders; or

(ii) taking any action at its own initiative,

will not, in the reasonable opinion of the Bond Trustee, be covered by the Issuer or the relevant Bondholders pursuant to paragraphs (e) and (g) of Clause 16.4 (*Expenses, liability and indemnity*), the Bond Trustee may refrain from acting in accordance with such instructions, or refrain from taking such action, until it has received such funding or indemnities (or adequate security has been provided therefore) as it may reasonably require.

(i) The Bond Trustee shall give a notice to the Bondholders before it ceases to perform its obligations under the Finance Documents by reason of the non-payment by the Issuer of any fee or indemnity due to the Bond Trustee under the Finance Documents.

(j) The Bond Trustee may instruct the CSD to split the Bonds to a lower nominal amount in order to facilitate partial redemptions, restructuring of the Bonds or other situations.

16.3 Equality and conflicts of interest

(a) The Bond Trustee shall not make decisions which will give certain Bondholders an unreasonable advantage at the expense of other Bondholders. The Bond Trustee shall, when acting pursuant to the Finance Documents, act with regard only to the interests of the Bondholders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in the Finance Documents.

(b) The Bond Trustee may act as agent, trustee, representative and/or security agent for several bond issues relating to the Issuer notwithstanding potential conflicts of interest. The Bond Trustee is entitled to delegate its duties to other professional parties.

16.4 Expenses, liability and indemnity

(a) The Bond Trustee will not be liable to the Bondholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct. The Bond Trustee shall not be responsible for any indirect or consequential loss. Irrespective of the foregoing, the Bond Trustee shall have no liability to the Bondholders for damage caused by the Bond Trustee acting in accordance with instructions given by the Bondholders in accordance with these Bond Terms.

(b) The Bond Trustee will not be liable to the Issuer for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless caused by its gross negligence or wilful misconduct. The Bond Trustee shall not be responsible for any indirect or consequential loss.

(c) Any liability for the Bond Trustee for damage or loss is limited to the amount of the Outstanding Bonds. The Bond Trustee is not liable for the content of information provided to the Bondholders by or on behalf of the Issuer or any other person.

(d) The Bond Trustee shall not be considered to have acted negligently in:

(i) acting in accordance with advice from or opinions of reputable external experts; or

(ii) taking, delaying or omitting any action if acting with reasonable care and provided the Bond Trustee considers that such action is in the interests of the Bondholders.

(e) The Issuer is liable for, and will indemnify the Bond Trustee fully in respect of, all losses, expenses and liabilities incurred by the Bond Trustee as a result of negligence by the Issuer (including its directors, management, officers, employees and agents) in connection with the performance of the Bond Trustee's obligations under the Finance Documents, including losses incurred by the Bond Trustee as a result of the Bond Trustee's actions based on misrepresentations made by the Issuer in connection with the issuance of the Bonds, the entering into or performance under the Finance Documents, and for as long as any amounts are outstanding under or pursuant to the Finance Documents.

(f) The Issuer shall cover all costs and expenses incurred by the Bond Trustee in connection with it fulfilling its obligations under the Finance Documents. The Bond Trustee is entitled to fees for its work and to be indemnified for costs, losses and liabilities on the terms set out in the Finance Documents. The Bond Trustee's obligations under the Finance Documents are conditioned upon the due payment of such fees and indemnifications. The fees of the Bond Trustee will be further set out in the Bond Trustee Fee Agreement.

(g) The Issuer shall on demand by the Bond Trustee pay all costs incurred for external experts engaged after the occurrence of an Event of Default, or for the purpose of investigating or considering (i) an event or circumstance which the Bond Trustee reasonably believes is or may lead to an Event of Default or (ii) a matter relating to the Issuer or any of the Finance Documents which the Bond Trustee reasonably believes may constitute or lead to a breach of any of the Finance Documents or otherwise be detrimental to the interests of the Bondholders under the Finance Documents.

(h) Fees, costs and expenses payable to the Bond Trustee which are not reimbursed in any other way due to an Event of Default, the Issuer being Insolvent or similar circumstances pertaining to any Obligors, may be covered by making an equal reduction in the proceeds to the Bondholders hereunder of any costs and expenses incurred by the Bond Trustee or the Security Agent in connection therewith. The Bond Trustee may withhold funds from any escrow account (or similar arrangement) or from other funds received from the Issuer or any other person, irrespective of such funds being subject to Transaction Security, and to set-off and cover any such costs and expenses from those funds.

(i) As a condition to effecting any instruction from the Bondholders (including, but not limited to, instructions set out in Clause 14.3 (*Bondholders' instructions*) or Clause 15.2 (*Procedure for arranging a Bondholders' Meeting*)), the Bond Trustee may require satisfactory Security, guarantees and/or indemnities for any possible liability and anticipated costs and expenses from those Bondholders who have given that instruction and/or who voted in favour of the decision to instruct the Bond Trustee.

16.5 Replacement of the Bond Trustee

(a) The Bond Trustee may be replaced by a majority of 2/3 of Voting Bonds in accordance with the procedures set out in Clause 15 (*Bondholders' Decisions*), and the Bondholders may resolve to replace the Bond Trustee without the Issuer's approval.

(b) The Bond Trustee may resign by giving notice to the Issuer and the Bondholders, in which case a successor Bond Trustee shall be elected pursuant to this Clause 16.5 (*Replacement of the Bond Trustee*), initiated by the retiring Bond Trustee.

(c) If the Bond Trustee is Insolvent, or otherwise is permanently unable to fulfil its obligations under these Bond Terms, the Bond Trustee shall be deemed to have resigned and a successor Bond Trustee shall be appointed in accordance with this Clause 16.5 (*Replacement of the Bond Trustee*). The Issuer may appoint a temporary Bond Trustee until a new Bond Trustee is elected in accordance with paragraph (a) above.

(d) The change of Bond Trustee shall only take effect upon execution of all necessary actions to effectively substitute the retiring Bond Trustee, and the retiring Bond Trustee undertakes to co-operate in all reasonable manners without delay to such effect. The retiring Bond Trustee shall be discharged from any further obligation in respect of the Finance Documents from the change takes effect, but shall remain liable under the

Finance Documents in respect of any action which it took or failed to take whilst acting as Bond Trustee. The retiring Bond Trustee remains entitled to any benefits and any unpaid fees or expenses under the Finance Documents before the change has taken place.

(e) Upon change of Bond Trustee the Issuer shall co-operate in all reasonable manners without delay to replace the retiring Bond Trustee with the successor Bond Trustee and release the retiring Bond Trustee from any future obligations under the Finance Documents and any other documents.

16.6 Security Agent

(a) The Bond Trustee is appointed to act as Security Agent for the Bonds, unless any other person is appointed. The main functions of the Security Agent may include holding Transaction Security on behalf of the Secured Parties and monitoring compliance by the Issuer and other relevant parties of their respective obligations under the Transaction Security Documents with respect to the Transaction Security on the basis of information made available to it pursuant to the Finance Documents.

(b) The Bond Trustee shall, when acting as Security Agent for the Bonds, at all times maintain and keep all certificates and other documents received by it, that are bearers of right relating to the Transaction Security in safe custody on behalf of the Bondholders. The Bond Trustee shall not be responsible for or required to insure against any loss incurred in connection with such safe custody.

(c) Before the appointment of a Security Agent other than the Bond Trustee, the Issuer shall be given the opportunity to state its views on the proposed Security Agent, but the final decision as to appointment shall lie exclusively with the Bond Trustee.

(d) The functions, rights and obligations of the Security Agent may be determined by a Security Agent Agreement to be entered into between the Bond Trustee and the Security Agent, which the Bond Trustee shall have the right to require each Obligor and any other party to a Finance Document to sign as a party, or, at the discretion of the Bond Trustee, to acknowledge. The Bond Trustee shall at all times retain the right to instruct the Security Agent in all matters, whether or not a separate Security Agent Agreement has been entered into.

(e) The provisions set out in Clause 16.4 (*Expenses, liability and indemnity*) shall apply *mutatis mutandis* to any expenses and liabilities of the Security Agent in connection with the Finance Documents.

17. AMENDMENTS AND WAIVERS

17.1 Procedure for amendments and waivers

(a) The Issuer and the Bond Trustee (acting on behalf of the Bondholders) may agree to amend the Finance Documents or waive a past default or anticipated failure to comply with any provision in a Finance Document, provided that:

(i) such amendment or waiver is not detrimental to the rights and benefits of the Bondholders in any material respect, or is made solely for the purpose of rectifying obvious errors and mistakes;

(ii) such amendment or waiver is required by applicable law, a court ruling or a decision by a relevant authority; or

(iii) such amendment or waiver has been duly approved by the Bondholders in accordance with Clause 15 (*Bondholders' Decisions*).

(b) Any changes to these Bond Terms necessary or appropriate in connection with the appointment of a Security Agent other than the Bond Trustee shall be documented in an amendment to these Bond Terms, signed by the Bond Trustee (in its discretion). If so desired by the Bond Trustee, any or all of the Transaction Security Documents shall be amended, assigned or re-issued, so that the Security Agent is the holder of the relevant Security (on behalf of the Bondholders). The costs incurred in connection with such amendment, assignment or re-issue shall be for the account of the Issuer.

17.2 Authority with respect to documentation

If the Bondholders have resolved the substance of an amendment to any Finance Document, without resolving on the specific or final form of such amendment, the Bond Trustee shall be considered authorised to draft, approve and/or finalise (as applicable) any required documentation or any outstanding matters in such documentation without any further approvals or involvement from the Bondholders being required.

17.3 Notification of amendments or waivers

(a) The Bond Trustee shall as soon as possible notify the Bondholders of any amendments or waivers made in accordance with this Clause 17 (*Amendments and waivers*), setting out the date from which the amendment or waiver will be effective, unless such notice according to the Bond Trustee's sole discretion is unnecessary. The Issuer shall ensure that any amendment to these Bond Terms is duly registered with the CSD.

(b) Prior to agreeing to an amendment or granting a waiver in accordance with paragraph (a)(i) of Clause 17.1 (*Procedure for amendments and waivers*), the Bond Trustee may inform the Bondholders of such waiver or amendment at a relevant information platform.

18. MISCELLANEOUS

18.1 Limitation of claims

All claims under the Finance Documents for payment, including interest and principal, will be subject to the legislation regarding time-bar provisions of the Relevant Jurisdiction.

18.2 Access to information

(a) These Bond Terms will be made available to the public and copies may be obtained from the Bond Trustee or the Issuer. The Bond Trustee will not have any obligation to distribute any other information to the Bondholders or any other person, and the Bondholders have no right to obtain information from the Bond Trustee, other than as explicitly stated in these Bond Terms or pursuant to statutory provisions of law.

(b) In order to carry out its functions and obligations under these Bond Terms, the Bond Trustee will have access to the relevant information regarding ownership of the Bonds, as recorded and regulated with the CSD.

(c) The information referred to in paragraph (b) above may only be used for the purposes of carrying out their duties and exercising their rights in accordance with the Finance Documents and shall not disclose such information to any Bondholder or third party unless necessary for such purposes.

18.3 Notices, contact information

Written notices to the Bondholders made by the Bond Trustee will be sent to the Bondholders via the CSD with a copy to the Issuer and the Exchange (if the Bonds are listed). Any such notice or communication will be deemed to be given or made via the CSD, when sent from the CSD.

(a) The Issuer's written notifications to the Bondholders will be sent to the Bondholders via the Bond Trustee or through the CSD with a copy to the Bond Trustee and the Exchange (if the Bonds are listed).

(b) Notwithstanding paragraph (a) above and provided that such written notification does not require the Bondholders to take any action under the Finance Documents, the Issuer's written notifications to the Bondholders may be published by the Bond Trustee on a relevant information platform only.

(c) Unless otherwise specifically provided, all notices or other communications under or in connection with these Bond Terms between the Bond Trustee and the Issuer will be given or made in writing, by letter, e-mail or fax. Any such notice or communication will be deemed to be given or made as follows:

(i) if by letter, when delivered at the address of the relevant party;

(ii) if by e-mail, when received;

(iii) if by fax, when received; and

(iv) if by publication on a relevant information platform, when published.

(d) The Issuer and the Bond Trustee shall each ensure that the other party is kept informed of changes in postal address, e-mail address, telephone and fax numbers and contact persons.

(e) When determining deadlines set out in these Bond Terms, the following will apply (unless otherwise stated):

(i) if the deadline is set out in days, the first day of the relevant period will not be included and the last day of the relevant period will be included;

(ii) if the deadline is set out in weeks, months or years, the deadline will end on the day in the last week or the last month which, according to its name or number, corresponds to the first day the deadline is in force. If such day is not a part of an actual month, the deadline will be the last day of such month; and

(iii) if a deadline ends on a day which is not a Business Day, the deadline is postponed to the next Business Day.

18.4 Defeasance

(a) Subject to paragraph (b) below and provided that:

(i) an amount sufficient for the payment of principal and interest on the Outstanding Bonds to the relevant Repayment Date (including, to the extent applicable, any premium payable upon exercise of a Call Option), and always subject to paragraph (c) below (the "**Defeasance Amount**") is credited by the Issuer to an account in a financial institution acceptable to the Bond Trustee (the "**Defeasance Account**");

(ii) the Defeasance Account is irrevocably pledged and blocked in favour of the Bond Trustee on such terms as the Bond Trustee shall request (the "**Defeasance Pledge**"); and

(iii) the Bond Trustee has received such legal opinions and statements reasonably required by it, including (but not necessarily limited to) with respect to the validity and enforceability of the Defeasance Pledge,

then;

(A) the Issuer will be relieved from its obligations under Clause 12.2 (*Requirements as to Financial Reports*) paragraph (a), Clause 12.3 (*Put Option Event*), Clause 12.4 (*Information: Miscellaneous*) and Clause 13 (*General and financial undertakings*);

(B) any Transaction Security shall be released and the Defeasance Pledge shall be considered replacement of the Transaction Security; and

(C) any Obligor shall be released from any Guarantee or other obligation applicable to it under any Finance Document.

(b) The Bond Trustee shall be authorised to apply any amount credited to the Defeasance Account towards any amount payable by the Issuer under any Finance Document on the due date for the relevant payment until all obligations of the Issuer and all amounts outstanding under the Finance Documents are repaid and discharged in full.

(c) The Bond Trustee may, if the Defeasance Amount cannot be finally and conclusively determined, decide the amount to be deposited to the Defeasance Account in its discretion, applying such buffer amount as it deems necessary.

A defeasance established according to this Clause 18.4 may not be reversed.

19. GOVERNING LAW AND JURISDICTION

19.1 Governing law

These Bond Terms are governed by the laws of the Relevant Jurisdiction, without regard to its conflict of law provisions.

19.2 Main jurisdiction

The Bond Trustee and the Issuer agree for the benefit of the Bond Trustee and the Bondholders that the City Court of the capital of the Relevant Jurisdiction shall have jurisdiction with respect to any dispute arising out of or in connection with these Bond Terms. The Issuer agrees for the benefit of the Bond Trustee and the Bondholders that any legal action or proceedings arising out of or in connection with these Bond Terms against the Issuer or any of its assets may be brought in such court.

19.3 Alternative jurisdiction

Clause 19 (*Governing law and jurisdiction*) is for the exclusive benefit of the Bond Trustee and the Bondholders and the Bond Trustee have the right:

(a) to commence proceedings against the Issuer or any other Obligor or any of its/their respective assets in any court in any jurisdiction; and

(b) to commence such proceedings, including enforcement proceedings, in any competent jurisdiction concurrently.

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These Bond Terms have been executed in two originals, of which the Issuer and the Bond Trustee shall retain one each.

ATTACHMENT 1
COMPLIANCE CERTIFICATE

[date]

Norske Skog AS FRN senior secured bonds 2019/2022 ISIN NO0010856123

We refer to the Bond Terms for the above captioned Bonds made between Nordic Trustee AS as Bond Trustee on behalf of the Bondholders and the undersigned as Issuer. Pursuant to Clause 12.2 (*Requirements as to Financial Reports*) of the Bond Terms a Compliance Certificate shall be issued in connection with each delivery of Financial Reports to the Bond Trustee.

This letter constitutes the Compliance Certificate for the period [●].

Capitalised terms used herein will have the same meaning as in the Bond Terms.

With reference to Clause 12.2 (*Requirements as to Financial Reports*) we hereby certify that all information delivered under cover of this Compliance Certificate is true and accurate and there has been no material adverse change to the financial condition of the Issuer since the date of the last accounts or the last Compliance Certificate submitted to you. Copies of our latest consolidated [Annual Financial Statements] / [Interim Accounts] are enclosed.

[The Financial Covenants set out in Clause 13.19 (*Financial Covenants*) are met, please see the calculations and figures in respect of the ratios attached hereto.]

[The Material Group Companies nominated in accordance with Clause 13.14 (*Designation of Material Group Companies*) are [●].]

[No Material Group Companies have been nominated in accordance with Clause 13.14 (*Designation of Material Group Companies*).]

We confirm that, to the best of our knowledge, no Event of Default has occurred or is likely to occur.

Yours faithfully,

Norske Skog AS

____

Name of authorised person

Enclosure: Annual Financial Statements / Interim Accounts; [and any other written documentation]

ATTACHMENT 2
RELEASE NOTICE – ESCROW ACCOUNT

[date]

Dear Sirs,

Norske Skog AS FRN senior secured bonds 2019/2022 ISIN NO0010856123

We refer to the Bond Terms for the above captioned Bonds made between Nordic Trustee AS as Bond Trustee on behalf of the Bondholders and the undersigned as Issuer.

Capitalised terms used herein will have the same meaning as in the Bond Terms.

We hereby give you notice that we on [date] wish to draw an amount of EUR [amount] from the Escrow Account applied pursuant to the purpose set out in the Bond Terms, and request you to instruct the bank to release the above mentioned amount.

We hereby represent and warrant that:

(a) no Event of Default has occurred and is continuing or is likely to occur as a result of the release from the Escrow Account, and we repeat the representations and warranties set out in the Bond Terms as being still true and accurate in all material respects at the date hereof; and

(b) no Financial Indebtedness, Financial Support or Security which would not constitute Permitted Financial Indebtedness, Permitted Financial Support or Permitted Security (respectively) exists within the Group.

Yours faithfully,

Norske Skog AS

____

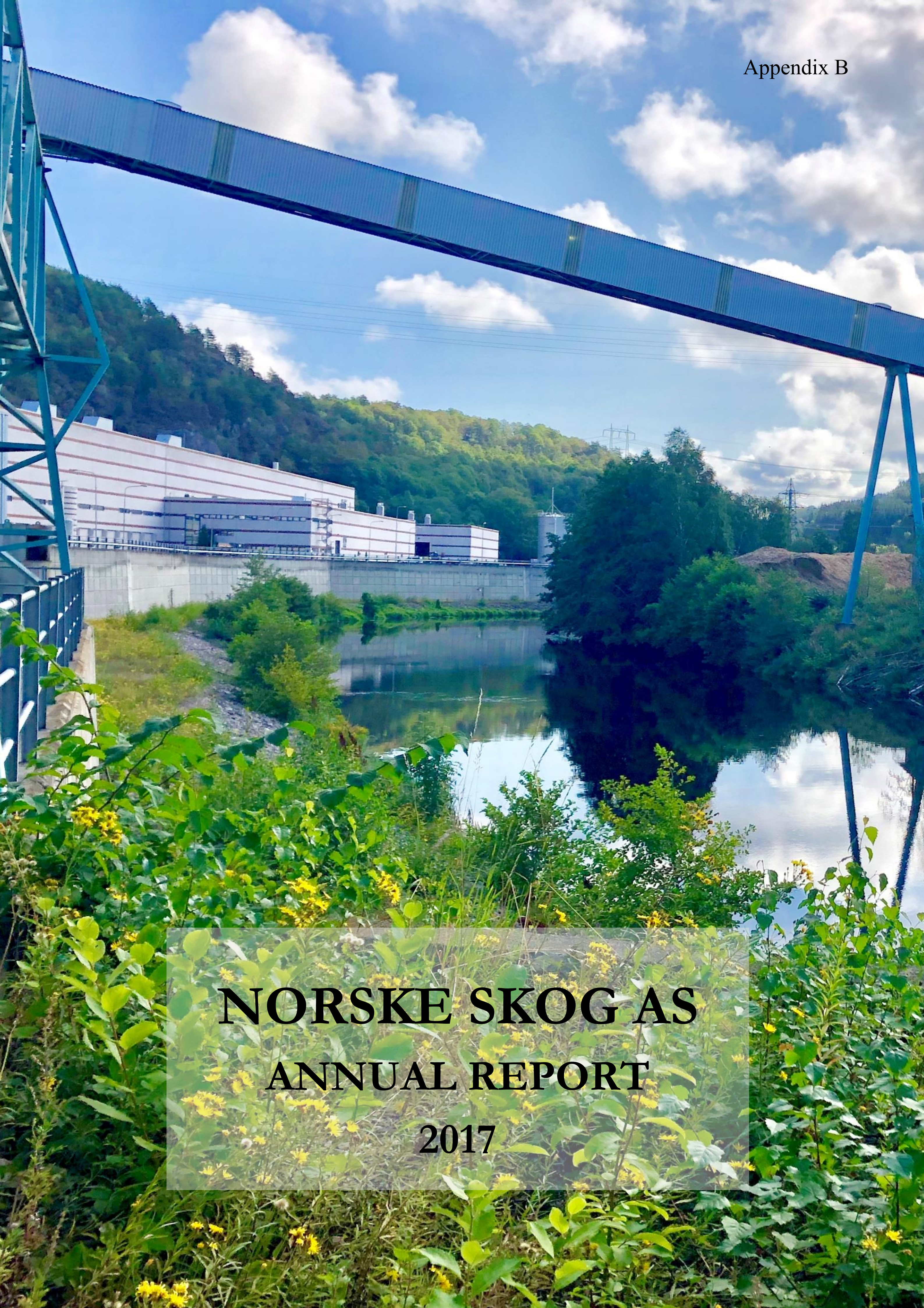
Name of authorised person

Enclosure: [copy of any written documentation evidencing the use of funds]

SIGNATURES:

The Issuer:	**As Bond Trustee and Security Agent:**
Norske Skog AS	**Nordic Trustee AS**
....	....
By: RUNE SOLLIE	By: Vivian Trøsch
Position: CFO	Position: Attorney at law

Appendix B



NORSKE SKOG AS

ANNUAL REPORT

2017

Norske Skog is one of the leading producers of publication paper in the world, with an annual production capacity of 2.6 million tonnes. The group is geographical 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. In Australasia, the group has two production sites in Australia and one in New Zealand. The European segment is the largest with 2.0 million tonnes of capacity, of which 1.1 million tonnes is newsprint and 0.9 million tonnes is magazine paper. The production capacity in the Australasian segment is 0.6 million tonnes newsprint and 0.1 million tonnes magazine paper. Importantly, Norske Skog is the only domestic producer in the region.

NORSKE SKOG IN 2017

2017 has been marked by the challenging operating environment with a decrease in revenue following reduced magazine prices in Europe and increased export from Australasia. Cost pressure from increased prices on recovered paper, fibre and energy contributed further to reduced gross operating earnings and a challenging liquidity situation. For the Norwegian mills, a shortage of fibre contributed to inefficient operations and increased costs impacting profitably and liquidity negatively.

The continuous efforts to address the unsustainable capital structure through restructuring discussions was a key focus through 2017, with several attempts to find a consensual solution with all stakeholders. The challenging liquidity situation led to the company not making payment of interest under the EUR 290 million senior secured notes due 2019 ("SSNs") or the Norwegian Securitisation Facility ("NSF") EUR 100 million when due in June 2017.

Following the failure by the company to pay due interest under the SSNs in June 2017, and following the expiry of applicable grace periods, an event of default crystallised under the SSNs. As a result, the majority holders of the SSNs instructed the Security Agent to accelerate the liabilities under the SSNs on 12 September 2017.

On 23 November 2017, Oceanwood, having accumulated the majority of the SSNs, announced that it was terminating the restructuring discussions and that it was going to instruct the security agent, Citibank, N.A., London Branch, to take enforcement action on the pledge over the entire issued share capital of Norske Skog AS, facilitating 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.

In December 2017, the prior ultimate parent company of the group, Norske Skogindustrier ASA, and the intermediate holding companies Norske Treindustrier AS and Norske Skog Holding AS, filed for bankruptcy. Following these bankruptcies, Norske Skog AS became the new ultimate parent company of the Norske Skog group. The operating companies of the group have continued producing and supplying customers.

The auction process for the sale of the shares in Norske Skog AS, which was publicly launched on 13 December 2017, was ended on 3 May 2018 when a wholly owned subsidiary of Oceanwood Opportunities Master Fund entered into a sale and purchase agreement with Citibank, N.A., London Branch, as security agent for the shares of Norske Skog AS.

INCOME STATEMENT AND CASH FLOW

Norske Skog's operating revenue was NOK 11.5 billion in 2017 (NOK 11.9 billion). Gross operating earnings decreased to NOK 702 million in 2017 (NOK 1 097 million). The decrease reflected a combination of lower magazine prices in Europe, higher mix of Asian export sales from Australasia at lower pricing and unfavourable currency impact. Group variable costs have been higher due to higher recovered paper, fibre and energy prices, but positively affected by improvements in fibre and energy consumption following investments at certain mills.

Depreciation was NOK 608 million in 2017 (NOK 674 million). The reduction is due to lower carrying value of fixed assets after impairments recognized in 2016. Restructuring expenses in 2017 amounted to NOK 9 million (NOK 64 million) and is mainly related to de-manning. Other gains and losses in 2017 were NOK -88 million (NOK -126 million), largely reflecting the change in value of embedded derivatives in energy contracts and change in value of certain energy contracts, accounted for at fair value.

Operating earnings were NOK -1 702 million in 2017 (NOK -947 million). The decrease reflected weaker market conditions in 2017 and further impairments recognised in 2017.

Financial items in 2017 were NOK -1 554 million (NOK -340 million) due to losses on receivables of NOK 477 million to Norske Skogindustrier ASA and other former group companies that filed for bankruptcy in 2017, net interest expenses of NOK 644 million in 2017 (NOK 476 million), and currency losses of NOK 312 million (gain of NOK 179 million) mainly related to translation effects on debt denominated in EUR.

Income taxes recognized in the income statement for 2017 amounted to NOK -234 million (NOK 527 million). This included a change in deferred tax of NOK -221 million.

Loss for the period was NOK -3.6 billion in 2017 (NOK -1.0 billion).

Net cash flow from operating activities was NOK 404 million in 2017 (NOK 514 million). Cash from operations was NOK 606 million (NOK 988 million) reflecting the weaker operating environment in 2017. Cash from net financial items, primarily interest payments, was NOK -184 million (NOK -470 million), while taxes paid was NOK 19 million (NOK 4 million). The lower interest payments is due to Norske Skog AS not paying interests on its outstanding debt from June 2017.

BALANCE SHEET

Total assets were NOK 8.1 billion at 31 December 2017 (NOK 10.5 billion). Total non-current assets were NOK 4.9 billion at 31 December 2017 (NOK 7.2 billion). The reduction of NOK 2.3 billion mainly reflected impairment charges and depreciation. Investments in property, plant and equipment were NOK 281 million in 2017 (NOK 305 million). Investments in 2017 included the construction of the new biogas facilities at Saugbrugs in Norway and Golbey in France, in addition to normal levels of operational capital expenditure.

Total current assets were NOK 3.2 billion at 31 December 2017 (NOK 3.3 billion), with cash and cash equivalents of NOK 433 million at 31 December 2017 (NOK 371 million).

Total non-current liabilities were NOK 2.6 billion at 31 December 2017 (NOK 6.0 billion). Total current liabilities were NOK 7.0 billion (NOK 2.4 billion). The increase reflected a reclassification of interest-bearing liabilities due to default on coupon payments of the SSNs and the EUR 100 million NSF in 2017. Net interest-bearing debt, the main portion of current liabilities, increased by NOK 0.7 billion through 2017 and amounted to NOK 5.7 billion at 31 December 2017.

Equity was NOK -1.4 billion at 31 December 2017 (NOK 2.1 billion). The decrease reflected loss for the period.

DIVIDEND PROPOSAL

The board does not recommend payment of dividend for the financial year 2017.

RISK MANAGEMENT

The main risk exposures for the group are linked to price and volume developments for publication paper and the costs of key input factors such as energy and fibre. Currency movements and developments in the broader economic climate remain the largest uncertainties influencing all of the above. The business risk for the group is amplified by high financial leverage.

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 therefore over time dependent on future conversions or closures of production capacity. 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.

Financial risk management includes currency and liquidity planning. Balance sheet volatility is mitigated by natural hedging, currency matching of debt and assets. Norske Skog has issued bonds denominated in EUR, replicating cash flows from the EUR based European market. The interest rates (coupons) on these bonds are fixed, providing predictability. 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.

Norske Skog performs credit evaluations of counterparties. The group's general insurance is managed centrally through a well-established insurance program.

Risk factors are further discussed in Note 8 in the consolidated financial statements.

CORPORATE GOVERNANCE, CORPORATE SOCIAL RESPONSIBILITY AND ENVIRONMENT

Norske Skog is subject to reporting requirements for corporate governance and corporate social responsibility pursuant to the Norwegian Accounting Act Section 3-3b and 3-3c. Corporate governance and corporate social responsibility are described on www.norskeskog.com.

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 are described on www.norskeskog.com.

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.

Norske Skog has invested in and completed biogas plants at Saugbrugs and Golbey and will continue to explore other projects within bioenergy that support and develop the business. 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.

GENDER EQUALITY, GENDER BALANCE AND DIVERSITY

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 two members, both men. 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.

GOING CONCERN

On 3 May 2018, a wholly owned subsidiary of Oceanwood Opportunities Master Fund entered into a sale and purchase agreement with Citibank, N.A.,London Branch, as security agent, for the acquisition of the shares in Norske Skog AS, along with its direct and indirect subsidiaries. The purchase price agreed in the sale and purchase agreement will not procure sufficient proceeds to fully discharge the company's financial and guarantee liabilities under the SSNs, the EUR 16 million liquidity facility and the EUR 159 million senior notes due 2021 and USD 61 million senior notes due 2023. Upon completion of the transaction, such financial and guarantee liabilities that are not fully discharged from the proceeds will be released. The transaction is subject to Oceanwood obtaining the relevant antitrust and other regulatory approvals in the countries concerned (including Australia and New Zealand), which is currently anticipated to be obtained in the second half of 2018.

Upon completion the release of the abovementioned liabilities will improve the company's equity with approximately NOK 3.5 billion. Following the release, Norske Skog AS will have significantly less debt and interest costs, which will improve both the solidity and liquidity of the company and group.

In accordance with the provisions in the Norwegian Accounting Act, the board has assessed the going concern assumption as basis for preparing and presenting the financial statements. The board of directors has considered the transactions described above and the potential impact both on liquidity and equity following the release of liabilities after completion of the sale of shares. The board of directors has also considered the operating environment for the group and the industry in general going forward as these are reflected in the financial budget and updated forecasts for 2018.

Based on these considerations and reflecting inherent uncertainties, also in relation to the application of the going concern assumption, the board of directors confirms that the assumption applies and that the financial statements have been prepared on a going concern basis.

OUTLOOK FOR 2018

The market balance for publication paper in Europe has improved into 2018 due to capacity conversions/closures in the industry in 2017. This has resulted in a favourable pricing environment for newsprint and magazine grades with higher operating rates in 2018 than previous years, and expected improvement in gross operating earnings compared to 2017.

The Asian export market for newsprint, constituting around 50% of the Australasian business for the group, is encouraging with improved prices due to the globally tight market balance. Domestically in Australia and New Zealand, the group has long-term customer contracts, but the business is exposed to a secular decline in demand which is expected to continue.

Group sales volumes in 2018 are expected to be on level with the previous year.

Underlying increases in costs for pulp, fibre and energy are expected to continue in 2018 and impact on the cost levels in the business. Shortage of wood, particularly in Norway, has continued into 2018 and may remain an issue both through increased cost and inefficient operations of the mills.

Following the completion of the sale of the shares in Norske Skog AS, and with Oceanwood as a financially strong new owner, the focus of the group will remain to maintain and develop a sustainable and stable business platform. The group will continue to focus on developing initiatives to improve the competitiveness of the mills though continuous cost reductions, developing our core business, invest in promising new growth projects, and be an attractive consolidation partner for publication paper in Europe.

NORSKE SKOG AS (THE PARENT COMPANY)

The parent company, Norske Skog AS, is incorporated in Norway and has its head office at Skøyen in Oslo. The Norske Skog group had 2 414 employees at year end 2017 (2 426). The activities of Norske Skog AS consist of holding shares in the operating companies of the Norske Skog group and the company had no employees or operating activities of its own as at 31 December 2017. All employees were employed from 1 January 2018 following the bankruptcy of the previous ultimate parent company Norske Skogindustrier ASA on 19 December 2017. The group's operational activities have continued in Norske Skog AS, including the head office function that previously was performed by Norske Skogindustrier ASA.

Financial items amounted to NOK -3 228 million (NOK -938 million) mainly due to external interest expenses at NOK 490 million (NOK 421 million) and impairment charges of NOK 2 296 million (NOK 752 million) on shares in subsidiaries. Losses on foreign currency amounts to NOK 331 million (gain of NOK 130 million). The loss for the period for Norske Skog AS was NOK 3 239 million in 2017 (NOK 942 million).

Net cash flow from operating activities was NOK 112 million (NOK -255 million). The lower interest payments is due to that Norske Skog AS did not pay interests on its outstanding debt from June 2017.

Total assets were NOK 4.5 billion at 31 December 2017 (NOK 6.6 billion). Total non-current assets were NOK 4.2 billion at 31 December 2017 (NOK 6.5 billion). Total non-current liabilities were NOK 297 million at 31 December 2017 (NOK 3.8 billion). The decrease is due to reclassification of SSNs and NSF as they were in default at year-end. Current liabilities at were NOK 5.1 billion at 31 December 2017 (NOK 453 million)

Equity was NOK -0.9 billion at 31 December 2017 (NOK 2.3 billion). The decrease reflected loss for the period. As at year end 2017, Norske Skog had lost more than 50% of its share capital. Following the completion of the sale of the shares in the company and the release of financial and guarantee liabilities described above, the equity is estimated to increase to a level in excess of NOK 2 billion, representing an equity ratio of approximately 25%. Combined with the improved liquidity in 2018, expected from the price increases for publication paper and reduced interest cost, the board considers that appropriate measures are in place to increase the equity and liquidity to adequate levels.

As described above, the board of directors recognizes the challenging industry Norske Skog operates in and the exposures to the group's various risks that could impact the financial performance, liquidity and equity in the parent company. The risk factors described for the group are also relevant for the parent company. Furthermore, Norske Skog AS 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 loss for the year for Norske Skog AS (the parent company) in 2017 was NOK 3 239 million (NOK 942 million) whereof NOK 2 019 million has been allocated from share premium and NOK -1 220 million has been allocated to retained earnings.

SKØYEN, 23 MAY 2018 - THE BOARD OF DIRECTORS AND CEO OF NORSKE SKOG AS

Sven Ombudstvedt
Chairman

Nils Ingemund Hoff
Board member

CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	2017	2016
Operating revenue	3	**11 527**	**11 852**
Distribution costs		-1 255	-1 229
Cost of materials		-6 904	-6 791
Change in inventories		-11	-66
Employee benefit expenses	12	-1 718	-1 762
Other operating expenses	14	-937	-907
Gross operating earnings		**702**	**1 097**
Depreciation	4	-608	-674
Restructuring expenses	20	-9	-64
Other gains and losses	16	-88	-126
Impairments	4	-1 699	-1 180
Operating earnings		**-1 702**	**-947**
Share of profit in associated companies	19	-61	-211
Financial income	5	5	16
Financial expenses	5	-1 247	-535
Net unrealised/realised gains/losses on foreign currency	5	-312	179
Loss before income taxes		**-3 317**	**-1 498**
Income taxes	17	-234	527
Loss after tax		**-3 551**	**-972**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION		2017	2016
Loss after tax		**-3 551**	**-972**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		155	-223
Reclassified translation differences upon divestment of foreign operations		-102	0
Tax expense on translation differences		0	0
Total		**53**	**-223**
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations		-26	-10
Tax effect on remeasurements of post employment benefit obligations		6	-1
Total		**-20**	**-11**
Other comprehensive income		**34**	**-234**
Total comprehensive income		**-3 517**	**-1 206**

CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	31.12.2017	31.12.2016
Assets			
Deferred tax asset	17	64	257
Intangible assets	4	23	22
Property, plant and equipment	3, 4	4 698	6 548
Investments in associated companies	19	1	151
Other non-current assets	10	153	206
Total non-current assets		4 939	7 184
Inventories	3, 18	1 148	1 161
Trade and other receivables	10	1 497	1 732
Cash and cash equivalents	8	433	371
Other current assets	18	92	49
Total current assets		3 170	3 313
Total assets		8 109	10 497
Shareholders' equity and liabilities			
Paid-in equity		5 160	5 160
Retained earnings and other reserves		-6 586	-3 069
Total equity		-1 427	2 090
Pension obligations	13	262	226
Deferred tax liability	17	348	303
Interest-bearing non-current liabilities	6, 11, 18	1 348	4 979
Other non-current liabilities	18	602	524
Total non-current liabilities		2 560	6 033
Interest-bearing current liabilities	6, 11, 18	4 802	430
Trade and other payables	18	2 052	1 797
Tax payable	17	4	11
Other current liabilities	18	119	137
Total current liabilities		6 976	2 374
Total liabilities		9 535	8 407
Total equity and liabilities		8 109	10 497

SKØYEN, 23 MAY 2018 – THE BOARD OF DIRECTORS AND CEO OF NORSKE SKOG AS

CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	NOTE	2017	2016
Cash flow from operating activities			
Cash generated from operations		11 378	11 804
Cash used in operations		-10 772	-10 816
Cash flow from currency hedges and financial items		-21	-28
Interest payments received	5	4	15
Interest payments made	5	-167	-457
Taxes paid		-19	-4
Net cash flow from operating activities [1)]	3	**404**	**514**
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets	3, 4	-276	-299
Sales of property, plant and equipment and intangible assets		5	194
Purchase of shares in companies and other financial payments		-29	0
Sales of shares in companies and other financial payments		21	-1
Net cash flow from investing activities		**-279**	**-105**
Cash flow from financing activities			
New loans raised		424	1 446
Repayments of loans		-401	-553
Change in intercompany balance with group		-89	-1 185
Net cash flow from financing activities		**-65**	**-293**
Foreign currency effects on cash and cash equivalents		2	-17
Total change in cash and cash equivalents		**62**	**99**
Cash and cash equivalents 01 January		371	271
Cash and cash equivalents 31 December		433	371
[1)] **Reconciliation of net cash flow from operating activities**			
Profit/loss before income taxes		-3 317	-1 498
Depreciation and impairments	4	2 307	1 854
Share of profit in associated companies	19	61	211
Gains and losses from divestment of business activities and property, plant and equipment	16	0	16
Taxes paid		-19	-4
Change in trade and other receivables		-148	-48
Change in inventories		48	59
Change in trade and other payables		42	-23
Change in restructuring provision		-30	-5
Financial items with no cash impact		1 370	-130
Gains and losses on commodity contracts and embedded derivatives	16	73	95
Value change biological assets	16	18	12
Disposal and repurchasing of renewable energy certificates		-3	-3
Change in environmental provisions with no cash impact		2	-3
Change in pension obligations and other long term employee benefits		-6	-15
Other		8	-4
Net cash flow from operating activities		**404**	**514**

CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	PAID-IN EQUITY	RETAINED EARNINGS	OTHER EQUITY RESERVES	TOTAL EQUITY
Equity 1 January 2016	**6 593**	**-2 063**	**199**	**4 729**
Loss	0	-972	0	-972
Repaid paid-in capital	-1 434	0	0	-1 434
Other comprehensive income	0	-35	-199	-234
Equity 31 December 2016	**5 160**	**-3 069**	**0**	**2 090**
Loss	0	-3 551	0	-3 551
Other comprehensive income	0	34	0	34
Equity 31 December 2017	**5 160**	**-6 586**	**0**	**-1 427**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Norske Skog AS (“the company”) and its subsidiaries (together “the group”) manufacture, distribute and sell publication paper. This includes newsprint and magazine paper. The group has seven fully-owned mills in five countries (Norway, France, Austria, Australia and New Zealand). Norske Skog AS was founded 5 November 2014, is incorporated in Norway and has its head office at Skøyen in Oslo. The former ultimate parent company Norske Skogindustrier ASA filed for bankruptcy at 19 December 2017. Norske Skog AS became the new ultimate parent company of the group as of that date.

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 AS on 23 May 2018.

The table below shows the average un-weighted 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 Norske Skog AS group.

	Income statement		**Balance sheet**	
	2017	**2016**	**31.12.2017**	**31.12.2016**
AUD	6.36	6.25	6.41	6.23
EUR	9.84	9.29	9.84	9.09
GBP	11.15	11.39	11.09	10.61
NZD	5.79	5.85	5.84	5.99
USD	8.31	8.40	8.21	8.62

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements of Norske Skog AS 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 AS group and its subsidiaries as at 31 December 2017. Control is achieved when the Norske Skog AS group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Norske Skog AS group controls an investee if, and only if, the Norske Skog AS group has:

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

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

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

The Norske Skog AS group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Norske Skog AS 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.

Dilution gains and losses arising in investments in associates are recognised in the income statement. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Segment reporting

Reportable segments

The activities in the group are divided into two operating segments: publication paper Europe and publication paper Australasia. The segment structure is in line with the group's operating model. 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. The option in IFRS 8 allowing different accounting policies to be applied in the segment reporting and group reporting is, for transparency reasons, not applied in Norske Skog AS.

Performance measurement
The group assesses the performance of the operating segments based on a measure of gross operating earnings. These items exclude the effects of expenditure not deemed to be part of the regular operating activities of the segment, such as restructuring expenses, impairments, gains and losses from sales of non-current assets and changes in fair value of certain energy contracts, embedded derivatives in energy contracts and biological assets.

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

Foreign currency translation

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

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

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

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

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, and of borrowings and other currency instruments designated as hedges of such investments, are booked as part of comprehensive income and presented in other equity reserves. When a foreign operation is derecognized, such exchange differences are booked out of comprehensive income and recognised in the income statement line Other gains and losses as part of the gain or loss 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 gains and losses.

Biological assets

Biological assets are measured upon initial recognition and at the end of each reporting period at fair value less estimated point-of-sale costs, unless fair value cannot be reliably measured. A gain or loss arising on initial recognition, and from changes in fair value during a period, is reported in net profit or loss for the period in which it arises. When fair value cannot be reliably estimated, the asset is measured at cost less any accumulated depreciation and any accumulated impairment losses.

Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

b) Patents and licenses

Patents and licenses have a finite useful life and are recognised at historical cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patents and licences over their estimated useful lives.

c) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire the specific software and bring it into use, and amortised over their estimated useful lives. Costs associated with maintaining computer software are recognised as an expense as they are incurred. Costs which are directly associated with the development of identifiable and unique software products controlled by the group, and which are likely to generate economic benefits exceeding the costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development personnel and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives.

Impairment of non-financial assets

Intangible assets, which have an indefinite useful life, for example goodwill, are not subject to amortisation, but are tested annually for impairment. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which cash flows are separately identifiable (cash-generating units). At each balance sheet date, the possibility of reversing impairment losses in prior periods is evaluated 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 assets

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. This classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if it was acquired principally for the purpose of short-term sale or if so designated by management. Derivatives are also categorised as held for trading unless designated as hedges. Assets in this category are classified as current assets if they either are held for trading or are expected to be realised within 12 months of the balance sheet date.

Non-financial commodity contracts where the relevant commodity is readily convertible to cash, and where the contracts are not for own use, fall within the scope of IAS 39 *Financial Instruments – recognition and measurement*. Such contracts are treated as derivatives in accordance with IAS 39. Norske Skog AS has a long-term energy contract in New Zealand that is treated as a derivative and measured at fair value through profit or loss. Embedded derivatives are separated from the host contract and accounted for as a derivative if the economic characteristics are not closely related to the economic characteristics and risk of the host contract. See Notes 7, 8 and 9 for more information. Commodity contracts within the scope of IAS 39 are classified as current assets, unless they are expected to be realised more than 12 months after the balance sheet date. In that case, they are classified as non-current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables maturing less than 12 months after the balance sheet date are classified as current assets and presented as Trade and other receivables or Cash and cash equivalents in the balance sheet. Items maturing later than 12 months after the balance sheet date are presented within Other non-current assets.

c) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives, which are either designated in this category or not classified in any of the other categories. After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited to the reserve until the investment is derecognised. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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

The fair value of quoted investments is based on the current market price. If the market for a financial asset is not active, the group applies valuation techniques to establish the fair value. These include the use of recent arm's length transactions, reference to other instruments which are substantially the same, and discounted cash flow analyses defined to reflect the issuer's specific circumstances. Fair value includes the impact of credit risk and the adjustment for credit risk is dependent on whether the derivative is in the money (asset) or out of the money (liability). Credit value adjustment is applied to assets positions based on credit risk associated with the counter-party. Debit value adjustment is (from 2015) applied to liability positions, based on Norske Skog's own credit risk.

Shares, bonds, certificates, bills, etc.
Shares, bonds and certificates classified as financial assets at fair value through profit or loss are valued at market value, with changes in fair value recognised in the income statement.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Drawn bank overdrafts are shown as Interest-bearing current liabilities in the balance sheet.

Trade receivables
Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when objective evidence exists that the group will be unable to collect the entire amount due in accordance with the original terms of each receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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 provisions comprise mainly employee termination payments. Restructuring costs are costs which are not related to the ongoing operations. This includes for example severance (redundancy) payments, early retirement or other arrangements for employees leaving the company, external costs relating to coaching, counselling and assistance finding new jobs, or external costs to lawyers and legal advisors in relation to the de-manning process, and lease termination penalties. Provisions are not recognised for future operating losses.

Salary which is earned while the employee contributes to the ongoing operations is not classified as restructuring costs. This includes for example salary in the notice period when the employee is working during the notice period, or bonuses earned whilst the employee contributes to the normal operations. These are booked as normal employee benefit expenses. Costs for projects related to improvements are generally ordinary operating costs.

Where a number of similar obligations exist, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the best estimate of the expenditure required to settle the present obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised within financial items.

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.

A defined benefit plan is one which defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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

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

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

b) Bonus arrangements

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

c) 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 is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities, taken into account contractually defined terms of payment and excluding taxes or duty. Revenue is shown net of returns, trade allowances, rebates, amounts collected on behalf of third parties and after eliminating sales within the group. The group's revenue consists almost exclusively of the sale of goods, and the principle for recognition of revenue is the same for newsprint and magazine paper.

Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer. This will depend upon the buyer's delivery terms and will be in the range from the finalisation of the production to delivery of the goods to the buyer. The group's terms of delivery are based on Incoterms 2010, which are the official rules for the interpretation of trade terms issued by the International Chamber of Commerce. The timing of revenue recognition is largely dependent on these delivery terms. The group's sales are covered by the following main categories of terms:

- "D" terms, where the group delivers the goods to the purchaser at the agreed destination, usually the purchaser's premises. The point of sale is when the goods are delivered to the purchaser. If the customer is invoiced before delivery of the goods purchased, revenue is only recognised if the customer has taken over a significant part of the gain and loss potential related to those goods,
- "C" terms, where the group arranges and pays for the external transport of the goods, but the group no longer bears any responsibility for the goods once they have been handed over to the transporter in accordance with the terms of the contract. The point of sale is when the goods are handed over to the transporter contracted by the seller,
- "F" terms, where the purchaser arranges and pays for the transport. The point of sale is when the goods are handed over to the transporter contracted by the purchaser.

Dividend income

Dividend income is recognised when the right to receive payment is established, 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.

Leases

Leases in which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Leases relating to property and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised in the balance sheet to the lower of the fair value of the lease property and the present value of the minimum lease payments. Lease payments are apportioned between finance charge and reduction of the outstanding liability, giving a constant periodic rate of interest on the remaining balance of the liability. The leased property is depreciated according to the same principles applied for other non-current assets. The corresponding rental obligation, net of finance charges, is included in other long-term payables. If the leasing period is shorter than the useful life of the asset and it is unlikely that the group will purchase the asset at the end of the leasing period, the asset is depreciated over the leasing period.

Government grants

Government grants 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.

New and amended interpretations and standards adopted by the group

A number of new standards and amendments to standards and interpretations are not mandatory for 31 December 2017 reporting periods and have not been early adopted in 2017 by the group. New standards and amendments that are expected to have an impact on the consolidated financial statements, including note disclosures, are set out below:

IFRS 15 Revenue from contracts with customers
IFRS 15 Revenue from Contracts with Customers replaces IAS 11, IAS 18 and IFRIC 13 with effect from 1 January 2018 and establishes a single and comprehensive framework which sets out how much revenue is to be recognised, and when. The core principle is that a vendor should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the vendor expects to be entitled in exchange for those goods or services. The new standard is in line with the current revenue recognition at the group.

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. 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 Norske Skog 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. Our overall assessment is that the change in regulatory related to discounts, rebates or claims, is that it will have a marginal impact on Norske Skog's accounts as a significant part of the Group's sales are easily identified with a defined price for each obligation. In the fifth step, we assess when each performance obligation is satisfied (point or time or over period) and revenue are recognized. 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 which are described in more detailed above under the section "Revenue recognition".

The group intends to adopt the modified retrospective application of IFRS 15 from 1 January 2018. The adoption of IFRS 15 is not expected to have any impact on revenues, profit or loss, assets or liabilities at 1 January 2018. Regarding presentation and disclosure, the new standard will result in additional information to be included in the notes compared to existing standards.

IFRS 9 Financial instruments
IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial Instruments: Recognition and Measurement from the effective date 1 January 2018, with a single model that has initially only two classification categories: amortised cost and fair value. IFRS 9 includes revised guidance on classification, measurement and derecognition of financial assets and financial liabilities, including a new credit loss model for calculating impairment on financial assets, and new rules for hedge accounting. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39 which have not been changed.

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. Norske Skog has historically low levels of realised bad debts in trade receivables, and the adoption of IFRS 9 will not result in a significant change in the provision for losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The group intends to adopt the new standard from 1 January 2018 and will not restate comparative information. The Group expect no significant impact on its income statements, balance sheet or cash flow statement for 2018.

IFRS 16 Leases
IFRS 16 Leases replaces existing IFRS leases requirements, IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new leases standard requires lessees to recognise assets and liabilities for most leases, which is a significant change from current requirements. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. The only exceptions are short-term and low-value leases. For lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The standard will affect primarily the accounting for the group's operating leases.

As at the reporting date, the group has non-cancellable operating lease commitments of NOK 63 million, see note 15. However, the group has not yet assessed to what extend these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not quality as lease under IFRS 16. IFRS 16 is mandatory for financial years commencing on or after 1 January 2019. The group does not intend to adapt the standard before its effective date.

There are no other IFRSs or IFRIC interpretations, not yet effective, that are expected to have a material impact on the financial statements.

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

a) Critical judgment in applying the group's accounting policies
The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the end of the reporting period. Norske Skog has for instance applied judgment when identifying and recognising embedded derivatives, when choosing to present certain items as Other gains and losses as separate line items and presenting profit or loss from associated companies after operating earnings. It is important to note that the use of a different set of assumptions for the presentation of the consolidated financial statements could have resulted in significant changes in the line items presented.

New interpretations, pronouncements or practices that changes the way these requirements are applied in Norske Skog may have significant impact on the company's financial statements.

b) Estimated decline in value of intangible assets and property, plant and equipment (PPE)
The group performs impairment tests to assess whether there has been a decline in the value of intangible assets and PPE. 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 AS 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 40-57 g/m^2. Magazine paper encompasses the paper qualities super calendered (SC), machine finished coated (MFC) and light weight coated (LWC). These paper qualities are used in magazines, periodicals, catalogues and brochures.

The activities of the Norske Skog AS 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 three mills in Australasia and the regional sales organization are included in the operating segment publication paper Australasia.

Other activities

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

Revenues and expenses not allocated to operating segments

Norske Skog manages non-current debt, taxes and cash positions on a group basis. Consequently, financial items and tax expenses are presented only for the group as a whole.

The group's investment in associated companies accounted for in accordance with the equity method is primarily related to its 33.7% share in Malaysian Newsprint Industries Sdn. Bhd., which is described in more detail in Note 19 Investments in associated companies.

Major customers

Norske Skog had a total sales volume of newsprint and magazine paper of 2 491 000 tonnes in 2017, of which sales to the group's largest customer constituted approximately 252 000 tonnes. Total sales volume in 2017 of newsprint and magazine paper to the five largest customers in Europe and Australasia amounted to approximately 330 000 and 370 000 tonnes respectively.

OPERATING REVENUE AND EXPENSES PER OPERATING SEGMENT

2017	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	**8 063**	**3 423**	**40**	**0**	**11 527**
Distribution costs	-855	-392	-8	0	-1 255
Cost of materials	-4 892	-1 977	-35	0	- 6 904
Change in inventories	-8	-13	10	0	-11
Employee benefit expenses	-1 176	-536	-6	0	-1 718
Other operating expenses	-629	-288	-20	0	-937
Gross operating earnings	**504**	**217**	**-19**	**0**	**702**
Depreciation	-386	-219	-3	0	-608
Restructuring expenses	-11	3	0	0	-9
Other gains and losses	0	-17	-72	0	-88
Impairments	-718	-981	0	0	-1 699
Operating earnings	**-611**	**-997**	**-94**	**0**	**-1 702**
Share of operating revenue from external parties (%)	100	100	100		100

2016	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	**8 292**	**3 520**	**40**	**0**	**11 852**
Distribution costs	-820	-401	-8	0	-1 229
Cost of materials	-4 824	-1 944	-23	0	- 6 791
Change in inventories	-61	-12	7	0	-66
Employee benefit expenses	-1 207	-549	-5	0	-1 762
Other operating expenses	-602	-291	-14	0	-907
Gross operating earnings	**778**	**323**	**-3**	**0**	**1 097**
Depreciation	-395	-275	-4	0	-674
Restructuring expenses	-26	-38	0	0	-64
Other gains and losses	2	-32	-96	0	-126
Impairments	-233	-947	0	0	-1 180
Operating earnings	**125**	**-969**	**-103**	**0**	**-947**
Share of operating revenue from external parties (%)	100	100	100		100

OPERATING REVENUE PER MARKET

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

	2017	**2016**
Norway	227	286
Rest of Europe	7 125	6 971
North America	386	598
South America	76	43
Australasia	2 495	2 772
Asia	1 059	990
Africa	158	191
Total	**11 527**	**11 852**

NET CASH FLOW FROM OPERATING ACTIVITIES

	2017	2016
Publication paper Europe	270	802
Publication paper Australasia	285	186
Other activities	51	-0
Total cash flow allocated to segments	**607**	**988**
Cash from net financial items	-184	-471
Taxes paid	-19	-4
Net cash flow from operating activities	**404**	**514**

PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	2017	2016
Publication paper Europe	193	175
Publication paper Australasia	82	122
Other activities	0	1
Total	**276**	**299**

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.

	31.12.2017	31.12.2016
Publication paper Europe	3 350	4 102
Publication paper Australasia	1 348	2 446
Other activities	0	0
Total	**4 698**	**6 548**

INVENTORIES

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

	31.12.2017	31.12.2016
Publication paper Europe	740	744
Publication paper Australasia	400	408
Other activities	8	9
Total	**1 148**	**1 161**

4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Assumptions applied when calculating the recoverable amount

Intangible non-current assets and property, plant and equipment 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.

Norske Skog's composition of cash-generating units were changed in 2016. From the second quarter of 2016, 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 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 one to 17 years. Sales volumes develop in accordance with the useful lives of the different paper machines in the group. Norske Skog has modelled the cash flows throughout the useful life of the paper machines. The model assumes that Norske Skog closes capacity in line with the secular decline in market demand. The timing of capacity closures follow from RISI cost curve positioning and RISI market demand projections. RISI is the leading global source for forest products information and data (www.risi.com).

Nominal cash flow is estimated in the currency in which it will be generated. The value is calculated by discounting based on a required rate of return on capital that is relevant for the cash-generating unit. 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 impairment model uses one base case scenario. Additionally, one scenario using RISI price estimates and one scenario using a -2.0% price decline across all grades in 2019 was considered. The key drivers of profitability in the industry and thus asset values for Norske Skog are product prices relative production costs. The starting point for the impairment test is the financial budget 2018 approved by the board of directors, updated with forecast of sale prices and costs as of December 2017. Beyond 2018 sales prices are increased by inflation adjusted by a factor assuming that not all cost increases are passed on to customers. Costs beyond 2018 is extrapolated from historical figures by inflation. The inflation rates applied in the period are estimated by country, and is in the range of 1.5% to 2.5%. Contracted prices/costs are reflected when applicable.

Gross operating earnings for the group was reduced from NOK 1 097 million in 2016 to NOK 702 million in 2017. The decrease reflected a combination of lower prices for magazine prices in Europe and export prices to Asia, higher variable costs for recovered paper, wood and energy prices and currency effects due to appreciation of NOK against GBP and EUR. The financial budget and updated forecast for 2018 assumes improved margins compared to 2017 reflecting contracted higher prices linked to a strong market balance for newsprint and SC following closures in 2017. For the ongoing years, we have assumed in the impairment model that the industry will continue being irrational and not close down capacity in 2019 leading to a lower utilization due to continued demand decline. Consequently, prices are expected to increase less than costs in 2019 and 2020. Furthermore, the diminishing Australasian market is assumed to put pressure on prices due to more exports into Asia. On the cost side pressure on main input variables will increase the costs. Negative effects related to the existing energy contracts are significantly reducing the EBITDA margin at Skogn and Saugbrugs in the impairment model.

The IFRS accounting standard IAS 36 requires more weight to be assigned to historical and current margins and contracts, which have resulted in an impairment charge of the assets as at 31 December 2017 of NOK 1 699 million. The impairment charges relates to Australasia Newsprint of AUD 154 million (NOK 981 million), Europe Newsprint of NOK 267 million and SC of NOK 451 million. When calculating value in use at 31 December 2017, the discount rate after tax (WACC) was 7.2% for Norway, 6.3% for France, 6.2% for Austria, 8.1% for Australia and 8.2% for New Zealand. The reason for differences in discount rates are different interest rate levels, different tax rates and country specific risks.

In 2016 an impairment charge of approximately NOK 1.4 billion were recognized. The impairment charge was mainly related to the business in Australasia with NOK 947 million and NOK 233 million for the European business. In addition an impairment of NOK 205 million for the associated company Malaysian Newsprint Industries Sdn. Bhd. (MNI) was recognized. When calculating value in use at 31 December 2016, the discount rate after tax (WACC) was 7.6% for Norway, 7.4% for France, 6.6% for Austria, 8.4% for Australia, 8.8% for New Zealand and 11.8% for Malaysia. The reason for differences in discount rates are different interest rate levels, different tax rates and country specific risks.

Sensitivity to estimates of recoverable amount

The estimation of recoverable amount is based on assumptions regarding the future development of several factors. These include price development for finished goods, sales volumes, currency rates and interest rates. This means that there will be uncertainty when it comes to the outcome of these calculations. In relation to the assumptions made in the calculation of the present value of future cash flows, recoverable amount is most sensitive to changes in prices of finished goods, sales volumes and the discount rate used. A partial sensitivity analysis would result in the following impairment indications. The sensitivities are applied in all scenarios throughout the forecasting period.

SENSITIVITY	IMPAIRMENT INDICATION
5% decrease in the sales price	-2 623
5% decrease in volume	-1 008
1% increase in the discount rate (WACC)	-243

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 after recognition of impairment as of 31 December 2017.

	MACHINERY AND EQUIPMENT	LAND AND BUILDINGS
Europe Newsprint	1 964	709
Australasia Newsprint	397	115
Magazine	229	212
Super calendared	218	218
Other	8	10
Carrying value 31 December 2017	**2 815**	**1 263**

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 approximately NOK 50 million.

In connection with the year-end closing process for 2017, 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. The reduction in useful life has a negative impact on the estimated recoverable amount of the mills. As the level of depreciation in 2017 by far exceeded purchases of PPE the future annual depreciation amount is expected to decrease.

INTANGIBLE ASSETS	OTHER INTANGIBLE ASSETS	LICENSES AND PATENTS	TOTAL
Acquisition cost 1 January 2016	133	84	217
Additions	20	0	20
Disposals	-10	0	-10
Reclassified from plant under construction	0	1	1
Currency translation differences	-3	-4	-7
Acquisition cost 31 December 2016	**140**	**81**	**221**
Accumulated depreciation and impairments 1 January 2016	128	72	200
Depreciation	4	2	6
Disposals	0	0	0
Currency translation differences	-3	-4	-7
Accumulated depreciation and impairments 31 December 2016	**129**	**70**	**199**
Carrying value 31 December 2016	**11**	**11**	**22**
Acquisition cost 1 January 2017	140	81	221
Additions	15	0	15
Disposals	-10	0	-10
Reclassified from plant under construction		0	0
Currency translation differences	3	5	8
Acquisition cost 31 December 2017	**148**	**86**	**234**
Accumulated depreciation and impairments 1 January 2017	129	70	199
Depreciation	3	2	5
Disposals	0	0	0
Currency translation differences	3	4	7
Accumulated depreciation and impairments 31 December 2017	**135**	**76**	**211**
Carrying value 31 December 2017	**13**	**10**	**23**

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	PLANT UNDER CONSTR-UCTION	TOTAL
Acquisition cost 1 January 2016	339	31 207	6 722	502	221	38 991
Additions	0	55	2	1	247	305
Disposals	0	-262	0	-1	0	-263
Reclassified from plant under construction	15	110	4	7	-137	-1
Currency translation differences	-12	-729	-174	-23	-7	-945
Acquisition cost 31 December 2016	**342**	**30 381**	**6 554**	**486**	**324**	**38 087**
Accumulated depreciation from new companies	155	24 943	4 818	460	45	30 421
Depreciation	0	517	143	7	0	667
Impairment	25	1 084	71	0	0	1 180
Value changes	12	0	0	0	0	12
Disposals	0	-55	0	0	0	-55
Currency translation differences	-5	-530	-129	-22	0	-686
Accumulated depreciation and impairments 31 December 2016	**187**	**25 959**	**4 903**	**445**	**45**	**31 539**
Carrying value 31 December 2016	**155**	**4 422**	**1 651**	**41**	**279**	**6 548**
Acquisition cost 1 January 2017	342	30 381	6 554	486	324	38 087
Additions	0	44	3	4	230	281
Disposals	0	-2	0	-5	0	-7
Reclassified from plant under construction	15	83	12	13	-123	0
Currency translation differences	10	899	215	32	8	1 164
Acquisition cost 31 December 2017	**367**	**31 405**	**6 784**	**530**	**439**	**39 525**
Accumulated depreciation from new companies	**187**	**25 959**	**4 903**	**445**	**45**	**31 539**
Depreciation	0	450	142	9	0	601
Impairment	0	1 379	320	0	0	1 699
Value changes	18	0	0	0	0	18
Disposals	0	-2	0	-5	0	-7
Currency translation differences	5	779	164	29	0	977
Accumulated depreciation and impairments 31 December 2017	**210**	**28 565**	**5 529**	**478**	**45**	**34 827**
Carrying value 31 December 2017	**157**	**2 840**	**1 255**	**52**	**394**	**4 698**

Norske Skog owns forests in Australia. These assets are valued at fair value less estimated point-of-sale costs. Changes in value are reported in the income statement line Other gains and losses. Machinery and equipment is depreciated over a period from ten to 25 years. Buildings and other property are depreciated over a period from ten to 40 years. Fixtures and fittings are depreciated over a period from three to ten years. Land and plant under construction are not depreciated.

The difference between total additions in the table above and purchases of property, plant, equipment and intangible assets in the consolidated statement of cash flows is due to capitalised allocated emission allowances, finance leases, capitalised borrowing costs and accruals for payments. The capitalised borrowing costs in 2017 amounted to NOK 2 million (2016 NOK 3 million), and the interest rate used was 4,9% (2016 4.2%)

Disposals in 2017 were primarily related to scrapping of fully depreciated assets that no longer have any technical values. Disposals in 2016 consists mainly of scrapping of fully depreciated assets and sale the Tasman geothermal power plan at Norske Skog Tasman in New Zealand.

Non-current assets held for sale

Norske Skog did not have any non-current assets held for sale at 31 December 2017.

5. FINANCIAL ITEMS

FINANCIAL ITEMS		2017	2016
Financial income			
External interest income		3	4
Interest income from group companies		2	12
Total		**5**	**16**
Financial expenses			
External interest expense		-522	-430
Interest expense from group companies		-127	-62
Loss on receivables		-477	0
Other financial expenses		-120	-42
Total		**-1 247**	**-535**
Realised/unrealised gains / (losses) on foreign currency		**-312**	**179**
Financial items		**-1 554**	**-340**

Interest income and expense from group companies relates to former group companies. Intercompany interest is calculated based on a standard margin, adjusted where necessary to reflect local market conditions and transfer pricing principles.

Loss on receivables for 2017 are related receivables on the the former group entities Norske Skogindustrier ASA, Norske Skog Holding AS, Lysaker Invest AS and Norske Skog Eiendom AS which filed for bankruptcy in December 2017.

During 2017 the Norske Skog group worked hard to achieve a consensual recapitalization of the Norske Skogindustrier ASA group and thereby avoid bankruptcy proceedings for the parent company. The consensual recapitalization process could not be achieved and the accrued costs related to this process were expensed in 2017, is and included in the line other financial expenses.

6. MORTGAGES

	31.12.2017	31.12.2016
Loans secured by mortgages on property		
2019 Senior Secured Notes (EUR 290 million)	3 201	2 635
Other mortgage debt	127	128

On 24 February 2015, Norske Skog completed the refinancing of a portion of its bond maturities through the issuance of EUR 290 million Senior Secured Notes (SSN) maturing in December 2019. The security package comprises a first-ranking security interest in the property, plant and machinery in our mills Albury and Boyer in Australia and Tasman in New Zealand, together with pledges over bank accounts, inventory, certain receivables and other assets in Australia and New Zealand. In addition, the security package includes a first-ranking security interest in all shares of and guarantees from Norske Skog Bruck GmbH, Norske Skog Golbey SAS, Norske Skog Industries Australia Limited, Norske Skog (Australasia) Pty Limited, Norske Skog Paper Mills (Australia) Limited, Norske Skog Saugbrugs AS, Norske Skog Skogn AS and Norske Skog Tasman Limited and a share capital security of Norske Skog Treindustrier AS and Lysaker Invest AS. The EUR 290 million SSN are governed by a market standard secured high yield notes indenture which, among other things, includes asset sales limitations. Please refer to Note 25 for further details on the share pledge enforecement process and the treatment of the SSN.

Norske Skog has a securitization facility (NSF) of EUR 100 million secured by receivables of the mills in Norway, inventory of the mills in Norway and France and certain collection bank accounts.

The other mortgage debt includes facilities secured by property, plant and equipment at mills.

7. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31.12.2017	NOTE	LOANS AND RECEIVABLES	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE-FOR-SALE FINANCIAL ASSETS	NON-FINANCIAL ASSETS	TOTAL
Other non-current assets	10	10	32	110	0	153
Trade and other receivables	10	1 431	0	0	66	1 497
Cash and cash equivalents		433	0	0	0	433
Other current assets	18	57	35	0	0	92
Total		**1 931**	**67**	**110**	**66**	
	NOTE		**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**	**OTHER FINANCIAL LIABILITIES AT AMORTISED COST**	**NON-FINANCIAL LIABILITIES**	**TOTAL**
Interest-bearing non-current liabilities	11, 18		0	1 348	0	1 348
Interest-bearing current liabilities	11, 18		0	4 802	0	4 802
Other non-current liabilities	18		272	0	330	602
Trade and other payables	18		0	2 052	0	2 052
Other current liabilities	18		88	17	14	119
Total			**360**	**8 218**	**344**	

31.12.2016	NOTE	LOANS AND RECEIVABLES	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE-FOR-SALE FINANCIAL ASSETS	NON-FINANCIAL ASSETS	TOTAL
Other non-current assets	10	13	41	145	7	206
Trade and other receivables	10	1 680	0	0	52	1 732
Cash and cash equivalents		371	0	0	0	371
Other current assets	18	17	32	0	0	49
Total		**2 081**	**73**	**145**	**59**	
	NOTE		**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**	**OTHER FINANCIAL LIABILITIES AT AMORTISED COST**	**NON-FINANCIAL LIABILITIES**	**TOTAL**
Interest-bearing non-current liabilities	11, 18		0	4 979	0	4 979
Interest-bearing current liabilities	11, 18		0	430	0	430
Other non-current liabilities	18		202	0	322	524
Trade and other payables	18		0	1 797	0	1 797
Other current liabilities	18		67	46	25	137
Total			**268**	**7 251**	**347**	

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).

31.12.2017	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
Derivatives	26	26	0	0	26
Commodity contracts	6	6	0	1	5
Miscellaneous other non-current assets	121	121	0	0	121
Other non-current assets	**153**	**153**	**0**	**1**	**152**
Accounts receivable	1 127	1 127	0	0	1 127
Other receivables	304	304	0	0	304
Prepaid VAT	66	66	0	0	66
Trade and other receivables	**1 497**	**1 497**	**0**	**0**	**1 497**
Cash and cash equivalents	**433**	**433**	**0**	**0**	**433**
Derivatives	5	5	0	0	5
Commodity contracts	30	30	0	0	30
Current investments	57	57	0	0	57
Other current assets	**92**	**92**	**0**	**0**	**92**
Interest-bearing non-current liabilities [1)]	1 348	1 348	0	0	1 348
Interest-bearing current liabilities	4 802	4 350	0	2 635	1 715
Total interest-bearing liabilities	**6 150**	**5 698**	**0**	**2 635**	**3 063**
Derivatives	215	215	0	0	215
Commodity contracts	57	57	0	0	57
Non-financial non-current liabilities	330	330	0	0	330
Other non-current liabilities	**602**	**602**	**0**	**0**	**602**
Accounts payable	1 029	1 029	0	0	1 029
Other payables	1 014	1 014	0	0	1 014
Trade and other payables	**2 043**	**2 043**	**0**	**0**	**2 043**
Derivatives	41	41	0	0	41
Commodity contracts	26	26	0	23	3
Non-financial current liabilities	52	52	0	0	52
Other current liabilities	**119**	**119**	**0**	**23**	**96**

31.12.2016	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
Derivatives	33	33	0	0	33
Commodity contracts	8	8	0	1	7
Miscellaneous other non-current assets	165	165	0	0	165
Other non-current assets	**206**	**206**	**0**	**1**	**205**
Accounts receivable	998	998	0	0	998
Other receivables	682	682	0	0	682
Prepaid VAT	52	52	0	0	52
Trade and other receivables	**1 732**	**1 732**	**0**	**0**	**1 732**
Cash and cash equivalents	**371**	**371**	**0**	**0**	**371**
Derivatives	6	6	0	0	6
Commodity contracts	26	26	0	24	2
Current investments	17	17	0	0	17
Other current assets	**49**	**49**	**0**	**24**	**25**
Interest-bearing non-current liabilities [1)]	4 979	4 921	0	2 420	2 501
Interest-bearing current liabilities	430	430	0	0	430
Total interest-bearing liabilities	**5 409**	**5 351**	**0**	**2 420**	**2 931**

Derivatives	201	201	0	0	201
Commodity contracts	1	1	0	0	1
Non-financial non-current liabilities	322	322	0	0	322
Other non-current liabilities	**524**	**524**	**0**	**0**	**524**
Accounts payable	997	997	0	0	997
Other payables	799	799	0	0	799
Trade and other payables	**1 796**	**1 796**	**0**	**0**	**1 796**
Derivatives	39	39	0	0	39
Commodity contracts	28	28	0	0	28
Non-financial current liabilities	70	70	0	0	70
Other current liabilities	**137**	**137**	**0**	**0**	**137**

[1)] *The fair value of foreign bonds (Interest-bearing liabilities) (Level 2) is assessed by using price indications from banks at the reporting data. There is some uncertainty associated with the calculated fair value of Level 3 interest-bearing liabilities. The fair value 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

Norske Skog' objective when managing capital is to ensure that the company is adequately capitalised, that the funding requirements are met and to maximise return on equity within the limits set by the group's external debt financing. In order to improve the capital structure, the group pay no dividends to shareholders at present time.

The main risk exposures for the group are linked to uncertainty to price and volume developments for publication paper and the costs of key input factors such as energy and fibre. Weaker demand than expected for the group's products can impact profitability and associated cash flows in a negative way. The group operates in a multicurrency environment, where the main currencies of importance for the business are EUR, GBP, USD and AUD. Currency movements between these currencies, as well as against NOK, may impact demand as well as prices and costs of key input factors. 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. The business risk of the group is amplified by its high financial leverage.

There is uncertainty with regards to the changes in the broader economic climate development and more adverse developments than expected may influence all of the above. The aforementioned risks may all impact on the operating plan for 2018 and future results. The factors are an inherent uncertainty when the board makes its assessments. Nevertheless, the board of director's is confident that its assessment of the current and expected market conditions in 2018 is realistic given facts at hand. A deleveraged and recapitalized group would be in a better position to diversify its business model.

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' 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 AS. 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 AS 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

Norske Skog AS 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. Norske Skog AS group seeks to minimise losses and volatility on the group's earnings caused by adverse market movements. Moreover, Norske Skog AS 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. Compliance with policies and standards is continuously monitored. There were no breaches of these policies during 2017 and 2016.

Market Risk

a) Interest rate risk

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

INTEREST-BEARING ASSETS AND LIABILITIES	31.12.2017			31.12.2016		
	FLOATING	FIXED	TOTAL	FLOATING	FIXED	TOTAL
Interest-bearing liabilities	588	4 431	5 019	493	3 554	4 047
Interest-bearing assets	-433	0	-433	-371	0	-371
Net exposure	**155**	**4 431**	**4 586**	**122**	**3 554**	**3 676**

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 23%.

The interest rate sensitivity analysis is based on a parallel shift in the yield curve for each relevant currency to which Norske Skog is exposed. Following a 50 basis point downward/upward parallel shift in the yield curve in all interest rate markets to which Norske Skog is exposed, net earnings would have been NOK 1 million higher/lower at 31 December 2017 (NOK 1 million higher/lower at 31 December 2016). Change in net interest payments accounts for NOK 3 million, and the total change in market values of derivatives carried at fair value through profit or loss accounts for NOK 0 million.

b) Currency risk

Transaction risk - cash flow hedge

The group has revenues and expenses in various currencies. The major currencies are NOK, EUR, USD, GBP, AUD and NZD. Transaction risk arises because the group has a different currency split on income and expenses. Norske Skog AS group has not done any cash flow hedging during 2017 or 2016.

Translation risk - net investment hedge

Norske Skog AS 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 as a group comprises entities with different functional currencies. Derivative and non-derivative financial instruments of a monetary nature, denominated in currencies different from the functional currency of the entity, create foreign exchange rate exposure on the consolidated income statement. Moreover, foreign currency risk will also affect equity.

- Financial instruments denominated in the functional currency of the entity have no currency risk and will therefore not be applicable to this analysis. Furthermore, the foreign currency exposure of translating financial accounts of subsidiaries into the group's presentational currency is not part of this analysis.

- Sensitivity on commodity contracts and embedded derivatives is presented separately under "commodity risk".

- Currency derivatives and foreign currency debt that are designated as net investment hedges and qualify for hedge accounting according to IAS 39 will only affect equity.

- Other currency derivatives that are recognised at fair value through profit and loss will affect the income statement. These effects come mainly from currency derivatives and financial liabilities managed as economic net investment hedges which do not qualify for hedge accounting according to IAS 39.

- Other non-derivative financial instruments accounted for in the analysis comprise cash and cash equivalents, accounts payable, accounts receivable and borrowings denominated in currencies different from the functional currency of the entity.

- Correlation effects between currencies are not taken into account. Figures are presented net of tax.

At 31 December 2017, 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 341 million higher/lower (NOK 274 million higher/lower at 31 December 2016). The effect of the sensitivity analysis on the income statement is mainly caused by foreign exchange gains/losses on the translation of EUR and USD denominated debt for which there is no hedge accounting.

c) Commodity risk

A major part of Norske Skog AS group global commodity demand is secured through long-term contracts. Norske Skog AS 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 Norske Skog AS group purchase and sales contracts are defined as financial instruments, or contain embedded derivatives, which fall within the scope of IAS 39. These financial instruments and embedded derivatives are measured in the balance sheet at fair value with value changes recognised through profit or loss. Commodity contracts are financial contracts for the purpose of either trading or hedging. The embedded derivatives are common in physical commodity contracts and comprise a wide variety of derivative characteristics.

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

Norske Skog AS group portfolio of commodity contracts mainly of physical energy contracts. Fair value of commodity contracts is especially sensitive to future changes in energy prices. The fair value of embedded derivatives in physical contracts depends on currency and price index fluctuations. The energy contracts in Norway are nominated in EUR. These contracts contain embedded derivatives that are sensitive to changes in exchange rates. NOK weakened against EUR during 2017, which had a negative 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 IAS 39		FAIR VALUE 31.12.2017	NET PROFIT AFTER TAX - INCREASE	NET PROFIT AFTER TAX - DECREASE
Energy price	change 10%	-48	+128	-90
Currency	change 10%	-48	0	0

Sensitivity analysis for embedded derivatives

Embedded derivatives are common features in physical commodity contracts. The most common embedded derivatives are price indices, hereunder national consumer price and producer price indices. Some embedded derivatives have option features. The analysis below combines all indices into one price index. Currency effects will arise when contract values nominated in foreign currencies are translated to NOK.

EMBEDDED DERIVATIVES		FAIR VALUE 31.12.2017	NET PROFIT AFTER TAX - INCREASE	NET PROFIT AFTER TAX - DECREASE
Currency	change 10%	-224	272	-220
Price index	change 2.5%	-224	3	-3

Liquidity risk

Norske Skog AS 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, Norske Skog forecasts both short- and long-term cash flows. Cash flow forecasts include cash flows from operations, investments, financing activities and financial instruments. Norske Skog AS group had cash and cash equivalents of NOK 433 million at 31 December 2017 (NOK 371 million at 31 December 2016). Restricted bank deposits amounted to NOK 163 million at 31 December 2017, (NOK 130 million at 31 December 2016).

Coupon payments on the 2019 bond and the NSF was not paid in 2017. The non-payment of coupon constituted an event of default under the Notes. See further information in Note 23.

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 2017. These amounts consist of trade payables, interest payments and non-derivative financial instruments. Variable rate interest cash flows are calculated using the forward yield curve. Projected interest payments are based on the maturity schedule at 31 December 2017 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 2017.

Credit risk

Norske Skog AS 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. This includes derivatives with positive market value except for embedded derivatives. Embedded derivatives are not subjected to credit risk, as there are no future cash flows associated with such derivatives.

Norske Skog AS 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.

9. DERIVATIVES

Fair value of derivatives

The table below classifies financial instruments within the scope of IAS 39 measured in the balance sheet at fair value, by valuation method. The different valuation methods are described as levels and are defined as follows:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability are not based on observable market data (i.e. unobservable inputs).

31.12.2017	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**	**TOTAL**
Financial assets at fair value through profit or loss				
Trading derivatives	0	1	0	1
Commodity contracts and embedded derivatives	0	0	67	67
Total	**0**	**1**	**67**	**67**
Financial liabilities at fair value through profit or loss				
Trading derivatives	0	-23	0	-23
Commodity contracts and embedded derivatives	0	0	-315	-315
Total	**0**	**-23**	**-315**	**-338**

31.12.2016	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**	**TOTAL**
Financial assets at fair value through profit or loss				
Trading derivatives	0	25	0	25
Commodity contracts and embedded derivatives	0	0	48	48
Total	**0**	**25**	**48**	**73**
Financial liabilities at fair value through profit or loss				
Trading derivatives	0	0	0	0
Commodity contracts and embedded derivatives	0	0	-268	-268
Total	**0**	**0**	**-268**	**-268**

The following table shows the changes in level 3 instruments at 31 December 2017.

	ASSETS	**LIABILITIES**
Opening balance	48	-268
Gains and losses recognised in profit or loss	-9	-12
Currency translation differences	28	-35
Closing balance	**67**	**-315**

Norske Skog's portfolio of commodity contracts consist mainly of physical energy contracts. The commodity contracts and Embedded derivatives classified as financial within the scope of IAS 39 contracts are mainly related to energy contracts in Australia and New Zealand. Fair value of commodity contracts is sensitive to estimates of future energy prices. Fair value of embedded derivatives is sensitive to estimates of exchange rates and price indices.

The fair value of derivatives that are not traded in an active market (over-the-counter derivatives) is determined using various valuation techniques. Interest rate swaps, cross-currency swaps, forward rate agreements and foreign currency forward contracts are all valued by estimating the present value of future cash flows. Quoted cash and swap rates are used as input for calculating zero coupon curves used for discounting.

The fair value of commodity contracts recognised in the balance sheet is calculated by using quotes from actively traded markets when available. Otherwise, price forecasts from acknowledged external sources are used. Commodity contracts that fail to meet the own-use exemption criteria in IAS 39 are recognised in the balance sheet and valued on the same principle as financial contracts. Some of these are long-term energy contracts. In calculating the fair value of embedded derivatives, valuation techniques are used in the absence of observable market inputs.

Fair value includes the impact of credit risk and the adjustment for credit risk is dependent on whether the derivative is in the money (asset) or out of the money (liability). Credit value adjustment is applied to assets positions based on credit risk associated with the counter-party. Debit value adjustment is applied to liability positions, based on Norske Skog's own credit risk, set to 11% at 31 December 2017 (11% at 31 December 2016).

The following table is presented in accordance with IFRS 13.94, showing the fair value of all commodity contracts in level 3 within the scope of IAS 39 given a change in assumptions to a reasonably possible alternative.

FAIR VALUE OF DERIVATIVES IN LEVEL 3 GIVEN A REASONABLY POSSIBLE ALTERNATIVE		**31.12.2017**	**31.12.2016**
Assets			
Commodity contracts	Energy price -2%	66	42
Liabilities			
Commodity contracts	Energy price -2%	-310	-281

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 2017 would be a downwards parallel shift of the long end of the forward curve of 2% (downwards shift of 2% in 2016).

	31.12.2017		**31.12.2016**	
DERIVATIVES	**ASSETS**	**LIABILITIES**	**ASSETS**	**LIABILITIES**
Commodity contracts	36	-83	34	-29
Embedded derivatives	32	-255	39	-240
Total	**67**	**-338**	**73**	**-268**

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	31.12.2017	31.12.2016
Trade and other receivables			
Accounts receivable		1 127	998
Provision for bad debt		-63	-80
Current receivable group companies Norske Skogindustrier ASA*		0	434
VAT receivables		66	52
Prepaid expenses		132	125
Other receivables		235	204
Total		**1 497**	**1 732**
Other non-current assets			
Non-current receivables group companies Norske Skogindustrier ASA*		0	49
Long-term shareholdings	21	110	97
Derivatives	7	26	33
Commodity contracts	7	6	8
Pension plan assets	13	0	7
Loans to employees		1	1
Other non-current receivables		9	12
Total		**153**	**206**

Norske Skogindustrier ASA filed for bankruptcy in December 2017 and was not a group company as at 31 December 2017.

Norske Skog Bruck have a factoring facility agreement. The facility has a limit of EUR 25 million and no financial covenants. Accounts receivable that have been sold are deducted from accounts receivable in the balance sheet. The utilisation at 31 December 2017 was NOK 156 million (31 December 2016 was NOK 129 million).

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

AGEING OF THE GROUP'S CURRENT RECEIVABLES	31.12.2017	31.12.2016
Not due	1 402	1 627
0 to 3 months	102	112
3 to 6 months	4	0
Over 6 months	52	74
Total [1)]	**1 560**	**1 813**

[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

Bond financing constitutes the majority of Norske Skog's total debt financing. The 2019 bond is issued by Norske Skog AS and the maturity and coupon is shown in the table below. Overdue but unpaid interest amounts have been included in the outstanding amounts below.

MATURITY	CURRENCY	COUPON	NOMINAL VALUE AT DATE OF ISSUE	AMOUNT OUTSTANDING 31.12.2017
December 2019	EUR	11.75%	EUR 290 million	EUR 325 million

INTEREST-BEARING DEBT, OUTSTANDING AMOUNTS		31.12.2017	31.12.2016
Bonds		3 201	2 635
Debt to financial institutions		488	368
Securitisation/Factoring Facilities		1 443	1 201
Total		**5 132**	**4 204**

INTEREST-BEARING DEBT BY CURRENCY	CURRENCY AMOUNT 31.12.2017	NOK 31.12.2017	NOK 31.12.2016
EUR	493	4 846	3 950
AUD	27	172	180
Total interest-bearing debt in foreign currencies		**5 018**	**4 130**
Interest-bearing debt in NOK	114	114	73
Total interest-bearing debt		**5 132**	**4 204**

The average interest rate on par value of debt at 31 December 2017 was 10.5% (9.5% at 31 December 2016).

DEBT REPAYMENTS

SCHEDULED REPAYMENT OF THE GROUP'S FINANCIAL DEBT AT 31.12.2017	OTHER LOANS	BONDS	TOTAL
2018	604		604
2019	32	3 201	3 233
2020	1 119		1 119
2021	35		35
2022	37		37
2023	36		36
2024	31		31
2025-2033	38		38
Total	**1 931**	**3 201**	**5 132**

SCHEDULED REPAYMENT OF THE GROUP'S FINANCIAL DEBT AT 31.12.2016	OTHER LOANS	BONDS	TOTAL
2017	430		798
2018	48		414
2019	35	2 635	3 038
2020	949		963
2021	21		21
2022	22		22
2023	24		24
2024	21		21
2025-2033	20		20
Total	**1 569**	**2 635**	**5 321**

The table above shows the contractual scheduled repayment of the EUR 100 million Norwegian securitization facility (NSF) and the EUR 290 senior secured notes facility (SSN). Interest was not paid when due in the second quarter of 2017 for the NSF and the SSN. The non-payment constituted an event of default under the respective loan agreements. In addition, interest was not paid on the subsequent interest payment date in the fourth quarter of 2017. On 12 September 2017, Citibank, N.A., London Branch, in capacity as trustee under the indenture for the SSN, declared all monetary obligations under the SSN due and payable immediately. Following the event of default, the facilities have been classified as current liabilities.

Total debt listed in the repayment schedule may differ from booked debt. This is due to premiums or discounts on issued bonds and other loans. At 31 December 2017, the financial statements included a discount of NOK 114 million (NOK 157 million at 31 December 2016). Premiums or discounts on issued bonds are amortised in the income statement over the lifetime of the issued bonds. See Note 6 for loans secured by mortgages. The facilities do not contain any material financial covenants.

Trade payables amounted to NOK 1 029 million at 31 December 2017.

Drawn amounts under factoring arrangements in France and Australia are classified as interest-bearing current liabilities.

As per 31 December 2017, Norske Skog AS and its subsidiaries had issued bank guarantees in an amount of NOK 227 million, and Norske Skog AS had issued guarantees in an amount of NOK 29 million.

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

				NON-CASH CHANGES			
	NOTE	**31.12.2016**	**CASH FLOWS**	**RECLASSI-FICATION[2)]**	**OTHER**	**FOREIGN EXCHANGE MOVEMENT**	**31.12.2017**
Interest-bearing non-current liabilities[1)]	18	3 617	-15	-3401	3[3)]	41	245
Interest-bearing current liabilities[1)]	18	430	135	3401	485[4)]	322	4 773
Net liabilities former group companies	18	925	-89		477[5)]	28	1 341
Other financing activities			-96				
Total liabilities from financing activities		**4 972**	**-65**		**966**	**391**	**6 360**

[1)] Except for liabilities to former group companies
[2)] Reclassification between non-current and current term liabilities
[3)] New leases
[4)] Amortization of transaction cost and accrue overdue interest on the EUR 290 million bond and the EUR 100 million securitiation facility(NSF)
[5)] Loss on receivables see Note 5

12. EMPLOYEE BENEFIT EXPENSES

EMPLOYEE BENEFIT EXPENSES	NOTE	2017	2016
Salaries including holiday pay		1 314	1 339
Social security contributions		285	294
Pension costs	13	66	68
Other employee benefit expenses		54	60
Total		**1 718**	**1 762**

NUMBER OF EMPLOYEES BY REGION	31.12.2017	31.12.2016
Europe	1 752	1 762
Australasia	662	664
Parent company	0	0
Total	**2 414**	**2 426**

The company has not paid any remuneration or other benefits, as there were no employees in 2017. See Note 23 for further information.

Norske Skogindustrier ASA managed the company up to the company filed for bankruptcy 19 December 2017. Management fee of NOK 8 million has been paid for the services.

Remuneration of NOK 1.2 million has been paid to the members of the Board of Directors for the period 12 September 2017 to 31 December 2017.

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	840	488	2 358	585	4 271
Audit-related assistance [1)]	0	429	217	24	669
Tax assistance	0	8	0	60	68
Other fees	0	17	422	499	938
Total	**840**	**941**	**2 997**	**1 168**	**5 946**

[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 1 704 current and former employees are covered by such schemes. Of these, 237 people are covered by defined benefit plans and 1 467 people by defined contribution plans.

DESCRIPTION OF THE DEFINED BENEFIT PLANS
The key terms in Norske Skog's major defined benefit plans are shown in the table below.

	BENEFIT IN % OF PENSIONABLE EARNINGS	YEARS OF SERVICE	PENSIONABLE AGE	EARLY RETIREMENT AGE	NUMBER OF MEMBERS
Norske Skog Saugbrugs AS	65	30	70	62	72
Norske Skog Skogn AS	65	30	70	62	102
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 59 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 between 1 and 6 G and 8% between 6 and 12 G. The defined benefit plan was closed and now only covers employees born before 1 January 1959 who were employed before the closure.

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

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	2017	2016
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	0.4%	0.0%

The discount rate applied for the pension schemes in Norway for 2017 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 1.8% to 2.3% and salary adjustments vary from 2.0% to 2.6%. Norske Skog has used the mortality table in Norway (K2013BE) and Richttafeln 2005G in Germany.

NET PERIODIC PENSION COST	2017	2016
Current service cost	4	5
Pension cost defined contribution schemes	62	64
Accrued national insurance contributions	0	0
Recognised curtailment and settlement	-1	0
Net periodic pension cost	**66**	**68**
Net periodic interest cost	**4**	**5**

Estimated payments to the group's defined benefit pension schemes in 2018 amounts to NOK 11 million.

PENSION PLANS IN THE BALANCE SHEET

PARTLY OR FULLY FUNDED PENSION PLANS	31.12.2017	31.12.2016
Projected benefit obligations including national insurance contributions	-158	-158
Plan assets at fair value	152	165
Net plan assets/pension obligations (-) in the balance sheet	**-6**	**7**

UNFUNDED PENSION PLANS	31.12.2017	31.12.2016
Projected benefit obligations including national insurance contributions	-255	-226

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

SPECIFICATION OF PENSION PLANS IN THE BALANCE SHEET	31.12.2017	31.12.2016
Pension assets in the balance sheet	0	7
Pension liabilities in the balance sheet	-262	-226
Net pension obligations in the balance sheet	**-261**	**-219**
Net unfunded pension plans	-255	-226
Net partly or fully funded pension plans	-6	7

CHANGES IN PENSION OBLIGATIONS FOR PARTLY OR FULLY FUNDED PENSION PLANS	2017	2016
Balance 1 January	158	183
Deconsolidated company	0	0
Current years’ service cost	4	5
Current years’ interest cost	4	4
Pension paid	-2	-2
Curtailments/settlements	-5	-3
Other changes	-1	-1
Currency translation differences	0	0
Re-measurements	1	-28
Balance 31 December	**158**	**158**

CHANGES IN PLAN ASSETS FOR PARTLY OR FULLY FUNDED PENSION PLANS	2017	2016
Balance 1 January	165	179
Divested companies	0	0
Return on plan assets	4	4
Curtailments/settlements	-5	-3
Other changes	0	-1
Employer contribution	7	7
Re-measurements	-17	-20
Currency translation differences	0	0
Balance 31 December	**152**	**165**

CHANGES IN PENSION OBLIGATIONS FOR UNFUNDED PENSION PLANS	2017	2016
Balance 1 January	-226	-228
Current years' service cost	-9	-2
Current year's interest cost	-4	-1
Pension paid	7	1
Contributions to the plan assets	0	0
Curtailments/settlements	0	0
Other changes	0	0
Currency translation differences	-14	7
Re-measurements	-9	-4
Balance 31 December	**-255**	**-226**

Re-measurements is mainly related to changes in financial assumptions.

SPESIFICATION OF RE-MEASUREMENT GAINS/LOSSES IN OTHER COMPREHENSIVE INCOME (OCI)	2017	2016
Return on plan assets	0	0
Actuarial changes arising from changes in demographic assumptions	0	0
Actuarial changes arising from changes in financial assumptions	-23	-15
Experience adjustments + investment management costs	-3	4
Asset ceiling	0	0
Total	**-26**	**-11**

	2017		2016	
INVESTMENT PROFILE FOR PENSION FUNDS	FUNDS	DISTRIBUTION	FUNDS	DISTRIBUTION
Shares	23	15%	17	10%
Bonds	101	66%	120	73%
Properties and real estate	18	12%	24	14%
Money market	6	5%	0	0%
Other	3	2%	4	2%
Total	**152**	**100%**	**165**	**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%	-12	14
Salary adjustment - 0.5%	5	-4
Future national security - 1.0%	-5	5
Future pension – 1.0%	N/A	N/A

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

14. OTHER OPERATING EXPENSES

	NOTE	2017	2016
Maintenance materials and services		457	450
Marketing expenses		9	10
Administration, insurance, travel expenses etc.		168	185
Operating leases	15	46	47
Internal services to group companies		122	106
Other expenses		135	109
Total		**937**	**907**
Specification of losses on accounts receivable included in other expenses			
Receivables written off during the period		14	8
Payments received on items previously written off		0	0
Change in provision for bad debt		-15	-13
Total		**-1**	**-5**

15. LEASES

OPERATING LEASES

The group recognised expenses of NOK 46 million in relation to operating leases in 2017. The equivalent expense in 2016 was NOK 47 million.

MINIMUM LEASE PAYMENTS RELATING TO OPERATING LEASES	31.12.2017	31.12.2016
Not later than one year	19	19
Later than one year and not later than five years	38	38
Later than five years	6	10
Total	**63**	**67**

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	31.12.2017	31.12.2016
Not later than one year	30	26
Later than one year and not later than five years	103	93
Later than five years	41	60
Total	**174**	**179**
Future finance charges on finance leases	-49	-59
Present value of minimum lease payments	**125**	**120**

PRESENT VALUE OF MINIMUM LEASE PAYMENTS	31.12.2017	31.12.2016
Not later than one year	28	24
Later than one year and not later than five years	77	68
Later than five years	20	28
Total	**125**	**120**
Capitalised value of leased machinery and equipment	**57**	**48**

16. OTHER GAINS AND LOSSES

	2017	2016
Gains and losses from divestments and deconsolidating of business activities, property, plant and equipment	0	-17
Changes in value – commodity contracts [1)]	-52	-181
Changes in value – embedded derivatives	-20	85
Changes in value – biological assets	-18	-12
Other realised gains and losses	1	-2
Total	**-88**	**-126**

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

The net loss on divestments of business activities, property, plant and equipment in 2016 of NOK 17 million was primarily related to sale of the Topp1 power station at the Tasman mill and scrapping of equipment no longer in use.

Norske Skog's portfolio of commodity contracts consists mainly of physical energy contracts. The fair value of commodity contracts is especially sensitive to future changes in energy prices. The fair value of embedded derivatives in physical contracts is influenced by currency and price index fluctuations. A sensitivity analysis of the impact on profit after tax of fluctuations in energy prices, currency and price indices is given in Note 8. The valuation techniques used are described in Note 9. The loss on embedded derivatives in 2017 is due to that NOK has weakened against EUR during the year. The loss on commodity contracts in is due to lower expected future energy prices.

Other realised gains and losses of NOK 1 million in 2017 and NOK -2 million in 2016 primarily related to financial hedging of energy.

17. INCOME TAXES

TAX EXPENSE	2017	2016
Current tax expense	-13	-16
Change in deferred tax	-221	543
Total	**-234**	**527**

RECONCILIATION OF THE GROUP TAX EXPENSE	2017	2016
Profit/loss before income taxes	-3 317	-1 498
Computed tax at nominal tax rate of 24%/25%	796	375
Differences due to different tax rates	77	61
Result from associated companies	-	-2
Exempted income/non-deductible expenses	-94	-54
Reversal tax provision	0	0
Adjustment previous years	-75	-12
Change in tax rate	-6	56
Deferred tax asset not recognised	-883	83
Other items	-49	18
Total tax expense (-) income (+)	**-234**	**527**
Effective tax rate	**7%**	**35%**

CURRENT TAX LIABILITY	31.12.2017	31.12.2016
Norway	0	4
Rest of Europe	4	7
Outside Europe	0	0
Total	**4**	**11**

DEFERRED TAX - MOVEMENTS	2017	2016
Net deferred tax asset 1 January	-46	-619
Change in deferred tax in the income statement	-221	543
Deconsolidation of subsidiaries	0	0
Tax on other comprehensive income	-6	-1
Tax effect FX net investment hedge	0	0
Group tax allocation balance sheet	0	0
Currency translation differences	-11	30
Net deferred tax asset/liability (-) 31 December	**-284**	**-46**

DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY	31.12.2017	31.12.2016
Norway	64	133
Rest of Europe	0	0
Outside Europe	0	125
Deferred tax asset	**64**	**257**
Norway	0	0
Rest of Europe	348	303
Outside Europe	0	0
Deferred tax liability	**-348**	**-303**
Net deferred tax asset/liability (-)	**-284**	**-46**

DEFERRED TAX DETAILS	31.12.2017	31.12.2016
Fixed assets, excess values and depreciation	123	-247
Pensions	3	0
Provisions and other liabilities	134	139
Currency translation differences and financial instruments	172	140
Deferred tax current items	6	20
Tax losses and tax credit to carry forward	1 306	1 138
Deferred tax asset not recognised [1]	-2 028	-1 236
Net deferred tax asset/liability (-)	**-284**	**-46**

LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2017	NORWAY	REST OF EUROPE	OUTSIDE EUROPE	TOTAL
2018	0	362[2]	0	362
2019	0	0	0	0
2020	0	0	0	0
2021	0	0	0	0
2022 and later	0	0	0	0
Indefinite expiry	2 579	75	2 431	5 085
Tax losses to carry forward	**2 579**	**437**	**2 431**	**5 448**
Temporary differences	-1 947	0	-1 218	-3 166
Tax losses and temporary differences not recognised [1]	-4 247	-362	-3 650	-8 259
Total tax losses and tax credits to carry forward (recognised)	**280**	**75**	**0**	**355**
Deferred tax asset	**64**	**0**	**0**	**64**
Tax rate	**23%**	**19-33%**	**28-30%**	

LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2016	NORWAY	REST OF EUROPE	OUTSIDE EUROPE	TOTAL
2017	0	118	0	118
2018	0	104	0	104
2019	0	43	0	43
2020	0	34	0	34
2021	0	33	0	33
2022 and later	0	0	0	0
Indefinite expiry	2 088	95	2 192	4 375
Tax losses to carry forward	**2 088**	**428**	**2 192**	**4 708**
Temporary differences	- 772	0	-491	-1 262
Tax losses and temporary differences not recognised	-2 306	-334	-2 268	-4 908
Total tax losses and tax credits to carry forward (recognised)	**554**	**94**	**415**	**1 063**
Deferred tax asset	**133**	**0**	**125**	**257**
Tax rate	**24%**	**17-34%**	**28-30%**	

[1] Basis for deferred tax asset not recognised amounted to NOK 8 516 million at 31 December 2017. NOK 5 093 million was related to tax losses to carry forward and NOK 3 166 million was related to other deductible temporary differences. Deferred tax asset not recognised amounted to NOK 2 028 million at 31 December 2017.

[2] The amount relates to loss carry forward in Norske Skog Holland BV that will be liquidated in 2018.

Deferred tax asset arising from the carry forward of unused tax losses is tested against expected future taxable profit on entity level. NOK 64 million is recognised as deferred tax assets in the consolidated financial statements as of 31 December 2017. NOK 26 million relates to Norske Skog Saugbrugs AS and NOK 38 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	31.12.2017	31.12.2016
Inventories			
Raw materials and other production input		697	705
Semi-manufactured materials		9	9
Finished goods		441	447
Total	3	**1 148**	**1 161**
Other current assets			
Derivatives	7	5	4
Commodity contracts	7	30	28
Current investments	7	56	10
Interest-free assets former group Norske Skogindustrier ASA	7	0	7
Total	7	**92**	**49**
Trade and other payables			
Accounts payable	7	1 029	997
Accrued labour costs and taxes		505	490
Accrued expenses		303	246
Interest-free liabilities former group Norske Skogindustrier ASA		152	53
Norske Treindustrier AS		58	
Other interest-free liabilities		4	11
Total		**2 052**	**1 797**
Other current liabilities			
Derivatives	7	41	39
Commodity contracts	7	26	28
Accrued emission rights		14	10
Accrued financial costs		21	15
Restructuring provision	20	17	46
Total		**119**	**137**
Other non-current liabilities			
Derivatives	7	215	201
Commodity contracts	7	57	1
Dismantling provision	20	76	83
Environmental provision	20	200	191
Deferred recognition of emission rights		0	0
Deferred recognition of government grants		24	29
Other non interest-bearing debt		30	20
Total		**602**	**524**
Interest-bearing non-current liabilities			
Bond adjusted for amortization		0	2 478
Debt to financial institutions		245	1 139
Interest-bearing non-current liabilities former group Norske Skogindustrier ASA Lysaker Invest AS Norske Treindustrier AS		 449 64 590	 724 66 573
Total	**7**	**1 348**	**4 979**
Interest-bearing current liabilities			
Debt to financial institutions and bond adjusted for amortization		4 405	151
Securitisation / Factoring Facilities		368	278
Interest-bearing current liabilities former group Norske Skogindustrier ASA		28	
Total	**7**	**4 802**	**430**

19. INVESTMENTS IN ASSOCIATED COMPANIES

Investments in associated companies are accounted for in accordance with the equity method. The carrying value of associated companies are NOK 1 million at 31 December 2017 (NOK 151 million at 31 December 2016).

Malaysian Newsprint Industries Sdn. Bhd.

Malaysian Newsprint Industries Sdn. Bhd. (MNI) is incorporated in Kuala Lumpur, Malaysia, and is a producer of newsprint products. Norske Skog had a 33.7% ownership in MNI. The board of directors of MNI made a decision to file a voluntary liquidation of MNI at the end of July 2017. See note 23 for further information on the voluntary liquidation process/sale of the shares.

As a consequence of the financial position of the company in 2017, Norske Skog recognized an impairment of NOK 139 million on the investment in MNI in 2017. Cumulative translation differences of NOK 102 million were reclassified from equity to profit and loss and included in the net loss for 2017.

20. PROVISIONS

	RESTRUCTURING PROVISION	DISMANTLING PROVISION	ENVIRONMENTAL PROVISION
Balance 1 January 2015	**51**	**71**	**200**
Changes and new provisions	64	11	-10
Utilised during the year	-69	0	0
Periodic unwinding of discount	0	2	6
Currency translation differences	0	-1	-5
Balance 31 December 2016	**46**	**83**	**191**
Changes and new provisions	9	-10	4
Utilised during the year	-38	0	-3
Periodic unwinding of discount	0	3	5
Currency translation differences	1	0	3
Balance 31 December 2017	**17**	**76**	**200**

Restructuring provision

The restructuring provision of NOK 17 million at 31 December 2017 is classified in the balance sheet line item Other current liabilities. The provision includes various restructuring activities included provision for severance payments and other costs (Publication paper Europe NOK 13 million and Publication paper Australasia NOK 4 million). The amount expensed in 2017 in relation to restructuring activities amounted to NOK 9 million.

The restructuring provision of NOK 46 million at 31 December 2016 is classified in the balance sheet line item Other current liabilities. The provision includes various restructuring activities included provision for severance payments and other costs (Publication paper Europe NOK 32 million and Publication paper Australasia NOK 14 million). The amount expensed in 2016 in relation to restructuring activities amounted to NOK 64 million.

Dismantling provision

Provisions related to future dismantling costs arising from a future closing down of production facilities amounted to NOK 76 million at 31 December 2017, compared to NOK 83 million at 31 December 2016.

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 9 million, with a corresponding increase in future depreciation on property, plant and equipment.

Environmental provision

The group's provision for environmental obligations is presented in the balance sheet as Other non-current liabilities. The provision is related to estimated future costs for cleaning up any environmental pollution caused by Norske Skog production units. The provision will mainly be realised in a future period upon a potential shut down of the production activities of any of the Norske Skog production units. Increased environmental requirements from local governments may also lead to realisation of this provision at an earlier point in time.

Provisions for future environmental obligations amounted to NOK 200 million at 31 December 2017 compared to NOK 191 million at 31 December 2016. The increase is mainly due to change in discount rate. Resources spent on environmental activities during 2017 amounted to NOK 3 million.

The carrying value of the provision is the best estimate made by measuring the expected value of the specific obligations, discounted to present value using a long-term risk-free interest rate when the time value of money is material. Changes in factors included in the expected value will impact the carrying value of the obligation. To illustrate the sensitivity, a reduction in the future discount rate by one percentage point would increase the provision by approximately NOK 20 million. Changes in accounting estimates not related to assets are classified as operating items in the income statement, and the periodic unwinding of the discount is recognised within the income statement line Financial expenses.

21. SHARES

SHARES IN SUBSIDIARIES	CURRENCY	SHARE CAPITAL (IN 1 000)	OWNERSHIP %
Shares in subsidiaries owned by the parent company			
Nornews AS, Oslo, Norway	NOK	100	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	190 000	100
Norske Skog Papers (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia	MYR	16	100
Norske Skog Saugbrugs AS Halden, Norway	NOK	1 152 300	100
Norske Skog Skogn AS, Levanger, Norway	NOK	1 152 300	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
NorFibres S.A, Golbey, France	EUR	10	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	223 000	100
Norske Skog Capital (New Zealand) Ltd., Auckland, New Zealand	NZD	1	100
Norske Skog Deutschland GmbH, Augsburg, Germany	EUR	520	100
Norske Skog Espana S.A., Madrid, Spain	EUR	60	100
Norske Skog France SARL, Paris, France	EUR	235	100
Norske Skog Holdings (No.1) Ltd., Auckland, New Zealand	NZD	0	100
Nature’s Flame Ltd., Auckland, New Zealand	NZD	7 750	100
Norske Skog Holland B.V., Amsterdam, The Netherlands	EUR	245 105	100
Norske Skog Italia SrL, Milan, Italy	EUR	10	100
Norske Skog Nordic & Export Sales AS, Oslo, Norway	NOK	1 100	100
Norske Skog Paper Mills (Australia) Ltd., Tasmania, Australia	AUD	7 539	100
Norske Skog 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
Panasia Paper Trading Co Pty Limited, Sydney, Australia	AUD	5 230	100
Saugbrugs Bioenergi AS, Halden, Norway	NOK	1 000	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 [1] (IN NOK 1 000)
Shares owned by other group companies				
Circa Group Pty Ltd, Melbourne, Australia	AUD	2 847	9	7
Exeltium SAS, Paris, France	EUR	12 384	5	82
Exeltium 2 SAS, Paris, France	EUR	3 440	5	2
Ignite Energy Resources Ltd., Sydney, Australia	AUD	254 183	1	13
SEM, Golbey, France	EUR	3 440	10	4
Other shares, each with book value below NOK 1 million				3
Total				**110**

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

22. RELATED PARTIES

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

Norske Skog Holding AS, dets konkursbo (the "Estate") is as of the date hereof the owner of the shares in Norske Skog AS (thus a related party to Norske Skog AS). On 15 February 2018, Norske Skog AS entered into an agreement with the Estate, pursuant to which the Estate undertook certain duties in connection with the Sales Process, including to monitor the Sales Process (see Note 23) and take the requisite preparatory steps to potentially act as seller of the Shares in lieu of Citibank N.A., London Branch.

23. EVENTS AFTER THE BALANCE SHEET DATE

All employees (33 employees), including members of corporate management previously employed by Norske Skogindustrier ASA were employed by Norske Skog AS with effect from 1 January 2018.

On 24 January 2018, Norske Skog AS signed an agreement with Norske Skogindustrier ASA bankruptcy estate regarding purchase of certain assets and transfer of certain agreements from the bankruptcy estate to the new parent company of Norske Skog AS Group.

Citibank N.A., London Branch, is acting as security agent (the “Security Agent”) for the EUR 290 million senior secured notes due in 2019 issued by Norske Skog AS (the “2019 SSNs”). The Security Agent has conducted a forced sale of the Shares following the default by Norske Skog AS of the terms of indenture for the 2019 SSNs (the “Sales Process”).

On 3 May 2018, a wholly owned subsidiary of Oceanwood Opportunities Master Fund entered into a sale and purchase agreement with Citibank, N.A., London Branch, as security agent, for the acquisition of the shares in Norske Skog AS, along with its direct and indirect subsidiaries. The purchase price agreed in the sale and purchase agreement will not procure sufficient proceeds to fully discharge the company's financial and guarantee liabilities under the SSNs, the EUR 16 million liquidity facility and the EUR 159 million senior notes due 2021 and USD 61 million senior notes due 2023. Upon completion of the transaction, such financial and guarantee liabilities that are not fully discharged from the proceeds will be released. The transaction is subject to Oceanwood obtaining the relevant antitrust and other regulatory approvals in the countries concerned (including Australia and New Zealand), which is currently anticipated to be obtained in the second half of 2018.

Upon completion the release of the abovementioned liabilities will improve the company's equity with approximately NOK 3.5 billion. Following the release, Norske Skog AS will have significantly less debt and interest costs, which will improve both the solidity and liquidity of the company and group.

On 2 May 2018, Norske Skog entered into a shares sale agreement with Asia Honours (Hong Kong) Limited, for the sale of the shares in Malaysian Newsprint Industries Sdn. Bhd. (MNI). The transaction is expected to be completed in the second half of 2018.

There have been no other events after the balance sheet date with significant impact on the financial statements for 2017.

FINANCIAL STATEMENTS NORSKE SKOG AS

INCOME STATEMENT

NOK MILLION	NOTE	2017	2016
Operating revenue		**0**	**0**
Other operating expenses		-7	0
Gross operating earnings		**-7**	**0**
Operating earnings		**-7**	**0**
Financial income	5	78	110
Financial expenses	5	-2 975	-1 178
Net unrealised/realised gains/losses on foreign currency	5	-331	130
Loss before income taxes		**-3 234**	**-938**
Income taxes	8	-5	-4
Loss after tax		**-3 239**	**-942**

STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION		2017	2016
Loss after tax		**-3 239**	**-942**
Other comprehensive income		**0**	**0**
Comprehensive income		**-3 239**	**-942**

BALANCE SHEET

NOK MILLION	NOTE	31.12.2017	31.12.2016
Assets			
Investments in subsidiaries	4	3 513	5 809
Other non-current assets	9	735	698
Total non-current assets		**4 248**	**6 507**
Trade and other receivables	9	126	65
Cash and cash equivalents		100	0
Other current assets		29	0
Total current assets		**255**	**65**
Total assets		**4 503**	**6 572**
Shareholders' equity and liabilities			
Paid-in equity		300	2 319
Retained earnings and other reserves		-1 220	0
Total equity	3	**-920**	**2 319**
Interest-bearing non-current liabilities	6,9	297	3 799
Total non-current liabilities		**297**	**3 799**
Interest-bearing current liabilities	6, 9	5 105	435
Tax payable	8	0	4
Other current liabilities		21	15
Total current liabilities		**5 125**	**453**
Total liabilities		**5 422**	**4 252**
Total equity and liabilities		**4 503**	**6 572**

SKØYEN, 23 MAY 2018 – THE BOARD OF DIRECTORS AND CEO OF NORSKE SKOG AS

STATEMENT OF CASH FLOWS

NOK MILLION	NOTE	2017	2016
Cash flow from operating activities			
Cash generated from operations		69	0
Cash used in operations		-8	0
Cash flow from financial items		3	-5
Interest payments received		78	110
Interest payments made		-21	-360
Taxes paid		-9	0
Net cash flow from operating activities		**112**	**-255**
Other financial payments		-6	0
Net cash flow from investing activities		**-6**	**0**
Cash flow from financing activities			
New loans raised		149	1 027
New equity		-213	0
Change in intercompany balance with group		64	-765
Net cash flow from financing activities		**0**	**255**
Foreign currency effects on cash and cash equivalents		-6	-7
Total change in cash and cash equivalents		**100**	**0**
Cash and cash equivalents 1 January		0	0
Cash and cash equivalents 31 December		100	0

STATEMENT OF CHANGES IN EQUITY

NOK MILLION	NOTE	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	TOTAL EQUITY
Equity 1 January 2016	3	**300**	**4 395**	**0**	**4 695**
Repayment of paid-in equity		0	-1 434	0	-1 434
Comprehensive income		0	0	-942	-942
Uncovered loss allocated other paid in equity		0	-942	942	0
Equity 31 December 2016	3	**300**	**2 019**	**0**	**2 319**
Comprehensive income		0	-2 019	-1 220	- 3 239
Equity 31 December 2017	3	**300**	**0**	**-1 220**	**-920**

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 23 May 2018.

2. ACCOUNTING POLICIES

The financial statements for Norske Skog AS 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 AS 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. EQUITY

The share capital of Norske Skog AS at 31 December 2017 was NOK 300 000 000 and consisted of 30 000 shares, each with a nominal value of NOK 10 000.

The share capital was initially NOK 30 000 when the company was founded, 5 November 2014. The share capital was increased in a private in-kind placement against the company's shareholder, Norske Skog Holding AS, 14 January 2015. The capital increase was made by increasing the nominal amount of each share from NOK 1 to NOK 10 000. The increase in share capital amounted in total to NOK 299 970 000, in addition to an increase in share premium of NOK 6 293 030 000. The capital increase was registered at Brønnøysund Register Centre, 21 January 2015.

All shares in Norske Skog AS is held by Norske Skog Holding AS, dets konkursbo (the «Estate»). Norske Skog Holding AS has under a share pledge agreement dated 24 February 2015 granted a pledge in the shares in favour of Citibank N.A. London Branch as security for the EUR 290 million senior secured notes (SSN) issued by Norske Skog AS and the EUR 15.9 facility entered into by Norske Skog AS. Interest payment due under the SSN were not paid on 15 June 2017, and on 12 September 2017 Citibank, on instruction from holders of a majority of the SSN, declared all amount under the SSNs to be due and payable immediately, and delivered a notice of acceleration declaring the same to Norske Skog AS.

On 23 November 2017 Oceanwood, having accumulated the majority of the SSNs, announced that it was terminating the restructuring discussions and it was going to instruct the Security Agent to take enforcement action on the pledge over the entire issued share capital of Norske Skog AS, facilitating the sale of Norske Skog along with its direct and indirect subsidiaries, to the highest bidder for cash pursuant to a competitive public auction process.

The auction process, which was publicly launched on 13 December 2017, was ended on 3 May 2018 when a wholly owned subsidiary of Oceanwood Opportunities Master Fund entered into a sale and purchase agreement with Citibank, N.A., London Branch, as security agent for the shares of Norske Skog AS, along with its direct and indirect subsidiaries. See Note 23 Events after the balance sheet in the consolidated financial statements for further information.

Upon completion the release of the abovementioned liabilities will improve the company's equity with approximately NOK 3.5 billion. Following the release, Norske Skog AS will have significantly less debt and interest costs, which will improve both the solidity and liquidity of the company and group.

PRINCIPAL SHAREHOLDERS	OWNERSHIP %
Norske Skog Holding AS, dets konkursbo (the «Estate»)	100.00

4. SHARES IN SUBSIDIARIES

SHARES IN SUBSIDIARIES	CURRENCY	SHARE CAPITAL (IN MILLION)	OWNERSHIP %	CARRYING VALUE (IN NOK MILLION)
Norske Skog Skogn AS, Levanger, Norway	NOK	1 152.3	100	860
Norske Skog Saugbrugs AS, Halden, Norway	NOK	1 152.3	100	534
Nornews AS, Oslo, Norway	NOK	0.1	100	1
Norske Skog Bruck GmbH, Bruck, Austria	EUR	10.0	100	522
Norske Skog Golbey SAS, Golbey, France	EUR	137.4	100	1 595
Norske Skog Industries Australia Ltd., Sydney, Australia	AUD	190.0	100	1
Norske Skog Papers (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia	MYR	5.0	100	0
Total				**3 513**

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. Impairment of NOK 2 296 million related to investments in Norske Skog Skogn AS, Norske Skog Saugbrugs AS, Norske Skog Industries Australia Ltd. and Norske Skog Papers (Malaysia) are recognized in 2017. For further information with respect to impairment testing, see Note 4 Intangible assets and property, plant and equipment in the consolidated financial statements.

The investment in subsidiaries have decreased from NOK 5 809 million to NOK 3 513 million during 2017 due impairment of NOK 2 296 million.

5. FINANCIAL ITEMS

FINANCIAL ITEMS	NOTE	2017	2016
Financial income			
Interest income		1	0
Interest income from group companies [1)]		77	110
Total		**78**	**110**
Financial expenses			
External interest expense		-490	-421
Interest expense from group companies [1)]		-13	0
Impairment of investments in subsidiaries	4	-2 296	-752
Loss on receivable		-89	0
Refinancing costs		-74	0
Other financial expenses		-13	-5
Total		**-2 975**	**-1 178**
Gains / (losses) on foreign currency		**-331**	**130**
Financial items		**-3 228**	**-938**

[1)] Intercompany interest is calculated based on a standard margin, adjusted where necessary to reflect local market conditions and transfer pricing principles.

Expected loss on receivables for 2017 are related receivables on the the former group entities Norske Skogindustrier ASA, Norske Skog Holding AS, Lysaker Invest AS and Norske Skog Eiendom AS which filed for bankruptcy in December 2017.

During 2017 the Norske Skog group worked hard to achieve a consensual recapitalization of the Norske Skogindustrier ASA group and thereby avoid bankruptcy proceedings for the parent company. The consensual recapitalization process could not be achieved and the accrued costs related to this process were expensed in 2017, is and included in the line refinancing costs.

6. MATURITY OF INTEREST-BEARING LIABILITIES

MATURITY OF THE COMPANY'S DEBT AT 31.12.2017	OTHER LOANS	BONDS	TOTAL
2018	164	0	164
2019	0	3 201	3 201
2020	1 083	0	1 083
2021	0	0	0
2022	0	0	0
Total	**1 247**	**3 201**	**4 448**

MATURITY OF THE COMPANY'S DEBT AT 31.12.2016	OTHER LOANS	BONDS	TOTAL
2017	0	0	0
2018	0	0	0
2019	0	2 635	2 635
2020	949	0	949
2021	0	0	0
Total	**949**	**2 635**	**3 584**

The table above shows contractual scheduled repayment of the EUR 100 million securitization facility (NSF) and the EUR 290 senior secured notes facility (SSN). Interest was not paid when due in the second quarter of 2017 for the NSF and the SSN. The non-payment constituted an event of default under the respective loan agreements. In addition, interest was not paid on the subsequent interest payment date in the fourth quarter of 2017. On 12 September 2017, Citibank, N.A., London Branch, in capacity as trustee under the indenture for the SSN, declared all monetary obligations under the SSN due and payable immediately. Following the event of default, the facilities have been classified as current liabilities.

Foreign currency debt is presented using exchange rate at 31 December 2017. Total debt listed in the repayment schedule may differ from booked debt due to interest, premiums or discounts on issued bonds.

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

7. SALARY AND OTHER REMUNERATION FOR SENIOR EXECUTIVES

The company has not paid any remuneration or other benefits, as there were no employees in the company as at 31 December 2017. All employees (33 employees), including members of corporate management previously employed by Norske Skogindustrier ASA were employed by Norske Skog AS with effect from 1 January 2018.

See Note 12 Employee benefit expenses in the consolidated financial statements for further information.

8. INCOME TAXES

TAX EXPENSE	2017	2016
Current tax expense	-5	-4
Change in deferred tax	0	0
Total	**-5**	**-4**

INCOME TAX RECONCILIATION	2017	2016
Profit/loss before income taxes	-3 234	-938
Computed tax at nominal tax rate of 24% / 25%	776	235
Exempted income/non-deductible expenses	-18	-1
Impairment of investments in subsidiaries	-551	-188
Change tax loss not recognised	-208	-47
Withholding tax	-4	-3
Total tax expense(-)/income	**-5**	**-4**

TEMPORARY DIFFERENCES AND TAX LOSSES - DETAILS	31.12.2017	31.12.2016
Financial debt and currency translation	-328	91
Tax losses to carry forward	-1 286	-832
Tax losses and other tax credits not recognised [1)]	1 614	741
Basis for deferred tax	**0**	**0**

DEFERRED TAX	2017	2016
Net deferred tax asset/liability (-) 31 December	**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.*

9. INTERCOMPANY RECEIVABLES/LIABILITIES

	31.12.2017	31.12.2016
NON-CURRENT INTERCOMPANY RECEIVABLES		
Norske Skog Skogn AS	119	109
Norske Skog Saugbrugs AS	138	125
Norske Skog Industries Australia Ltd.	478	464
Total	**735**	**698**
CURRENT INTERCOMPANY RECEIVABLES		
Norske Skog Nordic & Export Sales AS	2	0
Norske Skog Industries Australia Ltd.	83	42
Norske Skog Italia SrL	0	2
Norske Skog (Schweiz) AG	2	0
Norske Skog Skogn AS	0	21
Saugbrugs Bioenergi AS	21	0
Total	**108**	**65**
NON-CURRENT INTERCOMPANY LIABILITIES		
Norske Skogindustrier ASA (former group company)	0	187
Norske Skog Bruck GmbH	88	69
Norske Skog Golbey SA	209	142
Total	**297**	**398**
CURRENT INTERCOMPANY LIABILITIES		
Norske Skogindustrier ASA (former group company)	62	0
Norske Skog Skogn AS	213	23
Norske Skog Saugbrugs AS	42	74
Norske Skog Bruck GmbH	127	97
Norske Skog Golbey SA	134	112
Norske Skog Deutschland GmbH	40	38
Norske Skog (UK) Ltd.	4	0
Norske Skog Österreich GmbH	1	0
Norske Skog Tasman Ltd.	62	0
Total	**685**	**344**

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.

10. GUARANTEES

The company has issued guarantees in an amount of NOK 29 million at 31 December 2017.

11. RELATED PARTIES

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

12. EVENTS AFTER THE BALANCE SHEET DATE

A description of events after the balance sheet date is given in Note 23 Events after the balance sheet date in the consolidated financial statements.

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Independent Auditor's Report

To the General Meeting of Norske Skog AS

Report on the Audit of the Financial Statements

Opinion

The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with laws and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to § 3-9 of the Norwegian Accounting Act.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2017, 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 the current period. 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 key audit matter	*How the key audit matter was addressed in the audit*
Subsequent events and going concern	
In December 2017, the prior ultimate parent company of the group, Norske Skogindustrier ASA, and the intermediate holding companies Norske Treindustrier AS and Norske Skog Holding AS, filed for bankruptcy. As a result of this, Norske Skog AS became the ultimate parent company of the group. Citibank N.A., London Branch, is acting as security agent (the "Security Agent") for the EUR 290 million senior secured notes due in 2019 issued by Norske Skog AS (the "2019 SSNs"). The Security Agent has conducted a forced sale of the Shares of Norske Skog AS following the default by Norske Skog AS of the terms of indenture for the 2019 SSNs (the "Sales Process"). On 3 May 2018, a wholly owned subsidiary of Oceanwood Opportunities Master Fund (Oceanwood) entered into a sale and purchase agreement with Citibank, N.A., London Branch, as security agent, for the acquisition of the shares in Norske Skog AS, along with its direct and indirect subsidiaries. Upon completion of the transaction, liabilities and guarantees under the SSNs, the EUR 16 million liquidity facility and the EUR 159 million senior notes due 2021 and USD 61 million senior notes due will be released. The transaction is subject to Oceanwood obtaining the relevant antitrust and other regulatory approvals in the countries	As a part of our audit of subsequent events and the going concern assumptions, we performed, amongst others, the following audit procedures: • We obtained the sale and purchase agreement and reviewed the content of this agreement, specifically focusing on the effects on the assessment of the going concern assumption. • We made inquiries to, and had meetings with management to obtain a further, in-depth understanding of the agreement and the related assessment of the going concern assessment, including the conditions upon which the agreement depends. • We obtained legal representation from relevant legal advisers to confirm our obtained understanding of the agreement.

concerned (including Australia and New Zealand). Upon completion, the release of the above-mentioned liabilities will improve the company's equity with approximately NOK 3.5 billion. Following the release, Norske Skog AS will have significantly less debt and interest costs, which will improve both the solidity and liquidity of the company and group. Accordingly, the sale and purchase agreement significantly impacts management's assessment of the going concern assumption and thus, was identified as an important matter in connection with our audit. We refer to descriptions in note 23 to the consolidated financial statements and the report of the board of directors.	
Valuation of Property, Plant, and Equipment (PPE)	
The global market for the group's products have recently been, and are still, declining. Because of this, there is an increased 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 appropriate. 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. The impairment test resulted in an impairment charge of the assets as at 31 December 2017 of NOK 1 699 million. 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 both management and external experts. We evaluated their 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 2017 forecasts and the degree of accuracy reached when comparing actual results to plans and forecasts for prior periods. We also reviewed the results of valuations performed by an external party in connection with the sales and purchase

	agreement described above, and the values used as the basis for this agreement, to verify consistency between these estimated values and management conclusions.
Deferred Tax	
Several entities in the group have accumulated significant unused tax losses. In addition, several of the subsidiaries have material temporary differences linked to the property, plant and equipment. In the financial statements for 2017, the group reported a tax expense (-income) of NOK 234 million, deferred tax asset of NOK 64 million and deferred tax liability of NOK 348 million. Deferred tax asset not recognized amounts to NOK 2 028 million. The complexity and materiality of this matter has lead us to identify this as a high risk in our audit. We refer to the description in note 17 to the consolidated financial statements.	We obtained a specification of all tax positions for the different entities in the group. We also obtained management assessment of how to account for the tax positions. We performed a detailed review of the tax positions and management assessment to ensure that that the treatment and disclosures in the financial statements were in compliance with the requirements in IAS 12.
Revenue Recognition	
The development over the recent years and the group's financial situation implies that there is an inherent risk that the operating paper mills may overstate revenues. 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, the statements on Corporate Governance and Corporate Social Responsibility.

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 in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management 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 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's and the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 28 May 2018
BDO AS

Terje Tvedt
State Authorised Public Accountant

ALTERNATIVE PERFORMANCE MEASURES

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

Norske Skog uses APMs as described below:

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

Gross operated margin: Gross operating earnings / operating revenue

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

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

RETURN ON CAPITAL EMPLOYED (ANNUALISED)	**2017**	**2016**
Gross operating earnings	702	1 097
Capital expenditure	296	325
Average capital employed	5 314	7 996
Return on capital employed (annualised)	**6.4%**	**9.0%**

CAPITAL EMPLOYED	**31.12.2017**	**31.12.2016**
Intangible assets	23	22
Tangible assets	4 698	6 548
Inventory	1 148	1 161
Trade and other receivables	1 497	1 732
Trade and other payables	-2 052	-1 797
Other liabilities	-119	-137
Capital employed	**5 195**	**7 529**

NET INTEREST BEARING DEBT	**31.12.2017**	**31.12.2016**
Interest bearing non-current liabilities	1 348	4 979
Interest bearing current liabilities	4 802	430
- Cash and cash equivalents	433	371
Net interest bearing debt	**5 717**	**5 038**

Norske Skog

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Norske Skog

ANNUAL REPORT 2018

- **REPORT OF THE BOARD OF DIRECTORS**
- **CONSOLIDATED FINANCIAL STATEMENTS**
- **PARENT COMPANY FINANCIAL STATEMENTS**
- **AUDITOR'S REPORT**
- **ALTERNATIVE PERFORMANCE MEASURES** (APM)

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 2.6 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. In Australasia, the Group has two production sites in Australia and one in New Zealand. The European segment is the largest with 1.9 million tons of capacity, of which 1.2 million tons is newsprint and 0.7 million tons is magazine paper. The production capacity in the Australasian segment is 0.6 million tons newsprint and 0.1 million tons magazine paper. Norske Skog is the only domestic producer in the Australasia region.

NORSKE SKOG IN 2018

2018 has been marked by a challenging operating environment despite high demand for the Group's products and increases in publication paper prices in all regions. Although gross operating earnings improved, cost pressure from higher recovered paper prices and wood prices as well as energy prices has impacted the profitability adversely both in Europe and Australasia.

The continuous efforts to address the unsustainable capital structure was finally resolved in 2018 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 ("SSNs") announced that it was terminating the restructuring discussions and they were 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 completion marked a new beginning for Norske Skog with a significantly improved balance sheet following discharge of the SSNs debt and reduced interest costs.

Norske Skog has for many years worked to keep high standards within health and safety of its employees as a centrepiece of all its operations and commercial activities. Despite these efforts on May 24th two employees at the Albury (Australia) mill died in a gas leakage accident. We have taken measures to ensure that the families and relatives of the deceased have been supported and that all employees impacted by this tragic incident have received the highest level of support and counselling.

INCOME STATEMENT AND CASH FLOW

Norske Skog's operating revenue was NOK 12.6 billion in 2018 (NOK 11.5 billion). The increase reflected higher prices within most publication paper segments, both in Europe and Australasia. However, costs of materials went up due to higher fibre and energy prices thereby off-setting a large part of the price increases. Employee benefit expenses increased year-on-year, as Norske Skog AS from 1 January 2018 employed the employees of the former parent company. Gross operating earnings increased to NOK 1 031 million in 2018 (NOK 702 million).

Depreciation is NOK 446 million in 2018 (NOK 608 million). The reduction is due to the impairment charges recognised on property, plant and equipment in 2017. Restructuring expenses in 2018 amounted to NOK 15 million (NOK 9 million) and is mainly related to downsizing. Other gains and losses in 2018 ended at NOK 356 million (NOK -88 million), largely reflecting the effects of terminating energy contracts containing embedded derivatives, and a change in the value of embedded derivatives and certain energy contracts being accounted for at fair value.

Operating earnings ended at NOK 926 million in 2018 (NOK -1 702 million). The improvement reflects better market conditions in 2018 and that no impairment charges were recognised in 2018.

Net financial items in 2018 were NOK 686 million (NOK -1 554 million) due to gain from discharge of debt included in financial income of NOK 1 289 million (NOK 5 million). The discharge of debt was a consequence of the completion of the sale of the shares of Norske Skog AS. Financial expenses of NOK 804 million in 2018 (NOK 1 247 million) included accrued interest on SSNs up to completion. Accrued interest expenses on the SSNs were also discharged and included in the net gain following the completion of sale. Currency gains at NOK 201 million (NOK 312 million) mainly related to translation effects on debt denominated in EUR. The currency translation of the SSNs were also included in the net gain from the discharges.

Income taxes recognized in the income statement for 2018 amounted to NOK 78 million (NOK -234 million).

Profit for the period was NOK 1.5 billion in 2018 (NOK -3.6 billion). This reflects the operational improvement and the impact of the discharge of debt.

Net cash flow from operating activities ended at NOK 881 million in 2018 (NOK 404 million). Cash from operations was NOK 971 million (NOK 606 million) reflecting the improved operating environment in 2018. Cash from net financial items, primarily interest on loans and repayment of loans, amounted to NOK 70 million (NOK -184 million), while taxes paid was NOK 20 million (NOK 19 million). The lower interest payments is due to Norske Skog AS not paying interests on its outstanding debt from June 2017.

BALANCE SHEET

Total assets were NOK 8.6 billion at 31 December 2018 (NOK 8.1 billion). Total non-current assets were NOK 4.8 billion at 31 December 2018 (NOK 4.9 billion). Investments in property, plant and equipment amounted to NOK 279 million in 2018 (NOK 276 million). Investments in 2018 included the construction and completion of the biogas facility in Golbey in France and biochemical pilot plant in Australia in addition to normal levels of operational capital expenditure.

Total current assets were NOK 3.8 billion at 31 December 2018 (NOK 3.2 billion), with cash and cash equivalents of NOK 912 million at 31 December 2018 (NOK 433 million).

Total non-current liabilities were NOK 3.7 billion at 31 December 2018 (NOK 2.6 billion). Total current liabilities were NOK 2.6 billion (NOK 7.0 billion). Part of the decrease reflected a reclassification of interest-bearing liabilities due amended terms of the EUR 100 million Norwegian Securitization Facility in 2018. The primary reason for the decrease is due to the discharge of obligation to repay the SSNs and accrued interest on the SSNs following the completion of the sale of shares in Norske Skog AS to NS Norway Holding AS. Net interest bearing at 31 December 2018 was NOK 2.3 billion.

Equity was NOK 2.4 billion at 31 December 2018 (NOK -1.4 billion). The increase reflected the impact of the financial restructuring and the discharge of SSNs debt as well as the operational improvement in 2018.

DIVIDEND PROPOSAL

The board does not recommend payment of dividend for the financial year 2018.

RISK MANAGEMENT

The main risk exposures for the Group follows a continued negative demand development in key sectors within public papers. Accordingly, price developments are pressured and volatile. In 2018 the Group's results were also challenged by adverse movements in the price of key input factors such as energy and fibre. Thus efforts to continue to improve efficiencies and develop purchasing strategies are key. The Group's revenues and costs are partly unmatched from a currency point of view; thus significant movements, particularly against 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 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 input factors from third parties. The supply of these input factors is to a certain extent covered by long-term contracts which reduce cost fluctuations.

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. The interest rates on these loans are fixed, providing predictability. Liquidity is ensured by maintaining sufficient cash balances and open credit lines linked to accounts receivables facilities. 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 in the consolidated financial statements.

CORPORATE GOVERNANCE, CORPORATE SOCIAL RESPONSIBILITY AND ENVIRONMENT

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 are described on www.norskeskog.com. Corporate governance and corporate social responsibility are described 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 with the entire organisation. Lost-time injuries per million working hours, was 0.9 in 2018 (0.9). Norske Skog had an absence rate due to sickness of 3.8% in 2018 (3.8%).

EMPLOYEES, GENDER EQUALITY, GENDER BALANCE AND DIVERSITY

The Norske Skog group had 2 444 employees at year end 2018 (2 414). 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 five members, all men. 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.

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 done in the form of pilot 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.

GOING CONCERN

In accordance with the provisions in the Norwegian Accounting Act, the board has assessed the going concern assumption as basis for preparing and presenting the financial statements. As at 31 December 2018 the equity of the company is approximately NOK 2.4 billion giving and equity ratio of approximately 28%. Following the discharge of debt and the significantly reduced interest cost the company has sufficient liquidity for its operations. The board of directors confirms that the assumption applies and that the financial statements have been prepared on a going concern basis.

OUTLOOK FOR 2019

The market balance for publication paper in Europe remains positive into 2019 due to capacity conversions/closures in the industry in 2017. The pricing environment for newsprint and magazine grades has remained favourable with continued high operating rates into 2019, and expected gross operating earnings in line with 2018.

Domestically in Australia and New Zealand, the group has long-term customer contracts, but the business is exposed to a secular decline in demand which is expected to continue. Domestic decline in demand will need to be replaced with export sales The Asian export market for newsprint, constituting around 50% of the Australasian business for the group has seen pricing into 2019 drop off from higher levels 2018.

Group production and sales volumes in 2019 are expected to be on level with the previous year. Underlying costs for pulp, fibre and energy are expected to remain at a similar level into 2019 and impact on the cost levels in the business. Wood, particularly in the Nordic market, is expected to remain demand driven and availability as well as price increase is considered as a risks.

Following the completion of the sale of the shares in Norske Skog AS the Group's determination to further improve in business platform stands firm. The Group will continue to focus on developing initiatives to improve the competitiveness of the mills though continuous cost reductions, developing our core business, invest in promising new growth projects, and be an attractive consolidation partner for publication paper in Europe.

NORSKE SKOG AS (THE PARENT COMPANY)

The parent company, Norske Skog AS, is incorporated in Norway and has its head office at Skøyen in Oslo. The activities of Norske Skog AS consist of holding shares in the operating companies and carries out the head office functions of the Norske Skog group. The company had no employees in 2017, but from 1 January 2018 all employees from the former parent company were employed by Norske Skog AS. At 31 December 2018 the company had 30 employees.

Operating revenue NOK 97 million (NOK 0) is primarily from the services provided within the group. Employee benefit expenses NOK 81 million (NOK 0) and other operating expenses NOK 57 million (NOK -7) are related to the headquarter functions that were established in 2018.

Net financial items amounted to NOK 939 million (NOK -3 228 million) mainly reflecting derecognition of debt following the completion of the sale of shares of Norske Skog AS. The profit for the year for Norske Skog AS was NOK 882 million in 2018 (NOK -3 239 million).

Net cash flow from operating activities was NOK -121 million (NOK 112 million). The lower interest payments is due to that Norske Skog AS did not pay interests on its outstanding debt from June 2017.

Total assets were NOK 5.7 billion at 31 December 2018 (NOK 4.5 billion). Total non-current assets were NOK 4.8 billion at 31 December 2018 (NOK 4.2 billion). Total non-current liabilities were NOK 2.2 billion at 31 December 2018 (NOK 0.3 billion) while current liabilities decreased from NOK 5.1 billion to 1.4 billion following derecognition of debt and amended terms for the NSF loan.

Equity was NOK 2.2 billion at 31 December 2018 (NOK -920 million). The increase is due to the sale of the shares in the company and derecognition of financial liabilities and discharge of guarantees described above.

Lost-time injuries per million working hours, was 0 in 2018 (0) in Norske Skog AS. The company had an absence rate due to sickness of 0.8% in 2018 (0.6%).

The risk factors described for the group are also relevant for the parent company. Furthermore, Norske Skog AS 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 AS (the parent company) in 2018 was NOK 882 million (NOK - 3 239 million) whereof NOK 882 million has been allocated to retained earnings.

SKØYEN, 4 APRIL 2019
THE BOARD OF DIRECTORS OF NORSKE SKOG AS

Chair

Jen-Yue (John) Chiang
Board member

Board member

Board member

Paul Kristiansen
Board member

CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	2018	2017
Operating revenue	3	**12 641**	**11 527**
Distribution costs		-1 303	-1 255
Cost of materials		-7 605	-6 904
Change in inventories		85	-11
Employee benefit expenses	12	-1 856	-1 718
Other operating expenses	14	-931	-937
Gross operating earnings	3	**1 031**	**702**
Depreciation	4	-446	-608
Restructuring expenses	19	-15	-9
Other gains and losses	16	356	-88
Impairments	4	0	-1 699
Operating earnings	3	**926**	**-1 702**
Share of profit in associated companies		-9	-61
Financial income	5	1 289	5
Financial expenses	5	-804	-1 247
Net unrealised/realised gains/losses on foreign currency	5	201	-312
Profit/Loss before income taxes		**1 603**	**-3 317**
Income taxes	17	-78	-234
Profit/Loss after tax		**1 525**	**-3 551**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION		**2018**	**2017**
Profit/Loss after tax		**1 525**	**-3 551**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		24	155
Reclassified translation differences upon divestment of foreign operations		0	-102
Tax expense on translation differences		0	0
Total		**24**	**53**
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations		-8	-26
Tax effect on remeasurements of post employment benefit obligations		1	6
Total		**-7**	**-20**
Other comprehensive income		**17**	**34**
Total comprehensive income		**1 542**	**-3 517**

CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	31.12.2018	31.12.2017
Assets			
Deferred tax asset	17	64	64
Intangible assets	4	30	23
Property, plant and equipment	3, 4	4 483	4 698
Other non-current assets	10, 20	211	154
Total non-current assets		**4 789**	**4 939**
Inventories	3, 18	1 304	1 148
Trade and other receivables	10	1 403	1 497
Cash and cash equivalents	8	912	433
Other current assets	18	157	92
Total current assets		**3 776**	**3 170**
Total assets		**8 565**	**8 109**
Shareholders' equity and liabilities			
Paid-in equity		7 409	5 160
Retained earnings and other reserves		-5 044	-6 586
Total equity		**2 365**	**-1 427**
Pension obligations	13	271	262
Deferred tax liability	17	328	348
Interest-bearing non-current liabilities	6, 11, 18	2 318	1 348
Other non-current liabilities	18	353	602
Total non-current liabilities		**3 270**	**2 560**
Interest-bearing current liabilities	6, 11, 18	862	4 802
Trade and other payables	18	1 864	2 052
Tax payable	17	87	4
Other current liabilities	18	118	119
Total current liabilities		**2 931**	**6 976**
Total liabilities		**6 200**	**9 535**
Total equity and liabilities		**8 565**	**8 109**

SKØYEN, 4 APRIL 2019
THE BOARD OF DIRECTORS OF NORSKE SKOG AS

Chair

Board member

Board member

Board member

Board member

CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	NOTE	2018	2017
Cash flow from operating activities			
Cash generated from operations		12 736	11 378
Cash used in operations		-11 765	-10 772
Cash flow from currency hedges and financial items		-43	-21
Interest payments received	5	8	4
Interest payments made	5	-35	-167
Taxes paid		-20	-19
Net cash flow from operating activities [1)]	3	**881**	**404**
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets	3, 4	-279	-276
Sales of property, plant and equipment and intangible assets		1	5
Purchase of shares in companies and other financial payments		-31	-29
Sales of shares in companies and other financial payments		121	21
Net cash flow from investing activities		**-188**	**-279**
Cash flow from financing activities			
New loans raised		332	424
Repayments of loans		-370	-401
Other cash flow from financing activities		-178	-89
Net cash flow from financing activities		**-215**	**-65**
Foreign currency effects on cash and cash equivalents		3	2
Total change in cash and cash equivalents		**480**	**62**
Cash and cash equivalents 01 January		433	371
Cash and cash equivalents 31 December		912	433
[1)] **Reconciliation of net cash flow from operating activities**			
Profit/loss before income taxes		1 603	-3 317
Depreciation and impairments	4	446	2 307
Share of profit in associated companies		9	61
Gains and losses from divestment of business activities and property, plant and equipment	16	-1	0
Taxes paid		-20	-19
Change in trade and other receivables		94	-148
Change in inventories		-165	48
Change in trade and other payables		66	42
Change in restructuring provision		-11	-30
Financial items with no cash impact		-756	1 370
Gains and losses on commodity contracts and embedded derivatives	16	-377	73
Value change biological assets	16	12	18
Disposal and repurchasing of renewable energy certificates		-4	-3
Change in environmental provisions with no cash impact		-4	2
Change in pension obligations and other long term employee benefits		-8	-6
Other		-3	8
Net cash flow from operating activities		**881**	**404**

CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	NOTE	PAID-IN EQUITY	OTHER PAID-IN EQUITY	RETAINED EARNINGS	TOTAL EQUITY
Equity 1 January 2017		**5 160**	**0**	**-3 069**	**2 090**
Loss after tax		0	0	-3 551	-3 551
Other comprehensive income		0	0	34	34
Equity 31 December 2017		**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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Norske Skog AS ("the company") and its subsidiaries (together "the group") manufacture, distribute and sell publication paper. This includes newsprint and magazine paper. The group has seven fully-owned mills in five countries (Norway, France, Austria, Australia and New Zealand). Norske Skog AS was founded 5 November 2014, is incorporated in Norway and has its head office at Skøyen in Oslo.

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 AS on 4 April 2019.

The table below shows the average un-weighted 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 Norske Skog AS group.

	Income statement		**Balance sheet**	
	2018	**2017**	**31.12.2018**	**31.12.2017**
AUD	6.08	6.34	6.13	6.41
EUR	9.60	9.32	9.95	9.84
GBP	10.85	10.65	11.12	11.09
NZD	5.63	5.87	5.83	5.84
USD	8.13	8.27	8.69	8.21

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements of Norske Skog AS 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 AS group and its subsidiaries as at 31 December 2018. Control is achieved when the Norske Skog AS group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Norske Skog AS group controls an investee if, and only if, the Norske Skog AS group has:

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

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

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

The Norske Skog AS group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Norske Skog AS 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.

Dilution gains and losses arising in investments in associates are recognised in the income statement. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Segment reporting

Reportable segments

The activities in the group are divided into two operating segments: publication paper Europe and publication paper Australasia. The segment structure is in line with the group's operating model. 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. The option in IFRS 8 allowing different accounting policies to be applied in the segment reporting and group reporting is, for transparency reasons, not applied in Norske Skog AS.

Performance measurement
The group assesses the performance of the operating segments based on a measure of gross operating earnings. These items exclude the effects of expenditure not deemed to be part of the regular operating activities of the segment, such as restructuring expenses, impairments, gains and losses from sales of non-current assets and changes in fair value of certain energy contracts, embedded derivatives in energy contracts and biological assets.

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

Foreign currency translation

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

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

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

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

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 gains and losses 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 gains and losses.

Biological assets

Biological assets are measured upon initial recognition and at the end of each reporting period at fair value less estimated point-of-sale costs, unless fair value cannot be reliably measured. A gain or loss arising on initial recognition, and from changes in fair value during a period, is reported in net profit or loss for the period in which it arises. When fair value cannot be reliably estimated, the asset is measured at cost less any accumulated depreciation and any accumulated impairment losses.

Intangible assets

a) 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, for example goodwill, are not subject to amortisation, but are tested annually for impairment. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which cash flows are separately identifiable (cash-generating units). At each balance sheet date, the possibility of reversing impairment losses in prior periods is evaluated 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

IFRS 9 replaced the multiple classification and measurement models in IAS 39 Financial Instruments: Recognition and Measurement from the effective date 1 January 2018, with a single model that has initially only two classification categories: amortised cost and fair value. IFRS 9 includes revised guidance on classification, measurement and derecognition of financial assets and financial liabilities, including a new credit loss model for calculating impairment on financial assets, and new rules for hedge accounting. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39 which have not been changed. Implementation of IFRS 9 had no effect on the reported figures except for classification of financial assets and liabilities as presented in Note 7.

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. Norske Skog has historically low levels of realised bad debts in trade receivables, and the adoption of IFRS 9 have not result in a significant change in the provision for losses.

The new standard also introduces expanded disclosure requirements and has changed the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. Implementation of IFRS 9 has no significant impact on the income statements, balance sheet or cash flow statement for 2018.

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.

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. Norske Skog AS 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, earlier classified as available for sale investments under IAS 39, are classified as fair value through other comprehensive income under IFRS 9. 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 fair value 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 provisions comprise mainly employee termination payments. Restructuring costs are costs which are not related to the ongoing operations. This includes for example severance (redundancy) payments, early retirement or other arrangements for employees leaving the company, external costs relating to coaching, counselling and assistance finding new jobs, or external costs to lawyers and legal advisors in relation to the de-manning process, and lease termination penalties. Provisions are not recognised for future operating losses.

Salary which is earned while the employee contributes to the ongoing operations is not classified as restructuring costs. This includes for example salary in the notice period when the employee is working during the notice period, or bonuses earned whilst the employee contributes to the normal operations. These are booked as normal employee benefit expenses. Costs for projects related to improvements are generally ordinary operating costs.

Where a number of similar obligations exist, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the best estimate of the expenditure required to settle the present obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised within financial items.

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.

A defined benefit plan is one which defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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

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

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

b) Bonus arrangements

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

c) 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

The group has adopted IFRS 15 Revenue from Contracts with Customers as of 1 January 2018 replacing IAS 11 and IAS 18, and are using the modified retrospective transition approach applying the new standard only to contracts that are not completed as of 1 January 2018. The adoption of the new standard has no effect on the reported figures. Regarding presentation and disclosure, the new standard will result in additional information to be included in the notes compared to previous standards when it comes to disaggregation of revenues by categories and cash flows.

IFRS 15 has established a single and comprehensive framework which sets out how much revenue is to be recognised, and when. The core principle is that a vendor should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the vendor expects to be entitled in exchange for those goods or services. Revenue is recognised by a vendor when control over the goods or services is transferred to the customer.

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. 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 Norske Skog 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 Norske Skog 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 probably that there will be a significant revenue reversal.

Pre-IFRS 15 (recognition principles in 2017)

Revenue was measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities, taken into account contractually defined terms of payment and excluding taxes or duty. Revenue is shown net of returns, trade allowances, rebates, amounts collected on behalf of third parties and after eliminating sales within the group. The group's revenue consists almost exclusively of the sale of goods, and the principle for recognition of revenue is the same for newsprint and magazine paper. Revenue was recognised when the significant risks and rewards of ownership of the goods was transferred to the buyer. This was depending upon the buyer's delivery terms and will be in the range from the finalisation of the production to delivery of the goods to the buyer.

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.

Leases
Leases in which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Leases relating to property and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised in the balance sheet to the lower of the fair value of the lease property and the present value of the minimum lease payments. Lease payments are apportioned between finance charge and reduction of the outstanding liability, giving a constant periodic rate of interest on the remaining balance of the liability. The leased property is depreciated according to the same principles applied for other non-current assets. The corresponding rental obligation, net of finance charges, is included in other long-term payables. If the leasing period is shorter than the useful life of the asset and it is unlikely that the group will purchase the asset at the end of the leasing period, the asset is depreciated over the leasing period.

Government grants
Government grants 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.

New and amended interpretations and standards adopted by the group
IFRS 16 Leases will be implemented by Norske Skog on 1 January 2019, and are expected to have an impact on the consolidated financial statements as described out below:

IFRS 16 Leases replaces existing IFRS leases requirements, IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new leases standard requires lessees to recognise assets (i.e. right-of-use asset) and liabilities for most leases, which is a significant change from current requirements. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Exceptions for short term leases, low value leases, non-lease components and intangible assets have been adapted. For lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The new standard will be implemented using the modified retrospective method without restatement of comparatives. The standard will be 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 right-of-use assets will be 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.

The new standard will affect primarily the accounting for the group's operating leases for leased assets like machinery and properties, and the implementation effect on the consolidated financial statement are estimated as follows:

- Carrying value of right-of-use assets and lease liability estimated to be approximately NOK 85 million higher as of 1 January 2019
- Operating expenses estimated to be approximately NOK 25 million lower for 2019
- Interest expenses estimated to be approximately NOK 6 million higher for 2019
- Depreciations estimated to be approximately NOK 19 million higher for 2019

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

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

a) Critical judgment in applying the group's accounting policies
The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the end of the reporting period. Norske Skog has for instance applied judgment when identifying and recognising embedded derivatives, when choosing to present certain items as Other gains and losses as separate line items and presenting profit or loss from associated companies after operating earnings. It is important to note that the use of a different set of assumptions for the presentation of the consolidated financial statements could have resulted in significant changes in the line

items presented. New interpretations, pronouncements or practices that changes the way these requirements are applied in Norske Skog may have significant impact on the company's financial statements.

b) Estimated decline in value of intangible assets and property, plant and equipment (PPE)
The group performs impairment tests to assess whether there has been a decline in the value of intangible assets and PPE. 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 AS 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/m^2. 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 AS 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 three mills in Australasia and the regional sales organization are included in the operating segment publication paper Australasia.

Other activities

Activities in the group that do not fall into the operating segments publication paper Europe or publication paper Australasia are presented under other activities. This includes corporate functions, energy (commodity contracts and embedded derivatives in commodity contracts), 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 2 485 000 tonnes in 2018, of which sales to the group's largest customer constituted approximately 249 000 tonnes. Total sales volume in 2018 of newsprint and magazine paper to the five largest customers in Europe and Australasia amounted to approximately 342 000 and 347 000 tonnes respectively.

OPERATING REVENUE AND EXPENSES PER OPERATING SEGMENT

2018	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	**9 199**	**3 398**	**148**	**-104**	**12 641**
Distribution costs	-909	-384	-11	0	-1 303
Cost of materials	-5 643	-1 938	-28	3	- 7 605
Change in inventories	99	-25	11	0	85
Employee benefit expenses	-1 245	-523	-88	0	-1 856
Other operating expenses	-689	-271	-72	101	-931
Gross operating earnings	**812**	**257**	**-39**	**0**	**1 031**
Depreciation	-322	-116	-9	0	-446
Restructuring expenses	-9	1	-6	0	-15
Other gains and losses	1	-22	377	0	356
Operating earnings	**482**	**121**	**323**	**0**	**926**
Share of operating revenue from external parties (%)	100	100	100		100

2017	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	**8 063**	**3 423**	**40**	**0**	**11 527**
Distribution costs	-855	-392	-8	0	-1 255
Cost of materials	-4 892	-1 977	-35	0	- 6 904
Change in inventories	-8	-13	10	0	-11
Employee benefit expenses	-1 176	-536	-6	0	-1 718
Other operating expenses	-629	-288	-20	0	-937
Gross operating earnings	**504**	**217**	**-19**	**0**	**702**
Depreciation	-386	-219	-3	0	-608
Restructuring expenses	-11	3	0	0	-9
Other gains and losses	0	-17	-72	0	-88
Impairments	-718	-981	0	0	-1 699
Operating earnings	**-611**	**-997**	**-94**	**0**	**-1 702**
Share of operating revenue from external parties (%)	100	100	100		100

OPERATING REVENUE PER MARKET

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

	2018	2017
Norway	307	227
Rest of Europe	8 212	7 125
North America	487	386
South America	0	76
Australasia	2 093	2 495
Asia	1 402	1 059
Africa	141	158
Total	**12 641**	**11 527**

CASH FLOW FROM CONTRACTS WITH CUSTOMERS

	2018	2017
Publication paper Europe	9 356	7 898
Publication paper Australasia	3 343	3 446
Other activities	37	35
Total	**12 735**	**11 378**

NET CASH FLOW FROM OPERATING ACTIVITIES

	2018	2017
Publication paper Europe	955	270
Publication paper Australasia	172	285
Other activities	-155	51
Total cash flow allocated to segments	**971**	**607**
Cash from net financial items	-70	-184
Taxes paid	-20	-19
Net cash flow from operating activities	**881**	**404**

PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	2018	2017
Publication paper Europe	187	193
Publication paper Australasia	75	82
Other activities	16	0
Total	**279**	**276**

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.

	31.12.2018	31.12.2017
Publication paper Europe	3 235	3 350
Publication paper Australasia	1 248	1 348
Other activities	0	0
Total	**4 483**	**4 698**

INVENTORIES

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

	31.12.2018	31.12.2017
Publication paper Europe	924	740
Publication paper Australasia	371	400
Other activities	9	8
Total	**1 304**	**1 148**

TRADE RECEIVABLES

	31.12.2018	31.12.2017
Publication paper Europe	715	916
Publication paper Australasia	239	209
Other activities	46	3
Total	**1 001**	**1 127**

4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

The performance of the group's cash generating units has recently showed positive development with an increase in gross operating earnings and cash flows compared to previous period. For the group in total, the gross operating earnings increased from NOK 702 million in 2017 to NOK 1 031 million in 2018. The outlook for 2019 is positive, and the gross operating earnings are expected to be in line with 2018. No impairment indicators are identified as at 31 December 2018, and thus the cash generating units were not tested for fixed assets impairment in 2018.

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 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 one to 16 years. Sales volumes develop in accordance with the useful lives of the different paper machines in the group. Norske Skog has modelled the cash flows throughout the useful life of the paper machines. The model assumes that Norske Skog closes capacity in line with the secular decline in market demand. The timing of capacity closures follow from RISI cost curve positioning and RISI market demand projections. RISI is the leading global source for forest products information and data (www.risi.com).

An impairment charge of the assets of NOK 1 699 million was recognised in 2017. The impairment charges related to Australasia Newsprint of AUD 154 million (NOK 981 million), Europe Newsprint of NOK 267 million and SC of NOK 451 million. When calculating value in use at 31 December 2017, the discount rate after tax (WACC) was 7.2% for Norway, 6.3% for France, 6.2% for Austria, 8.1% for Australia and 8.2% for New Zealand. The reason for differences in discount rates are different interest rate levels, different tax rates and country specific risks.

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. A partial sensitivity analysis would result in the following impairment indications.

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 after recognition of impairment as of 31 December 2018.

	MACHINERY AND EQUIPMENT	LAND AND BUILDINGS
Europe Newsprint	1 973	645
Australasia Newsprint	416	97
Magazine	260	198
Super calendared	255	214
Other	8	9
Carrying value 31 December 2018	**2 912**	**1 164**

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 approximately NOK 50 million.

In connection with the year-end closing process for 2018, 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 2018 exceeded purchases of PPE the future annual depreciation amount is expected to decrease.

INTANGIBLE ASSETS	OTHER INTANGIBLE ASSETS	LICENSES AND PATENTS	TOTAL
Acquisition cost 1 January 2017	140	81	221
Additions	15	0	15
Disposals	-10	0	-10
Currency translation differences	3	5	8
Acquisition cost 31 December 2017	**148**	**86**	**234**
Accumulated depreciation and impairments 1 January 2017	129	70	199
Depreciation	3	2	5
Currency translation differences	3	4	7
Accumulated depreciation and impairments 31 December 2017	**135**	**76**	**211**
Carrying value 31 December 2017	**13**	**10**	**23**
Acquisition cost 1 January 2018	148	86	234
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**

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	PLANT UNDER CONSTR-UCTION	TOTAL
Acquisition cost 1 January 2017	342	30 381	6 554	486	324	38 087
Additions	0	44	3	4	230	281
Disposals	0	-2	0	-5	0	-7
Reclassified from plant under construction	15	83	12	13	-123	0
Currency translation differences	10	899	215	32	8	1 164
Acquisition cost 31 December 2017	**367**	**31 405**	**6 784**	**530**	**439**	**39 525**
Accumulated depreciation and impairments 1 January 2017	187	25 959	4 903	445	45	31 539
Depreciation	0	450	142	9	0	601
Impairment	0	1 379	320	0	0	1 699
Value changes	18	0	0	0	0	18
Disposals	0	-2	0	-5	0	-7
Currency translation differences	5	779	164	29	0	977
Accumulated depreciation and impairments 31 December 2017	**210**	**28 565**	**5 529**	**478**	**45**	**34 827**
Carrying value 31 December 2017	**157**	**2 840**	**1 255**	**52**	**394**	**4 698**
Acquisition cost 1 January 2018	367	31 405	6 784	530	439	39 525
Additions	0	38		1	225	265
Disposals	0	-29	0	-15	0	-44
Reclassified from plant under construction	14	319	21	5	-359	0
Currency translation differences	-15	-272	-5	1	-5	-296
Acquisition cost 31 December 2018	**366**	**31 461**	**6 801**	**522**	**300**	**39 450**
Accumulated depreciation and impairments 1 January 2018	210	28 565	5 529	478	45	34 827
Depreciation	0	318	106	10	0	434
Impairment	0	0	0	0	0	0
Value changes	12	0	0	0	0	12
Disposals	0	-28	0	-15	0	-43
Currency translation differences	-7	-259	2	1	0	-263
Accumulated depreciation and impairments 31 December 2018	**215**	**28 596**	**5 637**	**474**	**45**	**34 967**
Carrying value 31 December 2018	**151**	**2 865**	**1 164**	**48**	**255**	**4 483**

Norske Skog owns forests in Australia reported as Biological assets. These assets are valued at fair value less estimated point-of-sale costs. Changes in value are reported in the income statement line other gains and losses.

Machinery and equipment is depreciated over a period from ten to 25 years. Buildings and other property are depreciated over a period from ten to 40 years. Fixtures and fittings are depreciated over a period from three to ten years. Land and plant under construction are not depreciated.

The difference between total additions in the table above and purchases of property, plant, equipment and intangible assets in the consolidated statement of cash flows is due to capitalised allocated emission allowances, finance leases, capitalised borrowing costs and accruals for payments. Norske Skog has not capitalised borrowing costs in 2018. In 2017 NOK 2 million was capitalised, and the interest rate used in 2017 was 4.9%

Disposals in 2018 and 2017 were primarily related to scrapping of fully depreciated assets that no longer have any technical values.

Non-current assets held for sale

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

5. FINANCIAL ITEMS

FINANCIAL ITEMS		2018	2017
Financial income			
Interest income		10	5
Gain from discharge of debt		1 115	0
Other financial income		164	0
Total		**1 289**	**5**
Financial expenses			
Interest expense		-735	-649
Loss on receivables to former group entities		0	-477
Other financial expenses		-69	-120
Total		**-804**	**-1 247**
Realised/unrealised gains / (losses) on foreign currency		**201**	**-312**
Financial items		**686**	**-1 554**

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 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.

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

Interest expense for 2018 include repayment fee for the EUR 290 million senior secured notes. Interest expenses also includes NOK 95 million (NOK 127 million) related to debt to former group companies.

Loss on receivables for 2017 are related to receivables on the former group entities Norske Skogindustrier ASA, Norske Skog Holding AS, Lysaker Invest AS and Norske Skog Eiendom AS which filed for bankruptcy in December 2017.

The costs related to attempted consensual recapitalization of the group in 2017 were expensed in 2017 and included in the line other financial expenses.

6. MORTGAGES

	31.12.2018	31.12.2017
Loans secured by mortgages on property		
2019 Senior Secured Notes (EUR 290 million)	0	3 201
Other secured debt	95	127

On 28 September 2018 Norske Skog AS' obligations under the Senior Secured Notes (SSNs) was discharged. From this date the obligation was derecognised. See description in Note 5.

The other secured debt includes facilities secured by property at Saugbrugs Bioenergi AS.

7. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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**	

31.12.2017 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	10	32	110	0	153
Trade and other receivables	10	1 431	0	0	66	1 497
Cash and cash equivalents		433	0	0	0	433
Other current assets	18	57	35	0	0	92
Total		**1 931**	**67**	**110**	**66**	
FINANCIAL LIABILITIES	**NOTE**		**FAIR VALUE THROUGH PROFIT OR LOSS**	**AMORTISED COST**	**NON-FINANCIAL LIABILITIES**	**TOTAL**
Interest-bearing non-current liabilities	11, 18		0	1 348	0	1 348
Interest-bearing current liabilities	11, 18		0	4 802	0	4 802
Other non-current liabilities	18		272	0	330	602
Trade and other payables	18		0	2 052	0	2 052
Other current liabilities	18		88	17	14	119
Total			**360**	**8 218**	**344**	

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).

31.12.2018	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**

31.12.2017	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
Derivatives	26	26	0	0	26
Commodity contracts	6	6	0	1	5
Miscellaneous other non-current assets	121	121	0	0	121
Other non-current assets	**153**	**153**	**0**	**1**	**152**
Accounts receivable	1 127	1 127	0	0	1 127
Other receivables	304	304	0	0	304
Prepaid VAT	66	66	0	0	66
Trade and other receivables	**1 497**	**1 497**	**0**	**0**	**1 497**
Cash and cash equivalents	**433**	**433**	**0**	**0**	**433**
Derivatives	5	5	0	0	5
Commodity contracts	30	30	0	0	30
Current investments	57	57	0	0	57
Other current assets	**92**	**92**	**0**	**0**	**92**
Interest-bearing non-current liabilities [1)]	1 348	1 348	0	0	1 348
Interest-bearing current liabilities	4 802	4 350	0	2 635	1 715
Total interest-bearing liabilities	**6 150**	**5 698**	**0**	**2 635**	**3 063**

Derivatives	215	215	0	0	215
Commodity contracts	57	57	0	0	57
Non-financial non-current liabilities	330	330	0	0	330
Other non-current liabilities	**602**	**602**	**0**	**0**	**602**
Accounts payable	1 029	1 029	0	0	1 029
Other payables	1 014	1 014	0	0	1 014
Trade and other payables	**2 043**	**2 043**	**0**	**0**	**2 043**
Derivatives	41	41	0	0	41
Commodity contracts	26	26	0	23	3
Non-financial current liabilities	52	52	0	0	52
Other current liabilities	**119**	**119**	**0**	**23**	**96**

[1)] *The fair value of foreign bonds (Interest-bearing liabilities) (Level 2) is assessed by using price indications from banks at the reporting data. There is some uncertainty associated with the calculated fair value of Level 3 interest-bearing liabilities. The fair value 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

Norske Skog' objective when managing capital is to ensure that the company is adequately capitalised, that the funding requirements are met and to maximise return on equity within the limits set by the group's external debt financing. In order to improve the capital structure, the group pay no dividends to the shareholder at present time.

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' 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 AS. 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 AS 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

Norske Skog AS 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. Norske Skog AS group seeks to minimise losses and volatility on the group's earnings caused by adverse market movements. Moreover, Norske Skog AS 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. Norske Skog AS has secured most of the interest rate payments by primarily paying fixed interest rates on its loan obligations.

INTEREST-BEARING ASSETS AND LIABILITIES	31.12.2018			31.12.2017		
	FLOATING	FIXED	TOTAL	FLOATING	FIXED	TOTAL
Interest-bearing liabilities	576	1 272	1 848	588	4 431	5 019
Interest-bearing assets	-725	0	-725	-433	0	-433
Net exposure	**-149**	**1 272**	**1 123**	**155**	**4 431**	**4 586**

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 1 million higher/lower at 31 December 2018 (NOK 1 million higher/lower at 31 December 2017). 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. Norske Skog AS group has not done any cash flow hedging during 2017 or 2018.

Translation risk - net investment hedge

Norske Skog AS 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 as a group comprises entities with different functional currencies. Derivative and non-derivative financial instruments of a monetary nature, denominated in currencies different from the functional currency of the entity, create foreign exchange rate exposure on the consolidated income statement. Moreover, foreign currency risk will also affect equity.
- Financial instruments denominated in the functional currency of the entity have no currency risk and will therefore not be applicable to this analysis. Furthermore, the foreign currency exposure of translating financial accounts of subsidiaries into the group's presentational currency is not part of this analysis.
- Sensitivity on commodity contracts and embedded derivatives is presented separately under "commodity risk".
- 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 2018, 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 151 million higher/lower (NOK 341 million higher/lower at 31 December 2017). The effect of the sensitivity analysis on the income statement is mainly caused by foreign exchange gains/losses on the translation of EUR and USD denominated debt for which there is no hedge accounting.

c) Commodity risk

A major part of Norske Skog AS group global commodity demand is secured through long-term contracts. Norske Skog AS 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 Norske Skog AS group purchase and sales contracts are defined as financial instruments, or contain embedded derivatives, which fall within the scope of IAS 39. These financial instruments and embedded derivatives are measured in the balance sheet at fair value with value changes recognised through profit or loss. Commodity contracts are financial contracts for the purpose of either trading or hedging. The embedded derivatives are common in physical commodity contracts and comprise a wide variety of derivative characteristics.

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

Norske Skog AS group portfolio of commodity contracts mainly of physical energy contracts. Fair value of commodity contracts is especially sensitive to future changes in energy prices. The fair value of embedded derivatives in physical contracts depends on currency, 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 weakened against EUR during 2018, which had a negative 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 IAS 39		FAIR VALUE 31.12.2018	NET PROFIT AFTER TAX - INCREASE	NET PROFIT AFTER TAX - DECREASE
Energy price	change 10%	18	+103	-100
Currency	change 10%	18	0	0

Sensitivity analysis for embedded derivatives

Embedded derivatives are common features in physical commodity contracts. The most common embedded derivatives are price indices, hereunder national consumer price and producer price indices. Some embedded derivatives have option features. The analysis below combines all indices into one price index. Currency effects will arise when contract values nominated in foreign currencies are translated to NOK.

EMBEDDED DERIVATIVES		FAIR VALUE 31.12.2018	NET PROFIT AFTER TAX - INCREASE	NET PROFIT AFTER TAX - DECREASE
Currency	change 10%	83	398	-403
Price index	change 2.5%	83	2	-2
Spruce pulpwood	change 5,0%	83	55	-55
Paper prices	change 5,0%	83	-527	527

Liquidity risk

Norske Skog AS 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, Norske Skog forecasts both short- and long-term cash flows. Cash flow forecasts include cash flows from operations, investments, financing activities and financial instruments. Norske Skog AS group had cash and cash equivalents of NOK 912 million at 31 December 2018 (NOK 433 million at 31 December 2018). Restricted bank deposits amounted to NOK 187 million at 31 December 2018, (NOK 163 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 2018. 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 2018 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 2018.

Credit risk

Norske Skog AS 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. This includes derivatives with positive market value except for embedded derivatives. Embedded derivatives are not subjected to credit risk, as there are no future cash flows associated with such derivatives.

Norske Skog AS 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.

9. DERIVATIVES

Fair value of derivatives

The table below classifies financial instruments within the scope of IAS 39 measured in the balance sheet at fair value, by valuation method. The different valuation methods are described as levels and are defined as follows:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability are not based on observable market data (i.e. unobservable inputs).

31.12.2018	**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**

31.12.2017	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**	**TOTAL**
Financial assets at fair value through profit or loss				
Trading derivatives	0	1	0	1
Commodity contracts and embedded derivatives	0	0	67	67
Total	**0**	**1**	**67**	**67**
Financial liabilities at fair value through profit or loss				
Trading derivatives	0	-23	0	-23
Commodity contracts and embedded derivatives	0	0	-315	-315
Total	**0**	**-23**	**-315**	**-338**

The following table shows the changes in level 3 instruments at 31 December 2018.

	ASSETS	**LIABILITIES**
Opening balance	67	-315
Gains and losses recognised in profit or loss	126	289
Currency translation differences	-3	-2
Closing balance	**191**	**-28**

Norske Skog's portfolio of commodity contracts consist mainly of physical energy contracts. The commodity contracts and embedded derivatives classified as financial within the scope of IAS 39 contracts are mainly related to energy contracts in Australia and New Zealand. Fair value of commodity contracts is sensitive to estimates of future energy prices. Fair value of embedded derivatives is sensitive to estimates of 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 IAS 39 are recognised in the balance sheet and valued on the same principle as financial contracts. Some of these are long-term energy contracts. In calculating the fair value of embedded derivatives, valuation techniques are used in the absence of observable market inputs.

Fair value includes the impact of credit risk and the adjustment for credit risk is dependent on whether the derivative is in the money (asset) or out of the money (liability). Credit value adjustment is applied to assets positions based on credit risk associated with the counter-party. Debit value adjustment is applied to liability positions, based on Norske Skog's own credit risk, set to 0% at 31 December 2018 (11% at 31 December 2017).

The following table is presented in accordance with IFRS 13.94, showing the fair value of all commodity contracts in level 3 within the scope of IAS 39 given a change in assumptions to a reasonably possible alternative.

FAIR VALUE OF DERIVATIVES IN LEVEL 3 GIVEN A REASONABLY POSSIBLE ALTERNATIVE		31.12.2018	31.12.2017
Assets			
Commodity contracts	Energy price -2%	191	66
Liabilities			
Commodity contracts	Energy price -2%	-31	-310

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 2018 would be a downwards parallel shift of the long end of the forward curve of 2% (downwards shift of 2% in 2017).

	31.12.2018		31.12.2017	
DERIVATIVES	**ASSETS**	**LIABILITIES**	**ASSETS**	**LIABILITIES**
Commodity contracts	92	-9	36	-83
Embedded derivatives	99	-81	32	-255
Total	**191**	**-90**	**67**	**-338**

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	31.12.2018	31.12.2017
Trade and other receivables			
Accounts receivable		1 001	1 127
Provision for bad debt		-57	-63
VAT receivables		62	66
Prepaid expenses		128	132
Other receivables		268	235
Total		**1 403**	**1 497**
Other non-current assets			
Long-term shareholdings	20	112	110
Derivatives	7	86	26
Commodity contracts	7	1	6
Pension plan assets	13	1	0
Loans to employees		1	1
Other non-current receivables		10	9
Total		**211**	**153**

The decrease in accounts receivables at 31 December 2018 compare to last year are due to the new factoring facilities.
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 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 2018 was NOK 404 million (31 December 2017 was NOK 156 million).

As of 31 December 2018 advances received from contracts with customers amounted to NOK 16 million and other revenue accruals for invoice not sent amounted to NOK 2 million.

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

AGEING OF THE GROUP’S CURRENT RECEIVABLES	31.12.2018	31.12.2017
Not due	1 328	1 402
0 to 3 months	91	102
3 to 6 months	0	4
Over 6 months	40	52
Total [1)]	**1 459**	**1 560**

[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)		31.12.2018	31.12.2017
Bonds		0	3 201
Debt to financial institutions		276	488
Debt to Oceanwood controlled entities		2 509	0
Factoring Facilities		395	1 443
Total		**3 180**	**5 132**

INTEREST-BEARING DEBT BY CURRENCY	CURRENCY AMOUNT 31.12.2018	NOK 31.12.2018	NOK 31.12.2017
EUR	264	2 625	4 846
AUD	63	385	172
Total interest-bearing debt in foreign currencies		**3 010**	**5 018**
Interest-bearing debt in NOK	170	170	114
Total interest-bearing debt		**3 180**	**5 132**

Loans from various Oceanwood controlled entities constitute the majority of Norske Skog's debt financing as of 31 December 2018. This includes 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 description in the consolidated statement of changes in group equity.

The average interest rate at 31 December 2018 was 7.8% (10.5% at 31 December 2017).

DEBT REPAYMENTS

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**

SCHEDULED REPAYMENT OF THE GROUP'S FINANCIAL DEBT AT 31.12.2017	OTHER LOANS	BONDS	TOTAL
2018	604	0	604
2019	32	3 201	3 233
2020	1 119	0	1 119
2021	35	0	35
2022	37	0	37
2023	36	0	36
2024	31	0	31
2025-2033	38	0	38
Total	**1 931**	**3 201**	**5 132**

Total debt listed in the repayment schedule may differ from booked debt. This is due to premiums or discounts on loans.

At 31 December 2018, the financial statements included no discounts (NOK 114 million at 31 December 2017). The facilities do not contain any material financial covenants.

Trade payables amounted to NOK 1 026 million at 31 December 2018 (NOK 1 029 million at 31 December 2017)

Drawn amounts under factoring arrangements in France and Australia are classified as interest-bearing current liabilities.

As per 31 December 2018, Norske Skog AS and its subsidiaries had issued bank guarantees in an amount of 203 million, and Norske Skog AS had issued parent guarantees in an amount of NOK 115 million.

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

				NON-CASH CHANGES			
	NOTE	**31.12.2017**	**CASH FLOWS**	**RECLASSI-FICATION[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	2018	2017
Salaries including holiday pay		1 406	1 314
Social security contributions		322	285
Pension costs	13	70	66
Other employee benefit expenses		58	54
Total		**1 856**	**1 718**

NUMBER OF EMPLOYEES BY REGION	31.12.2018	31.12.2017
Europe	1 743	1 752
Australasia	671	662
Parent company	30	0
Total	**2 444**	**2 414**

The base salary for the president and chief executive officer (CEO) Niels Petter Wright 31 December 2018 was NOK 4 300 000. Niels Petter Wright was employed in the period from 1 December 2018 to 28 March 2019.

The CEO's retirement age is 70. The CEO is included in the company's general defined contribution pension plan. A supplementary defined contribution plan is established to cover pension entitlements for salaries exceeding 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 terminates 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 months.

The annual bonus agreements for the CEO and other members of corporate management specify a maximum payment of 50% of base salary. The basis for calculating this bonus is set annually by the board and CEO. 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.

There were no employees in Norske Skog AS in 2017. All employees were employed from 1 January 2018.

REMUNERATION FOR MEMBERS OF CORPORATE MANAGEMENT
(in NOK 1 000)

2018	SALARY	BENIFITS IN KIND ETC. [1)]	BONUS [2)]	CONTRIBUTION TO DEFINED CONTRIBUTION SCHEMES
Lars P. Sperre (from 1 January to 30 November 2018)	3 931	243	5 299	702
Niels Petter Wright (from 1 December 2018)	358	14	0	59
Other corporate management	5 633	596	4 452	704

[1)] Includes car allowance, insurance, free telephone, etc.
[2)] Based on results achieved in the financial year, partly paid in 2018 and 2019.

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

2018	SUCCESS FEE	DIRECTORS FEE
Board of Directors	4 000	4 815

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	2 540	612	2 377	417	5 946
Audit-related assistance [1)]	0	37	0	0	37
Tax assistance	0	18	0	390	408
Other fees	65	0	169	282	516
Total	**2 605**	**666**	**2 546**	**1 088**	**6 906**

[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 1 725 current and former employees are covered by such schemes. Of these, 210 people are covered by defined benefit plans and 1 515 people by defined contribution plans.

DESCRIPTION OF THE DEFINED BENEFIT PLANS
The key terms in Norske Skog's major defined benefit plans are shown in the table below.

	BENEFIT IN % OF PENSIONABLE EARNINGS	YEARS OF SERVICE	PENSIONABLE AGE	EARLY RETIREMENT AGE	NUMBER OF MEMBERS
Norske Skog Saugbrugs AS	65	30	70	62	68
Norske Skog Skogn AS	65	30	70	62	89
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 60 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	2018	2017
Discount rate/expected return on plan assets	2.6%	2.3%
Salary adjustment	2.0%	2.0%
Social security increase/inflation rate	2.0%	2.0%
Pension growth rate	0.8%	0.4%

The discount rate applied for the pension schemes in Norway for 2018 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 1.9% to 2.6% and salary adjustments vary from 2.0% to 3.3%. Norske Skog has used the mortality table in Norway (K2013BE) and Richttafeln 2005G in Germany.

NET PERIODIC PENSION COST	2018	2017
Current service cost	4	4
Pension cost defined contribution schemes	66	62
Accrued national insurance contributions	0	0
Recognised curtailment and settlement	0	-1
Net periodic pension cost	**70**	**66**
Net periodic interest cost	**4**	**4**

Estimated payments to the group's defined benefit pension schemes in 2019 amounts to NOK 11 million.

PENSION PLANS IN THE BALANCE SHEET

PARTLY OR FULLY FUNDED PENSION PLANS	31.12.2018	31.12.2017
Projected benefit obligations including national insurance contributions	-161	-158
Plan assets at fair value	157	152
Net plan assets/pension obligations (-) in the balance sheet	**-4**	**-6**

UNFUNDED PENSION PLANS	31.12.2018	31.12.2017
Projected benefit obligations including national insurance contributions	-265	-255

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	31.12.2018	31.12.2017
Pension assets in the balance sheet	1	0
Pension liabilities in the balance sheet	-271	-262
Net pension obligations in the balance sheet	**-270**	**-261**
Net unfunded pension plans	-265	-255
Net partly or fully funded pension plans	-4	-6

CHANGES IN PENSION OBLIGATIONS FOR PARTLY OR FULLY FUNDED PENSION PLANS	2018	2017
Balance 1 January	158	158
Deconsolidated company	-5	0
Current years' service cost	4	4
Current years' interest cost	4	4
Pension paid	-2	-2
Curtailments/settlements	0	-5
Other changes	19	-1
Re-measurements	-16	1
Balance 31 December	**161**	**158**

CHANGES IN PLAN ASSETS FOR PARTLY OR FULLY FUNDED PENSION PLANS	2018	2017
Balance 1 January	152	165
Divested companies	-5	0
Return on plan assets	4	4
Pension paid	-1	0
Curtailments/settlements	0	-5
Other changes	24	0
Employer contribution	7	7
Re-measurements	-24	-17
Balance 31 December	**157**	**152**

CHANGES IN PENSION OBLIGATIONS FOR UNFUNDED PENSION PLANS	2018	2017
Balance 1 January	-255	-226
Current years' service cost	-9	-9
Current year's interest cost	-3	-4
Pension paid	1	7
Contributions to the plan assets	0	0
Curtailments/settlements	0	0
Other changes	0	0
Currency translation differences	5	-14
Re-measurements	-4	-9
Balance 31 December	**-265**	**-255**

Re-measurements is mainly related to changes in financial assumptions.

SPESIFICATION OF RE-MEASUREMENT GAINS/LOSSES IN OTHER COMPREHENSIVE INCOME (OCI)	2018	2017
Return on plan assets	0	0
Actuarial changes arising from changes in demographic assumptions	0	0
Actuarial changes arising from changes in financial assumptions	-3	-23
Experience adjustments + investment management costs	-7	-3
Asset ceiling	2	0
Total	**-8**	**-26**

	2018		2017	
INVESTMENT PROFILE FOR PENSION FUNDS	FUNDS	DISTRIBUTION	FUNDS	DISTRIBUTION
Shares	24	15%	23	15%
Bonds	96	61%	101	66%
Properties and real estate	21	14%	18	12%
Money market	13	8%	6	5%
Other	1	1%	3	2%
Total	**157**	**100%**	**152**	**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%	-11	13
Salary adjustment - 0.5%	2	-2
Future national security - 1.0%	-4	4
Future pension – 1.0%	2	-1

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	2018	2017
Maintenance materials and services		498	457
Marketing expenses		9	9
Administration, insurance, travel expenses etc.		206	168
Operating leases	15	48	46
Internal services to group companies		0	122
Other expenses		171	135
Total		**931**	**937**
Specification of losses on accounts receivable included in other expenses			
Receivables written off during the period		4	14
Payments received on items previously written off		0	0
Change in provision for bad debt		9	-15
Total		**13**	**-1**

15. LEASES

OPERATING LEASES

The group recognised expenses of NOK 48 million in relation to operating leases in 2018. The equivalent expense in 2017 was NOK 46 million.

MINIMUM LEASE PAYMENTS RELATING TO OPERATING LEASES	31.12.2018	31.12.2017
Not later than one year	31	19
Later than one year and not later than five years	102	38
Later than five years	23	6
Total	**156**	**63**

FINANCE LEASES

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

MINIMUM LEASE PAYMENTS RELATING TO FINANCE LEASES	31.12.2018	31.12.2017
Not later than one year	23	30
Later than one year and not later than five years	90	103
Later than five years	16	41
Total	**129**	**174**
Future finance charges on finance leases	-35	-49
Present value of minimum lease payments	**94**	**125**

PRESENT VALUE OF MINIMUM LEASE PAYMENTS	31.12.2018	31.12.2017
Not later than one year	22	28
Later than one year and not later than five years	64	77
Later than five years	8	20
Total	**94**	**125**
Capitalised value of leased machinery and equipment	**27**	**57**

16. OTHER GAINS AND LOSSES

	2018	2017
Gains and losses from divestments and deconsolidating of business activities, property, plant and equipment	1	0
Changes in value – commodity contracts [1)]	69	-52
Changes in value – embedded derivatives	308	-20
Changes in value – biological assets	-12	-18
Other realised gains and losses	-10	1
Total	**356**	**-88**

[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. Total gain recognized on the embedded derivatives in 2018 amounts to NOK 308 million.

Other realised gains and losses of NOK -10 million in 2018 and NOK 1 million in 2017 primarily related to financial hedging of energy.

17. INCOME TAXES

TAX EXPENSE	2018	2017
Current tax expense	-101	-13
Change in deferred tax	23	-221
Total	**-78**	**-234**

RECONCILIATION OF THE GROUP TAX EXPENSE	2018	2017
Profit/loss before income taxes	1 603	-3 317
Computed tax at nominal tax rate of 23%/24%	-369	796
Differences due to different tax rates	-11	77
Exempted income/non-deductible expenses	-9	-94
Reversal tax provision	0	0
Adjustment previous years	-5	-75
Change in tax rate	29	-6
Deferred tax asset not recognised	288	-883
Other items	-1	-49
Total tax expense (-) income (+)	**-78**	**-234**
Effective tax rate	**5%**	**7%**

CURRENT TAX LIABILITY	31.12.2018	31.12.2017
Norway	0	0
Rest of Europe	71	4
Outside Europe	16	0
Total	**87**	**4**

DEFERRED TAX - MOVEMENTS	2018	2017
Net deferred tax asset 1 January	-284	-46
Change in deferred tax in the income statement	23	-221
Deconsolidation of subsidiaries	0	0
Tax on other comprehensive income	-1	-6
Tax effect FX net investment hedge	0	0
Group tax allocation balance sheet	0	0
Currency translation differences	-2	-11
Net deferred tax asset/liability (-) 31 December	**-264**	**-284**

DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY	31.12.2018	31.12.2017
Norway	64	64
Rest of Europe	0	0
Outside Europe	0	0
Deferred tax asset	**64**	**64**
Norway	0	0
Rest of Europe	328	348
Outside Europe	0	0
Deferred tax liability	**-328**	**-348**
Net deferred tax asset/liability (-)	**-264**	**-284**

DEFERRED TAX DETAILS	31.12.2018	31.12.2017
Fixed assets, excess values and depreciation	139	123
Pensions	3	3
Provisions and other liabilities	128	134
Currency translation differences and financial instruments	-1	172
Deferred tax current items	9	6
Tax losses and tax credit to carry forward	523	1 306
Deferred tax asset not recognised [1]	-1 064	-2 028
Net deferred tax asset/liability (-)	**-264**	**-284**

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
202	0	0	0	0
2023 and later	0	0	0	0
Indefinite expiry	1 503	62	597	2 163
Tax losses to carry forward	**1 503**	**62**	**597**	**2 163**
Temporary differences	-1 422	0	-1 047	-2 469
Tax losses and temporary differences not recognised [1]	-2 633	-2	-1 644	-4 279
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%**	

LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2017	NORWAY	REST OF EUROPE	OUTSIDE EUROPE	TOTAL
2018	0	362[2]	0	362
2019	0	0	0	0
2020	0	0	0	0
2021	0	0	0	0
2022 and later	0	0	0	0
Indefinite expiry	2 579	75	2 431	5 085
Tax losses to carry forward	**2 579**	**437**	**2 431**	**5 448**
Temporary differences	-1 947	0	-1 218	-3 166
Tax losses and temporary differences not recognised [1]	-4 247	-362	-3 650	-8 259
Total tax losses and tax credits to carry forward (recognised)	**280**	**75**	**0**	**355**
Deferred tax asset	**64**	**0**	**0**	**64**
Tax rate	**23%**	**19-33%**	**28-30%**	

[1] Basis for deferred tax asset not recognised amounted to NOK 4 632 million at 31 December 2018. NOK 1 810 million was related to tax losses to carry forward and NOK 2 469 million was related to other deductible temporary differences. Deferred tax asset not recognised amounted to NOK 1 064 million at 31 December 2018.

[2] The amount relates to loss carry forward in Norske Skog Holland BV that was liquidated in 2018.

Deferred tax asset arising from the carry forward of unused tax losses is tested against expected future taxable profit on entity level. NOK 64 million is recognised as deferred tax assets in the consolidated financial statements as of 31 December 2018. NOK 26 million relates to Norske Skog Saugbrugs AS and NOK 38 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	31.12.2018	31.12.2017
Inventories			
Raw materials and other production input		784	697
Semi-manufactured materials		8	9
Finished goods		512	441
Total	3	**1 304**	**1 148**
Other current assets			
Derivatives	7	6	5
Commodity contracts	7	98	30
Current investments	7	53	56
Total	7	**157**	**92**
Trade and other payables			
Accounts payable	7	1 026	1 029
Accrued labour costs and taxes		516	505
Accrued expenses		316	303
Other interest-free liabilities		6	215
Total		**1 864**	**2 052**
Other current liabilities			
Derivatives	7	9	41
Commodity contracts	7	57	26
Accrued emission rights		47	14
Accrued financial costs		0	21
Restructuring provision	19	6	17
Total		**118**	**119**
Other non-current liabilities			
Derivatives	7	0	215
Commodity contracts	7	24	57
Dismantling provision	19	81	76
Environmental provision	19	195	200
Deferred recognition of government grants		23	24
Other non interest-bearing debt		30	30
Total		**353**	**602**
Interest-bearing non-current liabilities			
Debt to financial institutions		994	245
Interest-bearing non-current liabilities		1 324	1 103
Total	7	**2 318**	**1 348**
Interest-bearing current liabilities			
Debt to financial institutions and bond adjusted for amortization		459	4 405
Securitisation / factoring facilities		395	368
Interest-bearing current liabilities		8	28
Total	7	**862**	**4 802**

19. PROVISIONS

	RESTRUCTURING PROVISION	DISMANTLING PROVISION	ENVIRONMENTAL PROVISION
Balance 1 January 2017	**46**	**83**	**191**
Changes and new provisions	9	-10	4
Utilised during the year	-38	0	-3
Periodic unwinding of discount	0	3	5
Currency translation differences	1	0	3
Balance 31 December 2017	**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**

Restructuring provision

Restructuring provision is included in the balance sheet line Other current liabilities. 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.

The restructuring provision of NOK 17 million at 31 December 2017 includes various restructuring activities included provision for severance payments and other costs (Publication paper Europe NOK 13 million and Publication paper Australasia NOK 4 million). The amount expensed in 2017 in relation to restructuring activities amounted to NOK 9 million.

Dismantling provision

Provisions related to future dismantling costs arising from a future closing down of production facilities amounted to NOK 81 million at 31 December 2018, compared to NOK 76 million at 31 December 2017.

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 9 million, with a corresponding increase in future depreciation on property, plant and equipment.

Environmental provision

The group’s provision for environmental obligations is presented in the balance sheet as Other non-current liabilities. The provision is related to estimated future costs for cleaning up any environmental pollution caused by Norske Skog production units. The provision will mainly be realised in a future period upon a potential shut down of the production activities of any of the Norske Skog production units. Increased environmental requirements from local governments may also lead to realisation of this provision at an earlier point in time.

Provisions for future environmental obligations amounted to NOK 195 million at 31 December 2018 compared to NOK 200 million at 31 December 2017. Resources spent on environmental activities during 2018 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 24 million. Changes in accounting estimates not related to assets are classified as operating items in the income statement, and the periodic unwinding of the discount is recognised within the income statement line Financial expenses.

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.

20. SHARES

SHARES IN SUBSIDIARIES	CURRENCY	SHARE CAPITAL (IN 1 000)	OWNERSHIP %
Shares in subsidiaries owned by the parent company			
Nornews AS, Oslo, Norway	NOK	100	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	223 000	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	235	100
Norske Skog Holdings (No.1) Ltd., Auckland, New Zealand	NZD	0	100
Nature's Flame Ltd., Auckland, New Zealand	NZD	7 750	100
Norske Skog Italia SrL, Milan, Italy	EUR	10	100
Norske Skog Nordic & Export Sales AS, Oslo, Norway	NOK	1 100	100
Norske Skog Paper Mills (Australia) Ltd., Tasmania, Australia	AUD	7 539	100
Norske Skog 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
Norske Skog Paper Mills (Albury) Pty Limited, Sydney, Australia	AUD	5 230	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 [1]
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	3 087	10	7
Exeltium SAS, Paris, France	EUR	12 384	5	83
Exeltium 2 SAS, Paris, France	EUR	3 440	5	2
Ignite Energy Resources Ltd., Sydney, Australia	AUD	255 433	1	12
SEM, Golbey, France	EUR	3 440	10	4
Other shares, each with book value below NOK 1 million				4
Total				**112**

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

21. RELATED PARTIES

Balances and transactions between the group and subsidiaries, as listed in Note 20, 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.

Oceanwood Special Situations Malta Limited, acquired the shares in Norske Skog AS on 28 September 2018. As of 31 December 2018 the group had debt to entities controlled by Oceanwood as described in Note 11.

22. EVENTS AFTER THE BALANCE SHEET DATE

On 28 March 2019 Niels Petter Wright decided, in full agreement with the board and with immediate effect, to step down as the CEO of Norske Skog AS. The Chair of the Board, Sven Ombudstvedt, will fill the interim CEO role until a permanent replacement is in place.

There have been no other events after the balance sheet date with significant impact on the financial statements for 2018.

FINANCIAL STATEMENTS NORSKE SKOG AS

INCOME STATEMENT

NOK MILLION	NOTE	2018	2017
Operating revenue	3	**97**	**0**
Employee benefit expenses		-81	0
Other operating expenses		-57	-7
Gross operating earnings		**-40**	**-7**
Depreciation		-5	0
Restructuring expenses		-6	0
Operating earnings		**-52**	**-7**
Financial income	7	1 405	78
Financial expenses	7	-646	-2 975
Net unrealised/realised gains/losses on foreign currency	7	181	-331
Financial items		**939**	**- 3 228**
Profit/Loss before income taxes		**887**	**-3 234**
Income taxes	10	-5	-5
Profit/Loss after tax		**882**	**-3 239**

STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION		2018	2017
Loss after tax		**882**	**-3 239**
Remeasurements of post employment benefit obligations		-5	0
Tax effect on remeasurements of post employment benefit obligations		1	0
Other comprehensive income		**-4**	**0**
Comprehensive income		**878**	**-3 239**

BALANCE SHEET

NOK MILLION	NOTE	31.12.2018	31.12.2017
Assets			
Intangible assets	4	11	0
Investments in subsidiaries	6	4 062	3 513
Other non-current assets	11	760	735
Total non-current assets		**4 833**	**4 248**
Trade and other receivables	11	335	126
Cash and cash equivalents		568	100
Other current assets		8	29
Total current assets		**911**	**255**
Total assets		**5 745**	**4 503**
Shareholders' equity and liabilities			
Paid-in equity		2 549	300
Retained earnings and other reserves		-342	-1 220
Total equity	5	**2 207**	**-920**
Interest-bearing non-current liabilities	8,11	2 179	297
Total non-current liabilities		**2 179**	**297**
Interest-bearing current liabilities	8, 11	1 333	5 105
Tax payable	10	0	0
Other current liabilities		25	21
Total current liabilities		**1 358**	**5 125**
Total liabilities		**3 537**	**5 422**
Total equity and liabilities		**5 745**	**4 503**

SKØYEN, 4 APRIL 2019
THE BOARD OF DIRECTORS OF NORSKE SKOG AS

Chair

Jen-Yue (John) Chiang
Board member

Arvid Grundekjøn
Board member

Board member

Board member

STATEMENT OF CASH FLOWS

NOK MILLION	NOTE	2018	2017
Cash flow from operating activities			
Cash generated from operations		55	69
Cash used in operations		-210	-8
Cash flow from financial items		-10	3
Interest payments received		66	78
Interest payments made		-16	-21
Taxes paid		-5	-9
Net cash flow from operating activities		**-121**	**112**
Purchases of equipment and intangible assets	4	-16	0
Other financial payments		-2	-6
Net cash flow from investing activities		**-18**	**-6**
Cash flow from financing activities			
New loans raised		0	149
Repayments of loans		-187	-213
Change in intercompany balance with group		790	64
Net cash flow from financing activities		**603**	**0**
Foreign currency effects on cash and cash equivalents		5	-6
Total change in cash and cash equivalents		**468**	**100**
Cash and cash equivalents 1 January		100	0
Cash and cash equivalents 31 December		568	100

STATEMENT OF CHANGES IN EQUITY

NOK MILLION	NOTE	SHARE CAPITAL	SHARE PREMIUM	OTHER PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
Equity 1 January 2017		**300**	**2 019**	**0**	**0**	**2 319**
Comprehensive income		0	-2 019	0	-1 220	- 3 239
Equity 31 December 2017		**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	5	**300**	**0**	**2 249**	**-342**	**2 207**

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 4 April 2019.

2. ACCOUNTING POLICIES

The financial statements for Norske Skog AS 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 AS 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

Norske Skog AS's operating revenue consists mainly of the sale of services to other entities in the group.

OPERATING REVENUE BY GEOGRAPHICAL MARKET	2018	2017
Norway	36	0
Europe excluding Norway	44	0
Australasia	16	0
Total	**97**	**0**

Operating revenue arising from sales of internal services to other entities in the group amounted to NOK 97 million in 2018. The corresponding figure for 2017 was NOK 0 as Norske Skog AS did not provide services in 2017.

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**

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	PLANT UNDER CONSTRUCTION	TOTAL
Acquisition cost 1 January 2018	0	0	0
Additions	0	1	1
Reclassified from plant under construction	0	0	0
Acquisition cost 31 December 2018	**0**	**1**	**1**
Accumulated depreciation and impairments 1 January 2018	0	0	0
Accumulated depreciation and impairments 31 December 2018	**0**	**0**	**0**
Carrying value 31 December 2018	**0**	**1**	**1**

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

5. EQUITY

The share capital of Norske Skog AS at 31 December 2018 was NOK 300 million and consisted of 30 000 shares, each with a nominal value of NOK 10 000.

NS Norway Holding AS acquired 100% of the shares in Norske Skog AS on 28 September 2018. For further information on the change of ownership, see description in Statement of changes in equity in the consolidated financial statement.

PRINCIPAL SHAREHOLDERS	OWNERSHIP %
NS Norway Holding AS	100.00

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	0.1	100	1
Norske Skog Bruck GmbH, Bruck, Austria	EUR	10.0	100	522
Norske Skog Golbey SAS, Golbey, France	EUR	137.4	100	1 595
Norske Skog Industries Australia Ltd., Sydney, Australia	AUD	340.0	100	940
Norske Skog Papers (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia	MYR	5.0	100	111
Total				**4 062**

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 increased from NOK 3 513 million to NOK 4 062 million during 2018 due to:

- increase of new share capital in Norske Skog Industries Australia Ltd of NOK 939 million
- reversal of impairment of NOK 111 million on the shares in Norske Skog Papers (Malaysia) Sdn. Bhd
- repayment of paid-in capital from Norske Skog Skogn AS of NOK 300 million
- repayment of paid-in capital from Norske Skog Saugbrugs AS of NOK 200 million

7. FINANCIAL ITEMS

FINANCIAL ITEMS	NOTE	2018	2017
Financial income			
Dividends		55	0
Interest income		2	1
Interest income from group companies		64	77
Reversal of impairment of investments in subsidiaries	6	111	0
Gains from discharge of debt		1 115	0
Other financial income		58	0
Total		**1 405**	**78**
Financial expenses			
External interest expense		-608	-490
Interest expense from group companies [1)]		-15	-13
Impairment of investments in subsidiaries	6	0	-2 296
Loss on receivable		0	-89
Refinancing costs		0	-74
Other financial expenses		-23	-13
Total		**-646**	**-2 975**
Gains / (losses) on foreign currency		**181**	**-331**
Financial items		**939**	**-3 228**

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 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.

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

Loss on receivables for 2017 are related receivables on the former group entities Norske Skogindustrier ASA, Norske Skog Holding AS, Lysaker Invest AS and Norske Skog Eiendom AS which filed for bankruptcy in December 2017.

During 2017 the Norske Skog group worked to achieve a consensual recapitalization of the Norske Skogindustrier ASA group and thereby avoid bankruptcy proceedings for the parent company. The consensual recapitalization process could not be achieved and the accrued costs related to this process were expensed in 2017, and included in the line refinancing costs.

8. MATURITY OF INTEREST-BEARING LIABILITIES

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

MATURITY OF THE COMPANY'S DEBT AT 31.12.2017	OTHER LOANS	BONDS	TOTAL
2018	164	0	164
2019	0	3 201	3 201
2020	1 083	0	1 083
2021	0	0	0
2022	0	0	0
Total	**1 247**	**3 201**	**4 448**

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	2018	2017
Salaries including holiday pay	62	0
Social security contributions	11	0
Pension costs	2	0
Other employee benefit expenses	6	0
Total	**81**	**0**

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.

The company did not pay any remuneration or other benefits in 2017, as there were no employees in the company as at 31 December 2017. All employees (33 employees), including members of corporate management previously employed by Norske Skogindustrier ASA were employed by Norske Skog AS with effect from 1 January 2018.

	31.12.2018	31.12.2017
Employees	30	0

NET PERIODIC PENSION/INTEREST COST	2018	2017
Current service cost	0	0
Pension cost defined contribution schemes	2	0
Net periodic pension cost	**2**	**0**
Net periodic interest cost	**0**	**0**

PENSION ASSET IN THE BALANCE SHEET	31.12.2018	31.12.2017
Net pension asset in the balance sheet	**1**	**0**
PENSION OBLIGATION IN THE BALANCE SHEET	**31.12.2018**	**31.12.2017**
Projected benefit obligations	-23	0
Plan assets at fair value	24	0
Net pension obligation in the balance sheet	**1**	**0**
SPECIFICATION OF REMEASUREMENT GAINS/LOSSES IN OTHER COMPREHENSIVE INCOME (OCI)	**2018**	**2017**
Actuarial changes arising from changes in demographic assumptions	0	0
Experience adjustments and investment management costs	6	0
Asset ceiling – asset adjustment	-2	0
Total	**4**	**0**
SENSITIVITY ANALYSIS	**Increase**	**Decrease**
Discount rate – 0.5%	-2	0
Salary adjustment – 0.5%	0	0

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

10. INCOME TAXES

TAX EXPENSE	**2018**	**2017**
Current tax expense	-5	-5
Change in deferred tax	0	0
Total	**-5**	**-5**

INCOME TAX RECONCILIATION	**2018**	**2017**
Profit/loss before income taxes	887	-3 234
Computed tax at nominal tax rate of 23%/24%	-204	776
Exempted income/non-deductible expenses	-16	-18
Discharge of debt (exempted income)	314	0
Impairment of investments in subsidiaries	0	-551
Reversal of impairment of investments in subsidiaries	26	0
Debt forgiveness	-314	0
Adjustments previous years	-5	0
Change tax loss not recognised	199	-208
Withholding tax	-5	-4
Total tax expense(-)/income	**-5**	**-5**

TEMPORARY DIFFERENCES AND TAX LOSSES - DETAILS	**31.12.2018**	**31.12.2017**
Financial debt and currency translation	-84	-328
Pensions	1	0
Tax losses to carry forward	-663	-1 286
Tax losses and other tax credits not recognised [1)]	747	1 614
Basis for deferred tax	**0**	**0**

DEFERRED TAX	**2018**	**2017**
Net deferred tax asset/liability (-) 31 December	**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.

11. INTERCOMPANY RECEIVABLES/LIABILITIES

	31.12.2018	31.12.2017
NON-CURRENT INTERCOMPANY RECEIVABLES		
Norske Skog Skogn AS	129	119
Norske Skog Saugbrugs AS	149	138
Norske Skog Industries Australia Ltd.	457	478
Norske Skog Tasman Ltd.	24	0
Total	**760**	**735**
CURRENT INTERCOMPANY RECEIVABLES		
Norske Skog Nordic & Export Sales AS	2	2
Norske Skog Skogn AS	40	0
Norske Skog Saugbrugs AS	57	0
Norske Skog (Australasia) Pty Ltd	145	0
Norske Skog Industries Australia Ltd.	0	83
Norske Skog Italia SrL	4	0
Norske Skog (Schweiz) AG	0	2
Nornews AS	12	0
Saugbrugs Bioenergi AS	14	21
Total	**274**	**108**
NON-CURRENT INTERCOMPANY LIABILITIES		
Norske Skog Bruck GmbH	116	88
Norske Skog Golbey SA	207	209
NS Norway Holding AS	1 077	0
Total	**1 400**	**297**
CURRENT INTERCOMPANY LIABILITIES		
Norske Skog Skogn AS	7	213
Norske Skog Saugbrugs AS	11	42
Norske Skog Bruck GmbH	131	127
Norske Skog Golbey SA	618	134
Norske Skog Deutschland GmbH	41	40
Norske Skog (UK) Ltd.	1	4
Norske Skog France SARL	1	0
Norske Skog Österreich GmbH	2	1
Norske Skog Tasman Ltd.	3	62
Norske Skog Papers (Malaysia) SDN	112	0
NS Norway Holding AS	8	0
Total	**936**	**623**

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.

In addition, Norske Skog AS had current liabilities to Norske Skogindustrier ASA (former group company).

12. GUARANTEES

The company has issued guarantees in an amount of NOK 115 million at 31 December 2018 (NOK 29 million at 31 December 2017) on behalf of Norske Skog Saugbrugs AS, Norske Skog Skogn AS and Norske Skog Bruck GmbH.

13. RELATED PARTIES

A description of transactions with related parties is given in Note 21 Related parties in the consolidated financial statements.

14. EVENTS AFTER THE BALANCE SHEET DATE

On 28 March 2019 Niels Petter Wright decided, in full agreement with the board and with immediate effect, to step down as the CEO of Norske Skog AS. The Chair of the Board, Sven Ombudstvedt, will fill the interim CEO role until a permanent replacement is in place.

There have been no other events after the balance sheet date with significant impact on the financial statements for 2018.

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Postbox 1704 Vika
0121 Oslo
Norway

Independent Auditor's Report

To the General Meeting in Norske Skog AS

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Norske Skog AS.

The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2018, 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 2018, 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.

In our opinion:

- 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 AS as at 31 December 2018, 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 AS as at 31 December 2018, 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.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report.

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 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.

The Register of Business Enterprises: NO 993 606 650 VAT.

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, 12 April 2019

ALTERNATIVE PERFORMANCE MEASURES

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

Norske Skog uses APMs as described below:

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

Gross operated margin: Gross operating earnings / operating revenue

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

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

RETURN ON CAPITAL EMPLOYED (ANNUALISED)	**2018**	**2017**
Gross operating earnings	1 031	702
Capital expenditure	279	276
Average capital employed	5 335	6 490
Return on capital employed (annualised)	**14.1%**	**6.6%**

CAPITAL EMPLOYED	**31.12.2018**	**31.12.2017**
Intangible assets	30	23
Tangible assets	4 483	4 698
Inventory	1 304	1 148
Trade and other receivables	1 403	1 497
Trade and other payables	-1 864	-2 052
Capital employed	**5 356**	**5 314**

NET INTEREST BEARING DEBT	**31.12.2018**	**31.12.2017**
Interest bearing non-current liabilities	2 318	1 348
Interest bearing current liabilities	862	4 802
- Cash and cash equivalents	912	433
Net interest bearing debt	**2 268**	**5 717**

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Appendix C

Årsregnskap

2017

Nornews AS

Organisasjonsnummer
930 229 482

Nornews AS

Resultatregnskap

	Note	2017	2016
Driftskostnader			
Annen driftskostnad	2	-33 529	-147 266
Sum driftskostnader		-33 529	-147 266
Driftsresultat		**-33 529**	**-147 266**
Finansposter			
Agio		4 684	541
Utbytte, konsern		746 806	378 636
Andre finansinntekter			109 552
Rentekostnader, konsern	3	-288 150	-306 555
Rentekostnader, andre		-656	-
Andre finanskostnader	4	-30 213 456	-313 331
Netto finansposter		-29 750 772	-131 157
Ordinært resultat før skattekostnad		**-29 784 301**	**-278 423**
Skattekostnad			
Skattekostnad på ordinært resultat	5	-	-
Årsresultat		**-29 784 301**	**-278 423**
Utvidet resultatregnskap			
Årsresultat		-29 784 301	-278 423
Totalt resultat		**-29 784 301**	**-278 423**
Overføringer:			
Overført til/(fra) annen egenkapital	6	(29 784 301)	(278 423)
Sum overføringer		**(29 784 301)**	**(278 423)**

Nornews AS

Balanse

EIENDELER	Note	2017	2016
Finansielle anleggsmidler			
Aksjer	4	4 691 662	34 655 735
Fordring på konsernselskap	3	-	61 293
Sum finansielle anleggsmidler		4 691 662	34 717 028
Sum anleggsmidler		**4 691 662**	**34 717 028**
SUM EIENDELER		**4 691 662**	**34 717 028**

Nornews AS

Balanse

EGENKAPITAL OG GJELD	Note	2017	2016
Egenkapital			
Innskutt egenkapital			
Aksjekapital	6	100 000	100 000
Sum innskutt egenkapital		100 000	100 000
Opptjent egenkapital			
Annen egenkapital	6	-547 247	29 237 054
Sum opptjent egenkapital		-547 247	29 237 054
Sum egenkapital		**-447 247**	**29 337 054**
Gjeld			
Kortsiktig gjeld			
Gjeld til konsernselskap	3	5 138 909	5 379 974
Sum kortsiktig gjeld		5 138 909	5 379 974
Sum gjeld		**5 138 909**	**5 379 974**
SUM EGENKAPITAL OG GJELD		**4 691 662**	**34 717 028**

Nornews AS

Kontantstrømoppstilling

	2017	2016
Kontantstømmer fra operasjonelle aktiviteter		
Resultat før skattekostnad	-29 784 301	-278 423
Nedskrivning av aksjer / langsiktige fordringer	29 877 403	313 331
Finansposter	-122 727	-488 188
Netto kontantstrøm fra operasjonelle aktiviteter	**-29 625**	**-453 280**
Mottatt utbytte	746 806	378 636
Avvikling / salg av aksjer	50 317	509 552
Kontantstrøm fra investeringsaktiviteter	**797 123**	**888 188**
Kontantstrøm fra finansieringsaktiviteter		
Endring kort gjeld	-767 498	-434 908
Netto kontantstrøm fra finansieringsaktiviteter	**-767 498**	**-434 908**
Sum netto endring i kontanter og kontantekvivalenter		
Likviditetsbeholdning 01.01.		
Likviditetsbeholdning 31.12.		

Nornews AS

Noter 2017

Note 1 Regnskapsprinsipper

Årsregnskapet er avlagt i henhold til regnskapsloven § 3-9 og Forskrift om forenklet IFRS fastsatt av Finansdepartementet 3. november 2014. Dette innebærer i hovedsak at innregning og måling følger internasjonale regnskapsstandarder (IFRS) mens presentasjon og noteopplysninger er utarbeidet i henhold til norsk regnskapslov og god regnskapsskikk. Alle beløp er angitt i hele norske kroner (NOK) så lenge annet ikke er opplyst. Årsregnskapet er vedtatt av selskapets styre 29. mai 2018.

Selskapet er et heleid datterselskap av Norske Skog AS. Selskapet har benyttet seg av unntaket fra konsernregnskapsplikt for morselskap i underkonsern i henhold til regnskapsloven § 3-7. Selskaps- og konsernregnskapet til Norske Skog AS er tilgjengelig ved konsernets hovedkontor i Oslo.

Klassifisering av balanseposter
Eiendeler bestemt til varig eie eller bruk er klassifisert som anleggsmidler. Poster klassifiseres som omløpsmidler/kortsiktig gjeld hvis de skal betales i løpet av ett år etter utbetalingstidspunktet.

Generelt om vurdering av balanseposter
Omløpsmidler vurderes til det laveste av anskaffelseskost og virkelig verdi. Kortsiktig gjeld balanseføres til nominelt beløp på etableringstidspunktet. Anleggsmidler vurderes til anskaffelseskost.

Investering i andre selskaper
Kostmetoden brukes som prinsipp for investeringer i andre selskaper. Kostprisen økes når midler tilføres ved kapitalutvidelse, eller når det gis konsernbidrag til datterselskap. Mottatte utdelinger resultatføres i utgangspunktet som inntekt. Utdelinger som overstiger andel av opptjent egenkapital fra datterselskap regnskapsføres det samme året som datterselskapet avsetter beløpet. Utbytte fra andre selskaper regnskapsføres som finansinntekt når utbyttet er vedtatt. Investeringer i andre selskaper er bokført til laveste av historisk kost og virkelig verdi.

Skatt
Skattekostnaden i resultatregnskapet omfatter både periodens betalbare skatt og endring i utsatt skatt.
Utsatt skatt avsettes fullt ut etter gjeldsmetoden på basis av midlertidige forskjeller oppstått mellom bokførte og skattemessige verdier på eiendeler og gjeld.
Utsatt skattefordel bokføres som eiendel dersom det kan forventes at fremtidige skattepliktige inntekter kan utnyttes mot skattereduserende midlertidige forskjeller og fremførbare underskudd. Utsatt skattefordel avregnes mot utsatt skattegjeld innenfor et skatteregime i den utstrekning skattelovgivningen gir anledning til å utnytte skattefordeler mot utsatt skattegjeld.

Nye standarder
Endringene i IFRS 15 og IFRS 9, med ikrafttredelespunkt 1. januar 2018, er ikke forventet å påvirke selskapsregnskapet til Nornews AS i vesentlig grad.

Note 2 Lønn, godtgjørelser, revisjonshonorar
Selskapet har ikke hatt ansatte i 2017. Det er ikke utbetalt godtgjørlse til styret.

Kostnadsført honorar til revisor i regnskapsåret 2017 utgjør NOK 17 500. Det er ikke utbetalt konsulenthonorarer til revisor.

Note 3 Konsernmellomværende

Korsiktige fordringer	**2017**	**2016**
Norske Skog Skogn AS, Norge		635
Norske Skog Espana S.A		60 659
Sum	**-**	**61 294**

Korsiktig gjeld	**2017**	**2016**
Norske Skog AS	179 852	
Norske Skogindustrier ASA	4 959 057	5 379 974
Sum	**5 138 909**	**5 379 974**

Selskapet er en del av konsernkontosystemet i Norske Skog konsernet og har dermed likviditetsrisiko knyttet til likviditeten i konsernet som helhet. Det er eksponert for risiko for at det ikke er tilstrekkelig likviditet tilgjengelig i konsernet for å dekke løpende drift i den grad lønnsomheten i selskapet reduseres.

19. desember 2017 ble det åpnet konkursbehandling i det tidligere ultimate morselskapet Norske Skogindustrier ASA. Dette selskapet er således ikke et konsernselskap per 31. desember 2017.

Nornews AS

Noter 2017

Selskap (valuta)	Forretningskontor	Valuta	Selskapets aksjekapital i lokal valuta	Selskapets egenkapital NOK	Eierandel	Bokført verdi NOK
Norske Skog Nordic & Export Sales AS	Oslo, Norge	NOK	1 100 000	-2 067 036	100 %	1
Norske Skog Holland BV	Amsterdam, Nederland	EUR	245 104 650	-216 048	100 %	1
Norske Skog Deutschland GmbH	Augsburg, Tyskland	EUR	520 000	-22 330 629	100 %	1
Norske Skog UK Ltd	London, England	GBP	100 000	372 484	100 %	2 000 000
Norske Skog France SARL	Courbevoie, Frankrike	EUR	235 200	-177 872	100 %	1 000 000
Norske Skog Espana SA	Madrid, Spania	EUR	60 350	-732 718	100	1
Norske Skog Österreich GmbH	Graz, Østerrike	EUR	35 000	-3 839 024	100	1
Norske Skog (Schweiz) AG	Zürich, Sveits	CHF	50 000	20 498	100 %	1
Norske Skog Adria	Trzin, Slovenia	EUR	20 866	2 469 259	100 %	1 400 000
Norske Skog Italia s.r.l., Milano	Milano, Italia	EUR	10 000	-2 501 261	5,00 %	1
Norske Skog Bruck GmbH, Bruck	Bruck, Østerrike	EUR	10 000 000	499 705 589	0,10 %	291 655
Sum aksjer						**4 691 662**

Andre finanskostnader består av nedskrivning på aksjer på NOK 29 877 403, samt tap ved realisasjon av Norske Skog Danmark APS Norske Skog Hungary KFT på NOK 36 352.

Note 5 Skatt

	2017	2016
Resultat før skatt	-29 784 301	-278 423
Permanente forskjeller	29 189 353	-174 857
Endring midlertidige forskjeller	299 701	-
Skattepliktig inntekt	**-295 247**	**-453 280**
Betalbar skatt i balansen	-	-
Endring utsatt skatt	-	-
Skattekostnad	-	-

Midlertidige forskjeller / utsatt skatt	**2017**	**2016**
Fremførbart underskudd	849 700	554 453
Sum midlertidige forskjeller	**849 700**	**554 453**
Skatteprosent for beregning av utsatt skatt	23 %	24 %
Utsatt skattefordel/(utsatt skatt)	195 431	**133 069**
Ikke balanseført utsatt skattefordel	-195 431	**-133 069**
Utsatt skattefordel/(utsatt skatt) i balansen	-	-

Note 6 Egenkapital

	Aksjekapital	Annen egenkapital	Sum egenkapital
Egenkapital 01.01.	100 000	29 237 054	29 337 054
Årets resultat		-29 784 301	-29 784 301
Egenkapital 31.12.	**100 000**	**-547 247**	**-447 247**

Selskapets aksjekapital består av 2 000 aksjer pålydede NOK 50.
Samtlige aksjer eies av Norske Skog AS.
1 aksje gir 1 stemme.

Selskapets egenkapital er negativ med kr 447 247 per 31.12.2017. Styret vurdere muligheter for at selskapets egenkapital styrkes gjennom utdeling fra datterselskaper eller økning av egenkapitalen gjennom konverting av gjeld i 2018. I samsvar med regnskapsloven § 3-3a har styret vurdert forutsetningen for fortsatt drift, og bekrefter at forutsetningen for fortsatt drift er til stede og at denne forutsetningen er lagt til grunn ved utarbeidelse av årsregnskapet.

Note 7 Hendelser etter balansedagen
Den 3. mai 2018 inngikk et heleid datterselskap av Oceanwood Opportunities Master Fund en aksjekjøpsavtale med Citibank, N.A., London Branch, som sikkerhetsagent, for kjøp av aksjene i Norske Skog AS. Kjøpesummen avtalt i aksjekjøpsavtalen vil ikke gi tilstrekkelig salgsproveny til full dekning av SSNs, EUR 16 millioner likviditetsfasiliteten og EUR 159 millioner og USD 61 millioner obligasjonslånene med forfall i henholdsvis 2021 og 2023. Når transaksjonen er gjennomført vil de finansielle forpliktelsene og garantiforpliktelsene som ikke blir dekket bli fristilt. Gjennomføring av transaksjonen er betinget av at Oceanwood mottar relevante konkurranserettslige og andre regulatoriske godkjenninger i de aktuelle land (inkludert Australia og New Zealand). Disse er forventet mottatt i andre halvdel av 2018.

Ved fristillelse av de ovennevnte finansielle forpliktelser og garantiforpliktelser vil Norske Skog AS konsernets egenkapital bli forbedret med cirka NOK 3,5 milliarder. Som følge av fristillelsen vil Norske Skog AS få betydelig mindre gjeld og rentekostnader, som vil forbedre både soliditet og likviditet i selskapet og konsernet.

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Uavhengig revisors beretning

Til generalforsamlingen i Nornews AS

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert Nornews AS' årsregnskap som består av balanse per 31. desember 2017, resultatregnskap, utvidet resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening er det medfølgende årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets finansielle stilling per 31. desember 2017, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med forenklet anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3-9.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Styrets ansvar for årsregnskapet

Styret (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med forenklet anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3-9. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et regnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet med mindre ledelsen enten har til hensikt å avvikle selskapet eller legge ned virksomheten, eller ikke har noe realistisk alternativ til dette.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll.

- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.

- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.

- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av regnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i regnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon om årsregnskapet. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.

- evaluerer vi den samlede presentasjonen, strukturen og innholdet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet representerer de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Uttalelse om øvrige lovmessige krav

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Årsregnskap

2018

Nornews AS

Organisasjonsnummer
930 229 482

Nornews AS

Resultatregnskap

	Note	2018	2017
Driftskostnader			
Annen driftskostnad	**2**	-265 465	-33 529
Sum driftskostnader		-265 465	-33 529
Driftsresultat		**-265 465**	**-33 529**
Finansposter			
Agio		-4 282	4 684
Utbytte, konsern		1 723 655	746 806
Andre finansinntekter	**4**	8 026 462	
Rentekostnader, konsern	**3**	-201 014	-288 150
Rentekostnader, andre		-	-656
Andre finanskostnader	**4**	-5 863 001	-30 213 456
Netto finansposter		3 681 819	-29 750 772
Ordinært resultat før skattekostnad		**3 416 354**	**-29 784 301**
Skattekostnad			
Skattekostnad på ordinært resultat	**5**	-	-
Årsresultat		**3 416 354**	**-29 784 301**
Utvidet resultatregnskap			
Årsresultat		3 416 354	-29 784 301
Totalt resultat		**3 416 354**	**-29 784 301**
Overføringer:			
Overført til/(fra) annen egenkapital	**6**	3 416 354	-29 784 301
Sum overføringer		**3 416 354**	**-29 784 301**

Nornews AS

Balanse

EIENDELER	Note	2018	2017
Anleggsmidler			
Finansielle anleggsmidler			
Aksjer	4	15 234 256	4 691 662
Sum finansielle anleggsmidler		15 234 256	4 691 662
Sum anleggsmidler		**15 234 256**	**4 691 662**
Omløpsmidler			
Fordringer			
Fordring på konsernselskap	3	227 578	-
Sum fordringer		227 578	-
Sum omløpsmidler		**227 578**	-
SUM EIENDELER		**15 461 834**	**4 691 662**

EGENKAPITAL OG GJELD	Note	2018	2017
Egenkapital			
Innskutt egenkapital			
Aksjekapital	6	100 000	100 000
Sum innskutt egenkapital		100 000	100 000
Opptjent egenkapital			
Annen egenkapital	6	2 869 107	-547 247
Sum opptjent egenkapital		2 869 107	-547 247
Sum egenkapital		**2 969 107**	**-447 247**
Gjeld			
Kortsiktig gjeld			
Gjeld til konsernselskap	3	12 492 727	179 852
Annen kortsiktig gjeld		-	4 959 057
Sum kortsiktig gjeld		12 492 727	5 138 909
Sum gjeld		**12 492 727**	**5 138 909**
SUM EGENKAPITAL OG GJELD		**15 461 834**	**4 691 662**

Nornews AS

Kontantstrømoppstilling

	2018	2017
Kontantstømmer fra operasjonelle aktiviteter		
Resultat før skattekostnad	3 416 354	-29 784 301
Nedskrivning/revsersering av nedskrivninger av aksjer / langsiktig	-2 137 000	29 877 403
Poster klassifisert som investering-/finansieringssaktiviteter	-1 529 894	-122 727
Netto kontantstrøm fra operasjonelle aktiviteter	**-250 540**	**-29 625**
Utbetaling ved kjøp av aksjer i datterselskaper	-5 237 594	0
Mottatt utbytte	1 723 655	746 806
Inn/(utbetaling) ved avvikling av datterselskaper	-193 761	50 317
Kontantstrøm fra investeringsaktiviteter	**-3 707 700**	**797 123**
Kontantstrøm fra finansieringsaktiviteter		
Endring gjeld og konsernmellomværende	3 958 240	-767 498
Netto kontantstrøm fra finansieringsaktiviteter	**3 958 240**	**-767 498**
Sum netto endring i kontanter og kontantekvivalenter	0	0
Likviditetsbeholdning 01.01.	0	0
Likviditetsbeholdning 31.12.	**0**	**0**

Nornews AS
Noter 2018

Note 1 Regnskapsprinsipper

Årsregnskapet er avlagt i henhold til regnskapsloven § 3-9 og Forskrift om forenklet IFRS fastsatt av Finansdepartementet 3. november 2014. Dette innebærer i hovedsak at innregning og måling følger internasjonale regnskapsstandarder (IFRS) mens presentasjon og noteopplysninger er utarbeidet i henhold til norsk regnskapslov og god regnskapsskikk. Alle beløp er angitt i hele norske kroner (NOK) så lenge annet ikke er opplyst. Årsregnskapet er vedtatt av selskapets styre 26. april 2019.

Selskapet er et heleid datterselskap av Norske Skog AS. Selskapet har benyttet seg av unntaket fra konsernregnskapsplikt for morselskap i underkonsern i henhold til regnskapsloven § 3-7. Selskaps- og konsernregnskapet til Norske Skog AS er tilgjengelig ved konsernets hovedkontor i Oslo.

Klassifisering av balanseposter
Eiendeler bestemt til varig eie eller bruk er klassifisert som anleggsmidler. Poster klassifiseres som omløpsmidler/kortsiktig gjeld hvis de skal betales i løpet av ett år etter utbetalingstidspunktet.

Generelt om vurdering av balanseposter
Omløpsmidler vurderes til det laveste av anskaffelseskost og virkelig verdi. Kortsiktig gjeld balanseføres til nominelt beløp på etableringstidspunktet. Anleggsmidler vurderes til anskaffelseskost.

Investering i andre selskaper
Kostmetoden brukes som prinsipp for investeringer i andre selskaper. Kostprisen økes når midler tilføres ved kapitalutvidelse, eller når det gis konsernbidrag til datterselskap. Mottatte utdelinger resultatføres i utgangspunktet som inntekt. Utdelinger som overstiger andel av opptjent egenkapital fra datterselskap regnskapsføres det samme året som datterselskapet avsetter beløpet. Utbytte fra andre selskaper regnskapsføres som finansinntekt når utbyttet er vedtatt. Investeringer i andre selskaper er bokført til laveste av historisk kost og virkelig verdi.

Skatt
Skattekostnaden i resultatregnskapet omfatter både periodens betalbare skatt og endring i utsatt skatt.
Utsatt skatt avsettes fullt ut etter gjeldsmetoden på basis av midlertidige forskjeller oppstått mellom bokførte og skattemessige verdier på eiendeler og gjeld.
Utsatt skattefordel bokføres som eiendel dersom det kan forventes at fremtidige skattepliktige inntekter kan utnyttes mot skattereduserende midlertidige forskjeller og fremførbare underskudd. Utsatt skattefordel avregnes mot utsatt skattegjeld innenfor et skatteregime i den utstrekning skattelovgivningen gir anledning til å utnytte skattefordeler mot utsatt skattegjeld.

Nye regnskapsstandarder
Nye regnskapsstandarder IFRS 9, 15 og 16 vil ikke påvirke selskapsregnskapet til Nornews AS.

Note 2 Lønn, godtgjørelser, revisjonshonorar
Selskapet har ikke hatt ansatte i 2018. Det er ikke utbetalt godtgjørelse til styret.

Kostnadsført honorar til revisor i regnskapsåret 2018 utgjør NOK 29 150 eks merverdiavgift. Av dette utgjør kr 11 650 bistand i forbindelse med fusjon med Norske Skog Nordic & Export Sales AS.

Note 3 Konsernmellomværende

Korsiktige fordringer	2018	2017
Norske Skog Italia s.r.l., Italia	227 578	-
Sum	**227 578**	**-**

Korsiktig gjeld	2018	2017
Norske Skog AS	12 492 727	179 852
Sum	**12 492 727**	**179 852**

Selskapet er en del av konsernkontosystemet i Norske Skog konsernet og har dermed likviditetsrisiko knyttet til likviditeten i konsernet som helhet. Det er eksponert for risiko for at det ikke er tilstrekkelig likviditet tilgjengelig i konsernet for å dekke løpende drift i den grad lønnsomheten i selskapet reduseres.

Nornews AS

Noter 2018

Note 4 Aksjer

Selskap (valuta)	Forretningskontor	Valuta	Selskapets aksjekapital i lokal valuta	Selskapets egenkapital NOK	Eierandel	Bokført verdi NOK
Norske Skog Nordic & Export Sales AS	Oslo, Norge	NOK	1 300 000	-77 865	100 %	1
Norske Skog Deutschland GmbH	Augsburg, Tyskland	EUR	520 000	-20 515 505	100 %	1
Norske Skog UK Ltd	London, England	GBP	100 000	1 206 805	100 %	4 000 000
Norske Skog France SARL	Courbevoie, Frankrike	EUR	235 200	191 393	100 %	7 000 000
Norske Skog Österreich GmbH	Graz, Østerrike	EUR	35 000	-3 885 129	100 %	1
Norske Skog (Schweiz) AG	Zürich, Sveits	CHF	50 000	317 835	100 %	1
Norske Skog Adria	Trzin, Slovenia	EUR	20 866	822 845	100 %	1 400 000
Norske Skog Italia s.r.l., Milano	Milano, Italia	EUR	10 000	-3 336 534	100 %	2 542 597
Norske Skog Bruck GmbH, Bruck	Bruck, Østerrike	EUR	10 000 000	494 664 151	0,10 %	291 655
Sum aksjer						**15 234 256**

Andre finanskostnader består av nedskrivning på aksjer på NOK 5 863 001 og andre finansinntekter består av reversering av tidligere års nedskrivninger med NOK 8 000 000.

Note 5 Skatt

	2018	2017
Resultat før skatt	3 416 354	-29 784 301
Permanente forskjeller	-3 368 764	29 189 353
Endring midlertidige forskjeller	-299 701	299 701
Skattepliktig inntekt	**-252 111**	**-295 247**
Betalbar skatt i balansen	**-**	**-**
Endring utsatt skatt	-	-
Skattekostnad	**-**	**-**

Midlertidige forskjeller / utsatt skatt	**2018**	**2017**
Fremførbart underskudd	1 101 811	849 700
Sum midlertidige forskjeller	**1 101 811**	**849 700**
Skatteprosent for beregning av utsatt skatt	22 %	23 %
Utsatt skattefordel/(utsatt skatt)	242 398	195 431
Ikke balanseført utsatt skattefordel	-242 398	-195 431
Utsatt skattefordel/(utsatt skatt) i balansen	**-**	**-**

På grunn av usikkerhet om når en kan utligne fremførbart underskudd er utsatt skattefordel ikke balanseført.

Note 6 Egenkapital

	Aksjekapital	Annen egenkapital	Sum egenkapital
Egenkapital 01.01.2018	100 000	-547 247	-447 247
Årets resultat		3 416 354	3 416 354
Egenkapital 31.12.2018	**100 000**	**2 869 107**	**2 969 107**

Selskapets aksjekapital består av 2 000 aksjer pålydende NOK 50.
Samtlige aksjer eies av Norske Skog AS.
1 aksje gir 1 stemme.

I samsvar med regnskapsloven § 3-3a har styret vurdert forutsetningen for fortsatt drift, og bekrefter at forutsetningen for fortsatt drift er til stede og at denne forutsetningen er lagt til grunn ved utarbeidelse av årsregnskapet.

Note 7 Hendelser etter balansedagen
Norske Skog Nordic & Export Sales AS (org.nr. 996 732 754) ble den 26.01.2019 innfusjonert i Nornews AS.

BDO AS
Munkedamsveien 45
Postboks 1704 Vika
0121 Oslo

Uavhengig revisors beretning

Til generalforsamlingen i Nornews A/S

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert årsregnskapet til Nornews A/S.

Årsregnskapet består av:	Etter vår mening:
• Balanse per 31. desember 2018 • Resultatregnskap, utvidet resultatregnskap for 2018 • Kontantstrømoppstilling for regnskapsåret avsluttet per 31. desember 2018 • Noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.	Er årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets finansielle stilling per 31. desember 2018, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med forenklet anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3-9.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Styrets ansvar for årsregnskapet

Styret (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med forenklet anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3-9. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet med mindre ledelsen enten har til hensikt å avvikle selskapet eller legge ned virksomheten, eller ikke har noe realistisk alternativ til dette.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer.

Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

For videre beskrivelse av revisors oppgaver og plikter vises det til: https://revisorforeningen.no/revisjonsberetninger

Uttalelse om øvrige lovmessige krav

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

BDO AS

Yngve Gjethammer
statsautorisert revisor
(elektronisk signert)

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur". De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Yngve Gjethammer
Partner
På vegne av: BDO AS
Serienummer: 9578-5998-4-785509
IP: 188.95.xxx.xxx
2019-06-04 21:52:00Z

Penneo Dokumentnøkkel: SE1LE-JMN57-5V34I-6Z2TM-8XV7M-GYVJL

Norske Skog
Skogn

Appendix D

ÅRSRAPPORT 2017

NORSKE SKOG SKOGN AS

Innhold:

- Styrets årsberetning
- Årsregnskap med noter
- Revisjonsberetning

Årsberetning 2017

Norske Skog Skogn AS

Generell informasjon

Norske Skog Skogn AS ble stiftet i 2011 i forbindelse med omorganisering av Norske Skogs fabrikkvirksomhet i Norge. Som en del av denne omorganiseringen ble fabrikker tilhørende Norske Skogindustrier ASA overført til egne heleide datterselskaper. I forbindelse med refinansieringen gjennomført i begynnelsen av 2015 ble selskapets aksjer overført til Norske Skog AS og selskapet er nå et heleid datterselskap av Norske Skog AS. Selskapets hovedkontor er på Skogn i Levanger kommune.

Virksomhetens art

Selskapets primære virksomhet omfatter produksjon og salg av avispapir. Den årlige produksjonskapasiteten er på 520.000 tonn fordelt på tre papirmaskiner. All produksjon finner sted ved Norske Skog Skogn AS. I tillegg til varelagre ved produksjonsanlegget, har selskapet råvarelagre i Norge, Storbritannia og Nederland og ferdigvarelagre i Norge, Nederland og Storbritannia. Lagring i utlandet er kun kortvarig og av logistikkmessige årsaker.

Markedsutvikling

Nedgangen i forbruket av avispapir i Europa fortsatte i 2017, med en reduksjon i etterspørselen på ca 7 % sammenlignet med 2016. Til tross for dette har Norske Skog Skogn AS redusert salget med bare 5 % fra 2016 til 2017, med en reduksjon i leveransene til Europa på 6 %.

For å kompensere nedgangen i markedet, har Norske Skog Skogn AS satset på en lysere papirkvalitet «Norbright», som kan brukes i litt andre segmenter. Satsningen startet i 2012 og i 2017 utgjorde denne kvaliteten 22 % av fabrikkens totale produksjon. Konkurrerende virksomheter har gjort flere nedstenginger av kapasitet for produksjon av avispapir i løpet av 2017, som skaper en forbedret markedsbalanse i 2018.

Redegjørelse for årsregnskapet

Omsetningen i selskapet i 2017 var 1 955 millioner sammenlignet med 2 067 millioner i 2016. Reduksjonen skyldes både lavere salg og en prisnedgang målt i norske kroner. Nedgangen i pris skyldes i stor grad en sterkere norsk krone mot GBP.

Distribusjonskostnader og variable kostnader økte sammenlignet med forrige år som følge av høyere priser. De faste kostnadene økte også noe i 2017. Målsetningen om å gjøre Norske Skog Skogn AS til en av de mest kostnadseffektive og lønnsomme leverandørene av avispapir holdes fast.

Kompensasjon av CO2-påvirkning av prisen på elektrisk kraft ble innført fra 1. juli 2013. For 2017 utgjorde dette et beløp på 29 millioner. Denne CO2-kompensasjonen ble ført som en reduksjon i kraftkostnadene i 2017. Kontantstrømeffekten kommer først i 2018.

Brutto driftsresultat var 112 millioner sammenlignet med 245 millioner i 2016 og driftsmargin endte på 5,7% sammenlignet med 11,8 % i 2016. Reduksjonen skyldes lavere salg, høyere priser på virke, returpapir, energi og en ufordelaktig valutautvikling.

Det ble også i 2017 gjort en nedskrivingstest for verdifall av selskapets driftsmidler. På bakgrunn av denne konkluderte styret med at balanseført verdi var høyere enn antatt bruksverdi. Det ble derfor gjort en nedskriving av selskapets eiendeler med 387 millioner.

Urealiserte verdiendringer på valutaelementet i EUR nominerte kraftkontrakter ga et negativt bidrag på 33 millioner, mot positive 30 millioner i 2016.

Norske Skog Skogn AS hadde en intern fordring mot Norske Skogindustrier ASA på 76,6 millioner da de gikk konkurs i desember 2017. Fordringen er ført som tap pr 31.12.2017 og framkommer som finanskostnad i årsresultatet.

Selskapet har en skattekostnad på 34,5 millioner i hovedsak som følge av nedskriving av balanseført utsatt skattefordel fra 2016.

Årsresultatet for 2017 ble -558 millioner og totalresultat for 2017 ble -563 millioner.

Norske Skog Skogn AS har per 31.12.2017 et skattemessig underskudd til fremføring på 624 millioner.

Selskapet har ikke balanseført forsknings– og utviklingskostnader.

Selskapets beholdning av kontanter og kontantekvivalenter var 23 millioner ved utgangen av 2017.

Kortsiktig gjeld utgjorde 240 millioner per 31.12.2017, 49 % av samlet gjeld i selskapet.

Selskapets egenkapital var 860 millioner pr. 31. desember 2017. Totalkapitalen var ved utgangen av året 1 352 millioner.

Samlet kontantstrøm fra driften i selskapet var i 2017 på 142 millioner, mens brutto driftsresultat for samme periode utgjorde -400 millioner etter avskrivninger og ekstraordinære nedskrivninger. De samlede investeringene i varige driftsmidler i 2017 utgjorde 20 millioner. Tilsvarende beløp i 2016 var 17,5 millioner.

Finansiell risiko

Overordnet om målsetting og strategi

Norske Skog Skogn AS er eksponert mot ulike finansielle risikofaktorer gjennom selskapets driftsaktiviteter, herunder markedsrisiko (renterisiko, valutarisiko og råvareprisrisiko), likviditetsrisiko og kredittrisiko. Selskapet søker å minimere tap og redusere volatiliteten i resultatet som forårsakes av ugunstige markedsbevegelser både gjennom operasjonelle og finansielle tiltak.

Markedsrisiko

Selskapet er eksponert for endringer i valutakurser, primært fordi det alt vesentlige av selskapets inntekter er i utenlandsk valuta. Hovedvalutaene for selskapets inntekter er GBP, EUR og USD. Selskapet har en del kostnader i EUR slik at netto eksponering mot EUR er begrenset. Valutasvingninger i GBP og USD mot norske kroner påvirker realiserte salgspriser i norske kroner for selskapet produkter. Som gjennomsnitt for 2017 var den norske kronen svakere enn i 2016 mot EUR, men sterkere mot GBP og USD.

Selskapet kjøper en del av virket fra Sverige i SEK og det importeres returpapir fra kontinentet i EUR og fra de Britiske øyer i GBP. Fraktkostnadene betales i all hovedsak i EUR, USD og GBP mens største delen av elektrisk kraft er priset i EUR.

Selskapet er også eksponert for endringer i rentenivået på konsernets gjeld.

Kredittrisiko

Selskapet hadde ikke vesentlige tap på fordringer i 2017 ut over tapet mot Norske Skogindustrier ASA, og kredittrisikoen anses generelt som lav. Per 31.12.2017 utgjør kundefordringer 180 millioner og avsetning til tap på fordringer 0,47 millioner.

Likviditetsrisiko

Norske Skog Skogn AS har i løpet av 2017 finansiert sine løpende likviditetsbehov gjennom Norske Skog AS. Arbeidet med å styrke lønnsomhet, likviditet og finansiell posisjon har hatt høy prioritet i 2017 og vil være et viktig område å fokusere på også framover.

Selskapet er en del av konsernkonto systemet i Norske Skog AS konsernet og har dermed likviditetsrisiko knyttet til likviditeten i konsernet som helhet.

Finansielle instrumenter

Norske Skog Skogn AS har inngått kraftkontrakter i EUR for å redusere selskapets betydelige eksponering mot inntekter i EUR. Finansielt er en kontrakt som kombinerer energipriser og valutaeksponering ansett for å være et hybridinstrument bestående av selve kontrakten, samt ett innebygd derivat. Når innebygde derivater anses som nært relatert til kontrakten, blir de ikke skilt ut fra kontrakten, mens de blir bokført som frittstående derivater når de ikke blir ansett som nært relatert. Norske Skog Skogn AS bokfører det utenlandske valuta-elementet i kontrakten som et separat innebygd derivat. De innebygde derivatene er beregnet til virkelig verdi i henhold til IAS39 *Financial instruments – recognition and measurement*. Pr 31. desember 2017 er de innebygde derivatene bokført til en negativ verdi på 138 millioner kroner.

Arbeidsmiljø, helse og sikkerhet

Selskapet har en målsetning om null skader blant de ansatte. Alle nestenulykker og skader rapporteres i henhold til Norske Skog-konsernets felles retningslinjer, og erfaringer fra hver enkelt hendelse gjennomgås for å identifisere mulige forbedringer i prosesser og retningslinjer. Sykefraværet i 2017 var på 4,1 % og selskapets H1-verdi (skader med fravær per millioner arbeidstimer) ble null da det ikke var skader med fravær i 2017.

Arbeidsmiljøet betraktes som godt og selskapet har fokus på at det løpende iverksettes tiltak for forbedringer. Samarbeidet med de ansattes organisasjoner har vært konstruktivt og bidratt positivt til driften.

Likestilling

Papirindustrien har tradisjonelt hatt en lav kvinneandel og dette er også tilfellet for Norske Skog Skogn AS hvor kvinner per 31.12.2017 utgjorde 6,1 % av arbeidsstyrken. Selskapet arbeider for en likere fordeling av arbeidsstyrken mellom kjønnene og har fokus på at samme kompetanse og ansiennitet lønnes likt uavhengig av kjønn. Kvinner og menn i alle stillingskategorier gis like muligheter for å kvalifisere seg til alle typer oppgaver og avansemuligheter.

I selskapets styre er 0 av 7 medlemmer kvinner.

Diskriminering

Diskrimineringslovens formål er å fremme likestilling, sikre like muligheter og rettigheter og å hindre diskriminering på grunn av etnisitet, språk, religion og livssyn. Selskapet arbeider målrettet og planmessig for å fremme lovens formål innenfor vår virksomhet.

Påvirkning av det ytre miljø

Papirproduksjon er en energiintensiv prosess hvor energien hovedsakelig benyttes til to formål: å separere, prosessere og transportere fibre og vann (elektrisk energi) samt å levere prosessvarme og tørke papir (termisk energi). Utslipp til luft kommer fra produksjonen av termisk energi gjennom forbrenning av bark, slam og innkjøpt biobrensel. 2% av brukt varmeenergi kom fra fossile kilder (olje og plastavfall i returpapiret).

Hoveddelen av det faste avfallet kommer fra prosessering av fibre (trevirke eller returpapir) og fra rensing av avløpsvann (fiber og biologisk slam). Vann som brukes i papirproduksjonen benyttes normalt flere ganger gjennom masse- og papirproduksjonsprosessen. Før vannet slippes ut i fjorden renses vannet i flere renseprosesser for fjerning av faste partikler og oppløst organisk materiale.

Selskapet har som målsetning at alt trevirke som benyttes i produksjonen skal være sertifisert. I 2017 var 84 % av alt virke PEFC sertifisert, som er høyt i forhold til gjennomsnittet i bransjen. Alt returpapir var FSC sertifisert.

Selskapet har i 2017 ikke hatt hendelser som har medført alvorlige negative miljøpåvirkninger.

Fortsatt drift

Styret er kjent med markedsutfordringene som påvirker Norske Skog AS konsernet, herunder risikoer som kan påvirke resultater, likviditet og egenkapital. Dette er faktorer som er en iboende usikkerhet når styret gjør sine vurderinger. Den 3.mai 2018 inngikk et heleid datterselskap av Oceanwood Opportunities Master Fund en aksjekjøpsavtale for kjøp av aksjene i Norske Skog AS med datterselskap. Når transaksjonen er endelig gjennomført, vil Norske Skog AS-konsernets egenkapital bli forbedret med ca. NOK 3,5 milliarder. Som følge av transaksjonen vil gjeld og rentekostnader bli redusert, som vil forbedre både soliditet og likviditet i selskapet og konsernet.

De viktigste risikofaktorer for Norske Skog Skogn AS er knyttet til usikkerhet til utvikling i priser og volum for avispapir, og kostnadene for innsatsfaktorer som energi og fiber. Svakere etterspørsel etter selskapets produkter kan påvirke lønnsomhet og tilhørende kontantstrømmer negativt, samt usikkerhet knyttet til endringer i arbeidskapital. Norske Skog Skogn AS er også eksponert for risiko for at det ikke er tilstrekkelig likviditet tilgjengelig i konsernet for å dekke løpende drift i den grad lønnsomheten i selskapet reduseres.

I samsvar med kravene i regnskapsloven har styret vurdert forutsetningen om fortsatt drift som grunnlag for utarbeidelse og presentasjon av årsregnskapet. Til grunn for vurderingen ligger resultatprognoser for 2018 og selskapets langsiktige strategiske prognoser for årene fremover.

I samsvar med regnskapsloven § 3-3a bekreftes det at forutsetningene om fortsatt drift er til stede og lagt til grunn ved utarbeidelse av årsregnskapet.

Utsiktene fremover

Markedsbalansen for avispapir bedrer seg i Europa i 2018, som følge av omfattende nedlegging av produksjonskapasitet høsten 2017. Stenginger av avispapirmaskiner både i Spania, Tyskland og Sveits, har gjort det mulig for Norske Skog Skogn AS å inngå leveranseavtaler for 2018 som gir økte markedsandeler på alle hovedmarkedene både i Skandinavia og i UK. Den bedrede markedsbalansen muliggjorde også en økning i salgsprisene i de fleste markedene for første halvdel av 2018. Selskapet har for tiden høy kapasitetsutnyttelse på alle maskiner og styret forventer at denne vil bli opprettholdt. Vi finner det riktig å påpeke at disse estimatene er beheftet med usikkerhet, både på grunn av volatile markeder og valutasvingninger.

Årsresultat og disponeringer

Styret foreslår følgende disponering av årsresultatet:

- Fra overkurs -558 millioner
- Totalt disponert -558 millioner

Skogn, 30.05.2018

Styremedlem	Styremedlem	Styremedlem	Adm.direktør

Årsregnskap

Norske Skog Skogn AS

2017

Org.nr. 996 732 673

RESULTATREGNSKAP

Tall i 1000 kr

	NOTE	2017	2016
Driftsinntekter	2	**1 955 216**	**2 066 872**
Distribusjonskostnader		-247 914	-238 704
Forbruk av råvarer og lignende		-1 232 641	-1 185 578
Beholdningsendringer		9 611	-25 797
Lønn og andre personalkostnader	3, 15	-256 665	-253 647
Andre driftskostnader	4, 9,16	-115 820	-118 569
Brutto driftsresultat		**111 787**	**244 576**
Avskrivninger	8	-125 127	-109 393
Nedskrivninger	8	-387 000	0
Brutto driftsresultat etter avskrivninger og nedskrivinger		**-400 340**	**135 183**
Restruktureringskostnader		468	126
Andre gevinster(+) og tap(-)	5	-33 315	30 312
Driftsresultat		**-433 186**	**165 621**
Finansposter	6	-89 882	-24 213
Resultat før skatt		**-523 068**	**141 408**
Skattekostnad (-) / skatteinntekt (+)	7	-34 552	71 512
Årsresultat	14	-557 620	212 920
Utvidet resultatregnskap			
Estimatavvik pensjoner	15	-6 749	2 134
Estimatavvik pensjoner skatt	7	1 552	-512
Sum utvidet resultat	**14**	**-5 196**	**1 622**
Totalt resultat		**-562 817**	**214 542**

BALANSE
Tall i 1000 kr

	NOTE	31.12.2017	31.12.2016
Eiendeler			
Utsatt skattefordel	7	38 000	71 000
Varige driftsmidler	8,9,19	634 856	1 126 943
Pensjonsmidler	15	-	2 232
Andre anleggsmidler	3	947	1 001
Anleggsmidler		**673 803**	**1 201 176**
Beholdninger	13	227 441	219 820
Fordringer	10, 17	428 079	352 933
Kontanter og kontantekvivalenter	11	22 645	89 933
Omløpsmidler		**678 165**	**662 686**
Sum eiendeler		**1 351 968**	**1 863 861**
Egenkapital og gjeld			
Aksjekapital		1 152 300	1 152 300
Overkurs		0	1 109 495
Opptjent egenkapital		-292 617	-839 295
Egenkapital	14	**859 683**	**1 422 500**
Pensjonsforpliktelser	15	1 478	0
Langsiktig rentebærende gjeld	9, 10, 12	119 885	114 089
Annen langsiktig gjeld	5, 12	130 500	101 622
Langsiktig gjeld		**251 863**	**215 711**
Kortsiktig rentebærende gjeld	9, 12	842	902
Leverandørgjeld		190 645	160 286
Skyldige skatter og avgifter		33 702	33 283
Annen kortsiktig konsernintern gjeld	10	1 469	21 852
Annen kortsiktig gjeld	5	13 763	9 326
Kortsiktig gjeld		**240 422**	**225 651**
Sum gjeld		**492 285**	**441 362**
Sum egenkapital og gjeld			**1 863 861**

Skogn, 30.05.2018 - Styret i Norske Skog Skogn AS

Robert-A-Wood
Robert Wood
Styremedlem

Styremedlem

Styremedlem

Styremedlem

ımund Saxrud
Adm.direktør

KONTANTSTRØMOPPSTILLING

Tall i 1000 kr

	NOTE	2017	2016
Kontantstrøm fra driften			
Innbetalinger fra driften		1 977 748	2 065 168
Utbetalinger til driften		-1 821 870	-1 838 024
Finansielle innbetalinger		1 205	3 056
Finansielle utbetalinger		-14 916	-32 785
Netto kontantstrøm fra driften		**142 166**	**197 416**
Kontantstrøm fra investeringsaktivitetene			
Investeringer i varige driftsmidler	8	-20 040	-17 516
Salg av varige driftsmidler		7	2 060
Salg av aksjer		54	85
Netto kontantstrøm fra investeringsaktivitetene		**-19 979**	**-15 370**
Kontantstrøm fra finansieringsaktivitetene			
Opptak av lån		0	678
Nedbetaling lån		-893	-98 835
Endring I/C Cashpool		-112 297	-16 010
Tap på fordring mot konsernet		-76 664	0
Netto kontantstrøm fra finansieringsaktivitetene		**-189 853**	**-114 167**
Valutakurseffekter på kontanter og kontantekvivalenter		378	5 539
Sum netto endring kontanter og kontantekvivalenter		**-67 288**	**73 417**
Kontanter og kontantekvivalenter 01.01.		89 933	16 516
Kontanter og kontantekvivalenter 31.12.	11	22 645	89 933

Note 1 – Regnskapsprinsipper

Generell informasjon

Norske Skog Skogn AS er et aksjeselskap registrert i Norge. Selskapets hovedkontor er lokalisert i Levanger, Norge. Samtlige aksjer i selskapet eies av Norske Skog AS, og selskapsregnskapet og konsernregnskapet er tilgjengelig ved konsernets hovedkontor på Skøyen.

Årsregnskapet er avlagt i henhold til regnskapsloven § 3-9 og Forskrift om forenklet IFRS fastsatt av Finansdepartementet 3. november 2014. Dette innebærer i hovedsak at innregning og måling følger internasjonale regnskapsstandarder (IFRS) mens presentasjon og noteopplysninger er utarbeidet i henhold til norsk regnskapslov og god regnskapsskikk. Alle beløp er oppgitt i hele tusen om ikke annet er opplyst. Årsregnskapet er vedtatt av selskapets styre 30.05.2018.

Grunnlag for utarbeidelse av årsregnskapet

Selskapsregnskapet legger til grunn prinsippene i et historisk kost regnskap, med unntak av finansielle instrumenter til virkelig verdi over resultatet og finansielle instrumenter tilgjengelig for salg som er regnskapsført til virkelig verdi.

Valuta

Transaksjoner i utenlandsk valuta omregnes til kursen på transaksjonstidspunktet. Pengeposter i utenlandsk valuta omregnes til norske kroner ved å benytte balansedagens kurs. Ikke-pengeposter som måles til historisk kurs uttrykt i utenlandsk valuta, omregnes til norske kroner ved å benytte valutakursen på transaksjonstidspunktet. Ikke-pengeposter som måles til virkelig verdi uttrykt i utenlandsk valuta, omregnes til valutakursen fastsatt på balansetidspunktet. Valutakursendringer resultatføres løpende i regnskapsperioden.

Varige driftsmidler

Varige driftsmidler, unntatt investeringseiendommer, måles til anskaffelseskost, fratrukket akkumulerte av- og nedskrivninger. Når eiendeler selges eller avhendes, blir balanseført verdi fraregnet og eventuelt tap eller gevinst resultatføres.

Anskaffelseskost for varige driftsmidler er kjøpsprisen, inkludert avgifter/skatter og kostnader direkte knyttet til å sette anleggsmiddelet i stand for bruk. Utgifter påløpt etter at driftsmidlet er tatt i bruk, slik som løpende vedlikehold, resultatføres, mens øvrige utgifter som forventes å gi fremtidige økonomiske fordeler blir balanseført.

Avskrivningsperiode og -metode vurderes årlig. Utrangeringsverdi estimeres ved hver årsavslutning og endringer i estimat på utrangeringsverdi er regnskapsført som en estimatendring.

Anlegg under utførelse er klassifisert som anleggsmidler og er oppført til kost inntil tilvirking eller utvikling er ferdigstilt. Anlegg under utførelse blir ikke avskrevet før anleggsmiddelet blir tatt i bruk.

Verdifall på ikke-finansielle eiendeler

Varige driftsmidler og immaterielle eiendeler som avskrives vurderes for verdifall når det foreligger indikatorer på at fremtidig inntjening ikke kan forsvare eiendelens balanseførte verdi. En nedskrivning resultatføres med forskjellen mellom balanseførte verdi og gjenvinnbart beløp. Gjenvinnbart beløp er det høyeste av virkelig verdi fratrukket salgsutgifter og bruksverdi.

Ved vurdering av verdifall, grupperes anleggsmidlene på det laveste nivået der det er mulig å skille ut uavhengige kontantstrømmer (kontantgenererende enheter). Ved hver rapporteringsdato vurderes mulighetene for reversering av tidligere nedskrivninger på ikke-finansielle eiendeler.

Finansielle eiendeler

Selskapet klassifiserer finansielle eiendeler i følgende kategorier: til virkelig verdi over resultatet, utlån og fordringer, finansielle eiendeler tilgjengelige for salg og holdt til forfall investeringer. Klassifiseringen avhenger av hensikten med eiendelen. Ledelsen klassifiserer finansielle eiendeler ved anskaffelse, og gjør en ny vurdering av denne klassifiseringen på hver rapporteringsdato.

a) Finansielle eiendeler til virkelig verdi over resultatet

Denne kategorien har to underkategorier: finansielle eiendeler holdt for handelsformål og finansielle eiendeler som ledelsen initielt har valgt å føre til virkelig verdi over resultatet. En finansiell eiendel klassifiseres i denne kategorien dersom den primært er anskaffet med henblikk på å gi fortjeneste fra kortsiktige prissvingninger, eller dersom ledelsen velger å klassifisere den i denne kategorien. Derivater klassifiseres også som holdt for handelsformål, med mindre de er en del av en sikring. Eiendeler i denne kategorien klassifiseres som omløpsmidler hvis de holdes for handelsformål eller hvis de forventes å bli realisert innen 12 måneder etter balansedagen.

Ikke-finansielle råvarekontrakter hvor råvaren kan konverteres til kontanter og kontrakten ikke er til eget bruk er innenfor rammen av det som omfattes av IAS 39. Slike kontrakter behandles som derivater etter IAS 39.

b) Utlån og fordringer

Utlån og fordringer er ikke-derivate finansielle eiendeler med fastsatte betalinger som ikke omsettes i et aktivt marked. De klassifiseres som omløpsmidler, med mindre de forfaller senere enn 12 måneder etter balansedagen. I så fall klassifiseres de som anleggsmidler. Utlån og fordringer klassifiseres som kundefordringer og andre fordringer, samt kontanter og kontantekvivalenter i balansen.

Derivater

Derivater balanseføres til virkelig verdi på det tidspunkt derivatkontrakten inngås, og deretter løpende til virkelig verdi. Selskapet benytter ikke sikringsføring.

Kontanter og kontantekvivalenter

Kontanter og kontantekvivalenter inkluderer kontanter, bankinnskudd og andre kortsiktige likvide investeringer med forfall innen tre måneder. Trukket kassakreditt er presentert sammen med kortsiktige lån og forpliktelser i balansen.

Varelager

Varer vurderes til det laveste av anskaffelseskost og netto realisasjonsverdi. Anskaffelseskost beregnes ved bruk av gjennomsnittlig anskaffelseskost. For ferdig tilvirkede varer og varer under tilvirkning består anskaffelseskost av utgifter til materialforbruk, direkte lønnsutgifter, andre direkte utgifter og indirekte produksjonsutgifter (basert på normal kapasitet). Lånekostnader medregnes ikke. Netto realisasjonsverdi er estimert salgspris fratrukket kostnader for ferdigstillelse og salg.

Kundefordringer

Kundefordringer regnskapsføres til anskaffelseskost med fradrag for avsetning for inntruffet tap.

Leverandørgjeld

Leverandørgjeld er forpliktelser til å betale for varer eller tjenester som er levert fra leverandørene til den ordinære driften. Leverandørgjeld måles til virkelig verdi ved første gangs balanseføring. Ved senere måling vurderes leverandørgjeld til amortisert kost fastsatt ved bruk av effektiv rente metoden.

Lån

Lån regnskapsføres til virkelig verdi når utbetaling av lånet finner sted, med fradrag for transaksjonskostnader. I etterfølgende perioder regnskapsføres lån til amortisert kost beregnet ved bruk av effektiv rente. Forskjellen mellom det utbetalte lånebeløpet (fratrukket transaksjonskostnader) og innløsningsverdien resultatføres over lånets løpetid.

Lån klassifiseres som kortsiktig gjeld med mindre det foreligger en ubetinget rett til å utsette betaling av gjelden i mer enn 12 måneder fra balansedato.

Betalbar og utsatt skatt

Skattekostnaden i selskapet består av betalbar skatt beregnet ut i fra periodens skattepliktige inntekt, periodens endring i utsatt skatt, samt korreksjoner av skatt for tidligere perioder. Skatt blir resultatført, bortsatt fra når den relaterer seg til poster som er ført mot innregnede inntekter og kostnader eller direkte mot egenkapitalen. Hvis det er tilfellet, blir skatten også ført mot innregnede inntekter og kostnader eller direkte mot egenkapitalen.

Utsatt skatt avsettes fullt ut etter gjeldsmetoden på basis av midlertidige forskjeller oppstått mellom bokførte og skattemessige verdier på eiendeler og gjeld.

Utsatt skattefordel bokføres som eiendel dersom det kan forventes at fremtidige skattepliktige inntekter kan utnyttes mot skattereduserende midlertidige forskjeller og fremførbare underskudd. Utsatt skattefordel avregnes mot utsatt skattegjeld innenfor et skatteregime i den utstrekning skattelovgivningen gir anledning til å utnytte skattefordeler mot utsatt skattegjeld.

Pensjoner

Selskapets pensjonsordning representerer en videreføring av ordningene i Norske Skogindustrier ASA. Pensjonsordningene er generelt finansiert gjennom innbetalinger til forsikringsselskaper eller pensjonskasser, fastsatt basert på periodiske aktuarberegninger, eller betalt over drift. Selskapet har både ytelsesplaner og innskuddsplaner.

En ytelsesplan er en pensjonsordning som definerer en pensjonsutbetaling som en ansatt vil motta ved pensjonering. Pensjonsutbetalingen er normalt avhengig av en eller flere faktorer slik som alder, antall år i selskapet og lønn. En innskuddsplan er en pensjonsordning hvor selskapet betaler faste bidrag til en separat juridisk enhet.

Den balanseførte forpliktelsen knyttet til ytelsesplaner er nåverdien av de definerte ytelsene på balansedatoen minus virkelig verdi av pensjonsmidlene, justert for ikke resultatførte estimatavvik og ikke resultatførte kostnader knyttet til tidligere perioders pensjonsopptjening. Pensjonsforpliktelsen beregnes årlig av en uavhengig aktuar ved bruk av en lineær opptjeningsmetode. Nåverdien av de definerte ytelsene bestemmes ved å diskontere estimerte fremtidige utbetalinger med renten på en obligasjon utstedt av et selskap med høy kredittverdighet i den samme valuta som ytelsene vil bli betalt og med en løpetid som er tilnærmet den samme som løpetiden for den relaterte pensjonsforpliktelsen, alternativt en statsobligasjonsrente dersom slike renter ikke finnes.

Estimatavvik som skyldes ny informasjon eller endringer i de aktuarmessige forutsetningene belastes eller godskrives egenkapital gjennom utvidet resultatregnskap i perioden de oppstår. Administrative kostnader ved ordningen føres fortløpende over resultatregnskapet.

Ved innskuddsplaner, betaler selskapet innskudd til offentlig eller privat administrerte forsikringsplaner for pensjon på obligatorisk, avtalemessig eller frivillig basis. Selskapet har ingen ytterligere betalingsforpliktelser etter at innskuddene er blitt betalt. Innskuddene regnskapsføres som lønnskostnad for den perioden betaling gjelder.

Avsetninger

En avsetning regnskapsføres når selskapet har en forpliktelse (rettslig eller selvpålagt) som en følge av en tidligere hendelse, det er sannsynlig at det vil skje et økonomisk oppgjør som følge av denne forpliktelsen og beløpets størrelse kan måles pålitelig. Hvis effekten er betydelig, beregnes avsetningen ved å neddiskontere forventede fremtidige kontantstrømmer med en diskonteringsrente før skatt som reflekterer markedets prissetting av tidsverdien av penger og, hvis relevant, risikoer spesifikt knyttet til forpliktelsen.

Restruktureringsavsetninger innregnes når selskapet har godkjent en detaljert og formell restruktureringsplan, og restruktureringen enten har startet eller har blitt formidlet.

Inntektsføring

Inntekter ved salg av varer vurderes til virkelig verdi av vederlaget, netto etter fradrag for merverdiavgift, returer og rabatter.

Inntektsføring skjer på det tidspunktet hvor det vesentlige av gevinst- og tapspotensialet knyttet til eiendelen har gått over til kjøper. Dette vil variere ut i fra den enkelte kundes leveringsbetingelser og vil kunne være i hele intervallet fra varene er ferdig produsert til varene er levert hos kunde.

Nærstående parter

Selskapet er et heleid datterselskap av Norske Skog AS. Alle transaksjoner med morselskapet, andre konsernselskaper og andre nærstående parter skjer til alminnelige markedsmessige betingelser.

Mottatt utbytte

Utbytte fra datterselskaper inntektsføres i det året utbyttet avsettes i datterselskapet. Utbytte fra andre selskaper inntektsføres når aksjonærenes rettighet til å motta utbytte er fastsatt av generalforsamlingen.

Renteinntekter

Renteinntekter inntektsføres basert på lånenes effektive rente. Dette er den renten som medfører at nåverdien av fremtidige kontantstrømmer knyttet til utlånet tilsvarere dets netto balanseførte verdi.

Leieavtaler

Leieavtaler der en vesentlig del av risiko og avkastning knyttet til eierskap fortsatt ligger hos utleier, klassifiseres som operasjonelle leieavtaler. Leiebetaling ved operasjonelle avtaler kostnadsføres lineært over leieperioden.

Leieavtaler knyttet til varige driftsmidler hvor selskapet i hovedsak innehar all risiko og avkastning knyttet til eierskapet, blir klassifisert som finansielle leieavtaler. Finansielle leieavtaler balanseføres til det laveste av driftsmiddelets virkelig verdi ved inngåelsen av leieavtalen og nåverdien av de kontraktsfestede leiebetalinger. Leiebetalinger fordeles mellom finanskostnad og avdrag på leieforpliktelsen oppført i balansen, slik at rentabiliteten blir konstant over gjenværende leieperiode. Det innleide anleggsmidlet avskrives basert på de samme prinsipper som øvrige anleggsmidler. Den korresponderende leieforpliktelsen (med fradrag for finanskostnader) blir inkludert i annen langsiktig gjeld.

Offentlige tilskudd

Offentlige tilskudd resultatføres som inntekt over nødvendige perioder for å sammenstilles med kostnadene de er ment å kompensere for. Offentlige tilskudd i form av erstatning for tap som allerede er påløpt eller i form av direkte finansiell støtte uten sammenheng med fremtidige kostnader inntektsføres i perioden de blir tildelt.

Offentlige tilskudd relatert til eiendeler blir presentert i balansen enten som en utsatt inntekt eller som en reduksjon av kostprisen på eiendelene tilskuddet er relatert til. Resultatføringen skjer da enten som fremtidige periodevise inntektsføringer eller som fremtidige periodevise reduksjoner av avskrivninger.

Utslippskvoter

Det finnes ingen regnskapsstandard eller tolkning innenfor IFRS som omhandler regnskapsføring av utslippstillatelser eller fornybare energisertifikater. Mottatte utslippsrettigheter innregnes i balansen som immaterielle eiendeler til markedsverdien på datoen rettighetene er gitt. Forskjellen mellom virkelig verdi og det nominelle beløpet betalt for utslipskvoter blir innregnet i balansen som offentlig tilskudd (utsatt inntekt).

Utslipp innregnes i resultatregnskapet som forbruk av råvarer og lignende, og det offentlige tilskuddet (utsatt inntekt) inntektsføres samtidig med utslippskostnadene. Ubrukte kvoter (utsatt inntekt) og benyttede kvoter blir avregnet mot den balanseførte immaterielle eiendelen når de enkelte avtalene om utslippsrettigheter utløper.

Hvis den mottatte rettigheten er tilstrekkelig til å dekke foretakets utslipp, vil det ikke være netto kostnad eller netto inntekt i resultatregnskapet. Dersom det er nødvendig å gå til markedet og få flere rettigheter, blir disse kostnadsført til markedsverdi på kjøpstidspunktet.

Hvis antall rettigheter overstiger faktisk forbruk, vil overskuddet bli solgt i markedet. Gevinsten fra salget presenteres som Andre gevinster og tap. Utslippsrettigheter som blir solgt på forskudd inntektsføres i takt med faktisk forbruk som en driftskostnad.

Utbytte

Utbytte klassifiseres som gjeld fra og med det tidspunkt utbyttet er fastsatt av generalforsamlingen.

Viktige regnskapsestimater og antagelser/forutsetninger

Selskapet utarbeider estimater og gjør antagelser/forutsetninger knyttet til fremtiden. Estimater og antagelser/forutsetninger som representerer en betydelig risiko for vesentlige endringer i balanseført verdi på eiendeler og gjeld i løpet av neste regnskapsår, drøftes nedenfor.

a) Estimert verdifall på varige driftsmidler

Selskapet gjennomfører periodiske tester for å vurdere verdifall på varige driftsmidler. Varige driftsmidler nedskrives til gjenvinnbart beløp når gjenvinnbart beløp er lavere enn eiendelens balanseførte verdi. Gjenvinnbart beløp fra eiendeler er fastsatt som den høyeste av virkelig verdi fratrukket salgsutgifter og bruksverdi. Bruksverdi er nåverdien av framtidige kontantstrømmer som forventes å oppstå av en eiendel. Beregning av bruksverdi medfører bruk av estimater. Balanseført verdi av varige driftsmidler måles mot bruksverdi av varige driftsmidler.

Beregning av bruksverdi av varige driftsmidler er basert på neddiskonterte kontantstrømmer. Kontantstrøm horisonten i nedskrivningsmodellen er konsistent med forventet økonomisk levetid for hver papirmaskin ved fabrikken. Budsjett, godkjent av styret, for det kommende år, oppdatert med sist tilgjengelig informasjon er basis for beregning av forventede fremtidige kontantstrømmer.

Beregning av gjenvinnbart beløp er basert på forutsetninger knyttet til fremtidig utvikling på en rekke faktorer. Disse inkluderer prisutvikling på ferdigvarer, salgsvolum, valutakurser og rentenivå. Dette betyr at det vil hefte usikkerhet til beregningene. Norske Skog Skogn AS utfører sensitivitetsanalyser for nevnte faktorer for å estimere hvordan fluktuasjoner vil påvirke gjenvinnbart beløp. I forhold til forutsetningene brukt ved å estimere fremtidige kontantstrømmer er gjenvinnbart beløp mest sensitiv i forhold til endringer i priser på ferdigvarer, salgsvolum og diskonteringsrente. Endringer i disse forutsetningene vil påvirke verdien av fremtidige kontantstrømmer og derigjennom også bruksverdi. Vesentlige endringer i prognoser og langsiktige priser kan derigjennom bety et fremtidig fall i bruksverdi av varige driftsmidler.

Avkastningskravet som benyttes ved neddiskontering av fremtidig kontantstrøm er avgjørende for beregnet verdi på varige driftsmidler. En fremtidig økning av avkastningskravet ved neddiskontering av fremtidig kontantstrøm vil isolert sett gi en lavere bruksverdi som igjen vil kunne medføre verdifall på varige driftsmidler.

b) Årlig vurdering av gjenværende levetid på varige driftsmidler

Selskapet gjennomfører årlige vurderinger av gjenværende levetid på varige driftsmidler. Endringer i estimert gjenværende levetid vil få effekt på fremtidige avskrivninger.

c) Avsetninger for fremtidige miljøforpliktelser

Selskapets avsetninger for fremtidige miljøforpliktelser er basert på en rekke forutsetninger basert på ledelsens beste skjønn. Endringer i disse forutsetningene vil kunne medføre en endring i avsetningen og kostnader for selskapet.

d) Restverdi på produksjonsutstyr og nedstengningsavsetninger

Restverdi på produksjonsutstyr er vurdert til forventet realisasjonsverdi på balansedagen etter fradrag for estimerte utgifter til demontering og fjerning av driftsmiddelet. Restverdien er påvirket av kortsiktige endringer i forutsetningene, for eksempel underliggende metallpris. En endring i restverdi vil kunne få effekt på fremtidige avskrivninger. Avsetningen for nedstengningskostnader er basert på en rekke forutsetninger basert på ledelsens beste skjønn.

e) Virkelig verdi på derivater og andre finansielle instrumenter

Virkelig verdi på finansielle instrumenter som ikke handles i et aktivt marked fastsettes ved å benytte verdsettelsesteknikker. Selskapet vurderer og velger metoder og forutsetninger som så langt som mulig er basert på markedsforholdene på balansedagen.

f) Pensjoner

Nåverdien av pensjonsforpliktelsene avhenger av flere ulike faktorer som er bestemt av en rekke aktuarmessige forutsetninger. Forutsetningene som benyttes ved beregning av netto pensjonskostnad (inntekt) inkluderer diskonteringsrenten. Endringer i disse forutsetningene vil påvirke balanseført verdi av pensjonsforpliktelsene.

Følgende standarder er vedtatt med ikrafttredelsestidspunkt 1. januar 2018:

- IFRS 15 Driftsinntekter fra kontrakter med kunder: Standarden erstatter IAS 11, IAS 18 og IFRIC 13. Kjerneprinsippet i IFRS 15 er at inntekter innregnes for å reflektere overføringen av avtalte varer eller tjenester til kunder, og da til et beløp som gjenspeiler vederlaget selskapet forventer å ha rett til i bytte for disse varene eller tjenestene. Selskapet vil implementere standarden ved bruk av modifisert retrospektiv metode med regnskapsmessig virkning fra 1. januar 2018.
- IFRS 9 Finansielle instrumenter: Standarden erstatter IAS 39. IFRS 9 kan innebære endringer knyttet til klassifisering og måling, sikringsbokføring og nedskriving.

Endringene i IFRS 15 og IFRS 9 er ikke forventet å påvirke selskapsregnskapet til Norske Skog Skogn AS i vesentlig grad.

Tall i 1000 kr

Note 2 - Driftsinntekter per marked

Norske Skog Skogn AS sin virksomhet omfatter salg av varer og tjenester til de geografiske regionene Europa, Nord-Amerika, Asia og Afrika.

	2017	2016
Norge	190 583	250 089
Resten av Europa	1 663 432	1 734 901
Nord-Amerika	20 302	473
Asia	4 213	8 024
Afrika	76 686	73 384
Sum	**1 955 216**	**2 066 872**

Ordinære inntekter ved salg av varer og tjenester til konsernselskap i 2017 utgjorde TNOK 1 974, i 2016 TNOK 2 254.

Note 3 - Lønnskostnader, antall ansatte og lån til ansatte

Lønnskostnader

	2017	2016
Lønn inkludert feriepenger	215 254	211 940
Arbeidsgiveravgift	32 586	30 817
Pensjonskostnader	7 537	6 423
Andre ytelser	1 288	4 467
Sum	256 665	253 647

Selskapet har i regnskapsåret 2017 sysselsatt totalt 391,3 årsverk. I 2016 var det 393,5 årsverk.

Lån og sikkerhetstillelse til ansatte i selskapet

Ansatte har lån i selskapet på tilsammen TNOK 767. Lånet avdras over 20 år.
Renten tilsvarer skattefri rentesats fastsatt av myndighetene, og lånet er sikret ved pant i fast eiendom.

Ytelser til styret og ansatte i ledende stillinger 2017

	Lønn	Bonus	Natural-ytelser	Pensjons-kostnad	Sum
Ledende ansatte					
Amund Saxrud	1 781	543	22	186	2 532

Administrerende direktør har ikke sluttavtale. Han har en bonusavtale på maksimum 50 % av årslønn ut fra gitte kriterier.

Det er ikke gitt lån til ledende ansatte.
Det er ikke utbetalt honorar til styret.

Note 4 - Andre driftskostnader
Transaksjoner med selskap i samme konsern og tilknyttede selskap

	2017	2016
Andre tjenester		
Norske Skogindustrier ASA, Skøyen	17 872	15 748
Norske Skog Saugbrugs AS, Halden	100	103
Norske Skog Deutschland GmbH, Tyskland	1	0
Norske Skog Papier Recycling GmbH, Bruck	76	74
Sum konserninterne tjenester	18 049	15 925

Kommisjon	2017	2016
Norske Skog Deutschland GmbH, Tyskland	279	870
Norske Skog (UK) Ltd., London, Storbritannia	15 847	15 753
Norske Skog France sarl., Paris, Frankrike	948	881
Norske Skog Italia SrL, Milano, Italia	1 011	464
Norske Skog Hungary	0	23
Norske Skog Nordic & Export Sales AS, Skøyen	2 631	7 126
Sum intern kommisjon	**20 717**	**25 116**

Alle transaksjoner med nærstående parter skjer til alminnelige markedsmessige betingelser.

Note 5 - Innebygde derivater i kraftkontrakter

	2017	2016
Urealiserte verdiendringer på kraftkontrakter (tap(-) / gevinst(+))	-33 315	30 312

Virkelig verdivurdering av derivater er omtalt nærmere i note 1. Balanseført verdi av kontrakt med Statkraft er bokført til 138,4 mill NOK hvorav 124,6 mill er klassifisert som langsiktig gjeld. I 2016 utgjorde balanseført verdi 105,1 mill NOK hvorav 95,7 mill var klassifisert som langsiktig gjeld.

Note 6 - Finansposter

	2017	2016
Renteinntekter	1 205	3 056
Rentekostnader	-14 916	-32 785
Valutagevinster/-tap	378	5 539
Andre finansposter	-76 548	-24
Sum	-89 882	-24 213

Rentekostnader til konsernselskap utgjorde i 2017 TNOK 11 175. I 2016 utgjorde dette TNOK 28 059.

I forbindelse med konkursen i Norske Skogindustrier ASA i 2017 ble det tapsført en fordring mot dem på 76,7 mill NOK.

Note 7 - Skatt

Skattekostnad

	2017	2016
Endring utsatt skatt over resultatet	-34 552	71 512
Endring utsatt skatt over OCI	1 552	-512
Skattekostnad (-) / skatteinntekt (+)	**-33 000**	**71 000**

Avstemming av selskapets skattekostnad

	2017	2016
Resultat før skatt	-523 068	141 408
Skatt beregnet ut fra nominell skattesats – 24%	-125 536	35 352
Skattefri inntekt/ikke fradragsberettigede kostnader	18 261	36
Endring skatteoppgjør fra forrige år	0	-285
Skatt på utvidet resultat	-1 552	512
Begrensing av fradragsramme mellom nærstående	-381	-3 352
Skatt på ikke balanseført framførbart underskudd	142 208	-103 262
Årets skattekostnad	**33 000**	**-71 000**

Utsatt skatt

	2017	2016
Netto utsatt skatt ved periodens begynnelse	-71 000	0
Utsatt skatt ført mot resultatregnskapet	34 552	-71 512
Skatt på estimatavvik pensjoner	-1 552	512
Netto utsatt skatt/skattefordel (-) ved periodens slutt	**-38 000**	**-71 000**

Utsatt skatt - detaljer

	31.12.2017	31.12.2016
Varige driftsmidler, merverdi og avskrivninger	-94 154	13 325
Pensjoner	-340	536
Utestående fordringer	-4	0
Gevinst/tapskonto	0	65
Miljøavsetninger	-1 357	-1 416
Finansielle instrumenter	-71 536	-74 938
Utsatt skatt kortsiktige poster	2 011	2 209
Fremførbare underskudd	-143 578	-152 780
Utsatt skattefordel som ikke er innregnet	270 959	142 000
Netto utsatt skatt (+)/skattefordel (-) ved periodens slutt	**-38 000**	**-71 000**

Underskudd til fremføring og skattekreditter

	31.12.2017	31.12.2016
Underskudd til fremføring	-624 253	-636 582
Utsatt skattefordel av fremførbare underskudd	-143 578	-152 780

Årets negative skattekostnad på 34,5 mill NOK består i hovedsak av nedskriving av utsatt skattefordel. Endring utsatt skattefordel på 33 mill NOK i balansen er netto årets skattekostnad på 34,5 mill NOK og skatteeffekt av estimatavvik pensjoner på -1,5 mill NOK. Norske Skog Skogn AS har ut fra forsiktighetsgrunner valgt å balanseføre kun en andel av utsatt skattefordel pr. 31. desember 2017. Utsatt skattefordel på fremførbart underskudd og andre midlertidige forskjeller er testet mot forventet fremtidig skattbar inntjening. Basert på testen forventes det skattbar inntjening som forsvarer balanseføring av utsatt skattefordel. Forskjellig periodisering av regnskapsmessig- og skattemessig inntjening har imidlertid medført at selskapet har valgt å legge et konservativt syn til grunn for balanseføring av utsatt skattefordel.

Note 8 - Varige driftsmidler

Varige driftsmidler

	Maskiner og anlegg	Tomter og fast eiendom	Drifts-løsøre og inventar	Anlegg under utførelse	Sum
Historisk anskaffelseskost 01.01.2017	4 459 313	1 487 426	23 583	471	5 970 793
Tilgang kjøpte driftsmidler	15 839	2 774	282	1 145	20 040
Avgang solgte driftsmidler	-193	0	0	0	-193
Overført fra anlegg under utførelse	414	0	0	-414	0
Anskaffelseskost 31.12.2017	**4 475 372**	**1 490 200**	**23 865**	**1 202**	**5 990 640**
Akkumulerte avskrivninger 31.12.2017	-3 741 123	-1 204 772	-22 889	0	-4 968 783
Akkumulerte nedskrivninger 31.12.2017	-261 499	-125 501	0	0	-387 000
Balanseført verdi pr. 31.12.2017	**472 751**	**159 928**	**976**	**1 202**	**634 856**
Årets ordinære avskrivninger	86 564	38 125	438	0	125 127
Årets nedskrivninger	261 499	125 501	0	0	387 000

Selskapet benytter linære avskrivninger for alle varige driftsmidler. Tomter avskrives ikke.

Estimert økonomiske levetid for driftsmidler er (antall år):

Maskiner og anlegg	3-20
Bygninger og annen fast eiendom	3-33
Driftsløsøre og inventar	3-5

Gjenvinnbar verdi
Maskiner og anlegg skrives ned til gjenvinnbar verdi når denne er lavere enn bokført verdi. Gjenvinnbar verdi settes til det høyeste av netto salgsverdi og verdi i fortsatt drift. Verdi i fortsatt drift settes lik nåverdi av forventet fremtidig kontantstrøm ved drift av anlegget i sin gjenværende økonomiske levetid.

I 2017 gjennomførte Norske Skog Skogn, som tidligere år, nedskrivingstest for verdifall på driftsmidler. På bakgrunn av denne konkluderte styret med at balanseført verdi var større enn bruksverdi av selskapets eiendeler, og det ble besluttet og skrive ned verdiene med 387 mill NOK.

Note 9 - Leieavtaler

Operasjonelle leieavtaler

Selskapet har i 2017 kostnadsført TNOK 109 relatert til operasjonelle leieavtaler. I 2016 var tilsvarende kostnad TNOK 53

Minimumsbetaling knyttet til operasjonelle leieavtaler	**31.12.2017**	**31.12.2016**
Forfall innen 1 år	109	50
Forfall mellom 1 til 5 år	279	187
Sum	**387**	**237**

Finansielle leieavtaler
Leieavtaler vedrørende varige driftsmidler der selskapet I hovedsak innehar all risiko og kontroll klassifiseres som finansielle leieavtaler. Finansielle leieavtaler balanseføres ved leieperiodens begynnelse til det laveste av virkelig verdi på driftsmidlene og nåverdien av den samlede minimusleien. Driftsmidlene avskrives lineært over forventet økonomisk levetid.

Minimumsbetaling knyttet til finansielle leieavtaler	**31.12.2017**	**31.12.2016**
Forfall innen 1 år	880	990
Forfall mellom 1 til 5 år	348	1 224
Forfall senere enn 5 år	0	0
Sum	1 227	2 214
Fremtidige finanskostnader på finansielle leieavtaler	-39	-133
Nåverdi av finansielle leieavtaler	**1 188**	**2 081**

Nåverdi av finansielle leieavtaler	**31.12.2017**	**31.12.2016**
Forfall innen 1 år	842	902
Forfall mellom 1 til 5 år	346	1 179
Forfall senere enn 5 år	0	0
Sum	1 188	2 081

Driftsmidlenes balanseførte verdi (maskiner og anlegg)	**1 070**	**2 071**

Note 10 - Mellomværende med selskap i samme konsern og tilknyttede selskap

Konsernintern langsiktig gjeld	**31.12.2017**	**31.12.2016**
Norske Skogindustrier ASA, Skøyen	0	4 235
Norske Skog AS, Skøyen	119 539	108 675
Sum	**119 539**	**112 910**

Konsernintern kortsiktig gjeld		
Norske Treindustrier AS, Skøyen	0	12
Norske Skog Eiendom AS, Skøyen	0	2
Norske Skog Nordic & Export Sales AS, Skøyen	93	402
Norske Skog AS, Skøyen	0	21 303
Norske Skog Saugbrugs AS, Halden	1 257	0
Norske Skog Deutschland GmbH, Augsburg, Tyskland	4	3
Norske Skog France sarl., Paris, Frankrike	5	8
Norske Skog Italia SrL, Milano, Italia	1	3
Norske Skog (UK) Ltd., London, Storbritannia	89	100
Nornews AS, Skøyen	0	1
Norske Skog Papier Recycling, Østerrike	20	19
Sum	**1 469**	**21 852**

Konsernintern kortsiktig fordring	**31.12.2017**	**31.12.2016**
Norske Skogindustrier ASA, Skøyen	0	91 414
Norske Skog Saugbrugs AS, Halden	156	0
Norske Skog AS, Skøyen	212 769	23 004
Norske Skog Italia SrL, Milano, Italia	36	0
Sum	**212 960**	**114 418**

Note 11 - Bundne midler og kortsiktige plasseringer

	31.12.2017	**31.12.2016**
Kontanter og bankinnskudd[1]	9 886	78 034
Bundne bankinnskudd[2]	12 759	11 900
Betalingsmidler i balansen	**22 645**	**89 933**

[1] Konsernets likviditet er organisert i en konsernkontoordning hvor Norske Skog AS er eier av kontoen pr 31.12.2017. Dette innebærer at bankinnskudd pr 31.12.2017 på TNOK 22 645 formelt sett er fordring på Norske Skog AS, og at alle konsernselskaper som er deltaker i konsernkontoordningen er solidarisk ansvarlige for de trekk konsernet til enhver tid har gjort.

[2] Bundne bankinnskudd er i hovedsak skattetrekksmidler

Note 12 - Gjeld

Langsiktig rentebærende gjeld	**31.12.2017**	**31.12.2016**
Lån fra foretak i samme konsern	119 539	112 910
Annen langsiktig rentebærende gjeld	346	1 179
Sum	**119 885**	**114 089**

Annen langsiktig gjeld	**31.12.2017**	**31.12.2016**
Derivater i kraftkontrakter (se også note 5)	124 600	95 722
Annen langsiktig gjeld	5 900	5 900
Sum	**130 500**	**101 622**

Gjeld med forfall senere enn ett år mindre enn 5 år	**31.12.2017**	**31.12.2016**
Annen langsiktig gjeld	346	1 179
Sum	**346**	**1 179**

Langsiktig gjeld med forfall senere enn 5 år	31.12.2017	31.12.2016
Lån fra foretak i samme konsern	119 539	112 910
Annen langsiktig gjeld	5 900	5 900
Sum	125 439	118 810

Kortsiktig rentebærende gjeld	31.12.2017	31.12.2016
Kortsiktig gjeld til banker	842	902
Sum	842	902

Avdragsplan for gjeld innebærer at TNOK 842 forfaller til betaling i løpet av første år, TNOK 346 forfaller mellom 1 til 2 år og TNOK 125 439 forfaller til betaling etter mer enn 5 år. Renten er flytende og følger NIBOR.

Note 13 - Beholdninger

	2017	2016
Råvarer og annet driftsmateriell	131 112	133 102
Ferdigvarer	96 329	86 718
Sum	227 441	219 820

Note 14 - Egenkapital, aksjekapital og aksjonærinformasjon

Aksjekapital og aksjonærinformasjon

Selskapets aksjekapital er NOK 1 152 300 000 fordelt på 10 020 aksjer pålydende NOK 115 000.
Samtlige aksjer eies av Norske Skog AS.
Vedtektsbestemmelser om stemmerett står i samme forhold, det vil si at én aksje gir én stemme.

Egenkapital

	Aksje-kapital	Overkurs	Annen EK	Sum
Egenkapital pr 01.01.2017	1 152 300	1 109 495	-839 295	1 422 500
Utvidet resultat		-5 196	0	-5 196
Årets resultat		-557 620	0	-557 620
Overføring *		-546 678	546 678	0
Egenkapital pr 31.12 2017	1 152 300	0	-292 617	859 683

Årets resultat dekkes gjennom 557 620 TNOK som overføring fra overkurs. I tillegg overføres TNOK 546 678 fra overkurs til annen EK.

Note 15 - Pensjoner

Selskapet er pliktig til å ha tjenestepensjonsordning etter lov om obligatorisk tjenestepensjon. Selskapets pensjonsordning tilfredsstiller kravene i denne lov.

Selskapet har pensjonsordninger som omfatter i alt 406 personer. Ordningene gir rett til definerte fremtidige ytelser. Disse er i hovedsak avhengig av opptjeningsår, lønnsnivå ved oppnådd pensjonsalder og størrelsen på ytelsene fra folketrygden. Forpliktelsene er dekket gjennom et forsikringsselskap.

Nåværende pensjonsordning representerer en videreføring av ordningene i Norske Skogindustrier ASA. Selskapet gikk med virkning fra 1. januar 2011 over til en innskuddsbasert pensjonsordning, med 4 % innskudd av lønn mellom 1 og 6 G (folketrygdens grunnbeløp) og 8 % mellom 6 og 12 G. Tidligere hovedordning med pensjonsalder på 67 år og dekning på omlag 65 % av lønn ved fratreden og 60 % fra fylte 77 år, ble lukket 31. desember 2010 og omfatter ansatte født før 1. januar 1959 som ble ansatt i selskapet før lukkingen. Selskapet har en tilleggsdekning for lønn over 12 G.

Netto periodisert pensjonskostnad	2017	2016
Nåverdi av årets pensjonsopptjening	1 624	1 943
Periodisert arbeidsgiveravgift	229	274
Tidligere servicekostnad/planendringer /avkortinger	-862	-455
Innbetaling til innskuddspensjon	6 162	4 547
Administrasjonskostnad	114	113
Netto pensjonskostnad i driftsresultatet	**7 268**	**6 423**
Netto finanskostnad	-116	24
Årets estimatavvik	6 749	-2 134

Økonomiske forutsetninger lagt til grunn ved beregning av pensjonskostnaden	2017	2016
Diskonteringsrente	2,30 %	2,60 %
Forventet avkastning på pensjonsmidler	2,30 %	2,60 %
Forventet lønnsvekst	2,00 %	2,00 %
Forventet G-regulering	2,00 %	2,00 %
Forventet regulering av pensjoner under utbetaling	0,00 %	0,00 %

Avstemming av pensjonsordningenes finansierte status mot beløp i selskapets balanse

	2017	2016
Estimerte pensjonsforpliktelser	-80 278	-74 788
Estimerte pensjonsmidler	78 800	77 020
Balanseført netto pensjonsforpliktelse (-) / pensjonsmidler (+)	**-1 478**	**2 232**
Sum sikret ordning	-1 478	2 232
Sum usikret ordning	0	0

Note 16 - Andre driftskostnader og honorar til revisor

	2017	2016
Vedlikeholdsmateriell og -tjenester	49 998	48 427
Konsulenthonorar	4 765	5 336
Administrasjon, forsikring og reisekostnader	24 899	22 850
Leiekostnader	7 089	7 607
Konserninterne kommisjoner	20 717	24 080
Andre driftskostnader	8 352	10 269
Sum andre driftskostnader	**115 820**	**118 569**

Honorar for lovpålagt revisjon for året	200	195
Andre attestasjonstjenester	260	35
Sum	**460**	**230**

Merverdiavgift er ikke inkludert i kostnadene

Note 17 - Fordringer

Kundefordringer	2017	2016
Eksterne kundefordringer	180 462	195 274
Avsetning for tap på fordringer	-466	-143
Netto kundefordringer	179 995	195 131
Konserninterne kortsiktige utlån	212 960	114 418
Forskuddsbetalte kostnader/avsetninger	32 919	42 246
Andre eksterne fordringer	2 204	1 137
Sum fordringer	**428 079**	**352 933**

Note 18 - Risikofaktorer

Styret er kjent med markedsutfordringene som påvirker Norske Skog konsernet, herunder risikoer som kan påvirke resultater, likviditet og egenkapital. Disse faktorer er en iboende usikkerhet når styret gjør sine vurderinger. De viktigste risikofaktorer for Norske Skog Skogn AS er knyttet til usikkerhet til utvikling i priser og volum for avispapir og kostnadene for innsatsfaktorer som energi og fiber. Svakere etterspørsel etter selskapets produkter kan påvirke lønnsomhet og tilhørende kontantstrømmer negativt, samt usikkerhet knyttet til endringer i arbeidskapital. Norske Skog Skogn AS er også eksponert for valutarisiko både på inntekter og kostnader, samt risiko for at det ikke er tilstrekkelig likviditet tilgjengelig i konsernet for å dekke løpende drift i den grad lønnsomheten i selskapet reduseres.

I samsvar med kravene i regnskapsloven har styret vurdert forutsetningen om fortsatt drift som grunnlag for utarbeidelse og presentasjon av årsregnskapet. Til grunn for vurderingen har styret gjennomgått risikoene som beskrevet over, resultatprognoser for 2018 og selskapets langsiktige strategiske prognoser for årene fremover. Som en del av dette har også styret vurdert de gjennomførte og påtenkte transaksjoner i konsernet og deres betydning for Norske Skog Skogns likviditet og egenkapital og betydningen for fortsatt drift forutsetningen, ref note 20.

I samsvar med regnskapsloven § 3-3a bekreftes det, basert på overstående vurdering og iboende usikkerhet i risikofaktorer, at forutsetningene om fortsatt drift er til stede og lagt til grunn ved utarbeidelse av årsregnskapet.

Note 19 - Sikkerhetsstillelse for lån og kontrakter

Selskapet har for investeringslån fra Innovasjon Norge til Norske Skog AS stilt førsteprioritets sikkerhet i selskapenes driftsmidler samt eiendom g.nr 34 bnr 3 i Levanger kommune, oppad begrenset til EUR 10 millioner.

Selskapet har også stilt driftsmidler som sikkerhet for oppfyllelse av kontrakter med energileverandører.

Bokført verdi av varige driftmidlene til selskapet er NOK 635 millioner.

I tillegg har selskapet stilt sikkerhet i varelager og kundefordringer for inntil EUR 119,35 milioner for en EUR 100 milioner lånefasilitet der Norske Skog AS er lånetager.

Note 20 - Hendelser etter balansedagen

Den 3. mai 2018 inngikk et heleid datterselskap av Oceanwood Opportunities Master Fund en aksjekjøpsavtale med Citibank, N.A., London Branch, som sikkerhetsagent, for kjøp av aksjene i Norske Skog AS. Kjøpesummen avtalt i aksjekjøpsavtalen vil ikke gi tilstrekkelig salgsproveny til full dekning av SSNs, EUR 16 millioner likviditetsfasiliteten og EUR 159 millioner og USD 61 millioner obligasjonslånene med forfall i henholdsvis 2021 og 2023. Når transaksjonen er gjennomført vil de finansielle forpliktelsene og garantiforpliktelsene som ikke blir dekket bli fristilt. Gjennomføring av transaksjonen er betinget av at Oceanwood mottar relevante konkurranserettslige og andre regulatoriske godkjenninger i de aktuelle land (inkludert Australia og New Zealand). Disse er forventet mottatt i andre halvdel av 2018.

Ved fristillelse av de ovennevnte finansielle forpliktelser og garantiforpliktelser vil selskapets egenkapital bli forbedret med cirka NOK 3,5 milliarder. Som følge av fristillelsen vil Norske Skog AS få betydelig mindre gjeld og rentekostnader, som vil forbedre både soliditet og likviditet i selskapet og konsernet.

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Uavhengig revisors beretning

Til generalforsamlingen i Norske Skog Skogn AS

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert Norske Skog Skogn AS' årsregnskap som består av balanse per 31. desember 2017, resultatregnskap, utvidet resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening er det medfølgende årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets finansielle stilling per 31. desember 2017, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med forenklet anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3-9.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Annen informasjon

Ledelsen er ansvarlig for annen informasjon. Annen informasjon består av årsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke annen informasjon, og vi attesterer ikke den andre informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese annen informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom annen informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi konkluderer med at den andre informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Styrets og daglig leders ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med forenklet anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3-9. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et regnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet med mindre ledelsen enten har til hensikt å avvikle selskapet eller legge ned virksomheten, eller ikke har noe realistisk alternativ til dette.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll.

- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.

- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.

- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av regnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i regnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon om årsregnskapet og årsberetningen. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.

- evaluerer vi den samlede presentasjonen, strukturen og innholdet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet representerer de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Uttalelse om øvrige lovmessige krav

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til dekning av tap er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Norske Skog
Skogn

ÅRSRAPPORT 2018

NORSKE SKOG SKOGN AS

Innhold:

- Styrets årsberetning
- Årsregnskap med noter
- Revisjonsberetning

Årsberetning 2018

Norske Skog Skogn AS

Generell informasjon

Norske Skog Skogn AS ble stiftet i 2011 og selskapet er et heleid datterselskap av Norske Skog AS. Selskapets hovedkontor er på Skogn i Levanger kommune.

Virksomhetens art

Selskapets primære virksomhet omfatter produksjon og salg av avispapir. Den årlige produksjonskapasiteten er på 510.000 tonn fordelt på tre papirmaskiner. All produksjon finner sted ved Norske Skog Skogn AS. I tillegg til varelagre ved produksjonsanlegget, har selskapet råvarelagre i Norge, Storbritannia og Nederland og ferdigvarelagre i Norge, Nederland og Storbritannia. Lagring i utlandet er kun kortvarig og av logistikkmessige årsaker.

Markedsutvikling

Nedgangen i forbruket av avispapir i Europa fortsatte i 2018, med en reduksjon i etterspørselen på ca. 9 % sammenlignet med 2017. Til tross for dette har Norske Skog Skogn AS økt salget i tonn med 1 % fra 2017 til 2018, med en økning i leveransene til Europa på 2 %.

For å kompensere nedgangen i markedet, har Norske Skog Skogn AS satset på en lysere papirkvalitet «Norbright», som kan brukes i litt andre segmenter. I 2018 utgjorde denne kvaliteten 25 % av fabrikkens totale produksjon. Konkurrerende virksomheter gjorde flere nedstenginger av kapasitet for produksjon av avispapir i løpet av 2017, og dette skapte en forbedret markedsbalanse i 2018.

Redegjørelse for årsregnskapet

Omsetningen i selskapet i 2018 var 2 200 millioner sammenlignet med 1 955 millioner i 2017. Økningen skyldes både høyere salg og en prisøkning målt i norske kroner. Økningen i pris skyldes hovedsakelig økt pris på våre produkter og delvis en svakere norsk krone mot GBP, EUR og USD.

Distribusjonskostnader og variable kostnader økte sammenlignet med forrige år som følge av høyere priser. Økningen i variable kostnader skyldes høyere priser på virke, returpapir og energi. De faste kostnadene økte også noe i 2018. Målsetningen om å gjøre Norske Skog Skogn AS til en av de mest kostnadseffektive og lønnsomme leverandørene av avispapir holdes fast.

Kompensasjon av CO2-påvirkning av prisen på elektrisk kraft ble innført fra 1. juli 2013. For 2018 utgjorde dette et beløp på 32 millioner. Denne CO2-kompensasjonen ble ført som en reduksjon i kraftkostnadene i 2018. Kontantstrømeffekten kommer først i 2019.

Brutto driftsresultat var 79 millioner sammenlignet med 112 millioner i 2017, og driftsmargin endte på 3,6 % sammenlignet med 5,7 % i 2017. Nedgangen skyldes at effekten av prisøkninger på innsatsfaktorer har vært større enn prisøkninger på solgte produkter.

Norske Skog Skogn AS signerte i desember 2018 en ny kraftavtale med Statkraft, som ga lavere kraftkostnader fra 1.desember. Dette medførte også at urealiserte verdiendringer på valutaelementet i EUR ved avslutningen av den tidligere kontrakten, ga et positivt bidrag på 187 millioner, mot negative 33 millioner i 2017.

Årsresultatet for 2018 ble 165 millioner og totalresultat for 2018 ble 164 millioner.

Norske Skog Skogn AS har per 31.12.2018 et skattemessig underskudd til fremføring på 749 millioner.

Selskapet har ikke balanseført forsknings– og utviklingskostnader.

Kortsiktig gjeld utgjorde 284 millioner per 31.12.2018, 68 % av samlet gjeld i selskapet.

I oktober vedtok ekstraordinær generalforsamling en kapitalnedsettelse i selskapet, der selskapets aksjekapital ble satt ned med 1 037 millioner ved nedsettelse av pålydende for samtlige aksjer fra NOK 115 000 pr aksje til NOK 11 500 pr aksje. Nedsettelsen ble benyttet ved at 737 millioner ble overført til annen egenkapital og 300 millioner ble tilbakebetalt av innbetalt kapital til aksjonær.

Selskapets egenkapital var 724 millioner pr. 31. desember 2018. Totalkapitalen var ved utgangen av året 1 143 millioner.

Samlet kontantstrøm fra driften i selskapet var i 2018 på 75 millioner, mens brutto driftsresultat for samme periode utgjorde -11 millioner etter avskrivninger. De samlede investeringene i varige driftsmidler i 2018 utgjorde 36 millioner. Tilsvarende beløp i 2017 var 20 millioner.

Finansiell risiko

Overordnet om målsetting og strategi

Norske Skog Skogn AS er eksponert mot ulike finansielle risikofaktorer gjennom selskapets driftsaktiviteter, herunder markedsrisiko (renterisiko, valutarisiko og råvareprisrisiko), likviditetsrisiko og kredittrisiko. Selskapet søker å minimere tap og redusere volatiliteten i resultatet som forårsakes av ugunstige markedsbevegelser både gjennom operasjonelle og finansielle tiltak.

Markedsrisiko

Selskapet er eksponert for endringer i valutakurser, primært fordi det alt vesentlige av selskapets inntekter er i utenlandsk valuta. Hovedvalutaene for selskapets inntekter er GBP, EUR og USD. Selskapet har en del kostnader i EUR slik at netto eksponering mot EUR er begrenset. Valutasvingninger i GBP og USD mot norske kroner påvirker realiserte salgspriser i norske kroner for selskapet produkter. Som gjennomsnitt for 2018 var den norske kronen svakere enn i 2017 mot EUR, GBP og USD.

Selskapet kjøper en del av virket fra Sverige i SEK og det importeres returpapir fra kontinentet i EUR og fra de Britiske øyer i GBP. Fraktkostnadene betales i all hovedsak i EUR, USD og GBP mens største delen av elektrisk kraft er priset i EUR.

Selskapet er også eksponert for endringer i rentenivået på konsernets gjeld.

Kredittrisiko

Selskapet hadde ikke vesentlige tap på fordringer i 2018, og kredittrisikoen anses generelt som lav. Per 31.12.2018 utgjør kundefordringer 107 millioner og avsetning til tap på fordringer 0,58 millioner.

Likviditetsrisiko

Norske Skog Skogn AS har i løpet av 2018 finansiert sine løpende likviditetsbehov gjennom Norske Skog AS. Arbeidet med å styrke lønnsomhet, likviditet og finansiell posisjon har hatt høy prioritet i 2018 og vil være et viktig område å fokusere på også framover.

Selskapet er en del av konsernkonto systemet i Norske Skog AS konsernet og har dermed likviditetsrisiko knyttet til likviditeten i konsernet som helhet.

Finansielle instrumenter

Norske Skog Skogn AS har inngått kraftkontrakter i EUR for å redusere selskapets betydelige eksponering mot inntekter i EUR. Finansielt er en kontrakt som kombinerer energipriser og andre elementer ansett for å være et hybrid instrument bestående av selve kontrakten samt innebygde derivater. Når innebygde derivater anses som nært relatert til kontrakten, blir de ikke skilt ut fra kontrakten, mens de blir bokført som frittstående derivater når de ikke blir ansett som nært relatert. Norske Skog Skogn AS bokfører elementene knyttet til blant annet utenlandske valuta og salgspriser på papir som separate innebygde derivater. Pr 31. desember 2018 har man regnskapsført en netto urealisert gevinst på 48 millioner kroner.

Arbeidsmiljø, helse og sikkerhet

Selskapet har en målsetning om null skader blant de ansatte. Alle nestenulykker og skader rapporteres i henhold til Norske Skog-konsernets felles retningslinjer, og erfaringer fra hver enkelt hendelse gjennomgås for å identifisere mulige forbedringer i prosesser og retningslinjer. Sykefraværet i 2018 var på 4,7 % og selskapets H1-verdi (skader med fravær per millioner arbeidstimer) ble null da det ikke var skader med fravær i 2018.

Arbeidsmiljøet betraktes som godt og selskapet har fokus på at det løpende iverksettes tiltak for forbedringer. Samarbeidet med de ansattes organisasjoner har vært konstruktivt og bidratt positivt til driften. De ansattvalgte styremedlemmene har i perioden tatt opp forhold vedr. arbeidsmiljø og bedriftskulturenes utvikling – styret har behandlet dette, og administrasjonen har igangsatt tiltak for å bringe klarhet i de underliggende årsaksforhold og tiltak som kan gjennomføres for å styrke bedriftskulturen.

Likestilling

Papirindustrien har tradisjonelt hatt en lav kvinneandel og dette er også tilfellet for Norske Skog Skogn AS hvor kvinner per 31.12.2018 utgjorde 7,7 % av arbeidsstyrken. Selskapet arbeider for en likere fordeling av arbeidsstyrken mellom kjønnene og har fokus på at samme kompetanse og ansiennitet lønnes likt uavhengig av kjønn. Kvinner og menn i alle stillingskategorier gis like muligheter for å kvalifisere seg til alle typer oppgaver og avansemuligheter.

I selskapets styre er 0 av 7 medlemmer kvinner.

Diskriminering

Diskrimineringslovens formål er å fremme likestilling, sikre like muligheter og rettigheter og å hindre diskriminering på grunn av etnisitet, språk, religion og livssyn. Selskapet arbeider målrettet og planmessig for å fremme lovens formål innenfor vår virksomhet.

Påvirkning av det ytre miljø

Papirproduksjon er en energiintensiv prosess hvor energien hovedsakelig benyttes til to formål: å separere, prosessere og transportere fibre og vann (elektrisk energi) samt å levere prosessvarme og tørke papir (termisk energi). Utslipp til luft kommer fra produksjonen av termisk energi gjennom forbrenning av bark, slam og innkjøpt biobrensel. 2% av brukt varmeenergi kom fra fossile kilder (olje og plastavfall i returpapiret).

Selskapet har som målsetning at alt trevirke som benyttes i produksjonen skal være sertifisert. I 2018 var 82 % av alt virke PEFC sertifisert, som er høyt i forhold til gjennomsnittet i bransjen. Alt returpapir var FSC sertifisert.

Selskapet har i 2018 ikke hatt hendelser som har medført alvorlige negative miljøpåvirkninger.

Fortsatt drift

Styret er kjent med markedsutfordringene som påvirker Norske Skog AS konsernet, herunder risikoer som kan påvirke resultater, likviditet og egenkapital. Dette er faktorer som er en iboende usikkerhet når styret gjør sine vurderinger.

De viktigste risikofaktorer for Norske Skog Skogn AS er knyttet til usikkerhet til utvikling i priser og volum for avispapir, og kostnadene for innsatsfaktorer som energi og fiber. Svakere etterspørsel etter selskapets produkter kan påvirke lønnsomhet og tilhørende kontantstrømmer negativt, samt usikkerhet knyttet til endringer i arbeidskapital. Norske Skog Skogn AS er også eksponert for risiko for at det ikke er tilstrekkelig likviditet tilgjengelig i konsernet for å dekke løpende drift i den grad lønnsomheten i selskapet reduseres.

I samsvar med kravene i regnskapsloven har styret vurdert forutsetningen om fortsatt drift som grunnlag for utarbeidelse og presentasjon av årsregnskapet. Til grunn for vurderingen ligger resultatprognoser for 2019 og selskapets langsiktige strategiske prognoser for årene fremover.

Utsiktene fremover

Omfattende nedlegging av produksjonskapasitet høsten 2017 førte til en betydelig bedret markedsbalanse for avispapir i Europa gjennom hele 2018. Dette gjorde det mulig for Norske Skog Skogn AS å inngå leveranseavtaler for 2019 som gir økte markedsandeler på alle hovedmarkedene i Skandinavia og UK, så vel som i Nederland og Nord-Tyskland. Den bedrede markedsbalansen muliggjorde også en ytterligere økning i salgsprisene for første halvdel av 2019 i de fleste av selskapets hovedmarkeder.

Nedgangen i forbruket av avispapir i Europa forventes imidlertid å fortsette i 2019 med samme takt som de siste årene, som gjennomsnittlig har vært -7% pr år i perioden 2011-2018. Ytterligere stenging av produksjonskapasitet vil derfor være nødvendig for å unngå en svekking av markedsbalansen framover. Vi finner det riktig å påpeke at disse estimatene er beheftet med usikkerhet, både på grunn av volatile markeder og valutasvingninger.

Årsresultat og disponeringer

Styret foreslår at årsresultatet på 165 millioner overføres til annen egenkapital.

Skogn, 26.04.2019

Styremedlem

Robert Wood

Styremedlem

Svein Erik Veie

Styremedlem

Årsregnskap

Norske Skog Skogn AS

2018

Org.nr. 996 732 673

RESULTATREGNSKAP

Tall i 1000 kr

	NOTE	2018	2017
Driftsinntekter	2	**2 199 548**	**1 955 216**
Distribusjonskostnader		-272 094	-247 914
Forbruk av råvarer og lignende		-1 488 068	-1 232 641
Beholdningsendringer		33 561	9 611
Lønn og andre personalkostnader	3, 15	-264 169	-256 665
Andre driftskostnader	4, 9,16	-129 898	-115 820
Brutto driftsresultat		**78 880**	**111 787**
Avskrivninger	8	-89 419	-125 127
Nedskrivninger	8	0	-387 000
Brutto driftsresultat etter avskrivninger og nedskrivinger		**-10 539**	**-400 340**
Restruktureringskostnader		0	468
Andre gevinster(+) og tap(-)	5	186 624	-33 315
Driftsresultat		**176 085**	**-433 186**
Finansposter	6	-11 643	-89 882
Resultat før skatt		**164 442**	**-523 068**
Skattekostnad (-) / skatteinntekt (+)	7	135	-34 552
Årsresultat		164 577	-557 620
Utvidet resultatregnskap			
Estimatavvik pensjoner	15	-954	-6 749
Estimatavvik pensjoner skatt	7	219	1 552
Sum utvidet resultat		**-735**	**-5 196**
Totalt resultat		**163 842**	**-562 817**

BALANSE

Tall i 1000 kr

	NOTE	31.12.2018	31.12.2017
Eiendeler			
Utsatt skattefordel	7	38 354	38 000
Varige driftsmidler	8,9,19	581 790	634 856
Pensjonsmidler	15	26	-
Andre anleggsmidler	3, 5	52 544	947
Anleggsmidler		**672 714**	**673 803**
Beholdninger	13	294 669	227 441
Fordringer	10, 17	158 694	428 079
Kontanter og kontantekvivalenter	11	16 463	22 645
Omløpsmidler		**469 826**	**678 165**
Sum eiendeler		**1 142 540**	**1 351 968**
Egenkapital og gjeld			
Aksjekapital		115 230	1 152 300
Annen egenkapital		608 295	-292 617
Egenkapital	14	**723 525**	**859 683**
Pensjonsforpliktelser	15	0	1 478
Langsiktig rentebærende gjeld	9, 10, 12	129 235	119 885
Annen langsiktig gjeld	5, 12	5 900	130 500
Langsiktig gjeld		**135 135**	**251 863**
Kortsiktig rentebærende gjeld	9, 12	340	842
Leverandørgjeld		217 886	190 645
Skyldige skatter og avgifter		21 473	33 702
Annen kortsiktig konsernintern gjeld	10	40 791	1 469
Annen kortsiktig gjeld	5	3 390	13 763
Kortsiktig gjeld		**283 880**	**240 422**
Sum gjeld		**419 015**	**492 285**
Sum egenkapital og gjeld		**1 142 540**	**1 351 968**

Skogn, 26.04.2019 - Styret i Norske Skog Skogn AS

KONTANTSTRØMOPPSTILLING

Tall i 1000 kr

	NOTE	2018	2017
Kontantstrøm fra driften			
Innbetalinger fra driften		2 248 253	1 977 748
Utbetalinger til driften		-2 161 016	-1 821 870
Finansielle innbetalinger		2 185	1 205
Finansielle utbetalinger		-14 301	-14 916
Netto kontantstrøm fra driften		**75 120**	**142 166**
Kontantstrøm fra investeringsaktivitetene			
Investeringer i varige driftsmidler	8	-36 353	-20 040
Salg av varige driftsmidler		201	7
Salg av aksjer		54	54
Netto kontantstrøm fra investeringsaktivitetene		**-36 098**	**-19 979**
Kontantstrøm fra finansieringsaktivitetene			
Nytt lån fra konsernet		-300 000	0
Nedbetaling lån		-848	-893
Endring I/C Cashpool		255 137	-112 297
Tap på fordring mot konsernet		0	-76 664
Netto kontantstrøm fra finansieringsaktivitetene		**-45 711**	**-189 853**
Valutakurseffekter på kontanter og kontantekvivalenter		508	378
Sum netto endring kontanter og kontantekvivalenter		**-6 182**	**-67 288**
Kontanter og kontantekvivalenter 01.01.		22 645	89 933
Kontanter og kontantekvivalenter 31.12.	11	16 463	22 645

Note 1 – Regnskapsprinsipper

Generell informasjon

Norske Skog Skogn AS er et aksjeselskap registrert i Norge. Selskapets hovedkontor er lokalisert i Levanger, Norge. Samtlige aksjer i selskapet eies av Norske Skog AS, og selskapsregnskapet og konsernregnskapet er tilgjengelig ved konsernets hovedkontor på Skøyen.

Årsregnskapet er avlagt i henhold til regnskapsloven § 3-9 og Forskrift om forenklet IFRS fastsatt av Finansdepartementet 3. november 2014. Dette innebærer i hovedsak at innregning og måling følger internasjonale regnskapsstandarder (IFRS) mens presentasjon og noteopplysninger er utarbeidet i henhold til norsk regnskapslov og god regnskapsskikk. Alle beløp er oppgitt i hele tusen om ikke annet er opplyst. Årsregnskapet er vedtatt av selskapets styre 26.04.2019.

Grunnlag for utarbeidelse av årsregnskapet

Selskapsregnskapet legger til grunn prinsippene i et historisk kost regnskap, med unntak av finansielle instrumenter til virkelig verdi over resultatet og finansielle instrumenter tilgjengelig for salg som er regnskapsført til virkelig verdi.

Valuta

Transaksjoner i utenlandsk valuta omregnes til kursen på transaksjonstidspunktet. Pengeposter i utenlandsk valuta omregnes til norske kroner ved å benytte balansedagens kurs. Ikke-pengeposter som måles til historisk kurs uttrykt i utenlandsk valuta, omregnes til norske kroner ved å benytte valutakursen på transaksjonstidspunktet. Ikke-pengeposter som måles til virkelig verdi uttrykt i utenlandsk valuta, omregnes til valutakursen fastsatt på balansetidspunktet. Valutakursendringer resultatføres løpende i regnskapsperioden.

Varige driftsmidler

Varige driftsmidler, unntatt investeringseiendommer, måles til anskaffelseskost, fratrukket akkumulerte av- og nedskrivninger. Når eiendeler selges eller avhendes, blir balanseført verdi fraregnet og eventuelt tap eller gevinst resultatføres.

Anskaffelseskost for varige driftsmidler er kjøpsprisen, inkludert avgifter/skatter og kostnader direkte knyttet til å sette anleggsmiddelet i stand for bruk. Utgifter påløpt etter at driftsmidlet er tatt i bruk, slik som løpende vedlikehold, resultatføres, mens øvrige utgifter som forventes å gi fremtidige økonomiske fordeler blir balanseført.

Avskrivningsperiode og -metode vurderes årlig. Utrangeringsverdi estimeres ved hver årsavslutning og endringer i estimat på utrangeringsverdi er regnskapsført som en estimatendring.

Anlegg under utførelse er klassifisert som anleggsmidler og er oppført til kost inntil tilvirking eller utvikling er ferdigstilt. Anlegg under utførelse blir ikke avskrevet før anleggsmiddelet blir tatt i bruk.

Verdifall på ikke-finansielle eiendeler

Varige driftsmidler og immaterielle eiendeler som avskrives vurderes for verdifall når det foreligger indikatorer på at fremtidig inntjening ikke kan forsvare eiendelens balanseførte verdi. En nedskrivning resultatføres med forskjellen mellom balanseførte verdi og gjenvinnbart beløp. Gjenvinnbart beløp er det høyeste av virkelig verdi fratrukket salgsutgifter og bruksverdi.

Ved vurdering av verdifall, grupperes anleggsmidlene på det laveste nivået der det er mulig å skille ut uavhengige kontantstrømmer (kontantgenererende enheter). Ved hver rapporteringsdato vurderes mulighetene for reversering av tidligere nedskrivninger på ikke-finansielle eiendeler.

Finansielle eiendeler

IFRS 9 Finansielle Instrumenter erstatter IAS 39 Finansielle Instrumenter: Innregning og måling og er gjeldende fra 1. januar 2018. IFRS 9 omhandler innregning, klassifisering og måling, tapsavsetning, fraregning og sikringsbokføring. Overgang til IFRS 9 har ikke hatt noen vesentlig betydning for selskapets finansielle instrumenter.

Klassifisering og måling

Etter IFRS 9 skal finansielle eiendeler klassifiseres i tre målekategorier:

a) virkelig verdi med verdiendring over resultatet,
b) virkelig verdi med verdiendringer over andre inntekter og kostnader og
c) amortisert kost.

Klassifiseringen avhenger av hensikten med anskaffelsen. Ledelsen klassifiserer finansielle instrumenter ved anskaffelse, og gjør en ny vurdering av denne klassifiseringen på hver rapporteringsdato.

a) Finansielle instrumenter med verdiendring over resultatet

Denne kategorien har to underkategorier: finansielle eiendeler holdt for handelsformål og finansielle eiendeler som ledelsen initielt har valgt å føre til virkelig verdi over resultatet. En finansiell eiendel klassifiseres i denne kategorien dersom den primært er anskaffet med henblikk på å gi fortjeneste fra kortsiktige prissvingninger, eller dersom ledelsen velger å klassifisere den i denne kategorien. Derivater klassifiseres også som holdt for handelsformål, med mindre de er en del av en sikring. Eiendeler i denne kategorien klassifiseres som omløpsmidler hvis de holdes for handelsformål eller hvis de forventes å bli realisert innen 12 måneder etter balansedagen.

Ikke-finansielle råvarekontrakter hvor råvaren kan konverteres til kontanter og kontrakten ikke er til eget bruk er innenfor rammen av det som omfattes av IFRS 9. Slike kontrakter behandles som derivater etter IFRS 9.

b) Finansielle instrumenter med verdiendring over andre inntekter og kostnader

Selskapet har ikke slike finansielle instrumenter.

c) Utlån og fordringer til amortisert kost

Utlån og fordringer er ikke-derivate finansielle eiendeler med fastsatte betalinger som ikke omsettes i et aktivt marked. De klassifiseres som omløpsmidler, med mindre de forfaller senere enn 12 måneder etter balansedagen. I så fall klassifiseres de som anleggsmidler. Utlån og fordringer klassifiseres som kundefordringer og andre fordringer, samt kontanter og kontantekvivalenter i balansen. Etterfølgende måling av finansielle eiendeler til amortisert kost gjøres ved bruk av effektiv rentes metode og er gjenstand for tapsnedskrivning.

Derivater

Derivater balanseføres til virkelig verdi på det tidspunkt derivatkontrakten inngås, og deretter løpende til virkelig verdi. Selskapet har klassifiserer alle sine derivater som derivater til virkelig verdi hvor verdiendring føres over resultatet. Selskapet benytter ikke sikringsføring.

Kontanter og kontantekvivalenter

Kontanter og kontantekvivalenter inkluderer kontanter, bankinnskudd og andre kortsiktige likvide investeringer med forfall innen tre måneder. Trukket kassakreditt er presentert sammen med kortsiktige lån og forpliktelser i balansen.

Varelager

Varer vurderes til det laveste av anskaffelseskost og netto realisasjonsverdi. Anskaffelseskost beregnes ved bruk av gjennomsnittlig anskaffelseskost. For ferdig tilvirkede varer og varer under tilvirkning består anskaffelseskost av utgifter til materialforbruk, direkte lønnsutgifter, andre direkte utgifter og indirekte produksjonsutgifter (basert på normal kapasitet). Lånekostnader medregnes ikke. Netto realisasjonsverdi er estimert salgspris fratrukket kostnader for ferdigstillelse og salg.

Kundefordringer

Kundefordringer regnskapsføres til anskaffelseskost med fradrag for forventet tap på fordringer.

Leverandørgjeld

Leverandørgjeld er forpliktelser til å betale for varer eller tjenester som er levert fra leverandørene til den ordinære driften. Leverandørgjeld måles til virkelig verdi ved første gangs balanseføring. Ved senere måling vurderes leverandørgjeld til amortisert kost fastsatt ved bruk av effektiv rente metoden.

Lån

Lån regnskapsføres til virkelig verdi når utbetaling av lånet finner sted, med fradrag for transaksjonskostnader. I etterfølgende perioder regnskapsføres lån til amortisert kost beregnet ved bruk av effektiv rente. Forskjellen mellom det utbetalte lånebeløpet (fratrukket transaksjonskostnader) og innløsningsverdien resultatføres over lånets løpetid.

Lån klassifiseres som kortsiktig gjeld med mindre det foreligger en ubetinget rett til å utsette betaling av gjelden i mer enn 12 måneder fra balansedato.

Betalbar og utsatt skatt

Skattekostnaden i selskapet består av betalbar skatt beregnet ut i fra periodens skattepliktige inntekt, periodens endring i utsatt skatt, samt korreksjoner av skatt for tidligere perioder. Skatt blir resultatført, bortsatt fra når den relaterer seg til poster som er ført mot innregnede inntekter og kostnader eller direkte mot egenkapitalen. Hvis det er tilfellet, blir skatten også ført mot innregnede inntekter og kostnader eller direkte mot egenkapitalen.

Utsatt skatt avsettes fullt ut etter gjeldsmetoden på basis av midlertidige forskjeller oppstått mellom bokførte og skattemessige verdier på eiendeler og gjeld.

Utsatt skattefordel bokføres som eiendel dersom det kan forventes at fremtidige skattepliktige inntekter kan utnyttes mot skattereduserende midlertidige forskjeller og fremførbare underskudd. Utsatt skattefordel avregnes mot utsatt skattegjeld innenfor et skatteregime i den utstrekning skattelovgivningen gir anledning til å utnytte skattefordeler mot utsatt skattegjeld.

Pensjoner

Pensjonsordningene er generelt finansiert gjennom innbetalinger til forsikringsselskaper eller pensjonskasser, fastsatt basert på periodiske aktuarberegninger, eller betalt over drift. Selskapet har både ytelsesplaner og innskuddsplaner.

En ytelsesplan er en pensjonsordning som definerer en pensjonsutbetaling som en ansatt vil motta ved pensjonering. Pensjonsutbetalingen er normalt avhengig av en eller flere faktorer slik som alder, antall år i selskapet og lønn. En innskuddsplan er en pensjonsordning hvor selskapet betaler faste bidrag til en separat juridisk enhet.

Den balanseførte forpliktelsen knyttet til ytelsesplaner er nåverdien av de definerte ytelsene på balansedatoen minus virkelig verdi av pensjonsmidlene, justert for ikke resultatførte estimatavvik og ikke resultatførte kostnader knyttet til tidligere perioders pensjonsopptjening. Pensjonsforpliktelsen beregnes årlig av en uavhengig aktuar ved bruk av en lineær opptjeningsmetode. Nåverdien av de definerte ytelsene bestemmes ved å diskontere estimerte fremtidige utbetalinger med renten på en obligasjon utstedt av et selskap med høy kredittverdighet i den samme valuta som ytelsene vil bli betalt og med en løpetid som er tilnærmet den samme som løpetiden for den relaterte pensjonsforpliktelsen, alternativt en statsobligasjonsrente dersom slike renter ikke finnes.

Estimatavvik som skyldes ny informasjon eller endringer i de aktuarmessige forutsetningene belastes eller godskrives egenkapital gjennom utvidet resultatregnskap i perioden de oppstår. Administrative kostnader ved ordningen føres fortløpende over resultatregnskapet.

Ved innskuddsplaner, betaler selskapet innskudd til offentlig eller privat administrerte forsikringsplaner for pensjon på obligatorisk, avtalemessig eller frivillig basis. Selskapet har ingen ytterligere betalingsforpliktelser etter at innskuddene er blitt betalt. Innskuddene regnskapsføres som lønnskostnad for den perioden betaling gjelder.

Avsetninger

En avsetning regnskapsføres når selskapet har en forpliktelse (rettslig eller selvpålagt) som en følge av en tidligere hendelse, det er sannsynlig at det vil skje et økonomisk oppgjør som følge av denne forpliktelsen og beløpets størrelse kan måles pålitelig. Hvis effekten er betydelig, beregnes avsetningen ved å neddiskontere forventede fremtidige kontantstrømmer med en diskonteringsrente før skatt som reflekterer markedets prissetting av tidsverdien av penger og, hvis relevant, risikoer spesifikt knyttet til forpliktelsen.

Restruktureringsavsetninger innregnes når selskapet har godkjent en detaljert og formell restruktureringsplan, og restruktureringen enten har startet eller har blitt formidlet.

Inntektsføring

Regnskapsstandarden IFRS 15 Driftsinntekter fra kontrakter med kunder, har erstattet IAS 11, IAS 18 og IFRIC 13 med virkning fra 1. januar 2018. Endringen til IFRS 15 har ikke påvirket regnskapet til Norske Skog Skogn AS i vesentlig grad. Inntekter fra kontrakter med kunder innregnes på det tidspunkt der kontrollen over eiendelen overføres til kunden. Kontroll over en eiendel innebærer muligheten til å styre bruken av og få gjenværende fordeler ved eiendelen. Tidspunkt for inntektsføring vil avhenge av den enkelte kundes leveringsbetingelser, og vil kunne være i hele intervallet fra varene er ferdig produsert til varene er levert hos kunde. Inntekter ved salg av varer vurderes til virkelig verdi av vederlaget, netto etter fradrag for merverdiavgift, returer og rabatter.

Nærstående parter

Selskapet er et heleid datterselskap av Norske Skog AS. Alle transaksjoner med morselskapet, andre konsernselskaper og andre nærstående parter skjer til alminnelige markedsmessige betingelser.

Mottatt utbytte

Utbytte fra datterselskaper inntektsføres i det året utbyttet avsettes i datterselskapet. Utbytte fra andre selskaper inntektsføres når aksjonærenes rettighet til å motta utbytte er fastsatt av generalforsamlingen.

Renteinntekter

Renteinntekter inntektsføres basert på lånenes effektive rente. Dette er den renten som medfører at nåverdien av fremtidige kontantstrømmer knyttet til utlånet tilsvarere dets netto balanseførte verdi.

Leieavtaler

Leieavtaler der en vesentlig del av risiko og avkastning knyttet til eierskap fortsatt ligger hos utleier, klassifiseres som operasjonelle leieavtaler. Leiebetaling ved operasjonelle avtaler kostnadsføres lineært over leieperioden.

Leieavtaler knyttet til varige driftsmidler hvor selskapet i hovedsak innehar all risiko og avkastning knyttet til eierskapet, blir klassifisert som finansielle leieavtaler. Finansielle leieavtaler balanseføres til det laveste av driftsmiddelets virkelig verdi ved inngåelsen av leieavtalen og nåverdien av de kontraktsfestede leiebetalinger. Leiebetalinger fordeles mellom finanskostnad og avdrag på leieforpliktelsen oppført i balansen, slik at rentabiliteten blir konstant over gjenværende leieperiode. Det innleide anleggsmidlet avskrives basert på de samme prinsipper som øvrige anleggsmidler. Den korresponderende leieforpliktelsen (med fradrag for finanskostnader) blir inkludert i annen langsiktig gjeld.

Offentlige tilskudd

Offentlige tilskudd resultatføres som inntekt over nødvendige perioder for å sammenstilles med kostnadene de er ment å kompensere for. Offentlige tilskudd i form av erstatning for tap som allerede er påløpt eller i form av direkte finansiell støtte uten sammenheng med fremtidige kostnader inntektsføres i perioden de blir tildelt.

Offentlige tilskudd relatert til eiendeler blir presentert i balansen enten som en utsatt inntekt eller som en reduksjon av kostprisen på eiendelene tilskuddet er relatert til. Resultatføringen skjer da enten som fremtidige periodevise inntektsføringer eller som fremtidige periodevise reduksjoner av avskrivninger.

Utslippskvoter

Det finnes ingen regnskapsstandard eller tolkning innenfor IFRS som omhandler regnskapsføring av utslippstillatelser eller fornybare energisertifikater. Mottatte utslippsrettigheter innregnes i balansen som immaterielle eiendeler til markedsverdien på datoen rettighetene er gitt. Forskjellen mellom virkelig verdi og det nominelle beløpet betalt for utslipskvoter blir innregnet i balansen som offentlig tilskudd (utsatt inntekt).

Utslipp innregnes i resultatregnskapet som forbruk av råvarer og lignende, og det offentlige tilskuddet (utsatt inntekt) inntektsføres samtidig med utslippskostnadene. Ubrukte kvoter (utsatt inntekt) og benyttede kvoter blir avregnet mot den balanseførte immaterielle eiendelen når de enkelte avtalene om utslippsrettigheter utløper.

Hvis den mottatte rettigheten er tilstrekkelig til å dekke foretakets utslipp, vil det ikke være netto kostnad eller netto inntekt i resultatregnskapet. Dersom det er nødvendig å gå til markedet og få flere rettigheter, blir disse kostnadsført til markedsverdi på kjøpstidspunktet.

Hvis antall rettigheter overstiger faktisk forbruk, vil overskuddet bli solgt i markedet. Gevinsten fra salget presenteres som Andre gevinster og tap. Utslippsrettigheter som blir solgt på forskudd inntektsføres i takt med faktisk forbruk som en driftskostnad.

Utbytte

Utbytte klassifiseres som gjeld fra og med det tidspunkt utbyttet er fastsatt av generalforsamlingen.

Viktige regnskapsestimater og antagelser/forutsetninger

Selskapet utarbeider estimater og gjør antagelser/forutsetninger knyttet til fremtiden. Estimater og antagelser/forutsetninger som representerer en betydelig risiko for vesentlige endringer i balanseført verdi på eiendeler og gjeld i løpet av neste regnskapsår, drøftes nedenfor.

a) Estimert verdifall på varige driftsmidler

Selskapet gjennomfører periodiske tester for å vurdere verdifall på varige driftsmidler. Varige driftsmidler nedskrives til gjenvinnbart beløp når gjenvinnbart beløp er lavere enn eiendelens balanseførte verdi. Gjenvinnbart beløp fra eiendeler er fastsatt som den høyeste av virkelig verdi fratrukket salgsutgifter og bruksverdi. Bruksverdi er nåverdien av framtidige kontantstrømmer som forventes å oppstå av en eiendel. Beregning av bruksverdi medfører bruk av estimater. Balanseført verdi av varige driftsmidler måles mot bruksverdi av varige driftsmidler.

b) Årlig vurdering av gjenværende levetid på varige driftsmidler

Selskapet gjennomfører årlige vurderinger av gjenværende levetid på varige driftsmidler. Endringer i estimert gjenværende levetid vil få effekt på fremtidige avskrivninger.

c) Avsetninger for fremtidige miljøforpliktelser

Selskapets avsetninger for fremtidige miljøforpliktelser er basert på en rekke forutsetninger basert på ledelsens beste skjønn. Endringer i disse forutsetningene vil kunne medføre en endring i avsetningen og kostnader for selskapet.

d) Restverdi på produksjonsutstyr og nedstengningsavsetninger

Restverdi på produksjonsutstyr er vurdert til forventet realisasjonsverdi på balansedagen etter fradrag for estimerte utgifter til demontering og fjerning av driftsmiddelet. Restverdien er påvirket av kortsiktige endringer i forutsetningene, for eksempel underliggende metallpris. En endring i restverdi vil kunne få effekt på fremtidige avskrivninger. Avsetningen for nedstengningskostnader er basert på en rekke forutsetninger basert på ledelsens beste skjønn.

e) Virkelig verdi på derivater og andre finansielle instrumenter

Virkelig verdi på finansielle instrumenter som ikke handles i et aktivt marked fastsettes ved å benytte verdsettelsesteknikker. Selskapet vurderer og velger metoder og forutsetninger som så langt som mulig er basert på markedsforholdene på balansedagen.

f) Pensjoner

Nåverdien av pensjonsforpliktelsene avhenger av flere ulike faktorer som er bestemt av en rekke aktuarmessige forutsetninger. Forutsetningene som benyttes ved beregning av netto pensjonskostnad (inntekt) inkluderer diskonteringsrenten. Endringer i disse forutsetningene vil påvirke balanseført verdi av pensjonsforpliktelsene.

Nye regnskapsstandarder

Følgende standard er vedtatt og vil bli implementert av selskapet 1. januar 2019:

- IFRS 16 leiekontrakter: Standarden erstatter IAS 17. IFRS 16 innebærer at leietakere balansefører eiendeler og forpliktelser for de fleste leieavtaler

Den nye standarden vil bli implementert ved modifisert retroperspektiv metode uten omarbeiding av regnskap for tidligere perioder. Verdien av bruksretten på de balanseførte eiendelene vil være lik leieforpliktelsen og implementering av IFRS 16 vil derfor ikke ha noen effekt på selskapets egenkapital. Selskapet har kun noen mindre leieavtaler som medfører endringer i regnskapspraksis fra 1. januar 2019, så implementering av IFRS 16 vil ikke medføre vesentlige effekter på selskapsregnskapet til Norske Skog Skogn AS.

Andre endringer i IFRS er heller ikke forventet å ha noen vesentlig effekt for 2019.

Tall i 1000 kr

Note 2 - Driftsinntekter per marked

Norske Skog Skogn AS sin virksomhet omfatter salg av varer og tjenester til de geografiske regionene Europa, Nord-Amerika, Asia og Afrika.

	2018	2017
Norge	290 439	190 583
Resten av Europa	1 834 724	1 663 432
Nord-Amerika	564	20 302
Asia	2 900	4 213
Afrika	70 921	76 686
Sum	**2 199 548**	**1 955 216**

Ordinære inntekter ved salg av varer og tjenester til konsernselskap i 2018 utgjorde TNOK 2 189, i 2017 TNOK 1 974.

Note 3 - Lønnskostnader, antall ansatte og lån til ansatte

Lønnskostnader

	2018	2017
Lønn inkludert feriepenger	219 916	215 254
Arbeidsgiveravgift	32 792	32 586
Pensjonskostnader	8 602	7 537
Andre ytelser	2 860	1 288
Sum	**264 169**	**256 665**

Selskapet har i regnskapsåret 2018 sysselsatt totalt 389,4 årsverk. I 2017 var det 391,3 årsverk.

Lån og sikkerhetstillelse til ansatte i selskapet

Ansatte har lån i selskapet på tilsammen TNOK 713. Lånet avdras over 20 år.

Renten tilsvarer skattefri rentesats fastsatt av myndighetene, og lånet er sikret ved pant i fast eiendom.

Ytelser til styret og ansatte i ledende stillinger 2018

	Lønn	Bonus	Natural-ytelser	Pensjons-kostnad	Sum
Ledende ansatte					
Amund Saxrud	1 859	548	26	181	2 614

Gjensidig oppsigelsestid for administrerende direktør er seks måneder. I særlige restruktureringstilfeller hvor ansettelsesforholdet bringes til opphør av selskapet har administrerende direktør på nærmere vilkår rett til en etterlønn på 12 måneder grunnlønn etter utløp av oppsigelsestiden.

Det er ikke gitt lån til ledende ansatte.

Det er ikke utbetalt honorar til styret.

Note 4 - Transaksjoner med selskap i samme konsern

	2018	2017
Norske Skog AS, Skøyen	16 767	0
Norske Skog Saugbrugs AS, Halden	106	100
Norske Skog Papier Recycling GmbH, Bruck	77	76
Norske Skog Deutschland GmbH, Tyskland	960	279
Norske Skog (UK) Ltd., London, Storbritannia	15 082	15 847
Norske Skog France sarl., Paris, Frankrike	1 432	948
Norske Skog Italia SrL, Milano, Italia	1 961	1 011
Norske Skog Nordic & Export Sales AS, Skøyen	2 199	2 631
Sum	**38 584**	**20 893**

Note 5 - Innebygde derivater i kraftkontrakter

	2018	2017
Urealiserte verdiendringer på kraftkontrakter (tap(-) / gevinst(+))	186 624	-33 315

Det ble i desember 2018 inngått en ny energiavtale med Statkraft for perioden 1. desember 2018 til og med 31. desember 2026. Avtalen er i EUR og prisutviklingen i avtalepreioden er knyttet mot blant annet salgsprisutvikling på avispapir og valuta. Den gamle strømavtalen i EUR fra 2013 ble terminert samtidig med at den nye ble inngått.

På grunn av svekkelse av NOK mot EUR i perioden frem til 31.12.2017 var det ved inngangen til 2018 bokført 138 millioner i urealisert tap på det innebygde derivatet i den gamle kontrakten. Ved terminering i desember 2018 opphørte forpliktelsene i den gamle avtalen og urealisert tap knytet til denne ble tilbakeført.

Netto positiv verdi av urealisert gevinst på den nye energiavtalen pr 31.12.2018 er 48,3 mill NOK hvorav 51,7 mill er klassifisert som langsiktig fordring og 3,4 mill er klassifisert som kortsiktig gjeld .

Note 6 - Finansposter

	2018	2017
Renteinntekter	2 185	1 205
Rentekostnader	-12 805	-14 916
Valutagevinster/-tap	508	378
Andre finansposter	-1 530	-76 548
Sum	**-11 643**	**-89 882**

Rentekostnader til konsernselskap utgjorde i 2018 9,7 mill NOK. I 2017 utgjorde dette 11,2 mill NOK.
I forbindelse med konkursen i Norske Skogindustrier ASA i 2017 ble det tapsført en fordring mot dem på 76,7 mill NOK.

Note 7 - Skatt

Skattekostnad

	2018	2017
Endring utsatt skatt over resultatet	135	-34 552
Endring utsatt skatt over OCI	219	1 552
Skattekostnad (-) / skatteinntekt (+)	**354**	**-33 000**

Avstemming av selskapets skattekostnad

	2018	2017
Resultat før skatt	164 442	-523 068
Skatt beregnet ut fra nominell skattesats – 23%	37 822	-125 536
Skattefri inntekt/ikke fradragsberettigede kostnader	90	18 261
Skatt på utvidet resultat	-219	-1 552
Begrensing av fradragsramme mellom nærstående	1 802	-381
Skatt på ikke balanseført framførbart underskudd	-39 849	142 208
Årets skattekostnad	**-354**	**33 000**

Utsatt skatt

	2018	2017
Netto utsatt skatt ved periodens begynnelse	-38 000	-71 000
Utsatt skatt ført mot resultatregnskapet	-135	34 552
Skatt på estimatavvik pensjoner	-219	-1 552
Netto utsatt skatt/skattefordel (-) ved periodens slutt	**-38 354**	**-38 000**

Utsatt skatt - detaljer

	31.12.2018	31.12.2017
Varige driftsmidler, merverdi og avskrivninger	-105 163	-94 154
Pensjoner	6	-340
Utestående fordringer	2	-4
Miljøavsetninger	-1 298	-1 357
Finansielle instrumenter	10 617	-71 536
Utsatt skatt kortsiktige poster	2 991	2 011
Fremførbare underskudd	-164 904	-143 578
Utsatt skattefordel som ikke er innregnet	219 394	270 959
Netto utsatt skatt (+)/skattefordel (-) ved periodens slutt	**-38 354**	**-38 000**

Underskudd til fremføring og skattekreditter

	31.12.2018	31.12.2017
Underskudd til fremføring	-749 564	-624 253
Utsatt skattefordel av fremførbare underskudd	-164 904	-143 578

Endring utsatt skattefordel på 0,3 mill NOK i balansen er netto årets skattekostnad på 0,1 mill NOK og skatteeffekt av estimatavvik pensjoner på 0,2 mill NOK. Norske Skog Skogn AS har ut fra forsiktighetsgrunner valgt å balanseføre kun en andel av utsatt skattefordel pr. 31. desember 2018. Utsatt skattefordel på fremførbart underskudd og andre midlertidige forskjeller er testet mot forventet fremtidig skattbar inntjening. Basert på testen forventes det skattbar inntjening som forsvarer balanseføring av utsatt skattefordel. Forskjellig periodisering av regnskapsmessig- og skattemessig inntjening har imidlertid medført at selskapet har valgt å legge et konservativt syn til grunn for balanseføring av utsatt skattefordel.

Skattesats for beregning av utsatt skatt/skattefordel pr 31.12.2018 er 22% (23% pr 31.12.2017).

Note 8 - Varige driftsmidler

Varige driftsmidler

	Maskiner og anlegg	Tomter og fast eiendom	Drifts-løsøre og inventar	Anlegg under utførelse	Sum
Historisk anskaffelseskost 01.01.2018	4 475 372	1 490 200	23 865	1 202	5 990 640
Tilgang kjøpte driftsmidler	35 589	0	764	0	36 353
Avgang solgte driftsmidler	0	0	0	0	0
Overført fra anlegg under utførelse	1 202	0	0	-1 202	0
Anskaffelseskost 31.12.2018	**4 512 163**	**1 490 200**	**24 629**	**0**	**6 026 993**
Akkumulerte avskrivninger 31.12.2018	-3 804 212	-1 230 580	-23 410	0	-5 058 203
Akkumulerte nedskrivninger 31.12.2018	-261 012	-125 988	0	0	-387 000
Balanseført verdi pr. 31.12.2018	**446 939**	**133 632**	**1 219**	**0**	**581 790**
Årets ordinære avskrivninger	63 090	25 809	521	0	89 419
Årets nedskrivninger	0	0	0	0	0

Selskapet benytter linære avskrivninger for alle varige driftsmidler. Tomter avskrives ikke.

Estimert økonomiske levetid for driftsmidler er (antall år):

Maskiner og anlegg	3-20
Bygninger og annen fast eiendom	3-33
Driftsløsøre og inventar	3-5

Gjenvinnbar verdi
Maskiner og anlegg skrives ned til gjenvinnbar verdi når denne er lavere enn bokført verdi. Gjenvinnbar verdi settes til det høyeste av netto salgsverdi og verdi i fortsatt drift. Verdi i fortsatt drift settes lik nåverdi av forventet fremtidig kontantstrøm ved drift av anlegget i sin gjenværende økonomiske levetid.

Note 9 - Leieavtaler

Operasjonelle leieavtaler

Selskapet har i 2018 kostnadsført TNOK 127 relatert til operasjonelle leieavtaler. I 2017 var tilsvarende kostnad TNOK 109.

Minimumsbetaling knyttet til operasjonelle leieavtaler	**31.12.2018**	**31.12.2017**
Forfall innen 1 år	127	109
Forfall mellom 1 til 5 år	420	279
Sum	**548**	**387**

Finansielle leieavtaler
Leieavtaler vedrørende varige driftsmidler der selskapet i hovedsak innehar all risiko og kontroll klassifiseres som finansielle leieavtaler. Finansielle leieavtaler balanseføres ved leieperiodens begynnelse til det laveste av virkelig verdi på driftsmidlene og nåverdien av den samlede minimusleien. Driftsmidlene avskrives lineært over forventet økonomisk levetid.

Minimumsbetaling knyttet til finansielle leieavtaler	31.12.2018	31.12.2017
Forfall innen 1 år	348	880
Forfall mellom 1 til 5 år	0	348
Forfall senere enn 5 år	0	0
Sum	348	1 227
Fremtidige finanskostnader på finansielle leieavtaler	-8	-39
Nåverdi av finansielle leieavtaler	**340**	**1 188**

Nåverdi av finansielle leieavtaler	31.12.2018	31.12.2017
Forfall innen 1 år	340	842
Forfall mellom 1 til 5 år	0	346
Forfall senere enn 5 år	0	0
Sum	340	1 188
Driftsmidlenes balanseførte verdi (maskiner og anlegg)	**200**	**1 070**

Note 10 - Mellomværende med selskap i samme konsern og tilknyttede selskap

Konsernintern langsiktig gjeld	31.12.2018	31.12.2017
Norske Skog AS, Skøyen	129 235	119 539
Sum	**129 235**	**119 539**

Konsernintern kortsiktig gjeld		
Norske Skog Nordic & Export Sales AS, Skøyen	201	93
Norske Skog AS, Skøyen	40 425	0
Norske Skog Saugbrugs AS, Halden	0	1 257
Norske Skog Deutschland GmbH, Augsburg, Tyskland	7	4
Norske Skog France sarl., Paris, Frankrike	19	5
Norske Skog Italia SrL, Milano, Italia	16	1
Norske Skog (UK) Ltd., London, Storbritannia	104	89
Norske Skog Papier Recycling, Østerrike	20	20
Sum	**40 791**	**1 469**

Konsernintern kortsiktig fordring	31.12.2018	31.12.2017
Norske Skog Saugbrugs AS, Halden	0	156
Norske Skog AS, Skøyen	6 841	212 769
Norske Skog Italia SrL, Milano, Italia	0	36
Sum	**6 841**	**212 960**

Note 11 - Bundne midler og kortsiktige plasseringer

	31.12.2018	31.12.2017
Kontanter og bankinnskudd[1]	3 211	9 886
Bundne bankinnskudd[2]	13 252	12 759
Betalingsmidler i balansen	**16 463**	**22 645**

[1] Konsernets likviditet er organisert i en konsernkontoordning hvor Norske Skog AS er eier av kontoen pr 31.12.2018. Dette innebærer at bankinnskudd pr 31.12.2018 på TNOK 16 463 formelt sett er fordring på Norske Skog AS, og at alle konsernselskaper som er deltaker i konsernkontoordningen er solidarisk ansvarlige for de trekk konsernet til enhver tid har gjort.

[2] Bundne bankinnskudd er i hovedsak skattetrekksmidler

Note 12 - Gjeld

Langsiktig rentebærende gjeld	**31.12.2018**	**31.12.2017**
Lån fra foretak i samme konsern	129 235	119 539
Annen langsiktig rentebærende gjeld	0	346
Sum	**129 235**	**119 885**

Annen langsiktig gjeld	**31.12.2018**	**31.12.2017**
Derivater i kraftkontrakter (se også note 5)	0	124 600
Annen langsiktig gjeld	5 900	5 900
Sum	**5 900**	**130 500**

Gjeld med forfall senere enn ett år mindre enn 5 år	**31.12.2018**	**31.12.2017**
Annen langsiktig gjeld	0	346
Sum	**0**	**346**

Langsiktig gjeld med forfall senere enn 5 år	**31.12.2018**	**31.12.2017**
Lån fra foretak i samme konsern	129 235	119 539
Annen langsiktig gjeld	5 900	5 900
Sum	**135 135**	**125 439**

Kortsiktig rentebærende gjeld	**31.12.2018**	**31.12.2017**
Kortsiktig gjeld til banker	340	842
Sum	**340**	**842**

Avdragsplan for gjeld innebærer at TNOK 340 forfaller til betaling i løpet av første år og TNOK 135 135 forfaller til betaling etter mer enn 5 år. Renten er flytende og følger NIBOR.

Note 13 - Beholdninger

	2018	**2017**
Råvarer og annet driftsmateriell	164 779	131 112
Ferdigvarer	129 890	96 329
Sum	**294 669**	**227 441**

Note 14 - Egenkapital, aksjekapital og aksjonærinformasjon

Aksjekapital og aksjonærinformasjon

Selskapets aksjekapital er NOK 115 230 000 fordelt på 10 020 aksjer pålydende NOK 11 500.
Samtlige aksjer eies av Norske Skog AS.
Vedtektsbestemmelser om stemmerett står i samme forhold, det vil si at én aksje gir én stemme.

Egenkapital

	Aksje-kapital	Annen EK	Sum
Egenkapital pr 01.01.2018	1 152 300	-292 617	859 683
Utvidet resultat		-735	-735
Årets resultat		164 577	164 577
Kapitalnedsettelse 27.12.2018	-1 037 070	737 070	-300 000
Egenkapital pr 31.12 2018	**115 230**	**608 295**	**723 525**

Årets resultat på 164 577 TNOK overføres til annen EK.

Ekstraordinær generalforsamling vedtok ei kapitalnedsettelse i 2018 på 1 037 070 TNOK, ved nedsettelse av pålydende for samtlige aksjer fra NOK 115 000 pr aksje til NOK 11 500 pr aksje. Nedsettelsesbeløpet ble benyttet ved 737 070 TNOK til annen egenkapital og 300 000 TNOK som tilbakebetaling av innbetalt kapital til aksjonærene.

Note 15 - Pensjoner

Selskapet er pliktig til å ha tjenestepensjonsordning etter lov om obligatorisk tjenestepensjon. Selskapets pensjonsordning tilfredsstiller kravene i denne lov.

Selskapet har pensjonsordninger som omfatter i alt 412 personer. Ordningene gir rett til definerte fremtidige ytelser. Disse er i hovedsak avhengig av opptjeningsår, lønnsnivå ved oppnådd pensjonsalder og størrelsen på ytelsene fra folketrygden. Forpliktelsene er dekket gjennom et forsikringsselskap.

Selskapet gikk med virkning fra 1. januar 2011 over til en innskuddsbasert pensjonsordning, med 4 % innskudd av lønn mellom 1 og 6 G (folketrygdens grunnbeløp) og 8 % mellom 6 og 12 G. Tidligere hovedordning med pensjonsalder på 67 år og dekning på omlag 65 % av lønn ved fratreden og 60 % fra fylte 77 år, ble lukket 31. desember 2010 og omfatter ansatte født før 1. januar 1959 som ble ansatt i selskapet før lukkingen. Selskapet har en tilleggsdekning for lønn over 12 G.

Netto periodisert pensjonskostnad	**2018**	**2017**
Nåverdi av årets pensjonsopptjening	1 493	1 624
Periodisert arbeidsgiveravgift	211	229
Tidligere servicekostnad/planendringer /avkortinger	0	-862
Innbetaling til innskuddspensjon	6 507	6 162
Administrasjonskostnad	107	114
Netto pensjonskostnad i driftsresultatet	**8 318**	**7 268**
Netto finanskostnad	34	-116
Årets estimatavvik	954	6 749

Økonomiske forutsetninger lagt til grunn ved beregning av pensjonskostnaden	**2018**	**2017**
Diskonteringsrente	2,60 %	2,30 %
Forventet avkastning på pensjonsmidler	2,60 %	2,30 %
Forventet lønnsvekst	2,00 %	2,00 %
Forventet G-regulering	2,00 %	2,00 %
Forventet regulering av pensjoner under utbetaling	0,00 %	0,00 %

Avstemming av pensjonsordningenes finansierte status mot beløp i selskapets balanse

	2018	**2017**
Estimerte pensjonsforpliktelser	-72 374	-80 278
Estimerte pensjonsmidler	72 400	78 800
Balanseført netto pensjonsforpliktelse (-) / pensjonsmidler (+)	**26**	**-1 478**
Sum sikret ordning	26	-1 478
Sum usikret ordning	0	0

Note 16 - Andre driftskostnader og honorar til revisor

	2018	2017
Vedlikeholdsmateriell og -tjenester	60 019	49 998
Konsulenthonorar	5 488	4 765
Administrasjon, forsikring og reisekostnader	23 704	24 899
Leiekostnader	10 342	7 089
Konserninterne kommisjoner	21 634	20 717
Andre driftskostnader	8 710	8 352
Sum andre driftskostnader	**129 898**	**115 820**

Honorar for lovpålagt revisjon for året	301	200
Andre attestasjonstjenester	19	260
Sum	**320**	**460**

Note 17 - Fordringer

Kundefordringer	**2018**	**2017**
Eksterne kundefordringer	107 512	180 462
Avsetning for tap på fordringer	-583	-466
Netto kundefordringer	106 929	179 995
Konserninterne kortsiktige utlån	6 841	212 960
Forskuddsbetalte kostnader/avsetninger	41 398	32 919
Andre eksterne fordringer	3 526	2 204
Sum fordringer	**158 694**	**428 079**

Eksterne kundefordringer er redusert 31.12.2018 sammenlignet med 31.12.2017 grunnet inngåelse av en faktoringavtale om overdragelse av fordringer med Sparebank 1 Factoring AS. Total ramme er til sammen NOK 400 millioner for de norske enhetene Norske Skog Skogn AS og Norske Skog Saugbrugs AS. Per 31.12.2018 hadde Norske Skog Skogn AS utnyttet NOK 86 millioner av rammen.

Note 18 - Risikofaktorer

Styret er kjent med markedsutfordringene som påvirker Norske Skog konsernet, herunder risikoer som kan påvirke resultater, likviditet og egenkapital. Disse faktorer er en iboende usikkerhet når styret gjør sine vurderinger. De viktigste risikofaktorer for Norske Skog Skogn AS er knyttet til usikkerhet til utvikling i priser og volum for avispapir og kostnadene for innsatsfaktorer som energi og fiber. Svakere etterspørsel etter selskapets produkter kan påvirke lønnsomhet og tilhørende kontantstrømmer negativt, samt usikkerhet knyttet til endringer i arbeidskapital. Norske Skog Skogn AS er også eksponert for valutarisiko både på inntekter og kostnader, samt risiko for at det ikke er tilstrekkelig likviditet tilgjengelig i konsernet for å dekke løpende drift i den grad lønnsomheten i selskapet reduseres.

I samsvar med kravene i regnskapsloven har styret vurdert forutsetningen om fortsatt drift som grunnlag for utarbeidelse og presentasjon av årsregnskapet. Til grunn for vurderingen har styret gjennomgått risikoene som beskrevet over, resultatprognoser for 2019 og selskapets langsiktige strategiske prognoser for årene fremover.

Note 19 - Sikkerhetsstillelse for lån og kontrakter

Selskapet har også stilt driftsmidler for inntil NOK 200 millioner som sikkerhet for oppfyllelse av kontrakter med energileverandører.

Bokført verdi av varige driftmidlene til selskapet er NOK 582 millioner.

Frem til endelig innbetaling fra kunde, har Sparebank 1 Factoring AS pant i selskapets kundefordringer.

BDO AS
Munkedamsveien 45
Postboks 1704 Vika
0121 Oslo

Uavhengig revisors beretning

Til generalforsamlingen i Norske Skog Skogn AS

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert Norske Skog Skogn AS' årsregnskap.

Årsregnskapet består av:

- Balanse per 31. desember 2018
- Resultatregnskap for 2018
- Kontantstrømoppstilling for regnskapsåret avsluttet per 31. desember 2018
- Noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening:

Er årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets finansielle stilling per 31. desember 2018, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med forenklet anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3-9.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Annen informasjon

Ledelsen er ansvarlig for annen informasjon. Annen informasjon består av årsberetningen, men inkluderer ikke årsregnskapet og revisjonsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke annen informasjon, og vi attesterer ikke den andre informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese annen informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom annen informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi konkluderer med at annen informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Styret og daglig leders ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med forenklet anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3-9. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet med mindre ledelsen enten har til hensikt å avvikle selskapet eller legge ned virksomheten, eller ikke har noe realistisk alternativ til dette.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

For videre beskrivelse av revisors oppgaver og plikter vises det til: https://revisorforeningen.no/revisjonsberetninger

Uttalelse om øvrige lovmessige krav

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til anvendelse av overskuddet er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

BDO AS

Yngve Gjethammer
statsautorisert revisor
(elektronisk signert)

Yngve Gjethammer
Partner
På vegne av: BDO AS
Serienummer: 9578-5998-4-785509
IP: 188.95.xxx.xxx
2019-05-10 12:41:48Z

bank ID

Appendix E

Norske Skog Saugbrugs AS

Årsrapport 2017

Norske Skog

Innhold:

Årsberetning 2017
Norske Skog Saugbrugs AS

Generell informasjon

Norske Skog Saugbrugs AS ble stiftet i 2011 i forbindelse med omorganiseringen av Norske Skogs fabrikkvirksomhet i Norge. Norske Skog AS eier alle aksjene i selskapet. Selskapets hovedkontor er i Halden kommune.

Virksomhetens art

Selskapets primære virksomhet omfatter produksjon og salg av Super Calendered (SC) magasinpapir. Den årlige produksjonskapasiteten er på 485 000 tonn. All produksjon finner sted ved selskapets produksjonsanlegg i Halden.

Markedsutvikling

Markedet som selskapet opererer ble noe bedre balansert i løpet av 2017 med relativ stabil etterspørsel kombinert med en vesentlig kapasitetsreduksjon i Europa. De totale leveransene av SC magasinpapir til markedene i Europa gikk ned 1 %, eller ca. 45 000 tonn, i 2017 sammenlignet med forrige år. Kapasiteten i Europa ble redusert med ca. 12 % (655 000 tonn) i løpet av 2017, og kapasitetsutnyttelsen for produsentene i Vest-Europa bedret seg fra 88 % i 2016 til 93 % i 2017. Samtidig har det vært en krevende markedssituasjon i Nord-Amerika med fallende etterspørsel og stabil produksjonskapasitet, noe som igjen har lagt press på salgsprisene. Kombinert med en svekkelse av USD mot NOK har dette ført til redusert lønnsomhet på salg til USA. Selskapet har derfor redusert salget til USA i 2017 og kompensert med høyere salg til Europa.

Markedet for SC magasinpapir har fortsatt utviklingen mot en økt differensiering der stadig nye produkter, blant annet papir med høyere tykkelse, har etablert seg godt i markedet. Selskapet har utviklet produkter for dette segmentet og lanserte i 2014 produktet Norsc Lite, som er et tykkere papir enn standard SC-A. Salg av dette produktet utgjorde 50 % av det totale salgsvolumet i 2017 (41 % i 2016). I 2015 lanserte selskapet Norsc Value som et produkt som vil gi oss muligheter til å konkurrere om kunder i SC-B segmentet, og i 2017 utgjorde salget av dette produktet mer enn 10 % av det totale salgsvolumet (12 % i 2016 med høye volumer til USA). Vi forventer at produktene Lite og Value fortsetter framgangen i 2018, og blir de to dominerende produktgruppene for selskapet.

Redegjørelse for årsregnskapet

Resultatregnskapet for selskapet omfatter perioden fra 1. januar til 31. desember 2017.

Omsetningen endte på 2 091 millioner sammenlignet med 2 115 millioner i 2016. Nedgangen er en nettoeffekt av 2 % høyere salgsvolum og noe prisnedgang i markedene i Europa og Nord-Amerika ved inngangen til året. I Europa økte salgsprisene i siste halvdel av 2017 og kom da opp på et litt høyere nivå enn de lå på før prisnedgangen ved inngangen av året.

Distribusjonskostnader per tonn hadde en økning på 1 % sammenlignet med 2016, og sammen med en noe økning i salgsvolum førte det til at totale distribusjonskostnader økte med 7 millioner fra 2016. Varekost gikk noe opp som følge av høyere priser på viktige innsatsfaktorer, økt produksjonsvolum og noe reduksjon i ferdigvarelager. Optimalisering av råstoffmiks i papiret hadde også i 2017 positive effekter på forbruk av råvarer og lignende, men dette var ikke tilstrekkelig til å motvirke effektene av økte priser på innsatsfaktorer. Utviklingen i tømmermarkedet medførte økte kostnader for selskapet i 2. halvår 2017 og tapt produksjon på grunn av virkesmangel.

Brutto driftsresultat var 78 millioner sammenlignet med 197 millioner i 2016 og driftsmargin endte på 3,7 % sammenlignet med 9,3 % i 2016. Nedgangen har sammenheng med reduksjon i salgspris og høyere priser på viktige innsatsfaktorer.

Driftsresultatet før finanskostnader og skatter endte på -457 millioner. Posten andre gevinster og tap på 8 millioner består i all hovedsak av urealisert gevinst på innebygde derivater i energikontrakter.

Finansposter inneholder et tap på 66 millioner knyttet til fordring på Norske Skogindustrier ASA. Fordringen har blitt skrevet ned til null i verdi etter at det i desember 2017 ble åpnet konkursbehandling i de tidligere konsernselskapene Norske Skogindustrier ASA, Norske Treindustrier AS og Norske Skog Holding AS.

Hovedelementene i selskapets skattekostnad på 38 millioner er reduksjon av utsatt skattefordel og redusert verdi av midlertidige forskjeller som følge av at skattesatsen reduseres med 1 % fra og med 2018.

Årsresultatet for 2017 ble -587 millioner og totalresultat for 2017 ble -595 millioner.

Norske Skog Saugbrugs AS har per 31. desember 2017 et skattemessig underskudd til fremføring på 652 millioner.

Aktiverte investeringer beløp seg til 32 millioner i 2017. Selskapet har ikke balanseført forsknings- og utviklingskostnader.

Samlet kontantstrøm i selskapet var i 2017 på 4 millioner. Selskapets beholdning av kontanter og kontantekvivalenter var ved utgangen av 2017 19 millioner. Selskapets rentebærende gjeld er redusert med 66 millioner gjennom 2017.

Kortsiktig gjeld utgjorde per 31. desember 2017 51 % av samlet gjeld i selskapet. Totalkapitalen ved utgangen av året var 1 074 millioner og egenkapitalen på 534 millioner utgjorde 49,7 % av totalkapitalen.

I 2017 gjennomførte Norske Skog Saugbrugs, som tidligere år, nedskrivingstester for verdifall på driftsmidler. På bakgrunn av svakere markedsutvikling og svakere driftsmargin i 2017 konkluderte styret med at balanseført verdi var høyere enn antatt bruksverdi, og selskapets driftsmidler ble nedskrevet med kr 451 millioner per 31. desember 2017.

Finansiell risiko

Norske Skog Saugbrugs AS er eksponert mot ulike finansielle risikofaktorer gjennom selskapets driftsaktiviteter, herunder markedsrisiko (renterisiko, valutarisiko og råvarepris-risiko), likviditetsrisiko og kredittrisiko. Selskapet søker å minimere tap og redusere volatiliteten i resultatet som forårsakes av ugunstige markedsbevegelser gjennom operasjonelle og finansielle tiltak.

Markedsrisiko

Selskapet er eksponert for endringer i valutakurser da det meste av selskapets inntekter er i utenlandsk valuta. Som gjennomsnitt for 2017, var norske krone uforandret mot EUR fra 2016, men sterkere mot USD og GBP. Den negative effekten av valutaendringene på inntektene er begrenset siden det aller meste av salget er i EUR.

Selskapet kjøper cellulose priset i USD, fyllstoff til papiret fra UK i GBP og en del av virket fra Sverige i SEK. Fraktkostnadene betales i all hovedsak i EUR, USD og GBP mens største delen av elektrisk kraft er priset i EUR.

Selskapet er også eksponert for endringer i rentenivået, da selskapets gjeld har flytende rente.

Kredittrisiko

Selskapet har hittil ikke hatt vesentlige tap på fordringer og kredittrisikoen anses generelt som lav. Per 31. desember 2017 utgjør kundefordringer 225 millioner etter fradrag for avsetning til tap på krav med 2 millioner.

Likviditetsrisiko

Norske Skog Saugbrugs AS har i 2017 finansiert sine løpende likviditetsbehov gjennom Norske Skog AS. Arbeidet med å styrke lønnsomhet, likviditet og finansiell posisjon har hatt høy prioritet i 2017 og vil være et viktig område å fokusere på også framover.

Selskapet er en del av konsernkontosystemet i Norske Skog konsernet og har dermed likviditetsrisiko knyttet til likviditeten i konsernet som helhet.

Finansielle instrumenter

Norske Skog Saugbrugs AS har inngått energikontrakter i Euro for å redusere selskapets betydelige eksponering mot inntekter i Euro. Finansielt er en kontrakt som kombinerer energipriser og valutaeksponering ansett for å være et hybrid instrument bestående av selve kontrakten samt et innebygd derivat. Når innebygde derivater anses som nært relatert til kontrakten, blir de ikke skilt ut fra kontrakten, mens de blir bokført som frittstående derivater når de ikke blir ansett som nært relatert. Norske Skog Saugbrugs AS bokfører det utenlandske valuta-elementet i kontrakten som et separat innebygd derivat. De innebygde derivatene er beregnet til virkelig verdi i henhold til IAS39 *Financial instruments – recognition and measurement*. Pr 31. desember 2017 er de innebygde derivatene bokført til en negativ verdi på 111 millioner.

Arbeidsmiljø, helse og sikkerhet

Selskapet har en målsetning om ingen skader med fravær blant de ansatte. Alle nestenulykker og skader rapporteres i henhold til Norske Skog-konsernets felles retningslinjer. Erfaringer fra hver enkelt hendelse gjennomgås for å identifisere mulige forbedringer i prosesser og retningslinjer.

Sykefraværet i 2017 var på 4,0 % og selskapets hadde 2 H1-skader (skader med fravær). Arbeidsmiljøet betraktes som godt og selskapet vurderer kontinuerlig tiltak for forbedringer. Samarbeidet med de ansattes organisasjoner har vært konstruktivt og bidratt positivt til driften.

Likestilling

Papirindustrien har tradisjonelt hatt en lav kvinneandel og dette er også tilfellet for Norske Skog Saugbrugs AS hvor kvinneandelen per 31. desember 2017 utgjorde 7 % av arbeidsstyrken.

Selskapets styre består av seks menn og en kvinne.

Diskriminering

Diskrimineringslovens formål er å fremme likestilling, sikre like muligheter og rettigheter og å hindre diskriminering på grunn av etnisk tilhørighet, språk, religion eller livssyn. Selskapet arbeider målrettet og planmessig for å fremme lovens formål innenfor vår virksomhet.

Forskning og utvikling

Selskapet har en kontinuerlig fokus på å utvikle SC magasinpapir slik at produktene som tilbys er tilpasset markedets behov og kan produseres så kostnadseffektivt som mulig. I tillegg fokuseres det på å utvikle produkter i synergi med dagens produksjon, blant annet innen områdene fornybar energi og alternativ anvendelse av trefiber. Fullskala biogassanlegg, pilotanlegg for mikrofibrillær cellulose (MFC) og pilotanlegg for produksjon av limfrie fiberplater fra termomekanisk tremasse som ble startet opp i 2017, er alle gode eksempler på produkter som er i synergi med dagens produksjon.

Påvirkning av det ytre miljø

Papirproduksjon er en energiintensiv prosess hvor energien hovedsakelig benyttes til to formål: å separere, prosessere og transportere fibre og vann (elektrisk energi), samt å levere prosessvarme for å tørke papir (termisk energi). Utslipp til luft kommer primært fra produksjonen av termisk energi. Det er prosessen med å separere fibre (tremasseproduksjon) som krever mest elektrisk energi og det arbeides kontinuerlig med å redusere energibehovet i denne prosessen.

Hoveddelen av det faste avfallet kommer fra prosessering av fibre (trevirke) og fra rensing av avløpsvann (fibre og biologisk slam). Vann som brukes i papirproduksjonen gjenvinnes normalt flere ganger gjennom masse- og papirproduksjonsprosessen for deretter å gå gjennom flere renseprosesser før det slippes ut i elver og sjøer. Renseprosessene har til hensikt å fjerne faste partikler og oppløst organisk materiale for å unngå uheldig miljøpåvirkning ved utslipp.

Selskapet har som målsetning at alt trevirke som benyttes i produksjonen skal være sertifisert.

Selskapet har i 2017 ikke hatt hendelser som har medført alvorlige negative miljøpåvirkninger, men i forbindelse med oppstart av biogassanlegget har noen konsesjonsgrenser for utslipp vært midlertidig overskredet.

For selskapet er det viktig å ha et godt forhold til omgivelsene og det legges vekt på å ha en tett kontakt med lokale myndigheter og informere nærområdet om hva som foregår ved bedriften.

Fortsatt drift

Styret er kjent med markedsutfordringene som påvirker Norske Skog AS konsernet, herunder risikoer som kan påvirke resultater, likviditet og egenkapital. Dette er faktorer som er en iboende usikkerhet når styret gjør sine vurderinger. Den 3.mai 2018 inngikk et heleid datterselskap av Oceanwood Opportunities Master Fund en aksjekjøpsavtale for kjøp av aksjene i Norske Skog AS med datterselskaper. Når transaksjonen er endelig gjennomført, vil Norske Skog AS-konsernets egenkapital bli forbedret med ca. NOK 3,5 milliarder. Som følge av transaksjonen vil gjeld og rentekostnader bli redusert, som vil forbedre både soliditet og likviditet i selskapet og konsernet.

De viktigste risikofaktorer for Norske Skog Saugbrugs AS er knyttet til usikkerhet til utvikling i priser og volum for magasinpapir og kostnadene for innsatsfaktorer som energi og fiber. Som beskrevet under utsikter for 2018, er markedet for SC-magasinpapir for tiden sterkt og selskapet regner med å kunne selge alt det kan produsere i 2018. Svakere etterspørsel etter selskapets produkter kan på litt lengre sikt påvirke lønnsomhet og tilhørende kontantstrømmer negativt. Som beskrevet under markedsrisiko, er selskapet også eksponert for valutarisiko både på inntekter og kostnader.

I samsvar med kravene i regnskapsloven har styret vurdert forutsetningen om fortsatt drift som grunnlag for å utarbeidelse og presentasjon av årsregnskapet. Til grunn for vurderingen ligger resultatprognoser for 2018 og selskapets langsiktige strategiske prognoser for årene fremover.

I samsvar med regnskapsloven § 3-3a bekreftes det at forutsetningene om fortsatt drift er til stede og lagt til grunn ved utarbeidelse av årsregnskapet.

Utsikter for 2018

Prisene for SC-magasinpapir i Europa viste en oppgang på 6-8 % ved inngangen til 2018. Det er forventet at markedsbalansen vil holde seg stabil i 2018 der full effekt av kapasitetsstengningene vil balanseres ut av et svakt etterspørselsfall. Selskapet har for tiden en høy kapasitetsutnyttelse på alle papirmaskiner og forventer at denne vil bli opprettholdt gjennom hele 2018. Vi finner det riktig å påpeke at disse estimatene er beheftet med usikkerhet, både på grunn av volatile markeder og valutasvingninger.

Totalt resultat og disponeringer

Styret foreslår at årets resultat på -587 millioner overføres til udekket tap. I tillegg overføres overkurs per 31.12.2016 på 1 097 millioner til udekket tap.

Styret konstaterer at selskapet har lidt et betydelig tap, særlig som følge av nedskrivninger av anleggsmidler. Det er styrets vurdering at selskapet fortsatt har en forsvarlig egenkapital, men vil tilrå at selskapets generalforsamling setter ned aksjekapitalen med et betydelig beløp til dekning av tapet.

Halden, 1. juni 2018

Styret i Norske Skog Saugbrugs AS

Tore Hansesætre

Styremedlem

Robert Wood

Styremedlem

Administrerende direktør

Årsregnskap

Norske Skog Saugbrugs AS

2017

org nr 996 732 703

RESULTATREGNSKAP 2017

Beløp oppgitt i NOK 1000

	NOTE	2017	2016
Driftsinntekter	2	**2 090 935**	**2 115 253**
Distribusjonskostnader		-242 169	-234 952
Forbruk av råvarer og lignende		-1 214 906	-1 136 523
Beholdningsendringer		-8 453	-25 303
Lønn og andre personalkostnader	3, 16	-363 745	-358 572
Andre driftskostnader	13	-183 686	-162 427
Brutto driftsresultat		**77 975**	**197 477**
Avskrivninger	6	-92 279	-104 736
Nedskrivninger	6	-451 000	-233 000
Brutto driftsresultat etter avskrivninger og nedskrivninger		**-465 304**	**-140 259**
Restruktureringskostnader		0	-6 196
Andre gevinster og tap	17	8 415	47 283
Driftsresultat		**-456 888**	**-99 172**
Finansposter	4	-91 293	-31 894
Resultat før skatt		**-548 181**	**-131 066**
Skattekostnad (-) / Skatteinntekt (+)	5	-38 460	63 004
Årsresultat		**-586 641**	**-68 061**
Utvidet resultatregnskap			
Estimatavvik pensjoner	16	-11 582	5 296
Estimatavvik pensjoner skatt	5	2 780	-1 324
Sum utvidet resultatregnskap		**-8 802**	**3 972**
Total resultat		**-595 443**	**-64 089**

BALANSE 2017

	NOTE	31.12.2017	31.12.2016
Beløp oppgitt i NOK 1000			
Eiendeler			
Utsatt skattefordel	5	26 000	61 680
Varige driftsmidler	6, 18	431 297	939 685
Pensjonsmidler	16	0	3 895
Aksjer i datterselskaper	7	90 615	83 315
Andre anleggsmidler		587	572
Anleggsmidler		**548 500**	**1 089 147**
Beholdninger	11, 18	220 341	232 399
Fordringer	8, 12, 18	285 946	429 536
Kontanter og kontantekvivalenter	14	19 335	15 141
Omløpsmidler		**525 621**	**677 076**
Sum eiendeler		**1 074 121**	**1 766 224**
Egenkapital og gjeld			
Aksjekapital		1 152 300	1 152 300
Overkurs		0	1 096 767
Udekket tap		-618 454	-1 119 778
Egenkapital	15	**533 846**	**1 129 289**
Pensjonsforpliktelser	16	5 683	0
Derivater, urealisert tap	10	88 957	96 764
Langsiktig rentebærende gjeld	8, 9	143 874	209 912
Annen langsiktig gjeld	10	27 800	27 300
Langsiktig gjeld		**266 314**	**333 975**
Leverandørgjeld og skyldige skatter og avgifter	8	114 782	140 107
Derivater, urealisert tap	10	21 615	22 164
Kortsiktig rentebærende gjeld	9	2 120	2 518
Annen kortsiktig gjeld	9	135 444	138 170
Kortsiktig gjeld		**273 961**	**302 959**
Sum gjeld		**540 275**	**636 934**
		1 074 121	**1 766 223**

Halden, 1. juni 2018

Styret i Norske Skog Saugbrugs AS

Paul R. Kristiansen

Styremedlem

Robert Wood

Styremedlem

KONTANTSTRØMOPPSTILLING 2017

Beløp oppgitt i NOK 1000

Direkte kontantstrømsanalyse

Kontantstrøm fra driften			
Innbetalinger fra driften		2 039 656	2 165 006
Utbetalinger til driften		-2 029 477	-1 872 252
Finansielle innbetalinger		29	3 504
Finansielle utbetalinger		-24 981	-42 972
Netto kontantstrøm fra driften		**-14 773**	**253 286**
Kontantstrøm fra investeringsaktivitetene			
Investeringer i varige driftsmidler	6	-31 828	-30 652
Salg av varige driftsmidler		59	380
Kjøp av aksjer		-7 315	0
Salg av aksjer, utbytte og nedbetaling av lån til ansatte		50	80
Netto kontantstrøm fra investeringsaktivitetene		**-39 034**	**-30 192**
Kontantstrøm fra finansieringsaktivitetene			
Opptak av lån		0	9 404
Nedbetaling av lån	9	-3 043	-125 983
Tap på fordring mot konsern		-65 526	0
Endring av konserninterne lån	8, 9	127 108	-288 132
Ny egenkapital	15	0	173 947
Netto kontantstrøm fra finansieringsaktivitetene		**58 540**	**-230 764**
Valutakurseffekter på kontanter og kontantekvivalenter		-539	203
Sum netto endring kontanter og kontantekvivalenter		**4 194**	**-7 466**
Kontanter og kontantekvivalenter 01.01		15 141	22 607
Kontanter og kontantekvivalenter 31.12		19 335	15 141

Note 1 – Regnskapsprinsipper

Generell informasjon

Norske Skog Saugbrugs AS er et aksjeselskap registrert i Norge. Selskapets hovedkontor er lokalisert i Halden, Norge. Samtlige aksjer i selskapet eies av Norske Skog AS. Selskapet inngår i konsernregnskapet til Norske Skog AS. I henhold til unntaket i regnskapsloven §3-7 har selskapet ikke utarbeidet konsernregnskap. Selskapsregnskapet og konsernregnskapet til Norske Skog AS er tilgjengelig ved konsernets hovedkontor i Oslo.

Årsregnskapet er avlagt i henhold til regnskapsloven § 3-9 og Forskrift om forenklet IFRS fastsatt av Finansdepartementet 3. november 2014. Dette innebærer i hovedsak at innregning og måling følger internasjonale regnskapsstandarder (IFRS) mens presentasjon og noteopplysninger er utarbeidet i henhold til norsk regnskapslov og god regnskapsskikk. Årsregnskapet er vedtatt av selskapets styre 1. juni 2018.

Grunnlag for utarbeidelse av årsregnskapet

Selskapsregnskapet legger til grunn prinsippene i et historisk kost regnskap, med unntak av finansielle instrumenter til virkelig verdi over resultatet og finansielle instrumenter tilgjengelig for salg som er regnskapsført til virkelig verdi.

Valuta

Transaksjoner i utenlandsk valuta omregnes til kursen på transaksjonstidspunktet. Pengeposter i utenlandsk valuta omregnes til norske kroner ved å benytte balansedagens kurs. Ikke-pengeposter som måles til historisk kurs uttrykt i utenlandsk valuta, omregnes til norske kroner ved å benytte valutakursen på transaksjonstidspunktet. Ikke-pengeposter som måles til virkelig verdi uttrykt i utenlandsk valuta, omregnes til valutakursen fastsatt på balansetidspunktet. Valutakursendringer resultatføres løpende i regnskapsperioden.

Varige driftsmidler

Varige driftsmidler, unntatt investeringseiendommer, måles til anskaffelseskost, fratrukket akkumulerte av- og nedskrivninger. Når eiendeler selges eller avhendes, blir balanseført verdi fratrukket og eventuell tap eller gevinst resultatføres.

Anskaffelseskost for varige driftsmidler er kjøpsprisen, inkludert avgifter/skatter og kostnader direkte knyttet til å sette anleggsmiddelet i stand for bruk. Utgifter påløpt etter at driftsmidlet er tatt i bruk, slik som løpende vedlikehold, resultatføres, mens øvrige utgifter som forventes å gi fremtidige økonomiske fordeler blir balanseført.

Avskrivningsperiode og -metode vurderes årlig. Utrangeringsverdi estimeres ved hver årsavslutning og endringer i estimat på utrangeringsverdi er regnskapsført som en estimatendring.

Anlegg under utførelse er klassifisert som anleggsmidler og er oppført til kost inntil tilvirkning eller utvikling er ferdigstilt. Anlegg under utførelse blir ikke avskrevet før anleggsmiddelet blir tatt i bruk.

Verdifall på ikke-finansielle eiendeler

Immaterielle eiendeler med udefinert utnyttbar levetid avskrives ikke, men vurderes årlig for verdifall. Varige driftsmidler og immaterielle eiendeler som avskrives, vurderes for verdifall når det foreligger indikatorer på at fremtidig inntjening ikke kan forsvare eiendelens balanseførte verdi. En nedskrivning resultatføres med forskjellen mellom balanseført verdi og gjenvinnbart beløp. Gjenvinnbart beløp er det høyeste av virkelig verdi fratrukket salgsutgifter og bruksverdi.

Ved vurdering av verdifall, grupperes anleggsmidlene på det laveste nivået der det er mulig å skille ut uavhengige kontantstrømmer (kontantgenererende enheter). Ved hver rapporteringsdato vurderes mulighetene for reversering av tidligere nedskrivninger på ikke-finansielle eiendeler.

Aksjer og andeler i datterselskap

Investeringer i datterselskap vurderes til kostpris. De blir nedskrevet til virkelig verdi dersom verdifallet ikke er av forbigående art.

Finansielle eiendeler

Selskapet klassifiserer finansielle eiendeler i følgende kategorier: til virkelig verdi med verdijustering over resultatet, utlån og fordringer bokført til opprinnelig anskaffelseskost og finansielle eiendeler tilgjengelige for salg. Klassifiseringen avhenger av hensikten med eiendelen. Ledelsen klassifiserer finansielle eiendeler ved anskaffelse, og gjør en ny vurdering av denne klassifiseringen på hver rapporteringsdato.

a) Finansielle eiendeler til virkelig verdi

Denne kategorien består av finansielle eiendeler holdt for handelsformål og finansielle eiendeler som ledelsen initielt har valgt å føre opp til virkelig verdi med resultateffekt. Derivater klassifiseres også som holdt for handelsformål, med mindre de er en del av en sikring. Eiendeler i denne kategorien klassifiseres som omløpsmidler hvis de holdes for handelsformål eller hvis de forventes å bli realisert innen 12 måneder etter balansedagen.

Ikke-finansielle råvarekontrakter hvor råvaren kan konverteres til kontanter og kontrakten ikke er til eget bruk er innenfor rammen av det som omfattes av IAS 39. Slike kontrakter behandles som derivater etter IAS 39.

b) Utlån og fordringer

Utlån og fordringer er ikke-derivate finansielle eiendeler med fastsatte betalinger som ikke omsettes i et aktivt marked. De klassifiseres som omløpsmidler, med mindre de forfaller senere enn 12 måneder etter balansedagen. I så fall klassifiseres de som anleggsmidler. Utlån og fordringer klassifiseres som kundefordringer og andre fordringer, samt kontanter og kontantekvivalenter i balansen.

Derivater

Derivater balanseføres til virkelig verdi på det tidspunkt derivatkontrakten inngås, og deretter løpende til virkelig verdi. Selskapet har klassifiserer alle sine derivater som derivater til virkelig verdi hvor verdiendring føres over resultatet. Selskapet benytter ikke sikringsføring.

Kontanter og kontantekvivalenter

Kontanter og kontantekvivalenter inkluderer kontanter, bankinnskudd og andre kortsiktige likvide investeringer med forfall innen tre måneder. Trukket kassakreditt er presentert sammen med kortsiktige lån og forpliktelser i balansen.

Varelager

Varer vurderes til det laveste av anskaffelseskost og netto realisasjonsverdi. Anskaffelseskost beregnes ved bruk av gjennomsnittlig anskaffelseskost. For ferdig tilvirkede varer og varer under tilvirkning består anskaffelseskost av utgifter til materialforbruk, direkte lønnsutgifter, andre direkte utgifter og indirekte produksjonsutgifter (basert på normal kapasitet). Lånekostnader medregnes ikke. Netto realisasjonsverdi er estimert salgspris fratrukket kostnader for ferdigstillelse og salg.

Kundefordringer

Kundefordringer regnskapsføres til anskaffelseskost med fradrag for avsetning for inntruffet tap.

Leverandørgjeld

Leverandørgjeld er forpliktelser til å betale for varer eller tjenester som er levert fra leverandørene til den ordinære driften. Leverandørgjeld måles til virkelig verdi ved første gangs balanseføring. Ved senere måling vurderes leverandørgjeld til amortisert kost fastsatt ved bruk av effektiv rente.

Lån

Lån regnskapsføres til virkelig verdi når utbetaling av lånet finner sted, med fradrag for transaksjonskostnader. I etterfølgende perioder regnskapsføres lån til amortisert kost beregnet ved bruk av effektiv rente. Forskjellen mellom det utbetalte lånebeløpet (fratrukket transaksjonskostnader) og innløsningsverdien resultatføres over lånets løpetid.

Lån klassifiseres som kortsiktig gjeld med mindre det foreligger en ubetinget rett til å utsette betaling av gjelden i mer enn 12 måneder fra balansedato.

Betalbar og utsatt skatt

Skattekostnaden i selskapet består av betalbar skatt beregnet ut i fra periodens skattepliktige inntekt, periodens endring i utsatt skatt, samt korreksjoner av skatt for tidligere perioder. Skatt blir resultatført, bortsatt fra når den relaterer seg til poster som er ført mot innregnede inntekter og kostnader eller direkte mot egenkapitalen. Hvis det er tilfellet, blir skatten også ført mot innregnede inntekter og kostnader eller direkte mot egenkapitalen.

Utsatt skatt avsettes fullt ut etter gjeldsmetoden på basis av midlertidige forskjeller oppstått mellom bokførte og skattemessige verdier på eiendeler og gjeld.

Utsatt skattefordel bokføres som eiendel dersom det kan forventes at fremtidige skattepliktige inntekter kan utnyttes mot skattereduserende midlertidige forskjeller og fremførbare underskudd. Utsatt skattefordel avregnes mot utsatt skattegjeld innenfor et skatteregime i den utstrekning skattelovgivningen gir anledning til å utnytte skattefordeler mot utsatt skattegjeld.

Pensjoner

Selskapets pensjonsordning representerer en videreføring av ordningene slik de var da selskapet ble skilt ut fra Norske Skogindustrier ASA i 2011. Pensjonsordningene er generelt finansiert gjennom innbetalinger til forsikringsselskaper eller pensjonskasser, fastsatt etter periodiske aktuarberegninger, eller betalt over drift. Selskapet har både ytelsesplaner og innskuddsplaner.

En ytelsesplan er en pensjonsordning som definerer en pensjonsutbetaling som en ansatt vil motta ved pensjonering. Pensjonsutbetalingen er normalt avhengig av en eller flere faktorer slik som alder, antall år i selskapet og lønn. En innskuddsplan er en pensjonsordning hvor selskapet betaler faste bidrag til en separat juridisk enhet.

Den balanseførte forpliktelsen knyttet til ytelsesplaner er nåverdien av de definerte ytelsene på balansedatoen minus virkelig verdi av pensjonsmidlene, justert for ikke resultatførte estimatavvik og ikke resultatførte kostnader knyttet til tidligere perioders pensjonsopptjening. Pensjonsforpliktelsen beregnes årlig av en uavhengig aktuar ved bruk av en lineær opptjeningsmetode. Nåverdien av de definerte ytelsene bestemmes ved å diskontere estimerte fremtidige utbetalinger med renten på en obligasjon utstedt av et selskap med høy kredittverdighet i den samme valuta som ytelsene vil bli betalt og med en løpetid som er tilnærmet den samme som løpetiden for den relaterte pensjonsforpliktelsen, alternativt en statsobligasjonsrente dersom slike renter ikke finnes.

Estimatavvik som skyldes ny informasjon eller endringer i de aktuarmessige forutsetningene belastes eller godskrives egenkapital gjennom utvidet resultatregnskap i perioden de oppstår. Administrative kostnader ved ordningen føres fortløpende over resultatregnskapet.

Ved innskuddsplaner, betaler selskapet innskudd til offentlig eller privat administrerte forsikringsplaner for pensjon på obligatorisk, avtalemessig eller frivillig basis. Selskapet har ingen ytterligere betalingsforpliktelser etter at innskuddene er blitt betalt. Innskuddene regnskapsføres som lønnskostnad for den perioden betaling gjelder.

Avsetninger

En avsetning regnskapsføres når selskapet har en forpliktelse (rettslig eller selvpålagt) som en følge av en tidligere hendelse, det er sannsynlig at det vil skje et økonomisk oppgjør som følge av denne forpliktelsen og beløpets størrelse kan måles pålitelig. Hvis effekten er betydelig, beregnes avsetningen ved å neddiskontere forventede fremtidige kontantstrømmer med en diskonteringsrente før skatt som reflekterer markedets prissetting av tidsverdien av penger og, hvis relevant, risiki spesifikt knyttet til forpliktelsen.

Restruktureringsavsetninger innregnes når selskapet har godkjent en detaljert og formell restruktureringsplan, og restruktureringen enten har startet eller har blitt formidlet.

Inntektsføring

Inntekter ved salg av varer vurderes til virkelig verdi av vederlaget, netto etter fradrag for merverdiavgift, returer og rabatter.

Inntektsføring skjer på det tidspunktet hvor det vesentlige av gevinst- og tapspotensialet knyttet til eiendelen har gått over til kjøper. Dette vil variere ut i fra den enkelte kundes leveringsbetingelser og vil kunne være i hele intervallet fra varene er ferdig produsert til varene er levert hos kunde.

Nærstående parter

Selskapet er et heleid datterselskap av Norske Skog AS og dette er også morselskap i konsernet. Alle transaksjoner med morselskapet, andre konsernselskaper og andre nærstående parter skjer til alminnelige markedsmessige betingelser.

Mottatt utbytte

Utbytte fra datterselskaper inntektsføres i det året utbyttet avsettes i datterselskapet. Utbytte fra andre selskaper inntektsføres når aksjonærenes rettighet til å motta utbytte er fastsatt av generalforsamlingen.

Renteinntekter

Renteinntekter inntektsføres basert på lånenes effektive rente. Dette er den renten som medfører at nåverdien av fremtidige kontantstrømmer knyttet til utlånet tilsvarere dets netto balanseførte verdi.

Leieavtaler

Leieavtaler der en vesentlig del av risiko og avkastning knyttet til eierskap fortsatt ligger hos utleier, klassifiseres som operasjonelle leieavtaler. Leiebetaling ved operasjonelle avtaler kostnadsføres lineært over leieperioden.

Leieavtaler knyttet til varige driftsmidler hvor selskapet i hovedsak innehar all risiko og avkastning knyttet til eierskapet, blir klassifisert som finansielle leieavtaler. Finansielle leieavtaler balanseføres til det laveste av driftsmiddelets virkelig verdi ved inngåelsen av leieavtalen og nåverdien av de kontraktsfestede leiebetalinger. Leiebetalinger fordeles mellom finanskostnad og avdrag på leieforpliktelsen oppført i balansen, slik at rentabiliteten blir konstant over gjenværende leieperiode. Det innleide anleggsmidlet avskrives basert på de samme prinsipper som øvrige anleggsmidler. Den korresponderende leieforpliktelsen (med fradrag for finanskostnader) blir inkludert i annen langsiktig gjeld.

Offentlige tilskudd

Offentlige tilskudd resultatføres som inntekt over nødvendige perioder for å sammenstilles med kostnadene de er ment å kompensere for. Offentlige tilskudd i form av erstatning for tap som allerede er påløpt eller i form av direkte finansiell støtte uten sammenheng med fremtidige kostnader inntektsføres i perioden de blir tildelt.

Offentlige tilskudd relatert til eiendeler blir presentert i balansen enten som en utsatt inntekt eller som en reduksjon av kostprisen på eiendelene tilskuddet er relatert til. Resultatføringen skjer da enten som fremtidige periodevise inntektsføringer eller som fremtidige periodevise reduksjoner av avskrivninger.

Utslippskvoter

Det finnes ingen regnskapsstandard eller tolkning innenfor IFRS som omhandler regnskapsføring av utslippstillatelser eller fornybare energisertifikater. Mottatte utslippsrettigheter innregnes i balansen som immaterielle eiendeler til markedsverdien på datoen rettighetene er gitt. Forskjellen mellom virkelig verdi og det nominelle beløpet betalt for utslipskvoter blir innregnet i balansen som offentlig tilskudd (utsatt inntekt).

Utslipp innregnes i resultatregnskapet som forbruk av råvarer og lignende, og det offentlige tilskuddet (utsatt inntekt) inntektsføres samtidig med utslippskostnadene. Ubrukte kvoter (utsatt inntekt) og benyttede kvoter blir avregnet mot den balanseførte immaterielle eiendelen når de enkelte avtalene om utslippsrettigheter utløper.

Hvis den mottatte rettigheten er tilstrekkelig til å dekke foretakets utslipp, vil det ikke være netto kostnad eller netto inntekt i resultatregnskapet. Dersom det er nødvendig å gå til markedet og få flere rettigheter, blir disse kostnadsført til markedsverdi på kjøpstidspunktet.

Hvis antall rettigheter overstiger faktisk forbruk, vil overskuddet bli solgt i markedet. Gevinsten fra salget presenteres som Andre gevinster og tap.

Utbytte

Utbytte klassifiseres som gjeld fra og med det tidspunkt utbyttet er fastsatt av generalforsamlingen.

Viktige regnskapsestimater og antagelser/forutsetninger

Selskapet utarbeider estimater og gjør antagelser/forutsetninger knyttet til fremtiden. Estimater og antagelser/forutsetninger som representerer en betydelig risiko for vesentlige endringer i balanseført verdi på eiendeler og gjeld i løpet av neste regnskapsår, drøftes nedenfor.

a) Estimert verdifall på immaterielle eiendeler og varige driftsmidler

Selskapet gjennomfører periodiske tester for å vurdere verdifall på immaterielle eiendeler og varige driftsmidler. Varige driftsmidler og immaterielle eiendeler nedskrives til gjenvinnbart beløp når gjenvinnbart beløp er lavere enn eiendelens balanseførte verdi. Gjenvinnbart beløp fra eiendeler er fastsatt som den høyeste av virkelig verdi fratrukket salgsutgifter og bruksverdi. Bruksverdi er nåverdien av framtidige kontantstrømmer som forventes å oppstå av en eiendel. Beregning av bruksverdi medfører bruk av estimater. Balanseført verdi av immaterielle eiendeler og varige driftsmidler måles mot bruksverdi av immaterielle eiendeler og varige driftsmidler.

Beregning av bruksverdi av immaterielle eiendeler og varige driftsmidler er basert på neddiskonterte kontantstrømmer. Kontantstrømshorisonten i nedskrivingsmodellen er konsistent med forventet levetid for hver papirmaskin ved fabrikken. Budsjett godkjent av styret for det kommende året er basis for beregning av forventede framtidige kontantstrømmer, oppdatert med sist tilgjengelig informasjon.

Beregning av gjenvinnbart beløp er basert på forutsetninger knyttet til framtidig utvikling av en rekke faktorer. Disse inkluderer prisutvikling på ferdigvarer, salgsvolum, valutakurser og rentenivå. Dette betyr at det vil hefte usikkerhet ved beregningene. Norske Skog Saugbrugs AS utfører sensitivitetsanalyser for nevnte faktorer for å estimere hvordan fluktuasjoner vil påvirke gjenvinnbart beløp. I forhold til forutsetningene brukt ved å estimere framtidige kontantstrømmer er gjenvinnbart beløp mest sensitivt i forhold til endringer i priser på ferdigvarer, salgsvolum og diskonteringsrente. Endringer i disse forutsetninger vil påvirke verdien av framtidige kontantstrømmer og derigjennom også bruksverdi. Vesentlige endringer i prognoser og langsiktige priser kan derigjennom bety et framtidig fall i bruksverdi av immaterielle verdier og varige driftsmidler.

Avkastningskravet som benyttes ved neddiskonteringen av fremtidig kontantstrøm er avgjørende for beregnet verdi på immaterielle eiendeler og varige driftsmidler. En fremtidig økning av avkastningskravet ved neddiskontering av fremtidig kontantstrøm vil isolert sett gi en lavere bruksverdi som igjen vil kunne medføre verdifall på immaterielle eiendeler og varige driftsmidler.

b) Årlig vurdering av gjenværende levetid på varige driftsmidler

Selskapet gjennomfører årlige vurderinger av gjenværende levetid på varige driftsmidler. Endringer i estimert gjenværende levetid vil få effekt på fremtidige avskrivninger.

c) Avsetninger for fremtidige miljøforpliktelser

Selskapets avsetninger for fremtidige miljøforpliktelser er basert på en rekke forutsetninger og på ledelsens beste skjønn. Endringer i disse forutsetningene vil kunne medføre en endring i avsetningen og kostnader for selskapet.

d) Restverdi på produksjonsutstyr og nedstengningsavsetninger

Restverdi på produksjonsutstyr er vurdert til forventet realisasjonsverdi på balansedagen etter fradrag for estimerte utgifter til demontering og fjerning av driftsmiddelet. Restverdien er påvirket av kortsiktige endringer i forutsetningene, for eksempel underliggende metallpris. En endring i restverdi vil kunne få effekt på fremtidige avskrivninger. Avsetningen for nedstengningskostnader er basert på en rekke forutsetninger basert på ledelsens beste skjønn.

e) Virkelig verdi på derivater og andre finansielle instrumenter

Virkelig verdi på finansielle instrumenter som ikke handles i et aktivt marked fastsettes ved å benytte verdsettelsesteknikker. Selskapet vurderer og velger metoder og forutsetninger som så langt som mulig er basert på markedsforholdene på balansedagen.

f) Pensjoner

Nåverdien av pensjonsforpliktelsene avhenger av flere ulike faktorer som er bestemt av en rekke aktuarmessige forutsetninger. Forutsetningene som benyttes ved beregning av netto pensjonskostnad (inntekt) inkluderer diskonteringsrenten. Endringer i disse forutsetningene vil påvirke balanseført verdi av pensjonsforpliktelsene.

Nye regnskapsstandarder

Følgende standarder er vedtatt med ikrafttredelsestidspunkt 1. januar 2018:

- IFRS 15 Driftsinntekter fra kontrakter med kunder: Standarden erstatter IAS 11, IAS 18 og IFRIC 13. Kjerneprinsippet i IFRS 15 er at inntekter innregnes for å reflektere overføringen av avtalte varer eller tjenester til kunder, og da til et beløp som gjenspeiler vederlaget selskapet forventer å ha rett til i bytte for disse varene eller tjenestene. Selskapet vil implementere standarden ved bruk av modifisert retrospektiv metode med regnskapsmessig virkning fra 1. januar 2018.
- IFRS 9 Finansielle instrumenter: Standarden erstatter IAS 39. IFRS 9 kan innebære endringer knyttet til klassifisering og måling, sikringsbokføring og nedskriving.

Endringene i IFRS 15 og IFRS 9 er ikke forventet å påvirke selskapsregnskapet til Norske Skog Saugbrugs AS i vesentlig grad

Note 2 - Driftsinntekter per marked

Beløp oppgitt i NOK 1000

Norske Skog Saugbrugs AS sin virksomhet omfatter salg av varer og tjenester til de geografiske regionene Europa, Nord-Amerika, Sør-Amerika, Asia og Afrika.

	2017	2016
Norge	33 797	40 796
Resten av Europa	1 700 296	1 493 249
Nord-Amerika	322 302	548 226
Asia	15 600	9 185
Afrika	11 885	12 682
Sum	**2 083 880**	**2 104 138**
Ordinære inntekter ved salg av varer og tjenester til konsernselskaper	7 055	11 115
Sum driftsinntekter	**2 090 935**	**2 115 253**

Note 3 - Lønnskostnader, antall ansatte og lån til ansatte

Beløp oppgitt i NOK 1000

Lønnskostnader

	2017	2016
Lønn inkludert feriepenger	292 963	288 867
Arbeidsgiveravgift	44 424	42 592
Pensjonskostnader	10 901	11 805
Andre ytelser	15 122	15 307
Sum	**363 745**	**358 572**

Selskapet sysselsatte ved utgangen av regnskapsåret totalt 458 årsverk i faste stillinger.

Lån og sikkerhetstillelse til ansatte i selskapet

Ansatte har lån i selskapet på til sammen KNOK 148. Disse lånene avdras over 0-25 år. Normrenten ved utgangen av året var 2,2 % og tilsvarer skattefri rentesats fastsatt av Finansdepartement. Det er ikke stillet sikkerhet for lånene utover den sikkerhet som følger av ansettelsesforholdet. Ingen lån eller garantier utgjør mer enn 5 % av selskapets aksjekapital.

Ytelser til styret og ansatte i ledende stillinger

Beløp oppgitt i NOK	Lønn	Bonus	Natural-ytelser	Pensjons-kostnad	Sum
Ledende ansatte					
Kjell-Arve Kure	1 648 954	445 600	148 593	72 959	2 316 106

Gjensidig oppsigelsestid for administrerende direktør er seks måneder. Om det oppstår en situasjon hvor selskapet eller administrerende direktør bringer ansettelsesforholdet til opphør av hensyn til selskapets beste, garanterer selskapet utbetaling av grunnlønn i ni måneder etter utløpet av oppsigelsestiden.

Administrerende direktør har en bonusavtale på opp til 50 % av grunnlønn.

Det er ikke gitt lån til ledende ansatte.

Note 4 - Finansposter

Beløp oppgitt i NOK 1000

	2017	2016
Mottatt utbytte	50	50
Renteinntekter	29	3 504
Rentekostnader	-20 131	-38 207
Valutagevinster og tap	-539	7 671
Andre finansposter	-70 702	-4 912
Sum	**-91 293**	**-31 894**

Av rentekostnadene består KNOK 5 357 av renter på langsiktig gjeld fra Norske Skogindustrier ASA og KNOK 14 087 av renter på langsiktig gjeld fra Norske Skog AS.
Etter at det tidligere toppselskapet i konsernet Norske Skogindustrier ASA begjærte seg selv konkurs i desember 2017, har vi ført et tap på fordring tilsvarende KNOK 65 526. Dette tapet er inkludert i andre finansposter.

Note 5 - Skatt

Beløp oppgitt i NOK 1000

Skattekostnad

	2017	2016
Betalbar skatt	0	0
Endring utsatt skatt	-38 460	63 004
Sum skattekostnad	**-38 460**	**63 004**

Avstemming av selskapets skattekostnad

	2017	2016
Resultat før skatt	-548 181	-131 066
Skatt beregnet ut i fra nominell skattesats - 24% (25% i 2016)	131 564	32 766
Justering tidligere år	-2 392	-1 178
Skattefri inntekt / ikke fradragsberettigede kostnader	-16 598	5 952
Effekt av reduksjon av skattesats fra 24% til 23% (25% til 24% i 2016)	-1 130	-2 570
Tilbakeføring / nedskrivning (-) utsatt skattefordel	-149 902	28 034
Årets skattekostnad	**-38 460**	**63 004**

Utsatt skatt - detaljer

	2017	2016
Varige driftsmidler, merverdi og avskrivninger	194 255	105 771
Pensjoner	1 307	-935
Avsetninger og andre gjeldsposter	3 288	2 501
Finansielle instrumenter kraftkontrakter	25 431	28 543
Utsatt skatt kortsiktige poster	-734	204
Fremførbart underskudd etter nedskrivning	-197 548	-74 405
Netto utsatt skattefordel	**26 000**	**61 680**

Underskudd til fremføring

	2017	2016
Fremførbart skattemessig underskudd	651 971	576 263
Nedskrivning av fremførbart underskudd og andre midl. forskjeller som ikke balanseføres	-1 510 875	-886 282
Grunnlag utsatt skattefordel på fremførbart underskudd	**-858 904**	**-310 019**
Utsatt skattefordel på fremførbart underskudd	**-197 548**	**-74 405**

Årets skattekostnad på 5,4 millioner er en netto effekt av negativ skattekostnad på årets underskudd og skattekostnad som følge av store ikke fradragsberettigede kostnader, justering av tidligere år, nedskrivning av utsatt skattefordel og effekt på utsatt skattefordel av reduksjon i fremtidig skattesats fra 24% til 23%. Store ikke fradragsberettigede kostnader gjelder i hovedsak tap på konsemintern gjeld med 65,5 millioner som følge. Utsatt skattefordel på fremførbart underskudd og andre midlertidige forskjeller er testet mot forventet fremtidig skattbar inntjening. Basert på testen er det balanseført 26,0 millioner i utsatt skattefordel per 31.12.2017.

Note 6 - Immaterielle eiendeler og varige driftsmidler

Beløp oppgitt i NOK 1000

Varige driftsmidler

	Maskiner og anlegg	Tomter og fast eiendom	Drifts-løsøre og inventar	Anlegg under utførelse	Sum
Anskaffelseskost 31.12.16	4 241 296	1 390 560	29 077	15 986	5 676 918
Tilgang kjøpte driftsmidler	29 511	-60	3 514	1 926	34 891
Avgang solgte driftsmidler	0	0	-368	0	-368
Balanseførte finansieringskostnader	0	0	0	0	0
Anskaffelseskost 31.12.17	**4 270 807**	**1 390 500**	**32 223**	**17 912**	**5 711 441**
Akkumulerte avskrivninger 31.12.17	-3 397 915	-933 911	-28 319	0	-4 360 145
Akkumulerte nedskrivninger 31.12.17	-663 378	-256 622	0	0	-920 000
Reverserte nedskrivninger 31.12.17	0	0	0	0	0
Balanseført verdi pr. 31.12.17	**209 515**	**199 966**	**3 904**	**17 912**	**431 297**
Årets avskrivninger	-57 646	-34 233	-400	0	-92 279
Årets nedskrivninger	-265 000	-186 000	0	0	-451 000

Selskapet benytter lineære avskrivninger for alle varige driftsmidler. Tomter avskrives ikke.

Estimert økonomisk levetid for driftsmidler er (antall år):

Maskiner og anlegg	3-15
Bygninger og annen fast eiendom	3-33
Driftsløsøre og inventar	3-5

Gjenvinnbar verdi

Maskiner og anlegg skrives ned til gjenvinnbar verdi når denne er lavere enn bokført verdi. Gjenvinnbar verdi settes til det høyeste av netto salgsverdi og verdi i fortsatt drift. Verdi i fortsatt drift settes lik nåverdi av forventet fremtidig kontantstrøm ved drift av anlegget i sin gjenværende økonomiske levetid.

I 2017 gjennomførte Norske Skog Saugbrugs, som tidligere år, nedskrivingstester for verdifall på driftsmidler. På bakgrunn av svakere markedsutvikling og svakere driftsmargin i 2017 konkluderte styret med at balanseført verdi var høyere enn antatt bruksverdi, og selskapets driftsmidler ble nedskrevet med kr 451 millioner per 31. desember 2017.

Støtte til investeringsprosjekter

Selskapet har i 2017 ikke mottatt vesentlige tilskudd til investeringsprosjekter.

Note 7 - Aksjer i datterselskaper

Beløp oppgitt i NOK 1000

Aksjer i datterselskaper	Forretnings-adresse	Aksjekapital	Eier- og stemmeandel	31.12.2017	31.12.2016
Saugbrugs Bioenergi AS	Halden	2 000	100 %	90 615	83 315
				90 615	**83 315**

Saugbrugs Bioenergi AS har etablert et anlegg for produksjon, rensing og oppgradering av biogass til en kvalitet som kan anvendes i transportsektoren, bl.a. i busser. Endring i bokført verdi på aksjene i 2017 skyldes at en fordring på kNOK 7 300 som selskapet hadde på Saugbrugs Bioenergi AS ble konvertert til aksjekapital i slutten av 2017.

Produksjon av gass startet som planlagt i slutten av mars 2017. I perioden mai til desember 2017 har det vært noen utfordringer knyttet til driften som har resultert i lavere gassproduksjon enn forventet. Korrektive tiltak er identifisert og under implementering. Fra tidlig i januar 2018 har anlegget gått stabilt og utvikling i gassproduksjon har vært som forventet. Årsresultatet i 2017 ble kNOK -17 227 og bokført egenkapital per 31.12.2017 var kNOK 64 888.

Note 8 - Mellomværende med selskap i samme konsern og tilknyttede selskap

Beløp oppgitt i NOK 1000

Konserninterne kortsiktige utlån	31.12.2017	31.12.2016
Norske Skogindustrier ASA	0	156 631
Norske Skog AS	41 639	79 491
Saugbrugs Bioenergi AS	35	1 764
Norske Skog Skogn AS	1 257	0
Norske Skog Italia Sr	145	8
Norske Skog Deutschland GmbH	-219	-157
Norske Skog (UK) Ltd.	-17	-22
Norske Skog France sarl	-18	-21
	42 823	**237 693**

Konsernintern kortsiktig gjeld		
Norske Skogindustrier ASA	0	1 456
Norske Skog AS	0	2
Norske Skog Skogn AS	156	0
Norske Skog Nordic & Export Sales AS	2	0
Norske Skog Deutschland GmbH	2	5
Norske Skog Italia SrL	3	4
	162	**1 468**

Konsernintern langsiktig gjeld		
Norske Skogindustrier ASA	0	72 829
Norske Skog AS	137 819	131 444
	137 819	**204 274**

Konsernets likviditet er organisert i en konsernkontoordning med Norske Skog AS som eier av kontoen. Alle konsernselskaper som er deltaker i konsernkontoordningen er solidarisk ansvarlige for de trekk konsernet til enhver tid har gjort.

Note 9 - Rentebærende gjeld og annen kortsiktig gjeld

Beløp oppgitt i NOK 1000

Langsiktig rentebærende gjeld	31.12.2017	31.12.2016
Lån fra foretak i samme konsern	137 819	204 274
Gjeld til kredittinstitusjoner	6 055	5 638
	143 874	**209 912**

Gjeld med forfall senere enn ett år	31.12.2017	31.12.2016
Langsiktig gjeld til banker	0	0
Annen langsiktig gjeld	5 677	4 942
	5 677	**4 942**

Langsiktig gjeld med forfall senere enn 5 år	31.12.2017	31.12.2016
Lån fra foretak i samme konsern	137 819	204 274
Annen langsiktig gjeld	378	696
	138 197	**204 970**

Kortsiktig rentebærende gjeld	31.12.2017	31.12.2016
Kortsiktig gjeld til banker	0	0
Annen kortsiktig rentebærende gjeld	2 120	2 518
	2 120	**2 518**

Annen kortsiktig gjeld	31.12.2017	31.12.2016
Avsetninger og periodiseringer	135 398	138 170
	135 398	**138 170**

Lån fra foretak i samme konsern er langsiktig gjeld til selskapets direkte morselskapet Norske Skog AS på 137,8 millioner. Det er ingen avtalt nedbetalingsplan på dette lånet.

Annen gjeld på til sammen 8,2 millioner er kortsiktig og langsiktig gjeld til kredittinstitusjoner på finansielle leasingkontrakter for driftsmidler.

Note 10 - Derivater og annen langsiktig gjeld

Beløp oppgitt i NOK 1000

	2017	2016
Nåverdi av derivater pr 31.12	110 572	118 928
Urealisert tap, langsiktig gjeld pr 31.12	88 957	96 764
Urealisert tap, kortsiktig gjeld pr 31.12	21 615	22 164
Sum gjeld	**110 572**	**118 928**

Det ble i april 2013 inngått en ny strømavtale med Statkraft for perioden 1. mai 2013 til og med 31. desember 2020. For å balansere valutaeksponeringen mot netto salgsinntekter i EUR, ble også den nye kraftavtalen inngått i EUR. I desember 2015 ble det inngått en endringsavtale med Statkraft hvor deler av kjøpsforpliktelsene i 2016 og 2017 forskyves til 2021 og 2022. I juli 2017 ble det inngått en ny endringsavtale med Statkraft hvor deler av kjøpsforpliktelsene i 2018 og 2019 også forskyves til årene 2021-2024.

På grunn av svekkelse av NOK mot EUR i perioden etter avtaleinngåelsen er det bokført 110,6 millioner i urealisert tap på det innebygde derivatet i denne kontrakten. Det bokførte tapet reflekterer merkostnaden for strøm i hele avtaleperioden basert på kursene ved regnskapsavleggelsen.

Nåverdien av energikontrakt er sensitiv for endringer i fremtidige energipriser og kursutviklingen, og estimeringsteknikker er brukt der markedsinformasjon mangler.

	31.12.2017	31.12.2016
Avsetning fremtidige miljøforpliktelser	**27 800**	**27 300**

Avsetning for fremtidige miljøforpliktelser knytter seg i hovedsak til opprydding av mulig forurensing fra kjemikalier og olje i grunnen på fabrikkområdet, samt fremtidige kostnader knyttet til overvåkning av en fylling for akse som ble stengt i 2009.

Note 11 - Beholdninger

Beløp oppgitt i NOK 1000

	31.12.2017	31.12.2016
Råvarer og annet driftsmateriell	133 006	138 650
Ferdigvarer	87 335	93 749
Sum	**220 341**	**232 399**

Note 12 - Fordringer
Beløp oppgitt i NOK 1000

Kundefordringer	31.12.2017	31.12.2016
Eksterne kundefordringer	226 493	200 722
Avsetning for tap på fordringer	-1 872	-14 446
Netto kundefordringer	**224 621**	**186 275**
Andre eksterne fordringer	18 502	5 568
Konsernintern kortsiktige utlån	42 823	237 693
Sum fordring	**285 946**	**429 536**

Note 13 - Andre driftskostnader, tap på krav og revisjonshonorar
Beløp oppgitt i NOK 1000

Andre driftskostnader	31.12.2017	31.12.2016
Vedlikeholdsmateriell og -tjenester	71 756	64 373
Konsulentbistand	7 437	5 891
Administrasjon, forsikring og reisekostnader	39 392	37 494
Tap på krav	599	-23
Leiekostnader	6 921	7 284
Konserninterne kommisjoner	22 863	23 464
Endring i avsetninger miljø	10	-634
Andre driftskostnader	34 707	24 579
Sum andre driftskostnader	**183 686**	**162 427**

Tap på krav	31.12.2017	31.12.2016
Endring i avsetning for tap på fordringer	-12 575	-131
Årets realiserte tap på fordringer	13 174	107
Sum tap på krav	**599**	**-23**

Revisjonshonorar	31.12.2017	31.12.2016
Honorar til revisor	230	250
Andre attestasjonstjenester	164	41
Skatterådgivning	8	0
Andre tjenester utenfor revisjon	17	0
Sum	**418**	**291**

Merverdiavgift er ikke inkludert i revisjonshonoraret.

Note 14 - Bundne midler og kortsiktige plasseringer
Beløp oppgitt i NOK 1000

	31.12.2017	31.12.2016
Kontanter og bankinnskudd	7 588	3 111
Bundne bankinnskudd[1]	11 747	12 030
Betalingsmidler i balansen	**19 335**	**15 141**

[1] Bundne bankinnskudd består av skattetrekksmidler.

Note 15 - Egenkapital, aksjekapital og aksjonærinformasjon
Beløp oppgitt i NOK 1000

Aksjekapital og aksjonærinformasjon

Selskapets aksjekapital er 1 152,3 millioner fordelt på 10 020 aksjer pålydende kr 115 000.
Samtlige aksjer eies av Norske Skog AS.
Vedtektsbestemmelser om stemmerett står i samme forhold, det vil si at én aksje gir én stemme.

Egenkapital

	Aksje-kapital	Overkurs	Udekket tap	Total EK
Egenkapital pr 31.12.2016	**1 152 300**	**1 096 767**	**-1 119 778**	**1 129 289**
Utvidet resultat	0	0	-8 802	**-8 802**
Årsresultat	0	0	-586 641	**-586 641**
Overføring	0	-1 096 767	1 096 767	**0**
Egenkapital pr 31.12 2017	**1 152 300**	**0**	**-618 454**	**533 846**

Note 16 - Pensjoner

Beløp oppgitt i NOK 1000

Selskapet er pliktig til å ha tjenestepensjonsordning etter lov om obligatorisk tjenestepensjon. Selskapets pensjonsordning tilfredsstiller kravene i denne loven.

Selskapet har pensjonsordninger som omfatter i alt 543 personer. Ordningene gir rett til definerte fremtidige ytelser. Disse er i hovedsak avhengig av opptjeningsår, lønnsnivå ved oppnådd pensjonsalder og størrelsen på ytelsene fra folketrygden. Forpliktelsene er dekket gjennom et forsikringsselskap.

Nåværende pensjonsordning i selskapet representerer en videreføring av ordningene Norske Skog hadde i Norge da virksomheten i Halden ble skilt ut i et eget aksjeselskap i 2011. Norske Skog gikk med virkning fra 1. januar 2011 over til en innskuddsbasert pensjonsordning. Fra og med 1. januar 2017 er innskuddet 4 % av lønn mellom 0 og 12 G (folketrygdens grunnbeløp) og tilleggsinnskudd på 6 % mellom 7,1 og 12 G. Tidligere hovedordning med pensjonsalder på 67 år og dekning på omlag 65 % av lønn ved fratreden og 60 % fra fylte 77 år, ble lukket 31. desember 2010 og omfatter ansatte født før 1. januar 1959 som ble ansatt i selskapet før lukkingen. Selskapet har en tilleggsdekning for lønn over 12 G.

Pensjonskostnad	2017	2016
Ytelsesbasert pensjonsordning	1 980	2 345
Innskuddsbasert pensjonsordning	8 922	9 460
Sum pensjonskostnad	**10 901**	**11 805**

Netto periodisert pensjonskostnad ytelsesbasert pensjonsordning	2017	2016
Nåverdi av årets pensjonsopptjening	1 602	2 103
Periodisert arbeidsgiveravgift	232	84
Avkastning på pensjonsmidler	45	54
Administrative kostnader	100	105
Resultatført aktuarielt tap (gevinst)	0	0
Netto pensjonskostnad inkludert i personalkostnader	**1 980**	**2 345**
Rentekostnader/-inntekter(-) på netto pensjonsforpliktelse/-midler	-164	98
Estimatavvik pensjoner tatt over utvidet resultatregnskap	11 582	-5 296
Netto pensjonskostnad	**13 397**	**-2 853**

Økonomiske forutsetninger lagt til grunn ved beregning av pensjonskostnaden	31.12.2017	31.12.2016
Diskonteringsrente	2,30 %	2,60 %
Forventet avkastning på pensjonsmidler	2,30 %	2,60 %
Forventet lønnsvekst	2,00 %	2,00 %
Forventet G-regulering	2,00 %	2,00 %
Forventet regulering av pensjoner under utbetaling	0,40 %	0,00 %

Avstemming av pensjonsordningenes finansierte status mot beløp i selskapets aktiva

	31.12.2017	31.12.2016
Estimerte pensjonsforpliktelser	0	-79 371
Estimerte pensjonsmidler	0	83 370
Estimert netto pensjonsmidler	**0**	**3 999**
Ikke resultatført planendring og estimatavvik	0	0
Netto pensjonsmidler	**0**	**3 999**
Periodisert arbeidsgiveravgift	0	-104
Balanseført netto pensjonsmidler	**0**	**3 895**

Avstemming av pensjonsordningenes finansierte status mot beløp i selskapets passiva

	31.12.2017	31.12.2016
Estimerte pensjonsforpliktelser	-73 034	0
Estimerte pensjonsmidler	68 089	0
Estimert netto /pensjonsforpliktelser	**-4 945**	**0**
Ikke resultatført planendring og estimatavvik	0	0
Netto pensjonsforpliktelser	**-4 945**	**0**
Periodisert arbeidsgiveravgift	-738	0
Balanseført netto pensjonsforpliktelse	**-5 683**	**0**

Note 17 - Andre gevinster og tap

Beløp oppgitt i NOK 1000

	2017	2016
Gevinst/tap på salg av anleggsmiddel	59	380
Gevinst/tap på salg av aksjer	0	0
Verdiendring innebygde derivater	8 356	46 903
Sum	**8 415**	**47 283**

Note 18 - Sikkerhetstillelse for lån

Selskapet har for investeringslån fra Innovasjon Norge til Norske Skog AS stillet første prioritetssikkerhet i selskapenes driftsmidler oppad begrenset til EUR 10 millioner.

Selskapet har også stilt driftsmidler for inntil NOK 200 millioner som sikkerhet for oppfyllelse kontrakter med energileverandører.

Bokført verdi av driftsmidlene til selskapet er 431,3 millioner.

I tillegg har selskapet stilt sikkerhet i varelager og kundefordringer for inntil EUR 119,35 millioner for en EUR 100 millioner lånefasilitet der Norske Skog AS er låntager.

Note 19 - Risikofaktorer

Styret er kjent med markedsutfordringene som påvirker Norske Skog AS-konsernet, herunder risikoer som kan påvirke resultater, likviditet og egenkapital. Dette er faktorer som er en iboende usikkerhet når styret gjør sine vurderinger. De viktigste risikofaktorer for Norske Skog Saugbrugs AS er knyttet til usikkerhet til utvikling i priser og volum for magasinpapir og kostnadene for innsatsfaktorer som energi og fiber. Markedet for SC-magasinpapir for tiden sterkt og selskapet regner med å kunne selge alt det kan produsere i 2018. Svakere etterspørsel etter selskapets produkter kan på litt lengre sikt påvirke lønnsomhet og tilhørende kontantstrømmer negativt.

I samsvar med kravene i regnskapsloven har styret vurdert forutsetningen om fortsatt drift som grunnlag for å utarbeidelse og presentasjon av årsregnskapet. Til grunn for vurderingen ligger resultatprognoser for 2018 og selskapets langsiktige strategiske prognoser for årene fremover. Som en del av dette har også styret vurdert de gjennomførte og påtenkte transaksjoner i konsernet og deres betydning for Norske Skog Saugbrugs likviditet og egenkapital og betydningen for fortsatt drift forutsetningen, ref note 20.

I samsvar med regnskapsloven § 3-3a bekreftes det at forutsetningene om fortsatt drift er til stede og lagt til grunn ved utarbeidelse av årsregnskapet.

Note 20 - Hendelser etter balansedagen

Eierskap, soliditet og likviditet i Norske Skog konsernet

Den 3. mai 2018 inngikk et heleid datterselskap av Oceanwood Opportunities Master Fund en aksjekjøpsavtale med Citibank, N.A., London Branch, som sikkerhetsagent, for kjøp av aksjene i Norske Skog AS. Kjøpesummen avtalt i aksjekjøpsavtalen vil ikke gi tilstrekkelig salgsproveny til full dekning av SSNs, EUR 16 millioner likviditetsfasiliteten og EUR 159 millioner og USD 61 millioner obligasjonslånene med forfall i henholdsvis 2021 og 2023. Når transaksjonen er gjennomført vil de finansielle forpliktelsene og garantiforpliktelsene som ikke blir dekket bli fristilt. Gjennomføring av transaksjonen er betinget av at Oceanwood mottar relevante konkurranserettslige og andre regulatoriske godkjenninger i de aktuelle land (inkludert Australia og New Zealand). Disse er forventet mottatt i andre halvdel av 2018.

Egenkapital til Norske Skog AS-konsernet vil bli forbedret med ca. NOK 3,5 mrd. ved closing av salgstransaksjonen ved at EUR 290 millioner lånet (SSN) og EUR 16 millioner + utestående renter på begge lånene blir gjort opp mot kjøpesummen. Som følge av fristillelsen vil Norske Skog AS få betydelig mindre gjeld og rentekostnader, noe som vil forbedre både soliditet og likviditet i selskapet og konsernet.

Kapitalstruktur

Etter godkjenning av årsregnskapet for 2017 i styremøte 1. juni 2018, vedtok styret å foreslå en kapitalnedsettelse for selskapets ordinære generalforsamling. Den gjennomføres ved at aksjenes pålydende endres til kr 11 500 per aksje. Kr 618 454 020 av nedsettelsen overføres til udekket tap, kr 218 615 980 overføres til annen egenkapital og kr 200 000 000 tilbakeføres til eieren Norske Skog AS gjennom at de øker sin fordring på selskapet med samme beløp. Pro forma egenkapitalandel per 31.12.2017 etter kapitalnedsettelse er 31,1% og pro forma egenkapitalfordeling er som vist nedenfor.

Pro forma egenkapitalfordeling 31.12.2017 etter nedsettelse av aksjekapital	**NOK 1000**
Aksjekapital	115 230
Udekket tap	0
Annen egenkapital	218 616
Sum egenkapital	**333 846**

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Uavhengig revisors beretning

Til generalforsamlingen i Norske Skog Saugbrugs AS

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert Norske Skog Saugbrugs AS' årsregnskap som består av balanse per 31. desember 2017, resultatregnskap, utvidet resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening er det medfølgende årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets finansielle stilling per 31. desember 2017, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med forenklet anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3-9.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Annen informasjon

Ledelsen er ansvarlig for annen informasjon. Annen informasjon består av årsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke annen informasjon, og vi attesterer ikke den andre informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese annen informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom annen informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi konkluderer med at den andre informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Styrets og daglig leders ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med forenklet anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3-9. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et regnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet med mindre ledelsen enten har til hensikt å avvikle selskapet eller legge ned virksomheten, eller ikke har noe realistisk alternativ til dette.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll.

- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.

- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.

- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av regnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i regnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon om årsregnskapet og årsberetningen. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.

- evaluerer vi den samlede presentasjonen, strukturen og innholdet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet representerer de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Uttalelse om øvrige lovmessige krav

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til dekning av tap er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Oslo, 4. juni 2018
BDO AS

Yngve Gjetha
statsautorisert revisor

Norske Skog Saugbrugs AS

Årsrapport 2018

Norske Skog

Innhold:

- Styrets årsberetning
- Årsregnskap med noter
- Revisjonsberetning

Årsberetning 2018
Norske Skog Saugbrugs AS

Generell informasjon

Norske Skog Saugbrugs AS ble stiftet i 2011 og selskapet er et heleid datterselskap av Norske Skog AS. Selskapets hovedkontor er i Halden kommune.

Virksomhetens art

Selskapets primære virksomhet omfatter produksjon og salg av Super Calendered (SC) magasinpapir. Den årlige produksjonskapasiteten er på 485 000 tonn. All produksjon finner sted ved selskapets produksjonsanlegg i Halden.

Markedsutvikling

Markedet som selskapet opererer i var ganske godt balansert i 2018 da en vesentlig kapasitetsreduksjon i Europa mer enn kompenserte for en mildt fallende etterspørsel. De totale leveransene av SC magasinpapir til markedene i Europa gikk ned 5 %, eller ca. 145 000 tonn, i 2018 sammenlignet med forrige år. Kapasiteten i Europa ble redusert med ca. 4% (175 000 tonn) i løpet av 2018, og kapasitetsutnyttelsen for produsentene i Vest-Europa holdt seg på et høyt nivå (92% i 2018 mot 93% i 2017). Samtidig har det vært en bedring i markedssituasjon i Nord-Amerika med stabilisert etterspørsel og lavere import fra Europa, noe som har gjort at salgsprisene har gått opp gjennom året. Kombinert med en moderat styrking av USD mot NOK gjennom året har dette ført til noe bedret lønnsomhet på salg til USA. Selskapet har derfor økt salget til USA noe i 2018.

Markedet for SC magasinpapir har fortsatt utviklingen mot en økt differensiering der stadig nye produkter, blant annet papir med høyere tykkelse, har etablert seg godt i markedet. Selskapet har utviklet produkter for dette segmentet og lanserte i 2014 produktet NorSC Lite, som er et tykkere papir enn standard SC-A. Salg av dette produktet utgjorde 58 % av det totale salgsvolumet i 2018 (50 % i 2017). I 2015 lanserte selskapet NorSC Value som et produkt som vil gi oss muligheter til å konkurrere om kunder i SC-B segmentet, og i 2018 utgjorde salget av dette produktet 23 % av det totale salgsvolumet (10 % i 2017). Produktet NorSC H/G ble fjernet fra porteføljen i juli 2018, og i andre kvartal 2019 vil NorSC Cat bli erstattet av det nye og lysere produktet NorSC Polar. Da vil Saugbrugs ha byttet ut hele produktporteføljen i løpet av en 5-årsperiode og står igjen med moderne produkter som svarer til kundenes behov og forventninger.

Redegjørelse for årsregnskapet

Resultatregnskapet for selskapet omfatter perioden fra 1. januar til 31. desember 2018.

Omsetningen endte på 2 292 millioner sammenlignet med 2 091 millioner i 2017. Økningen er i all hovedsak en effekt av høyere salgspriser i 2018 enn i 2017. I Europa økte salgsprisene i to omganger, først fra starten av året og deretter fra og med 2. halvår. Prisene i Nord-Amerika var stabile i store deler av året, men gjennom 4. kvartal økte de også i dette markedet. Omsetningen sank også noe på grunn av 3% nedgang i salgsvolum fra 2017, men dette ble delvis kompensert av positiv utvikling i valutakurser.

Distribusjonskostnader per tonn hadde en økning på 5 % sammenlignet med 2017, men på grunn av ovennevnte nedgang i salgsvolum ble økningen i totale distribusjonskostnader begrenset til 3 millioner, tilsvarende 1%. Varekost gikk betydelig opp som følge av høyere priser på de viktige innsatsfaktorene tømmer og energi. Forbedring av råstoffmiks i papiret hadde også i 2019 positive effekter på forbruk av råvarer og lignende, men dette var ikke tilstrekkelig til å motvirke effektene av økte priser på innsatsfaktorer. I tillegg til negativ effekt av høyere tømmerpriser, tapte selskapet også produksjon på grunn av virkesmangel i 1. kvartal 2018.

Brutto driftsresultat var 96 millioner sammenlignet med 78 millioner i 2017 og driftsmargin endte på 4,2 % sammenlignet med 3,7 % i 2017. Økningen skyldes nettoeffekten av bedring i salgspris, forbedret råstoffmiks i papiret og høyere priser på viktige innsatsfaktorer.

Driftsresultatet før finanskostnader og skatter endte på 170 millioner. Posten andre gevinster og tap på 121 millioner består i all hovedsak av tilbakeføring av urealisert tap på innebygde derivater i en gammel energikontrakt som ble terminert mot slutten av 2018. Den inneholder også netto urealisert gevinst på derivater i ny kraftkontrakt inngått i 2018.

Selskapets skattekostnad er mindre enn 1 million.

Årsresultatet for 2018 ble 152 millioner og totalresultat for 2018 ble 151 millioner.

Norske Skog Saugbrugs AS har per 31. desember 2018 et skattemessig underskudd til fremføring på 693 millioner.

Aktiverte investeringer beløp seg til 56 millioner i 2018. Selskapet har ikke balanseført forsknings- og utviklingskostnader.

Samlet kontantstrøm i selskapet var i 2018 på -5 millioner. Selskapets beholdning av kontanter og kontantekvivalenter var ved utgangen av 2018 14 millioner. I 2018 ble aksjekapitalen i selskapet satt ned med 1 037 millioner og 200 millioner av dette ble tilbakebetalt til aksjonæren Norske Skog AS. Selskapet hadde i 2018 en god kontantstrøm fra driften på 163 millioner, men på grunn tilbakebetaling av aksjekapital økte netto rentebærende gjeld med 100 millioner i 2018.

Kortsiktig gjeld utgjorde per 31. desember 2018 66 % av samlet gjeld i selskapet. Totalkapitalen ved utgangen av året var 1 040 millioner og egenkapitalen på 485 millioner utgjorde 46,6 % av totalkapitalen.

Lønnsomheten i selskapet har bedret seg det siste året og brutto driftsresultat økte fra 78 millioner i 2017 til 96 millioner i 2018. Etter flere prisøkninger i 2018 og ved inngangen til 2019 forventes brutto driftsresultat å bli høyere i 2019 enn det var i 2018. Det er ikke identifisert noen indikatorer på nedskrivning per 31.12.2018 og det er derfor heller ikke gjort noen nedskrivningstest for anleggsmidlene i 2018.

Finansiell risiko

Norske Skog Saugbrugs AS er eksponert mot ulike finansielle risikofaktorer gjennom selskapets driftsaktiviteter, herunder markedsrisiko (renterisiko, valutarisiko og råvarepris-risiko), likviditetsrisiko og kredittrisiko. Selskapet søker å minimere tap og redusere volatiliteten i resultatet som forårsakes av ugunstige markedsbevegelser gjennom operasjonelle og finansielle tiltak.

Markedsrisiko

Selskapet er eksponert for endringer i valutakurser da det meste av selskapets inntekter er i utenlandsk valuta. Som gjennomsnitt for 2018, var norske krone noe svakere mot EUR og GBP fra 2017, men sterkere mot USD. Samlet sett har utviklingen i valutakurser fra 2017 en moderat positiv effekt på inntektene.

Selskapet kjøper cellulose priset i USD, fyllstoff til papiret fra UK i GBP og en del av virket fra Sverige i SEK. Fraktkostnadene betales i all hovedsak i EUR, USD og GBP mens største delen av elektrisk kraft er priset i EUR.

Selskapet er også eksponert for endringer i rentenivået, da selskapets gjeld har flytende rente.

Kredittrisiko

Selskapet hadde i 2018 noe høyere tap på fordringer enn i tidligere år, men kredittrisikoen anses fremdeles generelt som lav. I november 2018 inngikk selskapet en avtale om overdragelse av fordringer med Sparebank 1 Factoring AS. Per 31. desember 2018 utgjør netto kundefordringer 132 millioner etter fradrag for avsetning til tap på krav med 9 millioner og fordringer overdratt til Sparebank 1 Factoring AS på 127 millioner.

Likviditetsrisiko

Norske Skog Saugbrugs AS har i 2018 finansiert sine løpende likviditetsbehov gjennom Norske Skog AS og den nye avtalen om overdragelse av fordringer med Sparebank 1 Factoring AS.

Selskapet er en del av konsernkontosystemet i Norske Skog konsernet og har dermed likviditetsrisiko knyttet til likviditeten i konsernet som helhet.

Finansielle instrumenter

Norske Skog Saugbrugs AS har i 2018 inngått en stor energikontrakt. Avtalen er i Euro for å redusere selskapets betydelige eksponering mot inntekter i EUR. Finansielt er en kontrakt som kombinerer energipriser og andre elementer ansett for å være et hybrid instrument bestående av selve kontrakten samt et innebygde derivater. Når innebygde derivater anses som nært relatert til kontrakten, blir de ikke skilt ut fra kontrakten, mens de blir bokført som frittstående derivater når de ikke blir ansett som nært relatert. Norske Skog Saugbrugs AS bokfører elementene knyttet til blant annet utenlandske valuta og salgspriser på papir som separate innebygde derivater. Pr 31. desember 2018 er netto urealisert gevinst i de innebygde derivatene bokført med en verdi på 11 millioner.

Arbeidsmiljø, helse og sikkerhet

Selskapet har en målsetning om ingen skader med fravær blant de ansatte. Alle nestenulykker og skader rapporteres i henhold til Norske Skog-konsernets felles retningslinjer. Erfaringer fra hver enkelt hendelse gjennomgås for å identifisere mulige forbedringer i prosesser og retningslinjer.

Sykefraværet i 2018 var på 4,3 % og selskapets hadde ingen H1-skader (skader med fravær). Arbeidsmiljøet betraktes som godt og selskapet vurderer kontinuerlig tiltak for forbedringer. Samarbeidet med de ansattes organisasjoner har vært konstruktivt og bidratt positivt til driften.

Likestilling

Papirindustrien har tradisjonelt hatt en lav kvinneandel og dette er også tilfellet for Norske Skog Saugbrugs AS hvor kvinneandelen per 31. desember 2018 utgjorde 7 % av arbeidsstyrken. Selskapet arbeider for en likere fordeling av arbeidsstyrken mellom kjønnene og har fokus på at samme kompetanse og ansiennitet lønnes likt uavhengig av kjønn. Kvinner og menn i alle stillingskategorier gis like muligheter for å kvalifisere seg til alle typer oppgaver og avanse-muligheter.

Selskapets styre består av åtte menn.

Diskriminering

Diskrimineringslovens formål er å fremme likestilling, sikre like muligheter og rettigheter og å hindre diskriminering på grunn av etnisk tilhørighet, språk, religion eller livssyn. Selskapet arbeider målrettet og planmessig for å fremme lovens formål innenfor vår virksomhet.

Forskning og utvikling

Selskapet har en kontinuerlig fokus på å utvikle SC magasinpapir slik at produktene som tilbys er tilpasset markedets behov og kan produseres så kostnadseffektivt som mulig. I tillegg fokuseres det på å utvikle produkter i synergi med dagens produksjon, blant annet innen områdene fornybar energi og alternativ anvendelse av trefiber. Fullskala biogassanlegg, pilotanlegg for mikrofibrillær cellulose (MFC) og pilotanlegg for produksjon av limfrie fiberplater fra termomekanisk tremasse som ble startet opp i 2017, er alle gode eksempler på produkter som er i synergi med dagens produksjon. I 2018 har selskapet arbeidet videre med markedspotensialet for produkter fra de to pilotanleggene, samt design for eventuelle fremtidige fullskala produksjonsanlegg.

Påvirkning av det ytre miljø

Papirproduksjon er en energiintensiv prosess hvor energien hovedsakelig benyttes til to formål: å separere, prosessere og transportere fibre og vann (elektrisk energi), samt å levere prosessvarme for å tørke papir (termisk energi). Utslipp til luft kommer primært fra produksjonen av termisk energi. Det er prosessen med å separere fibre (tremasseproduksjon) som krever mest elektrisk energi og det arbeides kontinuerlig med å redusere energibehovet i denne prosessen. Selskapet har som målsetning at alt trevirke som benyttes i produksjonen skal være sertifisert.

Selskapet har i 2018 ikke hatt hendelser som har medført alvorlige negative miljøpåvirkninger, men i forbindelse med driftsutfordringer i biogassanlegget har noen konsesjonsgrenser for utslipp vært midlertidig overskredet.

Fortsatt drift

De viktigste risikofaktorer for Norske Skog Saugbrugs AS er knyttet til usikkerhet til utvikling i priser og volum for magasinpapir og kostnadene for innsatsfaktorer som energi og fiber. Prisene for SC-magasinpapir for tiden gode og selv om kapasitetsutnyttelsen i 2019 skulle bli noe lavere enn tidligere år, regner selskapet god inntjening. Svakere etterspørsel etter selskapets produkter kan på litt lengre sikt påvirke lønnsomhet og tilhørende kontantstrømmer negativt. Som beskrevet under markedsrisiko, er selskapet også eksponert for valutarisiko både på inntekter og kostnader.

I samsvar med kravene i regnskapsloven har styret vurdert forutsetningen om fortsatt drift som grunnlag for å utarbeidelse og presentasjon av årsregnskapet. Til grunn for vurderingen ligger resultatprognoser for 2019 og selskapets langsiktige strategiske prognoser for årene fremover.

Utsikter for 2019

Prisene for SC-magasinpapir i Europa viste en oppgang på 4-6 % ved inngangen til 2019 sammenlignet med prisene ved utgangen av 2018. Det er forventet at markedsbalansen vil bli noe svakere i 2019 enn de to foregående år da etterspørselen etter SC-papir fortsetter å falle samtidig som det ikke er varslet noe kapasitetsreduksjoner innen SC-segmentet i løpet av året. Konverteringen av Burgos PM9 i Verzuolo (i H2-2019) kan få en såpass stor effekt på LWC-markedet at det vil få positive ringvirkninger inn i SC-markedet. Vi finner det riktig å påpeke at disse estimatene er beheftet med usikkerhet, både på grunn av volatile markeder og valutasvingninger.

Totalt resultat og disponeringer

Styret foreslår at årets resultat på 152 millioner overføres til annen egenkapital.

Halden, 26. april 2019

Styret i Norske Skog Saugbrugs AS

Tore Hansesætre
Styremedlem

Paul Kristiansen
Styremedlem

Ole Anders Jansen
Styremedlem

Øystein Bruce
Styremedlem

Robert Wood
Styremedlem

Kjell-Arve Kure
Administrerende direktør

Årsregnskap

Norske Skog Saugbrugs AS

2018

org nr 996 732 703

RESULTATREGNSKAP 2018

Beløp oppgitt i NOK 1000

	NOTE	2018	2017
Driftsinntekter	2	2 291 750	2 090 935
Distribusjonskostnader		-245 240	-242 169
Forbruk av råvarer og lignende		-1 431 558	-1 214 906
Beholdningsendringer		52 308	-8 453
Lønn og andre personalkostnader	3, 16	-370 541	-363 745
Andre driftskostnader	13	-200 355	-183 686
Brutto driftsresultat		**96 365**	**77 975**
Avskrivninger	6	-46 735	-92 279
Nedskrivninger		0	-451 000
Brutto driftsresultat etter avskrivninger og nedskrivninger		**49 630**	**-465 304**
Andre gevinster og tap	17	121 344	8 415
Driftsresultat		**170 974**	**-456 888**
Finansposter	4	-18 680	-91 293
Resultat før skatt		**152 294**	**-548 181**
Skattekostnad (-) / Skatteinntekt (+)	5	-210	-38 460
Årsresultat		**152 084**	**-586 641**

Utvidet resultatregnskap

Estimatavvik pensjoner	16	-911	-11 582
Estimatavvik pensjoner skatt	5	210	2 780
Sum utvidet resultatregnskap		**-702**	**-8 802**
Total resultat		**151 383**	**-595 443**

BALANSE 2018

Beløp oppgitt i NOK 1000

	NOTE	31.12.2018	31.12.2017
Eiendeler			
Utsatt skattefordel	5	26 000	26 000
Varige driftsmidler	6, 18	440 340	431 297
Aksjer i datterselskaper	7	101 546	90 615
Andre anleggsmidler		886	587
Derivater, urealisert gevinst	10, 17	12 641	0
Anleggsmidler		**581 413**	**548 500**
Beholdninger	11	292 865	220 341
Fordringer	8, 12, 18	151 525	285 946
Kontanter og kontantekvivalenter	14	14 447	19 335
Omløpsmidler		**458 838**	**525 621**
Sum eiendeler		**1 040 251**	**1 074 121**
Egenkapital og gjeld			
Aksjekapital		115 230	1 152 300
Annen egenkapital		369 999	0
Udekket tap		0	-618 454
Egenkapital	15	**485 229**	**533 846**
Pensjonsforpliktelser	16	5 822	5 683
Derivater, urealisert tap	10, 17	0	88 957
Langsiktig rentebærende gjeld	8, 9	153 575	143 874
Annen langsiktig gjeld	10	26 800	27 800
Langsiktig gjeld		**186 198**	**266 314**
Leverandørgjeld og skyldige skatter og avgifter	8	209 262	114 782
Derivater, urealisert tap	10	1 868	21 615
Kortsiktig rentebærende gjeld	9	1 482	2 120
Annen kortsiktig gjeld	9	156 212	135 444
Kortsiktig gjeld		**368 824**	**273 961**
Sum gjeld		**555 022**	**540 275**
Sum egenkapital og gjeld		**1 040 251**	**1 074 121**

Halden, 26. april 2019

Styret i Norske Skog Saugbrugs AS

Styremedlem

Styremedlem

Kjell-Arve Kure

Kjell-Arve Kure

Administrerende direktør

KONTANTSTRØMOPPSTILLING 2018

	NOTE	2018	2017
Beløp oppgitt i NOK 1000			
Direkte kontantstrømsanalyse			
Kontantstrøm fra driften			
Innbetalinger fra driften		2 394 017	2 039 656
Utbetalinger til driften		-2 212 388	-2 029 477
Finansielle innbetalinger		37	29
Finansielle utbetalinger		-18 209	-24 981
Netto kontantstrøm fra driften		**163 458**	**-14 773**
Kontantstrøm fra investeringsaktivitetene			
Investeringer i varige driftsmidler		779	-31 828
Salg av varige driftsmidler		0	59
Kjøp av aksjer		231	-7 315
Salg av aksjer, utbytte og nedbetaling av lån til ansatte		50	50
Netto kontantstrøm fra investeringsaktivitetene		**-66 960**	**-39 034**
Kontantstrøm fra finansieringsaktivitetene			
Nedbetaling av lån	9	-2 115	-3 043
Tap på fordring mot tidligere konsernselskap		0	-65 526
Endring av konserninterne inn- og utlån	8, 9	100 653	127 108
Tilbakebetaling av aksjekapital	15	-200 000	0
Netto kontantstrøm fra finansieringsaktivitetene		**-101 462**	**58 540**
Valutakurseffekter på kontanter og kontantekvivalenter		76	-539
Sum netto endring kontanter og kontantekvivalenter		**-4 888**	**4 194**
Kontanter og kontantekvivalenter 01.01		19 335	15 141
Kontanter og kontantekvivalenter 31.12		14 447	19 335

Note 1 – Regnskapsprinsipper

Generell informasjon

Norske Skog Saugbrugs AS er et aksjeselskap registrert i Norge. Selskapets hovedkontor er lokalisert i Haiden, Norge. Samtlige aksjer i selskapet eies av Norske Skog AS. Selskapet inngår i konsernregnskapet til Norske Skog AS. I henhold til unntaket i regnskapsloven §3-7 har selskapet ikke utarbeidet konsernregnskap. Selskapsregnskapet og konsernregnskapet til Norske Skog AS er tilgjengelig ved konsernets hovedkontor i Oslo.

Årsregnskapet er avlagt i henhold til regnskapsloven § 3-9 og Forskrift om forenklet IFRS fastsatt av Finansdepartementet 3. november 2014. Dette innebærer i hovedsak at innregning og måling følger internasjonale regnskapsstandarder (IFRS) mens presentasjon og noteopplysninger er utarbeidet i henhold til norsk regnskapslov og god regnskapsskikk. Årsregnskapet er vedtatt av selskapets styre 26. april 2019.

Grunnlag for utarbeidelse av årsregnskapet

Selskapsregnskapet legger til grunn prinsippene i et historisk kost regnskap, med unntak av finansielle instrumenter til virkelig verdi over resultatet og finansielle instrumenter tilgjengelig for salg som er regnskapsført til virkelig verdi.

Valuta

Transaksjoner i utenlandsk valuta omregnes til kursen på transaksjonstidspunktet. Pengeposter i utenlandsk valuta omregnes til norske kroner ved å benytte balansedagens kurs. Ikke-pengeposter som måles til historisk kurs uttrykt i utenlandsk valuta, omregnes til norske kroner ved å benytte valutakursen på transaksjonstidspunktet. Ikke-pengeposter som måles til virkelig verdi uttrykt i utenlandsk valuta, omregnes til valutakursen fastsatt på balansetidspunktet. Valutakursendringer resultatføres løpende i regnskapsperioden.

Varige driftsmidler

Varige driftsmidler, unntatt investeringseiendommer, måles til anskaffelseskost, fratrukket akkumulerte av- og nedskrivninger. Når eiendeler selges eller avhendes, blir balanseført verdi fratrukket og eventuell tap eller gevinst resultatføres.

Anskaffelseskost for varige driftsmidler er kjøpsprisen, inkludert avgifter/skatter og kostnader direkte knyttet til å sette anleggsmiddelet i stand for bruk. Utgifter påløpt etter at driftsmidlet er tatt i bruk, slik som løpende vedlikehold, resultatføres, mens øvrige utgifter som forventes å gi fremtidige økonomiske fordeler blir balanseført.

Avskrivningsperiode og -metode vurderes årlig. Utrangeringsverdi estimeres ved hver årsavslutning og endringer i estimat på utrangeringsverdi er regnskapsført som en estimatendring.

Anlegg under utførelse er klassifisert som anleggsmidler og er oppført til kost inntil tilvirkning eller utvikling er ferdigstilt. Anlegg under utførelse blir ikke avskrevet før anleggsmiddelet blir tatt i bruk.

Verdifall på ikke-finansielle eiendeler

Immaterielle eiendeler med udefinert utnyttbar levetid avskrives ikke, men vurderes årlig for verdifall. Varige driftsmidler og immaterielle eiendeler som avskrives, vurderes for verdifall når det foreligger indikatorer på at fremtidig inntjening ikke kan forsvare eiendelens balanseførte verdi. En nedskrivning resultatføres med forskjellen mellom balanseført verdi og gjenvinnbart beløp. Gjenvinnbart beløp er det høyeste av virkelig verdi fratrukket salgsutgifter og bruksverdi.

Ved vurdering av verdifall, grupperes anleggsmidlene på det laveste nivået der det er mulig å skille ut uavhengige kontantstrømmer (kontantgenererende enheter). Ved hver rapporteringsdato vurderes mulighetene for reversering av tidligere nedskrivninger på ikke-finansielle eiendeler.

Aksjer og andeler i datterselskap

Investeringer i datterselskap vurderes til kostpris. De blir nedskrevet til virkelig verdi dersom verdifallet ikke er av forbigående art.

Finansielle eiendeler

IFRS 9 Finansielle Instrumenter erstatter IAS 39 Finansielle Instrumenter: Innregning og måling og er gjeldende fra 1. januar 2018. IFRS 9 omhandler innregning, klassifisering og måling, tapsavsetning, fraregning og sikringsbokføring. Overgang til IFRS 9 har ikke hatt vesentlig betydning for selskapets finansielle instrumenter.

Klassifisering og måling

Etter IFRS 9 skal finansielle eiendeler klassifiseres I tre målekategorier:

a) *virkelig verdi med verdiendring over resultatet,*

b) *virkelig verdi med verdiendringer over andre inntekter og kostnader og*
c) *amortisert kost.*

Klassifiseringen avhenger av hensikten med anskaffelsen. Ledelsen klassifiserer finansielle instrumenter ved anskaffelse, og gjør en ny vurdering av denne klassifiseringen på hver rapporteringsdato.

a) Finansielle instrumenter med verdiendring over resultat

Denne kategorien består av finansielle eiendeler holdt for handelsformål og finansielle eiendeler som ledelsen initielt har valgt å føre opp til virkelig verdi med resultateffekt. Derivater klassifiseres også som holdt for handelsformål, med mindre de er en del av en sikring. Eiendeler i denne kategorien klassifiseres som omløpsmidler hvis de holdes for handelsformål eller hvis de forventes å bli realisert innen 12 måneder etter balansedagen.

Ikke-finansielle råvarekontrakter hvor råvaren kan konverteres til kontanter og kontrakten ikke er til eget bruk er innenfor rammen av det som omfattes av IFRS 9. Slike kontrakter behandles som derivater etter IFRS 9.

b) Finansielle instrumenter med verdiendring over andre inntekter og kostnader

Selskapet har ikke slike finansielle instrumenter.

c) Utlån og fordringer til amortisert kost

Utlån og fordringer er ikke-derivate finansielle eiendeler med fastsatte betalinger som ikke omsettes i et aktivt marked. De klassifiseres som omløpsmidler, med mindre de forfaller senere enn 12 måneder etter balansedagen. I så fall klassifiseres de som anleggsmidler. Utlån og fordringer klassifiseres som kundefordringer og andre fordringer, samt kontanter og kontantekvivalenter i balansen. Etterfølgende måling av finansielle eiendeler til amortisert kost gjøres ved bruk av effektiv rentes metode og er gjenstand for tapsnedskrivning.

Derivater

Derivater balanseføres til virkelig verdi på det tidspunkt derivatkontrakten inngås, og deretter løpende til virkelig verdi. Selskapet har klassifiserer alle sine derivater som derivater til virkelig verdi hvor verdiendring føres over resultatet. Selskapet benytter ikke sikringsføring.

Kontanter og kontantekvivalenter

Kontanter og kontantekvivalenter inkluderer kontanter, bankinnskudd og andre kortsiktige likvide investeringer med forfall innen tre måneder.

Varelager

Varer vurderes til det laveste av anskaffelseskost og netto realisasjonsverdi. Anskaffelseskost beregnes ved bruk av gjennomsnittlig anskaffelseskost. For ferdig tilvirkede varer og varer under tilvirkning består anskaffelseskost av utgifter til materialforbruk, direkte lønnsutgifter, andre direkte utgifter og indirekte produksjonsutgifter (basert på normal kapasitet). Lånekostnader medregnes ikke. Netto realisasjonsverdi er estimert salgspris fratrukket kostnader for ferdigstillelse og salg.

Kundefordringer

Kundefordringer regnskapsføres til anskaffelseskost med fradrag for avsetning for forventede tap på fordringer.

Leverandørgjeld

Leverandørgjeld er forpliktelser til å betale for varer eller tjenester som er levert fra leverandørene til den ordinære driften. Leverandørgjeld måles til virkelig verdi ved første gangs balanseføring. Ved senere måling vurderes leverandørgjeld til amortisert kost fastsatt ved bruk av effektiv rente.

Lån

Lån regnskapsføres til virkelig verdi når utbetaling av lånet finner sted, med fradrag for transaksjonskostnader. I etterfølgende perioder regnskapsføres lån til amortisert kost beregnet ved bruk av effektiv rente. Forskjellen mellom det utbetalte lånebeløpet (fratrukket transaksjonskostnader) og innløsningsverdien resultatføres over lånets løpetid.

Lån klassifiseres som kortsiktig gjeld med mindre det foreligger en ubetinget rett til å utsette betaling av gjelden i mer enn 12 måneder fra balansedato.

Betalbar og utsatt skatt

Skattekostnaden i selskapet består av betalbar skatt beregnet ut i fra periodens skattepliktige inntekt, periodens endring i utsatt skatt, samt korreksjoner av skatt for tidligere perioder. Skatt blir resultatført, bortsatt fra når den relaterer seg til poster som er ført mot innregnede inntekter og kostnader eller direkte mot egenkapitalen. Hvis det er tilfellet, blir skatten også ført mot innregnede inntekter og kostnader eller direkte mot egenkapitalen.

Utsatt skatt avsettes fullt ut etter gjeldsmetoden på basis av midlertidige forskjeller oppstått mellom bokførte og skattemessige verdier på eiendeler og gjeld.

Utsatt skattefordel bokføres som eiendel dersom det kan forventes at fremtidige skattepliktige inntekter kan utnyttes mot skattereduserende midlertidige forskjeller og fremførbare underskudd. Utsatt skattefordel avregnes mot utsatt skattegjeld innenfor et skatteregime i den utstrekning skattelovgivningen gir anledning til å utnytte skattefordeler mot utsatt skattegjeld.

Pensjoner

Pensjonsordningene er generelt finansiert gjennom innbetalinger til forsikringsselskaper eller pensjonskasser, fastsatt etter periodiske aktuarberegninger, eller betalt over drift. Selskapet har både ytelsesplaner og innskuddsplaner.

En ytelsesplan er en pensjonsordning som definerer en pensjonsutbetaling som en ansatt vil motta ved pensjonering. Pensjonsutbetalingen er normalt avhengig av en eller flere faktorer slik som alder, antall år I selskapet og lønn. En innskuddsplan er en pensjonsordning hvor selskapet betaler faste bidrag til en separat juridisk enhet.

Den balanseførte forpliktelsen knyttet til ytelsesplaner er nåverdien av de definerte ytelsene på balansedatoen minus virkelig verdi av pensjonsmidlene, justert for ikke resultatførte estimatavvik og ikke resultatførte kostnader knyttet til tidligere perioders pensjonsopptjening. Pensjonsforpliktelsen beregnes årlig av en uavhengig aktuar ved bruk av en lineær opptjeningsmetode. Nåverdien av de definerte ytelsene bestemmes ved å diskontere estimerte fremtidige utbetalinger med renten på en obligasjon utstedt av et selskap med høy kredittverdighet i den samme valuta som ytelsene vil bli betalt og med en løpetid som er tilnærmet den samme som løpetiden for den relaterte pensjonsforpliktelsen, alternativt en statsobligasjonsrente dersom slike renter ikke finnes.

Estimatavvik som skyldes ny informasjon eller endringer i de aktuarmessige forutsetningene belastes eller godskrives egenkapital gjennom utvidet resultatregnskap i perioden de oppstår. Administrative kostnader ved ordningen føres fortløpende over resultatregnskapet.

Ved innskuddsplaner, betaler selskapet innskudd til offentlig eller privat administrerte forsikringsplaner for pensjon på obligatorisk, avtalemessig eller frivillig basis. Selskapet har ingen ytterligere betalingsforpliktelser etter at innskuddene er blitt betalt. Innskuddene regnskapsføres som lønnskostnad for den perioden betaling gjelder.

Avsetninger

En avsetning regnskapsføres når selskapet har en forpliktelse (rettslig eller selvpålagt) som en følge av en tidligere hendelse, det er sannsynlig at det vil skje et økonomisk oppgjør som følge av denne forpliktelsen og beløpets størrelse kan måles pålitelig. Hvis effekten er betydelig, beregnes avsetningen ved å neddiskontere forventede fremtidige kontantstrømmer med en diskonteringsrente før skatt som reflekterer markedets prissetting av tidsverdien av penger og, hvis relevant, risiki spesifikt knyttet til forpliktelsen.

Restruktureringsavsetninger innregnes når selskapet har godkjent en detaljert og formell restruktureringsplan, og restruktureringen enten har startet eller har blitt formidlet.

Inntektsføring

Regnskapsstandarden IFRS 15 Driftsinntekter fra kontrakter med kunder, har erstattet IAS 11, IAS 18 og IFRIC 13 med virkning fra 1. januar 2018. Endringen til IFRS 15 har ikke påvirket regnskapet til Norske Skog Saugbrugs AS i vesentlig grad. Inntekter fra kontrakter med kunder innregnes på det tidspunkt der kontrollen over eiendelen overføres til kunden. Kontroll over en eiendel innebærer muligheten til å styre bruken av og få gjenværende fordeler ved eiendelen. Tidspunkt for inntektsføring vil avhenge av den enkelte kundes leveringsbetingelser, og vil kunne være i hele intervallet fra varene er ferdig produsert til varene er levert hos kunde. Inntekter fra salg av varer vurderes til virkelig verdi av vederlaget, netto etter fradrag for merverdiavgift, returer og rabatter.

Nærstående parter

Selskapet er et heleid datterselskap av Norske Skog AS. Alle transaksjoner med morselskapet, andre konsernselskaper og andre nærstående parter skjer til alminnelige markedsmessige betingelser.

Mottatt utbytte

Utbytte fra datterselskaper inntektsføres i det året utbyttet avsettes i datterselskapet. Utbytte fra andre selskaper inntektsføres når aksjonærenes rettighet til å motta utbytte er fastsatt av generalforsamlingen.

Renteinntekter

Renteinntekter inntektsføres basert på lånenes effektive rente. Dette er den renten som medfører at nåverdien av fremtidige kontantstrømmer knyttet til utlånet tilsvarer dets netto balanseførte verdi.

Leieavtaler

Leieavtaler der en vesentlig del av risiko og avkastning knyttet til eierskap fortsatt ligger hos utleier, klassifiseres som operasjonelle leieavtaler. Leiebetaling ved operasjonelle avtaler kostnadsføres lineært over leieperioden.

Leieavtaler knyttet til varige driftsmidler hvor selskapet i hovedsak innehar all risiko og avkastning knyttet til eierskapet, blir klassifisert som finansielle leieavtaler. Finansielle leieavtaler balanseføres til det laveste av driftsmiddelets virkelig verdi ved inngåelsen av leieavtalen og nåverdien av de kontraktsfestede leiebetalinger. Leiebetalinger fordeles mellom finanskostnad og avdrag på leieforpliktelsen oppført i balansen, slik at rentabiliteten blir konstant over gjenværende leieperiode. Det innleide anleggsmidlet avskrives basert på de samme prinsipper som øvrige anleggsmidler. Den korresponderende leieforpliktelsen (med fradrag for finanskostnader) blir inkludert i annen langsiktig gjeld.

Offentlige tilskudd

Offentlige tilskudd resultatføres som inntekt over nødvendige perioder for å sammenstilles med kostnadene de er ment å kompensere for. Offentlige tilskudd i form av erstatning for tap som allerede er påløpt eller i form av direkte finansiell støtte uten sammenheng med fremtidige kostnader inntektsføres i perioden de blir tildelt.

Offentlige tilskudd relatert til eiendeler blir presentert i balansen enten som en utsatt inntekt eller som en reduksjon av kostprisen på eiendelene tilskuddet er relatert til. Resultatføringen skjer da enten som fremtidige periodevise inntektsføringer eller som fremtidige periodevise reduksjoner av avskrivninger.

Utslippskvoter

Det finnes ingen regnskapsstandard eller tolkning innenfor IFRS som omhandler regnskapsføring av utslippstillatelser eller fornybare energisertifikater. Mottatte utslippsrettigheter innregnes i balansen som immaterielle eiendeler til markedsverdien på datoen rettighetene er gitt. Forskjellen mellom virkelig verdi og det nominelle beløpet betalt for utslippskvoter blir innregnet i balansen som offentlig tilskudd (utsatt inntekt).

Utslipp innregnes i resultatregnskapet som forbruk av råvarer og lignende, og det offentlige tilskuddet (utsatt inntekt) inntektsføres samtidig med utslippskostnadene. Ubrukte kvoter (utsatt inntekt) og benyttede kvoter blir avregnet mot den balanseførte immaterielle eiendelen når de enkelte avtalene om utslippsrettigheter utløper.

Hvis den mottatte rettigheten er tilstrekkelig til å dekke foretakets utslipp, vil det ikke være netto kostnad eller netto inntekt i resultatregnskapet. Dersom det er nødvendig å gå til markedet og få flere rettigheter, blir disse kostnadsført til markedsverdi på kjøpstidspunktet.

Hvis antall rettigheter overstiger faktisk forbruk, vil overskuddet bli solgt i markedet. Gevinsten fra salget presenteres som Andre gevinster og tap.

Utbytte

Utbytte klassifiseres som gjeld fra og med det tidspunkt utbyttet er fastsatt av generalforsamlingen.

Viktige regnskapsestimater og antagelser/forutsetninger

Selskapet utarbeider estimater og gjør antagelser/forutsetninger knyttet til fremtiden. Estimater og antagelser/forutsetninger som representerer en betydelig risiko for vesentlige endringer i balanseført verdi på eiendeler og gjeld i løpet av neste regnskapsår, drøftes nedenfor.

a) Estimert verdifall på immaterielle eiendeler og varige driftsmidler

Selskapet gjennomfører periodiske tester for å vurdere verdifall på immaterielle eiendeler og varige driftsmidler. Varige driftsmidler og immaterielle eiendeler nedskrives til gjenvinnbart beløp når gjenvinnbart beløp er lavere enn eiendelens balanseførte verdi. Gjenvinnbart beløp fra eiendeler er fastsatt som den høyeste av virkelig verdi fratrukket salgsutgifter og bruksverdi. Bruksverdi er nåverdien av framtidige kontantstrømmer som forventes å oppstå av en eiendel. Beregning av bruksverdi medfører bruk av estimater. Balanseført verdi av immaterielle eiendeler og varige driftsmidler måles mot bruksverdi av immaterielle eiendeler og varige driftsmidler.

b) Årlig vurdering av gjenværende levetid på varige driftsmidler

Selskapet gjennomfører årlige vurderinger av gjenværende levetid på varige driftsmidler. Endringer i estimert gjenværende levetid vil få effekt på fremtidige avskrivninger.

c) Avsetninger for fremtidige miljøforpliktelser

Selskapets avsetninger for fremtidige miljøforpliktelser er basert på en rekke forutsetninger og på ledelsens beste skjønn. Endringer i disse forutsetningene vil kunne medføre en endring i avsetningen og kostnader for selskapet.

d) Restverdi på produksjonsutstyr og nedstengningsavsetninger

Restverdi på produksjonsutstyr er vurdert til forventet realisasjonsverdi på balansedagen etter fradrag for estimerte utgifter til demontering og fjerning av driftsmiddelet. Restverdien er påvirket av kortsiktige endringer i forutsetningene, for eksempel underliggende metallpris. En endring i restverdi vil kunne få effekt på fremtidige avskrivninger. Avsetningen for nedstengningskostnader er basert på en rekke forutsetninger basert på ledelsens beste skjønn.

e) Virkelig verdi på derivater og andre finansielle instrumenter

Virkelig verdi på finansielle instrumenter som ikke handles i et aktivt marked fastsettes ved å benytte verdsettelsesteknikker. Selskapet vurderer og velger metoder og forutsetninger som så langt som mulig er basert på markedsforholdene på balansedagen.

f) Pensjoner

Nåverdien av pensjonsforpliktelsene avhenger av flere ulike faktorer som er bestemt av en rekke aktuarmessige forutsetninger. Forutsetningene som benyttes ved beregning av netto pensjonskostnad (inntekt) inkluderer diskonteringsrenten. Endringer i disse forutsetningene vil påvirke balanseført verdi av pensjonsforpliktelsene.

Nye regnskapsstandarder

Følgende standard er vedtatt og vil bli implementert av selskapet 1. januar 2019:

- IFRS 16 leiekontrakter: Standarden erstatter IAS 17. IFRS 16 innebærer at leietakere balansefører eiendeler og forpliktelser for de fleste leieavtaler

Den nye standarden vil bli implementert ved modifisert retroperspektiv metode uten omarbeiding av regnskap for tidligere perioder. Verdien av bruksretten på de balanseførte eiendelene vil være lik leieforpliktelsen og implementering av IFRS 16 vil derfor ikke ha noen effekt på selskapets egenkapital.

Implementering av IFRS 16 er estimert til å gi følgende effekter på selskapsregnskapet til Norske Skog Saugbrugs AS:

- Bokført verdi av langsiktige eiendeler og leieforpliktelser er estimert til å øke med 19 millioner fra 1. januar 2019
- Driftskostnader er estimert til å gå ned med 5 millioner i 2019
- Rentekostnader er estimert til å øke med 1 million i 2019
- Avskrivninger er estimert til å øke med 4 millioner i 2019

Andre endringer i IFRS er ikke forventet å ha noen vesentlig effekt for 2019.

Note 2 - Driftsinntekter per marked

Beløp oppgitt i NOK 1000

Norske Skog Saugbrugs AS sin virksomhet omfatter salg av varer og tjenester til de geografiske regionene Europa, Nord-Amerika, Sør-Amerika, Asia og Afrika.

	2018	2017
Norge	59 320	33 797
Resten av Europa	1 836 742	1 700 296
Nord-Amerika	365 148	322 302
Asia	5 685	15 600
Afrika	11 635	11 885
Sum	**2 278 530**	**2 083 880**
Ordinære inntekter ved salg av varer og tjenester til konsernselskaper	13 220	7 055
Sum driftsinntekter	**2 291 750**	**2 090 935**

Note 3 - Lønnskostnader, antall ansatte og lån til ansatte

Beløp oppgitt i NOK 1000

Lønnskostnader

	2018	2017
Lønn inkludert feriepenger	297 297	292 963
Arbeidsgiveravgift	44 959	44 424
Pensjonskostnader	11 817	10 901
Andre ytelser	16 468	15 458
Sum	**370 541**	**363 746**

	2018	2017
Antall årsverk sysselsatt i faste stillinger ved utgangen av året	441	458

Lån og sikkerhetstillelse til ansatte i selskapet

Ansatte har lån i selskapet på til sammen KNOK 148. Disse lånene avdras over 0-25 år. Normrenten ved utgangen av året var 2,1 % og tilsvarer skattefri rentesats fastsatt av Finansdepartement. Det er ikke stillet sikkerhet for lånene utover den sikkerhet som følger av ansettelsesforholdet. Ingen lån eller garantier utgjør mer enn 5 % av selskapets aksjekapital.

Ytelser til styret og ansatte i ledende stillinger

Beløp oppgitt i NOK	Lønn	Bonus	Natural-ytelser	Pensjons-kostnad	Sum
Ledende ansatte					
Kjell-Arve Kure	1 718 593	541 200	149 500	74 987	2 484 280

Gjensidig oppsigelsestid for administrerende direktør er seks måneder. Om det oppstår en situasjon hvor selskapet eller administrerende direktør bringer ansettelsesforholdet til opphør av hensyn til selskapets beste, garanterer selskapet utbetaling av grunnlønn i ni måneder etter utløpet av oppsigelsestiden.

Administrerende direktør har en bonusavtale på opp til 50 % av grunnlønn.

Det er ikke gitt lån til ledende ansatte.

Det er ikke påløpt eller utbetalt styrehonorar.

Note 4 - Finansposter

Beløp oppgitt i NOK 1000

	2018	2017
Mottatt utbytte	50	50
Renteinntekter	37	29
Rentekostnader	-13 787	-20 131
Tap ved realisasjon av aksjer	-502	0
Valutagevinster og tap	76	-539
Andre finansposter	-4 556	-70 702
Sum	**-18 680**	**-91 293**

Av rentekostnadene i 2018 består KNOK 12.528 av renter på langsiktig gjeld fra Norske Skog AS.

Note 5 - Skatt

Beløp oppgitt i NOK 1000

Skattekostnad

	2018	2017
Betalbar skatt	0	0
Endring utsatt skatt	-210	-38 460
Sum skattekostnad	**-210**	**-38 460**

Avstemming av selskapets skattekostnad

	2018	2017
Resultat før skatt	152 294	-548 181
Skatt beregnet ut i fra nominell skattesats - 23% (24% i 2017)	-35 028	131 564
Justering tidligere år	-24	-2 392
Skattefri inntekt / ikke fradragsberettigede kostnader	2 648	-16 598
Effekt av reduksjon av skattesats fra 23% til 22% (24% til 23% i 2017)	-1 182	-1 130
Tilbakeføring / nedskrivning (-) utsatt skattefordel	33 375	-149 902
Årets skattekostnad	**-210**	**-38 460**

Utsatt skatt - detaljer

	2018	2017
Varige driftsmidler, merverdi og avskrivninger	170 800	194 255
Pensjoner	1 281	1 307
Avsetninger og andre gjeldsposter	3 520	3 288
Finansielle instrumenter kraftkontrakter	-2 370	25 431
Utsatt skatt kortsiktige poster	834	-734
Fremførbart underskudd etter nedskrivning	-148 064	-197 548
Netto utsatt skattefordel	**26 000**	**26 000**

Skattesats for beregning av utsatt skatt/skattefordel pr 31.12.2018 er 22% (23% per 31.12.2017).

Underskudd til fremføring

	2018	2017
Fremførbart skattemessig underskudd	692 747	651 971
Nedskrivning av fremførbart underskudd og andre midl. forskjeller som ikke balanseføres	-1 365 766	-1 510 875
Grunnlag utsatt skattefordel på fremførbart underskudd	**-673 019**	**-858 904**
Utsatt skattefordel på fremførbart underskudd	**-148 064**	**-197 548**

Utsatt skattefordel på fremførbart underskudd og andre midlertidige forskjeller er testet mot forventet fremtidig skattbar inntjening. Basert på testen er det balanseført 26,0 millioner i utsatt skattefordel per 31.12.2018.

Note 6 - Varige driftsmidler

Beløp oppgitt i NOK 1000

Varige driftsmidler

	Maskiner og anlegg	Tomter og fast eiendom	Drifts-løsøre og inventar	Anlegg under utførelse	Sum
Anskaffelseskost 31.12.17	4 270 807	1 390 500	32 223	17 912	5 711 441
Tilgang kjøpte driftsmidler	1 702	1 384	0	52 692	55 779
Anskaffelseskost 31.12.18	**4 272 509**	**1 391 884**	**32 223**	**70 604**	**5 767 220**
Akkumulerte avskrivninger 31.12.18	-3 425 972	-951 729	-29 180	0	-4 406 881
Akkumulerte nedskrivninger 31.12.18	-663 378	-256 622	0	0	-920 000
Balanseført verdi pr. 31.12.18	**183 159**	**183 533**	**3 043**	**70 604**	**440 340**
Årets avskrivninger	-28 057	-17 817	-861	0	-46 735
Årets nedskrivninger	0	0	0	0	0

Selskapet benytter lineære avskrivninger for alle varige driftsmidler. Tomter avskrives ikke.

Estimert økonomisk levetid for driftsmidler er (antall år):

Maskiner og anlegg	3-15
Bygninger og annen fast eiendom	3-33
Driftsløsøre og inventar	3-5

Gjenvinnbar verdi

Maskiner og anlegg skrives ned til gjenvinnbar verdi når denne er lavere enn bokført verdi. Gjenvinnbar verdi settes til det høyeste av netto salgsverdi og verdi i fortsatt drift. Verdi i fortsatt drift settes lik nåverdi av forventet fremtidig kontantstrøm ved drift av anlegget i sin gjenværende økonomiske levetid.

Lønnsomheten i selskapet har bedret seg det siste året og brutto driftsresultat økte fra 78 millioner i 2017 til 96 millioner i 2018. Etter flere prisøkninger i 2018 og ved inngangen til 2019 forventes brutto driftsresultat å bli høyere i 2019 enn det var i 2018. Det er ikke identifisert noen indikatorer på nedskrivning per 31.12.2018 og det er derfor heller ikke gjort noen nedskrivningstest for anleggsmidlene i 2018.

Støtte til investeringsprosjekter

Selskapet har i 2018 ikke mottatt vesentlige tilskudd til investeringsprosjekter.

Note 7 - Aksjer i datterselskaper

Beløp oppgitt i NOK 1000

Aksjer i datterselskaper	Forretnings-adresse	Aksjekapital	Eier- og stemmeandel	Bokført verdi 31.12.2018	Bokført verdi 31.12.2017
Saugbrugs Bioenergi AS	Halden	3 000	100 %	101 546	90 615
				101 546	**90 615**

Saugbrugs Bioenergi AS har etablert et anlegg for produksjon, rensing og oppgradering av biogass til en kvalitet som kan anvendes i transportsektoren, bl.a. i busser. Endring i bokført verdi på aksjene i 2018 skyldes at en fordring på kNOK 10 931 som selskapet hadde på Saugbrugs Bioenergi AS ble konvertert til aksjekapital i starten av 2018.

Produksjon av gass startet som planlagt i slutten av mars 2017. Det har i perioder både i 2017 og 2018 vært utfordringer knyttet til driften som har resultert i lavere gassproduksjon enn forventet. Flere korrektive tiltak er iverksatt og mot slutten av 2018 ble en prosessomlegging som gjør vannet fra papirfabrikken bedre egnet til produksjon av bigass ferdigstilt. Fra midten av desember 2018 har anlegget gått stabilt og gassproduksjon per dag i januar og februar 2019 er høyere enn noen gang tidligere. Årsresultatet i 2018 ble kNOK -12 637 og bokført egenkapital per 31.12.2017 var kNOK 63 181.

Note 8 - Mellomværende med selskap i samme konsern og tilknyttede selskap

Beløp oppgitt i NOK 1000

Konserninterne kortsiktige utlån	31.12.2018	31.12.2017
Norske Skog AS	10 971	41 639
Saugbrugs Bioenergi AS	23	35
Norske Skog Skogn AS	0	1 257
Norske Skog Italia Sr	-33	145
Norske Skog Deutschland GmbH	-222	-219
Norske Skog (UK) Ltd.	-23	-17
Norske Skog France sarl	-47	-18
	10 669	**42 823**

Konsernintern kortsiktig gjeld		
Norske Skog AS	57 147	0
Norske Skog Skogn AS	0	156
Saugbrugs Bioenergi AS	408	0
Norske Skog Nordic & Export Sales AS	0	2
Norske Skog Deutschland GmbH	0	2
Norske Skog Italia SrL	4	3
	57 558	**162**

Konsernintern langsiktig gjeld		
Norske Skog AS	148 998	137 819
	148 998	**137 819**

Konsernets likviditet er organisert i en konsernkontoordning med Norske Skog AS som eier av kontoen. Alle konsernselskaper som er deltaker i konsernkontoordningen er solidarisk ansvarlige for de trekk konsernet til enhver tid har gjort.

Note 9 - Rentebærende gjeld og annen kortsiktig gjeld

Beløp oppgitt i NOK 1000

Langsiktig rentebærende gjeld	31.12.2018	31.12.2017
Lån fra foretak i samme konsern	148 998	137 819
Gjeld til kredittinstitusjoner	4 578	6 055
	153 575	**143 874**

Gjeld med forfall senere enn ett år	31.12.2018	31.12.2017
Annen langsiktig gjeld	4 578	5 677
	4 578	**5 677**

Langsiktig gjeld med forfall senere enn 5 år	31.12.2018	31.12.2017
Lån fra foretak i samme konsern	148 998	137 819
Annen langsiktig gjeld	0	378
	148 998	**138 197**

Kortsiktig rentebærende gjeld	31.12.2018	31.12.2017
Annen kortsiktig rentebærende gjeld	1 482	2 120
	1 482	**2 120**

Annen kortsiktig gjeld	31.12.2018	31.12.2017
Avsetninger og periodiseringer	156 212	135 398
	156 212	**135 398**

Lån fra foretak i samme konsern er langsiktig gjeld til selskapets direkte morselskapet Norske Skog AS på 149 millioner. Det er ingen avtalt nedbetalingsplan på dette lånet.

Annen gjeld på til sammen 6,1 millioner er kortsiktig og langsiktig gjeld til kredittinstitusjoner på finansielle leasingkontrakter for driftsmidler.

Note 10 - Derivater og annen langsiktig gjeld

Beløp oppgitt i NOK 1000

Derivater	31.12.2018	31.12.2017
Urealisert gevinst, langsiktig fordring	12 641	0
Sum fordring	**12 641**	**0**
Urealisert tap, langsiktig gjeld	0	88 957
Urealisert tap, kortsiktig gjeld	1 868	21 615
Sum gjeld	**1 868**	**110 572**
Netto nåverdi av derivater	**10 773**	**-110 572**

Det ble i desember 2018 inngått en ny strømavtale med Statkraft for perioden 1. desember 2018 til og med 31. desember 2026. Den gamle strømavtalen i EUR fra 2013 ble terminert samtidig med at den nye ble inngått.

På grunn av svekkelse av NOK mot EUR i perioden frem til 31.12.2017 var det ved inngangen til 2018 bokført 110,6 millioner i urealisert tap på det innebygde derivatet i den gamle kontrakten. Ved terminering i desember 2018 opphørte forpliktelsene i den gamle avtalen og urealisert tap knytet til denne ble tilbakeført.

Den nye strømavtalen har innebygde derivater knyttet til blant annet valutakursutvikling på NOK mot EUR og salgspriser på papir. Netto positiv verdi av urealisert gevinst i derivatene var 10,8 millioner 31.12.2018.

Nåverdien av energikontrakten er mest sensitiv for endringer i valutakurs og salgspriser, og estimeringsteknikker er brukt der markedsinformasjon mangler.

	31.12.2018	31.12.2017
Avsetning fremtidige miljøforpliktelser	**26 800**	**27 800**

Avsetning for fremtidige miljøforpliktelser knytter seg i hovedsak til opprydding av mulig forurensing fra kjemikalier og olje i grunnen på fabrikkområdet, samt fremtidige kostnader knyttet til overvåkning av en fylling for aske som ble stengt i 2009.

Note 11 - Beholdninger

Beløp oppgitt i NOK 1000

	31.12.2018	31.12.2017
Råvarer og annet driftsmateriell	153 413	133 006
Ferdigvarer	139 453	87 335
Sum	**292 865**	**220 341**

Note 12 - Fordringer

Beløp oppgitt i NOK 1000

Kundefordringer	**31.12.2018**	**31.12.2017**
Eksterne kundefordringer	140 453	226 493
Avsetning for tap på fordringer	-8 737	-1 872
Netto kundefordringer	**131 716**	**224 621**
Andre eksterne fordringer	9 139	18 502
Konsernintern kortsiktige utlån	10 669	42 823
Sum fordring	**151 525**	**285 946**

I november 2018 inngikk selskapet en avtale om overdragelse av fordringer med Sparebank 1 Factoring AS. Total ramme er til sammen 400 millioner for de norske enhetene Norske Skog Skogn AS og Norske Skog Saugbrugs AS. Per 31.12.2018 hadde Saugbrugs utnyttet 127,0 millioner av rammen.

Note 13 - Andre driftskostnader, tap på krav og revisjonshonorar

Beløp oppgitt i NOK 1000

Andre driftskostnader	**31.12.2018**	**31.12.2017**
Vedlikeholdsmateriell og -tjenester	77 673	71 756
Konsulentbistand	4 892	7 437
Administrasjon, forsikring og reisekostnader	41 486	39 392
Tap på krav	9 117	599
Leiekostnader	7 737	6 921
Konserninterne kommisjoner	23 615	22 863
Endring i avsetninger miljø	-1 425	10
Andre driftskostnader	37 258	34 707
Sum andre driftskostnader	**200 355**	**183 686**

Tap på krav	**31.12.2018**	**31.12.2017**
Endring i avsetning for tap på fordringer	6 866	-12 575
Årets realiserte tap på fordringer	2 252	13 174
Sum tap på krav	**9 117**	**599**

Revisjonshonorar	**31.12.2018**	**31.12.2017**
Honorar til revisor	270	230
Andre attestasjonstjenester	18	164
Skatterådgivning	18	8
Andre tjenester utenfor revisjon	0	17
Sum	306	**418**

Merverdiavgift er ikke inkludert i revisjonshonoraret.

Note 14 - Bundne midler og kortsiktige plasseringer

Beløp oppgitt i NOK 1000

	31.12.2018	31.12.2017
Kontanter og bankinnskudd	2 464	7 588
Bundne bankinnskudd[1]	11 983	11 747
Betalingsmidler i balansen	**14 447**	**19 335**

[1] Bundne bankinnskudd består av skattetrekksmidler.

Note 15 - Egenkapital, aksjekapital og aksjonærinformasjon

Beløp oppgitt i NOK 1000

Aksjekapital og aksjonærinformasjon

Selskapets aksjekapital er 115,23 millioner fordelt på 10 020 aksjer pålydende kr 11 500.

Samtlige aksjer eies av Norske Skog AS.

Vedtektsbestemmelser om stemmerett står i samme forhold, det vil si at én aksje gir én stemme.

Egenkapital

	Aksje-kapital	Annen egenkapital	Udekket tap	Total EK
Egenkapital pr 31.12.2017	**1 152 300**	**0**	**-618 454**	**533 846**
Kapitalnedsettelse 13.12.2018	-1 037 070	218 616	618 454	**-200 000**
Utvidet resultat	0	-702	0	**-702**
Årsresultat	0	152 084	0	**152 084**
Egenkapital pr 31.12 2018	**115 230**	**369 999**	**0**	**485 229**

Note 16 - Pensjoner

Beløp oppgitt i NOK 1000

Selskapet er pliktig til å ha tjenestepensjonsordning etter lov om obligatorisk tjenestepensjon. Selskapets pensjonsordning tilfredsstiller kravene i denne loven.

Selskapet har pensjonsordninger som omfatter i alt 524 personer. Ordningene gir rett til definerte fremtidige ytelser. Disse er i hovedsak avhengig av opptjeningsår, lønnsnivå ved oppnådd pensjonsalder og størrelsen på ytelsene fra folketrygden. Forpliktelsene er dekket gjennom et forsikringsselskap.

Selskapet gikk med virkning fra 1. januar 2011 over til en innskuddsbasert pensjonsordning. Fra og med 1. januar 2017 er innskuddet 4 % av lønn mellom 0 og 12 G (folketrygdens grunnbeløp) og tilleggsinnskudd på 6 % mellom 7,1 og 12 G. Tidligere hovedordning med pensjonsalder på 67 år og dekning på omlag 65 % av lønn ved fratreden og 60 % fra fylte 77 år, ble lukket 31. desember 2010 og omfatter ansatte født før 1. januar 1959 som ble ansatt i selskapet før lukkingen. Selskapet har en tilleggsdekning for lønn over 12 G.

Pensjonskostnad	**2018**	**2017**
Ytelsesbasert pensjonsordning	1 708	1 980
Innskuddsbasert pensjonsordning	10 109	8 922
Sum pensjonskostnad	**11 817**	**10 901**

Netto periodisert pensjonskostnad ytelsesbasert pensjonsordning	**2018**	**2017**
Nåverdi av årets pensjonsopptjening	1 387	1 602
Periodisert arbeidsgiveravgift	200	232
Avkastning på pensjonsmidler	32	45
Administrative kostnader	89	100
Netto pensjonskostnad inkludert i personalkostnader	**1 708**	**1 980**
Rentekostnader/-inntekter(-) på netto pensjonsforpliktelse/-midler	134	-164
Estimatavvik pensjoner tatt over utvidet resultatregnskap	911	11 582
Netto pensjonskostnad	**2 753**	**13 397**

Økonomiske forutsetninger lagt til grunn ved beregning av pensjonskostnaden	**31.12.2018**	**31.12.2017**
Diskonteringsrente	2,60 %	2,30 %
Forventet avkastning på pensjonsmidler	2,30 %	2,30 %
Forventet lønnsvekst	2,00 %	2,00 %
Forventet G-regulering	2,00 %	2,00 %
Forventet regulering av pensjoner under utbetaling	0,40 %	0,40 %

Avstemming av pensjonsordningenes finansierte status mot beløp i selskapets passiva

	31.12.2018	**31.12.2017**
Estimerte pensjonsforpliktelser	-66 203	-73 034
Estimerte pensjonsmidler	61 100	68 089
Netto pensjonsforpliktelser	**-5 103**	**-4 945**
Periodisert arbeidsgiveravgift	-719	-738
Balanseført netto pensjonsforpliktelse	-5 822	**-5 683**

Note 17 - Andre gevinster og tap

Beløp oppgitt i NOK 1000

	2018	2017
Gevinst/tap på salg av anleggsmiddel	0	59
Verdiendring innebygde derivater	121 344	8 356
Sum	**121 344**	**8 415**

Note 18 - Sikkerhetstillelse for lån

Selskapet har stilt driftsmidler for inntil NOK 200 millioner som sikkerhet for oppfyllelse kontrakter med energileverandører.

Bokført verdi av driftsmidlene til selskapet er 440,3 millioner.

Frem til endelig innbetaling fra kunde, har Sparebank 1 Factoring AS pant i selskapets kundefordringer.

Note 19 - Risikofaktorer

De viktigste risikofaktorer for Norske Skog Saugbrugs AS er knyttet til usikkerhet til utvikling i priser og volum for magasinpapir og kostnadene for innsatsfaktorer som energi og fiber. Prisene for SC-magasinpapir for tiden gode og selv om kapasitetsutnyttelsen i 2019 skulle bli noe lavere enn tidligere år, regner selskapet med god inntjening. Svakere etterspørsel etter selskapets produkter kan på litt lengre sikt påvirke lønnsomhet og tilhørende kontantstrømmer negativt.

I samsvar med kravene i regnskapsloven har styret vurdert forutsetningen om fortsatt drift som grunnlag for å utarbeidelse og presentasjon av årsregnskapet Til grunn for vurderingen ligger resultatprognoser for 2019 og selskapets langsiktige strategiske prognoser for årene fremover.

Note 20 - Hendelser etter balansedagen

Det har ikke vært noen hendelser etter balansedagen som har vesentlig innvirkning på driften i selskapet.

BDO AS
Munkedamsveien 45
Postboks 1704 Vika
0121 Oslo

Uavhengig revisors beretning

Til generalforsamlingen i Norske Skog Saugbrugs AS

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert Norske Skog Saugbrugs AS' årsregnskap.

Årsregnskapet består av:

- Balanse per 31. desember 2018
- Resultatregnskap for 2018
- Kontantstrømoppstilling for regnskapsåret avsluttet per 31. desember 2018
- Noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening:

Er årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets finansielle stilling per 31. desember 2018, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med forenklet anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3-9.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Annen informasjon

Ledelsen er ansvarlig for annen informasjon. Annen informasjon består av årsberetningen,, men inkluderer ikke årsregnskapet og revisjonsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke annen informasjon, og vi attesterer ikke den andre informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese annen informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom annen informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi konkluderer med at annen informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Styret og daglig leders ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med forenklet anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3-9. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet med mindre ledelsen enten har til hensikt å avvikle selskapet eller legge ned virksomheten, eller ikke har noe realistisk alternativ til dette.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

For videre beskrivelse av revisors oppgaver og plikter vises det til:
https://revisorforeningen.no/revisjonsberetninger

Uttalelse om øvrige lovmessige krav

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til anvendelse av overskuddet er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Oslo, 29. april 2019

Appendix F

REPORT
of the
AUDIT OF THE ANNUAL FINANCIAL STATEMENTS
as at 31 December 31 December 2017
of
Norske Skog Bruck GmbH

8600 Bruck an der Mur

Fabriksgasse 10

Vienna, 8 June 2018

204038
DAH/RIE

BDO Austria GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft
Am Belvedere 4, 1100 Vienna

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Commercial Court of Vienna
company registration number
96046w
bdo.at

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ROUNDING NOTE

When adding rounded amounts and percentages, rounding differences may occur due to the use of automatic calculation aids.

To the members of management and the supervisory board of
Norske Skog Bruck GmbH,
Bruck an der Mur

We have audited the annual financial statements as at 31 December 31 December 2017 of

Norske Skog Bruck GmbH,
Bruck an der Mur,
(hereinafter also referred to as the "company")

and report on the results of this audit as follows:

1. AUDIT CONTRACT AND ORDER EXECUTION

By shareholders' resolution dated 13 November 2017 of Norske Skog Bruck GmbH, Bruck an der Mur, we were elected as auditors for the 2017 financial year. We have entered into an audit agreement with the company, represented by the supervisory board, to audit the annual financial statements as at 31 December 31 December 2017, together with the accounting, and the management report in accordance with Sections 269 et seq. of the Austrian Commercial Code (UGB).

The audited company is a large corporation as defined in Section 221 of the Austrian Commercial Code.

The audit in question is a statutory audit.

This audit includes examining whether the statutory provisions and the supplementary provisions des Gesellschaftsvertrages have been observed in the preparation of the annual financial statements and in the accounting. The management report must be examined to determine whether it is consistent with the annual financial statements and whether it has been prepared in accordance with the applicable legal requirements.

For reporting on Article 11 of Regulation (EU) 537/2014 (EU Regulation), please refer to the separate report to the Prüfungsausschuss; reporting on Article 11 of the above Regulation is not the subject of this report.

We have carried out our audit in compliance with the legal provisions applicable in Austria and the principles customary in our profession. These principles require the application of the International Standards on Auditing (ISAs). We wish to point out that the audit of the financial statements is intended to provide reasonable assurance that the financial statements are correct. Absolute certainty cannot be achieved because any internal control system is subject to the possibility of error and, because only random checks are made, there is an unavoidable risk that material misstatements may not be detected. The audit did not cover areas which are normally the subject of special audits.

We conducted the audit with interruptions during the period from October 2017 to May 2018 (main audit) mainly in Bruck an der Mur. The audit was materially concluded on the date of this report.

Mag. Markus TrettnakMag. Markus Trettnak necessary to ensure that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statementssind die gesetzlichen Vertreter responsible for assessing the entity's ability to continue as a going concern, to report matters, as relevant, relating to the continuing operations of the entity, and to apply the accounting policy as a going concern, unless die gesetzlichen Vertreter beabsichtigten or haben no realistic alternative to either liquidating the entity or discontinuing its operations.

The Prüfungsausschuss is responsible for monitoring the company's accounting process.

AUDITOR'S RESPONSIBILITY WHEN AUDITING THE ANNUAL FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance 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 audit opinion. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with Austrian generally accepted standards for the audit of financial statements that require the application of ISAs will always reveal a material misstatement, if one exists. Misstatements may result from fraudulent acts or errors and are considered to be material if, individually or collectively, they could reasonably be expected to affect the economic decisions of users made on the basis of these financial statements.

As part of an audit of financial statements conducted in accordance with Austrian generally accepted standards for the audit of financial statements that require the application of ISAs, we exercise judgement throughout the entire audit and maintain a critical view of the financial statements.

In addition, the following applies:

- We identify and evaluate the risks of material misstatement of the financial statements, whether due to fraud or error, plan and perform the audit procedures in response to those risks and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinion. The risk that material misstatements resulting from fraudulent actions will not be detected is greater than that resulting from errors, as fraudulent actions may involve fraudulent collusion, falsification, intentional incompleteness, misrepresentation or the invalidation of internal controls.
- We gain an understanding of the internal control system relevant to the audit of the financial statements in order to plan audit procedures that are appropriate under these circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of the company's internal control system.
- We assess the appropriateness of the accounting methods applied von den gesetzlichen Vertretern and the reasonableness of accounting estimates and related disclosures made von den gesetzlichen Vertretern.
- We draw conclusions about the appropriateness of the die gesetzlichen Ver-treter application of the accounting principle of going concern and, on the basis of the audit evidence obtained, whether there is a material uncertainty in connection with events or circumstances that could cast significant doubt on the company's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if the disclosures are inappropriate, to modify our audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. Future events or circumstances may, however, result in the company discontinuing its existence as a going concern.
- We express an opinion on the overall presentation, structure and content of the financial statements, including the notes, and on whether the financial statements present the underlying business transactions and events in a true and fair presentation.

We discuss with the Prüfungsausschuss, among other things, the planned scope and timing of the audit as well as significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

We also provide the Prüfungsausschuss with a statement that we have complied with the relevant professional standards of independence, and we discuss with the Audit Committee all relationships and other matters that may reasonably be expected to affect our independence or, if applicable, related mitigation measures.

COMMENTS ON THE MANAGEMENT REPORT

The management report is to be audited in accordance with Austrian commercial law to determine whether it is consistent with the annual financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Die gesetzlichen Vertreter sind responsible for preparing the management report in accordance with Austrian commercial law.

We conducted our audit in accordance with the professional principles applicable to the audit of the management report.

Opinion

In our opinion, the management report has been prepared in accordance with the applicable legal requirements and is consistent with the annual financial statements.

Declaration

In view of the knowledge gained from the audit of the annual financial statements and the understanding gained of the company and its environment, no material misstatements were identified in the management report.

Supplement

Without qualifying our auditor's report, we draw your attention to the company's comments in Section 2 Risk reporting.

Vienna, on 8 June 2018

BDO Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Markus Trettnak
Certified Public Accountant

Mag. Peter Bartos
Certified Public Accountant

The publication or disclosure of the annual financial statements with our auditor's report may only be made in the version confirmed by us. This auditor's report relates exclusively to the complete annual financial statements including the management report in German language. For deviating versions, the provisions of Section 281 (2) of the Austrian Commercial Code must be observed.

BERICHT ZUM LAGEBERICHT

Der Lagebericht ist auf Grund der österreichischen unternehmensrechtlichen Vorschriften darauf zu prüfen, ob er mit dem Jahresabschluss in Einklang steht und ob er nach den geltenden rechtlichen Anforderungen aufgestellt wurde.

Der gesetzliche Vertreter ist verantwortlich für die Aufstellung des Lageberichts in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften.

Wir haben unsere Prüfung in Übereinstimmung mit den Berufsgrundsätzen zur Prüfung des Lageberichts durchgeführt.

Urteil

Nach unserer Beurteilung ist der Lagebericht nach den geltenden rechtlichen Anforderungen aufgestellt worden und steht in Einklang mit dem Jahresabschluss.

Erklärung

Angesichts der bei der Prüfung des Jahresabschlusses gewonnenen Erkenntnisse und des gewonnenen Verständnisses über die Gesellschaft und ihr Umfeld wurden wesentliche fehlerhafte Angaben im Lagebericht nicht festgestellt.

Ergänzung

Ohne den Bestätigungsvermerk einzuschränken, verweisen wir auf die Ausführungen der Gesellschaft in Pkt. 2 Risikoberichterstattung.

Wien, am 8. Juni 2018

Wirtschaftsprü

Mag. Markus Trettnak
Wirtschaftsprüfer

Mag. Peter Bartos
Wirtschaftsprüfer

Die Veröffentlichung oder Weitergabe des Jahresabschlusses mit unserem Bestätigungsvermerk darf nur in der von uns bestätigten Fassung erfolgen. Dieser Bestätigungsvermerk bezieht sich ausschließlich auf den deutschsprachigen und vollständigen Jahresabschluss samt Lagebericht. Für abweichende Fassungen sind die Vorschriften des § 281 Abs. 2 UGB zu beachten.

Information sheet

Please switch on the bookmarks for "File" under "Options", "Advanced", "Show document content" ("Show bookmarks"). In the following table you must fill in ALL data, but please pay attention to the black square brackets. The brackets must always begin BEFORE the first character and end AFTER the last character!

In addition, it would make your work easier if you switch on "Always" under "Field shading" in the same item mentioned above. Then you will ALWAYS be able to immediately recognise all (grey) fields in the text.

		Bookmark
BDO company	BDO Austria GmbH	Auditor
BDO registered office	Vienna	Auditor's registered office
BDO company register no. (FN)	96046w	Company register no. (FN)
Info company register no. (FN):		Austria: 96046w Vienna: 78439b Salzburg: 292963d ALPINE: 125786f Neuner + Henzl: 236319d Euro Audit: 166055z
BDO Supervisor 1	Mag. Markus Trettnak	Partner1
BDO Supervisor 2	Mag. Peter Bartos	Partner2
Clerk/Secretary	DAH/RIE	Initials
Customer name	Norske Skog Bruck GmbH	Company
Customer registered office	Bruck an der Mur	Registered office
Customer address	Fabriksgasse 10	Street
Customer city	8600 Bruck an der Mur	City
Company type	GmbH	Company type
ALWAYS	GmbH (also for KG) or AG	apply
One or more Man. Dir.	Single	Single plural
ALWAYS	Single (EZ) or Plural (MZ)	apply
Supervisory Board/Audit Committee	Audit Comm	Sup. Bd.
ALWAYS	Sup. Bd. (AR) or Audit Comm (PA) or leave empty " "(if no AR/PA)	apply
Audit location	Company rooms	Audit location
ALWAYS	Company rooms, company registered office or law firm	apply
BMD number	204038	Anr
Reference date	31 December 2017	This year's reference date
Prev. year's reference date	31 December 2016	Prev. year's reporting date
Start of financial year	1 January 2017	This year's start of FY
Reporting date	31 December 2017	This year's reporting date
Prev. year's reporting date	31 December 2016	Prev. year's reporting date
Financial year	2017	This_Year
Prev. financial year	2016	Prev._Year
BV date	8 June 2018	Date

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AFT

31.12.20 EUR	31	)16		31		
			A. net equity			
			I. share capital	10.		
		180	II. capital reserves			
			tied	8		
			III. statutory reserve			
			legal reserves			
				1.		
			earnings EUR 7.130.992,92	6.		
21.934.930,64	25.463		**C. provisions**			
			1. other LT employee benefits	12.335.9	,00	
			2. pension provision	1.539.9	,00	
7.543.983,40	8.043		3. tax provision	223.4	,03	
164.940,80	127		4. accruals for other expenses	8.367.0	,89	
6.796.114,95	6.951			22.466 3	,92	
455.137,76	113					
14.960.176,91	15.234		**D. liabilities**			
4.863.388,64	3.487		1. accounts payables	12.978.2	,87	
21.810.489,95	18.561		2. accounts payables IC	5.296.9	,66	
0,99	7.404		3. a its payables su rie			
9,58	29.452		r nsolidated	1	,39	
			4. c ayable	4	,58	
8,04	56		tl om for tax. EUI 12 3 TEUR 50),			
4,53	44.742		tl om for social s : E 291,22			
			(TEUR 607)			
7,73	167					
1,87	2.039					
				23	,50	
4,77	72.411			74	,77	

Norske Skog Bruck GmbH, Bruck an der Mur

Statutory Reporting Austria/Profit+Loss 2017

DRAFT

	2017 EUR	2016 TEUR
1. Operating revenue	186.114.113,29	196.520
2. changes in inventory of finished goods and work in progress	-116.762,85	-1.882
3. capitalized own investment work	2.155,34	6
4. other operating income		
a) income from sale of fixed assets/with exception of financial assets	4.241,20	5
b) misc. income from dissolution provisions	7.892,53	9
c) other income	1.455.433,85	1.618
	1.467.567,58	1.632
5. Material and service cost		
a) cost of materials	-123.052.196,10	-125.200
b) transport activities	-36.393,63	-18
	-123.088.589,73	-125.218
6. Employee benefit expenses		
a) wages and salaries		
aa) wages	-13.263.375,99	-14.231
bb) salaries	-8.477.893,72	-8 817
b) aa) severance pay and fund payment	-2.714.535,57	-3.274
bb) expenses for social security contribution and other contributions paid to tax company and community	-6.260.668,81	-6.767
cc) expenses for pension funds	-764.861,12	-1.003
dd) other labour costs	-302.224,28	-274
	-31.783.559,49	-34.366
7. Planned depreciation for the year	-6.041.317,28	-6.008
8. Other operating expenses		
a) taxes (other taxes than point 18)	-90.550,91	-89
b) other operating expenses	-26.377.842,10	-28.623
	-26.468.393,01	-28.711
9. Subtotal Point 1 to 8 (operating earnings)	85.213,85	1.973
10. share dividend from associated companies EUR 0,00 (2016: TEUR 0)	0,00	0
11. interest income, commercial paper	5.708,60	23
12. IC interest income and IC guarantee and other finance income from affiliated companies EUR 14.491 (2016: TEUR 152)	19.345,05	162
13. income from write-up of financial assets	41.248,42	3
14. write down of financial assets therefrom depreciation: EUR 9.037,99 (2016: TEUR 0)	-10.799,24	0
15. ST-interest costs, guarantee provisions from affiliated companies: EUR 295.031 (2016: TEUR 645)	-800.097,52	-1.138
16. Subtotal Point 10 to 15	-744.594,69	-950
17. Earnings before taxation	-659.380,84	1.023
18. income tax	427.969,71	2.096
19. Earnings after taxation	-231.411,13	3.119
20. Profit/Loss for the year	-231.411,13	3.119
21. dissolution of transferred reserves	0,00	0
22. retained earnings from last year	7.130.992,92	4.012
23. Balance sheet profit	6.899.581,79	7.131

NOTES

FOR THE 2017 FINANCIAL YEAR

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TABLE OF APPENDICES

1. ACCOUNTING AND VALUATION PRINCIPLES

1.1. General principles

These financial statements have been prepared in accordance with the accounting provisions of the Austrian Commercial Code (UGB) as amended.

The financial statements were prepared in compliance with the **principles of proper accounting** and with the **general standards**, in order to convey a picture that is as accurate as possible of the net worth. financial position and earnings of the company.

The principle of **completeness** was observed in the preparation of the annual financial statements.

The valuation of the individual assets and liabilities was based on the principle of **individual valuation** and the assumption that this is a **going concern**.

The **principle of prudence** was taken into account in that only the profits realised on the reporting date for the financial statements were reported. All discernible risks and impending losses were recognised.

The accounting and valuation methods applied in the previous year were retained in accordance with the principle of consistency in the preparation of these financial statements.

1.2. Non-current assets

1.2.1. General

Non-current assets are valued at acquisition or production cost less straight-line depreciation over their expected useful lives. Low-value assets (individual cost up to EUR 400) are written off in full in the year of acquisition and shown in the schedule of assets as additions and disposals. If a lower value is to be attached to assets on the reporting date, unscheduled write-downs are applied.

1.2.2. Financial assets

Financial assets are valued at cost of purchase. Unscheduled write-downs to the lower fair value at the reporting date are made if such write-downs are likely to be permanent.

1.3. Current assets

1.3.1. Inventories

Inventories are valued at the lower of cost or market. Production costs are determined by including direct costs and variable portions of material and production overheads.

1.3.2. Receivables and other assets

Receivables and other assets are stated at their **nominal value**. In the case of identifiable **individual risks**, the lower fair value is applied. Foreign currency receivables are recognised at the lower of the mean exchange rate on the date on which they arose or the reporting date.

Accounting and valuation of emission certificates

The emission certificates are accounted for in accordance with the Austrian Financial Reporting and Auditing Committee (AFRAC) Statement 1 "Accounting for CO2 emission certificates in accordance with the Austrian Commercial Code (UGB)". The certificates are generally capitalised at fair value upon allocation in February of each year, and a special account for subsidies is recorded on the liabilities side of the balance sheet. These certificates will then be surrendered in April, which means that the special account will be reversed by 31 December. The obligation to surrender the emission certificates is recorded under other liabilities in the amount of EUR 1.5 million. For all certificates not yet available as of 31 December, this obligation is valued at the closing rate.

1.4. Provisions

In accordance with the principle of prudence, provisions include all risks discernible at the time the balance sheet is prepared, as well as liabilities, which are uncertain as to their amount and/or reason; they are taken into account with those values that seem required in accordance with reasonable business judgment.

1.5. Liabilities

Liabilities are stated at the settlement value. Liabilities denominated in foreign currencies are measured at the higher of the mean exchange rate on the date on which they arose or the reporting date. They are reported under "non-current" if the remaining term of the liabilities is more than one year, or under "current" if the remaining term is under to one year.

2. NOTES TO THE STATEMENT OF FINANCIAL POSITION AND THE INCOME STATEMENT

2.1. Notes to the statement of financial position

2.1.1. Non-current assets

The development of the individual non-current asset items and the breakdown of annual depreciation according to individual items are shown in the statement of changes in equity (Appendix A to the Notes).

2.1.2. Current assets

2.1.2.1. Receivables and other assets

A factoring agreement was concluded with Eurofactor AG in 2014. The receivables transferred to Eurofactor AG in the amount of EUR 15,840,982.14 (previous year: EUR 14,187 thousand) were deducted from trade receivables in the statement of financial position.

Receivables from affiliated companies include an interest-bearing cash deposit with a remaining term of up to one year amounting to EUR 12,879,857.04 (previous year: EUR 10,676 thousand) at Norske Skog AS in Norway. The interest-bearing cash deposit at Norske Skogindustrier ASA with a remaining term of up to one year amounts to EUR 0 (previous year: EUR 271 thousand). There is also an interest-bearing cash deposit with a remaining term of more than one year in the amount of EUR 8,930,632.91 (previous year: EUR 7,614 thousand) at Norske Skog AS, Norway. Management continues to assume that receivables from affiliated companies will be collected. See also the risk reporting in the management report.

The remaining term of all trade receivables and other assets is less than one year.

Other receivables include income of EUR 6.836.452.99 (previous year: EUR 7,176 thousand), which will not be paid until after the reporting date.

2.1.3. Deferred tax assets

Deferred taxes in accordance with the statutory amendments of the Rechnungslegungsänderungsgesetz (RÄG) (law on changes in accounting) 2014 have been recognised from 1 January 2016 at an income tax rate of 25%. The balance of deferred tax assets as of 31 December 2015 was capitalised in full.

Deferred tax assets were recognised (in EUR) for the following items due to differences between tax and commercial valuations:

Starting from the basis	31 Dec. 2017		31 Dec. 2016
	assets	liabilities	assets
Property, plant and equipment	7,030,717.55	3,532,155.09	6,880,471.18
Long-term employee provisions	6,699,085.00	0.00	5,396,829.00
	13,729,802.55	3,532,155.09	12,277,300.18
Resulting deferred taxes	3,432,450.64	883,038.77	3,069,325.05
Less netting	-883,038.77	-883,038.77	-1,029,876.13
Net deferred taxes	**2,549,411.87**	**0.00**	**2,039,448.92**

2.1.4. Equity

No dividend was distributed in the 2017 financial year (previous year: EUR 0 thousand).

2.1.5. Investment subsidies from public funds

The development of investment subsidies from public funds is shown in the attached table (Appendix B to the Notes) and exclusively includes grants from public funds.

2.1.6. Provisions

Provisions for severance payments and **pensions** developed as follows (in EUR):

	As at 1 January 2017	As at 31 December 2017
Severance	11,278,364.00	12,335,938.00
Pension	1,640,957.00	1,539,923.00
	12,919,321.00	**13,875,861.00**

The **provisions for severance payments** reported as at 31 December 2017 cover the statutory and collective contractual severance payment entitlements existing as at the reporting date, valued in accordance with IAS 19 at a discount rate of 1.76% (previous year: 1.45%), a dynamisation of 2.55% (previous year: 1.2%) and including a fluctuation rate of 1% (previous year: 1%). As in the previous year, the calculation was based on the Projected Unit Credit method using the AVÖ2008-P calculation principles and an average retirement age of 63 for men and 58 for women. The maximum amount permitted for tax purposes is EUR 7,444,517.00 (previous year: EUR 7,467 thousand).

In accordance with IAS 19, **pension provisions** are calculated at a discount rate of 1.76% (previous year: 1.45%) and a pension dynamic of 2% (previous year: 2%). As in the previous year, the calculation was carried out using the Projected Unit Credit method and the AVÖ2008-P calculation principles. The maximum amount permitted for tax purposes is EUR 962,238.00 (previous year: EUR 978 thousand).

The **anniversary bonuses** were also valued using the Projected Unit Credit method with the same calculation parameters used to calculate the severance payment provision. The provisions changed as follows (in EUR):

	As at 1 January 2017	As at 31 December 2017
Workers	2,022,621.00	2,259,166.00
Employees	1,302,161.00	1,366,302.00
	3,324,782.00	**3,625,468.00**

Other provisions developed as follows:

	As at 1 January 2017	As at 31 December 2017
Anniversary bonuses	3,324,782.00	3,625,468.00
Sales deductions	1,102,847.03	1,096,218.16
Holiday entitlements	1,260,838.92	878,125.68
Employee incentives	453,931.18	369,556.49
Special payments	465,537.20	202,791.10
Cargoes	931,795.86	1,081,219.66
Energy grid, electricity	201.933.00	153,113.00
GPLA audit (joint audit of wage-dependent levies)	339.600.00	388,113.76
Restructuring costs	11.802.86	4,683.25
Other	519.303.,08	567,724.79
	8,612,371.13	**8,367,013.89**

2.1.7. Liabilities

	<five years EUR	>five years EUR	Carrying amount EUR
Trade payables	12,978,291.87	0.00	12,978,291.87
Liabilities to affiliated companies	5,296,918.66	0.00	5,296,918.66
Liabilities to companies in which an equity investment is held	1,181,854.39	0.00	1,181,854.39
Other liabilities	4,070,551.58	0.00	4,070,551.58
	23,527,616.50	**0.00**	**23,527,616.50**

Previous year:

	<five years EUR	>five years EUR	Carrying amount EUR
Trade payables	11,669,783.22	0.00	11,669,783.22
Liabilities to affiliated companies	4,626,101.11	0.00	4,626,101.11
Liabilities to companies in which an equity investment is held	1,665,574.83	0.00	1,665,574.83
Other liabilities	3,501,328.94	0.00	3,501,328.94
	21,462,788.10	**0.00**	**21,462,788.10**

Liabilities to affiliated companies include interest-bearing liabilities with a remaining term of one year in the amount of EUR 2,337,393.70 (previous year: EUR 2,428 thousand) at Norske Skogindustrier ASA, from deliveries and services in the amount of EUR 2,882,722.26 (previous year: EUR 2,162 thousand), from commission liabilities in the amount of EUR 15,802.70 (previous year: EUR 37 thousand) and from loans in the amount of EUR 61,000 (previous year: EUR 0 thousand).

The **other liabilities** include the following:

	31 Dec. 2017 EUR	31 Dec. 2016 EUR thousand
Obligation to surrender emission allowances	1,485,816.19	1,142
Salaries	721,021.69	669
Health insurance fund	589,291.22	607
Sales tax liabilities abroad	833,083.74	591
Discount credits	309,401.44	198
Other	131,937.30	294
	4,070,551.58	**3,501**

Other liabilities include expenses in the amount of EUR 3,237,467.84 (previous year: EUR 2,911 thousand), which will not be cash effective until after the reporting date.

2.2. Notes to the income statement

2.2.1. Sales revenue

2.2.1.1. Sales revenue by product group

		2017 EUR	2016 EUR thousand
Paper sales:	Newsprint	50,907,584.94	53,359
	LWC	137,498,231.25	144,203
		188,405,816.19	***197,562***
Additional revenue:		3,368,071.13	4,448
Revenue deductions:		-5,659,774.03	-5,490
		186,114,113.29	**196,520**

2.2.1.2. Sales revenue by geographic markets

		2017 EUR	2016 EUR thousand
Paper sales:	Austria	44,144,433.17	44,335
	Other countries	144,261,383.02	153,227
		188,405,816.19	***197,562***
Additional revenue:	Austria	2,924,233.71	4,014
	Other countries	443,837.42	434
		3,368,071.13	***4,448***
Revenue deductions:		-5,659,774.03	-5,490
		186,114,113.29	**196,520**

Within the product group **newsprint paper**, 55% (previous year: 54%) is marketed in Austria and Germany and a further 45% (previous year: 46%) in other European countries. In the **LWC Paper** Division, 35% (previous year: 34%) of revenues were generated in Austria and Germany; in the other European countries, 54% (previous year: 56%) were sold.

2.2.2. Other operating income

Breakdown:

		2017 EUR	2016 EUR thousand
a)	***Income from the disposal of non-current assets with the exception of financial assets***	***4,241.20***	***5***
b)	***Income from the reversal of provisions***	***7,892.53***	***9***
c)	***Other:***		
	Income from the surrender of emission certificates	569.376.50	591
	Income from the reversal of investment grants	459.803.19	458
	Subsidies from the Public Employment Service (AMS)	125.001.95	174
	Income from insurance payments	9.616.32	40
	Other	291,635.89	355
		1,455,433.85	***1,618***
		1,467,567.58	**1,632**

2.2.3. Cost of materials and other purchased manufacturing services

Breakdown:

	2017 EUR	2016 EUR thousand
a) Material costs		
Recovered paper and pulp	49,245,857.82	47,644
Auxiliary materials	27,323,920.43	27,901
Energy	25,221,479.70	28,133
Wood	13,477,567.59	13,899
Emission rights surrendered	569,376.50	591
Other incl. value adjustment	7,213,994.06	7,032
	123,052,196.10	***125,200***
b) Cost of purchased services	***36,393.63***	***18***
	123,088,589.73	**125,218**

2.2.4. Personnel expenditure

Expenses for pensions in the amount of EUR 10,965.00 (previous year: EUR 162 thousand) relate to defined benefit obligations, and in the amount of EUR 753,896.12 (previous year: EUR 841 thousand) to defined contribution plans.

The severance payments and contributions to company employee pension funds include EUR 2,638,073.44 for severance benefit expenses (previous year: EUR 3,201 thousand).

Personnel expenses include changes in the anniversary bonuses for workers in the amount of EUR 89,327.51 (previous year: EUR 90 thousand) under wages, and for employees in the amount of EUR 101,624.01 (previous year: EUR 37 thousand) under salaries. The changes in the provision for severance payments for workers and employees are included in the item "social expenses", which includes interest expenses of EUR 186,519.00 (previous year: EUR 282 thousand). The change in the pension provision is also included in the item "social expenses".

2.2.5. Other operating expenses

Breakdown:

	2017 EUR	2016 EUR thousand
a) Taxes not included under item 18		
Real estate tax	80,936.46	81
Contribution for contaminated sites and other levies	9,614.45	8
	90,550.91	***89***
b) Other		
Distribution expense	17,261,868.00	17,806
General administrative expenses	8,882,815.80	10,554
Other expenses	233,158.30	262
	26,377,842.10	***28,622***
	26,468,393.01	**28,711**

The disclosure of the **expenses for the auditor** is omitted because the company is included in the consolidated financial statements of Norske Skog AS and this information is contained therein.

3. OTHER DISCLOSURES

3.1. Average number of employees

The average number of employees in the financial year was 420 (previous year: 450), of whom 320 were workers (previous year: 331) and 100 employees (previous year: 119).

3.2. Other financial obligations

The total amount of other financial obligations amounts to EUR 9,996 thousand (previous year: EUR 14,266 thousand). Of this amount, EUR 1,614 thousand (previous year: EUR 1,532 thousand) were liabilities to affiliated companies. The use of property, plant and equipment not shown in the statement of financial position for the following five years amount to EUR 178 thousand (previous year: EUR 415 thousand), and EUR 114 thousand (previous year: EUR 244 thousand) for the coming financial year.

3.3 Executive bodies

The following managing directors were active in the financial year:

Dipl.-Ing. Thomas Reibelt until 31 March 2017
Dr Ewald Hunstein from 1 April 2017 until 14 August 2017
Mr. Ernest Hacker from 15 August 2017.

With reference to Section 242 (4) of the Austrian Commercial Code (UGB), no corresponding information is provided.

The following members of the **Supervisory Board** were active in the financial year:

Mr Roar Odelien (Chairman)
Mr. Tore Hansesaetre (1st Deputy Chairman)
Mr Jan Clasen (2nd Deputy Chairman) until 6 March 2017
Mr. Robert Wood (2nd Deputy Chairman) from 7 March 2017
Mr Andreas Grandl (delegated by the Works Council)
Mr Kurt Diepold (delegated by the Works Council)

Mr Lars Sperre was elected Chairman on 1 February 2018 and Mr. Roar Odelien was dismissed on 31 January 2018.

The Chairman and his deputies are not employed by Norske Skog Bruck GmbH and did not receive any remuneration from Norske Skog Bruck GmbH in the 2017 financial year. With reference to Section 242 (4) of the Austrian Commercial Code (UGB), no corresponding information is provided.

3.4. Other disclosures

3.4.1. Investments in affiliated companies

	Share of nominal capital at the reporting date	Profit/ (loss) for the year (in EUR thousands)	Equity (in EUR thousands)	Financial year
Norske Skog Papier Recycling GmbH. Bruck an der Mur	100%	46	866	2016
Advanced Hygiene Solutions GmbH, Bruck an der Mur	100%	0	39	2016
Bruck Fibre GmbH, Bruck an der Mur	100%	0	34	2016

3.4.2. Equity investments

	Share of nominal capital at the reporting date	Profit/ (loss) for the year (in EUR thousands)	Equity capital (in EUR thousands)	Financial year
Austria Papier Recycling Gesellschaft m.b.H., Vienna	33.32%	18	707	2016
ARO Holding GmbH, Vienna	10.11%	-1	55	2016
Papierholz Austria GmbH, St. Gertraud	7.50%	239	1.961	2016

The Group company that prepares the consolidated financial statements for the largest and smallest group of companies in accordance with Section 237 (1) (7) and Section 238 (1) (7) of the Austrian Commercial Code (UGB) is Norske Skog AS, Oslo. The consolidated financial statements are available at the registered office of the Group company.

3.4.3. Events after the reporting date

During 2017. intensive efforts were made at Group level to reschedule the Group's debt, as the current cash flow would not be sufficient to meet the entire repayment obligation of the bonds due in 2019. The process of obtaining a majority among stakeholders (shareholders, secured and unsecured bondholders) in favour of available recapitalisation proposals extended into autumn of 2017. While the unsecured creditors own bonds of the group holding companies (Norske Skogindustrier ASA, Norske Skog Treindustrier and Norske Skog Holding AS), the preferred bonds were issued by Norske Skog AS, which also holds the shares in all operating production companies, including Norske Skog Bruck GmbH.

On 23 November 2017, the majority owner of the preferred bonds, Oceanwood Capital Management, announced that it would no longer support a joint recapitalisation proposal by all stakeholders. Oceanwood Capital therefore initiated the execution of the pledged shares in Norske Skog AS and thus began the process of selling this company. As a consequence of this legal separation of Norske Skog AS from the existing group structure, the holding companies Norske Skogindustrier ASA, Norske Skog Treindustrier and Norske Skog Holding AS had to declare insolvency on 19 December 2017. The business activities of the Norske Skog AS Group, to which Norske Skog Bruck GmbH belongs, are not affected by this and continued uninfluenced by it. At the beginning of May, Oceanwood Capital Management emerged as the winning bidder in the four-month auction process. The final completion of the purchase process is expected in the second half of 2018, following approval by the relevant antitrust authorities and other authorities in the countries in question.

3.4.4. Proposal for the appropriation of earnings

The distributable net profit for 2017 amounts to EUR 5,770,110.05, but no proposal for the appropriation of profits has yet been submitted.

Bruck an der Mur. 22 May 2018

Managing Director:

Ernest Hacker

ed		Residual book value		
R rement	Balance at 31.12.2017	Balance at 31.12.2017	Balance at 31.12.2016	prec Writ ctual
EUR	EUR	EUR	EUR	EU
5.346,00	5.963.640,30	155.101,49	180.227,36	,04
231,92	76.785.470,21	7.439.279,91	7.362.009,34	
0,00	241.075.690,38	11.495.544,55	14.458.505,06	
475.004,34	47.354.020,12	1.450.569,35	1.236.576,24	
0,00	0,00	359.536,07	784.457,32	
475.236,26	365.215.360,71	20.744.929,88	23.841.547,96	
0,00	0,00	452.751,44	452.751,44	
0,00	3.150,00	147.122,93	147.122,93	
0,00	72.672,83	0,00	0,00	
5.752,80	19.239,55	435.024,90	841.294,08	
5.752,80	95.062,38	1.034.899,27	1.441.168,45	
486.335,06	371.274.083,39	21.934.930,64	25.462.943,77	

Investment grants from public funds 2018

	book value 1.1.2017 EUR	setting 2017 EUR	write-off 2017 EUR	book value 31.12.2017 EUR
Grants				
1. Land and buildings	3.003,56	13.075,00	2.438,05	13.640,51
2. technical equipment and machinery	922.413,68	0,00	457.365,14	465.048,54
Investment growth premium	345.209,76	0,00	159.327,47	185.882,29
	1.270.627,00	**13.075,00**	**619.130,66**	**664.571,34**

Norske Skog Bruck GmbH,
Bruck an der Mur

Management Report for the 2017 financial year

in EUR thousands	2017	2016	Change in %
Sales revenue	**186,114**	**196,520**	-5.3%
EBITDA (Earnings before interest, taxes, depreciation and amortisation)	**6,126**	**7,981**	-23.2%
EBITDA margin (%)	**3.3%**	**4.1%**	-19.5%
Total assets	**74,120**	**72,411**	2.4%
Equity	**27,461**	**27,693**	-0.8%
Own funds ratio (%) acc. to Austrian Business Reorganisation Act (URG)	**37.3%**	**38.2%**	-2.4%
Fictitious debt redemption period (years) acc. to the Austrian Business Reorganisation Act (URG)	**6.7**	**4.6**	45.7%
Investments in property, plant and equipment	**2,895**	**1,709**	69.4%
Cash flow from operating activities	**5,707**	**7,550**	-24.4%
Cash flow from investing activities	**-5,727**	**-7,563**	24.3%
Cash flow from financing activities	0	0	0.0%
Total cash flow	-20	-13	-53.8%
Occupational safety (number of accidents with loss of working time)	3	3	0.0%
Absence rate (%)	**4.1%**	**3.6%**	13.9%
Environmental Index (E-index)	**0.81**	**0.81**	0.0%

in EUR thousands	2017	2016	Change in %
Quality – Complaints (EUR/tonne)	1.06	0.93	14.0%
Average number of employees during the year	420	450	-6.7%

1 Business performance, operating result and position of the company

1.1 Business performance and general conditions

The consumption of paper for publications continued to decline in the 2017 financial year.

Total consumption of LWC paper in Europe decreased by 2% compared to the previous year. Total consumption of newsprint paper in Europe was about 8% below the previous year's level.

Norske Skog Bruck GmbH could not fully utilise the two machines. The newsprint machine was shut down for a total of 18 days and the LWC paper machine was shut down for 26 days over the course of the year. The **sales volume of** newsprint paper was 4.2% lower than in the previous year. In the LWC segment, the sales volume was only slightly (0.4%) down on the previous year.

As regards the **selling price,** prices for LWC paper decreased by 4.4% compared to 2016, while average newsprint paper prices were roughly the same as in the previous year.

On the **procurement side**, gas and chemicals prices declined, but recovered paper prices increased. Other raw material prices remained stable.

1.2 Operating result, earnings position

	2017		2016		Change	
	EUR thousand	%	EUR thou-sand	%	EUR thou-sand	%
Sales revenue	186,114	99.3	196,520	100.1	-10,406	-5.3
Change in inventory	-117	- 0.1	-1,882	- 0.9	1,765	93.8
Capitalised assets	2	0.0	6	0.0	-4	-66.7
Other operating income	1,468	0.8	1,632	0.8	-164	-10.0
Operating performance	187,467	100.0	196,276	100.0	-8,809	-4.5
Cost of materials and services	-123,089	-65.7	-125,218	-63.8	2,129	1.7
Personnel expenditure	-31,784	-17.0	-34,366	-17.5	2,582	7.5
Depreciation, amortisation and impairment losses	-6,041	-3.2	-6,008	-3.1	-33	-0.5
Other operating expenses	-26,468	-14.1	-28,711	-14.6	2,243	7.8
Operating expenses	-187,382	-100.0	-194,303	-99.0	6,921	3.6
Operating result	85	0.0	1,973	1.0	-1,888	-95.7
Interest balance	-780	-0.4	-976	-0.5	196	20.1
Other financial result	36	0.0	26	0.0	10	38.5
Financial result	-744	-0.4	-950	-0.5	206	21.7
Earnings before taxes	-659	-0.4	1,023	0.5	-1,682	-164.4
Taxes on income	428	0.3	2,096	1.1	-1,668	-79.6
Profit for the year	-231	-0.1	3,119	1.6	-3,350	-107.4
Accumulated profit for the year	-231	-0.1	3,119	1.6	-3,350	-107.4
Profit carried forward	7,131	3.8	4,012	2.0	3,119	77.7
Accumulated profit	6,900	3.7	7,131	3.6	-231	-3.2

In the year under review, **sales revenue** amounted to EUR 186,114 thousand (previous year: EUR 196,520 thousand) and were thus 5.3% lower than in the previous year. This was mainly due to the price decline of LWC papier.

The **change in inventories** of finished goods amounted to EUR -117 thousand, which was attributable to a slight reduction in stocks.

Other operating income was EUR 164 thousand lower than in the previous year, mainly due to the decline in research and education premiums.

The **cost of materials and services** decreased by EUR 2,129 thousand compared to the previous year. This was partly due to price declines on the procurement side and lower production volumes.

Personnel expenses amounted to EUR 31,784 thousand (previous year: EUR 34,366 thousand) were EUR 2,582 thousand lower than in the previous year due to restructuring measures.

Mainly due to the decline in sales revenue, **EBITDA** (earnings before interest, taxes, depreciation and amortisation) decreased to EUR 6,126 thousand in the financial year (previous year: EUR 7,981 thousand). The **EBITDA margin** fell from 4.1% in the previous year to 3.3% in 2017.

The **interest balance** in the financial year amounted to EUR -780 thousand (previous year: EUR -976 thousand). The decrease is mainly due to lower interest on liabilities to Norske Skog AS.

The change in **taxes on income of** EUR -1,668 thousand mainly results from the recognition of deferred tax assets in the previous year.

Financial position

Cash flow from operating activities fell to EUR 5,707 thousand (previous year: EUR 7,550 thousand), mainly due to the lower result.

Cash flow from investment activities was EUR -5,727 thousand (previous year: EUR -7,563 thousand).

This resulted in a change in total cash flow to EUR -20 thousand compared to EUR -13 thousand in the previous year.

1.3 Net asset position

	2017		2016		Change	
	EUR thousand	%	EUR thousand	%	EUR thousand	%
Intangible assets	155	0.2	180	0.3	-25	-13.9
Property, plant and equipment	20,745	28.0	23,842	32.9	-3,097	-13.0
Financial assets	1,035	1.4	1,441	2.0	-406	-28.2
Non-current assets	21,935	29.6	25,463	35.2	-3,528	-13.9
Inventories	14,960	20.2	15,234	21.0	-274	-1.8
Trade receivables	4,863	6.6	3,487	4.8	1,376	39.5
Intercompany receivables	21,811	29.4	18,561	25.6	3,250	17.5
Other receivables + accruals/deferrals	7,966	10.7	7,571	10.5	395	5.2
Liquid assets	36	0.1	56	0.1	-20	-35.7
Current assets + accruals/deferrals	49,636	67.0	44,909	62.0	4,727	10.5
Deferred tax assets	2,549	3.4	2,039	2.8	510.0	25.0
Total assets	74,120	100.0	72,411	100.0	1,709	2.4
Share capital	10,000	13.5	10,000	13.8	0.0	0.0
Reserves	10,562	14.3	10,562	14.6	0.0	0.0
Balance sheet profit	6,900	9.3	7,131	9.8	-231	-3.2
Equity	27,462	37.1	27,693	38.2	-231	-0.8
Investment grants	665	0.9	1,270	1.8	-605	-47.6
Provisions for severance payments and pensions	13,876	18.7	12,919	17.8	957	7.4
Long-term borrowed capital	13,876	18.7	12,919	17.8	957	7.4
Other provisions	8,590	11.6	9,066	12.5	-476	-5.3
Trade payables	12,978	17.5	11,670	16.1	1,308	11.2
Group liabilities	6,479	8.7	6,292	8.7	187	3.0
Other liabilities + accruals/deferrals	4,070	5.5	3,501	4.8	569	16.3
Other borrowed capital	32,117	43.3	30,529	42.2	1,588	5.2
Total borrowed capital	45,993	62.0	43,448	60.0	2,545	5.9
Total equity and liabilities	74,120	100.0	72,411	100.0	1,709	2.4

Total assets of Norske Skog Bruck GmbH increased to EUR 74,120 thousand as of the reporting date (previous year: EUR 72,411 thousand).

Due to the fact that sales began to increase in December 2017, **trade receivables** rose to EUR 4,863 thousand (previous year: EUR 3,487 thousand).

Property, plant and equipment decreased to EUR 20,745 thousand (previous year: EUR 23,842 thousand). This was due to ongoing write-downs coupled with a low investment volume.

Equity only decreased slightly to EUR 27,462 thousand (previous year: EUR 27,693 thousand).

Due to retained earnings, **Group receivables** increased to EUR 21,811 thousand (previous year: EUR 18,561 thousand).

As of the reporting date, there was an **equity ratio in accordance with the Austrian Business Reorganisation Act** (URG) of 37.3% (previous year: 38.2%).

The **fictitious debt redemption period in accordance with the Austrian Business Reorganisation Act (URG)** is 6.7 years which is, due to the decline in cash flow from operating activities, above the previous year's amount (previous year: 4.6 years).

1.4 Branch offices

Norske Skog Bruck GmbH does not have any branch offices.

1.5 Research and development

The research and development programme in 2017 focussed on raw materials and auxiliary raw materials. One comprehensive topic was the reduction of the use of chemicals when processing recovered paper in the two deinking plants, another was a plant-wide investigation of all waste water and sludge flows, also with a view to optimising the quantities used and developing synergies. Further savings and efficiency improvements were achieved in raw materials used for coating and groundwood bleaching. The company is participating in the "Ecoagents" project run by Holzforschung Austria, to develop new methods of bleaching mechanical fibrous materials.

1.6 Anticipated development of the company (Outlook)

The market equilibrium for publication papers in Europe has already improved because there were further closures and restructuring at the beginning of 2018, and this ultimately led to price increases in 2018. It can be assumed that recovered paper and pulp prices will continue to rise. Continuous improvement programmes to safeguard competitiveness will be continued.

2 Risk reporting

The default risk for receivables is counteracted by appropriately managing the receivables. In addition, individual value adjustments are taken into account in the annual financial statements in line with the principle of prudence. On the assets side of the balance sheet, the reported amounts of receivables are equal to the maximum level of credit and default risk. In principle, transactions are only concluded with customers of sufficient creditworthiness, following an internal review.

The ongoing monitoring of operating processes, the use of reliable software and the selection and training of qualified personnel enable the company to identify potential risks and deviations from plans and to initiate appropriate countermeasures.
Norske Skog Bruck GmbH did not use any derivative financial instruments in the past financial year.

As at 31 December 2017 and up until the present, Norske Skog Bruck GmbH was and is a healthy company with competitive operating results and positive cash flows. Since 2014, there has been a factoring financial framework of EUR 25 million for the local financing of working capital. The cost item for magazine paper is among the best in Europe and is continuously secured by ongoing improvement programmes.

The auditor of the consolidated financial statements of the parent company Norske Skogindustrier ASA issued a qualified auditor's report on the previous year's consolidated financial statements as at 31 December 2016. This was because it was not possible to assess the opening balance of asset valuations in the consolidated financial statements. The auditor pointed out material uncertainties with regard to the going concern of the company.

During 2017, intensive efforts were made at Group level to reschedule the Group's debt, as the current cash flow would not be sufficient to meet the entire repayment obligation of the bonds due in 2019. The process of obtaining a majority among stakeholders (shareholders, secured and unsecured bondholders) in favour of available recapitalisation proposals extended into autumn of 2017. While the unsecured creditors own bonds of the group holding companies (Norske Skogindustrier ASA, Norske Skog Treindustrier and Norske Skog Holding AS), the preferred bonds were issued by Norske Skog AS, which also holds the shares in all operating production companies, including Norske Skog Bruck GmbH.
On 23 November, the majority owner of the preferred bonds, Oceanwood Capital Management, announced that it would no longer support a joint recapitalisation proposal by all stakeholders. Oceanwood Capital therefore initiated the execution of the pledged shares in Norske Skog AS and thus began the process of selling this company. As a consequence of this legal separation of Norske Skog AS from the existing group structure, the holding companies Norske Skogindustrier ASA, Norske Skog Treindustrier and Norske Skog Holding AS had to declare insolvency on 19 December 2017. The business activities of the Norske Skog AS Group, to which Norske Skog Bruck GmbH belongs, are not affected by this and continued uninfluenced by it. At the beginning of May, Oceanwood Capital Management emerged as the winning bidder in the four-month auction process. The final completion of the purchase process is expected in the second half of 2018, following approval by the relevant antitrust authorities and other authorities in the countries in question.

As Norske Skog Bruck GmbH reported receivables from the Group-wide cash pooling of around EUR 22 million from Norske Skog AS as at 31 December 2017, management carried out a more detailed review of the resulting effects on the company – in particular with regard to the recoverability of the receivables – and came to the following conclusion: Norske Skog Bruck GmbH had net receivables of EUR 19,473,096.25 from Norske Skog AS (EUR 21,810,489.95) and Norske Skogindustrier ASA (EUR – 2,337,393.70) as at 31 December 2017. Due to the very good work situation in the publication paper market, price increases were already implemented for both product segments at the beginning of 2018. An increase in the operating result and net cash flow is therefore expected for 2018. A factoring agreement up to a maximum amount of EUR 25 million has been concluded to finance the working capital. The going concern of Norske Skog Bruck GmbH is secured by positive cash flows from operating activities. In addition, the balance sheet of the direct parent company Norske Skog AS was significantly strengthened by the sale to Oceanwood Capital Management and the associated recapitalisation.

3 Non-financial performance indicators

As in the past, safety, health and the environment were given the highest priority in 2017.

3.1 Safety and health

In 2017, the company recorded 3 accidents according to the valid measurement procedure (previous year: 3 accidents).

The **absence rate of** 4.1% in 2017 was higher than in the previous year (3.6%) due to several long-term illnesses, but represents a good value in the sector and in comparison with other industries. The company offered a broad-based health promotion programme with the aim of securing and improving long-term staff health and their health at work, by involving all employees.

3.2 Environment

The Group's internal environmental index, which reflects the environmental performance of the site, comprises several key figures for water, waste and air emissions as well as energy consumption. It measures the ratio of the company's emission values and environmental data, comparing them to the European BAT values, which reflect the best technologies available.

The environmental Index (E-index) was 0.81 in the year under review (BAT=1) and thus just as low as in the previous year. The site's environmental performance thus remains at the level of the Group's best companies and the entire industry in Europe.

The fifth year of the CO2 trading period III (in accordance with the Kyoto Protocol) was again characterised by a change in the operation of the power plants which brought a 12% higher demand for CO2 certificates than in the previous year.

Successfully completed recertification audits confirm the compliance of the company processes with standards according to ISO 14 001:2004 as well as EMAS, OHSAS 18 001 and ISO 9001. The use of wood from sustainable forestry is proven and confirmed by PEFC and FSC CoC certification. The required criteria for the EU Ecolabel, which is recognised throughout Europe, were also met in 2017.

3.3 Quality

As an important quality indicator, the specific complaint costs in the financial year were EUR 1.06/tonne (previous year: EUR 0.93/tonne). This once again represents a very low value compared to the rest of the industry, reflecting the improvements made and the resulting product quality, product consistency and excellent running properties of the paper produced in Bruck in the printing plants.

3.4 Employees and organisation

The **average number of employees** in the financial year fell from 450 to 420.

Bruck an der Mur, 22 May 2018

Managing Director:

Ernest Hacker

KSW STEUERBERATER WIRTSCHAFTSPRÜFER

General Conditions of Contract for the Public Accounting Professions (AAB 2018)

Recommended for use by the Board of the Chamber of Tax Advisers and Auditors, last recommended in its decision of April 18, 2018

Preamble and General Items

(1) Contract within the meaning of these Conditions of Contract refers to each contract on services to be rendered by a person entitled to exercise profession in the field of public accounting exercising that profession (de facto activities as well as providing or performing legal transactions or acts, in each case pursuant to Sections 2 or 3 Austrian Public Accounting Professions Act (WTBG 2017). The parties to the contract shall hereinafter be referred to as the "contractor" on the one hand and the "client" on the other hand).

(2) The General Conditions of Contract for the professions in the field of public accounting are divided into two sections: The Conditions of Section I shall apply to contracts where the agreeing of contracts is part of the operations of the client's company (entrepreneur within the meaning of the Austrian Consumer Protection Act. They shall apply to consumer business under the Austrian Consumer Protection Act (Federal Act of March 8, 1979 / Federal Law Gazette No. 140 as amended) insofar as Section II does not provide otherwise for such business.

(3) In the event that an individual provision is void, the invalid provision shall be replaced by a valid provision that is as close as possible to the desired objective.

SECTION I

1. Scope and Execution of Contract

(1) The scope of the contract is generally determined in a written agreement drawn up between the client and the contractor. In the absence of such a detailed written agreement, (2)-(4) shall apply in case of doubt:

(2) When contracted to perform tax consultation services, consultation shall consist of the following activities:
a) preparing annual tax returns for income tax and corporate tax as well as value-added tax (VAT) on the basis of the financial statements and other documents and papers required for taxation purposes and to be submitted by the client or (if so agreed) prepared by the contractor. Unless explicitly agreed otherwise, documents and papers required for taxation purposes shall be produced by the client.
b) examining the tax assessment notices for the tax returns mentioned under a).
c) negotiating with the fiscal authorities in connection with the tax returns and notices mentioned under a) and b).
d) participating in external tax audits and assessing the results of external tax audits with regard to the taxes mentioned under a).
e) participating in appeal procedures with regard to the taxes mentioned under a).
If the contractor receives a flat fee for regular tax consultation, in the absence of written agreements to the contrary, the activities mentioned under d) and e) shall be invoiced separately.

(3) Provided the preparation of one or more annual tax return(s) is part of the contract accepted, this shall not include the examination of any particular accounting conditions nor the examination of whether all relevant concessions, particularly those with regard to value added tax, have been utilized, unless the person entitled to exercise the profession can prove that he/she has been commissioned accordingly.

(4) In each case, the obligation to render other services pursuant to Sections 2 and 3 WTBG 2017 requires for the contractor to be separately and verifiably commissioned.

(5) The aforementioned paragraphs (2) to (4) shall not apply to services requiring particular expertise provided by an expert.

(6) The contractor is not obliged to render any services, issue any warnings or provide any information beyond the scope of the contract.

(7) The contractor shall have the right to engage suitable staff and other performing agents (subcontractors) for the execution of the contract as well as to have a person entitled to exercise the profession substitute for him/her in executing the contract. Staff within the meaning of these Conditions of Contract refers to all persons who support the contractor in his/her operating activities on a regular or permanent basis, irrespective of the type of underlying legal transaction.

(8) In rendering his/her services, the contractor shall exclusively take into account Austrian law; foreign law shall only be taken into account if this has been explicitly agreed upon in writing.

(9) Should the legal situation change subsequent to delivering a final professional statement passed on by the client orally or in writing, the contractor shall not be obliged to inform the client of changes or of the consequences thereof. This shall also apply to the completed parts of a contract.

(10) The client shall be obliged to make sure that the data made available by him/her may be handled by the contractor in the course of rendering the services. In this context, the client shall particularly but not exclusively comply with the applicable provisions under data protection law and labor law.

(11) Unless explicitly agreed otherwise, if the contractor electronically submits an application to an authority, he/she acts only as a messenger and this does not constitute a declaration of intent or knowledge attributable to him/her or a person authorized to submit the application.

(12) The client undertakes not to employ persons that are or were staff of the contractor during the contractual relationship, during and within one year after termination of the contractual relationship, either in his/her company or in an associated company, failing which he/she shall be obliged to pay the contractor the amount of the annual salary of the member of staff taken over.

2. Client's Obligation to Provide Information and Submit Complete Set of Documents

(1) The client shall make sure that all documents required for the execution of the contract be placed without special request at the disposal of the contractor at the agreed date, and in good time if no such date has been agreed, and that he/she be informed of all events and circumstances which may be of significance for the execution of the contract. This shall also apply to documents, events and circumstances which become known only after the contractor has commenced his/her work.

(2) The contractor shall be justified in regarding information and documents presented to him/her by the client, in particular figures, as correct and complete and to base the contract on them. The contractor shall not be obliged to identify any errors unless agreed separately in writing. This shall particularly apply to the correctness and completeness of bills. However, he/she is obliged to inform the client of any errors identified by him/her. In case of financial criminal proceedings he/she shall protect the rights of the client.

(3) The client shall confirm in writing that all documents submitted, all information provided and explanations given in the context of audits, expert opinions and expert services are complete.

(4) If the client fails to disclose considerable risks in connection with the preparation of financial statements and other statements, the contractor shall not be obliged to render any compensation insofar as these risks materialize.

(5) Dates and time schedules stated by the contractor for the completion of the contractor's products or parts thereof are best estimates and, unless otherwise agreed in writing, shall not be binding. The same applies to any estimates of fees: they are prepared to best of the contractor's knowledge; however, they shall always be non-binding.

(6) The client shall always provide the contractor with his/her current contact details (particularly the delivery address). The contractor may rely on the validity of the contact details most recently provided by the client, particularly have deliveries made to the most recently provided address, until such time as new contact details are provided.

3. Safeguarding of Independence

(1) The client shall be obliged to take all measures to prevent that the independence of the staff of the contractor be jeopardized and shall himself/herself refrain from jeopardizing their independence in any way. In particular, this shall apply to offers of employment and to offers to accept contracts on their own account.

(2) The client acknowledges that his/her personal details required in this respect, as well as the type and scope of the services, including the performance period agreed between the contractor and the client for the services (both audit and non-audit services), shall be handled within a network (if any) to which the contractor belongs, and for this purpose transferred to the other members of the network including abroad for the purpose of examination of the existence of grounds of bias or grounds for exclusion and conflicts of interest. For this purpose the client expressly releases the contractor in accordance with the Data Protection Act and in accordance with Section 80 (4) No. 2 WTBG 2017 from his/her obligation to maintain secrecy. The client can revoke the release from the obligation to maintain secrecy at any time.

4. Reporting Requirements

(1) (Reporting by the contractor) In the absence of an agreement to the contrary, a written report shall be drawn up in the case of audits and expert opinions.

(2) (Communication to the client) All contract-related information and opinions, including reports, (all declarations of knowledge) of the contractor, his/her staff, other performing agents or substitutes ("professional statements") shall only be binding provided they are set down in writing. Professional statements in electronic file formats which are made, transferred or confirmed by fax or e-mail or using similar types of electronic communication (that can be stored and reproduced but is not oral, i.e. e.g. text messages but not telephone) shall be deemed as set down in writing; this shall only apply to professional statements. The client bears the risk that professional statements may be issued by persons not entitled to do so as well as the transfer risk of such professional statements.

(3) (Communication to the client) The client hereby consents to the contractor communicating with the client (e.g. by e-mail) in an unencrypted manner. The client declares that he/she has been informed of the risks arising from the use of electronic communication (particularly access to, maintaining secrecy of, changing of messages in the course of transfer). The contractor, his/her staff, other performing agents or substitutes are not liable for any losses that arise as a result of the use of electronic means of communication.

(4) (Communication to the contractor) Receipt and forwarding of information to the contractor and his/her staff are not always guaranteed when the telephone is used, in particular in conjunction with automatic telephone answering systems, fax, e-mail and other types of electronic communication. As a result, instructions and important information shall only be deemed to have been received by the contractor provided they are also received physically (not by telephone, orally or electronically), unless explicit confirmation of receipt is provided in individual instances. Automatic confirmation that items have been transmitted and read shall not constitute such explicit confirmations of receipt. This shall apply in particular to the transmission of decisions and other information relating to deadlines. As a result, critical and important notifications must be sent to the contractor by mail or courier. Delivery of documents to staff outside the firm's offices shall not count as delivery.

(5) (General) In writing shall mean, insofar as not otherwise laid down in Item 4. (2), written form within the meaning of Section 886 Austrian Civil Code (ABGB) (confirmed by signature). An advanced electronic signature (Art. 26 eIDAS Regulation (EU) No. 910/2014) fulfills the requirement of written form within the meaning of Section 886 ABGB (confirmed by signature) insofar as this is at the discretion of the parties to the contract.

(6) (Promotional information) The contractor will send recurrent general tax law and general commercial law information to the client electronically (e.g. by e-mail). The client acknowledges that he/she has the right to object to receiving direct advertising at any time.

5. Protection of Intellectual Property of the Contractor

(1) The client shall be obliged to ensure that reports, expert opinions, organizational plans, drafts, drawings, calculations and the like, issued by the contractor, be used only for the purpose specified in the contract (e.g. pursuant to Section 44 (3) Austrian Income Tax Act 1988). Furthermore, professional statements made orally or in writing by the contractor may be passed on to a third party for use only with the written consent of the contractor.

(2) The use of professional statements made orally or in writing by the contractor for promotional purposes shall not be permitted; a violation of this provision shall give the contractor the right to terminate without notice to the client all contracts not yet executed.

(3) The contractor shall retain the copyright on his/her work. Permission to use the work shall be subject to the written consent by the contractor.

6. Correction of Errors

(1) The contractor shall have the right and shall be obliged to correct all errors and inaccuracies in his/her professional statement made orally or in writing which subsequently come to light and shall be obliged to inform the client thereof without delay. He/she shall also have the right to inform a third party acquainted with the original professional statement of the change.

(2) The client has the right to have all errors corrected free of charge if the contractor can be held responsible for them; this right will expire six months after completion of the services rendered by the contractor and/or – in cases where a written professional statement has not been delivered – six months after the contractor has completed the work that gives cause to complaint.

(3) If the contractor fails to correct errors which have come to light, the client shall have the right to demand a reduction in price. The extent to which additional claims for damages can be asserted is stipulated under Item 7.

7. Liability

(1) All liability provisions shall apply to all disputes in connection with the contractual relationship, irrespective of the legal grounds. The contractor is liable for losses arising in connection with the contractual relationship (including its termination) only in case of willful intent and gross negligence. The applicability of Section 1298 2nd Sentence ABGB is excluded

(2) In cases of gross negligence, the maximum liability for damages due from the contractor is tenfold the minimum insurance sum of the professional liability insurance according to Section 11 WTBG 2017 as amended.

(3) The limitation of liability pursuant to Item 7. (2) refers to the individual case of damages. The individual case of damages includes all consequences of a breach of duty regardless of whether damages arose in one or more consecutive years. In this context, multiple acts or failures to act that are based on the same or similar source of error as one consistent breach of duty if the matters concerned are legally and economically connected. Single damages remain individual cases of damage even if they are based on several breaches of duty. Furthermore, the contractor's liability for loss of profit as well as collateral, consequential, incidental or similar losses is excluded in case of willful damage.

(4) Any action for damages may only be brought within six months after those entitled to assert a claim have gained knowledge of the damage, but no later than three years after the occurrence of the (primary) loss following the incident upon which the claim is based, unless other statutory limitation periods are laid down in other legal provisions.

(5) Should Section 275 Austrian Commercial Code (UGB) be applicable (due to a criminal offense), the liability provisions contained therein shall apply even in cases where several persons have participated in the execution of the contract or where several activities requiring compensation have taken place and irrespective of whether other participants have acted with intent.

(6) In cases where a formal auditor's report is issued, the applicable limitation period shall commence no later than at the time the said auditor's report was issued.

(7) If activities are carried out by enlisting the services of a third party, e.g. a data-processing company, any warranty claims and claims for damages which arise against the third party according to law and contract shall be deemed as having been passed on to the client once the client has been informed of them. Item 4. (3) notwithstanding, in such a case the contractor shall only be liable for fault in choosing the third party.

(8) The contractor's liability to third parties is excluded in any case. If third parties come into contact with the contractor's work in any manner due to the client, the client shall expressly clarify this fact to them. Insofar as such exclusion of liability is not legally permissible or a liability to third parties has been assumed by the contractor in exceptional cases, these limitations of liability shall in any case also apply to third parties on a subsidiary basis In any case, a third party cannot raise any claims that go beyond any claim raised by the client. The maximum sum of liability shall be valid only once for all parties injured, including the compensation claims of the client, even if several persons (the client and a third party or several third parties) have sustained losses; the claims of the parties injured shall be satisfied in the order in which the claims have been raised. The client will indemnify and hold harmless the contractor and his/her staff against any claims by third parties in connection with professional statements made orally or in writing by the contractor and passed on to these third parties.

(9) Item 7. shall also apply to any of the client's liability claims to third parties (performing agents and vicarious agents of the contractor) and to substitutes of the contractor relating to the contractual relationship.

8. Secrecy, Data Protection

(1) According to Section 80 WTBG 2017 the contractor shall be obliged to maintain secrecy in all matters that become known to him/her in connection with his/her work for the client, unless the client releases him/her from this duty or he/she is bound by law to deliver a statement.

(2) Insofar as it is necessary to pursue the contractor's claims (particularly claims for fees) or to dispute claims against the contractor (particularly claims for damages raised by the client or third parties against the contractor), the contractor shall be released from his/her professional obligation to maintain secrecy.

(3) The contractor shall be permitted to hand on reports, expert opinions and other written statements pertaining to the results of his/her services to third parties only with the permission of the client, unless he/she is required to do so by law.

(4) The contractor is a data protection controller within the meaning of the General Data Protection Regulation ("GDPR") with regard to all personal data processed under the contract. The contractor is thus authorized to process personal data entrusted to him/her within the limits of the contract. The material made available to the contractor (paper and data carriers) shall generally be handed to the client or to third parties appointed by the client after the respective rendering of services has been completed, or be kept and destroyed by the contractor if so agreed. The contractor is authorized to keep copies thereof insofar as he/she needs them to appropriately document his/her services or insofar as it is required by law or customary in the profession.

(5) If the contractor supports the client in fulfilling his/her duties to the data subjects arising from the client's function as data protection controller, the contractor shall be entitled to charge the client for the actual efforts undertaken. The same shall apply to efforts undertaken for information with regard to the contractual relationship which is provided to third parties after having been released from the obligation to maintain secrecy to third parties by the client.

9. Withdrawal and Cancellation („Termination")

(1) The notice of termination of a contract shall be issued in writing (see also Item 4. (4) and (5)). The expiry of an existing power of attorney shall not result in a termination of the contract.

(2) Unless otherwise agreed in writing or stipulated by force of law, either contractual partner shall have the right to terminate the contract at any time with immediate effect. The fee shall be calculated according to Item 11.

(3) However, a continuing agreement (fixed-term or open-ended contract on – even if not exclusively – the rendering of repeated individual services, also with a flat fee) may, without good reason, only be terminated at the end of the calendar month by observing a period of notice of three months, unless otherwise agreed in writing.

(4) After notice of termination of a continuing agreement and unless otherwise stipulated in the following, only those individual tasks shall still be completed by the contractor (list of assignments to be completed) that can (generally) be completed fully within the period of notice insofar as the client is notified in writing within one month after commencement of the termination notice period within the meaning of Item 4. (2) The list of assignments to be completed shall be completed within the termination period if all documents required are provided without delay and if no good reason exists that impedes completion

(5) Should it happen that in case of a continuing agreement more than two similar assignments which are usually completed only once a year (e.g. financial statements, annual tax returns, etc.) are to be completed, any such assignments exceeding this number shall be regarded as assignments to be completed only with the client's explicit consent. If applicable, the client shall be informed of this explicitly in the statement pursuant to Item 9. (4).

10. Termination in Case of Default in Acceptance and Failure to Cooperate on the Part of the Client and Legal Impediments to Execution

(1) If the client defaults on acceptance of the services rendered by the contractor or fails to carry out a task incumbent on him/her either according to Item 2. or imposed on him/her in another way, the contractor shall have the right to terminate the contract without prior notice. The same shall apply if the client requests a way to execute (also partially) the contract that the contractor reasonably believes is not in compliance with the legal situation or professional principles. His/her fees shall be calculated according to Item 11. Default in acceptance or failure to cooperate on the part of the client shall also justify a claim for compensation made by the contractor for the extra time and labor hereby expended as well as for the damage caused, if the contractor does not invoke his/her right to terminate the contract.

(2) For contracts concerning bookkeeping, payroll accounting and administration and assessment of payroll-related taxes and contributions, a termination without prior notice by the contractor is permissible under Item 10. (1) if the client verifiably fails to cooperate twice as laid down in Item 2. (1).

11. Entitlement to Fee

(1) If the contract fails to be executed (e.g. due to withdrawal or cancellation), the contractor shall be entitled to the negotiated compensation (fee), provided he/she was prepared to render the services and was prevented from so doing by circumstances caused by the client, whereby a merely contributory negligence by the contractor in this respect shall be excluded; in this case the contractor need not take into account the amount he/she obtained or failed to obtain through alternative use of his/her own professional services or those of his/her staff.

(2) If a continuing agreement is terminated, the negotiated compensation for the list of assignments to be completed shall be due upon completion or in case completion fails due to reasons attributable to the client (reference is made to Item 11. (1). Any flat fees negotiated shall be calculated according to the services rendered up to this point.

(3) If the client fails to cooperate and the assignment cannot be carried out as a result, the contractor shall also have the right to set a reasonable grace period on the understanding that, if this grace period expires without results, the contract shall be deemed ineffective and the consequences indicated in Item 11. (1) shall apply.

(4) If the termination notice period under Item 9. (3) is not observed by the client as well as if the contract is terminated by the contractor in accordance with Item 10. (2), the contractor shall retain his/her right to receive the full fee for three months.

12. Fee

(1) Unless the parties explicitly agreed that the services would be rendered free of charge, an appropriate remuneration in accordance with Sections 1004 and 1152 ABGB is due in any case. Amount and type of the entitlement to the fee are laid down in the agreement negotiated between the contractor and his/her client. Unless a different agreement has verifiably been reached, payments made by the client shall in all cases be credited against the oldest debt.

(2) The smallest service unit which may be charged is a quarter of an hour.

(3) Travel time to the extent required is also charged.

(4) Study of documents which, in terms of their nature and extent, may prove necessary for preparation of the contractor in his/her own office may also be charged as a special item.

(5) Should a remuneration already agreed upon prove inadequate as a result of the subsequent occurrence of special circumstances or due to special requirements of the client, the contractor shall notify the client thereof and additional negotiations for the agreement of a more suitable remuneration shall take place (also in case of inadequate flat fees).

(6) The contractor includes charges for supplementary costs and VAT in addition to the above, including but not limited to the following (7) to (9):

(7) Chargeable supplementary costs also include documented or flat-rate cash expenses, traveling expenses (first class for train journeys), per diems, mileage allowance, copying costs and similar supplementary costs.

(8) Should particular third party liabilities be involved, the corresponding insurance premiums (including insurance tax) also count as supplementary costs.

(9) Personnel and material expenses for the preparation of reports, expert opinions and similar documents are also viewed as supplementary costs.

(10) For the execution of a contract wherein joint completion involves several contractors, each of them will charge his/her own compensation.

(11) In the absence of any other agreements, compensation and advance payments are due immediately after they have been requested in writing. Where payments of compensation are made later than 14 days after the due date, default interest may be charged. Where mutual business transactions are concerned, a default interest rate at the amount stipulated in Section 456 1st and 2nd Sentence UGB shall apply.

(12) Statutory limitation is in accordance with Section 1486 of ABGB, with the period beginning at the time the service has been completed or upon the issuing of the bill within an appropriate time limit at a later point.

(13) An objection may be raised in writing against bills presented by the contractor within 4 weeks after the date of the bill. Otherwise the bill is considered as accepted. Filing of a bill in the accounting system of the recipient is also considered as acceptance.

(14) Application of Section 934 ABGB within the meaning of Section 351 UGB, i.e. rescission for laesio enormis (lesion beyond moiety) among entrepreneurs, is hereby renounced.

(15) If a flat fee has been negotiated for contracts concerning bookkeeping, payroll accounting and administration and assessment of payroll-related taxes and contributions, in the absence of written agreements to the contrary, representation in matters concerning all types of tax audits and audits of payroll-related taxes and social security contributions including settlements concerning tax assessments and the basis for contributions, preparation of reports, appeals and the like shall be invoiced separately. Unless otherwise agreed to in writing, the fee shall be considered agreed upon for one year at a time.

(16) Particular individual services in connection with the services mentioned in Item 12. (15), in particular ascertaining whether the requirements for statutory social security contributions are met, shall be dealt with only on the basis of a specific contract.

(17) The contractor shall have the right to ask for advance payments and can make delivery of the results of his/her (continued) work dependent on satisfactory fulfillment of his/her demands. As regards continuing agreements, the rendering of further services may be denied until payment of previous services (as well as any advance payments under Sentence 1) has been effected. This shall analogously apply if services are rendered in installments and fee installments are outstanding.

(18) With the exception of obvious essential errors, a complaint concerning the work of the contractor shall not justify even only the partial retention of fees, other compensation, reimbursements and advance payments (remuneration) owed to him/her in accordance with Item 12.

(19) Offsetting the remuneration claims made by the contractor in accordance with Item 12. shall only be permitted if the demands are uncontested and legally valid.

13 Other Provisions

(1) With regard to Item 12. (17), reference shall be made to the legal right of retention (Section 471 ABGB, Section 369 UGB); if the right of retention is wrongfully exercised, the contractor shall generally be liable pursuant to Item 7. or otherwise only up to the outstanding amount of his/her fee.

(2) The client shall not be entitled to receive any working papers and similar documents prepared by the contractor in the course of fulfilling the contract. In the case of contract fulfillment using electronic accounting systems the contractor shall be entitled to delete the data after handing over all data based thereon – which were prepared by the contractor in relation to the contract and which the client is obliged to keep – to the client and/or the succeeding public accountant in a structured, common and machine-readable format. The contractor shall be entitled to an appropriate fee (Item 12. shall apply by analogy) for handing over such data in a structured, common and machine-readable format. If handing over such data in a structured, common and machine-readable format is impossible or unfeasible for special reasons, they may be handed over in the form of a full print-out instead. In such a case, the contractor shall not be entitled to receive a fee.

(3) At the request and expense of the client, the contractor shall hand over all documents received from the client within the scope of his/her activities. However, this shall not apply to correspondence between the contractor and his/her client and to original documents in his/her possession and to documents which are required to be kept in accordance with the legal anti-money laundering provisions applicable to the contractor. The contractor may make copies or duplicates of the documents to be returned to the client. Once such documents have been transferred to the client, the contractor shall be entitled to an appropriate fee (Item 12. shall apply by analogy).

(4) The client shall fetch the documents handed over to the contractor within three months after the work has been completed. If the client fails to do so, the contractor shall have the right to return them to the client at the cost of the client or to charge an appropriate fee (Item 12. shall apply by analogy) if the contractor can prove that he/she has asked the client twice to pick up the documents handed over. The documents may also further be kept by third parties at the expense of the client. Furthermore, the contractor is not liable for any consequences arising from damage, loss or destruction of the documents.

(5) The contractor shall have the right to compensation of any fees that are due by use of any available deposited funds, clearing balances, trust funds or other liquid funds at his/her disposal, even if these funds are explicitly intended for safekeeping, if the client had to have anticipated the counterclaim of the contractor.

(6) To secure an existing or future fee payable, the contractor shall have the right to transfer a balance held by the client with the tax office or another balance held by the client in connection with charges and contributions, to a trust account. In this case the client shall be informed of the transfer. Subsequently, the amount secured may be collected either after agreement has been reached with the client or after enforceability of the fee by execution has been declared.

14. Applicable Law, Place of Performance, Jurisdiction

(1) The contract, its execution and the claims resulting from it shall be exclusively governed by Austrian law, excluding national referral rules.

(2) The place of performance shall be the place of business of the contractor.

(3) In absence of a written agreement stipulating otherwise, the place of jurisdiction is the competent court of the place of performance.

SECTION II

15. Supplementary Provisions for Consumer Transactions

(1) Contracts between public accountants and consumers shall fall under the obligatory provisions of the Austrian Consumer Protection Act (KSchG).

(2) The contractor shall only be liable for the willful and grossly negligent violation of the obligations assumed.

(3) Contrary to the limitation laid down in Item 7. (2), the duty to compensate on the part of the contractor shall not be limited in case of gross negligence.

(4) Item 6. (2) (period for right to correction of errors) and Item 7. (4) (asserting claims for damages within a certain period) shall not apply.

(5) Right of Withdrawal pursuant to Section 3 KSchG:

If the consumer has not made his/her contract statement in the office usually used by the contractor, he/she may withdraw from the contract application or the contract proper. This withdrawal may be declared until the contract has been concluded or within one week after its conclusion, the period commences as soon as a document has been handed over to the consumer which contains at least the name and the address of the contractor as well as instructions on the right to withdraw from the contract, but no earlier than the conclusion of the contract. The consumer shall not have the right to withdraw from the contract

1. if the consumer himself/herself established the business relationship concerning the conclusion of this contract with the contractor or his/her representative,

2. if the conclusion of the contract has not been preceded by any talks between the parties involved or their representatives, or

3. in case of contracts where the mutual services have to be rendered immediately, if the contracts are usually concluded outside the offices of the contractors, and the fee agreed upon does not exceed €15

In order to become legally effective, the withdrawal shall be declared in writing. It is sufficient if the consumer returns a document that contains his/her contract declaration or that of the contractor to the contractor with a note which indicates that the consumer rejects the conclusion or the maintenance of the contract. It is sufficient if this declaration is dispatched within one week.

If the consumer withdraws from the contract according to Section 3 KSchG,

1. the contractor shall return all benefits received, including all statutory interest, calculated from the day of receipt, and compensate the consumer for all necessary and useful expenses incurred in this matter,

2. the consumer shall pay for the value of the services rendered by the contractor as far as they are of a clear and predominant benefit to him/her.

According to Section 4 (3) KSchG, claims for damages shall remain unaffected.

(6) Cost Estimates according to Section 5 Austrian KSchG:

The consumer shall pay for the preparation of a cost estimate by the contractor in accordance with Section 1170a ABGB only if the consumer has been notified of this payment obligation beforehand.

If the contract is based on a cost estimate prepared by the contractor, its correctness shall be deemed warranted as long as the opposite has not been explicitly declared.

(7) Correction of Errors: Supplement to Item 6.:

If the contractor is obliged under Section 932 ABGB to improve or complement his/her services, he/she shall execute this duty at the place where the matter was transferred. If it is in the interest of the consumer to have the work and the documents transferred by the contractor, the consumer may carry out this transfer at his/her own risk and expense.

(8) Jurisdiction: Shall apply instead of Item 14. (3)

If the domicile or the usual residence of the consumer is within the country or if he/she is employed within the country, in case of an action against him/her according to Sections 88, 89, 93 (2) and 104 (1) Austrian Court Jurisdiction Act (JN), the only competent courts shall be the courts of the districts where the consumer has his/her domicile, usual residence or place of employment.

(9) Contracts on Recurring Services:

(a) Contracts which oblige the contractor to render services and the consumer to effect repeated payments and which have been concluded for an indefinite period or a period exceeding one year may be terminated by the consumer at the end of the first year, and after the first year at the end of every six months, by adhering to a two-month period of notice.

(b) If the total work is regarded as a service that cannot be divided on account of its character, the extent and price of which is determined already at the conclusion of the contract, the first date of termination may be postponed until the second year has expired. In case of such contracts the period of notice may be extended to a maximum of six months.

(c) If the execution of a certain contract indicated in lit. a) requires considerable expenses on the part of the contractor and if he/she informed the consumer about this no later than at the time the contract was concluded, reasonable dates of termination and periods of notice which deviate from lit. a) and b) and which fit the respective circumstances may be agreed.

(d) If the consumer terminates the contract without complying with the period of notice, the termination shall become effective at the next termination date which follows the expiry of the period of notice.

REPORT
of the
AUDIT OF THE ANNUAL FINANCIAL STATEMENTS
as at 31 December 31 December 2018
of
Norske Skog Bruck GmbH

8600 Bruck an der Mur
Fabriksgasse 10

Vienna, 14 March 2019

BDO Austria GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft
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company registration number
96046w
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LIST OF APPENDICES **Appendix**

ROUNDING NOTE

When adding rounded amounts and percentages, rounding differences may occur due to the use of automatic calculation aids.

To the members of management and the supervisory board of
Norske Skog Bruck GmbH,
Bruck an der Mur

We have audited the annual financial statements as at 31 December 31 December 2018 of

Norske Skog Bruck GmbH,
Bruck an der Mur,
(hereinafter also referred to as the "company")

and report on the results of this audit as follows:

1. AUDIT CONTRACT AND ORDER EXECUTION

By shareholders' resolution dated 15 August 2018 of Norske Skog Bruck GmbH, Bruck an der Mur, we were elected as auditors for the 2018 financial year. We have entered into an audit agreement with the company, represented by the supervisory board, to audit the annual financial statements as at 31 December 31 December 2018, together with the accounting, and the management report in accordance with Sections 269 et seq. of the Austrian Commercial Code (UGB).

The audited company is a large corporation as defined in Section 221 of the Austrian Commercial Code.

The audit in question is a statutory audit.

This audit includes examining whether the statutory provisions and the supplementary provisions des Gesellschaftsvertrages have been observed in the preparation of the annual financial statements and in the accounting. The management report must be examined to determine whether it is consistent with the annual financial statements and whether it has been prepared in accordance with the applicable legal requirements.

We have carried out our audit in compliance with the legal provisions applicable in Austria and the principles customary in our profession. These principles require the application of the International Standards on Auditing (ISAs). We wish to point out that the audit of the financial statements is intended to provide reasonable assurance that the financial statements are correct. Absolute certainty cannot be achieved because any internal control system is subject to the possibility of error and, because only random checks are made, there is an unavoidable risk that material misstatements may not be detected. The audit did not cover areas which are normally the subject of special audits.

We conducted the audit with interruptions during the period from October 2018 to March 2019 (main audit) mainly in Bruck an der Mur. The audit was materially concluded on the date of this report.

Mag. Markus Trettnak, certified public accountant, is responsible for the proper execution of the order.

The basis for our audit is the audit agreement concluded with the company, in which the "General Conditions of Contract for the Public Accounting Professions" (Appendix V) issued by the Chamber of Tax Advisors and Auditors are an integral part. These General Conditions apply not only between the company and the auditor, but also with respect to third parties. Regarding our responsibility and liability as auditors towards the company and towards third parties, Section 275 of the Austrian Commercial Code (UGB) applies.

2. BREAKDOWN AND EXPLANATION OF SIGNIFICANT ITEMS IN THE FINANCIAL STATEMENTS

All necessary breakdowns and disclosures to material items in the annual financial statements are contained in the notes to the annual financial statements and in the management report. We therefore refer you to the relevant information der Geschäftsführung the notes to the annual financial statements and in the management report.

3. SUMMARY OF THE AUDIT RESULTS

ASSESSMENT REGARDING THE LEGALITY OF THE ACCOUNTING RECORDS, ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

In our audit procedures, we determined that the statutory provisions, the supplementary provisions des Gesellschaftsvertrages and the generally accepted accounting principles were complied with.

As part of our risk and control-oriented audit approach, we have – to the extent that we deemed necessary for our audit statement – included internal controls in sub-areas of the accounting process in the audit.

With regard to the legality of the annual financial statements and the management report, please refer to our comments in the auditor's report.

FURTHER INFORMATION

Die gesetzlichen Vertreter erteilten the information and evidence we requested in sufficient detail. We have included a declaration of completeness signed von den gesetzlichen Vertretern in our files.

STATEMENT ON FACTS PURSUANT TO SECTION 273 (2) AND (3) OF THE AUSTRIAN COMMERCIAL CODE (EXERCISE OF THE OBLIGATION TO DISCLOSE INFORMATION)

In performing our duties as auditors, we have not identified any facts that could endanger the audited company as a going concern or significantly impair its development, or that indicate serious violations der gesetzlichen Vertreter or by employees of the law or the Gesellschaftsvertragarticles of association. We did not become aware of any significant weaknesses in the internal controls of the accounting process. The conditions for assuming that there is a need for a reorganisation proceeding (Section 22 (1) (1) of the Austrian Business Reorganisation Act (URG)) do not exist.

4. AUDITOR'S REPORT

REPORT ON THE ANNUAL FINANCIAL STATEMENTS

AUDIT OPINION

We have audited the annual financial statements of Norske Skog Bruck GmbH, Bruck an der Mur, comprising the statement of financial position as at 31 December 2018, the income statement for the financial year then ended and the notes to the financial statements.

In our opinion, the attached financial statements comply with legal requirements and give a true and fair view of the financial position of the company as at 31 December 2018 and the earnings position of the company for the financial year ending on that date, in accordance with Austrian commercial law regulations.

BASIS FOR THE AUDIT OPINION

We conducted our audit in accordance with Austrian generally accepted standards for the audit of financial statements. These principles require the application of the International Standards on Auditing. Our responsibilities under these rules and standards are further described in the section "Auditor's responsibility when auditing the annual financial statements" in our auditor's report. We are independent of the company in accordance with Austrian commercial and professional regulations, and we have performed our other professional duties in accordance with these requirements. In our view, the audit evidence we obtained provides a sufficient and appropriate basis for our audit opinion.

RESPONSIBILITIES DER GESETZLICHEN VERTRETER FOR THE ANNUAL FINANCIAL STATEMENTS

Die gesetzlichen Vertreter sind responsible for the preparation and fair presentation of the assets, financial position and earnings of the company in accordance with relevant Austrian laws. In additionsind die gesetzlichen Vertreter is considered necessary to ensure that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statementssind die gesetzlichen Vertreter responsible for assessing the entity's ability to continue as a going concern, to report matters, as relevant, relating to the continuing operations of the entity, and to apply the accounting policy as a going concern, unless die gesetzlichen Vertreter beabsichtigten or haben no realistic alternative to either liquidating the entity or discontinuing its operations.

The Prüfungsausschuss is responsible for monitoring the company's accounting process.

AUDITOR'S RESPONSIBILITY WHEN AUDITING THE ANNUAL FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance 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 audit opinion. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with Austrian generally accepted standards for the audit of financial statements that require the application of ISAs will always reveal a material misstatement, if one exists. Misstatements may result from fraudulent acts or errors and are considered to be material if, individually or collectively, they could reasonably be expected to affect the economic decisions of users made on the basis of these financial statements.

As part of an audit of financial statements conducted in accordance with Austrian generally accepted standards for the audit of financial statements that require the application of ISAs, we exercise judgement throughout the entire audit and maintain a critical view of the financial statements.

In addition, the following applies:

- We identify and evaluate the risks of material misstatement of the financial statements, whether due to fraud or error, plan and perform the audit procedures in response to those risks and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinion. The risk that material misstatements resulting from fraudulent actions will not be detected is greater than that resulting from errors, as fraudulent actions may involve fraudulent collusion, falsification, intentional incompleteness, misrepresentation or the invalidation of internal controls.
- We gain an understanding of the internal control system relevant to the audit of the financial statements in order to plan audit procedures that are appropriate under these circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of the company's internal control system.
- We assess the appropriateness of the accounting methods applied von den gesetzlichen Vertretern and the reasonableness of accounting estimates and related disclosures made von den gesetzlichen Vertretern.
- We draw conclusions about the appropriateness of the die gesetzlichen Ver-treter application of the accounting principle of going concern and, on the basis of the audit evidence obtained, whether there is a material uncertainty in connection with events or circumstances that could cast significant doubt on the company's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if the disclosures are inappropriate, to modify our audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. Future events or circumstances may, however, result in the company discontinuing its existence as a going concern.
- We express an opinion on the overall presentation, structure and content of the financial statements, including the notes, and on whether the financial statements present the underlying business transactions and events in a true and fair presentation.

We discuss with the Prüfungsausschuss, among other things, the planned scope and timing of the audit as well as significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

COMMENTS ON THE MANAGEMENT REPORT

The management report is to be audited in accordance with Austrian commercial law to determine whether it is consistent with the annual financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Die gesetzlichen Vertreter sind responsible for preparing the management report in accordance with Austrian commercial law.

We conducted our audit in accordance with the professional principles applicable to the audit of the management report.

Opinion

In our opinion, the management report has been prepared in accordance with the applicable legal requirements and is consistent with the annual financial statements.

Declaration

In view of the knowledge gained from the audit of the annual financial statements and the understanding gained of the company and its environment, no material misstatements were identified in the management report.

Vienna, on 14 March 2019

BDO Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Markus Trettnak
Certified Public Accountant

Mag. Peter Bartos
Certified Public Accountant

The publication or disclosure of the annual financial statements with our auditor's report may only be made in the version confirmed by us. This auditor's report relates exclusively to the complete annual financial statements including the management report in German language. For deviating versions, the provisions of Section 281 (2) of the Austrian Commercial Code must be observed.

BERICHT ZUM LAGEBERICHT

Der Lagebericht ist auf Grund der österreichischen unternehmensrechtlichen Vorschriften darauf zu prüfen, ob er mit dem Jahresabschluss in Einklang steht und ob er nach den geltenden rechtlichen Anforderungen aufgestellt wurde.

Der gesetzliche Vertreter ist verantwortlich für die Aufstellung des Lageberichts in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften.

Wir haben unsere Prüfung in Übereinstimmung mit den Berufsgrundsätzen zur Prüfung des Lageberichts durchgeführt.

Urteil

Nach unserer Beurteilung ist der Lagebericht nach den geltenden rechtlichen Anforderungen aufgestellt worden und steht in Einklang mit dem Jahresabschluss.

Erklärung

Angesichts der bei der Prüfung des Jahresabschlusses gewonnenen Erkenntnisse und des gewonnenen Verständnisses über die Gesellschaft und ihr Umfeld wurden wesentliche fehlerhafte Angaben im Lagebericht nicht festgestellt.

Wien, am 14. März 2019

BDO Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Markus Trettnak
Wirtschaftsprüfer

Mag. Peter Bartos
Wirtschaftsprüfer

Die Veröffentlichung oder Weitergabe des Jahresabschlusses mit unserem Bestätigungsvermerk darf nur in der von uns bestätigten Fassung erfolgen. Dieser Bestätigungsvermerk bezieht sich ausschließlich auf den deutschsprachigen und vollständigen Jahresabschluss samt Lagebericht. Für abweichende Fassungen sind die Vorschriften des § 281 Abs. 2 UGB zu beachten.

Information sheet

Please switch on the bookmarks for "File" under "Options", "Advanced", "Show document content" ("Show bookmarks"). In the following table you must fill in ALL data, but please pay attention to the black square brackets. The brackets must always begin BEFORE the first character and end AFTER the last character!

In addition, it would make your work easier if you switch on "Always" under "Field shading" in the same item mentioned above. Then you will ALWAYS be able to immediately recognise all (grey) fields in the text.

		Bookmark
BDO company	BDO Austria GmbH	Auditor
BDO registered office	Vienna	Auditor's registered office
BDO company register no. (FN)	96046w	Company register no. (FN)
Info company register no. (FN):		Austria: 96046w Vienna: 78439b Salzburg: 292963d ALPINE: 125786f Neuner + Henzl: 236319d Euro Audit: 166055z
BDO Supervisor 1	Mag. Markus Trettnak	Partner1
BDO Supervisor 2	Mag. Peter Bartos	Partner2
Clerk/Secretary	DAH/BAD	Initials
Customer name	Norske Skog Bruck GmbH	Company
Customer registered office	Bruck an der Mur	Registered office
Customer address	Fabriksgasse 10	Street
Customer city	8600 Bruck an der Mur	City
Company type	GmbH	Company type
ALWAYS	GmbH (also for KG) or AG	apply
One or more Man. Dir.	Single	Single plural
ALWAYS	Single (EZ) or Plural (MZ)	apply
Supervisory Board/Audit Committee	Audit Comm	Sup. Bd.
ALWAYS	Sup. Bd. (AR) or Audit Comm (PA) or leave empty " "(if no AR/PA)	apply
Audit location	Company rooms	Audit location
ALWAYS	Company rooms, company registered office or law firm	apply
BMD number	204038	Anr
Reference date	31 December 2018	This year's reference date
Prev. year's reference date	31 December 2017	Prev. year's reporting date
Start of financial year	1 January 2018	This year's start of FY
Reporting date	31.12.2018	This year's reporting date
Prev. year's reporting date	31.12.2017	Prev. year's reporting date
Financial year	2018	This_Year
Prev. financial year	2017	Prev._Year
BV date	14 March 2019	Date

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31.12.20 EUR	31	17		31	
			A. net equity		
			I. share capital	10.	
		55	II. capital reserves		
			tied	8.	
			III. statutory reserve		
		39	legal reserves		
		96	other reserves	1.	
		51	IV. profit, therefrom retained earnings EUR 1.129.581,79	6.	
		59	(2017: TEUR 7.131)		
19.339.477,34	21.935		C. provisions		
			1. other LT employee benefits	12.850.7	1
			2. pension provision	1.605.0	
7.898.501,70	7.544		3. tax provision	1.193.3	
238.646,85	165		4. accruals for other expenses	10.174.2	
8.501.533,35	6.796			25.823.3	2
717.813,39	455				
17.356.495,29	14.960		D. liabilities		
3.471.350,20	4.863		1. accounts payables	12.642 9	1
25.172.536,85	21.811		2. accounts payables IC	2.913.7	
4,30	34.637		n [illegible] nsolidated	1	
			4. o [illegible] ayable	7	
5,13	36		th [illegible] om for tax: EU [illegible] 46 [illegible] : TEUR 46),		
4,72	49.633		th [illegible] om for social s [illegible] : E [illegible] 033,52		
			([illegible] TEUR 689)		
1,52	3				
.585	2.549				
				24	2
8,68	74.120			76	7

Norske Skog Bruck GmbH, Bruck an der Mur

Statutory Reporting Austria/Profit+Loss 2018

	2018 EUR	2017 TEUR
1. Operating revenue	210.116.068,90	186.114
2. changes in inventory of finished goods and work in progress	1.779.124,45	-117
3. capitalized own investment work	11.021,92	2
4. other operating income		
a) income from sale of fixed assets/with exception of financial assets	23.000,00	4
b) misc. income from dissolution provisions	269.247,70	8
c) other income	2.224.101,94	1.456
	2.516.349,64	1.468
5. Material and service cost		
a) cost of materials	-140.844.570,56	-123.052
b) transport activities	-41.554,65	-36
	-140.886.125,21	-123.088
6. Employee benefit expenses		
a) wages and salaries		
aa) wages	-14.358.998,26	-13.263
bb) salaries	-8.472.611,28	-8.478
b) aa) severance pay and fund payment	-1.128.519,88	-2.715
bb) expenses for social security contribution and other contributions paid to tax company and community	-6.304.244,90	-6.261
cc) expenses for pension funds	-893.748,58	-765
dd) other labour costs	-414.449,17	-302
	-31.572.572,07	-31.784
7. Planned depreciation for the year	-5.836.859,20	-6.041
8. Other operating expenses		
a) taxes (other taxes than point 18)	-87.035,35	-91
b) other operating expenses	-28.869.112,17	-26.378
	-28.956.147,52	-26.469
9. Subtotal Point 1 to 8 (operating earnings)	7.170.860,91	85
10. share dividend from associated companies EUR 0,00 (2017: TEUR 0)	0,00	0
11. interest income, commercial paper	5.708,60	6
12. IC interest income and IC guarantee and other finance income from affiliated companies EUR 67.324,18 (2017: TEUR 14)	71.083,39	19
13. income from write-up of financial assets	0,00	41
14. write down of financial assets therefrom depreciation: EUR 10.738,51 (2017: TEUR 10)	-10.738,51	-10
15. ST-interest costs, guarantee provisions from affiliated companies: EUR 249.368,00 (2017: TEUR 290)	-1.091.458,32	-800
16. Subtotal Point 10 to 15	-1.025.404,84	-744
17. Earnings before taxation	6.145.456,07	-659
18. income tax	-1.129.725,51	428
19. Earnings after taxation	5.015.730,56	-231
20. Profit/Loss for the year	5.015.730,56	-231
21. dissolution of transferred reserves	0,00	0
22. retained earnings from last year	1.129.581,79	7.131
23. Balance sheet profit	6.145.312,35	6.900

NOTES

FOR THE 2018 FINANCIAL YEAR

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TABLE OF APPENDICES

1. ACCOUNTING AND VALUATION PRINCIPLES

1.1. General principles

These financial statements have been prepared in accordance with the accounting provisions of the Austrian Commercial Code (UGB) as amended.

The financial statements were prepared in compliance with the **principles of proper accounting** and with the **general standards**, in order to convey a picture that is as accurate as possible of the net worth, financial position and earnings of the company.

The principle of **completeness** was observed in the preparation of the annual financial statements.

The valuation of the individual assets and liabilities was based on the principle of **individual valuation** and the assumption that this is a **going concern**.

The **principle of prudence** was taken into account in that only the profits realised on the reporting date for the financial statements were reported. All discernible risks and impending losses were recognised.

The accounting and valuation methods applied in the previous year were retained in accordance with the principle of consistency in the preparation of these financial statements.

1.2. Non-current assets

1.2.1. General

Non-current assets are valued at acquisition or production cost less straight-line depreciation over their expected useful lives. Low-value assets (individual cost up to EUR 400) are written off in full in the year of acquisition and shown in the schedule of assets as additions and disposals. If a lower value is to be attached to assets on the reporting date, unscheduled write-downs are applied.

1.2.2. Financial assets

Financial assets are valued at cost of purchase. Unscheduled write-downs to the lower fair value at the reporting date are made if such write-downs are likely to be permanent.

1.3. Current assets

1.3.1. Inventories

Inventories are valued at the lower of cost or market. Production costs are determined by including direct costs and variable portions of material and production overheads.

1.3.2. Receivables and other assets

Receivables and other assets are stated at their **nominal value**. In the case of identifiable **individual risks**, the lower fair value is applied. Foreign currency receivables are recognised at the lower of the mean exchange rate on the date on which they arose or the reporting date.

Accounting and valuation of emission certificates

The emission certificates are accounted for in accordance with the Austrian Financial Reporting and Auditing Committee (AFRAC) Statement 1 "Accounting for CO2 emission certificates in accordance with the Austrian Commercial Code (UGB)". The certificates are generally capitalised at fair value upon allocation in February of each year, and a special account for subsidies is recorded on the liabilities side of the balance sheet. These certificates will then be surrendered in April, which means that the special account will be reversed by 31 December. The obligation to surrender the emission certificates is

recorded under other liabilities in the amount of EUR 4.6 million. For all certificates not yet available as of 31 December, this obligation is valued at the closing rate.

1.4. Provisions

In accordance with the principle of prudence, provisions include all risks discernible at the time the balance sheet is prepared, as well as liabilities, which are uncertain as to their amount and/or reason; they are taken into account with those values that seem required in accordance with reasonable business judgment.

1.5. Liabilities

Liabilities are stated at the settlement value. Liabilities denominated in foreign currencies are measured at the higher of the mean exchange rate on the date on which they arose or the reporting date. They are reported under "non-current" if the remaining term of the liabilities is more than one year, or under "current" if the remaining term is under to one year.

2. NOTES TO THE STATEMENT OF FINANCIAL POSITION AND THE INCOME STATEMENT

2.1. Notes to the statement of financial position

2.1.1. Non-current assets

The development of the individual non-current asset items and the breakdown of annual depreciation according to individual items are shown in the statement of changes in equity (Appendix A to the Notes).

2.1.2. Current assets

2.1.2.1. Receivables and other assets

A factoring agreement was concluded with Eurofactor GmbH in 2014. The receivables transferred to Eurofactor GmbH in the amount of EUR 19,203,023.20 (previous year: EUR 15,841 thousand) were deducted from **trade receivables** in the statement of financial position.

The remaining term of all trade receivables and other assets is less than one year.

Receivables from affiliated companies include an interest-bearing cash deposit with a remaining term of up to one year amounting to EUR 13,200,911.34 (previous year: EUR 12,880 thousand) at Norske Skog AS, Norway. There is also an interest-bearing cash deposit with a remaining term of more than one year in the amount of EUR 11,648,224.99 (previous year: EUR 8,931 thousand) at Norske Skog AS, Norway. Receivables from paper sales to Norske Skog Australasia in the amount of EUR 323,400.52 (previous year: EUR 0 thousand) are also included.

Other receivables include income of EUR 7,827,483.36 (previous year: EUR 6,836 thousand), which will not be cash effective until after the reporting date.

2.1.3. Deferred tax assets

Deferred taxes in accordance with the statutory amendments of the Rechnungslegungsänderungsgesetz (RÄG) (law on changes in accounting) 2014 have been recognised from 1 January 2016 at an income tax rate of 25%.

Deferred tax assets were recognised (in EUR) for the following items due to differences between tax and commercial valuations:

Starting from the basis	31 Dec.2018	31 Dec. 2017	Change
	assets	assets	
Property, plant and equipment	4,177,005.80	3,498.562.48	678,443.32
Long-term employee provisions	7,193,334.60	6,699,085.00	494,249.60
	11,370,340.40	10,197,647.48	1,172,692.92
Resulting deferred taxes	**2,842,585.10**	**2,549,411.87**	**293,173.23**

2.1.4. Equity

A dividend of EUR 5,770,000.00 (previous year: EUR 0 thousand) was distributed in the 2018 financial year.

2.1.5. Investment subsidies from public funds

The development of investment subsidies from public funds is shown in the attached table (Appendix B to the Notes) and exclusively includes grants from public funds.

2.1.6. Provisions

Provisions for severance payments and **pensions** developed as follows (in EUR):

	As at 1 January 2018	As at 31 December 2018
Severance	12,335,938.00	12,850,734.00
Pension	1,539,923.00	1,605,017.00
	13,875,861.00	**14,455,751.00**

The **provisions for severance payments** reported as at 31 December 2018 cover the statutory and collective contractual severance payment entitlements existing as at the reporting date, valued in accordance with IAS 19 at a discount rate of 2.05% (previous year: 1.76%), a dynamisation of 3.28% (previous year: 2.55%) and including a fluctuation rate of 1% (previous year: 1%). As in the previous year, the calculation was based on the Projected Unit Credit method using the AVÖ2018-P calculation principles and an average retirement age of 63 for men and 58 for women. The maximum amount permitted for tax purposes is EUR 7,677,061.00 (previous year: EUR 7,445 thousand).

In accordance with IAS 19, **pension provisions** are calculated at a discount rate of 2.05% (previous year: 1.76%) and a pension dynamic of 2% (previous year: 2%). As in the previous year, the calculation was carried out using the Projected Unit Credit method and the AVÖ2018-P calculation principles. The maximum amount permitted for tax purposes is EUR 972,341.00 (previous year: EUR 962 thousand).

The **anniversary bonuses** were also valued using the Projected Unit Credit method with the same calculation parameters used to calculate the severance payment provision. The provisions changed as follows (in EUR):

	As at 1 January 2018	As at 31 December 2018
Workers	2,259,166.00	2,539,498.00
Employees	1,366,302.00	1,497,673.00
	3,625,468.00	**4,037,171.00**

Other provisions developed as follows:

	As at 1 January 2018	As at 31 December 2018
Anniversary bonuses	3,625,468.00	4,037,171.00
Sales deductions	1,096,218.16	1,244,380.04
Holiday entitlements	878,125.68	1,217,204.00
Employee incentives	369,556.49	372,587.16
Special payments	202,791.10	204,528.71
Cargoes	1,081,219.66	1,191,425.91
Energy grid, electricity and gas	195,141.07	1,236,516.91
GPLA audit (joint audit of wage-dependent levies)	388,113.76	436,627.98
Restructuring costs	4,683.25	1,131.00
Other	525,696.72	232,725.10
	8,367,013.89	**10,174,297.81**

2.1.7. Liabilities

	<five years EUR	>five years EUR	Carrying amount EUR
Trade payables	12.642.915.14	0.00	12.642.915.14
Liabilities to affiliated companies	2.913.739.46	0.00	2.913.739.46
Liabilities to companies in which an equity investment is held	1.451.659.51	0.00	1.451.659.51
Other liabilities	7.147.485.07	0.00	7.147.485.07
	24,155,799.18	**0.00**	**24,155,799.18**

Previous year:

	<five years EUR	>five years EUR	Carrying amount EUR
Trade payables	12.978.291.87	0.00	12.978.291.87
Liabilities to affiliated companies	5.296.918.66	0.00	5.296.918.66
Liabilities to companies in which an equity investment is held	1.181.854.39	0.00	1.181.854.39
Other liabilities	4.070.551.58	0.00	4.070.551.58
	23,527,616.50	**0.00**	**23,527,616.50**

Liabilities to affiliated companies include trade accounts payable in the amount of EUR 2,830.119.02 (previous year: EUR 2,883 thousand), from commission liabilities in the amount of EUR 22,620.44 (previous year: EUR 16 thousand) and from loans in the amount of EUR 61.000 (previous year: EUR 61 thousand).

The **other liabilities** include the following:

	31 December 2018 EUR	31 December 2017 EUR thousand
Obligation to surrender emission allowances	4,572,232.57	1.486
Salaries	756,517.68	721
Health insurance fund	632,033.52	589
Sales tax liabilities abroad	892,400.64	833
Discount credits	162,060.09	310
Other	132,240.57	132
	7,147,485.07	**4,071**

Other liabilities include expenses in the amount of EUR 6,255.084.43 (previous year: EUR 3,237 thousand), which will not be cash effective until after the reporting date.

2.2. Notes to the income statement

2.2.1. Sales revenue

2.2.1.1. Sales revenue by product group

		2018 EUR	2017 EUR thousand
Paper sales:	Newsprint	59,502,692.29	50,908
	LWC	152,771,146.67	137,498
		212,273,838.96	***188,406***
Additional revenue:		4.455,505.23	3,368
Revenue deductions:		-6,613,275.29	-5,660
		210,116,068.90	**186,114**

2.2.1.2. *Sales revenue by geographic markets*

		2018 EUR	2017 EUR thousand
Paper sales:	Austria	42,450,068.79	44,144
	Other countries	169,823,770.17	144,261
		212,273,838.96	***188,405***
Additional revenue:	Austria	4,015,594.47	2,924
	Other countries	439,910.76	444
		4,455,505.23	***3,368***
Revenue deductions:		-6,613,275.29	-5,660
		210,116,068.90	**186,114**

Within the product group **newsprint paper**, 45% (previous year: 55%) is marketed in Austria and Germany and a further 51% (previous year: 45%) in other European countries. In the **LWC Paper** Division, 34% (previous year: 35%) of revenues were generated in Austria and Germany; in the other European countries, 48% (previous year: 54%) were sold.

2.2.2. Other operating income

Breakdown:

	2018 EUR	2017 EUR thousand
a) Income from the disposal of non-current assets with the exception of financial assets	***23,000.00***	***4***
b) Income from the reversal of provisions	***269,247.70***	***8***
c) Other:		
Income from the surrender of emission certificates	1,069,107.39	569
Income from the reversal of investment grants	459,519.52	460
Price gains	114.760.18	0
Subsidies from the Public Employment Service (AMS)	114,694.59	125
Income from insurance payments	21.668.30	10
Other	444,351.96	292
	2,224,101.94	***1.456***
	2,516,349.64	**1.468**

2.2.3. Cost of materials and other purchased manufacturing serviees

Breakdown:

	2018 EUR	2017 EUR thousand
a) **Material costs**		
Recovered paper and pulp	54,912,237.71	49,246
Auxiliary materials	29,956,744.58	27,324
Energy	29,525,284.77	25,221
Wood	14,695,438.79	13,478
Emission rights surrendered	4,733,086.34	1,367
Other incl. value adjustment	7,021,778.37	6,416
	140,844,570.56	***123,052***
b) **Cost of purchased services**	***41,554.65***	***36***
	140,886,125.21	**123,088**

2.2.4. Personnel expenditure

Expenses for pensions in the amount of EUR 179,278.00 (previous year: EUR 11 thousand) relate to defined benefit obligations, and in the amount of EUR 714,470.58 (previous year: EUR 754 thousand) to defined contribution plans.

The severance payments and contributions to company employee pension funds include EUR 1,049,768.37 for severance benefit expenses (previous year: EUR 2,638 thousand).

Personnel expenses include the changes in the provision for anniversary bonuses for workers in the amount of EUR 32,674.78 (previous year: EUR 89 thousand) under wages, and for employees in the amount of EUR 97,702.84 (previous year: EUR 102 thousand) under salaries. The changes in the provision for severance payments for workers and employees are included in the item "social expenses", which includes interest expenses of EUR 243,220.00 (previous year: EUR 187 thousand). The change in the pension provision is also included in the item "social expenses".

2.2.5. Other operating expenses

Breakdown:

	2018 EUR	2017 EUR thousand
a) Taxes not included under item 18		
Real estate tax	80,936.46	81
Contribution for contaminated sites and other levies	6,098.89	10
	87,035.35	***91***
b) Other		
Distribution expense	18,707,888.64	17,262
General administrative expenses	10,058,094.91	8,883
Other expenses	103,128.62	233
	28,869,112.17	***26,378***
	28,956,147.52	**26,469**

The disclosure of the **expenses for the auditor** is omitted because the company is included in the consolidated financial statements of Norske Skog AS and this information is contained therein.

3. OTHER DISCLOSURES

3.1. Average number of employees

The average number of employees in the financial year was 409 (previous year: 420), of whom 311 were workers (previous year: 320) and 98 employees (previous year: 100).

3.2. Other financial obligations

The total amount of other financial obligations amounts to EUR 10,822 thousand (previous year: EUR 9,996 thousand). Of this amount, EUR 1,494 thousand (previous year: EUR 1,614 thousand) were liabilities to affiliated companies. The use of property, plant and equipment not shown in the statement of financial position for the following five years amount to EUR 378 thousand (previous year: EUR 178 thousand), and EUR 123 thousand (previous year: EUR 114 thousand) for the coming financial year.

3.3 Executive bodies

The following managing directors were active in the financial year:

Mr. Ernest Hacker until 1 October 2018
Dipl. Ing. Enzo Zadra from 31 August 2018.

With reference to Section 242 (4) of the Austrian Commercial Code (UGB), no corresponding information is provided.

The following members of the **Supervisory Board** were active in the financial year:

Mr Roar Odelien (Chairman) until 31 January 2018
Mr Lars Sperre from 1 February 2018 (Chairman since 28 February 2018)
Mr. Tore Hansesaetre (1st Deputy Chairman)
Mr. Robert Wood (2nd Deputy Chairman)
Mr Andreas Grandl (delegated by the Works Council)
Mr Kurt Diepold (delegated by the Works Council)

The Chairman and his deputies are not employed by Norske Skog Bruck GmbH and did not receive any remuneration from Norske Skog Bruck GmbH in the 2018 financial year. With reference to Section 242 (4) of the Austrian Commercial Code (UGB), no corresponding information is provided.

3.4. Other disclosures

3.4.1. Investments in affiliated companies

	Share of nominal capital at the reporting date	Profit/(loss) for the year (in EUR thousands)	Equity capital (in EUR thousands)	Financial year
Norske Skog Papier Recycling GmbH, Bruck an der Mur	100%	33	899	2017
Advanced Hygiene Solutions GmbH, Bruck an der Mur	100%	-1	38	2017
Bruck Fibre GmbH. Bruck an der Mur	100%	-1	33	2017

3.4.2. Equity investments

	Share of nominal capital at the reporting date	Profit/(loss) for the year (in EUR thousands)	Equity capital (in EUR thousands)	Financial year
Austria Papier Recycling Gesellschaft m.b.H., Vienna	33.32%	-29	677	2017
ARO Holding GmbH, Vienna	10.11%	1	55	2017
Papierholz Austria GmbH, St. Gertraud	7.50%	371	2,332	2017

The Group company that prepares the consolidated financial statements for the largest and smallest group of companies in accordance with Section 237 (1) (7) and Section 238 (1) (7) of the Austrian Commercial Code (UGB) is Norske Skog AS, Oslo. The consolidated financial statements are available at the registered office of the Group company.

3.4.3. Events after the reporting date

No material changes occurred after the reporting date.

3.4.4. Proposal for the appropriation of earnings

The distributable net profit for 2018 amounts to EUR 4,722,667.38, but no proposal for the appropriation of profits has yet been submitted.

Bruck an der Mur, 07.March 2019

Managing Director:

Dipl. Ing. Enzo Zadra

			Residual book value		De ecia
Ret ment	Balance at 31.12.2018	Balance at 31.12.2018	Balance at 31.12.2017		ite c a ual y
UR	EUR	EUR	EUR		EUR
59.477,72	5.957.692,28	103.671,79	155.101,49		0
11.176,69	77.410.605,16	7.097.625,92	7.439.279,91		
02.866,73	245.487.989,03	7.540.451,67	11.495.544,55		
66.704,50	46.319.368,08	1.601.316,31	1.450.569,35		
0,00	0,00	1.972.250,89	359.536,07		
80.747,92	369.217.962,29	18.211.644,79	20.744.929,88		
0,00	0,00	452.751,44	452.751,44		
0,00	3.150,00	147.122,93	147.122,93		
0,00	72.672,83	0,00	0,00		
0,00	29.978,06	424.286,39	435.024,90		
0,00	105.800,89	1.024.160,76	1.034.899,27		
40.225,64	375.281.455,46	19.339.477,34	21.934.930,64		

Investment grants from public funds 2018

	book value 1.1.2018 EUR	setting 2018 EUR	write-off 2018 EUR	book value 31.12.2018 EUR
Grants				
1. Land and buildings	13.640.51	0,00	1.873,02	11.767,49
2. technical equipment and machinery	465.048.54	0,00	457.646.50	7.402,04
Investment growth premium	185.882.29	0,00	159.327.47	26.554,82
	664.571,34	**0,00**	**618.846,99**	**45.724,35**

Norske Skog Bruck GmbH,
Bruck an der Mur

Management Report for the 2018 financial year

in EUR thousands	2018	2017	Change in %
Sales revenue	**210,116**	**186,114**	12.9%
EBITDA (Earnings before interest, taxes, depreciation and amortisation)	**13,008**	**6,126**	112.3%
EBITDA margin (%)	**6.2%**	**3.3%**	87.9%
Total assets	**76,732**	**74,120**	3.52%
Equity	**26,707**	**27,461**	-2.8%
Own funds ratio (%) acc. to the Austrian Business Reorganisation Act (URG)	**35.1%**	**37.3%**	-5.9%
Fictitious debt redemption period (years) acc. to the Austrian Business Reorganisation Act (URG)	**4.3**	**6.7**	-35.8%
Investments in property, plant and equipment	**3,250**	**2,895**	12.3%
Cash flow from operating activities	**12,439**	**5,707**	118.0%
Cash flow from investing activities	**-6,614**	**-5,727**	15.5%
Cash flow from financing activities	**-5,770**	0	100%
Total cash flow	55	**-20**	375%
Occupational safety (number of accidents with loss of working time)	3	**3**	0.0%
Absence rate (%)	**4.7%**	**4.1%**	14.6%
Environmental index (E-index)	**0.85**	**0.81**	4.9%
Quality – Complaints (EUR/tonne)	1.34	**1.06**	26.4%
Average number of employees during the year	**409**	**420**	-2.6%

1 Business performance, operating result and position of the company

1.1 Business performance and general conditions

The consumption of paper for publications continued to decline in the 2018 financial year.

Total consumption of LWC paper in Europe decreased by 4% compared to the previous year. Total consumption of newsprint paper in Europe was about 9% below the previous year's level.

Norske Skog Bruck GmbH was able to fully utilise both two paper machines. The **sales volume of** newsprint paper was 3.7% above the previous year. In the LWC segment, the volume sold was 5.9% higher than in the previous year.

As regards the **selling price**, newsprint prices rose by 12.8% compared to 2017, while average LWC paper prices rose by 5.2%.

On the **procurement side**, prices for recovered paper declined, but there were price increases for pulp, chemicals and gas. Other raw material prices remained stable.

1.2 Operating result, earnings position

	2018		2017		Change	
	EUR thousand	%	EUR thou-sand	%	EUR thou-sand	%
Sales revenue	210,116	98,0	186,114	99,3	24,002	12,9
Change in inventory	1,779	0,8	-117	- 0,1	1,896	1,620.5
Capitalised assets	11	0,0	2	0,0	9	450,0
Other operating income	2,516	1,2	1,468	0,8	1,048	71,4
Operating performance	214,422	100,0	187,467	100,0	26,955	14,4
Cost of materials and services	-140,886	-65.7	-123,089	-65,7	-17,797	-14,5
Personnel expenditure	-31,573	-14,7	-31,784	-17,0	211	0,7
Depreciation, amortisation and impair-ment losses	-5,837	-2,7	-6,041	-3,2	204	3,4
Other operating expenses	-28,956	-13,5	-26,468	-14,1	-2,488	-9,4
Operating expenses	-207,252	-96,7	-187,382	-100,0	-19,870	-10,6
Operating result	7,170	3,3	85	0,0	7,085	8,335,3
Interest balance	-1,020	-0,5	-780	-0,4	-240	-30,8
Other financial result	-5	-0,0	36	0.0	-41	-113,9
Financial result	-1,025	-0,5	-744	-0,4	-281	-37,8
Earnings before taxes	6,145	2,9	-659	-0,4	6,804	1,032.5
Taxes on income	-1,130	-0,6	428	0,3	-1,558	-364,0
Profit for the year	5,015	2,3	-231	-0,1	5,246	2,271.0
Accumulated profit for the year	5,015	2,3	-231	-0,1	5,246	2,271,0
Profit carried forward	1,130	0,5	7,131	3,8	-6,001	-84,2
Accumulated profit	6,145	2,9	6,900	3,7	-755	-10,9

In the year under review, **sales revenue** amounted to EUR 210,116 thousand (previous year: EUR 186,114 thousand) and was thus 12.9% higher than in the previous year. This was due to price and volume increases in both paper segments.

The **change in inventories** of finished goods amounted to EUR 1,779 thousand, which was attributable to an increase in stock at the end of the year.

Other operating income was EUR 1,048 thousand higher than in the previous year, mainly due to the reversal of subsidies for emission certificates with higher prices.

The **cost of materials and services** rose by EUR 17.797 thousand compared to the previous year. This was partly due to price increases on the procurement side and higher production volumes.

Personnel expenses amounted to EUR 31,573 thousand (previous year: EUR 31,784 thousand) were approximately at the previous year's level.

Mainly due to the rise in operating profit, **EBITDA** (earnings before interest, taxes, depreciation and amortisation) increased to EUR 13,008 thousand in the financial year (previous year: EUR 6,126 thousand). The **EBITDA margin** rose from 3.3% in the previous year to 6.2% in 2018.

The **interest balance** in the financial year amounted to EUR -1,020 thousand (previous year: EUR -780 thousand).

The change in **taxes on income** of EUR -1,558 thousand was mainly due to the positive development of earnings and the resulting corporate income tax expense.

Financial position

The **cash flow from operating activities** rose to EUR 12,439 thousand (previous year: EUR 5,707 thousand), mainly due to the higher annual result.

The **cash flow from investing activities** was EUR -6,614 thousand (previous year: EUR -5,727 thousand).

The **cash flow from financing activities** changed due to the payment of a dividend to EUR -5,770 thousand (previous year: EUR 0 thousand).

This resulted in a change in total cash flow to EUR 55 thousand compared to EUR -20 thousand in the previous year.

1.3 Net asset position

	2018		2017		Change	
	EUR thousand	%	EUR thousand	%	EUR thousand	%
Intangible assets	104	0,1	155	0,2	-51	-32,9
Property, plant and equipment	18,212	23,7	20,745	28,0	-2,533	-12,2
Financial assets	1,024	1,3	1,035	1,4	-11	-1,1
Non-current assets	19,340	25,2	21,935	29,6	-2,595	-11,8
Inventories	17,356	22,6	14,960	20,2	2,396	16,0
Trade receivables	3,471	4,5	4,863	6,6	-1,392	-28,6
Intercompany receivables	25,172	32,8	21,811	29,4	3,361	15,4
Other receivables + accruals/deferrals	8,459	11,0	7,966	10,7	493	6,2
Liquid assets	91	0,2	36	0,0	55	152,8
Current assets + accruals/deferrals	54,549	71,1	49,636	67,0	4,913	9,9
Deferred tax assets	2,843	3,7	2,549	3,4	294,0	11,5
Total assets	76,732	100.0	74,120	100.0	2,612	3,5
Share capital	10,000	13,0	10,000	13,5	0.0	0.0
Reserves	10,562	13,8	10,562	14,3	0.0	0.0
Balance sheet profit	6,145	8,0	6,900	9,3	-755	-10,9
Equity	26,707	34,8	27,462	37,1	-755	-2,7
Investment grants	46	0,1	665	0,9	-619	-93,1
Provisions for severance payments and pensions	14,456	18,8	13,876	18,7	580	4,2
Long-term borrowed capital	14,456	18,8	13,876	18,7	580	4,2
Other provisions	11,367	14,8	8,590	11,6	2,777	32,3
Trade payables	12,643	16,5	12,978	17,5	-335	-2,6
Group liabilities	4,366	5,7	6,479	8,7	-2,113	-32,6
Other liabilities + accruals/deferrals	7,147	9,3	4,070	5,5	3,077	75,6
Other borrowed capital	35,523	46,3	32,117	43,3	3,406	10,6
Total borrowed capital	49,979	65,1	45,993	62,0	3,986	8,7
Total equity and liabilities	76,732	100.0	74,120	100.0	2,612	3,5

The total assets of Norske Skog Bruck GmbH increased to EUR 76,732 thousand as of the reporting date (previous year: EUR 74.120 thousand).

Accounts receivables fell to EUR 3,471 thousand (previous year: EUR 4,863 thousand) due to higher factoring financing.

Property, plant and equipment decreased to EUR 18,212 thousand (previous year: EUR 20,745 thousand). This was due to ongoing write-downs coupled with a low investment volume.

Equity changed to EUR 26.707 thousand (previous year: EUR 27,462 thousand) due to a dividend payment and a net profit for the year.

Group receivables, which mainly result from cash pooling, increased by EUR 3,361 thousand to EUR 25,172 thousand (previous year: EUR 21,811 thousand) due to the positive business activity.

As of the reporting date, there was an **equity ratio in accordance with the Austrian Business Reorganisation Act** (URG) of 35.1% (previous year: 37.3%).

At 4.3 years, the **fictitious debt repayment period according to the URG** is under the previous year's level (previous year: 6.7 years) due to the positive development of cash flows from operating activities.

1.4 Branch offices

Norske Skog Bruck GmbH does not have any branch offices.

1.5 Research and development

The research and development programme in 2018 again focussed on raw materials and auxiliary raw materials. The main topic here was the reduction of the use of chemicals in sludge processing and further operating tests to optimise chemicals. The company is participating in the "Ecoagents" project run by Holzforschung Austria, to develop new methods of bleaching mechanical fibrous materials. The project has been extended by another year in order to continue with the success, which has already been very good.

1.6 Anticipated development of the company (Outlook)

Prices for publication papers are expected to rise further at the beginning of 2019. On the other hand, cost pressure remains high due to the main input factors recovered paper, pulp and energy. Continuous improvement programmes to safeguard competitiveness will be continued.

2 Risk reporting

The default risk for receivables is counteracted by appropriately managing the receivables. In addition, individual value adjustments are taken into account in the annual financial statements in line with the principle of prudence. On the assets side of the balance sheet, the reported amounts of receivables are equal to the maximum level of credit and default risk. In principle, transactions are only concluded with customers of sufficient creditworthiness, following an internal review.

The ongoing monitoring of operating processes, the use of reliable software and the selection and training of qualified personnel enable the company to identify potential risks and deviations from plans and to initiate appropriate countermeasures.
Norske Skog Bruck GmbH did not use any derivative financial instruments in the past financial year.

3 Non-financial performance indicators

As in the past, safety, health and the environment were given the highest priority in 2018.

3.1 Safety and health

In 2018, the company recorded 3 accidents according to the valid measurement procedure (previous year: 3 accidents).

The **absence rate of** 4.7% in 2018 was higher than in the previous year (4.1%) due to several long-term illnesses, but represents a good value in the sector and in comparison with other industries. The company offered a broad-based health promotion programme with the aim of securing and improving long-term staff health and their health at work, by involving all employees.

3.2 Environment

The Group's internal environmental index, which reflects the environmental performance of the site, comprises several key figures for water, waste and air emissions as well as energy consumption. It measures the ratio of the company's emission values and environmental data, comparing them to the European BAT values, which reflect the best technologies available.

The environmental index was 0.85 (BAT=1) in the year under review and thus slightly higher than in the previous year. The site's environmental performance thus remains at the level of the Group's best companies and the entire industry in Europe.

The fifth year of the CO2 trading period III (in accordance with the Kyoto Protocol) was again characterised by a change in the operation of the power plants which brought a 7% higher demand for CO2 certificates than in the previous year.

Successfully completed recertification audits confirm the compliance of the company processes with standards according to ISO 14 001:2004 as well as EMAS, OHSAS 18 001 and ISO 9001. The use of wood from sustainable forestry is proven and confirmed by PEFC and FSC CoC certification. The required criteria for the EU Ecolabel, which is recognised throughout Europe, were also met in 2018.

3.3 Quality

As an important quality indicator, the specific complaint costs in the financial year were EUR 1.34/tonne (previous year: EUR 1.06/tonne). This once again represents a very low value compared to the rest of the industry, reflecting the product quality and excellent running properties of the paper produced in Bruck in the printing plants. Our active approach to customers and the production of a quality level that reflects their wishes are also reasons for the many years of low complaint costs.

3.4 Employees and organisation

The **average number of employees** in the financial year fell from 420 to 409.

Bruck an der Mur, 07 March 2019

Managing Director:

Dipl. Ing. Enzo Zadra

KSW STEUERBERATER WIRTSCHAFTSPRÜFER

General Conditions of Contract for the Public Accounting Professions (AAB 2018)

Recommended for use by the Board of the Chamber of Tax Advisers and Auditors, last recommended in its decision of April 18, 2018

Preamble and General Items

(1) Contract within the meaning of these Conditions of Contract refers to each contract on services to be rendered by a person entitled to exercise profession in the field of public accounting exercising that profession (de facto activities as well as providing or performing legal transactions or acts, in each case pursuant to Sections 2 or 3 Austrian Public Accounting Professions Act (WTBG 2017). The parties to the contract shall hereinafter be referred to as the "contractor" on the one hand and the "client" on the other hand).

(2) The General Conditions of Contract for the professions in the field of public accounting are divided into two sections: The Conditions of Section I shall apply to contracts where the agreeing of contracts is part of the operations of the client's company (entrepreneur within the meaning of the Austrian Consumer Protection Act. They shall apply to consumer business under the Austrian Consumer Protection Act (Federal Act of March 8, 1979 / Federal Law Gazette No. 140 as amended) insofar as Section II does not provide otherwise for such business.

(3) In the event that an individual provision is void, the invalid provision shall be replaced by a valid provision that is as close as possible to the desired objective.

SECTION I

1. Scope and Execution of Contract

(1) The scope of the contract is generally determined in a written agreement drawn up between the client and the contractor. In the absence of such a detailed written agreement, (2)-(4) shall apply in case of doubt:

(2) When contracted to perform tax consultation services, consultation shall consist of the following activities:
a) preparing annual tax returns for income tax and corporate tax as well as value-added tax (VAT) on the basis of the financial statements and other documents and papers required for taxation purposes and to be submitted by the client or (if so agreed) prepared by the contractor. Unless explicitly agreed otherwise, documents and papers required for taxation purposes shall be produced by the client.
b) examining the tax assessment notices for the tax returns mentioned under a)
c) negotiating with the fiscal authorities in connection with the tax returns and notices mentioned under a) and b).
d) participating in external tax audits and assessing the results of external tax audits with regard to the taxes mentioned under a).
e) participating in appeal procedures with regard to the taxes mentioned under a).
If the contractor receives a flat fee for regular tax consultation, in the absence of written agreements to the contrary, the activities mentioned under d) and e) shall be invoiced separately.

(3) Provided the preparation of one or more annual tax return(s) is part of the contract accepted, this shall not include the examination of any particular accounting conditions nor the examination of whether all relevant concessions, particularly those with regard to value added tax, have been utilized, unless the person entitled to exercise the profession can prove that he/she has been commissioned accordingly.

(4) In each case, the obligation to render other services pursuant to Sections 2 and 3 WTBG 2017 requires for the contractor to be separately and verifiably commissioned.

(5) The aforementioned paragraphs (2) to (4) shall not apply to services requiring particular expertise provided by an expert.

(6) The contractor is not obliged to render any services, issue any warnings or provide any information beyond the scope of the contract.

(7) The contractor shall have the right to engage suitable staff and other performing agents (subcontractors) for the execution of the contract as well as to have a person entitled to exercise the profession substitute for him/her in executing the contract. Staff within the meaning of these Conditions of Contract refers to all persons who support the contractor in his/her operating activities on a regular or permanent basis, irrespective of the type of underlying legal transaction.

(8) In rendering his/her services, the contractor shall exclusively take into account Austrian law; foreign law shall only be taken into account if this has been explicitly agreed upon in writing.

(9) Should the legal situation change subsequent to delivering a final professional statement passed on by the client orally or in writing, the contractor shall not be obliged to inform the client of changes or of the consequences thereof. This shall also apply to the completed parts of a contract.

(10) The client shall be obliged to make sure that the data made available by him/her may be handled by the contractor in the course of rendering the services. In this context, the client shall particularly but not exclusively comply with the applicable provisions under data protection law and labor law.

(11) Unless explicitly agreed otherwise, if the contractor electronically submits an application to an authority, he/she acts only as a messenger and this does not constitute a declaration of intent or knowledge attributable to him/her or a person authorized to submit the application.

(12) The client undertakes not to employ persons that are or were staff of the contractor during the contractual relationship, during and within one year after termination of the contractual relationship, either in his/her company or in an associated company, failing which he/she shall be obliged to pay the contractor the amount of the annual salary of the member of staff taken over.

2. Client's Obligation to Provide Information and Submit Complete Set of Documents

(1) The client shall make sure that all documents required for the execution of the contract be placed without special request at the disposal of the contractor at the agreed date, and in good time if no such date has been agreed, and that he/she be informed of all events and circumstances which may be of significance for the execution of the contract. This shall also apply to documents, events and circumstances which become known only after the contractor has commenced his/her work.

(2) The contractor shall be justified in regarding information and documents presented to him/her by the client, in particular figures, as correct and complete and to base the contract on them. The contractor shall not be obliged to identify any errors unless agreed separately in writing. This shall particularly apply to the correctness and completeness of bills. However, he/she is obliged to inform the client of any errors identified by him/her. In case of financial criminal proceedings he/she shall protect the rights of the client.

(3) The client shall confirm in writing that all documents submitted, all information provided and explanations given in the context of audits, expert opinions and expert services are complete.

(4) If the client fails to disclose considerable risks in connection with the preparation of financial statements and other statements, the contractor shall not be obliged to render any compensation insofar as these risks materialize.

(5) Dates and time schedules stated by the contractor for the completion of the contractor's products or parts thereof are best estimates and, unless otherwise agreed in writing, shall not be binding. The same applies to any estimates of fees: they are prepared to best of the contractor's knowledge; however, they shall always be non-binding.

(6) The client shall always provide the contractor with his/her current contact details (particularly the delivery address). The contractor may rely on the validity of the contact details most recently provided by the client, particularly have deliveries made to the most recently provided address, until such time as new contact details are provided.

3. Safeguarding of Independence

(1) The client shall be obliged to take all measures to prevent that the independence of the staff of the contractor be jeopardized and shall himself/herself refrain from jeopardizing their independence in any way. In particular, this shall apply to offers of employment and to offers to accept contracts on their own account.

(2) The client acknowledges that his/her personal details required in this respect, as well as the type and scope of the services, including the performance period agreed between the contractor and the client for the services (both audit and non-audit services), shall be handled within a network (if any) to which the contractor belongs, and for this purpose transferred to the other members of the network including abroad for the purpose of examination of the existence of grounds of bias or grounds for exclusion and conflicts of interest. For this purpose the client expressly releases the contractor in accordance with the Data Protection Act and in accordance with Section 80 (4) No. 2 WTBG 2017 from his/her obligation to maintain secrecy. The client can revoke the release from the obligation to maintain secrecy at any time.

4. Reporting Requirements

(1) (Reporting by the contractor) In the absence of an agreement to the contrary, a written report shall be drawn up in the case of audits and expert opinions.

(2) (Communication to the client) All contract-related information and opinions, including reports, (all declarations of knowledge) of the contractor, his/her staff, other performing agents or substitutes ("professional statements") shall only be binding provided they are set down in writing. Professional statements in electronic file formats which are made, transferred or confirmed by fax or e-mail or using similar types of electronic communication (that can be stored and reproduced but is not oral, i.e. e.g. text messages but not telephone) shall be deemed as set down in writing; this shall only apply to professional statements. The client bears the risk that professional statements may be issued by persons not entitled to do so as well as the transfer risk of such professional statements.

(3) (Communication to the client) The client hereby consents to the contractor communicating with the client (e.g. by e-mail) in an unencrypted manner. The client declares that he/she has been informed of the risks arising from the use of electronic communication (particularly access to, maintaining secrecy of, changing of messages in the course of transfer). The contractor, his/her staff, other performing agents or substitutes are not liable for any losses that arise as a result of the use of electronic means of communication.

(4) (Communication to the contractor) Receipt and forwarding of information to the contractor and his/her staff are not always guaranteed when the telephone is used, in particular in conjunction with automatic telephone answering systems, fax, e-mail and other types of electronic communication. As a result, instructions and important information shall only be deemed to have been received by the contractor provided they are also received physically (not by telephone, orally or electronically), unless explicit confirmation of receipt is provided in individual instances. Automatic confirmation that items have been transmitted and read shall not constitute such explicit confirmations of receipt. This shall apply in particular to the transmission of decisions and other information relating to deadlines. As a result, critical and important notifications must be sent to the contractor by mail or courier. Delivery of documents to staff outside the firm's offices shall not count as delivery.

(5) (General) In writing shall mean, insofar as not otherwise laid down in Item 4. (2), written form within the meaning of Section 886 Austrian Civil Code (ABGB) (confirmed by signature). An advanced electronic signature (Art. 26 eIDAS Regulation (EU) No. 910/2014) fulfills the requirement of written form within the meaning of Section 886 ABGB (confirmed by signature) insofar as this is at the discretion of the parties to the contract.

(6) (Promotional information) The contractor will send recurrent general tax law and general commercial law information to the client electronically (e.g. by e-mail). The client acknowledges that he/she has the right to object to receiving direct advertising at any time.

5. Protection of Intellectual Property of the Contractor

(1) The client shall be obliged to ensure that reports, expert opinions, organizational plans, drafts, drawings, calculations and the like, issued by the contractor, be used only for the purpose specified in the contract (e.g. pursuant to Section 44 (3) Austrian Income Tax Act 1988). Furthermore, professional statements made orally or in writing by the contractor may be passed on to a third party for use only with the written consent of the contractor.

(2) The use of professional statements made orally or in writing by the contractor for promotional purposes shall not be permitted; a violation of this provision shall give the contractor the right to terminate without notice to the client all contracts not yet executed.

(3) The contractor shall retain the copyright on his/her work. Permission to use the work shall be subject to the written consent by the contractor.

6. Correction of Errors

(1) The contractor shall have the right and shall be obliged to correct all errors and inaccuracies in his/her professional statement made orally or in writing which subsequently come to light and shall be obliged to inform the client thereof without delay. He/she shall also have the right to inform a third party acquainted with the original professional statement of the change.

(2) The client has the right to have all errors corrected free of charge if the contractor can be held responsible for them; this right will expire six months after completion of the services rendered by the contractor and/or – in cases where a written professional statement has not been delivered – six months after the contractor has completed the work that gives cause to complaint.

(3) If the contractor fails to correct errors which have come to light, the client shall have the right to demand a reduction in price. The extent to which additional claims for damages can be asserted is stipulated under Item 7.

7. Liability

(1) All liability provisions shall apply to all disputes in connection with the contractual relationship, irrespective of the legal grounds. The contractor is liable for losses arising in connection with the contractual relationship (including its termination) only in case of willful intent and gross negligence. The applicability of Section 1298 2nd Sentence ABGB is excluded.

(2) In cases of gross negligence, the maximum liability for damages due from the contractor is tenfold the minimum insurance sum of the professional liability insurance according to Section 11 WTBG 2017 as amended.

(3) The limitation of liability pursuant to Item 7. (2) refers to the individual case of damages. The individual case of damages includes all consequences of a breach of duty regardless of whether damages arose in one or more consecutive years. In this context, multiple acts or failures to act that are based on the same or similar source of error as one consistent breach of duty if the matters concerned are legally and economically connected. Single damages remain individual cases of damage even if they are based on several breaches of duty. Furthermore, the contractor's liability for loss of profit as well as collateral, consequential, incidental or similar losses is excluded in case of willful damage.

(4) Any action for damages may only be brought within six months after those entitled to assert a claim have gained knowledge of the damage, but no later than three years after the occurrence of the (primary) loss following the incident upon which the claim is based, unless other statutory limitation periods are laid down in other legal provisions.

(5) Should Section 275 Austrian Commercial Code (UGB) be applicable (due to a criminal offense), the liability provisions contained therein shall apply even in cases where several persons have participated in the execution of the contract or where several activities requiring compensation have taken place and irrespective of whether other participants have acted with intent.

(6) In cases where a formal auditor's report is issued, the applicable limitation period shall commence no later than at the time the said auditor's report was issued.

(7) If activities are carried out by enlisting the services of a third party, e.g. a data-processing company, any warranty claims and claims for damages which arise against the third party according to law and contract shall be deemed as having been passed on to the client once the client has been informed of them. Item 4. (3) notwithstanding, in such a case the contractor shall only be liable for fault in choosing the third party.

(8) The contractor's liability to third parties is excluded in any case. If third parties come into contact with the contractor's work in any manner due to the client, the client shall expressly clarify this fact to them. Insofar as such exclusion of liability is not legally permissible or a liability to third parties has been assumed by the contractor in exceptional cases, these limitations of liability shall in any case also apply to third parties on a subsidiary basis. In any case, a third party cannot raise any claims that go beyond any claim raised by the client. The maximum sum of liability shall be valid only once for all parties injured, including the compensation claims of the client, even if several persons (the client and a third party or several third parties) have sustained losses; the claims of the parties injured shall be satisfied in the order in which the claims have been raised. The client will indemnify and hold harmless the contractor and his/her staff against any claims by third parties in connection with professional statements made orally or in writing by the contractor and passed on to these third parties.

(9) Item 7. shall also apply to any of the client's liability claims to third parties (performing agents and vicarious agents of the contractor) and to substitutes of the contractor relating to the contractual relationship.

8. Secrecy, Data Protection

(1) According to Section 80 WTBG 2017 the contractor shall be obliged to maintain secrecy in all matters that become known to him/her in connection with his/her work for the client, unless the client releases him/her from this duty or he/she is bound by law to deliver a statement.

(2) Insofar as it is necessary to pursue the contractor's claims (particularly claims for fees) or to dispute claims against the contractor (particularly claims for damages raised by the client or third parties against the contractor), the contractor shall be released from his/her professional obligation to maintain secrecy.

(3) The contractor shall be permitted to hand on reports, expert opinions and other written statements pertaining to the results of his/her services to third parties only with the permission of the client, unless he/she is required to do so by law.

(4) The contractor is a data protection controller within the meaning of the General Data Protection Regulation ("GDPR") with regard to all personal data processed under the contract. The contractor is thus authorized to process personal data entrusted to him/her within the limits of the contract. The material made available to the contractor (paper and data carriers) shall generally be handed to the client or to third parties appointed by the client after the respective rendering of services has been completed, or be kept and destroyed by the contractor if so agreed. The contractor is authorized to keep copies thereof insofar as he/she needs them to appropriately document his/her services or insofar as it is required by law or customary in the profession.

(5) If the contractor supports the client in fulfilling his/her duties to the data subjects arising from the client's function as data protection controller, the contractor shall be entitled to charge the client for the actual efforts undertaken. The same shall apply to efforts undertaken for information with regard to the contractual relationship which is provided to third parties after having been released from the obligation to maintain secrecy to third parties by the client.

9. Withdrawal and Cancellation („Termination")

(1) The notice of termination of a contract shall be issued in writing (see also Item 4. (4) and (5)). The expiry of an existing power of attorney shall not result in a termination of the contract.

(2) Unless otherwise agreed in writing or stipulated by force of law, either contractual partner shall have the right to terminate the contract at any time with immediate effect. The fee shall be calculated according to Item 11.

(3) However, a continuing agreement (fixed-term or open-ended contract on – even if not exclusively – the rendering of repeated individual services, also with a flat fee) may, without good reason, only be terminated at the end of the calendar month by observing a period of notice of three months, unless otherwise agreed in writing.

(4) After notice of termination of a continuing agreement and unless otherwise stipulated in the following, only those individual tasks shall still be completed by the contractor (list of assignments to be completed) that can (generally) be completed fully within the period of notice insofar as the client is notified in writing within one month after commencement of the termination notice period within the meaning of Item 4. (2). The list of assignments to be completed shall be completed within the termination period if all documents required are provided without delay and if no good reason exists that impedes completion.

(5) Should it happen that in case of a continuing agreement more than two similar assignments which are usually completed only once a year (e.g. financial statements, annual tax returns, etc.) are to be completed, any such assignments exceeding this number shall be regarded as assignments to be completed only with the client's explicit consent. If applicable, the client shall be informed of this explicitly in the statement pursuant to Item 9. (4).

10. Termination in Case of Default in Acceptance and Failure to Cooperate on the Part of the Client and Legal Impediments to Execution

(1) If the client defaults on acceptance of the services rendered by the contractor or fails to carry out a task incumbent on him/her either according to Item 2. or imposed on him/her in another way, the contractor shall have the right to terminate the contract without prior notice. The same shall apply if the client requests a way to execute (also partially) the contract that the contractor reasonably believes is not in compliance with the legal situation or professional principles. His/her fees shall be calculated according to Item 11. Default in acceptance or failure to cooperate on the part of the client shall also justify a claim for compensation made by the contractor for the extra time and labor hereby expended as well as for the damage caused, if the contractor does not invoke his/her right to terminate the contract.

(2) For contracts concerning bookkeeping, payroll accounting and administration and assessment of payroll-related taxes and contributions, a termination without prior notice by the contractor is permissible under Item 10. (1) if the client verifiably fails to cooperate twice as laid down in Item 2. (1).

11. Entitlement to Fee

(1) If the contract fails to be executed (e.g. due to withdrawal or cancellation), the contractor shall be entitled to the negotiated compensation (fee), provided he/she was prepared to render the services and was prevented from so doing by circumstances caused by the client, whereby a merely contributory negligence by the contractor in this respect shall be excluded; in this case the contractor need not take into account the amount he/she obtained or failed to obtain through alternative use of his/her own professional services or those of his/her staff.

(2) If a continuing agreement is terminated, the negotiated compensation for the list of assignments to be completed shall be due upon completion or in case completion fails due to reasons attributable to the client (reference is made to Item 11. (1). Any flat fees negotiated shall be calculated according to the services rendered up to this point.

(3) If the client fails to cooperate and the assignment cannot be carried out as a result, the contractor shall also have the right to set a reasonable grace period on the understanding that, if this grace period expires without results, the contract shall be deemed ineffective and the consequences indicated in Item 11. (1) shall apply.

(4) If the termination notice period under Item 9. (3) is not observed by the client as well as if the contract is terminated by the contractor in accordance with Item 10. (2), the contractor shall retain his/her right to receive the full fee for three months.

12. Fee

(1) Unless the parties explicitly agreed that the services would be rendered free of charge, an appropriate remuneration in accordance with Sections 1004 and 1152 ABGB is due in any case. Amount and type of the entitlement to the fee are laid down in the agreement negotiated between the contractor and his/her client. Unless a different agreement has verifiably been reached, payments made by the client shall in all cases be credited against the oldest debt.

(2) The smallest service unit which may be charged is a quarter of an hour.

(3) Travel time to the extent required is also charged.

(4) Study of documents which, in terms of their nature and extent, may prove necessary for preparation of the contractor in his/her own office may also be charged as a special item.

(5) Should a remuneration already agreed upon prove inadequate as a result of the subsequent occurrence of special circumstances or due to special requirements of the client, the contractor shall notify the client thereof and additional negotiations for the agreement of a more suitable remuneration shall take place (also in case of inadequate flat fees).

(6) The contractor includes charges for supplementary costs and VAT in addition to the above, including but not limited to the following (7) to (9):

(7) Chargeable supplementary costs also include documented or flat-rate cash expenses, traveling expenses (first class for train journeys), per diems, mileage allowance, copying costs and similar supplementary costs.

(8) Should particular third party liabilities be involved, the corresponding insurance premiums (including insurance tax) also count as supplementary costs.

(9) Personnel and material expenses for the preparation of reports, expert opinions and similar documents are also viewed as supplementary costs.

(10) For the execution of a contract wherein joint completion involves several contractors, each of them will charge his/her own compensation.

(11) In the absence of any other agreements, compensation and advance payments are due immediately after they have been requested in writing. Where payments of compensation are made later than 14 days after the due date, default interest may be charged. Where mutual business transactions are concerned, a default interest rate at the amount stipulated in Section 456 1st and 2nd Sentence UGB shall apply.

(12) Statutory limitation is in accordance with Section 1486 of ABGB, with the period beginning at the time the service has been completed or upon the issuing of the bill within an appropriate time limit at a later point.

(13) An objection may be raised in writing against bills presented by the contractor within 4 weeks after the date of the bill. Otherwise the bill is considered as accepted. Filing of a bill in the accounting system of the recipient is also considered as acceptance.

(14) Application of Section 934 ABGB within the meaning of Section 351 UGB, i.e. rescission for laesio enormis (lesion beyond moiety) among entrepreneurs, is hereby renounced.

(15) If a flat fee has been negotiated for contracts concerning bookkeeping, payroll accounting and administration and assessment of payroll-related taxes and contributions, in the absence of written agreements to the contrary, representation in matters concerning all types of tax audits and audits of payroll-related taxes and social security contributions including settlements concerning tax assessments and the basis for contributions, preparation of reports, appeals and the like shall be invoiced separately. Unless otherwise agreed to in writing, the fee shall be considered agreed upon for one year at a time.

(16) Particular individual services in connection with the services mentioned in Item 12. (15), in particular ascertaining whether the requirements for statutory social security contributions are met, shall be dealt with only on the basis of a specific contract.

(17) The contractor shall have the right to ask for advance payments and can make delivery of the results of his/her (continued) work dependent on satisfactory fulfillment of his/her demands. As regards continuing agreements, the rendering of further services may be denied until payment of previous services (as well as any advance payments under Sentence 1) has been effected. This shall analogously apply if services are rendered in installments and fee installments are outstanding.

(18) With the exception of obvious essential errors, a complaint concerning the work of the contractor shall not justify even only the partial retention of fees, other compensation, reimbursements and advance payments (remuneration) owed to him/her in accordance with Item 12.

(19) Offsetting the remuneration claims made by the contractor in accordance with Item 12. shall only be permitted if the demands are uncontested and legally valid.

13. Other Provisions

(1) With regard to Item 12. (17), reference shall be made to the legal right of retention (Section 471 ABGB, Section 369 UGB); if the right of retention is wrongfully exercised, the contractor shall generally be liable pursuant to Item 7. or otherwise only up to the outstanding amount of his/her fee.

(2) The client shall not be entitled to receive any working papiers and similar documents prepared by the contractor in the course of fulfilling the contract. In the case of contract fulfillment using electronic accounting systems the contractor shall be entitled to delete the data after handing over all data based thereon – which were prepared by the contractor in relation to the contract and which the client is obliged to keep – to the client and/or the succeeding public accountant in a structured, common and machine-readable format. The contractor shall be entitled to an appropriate fee (Item 12. shall apply by analogy) for handing over such data in a structured, common and machine-readable format. If handing over such data in a structured, common and machine-readable format is impossible or unfeasible for special reasons, they may be handed over in the form of a full print-out instead. In such a case, the contractor shall not be entitled to receive a fee.

(3) At the request and expense of the client, the contractor shall hand over all documents received from the client within the scope of his/her activities. However, this shall not apply to correspondence between the contractor and his/her client and to original documents in his/her possession and to documents which are required to be kept in accordance with the legal anti-money laundering provisions applicable to the contractor. The contractor may make copies or duplicates of the documents to be returned to the client. Once such documents have been transferred to the client, the contractor shall be entitled to an appropriate fee (Item 12. shall apply by analogy).

(4) The client shall fetch the documents handed over to the contractor within three months after the work has been completed. If the client fails to do so, the contractor shall have the right to return them to the client at the cost of the client or to charge an appropriate fee (Item 12. shall apply by analogy) if the contractor can prove that he/she has asked the client twice to pick up the documents handed over. The documents may also further be kept by third parties at the expense of the client. Furthermore, the contractor is not liable for any consequences arising from damage, loss or destruction of the documents.

(5) The contractor shall have the right to compensation of any fees that are due by use of any available deposited funds, clearing balances, trust funds or other liquid funds at his/her disposal, even if these funds are explicitly intended for safekeeping, if the client had to have anticipated the counterclaim of the contractor.

(6) To secure an existing or future fee payable, the contractor shall have the right to transfer a balance held by the client with the tax office or another balance held by the client in connection with charges and contributions, to a trust account In this case the client shall be informed of the transfer. Subsequently, the amount secured may be collected either after agreement has been reached with the client or after enforceability of the fee by execution has been declared.

14. Applicable Law, Place of Performance, Jurisdiction

(1) The contract, its execution and the claims resulting from it shall be exclusively governed by Austrian law, excluding national referral rules.

(2) The place of performance shall be the place of business of the contractor.

(3) In absence of a written agreement stipulating otherwise, the place of jurisdiction is the competent court of the place of performance.

SECTION II

15. Supplementary Provisions for Consumer Transactions

(1) Contracts between public accountants and consumers shall fall under the obligatory provisions of the Austrian Consumer Protection Act (KSchG).

(2) The contractor shall only be liable for the willful and grossly negligent violation of the obligations assumed.

(3) Contrary to the limitation laid down in Item 7. (2), the duty to compensate on the part of the contractor shall not be limited in case of gross negligence.

(4) Item 6. (2) (period for right to correction of errors) and Item 7. (4) (asserting claims for damages within a certain period) shall not apply.

(5) Right of Withdrawal pursuant to Section 3 KSchG:

If the consumer has not made his/her contract statement in the office usually used by the contractor, he/she may withdraw from the contract application or the contract proper. This withdrawal may be declared until the contract has been concluded or within one week after its conclusion; the period commences as soon as a document has been handed over to the consumer which contains at least the name and the address of the contractor as well as instructions on the right to withdraw from the contract, but no earlier than the conclusion of the contract. The consumer shall not have the right to withdraw from the contract

1. if the consumer himself/herself established the business relationship concerning the conclusion of this contract with the contractor or his/her representative,

2. if the conclusion of the contract has not been preceded by any talks between the parties involved or their representatives, or

3. in case of contracts where the mutual services have to be rendered immediately, if the contracts are usually concluded outside the offices of the contractors, and the fee agreed upon does not exceed €15.

In order to become legally effective, the withdrawal shall be declared in writing. It is sufficient if the consumer returns a document that contains his/her contract declaration or that of the contractor to the contractor with a note which indicates that the consumer rejects the conclusion or the maintenance of the contract. It is sufficient if this declaration is dispatched within one week.

If the consumer withdraws from the contract according to Section 3 KSchG,

1. the contractor shall return all benefits received, including all statutory interest, calculated from the day of receipt, and compensate the consumer for all necessary and useful expenses incurred in this matter,

2. the consumer shall pay for the value of the services rendered by the contractor as far as they are of a clear and predominant benefit to him/her.

According to Section 4 (3) KSchG, claims for damages shall remain unaffected.

(6) Cost Estimates according to Section 5 Austrian KSchG:

The consumer shall pay for the preparation of a cost estimate by the contractor in accordance with Section 1170a ABGB only if the consumer has been notified of this payment obligation beforehand.

If the contract is based on a cost estimate prepared by the contractor, its correctness shall be deemed warranted as long as the opposite has not been explicitly declared.

(7) Correction of Errors: Supplement to Item 6.:

If the contractor is obliged under Section 932 ABGB to improve or complement his/her services, he/she shall execute this duty at the place where the matter was transferred. If it is in the interest of the consumer to have the work and the documents transferred by the contractor, the consumer may carry out this transfer at his/her own risk and expense.

(8) Jurisdiction: Shall apply instead of Item 14. (3)

If the domicile or the usual residence of the consumer is within the country or if he/she is employed within the country, in case of an action against him/her according to Sections 88, 89, 93 (2) and 104 (1) Austrian Court Jurisdiction Act (JN), the only competent courts shall be the courts of the districts where the consumer has his/her domicile, usual residence or place of employment.

(9) Contracts on Recurring Services:

(a) Contracts which oblige the contractor to render services and the consumer to effect repeated payments and which have been concluded for an indefinite period or a period exceeding one year may be terminated by the consumer at the end of the first year, and after the first year at the end of every six months, by adhering to a two-month period of notice.

(b) If the total work is regarded as a service that cannot be divided on account of its character, the extent and price of which is determined already at the conclusion of the contract, the first date of termination may be postponed until the second year has expired. In case of such contracts the period of notice may be extended to a maximum of six months.

(c) If the execution of a certain contract indicated in lit. a) requires considerable expenses on the part of the contractor and if he/she informed the consumer about this no later than at the time the contract was concluded, reasonable dates of termination and periods of notice which deviate from lit. a) and b) and which fit the respective circumstances may be agreed.

(d) If the consumer terminates the contract without complying with the period of notice, the termination shall become effective at the next termination date which follows the expiry of the period of notice.

This is a translation into English of the statutory auditor report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditor report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

NORSKE SKOG GOLBEY

A simplified joint stock company
Share capital of € 62 364 874
349 690 644 RCS Epinal
Route Jean-Charles Pellerin Zone Industrielle III
88190 Golbey

STATUTORY AUDITOR REPORT ON THE FINANCIAL STATEMENTS

For the year ended December 31st 2017

NORSKE SKOG GOLBEY SAS

For the year ended December 31st 2017

Statutory auditor report on the financial statements

To the sole partner,

Opinion

In compliance with the engagement entrusted to us by your sole partner, we have audited the accompanying financial statements of NORSKE SKOG GOLBEY for the year ended December 31st 2017.

In our opinion, considering the french accounting principles, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31st 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

Basis for opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors Responsibilities for the Audit of the Financial Statements" section of our report.

Independance

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1st 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of ethics (code de déontologie) for statutory auditors.

Emphasis of Matter

Without qualifying our opinion expressed above, we draw your attention to:

- The note « N. produits et charges exceptionnelles » (exceptionnal income and expenses) from the notes of the financial statements, which sets out the impairment recorded on the current account held with NORSKINDUSTRIER ASA

- The note « P. Comptabilisation des gains et pertes de change » (recognition of foreign exchange gains and losses) from the notes of the financial statements, which sets out the reclassification not made in the financial statements as at 31st December 2017

Justification of Assessments

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you that the most significant assessments we have made, in our professional judgement, have focused on the appropriatness of the accounting principles applied, the reasonableness of the significant estimates made and the overall presentation of the financial statements.

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 specific items of the financial statements.

The note « N. produits et charges exceptionnelles » (exceptionnal income and expenses) from the notes of the financial statements, which sets out the impairment recorded on the current account.

As part of our assessment of the accounting principles applied by your company, we considered that the risk of non-recovery was recognised and that the recognition of this provision was justified and we ensured that the note "Produits et charges exceptionnelles" (exceptionnal income and expenses) in the notes to the financial statements provides appropriate information.

The note « P. Comptabilisation des gains et pertes de change » (recognition of foreign exchange gains and losses) from the notes of the financial statements, which sets out the reclassification not made in the financial statements as at 31st December 2017.

As part of our assessment of the accounting principles followed by your company, we ensured that the note « P. Comptabilisation des gains et pertes de change » (recognition of foreign exchange gains and losses) in the notes to the financial statements provides appropriate information.

Verification of the management report and other documents sent to the Sole Shareholder

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the President and in the other documents provided to the sole shareholder.

Responsabilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The financial statements were approved by the President

Statutory Auditor Responsabilities for the Audit of the Financial Statements

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards 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.

As specified in Article L. 823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control ;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control ;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements ;
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may

cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Paris, June 21st 2018

BDO France – Léger & associés
Represented by Éric PICARLE
Statutory Auditor

- il apprécie le caractère approprié de l'application par la direction de la convention comptable de continuité d'exploitation et, selon les éléments collectés, l'existence ou non d'une incertitude significative liée à des événements ou à des circonstances susceptibles de mettre en cause la capacité de la société à poursuivre son exploitation. Cette appréciation s'appuie sur les éléments collectés jusqu'à la date de son rapport, étant toutefois rappelé que des circonstances ou événements ultérieurs pourraient mettre en cause la continuité d'exploitation. S'il conclut à l'existence d'une incertitude significative, il attire l'attention des lecteurs de son rapport sur les informations fournies dans les comptes annuels au sujet de cette incertitude ou, si ces informations ne sont pas fournies ou ne sont pas pertinentes, il formule une certification avec réserve ou un refus de certifier ;
- il apprécie la présentation d'ensemble des comptes annuels et évalue si les comptes annuels reflètent les opérations et événements sous-jacents de manière à en donner une image fidèle.

Paris

BDO France - Léger & associés
Représenté par Éric PICARLE
Commissaire aux comptes

NORSKE SKOG GOLBEY 88194 GOLBEY	NORSKE SKOG GOLBEY 88194 GOLBEY - France		
BALANCE SHEET *ASSETS*	BILAN *ACTIF*	NET 31/12/17	NET 31/12/16
FIXED ASSETS	ACTIF IMMOBILISE		
INTANGIBLE ASSETS	IMMOBILISATIONS INCORPORELLES		
Concessions, patents, licences & similar	Concessions, brevets et droits similaires	32 553	65 106
Other intangible assets	Autres	254 000	
Advances	Avances et acomptes	0	0
TANGIBLE ASSETS	IMMOBILISATIONS CORPORELLES		
Lands	Terrains	137 463	137 463
Buildings	Constructions	40 723 399	44 478 808
Machinery and equipment	Matériels, outillages industriels	107 253 763	113 666 028
Other fixed assets	Autres immob. corporelles	1 596 120	1 119 895
Fixed assets in progress	Immobilisations en cours	8 704 802	3 857 955
Advances	Avances et acomptes		
INVESTMENTS	IMMOBILISATIONS FINANCIERES		
Shares in subsidiaries & related C°	Participations	8 877 639	8 959 624
Other financial assets	Autres immob. financières	9 976 509	9 029 133
Loan receivable	Prets	0	0
Other investment securities	Autres titres immobilisés	0	0
TOTAL FIXED ASSETS	TOTAL ACTIF IMMOBILISE	177 556 248	181 314 013

NORSKE SKOG GOLBEY | **NORSKE SKOG GOLBEY**

88194 GOLBEY | **88194 GOLBEY**

BALANCE SHEET
ASSETS

B I L A N
ACTIF

		NET 31/12/17	NET 31/12/16
CURRENT ASSETS	ACTIF CIRCULANT		
STOCKS	STOCKS		
Raw materials and supplies	Matières premières et autres	8 115 951	8 980 969
Finished goods	Produits finis	6 012 542	6 403 195
ADVANCES	AVANCES et ACOMPTES VERSES	0	0
RECEIVABLES	CREANCES D'EXPLOITATION		
Accounts receivable	Créances Clients	6 517 230	3 399 040
Others debtors	Autres debiteurs	58 268 684	66 031 113
LIQUIDITY	LIQUIDITES		
Marketable securities	Valeurs mobilières placement	0	0
Bank deposits	Disponibilités	3 890 658	6 286 689
ADJUSTMENT ACCOUNTS	COMPTES DE REGULARISATION		
Prepaid charges	Charges constatées d'avance	0	278 810
TOTAL CURRENT ASSETS	TOTAL ACTIF CIRCULANT	82 805 065	91 379 816
PREOPERATING EXPENSES	CHARGES DIFFEREES	0	0
LATENT EXCHANGE DIFFERENCES	ECARTS DE CONVERSION ACTIF	17 963	0
TOTAL ASSETS	TOTAL ACTIF	260 379 276	272 693 829

NORSKE SKOG GOLBEY | **NORSKE SKOG GOLBEY**

88194 GOLBEY | 88194 GOLBEY - France

BALANCE SHEET
LIABILITIES AND EQUITY

B I L A N
PASSIF

		Year End 31/12/2017	Year End 31/12/2016
EQUITY	CAPITAUX PROPRES		
Share capital	Capital	62 364 874	62 364 874
Legal reserve	Réserve légale	9 946 017	9 946 017
Retained earnings	Report à nouveau	3 289 155	-5 104 757
Year result	Résultat de l'exercice	-6 170 006	8 393 912
Investments grants	Subventions d'investissement	610 070	1 219 866
Statutory provisions	Provisions réglementées	123 926 373	125 666 505
		193 966 483	202 486 417
PROVISIONS FOR RISKS AND CHARGES	PROVISIONS POUR RISQUES ET CHARGES	5 968 582	7 445 251
LIABILITES	DETTES		
Subordinated advances	Avances subordonnées		
Loans	Emprunts et dettes financières	10 341 753	5 952 351
Accounts payables	Fournisseurs	38 721 503	45 761 642
Fiscal and social accounts payable	Dettes fiscales et sociales	9 928 662	8 619 845
Sundry creditors	Autres dettes	1 452 293	2 428 323
Suppliers of fixed assets	Dettes sur immobilisations		
		60 444 211	62 762 161
PROFIT TAKEN IN ADVANCE	PRODUITS CONSTATES D'AVANCE	0	0
LATENT EXCHANGE DIFFERENCES	ECARTS DE CONVERSION PASSIF	0	0
TOTAL LIABILITES AND EQUITY	**TOTAL PASSIF**	260 379 276	272 693 829

NORSKE SKOG GOLBEY | **NORSKE SKOG GOLBEY**

88194 GOLBEY | 88194 GOLBEY - France

PROFIT AND LOSS ACCOUNT | **COMPTE DE RESULTAT**

		France	Export	TOTAL 31/12/17	TOTAL 31/12/16
OPERATING INCOME	**PRODUITS D'EXPLOITATION**				
Turnover	Chiffre d'affaires	44 789 128	191 975 373	236 764 502	241 106 328
Changes in finished goods	Production stockée			-390 652	675 719
Transfer to fixed assets	Production immobilisée			4 663	13 502
Write back of provisions & depreciations	Reprises de provisions et amortissements			2 799 226	642 622
Transfer of expenses	Transferts de charges			168 707	129 721
Other income	Autres produits			16 756 574	14 571 668
TOTAL OPERATING INCOME	TOTAL DES PRODUITS D'EXPLOITATION			256 103 019	257 139 561
OPERATING COSTS	**CHARGES D'EXPLOITATION**				
Purchases of raw materials, supplies	Achats de matières premières et approvisionnements			115 550 501	119 549 744
Change in stock	Variation de stock			845 018	-1 216 496
Other purchases and charges	Autres achats et charges externes			85 654 627	87 158 906
Taxes	Impôts et taxes			6 392 540	6 269 746
Salaries and wages	Salaires et traitements			16 660 468	17 372 997
Social costs	Charges sociales			6 856 320	7 394 748
Depreciations	Dotations aux amortissements			13 766 685	13 708 657
Charge for provisions	Dotation aux provisions			603 871	829 850
Other	Autres charges			815 807	2 057
TOTAL OPERATING COSTS	TOTAL CHARGES D'EXPLOITATION			247 145 837	251 070 210
OPERATING RESULT	**RESULTAT D'EXPLOITATION**			8 957 181	6 069 351

NORSKE SKOG GOLBEY | **NORSKE SKOG GOLBEY**

88194 GOLBEY | 88194 GOLBEY

PROFIT AND LOSS ACCOUNT | **COMPTE DE RESULTAT**

		TOTAL 31/12/17	TOTAL 31/12/16
OPERATING RESULT	**RESULTAT D'EXPLOITATION**	8 957 181	6 069 351
FINANCIAL INCOME	PRODUITS FINANCIERS		
Financial income from Investments	Produits financiers de participation	0	12 887
Interest received	Interêts et produits assimilés	155 210	406 265
Write back of allowances	Reprises sur provisions	828 000	4 938 722
Transfer of expenses	Transfert de charges	0	0
Profit on exchange	Differences positives de change	71 066	98 566

Profit on disposal of mark.securities	Produits nets sur cessions de VMP	0	
TOTAL FINANCIAL INCOME	TOTAL DES PRODUITS FINANCIERS	1 054 276	5 456 440
FINANCIAL COSTS	CHARGES FINANCIERES		
Financial provisions	Dotations aux provisions	17 367	
Interest costs	Interêts et charges assimilées	1 055 870	1 460 874
Loss on exchange	Différences négatives de change	250 187	107 133
TOTAL FINANCIAL COSTS	TOTAL DES CHARGES FINANCIERES	1 323 423	1 568 008
FINANCIAL RESULT	RESULTAT FINANCIER	-269 148	3 888 432
RESULT BEFORE EXTRAORDINARY ITEMS	RESULTAT COURANT	8 688 033	9 957 783

NORSKE SKOG GOLBEY — **NORSKE SKOG GOLBEY**

88194 GOLBEY — 88194 GOLBEY

PROFIT AND LOSS ACCOUNT — **COMPTE DE RESULTAT**

		TOTAL 31/12/17	TOTAL 31/12/16
RESULT BEFORE EXTRAORDINARY ITEMS	RESULTAT COURANT	8 688 033	9 957 783
EXTRAORDINARY INCOME	PRODUITS EXCEPTIONNELS		
Extraordinary operating income	Prod. excep. sur opérations de gestion	153 641	3 652
Profit on disposal of fixed assets	Produits exceptionnels sur opérations en capital	609 796	1 097 477
Write back of allowances	Reprises sur provisions	4 162 935	4 598 295
TOTAL EXTRAORDINARY INCOME	TOTAL PRODUITS EXCEPTIONNELS	4 926 372	5 699 424
EXTRAORDINARY COSTS	CHARGES EXCEPTIONNELLES		
Extraordinary operating costs	Ch. exc. sur opérations de gestion	157 253	9 942
Net book value of assets sold	Ch. exc. sur opérations en capital	81 985	4 965 559
Extraordinary depreciation	Dotation exc. aux ammortissements et provisions	20 134 542	2 722 180
TOTAL EXTRAORDINARY COSTS	TOTAL CHARGES EXCEPTIONNELLES	20 373 781	7 697 681
RESULT OF EXTRAORDINARY ITEMS	RESULTAT EXCEPTIONNEL	-15 447 408	-1 998 257
PROFIT SHARING BONUS	PARTICIPATION DES SALARIES	0	0
INCOME TAX	IMPOT SOCIETE	-589 369	-434 386
TOTAL OF CHARGES	TOTAL CHARGES	268 253 672	259 901 513
TOTAL OF PROFITS	TOTAL PRODUITS	262 083 667	268 295 424
NET RESULT	RESULTAT	-6 170 005,93	8 393 911,83

External Audit Report
Application: NSG_REG651
Entity: GOL - Norske Skog Golbey S.A.S.
Category: ACT17
Currency: EUR

Date: 11/01/2018
Time: 8:04 PM

External Audit Report
Financial metrics cash flow

	GOL M.CTD DEC 17
CASH FLOW	
CASH FLOW INDIRECT METHOD	
CF20 - Gross operating earnings	25 720 121
CF21 - Restructurings payment	-1 628 164
CF22 - Change in working Capital	-17 468 154
CF28 - Other items	1 068 098
CF38 - Cash from net financial items	-1 193 386
CF39 - Taxes paid	-912 795
CF40 - Net cash flow from operating activities	**5 585 719**
CF41 - Investments in operational fixed assets	-9 143 528
CF42 - Sale of operational fixed assets	0
CF43 - Dividend received	0
CF44 - Acquisition of shares in companies&other	893 800
CF45 - Sales of shares in companies & other	0
CF50 - Net cash from investing activities	**-8 249 728**
CF51 - New loan raised	25 010 075
CF52 - Repayment of loan	-17 469 112
CF59 - Unaccounted cash flow	-34 462
CF53 - Dividend paid	0
CF54 - Purchase/sale of treasury shares	0
CF55 - New equity	0
CF60 - Net cash from financing activities	**-10 889 335**
CF70 - Foreign currency effects on CASH EQ I/C	**-48 198**
CF80 - Total Change in Cash, Cash EQ and I/C	**-13 601 542**
CF90 - Cash, cash equivalents & I/C OB	**61 438 337**
CF95 - Cash, cash equivalents & I/C CB	**47 836 795**
Cash_Flow_new - Validation Account for New Cash Flow	**0**

The Financial metrics cash flow show the change in cash, cash equivalents and intercompay

Currency: EUR

External Audit Report
Financial metrics cash flow

	GOL M.CTD DEC 16
CASH FLOW	
CASH FLOW INDIRECT METHOD	
CF20 - Gross operating earnings	24 208 948
CF21 - Restructurings payment	-614 622
CF22 - Change in working Capital	-2 629 380
CF28 - Other items	-550 430
CF38 - Cash from net financial items	-1 421 602
CF39 - Taxes paid	254 348
CF40 - Net cash flow from operating activities	**19 247 261**
CF41 - Investments in operational fixed assets	-5 007 951
CF42 - Sale of operational fixed assets	29 730
CF43 - Dividend received	12 887
CF44 - Acquisition of shares in companies&other	0
CF45 - Sales of shares in companies & other	-65 800
CF50 - Net cash from investing activities	**-5 031 134**
CF51 - New loan raised	15 617 409
CF52 - Repayment of loan	-13 721 448
CF59 - Unaccounted cash flow	-44 674
CF53 - Dividend paid	0
CF54 - Purchase/sale of treasury shares	0
CF55 - New equity	0
CF60 - Net cash from financing activities	**1 851 287**
CF70 - Foreign currency effects on CASH EQ I/C	**6 465**
CF80 - Total Change in Cash, Cash EQ and I/C	**16 073 879**
CF90 - Cash, cash equivalents & I/C OB	**45 364 458**
CF95 - Cash, cash equivalents & I/C CB	**61 438 337**
Cash_Flow_new - Validation Account for New Cash Flow	**0**

The Financial metrics cash flow show the change in cash, cash equivalents and intercompay

NOTES TO THE FINANCIAL STATEMENTS

on 31.12.2017

Appendix to the balance sheet for the financial year ending December 31, 2017, showing a total of 260 379 276 EUR *and to the profit and loss account for the financial year, showing a loss of* 6 170 006 EUR (profit result of EUR 8 393 912 in 2016).

The financial year lasts 12 months and covers the period from January 1, 2017 to December 31, 2017.

The following notes and tables form an integral part of the annual financial statements.

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01. MAIN EVENTS FOR THE PERIOD

The production volume in 2017 is 555,134 tons for the two paper machines, compared to 554,983 tons in 2016. The sales volume is comparable to the previous year with 551,473 tons against 553,047 tons.
This stable volume is due to the announcement of the decrease of certain production capacities in Europe. The Company has also been able to improve its productivity (set back over the first half of the year) to serve a maximum of customer orders.
The share of turnover attributed to the German market has increased from 40% in 2016 to 33% in 2017. This decrease is due to a recurring quality problem ("picking") resolved at the end of the year and affecting particularly the demand of the German market.
With a slight decline in the second half of the year, the 2017 average selling price is 1.4% lower than in 2016, ie EUR 429.3 per tonne instead of EUR 435.8 in 2016.

Compensatory measures by the state on electricity price, already implemented in 2015 and 2016 (CO2 ocompensation and a new electricity interruptibility contract with RTE) have compensated the decrease in the sales turnover.

In the spring of 2017, the company started the construction of a biogas production process on the wastewater treatment plant. This 7 million euros investment will increase the company's revenues from the second half of 2018.

The attempt to reach a consensus to refinance the group's debt, amounting to more than 900 million euros, failed in November 2017. The main owner of the secured debt ("Oceanwood", London investment fund) has asserted its rights by forcing the sale of the operational part of the Norske Skog Group to which the Company belongs. Having no further access to its assets, and specifically to the cash flow of its Business Units for serving its debt, the parent company Norske Skogindustrier ASA had to file for bankruptcy on December 19, 2017.
Due to the loss of part of its cash pooling receivable on the former parent company Norske Skogindustrier ASA, the Company registered an accrual for financial loss of 17.7 million euros. This loss, whose impact on the Company's net income is partially offset by the positive operating result for the year, will slightly reduce the Company's equity. The equity should increase again significantly in 2018 (thanks to a forecasted good result).

Continuing its approach of integrating CSR (Corporate Social Responsibility) Norske Skog Golbey is regularly asked to testify about its diversification projects, which are part of a process of Industrial Territorial Ecology (EIT), of which there is still little examples in France or even in Europe.
The Company won a special prize at the Crystal Wings ceremony at the end of November 2017 for its approach of diversification and territorial commitment.
This approach is an important lever for differentiation and will help ensure the long-term viability of the site.

Events after the book closure :
The secured lender ("Oceanwood") having made an offer to buy the NORSKE SKOG group, won the sale by signing a purchase agreement on May 4, 2018 which will make him the new owner of Norske Skog AS (the parent company of operational units). It is announced that the debt of Norske Skog AS should then settle at 145 Meur, or 1.7 times its Ebitda of the last 4 quarters. This level of indebtedness will place the new Norske Skog group at the level of its competitors for access to investment financing.
The sale should be ratified by the various states involved within a period of 4 to 5 months following this signature.

02. ACCOUNTING RULES AND METHODS

The general accounting conventions have been applied in respect of the principle of conservativeness, according to the following basic assumptions :

- going concern
- independence of financial years
- consistency of methods

and in conformity with Regulation 2016-07 of the French Accounting Standards Authority approved by ministerial decree of December 26, 2016 relating to the rewriting of the PCG.
The underlying basic method for the evaluation of the items accounted in the books is the historical costs method.

Besides, the following explanation can be given :

A. Tangible and intangible fixed assets

- Tangible and intangible fixed assets have been accounted for at their acquisition cost (purchase price and auxiliary expenses : engineering, financial interests, construction insurance and indirect charges being connected to fixed assets).
  The fixed assets are depreciated on a straight line method according to the following durations :

Housing	50 ans (2 %)
Temporary administrative buildings	6 à 10 ans (15 à 10%)
Factory building	20 ans (5 %)
Industrial tools and equipment	5 à 20 ans (20 à 5 %)
Office equipment and data processing equipment	3 à 5 ans (20 à 33%)
Professional furniture	10 ans (10 %)
Transport equipment	4 ans (25 %)

The Company reserving the right to depreciate according to the derogatory Declining Balance Method, a complementary allowance for an amount of 3,875 million EUR was registered on December 31st 2017 (4,488 million in 2016). This amount corresponds to the difference between the declining depreciation method and the lineary depreciation registered for 2017.

Depreciation period: In 2007, depreciation periods were revised according to the expected useful lives of the investments concerned. The difference in amortization period on non-decomposable fixed assets resulted in 2017 in the recognition of special amortization for an amount of € 2.423 (€ 2,722 million in 2016). The impact is only a presentation impact between operating profit and exceptional result.

Acquisition costs of financial fixed assets: the gross value of participations and other long-term investments consists of the acquisition cost excluding incidental expenses. When the inventory value is lower than the gross value, a provision for depreciation is made.

B. Stocks

Inventories have been valued according to their nature :

- Raw materials – recovered paper : The company applies the method "First in, first out".

- Raw materials - wood: The company applies the weighted average unit price method.
  Log stock is valued for each "wet ton".

- Recovered waste (bark): The company applies the weighted average unit price method.

- Other supplies: The company uses the weighted average cost. This stock consists mainly of spare parts.
  A provision for an amount of 4,180 thousand euros is recorded in the accounts (€ 4,090 thousand in 2017). This provision based on statistical calculations of non-rotation of spare parts is revised each year.

- Finished goods: They are valued at the cost of production, possibly reduced to bring it back to the net selling price if it is lower.

C. Receivables

Receivables are valued at their nominal value. A provision for depreciation is made when the inventory value is lower than the book value.

A statistical provision for doubtful debts of 100% for any receivable whose due date is exceeded by more than 90 days except in exceptional cases is calculated.

In 2018, we recorded a provision of 1.959 thousand Euros.

The company uses factoring, which represents an amount of € 41 923 616 in invoices sold and an amount in reserves of € 10 048 693.

D. Transactions in foreign currencies

Expenses and income denominated in foreign currencies are accounted for using the exchange rate at the date of the book/entry. Receivables and payables as of end of the year are accounted for using the exchange rate at that date. If any, the potential exchange loss resulting from the difference between the exchange rate at the date of book entry and the closing date is reserved for.

E. Short term marketable securities

Marketable securities are valued at their historical cost. If a capital loss existed at the balance sheet date, it would be recognized by way of a provision.

F. Equity

The shareholders' equity takes into account EUR 709 333 in subsidies obtained as part of the extension of the plant (EUR 1 2019 866 in 2016).

G. Income tax

Tax consolidation :

A horizontal tax consolidation with the Norske Skogindustrier Branch (NSIB) was set up in early 2016. The Company is head of tax consolidation.

The parties have agreed to apply among themselves the general principle of neutrality consisting of the fact that the parent company shall be liable to the Sister Society for the amount of the taxes that the Sister Company would have had to pay to the Public Treasury if it had never become a member of the integrated group.

a) Determination of the tax burden on companies

The assumption, by the Parent Company, of the corporation tax due on the result and the overall gain, gives rise to a claim on the Sister Company equal to the tax that would be payable by Sister Society if she were not a member of the Group.

For the calculation of this tax that the Sister Society would have had to pay, all of its previous deficits, both before and during integration, will be taken into account.

Finally, in the event of interest, penalties or tax increases, in particular as a result of tax assessment for the integrated periods, the receivable will be increased accordingly.

b) Additional contributions

The assumption by the Parent Company of the additional contribution calculated on the corporation tax due on the result and the overall capital gain provided for in article 235 ter ZC, will be made under the same conditions and in the same way as for the corporation tax.

In the event that new contributions, calculated on the corporation tax owed by the Parent Company and / or the result and the overall gain, become payable, their assumption will also be made in the same conditions and in the same way as for corporation tax.

c) Tax credits

In accordance with the provisions of article 223 O of the CGI, the Parent Company is substituted for the sister Company, for the allocation to the amount of the corporate tax for which it is liable for each financial year, appropriations of taxes and tax refunds of the Sister Society.

Sister company will charge the corporation tax contribution due to the Parent Company, the tax credits it would have received in the absence of tax consolidation, under the conditions of common law. It is reminded that in accordance with the legislation in force, Sister Company is not allowed to offset its tax credits with other taxes than corporation tax.

Non-returnable tax credits transferred by the Sister company will be definitively acquired by the Parent Company. Thus, the tax savings realized through the use of tax credits that could not have been used by Sœur if it had not been a member of the Integrated Group, will be definitively acquired by the Parent Company.

The refundable tax credits (such as the research tax credit or the CICE) sent by the Sœur Company and the amount of which exceeds the amount of the corporate tax contribution paid by the Sœur Company will be reimbursed by the Parent Company, for the excess part under the terms and conditions of common law.

The Sister Company undertakes to transmit to the Parent Company within the deadlines allowing it to fulfill all its obligations, any certificate and tax form allowing it to impute the tax credits on the tax due by the Integrated Group. within the deadlines of common law.

Breakdown of income tax:

The proceeds of € 589,369 in Income Taxes consist of:
Tax Credit Apprenticeship: € 6,667
Research Tax Credit: € 582,702

As a result of the negative net tax result, there is no tax recorded for 2017.

Breakdown in €	Result before income tax	Taxable result	Theoretical income tax	Result after income tax
Current result	8 688 033	4 881 172	0	8 688 033
Exceptional result	-15 447 408	-14 837 612	0	-15 447 408
Income tax as if the Company were taxed separately			**0**	
NSIB's losses set againt taxable result			0	0
Credit income tax obtained			589 369	589 369
	-6 759 375	-9 956 440	589 369	-6 170 006

At the end of 2017, the Company-specific loss carryforward (created before tax consolidation) amounted to € 8,701,459. The group's deficit amounts to € 14,558,457.

H. Competitiveness Tax Credit Employment i

At December 31, 2017, Norske Skog Golbey recorded in its accounts a CICE of 589 thousand euros corresponding to 7% of the eligible payroll for the year. It was prefinanced with a credit institution and helped finance the investments in 2017.
The CICE has been recorded as a reduction of social charges, as authorized by the Accounting Standard Authority's note of February 2013.

I. Provisions for risk and charges

Long service awards l

The amount of the commitment for long-service awards at 31.12.2017 amounts to EUR 198,619 (EUR 194,955 in 2016).

Retirement benefits :

The amount of the commitment for retirement benefits at 31.12.2017 is € 5,654,938. The calculation is valued on the basis of known figures as of 31.12.2017.

The method used for the valuation is "Projected Unit Credit" with prorata, preferred method of the IAS Board. This consists of projecting the gross salary until the date of retirement and determining the amount of the indemnity on the date of retirement according to the concerned scales of the National Collective Agreements (NCC) and the end of career salary. The social liability is equal to the compensation discounted at the net financial rate of return retained over the period remaining from the valuation date to the date of retirement, weighted by the probability of death, by the probability of leaving the company and prorated "seniority acquired on the date of evaluation / seniority at the date of retirement".

The criteria selected are the following:

- Discount rate : 1.25%
- Rate of salary increase : 2.25%
- Employer social security rate : 45%
- Life table: INSEE 2012-2014
- Age of retirement: between 65 and 67 years

At the end of 2007, the Company outsourced the IDR (= retirement benefit). The balance of the account at the end of 2017 is € 2,838,056 and the total provision is € 2,816,882.

Provision of mandatory controls

Since 2007, Norske Skog Golbey has recorded a provision for mandatory controls totaling € 1,320,000 at the end of 2017. These are expected future costs on the decennial maintenance of the main processes of the plant.

Provision for disposal of ash surplus and sludge:

Norske Skog Golbey has fully taken back the provision recorded in 2011 (400 keur) for the cost of ash disposal, the ashes having been evacuated in the year.

Provision pour plan de restructuration

In 2015, the Company initiated a downsizing plan for 70 FTEs, including 20 non-replacements over the year, 10 voluntary departures and 40 pre-retirement.

The amount of the remaining provision recorded in the accounts for the 2017 financial year for taking into account, in particular, the salary costs incurred and the cost of the support amounted to € 1,298,213.68. The last departure taking place in 2020, this provision will be extinguished on this date.

J. *Transferred expenses :*

Tranferred expenses consist of 2,301 euros of insurance reimbursement and 166,406 euros of reimbursement of personnel costs.

K. *Other operating revenue*

"Other operating income" is composed mainly of:
- 6.199 Thousand euros: various sales (excluding core business): Wood - Energy - Services.
- 4,349 Thousand euros: CO2 compensation premium - Premium paid by the state to the electro-intensive industries exposed to international competition.
- € 4,778 Thousands of euros: interruptibility bonus - premium paid by the RTE network compensating for the faculty given to them to be able to cut the power supply of the Company in case of under capacity of the network.
- 1,072 Thousands of Euros: allowance of cancellation network RTE.

L. Fees paid to the auditor

The amount of fees paid to the Statutory Auditors in respect of 2017 amounts to € 32,627.

M. Financial income and expenses

The total financial income amounts to € 1,054,275. It takes into account an amount of € 828,000 reversal of provisions relating to Green Valley Energy shares, of which a portion (36%) was sold to the Société d'Economie Mixte d'Epinal.

N. Exceptional income and expenses

Due to the loss of a part of its cash pooling claim on the former parent company Norske Skogindustrier ASA, the Company recognized in its accounts an exceptional provision of 17.7 million euros. A class action has been initiated within the legal delay with the liquidator of Norske Skog ASA.

O. Accounting for energy certificates

The company has never benefited from an energy certificate resulting from the program law n ° 2005-781 of July 13, 2005 setting the guidelines of the energy policy and to be the subject of an accounting registration.

P. Recognition of foreign exchange gains and losses

The new accounting rules applicable as of January 1, 2017 (ANC 2015-05), provide for the recognition of foreign exchange gains and losses inherent in commercial operations in operating income. Given the insignificant nature of these transactions recorded during the year, no reclassification has been made.

03. FIXED ASSETS

FIXED ASSETS in EUR	Gross value beginning of the year	Increase	Decreases	Transfers between items	Gross value at year end
Intangible assets					
Software	2 670 048.80	254 000.00	0.00	0.00	2 924 048.80
Total intangible	2 670 048.80	254 000.00	0.00	0.00	2 924 048.80
Fixed assets					
Landsites	137 463.41	0.00	0.00	0.00	137 463.41
Buildings	182 808 021.77	0.00	0.00	0.00	182 808 021.77
Fixtures and fittings of buildings	15 991 596.65	0.00	0.00	0.00	15 991 596.65
Machinery and tooling	589 113 325.08	0.00	0.00	3 303 485.78	592 416 810.86
Sundry installation and fittings	0.00	0.00	0.00	0.00	0.00
Vehicles	180 475.23	0.00	0.00	0.00	180 475.23
DPE, office equipment and furniture	1 666 325.54	0.00	0.00	0.00	1 666 325.54
Other fixed assets	4 702 006.31	0.00	0.00	739 196.03	5 441 202.34
Fixed assets in progress	3 857 955.34	8 889 528.22	0.00	-4 042 681.81	8 704 801.75
Advances and down payments					
Total fixed assets	**798 457 169.33**	8 889 528.22	0.00	0.00	807 346 697.55
Financial assets					
Investments in subsidiaries	9 159 624.02	0.00	81 985.02	0.00	9 077 639.00
Other investments	2 300 000.00	0.00	828 000.00	0.00	1 472 000.00
Loans and other financial assets	9 029 133.37	1 013 176.00	65 800.00	0.00	9 976 509.37
Total financial assets	20 488 757.39	1 013 176.00	975 785.02	0.00	20 526 148.37
TOTAL	821 615 975.52	10 156 704.22	975 785.02	0.00	830 796 894.72

04. DEPRECIATION

Depreciation of fixed assets in EUR	Beginning of the year	Expense for the year	Decrease (sales or withdrawals)	Year-End
Intangible assets				
Software	2 604 942.49	32 553.15	-	2 637 495.64
Total intangible	**2 604 942.49**	**32 553.15**	-	**2 637 495.64**
Fixed assets				
Buildings	140 854 610.15	3 419 057.76	-	144 273 667.91
Fixtures and fittings of buildings	13 466 200.48	336 351.53	-	13 802 552.01
Machinery and tooling	475 447 296.82	9 715 751.40	-	485 163 048.22
Sundry installations and fittings				
Vehicles	174 475.23	3 000.00	-	177 475.23
DPE, office equipment and furniture	1 585 999.77	30 165.50	-	1 616 165.27
Other fixed assets	3 668 437.32	229 805.49	-	3 898 242.81
Total fixed assets	**635 197 019.77**	**13 734 131.68**	**0.00**	**648 931 151.45**
Financial assets	0.00	0.00	0.00	0.00
TOTAL	**637 801 962.26**	**13 766 684.83**	**0.00**	**651 568 647.09**

05. PROVISIONS FOR CONTINGENCIES AND LIABILITIES

	Amount at the Beginning of the Financial year	Provision of the year	Withdrawal of old provision	Amount at hte end of the year
Derogatory depreciation	125 666 504.95	2 422 803.11	4 162 935.24	123 926 372.82
TOTAL I	**125 666 504.95**	**2 422 803.11**	**4 162 935.24**	**123 926 372.82**
Provision for potential loss on exchange dif	0.00	17 367.18	0.00	17 367.18
Prov for retirement bonuses, similar obligations.	2 988 873.12	26 628.00	0.00	3 015 501.12
Provisions for major maintenance	1 070 000.00	250 000.00	0.00	1 320 000.00
Other provisions for risks and charges	3 386 377.64	280 000.00	2 050 663.96	1 615 713.68
TOTAL II	**7 445 250.76**	**573 995.18**	**2 050 663.96**	**5 968 581.98**
Provisions on shareholdings	200 000.00	0.00	0.00	200 000.00
Prov on others financial assets	2 300 000.00	0.00	828 000.00	1 472 000.00
Provision for depreciation of spare parts	4 070 000.00	20 000.00	0.00	4 090 000.00
Specific provision for bad debts	2 084 480.45	27 243.38	748 561.77	1 363 162.06
Other prov. for depreciation	595 759.00	17 711 739.06	0.00	18 307 498.06
TOTAL III	**9 250 239.45**	**17 758 982.44**	**1 576 561.77**	**25 432 660.12**
TOTAL GENERAL (I + II + III)	**142 361 995.16**	**20 755 780.73**	**7 790 160.97**	**155 327 614.92**
- Operating		603 871.38	2 799 225.73	
- financial		17 367.18	828 000.00	
- exceptionnel		20 134 542.17	4 162 935.24	

06. RECEIVABLES AND LIABILITIES SORTIED BY MATURITY

RECEIVABLES	Gross value (EUR)	Reiceivable in the year	Receivable over the year
FINANCIAL ASSETS			
Loan to affiliated companies (1) (2) (3)			
Loan(1) (2) (3)	0	0	0
Other financial assets	9 976 509	9 814 176	162 333
Total 3	**9 976 509**	**9 814 176**	**162 333**
CURRENT ASSETS			
Advances and down payments			
Credit notes to be received	1 706 361	1 706 361	0
Accounts receivable	7 880 392	7 880 392	0
Personnel	16 575	16 575	0
Social security and similar	0	0	0
Government and local authorities	3 457 530	3 457 530	0
. income tax	0	0	0
. value added tax	4 221 167	4 221 167	0
. other taxes	0	0	0
. grants to receive	0	0	0
Intra group accounts	54 225 347	31 338 086	22 887 261
Sundry debtors	12 949 202	12 949 202	0
Total 3	**84 456 573**	**61 569 312**	**22 887 261**
PREPAID EXPENSES	0	0	0
Total 4	**0**	**0**	**0**
Total (1+2+3+4)	**94 433 083**	**71 383 488**	**23 049 595**
RENVOIS			
(1) - New loans in the year	0		
Loans repaid during the year	0		
(2) Loans to shareholders	0		
(3) Convertible loan stock	0		

LIABILITIES	Gross value (EUR)	Payable within 1 year	Payable within 5 years	Payable over 5 years
TCF Loan				
Subordinated Advances				
BPLC Loan	1 500 000	185 850	1 069 478	244 672
EN.CEP.PA Loan	2 136 300	178 025	1 780 250	178 025
BPI Loan	3 636 306	0	2 458 597	1 177 708
Treasury bills CIC et BECM	3 000 000	3 000 000	0	0
Other loans and bank overdrafts	69 147	69 147	0	0
TOTAL LOANS AND FINANCIAL LIABILITIES	**10 341 753**	**3 433 022**	**5 308 325**	**1 600 405**
Accounts payable on operation	38 721 503	38 721 503	0	0
Personnel accounts	4 370 729	4 370 729	0	0
Social security and similar	2 898 558	2 898 558	0	0
Government : Income tax	0	0	0	0
Value added tax	1 527 471	1 527 471	0	0
Other taxes	1 131 905	1 131 905	0	0
Accounts payable on fixed assets	0	0	0	0
Intra group account	57 777	57 777	0	0
Other creditors	1 394 515	1 394 515	0	0
OPERATIONAL PAYABLES	**50 102 458**	**50 102 458**	**0**	**0**
T O T A L	**60 444 211**	**53 535 480**	**5 308 325**	**1 600 405**
Loan subcribe in the period	4 600 625.20			
Loan repaid during the period	35 200.00			

07. INCOME TO RECEIVE

Amount of receivables included in the following balance sheet items: :

	Receivable Income 2017	Receivable Income 2016
Loans related to participations		
Other loans in the form of securities		
Loans		
Other financial fixed assets		
Credit notes to be received	1 906 231	1 834 120
Trade accounts receivable	5 456 794	3 045 043
Other receivables	6 158 170	7 244 311
Other investment in securities		
Liquid assets		
TOTAL	**13 521 195**	**9 846 866**

08. EXPENSES TO PAY

	Expenses to be paid 2017	Invoices to be received 2017	Expenses to be paid 2016	Invoices to be received 2016
Convertible bonds				
Other bonds				
Borrowings from financial institutions				
Intra group loan (NSI ASA)				
Miscellaneous borrowings				
Advances and down payments on orders received				
Accounts payable		9 980 608		6 119 096
Tax debts and social debts	5 965 852		5 715 278	
Other debts	2 077 744		1 424 198	
TOTAL	**8 043 596**	**9 980 608**	**7 139 476**	**6 119 096**

09. EXPENSES AND INCOME BOOKED IN ADVANCE

Items	Expenses 2017	Income 2017	Expenses 2016	Income 2016
Operating income and expenses			278 810	
Financial income and expenses				
Total			**278 810**	

10. SHARE CAPITAL AND CONSOLIDATING PARENT COMPANY

Elément	Nombre	Capital social en Euros
1. Registered shares at the beginning of the year	3.087.370	62 364 874
2. Shares issued during the year	0	0
3. Registered shares at year end	3.087.370	62 364 874

On 31.12.17, the share capital was 62,364,874 euros, fully paid up.

CONSOLIDATING COMPANY

NORSKE SKOGINDUSTRIER AS
OSLO
NORVEGE

11. CHANGE IN EQUITY

CHANGE IN EQUITY	Share capital	Legal reserve	Retained earnings	Year result	Investments grants	Statutory provisions	Total
31/12/2016	**62 364 874**	**9 946 017**	**-5 104 757**	**8 393 912**	**1 219 866**	**125 666 505**	**202 486 417**
Capital increase or decrease							
Minimum allocation to the legal reserve (5%)		0		0			
Retained earnings carried forward from 2016			8 393 912	-8 393 912			
Payment of dividend			0				
Net result for the 2017 financial year				-6 170 006			-6 170 006
Grants Amortization					-609 796		-609 796
Derogatory depreciation						-1 740 132	-1 740 132
31/12/2017	**62 364 874**	**9 946 017**	**3 289 155**	**-6 170 006**	**610 070**	**123 926 373**	**193 966 483**

12. BREAKDOWN OF TURNOVER (EUR)

	2016	***2017***
Export	*204 325 894*	*191 975 373*
France	*36 780 434*	*44 789 128*
TOTAL	***241 106 328***	***236 764 501***

13. EXCEPTIONAL RESULT

The negative exceptional result of 15,447 thousand euros (negative of 1,998 thousand euros in 2016) takes into account:

- € 609,796 of subsidies transferred to the income statement (€ 1,065,000 in 2016). These subsidies were awarded to the Company during the construction of paper machine No. 2.
  The depreciation of these subsidies can be broken down as follows (in €):

SUMMARY STATEMENT OF GRANTS TO BE REPORTED IN THE INCOME STATEMENT:	2017	2018
Fonds d'industrialisation de la Lorraine	228 674	228 674
Région	228 674	228 674
Communauté de communes	152 449	152 449
PAT		
FEDER		
Yearly amortization	**609 796**	**609 796**

Remaining amortization end of 2017 **609 796**

- A reversal of additional amortization expense of € 4,163 thousand (€ 4,598 thousand in 2016).

- An extraordinary depreciation allowance to offset the loss of depreciation resulting from the application of the new standards CRC 04-06, CRC 03-07 and CRC 02-10 was also recorded for an amount of € 2,423 thousand (€ 2,722 thousand in 2016).

- The provision of 17.7 million corresponding to the loss of the cash pooling claim (see point 01 Main events for the period).

Other extraordinary income and expenses are the result of various management operations and disposals of assets.

14. UNREALIZED EXCHANGE DIFFERENCES

POTENTIAL EXCHANGE RATE LOSS	
Decrease in receivable accounts	17 963
Increase in payable accounts	0
Increase in long term loans: TCF	0
Assets difference	0
	17 963
POTENTIAL EXCHANGE RATE PROFIT	
Increase in receivable accounts	0
Decrease in payable accounts	0
Decrease in long term loans : TCF	0
Liabilities difference	0
	0

15. COMMITMENTS AND CONTINGENT LIABILITIES

A bank guarantee valid from 01/02/2017 to 31/01/2018 was issued by the bank Caisse d'Epargne in favor of the company EXCELTIUM for an amount of 12 131 K €.
The Company paid a cash collateral of € 5,876,000 to this bank as security for its suretyship. It has been registered as a deposit and suretyship; The off-balance sheet commitment on this bank guarantee amounts to € 6,255 thousand.

A real estate mortgage on the industrial site for an amount of 13 million was signed on October 6, 2016 for the benefit of the bank Caisse d'Epargne. It serves as an additional guarantee for the issuance of any bank guarantee in favor of the electricity supplier Exeltium. The term of the mortgage is 10 years.

Several bank guarantees totaling € 6,150,000 were issued by the bank Le Crédit Lyonnais (LCL). The Company paid LCL the sum of € 3,287,000 as cash pledge. The Company registered this amount as deposits and sureties. The off-balance sheet commitment on these bank guarantees amounts to € 2,863,000.

16. COMMITMENTS TO LEASING AGREEMENTS

A lease agreement was signed with Lorequip Bail for an amount of € 2,722,500 and for a period of 7 years from 01/01/2014.

	Machinery and equipment
ORIGINAL VALUE	**2 722 500.00**
DEPRECIATION	
End of last year	1 093 596.84
Current year	388 154.86
TOTAL	**1 481 751.70**
NET VALUE	**1 240 748.30**
ALREADY PAID	
End of last year	1 297 890.00
Current year	432 630.00
TOTAL	**1 730 520.00**
still to be paid	
Within one year	432 630.00
More than one year and less than 5 years	865 260.00
More than 5 years	0.00
TOTAL	**1 297 890.00**
Residual value	**27 500.00**

17. DEVELOPMENT OF FUTURE TAX ASSETS AND LIABILITIES

A horizontal tax consolidation with the Norske Skogindustrier Branch (NSIB) was set up in early 2016. The Company is head of tax consolidation.
Temporary time offs between accounting and tax treatment are as follows:

INCREASE IN FUTURE TAX BASE			
	31/12/2016	**MOUVEMENT 2017**	**31/12/2017**
Degoratory depreciation	125 666 505	-1 740 132	123 926 373
Financial expenses included in fixed assets, not yet amortized	20 794	-20 794	0
Insurance expenses included in fixed assets, not yet amortized	18 281	-18 281	0
Potential exchange gain	0	17 963	17 963
TOTAL	125 705 580	-1 761 243	123 944 337
DECREASE IN FUTURE TAX BASE			
Investment grants not yet taken in result	1 219 592	-609 796	609 796
Provision for potential exchange loss	0	17 367	17 367
Provision for spare parts	2 035 000	10 000	2 045 000
Provision C3S (ORGANIC contribution)	380 000	-7 000	373 000
Provision ASC (Labour costs)	2 513 240	-1 291 828	1 221 412
Provision for retirement bonuses	2 793 918	22 964	2 816 882
Provision for ashes removal	400 000	-400 000	0
Provision for bad debt	410 690	-410 690	0
TOTAL	9 752 440	-2 668 983	7 083 457

The relief from the future tax base of EUR 116 860 880 represents an amount of EUR 32 721 047 after applying a corporate tax rate of 28%.

18. AVERAGE NUMBER OF PERMANENT STAFF EMPLOYED

Category	2016	2017
Management and executives	68	59
Clerks, technicians and foremen	145	148
Workers	141	131
Apprentices	20	20
Total	**374**	**358**

19. DIRECTORS WAGES

Information on the amount of compensation granted to executives is not provided in the notes to the financial statements because it would be like revealing the situation of a specific member of the management bodies.

20. LIST OF SUBSIDIARIES AND INVESTMENT

Equity securities for which the net value is not zero at 31/12/2017:

	Share capitall **EUR**	**Equity** **EUR**	**Last known result** **EUR**	**Share of capital held**	**Value Of shares held (in EUR)**
French shareholdings (10 to 50 %)					
EXELTIUM 43 Bld Malesherbes 75008 PARIS	12 383 834	9 320 000	1 263 000	4.78 %	8 341 300
SEM (1) DEVELOPPEMENT ECONOMIQUE Rue Louis Meyer 88190 Golbey	3 440 000	1 751 960	15 696	10.41 %	358 000

(1) Figures as off 31/12/2016.

This is a translation into English of the statutory auditor report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditor report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

NORSKE SKOG GOLBEY

A simplified joint stock company
Share capital of € 62 364 874
349 690 644 RCS Epinal
Route Jean-Charles Pellerin Zone Industrielle III
88190 Golbey

STATUTORY AUDITOR REPORT ON THE FINANCIAL STATEMENTS

For the year ended December 31st 2018

NORSKE SKOG GOLBEY SAS

For the year ended December 31st 2018

Statutory auditor report on the financial statements

To the sole partner,

Opinion

In compliance with the engagement entrusted to us by your sole partner, we have audited the accompanying financial statements of NORSKE SKOG GOLBEY for the year ended December 31st 2018.

In our opinion, considering the french accounting principles, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31st 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

Basis for opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors Responsibilities for the Audit of the Financial Statements" section of our report.

Independance

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1st 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of ethics (code de déontologie) for statutory auditors.

Emphasis of Matter

Without qualifying our opinion expressed above, we draw your attention to:

- The note « O. Comptabilisation des gains et pertes de change » (recognition of foreign exchange gains and losses) from the notes of the financial statements, which sets out the reclassification not made in the financial statements as at 31st December 2018.

Justification of Assessments

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you that the most significant assessments we have made, in our professional judgement, have focused on the appropriatness of the accounting principles applied, the reasonableness of the significant estimates made and the overall presentation of the financial statements.

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 specific items of the financial statements.

- *Financial assets - Investment*

The paragraph relating to "Immobilisations financières" (Investment - Financial assets) included in the note to the financial statements relating to "A. Immobilisations corporelles, incorporelles et financières" (Tangible, intangible and financial assets) details the valuation methods used to value the investment held by your company. Our work consisted in particular in obtaining an understanding of the method used by your company to value these investment and, more particularly, the approaches used and assessing the appropriateness of this method. As part of our assessments, we ensured that this assessment was reasonable.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the President and in the other documents provided to the sole shareholder.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D. 441-4 of the French Commercial Code (Code de commerce).

Responsabilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The financial statements were approved by the President

Statutory Auditor Responsabilities for the Audit of the Financial Statements

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards 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.

As specified in Article L. 823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control ;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control ;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements ;
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Paris, June 27th 2019

BDO France – Léger & associés
Represented by Éric PICARLE
Statutory Auditor

Comme précisé par l'article L.823-10-1 du code de commerce, notre mission de certification des comptes ne consiste pas à garantir la viabilité ou la qualité de la gestion de votre société.

Dans le cadre d'un audit réalisé conformément aux normes d'exercice professionnel applicables en France, le Commissaire aux comptes exerce son jugement professionnel tout au long de cet audit. En outre :

- il identifie et évalue les risques que les comptes annuels comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, définit et met en œuvre des procédures d'audit face à ces risques, et recueille des éléments qu'il estime suffisants et appropriés pour fonder son opinion. Le risque de non-détection d'une anomalie significative provenant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne ;
- il prend connaissance du contrôle interne pertinent pour l'audit afin de définir des procédures d'audit appropriées en la circonstance, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne ;
- il apprécie le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par la direction, ainsi que les informations les concernant fournies dans les comptes annuels ;
- il apprécie le caractère approprié de l'application par la direction de la convention comptable de continuité d'exploitation et, selon les éléments collectés, l'existence ou non d'une incertitude significative liée à des événements ou à des circonstances susceptibles de mettre en cause la capacité de la société à poursuivre son exploitation. Cette appréciation s'appuie sur les éléments collectés jusqu'à la date de son rapport, étant toutefois rappelé que des circonstances ou événements ultérieurs pourraient mettre en cause la continuité d'exploitation. S'il conclut à l'existence d'une incertitude significative, il attire l'attention des lecteurs de son rapport sur les informations fournies dans les comptes annuels au sujet de cette incertitude ou, si ces informations ne sont pas fournies ou ne sont pas pertinentes, il formule une certification avec réserve ou un refus de certifier ;
- il apprécie la présentation d'ensemble des comptes annuels et évalue si les comptes annuels reflètent les opérations et événements sous-jacents de manière à en donner une image fidèle.

BDO France – Léger & associés
Représenté par Éric PICARLE
Commissaire aux comptes

NORSKE SKOG GOLBEY
88194 GOLBEY

NORSKE SKOG GOLBEY
88194 GOLBEY - France

BALANCE SHEET
ASSETS

B I L A N
ACTIF

		NET	NET
		31/12/18	31/12/17
	CAPITAL SOUSCRIT NON APPELE	0	0
FIXED ASSETS	ACTIF IMMOBILISE		
INTANGIBLE ASSETS	IMMOBILISATIONS INCORPORELLES		
Concessions, patents, licences & similar	Concessions, brevets et droits similaires	0	32 553
Other intangible assets	Autres	254 000	254 000
Advances	Avances et acomptes	0	0
TANGIBLE ASSETS	IMMOBILISATIONS CORPORELLES		
Lands	Terrains	137 463	137 463
Buildings	Constructions	36 967 991	40 723 399
Machinery and equipment	Matériels, outillages industriels	107 057 713	107 253 763
Other fixed assets	Autres immob. corporelles	1 407 490	1 596 120
Fixed assets in progress	Immobilisations en cours	4 914 101	8 704 802
Advances	Avances et acomptes		
INVESTMENTS	IMMOBILISATIONS FINANCIERES		
Shares in subsidiaries & related C°	Participations	8 913 719	8 877 639
Other financial assets	Autres immob. financières	9 884 703	9 976 509
Loan receivable	Prets	0	0
Other investment securities	Autres titres immobilisés	0	0
TOTAL FIXED ASSETS	TOTAL ACTIF IMMOBILISE	169 537 180	177 556 248

NORSKE SKOG GOLBEY
88194 GOLBEY

NORSKE SKOG GOLBEY
88194 GOLBEY

BALANCE SHEET — B I L A N
ASSETS — ACTIF

		NET 31/12/18	NET 31/12/17
CURRENT ASSETS	ACTIF CIRCULANT		
STOCKS	STOCKS		
Raw materials and supplies	Matières premières et autres	9 778 906	8 115 951
Finished goods	Produits finis	5 623 069	6 012 542
ADVANCES	AVANCES et ACOMPTES VERSES	0	0
RECEIVABLES	CREANCES D'EXPLOITATION		
Accounts receivable	Créances Clients	3 549 298	6 517 230
Others debtors	Autres debiteurs	107 633 149	58 268 684
LIQUIDITY	LIQUIDITES		
Marketable securities	Valeurs mobilières placement	0	0
Bank deposits	Disponibilités	3 072 868	3 890 658
ADJUSTMENT ACCOUNTS	COMPTES DE REGULARISATION		
Prepaid charges	Charges constatées d'avance	196 489	0
TOTAL CURRENT ASSETS	TOTAL ACTIF CIRCULANT	129 853 779	82 805 065
PREOPERATING EXPENSES	CHARGES DIFFEREES	0	0
LATENT EXCHANGE DIFFERENCES	ECARTS DE CONVERSION ACTIF	0	17 963
TOTAL ASSETS	TOTAL ACTIF	299 390 959	260 379 276

NORSKE SKOG GOLBEY — **NORSKE SKOG GOLBEY**

88194 GOLBEY — 88194 GOLBEY - France

BALANCE SHEET
LIABILITIES AND EQUITY

B I L A N
PASSIF

		Year End 31/12/2018	Year End 31/12/2017
EQUITY	CAPITAUX PROPRES		
Share capital	Capital	62 364 874	62 364 874
Legal reserve	Réserve légale	9 946 017	9 946 017
Retained earnings	Report à nouveau	-2 880 851	3 289 155
Year result	Résultat de l'exercice	30 528 554	-6 170 006
Investments grants	Subventions d'investissement	709 333	610 070
Statutory provisions	Provisions réglementées	122 653 047	123 926 373
		223 320 975	193 966 483
PROVISIONS FOR RISKS AND CHARGES	PROVISIONS POUR RISQUES ET CHARGES	5 941 997	5 968 582
LIABILITES	DETTES		
Subordinated advances	Avances subordonnées		
Loans	Emprunts et dettes financières	10 053 041	10 341 753
Accounts payables	Fournisseurs	41 286 188	38 721 503
Fiscal and social accounts payable	Dettes fiscales et sociales	17 327 392	9 928 662
Sundry creditors	Autres dettes	1 461 366	1 452 293
Suppliers of fixed assets	Dettes sur immobilisations		
		70 127 986	60 444 211
PROFIT TAKEN IN ADVANCE	PRODUITS CONSTATES D'AVANCE	0	0
LATENT EXCHANGE DIFFERENCES	ECARTS DE CONVERSION PASSIF	0	0
TOTAL LIABILITES AND EQUITY	**TOTAL PASSIF**	299 390 959	260 379 276

NORSKE SKOG GOLBEY	**NORSKE SKOG GOLBEY**
88194 GOLBEY	88194 GOLBEY - France
PROFIT AND LOSS ACCOUNT	**COMPTE DE RESULTAT**

		France	Export	TOTAL 31/12/18	TOTAL 31/12/17
OPERATING INCOME	**PRODUITS D'EXPLOITATION**				
Turnover	Chiffre d'affaires	47 496 335	225 067 766	272 564 101	236 764 502
Changes in finished goods	Production stockée			-389 473	-390 652
Transfer to fixed assets	Production immobilisée			2 737	4 663
Write back of provisions & depreciations	Reprises de provisions et amortissements			2 172 211	2 799 226
Transfer of expenses	Transferts de charges			893 988	168 707
Other income	Autres produits			17 044 085	16 756 574
TOTAL OPERATING INCOME	TOTAL DES PRODUITS D'EXPLOITATION			292 287 649	256 103 019
OPERATING COSTS	**CHARGES D'EXPLOITATION**				
Purchases of raw materials, supplies	Achats de matières premières et approvisionnements			117 376 444	115 550 501
Change in stock	Variation de stock			-1 931 498	845 018
Other purchases and charges	Autres achats et charges externes			92 904 767	85 654 627
Taxes	Impôts et taxes			7 585 192	6 392 540
Salaries and wages	Salaires et traitements			16 856 493	16 660 468
Social costs	Charges sociales			7 751 016	6 856 320
Depreciations	Dotations aux amortissements			13 884 588	13 766 685
Charge for provisions	Dotation aux provisions			1 269 205	603 871
Other	Autres charges			1 152 598	815 807
TOTAL OPERATING COSTS	TOTAL CHARGES D'EXPLOITATION			256 848 806	247 145 837
OPERATING RESULT	**RESULTAT D'EXPLOITATION**			35 438 843	8 957 181

NORSKE SKOG GOLBEY	**NORSKE SKOG GOLBEY**
88194 GOLBEY	88194 GOLBEY
PROFIT AND LOSS ACCOUNT	**COMPTE DE RESULTAT**

		TOTAL 31/12/18	TOTAL 31/12/17
OPERATING RESULT	**RESULTAT D'EXPLOITATION**	35 438 843	8 957 181
FINANCIAL INCOME	PRODUITS FINANCIERS		

Financial income from investments	Produits financiers de participation	0	0
Interest received	Interêts et produits assimilés	269 798	155 210
Write back of allowances	Reprises sur provisions	813 126	828 000
Transfer of expenses	Transfert de charges	0	0
Profit on exchange	Differences positives de change	225 819	71 066
Profit on disposal of mark.securities	Produits nets sur cessions de VMP	0	0
TOTAL FINANCIAL INCOME	TOTAL DES PRODUITS FINANCIERS	1 308 743	1 054 276
FINANCIAL COSTS	CHARGES FINANCIERES		
Financial provisions	Dotations aux provisions	0	17 367
Interest costs	Interêts et charges assimilées	1 826 795	1 055 870
Loss on exchange	Différences négatives de change	125 863	250 187
TOTAL FINANCIAL COSTS	TOTAL DES CHARGES FINANCIERES	1 952 658	1 323 423
FINANCIAL RESULT	RESULTAT FINANCIER	-643 914	-269 148
RESULT BEFORE EXTRAORDINARY ITEMS	RESULTAT COURANT	34 794 928	8 688 033

NORSKE SKOG GOLBEY — **NORSKE SKOG GOLBEY**

88194 GOLBEY — 88194 GOLBEY

PROFIT AND LOSS ACCOUNT — **COMPTE DE RESULTAT**

		TOTAL 31/12/18	TOTAL 31/12/17
RESULT BEFORE EXTRAORDINARY ITEMS	RESULTAT COURANT	34 794 928	8 688 033
EXTRAORDINARY INCOME	PRODUITS EXCEPTIONNELS		
Extraordinary operating income	Prod. excep. sur opérations de gestion	6 489	153 641
Profit on disposal of fixed assets	Produits exceptionnels sur opérations en capital	715 543	609 796
Write back of allowances	Reprises sur provisions	2 897 037	4 162 935
TOTAL EXTRAORDINARY INCOME	TOTAL PRODUITS EXCEPTIONNELS	3 619 069	4 926 372
EXTRAORDINARY COSTS	CHARGES EXCEPTIONNELLES		
Extraordinary operating costs	Ch. exc. sur opérations de gestion	541 756	157 253
Net book value of assets sold	Ch. exc. sur opérations en capital	210 000	81 985
Extraordinary depreciation	Dotation exc. aux ammortissements et provisions	1 623 712	20 134 542

TOTAL EXTRAORDINARY COSTS	TOTAL CHARGES EXCEPTIONNELLES	2 375 468	20 373 781
RESULT OF EXTRAORDINARY ITEMS	RESULTAT EXCEPTIONNEL	1 243 601	-15 447 408
PROFIT SHARING BONUS	PARTICIPATION DES SALARIES	705 000	0
INCOME TAX	IMPOT SOCIETE	4 804 975	-589 369
TOTAL OF CHARGES	TOTAL CHARGES	266 686 907	268 253 672
TOTAL OF PROFITS	TOTAL PRODUITS	297 215 461	262 083 667
NET RESULT	RESULTAT	30 528 554,24	-6 170 005,93

External Audit Report
Application: NSG_REG651 Date: 14/01/2019
Entity: GOL - Norske Skog Golbey S.A.S. Time: 16:19 PM
Category: ACT18
Currency: EUR

External Audit Report
Financial metrics cash flow

	GOL M.CTD DEC 18
CASH FLOW	
CASH FLOW INDIRECT METHOD	
CF20 - Gross operating earnings	51 777 431
CF21 - Restructurings payment	-912 032
CF22 - Change in working Capital	2 503 630
CF28 - Other items	-78 463
CF38 - Cash from net financial items	-1 656 623
CF39 - Taxes paid	-951 836
CF40 - Net cash flow from operating activities	**50 682 106**
CF41 - Investments in operational fixed assets	-5 921 247
CF42 - Sale of operational fixed assets	44 000
CF43 - Dividend received	0
CF44 - Acquisition of shares in companies&other	-34 408
CF45 - Sales of shares in companies & other	0
CF50 - Net cash from investing activities	**-5 911 655**
CF51 - New loan raised	30 895 007
CF52 - Repayment of loan	-28 573 204
CF59 - Unaccounted cash flow	172 334
CF53 - Dividend paid	0
CF54 - Purchase/sale of treasury shares	0
CF55 - New equity	0
CF60 - Net cash from financing activities	**2 494 137**
CF70 - Foreign currency effects on CASH EQ I/C	**-42 335**
CF80 - Total Change in Cash, Cash EQ and I/C	**47 222 253**
CF90 - Cash, cash equivalents & I/C OB	**48 520 892**
CF95 - Cash, cash equivalents & I/C CB	**95 743 146**
Cash_Flow_new - Validation Account for New Cash Flow	**0**

The Financial metrics cash flow show the change in cash, cash equivalents and intercompay

Currency: EUR

External Audit Report
Financial metrics cash flow

	GOL M.CTD DEC 17
CASH FLOW	
CASH FLOW INDIRECT METHOD	
CF20 - Gross operating earnings	25 720 121
CF21 - Restructurings payment	-1 628 164
CF22 - Change in working Capital	-17 468 154
CF28 - Other items	1 068 098
CF38 - Cash from net financial items	-1 193 386
CF39 - Taxes paid	-912 795
CF40 - Net cash flow from operating activities	**5 585 719**
CF41 - Investments in operational fixed assets	-9 143 528
CF42 - Sale of operational fixed assets	0
CF43 - Dividend received	0
CF44 - Acquisition of shares in companies&other	893 800
CF45 - Sales of shares in companies & other	0
CF50 - Net cash from investing activities	**-8 249 728**
CF51 - New loan raised	25 010 075
CF52 - Repayment of loan	-17 469 112
CF59 - Unaccounted cash flow	-34 462
CF53 - Dividend paid	0
CF54 - Purchase/sale of treasury shares	0
CF55 - New equity	0
CF60 - Net cash from financing activities	**-10 205 237**
CF70 - Foreign currency effects on CASH EQ I/C	**-48 198**
CF80 - Total Change in Cash, Cash EQ and I/C	**-12 917 444**
CF90 - Cash, cash equivalents & I/C OB	**61 438 337**
CF95 - Cash, cash equivalents & I/C CB	**48 520 892**
Cash_Flow_new - Validation Account for New Cash Flow	**0**

The Financial metrics cash flow show the change in cash, cash equivalents and intercompay

NOTES TO THE FINANCIAL STATEMENTS

on 31.12.2018

Appendix to the balance sheet for the financial year ending December 31, 2018, showing a total of 299 390 959 EUR *and to the profit and loss account for the financial year, showing a profit of 30.528.554* EUR (deficit of EUR 6 170 006 in 2017).

The financial year lasts 12 months and covers the period from January 1, 2018 to December 31, 2018.

The following notes and tables form an integral part of the annual financial statements.

T A B L E   O F   C O N T E N T S

01. MAIN EVENTS FOR THE PERIOD

The production volume in 2018 is 563 123 tonnes for both paper machines, against 555 134 tonnes in 2017. The sales volume is 13 649 tonnes higher than the previous year with 565 122 tonnes against 551 473.

This increase in volume is due to the actual decrease of certain production capacities in Europe. These significant capacity reductions have re-balanced the market favorably and led to a significant increase in selling prices.
Constantly increasing throughout the year, the average selling price in 2018 is 12.2% higher than in 2017, ie EUR 482.1 per tonne instead of EUR 429.5 in 2017.

Thanks to an improvement in a recurring quality problem ("picking"), the share of turnover attributed to the German market which decreased from 40% in 2016 to 33% in 2017, stood at 37% in 2018.

Compensatory measures by the State on electricity price, already implemented since 2015 (CO2 compensation and electricity interruptibility contract with RTE) improved again the result of the period .

In spring 2017, the company started construction of a biogas production process from the effluents of the wastewater treatment plant. This 7 million euros industrial project, requires an extension of investment and will only increase the company's income from the first half of 2020.

As announced in the second quarter of 2018 and after ratification by the various states involved, the acquisition of the Norske Skog group by the main owner of the secured debt ("Oceanwood") was realized on September 28, 2018.

Continuing its CSR integration process (Corporate Social Responsibility) Norske Skog Golbey is regularly asked to testify about its diversification projects, which are part of a process of Industrial Territorial Ecology (EIT), of which there are still few examples in France or in Europe.
The Company released its second CSR report in November 2018.
This approach is an important lever for differentiation and will help to ensure the long-term viability of the site.

Events after book closure :

In March 2019, the Company paid a dividend distribution of € 3,352,296.77 and an interim dividend in favor of the sole shareholder (Norske Skog AS) for an amount of € 27,647,703. 23 euros.

02. ACCOUNTING RULES AND METHODS

The general accounting conventions have been applied in respect of the principle of conservativeness, according to the following basic assumptions :

- going concern
- independence of financial years
- consistency of methods

and in conformity with Regulation 2016-07 of the French Accounting Standards Authority approved by ministerial decree of December 26, 2016 relating to the rewriting of the PCG.
The underlying basic method for the evaluation of the items accounted in the books is the historical costs method.
Besides, the following explanation can be given :

A. Tangible and intangible fixed assets

- Tangible and intangible fixed assets have been accounted for at their acquisition cost (purchase price and auxiliary expenses : engineering, financial interests, construction insurance and indirect charges being connected to fixed assets).
  The fixed assets are depreciated on a straight line method according to the following durations :

Housing	50 ans (2 %)
Temporary administrative buildings	6 à 10 ans (15 à 10%)
Factory building	20 ans (5 %)
Industrial tools and equipment	5 à 20 ans (20 à 5 %)
Office equipment and data processing equipment	3 à 5 ans (20 à 33%)
Professional furniture	10 ans (10 %)
Transport equipment	4 ans (25 %)

The Company reserving the right to depreciate according to the derogatory Declining Balance Method, a complementary allowance for an amount of 2,652 million EUR was registered on December 31st 2018 (3.875 million in 2017). This amount corresponds to the difference between the declining depreciation method and the lineary depreciation registered for 2018.

Depreciation period: In 2007, depreciation periods were revised according to the expected useful lives of the investments concerned. The difference in amortization period on non-decomposable fixed assets resulted in 2018 in the recognition of special amortization for an amount of € 1,624 (€ 2,423 million in 2017). The impact is only a presentation impact between operating profit and exceptional result.

Acquisition costs of financial fixed assets: the gross value of participations and other long-term investments consists of the acquisition cost excluding incidental expenses. When the inventory value is lower than the gross value, a provision for depreciation is made.

- The Company's financial assets consist of: € 8,914 thousand in equity investments (including € 8,506 thousand in Exeltium shares). The impairment method for equity securities is currently based on business plans. As the plans were respected, no impairment was recorded at the closing.

- 1,472 thousand euros of other shares/securities.

- 9,885 thousand euros of other financial fixed assets (9,759 thousand euros of bank guarantees).

B. *Stocks*

Inventories have been valued according to their nature :

- Raw materials – recovered paper : The company applies the method "First in, first out".
- Raw materials - wood: The company applies the weighted average unit price method.
  Log stock is valued for each "wet ton".
- Recovered waste (bark): The company applies the weighted average unit price method.
- Other supplies: The company uses the weighted average cost. This stock consists mainly of spare parts.
  A provision for an amount of 4,180 thousand euros is recorded in the accounts (€ 4,090 thousand in 2017). This provision based on statistical calculations of non-rotation of spare parts is revised each year.
- Finished goods: They are valued at the cost of production, possibly reduced to bring it back to the net selling price if it is lower.

C. *Receivables*

Receivables are valued at their nominal value. A provision for depreciation is made when the inventory value is lower than the book value.

A statistical provision for doubtful debts of 100% for any receivable whose due date is exceeded by more than 90 days except in exceptional cases is calculated.

In 2018, we recorded a provision of 379 thousand Euros.

The company uses factoring, which represents an amount of € 42,579,064 in invoices sold and an amount in reserves of € 7,795,887.

D. *Transactions in foreign currencies*

Expenses and income denominated in foreign currencies are accounted for using the exchange rate at the date of the book/entry. Receivables and payables as of end of the year are accounted for using the exchange rate at that date. If any, the potential exchange loss resulting from the difference between the exchange rate at the date of book entry and the closing date is reserved for.

E. *Short term marketable securities*

Marketable securities are valued at their historical cost. If a capital loss existed at the balance sheet date, it would be recognized by way of a provision.

F. *Equity*

The shareholders' equity takes into account EUR 709 333 in subsidies obtained as part of the extension of the plant (EUR 610 070 in 2017).

G. *Income tax*

Tax consolidation :

A horizontal tax consolidation with the Norske Skogindustrier Branch (NSIB) was set up in early 2016. The Company was head of tax consolidation..

This group plan option was formally denounced on January 1, 2018.

Breakdown of income tax:

The proceeds of € 684,389 in Income Taxes consist of:
Tax Credit Apprenticeship: € 6,933
Research Tax Credit: € 677,436

Breakdown in €	Result before income tax	Taxable result	Theoretical income tax	Result after income tax
Current result	34 794 928	31 231 434	10 651 826	24 143 102
Exceptional result	1 243 601	1 148 397	391 674	851 928
Profit sharing for employees	-705 000	705 000	240 448	-945 448
Forfaited social contribution linked to profit sharing		141 000	48 090	-48 090
Previous losses set againt taxable result		-17 112 916	-5 836 549	5 836 549
tax adjustments			-6 144	6 144
Credit income tax obtained			-684 369	684 369
	35 333 529	16 112 916	4 804 975	30 528 554

At the end of 2018, the Company's carryforward deficit amounted to € 6,147,000.

H. *Competitiveness Tax Credit Employment*

At December 31, 2018, Norske Skog Golbey recorded in its accounts a CICE of
496 thousand euros corresponding to 6% of the eligible payroll for the year. It contributed to Cpaex investments in 2018.

The CICE has been recorded as a reduction of social charges, as authorized by the Accounting Standard Authority's note of February 2013.

I. *Provisions for risks and charges*

Long service awardsl

The amount of the commitment on long-service medals as of 31.12.2018 is EUR 187 333.

Retirement benefits :

The amount of the commitment for retirement benefits at 31.12.2018 is € 5,784,631. The calculation is valued on the basis of known figures as of 31.12.2018.

The method used for the valuation is "Projected Unit Credit" with prorata, preferred method of the IAS Board. This consists of projecting the gross salary until the date of retirement and determining the amount of the indemnity on the date of retirement according to the concerned scales of the National Collective Agreements (NCC) and the end of career salary. The social liability is equal to the compensation discounted at the net financial rate of return retained over the period remaining from the valuation date to the date of retirement, weighted by the probability of death, by the probability of leaving the company and prorated "seniority acquired on the date of evaluation / seniority at the date of retirement".

The criteria selected are the following:

- Discount rate: 1.60%
- Rate of salary increase: 2.25%
- Employer social security rate: 45%
- Life table: INSEE 2012-2014
- Age of retirement: between 65 and 67 years

At the end of 2007, the Company outsourced the IDR (= retirement benefit). The balance of the account at the end of 2018 is € 1,973,650 and the total provision is € 3,810,981.

Provision of mandatory controls

Since 2007, Norske Skog Golbey has recorded a provision for mandatory controls totaling € 1,340,000 at the end of 2018. These are expected future costs for the decennial maintenance of the main processes of the plant.

Provision for restructuring plan

In 2015, the Company initiated a downsizing plan for 70 FTEs, including 20 non-replacements over the year, 10 voluntary departures and 40 pre-retirement.

The amount of the remaining provision recorded in the financial statements for the 2018 financial year for taking into account, in particular, the salary costs incurred and the cost of the support amounted to € 386,181. The last departure taking place in 2020, this provision will be extinguished on this date.

J. *Transferred expenses :*

Tranferred expenses consist of 3,495 euros of insurance reimbursement and 890,493 euros of reimbursement of personnel costs.

K. *Other operating revenue*

« Other operating income" is composed mainly of :

- 6.839 Thousand euros: various sales (excluding core business): Wood - Energy - Services

- 1,800 Thousand euros: CO_2 compensation premium - Premium paid by the state for the benefit of electro-intensive industries exposed to international competition.

- 6,000 Thousand euros: interruptibility bonus - premium paid by the RTE network to compensate for the faculty given to them to be able to cut off the Company's power supply in case of under-capacity of the network.

- 2,412 Thousand euros: Sale quotats CO_2

L. Fees paid to the auditor

The amount of fees paid to the Statutory Auditors in respect of 2018 amounts to € 49,500.

M. Financial income and expenses

The total financial income amounts to € 1,308,743. It takes into account an amount of € 813,000 reversal of provisions relating to the companies Papeteries de Chatelles (Liquidity Company) and NORFIBRES (Company whose business has ceased).

N. Accounting for energy certificates

The company has never benefited from an energy certificate resulting from the program law n ° 2005-781 of July 13, 2005 setting the guidelines of the energy policy and to be the object of an accounting registration.

O. Recognition of foreign exchange gains and losses

The new accounting rules applicable as of January 1, 2017 (ANC 2015-05), provide for the recognition of foreign exchange gains and losses inherent in commercial operations in operating income. Given the insignificant nature of these transactions recorded during the year, no reclassification has been made.

P. Employees profit sharing bonus

On the basis of the results for the year, the provision for employee profit-sharing in respect of 2018 amounts to € 705,000.

03. FIXED ASSETS

FIXED ASSETS in EUR	Gross value beginning of the year	Increase	Decreases	Transfers between items	Gross value at year end
Intangible assets					
Software	2 924 048.80	0.00	0.00	0.00	2 924 048.80
Total intangible	2 924 048.80	0.00	0.00	0.00	2 924 048.80
Fixed assets					
Landsites	137 463.41	0.00	0.00	0.00	137 463.41
Buildings	182 808 021.77	0.00	0.00	0.00	182 808 021.77
Fixtures and fittings of buildings	15 991 596.65	0.00	0.00	0.00	15 991 596.65
Machinery and tooling	592 416 810.86	0.00	0.00	9 546 936.21	601 963 747.07
Sundry installation and fittings	0.00	0.00	0.00	0.00	0.00
Vehicles	180 475.23	0.00	0.00	12 500.00	192 975.23
DPE, office equipment and furniture	1 666 325.54	0.00	0.00	0.00	1 666 325.54
Other fixed assets	5 441 202.34	0.00	0.00	152 511.90	5 593 714.24
Fixed assets in progress	8 704 801.75	5 921 246.93	0.00	-9 711 948.11	4 914 100.57
Advances and down payments					
Total fixed assets	**807 346 697.55**	5 921 246.93	0.00	0.00	813 267 944.48
Financial assets					
Investments in subsidiaries	9 077 639.00	50 000.00	213 920.00	0.00	8 913 719.00
Other investments	1 472 000.00	0.00	0.00	0.00	1 472 000.00
Loans and other financial assets	9 976 509.37	950 385.15	1 042 192.00	0.00	9 884 702.52
Total financial assets	20 526 148.37	1 000 385.15	1 256 112.00	0.00	20 270 421.52
TOTAL	830 796 894.72	6 921 632.08	1 256 112.00	0.00	836 462 414.80

04. DEPRECIATION

Depreciation of fixed assets in EUR	Beginning of the year	Expense for the year	Decrease (sales or withdrawals)	Year-End
Intangible assets				
Software	2 637 495.64	32 553.15	-	2 670 048.79
Total intangible	**2 637 495.64**	**32 553.15**	-	**2 670 048.79**
Fixed assets				
Buildings	144 273 667.91	3 419 056.81	-	147 692 724.72
Fixtures and fittings of buildings	13 802 552.01	336 350.50	-	14 138 902.51
Machinery and tooling	485 163 048.22	9 742 985.56	-	494 906 033.78
Sundry installations and fittings				
Vehicles	177 475.23	4 250.00	-	181 725.23
DPE, office equipment and furniture	1 616 165.27	30 165.47	-	1 646 330.74
Other fixed assets	3 898 242.81	319 226.38	-	4 217 469.19
Total fixed assets	**648 931 151.45**	**13 852 034.72**	**0.00**	**662 783 186.17**
Financial assets	0.00	0.00	0.00	0.00
TOTAL	**651 568 647.09**	**13 884 587.87**	**0.00**	**665 453 234.96**

05. PROVISIONS FOR CONTINGENCIES AND LIABILITIES

	Amount at the Beginning of the Financial year	Provision of the year	Withdrawal of old provision	Amount at hte end of the year
Derogatory depreciation	123 926 372.82	1 623 711.61	2 897 036.95	122 653 047.48
TOTAL I	**123 926 372.82**	**1 623 711.61**	**2 897 036.95**	**122 653 047.48**
Provision for potential loss on exchange dif	17 367.18	0.00	17 367.18	0.00
Prov for retirement bonuses, similar obligations.	3 015 501.12	994 100.00	11 285.00	3 998 316.12
Provisions for major maintenance	1 320 000.00	20 000.00	0.00	1 340 000.00
Other provisions for risks and charges	1 615 713.68	0.00	1 012 032.35	603 681.33
TOTAL II	**5 968 581.98**	**1 014 100.00**	**1 040 684.53**	**5 941 997.45**
Provisions on shareholdings	200 000.00	0.00	200 000.00	0.00
Prov on others financial assets	1 472 000.00	0.00	0.00	1 472 000.00
Provision for depreciation of spare parts	4 090 000.00	90 000.00	0.00	4 180 000.00
Specific provision for bad debts	1 363 162.06	165 105.22	1 148 893.80	379 373.48
Other prov. for depreciation	18 307 498.06	0.00	595 759.00	17 711 739.06
TOTAL III	**25 432 660.12**	**255 105.22**	**1 944 652.80**	**23 743 112.54**
TOTAL GENERAL (I + II + III)	**155 327 614.92**	**2 892 916.83**	**5 882 374.28**	**152 338 157.47**
- Operating		1 269 205.22	2 172 211.15	
- financial		0.00	813 126.18	
- exceptionnel		1 623 711.61	2 897 036.95	

06 – RECEIVABLES AND LIABILITIES SORTED BY MATURITY

RECEIVABLES	Gross value (EUR)	Reiceivable in the year	Receivable over the year
FINANCIAL ASSETS			
Loan to affiliated companies (1) (2) (3)			
Loan(1) (2) (3)	0	0	0
Other financial assets	9 884 703	9 682 800	201 903
Total 3	**9 884 703**	**9 682 800**	**201 903**
CURRENT ASSETS			
Advances and down payments			
Credit notes to be received	1 705 726	1 705 726	0
Accounts receivable	3 928 671	3 928 671	0
Personnel	15 879	15 879	0
Social security and similar	0	0	0
Government and local authorities	0	0	0
. income tax	4 641 039	4 641 039	0
. value added tax	7 324 352	7 324 352	0
. other taxes	0	0	0
. grants to receive	0	0	0
Intra group accounts	101 805 256	79 910 419	21 894 837
Sundry debtors	9 852 636	9 852 636	0
Total 3	**129 273 559**	**107 378 722**	**21 894 837**
PREPAID EXPENSES	196 489	196 489	0
Total 4	**196 489**	**196 489**	**0**
Total (1+2+3+4)	**139 354 751**	**117 258 011**	**22 096 739**
RENVOIS			
(1) - New loans in the year	0		
Loans repaid during the year	0		
(2) Loans to shareholders	0		
(3) Convertible loan stock	0		

LIABILITIES	Gross value (EUR)	Payable within 1 year	Payable within 5 years	Payable over 5 years
TCF Loan				
Subordinated Advances				
BPLC Loan	1 314 150	206 271	1 107 879	0
EN.CEP.PA Loan	1 958 300	178 025	1 780 275	0
BPI Loan	3 636 306	1 196 906	2 439 400	0
Treasury bills CIC et BECM	3 000 000	3 000 000	0	0
Other loans and bank overdrafts	144 285	144 285	0	0
TOTAL LOANS AND FINANCIAL LIABILITIES	**10 053 041**	**4 725 487**	**5 327 554**	**0**
Accounts payable on operation	41 286 188	41 286 188	0	0
Personnel accounts	4 588 276	4 588 276	0	0
Social security and similar	3 129 812	3 129 812	0	0
Government : Income tax	5 465 764	5 465 764	0	0
Value added tax	2 553 504	2 553 504	0	0
Other taxes	1 590 035	1 590 035	0	0
Accounts payable on fixed assets	0	0	0	0
Intra group account	38 430	38 430	0	0
Other creditors	1 422 936	1 422 936	0	0
OPERATIONAL PAYABLES	**60 074 945**	**60 074 945**	**0**	**0**
T O T A L	**70 127 986**	**64 800 432**	**5 327 554**	**0**
Loan suscribed in the period	0.00			
Loan paid during the period	363 850.16			

07. INCOME TO RECEIVE

Amount of receivables included in the following balance sheet items: :

	Receivable Income 2018	Receivable Income 2017
Loans related to participations		
Other loans in the form of securities		
Loans		
Other financial fixed assets		
Credit notes to be received	1 962 476	1 906 231
Trade accounts receivable	0	5 456 794
Other receivables	6 441 039	6 158 170
Other investment in securities		
Liquid assets		
TOTAL	**8 403 515**	**13 521 195**

08. EXPENSES TO PAY

	Expenses to be paid 2018	Invoices to be received 2018	Expenses to be paid 2017	Invoices to be received 2017
Convertible bonds				
Other bonds				
Borrowings from financial institutions				
Intra group loan (NSI ASA)				
Miscellaneous borrowings				
Advances and down payments on orders received				
Accounts payable		8 436 432		9 980 608
Tax debts and social debts	7 802 640		5 965 852	
Other debts	2 032 682		2 077 744	
TOTAL	**9 835 323**	**8 436 432**	**8 043 596**	**9 980 608**

09. EXPENSES AND INCOME BOOKED IN ADVANCE

Items	Expenses 2018	Income 2018	Expenses 2017	Income 2017
Operating income and expenses	196 489			
Financial income and expenses				
Total	**196 489**			

10. SHARE CAPITAL AND CONSOLIDATING PARENT COMPANY

ITEMS	Nombre	Capital social en Euros
1. Registered shares at the beginning of the year	3.087.370	62 364 874
2. Shares issued during the year	0	0
3. Registered shares at year end	3.087.370	62 364 874

On 31.12.18, the share capital is 62,364,874 Euros fully paid up.

CONSOLIDATED COMPANY

NORSKE SKOGINDUSTRIER AS
OSLO
NORVEGE

11. TABLE OF CHANGES IN SHAREHOLDERS 'EQUITY

CHANGE IN EQUITY	Share capital	Legal reserve	Retained earnings	Year result	Investments grants	Statutory provisions	Total
31/12/2017	**62 364 874**	**9 946 017**	**3 289 155**	**-6 170 006**	**610 070**	**123 926 373**	**193 966 483**
Capital increase or decrease							
Minimum allocation to the legal reserve (5%)		0		0			
Retained earnings carried forward from 2017			-6 170 006	6 170 006			
Payment of dividend			0				
Net result for the 2018 financial year				30 528 554			30 528 554
Grants Amortization					99 263		99 263
Derogatory depreciation						-1 273 325	-1 273 325
31/12/2018	**62 364 874**	**9 946 017**	**-2 880 851**	**30 528 554**	**709 333**	**122 653 047**	**223 320 975**

12. VENTILATION OF NET SALES (EUR)

	2018	*2017*
Export	*225 067 766*	*191 975 373*
France	*47 496 335*	*44 789 128*
TOTAL	***272 564 101***	***236 764 501***

13. EXCEPTIONAL RESULT

The positive exceptional result of 1,243,601 euros (negative 15,447,408 euros in 2017) takes into account :

- € 660,463 of grants transferred to income (€ 610 thousand in 2017). A portion of these subsidies was allocated to the Company during the construction of the paper machine n ° 2 and was fully depreciated at the end of this year (609,796 euros).
  The other part was attributed to the construction of the biogas production process at the end of 2017.
  Amortization of these grants is broken down as follows (in €):

SUMMARY STATEMENT OF GRANTS TO BE REPORTED IN THE INCOME STATEMENT:	2018	2019 to 2032
Fonds d'industrialisation de la Lorraine	228 674	
Région	228 674	
Communauté de communes	152 449	
BIOGAZ	50 667	709 333
Yearly amortization	**660 463**	**709 333**
Remaining amortization end of 2018		**709 333**

- A reversal of the additional amortization charge of € 2,897 thousand (€ 4,163 thousand in 2017).

- An extraordinary depreciation allowance to offset the loss of depreciation resulting from the application of the new standards CRC 04-06, CRC 03-07 and CRC 02-10 was also recorded for an amount of 1,624 thousand euros (€ 2,423 thousand in 2017).

Other extraordinary income and expenses are the result of various management operations and disposals of assets.

14. UNREALIZED EXCHANGE DIFFERENCES

POTENTIAL EXCHANGE RATE LOSS	
Decrease in receivable accounts	0
Increase in payable accounts	0
Increase in long term loans: TCF	0
Assets difference	0
	0
POTENTIAL EXCHANGE RATE PROFIT	
Increase in receivable accounts	0
Decrease in payable accounts	0
Decrease in long term loans : TCF	0
Liabilities difference	0
	0

15. COMMITMENTS AND CONTINGENT LIABILITIES

A bank guarantee valid from 29/01/2018 to 20/01/2019 was issued by the bank Caisse d'Epargne in favor of the company EXCELTIUM for an amount of 11,747 K €.
The Company paid a cash deposit of € 5,876,000 to this bank as security for its suretyship. It has been registered as a deposit and suretyship. The off-balance sheet commitment on this bank guarantee amounts to € 5,871k.

A real estate mortgage on the industrial site for an amount of 13 million was signed on October 6, 2016 for the benefit of the bank Caisse d'Epargne. It serves as an additional guarantee for the issuance of any bank guarantee in favor of the electricity supplier Exeltium. The term of the mortgage is 10 years.

Several bank guarantees totaling € 5,700 thousand were issued by the bank Le Crédit Lyonnais (LCL). The Company paid LCL the sum of € 3,063,000 as cash pledge; The Company registered this amount as deposits and sureties. The off-balance sheet commitment on these bank guarantees amounts to € 2,637,000.

16. COMMITMENTS TO LEASING AGREEMENTS

A lease agreement was signed with Lorequip Bail for an amount of € 2,722,500 and for a period of 7 years from 01/01/2014.

	Machinery and equipment
ORIGINAL VALUE	**2 722 500.00**
DEPRECIATION	
End of last year	1 481 751.70
Current year	400 600.64
TOTAL	**1 882 352.34**
NET VALUE	**840 147.66**
ALREADY PAID	
End of last year	1 730 520.00
Current year	432 630.00
TOTAL	**2 163 150.00**
still to be paid	
Within one year	432 630.00
More than one year and less than 5 years	432 630.00
More than 5 years	0.00
TOTAL	**865 260.00**
Residual value	**27 500.00**

17. DEVELOPMENT OF FUTURE TAX ASSETS AND LIABILITIES

Temporary time offs between accounting and tax treatment are as follows:

INCREASE IN FUTURE TAX BASE			
	31/12/2017	**MOUVEMENT 2018**	**31/12/2018**
Degoratory depreciation	123 926 373	-1 273 325	122 653 047
Potential exchange gain	17 963	-17 963	0
TOTAL	**123 944 336**	**-1 291 288**	**122 653 047**
DECREASE IN FUTURE TAX BASE			
Investment grants not yet taken in result	609 796	-609 796	0
Provision for potential exchange loss	17 367	-17 367	0
Provision for spare parts	2 045 000	-2 045 000	0
Provision C3S (ORGANIC contribution)	373 000	121 000	494 000
Provision ASC (Labour costs)	1 221 412	-911 342	310 070
Provision for retirement bonuses	2 816 882	994 100	3 810 982
Provision for bad debt	0	165 105	165 105
TOTAL	**7 083 457**	**-2 303 300**	**4 780 157**

The reduction in the future tax base of EUR 117 872 890 represents an amount of EUR 29 468 223 after applying a corporate tax rate of 25%.

18. AVERAGE NUMBER OF PERMANENT STAFF EMPLOYED

Category	2018	2017
Management and executives	65	59
Clerks, technicians and foremen	139	148
Workers	126	131
Apprentices	18	20
Total	**348**	**358**

19. DIRECTORS WAGES

Information on the amount of compensation granted to executives is not provided in the notes to the financial statements because it would be like revealing the situation of a specific member of the management bodies.

20. LIST OF SUBSIDIARIES AND INVESTMENT

Equity securities for which the net value is not zero at 31/12/2018:

	Share capitall EUR	Equity EUR	Last known result EUR	Share of capital held	Value of shares held (in EUR)
French shareholdings (10 to 50 %)					
EXELTIUM ***Figures as of 31-12-2018*** 43 Bld Malesherbes 75008 PARIS	12 383 834	14 957 000	5 636 000	4.78 %	8 341 300
SEM (1) – ***Figures as of 31-12-2018*** ***DEVELOPPEMENT ECONOMIQUE*** Rue Louis Meyer 88190 Golbey	1 640 000	843 431	4 130	21.83 %	358 000

Your directors present their report on the Group consisting of Norske Skog Industries Australia Limited (the company) and its subsidiaries for the year ended 31 December 2017.

Directors
The following persons were directors of Norske Skog Industries Australia Limited during the whole of the financial year and up to the date of this report, unless otherwise indicated.

Mr D A Leighton (ceased 14/03/2018)
Mr S Ombudsvedt (ceased 08/05/2017)
Mr R Odelien (ceased 06/02/218)
Mr R Sollie
Mr L Sperre (commenced 08/05/2017)
Mr T Hansesaetre (commenced 06/02/2018)
Mr E Luck (commenced 14/03/2018)

Principal Activities
The principal activities of the Group include the manufacture and sale of newsprint, catalogue and magazine grade paper in Australia, New Zealand and Asia, together with afforestation activities in Tasmania.

In addition to the principal activities above, the company purchased the business and assets of Nature's Flame, a company incorporated in New Zealand in 2015. Nature's Flame manufactures high grade wood pellets and is the dominant domestic supplier to the New Zealand market. Its plant at Taupo is state of the art and produces a very high quality / low ash product using residues from sustainably certified plantations. The Taupo plant is geographically well positioned in the centre of the north island, where the bulk of New Zealand's forest based industry is located

There were no significant changes in the nature of the activities of the Group during the year ended 31 December 2017.

Dividends
No dividends were declared or paid during the financial year (2016: $nil).

Review and results operations
The Group recorded a total comprehensive loss for the year ended 31 December 2017 of $225.666 million (2016: $39.894 million loss).

Significant changes in the state of affairs / Matters subsequent to the end of the financial year

The former ultimate parent company, Norske Skogindustrier ASA filed for bankruptcy on 19 December 2017 following unsuccessful attempts to achieve a consensual recapitalisation of the Norske Skog group. Norske Skog AS became the new ultimate parent company of the group as of that date. On 3 May 2018, a wholly owned subsidiary of Oceanwood Opportunities Master Fund entered into a sale and purchase agreement with Citibank, N.A., London Branch, as security agent, for the acquisition of the shares in Norske Skog AS, along with its direct and indirect subsidiaries. Upon completion of the transaction, financial and guarantee liabilities of the ultimate parent that are not fully discharged from the proceeds will be released. The transaction is subject to Oceanwood obtaining the relevant antitrust and other regulatory approvals in the countries concerned (including Australia and New Zealand), which is currently anticipated to be obtained in the second half of 2018.

Upon completion, it is expected that the ultimate parent, Norske Skog AS will have significantly less debt and interest costs, which will improve the solidity and liquidity of the Norske Skog group. It is also expected that upon completion a process will commence to recapitalise intercompany loans within the Norske Skog Industries Australia group which will improve the equity position of the Norske Skog Industries Australia group.

On 24 May 2018 an incident occurred at the group's Albury mill that resulted in the death of two employees. Operations at the mill were suspended following the incident to allow for its investigation. Management is yet to determine the root cause of the incident, and as such, an estimate of the financial effect cannot be made at this time.

Health and safety continues to be the key focus area of the company, its subsidiary companies and the respective board of directors and executive management teams.

Likely developments and expected results of operations
The Group will continue to pursue its interest in the paper sector during the next financial year.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The group is subject to significant environmental regulation in respect of its land development, construction and manufacturing activities as set out below.

Forestry

In Tasmania, the company's forest operations are governed by the Forest Practices Code 2015 and other relevant legislation.

For the financial year ended 31 December 2017, the operations complied with these requirements. All inspections by the Regulator produced positive feedback noting that planning and operations were of a high level.

Norske Skog Boyer continues to be certified under both the Programme for the Endorsement of Forest Certification (PEFC) and the Forest Stewardship Council (FSC) for sustainable forest management and product chain of custody.

Manufacturing

Boyer Mill

Boyer Mill holds permit number 3411 entitling it to operate the premises for the purpose of pulp and paper making activities. Activity is currently regulated according to permit conditions as varied by Environmental Protection Notice (EPN) 657/2 issued on 27 May 2013 under the Environmental Management and Pollution Control Act (EMPCA) 1994.

During the reporting period there were a number of non-compliances reported:

- A mill contractor was not spreading biomass in accordance with terms agreed with EPA. Issue immediately rectified
- A contract truck transporting biomass had a minor spill on public road. Immediately cleaned up
- For a period of one day each there were 2 separate events where the woodmill operated outside of normal hours to make up for lost production due to mechanical failure.

There were no consequences resulting from these non-compliances.

The Boyer Mill continues to maintain an externally accredited Environmental Management System (EMS) certified to AS/NZS ISO14001:2004 specifications. A surveillance audit was successfully completed during the reporting period.

Albury Mill

The Albury mill operates under a single Environmental Protection Agency (EPA) licence issued under the NSW Protection of the Environment Operations Act 1997. The licence covers mill operations, river discharge water quality, waste water treatment, the operation and management of an effluent reuse site. The mill is also covered by a number of development consent conditions issued by the NSW Department of Planning. Performance with respect to the mill licence conditions are reported on and updated regularly on the Norske Skog global website.

During the twelve month reporting period, a number of non-compliances to the mill's Environment Protection Licence were reported to the NSW EPA Southeast Regional office. There was a spill of effluent to a stormwater channel (recovered), an uncontrolled flow of stormwater to a boundary creek, effluent maximum discharge limit exceedance due to an issue with the control, boiler opacity limit exceedance and increased levels of copper in the biosolids from the deinking plant. There were no consequences as a result of these non-compliances.

The Albury Mill continues to maintain certification to AS/NZS ISO 14001:2004 (Environment Management Systems).

Tasman Mill

The Tasman Mill operates under resource consents (permits) issued by the Bay of Plenty Regional Council under the New Zealand Resource Management Act 1991. These permits cover all of the mill operations including water abstraction, wastewater and storm water discharges, landfill operations and air discharges. During 2017 the Tasman Mill maintained full compliance with all resource consents and conditions.

The Tasman Site has continued to optimise wastewater treatment performance, with a number of investigations into colour and wastewater management underway or completed. The mill continues to recycle 100% of primary clarifier solids waste to external composting operations.

The Tasman Mill maintains certification to AS/NZS ISO 14001: 2004 and is currently transitioning to the new AS/NZS ISO 14001:2016 Environmental Management System Standard).

Health and Safety

Health and safety performance has been excellent overall, with no LTI's in the region and good H2/H3 record across all 3 mills. Around the mills, Boyer had an excellent year for safety, and finished with only 6 H3 injuries (all injuries/absence including first aid) for the entire year with good visible safety engagement by the leadership team. Boyer is focused heavily on behavioural safety through their Safety Interactions Program. Tasman overall had a very low number of incidents for 2017 with only 6 H3 injuries and are now 8 years since a LTI. They renewed their H&S policies in 2017 and are well into their implementation, while Albury was LTI free for the year.

Information on directors:

Mr D Andrew Leighton
Age 55

Experience and expertise
Regional President, Australasia
Director since 17 August 2010 – ceased 14 March 2018

Mr Sven Ombudsvedt
Age 51

Experience and expertise
Chief Executive Officer and President, Norske Skogindustrier ASA
Director since 12 October 2011 – ceased 8 May 2017

Mr Roar Odelien
Age 49

Experience and expertise
Chief Operating Officer, Norske Skogindustrier ASA
Director since 21 January 2014 – ceased 6 February 2018

Mr Rune Sollie
Age 51

Experience and expertise
Chief Financial Officer, Norske Skog AS
Director since 7 May 2014

Mr L Sperre
Age 41

Experience and expertise
Chief Executive Officer and President, Norske Skog AS
Director since 8 May 2017

Mr T Hansesaetre
Age 33

Experience and expertise
Chief Operating Officer, Norske Skog AS
Director since 6 February 2018

Mr E Luck
Age 58

Experience and expertise
Regional President, Australasia
Director since 14 March 2018

Meetings of directors
The company secretary is Mr Eric Luck. Mr Luck was appointed to the position of company secretary effective from 24 January 2012.

The numbers of meetings of the company's board of directors held during the year ended 31 December 2017, and the number of meetings attended by each director were:

	Full meeting of directors	
Director	**A**	**B**
Mr D Andrew Leighton	6	6
Mr Sven Ombudsvedt (ceased 8/5/17)	1	2
Mr Lars Sperre (commenced 8/5/17)	4	4
Mr Roar Odelien	6	6
Mr Rune Sollie	6	6

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year.

Insurance of officers
Directors' and officers' liability insurance is provided for current and former directors and officers of the company. Officers are indemnified by the company against liability to the extent permitted under section 199A of the Corporations Act 2001.

Indemnification of auditors
To the extent permitted by law, the Company has agreed to indemnify its auditors, BDO, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify BDO during or since the financial year.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars or in certain cases, to the nearest dollar.

Auditor's independence declaration
A copy of the auditor's independence declaration as requested under section 307C of the *Corporations Act 2001* is set out on the following page.

This report is made in accordance with a resolution of directors.

Mr Eric J Luck
Director

Sydney, Australia
2 July 2018

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE OF PAUL BULL TO THE DIRECTORS OF NORSKE SKOG INDUSTRIES AUSTRALIA LIMITED

As lead auditor of Norske Skog Industries Australia Limited for the year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Norske Skog Industries Australia Limited and the entities it controlled during the period.

Paul Bull
Partner

BDO East Coast Partnership

Sydney, 2 July 2018

Norske Skog Industries Australia Limited
ABN 50 003 902 985

Annual financial report – 31 December 2017

Contents

This financial report covers Norske Skog Industries Australia Limited as a consolidated entity consisting of Norske Skog Industries Australia Limited and its subsidiaries. The financial report is presented in Australian currency.

Norske Skog Industries Australia Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Norske Skog Industries Australia Limited
Level 9, 59 – 61 Goulburn Street
Sydney NSW 2000

The financial report was authorised for issue by the directors on 2 July 2018.

	Notes	**2017 $'000**	2016 $'000
Revenue from continuing operations	4	**547,368**	572,790
Fair value gain of forest estate	13	**4,207**	4,377
Raw materials and consumables used		**(322,394)**	(328,010)
Employee benefits expense		**(85,126)**	(95,044)
Depreciation and amortisation expense	5	**(35,075)**	(44,677)
Distribution expenses		**(63,148)**	(65,442)
Loss on embedded derivatives		**(10,925)**	(28,295)
Mechanical maintenance and servicing		**(25,237)**	(25,281)
Impairment – property, plant & equipment	15	**(154,300)**	-
Other expenses		**(27,655)**	(23,937)
Finance costs	5	**(29,800)**	(15,211)
Share of post-acquisition losses in equity accounted joint venture	31	**(1,341)**	-
Loss before income tax		**(203,426)**	(48,730)
Income tax (expense)/benefit	6	**(20,000)**	10,153
Loss from Continuing Operations		**(223,426)**	(38,577)
Loss from discontinued Operations	7	**-**	(2,551)
Loss for the year		**(223,426)**	(41,128)
Other comprehensive income / (loss)			
Items that may be reclassified to profit & loss			
Exchange differences on translation of foreign operations		**(2,240)**	1,234
Income tax relating to this item		**-**	-
Other comprehensive income / (loss) for the year		**(2,240)**	1,234
Total comprehensive loss for the year attributable to the owners of the company and its subsidiaries		**(225,666)**	(39,894)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Notes	**2017 $'000**	2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	16,414	13,596
Restricted cash (call deposits)	8	6,332	5,442
Receivables	9	54,929	48,752
Inventories	10	63,677	66,991
Derivative financial instruments	12	5,505	5,129
Forest estate	13	2,682	3,211
Intangible assets – emission rights	16	139	3,533
Total current assets		149,678	146,654
Non-current assets			
Receivables	11	4,299	-
Other financial assets	14	3,053	2,000
Derivative financial instruments	12	5,006	6,592
Property, plant and equipment	15	183,471	366,566
Forest estate	13	23,963	23,096
Intangible assets	16	2,353	2,627
Deferred tax assets	22	-	20,000
Total non-current assets		222,145	420,881
Total assets		371,823	567,535
LIABILITIES			
Current liabilities			
Payables	17	72,957	63,437
Borrowings	18	25,548	11,055
Derivative financial instruments	12	7,872	5,627
Provisions	19	34,179	31,652
Total current liabilities		140,556	111,771
Non-current liabilities			
Borrowings	21	260,912	266,647
Derivative financial instruments	12	9,077	1,502
Deferred tax liabilities	23	-	-
Provisions	20	38,690	39,361
Total non-current liabilities		308,679	307,510
Total liabilities		449,235	419,281
Net (liabilities)/assets		(77,412)	148,254
EQUITY			
Issued capital	24	190,000	190,000
Reserves	24	(21,607)	383,977
Accumulated losses		(245,805)	(425,723)
Total equity		(77,412)	148,254

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

	Contributed equity $'000	Revaluation Reserve $'000	Foreign currency translation Reserve $'000	Accumulated losses $'000	Total $'000
Balance at 1 January 2016	**190,000**	**403,344**	**(20,601)**	**(384,595)**	**188,148**
Loss for year from continuing operations	-	-	-	(38,577)	(38,577)
Loss for year from discontinued operations	-	-	-	(2,551)	(2,551)
Other comprehensive income for year	-	-	1,234	-	1,234
Total comprehensive income / (loss) for year	**-**	**-**	**1,234**	**(41,128)**	**(39,894)**
Transactions with owners in their capacity as owners:					
Issue of share capital	-	-	-	-	-
Balance at 31 December 2016	**190,000**	**403,344**	**(19,367)**	**(425,723)**	**148,254**
Loss for year from continuing operations	-	-	-	(223,426)	(223,426)
Loss for year from discontinued operations	-	-	-	-	-
Transfers within Equity	-	(403,344)	-	403,344	-
Other comprehensive income for year	-	-	(2,240)	-	(2,240)
Total comprehensive loss for year	**-**	**(403,344)**	**(2,240)**	**179,918**	**(225,666)**
Transactions with owners in their capacity as owners:					
Issue of share capital					
Balance at 31 December 2017	**190,000**	**-**	**(21,607)**	**(245,805)**	**(77,412)**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		596,342	622,077
Payments to suppliers and employees (inclusive of goods and services tax)		(551,653)	(591,149)
		44,689	30,928
Interest received		215	2,571
Interest paid		(3,725)	(5,346)
Net cash inflow from operating activities	32	41,179	28,153
Cash flows from investing activities			
Payments for property, plant and equipment		(9,381)	(17,218)
Payments for forests		(3,210)	(1,352)
Payments for intangible assets		(424)	-
Payments for call deposits (restricted)		(1,120)	1,277
Payments for / Receipts from investments		(1,053)	500
Proceeds from sale of property plant and equipment		103	29,731
Net cash (outflow) / inflow from investing activities		(15,085)	12,938
Cash flows from financing activities			
Repayment of borrowings		(4,040)	(955)
New loans issued to related parties		(5,500)	-
Payments to related parties		(13,356)	(42,592)
Net cash outflow from financing activities		(22,896)	(43,547)
Total cash inflow / (outflow)		3,198	(2,456)
Net increase / (decrease) in cash and cash equivalents		3,198	(2,456)
Cash and cash equivalents at the beginning of the financial year		13,596	15,924
Effects of exchange rate changes on cash and cash equivalents		(380)	128
Cash and cash equivalents at the end of the year	8	16,414	13,596

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements

Page

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements for Norske Skog Industries Australia Limited as a consolidated entity consisting of Norske Skog Industries Australia Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other interpretations and authoritative pronouncements of the Australian Accounting Standards Board, and the *Corporations Act 2001*, as appropriate for profit orientated entities.

Historical Cost Convention
These 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 and liabilities (including derivative instruments) at fair value through profit or loss.

Use of estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. The resulting accounting estimates may not equal the related actual results. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about the principal areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the amounts recognised in the financial statements are described in the following notes:

- Notes 6, 22 and 23 - Tax
- Note 13 - Forest estate
- Note 12 - Derivative financial instruments
- Notes 19 and 20 - Provisions
- Note 15 - Property, plant and equipment

It is reasonably possible, based on existing knowledge, that outcomes within the next annual reporting period that are different from assumptions could require a material adjustment in the carrying amount of the asset or liability affected.

The going concern assumption
As at 31 December 2017 the group was in a net current asset position of $9,123,000 (2016: net current asset $34,883,000) and had incurred a net loss after tax of $223,426,000 (2016: loss $41,128,000).

The former ultimate parent company, Norske Skogindustrier ASA filed for bankruptcy on 19 December 2017 following unsuccessful attempts to achieve a consensual recapitalisation of the Norske Skog group. Norske Skog AS became the new ultimate parent company of the group as of that date. On 3 May 2018, a wholly owned subsidiary of Oceanwood Opportunities Master Fund entered into a sale and purchase agreement with Citibank, N.A., London Branch, as security agent, for the acquisition of the shares in Norske Skog AS, along with its direct and indirect subsidiaries. Upon completion of the transaction, financial and guarantee liabilities of the ultimate parent that are not fully discharged from the proceeds will be released. The transaction is subject to Oceanwood obtaining the relevant antitrust and other regulatory approvals in the countries concerned (including Australia and New Zealand), which is currently anticipated to be obtained in the second half of 2018.

Upon completion, it is expected that the ultimate parent, Norske Skog AS will have significantly less debt and interest costs, which will improve the solidity and liquidity of the Norske Skog group. It is also expected that upon completion a process will commence to recapitalise intercompany loans within the Norske Skog Industries Australia group which will improve the equity position of the Norske Skog Industries Australia group.

In accordance with the provisions of generally accepted accounting practices, management has assessed the going concern assumption as the appropriate basis for preparing and presenting the financial statements. The board of directors has considered the transactions described above and the potential impact both on liquidity and equity upon completion of the transaction. The board of directors has also considered the operating environment for the group and the industry in general going forward as these are reflected in the financial budget and forecast updates for 2018. Based on these considerations and reflecting inherent uncertainties, the board of directors confirms that the going concern assumption applies and that the financial statements have been prepared on a going concern basis.

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The going concern assumption (continued)
The successful completion of the contemplated transactions above presents a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report. No adjustments have been made to the financial report relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of Norske Skog Industries Australia Limited and its subsidiaries as at 31 December 2017 and the results of all subsidiaries for the year then ended. Norske Skog Industries Australia Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group [refer to note 1(h)].

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

(ii) Joint Ventures

Where material, interests in joint ventures are accounted for using the equity method.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Norske Skog Industries Australia Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

(iii) Group companies

The results and financial position of all the New Zealand Group entities and Pan Asia Paper Trading Co Pty Ltd that have a functional currency different from the presentation currency (AUD) are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

When a foreign operation is sold, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

1. Summary of significant accounting policies (continued)

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the sale of goods when the goods have been dispatched to a customer pursuant to a sales order and the associated risks of ownership have passed to the carrier or customer.

(e) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are presented in the balance sheet as deferred income or as a reduction in 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.

(f) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Tax Consolidation Legislation

Norske Skog Industries Australia Limited and its wholly-owned Australian subsidiaries have implemented the tax consolidation legislation. As a consequence, Norske Skog Industries Australia Limited as the head entity in the tax consolidated group, recognises current tax payable and deferred tax assets relating to tax losses of the wholly-owned Australian subsidiaries in this group, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. These tax amounts are measured as if the parent entity continues to be a standalone tax payer in its own right. As there is no tax funding agreement with the tax consolidated entities in place, amounts assumed by the parent entity relating to tax consolidated subsidiaries are recognised as a contribution to (or distribution from) these entities.

1. Summary of significant accounting policies (continued)

(g) Leases

Leases or similar arrangements in terms of which group companies assume substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(h) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill [refer to note 1(o)]. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Newsprint trade receivables are normally settled within 7 days and no more than 30 days for other debtors.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impaired receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within other expenses.

1. Summary of significant accounting policies (continued)

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is determined principally on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of both variable and fixed costs. Fixed costs have been allocated on the basis of normal operating capacity. Costs arising from exceptional wastage are expensed as incurred.

Net realisable value is determined on the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

(m) Derivatives

Derivatives are recognised at fair value when the contracts are entered into and are subsequently re-measured to their fair value at balance date.

The fair value of derivatives that are not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select methods and make assumptions that are mainly based on market conditions at each reporting period date. (Refer Note 12)

Changes in the fair value of derivatives (including embedded derivatives) are recognised immediately in the income statement.

(n) Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Buildings	3% to 6.5%
Plant and equipment	2.5% to 33%
Forest and non-forest roads	4% to 13%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(o) Intangible assets

(i) *Goodwill*
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) *Albury pipeline*
The cost of a right to use a pipeline at the Albury mill is amortised over the period in which the related benefits are expected to be realised, being 25 years.

1. Summary of significant accounting policies (continued)

(o) Intangible assets (continued)

(iii) *Capitalised software*
Capitalised software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life, being 3 to 5 years.

(iv) *Emission Rights*
An intangible asset is recognised at fair value for carbon emission right units receivable on qualifying activity. Market observable data is used to the extent it is available, but where Level 1 active market quoted price inputs are not available, the group uses Level 2 inputs that incorporate historical market prices and other directly and indirectly observable data.

(p) Forest estate

The forest estate is valued based on fair value in accordance with AASB 141 Agriculture. Standing timber planned for harvest within twelve months is reported as a current asset. The remainder is reported as a non-current asset.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Bank loans, loans from related parties and loans to related parties are carried on the balance sheet at their principal amount, subject to set-off arrangements. Interest revenue and expense are accrued at the contracted rate.

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.

(s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

(t) Provisions

Provisions for environmental costs and restructuring costs are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(u) Employee benefits

(i) *Wages and salaries, annual leave and sick leave*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

1. Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

(ii) *Long service leave*
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) *Retirement benefit obligations*
Certain group companies contribute to plans that provide retirement, death and disability benefits for employees and their dependants. All group employees in Australia participate in Australian based plans while all permanent group employees in New Zealand are entitled to participate in the New Zealand based plans. The Group now has only a defined contribution section within its plans. During 2015 the defined benefit plan was wound up.

Contributions to the defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) *Bonus plans*
A liability for employee benefits in the form of bonus plans is recognised in other creditors when at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(v) *Employee benefit on-costs*
Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(v) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

(w) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (including embedded derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

1. Summary of significant accounting policies (continued)

(x) Carbon emissions

(i) Australia -
The Australian Clean Energy Legislation (the Scheme) was repealed effective from 1st July 2015 and all impacts from this scheme only apply to this date. An Australian subsidiary is a Liable Entity under the scheme and also qualifies for assistance under the Australian Jobs and Competitiveness Program (JCP). The company is required to surrender eligible emission units to the Clean Energy Regulator (the Regulator) for covered emissions, and is entitled to receive certain free units based upon production volumes of eligible products.

(i.i) *Provision for Carbon Emissions*

A provision is recognised for the cost of eligible emission units as covered emissions are emitted and included in "other payables". The related expense is recognised in the income statement as incurred unless qualifying for an alternative treatment under another accounting standard or policy.

(i.ii) *Emission Right- Australia*

An intangible asset is recognised at fair value for free units receivable on qualifying activity under the JCP. The fair value of the unit is recognised as deferred revenue and released to the income statement as eligible production activity is undertaken.
The gain/loss arising from the sale of any surplus units is recognised in the income statement as "other income"/ "other expenses".

(ii) New Zealand -

(ii.i) *Emission Rights - New Zealand*

The Norske Skog Tasman Group re-assessed its accounting for emission rights in 2016 such that Emission trading scheme units (New Zealand Units or "NZU") are recorded at their fair market value. Prior to 2016 the Group recorded the NZU emission rights at cost. Market value changes and proceeds from sales of units are now recognised in the income statement as "other income"/ "other expenses" consistent with the treatment applied by other subsidiaries of the group.

(y) Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

1. Summary of significant accounting policies (continued)

(z) New accounting standards

There are no new standards that have been applied for the first time for the reporting period commencing 1 January 2017.

A number of new standards and amendments to standards and interpretations are not mandatory for 31 December 2017 reporting periods and have not been early adopted in 2017 by the group. New standards and amendments that are expected to have an impact on the consolidated financial statements are set out below:

AASB 9 Financial Instruments

This is a new Principal standard which replaces AASB 139 and includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The new Standard requires entities to account for expected credit losses from when financial instruments are first recognised. The Standard also requires the recognition of full lifetime expected losses on a more timely basis.

The standard is mandatory for annual periods beginning 1 January 2018 or later. The group does not intend to early adopt AASB 9 before its mandatory date. Expected date of adoption by the group is 1 January 2018 and the Group will not restate comparative information. The Group does not expect any significant impact on its income statement, balance sheet or cash flow statement for 2018. The new standard introduces expanded disclosure requirements and presentation changes that will be implemented where required.

AASB 15 Revenue Contracts with Customers

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.
The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:
(a) Step 1: Identify the contract(s) with a customer.
(b) Step 2: Identify the performance obligations in the contract.
(c) Step 3: Determine the transaction price.
(d) Step 4: Allocate the transaction price to the performance obligations in the Contract.
(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard is mandatory for annual periods beginning 1 January 2018 or later. The standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer which is in line with the current revenue recognition at the group. The Group does not expect any material impacts on the financial statements. Expected date of adoption by the group is 1 January 2018.

AASB 16 Leases

The new standard effectively removes the operating leases classification and requires all lessees to show a lease liability and a corresponding right-of-use asset for all leases. AASB 16 contains disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. The group has not fully assessed the impact of the adoption of AASB 16. However, as at December 31 2017, the group has operating lease commitments of $4.9m (refer note 28b), as such it is not expected to have a material impact. The group does not intend to early adopt AASB 16 before its mandatory date. Expected date of adoption by the group is 1 January 2019.

2. Risk management

The Group's activities expose the companies in it to a variety of financial risks including interest rate risk, credit risk, liquidity risk and currency risk.

Overall risk management is carried out on a global basis by the central treasury department of Norske Skog AS (Group Treasury), the company's ultimate parent, under policies approved by its Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Norske Skog Group's subsidiary companies and operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. In appropriate circumstances the Group uses derivative financial instruments to hedge certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed including sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

The directors of the company are responsible for managing risks, which is undertaken in conjunction with the directors of the other companies in the Australian group. The financial risk management undertaken follows the policies of the company's ultimate parent outlined above.

Interest rate risk

The Group's interest rate risks largely arise from its bank account balances, term borrowings and from intergroup borrowings and advances. Receivables and payables with subsidiary companies are unsecured, have no fixed terms of repayment and do not bear interest. Were interest to be charged on advances between Australian group companies, although there would be effects on individual companies, depending on their net indebtedness position, there would not be any overall financial impact on the Australian group as a whole. In the parent company's case it has received advances from its subsidiaries so were interest to be charged on intergroup advances there would be an adverse impact on its profits. Group Company fixed term borrowings from related companies and other lenders are on a variable rate basis. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Where group companies borrow under finance leases the interest rate is fixed at the inception of the lease agreement.

Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. In addition, the company and group are exposed to credit risk on their intergroup receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits by customers is regularly monitored by the company's management. The Group establishes impairment allowances that represent its assessment of incurred losses in respect of trade receivables. The allowances are specific and relate to individual significant exposures. Most of the Group's customers have been transacting with the group for many years and losses have occurred infrequently so collective impairments are not established in respect of losses that have not been identified. The Group's receivables from related entities are not considered a credit risk.

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from currency exposures (refer to Note 34). The Group's foreign exchange risk exposures are long term in nature and are considered to be of an acceptable level. Accordingly, the group does not hedge its foreign exchange risk exposures, thereby accepting foreign currency conversion risks.

The Group's investment in its New Zealand subsidiary is not hedged as the currency positions are considered to be long term in nature.

2. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to access funding from other group companies.

Fair value estimations

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and the carrying value of trade payables and embedded derivatives is a reasonable approximation of their fair values due to their short-term nature.

Capital risk management

The company's and the Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. As for financial risk management, overall capital risk management is undertaken on a global basis by the company's ultimate parent. In order to maintain or adjust the capital structure, the company and the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or realise assets to reduce debt.

Consistently with others in the industry, the company and the Group monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The directors of the company are responsible for managing risks, which is undertaken in conjunction with the directors of its Australian parent entity. The capital risk management undertaken follows the policies of the company's ultimate parent outlined above.

The gearing ratios at 31 December 2017 and 2016 were as follows:

	2017 $'000	2016 $'000
Net debt	**343,003**	327,543
Total equity	**(77,412)**	148,254
Total capital	**265,591**	475,797
Gearing ratio	**129.1%**	68.8%

3. Accounting entity information

Norske Skog Industries Australia Limited is a company incorporated and domiciled in Australia. The company is the parent of a group that predominately manufactures and sells newsprint and speciality paper. The group operates in Australia and New Zealand. The former ultimate parent of Norske Skog Industries Australia Limited was Norske Skogindustrier ASA, incorporated in Norway, which declared bankruptcy on December 19th 2017. The immediate parent, Norske Skog AS effectively became the new ultimate parent company of the group from that date.

4. Revenue from continuing operations

	2017 $'000	2016 $'000
Sales revenue – sale of goods	**539,570**	561,741
Other revenue		
Interest	**603**	2,571
Other revenue	**7,195**	8,478
	547,368	572,790

5. Expenses

	2017 $'000	2016 $'000
Loss before income tax includes the following specific expenses:		
Depreciation		
Buildings	**3,249**	3,291
Plant and equipment	**30,988**	40,434
Other	**144**	151
Total depreciation	**34,381**	43,876
Amortisation		
Albury pipeline	**104**	104
Capitalised software	**590**	697
Total amortisation	**694**	801
Total depreciation and amortisation	**35,075**	44,677
Finance costs		
Interest and finance charges paid/payable	**26,665**	11,888
Finance lease interest cost	**1,971**	2,135
Provisions – unwinding of discount	**1,164**	1,188
Finance costs expensed	**29,800**	15,211

	2017 $'000	2016 $'000
Provision adjustment (gain)		
Restructuring (Note 19)	**(413)**	-
Rehabilitation (Note 20)	**(769)**	-
Environmental (Note 20)	**(5)**	(166)
Net (gain)/loss on disposal of property, plant and equipment	**(40)**	2,392
Rental expense relating to operating leases		
Minimum lease payments	**3,451**	3,664
Foreign exchange gains and losses		
Net foreign exchange loss/(gain)	**3,768**	(1,637)
Defined contribution superannuation expense	**5,757**	6,091
Research and development	**191**	374
Tasmanian Freight Equalisation Scheme (within Distribution costs)	**(10,562)**	(10,513)

6. Income tax expense

	2017 $'000	2016 $'000
Income tax expense / (benefit)		
Current tax benefit	**-**	-
Deferred tax benefit	**-**	(6,984)
(Over) / under provided in prior years:		
Current tax	**-**	-
Deferred tax	**20,000**	(3,169)
	20,000	(10,153)
Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(203,426)**	(48,730)
Tax at the Australian tax rate of 30% and New Zealand tax rate of 28%	**(60,738)**	(14,131)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Income exempt from tax or subject to concessions	**-**	-
Sundry expenses not deductible	**5**	335
Interest not deductible	**4,945**	-
Equity accounting non deductible	**402**	-
Expense / (benefit) of temporary differences	**35,089**	6,812
Expense / (benefit) of tax losses not recognised	**20,297**	-
Over provision in prior years	**-**	(3,169)
De-recognition of previously recognised deferred tax assets	**20,000**	-
Income tax expense / (benefit)	**20,000**	(10,153)
Deferred tax assets not recognised in the balance sheet		
The potential deferred tax asset arising from tax losses has not been recognised as an asset because it is not probable that future taxable amounts within the relevant entity will be available against which the temporary difference or tax loss can be utilised		
Unused capital losses – Australia	**61,506**	61,506
Income tax losses – Australia	**26,351**	5,708
Income tax losses – New Zealand	**81,961**	82,231
	169,818	149,445

The benefits for tax losses will only be obtained if:

(i) The relevant group companies derive future taxable amounts of a nature and an amount sufficient to enable the temporary difference or tax loss to be utilised;

(ii) The relevant group companies continue to comply with the conditions for utilisation imposed by the law; and

(iii) No change in tax legislation adversely affects the relevant group companies in realising the benefits.

7. Discontinued Operations

In December 2016, the Group sold its geothermal power station. Financial information relating to the discontinued operation for the period to the date of disposal is presented below. The comparative profit from discontinued operations has been re-presented to include the operation discontinued in the current year.

	2017 $'000	2016 $'000
Revenue	**-**	8,490
Raw Materials and consumables	**-**	(7,876)
Loss on Sale	**-**	(1,329)
Finance Costs	**-**	(1,836)
Pre-tax Loss	**-**	(2,551)

The statement of cash flows includes the following amounts relating to discontinued operations.

	2017 $'000	2016 $'000
Net cash inflows from operating activities	**-**	888
Net cash inflows from investing activities	**-**	30,724
Net cash inflows from financing activities	**-**	2,938
	-	34,550

The balances of assets sold and reconciliation to loss on sale for the discontinued operation is presented below.

	2017 $'000	2016 $'000
Gross Book Value of Asset Sold	**-**	38,664
Accumulated Depreciation on Asset Sold	**-**	(6,611)
Net Book Value of Asset Sold	**-**	32,053
Sales Proceeds	**-**	31,865
Cost of Sales (legal and sale fees)	**-**	(1,141)
Net Proceeds of Asset Sold	**-**	30,724
Loss on Sale	**-**	(1,329)

8. Current assets - Cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and in hand	**16,414**	13,596
Restricted Cash (Call and Term Deposits)	**6,332**	5,442
	22,746	19,038

Cash at bank bears floating interest rates between 0% and 0.60% at 31 December 2017 (2016: 0% and 2.72%).

Restricted deposits comprise cash held in bank call and term deposits as collateral by third parties. The funds are not immediately available to the Company. The interest rates on the bank term deposits are in the range of 1.30% to 2.21% (2016: 2.19% to 3.55%)

9. Current assets - Receivables

	2017 $'000	2016 $'000
Net trade receivables		
Trade receivables	**32,013**	33,942
Provision for impairment of receivables	**-**	**-**
	32,013	33,942
Receivables from group companies	**9,557**	1,201
Receivables from Joint Ventures	**861**	642
Other receivables	**4,260**	6,207
Prepayments	**8,238**	6,760
	54,929	48,752

Receivables from Group companies bear interest at a fixed annual rate of 3.0% (2016: 3.3%). All other current receivables are non-interest bearing.

Trade Receivables are shown net of impairment losses amounting to $nil (2016: $nil). Receivables from group companies are shown net of impairment losses amounting to $1,412,000 (2016: $nil)

10. Current assets - Inventories

	2017 $'000	2016 $'000
Raw materials	**42,682**	43,526
Work in progress	**595**	501
Finished goods	**20,400**	22,964
	63,677	66,991

Inventory expense
Inventories recognised as expense during the year ended 31 December 2017, excluding write-downs of inventories, amounted to $322,007,000 (2016: $327,607,000).

Write-downs of inventories to net realisable value recognised as an expense during the year ended 31 December 2017 amounted to $23,905 (2016: $403,000). The expense has been included in "Raw materials and consumables used" in the income statement.

11. Non-current assets - Receivables

	2017 $'000	2016 $'000
Receivables from joint ventures	**5,639**	-
Less: post acquisition share of net (liabilities)	**(1,340)**	-
	4,299	-

Non-current receivable of $5,639,421 (2016: $nil) due from joint venture partner FC5 Pty Ltd is interest bearing at the rate of 6.52% per annum (2016: n/a) shown net of share of post-acquisition losses that exceeds investment value ($1,340,303) in accordance with AASB 128 para 38 (see also note 31).

12. Derivative financial instruments

	2017 $'000	2016 $'000
Embedded derivatives within purchase contracts		
Current Assets		
Opening Balance	**5,129**	39,255
Gain/(Loss) through Profit and Loss	**651**	(35,196)
Foreign Currency Translation	**(275)**	1,070
Closing Balance	**5,505**	5,129
Non-Current Assets		
Opening Balance	**6,592**	6,456
Loss through Profit and Loss	**(1,295)**	(14)
Foreign Currency Translation	**(291)**	150
Closing Balance	**5,006**	6,592
Total derivative financial assets	**10,511**	**11,721**
Current Liabilities		
Opening Balance	**5,627**	5,520
Gain/(Loss) through Profit and Loss	**2,539**	(10)
Foreign Currency Translation	**(294)**	117
Closing Balance	**7,872**	5,627
Non-Current Liabilities		
Opening Balance	**1,502**	8,243
Gain/(Loss) through Profit and Loss	**7,742**	(6,905)
Foreign Currency Translation	**(167)**	164
Closing Balance	**9,077**	1,502
Total derivative financial liabilities	**16,949**	**7,129**
Net Derivatives Opening	**4,592**	**31,948**
Net Loss through Profit and Loss	**(10,925)**	**(28,295)**
Net Foreign Currency Translation	**(105)**	**939**
Net Closing Balance	**(6,438)**	**4,592**

Group companies are parties to a number of purchase contracts, some of which contain embedded derivatives that do not qualify for hedge accounting. The commodity contracts and embedded derivatives classified as financial instruments are related to energy contracts within Australia and New Zealand. Such instruments are classified at fair value through profit and loss, with the change in fair value recognised in the statement of comprehensive income. In the absence of observable market inputs, the fair value of financial instruments is determined by using valuation techniques. The valuation method applied is a Level 3 valuation. 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. Fair value of energy contracts classified as financial instruments are sensitive to estimates of future energy prices, exchange rates and price indices. A decrease in estimate of future energy prices would result in a decrease in embedded derivative assets and an increase in embedded derivative liabilities.

13. Forest estate

	2017 $'000	2016 $'000
Current assets		
Forest estate – at fair value - 1 January 2017	**3,211**	3,351
Transfer from non-current assets	**6,511**	6,105
Decreases due to harvest	**(7,040)**	(6,245)
Forest estate – at fair value - 31 December 2017	**2,682**	3,211
Non-current assets		
Forest estate – at fair value - 1 January 2017	**23,096**	21,159
Changes in fair value	**4,207**	5,804
Increases due to purchases	**3,210**	2,238
Decrease due to sale	**(39)**	-
Transfer to current assets	**(6,511)**	(6,105)
Forest estate – at fair value - 31 December 2017	**23,963**	23,096
Total Value of Forest Assets	**26,645**	26,307

Nature and output of activities

The forestry activities undertaken by the group incorporate all aspects of managing the forests, from planting through to harvesting and cartage, including certification, assessment and planning.

The output of activities is volume of harvested timber. During the year 362,944 tonnes of Pulplog (2016: 369,904) and 46,937 tonnes of Sawlog (2016: 38,102) were harvested.

Method of determining fair value

The directors consider there is no active and liquid market for large areas of native forest and plantation estates. Accordingly, a level 3 fair value estimate has been determined in accordance with a valuation based on direct and indirect costs of establishment in the early years of the plantation, the net present value of future cash flows for plantation timber and native forest once it exceeds the cost of establishment, and any other evidence of the market value of the standing timber including any indicative offers for the forest estate.

The valuation adopts the following significant assumptions, where appropriate:

- Harvestable volumes are the estimated future volume as at harvest date for plantations and the estimated current standing volume for native forest. The methodology used to assess the volume of plantation standing timber is based on the following inputs and assumptions: the net planted area, estimated growth rates, yield per hectare and year of harvest. The native forest estate has been assessed using generally accepted measurement techniques.

- The notional costs associated with the land owned by the company on which native forests and plantations are grown are calculated based on 5% of the land value.

- The continuation of existing practices with regard to silviculture and harvesting.

- Current market sales rates.

- A market based pre-tax discount rate of 6.4% (2016: 9.0%) has been applied to the estimated future cash flows in arriving at net present value.

Increment (decrement) in fair value
The net increment / (decrement) in the fair value of standing timber recognised as revenue is determined as the difference between the fair value of standing timber as at the beginning of the financial year and the fair value of standing timber as at the end of the financial year, after adjusting for current year plantation and forest establishment cost incurred in maintaining and enhancing standing timber for the year, and the fair value of standing timber harvested during the year.

Net fair value of standing timber harvested
The fair value of standing timber recognised as revenue is determined as the difference between the fair value of standing timber harvested during the financial year immediately after harvesting and the costs of harvesting.

13. Forest estate (continued)

Restrictions on use of forest estate
Plantations planted on state forest owned land prior to 1997 are governed by the Long Term Forestry Agreement (LTFA) with Forestry Tasmania. Under the terms of the LTFA, Norske Skog will lose exclusive rights to harvest these plantations on state owned land planted prior to 1997, if the Boyer Mill ceases to operate as a going concern.

Use of estimates and assumptions
Determining fair value using a discounted cash flow approach involves the use of estimates and assumptions covering matters such as future growth volumes, market prices and costs, as well as determining a suitable discount rate to calculate the present value of future cash flows. Changes in the estimates could have a material impact on the carrying value of biological assets and reported profit. A 1% increase in the discount rate, holding all other variables and assumptions constant, would decrease the valuation of the Forest assets by $1,884,000 (2016: $1,655,000). A 1% decrease in the discount rate, holding all other variables and assumptions constant would increase the valuation of the assets by $2,165,000 (2016: $1,884,000).

14. Non-current assets – Other financial assets

	2017 $'000	2016 $'000
Shares in unlisted companies	**3,053**	**2,000**
Total other financial assets	**3,053**	**2,000**

Norske Skog (Australia) No. 2 Pty Limited holds 2,375,000 Ordinary Shares in Ignite Energy (0.93% ownership) for $2,000,000

Norske Skog (Australia) No. 2 Pty Limited holds 395 Ordinary Shares in FC5 Pty Limited (25% ownership) for $395 (Carrying amount Nil to account for share of joint venture losses)

Norske Skog (Australia) No. 2 Pty Limited holds 270 Ordinary Shares in Circa Group Pty Ltd (9.5% ownership) for $1,053,000

15. Non-current assets – Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Plant & equipment $'000	Forest and non-forest roads $'000	Capital work in progress $'000	Total $'000
2017						
Cost						
At 1 January 2017	15,640	150,396	1,709,413	16,863	22,869	1,915,181
Additions	-	-	-	-	9,381	9,381
Transfers	-	-	3,408	411	(3,819)	-
Disposals	-	-	(125)	-	-	(125)
Adjustments related to asset dismantling provision	-	-	(1,512)	-	-	(1,512)
Exchange differences	(176)	(3,216)	(18,846)	-	(95)	(22,333)
At 31 December 2017	15,464	147,180	1,692,338	17,274	28,336	1,900,592
Accumulated depreciation						
At 1 January 2017	-	(123,434)	(1,421,055)	(4,126)	-	(1,548,615)
Depreciation charge	-	(3,249)	(30,988)	(144)	-	(34,381)
Disposals	-	-	101	-	-	101
Impairment	-	(1,302)	(152,998)	-	-	(154,300)
Exchange differences	-	2,982	17,092	-	-	20,074
At 31 December 2017	-	(125,003)	(1,587,848)	(4,270)	-	(1,717,121)
Net book value, 31 December 2017	15,464	22,177	104,490	13,004	28,336	183,471

Property, plant and equipment includes equipment subject to finance leases with a net carrying amount of $5,811,000 at 31 December 2017 (2016: $6,625,000).

	Freehold land $'000	Freehold buildings $'000	Plant & equipment $'000	Forest and non-forest roads $'000	Capital work in progress $'000	Total $'000
2016						
Cost						
At 1 January 2016	15,554	148,704	1,731,048	16,378	14,360	1,926,044
Additions	-	-	-	-	17,218	17,218
Transfers	-	107	5,996	485	(8,756)	(2,168)
Disposals	-	-	(38,719)	-	-	(38,719)
Adjustments related to asset dismantling provision	-	-	1,804	-	-	1,804
Exchange differences	86	1,585	9,284	-	47	11,002
At 31 December 2016	15,640	150,396	1,709,413	16,863	22,869	1,915,181
Accumulated depreciation						
At 1 January 2016	-	(118,679)	(1,378,915)	(3,975)	-	(1,501,569)
Depreciation charge	-	(3,291)	(40,434)	(151)	-	(43,876)
Disposals	-	-	6,666	-	-	6,666
Exchange differences	-	(1,464)	(8,372)	-	-	(9,836)
At 31 December 2016	-	(123,434)	(1,421,055)	(4,126)	-	(1,548,615)
Net book value, 31 December 2016	15,640	26,962	288,358	12,737	22,869	366,566

15. Non-current assets – Property, plant and equipment (continued)

Assumptions applied when calculating the recoverable amount

Property, plant and equipment and non-current intangible assets are written down to their recoverable amount when this is lower than the carrying value of the asset. The recoverable amount of an asset or cash generating unit (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 CGU. A weighted average cost of capital model (WACC) is used to determine future cash flows.

Impairment testing is performed by the ultimate parent entity for the overall group. The company applies the value in use approach when calculating recoverable amount for its CGU's. The group has the Albury and Boyer mills in Australia and the Tasman mill in New Zealand. The Norske Skog Industries Australia Limited group treats these mills as separate cash generating units.

The value is calculated by discounting based on a required rate of return on capital that is relevant for the CGU or individual asset. The required rate of return is based on the interest rate on ten year government bonds in the currency of the cash flow estimate, an industry debt yield premium, industry beta and an equity risk premium.

When calculating the value in use, the discount rate after tax was 8.1% for Australian domiciled assets and 8.2% for NZ domiciled assets. The calculations are based on cash flow and required rate of return after tax.

The impairment model used to determine the recoverable amount is based on discounted future cash flows, underpinned by a specific set of key inputs and assumptions. The valuation of the recoverable amount is based on three key scenarios that are specifically relevant to the publication paper industry. These scenarios are then weighted to form the basis for the future cash flows. The consolidated scenario is a reflection of the structural decline in the demand for publication paper over the last decade which is expected to continue, albeit at a slower rate of decline. The weighting in the scenarios is consistent with the requirements of *AASB 136 Impairment of Assets* as it provides an overall scenario closest to the current and expected future market developments in the publication paper industry.

The impairment model is based on management's forecast figures for 2018. The Board of Director's regularly review the financial performance of the region including the year-end financial forecasts. The key drivers of profitability in the industry and thus asset values for NSIAL are product prices and relative production costs. The starting point in all scenarios are the 2018 forecast prices and costs. For both sales prices and input prices, an increase in real terms is expected, as observed in the impairment testing at 31 December 2017. Real term sales prices are assumed to increase during the next ten year period on reduced sales volumes which are expected to develop in accordance with the useful lives of the different paper machines operated by the company. Projection of these assumptions will result in gradual improvement in margins, from levels at the bottom of the business cycle to a normalisation with return to trend economic growth.

The analysis indicates an impairment is necessary to the Australian Albury Mill for 2017 of $154,300,000 (2016 $Nil).

Cash flow is calculated based on estimated useful life. The paper industry is a capital intensive industry where investment decisions are made based on projections with a long time horizon. The production machines have a long technical life. The estimated remaining useful life of the individual paper machines forms the basis for determining the length of the cash flow period.

The cash flow decreases over time as the capacity of the company declines, reflecting assumed closures of machines as they reach the end of their useful lives.

Sensitivity to estimates of recoverable amount

The estimation of recoverable amount is based on assumptions regarding future development of several factors. These include price development of finished goods, sales volumes and interest rates. This means there will be uncertainty when it comes to the outcome of these calculations. The group has performed sensitivity analysis using the variables above to predict how fluctuations will impact the recoverable amount.

In relation to the assumptions made in the calculation of the present value of future cash flows, recoverable amount is most sensitive to changes in prices of finished goods and the discount rate used. A reduction in the sales price of 2% will cause a reduction in recoverable amount in the order of $56,000,000. Correspondingly, a 1% increase in the discount rate will cause a reduction in the recoverable amount of $9,000,000.

Expected useful life

In connection with the year-end closing process for 2017, the group performed a review of the expected remaining useful lives of PPE. The outcome of the review was that there have been no changes in useful life in 2017 compared to those applied in 2016.

16. Intangible assets

	Goodwill (non-current) $'000	Capitalised software (non-current) $'000	Albury pipeline (non-current) $'000	Net book amount (non-current) $'000	Emission rights (current) $'000
2017					
Cost					
At 1 January 2017	115,053	18,388	4,094	137,535	3,533
Additions	-	424	-	424	-
Disposals	-	(3,329)	-	(3,329)	(3,207)
Transfers	-	-	-	-	-
Exchange differences	(3,251)	(1)	-	(3,252)	(187)
At 31 December 2017	111,802	15,482	4,094	131,378	139
Accumulated amortisation					
At 1 January 2017	(114,995)	(17,167)	(2,746)	(134,908)	-
Amortisation	-	(590)	(104)	(694)	-
Disposals	-	3,329	-	3,329	-
Exchange Differences	3,247	1	-	3,248	-
At 31 December 2017	(111,748)	(14,427)	(2,850)	(129,025)	-
Net book value, 31 December 2017	54	1,055	1,244	2,353	139

	Goodwill (non-current) $'000	Capitalised software (non-current) $'000	Albury pipeline (non-current) $'000	Net book amount (non-current) $'000	Emission rights (current) $'000
2016					
Cost					
At 1 January 2016	115,051	18,532	4,094	137,677	3,890
Additions	-	-	-	-	-
Disposals	-	-	-	-	(357)
Transfers	-	(144)	-	(144)	-
Exchange differences	2	-	-	2	-
At 31 December 2016	115,053	18,388	4,094	137,535	3,533
Accumulated amortisation					
At 1 January 2016	(114,995)	(16,470)	(2,642)	(134,107)	-
Amortisation	-	(697)	(104)	(801)	-
Disposals	-	-	-	-	-
At 31 December 2016	(114,995)	(17,167)	(2,746)	(134,908)	-
Net book value, 31 December 2016	58	1,221	1,348	2,627	3,533

17. Current liabilities – Payables

	2017 $'000	2016 $'000
Trade payables	**27,013**	35,020
Amounts due to related parties	**205**	265
Other payables	**45,739**	28,152
	72,957	63,437

Invoice Discounting Agreement
The group is party to an invoice discounting agreement with Scottish Pacific (BFS) Pty Ltd. The carrying amount of the facility included within Other Payables as at 31 December 2017 is $7,273,914 (2016: $5,350,613).

18. Current liabilities – Borrowings

	2017 $'000	2016 $'000
Unsecured loans from related parties	**20,386**	7,014
Term loan (Note 21)	**3,440**	2,503
Finance leases (Note 28 (c))	**1,722**	1,538
	25,548	11,055

Loan from related parties

- Current Unsecured loans from related parties are with Norske Skogindustrier ASA ($7m) and Norske Skog AS ($13m). Interest of 5.80% applies to these loans as at 31 December 2017 (2016: 5.65%). During the year interest on non-current intercompany loans was settled through an increase to the short term loan ($14m)

19. Current liabilities – Provisions

	2017 $'000	2016 $'000
Employee benefits	**32,481**	27,592
Rehabilitation	**840**	302
Environmental	**232**	1,440
Restructuring	**626**	2,318
	34,179	31,652

Movements in provisions

	Rehabilitation $'000	**Environmental $'000**	**Restructuring $'000**
At 1 January 2017	302	1,440	2,318
Current Year adjustments to Provision	-	-	(413)
Transfer from non-current (Note 20)	554	(788)	-
Utilised during the year	-	(396)	(1,225)
Exchange Differences	(16)	(24)	(54)
At 31 December 2017	840	232	626

20. Non-current liabilities – Provisions

	2017 $'000	2016 $'000
Employee benefits	**1,038**	1,570
Rehabilitation	**10,957**	12,990
Environmental	**26,695**	24,801
	38,690	39,361

Rehabilitation and Environmental provisions
Provision is made for asset dismantling and rehabilitation costs expected to be incurred in relation to removal of obsolete equipment and related rehabilitation at mill sites. Provision is also made for future environmental obligations relating to restoration of land and other environmental remediation expected to be required at mill sites. The costs are expected to be incurred over the next 18 years. The estimates of the amounts of asset decommissioning and future site restoration costs are based on current legal and constructive obligations, technology and price levels. Actual outflows can differ from estimates due to changes in laws, technology, prices and other factors and can take place many years in the future. A pre-tax discount rate of 2.56% (2016: 2.83%) has been applied when calculating the discounted present value of rehabilitation and environmental provisions. Changes in the estimates could have a significant impact on the carrying value of the rehabilitation and environmental provisions and reported profit.

Movements in Rehabilitation and Environmental non-current provisions

	Rehabilitation $'000	Environmental $'000
Non-current		
At 1 January 2017	12,990	24,801
Current Year adjustments to Provision	(769)	(5)
Transfer to current (Note 19)	(554)	788
Unwinding of discount	400	764
Effect of Change in Discount rate	(742)	713
Exchange differences	(368)	(366)
At 31 December 2017	10,957	26,695

21. Non-current liabilities – Borrowings

	2017 $'000	2016 $'000
Unsecured loans from related parties		
Repayable 2019	**246,531**	247,105
Total unsecured loans from related parties	**246,531**	247,105
Finance lease obligations (Note 28(c))	**14,381**	16,101
Term loan (secured)	**-**	3,441
	260,912	266,647

Loans from related parties
Loans from related parties are unsecured and bear interest in line with Intercompany Pricing Guidelines. The average interest rate for 2017 on long term borrowings is 9.7% (2016: 8.82%)

- $10,018,000 (NZ$11,000,000) loan is repayable in 2019. Interest on this loan is payable annually.
- $74,536,000 loan is repayable in 2019. Interest on this loan is payable annually.
- $91,977,000 loan is repayable in 2019. This loan was not interest bearing during 2016. The loan is interest bearing from 1st January 2017.
- $70,000,000 loan is repayable in 2019. This loan was not interest bearing during 2016. The loan is interest bearing from 1st January 2017.

21. Non-current liabilities – Borrowings (continued)

Term loan

	2017 $'000	2016 $'000
Total borrowings under facility	**3,440**	5,944
Less due for repayment within one year (note 18)	**(3,440)**	(2,503)
	-	3,441

During 2014 a subsidiary entered an arrangement to borrow $13,000,000. This loan is also secured by a fixed charge over the forests located on the company's Tasmanian freehold property, however also has a mortgage over Tasmanian freehold property held by the company. This loan bears interest at a variable rate of 4.14% at December 2017 (2016: 4.19%). Quarterly payments of interest only were due until September 2016, and then principal and interest payments until maturity. The outstanding balance on this loan is a current liability of $3,440,337 (note 18).

22. Non-current assets – Deferred tax assets

	2017 $'000	2016 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Forest estate	-	848
Property, plant and equipment	32,658	24,792
Provisions and employee benefits	10,413	15,535
Tax losses *	26,351	24,228
Other items	5,555	-
	74,977	65,403
Set-off of deferred tax liabilities pursuant to set-off provisions (note 23)	(4,735)	(31,782)
Deferred tax assets not recognised	(70,242)	(13,621)
Net deferred tax assets	-	20,000
Movements:		
Opening balance at 1 January	20,000	9,847
Credited to the income statement (note 6)	(20,000)	10,153
Closing balance at 31 December	-	20,000

* The deferred tax asset attributable to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences and taxable income expected to be derived from operations in the future.

23. Non-current liabilities – Deferred tax liabilities

	2017 $'000	2016 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Intangibles	**395**	426
Forest Estate	**318**	-
Other items	**4,022**	1,047
	4,735	1,473
Amounts recognised directly in equity		
Revaluation of property, plant and equipment	**-**	30,309
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 22)	**(4,735)**	(31,782)
Net deferred tax liabilities	**-**	-

24. Contributed equity and reserves

	2017 Shares	2016 Shares
(a) Share capital		
Ordinary shares		
Fully paid	**190,000,005**	190,000,005

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(c) Nature and purpose of reserves

(i) Property, plant and equipment revaluation reserve

During the year the balance of the Asset Revaluation reserve arising from Property, Plant and Equipment revaluations within members of the Group under historical accounting standards was transferred to accumulated losses. The Group uses the cost method to account for Property, Plant and Equipment (per Note 1(n)). The revaluation reserve in the parent entity was used to record increments and decrements on the revaluation of investments in subsidiaries in previous years (this balance eliminates upon consolidation). The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

(ii) Foreign currency translation reserve
Exchange differences arising on translation of the foreign subsidiary are taken to the foreign currency translation reserve, as described in note 1(c). The reserve is recognised in profit and loss when the net investment is disposed of.

25. Dividends

No dividends were declared or paid during the financial year (2016: $Nil).

	2017 $'000	2016 $'000
Class C 30% (2016: 30%) franking credits available to shareholders of Norske Skog Industries Australia Limited for subsequent financial years	**150,792**	150,792

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

26. Remuneration of auditors

During the year the following fees were paid or payable to BDO for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2017 $	**2016 $**
Audit services		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*		
BDO East Coast Partnership	200,000	210,392
BDO Auckland	78,833	82,573
Total remuneration for audit services	278,833	292,965
Other services – Assurance related		
BDO East Coast Partnership	53,000	49,000
BDO Auckland	17,505	19,258
Total remuneration for other services	70,505	68,258
Total remuneration BDO	349,338	361,223

27. Contingencies

Details of contingent liabilities and contingent assets are set out below. The probability of future payments / receipts is considered remote, however the directors consider these matters should be disclosed.

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Bank guarantees issued by controlled entities

At 31 December 2017 subsidiary companies had bank guarantee facilities totalling $3,550,000 (2016: $321,000), of which $3,471,000 (2016: $321,000) was utilised.

Other guarantees

The Company, along with other subsidiaries of the former ultimate parent Norske Skogindustrier ASA, has guaranteed EUR290million of senior secured notes issued by a Norske Skogindustrier ASA group company in February 2015. Norske Skog Tasman Limited has granted a general security interest over its present and after acquired property as security for its obligations under the guarantee.

During the year, interest that became due on the senior secured notes was not paid. Following the expiry of applicable grace periods, a default event crystallised as a result of the non-payment of interest. On 12 September 2017, the security agent for the senior secured notes declared all monetary obligations under the notes due and payable immediately. Subsequently, a security enforcement process commenced. An announcement was made on 13 December 2017 that a public auction of the Shares in Norske Skog AS would be undertaken. On 19 December 2017 Norske Skogindustrier ASA filed for bankruptcy and Norske Skog AS became the ultimate parent of the group from that date. On 3 May 2018, a wholly owned subsidiary of Oceanwood Opportunities Master Fund entered into a sale and purchase agreement with Citibank, N.A., London Branch, as security agent, for the acquisition of the shares in Norske Skog AS, along with its direct and indirect subsidiaries. The transaction is subject to Oceanwood obtaining the relevant antitrust and other regulatory approvals in the countries concerned (including Australia and New Zealand), which is currently anticipated to be obtained in the second half of 2018. Upon completion of the transaction, financial and guarantee liabilities of the ultimate parent that are not fully discharged from the proceeds will be released (including the secured note obligation guarantee given by Norske Skog Tasman Limited).

Contingent Liability

As at 31 December 2017, Management was not aware of the existence of any contingent liabilities.

Goods and Services Tax
The parent entity, as a member of the Norske Skog GST Group, is jointly and severally liable for 100% of the GST amount payable at 31 December 2017 of $0.02m (2016: $0.4m). The parent entity recognised a liability for GST of $0.5m at 31 December 2017 (2016: $0.9m). The directors believe the assets of the other group entities are sufficient to meet their GST obligations.

28. Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2017 $'000	2016 $'000
Property, plant and equipment – payable within one year	**826**	1,205

(b) Operating leases

The consolidated entity leases property, plant and equipment under operating leases expiring from one to five years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

	2017 $'000	2016 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**2,449**	2,653
Later than one year but not later than five years	**2,479**	4,357
	4,928	7,010

(c) Finance leases

During the 31 December 2011 and 31 December 2009 years a subsidiary company entered into arrangements whereby suppliers built certain equipment on the subsidiary's mill sites which are used by the subsidiary in its production operations. Although the arrangements are not in the legal form of a lease, the subsidiary concluded that the arrangements constitute leases of the equipment. The leases have been classified as finance leases. The finance rates implicit in these leases are 10% and 12.1%. Obligations under the arrangement entered into in 2009 are secured by a charge over the subsidiary company's Tasmanian forest land.

During the 31 December 2015 year a subsidiary of the company entered into two finance leases for the purchase of equipment which is used by the subsidiary in its production operations. The finance rates of these leases are 6.49% and 7.28%.

	2017 $'000	2016 $'000
Commitments for minimum lease payments payable:		
Within one year	3,509	3,509
Later than one year but not later than five years	13,629	13,816
Later than five years	6,290	9,611
	23,428	26,936
Less future finance charges	(7,325)	(9,297)
	16,103	17,639
Represented by:		
Current liability (note 18)	1,722	1,538
Non-current liability (note 21)	14,381	16,101
	16,103	17,639

29. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2017 **%**	2016 %
Norske Skog Capital (Australia) Pty Limited	Australia	Ordinary	**100**	100
Norske Skog (Australasia) Pty Ltd	Australia	Ordinary	**100**	100
Norske Skog (Australia) No. 2 Pty Limited	Australia	Ordinary	**100**	100
Norske Skog Paper Mills (Australia) Limited	Australia	Ordinary	**100**	100
PanAsia Paper Trading Co Pty Ltd	Australia	Ordinary	**100**	100
Norske Skog Tasman Limited	New Zealand	Ordinary	**100**	100
Norske Skog Holdings No. 1 Limited	New Zealand	Ordinary	**100**	100
Norske Skog Holdings No. 2 Limited	New Zealand	Ordinary	**100**	100
Norske Skog Holdings No. 3 Limited	New Zealand	Ordinary	**100**	100
Norske Skog Capital NZ Limited	New Zealand	Ordinary	**100**	100

30. Related party transactions

(a) Parent entities

The parent entity within the reporting group is Norske Skog Industries Australia Limited. The former ultimate parent entity of the reporting group, Norske Skogindustrier ASA, a company incorporated in Norway, declared bankruptcy on December 19th 2017. The immediate parent Norske Skog AS effectively became the new operating parent company of the group from that date. The company has related party relationships with the parent entity as well other subsidiary members of the Norske Skog group.

(b) Directors

The following persons were directors of Norske Skog Industries Australia Limited during the whole of the financial year and up to the date of this report, unless otherwise indicated:

Mr L Sperre (commenced 08/05/2017)
Mr R Sollie
Mr T Hansesaetre (commenced 06/02/2018)
Mr E Luck (commenced 14/03/2018)

Mr S Ombudsvedt (ceased 08/05/2017)
Mr R Odelien (ceased 06/02/2018)
Mr D A Leighton (ceased 14/03/2018)

(c) Key management and personnel compensation

Key management personnel compensation for the years ended 31 December 2017 and 2016 is set out below. The key management personnel are all the directors of the company and the five (2016: five) other executives with the greatest authority for the strategic direction and management of the group.

	Short-term benefits $	Post-employment benefits $	Other long-term benefits $	Termination benefits $	Share-based payments $	Total $
2017	**2,754,235**	**154,208**		**611,890**		**3,520,333**
2016	2,363,683	137,395	-	-	-	2,501,078

30. Related party transactions (continued)

(d) Other transactions with key management personnel or entities related to them

During 2017 Mr E J Luck, secretary of the company and Mr R J Bender, a director of a subsidiary company, were respectively company secretary and director of FC5 Pty Limited which is a joint venture company with Circa Group Pty Ltd working on developing a bio-solvent. Norske Skog No.2, a subsidiary of the group, also has a 9.48% shareholding in Circa Group Pty Ltd. Smart Distribution are no longer considered a related party as mutual directorships have ceased and all transactions are carried out under commercial terms. Related party relationships with joint ventures are disclosed in note 31.

(e) Transactions with related parties

	2017 **$**	2016 $
Purchase of paper from fellow related parties	**-**	(2,855)
Interest revenue from ultimate parent company	**248,634**	162,814
Interest expense – related parties	**24,702,241**	10,513,575
Administrative services provided by ultimate parent company	**2,716,101**	2,042,611
Distribution costs to related parties (Smart)	**-**	61,949
Other expenses to related parties (Circa)	**44,733**	-

(f) Outstanding balances

	2017 **$**	2016 $
Current receivables		
Norske Skogindustrier ASA	**1,412,000**	-
Norske Skogindustrier ASA - Impairment	**(1,412,000)**	-
Norske Skog AS	**9,557,000**	1,201,000
	9,557,000	1,201,000
Current payable		
Related parties (Smart) – distribution	**-**	363,000
(related party relationship ceased 2016)	**-**	363,000
Current borrowings		
Related parties (Note 18)		
Norske Skogindustrier ASA	**12,980,209**	7,013,707
Norske Skog AS	**7,405,978**	-
	20,386,187	7,013,707
Non-current borrowings		
Related parties (Note 21)		
Norske Skog AS, Oslo	**70,000,000**	70,000,000
Norske Skog Treindustrier AS, Oslo	**91,976,895**	91,976,895
Norske Skogindustrier ASA, Oslo	**74,535,912**	74,535,912
Lysaker Invest AS, Oslo	**10,018,075**	10,591,900
	246,530,882	247,104,707

Current receivables due from related parties bear interest at 3.0% (2016: 3.3%). Current borrowings from related parties bear interest at 5.8%. Non-current borrowings from related parties are unsecured and bear interest at 9.7% (2016: 0% to 9.18%) and are repayable in 2019.

31. Joint ventures accounted for using the equity method

Joint venture	Location	Principal activity	% holding 2017	% holding 2016
Water and Waste Services Joint Venture	New Zealand	Waste and water services	**50**	50

Water and Waste Services joint venture is undertaken by Oji Fibre Solutions (NZ) Limited and Norske Skog Tasman Limited, a controlled entity, for the sharing of costs and output.

The consolidated entity's interests in the assets employed in the Water and Waste Services Joint Ventures are included in the consolidated balance sheet, in accordance with the accounting policy described in note 1(b)(ii).

Summarised financial information for the Water and Waste Services Joint Venture, which is accounted for using the equity method, is set out below:

	2017 $	2016 $
Summarised balance sheet		
Current assets	**513,000**	642,000
Current liabilities	**513,000**	642,000
Net assets	**-**	-
Summarised statement of comprehensive Income		
Revenue	**3,473,000**	5,295,000
Cost of sales	**3,473,000**	5,295,000
Total comprehensive income	**-**	-

Transactions and balances with joint ventures were as follows:

	2017 $	2016 $
Sales to joint ventures	3,473,000	5,295,000
Purchases from joint ventures	(1,367,000)	(2,313,000)
Net contributions to group accounting profit	2,106,000	2,982,000
Balances due to joint ventures (included in payables, Note 17)	205,000	265,000
Balances due from joint ventures (included in receivables, Note 9)	513,000	642,000

31. Joint ventures accounted for using the equity method (continued)

FC Five Pty Limited joint venture is undertaken by Circa Group Pty Ltd and Norske Skog No.2 Pty Ltd. The principal activities of the company include the research and development of, and manufacture of bio chemicals. The company was incorporated on 22 October 2015.

Joint venture	Location	Principal activity	Type	% holding 2017	% holding 2016
FC Five Pty Limited	Australia	Bio Chemical R&D and manufacture	Direct	**25.00**	39.50
			Indirect	**7.11**	-
			Total	**32.11**	39.50

Indirect ownership arises from the Group's 9.48% (2016: 0.0%) investment in Circa Group Pty Ltd which holds 75% (2016: 60.5%) ownership in FC5 Pty Limited. Voting rights are applicable to direct ownership of 25% (2016: 39.5%)

Summarised financial information for FC Five Pty Limited is presented below:

	DEC 2017 $	DEC 2016 $
Summarised balance sheet		
Current assets	**618,729**	11,410
Non-current assets	**-**	-
Total assets	**617,729**	11,410
Current liabilities	**(481,520)**	(114,510)
Non-current liabilities	**(5,500,000)**	-
Total liabilities	**(5,981,520)**	(114,510)
Net Liabilities	**(5,362,791)**	(103,100)
Contributed Equity	**1,580**	1,000
Retained Losses	**(5,364,371)**	(104,100)
Total Equity	**(5,362,791)**	(103,100)

	DEC 2017 $	DEC 2016 $
Summarised statement of comprehensive Income		
Revenue	**31,466**	-
Cost of sales	**(5,291,737)**	(104,100)
Total comprehensive income	**(5,260,271)**	(104,100)

31. Joint ventures accounted for using the equity method (continued)

Share of losses accounted for using the Equity method in the Norske Skog Industries Australia Limited Group financial statements is as follows:

	2017 **$**	2016 $
Share of losses (recognised within Other Comprehensive Income)	**(1,340,698)**	-
Initial Investment in Joint Venture	**395**	-
Less post-acquisition share of losses	**(395)**	-
	-	**-**
Total Investment		
Loan with Joint Venture (note 11)	**5,639,421**	**-**
Less post-acquisition share of losses (exceeding investment)	**(1,340,303)**	**-**
	4,299,118	**-**
Unrecognised Share of losses	**-**	**-**

Transactions and balances with joint ventures were as follows:

	2017 **$**	2016 $
Lease Income on Plant & Equipment used by FC Five Pty Ltd	**3,244,764**	104,100
Depreciation on Plant & Equipment associated with Lease Income	**(2,494,909)**	
Interest accrued on loan to joint venture	**139,421**	-
Net contributions to group accounting profit	**889,276**	104,100
Balances due from joint ventures (included in non-current receivables, note 11)	**5,639,421**	-
Balances due from joint ventures (included in receivables, Note 9)	**348,288**	-

32. Reconciliation of profit after income tax to net cash inflow from operating activities

	2017 $'000	2016 $'000
Loss for the year	**(223,426)**	(41,128)
Depreciation and amortisation	**35,075**	44,677
Dividend received		
Net loss on disposal of non-current assets	**7,000**	8,567
Impairment of property, plant and equipment	**154,300**	-
Fair value gain on forest estate	**(4,207)**	(4,377)
Derivative (gain) / loss unrealised	**10,925**	28,295
Intercompany Interest accrued through related balances	**14,771**	
Change in operating assets and liabilities		
Decrease in trade and other receivables	**6,476**	11,987
Decrease in inventories	**2,451**	2,243
Decrease / (increase) in deferred tax balances	**20,000**	(10,153)
Increase / (decrease) in trade and other payables	**13,382**	(26,537)
Increase in provisions	**4,432**	14,579
Net cash inflow from operating activities	**41,179**	28,153

33. Non cash investing and financing activities

Additions to property, plant and equipment per note 15 were $9,381,000 (2016: $17,218,000) of which $nil (2016: $Nil) was capitalised in terms of a finance lease as outlined in note 28(c). The parent company does not operate a bank account so any financing and investing activities are settled through intercompany accounts.

During the year interest of $14,000,000 relating to non-current intercompany long term loans payable (note 21) and $771,000 relating to current intercompany loans was settled through an increase to current intercompany short term loans payable (note 18)

34. Financial instruments

Liquidity risk

Trade and other payables are due within three months. Amounts payable to related and non-related parties are due on demand with the exception of borrowings from related parties totalling $246,531,000 which are repayable in 2019 with the variable rate interest on the loans required to be paid on an annual basis, as outlined in Note 21. Borrowings of $16,103,000 (2016: $17,639,000) under finance leases are repayable over the next 10 years as outlined in Note 28(c). Other term loans are repayable between 2017 and 2019 as outlined in Notes 18 and 21.

Credit risk

The carrying amount of the group's financial assets represents the maximum credit exposure. The group's maximum exposure to credit risk at the reporting date was:

	2017 $'000	2016 $'000
Cash and cash equivalents (Note 8)	**22,746**	13,596
Receivables (Note 9 & 11)	**48,070**	35,143
Embedded derivatives (Note 12) are not subject to credit risk as there are no future cash flows associated with such derivatives.		

Impairment losses

The classification of the group's trade receivables at the reporting date was:

	2017 $'000	2016 $'000
Trade receivables (Note 9)		
Not past due	**27,299**	24,594
Past due 0-30 days but not impaired	**3,881**	8,238
Past due 31-60 days but not impaired	**500**	813
Past due greater than 60 days but not impaired	**333**	297
	32,013	33,942
Less provision for impairment of receivables	**-**	-
	32,013	33,942

Based on its review of trade receivables and historic default rates the group believes that a $nil (2016: $nil) impairment loss provision is required at 31 December 2017 in respect of current and past due trade receivables.

The movement during the year in the allowance for impairment in respect of trade receivables was as follows:

	2017 $'000	2016 $'000
Provision for impairment of receivables		
Balance at beginning of year	**-**	-
Impairment loss charged to provision	**-**	-
Balance at end of year	**-**	-

Receivables from Group Companies were impaired by $1.4m during the year (note 9) and are recorded net of impairment. The other classes within receivables do not contain impaired assets and are not past due. Based on the history of these other classes it is expected that the amounts will be recovered when expected.

34. Financial instruments (continued)

Currency risk

The group operates internationally and is exposed to foreign exchange risk arising both from transactions and assets and liabilities denominated in foreign currencies that are not the functional currency of the relevant company in the group. The parent company had no exposure to foreign currency risk at either its 2016 or 2015 balance dates. The group's exposure to foreign currency risk at balance date was as follows:

Net monetary assets, in thousands of AUD	2017 $'000	2016 $'000
US dollars	**3,796**	5,500
Japanese Yen	**4**	93
European Euros	**64**	6
New Zealand dollars	**8**	46
Canadian dollars	**23**	-
Norwegian krone	**5**	-
Great British Pound	**-**	9
Swedish Krona	**3**	6

Sensitivity analysis

A 10% strengthening of the Australian dollar against the relevant foreign currencies at 31 December would have decreased profit after tax by $235,000 (2016: $352,000). This assumes that other variables, in particular interest rates, remain constant. A 10% weakening of the Australian dollar against the relevant foreign currencies at 31 December would have increased profit after tax by $287,000 (2016: $431,000) on the basis that all other variables remain constant.

Interest rate risk

At the reporting date the profile of the Company's and the Group's interest bearing financial instruments were:

	2017 $'000	2016 $'000
Fixed rate instruments		
Financial liabilities (Note 28(c))	**16,103**	17,639
Variable rate instruments		
Financial assets - cash (Note 8)	**16,414**	13,596
Financial assets – restricted cash (Note 8)	**6,333**	5,442
Financial assets – related party receivables (Note 9 & 11)	**15,196**	1,201
Financial liabilities – borrowings (Notes 18 & 21)	**270,357**	98,086

Sensitivity analysis

The group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates applying for the year would have increased or decreased the Group's profit after tax and equity by $1.9 million (2016: $0.7 million).

A change of 100 basis points in interest rates applying for the year would have increased or decreased the parent company's profit after tax and equity by $1.7 million (2016: $0.5 million).

35. Information relating to Norske Skog Industries Australia Limited (the Parent)

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	2017 $'000	2016 $'000
Loss after income tax	**(109,605)**	(2,761)
Loss after comprehensive income	**(109,605)**	(2,761)

Balance sheet

	2017 $'000	2016 $'000
Total current assets	**138,319**	-
Total assets	**581,704**	512,419
Total current liabilities	**422,265**	243,375
Total liabilities	**658,777**	479,887
Equity		
Issued capital	**190,000**	190,000
Reserves	**66,948**	66,948
Accumulated losses	**(334,021)**	(224,416)
Total equity	**(77,073)**	32,532

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity is a party to a deed of cross guarantee (refer note 36) which was formed during 2013, under which it guarantees the debts of its subsidiaries as at 31 December 2017.

Contingent liabilities
The parent entity had no contingent liabilities as at 31 December 2017 and 31 December 2016.

Capital commitments – Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 31 December 2017 and 31 December 2016.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1.

36. Deed of Cross Guarantee

During 2013, Norske Skog Industries Australia Limited (Holding Entity) became a party to a deed of cross guarantee with the following wholly-owned subsidiaries:

Norske Skog Paper Mills (Australia) Limited
Norske Skog (Australasia) Pty Limited
Norske Skog Capital (Australia) Pty Ltd
Norske Skog (Australia) No. 2 Pty Limited
Pan Asia Paper Trading Co Pty Ltd

Under this deed each company guarantees the debts of the other companies. By entering the deed, the wholly-owned entities have been relieved of the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The above companies form part of a 'closed group' for the purposes of the Class Order, however there are two wholly-owned subsidiaries (Norske Skog Tasman and Norske Skog Holdings No. 3 Limited) that are not a party to the deed as they are incorporated and located in New Zealand. Norske Skog Tasman also has the following wholly-owned subsidiaries:

Norske Skog Holdings No. 1 Limited
Norske Skog Holdings No. 2 Limited
Norske Skog Capital NZ Limited

36. Deed of Cross Guarantee (continued)

(a) Consolidated statement of comprehensive income and summary of changes in equity

Set out below is a consolidated statement of comprehensive income and summary of movements in retained earnings for all companies that are a party to the deed, as detailed above (i.e. excluding Norske Skog Tasman and Norske Skog Holdings No. 3 Limited).

	2017 $'000	2016 $'000
Revenue from continuing operations	**426,794**	428,861
Fair value gain of forest estate	**4,207**	4,377
Raw materials and consumables used	**(254,120)**	(248,000)
Employee benefits expense	**(66,226)**	(73,144)
Depreciation and amortisation expense	**(29,217)**	(37,064)
Distribution expenses	**(50,042)**	(51,027)
Gain on embedded derivatives	**1,768**	713
Mechanical maintenance and servicing	**(17,572)**	(18,394)
Other expenses	**(20,916)**	(19,652)
Finance costs	**(28,002)**	(10,978)
Share of losses in joint ventures	**(1,341)**	-
Impairment – property, plant & equipment	**(154,300)**	-
Loss before income tax	**(188,967)**	(24,308)
Income tax (expense) / benefit	**(20,000)**	10,153
Loss after income tax	**(208,967)**	(14,155)
Other comprehensive income / (loss)	**-**	-
Total comprehensive Loss for the year attributable to the owners of the company and its subsidiaries	**(208,967)**	(14,155)

Summary of changes in Equity

	Contributed Equity $'000	**Reserves $'000**	**Retained Earnings $'000**	**TOTAL $'000**
Balance as at 1st January 2016	**190,000**	**403,344**	**(415,220)**	**178,124**
Loss for the period	-	-	(14,155)	(14,155)
Other comprehensive income	-	-	-	-
Balance as at 31st December 2016	**190,000**	**403,344**	**(429,375)**	**163,969**
Loss for the period	-	-	(208,967)	(208,967)
Other comprehensive income	-	-	-	-
Transfers within Equity	-	(403,344)	403,344	-
Balance as at 31st December 2017	**190,000**	**-**	**(234,998)**	**(44,998)**

36. Deed of cross guarantee (continued)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet for all companies that are a party to the deed, as detailed above (i.e. exclude Norske Skog Tasman and Norske Skog Holdings No. 3 Limited).

	2017 $'000	2016 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**10,832**	6,580
Call deposits (restricted)	**3,200**	1,200
Receivables	**36,643**	38,298
Inventories	**49,947**	51,061
Derivative financial instruments	**315**	246
Forest estate	**2,682**	3,211
Intangible assets – emission rights	**73**	73
Total current assets	**103,693**	100,669
Non-current assets		
Receivables	**4,299**	-
Other financial assets	**64,877**	63,820
Derivative financial instruments	**905**	738
Property, plant and equipment	**146,877**	322,885
Forest estate	**23,963**	23,096
Intangible assets	**2,232**	2,552
Deferred tax assets	**-**	20,000
Total non-current assets	**243,153**	433,091
Total assets	**346,845**	533,760
LIABILITIES		
Current liabilities		
Payables	**60,920**	48,783
Borrowings	**25,548**	11,055
Derivative financial instruments	**866**	1,127
Provisions	**28,547**	26,000
Total current liabilities	**115,881**	86,965
Non-current liabilities		
Borrowings	**250,894**	256,056
Derivative financial instruments	**133**	1,403
Provisions	**24,935**	25,367
Total non-current liabilities	**275,962**	282,826
Total liabilities	**391,843**	369,791
Net assets	**44,998**	163,969
EQUITY		
Issued capital	**190,000**	190,000
Reserves	**-**	403,344
Accumulated losses	**(234,998)**	(429,375)
Total equity	**44,998**	163,969

37. Events occurring after the reporting period

The former ultimate parent company, Norske Skogindustrier ASA filed for bankruptcy on 19 December 2017 following unsuccessful attempts to achieve a consensual recapitalisation of the Norske Skog group. Norske Skog AS became the new ultimate parent company of the group as of that date. On 3 May 2018, a wholly owned subsidiary of Oceanwood Opportunities Master Fund entered into a sale and purchase agreement with Citibank, N.A., London Branch, as security agent, for the acquisition of the shares in Norske Skog AS, along with its direct and indirect subsidiaries. The transaction is subject to Oceanwood obtaining the relevant antitrust and other regulatory approvals in the countries concerned (including Australia and New Zealand), which is currently anticipated to be obtained in the second half of 2018.

Upon completion of the transaction, financial and guarantee liabilities of the ultimate parent that are not fully discharged from the proceeds will be released (including the guarantee issued by Norske Skog Tasman Limited) (note 27). Upon completion, it is expected that the ultimate parent, Norske Skog AS will have significantly less debt and interest costs, which will improve the solidity and liquidity of the Norske Skog group. It is also expected that upon completion a process will commence to recapitalise intercompany loans within the Norske Skog Industries Australia group which will improve the equity position of the Norske Skog Industries Australia group.

On 24 May 2018 an incident occurred at the group's Albury mill that resulted in the death of two employees. Operations at the mill were suspended following the incident to allow for its investigation. Management is yet to determine the root cause of the incident, and as such, an estimate of the financial effect cannot be made at this time.

Health and safety continues to be the key focus area of the company, its subsidiary companies and the respective board of directors and executive management teams.

Norske Skog Industries Australia Limited
Directors' declaration
31 December 2017

In the directors' opinion:

(a) The financial statements and notes set out on pages 1 to 47 are in accordance with the *Corporations Act 2001,* including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the company's financial position as at 31 December 2017 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 36 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 36.

Note 1 confirms that the financial statements also comply with the International Financial Reporting Standards as Issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.

Director

Sydney, Australia
2 July 2018

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Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Norske Skog Industries Australia Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Norske Skog Industries Australia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of Norske Skog Industries Australia Limited, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO East Coast Partnership

BDO

Paul Bull
Partner

Sydney, 2 July 2018

Norske Skog Industries Australia Limited
ABN 50 003 902 985

Annual financial report – 31 December 2018

Contents

This financial report covers Norske Skog Industries Australia Limited as a consolidated entity consisting of Norske Skog Industries Australia Limited and its subsidiaries. The financial report is presented in Australian currency.

Norske Skog Industries Australia Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Norske Skog Industries Australia Limited
Suite 7.02, Level 7
465 Victoria Avenue
Chatswood NSW 2067

The financial report was authorised for issue by the directors on 30 April 2019.

	Notes	2018 $'000	2017 $'000
Revenue from continuing operations	4	**568,594**	547,368
Fair value gain of forest estate	12	**5,208**	4,207
Raw materials and consumables used		**(332,926)**	(322,394)
Employee benefits expense		**(86,967)**	(85,126)
Depreciation and amortisation expense	5	**(19,566)**	(35,075)
Distribution expenses		**(64,949)**	(63,148)
Gain/ (Loss) on embedded derivatives	11	**13,320**	(10,925)
Mechanical maintenance and servicing		**(24,431)**	(25,237)
Impairment – property, plant & equipment	14	**-**	(154,300)
Other expenses		**(24,782)**	(27,655)
Finance costs	5	**(24,823)**	(29,800)
Share of post-acquisition losses in equity accounted joint venture	30	**(1,584)**	(1,341)
Profit/ (Loss) before income tax		7,094	(203,426)
Income tax (expense)	6	**(2,485)**	(20,000)
Profit /(Loss) from Continuing Operations		4,609	(223,426)
Profit /(Loss) for the year		4,609	(223,426)
Other comprehensive income / (loss)			
Items that may be reclassified to profit & loss			
Exchange differences on translation of foreign operations		**1,521**	(2,240)
Income tax relating to this item		-	-
Other comprehensive income / (loss) for the year		**1,521**	(2,240)
Total comprehensive income / (loss) for the year attributable to the owners of the company and its subsidiaries		**6,130**	(225,666)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Norske Skog Industries Australia Limited
Consolidated Balance Sheet
As at 31 December 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	18,745	16,414
Restricted cash (call deposits)	7	7,672	6,332
Receivables	8	51,644	54,929
Inventories	9	61,942	63,677
Derivative financial instruments	11	16,951	5,505
Forest estate	12	3,020	2,682
Intangible assets - emission rights	15	4,356	139
Total current assets		164,330	149,678
Non-current assets			
Receivables	10	7,220	4,299
Other financial assets	13	3,197	3,053
Derivative financial instruments	11	3,709	5,006
Property, plant and equipment	14	176,577	183,471
Forest estate	12	23,845	23,963
Intangible assets	15	2,053	2,353
Deferred tax assets	21	-	-
Total non-current assets		216,601	222,145
Total assets		380,931	371,823
LIABILITIES			
Current liabilities			
Payables	16	53,551	72,957
Borrowings	17	21,476	25,548
Current Tax Payable	6	2,551	-
Derivative financial instruments	11	9,860	7,872
Provisions	18	34,747	34,179
Total current liabilities		122,185	140,556
Non-current liabilities			
Borrowings	20	135,089	260,912
Derivative financial instruments	11	3,877	9,077
Deferred tax liabilities	22	-	-
Provisions	19	41,062	38,690
Total non-current liabilities		180,028	308,679
Total liabilities		302,213	449,235
Net assets / (liabilities)		78,718	(77,412)
EQUITY			
Issued capital	23	340,000	190,000
Reserves		(20,086)	(21,607)
Accumulated losses		(241,196)	(245,805)
Total equity		78,718	(77,412)

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

	Contributed equity $'000	Revaluation Reserve $'000	Foreign currency translation Reserve $'000	Accumulated losses $'000	Total $'000
Balance at 1 January 2017	**190,000**	**403,344**	**(19,367)**	**(425,723)**	**148,254**
Loss for year from continuing operations	-	-	-	(223,426)	(223,426)
Transfers within Equity	-	(403,344)	-	403,344	-
Other comprehensive income for year	-	-	(2,240)	-	(2,240)
Total comprehensive income / (loss) for year	-	**(403,344)**	**(2,240)**	**179,918**	**(225,666)**
Transactions with owners in their capacity as owners:					
Issue of share capital	-	-	-	-	-
Balance at 31 December 2017	**190,000**	-	**(21,607)**	**(245,805)**	**(77,412)**
Profit for year from continuing operations	-	-	-	4,609	4,609
Other comprehensive income for year	-	-	1,521	-	1,521
Total comprehensive income for year	-	-	**1,521**	**4,609**	**6,130**
Transactions with owners in their capacity as owners:					
Issue of share capital	150,000				150,000
Balance at 31 December 2018	**340,000**	-	**(20,086)**	**(241,196)**	**78,718**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		605,468	596,342
Payments to suppliers and employees (inclusive of goods and services tax)		(575,914)	(551,653)
		29,554	44,689
Interest received		303	215
Interest paid		(3,484)	(3,725)
Net cash inflow from operating activities	31	26,373	41,179
Cash flows from investing activities			
Payments for property, plant and equipment		(9,723)	(9,381)
Payments for forests		(2,193)	(3,210)
Payments for intangible assets		(370)	(424)
Payments for call deposits (restricted)		(1,202)	(1,120)
Payments for / Receipts from investments		(144)	(1,053)
Proceeds from sale of property plant and equipment		4	103
Net cash (outflow) / inflow from investing activities		(13,628)	(15,085)
Cash flows from financing activities			
Repayment of borrowings		(5,163)	(4,040)
New loans issued to related parties		(4,000)	(5,500)
Payments to related parties		(1,498)	(13,356)
Net cash outflow from financing activities		(10,661)	(22,896)
Total cash inflow		2,084	3,198
Net increase in cash and cash equivalents		2,084	3,198
Cash and cash equivalents at the beginning of the financial year		16,414	13,596
Effects of exchange rate changes on cash and cash equivalents		247	(380)
Cash and cash equivalents at the end of the year	7	18,745	16,414

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements for Norske Skog Industries Australia Limited as a consolidated entity consisting of Norske Skog Industries Australia Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other interpretations and authoritative pronouncements of the Australian Accounting Standards Board, and the *Corporations Act 2001*, as appropriate for profit orientated entities.

Historical Cost Convention
These 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 and liabilities (including derivative instruments) at fair value through profit or loss.

Use of estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. The resulting accounting estimates may not equal the related actual results. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about the principal areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the amounts recognised in the financial statements are described in the following notes:

- Notes 6, 21 and 22 - Tax
- Note 12 - Forest estate
- Note 11 - Derivative financial instruments
- Notes 18 and 19 - Provisions
- Note 14 - Property, plant and equipment

It is reasonably possible, based on existing knowledge, that outcomes within the next annual reporting period that are different from assumptions could require a material adjustment in the carrying amount of the asset or liability affected.

The going concern assumption
As at 31 December 2018 the group was in a net current asset position of $42,145,000 (2017: net current asset $9,123,000) and generated a net profit after tax of $4,609,000 (2017: loss $223,426,000).

The former ultimate parent company, Norske Skogindustrier ASA filed for bankruptcy on 19 December 2017 following unsuccessful attempts to achieve a consensual recapitalisation of the Norske Skog group. Norske Skog AS became the new ultimate parent company of the group as of that date. On 3 May 2018, a wholly owned subsidiary of Oceanwood Opportunities Master Fund entered into a sale and purchase agreement with Citibank, N.A., London Branch, as security agent, for the acquisition of the shares in Norske Skog AS, along with its direct and indirect subsidiaries. The completion of the sale occurred in September 2018. In December 2018, Norske Skog Industries Australia group was subject to a recapitalisation and loan restructuring process. The ultimate parent, Norske Skog AS subscribed for and was issued an additional A$150,000,000 in equity. The promissory note received in connection with the share issue was used to repay principal of $121,685,111 and interest of $28,314,889 on intercompany long term loans. This transaction has improved the equity position of the Norske Skog Industries Australia group and reduced on-going interest expenses.

In accordance with the provisions of generally accepted accounting practices, management has assessed the going concern assumption as the appropriate basis for preparing and presenting the financial statements. The board of directors has considered the impact of the transactions described above on equity and liquidity and also the operating environment for the group and the industry in general going forward as these are reflected in the financial budget and forecast updates for 2019. Based on these considerations and reflecting inherent uncertainties, the board of directors confirms that the going concern assumption applies and that the financial statements have been prepared on a going concern basis.

1. Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of Norske Skog Industries Australia Limited and its subsidiaries as at 31 December 2018 and the results of all subsidiaries for the year then ended. Norske Skog Industries Australia Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group [refer to note 1(h)].

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

(ii) Joint Ventures

Where material, interests in joint ventures are accounted for using the equity method.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Norske Skog Industries Australia Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

(iii) Group companies

The results and financial position of all the New Zealand Group entities that have a functional currency different from the presentation currency (AUD) are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

When a foreign operation is sold, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

1. Summary of significant accounting policies (continued)

(d) Revenue recognition

The group has adopted AASB 15 Revenue from Contracts with Customers as of 1 January 2018 replacing IAS 11 and IAS18, and are using the modified retrospective transition approach applying the new standard only to contracts that are not completed as of 1 January 2018. The adoption of the new standard has no effect on the reported figures. AASB 15 has established a single and comprehensive framework which sets out how much revenue is to be recognised, and when. The core principle is that a vendor should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the vendor expects to be entitled in exchange for those goods or services. Revenue is recognised by a vendor when control over the goods or services is transferred to the customer.

The application of the core principle in AASB 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. 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. In the fifth step, we assess when each performance obligation is satisfied (point in time or over period) and revenue are recognized.

Revenues in Norske Skog 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. For domestic sales this is generally when the goods are delivered to the customer while for export sales control is typically transferred when the goods are loaded onto an international sea carrier at the port of departure.

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 arrangements. 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 probable that there will be a significant revenue reversal.

Pre-AASB 15 (recognition principles in 2017): Revenue was measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities, take into account contractually defined terms of payment and excluding taxes or duty. Revenue is shown net of returns, trade allowances, rebates, amounts collected on behalf of third parties and after eliminating sales within the group. Revenue was recognised when the significant risks and rewards of ownership of the goods was transferred to the buyer. This was depending upon the buyer's delivery terms and in the range from the finalisation of the production to delivery of goods to the buyer.

(e) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are presented in the balance sheet as deferred income or as a reduction in 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.

1. Summary of significant accounting policies (continued)

(f) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Tax Consolidation Legislation

Norske Skog Industries Australia Limited and its wholly-owned Australian subsidiaries have implemented the tax consolidation legislation. As a consequence, Norske Skog Industries Australia Limited as the head entity in the tax consolidated group, recognises current tax payable and deferred tax assets relating to tax losses of the wholly-owned Australian subsidiaries in this group, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. These tax amounts are measured as if the parent entity continues to be a standalone tax payer in its own right. As there is no tax funding agreement with the tax consolidated entities in place, amounts assumed by the parent entity relating to tax consolidated subsidiaries are recognised as a contribution to (or distribution from) these entities.

(g) Leases

Leases in which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Leases relating to property and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised in the balance sheet to the lower of 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 period 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.

(h) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill [refer to note 1(o)]. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

1. Summary of significant accounting policies (continued)

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Newsprint trade receivables are normally settled within 7 days and no more than 30 days for other debtors.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impaired receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within other expenses.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is determined principally on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of both variable and fixed costs. Fixed costs have been allocated on the basis of normal operating capacity. Costs arising from exceptional wastage are expensed as incurred.

Net realisable value is determined on the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

(m) Derivatives

Derivatives are recognised at fair value when the contracts are entered into and are subsequently re-measured to their fair value at balance date.

The fair value of derivatives that are not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select methods and make assumptions that are mainly based on market conditions at each reporting period date. (Refer Note 11)

Changes in the fair value of derivatives (including embedded derivatives) are recognised immediately in the income statement.

(n) Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

1. Summary of significant accounting policies (continued)

(n) Property, plant and equipment (continued)

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Buildings	3% to 6.5%
Plant and equipment	2.5% to 33%
Forest and non-forest roads	4% to 13%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(o) Intangible assets

(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Albury pipeline
The cost of a right to use a pipeline at the Albury mill is amortised over the period in which the related benefits are expected to be realised, being 25 years (2018; 11 Years remaining).

(iii) Capitalised software
Capitalised software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life, being 3 to 5 years.

(iv) Emission Rights
An intangible asset is recognised at fair value for carbon emission right units receivable on qualifying activity. Market observable data is used to the extent it is available, but where Level 1 active market quoted price inputs are not available, the group uses Level 2 inputs that incorporate historical market prices and other directly and indirectly observable data.

(p) Forest estate

The forest estate is valued based on fair value in accordance with AASB 141 Agriculture. Standing timber planned for harvest within twelve months is reported as a current asset. The remainder is reported as a non-current asset.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Bank loans, loans from related parties and loans to related parties are carried on the balance sheet at their principal amount, subject to set-off arrangements. Interest revenue and expense are accrued at the contracted rate.

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.

1. Summary of significant accounting policies (continued)

(s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

(t) Provisions

Provisions for environmental costs and restructuring costs are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(u) Employee benefits

(i) *Wages and salaries, annual leave and sick leave*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) *Long service leave*
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) *Retirement benefit obligations*
Certain group companies contribute to plans that provide retirement, death and disability benefits for employees and their dependants. All group employees in Australia participate in Australian based plans while all permanent group employees in New Zealand are entitled to participate in the New Zealand based plans. The Group now has only a defined contribution section within its plans. During 2015 the defined benefit plan was wound up.

Contributions to the defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) *Bonus plans*
A liability for employee benefits in the form of bonus plans is recognised in other creditors when at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(v) *Employee benefit on-costs*
Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

1. Summary of significant accounting policies (continued)

(v) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

(w) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (including embedded derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(x) Carbon emissions

(i) Australia -
The Australian Clean Energy Legislation (the Scheme) was repealed effective from 1st July 2015 and all impacts from this scheme only apply to this date. An Australian subsidiary is a Liable Entity under the scheme and also qualifies for assistance under the Australian Jobs and Competitiveness Program (JCP). The company is required to surrender eligible emission units to the Clean Energy Regulator (the Regulator) for covered emissions, and is entitled to receive certain free units based upon production volumes of eligible products.

(i.i) Provision for Carbon Emissions

A provision is recognised for the cost of eligible emission units as covered emissions are emitted and included in "other payables". The related expense is recognised in the income statement as incurred unless qualifying for an alternative treatment under another accounting standard or policy.

(i.ii) Emission Right- Australia

An intangible asset is recognised at fair value for free units receivable on qualifying activity under the JCP. The fair value of the unit is recognised as deferred revenue and released to the income statement as eligible production activity is undertaken.
The gain/loss arising from the sale of any surplus units is recognised in the income statement as "other income"/ "other expenses".

(ii) New Zealand -

(ii.i) Emission Rights - New Zealand

The Norske Skog Tasman Group re-assessed its accounting for emission rights in 2016 such that Emission trading scheme units (New Zealand Units or "NZU") are recorded at their fair market value. Prior to 2016 the Group recorded the NZU emission rights at cost. Market value changes and proceeds from sales of units are now recognised in the income statement as "other income"/ "other expenses" consistent with the treatment applied by other subsidiaries of the group.

1. Summary of significant accounting policies (continued)

(y) Financial Instruments

AASB 9 replaced the multiple classification and measurement models in IAS 39 Financial Instruments: Recognition and Measurement from the effective date 1 January 2018.

AASB 9 includes revised guidance on classification, measurement and derecognition of financial assets and financial liabilities, including a new credit loss model for calculating impairment on financial assets, and new rules for hedge accounting. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39 which have not been changed. Implementation of AASB 9 had no effect on the reported figures.

The impairment model for financial assets under AASB 9 require recognition of doubtful receivables allowances based on expected credit losses. Norske Skog has historically low levels of realised bad debts in trade receivables, and the adoption of AASB 9 has not resulted in a change in the provision for losses.

The new standard also introduces expanded disclosure requirements and has changed the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. 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.

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 AASB 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. Commodity contracts within the scope of AASB 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) *Financial assets at 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) *Financial assets at Fair value through other comprehensive income:* Investments in other shares not held for trade purpose, earlier classified as available for sale investments under IAS 39, are classified as fair value through other comprehensive income under AASB 9. 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.

(z) Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

1. Summary of significant accounting policies (continued)

(aa) New accounting standards

New Accounting Standards AASB 9 Financial Instruments (refer to note 1(y)) and AASB 15 Revenue Contracts with Customers (refer to note 1 (d)) have been applied for the first time for the reporting period commencing 1 January 2018. There is no significant impact to the financial statements arising from the adoption of these standards.

New accounting standard AASB 16 has not been early adopted in 2018 by the group. Details are set out below:

AASB 16 Leases

AASB 16 Leases will be implemented by the Group on 1 January 2019, and is expected to have an impact on the consolidated financial statements as described below:

AASB 16 Leases replaces the existing leases requirements. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor). The new leases standard requires lessees to recognise assets (i.e. right-of-use asset) and liabilities for most leases, which is a significant change from current requirements. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Exceptions for short term leases, low value leases, non-lease components and intangible assets have been adopted. For lessor, AASB 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The new standard will be implemented using the modified retrospective method without restatement of comparatives. The standard will be applied to the leases retrospectively with the cumulative effect of initially applying AASB 16 as an adjustment to the opening equity at the date of the initial application. The right-of-use assets will be 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.

The new standard will affect primarily the accounting for the group's operating leases for leased assets like machinery and properties, and the implementation effect on the consolidated financial statement are estimated as follows:

- Carrying value of right-of-use assets and lease liability estimated to be approximately AUD $11.9m higher as of 1 January 2019
- Operating expenses estimated to be approximately AUD $2.9m lower for 2019
- Interest expenses estimated to be approximately AUD $0.9m higher for 2019
- Depreciation expense estimated to be approximately AUD $2.4m higher for 2019

2. Risk management

The Group's activities expose the companies in it to a variety of financial risks including interest rate risk, credit risk, liquidity risk and currency risk.

Overall risk management is carried out on a global basis by the central treasury department of Norske Skog AS (Group Treasury), the company's ultimate parent, under policies approved by its Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Norske Skog Group's subsidiary companies and operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. In appropriate circumstances the Group uses derivative financial instruments to hedge certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed including sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

The directors of the company are responsible for managing risks, which is undertaken in conjunction with the directors of the other companies in the Australian group. The financial risk management undertaken follows the policies of the company's ultimate parent outlined above.

Interest rate risk

The Group's interest rate risks largely arise from its bank account balances, term borrowings and from intergroup borrowings and advances. Receivables and payables with subsidiary companies are unsecured, have no fixed terms of repayment and do not bear interest. Were interest to be charged on advances between Australian group companies, although there would be effects on individual companies, depending on their net indebtedness position, there would not be any overall financial impact on the Australian group as a whole. In the parent company's case it has received advances from its subsidiaries so were interest to be charged on intergroup advances there would be an adverse impact on its profits. Group Company fixed term borrowings from related companies and other lenders are on a variable rate basis. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Where group companies borrow under finance leases the interest rate is fixed at the inception of the lease agreement.

Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. In addition, the company and group are exposed to credit risk on their intergroup receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits by customers is regularly monitored by the company's management. The Group establishes impairment allowances that represent its assessment of incurred losses in respect of trade receivables. The allowances are specific and relate to individual significant exposures. Most of the Group's customers have been transacting with the group for many years and losses have occurred infrequently so collective impairments are not established in respect of losses that have not been identified. The Group's receivables from related entities are not considered a credit risk.

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from currency exposures (refer to Note 33). The Group's foreign exchange risk exposures are long term in nature and are considered to be of an acceptable level. Accordingly, the group does not hedge its foreign exchange risk exposures, thereby accepting foreign currency conversion risks.

The Group's investment in its New Zealand subsidiary is not hedged as the currency positions are considered to be long term in nature.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to access funding from other group companies.

2. Risk management (continued)

Fair value estimations

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and the carrying value of trade payables and embedded derivatives is a reasonable approximation of their fair values due to their short-term nature.

Capital risk management

The company's and the Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. As for financial risk management, overall capital risk management is undertaken on a global basis by the company's ultimate parent. In order to maintain or adjust the capital structure, the company and the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or realise assets to reduce debt.

Consistently with others in the industry, the company and the Group monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The directors of the company are responsible for managing risks, which is undertaken in conjunction with the directors of its Australian parent entity. The capital risk management undertaken follows the policies of the company's ultimate parent outlined above.

The gearing ratios at 31 December 2018 and 2017 were as follows:

	2018 $'000	2017 $'000
Net debt	**193,922**	343,003
Total equity	**78,718**	(77,412)
Total capital	**272,640**	265,591
Gearing ratio	**71.1%**	129.1%

3. Accounting Entity Information

Norske Skog Industries Australia Limited is a company incorporated and domiciled in Australia. The company is the parent of a group that predominately manufactures and sells newsprint and speciality paper. The group operates in Australia and New Zealand. The former ultimate parent of Norske Skog Industries Australia Limited was Norske Skogindustrier ASA, incorporated in Norway, which declared bankruptcy on December 19th 2017. The immediate parent, Norske Skog AS effectively became the new ultimate parent company of the group from that date. In May 2018 Oceanwood entered into a sale and purchase agreement to buy the entire issued share capital of Norske Skog AS. Oceanwood is an independent investment management firm located in London and Malta. The completion of the sale occurred in September 2018, with Oceanwood acquiring all issued share capital of Norske Skog AS through its wholly owned subsidiary NS Norway Holding AS.

4. Revenue from continuing operations

	2018 $'000	2017 $'000
Revenues from contracts with customers	**558,733**	539,570
Other revenue		
Interest	**1,044**	603
Other revenue	**8,817**	7,195
	568,594	547,368

Revenues From contracts with customers: Total revenues from contracts with customers has been disaggregated and presented in the segment table below. Contracts with customers are recognised 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.

	2018 $'000	2017 $'000
Revenues from contracts with customers by geographical location		
Asia	**216,845**	145,712
Australasia	**332,074**	393,784
Europe	**1,420**	-
North America	**8,394**	74
	558,733	539,570

5. Expenses

	2018 $'000	2017 $'000
Loss before income tax includes the following specific expenses:		
Depreciation		
Buildings	**1,972**	3,249
Plant and equipment	**16,784**	30,988
Other	**136**	144
Total depreciation	**18,892**	34,381
Amortisation		
Albury pipeline	**104**	104
Capitalised software	**570**	590
Total amortisation	**674**	694
Total depreciation and amortisation	**19,566**	35,075
Finance costs		
Interest and finance charges paid/payable	**21,990**	26,665
Finance lease interest cost	**1,787**	1,971
Provisions – unwinding of discount	**1,046**	1,164
Finance costs expensed	**24,823**	29,800
Provision adjustment (gain)		
Restructuring (Note 18)	**(202)**	(413)
Rehabilitation (Note 19)	**-**	(769)
Environmental (Note 19)	**-**	(5)
Net (gain)/loss on disposal of property, plant and equipment	**(3)**	(40)
Rental expense relating to operating leases		
Minimum lease payments	**3,153**	3,451
Foreign exchange gains and losses		
Net foreign exchange loss/(gain)	**1,910**	3,768
Defined contribution superannuation expense	**5,877**	5,757
Research and development	**129**	191
Tasmanian Freight Equalisation Scheme (within Distribution costs)	**(11,441)**	(10,562)

6. Income tax expense

	2018 $'000	2017 $'000
Income tax expense / (benefit)		
Current tax expense	**2,485**	-
Deferred tax benefit	**-**	-
(Over) / under provided in prior years:		
Current tax	**-**	-
Deferred tax	**-**	20,000
	2,485	20,000
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/ (Loss) from continuing operations before income tax expense	**7,094**	(203,426)
Tax at the Australian tax rate of 30% and New Zealand tax rate of 28%	**1,977**	(60,738)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Income exempt from tax or subject to concessions	**-**	-
Sundry expenses not deductible	**6**	5
Interest not deductible	**3,550**	4,945
Equity accounting non deductible	**475**	402
Expense / (benefit) of temporary differences	**(6,357)**	35,089
Expense / (benefit) of tax losses not recognised	**(917)**	20,297
Over provision in prior years	**3,751**	-
De-recognition of previously recognised deferred tax assets	**-**	20,000
Income tax expense / (benefit)	**2,485**	20,000
Deferred tax assets not recognised in the balance sheet		
The potential deferred tax asset arising from tax losses has not been recognised as an asset because it is not probable that future taxable amounts within the relevant entity will be available against which the temporary difference or tax loss can be utilised		
Unused capital losses – Australia	**61,506**	61,506
Income tax losses – Australia	**28,092**	26,351
Income tax losses – New Zealand	**-**	81,961
	89,598	169,818

The benefits for tax losses will only be obtained if:

(i) The relevant group companies derive future taxable amounts of a nature and an amount sufficient to enable the temporary difference or tax loss to be utilised;
(ii) The relevant group companies continue to comply with the conditions for utilisation imposed by the law; and
(iii) No change in tax legislation adversely affects the relevant group companies in realising the benefits.

Current Tax Payable

	2018
Income tax expense for 2018 relates to New Zealand obligations. Tax expense per the statement of profit and loss is recognised in the consolidated group accounts at the average AUD:NZD exchange rate. Tax Payable per the consolidated balance sheet is recognised at the closing AUD:NZD exchange rate.	
Income Tax Expense per Statement of Profit or Loss	**2,485**
Foreign currency revaluation from average to closing rate	**66**
Current Tax Payable per Consolidated Balance Sheet	**2,551**

7. Current assets - Cash and cash equivalents

	2018 $'000	2017 $'000
Cash at bank and in hand	**18,745**	16,414
Restricted Cash (Call and Term Deposits)	**7,672**	6,332
	26,417	22,746

Cash at bank bears floating interest rates between 0% and 1.3% at 31 December 2018 (2017: 0% and 0.60%).

Restricted deposits comprise cash held in bank call and term deposits as collateral by third parties. The funds are not immediately available to the Company. The interest rates on the bank term deposits are in the range of 1.30% to 3.61% (2017: 1.30% to 2.21%)

8. Current assets - Receivables

	2018 $'000	2017 $'000
Net trade receivables		
Trade receivables	**37,532**	32,013
Provision for impairment of receivables	**(354)**	-
	37,178	32,013
Receivables from group companies	**338**	9,557
Receivables from Joint Ventures	**1,851**	861
Other receivables	**5,503**	4,260
Prepayments	**6,774**	8,238
	51,644	54,929

Receivables from Group companies bear interest at a fixed annual rate of 3.0% (2017: 3.0%). All other current receivables are non-interest bearing.

Receivables from group companies are shown net of impairment losses amounting to $nil (2017: $1,412,000)

9. Current assets - Inventories

	2018 $'000	2017 $'000
Raw materials	**45,127**	42,682
Work in progress	**361**	595
Finished goods	**16,454**	20,400
	61,942	63,677

Inventory expense
Inventories recognised as expense during the year ended 31 December 2018, excluding write-downs of inventories, amounted to $332,926,000 (2017: $322,007,000).

Write-downs of inventories to net realisable value recognised as an expense during the year ended 31 December 2018 amounted to $nil (2017: $23,905). The expense has been included in "Raw materials and consumables used" in the income statement.

10. Non-current assets - Receivables

	2018 $'000	2017 $'000
Receivables from joint ventures	**10,144**	5,639
Less: post acquisition share of net (liabilities)	**(2,924)**	(1,340)
	7,220	4,299

Non-current receivable of $10,144,533 (2017: $5,639,421) due from joint venture partner FC5 Pty Ltd is interest bearing at the rate of 6.52% per annum (2017: 6.52%) shown net of share of post-acquisition losses that exceeds investment value ($2,924,143) (2017: ($1,340,303)) in accordance with AASB 128 para 38 (see also note 31).

11. Derivative financial instruments

	2018 $'000	2017 $'000
Embedded derivatives within purchase contracts		
Current Assets		
Opening Balance	**5,505**	5,129
Gain through Profit and Loss	**10,930**	651
Foreign Currency Translation	**516**	(275)
Closing Balance	**16,951**	5,505
Non-Current Assets		
Opening Balance	**5,006**	6,592
(Loss) through Profit and Loss	**(1,435)**	(1,295)
Foreign Currency Translation	**138**	(291)
Closing Balance	**3,709**	5,006
Total derivative financial assets	**20,660**	10,511
Current Liabilities		
Opening Balance	**7,872**	5,627
Loss through Profit and Loss	**1,628**	2,539
Foreign Currency Translation	**360**	(294)
Closing Balance	**9,860**	7,872
Non-Current Liabilities		
Opening Balance	**9,077**	1,502
(Gain)/Loss through Profit and Loss	**(5,453)**	7,742
Foreign Currency Translation	**253**	(167)
Closing Balance	**3,877**	9,077
Total derivative financial liabilities	**13,737**	16,949
Net Derivatives Opening	**(6,438)**	4,592
Net Loss through Profit and Loss	**13,320**	(10,925)
Net Foreign Currency Translation	**41**	(105)
Net Closing Balance	**6,923**	(6,438)

11. Derivative financial instruments (continued)

Group companies are parties to a number of purchase contracts, some of which contain embedded derivatives that do not qualify for hedge accounting. The commodity contracts and embedded derivatives classified as financial instruments are related to energy contracts within Australia and New Zealand. Such instruments are classified at fair value through profit and loss, with the change in fair value recognised in the statement of comprehensive income. In the absence of observable market inputs, the fair value of financial instruments is determined by using valuation techniques. The valuation method applied is a Level 3 valuation. 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. Fair value of energy contracts classified as financial instruments are sensitive to estimates of future energy prices, exchange rates and price indices. A decrease in estimate of future energy prices would result in a decrease in embedded derivative assets and an increase in embedded derivative liabilities.

12. Forest estate

	2018 **$'000**	2017 $'000
Current assets		
Forest estate - at fair value - 1 January	**2,682**	3,211
Transfer from non-current assets	**7,519**	6,511
Decreases due to harvest	**(7,181)**	(7,040)
Forest estate - at fair value - 31 December	**3,020**	2,682
Non-current assets		
Forest estate - at fair value - 1 January	**23,963**	23,096
Changes in fair value	**5,208**	4,207
Increases due to purchases	**2,193**	3,210
Decrease due to sale	**-**	(39)
Transfer to current assets	**(7,519)**	(6,511)
Forest estate - at fair value - 31 December	**23,845**	23,963
Total Value of Forest Assets	**26,865**	26,645

Nature and output of activities

The forestry activities undertaken by the group incorporate all aspects of managing the forests, from planting through to harvesting and cartage, including certification, assessment and planning.

The output of activities is volume of harvested timber. Dunng the year 357,344 tonnes of Pulplog (2017: 362,944) and 53,538 tonnes of Sawlog (2017: 46,937) were harvested.

Method of determining fair value

The directors consider there is no active and liquid market for large areas of native forest and plantation estates. Accordingly, a level 3 fair value estimate has been determined in accordance with a valuation based on direct and indirect costs of establishment in the early years of the plantation, the net present value of future cash flows for plantation timber and native forest once it exceeds the cost of establishment, and any other evidence of the market value of the standing timber including any indicative offers for the forest estate.

The valuation adopts the following significant assumptions, where appropriate:

- Harvestable volumes are the estimated future volume as at harvest date for plantations and the estimated current standing volume for native forest. The methodology used to assess the volume of plantation standing timber is based on the following inputs and assumptions: the net planted area, estimated growth rates, yield per hectare and year of harvest. The native forest estate has been assessed using generally accepted measurement techniques.

12. Forest estate (continued)

- The notional costs associated with the land owned by the company on which native forests and plantations are grown are calculated based on 5% of the land value.
- The continuation of existing practices with regard to silviculture and harvesting.
- Current market sales rates.
- A market based post-tax real discount rate of 6.4% (2017: 6.4%) has been applied to the estimated future cash flows in arriving at net present value.

Increment (decrement) in fair value
The net increment / (decrement) in the fair value of standing timber recognised as revenue is determined as the difference between the fair value of standing timber as at the beginning of the financial year and the fair value of standing timber as at the end of the financial year, after adjusting for current year plantation and forest establishment cost incurred in maintaining and enhancing standing timber for the year, and the fair value of standing timber harvested during the year.

Net fair value of standing timber harvested
The fair value of standing timber recognised as revenue is determined as the difference between the fair value of standing timber harvested during the financial year immediately after harvesting and the costs of harvesting.

Restrictions on use of forest estate
Plantations planted on state forest owned land prior to 1997 are governed by the Long Term Forestry Agreement (LTFA) with Forestry Tasmania. Under the terms of the LTFA, Norske Skog will lose exclusive rights to harvest these plantations on state owned land planted prior to 1997, if the Boyer Mill ceases to operate as a going concern.

Use of estimates and assumptions
Determining fair value using a discounted cash flow approach involves the use of estimates and assumptions covering matters such as future growth volumes, market prices and costs, as well as determining a suitable discount rate to calculate the present value of future cash flows. Changes in the estimates could have a material impact on the carrying value of biological assets and reported profit. A 1% increase in the discount rate, holding all other variables and assumptions constant, would decrease the valuation of the Forest assets by $1,840,547 (2017: $1,884,000). A 1% decrease in the discount rate, holding all other variables and assumptions constant would increase the valuation of the assets by $2,110,642 (2017: $2,165,000).

13. Non-current assets – Other financial assets

	2018 $'000	2017 $'000
Shares in unlisted companies	**3,197**	3,053
Total other financial assets	**3,197**	3,053

Norske Skog (Australia) No. 2 Pty Limited holds 2,375,000 Ordinary Shares in Ignite Energy (0.93% ownership) for $2,000,000

Norske Skog (Australia) No. 2 Pty Limited holds 395 Ordinary Shares in FC5 Pty Limited (25% ownership) for $395 (Carrying amount Nil to account for share of joint venture losses)

Norske Skog (Australia) No. 2 Pty. Limited holds 294,000 Ordinary Shares in Circa Group Pty Ltd (9.53% ownership for $1,197,000

14. Non-current assets - Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Plant & equipment $'000	Forest and non-forest roads $'000	Capital work in progress $'000	Total $'000
2018						
Cost						
At 1 January 2018	15,464	147,180	1,692,338	17,274	28,336	1,900,592
Additions	-	-	-	-	9,723	9,723
Transfers	-	-	23,021	438	(23,459)	-
Disposals	-	-	(3,574)	-	-	(3,574)
Adjustments related to asset dismantling provision	-	-	799	-	-	799
Exchange differences	136	2,481	14,597	-	59	17,273
At 31 December 2018	15,600	149,661	1,727,181	17,712	14,659	1,924,813
Accumulated depreciation						
At 1 January 2018	-	(125,003)	(1,587,848)	(4,270)	-	(1,717,121)
Depreciation charge	-	(1,972)	(16,784)	(136)	-	(18,892)
Disposals	-	-	3,573	-	-	3,573
Impairment	-	-	-	-	-	-
Exchange differences	-	(2,328)	(13,467)	(1)	-	(15,796)
At 31 December 2018	-	(129,303)	(1,614,526)	(4,407)	-	(1,748,236)
Net book value, 31 December 2018	15,600	20,358	112,655	13,305	14,659	176,577

Property, plant and equipment includes equipment subject to finance leases with a net carrying amount of $3,585,000 at 31 December 2018 (2017: $5,811,000).

	Freehold land $'000	Freehold buildings $'000	Plant & equipment $'000	Forest and non-forest roads $'000	Capital work in progress $'000	Total $'000
2017						
Cost						
At 1 January 2017	15,640	150,396	1,709,413	16,863	22,869	1,915,181
Additions	-	-	-	-	9,381	9,381
Transfers	-	-	3,408	411	(3,819)	-
Disposals	-	-	(125)	-	-	(125)
Adjustments related to asset dismantling provision	-	-	(1,512)	-	-	(1,512)
Exchange differences	(176)	(3,216)	(18,846)	-	(95)	(22,333)
At 31 December 2017	15,464	147,180	1,692,338	17,274	28,336	1,900,592
Accumulated depreciation						
At 1 January 2017	-	(123,434)	(1,421,055)	(4,126)	-	(1,548,615)
Depreciation charge	-	(3,249)	(30,988)	(144)	-	(34,381)
Disposals	-	-	101	-	-	101
Impairment	-	(1,302)	(152,998)	-	-	(154,300)
Exchange differences	-	2,982	17,092	-	-	20,074
At 31 December 2017	-	(125,003)	(1,587,848)	(4,270)	-	(1,717,121)
Net book value, 31 December 2017	15,464	22,177	104,490	13,004	28,336	183,471

14. Non-current assets – Property, plant and equipment (continued)

Assumptions applied when calculating the recoverable amount

Property, plant and equipment and non-current intangible assets are written down to their recoverable amount when this is lower than the carrying value of the asset. The recoverable amount of an asset or cash generating unit (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 CGU. A weighted average cost of capital model (WACC) is used to determine future cash flows.

Impairment testing is performed by the ultimate parent entity for the overall group. The company applies the value in use approach when calculating recoverable amount for its CGU's. The group has the Albury and Boyer mills in Australia and the Tasman mill in New Zealand. The Norske Skog Industries Australia Limited group treats these mills as separate cash generating units.

The value is calculated by discounting based on a required rate of return on capital that is relevant for the CGU or individual asset. The required rate of return is based on the interest rate on ten year government bonds in the currency of the cash flow estimate, an industry debt yield premium, industry beta and an equity risk premium.

When calculating the value in use, the discount rate after tax was 8.4% (2017: 8.1%) for Australian domiciled assets and 8.5% (2017: 8.2%) for NZ domiciled assets. The calculations are based on cash flow and required rate of return after tax.

The impairment model used to determine the recoverable amount is based on discounted future cash flows, underpinned by a specific set of key inputs and assumptions. The valuation of the recoverable amount is based on three key scenarios that are specifically relevant to the publication paper industry. These scenarios are then weighted to form the basis for the future cash flows. The consolidated scenario is a reflection of the structural decline in the demand for publication paper over the last decade which is expected to continue, albeit at a slower rate of decline. The weighting in the scenarios is consistent with the requirements of *AASB 136 Impairment of Assets* as it provides an overall scenario closest to the current and expected future market developments in the publication paper industry.

The impairment model is based on management's forecast figures for 2019. The Board of Director's regularly review the financial performance of the region including the year-end financial forecasts. The key drivers of profitability in the industry and thus asset values for NSIAL are product prices and relative production costs. The starting point in all scenarios are the 2018 forecast prices and costs. For both sales prices and input prices, an increase in real terms is expected, as observed in the impairment testing at 31 December 2018. Real term sales prices are assumed to increase during the next ten year period on reduced sales volumes which are expected to develop in accordance with the useful lives of the different paper machines operated by the company. Projection of these assumptions will result in gradual improvement in margins, from levels at the bottom of the business cycle to a normalisation with return to trend economic growth.

The analysis indicates no impairment is required for 2018 (2017 $154,300,000).

Cash flow is calculated based on estimated useful life. The paper industry is a capital intensive industry where investment decisions are made based on projections with a long time horizon. The production machines have a long technical life. The estimated remaining useful life of the individual paper machines forms the basis for determining the length of the cash flow period.

The cash flow decreases over time as the capacity of the company declines, reflecting assumed closures of machines as they reach the end of their useful lives.

Sensitivity to estimates of recoverable amount

The estimation of recoverable amount is based on assumptions regarding future development of several factors. These include price development of finished goods, sales volumes and interest rates. This means there will be uncertainty when it comes to the outcome of these calculations. The group has performed sensitivity analysis using the variables above to predict how fluctuations will impact the recoverable amount.

In relation to the assumptions made in the calculation of the present value of future cash flows, recoverable amount is most sensitive to changes in prices of finished goods and the discount rate used. A reduction in the sales price of 2% will cause a reduction in recoverable amount in the order of $57,000,000. Correspondingly, a 1% increase in the discount rate will cause a reduction in the recoverable amount of $13,000,000.

Expected useful life

In connection with the year-end closing process for 2018, the group performed a review of the expected remaining useful lives of PPE. The outcome of the review was that there have been no changes in useful life in 2018 compared to those applied in 2017.

15. Intangible assets

	Goodwill (non-current) $'000	Capitalised software (non-current) $'000	Albury pipeline (non-current) $'000	Net book amount (non-current) $'000	Emission rights (current) $'000
2018					
Cost					
At 1 January 2018	111,802	15,482	4,094	131,378	139
Additions	-	370	-	370	4,692
Disposals	-	(34)	-	(34)	(478)
Transfers	-	-	-	-	-
Exchange differences	4,940	3	-	4,943	3
At 31 December 2018	116,742	15,821	4,094	136,657	4,356
Accumulated amortisation					
At 1 January 2018	(111,748)	(14,427)	(2,850)	(129,025)	-
Amortisation	-	(570)	(104)	(674)	-
Disposals	-	34	-	34	-
Exchange Differences	(4,937)	(2)	-	(4,939)	-
At 31 December 2018	(116,685)	(14,965)	(2,954)	(134,604)	-
Net book value, 31 December 2018	57	856	1,140	2,053	4,356

	Goodwill (non-current) $'000	Capitalised software (non-current) $'000	Albury pipeline (non-current) $'000	Net book amount (non-current) $'000	Emission rights (current) $'000
2017					
Cost					
At 1 January 2017	115,053	18,388	4,094	137,535	3,533
Additions	-	424	-	424	-
Disposals	-	(3,329)	-	(3,329)	(3,207)
Transfers	-	-	-	-	-
Exchange differences	(3,251)	(1)	-	(3,252)	(187)
At 31 December 2017	111,802	15,482	4,094	131,378	139
Accumulated amortisation					
At 1 January 2017	(114,995)	(17,167)	(2,746)	(134,908)	-
Amortisation	-	(590)	(104)	(694)	-
Disposals	-	3,329	-	3,329	-
Exchange Differences	3,247	1	-	3,248	-
At 31 December 2017	(111,748)	(14,427)	(2,850)	(129,025)	-
Net book value, 31 December 2017	54	1,055	1,244	2,353	139

16. Current liabilities – Payables

	2018 $'000	2017 $'000
Trade payables	**26,109**	27,013
Amounts due to related parties	**669**	205
Other payables	**26,773**	45,739
	53,551	72,957

Invoice Discounting Agreement
The group is party to an invoice discounting agreement with Scottish Pacific (BFS) Pty Ltd. The carrying amount of the facility included within Other Payables as at 31 December 2018 is $8,044,828 (2017: $7,273,914).

17. Current liabilities – Borrowings

	2018 $'000	2017 $'000
Unsecured loans from related parties	**19,548**	20,386
Term loan (Note 20)	**-**	3,440
Finance leases (Note 27 (c))	**1,928**	1,722
	21,476	25,548

- Details of current unsecured loans from related parties are as follows:
  - Norske Skog AS NZ$4m interest bearing at 3.0%
  - Norske Skog AS $15.8m interest bearing at 3.0% (2017: 5.8%). During the year interest of $5.9m (FY17: $14m) on non-current intercompany loans was settled through an increase to the short term loan
- The term loan was settled in full in July 2018. During 2018 the loan was interest bearing between 4.19% and 4.24% (2017: 4.14%).

18. Current liabilities – Provisions

	2018 $'000	2017 $'000
Employee benefits	**34,100**	32,481
Rehabilitation	**299**	840
Environmental	**348**	232
Restructuring	**-**	626
	34,747	34,179

Movements in provisions

	Rehabilitation $'000	Environmental $'000	Restructuring $'000
At 1 January 2018	840	232	626
Current Year adjustments to Provision	-	-	(202)
Transfer from non-current (Note 19)	(554)	107	-
Utilised during the year	-	(1)	(452)
Exchange Differences	13	10	28
At 31 December 2018	299	348	-

19. Non-current liabilities – Provisions

	2018 $'000	2017 $'000
Employee benefits	**998**	1,038
Rehabilitation	**12,935**	10,957
Environmental	**27,129**	26,695
	41,062	38,690

Rehabilitation and Environmental provisions

Provision is made for asset dismantling and rehabilitation costs expected to be incurred in relation to removal of obsolete equipment and related rehabilitation at mill sites. Provision is also made for future environmental obligations relating to restoration of land and other environmental remediation expected to be required at mill sites. The costs are expected to be incurred over the next 17 years. The estimates of the amounts of asset decommissioning and future site restoration costs are based on current legal and constructive obligations, technology and price levels. Actual outflows can differ from estimates due to changes in laws, technology, prices and other factors and can take place many years in the future. A pre-tax discount rate of 2.69% (2017: 2.56%) has been applied when calculating the discounted present value of rehabilitation and environmental provisions. Changes in the estimates could have a significant impact on the carrying value of the rehabilitation and environmental provisions and reported profit.

Movements in Rehabilitation and Environmental non-current provisions

	Rehabilitation $'000	Environmental $'000
Non-current		
At 1 January 2018	10,957	26,695
Current Year adjustments to Provision	-	-
Transfer to current (Note 18)	554	(107)
Unwinding of discount	330	717
Effect of Change in Discount rate	799	(475)
Exchange differences	295	299
At 31 December 2018	12,935	27,129

20. Non-current liabilities – Borrowings

	2018 $'000	2017 $'000
Unsecured loans from related parties		
Repayable 2020	**122,637**	246,531
Total unsecured loans from related parties	**122,637**	246,531
Finance lease obligations (Note 27(c))	**12,452**	14,381
Term loan (secured)	-	-
	135,089	260,912

Loans from related parties

Loans from related parties are unsecured and bear interest in line with Intercompany Pricing Guidelines. The average interest rate for 2018 on long term borrowings is 8.0% (2017: 9.70%)

- $74,536,000 loan is repayable in 2020. Interest on this loan is payable annually.
- $40,291,784 NS Norway Holdings AS loan is repayable in 2020 (2017: $91,976,895).
- $7,808,663 Promissory note issued by Norske Skog AS in December 2018 repayable in 2020 not interest bearing (converted from previous current unsecured intercompany borrowings).

During December 2018 a promissory note received in connection to the issuance of equity was applied against repayments on loans from related parties (principal $121,685,111 and accrued interest $28,314,889).
The loan of NZ$11,000,000 due to Lysaker Invest, AS was also settled through application of funds previously advanced to another group company (NZ$7m) and new current loan with Norkse Skog AS (NS$4m) – see note 17.

21. Non-current assets – Deferred tax assets

	2018 **$'000**	2017 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Forest estate	-	-
Property, plant and equipment	27,149	32,658
Provisions and employee benefits	9,993	10,413
Tax losses *	28,092	26,351
Other items	6,292	5,555
	71,526	74,977
Set-off of deferred tax liabilities pursuant to set-off provisions (note 22)	(6,131)	(4,735)
Deferred tax assets not recognised	(65,395)	(70,242)
Net deferred tax assets	-	-
Movements:		
Opening balance at 1 January	-	20,000
Credited to the income statement (note 6)	-	(20,000)
Closing balance at 31 December	-	-

* The deferred tax asset attributable to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences and taxable income expected to be derived from operations in the future.

22. Non-current liabilities – Deferred tax liabilities

	2018 **$'000**	2017 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Intangibles	**364**	395
Forest Estate	**1,162**	318
Other items	**4,605**	4,022
	6,131	4,735
Amounts recognised directly in equity		
Revaluation of property, plant and equipment	-	-
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 21)	**(6,131)**	(4,735)
Net deferred tax liabilities	-	-

23. Contributed equity and reserves

	2018	2017
(a) Share capital		
Ordinary shares		
Number of Shares - Fully paid	**1,690,000,005**	190,000,005
Price (Australian Dollars - whole)	**$340,000,005**	$190,000,005

(b) Ordinary shares

During the year an additional 1,500,000,000 share capital was issued to ultimate parent, Norske Skog AS for a subscription price of $150,000,000. The $150,000,000 promissory note received in connection with this share issue was used to repay intercompany debt.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(c) Nature and purpose of reserves

(i) Property, plant and equipment revaluation reserve

During the year the balance of the Asset Revaluation reserve arising from Property, Plant and Equipment revaluations within members of the Group under historical accounting standards was transferred to accumulated losses. The Group uses the cost method to account for Property, Plant and Equipment (per Note 1(n)). The revaluation reserve in the parent entity was used to record increments and decrements on the revaluation of investments in subsidiaries in previous years (this balance eliminates upon consolidation). The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

(ii) Foreign currency translation reserve
Exchange differences arising on translation of the foreign subsidiary are taken to the foreign currency translation reserve, as described in note 1(c). The reserve is recognised in profit and loss when the net investment is disposed of.

24. Dividends

No dividends were declared or paid during the financial year (2017: $Nil).

	2018 $'000	2017 $'000
Class C 30% (2017: 30%) franking credits available to shareholders of Norske Skog Industries Australia Limited for subsequent financial years	**150,792**	150,792

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

25. Remuneration of auditors

During the year the following fees were paid or payable to BDO for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2018 $	2017 $
Audit services		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*		
BDO East Coast Partnership	205,000	200,000
BDO Auckland	84,637	78,833
Total remuneration for audit services	289,637	278,833
Other services - Assurance related		
BDO East Coast Partnership	13,500	53,000
BDO Auckland	-	17,505
Total remuneration for other services	13,500	70,505
Total remuneration BDO	303,137	349,338

26. Contingencies

Details of contingent liabilities and contingent assets are set out below. The probability of future payments / receipts is considered remote, however the directors consider these matters should be disclosed.

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement

Bank guarantees issued by controlled entities

At 31 December 2018 subsidiary companies had bank guarantee facilities totalling $3,556,000 (2017: $3,550,000), of which $3,471,000 (2017: $3,471,000) was utilised.

Other guarantees

The Company, along with other subsidiaries of the former ultimate parent Norske Skogindustrier ASA, had guaranteed EUR290million of senior secured notes issued by a Norske Skogindustrier ASA group company in February 2015. Norske Skog Tasman Limited had granted a general security interest over its present and after acquired property as security for its obligations under the guarantee. Following the successful completion of the sale of Norske Skog AS (the ultimate parent) to Oceanwood, financial and guarantee liabilities of the ultimate parent that are were not fully discharged from the proceeds of the sale were released (including the secured note obligation guarantee given by Norske Skog Tasman Limited).

Contingent Liability

As at 31 December 2018, Management was not aware of the existence of any contingent liabilities.

On May 24th 2018, an incident occurred at the Albury Mill in which two operators tragically died. The incident occurred on the top of the Warm White Water Tank which is located in the Wet End basement of the Paper Machine. The operators were overcome by hydrogen sulphide gas. Management is to conclude its investigation into the root cause of the incident and continues to work closely with SafeWork NSW. A number of notices have been issued that have resulted in changes to site zoning, dangerous gas monitoring, working at heights, confined space procedures, rescue and other polices. At the time of this report, no litigation has commenced in relation to the incident.

Goods and Services Tax

The parent entity, as a member of the Norske Skog GST Group, is jointly and severally liable for 100% of the GST amount payable at 31 December 2018 of $0.57m (2017: $0.02m). The parent entity recognised a liability for GST of $0.5m at 31 December 2018 (2017: $0.5m). The directors believe the assets of the other group entities are sufficient to meet their GST obligations.

27. Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2018 $'000	2017 $'000
Property, plant and equipment – payable within one year	**338**	826

(b) Operating leases

The consolidated entity leases property, plant and equipment under operating leases expiring from one to five years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

	2018 $'000	2017 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**3,710**	2,449
Later than one year but not later than five years	**11,450**	2,479
Later than five years	**2,337**	-
	17,497	4,928

(c) Finance leases

During the 31 December 2011 and 31 December 2009 years a subsidiary company entered into arrangements whereby suppliers built certain equipment on the subsidiary's mill sites which are used by the subsidiary in its production operations. Although the arrangements are not in the legal form of a lease, the subsidiary concluded that the arrangements constitute leases of the equipment. The leases have been classified as finance leases. The finance rates implicit in these leases are 10% and 12.1%. Obligations under the arrangement entered into in 2009 are secured by a charge over the subsidiary company's Tasmanian forest land.

During the 31 December 2015 year a subsidiary of the company entered into two finance leases for the purchase of equipment which is used by the subsidiary in its production operations. The finance rates of these leases are 6.49% and 7.28%.

	2018 $'000	2017 $'000
Commitments for minimum lease payments payable:		
Within one year	3,509	3,509
Later than one year but not later than five years	13,441	13,629
Later than five years	2,968	6,290
	19,918	23,428
Less future finance charges	(5,538)	(7,325)
	14,380	16,103
Represented by:		
Current liability (note 17)	1,928	1,722
Non-current liability (note 20)	12,452	14,381
	14,380	16,103

28. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding 2018 %	2017 %
Norske Skog Capital (Australia) Pty Limited	Australia	Ordinary	**100**	100
Norske Skog (Australasia) Pty Ltd	Australia	Ordinary	**100**	100
Norske Skog (Australia) No. 2 Pty Limited	Australia	Ordinary	**100**	100
Norske Skog Paper Mills (Australia) Limited	Australia	Ordinary	**100**	100
Norske Skog Paper Mills (Albury) Pty Ltd (*formerly PanAsia Paper Trading Co Pty Ltd*)	Australia	Ordinary	**100**	100
Norske Skog Tasman Limited	New Zealand	Ordinary	**100**	100
Norske Skog Holdings No. 1 Limited	New Zealand	Ordinary	**100**	100
Norske Skog Holdings No. 2 Limited	New Zealand	Ordinary	**100**	100
Norske Skog Holdings No. 3 Limited	New Zealand	Ordinary	**100**	100
Norske Skog Capital NZ Limited	New Zealand	Ordinary	**100**	100

29. Related party transactions

(a) Parent entities

The parent entity within the reporting group is Norske Skog Industries Australia Limited. The former ultimate parent entity of the reporting group, Norske SkogIndustrier ASA, a company incorporated in Norway, declared bankruptcy on December 19th 2017. The immediate parent Norske Skog AS effectively became the new operating parent company of the group from that date. In May 2018 Oceanwood entered into a sale and purchase agreement to buy the entire issued share capital of Norske Skog AS. Ocean wood is an independent investment management firm located in London and Malta. The completion of the sale occurred in September 2018. The company has related party relationships with the parent entity, Norske Skog AS, as well other subsidiary members of the Norske Skog group.

(b) Directors

The following persons were directors of Norske Skog Industries Australia Limited during the whole of the financial year and up to the date of this report, unless otherwise indicated:

Mr R Sollie
Mr T Hansesaetre (commenced 06/02/2018)
Mr E Luck (commenced 14/03/2018)
Mr L Sperre (ceased 30/01/19 re-appointed 29/03/19)
Mr S Ombudstvedt (commenced 29/3/19)

Mr N P Wright (appointed 30/01/2019; resigned 29/03/2019)
Mr R Odelien (ceased 06/02/2018)
Mr D A Leighton (ceased 14/03/2018)

(c) Key management and personnel compensation

Key management personnel compensation for the years ended 31 December 2018 and 2017 is set out below. The key management personnel are the directors of the company and the six (2017: five) other executives with the greatest authority for the strategic direction and management of the group.

	Short-term benefits $	Post-employment benefits $	Other long-term benefits $	Termination benefits $	Share-based payments $	Total $
2018	**2,489,643**	**130,423**	**305,400**	**691,912**		**3,617,377**
2017	2,754,235	154,208		611,890		3,520,333

29. Related party transactions (continued)

(d) Other transactions with key management personnel or entities related to them

During 2018 Mr E J Luck, director and secretary of the company and Mr R J Bender, a director of a subsidiary company, were respectively company secretary and director of FC5 Pty Limited which is a joint venture company with Circa Group Pty Ltd working on developing a bio-solvent. Norske Skog No.2, a subsidiary of the group, also has a 9.53% shareholding in Circa Group Pty Ltd. Related party relationships with joint ventures are disclosed in note 30.

(e) Transactions with related parties

	2018 $	2017 $
Purchase of paper from fellow related parties	**524,392**	-
Interest revenue from ultimate parent company	**379,016**	248,634
Interest expense – related parties	**20,075,866**	24,702,241
Administrative services provided by ultimate parent company	**2,424,391**	2,716,101
Other expenses to related parties (Circa)	**10,500**	44,733

(f) Outstanding balances

	2018 $	2017 $
Current receivables		
Norske Skogindustrier ASA	-	1,412,000
Norske Skogindustrier ASA - Impairment	-	(1,412,000)
Norske Skog AS	**338,000**	9,557,000
	338,000	9,557,000
Current payable (note 16)		
Norske Skog Bruck	**524,392**	-
	524,392	-
Current borrowings		
Related parties (Note 17)		
Norske Skogindustrier ASA	-	12,980,209
Norske Skog AS	**19,548,303**	7,405,978
	19,548,303	20,386,187
Non-current borrowings		
Related parties (Note 20)		
Norske Skog AS, Oslo	**82,344,575**	74,535,912
Norske Skog Treindustrier AS, Oslo	-	91,976,895
Norske Skogindustrier ASA, Oslo	-	70,000,000
NS Norway Holding AS	**40,291,784**	-
Lysaker Invest AS, Oslo *(now current)*	-	10,018,075
	122,636,359	246,530,882

Current receivables due from related parties bear interest at 3.0% (2017: 3.0%). Current borrowings from related parties bear interest at 3.0% (2017: 5.8%). Non-current borrowings from related parties are unsecured and bear interest at 8.0% (2017: 9.7%) and are repayable in 2020, except a balance owing to Norske Skog AS of $7.8m which is not interest bearing and repayable in 2020. Current payable to related party is not interest bearing.

30. Joint ventures accounted for using the equity method

Joint venture	Location	Principal activity	% holding 2018	% holding 2017
Water and Waste Services Joint Venture	New Zealand	Waste and water services	**50**	50

Water and Waste Services joint venture is undertaken by Oji Fibre Solutions (NZ) Limited and Norske Skog Tasman Limited, a controlled entity, for the sharing of costs and output.

The consolidated entity's interests in the assets employed in the Water and Waste Services Joint Ventures are included in the consolidated balance sheet, in accordance with the accounting policy described in note 1(b)(ii).

Summarised financial information for the Water and Waste Services Joint Venture, which is accounted for using the equity method, is set out below:

	2018 $	2017 $
Summarised balance sheet		
Current assets	**386,000**	513,000
Current liabilities	**386,000**	513,000
Net assets	**-**	-
Summarised statement of comprehensive Income		
Revenue	**3,870,000**	3,473,000
Cost of sales	**3,870,000**	3,473,000
Total comprehensive income	**-**	-

Transactions and balances with joint ventures were as follows:

	2018 $	2017 $
Sales to joint ventures	3,770,000	3,473,000
Purchases from joint ventures	(1,487,000)	(1,367,000)
Net contributions to group accounting profit	2,283,000	2,106,000
Balances due to joint ventures (included in payables, Note 16)	145,000	205,000
Balances due from joint ventures (included in receivables, Note 8)	386,000	513,000

30. Joint ventures accounted for using the equity method (continued)

FC Five Pty Limited joint venture is undertaken by Circa Group Pty Ltd and Norske Skog No.2 Pty Ltd. The principal activities of the company include the research and development of, and manufacture of bio chemicals. The company was incorporated on 22 October 2015.

Joint venture	Location	Principal activity	Type	% holding 2018	% holding 2017
FC Five Pty Limited	Australia	Bio Chemical R&D and manufacture	Direct	**25.00**	25.00
			Indirect	**7.14**	7.14
			Total	**32.14**	32.14

Indirect ownership arises from the Group's 9.53% (2017: 9.48%) investment in Circa Group Pty Ltd which holds 75% (2017: 75%) ownership in FC5 Pty Limited. Voting rights are applicable to direct ownership of 25% (2017: 25%)

Summarised financial information for FC Five Pty Limited is presented below:

	DEC 2018 $	DEC 2017 $
Summarised balance sheet		
Current assets	**294,599**	618,729
Non-current assets	**-**	-
Total assets	**294,599**	617,729
Current liabilities	**(2,491,171)**	(481,520)
Non-current liabilities	**(9,500,000)**	(5,500,000)
Total liabilities	**(11,991,171)**	(5,981,520)
Net Liabilities	**(11,696,572)**	(5,362,791)
Contributed Equity	**1,580**	1,580
Retained Losses	**(11,698,152)**	(5,364,371)
Total Equity	**(11,696,572)**	(5,362,791)

	DEC 2018 $	DEC 2017 $
Summarised statement of comprehensive Income		
Revenue	**909,012**	31,466
Cost of sales	**(7,242,793)**	(5,291,737)
Total comprehensive income	**(6,333,781)**	(5,260,271)

30. Joint ventures accounted for using the equity method (continued)

Share of losses accounted for using the Equity method in the Norske Skog Industries Australia Limited Group financial statements is as follows:

	2018 $	2017 $
Share of losses (recognised within Other Comprehensive Income)		
Opening Balance	(1,340,698)	-
Current year share of losses	(1,583,445)	(1,340,698)
Closing total share of losses (recognised within Other Comprehensive Income)	**(2,924,143)**	**(1,340,698)**
Initial Investment in Joint Venture	395	395
Less post-acquisition share of losses	(395)	(395)
Total Investment	-	-
Loan with Joint Venture (note 10)	10,144,533	5,639,421
Less post-acquisition share of losses (exceeding investment)	(2,924,143)	(1,340,303)
	7,220,390	**4,299,118**
Unrecognised Share of losses	-	-

Transactions and balances with joint ventures were as follows:

	2018 $	2017 $
Lease Income on Plant & Equipment used by FC Five Pty Ltd	**3,391,047**	3,244,764
Depreciation on Plant & Equipment associated with Lease Income	**(2,288,370)**	(2,494,909)
Interest accrued on loan to joint venture	**505,113**	139,421
Net contributions to group accounting profit	**1,607,790**	889,276
Balances due from joint ventures (included in non-current receivables, note 10)	**10,144,533**	5,639,421
Balances due from joint ventures (included in receivables, Note 8)	**1,465,255**	348,288

31. Reconciliation of profit after income tax to net cash inflow from operating activities

	2018 $'000	2017 $'000
Profit /(Loss) for the year	**4,609**	(223,426)
Depreciation and amortisation	**19,566**	35,075
Dividend received		
Net loss on disposal of non-current assets	**7,178**	7,000
Impairment of property, plant and equipment	**-**	154,300
Fair value gain on forest estate	**(5,208)**	(4,207)
Derivative gain unrealised	**(13,320)**	10,925
Intercompany Interest accrued through related balances	**34,884**	14,771
Change in operating assets and liabilities		
(Increase)/Decrease in trade and other receivables	**(3,388)**	6,476
Decrease in inventories	**2,342**	2,451
Decrease / (increase) in deferred tax balances	**-**	20,000
(Decrease) / increase in trade and other payables	**(24,062)**	13,382
Increase in provisions	**1,287**	4,432
Increase in tax provisions	**2,485**	-
Net cash inflow from operating activities	**26,373**	41,179

32. Non cash investing and financing activities

Additions to property, plant and equipment per note 14 were $9,723,000 (2017: $9,381,000) of which $nil (2017: $Nil) was capitalised in terms of a finance lease as outlined in note 27(c). The parent company does not operate a bank account so any financing and investing activities are settled through intercompany accounts.

During the year interest of $6,512,000 relating to non-current intercompany long term loans payable (note 20) and $57,000 relating to current intercompany loans was settled through an increase to current intercompany short term loans payable (note 17). Principal Repayments of $121,685,111 and accrued interest of $28,315,000 relating to non-current intercompany long term loans payable were settled by utilising promissory note received in connection to the $150,000,000 share issue (note 20 and note 23).

33. Financial instruments

Financial Instrument Classification

2018	**Amortised Cost**	**Fair Value through P&L**	**Fair Value through OCI**	**Non-Financial Asset**	**Total $'000**
Current Assets	78,061	21,307	-	64,962	**164,330**
Non-Current Assets	7,220	3,709	3,197	202,475	**216,601**
Total Assets	85,281	25,016	3,197	267,437	**380,931**
Current Liabilities	(75,027)	(9,860)	-	(37,298)	**(122,185)**
Non-Current Liabilities	(135,089)	(3,877)	-	(41,062)	**(180,028)**
Total Liabilities	(210,116)	(13,738)	-	(78,360)	**(302,213)**

2017	**Amortised Cost**	**Fair Value through P&L**	**Fair Value through OCI**	**Non-Financial Asset**	**Total $'000**
Current Assets	77,675	5,644	-	66,359	**149,678**
Non-Current Assets	4,299	5,006	3,053	209,787	**222,145**
Total Assets	81,974	10,650	3,053	276,146	**371,823**
Current Liabilities	(98,505)	(7,872)	-	(34,179)	**(140,555)**
Non-Current Liabilities	(260,912)	(9,077)	-	(38,690)	**(308,679)**
Total Liabilities	(359,417)	(16,949)	-	(72,869)	**(449,235)**

Liquidity risk

Trade and other payables are due within three months. Amounts payable to related and non-related parties are due on demand with the exception of borrowings from related parties totalling $114,828,000 (2017: $246,531,000) which are repayable in 2020 with the variable rate interest on the loans required to be paid on an annual basis, as outlined in Note 20. Borrowings of $14,380,000 (2017: $16,103,000) under finance leases are repayable over the next 6 years as outlined in Note 27(c). Other term loans were settled in full during 2018 as outlined in Note 17.

Credit risk

The carrying amount of the group's financial assets represents the maximum credit exposure. The group's maximum exposure to credit risk at the reporting date was:

	2018 $'000	2017 $'000
Cash and cash equivalents (Note 7)	**26,417**	22,746
Receivables (Note 8 & 10)	**49,511**	48,070

Embedded derivatives (Note 11) are not subject to credit risk as there are no future cash flows associated with such derivatives.

33. Financial instruments (continued)

Impairment losses

The classification of the group's trade receivables at the reporting date was:

	2018 $'000	2017 $'000
Trade receivables (Note 8)		
Not past due	**34,136**	27,299
Past due 0-30 days but not impaired	**1,930**	3,881
Past due 31-60 days but not impaired	**770**	500
Past due greater than 60 days but not impaired	**696**	333
	37,532	32,013
Less provision for impairment of receivables	**(354)**	-
	37,178	32,013

Based on its review of trade receivables and historic default rates the group believes that a $354,000 (2017: $nil) impairment loss provision is required at 31 December 2018 in respect of current and past due trade receivables.

The movement during the year in the allowance for impairment in respect of trade receivables was as follows:

	2018 $'000	2017 $'000
Provision for impairment of receivables		
Balance at beginning of year	-	-
Impairment loss charged to provision	**354**	-
Balance at end of year	**354**	-

Receivables from Group Companies were impaired by $nil during the year (2017: $1,400,000) (note 8) and are recorded net of impairment. The other classes within receivables contain a provision for doubtful debts of $354,000 (2017: $nil). Based on the history of these other classes it is expected that the amounts will be recovered when expected.

Currency risk

The group operates internationally and is exposed to foreign exchange risk arising both from transactions and assets and liabilities denominated in foreign currencies that are not the functional currency of the relevant company in the group. The parent company had no exposure to foreign currency risk at either its 2018 or 2017 balance dates. The group's exposure to foreign currency risk at balance date was as follows:

Net monetary assets, in thousands of AUD	2018 $'000	2017 $'000
US dollars	**7,500**	3,796
Japanese Yen	-	4
European Euros	**83**	64
New Zealand dollars	**16**	8
Canadian dollars	**27**	23
Norwegian krone	**91**	5
Great British Pound	**5**	-
Swedish Krona	**2**	3

Sensitivity analysis

A 10% strengthening of the Australian dollar against the relevant foreign currencies at 31 December would have decreased profit after tax by $474,000 (2017: $235,000). This assumes that other variables, in particular interest rates, remain constant. A 10% weakening of the Australian dollar against the relevant foreign currencies at 31 December would have increased profit after tax by $579,000 (2017: $287,000) on the basis that all other variables remain constant.

33. Financial instruments (continued)

Interest rate risk

At the reporting date the profile of the Company's and the Group's interest bearing financial instruments were:

	2018 $'000	2017 $'000
Fixed rate instruments		
Financial liabilities (Note 27(c))	**14,380**	16,103
Variable rate instruments		
Financial assets - cash (Note 7)	**18,745**	16,414
Financial assets – restricted cash (Note 7)	**7,672**	6,333
Financial assets – related party receivables (Note 8 & 10)	**10,482**	15,196
Financial liabilities – borrowings (Notes 17 & 20)	**142,185**	270,357

Sensitivity analysis

The group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates applying for the year would have increased or decreased the Group's profit after tax and equity by $1.6 million (2017: $1.9 million).

A change of 100 basis points in interest rates applying for the year would have increased or decreased the parent company's profit after tax and equity by $1.5 million (2017: $1.7 million).

34. Information relating to Norske Skog Industries Australia Limited (the Parent)

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	2018 $'000	2017 $'000
Profit/(Loss) after income tax	**9,521**	(109,605)
Profit/(Loss) after comprehensive income	**9,521**	(109,605)

Balance sheet

	2018 $'000	2017 $'000
Current assets	**148**	138,319
Non-current assets	**388,899**	443,385
Total assets	**389,047**	581,704
Current liabilities	**191,771**	422,265
Non-current liabilities	**114,828**	236,512
Total liabilities	**306,599**	658,777
Equity		
Issued capital	**340,000**	190,000
Reserves	**66,948**	66,948
Accumulated losses	**(324,500)**	(334,021)
Total equity	**82,448**	(77,073)

Included within profit for the current year is dividend income of $67,000,000 (2017: Nil) from a subsidiary company which eliminates upon consolidation for the Norske Skog Industries Australia consolidation group. Share capital of $150,000,000 was issued to the ultimate parent Norske Skog AS in 2018.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity is a party to a deed of cross guarantee (refer note 35) which was formed during 2013, under which it guarantees the debts of its subsidiaries as at 31 December 2018.

Contingent liabilities
The parent entity had no contingent liabilities as at 31 December 2018 and 31 December 2017.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 31 December 2018 and 31 December 2017.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1.

35. Deed of Cross Guarantee

During 2013, Norske Skog Industries Australia Limited (Holding Entity) became a party to a deed of cross guarantee with the following wholly-owned subsidiaries:

Norske Skog Paper Mills (Australia) Limited
Norske Skog (Australasia) Pty Limited
Norske Skog Capital (Australia) Pty Ltd
Norske Skog (Australia) No. 2 Pty Limited
Norske Skog Paper Mills (Albury) Pty Ltd *(formerly named Pan Asia Paper Trading Co Pty Ltd)*

Under this deed each company guarantees the debts of the other companies. By entering the deed, the wholly-owned entities have been relieved of the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The above companies form part of a 'closed group' for the purposes of the Class Order, however there are two wholly-owned subsidiaries (Norske Skog Tasman and Norske Skog Holdings No. 3 Limited) that are not a party to the deed as they are incorporated and located in New Zealand. Norske Skog Tasman also has the following wholly-owned subsidiaries:

Norske Skog Holdings No. 1 Limited
Norske Skog Holdings No. 2 Limited
Norske Skog Capital NZ Limited

35. Deed of Cross Guarantee (continued)

(a) Consolidated statement of comprehensive income and summary of changes in equity

Set out below is a consolidated statement of comprehensive income and summary of movements in retained earnings for all companies that are a party to the deed, as detailed above (i.e. excluding Norske Skog Tasman and Norske Skog Holdings No. 3 Limited).

	2018 $'000	2017 $'000
Revenue from continuing operations	**431,593**	426,794
Fair value gain of forest estate	**5,208**	4,207
Raw materials and consumables used	**(248,159)**	(254,120)
Employee benefits expense	**(67,530)**	(66,226)
Depreciation and amortisation expense	**(14,298)**	(29,217)
Distribution expenses	**(50,211)**	(50,042)
Gain on embedded derivatives	**773**	1,768
Mechanical maintenance and servicing	**(16,773)**	(17,572)
Other expenses	**(19,682)**	(20,916)
Finance costs	**(23,064)**	(28,002)
Share of losses in joint ventures	**(1,584)**	(1,341)
Impairment - property, plant & equipment	-	(154,300)
Loss before income tax	**(3,727)**	(188,967)
Income tax (expense) / benefit	-	(20,000)
Loss after income tax	**(3,727)**	(208,967)
Other comprehensive income / (loss)	-	-
Total comprehensive Loss for the year attributable to the owners of the company and its subsidiaries	**(3,727)**	(208,967)

Summary of changes in Equity

	Contributed Equity $'000	Reserves $'000	Retained Earnings $'000	TOTAL $'000
Balance as at 1st January 2017	**190,000**	**403,344**	**(429,375)**	**163,969**
Loss for the period	-	-	(208,967)	(208,967)
Other comprehensive income	-	-	-	-
Transfers within Equity	-	(403,344)	403,344	-
Balance as at 31st December 2017	**190,000**	-	**(234,998)**	**(44,998)**
Loss for the period	-	-	(3,727)	(3,727)
Other comprehensive income	-	-	-	-
Transfers within Equity	-	-	-	-
Issue of Share Capital	150,000			150,000
Balance as at 31st December 2018	**340,000**	-	**(238,725)**	**101,275**

35. Deed of cross guarantee (continued)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet for all companies that are a party to the deed, as detailed above (i.e. exclude Norske Skog Tasman and Norske Skog Holdings No. 3 Limited).

	2018 $'000	2017 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**15,298**	10,832
Call deposits (restricted)	**3,206**	3,200
Receivables	**38,810**	36,643
Inventories	**47,273**	49,947
Derivative financial instruments	**483**	315
Forest estate	**3,020**	2,682
Intangible assets – emission rights	**73**	73
Total current assets	**108,163**	103,693
Non-current assets		
Receivables	**7,220**	4,299
Other financial assets	**65,021**	64,877
Derivative financial instruments	**1,084**	905
Property, plant and equipment	**143,404**	146,877
Forest estate	**23,845**	23,963
Intangible assets	**1,939**	2,232
Deferred tax assets	**-**	-
Total non-current assets	**242,513**	243,153
Total assets	**350,676**	346,845
LIABILITIES		
Current liabilities		
Payables	**40,388**	60,920
Borrowings	**17,672**	25,548
Derivative financial instruments	**572**	866
Provisions	**28,947**	28,547
Total current liabilities	**87,579**	115,881
Non-current liabilities		
Borrowings	**135,089**	250,894
Derivative financial instruments	**-**	133
Provisions	**26,733**	24,935
Total non-current liabilities	**161,822**	275,962
Total liabilities	**249,401**	391,843
Net assets	**101,275**	(44,998)
EQUITY		
Issued capital	**340,000**	190,000
Reserves	**-**	-
Accumulated losses	**(238,725)**	(234,998)
Total equity	**101,275**	(44,998)

36. Events occurring after the reporting period

Management is not aware of any events occurring after the reporting period that will have a material impact on disclosures within the Financial Statements for the year ended 31 December 2018.

Norske Skog

Norske Skog Industries Australia Limited
Directors' declaration
31 December 2018

In the directors' opinion:

(a) The financial statements and notes set out on pages 1 to 48 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 35 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 35.

Note 1 confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.

Mr Eric Luck

BDO

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Norske Skog Industries Australia Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Norske Skog Industries Australia Limited (the Company), and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of Norske Skog Industries Australia Limited, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the director's report, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 directors for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO East Coast Partnership

Ryan Pollett

Partner

Sydney, 30 April 2019

Norske Skog (Australasia) Pty Ltd

ABN 21 003 274 673

Annual financial report – 31 December 2017

Contents

This financial report covers Norske Skog (Australasia) Pty Ltd a subsidiary of Norske Skog Industries Australia Limited. The financial report is presented in Australian currency.

Norske Skog (Australasia) Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Norske Skog (Australasia) Pty Ltd
Suite 7.02, Level 7
465 Victoria Avenue
Chatswood NSW 2067

	Notes	**2017 $'000**	2016 $'000
Revenue from continuing operations	3	**318,336**	353,235
Raw materials and consumables used		**(305,555)**	(340,702)
Employee benefits expense		**(10,020)**	(10,116)
Depreciation and amortisation expense		**(636)**	(709)
Distribution expenses		**(1)**	-
Mechanical maintenance and servicing		**(103)**	-
Other expenses		**(7,527)**	(6,175)
Finance costs		**(1,381)**	(848)
Loss before income tax		**(6,887)**	(5,315)
Income tax expense		**-**	-
Loss from Continuing Operations		**(6,887)**	(5,315)
Other comprehensive income for the year		**-**	-
Total comprehensive loss for the year attributable to the owners of the company and its subsidiaries		**(6,887)**	(5,315)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Notes	**2017 $'000**	2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	4	10,831	6,578
Restricted cash (call deposits)	4	3,200	1,200
Receivables	5	21,537	18,837
Total current assets		35,568	26,615
Non-current assets			
Receivables from related parties	6	508,994	499,849
Property, plant and equipment	7	1,029	807
Intangible assets	8	916	1,161
Total non-current assets		510,939	501,817
Total assets		546,507	528,432
LIABILITIES			
Current liabilities			
Payables	9	540,594	516,170
Provisions	10	3,660	3,090
Total current liabilities		544,254	519,260
Non-current liabilities			
Employee Benefits		107	139
Total non-current liabilities		107	139
Total liabilities		544,361	519,399
Net assets		2,146	9,033
EQUITY			
Issued capital		21,000	21,000
Accumulated losses		(18,854)	(11,967)
Total equity		2,146	9,033

The above balance sheet should be read in conjunction with the accompanying notes.

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		346,667	388,497
Payments to suppliers and employees (inclusive of goods and services tax)		(329,530)	(395,425)
		17,137	(6,928)
Interest received		77	91
Interest paid		(1,199)	(685)
Net cash inflow from operating activities		16,015	7,522
Cash flows from investing activities			
Payments for property, plant and equipment		(284)	(685)
Payments for intangible assets		(328)	-
Payments for call deposits (restricted)		(2,000)	-
Net cash (outflow) / inflow from investing activities		(2,612)	(685)
Cash flows from financing activities			
(Payments to) / Receipts from related parties		(9,150)	3,528
Net cash (outflow) / inflow from financing activities		(9,150)	3,528
Total cash inflow / (outflow)		4,253	(4,679)
Net increase / (decrease) in cash and cash equivalents		4,253	(4,679)
Cash and cash equivalents at the beginning of the financial year		6,578	11,257
Cash and cash equivalents at the end of the year	4	10,831	6,578

The above statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements

Page

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements for Norske Skog (Australasia) Pty Ltd a subsidiary entity of Norske Skog Industries Australia Limited.

(a) Basis of preparation

In the directors' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements that have been prepared for the purposes of filing the Norske Skog bond prospectus. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the Financial Supervisory Authority of Norway review of the bond prospectus.
The financial report has been prepared on a going concern basis.

The financial report has been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of:
- AASB 101 'Presentation of Financial Statements'
- AASB 107 'Statement of Cash Flows'
- AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'
- AASB 1048 'Interpretation of Standards' and
- AASB 1054 'Australian Additional Disclosures'

as appropriate for for-profit oriented entities with the exception of
- Interpretation 1052 'Tax Consolidation Accounting'
- The presentation of a Statement of Changes in Equity
- AASB 9 'Financial Instruments' which has not been applied to related party balances only; related party balances have been valued at their nominal amount.

Historical Cost Convention
These 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 and liabilities (including derivative instruments) at fair value through profit or loss.

Use of estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. The resulting accounting estimates may not equal the related actual results. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about the principal areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the amounts recognised in the financial statements are described in the following notes:

- Note 10 - Provisions
- Note 7 - Property, plant and equipment

It is reasonably possible, based on existing knowledge, that outcomes within the next annual reporting period that are different from assumptions could require a material adjustment in the carrying amount of the asset or liability affected.

The going concern assumption
As at 31 December 2017 the subsidiary was in a net current liability position of $508,686,000 (2016: net current liability $492,645,000) and had incurred a net loss before tax of $6,887,000 (2016: $5,315,000).

In accordance with the provisions of generally accepted accounting practices, management has assessed the going concern assumption as the appropriate basis for preparing and presenting the financial statements.

1. Summary of significant accounting policies (continued)

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Australian dollars, which is Norske Skog (Australasia) Pty Ltd.'s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the sale of goods when the goods have been dispatched to a customer pursuant to a sales order and the associated risks of ownership have passed to the carrier or customer.

(d) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Newsprint trade receivables are normally settled within 7 days and no more than 30 days for other debtors.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impaired receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within other expenses.

1. Summary of significant accounting policies (continued)

(g) Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Buildings	3% to 6.5%
Plant and equipment	2.5% to 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(h) Intangible assets

Capitalised software

Capitalised software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life, being 3 to 5 years.

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

(j) Employee benefits

(i) *Wages and salaries and annual leave*
Liabilities for wages and salaries, including non-monetary benefits and annual expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) *Long service leave*
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

1. Summary of significant accounting policies (continued)

(j) Employee benefits (continued)

(iii) Bonus plans

A liability for employee benefits in the form of bonus plans is recognised in other creditors when at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iv) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(k) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (including embedded derivatives) is determined using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

(l) Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(m) New accounting standards

There are no new standards that have been applied for the first time for the reporting period commencing 1 January 2017.

A number of new standards and amendments to standards and interpretations are not mandatory for 31 December 2017 reporting periods and have not been early adopted in 2017 by the company. New standards and amendments that are expected to have an impact on the consolidated financial statements are set out below:

AASB 9 Financial Instruments

This is a new Principal standard which replaces AASB 139 and includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The new Standard requires entities to account for expected credit losses from when financial instruments are first recognised. The Standard also requires the recognition of full lifetime expected losses on a more timely basis.

1. Summary of significant accounting policies (continued)

(m) New accounting standards (continued)

AASB 9 Financial Instruments (continued)

The standard is mandatory for annual periods beginning 1 January 2018 or later. The company does not intend to early adopt AASB 9 before its mandatory date. Expected date of adoption by the company is 1 January 2018 and the company will not restate comparative information. The company does not expect any significant impact on its income statement, balance sheet or cash flow statement for 2018. The new standard introduces expanded disclosure requirements and presentation changes that will be implemented where required.

AASB 15 Revenue Contracts with Customers

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.
The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:
(a) Step 1: Identify the contract(s) with a customer.
(b) Step 2: Identify the performance obligations in the contract.
(c) Step 3: Determine the transaction price.
(d) Step 4: Allocate the transaction price to the performance obligations in the Contract.
(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard is mandatory for annual periods beginning 1 January 2018 or later. The standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer which is in line with the current revenue recognition at the company. The company does not expect any material impacts on the financial statements. Expected date of adoption by the company is 1 January 2018.

AASB 16 Leases

The new standard effectively removes the operating leases classification and requires all lessees to show a lease liability and a corresponding right-of-use asset for all leases. AASB 16 contains disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. Date of adoption by the company is 1 January 2019.

2. Accounting entity information

Norske Skog (Australasia) Pty Ltd is a company incorporated and domiciled in Australia. The company is a subsidiary of a group that predominately manufactures and sells newsprint and speciality paper. The company operates in Australia. The parent of Norske Skog (Australasia) Pty Ltd is Norske Skog Industries Australia Limited.
Norske Skog (Australasia) Pty Ltd provides regional Shared Services (Finance, Information Technology, and Human Resources) and Sales and Marketing functions to the Australasian group.

The below table summarises the relationship of related group companies.

Name of entity	Country of incorporation	Class of shares
Norske Skog AS	Oslo	Ultimate Parent
Norske Skog Industries Australia Limited	Australia	Parent
Norske Skog Capital (Australia) Pty Limited	Australia	Fellow Subsidiary
Norske Skog Paper Mills (Australia) Limited	Australia	Fellow Subsidiary
Norske Skog (Australia) No. 2 Pty Limited	Australia	Fellow Subsidiary
Norske Skog Paper Mills (Albury) Pty Ltd (*formerly PanAsia Paper Trading Co Pty Ltd*)	Australia	Fellow Subsidiary
Norske Skog Tasman Limited	New Zealand	Fellow Subsidiary
Norske Skog Holdings No. 1 Limited	New Zealand	Fellow Subsidiary
Norske Skog Holdings No. 2 Limited	New Zealand	Fellow Subsidiary
Norske Skog Holdings No. 3 Limited	New Zealand	Fellow Subsidiary
Norske Skog Capital NZ Limited	New Zealand	Fellow Subsidiary

During 2013, Norske Skog (Australasia) Pty Limited became party to a deed of cross guarantee with the following parent and fellow subsidiaries:

Norske Skog Industries Australia Limited (Parent)
Norske Skog Paper Mills (Australia) Limited
Norske Skog Capital (Australia) Pty Ltd
Norske Skog (Australia) No. 2 Pty Limited
Norske Skog Paper Mills (Albury) Pty Ltd *formerly Pan Asia Paper Trading Co Pty Ltd*

Under this deed each company guarantees the debts of the other companies. By entering the deed, the wholly-owned entities of Norske Skog Industries Australia Limited have been relieved of the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The above companies form part of a 'closed group' for the purposes of the Class Order. Financial information pertaining to the 'closed group' can be found within note 36 of the Norske Skog Industries Australia Limited Consolidated Financial Report.

3. Revenue from continuing operations

	2017 $'000	2016 $'000
Sales revenue – sale of goods	**308,809**	345,067
Other revenue		
Interest	**78**	91
Other revenue	**9,449**	8,077
	318,336	353,235

4. Current assets - Cash and cash equivalents

	2017 $'000	2016 $'000
Cash in hand	**10,831**	6,578
Restricted Cash	**3,200**	1,200
	14,031	7,778

Norske Skog (Australasia) Pty Ltd (NSAUS) operates and manages the bank accounts for all fellow subsidiaries within the Norske Skog Industries Australia Limited (NSIAL) group. Any transactional activity undertaken by NSAUS on behalf of the NSIAL group is settled through intercompany balances.

5. Current assets - Receivables

	2017 $'000	2016 $'000
Net trade receivables		
Trade receivables	**20,025**	17,498
Provision for impairment of receivables	**-**	**-**
	20,025	17,498
Receivables from Joint Ventures	**5**	-
Other receivables	**702**	601
Prepayments	**805**	738
	21,537	18,837

Trade Receivables are shown net of impairment losses amounting to $nil (2016: $nil).

6. Non-current assets - Receivables

	2017 $'000	2016 $'000
Receivables from related parties	**508,994**	499,849
	508,994	499,849

Receivables from related parties are not interest bearing and are receivable from the parent entity and/or its subsidiaries which are party to the deed of cross guarantee described in Note 2. Receivables from related parties are shown net of impairment losses amounting to $nil (2016: $nil)

7. Non-current assets – Property, plant and equipment

	Plant & equipment $'000	Capital work in progress $'000	Total $'000
2017			
Cost			
At 1 January 2017	1,764	523	2,287
Additions	-	284	284
Transfers	-	-	-
Disposals	-	-	-
At 31 December 2017	1,764	807	2,571
Accumulated depreciation			
At 1 January 2017	(1,480)	-	(1,480)
Depreciation charge	(62)	-	(62)
Disposals	-	-	-
Impairment	-	-	-
At 31 December 2017	(1,542)	-	(1,542)
Net book value, 31 December 2017	222	807	1,029

	Plant & equipment $'000	Capital work in progress $'000	Total $'000
2016			
Cost			
At 1 January 2016	1,764	1,685	3,449
Additions	-	685	685
Transfers	-	(1,847)	(1,847)
Disposals	-	-	-
At 31 December 2016	1,764	523	2,287
Accumulated depreciation			
At 1 January 2016	(1,456)	-	(1,456)
Depreciation charge	(24)	-	(24)
Disposals	-	-	-
Impairment	-	-	-
At 31 December 2016	(1,480)	-	(1,480)
Net book value, 31 December 2016	284	523	807

Property, plant and equipment does not include any equipment subject to finance leases.

7. Non-current assets – Property, plant and equipment (continued)

Assumptions applied when calculating the recoverable amount

Property, plant and equipment and non-current intangible assets are written down to their recoverable amount when this is lower than the carrying value of the asset. The recoverable amount of an asset or cash generating unit (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 CGU. A weighted average cost of capital model (WACC) is used to determine future cash flows.

Impairment testing is performed by the ultimate parent entity for the overall group. The company applies the value in use approach when calculating recoverable amount for its CGU's.

The value is calculated by discounting based on a required rate of return on capital that is relevant for the CGU or individual asset. The required rate of return is based on the interest rate on ten year government bonds in the currency of the cash flow estimate, an industry debt yield premium, industry beta and an equity risk premium.

When calculating the value in use, the discount rate post-tax was 8.1% for Australian domiciled assets. The calculations are based on cash flow and required rate of return after tax.

The impairment model used to determine the recoverable amount is based on discounted future cash flows, underpinned by a specific set of key inputs and assumptions. The valuation of the recoverable amount is based on three key scenarios that are specifically relevant to the publication paper industry. These scenarios are then weighted to form the basis for the future cash flows. The consolidated scenario is a reflection of the structural decline in the demand for publication paper over the last decade which is expected to continue, albeit at a slower rate of decline. The weighting in the scenarios is consistent with the requirements of *AASB 136 Impairment of Assets* as it provides an overall scenario closest to the current and expected future market developments in the publication paper industry.

The impairment model is based on management's forecast figures for 2018. The Board of Director's regularly review the financial performance of the region including the year-end financial forecasts. The key drivers of profitability in the industry and thus asset values for Norske Skog (Australasia) Limited are product prices and relative production costs. The starting point in all scenarios are the 2018 forecast prices and costs. For both sales prices and input prices, an increase in real terms is expected, as observed in the impairment testing at 31 December 2017. Real term sales prices are assumed to increase during the next ten year period on reduced sales volumes which are expected to develop in accordance with the useful lives of the different paper machines operated by the company. Projection of these assumptions will result in gradual improvement in margins, from levels at the bottom of the business cycle to a normalisation with return to trend economic growth.

Cash flow is calculated based on estimated useful life. The paper industry is a capital intensive industry where investment decisions are made based on projections with a long time horizon. The production machines have a long technical life. The estimated remaining useful life of the individual paper machines forms the basis for determining the length of the cash flow period.

The cash flow decreases over time as the capacity of the company declines, reflecting assumed closures of machines as they reach the end of their useful lives.

Sensitivity to estimates of recoverable amount

The estimation of recoverable amount is based on assumptions regarding future development of several factors. These include price development of finished goods, sales volumes and interest rates. This means there will be uncertainty when it comes to the outcome of these calculations. The company has performed sensitivity analysis using the variables above to predict how fluctuations will impact the recoverable amount.

In relation to the assumptions made in the calculation of the present value of future cash flows, recoverable amount is most sensitive to changes in prices of finished goods and the discount rate used.

Expected useful life

In connection with the year-end closing process for 2017, the company performed a review of the expected remaining useful lives of PPE. The outcome of the review was that there have been no changes in useful life in 2017 compared to those applied in 2016.

8. Intangible assets

	Capitalised software (non-current) $'000
2017	
Cost	
At 1 January 2017	3,484
Additions	329
Disposals	-
Transfers	-
At 31 December 2017	3,813
Accumulated amortisation	
At 1 January 2017	(2,323)
Amortisation	(574)
Disposals	-
At 31 December 2017	(2,897)
Net book value, 31 December 2017	916

	Capitalised software (non-current) $'000
2016	
Cost	
At 1 January 2016	1,637
Additions	-
Disposals	-
Transfers	1,847
At 31 December 2016	3,484
Accumulated amortisation	
At 1 January 2016	(1,637)
Amortisation	(686)
Disposals	-
At 31 December 2016	(2,323)
Net book value, 31 December 2016	1,161

9. Current liabilities – Payables

	2017 $'000	2016 $'000
Trade payables	**3,659**	1,497
Amount due to related parties	**526,675**	505,077
Other payables	**10,260**	9,596
	540,594	516,170

Invoice Discounting Agreement

The company is party to an invoice discounting agreement with Scottish Pacific (BFS) Pty Ltd. The carrying amount of the facility included within Other Payables as at 31 December 2017 is $7,273,914 (2016: $5,350,613).

Payables to related parties are not interest bearing and are payable to fellow subsidiaries which are party to the deed of cross guarantee described in note 2. Payables to related parties are shown net of impairment losses amounting to $nil (2016: $nil)

10. Current liabilities – Provisions

	2017 $'000	2016 $'000
Employee benefits	**3,660**	2,260
Restructuring	**-**	830
	3,660	3,090

Norske Skog (Australasia) Pty Limited
Directors' declaration
31 December 2017

In the directors' opinion:

(a) The financial statements and notes set out on pages 1 to 16:

(i) comply with Accounting Standards to the extent described in Note 1 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance, as represented by the results of its operations and its cash `flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 2 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 2.

This declaration is made in accordance with a resolution of the directors.

Mr Eric Luck
Director

Sydney, Australia
5 November 2019

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Fax: +61 2 9240 9821
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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Norske Skog (Australasia) Pty Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Norske Skog (Australasia) Pty Ltd (the Entity), which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Entity as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with the basis of accounting described in note 1.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Entity in accordance with ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purposes of filing the Norske Skog bond prospectus. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other matter

The corresponding figures for the year ended 31 December 2016 are unaudited.

Responsibilities of management and those charged with governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report, and have determined that the basis of preparation described in Note 1 is appropriate to meet the requirements of the bondholders and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO East Coast Partnership

BDO
Ryan Pollett

Ryan Pollett
Partner

Sydney, 5 November 2019

Norske Skog (Australasia) Pty Ltd

ABN 21 003 274 673

Annual financial report – 31 December 2018

Contents

This financial report covers Norske Skog (Australasia) Pty Ltd a subsidiary of Norske Skog Industries Australia Limited. The financial report is presented in Australian currency.

Norske Skog (Australasia) Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Norske Skog (Australasia) Pty Ltd
Suite 7.02, Level 7
465 Victoria Avenue
Chatswood NSW 2067

	Notes	**2018 $'000**	2017 $'000
Revenue from continuing operations	3	**316,185**	318,336
Raw materials and consumables used		**(303,758)**	(305,555)
Employee benefits expense		**(10,156)**	(10,020)
Depreciation and amortisation expense		**(659)**	(636)
Distribution expenses		**(23)**	(1)
Mechanical maintenance and servicing		**(93)**	(103)
Other expenses		**(6,656)**	(7,527)
Finance costs		**(1,367)**	(1,381)
Loss before income tax		**(6,527)**	(6,887)
Income tax expense		**-**	-
Loss from Continuing Operations		**(6,527)**	(6,887)
Other comprehensive income for the year		**-**	-
Total comprehensive loss for the year attributable to the owners of the company and its subsidiaries		**(6,527)**	(6,887)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Notes	**2018 $'000**	2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	4	15,297	10,831
Restricted cash (call deposits)	4	3,206	3,200
Receivables	5	23,812	21,537
Total current assets		42,315	35,568
Non-current assets			
Receivables from related parties	6	55,924	508,994
Property, plant and equipment	7	1,209	1,029
Intangible assets	8	734	916
Total non-current assets		57,867	510,939
Total assets		100,182	546,507
LIABILITIES			
Current liabilities			
Payables	9	77,257	540,594
Borrowings	10	15,744	-
Employee Benefits		3,674	3,660
Total current liabilities		96,675	544,254
Non-current liabilities			
Payables to related parties	11	7,809	-
Employee Benefits		79	107
Total non-current liabilities		7,888	107
Total liabilities		104,563	544,361
Net (liabilities) / assets		(4,381)	2,146
EQUITY			
Issued capital		21,000	21,000
Accumulated losses		(25,381)	(18,854)
Total equity		(4,381)	2,146

The above balance sheet should be read in conjunction with the accompanying notes.

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		344,154	346,667
Payments to suppliers and employees (inclusive of goods and services tax)		(352,392)	(329,530)
		(8,238)	17,137
Interest received		170	77
Interest paid		(1,116)	(1,199)
Net cash (outflow)/inflow from operating activities		(9,184)	16,015
Cash flows from investing activities			
Payments for property, plant and equipment		(288)	(284)
Payments for intangible assets		(370)	(328)
Payments for call deposits (restricted)		(6)	(2,000)
Net cash outflow from investing activities		(664)	(2,612)
Cash flows from financing activities			
Payments to related parties		14,314	(9,150)
Net cash inflow / (outflow) from financing activities		14,314	(9,150)
Total cash inflow / (outflow)		4,466	4,253
Net increase in cash and cash equivalents		4,466	4,253
Cash and cash equivalents at the beginning of the financial year		10,831	6,578
Cash and cash equivalents at the end of the year	4	15,297	10,831

The above statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements

Page

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements for Norske Skog (Australasia) Pty Ltd a subsidiary entity of Norske Skog Industries Australia Limited.

(a) Basis of preparation

In the directors' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements that have been prepared for the purposes of filing the Norske Skog bond prospectus. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the Financial Supervisory Authority of Norway review of the bond prospectus.
The financial report has been prepared on a going concern basis.

The financial report has been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of:

- AASB 101 'Presentation of Financial Statements'
- AASB 107 'Statement of Cash Flows'
- AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'
- AASB 1048 'Interpretation of Standards' and
- AASB 1054 'Australian Additional Disclosures'

as appropriate for for-profit oriented entities with the exception of

- Interpretation 1052 'Tax Consolidation Accounting'
- The presentation of a Statement of Changes in Equity
- AASB 139 'Financial Instruments: Recognition and Measurement' which has not been applied to related party balances only; related party balances have been valued at their nominal amount.

Historical Cost Convention
These 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 and liabilities (including derivative instruments) at fair value through profit or loss.

Use of estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. The resulting accounting estimates may not equal the related actual results. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about the principal areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the amounts recognised in the financial statements are described in the following notes:

- Note 7 - Property, plant and equipment

It is reasonably possible, based on existing knowledge, that outcomes within the next annual reporting period that are different from assumptions could require a material adjustment in the carrying amount of the asset or liability affected.

The going concern assumption
As at 31 December 2018 the subsidiary was in a net current liability position of $54,360,000 (2017: net current liability $508,686,000) and had incurred a net loss after tax of $6,527,000 (2017: loss $6,887,000).

In accordance with the provisions of generally accepted accounting practices, management has assessed the going concern assumption as the appropriate basis for preparing and presenting the financial statements.

1. Summary of significant accounting policies (continued)

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Norske Skog (Australasia) Pty Ltd.'s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

(c) Revenue recognition

The company has adopted AASB 15 Revenue from Contracts with Customers as of 1 January 2018 replacing IAS 11 and IAS18, and are using the modified retrospective transition approach applying the new standard only to contracts that are not completed as of 1 January 2018. The adoption of the new standard has no effect on the reported figures. AASB 15 has established a single and comprehensive framework which sets out how much revenue is to be recognised, and when. The core principle is that a vendor should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the vendor expects to be entitled in exchange for those goods or services. Revenue is recognised by a vendor when control over the goods or services is transferred to the customer.

The application of the core principle in AASB 15 is carried out in five steps in which the company's sales contracts have been analysed based on. The first two steps are to identify the contract with the customer. 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. The company 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. In the fifth step, we assess when each performance obligation is satisfied (point in time or over period) and revenue are recognized.

Revenues in Norske Skog 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. For domestic sales this is generally when the goods are delivered to the customer while for export sales control is typically transferred when the goods are loaded onto an international sea carrier at the port of departure.

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 arrangements. 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 probable that there will be a significant revenue reversal.

Pre-AASB 15 (recognition principles in 2017): Revenue was measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities, take into account contractually defined terms of payment and excluding taxes or duty. Revenue is shown net of returns, trade allowances, rebates, amounts collected on behalf of third parties and after eliminating sales within the company. Revenue was recognised when the significant risks and rewards of ownership of the goods was transferred to the buyer. This was depending upon the buyer's delivery terms and in the range from the finalisation of the production to delivery of goods to the buyer.

1. Summary of significant accounting policies (continued)

(d) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Newsprint trade receivables are normally settled within 7 days and no more than 30 days for other debtors.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impaired receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within other expenses.

(g) Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Buildings	3% to 6.5%
Plant and equipment	2.5% to 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(h) Intangible assets

Capitalised software

Capitalised software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life, being 3 to 5 years.

1. Summary of significant accounting policies (continued)

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

(j) Employee benefits

(i) *Wages and salaries and annual leave*
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) *Long service leave*
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) *Bonus plans*
A liability for employee benefits in the form of bonus plans is recognised in other creditors when at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iv) *Employee benefit on-costs*
Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(k) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (including embedded derivatives) is determined using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

(l) Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

1. Summary of significant accounting policies (continued)

(m) New accounting standards

New Accounting Standards AASB 9 Financial Instruments and AASB 15 Revenue Contracts with Customers (refer to note 1 (d)) have been applied for the first time for the reporting period commencing 1 January 2018. There is no significant impact to the financial statements arising from the adoption of these standards.

New accounting standard AASB 16 has not been early adopted in 2018 by the company. Details are set out below:

AASB 16 Leases

AASB 16 Leases will be implemented by the company on 1 January 2019, and is expected to have an impact on the consolidated financial statements as described below:

AASB 16 Leases replaces the existing leases requirements. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor). The new leases standard requires lessees to recognise assets (i.e. right-of-use asset) and liabilities for most leases, which is a significant change from current requirements. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Exceptions for short term leases, low value leases, non-lease components and intangible assets have been adopted. For lessor, AASB 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The new standard will be implemented using the modified retrospective method without restatement of comparatives. The standard will be applied to the leases retrospectively with the cumulative effect of initially applying AASB 16 as an adjustment to the opening equity at the date of the initial application. The right-of-use assets will be 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.

The new standard will affect primarily the accounting for the company's operating leases for leased assets like machinery and properties, and the implementation effect on the consolidated financial statement are estimated as follows:

- Carrying value of right-of-use assets and lease liability estimated to be approximately AUD $1.54m higher as of 1 January 2019
- Operating expenses estimated to be approximately AUD $0.31m lower for 2019
- Interest expenses estimated to be approximately AUD $0.12m higher for 2019
- Depreciation expense estimated to be approximately AUD $0.24m higher for 2019

2. Accounting entity information

Norske Skog (Australasia) Pty Ltd is a company incorporated and domiciled in Australia. The company is a subsidiary of a group that predominately manufactures and sells newsprint and speciality paper. The company operates in Australia. The parent of Norske Skog (Australasia) Pty Ltd is Norske Skog Industries Australia Limited.
Norske Skog (Australasia) Pty Ltd provides regional Shared Services (Finance, Information Technology, and Human Resources) and Sales and Marketing functions to the Australasian group.

The below table summarises the relationship of related group companies.

Name of entity	Country of incorporation	Class of shares
Norske Skog AS	Oslo	Ultimate Parent
Norske Skog Industries Australia Limited	Australia	Parent
Norske Skog Capital (Australia) Pty Limited	Australia	Fellow Subsidiary
Norske Skog Paper Mills (Australia) Limited	Australia	Fellow Subsidiary
Norske Skog (Australia) No. 2 Pty Limited	Australia	Fellow Subsidiary
Norske Skog Paper Mills (Albury) Pty Ltd (*formerly PanAsia Paper Trading Co Pty Ltd*)	Australia	Fellow Subsidiary
Norske Skog Tasman Limited	New Zealand	Fellow Subsidiary
Norske Skog Holdings No. 1 Limited	New Zealand	Fellow Subsidiary
Norske Skog Holdings No. 2 Limited	New Zealand	Fellow Subsidiary
Norske Skog Holdings No. 3 Limited	New Zealand	Fellow Subsidiary
Norske Skog Capital NZ Limited	New Zealand	Fellow Subsidiary

During 2013, Norske Skog (Australasia) Pty Limited became party to a deed of cross guarantee with the following parent and fellow subsidiaries:

Norske Skog Industries Australia Limited (Parent)
Norske Skog Paper Mills (Australia) Limited
Norske Skog Capital (Australia) Pty Ltd
Norske Skog (Australia) No. 2 Pty Limited
Norske Skog Paper Mills (Albury) Pty Ltd *formerly Pan Asia Paper Trading Co Pty Ltd*

Under this deed each company guarantees the debts of the other companies. By entering the deed, the wholly-owned entities of Norske Skog Industries Australia Limited have been relieved of the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The above companies form part of a 'closed group' for the purposes of the Class Order. Financial information pertaining to the 'closed group' can be found within note 36 of the Norske Skog Industries Australia Limited Consolidated Financial Report.

3. Revenue from continuing operations

	2018 $'000	2017 $'000
Sales revenue – sale of goods	**307,108**	308,809
Other revenue		
Interest	**170**	78
Other revenue	**8,907**	9,449
	316,185	318,336

4. Current assets - Cash and cash equivalents

	2018 $'000	2017 $'000
Cash in hand	**15,297**	10,831
Restricted Cash	**3,206**	3,200
	18,503	14,031

5. Current assets - Receivables

	2018 $'000	2017 $'000
Net trade receivables		
Trade receivables	**22,183**	20,025
Provision for impairment of receivables	**-**	-
	22,183	20,025
Receivables from Joint Ventures	**37**	5
Other receivables	**717**	702
Prepayments	**875**	805
	23,812	21,537

Trade Receivables are shown net of impairment losses amounting to $nil (2017: $nil).

6. Non-current assets - Receivables

	2018 $'000	2017 $'000
Receivables from Group Companies	**55,924**	508,994
	55,924	508,994

Receivables from Group companies are not interest bearing and are receivable from the parent entity and/or its subsidiaries which are party to the deed of cross guarantee described in Note 2. Receivables from group companies are shown net of impairment losses amounting to $nil (2017: $nil)

7. Non-current assets – Property, plant and equipment

	Plant & equipment $’000	Capital work in progress $’000	Total $’000
2018			
Cost			
At 1 January 2018	1,764	807	2,571
Additions	-	288	288
Transfers	606	(231)	375
Disposals	(1,474)	-	(1,474)
At 31 December 2018	896	864	1,760
Accumulated depreciation			
At 1 January 2018	(1,542)	-	(1,542)
Depreciation charge	(108)	-	(108)
Disposals	1,474	-	1,474
Transfers	(375)	-	(375)
Impairment	-	-	-
At 31 December 2018	(551)	-	(551)
Net book value, 31 December 2018	345	864	1,209

	Plant & equipment $’000	Capital work in progress $’000	Total $’000
2017			
Cost			
At 1 January 2017	1,764	523	2,287
Additions	-	284	284
Transfers	-	-	-
Disposals	-	-	-
At 31 December 2017	1,764	807	2,571
Accumulated depreciation			
At 1 January 2017	(1,480)	-	(1,480)
Depreciation charge	(62)	-	(62)
Disposals	-	-	-
Impairment	-	-	-
At 31 December 2017	(1,542)	-	(1,542)
Net book value, 31 December 2017	222	807	1,029

Property, plant and equipment does not include any equipment subject to finance leases.

7. Non-current assets – Property, plant and equipment (continued)

Assumptions applied when calculating the recoverable amount

Property, plant and equipment and non-current intangible assets are written down to their recoverable amount when this is lower than the carrying value of the asset. The recoverable amount of an asset or cash generating unit (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 CGU. A weighted average cost of capital model (WACC) is used to determine future cash flows.

Impairment testing is performed by the ultimate parent entity for the overall group. The company applies the value in use approach when calculating recoverable amount for its CGU's.

The value is calculated by discounting based on a required rate of return on capital that is relevant for the CGU or individual asset. The required rate of return is based on the interest rate on ten year government bonds in the currency of the cash flow estimate, an industry debt yield premium, industry beta and an equity risk premium.

When calculating the value in use, the discount rate post-tax was 8.4% (2017: 8.1%) for Australian domiciled assets. The calculations are based on cash flow and required rate of return after tax.

The impairment model used to determine the recoverable amount is based on discounted future cash flows, underpinned by a specific set of key inputs and assumptions. The valuation of the recoverable amount is based on three key scenarios that are specifically relevant to the publication paper industry. These scenarios are then weighted to form the basis for the future cash flows. The consolidated scenario is a reflection of the structural decline in the demand for publication paper over the last decade which is expected to continue, albeit at a slower rate of decline. The weighting in the scenarios is consistent with the requirements of *AASB 136 Impairment of Assets* as it provides an overall scenario closest to the current and expected future market developments in the publication paper industry.

The impairment model is based on management's forecast figures for 2019. The Board of Director's regularly review the financial performance of the region including the year-end financial forecasts. The key drivers of profitability in the industry and thus asset values for NSIAL are product prices and relative production costs. The starting point in all scenarios are the 2018 forecast prices and costs. For both sales prices and input prices, an increase in real terms is expected, as observed in the impairment testing at 31 December 2018. Real term sales prices are assumed to increase during the next ten year period on reduced sales volumes which are expected to develop in accordance with the useful lives of the different paper machines operated by the company. Projection of these assumptions will result in gradual improvement in margins, from levels at the bottom of the business cycle to a normalisation with return to trend economic growth.

Cash flow is calculated based on estimated useful life. The paper industry is a capital intensive industry where investment decisions are made based on projections with a long time horizon. The production machines have a long technical life. The estimated remaining useful life of the individual paper machines forms the basis for determining the length of the cash flow period.

The cash flow decreases over time as the capacity of the company declines, reflecting assumed closures of machines as they reach the end of their useful lives.

Sensitivity to estimates of recoverable amount

The estimation of recoverable amount is based on assumptions regarding future development of several factors. These include price development of finished goods, sales volumes and interest rates. This means there will be uncertainty when it comes to the outcome of these calculations. The company has performed sensitivity analysis using the variables above to predict how fluctuations will impact the recoverable amount.

In relation to the assumptions made in the calculation of the present value of future cash flows, recoverable amount is most sensitive to changes in prices of finished goods and the discount rate used.

Expected useful life

In connection with the year-end closing process for 2018, the company performed a review of the expected remaining useful lives of PPE. The outcome of the review was that there have been no changes in useful life in 2018 compared to those applied in 2017.

8. Intangible assets

	Capitalised software (non-current) $'000
2018	
Cost	
At 1 January 2018	3,812
Additions	370
Disposals	-
Transfers	93
At 31 December 2018	4,275
Accumulated amortisation	
At 1 January 2018	(2,897)
Amortisation	(551)
Transfers	(93)
Disposals	-
At 31 December 2018	(3,541)
Net book value, 31 December 2018	734

	Capitalised software (non-current) $'000
2017	
Cost	
At 1 January 2017	3,484
Additions	329
Disposals	-
Transfers	-
At 31 December 2017	3,813
Accumulated amortisation	
At 1 January 2017	(2,323)
Amortisation	(574)
Disposals	-
At 31 December 2017	(2,897)
Net book value, 31 December 2017	916

9. Current liabilities – Payables

	2018 $'000	2017 $'000
Trade payables	**1,072**	3,659
Amounts due to related parties	**64,922**	526,675
Other payables	**11,263**	10,260
	77,257	540,594

Invoice Discounting Agreement

- The company is party to an invoice discounting agreement with Scottish Pacific (BFS) Pty Ltd. The carrying amount of the facility included within Other Payables as at 31 December 2018 is $8,044,828 (2017: $7,273,914).
- Payables to related parties are not interest bearing and are payable to fellow subsidiaries which are party to the deed of cross guarantee described in note 2. Payables to related parties are shown net of impairment losses amounting to $nil (207: $nil)

10. Current liabilities – Borrowings

	2018 $'000	2017 $'000
Unsecured loans from related parties	**15,744**	-
	15,744	-

- Details of current unsecured loans from related parties are as follows:
  - Norske Skog AS $15.8m interest bearing at 3.0% (2017: 5.8%). This loan was held by the Parent entity Norske Skog Industries Australia Limited in prior reporting periods and was transferred to Norske Skog (Australasia) in December 2018.

11. Non-current liabilities – Borrowings

	2018 $'000	2017 $'000
Unsecured loans from related parties		
Payable to related parties		
Repayable 2020	**7,809**	-
	7,809	-

Loans from related parties

- $7,808,663 Promissory note issued by Norske Skog AS in December 2018 repayable in 2020 not interest bearing (converted from previous current unsecured intercompany borrowings of parent entity).

Norske Skog (Australasia) Pty Limited
Directors' declaration
31 December 2018

In the directors' opinion:

(a) The financial statements and notes set out on pages 1 to 16:

(i) comply with Accounting Standards to the extent described in Note 1 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance, as represented by the results of its operations and its cash `flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 2 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 2.

This declaration is made in accordance with a resolution of the directors.

Mr Eric Luck
Director

Sydney, Australia
5 November 2019

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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Norske Skog (Australasia) Pty Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Norske Skog (Australasia) Pty Ltd (the Entity), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Entity as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with the basis of accounting described in note 1.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Entity in accordance with ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purposes of filing the Norske Skog bond prospectus. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report, and have determined that the basis of preparation described in Note 1 is appropriate to meet the requirements of the bondholders and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO East Coast Partnership

BDO
Ryan Pollett

Ryan Pollett
Partner

Sydney, 5 November 2019

Norske Skog Paper Mills (Australia) Limited

ABN 84 009 477 132

Annual financial report – 31 December 2017

Contents

This financial report covers Norske Skog Paper Mills (Australia) Limited, a subsidiary of Norske Skog Industries Australia Limited. The financial report is presented in Australian currency.

Norske Skog Paper Mills (Australia) Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Norske Skog Paper Mills (Australia) Limited
Suite 7.02, Level 7
465 Victoria Avenue
Chatswood NSW 2067

	Notes	**2017 $'000**	2016 $'000
Revenue from continuing operations	3	**419,323**	423,163
Fair value gain of forest estate	7	**4,207**	4,377
Raw materials and consumables used		**(253,862)**	(250,675)
Employee benefits expense		**(56,206)**	(63,028)
Depreciation and amortisation expense		**(28,580)**	(36,353)
Distribution expenses		**(50,041)**	(51,027)
Gain on embedded derivatives		**1,768**	713
Mechanical maintenance and servicing		**(17,469)**	(18,394)
Impairment – property, plant & equipment	8	**(154,300)**	-
Other expenses		**(18,827)**	(16,604)
Finance costs		**(2,908)**	(3,118)
Loss before income tax		**(156,895)**	(10,946)
Income tax (expense)/benefit		**-**	-
Loss for the year		**(156,895)**	(10,946)
Other comprehensive income for the year		**-**	-
Total comprehensive loss for the year attributable to the owners of the company and its subsidiaries		**(156,895)**	(10,946)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Notes	**2017 $'000**	2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents		2	2
Receivables	4	15,191	18,533
Inventories	5	49,947	51,061
Derivative financial instruments		315	246
Forest estate	7	2,682	3,211
Intangible assets – emission rights	9	73	73
Total current assets		68,210	73,126
Non-current assets			
Receivables from related parties	6	738,271	717,520
Derivative financial instruments		905	738
Property, plant and equipment	8	145,848	322,079
Forest estate	7	23,963	23,096
Intangible assets	9	1,316	1,390
Total non-current assets		910,303	1,064,823
Total assets		978,513	1,137,949
LIABILITIES			
Current liabilities			
Payables	10	31,193	29,738
Borrowings	11	5,162	4,041
Derivative financial instruments		866	1,127
Provisions	12	24,887	22,910
Total current liabilities		62,108	57,816
Non-current liabilities			
Borrowings	14	14,381	19,542
Derivative financial instruments		133	1,403
Provisions	13	24,827	25,228
Total non-current liabilities		39,341	46,173
Total liabilities		101,449	103,989
Net assets		877,064	1,033,960
EQUITY			
Issued capital		7,539	7,539
Reserves		-	711,074
Retained Earnings		869,525	315,347
Total equity		877,064	1,033,960

The above balance sheet should be read in conjunction with the accompanying notes.

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		425,613	420,040
Payments to suppliers and employees (inclusive of goods and services tax)		(386,021)	(396,282)
		39,592	23,758
Interest paid		(2,189)	(1,930)
Net cash inflow from operating activities		37,403	21,828
Cash flows from investing activities			
Payments for property, plant and equipment		(7,743)	(13,184)
Payments for forests		(3,210)	(3,665)
Payments for intangible assets		(365)	-
Proceeds from sale of property plant and equipment		80	-
Net cash outflow from investing activities		(11,238)	(16,849)
Cash flows from financing activities			
Repayment of borrowings		(4,040)	(1,378)
Payments to related parties		(22,125)	(3,602)
Net cash outflow from financing activities		(26,165)	(4,980)
Total cash inflow / (outflow)		-	(1)
Net increase / (decrease) in cash and cash equivalents		-	(1)
Cash and cash equivalents at the beginning of the financial year		2	3
Cash and cash equivalents at the end of the year		2	2

The above statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements

Page

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements for Norske Skog Paper Mills (Australia) Limited a subsidiary entity of Norske Skog Industries Australia Limited.

(a) Basis of preparation

In the directors' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements that have been prepared for the purposes of filing the Norske Skog bond prospectus. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the Financial Supervisory Authority of Norway review of the bond prospectus.
The financial report has been prepared on a going concern basis.

The financial report has been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of:

- AASB 101 'Presentation of Financial Statements'
- AASB 107 'Statement of Cash Flows'
- AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'
- AASB 1048 'Interpretation of Standards' and
- AASB 1054 'Australian Additional Disclosures'

as appropriate for for-profit oriented entities with the exception of

- Interpretation 1052 'Tax Consolidation Accounting'
- The presentation of a Statement of Changes in Equity
- AASB 9 'Financial Instruments' which has not been applied to related party balances only; related party balances have been valued at their nominal amount.

Historical Cost Convention
These 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 and liabilities (including derivative instruments) at fair value through profit or loss.

Use of estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. The resulting accounting estimates may not equal the related actual results. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about the principal areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the amounts recognised in the financial statements are described in the following notes:

- Note 7 - Forest estate
- Note 1(i) - Derivative financial instruments
- Notes 12 and 13 - Provisions
- Note 8 - Property, plant and equipment
-

It is reasonably possible, based on existing knowledge, that outcomes within the next annual reporting period that are different from assumptions could require a material adjustment in the carrying amount of the asset or liability affected.

The going concern assumption
As at 31 December 2017 the subsidiary was in a net current asset position of $6,102,000 (2016: net current asset $15,310,000) and had incurred a net loss before tax of $156,895,000 (2016: loss $10,946,000).

In accordance with the provisions of generally accepted accounting practices, management has assessed the going concern assumption as the appropriate basis for preparing and presenting the financial statements.

1. Summary of significant accounting policies (continued)

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Australian dollars, which is Norske Skog Paper Mills (Australia) Pty Ltd.'s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the sale of goods when the goods have been dispatched to a customer pursuant to a sales order and the associated risks of ownership have passed to the carrier or customer.

(d) Leases

Leases or similar arrangements in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(e) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.
Bank accounts for Norske Skog Paper Mills (Australia) Limited (NSPMA) are held and operated by Norske Skog (Australasia) Pty Ltd (NSAUS), a fellow subsidiary of the parent Norske Skog Industries Australia Limited. Any transactional activity undertaken by NSAUS on behalf of NSPMA is settled through intercompany balances.

(g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Newsprint trade receivables are normally settled within 7 days and no more than 30 days for other debtors.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impaired receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within other expenses.

1. Summary of significant accounting policies (continued)

(h) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is determined principally on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of both variable and fixed costs. Fixed costs have been allocated on the basis of normal operating capacity. Costs arising from exceptional wastage are expensed as incurred.

Net realisable value is determined on the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

(i) Derivatives

Derivatives are recognised at fair value when the contracts are entered into and are subsequently re-measured to their fair value at balance date.

The fair value of derivatives that are not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select methods and make assumptions that are mainly based on market conditions at each reporting period date.

Changes in the fair value of derivatives (including embedded derivatives) are recognised immediately in the income statement.

(j) Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Buildings	3% to 6.5%
Plant and equipment	2.5% to 33%
Forest and non-forest roads	4% to 13%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(k) Intangible assets

(i) *Albury pipeline*
The cost of a right to use a pipeline at the Albury mill is amortised over the period in which the related benefits are expected to be realised, being 25 years.

(ii) *Capitalised software*
Capitalised software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life, being 3 to 5 years.

(iii) *Emission Rights*
An intangible asset is recognised at fair value for carbon emission right units receivable on qualifying activity. Market observable data is used to the extent it is available, but where Level 1 active market quoted price inputs are not available, the company uses Level 2 inputs that incorporate historical market prices and other directly and indirectly observable data.

1. Summary of significant accounting policies (continued)

(l) Forest estate

The forest estate is valued based on fair value in accordance with AASB 141 Agriculture. Standing timber planned for harvest within twelve months is reported as a current asset. The remainder is reported as a non-current asset.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Bank loans, loans from related parties and loans to related parties are carried on the balance sheet at their principal amount, subject to set-off arrangements. Interest revenue and expense are accrued at the contracted rate.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(o) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

(p) Provisions

Provisions for environmental costs and restructuring costs are recognised when the company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(q) Employee benefits

(i) *Wages and salaries, annual leave and sick leave*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) *Long service leave*
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

1. Summary of significant accounting policies (continued)

(q) Employee benefits (continued)

(iii) Retirement benefit obligations

The company contribute to plans that provide retirement, death and disability benefits for employees and their dependants. All company employees in Australia participate in Australian based plans. The company now has only a defined contribution section within its plans. During 2015 the defined benefit plan was wound up.

Contributions to the defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Bonus plans

A liability for employee benefits in the form of bonus plans is recognised in other creditors when at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(v) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(r) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (including embedded derivatives) is determined using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

(s) Carbon emissions

(i) Australia -

The Australian Clean Energy Legislation (the Scheme) was repealed effective from 1st July 2015 and all impacts from this scheme only apply to this date. An Australian subsidiary is a Liable Entity under the scheme and also qualifies for assistance under the Australian Jobs and Competitiveness Program (JCP). The company is required to surrender eligible emission units to the Clean Energy Regulator (the Regulator) for covered emissions, and is entitled to receive certain free units based upon production volumes of eligible products.

(i.i) Provision for Carbon Emissions

A provision is recognised for the cost of eligible emission units as covered emissions are emitted and included in "other payables". The related expense is recognised in the income statement as incurred unless qualifying for an alternative treatment under another accounting standard or policy.

(i.ii) Emission Right- Australia

An intangible asset is recognised at fair value for free units receivable on qualifying activity under the JCP. The fair value of the unit is recognised as deferred revenue and released to the income statement as eligible production activity is undertaken.
The gain/loss arising from the sale of any surplus units is recognised in the income statement as "other income"/ "other expenses".

1. Summary of significant accounting policies (continued)

(t) Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(u) New accounting standards

There are no new standards that have been applied for the first time for the reporting period commencing 1 January 2017.

A number of new standards and amendments to standards and interpretations are not mandatory for 31 December 2017 reporting periods and have not been early adopted in 2017 by the company. New standards and amendments that are expected to have an impact on the consolidated financial statements are set out below:

AASB 9 Financial Instruments

This is a new Principal standard which replaces AASB 139 and includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The new Standard requires entities to account for expected credit losses from when financial instruments are first recognised. The Standard also requires the recognition of full lifetime expected losses on a more timely basis.

The standard is mandatory for annual periods beginning 1 January 2018 or later. The company does not intend to early adopt AASB 9 before its mandatory date. Expected date of adoption by the company is 1 January 2018 and the company will not restate comparative information. The company does not expect any significant impact on its income statement, balance sheet or cash flow statement for 2018. The new standard introduces expanded disclosure requirements and presentation changes that will be implemented where required.

AASB 15 Revenue Contracts with Customers

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.
The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:
(a) Step 1: Identify the contract(s) with a customer.
(b) Step 2: Identify the performance obligations in the contract.
(c) Step 3: Determine the transaction price.
(d) Step 4: Allocate the transaction price to the performance obligations in the Contract.
(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard is mandatory for annual periods beginning 1 January 2018 or later. The standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer which is in line with the current revenue recognition at the company. The company does not expect any material impacts on the financial statements. Expected date of adoption by the company is 1 January 2018.

1. Summary of significant accounting policies (continued)

(u) New accounting standards (continued)

AASB 16 Leases

The new standard effectively removes the operating leases classification and requires all lessees to show a lease liability and a corresponding right-of-use asset for all leases. AASB 16 contains disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee

The company does not intend to early adopt AASB 16 before its mandatory date. Expected date of adoption by the company is 1 January 2019.

2. Accounting entity information

Norske Skog Paper Mills (Australia) Limited is a company incorporated and domiciled in Australia. The company is a subsidiary of a group that predominately manufactures and sells newsprint and speciality paper. The company operates in Australia. The parent of Norske Skog Paper Mills (Australia) Limited is Norske Skog Industries Australia Limited.

Norske Skog Paper Mills (Australia) Limited incorporates the Boyer Mill in Tasmania and the Albury Mill in New South Wales.

The below table summarises the relationship of related group companies.

Name of entity	Country of incorporation	Class of shares
Norske Skog AS	Oslo	Ultimate Parent
Norske Skog Industries Australia Limited	Australia	Parent
Norske Skog Capital (Australia) Pty Limited	Australia	Fellow Subsidiary
Norske Skog (Australasia) Pty Ltd	Australia	Fellow Subsidiary
Norske Skog (Australia) No. 2 Pty Limited	Australia	Fellow Subsidiary
Norske Skog Paper Mills (Albury) Pty Ltd (*formerly PanAsia Paper Trading Co Pty Ltd*)	Australia	Fellow Subsidiary
Norske Skog Tasman Limited	New Zealand	Fellow Subsidiary
Norske Skog Holdings No. 1 Limited	New Zealand	Fellow Subsidiary
Norske Skog Holdings No. 2 Limited	New Zealand	Fellow Subsidiary
Norske Skog Holdings No. 3 Limited	New Zealand	Fellow Subsidiary
Norske Skog Capital NZ Limited	New Zealand	Fellow Subsidiary

During 2013, Norske Skog Paper Mills (Australia) Limited became party to a deed of cross guarantee with the following parent and fellow subsidiaries:

Norske Skog Industries Australia Limited (Parent)
Norske Skog (Australasia) Pty Ltd
Norske Skog Capital (Australia) Pty Ltd
Norske Skog (Australia) No. 2 Pty Limited
Norske Skog Paper Mills (Albury) Pty Ltd *formerly Pan Asia Paper Trading Co Pty Ltd*

Under this deed each company guarantees the debts of the other companies. By entering the deed, the wholly-owned entities of Norske Skog Industries Australia Limited have been relieved of the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The above companies form part of a 'closed group' for the purposes of the Class Order. Financial information pertaining to the 'closed group' can be found within note 36 of the Norske Skog Industries Australia Limited Consolidated Financial Report.

3. Revenue from continuing operations

	2017 $'000	2016 $'000
Sales revenue – sale of goods	**416,151**	420,813
Other revenue		
Interest	**-**	-
Other revenue	**3,172**	2,350
	419,323	423,163

4. Current assets - Receivables

	2017 $'000	2016 $'000
Net trade receivables		
Trade receivables	**5,627**	8,446
Provision for impairment of receivables	**-**	**-**
	5,627	8,446
Receivables from Joint Ventures	**342**	-
Other receivables	**2,375**	4,124
Prepayments	**6,847**	5,963
	15,191	18,533

Trade Receivables are shown net of impairment losses amounting to $nil (2016: $nil).

Receivables from Joint Ventures is due from FC5, a joint venture partner with a subsidiary of the parent.

5. Current assets - Inventories

	2017 $'000	2016 $'000
Raw materials	**33,033**	33,279
Work in progress	**385**	250
Finished goods	**16,529**	17,532
	49,947	51,061

Inventory expense
Inventories recognised as expense during the year ended 31 December 2017, excluding write-downs of inventories, amounted to $253,838,000 (2016: $250,272,000).

Write-downs of inventories to net realisable value recognised as an expense during the year ended 31 December 2017 amounted to $23,905 (2016: $403,000). The expense has been included in "Raw materials and consumables used" in the income statement.

6. Non-current assets - Receivables

	2017 $'000	2016 $'000
Receivables from related parties	**738,271**	717,520
	738,271	717,520

Receivables from related parties are not interest bearing and are receivable from the parent entity and/or its subsidiaries.
Receivables from group companies are shown net of impairment losses amounting to $nil (2016: $nil)

7. Forest estate

	2017 $'000	2016 $'000
Current assets		
Forest estate – at fair value - 1 January 2017	**3,211**	3,351
Transfer from non-current assets	**6,511**	6,105
Decreases due to harvest	**(7,040)**	(6,245)
Forest estate – at fair value - 31 December 2017	**2,682**	3,211
Non-current assets		
Forest estate – at fair value - 1 January 2017	**23,096**	21,159
Changes in fair value	**4,207**	5,804
Increases due to purchases	**3,210**	2,238
Decrease due to sale	**(39)**	**-**
Transfer to current assets	**(6,511)**	(6,105)
Forest estate – at fair value - 31 December 2017	**23,963**	23,096
Total Value of Forest Assets	**26,645**	26,307

Nature and output of activities

The forestry activities undertaken by the company incorporate all aspects of managing the forests, from planting through to harvesting and cartage, including certification, assessment and planning.

The output of activities is volume of harvested timber. During the year 362,944 tonnes of Pulplog (2016: 369,904) and 46,937 tonnes of Sawlog (2016: 38,102) were harvested.

Method of determining fair value

The directors consider there is no active and liquid market for large areas of native forest and plantation estates. Accordingly, a level 3 fair value estimate has been determined in accordance with a valuation based on direct and indirect costs of establishment in the early years of the plantation, the net present value of future cash flows for plantation timber and native forest once it exceeds the cost of establishment, and any other evidence of the market value of the standing timber including any indicative offers for the forest estate.

The valuation adopts the following significant assumptions, where appropriate:

- Harvestable volumes are the estimated future volume as at harvest date for plantations and the estimated current standing volume for native forest. The methodology used to assess the volume of plantation standing timber is based on the following inputs and assumptions: the net planted area, estimated growth rates, yield per hectare and year of harvest. The native forest estate has been assessed using generally accepted measurement techniques.

- The notional costs associated with the land owned by the company on which native forests and plantations are grown are calculated based on 5% of the land value.

- The continuation of existing practices with regard to silviculture and harvesting.

- Current market sales rates.

- A market based post-tax real discount rate of 6.4% (2016: 9.0%) has been applied to the estimated future cash flows in arriving at net present value.

Increment (decrement) in fair value
The net increment / (decrement) in the fair value of standing timber recognised as revenue is determined as the difference between the fair value of standing timber as at the beginning of the financial year and the fair value of standing timber as at the end of the financial year, after adjusting for current year plantation and forest establishment cost incurred in maintaining and enhancing standing timber for the year, and the fair value of standing timber harvested during the year.

Net fair value of standing timber harvested
The fair value of standing timber recognised as revenue is determined as the difference between the fair value of standing timber harvested during the financial year immediately after harvesting and the costs of harvesting.

7. Forest estate (continued)

Restrictions on use of forest estate
Plantations planted on state forest owned land prior to 1997 are governed by the Long Term Forestry Agreement (LTFA) with Forestry Tasmania. Under the terms of the LTFA, Norske Skog will lose exclusive rights to harvest these plantations on state owned land planted prior to 1997, if the Boyer Mill ceases to operate as a going concern.

Use of estimates and assumptions
Determining fair value using a discounted cash flow approach involves the use of estimates and assumptions covering matters such as future growth volumes, market prices and costs, as well as determining a suitable discount rate to calculate the present value of future cash flows. Changes in the estimates could have a material impact on the carrying value of biological assets and reported profit. A 1% increase in the discount rate, holding all other variables and assumptions constant, would decrease the valuation of the Forest assets by $1,884,000 (2016: $1,655,000). A 1% decrease in the discount rate, holding all other variables and assumptions constant would increase the valuation of the assets by $2,165,000 (2016: $1,884,000).

8. Non-current assets – Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Plant & equipment $'000	Forest and non-forest roads $'000	Capital work in progress $'000	Total $'000
2017						
Cost						
At 1 January 2017	12,407	91,015	1,359,774	16,863	20,580	1,500,639
Additions	-	-	-	-	7,743	7,743
Transfers	-	-	2,061	411	(2,144)	328
Disposals	-	-	(120)	-	-	(120)
Adjustments related to asset dismantling provision	-	-	(1,512)	-	-	(1,512)
At 31 December 2017	12,407	91,015	1,360,203	17,274	26,179	1,507,078
Accumulated depreciation						
At 1 January 2017	-	(68,576)	(1,105,858)	(4,126)	-	(1,178,560)
Depreciation charge	-	(2,685)	(25,640)	(144)	-	(28,469)
Disposals	-	-	99	-	-	99
Impairment	-	(1,302)	(152,998)	-	-	(154,300)
At 31 December 2017	-	(72,563)	(1,284,397)	(4,270)	-	(1,361,230)
Net book value, 31 December 2017	12,407	18,452	75,806	13,004	26,179	145,848

	Freehold land $'000	Freehold buildings $'000	Plant & equipment $'000	Forest and non-forest roads $'000	Capital work in progress $'000	Total $'000
2016						
Cost						
At 1 January 2016	12,407	90,907	1,352,526	16,377	13,489	1,485,706
Additions	-	-	-	-	13,184	13,184
Transfers	-	108	5,499	486	(6,093)	-
Disposals	-	-	(55)	-	-	(55)
Adjustments related to asset dismantling provision	-	-	1,804	-	-	1,804
At 31 December 2016	12,407	91,015	1,359,774	16,863	20,580	1,500,639
Accumulated depreciation						
At 1 January 2016	-	(65,884)	(1,072,511)	(3,975)	-	(1,142,370)
Depreciation charge	-	(2,692)	(33,402)	(151)	-	(36,245)
Disposals	-	-	55	-	-	55
Impairment	-	-	-	-	-	-
At 31 December 2016	-	(68,576)	(1,105,858)	(4,126)	-	(1,178,560)
Net book value, 31 December 2016	12,407	22,439	253,916	12,737	20,580	322,079

Property, plant and equipment includes equipment subject to finance leases with a net carrying amount of $5,811,000 at 31 December 2017 (2016: $6,625,000).

8. Non-current assets – Property, plant and equipment (continued)

Assumptions applied when calculating the recoverable amount

Property, plant and equipment and non-current intangible assets are written down to their recoverable amount when this is lower than the carrying value of the asset. The recoverable amount of an asset or cash generating unit (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 CGU. A weighted average cost of capital model (WACC) is used to determine future cash flows.

Impairment testing is performed by the ultimate parent entity for the overall group. The company applies the value in use approach when calculating recoverable amount for its CGU's. The company has the Albury and Boyer mills in Australia. The Norske Skog Industries Australia Limited group treats these mills as separate cash generating units.

The value is calculated by discounting based on a required rate of return on capital that is relevant for the CGU or individual asset. The required rate of return is based on the interest rate on ten year government bonds in the currency of the cash flow estimate, an industry debt yield premium, industry beta and an equity risk premium.

When calculating the value in use, the discount rate after tax was 8.1% for Australian domiciled assets. The calculations are based on cash flow and required rate of return after tax.

The impairment model used to determine the recoverable amount is based on discounted future cash flows, underpinned by a specific set of key inputs and assumptions. The valuation of the recoverable amount is based on three key scenarios that are specifically relevant to the publication paper industry. These scenarios are then weighted to form the basis for the future cash flows. The consolidated scenario is a reflection of the structural decline in the demand for publication paper over the last decade which is expected to continue, albeit at a slower rate of decline. The weighting in the scenarios is consistent with the requirements of *AASB 136 Impairment of Assets* as it provides an overall scenario closest to the current and expected future market developments in the publication paper industry.

The impairment model is based on management's forecast figures for 2018. The Board of Director's regularly review the financial performance of the region including the year-end financial forecasts. The key drivers of profitability in the industry and thus asset values for NSIAL are product prices and relative production costs. The starting point in all scenarios are the 2018 forecast prices and costs. For both sales prices and input prices, an increase in real terms is expected, as observed in the impairment testing at 31 December 2017. Real term sales prices are assumed to increase during the next ten year period on reduced sales volumes which are expected to develop in accordance with the useful lives of the different paper machines operated by the company. Projection of these assumptions will result in gradual improvement in margins, from levels at the bottom of the business cycle to a normalisation with return to trend economic growth.

The analysis indicates an impairment is necessary to the Australian Albury Mill for 2017 of $154,300,000 (2016 $Nil).

Cash flow is calculated based on estimated useful life. The paper industry is a capital intensive industry where investment decisions are made based on projections with a long time horizon. The production machines have a long technical life. The estimated remaining useful life of the individual paper machines forms the basis for determining the length of the cash flow period.

The cash flow decreases over time as the capacity of the company declines, reflecting assumed closures of machines as they reach the end of their useful lives.

Sensitivity to estimates of recoverable amount

The estimation of recoverable amount is based on assumptions regarding future development of several factors. These include price development of finished goods, sales volumes and interest rates. This means there will be uncertainty when it comes to the outcome of these calculations. The company has performed sensitivity analysis using the variables above to predict how fluctuations will impact the recoverable amount.

In relation to the assumptions made in the calculation of the present value of future cash flows, recoverable amount is most sensitive to changes in prices of finished goods and the discount rate used. A reduction in the sales price of 2% will cause a reduction in recoverable amount in the order of $46,000,000. Correspondingly, a 1% increase in the discount rate will cause a reduction in the recoverable amount of $8,000,000.

Expected useful life

In connection with the year-end closing process for 2017, the company performed a review of the expected remaining useful lives of PPE. The outcome of the review was that there have been no changes in useful life in 2017 compared to those applied in 2016.

9. Intangible assets

	Capitalised software (non-current) $'000	Albury pipeline (non-current) $'000	Net book amount (non-current) $'000	Emission rights (current) $'000
2017				
Cost				
At 1 January 2017	11,421	4,094	15,515	73
Additions	37	-	37	-
Disposals	-	-	-	-
At 31 December 2017	11,458	4,094	15,552	73
Accumulated amortisation				
At 1 January 2017	(11,379)	(2,746)	(14,125)	-
Amortisation	(7)	(104)	(111)	-
At 31 December 2017	(11,386)	(2,850)	(14,236)	-
Net book value, 31 December 2017	72	1,244	1,316	73

	Capitalised software (non-current) $'000	Albury pipeline (non-current) $'000	Net book amount (non-current) $'000	Emission rights (current) $'000
2016				
Cost				
At 1 January 2016	11,421	4,094	15,515	264
Additions	-	-	-	-
Disposals	-	-	-	(191)
At 31 December 2016	11,421	4,094	15,515	73
Accumulated amortisation				
At 1 January 2016	(11,375)	(2,642)	(14,017)	-
Amortisation	(4)	(104)	(108)	-
At 31 December 2016	(11,379)	(2,746)	(14,125)	-
Net book value, 31 December 2016	42	1,348	1,390	73

10. Current liabilities – Payables

	2017 $'000	2016 $'000
Trade payables	**17,798**	11,301
Other payables	**13,395**	18,437
	31,193	29,738

11. Current liabilities – Borrowings

	2017 $'000	2016 $'000
Term loan (Note 14)	**3,440**	2,503
Finance leases	**1,722**	1,538
	5,162	4,041

12. Current liabilities – Provisions

	2017 $'000	2016 $'000
Employee benefits	**24,333**	21,410
Rehabilitation	**554**	-
Environmental	**-**	1,000
Restructuring	**-**	500
	24,887	22,910

13. Non-current liabilities – Provisions

	2017 $'000	2016 $'000
Employee benefits	**388**	832
Rehabilitation	**4,388**	6,276
Environmental	**20,051**	18,120
	24,827	25,228

Rehabilitation and Environmental provisions

Provision is made for asset dismantling and rehabilitation costs expected to be incurred in relation to removal of obsolete equipment and related rehabilitation at mill sites. Provision is also made for future environmental obligations relating to restoration of land and other environmental remediation expected to be required at mill sites. The costs are expected to be incurred over the next 18 years. The estimates of the amounts of asset decommissioning and future site restoration costs are based on current legal and constructive obligations, technology and price levels. Actual outflows can differ from estimates due to changes in laws, technology, prices and other factors and can take place many years in the future. A pre-tax discount rate of 2.56% (2016: 2.83%) has been applied when calculating the discounted present value of rehabilitation and environmental provisions. Changes in the estimates could have a significant impact on the carrying value of the rehabilitation and environmental provisions and reported profit.

14. Non-current liabilities – Borrowings

	2017 $'000	2016 $'000
Finance lease obligations	**14,381**	16,101
Term loan (secured)	**-**	3,441
	14,381	19,542

Term loan

	2017 $'000	2016 $'000
Total borrowings under facility	**3,441**	5,944
Less due for repayment within one year (note 11)	**(3,441)**	(2,503)
	-	3,441

During 2014 the company entered an arrangement to borrow $13,000,000. This loan is also secured by a fixed charge over the forests located on the company's Tasmanian freehold property, however also has a mortgage over Tasmanian freehold property held by the company. This loan bears interest at a variable rate of 4.14% at December 2017 (2016: 4.19%). Quarterly payments of interest only were due until September 2016, and then principal and interest payments until maturity. The outstanding balance on this loan is a current liability of $3,440,337 (note 12).

Norske Skog Paper Mills (Australia) Limited
Directors' declaration
31 December 2017

In the directors' opinion:

(a) The financial statements and notes set out on pages 1 to 20:

(i) comply with Accounting Standards to the extent described in Note 1 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance, as represented by the results of its operations and its cash `flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 2 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 2.

This declaration is made in accordance with a resolution of the directors.

Mr Eric Luck
Director

Sydney, Australia
5 November 2019

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Fax: +61 2 9240 9821
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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Norske Skog Paper Mills (Australia) Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Norske Skog Paper Mills (Australia) Limited (the Entity), which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Entity as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with the basis of accounting described in note 1.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Entity in accordance with ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purposes of filing the Norske Skog bond prospectus. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other matter

The corresponding figures for the year ended 31 December 2016 are unaudited.

Responsibilities of management and those charged with governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report, and have determined that the basis of preparation described in Note 1 is appropriate to meet the requirements of the bondholders and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO East Coast Partnership

BDO
Ryan Pollett

Ryan Pollett
Partner

Sydney, 5 November 2019

Norske Skog Paper Mills (Australia) Limited

ABN 84 009 477 132

Annual financial report – 31 December 2018

Contents

This financial report covers Norske Skog Paper Mills (Australia) Limited, a subsidiary of Norske Skog Industries Australia Limited. The financial report is presented in Australian currency.

Norske Skog Paper Mills (Australia) Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Norske Skog Paper Mills (Australia) Limited
Suite 7.02, Level 7
465 Victoria Avenue
Chatswood NSW 2067

	Notes	2018 $'000	2017 $'000
Revenue from continuing operations	4	**334,520**	419,323
Fair value gain of forest estate	8	**5,208**	4,207
Raw materials and consumables used		**(201,577)**	(253,862)
Employee benefits expense		**(45,220)**	(56,206)
Depreciation and amortisation expense		**(11,262)**	(28,580)
Distribution expenses		**(39,215)**	(50,041)
Gain/ (Loss) on embedded derivatives		**680**	1,768
Mechanical maintenance and servicing		**(12,731)**	(17,469)
Impairment – property, plant & equipment		**-**	(154,300)
Other expenses		**(13,908)**	(18,827)
Finance costs		**(2,361)**	(2,908)
Profit/ (Loss) before income tax		**14,134**	(156,895)
Income tax (expense)		**-**	-
Profit /(Loss) for the year		**14,134**	(156,895)
Other comprehensive income		**-**	-
Total comprehensive income / (loss) for the year attributable to the owners of the company and its subsidiaries		**14,134**	(156,895)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Notes	**2018 $'000**	2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents		2	2
Receivables	5	8,604	15,191
Inventories	6	26,946	49,947
Derivative financial instruments		246	315
Forest estate	8	3,020	2,682
Intangible assets – emission rights	10	-	73
Total current assets		38,818	68,210
Non-current assets			
Receivables	7	818,803	738,271
Derivative financial instruments		246	905
Property, plant and equipment	9	78,020	145,848
Forest estate	8	23,715	23,963
Intangible assets	10	-	1,316
Total non-current assets		920,784	910,303
Total assets		959,602	978,513
LIABILITIES			
Current liabilities			
Payables	11	17,670	31,193
Borrowings	12	1,557	5,162
Derivative financial instruments		572	866
Provisions	13	16,351	24,887
Total current liabilities		36,150	62,108
Non-current liabilities			
Borrowings	15	10,587	14,381
Derivative financial instruments		-	133
Provisions	14	21,667	24,827
Total non-current liabilities		32,254	39,341
Total liabilities		68,404	101,449
Net assets		891,198	877,064
EQUITY			
Issued capital		7,539	7,539
Retained Earnings		883,659	869,525
Total equity		891,198	877,064

The above balance sheet should be read in conjunction with the accompanying notes.

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		337,050	425,613
Payments to suppliers and employees (inclusive of goods and services tax)		(305,683)	(386,021)
		31,367	39,592
Interest paid		(1,314)	(2,189)
Net cash inflow from operating activities		30,053	37,403
Cash flows from investing activities			
Payments for property, plant and equipment		(5,771)	(7,743)
Payments for forests		(2,192)	(3,210)
Payments for intangible assets		-	(365)
Proceeds from sale of property plant and equipment		2	80
Net cash outflow from investing activities		(7,961)	(11,238)
Cash flows from financing activities			
Repayment of borrowings		(4,990)	(4,040)
Payments to related parties		(17,102)	(22,125)
Net cash outflow from financing activities		(22,092)	(26,165)
Total cash inflow		-	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the financial year		2	2
Cash and cash equivalents at the end of the year		2	2

The above statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements for Norske Skog Paper Mills (Australia) Limited, a subsidiary of Norske Skog Industries Australia Limited.

(a) Basis of preparation

In the directors' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements that have been prepared for the purposes of filing the Norske Skog bond prospectus. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the Financial Supervisory Authority of Norway review of the bond prospectus.
The financial report has been prepared on a going concern basis.

The financial report has been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of:

- AASB 101 'Presentation of Financial Statements'
- AASB 107 'Statement of Cash Flows'
- AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'
- AASB 1048 'Interpretation of Standards' and
- AASB 1054 'Australian Additional Disclosures'

as appropriate for for-profit oriented entities with the exception of

- Interpretation 1052 'Tax Consolidation Accounting'
- The presentation of a Statement of Changes in Equity
- AASB 139 'Financial Instruments: Recognition and Measurement' which has not been applied to related party balances only; related party balances have been valued at their nominal amount.

Historical Cost Convention
These 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 and liabilities (including derivative instruments) at fair value through profit or loss.

Use of estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. The resulting accounting estimates may not equal the related actual results. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about the principal areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the amounts recognised in the financial statements are described in the following notes:

- Note 8 - Forest estate
- Note 1(i) - Derivative financial instruments
- Notes 13 and 14 - Provisions
- Note 9 - Property, plant and equipment

It is reasonably possible, based on existing knowledge, that outcomes within the next annual reporting period that are different from assumptions could require a material adjustment in the carrying amount of the asset or liability affected.

The going concern assumption
As at 31 December 2018 the company was in a net current asset position of $2,668,000 (2017: net current asset $6,102,000) and generated a net profit before tax of $14,134,000 (2017: loss $156,895,000).

In accordance with the provisions of generally accepted accounting practices, management has assessed the going concern assumption as the appropriate basis for preparing and presenting the financial statements.

1. Summary of significant accounting policies (continued)

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Australian dollars, which is Norske Skog Paper Mills (Australia) Pty Ltd.'s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

(c) Revenue recognition

The company has adopted AASB 15 Revenue from Contracts with Customers as of 1 January 2018 replacing IAS 11 and IAS18, and are using the modified retrospective transition approach applying the new standard only to contracts that are not completed as of 1 January 2018. The adoption of the new standard has no effect on the reported figures. AASB 15 has established a single and comprehensive framework which sets out how much revenue is to be recognised, and when. The core principle is that a vendor should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the vendor expects to be entitled in exchange for those goods or services. Revenue is recognised by a vendor when control over the goods or services is transferred to the customer.

The application of the core principle in AASB 15 is carried out in five steps in which the company's sales contracts have been analysed based on. The first two steps are to identify the contract with the customer. 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. The company 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. In the fifth step, we assess when each performance obligation is satisfied (point in time or over period) and revenue are recognized.

Revenues in Norske Skog 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. For domestic sales this is generally when the goods are delivered to the customer while for export sales control is typically transferred when the goods are loaded onto an international sea carrier at the port of departure.

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 arrangements. 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 probable that there will be a significant revenue reversal.

Pre-AASB 15 (recognition principles in 2017): Revenue was measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities, take into account contractually defined terms of payment and excluding taxes or duty. Revenue is shown net of returns, trade allowances, rebates, amounts collected on behalf of third parties and after eliminating sales within the company. Revenue was recognised when the significant risks and rewards of ownership of the goods was transferred to the buyer. This was depending upon the buyer's delivery terms and in the range from the finalisation of the production to delivery of goods to the buyer.

1. Summary of significant accounting policies (continued)

(d) Leases

Leases in which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Leases relating to property and equipment where the company 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 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 period 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 company will purchase the asset at the end of the leasing period, the asset is depreciated over the leasing period.

(e) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.
Bank accounts for Norske Skog Paper Mills (Australia) Limited (NSPMA) are held and operated by Norske Skog (Australasia) Pty Ltd (NSAUS), a fellow subsidiary of the parent Norske Skog Industries Australia Limited. Any transactional activity undertaken by NSAUS on behalf of NSPMA is settled through intercompany balances.

(g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Newsprint trade receivables are normally settled within 7 days and no more than 30 days for other debtors.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impaired receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within other expenses.

(h) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is determined principally on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of both variable and fixed costs. Fixed costs have been allocated on the basis of normal operating capacity. Costs arising from exceptional wastage are expensed as incurred.

Net realisable value is determined on the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

1. Summary of significant accounting policies (continued)

(i) Derivatives

Derivatives are recognised at fair value when the contracts are entered into and are subsequently re-measured to their fair value at balance date.

The fair value of derivatives that are not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select methods and make assumptions that are mainly based on market conditions at each reporting period date.

Changes in the fair value of derivatives (including embedded derivatives) are recognised immediately in the income statement.

(j) Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Buildings	3% to 6.5%
Plant and equipment	2.5% to 33%
Forest and non-forest roads	4% to 13%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(k) Intangible assets

(i) Albury pipeline

The cost of a right to use a pipeline at the Albury mill is amortised over the period in which the related benefits are expected to be realised, being 25 years (2018; 11 Years remaining).

(ii) Capitalised software

Capitalised software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life, being 3 to 5 years.

(iii) Emission Rights

An intangible asset is recognised at fair value for carbon emission right units receivable on qualifying activity. Market observable data is used to the extent it is available, but where Level 1 active market quoted price inputs are not available, the company uses Level 2 inputs that incorporate historical market prices and other directly and indirectly observable data.

(l) Forest estate

The forest estate is valued based on fair value in accordance with AASB 141 Agriculture. Standing timber planned for harvest within twelve months is reported as a current asset. The remainder is reported as a non-current asset.

1. Summary of significant accounting policies (continued)

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Bank loans, loans from related parties and loans to related parties are carried on the balance sheet at their principal amount, subject to set-off arrangements. Interest revenue and expense are accrued at the contracted rate.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(o) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

(p) Provisions

Provisions for environmental costs and restructuring costs are recognised when the company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(q) Employee benefits

(i) *Wages and salaries, annual leave and sick leave*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) *Long service leave*
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) *Retirement benefit obligations*
The company contribute to plans that provide retirement, death and disability benefits for employees and their dependants. All company employees in Australia participate in Australian based plans. The company now has only a defined contribution section within its plans. During 2015 the defined benefit plan was wound up.

Contributions to the defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1. Summary of significant accounting policies (continued)

(q) Employee benefits (continued)

(iv) Bonus plans

A liability for employee benefits in the form of bonus plans is recognised in other creditors when at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(v) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(r) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

(s) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (including embedded derivatives) is determined using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

(t) Carbon emissions

(i) Australia -

The Australian Clean Energy Legislation (the Scheme) was repealed effective from 1st July 2015 and all impacts from this scheme only apply to this date. An Australian subsidiary is a Liable Entity under the scheme and also qualifies for assistance under the Australian Jobs and Competitiveness Program (JCP). The company is required to surrender eligible emission units to the Clean Energy Regulator (the Regulator) for covered emissions, and is entitled to receive certain free units based upon production volumes of eligible products.

(i.i) Provision for Carbon Emissions

A provision is recognised for the cost of eligible emission units as covered emissions are emitted and included in "other payables". The related expense is recognised in the income statement as incurred unless qualifying for an alternative treatment under another accounting standard or policy.

(i.ii) Emission Right- Australia

An intangible asset is recognised at fair value for free units receivable on qualifying activity under the JCP. The fair value of the unit is recognised as deferred revenue and released to the income statement as eligible production activity is undertaken.
The gain/loss arising from the sale of any surplus units is recognised in the income statement as "other income"/ "other expenses".

1. Summary of significant accounting policies (continued)

(u) Financial Instruments

AASB 9 replaced the multiple classification and measurement models in IAS 39 Financial Instruments: Recognition and Measurement from the effective date 1 January 2018.

AASB 9 includes revised guidance on classification, measurement and derecognition of financial assets and financial liabilities, including a new credit loss model for calculating impairment on financial assets, and new rules for hedge accounting. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39 which have not been changed. Implementation of AASB 9 had no effect on the reported figures.

The impairment model for financial assets under AASB 9 require recognition of doubtful receivables allowances based on expected credit losses. Norske Skog has historically low levels of realised bad debts in trade receivables, and the adoption of AASB 9 has not resulted in a change in the provision for losses.

The new standard also introduces expanded disclosure requirements and has changed the nature and extent of the company's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The company 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.

a) *Financial assets at fair value through profit or loss:* The company 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 AASB 9 and such contracts are treated as derivatives. 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. Commodity contracts within the scope of AASB 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) *Financial assets at 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) *Financial assets at Fair value through other comprehensive income:* Investments in other shares not held for trade purpose, earlier classified as available for sale investments under IAS 39, are classified as fair value through other comprehensive income under AASB 9. For the companys 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.

(v) Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

1. Summary of significant accounting policies (continued)

(w) New accounting standards

New Accounting Standards AASB 9 Financial Instruments (refer to note 1(y)) and AASB 15 Revenue Contracts with Customers (refer to note 1 (d)) have been applied for the first time for the reporting period commencing 1 January 2018. There is no significant impact to the financial statements arising from the adoption of these standards.

New accounting standard AASB 16 has not been early adopted in 2018 by the company. Details are set out below:

AASB 16 Leases

AASB 16 Leases will be implemented by the company on 1 January 2019, and is expected to have an impact on the consolidated financial statements as described below:

AASB 16 Leases replaces the existing leases requirements. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor). The new leases standard requires lessees to recognise assets (i.e. right-of-use asset) and liabilities for most leases, which is a significant change from current requirements. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Exceptions for short term leases, low value leases, non-lease components and intangible assets have been adopted. For lessor, AASB 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The new standard will be implemented using the modified retrospective method without restatement of comparatives. The standard will be applied to the leases retrospectively with the cumulative effect of initially applying AASB 16 as an adjustment to the opening equity at the date of the initial application. The right-of-use assets will be 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.

The new standard will affect primarily the accounting for the company's operating leases for leased assets like machinery and properties, and the implementation effect on the consolidated financial statement are estimated as follows:

- Carrying value of right-of-use assets and lease liability estimated to be approximately AUD $8.1m higher as of 1 January 2019
- Operating expenses estimated to be approximately AUD $1.8m lower for 2019
- Interest expenses estimated to be approximately AUD $0.6m higher for 2019
- Depreciation expense estimated to be approximately AUD $1.5m higher for 2019

2. Accounting entity information

Norske Skog Paper Mills (Australia) Limited is a company incorporated and domiciled in Australia. The company is a subsidiary of a group that predominately manufactures and sells newsprint and speciality paper. The company operates in Australia. The parent of Norske Skog Paper Mills (Australia) Limited is Norske Skog Industries Australia Limited.

Norske Skog Paper Mills (Australia) Limited incorporates the Boyer Mill in Tasmania and the Albury Mill in New South Wales. As of 1st July, 2019 the Albury Mill assets within Norske Skog Paper Mills (Australia) Limited were sold to Norske Skog Paper Mills (Albury) Pty Ltd *(formerly PanAsia Paper Trading Co Pty Ltd)*

The below table summarises the relationship of related group companies.

Name of entity	Country of incorporation	Class of shares
Norske Skog AS	Oslo	Ultimate Parent
Norske Skog Industries Australia Limited	Australia	Parent
Norske Skog Capital (Australia) Pty Limited	Australia	Fellow Subsidiary
Norske Skog (Australasia) Pty Ltd	Australia	Fellow Subsidiary
Norske Skog (Australia) No. 2 Pty Limited	Australia	Fellow Subsidiary
Norske Skog Paper Mills (Albury) Pty Ltd (*formerly PanAsia Paper Trading Co Pty Ltd*)	Australia	Fellow Subsidiary
Norske Skog Tasman Limited	New Zealand	Fellow Subsidiary
Norske Skog Holdings No. 1 Limited	New Zealand	Fellow Subsidiary
Norske Skog Holdings No. 2 Limited	New Zealand	Fellow Subsidiary
Norske Skog Holdings No. 3 Limited	New Zealand	Fellow Subsidiary
Norske Skog Capital NZ Limited	New Zealand	Fellow Subsidiary

During 2013, Norske Skog Paper Mills (Australia) Limited became party to a deed of cross guarantee with the following parent and fellow subsidiaries:

Norske Skog Industries Australia Limited (Parent)
Norske Skog (Australasia) Pty Ltd
Norske Skog Capital (Australia) Pty Ltd
Norske Skog (Australia) No. 2 Pty Limited
Norske Skog Paper Mills (Albury) Pty Ltd *formerly Pan Asia Paper Trading Co Pty Ltd*

Under this deed each company guarantees the debts of the other companies. By entering the deed, the wholly-owned entities of Norske Skog Industries Australia Limited have been relieved of the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The above companies form part of a 'closed group' for the purposes of the Class Order. Financial information pertaining to the 'closed group' can be found within note 36 of the Norske Skog Industries Australia Limited Consolidated Financial Report.

3. Business Combinations (Common Control Transaction)

As of 1st July, 2018 the Assets and Liabilities of the Albury Mill within Norske Skog Paper Mills (Australia) Limited were sold to Norske Skog Paper Mills (Albury) Pty Ltd at their carrying value. A promissory note was issued by Norske Skog Paper Mills (Albury) Pty Ltd for A$64.5m in consideration for the assets and liabilities transferred. Both entities are 100% owned subsidiaries of Norske Skog Industries Australia Limited, therefore this is considered to be a business combination under common control to which AASB 3 Business Combinations does not apply.

The below table sets out the classification and balances of the net assets transferred at carrying value as at the date of the transaction.

	2018 $'000
ASSETS	
Current assets	
Trade Receivables	1,204
Other Receivables	461
Prepayments	3,894
Inventories	18,560
Derivative financial instruments	177
Intangible assets – emission rights	73
Total current assets	24,369
Non-current assets	
Derivative financial instruments	805
Property, plant and equipment	61,230
Forest estate	129
Intangible assets	1,261
Total non-current assets	63,425
Total assets	87,794
LIABILITIES	
Current liabilities	
Trade Payables	6,919
Other Payables	2,220
Provisions	8,978
Total current liabilities	18,117
Non-current liabilities	
Borrowings	2,409
Provisions	2,751
Total non-current liabilities	5,160
Total liabilities	23,277
Net assets / (liabilities)	64,517

4. Revenue from continuing operations

	2018 $'000	2017 $'000
Revenues from contracts with customers	**331,086**	416,151
Other revenue		
Interest	**-**	-
Other revenue	**3,434**	3,172
	334,520	419,323

5. Current assets - Receivables

	2018 $'000	2017 $'000
Net trade receivables		
Trade receivables	**3,070**	5,627
Provision for impairment of receivables	**(341)**	-
	2,729	5,627
Receivables from Joint Ventures	**1,429**	342
Other receivables	**2,944**	2,375
Prepayments	**1,502**	6,847
	8,604	15,191

Receivables from Joint Ventures is due from FC5, a joint venture partner with a subsidiary of the parent.

Trade Receivables are shown net of impairment losses amounting to $341,000 (2017: $nil).

6. Current assets - Inventories

	2018 $'000	2017 $'000
Raw materials	**20,103**	33,033
Work in progress	**13**	385
Finished goods	**6,830**	16,529
	26,946	49,947

Inventory expense
Inventories recognised as expense during the year ended 31 December 2018, excluding write-downs of inventories, amounted to $201,577,000 (2017: $253,838,000)

Write-downs of inventories to net realisable value recognised as an expense during the year ended 31 December 2018 amounted to $nil (2017: $23,905). The expense has been included in "Raw materials and consumables used" in the income statement.

7. Non-current assets - Receivables

	2018 $'000	2017 $'000
Receivables from related parties	**754,286**	738,271
Promissory Note from Norske Skog Paper Mills (Albury)	**64,517**	-
	818,803	738,271

During the year, a promissory note was received from fellow subsidiary Norske Skog Paper Mills (Albury) in connection with the transfer of the Albury Mill from Norske Skog Paper Mills (Australia) to Norske Skog Paper Mills (Albury) as at 1st July 2018. The promissory note is payable on demand with a maximum term of 5 years. The promissory note is not intended to be called upon within 12 months of the reporting period.

Receivables from related parties are not interest bearing and are receivable from the parent entity and/or fellow subsidiaries.
Receivables from related parties are shown net of impairment losses amounting to $nil (2017: $nil)

8. Forest estate

	2018 $'000	2017 $'000
Current assets		
Forest estate – at fair value - 1 January	**2,682**	3,211
Transfer from non-current assets	**7,519**	6,511
Decreases due to harvest	**(7,181)**	(7,040)
Forest estate – at fair value - 31 December	**3,020**	2,682
Non-current assets		
Forest estate – at fair value - 1 January	**23,963**	23,096
Changes in fair value	**5,208**	4,207
Increases due to purchases	**2,192**	3,210
Decrease due to sale	**(129)**	(39)
Transfer to current assets	**(7,519)**	(6,511)
Forest estate – at fair value - 31 December	**23,715**	23,963
Total Value of Forest Assets	**26,735**	26,645

Nature and output of activities

The forestry activities undertaken by the company incorporate all aspects of managing the forests, from planting through to harvesting and cartage, including certification, assessment and planning.

The output of activities is volume of harvested timber. During the year 357,344 tonnes of Pulplog (2017: 362,944) and 53,538 tonnes of Sawlog (2017: 46,937) were harvested.

$129k decrease due to sale for the year was related to the transfer of the Albury Mill from Norske Skog Paper Mills (Australia) to Norske Skog Paper Mills (Albury) as at 1st July 2019.

8. Forest estate (continued)

Method of determining fair value

The directors consider there is no active and liquid market for large areas of native forest and plantation estates. Accordingly, a level 3 fair value estimate has been determined in accordance with a valuation based on direct and indirect costs of establishment in the early years of the plantation, the net present value of future cash flows for plantation timber and native forest once it exceeds the cost of establishment, and any other evidence of the market value of the standing timber including any indicative offers for the forest estate.

The valuation adopts the following significant assumptions, where appropriate:

- Harvestable volumes are the estimated future volume as at harvest date for plantations and the estimated current standing volume for native forest. The methodology used to assess the volume of plantation standing timber is based on the following inputs and assumptions: the net planted area, estimated growth rates, yield per hectare and year of harvest. The native forest estate has been assessed using generally accepted measurement techniques.

- The notional costs associated with the land owned by the company on which native forests and plantations are grown are calculated based on 5% of the land value.

- The continuation of existing practices with regard to silviculture and harvesting.

- Current market sales rates.

- A market based post-tax real discount rate of 6.4% (2017: 6.4%) has been applied to the estimated future cash flows in arriving at net present value.

Increment (decrement) in fair value
The net increment / (decrement) in the fair value of standing timber recognised as revenue is determined as the difference between the fair value of standing timber as at the beginning of the financial year and the fair value of standing timber as at the end of the financial year, after adjusting for current year plantation and forest establishment cost incurred in maintaining and enhancing standing timber for the year, and the fair value of standing timber harvested during the year.

Net fair value of standing timber harvested
The fair value of standing timber recognised as revenue is determined as the difference between the fair value of standing timber harvested during the financial year immediately after harvesting and the costs of harvesting.

Restrictions on use of forest estate
Plantations planted on state forest owned land prior to 1997 are governed by the Long Term Forestry Agreement (LTFA) with Forestry Tasmania. Under the terms of the LTFA, Norske Skog will lose exclusive rights to harvest these plantations on state owned land planted prior to 1997, if the Boyer Mill ceases to operate as a going concern.

Use of estimates and assumptions
Determining fair value using a discounted cash flow approach involves the use of estimates and assumptions covering matters such as future growth volumes, market prices and costs, as well as determining a suitable discount rate to calculate the present value of future cash flows. Changes in the estimates could have a material impact on the carrying value of biological assets and reported profit. A 1% increase in the discount rate, holding all other variables and assumptions constant, would decrease the valuation of the Forest assets by $1,840,547 (2017: $1,884,000). A 1% decrease in the discount rate, holding all other variables and assumptions constant would increase the valuation of the assets by $2,110,642 (2017: $2,165,000).

9. Non-current assets – Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Plant & equipment $'000	Forest and non-forest roads $'000	Capital work in progress $'000	Total $'000
2018						
Cost						
At 1 January 2018	12,407	91,015	1,360,203	17,274	26,179	1,507,078
Additions	-	-	-	-	5,771	5,771
Transfers	-	(131)	14,741	438	(15,423)	(375)
Disposals	-	-	(460)	-	-	(460)
Adjustments related to asset dismantling provision	-	-	(1,163)	-	-	(1,163)
Sale to Norske Skog (Albury)	(5,371)	(17,133)	(677,289)	(1,271)	(13,115)	(714,179)
At 31 December 2018	7,036	73,751	696,032	16,441	3,412	796,672
Accumulated depreciation						
At 1 January 2018	-	(72,563)	(1,284,397)	(4,270)	-	(1,361,230)
Depreciation charge	-	(1,341)	(9,745)	(120)	-	(11,206)
Transfers	-	131	244	-	-	375
Disposals	-	-	460	-	-	460
Impairment	-	-	-	-	-	-
Sale to Norske Skog (Albury)	-	12,362	639,743	844	-	652,949
At 31 December 2018	-	(61,411)	(653,695)	(3,546)	-	(718,652)
Net book value, 31 December 2018	7,036	12,340	42,337	12,895	3,412	78,020

	Freehold land $'000	Freehold buildings $'000	Plant & equipment $'000	Forest and non-forest roads $'000	Capital work in progress $'000	Total $'000
2017						
Cost						
At 1 January 2017	12,407	91,015	1,359,774	16,863	20,580	1,500,639
Additions	-	-	-	-	7,743	7,743
Transfers	-	-	2,061	411	(2,144)	328
Disposals	-	-	(120)	-	-	(120)
Adjustments related to asset dismantling provision	-	-	(1,512)	-	-	(1,512)
At 31 December 2017	12,407	91,015	1,360,203	17,274	26,179	1,507,078
Accumulated depreciation						
At 1 January 2017	-	(68,576)	(1,105,858)	(4,126)	-	(1,178,560)
Depreciation charge	-	(2,685)	(25,640)	(144)	-	(28,469)
Disposals	-	-	99	-	-	99
Impairment	-	(1,302)	(152,998)	-	-	(154,300)
At 31 December 2017	-	(72,563)	(1,284,397)	(4,270)	-	(1,361,230)
Net book value, 31 December 2017	12,407	18,452	75,806	13,004	26,179	145,848

Property, plant and equipment includes equipment subject to finance leases with a net carrying amount of $3,141,000 at 31 December 2018 (2017: $5,811,000).

9. Non-current assets – Property, plant and equipment (continued)

Assumptions applied when calculating the recoverable amount

Property, plant and equipment and non-current intangible assets are written down to their recoverable amount when this is lower than the carrying value of the asset. The recoverable amount of an asset or cash generating unit (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 CGU. A weighted average cost of capital model (WACC) is used to determine future cash flows.

Impairment testing is performed by the ultimate parent entity for the overall group. The company applies the value in use approach when calculating recoverable amount for its CGU's. The company has the Boyer mill in Australia. This mill is treated as a separate cash generating unit.

The value is calculated by discounting based on a required rate of return on capital that is relevant for the CGU or individual asset. The required rate of return is based on the interest rate on ten year government bonds in the currency of the cash flow estimate, an industry debt yield premium, industry beta and an equity risk premium.

When calculating the value in use, the discount rate after tax was 8.4% (2017: 8.1%) for Australian domiciled assets. The calculations are based on cash flow and required rate of return after tax.

The impairment model used to determine the recoverable amount is based on discounted future cash flows, underpinned by a specific set of key inputs and assumptions. The valuation of the recoverable amount is based on three key scenarios that are specifically relevant to the publication paper industry. These scenarios are then weighted to form the basis for the future cash flows. The consolidated scenario is a reflection of the structural decline in the demand for publication paper over the last decade which is expected to continue, albeit at a slower rate of decline. The weighting in the scenarios is consistent with the requirements of *AASB 136 Impairment of Assets* as it provides an overall scenario closest to the current and expected future market developments in the publication paper industry.

Assumptions applied when calculating the recoverable amount (Continued)

The impairment model is based on management's forecast figures for 2019. The Board of Director's regularly review the financial performance of the region including the year-end financial forecasts. The key drivers of profitability in the industry and thus asset values for NSIAL are product prices and relative production costs. The starting point in all scenarios are the 2018 forecast prices and costs. For both sales prices and input prices, an increase in real terms is expected, as observed in the impairment testing at 31 December 2018. Real term sales prices are assumed to increase during the next ten year period on reduced sales volumes which are expected to develop in accordance with the useful lives of the different paper machines operated by the company. Projection of these assumptions will result in gradual improvement in margins, from levels at the bottom of the business cycle to a normalisation with return to trend economic growth.

The analysis indicates no impairment is required for 2018 (2017 $154,300,000 - Albury Mill Assets which has now been transferred to Norske Skog Paper Mills (Albury)).

Cash flow is calculated based on estimated useful life. The paper industry is a capital intensive industry where investment decisions are made based on projections with a long time horizon. The production machines have a long technical life. The estimated remaining useful life of the individual paper machines forms the basis for determining the length of the cash flow period.

The cash flow decreases over time as the capacity of the company declines, reflecting assumed closures of machines as they reach the end of their useful lives.

Sensitivity to estimates of recoverable amount

The estimation of recoverable amount is based on assumptions regarding future development of several factors. These include price development of finished goods, sales volumes and interest rates. This means there will be uncertainty when it comes to the outcome of these calculations. The company has performed sensitivity analysis using the variables above to predict how fluctuations will impact the recoverable amount.

In relation to the assumptions made in the calculation of the present value of future cash flows, recoverable amount is most sensitive to changes in prices of finished goods and the discount rate used. A reduction in the sales price of 2% will cause a reduction in recoverable amount in the order of $22,000,000. Correspondingly, a 1% increase in the discount rate will cause a reduction in the recoverable amount of $7,000,000.

Expected useful life

In connection with the year-end closing process for 2018, the company performed a review of the expected remaining useful lives of PPE. The outcome of the review was that there have been no changes in useful life in 2018 compared to those applied in 2017.

10. Intangible assets

	Capitalised software (non-current) $'000	Albury pipeline (non-current) $'000	Net book amount (non-current) $'000	Emission rights (current) $'000
2018				
Cost				
At 1 January 2018	11,458	4,094	15,552	73
Additions	-	-	-	-
Disposals	(33)	-	(33)	-
Sale to Norske Skog Paper Mills (Albury)	(6,902)	(4,094)	(10,996)	(73)
Transfers	(93)	-	(93)	-
At 31 December 2018	4,430	-	4,430	-
Accumulated amortisation				
At 1 January 2018	(11,386)	(2,850)	(14,236)	-
Amortisation	(4)	(52)	(56)	-
Disposals	34	-	34	-
Sale to Norske Skog Paper Mills (Albury)	6,833	2,902	9,735	
Transfers	93	-	93	-
At 31 December 2018	(4,430)	-	(4,430)	-
Net book value, 31 December 2018	-	-	-	-

	Capitalised software (non-current) $'000	Albury pipeline (non-current) $'000	Net book amount (non-current) $'000	Emission rights (current) $'000
2017				
Cost				
At 1 January 2017	11,421	4,094	15,515	73
Additions	37	-	37	-
Disposals	-	-	-	-
Transfers	-	-	-	-
At 31 December 2017	11,458	4,094	15,552	73
Accumulated amortisation				
At 1 January 2017	(11,379)	(2,746)	(14,125)	-
Amortisation	(7)	(104)	(111)	-
Disposals	-	-	-	-
At 31 December 2017	(11,386)	(2,850)	(14,236)	-
Net book value, 31 December 2017	72	1,244	1,316	73

11. Current liabilities – Payables

	2018 $'000	2017 $'000
Trade payables	**8,333**	17,798
Amounts due to related parties	**572**	-
Other payables	**8,765**	13,395
	17,670	31,193

12. Current liabilities – Borrowings

	2018 $'000	2017 $'000
Term loan	-	3,440
Finance leases	1,557	1,722
	1,557	5,162

- The term loan was settled in full in July 2018. During 2018 the loan was interest bearing between 4.19% and 4.24% (2017: 4.14%).

13. Current liabilities – Provisions

	2018 $'000	2017 $'000
Employee benefits	**16,351**	24,333
Rehabilitation	**-**	554
	16,351	24,887

14. Non-current liabilities – Provisions

	2018 $'000	2017 $'000
Employee benefits	**171**	388
Rehabilitation	**3,773**	4,388
Environmental	**17,723**	20,051
	21,667	24,827

Rehabilitation and Environmental provisions

Provision is made for asset dismantling and rehabilitation costs expected to be incurred in relation to removal of obsolete equipment and related rehabilitation at mill sites. Provision is also made for future environmental obligations relating to restoration of land and other environmental remediation expected to be required at mill sites. The costs are expected to be incurred over the next 17 years. The estimates of the amounts of asset decommissioning and future site restoration costs are based on current legal and constructive obligations, technology and price levels. Actual outflows can differ from estimates due to changes in laws, technology, prices and other factors and can take place many years in the future. A pre-tax discount rate of 2.69% (2017: 2.56%) has been applied when calculating the discounted present value of rehabilitation and environmental provisions. Changes in the estimates could have a significant impact on the carrying value of the rehabilitation and environmental provisions and reported profit.

15. Non-current liabilities – Borrowings

	2018 $'000	2017 $'000
Finance lease obligations	**10,587**	14,381
Term loan (secured)	**-**	-
	10,587	14,381

Norske Skog Paper Mills (Australia) Limited
Directors' declaration
31 December 2018

In the directors' opinion:

(a) The financial statements and notes set out on pages 1 to 23:

(i) comply with Accounting Standards to the extent described in Note 1 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance, as represented by the results of its operations and its cash `flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 2 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 2.

This declaration is made in accordance with a resolution of the directors.

Mr Eric Luck
Director

Sydney, Australia
5 November 2019

BDO

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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Norske Skog Paper Mills (Australia) Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Norske Skog Paper Mills (Australia) Limited (the Entity), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Entity as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with the basis of accounting described in note 1.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Entity in accordance with ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purposes of filing the Norske Skog bond prospectus. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report, and have determined that the basis of preparation described in Note 1 is appropriate to meet the requirements of the bondholders and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO East Coast Partnership

BDO
Ryan Pollett

Ryan Pollett
Partner

Sydney, 5 November 2019

Norske Skog Paper Mills (Albury) Pty Ltd
(formerly PanAsia Paper Trading Co Pty Ltd)
ABN 70 070 866 607

Annual financial report – 31 December 2018

Contents

This financial report covers Norske Skog Paper Mills (Albury) Pty Ltd, a subsidiary of Norske Skog Industries Australia Limited. The financial report is presented in Australian currency.

Norske Skog Paper Mills (Albury) Pty Ltd was formerly named PanAsia Paper Trading Co Pty Ltd, and was renamed on the 25th of March 2018 during the financial year ending 31 December 2018.

Norske Skog Paper Mills (Albury) Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Norske Skog Paper Mills (Albury) Limited
Suite 7.02, Level 7
465 Victoria Avenue
Chatswood NSW 2067

	Notes	**2018 $'000**	2017 $'000
Revenue from continuing operations		**95,642**	-
Raw materials and consumables used		**(52,269)**	-
Employee benefits expense		**(12,155)**	-
Depreciation and amortisation expense		**(2,378)**	-
Distribution expenses		**(10,972)**	-
Gain/ (Loss) on embedded derivatives		**93**	-
Mechanical maintenance and servicing		**(3,950)**	-
Other expenses		**(4,556)**	-
Finance costs		**(134)**	-
Profit before income tax		**9,321**	-
Income tax (expense)		**-**	-
Profit from Continuing Operations		**9,321**	-
Profit for the year		**9,321**	-
Other comprehensive income		**-**	-
Total comprehensive income for the year attributable to the owners of the company and its subsidiaries		**9,321**	-

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Notes	**2018 $'000**	2017 $'000
ASSETS			
Current assets			
Receivables	4	6,490	-
Inventories	5	20,328	-
Derivative financial instruments		237	-
Intangible assets – emission rights	9	73	-
Total current assets		27,128	-
Non-current assets			
Receivables	6	18,186	8,752
Derivative financial instruments		837	-
Property, plant and equipment	8	64,176	-
Forest estate	7	129	-
Intangible assets	9	1,205	-
Total non-current assets		84,533	8,752
Total assets		111,661	8,752
LIABILITIES			
Current liabilities			
Payables	10	12,925	-
Borrowings		64,517	-
Finance Lease		371	-
Employee Benefits		8,923	-
Total current liabilities		86,736	-
Non-current liabilities			
Finance Lease		1,865	-
Provisions	11	4,988	-
Total non-current liabilities		6,853	-
Total liabilities		93,589	-
Net assets		18,072	8,752
EQUITY			
Issued capital		5,230	5,230
Retained Earnings		12,842	3,522
Total equity		18,072	8,752

The above balance sheet should be read in conjunction with the accompanying notes.

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		94,542	-
Payments to suppliers and employees (inclusive of goods and services tax)		(81,872)	-
		12,670	-
Interest paid		(24)	-
Net cash inflow from operating activities		12,646	-
Cash flows from investing activities			
Payments for property, plant and equipment		(3,039)	-
Net cash (outflow) / inflow from investing activities		(3,039)	-
Cash flows from financing activities			
Repayment of borrowings		(173)	-
Payments to related parties		(9,434)	-
Net cash outflow from financing activities		(9,607)	-
Total cash inflow		-	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the financial year		-	-
Cash and cash equivalents at the end of the year		-	-

The above statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

Page

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements for Norske Skog Paper Mills (Albury) Pty Ltd, a subsidiary of Norske Skog Industries Australia Limited.

(a) Basis of preparation

In the directors' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements that have been prepared for the purposes of filing the Norske Skog bond prospectus. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the Financial Supervisory Authority of Norway review of the bond prospectus.
The financial report has been prepared on a going concern basis.

The financial report has been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of:

- AASB 101 'Presentation of Financial Statements'
- AASB 107 'Statement of Cash Flows'
- AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'
- AASB 1048 'Interpretation of Standards' and
- AASB 1054 'Australian Additional Disclosures'

as appropriate for for-profit oriented entities with the exception of

- Interpretation 1052 'Tax Consolidation Accounting'
- The presentation of a Statement of Changes in Equity.
- AASB 9 'Financial Instruments' which has not been applied to related party balances only; related party balances have been valued at their nominal amount.

Historical Cost Convention
These 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 and liabilities (including derivative instruments) at fair value through profit or loss.

Use of estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. The resulting accounting estimates may not equal the related actual results. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about the principal areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the amounts recognised in the financial statements are described in the following notes:

- Note 7 - Forest estate
- Note 1(j) - Derivative financial instruments
- Notes 11 - Provisions
- Note 8 - Property, plant and equipment

It is reasonably possible, based on existing knowledge, that outcomes within the next annual reporting period that are different from assumptions could require a material adjustment in the carrying amount of the asset or liability affected.

The going concern assumption
As at 31 December 2018 the company was in a net current liability position of $59,608,000 (2017: net current asset $nil) and generated a net profit after tax of $9,321,000 (2017: $nil).

In accordance with the provisions of generally accepted accounting practices, management has assessed the going concern assumption as the appropriate basis for preparing and presenting the financial statements.

1. Summary of significant accounting policies (continued)

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Australian dollars, which is Norske Skog Paper Mills (Albury) Pty Ltd.'s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

(c) Revenue recognition

The company has adopted AASB 15 Revenue from Contracts with Customers as of 1 January 2018 replacing IAS 11 and IAS18, and are using the modified retrospective transition approach applying the new standard only to contracts that are not completed as of 1 January 2018. The adoption of the new standard has no effect on the reported figures. AASB 15 has established a single and comprehensive framework which sets out how much revenue is to be recognised, and when. The core principle is that a vendor should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the vendor expects to be entitled in exchange for those goods or services. Revenue is recognised by a vendor when control over the goods or services is transferred to the customer.

The application of the core principle in AASB 15 is carried out in five steps in which the company's sales contracts have been analysed based on. The first two steps are to identify the contract with the customer. 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. The company generates revenue mainly from sale of newsprint 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. In the fifth step, we assess when each performance obligation is satisfied (point in time or over period) and revenue are recognized.

Revenues in Norske Skog 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. For domestic sales this is generally when the goods are delivered to the customer while for export sales control is typically transferred when the goods are loaded onto an international sea carrier at the port of departure.

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 arrangements. 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 probable that there will be a significant revenue reversal.

Pre-AASB 15 (recognition principles in 2017): Revenue was measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities, take into account contractually defined terms of payment and excluding taxes or duty. Revenue is shown net of returns, trade allowances, rebates, amounts collected on behalf of third parties and after eliminating sales within the company. Revenue was recognised when the significant risks and rewards of ownership of the goods was transferred to the buyer. This was depending upon the buyer's delivery terms and in the range from the finalisation of the production to delivery of goods to the buyer.

1. Summary of significant accounting policies (continued)

(d) Leases

Leases in which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Leases relating to property and equipment where the company 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 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 period 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 company will purchase the asset at the end of the leasing period, the asset is depreciated over the leasing period.

(e) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

As of 1st July, 2018 the Assets and Liabilities of the Albury Mill within Norske Skog Paper Mills (Australia) Limited were acquired by Norske Skog Paper Mills (Albury) Pty Ltd at their carrying value. A promissory note was issued by Norske Skog Paper Mills (Albury) Pty Ltd for A$64.5m in consideration for the assets and liabilities transferred. Both entities are 100% owned subsidiaries of Norske Skog Industries Australia Limited, therefore this is considered to be a business combination under common control to which AASB 3 Business Combinations does not apply.

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.
Bank accounts for Norske Skog Paper Mills (Albury) Pty Ltd are held and operated by Norske Skog Australasia Pty Ltd, a fellow subsidiary of the parent Norske Skog Industries Australia Limited. Any transactional activity undertaken by Norske Skog Australasia Pty Ltd on behalf of Norske Skog Paper Mills (Albury) Pty Ltd is settled through intercompany balances

(h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Newsprint trade receivables are normally settled within 7 days and no more than 30 days for other debtors.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impaired receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within other expenses.

1. Summary of significant accounting policies (continued)

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is determined principally on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of both variable and fixed costs. Fixed costs have been allocated on the basis of normal operating capacity. Costs arising from exceptional wastage are expensed as incurred.

Net realisable value is determined on the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

(j) Derivatives

Derivatives are recognised at fair value when the contracts are entered into and are subsequently re-measured to their fair value at balance date.

The fair value of derivatives that are not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select methods and make assumptions that are mainly based on market conditions at each reporting period date.

Changes in the fair value of derivatives (including embedded derivatives) are recognised immediately in the income statement.

(k) Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Buildings	3% to 6.5%
Plant and equipment	2.5% to 33%
Forest and non-forest roads	4% to 13%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(l) Intangible assets

(i) Albury pipeline

The cost of a right to use a pipeline at the Albury mill is amortised over the period in which the related benefits are expected to be realised, being 25 years (2018; 11 Years remaining).

(ii) Capitalised software

Capitalised software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life, being 3 to 5 years.

(iii) Emission Rights

An intangible asset is recognised at fair value for carbon emission right units receivable on qualifying activity. Market observable data is used to the extent it is available, but where Level 1 active market quoted price inputs are not available, the company uses Level 2 inputs that incorporate historical market prices and other directly and indirectly observable data.

1. Summary of significant accounting policies (continued)

(m) Forest Estate

The forest estate is valued based on fair value in accordance with AASB 141 Agriculture. Standing timber planned for harvest within twelve months is reported as a current asset. The remainder is reported as a non-current asset.

(n) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Loans from related parties and loans to related parties are carried on the balance sheet at their principal amount, subject to set-off arrangements. Interest revenue and expense are accrued at the contracted rate.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

During the year, a promissory note to the value of $64.5m was issued to fellow subsidiary, Norske Skog Paper Mills (Australia), in connection with the transfer of the Albury Mill from Norske Skog Paper Mills (Australia) to Norske Skog Paper Mills (Albury) as at 1st July 2018. The promissory note is payable on demand with a maximum term of 5 years.

(p) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity’s outstanding borrowings during the year.

(q) Provisions

Provisions for environmental costs and restructuring costs are recognised when the company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(r) Employee benefits

(i) *Wages and salaries, annual leave and sick leave*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees’ services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) *Long service leave*
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

1. Summary of significant accounting policies (continued)

(r) Employee benefits (continued)

(iii) *Retirement benefit obligations*
The company contribute to plans that provide retirement, death and disability benefits for employees and their dependants. All group employees in Australia participate in Australian based plans. The company now has only a defined contribution section within its plans. During 2015 the defined benefit plan was wound up.

Contributions to the defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) *Bonus plans*
A liability for employee benefits in the form of bonus plans is recognised in other creditors when at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(v) *Employee benefit on-costs*
Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(s) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (including embedded derivatives) is determined using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

(t) Carbon emissions

(i) Australia -
The Australian Clean Energy Legislation (the Scheme) was repealed effective from 1st July 2015 and all impacts from this scheme only apply to this date. An Australian subsidiary is a Liable Entity under the scheme and also qualifies for assistance under the Australian Jobs and Competitiveness Program (JCP). The company is required to surrender eligible emission units to the Clean Energy Regulator (the Regulator) for covered emissions, and is entitled to receive certain free units based upon production volumes of eligible products.

(i.i) *Provision for Carbon Emissions*

A provision is recognised for the cost of eligible emission units as covered emissions are emitted and included in "other payables". The related expense is recognised in the income statement as incurred unless qualifying for an alternative treatment under another accounting standard or policy.

(i.ii) *Emission Right- Australia*

An intangible asset is recognised at fair value for free units receivable on qualifying activity under the JCP. The fair value of the unit is recognised as deferred revenue and released to the income statement as eligible production activity is undertaken.
The gain/loss arising from the sale of any surplus units is recognised in the income statement as "other income"/ "other expenses".

1. Summary of significant accounting policies (continued)

(u) Financial Instruments

AASB 9 replaced the multiple classification and measurement models in IAS 39 Financial Instruments: Recognition and Measurement from the effective date 1 January 2018.

AASB 9 includes revised guidance on classification, measurement and derecognition of financial assets and financial liabilities, including a new credit loss model for calculating impairment on financial assets, and new rules for hedge accounting. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39 which have not been changed. Implementation of AASB 9 had no effect on the reported figures.

The impairment model for financial assets under AASB 9 require recognition of doubtful receivables allowances based on expected credit losses. Norske Skog has historically low levels of realised bad debts in trade receivables, and the adoption of AASB 9 has not resulted in a change in the provision for losses.

The new standard also introduces expanded disclosure requirements and has changed the nature and extent of the company's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The company 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.

a) *Financial assets at fair value through profit or loss:* The Company 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 AASB 9 and such contracts are treated as derivatives. 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. Commodity contracts within the scope of AASB 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) *Financial assets at 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) *Financial assets at Fair value through other comprehensive income:* Investments in other shares not held for trade purpose, earlier classified as available for sale investments under IAS 39, are classified as fair value through other comprehensive income under AASB 9. For the company's 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.

(v) Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

1. Summary of significant accounting policies (continued)

(w) New accounting standards

New Accounting Standards AASB 9 Financial Instruments (refer to note 1(u)) and AASB 15 Revenue Contracts with Customers (refer to note 1 (c)) have been applied for the first time for the reporting period commencing 1 January 2018. There is no significant impact to the financial statements arising from the adoption of these standards.

New accounting standard AASB 16 has not been early adopted in 2018 by the company. Details are set out below:

AASB 16 Leases

AASB 16 Leases will be implemented by the company on 1 January 2019, and is expected to have an impact on the financial statements as described below:

AASB 16 Leases replaces the existing leases requirements. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor). The new leases standard requires lessees to recognise assets (i.e. right-of-use asset) and liabilities for most leases, which is a significant change from current requirements. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Exceptions for short term leases, low value leases, non-lease components and intangible assets have been adopted. For lessor, AASB 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The new standard will be implemented using the modified retrospective method without restatement of comparatives. The standard will be applied to the leases retrospectively with the cumulative effect of initially applying AASB 16 as an adjustment to the opening equity at the date of the initial application. The right-of-use assets will be 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.

The new standard will affect primarily the accounting for the company's operating leases for leased assets like machinery and properties, and the implementation effect on the financial statement are estimated as follows:

- Carrying value of right-of-use assets and lease liability estimated to be approximately AUD $2.1m higher as of 1 January 2019
- Operating expenses estimated to be approximately AUD $0.7m lower for 2019
- Interest expenses estimated to be approximately AUD $0.1m higher for 2019
- Depreciation expense estimated to be approximately AUD $0.6m higher for 2019

2. Accounting entity information

Norske Skog Paper Mills (Albury) Pty Ltd is a company incorporated and domiciled in Australia. The company is a subsidiary of a group that predominately manufactures and sells newsprint and speciality paper. The company operates in Australia. The parent of Norske Skog Paper Mills (Albury) Pty Ltd is Norske Skog Industries Australia Limited. The ultimate parent is Norske Skog AS.

Norske Skog Paper Mills (Albury) Pty Ltd incorporates the Albury Mill in New South Wales. The assets of the Albury Mill were acquired from Norske Skog Paper Mills (Australia) Limited from 1st July 2018.

The below table summarises the relationship of related group companies.

Name of entity	Country of incorporation	Class of shares
Norske Skog AS	Oslo	Ultimate Parent
Norske Skog Industries Australia Limited	Australia	Parent
Norske Skog Capital (Australia) Pty Limited	Australia	Fellow Subsidiary
Norske Skog (Australasia) Pty Ltd	Australia	Fellow Subsidiary
Norske Skog (Australia) No. 2 Pty Limited	Australia	Fellow Subsidiary
Norske Skog Paper Mills (Australia) Limited	Australia	Fellow Subsidiary
Norske Skog Tasman Limited	New Zealand	Fellow Subsidiary
Norske Skog Holdings No. 1 Limited	New Zealand	Fellow Subsidiary
Norske Skog Holdings No. 2 Limited	New Zealand	Fellow Subsidiary
Norske Skog Holdings No. 3 Limited	New Zealand	Fellow Subsidiary
Norske Skog Capital NZ Limited	New Zealand	Fellow Subsidiary

During 2013, Norske Skog Paper Mills (Albury) Pty Ltd became a party to a deed of cross guarantee with the following parent and fellow subsidiaries:

Norske Skog Industries Australia Ltd (Parent)
Norske Skog Paper Mills (Australia) Limited
Norske Skog (Australasia) Pty Limited
Norske Skog Capital (Australia) Pty Ltd
Norske Skog (Australia) No. 2 Pty Limited

Under this deed each company guarantees the debts of the other companies. By entering the deed, the wholly-owned entities of Norske Skog Industries Australia Limited have been relieved of the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The above companies form part of a 'closed group' for the purposes of the Class Order. Financial information pertaining to the 'closed group' can be found within note 36 of the Norske Skog Industries Australia Limited Consolidated Financial Report.

3. Business Combinations (Common Control Transaction)

As of 1st July, 2018 the Assets and Liabilities of the Albury Mill within Norske Skog Paper Mills (Australia) Limited were sold to Norske Skog Paper Mills (Albury) Pty Ltd at their carrying value. A promissory note was issued by Norske Skog Paper Mills (Albury) Pty Ltd for A$64.5m in consideration for the assets and liabilities transferred. Both entities are 100% owned subsidiaries of Norske Skog Industries Australia Limited, therefore this is considered to be a business combination under common control to which AASB 3 Business Combinations does not apply.

The below table sets out the classification and balances of the net assets transferred at carrying value as at the date of the transaction.

	2018 $'000
ASSETS	
Current assets	
Trade Receivables	1,204
Other Receivables	461
Prepayments	3,894
Inventories	18,560
Derivative financial instruments	177
Intangible assets – emission rights	73
Total current assets	24,369
Non-current assets	
Derivative financial instruments	805
Property, plant and equipment	61,230
Forest estate	129
Intangible assets	1,261
Total non-current assets	63,425
Total assets	87,794
LIABILITIES	
Current liabilities	
Trade Payables	6,919
Other Payables	2,220
Provisions	8,978
Total current liabilities	18,117
Non-current liabilities	
Borrowings	2,409
Provisions	2,751
Total non-current liabilities	5,160
Total liabilities	23,277
Net assets / (liabilities)	64,517

4. Current assets - Receivables

	2018 $'000	2017 $'000
Net trade receivables		
Trade receivables	**2,250**	-
	2,250	-
Other receivables	**435**	-
Prepayments	**3,805**	-
	6,490	-

Trade Receivables are shown net of impairment losses amounting to $nil (2017: $nil).

5. Current assets - Inventories

	2018 $'000	2017 $'000
Raw materials	**15,268**	-
Work in progress	**99**	-
Finished goods	**4,961**	-
	20,328	-

Inventory expense
Inventories recognised as expense during the year ended 31 December 2018, excluding write-downs of inventories, amounted to $52,269,000 (2017: $nil)

Write-downs of inventories to net realisable value recognised as an expense during the year ended 31 December 2018 amounted to $nil (2017: $nil). The expense has been included in "Raw materials and consumables used" in the income statement.

6. Non-current assets - Receivables

	2018 $'000	2017 $'000
Receivables from group companies	**18,186**	8,752
	18,186	8,752

Receivables from Group companies are not interest bearing and are receivable from the parent entity and/or its subsidiaries

Receivables from group companies are shown net of impairment losses amounting to $nil (2017: $nil)

7. Forest estate

	2018 $'000	2017 $'000
Current assets		
Forest estate – at fair value - 1 January	**-**	-
Transfer from non-current assets	**-**	-
Decreases due to harvest	**-**	-
Forest estate – at fair value - 31 December	**-**	-
Non-current assets		
Forest estate – at fair value - 1 January	**-**	-
Changes in fair value	**-**	-
Increases due to purchases	**129**	-
Decrease due to sale	**-**	-
Transfer to current assets	**-**	-
Forest estate – at fair value - 31 December	**129**	-
Total Value of Forest Assets	**129**	-

8. Non-current assets – Property, plant and equipment

	Freehold land $'000	**Freehold buildings $'000**	**Plant & equipment $'000**	**Forest and non-forest roads $'000**	**Capital work in progress $'000**	**Total $'000**
2018						
Cost						
At 1 January 2018	-	-	-	-	-	-
Acquired from NSPMA	5,371	17,133	677,289	1,271	13,115	714,179
Additions	-	-	-	-	3,039	3,039
Transfers	-	-	7,211	-	(7,211)	-
Disposals	-	-	(1,639)	-	-	(1,639)
Adjustments related to asset dismantling provision	-	-	2,230	-	-	2,230
At 31 December 2018	5,371	17,133	685,091	1,271	8,943	717,809
Accumulated depreciation						
At 1 January 2018	-	-	-	-	-	-
Acquired from NSPMA		(12,362)	(639,743)	(844)	-	(652,949)
Depreciation charge	-	(164)	(2,143)	(16)	-	(2,323)
Transfers	-	-	-	-	-	-
Disposals	-	-	1,639	-	-	1,639
Impairment	-	-	-	-	-	-
At 31 December 2018	-	(12,526)	(640,247)	(860)	-	(653,633)
Net book value, 31 December 2018	5,371	4,607	44,844	411	8,943	64,176
Net book value, 31 December 2017	-	-	-	-	-	-

Property, plant and equipment includes equipment subject to finance leases with a net carrying amount of $433,000 at 31 December 2018 (2017: $3,669,000 when held in NSPMA).

Property, Plant and equipment was acquired from Norske Skog Paper Mills (Australia) Ltd in the current financial year, therefore there are no comparative balances.

8. Non-current assets – Property, plant and equipment (continued)

Assumptions applied when calculating the recoverable amount

Property, plant and equipment and non-current intangible assets are written down to their recoverable amount when this is lower than the carrying value of the asset. The recoverable amount of an asset or cash generating unit (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 CGU. A weighted average cost of capital model (WACC) is used to determine future cash flows.

Impairment testing is performed by the ultimate parent entity for the overall group. The company applies the value in use approach when calculating recoverable amount for its CGU's. The company has the Albury Mill in Australia. The Albury Mill is treated as separate cash generating units.

The value is calculated by discounting based on a required rate of return on capital that is relevant for the CGU or individual asset. The required rate of return is based on the interest rate on ten year government bonds in the currency of the cash flow estimate, an industry debt yield premium, industry beta and an equity risk premium.

When calculating the value in use, the discount rate after tax was 8.4% (2017: 8.1%) for Australian domiciled assets. The calculations are based on cash flow and required rate of return after tax.

The impairment model used to determine the recoverable amount is based on discounted future cash flows, underpinned by a specific set of key inputs and assumptions. The valuation of the recoverable amount is based on three key scenarios that are specifically relevant to the publication paper industry. These scenarios are then weighted to form the basis for the future cash flows. The consolidated scenario is a reflection of the structural decline in the demand for publication paper over the last decade which is expected to continue, albeit at a slower rate of decline. The weighting in the scenarios is consistent with the requirements of *AASB 136 Impairment of Assets* as it provides an overall scenario closest to the current and expected future market developments in the publication paper industry.

Assumptions applied when calculating the recoverable amount (Continued)

The impairment model is based on management's forecast figures for 2019. The Board of Director's regularly review the financial performance of the region including the year-end financial forecasts. The key drivers of profitability in the industry and thus asset values for NSIAL are product prices and relative production costs. The starting point in all scenarios are the 2018 forecast prices and costs. For both sales prices and input prices, an increase in real terms is expected, as observed in the impairment testing at 31 December 2018. Real term sales prices are assumed to increase during the next ten year period on reduced sales volumes which are expected to develop in accordance with the useful lives of the different paper machines operated by the company. Projection of these assumptions will result in gradual improvement in margins, from levels at the bottom of the business cycle to a normalisation with return to trend economic growth.

The analysis indicates no impairment is required for 2018 (2017 $154,300,000 - Albury Mill Assets when held in Norske Skog Paper Mills (Australia)).

Cash flow is calculated based on estimated useful life. The paper industry is a capital intensive industry where investment decisions are made based on projections with a long time horizon. The production machines have a long technical life. The estimated remaining useful life of the individual paper machines forms the basis for determining the length of the cash flow period.

The cash flow decreases over time as the capacity of the company declines, reflecting assumed closures of machines as they reach the end of their useful lives.

Sensitivity to estimates of recoverable amount

The estimation of recoverable amount is based on assumptions regarding future development of several factors. These include price development of finished goods, sales volumes and interest rates. This means there will be uncertainty when it comes to the outcome of these calculations. The company has performed sensitivity analysis using the variables above to predict how fluctuations will impact the recoverable amount.

In relation to the assumptions made in the calculation of the present value of future cash flows, recoverable amount is most sensitive to changes in prices of finished goods and the discount rate used. A reduction in the sales price of 2% will cause a reduction in recoverable amount in the order of $23,000,000. Correspondingly, a 1% increase in the discount rate will cause a reduction in the recoverable amount of $4,000,000.

Expected useful life

In connection with the year-end closing process for 2018, the company performed a review of the expected remaining useful lives of PPE. The outcome of the review was that there have been no changes in useful life in 2018 compared to those applied in 2017.

9. Intangible assets

	Capitalised software (non-current) $'000	Albury pipeline (non-current) $'000	Net book amount (non-current) $'000	Emission rights (current) $'000
2017				
Cost				
At 1 January 2018	-	-	-	-
Acquired from NSPMA	6,902	4,094	10,996	73
At 31 December 2018	6,902	4,094	10,996	73
Accumulated amortisation				
At 1 January 2018	-	-	-	-
Acquired from NSPMA	(6,833)	(2,902)	(9,735)	
Amortisation	(4)	(52)	(56)	-
At 31 December 2018	(6,837)	(2,954)	(9,791)	-
Net book value, 31 December 2018	65	1,140	1,205	73
Net book value, 31 December 2017	-	-	-	-

Intangibles were acquired from Norske Skog Paper Mills (Australia) Ltd in the current financial year, therefore there are no comparative balances.

10. Current liabilities – Payables

	2018 $'000	2017 $'000
Trade payables	**10,410**	-
Other payables	**2,515**	-
	12,925	-

11. Non-current liabilities – Provisions

	2018 $'000	2017 $'000
Employee benefits	**147**	-
Rehabilitation	**2,360**	-
Environmental	**2,481**	-
	4,988	-

Rehabilitation and Environmental provisions

Provision is made for asset dismantling and rehabilitation costs expected to be incurred in relation to removal of obsolete equipment and related rehabilitation at mill sites. Provision is also made for future environmental obligations relating to restoration of land and other environmental remediation expected to be required at mill sites. The costs are expected to be incurred over the next 11 years. The estimates of the amounts of asset decommissioning and future site restoration costs are based on current legal and constructive obligations, technology and price levels. Actual outflows can differ from estimates due to changes in laws, technology, prices and other factors and can take place many years in the future. A pre-tax discount rate of 2.69% (2017: 2.56%) has been applied when calculating the discounted present value of rehabilitation and environmental provisions. Changes in the estimates could have a significant impact on the carrying value of the rehabilitation and environmental provisions and reported profit.

Movements in Rehabilitation and Environmental non-current provisions

	Rehabilitation $'000	Environmental $'000
Non-current		
At 1 January 2018	-	-
Current Year adjustments to Provision	-	-
Transfer to current (Note 14)	-	-
Transfer from Norske Skog Paper Mills (Australia)	137	2,448
Unwinding of discount	(6)	29
Effect of Change in Discount rate	2,229	4
At 31 December 2018	2,360	2,481

Norske Skog Paper Mills (Albury) Limited
Directors' declaration
31 December 2018

In the directors' opinion:

(a) The financial statements and notes set out on pages 1 to 20:

(i) comply with Accounting Standards to the extent described in Note 1 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance, as represented by the results of its operations and its cash `flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 2 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 2.

This declaration is made in accordance with a resolution of the directors.

Mr Eric Luck
Director

Sydney, Australia
8 November 2019

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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Norske Skog Paper Mills (Albury) Pty Ltd

Report on the Audit of the Financial Report

Qualified opinion

We have audited the financial report of Norske Skog Paper Mills (Albury) Pty Ltd (the Company), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial report presents fairly, in all material respects, the financial position of the Company as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with the basis of accounting described in note 1.

Basis for qualified opinion

The assets, liabilities and trading activities of the Albury Mill were previously included within the financial report of a related entity, Norske Skog Paper Mills (Australia) Ltd, until 1 July 2018 when they were acquired by the Company. As disclosed in note 3, this was considered a business combination under common control as both entities involved in the transaction were 100% owned subsidiaries of Norske Skog Industries Australia Limited.

We were unable to attend to observe the counting of the physical inventories held in Albury, being $18,559,833, at the acquisition date, and we were unable to satisfy ourselves by alternative means concerning inventory quantities held in Albury's warehouse at 1 July 2018. Since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the income for the year reported in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Company in accordance with ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter – Basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purposes of filing the Norske Skog bond prospectus. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other matter

The corresponding figures for the year ended 31 December 2017 are unaudited.

Responsibilities of management and those charged with governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report, and have determined that the basis of preparation described in Note 1 is appropriate to meet the requirements of the bondholders and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO East Coast Partnership

BDO
Ryan Pollett

Ryan Pollett
Partner

Sydney, 8 November 2019

NORSKE SKOG TASMAN LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors are pleased to present the annual report, including the consolidated financial statements, for Norske Skog Tasman Limited, for the year ended 31 December 2017.

Approved for and on the behalf of the Board of Directors on this 31st day of May 2018.

E Luck
Director

S Flay
Director

NORSKE SKOG TASMAN LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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NORSKE SKOG TASMAN LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 NZ$000	2016 NZ$000
Revenue		128,839	149,118
Cost of Sales		(78,555)	(89,932)
Gross profit		50,284	59,186
Other income	4	-	2,531
Distribution expenses		(12,777)	(14,099)
Employee benefits expense	5	(19,340)	(22,428)
Other expenses	6	(19,854)	(19,739)
Operating (loss) profit before financing costs		(1,687)	5,451
Financial income		646	2,638
Finance costs		(17,057)	(34,638)
Net financing (costs)	7	(16,411)	(32,000)
(Loss) before taxation		(18,098)	(26,549)
Income tax	8	-	-
(Loss) for the year from continuing operations		(18,098)	(26,549)
(Loss) for the year from discontinued operations	9	-	(2,722)
(Loss) for the year		(18,098)	(29,271)
Other comprehensive income – intangible asset revaluation		3,069	1,614
Tax on other comprehensive income	8	-	-
Other comprehensive income for the year, net of income tax		3,069	1,614
Total comprehensive (loss) for the year		(15,029)	(27,657)

The accompanying notes form part of and are to be read in conjunction with these financial statements

NORSKE SKOG TASMAN LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital NZ$000	Retained Earnings NZ$000	Revaluation Reserve NZ$000	Total Equity NZ$000
Balance at 1 January 2016	725,000	(659,483)	3,868	69,385
(Loss) for the year		(29,271)	-	(29,271)
Reclassification to profit and loss on disposal		1,889	(1,889)	-
Other comprehensive income for the year		-	1,614	1,614
Total comprehensive profit, net of tax		(27,382)	(275)	(27,657)
Balance at 31 December 2016	725,000	(686,865)	3,593	41,728
(Loss) for the year		(18,098)	-	(18,098)
Reclassification to retained earnings on disposal		6,590	(6,590)	-
Other comprehensive income for the year		-	3,069	3,069
		(11,508)	(3,521)	(15,029)
Balance at 31 December 2017	725,000	(698,373)	72	26,699

The accompanying notes form part of and are to be read in conjunction with these financial statements

NORSKE SKOG TASMAN LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017 NZ$000	2016 NZ$000
Assets			
Current assets			
Cash and cash equivalents	10	8,746	10,993
Energy derivative contracts	11	5,698	5,071
Trade and other receivables	12	19,827	11,036
Intangible assets	13	72	3,593
Inventories	14	13,709	15,044
Total current assets		48,052	45,737
Non-current assets			
Energy derivative contracts	11	4,503	6,079
Property, plant and equipment	15	37,060	41,706
		41,563	47,785
Total Assets		89,615	93,522
Liabilities and equity			
Current liabilities			
Trade and other payables	16	18,730	20,714
Energy derivative contracts	11	7,692	4,673
Provisions	18	569	771
Total current liabilities		26,991	26,158
Non-current liabilities			
Interest bearing loans and borrowings	17	11,000	11,000
Provisions	18	15,104	14,533
Energy derivative contracts	11	9,821	103
Total non-current liabilities		35,925	25,636
Total Liabilities		62,916	51,794
Equity			
Issued capital	19	725,000	725,000
Retained earnings		(698,373)	(686,865)
Revaluation reserve		72	3,593
Total equity		26,699	41,728
Total liabilities and equity		89,615	93,522

The accompanying notes form part of and are to be read in conjunction with these financial statements

NORSKE SKOG TASMAN LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 NZ$000	2016 NZ$000
Cash flows from operating activities			
Receipts from customers		142,397	182,151
Payments to suppliers and employees		(136,414)	(169,879)
		5,983	12,272
Interest received		379	192
Interest paid		(1,452)	(9,760)
Net cash generated by operating activities		4,910	2,704
Cash flows from investing activities			
Payments for property, plant and equipment		(1,111)	(949)
Release from restricted call deposit		965	2,827
Proceeds from disposal of property, plant and equipment		-	32,500
Proceeds from disposal of intangible assets		6,184	-
Net cash generated by (used in) investing activities		6,038	34,378
Cash flows from financing activities			
Proceeds from borrowings		-	32,782
Repayment of borrowings		-	(75,647)
Advances (to) from related parties		(12,185)	8,318
Net cash (used in) generated by financing activities		(12,185)	(34,547)
Net (decrease) increase in cash and cash equivalents		(1,237)	2,535
Cash at bank and in hand at the beginning of the year		6,588	4,086
Effects of exchange rate changes on the balance of cash held in foreign currencies		(45)	(33)
Cash at bank and in hand at the end of the year	10	5,306	6,588

The accompanying notes form part of and are to be read in conjunction with these financial statements

1. ACCOUNTING ENTITY

Norske Skog Tasman Limited is a limited liability Company incorporated and domiciled in New Zealand. The address of its registered office is Fletcher Avenue, Kawerau. The immediate parent Company of Norske Skog Tasman Limited is Norske Skog Industries Australia Limited. The former ultimate parent Company Norske Skogindustrier ASA filed for bankruptcy in Norway on 19 December 2017. Norske Skog AS, a Company incorporated in Norway, became the ultimate parent company of the group as of that date. The principal business of Norske Skog Tasman Limited is the manufacture of newsprint.

The financial statements of the Company are for the year ended 31 December 2017 and were authorised for issue by the Directors on 31 May 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of the group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). The financial statements comply with the New Zealand International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

The Company is a Tier 2 'for-profit entity' and has elected to report in accordance with NZ IFRS RDR on the basis that it is not publicly accountable and is not a large for profit entity.

The reporting and functional currency used in the preparation of these financial statements is New Zealand dollars. The financial statements are prepared on the historical cost basis except that financial instruments are stated at their fair value.

New standards & interpretations

The company has not elected to early adopt any new standards or interpretations that have been issued but are not yet effective.

Change in accounting policies

There have been no changes in accounting policies in the 2017 year.

Basis of consolidation

The Group financial statements consolidate the financial statements of subsidiaries using the purchase method. Intercompany transactions and balances are eliminated on consolidation. Accounting policies of subsidiaries are consistent with those adopted by the parent Company.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials, direct labour, an appropriate proportion of production overheads and the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied in the item will flow to the Company and the cost of the item can be reliably measured. All other costs are recognised in the profit and loss component of the statement of comprehensive income as an expense as incurred.

Items of property, plant and equipment, other than freehold land are depreciated on a straight line basis over their expected useful lives. These are:

Buildings	26 years
Plant and Equipment	3 - 26 years

Assets are depreciated from the date of acquisition, or, in the case of internally constructed assets, from the time an asset is completed and held ready for use.

Non derivative financial instruments

Non derivative financial instruments comprise investments in shares, trade and other receivables, cash and cash equivalents, interest bearing loans and borrowings and trade and other payables.

Non derivative financial instruments are recognised at fair value.

Trade and other receivables

Trade and other receivables are recorded at estimated net realisable value after due allowance for impairment losses. Impairment losses are written off to earnings in the period in which they are identified.

Inventories

Inventories comprising finished goods, raw materials and consumables and work in progress are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is based on the first-in-first-out basis or weighted average purchase cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes direct manufacturing costs and an appropriate share of manufacturing overheads based on normal operating levels.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Derivative financial instruments

The Company is exposed to movements in power prices and uses derivative financial instruments in the form of electricity price hedging contracts to manage the risk. The Company does not enter into derivative financial instrument transactions for speculative purposes. Financial instruments entered into to hedge an underlying exposure are accounted for as "held for trading" financial instruments.

Such derivative financial instruments are initially recognised at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Any gains or losses arising from changes in the fair value of financial instruments are taken to the profit and loss component of the statement of comprehensive income.

The carrying amount of all derivatives is measured using valuation techniques that incorporate market and non-market prices. Financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Intangible assets

Emission trading scheme units (New Zealand Units or "NZU") have been recorded at their market value. Market value changes are recognised in other comprehensive income in the statement of comprehensive income. Realised gains or losses on units sold are recycled to retained earnings at the date of sale.

Impairment

The carrying amounts of the Company's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the profit and loss component of the statement of comprehensive income.

Estimated recoverable amount of investments and receivables is calculated as the present value of estimated future cash flows, discounted at their original effective interest rate. Receivables with a short duration are not discounted.

Estimated recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint Ventures

The Company has interests in unincorporated joint ventures. The joint ventures are contractual arrangements with a fellow participant for the sharing of costs and output. The Company's investments in its joint ventures are accounted for using the equity method. Accounting policies of the joint ventures are consistent with those adopted by the Group.

Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at the initial recognition and re-evaluates this designation at every reporting date.

Classification
(i) Financial assets at fair value through profit and 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 acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the statement of financial position date.

(ii) Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date which are classified as non-current assets. Loans and receivables are included in 'trade and other receivables' in the statement of financial position.

Recognition and measurement

(i) Financial assets at fair value through profit and loss
Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss component of the statements of comprehensive income.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit and loss component of the statements of comprehensive income in the period in which they arise.

(ii) Loans and receivables
Trade receivables are recognised initially at fair value on trade date and subsequently measured at amortised cost, less provision for doubtful debts.

Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value plus transaction costs incurred. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value recognised in the profit and loss component of the statement of comprehensive income over the period of the borrowings on an effective interest basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

The liabilities for employee benefits for wages and salaries represent the amounts which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The liabilities for employee benefits for annual leave, long service leave and retirement benefits, which are expected to be settled within 12 months, represent the undiscounted amounts of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date. Liabilities for employee benefits which are not expected to be settled within 12 months are calculated using expected future increases in wage and salary rates, including related oncosts and expected settlement dates based on turnover history and are discounted using the rates attaching to government securities at balance date, which most closely match the terms of maturity of the related liabilities.

Obligations for Company contributions to defined contribution plans are recognised as an expense in the statement of comprehensive income as incurred.

Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. Costs expected to be incurred on restructuring of the Company's business are provided for when the Company has an obligation to meet the costs.

If the effect is material, a provision is determined by discounting the expected future cash required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Subsequent accretion to the amount of a provision due to unwinding of the discount is recognised as a financing cost.

Amounts not expected to be paid within the next twelve months are disclosed as non-current liabilities.

Future site restoration costs

Liabilities for future site restoration costs are recognised when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Restoration costs to be incurred before the expiry of certain property leases are provided for based on known or estimated costs to remediate the properties to standards specified in the leases.

Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites or as contractually obligated.

The provision is the best estimate of the present value of the likely future expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Site restoration costs are reviewed annually and any changes are reflected in the restoration provision at the end of the reporting period through the profit and loss component of the statement of comprehensive income. Expenditure incurred to restore the sites is charged against the related restoration liability.

Asset retirement obligations

Costs for the future dismantling and removal of assets from the site on which the assets are located, are provided for and capitalised upon initial construction of the asset, where an obligation to incur such costs arises and when a reasonable estimate of that liability can be made. The present value of the expected future cash flows required to settle these obligations is capitalised and depreciated over the useful life of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset retirement obligations (continued)

Subsequent accretion to the amount of a provision due to unwinding of the discount is recognised as a financing cost. A change in estimate of the provision is added to or deducted from the cost of the related asset in the period of the change, to the extent that any amount of deduction does not exceed the carrying amount of the asset. Any deduction in excess of the carrying amount is recognised in the profit and loss component of the statement of comprehensive income immediately. If an adjustment results in an addition to the cost of the related asset, consideration will be given to whether an indication of impairment exists and the impairment policy will be applied.

Taxation

The income tax expense or revenue for the period is the total of the current period's taxable income based on the national income tax rate plus/minus any prior years' under/over provisions, plus/minus movements in the deferred tax balance except where the movement in deferred tax is attributable to a movement in reserves. The income tax expense or revenue attributable to amounts recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity.

Movements in deferred tax are attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements and any unused tax losses or credits. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or loss or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries and associates where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Share capital

Ordinary shares and redeemable preference shares are classified as equity.

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

The Group's objective when managing capital is to safeguard its ability to continue as a going concern so that it can maximize shareholder value and provide returns for its stakeholders. The Group manages its capital structure by adjusting the amount of shares issued and paid. There are no restrictions on shares.

Revenue Recognition

Revenue arising from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Payments made under operating leases are recognised in the statement of comprehensive income on a straight line basis over the term of the lease.

Financing costs

Financing costs include interest payable on borrowings, calculated using the effective interest method, and differences relating to the unwinding of the discounts of assets and liabilities measured at amortised cost.

Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation are recognised in the profit and loss component of the statement of comprehensive income.

Items included in the financial statements of each of the subsidiaries' operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). All subsidiaries are incorporated in New Zealand and adopt New Zealand currency as their functional and presentation currency. The consolidated financial statements are presented in New Zealand dollars, which is the Group's functional and presentation currency.

Goods and Services Tax

The statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next nine years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the key assumptions used to determine the recoverable amount for the CGU, which includes sales prices and volume, and discount rate.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Fair value of derivatives and other financial instruments (note 11)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select methods and make assumptions that are mainly based on market conditions existing at each statement of financial position date.

Future site restoration costs and asset retirement obligations (note 18)

Estimates of the amount of future site restoration costs and asset retirement obligations are based on current legal and constructive obligations, technology and price levels. Actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions and can take place many years in the future. In general, the further in the future that a cash outflow for a liability is expected to occur, the greater the degree of uncertainty around the amount and timing of that cash outflow. Examples of cash outflows that are expected to occur a number of years in the future and, as a result, about which there is uncertainty of the amounts involved, include rehabilitation costs in respect of asset decommissioning and site and environmental restoration obligations.

While the provisions are based on the best estimate of future costs and the economic lives of the facilities, there is uncertainty regarding both the amount and timing of incurring these costs. The majority of these costs are expected to be incurred in 2026. The extent and cost of future remediation programmes are inherently difficult to estimate. They depend on the scale of any possible contamination, the timing and extent of corrective actions, and also the Company's share of liability. A change in the estimate of a recognised provision or liability would result in a change or credit to the profit and loss component of the statement of comprehensive income, in the period in which the change occurs, with the exception of decommissioning and certain restoration costs that relate to the initial construction of an asset.

4. OTHER INCOME

	2017 NZ$000	2016 NZ$000
Emission right income	-	2,531

5. EMPLOYEE BENEFITS EXPENSE

	2017 NZ$000	2016 NZ$000
Salary and wage expense	18,185	21,271
Defined contribution plan	1,155	1,157
	19,340	22,428

6. OTHER EXPENSES

	2017 NZ$000	2016 NZ$000
Other expenses includes:		
Depreciation (as per Note 15)	5,757	7,519
Operating lease expense	773	820
Rehabilitation provision (as per Note 18)	-	(41)
Maintenance materials	6,420	6,413
Other	6,904	5,028
	19,854	19,739

7. NET FINANCE COSTS

	2017 NZ$000	2016 NZ$000
Finance income:		
Interest income on loans and receivables	646	486
Foreign currency gains	-	2,152
	646	2,638
Finance expense:		
Interest expense on financial liabilities measured at amortised costs	1,067	3,751
Foreign currency losses	1,439	-
Bank fees and charges	385	251
Discount unwind on provisions (Note 18)	480	510
Net change in fair value of other financial assets at fair value through profit and loss	13,686	30,126
	17,057	34,638
Net Finance costs	16,411	32,000

8. TAXATION

Taxation expense

	2017 NZ$000	2016 NZ$000
(Loss) profit before taxation	(18,098)	(29,271)
Other comprehensive income	3,069	1,614
	(15,029)	(27,657)
Tax at current rate of 28% (2016: 28%)	4,208	7,744
Adjust for taxation effect of permanent differences	(28)	(28)
Impact of benefit of tax losses and deductible temporary differences not recognised	(4,180)	(7,716)
Total income tax (charge) – deferred tax	-	-

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2017 the Company has not recognised a deferred tax asset. The Company had unused tax losses of $323,000,000 at 31 December 2017 for which no deferred tax asset is recognised (2016: $305,000,000). The retention of these losses is subject to shareholder continuity rules, which are likely to be breached after the year end (refer Note 24).

The company did not have any imputation credits available to it at 31 December 2017 (2016: $nil).

9. DISCONTINUED OPERATIONS

In December 2016 the group sold its geothermal power station. Financial information relating to the discontinued operation for the period to the date of disposal is presented below.

	2017 NZ$000	2016 NZ$000
Result of discontinued operation:		
Revenue	-	9,059
Cost of sales	-	(8,404)
Loss on sale	-	(1,418)
Finance costs	-	(1,959)
	-	(2,722)

The statement of cash flows includes the following amounts relating to discontinued operations:

Net cash inflows from operating activities	-	948
Net cash inflows from investing activities	-	32,500
Net cash inflows from financing activities	-	3,135
	-	36,583

10. CASH AND CASH EQUIVALENTS

	2017 NZ$000	2016 NZ$000
Cash at bank and in hand	5,306	6,588
Call and term deposits (restricted)	3,440	4,405
	8,746	10,993

Restricted deposits comprise cash held in bank call and term deposits as collateral by third parties. The funds are not immediately available to the Company. The interest rate on restricted deposits was 1.6% in December 2017. The interest rate on cash at bank was 1.4% in December 2017.

11. ENERGY DERIVATIVE CONTRACTS

	2017 NZ$000		2016 NZ$000	
Electricity hedge instruments – held for trading	Assets	Liabilities	Assets	Liabilities
Current portion	5,698	7,692	5,071	4,673
Non-current portion	4,503	9,821	6,079	103
	10,201	17,513	11,150	4,776

The Company uses energy derivative contracts to manage certain exposures to fluctuations in power prices. Energy derivative contracts entered into by the Company do not meet the hedging criteria and are classified as held for trading.

12 TRADE AND OTHER RECEIVABLES

	2017 NZ$000	2016 NZ$000
Trade debtors (net of allowance for impairment)	6,612	7,771
Other receivables	2,159	1,351
Due from related parties (Note 21)	563	667
Due from other Group companies (Note 21)	10,493	1,247
	19,827	11,036

Trade debtors are shown net of impairment losses amounting to $- (2016: $-). Amounts due from other Group companies are shown net of impairment losses amounting to $1,550 (2016: $-).

13. INTANGIBLE ASSETS

	2017 NZ$000	2016 NZ$000
Emission trading scheme units (at year end valuation)	72	3,593

14. INVENTORIES

	2017 NZ$000	2016 NZ$000
Finished goods	4,089	5,104
Work in progress	230	261
Raw materials and consumables	9,390	9,679
	13,709	15,044

15. PROPERTY, PLANT AND EQUIPMENT

	Land NZ$000	Buildings NZ$000	Plant and Equipment NZ$000	Work in Progress NZ$000	Total NZ$000
Cost					
At 1 January 2017	2,288	61,582	357,974	1,677	423,521
Additions	-	-	-	1,111	1,111
Disposals	-	-	-	-	-
Adjustment to asset rehabilitation provision	-	-	-	-	-
Transfers	-	-	1,474	(1,474)	-
At 31 December 2017	2,288	61,582	359,448	1,314	424,632
Depreciation					
At 1 January 2017	-	56,970	324,845	-	381,815
Charge for the year	-	607	5,150		5,757
Disposals	-	-	-	-	-
At 31 December 2017	-	57,577	329,995	-	387,572
Net book value					
31 December 2017	2,288	4,005	29,453	1,314	37,060

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land NZ$000	Buildings NZ$000	Plant and Equipment NZ$000	Work in Progress NZ$000	Total NZ$000
Cost					
At 1 January 2016	2,288	61,582	398,964	993	463,827
Additions	-	-	-	949	949
Disposals	-	-	(41,255)	-	(41,255)
Adjustment to asset rehabilitation provision	-	-	-	-	-
Transfers	-	-	265	(265)	-
At 31 December 2016	2,288	61,582	357,974	1,677	423,521
Depreciation					
At 1 January 2016	-	56,332	325,018	-	381,350
Charge for the year	-	638	6,881		7,519
Disposals	-	-	(7,054)	-	(7,054)
At 31 December 2016	-	56,970	324,845	-	381,815
Net book value 31 December 2016	2,288	4,612	33,129	1,677	41,706

The Company's assets are pledged as security per note 23.

16. TRADE AND OTHER PAYABLES

	2017 NZ$000	2016 NZ$000
Trade payables	13,114	14,563
Due to related parties (Note 21)	225	275
Due to other Group companies (Note 21)	542	778
Employee benefits	4,849	5,098
	18,730	20,714

17 INTEREST BEARING LOANS AND BORROWINGS

	2017 NZ$000	2016 NZ$000
Non-current liability		
Borrowings from subsidiary of ultimate parent	11,000	11,000

Norske Skog Tasman Limited has borrowed funds from a fellow group company (refer note 21). The advances are unsecured, are due for repayment in 2019 and bear interest (2017: 9.7% average, 2016: 10.2% average).

18. PROVISIONS

	2017 NZ$000	2016 NZ$000
Employee benefits - redundancy	598	623
Rehabilitation	15,075	14,681
	15,673	15,304
Less current portion of Rehabilitation provision	(569)	(771)
	15,104	14,533
Rehabilitation provision		
At beginning of year	14,681	14,225
Unwinding of discount	480	510
Fixed asset adjustment	-	-
Expensed to statement of comprehensive income	-	(41)
Utilisation	(86)	(13)
At end of year	15,075	14,681

Provisions for rehabilitation are made when an outflow of resources for a clean-up is probable. The estimation of the cost of future remediation activities is subject to potentially significant uncertainties. These uncertainties include the legal and regulatory framework, the magnitude of possible contamination and the timing and extent of remediation activities required. The provision has been estimated based on using existing technology, at current prices and discounted to present value as the majority of these costs are expected to be incurred over the next 9 years.

19. EQUITY

Number of authorised shares and issued shares	2017	2016
Ordinary shares	100	100
Redeemable preference shares	725,000,000	725,000,000

Ordinary shares
All issued shares are fully paid. There have been no changes in shares on issue in the year. All ordinary shares carry equal rights in respect of voting, dividend payments and distribution upon winding up.

Redeemable preference shares
All issued shares are fully paid. There have been no changes in shares on issue in the year.
The Company is unable to issue other preference shares ranking in priority to those already issued without the prior approval of existing holders. The shares have the following conditions attached:

- (i) Receive dividends at the discretion of the Directors;
- (ii) Rank in priority to ordinary shares on winding up;
- (iii) Are unable to be voted at general meetings of the Company; and
- (iv) Are redeemable at the option of the Company without prior notice.

20. FINANCIAL INSTRUMENT CLASSIFICATION

	2017 NZ$000	2016 NZ$000
Financial assets		
Fair value through profit and loss	10,201	11,150
Cash and cash equivalents and loans and receivables	28,573	22,029
	38,774	33,179
Financial liabilities		
Fair value through profit and loss	17,513	4,776
Financial liabilities at amortised cost	29,730	31,714
	47,243	36,490

21. RELATED PARTIES

The Company has a related party relationship with its directors and executive officers. In addition the Company has related party relationships with other companies in the Norske Group, in particular with the Company's immediate parent, Norske Skog Industries Australia Limited (and certain of that company's subsidiaries) and with the Company's ultimate parent, Norske Skogindustrier ASA, (and certain of that company's subsidiaries). Refer to Note 24.

The Company also has a related party relationship with its wholly owned New Zealand incorporated subsidiaries Norske Skog Capital (New Zealand) Limited, Norske Skog Holdings (No.1) Limited and TOPP1 Energy Limited and an unincorporated joint venture with Oji Fibre Solutions (NZ) Limited.

	2017 NZ$000	2016 NZ$000
Transactions with related parties were:		
Sales made to subsidiaries of the Company's immediate parent	6,497	7,425
Interest receivable from the Company's ultimate parent	268	174
interest payable to a subsidiary of the Company's ultimate parent	1,067	3,735
Services provided by fellow Group companies	2,871	2,357
Inventory purchased from fellow Group companies	8,032	11,637
Sales to Joint Ventures	3,745	5,649
Purchases from Joint Ventures	1,474	2,468
Outstanding balances with related parties were:		
Due from ultimate parent company	1,550	1,247
Less allowance for impairment	(1,550)	-
	-	1,247
Due from fellow subsidiary companies	10,493	-
Due from other group companies (included in receivables, Note 12)	10,493	1,247
Due to fellow subsidiary companies (included in payables, Note 16)	542	778
Due to Joint Ventures (included in payables, Note 16)	225	275
Due from Joint Ventures (included in receivables, Note 12)	563	667

21. RELATED PARTIES (continued)

Interest bearing amounts due to fellow Group companies are disclosed in Note 17 and non interest bearing amounts due to fellow Group companies are disclosed in Note 16.

During 2017 Norske Skog Tasman Limited repaid $- (2016 $45,000,000) of its interest bearing loan from a fellow group company. No debts with any related parties were forgiven in 2017 or 2016. As indicated above the $1,550,000 amount receivable from the company's ultimate parent has been fully impaired following that company being declared bankrupt in December 2017.

Total key management personnel compensation for the year ended 31 December 2017 was $1,107,000 (2016: $1,250,000).

The Company also has a related party relationship with the Water and Waste Services Joint Venture and the Energyco Joint Venture. The Company and an independent party each hold a 50% interest in each of these unincorporated joint ventures, which were formed for the sharing of costs and output. The Energyco Joint Venture was not operative in 2017 or 2016.

Investment in Joint Venture

Summarised financial information for the Water and Waste Services Joint Venture, which is accounted for using the equity method, is set out below.

	2017 NZ$000	2016 NZ$000
Summarised statement of financial position		
Current assets		
Other current assets (excluding cash)	563	667
Other current liabilities (including trade payables)	563	667
Net assets	-	-
Summarised statement of comprehensive income		
Revenue	3,745	5,649
Cost of sales	3,745	5,649
Total comprehensive income	-	-

The information above reflects the amounts presented in the Water and Waste Joint Venture financial statements.

Reconciliation of summarised financial information

	2017	2016
Opening net assets at 1 January	-	-
Profit for the period	-	-
Other comprehensive income	-	-
Closing net assets	-	-
Interest in joint venture at 50%	-	-

22. LEASE COMMITMENTS

Non-cancellable operating lease rentals are payable as follows:

	2017 NZ$000	2016 NZ$000
Less than one year	535	572
Between one and five years	240	288
More than five years	-	-
	775	860

23. CONTINGENT LIABILITIES

The Company, along with other subsidiaries of the ultimate parent Norske Skogindustrier ASA, has guaranteed EUR290million of senior secured notes issued by a Norske Skogindustrier ASA group company in February 2015. Norske Skog Tasman Limited has granted a general security interest over its present and after acquired property as security for its obligations under the guarantee. Refer to Note 24.

24. EVENTS DURING AND AFTER THE REPORTING PERIOD

The EUR 290 million senior secured note guarantee obligation referred to in Note 23 arose in February 2015. During the course of 2017 interest that became due on the senior secured notes was not paid. Following the expiry of applicable grace periods, a default event crystallised as a result of the non-payment of interest and on 12 September 2017 the security agent for the senior secured notes declared all monetary obligations under the notes due and payable immediately. Subsequently in terms of the documentation relating to the senior secured notes, a security enforcement process commenced with a 13 December 2017 announcement that a public auction of the shares in Norske Skog AS would be undertaken. On 19 and 20 December 2017 Norske Skogindustrier ASA and certain other group companies filed for bankruptcy in the Oslo Bankruptcy Court in Norway. Following the bankruptcy filings, Norske Skog AS became the ultimate parent company of the Norske Skog group.

On 3 May 2018 a wholly owned subsidiary of the Oceanwood Opportunities Master Fund entered into a sale and purchase agreement with the security agent for the senior secured notes for the acquisition of the shares in Norske Skog AS. The purchase price agreed in the sale and purchase agreement will not procure sufficient proceeds to fully discharge the financial and guarantee liabilities under the senior secured notes and other indebtedness obligations. Upon completion of the transaction such financial and guarantee liabilities that are not fully discharged from the proceeds will be released, including the senior secured note obligation guarantee given by Norske Skog Tasman Limited. The sale of the shares in Norske Skog AS is subject to the approval of various regulatory authorities and is expected to become unconditional in the second half of 2018.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NORSKE SKOG TASMAN LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Norske Skog Tasman Limited ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime ("NZ IFRS RDR") issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, 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.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company or any of its subsidiaries.

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS RDR, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing 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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 (NZ) 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 decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the 31 December 2017 of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Who we Report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

BDO Auckland

BDO Auckland
Auckland
New Zealand
31 May 2018

NORSKE SKOG TASMAN LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2018

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NORSKE SKOG TASMAN LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The Board of Directors are pleased to present the annual report of Norske Skog Tasman Limited incorporating the consolidated financial statements and the auditors' report for the year ended 31 December 2018.

With the unanimous agreement of the company's shareholder, Norske Skog Tasman Limited has taken advantage of the reporting concessions available to it under section 211(3) of the Companies Act 1993.

Approved for and on the behalf of the Board of Directors on this 30th day of April 2019.

S Brine
Director

S Flay
Director

NORSKE SKOG TASMAN LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 NZ$000	2017 NZ$000
Revenue	4	144,399	128,839
Cost of Sales		(94,984)	(78,555)
Gross profit		49,415	50,284
Distribution expenses		(13,994)	(12,777)
Employee benefits expense	5	(19,832)	(19,340)
Other expenses	6	(17,610)	(19,854)
Operating (loss) profit before financing costs		(2,021)	(1,687)
Finance income		13,946	646
Finance costs		(4,547)	(17,057)
Net financing income (costs)	7	9,399	(16,411)
Profit (loss) before taxation		7,378	(18,098)
Income tax expense	8	(1,441)	-
Profit (loss) for the year		5,937	(18,098)
Other comprehensive income – intangible asset revaluation		4,431	3,069
Tax on other comprehensive income	8	(1,241)	-
Other comprehensive income for the year, net of income tax		3,190	3,069
Total comprehensive profit (loss) for the year		9,127	(15,029)

The accompanying notes form part of and are to be read in conjunction with these financial statements

NORSKE SKOG TASMAN LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital NZ$000	Retained Earnings NZ$000	Revaluation Reserve NZ$000	Total Equity NZ$000
Balance at 1 January 2017	725,000	(686,865)	3,593	41,728
(Loss) for the year		(18,098)	-	(18,098)
Reclassification to retained earnings on disposal		6,590	(6,590)	-
Other comprehensive income for the year		-	3,069	3,069
Total comprehensive profit, net of tax		(11,508)	(3,521)	(15,029)
Balance at 31 December 2017	725,000	(698,373)	72	26,699
Profit for the year		5,937	-	5,937
Reclassification to retained earnings on disposal		503	(503)	-
Other comprehensive income for the year		-	3,190	3,190
		6,440	2,687	9,127
Balance at 31 December 2018	725,000	(691,933)	2,759	35,826

The accompanying notes form part of and are to be read in conjunction with these financial statements

NORSKE SKOG TASMAN LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018 NZ$000	2017 NZ$000
Assets			
Current assets			
Cash and cash equivalents	9	7,287	8,746
Energy derivative contracts	10	17,317	5,698
Trade and other receivables	11	13,523	19,827
Intangible assets	12	4,503	72
Inventories	13	13,878	13,709
Total current assets		56,508	48,052
Non-current assets			
Energy derivative contracts	10	2,761	4,503
Property, plant and equipment	14	32,343	37,060
Total non-current assets		35,104	41,563
Total Assets		91,612	89,615
Liabilities and equity			
Current liabilities			
Trade and other payables	15	20,145	18,730
Interest bearing loans and borrowings	16	4,000	-
Income tax payable		2,682	-
Energy derivative contracts	10	9,767	7,692
Provisions	17	680	569
Total current liabilities		37,274	26,991
Non-current liabilities			
Interest bearing loans and borrowings	16	-	11,000
Provisions	17	14,435	15,104
Energy derivative contracts	10	4,077	9,821
Total non-current liabilities		18,512	35,925
Total Liabilities		55,786	62,916
Equity			
Issued capital	18	725,000	725,000
Retained earnings		(691,933)	(698,373)
Revaluation reserve		2,759	72
Total equity		35,826	26,699
Total liabilities and equity		91,612	89,615

The accompanying notes form part of and are to be read in conjunction with these financial statements

NORSKE SKOG TASMAN LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 NZ$000	2017 NZ$000
Cash flows from operating activities			
Receipts from customers		152,323	142,397
Payments to suppliers and employees		(155,883)	(136,414)
		(3,560)	5,983
Interest received		400	379
Interest paid		(880)	(1,452)
Net cash (applied to) generated by operating activities		(4,040)	4,910
Cash flows from investing activities			
Payments for property, plant and equipment		(656)	(1,111)
Payments to restricted call deposit		(1,255)	-
Release from restricted call deposit		-	965
Proceeds from disposal of intangible assets		-	6,184
Net cash (used in) generated by investing activities		(1,911)	6,038
Cash flows from financing activities			
Advances from / (to) related parties		3,137	(12,185)
Net cash generated by / (used in) financing activities		3,137	(12,185)
Net (decrease) / in cash and cash equivalents		(2,814)	(1,237)
Cash at bank and in hand at the beginning of the year		5,306	6,588
Effects of exchange rate changes on the balance of cash held in foreign currencies		100	(45)
Cash at bank and in hand at the end of the year	9	2,592	5,306

Refer to Note 21 for explanation of non-cash items in financing activities

1. ACCOUNTING ENTITY

Norske Skog Tasman Limited is a limited liability Company incorporated and domiciled in New Zealand. The address of its registered office is Fletcher Avenue, Kawerau. The immediate parent Company of Norske Skog Tasman Limited is Norske Skog Industries Australia Limited, an Australian incorporated company. The ultimate parent Company is Oceanwood Special Situations Malta Limited, a company incorporated in Malta. The principal business of Norske Skog Tasman Limited is the manufacture of newsprint.

The consolidated financial statements are for Norske Skog Tasman Limited and its wholly owned New Zealand incorporated subsidiaries Norske Skog Capital (New Zealand) Limited, Norske Skog Holdings (No.1) Limited and TOPP1 Energy Limited ("the Group"). The consolidated financial statements are for the year ended 31 December 2018 and were authorised for issue by the Directors on 30 April 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). The financial statements comply with the New Zealand International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS RDR').

The Company is a Tier 2 'for-profit entity' and has elected to report in accordance with NZ IFRS RDR on the basis that it is not publicly accountable and is not a large for profit entity.

The reporting and functional currency used in the preparation of these financial statements is New Zealand dollars. The financial statements are prepared on the historical cost basis except that financial instruments are stated at their fair value through profit or loss.

Changes in accounting policies

Two new accounting standards, NZ IFRS 9 Financial Instruments ('NZ IFRS 9') and NZ IFRS 15 Revenue from Contracts with Customers ('NZ IFRS 15') came in to effect in 2018 and the group had to change its accounting policies as a result of adopting these two new standards.

NZ IFRS 9 replaces the provisions of NZ IFRS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. It makes changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets. NZ IFRS 9 applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under NZ IFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. The adoption of NZ IFRS 9 from 1 January 2018 resulted in changes to the Group's accounting policies and impacted the classification of the Group's financial assets where financial assets that would have been classified as "Cash and cash equivalents and loans and receivables" in the prior year are now classified as "Financial assets at amortised cost". No opening adjustment was necessary as a result of the adoption of NZ IFRS 9.

The Group has adopted NZ IFRS 15 from 1 January 2018, which resulted in changes in accounting policies and required no retrospective adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in NZ IFRS 15, the Group has adopted the new standard with the modified retrospective method. NZ IFRS 15 provides new requirements and additional guidance that are relevant to the group in relation to the sale of goods and recognition of revenue. The Group has determined that the application of NZ IFRS 15 does not change the timing or amount of revenue recognised in its financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards & interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group has identified that new standard NZ IFRS 16 Leases ('NZ IFRS 16'), which removes the distinction between operating and finance leases, will have an impact on the Group.

NZ IFRS 16 replaces NZ IAS 17 Leases and three related interpretations and is effective from periods beginning on or after 1 January 2019. Under NZ IFRS 16 the Group is required to adopt a new accounting treatment for lease liabilities. Leases will be recorded in the statement of financial position in the form of a right of use asset and a lease liability. The Group intends to adopt NZ IFRS 16 as of 1 January 2019 using the standard's modified retrospective approach. Under this approach the cumulative effect of initially applying NZ IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated. Recognition reliefs provided by NZ IFRS 16 for assets of low value and short-term leases of less than 12 months will be applied by the Group.

The standard will affect the accounting for the Group's operating leases and will require the Group to recognise a right of use asset and a liability for future lease payments for the forklifts and other plant currently treated as operating leases. This will mean that the nature of the expense of this plant will change from being an operating lease expense to depreciation and interest expense. Initial calculations indicate that adoption of the new standard will give rise to right of use assets totalling some $225,000.

Basis of consolidation

The Group financial statements consolidate the financial statements of subsidiaries using the purchase method. Intercompany transactions and balances are eliminated on consolidation. Accounting policies of subsidiaries are consistent with those adopted by the parent Company.

Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials, direct labour, an appropriate proportion of production overheads and the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied in the item will flow to the Company and the cost of the item can be reliably measured. All other costs are recognised in the profit and loss component of the statement of comprehensive income as an expense as incurred.

Items of property, plant and equipment, other than freehold land are depreciated on a straight line basis over their expected useful lives. These are:

Buildings	26 years
Plant and Equipment	3 - 26 years

Assets are depreciated from the date of acquisition, or, in the case of internally constructed assets, from the time an asset is completed and held ready for use.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with NZ IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:
• amortised cost
• fair value through profit or loss (FVTPL)
• fair value through other comprehensive income (FVOCI).
In the periods presented the Group does not have any financial assets categorised as FVOCI.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions:
• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. The Group's cash and cash equivalents, trade and other receivables fall into this category of financial instruments.

Impairment provisions for trade receivables are recognised based on the simplified approach within NZ IFRS 9. The Group considers a range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Financial assets at fair value through profit or loss (FVTPL)
Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. The Group's derivative financial instruments fall into this category as they do not meet the criteria for hedge accounting. The Group is exposed to movements in power prices and uses derivative financial instruments in the form of electricity price hedging contracts to manage the risk. The Group does not enter into derivative financial instrument transactions for speculative purposes. Financial instruments entered into to hedge an underlying exposure are initially recognised at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Any gains or losses arising from changes in the fair value of financial instruments are recognised in the consolidated statement of comprehensive income in the finance income or expense component. The carrying amount of all derivatives is measured using valuation techniques that incorporate market and non-market prices. Financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification and measurement of financial liabilities

The accounting treatments for the Group's financial liabilities were not impacted by the adoption of NZ IFRS 9.

Financial liabilities such as interest bearing borrowings and trade and other payables are initially measured at fair value, and, where applicable, adjusted for transaction costs. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

Inventories

Inventories comprising finished goods, raw materials and consumables and work in progress are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is based on the first-in-first-out basis or weighted average purchase cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes direct manufacturing costs and an appropriate share of manufacturing overheads based on normal operating levels.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Intangible assets

Emission trading scheme units (New Zealand Units or "NZU") have been recorded at their market value. Market value changes are recognised in other comprehensive income in the statement of comprehensive income. Realised gains or losses on units sold are recycled to retained earnings at the date of sale.

Impairment testing of property, plant and equipment

The carrying amounts of the Company's property, plant and equipment are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the profit and loss component of the statement of comprehensive income.

Estimated recoverable amount of property, plant and equipment assets is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint Ventures

The Group has an interest in an unincorporated joint venture. The joint venture is a contractual arrangement with a fellow participant for the sharing of costs and output. The Group's investment in its joint venture is accounted for using the equity method. Accounting policies of the joint venture are consistent with those adopted by the Group.

Employee benefits

The liabilities for employee benefits for wages and salaries represent the amounts which the Group has a present obligation to pay resulting from employees' services provided up to the balance date. The liabilities for employee benefits for annual leave, long service leave and retirement benefits, which are expected to be settled within 12 months, represent the undiscounted amounts of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date. Liabilities for employee benefits which are not expected to be settled within 12 months are calculated using expected future increases in wage and salary rates, including related oncosts and expected settlement dates based on turnover history and are discounted using the rates attaching to government securities at balance date, which most closely match the terms of maturity of the related liabilities.

Obligations for Group contributions to defined contribution plans are recognised as an expense in the statement of comprehensive income as incurred.

Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. Costs expected to be incurred on restructuring of the Group's business are provided for when the Group has an obligation to meet the costs.

If the effect is material, a provision is determined by discounting the expected future cash required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Subsequent accretion to the amount of a provision due to unwinding of the discount is recognised as a financing cost.

Amounts not expected to be paid within the next twelve months are disclosed as non-current liabilities.

Future site restoration costs

Liabilities for future site restoration costs are recognised when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Restoration costs to be incurred before the expiry of certain property leases are provided for based on known or estimated costs to remediate the properties to standards specified in the leases.

Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites or as contractually obligated.

The provision is the best estimate of the present value of the likely future expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Site restoration costs are reviewed annually and any changes are reflected in the restoration provision at the end of the reporting period through the profit and loss component of the statement of comprehensive income. Expenditure incurred to restore the sites is charged against the related restoration liability.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset retirement obligations

Costs for the future dismantling and removal of assets from the site on which the assets are located, are provided for and capitalised upon initial construction of the asset, where an obligation to incur such costs arises and when a reasonable estimate of that liability can be made. The present value of the expected future cash flows required to settle these obligations is capitalised and depreciated over the useful life of the asset.

Subsequent accretion to the amount of a provision due to unwinding of the discount is recognised as a financing cost. A change in estimate of the provision is added to or deducted from the cost of the related asset in the period of the change, to the extent that any amount of deduction does not exceed the carrying amount of the asset. Any deduction in excess of the carrying amount is recognised in the profit and loss component of the statement of comprehensive income immediately. If an adjustment results in an addition to the cost of the related asset, consideration will be given to whether an indication of impairment exists and the impairment policy will be applied.

Taxation

The income tax expense or revenue for the period is the total of the current period's taxable income based on the national income tax rate plus/minus any prior years' under/over provisions, plus/minus movements in the deferred tax balance except where the movement in deferred tax is attributable to a movement in reserves. The income tax expense or revenue attributable to amounts recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity.

Movements in deferred tax are attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements and any unused tax losses or credits. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or loss or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries and associates where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Share capital

Ordinary shares and redeemable preference shares are classified as equity.

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

The Group's objective when managing capital is to safeguard its ability to continue as a going concern so that it can maximize shareholder value and provide returns for its stakeholders. The Group manages its capital structure by adjusting the amount of shares issued and paid. There are no restrictions on shares.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

Revenue arises from the sale of publication paper (newsprint and catalogue paper). Revenue is recognised at a point in time when the Group satisfies performance obligations by transferring control of the goods to its customers. For domestic sales this is generally when the goods are delivered to the customer while for export sales control is typically transferred when the goods are loaded on to an international sea carrier at the port of departure.

Operating leases

Payments made under operating leases are recognised in the statement of comprehensive income on a straight line basis over the term of the lease.

Financing costs

Financing costs include interest payable on borrowings, calculated using the effective interest method, and differences relating to the unwinding of the discounts of assets and liabilities measured at amortised cost.

Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation are recognised in the profit and loss component of the statement of comprehensive income.

Items included in the financial statements of each of the subsidiaries' operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). All subsidiaries are incorporated in New Zealand and adopt New Zealand currency as their functional and presentation currency. The consolidated financial statements are presented in New Zealand dollars, which is the Group's functional and presentation currency.

Goods and Services Tax

The statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Impairment of property, plant and equipment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next nine years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the key assumptions used to determine the recoverable amount for the CGU, which includes sales prices and volume, and discount rate.

Fair value of energy derivative contracts (note 10)

The fair value of energy derivative contracts that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select methods and make assumptions that are mainly based on market conditions existing at each statement of financial position date.

Future site restoration costs and asset retirement obligations (note 17)

Estimates of the amount of future site restoration costs and asset retirement obligations are based on current legal and constructive obligations, technology and price levels. Actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions and can take place many years in the future. In general, the further in the future that a cash outflow for a liability is expected to occur, the greater the degree of uncertainty around the amount and timing of that cash outflow. Examples of cash outflows that are expected to occur a number of years in the future and, as a result, about which there is uncertainty of the amounts involved, include rehabilitation costs in respect of asset decommissioning and site and environmental restoration obligations.

While the provisions are based on the best estimate of future costs and the economic lives of the facilities, there is uncertainty regarding both the amount and timing of incurring these costs. The majority of these costs are expected to be incurred in 2026. The extent and cost of future remediation programmes are inherently difficult to estimate. They depend on the scale of any possible contamination, the timing and extent of corrective actions, and also the Group's share of liability. A change in the estimate of a recognised provision or liability would result in a change or credit to the profit and loss component of the statement of comprehensive income, in the period in which the change occurs, with the exception of decommissioning and certain restoration costs that relate to the initial construction of an asset.

4. REVENUE DISAGGREGATION

	2018 NZ$000	2017 NZ$000
Revenue from contracts with customers for sales of publication paper, transferred at a point in time to customers in:		
New Zealand	59,800	58,786
Australia	7,729	6,497
Asia and Pacific regions	76,870	63,556
	144,399	128,839

5. EMPLOYEE BENEFITS EXPENSE

	2018 NZ$000	2017 NZ$000
Salary and wage expense	18,694	18,185
Defined contribution plan	1,138	1,155
	19,832	19,340

6. OTHER EXPENSES

	2018 NZ$000	2017 NZ$000
Other expenses includes:		
Depreciation (as per Note 14)	5,093	5,757
Operating lease expense	603	773
Rehabilitation provision (as per Note 17)	(120)	-
Maintenance materials	6,421	6,420
Other	5,613	6,904
	17,610	19,854

7. NET FINANCE COSTS

	2018 NZ$000	2017 NZ$000
Finance income:		
Interest income	400	646
Net change in fair value of derivatives at fair value through profit and loss	13,546	-
	13,946	646
Finance expense:		
Interest expense on financial liabilities measured at amortised costs	880	1,067
Foreign currency losses	217	1,439
Bank fees and charges	571	385
Discount unwind on provisions (Note 17)	440	480
Financial instrument settlements	2,439	-
Net change in fair value of derivatives at fair value through profit and loss	-	13,686
	4,547	17,057
Net Finance income (costs)	9,399	(16,411)

8. TAXATION

Taxation expense

	2018 NZ$000	2017 NZ$000
Profit (loss) before taxation	7,378	(18,098)
Other comprehensive income	4,431	3,069
	11,809	(15,029)
Tax at current rate of 28% (2017: 28%)	(3,306)	4,208
Adjust for taxation effect of permanent differences	-	(28)
Impact of benefit of deductible temporary differences recognised (not recognised)	624	(4,180)
Total income tax (charge)	(2,682)	-
Tax on profit (loss) before taxation	(1,441)	-
Tax on other comprehensive income	(1,241)	-
	(2,682)	-

Deferred tax assets are recognised for tax losses carried forward and deductible temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2018 the Group has not recognised a deferred tax asset. The Group had $nil tax losses as of 31 December 2018 (2017: $323,000,000, these subsequently being lost on the change of ownership of the parent) for which no deferred tax asset was recognised. The Group did not have any imputation credits available to it at 31 December 2018 (2017: $nil).

9. CASH AND CASH EQUIVALENTS

	2018 NZ$000	2017 NZ$000
Cash at bank and in hand	2,592	5,306
Call and term deposits (restricted)	4,695	3,440
	7,287	8,746

Restricted deposits comprise cash held in bank call and term deposits as collateral by third parties. The funds are not immediately available to the Group. The interest rate on restricted deposits was 1.6% in December 2018 (2017: 1.6%). The interest rate on cash at bank was 1.3% in December 2018 (2017: 1.4%).

10. ENERGY DERIVATIVE CONTRACTS

	2018 NZ$000		2017 NZ$000	
Electricity hedge instruments	Assets	Liabilities	Assets	Liabilities
Current portion	17,317	9,767	5,698	7,692
Non-current portion	2,761	4,077	4,503	9,821
	20,078	13,844	10,201	17,513

The Company uses energy derivative contracts to manage certain exposures to fluctuations in power prices. Energy derivative contracts entered into by the Group do not meet the hedging criteria and are categorised as fair value through profit or loss.

11 TRADE AND OTHER RECEIVABLES

	2018 NZ$000	2017 NZ$000
Trade debtors (net of allowance for impairment)	10,171	6,612
Other receivables	2,590	2,159
Due from related parties (Note 21)	406	563
Due from other Group companies (Note 21)	356	10,493
	13,523	19,827

Trade debtors are shown net of impairment losses amounting to $nil (2017: $nil). Amounts due from other Group companies are shown net of impairment losses amounting to $nil (2017 $1.55m).

12. INTANGIBLE ASSETS

	2018 NZ$000	2017 NZ$000
Emission trading scheme units	4,503	72

13. INVENTORIES

	2018 NZ$000	2017 NZ$000
Finished goods	4,503	4,089
Work in progress	262	230
Raw materials and consumables	9,113	9,390
	13,878	13,709

14. PROPERTY, PLANT AND EQUIPMENT

	Land NZ$000	Buildings NZ$000	Plant and Equipment NZ$000	Work in Progress NZ$000	Total NZ$000
Cost					
At 1 January 2018	2,288	61,582	359,448	1,314	424,632
Additions	-	-	-	656	656
Adjustment to asset rehabilitation provision	-	-	(280)	-	(280)
Transfers	-	-	623	(623)	-
At 31 December 2018	2,288	61,582	359,791	1,347	425,008
Depreciation					
At 1 January 2018	-	57,577	329,995	-	387,572
Charge for the year	-	501	4,592	-	5,093
At 31 December 2018	-	58,078	334,587		392,665
Net book value 31 December 2018	2,288	3,504	25,204	1,347	32,343
Net book value 31 December 2017	2,288	4,005	29,453	1,314	37,060

The Company's assets were pledged as security at 31 December 2017.

15. TRADE AND OTHER PAYABLES

	2018 NZ$000	2017 NZ$000
Trade payables	10,674	13,114
Due to related parties (Note 21)	152	225
Due to other Group companies (Note 21)	3,360	542
Employee benefits	5,959	4,849
	20,145	18,730

16 INTEREST BEARING LOANS AND BORROWINGS

	2018 NZ$000	2017 NZ$000
Borrowings from subsidiary of ultimate parent		
Current liability	4,000	-
Non-current liability	-	11,000
	4,000	11,000

The advances are unsecured, are due for repayment in 2019 and bear an 8% average interest rate (2017: 10.2%).

$7m of the loan was offset in December 2018 through the application of funds previously advanced to another group company.

17. PROVISIONS

	2018 NZ$000	2017 NZ$000
Employee benefits - redundancy	-	598
Rehabilitation	15,115	15,075
	15,115	15,673
Less current portion of Rehabilitation provision	(680)	(569)
	14,435	15,104

Rehabilitation provision		
At beginning of year	15,075	14,681
Unwinding of discount	440	480
Fixed asset adjustment	(280)	-
Credited to statement of comprehensive income	(120)	-
Utilisation	-	(86)
At end of year	15,115	15,075

Provisions for rehabilitation are made when an outflow of resources for a clean-up is probable. The estimation of the cost of future remediation activities is subject to potentially significant uncertainties. These uncertainties include the legal and regulatory framework, the magnitude of possible contamination and the timing and extent of remediation activities required. The provision has been estimated based on using existing technology, at current prices and discounted to present value as the majority of these costs are expected to be incurred over the next 8 years.

18. EQUITY

Number of authorised shares and issued shares	2018	2017
Ordinary shares	100	100
Redeemable preference shares	725,000,000	725,000,000

Ordinary shares
All issued shares are fully paid. There have been no changes in shares on issue in the year. All ordinary shares carry equal rights in respect of voting, dividend payments and distribution upon winding up.

Redeemable preference shares
All issued shares are fully paid. There have been no changes in shares on issue in the year. Norske Skog Tasman Limited is unable to issue other preference shares ranking in priority to those already issued without the prior approval of existing holders. The shares have the following conditions attached:
(i) Receive dividends at the discretion of the Directors;
(ii) Rank in priority to ordinary shares on winding up;
(iii) Are unable to be voted at general meetings of Norske Skog Tasman Limited; and
(iv) Are redeemable at the option of Norske Skog Tasman Limited without prior notice.

19. FINANCIAL INSTRUMENT CLASSIFICATION

	2018 NZ$000	2017 NZ$000
Financial assets		
Fair value through profit and loss	20,078	10,201
Financial assets at amortised cost	20,810	28,573
	40,888	38,774
Financial liabilities		
Fair value through profit and loss	13,844	17,513
Financial liabilities at amortised cost	24,145	29,730
	37,989	47,243

20. LEASE COMMITMENTS

Non-cancellable operating lease rentals are payable as follows:

	2018 NZ$000	2017 NZ$000
Less than one year	405	535
Between one and five years	200	240
More than five years	-	-
	605	775

21. RELATED PARTIES

The Group has a related party relationship with its directors and executive officers. In addition the Group has related party relationships with other companies in the Norske Group, in particular with the group's immediate parent, Norske Skog Industries Australia Limited (and certain of that company's subsidiaries) and with the Group's Norwegian intermediate parent, Norske Skog AS (and certain of that company's subsidiaries).

Norske Skog Tasman Limited also has a related party relationship with its wholly owned New Zealand incorporated subsidiaries Norske Skog Capital (New Zealand) Limited, Norske Skog Holdings (No.1) Limited and TOPP1 Energy Limited and an unincorporated joint venture with Oji Fibre Solutions (NZ) Limited.

	2018 NZ$000	2017 NZ$000
Transactions with related parties were:		
Sales made to subsidiaries of the Group's immediate parent	7,729	6,497
Interest receivable from other companies in the Norske Group	409	268
Interest payable to other companies in the Norske Group	880	1,067
Services provided by other companies in the Norske Group	2693	2,871
Inventory purchased from other companies in the Norske Group	15,357	8,032
Sales to Joint Ventures	4,070	3,745
Purchases from Joint Ventures	1,605	1,474
Outstanding balances with related parties were:		
Due from former ultimate parent company	-	1,550
Less allowance for impairment	-	(1,550)
	-	-
Due from other Norske Group companies (included in receivables, Note 11)	356	10,493
Due to other Norske Group companies (included in payables, Note 15)	3,360	542
Due to Joint Ventures (included in payables, Note 15)	152	225
Due from Joint Ventures (included in receivables, Note 11)	406	563

Interest bearing amounts due to fellow Group companies are disclosed in Note 16 and non interest bearing amounts due to fellow Group companies are disclosed in Note 15.

During 2018 Norske Skog Tasman Limited offset $7m (2017 $nil) of its interest bearing loan from a fellow group company. No debts with any related parties were forgiven in 2018 or 2017. As indicated above a $1,550,000 amount receivable from the company's former ultimate parent was fully impaired in December 2017 following that company being declared bankrupt.

Total key management personnel compensation for the year ended 31 December 2018 was $999,000 (2017: $1,107,000).

The Group also has a related party relationship with the Water and Waste Services Joint Venture. Norske Skog Tasman Limited and an independent party each hold a 50% interest in this unincorporated joint venture, which was formed for the sharing of costs and output.

21. RELATED PARTIES (continued

Investment in Joint Venture

Summarised financial information for the Water and Waste Services Joint Venture, which is accounted for using the equity method, is set out below.

	2018 NZ$000	2017 NZ$000
Summarised statement of financial position		
Current assets		
Other current assets (excluding cash)	406	563
Other current liabilities (including trade payables)	406	563
Net assets	-	-
Summarised statement of comprehensive income		
Revenue	4,070	3,745
Cost of sales	4,070	3,745
Total comprehensive income	-	-

The information above reflects the amounts presented in the Water and Waste Joint Venture financial statements.

Reconciliation of summarised financial information

Opening net assets at 1 January	-	-
Profit for the period	-	-
Other comprehensive income	-	-
Closing net assets	-	-
Interest in joint venture at 50%	-	-

22. CONTINGENT LIABILITIES

The company has no contingent liabilities at 31 December 2018.

23 EVENTS AFTER THE REPORTING PERIOD

No significant non adjusting events have occurred between the 31 December reporting date and the date of authorisation of these financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF NORKSE SKOG TASMAN LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Norske Skog Tasman Limited ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime ("NZ IFRS RDR") issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, 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.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company or any of its subsidiaries.

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS RDR, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing 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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 (NZ) 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 decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Who we Report to

This report is made solely to the Company's shareholder, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder, as a body, for our audit work, for this report or for the opinions we have formed.

BDO Auckland
Auckland
New Zealand
30 April 2019